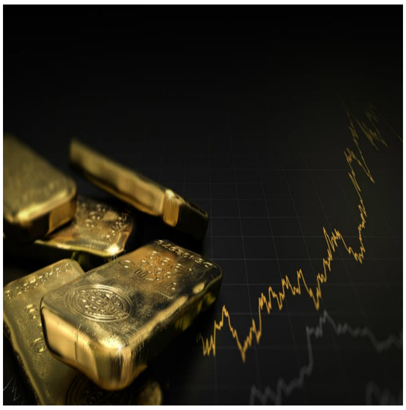

1 Cheap Gold Miner to Buy in June Which Has Already Soared by 46%

Description

Gold's latest strength has been a boon for gold miners, with many beaten-down development-stage miners like **Continental Gold** (TSX:CNL) receiving a healthy boost. Continental Gold, which was beaten down over concerns about the deteriorating security environment in Colombia, where it is focused on developing the Buritica ore body located near Medellin, has gained 46% for the year to date. There are signs of further gains ahead for the miner, which in 2018 became a whipping post for dissatisfied investors and analysts after employees were murdered and it was forced to raise further capital to fund budget blowouts.

Mine development on schedule

Overall mine development is 67% complete with 100% of detailed engineering accomplished and 76% of underground development finished. That leaves the Buritica project on track for the first gold pour to occur during the first half of 2020 and commercial production to be achieved during the second half.

Buritica is ranked as one of the largest high-quality gold ore bodies currently under development, with reserves of 3.7 million gold ounces at an average grade of 8.4 grams of gold per tonne of ore (g/t). It also holds silver reserves of 21 million ounces with an average grade of 40.8 g/t. This, along with lower start-up and operational costs in Colombia compared to developed jurisdictions, means that it will have average life of mine all-in sustaining costs (AISCs) of around US$600 per gold ounce mined. That makes it a particularly profitable operation in an environment where gold is trading at close to US$1,400 an ounce.

Continental Gold has also consistently reported solid drilling results over the last two years. The company released an upgraded mineral resource estimate in January 2019. That bodes well for reserve and production growth over Buritica's 14-year life, which will further boost earnings and its net asset value, leading to a higher market value.

While there are concerns surrounding the deteriorating security situation in Colombia, because the historic peace accord with the largest, now-demobilized guerrilla group, the FARC, is close to collapse, the fallout shouldn't have a material impact on the Buritica operation.

Continental Gold has established a social licence, employing primarily Colombian locals and avoiding many of the controversial tactics employed by other miners, such as Tahoe, in other Latin American jurisdictions. Those tactics saw Tahoe unable to gain a social licence from local communities, which sparked protests against its operation in Guatemala that eventually forced the Escobal mine to shutter after its licence was suspended.

Bogota's emerging fiscal crisis and the ongoing oil slump are having a sharp impact on growth and fiscal revenues because Colombia's government is heavily dependent on revenue from crude production and exports. That makes it imperative for Bogota to ensure the success of the Buritica project to attract more foreign investment for the Andean nation's emerging gold mining industry.

The involvement of **Newmont Goldcorp** in the project further enhances the attractiveness of Continental Gold. Newmont made a US$109 million investment in May 2017 for a 19.9% stake in the junior miner and, since then, upped its exposure by acquiring a convertible US$50 million debenture, which, if exercised, will increase its stake to 28%. That certainly further offsets much of the risk associated with the Buritica project.

Foolish takeaway

Continental Gold has been punished by the market, but despite the risks associated with the stock, which appear overbaked, it is an attractive play on higher gold. If gold remains firm, it is not difficult to see its value doubling or more once commercial production at the Buritica mine successfully commences during the second half of 2020.

CATEGORY

1. Investing
2. Metals and Mining Stocks

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date
2025/09/12
Date Created
2019/06/21

Author
mattdsmith