



Is This the Start of Barrick Gold Corp.'s Comeback?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) Executive Chairman John Thornton has a tough job. He is tasked with turning around a gold producer saddled with US\$13 billion in debt at a time when gold prices remain stuck at US\$1,200.

Under his leadership Barrick has taken a lot of big steps. For example, the company sold a couple of gold mines last month. But there's a buyer's market for gold mines, so these efforts won't bear much fruit.

Barrick has also slashed some of its capital budgets and reduced costs at its existing mines. This also has a big drawback: production numbers could take a big hit down the line.

But now Barrick is ready to take a big step in its comeback bid.

The "Chilean ATM"

Barrick's Zaldívar mine in Chile is one of the world's best copper mines. The operation is projected to produce roughly 250 million pounds of copper this year at an average cost of US\$1.65-1.95 per pound. After capital expenditures and taxes, this translates into US\$200 million per year in cash flow, assuming US\$3 copper.

The mine is known as the "Chilean ATM" for its ability to generate free cash flow. And this ATM has another 12-13 years left in it, based on current reserve estimates. Further investments could extend its life.

Barrick is looking to sell a 50% stake in the mine and use the proceeds to pay down debt. The prognosis is looking pretty good.

Strong interest

The bidding process is moving along well for Barrick, with plenty of interested parties.

According to anonymous sources, one of the interested buyers is **Teck Resources Ltd.**, a company that already has a copper business in Chile. Others include mining giant **BHP Billiton**, and a couple of private equity firms.

Mining legend Mick Davis was also interested. But his firm, X2 Resources, was outbid seven times according to one source. That alone should be telling. Mr. Davis is known for his bold moves, and he doesn't like to lose. The Chilean ATM is drawing plenty of interest.

Analysts are expecting Barrick to raise up to US\$1 billion from selling a 50% stake in the mine. But given the interest from buyers, Barrick may want to sell the entire mine outright.

Is this the start?

Barrick still has a long way to go, but this is a wonderful sign. Clearly, the company is willing to part with some prized assets, and by doing this, the debt level should start to come down. If there's a time to buy Barrick, this could be it.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:B (Barrick Mining)
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