Feature

Are companies merging to look stronger?



agement, coupled with a decrease Au per year. in reserves and high extraction Are companies merging to look said Mr. Fulp. costs. Now that the age of deposits stronger? with 20Moz Au and 30Moz Au has Mr. Michael Fulp is an analyst and tion of Wallstreet markets, where passed, gold miners are pursuing exploration geologist with over 35 the value of Newmont's shares fell cost efficiencies, which has led to years experience and he believes after the merger announcement, large companies merging in order that merged companies are defi- while Goldcorp's shares did not apto create even larger and more nitely not stronger, as the mining preciate. powerful companies.

he gold industry has come Goldcorp for US\$10B to produce mining companies have not made under the investor's spot- the largest gold mining company in this their focus. They haven't done light in recent months, as a the world, by exceeding Barrick so since the price started to rise in result of weak capital man- with production of about 7.9Moz 2002. They have failed to reward

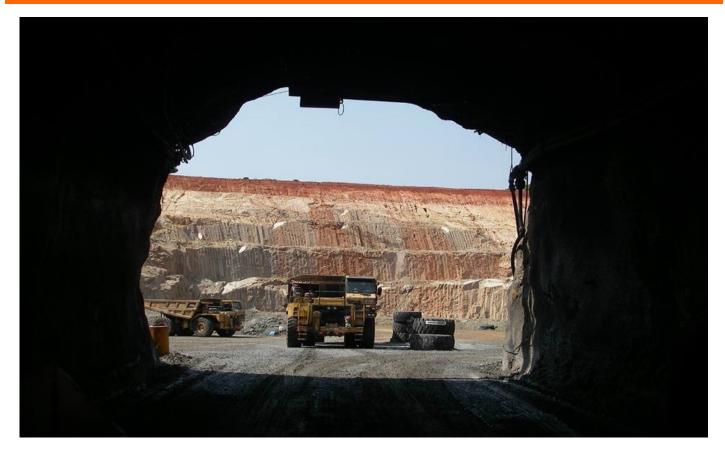
business is based on profitability, "It is impossible for large gold min-Following the example of Barrick regardless of the volume produced. ing companies to replenish their Gold buying Randgold Resources for "Mining is not a growth industry, it reserves every year. Newmont US\$6.5B, Newmont Mining an- is a value industry. It should be reached its gold production peak in nounced the purchase of its rival based on margins and large gold 2005, as its production in 2017 was

their shareholders year after year,"

Mr. Fulp also emphasized the reac-



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29% less than the peak in 2005. market is ready for a major rally, as within the industry, now that too Goldcorp lost 25% in each gold pro- prices have increased by more than many gold mining companies are duction peak in 2015, while Barrick 20% compared to the increase in chasing very few assets. has lost 38% in production since its interest rates since the beginning of In fact, the third merger in the induspeak in 2006. So bigger does not the bull market. mean better".

Recently, the CEO of Newmont, Mr. range for several years, and could could be acquiring Tahoe Resources Goldberg, has said that they are not erupt in the near future". expecting an upward trend in gold During the last three years, the gold "Usually, when such mergers occur, prices, however they are optimizing price has ranged between US\$1,180 many similar mergers occur during the company's assets to survive the and US\$1,360, but in one or two successive months. I believe that the price cycle. They expect that the years time it could be around only companies that will benefit company's assets will generate US\$1,400 and US\$1,550. profits of about 50%.

tinue to climb, Goldcorp should gen- new discoveries. erate more revenue and profits, Mr. Michael Siperco is an Analyst cheap prices," said Mr. Michael Fulp. pear fairly cheap in the future.

Mr. Victor Dergunov is founder of duction is about to suffer a sharp large companies will shed staff, cut Albright Investment Group and has drop as a result of developing pre- projects, and sell assets that are not recently said that if gold prices con- tested reserves and the absence of regarded as essential. Then the jun-

which suggests that the US\$10 billion with Macquarie Research and he paid by the company is likely to ap- believes that the Barrick-Randgold Goldcorp in the region and Newmont-Goldcorp agreements Since the merger was announced,

try over recent months could be Pan Gold has been trapped in a trading American Silver Corp. This company Inc for US\$1.07B.

from all these mergers are the junior Other analysts claim that global pro- gold mining companies, given that ior companies can buy them up at

Mr. Dergunov believes that the gold could trigger a broader consolidation Goldcorp representatives have been



those that may require further work. gold exporting company in Argenti- ready develops the Veladero deposit. "Those that we really prefer would na. be Peñasquito in Mexico, Cerro Ne- The decision to merge has had con- tainty reigns. The Superintendent of gro in Argentina and Musselwhite in sequences in Chile, where the dis- Environment (SMA) ordered the final Canada", emphasized the CEO, Mr. missal of René Muga, number one of closure of Pascua Lama, and 50% of Goldberg.

ñasquito compares with Newmont's offices installed in Argentina. Boddington and Cerro Negro com- The personnel cut, which would not of the El Indio mine, where it also pares with Newmont's El Tanami.

Goldcorp has been investing in Santa rector, aims to create a more agile which is the location of its largest structure. mine with the longest useful life: The decision suggests that Chile Cerro Negro.

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evaluating their preferred assets and catapulted it to become the main dong, a company with which it al-

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the dependencies was announced.

Based on similarities with New- The executive management of the asset to be negotiated, while the mont's assets, Mr. Gary Goldberg mining company will be cut and its new company could sell the 50% of sees potential for improvement in responsibilities will be assumed by Norte Abierto given the entry of some Goldcorp properties, as Pe- Marcelo Álvarez, director of the Newmont. Currently, the mining

be limited only to the executive di- developed the Alturas prospect. Cruz province, Argentina, since 2010; organization with a less vertical

would be losing prominence within The company announced an invest- the company's plans and Argentina ment of US\$750M in Cerro Negro would take its place. The company is year covering exploration, keeping open the possibility to admaintenance and expansion, as min- vance with the Lama project togetheral exports exceeded US\$640M and er with the Chinese company Shan-

In regards to Chilean assets, uncer-Minera Zaldívar could be the first company is carrying out the closure



