FINANCING IN DIFFICULT TIMES: METAL STREAMING TRANSACTIONS

Erik Goldsilver

Presentation to
Canadian Institute of Mining, Metallurgy and Petroleum
Management and Economics Society

September 30, 2015

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Streaming Transactions – General Overview

● Streaming agreements are long-term purchase and sale agreements. In exchange for an up-front payment or deposit to the miner, the streaming company agrees to purchase a percentage of metals produced, or based on production, from a mine.

● Key is that a portion of the purchase price (or deposit) is paid in advance against future deliveries of the commodity.

● The price paid by the streaming company for the precious metals at the time of production is pre-determined for the life of the transaction and is typically the lower of (1) the market price at the time of purchase, and (2) a fixed price that is low in comparison to prevailing market prices; or a percentage of the market price at the time of purchase.

● This transaction is essentially a long term commodity purchase contract at pre-agreed prices, but the delivery obligations are contingent on future production.

● Transactions are often for a by-product, but not always.

● Most often, streaming transactions are for "life of mine".

● Since the transaction is a purchase and sale of metal, the streaming company receives physical metal instead of cash.

● Other than the initial investment and the on-going unit price payments, the streaming company has no financial obligation to the miner, whether for capital expenditures, operating costs or otherwise.

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Differences Between Streams and Royalties

- Streaming transactions are contractual purchase agreements
- Depending on the jurisdiction and the terms, a royalty may be structured as an interest in the land.
- In a streaming agreement, the streaming company pays an additional per ounce/unit payment which helps defer operating costs.
- Their tax treatment may differ, both from the perspective of the resource owner and the royalty/streaming company.
- From a creditor perspective, a streamer's interest is based on a contractual claim, while a royalty holder may own an interest in the resource. In the event of a bankruptcy/insolvency of a resource owner, a royalty holder may be treated differently than a streamer.
- Typically, streaming agreements contain more positive and negative covenants on the part of the mining company.

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Similarities Between Streams and Royalties

- Commodity/property specific.
- No minimum/maximum amounts to be delivered/paid (although some streaming deals provide for uncredited deposit to be repaid after the initial term).
- Terms are generally for life of mine (often streaming contract is for a fixed term, subject to evergreen extensions at the option of the streamer).

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Pros and Cons of Stream Financing

Advantages

- No deliveries required until production commences, and then only based on minerals produced (subject to a completion guarantee).
- No obligation to deliver metal from the particular mine.
- Not dilutive to existing shareholders.
- No dilution to the interests of minority joint venture partners.
- Control of overall operations maintained by mine owner.
- No hedging requirements.

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Pros and Cons of Stream Financing

Disadvantages

- Payment obligations typically continue for as long as the mine produces minerals from the lands subject to the stream.
- Up-front payment may be required to be re-paid.
- Security may be required to secure payment or delivery obligations. Security requirements can create subordination and postponement issues if project debt financing is also undertaken in respect of the same project.
- Protective covenants such as reporting requirements, maintenance of project assets, audit and inspection rights.

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Appropriate Projects for Stream Financing

Mining companies with projects that meet some or all of the following criteria can be considered appropriate candidates for stream financing:

•Large capital costs to construct a mine or to expand a mine

•Non-core or by-product metal that can be sold to a stream company

•Non-core metal not reflected in stock price

•Poor credit

•High debt load

•Shareholder dilution

•Low markets

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Stream Financing Risks

Type of Risks

- Production Risks
- Expropriation Risks
- Political Event Risks
- Export Restrictions
- Discriminatory Laws
- Force Majeure Events
- Partial Expropriation
- Bankruptcy/Insolvency Risks
- Tax Risks
- Currency Risks
- Inflationary Risks
- Payment Risks
- Repayment of Deposit

Recent Developments

- CRA Proposal Letter to Silver Wheaton Corporation
- Treatment of streaming transactions by Standard & Poor's
- Acquisition funding
- Syndication

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Recent Streaming Transactions

Purchaser	Vendor	Mine	Country	Stream	Deposit	Per Ounce Payment
Royal Gold	Barrick Gold	Pueblo Viejo	Dominican Republic	7.5% of gold until 990,000 ounces of gold delivered, 3.75% thereafter. 75% of silver until 50,000,000 ounces of silver delivered, 37.5% thereafter.	US$610 million	Gold: 30% of spot until 550,000 ounces delivered, 60% of spot thereafter. Silver: 30% of spot until 23.1 million ounces delivered, 60% of spot thereafter.
Royal Gold	New Gold	Rainy River	Canada	Gold: 6.5% until 230,000 ounces delivered, 3.25% thereafter. Silver: 60% until 3.1 million ounces delivered, 30% thereafter.	US$175 million	25% of spot price
Royal Gold	Teck Resources	Carmen de Andacollo	Chile	100% of payable gold until 900,000 ounces delivered, 50% thereafter.	US$525 million	15% of the monthly average gold price.

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Recent Streaming Transactions

Purchaser	Vendor	Mine	Country	Stream	Deposit	Per Ounce Payment
Royal Gold	Golden Star Resources	Wassa and Prestea	Ghana	8.5% of gold until 185,000 ounces delivered, 5.0% until an additional 22,500 ounces delivered, 3.0% thereafter.	US$130 million	20% of spot price until 207,500 ounces delivered, 30% thereafter
Silver Wheaton	Vale	Salobo	Brazil	25% of gold production.	US$900 million	US$400 (subject to an inflation adjuster)
Orion Mine Finance and Blackstone Tactical Opportunities	Pretium Resources	Brucejack	Canada	8% of gold and silver production until 7.067 million ounces of refined gold and 26.279 million ounces of refined silver delivered.	US$150 million	Gold: US$400 Silver: US$4.00

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