

PART: [1](#) [2](#) [3](#) [4](#) [5](#) [6](#) [7](#) [8](#) [9](#) [10](#)

Is IAMGOLD Corp. Turning the Corner after Its 2Q16 Results? PART 6 OF 10

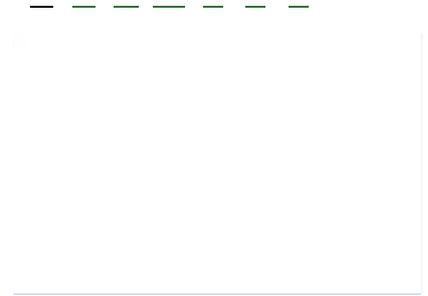
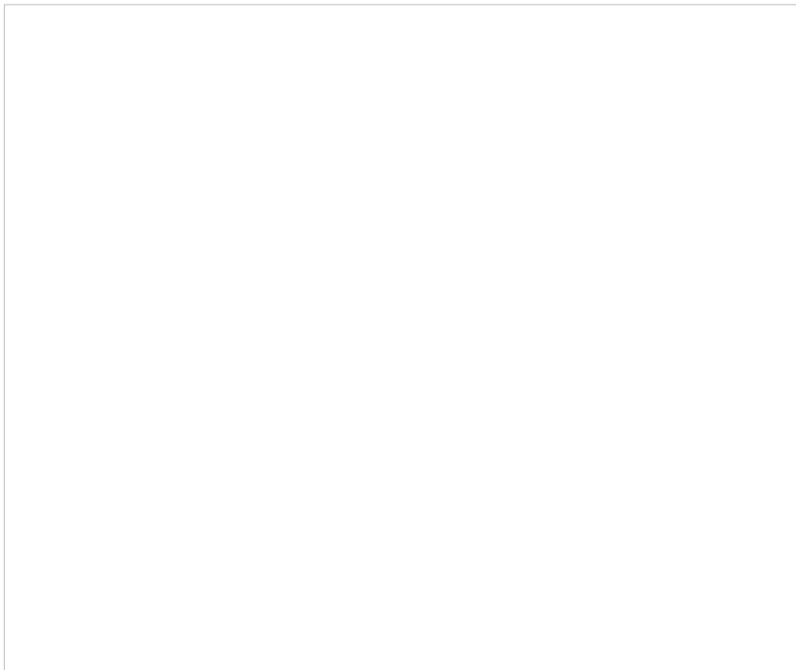
## Sadiola Expansion Could Finally Be a Go: Implications for IAMGOLD

By Annie Gilroy | Aug 8, 2016 4:53 pm EST



### Reducing production at the Sadiola mine

The Sadiola mine, located in southwest Mali, West Africa, is 41% owned by IAMGOLD (IAG), 41% owned by AngloGold Ashanti (AU), and 18% owned by the government of Mali. The Sadiola mine accounts for ~9% of IAMGOLD's production.



The existing plant at this site was not meant for handling hard rock processing. Now, as the mine is nearing the end of its supply of soft rock, an expansion is necessary. The company expects Sadiola to continue milling and mining oxides into early 2018.

### Sadiola's operational performance

Gold production from the Sadiola mine was 18,000 ounces in 2Q16, as compared to 17,000 ounces in the previous corresponding quarter. The mine's cash costs came in at \$941 per ounce, while its all-in sustaining costs (or AISC) were \$973 per ounce.

These costs were 43% and 38% higher year-over-year despite favorable exchange rates, lower contractor costs, and lower fuel and consumables costs. This is due to the drawdown of stockpiles in 2Q16.

#### **Sadiola expansion**

The expansion of the Sadiola mine, which would accommodate the processing of sulfides underneath the existing oxide pits, has the potential to add up to ten years to Sadiola's mine life. During 1Q16, the company's management noted that the potential capital expenditure for this expansion could be lower than \$379 million, according to a 2015 study.

During its 2Q16 earnings call, the company's management mentioned that it could move ahead with the Sadiola Sulfide Project by the end of the year. The timing of the project, however, is conditional upon the decision by IAG's partner AngloGold Ashanti (AU), as well as the government of Mali's renewal of construction and operating permits.

Items such as the power agreement and fiscal terms related to the project also need to be worked out before work on the project can be started. It could be a good organic opportunity for the company, as it could add 120,000 to 160,000 ounces of gold per year to IAG's production profile.

Given the higher gold prices, the Sadiola expansion's economics look favorable for IAG and AU. An expansion could lead to long-term production upsides for these companies.

Other miners (RING) (GDJ) such as Eldorado Gold (EGO), Coeur Mining (CDE), Yamana Gold (AUY), and Kinross Gold (KGC) are also trying to expand their production through organic growth opportunities.

