Now Is the Time to Buy This Small-Cap Gold Miner

Description

After pulling back below US$1,200 an ounce in late August 2018, gold has bounced back to hover at around that price. This can be attributed to the wide range of geopolitical risks, including Trump's aggressive stance on protectionism and trade, which have the potential to derail global economic growth.

While there are indications that gold will remain flat for the foreseeable future, it will surge if there are signs that economic growth is slowing and risk is rising. This makes now the time for investors to load up on what could be considered one of the highest-quality small-cap miners available: **Lundin Gold** (TSX:LUG), which has lost just over 7% since the start of 2018.

Now what?

Lundin Gold is in the midst of developing what is considered to be one of the highest-quality gold deposits that exists globally. This is the Fruta del Norte ore body located in southern Ecuador. While Ecuador, in the past, had a reputation for being a difficult jurisdiction in which to operate, Lundin Gold has successfully navigated the intricacies of its bureaucracy to develop a highly profitable asset. Much of this can be attributed to the 2014 oil slump, which saw government income collapse and place oil-dependent Ecuador in a challenging fiscal position, because of Quito's fiscal dependence on oil revenues.

As a result, the Ecuadorean government instituted a range of reforms aimed at making the Andean nation a more mining-friendly jurisdiction. Those measures included easing requirements regarding taxes, licensing, local content, capital, and drilling. This has made it a far more favourable jurisdiction for foreign miners to invest in.

Lundin Gold, because of its flagship Fruta del Norte project, is poised to significantly profit from higher gold. The property holds reserves of almost seven million gold ounces, which has been assessed to have an average grade of 12.1 grams of gold per tonne of ore. This represents an improvement over the original technical report, where reserves were estimated to be 6.3 million ounces and confirms the considerable potential held by the mine.

It should be noted that 12.1 grams of gold per tonne of ore is a particularly solid grade. This is important because the higher the grade, the more cost effective and profitable it is to extract the gold.

For this reason, Lundin Gold recently announced that mining costs would be lower than originally anticipated. It reduced its estimated average all-in sustaining costs (AISCs) for the life of the mine from US$609 per gold ounce produced to US$583 an ounce, which are some of the lowest AISCs for any underground mine. That underscores just how profitable the operation will be, especially with gold trading at US$1,200 an ounce, when production commences in the fourth quarter 2019.

The project is fully funded as well as permitted, and Lundin has confirmed that the mine development remains on schedule.

Total gold production over the life of the mine has also increased by 73,000 ounces from the original assessment to now be 4.6 million ounces. It has also been assessed that current gold reserves only represent 67% of the total indicated gold resources on the property. This emphasizes the considerable exploration upside which exists and Lundin Gold's ability to expand reserves and production in the future.

So what?

The prospects for Lundin Gold's Fruta del Norte asset are extremely positive, and the recent announcements regarding the enhanced estimates for the project affirm the considerable potential that it holds. When the mine commences operations and proves that it can consistently meet the forecast figures, Lundin Gold's stock will soar, particularly if gold firms once again and approaches US$1,300 an ounce. The latest pullback in the miner's market value makes now the time for risk-tolerant investors to consider adding Lundin Gold to their portfolios.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:LUG (Lundin Gold Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date
2025/09/12
Date Created
2018/09/25
Author
mattdsmith