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# Who's next? Munk focuses on Barrick's big question

By PAV JORDAN
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***Gold miner's iconic chairman searches for a replacement***

Peter Munk, the iconic chairman of Barrick Gold Corp., is looking for a successor to the one person who has been a constant during the company's tumultuous 30-year history: himself.

In a message to shareholders in the company's annual report for 2012, Mr. Munk said he has been working with directors to find someone with the drive, ambition, global experience and contacts to lead the board, and strongly hinted that his co-chairman, former Goldman Sachs Group Inc. executive John L. Thornton, might be that man.

"A vital prerequisite for the future is a new generation of qualified and developed leadership," Mr. Munk said in the letter. He did not provide a timeline for succession but lauded the achievements of Mr. Thornton. His appointment as co-chairman last year was part of a larger corporate shakeup that also saw the instalment of a new CEO, Jamie Sokalsky.

"It is indeed our great fortune that John has reached a point in his spectacular career at the same time when our need for someone of his exceptional qualifications, credentials and experience also reached a decision point," Mr. Munk said.

The departure of Mr. Munk, 85, as chairman would end a significant chapter in the history of Barrick and the Canadian mining industry. What started with the purchase of a half-interest in a northern Ontario gold mine eventually became the world's largest gold producer, with projects from Australia to Africa and a market cap of $29.3-billion.

But the company's recent performance has been less than stellar, thanks in part to the overpriced acquisition of Equinox Minerals Ltd., an African copper play. Its share price, at $29.32, is about where it was seven years ago, even though gold prices have more than doubled in that time. In December, 2010, the stock touched $55.25 share.

"Although [Mr.] Munk should be given credit for building a Canadian champion, many investors suspect he is the architect behind the recent empire building gone bad," said ***Pawel Rajszel***, an analyst with ***Veritas Investment Research*** in Toronto. "A Munk departure could reduce investors' fears of Barrick moving away from gold, and therefore eliminate the associated discount on the stock."

Mr. Munk, still a dominating presence in the boardroom at Barrick, started his overhaul of the Toronto-based miner in May of last year, when he publicly berated management for the poor stock price. A month later he fired chief executive officer Aaron Regent.

The company started to clean house, shelving plans to build $4-billion worth of new mines after a multibillion-dollar cost overrun at Pascua-Lama, the flagship gold project in the southern Andes.

In recent months it also announced plans to sell non-core assets, marking an end to the empire-building years that saw Barrick and other gold miners seek growth at any cost, amid investor demand that pushed gold prices to near-record highs.

Gold companies like Barrick are still finding their way in a market that has been largely in turmoil since 2008, when prices for the metal rose more than threefold in the wake of economic crisis, but failed to produce a windfall for shareholders of gold companies.

When he became Barrick's new chief executive in July, Mr. Sokalsky announced a new focus on returns rather than growth, winning plaudits and helping to coin a new mantra for the industry as it struggled to lure investors back.

"I'm not saying the market will say hurray because Peter's going, but the market might interpret any moves by Barrick to have a more institutionalized board with perhaps some more arm's-length relationship with management as a positive first step," said Jorge Beristain, an analyst with Deutsche Bank Securities Inc. in New York.

The stock had been on the decline for about a year by the time Mr. Munk began the shakeup, sinking first in early 2011 when Barrick announced the $7.3-billion acquisition of Equinox, the Africa-focused copper miner that investors criticized as a departure from the company's focus on gold and which has since seen much of its value written off.

Barrick did not say whether a decision had been made for Mr. Thornton to definitively succeed Mr. Munk, and any such motion would need board approval.

Mr. Thornton has extensive relationships in the banking world and, as a professor at the Tsinghua University School of Economics and Management in Beijing, a deep knowledge of commodity-hungry China. He is a director of HSBC Holdings PLC, Ford Motor Co. and China Unicom. He retired in 2003 as president and member of the board of Goldman Sachs Group.