



Time to Double Down on This Junior Gold Miner

Description

Junior gold miner **Continental Gold** (TSX:CNL), which is developing the Buritica project in northwestern Colombia, has been roughly handled by the market in the wake of an [attack](#) on its employees in late September 2018, which saw three tragically murdered. The miner has seen its stock plummet by over 40% for the year to date because of growing market fears that the degree of geopolitical risk in Colombia is rising, despite the largest guerrilla group known as the FARC demobilizing after the historic peace deal, which came into force in 2016.

This overbaked perception of risk has created an opportunity for contrarian, risk-tolerant investors to acquire a leading junior gold miner, which is developing one of the highest-grade large-scale gold projects globally.

Now what?

Continental Gold's flagship Buritica project holds reserves of 3.9 million gold equivalent ounces with an average grade of 8.75 grams of precious metal per tonne of ore (g/t). That is comparable to the [Fruta del Norte](#) project in Ecuador, which is being developed by **Lundin Gold** (TSX:LUG) and has proven to be attractive to investors, despite Ecuador's reputation as a difficult jurisdiction in which to operate.

Because of the impressive ore grade, Buritica, on commencing operations, is anticipated to have exceptionally low operating expenses with all-in sustaining costs (AISCs) forecast to be US\$492 per gold ounce sold. Those are some of the lowest AISCs in the industry and are significantly lower than Lundin Gold's impressively low US\$583 per gold ounce. That underscores just how profitable the Buritica mine will be once it commences production during the first half of 2020.

Colombia has a long history of being a business-friendly jurisdiction compared to Ecuador, which has been viewed as problematic for some time. Moves in recent years by the Colombian government to enhance security, eliminate artisanal gold mining, simplify mining regulations as well as capital requirements, and implement favourable taxation policies have served to make it an [attractive jurisdiction](#) for miners — even more so after it is considered that Colombia remains underexplored for precious metals compared to other Latin American nations, while possessing many of the geological

characteristics of major gold and silver mining jurisdictions such as Peru.

The Buritica project is on schedule for the first gold pour to occur in early 2020 with 92% of the detail engineering and 34% of the underground development completed.

The site possesses considerable exploration upside. Recent drilling results indicate there are a range of mineralized veins with remarkably high gold and silver ore grades. Continental Gold also made a new discovery at the Laurel Target, which is located to the west of the Buritica mine. The Buritica acreage has measured and inferred resources of almost five million gold ounces and 14 million silver ounces with ore grades of 11 g/t and 34 g/t, respectively, indicating that reserves will expand further.

The Buritica project has all major permits and is fully financed. In 2017, it attracted the attention of senior miner **Newmont Mining**, which acquired an almost 20% stake in Continental Gold for US\$109 million. The backing of Newmont further mitigates much of the risk associated with developing the Buritica mine.

After the tragic attack in September 2018, which saw three employees killed at its Berlin operations, Continental Gold chose to cease all activities at the property and to date has no plans to re-commence operations.

So what?

Continental Gold is trading at a deep discount to its intrinsic value. While the security incident at the Berlin project has rightly raised questions as to the security of its operations in northwestern Columbia, the market's reaction is heavily overbaked. This has created an opportunity for investors to obtain exposure to a high-quality project, which, on successfully commencing commercial production, should propel Continental's stock to new highs.

It isn't difficult seeing Continental Gold doubling or even tripling should it be able to consistently report credible results that meet its estimates and projects for the Buritica property.

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mattdsmith

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