



## Top Canadian Gold Stocks of 2023

### Description

Gold stocks are companies that mine, sell, or finance the extraction of gold. They could be companies that mine in rivers and dirt for nuggets, flakes, and gold dust. Or they could be streaming and royalty companies that give mining companies the funds they need to find gold (for a percentage of the revenues).

Either way, gold companies are responsible for unearthing one of the world's most precious metals and selling it on global markets — a lucrative enterprise that Canadian investors can profit from, too.

Considering that Canada is one of the world's top producers of gold, gold stocks could have an important place in a Canadian investor's [well-diversified portfolio](#). Let's look deeper at gold stocks and see if they're the right fit for you.

### What are gold stocks?

Gold stocks are mining companies that focus primarily on the extraction and sale of gold.

When you invest in gold stocks, you're investing in businesses, not the physical metal. You're not buying gold bullions or coins or jewelry or any other form of physical gold. You're buying shares of a gold company, and you'll profit only when the value of your gold stock rises.

Gold stocks don't always follow the price of gold. In other words, just because gold prices are low doesn't mean your gold stocks will suffer. More accurately, your gold stocks will follow the performance of the underlying mining companies themselves.

This is actually good news for investors — when gold does poorly in the market, many mining companies can switch their focus to another mineral, which could keep investors interested and prevent the company from losing revenue.

Of course, not all mining companies are a good buy for investors. For a gold company to be a good investment, it should have:

- High cash flow
- Low or no debt
- Low operating costs
- High gold production that increases every year

Like other mining businesses, gold companies can cave under immense mining costs, so you'll want to evaluate gold companies before you invest in them.

But finding a good company does bring the possibility of striking it rich like the gold miners of yore. That's because gold stocks can provide an immense growth opportunity for investors that physical gold could never promise.

Unlike an ounce of gold — which will always remain an ounce of gold — a gold mining stock has unlimited upside. That means gold companies with good financials and solid business practices could theoretically keep rising in value, especially during times of turmoil and uncertainty.

## Top Canadian gold stocks

Canadian investors are in luck: Canada has some of the best gold stocks in the world. Among top-performers, here are just a few gold stocks you might want to consider from the [Toronto Stock Exchange \(TSX\)](#).

Gold Stock	Description
Barrick Gold Corporation ( <a href="#">TSX:ABX</a> )	One of the largest gold mining companies in the world with operations in 18 countries
Agnico Eagle Mines ( <a href="#">TSX:AEM</a> )	Large gold mining company with cost-efficient operations
Franco-Nevada Corporation ( <a href="#">TSX:FNV</a> )	Gold-focused streaming and royalty company with a hefty dividend

*All data updated as of October 13, 2022*

## Barrick Gold

Barrick Gold is by far the biggest and most well-known gold stock on the TSX and arguably the world. And that's no accident: Barrick Gold has built a mining structure that keeps mining costs low and production high. It focuses on operating large mines with at least 10 years of gold left, each mine producing around 500,000 ounces of gold annually.

And the company keeps growing and cutting costs. By 2030, Barrick Gold expects to produce around 5.5 million ounces per year. And by 2026, it wants to cut operating costs by 10%, from \$1,000 per ounce in 2021 to \$900.

What sets Barrick Gold apart in the stock market is its volume: since it has a major name, investors flock to it. And with a \$35 billion market cap, this makes Barrick Gold not just a special [large-cap stock](#), but a relatively safe one for investors.

## Agnico-Eagle Mines

Agnico-Eagle Mines is another large gold mining company with a cost-efficient structure. Though it is smaller than Barrick Gold, it is not at all a small company. It has recently completed a merger that should benefit it in the long run.

Agnico-Eagle Mines also has a competitive advantage — it operates in more developed regions of the world, such as North America, Mexico, and certain parts of Europe. This sets it apart from other mining companies, above all Barrick Gold, that mines for gold in less developed countries that may be unstable or unsafe.

## Franco-Nevada Corporation

Franco-Nevada Corporation is a gold-focused streaming and royalty company. In other words, unlike Barricks Gold and Agnico-Eagle Mines, it doesn't mine for gold directly, but rather provides substantial cash to mining companies that do.

In exchange for funding, streaming and royalty companies like Franco-Nevada Corporation get royalties. This is often a percentage of the mining company's revenue and the right to buy gold in the future at a fixed price (usually lower than the market price).

Of the streaming and royalty companies in Canada, Franco-Nevada is certainly one of the biggest and most well-known. It boasts a debt-free balance sheet (unusual for mining companies), and has immense cash flow. Because it doesn't mine for gold directly, it is not exposed to certain mining risks, and doesn't have to face certain operating costs that have crushed mining companies in the past.

Franco-Nevada is also a [dividend stock](#), and a lucrative one at that. It has increased the dividend every year since the IPO on the Toronto Stock Exchange in late 2007. During the recent [bull market](#) for gold, the dividends have soared.

## Investing in gold stocks vs. gold ETFs

For investors who shy away from [choosing individual stocks](#), there is another option. You can also buy shares in a gold-focused [exchange-traded fund \(ETF\)](#).

This may sound complicated, but it really just means you're investing in a collection of gold-focused companies. Instead of buying stock in one company, an ETF spreads your money across numerous investments (a mutual fund works the same way.). A [gold ETF](#) can be a cost-efficient way to achieve diversification, as a single share in an ETF exposes you to many companies. Often you'll get a mixture of gold mining companies, streaming companies, and perhaps even companies that sell the precious metal outright.

The difference between gold stocks and ETFs comes down to risk. Gold stocks, like any investment in the stock market, can be volatile, which might make risk-averse investors uneasy.

On the other hand, because gold stocks are volatile, the upside potential can be immense if they rise in value. Gold ETFs can rise in value, too, but because you own very small quantities of any individual gold company in an ETF, you'll likely see smaller gains.

Some popular gold ETFs include:

- iShares S&P Global Gold Index ETF ([TSX:XGD](#))
- SPDR Gold Trust ([NYSEMKT:GLD](#))
- iShares Gold Bullion ETF ([TSX:CGL](#))

## Are gold stocks right for you?

Gold stocks have long been considered a safe-haven against economic downturns, inflation, market volatility, and geopolitical events. Time after time, investors have flocked to gold during particularly tumultuous events, pushing up the demand for gold and the value of gold stocks. For that reason, gold stocks could have a strategic place in your portfolio, helping you stay grounded during volatile times.

That said, investors should note that cryptocurrency and other precious metals are also considered safe-havens, and, in fact, could challenge gold's performance over the long run. But if the tumultuous events of 2022 have shown us anything, it's this — gold is here to stay. Gold stocks were among the best-performing stocks of the year, and their strong performance tells us [cryptocurrency](#) hasn't yet replaced gold as the primary safe-haven asset.

One of the best ways to look for gold stocks is to find companies whose costs and debts are low, and that don't engage in risky mining projects. The stocks mentioned above are a good place to start, but if you want to dig further, look for gold companies that have lots of cash and a solid plan to expand production.

You might also want to consider royalty and streaming companies, as these companies often benefit from the price of gold, without taking on the risks of digging for it.

### TICKERS GLOBAL

1. NYSEMKT:GLD (SPDR Gold Trust)
2. TSX:ABX (Barrick Mining)
3. TSX:AEM (Agnico Eagle Mines Limited)
4. TSX:CGL (iShares Gold Bullion ETF)
5. TSX:FNV (Franco-Nevada)
6. TSX:XGD (iShares S&P/TSX Global Gold Index ETF)

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