



1 Intriguing Canadian Gold Miner to Buy Right Now

Description

Junior gold miner **Harte Gold Corp.** (TSX:HRT) recently declared commercial production at its Sugar Zone mine in Ontario Canada. After pulling back sharply in recent days to be down by 5% over the last year Harte Gold is an attractively valued means of playing higher gold and the yellow metals [next leg-up](#).

Quality flagship asset

Harte Gold's Sugar Zone property has been determined to have indicated mineral resources of 714,000 gold ounces at an average grade of around 85 grams of gold per tonne of ore (g/t). That high ore grade is important to note because it indicates just how economic it is for Harte Gold to mine and extract the contained gold. While it is only a small mine which is expected to produce on average 54,500 ounces of gold annually during phases 1 and 2 it is a profitable operation.

Sugar Zone has estimated life of mine all-in sustaining costs (AISCs) of US\$708 per gold ounce sold. In an operating environment where gold is trading at above US\$1,300 per ounce the recent commencement of commercial operations will give Harte Gold's earnings a solid lift. The mine's profitability is further emphasized by its low cash costs of US\$507 per gold ounce produced.

It is anticipated that phase three of the mine will come online in 2021 and that will almost double average annual production to 106,900 gold ounces annually, further bolstering Harte Gold's earnings.

Now that the Sugar Zone mill has reached steady-state ore processing, Harte is focused on improving recoveries by mining higher grade ore by ramping up mining activity.

Nonetheless, existing surface stockpiles contain enough ore to supply the mill for 33 days at its maximum permitted operating capacity to process 575 tons of ore daily. The grade of those stockpiles based on December 2018 sampling is an impressive 5.08 g/t, meaning that Harte Gold has a sufficient ore supply to manage shortfalls created by disruptions to mining activities and lower than expected ore grades.

There is every likelihood in coming weeks that Harte Gold's mineral resources will expand with the

miner currently updating its estimates after completing a significant 2018 drilling program. Once that and the mine's 2019 budget is released, Harte Gold's stock should move higher, with management anticipating that mine economics will improve.

The miner's investment appeal is enhanced by the fact that its flagship asset the Sugar Zone mine is in the stable and mining friendly jurisdiction of Canada. That significantly reduces the degree of regulatory and geopolitical risk attached to its operations.

Harte Gold finished the third quarter 2018 with \$3.7 million in cash and a manageable \$213 million in debt. It also bolstered its cash holdings through a \$1.4 million equity raising in late November 2018.

While this gives the impression that Harte Gold has a solid balance sheet, it should be noted that the miner has a short-term subordinated loan valued at \$26 million in place with Appian Natural Resources Fund. That loan, which was originally due for repayment on January 25, 2019 has been extended to May 9, 2019, which will give Harte Gold time to organise alternate financing on agreeable terms.

Even after including the bridging loan with Appian, which is categorised as a related party transaction, meaning that Harte Gold should be able to manage it on favourable terms, the miner's debt is still manageable, especially given that with commercial production underway, earnings and cash flow will grow at a solid clip.

Why buy Harte Gold?

Investing in junior gold miners can be quite risky. While much of that risk has been mitigated by Harte Gold's flagship Sugar Zone mine reaching commercial production, the miner has yet to demonstrate that the mine can operate consistently in accordance with its mine plan and projections. After Harte Gold's sharp sell-off in early January 2019, it does appear very attractively valued, particularly amid operating environment where [gold is trading](#) at over US\$1,300 an ounce. The upcoming release of an amended resource estimate and mine budget will act as a powerful tailwind for Harte Gold's stock, making now the time to buy.

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