



## Are Mining Companies Good Investments?

### Description

Gold producers would love nothing more than to erase the past five years of gold-price fluctuations. Looking back to the end of the summer in 2011, gold prices were approaching US\$2,000 per ounce. Gold producers were making profits hand over fist, and the future for mining companies looked bright.

And then gold prices tumbled, losing nearly 50% over the course of the past five years. For gold producers, it has been a scramble ever since to cut costs, reduce staffing levels, and scale back projects to remain profitable.

To answer the question of whether or not these mining companies are still good investments, let's take a look at the large gold producers and how they are faring.

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) is focused on both reducing costs and increasing efficiencies. The company has a stated goal of \$2 billion in cuts. Just in the past year alone the company has cut the dividend and sold a number of assets, pushing Barrick to meeting that goal.

Barrick is also actively engaged in reducing the debt that the company owes. The company similarly set a target to slash \$3 billion off of total debt for 2015 and appears to have met that target.

The belt tightening at Barrick seems to be working well. The company posted a \$9 million loss in the most recent quarter, which, when viewed in contrast to the \$269 million loss for the same quarter last year, can be viewed as a massive improvement.

**Goldcorp Inc.** (TSX:G)(NYSE:GG) is one the largest and most efficient gold producers in the world. The company has mines across North, Central, and South America.

Goldcorp has been countering the current dip in two ways. The company has significantly reduced costs, become more efficient in operations, and has been able to step up production levels. By way of example, in the most recent quarter Goldcorp produced a record 922,000 ounces of the precious metal, which represented an impressive 40% increase over the previous year.

In terms of cost reduction, Goldcorp can proudly boast all-in sustaining costs of \$848 per ounce.

What's better is that there is still room for this figure to drop more, effectively ensuring the company can still compete and be profitable even if gold prices plunge further.

**Kinross Gold Corporation** ([TSX:K](#))([NYSE:KGC](#)) is the fifth-largest producer in the world with mining locations across the Americas, Russia, and Africa.

Kinross's focus is on reining in costs and expanding in to new growth opportunities. The company proudly proclaimed in the most recent quarter that net debt was down to \$949.2 million, and the company had \$1024.8 million in cash and cash equivalents.

In terms of growth, the company recently purchased 100% of the Bald Mountain gold mine from Barrick in addition to 50% of the Round Mountain gold mines in Nevada. Both mines are slated to add up to 430,000 ounces to production over the next few years.

In my opinion, investing in metals in the current market is extremely risky, even with the considerable efforts by some companies to become more efficient, increase production, and expand in to new markets.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:K (Kinross Gold Corporation)

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