



**CHANGING PARADIGM
IN THE PRECIOUS
METALS SECTOR –**

**RISE OF THE GOLDEN
DRAGON**

**2013 PRECIOUS
METALS SUMMIT
HONG KONG
24TH JANUARY 2013**

OVERVIEW OF BROMIUS CAPITAL

BROMIUS
CAPITAL

WHO WE ARE

- Natural resource focused merchant banking investor
- Cumulative 60+ years experience in structuring deals & investing in the resources sector
- Major shareholder is GK Goh Holdings (one of Singapore's most reputed family offices)

WHAT WE DO

- Originate proprietary investments for Bromius, our Shareholders and Co-investors
- Identify quality resource projects with potential for substantial scale in our focus areas
- Partner and invest with proven management teams
- Where necessary work pro-actively with management to create and realise value through M&A and financing transactions

KEY RELATIONSHIPS

- Established quality mining groups in Canada and Australia
- Asian strategic & institutional investors and Sovereign Wealth Funds

INVESTMENT FOCUS

- Geographies: Americas, Africa, Eastern Europe, South East Asia
- Commodities: Precious metals (Au, Ag), Base metals (Cu, Ni, Zn), Energy (coal, uranium)

CHALLENGING MARKETS FOR JUNIOR MINERS

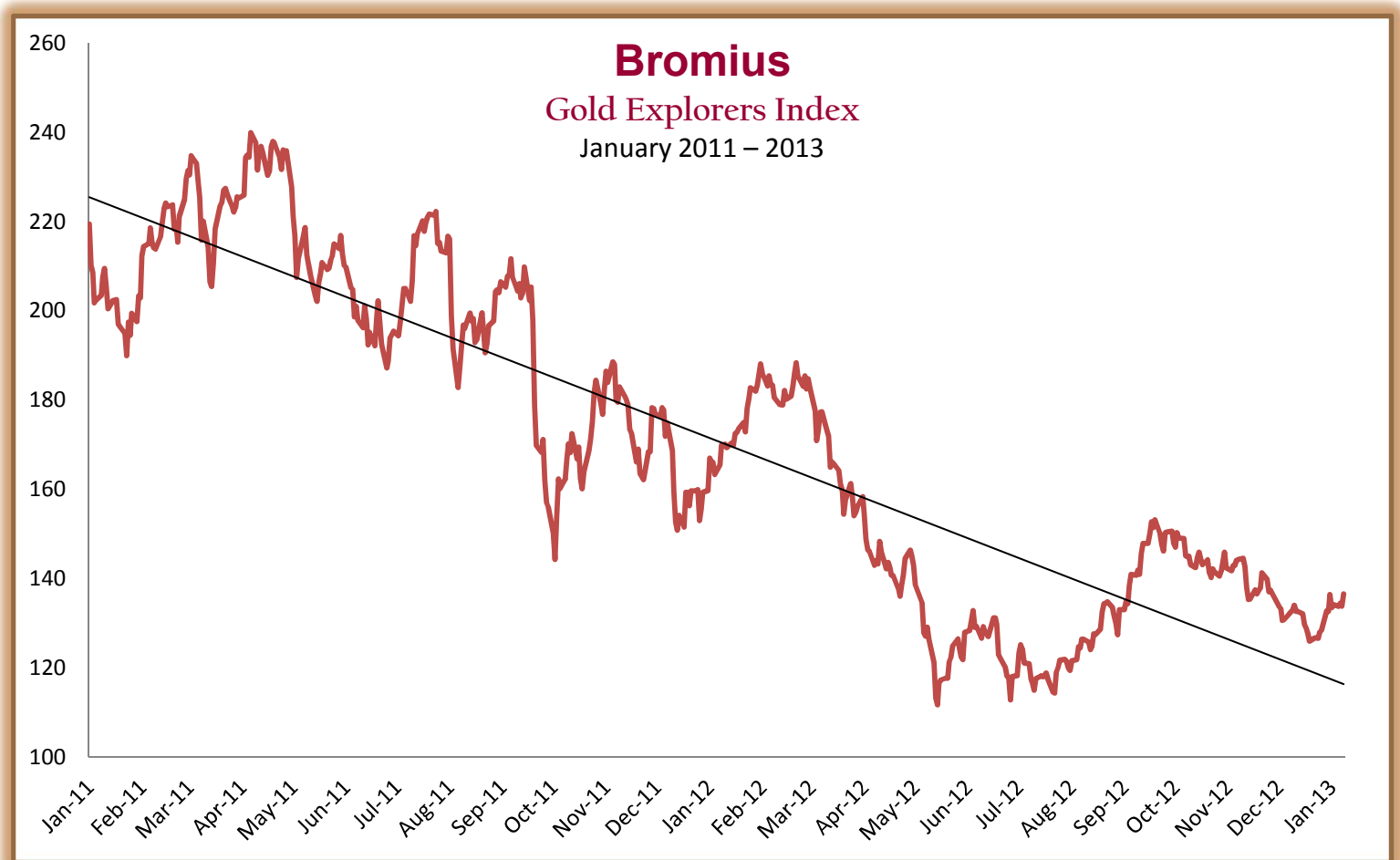
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80 junior gold
companies

Performance: -
Jan 2011 - Jan 2013

DOWN 38%

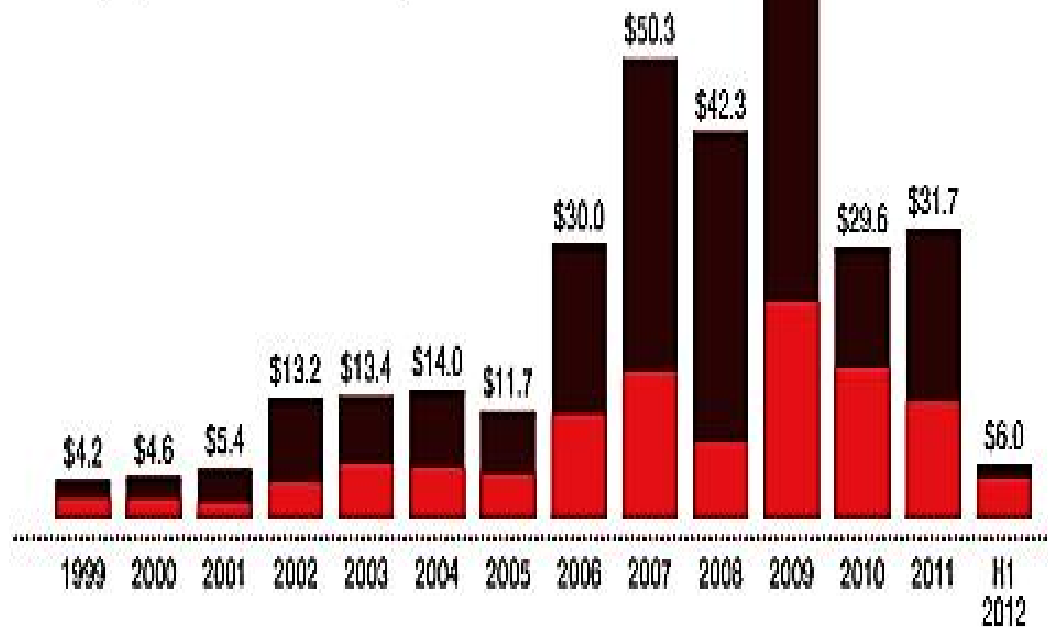
Junior gold equity
investors suffering
alongside junior gold
miners



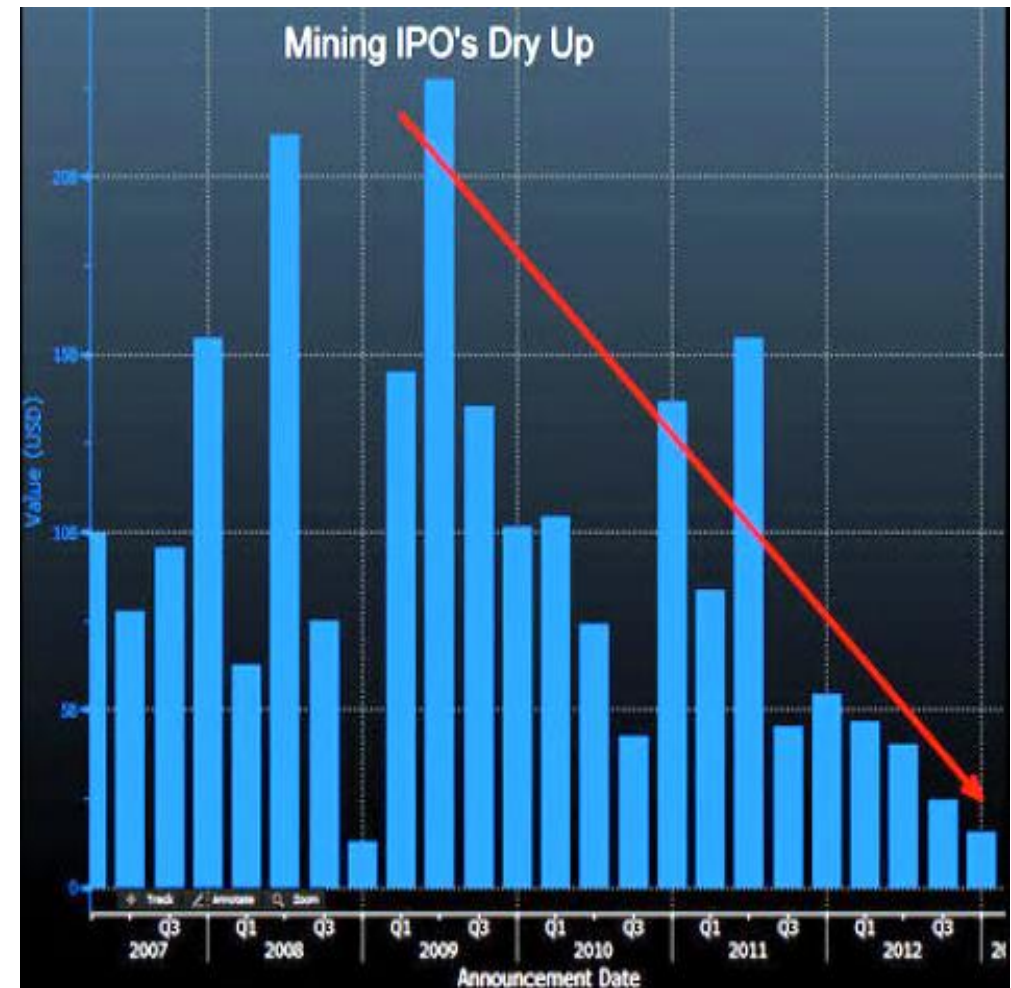
CHALLENGING MARKETS FOR JUNIOR MINERS

Global mining equity financing trend 1999-2012 H1
(\$ Billion)

- Equity raised on TSX & TSXV
- Equity raised on other exchanges



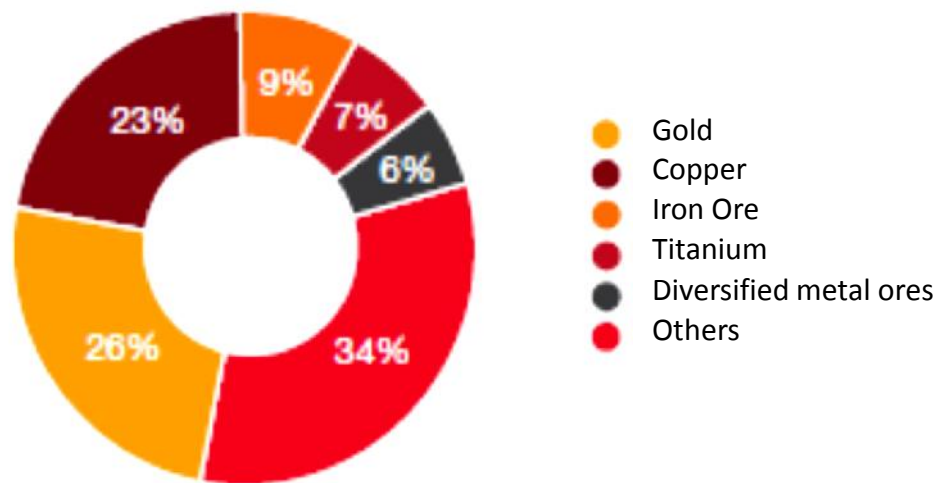
Source: PwC



Source: Bloomberg

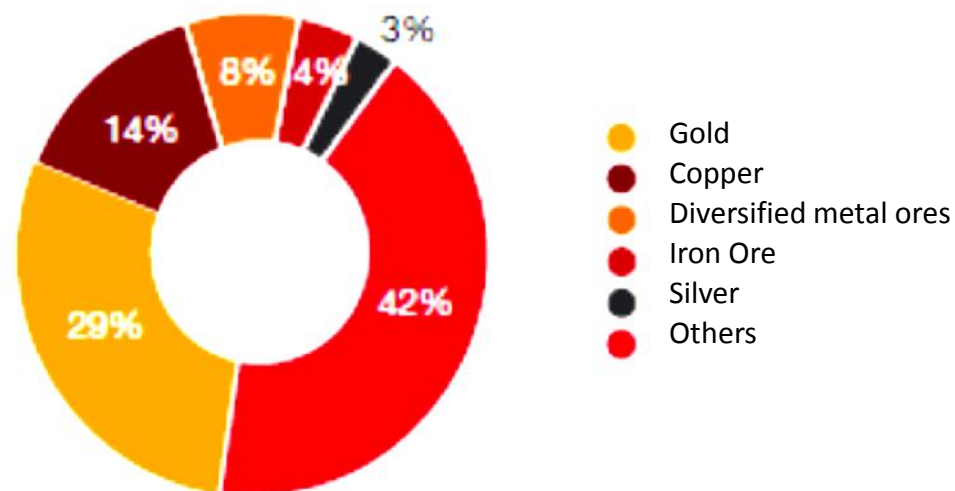
PERFECT STORM FOR M&A IN THE GOLD SECTOR

M&A Deals by Value by Commodity – excluding Glencore-Xstrata merger



Source: PwC, S&P Capital IQ

M&A Deals by Volume by Commodity (Glencore-Xstrata merger no impact)



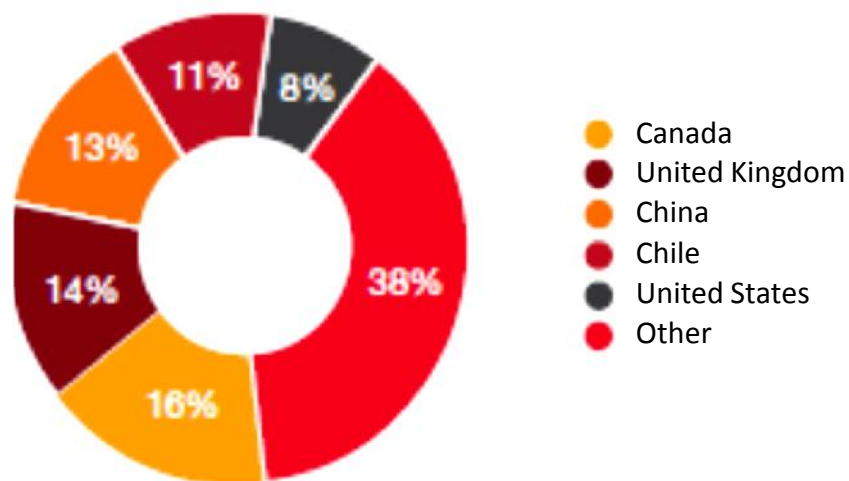
Source: PwC, S&P Capital IQ

- Gold was the no. 1 commodity in global M&A activity by value and volume in the 1H 2012 (*source: PwC*)
- Gold M&A activity being driven by drop in price of gold equities, continued strength in gold prices and drying up of traditional sources of funding

M&A activity in gold
expected to remain strong
in 2013 and beyond

CHINA REMAINS ACTIVE IN M&A

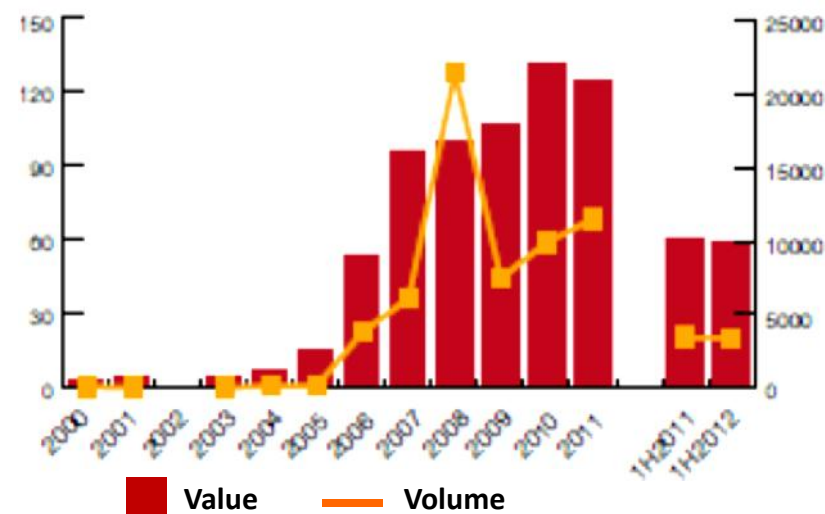
M&A Deals by Value by Region – excluding Glencore-Xstrata merger



Source: PwC, S&P Capital IQ

- China continues to be very active in mining M&A
- Recently, the Chinese government rebranded the principle of “going out” to “going global” and pledged a further \$560 billion to the policy over 5 years
- Majors distracted by increasing capex and operating costs and shareholder demands for distributions

Chinese equity acquisitions in the gold mining sector



Source: PwC, S&P Capital IQ

Gold now the favoured
commodity for Chinese
mining groups

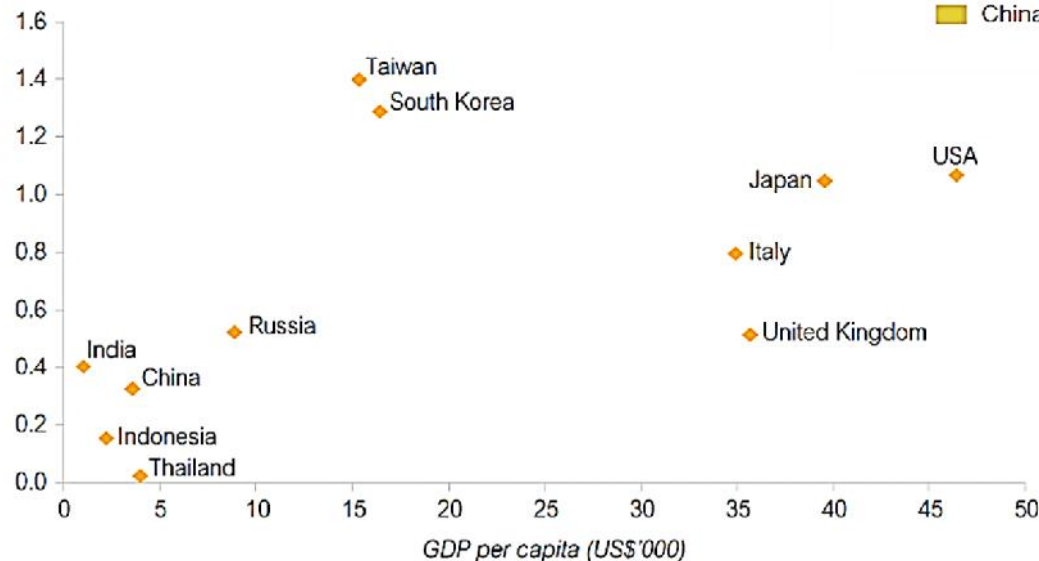
GROWING CHINESE GOLD DEMAND

Gold considered a sign of prosperity, an ornament and inherent part of Chinese religion

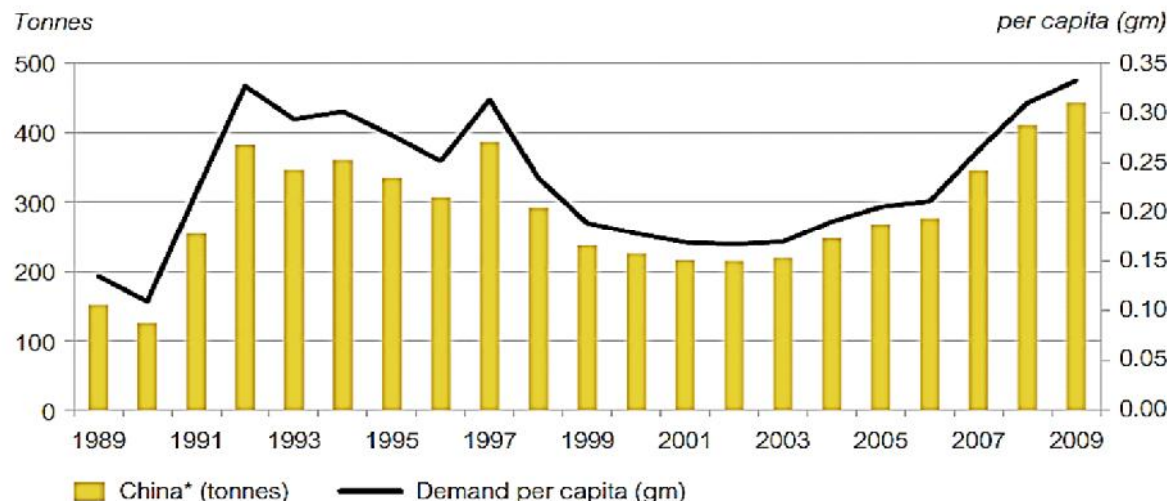
Chinese demand for gold has grown at an average rate of 13% over the past 5 years

Per capita consumption still amongst the lowest

Per capita gold consumption (gm)



Source: World Gold Council: China Gold Report



Source: World Gold Council: China Gold Report

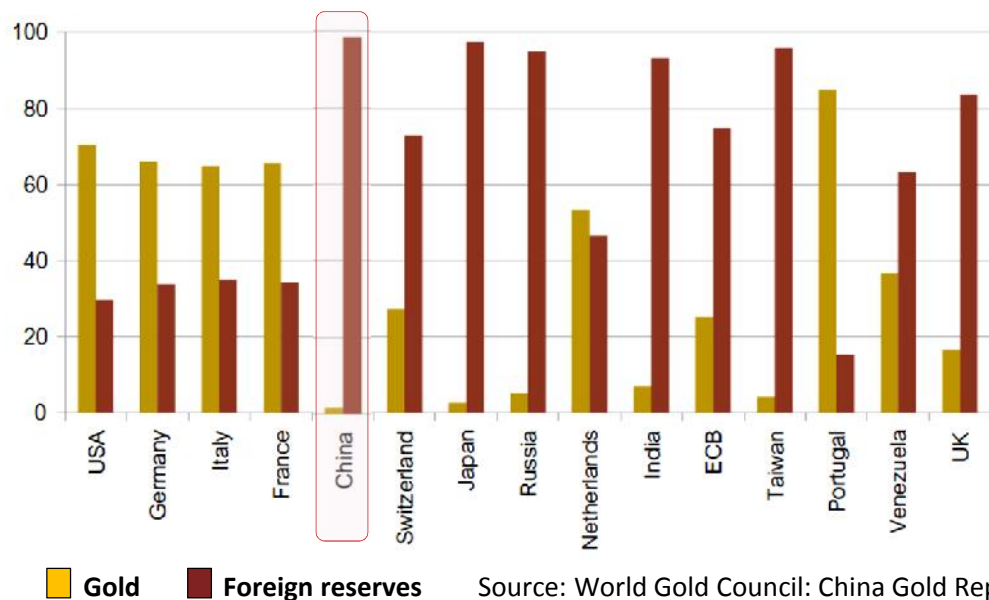
Rising income levels, growing middle class and high savings rate will all contribute to continued strong Chinese gold demand

GROWING CHINESE GOLD DEMAND

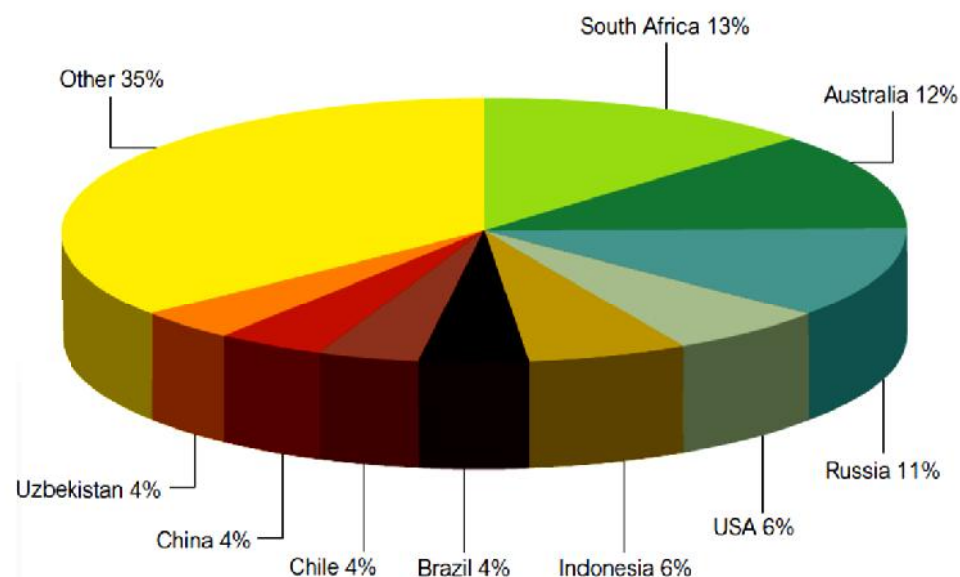
According to the US Geological Survey, China holds only 4% of global gold reserves and may exhaust existing gold mines in 6 years from now

According to official estimates, China holds just 1.7% of its forex reserves in gold - a fraction of what is held by most developed nations - this is & will change

% of total reserves



Source: World Gold Council: China Gold Report



Source: World Gold Council: China Gold Report

Strong domestic demand and supply problems is resulting in the Chinese Overseas Gold Mining Rush

RECENT CHINESE OVERSEAS GOLD M&A DEALS

Date	Acquiror	Target	Location	Stage of Development	Deal Size (US\$ M)	Type of Deal
Jan 2012	China National Gold Group	Kyrgyz gold assets of Chaoyue Group	Kyrgyzstan	Feasibility Study	21.00	70% stake
Apr 2012	LionGold Corp	Signature Metals	Ghana	Production	52.90	76% stake in Signature
Apr 2012	Shanghai Construction Co. Ltd	Chalice Gold	Eritrea	Feasibility Study	80.00	60% purchase
May 2012	Zijin Mining	Norton Goldfields	Australia	Production	192.00	100% buyout
Jul 2012	Richstone Group	Sunridge Gold	Eritrea	Feasibility Study	2.00	4.3% of Sunridge
Aug 2012	Guangdong Rising Assets Mgt, Guangdong Cooperation of Geology & Mineral, Lite Smooth Investment Ltd & Guangdong Fenghua Advanced Technology Co. Ltd	Hawthorn Resources	Australia	Exploration	14.96	13.0% of Hawthorn
Sep 2012	Shandong Gold	Focus Minerals	Australia	Production	227.50	51% stake in Focus
Sep 2012	Citic	Las Christinas	Venezuela	Pre-construction	N/A	N/A
Sep 2012	LionGold Corp	Castlemaine Goldfields	Australia	Production	55.00	100% buyout
Oct 2012	Zhongrun Resources	Vatukoula Gold	Fiji	Production	20.00	24% stake in Vatukoula
Nov 2012	Jiangsu Geology & Engineering Co	Sovereign Gold	Australia	Exploration	21.00	30% farm-in
Dec 2012	LionGold Corp	Citigold Corporation	Australia	Production	18.00	17.7% stake in Citigold
Dec 2012	LionGold Corp	Amayapampa project of Republic Gold	Bolivia	Pre-construction	7.00	100% buyout
Jan 2013	Hanking Gold Mining	Southern Cross assets of St. Barbara Ltd	Australia	Past Producer	22.50	100% buyout

RESERVES TO SUPPORT OVERSEAS EXPANSIONS

China's foreign exchange regulator said a new unit will use the nation's \$3.3 trillion in reserves to support Chinese companies' expansions overseas, signaling fresh outlets for the world's largest currency stockpile.

The State Administration of Foreign Exchange said on Monday that its co-financing office has been seeking an "innovative use" of the reserves and "supporting financial institutions in serving economic growth and their going-out strategy".

The Chinese government has been encouraging

companies to buy assets overseas through a "going out" strategy to secure energy and commodity resources, buy technology and build internationally strong businesses.

"A larger portion of China's reserves is expected to be used to finance overseas investment deals," said Zhang Zhiwei, chief China economist at Nomura Holdings Inc in Hong Kong.

"Given the large size of China's reserves, a small percentage change will mean a big amount," Zhang added.

Zhang said only a small

part of China's reserves are expected to be used by the new office.

The foreign exchange administration said its co-financing office will respect "market choice" and promote "fair play", according to a statement on its website.

The operations have "promoted China's economic and social development, expanded the scope of investment and the fields of foreign exchange reserves and promoted a diversified management approach," said the agency.

Chinese overseas mining investment to remain strong ...with emphasis on stable countries

World

WEDNESDAY, JANUARY 15, 2013

4 Chinese workers kidnapped in Darfur

Incident prompts call for tighter security for nationals in Africa

By ZHAO SHENG NAN

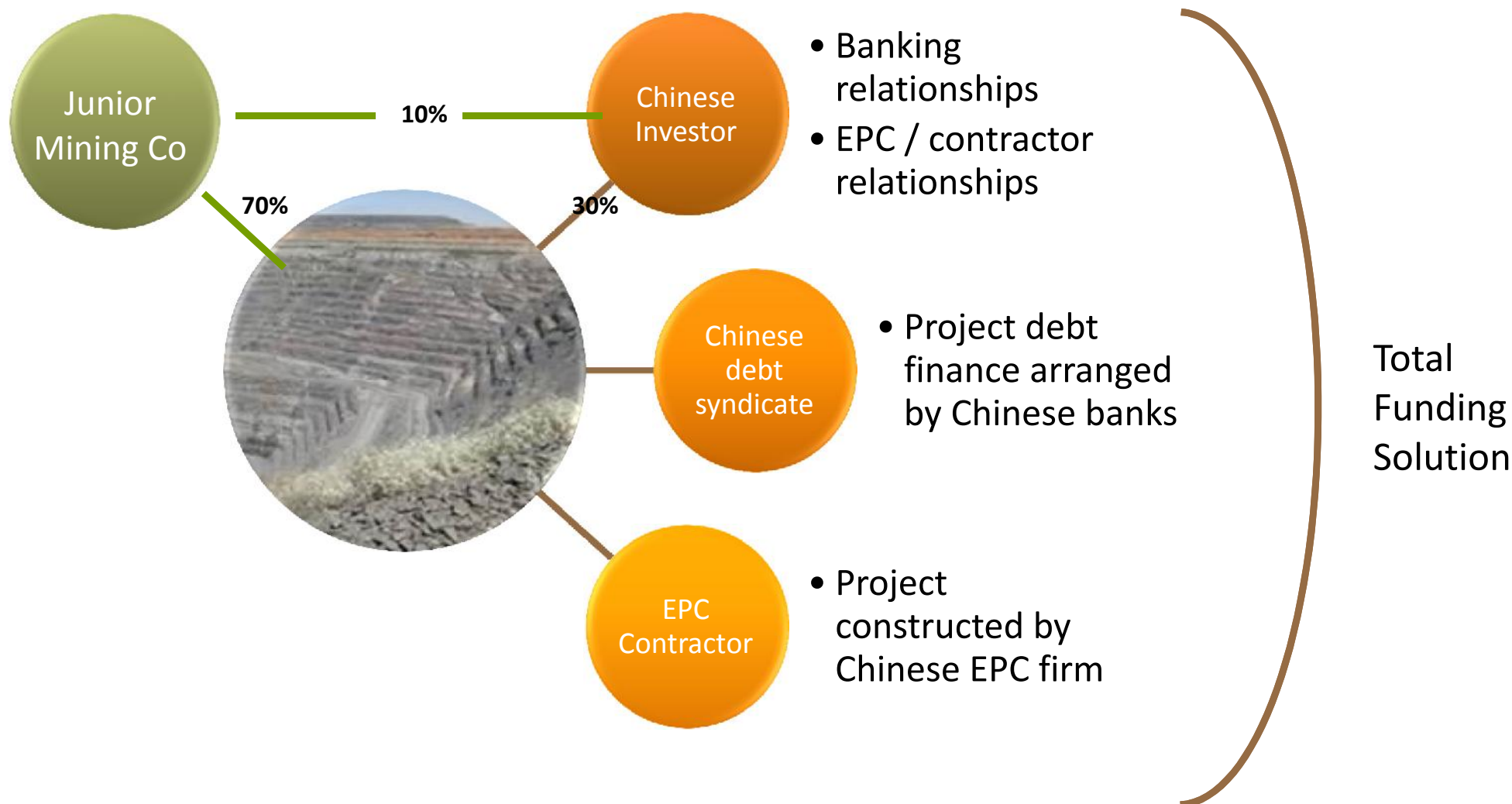


- More selective and focused on:
 - Advanced/producing projects
 - Sizeable deposit - > 1 million oz reserves at least
 - Stable first world jurisdictions - Canada & Australia followed by South America, western Africa and Europe
 - Project rates of return and payback periods
- Prefer control/majority ownership but also showing increasing flexibility by accepting minority positions
- Interested in offering complete funding package for development projects - equity, debt & EPC services
- Exploration projects remain of interest but prefer in politically stable countries
- Use investments as:
 - platform for future growth - long term horizon
 - penetrate new geographic areas - recent interest in Brazil, other parts of South America and northern Canada

- SOEs are looking for:
 - control or 100% buyouts but are also
 - starting to test the water in junior miners through initial minority stakes and
 - also via “advance private investors” with loose affiliations to the SOEs
- Emerging class of private groups on the mainland and Hong Kong diversifying away from property and other businesses into mining
 - seeking minimum cornerstone minority positions
 - will require seat on the board in line with equity stake
 - require right to participate in future fundings to maintain shareholding at a certain minimum %
 - eventually look to sell out to Chinese SOE
- Provincial level mining geological bureaus with mandate to undertake farm-in style investments in exploration projects

THE CHINESE TOTAL FUNDING SOLUTION

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ACHIEVES MULTIPLE MACRO-ECONOMIC GOALS

1. DIVERSIFIES FOREIGN RESERVES AWAY FROM US DOLLARS

- Diversification of reserves away from US Dollars at a fraction of the cost of buying bullion

2. BRINGS THE VALUE CHAIN ON-SHORE CHINA

- Creating employment and economic stimulus for China
- Creating and retaining more of the profit in the mine development and operation value chain

CHINESE DEBT FUNDING STRUCTURES

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- Funding driven by the state banks - China Exim Bank, China Development Bank, ICBC and China Construction Bank
- Look for “Chinese content” for project to qualify for bank funding
- Chinese content is defined as:
 - Chinese equity investor of substance in project or company so can provide guarantee; and/or
 - Chinese EPC firm has contract to build parts or all of the project; and/or
 - Chinese group involved in offtake of final product
- Banks require China Export and Credit Insurance Corporation (Sinosure) to provide insurance guarantee as a pre-condition of any drawdown on bank funding
- Banks do not interfere in selection of equity investor or EPC contractor but some favour involvement of SOEs
- Securing Chinese bank funding requires feasibility study prepared in Chinese in accordance with Chinese standards
- Attractive features of the typical debt terms are:
 - Up to 85% of EPCM value in debt
 - Some hedging required but typically not as onerous
 - Cost overrun facility provided by the bank



CHINESE EPC OPTIONS

- Hungry for business - all have billions of dollars of revenues and asset base
- Built up strong capability and skills by working in risky parts of the world
- Services provided range from exploration to feasibility studies to full service engineering and construction capability and equipment procurement
- Would like to get involved as early as possible in the feasibility study or even pre-feasibility study preparation phase
- Several have investment division arms that can make equity investments alongside being involved a service provider

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Opportunity

- Under-invested in gold and not scarred by past losses
- Long term strategic interest
- Appetite for risk
- Government backing
- Access to lower cost EPC and debt funding providers

Pitfalls

- Limited overseas exposure
- Start off seeking unrealistic deal conditions
- Language barriers and different “deal culture”
- Lack of transparency
- Lack of sensitivity to local customs and culture
- Approval process can be lengthy and uncertain



Chinese groups are adapting &
addressing shortcomings...
...but will take time

- Chinese influence on Gold M&A to increase in response to growing gold demand and weak market conditions
- Chinese firms are cashed up and encouraged by the government to “go out”
- Strong support from China Inc. which is increasingly embracing strategy of deploying its forex reserves for non-cash uses
- China to continue to move up the curve and seek acquisitions of advanced and producing projects in stable jurisdictions
- Flexible deal structures - minority/majority equity stakes, exploration joint ventures, & EPC and debt funding

