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| News release |
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**Modest uptick for global mining M&A volume, while value rises by 18%**

* **Signs of strategic buying emerging**
* **Gold, coal and base metals targeted**

*LONDON, MOSCOW, 5 OCTOBER 2015*. A modest uptick in Q2 2015 global mining and metals deal activity is expected to continue into the second half of the year, albeit at a slow, steady pace, according to global professional services organization, EY.

The latest quarterly mining deals analysis, *Mergers, acquisitions and capital raising in mining and metals 1H 2015,* shows a 2% increase in quarter-on-quarter deal volume to 86 deals in Q2 2015 compared to the previous quarter. More interestingly, deal value for the first half of 2015 increased 18% over the same period in 2014 to US$21.4b, albeit this includes the US$8.7b BHP Billiton demerger of South32. Excluding the demerger, Q2 2015 deal value was 13% higher than Q1 2015.

Lee Downham, EY Global Mining & Metals Transactions Leader, says:

“With weak commodity prices putting pressure on margins, earnings and debt serviceability, the sector continues to be cautious against countercyclical investment. The lack of momentum, mainly on the buy side, continues to be an issue in executing deals.

“We are seeing limited signs of strategic buying emerging at the mid and lower end of the market, which suggests some are thinking ahead and positioning themselves for the next round of growth.”

**Who’s buying?**

Industry acquirers continue to account for the vast majority of deals, accounting for 82% of total deal value in Q2, and 77% for 1H 2015, on par with 1H 2014.

Activity by financial investors retreated slightly, accounting for 17% of deals by volume in Q2. However, financial investors and other buyers from outside the sector accounted for just under a third of deal volumes for 1H 2105.

Throughout Q1 and Q2 2015, there have been more mergers among mid-tiers, combining expertise and achieving economies of scale to reduce costs.

**Gold, coal, base metals in buyer spotlight**

Gold accounted for 29% of all deals by volume in Q2, and there continues to be more activity between gold pure-play companies seeking partnerships to position for growth and leverage synergies to advance projects.

Excluding the BHP Billiton demerger of South32, coal accounted for 43% of deals by value in the quarter — however, this included two megadeals, with the vast majority of M&A being low-value deals reflecting the distress in the sector.

Downham says, “Several coal and gold assets that have been marked for divestment by the multi-asset producers await completion or remain without buyers, so we expect further deals in these commodities in the remainder of 2015.

“Base metals are touted as the most attractive acquisition targets in the short term due to favorable supply-demand economics, and we expect deal activity to increasingly reflect this.”

**Uptick in emerging and frontier markets activity**

While investors continue to be risk-averse, preferring investment in domestic and/or local regional acquisitions, there has been a slight increase in emerging and frontier markets for precious and base metal exploration assets to date in 2015.

Deals in emerging and frontier markets accounted for 35% of deals by volume and 26% by value in Q2, continuing a trend seen in Q1 2015. For 1H 2015, there was almost US$2.7b of investment into copper and gold in these markets, compared to US$1.1b in the same period in 2014.

"The Russian and CIS mining industry saw its M&A market decrease in 1H 2015 year on year,” notes Evgeny Khrustalev, Partner and CIS M&M leader. “The total value of transactions dropped to US$146m in 1H 2015 from US$249m in 1H 2014. None of the deals involved foreign investors, although Chinese investors have shown heightened interest in the Russian mining industry in recent months, and in gold mining assets in particular."

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**About the report**

All mergers and acquisitions data, and capital raising data was extracted from ThomsonOne on 1 July 2015, and analyzed by EY. Only completed deals are included in the data and analysis.