



Despite Gaining 60% Since the Start of 2019, This Junior Gold Miner Will Still Double Your Money

Description

Gold continues to inch higher after crashing through the psychologically important US\$1,400-per-ounce barrier to be trading at US\$1,424. This has been a boon for gold stocks and has seen many make solid gains since the start of 2019. One that has outperformed many of its peers and significantly outstripped gold's 11% gain for the year to date is development-stage miner **Continental Gold** (TSX:CNL), which has soared by 60%.

This is a significant gain and can't be solely explained by gold's latest rally. Let's take a closer look at why a higher-risk development-stage miner is not only rallying at a pace that outstripping its peers and underlying fundamentals such as the price of gold but still has tremendous potential upside still available.

Earlier surge of bad news

Continental Gold, which is developing the world-class Buritica ore body in northwestern Colombia, experienced a [spate of issues](#) over the course of 2018, including multiple security incidents that resulted in the death of four employees. These sparked various allegations from media and market pundits that the company had acted irresponsibly and disregarded the safety of its employees; many of the allegations were unfounded or inaccurate.

There had also been earlier security incidents that, when coupled with cost and schedule blowouts as well as CEO Ari Sussman's supposedly questionable past, saw the market heavily mark down Continental Gold's stock.

Many of these claims were overblown or potentially even misleading.

This created an opportunity for investors to gain exposure to gold and one of the world's highest-grade projects under development, which had the backing of senior miner **Newmont Goldcorp**.

The security issues experienced by Continental Gold related primarily to an attack upon its employees

working on its Berlin property by what were thought to be FARC dissidents. The attack was unanticipated by the miner and Colombian authorities. President Duque since then has moved to reassure miners operating in Colombia that improved security is a priority, committing significant resources to preventing a further breakdown in the security environment.

That incident didn't impact in any way Continental Gold's flagship Buritica project, which was determined to have proven and probable reserves of 3.71 million gold ounces at an incredible average grade of 8.4 grams of precious metal per tonne of ore (g/t). That high ore grade is important to note, because it makes it more economical and hence profitable to extract the gold from the surrounding elements, leading to lower operating expenses.

In fact, it is estimated that on commencing commercial production, Buritica will have average all-in sustaining costs (AISCs) over the life of the mine of around US\$600 per ounce mined. Those are among the lowest in the industry and underscore the asset's considerable profitability.

Continental Gold has also reported a stream of positive developments since the start of 2019. These include an updated and improved mineral resource estimate for Buritica, a fully subscribed US\$175 million financing round, construction updates indicating that the project is on schedule, and consistently strong drilling results. Newmont also continues to back the project, investing an additional US\$50 million in a convertible debenture during the March 2019 financing round, which, if converted to stock, would lift the senior gold miner's ownership to 28% from an existing 20%.

Buritica is 67% complete and fully permitted. Continental Gold raised an additional US\$25 million through a private placement with Canadian billionaire businessman Eric Sprott. As part of that deal, Newmont exercised its right to maintain its pro-rata ownership paying US\$7.2 million for 3,038,765 common shares. That additional capital is to be directed to the development of Buritica as well as general expenses.

Foolish takeaway

The first gold pour is scheduled for the first half of 2020, and commercial production expected to commence during the second half. On successfully commissioning operations and achieving targets, I expect Continental Gold's stock to double from its current price of around \$4, which is still lower than some analysts' estimates of \$9 per share or even higher, underscoring the [considerable upside](#) available.

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