



## This Small-cap Gold Miner Is Poised to Soar

### Description

While the [immediate outlook](#) for precious metals is poor, investors should not be deterred from investing in gold and silver miners. One opportunity which stands out is **Dundee Precious Metals Inc.** ([TSX:DPM](#)), which despite gold falling by 7% since the start of 2018 has gained almost 15%. There are signs of further gains ahead as highlighted by the miner's solid third quarter 2018 results.

### Now what?

Dundee reported that third quarter gold production had shot up by 2.5% compared to a year earlier to 49,644 ounces, while copper output spiked by 9% to just over 10 million pounds. That production growth can be attributed to higher metal grades and recoveries.

Notably, Dundee's all-in sustaining costs (AISCs) for the period fell by an impressive 9.5% to US\$620 per gold ounce sold. Those AISCs are some of the lowest among its peers and reflect the quality of Dundee's gold mining assets.

The healthy reduction in costs can be attributed to higher by-product credits because of higher copper prices and production as well as a reduction in capital expenditures.

The volume of complex copper concentrate processed at the Tsumeb smelter shot-up by an impressive 18% year over year to just over 68,000 metric tonnes.

This strong operational performance, including the reduction in operating expenses, gave Dundee's earnings a healthy lift. Adjusted EBITDA for the third quarter soared by 40% compared to the equivalent quarter in 2017 to US\$36 million, while adjusted net earnings more than doubled to almost US\$18 million.

Dundee also generated significant free cash flow during the quarter of US\$25 million which was 40% greater year over year. This is particularly important to note because mining is a risky capital-intensive activity and any significant growth in free cash flow bolsters the resources available to Dundee to fund investment in exploration and mine development.

It also illustrates the quality of Dundee's assets because free cash flow is an important measure for measuring the health of a miner and its ability to fund its operations.

Because of this strong operational performance, Dundee updated its 2018 annual guidance. It increased gold production by up to 15% compared to its original guidance to a minimum of 190,000 ounces and copper output by 4% to 35 million pounds.

Dundee also revised its ASICs downward to a maximum of US\$710 per gold ounce sold, which is 17% lower than the miner's earlier guidance. Each of those factors will give Dundee's profitability a solid lift and should see earnings grow at a healthy clip.

The miner also finished the quarter with a solid balance sheet and considerable liquidity. By the end of the period, Dundee had US\$23 million in cash, US\$28 million in investments, and US\$39 million of debt, which is a very manageable 0.5 times trailing 12-month operating cash flow.

Dundee's gold production should expand significantly during the fourth quarter when it commissions the Krumovgrad open pit gold mine in Bulgaria.

For the first year of operation, Krumovgrad is forecast to produce 76,000 gold equivalent ounces, which will grow to 129,000 ounces by its fifth year of operation. This significant expansion of Dundee's production will give earnings a considerable lift, boosting its market value.

Dundee's existing operational mines and exploration properties also possess substantial potential exploration upside, meaning that the miner should be able to further grow its precious metals reserves and production.

### **So what?**

Dundee is an attractively valued means for investors to bolster their exposure to gold in an environment riven with economic fissures and geopolitical risk. The miner's growing earnings and precious metals reserves will give its stock a [healthy boost](#) in coming months.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. TSX:DPM (Dundee Precious Metals Inc.)

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mattsmith

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