

Is \$2,000 Gold on the Horizon

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LONDON, Aug. 19, 2019 - The trade war between the United States and China has taken a turn for the worst. Energy is down, manufacturing is taking a beating, even the almighty FAANG stocks are reeling. And it's going to get much worse before it gets better. Mentioned in today's commentary includes: [Eldorado Gold Corp.](#) (NYSE: EGO) (TSX: ELD), Yamana Gold (NYSE: AU) (TSX: YRI), Agnico Eagle Mines (NYSE: AEM) (TSX: AEM), Wheaton Precious Metals (NYSE: WPM) (TSX: WPM), and Kinross Gold Corporation (NYSE: KGC) (TSX: K).

That's why investors are scrambling back into safe haven assets. And why gold has barreled past the \$1,500 mark for the first time in nearly 7 years.

This summer's gold rush has made the now extra-precious metal's gains for this year more than 18 percent. That's better than the S&P 500! It would be difficult to find a market more bullish than gold right now. Some are even saying that \$2,000/oz gold is on the horizon.

The market for gold has never been hotter, and there has rarely been such good reason to begin buying in. But catching the wave is no easy feat. From under-the-radar mines to old school producers stepping up their game, knowing where to look is the key way to see big returns.

The Next Mining Hotspot

Toronto-based African Gold Group (AGG.V, AGGFF) is sitting on an estimated 2.2 million ounces of mineral resources in a country that is currently experiencing its own veritable gold rush.

The company burst onto the scene when they uncovered a massive gold nugget weighing 1 kilogram--a single discovery worth \$45,400. While this seems like a one-off stroke of luck, for African Gold Group it was just the beginning. Soon after, they found a second, even larger nugget, this one weighing 2.7 kilograms, and valued at a whopping \$122,500.

It must be said that African Gold Group is a junior miner, and while investing in startups comes with its fair share of risk, the potential rewards are huge. Gold Group offers potentially outsized rewards. What's more, while the company is new, it certainly isn't green. Newly appointed CEO Stan Bharti is a veteran of the gold game, with 30 years of success at the head of different mining ventures. And unlike many newcomers to the scene, the company appears significantly undervalued, meaning that they have the one thing that every investor wants: a discount on gold.

We're talking about a stock that has a modest market cap of around \$12 million, but is currently sitting on gold reserves that could be worth billions. African Gold Group's Kobada mine is in a prime location on top of Mali's proven 2.2 million ounces of gold reserves, and it's an open-pit operation, which translates to lower operating costs. And the company estimates the potential of these gold nuggets were unearthed has 2.2 million ounces. And there could even be more, depending on what new tests reveal.

As Pope & Company noted, "The gold at the Kobada deposit is coarse and nuggety, which means the contained gold could be much higher than often under estimated."

Low overhead, huge gold reserves, and a gold price approaching \$1,500/oz. means one thing: African Gold Group (AGG.V, AGGFF) will not fly under the radar for much longer.

Gold Giants Ramp Up Production

Eldorado Gold Corp. (NYSE:EGO) (TSX: ELD.TO) is not new to the gold world. The company has assets in Canada, Turkey, Greece, Romania, Brazil and Serbia and is expanding.

GuruFocus, an investment news site, asserts that Eldorado is "well-positioned to benefit from an up-trend in gold" and that "the Canadian miner is going to feed the gold market with higher gold volumes over the third and final quarter of 2019, having confirmed its expectations for full-year production of 390,000 to 420,000 ounces."

Eldorado has already produced 174,780 ounces of gold in the first half of this year, and after the company confirmed its hefty end-of-year projections, it serves to reason that the company will be mining even more gold in the last two quarters--to the tune of 107,600 to 122,610 ounces of gold each quarter--meaning that the company is set to grow between 17.2 and 33.6 percent.

A significant part of this production increase will come from [Eldorado Gold Corp.](#)'s newly operational Lamaque gold mine in Val-d'Or, Quebec. While a spike in production from the Lamaque mine is nearly guaranteed, Eldorado could receive a further production push from its Olympias asset in Greece which also shows major potential for growth.

Over the last year, Eldorado's stocks have climbed a whopping 55 percent. And this is just the beginning.

George Burns, Eldorado's President and CEO stated: "As a result of the team's hard work in 2018, we are well positioned to grow annual gold production to over 500,000 ounces in 2020." The timing is perfect to buy into Eldorado before production explodes.

Yamana Gold (NYSE: AUU) (TSX: YRI.TO), much like Eldorado, is currently hard at work to ramp up its own gold production.

The Toronto-based company recently finished developing its Cerro Moro project in Argentina, where the mine produced its first gold and silver in May of last year. By the end of the year, Yamana projects, the company's gold production will increase by 20 percent and silver production is due to increase by an incredible 200 percent.

Now, the company is working on developing a brand new project, also in Argentina, called the Agua Rica mine. Yamana signed a deal with Glencore and Goldcorp to initiate the project, which is projected to have a mine life of over 25 years with an annual average production rate of around 236,000 metric tons (or 520 million pounds) of copper-equivalent metal over the first decade of operation. This total will include contributions of gold, molybdenum, and silver.

Zacks Investment Research has called Yamana "a great momentum stock," saying that all the numbers for the company are right, promising long-term growth.

"Shares of Yamana Gold have increased 63.94 percent over the past quarter, and have gained 12.54% in the last year. On the other hand, the S&P 500 has only moved -2.93 percent and 2.2 percent, respectively." Not convinced yet? Yamana is also a 50 percent owner of Canada's largest gold mine, the Canadian Malartic.

And who owns the other half of the largest gold mine in Canada? That would be another Toronto-based gold producer, Agnico Eagle Mines (NYSE:AEM) (TSX:AEM).

Agnico is the fourth largest gold mining stock on major U.S. exchanges according to the Motley Fool. It therefore goes without saying that the company is already a big fish in the gold sector, with eight fully-operational mines spread across Canada, Finland, and Mexico.

The company's 50 percent stake in the massive, open-pit Canadian Malartic is probably the most significant

asset in Agnico Eagle's portfolio, but it's certainly not the only one. Agnico Eagle has a lot going for it.

As the Motley Fool writes, "much of Agnico Eagle's popularity among investors comes from its near-term potential for rising production. The company has invested in assets in the Canadian Arctic territory of Nunavut, and its Meliadine and Amaruq mines are only now starting to add to total production for Agnico Eagle. In addition, shareholders in Agnico Eagle benefit from one of the longest track records of dividend payouts in the industry."

Agnico Eagle's dividends make the company a standout among gold producers, which typically struggle to provide dividends after the significant capital expenditures required in the gold mining industry.

Not only has Agnico Eagle managed to pay out a dividend for a whopping 36 years, their CEO Sean Boyd has long said it is a company priority to increase the payout.

"With attractively low all-in sustaining costs for gold production that could well go down as new assets come fully online," says the Motley Fool, "Agnico Eagle is in a good position to stand out just below the industry's most prominent mining companies."

Taking A Global Approach

Like Agnico Eagle Mines, Kinross Gold Corporation (NYSE:KGC) (TSX:K) has also secured a position in the Motley Fool's list of the 10 biggest gold mining stocks on major U.S. exchanges, coming in at lucky number seven.

Kinross has a much more global view than many of its compatriot companies. In fact, Kinross has no current projects operating in Canada, but instead has significant exposure to the United States, Brazil, Russia, Mauritania, and Ghana. This is all without mentioning the company's numerous exploration sites, most notably in Chile.

"Kinross has ambitious plans for mining success," says the Motley Fool. "The company expects annual production of roughly 2.5 million ounces of gold, with all-in sustaining production costs of close to \$1,000 per ounce. More than half of its overall production is likely to come from its Western Hemisphere operations, with between 20% and 25% each coming from West Africa and Russia."

Kinross also has excellent timing, having announced the acquisition of a \$283 million Russian gold project last week, just before gold prices took off. Kinross is a safe bet for investors, with its established position in the industry and impressive portfolio. But now, with significant new projects underway and gold markets promising to keep growing as the stock market slows, the timing couldn't be better to invest.

Diversification Is Key

For investors looking for something a bit different, Wheaton Precious Metals (NYSE:WPM) (TSX:WPM) offers a unique take on the mining market. Massive and well-established, Wheaton has a hand in operations around the globe and a secure position as one of the largest 'streaming' companies on the planet. The Vancouver-based company currently has agreements with 19 operating mines and a further 9 projects still under development.

If there was any doubt as to the viability of Wheaton's somewhat unique 'streaming; business model', incredulity will quickly be shut down by the numbers. Wheaton's stock value has doubled over the past four years thanks to higher revenues and a sharp rise in margins.

Wheaton has earned itself many headlines this week as the stock soared from gold's surge and escalating trade war refugees sought refuge in gold. Key in quite a few of those articles focusing on Wheaton's big moment this week is Schaeffer's Investment Research's assertion that now is the time to buy into Wheaton, as the company "recently flashed a historically bullish signal suggesting traders may want to consider

scooping up call options ahead of earnings this week."

By James Burgess

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Contact Information:

Media Contact e-mail: editor@financialnewsmedia.com, U.S. Phone: +1(954)345-0611

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