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The 2025 risks and opportunities for the gold mining sector

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While the outlook for gold prices is bullish as investors and central banks invest in safe-haven assets given rising geopolitical uncertainty and its wide-ranging impact on global growth and economic stability, higher gold prices are not currently being reflected in gold mining company valuations. Keeping a focus on costs will be critical, even as gold prices rise, to ensure better valuations.

Gold mining companies are facing several challenges:

1. Managing capital discipline while unlocking future growth
2. Improving productivity and margins as costs escalate
3. Fostering trust through positive social impact to create long-term value
4. Dealing with rising resource nationalism

Managing capital discipline while unlocking future growth

Capital has emerged as the number one risk in the Top 10 Risks and Opportunities for Mining and Metals 2025 report. Unlocking growth and new sources of gold supply requires allocating more capital for exploration and developing or expanding projects.

A combination of dividends and buybacks, often tied to factors such as cash flow, gold prices, and undervalued shares, reflects the industry's growing focus on enhancing shareholder returns, with some companies returning billions to shareholders over recent years. Capital expenditure by the top 10 gold miners has increased 17% over the last five years, but at the same, all-in-sustaining costs and maintenance capex have been higher. This, together with enhanced returns to shareholders may limit the amount of capital available for investment in new or expansion projects.

While overall exploration in the gold sector has declined, majors have increased their spend on exploration by 6% y-o-y to just over US$3b in 2024, with most spend focused on brownfield-opportunities rather than the comparatively riskier early-stage projects.[1] Grassroots exploration made up only 20% of the US$5.5b spent on exploration in the gold sector.

New discoveries have been smaller and no discovery in the last decade has been significant enough to rank among the top 30 largest gold discoveries.[2] Gold miners are therefore acquiring tier-1 assets to boost project pipelines and scale operations. Out of US$69.8b in deals completed in the mining sector in 2024, the largest portion of capital (US$15.4b) was directed to gold. [3]

The increasing number of mid-tier gold miners may also lead to strategic acquisitions by larger companies to increase their reserves and resources, thereby increasing consolidation in the sector.

Several majors are collaborating with juniors, providing the capital required for greenfield exploration in the face of tough capital markets. For example, Kinross has recently invested in junior Puma Exploration in Canada,[5] and Agnico Eagle notes its intention in its latest annual report to continue to invest in junior mining companies that hold early-stage exploration, development and/or greenfield properties.[6]

We are seeing a focus on project development as miners expand existing mines (going deeper and larger) or, where possible, bring more greenfield projects into their portfolios. For example, Gold Fields recently acquired, in one of the largest takeovers of a Canadian pre-production junior, Osisko Mining for US$1.6b, to gain 100% ownership of the Windfall project.[4]

Improving productivity and margins as costs escalate

Gold Total Cash Costs (TCC) decreased by 3% y-o-y to US$987/oz in 2024 as inflation declined. Costs, however, are still 31% higher than in 2019. Labor costs rose by 7% and energy costs by 15% as compared to the 2019-23 average, along with increased royalties and production taxes due to high gold prices. As a result, higher costs mean the rising gold price is not being reflected in share prices.

Regional discrepancies are notable; for instance, Australia saw a 51% rise in TCC since 2019 because of higher labor costs and mine-site charges, while South Africa only experienced an 18% increase.[7] A shortage of skilled labor is also likely to be having an impact on productivity. Higher gold prices, averaging US$2,386/oz in 2024 (up 23% y-o-y), have, however, protected producer margins.[8]

Miners are reducing costs by implementing innovative and cost- effective technology. For example, Barrick Gold has partnered with Draslovka to minimize cyanide usage by ~80% and lower processing costs with glycine leaching technology.[9] Similarly, Vertex has integrated a gravity separation plant at its Reward gold mine, which is expected to save ~A$4m in capex, boost throughput, and enhance operational efficiency.[10]

Long-term fair wage agreements, with consideration to the rise in cost of living, can help to streamline availability of a skilled workforce, boost productivity and provide certainty on labor costs. For instance, Harmony Gold has entered into a five-year wage agreement with five labor unions, in respect of wage increases and conditions of service, to strengthen labor relations and to provide visibility on fixed labor costs.[11]

Fostering trust through positive social impact to create long-term value

Gold miners are expected to demonstrate significant social value through a comprehensive approach that integrates environmental, social, and governance (ESG) considerations into their core business strategies. There are a wide range of areas in which gold mining companies need to demonstrate social value e.g., decarbonization efforts, environmental stewardship, responsible tailings management to prevent contamination of local water, fostering Indigenous partnerships, workforce development, community engagement, and effective supply chain management.

To demonstrate their commitment, many companies in the industry are adopting voluntary standards and principles, such as the Cyanide Code and the Voluntary Principles on Security and Human Rights.[12] Standards are also being streamlined to make reporting less complex under the Consolidated Mining Standard Initiative (CMSI) which consolidates four well- established standards: Responsible Gold Mining Principles (WGC), The Copper Mark, Towards Sustainable Mining (TSM), and the ICMM Mining Principles.[13]

Managing engagement with artisanal miners and proper mine closure can create long term value for both miners and communities:

Constructive engagement with artisanal miners can integrate them into the formal supply chain, reduce illegal activities and enhance community relations. B2Gold's Community Relations department at Fekola Mine, in collaboration with Global Affairs Canada, for example, has launched a five-year project to improve living conditions and protect the rights of women and children in artisanal mining communities.[14]

Closure plans are increasingly designed to facilitate ongoing environmental, operational, and financial benefits for communities and other stakeholders. Progressive closure ensures that decisions throughout the life of the mine consider the impact on closure options, and that a positive legacy can exist long after mines have closed. For example, Agnico Eagle's Lapa mine, which closed in 2018, was designed with environmental impact and future land use in mind.[15]

Dealing with rising resource nationalism

Higher gold prices are driving a surge in resource nationalism as countries seek to ensure fair value for their gold, including increasing government ownership of gold projects and revising regulations to tighten tax rules. Mali's updated mining code mandates companies to divest a 35% stake in new projects to local investors, an increase from the previous 20%, along with an increase in royalties from 6% to 10.5%.[16] Burkina Faso has announced plans to withdraw the mining permits of foreign companies as it seeks to boost domestic ownership of production.[17]

Long-term stable relationships with governments and ensuring transparency of returns from mining to countries will mitigate some of the impact of rising resource nationalism. Several gold mining companies are collaborating with governments in-country to unlock mutual benefit, e.g., Barrick Gold's joint venture with the Tanzanian Government, Twiga, has injected ~US$4.2b in the economy since 2019.[18]

The long-term outlook for the gold mining sector remains robust

The gold mining sector is navigating a dynamic landscape characterized by higher demand and surging gold prices, but also having to navigate rising geopolitical uncertainty, higher costs and increasing demands from stakeholders.

Looking ahead, the sector's long-term outlook is robust and companies that embrace innovation, foster indigenous trust, and maintain a resilient project pipeline will be well-equipped to navigate risks and seize emerging opportunities.

Footnotes

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EY contacts

EY Global and EY Asia-Pacific Mining & Metals Leader
Paul Mitchell
paul.mitchell@au.ey.com

China and Mongolia
Libby Zhong
libby.zhong@cn.ey.com

Japan
Andrew Cowell
andrew.cowell@jp.ey.com

Oceania
Michael Rundus
michael.rundus@au.ey.com

EY Americas and Canada Mining and Metals Leader
Theo Yameogo
theo.yameogo@ca.ey.com

Brazil
Afonso Sartorio
afonso.sartorio@br.ey.com

Chile
Alicia Dominguez Varas
alicia.dominguez@cl.ey.com

United States
Kaki Giauque
kaki.giauque@ey.com

EY EMEIA and EY UKI Mining and Metals Leader
Lee Downham
lee.downham@uk.ey.com

Africa
Wickus Botha
wickus.botha@za.ey.com

India
Vikram Mehta
vikram.mehta@srb.in

Nordics
Magnus Ellström
magnus.ellstrom@parthenon.ey.com

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