



Now Is the Time to Buy This Gold Miner

Description

It has been a tough few months for investors in gold because the value of yellow metal has weakened sharply in response to stronger global economic growth and a firmer U.S. dollar. While there is every likelihood that gold could dip below the psychologically important US\$1,200 per ounce mark, it has created a [buying opportunity](#) for investors seeking to bolster their exposure to gold. Among the best means of doing so is by investing in intermediate gold miner **Kirkland Lake Gold Ltd.** (TSX:KL)(NYSE:KL).

Now what?

Kirkland Lake reported solid second quarter 2018 results, including record quarterly cash flow from operations of US\$121 million and adjusted EBITDA of US\$124 million, which were 56% and 30% higher year over year. This saw the miner report net earnings of US\$61 million, which was an impressive 78% greater than a year earlier.

The strong financial result can be attributed to a notable decline in costs. Second quarter cash costs per ounce sold were a low US\$404 an ounce sold, which was 16% lower year over year, while all-in sustaining costs (AISCs) averaged US\$757 per ounce produced, which was marginally greater than the same period in 2017.

The increase in AISCs can be attributed to increased spending on exploration and mine development, which will help to boost future production. This indicates that higher costs have not been triggered by operational issues. It also important to note that second quarter AISCs were significantly lower than the US\$833 an ounce reported for the first quarter 2018 and well within Kirkland Lake's 2018 guidance of US\$750 to US\$800 an ounce.

The marked improvement in Kirkland Lake's production and costs can be attributed to a significant improvement in the ore grades mined at its flagship Macassa and Fosterville mines.

As a result of this solid operational performance, free cash flow grew by 18% year over year to an impressive US\$61 million. Because of that growth, Kirkland Lake's cash on hand expanded by 37% year over year to US\$232 million. This is particularly good news because it endows the miner with

additional financial flexibility in a difficult operating environment in which gold has weakened.

It also provides Kirkland Lake with further capacity to fund its development and exploration activities, which form an important part of expanding its gold reserves and production.

The miner boosted second quarter exploration expenditures by 45% to US\$15 million, signalling Kirkland Lake's commitment to organic growth in order to unlock further value. The majority of that spending and activity is focused on the Macassa and Fosterville mines. Kirkland Lake is also conducting an extensive exploration program at the Cosmo mine located in Australia, which is currently in care and maintenance. This is with a view to understanding the geology of the gold deposit and developing it to the point where it becomes economic to restart operations.

Those solid results allowed Kirkland Lake to reward investors by hiking its quarterly dividend by US\$0.01 per share to see it yielding around 0.5%.

So what?

Despite gold weakening, Kirkland Lake is an appealing investment because of the quality of its assets and considerable potential exploration upside. Growing gold reserves and production as well as lower costs will all boost its bottom line and the value of its assets. That should give its stock a solid lift over coming months, especially if [gold rallies](#) because of the considerable economic and geopolitical risks that exist globally.

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