



Gold's Latest Pullback Makes Now the Perfect Time to Buy This Gold Miner

Description

Gold has once again pulled back sharply in recent weeks to be trading at around US\$1,200 an ounce, which sees it down by around 9% for the year to date. Many gold miners have declined in value as the yellow metal's price weakened to see the **Van Eck vectors Junior Gold Miners ETF** down by 25% over the same period. One junior gold miner that has bucked that trend is **Lundin Gold Inc.** ([TSX:LUG](#)), which is up by just over 1% despite gold's latest weakness. Every sign indicates that the miner is poised to soar, particularly if gold firms up in the coming months.

Now what?

Lundin Gold is developing the Fruta del Norte ore body in Ecuador, which is ranked among the highest quality major gold deposits currently under development globally. The ore body has been assessed to hold reserves of just over five million gold ounces at an average grade of 8.75 grams of gold per ton of ore (g/t).

Because of the high ore grade, the mine is expected to have all-in sustaining costs (AISCs) of US\$583 per gold ounce produced on completion. Those AISCs, which were announced as part of the latest project estimates, are lower than the US\$609 per ounce reported previously. These costs are very low, and underscore the potential profitability of the mine when it begins production.

Overall, engineering work for the mine is 63% complete, while 34% of the construction is finished and the project remains on schedule and on budget with the first gold pour forecast for the fourth quarter 2019. Average annual gold production during the first 13 years of the mine's operations is expected to exceed 330,000 gold ounces. There is considerable potential for both reserves and production to grow, as Fruta del Norte is located in a major mineralized trend, which holds considerable exploration upside.

The mine is fully permitted and financed, which, along with senior Australian gold miner **Newcrest Mining Ltd.** being a major shareholder buying a 27% stake in Lundin Gold for US\$250 million in February 2018 considerably reduces the risks associated with the project's development.

In July 2018, Lundin Gold closed a US\$350 million debt facility from a syndicate of lenders, further strengthening its financial position. This ensures that there is sufficient capital available to meet all

projected costs associated with the mine's construction and the ability to cover any cost blowouts should they arise.

Much of the political risk associated with the development has been mitigated. Lundin is focused on building strong relationships with local communities to ensure that it has a social licence to operate. To that end, 57% of the miner's employees are from local communities.

Furthermore, Ecuador, which has in the past been seen as a hazardous jurisdiction to operate for foreign mining companies, has made significant efforts to attract investment in mining projects. This saw Quito simplify many of the regulations surrounding mining in the Andean nation including making the legal and regulatory framework more transparent and easing the tax burden on foreign miners. These factors reduce much of the geopolitical risk associated with Lundin Gold's operations.

So what?

Lundin Gold is an attractive means of playing higher gold. Even if the yellow metal [remains weak](#) for the foreseeable future its stock will soar once the mine is complete and commercial production commences. If gold were to rally once again, the stock would see another solid boost. It isn't difficult to see Lundin Gold [doubling](#) once it consistently reports results indicating that Furta del Norte is operating in accordance with its estimates and projections.

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