



## Higher Geopolitical Risk Will Give This Gold Miner a Healthy Boost

### Description

Investors continue to show considerable interest in safe-haven assets such as gold, as rising geopolitical risks and growing uncertainty created by Trump's erratic administration maintain the attractiveness of the yellow metal. Gold has risen by 3% since the start of 2018, and there is no sign that the metal will drop below the [psychologically important](#) US\$1,300 per ounce mark any time soon. This makes gold miners one of the best means of cashing in on firmer gold because of their levered exposure to the precious metal. One which is extremely attractive, despite rising by 6% since the start of the year, is **Kirkland Lake Gold Ltd.** (TSX:KL)(NYSE:KL).

### Now what?

Kirkland Lake owns and operates the Macassa Mine located in Ontario, which is rated as one of the highest-grade underground operations globally because of its high ore grades. It also owns and operates a range of other mining assets, including the Canadian Holt and Taylor mines as well as the underground Fosterville mine located in the Australian state of Victoria.

Kirkland Lake has a solid proven history of [growing production](#) at its operations, reporting first-quarter 2018 gold output of 147,644 ounces, which is a remarkable 13% greater than a year earlier. That impressive result was driven by record production for the same period at Kirkland's Macassa mine and solid results at Fosterville, where production shot up by a massive 39% year over year.

Importantly, ore grades for Kirkland Lake's flagship Macassa and Fosterville assets remained high, coming to 19.9 and 16.8 grams of gold per tonne of ore mined.

These impressive operational results leave the miner on track to achieve its 2018 guidance, including 4% year-over-year growth in gold production to 620,000 ounces and all-in sustaining costs (AISCs) of US\$750-800 per ounce. That illustrates just how profitable the miner's operations are in an operating environment where gold is trading at over US\$1,300 per ounce.

Kirkland Lake is not sitting on its laurels. As earnings and operating cash flow keep growing, it is taking full advantage of the opportunity to expand its operations and improve its assets. For 2018, Kirkland Lake has earmarked up to US\$90 million to be invested in exploration with most of those funds

directed to its Australian properties including Fosterville. The top end of its exploration budget is almost double the US\$48.4 million spent on those activities in 2017. This leaves Kirkland Lake well positioned to build on the considerable exploration success that the miner enjoyed during that year.

The miner has also budgeted another US\$85-95 million for capital expenditures focused on growing its Macassa and Fosterville mines. This will ensure that its meets its 2018 guidance and near-term gold production keeps expanding.

### **So what?**

Kirkland Lake is an appealing play on firmer gold and the yellow metal's improving outlook created by geopolitical and economic uncertainty. That means its stock will continue to appreciate over the course of 2018, particularly as gold rises in value and Kirkland Lake reports solid growth at its operations. While investors wait for that to occur, they will be rewarded by the miner's regular and sustainable dividend.

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