



Resources and Reserves Standards Perspectives of a Debt and an Equity Funding

FUNDING MINING BUSINESS IN BRAZIL

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Funding mining business in Brazil

1. EARLY 2010S ENVIRONMENT;
2. THE END OF A CYCLE;
3. CONFLICT OF INTERESTS
4. A GOOD RESERVE FROM A DEBT PERSPECTIVE
5. LOOKING FORWARD.

1. Early 2010s environment

- ▶ Huge investments were formatted in Project Finance structure because they were larger than shareholders balance sheet;
- ▶ Brazil was in a high with Infrastructure projects tailored to the Soccer Cup, Olympics and to supply commodities to China.
- ▶ Brazilian Banks were eager to participate in all infrastructure and project finance;

2. The end of a Cycle

- ▶ Shareholder support is increasingly necessary to fund projects;
- ▶ Brazil struggles to get any positive news from the economy and China;
- ▶ Brazilian Banks are working out of bad debt and restructuring what is possible.

3. Conflict of Interests

Issues

- ▶ Cash Flows:
- ▶ Life of Mine:
- ▶ Mining Schedule/Plan:
- ▶ Future drilling and Increased Reserves:

Debt Perspective

- ▶ Robust during Debt Maturity
- ▶ Significant Tail Period after Debt Maturity
- ▶ Must follow Schedule/Plan
- ▶ Nice but not tailored into financial models

Equity Perspective

- ▶ Maximize NPV and IRR
- ▶ Maximize Cash flow potential
- ▶ Flexible to capture upsides
- ▶ Important for Scenario and Sensitivity analysis

4. A Good Reserve from a Debt Perspective

- ▶ Life of Mine considerably longer than Debt Maturity;
- ▶ High Grade, indicating lower Operating Expenses and CAPEX;
- ▶ Possibility of reaching ore body with low pre stripping needs;
- ▶ Lower Stripping ratios.

5. Looking forward

- ▶ More Shareholder support;
- ▶ Strong Bankable Projects still attract attention;
- ▶ Short time to cash flow is of great importance;
- ▶ Simple and low CAPEX solutions are best;



Q&A

QUESTIONS AND ANSWERS



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