



Latest News Makes This Junior Gold Miner a Top Buy

Description

Gold has weakened sharply since mid-April 2018, as the optimism surrounding the outlook for global economic growth has firmed. This decline in value even occurred despite fears of a [trade war emerging](#) after the Trump administration slapped tariffs on a broad range of imports from China, Canada, and the European Union (E.U.). This development shouldn't deter investors from investing in the lustrous yellow metal with junior miner **Lundin Gold Inc.** ([TSX:LUG](#)) standing out as being an attractive means of playing higher gold.

Now what?

For the year to date, Lundin Gold has gained a respectable 7% regardless of gold's weakness, which sees the **SPDR Gold Shares ETF** down by 7%. This can be attributed to the good news surrounding its operations that indicates it continues to move closer to being able to commence commercial production.

In a recent press release, Lundin Gold announced that it had acquired a project finance debt facility of US\$350 million, which will be used to fund its ongoing development of the Fruta del Norte project located in the South American nation of Ecuador. That essentially sees funding for the mine's development now substantially complete.

Lundin Gold also stated that it had entered an offtake agreement with metals company Boliden. That agreement will see it sell half of the gold concentrate produced to Boliden for the first eight years of the mine's operation.

These positive developments come on the back of the miner's credible first-quarter 2018 results, where it announced that over 26% of all engineering for the mine had been completed. This means that the mine is on track to commence commercial production in the first half of 2020 and even potentially earlier.

When it goes into operation, it will be a low-cost mine with projected all-in sustaining costs of US\$609 per ounce of gold produced. This underscores just how profitable Lundin Gold will be in an operating environment where gold is trading at over double that amount.

It also explains why senior gold miner Australia's **Newcrest Mining Ltd.** invested US\$250 million to acquire a 27% stake in Lundin Gold. Newcrest's CEO at the time of the deal stated that it was consistent with the miner's strategy of securing exposure to high potential ore bodies.

The involvement of Newcrest underscores the considerable potential held by Lundin Gold and reduces much of the execution risk associated with the project. This is because it provides the junior miner with a partner that has a significant interest in the completing the mine along with substantial resources and experience.

Notably, Newcrest also signed a deal with Lundin Gold to establish a joint venture to invest a further US\$20 million over five years in eight Ecuadorean exploration concessions. Newcrest will manage that venture and has already committed US\$4 million over the next two years to the project. That gives the exploration upside associated with Lundin Gold a healthy boost, while mitigating much of the risk for a junior miner being associated in greenfield mining developments.

So what?

Lundin Gold, because of the high quality of the Fruta del Norte project, which is underscored by the ease with which miner was able to obtain financing and the involvement of senior miner Newcrest, is poised to unlock tremendous value. It is likely that once the mine commences commercial operations and reports solid results that match projections, Lundin Gold's stock will soar and could easily double.

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