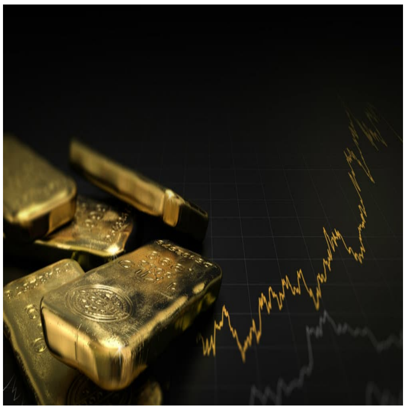

2 Gold Miners to Buy in 2019 and Double Your Money

Description

Gold has come off the boil, despite fears of a trade war between the U.S. and China emerging. The yellow metal has fallen by roughly 5% since hitting a one-year high of over US$1,343 an ounce to be trading at US$1,278 per ounce. This has caused gold-mining stocks to soften, creating an opportunity for investors to acquire quality junior miners with considerable potential upside.

High-quality, large-scale gold project

Lundin Gold (TSX:LUG) is a development-stage miner which is developing the Fruta del Norte ore body in Ecuador. It was one of the first foreign miners to enjoy success in a jurisdiction once known to be highly difficult because of a heavy tax burden and opaque regulations. Since 2015 and the oil bust, Ecuador's government has focused on attracting foreign investment into the mining sector, as it desperately seeks to shore up its finances.

Fruta del Norte is ranked as one of the highest-quality gold mines under development. It has reserves of five million gold ounces at an average grade of 8.74 grams of gold per tonne of ore (g/t). That exceptional grade means that on completion the mine is expected to have low all-in sustaining costs (AISCs) of US$583 per gold ounce mined. This underscores the mine's considerable profitability in an environment where gold is trading at over US$1,285 per ounce.

Commercial production is targeted for 2020. This appears achievable with overall construction at Fruta del Norte 59% complete and underground work ahead of schedule. Lundin Gold finished the first quarter with a solid balance sheet comprised of US$83 million in cash and long-term debt of US$388 million.

It is quite possible that Lundin Gold's stock will double once it reports that commercial operations have successfully commenced in accordance with estimates.

The tide is turning

Fortuna Silver Mines (TSX:FVI)(NYSE:FSM) has been punished by the market over the last year to see its stock down by a whopping 52% over the last year. Sharply weaker silver, delays, as well as higher costs at its Lindero gold project in Argentina and rising geopolitical risk in the Latin American nation because of impending presidential election have created significant uncertainty.

Nonetheless, the market's reaction appears overbaked, creating an opportunity for investors seeking outsized returns. This has seen insider, CEO Jorge A. Ganoza, acquire 170,000 common shares at a total value of US$440,300 earlier this month.

Fortuna Silver is essentially using its operational San Jose and Caylloma silver mines to fund the Lindero mine development.

Lindero is an attractive open-pit heap leach gold mine; it is 47% complete and expected to achieve commercial production during the first half of 2020. Fortuna finished the first quarter 2019 with US$113 million in cash and short-term investments as well as US$80 million available on a US$150 million credit facility, meaning it has enough capital available to complete the Lindero project.

The miner expects leach pads and supporting production infrastructure to be in place by around the end of the third quarter 2019, which means that the first gold pour should occur at some stage during the final quarter. That bodes well for Fortuna's earnings, as does the move to commercial production in 2020.

Lindero has been assessed to have proven and probable reserves of 1.7 million gold ounces and average AISCs of US$802 per ounce produced over the 13-year mine life, highlighting its profitability with gold trading at over US$1,278 per ounce. The mine is expected to produce on average 96,000 ounces annually over its life, significantly bolstering Fortuna's earnings and reducing its dependence on silver, which is facing a rather bleak outlook.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:FVI (Fortuna Silver Mines)
3. TSX:LUG (Lundin Gold Inc.)

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Date
2025/07/21
Date Created
2019/05/28
Author
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