

Barrick Gold Profit Trails Estimates as Mining Costs Climb (2)
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(Updates share price in fifth paragraph.)

By Liezel Hill

Nov. 1 (Bloomberg) -- Barrick Gold Corp., the world's biggest producer of the precious metal, reported third-quarter earnings and sales that missed analysts' estimates after mining costs rose more than expected and production fell.

Profit excluding impairment charges, foreign-exchange losses and other items was 85 cents a share, Toronto-based Barrick said today in a statement, trailing the 99-cent average of 23 estimates compiled by Bloomberg. Sales declined to \$3.44 billion from \$3.97 billion, missing the \$3.65 billion average of eight estimates. The shares fell as much as 7.6 percent. Barrick earnings have disappointed for four consecutive quarters as it struggles to contain costs that are rising at a faster pace than the gold price. The company, which fired Chief Executive Officer Aaron Regent in June and replaced him with former Chief Financial Officer Jamie Sokalsky, is in talks to sell African mines and is reviewing other assets. Barrick today raised its cost estimate for the multibillion-dollar Pascua-Lama mine on the Chile-Argentina border for the second time this year.

"It's disappointing that they're increasing the capex again on Pascua-Lama just a few months after they've already given us a whopping increase," George Topping, a Toronto-based analyst at Stifel Nicolaus & Co., said by phone today. "You would think when you put out the first estimate you would have made darn sure the estimates were closer to what you expected."

Output Decline

Net income fell 55 percent to \$618 million, or 62 cents a share, from \$1.37 billion, or \$1.36, a year earlier. The shares slid 7.4 percent to C\$37.42 at 9:05 a.m. in Toronto after earlier falling the most intraday since July 26.

Third-quarter gold output declined to 1.78 million ounces, compared with 1.93 million ounces a year earlier. Brian Yu, a San Francisco-based analyst for Citigroup Inc., had estimated 1.95 million ounces, while Stephen Walker, a Toronto-based analyst at RBC Capital Markets, estimated 1.97 million.

The cost to produce an ounce of gold rose to \$592 an ounce from \$453. Yu estimated \$552 an ounce and Walker predicted \$577. Barrick said 2012 gold production will be 7.3 million to 7.5 million ounces, compared with previous guidance of 7.3

million to 7.8 million ounces. It forecast total cash costs of \$575 to \$585 an ounce, up from \$550 to \$575 previously.

Spending Cut

Capital expenditure at Pascua-Lama will be “closer” to \$8 billion to \$8.5 billion, compared with a July estimate of \$7.5 billion to \$8 billion, Barrick said today. First output at the project is expected in the second half of 2014, compared with an earlier view of mid-2014.

Barrick also said it’s cut or deferred about \$1 billion of planned spending at its mines in 2013.

Gold, which has risen for 11 straight years, averaged \$1,655.86 on the Comex in New York in the third quarter, 2.9 percent lower than a year earlier and 2.6 percent more than in the previous three months.

(Barrick scheduled a conference call to discuss results at 9:30 a.m. New York time, accessible in North America at +1-800-750-5861 and for international callers at +1-212-231-2907.)

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