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What are Private Placements

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What are Private Placements?

A Private Placement or Private Placing occurs when investors purchase new shares directly from a company, instead of buying them from another investor on a stock exchange. Private Placements ''deals'' are generally not available to the public, and the best "deals" tend to be exclusive, with more demand for shares than available supply. The investors that get first information on the stock tend to be well connected or well known.

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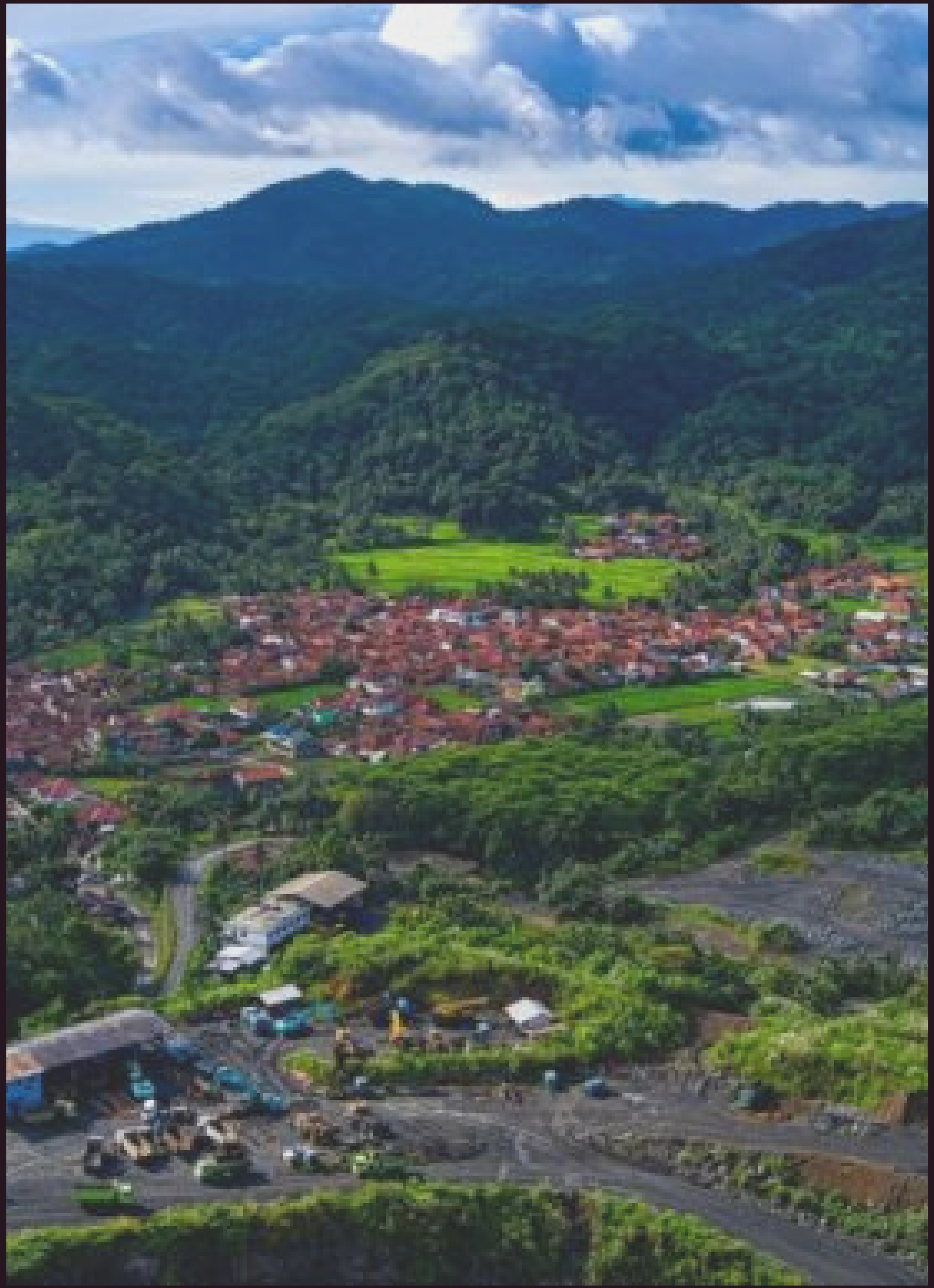


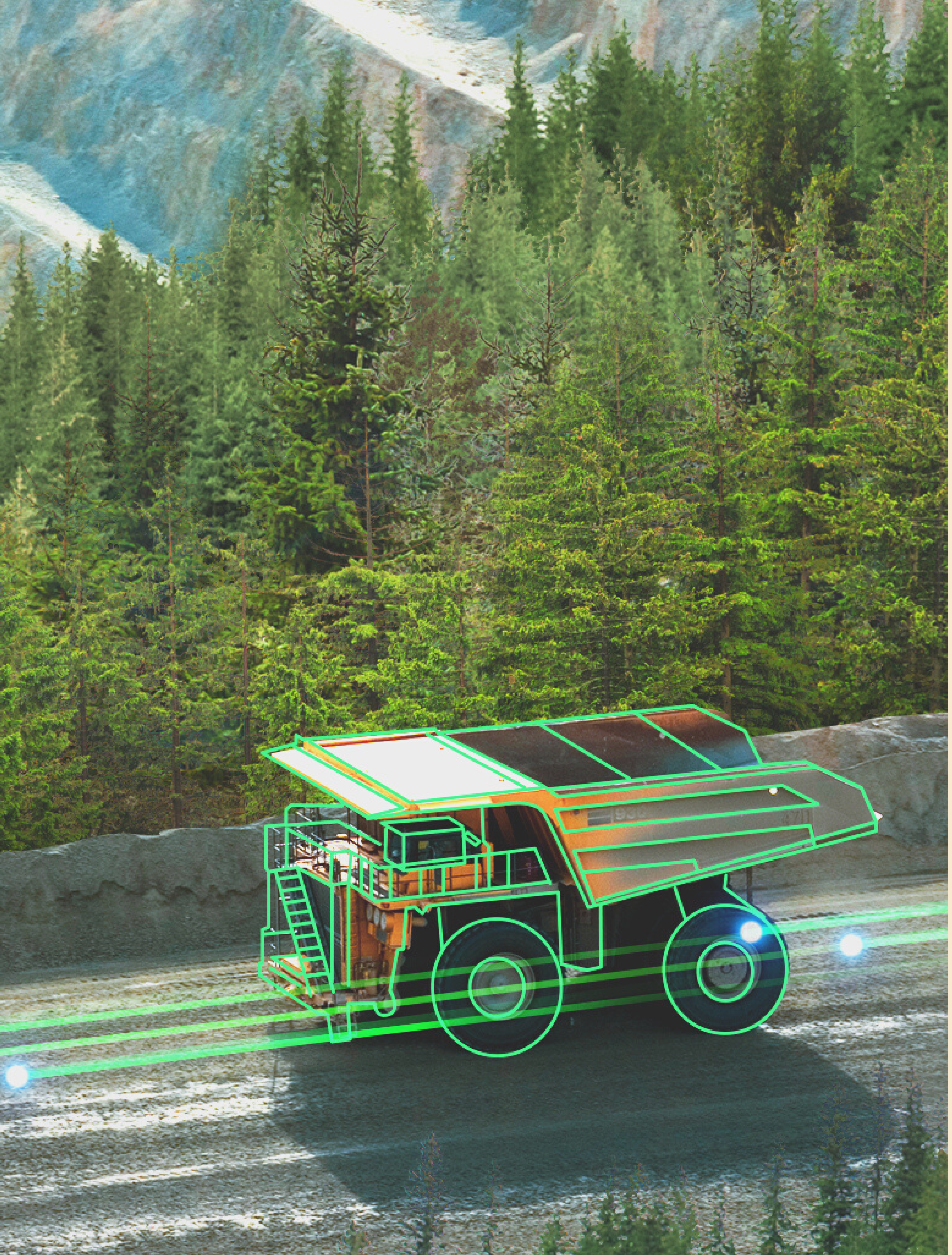
There are two types of Private Placements in the mining industry:

1

Private Investment in Public Equities (PIPEs); in a private placement into a public equity, investors are buying newly issued stock directly from a publicly listed company. The money goes directly to the company, which can then be used to fund work that should increase shareholder value. Because investors are buying the stock directly from the company and not from a stock exchange, the company is able to align the terms of the deal to incentivise investors. This could take the form of selling stock at a discount to the current market price; adding warrants; or sometimes both.

2

Private Equity Investments; Private equity is a type of investment where individuals own a portion of a company that is not publicly owned, quoted, or traded on a public stock exchange. The main types of private equity investment strategies are leveraged buyouts, venture capital, and growth capital injections.
Private investments can be done at any price the company and investors agree upon and commonly include warrants.



Benefits of Private Placements as a form of investment:

With the uncontrollable nature of private equity cash flows, share prices are not quoted very often. This enables a company’s value to hold steady in times of market volatility, because all of the investors are committed to the long-term strategic growth focus, and they cannot liquidate their equity stake. Moreover, private investments often come with better terms than you will find on the open market.

In the junior mining landscape investors participate in such private deals because they are getting into a “deal” at a better price than they could get on the stock market. Frequently, these types of deals will be “re-rated” when they list on an exchange, meaning that they go up in value, thereby rewarding early investors and providing them with liquidity (opportunity to sell their stock at a profit).

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What to consider:

There might be a reduced market for stocks of the company, which may have a long-term implication on the value of the company as a whole. Furthermore, private placements imply a limited number of potential investors, who may not want to invest substantial amounts individually. Also, there is a requirement to place bonds or stocks at a substantial discount to compensate investors for their greater risk and longer-term returns.

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Who can invest in Private Placements?

In recent years, there has been a prominent increase by mining issuers in raising equity by means of Private Placements as compared to Public Offerings. This attracted many investors across the Globe. However, the eligibility criteria vary in line with each jurisdiction and in terms of who can participate in Private Placement investments. Eligibility depends on exemptions under various financial services and securities acts, which specify that an investor must exceed certain wealth thresholds such as net worth, income or financial assets in order to participate.

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