

Barrick Gold 2Q13 results: Pascua-Lama and lower metal prices weigh on results

Barrick Gold reported a \$8.56bn loss in 2Q13, due to a \$8.7bn impairment charge, driven by falling metal prices. The total charge was comprised of a \$5.1bn write-down on the Pascua-Lama mine in Chile (the company said it plans to continue the project despite lagging gold and copper prices), \$2.3bn in goodwill impairments and \$1.3bn in other asset impairment charges. The charges were expected and consensus estimates was for operating earnings of US\$56/share, a figure that excluded the charges. The 2Q13 loss worked out to \$8.55/share vs a profit of \$787mn or US\$79/share in 2Q12. Aside from write-downs the company said its operating results were strong and it would have earned \$663mn, or US\$66/share. Revenue fell 1.3% to \$3.2bn. The company also slashed its next dividend to US\$5/share, down from US\$20/share in recent quarters.

The price of gold peaked above \$1,800/oz in September 2011, but falling prices since then have weighed heavily on the industry. Yesterday afternoon gold was trading at \$1,313/oz, down c. 27% from its high. Barrick kept its forecast for gold production unchanged at 7mn-7.4mn oz for the year but it raised the low end of its copper estimate to 500mn-540mn pounds, up from a previous estimate that started at 480mn pounds.

Barrick said as part of its increased focus on disciplined capital allocation (adopted a year ago), it has reduced costs and improved cash flow, cutting or deferring c. \$4.0bn of previously budgeted capital expenditures over a four-year period and shelving certain major projects while also launching a portfolio optimisation process. The company said its five key mines (Cortez, Goldstrike, Pueblo Viejo, Veladero and Lagunas Norte) were expected to generate c. 60% of 2013 production at average all-in sustaining costs (AISC) of \$650-\$700/oz. The share closed 0.9% down on Thursday (1 August), at \$16.81. Barrick's share price is significantly down from its 2011 high of about \$56/share, which roughly coincided with record high gold prices. YoY the share price has dropped nearly 48% although the price is up c. 16% in the past month.

Marco de Matos

Barrick Gold key statistics, \$:

	2Q13	% change	2Q12 (restated)
Operating Results			
Gold production (thousands of ounces) ¹	1 811	4	1 742
Gold sold (thousands of ounces)	1 815	7	1 690
Per ounce data			
Average spot gold price	\$ 1 415	(12)	\$ 1 609
Average realised gold price	1 411	(12)	1 608
Adjusted operating costs	552	(7)	591
Copper production (mn pounds)	134	23	109
Copper sold (mn pounds)	135	16	116
Per pound data			
Average spot copper price	\$ 3.24	(9)	\$ 3.57
Average realized copper price	3.28	(5)	3.45
Financial Results (mn)			
Revenues	\$ 3 201	(1)	\$ 3 244
Net earnings (loss) ²	(8 555)	(1 187)	787
Adjusted net earnings	663	(19)	821
Operating cash flow	896	(3)	919
Adjusted operating cash flow	804	(13)	919
Per Share Data (\$)			
Net earnings (loss) (basic)	(8.55)	(1 182)	0.79
Adjusted net earnings (basic)	0.66	(20)	0.82
Net earnings (loss) (diluted)	(8.55)	(1 183)	0.79

Source: Company data, Anchor Capital

1. Production includes equity share of gold production at Highland Gold up to 26 Apr. 2012, the effective date of sale of Highland Gold. Production also includes African Barrick Gold on a 73.9% basis and Pueblo Viejo on a 60% basis, both of which reflect Barrick's equity share of production.
2. Net earnings represent net income attributable to the equity holders of the company.



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