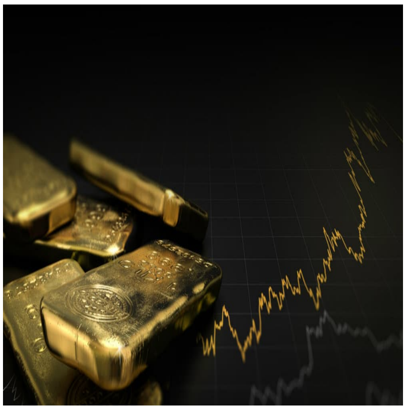

Buy Continental Gold (TSX:CNL) Today and Double Your Money in 2020!

Description

Gold has pulled back sharply in recent days to fall below US$1,500 an ounce and then rebounded moderately. That decline can be attributed to a combination of profit taking and renewed confidence in the world economic outlook, despite rising geopolitical tensions in the Middle East and the trade war between the U.S. and China.

Nevertheless, there are signs that gold will rally once again, and that it could break through the US$1,600-per-ounce mark before the end of the year, which will be a boon for gold miners. While it is the senior gold miners that often are the only investments in the industry considered by investors, it is the smaller development-stage miners like **Continental Gold** (TSX:CNL) that offer the greatest amount of upside and the potential for outsized returns.

High-quality asset

Continental Gold is developing the Buritica gold deposit located in northwestern Colombia near that country's second-largest city, Medellin. The ore body is considered to be one of the highest-quality, large-scale gold-mining projects being developed globally. Buritica has reserves of 3.71 million gold ounces at an average grade of 8.4 grams of gold per tonne of ore (g/t) and 10.7 million silver ounces with an average grade of 24.3 (g/t). That makes it comparable in size and quality to **Lundin Gold's** Fruta del Norte mine development in neighbouring Ecuador.

The Buritica project is on budget with construction expected to be completed during the first half of 2020, most likely during the first quarter of the year. Continental Gold expects commercial production to begin during the second half of 2020 with it projecting that it will take six to nine months to ramp up operations for that be achieved.

Buritica has a projected 14-year mine life, produce up to 300,000 gold ounces annually on average of its life and have low all-in sustaining costs of around US$600 per gold ounce mined. Continental Gold continues to report impressive drilling results at Buritica, highlighting the considerable exploration upside and potential to expand the mine's gold reserves and production over its 14-year life. Those attributes highlight just how profitable Continental Gold will be in an operating environment where gold is trading at over US$1,500 per ounce.

Continental Gold is extremely attractively valued. Its stock was heavily marked down by the market toward the end of 2018 because of security issues, including the murder of three geologists at its Berlin property, and cost blowouts as well as delays caused by changes to Colombian environmental regulations. There are also fears that the security situation in Colombia is worsening with the historic peace treaty with the largest guerrilla group, the FARC, close to collapse.

Foolish takeaway

Much of the perceived degree of risk, however, appears heavily overbaked, leading to Continental Gold being attractively valued, making now the time to buy. Even after gaining 63% over the last year, Continental Gold appears cheap, notably in comparison to Lundin Gold, which is trading at almost double its value, despite having 12% more shares outstanding.

As a result, Continental Gold has an enterprise vale to gold reserves of $0.29 per ounces compared to Lundin Gold's $0.44. Continental Gold is also trading at roughly 20 times its forward earnings compared to Lundin Gold's 33 times, further highlighting that the stock is cheap compared to a directly comparable peer.

For these reasons, it isn't difficult to see Continental Gold doubling in value once it reports the successful commencement of commercial operations.

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