



## Now Is the Time to Buy This Intermediate Gold Miner

### Description

Last year was a tough time for investors in gold miner **Pretium Resources Inc.** (TSX:PVG)(NYSE:PVG), with the market heavily [marking down](#) its stock after its flagship Brucejack mine failed to deliver as promised. Even after rallying sharply over the last month, Pretium is still down by 2% since the start of 2019 trailing gold, which has gained almost 3% and created an opportunity for investors seeking exposure to a high-quality gold miner.

### Improving performance

Pretium's problems started when it commissioned the Brucejack mine and was ramping up activity to commercial levels with lower than forecast ore grades and gold production, disappointing the market.

Nonetheless, the miner instituted a program aimed at improving operations that saw the volume of ore and head grades improve leading to higher production and lower all-in sustaining costs (AISCs). Pretium as a result reported some solid full-year 2018 results. Fourth quarter 2018 gold production of 96,342 ounces was 37% greater than the equivalent period in 2017 and 4% higher than the previous quarter.

Notably, there was a notable increase in mill feed grades for the period that averaged 11.5 grams per ton of ore processed, significantly higher than the 8.2 grams reported for the equivalent quarter in 2017. Gold recoveries were also higher rising by 1.2% year over year to 97%.

As a result, fourth-quarter 2018 AISCs fell by a notable 12% to US\$784 per ounce sold.

This significant operational improvement can be attributed to Pretium's program aimed at improving stopes and ore quality.

The solid fourth-quarter results were responsible for the miner's credible full-year results where it reported production of 376,012 gold ounces and 422,562 ounces of silver with average AISCs of US\$764 per ounce.

The substantial improvement in operations at Brucejack sees Pretium forecasting production of 390,000 ounces to 420,000 gold ounces, which at the midpoint represents an 8% increase over 2018. Ore grades milled will, however, be lower, with the miner anticipating that they will average 10.4 grams per ton processed, which is 1.1 grams lower. That will cause AISCs to rise to US\$775 to US\$875 per gold ounce sold, which at the midpoint is 8% greater than 2018.

The reason for the higher expenses is that Pretium is planning to further ramp-up mining volumes to extract 3,800 tons of ore daily, which requires further significant investment in mine planning, equipment and design.

Nevertheless, with gold expected to [firm further](#) over coming months and reach above US\$1,350 per ounce before the year's end, this will offset the higher AISCs. And this, along with the notable increase in production, will cause 2019 full-year earnings to expand at a decent clip.

Meanwhile, once the required improvements including the mill upgrade are completed, production at Brucejack will expand further, while AISCs will fall boosting profitability and earnings. Based on Pretium's ability to successfully execute its plan to boost ore grades and production at Brucejack through improved mine design, it is highly likely that plan will be completed as designed, which bodes well for further earnings growth.

Pretium is also in the process of conducting a drilling program aimed at expanding its gold and silver reserves. It also anticipates reducing debt by US\$140 million over the course of 2019 using surplus cash flow, which should see long-term debt fall to around US\$316 million –a very manageable 1.6 times operating cash flow.

## Is it time to buy Pretium?

Once the latest mine improvements are completed, the combination of growing gold reserves as well as production combined with firmer gold and lower AISCs will give Pretium's earnings a solid lift. When considered in conjunction with the miner's focus on strengthening its balance sheet and reducing financing costs, it is an increasingly appealing play on higher gold that will [rally further](#) over coming months.

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mattdsmith

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