



1 Gold Miner Under \$5 Every Investor Should Own

Description

Gold recently broke through the psychologically important US\$1,300-per-ounce barrier on the back of heightened geopolitical tensions in the Korean Peninsula, which, yet again, have sparked a stampede to safety among investors. This has given many gold miners a healthy boost, as evidenced by the **VanEck Vectors Gold Miners ETF** (NYSE:GDX) rallying sharply in recent weeks to be up 17% for the year to date.

Firmer gold prices make gold miners attractive investments, not only because of the yellow metal's defensive characteristics.

You see, many junior and intermediate miners have not experienced the same rally as their larger peers. However, they own and operate high-quality assets that, in conjunction with higher gold prices, will give their earnings a healthy bump.

One of the most attractive intermediate miners is **Klondex Mines Ltd.** (TSX:KDX)(NYSE:KLDX). In stark contrast to many of its peers, its shares have failed to rally because of firmer gold prices and have, in fact, dropped sharply in value to be down by 33% for the year to date. And with firmer gold prices and its high-quality assets, it is an appealing investment.

Now what?

Klondex owns what is categorized as the world's highest-grade underground gold mine, the Fire Creek project in Nevada, which has reserves of 294,000 gold equivalent ounces with an impressive average grade of 42 grams of gold per tonne of ore. The exceptional quality of this mine, along with its other high-quality assets, has allowed Klondex to progressively boost its precious metals output in a cost-effective manner.

For the second quarter 2017, it reported record gold production of 66,618 ounces, which was a massive 94% increase over the prior quarter and a 60% increase over the equivalent quarter in 2016. That significant lift in production can be attributed the ramping up of activity at the True North mine located in Manitoba, which Klondex acquired in January 2016.

This trend will continue over the remainder of 2017. Klondex has forecast that third-quarter production at True North will expand by 68% compared to the second quarter and almost quadruple by the fourth quarter.

It is also progressing with expanding operations at the Hollister mine, which reported production of 13,928 ounces of gold for the second quarter. Ore grades over the course of the third and fourth quarters are expected to rise, while expenses will fall, further boosting production as well as margins.

Because of this impressive performance and the considerable progress made developing the True North and Hollister mines, Klondex has revised its 2017 guidance. Full-year gold production is now projected to be 213,000-230,000 ounces, or 1-2% higher than guidance from earlier this year. That amounts to a notable 40% year-over-year increase, although expenses remain the same with all-in sustaining costs of US\$1070-1,130 per ounce.

Such remarkable production growth couldn't come at a better time with gold now at its highest price since September 2016. This means that Klondex's earnings will continue to grow sparking a healthy rally in its share price.

So what?

Klondex's quality assets, ability to control costs and capacity to substantially grow its gold output couldn't come at a more opportune time than when gold has climbed to above US\$1,300 per ounce. Because it has failed to enjoy the same rally as many of its peers, and its stock has pulled back sharply since earlier this year, Klondex is attractively priced, making now the time for investors to add it to their portfolios.

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