News release

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**The comeback kid for 2014:   
Mining’s short-term pain turning to long-term gain**

**London, 26 Feb 2014**‑‑Despite 2013 being one of the worst years for M&A in recent history, mining activity is expected to increase in the coming months with developed economies beginning to stabilise and miners looking to add assets in a strategic manner, according to PwC’s latest global mining deals report.

With volume of deals in 2013 falling to its lowest level since 2005, miners will continue to move away from diversification and focus on core assets and commodities**.**

John Gravelle, global mining leader, PwC, said:

“Many companies looking to buy are eyeing similar commodities in familiar regions where they are already operating.

“While overall, the mining sector has experienced short-term pain for what could be longer-term gain. To once again create shareholder value and extend mine life, miners will need to continue to acquire assets.”

***2014 mining expectations***

The top five deals last year show the changing nature of M&A in the current environment. According to the report*,* instead of outright takeovers, companies are buying and selling smaller portions, which is what lead to the drop in overall deal value in 2013. Deal trends to look for in 2014 include:

* **Thinking in twos –** Many mining executives are completing joint ventures in strategic assets, as opposed to assuming all the deal risk associated with a full-on acquisition**.** A current example of this is BHP announcing its interest in finding a partner for its Jansen Potash Project.
* **Mid-tiers step up –**While many mining majors will remain sellers of assets, more mid-tier companies will be active buyers in 2014. A few mid-tiers have indicated they are ready to make acquisitions, while others have announced their intention to consider strategic options.
* **Decision time for juniors –** Junior mining companies are expected to become more active with M&A this year. Many will need to sell or merge with another company to stay afloat. There’s also an increase in earn-in-type arrangements in the junior sector, which is positive from an exploration angle and should help increase their valuations moving forward.
* **Gold still on radar –** While gold M&A was down (412 deals in 2013, down from 548 in 2012), buyers are seeing an opportunity to buy more gold assets after the price fell by nearly 30% over the past year to about $1,250/ounce. The report noted that gold M&A will increase in the coming months, but mostly with smaller, strategic deals in fiscally stable, gold-rich countries like Canada.

***East vs. west***

There was a geographic shift among buyers in the mining sector in 2013 – the eastern world dominated deal activity over the west. While the west was more active in number of deals done, the value of those deals was highest in the eastern part of the world.

The east accounted for nearly half of the deals by value in 2013, or about 45%, while the west represented about 36%.

John Gravelle, global mining leader, PwC, said:

“Many of the leading deals in 2013 were between governments and/or wealthy private investors, which added to the changing landscape compared to previous years.

“Looking ahead, many western-based majors are still going to wait for commodity prices to stabilise, concentrating on cash costs, rationalising their assets and trying to divest assets as a way to pay down debt and fund existing operations.”

***Down but not out***

According to the report, deal activity is already off to a relatively strong start in 2014 with Goldcorp’s hostile bid for Osisko and HudBay’s bid for Augusta Resources.

John Gravelle, global mining leader, PwC, said:

“The turnaround won’t mirror the surge in movement we saw back in 2011, but expect deal making to resurface in most parts of the world this year as both an opportunity, and in some cases a necessity, for companies across the sector. Companies have been cleaning up their balance sheets and putting off decisions, waiting for the right time to act – that timing is near.”

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