Two years and two risky deals later, Barrick's CEO Aaron Regent has shown the mining community that he's one leader not afraid of taking chances

By Paul McLaughlin

Once upon a MINE

When Aaron Regent, the president and CEO of Barrick Gold Corp., addressed the annual general meeting of the world's largest gold producer in April, he had a lot of good news to bestow.

In a matter-of-fact tone, the 45-year-old CA, who had been appointed to the challenging role some 27 months earlier, began by telling the assembled shareholders at Toronto's Metro Convention Centre that Barrick had "a strong year in 2010." That was an understatement. The price of gold had surged to US$1,228 an

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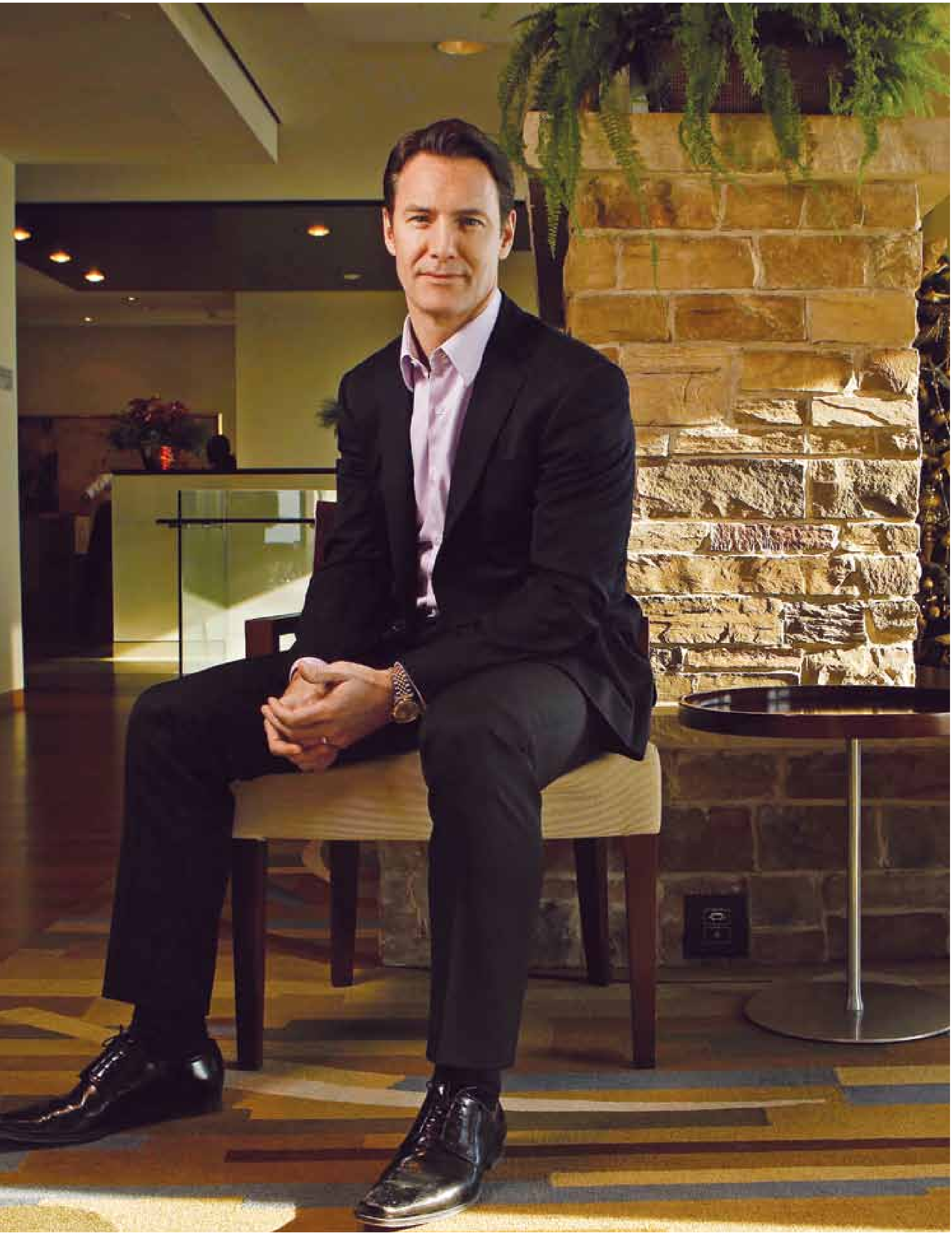

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ounce last year, up 25% from the year before and more than 200% since 2004. In May it was nudging US$1,512 on the New York Stock Exchange and in June reached US$1,540 an ounce. Those numbers contributed significantly to Barrick, which has 25 operating mines and six projects on five continents, being able to report record adjusted first-quarter net earnings in 2011 of US$1.1 billion, up 32% from the prior year’s same period. Operating cash flow also jumped, by 27% from the previous first quarter, to US$1.44 billion.

As Regent continued to chronicle Barrick’s impressive financial accomplishments, it’s likely most in the audience had a controversial development on their minds, one that both Regent, and Barrick’s legendary founder and chairman, 83-year-old Peter Munk, were about to address.

Two days before the AGM, Barrick made a surprise announcement: it had offered US$7.3 billion in a cash-only bid to purchase Equinox Minerals Ltd., a copper producer with operations primarily in Zambia and, to a lesser extent, in Saudi Arabia.

The news that the Canadian gold giant was about to almost double the revenue it generates from copper to about 20%, at a time when gold seemed to be on a never-ending glee ride, didn’t go down well with the markets. Barrick shares dropped almost 10% in the first week after the deal was disclosed.

The friendly acquisition, Regent said, was a unique and rare opportunity to purchase a substantial copper producer that had excellent potential to significantly increase production, especially in Zambia. “The financials of this asset are strong. At current copper prices [in about one year] the company will be generating about $1 billion of EBITDA. This has the potential to increase to about $1.5 billion with the expansion of Lumwana [the Zambian mine]. This will provide us with another major earnings and cash-flow generator.”

Regent’s rosy predictions for the copper deal are based on his belief that the mineral’s current near-record price will not drop significantly, as some analysts have predicted. “We believe that prices will continue to be well supported for the foreseeable future,” he says. “Demand is expected to increase by around 800,000 tonnes per year, underpinned by the emerging markets and China.”

No matter what transpires with the price of copper, the Equinox transaction is without question a gamble, a big enough one that Munk felt compelled to assure the audience that Barrick was not abandoning its core strength.

“Hear me loud and clear,” the dapper Munk proclaimed passionately. “Do not think that something we have worked for for 28 years is going to be given up. Who is so idiotic to kill the goose that laid the golden egg?”

For the second AGM in a row, Munk congratulated Regent on his character. Last year he referred to Regent’s “imagination, the new spirit [that he brought to Barrick], the entrepreneurial thinking [and] the visionary approach.” But one description seemed to override the others: “courage.”

This was used in reference to a huge undertaking that had dominated Regent’s first year at the gold company. In September 2009, Barrick announced it would eliminate its fixed-price hedge book, a bold move for which it raised US$4 billion and took a US$5.7-billion charge to earnings. This was the largest equity offering in Canadian history. When Barrick announced the termination of the hedge book it had said it would happen within 12 months. But by early December 2009, Barrick had paid off the balance. “We are lucky that we are in a business [where] we can judge performance by a very measurable matrix,” Munk told the 2010 AGM, “and the results are nothing more than spectacular, nothing less than outstanding.”

Two large and risky moves in just more than two years make it more than clear that when Barrick surprisingly selected Regent to helm the mining company it was getting a leader who was willing to take chances. Contrary to Barrick’s tradition of hiring from within, Regent was an outsider, whose most recent business card had read senior managing partner of Brookfield Asset Management and co-CEO of its infrastructure group. His education, however, was not a departure from the norm. Both previous Barrick CEOs — Greg Wilkins, who had become executive vice-chairman and remained in that role until he succumbed to cancer in December 2009, and Randall Oliphant — were also accountants. “I think [hiring CAs] is in keeping with the DNA of the company,” John Ing, president and CEO of Toronto investment dealer Maison Placements Canada Inc., told *Reuters* when Regent’s selection was announced, by which he meant the company was a buyer of properties rather than an explorer. “Barrick’s problem is like all of the gold companies’ in that they’re on a treadmill. They have to replace ounces. A money man with his background will be useful.”

Reaction to the hedge deal had been primarily positive. “The hedge book had long been a concern with investors,” said David Haughton, co-head of mining research, Toronto, at BMO Capital Markets. “Its elimination positions the company to fully benefit from development of its next generation of large-scale, lower-cost mines.” Many supporters of the company — and its critics, including one of its harshest — echoed Haughton’s sentiment. “I’ve hated Barrick for about the last 10 years, but I’ve recently changed my opinion,” says John Embry, chief investment strategist at Toronto-based Sprott Asset Management LP. What caused his abrupt turn in thinking? The hedge-book decision and the man who drove it. “Aaron Regent seems to be an open, decent, smart guy,” says Embry, “and that is not something I would have said has characterized Barrick in the past."

Charles Oliver, senior portfolio manager of the Sprott Gold & Precious Minerals Fund, echoed Embry's assessment of Regent almost verbatim. Oliver has known Regent since the two played rugby together at the University of Western Ontario. In fact, it's how virtually everyone perceives the down-to-earth CEO, including former prime minister Brian Mulroney, who sits on Barrick's board. "He's a terrific young man," says Mulroney. "He has strong leadership skills, a good vision of the company and he knows how to motivate people and have them work together."

Response to the Equinox proposal, however, brought some of Regent's decision-making into question. "We can't help but worry why a gold company is looking to lever up their balance sheet to acquire copper assets," Adam Graf, an analyst at New York's Dahlman Rose & Co., told the *Globe and Mail*. Andrew Martyn, a Barrick investor and president of Toronto money manager Falcon Asset Management, was even more blunt when talking to the newspaper. The move into copper has forever changed Barrick's complexion, he surmised. "Some investors will permanently abandon the company. New shareholders will have to come in, at a lower price."

With any transaction of this size and scale, Regent says, it's normal for some investors to raise questions and concerns. "They want to understand the rationale and the benefits. We are listening to our shareholders intently and we value their feedback."

It's a typical Regent reaction — calm and reasonable — and is one of the reasons so many people perceive him in a positive light. The mining industry, however, does not always receive kind accolades. In fact, it's often the opposite, with Barrick (sometimes referred to as Darth Vader) being the target of as much criticism as praise. It's a tough industry that's been accused of endorsing or being directly responsible for environmental damage as well as murders, rapes and other human rights abuses at mine sites around the world. How, then, did such a nice guy end up running the No. 1 firm in such a hard-nosed business?

Gold was not doing well when Barrick came into existence. On Barrick's debut on the Toronto Stock Exchange on May 2, 1983, "gold was worth only $433 an ounce, after soaring as high as $850 an ounce in 1980," according to *Passion to Succeed: Barrick Gold at 25*, a company-produced history. Known then as Barrick Resources Corp., it was an offshoot of a privately held oil-and-gas company run by Munk. Nevertheless, his decision to move on from that failed venture and focus on gold proved prescient.

Barrick grew quickly over the years. A key acquisition was the Mercur mine in Utah in 1985. "That's when we got the support of the stock market," says Barrick vice-chairman and director William Birchall, a Fellow of the UK Institute of Chartered Accountants, who had been the CFO of a property-development company that Munk had started previously. Another acquisition the following year, the Goldstrike mine in Nevada, further solidified the company's standing in the marketplace. The highly

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successful entrepreneur Joe Rotman, a board member and one of Barrick's original financiers, suggested that Goldstrike, which was producing about 50,000 ounces of gold a year, contained potentially higher reserves. He was only too right. "Analysts had derided Barrick for overpaying by spending US$62 million to buy Goldstrike," according to *Passion to Succeed.* "No one ever imagined that it would contain one of the richest deposits in the world." When Barrick purchased competitor Placer Dome Inc. in 2006 for US$10.4 billion, it had risen all the way to the top: it was now the world's largest gold producer.

In 1985, as Munk was building Barrick, Regent was leaving Calgary en route to the University of Western Ontario to begin an undergraduate degree in history. He had lived in Calgary since about age one, when his parents immigrated to Canada from Dublin, Ireland. The youngest of three children, Regent grew up in a home that had a strong penchant for the arts, thanks in part to his mother, Claire, who founded the Regent Academy of Dance in Calgary in 1980. An accomplished dancer who performed in Ireland and Europe, Claire once appeared on TV's popular *The Ed Sullivan Show* as a member of the Comerford Irish Dancers.

Upon graduating from Western and unsure of what to do with a bachelor of arts degree, Regent took the advice of a friend who suggested he obtain his CA. He worked in the Toronto office of Ernst & Young while studying for his UFE. While at E&Y he met Tom Kornya, a fellow CA student, and they became friends. "Aaron is passionate in just about everything he tackles," says Kornya, who is managing partner for the GTA and a member of the executive committee at E&Y. "He's very hard working, without a doubt, and eager to try new things and new opportunities." The friends and their families have often spent time at the cottage together, where Kornya noticed that Regent is no different when talking business on the phone or helping one of his three daughters water-ski. "With Aaron, what you see is what you get."

On the eve of taking his UFE, Regent heard that Brascan Ltd. (formerly Brazilian Traction, Light and Power Company Ltd.) was looking for an associate comptroller. "It was clear to me that I liked business but I didn't see myself as being a practising accountant," he says. "I did my UFE in September [1991], interviewed with Brascan in October and got the job before I found out if I passed. You can imagine there wasn't anyone more relieved that they passed than me."

Although Regent opted for business over accounting, he credits his CA with being an incredibly important reason for his successful career. "I think there are few programs around that give you such a solid foundation in all aspects of business, whether it be accounting, finance, tax, audit or financial reporting. I think the CA is quite unique in that respect. Practising accounting gives you a huge leg up in business."

That academic and practical boost helped Regent quickly climb up the business ladder and over the following 18 years or so he held numerous senior positions in several companies. Not long after joining Brascan he became its CFO. Brascan held a 40% interest in Noranda Inc., one of the largest mining and metal companies in the world. It was Regent's introduction to the world of copper, nickel, aluminum, zinc and gold. In 2000 his education in the mining industry quickly escalated when he was moved over to Noranda as its CFO and executive vice-president. The first two years, he says, were particularly challenging, as commodity prices were significantly depressed. Despite the challenges he found the work interesting. "People tell you that once in the mining industry you get the bug and you become quite passionate about it. And, yeah, that happened to me."

By 2002 Regent had become CEO and president of Falconbridge Ltd., one of North America's largest base metals companies, which Noranda had a controlling interest in. When Noranda and Falconbridge amalgamated in 2005 he became president of the new entity, Falconbridge Ltd. A year later the acquisition gods rolled another seven as the Swiss-based global mining group Xstrata plc gobbled up Falconbridge. Regent returned to Brascan, which by this time had been renamed Brookfield Asset Management Inc., where he served as co-CEO of global infrastructure business and senior managing partner.

Regent's spiffy office at Barrick is on the 37th floor of Brookfield Place in Toronto's financial district. Coincidentally, it also houses his immediate former employer. Despite a demanding schedule that sees Regent traveling about 40% of the time, he's fit and seemingly relaxed, thanks to a daily running regimen, among other physical activities.

He smiles easily, even when recalling the breath-holding gamble to make the elimination of the hedge book the defining act of his first year in office. A roaring success, it was a major factor that led Oliver to buy into Barrick [as part of a fund] for his clients.

As if one big move wasn't enough, Regent also engineered the creation of African Barrick Gold plc, which is listed on the London Stock Exchange (Barrick retains a 73.9% equity interest in the company). The main reason for the spinoff, says Anand Beejan, CA, a partner at Raymond Chabot Grant Thornton LLP in Montreal, is to protect the company's interests in Tanzania, where it has four operating mines and several exploration projects. Beejan says Tanzania is "a seriously unstable environment [with human-rights issues, violence, thefts] but is very rich in resources," and as a separate entity, African Barrick would be much easier to sell, if the need should arise.

That observation seemed noteworthy when, in mid-May, several people were killed or injured at one of its mines in northern Tanzania after hundreds of people invaded it in an attempt to steal gold.

At both this and last year's AGM, Regent and Munk addressed Barrick's commitment to corporate social responsibility (CSR). They spoke about the company's financial and social contributions to the countries in which it operates. In 2011 Munk lashed out at what he called a rogue element of activist nongovernmental organizations that wants "nothing but to stop development… that say, whatever you do we don't want you, go away. And what are the [employees] going to do? Line up for social benefits in the remote hills of Tanzania or Peru? There ain't none. Yes, we have hospitals. Yes, we provide clean water. Yes, we provide housing. But much more importantly, by moving into these countries and developing mines we provide way beyond the importance of money. We provide human dignity."

While a group of protestors staged a small, peaceful anti-Barrick demonstration outside the 2011 AGM, Regent admitted that in relation to CSR, "we are not perfect and we have made some mistakes along the way." He referred specifically to a report released in February by Human Rights Watch that confirmed serious abuses at Barrick's Porgera Joint Venture (PJV) mine in Papua New Guinea, including reports of gang rapes and beatings of people caught on the site's waste dumps by PJV security guards.

Regent detailed a list of actions Barrick is taking to resolve the Porgera situation, including terminations and arrests of those involved and the appointment of an independent director to its board who has experience in CSR. He made the announced changes with a quiet but hardened determination that seemed characteristic of his first two and a half years at Barrick.

He will need those soft and hard sides of his personality to be in full bloom if he takes over from Munk when the latter decides to step down, a daunting challenge according to Derek Pannell, chairman of Brookfield Infrastructure Partners and a director of African Barrick. "[Regent] has got big shoes to fill. People are probably wondering how much Munk has his fingers on the reins and how much latitude Regent has," he says. "I think he probably has to walk a very difficult line to make certain he balances the influence Munk has with his own style and where he wants to take the company."

Pannell thinks Regent would be up to the task, citing him as a very quick study. Looking at Regent's exceptionally fast rise, it seems he fits comfortably into new and more demanding roles. When asked to summarize why he has done so well so fast Regent once again praises his CA training.

"It gave me a foundation and a level of confidence I could build off of. I don't think there's a better way to be introduced to the business community than by completing the CA program." It's said with a heartfelt certainty and is backed up by a résumé that makes his assessment compelling.

Paul McLaughlin is a Toronto writer