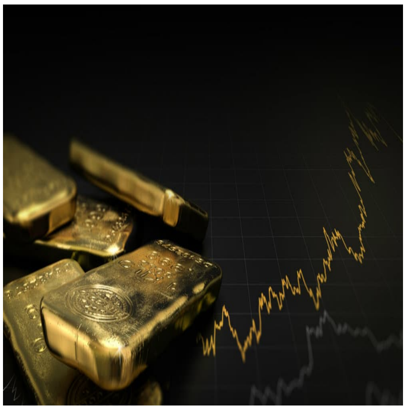

This Gold Mining Junior Is Ready to Double

Description

Despite gold pulling back sharply in recent weeks to be trading at its lowest price since July 2017, junior gold miner **Continental Gold Inc.** (TSX:CNL) remains an attractive investment. While the yellow metal has lost around 7% since the start of the year, Continental Gold has gained almost 16% and there are signs that it will continue to appreciate even if gold remains weak.

Now what?

Continental Gold is developing the world-class Buritica ore body in Colombia, located near the Andean nation's second largest city Medellin. The deposit has been assessed to have reserves of 3.7 million ounces of gold and 11 million ounces of silver giving it an expected mine life of around 14 years. With an average grade of 8.4 grams of gold per tonne of ore for gold and 24.3 grams for silver, it is ranked as one of the highest grade undeveloped precious metals deposits globally.

Notably, because of the high ore grade, the mine on commencing operations is forecast to have exceptionally low all-in sustaining costs (ASICs) of US$492 per gold ounce produced. This is because higher grades make it more efficient and less costly to extract the precious metal contained in the ore.

These are some of the lowest ASICs of any gold mine in the world. They are significantly lower than the forecast US$609 per ounce for **Lundin Gold Inc.'s** Fruta del Norte project in Ecuador or even **Barrick Gold Corp.'s** lowest cost mine Laguna Norte, which reported ASICs of US$496 an ounce for the first quarter 2018.

This means that on commencing commercial production in 2020, it will be an extremely profitable mine to operate, even more so should gold return to trading above US$1,300 per ounce.

There is every sign that the Buritica mine will commence production in 2020 as scheduled and be capable of producing on average 253,000 gold ounces annually over its 14-year mine life. As at the end of June 2018, the mine was 31% complete with 3,170 meters of underground development as well as all major earthworks completed.

Buritica also has estimated resources of 4.5 million gold ounces and 15 million of silver, thereby highlighting the considerable potential the deposit holds for Continental Gold to boost its reserves as exploration drilling continues.

Much of the execution risk associated with the project has been mitigated by Continental Gold acquiring financing from Red Kite and receiving a US$109 investment from senior gold miner **Newmont Mining Corp.** for an almost 20% equity holding. The fact that Newmont has made such a substantial investment in the project underscores the considerable potential that it holds and that the senior miner at an opportune consider acquiring Continental Gold.

The junior finished the first quarter 2018 with considerable liquidity holding US$62 million in cash, US$45 million in working capital and an undrawn US$200 million undrawn on the Red Kite credit facility.

So what?

Continental Gold is an attractive play on higher gold prices. Even if gold fails to firm in coming months, there is every sign that its stock will continue to appreciate. This is because of the quality of the Buritica asset and the progress on bringing that project to commercial operation. It shouldn't be forgotten that improving security conditions in Colombia along with conservative candidate Ivan Duque winning the presidential election in June has significantly reduced the geopolitical risk surrounding the project.

For these reasons, it is easy to see Continental Gold doubling in value once commercial operations at its Buritica mine successfully commence.

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