News release

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| *Contact* | Gill Carson, Media Relations, PwC  Tel: 020 7212 1391  e-mail: [gill.carson@uk.pwc.com](mailto:gill.carson@uk.pwc.com) |
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### Cautiously optimistic – a challenging year ahead for miners: PwC report

After a slow and cautious 2012, mining M&A activity is expected to continue at a moderate and equally cautious pace in 2013 as metal prices stabilise and companies bet on a continued rise in commodity demand from countries such as China, according to the latest [*Mining Deals*](http://www.pwc.com/ca/miningdeals) report by PwC.

It is also expected that this year, mega-mergers will be placed on the shelf while mining companies seek to prove that they are being prudent with shareholder dollars and are able to realise positive results on significant acquisitions made in the past few years.

Tim Goldsmith, global mining leader, PwC, said:

“In 2013, expect deal activity to continue at moderate levels, well behind the frenzied pace of 2011.

“Miners will have their eyes on opportunities, but will consider risk factors such as rising costs, resource nationalism and potential political ramifications of buying and selling assets. The appetite for controversy is decreasing as miners are wary of joining the list of highly publicised write-offs from past deals, both friendly and hostile.”

Considerations for the mining industry for the year ahead also include:

* *Growing China –* China will continue to locate resources to meet its rapidly expanding economy, which is driven by its growing middle-class spending more money on consumer goods, as well as continued infrastructure spending. Also, China has increased its foreign investment targets, specifically in the gold and copper space - boding well for future commodity demand.

There were 1,803 transactions in 2012 – the lowest level since 2005. Deal volume in 2012 also decreased more than 30% as compared to 2,605 transactions in 2011. The value of mining deals also slipped in 2012, as compared to 2011, with the total amounting to $110 billion in 2012 (including the $54 billion value of the Glencore-Xstrata merger which was announced last February and has now nearly cleared all regulatory approvals). Without this merger, deal value falls to $56billion – compared to a total deal value of $149 billion in 2011.

Excluding the Glencore - Xstrata merger, Canadian-based mining companies were the most active on the M&A scene (29%), followed by the UK (11%), Australia (9%) and China (9%).

Tim Goldsmith, global mining leader, PwC, said:

“The deals market was strong in early 2012 but the second quarter saw a volume drop that slowly recovered over the rest of the year. Given the bargains to be had, the lack of funds available to junior miners and the seniors selling assets, we expect the recovery to continue gradually this year.

“2013 will be all about asset rationalization and deal activity will be driven mainly by senior miners looking to divest none-core assets and looking to de-risk projects through joint ventures.

“It’s also shaping up to be another interesting year for commodity markets as investors are waiting anxiously to see which companies have the capability to take advantage of the next big opportunity.”

**Gold and copper continue to thrive**

According to the report, gold and copper dominated M&A activity in 2012 as miners with cash took advantage of lower valuations to fund future growth. Together, the two metals accounted for half of the top 20 deals last year, even before considering their mix in the diversified metal mergers.

Tim Goldsmith, global mining leader, PwC, said:

“Gold and copper are both popular metals for different reasons. Investors are turning to gold as a hedge against inflation and general economic uncertainty, while copper is considered a bet on the future health of the global economy as the metal is used in everything from plumbing and power to automobiles.”

Other commodities of interest include uranium as producers take advantage of prices that have been depressed since the March 2011 Fukushima nuclear facility disaster in Japan. Iron ore also appeared a few times among the top 20 deals of 2012, particularly among steelmakers looking to boost access to this metal.

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