

# Centamin PLC

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## Sirius Minerals: Could bid for gold digger Centamin pave the way for rescue of potash miner?

A takeover bid for FTSE 250 gold miner Centamin PLC (LON:CEY) by Canadian group Endeavour Mining Corp (TSE:EDV) (OTCMKTS:EDVMF) could open the door to a potential rescue of troubled potash miner Sirius Minerals PLC (LON:SXX), according to finnCap analyst Martin Potts.

Speaking to Proactive, Potts said it was "almost inevitable" that the Yorkshire-based firm will be taken over "at a huge discount" following the failure of a US\$500mln fundraising in August which has seen the shares plummet 76% to 3.5p since then.

Potts says the acquirer is likely to be a Chinese player as they will be in most need of the fertiliser potential of Sirius' potash resource and will "do what it takes to get those units mined".

Talk of a cut-price takeover of Sirius forms part of a trend among London's listed miners as the weaker pound has left a lot of UK firms in the space looking decidedly cheaper for foreign buyers.

READ: Endeavour Mining proposes all-share merger with UK-listed Centamin Centamin is one such example, with a series of disappointing production figures over the year having depressed the share price by around 26% to 112p from a yearly high of 152p in late August, a factor that analysts such as Shore Capital's Yuen Low think was a likely factor in the timing of Endeavour's approach.

The mid-cap firm also isn't the gold group on the list of possible targets, with Peel Hunt's Tim Huff citing AIM-listed Hummingbird Resources as another candidate due to its Yanfolila project in Mali. which he said made the firm another "strong cash generator" with "a good single asset".

### Funding crises and asset chasing

The potential for a Sirius buyout is reflected lower down among the sector's juniors, which could be facing renewed acquisition interest as part of a funding crisis in new project exploration.

Money that used to go toward small cap miners has in recent years been diverted towards new speculative plays such as cryptocurrency and cannabis, which many private investors now see as more attractive than exploratory mining projects.

However, this lack of investor funding means larger players in the mining sector are now going asset chasing.

"[The funding crisis] has led to a massive reduction in exploration spend," Potts says, however, as the need for new resources becomes more acute, he expects big-cap miners to take a more serious interest in the potential of smaller firms.

**Price:** 121.6

**Market Cap:** £1.41 billion

### 1 Year Share Price Graph



### Share Information

**Code:** CEY

**Listing:** LSE , TSX

**52 week High Low**  
162.4 79.14

**Sector:** Exploration & Production

**Website:** www.centamin.com

### Company Synopsis:

Centamin & plc is an Arabian-Nubian Shield focused mineral exploration, development and mining company dual listed on the London Stock Exchange (LSE: CEY) and the Toronto Stock Exchange (TSX: CEE). Centamin's principal asset, the Sukari Gold Mine, began production in 2009 and is the first large scale modern gold mine in Egypt.

action@proactiveinvestors.com

"With the reduction in exploration the good assets are going to be more keenly fought over", he adds.

**READ: SolGold surges as BHP bumps up stake**

Signs of this trend already seem to be appearing, with blue-chip miner BHP Group PLC (LON:BHP) having last week increased its stake in junior firm SolGold plc (LON:SOLG) to 14.7% from 11%, spending US\$22m.

SolGold is focused on projects in Ecuador, including its flagship Alpala mine that is estimated to have a net present value of US\$6.1bn. A pre-feasibility study is expected in the first quarter of next year.

**Other metal miners could be vulnerable**

However, SolGold is not alone, with Potts saying that "pretty much any" small miner could be vulnerable to a takeover if they demonstrate enough resource potential to pique the interest of the large-cap players.

Interest is also likely to rise as the reliance of modern technology on materials such as copper, cobalt and other battery metals drives more miners towards those resources.

"If we stopped mining gold tomorrow, the world economy will still grow at the same rate, however, if we run out of copper or zinc, growth will stop", Potts says.

--Adds Hummingbird details--

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