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Barrick Gold and Randgold Resources merge to create world's largest gold miner but questions still remain

As gold prices edged slightly higher Monday, the world's newest, and largest, gold miner was confirmed.

Canada's Barrick Gold Corp (TSE:ABX NYSE:ABX), the mega-gold producer, announced news that it had merged with rival Randgold Resources Ltd (LON:RRS) in an all-share deal to create the world's largest gold miner, valued at US\$18.3 billion.

Fact-checkers could argue: Barrick has already held the "largest gold company in the world" crown in previous years. Either way, adding Randgold is icing on the cake.

The merger created a mammoth gold company, in an era where there have not been any significant mergers in some time. Combined, both companies own a number of the world's most valuable gold fields and produce around 6.6 million ounces of gold a year.

READ: Randgold Resources and Barrick Gold confirm plans for US\$18.3bn merger

Shares of Barrick Gold were up 5.8% at C\$14.30 midday Monday. Shares of Randgold Resources were up 6% to 5,220p.

"Initial investor reaction to the creation of the world's biggest gold miner by market capitalisation seems favourable, as Randgold Resources' shares are up and dragging those of other precious metals explorers higher for good measure," said Russ Mould, AJ Bell investment director, in a release. AJ Bell is one of the largest investment platforms in the UK.

But a number of questions still remain, which include: What does the deal say about struggling gold prices? And is the boom in mergers and acquisitions activity a good or a bad thing for the gold sector?

"The fact that the pros are buying gold and the punters are selling it is interesting - and could suggest that Barrick and Randgold Resources are positioning themselves for an upturn in gold by getting leaner and meaner, even if skeptics of the deal will argue it is a defensive measure prompted by necessity and lean times for their main product," said Mould.

Under the terms of the deal, each Randgold shareholder will receive 6.1280 new Barrick shares for each share of the African rival, the companies announced in a release. Barrick shareholders will own two-thirds of the combined firm and Randgold will own the remaining third.

Randgold to cancel shares on London Stock Exchange and Barrick Group will list in Toronto and New York
Randgold shares on the London Stock Exchange will be canceled and New Barrick Group will list in Toronto and New York, operating under the branding of the Barrick Group.

Price: C\$21.83

Market Cap: C\$38245.76M

1 Year Share Price Graph



Share Information

Code: ABX

Listing: TSX

52 week **High** **Low**
C\$21.86 C\$12.54

Sector: General Mining - Gold

Website: www.barrick.com

Company Synopsis:

On 1 January 2019 a new Barrick was born out of the merger between Barrick Gold Corporation and Randgold Resources. Shares in the new company trade on the NYSE (GOLD) and the TSX (ABX).

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In the past year, shares of both Barrick and Randgold have lost almost 30% amid falling gold prices and questions over strategies.

"The boards of Barrick and Randgold believe that the merger will create an industry-leading gold company with the greatest concentration of Tier One Gold Assets in the industry, the lowest total cash cost position among senior gold peers," the companies said together in a joint statement.

Deal received with 'mixed reception'

"It's a deal that's been received with mixed reception from analysts and investors," Mining Capital's Alastair Ford told Proactive Investors. "On the whole, I think, broadly positive as there will be significant savings generated by both companies, as well as economies of scale."

Ford says that the deal will generate significant cost savings for both groups, as well as bolstering each other's geographical spread.

However, Ford adds that the merger will open a void in the London market, with speculation around who will fill the gap left by Randgold.

"Randgold and Barrick have signalled that they will cancel the London listing so that will leave the London gold market empty of any major gold miner to invest in and will probably open up a bit of a void, actually and there will be some interesting activity to see, in terms of who will fill that gap and where investors will put their money."

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