



## 1 Top Canadian Gold Miner to Buy Today and Profit From Gold's Next Leg-Up

### Description

One of the few assets to have [performed robustly](#) during the coronavirus crisis is gold. The yellow metal has soared by 14% since the start of 2020 to be trading at over US\$1,729 per ounce. There are signs that as the coronavirus fallout mounts, gold will rally higher. Some analysts are projecting that the precious metal could reach US\$3,000 an ounce, as government stimulus weighs on fiat currencies.

The latest rally has been a boon for gold miners. Growing intermediate gold producer **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) has gained a paltry 5% since the start of 2020, or almost a third of gold's 14%. The miner's failure to keep pace with gold means that it's particularly attractively valued making now the time to buy.

### Strong results

Kirkland Lake has an impressive history of growth over the last four years. The coronavirus pandemic has done little to impact the miner's momentum. For the first quarter 2020, Kirkland Lake reported a 43% year-over-year increase in gold production to 330,864 ounces.

That impressive achievement can be attributed to Kirkland Lake's recent acquisition of **Detour Gold**. The \$4.9 billion deal added Canada's Detour Lake open pit mine to Kirkland Lake's portfolio. Detour Lake was responsible for 91,555 ounces of Kirkland Lake's gold production during the quarter.

### High-quality gold mines

Kirkland Lake's Australian Fosterville mine reported another strong operational performance. The mine's gold production grew by 46% year over year to 159,864 ounces, and ore grades rose by a notable 46% to 42.4 grams of gold per tonne of ore (g/t).

This is one of the highest grades of any operational underground gold mine, highlighting the quality of Kirkland Lake's core assets.

That impressive ore grade bodes well for low operating expenses at Fosterville, which will boost Kirkland Lake's overall profitability.

## Strong growth ahead

The closing of the Detour deal is highly advantageous for Kirkland Lake. It added one of the world's high-quality open pit operations to its underground mine portfolio, and Kirkland Lake anticipates unlocking US\$75 million to US\$100 million in annual synergies. As those efficiencies are implemented, Kirkland Lake's earnings will grow.

Kirkland Lake is also launching a strategy to unlock Detour Lake's value, including investing in capital projects to improve infrastructure and ramping up exploration activity. The miner anticipates adding 100,000 gold ounces to Detour Lake's 2021 gold output, lifting overall production to 700,000 gold ounces, while reducing all-in sustaining costs (AISCs) to less than US\$850 per ounce mined.

Kirkland Lake's ongoing exploration and development drilling work at Fosterville and Macassa will boost gold reserves, ore grades and production over the long term.

These highlight Kirkland Lake's long-term growth potential, particularly if gold remains trading at over US\$1,700 an ounce.

The profitability of Kirkland Lake's operations are underscored by company wide forecast AISCs which were US\$820 to US\$840 per ounce mined. Nonetheless, Kirkland Lake withdrew its annual guidance after the coronavirus pandemic struck.

The miner's second- and third-quarter 2020 earnings will dip because of the measures to contain the coronavirus at its operations. These include the suspension of all non-essential work and reduced operations at its mines.

## Solid fundamentals

Kirkland Lake has solid fundamentals, which is particularly important for a miner operating in a hazardous capital-intensive industry. These include considerable liquidity as highlighted by US\$530 million of cash at the end of March 2020.

Even after completing the Detour Gold deal, Kirkland Lake is still debt free, with a mere US\$324 million in non-current liabilities. This highlights Kirkland Lake's considerable financial strength and ability to weather the present harsh operating environment.

## Foolish takeaway

I have [been bullish](#) on Kirkland Lake since July 2017. Since my first article, it has delivered investors a monster 419% return. Kirkland Lake will not only emerge from the current crisis in solid shape, but will also keep delivering outsized returns.

When that is considered along with Kirkland Lake's robust financial position, high-quality assets and

firmer gold prices, the miner is ready to soar making now the time to buy.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

## Category

1. Investing
2. Metals and Mining Stocks

## Date

2025/08/13

## Date Created

2020/04/27

## Author

mattdsmith

default watermark

default watermark