



Are These 3 Gold Mining Stocks Safe Investments?

Description

What's the world to do about gold? Is gold still a safe haven? Or should investors run for the hills into other sectors? This month, the World Gold Council said that gold demand from China dropped 18% in Q1 2014.

Here's what three companies are doing in a very challenging environment:

1. Agnico Eagle Mines

Agnico Eagle Mines ([TSX: AEM](#))([NYSE: AEM](#)) for Q1 2014 had record quarterly gold production of 366,421 ounces. The company's total cash costs were \$537 per ounce versus \$740 per ounce in Q1 2013. Agnico Eagle also generated more cash in Q1. Cash provided by operating activities was \$247.7 million versus cash provided by operating activities of \$146.1 million in Q1 2013.

Agnico Eagle's Meadowbank mine is situated in the Kivalliq region of Nunavut, Canada. Meadowbank is the company's largest gold producer. It has 1.8 million ounces of gold in proven and probable reserves (17 million tonnes at 3.2 g/t). The expectation is that the Meadowbank mine will produce 430,000 ounces of gold this year. It is also expected to produce an average of 380,000 ounces of gold annually from 2015 through 2016.

Mr. Sean Boyd, Agnico Eagle President and CEO, said recently, "The record production for the first quarter of 2014 continues to build on Agnico Eagle's 2013 operational success. Once again, Meadowbank has been a key contributor to our outstanding production results."

In 2013, Agnico Eagle attained record annual gold production of 1,099,335 ounces. This was primarily because of robust operating results from all its mines. Its target for this year is 1,175,000 to 1,205,000 ounces of gold production.

The company said, "...the physical demand for gold is moving from West to East, with the most growth in demand coming from China and India. With their increasing populations and growing wealth, there is not enough physical material to supply these Asian markets, which will ultimately be what sustains the gold price over time."

Therefore, long term, Agnico Eagle still sees the potential for gold in international emerging markets. Despite the Q1 drop in demand, China is the world's largest gold consumer.

2. Goldcorp

Goldcorp (TSX: G)(NYSE: GG) for Q1 2014 had gold sales of 684,000 ounces on production of 679,900 ounces. This is in comparison to sales of 595,100 ounces on production of 614,600 ounces in Q1 2013. The company reduced its all-in sustaining costs — \$840 per ounce of gold versus \$1,134 per ounce of gold in Q1 2013.

Goldcorp recently failed in its hostile bid for **Osisko Mining** ([TSX: OSK](#)). For 2014, Goldcorp anticipates its capital expenditures lessening and its cash flow rising as three major projects in its development pipeline become operational.

Regarding its development projects, Goldcorp is progressing toward first gold production at its Cerro Negro Project in Argentina, South America. This project is progressing toward first gold production in mid-2014 and commercial production in Q4 2014. Acquired in 2010 by Goldcorp, Cerro Negro is an advanced-stage, high-grade vein system. Since Goldcorp acquired the property, gold reserves and resources have almost doubled. The company says that new discoveries support its expectations that Cerro Negro will be a long-lived, high quality asset with low production costs.

3. Kinross Gold

Kinross Gold ([TSX: K](#))([NYSE: KGC](#)) in Q1 2014 had production increases and a small drop in costs. The company produced 664,690 gold equivalent ounces (Au eq. oz.), versus 648,897 ounces in Q1 2013. Production cost of sales was \$727 per Au eq. oz., versus Q1 2013's \$729. All-in sustaining costs were \$1,001 per Au eq. oz. sold, versus Q1 2013's \$1,030.

Kinross Gold's new Dvoinoye mine came fully on stream. In 2010, Kinross acquired 100% of the high-grade Dvoinoye deposit and the Vodorazdelnaya property. Both properties are roughly 100 kilometres north of its Kupol operation in the Chukotka region of the Russian Far East. Proven and probable reserves for 2013 include 1.3 M oz. gold and 1.9 M oz. silver.

The expectation is that the mine will produce between 235,000 and 300,000 of gold equivalent ounces each year during its first three full years of production. This will be incremental to gold production from Kinross' Kupol underground mine.

The above companies have experienced gold's cyclical gyrations before. Each is containing costs and working to build production for demand increases that inevitably will come. If you can handle the uncertainty in the gold market, these three companies have the potential to provide returns.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:AEM (Agnico Eagle Mines Limited)
3. TSX:K (Kinross Gold Corporation)
4. TSX:OSK (Osisko Mining)

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Author

mugulini

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