



Buy This Gold Miner to Today and Profit in 2021

Description

Canadian gold stocks after the end of the Great Recession were under significant pressure, as the price of gold nosedived. The yellow metal has been one of the few assets to have performed strongly since the start of 2020. Some analysts are tipping that gold could soar to [as high as](#) US\$3,000 an ounce. This optimistic outlook is a boon for gold miners, despite the operational impact of the coronavirus.

My top gold mining pick, development-stage gold miner **Lundin Gold** ([TSX:LUG](#)), has delivered some stellar returns. I have [been bullish](#) on the miner since mid-2017, with it having more than doubled in value since May of that year. Over the last year alone, it has gained a whopping 129% compared to gold's more pedestrian 33%.



Both have outperformed the broader TSX with the **S&P/TSX Composite Index** losing 6% during that period. The latest developments indicate that Lundin Gold will deliver further solid returns.

Important milestone for a gold stock

The miner achieved a key milestone declaring commercial production toward the end of February 2020 at its Fruta del Norte project in southern Ecuador. That was a critical step for a project that was derided by critics for being unfeasible because of unmanageable geopolitical risk.

Fruta del Norte was one of the largest high-quality gold mining projects under development. The mine has probable gold reserves of just over five million ounces at an average grade of 8.74 grams of gold per tonne of ore. That is a high grade for an underground gold mine, which, coupled with low operating expenses, means that the operation has forecast average all-in sustaining costs (AISCs) of US\$621 per ounce sold.

Those industry-low AISCs underscore the profitability of the Fruta del Norte mine in an operating environment where gold is trading at over US\$1,719 an ounce.

Credible first-quarter results

Despite Fruta del Norte operating commercially for less than a quarter and only being 99% complete, Lundin Gold reported some solid first-quarter 2020 results. These included producing 51,320 gold ounces before production activities were suspended on March 22, 2020. Lundin Gold sold 59,317 gold ounces, during the quarter, at an average price of US\$1,564. AISCs for the gold sold during March

averaged US\$908 per ounce.

Lundin Gold's AISCs will fall as operations are bedded down, construction of supporting infrastructure completed and efficiencies are implemented.

The facilities still being constructed are the paste plant and Zamora River bridge. The mine's paste plant was almost finished before operations were suspended because of the coronavirus pandemic. Management expects that facility to be completed within weeks of activities recommencing. The bridge is forecast to be completed before the end of 2020.

Gold stock with institutional backing

The attractiveness of Lundin Gold's flag ship Fruta del Norte mine is underscored by it being backed by major institutional investors and a leading senior gold miner. These include Orion Mine Finance and Australian gold miner **Newcrest**, which owns a 32% interest in Lundin Gold.

Lundin Gold recently announced that it intended to raise \$50 million through a bought deal financing package with **Bank of Montreal**. The Canadian lender has committed to buying 4,150,000 common shares. Newcrest and Orion have agreed to acquire additional stakes as per their participating rights in the offering.

Lundin Gold has earmarked the proceeds for general purposes and to cover expenses associated with the coronavirus pandemic.

Foolish takeaway

Lundin Gold is a best-in-class intermediate gold miner. It has proven that it can deliver on a complex mining project in a difficult and risky jurisdiction. The suspension of operations at Fruta del Norte prevents Lundin Gold from demonstrating the true potential of the mine.

Nonetheless, once the pandemic subsides and activities recommence Lundin Gold's earnings will soar. This will give Lundin Gold's stock a solid lift, making now the time to buy.

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