

Kinross Gold to Buy Red Back Mining for \$7.1 Billion

By Laura Marcinek and Rebecca Keenan - Aug 2, 2010

[Kinross Gold Corp.](#), Canada's third-largest producer of the metal, said it agreed to buy the shares of Red Back Mining Inc. it doesn't already own for about \$7.1 billion to add mines in West Africa.

Red Back investors will get 1.778 Kinross common shares and 0.11 of a Kinross common share purchase warrant for each Red Back common share held, the companies said today in a statement. The value of the offer is C\$30.50 (\$29.80) a Red Back common share, they said, which represents a premium of about 17 percent over Red Back's July 30 closing share price in Toronto. The city's stock exchange is closed today for a public holiday.

The volume of gold-mining mergers and acquisitions is increasing as producers are discovering less metal while the bullion price has advanced each year since 2000. Gold-mining companies have been involved in about \$32 billion of deals this year, compared with about \$4.8 billion a year earlier, according to data compiled by Bloomberg.

"Once you get to a certain scale the challenge of actually finding and growing production becomes quite horrendous," said [Grant Craighead](#), managing director and co-founder of Sydney-based research company Stock Resource. "It is often cheaper to buy growth rather than find it."

Kinross, which will issue about 425 million common shares and 26 million common share purchase warrants as part of the deal, closed at C\$16.87 on the Toronto Stock Exchange on July 30. The shares have fallen 13 percent [this year](#). Red Back closed at C\$26.02 in Toronto. The stock has gained 73 percent in [2010](#).

Gold Discoveries

Gold discovery rates have been dropping by 4 million ounces a year for the past three decades, Credit Suisse Group AG's [Michael Slifirski](#) said in November, citing a presentation from Gold Fields Ltd. The price of the metal has increased 7.8 percent in London this year. Gold traded at a record \$1,265.30 an ounce on June 21.

Red Back, based in Vancouver, operates the Tasiast mine in Mauritania and the Chirano mine in Ghana, and has exploration projects in both countries.

"It is a fashionable part of the gold world at the moment," Craighead said. "Kinross is probably chasing

Red Back specifically for its growth attributes.”

Kinross, based in Toronto, agreed in May to a pay C\$600 million for a 9.4 percent stake in Red Back. Kinross said last month it agreed to sell a stake in a diamond mine for \$220 million. **The diamond deal helped the company build its cash position, said Tom Winmill, a New York-based portfolio manager with the Midas Fund.**

Kinross produced 544,134 gold equivalent ounces in the first quarter of this year. The company said it expects to produce 2.2 million gold equivalent ounces this year. Red Back produced 96,160 ounces of gold in the first quarter and said in May it expects to produce 485,000 to 525,000 ounces in 2010.

BMO Capital Markets, GMP Securities LP and NM Rothschild & Sons advised Kinross and Scotia Capital Inc. advised Red Back.

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