



1 Junior Gold Miner Poised to Beat the TSX

Description

For investors seeking outsized returns and the opportunity to beat the **S&P/TSX Composite Index**, one of the easiest, but riskiest means of doing so is by investing in junior gold miners. A miner that stands out at this time because of its attractive valuation and quality assets is **Pretium Resources Inc.** (TSX:PVG)(NYSE:PVG).

Now what?

Gold remains firm, trading at over US\$1,300 per ounce because of growing fears that another market correction will emerge. Globally, there are a wide range of economic and geopolitical fissures that could easily blow up into a full-blown crisis — the latest being Trump's decision to impose tariffs on US\$50 billion of Chinese imports into the U.S., and this could trigger a trade war between the world's two largest economies.

If another crisis were to occur, it could easily spark a broad-based sell-off of stocks in what is an increasingly nervous market. That would give gold a solid lift, because it is perceived by investors to be a store of value and a safe-haven asset.

That would certainly give Pretium, which is the owner and operator of the Brucejack underground gold mine located in British Columbia, a significant boost.

The mine, which recently entered commercial production and is expected to enter steady-state gold production by mid-2018 has gold reserves of 8.7 million ounces and a mine life of 18 years. Full production, once achieved, should see gold output reach 504,000 ounces annually for the first eight years and then drop to 404,000 ounces for the remaining life of the mine.

Nevertheless, Pretium has been roughly handled by the market in recent months. For the first six months of production at the mine during the crucial ramp-up phase, Brucejack produced 152,000 ounces of gold with an average grade of 9.4 grams per tonne of ore and all-in sustaining costs (AISCs) of US\$852 per ounce. This was below initial projections and clearly disappointed the market, causing the miner to fall by almost 38% for the year to date, despite its 2017 net loss being almost a quarter of what it was a year earlier.

It is here that the opportunity for investors arises.

You see, Pretium is focused on further developing the Brucejack mine and bringing it to full production. As part of this process, the miner is opening stopes in the mine to better manage ore grades and expand output, which should lead to reduced costs.

This should see Pretium meet its production guidance of 150,000-200,000 ounces for the first half of 2018 and production costs come in at the lower end of guidance, where AISCs are forecast to be US\$700-900 per ounce of gold sold. If Pretium delivers on its guidance, then its stocks will surge, especially if gold firms further.

So what?

When investing in a junior miner like Pretium, the risks are high, but the rewards are also high. The miner's latest pullback combined with the high quality of its Brucejack asset and management's ongoing focus on boosting ore grades as well as reducing costs place the risk/reward equation in favour of investors. It isn't difficult to see Pretium performing strongly once the mine reaches stable-state production and the issues related to commencing commercial operations are resolved. That will be a positive catalyst, which will push Pretium's price higher over coming months, which should see it significantly outperform the market.

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