



## Don't Ignore These Risks When Investing in Mining Companies

### Description

Mining companies can have operations in various parts of the world, and that can present risk that otherwise wouldn't be present if a company only operated within the friendly confines of its home country. There can be significant upside in mining stocks, and that is why there is so much allure to those types of investments, and why valuations can be high for mining companies that haven't even yet begun production. However, there are real risks involved as well, and I'll go over some big ones that you should consider before buying a mining stock.

### Challenges with obtaining and keeping licences

Recently, **Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)) announced that the company will suspend its investments in Greece, unless it receives the necessary permits and licences it needs by September 21, at which point the decision will take effect. Eldorado Gold has been negatively impacted by the delays in getting the necessary paperwork, as it has impacted the company's schedule and costs. The company operates three mines in northern Greece in addition to two additional projects that are currently in place.

In another example, **Tahoe Resources Inc.** ([TSX:THO](#))([NYSE:TAHO](#)) also faced issues in Guatemala with the mining licence at its largest mine being suspended on the grounds that the company did not consult with indigenous groups before obtaining the licence. The risk of not operating put the company in danger of default and saw Tahoe's stock plummet as a result. Luckily, earlier this month, the company had its licence reinstated, but that doesn't mean it is out of the woods yet, as groups could still appeal the decision.

Countries like Greece and Guatemala wouldn't strike most individuals as being high-risk locations to do business in, and yet the examples above demonstrate they can be.

### Protests and interruptions

Although Tahoe Resources has had a favourable ending (so far), protesters have set up roadblocks to prevent the company from being able to access the mine. That issue is likely to be resolved, and the company will be able to resume operations, but the protests are an ongoing challenge as many groups

oppose the mining operations, despite the positive impact on the economy overall.

Eldorado Gold has seen even more severe problems, as violence has often erupted from protests and many groups oppose the company's mining operations, in this case, for environmental reasons. Early last year, the company ran into protests and again threatened to suspend operations, and while it ultimately resumed work, it was not until several months later.

### **Bottom line**

There are many risks when dealing with foreign countries, especially when it comes to mining as environmental and indigenous groups can create fierce opposition to corporations. Investors should determine the country is high risk to begin with, and even if it is not, look at the conditions surrounding the mining operation. If there have been disputes, conflicts, or any negative press surrounding the company's developments there, then those risks should be closely evaluated before deciding to invest in the company.

Mining stocks can provide lucrative returns, but the investments can carry a lot of risk as well.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

### **PARTNER-FEEDS**

1. Msn
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