



My Top Gold Stock for 2019 Gained 67% and Will Soar Higher in 2020

Description

Development stage miner **Lundin Gold** ([TSX:LUG](#)), which was among my top picks for 2019, delivered a stunning 67% during the year outperforming the broader market, as illustrated by the **S&P/TSX Composite Index** gaining a modest 19%.

I have [been bullish](#) on Lundin Gold since 2017, and there are signs that the miner, which is on the cusp of commissioning the Fruta del Norte mine and commencing commercial production, will rally higher in 2020.

Quality asset

Firmer gold has been a boon for gold miners and a key reason for Lundin Gold's solid gains since 2017. The latest news including first gold being poured at Fruta del Norte in late 2019 indicates that the facility is on track to achieve commercial production during the first half of 2020.

The Fruta del Norte mine is a long-life asset and one of the highest quality ore bodies under development globally. It has gold reserves of five million ounces at an average grade of 8.74 grams of gold per tonne of ore. During 2019, Fruta del Norte produced a total of 28,678 gold ounces after completing its first gold pour in November of that year.

For 2020 Fruta del Norte is expected to produce around 300,000 gold ounces and will average 325,000 ounces annually over its 14-year mine life.

The ore bodies impressive grade means that it will have industry low average life of mine cash cost of US\$419.70 per gold ounce mined and all-in sustaining costs (AISCs) of US\$621 per ounce. This underscores the operation's considerable profitability, particularly in an operating environment where gold is trading at US\$1,570 per ounce.

It is important to note that all assumptions regarding the planning and performance for the Fruta del Norte mine are based on an assumed gold price of US\$1,250 per ounce, significantly lower than the current market price.

That indicates that if gold [remains firm](#), at around current levels, it will take Lundin Gold significantly less time to repay the capital borrowed to fund the development of the Fruta del Norte mine, thus enhancing the operations profitability and further boosting Lundin Gold's market value.

There is every likelihood that gold will remain firm and rally higher because of growing uncertainty over the outlook for the global economy and heightened geopolitical risk.

Lundin Gold's appeal as an investment is further enhanced by the considerable exploration potential held by Fruta del Norte, which is illustrated by the mine's probable gold reserves of 4.8 million ounces.

The ore body forms part of an under explored mineralized trend and Lundin Gold has a 15,600-metre drilling program planned once the appropriate permits are secured.

Foolish takeaway

Lundin Gold is a compelling play on higher gold, particularly now that the Fruta del Norte mine completed its first gold pour ahead of the original schedule.

Higher gold and lower geopolitical risk in Ecuador combined with Fruta del Norte beginning commercial production during the first half of 2020 will give Lundin Gold's earnings and market value a solid boost, making now the time to buy.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:LUG (Lundin Gold Inc.)

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Date

2025/08/14

Date Created

2020/01/29

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