News release

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**Expectations realigned as global mining industry   
responds to tough times**

* *Overall, market values plummeted $280 billion, with gold miners particularly hard hit*
* *Record impairments of $57 billion in 2013 and net profits down 72% to $20 billion*
* *Forecast capex of $116 billion, 11% lower than 2013 as capital velocity slows*
* *Emerging market mining companies netted $24 billion while developed market companies lost $4 billion collectively*

**London, 5 June 2014**‑‑2013 was a year that forced the global mining industry to realign expectations in one of the most difficult operating environments for years, according to PwC’s annual *Mine* report.

According to new analysis of the largest 40 miners from PwC, no one was immune. Commodity prices, led by gold’s greatest annual decline in over 30 years, decreased significantly and mining stocks fell 23%. This, along with record impairments, means profitability in the industry was at its lowest level in a decade.

John Gravelle, global mining leader, PwC, said:

“The industry is adjusting to tough times in the short-term with strategies in place to regain confidence. For example, we’ve seen new faces at the helm of almost half of the largest 40 mining companies in the last two years.

“Despite diminished profitability and shrinking cash, underlying performance in the industry as represented by adjusted EBITDA, withstood the tough conditions, only down 8% in 2013. Dividend yields also continued to increase, with gross dividends paid up 5% and dividend yields slightly up to 4%.”

*Mine* found that for the first time, 2013 saw the majority of the 40 largest mining companies come from emerging markets, and given their current performance and greater recent appetite to spend on capital, this trend is set to continue.

The change in the global mining landscape also saw a divergence in the collective performance between emerging market companies and their developed market counterparts. 2013 net profits from emerging market companies were $24 billion in aggregate, compared to an aggregate net loss of $4 billion for developed market companies, impacted particularly by impairments.

Against this backdrop, the licence to operate in all corners of the globe is becoming more challenging, with governments increasingly eager to expand their share of royalties and taxes. Election results in 2014 in Brazil, India, Indonesia and South Africa may further alter the influence of emerging markets on mining.

John Gravelle, global mining leader, PwC, said:

“The question remains as to who will be bold enough to thrive in these difficult times. M&A activity which was surprisingly subdued in 2013 seems to have started to pick up in early 2014. And backed by a stronger US economy and continued strong demand from China, the market is impatient to see demonstrable returns from recent strategic choices to deliver against the mantra of lower costs and higher productivity.”

Meanwhile, measuring the success of cost-saving initiatives will become more apparent this year, as operating costs had not slowed in 2013 (up 4%) while free cash flow entered negative territory for the first time in the *Mine* series. Deferral of expenditure on significant capital projects was commonplace, particularly in light of current returns on capital employed against targeted project hurdle rates.

Maintaining dividend levels, exercising more selective capital allocation and active portfolio management are amongst the levers being pulled to restore investor confidence in the sector.

John Gravelle, global mining leader, PwC said:

“Traditional quick-fixes to falling commodity prices were widely adopted, however we are starting to see fundamental shifts in strategy emerge, namely: a push to simplify and focus on extracting value from higher quality assets; realising greater efficiencies and spreading capital and risk; and a commitment to addressing diminishing productivity levels.

“2014 has seen some traces of calm return to mining markets with market capitalisation for the largest 40 miners stable, evidence that some level of confidence may be returning.”

**Note to Editors**

* A copy of ‘*Mine* 2014’ can be downloaded at: <http://pwc.com/mine> and Apple’s App Store
* *Mine: Realigning expectations* is an analysis of the 40 largest mining companies by market capitalisation
* The aggregated results were sourced from the latest publicly available information, primarily annual reports
* All figures reported are in US dollars

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