



This Junior Gold Stock Is Poised to Double

Description

The last year has been a disappointing one for investors in junior gold miner **Pretium Resources Inc.** (TSX:PVG)(NYSE:PVG). Its flagship Brucejack mine, which commenced production during the second half of 2018, failed to perform as expected, and Pretium's stock was [punished by the market](#), causing it to plunge by 22% since the start of 2018.

As a result, Pretium initiated a range of [strategic initiatives](#) aimed at improving operations and the operational performance of Brucejack so that it would deliver on guidance. Latest results show that the mine is finally living up to the considerable promise shown by earlier technical reports.

Now what?

Pretium's second quarter production came to 111,340 gold ounces, which was a notable 47% greater than the previous quarter. Cash flow from operating activities surged to US\$77 million compared to a loss of US\$4.8 million a year earlier, which can be attributed to the Brucejack coming online and its strong cash generating potential.

The ore grades mined at Brucejack during the second quarter improved significantly. Pretium reported an average mill feed grade of 14.9 grams, which was significantly higher than the 10.9 grams reported for the quarter prior. This demonstrates that Pretium's program aimed at controlling ore grades was successful, and that the mine is capable of meeting the projections made in the preliminary economic assessment.

Impressively, operating costs at Brucejack fell significantly, which can be attributed to higher ore grades as well as Pretium's focus on controlling costs. Total cost of sales for the quarter was US\$749 per ounce of gold sold, while all-in sustaining costs (ASICs) were a low US\$648 for each ounce produced, significantly lower than the US\$1,009 an ounce reported for the first quarter. This underscores Pretium's profitability even in an operating environment where gold has weakened sharply to trade at under US\$1,200 an ounce.

Because of those solid results, Pretium achieved its first half 2018 guidance and is on track to meet its full-year guidance. The market has yet to fully recognise that the miner's performance has improved or

that the operational improvements made at Brucejack are delivering credible results. This is because the mine was long touted as being among the highest-grade underground mining projects under development globally, but poor start-up results significantly unnerved investors, causing Pretium's stock to be routed.

Gold's latest weakness has certainly not helped the miner. The yellow metal appears caught in a never-ending downward spiral despite a range of global economic and geopolitical fissures that are creating considerable uncertainty. A firmer U.S. dollar coupled with higher interest rates and growing optimism about the global economic outlook, notably in the U.S. and other developed nations, continues to weigh on gold.

The yellow metal's recent weakness however, has created an opportunity for contrarian investors to add gold to their portfolios as a hedge against uncertainty, and Pretium is a very attractive means of doing so.

What makes the miner even more appealing is its robust balance sheet. Pretium finished the second quarter with US\$142.5 million in cash and a very manageable US\$372 million in debt. That leaves it well positioned to continue with its initiatives aimed at strengthening its financial position, including reducing debt and buying back the precious metal stream originally established with Orion Mine Finance Group and Blackstone Tactical Opportunities.

If Pretium is able to complete those actions, it will give its profitability a lift by reducing financing costs while bolstering its financial flexibility, leaving it better positioned to weather weaker gold should the yellow metal's value fall further.

So what?

While Pretium has yet to convince the market that Brucejack is capable of performing as promised, the latest second quarter results indicate that the mine is well on track to deliver strong results that are in line with its guidance. Even with gold falling below US\$1,200 an ounce in recent days, this should give Pretium's stock a solid boost.

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