



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

Description

Gold is rising again and investors who missed the rally in the first part of the year are wondering which stocks still offer strong upside potential.

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 deserves to be in your portfolio.

Barrick

Barrick launched a turnaround plan last year that few market observers believed would succeed.

The company set out to reduce its massive US\$13 billion debt pile by US\$3 billion amid an environment of falling prices and little appetite for gold properties. On top of that, Barrick didn't exactly have a great track record of fiscal discipline.

To the amazement of many analysts, Barrick managed to hit its target through a series of assets sales, new partnerships, and streaming deals. This year Barrick plans to shave off another US\$2 billion in debt, and the progress to date suggests the company will easily hit the target.

Cost reductions are the other side of the Barrick story. The company produced 1.28 million ounces of gold in Q1 2016 at all-in sustaining costs (AISC) of just US\$706 per ounce. The company says full-year production should be 5-5.5 million ounces at AISC of US\$760-810 per ounce. That pretty much makes Barrick the lowest-cost producer among the big miners.

The drop in operating costs has resulted in four straight quarters of positive free cash flow.

Kinross

In 2010 Kinross spent US\$7.1 billion to acquire Red Back Mining. The deal is widely viewed as one of the worst in mining history. Gold peaked a year later and Kinross has since written down the majority of the Red Back assets.

One Red Back property, the Tasiast mine in Mauritania, was supposed to be the jewel in the crown, but the site has never lived up to expectations.

That's about to change.

Kinross recently announced plans to invest US\$300 million in an expansion that will increase throughput at Tasiast by 50% and boost production by 90% once the project is completed in 2018. AISC should fall to US\$760 at the site, which would make Tasiast quite profitable at current gold prices.

Kinross has done a good job of reducing its debt load and recently purchased new assets in Nevada that will help the company lower its AISC in the next few years.

Production is expected to be 2.7-2.9 million ounces in 2016 at AISC of US\$890-990 per ounce.

Which should you buy?

Both stocks will continue to rally on further strength in gold prices, but Barrick's cost structure is significantly lower, so I would go with the industry giant today.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

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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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