



## Why This Top TSX Gold Stock Could Be Under Near-Term Pressure

### Description

**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) has been one of my top picks in the gold mining space for quite some time.

The fact that [Warren Buffett](#), one of the best investors of all time, showed interest in this stock certainly makes it an option worth considering for investors. Nevertheless, there's some concern with this stock in the near term. Let's dive into the details.

### Profit-sharing deal with PNG is not bullish for Barrick Gold

Barrick Gold recently made an announcement regarding an agreement with the Papua New Guinea (PNG) government for the Porgera gold mine. Under this new agreement, PNG's ownership will increase to 51%, while the percentage ownership of Barrick Gold and the Zijin Mining Group Ltd will be reduced to 49%. Moreover, the Toronto-based gold miner will bear the entire reopening cost of the site.

This mine has been operational for the past two decades, and Barrick Gold had bought a stake in 2006 after it completed the acquisition of another Canada-based company, Place Domet Inc. However, recent stoppages have provided downside for Barrick stock in the past. The company was looking to reopen this mine as soon as possible, and it appears the company ultimately capitulated on this deal.

Yes, only 5% of Barrick's annual production comes from Porgera. However, this mine has low operating costs and is a high-grade asset. The all-in sustaining cost of gold for this mine is only \$985 per ounce. Indeed, considering where gold prices are today, this mine generates a tonne of cash flow for Barrick. Therefore, investors may be rightly pessimistic about this rather onerous agreement right now.

### Barrick remains an excellent pick for the long term

That said, I think Barrick is a great long-term holding for investors.

Over the years, Barrick Gold has been successful in building a relatively big moat in the form of some world-class reserves and mines. Indeed, this is a key contributing factor to investors like Warren Buffett stepping in to invest in Barrick in the past.

The company's operations are among the most diverse globally. Barrick operates in more than 10 countries and has some of the best operating metrics among its peers.

Although gold prices have lagged where I think they should be right now, there's optimism that gold can once again regain its lustre among investors looking for a solid hedge. I see the recent Papua New Guinea news as short term in nature and would invite investors to look at the bigger picture with this stock.

And on this basis, Barrick looks cheap today.

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**Date**

2025/08/17

**Date Created**

2021/04/18

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