

## Is Eldorado Gold Corp. Worthy of Your Consideration?

### Description

Gold's recent rally has breathed life into gold-mining stocks. Over the last two months, the precious yellow metal has shot up by 9% because of growing market volatility and fears over the outlook for the global economy.

Despite this recent surge, it hasn't all been good news from the gold-mining industry. Gold miner **Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)) reported a massive fourth-quarter-2015 loss and suspended its dividend in response. This reflects the tough operating environment for gold miners and has left many investors and analysts questioning whether or not Eldorado is a worthwhile investment.

### Now what?

Eldorado's fourth-quarter results were far from impressive. It was weighed down by weak gold prices and problems with its projects in Greece; it reported a monster US\$1.24 billion loss driven by write-downs largely from its projects in Greece.

These projects are struggling to gain permitting and licensing approvals from the Greek government, forcing Eldorado to halt its operations in Greece. Despite the intense lobbying efforts of Eldorado, there are no signs that the attitude of the Greek government will change.

You see, the spectacular economic implosion of Greece in 2012 that almost caused it to leave the European Union coupled with severe economic austerity measures have made the country politically unstable. This instability helped the leftist Syriza Party come into power in 2014, and they have demonstrated considerable opposition to a range of mining projects.

This has substantially increased the risks associated with Eldorado's projects in Greece, the most important of which is the Skouries project in northern Greece. These projects were a key part of Eldorado's growth plans and, with no clear path forward, it appears they will be delayed for some time, despite a favourable ruling from the Greek Supreme Court on Eldorado's Skouries project.

### So what?

Eldorado's fortunes are ultimately tied to the price of gold and, despite the recent rally, its outlook remains bleak. A strong U.S. dollar and the ongoing strength of the U.S. economy continues to weigh heavily on its price. To put it simply, the dollar and gold share an inverse relationship, which means that a strong dollar is negative for gold.

Then there are the recent hawkish comments from the Fed, which is considering further rate hikes this year. Not only would these support a higher U.S. dollar, but it would increase the opportunity-cost of holding a non-yielding asset such as gold.

Nonetheless, it is worth noting that Eldorado has particularly low all-in sustaining costs per ounce of gold mined. For 2015, these averaged US\$842 per ounce—some of the lowest costs among its peers.

This highlights that even if gold falls back below US\$1,100 per ounce, or where it was at the start of 2016, it will remain profitable. Its balance sheet is also in good shape with US\$288 million in cash and a mere US\$6 million in debt.

Importantly, Eldorado has already swallowed the bitter pill associated with its Greek operations by clearing the decks through a series of massive write-downs.

While I am certainly not a fan of gold miners, with Eldorado's stock down by almost 35% over the last year, it would appear that there is an opportunity for investors to dip their toes in the water.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

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

## Category

1. Investing
2. Metals and Mining Stocks

## Tags

1. Editor's Choice

## Date

2025/08/03

## Date Created

2016/03/30

## Author

mattdsmith

default watermark