



## Why This Gold Miner Soared by Over 21% During the Last Month

### Description

I have been [tremendously bullish](#) on the outlook for intermediate gold miner **Kirkland Lake** (TSX:KL)(NYSE:KL) for over year. Over the last month, despite gold's latest gyrations, the miner has soared by over 21% to be up by a whopping 70% for the last year compared to the market marking gold down by 7%. While Kirkland Lake has made some substantial gains, there are signs of further upside ahead.

### Now what?

A key reason for the miner's latest gains is its recent announcement that it achieved record quarterly gold production for the third quarter 2018. Kirkland Lake reported consolidated output of 180,155 gold ounces, which was an impressive 30% increase compared to the equivalent quarter in 2017. That was led by a 47% year-over-year increase in gold output from its underground Fosterville mine in the state of Victoria located in Australia.

This stunning production growth is bolstered by Kirkland Lake's high-quality, long-life gold reserves totalling 4.6 million ounces with an average grade of 11.1 grams of gold per tonne of ore (g/t). It should be noted that Kirkland Lake's flagship assets the Macassa underground mine in Canada and Fosterville have double-digit ore grades exceeding a remarkable 20 g/t.

Such high ore grades have supported the expansion of those mines' gold output. They are also important because the higher the grade, the most cost effective and economic to extract the ore. For the second quarter 2018, Macassa reported an average grade of 21.5 g/t, while for Fosterville it came to 20.6 g/t. That saw both mines report operating cash costs of US\$414 and US\$239, respectively, per gold ounce sold.

While for the same quarter all-in sustaining costs (AISCs) were US\$687 and US\$538 per ounce produced, which are some of the lowest in the industry. This underscores the considerable profitability of those mines, which are responsible for 82% of Kirkland Lake's year-to-date gold production.

Macassa and Fosterville combined are also growing their gold production at a solid clip of greater than 400,000 ounces annually which, when combined with their low costs and firmer gold prices, will give

Kirkland Lake's earnings and profitability a solid boost.

Because of the strong performance of both mines, Kirkland Lake has revised its 2018 production guidance upward to see it now anticipating total gold out of over 635,000 ounces, which is 15,000 ounces greater than the miner's original guidance. Kirkland Lake also expects 2018 AISCs to come in at US\$750-800 an ounce, which, in an operating environment where gold is trading at greater than US\$1,226 per ounce, will cause its earnings to soar.

Solid production growth at both operations will continue, as evidenced by the solid drilling results announced for the third quarter at Macassa and Fosterville.

Kirkland Lake reported that it had encountered exceptionally high ore grades as part of its drilling activity at Fosterville, which it believes will lead to a significant expansion of the mineral reserves and resources for the mine. It also reported that it had found high grades at Macassa in excess of 30 g/t, which will support continued resource growth. Any substantial expansion in Kirkland Lake's gold reserves will noticeably boost its net asset value (NAV), which will give its share price a healthy lift.

### **So what?**

Kirkland Lake is one of the most attractive plays in gold, especially because of emerging signs that the fundamentals for the yellow metal are improving. This is because of fears that global growth will be crimped by ongoing trade tensions between China and the U.S. as well as higher oil. [Geopolitical pressures](#) are also supporting the outlook for gold and will help to support its price.

Firmer gold coupled with Kirkland Lake's considerable gold reserves and production growth will give its market value a solid boost, even after allowing for the stunning 41% gain for the year to date.

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