



1 Gold Miner Under \$5 That Could Double

Description

Despite U.S. equities recently hitting record highs, gold remains popular with investors who are fearful that a market correction could be on its way. That fear is being exacerbated by the uncertainty surrounding the global economic and geopolitical environment.

One of the best ways to cash in on the positive outlook for the lustrous yellow metal is to invest in gold miners with proven operations. This is because they provide investors with levered exposure to the price of gold, boosting the returns they can earn as the yellow metal rises. An attractive intermediate gold miner, the potential of which is underrated, is **Klondex Mines Ltd.** (TSX:KDX)(NYSE:KLDX).

Now what?

Klondex owns and operate what is considered to the highest-quality operational underground mine in the world: the Fire Creek mine in Nevada. It has an assessed grade of 44 grams of gold to every tonne of ore and has been an important driver of the miner's solid operational and financial performance.

For the second quarter 2017, Klondex reported record operating results. Production rose by an extremely impressive 94% year over year to 66,629 ounces of gold, putting the company on track to meet its 2017 production guidance of 210,000-225,000 ounces — a 36% increase year over year.

That growth should continue because management is focused on ramping up production at it the True North and Hollister mines over the second half of 2017.

Such strong production growth bodes well for a solid lift in profit in an environment where gold prices remain firm and its outlook is positive.

Production costs are also falling. First-quarter cash costs for Klondex's flagship Fire Creek mine came in at US\$410 per ounce compared to US\$455 for the same period in 2016. The same occurred at its Midas mine, where cash costs dropped by just under 7%. While there is no data available for the second quarter as of yet, this trend should continue, because the ore grades mined and milled during the quarter remained high and were similar to those reported for the prior quarter.

Investors should note that Klondex's all-in sustaining costs are high because it is investing considerable capital in developing the True North and Hollister mines.

That investment is paying off. In May, Klondex released a new report for the True North mine, which saw gold reserves rise by 25%, while possessing an impressive grade of 8.3 grams per tonne of ore. These reserves were calculated using an average price of US\$1,200 per ounce, meaning that should gold remain above that price there is considerable potential for further increases.

An initial reserves report for the Hollister mine was released in June. It showed 110,000 ounces of gold reserves with a striking average grade of 19.9 grams of gold per tonne of ore.

Once work is completed at those mines, I expect Klondex's gold reserves to expand further.

A pleasing aspect of Klondex is its solid financial health. At the end of the first quarter, it had US\$29 million of cash and a mere US\$19 million in long-term debt. That rock-solid balance sheet reduces much of the risk associated with investing in an intermediate gold miner like Klondex by providing it with considerable financial flexibility.

So what?

Klondex is one of the most appealing investments to make to gain exposure to gold. It possesses a credible portfolio of high-quality mining assets that have impressive ore grades, considerable gold reserves and significant exploration upside. These attributes combined with Klondex appearing attractively valued along with the positive outlook for gold make now the time to invest.

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Date

2025/07/31

Date Created

2017/07/31

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