



## 2020 Will Be a Pivotal Year for this Gold Miner

### Description

Development-stage gold miner **Continental Gold** (TSX:CNL) continues to progress with the construction of its Buritica project, located in Colombia. While gold's latest pullback has seen the miner lose 4% over the last month it shouldn't deter investors from acquiring Continental Gold.

### High-quality project

The Buritica ore body, which contains gold reserves of 3.71 million ounces, is one of the largest high-grade gold projects under development globally. The project is located 65 kilometres northwest of Medellin, Colombia's second-largest city. The latest information from Continental Gold, including drilling results, highlights the considerable potential it holds.

In early August 2019, Continental Gold announced that overall development had surpassed the 75% milestone and that Buritica would achieve its first gold pour during the first half of 2020. The mine is expected to produce on average of 253,000 gold ounces over its 14-year life. Recent impressive drilling grades indicate that there is considerable potential for those reserves to expand, increasing Buritica's value, mine life, and production.

Buritica is an attractive operation and poised to be highly profitable, with estimated all-in sustaining costs (AISCs) of around US\$600 per gold ounce sold, thanks to its high gold grades of 8.4 grams of precious metal per tonne of ore (g/t). In an operating environment where [gold is trading](#) at around US\$1,500 per ounce, the project will be a cash flow machine.

In fact, the projections relating to the project's profitability, rate of return, and payback period are based on an assumed gold price of US\$1,267 per ounce, which is significantly lower than the current spot price. That means Continental Gold should be able to generate greater-than-anticipated cash flow once commercial operations begin and will be able to pay back the preproduction capital costs more quickly.

A key risk that has been weighing on Continental Gold's share price is the deteriorating security situation in Colombia, which has worsened after having improved significantly following the historic

2016 peace deal with the Revolutionary Armed Forces of Colombia (FARC). Continental Gold has experienced several [security incidents](#), the worst being the murder of three geologists at its Berlin property in late 2019 by what are believed to be FARC dissidents.

Continental Gold shelved exploration plans for its Berlin property, which was once a functioning gold mine that holds considerable potential. The Buritica project is a considerable distance from Berlin and was unaffected by that incident. The miner has also worked hard to build a social licence with local communities in the municipalities surrounding Buritica which will further contribute to the mine's success.

## Foolish takeaway

Once Buritica successfully commences commercial operations, and the performance of the mine is in accordance with Continental Gold's assumptions, it isn't difficult to see its stock doubling from current levels, particularly if gold remains at around US\$1,500 an ounce. For that reason, now is the time to acquire Continental Gold.

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