



Why Did This Gold Miner Soar by Over 15% During the Last Six Months?

Description

Gold keeps whipsawing wildly as a mix of bullish and bearish indicators emerge almost simultaneously, driving extreme reactions from investors. After plummeting below the all-important US\$1,200 per ounce mark, the yellow metal rebounded strongly in mid-October 2018 to now be trading at over US\$1,200 an ounce.

There are indications that now is the time for investors to weather-proof their portfolios against growing risk in an aging bull market for stocks by bolstering their exposure to gold. One miner that has performed strongly over the last six months and appears poised for further gains is **Pretium Resources Inc.** (TSX:PVG)(NYSE:PVG), which gained 15% over that period.

Announced solid results

After its flagship Brucejack mine suffered from a range of issues on start-up that saw the market heavily mark down Pretium's value it finally reported a solid third quarter 2018, which [highlights the potential](#) held by the mine. Gold production soared by 13% year over year to 92,641 ounces, while ore grades increased to 12.4 grams of gold per ton of ore extracted compared to 10 grams a year earlier.

Those factors coupled with a focus on cost reduction as part of the strategy aimed at boosting Brucejack's performance saw expenses fall sharply lifting Pretium's profitability. It reported all-in sustaining costs (AISCs) of US\$709 per ounce, a remarkable 10% lower than the equivalent period in 2017.

These developments more than offset weaker gold prices during the third quarter causing net earnings to surge to US\$10.7 million, a significant improvement over the \$7 million loss a year earlier.

It is this solid performance that saw Pretium's stock soar over the last six-months.

Every indication points to the miner's earnings to continue expanding at a solid clip over the remainder of 2018 and into 2019. Not only is the spot price for gold at US\$1,224 per ounce higher the US\$1,169 an ounce realized by Pretium during the third quarter, but ore grades and production volumes are expected to increase.

Solid balance sheet and considerable liquidity

It isn't only the significant improvements in operations at Brucejack that make Pretium an attractive means of cashing in on firmer gold. The miner also possesses a solid balance sheet. Long-term debt at the end of the third quarter totalled almost US\$60 million, less than a tenth of what it had been a year earlier and a manageable 1.1 times operating cash flow. Pretium had also significantly boosted its cash holdings, which were US\$190 million, or 3.5 times greater than at the end of the equivalent period a year earlier.

The miner has also elected at the end of 2018 to repurchase a precious metals stream for US\$237 million that was part of the financing package for the Brucejack mine. This will help to strengthen Pretium's financial position and position it to fully benefit from firmer gold prices. The miner has also secured a letter of commitment for US\$480 million for a new credit facility that will allow it to repay the US\$432 million loan used to fund construction of the Brucejack mine, which falls due at the end of 2018.

Why buy Pretium?

Global economic growth is expected to taper off over the course of 2019 because of a range of emerging risks, which are expected to have a sharp economic impact. These include Trump's combative approach to trade, further distress in already vulnerable emerging markets and rising [geopolitical risk](#). Each of those hazards will bolster the price of gold, which, along with Pretium's improving operational performance will give its stock a healthy lift.

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