Mining in Western Africa

How to deal with the current challenges of the banking sector

October 2012
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1. Overview of BNP Paribas
BNP Paribas overview

A large and stable bank

- One of the largest international banking networks with strong positions in Europe, Africa, Asia and a significant presence in the United States
- BNP Paribas is #1 bank in the Eurozone in terms of deposits
- BNP Paribas is present in 78 countries with 194,400 employees
- BNP Paribas maintains its profit making capacity in a very challenging environment thanks to its resilient business model
  - Group net income of €4.7bn on revenues of €19.9bn (H1 2012)
  - Group net income of €6.1bn on revenues of €42.4bn (FY 2011)
- Strong balance sheet, diversified business lines and attention to risk management
  - Common Equity Tier 1 Ratio at 10.9% as at end of June 2012
- BNP Paribas is rated AA- by S&P and is one of the highest-rated international banking groups

2011 Revenue by Operating Divisions

- 60% Investment Solutions
- 24% Corporate & Investment Banking
- 16% Retail Banking

BNP Paribas Ratings

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P</td>
<td>AA-</td>
</tr>
<tr>
<td>Fitch</td>
<td>A+</td>
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<tr>
<td>Moody's</td>
<td>A2</td>
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</table>

Comparative Credit Ratings

<table>
<thead>
<tr>
<th>Bank</th>
<th>S&amp;P</th>
<th>Fitch</th>
<th>Moody's</th>
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</thead>
<tbody>
<tr>
<td>Rabobank</td>
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<td>AA</td>
<td>Aa2</td>
</tr>
<tr>
<td>HSBC Bank Plc</td>
<td>AA-</td>
<td>AA</td>
<td>Aa3</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>AA-</td>
<td>A+</td>
<td>A2</td>
</tr>
<tr>
<td>Wells Fargo &amp; Co</td>
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<td>AA-</td>
<td>A2</td>
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<td>Deutsche Bank</td>
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<td>A+</td>
<td>A2</td>
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<tr>
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<td>A</td>
<td>A1</td>
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<tr>
<td>Barclays Bank PLC</td>
<td>A+</td>
<td>A</td>
<td>A2</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>A</td>
<td>A+</td>
<td>A2</td>
</tr>
<tr>
<td>Crédit Agricole</td>
<td>A</td>
<td>A+</td>
<td>A2</td>
</tr>
<tr>
<td>Société Générale</td>
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<td>A+</td>
<td>A2</td>
</tr>
<tr>
<td>UBS</td>
<td>A</td>
<td>A</td>
<td>A2</td>
</tr>
<tr>
<td>Royal Bank of Scotland</td>
<td>A</td>
<td>A</td>
<td>A3</td>
</tr>
<tr>
<td>Banco Santander</td>
<td>A-</td>
<td>BBB+</td>
<td>Baa2</td>
</tr>
<tr>
<td>BBVA</td>
<td>BBB+</td>
<td>BBB+</td>
<td>Baa3</td>
</tr>
</tbody>
</table>

Source: Bloomberg, July 2012
2. BNP Paribas Metals & Mining Franchise
Structured Finance – Metals & Mining

Long term commitment as a market leader in the financing of the Metals & Mining industry

- Through its global Metals & Mining team, BNP Paribas has a unique franchise, dedicated to providing Corporate and Investment Banking services to producers and downstream players supported by:
  - commitment to a **wide range of mining sponsors**, from juniors to majors;
  - **appetite for emerging markets**: open for finance business around the world;
  - greenfield, expansion, acquisition and refinancing transactions;
  - **integration of multiple products** as appropriate to achieve best structure; and
  - **in-house technical and environmental & social expertise.**

- Integrated franchise offering access to M&A advisory, Equity Capital Markets, Debt Capital Markets and Risk Management solutions (FX, IR, Commodity Hedging)

- Creativity and commitment to provide original financing solutions and superior customer service

- Worldwide presence particularly in emerging countries and unmatched experience in Africa, with over **8,500 employees in 12 African countries**

- Presence in North Africa thanks to an **extensive network of over 600 branches** in Morocco, Algeria, Tunisia, Libya and Egypt

- Presence in West Africa through the **Banque Internationale pour le Commerce et l’Industrie (BICI) network**, with 115 branches in 6 countries: Senegal, Guinea, Mali, Côte d’Ivoire, Burkina Faso, Gabon

- Presence in South Africa as a **wholly owned branch of BNP Paribas Head Office**

- In the Metals & Mining sector, BNP Paribas consistently ranked among the **top 3 Lead Arrangers in the league tables**

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**We offer a complete range of financial solutions to suit your company’s and projects’ needs at every stage of their development**

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#1 Global Metals & Mining Financial Advisor in 1H2011 and #1 in 2010, *Infrastructure Journal*

Top mandated lead arranger of global export credit agency backed loans for the last 4 years, *dealeric*

Global Metals & Mining Franchise

One-stop shop for debt solutions with a regional approach

Toronto
Clients relationship office

Paris
EMEA Metals & Mining team

Geneva
CIS Metals & Mining team

Mumbai
Clients relationship office

Shanghai
Clients relationship office

Singapore
Asia Metals & Mining team

New York
Americas Metals & Mining team

BNP Paribas presence in Africa

Johannesburg
Clients relationship office

Perth
Clients relationship office

Sydney
Australia Metals & Mining team
3. BNP Paribas in Africa
BNP Paribas extensive network in Africa

- **ALGERIA** – 66 branches
  - BNP Paribas El Djazair
    - 1 Trade Center

- **TUNISIA** – 111 branches
  - UBCI
    - 1 Trade Center

- **LIBYA** – 48 branches
  - Sahara Bank

- **MOROCCO** – 309 branches
  - BMCI
    - 1 Trade Center

- **SOUTH AFRICA**
  - Representative Office & New Banking License

- **EGYPT** – 67 branches
  - BNP Paribas Egypt
    - 2 Trade Centers

- **SENEGAL** – 35 branches
  - BICIS
    - 1 Trade Center

- **GUINEA** – 20 branches
  - BICIGUI
    - 1 Trade Center

- **CÔTE D’IVOIRE** – 27 branches
  - BICICI
    - 1 Trade Center

- **BURKINA FASO** – 14 branches
  - BICIAB
    - 1 Trade Center

- **GABON** – 14 branches
  - BICIG
    - 1 Trade Center
4. Perception of African Political Risks
Political Risks in Africa: Despite Recent Economic Growth, the Perception of Political Instability Remains High

African Political Risks Still Perceived High compared to Other Continents

Contrasted Reality: Despite Substantial Economic Growth and Political Improvements, Risks of Instability Remain High

- Africa has seen over the last decade a significant growth higher than the US and Europe with an average annual GDP increase during the 2002 – 2010 period at 5.6%
- Forecast from African Development Bank expects 4.5% growth across Africa in 2012 and 4.8% in 2013
- However the GDP per capita remains in average extremely low compared to other continents. Africa counts around 75% of the countries qualified as “Heavily Indebted Poor Countries” according to the IMF/WB classification
- Political risks remain high despite positive evolutions in some countries. This year has seen in particular a coup in Guinea Bissau, and the secession of the North Mali. Destabilisation risks are high in the Sahelian countries in the wake of the war in Libya. Troubles around the question of borders remain important in Sudan.

Africa Remains a Marginal Continent in the World Economy

- Sub Saharan Africa accounts for
  - 11% of the World population
  - Around 2% of the World GDP
- African GDP amounts to USD1,621 billion vs World GDP of USD 62,000 billion
- African per capita GDP is around USD 1,636 vs World average of USD 10,460 (ex Africa)
5. How to Fund a Mining Project in Africa
### Mapping of funding sources

<table>
<thead>
<tr>
<th>Key Messages</th>
<th>Tenor</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Multilateral Agencies and DFIs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Usually the primary source of direct funding</td>
<td>7 – 15 years</td>
<td>- IFC</td>
</tr>
<tr>
<td>- Also provide B-Loans which will support commercial banks involvement in the transaction</td>
<td></td>
<td>- EIB</td>
</tr>
<tr>
<td>- Provide financing support to exports of good and services (&quot;tied&quot; program) or deemed national interest such as equity, off-take (&quot;untied&quot; program).</td>
<td>10 – 15 years</td>
<td>- European DFIs</td>
</tr>
<tr>
<td>- Support by way of credit insurance (political and commercial risk cover), credit guarantees or direct lending</td>
<td></td>
<td>- African DFIs</td>
</tr>
<tr>
<td>- Eligible ECAs would depend on the countries of origin of equipment and services, destination of exports and nationality of Project sponsors</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Export Credit Agencies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Actively involved in the financing of high profile projects with strong &quot;Chinese&quot; content (EPC / Offtake / Equity)</td>
<td>Case by case</td>
<td>- Tied Programs</td>
</tr>
<tr>
<td>- Has been an aggressive source of financing when other sources dried up</td>
<td></td>
<td>- US Exim</td>
</tr>
<tr>
<td>- Sizeable financing positions in projects that are of strategic national importance to China – particularly Mining and Oil &amp; Gas</td>
<td></td>
<td>- European and Asian ECAs</td>
</tr>
<tr>
<td><strong>Chinese Funding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commercial Banks &amp; Debt Capital Markets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Generally with political risk insurance or comprehensive cover from ECAs</td>
<td>Case by case</td>
<td>- Untied Programs (Asian ECAs, UFK, Nexi, EDC)</td>
</tr>
<tr>
<td>- High yield DCM solutions have significantly increased in the recent years</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. Traditional Sources of Funding
Traditional Financing Sources for a Mining Project in Africa

Multilaterals Agencies and Financing

Concept of DFI Financing

- DFIs are publicly owned agencies and funded by their member countries.
- Their mission is to promote **private business initiatives contributing to sustainable economic growth and improved living conditions** in developing countries.
- Involvement of DFIs can be envisaged if the considered investment is significantly positive for the country development.
- DFIs have therefore a special focus on all social and environmental issues.

Key Advantages of a DFI Financing

- Certain DFIs (multilateral institutions with a preferred creditor status) can mitigate commercial lenders’ country risk in a financing transaction through:
  - DFIs share of de facto a preferred creditor status: they have preferred access to foreign exchange in the event of any country FX shortage, their loans are excluded from general country debt rescheduling
  - “Halo Effect”: Protection from nationalization and/or expropriation, access to governments, coordination with the World Bank, etc.
- Enables long tenors for relatively large amounts.
Traditional Financing Sources for a Mining Project in Africa

Bi and Multilaterals Agencies and DFIs

**International Finance Corporation**
- The IFC is the private sector arm of the World Bank Group. The IFC can co-lend into projects, but traditionally prefers to act as lead arranger for the A-loan portion of the financing, syndicating the B-loan to the commercial loan market. This means that they provide direct funds through the A-loan and offer an “umbrella” effect to the lenders of the B-loan. Under their general guidelines, they can lend up to 25% of project costs for a Greenfield project and 50% for Brownfield projects.
- All IFC loans exempt lenders from withholding tax. IFC carries out its own due diligence and this can take some time depending on the parties involved and the level of co-operation. The benefits it brings are substantial in terms of overall amount of debt that can be raised and the tenors that can be achieved.

**European Investment Bank**
- The European Investment Bank is the long-term lending institution of the European Union established in 1958 for the purpose of supporting the continued development and integration of the Union as well as the development of economically weak regions.
- EIB can intervene on any kind of project, provided (i) that the project has a clear development focus and a positive impact on poverty, (ii) that there has been a transparent bidding process for the contract(s) awards (iii) that EIB is open on the host country and (iv) that the EIB tranche be key to make the project come true.

**European DFIs**
- Proparco (France), FMO (Netherlands), Frontier Markets Fund Management and DEG Invest (Germany) are four independent DFIs with mandates dedicated in private Projects facilitating the development of emerging countries’ economies.
- They have developed a mining strategy that is complementary to commercial banks financing projects where Commercial Banks would require large political umbrellas and onerous terms.
- Those DFIs have established a collaboration agreement where one represents the four of them throughout the execution.
- Their eligibility criterias differ although they share certain requirements (impact on country’s economic and industrial network, infrastructures, knowledge transfer etc...)
- Acting as a club they can provide funding for amounts USD 150 – 200m

**African DFIs**
- African Development Bank’s (‘Afdb’) mission is to support private-sector initiatives mobilizing resources for the continent economic and social development. It has a strong experience with mining projects Africa with tickets up to USD 100m.
- Afrexim – As a trade finance house it can have tenor constraints on some Projects where it is capped at 7/8 years. It can participates with tickets up to USD 100m
Traditional Financing Sources for a Mining Project in Africa

ECA Financing

Definition / Concept of ECA Financing

- An ECA is a government agency whose primary goal is to provide financing support related to exports of goods and services ("tied" program) or deemed national interest (equity, long term off-take of strategic commodities) from its home country to a given borrower in another country ("untied" program)
- Support from an ECA is materialized through
  - A credit insurance (political and commercial risk cover);
  - A credit guarantee; or
  - Direct lending.

Key Advantages of ECA Financings

- **Catalyst to banks’ presence** – By providing Political and/or commercial risk cover to Lenders, ECAs reduce banks’ exposure to country/industry concentration risk and enlarge the liquidity pool.
- **Enables long tenors**: Theoretically up to 14 years repayment period, with a maximum of 7.25 years of average life under OECD Arrangement for limited recourse transactions under tied ECA scheme.
- **Some ECAs may also provide direct funding or propose unfunded schemes, and also provide fixed rate** (CIRR-based) for the whole duration of the credit.

Two schemes of ECA financing

- **Tied ECA finance**: Based on the country of origin of equipments, goods and services (made in) and sometimes on the nationality of the contractor(s) (made by)
- Provides for direct payments to contractor(s) (refinancing to the borrower on a case by case basis)
- ECA support is ruled by the OECD Arrangement on Export Credits (capped amounts, tenor and level playing field with min insurance premium benchmark).

- **Untied ECA finance**: Granted by some ECAs (namely Japanese, Korean and to a lesser extent European Countries) if strategic interest for the lending country: Sponsorship, off-take, operation & management to a lesser extent
- No eligibility constraints related to procurement and not bound by OECD rules and therefore more flexibility in accommodating tenors and amounts.

Approach to limited-recourse financing

- **Eligible amount and scheme** (tied / untied) depend on
  - Tied schemes - the origin and amounts of equipment and services. Such identification must be sought from EPC contractors;
  - For the untied scheme, on the Equity portion and/or Offtake volumes, but also on O&M and other contractual involvements from companies of the country of the ECA.

- **Risk sharing appreciation** (commercial banks, other ECAs, multilaterals) will also impact ECA’s perception of a transaction

- Risk profile and Due Diligence - Satisfactory due diligence (economics of the project and resilience to downside sensitivities) and financial structure arrangements (security package) are key. ECAs tend to work with the same requirements as commercial lenders in terms of due diligence, security package and environmental assessment requirements.

- **Existing risk exposure on the country/region** could constrain the amounts they can contribute.
7. Emergence of Chinese Funding
Emergence of Chinese Funding

Chinese Funding

Access to Chinese Funding / Areas of Concern

- China has been an aggressive liquidity provider on a global basis while other traditional funding sources have dried up amid the financial crisis – especially in the natural resources sector
- Strategic move by China to secure LT raw material supply with a combination of Equity / Debt and Offtake Agreements
- **Sinosure cover may be requested** in some instances
  - Terms of a Sinosure guarantee for project financing not always adequate (limited cover for commercial risk)
- Current cost of US$ liquidity and recent increased reserve requirements imposed on Chinese banks
- Requires a compelling “Chinese angle” such as Chinese sponsor, offtake contracts, and/or EPC contractor

Implementation of the “Chinese angle”

- Chinese financial institutions – 2 different approaches
  - **Direct funding** of Chinese commercial and policy banks benefiting from the cover of Sinosure based on equipment to be delivered by Chinese Producers
  - **Direct funding** of Chinese commercial and policy banks without the cover of Sinosure based on a strategic Chinese interest in the Project
- Long term PF style financing with strong Chinese bank lending based on the prospect to secure LT material supply for strategic commodities
8. Where does the Banking Market Stand now?
Global Metal & Mining Market Overview – 9M 2012

Commentary

- Metals and Mining volumes grew steadily from 2009 up to 2011, driven mainly by strong global commodity prices and subsequent increased mining activity.

- In 2011, Metals and Mining activity had reached pre-crisis (2008). These deals were split between 60% upstream, 40% downstream.

- In FY2011, Asia Pacific and EMEA dominated loan market activity, although this trend is now changing with a more even split between Asia Pacific and the Americas.

- 2012, volumes have been relatively weak and is the direct consequence of European and global banking markets restrictions and a weakening commodities outlook.

Source: Dealogic Loan Analytics 2012

Source: Dealogic Loan Analytics, 2012

Global M&M Volumes by quarter

Global M&M Volumes by sector

Global M&M Volumes by Region
African Metals and Mining volumes continue to grow at a strong rate with significant activity in Q1 and Q2 2012 driving volume growth to reach record levels.

In 2012, Metals and Mining volumes have been evenly split between upstream and midstream.

Over the last 5 years, South Africa has dominated African Metals and Mining loan market activity with 67% of all volumes, with Zambia and Egypt also having a significant share of 10% and 8% respectively.

Loan volumes in Q4 2012 are expected to be strong with a number of projects in structuring phase in sub-sahara Africa which could come to market in before the end of year.
9. Debt Capital Markets: a complement to traditional sources of financing
Attractive market conditions prompted Mining sector issuers to take advantage of the low underlying benchmark yield.

- 2012 marks the highest international market issuance since 2000 with a total YTD supply of USD 53.6bn.
- USD and EUR capital markets remain the most competitive and deepest pools.
- Mining bond redemptions are streamlined with the highest refinancing wall hitting in year 2017, reflecting the high activity for 5-year tenors issued in year 2012.
- In October, Severstal (Ba1/BB+) priced a USD 750mn 10-year offering at 5.90%, whilst First Quantum Minerals priced a USD 350mn 7NC3 transaction at 7.25% coupon, proving the strong demand for Mining sector issuers.

### Increasing Access of Mining Issuers to Bond Markets

#### International Mining Issuance by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2000-2010 %</th>
<th>2011-2012 YTD %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>12%</td>
<td>33%</td>
</tr>
<tr>
<td>Europe</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Latin America</td>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td>North America</td>
<td>18%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>33%</td>
<td>12%</td>
</tr>
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</table>

Source: Dealogic

#### Mining sector redemption volumes by currency

<table>
<thead>
<tr>
<th>Year</th>
<th>USD mn</th>
<th>Euro mn</th>
<th>Other mn</th>
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<tr>
<td>2012</td>
<td>12</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>2013</td>
<td>15</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>2014</td>
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<td>2022</td>
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<td>21</td>
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Source: Dealogic; major currencies only (USD, EUR, GBP, CHF)

### Mining sector issuance volumes

<table>
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<tr>
<th>Year</th>
<th>Issuance Volume</th>
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<tr>
<td>2000</td>
<td>0.5</td>
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<tr>
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<tr>
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<td>2006</td>
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<td>2007</td>
<td>12.4</td>
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<td>2008</td>
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<td>2009</td>
<td>25.8</td>
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<tr>
<td>2010</td>
<td>24.9</td>
</tr>
<tr>
<td>2011</td>
<td>34.2</td>
</tr>
<tr>
<td>2012</td>
<td>53.6</td>
</tr>
</tbody>
</table>

Source: Dealogic; major currencies only (USD, EUR, GBP, CHF)
10. Contacts
Contacts – Metals & Mining

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