SE SNL Metals and Mining Research; Exclusive

HD **Mining M&A activity jumps YOY in H1'14**

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WC 982 words

PD 21 August 2014

SN SNL Metals & Mining Daily: East Edition

SC SNLMMDE

VOL Issue: 81844

LA English

LP

There were considerably more mining project and company acquisitions announced in the first half of 2014 compared with the same period in 2013, although the averages of price paid and value of acquired commodities per deal were lower, SNL Metals & Mining data shows.

The upswing in M&A activity compared with a year ago suggests that a long period of low project valuations combined with strategic (or forced) portfolio divestitures is tempting buyers back into the market.

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At the end of the first half of 2014, there were 56% more completed and pending metals and mining transactions than in the year-ago half, rising to 117 deals from 75 year over year. However, the total price paid in the first half of 2014 was only 15% higher than a year earlier, and the value of all commodities acquired was 21% lower. The average price paid per transaction was US$113 million, compared with US$153 million in the first half of 2013, while the average value acquired per deal sank to US$4.55 billion from US$8.99 billion year over year. There were four deals with prices of at least US$1 billion in the half year, compared with three in the 2013 half, and 12 deals with values between US$100 million and US$999 million, compared with 14 in the prior year half.

In terms of primary commodities acquired, the biggest change year on year was in early-stage gold deals. There were only two gold project purchases without resources or reserves in the first half of 2013, whereas there were 32 early-stage gold deals in this year's first half. All told, there were 75 gold deals in the first half, up from 37 a year ago.

This suggests that companies have been shedding their noncore gold projects at a high rate, and that companies with sufficient capital are snapping them up — buyers are taking advantage of low project valuations to enhance their long-term pipelines or to acquire properties near their existing mines and projects. The renewed interest in early-stage projects could also presage an increase in new gold discoveries, as the buyers begin exploring what were likely dormant projects under their previous owners. The largest gold deal during the 2014 half-year period was far and away Yamana Gold Inc. and Agnico Eagle Mines Ltd.'s acquisition of Osisko Mining Corp. in April, after swooping in with a white knight bid to counter Goldcorp Inc.'s hostile takeover attempts. Yamana and Agnico Eagle paid US$3.49 billion for Osisko's US$28.46 billion of gold in reserves and resources — mostly held by its Canadian Malartic mine in Quebec.

Copper purchases rebounded from the first half of 2013's 11 deals with a price of US$1.21 billion and US$52.91 billion in contained value to 20 deals worth US$5.36 billion and with US$363.36 billion in contained value. The higher price and acquired value were partly due to one large copper transaction, also in April — Glencore Plc's US$2.99 billion sale of its Las Bambas project in Peru to a joint venture consisting of MMG Ltd., GUOXIN International Investment Corp Ltd. and CITIC Metal Co. Ltd. The project contains copper, molybdenum, silver and gold valued at US$74.84 billion.

The number of iron ore deals, meanwhile, fell from 10 in the first half of 2013, with prices totaling US$3.04 billion, to three in the 2014 half, costing US$55.1 million, likely reflecting the recent slump in iron ore prices and oversupply in the market. The year-ago transactions included two large deals that accounted for 86% of the total paid: BHP Billiton Ltd. sold 15% of its Jimblebar mine in Western Australia to Tokyo-based ITOCHU Corp. and Mitsui & Co. Ltd. for US$1.5 billion; and Korea-based POSCO and

Taiwan-based China Steel acquired a combined 15% stake in ArcelorMittal's Mt. Wright mining and infrastructure assets in northern Quebec for US$1.1 billion.

Coal acquisitions dried up at the end of 2013, likely due to weak coal prices and increasing regulatory pressures. There were no coal deals in the first half of the year, compared to six deals with prices totaling US$139 million in the year-ago period.

The numbers above do not include long-term exploration deals; however, they are worth mentioning as an indicator of acquisitions activity. The number of earn-in deals declined in the first half of 2014 to 64 from 67 a year earlier. The number of gold earn-ins remained about the same, while copper earn-ins increased from 13 to 16. Uranium earn-ins dropped to five in the 2014 first half from 12 a year ago, perhaps signifying continuing doubt that nuclear power generation will make a comeback anytime soon. The lower number of earn-ins in the half-year period, combined with the much higher number of direct purchases of projects with no or low resources than in the year-ago half year, suggests that cash-strapped juniors that had been holding out for higher offer prices or for joint ventures are being forced to sell their projects outright.

Methodological notes: Our research focuses on the initial announcement of deals to track intentions within the industry. Although a small number of pending deals may not be completed, we include all completed and pending deals to enable year-on-year comparisons, to highlight M&A activity, and to identify emerging trends. Deals terminated prior to publication are not included. Included deals have a purchase price of at least US$1 million, and acquired projects include those with and without resources at the time of acquisition.

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