Mining finance through the cycle in frontier countries

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IFC Overview
The World Bank Group

<table>
<thead>
<tr>
<th>Bank Type</th>
<th>Description</th>
<th>Established</th>
<th>Role</th>
<th>Clients</th>
<th>Products</th>
</tr>
</thead>
</table>
| IBRD      | International Bank for Reconstruction and Development | 1945 | To promote institutional, legal and regulatory reform | Governments of member countries with per capita income between $1,025 and $6,055 | • Technical Assistance  
• Loans  
• Policy Advice |
| IDA       | International Development Association | 1960 | To promote institutional, legal and regulatory reform | Governments of poorest countries with per capita income of less than $1,025 | • Technical Assistance  
• Interest Free Loans  
• Policy Advice |
| IFC       | International Finance Corporation | 1956 | To promote private sector development | Private companies in member countries | • Equity/Loans  
• Risk Management  
• Advisory Services |
| MIGA      | Multilateral Investment and Guarantee Agency | 1998 | To reduce political investment risk | Foreign investors in member countries | • Political Risk Insurance |
Over $85 Billion Invested Since 1956

- Largest multilateral source of loan/equity financing for the emerging markets private sector
- Founded in 1956 with 182 member countries
- AAA-rated by S&P and Moody’s
- Equity, quasi-equity, loans, risk management and local currency products
- Takes market risk with no sovereign guarantees
- Promoter of environmental, social, and corporate governance standards
- Resources and know-how of a global development bank with the flexibility of a merchant bank
- Holds equity in over 800 companies worldwide

### IFC FY2010 Highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio</td>
<td>$48.8 billion</td>
</tr>
<tr>
<td>Committed</td>
<td>$12.7 billion</td>
</tr>
<tr>
<td>Mobilized</td>
<td>$5.3 billion</td>
</tr>
<tr>
<td># of Companies</td>
<td>1,656</td>
</tr>
<tr>
<td># of Countries</td>
<td>120</td>
</tr>
</tbody>
</table>

![Pie chart showing distribution of investments by region]

- Latin America: 24%
- East Asia and the Pacific: 13%
- Sub-Saharan Africa: 19%
- Europe & Central Asia: 23%
- Middle East & N. Africa: 12%
- South Asia: 8%
- Middle East & N. Africa: 12%
- Global: 1%
- Latin America: 24%
$533 Million Mining Portfolio (64% equity)

37 Projects in 23 Countries

Book value as of June 2012

By Product

- Iron, 35%
- Gold, 28%
- Other, 24%
- Diamonds, 9%
- Copper, 2%
- Nickel, 1%
- Silver, 1%
- Zinc, 0%

By Region

- Sub-Saharan Africa, $354
- LatAm, $103
- Europe and C. Asia, $50
- MENA, $13
- WORLD, $7
- E. Asia and the Pacific, $6
When Does IFC Invest?

- Grassroots Exploration
- Equity
- Quasi-Equity / Mezzanine
- Project Discovery
- Senior Debts and Equivalents
- Project Finance
- Mature Production
International Stamp of Approval - the Global Benchmark

“Equator Principles” adopted by 70+ of the world’s leading financial institutions and based on IFC’s Performance Standards
IFC Investments in the Mining Sector

**Latin America**

<table>
<thead>
<tr>
<th>Country</th>
<th>Company</th>
<th>Investment Details</th>
<th>Type</th>
<th>Year(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>Newmont/Yanacocha</td>
<td>$126,000,000 Senior Term &amp; Syndicated Loan, Equity</td>
<td>Equity Investor &amp; Lender</td>
<td>1993 and 1999</td>
</tr>
<tr>
<td>Peru</td>
<td>Minera Quellaveco</td>
<td>$59,700,000 Equity</td>
<td>Equity Investor</td>
<td>1993-2012</td>
</tr>
<tr>
<td>Chile</td>
<td>Escondida Copper</td>
<td>$94,600,000 Senior Term Loan</td>
<td>Equity Investor &amp; Lender</td>
<td>1989, 1999, 2009</td>
</tr>
<tr>
<td>Chile</td>
<td>Minera Loma de Niquel</td>
<td>$65M / $50M Syndicated Term Loan</td>
<td>Equity / Quasi-Equity</td>
<td>1998 and 2000</td>
</tr>
<tr>
<td>Peru</td>
<td>Antares Minerals(1)</td>
<td>$18,400,000 Equity</td>
<td>Equity Investor</td>
<td>2009-2010</td>
</tr>
<tr>
<td>Argentina</td>
<td>Argentex</td>
<td>$7,300,000 Equity</td>
<td>Equity Investor</td>
<td>2010</td>
</tr>
<tr>
<td>Argentina</td>
<td>Regulus</td>
<td>$700,000 Equity</td>
<td>Equity Investor</td>
<td>2010</td>
</tr>
<tr>
<td>Colombia</td>
<td>Greystar Resources</td>
<td>$15,200,000 Equity</td>
<td>Equity Investor</td>
<td>2009</td>
</tr>
</tbody>
</table>
| (1) As part of IFC’s original investment, IFC now holds 14% in Regulus.
IFC Investments in the Mining Sector (Cont’d)

Africa

- **Ghana**
  - **Ahafo**
    - $75,000,000 Senior Term Loan
    - $10,000,000 Syndicated Loan
    - Mandated Lead Arranger 2006

- **Guinea**
  - **Simandou/RioTinto**
    - $35,000,000 Equity
    - $150,000,000 Equity
    - Equity Investor 2006, 2012

- **Mozambique**
  - **Moazl**
    - $145,000,000 Equity
    - Senior and Subordinated Loan 1998 and 2002

- **Burkina Faso**
  - **Kiaka Gold**
    - $13,000,000 Equity
    - Equity Investor 2010

- **Mozambique**
  - **Baobab Resources**
    - $5,000,000 Equity
    - Equity Investor 2009

- **Tanzania**
  - **SMP Gold**
    - $7,500,000 Equity
    - Equity Investor 2010, 2011

- **Cote D’Ivoire**
  - **Sampleu Nickel**
    - $7,000,000 Equity
    - Equity Investor 2011

- **South Africa**
  - **Finsch**
    - $25,000,000 Revolving Credit Facility
    - Lender 2012

- **Zambia**
  - **Kiwara PLC**
    - $15,000,000 Equity
    - Equity Investor 2009

- **Botswana**
  - **Tsodilo Resources Limited**
    - $4,800,000 Equity
    - Equity Investor 2010
IFC Investments in the Mining Sector (Cont’d)

Asia, MENA & Eastern Europe

- **Krygyzstan**
  - **Kumtor**
    - $10,000,000 Equity
    - **Equity Investor** 2004

- **Russia**
  - **Peter Hambro**
    - $30,000,000 Equity
  - **Aricom**
    - $20,000,000 Equity
    - **Equity Investor** 2005 and 2007

- **Egypt**
  - **Gippsland**
    - $2,000,000 Equity
    - **Equity Investor** 2006

- **Morocco**
  - **Achmmach Tin**
    - $9,800,000 Equity
    - **Equity Investor** 2010

- **Armenia**
  - **Lydian**
    - $13,000,000 Equity
    - **Equity Investor** 2011

- **Russia**
  - **Bema Gold**
    - $15,400,000 Equity
    - **Equity Investor** 2012

- **Asia Region**
  - **Asian Lion Fund**
    - $6,000,000 Equity
    - **Equity Investor** 2006

- **China**
  - **Far East Energy Corp.**
    - $15,000,000 Equity
    - **Equity Investor** 2007

- **Solomon Islands**
  - **Gold Ridge**
    - $30,000,000 Debt
    - **Mandated Lead Arranger** 2010

- **Philippines**
  - **Mindoro Resources**
    - $4,500,000 Equity
    - **Equity Investor** 2010, 2012
Where are we in the cycle?
Plummeting Values...

Value of AIM Mining Universe and as % of AIM (2004-2011)

Source: Ernst & Young analysis of AIM market statistics; market values as at quarter-end
Softer Prices...

- Sector hit by:
  - Concerns about global growth
  - Slowdown in China
  - High stocks for most metals
  - Emerging supply growth
Global Double Dipping

- Contrary to previous forecasts that expected pick up in 2012 and 2013, updated consensus figures have diminished growth expectations for all regions, in particular EU.

- Weakness in developed markets is also taking its toll in emerging markets, particularly in Brazil and India.

Source: World Bank
China’s Weight

China’s Share of World Commodity Consumption

Metals Consumption

China’s Metal Intensity

Source: World Bureau of Metal Statistics

Source: World Bank, USDA, UN, Metal Statistics, IEA

Source: World Bureau of Metal Statistics
• GDP growth in 2011 remained high at an annual average rate of 9.4%. For 2012 growth is expected to slow down to around 7.5-8.0%, in line with a “soft landing”.
  • High external dependence and sluggish conditions in the Eurozone are likely to hit growth negatively
  • During Q2 2012, China’s growth slowed to 7.6%, the lowest rate in three years
• Slower global growth and tight financial conditions may continue to affect the performance of the economy in 2012 as leading indicators suggest
The Outlook - Not all is Bleak...

Source: World Bank
Financing juniors in tough markets
Equity Markets are Dry...

Mining Equity Issuance - AIM

Source: Ernst & Young analysis of AIM market statistics
Explorers’ Choices

Preserve Capital
- Cost cutting (reduction of overheads, etc)
- Delay capex programs (if not close to production)

Sale of Assets
- Outright sale of non-core assets
- JVs at project level

Strategic Equity
- Offtakers, majors, sovereigns, etc
- Development finance institutions (IFC, EBRD, etc)

Private Equity
- Specialist Private Equity mining / general funds
- Other private equity sources

Unconventional
- Specialist convertible / mezzanine funds
Debt for Producers / Developers

- Pockets of liquidity still there in developing countries
- Still a lot of appetite - can often provide longer tenors, variety of financial instruments, etc
- Bring other elements such as E&S standards, political risk mitigation, etc
- Attractive conditions
- Often come with strategic investor
Key Elements in Raising Finance

• The combination of tougher market conditions and host country challenges may make it difficult for a junior company to succeed without one or more strong partners.

• However only the better projects, with strong teams and high standards will be able to attract the right partners.

• Apart from money, partners should help:
  1. **Raise standards** - by strengthening management capacity (financial, technical, environmental and / or social)
  2. **Increase credibility / reputation** - give comfort to other potential investors and to host government
  3. **Long term view** - stick around even in bad times / deep pockets
IFC – Continuing to Play Counter-Cyclical Role

- IFC’s commitments in FY12 (US$15 billion) represented a 27% increase on FY11 commitments
Thank you!