



1 Top Canadian Gold Mining Stock to Buy Today

Description

Canadian gold mining stocks have been one of the few industries to benefit from the coronavirus pandemic. This is because gold is the only asset that has performed strongly since the pandemic hit in mid-March 2020. The yellow metal, which is viewed as the ultimate store of value, has gained 15% since the start of 2020. This sees gold trading at around a stunning US\$1,745 an ounce.

The precious yellow metal will soar higher, particularly once the coronavirus pandemic ebbs and the catastrophic economic fallout it has caused becomes visible. There have been claims by analysts that gold could reach a record-breaking [US\\$3,000 an ounce](#) over the next 18 months.

This bodes well for gold mining stocks, particularly **Lundin Gold** ([TSX:LUG](#)). It has gained a solid 44% since the start of 2020, beating the **S&P/TSX Composite Index's**

14% decline.



There are plenty of tailwinds ahead that will give Lundin Gold's market value a solid lift.

High-quality gold mining asset

The gold miner, which is developing the Fruta del Norte ore body in southern Ecuador, declared [commercial production](#) in late February 2020. While the coronavirus pandemic is expected to impact Lundin Gold's operations, the miner is still poised to deliver considerable long-term value, making now the time to buy.

Fruta del Norte has proven and probable gold reserves of just over five million ounces. The mine is forecast to produce on average 325,000 gold ounces annually over its 14-year operational life. Fruta del Norte is one of the highest-grade, large-scale gold projects to come online around the world. Its copious gold reserves have an average grade of a notable 8.74 grams of gold per tonne (g/t) of ore.

The higher the grade, the more economic it is to extract the gold from the surrounding ore. For this reason, Fruta del Norte has low estimated all-in sustaining costs (AISCs) of US\$621 per ounce of gold produced. In an operating environment where gold is trading at over US\$1,700 an ounce, it highlights the considerable profitability of the mine.

Ongoing operational improvements

For the first quarter 2020, with Fruta del Norte commercially operational for less than six weeks, Lundin Gold produced 51,320 gold ounces. The gold miner reported AISCs of US\$908 per ounce sold for

March 2020. Those expenses will fall significantly, as operations progress at Fruta del Norte and improvements are made to the mine and related infrastructure.

Overall construction of the mine and supporting facilities is expected to be totally complete by the end of 2020. The key projects outstanding are the south ventilation raise, paste plant, and Zamora River bridge. While Fruta del Norte possesses considerable exploration potential, Lundin Gold has suspended all non-critical operations at the property, including exploration drilling, because of the coronavirus pandemic.

For these reasons, 2020 gold production may not reach the initial estimate of around 300,000 ounces. That, however, shouldn't have any material impact on earnings, because any shortfall caused by lower gold output will be compensated by higher gold prices.

Foolish takeaway

Gold mining stocks will perform strongly over the next year. Lundin Gold is poised to deliver strong long-term value. Fruta del Norte's considerable exploration upside will lead to higher gold reserves and production as the project progresses. This means that even after gaining 43% since the start of 2020 Lundin Gold is still very attractively valued.

Lundin Gold's stock will soar, as the remaining parts of the mine and infrastructure assets are completed. The end of the coronavirus pandemic will allow Lundin Gold to recommence full operations, boosting gold production and hence earnings. Gold's considerable defensive attributes coupled with an extremely poor economic outlook will support higher prices for the foreseeable future.

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