



Is Barrick Gold Corp. or Kinross Gold Corporation a Better Gold Play Today?

Description

Gold is off to a strong start in 2016, and investors are beginning to kick the tires on the beaten-up miners.

Let's take a look at **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) and **Kinross Gold Corporation** ([TSX:K](#))(NYSE:KGC) to see if one is a stronger pick right now.

Barrick

Barrick is beginning to win back some investor respect.

The company set a 2015 goal of reducing its long-term debt position by US\$3 billion. When management initially announced the plan, some followers of the stock thought the target would be difficult to achieve, but Barrick appears to have pulled it off through a combination of asset sales, new partnerships, and streaming deals.

The company also delivered strong results in a tough market. Third-quarter free cash flow was US\$256 million and adjusted net earnings came in at a respectable US\$131 million.

The good news should continue as cash flow improvements of US\$2 billion are expected by the end of this year.

On the production side, Barrick is putting up some attractive numbers. The company mines more than six million ounces of gold per year and Q3 2015 all-in sustaining costs (AISC) came in at just US\$771 per ounce.

Kinross

Like Barrick, Kinross has been working through a turnaround program, and the company has done a pretty good job considering the tough market conditions of the past five years.

In 2010 Kinross purchased Red Back Mining for US\$7.1 billion in a deal that included the highly prized

Tasiast mine.

Tasiast was supposed to be a game changer for the company, but things haven't worked out as planned. Gold prices peaked in 2011 and the Red Back assets have not delivered as promised. In fact, Kinross has written down most of the deal and is still trying to make Tasiast profitable.

The ride has certainly been rough, but things are improving.

Kinross finished Q3 2015 with US\$1.025 billion in cash and cash equivalents and long-term debt of just US\$1.73 billion. The company also has US\$1.5 billion available in credit lines.

Cash flow was US\$206.6 million in Q3, which easily covered the US\$171.3 million spent of capital projects.

Third-quarter AISC came in at US\$941 per ounce, so Kinross still has some work to do on production costs. A recent US\$610 million acquisition of assets from Barrick should add 430,000 ounces of production and help reduce AISC in 2016. Kinross is also planning to expand capacity at Tasiast and says it can make the mine profitable at current prices.

Which should you buy?

Both companies are making solid progress on their turnaround efforts, but I think Barrick's massive production levels and low AISC make it more attractive right now if you think the gold rally is set to continue.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:B (Barrick Mining)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:K (Kinross Gold Corporation)

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