Our analysis includes major companies from all parts of the world whose primary business is assessed to be mining. The results aggregated in this report have been sourced from the latest publicly available information, primarily annual reports and financial reports available to shareholders. Our report also expresses PwC's point of view on topics affecting the industry, developed through interactions with our clients and other industry leaders and analysts.

Companies have different year ends and report under different accounting regimes, including International Financial Reporting Standards (IFRS), United States Generally Accepted Accounting Principles (US GAAP) and others. Information has been aggregated for the individual companies and no adjustments have been made to take into account different reporting requirements. As far as possible, we aligned the financial results of reporters to be as at, and for, the year ended 31 December 2018. For companies that do not have December year ends, we added and deducted reviewed results to reflect the comparable 12-month period.

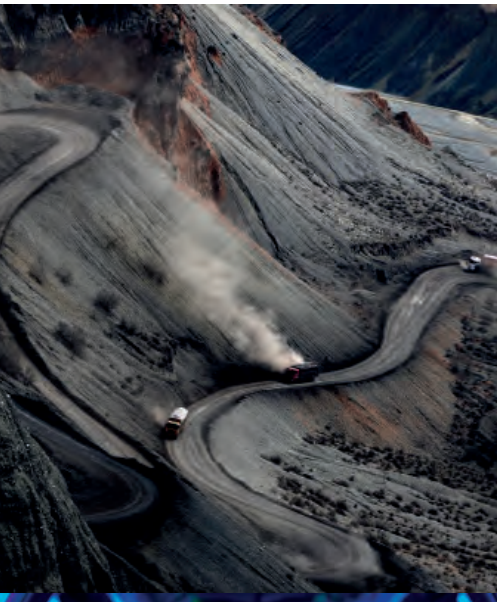
All figures in this publication are reported in US dollars ($), except when specifically stated. The balance sheets of companies that report in currencies other than the US dollar have been translated at the closing US dollar exchange rate and the cash flow and financial performance was translated using average exchange rates for the respective years.

Some diversified miners undertake part of their activities outside the mining industry, such as the oil and gas businesses of BHP and Freeport, parts of the Rio Tinto aluminium business and Glencore's marketing and trading revenues and costs. No attempt has been made to exclude such non-mining activities from the aggregated financial information, except where noted. Where the primary business is outside the mining industry, they have been excluded from the Top 40 listing.

All streamers such as Franco Nevada and Silver Wheaton have been excluded from the Top 40 list. Entities that are controlled by others in the Top 40 and consolidated into their results have been excluded, even when minority stakes are listed.

Notable takeaways from this year's Top 40:

- Four new entrants: in gold, Kirkland Lake Gold Ltd, AngloGold Ashanti Limited and Polymetal International plc and coal company PT Bayan Resources Tbk. They replaced PotashCorp (now part of Nutrien where mining is a small part of their business), Randgold Resources (now merged with Barrick Gold Corporation), National Mineral Development Corporation and KAZ Minerals.
- The dominance of Top 40 gold companies increased to ten companies this year, coal companies increased to six and diversified companies still accounted for 13.
- Two key movers in 2018 were The Mosaic Company, which moved up 11 spots to 17 and Fresnillo which moved down ten places to 28.
- The top five companies make up 50% of total Top 40 market capitalisation.



2019 outlook methodology

The 2019 outlook information is based on historic performance with adjustment for a range of factors including those described in the summary below.

Income statement

- Revenue splits by product are broadly consistent with those for 2018. Consideration was given to price forecasts from a range of sources, including the World Bank (April 2019), IMF and consensus views from a wide range of market analysts. The prices applied in each instance sit within the ranges provided by these sources.
- Production increases are based on guidance provided by Top 40 mining companies (where available) and general industry forecast production levels. This resulted in an overall expected increase of approximately 2%.
- The outlook remains extremely sensitive to commodity prices. As a guide, if resultant prices are at the more conservative end of the expected range, then revenues would drop to 3% below 2018 year levels and EBITDA drops even further to 2017 levels. Conversely, if the top end of the range was achieved, then revenue increases by more than 3% and EBITDA by 10% (compared with 2018).
- Operating costs took into account the estimated breakdown of operating costs as disclosed by the Top 40 and then applied expected increases provided from sources such as World Bank, ILO and Baltic shipping index forward rates.
- Depreciation decrease reflects the decrease in the PPE balance partially off-set by the slight increase in expected production volumes.
- Net finance cost was reduced in line with the net debt position.
- The tax expense was increased using a normalised effective tax rate for 2018 and applying that to the calculated profit before tax.

Cash flow statement

- Cash flow from operations was left in line with 2018 as the marginal expected increase in EBITDA was offset by an expected increase in working capital.
- Investing cash flows assume that property plant and equipment additions will increase taking into account the EBITDA growth of two years ago and an increase in capital velocity from the current low levels. Cash outflow from other investing transactions is expected to decrease given the high levels of investments made in 2018.
- Dividends paid is expected to remain stable as pressures on free cash flows will prohibit an increase and shareholder expectations will require no decrease. A number of Top 40 companies have set fixed dividend policies that will result in similar levels of dividends given the relative flat earnings expectation for 2019.
- The net outflow from borrowings repaid is expected to slow down as many Top 40 companies have already resolved excessive gearing positions and gearing has dropped below the 10 year average. Share issues are estimated to decrease, reflecting statements by many Top 40 companies that they have sufficient capital in the short term (and in the absence of limited new large project announcements).

Lease accounting impact (IFRS 16 and ASC 842)

The new lease standards become effective for 2019. These standards will impact the majority of our Top 40. For consistency, we have not considered this impact in our outlook. However, there will be an impact across the financial statements of our Top 40. Our expectations include the following:

- 1%–2% increase to 2018 PP&E balances through the recognition of right-of-use assets;
- 4%–6% increase to 2018 interest bearing liabilities through the recognition of lease liabilities, with a corresponding increase to interest expense;
- 1%–2% increase to 2018 EBITDA due to removal of leases expenses from operating expenses; and
- 4%–6% increase to 2018 depreciation due to the depreciation of right-of-use assets.

S&P Capital IQ waiver

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Glossary

Terms	Definition
Capital employed	Property plant and equipment plus current assets less current liabilities
Capital expenditure	Purchases of property, plant and equipment plus exploration expenditure
Capital velocity	Ratio of capital expenditure to capital employed
CEO	Chief Executive Officer
Current ratio	Current assets/current liabilities
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairments
EBITDA margin	EBITDA/revenue
Free cash flow	Operating cash flows less purchases of property, plant and equipment
Gearing ratio	Net borrowings/equity
IMF	International Monetary Fund
M&A	Mergers and acquisitions
Market capitalisation	The market value of the equity of a company, calculated as the share price multiplied by the number of shares outstanding
Net assets	Total assets less total liabilities
Net Asset Value (NAV)	Net asset value based on analyst consensus estimates (not the net assets derived from the financial statements)
Net borrowings	Borrowings less cash
Net profit margin	Net profit/revenue
PBT	Profit before tax
Quick ratio	(Current assets less inventory)/current liabilities
Return on capital employed (ROCE)	Net profit excluding impairment/capital employed
Return on equity (ROE)	Net profit/equity
Top 40	40 of the world's largest mining companies by market capitalisation as of 31 December 2018
Working capital	Inventory and trade receivables less trade payables

Disclaimer

This paper makes a number of predictions and presents PwC's vision of the future environment for the mining industry. These predictions are, of course, just that – predictions. These predictions of the future environment for the mining industry address matters that are, to different degrees, uncertain and may turn out to be materially different from what is expressed in this paper. The information contained in this report includes certain statements, calculations, estimates and projections that reflect various assumptions. Those assumptions may or may not prove to be correct due to known and unknown risks, uncertainties and other factors. PwC has exercised reasonable care in collection, processing and reporting of this information but has not independently verified, validated, or audited the data to verify the accuracy or completeness of the information. PwC gives no express or implied warranties, including but not limited to any warranties of merchantability or fitness for a particular purpose or use and shall not be liable to any entity or person using this document, or have any liability with respect to this document.

The information provided in this paper is not a substitute for legal, investment or any other professional advice. If any reader requires legal advice or other professional assistance, each such reader should consult his or her own legal or other professional advisors and discuss the specific facts and circumstances that apply to the reader.

10 year trend

$ billion	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Aggregate market capitalisation	757	926	714	494	791	958	1234	1202	1605	1259
Aggregated income statement										
Revenue	683	600	496	539	690	719	731	716	435	325
Operating expenses	(518)	(454)	(390)	(448)	(531)	(554)	(553)	(487)	(246)	(217)
EBITDA	165	146	106	91	159	165	178	229	189	108
Impairment charges	(12)	(4)	(19)	(53)	(27)	(57)	(45)	(16)	(1)	(11)
Amortisation, depreciation and impairment	(47)	(41)	(44)	(42)	(48)	(42)	(34)	(26)	(33)	(20)
Net finance cost	(13)	(11)	(9)	(19)	(15)	(16)	(6)	(6)	(7)	(6)
PBT	93	90	34	(23)	69	50	93	181	148	71
Income tax expense	(27)	(29)	(15)	(4)	(24)	(30)	(25)	(48)	(38)	(22)
Net profit/(loss)	66	61	19	(27)	45	20	68	133	110	49
EBITDA margin	24%	24%	21%	17%	23%	23%	24%	32%	43%	33%
Aggregated cash flow statement										
Operating activities	134	119	89	92	127	124	137	174	137	83
Investing activities	(63)	(46)	(40)	(69)	(93)	(125)	(169)	(142)	(79)	(74)
Financing activities	(70)	(63)	(44)	(31)	(31)	(3)	21	(28)	(35)	10
Dividends paid	(43)	(36)	(16)	(28)	(40)	(41)	(38)	(33)	(22)	(15)
Share buy backs	(15)	(7)	(4)	(7)	(6)	(4)	(5)	(26)	(5)	-
Free cash flow	77	71	40	23	24	(6)	11	76	70	19
Aggregated balance sheet										
Cash	101	102	86	82	83	168	104	113	105	74
Property, plant and equipment	610	663	616	579	745	712	701	601	511	467
Total assets	**1080**	**1129**	**1063**	**1047**	**1231**	**1256**	**1245**	**1139**	**943**	**801**
Total liabilities	**540**	**573**	**563**	**569**	**630**	**624**	**563**	**482**	**387**	**354**
Total equity	**540**	**556**	**500**	**478**	**601**	**632**	**682**	**657**	**556**	**447**

Note: The information included above includes the aggregated results of the Top 40 mining companies as reported in each respective edition of Mine

Mine 2019 writing team

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