



## This Gold Miner Soared 33% in 1 Month: Is it Time to Buy?

### Description

One of the few assets to perform strongly since the coronavirus outbreak is gold. The yellow metal, which is regarded as the ultimate safe-haven asset, has soared 12% since the start of 2020. It is trading at US\$1,699 an ounce and is poised to move higher. This has been a boon for gold miners. One that is performing strongly is **Lundin Gold** ([TSX:LUG](#)). The miner gained 33% over the last month, despite the coronavirus pandemic.

### Quality mining asset

Lundin Gold is owner and operator of the Fruta del Norte mine in southern Ecuador. The ore body has gold reserves of five million ounces at an impressive average grade 8.74 of grams of gold per tonne of ore (g/t).

That high ore grade is important to note, because it means the gold is more economic to extract. Lundin Gold has projected industry low all-in sustaining costs (AISCs) for the mine's 14-year life of US\$621 per gold ounce mined. That makes Fruta del Norte one of the lowest-cost gold mines currently in operation in Latin America.

It underscores Fruta del Norte's considerable profitability in an operating environment where gold is trading at around US\$1,700 an ounce.

### Production has commenced

In late February 2020, Lundin Gold declared commercial production at Fruta del Norte.

This was an important achievement for Lundin Gold, because the asset had been under development since 2016. It had attracted a considerable gallery of naysayers who believed that the mine would never be completed. This was because of the poor reputation that Ecuador had garnered with regards to foreign investment by mining and petroleum companies.

Nonetheless, after the 2015 oil price collapse left Ecuador's economy in ruins and the government on the brink of bankruptcy, significant reforms to the mining industry were instituted. These resulted in increased regulatory transparency, greater ease of investment, and the introduction of a favourable taxation policy.

The mine at the end of 2019 was rated as 99% complete, putting it ahead of plan. The key outstanding infrastructure to be completed is the paste plant, which was to be commissioned at the end of the first quarter 2020, and the Zamora river bridge, which is scheduled for completion during the third quarter. For 2019, Lundin Gold produced 28,678 ounces of gold and generated almost US\$21 million in sales before the Fruta del Norte mine was commissioned.

## Long-term outlook

There is every indication that the mine will perform as projected, meaning there is further upside ahead for Lundin Gold, especially if gold rallies higher. Lundin Gold, has however, elected to suspend operations at Fruta del Norte. This was in response to the coronavirus pandemic and was taken because of the seriousness of the COVID-19 outbreak in Ecuador.

Lundin Gold has left a workforce on sight to conduct care and maintenance activities to ensure the mine can restart as quickly as possible when conditions allow. The uncertainty created by the coronavirus pandemic means that Lundin Gold has not been able to provide a date for when operations will recommence.

## Foolish takeaway

Despite the impact of the coronavirus pandemic on the Fruta del Norte mine, Lundin Gold is an [appealing play](#) on higher gold. Lundin Gold's strengths coupled with commercial production being declared at Fruta del Norte explains why its stock soared over the last month.

Even after gaining 18% over the last month, Lundin Gold remains attractively valued. It is trading at just over three times its book value, which is less than many of its peers and other intermediate gold producers. Firmer gold, with the yellow metal poised to climb above US\$1,700 per ounce, and Fruta del Norte's low AISCs will significantly boost earnings. Once operations at Fruta del Norte recommence, Lundin Gold's earnings will soar, causing its stock to rally.

### CATEGORY

1. Coronavirus
2. Investing
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