

Barclays Natural Resource Investments

IPAA Private Capital Conference

February 25, 2010



Contents

Introduction to BNRI

Recent International Investments

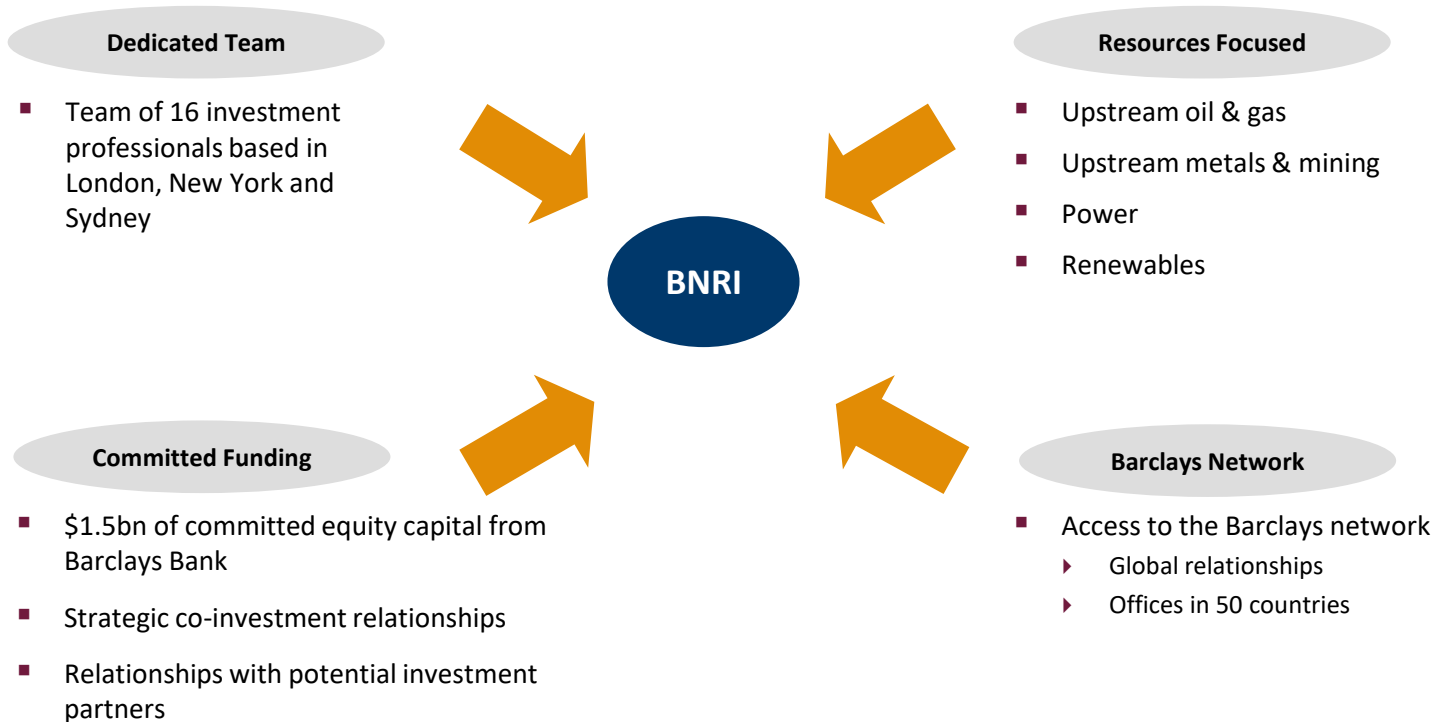
Challenges in International Investing

Thoughts for Those Seeking Capital

BNRI Overview

BNRI is a natural resource focused in-house private equity fund

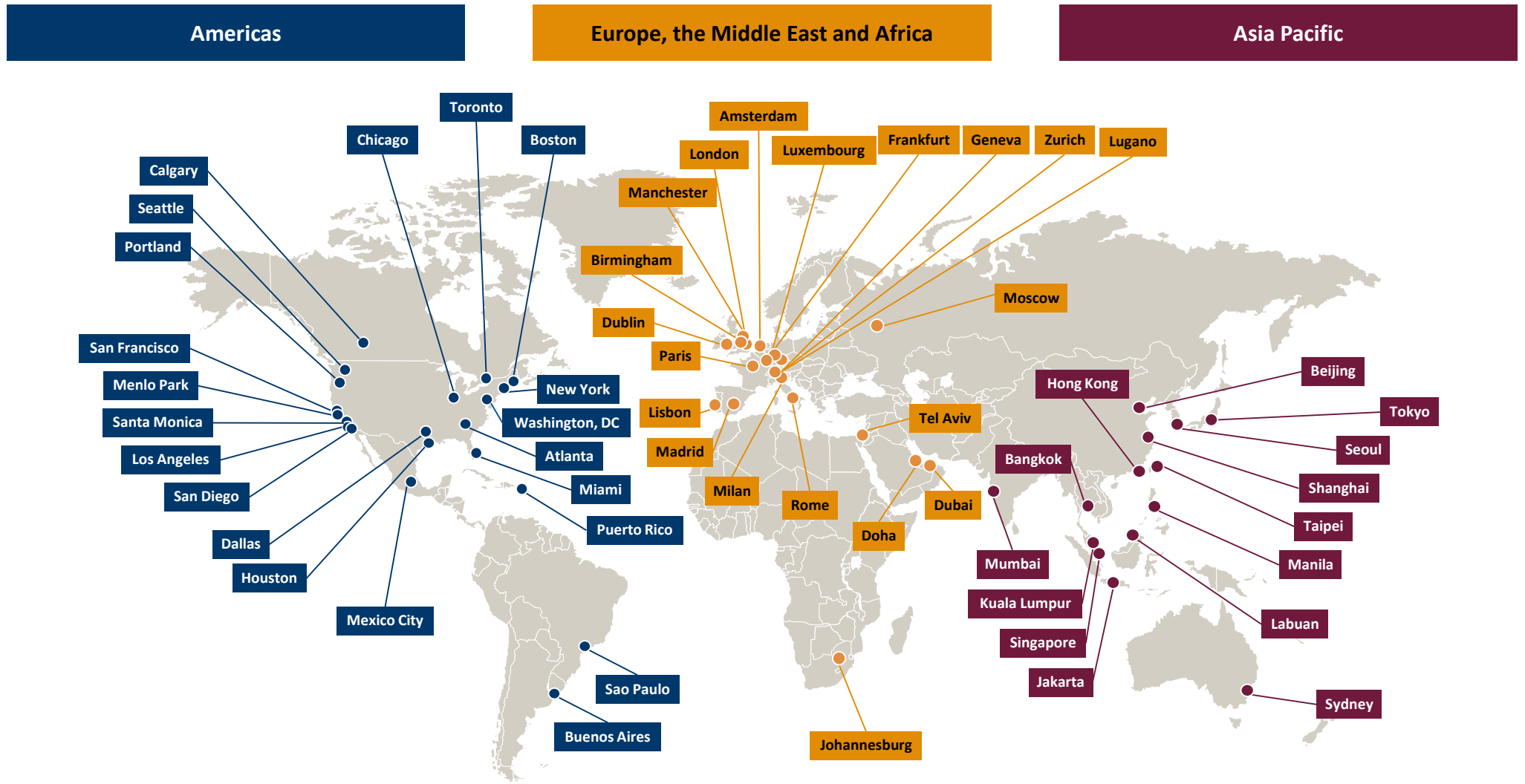
We are based in London, New York and Sydney with committed Barclays funding



Since 2006 the team has committed US\$1bn of equity into the global natural resources sector

Barclays Capital global network

BNRI draws upon the strengths of the Barclays Capital network



How BNRI Invests

BNRI is focussed in backing “best in class” natural resource management teams

- Management First

Industry	<ul style="list-style-type: none"> ■ The right mix of operational and technical expertise to be highly credible ■ Proven track record in sub-sector niche/ geography ■ Intimate knowledge of people, assets, infrastructure, offtakers, transport etc
Contacts	<ul style="list-style-type: none"> ■ The right contacts in territory (high- and mid-level) ■ The ability to source attractive asset acquisition or development opportunities ■ Excellent references from varied industry experts/ other individuals
Business plan	<ul style="list-style-type: none"> ■ A commercially and strategically viable business plan ■ Clear idea of what the ‘market’ wants and therefore what they are building ■ Clear idea of how to exit and attractive expected risk-adjusted returns
“Skin-in-the-game”	<ul style="list-style-type: none"> ■ Entrepreneurial spirit within the top team ■ Willingness to back themselves with a substantial % of overall net worth devoted to opportunity

- Strategy

- ▶ Management value add is key
- ▶ Marginal assets
- ▶ Target development and appraisal
- ▶ Avoid pure exploration and technology risk
- ▶ Avoid pure commodity bets

- Geographies

- ▶ Global, but attuned to political risk
- ▶ Keep an open mind
- ▶ Actively targeting Latin America, North Africa, Asia and Europe

Contents

Introduction to BNRI

Recent International Investments

Challenges in International Investing

Thoughts for Those Seeking Capital

BNRI Recent International Investments



CEOC: well-connected team focused oil and gas assets in historically underinvested Central & Eastern Europe

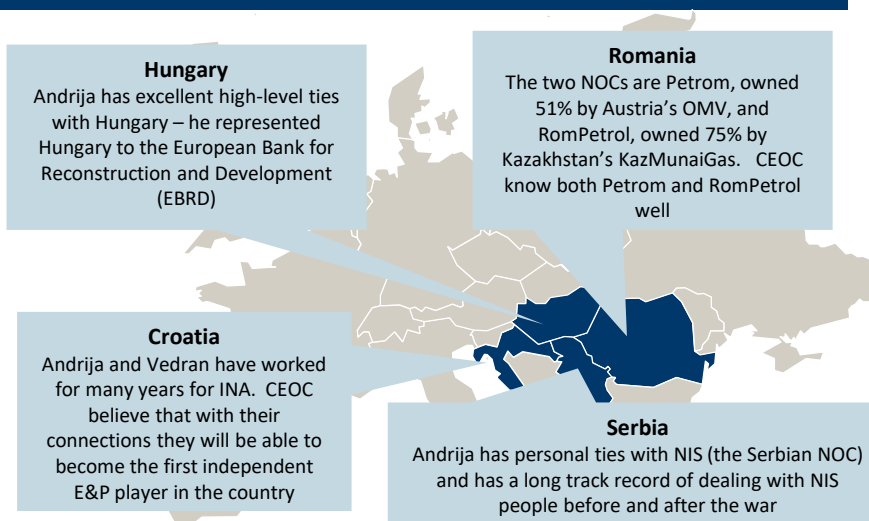
Management and shareholders

- **Management**
 - ▶ CEOC is led by CEO Andrija Kojakovic. Andrija is a **well respected figure in Croatia and the CEE region, having been CEO of INA**, the Croatian national oil company, Croatian Ambassador to China and the UK
 - ▶ CEOC's Deputy CEO, Vedran Perse, like Andrija, has very good CEE contacts and has good **entrepreneurial credentials, having established an oil trading business in 2001**

Business overview

- CEOC will invest in Central & Eastern European ("CEE") oil & gas opportunities
 - ▶ CEE region produces around 264 thousand barrels of oil per day (mmbldpd) and 4,660 million cubic feet of gas per day (mmcfpd), representing around 0.3% of the world's oil production and 1.6% of the world's gas production
 - ▶ The **region has been underinvested partly due to the war in the late 1990s**
- CEOC's focus is on forming partnerships with the NOCs (or other asset owners) to **apply capital and modern enhanced-recovery techniques to already-producing and discovered assets**, and will not be involved in exploring for new assets
- CEOC have **strong political and industry connections**, together with the technical expertise to be able to sign production sharing contracts with National Oil Companies ("NOCs") from the CEE region under which CEOC will invest in assets to improve production levels in exchange for a share of the increased production

Key projects



Background and strategy

- Francis Gugen has known Andrija for 15 years, and recommended him to BNRI as a person who could develop an oil and gas business in the CEE region
- CEE's oil & gas assets represent an attractive investment opportunity:
 - ▶ The region is developing political stability – most of the countries are EU new-joiners or accession countries
 - ▶ **Assets are onshore which dramatically reduces the cost and timescale for developing these fields; assets also tend to be long-life**
 - ▶ **National Oil Companies (NOCs) in the region generally lack the necessary human and financial capital to apply the most up-to-date technologies to enhance recovery rates from their assets**
- **Countries in the region have underinvested** in their upstream divisions; for example, in Croatia there has been zero investment in enhanced recovery techniques in domestic fields in the last five years
- CEOC team members were personally involved in identifying and working-up targets for these kinds of techniques in Croatia and Hungary during their careers at INA & MOL

Nio Petroleum: experienced team seeking to apply practical development expertise to small-scale assets in South East Asia

Management and shareholders

- **Management**
 - ▶ Richard Hall and Rory Edwards have worked together in a similar equity investment business at Petrofac Energy Developments, where they acquired and developed the Cendor field in Malaysia, the Don assets in the North Sea, and the Chergui gas assets in Tunisia
 - ▶ Management form a strong team, with Richard's **entrepreneurial drive** (prior to Petrofac, Richard spent 13 years running his own business, which he co-founded in 1990) combining with Rory's **insight**
- **Shareholders**
 - ▶ BNRI and Management are the founding shareholders

Business overview

- Management's plan **draws on the experience they have gained most recently at Petrofac**, but also during the earlier parts of their career:
 - ▶ Acquire equity positions in undeveloped discoveries
 - ▶ **Work up optimal commercial development solutions**
 - ▶ **Implement the development** programmes
 - ▶ Acquire equity positions in **mature and late-life fields**
 - ▶ Initiate redevelopment plans and ongoing rationalisation - thereby extending the field life and extending the time to abandonment
 - ▶ Produce a **significant saving in the abandonment plan**
- Management intend to **focus exclusively on offshore and in particular shallow water (70m)**, where their subsea skills provide a unique advantage
 - ▶ Both Richard and Rory have referenced as extremely strong technically

Key projects

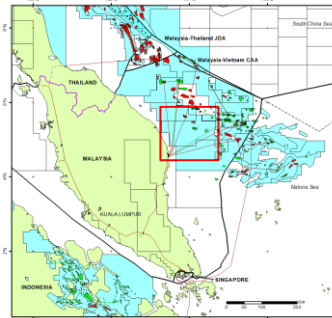
- Management are currently scoping projects in South East Asia
 - ▶ Connections are being re-established with various local operators and service companies
 - ▶ Management will seek to find projects where the geology is known but where sub-sea issues have prevented development to date

Background and strategy

- Through the BNRI network, we met Richard Hall and Rory Edwards in December 2008 as they were interested in forming a new oil & gas venture; we were immediately impressed by them
- Extensive references from well respected individuals such as Sam Laidlaw (currently CEO of Centrica, the \$19.5bn integrated energy business) commented favourably on them:
- Management believe that they can acquire at attractive prices assets that do not fit within the portfolios of National Oil Companies ("NOCs"), and use cost-effective solutions to maximise value from these assets
 - ▶ Management have differentiated operational expertise in linking elements of process to get fields and developments on-line
 - ▶ Management are focused on the development stage of the value chain
 - ▶ **Projects will be capable of development with or without partners**
- **Strong connections with National Oil Companies (NOCs)** in Malaysia, Thailand and Vietnam provide Management with **excellent access to fresh deals**

Management Track Record

- The Cendor field was developed by Management whilst they were working at Petrofac
- **The estimated returns at constant oil prices from the development were 4.7x**



Cupric Canyon: back an experienced team, led by former senior executives of Phelps Dodge and Freeport McMoRan, to develop copper mining properties

www.cupriccanyon.com

Management and shareholders

- **Management**
 - ▶ **Tim Snider is the Chairman of Cupric Canyon and he was previously the COO of Phelps Dodge and Freeport McMoRan**, large mining companies with global operations
 - ▶ **Dennis Bartlett is CEO** and he was previously the SVP of Development at Phelps Dodge
 - ▶ **Lowell Shonk is CFO** and he previously held CFO, controller, and other financial roles at Cyprus Amax, Phelps Dodge, and Freeport
 - **Cupric management have worked together as a team for over 20 years**
 - ▶ Team is augmented by Steve Enders (ex SVP Exploration, Newmont) and Dave Naccarati (ex President, Phelps Dodge Mining Co.)
- **Shareholders:** BNRI and management

Example project

Known resource: sizeable resource identified and delineated via drilling

Attractive location: proven South American copper region

Familiarity: property had been owned and drilled by Phelps Dodge, and Cupric team know current management well

Partner in need: respected junior mining company needs capital and expertise to move project to the next stage



Business overview

- **Cupric Canyon will acquire undeveloped copper assets with a known resource and add value by taking the projects through the development process (scoping, pre-feasibility, feasibility)**
 - ▶ Cupric Canyon is one of the most experienced and well-respected copper management teams in the world
 - ▶ Tim Snider is a visionary mining executive, who pioneered the Sx-Ew process throughout the global copper industry
 - ▶ Management has worked together as a team for 20 years, in senior executive roles at Phelps Dodge and Freeport McMoRan
 - ▶ **Geographically, management will focus on regions where they have extensive first-hand experience, hence primary focus areas will be North and South America**
- Cupric will consider acquiring orphan assets from major mining companies, partner with mid-size mining companies, or acquire junior mining companies
- **Management have extensive industry contacts and are a credible team for mining majors to partner on attractive projects with**

Background and strategy

- BNRI looked for best-in-class copper management teams for 2 years
- **Industry participants consistently referred to Tim Snider as one of the most outstanding mining professionals, so BNRI approached him in June 2009 after he left Freeport**
- Tim quickly formed a team around him and we spent the next 6 months referencing the team and crystallizing their business plan
- **The Cupric team has built an impressive track record developing and operating major copper projects in North and South America:**
 - ▶ Phelps Dodge was established in 1834 and grew into a large copper mining company employing c.15,000 people
 - ▶ Acquired by Freeport McMoRan in 2007 for \$26bn to create the second largest copper-focused mining company in the world
 - ▶ **Cupric team had extensive experience with copper and molybdenum**
 - ▶ **Operated world-class mines around the world:** Arizona (Morenci, Bagdad, Sahuarita, Miami, Safford), New Mexico (El Chino), Chile (Candelaria, El Abra, Ojos del Salado), Peru (Cerro Verde), DRC (Tenke)

Contents

Introduction to BNRI

Recent International Investments

Challenges in International Investing

Thoughts for Those Seeking Capital

Challenges in International Investing

All the challenges of domestic investing, plus more!

- Language and culture
- Differing view on entrepreneurship and risk taking
- Political risk
- Transparency and corruption
- Complexity and uncertainty of the regulatory and business environment
- Capital movements and taxation
- Asset hoarding by NOCs
- Services and midstream infrastructure
- Competition from public markets



**Added complexities
mean good teams are
much harder to find**

Contents

Introduction to BNRI

Recent International Investments

Challenges in International Investing

Thoughts for Those Seeking Capital

Thoughts for Those Seeking Capital

- Explain “Why You?”
 - ▶ Be able to articulate why your team is particularly well suited to make money with the given strategy and plan

- Be Open
 - ▶ Especially about your track record, strengths and weaknesses of the team and the risks of the strategy
 - ▶ Provide a broad range of references

- Be focused
 - ▶ Geographically and strategically

- Be Realistic
 - ▶ With both capital needs and anticipated returns

- Be willing to risk your own capital

- Be gripped in the Numbers
 - ▶ If you can’t articulate how returns are generated, that’s a problem

- Build Capital Relationships Early
 - ▶ Talk to us early on – don’t wait until you have four weeks to close a deal
 - ▶ We don’t need a perfect plan or complete team initially