



7 Things Investors Should Know About Gold

Description

Looking for opportunities in gold or gold companies? Here are seven things prospective gold investors need to know.

1. Jewelry is still a major driver of demand

In 2013, jewelry demand rose 18%. It grew to a six-year high of 2,361 tonnes. In East Asia, jewelry fabrication in 2013 increased 40%. For Q1 2014, gold jewelry demand increased by 3%.

2. Growth through acquisitions and strategic agreements still a priority

Eldorado Gold ([TSX: ELD](#))([NYSE: EGO](#)) recently acquired Glory Resources via its wholly owned subsidiary, Eldorado Gold Coöperatief UA. Glory is advancing the high-grade Sapes project situated approximately 15 kilometres from Eldorado's Perama Hill project in Thrace, Greece. Glory Resources reported that the Sapes project has Joint Ore Reserves Committee-compliant total proven and probable reserves of 637,000 ounces of gold at an average grade of 15.1 g/t.

In Q1 2014, Eldorado Gold entered into a strategic agreement with CDH Investments. This agreement is to advance the Eastern Dragon project in China. CDH acquired a 20% interest in the project, which has a 10-year expected mine life. Expected recovery at Eastern Dragon is 90%.

3. Capital spending and cash cost controls are paramount

Agnico Eagle Mines ([TSX: AEM](#))([NYSE: AEM](#)) is focusing on controlling its capital outlays. This year, it estimates its capital spending will come in at approximately \$416 million. The company's capital expenditures for 2013 were \$578 million. Agnico Eagle said that it wants to manage its capital spending so it can produce more free cash flow.

Moreover, for Q1 2014, its total cash costs were \$537 per ounce, versus \$740 per ounce in Q1 2013. The lower cash costs were mainly because of record quarterly production and lower costs at the Meadowbank open-pit gold mine in Nunavut, and higher grades at LaRonde, its flagship mine in northwestern Quebec.

4. Long-term strategies essential to survival

Yamana Gold ([TSX: YRI](#))([NYSE: AUU](#)) said its long-term strategy is to achieve sustainable production over 1.5 million gold equivalent ounces, or GEOs. This also involves focusing on costs and producing cash flow. The company's production and costs for Q1 2014 were within its budget expectations. Its April 2014 production was a record — approximately 20,000 ounces. Yamana Gold's Q1 costs were consistent with the lower levels established in 2013.

Yamana's Mercedes underground gold-silver mine in Mexico had 2013 GEO production grow by 12% over the prior year. Furthermore, its Chapada open-pit gold-copper mine in Brazil is a low-cost operation. Therefore, it contributes considerably to the company's overall cash flow generation.

5. Gold is still the go-to precious metal against financial uncertainty

The GFMS Gold Survey 2014 said that gold bar purchases as investments grew by 45% in China in 2013. It noted that "the metal increasingly solidifies its position as both a key saving tool and a financial instability hedge in East Asian markets."

6. Earn-in agreements between gold companies can provide returns

IAMGOLD ([TSX: IMG](#))([NYSE: IAG](#)) optioned the Monster Lake property from **TomaGold** (TSX: LOT) in November 2013. It is now seeing results at this project in Quebec. It has an earn-in agreement with TomaGold, and now IAMGOLD can earn a 50% interest in each of the Monster Lake, Winchester, and Lac a l'Eau Jaune properties.

The company's 2014 exploration program for the project includes a minimum of 8,000 metres of diamond drilling. To earn the 50% interest, IAMGOLD must make scheduled cash payments and exploration expenditures totaling US\$17.6 million over five years.

7. Gold has new competition

Forbes noted earlier this year that "gold now has competition in the anti-establishment crowd from bitcoin and other 'virtual' currencies." Bitcoin values are established by mathematical calculations depending supposedly on supply and demand.

However, bitcoin has its detractors as well. *The Financial Post* reported in 2013 that "the bitcoin concept also sounds like it is a valueless entity based on nothing." It further said, "with bitcoin, there appears to be nothing there. With gold, at least there's the gold."

Despite this new development, a number of countries still hold gold as a currency reserve.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. NYSE:EGO (Eldorado Gold Corporation)
3. TSX:AEM (Agnico Eagle Mines Limited)
4. TSX:ELD (Eldorado Gold Corporation)
5. TSX:IMG (IAMGOLD Corporation)
6. TSX:YRI (Yamana Gold)

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