



## Why Did This Gold Miner Soar by 45% for the Year to Date?

### Description

After overpromising and failing to deliver for almost a decade, intermediate gold miner **Gran Colombia Gold Corp.** (TSX:GCM) appears to finally have found its footing. Not only has it made substantial improvements to the operations of its flagship Segovia properties, but it has also bolstered its balance sheet and simplified its capital structure. Those positive developments saw Gran Colombia gain 45% for the year to date, and there are signs that it will unlock further value for investors, which will cause it to rally higher over the remainder of 2019.

### Positive outlook for gold

A key driver of the miner's improved performance has been firmer gold. After dipping sharply toward the end of 2018, the yellow metal has gained 3.4% since the start of 2019 and appears poised to rise higher. A combination of geopolitical uncertainty, fears of a global economic slowdown and emerging political crises will serve as a powerful [tailwind for gold](#). These will spark a rush to safety that will see investors bolster their exposure to the yellow metal because it is viewed as the ultimate safe-haven asset.

Analysts are tipping that the precious metal could rise to as [high](#) as US\$1,400 an ounce during 2019. This will be supported by a dovish Federal Reserve, which should see rate hikes pause and the U.S. dollar weaken — a positive for gold. When this outlook is coupled with the significant enhancements made to Gran Colombia's business, it will give the miner's stock a healthy lift.

### Significant operational improvements

Key to these improvements has been the expansion and modernization of its Segovia operations. These have seen Gran Colombia tap the considerable potential held at its Segovia acreage, which saw it rated as the third highest grade underground gold mine in 2017. High ore grades are a key profitability driver for any gold mine because they determine how economic it is to extract the precious metal. Those grades also affect production and processing volumes as well as gold reserves.

For 2018 Gran Colombia reported that it beat its production guidance, producing 218,001 gold ounces, 25% greater than 2017 with 89% of that gold output mined at Segovia. The ore grade processed

during 2018 averaged 17.1 grams of gold per ton of ore (g/t), which was a notable improvement over 2017 when Gran Colombia reported an average of 16.2 g/t.

There are indications that Gran Colombia will continue to performance strongly. Segovia has proved and probable reserves of 660,000 gold ounces with its proved reserves having an extraordinary grade of 45.4 grams of gold per ton of ore. It also possesses considerable exploration upside, as underscored by its measured resources of 146,000 gold ounces with a notable grade of 21.5 g/t and indicated resources of 1.1 million ounce at a grade of 10.7 g/t.

By the end of September 2018, Gran Colombia had trailing 12-month all-in sustaining costs (AISCs) of US\$899 per gold ounce sold. The miner, because of the ongoing enhancements being made at Segovia, anticipates that those expenses will fall. In an operating environment where gold is trading at over US\$1,300 an ounce, this bodes well for Gran Colombia's full-year 2018 results and ongoing profitability.

The miner anticipates that Segovia will produce between 186,000 and 199,000 ounces during 2019, while gold output from its Marmato property will range between 24,000 and 26,000 ounces, giving Gran Colombia at the upper end of its guidance total production of up to 223,000 gold ounces. This is 2% greater than 2018 and when combined with falling costs as well as firmer gold will give Gran Colombia's earnings a healthy lift.

Gran Colombia is also in the process of developing its Marmato property. which will be responsible for around 12% of its 2019 gold production and as that asset is developed its AISCs should fall.

### **Reduced financial risk**

The restructuring of Gran Colombia's balance sheet, which sees a simpler capital structure in place and significantly lower debt, substantially reduces the financial risk associated with investing in the miner. By the end of January 2019, Gran Colombia had US\$33 million in cash, 2,600 ounces in its gold trust account to meet a pending 2019 debt repayment and total debt of US\$83 million.

The strength of Gran Colombia's financial position and balance sheet is underscored by its net debt after the restructuring being a very manageable 0.6 times EBITDA compared to 4.6 times three years earlier.

### **Why buy Gran Colombia?**

The considerable progress made with improving Gran Colombia's financial position as well as the performance of its flagship Segovia operation indicates that it is poised to grow at a solid clip. This has also substantially reduced investment risk associated with the miner, and leaves it on a solid footing to unlock value for investors, meaning there is further upside ahead as production expands, AISCs fall and gold firms.

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