



This Value Stock Could Make You a Billionaire

Description

Kinross Gold ([TSX:K](#))([NYSE:KGC](#)) is principally engaged in the [mining and processing](#) of gold and silver ore. The company is engaged in the exploration and the acquisition of gold bearing properties in North America, the Russian Federation, West Africa, and worldwide. The principal products of Kinross are gold and silver produced in the form of doré bars that are shipped to refineries for final processing.

Enhancing intrinsic value

Kinross's strategy is to [increase shareholder value](#) through increases in precious metal reserves, net asset value, production, long-term cash flow, and earnings per share. The company's strategy also consists of optimizing the performance and the value of existing operations. It invests in quality exploration and development projects and acquires new potentially accretive properties and projects.

Valuable hidden assets

Kinross's operations and mineral reserves are impacted by changes in prices of gold and silver. The gold price per ounce over the last two years has fluctuated between \$1,000 and \$2,000. Kinross uses a gold price of \$1,200 per ounce to estimate mineral reserves. The company's estimated proven and probable mineral reserves is about 25 million ounces of gold and 56 million ounces of silver.

In addition, Kinross holds a 100% interest in the Fort Knox property in Alaska, United States. It also holds a 100% interest in the Round Mountain mine and a 100% interest in the Bald Mountain mine in Nevada. The company also owns substantial stakes in Chile such as a 100% interest in the La Coipa mine, a 100% interest in the Lobo-Marte property and a 100% interest in the Maricunga mine.

Global exposure

In Ghana, the company owns a 90% interest in the Chirano mine. Kinross also has a 100% interest in the Chulbatkan project in Russia and other mining properties in various stages of exploration,

development, reclamation, and closure. About 60% of Kinross's total attributable production is derived from the mines in the Americas, and 21% and 19% is derived from the mines in West Africa and the Russian Federation, respectively.

Business challenges

The precious metal mineral exploration and mining business is a competitive business. Kinross competes with numerous other companies and individuals in the search for and the acquisition of attractive precious metal mineral properties. The ability of Kinross to replace or increase the company's mineral reserves and mineral resources in the future will depend not only on the ability to develop present properties, but also on the company's ability to select and acquire suitable producing properties or prospects for precious metal development or mineral exploration.

Diversified customer base

Gold is used in product fabrication and bullion investment. Fabricated gold has a wide variety of end uses, including jewelry manufacture, electronics, dentistry, industrial and decorative uses, medals, medallions, and official coins. Gold bullion is held primarily as a store of value and a safeguard against devaluation of paper assets denominated in fiat currencies.

Kinross sells refined gold to banks, bullion dealers, and refiners. The loss of any of these customers would have no material adverse impact on Kinross because of the active worldwide market for gold. This significantly lowers the risk of investing in Kinross.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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