

KEY STEPS TO SUCCESS IN DEALS BETWEEN AUSTRALIA, AFRICA AND CHINA





China in Africa Overview

Managing political, cultural and sovereign risk issues

Sourcing from China for projects in Australia and Africa

Managing project and financing risks

Solving funding challenges

China in Africa Overview



Phases of China activity in Africa

The size of the China Africa relationship

Opportunities in mining and construction



Duncan Calder

Managing Director, Contour Capital
Ambassador, Australia China Friendship Society
Past National and WA President, ACBC

China in Africa – not a new opportunity



China partnerships offer benefits in Africa

Duncan Calder | Thursday, 16 December, 2010 - 00:00

MORE than 200 Australian companies are exploring or developing projects in Africa in 40 different countries. Perth leads the way as the home to 85 per cent of the Australian listed resource companies working in Africa. This is a very impressive presence.



1950s-1970s

- Post colonialism era in Africa
- PRC v Taiwan recognition (with foreign aid rewards)
- ORC and African countries supporting one another in the UN

1970s-1990s

- Deng Xiaoping's "Open Door" Policy post 1978
- USSR and US competition for influence in Africa
- Chinese exports of light industrial products accelerates

1990's – to date

- Driven by the Hungry Dragon's demand for resources, supported by infrastructure investment
- Driven by China's pursuit of new markets for first its products and second its services
- More recently impacted by China's keenness to reassume international influence
- Chinese EPC contractors increasingly active in Africa, supported by Chinese infrastructure lending
- Establishment of FOCAC in 2000 and China Africa Development Fund in 2007

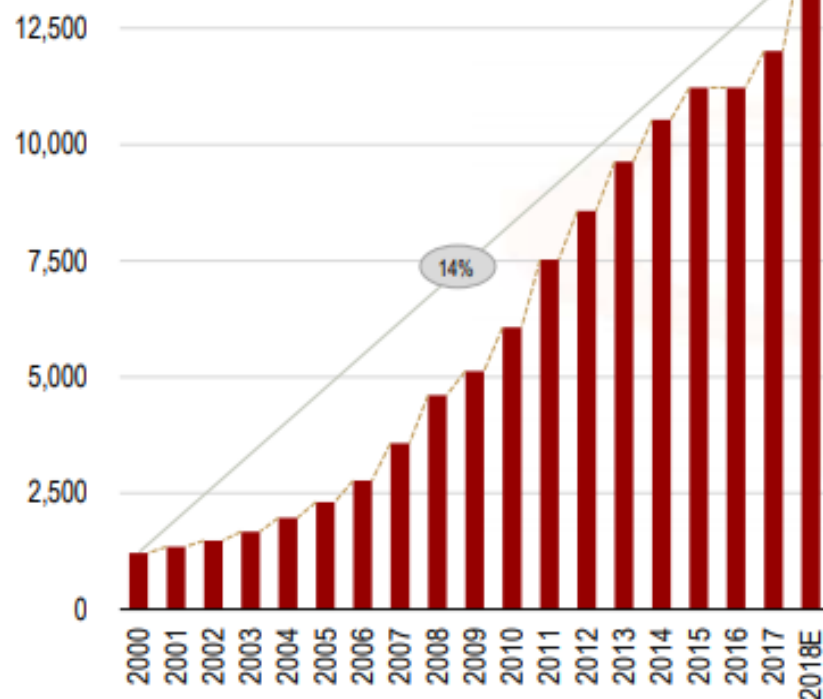
Visits by leaders: 1996 Jiang Zemin, 2009 Hu Jintao, 2014 Xi Jinping

FOCAC (Forum on China Africa Cooperation) – Xi Jinping's 8 Initiatives

1. Industrial Promotion
2. Infrastructure Connectivity
3. Trade Facilitation
4. Green Development
5. Capacity Building
6. Health Care
7. People-to-people exchanges
8. Peace and Security

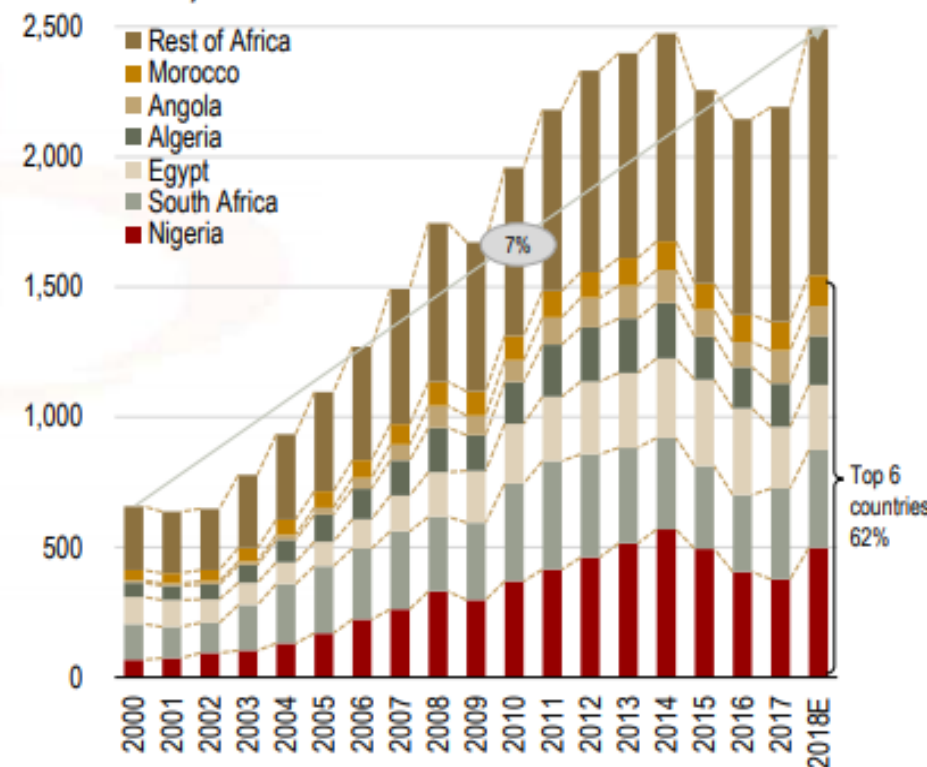


China's Historical GDP at Current Prices (USD bn, 2000-2018E)



Source: T.B.A.

Africa's Historical GDP at Current Prices (USD bn, 2000-2018E)



2000-2017

China's GDP growth – 14% p.a.
Africa's GDP growth – 7% p.a.

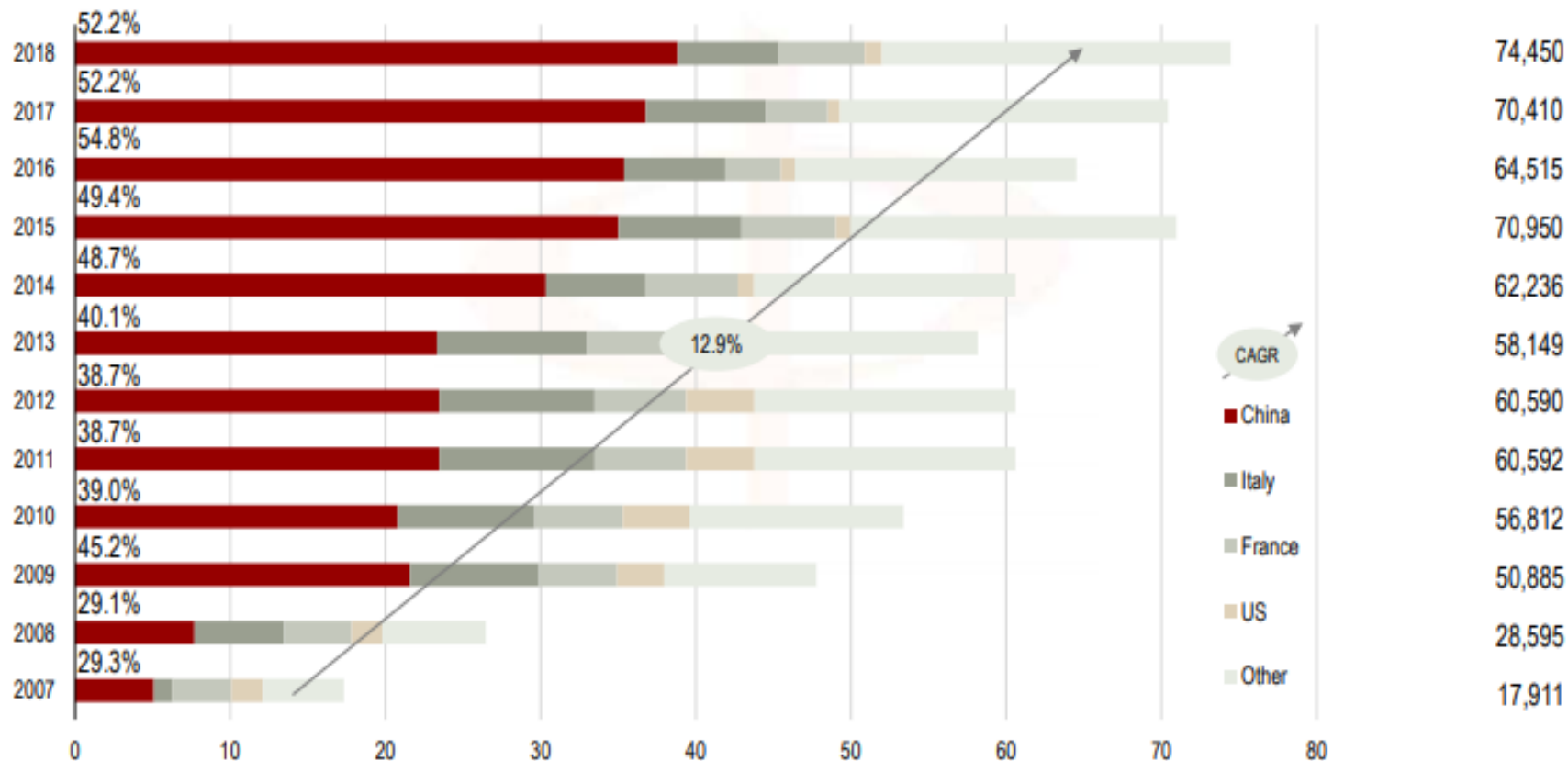
China's phenomenal growth and demand for resources and raw materials has been the primary driver of Africa's growth

2000-2015 – USD94.4Bn in loans.
China's loans to Africa grew at a CAGR of 32% over this period

Now 50,000+ African students are studying in China

Since 2002, trade between China and Africa has grown at a CAGR of over 19%.
Since 2006, China's FDI stock in Africa grew at a CAGR of 28% (>50% in mining and construction)

International Contracted Revenue in Africa¹ (USD mn, 2007-2018)



Africa Total

China is a major, successful contractor in Africa

China has earned more than half of total contractor revenue earned in the last decade in Africa

There is enormous potential for Australian companies looking to develop projects in Africa to tap into this expertise

The top 6 African countries using contractors are primarily oil and gas based

These are followed by minerals rich economies

Source: T.B.A.

More than 10,000 Chinese-owned firms are operating in Africa and with President Xi's flagship project, the Belt and Road Initiative (BRI), this will only continue to grow.

THE OPPORTUNITIES ARE HUGE FOR AUSTRALIAN COMPANIES TO COLLABORATE WITH CHINESE COMPANIES IN AFRICA

Managing political, cultural and sovereign risk issues



Michael Blakiston
Managing Partner, Gilbert+Tobin, WA



Sourcing from China for projects in Australia and Africa

Case study 1--Direct access to specific stakeholders (partnerships and offtake)

Case Study 2— Engineering and Procurement functional solutions

Current Learned Challenges



Joel chong

Managing Director Oriental Jinyuan Link, WA



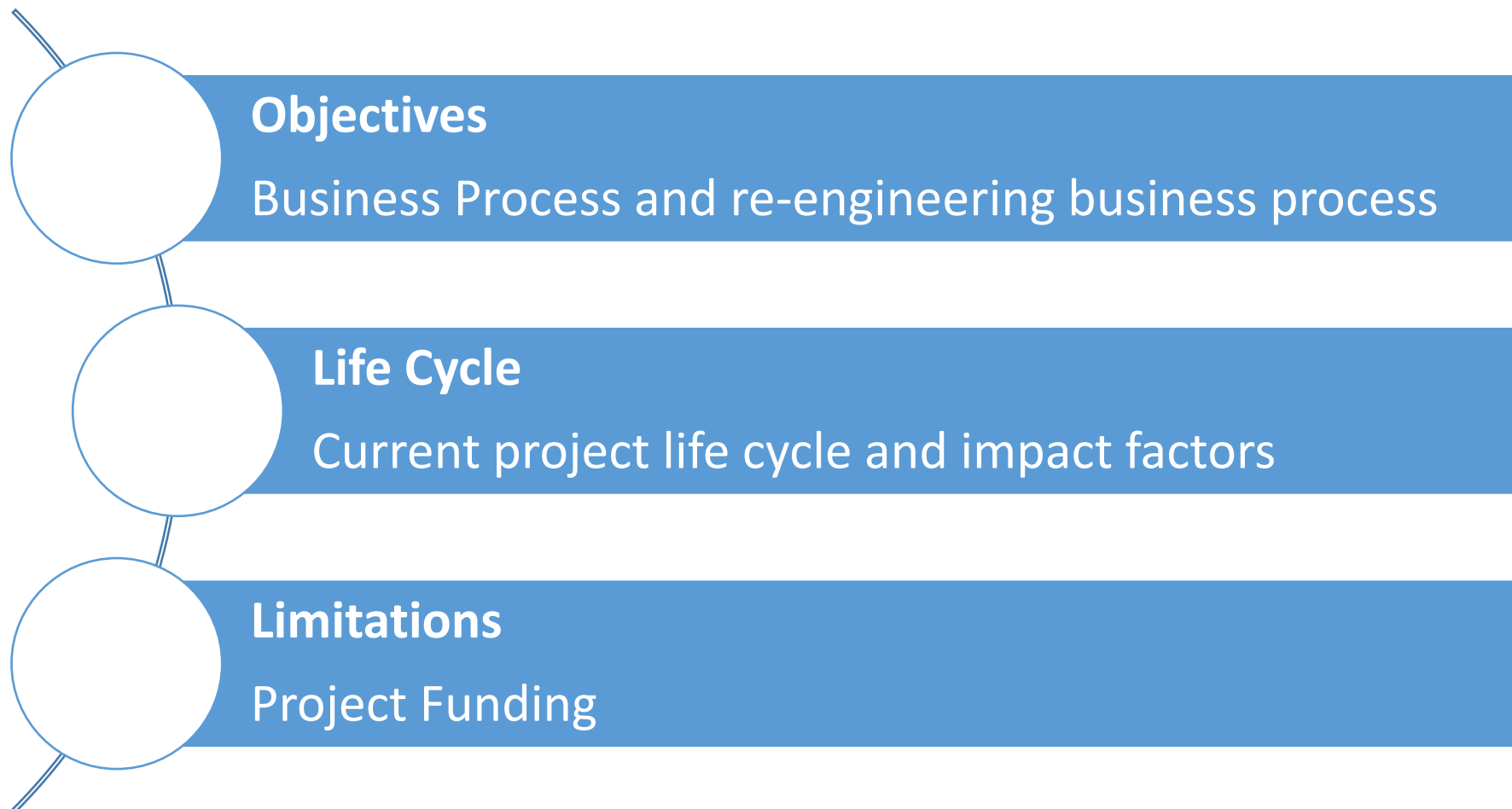
Procurement and Engineering High Level Issues

- **Direct access to Stakeholders and Partners**
- **African Project, ASX Listed Company, China Partnership**
 - Project planning and execution Process
 - Project negotiation
 - Decision making process
 - Project Funding

Procurement and Engineering Functional Solutions

- Matching Project Engineering experience
- Simple yet effective design and operations process
- Understand Project life cycle and operations
- Matching experienced construction team in Africa Region

Current learned challenges



Managing project and financing risks



Phil McKeiver

Consultant and Former Partner, Gilbert+Tobin, WA
Director, Aust Sino Resources Group



Solving funding challenges



Equity

Debt

General



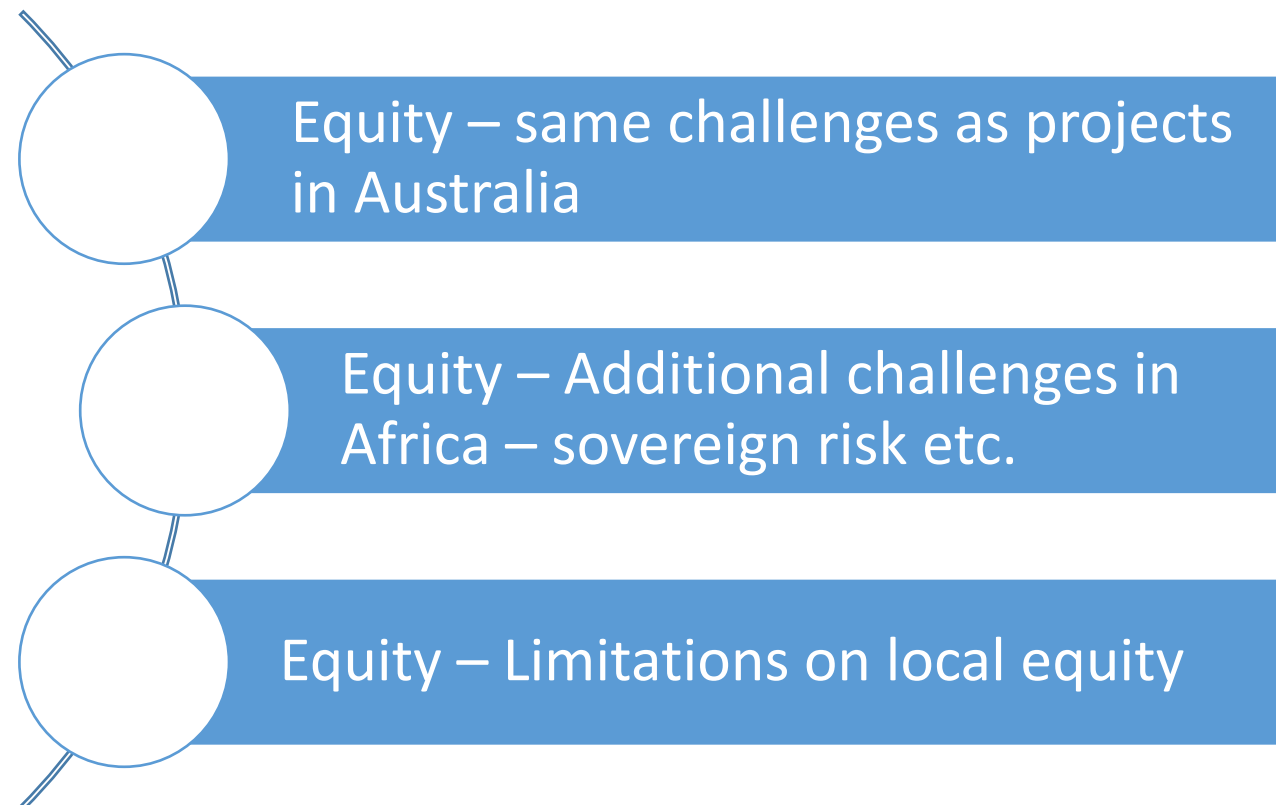
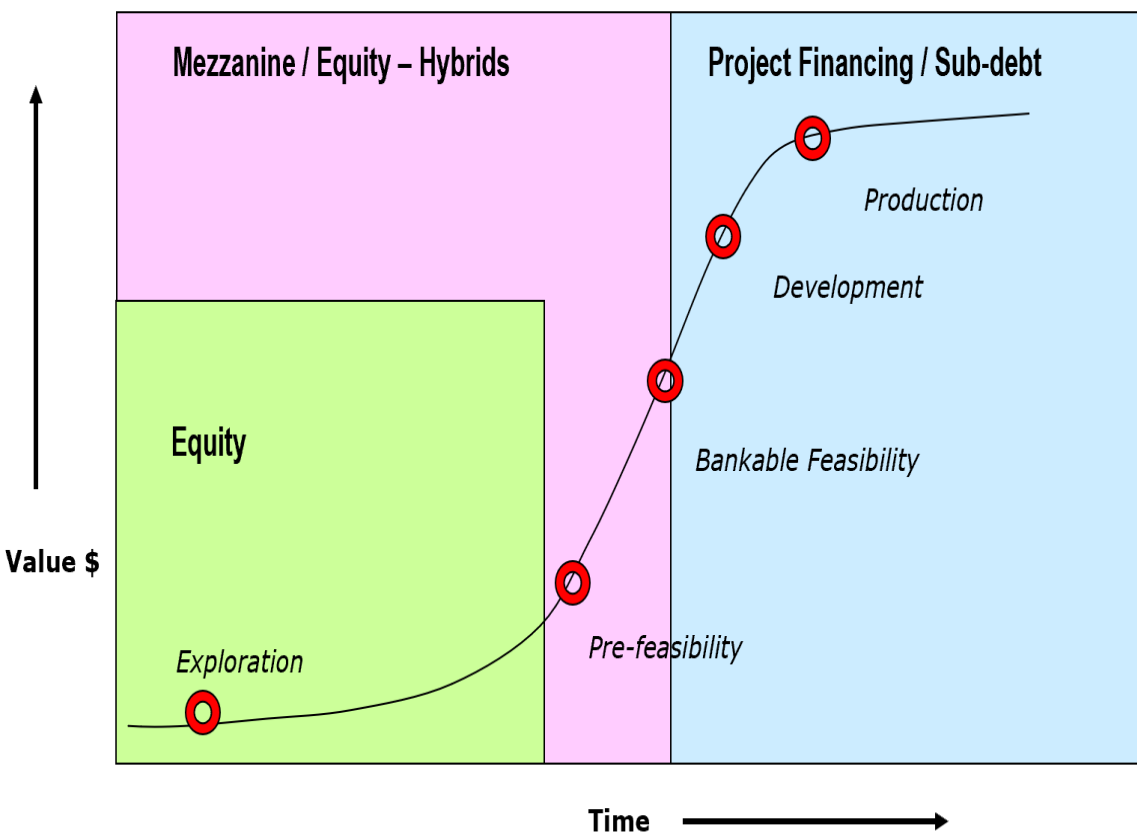
Duncan Calder
Managing Director
Contour Capital




Chris Bradley
Director
RIMU Resource

Role and challenges – Equity and Debt

Project development and Funding Spectrum



The African landscape affecting debt



Given the landscape - Infrastructure, Delivery to Market and Market Off-Taker/s are as important (if not more) as the Project itself!

Project Economics need to be compelling and robust for inevitable setback and slippages

Legal enforcement prospect low so worse case work out solutions need to be identified and structured accordingly into facility documentation with out of country (NY Convention) jurisdiction documented

All financings are “cross border” requiring specialist International consideration. No prospect of local bank finance and No prospect of Australian Bank finance

Any Project Commencement MUST start with selected local partners who are also “Local Champions”

Region enjoys deep and historical support from European Supranationals, ECAs and Funds - allowing high flexible layered financing structures

Project issues - debt



Given the landscape - Infrastructure, Delivery to Market and Market Off-Taker/s are as important (if not more) as the Project itself!

Quality Off-Taker/s must be identified at Green Field Site stage...this cannot be emphasised enough, Need “Big Friend” Off-Taker (major conglomerates, trading houses or supranationals)

Enforcement of security will have limiting comfort so match Project Risk with Stakeholder Needs & Interests

The more fungible the resource the better

Off-takers to be part of Facility risk participation – in it together – SO if reluctant to take this on question the Project viability

Panel Questions

Upcoming AAMEG Events

Thank you to the team who can help you to succeed in projects involving China, Africa and Australia



Michael Blakiston



Joel Chong



Phil McKeiver



Duncan Calder



Chris Bradley