

great expectations:

private equity activity in the Canadian mining sector since 2011

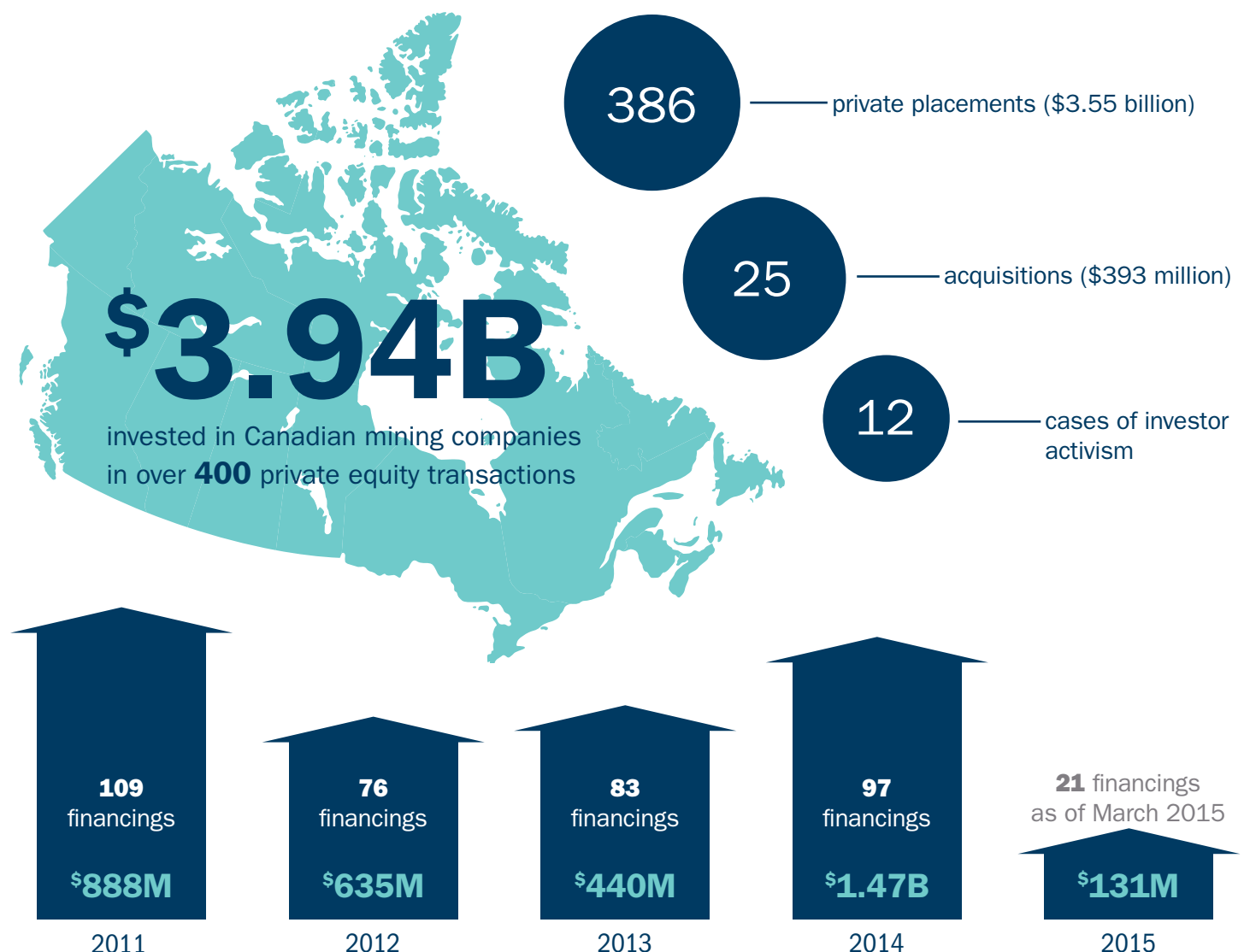
By: Paul Fornazzari and Jeff Zabalet

There has been a mixture of expectation and hope that private equity would replace a significant portion of the capital previously available to mining companies in the Canadian public markets. However, this has not entirely played out. In 2009 for example, \$22 billion was raised by mining companies through the Canadian public markets, while 2014 saw private equity invest only \$1.47 billion in Canadian listed mining companies.

To outline the changes in the market, we have provided an overview of private equity investment into TSX- and TSXV-listed mining companies since 2011. Data was obtained from various public sources and S&P Capital IQ. We defined “private equity” as investors/buyers categorized as a private investment firm, a financial service investment arm or a corporate investment arm. All figures are in Canadian dollars.

private equity investment since 2011

Since 2011, an aggregate of \$3.94 billion has been invested into Canadian mining companies through more than 400 transactions involving private equity. (Aggregate investment reflects total value of transactions involving private equity investors and not the amount invested by private equity alone.)



most active private equity investors

The busiest investor was MineralFields Group (before it sold its assets to the Global Financial group of companies and Global Growth Assets Inc., its investment fund manager, at the beginning of 2012).

MineralFields Group	43 deals
La Société d'investissement dans la diversification de l'exploration (SIDEX)	18 deals
Sprott Asset Management, LP	13 deals
International Finance Corporation	12 deals
The Sentient Group Limited	12 deals
Pala Investments Holdings Limited	9 deals
Tocqueville Asset Management LP	9 deals
Zebra Holdings and Investments S.à.r.l.	9 deals
Arias Resource Capital Management LP	8 deals
Aterra Investments Limited	8 deals

most active private equity investors according to aggregate transaction size

(Aggregate transaction size reflects total value of transactions involving the investor and not necessarily the amount of the entity's investment.)

• Arias Resource Capital Management LP	\$378.3M
• Zebra Holdings and Investments S.à.r.l.	\$374.6M
• Caisse de dépôt et placement du Québec	\$315.8M
• Ressources Québec	\$295.7M
• Orion Mine Finance	\$284.7M

other private equity firms specializing in mining investing in TSX- and TSXV-listed companies

- Pacific Road Capital Management Pty Limited
- Dundee Resources Limited
- Resource Capital Funds
- Geologic Resource Partners LLC
- Pinetree Capital (which did a number of share swaps with junior issuers at the end of 2014)

private equity investment structures

Transactions:

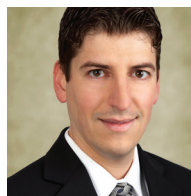
- **346** out of 423 involved a minority stake investment
- **19** disclosed a minority shareholder increasing its ownership stake in the issuer (nine in 2012)
- **Four** involved a minority shareholder gaining majority control

Quick facts:

- Since **2012**, there is an increasing use of convertible debt and warrants.
- Management participation in the private placements has trended upwards in each of the last four years.
- **2012** was the quietest year for private placements, but the busiest year for shareholder activism, with five public campaigns recorded.
- **2014** was the second busiest year for shareholder activism:
 - Liberty Street Capital Corp. settled its proxy contest with Banro Corporation
 - Sentry Select Capital Corp. settled its proxy contest with Timmins Gold Corp.
 - Tocqueville Asset Management, L.P. failed to elect its three additional nominees to the board of directors of Scorpio Mining Corporation
- In **2014**, Geologic Resource Partners LLC back-stopped Lithium Americas Corp's rights offering that raised **\$18.55 million**.
- In October **2014**, Magris Resources purchased lamgold Corp.'s niobium mine and rare earth deposit for **\$530 million (in cash)**. The mining community is also watching X2 Resources as a potential outright acquirer of companies or projects.
- In **2015**, the protracted acquisition of Chaparral Gold Corp. by Waterton Precious Metals Fund II Cayman, LP was completed — a hostile take-over attempt that ended with a friendly deal (plan of arrangement).
- In **2015**, the litigation and proxy contest between Aberdeen International Inc. and its Meson Capital Partners LLC and Nightscape Capital (UK) LLP was settled.



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