



This Gold Miner Remains 1 of the Best Bets on Gold

Description

Gold's latest rally, which has seen it move closer to the psychologically important US\$1,300 per ounce barrier, could very well be the start of something big for the yellow metal. Growing economic and geopolitical uncertainty coupled with rising fears of a [market correction](#) have sparked increased interest in the yellow metal as a [hedge against uncertainty](#).

While gold bullion or exchange-traded funds are the typical investments that investors consider, gold miners owning high-quality operational assets can be a superior investment. This is because they give investors leveraged exposure to gold, meaning there is a greater opportunity to profit from outsized returns as gold rises. Despite rising in value by 129% over the last year, intermediate gold miner **Kirkland Lake Gold Ltd.** (TSX:KL)(NYSE:KL) remains an attractive means of gaining exposure to gold.

Now what?

Kirkland owns and operate a high-quality portfolio of four gold mines located in the low-risk jurisdictions of Canada and Australia. Its flagship asset is the underground Macassa mine located in Ontario.

Macassa is rated as the second-highest quality operational underground gold mine globally because of its extremely high ore grades, which average around 21 grams of gold per tonne of ore. The mine keeps reporting some impressive operational results. For the third quarter 2017, production grew by a healthy 12% compared to a year earlier, while ore grades improved by 2.8 gram per tonne, and recovery rates were up by a notable 0.5%.

Kirkland also owns the low-cost Fosterville mine located in southeastern Australia. The company has been focusing on progressively ramping up production as well as reducing costs at this operation, which is now paying considerable dividends for the miner.

Successful drilling results allowed Kirkland, for the second quarter 2017, to report a 15% increase in Fosterville's gold reserves. While third-quarter gold production plummeted by 20% compared to record second-quarter production, it was still the second-highest amount of gold produced in the mine's history.

The solid third-quarter operational performance of both mines saw Kirkland report solid results. Total gold production for the quarter shot up by an incredible 80% compared to a year earlier, and the average ore grade improved by 1.9 grams per tonne.

Furthermore, Kirkland's expenses are falling at an impressive rate. Third-quarter all-in sustaining costs — the best measure of the profitability of a gold miner — dropped by a notable 13% year over year, giving Kirkland's margins a healthy boost.

This solid operational performance gave Kirkland's bottom line a healthy bump, causing adjusted earnings per share to grow by an extraordinary 25% year over year, while cash flow from operations spiked by a massive 44%. This was just a continuation of the strong results that Kirkland has reported for the previous two quarters.

As a result, Kirkland rewarded investors by doubling its quarterly dividend to \$0.02 per share, lifting its yield to just over 0.2%. While such a low yield is nothing to get excited about, it does demonstrate an advantage of investing in gold miners compared to bullion, which is that they generate income for investors from a non-income-producing asset.

So what?

Kirkland remains one of the most attractive plays on gold. Not only has it been able to create considerable value for investors since merging with Newmarket Gold Inc. in 2016, but it owns two high-quality gold mines, which are consistently delivering strong operational results. In conjunction with the considerable growth potential that it possesses and ongoing history of unlocking value, this makes Kirkland a must-own stock for investors seeking exposure to gold.

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