

Access To Mining Capital In The Short Term

2016 CIM Convention: Management & Finance Day

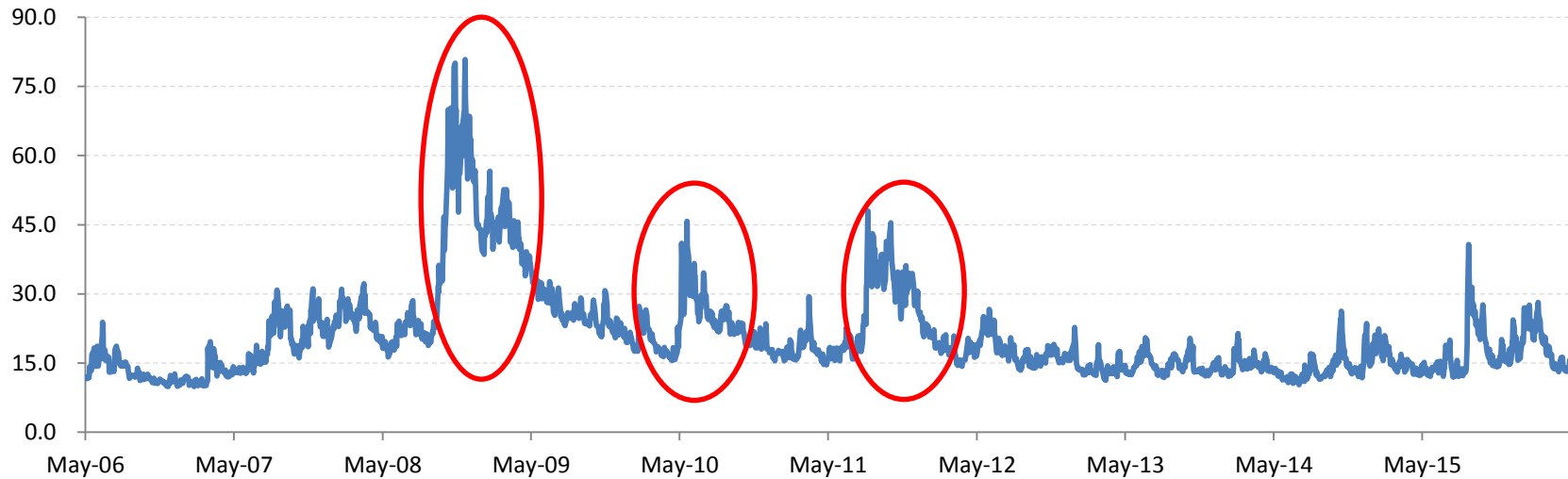


- **Recent macro environment in the resource space has been challenging**
 - Liquidity significantly reduced
 - Financial distress has become a theme
- **Alternative capital providers have become more common**
 - Inability to easily access the public equity markets
 - Increased focus on financial flexibility and returns
- **M&A activity has picked up due to these environmental factors**
 - Volatile commodity markets have impacts operators ability to carry debt
 - Access to development capital has dried up – especially for juniors
 - Focus on cost structure has emphasized the desire for strong management

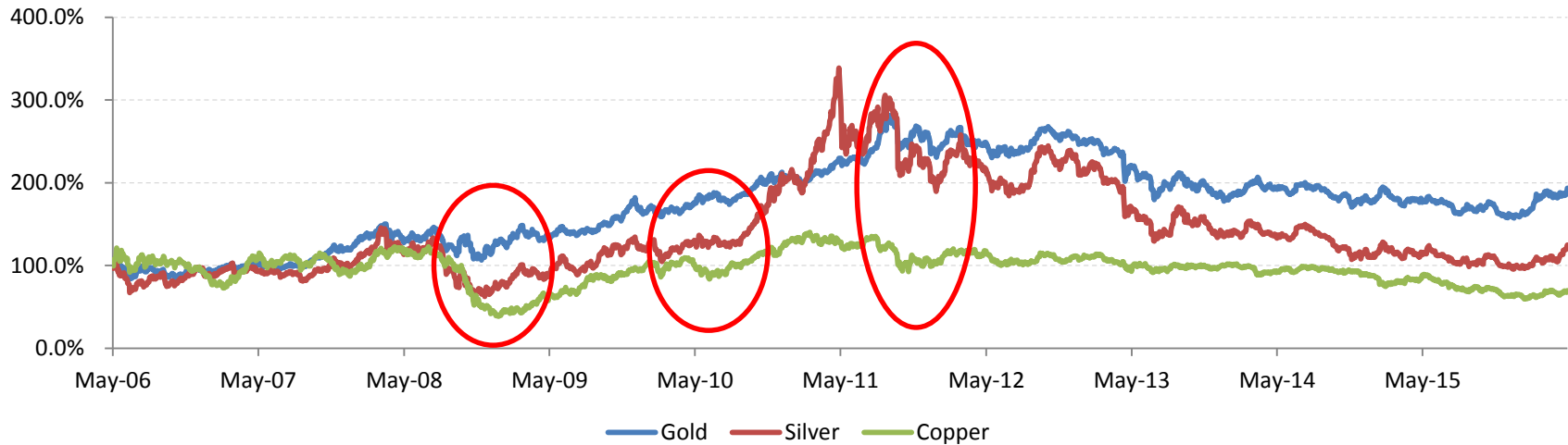
Capital is available to high quality management teams, proven to be a strong steward of capital

Market Volatility

CBOE Volatility Index (2006 – Today)



Indexed Commodity Prices (2006 – Today)

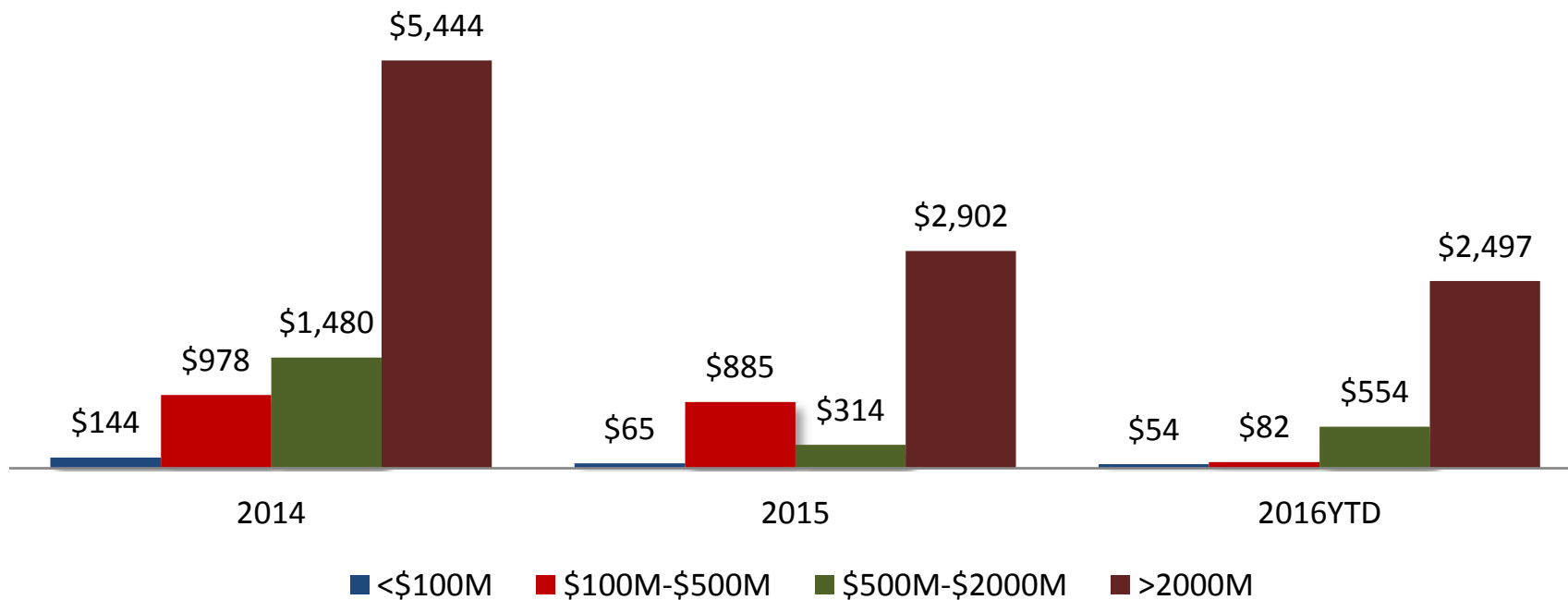


Source: Bloomberg

- **Recent environment has disproportionately empowered capital providers**
 - Negative and long term impacts on the capital structure
 - Increasingly (indirectly) impacting key strategic/operational decisions of management
- **Minimal competition to deploy capital**
 - Resource focus funds know they are the rare capital providers in the market
 - Negative impact on capital structure and alignment
- **Exploration and development capital has become increasingly difficult**
 - Everyone wants to provide the “last dollar”
 - Canadian FT providers have muddied the waters
- **Generalist investors focused on market weightings**
 - Happy to “miss” given the small impact to index

Who's Accessing Equity Capital?

TSX Equity Financings (2014 - Current)



Public market capital is searching for liquidity, immediate cash flow, balance sheet strength and low capital intensity

- **Private Equity / Individual Capital**

- Getting a long-term supporter into the story early
- Providing a “brand name” to support the value

- **Stream/Royalty Financing**

- Technical validation for non-producing assets
- Lower cost of capital, but limiting potential commodity leverage

- **JV / Partnerships**

- Reduce capital requirement overhang
- Ability to ensure capital is used efficiently

- **Debt & Project Finance**

- Increasing number of “specialty” debt providers
- Volatility has made project finance more cumbersome



Mining Transactions – Implied Valuations (2014 - Current)



Implied valuations need to be viewed in the context of the market environment

- Repair balance sheets
- Real strategic combinations
- Access to more efficient capital
- Increased exposure/leverage to the commodity price
- Jurisdictional exposure / risk profile



The goal is to create an entity that will attract the most capital (value)

- **Capital is available**
 - Finding the right partner or supporters is key
- **Growth today is different that growth tomorrow**
 - Public markets rapidly change their thinking
 - Long term thinking
- **Strong management voice and vision is required**
 - Don't wait to be told