

Top five gold stocks on the TSX in 2016



Processing facilities at Golden Star Resources' Wassa gold mine in Ghana. Credit: Golden Star Resources

Posted By: Salma Tarikh January 6, 2017

While the price of gold bullion erased most of the headway it made in early 2016, it still exited the year up 8.5% at US\$1,150.90 per oz., snapping three years of consecutive losses. Despite the modest annual growth for gold, more than a few gold-focused companies* on the Toronto Stock Exchange registered huge year-over-year share price gains.

INV Metals (TSX: INV) topped the list, soaring 536% from 11¢ to 70¢ per share. The company's flagship asset is the Loma Larga gold project in Ecuador, which it acquired from **Iamgold** (TSX: IMG; NYSE: IAG) in 2012. Iamgold currently holds a 36% interest in INV.

In April 2016, INV closed a US\$3 million private placement of 15 million shares priced at 20¢ apiece. It said the proceeds would go towards initiating selected critical path, long-term items required to complete a feasibility study at Loma Larga, following the anticipated positive updated prefeasibility study in 2016.

In July, the updated study (which replaced the 2015 prefeasibility study) proposed INV building a larger 3,000 tonnes per day underground operation producing 150,000 oz. gold a year over a 12-year mine life.

Using a US\$1,250 per oz. gold price, Loma Larga has an after-tax internal rate of return of 26.3%. Start-up costs are US\$286 million for the project, which also has significant silver and copper credits.

In an email, the company's CEO Candace MacGibbon said INV intends to start the feasibility study in 2017 and is currently completing geotechnical and hydrogeological drilling and the design of further metallurgical testwork to support the upcoming study, which should take 18 months to complete. Following permitting and project financing, construction should begin in 2019, with gold production commencing at the end of 2020.



A field crew collects samples at INV Metals' Loma Larga gold property in Ecuador. Credit: INV Metals.

Loncor Resources (TSX: LN) shares jumped 350% from 4¢ to 18¢ over 2016. The little-known explorer has two gold assets in the Democratic Republic of the Congo: the Ngayu project in Orientale province and the North Kivu project in the North Kivu province. The latter project is under force majeure due to the poor security situation in most of the province.

Loncor kicked off 2016 by announcing **Randgold Resources** (NASDAQ: GOLD) had signed a joint-venture agreement on the Ngayu project, where the major would manage and fund all exploration until completing a prefeasibility study on any gold discovery it makes. If Randgold moves ahead with a feasibility study, Loncor would need to start pitching in with costs to maintain its 35% interest.

In February, Loncor raised \$1 million in a non-brokered private placement of 67 million shares at 15¢ a share. Come April, Randgold started a regional airborne geophysical survey over Ngayu, with no results yet released.

Loncor closed a non-brokered private placement of 1.75 million units at 12¢ a unit for gross proceeds of \$210,000 in June. Each unit comprises one share and half a warrant.

Since then, Loncor has not published news. At the end of September, it had cash and equivalents of US\$14,000 and a working capital deficit of US\$1.09 million.



A bird's-eye view of Golden Star Resources' Wassa gold mine in Ghana. Credit: Golden Star Resources.

Golden Star Resources (TSX: GSC; NYSE-MKT: GSS) gained 321% over 2016 to close at 99¢ per share. The operator of Wassa and Prestea open-pit gold mines in Ghana had a busy year, highlighted by a 10% reserve increase, debt reduction, and progress at the Wassa and Prestea underground development projects.

Golden Star raised US\$15 million at US66¢ a share in a bought deal financing in May. In early August, the miner closed a US\$34.5 million underwritten public offering at US75¢ a share and a US\$65 million private placement of 7% convertible senior notes due 2021. The net cash proceeds of that private placement were US\$21.2 million. It used the proceeds of the August financing to repay in full its US\$25 million loan with Ecobank Ghana Limited, where US\$22 million, plus accrued interest, was remaining.

The Wassa underground mine commenced production in July and reached commercial production on Jan. 1, 2017, with production expected to ramp up throughout the year. The Prestea underground mine is on track to start production in mid-2017.

For 2016, Golden Star anticipates delivering between 180,000 and 205,000 oz. gold at cash operating costs of US\$815 to US\$925 per oz.



Marathon Gold prospector Dave Galley examines visible gold in coarse cubic pyrite from large quartz-tourmaline-pyrite at the Sprite deposit at the Valentine Lake gold property in Newfoundland. Credit: Marathon Gold.

Marathon Gold (TSX: MOZ) shares increased 293% from 15¢ to 59¢ over the past year, helped by drilling success at the company's 100%-owned Valentine Lake gold property in Newfoundland. The property hosts four deposits — Leprechaun, Marathon, Victory and Sprite — with existing resources. Combined, the four deposits host in-pit and underground resources of 15 million measured and indicated tonnes of 2.2 grams gold per tonne for 1.06 million oz. gold, plus 2.2 million inferred tonnes of 2.85 grams gold for 199,800 oz. gold. More than 90% of the measured and indicated resource sits in the Leprechaun and Marathon deposits, where metallurgical testing confirmed heap-leaching opportunities.

From the start of 2016 to mid-November, Marathon drilled 14,546 metres in the Marathon area, and the Leprechaun and Victory deposits. Of note, it expanded the mineralized corridor of the Marathon deposit to over 1.7 km and confirmed the mineralization continues below 350 metres at depth.

The company closed a \$3 million private placement in May and an \$8 million flow-through financing in late October. The proceeds from the October financing will fund ongoing fieldwork on Valentine Lake, as well as an expanded 35,000-metre drill program, which will continue into 2017 to grow current resources and locate new resources on the property. Marathon plans to table an updated resource estimate in the second quarter of 2017.



Marathon Gold CEO Phillip Walford collects a sample at the Valentine Lake gold project in Newfoundland. Credit: Marathon Gold.

Kerr Mines (TSX:KER) exited 2016 at 11.5¢ per share, up 283% from its 2015 close of 3¢ as it struggled to improve its finances through debt restructuring and the sale of its non-core assets.

In July, Kerr reached settlement agreements with trade creditors and some debt holders representing \$8.4 million of the \$22.6 million of current liabilities outstanding at the end of March. It paid \$2.5 million in cash, stock and future consideration in settling these debts.

A month later, Kerr reached several other agreements with various creditors to improve its financial position by settling debt for less than face value, converting the debt to common shares, and securing a new \$2 million long-term debt facility, among other things.

With its books in better shape, Kerr started dewatering and rehabilitation work on its core asset — the past-producing Copperstone gold mine in Arizona — in October. Following dewatering, Kerr says an initial exploration and development program will focus on prioritizing exploration targets and restoring production by implementing improved mining methods.

** Companies that state their main focus is on gold exploration, development or production.*