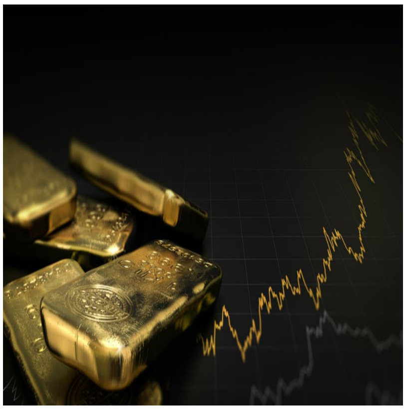

More Good News From This Beaten-Down Gold Miner Confirms it Is Time to Buy

Description

Over the latter half of 2018, gold miner **Continental Gold** (TSX:CNL) was roughly handled by the market after experiencing a range of operational and security issues combined with a significant cost blowout at its flagship Buritica project in Colombia. While I maintained my considerable conviction regarding the miner's potential and the quality of the Buritica asset, it did make me pilloried by some of my peers.

Increased precious metal resources

After a major drilling campaign, Continental Gold has released its long-awaited revised mineral resource estimate. Its measured and indicated resources expanded significantly from the original estimate completed in 2015. The volume of gold has increased by almost 19% to 5.32 million ounces and silver has surged by 50% to 21 million ounces.

More importantly, ore grades remain high with the average grade for gold being 10.32 grams per tonne of ore (g/t) compared to 10.8 g/t for the earlier report, while the average silver grade shot up by an impressive 20% to 41.76 g/t. This is especially crucial to note, because the higher the grade, the more likely that it is economic to extract the precious metal contained, meaning that those resources have a greater potential of being reclassified as proven and probable reserves.

Continental Gold has been reporting some stellar drilling results, including samples from Buritica, which have gold grades of 8 g/t to almost 25 g/t across a range of channels at the mine. According to an announcement from the miner, the average gold grade for the stope samples taken measures 13.3 g/t, which is an incredible 58% higher than the average grade of 8.4 g/t for its proven and probable reserves estimate.

High grades also mean it is typically less costly to extract the gold and silver from the surrounding ore. That is why Continental Gold's flagship Buritica project has low all-in sustaining costs (AISCs) of around US$600 per ounce mined.

The notable ore grades reported in the latest mineral resources report combined with solid drilling results and the quality of the stope samples taken from Buritica signify that Continental Gold's reserves will continue to grow. It also suggests that AISCs could be lower once the mine successfully achieves commercial production. They had originally been estimated at US$492 per gold ounce produced over Buritica's 14-year mine life but revised upward to the current estimate in 2018.

Lower AISCs would certainly boost profitability and hence earnings in an operating environment where gold is trading at over US$1,300 an ounce.

Continental Gold also reported that it had secured additional financing totaling US$175 million, allowing it to fund the capital shortfall for the Buritica project identified in 2018. That deal gives the miner enough capital to complete building the mine and supporting infrastructure. It also saw senior gold miner Newmont Mining potentially increase its stake in the Continental Gold from 19.9% to around 28% if it chooses to execute its conversion rights under the debenture issued.

Continental Gold is poised to soar

The revised mineral resource estimate and impressive stope testing results confirm why Newmont is showing considerable interest in Buritica. It also indicates that the negative market sentiment, which is being driven by security issues in northwestern Colombia, toward the miner is overbaked and that there is considerable potential for Continental Gold to rally further. While it has rallied significantly since the start of 2019, gaining 33% on news of the successful financing deal, Continental Gold is still trading at well below its 52-week high of $3.98.

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