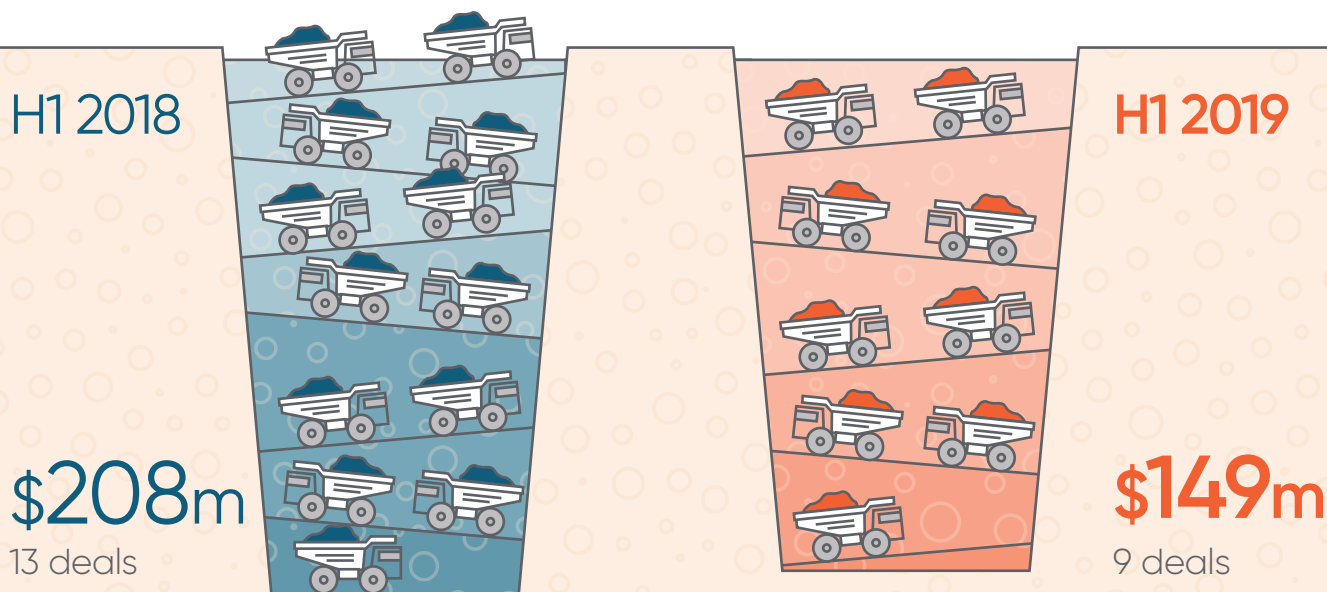


MINING PRIVATE EQUITY GOLD INVESTMENTS DECLINE BY A THIRD IN H1 2019

In terms of amount invested, investments in gold mining companies by Mining Private Equity in H1 2019 have fallen by approximately one third (29%) from H1 2018 to approx. \$149m.

The reduction in the amount invested is principally driven by a decline in deal activity with only 9 deals reported in H1 2019, down from 13 deals reported in H1 2018.

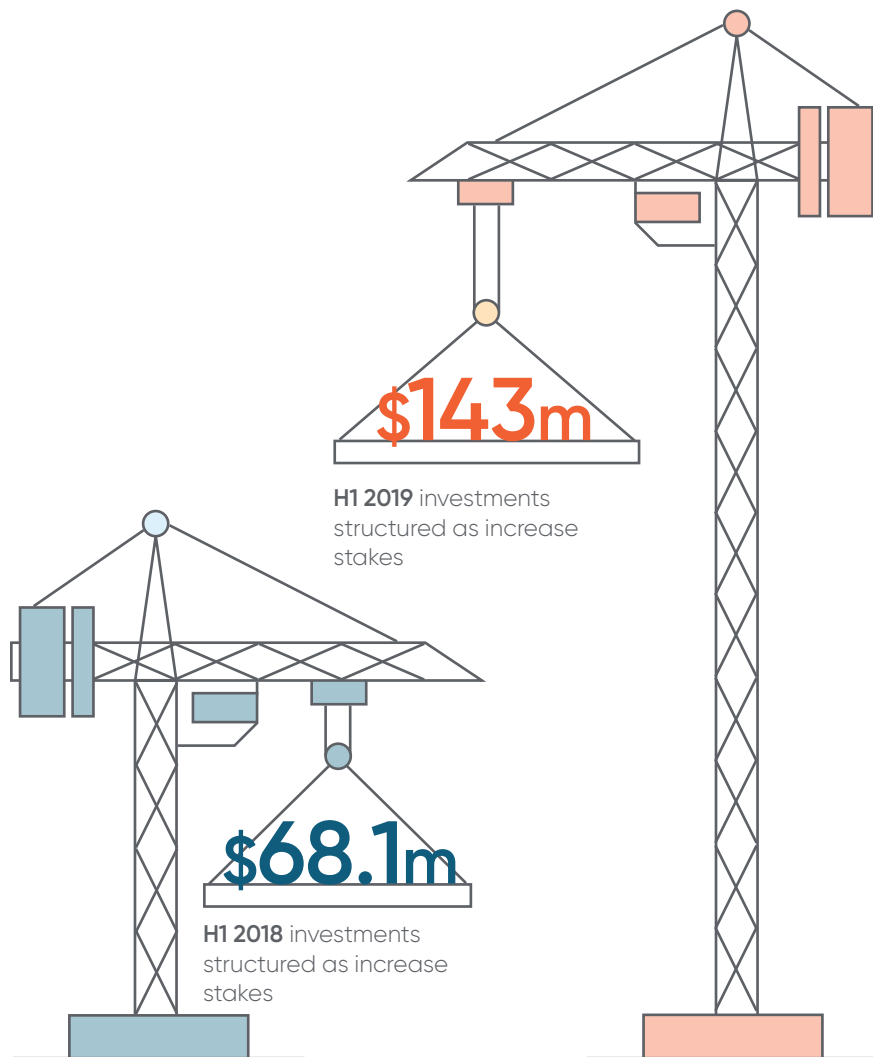
However, average deal size remains relatively unchanged - \$15.9m in H1 2019 vs an average of \$16m in H1 2018.



CONSTRUCTION AND ADDITIONAL FUNDING

Investments in H1 2019 have largely been structured as increased stakes with \$143m invested this way across 8 deals (96% of the amount invested). Many of these deals were to finance construction or refinance debt. This is a positive development as more projects are financed to production.

In H1 2018 more money was invested by way of strategic stake with \$115m invested across 6 deals. Only 32% of the total invested in H1 2018 was to increase stakes.

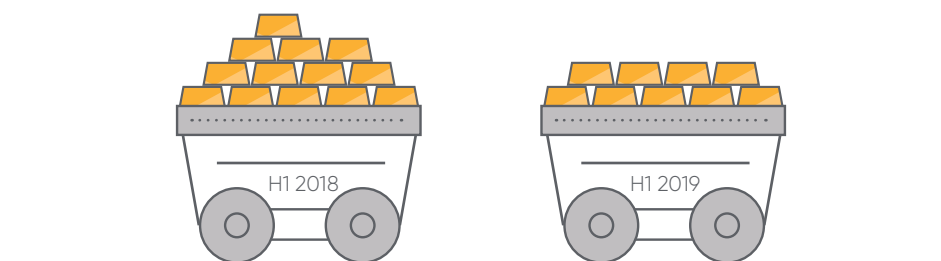


REASONS FOR DECLINE IN AMOUNT INVESTED BY PRIVATE EQUITY IN H1 2019

Gold has traditionally been the most popular investment for Mining Private Equity, topping the commodity chart in all but one of the last 5 years. So what is behind this fall in investments in gold in H1 2019? One reason may be that a number of the London based PE funds are currently restocking, focussing on raising additional funds themselves having deployed much of the capital raised in 2013.

Another reason for the fall in Mining Private Equity investments could be competition from Eric Sprott who

has been busy reinvesting capital following the reported \$125m disposal of part of his stake in Kirkland Lake Gold. Eric Sprott has made 5 reported investments in H1 2019 with \$14m invested. He has followed this with a further 9 investments in July 2019 alone, investing a further \$80m. Sprott's investments represent an increase in his stake across 6 investments (\$28.6m) and the acquisition of new strategic stakes for a further 8 investments (\$65.4m).

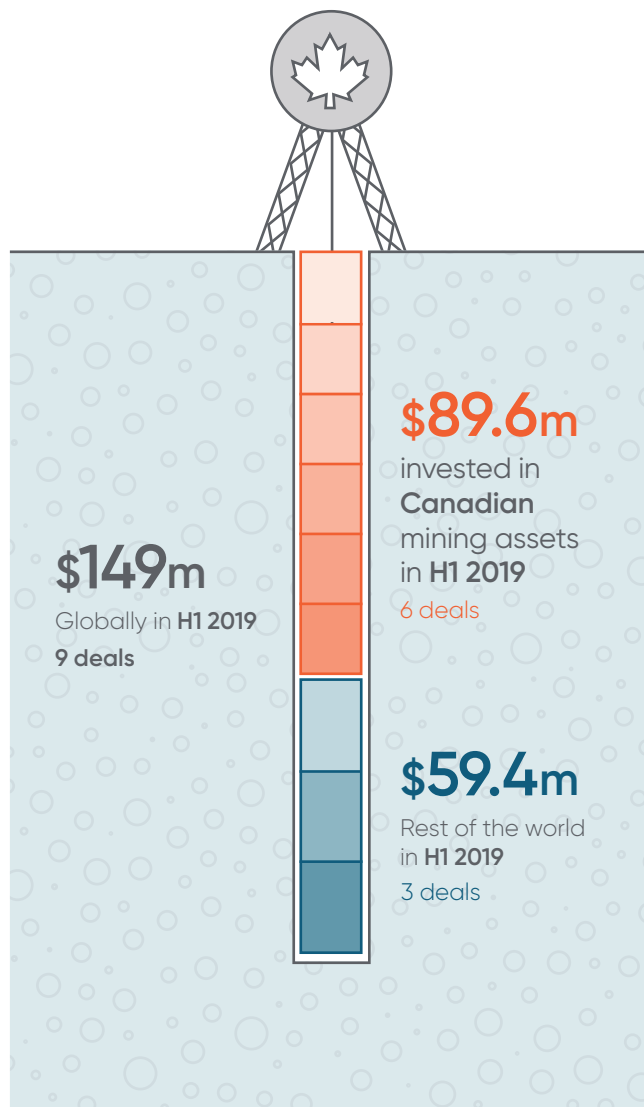


Gold investment has fallen in popularity in H1 2019

CANADIAN MINING THE BIG WINNER

Despite the reported difficulties experienced by Canadian miners in a market currently dominated by Cannabis, in H1 2019 6 of the deals, representing \$89.6m or 60% of the total amount invested, was invested into Canadian mining projects - a total then boosted further by Sprott's 4 investments in the period totalling \$11.7m. This trend has continued into July with a further 6 deals between PE/Sprott totalling \$52.5m.

The concentration of investments in the Canadian market is probably further compounded by the fund raising efforts of the London based Private Equity funds, who have traditionally been supporters of mining projects in Africa and South America, as well as North America.

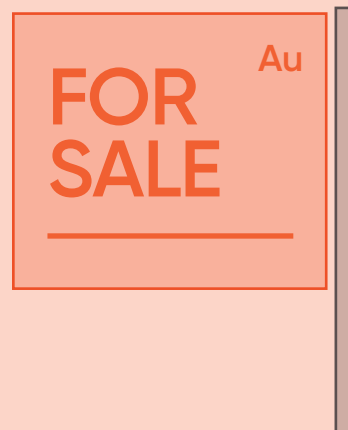


LOOKING FORWARD

In 2018 overall \$530m was invested into gold by mining private equity across 18 deals, although this figure was affected by a large acquisition in H2 2018. H2 2019 has started strongly with \$42m invested across 6 investments and a further \$80m from Sprott across 9 investments.

The remainder of H2 2019 may see a slowing down of investments by Sprott as \$94m of the approx. \$125m reported to have been realised has already been reinvested. However, mining private equity funds should be making further investments as they close their next funds.

Finally, looking forward into 2020, we expect to start to see more disposals by Mining Private Equity. Significant sums were raised by Mining Private Equity in 2013 as circa 10 year money meaning that these funds will enter into the investment realisation phase.



GETTING IN TOUCH

When you need a practical legal solution for your next business opportunity or challenge, please get in touch.

London

Adelaide House, London Bridge,
London, EC4R 9HA United Kingdom

ALEXANDER KEEPIN

alexander.keepin@bclplaw.com
T: +44 (0)20 3400 4273

TOM ELDRIDGE

tom.eldridge@bclplaw.com
T: +44 (0)20 3400 4989

Denver

1700 Lincoln Street, Suite 4100 Denver,
CO 80203-4541 USA

JIM CRESS

jim.cress@bclplaw.com
T: +1 (303) 866-0290

PAUL LOPACH

paul.lopach@bclplaw.com
T: +1 (303) 866-0207

CHARLES MAQUIRE

charles.maguire@bclplaw.com
T: +1 (303) 866-0550

ABOUT MINING AT BCLP

BCLP's international mining and metals practice fields a team of lawyers with experience in all aspects of transactions involving the mining sector.

Our mining sector centres of excellence in London, Denver, Moscow, Singapore and Dubai deliver a fully integrated legal service – from exploration through to mine development and production to end buyer – with a deep understanding of the legal and practical challenges that the industry faces when operating in developing or emerging markets.

Our team includes specialists across corporate finance, mergers and acquisitions, capital markets, project finance, asset finance, the environment, litigation and dispute resolution and operating and commercial contracts.

Clients include major publicly-traded mining companies, mining funds, various governments, as well as investment banks and brokers specialising in the sector.

ABOUT BCLP

Whatever opportunity or problem a business faces, we bring to bear the combined experience of 1,400 respected M&A, real estate, financial services, litigation and corporate risk lawyers across 31 offices in North America, Europe, the Middle East and Asia. Our priority is applying legal excellence to help businesses find practical, executable solutions. Furthermore, having been named a leader in law firm innovation four times in the last decade, clients can expect us to do that efficiently, effectively, and to adapt quickly.

Disclaimer

Sources: Publicly reported investments in US \$ as at 30 July 2019, where amount invested by the PE fund was disclosed and was greater than \$1m.