



Buy This Miner Today and Profit From Higher Gold in 2020

Description

After enduring a tough few years, gold miner **Eldorado Gold** ([TSX:ELD](#))([NYSE:EGO](#)) appears to have finally found its footing, soaring by 143% since the start of 2019 because of firmer gold prices and improved results. There are signs that Eldorado is poised to deliver further value for investors in 2020.

Growing gold production

The miner found itself [struggling to survive](#) at the start of 2019 as it battled to pivot its operations to southeastern Europe and gain appropriate permitting for the projects it owns in the region. There was also considerable risk associated with the commissioning of the Lamaque mine in Quebec, which was to become a sorely needed source of cash flow as Eldorado struggled to meet its financial obligations.

Nonetheless, Lamaque successfully commenced commercial production in April 2019. It has since experienced two successful quarters producing 32,000 gold ounces for the third quarter of 2019, which was more than double the 13,430 ounces for the same period in 2018.

That saw Eldorado's total production rise by an impressive 20% year over year to 101,596 gold ounces, positioning the miner to fully benefit from higher gold prices and achieve its annual guidance of 390,000 to 400,000 gold ounces.

Importantly, Eldorado, after much wrangling, has been finally able to gain much needed permits for its Skouries and Olympias projects in Greece. That places it a position where it can start advancing those properties, which will eventually boost Eldorado's gold reserves and production.

A combination of the successful start up of Lamaque, growing gold production and higher realized sale prices saw Eldorado's earnings soar. For the third quarter the miner reported net income of US\$3 million compared to a US\$131 million loss a year earlier.

Eldorado remains a high-cost operator reporting all-in sustaining costs (AISCs) of US\$1,031 per ounce mined for the third quarter, although that was 7% lower than a year earlier. The high AISCs can be attributed to increased spending on developing its assets, including higher sustaining costs, to boost

gold production and reserves. Those ASICs should start to fall once Eldorado completes a range of projects under development at its operating mines.

Importantly, total cash costs for the third quarter fell significantly to be US\$603 per ounce produced which was a whopping 21% lower than a year earlier. That combined with higher prices, with the yellow metal now trading at over US\$1,522 per ounce, boosted Eldorado's earnings. There is every indication that Eldorado's earnings will continue to grow as it further ramps up operations at Lamaque, significantly bolstering its gold output.

The outlook for gold during 2020 remains positive. The yellow metal, after plunging to a one-year low of around US\$1,269 per ounce in May 2019, has rallied strongly to now be trading at over US\$1,520 per ounce because of renewed fears that a global recession is due. There are also growing concerns that the trade war between the U.S. and China won't end favourably, triggering an economic downturn.

Weaker manufacturing activity in many major industrialized economies and softer than expected growth in the Eurozone has ratcheted up fears of a financial crisis occurring during 2020. Higher geopolitical risk has also bolstered gold, leading some pundits to speculate that it could [break through](#) US\$1,600 an ounce during 2020, which would be a tremendous boon for Eldorado.

Foolish takeaway

Gold is perceived to be the ultimate safe haven asset and has a history of performing strongly during times of rising uncertainty, making gold miners like Eldorado an ideal means of hedging against an economic decline. After being roughly handled by the market because of weak operations and considerable uncertainty surrounding its assets, Eldorado appears to be on track to unlock considerable value for shareholders. Now is the time to buy.

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