



# GSA Pro<sup>TM</sup>

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The version of *Gold Stock Analyst* newsletter for Professional Investors  
Reports on 60+ Gold miners plus the *GSA-Top10* newsletter in mid-month

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### It's a Boy!

Christopher was born 7/29/15 to  
Garrett and Jennifer Goggin

**Next Issue** 9/1/15  
**Web Posted:**

## Where Are We Now?

Based on 7/31/15's **\$1,096/oz** Gold, and GSA's proprietary Market Cap/oz data base compiled since 1994 for Rising and Falling Gold price trends, **Gold stocks trade as if Gold was \$467/oz.**

On average, Gold stocks are:

**-57.4% Undervalued**

## Is Barrick Going Bankrupt?

It seems amazing that the World's #1 Gold miner at 6+ mil oz/yr has twice ended up on the wrong side of the Gold trade.

ABX made billions hedging Gold in the 1990s and early 2000s, but then in 2009 with its hedges billions of Dollars in the red due Gold's rise ~\$1,000/oz, it issued ~\$4 bil equity (at US\$37/shr) to buy back its ~9.5 mil oz hedges. The associated writedown wiped out all the profits the hedges had earned.

But selling shares to buy back hedges, forced ABX to take on ~\$12 billion debt to build and buy mines to avoid more dilution (Equinox copper alone cost \$7.7 bil cash). Now the debt comes back to haunt... if Co had never hedged, the much of the debt would not exist.

So will Barrick go broke? Mr Market thinks so based on Barrick's 71% Default Probability (DP), shown in the top right chart from *Bloomberg* and its current \$7 share price.

DPs are derived from the prices of Credit Default Swaps, by which the CDS Seller collects a fee for agreeing to compensate (insure) a Buyer in the event of default on a specific loan over the next year.

For 2015, Barrick forecasts an AISC of \$875/oz, ~6.3 mil oz prod and Gold at \$1,200/oz for a ~\$2.0 bil Cash Flow.

But ABX had a weak 1Q15 with a \$927/oz AISC. If this continues, with Gold hovering around \$1,100/oz the lower \$173/oz margin yields only ~\$1.1 bil Cash to cover S,G&A (\$145 mil), Exploration (\$240 mil), Interest (\$810 mil), and Other (~\$80 mil); these total ~\$1.3 bil, so cuts would be needed.

Mr Market can do the math too, and he spiked Barrick's DP +26% to 71%. For reference, Newmont's and Goldcorp's DPs have spiked too, but from much lower levels of 23% and 19%, respectively. (FYI, Yamana's DP is 79%, highest of GSA-covered major miners.)

So our answer to the initial question is "No", in part due ABX raising \$550 mil from Cowal sale, \$300 mil from 50% Porgera, and \$1 bil coming from sale of 50% Zaldivar copper, plus proceeds from more dismantling to come.

