

# Investing in Nunavut

## A Private Equity Perspective



**2011 Nunavut Mining Symposium, Iqaluit**

**Russ Cranswick**

**Partner, Resource Capital Funds**

**[rlc@rcflp.com](mailto:rlc@rcflp.com)**



# What is Private Equity?

- ❖ Limited partnership of institutional funds committed to long term investment
- ❖ Provides financing for acquisitions, growth and working capital
- ❖ Funded mainly by institutional and high net worth investors
  - Commit large sums for long periods (+5 years)
  - Important asset class (10-30% of portfolios)

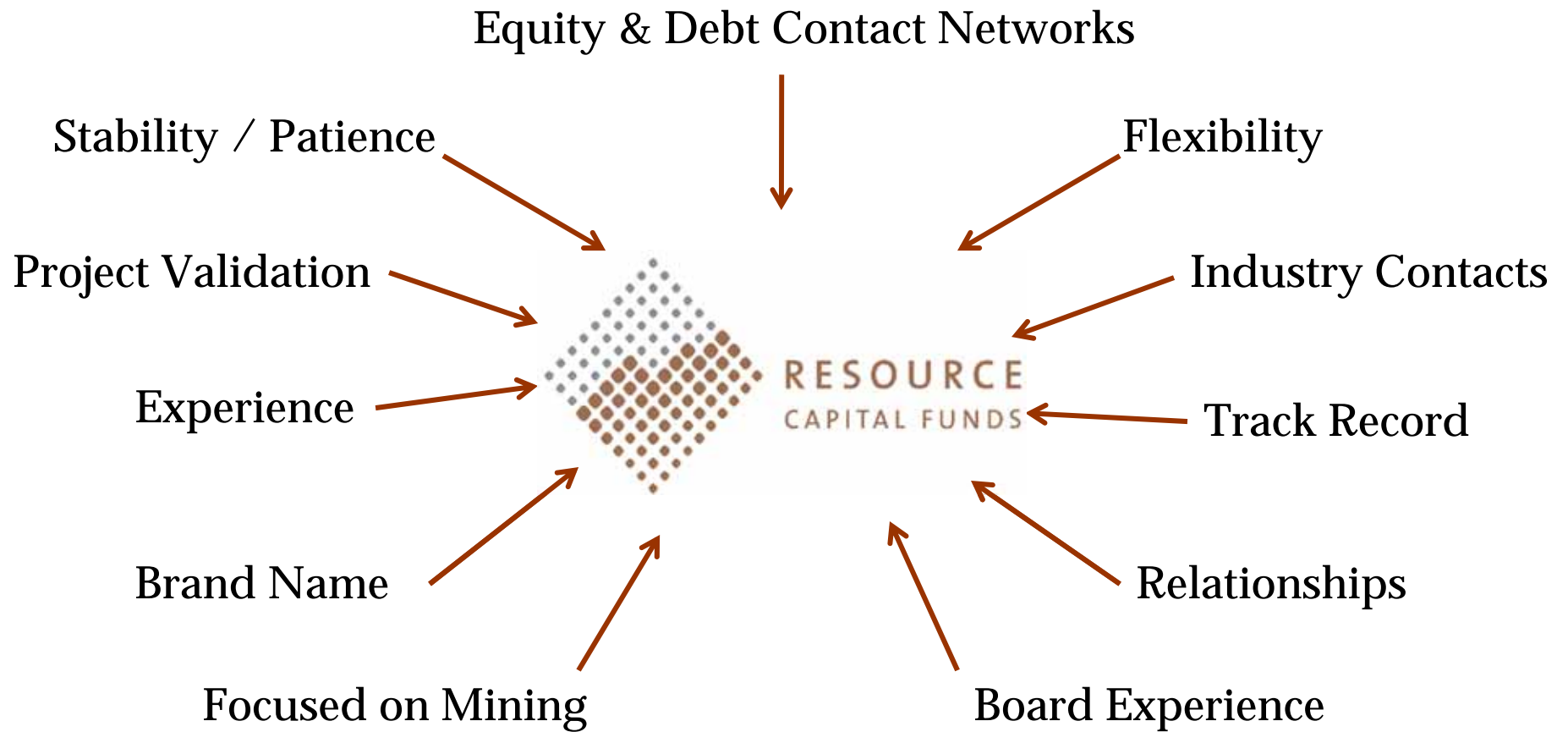
# Why is Private Equity good for mining?

- ❖ Most fund lives +10 years
  - Affords long hold periods and stability
- ❖ Committed funds
  - Money is available in good times and bad
- ❖ Creative investment structures
- ❖ Sophisticated investors
- ❖ Experience in industry – input into strategy
- ❖ Growth of assets and valuation are fundamental drivers
  - Leads to development of assets

# Who/what is Resource Capital Funds?

- ❖ Family of 100% mining-focused private equity funds
- ❖ Managed by 22 experienced mining industry professionals
- ❖ Strong 13-year track record through five funds
- ❖ Invest throughout commodity and growth cycles
- ❖ Long-only investors
- ❖ Currently \$2.8 billion under management
- ❖ RCF's investors are:
  - universities
  - hospitals
  - foundations, charitable trusts
  - pensions

# What does RCF bring?

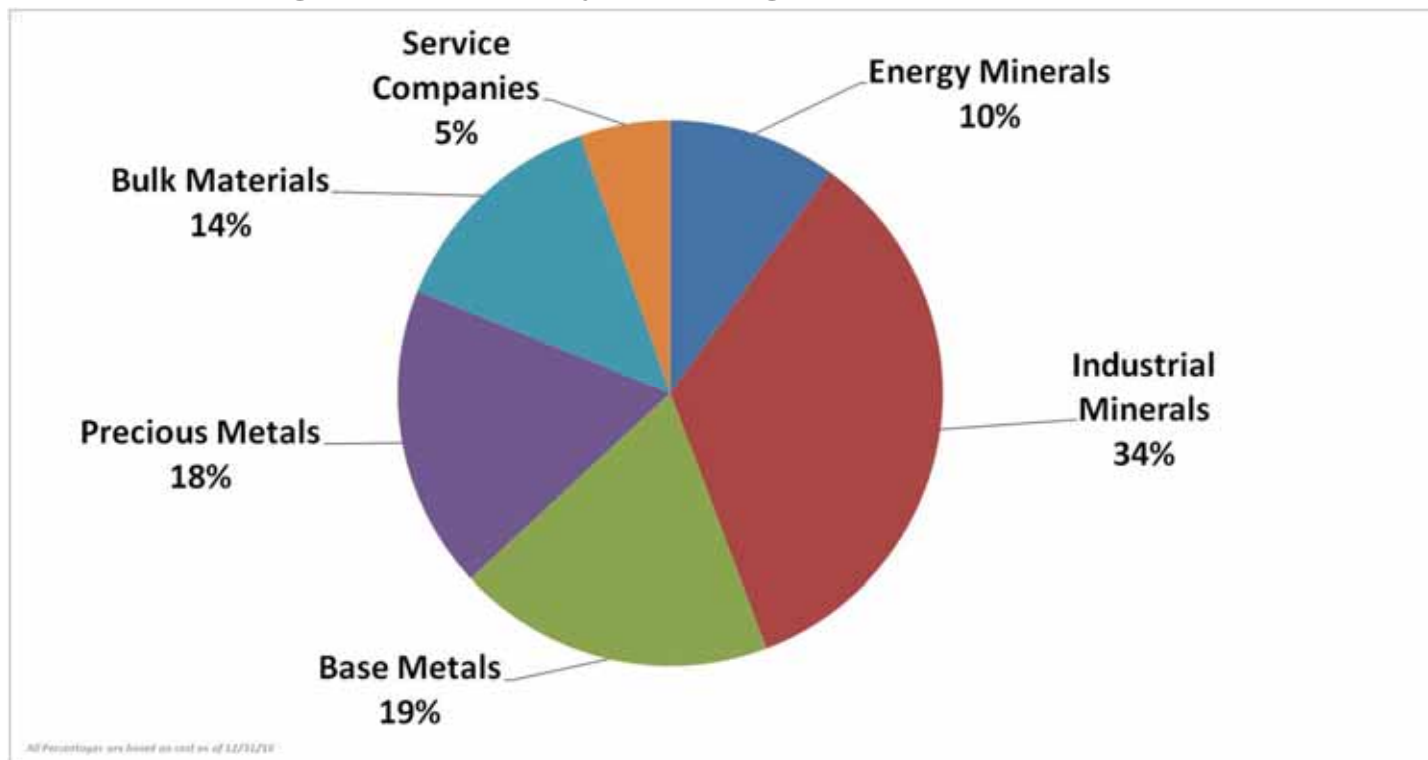


# RCF – Specialist, But Diversified

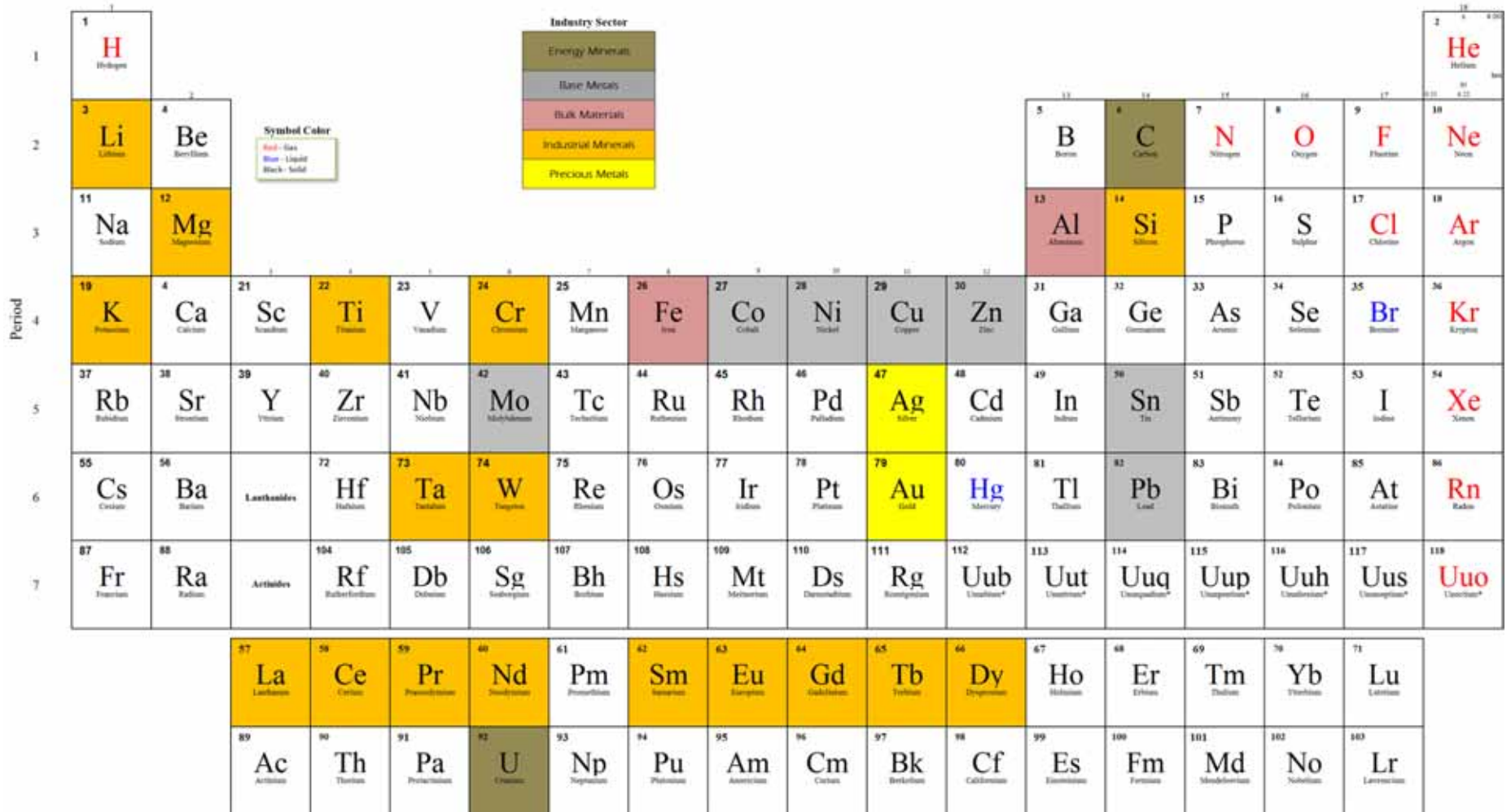
- ❖ Investments in **95 different companies**
- ❖ Experience investing in **35 countries**
- ❖ Investments in more than **28 mineral commodities** plus several mining services
- ❖ **43 mining company boards**
- ❖ Investments listed on **8 stock exchanges**
- ❖ Offices in Denver, Perth, New York and Toronto
  - Representatives in London and Sydney

# RCF Investment Mandate

- ❖ Focused on financing mineral development and operating stage mining companies globally
  - Long term (3 to 6 year) target horizon



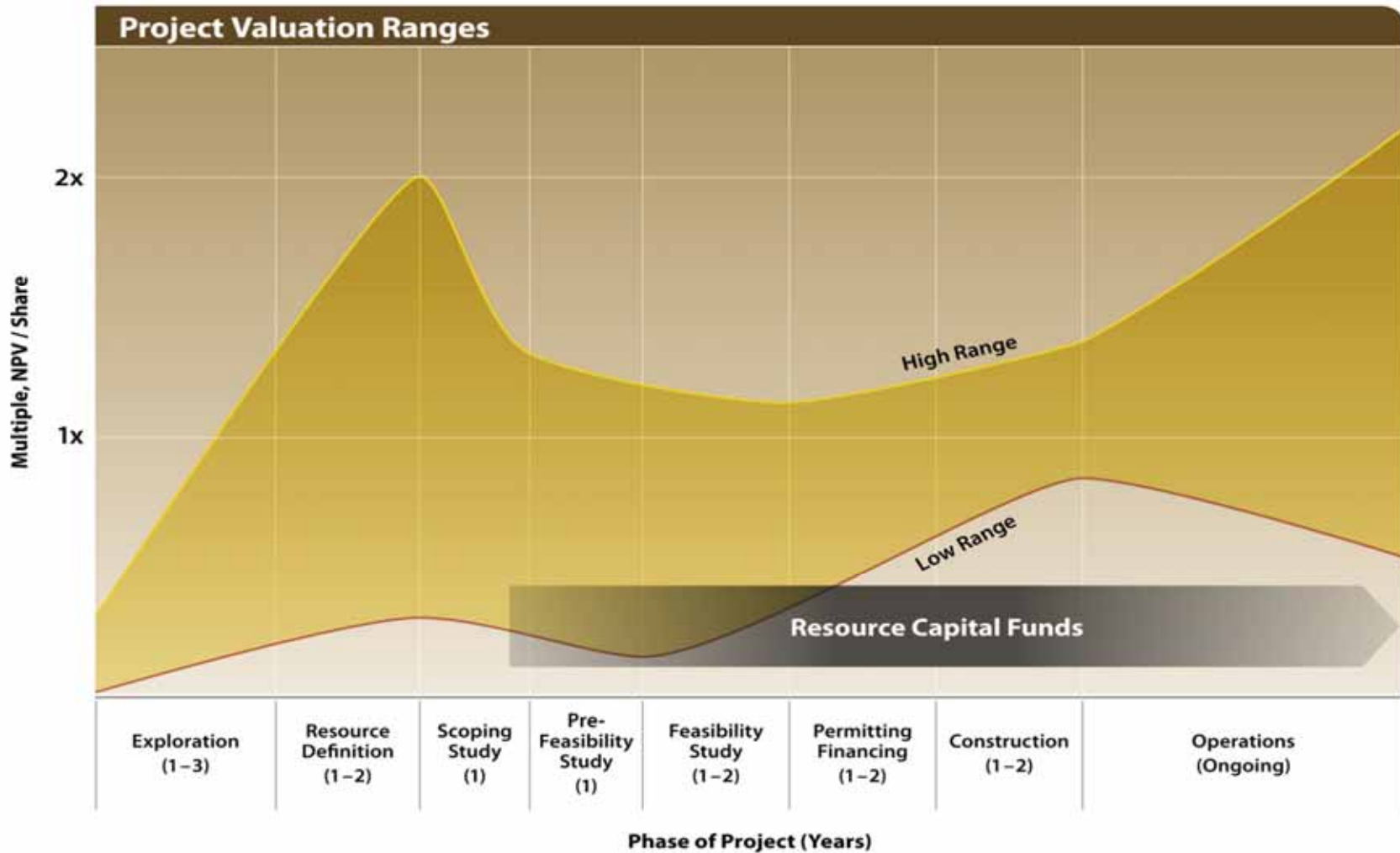
# RCF Spread Across Periodic Table



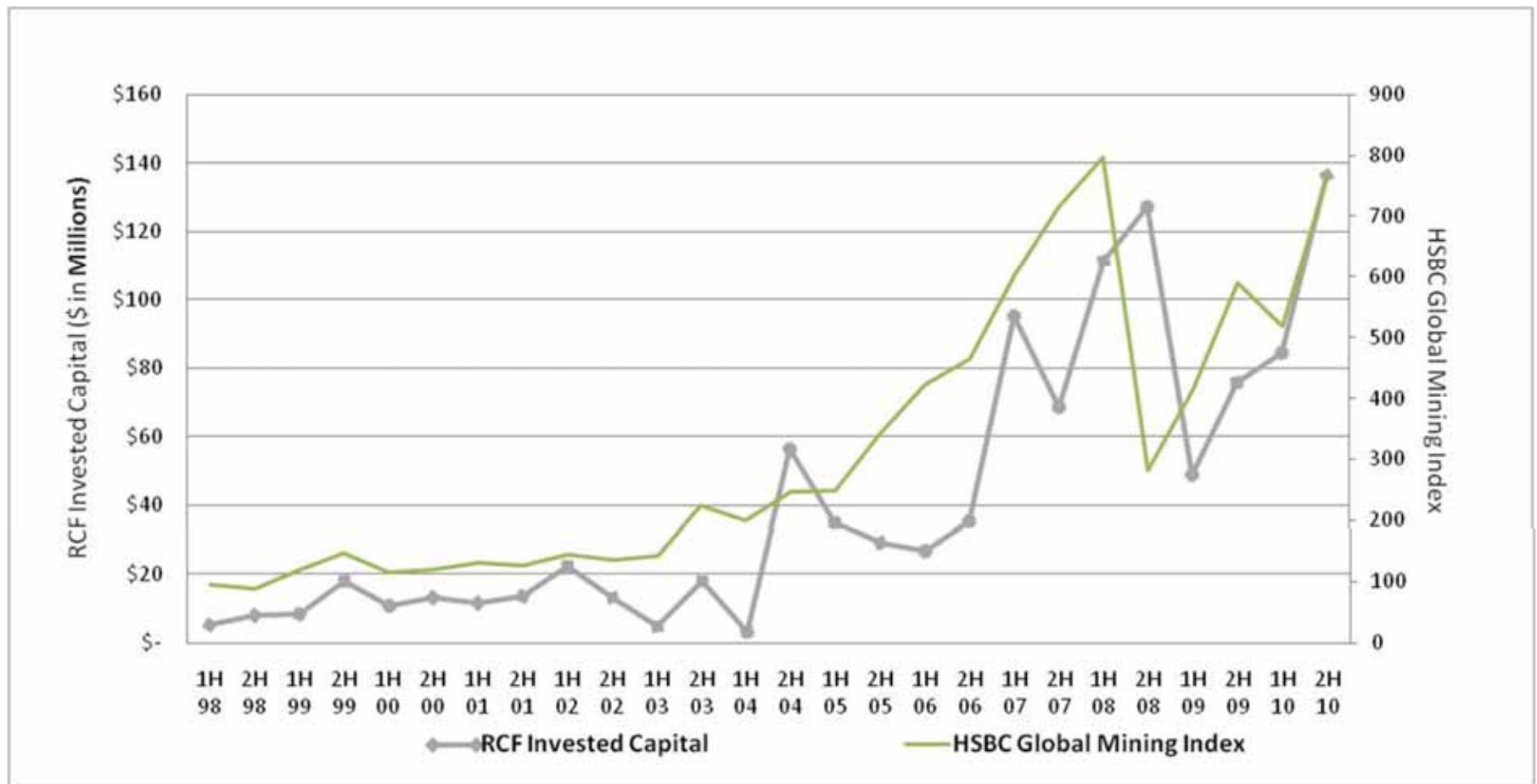
# Areas RCF will invest?

- ❖ People
  - Proven management teams with ideas
- ❖ Projects
  - Scoping through feasibility studies
  - Development
  - Operating assets
  - Environmental bonding requirements
- ❖ Companies
  - Working capital
  - Buyouts
  - Roll-up strategies
  - Distressed / orphaned assets

# RCF Target Investment Range



# RCF Invests Throughout Cycles



# RCF Investment Criteria

## ❖ Essential

- Resource identified
- Favorable indications on metallurgy / marketing
- Jurisdiction where:
  - Title can be secured
  - Business can be conducted
  - Projects can be permitted

## ❖ Beneficial additional attributes

- Quality management (motivated / skin in game)
- More advanced engineering / market studies
- Sound vehicle (public listing good, but not essential)
- Strong upside potential (resource, metallurgy)

# RCF Due Diligence

- ❖ Technical evaluation of project
  - Major emphasis on orebody characteristics (grade/minability)
  - Metallurgical performance
  - Infrastructure
  - Permitting/Environmental aspects
  - Market for products
- ❖ Legal, financial and country/jurisdiction reviews
- ❖ Management team
  - Honest and competent?
  - Effectively sell their company / develop the asset?
- ❖ Economic evaluation
  - Discounted Cash Flow (DCF) analysis
  - Per share appreciation potential
  - Market multiples

# NUNAVUT

## Physical attractiveness:

- ❖ Highly prospective geology
- ❖ World class deposits
- ❖ Commodity diversity
- ❖ Tidewater proximal to projects
- ❖ Population near, but not on top of projects

# NUNAVUT

## **Jurisdictional attractiveness:**

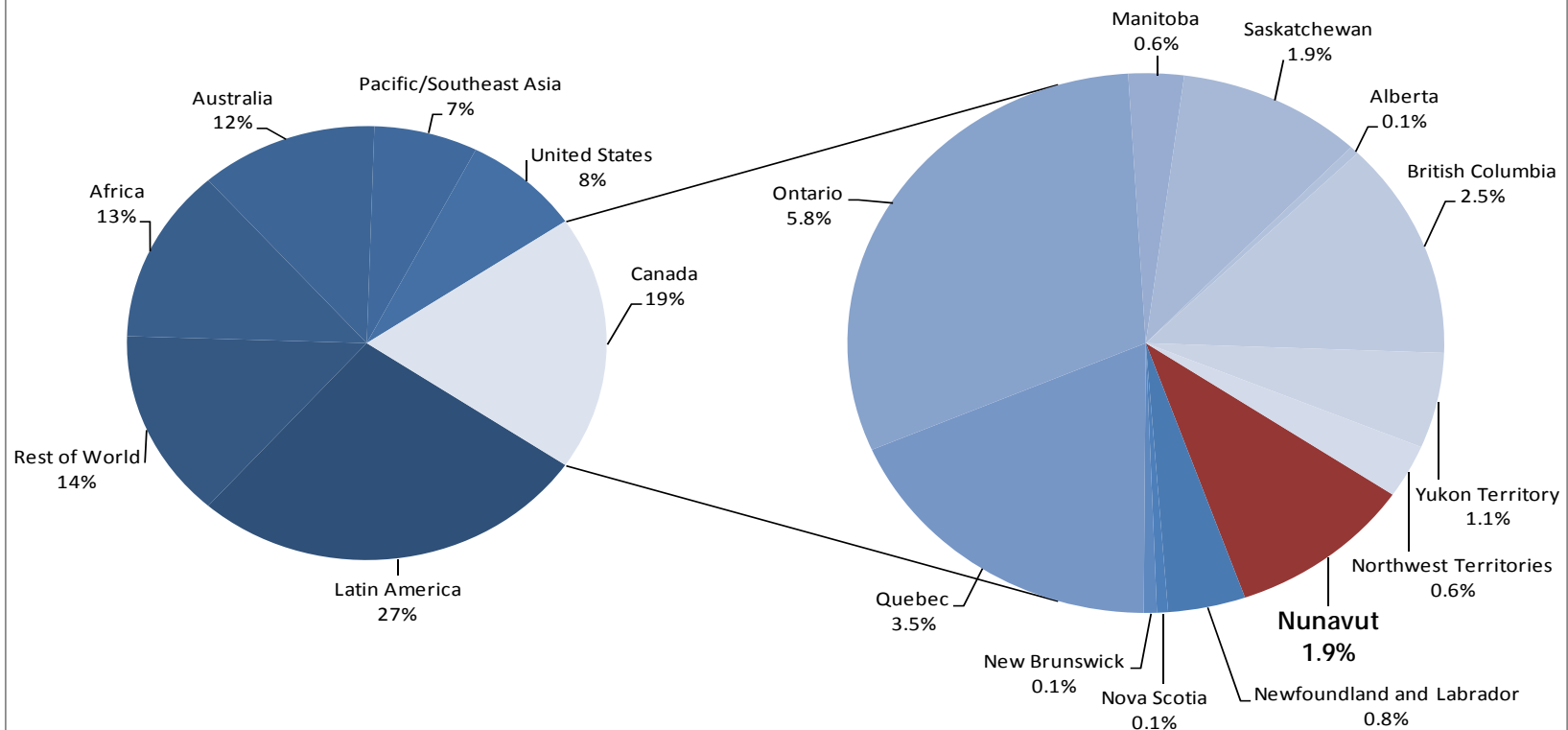
- ❖ Committed and willing people
- ❖ Clear permitting processes
- ❖ Land claims settled
- ❖ Mining-friendly
- ❖ Politically stable

# RCF Investing In Nunavut

- ❖ **12% of the \$1.1 billion invested** by RCF has been committed to Nunavut-focused companies (18% & \$200M in Canada)
- ❖ This \$136 million helped **four feature projects** advance through feasibility, bulk sampling, permitting and/or project financing
- ❖ The four subject investments have been taken over by mid-tier and major companies in **\$3.5 billion worth of acquisitions**

# 12% in Nunavut is Anomalous

## 2010 Global Mineral Exploration Budget Distribution



Source: Metals Economics Group, Natural Resources Canada

# Four RCF Investments in Nunavut

❖ The following four examples demonstrate the range in type and amount of RCF funding, through good and bad times, to achieve positive outcomes:

- Baffinland – Mary River (iron ore) 
- Comaplex/Meliadine – Meliadine West and East (gold) 
- Cumberland – Meadowbank (gold) 
- Miramar – Hope Bay (gold) 

# Baffinland Mary River Fe Ore



# Baffinland – Challenges It Faced

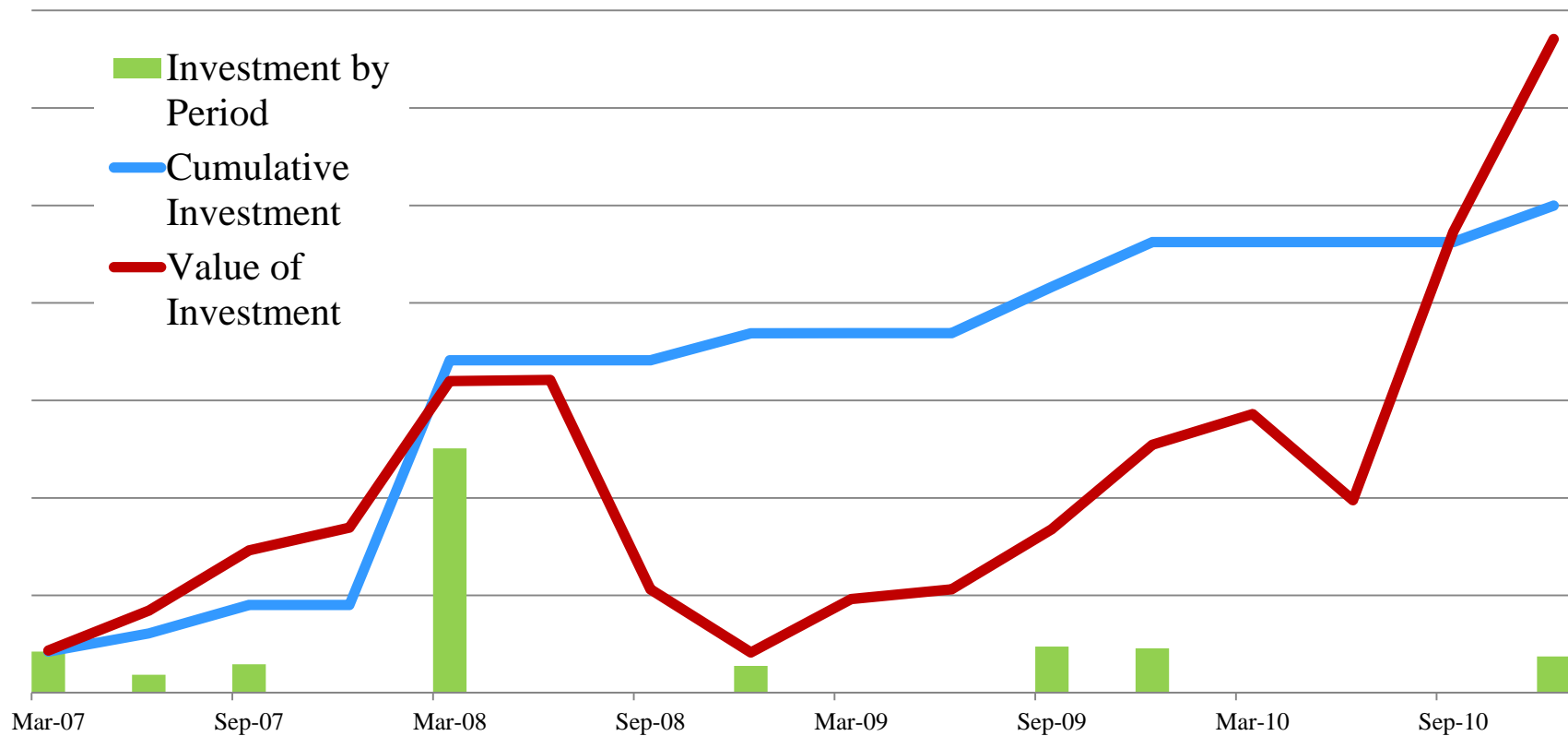
- ❖ Very large project (required strong financial support)
- ❖ Metallurgical concerns (needed costly bulk sample)
- ❖ Location/infrastructure (high carry costs)
- ❖ Significant surface work (large bonding requirement)
- ❖ Fickle equity markets (\$ not always available)

**Solution? RCF Private Equity**

## RCF Invests \$100 Million / 4 years in Baffinland

- ❖ 2007 - established position via private placement (helped fund feasibility) and on-market purchases
- ❖ Mar. 2008 - **backstopped** bought \$193 million **equity** financing (funded bulk sample)
- ❖ Dec. 2008 – **backstopped** \$21 million **equity** financing (care & maintenance / progressive reclamation program)
- ❖ Aug. 2009 - **provided bridge loan** to fund substantial increase in environmental bond requirement
- ❖ Dec. 2009 - **backstopped** \$44 million **equity** to fund expanded exploration program
- ❖ Dec. 2010 agreed to **deliver** its **23% equity position** to Arcelor-Mittal to help facilitate a competitive bid process
- ❖ Jan. 2011 - Arcelor-Mittal /Nunavut Iron **\$590M acquisition** of company

# RCF Sees Beyond Today's Market Valuation



# Baffinland Project Achievements while RCF an Investor

- ❖ Completed rail option feasibility study
- ❖ Mined and delivered a 113,000 tonne bulk sample to European steel mills
- ❖ Conducted progressive reclamation
- ❖ Feasibility studied a smaller scale trucking option
- ❖ Discovered Mary River Deposits 5, 6, 7, 8 and 9

# Baffinland's 2008 Bulk Sample Port Infrastructure



# Private Equity Advantage for Baffinland

- ❖ Steady and increasing participation
- ❖ Lead orders gave other investors confidence
- ❖ Less dilutive bridge loan to fund unbudgeted environmental bond increase
  - Equity and debt markets unavailable
- ❖ Keen to support exploration when many satisfied with what had already been discovered
- ❖ Willing to sacrifice shareholding flexibility for a better bid for all shareholders

# Comaplex / Meliadine



# Meliadine / Comaplex Opportunity

- ❖ Non-core minority assets in Cumberland's portfolio
- ❖ Meli East inactive/Meli West funded & operated by Comaplex
- ❖ Joint venture partners not on same page
- ❖ Comaplex joint venture agreement difficult to operate under

**Solution?      RCF Private Equity**

# RCF's Meliadine/Comaplex History

- ❖ Dec. 2006 - purchased Meliadine East (50% and operatorship) and Meliadine West (22% carried to production) property interests and **created Meliadine Resources Ltd.** (private)
- ❖ 2007 – updated resource at Meli East
- ❖ 2008 - Meli West underground bulk sample / first gold-focused drilling at Meli East in 8 yrs
- ❖ 2009 – completed Meli West / Meli East project scoping study  
– merged Meliadine Resources into Comaplex Minerals
- ❖ 2010 – 5 million oz gold resource announced  
– At the request of management, RCF **agreed to lock up its 18% equity interest** in Comaplex to Agnico–Eagle's C\$680 million takeover offer

# Meli E – Discovery Camp



# Private Equity Advantage for Meliadine/Comaplex

- ❖ New investor enthusiasm for reactivating a dormant asset (Meli East)
- ❖ Better communication amongst JV partners
- ❖ Motivated to advance combined assets
- ❖ Creative means for overcoming historical barriers to asset consolidation
- ❖ Able to help facilitate three-way agreement between RCF, Comaplex & Agnico-Eagle

# Cumberland / Meadowbank



# Cumberland Challenges at RCF Acquisition

- ❖ Well-known company, but drawn out development timeline
- ❖ One of first companies in mid-2000's to announce a significant capital cost increase
  - Volatile share price as a result
- ❖ Attempting to deliver complete package of feasibility, permits and finance
- ❖ 14% shareholder wanted to liquidate at an inopportune time

# RCF's Cumberland Investment

- ❖ Project well known to RCF as it had previously invested in the late 1990s
- ❖ November 2005 – purchased a 14% equity interest that Kinross had accumulated
- ❖ Permits awarded, project debt secured and project equity raised over a one year period
- ❖ February 2007 – Cumberland acquired by Agnico-Eagle for C\$710 million

# Private Equity Advantage for Cumberland

- ❖ Cornerstone shareholder aligned with management
- ❖ Management kept RCF informed of its progress and delivered
- ❖ RCF did not seek a board seat

**RCF can be passive when companies are well-managed and achieving goals**

## Miramar / Hope Bay

- ❖ RCF investment committee approved \$6 million convertible loan to fund feasibility declined by company
- ❖ RCF participated in a later private placement because we liked the asset
- ❖ Strong results and equity markets precluded the need for RCF private equity and the company was ultimately purchased by Newmont for \$1.5B

RCF steps aside when not required

# End Result?

- ❖ Cumberland's Meadowbank

**CUMBERLAND**  
RESOURCES LTD.

- ❖ major producing gold mine

- ❖ Baffinland's Mary River

**Baffinland**  
Iron Mines Corporation

- ❖ will be developed by the world's largest steel company

- ❖ Miramar's Hope Bay



- ❖ being built by the world's second largest gold company

- ❖ Comaplex' Meliadine

**COMAPLEX**  
MINERALS CORP

- ❖ advancing toward being Nunavut's next major gold mine

# What could Nunavut do better?

- ❖ Make incremental infrastructure commitments
- ❖ Consider local mining joint ventures
- ❖ Realistic Impact Benefit Agreement asks
- ❖ Better understanding of common financing structures, such as security over assets
- ❖ More in-jurisdiction expertise
- ❖ Provide clarity on uranium permitability

**All of which mean Invest in Your Future**

# Conclusions

- ❖ Nunavut is an attractive jurisdiction for investment
- ❖ Long-term and stable funding is important in fluctuating markets and volatile project dynamics
  - Mining-focused private equity can help
    - Timely
    - Knowledgeable
    - Flexible
    - Helpful
    - Professional
    - Value-Enhancing
- ❖ All stakeholders benefit from steadily progressing projects that are structured for success

# RCF's Greatest Pleasure Investing in Nunavut?



[www.resourcecapitalfunds.com](http://www.resourcecapitalfunds.com)

---



---

**RCF Management LLC**

1400 Sixteenth Street  
Suite 200  
Denver, CO 80202  
USA  
Tel. +1 (720) 946 1444

**RCF Management (Toronto) Inc.**

25 York Street, Suite 610  
Toronto, Ontario M5J 2V5  
Canada  
Tel. +1 (647) 726-0642

**RCF Management Pty Ltd**

Level 3  
24 Kings Park Road  
West Perth, WA 6005  
Australia  
Tel. +61 (8) 9485 2770

**RCF Management LLC (New York)**

224 Wall Street, Suite 202  
Huntington, NY 11743  
USA  
(631) 692-0043

