

ACA

GBP £1.653

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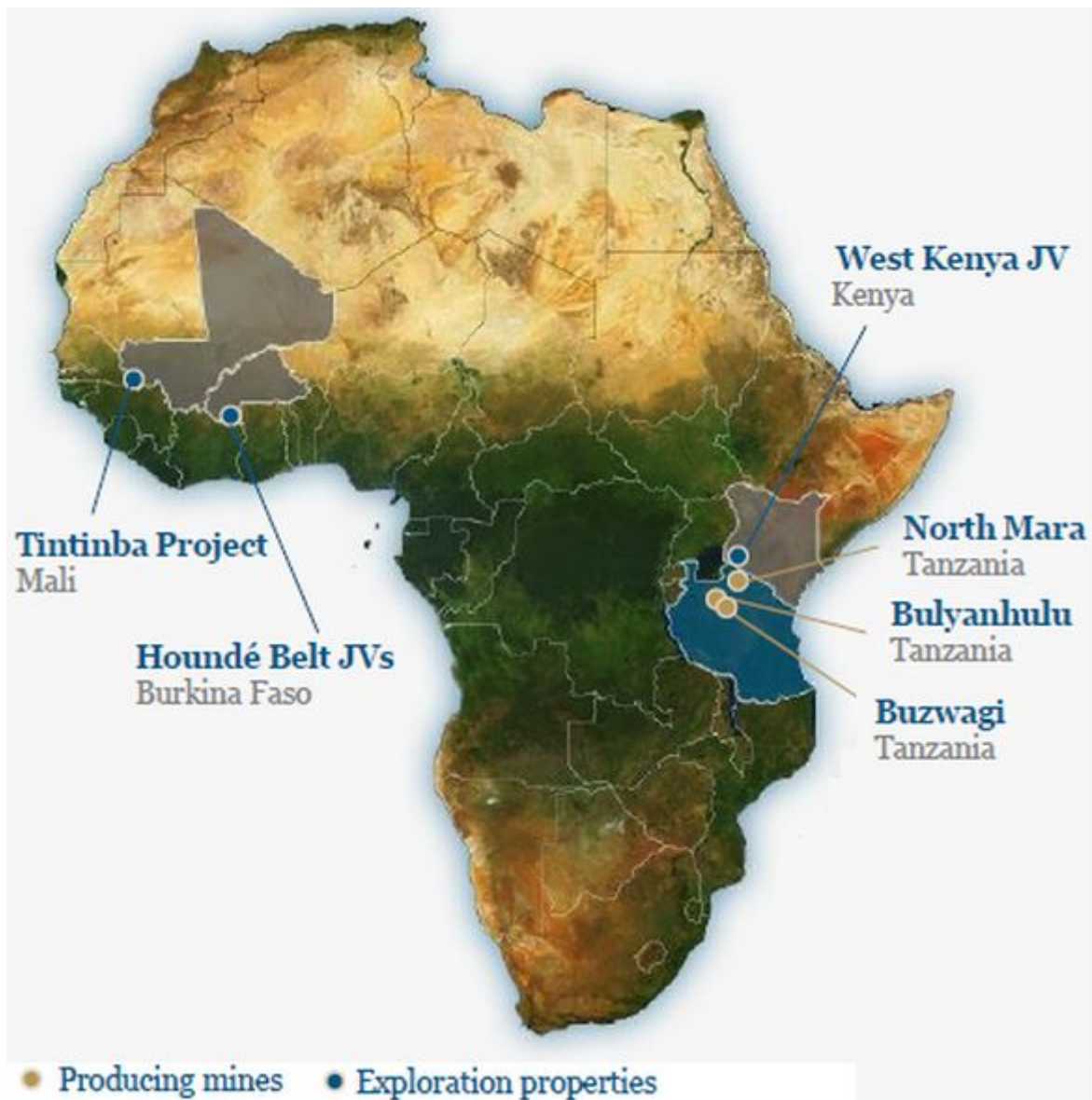
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Stepping away from a minefield

The impasse between Acacia Mining and the Tanzanian authorities is now pressing on the company's operations in Tanzania. With the geopolitical impasse now impacting on the company's operations, we are selling Acacia Mining, given our preference for other quality gold exposures held in the portfolio. The following figure shows the company's African assets:

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The company has reduced activities at its Bulyanhulu gold mine due to the impasse. The company has been issued an assessment claim of approximately US\$40 billion of unpaid taxes and some US\$150 billion of penalties and interest owed to the Tanzanian government.



Turning to the daily chart, the bearish moving average crossover present since March is suggestive of momentum to favour the downside (where the 50-day moving average red line crosses below the 200-day moving average green line). Below, support is sighted at the July low of 152.80p (horizontal blue line), if the bears were to remain in control over the near-term. It is important that the bulls defend this level, and a consolidation unfolds over the medium-term. Should this occur, then this would encourage a period of price-stabilisation to evolve, and thus ease the brunt of the overall weakness in share price.

The company's major shareholder in Barrick Gold is now negotiating with the Tanzania authorities on this matter. A timetable of events is not possible, given the nature and magnitude of the Tanzanian claim. **We are unable to make a full and objective assessment of the claim or the likely timing of an outcome or its magnitude in dollar terms.**

Despite our positive outlook for gold in 2018, we believe the geopolitical uncertainty that has now impacted the company's operations does not warrant further exposure to Acacia Mining.



With reference to the monthly chart, near-term support is evident at the November 2015 low of 154.50p as shown by the horizontal thin-blue line. Should the bears drag prices below this level, then an eventual slide down to major support situated at the June 2013 low of 93.50p (horizontal solid-blue line) could come under contention. Furthermore, the long-term downtrend in play signals momentum to also favour the downside and thus any rise in the share price to be slow-coming.

In view of the recent weakness in the share price and the quality of other gold stocks in the portfolio, we have changed our recommendation on Acacia Mining to sell. Coverage of Acacia Mining by Fat Prophets will cease immediately.

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Snapshot ACA

Acacia Mining

Acacia Mining is the new name for African Barrick Gold. Acacia is a multi billion dollar gold company listed on the London Stock Exchange. Investor demand for gold exposure in Tanzania is very strong. Barrick Gold Company took advantage of the situation to capture additional value by putting its Tanzanian assets into a new vehicle, African Barrick Gold (ABG). African Barrick is now moving to establish its own identity. The newly named company has three operating mines, North Mara, Bulyanhulu and Buzwagi. At the end of 2013 ACA had proven and probable gold reserves of 12.7 million ounces. Tanzania is one of the most exciting gold provinces in the world with potential to deliver many more large gold discoveries.

Market Capitalisation:£677.87m

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