



## Now Is the Time to Buy This Junior Gold Miner

### Description

Gold recently bounced back, climbing above the psychologically important US\$1,200-per-ounce level, although it is still almost 9% down since the start of 2018, there are signs it could [rally further](#). This has been a boon for gold miners with many having based their 2018 guidance on US\$1,200-per-ounce gold. It also helped to push junior miner **Continental Gold** (TSX:CNL) higher, even though it has suffered from a series of security issues at its Buritica project in northwestern Colombia. Overall, the junior miner's stock remains flat for the year to date, creating an opportunity for risk-tolerant investors seeking to bolster their exposure to gold.

### Now what?

Continental Gold is developing the Buritica project located near Colombia's second-largest city, Medellin. The ore body is slated as one of the highest-grade underground projects under development globally at this time.

Buritica has reserves of 3.7 million gold ounces and 10.7 million ounces of silver at an average grade of 8.4 grams of gold per tonne of ore and 24.3 grams of silver. It's estimated that the mine will have exceptionally low all-in sustaining costs (AISCs) of US\$492 per ounce of gold produced, which are some of the lowest in the industry and underscore the profitability of the operation. The project has been backed by senior gold miner **Newmont Mining Corp.**, which invested US\$109 million to acquire an almost 20% stake in Continental Gold.

Despite improved security in the region after Colombia's ground-breaking 2016 peace deal with the FARC, which brought to an end one of the longest-running civil conflicts globally, the miner has suffered a range of security incidents. The latest was an armed attack on a residence housing mining staff within the locality of Yaramul near its Berlin project.

Prior to this, two gold-mining engineers were attacked by armed gunmen in the town of Buritica located near Continental Gold's flagship Buritica project. In July 2017, six security contractors died as they were investigating an illegal mine operating within the limits of the Buritica development.

While this has done little to allay fears regarding the security situation in northwestern Colombia, an

area which was once a hotbed of FARC and paramilitary activity, it shouldn't deter investors from buying Continental Gold.

The security situation has not worsened in recent months and is far better than it has been in years. Much of the conflict is related to either dissident FARC groups who have chosen not to surrender as part of the peace agreement, or because of long-simmering local disputes relating to access to resources. The latter has been amplified by the Colombian government's moves to stamp out illegal artisanal mining.

Continental Gold, as a foreign miner developing one of the largest gold mining projects in Colombia, is perceived by many aggrieved local parties as a legitimate target, despite it building a strong relationship with local communities so as to develop an effective social licence.

Continental Gold has done this by contributing to local infrastructure and establishing appropriate forums to engage local communities. In addition, almost 99% of its employees are Colombian. The miner's presence and significant investment in the Buritica project will also inject much-needed capital into what has traditionally been a heavily impoverished part of Colombia.

The miner is a highly promising investment, which should soar in value once the Buritica mine commences commercial production in 2020, especially when the considerable exploration upside connected with that asset and the Berlin project is considered.

You see, for some time, Continental Gold had treated its Berlin asset as worthless because of local security issues, but the FARC peace deal allowed it to commence evaluating that acreage. Its potential is tremendous given that the Berlin mine operated between 1930 and 1946 before Colombia's security situation collapsed, and it produced somewhere between 400,000 and 700,000 ounces of gold. The mine is located on a large-scale gold vein system with the potential for other large-scale ore bodies to exist nearby.

### **So what?**

The flagship Buritica mine development holds considerable promise and will be highly profitable for Continental Gold once it comes online. When it has proven that it can meet its forecast guidance with little to no disruptions because of security issues and other risks, it isn't difficult to see Continental Gold's [stock doubling](#) or more in value.

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