

# Q & A

## Financing Precious Metals Production through a Holistic Strategy

Q&A with Laurent Mathiot, Chairman and CEO,  
OCIM Precious Metals

### What is prepayment?

The prepayment model has been used throughout the world's economies for centuries and in various forms. In the past, farmers sold their produce ahead of the harvest to buy production tools. Similarly, merchants entered into contracts to buy ships. The British and the Dutch East India Companies developed a sophisticated prepayment model to better manage the massive costs and risks associated with transportation of goods from the Orient to end consumers in Europe.

OCIM is a commodities trader focused on precious metals such as gold, silver and more recently platinum. We offer mining companies and producers



Mr Mathiot is Chairman and CEO of OCIM Precious Metals, a precious metals merchant and financier. He was formerly an investment banker and financial engineer and has always been attracted to tangible assets and possesses an enduring passion for gold.

access to working and/or growth capital funding through up-front payments that are repaid over time in deliveries of fine metals. Prepayment offers a simple solution by allowing producers to receive advance payment for their commodities and goods.

After we agree on the principle of working together, OCIM deploys a field team to conduct a technical due diligence of the project. If the conclusions are positive and if we agree with our future partner on all deal terms, we then purchase a specific quantity of metals in advance and pay for the goods up front. In return, the mining company undertakes to deliver, according to a predetermined schedule, specific quantities of precious

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metals, calculated per a negotiated discount relative to the LBMA fixing price on the day of the agreement.

OCIM provides mainly short-term investments with a term ranging from 3 to 24 months but also builds long-term relationships by offering to revolve facilities when appropriate.

### **What makes this funding solution attractive to mining companies?**

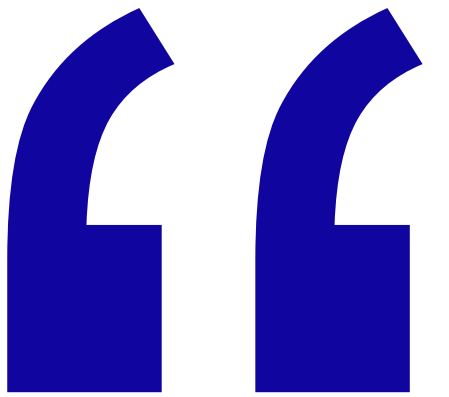
Since the financial crisis of 2008, the banking system has been completely reshaped and financings in the commodities sector have declined drastically. Nevertheless, the need for capital

remains considerable, and mining companies are finding it more and more difficult to fund themselves through traditional pathways.

As a result, Structured Trade Finance solutions such as prepayments are becoming more and more essential for the industry. We offer a solution to this predicament by tailoring our financing offers to support mining companies in the development of their operations, contributing to a win-win situation.

Through our financing solutions, a company receives payment in advance, in a non-dilutive and straightforward transaction with fast deploying conditions. The cost of capital

for the companies is more competitive than certain other alternatives sources of finance and there is no predation during the life of mine, due to a short-term funding timeline. Since the number of ounces to be delivered as repayment is fixed, rather than determined as a percentage of future monthly production, our partners fully benefit from their upside potential such as increases in their production capacities. Furthermore, the producer deals with just one counterparty for all aspects of the transaction and need no longer worry about the volatility of underlying prices or currencies, since they have sold part of their production directly to



**Our partners know we believe in our projects and actually have 'skin in the game'**

us at a given price in U.S. dollars.

**Why did OCIM choose this financing offer?**

OCIM's DNA comes originally from real estate, and we have found similarities between our current activities and the real estate investment sector. The prepayment contracts provide OCIM with deliveries of ounces of metals and then generate cash-flows that are integrated in a more holistic precious metals trading strategy.

Trading in financial markets often requires managing directional, volatility and timing parameters that are tough to forecast. With the prepayment model OCIM can rely on "fixed income-like" stable revenues that are uncorrelated to the prices of underlying commodities or to market conditions. This is done with the help of hedging strategies using financial instruments such as metals derivatives. This trading business model allows OCIM to generate optimal risk-adjusted returns on a consistent basis. To date OCIM operations are financed by the Mathiot's family net worth and has benefitted from a stable and supportive shareholder since 1961! In our experience, it's very reassuring for our partners to know that we believe in our projects and actually do have "skin in the game".

**Please give us an example of your financing offer in action.**

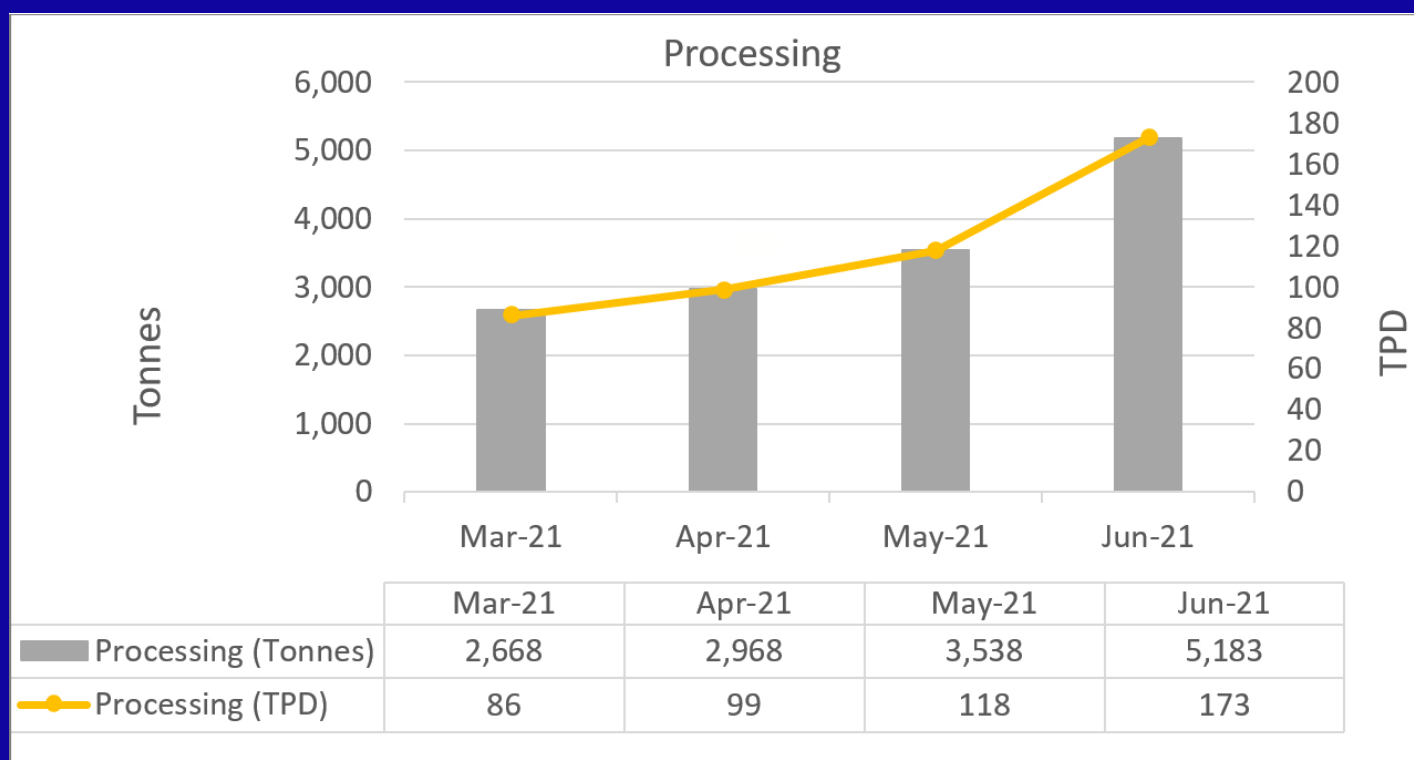
To date OCIM Precious Metals SA has provided Inca One Gold

Corp. (TSXV: INCA) with two gold prepayment facilities to fund its working capital and ore purchasing.

Inca One is a Peru-based mineral processing company, servicing legalized, fully permitted, small-scale miners. It has a combined 450tpd operating capacity at its two fully integrated plants, Chala One (100tpd) and Kori One (350tpd). Both plants are strategically situated in the Arequipa region, Southern Peru and just 10 minutes from the Pan American Highway, within the Nazca-Ocona gold belt, in a highly concentrated, high-grade, small-scale mining district.

In March 2021, OCIM and Inca One closed an initial, short-term, US\$2.5 million gold prepayment facility. It was intended to be a "tester" facility, mainly to establish a full value chain and ensure smooth relationship between all parties involved. The facility was repaid in full and ahead of its original 135 days repayment schedule.

Following the successful repayment of the first facility, in early August 2021, Inca One and OCIM entered into a second gold prepayment of up to US\$9.0 million. This facility allowed for immediate drawdown of US\$6 million, repayable over an 18-month period. This second facility includes an additional revolving US\$3.0 million to be dispersed upon payment of the 50% of the initial US\$6m. Similarly, net proceeds are principally used to purchase gold mill feed, whilst US\$1.35million



Inca One processing chart. (Image credit: Inca One Gold Corp.)

was used for repayment of an existing secured debenture. The facility is secured by a Canadian general security agreement as well as registered security over the Chala One Plant and equipment. Both facilities enabled Inca One to notably increase working capital and to fill a significant portion of its unused mill capacity.

With OCIM's revolving facility in place, Inca One's target is to ramp up production to 300tpd within 12 months, and to full 450tpd within 24 months. At a full capacity Inca One's facilities can produce 75,000oz of gold per annum and generate close to

US\$140m in revenue per year, assuming an US\$1,850/oz gold price.

**What sets your company apart from others in the industry?**

My background as a former investment banker and financial engineer who has always been attracted to tangible assets, with an enduring passion for gold!

**What are your plans for your business in the future?**

To develop OCIM into a global alternative capital provider by linking institutional sources of funds to metals value chain operators.

**What makes you most proud about your company?**

That OCIM is promoting women in leadership roles in the mining industry, historically a men's sector! In our team the Corporate Development Director and the Chief Investment Officer are both involved in the "International Women in Mining" organization. **A**