

Bayswater Capital Partners

Structured Finance & Investment Solutions



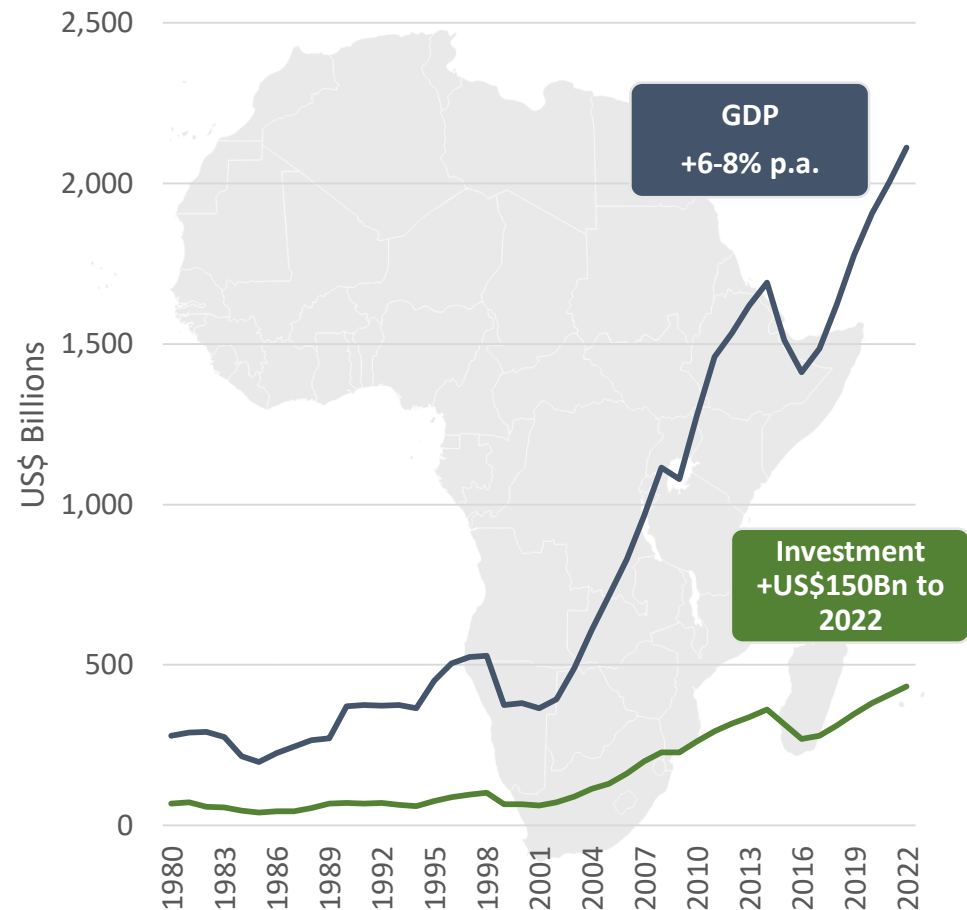
Funding Mining Projects & Equipment In Africa

Africa has clear growth potential

Key Points

- ▶ **Economy:** the world's fastest-growing continent for foreign direct investments and has approximately 30 % of earth's remaining mineral resources.
- ▶ **Sub-Saharan Africa:** has six of the world's 10 fastest-growing economies.
- ▶ **North Africa:** counts with vast oil and natural gas deposits.
- ▶ **Sahara:** holds the most strategic nuclear ore and resources such as coltan, gold, and copper.
- ▶ **Natural resources:** accounted for around 80% of total exports and around 40% of government revenues on average across the continent
- ▶ **Finance:** Many of the producers in Africa are smaller mid-tier or junior miners and as such lack access to corporate credit lines.

Key Economic Indicators – Sub Sahara



▶ Source: World Economic Outlook 2017

Equity hard to raise & Debt more selective

Financial Markets



- ▶ International Banks access the larger corporate, project finance and acquisition transactions
- ▶ Cost structure means that debt financings of less than US\$20M are not attractive (normally)
- ▶ Current banking environment (Basel III, etc.) hinders the availability of transaction based finance for small to medium ticket transactions with SME borrowers

Mining Company



- ▶ The recent down turn has led many miners to rethink aggressive expansion plans
- ▶ Increasing trade off to equipment led expansion
- ▶ Many are now looking to grow via incremental expansion, rather than large projects
- ▶ This has left a clear gap in funding

Small and mid-cap miners struggle to fund

Mine Finance Matrix

Capital Cost ↑	<p>Small Firm Large Capex</p> <p>Funds & Banks</p>	<p>Mid Tier Firm Large Capex</p> <p>Banks</p>	<p>Large Firm Large Capex</p> <p>Banks & Bonds</p>
	<p>Small Firm Mid Capex</p>	<p>Mid Tier Firm Mid Capex</p>	<p>Large Firm Mid Capex</p> <p>Self Fund</p>
	<p>Small Firm Small Capex</p>	<p>Mid Tier Firm Small Capex</p> <p>Self Fund</p>	<p>Large Firm Small Capex</p> <p>Self Fund</p>
	<p>Market Capitalization →</p>		

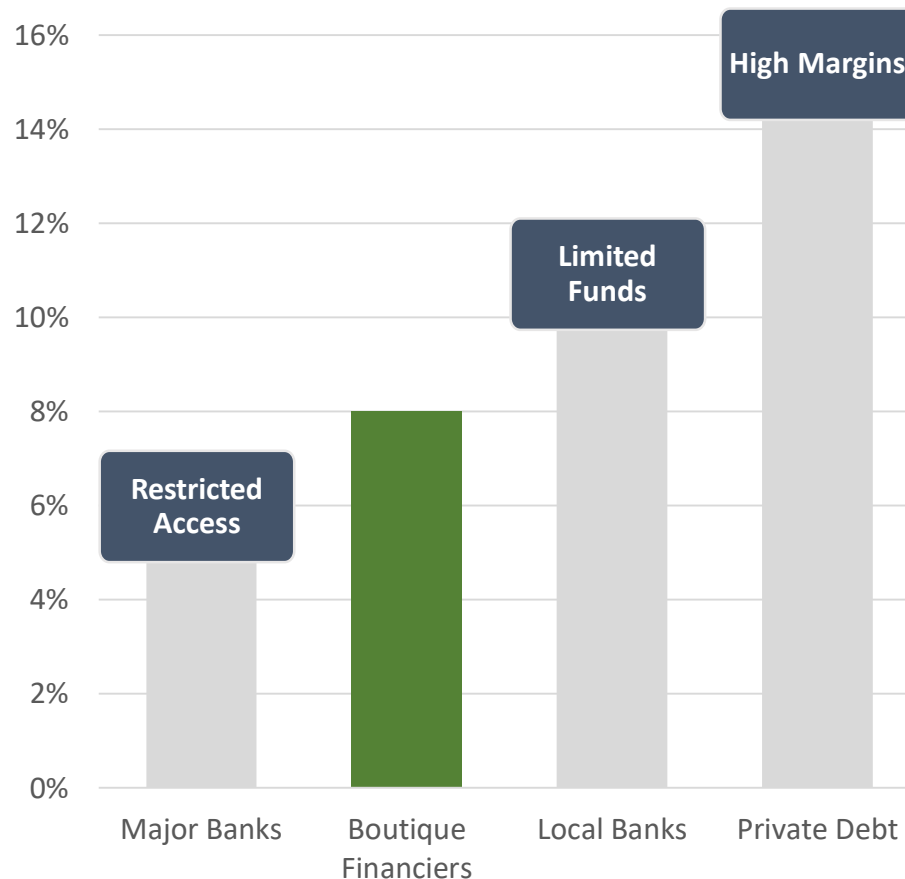
Key Points

- ▶ **Large Miners:** served well by banks and the bond markets
- ▶ **Mid Tier Miners/Contractors:** served well on larger projects, but smaller expansions can be difficult using traditional project finance, due to costs
- ▶ **Small Cap Miners/Contractors :** served well for large projects, but there is no model to address the current trend for smaller scale debt to fund organic expansions

We have seen a clear trend toward these sectors, not only in our current capacity, but also in prior roles at Caterpillar Financial

Non traditional funding will play a larger role

High Level Debt Finance Costs (Libor + X%)



Boutique Financiers

- ▶ Wide experience and deep knowledge of African markets enables deals to be made
- ▶ Interest rates controlled via careful funding partner selection and expert deal structuring

Private Debt / Equity

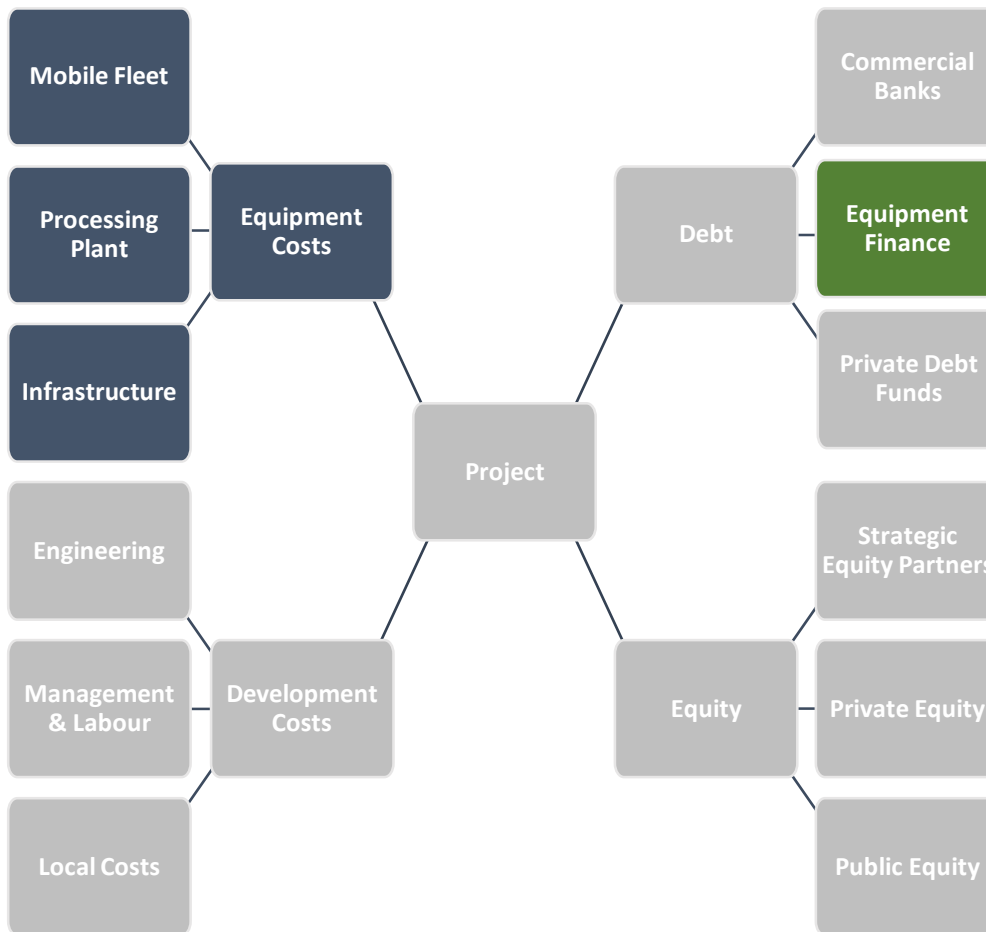
- ▶ Private debt funds require equity like returns
- ▶ As such have difficulties to compete for debt finance transactions
- ▶ They do however play an important role

Local African Banks

- ▶ Local banks in Africa are playing an increasing role.
- ▶ However, these banks can be expensive and limited in capital amounts

Specialist solutions will be required

Over 60% of Capex is Capital Equipment



Equipment Suppliers



Mining Company



BCP are specialists in funding capital equipment

Mobile Fleet



- ▶ 'Yellow Metal' such as the large mining trucks
- ▶ Required to physically move ore and service the mine and its employees

Processing Plant



- ▶ The key component to take raw ore and produce either a concentrate or upgraded product
- ▶ Hugely important value driver for a mine

Power, Rail & Port



- ▶ The life blood of a mine, without logistics, power and water nothing else will work
- ▶ It is crucial to have reliable, proven and high quality components

Contact Details & Questions



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