



## This Mid-Cap Gold Miner Is Unlocking Considerable Value for Investors

### Description

Amid the solid performance of stocks since late 2016, with gold trading at well over US\$1,300 per ounce for the last two months, there are fears that another economic crisis could emerge because of the broad range of geopolitical and economic risks that exist globally.

Gold has long been recognized as one of the best and most desirable safe-haven assets during times of crisis. When the next geopolitical or economic disaster materializes, it will push gold higher as investors flock to the yellow metal to hedge against any fallout. The best means of taking advantage of higher gold is by investing in gold miners because of their levered exposure to the yellow metal. One that stands out for all the right reasons is **Kirkland Lake Gold Ltd.** (TSX:KL)(NYSE:KL).

Now what?

Kirkland Lake owns and operates a portfolio of four gold mines including the Macassa underground mine in Canada, considered one of the highest quality gold mines globally. For the fourth quarter 2017, Kirkland Lake reported record quarterly production of 166,579 ounces, which was 58% higher than the same period in 2016.

It also beat its 2017 guidance. Full-year gold production shot up by an impressive 90% year over year, while the average ore grade was significantly higher at 9.8 grams of gold per tonne of ore mined compared to 7.9 grams a year earlier.

Kirkland Lake's focus on reducing costs is also paying considerable dividends. All-in sustaining costs, or AISCs for 2017 fell by a healthy 13% year over year to US\$812 per ounce of gold mined, which was well within the miner's consolidated 2017 guidance.

Because of this strong operational performance, Kirkland Lake's net earnings from continuing operations shot up by an impressive 29% year over year to US\$0.72 per share.

More important, Kirkland Lake reported that its gold reserves as at 31 December 2017 had grown by 36% year over year to an impressive 4.6 million ounces. This was driven primarily by a 1.2-million-ounce increase in gold reserves at its Australian Fosterville mine.

The average ore grade for Kirkland Lake's reserves also improved, rising by 2.1 grams per tonne to 11.1 grams of gold per tonne of ore. That's a remarkable achievement because higher grades typically indicate that it is easier and cheaper to extract the gold from the surrounding ore, which means that Kirkland Lake's operating costs should fall.

This solid growth will continue over the course of 2018 and beyond.

You see, Kirkland Lake has forecast that 2018 production will grow by 4% year over year to 620,000 ounces, while AISCs are projected to fall by at least 1.5%.

The miner has also ramped up development and exploration activity at its properties for 2018. Kirkland Lake has budgeted US\$85 million to US\$95 million for growth projects, with US\$45 million earmarked for the Macassa mine, where it intends to sink a new shaft and upgrade tailings management.

Kirkland Lake also plans to spend up to US\$90 million, or just under double the US\$48 million invested in 2017 on exploration activities. Most of that capital will be invested in its Australian properties, with a focus on extending known mineralized zones at the Fosterville mine. The company also intends to ramp up exploration activities at its Cosmo underground mine in Australia's Northern Territory, which is currently under maintenance. Such a significant increase in development and exploration capital bodes well for further increases in Kirkland Lake's gold reserves and production.

For these reasons, especially in an operating environment where gold remains firm, Kirkland Lake's profitability will grow at a healthy clip.

### **So what?**

For the reasons mentioned above, Kirkland Lake ranks as one of the highest quality and most attractive gold miners available to investors. The strength of its high-quality operations continues to support solid results and robust reserves growth, which means that it can continue to unlock value for investors for some time yet.

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