



## 1 Junior Gold Miner Trading at a Steep Discount

### Description

Gold remains a solid hedge against uncertainty and is still considered to be one of the best safe-haven assets available. The latest [market gyrations](#), along with the considerable economic and geopolitical fissures that exist globally, make now the time for investors to [boost](#) their exposure to gold. One of the best means of doing so is by investing in junior gold miner **Pretium Resources Inc.** (TSX:PVG)(NYSE:PVG).

### Now what?

Pretium is [focused on developing](#) the Brucejack underground gold mine located in Canada. The mine has gold reserves of just over eight million ounces and holds considerable potential, despite recent setbacks. Commercial production commenced during the second half of 2017, and the mine produced 152,484 ounces for the first six months.

However, fourth-quarter 2017 ore grades were lower than expected, which saw recovery rates fall to 95.8% and cause gold output to drop by 11,900 ounces compared to the previous quarter. Pretium also issued first-half 2018 production guidance of 150,000-200,000 ounces; on an annualized basis, that is at least 100,000 ounces fewer than the 504,000 ounces annually projected for the first eight years of the mine's operations.

Worse-than-expected ore grades not only impacted production, but also saw Pretium restate all-in sustaining costs (AISCs) for the first half of 2018, which are now estimated to be US\$700-900 per gold ounce sold. This is well above the US\$446 per ounce forecast in the mine-feasibility study.

Because of these issues, Pretium's stock tanked, plummeting by almost 38% over the last month, as the market expressed its disappointment with the results.

Nevertheless, the Brucejack mine, with an average ore grade of 14.1 grams of gold per tonne of ore, is one of the highest-grade mines to come online in recent years. There is every indication that Pretium can address the problem, and that ore grades will climb higher during 2018 and meet expectations.

The junior miner is in the process of establishing a grade-control program, which is expected to

commence operations during the first quarter 2018 and should go some way to addressing the ore grade issues that arose during the fourth quarter 2017. Pretium has also applied to the appropriate ministries to boost ore production at Brucejack by 41% to 3,800 tonnes daily, as it focuses on ramping up operations at the mine. Once approved, this should give the mine's gold output a healthy bump.

After the sharp sell-off, Pretium is attractively valued. It is trading at an 11% discount to the Brucejack mine's post-tax net present value with a 5% discount rate applied, in accordance with industry methodology, of US\$7.85 per share. When the considerable exploration upside associated with the project and the mine's long life of 18 years is considered, it appears to be heavily undervalued.

### **So what?**

Commissioning operations at a new underground mine is a complex process with many moving parts and risks; aside from the problems relating to ore grades, the process went relatively smoothly. It is fully expected that over time, ore grades will improve, leading to higher production and lower AISCs. This will give Pretium's earnings and stock a healthy lift, making now the time for investors to acquire this junior miner at a significant discount.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### **Category**

1. Investing
2. Metals and Mining Stocks

### **Date**

2025/09/09

### **Date Created**

2018/02/19

### **Author**

mattsmith

default watermark

default watermark