3 Promising Mining Stocks Under $5

Description

The mining industry has been in a winner-take-all mode over the past few years.

For example, the **S&P/TSX Global Mining Index** has been roughly flat over the past five years, eking out an increase of a few percentage points over the past 12 months. However, that index is almost completely comprised of huge companies with large-cap market sizes.

Smaller mining stocks have slipped through the cracks. In fact, many have fallen by 30% or more in recent years, despite solid fundamentals.

If you're looking to pick up some bargain mining companies under $5 a share, take a look at this list.

Lucara Diamond (TSX:LUC)

After a recent share price dip, Lucara stock now sports an outsized 6% dividend — a payout that has been maintained since 2014.

In November of 2018, shares were at $2.20 each. Today, the stock has fallen to just $1.60 apiece. The reason for the dip was poor annual results, but if you look closer, there's no reason to fear.

Last year, revenues fell from $220 million to $175 million. Earnings dropped from $0.17 per share to just $0.03. Much of that decrease came from a temporary downturn in pricing. As prices revert to their long-term average, Lucara shares stand to benefit. Plus, you'll receive a fully covered 6% dividend while you wait.

As I wrote earlier this year, "If you want to diversify your portfolio with commodity stocks but don't want the outsized risks associated with most mining companies, check out Lucara Diamond Corp."

Iamgold (TSX:IMG)(NYSE:IAG)

With a market capitalization of $2.2 billion, Iamgold is the largest company on this list. With shares now under $5 apiece, however, the company’s stock is now well below its all-time highs of $24 set in 2011.

With all-in sustaining costs of just US$1,000 per ounce of gold, Iamgold is one of the better-positioned stocks to withstand a prolonged market downturn. The company has US$615 million in cash, US$120 in short-term investments, and a US$500 million credit facility.

With total liquidity of more than US$1.2 billion, shareholders can sleep easy by owning this mining stock.

What about growth? Since 2016, reserves have grown by 136% to nearly 18 million ounces. The second half of 2019 and the entirety of 2020 should bring multiple options for expansion, including its meaningful Côté and Boto projects.

If gold prices move higher, Iamgold looks like a great way to capitalize.

Osisko Mining (TSX:OSK)

Shares of Osisko have done fairly well in recent months. Since August of 2018, the stock has nearly doubled to $3.35 per share. Investors are clearly growing more optimistic about its project pipeline.

Lately, the company has been making a series of new estimates for its properties, with early results looking encouraging. At its Lynx Zone mineral resource, for example, indicated gold reserves grew by 153,000 ounces. Inferred tonnage actually fell, but due to increases in gold grades, this reserve metric also popped by 82,000 ounces.

This is perhaps the riskiest stock on this list, but if further gains are realized, Osisko could have a tonne of hidden value. With $120 million in cash, the company doesn’t need to rush for results.

2019 should be filled with new catalysts, including infill and expansion drill results, bulk sample results, deep exploration, and a full Windfall resource update.

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2. TSX:IMG (IAMGOLD Corporation)
3. TSX:LUC (Lucara Diamond Corp.)
4. TSX:OSK (Osisko Mining)

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rvanzo