



How to Get Exposure to Gold for Less Than \$300 an Ounce

Description

Gold has surged in recent weeks, as a combination of growing fear about the global economic outlook and an emerging trade war between the world's two largest economies has triggered a flight to safety among investors. The yellow metal's appeal as an investment has been bolstered by the Fed taking a more dovish approach to interest rates, indicating that a rate cut could be on its way, thereby reducing the opportunity cost associated with non-yielding assets such as gold.

The increasing attractiveness of gold as a hedge against uncertainty makes now the time for investors to add the precious metal to their portfolios. What if there was a way to gain exposure to gold by paying less than \$300 per ounce or roughly a fifth of the market price?

Quality development-stage miner

The secret is to identify a quality development stage [gold miner](#) such as **Continental Gold** (TSX:CNL), which owns and is advancing the world-class Buritica gold project in northwestern [Colombia](#). The ore body has precious metals reserves of 3.71 million gold ounces and 10.7 million of silver at an average grade of 8.4 grams of gold per tonne of ore and 24.3 grams of silver.

Those notable ore grades make it more economic for the precious metal to be extracted from the surrounding ore, meaning that the Buritica mine will have industry low all-in sustaining costs (AISCs) of around US\$600 per ounce of gold mined. The project, after some issues relating to cost blowouts, regulatory changes, and security incidents, is fully funded and 67% complete with the mine expected to commence operations in 2020.

Buritica is forecast to have a 14-year mine life and produce on average 253,000 gold ounces annually. So, how does this let you get exposure to one ounce of gold at roughly a less than a fifth of the spot price?

Let me explain.

Continental Gold has reserves of 3.71 million gold ounces and, on a diluted basis, just over 190 million

shares, which equates to 51 shares per ounce of gold reserves. At a current market price of \$3.74 per share, that means investors can gain exposure to gold and one of the highest-quality, large-scale gold projects under development globally for as little as \$192 per ounce. That represents a tremendous discount to gold's spot price of US\$1,409 an ounce.

A combination of consistently strong drilling results over the last two years, an upgraded mineral resource estimate, the significant progress made with developing the project to date, and involvement of senior miner **Newmont Goldcorp** significantly reduces the risk associated with the mine commencing commercial operations in 2020.

During times of heightened fear, as we are now witnessing, where an emerging trade war, the threat of another Middle East conflict, rising geopolitical risk, and weaker economic growth, investors look to safe-haven assets such as gold to hedge against uncertainty. In such an environment, gold is king and will move higher in coming weeks, because it has a long history of being recognized as the ultimate safe-haven asset.

Foolish takeaway

The growing popularity of gold as an investment is enhanced by the Fed's dovish approach to interest rates. This is because not only do lower rates reduce the opportunity cost associated non-income-producing investments, but they also indicate that economic outlook is poor, boosting the yellow metal's safe-haven appeal. There is a growing belief among analysts that gold could rally strongly and break through the US\$1,500 mark before the end of 2019. That would further boost Continental Gold's price. It is estimated that the miner, on successfully commissioning Buritica and starting commercial operations, will double in value.

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