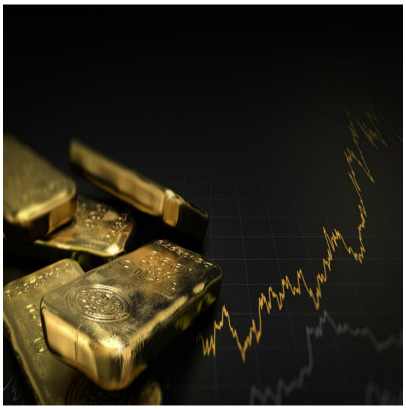

3 Top Gold Miners Poised to Soar Despite Weaker Gold

Description

Marijuana and tech stocks maybe the hottest new investments that have created multiple millionaires in recent years, but it is junior gold miners that offer similar if not more potential with less risk for investors seeking outsized returns. The heady days of the 70s and 80s when massive mining booms were minting millionaires virtually overnight may have come to an end, but there are many gold projects under development that are poised to deliver considerable value.

Continental Gold (TSX:CNL)

One of the least appreciated is Continental Gold, which is developing the Buritica gold deposit in Colombia. The miner has attracted the attention of senior miner **Newmont Mining**, which has made considerable investments to the tune of US$159 million as mixture of equity and debt.

In a recent press release, Continental Gold stated that the project was 56% complete and scheduled for commercial production in 2020. The Buritica ore body is one of the largest high-grade gold deposits under development globally. It has forecast all-in sustaining costs (AISCs) of around US$600 per gold ounce mined and will produce at least 300,000 ounces annually once commercial operations commence. That will see it become a cash flow-generating machine in an operating environment where gold is trading at over US$1,270 an ounce.

Since an attack on its Berlin property, in which three geologists were murdered, and the revelation of cost blowouts at Buritica, which required additional funding, the stock has been roughly handled by the market. Over the last year it has lost 20% compared to gold's 6% decline, creating an opportunity for investors seeking exposure to a stock that could triple once the Buritica mine successfully commences commercial operations.

Lundin Gold (TSX:LUG)

It hasn't all been smooth running at Lundin Gold's Fruta del Norte project in Ecuador. A recent work-site fatality and concerns over looming cost overruns have weighed heavily on its stock; it only gained a mere 4% over the last year. The project is an impressive asset to own. Fruta del Norte has gold reserves of five million ounces with an impressive grade of 8.74 grams of gold per tonne of ore. It budgeted to have AISCs of US$583 per gold ounce produced, which are some of the lowest in the industry.

The mine has a forecast 15-year life with the first gold pour scheduled for the end of 2019 and commercial production expected to be achieved during the second quarter 2020. Underground mine development reached the ore body by the end of 2018 and overall engineering was 85% complete.

Fruta del Norte is an extremely attractive asset which has similar characteristics to the Continental Gold's Buritica property. Ecuador is in many ways a lower-risk jurisdiction than Colombia, thereby enhancing its appeal.

A short payback period of under five years, along with increased gold reserves and lower AISCs compared to the original feasibility study, highlights Fruta del Norte's considerable profitability. If Lundin Gold and Fruta del Norte deliver as anticipated, the miner's stock could double.

Fortuna Silver Mines (TSX:FVI)(NYSE:FSM)

Fortuna is a leading silver miner in Latin America, operating the Caylloma mine in Peru and the San Jose property in Mexico. It isn't the miner's silver assets that make it an attractive proposition for investors. While Fortuna consistently reports low AISCs of less than US$10 per ounce produced, declining silver and gold production as well as the stagnant outlook for the white metal doesn't make its silver assets an appealing reason to invest.

The key attraction is Fortuna's Lindero project in Argentina. The open-pit mine is currently under development and was 40% completed by the end of February 2019. A range of issues triggered cost blowouts and forced Fortuna to reschedule the commencement of commercial production for some time during the first quarter of 2020. Pre-production capital costs rose by 20% compared to initial estimates to US$295 million.

These events, along with disappointing fourth-quarter 2018 results, saw Fortuna punished by the market, losing 40% over the last year, creating an opportunity for investors. Lindero is a very attractive asset to own. It has forecast AISCs of around US$802 per gold ounce mined, highlighting its profitability in the current operating environment. The mine has an estimated 15-year life and annual average gold production of 96,000 ounces with a payback period for the capital invested of less than four years.

When it is considered that those estimates are based on an assumed gold price of US$1,250 an ounce, which is lower than the current spot price, it is easy to understand Lindero's appeal and considerable potential.

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