

Mines & Money briefing notes

DECEMBER 2015

CONFIDENTIAL

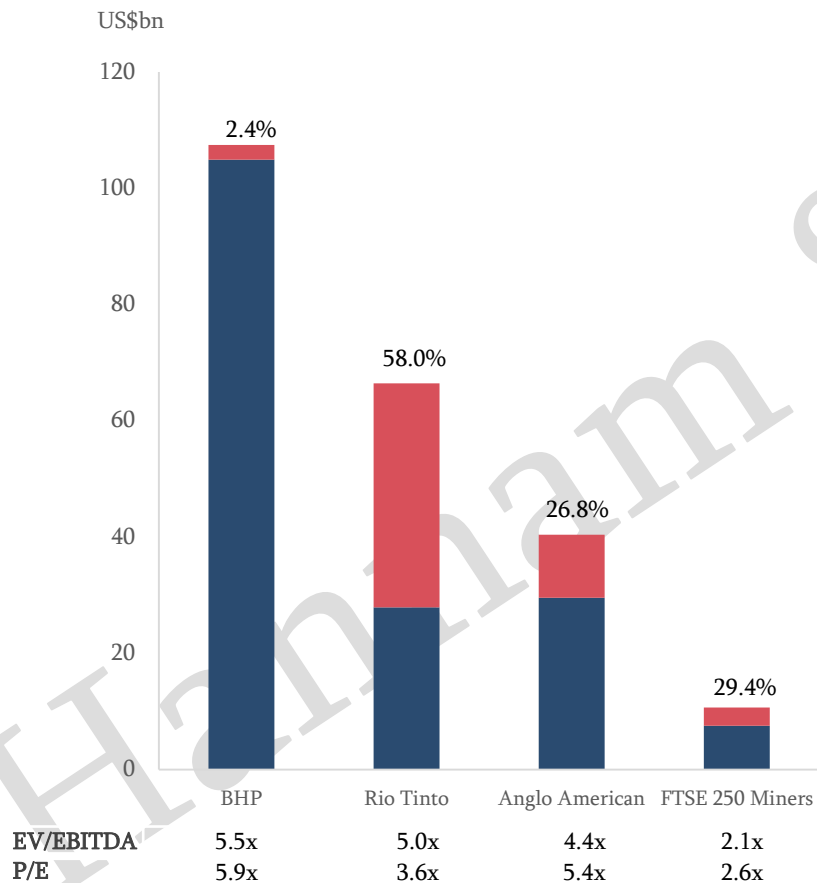


Industry overview

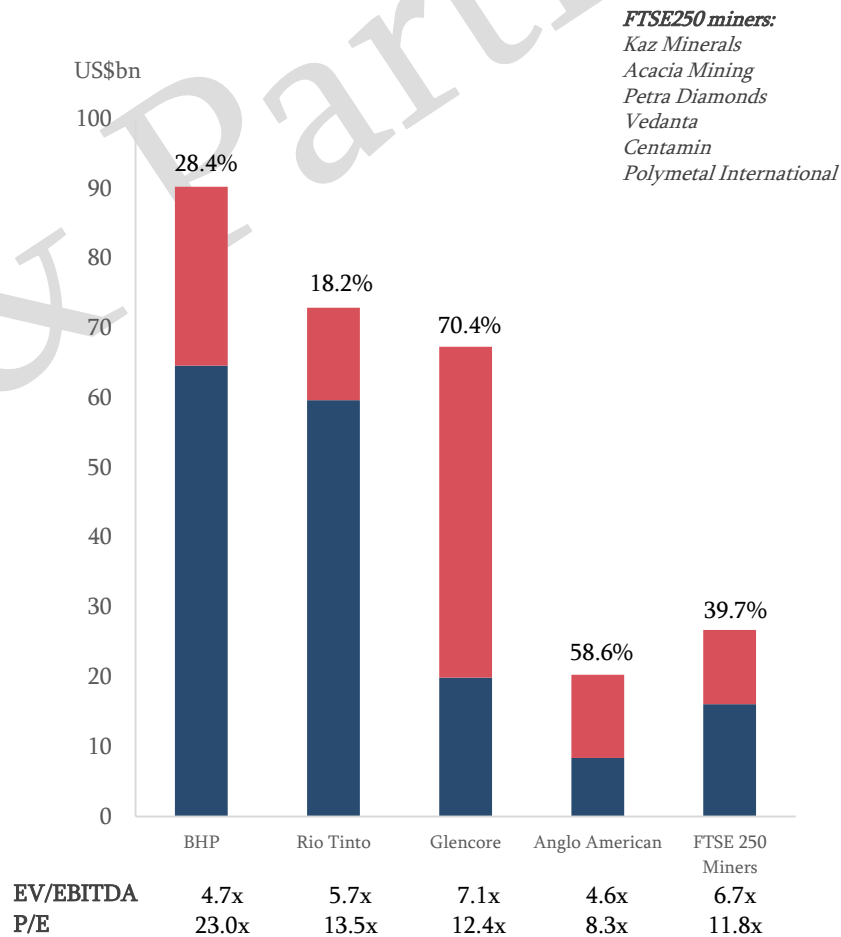
European coal

FTSE100 & 250 miners capitalisation





2008



Current



Summary of FTSE miners

	2008	2010	2012	Current*	% Change 2010-now	
 bhpbilliton	Market Cap	118,107	257,474	205,075	74,258 (69.1%)	
	Net Debt / (Cash)	2,528	-	641	28,542	26,033
	EV/EBITDA	6.1x	8.9x	7.0x	5.1x	
	P/E	7.7x	12.3x	14.1x	23.0x	
RioTinto	Market Cap	27,873	137,447	105,417	59,693 (56.6%)	
	Net Debt / (Cash)	38,563	5,123	19,323	13,274	
	EV/EBITDA	5.0x	8.5x	5.6x	5.7x	
	P/E	3.6x	8.8x	10.0x	13.5x	
GLENCORE	Market Cap	-	IPO 2011: 60,000	40,537	19,905 (66.8%)	
	Net Debt / (Cash)	17,374	29,030	35,247	47,441	
	EV/EBITDA	-	-	11.7x	7.1x	
	P/E	-	-	9.6x	12.4x	
 ANGLO AMERICAN	Market Cap	29,554	68,747	42,819	8,421 (87.8%)	
	Net Debt / (Cash)	10,804	6,755	8,375	11,908	
	EV/EBITDA	4.4x	9.4x	4.9x	4.6x	
	P/E	5.4x	10.3x	11.8x	8.3x	
 RANDGOLD RESOURCES	Market Cap	3,286	7,496	8,897	5,607 (25.2%)	
	Net Debt / (Cash)	(252)	(366)	(374)	(167)	
	EV/EBITDA	36.6x	46.2x	12.8x	13.5x	
	P/E	44.5x	22.5x	15.4x	25.9x	
 ANTOFAGASTA MINERALS	Market Cap	6,112	24,814	21,215	7,370 (70.3%)	
	Net Debt / (Cash)	(2,919)	(1,345)	(2,403)	(744)	
	EV/EBITDA	2.4x	11.1x	5.9x	5.1x	
	P/E	7.9x	23.8x	14.8x	26.3x	
FTSE 250 miners	Market Cap	7,505	50,463	45,147	16,138 (68.0%)	
	Net Debt / (Cash)	3,132	2,082	10,617	10,613	
	EV/EBITDA	2.1x	9.5x	6.4x	6.7x	
	P/E	2.6x	8.4x	9.7x	11.8x	

FTSE250 miners:

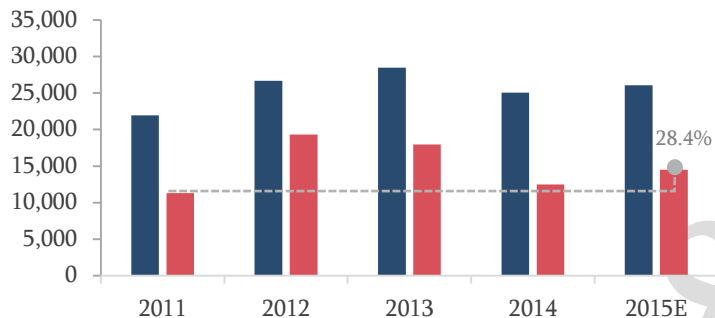
S32 IPO: \$8.73bn with Net debt of \$402mm

**Includes S32*

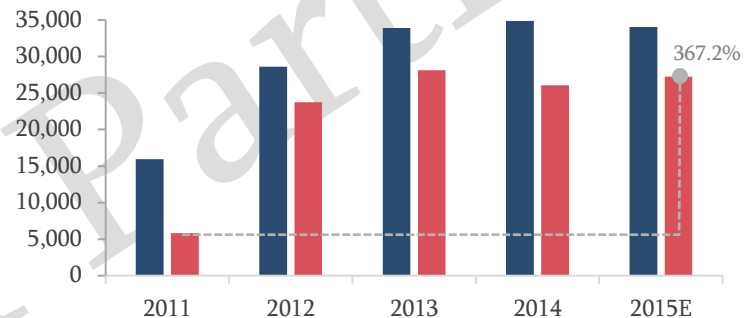
Glencore-Xstrata merger of \$90bn in May 2013

Debt was not reduced by any major even after years of cuts and postponements

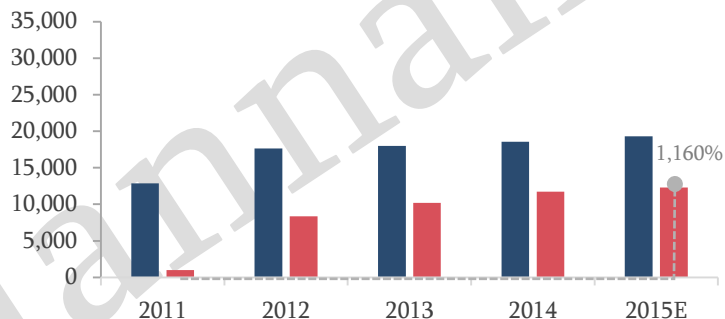
Rio Tinto (US\$mm)



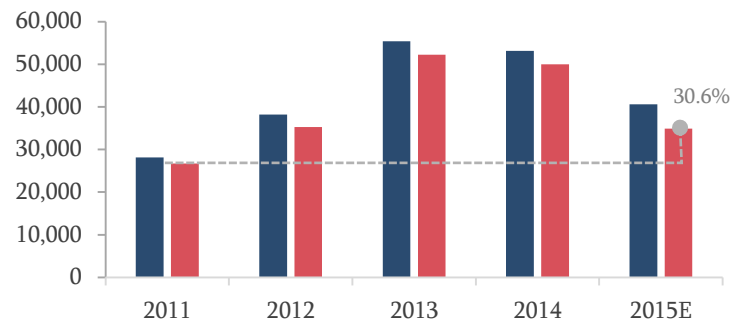
BHP Billiton (US\$mm)



Anglo American (US\$mm)

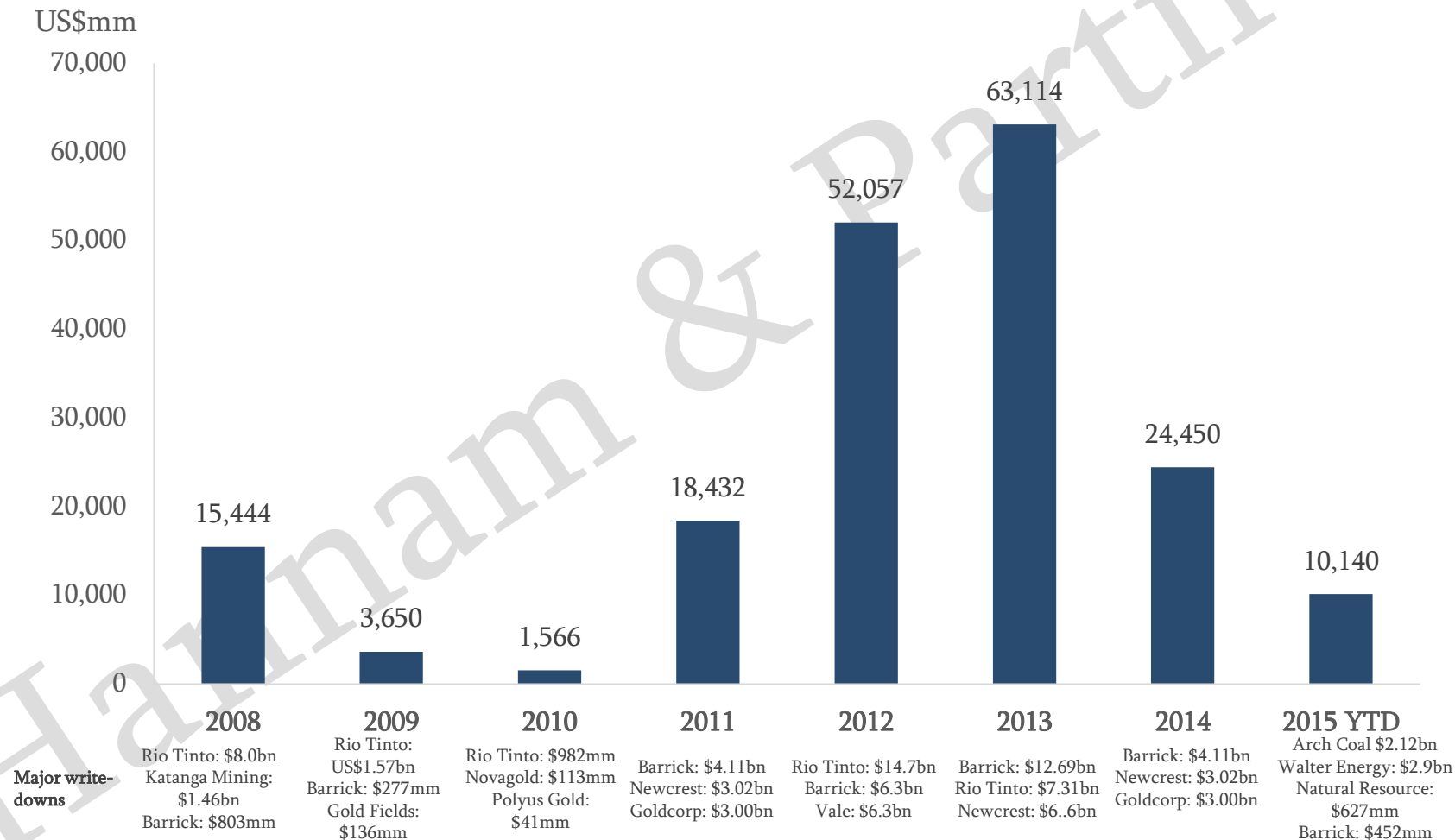


Glencore (US\$mm)



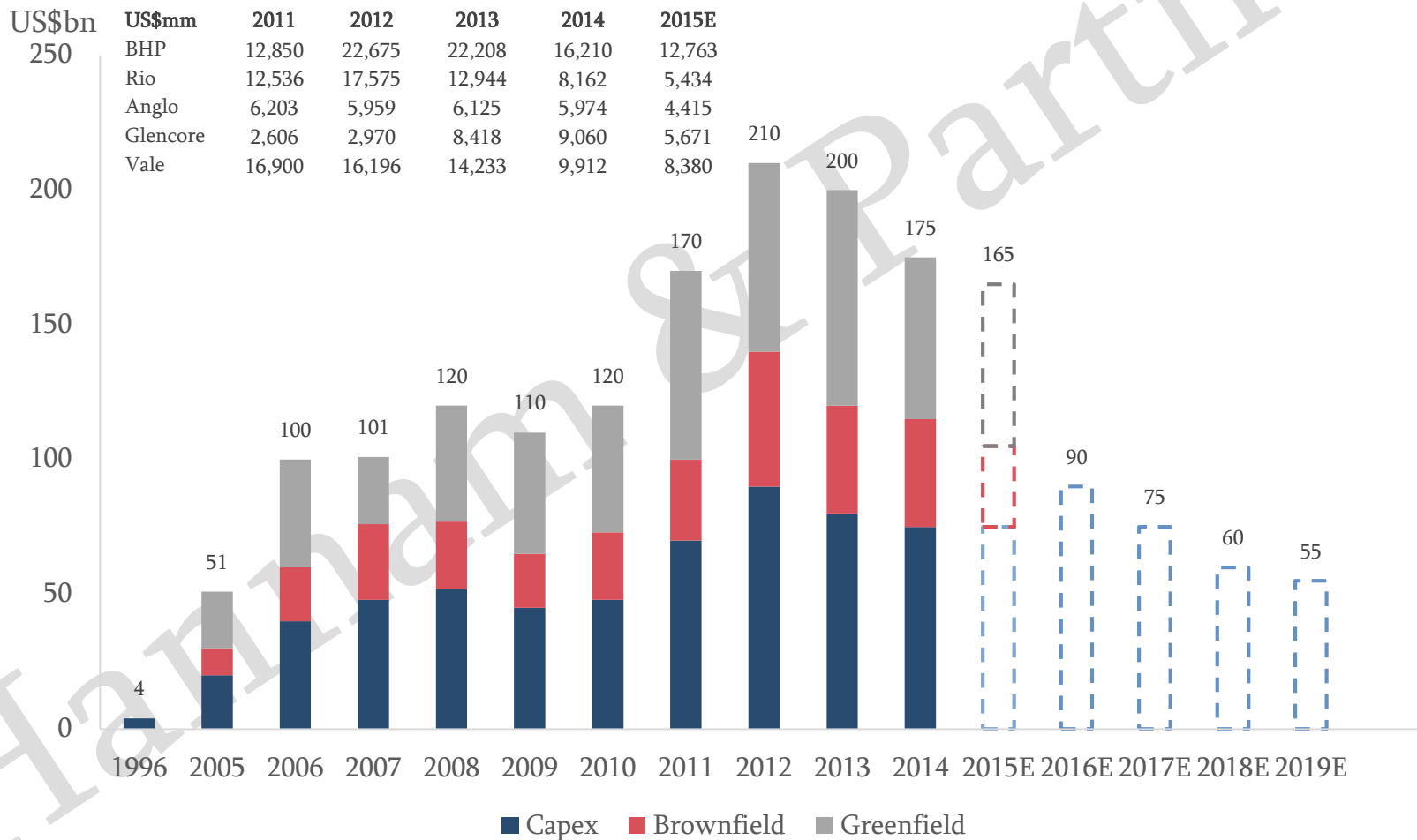
■ Net Debt
■ Total Debt

Write downs in the mining sector



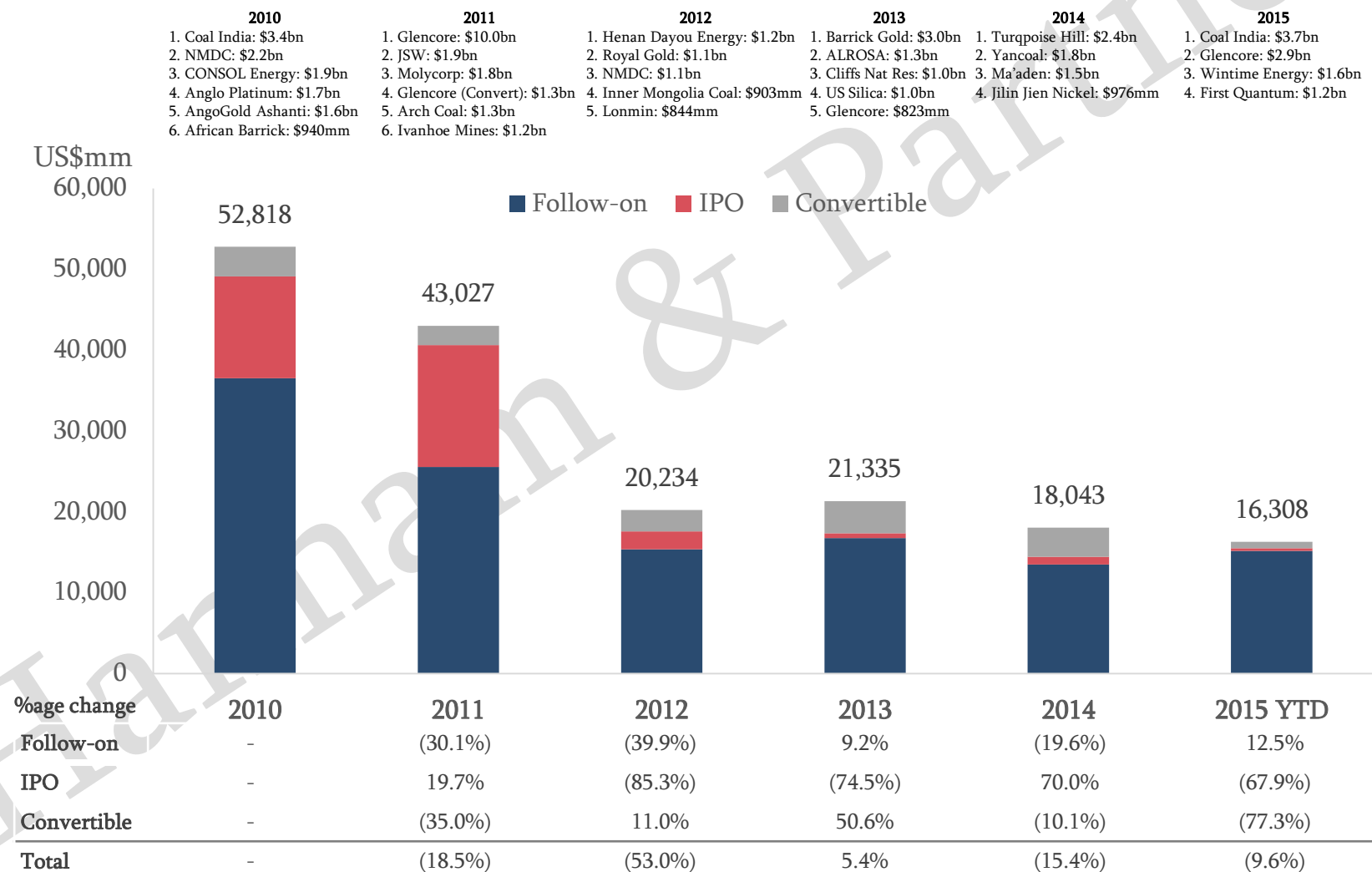
Source: Bloomberg

Mining industry capex spend (US\$Bn)



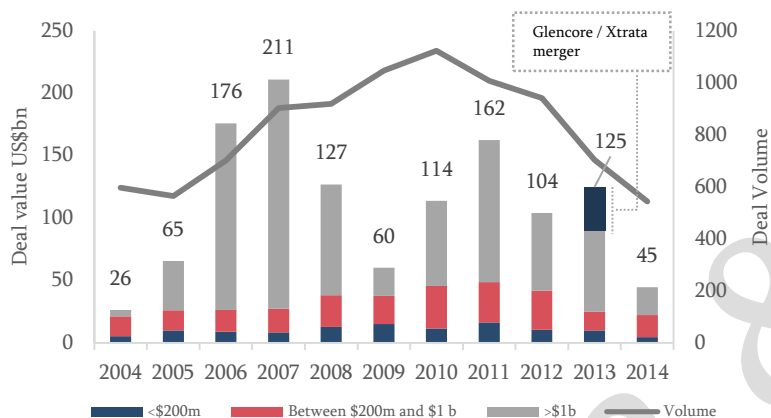
Source: Historical: SNL, Forecast: UBS

Capital raises in the mining industry 2010-2015 YTD (US\$mm)

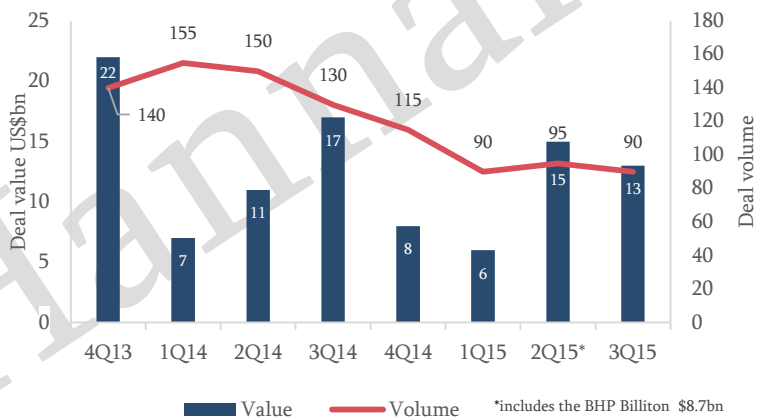


Mining deals & disposals

Volume and value of deals by size (2004-2014)



Deal value and volume by quarter



Source: EY (2015)

Recent & Disposals 2015

Recent 2015

- Four mega deals lifted overall values in 3Q15, resulting in a 29% increase on 2Q15 (excluding the second quarter BHP Billiton demerger)
- The largest was the Alamos Gold and AuRico Gold merger of equals, with an EV of US\$1.5bn. Also several divestments by majors were completed, including those by Vale, Anglo American, Barrick Gold and Newmont Mining
- Big PE and X2/Warburg Pincus struggling to do deals
 - Falling knife- when to catch?
 - How do you match synergies corporates can pay
 - Extremely low costs of debt for all borrowing
- Deal volumes fell a further 6% on the previous quarter, and down 35% on the same period in 2014
- Some deals are taking place between mid-tiers looking to add high-quality, long-life assets to their Portfolios by leveraging expertise and enjoying the benefits of longer-term strategic partnership both up and down the value chain

Disposals 2015

Barrick

- 50% of Zaldivar for US\$1.005bn to Antofagasta (cash). This is a EV/Reserve of \$0.34/lb. Historical average for operating copper assets is ~\$0.75/lb. **EV/EBITDA of 4.0x**
- 100% Cowal for US\$550mm to Evolution Mining (cash). EV/Reserve of \$252/oz. **EV/EBITDA of 3.78x**
- 50% of Porgera to Zijin for US\$298mm (cash). EV/Reserve of \$188/oz. **EV/EBITDA 2.9x**
- 100% Bald Mountain and 50% in Round Mountain for US\$610mm (cash) to Kinross
- 100% Ruby Hill 70% Spring Valley for \$110mm to Waterton (cash)

Anglo

- Sold Manto Verde and Mantos Blancos copper assets in S America to Audley Capital and Orion for US\$300mm (cash). EV/Reserve of \$0.17/lb. I have a feeling Ingo has some summary work on his transaction somewhere. Will ask India
- Sold Rustenburg Mine to Sibanye Gold for US\$330mm in cash + shares. Anglo also gets 35% of free cashflows for 5 years
- Sold Lafarge for >US\$1bn

Rio

- Sold 78% in Murowa diamond mine and 50% in Sengwa coillery to RioZim for an undisclosed amount (they were the JV partner that already owned the remaining equity)
- Sold 40% in Bengalla coal to New Hope for US\$606mm
- Also disposing of Hunter Valley which is proving competitive and likely to go to X2?

Glencore

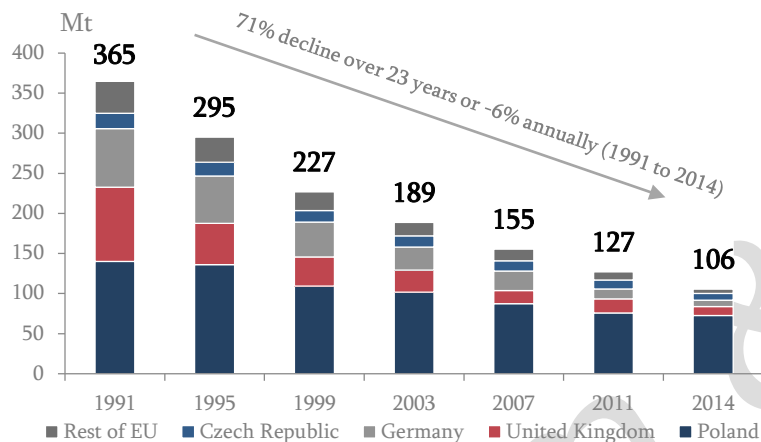
- Cobar
- Loma Bayas
- US\$900mm Antamina streaming

Industry overview

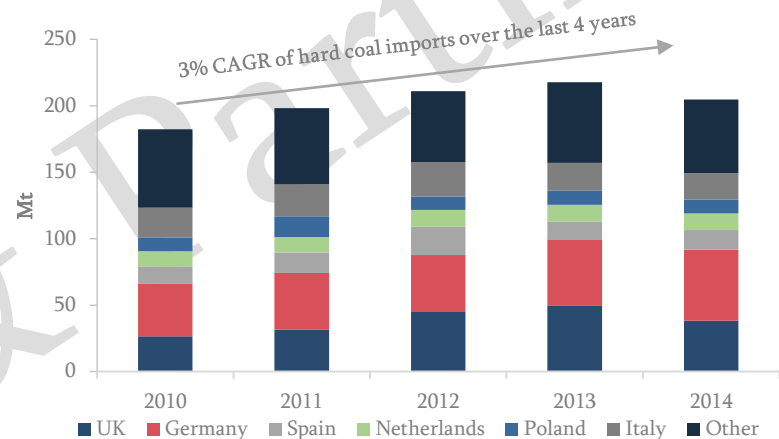
European coal

Europe is a large increasing import dependent coal market

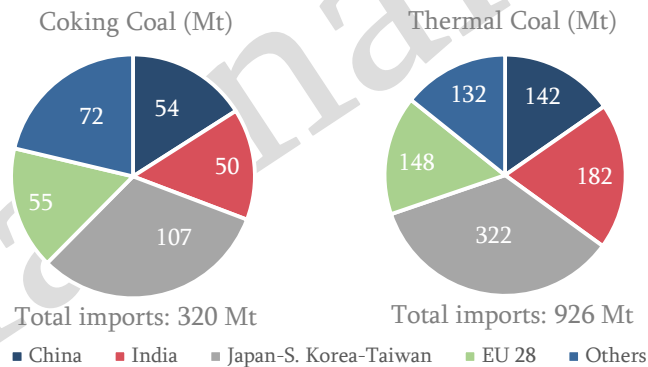
European hard coal production– 2014



European hard coal import– 2014

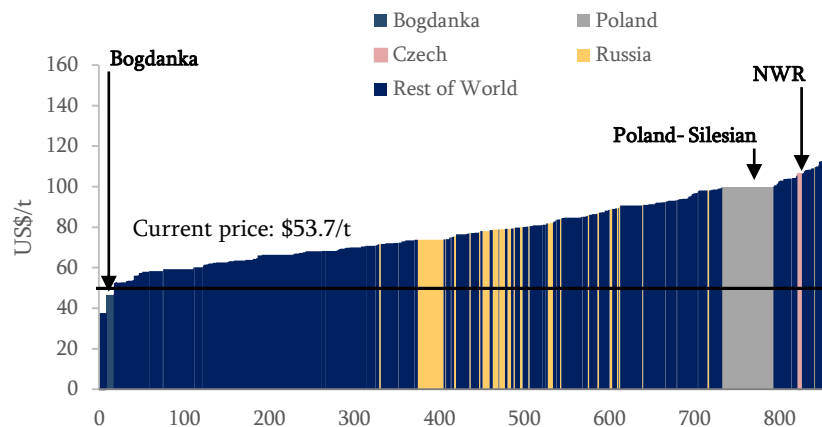


Thermal and Coking coal global imports – 2015 Estimations



Source: H&P research company presentations

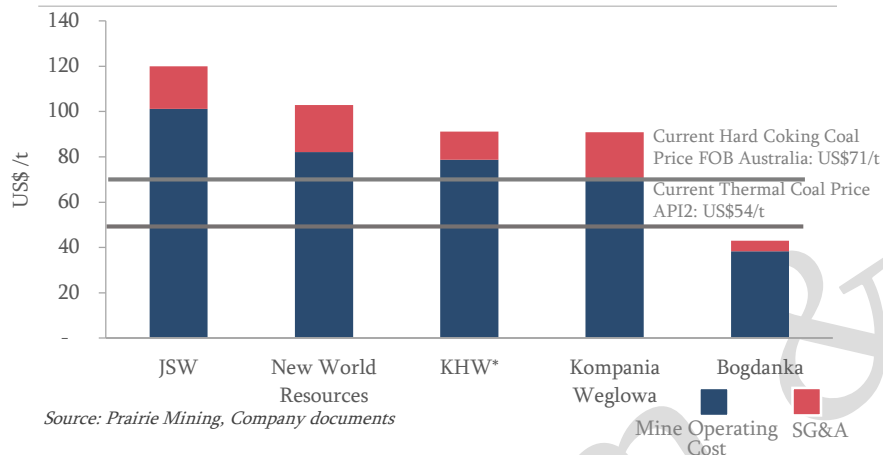
Thermal coal cash delivered to European import ports



Source: Wood Mackenzie 2014

European coal overview

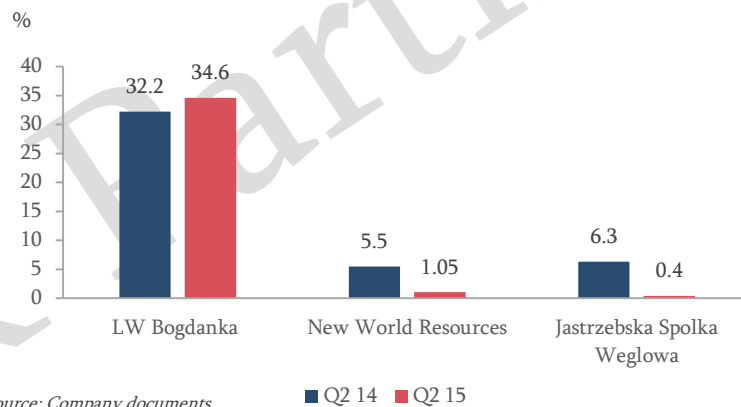
Central European Coal Mining: Unit Cost Comparison



Enea's bid for Bogdanka

- 24th August 2015 : Bogdanks stock slumped 11 percent after Enea, Poland's fourth-biggest utility cancelled a long-term supply contract
- 14th September 2015: Enea offered to purchase a 64.6% Bogdanka at 67.39 zloty per share, or a 29 percent premium to the last closing price and 90VWAP
- The offer is in line with the 6M weighted average share price, the minimum price as per the Polish take over rules
- The target's Management Board has no obligation to co-operate in a bid and careful consideration needs to be given to the Management Board's likely response to an approach and a bidder's due diligence request

Bogdanka managed to increase its EBITDA margin in the last 12 months against a very hostile Polish coal market



Poland has well established infrastructure

- Poland boasts one of the most attractive fiscal regimes globally for coal with a 19% corporate tax, and a coal royalty of 4PLN/t (USD1.2/t)
- The country is the largest producer of hard coal in Europe with excellent transport and export infrastructure in place
- Large export ports with spare capacity
 - Terminals are underutilised with a capacity: 34.5Mtpa
- Extensive bulk freight rail system spans the country
- 90% of electricity is generated by coal
- 100,000 direct employees in coal mining