



Press Release

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Contact Gill Carson, media relations, PwC
Tel: 020 7212 1391, Mobile: 07715 487 553
e-mail: gill.carson@uk.pwc.com

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Mining growth markets continue to gain traction: Western markets beware

- Demand from emerging countries will continue to drive M&A - Africa will emerge as one of the most important mining geographies this year
- China dominates, representing close to half of the growth market- led deal activity in 2011
- Despite a weak macro backdrop and falling commodity prices, 2011 marked the second busiest year in mining M&A activity in history

In 2011, growth market miners by value represented almost a quarter (24%) of global mining M&A. This is nearly 50% higher than the total deal value seen at the 2006 market peak and compares to the less than 1% penetration observed at the start of the millennium for the same group, according to PwC's Global Mining 2011 Deals Review & 2012 Outlook: *On the road again* report.

Tim Goldsmith, global mining leader, PwC, said:

"While these markets aren't yet dominant, with each passing year, growth market miners are increasingly becoming forces to be reckoned with.

"Africa is set to emerge as one of the most important mining geographies of 2012 with unparalleled resource potential and an increasing investor climate.

"Of course we have, and will continue to see, many deals for African assets and note that emerging nations such as China already have a major footprint in the mining industry throughout the continent."

Regarding Western-led deals in 2011, many developed world buyers are 'playing it safe' – 72% involved acquisitions of projects in another developed world region. The report indicates that this trend may be a barrier to long-term growth, given that roughly three-quarters of known reserves lie in countries outside the developed markets.

Tim Goldsmith, global mining leader, PwC, said:

"Numbers don't lie. Developed nations have to ask themselves what is the long-term cost of not doing business in the growth markets. They need to be more aggressive.

"The shifting centre of gravity, from the west to the east, will increasingly challenge the traditional economics behind mining M&A and force Western entities, especially boards and shareholders, to reconsider the protocol in which the balances of risk and reward are weighed."



2011 by numbers

- In 2011, more than 2,600 M&A deals worth \$149 billion were announced in the global mining sector. Volumes were close to historic highs and values were 33% higher than 2010.
- The United States, Australia and Canada led the charge in mining sector deal making, accounting for 53% of annual acquisition values, up 46% from the previous year - while 30% of all 2011 global mining acquisitions involved a Canadian buyer, a greater proportion than any other one country.
- Although still only representative of a very small portion of the global mining M&A market, buyers based in India, Indonesia, South Korea and the Philippines made some notable moves in 2011.

Outlook for 2012

In 2012, the report forecasts continuing high M&A volumes and values in the global mining sector.

Tim Goldsmith, global mining leader, PwC, said:

“With demand for new projects, rising production costs and declining developed world reserves, miners will seek out targets to build scale and achieve cost efficiencies.

“Activity will be underpinned by the continued need for base and precious metals by the world’s rapidly industrialising nations.”

Predictions for this year include:

- Financial buyers (Sovereign Wealth Funds , specialised private equity, large pension funds) eager to deploy capital will re-evaluate their approach to the resource sector
- Emerging nations remain the key drivers of global economic growth
- The “top five” resources (gold, copper, coal, iron ore, silver) are expected to be busy. However, it’s not likely that M&A valuations in the gold sector will be bid up to bridge the gap between the price of gold and the price of gold equities
- Western buyers will be forced to identify business models that make the growth market deals “work”
- An increasingly friendly investor climate will prompt an ‘African Renaissance’ characterised by increased investment into Africa’s unparalleled mining sector

For more information or to read the full Mining Deals report, visit: www.pwc.com/ca/MiningDeals

Notes to Editors

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