



Gold: What You Need to Know About These Mining Companies

Description

Falling or stagnant commodity prices are causing mining companies to modify strategies to bolster growth while keeping production costs in line. A recent PricewaterhouseCooper's (PwC) report stated that "Lower commodity prices put more pressure on company profits and squeezed shareholder returns across the industry." Therefore, it's important for investors to understand what companies are doing to address these challenges before investing.

Agnico Eagle Mines ([TSX: AEM](#)) had record annual gold production of 1,099,335 ounces for 2013. This was primarily because of robust operating results from all mines. Furthermore, the company experienced an increase in Q1 2014 earnings. On May 1, 2014, it reported considerably higher gold production and lower production costs.

Significant is that for 2013 it targeted total cash costs of \$700-750 per ounce. However, Agnico Eagle achieved total cash costs of \$672 per ounce. It said that this was mainly because of cost optimization programs at all assets. For full-year 2014 gold production, the company said its total cash costs are now forecast to be "better than the lower end" of the guidance range of \$670 to \$690 per ounce.

Last week, **Centerra Gold** ([TSX: CG](#)) reported a fall in Q1 profit. The reason was the drop in gold prices and higher cost of sales. The company produced 116,669 ounces of gold in Q1. This is an increase from 115,220 a year ago. All-in sustaining costs (includes sustaining capital, growth capital, exploration and corporate costs on a consolidated basis; excludes taxes) increased to \$1,109 per ounce from \$1,068 per ounce. Centerra Gold's cost of sales increased 20% to \$109.1 million. This was due to the higher cost of processing ore at its flagship Kyrgyzstan Kumtor mine.

For this year, Centerra is continuing to invest in its operating properties. It estimates total capital expenditures (excluding capitalized stripping) to be \$86 million. This includes \$43 million of sustaining capital and \$43 million of growth capital.

For Q1 2014, **Eldorado Gold** ([TSX: ELD](#)) had gold production of 196,523 ounces. This represents a 20% increase over Q1 2013. Its all-in sustaining cash costs averaged \$786 per ounce. Mr. Paul Wright, Eldorado Gold CEO, stated, "Within the organization our employees are dedicated to continuously

improving safety, operational performance and overall cost reductions, enabling Eldorado to remain one of the lowest cost gold producers...”

Gold production at its Jinfeng open pit and underground gold mine in China was 90% higher year over year. For Q1 2014, Eldorado Gold mined 174,851 tonnes of ore from the open pit. For Q1 2013, it mined 54,126 tonnes. In Q1 2014, it mined 173,454 tonnes of ore from the underground. In Q1 2013, it mined 138,989 tonnes. Eldorado’s cash costs at Jinfeng were 24% lower year over year. This was because of lower cost open pit mining and the increase in gold production from higher grade ore.

Last week, **Kinross Gold** ([TSX:K](#)) reported a severe drop in Q1 net earnings because of weaker gold prices. Its production increased and its costs were lower. Production was 664,690 of gold equivalent ounces in Q1 2014. This represents an increase from 648,897 ounces in Q1 2013. The company’s all-in sustaining costs for gold were \$1,001 an ounce in the quarter. This is down from \$1,030 per ounce in Q1 2013.

Kinross announced this past March the results of a feasibility study for a new 38,000 tonne per day mill at Tasiast (on the Reguibat Shield in Mauritania). The company said that the study indicated that an expanded Tasiast operation has the potential to contribute considerably to its production and cash flow while lowering Kinross’s overall cost structure.

The highs and lows of commodity prices and the subsequent revenue volatility is the nature of the industry. Investors should research what the top mining companies are implementing to meet marketplace challenges. Due diligence on what companies are doing regarding operations, spending, and in some cases write-downs will arm you with the data required to make informed investing decisions.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:AEM (Agnico Eagle Mines Limited)
4. TSX:CG (Centerra Gold Inc.)
5. TSX:ELD (Eldorado Gold Corporation)
6. TSX:K (Kinross Gold Corporation)

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