

## Why Eldorado Gold Corp. Shares Are Plunging

### Description

**Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)) has had a very long and frustrating experience in Greece. And on Monday the company lost its patience, suspending construction and development activities at the Skouries project. The company's stock price is down by 19% in response as of this writing.

So what exactly happened, and how does this affect the company?

### A long, frustrating process

When hearing a story like this, you cannot help but think of **TransCanada Corporation** and its experience with the Keystone XL Pipeline.

Eldorado assumed ownership of the Skouries mine when it acquired European Goldfields in 2012. By this time, approval had already been granted for an Environmental Impact Study. But over the next several years, various interest groups—worried about damage to the environment and negative impacts on tourism—lobbied against the mine. In response, “the Ministry and other agencies have not entirely fulfilled their permitting and licensing obligations,” as Eldorado put it.

The news went from bad to worse in early 2015 when the far-left Syriza party won power in Greece's national election. Syriza was (and still is) strongly opposed to the project, and this position was made very clear by incoming energy minister Panagiotis Lafazanis: “We are absolutely against it and we will examine our next moves on it.”

Then in August the Greek government suspended the technical studies for the Skouries and Olympias projects. Fast forward to today, and Eldorado's actions indicate that this project is a long shot.

### A big hit

Here's the big difference between Eldorado and TransCanada: Keystone was just a small piece of TransCanada's capital plans. But Eldorado's Greek assets (which include other stalled projects) total 30-40% of the company's net asset value, according to most analysts.

And the Skouries mine was supposed to be the crown jewel. Eldorado estimates that once (if) the project is completed, it would produce 140,000 ounces of gold per year at a cash cost of negative US\$500 per ounce (after by-product credits) for the first seven years. Then after a shift to underground mining, Skouries could last another 20 years.

### Simply too risky

Eldorado was once a darling in the gold mining sector. The company had grown like a weed and ventured into some very appealing emerging markets.

But much like the emerging markets space itself, Eldorado has fallen on some hard times. And even

though its shares have tanked, the stock remains far too risky for most portfolios. Your best bet is to look elsewhere.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:EGO (Eldorado Gold Corporation)
2. TSX:ELD (Eldorado Gold Corporation)

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## Date

2025/07/20

## Date Created

2016/01/12

## Author

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