



# Trends and Innovations in Mining Finance

January 2019

David Shaver - CIBC Capital Markets



# Agenda

- I. Market Backdrop
- II. Traditional Mining Financings
- III. Alternative Mining Financings
- IV. Key Takeaways

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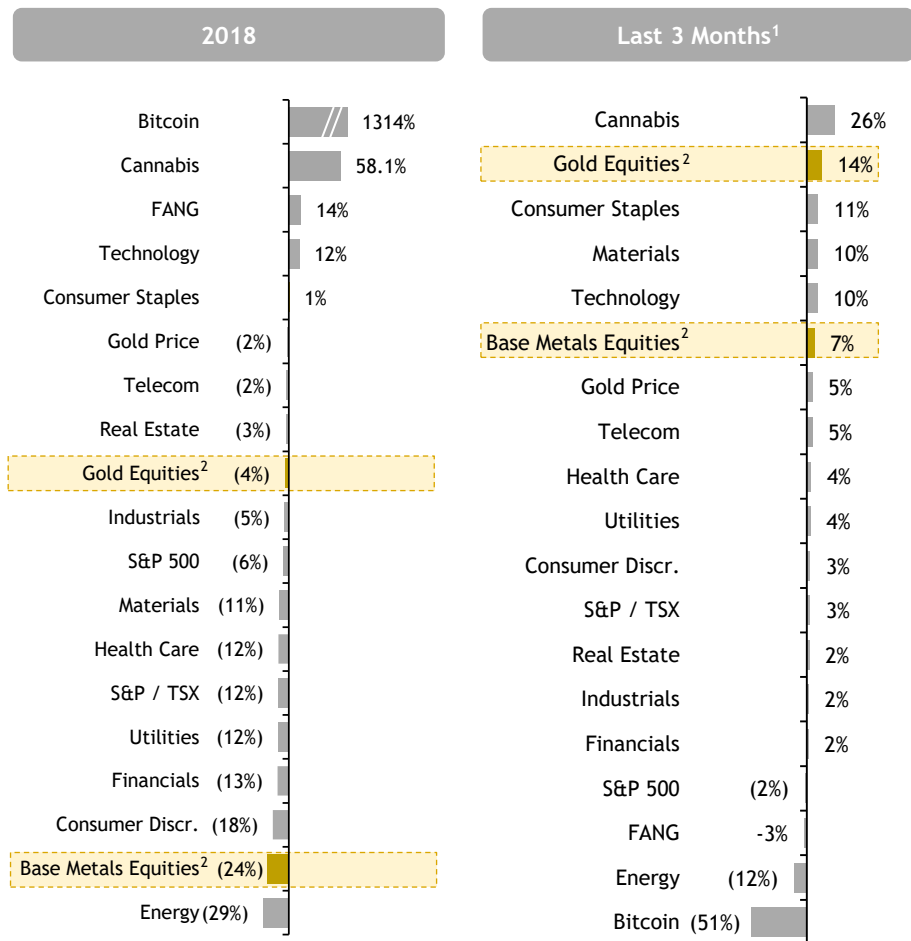
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*All values are expressed in Canadian dollars, unless otherwise noted.*

## Key Themes

- 1 Increased volatility in the broader equity market
- 2 Interest rate hike cycle slowing
- 3 Weakening U.S dollar benefiting gold
- 4 Risk capital flowing into cannabis and cryptocurrencies
- 5 Potential for further geopolitical uncertainty, market sell offs, trade wars

## Relative Index Performance



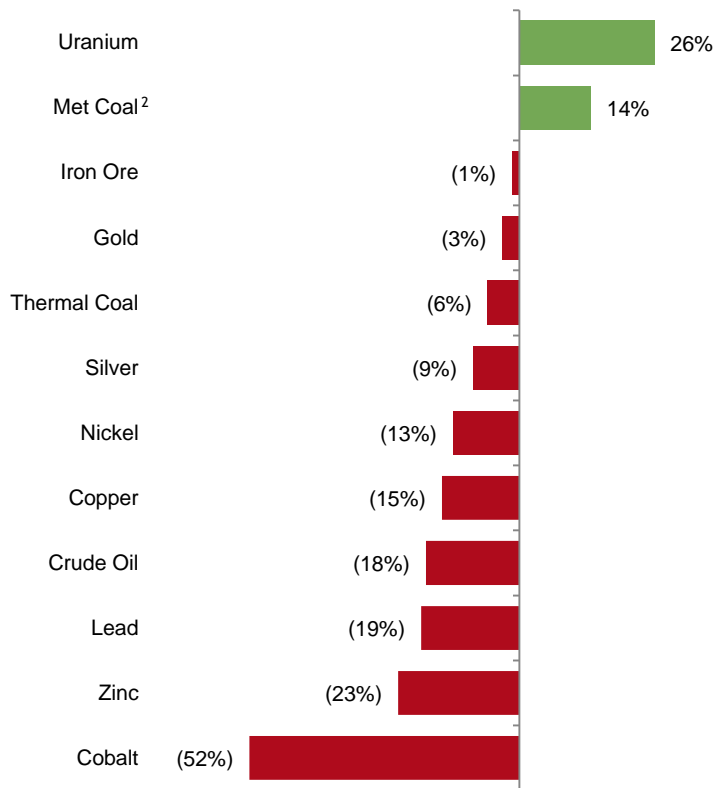
<sup>1</sup> Market data as January 25, 2019.

<sup>2</sup> Gold equities based on TSX Index and base metals equities based on TSX Index.

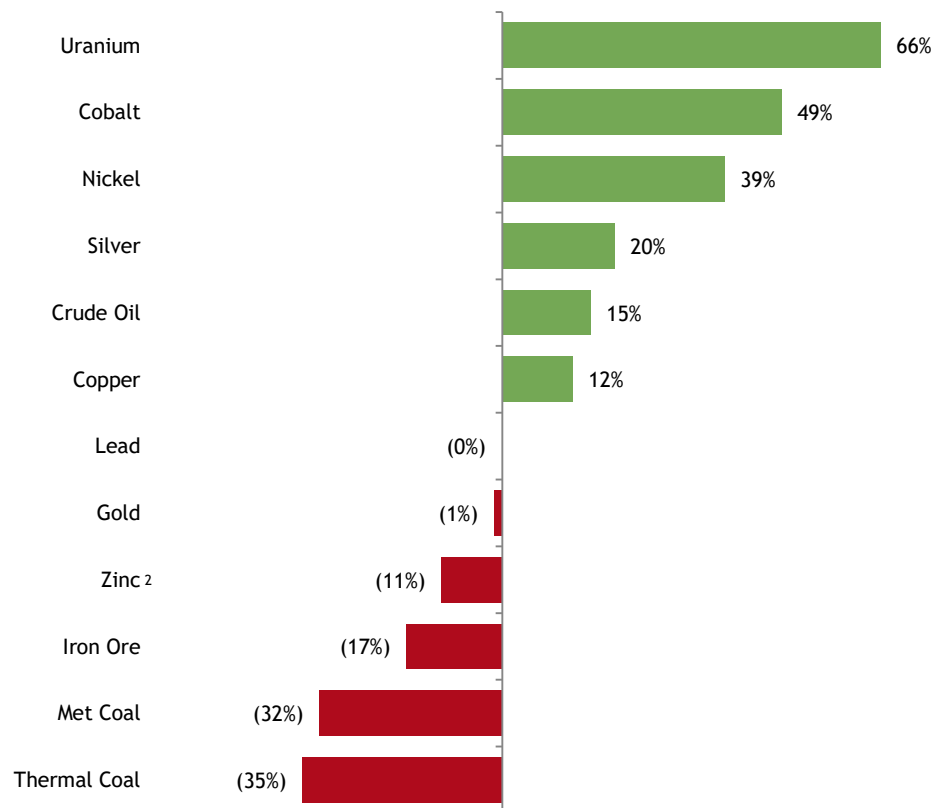
Source: Bloomberg Financial Markets and Thomson One Analytics.

- Uranium and Met Coal been the top performers over the last twelve months while more prominent metals (eg. gold, silver, copper) have underperformed
- The outlook remains strong for uranium, cobalt, nickel and silver which should drive capital markets activity in these metals
- Gold building strong momentum with recent rise through US\$1,300/oz

## Commodity Performance - Last Twelve Months



## Commodity Forecast - Spot to Long Term Outlook<sup>1</sup>



<sup>1</sup> Market and consensus data as at January 25, 2019.

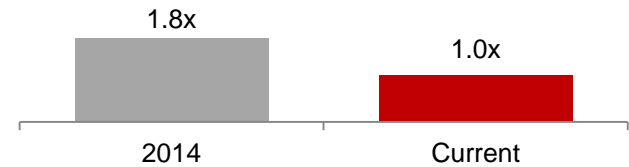
<sup>2</sup> Iron ore price based on 62% iron ore fines price.

Source: Bloomberg Financial Markets and Thomson One Analytics.

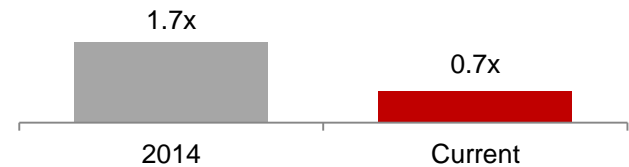
## Key Themes

- 1 Strong cash flow generation from senior gold and senior base metal producers
- 2 Debt repaid and leverage ratios reduced
- 3 Anticipated interest rate hikes slowing

## Average Senior Gold Net Debt/EBITDA<sup>1,2</sup>



## Average Senior Base Metals Net Debt/EBITDA<sup>1,2</sup>



## Rising Interest Rate Environment (%)



<sup>1</sup> Based on analyst consensus estimates of EBITDA and Net Debt.

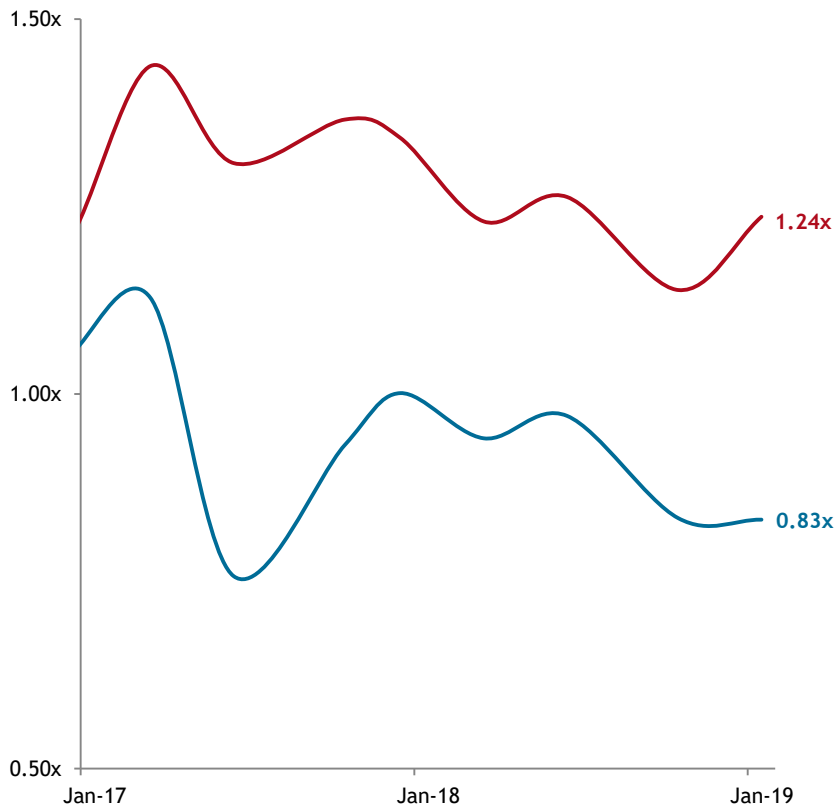
<sup>2</sup> Market Data as at January 25, 2019.

Senior Gold: Agnico, Barrick, Goldcorp, Kinross, Newcrest and Newmont

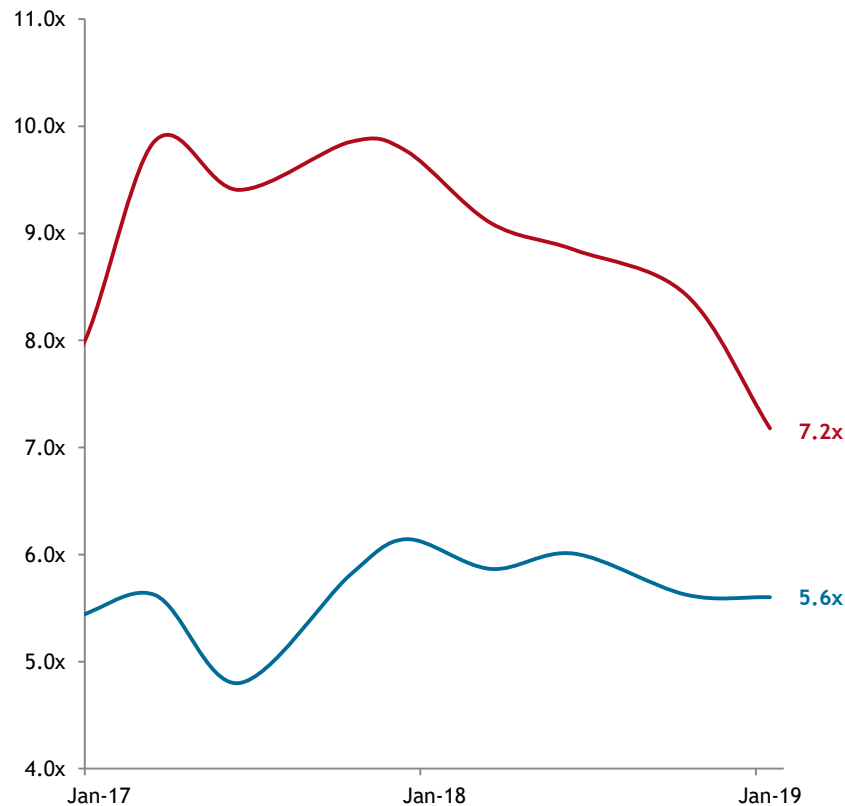
Senior Base Metals: Anglo American, BHP, Glencore, Rio Tinto, and Vale.

Source: Bloomberg Financial Markets and Thomson One Analytics.

## Price/Net Asset Value



## Price/Next 12 Months Cash Flow



Note: Market data as at January 25, 2019.

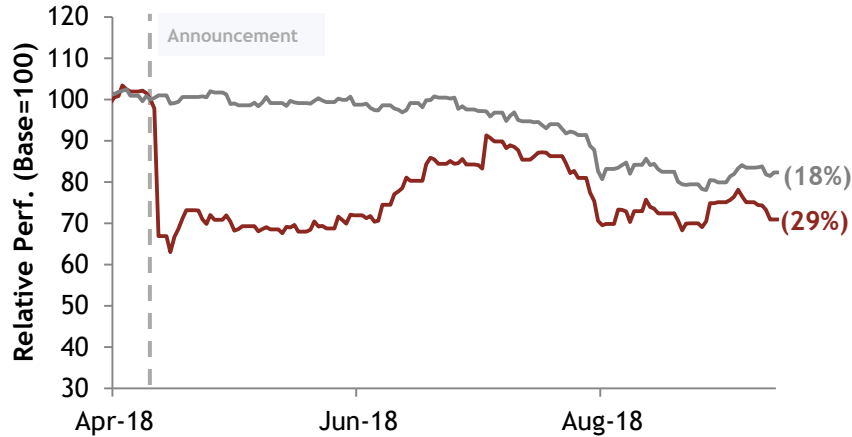
Senior Gold: Agnico, Barrick, Goldcorp, Kinross, Newcrest and Newmont.

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Source: Bloomberg Financial Markets and Thomson One Analytics.

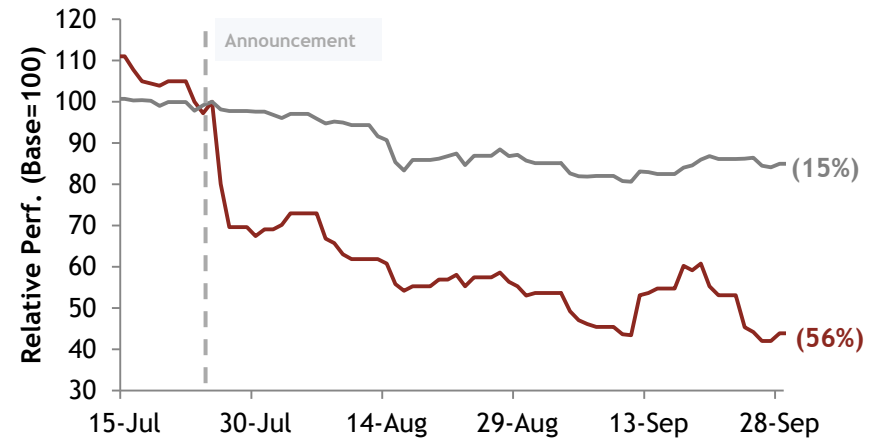
## Detour (April 26, 2018)

- Announcement of revised mine plan and downward guidance revision at Detour Lake



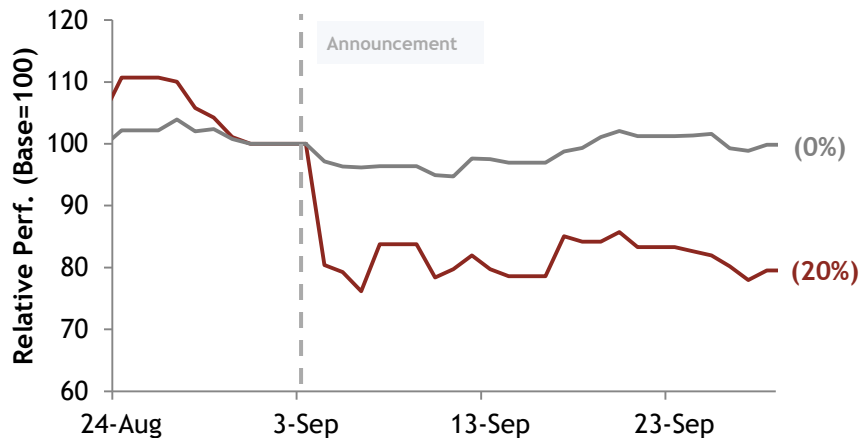
## New Gold (July 25, 2018)

- Announcement of revised life of mine plan at Rainy River; downward guidance revision



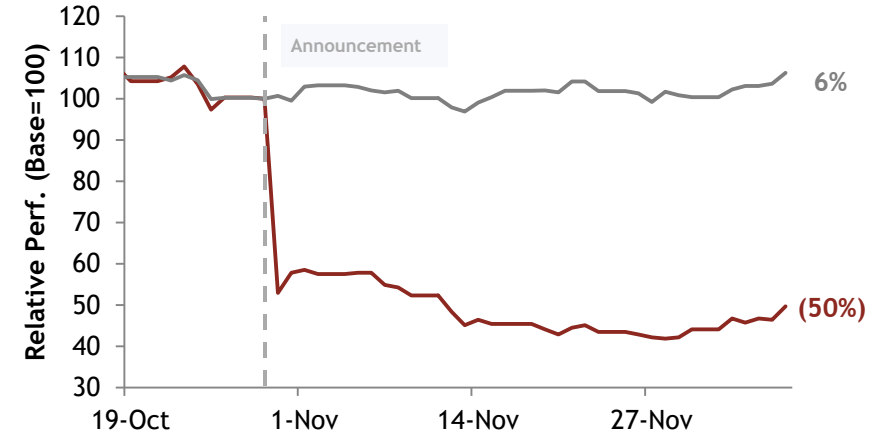
## Tahoe (September 4, 2018)

- Announcement of reversal of ruling to reinstate Escobal mining license



## Guyana (October 29, 2018)

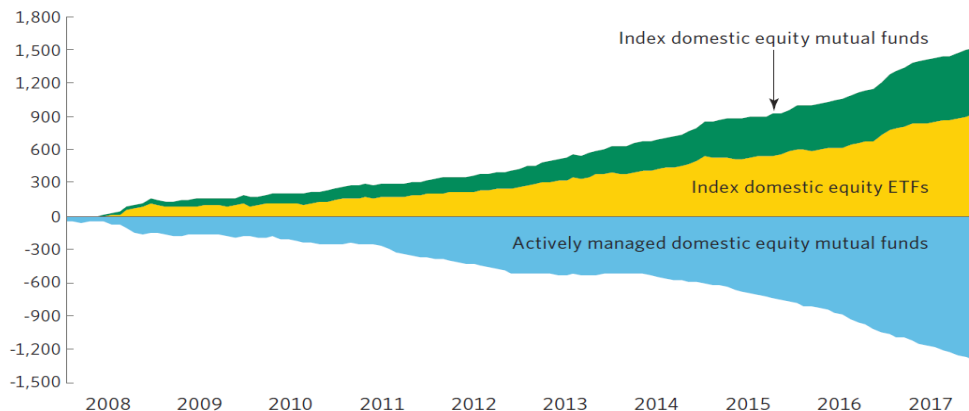
- Announcement of material reduction in guidance and indication of potential revisions to R&R



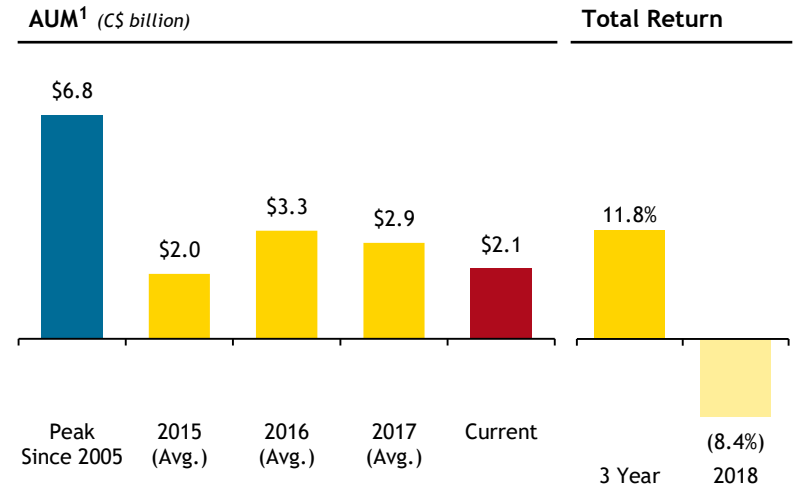
## Key Themes

- 1 Funds flows from actively managed funds to passive funds (ETF, Index, and Quant Funds) continue to grow
- 2 Passive capital does not buy new equity issues
- 3 Increasing electronic and algorithmic trading strategies heightens volatility

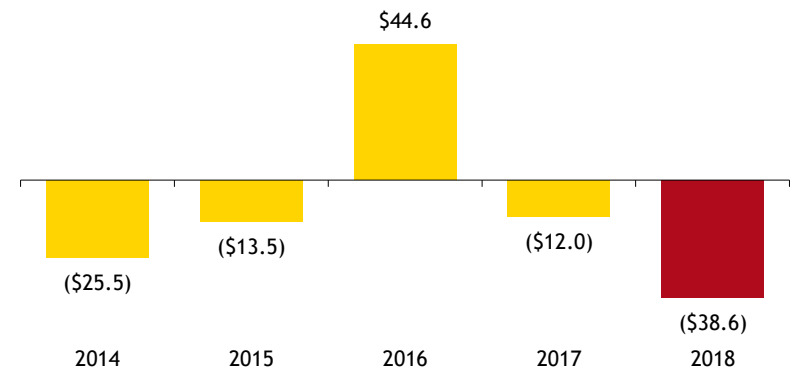
## U.S. Domestic Equity Cumulative Net Fund Flows<sup>1</sup> (US\$ billion)



## Canadian Precious Metals Mutual Funds



## Bullion and Gold Equity ETF Flows (US\$ billion)



<sup>1</sup> Source: Investment Company Institute 2017 Fact Book and February 2018 Monthly Report; net fund flows include reinvested dividends.



## Equity











## Debt



## Key Themes

- 1 Mining equity issuance at lowest levels since 2002
- 2 Base metals a significant portion of recent issuance
- 3 Offering sizes have been small and new issue discounts remain large

## Select Mining Equity Issuances (C\$ millions)

Issuer	Pricing Date	Issue Size (C\$ millions)	Discount (%)
 <b>BGM</b>	Nov-18	\$25	na <sup>1</sup>
 <b>UEC</b> <small>Uranium Energy Corp</small>	Sep-18	\$26	11
 <b>EQUINOX GOLD</b>	Sep-18	\$97	9.5
 <b>TMAC</b> <small>RESOURCES</small>	Sep-18	\$90	na <sup>2</sup>
 <b>OSISKO</b> <small>Mining</small>	Aug-18	\$73	na <sup>3</sup>
 <b>LARGO</b> <small>RESOURCES</small>	Jul-18	\$97	12
 <b>COBALT27</b>	Jun-18	\$300	11.8
 <b>NEMASKA</b> <small>LITHIUM</small>	May-18	\$280	15.3

<sup>1</sup> Consists of two tranches: \$5 million common share tranche (5.6% discount) and a \$20 million FT tranche (38.9% premium).

<sup>2</sup> Consists of three tranches: \$9 million charitable FT tranche (32.2% premium), \$6 million traditional FT tranche (12.6% premium) and a \$9 million common share tranche (2.3% discount).

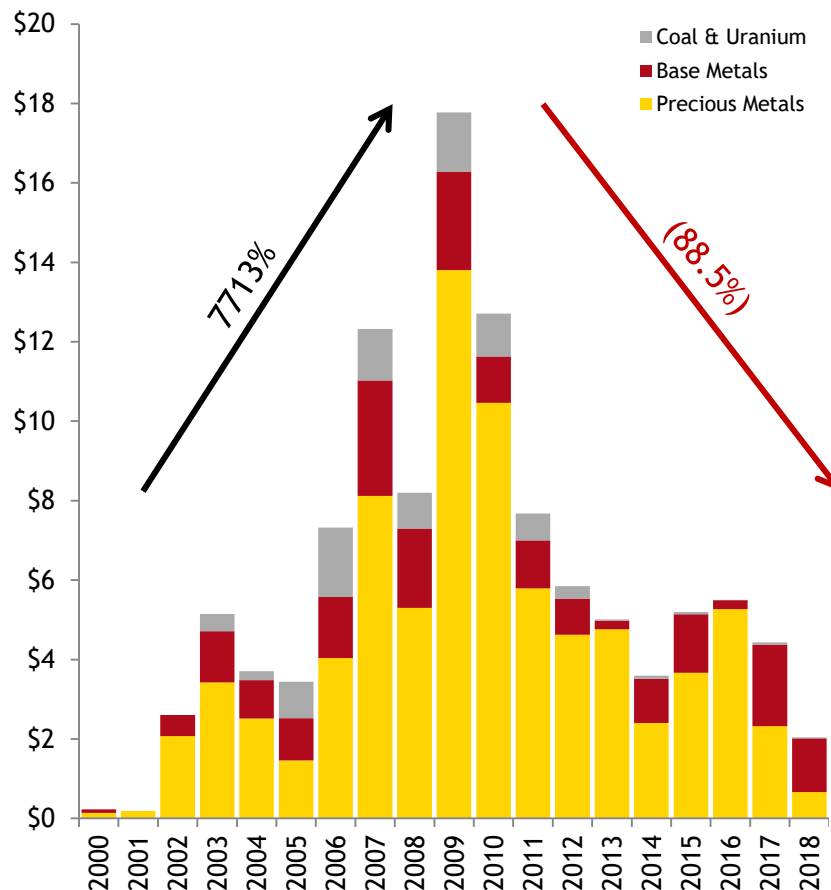
<sup>3</sup> Consists of two tranches: \$40 million tranche (66.7 premium) and \$28 million tranche (34.5% premium). Includes concurrent \$5 mm private placement of common shares. Distribution metrics pertain to public common offers.

Includes \$66 million concurrent non-brokered private placement of common shares to RCF, Newmont and BlackRock. Distribution metrics pertain to public common share offering only.

Note: Based on pricing date.

As of January 25, 2019.

## TSX Mining Equity Issuance (C\$ billions)



## Key Themes

1 “Window driven market” with 2017 seeing first significant IPO’s in 5 years

2 Recent IPO’s primarily in base metals - zinc and copper

3 A number of IPOs in the pipeline for 2019 and success will depend on market conditions

## Select Recent Canadian IPOs (Over C\$50 million, Excluding SPACs)

**ERO COPPER**  
C\$127mm

**TITAN**  
C\$52mm

**nexa**  
USD\$570mm

**TACORA RESOURCES**  
Withdrawn

**TROILUS**  
C\$23mm

**NORTH AMERICAN LITHIUM**  
C\$52.5mm

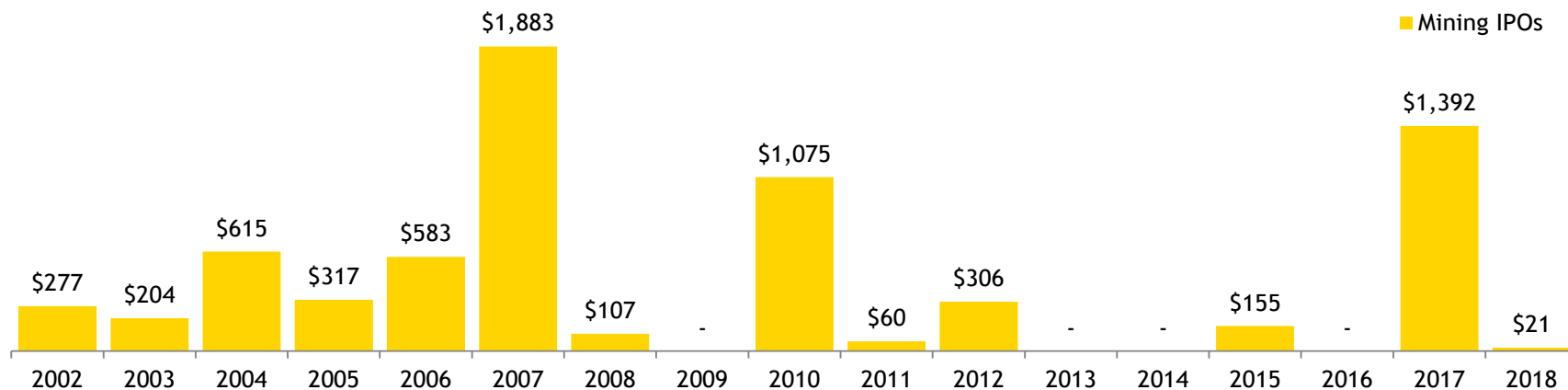
**COBALT27**  
C\$200mm

**LEAGOLD MINING**  
C\$179mm

**SUPERIOR GOLD INC.**  
C\$33mm

**STEPPE GOLD**  
C\$21mm

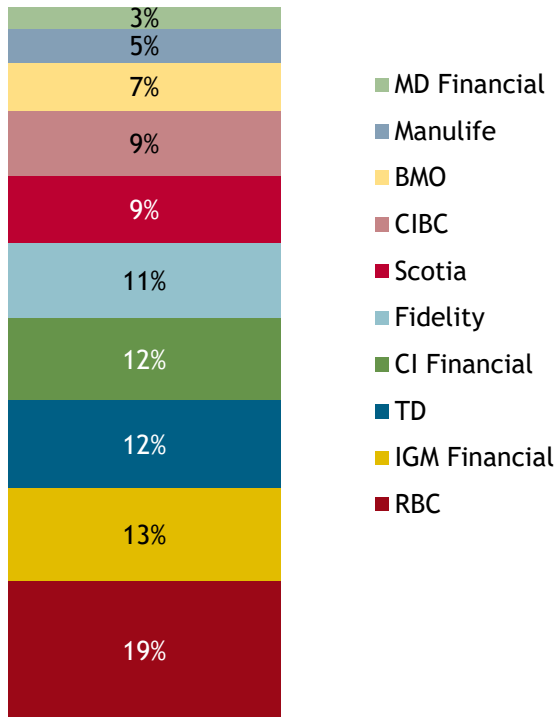
## Canadian Mining IPO Market Update C\$ millions (TSX)<sup>1</sup>



<sup>1</sup> IPO sector composition based upon dollar value of IPOs.  
Note: As at January 25, 2019.

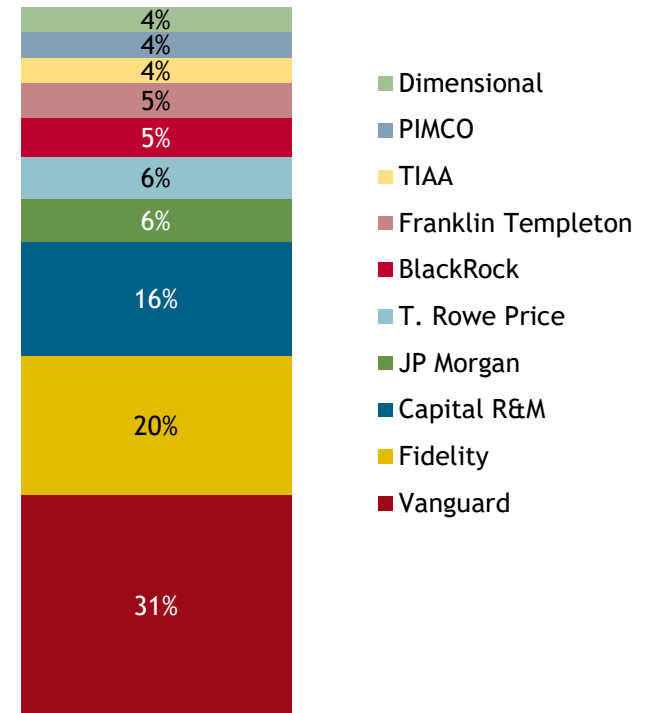
- Money management is becoming increasingly concentrated

## Canadian Top 10 Mutual Fund Providers - AUM<sup>1,2</sup>



Total Canadian Mutual Fund Provider AUM: US\$1.1 trillion

## U.S. Top 10 Mutual Fund Providers - AUM<sup>1,2</sup>



Total U.S Mutual Fund Provider AUM: US\$8.7 trillion

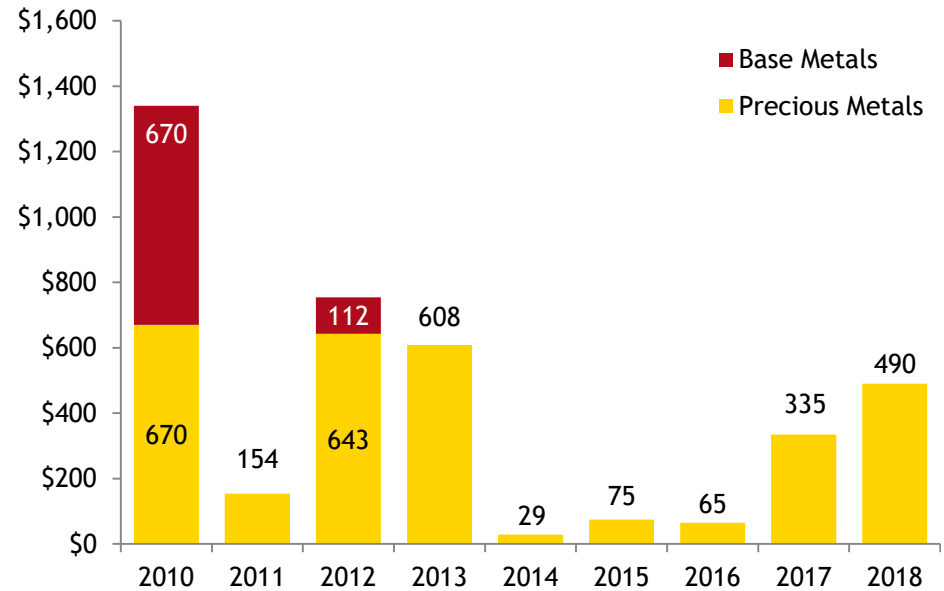
<sup>1</sup> Source: Bloomberg Intelligence.

<sup>2</sup> Source: ETF.com and Investment News as at December 31, 2016.

## Key Themes

- 1 Bonds that are convertible into equity at a premium to the current share price
- 2 Provides downside protection to investor and lowers the borrowing costs for issuers
- 3 Recent issuance has accelerated in the junior mining sector to fund project development and to refinance debt

Mining Convertible Debentures Issuance 2010-2018 YTD (US\$ millions)



## Select Mining Issuers (2014 - 2018 YTD)



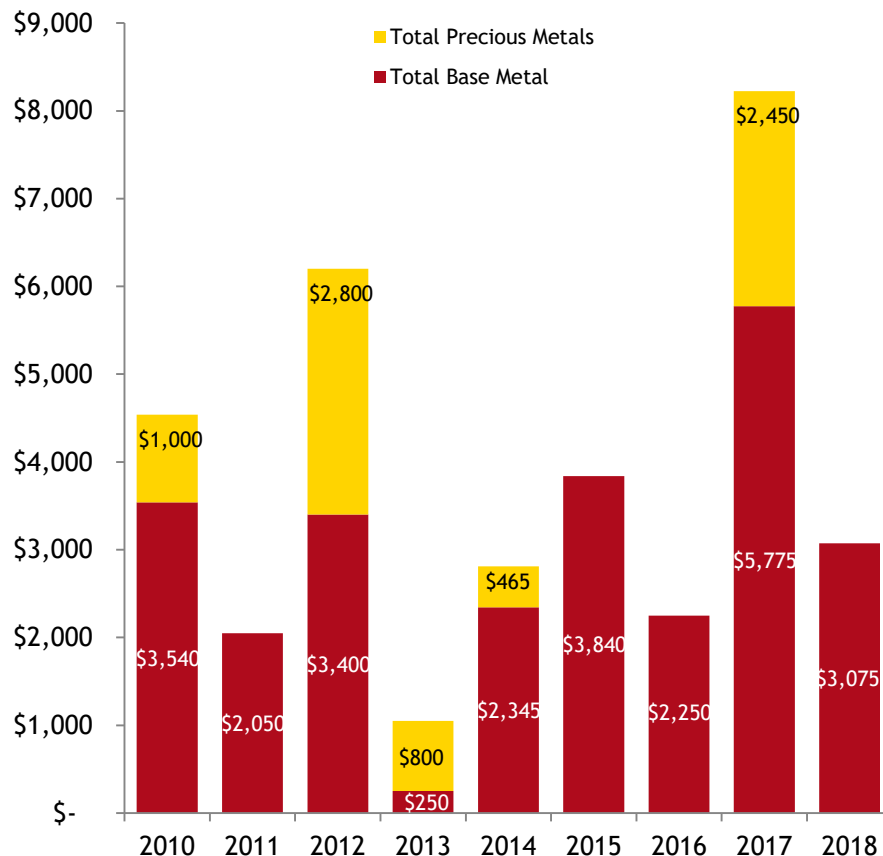
## Key Themes

- 1 Has provided significant capital to the mining sector
- 2 A low interest rate environment provided attractive funding opportunities to producing miners
- 3 Issuance has slowed in 2018 with volatile interest rates and no refinancings in the gold sector

## 2017-2018 Selected Mining High Yield Deals

Issuer	Amount Issued (US\$ millions)	Type
First Quantum Minerals	\$1,850	Base
Baffinland Iron Mines	\$575	Base
Fortescue Metals Group	\$500	Base
Largo Resources	\$150	Base
Kinross	\$500	Precious
IAMGOLD Corp	\$400	Precious
New Gold	\$300	Precious
<b>Total</b>	<b>\$4,275</b>	

## Select Base Metals and Gold Mining Issuance Since 2010 (US\$ millions)

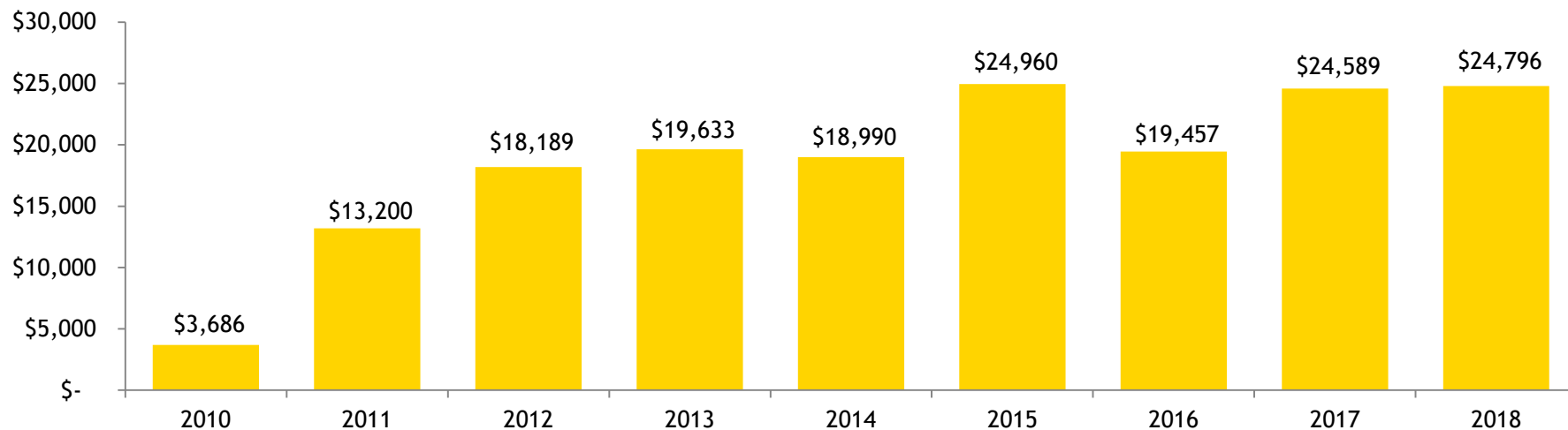


## Key Themes

- 1 Most intermediate to large cap miners have revolving credit facilities with a syndicate of banks
- 2 Many of these facilities are undrawn at this time
- 3 Banks have remained supportive of the mining sector with many new or renewed credit facilities put in place since 2014

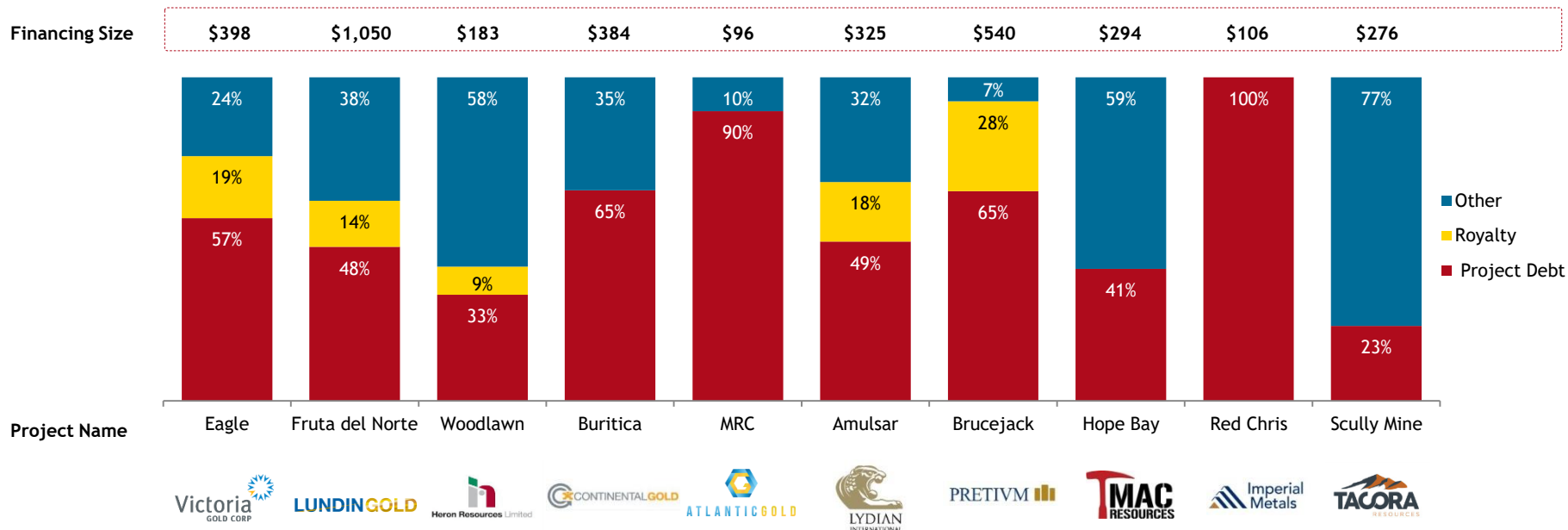
<b>Precious Metals</b> 	<b>Diversifieds</b> 	<b>Base Metals</b> 	<b>Iron Ore</b> 
<b>Battery Metals</b> 	<b>Streamers</b> 	<b>Uranium</b> 	

Mining Issuances in the Canadian Bank Market 2010-2018 (C\$ millions)



Source: Bloomberg and CIBC Internal Database.

## Recent Select Transaction Financing Blends (US\$ millions)



## Key Themes

- 1 Project debt remains a significant part of development funding
- 2 Financing packages have also included equity, warrants and streams

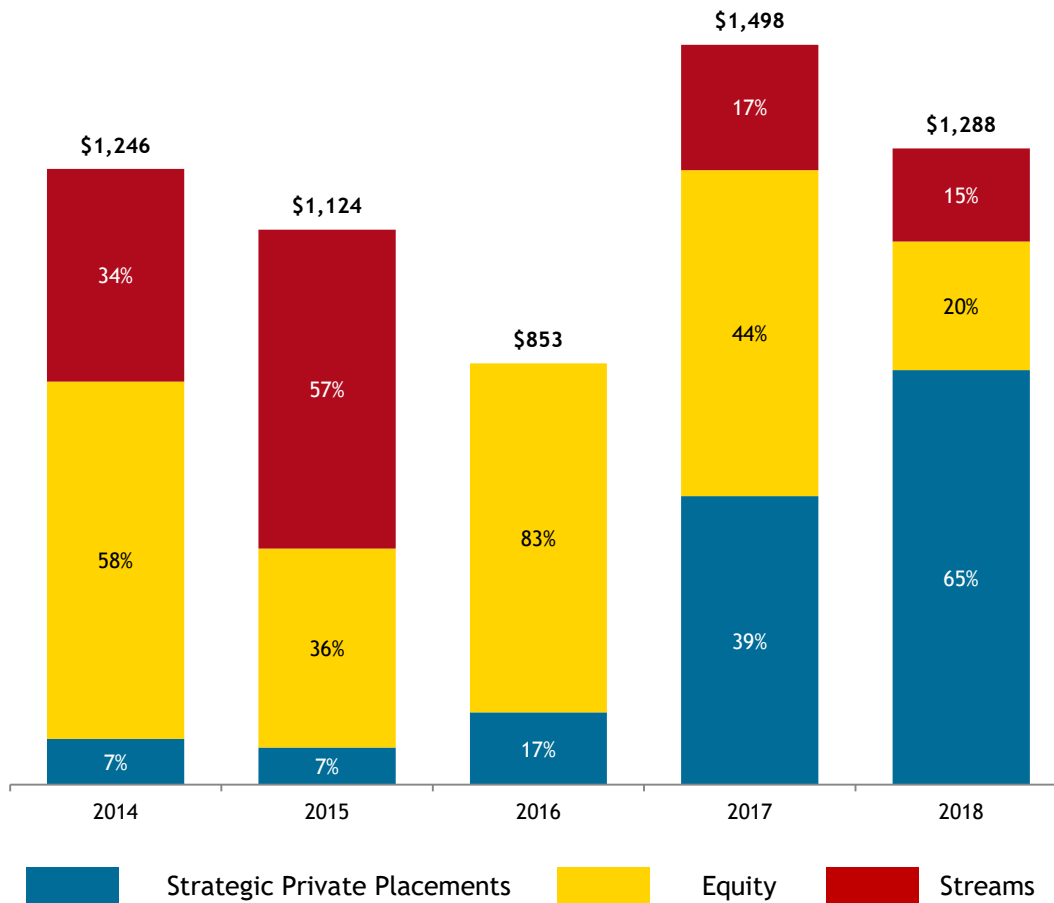
- 3 In general, financing packages are concluded post completion of a feasibility study
- 4 Lenders view Development Bank and Export Credit Agency favorably when financing in high risk jurisdictions



## Key Themes

## Alternative Financings vs. Jr. Gold Equity<sup>1,2</sup>

- 1 Junior gold companies have historically relied on public equity markets to raise capital
- 2 Juniors now relying less on public equity and more on alternative sources of capital
- 3 Streams provided by royalty companies - significant in 2014 and 2015
- 4 Strategic private placements by larger cap miners - in 2017 and 2018



<sup>1</sup> Market data as of January 25, 2019.

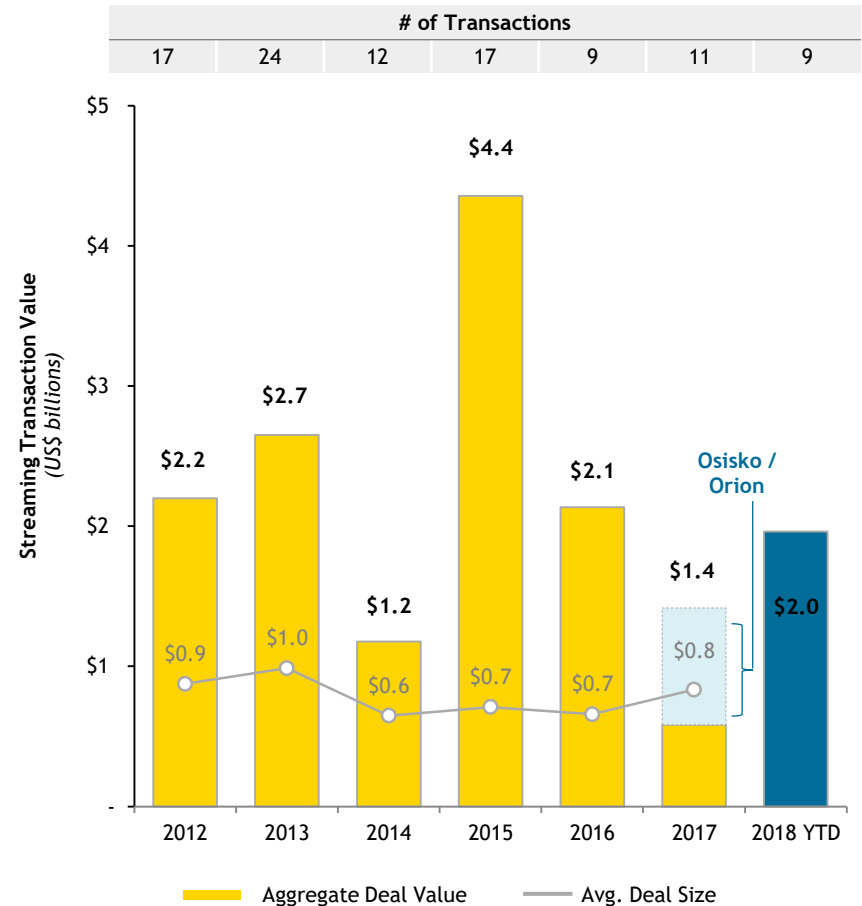
<sup>2</sup> Junior gold consists of gold mining companies listed on the TSX with a market cap less than C\$300 mm

## Key Themes

- 1 Streaming and royalty companies have become significant players in the mining space and key providers of capital
- 2 Strong level of activity in 2012-2016 as senior precious and base metals miners reduced debt
- 3 Recent activity has focused on supporting acquisitions and project development
- 4 Scarcity and increased competition has resulted in strong competition for high quality streams



## Royalty and Stream Transactions<sup>1</sup> (US\$ billion; Since 2012)



<sup>1</sup> Average deal size based on transactions over US\$250 million only. 2017 average excludes Orion / Osisko transaction. Market data as at January 25, 2019. Source: SNL Financial and CIBC internal database.

- The larger cap gold companies have become significant providers of capital to the junior golds

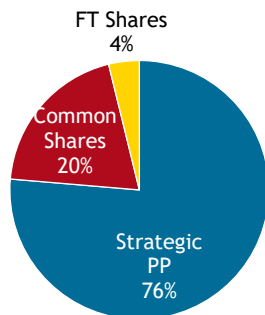
## Strategic Investments / Holdings More Common

 <ul style="list-style-type: none"> <li>Arcus Development</li> <li>Auryn Resources</li> <li>Contact Gold</li> <li>Colorado Resources</li> <li>Gold Standard Ventures</li> <li>Independence Gold</li> <li>Mawson Resources</li> <li>Probe Metals</li> <li>Sirios Resources</li> <li>Alio Gold</li> <li>Triumph Gold</li> </ul>	 <p>AGNICO EAGLE</p>	<ul style="list-style-type: none"> <li>Belo Sun</li> <li>Candelaria</li> <li>Cartier Resources</li> <li>GoldQuest</li> <li>Orla</li> <li>Otis Gold</li> <li>White Gold</li> </ul>	 <p>KINROSS</p>	<ul style="list-style-type: none"> <li>Lundin Gold</li> <li>Victoria Gold</li> <li>White Gold</li> <li>Nighthawk Gold</li> <li>Aurion Resources</li> </ul>
 <ul style="list-style-type: none"> <li>Continental</li> <li>Goldstrike</li> <li>Pilot Gold</li> <li>TMAC</li> </ul>	 <p>BARRICK</p>	<ul style="list-style-type: none"> <li>NuLegacy Gold</li> <li>Coral Gold</li> <li>ATAC Resources</li> <li>Reunion Gold</li> <li>Skeena</li> <li>Royal Road</li> <li>Midas Gold</li> </ul>	 <p>ANGLOGOLD ASHANTI</p>	<ul style="list-style-type: none"> <li>Pure Gold</li> </ul>
 <ul style="list-style-type: none"> <li>Almadex</li> <li>SoiGold</li> <li>Lundin Gold</li> </ul>	 <p>OCEANA GOLD</p>	<ul style="list-style-type: none"> <li>Gold Standard Ventures</li> <li>NuLegacy Gold</li> </ul>	 <p>IAMGOLD</p>	<ul style="list-style-type: none"> <li>TomaGold</li> </ul>
	 <p>BEGOLD</p>	<ul style="list-style-type: none"> <li>Calibre Mining</li> <li>RTG Mining</li> </ul>	 <p>KIRKLAND LAKE GOLD</p>	<ul style="list-style-type: none"> <li>Novo Resources</li> </ul>
		<ul style="list-style-type: none"> <li>Cardinal Resources</li> <li>Asanko</li> </ul>	 <p>GOLD FIELDS</p>	

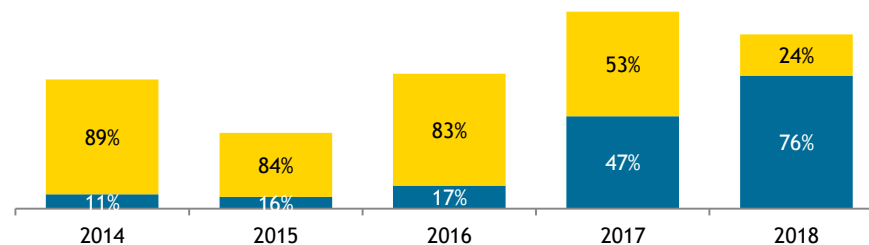
*Indicates new or additional investment made in 2016 - 2018*

## Capital Raised by Jr. Gold Companies<sup>1,2</sup> (2017 - 2018)

Chart Label	Transaction Type	Value (C\$ mm)
Strategic PP	Strategic Private Placements	\$839
Common Shares	Other Common Shares	\$218
FT Shares	Other Flow-Through Shares	\$42
<b>Total</b>	<b>Total</b>	<b>\$1,100</b>



## Strategic Private Placements vs. Jr. Gold Equity<sup>1,2</sup>



■ Strategic Private Placements   ■ Other Equity

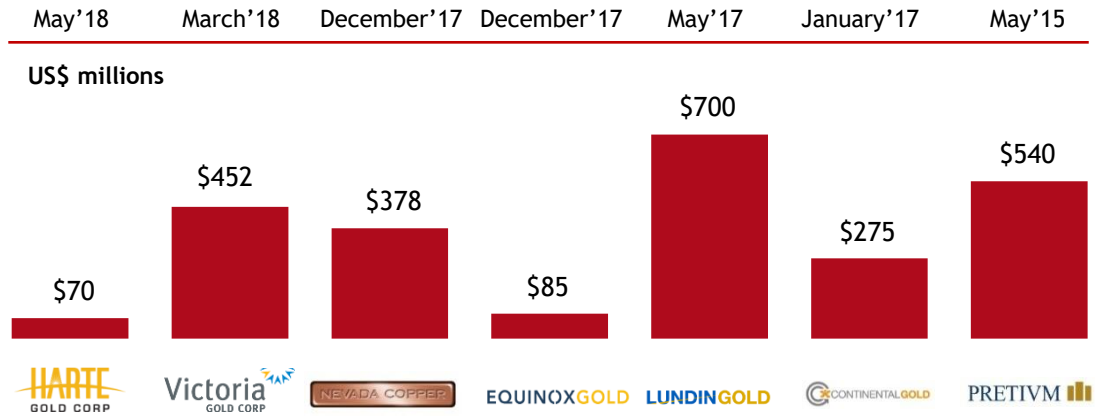
<sup>1</sup> Market data as at January 25, 2019.

<sup>2</sup> Junior gold consists of gold mining companies listed on the TSX with a market cap less than C\$300 mm.

Source: Bloomberg Financial Markets.

## Key Themes

- 1 Private equity investors have been deploying significant capital in the mining sector
- 2 Strong technical expertise and ability to understand technical risks
- 3 Ability to provide a combination of structures: equity/equity linked, debt, streams/royalties



### Select Mining Private Equity Investors

Market data as of January 25, 2019.



High risk capital, which has traditionally supported junior mining, has moved on to several other alternatives which have provided strong returns



Structural changes in the public equity markets are negatively impacting a miner's ability to raise equity capital



However, sophisticated alternative providers of capital are emerging and providing highly structured financing packages



Large miners continue to have access to relatively inexpensive debt



Access to capital for mining remains window driven and capital providers are highly selective

***Understand all your sources of funding and how they fit with your objectives, and be ready to finance when the window opens***