1 Gold Stock That Could Easily Double in Value

Description

Rising geopolitical tensions, the cloud of ambiguity created by the Trump administration, and a weak dollar have all helped to fuel the recent surge in gold which now trades at US$1,260 per ounce. There are signs that this rally will continue because of growing anxiety over whether the Trump administration is capable of effectively implementing its pro-business economic agenda. In such an environment, gold is recognized as one of the best safe-haven investments, making it an important hedge against uncertainty.

Typically, when investing in gold, investors only think of the major miners and metals streamers, but some of the best potential returns are offered by smaller explorers and miners. While these may be risky investments, companies such as **Continental Gold Inc**. (TSX:CNL), which possess high-quality assets, offer considerable upside for risk-tolerant investors.

Now what?

Continental Gold's flagship asset is the Buriticà project located near Colombia's second-largest city Medellin. It has been assessed to have reserves of 3.5 million ounces of gold and 10.7 ounces of silver, giving it a forecast mine life of 14 years. An important characteristic of the project is its high ore grades. This is because the higher the concentration of the metal in the ore, the lower the costs associated with extracting the metal. Accordingly, profit margins are greater, making this a crucial consideration when choosing to invest in gold mining stocks.

With an average grade of almost 22 grams of gold per tonne of ore for its proven reserves, the project, on completion, will rate as one of the highest-quality gold operations globally. Continental Gold has forecast all-in sustaining costs of a mere US$492 per ounce**,** which is almost US$800 lower than the current spot price.

This is quite remarkable because costs are significantly lower than the underground operations of many of Continental's peers. The Macassa mine, owned by **Kirkland Lake Gold Ltd.** (TSX:KL), which is rated as the world's second highest-quality underground operation has all-in sustaining costs of US$782 per ounce. The Turquoise Ridge mine in Nevada, which is rated as the fourth highest and operated by mining heavyweight **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX), has all-in sustaining costs of US$714 per ounce.

This indicates just how profitable the Buriticà asset will be once development is complete and the mine commences operations in 2020. The quality of the project and its significant potential profitability is illustrated by the world's third-largest gold miner **Newmont Mining Corp.** (NYSE:NEM) taking a 25% cornerstone stake valued at US$109 million in Continental earlier this month.

Importantly, the project is fully approved, and construction activities have already commenced and are on schedule for underground mine development to commence during the final quarter of this year.

Furthermore, the political risks generally associated with mining in a jurisdiction such as Colombia are far lower than many investors realize. This is in part because of the favourable attitude the Colombian government takes towards business and foreign investment in general, as well as its need to replace the significant amount of revenue lost because of the protracted slump in crude.

You see, the oil industry is a significant contributor to gross domestic product in the Andean nation and is its largest export earner. The government of President Santos has focused on finding alternate sources of revenue; promoting precious metals mining in the mineral-rich country has become a key initiative.

So what?

The Buriticà project possesses a rare combination of scale and high ore grades. Along with Continental Gold's solid balance sheet as well as Newmont's interest, it is an attractive investment. Compared to many of its peers, Continental offers considerable upside over the long term with lower risk, particularly should gold rise to over US$1,300 per ounce.

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