

Networking Seminar

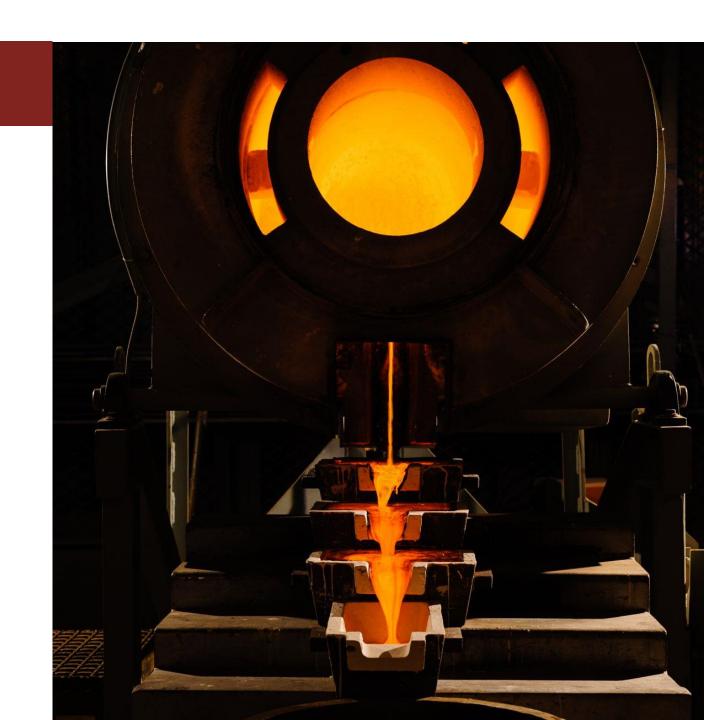
The Importance of Managing Expectations in African Projects

Jeff Quartermaine October 2013



The Stakeholders

- 1. The "Land Stewards"
 - Host communities
 - Host governments
- 2. The **Financiers**
 - Debt providers
 - Equity investors
- 3. The Suppliers of Goods and Services
 - Employees
 - Others



Managing Expectations of Host Communities

1. Establish a level of trust through open and honest information exchanges

- 2. Be **circumspect** in making promises
- 3. **Deliver** on your promises



Contributions to Host Communities

- Community development funds
- Community programmes
- Costs of local gatherings
- Compensation for:
 - Crops
 - Structures
 - Loss of livelihood
- New housing and other infrastructure
- Inflated cost for local purchases
- Engagement of ineffective local labour and substandard goods and services



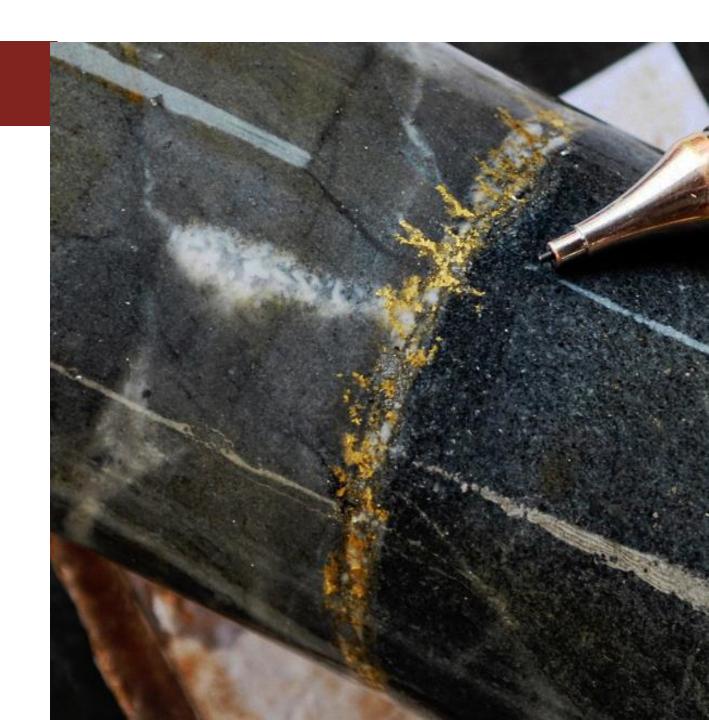
Managing expectations of host Governments

1. Major disconnect on what is **fair** and reasonable

2. Payment of taxes provides **no certainty** of "a predictable, rule based, transparent environment"

3. Engage with governments:

- Directly
- Through industry bodies
- Through Embassies and High Commissions



Government Imposed Costs

- Corporate taxes
- With holding tax
- VAT and reverse VAT
- Royalties
- Licences and Fees
- FX spread on repatriated funds
- Special levies
- Super Profits taxes
- Electricity pricing
- Excessive environmental standards
- Labour quotas and conditions of employment



Managing Expectations of Equity Investors

"Under promise and over deliver"

 Monitor analysts forecasts and seek adjustments where appropriate

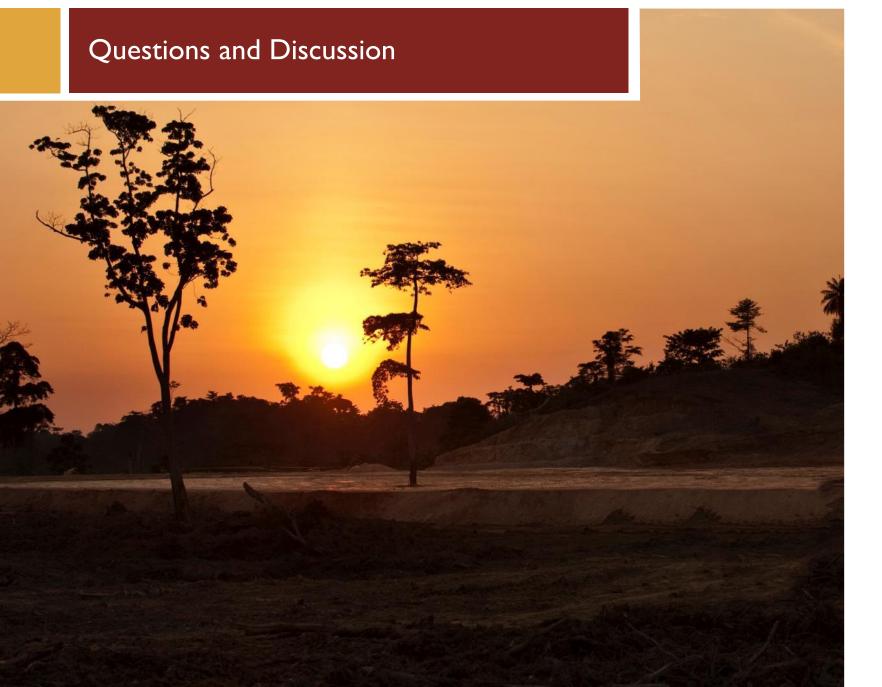
 Inputs to feasibility studies based on practical, real experience rather than "industry metrics"



Final thoughts...

- 1. Historically, expectations **not well managed**
- 2. Each group of stakeholders is unique and **feels more entitled**
- 3. Inequitable distribution of benefits will have to negative consequences
- 4. Management's responsibility to manage expectations:
 - Open and honest communications are important
 - Under-promising and over delivering is helpful
 - Doing what you say is essential







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