



This Newly Emerged Intermediate Gold Miner Is Poised to Soar in 2019

Description

While an improving global economic outlook coupled with a firmer U.S. dollar and higher interest rates points to poor prospects for gold during 2019, there are signs that **Equinox Gold Corp.** (TSXV:EQX) will rally over the year. The miner has lost 18% over the last year compared to gold only shedding 5% creating an opportunity for investors seeking levered exposure to the yellow metal by investing in a quality up-and-coming miner.

Quality assets

Equinox is focused on development stage properties and transitioning to becoming an intermediate miner. It is currently advancing the Aurizona and Castle Mountain gold mines located in Brazil and California respectively, to reach commercial production. Equinox also recently acquired the operational Mesquite open-pit gold mine also located in California in a US\$158 million deal with beaten-down intermediate miner **New Gold Inc.** That deal was immediately accretive for Equinox on a range of measures including gold reserves, production, cash flow and net asset value.

The acquisition, which was funded by US\$120 million in debt and US\$75 million in equity, has accelerated Equinox's growth and established it as an active gold producer. Mesquite has proven and probable reserves of just over one million gold ounces, which has boosted Equinox's net asset value. The mine has produced an average of 135,000 ounces of gold annually over the last 10 years with mean all-in sustaining costs (AISCs) of US\$870 per ounce produced.

For 2018, Mesquite's gold output is estimated to be 140,000 gold ounces, of which 26,000 ounces are attributable to Equinox because they were mined after it completed the deal. It was estimated that Mesquite's 2018 AISCs would be US\$1,005 to US\$1,045 per ounce produced, but there are signs that they could be lower, with first half 2018 AISCs of US\$865 per ounce being reported. This emphasizes the mine's profitability in an operating environment where gold is trading at over US\$1,270 an ounce.

The additional cash flow generated by the mine will not only allow Equinox to bolster its cash holdings and balance sheet, but also enhance its ability to fund its Aurizona and Castle Mountain development stage projects. It is anticipated that the Aurizona mine, which has gold reserves of 971,000 ounces ,

will commence production during the first half of 2019, producing 85,000 to 105,000 gold ounces during its first year. Equinox forecasts that Aurizona's gold output will increase to 140,000 ounces annually once steady-state commercial production is achieved. That will give the miner's earnings a solid boost, particularly when it is considered that the mine will have AISCs of US\$800 to US\$875 per ounce produced.

The first phase of Castle Mountain, which has reserves of 3.6 million gold ounces, will commence operations during the first half of 2020, initially adding 45,000 gold ounces to Equinox's total production. It is expected that as further development work is completed at Castle Mountain that gold production will reach 200,000 ounces annually by 2023, with life of mine average AISCs of US\$763 per ounce. This will lift Equinox's total annual gold output to around 500,000 ounces, with AISCs of less than US\$1,000 per ounce produced annually. And that, along with [firmer gold](#), will give the miner's earnings a healthy lift, which should boost its market value.

Equinox also has a solid balance sheet, finishing the third quarter with US\$23.5 million in cash and US\$52 million in long-term debt, which given higher cash flow from the Mesquite acquisition and Aurizona coming online appears manageable.

Is it time to buy Equinox?

It appears that the market has yet to recognize the considerable value added to Equinox by the purchase of the Mesquite mine, which makes now the time to acquire the miner. Equinox's appeal as an investment is enhanced by its very attractive valuation, with it trading at a mere 0.44 times its net asset value, which is less than half of the average multiple for leading intermediate gold producers. As [gold firms](#) over coming months because of rising global uncertainty, Equinox's stock will soar.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:EQX (Equinox Gold Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/21

Date Created

2019/01/23

Author
mattdsmith

default watermark

default watermark