# 1 Mining Stock to Buy and 2 to Avoid

## Description

Life has not been fun recently for mining investors, with the Canadian materials index down 12% per year over the past three years. Rising costs, falling gold prices, and concerns about China's growth have been the main culprits.



At this point, investing in mining companies remains very risky. You can reduce this risk by investing in the right companies, but it's important to be careful. On that note, below we take a look at two mining companies you should avoid, and one you should buy instead.

**Avoid: Barrick Gold**

Despite a strong share price performance over the past 12 months, **Barrick Gold** (TSX: ABX)(NYSE: ABX) has been a cause of investor heartache in recent times; over the past three years, the stock has lost over 20% per year in value.

Rising costs, falling gold prices, and operational mishaps have been the main culprits, and poor corporate governance hasn't helped either. Making matters worse, it is very difficult to identify just how much it costs Barrick to produce an ounce of gold. Various numbers are shown in the company's annual report — adjusted operating costs, all-in sustaining cash costs, all-in costs on a co-product basis, and so on — but it's up to the investor to figure out which is the right one.

What we do know is that Barrick lost money last year despite an average gold price of $1,400 per ounce. With gold currently at $1,300 per ounce, Barrick is just too risky for your portfolio.

**Avoid: Teck Resources**

**Teck Resources** (TSX: TCK.B)(NYSE: TCK) has also been a cause of investor heartache ever since peaking above $60 per share in 2011. More recently, falling prices for its product, especially steelmaking coal, have sent the shares down into the $20s.

Things could get worse — many observers believe China's investment boom is on shaky ground, and if they are right, then the steel industry will suffer, as will Teck. Your best bet is to stay clear.

**Buy: First Quantum**

When it comes to the mining industry, there is perhaps no better operator than **First Quantum** (TSX: FM). The company is known for buying assets on the cheap and developing them within budget too, something quite rare in the sector. As a result, its shares have returned 39% per year over the past 15 years. That's not a bad track record.

Better yet, its primary product, copper, is not as vulnerable to a slowdown in China as steelmaking coal is. Copper is also more constrained on the supply side, with many producers holding back on expansion efforts. If you feel the need to buy a mining company, make it this one.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. NYSE:B (Barrick Mining)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:ABX (Barrick Mining)
4. TSX:FM (First Quantum Minerals Ltd.)
5. TSX:TECK.B (Teck Resources Limited)



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