2014 Global mining deals outlook and 2013 review

Strategically picking up the pace

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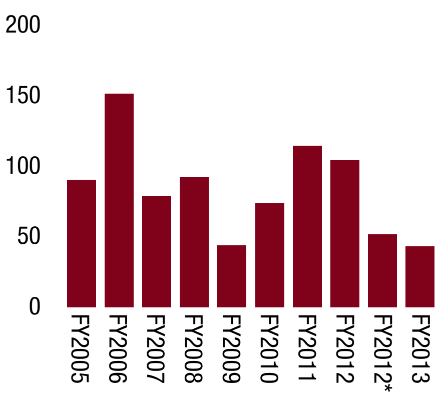
Highlights section

"You will see an uptick in M&A, but it will be smarter, more conservative deals and you will start to see greater use of joint ventures and strategic alliances. You aren't going to see the big dollars in riskier jurisdictions."

Brett Mattison,
SVP Corporate Development
Strategy and Planning, Gold Fields

Global Mining M&A
Average deal values



*exclude Glencore/Xstrata

Source: S&P Capital IQ, PwC Analysis

There's no sugar coating it: 2013 was one of the worst years for mining industry mergers and acquisitions (M&A) in nearly a decade. The volume of deals fell to its lowest level since 2005, while the overall value was at its lowest point since 2004.

The ongoing confidence crisis across the sector, exacerbated by falling commodity prices that took mining company profits down with it, is behind the continued M&A slump. Many companies are focused on fixing overburdened balance sheets and cost control, instead of trying to find future growth through acquisitions. Austerity trumped investment across much of the sector.

Of course not everyone was on the sidelines. A number of companies saw opportunity amid the crisis. Companies and investors with money to spend capitalized on the drop in valuations, choosing a variety of M&A options from outright takeovers and purchasing partial stakes to joint-venture arrangements. It wasn't the usual suspects though.

M&A role reversal

There was a change in roles on the M&A stage in 2013. Companies and countries that once headlined deal activity took a back seat to players that have been working more quietly in the background.

Most notably, the Eastern world dominated deal activity over the often-prevailing West in 2013. Our analysis shows countries such as Russia, Kazakhstan and China outpaced the usually more-active mining nations such as Canada, Australia and the United States.

Deals by Russian and Kazakhstan oligarchs led M&A activity in 2013, while majors such as BHP Billiton Ltd, Rio Tinto plc and Barrick Gold Corp found themselves in the selling category.

Instead of assuming their role as active buyers, many Western-based majors are waiting for commodity prices to stabilize, focusing on cash costs, rationalizing their asset base and trying to divest assets as a way to pay down debt and fund existing operations.

"There was a role reversal that could carry on in 2014 as miners continue to grapple with volatile commodity markets, nervous investors and uncertain global economic growth," says John Gravelle, PwC's global Mining leader.

Down but not out

Despite a difficult year in 2013, we expect confidence to begin to slowly return to the sector this year this year. New mines coming into production are helping to bring more free cash flow into the industry and giving companies more money to fund M&A. What's more, development teams, from geologists to engineers, are in need of new projects to work on. All of this should help to spur M&A.

In places such as Africa, there's keen interest in accessing both early stage and existing producing assets. There is a need to secure strategic inputs for downstream production activities. The trend of partnering and involving local stakeholders is a key success factor in mining in this region. Resource rich countries are demanding a bigger slice of the beneficiation value chain and this will be a key feature of structuring and succeeding with M&A activities in future.

China also continues its hunt for resources as it looks to secure commodities to help fuel the steady growth of its economy.

"While we don't see a huge turnaround across the board, we may very well see an uptick in the total value of deals done and the deal volume levels start to pick up," says Ken Su, PwC China mining leader.

It won't mirror the surge in activity we saw back in 2011, but we expect deal making to re-emerge in most parts of the world as both an opportunity and in some cases a necessity for companies across the sector.

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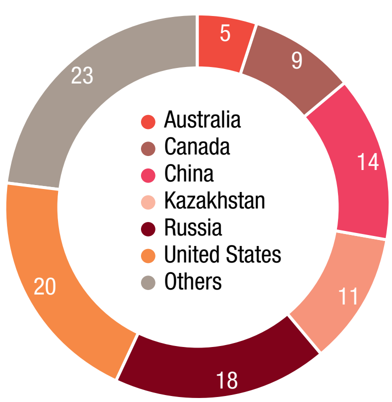
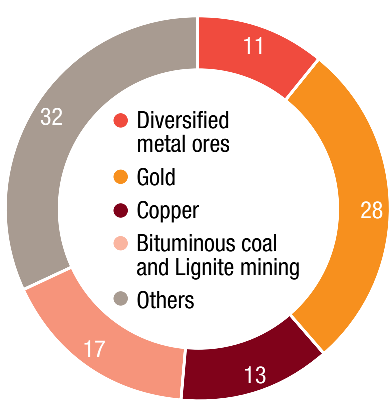
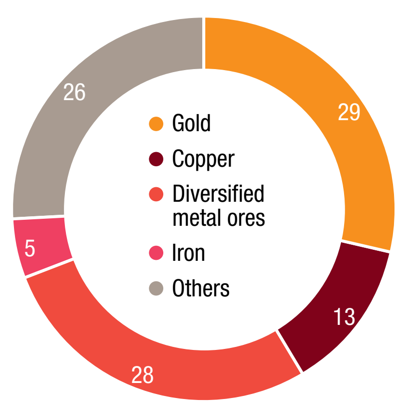
Global M&A Activity – 2013
Market share of deals values by geography



Primary resources – Targets
Measured by value



Primary resources – Targets
Measured by volume



A downward slide in 2013 deal volume

As miners look for more assets, our view is that they will continue to move away from diversification and focus more on core assets and commodities.

M&A activity fell for the second straight year in 2013. Deal volume was down 20% compared to a year earlier. That's a drop to 1,437 transactions in 2013 compared to 1,803 in 2012, which was already the lowest level since 2005 when there were 1,201 deals done.

Both years were down significantly from 2011, when the industry saw 2,605 deals completed. That was the second busiest year for M&A in the industry's history, after 2006.

Won't be fooled again

Companies have pulled back on M&A activity for a few reasons. First, there's a scarcity of financing out there. That leaves less money available for M&A. Miners are containing costs and any free cash flow is being reinvested into existing operations, including expansion of current mine reserves. Few investors are ready to back miners until there's more evidence that commodity prices will start to increase and stabilize. Banks are willing to lend, but the mining companies can't raise the equity to support the debt.

Many companies remain conscious of investor skepticism around deal making, especially after the buying frenzy of 2011. A number of companies that bought at that time, when commodity prices were at or near their peak, have since had to take massive writedowns on the value of those assets. Investors are understandably not impressed. We've even seen examples of the market punishing companies for completing deals, even if they had a track record of completing strategic, accretive ones in the past.

Banks are willing to lend, but the mining companies can't raise the equity to support the debt.

Deal making in mining is also challenging from a pricing perspective given that the so-called see through value changes on a daily basis and dual processes, where M&A negotiations and fund raising are performed simultaneously, increases the risk of deal closures.

A slow revival

Despite the cautious take on M&A in today's market, we expect activity to increase in the coming months as developed economies begin to grow and confidence slowly returns to the sector. Miners will look to add assets in a more strategic fashion. That is expected to mean more disciplined M&A than we've seen in the past. There have been a few deals already so far in 2014, and more activity should come from companies either trying to unload non-core assets or find new growth at cheaper prices (or both). That said, deals will only be completed if the price is right.

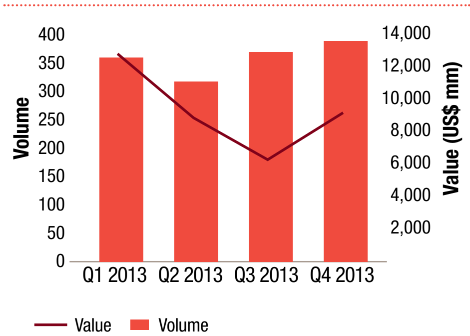
As miners look for more assets, our view is that they will continue to move away from diversification and focus more on core assets and commodities. Many of the companies looking to buy are eyeing similar commodities in familiar regions where they're already operating.

Examples in 2013 of companies selling off assets no longer considered a strategic fit include: Sherritt International Corp's divestment of its coal operations to two separate buyers -Westmoreland Coal and Altius Minerals, as well as Anglo American PLC's sale of its Amapa iron ore operation in northern Brazil.

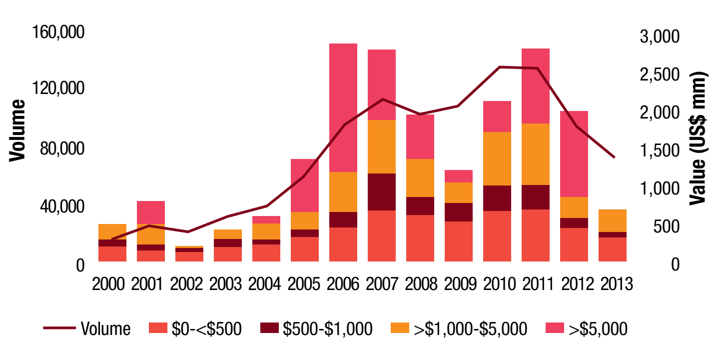
So far this year, we've seen Aquarius Platinum say it'll sell its Kruidfontein prospecting rights and its interest in Blue Ridge Platinum and Sheba's Ridge Platinum. Barrick Gold continues to offload assets to help rebuild its balance sheet, including recently its interest in its Kanowna operation in Western Australia to Northern Star Resources. Both Barrick and Goldcorp also announced in early February that they're selling their jointly owned Marigold mine in Nevada to Silver Standard Resources.

Overall, we expect to see deal activity increase across the industry from the doldrums of 2013. Our view is that the industry 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. We also expect increasing activity from private equity funds as they see opportunity in acquiring assets at current low valuations.

Volume and Value
By Quarter 2013



Global mining M&A volume and aggregate value



Deal value shrinks as M&A goes smaller scale

> "We're always looking for high quality, sustainable growth opportunities that align with our business objectives. We're open to partnering if the fit is right."
>
> Don Lindsay,
> President and CEO, Teck

The value of deals plummeted 35% to about $36 billion (US)[1] in 2013, compared to $56 billion in 2012. That's not including the 2012 blockbuster merger between Switzerland-based Glencore International plc and United Kingdom-based Xstrata plc, valued at $54 billion. Including the Glencore-Xstrata deal, 2013 values fell 67% year-over-year.

During the hot M&A market in 2011, deal value was $149 billion. It's worth noting however that many of those transactions are now considered overpriced, given the billions in writedowns that have resulted since. Deals done in 2011 are now making headlines for a different reason, which is influencing the smaller size of transactions today.

Companies need to consider pricing in terms of supply and demand dynamics to attempt to access the right deals at the right time. We believe now is the time for cash flush investors to acquire good assets at decent prices, while opportunities in the form of deals are available.

Top deals in 2013

The biggest deal in 2013 was the sale of Mikhail Prokhorov's 37.8% stake in Polyus Gold International Ltd for $3.6 billion to fellow Russian billionaires, Zelimkhan Mutsoyev and Gavril Yushvaev. That was followed by US-based CONSOL Energy Inc's decision to sell all five of its coal mines in West Virginia to Murray Energy Corp for $3.5 billion.

Other top deals include the $2.3-billion buyout of Eurasian Natural Resources Corp by the three founders of the company and the $1.65 billion paid by National Welfare Fund Samruk-Kazyna for a 29% stake in Kazzinc from Verny Capital. The $1.5-billion investment by Japanese trading houses Itochu Corp and Mitsui & Co Ltd in BHP Billiton's Jimblebar iron ore mining hub in Australia rounded out the top five deals of 2013.

The top five deals show the changing nature of M&A in today's environment. Instead of outright takeovers, companies are buying and selling smaller portions, which is what led to a drop in overall deal value for the year. Tight financing markets are also making it difficult for miners to come up with the cash to strike bigger deals. That leaves companies to look at alternative arrangements such as royalty and streaming agreements and private deals with state-owned corporations and sovereign wealth funds. Many executives are also trying to fly below the radar by completing joint ventures in strategic assets, as opposed to assuming all the deal risk associated with a full-on acquisition.

Examples include a joint-venture agreement between Copper Fox Metals and Teck Resources to further explore and develop the Schaft Creek project in British Columbia, Canada and an agreement between Vancouver-based Constantine Metal Resources Ltd and Japan's Dowa Metals & Mining Co Ltd on the Palmer VMS project in Alaska, to name just a few.

1. 1.All figures in this report are in US dollars

Diamonds in the rough

There's an opportunity in today's weak equity environment for companies to cost effectively add greenfield projects. Juniors can be particularly attractive, says HudBay CEO David Garofalo.

"In many of those situations, the juniors not only lack the financial capacity to advance their projects to development, but also the technical capacity," Garofalo told us, prior to the company announcing its bid in February to acquire all the shares of Augusta Resources Corp. that it doesn't already own.

According to Garofalo: "It is the process of drilling out new reserves and de-risking mine projects through construction that creates all the value in our industry."

He believes that large scale M&A in the mining sector has been "substantially discredited," pointing to the massive write-offs and CEO changes across the industry over the past two years. "The market is quite efficient in its valuation of established producing mines and to pay a premium for those assets generally destroys value and certainly dilutes leverage to the commodity price."

To attractive investors, Garofalo says mining companies need to make strategic decisions that will provide investors with leverage to the commodity price.

"This can only be accomplished by reinvesting in the ground through exploration and mine development, which most senior producers are not doing right now," he told us. " In fact, many of them are deleveraging through the sale of mines and also through the act of production, without replacement of reserves through exploration and mine development initiatives."

> "It is the process of drilling out new reserves and de-risking mine projects through construction that creates all the value in our industry."
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> David Garofalo, CEO, Hudbay

Top 20 deals

All Transactions Announced Date	Target	Target Headquarters	Total Transaction Value ($USDmm, Historical rate)	Target Resource Type	Acquirer	Acquirer Headquarters	Transaction Status	Target Stock Premium - 1 Month Prior (%)
02/22/2013	Polyus Gold International Limited	United Kingdom	3,616	Gold	Zelimkhan Mutsoev and Gavril Yushvaev	Russia	Closed	3.79
10/28/2013	Consolidation Coal Company	United States	3,468	Bituminous Coal And Lignite Mining	Murray Energy Corporation	United States	Closed	-
05/17/2013	Eurasian Natural Resources Corp Plc	United Kingdom	2,292	Diversified Metal Ores	Samruk-Kazyna National Welfare Fund JSC; Alexander Machkevitch; Alijan Ibragimov; Patokh Chodiev; the State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan	Kazakhstan	Closed	5.89
02/07/2013	Kazzinc Ltd. - Verny Capital Stake	Kazakhstan	1,650	Copper Ores	Samruk-Kazyna National Welfare Fund JSC	Kazakhstan	Closed	-
06/21/2013	BHP Iron Ore (Jimblebar) Pty Ltd.	Australia	1,500	Iron Ores	ITOCHU Corporation; Mitsui &Co. Lrd.	Japan	Closed	-
01/14/2013	Uranium One Inc.	Canada	1,351	Uranium Ores	ARMZ Uranium Holding Co.	Russia	Closed	
02/05/2013	Kuzbassrazrezugol Open Joint - Stock Coal Company	Russia	1,062	Coal and Consumable Fuels	Ural Mining and Metallurgical Company	Russia	Announced	10.46
10/25/2013	RioTintoClermont Mine	United Kingdom	1,015	Bituminous Coal And Lignite Mining	Sumitomo Corporation, Glencore Xstrata plc	Switzerland	Announced	-
12/23/2013	Shemitt International - Coal operations	Canada	946	Bituminous Coal And Lignite Mining	Westmoreland Coal Co. and Altus Minerals	United States	Announced	
07/28/2013	RioTinto - Northparkes Copper Mine	Australia	820	Copper Ores	CMOC Mining Pty Limited	China	Closed	-
03/04/2013	Aurizon Mines Ltd.	Canada	773	Gold	Hecla Mining Co.	United States	Closed	2.85
04/28/2013	BHP Copper Inc. - Pinto Valley Operations	Canada	650	Copper Ores	Capstone Mining Corp.	Australia	Closed	

All Transactions Announced Date	Target	Target Headquarters	Total Transaction Value ($USDmm, Historical rate)	Target Resource Type	Acquirer	Acquirer Headquarters	Transaction Status	Target Stock Premium - 1 Month Prior (%)
09/26/2013	African Minerals - Tonkolili Project	United Kingdom	600	Iron Ores	Tewoo Group Co., Ltd.	China	Announced	-
08/22/2013	SDIC Coal Company	China	462	Anthracite Coal Mining	Sdic Xinji Energy Co., Ltd.	China	Announced	-
12/19/2013	Fleurette Group - Mutanda Mining	Democratic Republic of the Congo	430	Copper Ores	Glencore Xstrata plc	Switzerland	Closed	-
08/01/2013	Mechel OAO, Voskhod Mining Plant and Tikhvin Ferroalloy Plant	Russia	425	Diversified Metal Ores	Yildirim Holding A.S.	Turkey	Closed	-
06/28/2013	Arch Coal Inc. - Canyon Fuel Company, LLC	United States	423	Bituminous Coal And Lignite Mining	Bowie Resources Partners, LLC	United States	Closed	-
05/29/2013	Goldbell Holdings Limited	British Virgin Islands	412	Gold	Newtree Group Holdings Limited	Macau	Announced	-
02/13/2013	Orko Silver Corp.	Canada	384	Precious Metal Ores	Coeur Mining, Inc.	United States	Closed	13.61
08/14/2013	Guizhou Qianjin Mining Co., Ltd.	China	343	Nickel Ores	Hubei Wuchangyu Co.,Ltd.	China	Announced	-

M&A by geography: East vs. West

There was a geographic shift among buyers in the mining industry in 2013.

Three Eastern countries - Russia, China and Kazakhstan – together accounted for 43% of deal values in 2013. In the West - the US, Canada and Australia - represented about 34% of M&A value.

That's a different picture than in 2012 when Canadian-based countries led the pack with 29% of M&A by value (not including the dominant Glencore-Xstrata transaction), followed by the UK with 11% and China and Australia tied at 9%. Back then, Russian and Kazakhstan weren't even on the map when M&A value was measured by geography.

It's because deal values have fallen in the West, for reasons mentioned earlier, that Eastern transactions stand out in 2013. What's more, many of the more dominant deals in 2013 were between governments and wealthy private investors, which added to the changing landscape compared to previous years.

While deal values were highest in the Eastern world, volume was still higher in the West, where deal making is more common. Canadian buyers were most active, accounting for nearly 30% of deal volume, followed by Australia at 16% and the US at 12%. China led the East with 6% of deals by volume, with Russia coming in at just under 2%.

When it comes to target countries, which is where the headquarters are based, Canada appeared most attractive in both volume and value, at 27% and 19% respectively. Australian companies were targets for 15% of deals by both volume and value. These figures aren't surprising given that a majority of the world's mining companies are based in these countries. The US was the lure for 12% of deals by volume and 13% by value.

Looking at the value of deals done by individual countries in 2013, Chinese buyers were among the most active. They represented about 15% of M&A, just behind the the US at 21% and Russia at 18%.

Jionghui Wang, Assistant President of China Minmetals Corp, told us recently that there can be a preference among Chinese buyers to look for assets in more developed, stable and legally sophisticated mining regions such as Canada, the US and Australia.

"That said, it's not easy to find good deals at the right price or to complete deals," he says.

As a result, there are other opportunities to be found in emerging regions such as Africa. A deal can be viewed as more or less attractive in Africa compared to a country such as Canada, for example, depending on the asset.

"If we're talking about a solid/mature project then Canada would be a good choice," he says. "But if it's a very early stage with a lot of uncertainty then Africa might be the choice for price/cost reasons."

Overall, he believes M&A will be an ongoing part of the mining industry and a "key part of the activities of many mining companies and players in the sector."

"I believe M&A will ultimately continue to grow longer term, and that China will be a part of that growth," he says.

China's growth may have slowed into the high single digits, but the development trend is expected to continue.

"Urbanization is something that will continue in China and also other parts of the world and this will continue to be a factor in the overall commodity demand, which ties into the positive long term outlook for the mining sector," he says. "That, in turn, will likely lead to growth in mining sector M&A."

> “I believe M&A will ultimately continue to grow longer term, and that China will be a part of that growth.”

Jionghui Wang,
Assistant President,
China Minmetals Corp

M&A by resource: Gold still lures, but coal makes a comeback

Gold may have had its worst year in decades in 2013, but the metal continued to be a target for M&A.

Buyers are seeing an opportunity to buy more gold assets after the price fell by nearly 30 per cent over the past year to about $1,250 per ounce. While gold M&A was down in (412 deals in 2013, down from 548 in 2012), it was still the most active metal for buyers and sellers last year, measured both in value and volume. Gold represented 28% of the deals by value, surpassing coal at 17% and copper at 13%. That compares to 2012 when about 27% of overall deal value was in gold, 30% copper and 12% iron ore, (not including the Glencore-Xstrata deal that falls into the diversified metals category).

By volume, gold accounted for 29% of deals in 2013, which is similar to where it ranked in 2012. Last year's numbers for gold deal volumes are slightly more than all of the diversified metals combined, such as nickel and zinc, which came in at 28%. Copper deals represented 13% of M&A by volume in 2013.

Apart from the largest deals mentioned earlier in this report out of the East, other notable transactions include the sale by Turquoise Hill Resources of its 50% stake in Kazakhstan miner Altynalmas Gold Ltd to Sumeru Gold BV and Barrick's divesting of three mines in Western Australia to South Africa-based miner Gold Fields Ltd.

Gold Fields said the purchase of Barrick's assets was a good strategic fit with its other operations in the Australian region and will help it generate money through a number of synergies in the regions including its experience in mining orogenic ore bodies in the Yilgarn.

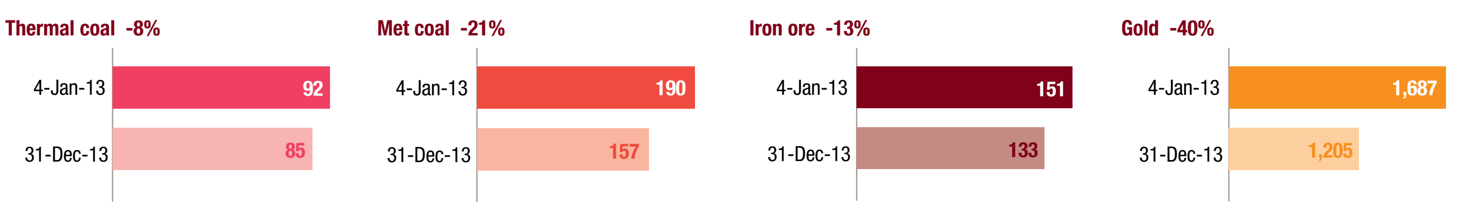
"We believe we got good value when you consolidate the package with our existing operations in Western Australia," Brett Mattison, senior vice president of Corporate Development, Strategy and Planning at Gold Fields, told us in a recent interview.

He expects gold M&A to increase in the coming months, but mostly with smaller, strategic deals in fiscally stable, gold-rich countries such as Canada.

Mid-tiers will also be more the more aggressive players even more so than they have in the past, he predicts.

"History has shown that the mid-tiers are probably slightly more aggressive," he says. "I think this year we are going to see them be far more bold."

Changes in commodity prices



Overall though, companies are expected to remain gun-shy about making larger transactions especially in higher-risk areas. This is especially after the number of writedowns from deals made in the recent past and CEOs who subsequently lost their jobs.

"We've had two tough years," says Mattison. "It has really shaped where we are in the market. You've had a lot more conservatism in the market recently driven by these factors. I do, however, think you will see an uptick in M&A, but it will be smarter, more conservative deals and you will start to see greater use of joint ventures and strategic alliances. You aren't going to see the big dollars in riskier jurisdictions."

Thermal coal M&A powers up

Thermal coal made a surprisingly strong M&A showing last year, with a number of sizeable deals in the top 20. Thermal coal's strong showing is a statement coal will continue to be an integral component of the world's energy mix.

Examples include Murray Energy Corp's decision to buy CONSOL's thermal coal operations, which allows it to expand production at a time when the U.S. is seeking cheap energy sources to fuel its growing power needs. "The combined companies will allow Murray Energy to better serve our electric utility customers with reliable and low cost coal supplies, at accurate qualities," said Murray Energy Chairman and CEO Robert Murray said in announcing the deal.

Other major thermal coal deals in 2013 included Rio Tinto's sale of its majority stake in its Clermont mine to Glencore Xstrata and Japan's Sumitomo Corp. for about $1 billion, as well as CCX Carvao da Colombia SA's sale of coal projects to Turkey's Yildirim Holding AS for $125 million. Sherritt International Corp also announced the sale of its entire coal business and royalty portfolio to two separate buyers; Westmoreland Coal of Denver and Altius Minerals of St. John's, NL, for a total of $946 million. Keith Alessi,

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>
> Brett Mattison,
> SVP Corporate Development Strategy and Planning, Gold Fields

Westmoreland's executive chairman Keith Alessi called it a "transformational opportunity" for his company and complementary to its existing operations and expertise.

Forecast shortages of thermal coal production in certain African countries may limit much needed energy production and added capacity. Possible supported from state-owned enterprises to address this may become a feature of M&A in the future. In South Africa, M&A activity is likely to be driven by the larger coal producers selling off non-core coal assets. For example, Total South Africa recently announced it's running a sale process. There's also consolidation among junior coal mining companies that are struggling with short-term cash flow constraints.

Red metal M&A

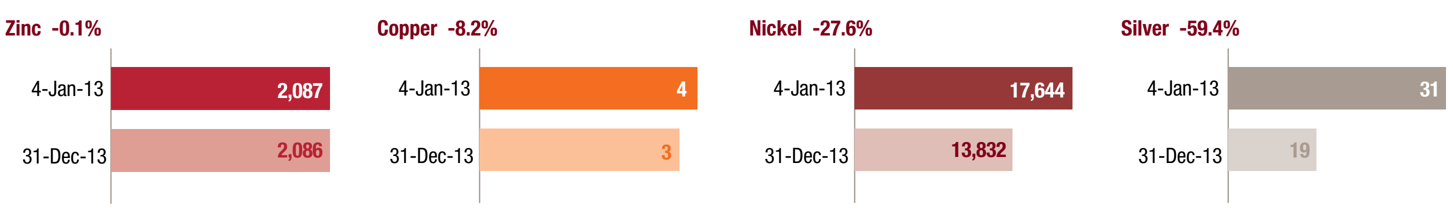
There were also some notable deals in the copper sector, including Rio Tinto's sale of its controlling stake in Northparkes copper-gold mine in New South Wales to China Molydenum for $820 million, and Capstone Mining Corp's purchase of BHP Billiton Ltd Pinto Valley copper mine in Arizona for $650 million.

The trend is of majors selling off second-tier assets as they reassess their operations. Other examples include Rio Tinto's sale of its Eagle mine in the US to Lundin Mining Corp and Glencore Xstrata's sale of a majority stake in its Frieda River project in Papua New Guinea to PanAust Ltd. Australian-based PanAust said at the time the deal was announced last fall that it was consistent with its strategy to ensure that it has "access to sufficient mineral resources."

As transactions like these show, the downturn in the industry can provide miners with cash an opportunity to expand. Still, there can be hurdles along the way.

"People are looking around, but there's a valuation gap in the market between buyers and sellers," says Stephen Mullowney, PwC Canada's Deals Mining leader.

Changes in commodity prices



2014 Outlook:
We want to partner

While we don't expect a huge turnaround in M&A this year, we do expect activity to pick up.

Commodity prices are expected to stabilize in the coming months, which can help to shake loose some deals. Mining companies are often more willing to do deals if they feel prices are steady. It's when prices are volatile, and valuations are hard to forecast, that many get nervous about striking deals.

Company margins should begin to improve alongside more steady metal prices. What's more, miners with substantial portions of their costs in currencies that have devalued against the US dollar are also expected to see benefits through cost decreases. That includes companies in countries such as Canada, Australia, Brazil and South Africa.

Smaller players thinking big

While many of the majors remain sellers of assets, we expected more mid-tier companies to be active buyers in 2014. Notable mid-sized deals in 2013 included New Gold Inc's $310 million deal for Rainy River Resources Ltd and Hecla Mining Co's $775 million takeover of Aurizon Mines Ltd, beating out hostile bidder Alamos Gold Inc.

A few mid-tier companies have already said this year they are ready to make acquisitions while others, such as Kirkland Lake Gold Inc, have announced their intention to consider strategic options.

Juniors are also expected to become more active with M&A this year. Many juniors will need to decide whether they can continue to survive alone, or will need to sell or merge with another company to stay afloat. We're also starting to see an increase in earn-in type arrangements in the junior sector, which is positive from an exploration perspective and should help increase their valuations going forward. That could in turn help spur M&A.

Overall, junior mining companies have been surprisingly resilient during the current commodities downturn, with fewer dropping out than many had expected at this time last year. Regardless, without a sharp turnaround in the markets, many will have no choice but to make a change in 2014.

> "[Now is] the right time to build a portfolio of partnerships with junior exploration and development companies"
>
> Derek White,
> CEO, KGHM International

Larger players are also interested in continuing to partner with junior firms that have high-quality projects in their early stages.

"We're always looking for high quality, sustainable growth opportunities that align with our business objectives," Teck President and CEO Don Lindsay told us. "We're open to partnering if the fit is right."

At a mining industry conference in Vancouver recently, KGHM International Ltd President and CEO Derek White said now is "the right time to build a portfolio of partnerships with junior exploration and development companies."

He added: "The KGHM Group believes in the long term future of copper and is looking to cooperate with like-minded companies to partner and develop mining projects from discovery to production."

Regaining confidence

Deal activity is already off to a strong start in 2014 with Goldcorp's hostile bid for Osisko and HudBay's bid for the piece of Augusta Resources that it doesn't already own, to name a couple examples. We expect activity to gain momentum throughout the year, depending of course on the direction of commodity prices. Companies have been cleaning up their balance sheets and putting off decisions, waiting for the right time to pounce. For many, we think that timing is near.

It will take time for investors to regain trust in miners, and in turn give companies the confidence to pursue more M&A. Still, we see better times on the horizon.

Mining Excellence at PwC

Delivering local solutions to global challenges

The mining sector is facing a range of competing trends and a rapidly changing global business environment. Against the backdrop of commodity price fluctuations, miners need to balance shareholder dividend expectations whilst maintaining an investment pipeline in the midst of increasing operating costs. Safety, environmental and community principles also continue to shape the industry as miners look to achieve their licence to operate and deliver on corporate responsibilities.

Mining Excellence at PwC has been designed to mobilise and leverage PwC's collective global knowledge and connections to deliver an exceptional and tailored client experience, helping our clients navigate the complex industry landscape and meet their growth aspirations. Our team of specialists is exclusively focused on the sector and brings an industry-based approach to deliver value for you and your organisation.

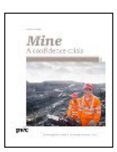
> ***"The positive story for miners is that the long-term growth fundamentals remain in tact. But, mining companies are facing significant downward pressure. As an industry, we need to fully address the confidence crisis, before we are able to move on to the next phase of the cycle."***
>
> John Gravelle, PwC Global Mining Leader

Mining Excellence at PwC provides our clients:

leading edge ***knowledge*** *and global thought leadership*

With significant investment in the research behind our mining publications and a comprehensive industry learning and development program, our professionals can share both industry and technical insight with our clients, such as:

- A library of industry publications designed to help challenge "conventional" thinking and delve into topical industry issues. This includes:
  - global thought leadership publications including *Mine* and *Mining Deals*
  - flagship territory publications focused on regional and industry-specific issues



- an extensive industry development program for our people and clients. This features our annual learning and development programs:
  - *Americas School of Mines* (North America)
  - *London School of Mines* (United Kingdom)
  - *Asia School of Mines*
  - *Hard Hat: The Mining Experience (Australia)*

connections *to our vast network of mining experts and global client portfolio*

We have the widest network of industry experts who work out of strategic mining hubs across the globe to help better connect you to vital mining markets.

Our connections provide:

- seamless client service delivered with collaborative cross-border account management
- maximised deal potential through a well-connected global community of mining leaders
- a mobile workforce to ensure effective service delivery in even the most remote mining locations.

the ***delivery*** *of an experience that meets our clients' definition of 'value'*

With mining experts working around the globe, our award winning teams are helping clients deliver on specific projects and organisational growth aspirations. We offer advisory, tax and audit services to global corporations and locally listed companies.

Mining Excellence at PwC complements this with:

- a suite of niche mining consulting capabilities focused on optimising value across mining operations and effectively managing risk to help our clients grow their business and deliver shareholder value
- a comprehensive client feedback program to ensure we are always improving and delivering on individual client needs.

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