



Mining M&A quarterly newsletter

Fourth quarter 2015

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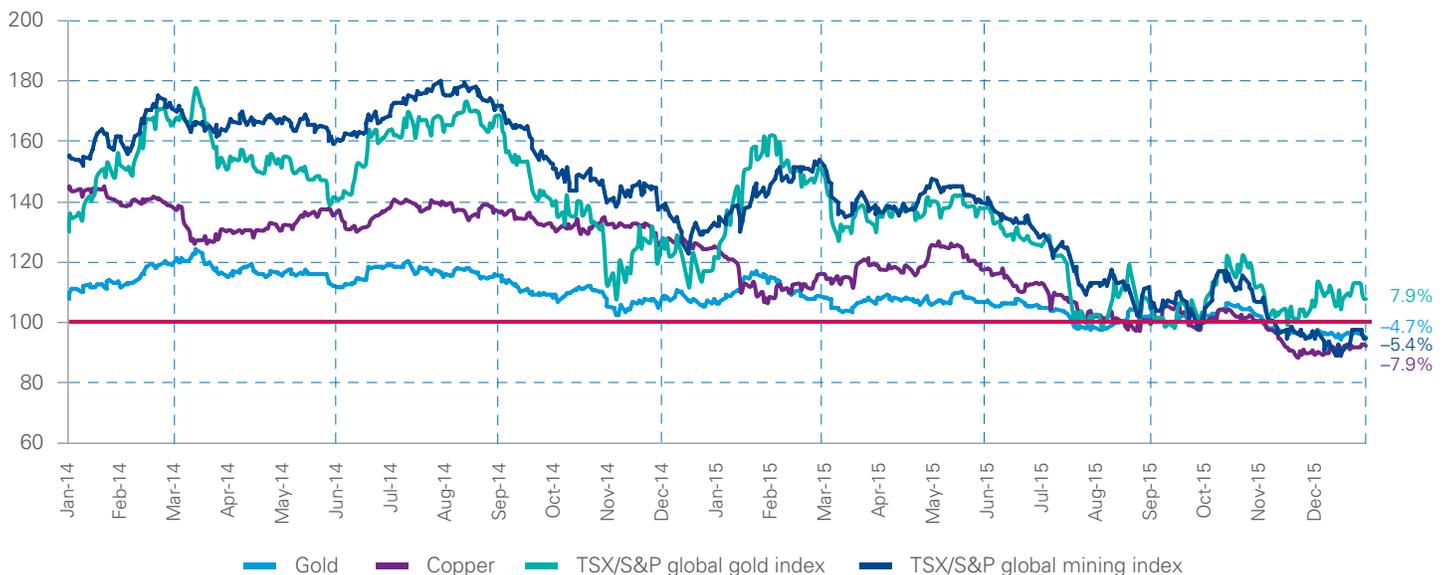


M&A activity slows heading into 2016

In the fourth quarter of 2015, global M&A activity slowed to its lowest levels recorded since KPMG began publishing this newsletter in 2012.

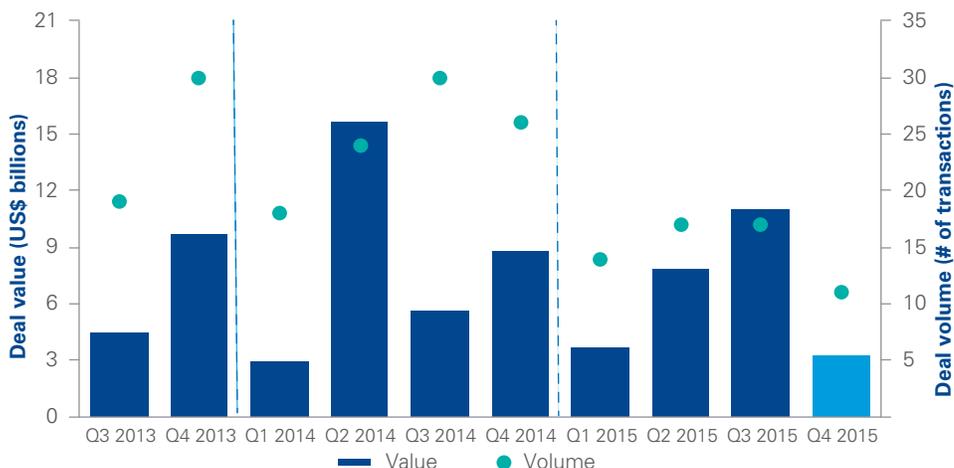
The new lows touched both deal value and deal volume. Eleven major deals were announced worldwide, eight of which exceeded \$100 million. Total global deal value amounted to \$3.2 billion, 70.5 percent below the previous quarter. Canadian activity mirrored the global deceleration. China's economic uncertainty and the worldwide commodities rout are weighing heavily on the mining industry. Copper, gold and the S&P/TSX Global Mining Index ended the quarter in negative territory while the S&P/TSX Global Gold index bucked the trend, ticking up 7.9 percent.

Equity Indices vs. Gold & Copper¹



¹ Source: Bloomberg
All figures expressed in US dollars unless otherwise noted

Global M&A deal value and volume^{1,2,3}



¹ Source: Thomson, Capital IQ and KPMG Analysis
² Represents transactions above \$50 million
³ Only includes announced transactions; excludes capital raisings and share buy-backs

Gold leads a listless quarter

In the weak M&A environment, gold captured four of the top ten global deals, accounting for 51 percent of total deal value in Q4. The four gold transactions included the largest deal of the quarter, while the other three were all-Canadian affairs.

The largest transaction of Q4 is an asset sale. G-Resources of Hong Kong agreed to sell its Martabe gold mine in Indonesia for \$775 million, plus an additional \$130 million if gold prices average \$1,500 an ounce over a continuous 12-month period before January 2019. The buyer is a consortium led by Australian private equity firm EMR Capital together with Farallon Capital and two Indonesian investors. G-Resources intends to use

the proceeds to expand into lending, securities brokering and property investments. EMR Capital, which already owns copper and potash assets, will use the Martabe mine purchase to further diversify into gold.

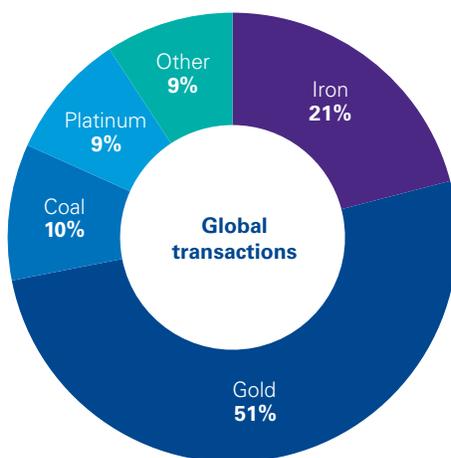
In a deal of similar size, Barrick Gold continued its strategy of selling off non-core assets by divesting properties in Nevada. Barrick will sell the Bald Mountain mine and a 50 per cent stake in the Round Mountain mine to Kinross for \$610 million. Upon closing of the transaction, Kinross will own 100 percent of the Round Mountain mine.

In a related transaction, Barrick will also sell 70 percent of the Spring Valley project and the Ruby Hill mine to Waterton Global Resource Management





Q4 2015 Global M&A deal value by commodity^{1,2,3}

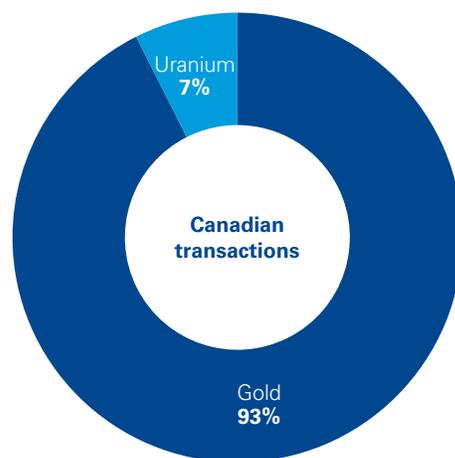


¹ Source: Thomson, KPMG Analysis
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for \$110 million. Concurrent with the Barrick announcement, Waterton also announced the acquisition of the remaining 30 percent interest in the Spring Valley project from Midway Gold for \$25 million. In 2015, Barrick announced asset sales, joint ventures and partnerships totaling \$3.2 billion.

In the quarter's sixth-largest transaction, Canada's Kirkland Lake Gold reached an agreement to purchase St Andrew Goldfields, also Canadian, for \$134 million in an all-share deal. Kirkland Lake paid a 24 percent premium on St Andrew stock. The combined company will consolidate assets in Ontario's Abitibi mining region, where it will operate four mines and two mills. Gold production in 2016 will rise to between 260,000 and 310,000 ounces at cash costs of \$600 to \$690 an ounce.

Q4 2015 Canadian M&A deal value by commodity^{1,2,3}



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Rounding out gold transactions in the quarter, Canada's Alamos Gold paid \$22 million to purchase the 80.1 percent of shares in Carlisle Goldfields that it did not already own. Carlisle's primary asset is the Lynn Lake gold project located in Manitoba, comprised of five near-surface deposits.

Solo deals for iron ore and coal

A single iron ore transaction represented the quarter's second-largest deal and captured 21 percent of deal value in Q4. For a purchase price of \$680 million, Companhia Siderúrgica Nacional acquired a 4 percent stake in Congonhas Minérios from an Asian consortium that includes Kobe Steel, POSCO, China Steel, Nisshin Steel, ITOCHU, and JFE Steel. Companhia Siderúrgica Nacional now holds an

87.52 percent stake in Congonhas Minérios while the Asian consortium retains 12.48 percent. The transaction also includes an earn-out mechanism, by which the Asian consortium's equity stake could be diluted in certain circumstances.

Coal was able to account for 10 percent of deal value in the quarter with a lone all-American transaction. West Virginia-based Seneca Coal Resources spent \$268 million to purchase the remaining coal business of Cliffs Natural Resources, which includes the Pinnacle Mine in West Virginia and Oak Grove Mine in Alabama. Seneca could also pay Cliffs an earn out of up to \$50 million

depending on the terms of a revenue sharing plan that extends through 2020. Seneca Coal is affiliated with ERP Compliant Fuels, which is rebalancing the supply of US coal through the purchase, reclamation, and retirement of 135 mining permits in five states.

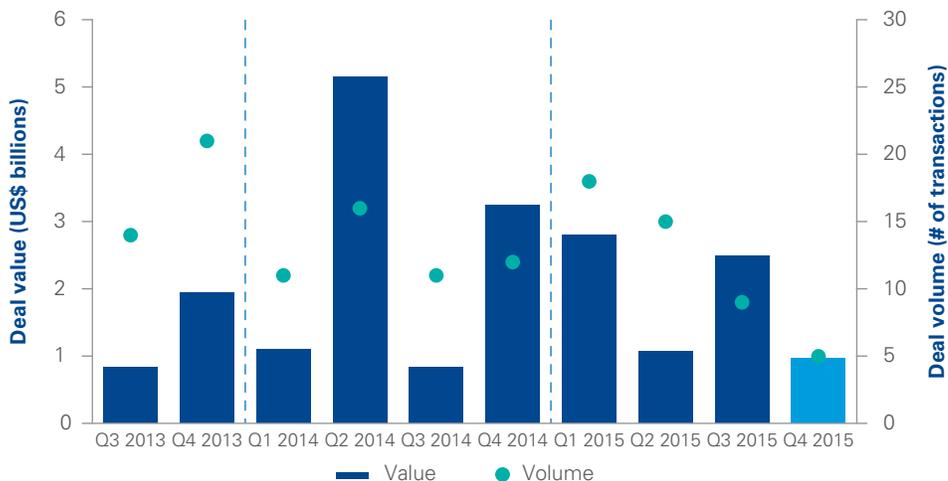
Small deals for platinum, nickel, potash, copper

Four other metals and minerals joined M&A activity in Q4 with smaller solo transactions. In the largest of these, South Africa's Sibanye Gold has acquired Aquarius Platinum, also of South Africa, for \$294 million. Aquarius' main operating asset is the Kroondal joint venture with Anglo Platinum near

2015 vs. 2014 (global activity)

- For calendar year 2015, global mining M&A deal value reached \$25.7 billion, down 5.8 percent from the \$27.3 billion recorded in 2014
- A total of 59 global transactions were recorded in 2015, down 41.6 percent from the 101 deals transacted in 2014
- Gold transactions topped global deal value for 2015, accounting for 49.3 percent of the annual total, followed by Iron Ore at 15.2 percent, and Copper at 12.0 percent

Canadian M&A deal value and volume^{1,2,3}



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Johannesburg. Sibanye is the largest miner of gold bullion in South Africa, and is expanding its diversification into platinum after already bidding for some Anglo American Platinum assets in September 2015.

On the nickel front, a Chinese consortium with strong state sponsorship called the Highland Fund has purchased a 13.33 percent stake in Russia's Bystrinsky project, owned by Norilsk Nickel. The purchase price was \$100 million, which Norilsk will use to develop the project. With all production units located in Russia, Norilsk is the world's largest producer of nickel and palladium.

Although potash prices are under siege, one small potash transaction was announced in Q4 M&A activity. For \$80 million, Kazakhstan Potash Corporation Limited acquired 100 percent of Australia-based Satimola Limited, which owned the Satimola potash deposit in West Kazakhstan. The Satimola acquisition, along with the Zhilyanskoye and Chelkar potash projects already owned by Kazakhstan Potash Corporation, gives that company a third strong domestic asset to help it become one of the major international potash producers.

Two Australian companies announced the only copper transaction of the quarter, as Metals X made an

unsolicited \$60 million all-stock offer for Aditya Birla Minerals. According to Australian sources, a growing number of companies are looking to increase their investments in copper production in that country. Metals X, predominately a gold and tin miner, is seeking control of Aditya Birla's only operating mine, Nifty, which is forecast to yield 24,000 to 27,000 tonnes of copper in 2016.

Two uranium deals involve Canada

Two small uranium transactions included Canadian companies, one as a buyer and the other as a seller. In the larger of the two, Chinese uranium trader CGN Mining Company purchased a 19.9 percent stake in Canada's Fission Uranium, the first direct investment a Chinese company has ever made in a Canadian uranium company. The stake cost CGN \$59 million. British Columbia based Fission is developing the Triple R uranium deposit in northern Saskatchewan.

In the other uranium deal, Canada's Laramide Resources purchased two assets, the Church Rock and Crownpoint properties, from U.S. based Uranium Resources. The two uranium properties are in New Mexico. Laramide will pay the \$13 million purchase price in cash, shares, a promissory note, and an option for Uranium Resources to acquire Laramide's La Sal project (Utah) for \$4 million.

2015 vs. 2014 (Canadian activity)

- For calendar year 2015, Canadian mining M&A deal value reached \$7.3 billion, down 28.7 percent from the \$10.3 billion recorded in 2014
- A total of 47 Canadian transactions were recorded in 2015, down 6.0 percent from the 50 deals transacted in 2014
- Gold transactions topped Canadian deal value for 2015, accounting for 67.1 percent of the annual total, followed by Copper at 14.9 percent, and Nickel at 6.1 percent

Q4 Transactions – Global top deals

Announced Date	Target/Issuer	Buyers/Investors	Consideration (US\$m)	Commodity	Country (Target)	Country (Buyer)
Nov 23	Martabe Mine (G-Resources)	EMR Capital/Other PE Funds	\$775	Gold	China	Australia
Nov 30	4% of Congonhas Minérios (Asian Consortium)	Companhia Siderúrgica Nacional	\$680	Iron	Brazil	Brazil
Nov 12	Bald Mountain/50% Round Mountain	Kinross Gold	\$610	Gold	Canada	Canada
Dec 22	Cliffs North American Coal	Seneca Coal Resources	\$318	Coal	United States	United States
Oct 06	Aquarius Platinum	Sibanye Gold	\$294	Platinum	South Africa	South Africa
Nov 16	St Andrew Goldfields	Kirkland Lake Gold	\$134	Gold	Canada	Canada
Nov 12	Spring Valley/Ruby Hill (Barrick/Midway)	Waterton Precious Metals	\$135	Gold	Canada	Canada
Dec 29	13% of Bystrinsky Project (MMC Norlisk)	Highland Fund (Consortium)	\$100	Nickel	Russia	China
Nov 16	Satimola	Kazakhstan Potash	\$80	Potash	Kazakhstan	Australia
Oct 15	Aditya Birla Minerals	Metals X	\$60	Copper	Australia	Australia
Dec 21	19.9% Fission Uranium	CGN Mining	\$59	Uranium	Canada	China

Source: Thomson, Capital IQ, KPMG Analysis

Q4 Transactions – Canada top deals

Announced Date	Target/Seller	Buyers/Investors	Consideration (US\$m)	Commodity	Country (Target)	Country (Buyer)
Nov 12	Bald Mountain/50% Round Mountain	Kinross Gold	\$610	Gold	Canada	Canada
Nov 16	St. Andrew Goldfields	Kirkland Lake Gold Inc.	\$134	Gold	Canada	Canada
Nov 12	Spring Valley Project/Ruby Hill Mine (Barrick and Midway Gold)	Waterton Precious Metals Fund	\$135	Gold	Canada	Canada
Dec 21	19.99% Fission Uranium	CGN Mining	\$59	Uranium	Canada	China
Oct 15	80.1% of Carlisle Goldfields Ltd	Alamos Gold Inc	\$22	Gold	Canada	Canada
Nov 09	Churchrock and Crownpoint Properties (Uranium Resources Inc.)	Laramide Resources Ltd.	\$13	Uranium	United States	Canada

Source: Thomson, Capital IQ, KPMG Analysis

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