

## Lunding Gold Inc.: A Prospect Worth Digging into

### Description

**Lundin Gold Inc** ([TSX:LUG](#)) is an attractive buy that could pay off handsomely in the long run.

The company has been expanding its operations overseas in order to bolster its portfolio. Its most recent move came December 19, when Lundin Gold announced that it had signed the Exploitation Agreement (EA) for the Fruta del Norte (FDN) gold mine in Ecuador, further adding to its international list of assets.

A two-year negotiations period finally reached a culmination as the company and the South American country's government inked a deal that would appease both parties. The move gives Lundin Gold 25 years of gold mining in FDN under fiscal and commercial terms established by the EA. Additionally, the EA determined that the efforts in Ecuador will have less of an environmental impact than originally expected.

As part of the agreement, the company will shell out \$65 million to the Ecuadorian government over the coming two years. A \$25 million advance will be paid in the near future, while the company will net two payments of \$20 million apiece in the first and second anniversary of the deal. Lundin Gold will also offer a 5% royalty of net smelter revenues from production to the EA.

Plus, the growth that the deal will bring to the company is something you can feel good about as the miner will hire local people, helping the country's economy. Lundin Gold chairman Lukas Lundin calls the location a "world-class asset," and he looks forward to working with the government of Ecuador in the coming years.

The move was made possible following the Environmental Impact Study for FDN that was approved on October 13, 2016. At the end of the month, the company garnered approval from Ecuador's environmental agency. If successful, the agreement could be expanded to move beyond the first 25 years, perhaps even offering the opportunity to mine gold for half a century.

Most recently, Lundin Gold announced that it signed the Investment Protection Agreement for FDN on December 21, 2016. This agreement marks the third and final piece of the puzzle—along with the Environmental Impact Study and the Exploitation Agreement—to follow through with the deal.

Six analysts are covering Lundin Gold at the moment with the stock gaining five "buy" ratings and one "hold" rating for an average rating of "buy." The price target currently sits at an average of \$7.80. LUG shares slipped 0.2% Thursday, December 22, but the stock has had a solid year overall, growing 36.6%. The company has a market capitalization of \$617.16 million.

Lundin Gold is betting big on a project that has plenty of untapped potential, which undoubtedly comes with a certain amount of risk. However, the company's agreement with the government of Ecuador has everything going for it, including a profitable future for the company as well as a vast number of job openings that will help the local economy.

The stock had a big 2016, but 2017 and beyond will be even greater for this gold miner.

## **CATEGORY**

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