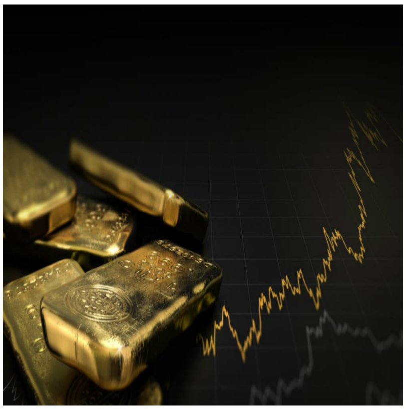

Now Is the Time to Buy Gold Miners

Description

Gold has pulled back sharply since breaking through US$1,550 per ounce in early September to reach its highest point since 2013, although the precious metal is still up by 19% for the year to date. The latest weakness has weighed heavily on precious metals miners, with many being marked down after gold plunged through the US$1,500 per ounce barrier, only to rebound over the last week. While that has created some consternation, it has created an opportunity to acquire quality gold miners that offer considerable upside, especially when the positive outlook for the yellow metal is considered. Here are two gold miners with outsized returns on offer that every investor should consider.

Large-scale quality ore body

Development-stage miner **Continental Gold** (TSX:CNL) has been roughly handled by the market for some time now. A combination of rising geopolitical risk, security issues, cost blowouts, and construction delays saw its stock pummelled by the market over the last two years.

Nonetheless, the market is starting to recognize the considerable potential that the miner possesses which has seen it gain a notable 81% since the start of 2019. Not only is Continental Gold on track for its first gold pour during the first half next year, but it is on schedule to ramp up the Buritica mine to commercial production during the second half of 2020.

That project has identified reserves of 3.71 million gold ounces at an impressive average grade of 8.4 grams of gold per tonne of ore (g/t), making it one of the largest high-grade projects currently under development globally. The high ore grade means that Buritica will have low production costs with all-in sustaining costs (AISCs) estimated to be around US$600 per gold ounce sold. That underscores Continental Gold's considerable profitability in an operating environment where gold is trading at over US$1,500 per ounce. There is every indication that Buritica's reserves and production will grow over the mine's 14-year production life, because of consistently solid drilling results.

For these reasons, there is considerable upside ahead, and it is quite likely that Continental Gold will double once it reports the successful commencement of commercial production, making now the time to buy.

Quality Canadian mine

Canadian intermediate gold producers **Pretium** (TSX:PVG)(NYSE:PVG) saw its stock savaged by the market after the performance of its Brucejack mine failed to meet market expectations when commercial production commenced. Since then, its stock has rebounded significantly, gaining 63% for the year to date, and there are signs of further upside ahead.

Pretium's problems started in late 2017 when ore grades and production volumes at Brucejack failed to meet forecasts. For the fourth quarter 2017, ore grades and production volumes fell sharply, while AISCs rose substantially to US$893 per ounce sold. The miner then implemented a plan aimed at boosting ore grades, mill throughput, and production to ensure that forecasts were met. That plan over the course of 2018 saw a marked improvement in Pretium's performance.

Nonetheless, by the second quarter 2019, Pretium's operational performance weakened once again. Gold production plunged by 18% year over year to 90,761 ounces, while AISCs rose by a very worrying 45% to US$940 per ounce sold. The cash margin per gold ounce sold was a mere US$550, which was a worrying 25% lower than the US$730 reported a year earlier.

This had a sharp impact on Pretium's profitability and earnings. Net earnings for the quarter of just over US$10 million were a third of what they had been a year earlier, while cash generated by operating activities fell by a whopping 46% to US$41 million.

Surprisingly, the market shrugged off those poor results, and Pretium's stock continued to rally, driven by firmer gold, solid results from its drilling program, and an updated April 2019 mineral reserve and resource estimate. The new estimate saw Brucejack's average annual gold production over its 12-year life rise to 440,000 ounces, while its after-tax net present value increased 23% to US$2.6 billion when using an average gold price of US$1,300 per ounce.

Regardless of Pretium's poor second-quarter results, the miner appears poised to unlock considerable value for investors, which, along with firmer gold, will give its stock a healthy boost, making now the time to buy.

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