Why Rio Alto Shares Got Rocked

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of resource miner **Rio Alto Mining** (TSX: RIO) plunged as low as 9% today after its quarterly results and outlook disappointed Bay Street.

So what: The stock has slumped over the past year weak resource demand, and today's Q2 results — net loss of $3.2 million or $0.02 per share — coupled with downbeat full-year guidance only confirm those operating headwinds. While gold production and sales of 48,467 ounces exceeded mine plan expectations by 11%, low gold prices continue to weigh heavily on the bottom line and, more importantly, management's future development plans.

Now what: While Rio Alto expects to meet its year-end gold production guidance of 190,000-210,000 ounces, it also plans to cut back significantly on spending. "[G]iven the current lower gold price environment, we have reduced capital spending plans to those items with short payback periods or necessary for health, safety, environmental and community relations programs," said President and CEO Alex Black. "We also continue to focus on cost reduction opportunities and improving efficiencies throughout our operations." So while Rio Alto's leverage to volatile gold and copper prices make it far too risky for average Fools, less risk-averse investors might want to use today's plunge to buy into its still-tantalizing Latin American exposure.

Canada has yielded its fair share of great companies. But unsuspecting Canadian investors could get ambushed by a glaring weakness in their portfolios. One basic investing principle holds the key to a rock-solid portfolio … and it starts with our neighbors to the south, America.

That's why The Motley Fool has put together a Special **FREE** Report, "**3 U.S. Stocks Every Canadian Should Own**." The funny thing is, these stocks might as well be Canadian … because you use them every day. Just **click here now** to receive a copy at no charge!

The Motley Fool's purpose is to help the world invest, better. ***Click here now*** *for your free subscription to* ***Take Stock****, The Motley Fool Canada's free investing newsletter. Packed with stock ideas and investing advice, it is essential reading for anyone looking to build and grow their wealth in the years ahead.*

Follow us on Twitter and Facebook for the latest in Foolish investing.

Fool contributor Brian Pacampara doesn't owns shares in any of the companies mentioned. The Motley Fool does not own shares in any companies mentioned at this time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSXV:RIO (Rio2 Limited)

Category

1. Investing

Date
2025/07/26
Date Created
2013/08/13
Author
bpacampara