WORKSHOP ON
DEVELOPING GOLD TRADING ARRANGEMENTS & ENGAGING FINANCIAL INSTITUTIONS

March 30, 2023 | Bangko Sentral ng Pilipinas Head Office
Improving Access to Formal Finance in ASGM

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planetGOLD works to make small-scale gold mining safer, cleaner, and more profitable. Our vision is a clean global supply of gold from small-scale miners.
How can this group:
Barriers to Financing
Barriers to Financing

- Lack of Legal Corporate Entity
- Poorly Understood Organizational Structure
- No Banking Relationships
- Lack of Permitting or Legal Status
- No Recorded Financial or Operational History
- Poor management credibility

Any one of these factors on their own can be a circuit breaker for investors and investment.
Barriers to Financing

• Overcoming these hurdles is the first step to obtain financing on a meaningful scale (>US$50k)

• Private sector capital investment requires proper business infrastructure

Facilitating the creation of such infrastructure is required prior to other interventions for a sustainable, self-sustaining solution
Finance Types
Finance Types

There are three categories of finance:

- Debt
- Equity
- Hybrid Debt/Equity
Debt Financing

There are three categories of debt finance:

- Microfinancing
- National Development Banks
- Equipment Loans

Debt financing generally has more stringent lending requirements given that the loan must be repaid. In artisanal mining contexts, assets outside the operation are usually used as collateral for the loan (vehicles, houses, etc.).

Most people have some personal understanding of the stringency of obtaining a loan from a bank. It is hard and has many requirements even for well-established middle-class people in the developed world.
ASGM Debt Investors

Formal debt financing is extremely rare (essentially non-existent) in early- to mid-stage gold mining for the following reasons:

• Distant or extremely volatile cash generation
• Loan officer lack of mining expertise
• Difficult to value assets
• Assets can be difficult to liquidate
• Mining tenure expires and is usually not permanent
• Assets are remote
Equity Financing:

- Private equity
- Impact investors
- Partnerships

Equity financing entails selling an ownership stake in the business and is generally more suitable for ASGM and other junior mining endeavours.

Capital is not obligated to be paid back and often the risk appetite is higher. Further, partnerships/equity investors can bring non-financial benefits to the deal (skills, access to networks, etc.).
Equity Financing Model

- A mining co-operative establishes a legal mining claim through a business entity and opens a bank account.
- The co-operative develops a plan to increase placer mining production while eliminating mercury amalgamation that requires outside investment.
- The co-operative sells 25% of the legal business entity that owns the mining concession in return for US$25K.
- The investor receives 25% of the business entity’s annual profit as a dividend in return for the initial investment and has voting rights.
- The co-operative purchases a new zig-zag sluice box and shaking table with the US$25K.
- The equipment investment allows for greater throughput, recovery and higher quality concentrate that can be directly smelted/sintered to produce dore.
- Mercury is no longer required for gold recovery.
- Capital available to improve due diligence and management systems.
Typical Financing Pathway

Founder Investment
- Sweat equity to ~US$10k
  • Establish business entity around project/property
  • Open bank account
  • Create organizational structure
  • Initiate operations
  • Begin data collection (geology and/or operational)
  • Obtain mining rights

Friends and Family Investment
- ~US$5k to US$100k
  • Establish/grow mining tenure
  • Create marketing materials
  • Create business model, project financials and determine capital needs
  • Write business plan specifying the use of investment proceeds and geological potential

Professional Investors
- ~US$10k plus
  • Initiate geological investigation
  • Write technical report
  • Expand operations
  • Begin permitting
  • Apply for licenses
ASGM Private Equity

Investments larger than US$10k are more suitable for private equity:

- Business partnerships
- Minority shareholders
- Profit sharing
- Royalties
Why is traditional mining investment equity focused?

Given the risk profile and lack of cash flow for early-stage projects, investors are almost exclusively equity focused. Equity investors share in the profits and the ownership of an enterprise but do not have the right of capital return.

- No obligated cash payments to equity holders
- No right to return of principal
Requirements for Seeking Investment:

- Basic business infrastructure
- Business plan
- Financial model
- Operational data records
- Technical report on the geological resource and the context of the property including access, social and governance aspects
Investment Infrastructure

Regardless of the type of investment, minimum business infrastructure must be in place:
- Bank account
- Management organizational Structure
- Legal business entity

These factors must be in place prior to seeking outside investors.

planetGOLD is assisting miners in several jurisdictions to establish this infrastructure.
planetGOLD Financing Support Tools
Financing Tools

planetGOLD has developed foundational tools to help guide the financing process. planetGOLD has developed templates for:

- Business Plans
- Financial Models
- Technical Reports
Government Assistance

Government can assist the mining sector and ASGM communities by providing:

- Transparent and secure mining tenure
- Clear permitting requirements
- ASGM specific regulations
Government Assistance (Cont.)

Government can also assist through targeted programs:

- Direct investment in geological and/or geophysical surveys in areas of interest
- Maintaining and build national geological databases
- Targeted direct investments partnerships and tax breaks
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