



## Is Pretium Resources Inc the Next Mining Takeover Target?

### Description

There has been a huge increase in mining mergers this year, as improving metals prices have resurrected share valuations and the overall sentiment surrounding the sector.

Data compiled by the *Financial Post* indicates that there have been 41 mining deals so far in 2014, worth a total of \$7.1 billion. In 2013, the total value of deals was \$9.3 billion.

### Plenty of options

With the year already half over, it is just a matter of time until another acquisition is announced, so who could be the next target? There are many Canadian miners that would make excellent takeover targets, and plenty of acquisition rumours to follow the possibilities.

Any small company with a top-quality exploration stage-mining asset is a potential target. However, from the suitor's point of view, an attractive takeover target has a top-quality asset and is willing to part with that asset for the right dollar figure. From the seller's point of view, a takeover offer has to be attractive enough that it offsets the risks inherent in developing and or operating a mine.

### Why now is a good time to buy

Right now, many large miners are feeling the pressure to expand their resource base, but they have not fully recovered from the past recession's damage to their bottom line. This makes acquisitions attractive because they are a way for miners to increase their resource base on a shorter time frame and often at a lower cost and risk compared to starting from scratch with a new property. In addition, acquiring a new property and financing its development may be more economical than trying to extract the dwindling resources from an aging property.

### The motivation to sell

From the point of view of a takeover target, earning an attractive profit is usually the primary driving factor in accepting a bid. Many exploration stage companies start without having any intention of fully developing their property. Instead, they hope to develop it enough to attract the interest of a larger

miner willing to purchase their company, for the right price.

Exploration is expensive, and risky, and gets more and more costly as a project advances. Small exploration companies will likely launch fundraising campaigns multiple times. These fundraising campaigns are necessary, but expensive for smaller companies with limited resources. A portion of the funds raised in these campaigns are almost always dedicated to expanding a company's resource base, in the hopes of increasing the company's value and attracting more investors, or even a suitor.

### **Is Pretium Resources Inc the next target?**

**Pretium Resources Inc** (TSX: PVG)(NYSE: PVG) has exactly what many larger miners are looking for: a top-quality asset. The company's flagship project is its 100%-owned Brucejack Project.

The Brucejack is part of a largely unexplored land package of over 103,000 hectares in northwestern British Columbia. Pretium Resources has focused on the Valley of Kings portion of the project, and a feasibility study completed in June 2013 outlined probable mineral reserves in the Valley of the Kings of 6.6 million ounces of gold (15.1 million tonnes grading 13.6 grams per tonne gold). The company also owns 100% interest in the Snowfield project, a porphyry-style gold deposit with gold-copper, molybdenum, and rhenium mineralization.

Pretium is an attractive target due to its high-quality gold project in a mining friendly region, but in order for a deal to go through, the company has to be willing to sell. There are a few reasons why, right now, the company might agree to the right takeover offer.

Pretium's stock was dealt a heavy blow last year when a disagreement with the overseer of its bulk sample project resulted in the overseer resigning and leveling some harsh accusations when it came to Pretium's project. This ended up just being a short-term challenge, as Pretium continued its exploration work and released some positive sampling results that ultimately resulted in the stock rebounding.

Pretium probably would not have attracted a suitable offer last year during that time, nor would the company have been likely to accept an offer. Now, with the stock bouncing back, Pretium is more likely to receive an 'adequate' takeover offer.

Pretium may also be amenable to an offer right now because of its recently closed 8.28 million common share offering. The company priced the offer at \$7.25 apiece, a discount to its current share price. The company plans to use the proceeds to fund activities at the Brucejack Project.

Pretium is clearly not in the position where it has deep enough pockets to continue funding exploration from cash on hand. Therefore, as the company continues down the path of delineating its resource it will either have to continue raising capital, or attract a takeover offer from a company with access to the money to continue funding exploration.

### **CATEGORY**

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