



Why Did This Gold Miner Gain 10% Over the Last Month?

Description

It has been a hard year for investors in what was an [extremely promising](#) junior gold miner **Pretium Resources Inc.** (TSX:PVG)(NYSE:PVG). The miner, which owns and operates the Brucejack mine in British Columbia, saw its stock plummet sharply after the mine commenced operations and failed to meet forecast production. Even after gaining 10% over the last month, Pretium's stock is still down by 24% for the year to date, which is more than double the 11% decline experienced by gold.

This has created an opportunity for risk-tolerant investors seeking to boost their exposure to the yellow metal.

Now what?

Pretium's Brucejack mine, when under development, was touted as one of the highest-quality underground gold-mining projects globally. After commencing commercial production in early July 2017, the mine has disappointed investors with poor ore grades and lower-than-expected gold output, which saw the market punish the miner.

Since then, Pretium has implemented a strategy focused on boosting ore grades and expanding gold output at Brucejack. The considerable investment made by Pretium to improve the mine's operations saw it achieve steady-state production in July 2018.

Pretium reported some solid second-quarter 2018 results, highlighting that there has been a significant improvement in the performance of the Brucejack. Gold production for the quarter was 111,340 ounces, which was an impressive 47% higher than the previous quarter and a whopping 58% greater than the fourth quarter 2017.

Ore grades were also significantly higher during the quarter. The average grade for the period was an imposing 14.9 grams of gold per tonne of ore mined, which was a significant improvement over the average 9.1 grams reported for the first quarter and 8.2 grams during the fourth quarter 2017. That considerable improvement was a key reason for better recovery rates and lower costs.

All-in sustaining costs (AISCs) for the period fell by a notable 38% quarter over quarter to US\$648 per

gold ounce produced, which, compared to many of Pretium's peers, are among some of the lowest in the industry. Those AISCs were also considerably lower than the US\$893 per ounce of gold produced for the fourth quarter 2017.

A key benefit of the significant improvement in Brucejack's operational performance is that free cash flow expanded significantly. For the second quarter, Pretium reported free cash flow of US\$72.5 million, which boosted its cash and cash equivalents to a remarkable US\$142.5 million, or more than double the miner's cash balance at the end of the first quarter.

This significant improvement in the operational performance of Brucejack saw Pretium deliver on its first-half 2018 guidance and indicates that its second-half production guidance of 200,000 to 220,000 ounces is achievable.

Because Brucejack has finally reached steady-state production, Pretium is focusing on implementing efficiencies at the mine to reduce operational costs. This means, along with improved ore grades and higher production, that the targeted second-half AISCs of US\$710-770 per ounce produced are achievable.

If Pretium reports that guidance has been achieved, then its [stock will soar](#), even if gold remains weak, which is likely for the immediate future because of rising interest rates, higher bond yields, and a firmer U.S. dollar.

So what?

The pullback in Pretium's stock, triggered by the poor performance of the Brucejack mine, has created an opportunity for investors seeking exposure to gold and what is arguably one of the highest-quality gold projects to come online recently. There is every indication that the miner has overcome the problems associated with its operations at Brucejack and will report solid results for the remainder of 2018 and into 2019, which will cause its stock to soar.

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