



Latest News Makes This Junior Gold Miner a Top Buy

Description

After the tragic late-September 2018 [attack](#) at **Continental Gold's** (TSX:CNL) Berlin project in northwestern Colombia, where three employees were murdered, its stock was pummeled by the market to see it down by 32% for the year to date. Even gold's recent rally, which saw it climb to over US\$1,220 an ounce, has failed to breathe life into the junior gold miner's share. While the incident has justifiably created considerable concern over security in the part of Colombia, where the miner's core assets are located, it has created an opportunity for investors seeking to bolster their exposure to gold.

Now what?

The assault on Continental Gold's facilities and employees will certainly force the miner to reappraise its Berlin project to determine whether it is viable to continue exploration and development activities at the property.

Nonetheless, Continental Gold's flagship Buritica project located to the southwest of the Berlin asset was unaffected, and development of that mine remains on schedule. That project is rated as one of the largest, high-quality gold ore bodies under development globally. It has been determined to hold reserves of 3.7 million gold ounces and 10.7 million ounces of silver.

The quality of the asset is underscored by its high ore grades, including an average grade of 8.4 grams of gold per tonne of ore (g/t). This notable grade makes it more economic to extract the gold from the surrounding ore and is the reason for Buritica's low estimated all-in sustaining costs (AISCs) of US\$492 per ounce of gold produced. That underscores just how profitable the mine will be once it commences commercial operations.

First gold pour is anticipated for the first half of 2020, and on reaching steady-state production Buritica is expected to produce on average 253,000 gold ounces annually over the 14-year life of the mine.

The considerable potential held by the Buritica asset is emphasized by recent drilling results at the property. Continental Gold announced that it had hit high-grade gold in the Yaragua system with grades ranging from 12.45 g/t to a stunning 174.054 g/t. This highlights the considerable exploration upside held by the Buritica property and the significant likelihood of Continental Gold being able to

bolster its gold reserves and production.

Much of the risk associated with a project of this scale has been reduced because it is fully permitted and financed. It also has the backing of senior gold miner **Newmont Mining**, which acquired a 19.9% stake in Continental Gold in mid-2017 for US\$109 million. This was one of the largest strategic investments made by a senior miner at that time with one of the highest premiums paid, indicating that Newmont views the Buritica project as an important strategic opportunity.

So what?

Security issues remain in Colombia and will continue to impact Continental Gold's operations. The region of Colombia where the Buritica and Berlin properties are located has a long history of conflict between leftist guerrillas, paramilitary, and government forces.

Nevertheless, the peace deal established in 2016 between the government and the largest combatant group, the FARC, as well as their subsequent demobilization has triggered a [significant improvement](#) in security. The latest incident has placed pressure on authorities to ensure local municipalities are secure and possess sufficient security resources.

While the future of the Berlin asset remains in doubt, the flagship Buritica mine, once commencing commercial operations, will be highly profitable and generate considerable cash flow for the company. Once Continental Gold consistently reports that Buritica is operating as anticipated, it is easy to see its stock soaring and potentially doubling.

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