



Latest News Confirms it is Time to Buy This Small-Cap Gold Miner

Description

Gold has pulled back sharply as optimism returned to financial markets as a result of the U.S. Federal Reserve's interest rate cut and signs that the trade war between the world's two largest economies, the U.S. and China, could be coming to an end.

The [yellow metal](#) has plummeted to US\$1,467 per ounce from a 2019 high of over US\$1,550 an ounce, reached in early September 2019. This has dragged gold miners lower, creating an opportunity for investors to bolster their exposure to gold at some attractive valuations.

One gold miner that stands out for all the right reasons is **Continental Gold** (TSX:CNL). It has fallen sharply since early September, and is up by 28% since the start of the year.

Entering a decisive year

The miner, which is developing the Buriticà ore body in Northwestern Colombia, near the city of Medellín, reported notable third-quarter 2019 results. Buriticà has proven and probable reserves of 3.71 million gold ounces at an average grade of 8.4 grams of precious metal per tonne of ore (g/t).

That impressive ore grade means the mine will have industry-low all-in sustaining costs of US\$600 per ounce mined. Typically, the higher the grade, the more economic it is to extract the precious metal from the surrounding ore.

Buriticà is expected to have a 14-year mine life, with first gold during the first half of 202 and commercial production commencing during the second half. According to Continental Gold's third-quarter results, mine construction is 83% complete, fully funded, and on schedule, with mechanical completion expected during the first quarter of 2019.

The miner was recently granted an exploration licence by the government of Antioquia, which is the Colombian department where it is located, to start a drilling program for the Electra South and Orion targets on the 2,122-acre Buriticà concession.

Continental Gold has consistently reported strong drilling results for its exploration activities at Buriticà, which point to its gold reserves increasing over time.

There are concerns that heightened geopolitical risk in [Colombia](#), notably from a declining security environment; ongoing conflict between leftist guerrillas, paramilitaries, and security forces; and growing civil unrest could impact Continental Gold's operations. While these issues certainly pose a risk, as seen from earlier security incidents, the fallout for the miner should be minimal.

The Colombian government, which is facing a fiscal crisis, is determined to attract further foreign investment in the domestic mining industry. That has seen President Duque give security assurances to the mining and oil industries while bolstering the presence of security forces in affected areas.

Continental Gold has also obtained a strong social licence to operate by engaging with local communities and employing most of its workers locally.

Foolish takeaway

Continental Gold appears very attractively valued, particularly in comparison to its peers. It has a market-cap of less than half of **Lundin Gold**, which is developing a similar gold project in neighbouring Ecuador.

Analysts have assigned a price target of up to \$8.50 per share which is almost double its current market price. There is every likelihood that upon successfully reporting that commercial production has commenced, Continental Gold's shares will double in value, making now the time to buy.

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Author

mattdsmith

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