



## Barrick Gold – The Best of the Bunch?

### Description

One of the rules of thumb to follow when investing in the commodity space is that you can never go too wrong purchasing the low-cost producer. You might not get the greatest bang when times are good, but in risk-adjusted terms, these are the players you want to own.

The logic is simple. The low-cost producer should have the fattest margins. Therefore, they are going to remain profitable longer than any other in the industry if/when the commodity in question rolls over. This is just one of a number of important considerations to make before you invest, but a good one to keep in mind nonetheless.

Running with this low-cost thread, there's a great "infographic" up at [Visual Capitalist](#) that provides a cost-related overview of the gold industry, and compares the cost profile of 4 senior producers.

### All-in costs

Historically, gold companies have reported "cash costs" per ounce when reporting their financials. These consist largely of direct costs associated with mining, plus/minus some ancillary items like by-product credits and royalty payments.

Cash costs however drastically miss-the-mark communicating the true costs that go in to producing an ounce of gold. Significant items like mine development expenditures and sustaining cap-ex are left out of this slimmed down figure.

Companies have only recently begun reporting their "all-in sustaining cash costs" which include these formerly excluded items.

The table below pits 4 of the world's major gold producers against each other and compares their "all-in sustaining costs". Evidently, **Barrick Gold** ([TSX:ABX](#)) is the cream of the crop.

Company Name	All-in Cash Costs

Barrick Gold	\$919/oz
<b>Kinross</b> ( <a href="#">TSX:K</a> )	\$1,038/oz
<b>Newmont</b>	\$1,115/oz
<b>Goldcorp</b> (TSX:G)	\$1,135/oz

Source: *Visual Capitalist*

### Foolish Takeaway

These figures are backwards looking and don't necessarily reflect the respective cost profiles of each going forward. However, it's a handy metric to keep in mind when you're trolling for gold names, or resource companies in general.

While gold miners have been beaten up and appear to be trading at attractive levels, their performance remains tied to the price of gold. We have created a special **FREE** report that profiles 3 dominant businesses who set their own rules. Simply [click here](#) and we'll send you **"3 US Stocks Every Canadian Should Own" – FREE!**

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*Fool contributor Iain Butler is short \$32 July 2013 put options on Goldcorp and owns shares of Barrick Gold. The Motley Fool holds no positions in any of the stocks mentioned at this time.*

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:K (Kinross Gold Corporation)

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