



Value Investors: 1 Gold Stock to Buy in a TFSA

Description

Pretium Resources (TSX:PVG)(NYSE:PVG) acquires, explores, and develops precious metal resource properties in the Americas. The company primarily explores for [gold and silver deposits](#). It holds 100% interests in the Brucejack located in northwestern British Columbia. The company was incorporated in 2010 and is headquartered in Vancouver.

Valuable hidden asset

The Brucejack mine is comprised of [four mining leases](#) and six mineral claims totaling 3,306 hectares in area and forms part of the company's contiguous claims package that comprises over 122,000 hectares. The Brucejack mine is a high-grade gold underground mine that started commercial production in July 2017. Amended permits were received by the company in December 2018 to increase throughput 40% to an annual maximum of 1.38 million tonnes from 0.99 million tonnes.

Brucejack is a high-grade underground mining operation using the stoping mining method and cemented paste backfill. Brucejack is planned to mine a total of 15.6 million tonnes at an average grade of 8.4 grams per tonne of gold.

The Brucejack mine is subject to a 1.2% net smelter returns (NSR) royalty on production in excess of cumulative 503,386 ounces of gold and 17,907,080 ounces of silver. The gold ounce production threshold for the 1.2% NSR royalty was met in December 2018.

Stable earnings by hedging

The company's financial results are primarily driven by gold production and the average realized price of gold. Significant changes in either of these factors directly impact Pretium's revenue, earnings from mine operations, net earnings, and comprehensive earnings. The company's financial results for the three months ended December 31, 2020, were significantly impacted by the sale of the company's Snowfield asset, which resulted in a loss on sale of the exploration and evaluation asset.

In 2020, the company hedged a portion of Pretium's exposure to currency fluctuations using forward contracts. The change in fair value of non-hedge derivatives resulted in a gain on financial instruments at fair value. The company has no foreign exchange forward contracts.

Increasing gold production

During the year ended December 31, 2020, the company incurred higher sustaining capital expenditures compared the comparable period in 2019. Significant sustaining capital expenditures during the year included mineral resource drilling and drill equipment, capitalized development costs, costs incurred to date for the construction of the new bulk gravity lab and mill building improvements. In the comparable period in 2019, sustaining capital expenditures included access road development, the purchase of underground drills, and capitalized development costs.

The company produced nearly 350,000 ounces of gold in 2020, slightly above the midpoint of Pretium's guidance range of 325,000 ounces to 365,000 ounces. The average annual gold grade was 8.5 grams per tonne, on the high end of Pretium's guidance range of 7.6 grams per tonne to 8.5 grams per tonne at an average gold recovery of 97%.

During fiscal 2020, nearly 1.3 million tonnes of ore, equivalent to a throughput rate of 3,572 tonnes per day, were processed. This was similar to the comparable period in 2019, in which a throughput rate of 3,570 tonnes per day were processed.

Overall, Pretium has some valuable gold assets, which should increase in value if commodity prices recover. In particular, the Brucejack mine could be worth significantly more than the value that Pretium carries the asset on the company's financial statements.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. canada
2. Editor's Choice

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. canada
2. Editor's Choice

Date

2025/09/08

Date Created

2021/04/02

Author

nikhilwaterloo

default watermark

default watermark