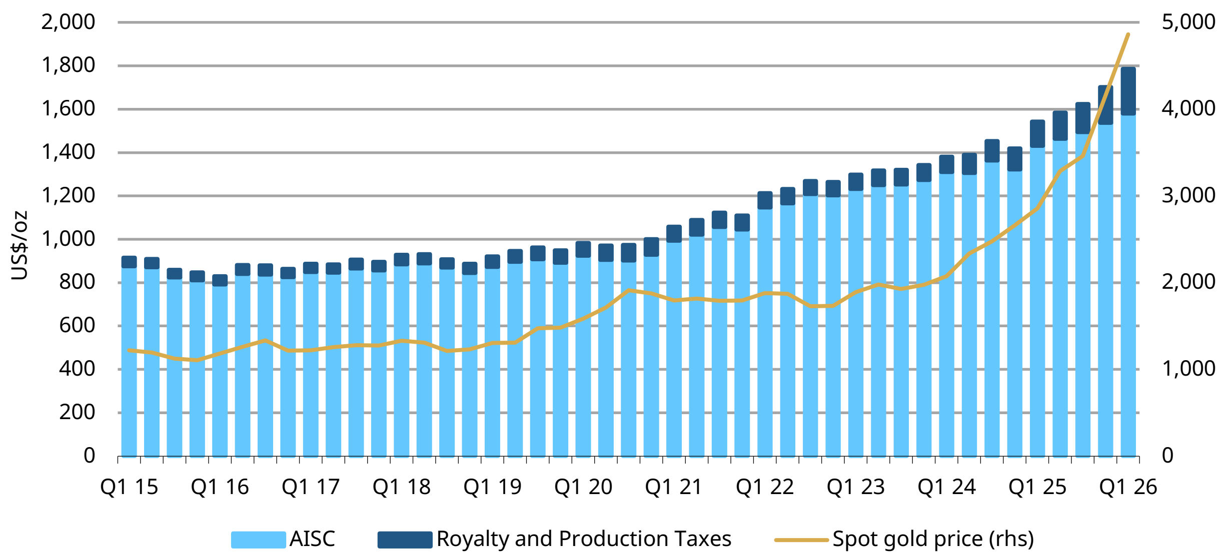
Record gold prices outpace rising mining costs in Q1'26

2026 started in dramatic fashion, as record gold prices and cash flows for miners were accompanied by the outbreak of war in Iran and the broader disruption across the Middle East. Against this backdrop, global average gold producer All-In Sustaining Costs (AISC) rose by 5% q/q and 16% y/y to US$1,785/oz in Q1'26. Rising costs have become a persistent feature of the industry, with the quarter marking the 28th consecutive year-on-year increase in AISC.

Numerous cost drivers contributed to the increase, but royalties were the most significant. Spot gold prices reached unprecedented new highs, momentarily hitting US$5,595/oz in January, while Q1'26 recorded by far the highest quarterly average nominal price on record. As revenues increased, royalty payments rose sharply, climbing by 24% q/q and 85% y/y. When compared with five years previous, the growing importance of royalties is clear. In Q1'21, royalties accounted for approximately 6% of AISC. By Q1'26, this share had doubled to 12% of the average operation's cost base.

However, the effect was not uniform across the industry. Differences in fiscal regimes, combined with rising resource nationalism, accentuated the impact in some jurisdictions. Ghana introduced a new sliding scale royalty system in March, replacing the long-standing flat rate of 5%. The scale is linked to the gold price and can reach rates of 12% when prices exceed US$4,500/oz.[1] In 2025, Burkina Faso introduced a new sliding royalty rate system, with rates of 10% for gold prices between US$4,000-4,500/oz. Mali implemented its new sliding scale in 2024, with higher royalty rates of 9.5% at a gold price of US$4,100/oz. [2] These higher royalty rates result in higher royalty costs for mines. For example, at IAMGOLD's Essakane mine in Burkina Faso, royalty costs surged by 220% y/y, accounting for 35% of cash costs.[3] Resolute Mining also identified higher royalties as a key factor pushing costs at Syama above guidance.[4]

Chart 1: AISC, of which royalty and production taxes, and quarterly average gold price US$/oz



Source: Bloomberg, Metals Focus Gold Mine Cost Service

The Cost of Conflict

While royalties were a major driver of higher AISC, attention has also been on the Iran conflict and the resulting disruption. The closure of the Strait of Hormuz and damage to resources and energy infrastructure in the region have disrupted global supply chains, contributing to higher fuel, power, freight, shipping, and consumable costs.

1. Décret no2025-0331 /PRES/PM/MEMC/MEF portant fixation des taxes et redevance miniéres
2. Décret no2024-0396/PT-RM du 09 juillet 2024
3. IAMGOLD Q1 2026 Financial Report
4. Resolute Mining Q1 2026 Activities Report

Fuel and power were among the largest concerns for gold miners as global energy prices spiked and diesel shortages became a risk in some jurisdictions. However, the scale of the impact varied considerably according to local supply chains. The average diesel price in the US ended the quarter 54% higher q/q, while wholesale diesel prices in Perth, Australia increased by 96% over the quarter.[5] Western Australian miners came under particularly significant pressure, with some smaller operations reportedly suspending activity because of fuel constraints. The disruption also highlighted the differing levels of protection across the industry, as larger companies generally fared better than their junior counterparts.

Major and intermediate producers were mostly insulated from the March price volatility through fuel inventories, hedging, power purchase agreements and long-term procurement arrangements. For example, Evolution Mining noted in its Q1'26 release that its existing fuel contracts had prevented any disruption to operations.[6] Newmont were also unaffected by fuel shortages, as they were able to leverage their scale and ensure that strong relations with suppliers mitigated exposure.[7] OceanaGold, whose diesel costs make up around 6% of AISC, similarly reported that around 80% of annual consumption was hedged;[8] and as a result, changes in oil prices had only a limited immediate effect on the company's costs. Nevertheless, OceanaGold, Newmont and several other producers cautioned that a prolonged period of elevated fuel prices could have a greater impact in future quarters.[9]

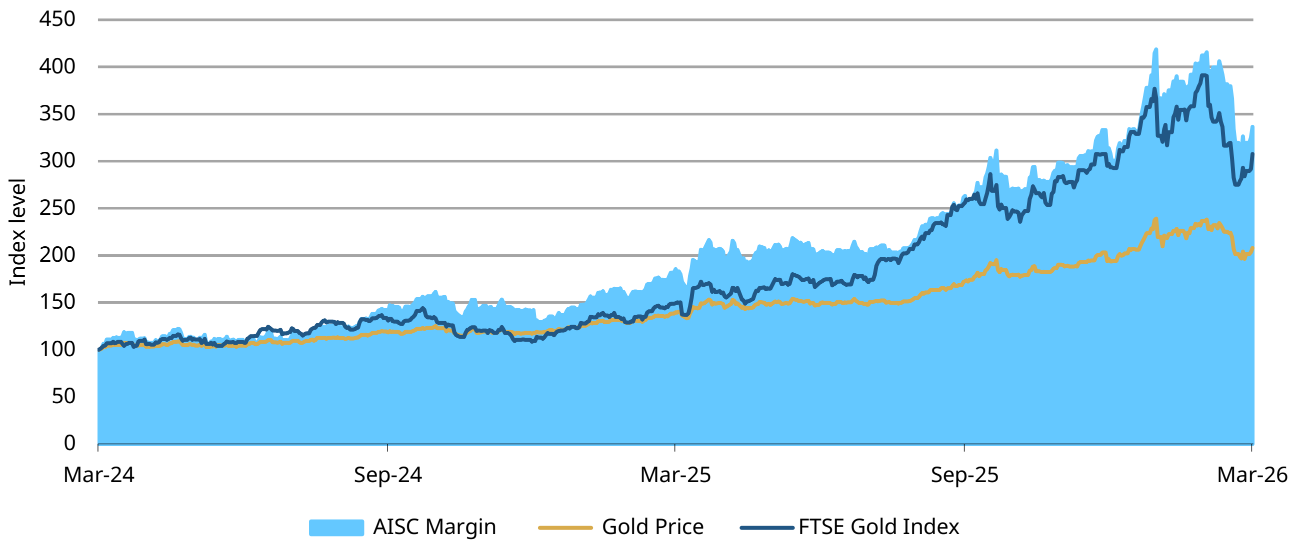
Broader Supply-Chain Pressures

Higher fuel prices also had knock-on effects across global freight markets. Bunker fuel costs doubled in early March, while war risk insurance premiums increased.[10] These costs were fed through to miners via the import of consumables, and spare parts. In their Q1'26 report, Gold Fields recorded a 40% rise in freight and consumables costs since the start of the Iran war.[11]

Disruption to natural gas and ammonia markets drove up prices for explosives and sodium cyanide and rising aluminium prices increased the cost of maintenance materials, fabricated components and replacement parts, adding to broader inflationary pressures across mining operations.

Record Margins and Cash Generation

Chart 2: Gold miner margins surge ahead of the gold price



Note: Index: 31 March 2024 = 100.
Source: Bloomberg, Metals Focus

5. Bloomberg.
6. Evolution Mining Quarterly Report | March 2026
7. NEM Q1 2026 Earnings Call Transcript, NEM Q1 2026 10-Q, NEM Q1 2026 Earnings Presentation
8. OceanaGold MDA 2026 Q1
9. OceanaGold MDA 2026 Q1, NEM Q1 2026 10-Q, Agnico Eagle Q1 2026 Results, GoldFields Operational Update Q1 2026
10. Indonesian Institute for Foreign Affairs
11. GoldFields Operational Update Q1 2026

Despite this cost inflation, the quarter remained exceptionally profitable for the gold mining industry. The surge in the average gold price far exceeded the increase in costs, with the yellow metal up by 17% q/q and 70% y/y. Consequently, average AISC margins rose by 25% q/q and 134% y/y to a record US$3,076/oz. Producers at the 90th percentile of the cost curve experienced particularly strong growth, with their AISC margins increasing by 32% q/q to US$2,363/oz.

In contrast to previous booms, gold miners have maintained relatively strict capital and cost discipline and so a host of producers now find themselves in net cash positions. A significant proportion of the cash generated is being returned to investors through dividends and share-buyback programmes. For example, Newmont returned US$2.7bn to shareholders after generating its highest ever quarterly free cash flow (FCF) of US$3.1bn and has approved an additional US$6.0bn share buyback programme.[12] AngloGold Ashanti also generated record FCF of US$1.2bn and moved from a net debt position into net cash. The company raised its interim dividend to US$1.14/share, up from US$0.125/share in Q1’25.[13]

Outlook

Overall, Q1’26 was an exceptional quarter for gold miners. Record gold prices generated unprecedented margins and cash flows, despite the conflict in the Middle East contributing to mounting cost pressures. Looking ahead, the industry’s resilience may be tested following the pullback in gold prices from their January peak. In Q2’26, average prices were 7.2% lower q/q, but remained well supported above US$4,000/oz. At the same time, costs are expected to rise further, as the Iran conflict and associated supply chain disruptions persist. Given that much of the escalation occurred late in Q1’26, the full impact on fuel, freight and consumable costs is likely to become more apparent during Q2’26, placing additional pressure on margins.

12. Newmont Q1 2026 Earnings Release
13. AngloGold Ashanti Q1 2026 Earnings Release

World Gold Council

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We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

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