



## 3 Small-Cap South American Gold Miners That Are Ready to Soar

### Description

Investors seeking exposure to gold typically focus on senior gold miners like **Barrick** because of the stability and maturity of their operations. While this provides a lower-risk means of bolstering exposure to gold, junior gold miners offer the opportunity to gain access to outsized returns. This is because they are typically viewed by the market as risky ventures that could fail should gold fall into another slump or if they encounter significant operational difficulties.

Nonetheless, there are signs that gold will firm over 2019 and could even be entering a new bull market. If that occurs, it bodes well for the prospects of junior miners currently in the process of proving their assets and constructing mines. Let's take a closer look at three small gold miners that have the potential to deliver strong returns during 2019.

**Lundin Gold** ([TSX:LUG](#)) is focused on developing the Fruta del Norte gold project in the Latin American nation of Ecuador. The stock has lost 3% over the last year, creating an [opportunity](#) for investors to acquire a gold miner with a high-quality flagship asset.

Lundin has reserves of just over five million gold ounces with an average grade of 8.74 grams of gold per tonne of ore (g/t). That impressive grade means it is highly economic to extract the gold, leading to low estimated all-in sustaining costs (AISCs) of US\$583 per gold ounce produced — some of the lowest in the industry. This highlights the profitability of the property with first gold expected during the fourth quarter 2019 and steady-state commercial production being achieved by the second quarter 2020.

The project is permitted and fully financed with mine construction 34% complete. In its first full year of commercial operation, Lundin anticipates it will produce almost 300,000 gold ounces, which will grow to over 400,000 ounces by 2021.

**Continental Gold** (TSX:CNL) is developing the Buritica gold deposit in northwestern Colombia. Its market value declined sharply after three geologists were murdered at its Berlin property in Colombia; it's down by 38% over the last year, although its Buritica asset was unaffected. This drop has created an opportunity for investors to gain exposure to an [impressive asset](#) that holds considerable potential

at a very attractive valuation.

The Buritica ore body has reserves of 3.9 million gold equivalent ounces at an average grade of 8.75 g/t. It, like the Fruta del Norte deposit, is rated as one of the highest-quality major ore bodies discovered in recent years. That impressive ore grade means that the mine is expected to have AISCs of US\$492 per gold ounce produced, which are among the lowest in the industry. This underscores Buritica's considerable profitability with gold trading at over US\$1,280 an ounce.

Continental has the backing of senior gold miner **Newmont Mining**, which owns a 19.9% interest in the miner. This mitigates much of the execution risk associated with the project where construction is 44% complete and first gold is expected during the first half of 2020. During its first full year of commercial operation, Buritica is forecast to produce 300,000 gold ounces.

**Guyana Goldfields** (TSX:GUY) is focused on the exploration, development, and mining of gold in the South American country of Guyana. Its stock has plunged by 66% over the last year, taking a big hit when it revised its 2018 production guidance downward, creating a contrarian opportunity for investors seeking exposure to gold.

Guyana Goldfields's core asset is the operational Aurora gold mine, which has reserves of almost four million gold ounces at a grade of 2.87 g/t. The mine is expected to produce 150,000-155,000 gold ounces during 2018 with AISCs of US\$1,025-1,050 per ounce produced. Guyana Goldfields is also developing the Sulphur Rose project and has a range of other exploration assets.

The miner is focused on improving ore grades at Aurora and further developing the property, which possesses considerable exploration upside. Drilling results for the Rory's Knoll ore body located at Aurora have been promising, and in early November 2018 Guyana Goldfields commenced mine development activities, which will lead to higher ore grades and greater gold output as well as lower AISCs.

## Foolish takeaway

All three miners are high-risk investments because of the unproven nature of the assets they are developing. They are, however, very attractively valued and offer investors the opportunity to access outsized returns, particularly if gold firms further over the course of 2019 because of rising geopolitical and economic risk.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

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