

Rating report

4 May 2022

## EuroRating assigned 'B-' long-term issuer credit rating to the company Raptor Capital International plc (UK)

Public / Private rating	public
Continued / One off rating	continued (monitored rating)
Category	rating for the issuer
Name of the rated entity	Raptor Capital International plc (United Kingdom)
Type of the rated entity	corporation
Type of the credit rating	long-term, international scale
Date of rating assignment	4 May 2022
Rating level	B-
Rating outlook	stable

Raptor Capital International plc ("RCI plc", "the issuer") is a special purpose vehicle (SPV) and was established by Bedford Row Capital plc (which acts only as servicer to the issuer) for a specific purpose – to raise funds for the company Raptor Capital International Ltd ("RCI Ltd", "the principal borrower"), which intends to invest in gold mining and processing projects.

The 'B-' credit rating assigned to the company Raptor Capital International plc is a rating for the issuer (for the company) and it does not relate to the credit risk of the planned issue of asset secured bonds, which have obtained a separate credit rating. Nevertheless, the credit rating for the company was issued by EuroRating with the basic assumption that the bond issue will be carried out successfully (otherwise the company will have no assets nor liabilities and the assigned credit rating for the issuer will not be applicable).

### Key rating drivers

#### *Positive:*

**Solid security of the loan to the principal borrower:** The proceeds from the bond issue of RCI plc will be borrowed to RCI Ltd. The loan will be secured over all RCI Ltd's assets, as well as on the rights resulting from royalty and streaming contracts concluded by RCI Ltd with gold mining companies. RCI plc will also have a charge on the principal borrower's shares.

**Three different investment projects:** RCI Ltd will invest over 90% of the proceeds from bonds in three different gold mining projects, which partially reduces the risk of potential problems with the quantity of the gold produced or delays in production in individual mines.

**Low loan to value ratio:** RCI Ltd's criteria for commencing an investment project include the requirement, that the loan (granted to the mine operator) to resource value is an equivalent of below 15%, which should assure a solid safety margin.

**Already selected investment projects:** RCI Ltd has currently ten mining projects undergoing due diligence, from which in six cases indicative terms already have been agreed. It can significantly facilitate quick investments in selected profitable mining projects just after the bond issue.

**Experienced management team:** The RCI Ltd's management team has extensive knowledge and experience in the global mining and exploration industry with established track record.

### **Negative:**

**No history of operations of the bond issuer and short history of the principal borrower:** The rated bond issuer (RCI plc) is an SPV company with no history. Its credit risk and ability to timely repayments of the issued bonds depend fully on the credit risk of the principal borrower (RCI Ltd), which also has a short history of existence reaching only four years.

**No revenues and losses generated by the principal borrower:** Since RCI Ltd was founded, it has not generated any revenues. Due to the incurred operating and finance costs, the company was generating significant losses, which reached in the last four years in total almost \$3 million.

**Highly negative equity of the principal borrower:** RCI Ltd was equipped with a relatively small share capital of \$810,000 and due to the generated high losses its equity was constantly negative. As of the end of 2021 the deficit amounted to \$2.2 million.

**Minimal assets value and critical liquidity position of RCI Ltd:** The principal borrower currently has got only very small assets (\$70,000) and almost no cash. As of the end of 2021 the total financial liabilities were over 32 times higher than the total assets value. Therefore, RCI Ltd's going concern is now fully dependent on the possibility of further postponing the repayment of outstanding overdue liabilities, as well as on the possibility of covering the current operating costs by further increasing the liabilities to employees, directors and service providers.

### **Stable rating outlook**

The stable outlook assigned to the credit rating means, that according to current estimates of the EuroRating credit rating agency the rating should most probably remain unchanged in the horizon of the next 12 months.

## Major factors that could lead to a rating change

### *Positive:*

- successful investments by RCI Ltd in the selected mining projects, which will swiftly start generating gold streams to the company;
- quick strengthening of the capital position of the principal borrower by generating profits and keeping them in the company to increase equity;
- increasing cash reserves and maintaining a very good liquidity position, which will make the bond timely repayment very likely.

### *Negative:*

- much lower than currently planned bond issue, which would result in a lower number of the investment projects (what would decrease the diversification of investments);
- significantly lower than expected quantity of gold produced or delays in production in one or more mining projects, in which RCI Ltd will invest;
- generating by the principal borrower much weaker than currently forecasted sales income and net profits (and in particular – generating losses);
- further increase in negative equity of the principal borrower;
- any factors increasing risk of the principal borrower's failure to repay the loan from RCI plc on time and in a result the threat of lack of repayment the bonds issued by RCI plc.

## Company profile

### *Registration data*

**Issuer/company name:** Raptor Capital International plc. **Registered office:** Ground Floor, 45 Pall Mall, London, SW1Y 5JG, United Kingdom. **Company registration number (UK):** 13628979. **Legal Entity Identifier:** 213800EHVIQB6SQ9N829.

**Principal borrower name:** Raptor Capital International Ltd. **Registered office:** Craigmuir Chambers, Road Town, Tortola VG1110, British Virgin Islands. **Executive office:** Le Panorama AB, 57 Rue Grimaldi, Monaco, 98000. **Company registration number:** 379270.

Raptor Capital International plc ("RCI plc") is a special purpose vehicle and was established by the bond servicer Bedford Row Capital plc for a specific purpose – to raise funds (via bond issuance) for the company Raptor Capital International Ltd ("RCI Ltd").

As an SPV, RCI plc is separated from the bond servicer and it has its own independent board of directors and independent audit.

Before bond issuance RCI plc had no history, revenues or earnings, as well as no assets and liabilities. At the moment of bond issuance all proceeds from bonds will be transferred immediately (in a form of a loan) to RCI Ltd ("principal borrower"), which will be responsible for liabilities to RCI plc with its own assets, as well as with rights resulting from royalty and streaming contracts concluded by RCI Ltd with gold mining companies.

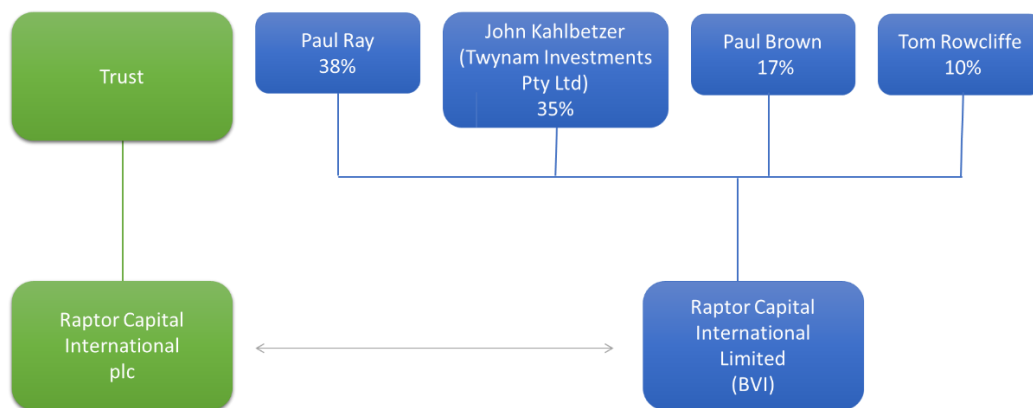
**As RCI plc's only asset will be the loan granted to RCI Ltd, the issuer's ability to repay the bonds will be fully dependent on the financial performance and cash flows generated by the principal borrower (RCI Ltd). Therefore, the credit risk analysis contained in this report focuses primarily on RCI Ltd.**

**Shareholder structure**

As it was described above, RCI plc is only an SPV company and is not directly (by ownership) related to RCI Ltd. The RCI plc shares are held in trust. After bond issuance RCI plc will have a business relation with RCI Ltd, as it will grant to that company a loan from the proceeds from the bonds.

RCI Ltd shareholders are: Paul Allen Ray – 38.8%, Twynam Investments Pty Ltd % (ultimate beneficial owner: John Iginio Kahlbetzer) – 35%, Paul Harold Brown – 16.9%, Tom Rowcliffe – 10%.

**Chart 1. RCI plc and RCI Ltd – shareholder structure and beneficial owners**



Source: Raptor Capital International plc and Raptor Capital International Ltd

**Principal borrower's history and primary business activity**

RCI Ltd was founded by Paul Ray, Tom Rowcliffe and Paul Brown in 2018 with a mission of increasing capital availability for medium-scale mining companies. RCI Ltd is a precious metal streaming and royalty finance company focused on providing innovative finance to medium scale precious metals mining operations in the USA, Canada, Australia, New Zealand and Mexico.

RCI Ltd intends to invest in projects with simple mining and processing operations, enabling them to initiate or increase production. The company's primary focus are gold mining projects, but it will also evaluate projects with silver streams.

### ***Business model***

RCI Ltd plans to be involved in financing the production and operation of gold mines globally with a focus on goldmining by operators in the mid-size market segment. The company's target plan is to invest up to \$500 million in 25 projects to acquire 1.2 million ounces of gold at 68% discount to gold spot price without having to invest in exploration, development or operations of the projects and create ongoing royalties for the life of the projects.

RCI Ltd's objective is to identify high-grade, low-cost, development stage gold mining projects to invest in by making up-front payments by way of commodity purchase. Pursuant to a streaming agreement RCI Ltd shall – for a defined period – purchase part of the future gold production of a project well below the market price. After that period, for an undefined time, RCI Ltd shall receive royalties from the gold produced by the project. The mining company operating the project at the beginning receives capital, which enables it to start (or increase) gold production and for the defined period it keeps the remaining part of the gold production. Afterwards, it keeps all the gold mined and only pays to RCI Ltd royalty fees.

In that investment model RCI Ltd does not bear the exploration risk and the mine owner does not dilute his shares in the company. This method of financing by streaming agreements is known as streaming and royalty finance.

RCI Ltd's strategy is based on the proven streaming and royalty business model, which is often used by large mining companies. RCI Ltd will apply the same to a niche segment – gold mines with resources of from 100 thousand to 1 million gold ounces (mid-size), avoiding competition with larger peers. RCI Ltd will focus on identifying the top 20-25 gold mining projects seeking capital in the mid-size market segment, by following a successful and proven investment criteria.

To date the company representatives have reviewed 100+ projects and met with various mining company executives at mining industry events globally. RCI Ltd currently has 10 projects undergoing due diligence; in 6 cases indicative terms have been agreed.

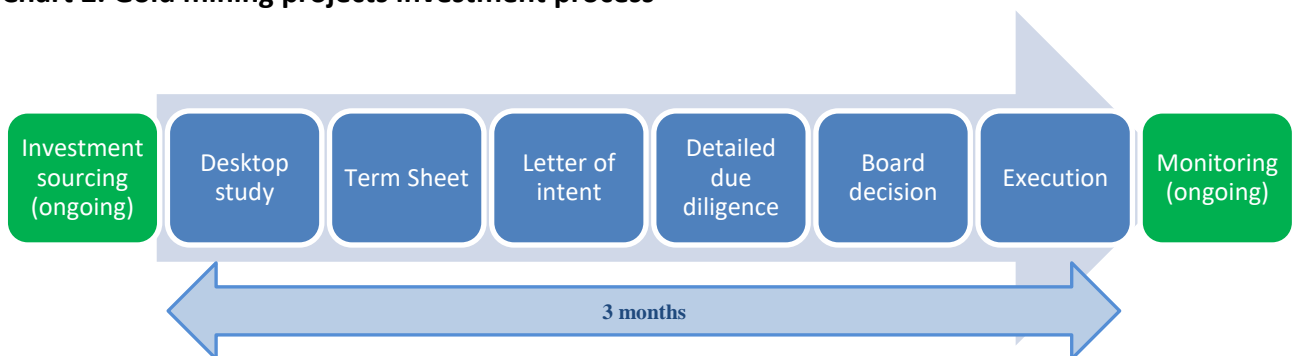
### Investment strategy

RCI Ltd's investment strategy mimics the business model of successful multi-billion-dollar firms in the industry, and includes:

1. Identifying high-grade, low-cost, development stage gold or silver mining projects to invest in
  - projects from geographically varied jurisdictions, which creates a diversified portfolio of gold or silver streaming assets – securing inflows and liquidity;
  - focus on mid-size firms with gold resources of 0.1-1 million ounces; three biggest players dominate the top end of the market where RCI Ltd is not competing;
2. Making up-front payments to purchase part of their future production below market price
  - mining companies prefer streaming and royalty finance because its non-dilutive to shareholders;
3. Receiving gold/silver from the mine's production at a deep discount and selling the commodity for a profit.

### Investment process

Chart 2. Gold mining projects investment process



Source: RCI plc and RCI Ltd

RCI Ltd's investment process involves the following steps:

1. **Screening and due diligence:** An investment is only made after a project passes the due diligence process which includes a quick desktop study and a detailed analysis:
  - **Technical** – geology, metallurgy and mine engineering due diligence is carried out by globally renowned consultants and expert assay labs. RCI Ltd filters credible projects for the next stage of assessment;
  - **Legal** – RCI Ltd selects local firms specialising in natural resources, with expertise in local law and mining regulations; it assures that the full ownership and rights to mine are held by the mining company before proceeding;
  - **Political/country risk** – RCI Ltd evaluates each jurisdiction to assess the level of political risk and consult with experts before costing (or transferring) the risk;

- **Environmental risk** – RCI Ltd requests specialist consultants' evaluations;
  - **Tax** – international firms review proposed structure of the investment and the mining company and tax exposure;
  - **Operating team** – RCI Ltd examines the track records of persons involved in the project.
2. **Valuation:** Investment opportunities are priced on a risk/reward basis. RCI Ltd requires a projected return of 3 times the advance. A reduction to this would require a significantly advanced project that is de-risked and very close to production.
3. **Investment monitoring:** RCI Ltd checks monthly operational reports, geological and technical reports, development and mine plans, has remote access to the ERP system, and has an agent to oversee the operation. If deemed necessary, RCI Ltd may appoint its representative to the mining company board.

### ***Investment criteria***

- RCI Ltd's investments will be structured as streaming and royalty transactions ranging between \$5 million to \$30 million;
- the company will primarily invest only in development stage mining projects with a clear timeline to production of less than 18 months (RCI Ltd will not invest in exploration stage projects);
- advances will be made in return for gold (priced at a large discount to spot price) and a royalty for the life of mine. There is no equity or debt component. RCI Ltd's gold streams must be settled within 5 years of the initial advance and royalties will be up to 8% of revenue;
- senior security over the entire mining assets.

### ***Financing criteria***

RCI Ltd's criteria for commencing a project include:

- at least 200,000 ounce gold resource (or gold equivalent ounces);
- a recent 43-101 standards/JORC (Joint Ore Reserves Committee) competent persons report demonstrating a viable resource;
- financing requirement of from \$5 million to \$30 million;
- loan to resource value equivalent of below 15%;
- uncomplicated metallurgy (no deleterious elements), allowing simple, conventional, traditional extraction;
- payback of initial capital and interest within 3 years of production;
- senior security over mining company's assets, including mineral property, as well as plant and equipment, which can be assigned to the company;

- access to mining company's financial records;
- authorization of the RCI Ltd's agent for an on site overseeing of operations;
- appointment a member of the executive team or a nominee of the Executive Team to the mining company board if deemed necessary.

If a project does not meet those criteria it will not be further considered. If a significant risk is exposed during the due diligence process and it cannot be mitigated, the investment would not proceed.

### ***Company management***

The Board of Directors of RCI Ltd consist of the following persons:

- **Paul Allen Ray** – a surveyor, who has been working successfully in the global mining and exploration industry for nearly 50 years. He has worked within some key mining industry organisations, such as Theiss Bros and Placer Exploration and Development Corporation. Mr Ray has comprehensive experience in geodetic, geophysical and geological surveys, property acquisitions, assessments, negotiations, contracts, logistics and public relations. Mr Ray has successfully discovered, developed and joint-ventured mining properties in Australia and the Pacific region. Furthermore, he has been a member of the board of various exploration and mining companies worldwide, both public and private.
- **Tom James Rowcliffe** – a chartered accountant with 10 years' experience and a background in mining, oil and gas. A mining industry professional, bringing skills in project evaluation and financial modelling for mines. His core skills in financial reporting, budgeting and forecasting are complimented by his commercial exposure to refining and offtake agreements and gold trading. Mr Rowcliffe has held senior positions within some fast-growing organisations, such as Trafigura and Endeavour Mining Corporation.
- **Paul Berndt** (Head of Technical Services) – a process engineer, project manager and mining company director with almost 50 years as minerals industry professional. Mr Berndt has exposure to mining operations across Europe, Latin America, China, Southern Africa, South-East Asia and Australia, for a wide variety of commodities and processes. Mr Berndt has a depth of experience in project evaluation, with a strong understanding of the cost and value of project inputs, corporate objectives and hence, the value in a business. His global experience in the minerals industry enables him to understand the strategies in diverse technical, political, legal and cultural frameworks and thus, identify weaknesses and opportunities within a project. Mr Berndt has held positions within significant mining industry organisations such as Sino Mining, Davy McKee Pacific (now Aker Solutions) and Anglo American.



- **Douglas Scheving** (Technical Services / Metallurgy) – Mr Scheving graduated with Diplomas of Technology in Mining and Extractive Metallurgy from the British Columbia Institute of Technology. He has worked in senior positions at a number of mining companies and served as general manager for the Government of British Columbia, Canada at an environmental remediation operation. Mr Scheving has provided management services for both public and private companies as a director, senior officer or consultant for over 48 years. In these positions he has reviewed and evaluated numerous mining projects with a wide variety of minerals and extraction methods.
- **Eliot Williams** – a global HR partner with a background in strategic talent management. She has spent more than 10 years providing organisations with focused people strategies that look to positively impact businesses and their people; from ensuring equal and diverse hiring policies to appraising and remunerating leadership teams in a way that supports stakeholder interests. Ms Williams started her consulting career providing relationship management support on major infrastructure projects across Australia with a focus on community engagement. Followed by a move to the UK, she built out her structural human resources knowledge at a top-tier European private equity firm, working in a thought-leading team to implement internal ESG policies and practices. More recently, Ms Williams has worked on projects between the UK and Australia, auditing human resources functions to ensure best practice structures are in place.
- **Paul Harold Brown** (Director & Head of Corporate Development) – Principal of an established company administration and accounting services business based in Monaco for multi-party private and public entities.

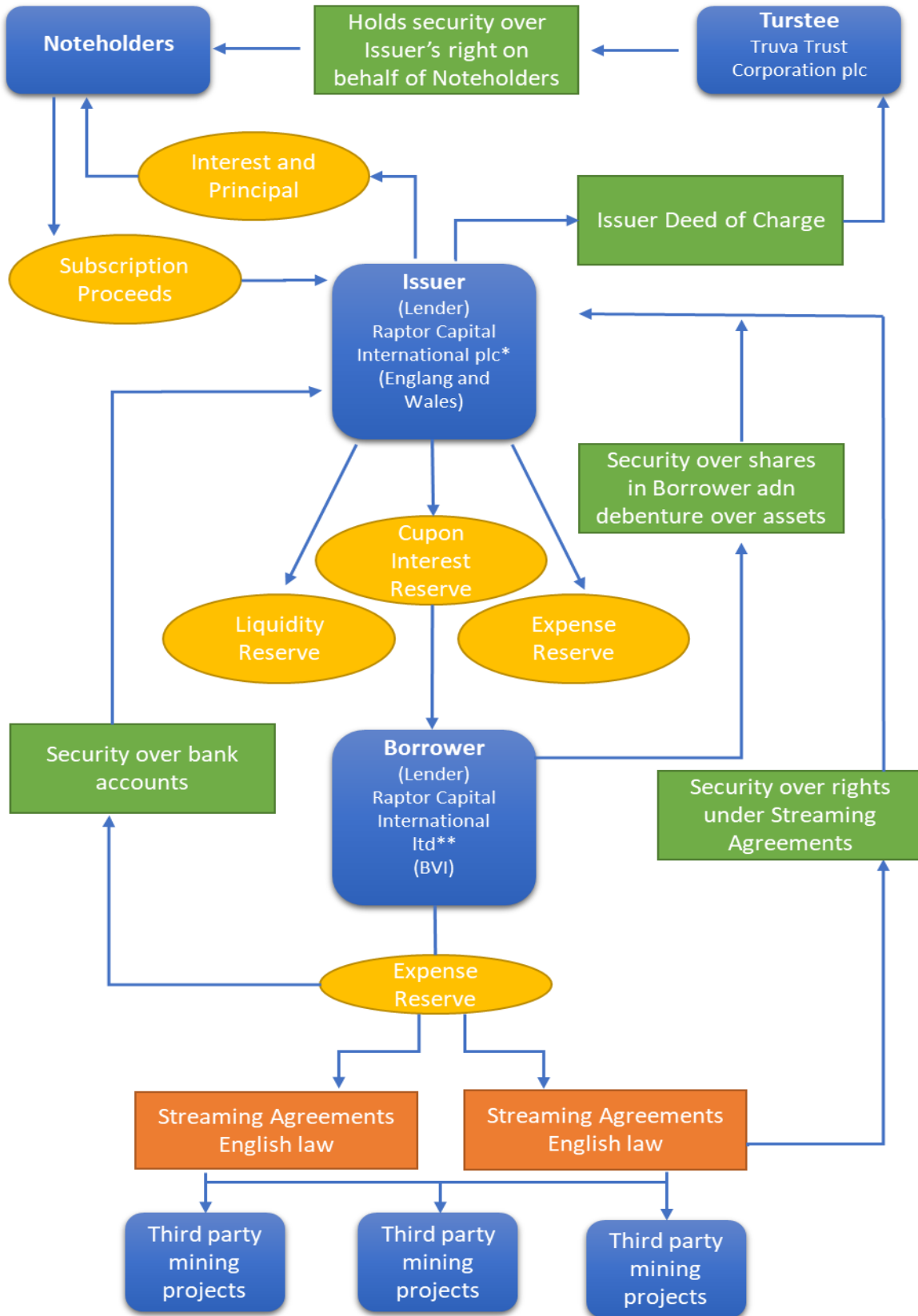
## Lending and cashflow process

A servicer agreement was signed between Raptor Capital International plc as the issuer, Bedford Row Capital plc as servicer and calculation agent, and Truva Trustees Corporation plc as trustee.

The issuer appoints the servicer to perform various duties with respect to the borrower loans in accordance with the terms and conditions of the servicer agreement. Such duties including, but not limited to, review borrower loans for compliance with applicable eligibility criteria, arrange the entry into or purchase of the borrower loans by the issuer, prior to any issue date collect from potential purchasers of notes the fees in respect of the costs necessarily incurred by the issuer, make indicative pricing on an appropriate and perform such other activities as shall be agreed from time to time.

As a result of the directors' prior commercial experience, Raptor Capital International plc has well developed and defined business processes. These are presented in the graphic below:

**Chart 3. Lending and cashflow process**



\* special purpose vehicle

\*\* shareholders: P. Ray (38.8%), Twynam Investments Pty Ltd (35%, UBO: J. Kahlbetzer), P. Brown (16.9%), T. Rowcliffe (10%)

Source: Raptor Capital International plc

## Market / industry

Precious metals royalty and streaming companies provide some leverage to the growing metals prices, similar to the typical mining companies. However, they are less risky in comparison to them. Their incomes are derived from royalty and streaming agreements. Under a metal streaming agreement, the streaming company provides an upfront payment to acquire the right to future deliveries of a predefined percentage of metal production of a mining operation. The streaming company also pays some ongoing payments that are usually well below the market price of the metal. The royalties usually apply to a small fraction of the mining project production (usually 1-3%), and they are not connected with ongoing payments.

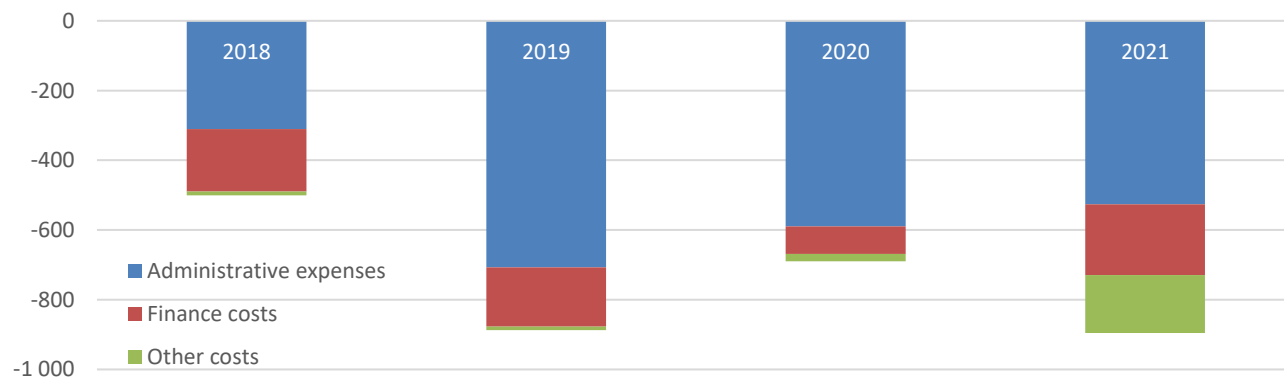
The market of the precious metals royalty and streaming industry is dominated by two players: Franco-Nevada Wheaton Precious Metals and Royal Gold. As of the end of February 2022, their combined market capitalization attributed for more than 94% of the total market capitalization of the 20 precious metals royalty and streaming biggest companies.

The current political situation and the Russia against Ukraine war push up global gold and other precious metals prices. Moreover, the inflationary environment should be favourable for the royalty and streaming companies as the metals prices should grow, while the royalty and streaming companies have more or less fixed "production" costs.

Also central banks have spent the past couple of years pumping billions of dollars into the global economy, which additionally drives up demand for gold, which supposed to hold its value at normal times, and rise when a panic-inducing crisis occurs.

## Financial analysis

Chart 4. RCI Ltd – profit and loss (\$ thousand)

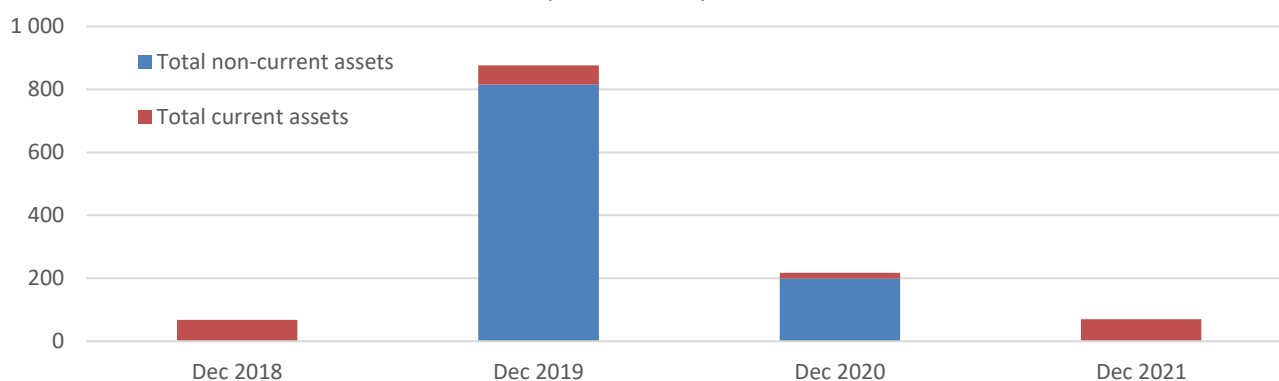


Source: Raptor Capital International Ltd financial statements

In 2018-2021 RCI Ltd have not generated any revenue but only costs. The total value of costs during this period was almost \$3 million, with the largest share of administrative costs (over \$2 million in total over the past four years).

A relatively short history of operations combined with a lack of any revenues in the whole company's history are from the credit risk assessment point of view strongly disadvantageous. However, it should be noted, that in the first years of RCI Ltd's operations, the company representatives have searched for interesting mining projects, meeting the criteria required by the company. The initial assessment of over 100 projects resulted in the current 10 projects undergoing due diligence, from which in 6 cases indicative terms have been agreed. Therefore, the work performed in the recent years may significantly facilitate the company to quickly make investments in profitable mining projects just after RCI Ltd will receive proceeds from bonds issued via RCI plc.

**Chart 5. RCI Ltd – balance sheet – assets (\$ thousand)**

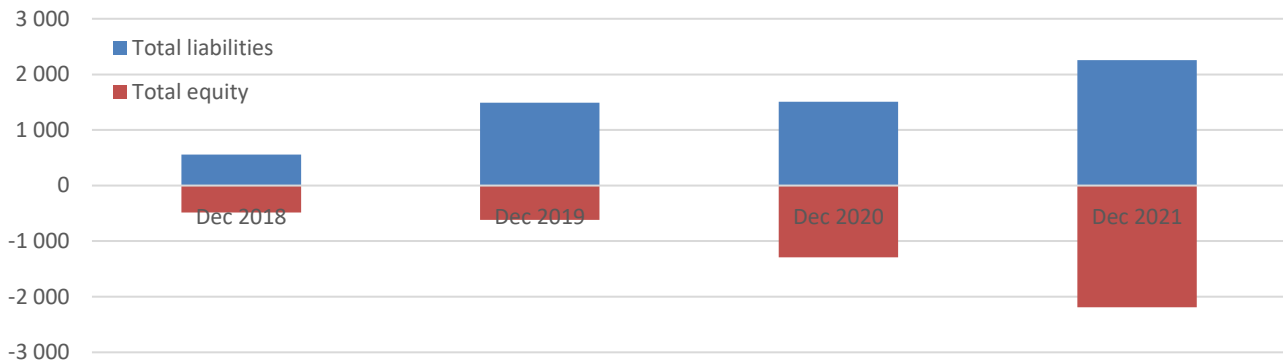


Source: Raptor Capital International Ltd financial statements

The value of total assets over the last four years has been generally very low. The one-off increase in 2019 was a result of a loan for a related party. This loan was mostly repaid over the next two years, until the residual balance of \$159 thousand was written off as the related party was part of a deal with another mining company (the directors and shareholders are the same for RCI Ltd and the related party).

At the end of 2021 the total assets in the amount of \$70.2 thousand consisted of two items: trade and other receivables (\$65.4 thousand) and cash and cash equivalents (\$4.7 thousand).

The current company's minimal total assets value and close to zero cash levels EuroRating assesses strongly negative in terms of RCI Ltd's credit risk assessment.

**Chart 6. RCI Ltd – balance sheet – equity and liabilities (\$ thousand)**

Source: Raptor Capital International Ltd financial statements

The company was established in 2018 with a share capital of \$10,000. The share capital was increased to \$810,000 in 2019. Despite that, due to the lack of revenues, incurred costs and generated losses, the company's equity since the first year was constantly negative and the value of the deficit was systematically increasing.

The company finances its assets mostly with "trade and other payables" and "borrowings". Those items consist mainly of directors' loan, expenses to be reimbursed and accrued directors' remuneration, as well as payables for administrative, commercial and technical services, of which 87% were more than 90 days overdue at the end of 2021.

A relatively low share capital in which the company has been equipped, together with the generated losses resulting in a systematically increasing negative equity value and increasing liabilities (from majority of which are overdue) have altogether a very negative impact on the company's credit risk assessment and the final credit rating assigned to it.

It should be emphasized that RCI Ltd's going concern is now fully dependent on the possibility of further postponing the repayment of outstanding overdue liabilities, as well as on the possibility of covering the current operating costs by further increasing the liabilities to employees, service providers and to shareholders.

In addition, due to the deeply negative equity value and the lack of cash or other significant own current assets, the company must fully rely on external financing for any investments in royalty and streaming contracts with mining companies. Therefore, the planned issuance of bonds (via SPV) will initially additionally significantly increase the company's indebtedness, the servicing and repayment of which will be fully dependent on the swift operational success of mining projects in which the company will invest.

**Chart 7. RCI Ltd – cash flow (\$ thousand)**

Source: Raptor Capital International Ltd financial statements

Due to the lack of sale revenues and the incurred operating and finance costs, operating cash flows in the recent years were generally negative. However, their negative value was lower than the incurred net losses, due to the deferred trade and directors' loans payables.

Cash flows from investing and financing activities had significant values only in 2019 and 2020. In 2019, due to the increasing financial deficit, the directors had to grant a loan to the company to protect its liquidity. In the same year RCI Ltd repaid the long-term loan, mainly thanks to the proceeds from issue of shares, as well as new borrowings. In 2020 and 2021 the company continued generating losses and had to use loans from the directors to cover administrative costs and trade payables.

The company's cash flows reflect its very difficult financial situation in the recent years. As it was described earlier, due to a lack of cash and generated negative operating cash flows, RCI Ltd's going concern is now fully dependent on the possibility of further postponing the repayment of outstanding overdue liabilities, as well as on the possibility of covering the current operating costs by further increasing the liabilities to employees, service providers and to directors. This state of affairs has a strong negative impact on the company's credit rating.

## Ratio analysis

### Margins and profitability

**Table 1. RCI Ltd – margin & profitability ratios**

Margin & profitability ratios	2018	2019	2020	2021
Margin on sales	N/A	N/A	N/A	N/A
Net margin	N/A	N/A	N/A	N/A
Return on assets (ROA)	-740%	-188%	-126%	-623%
Return on equity (ROE)	N/A	N/A	N/A	N/A

Source: EuroRating

An analysis of the margins on sales is not possible, due to the fact that the company throughout its history so far did not generate any revenues.

As the company only incurred relatively high operating and finance costs and generated significant losses, and the assets value was generally very low, the return on assets ratio was constantly at very high negative levels.

The low company's share capital, together with the generated losses, resulted in a constantly negative value of equity. Therefore, a calculation of the return on equity ratio would make no sense.

## Financing

**Table 2. RCI Ltd – financing ratios**

Financing	2018	2019	2020	2021
Equity / Balance sheet total	-7.20	-0.70	-5.93	-31.20
Liabilities / Balance sheet total	8.20	1.70	6.93	32.20
Stability of financing	-7.20	-0.70	-5.93	-31.20

Source: EuroRating

The company's financial obligations in the whole history far exceeded the total assets value, therefore the relation of equity to the balance sheet total was constantly at high negative levels. It should be noted, that as of the end of 2021 the total financial liabilities were over 32 times higher than the total assets value. This illustrates the presently critical financial situation of the company and at the same time very negative impacts its credit rating.

The possibility of improving the above situation currently depends fully on the company's ability to obtain external financing and make quick investments that will soon start generating positive cash flows.

## Liquidity

**Table 3. RCI Ltd – liquidity ratios**

Liquidity	2018	2019	2020	2021
Current liquidity	0.12	0.04	0.01	0.03
Quick ratio	0.12	0.04	0.01	0.03
Cash liquidity	0.08	0.00	0.00	0.00

Source: EuroRating

The value of current assets was in the recent years insignificant compared to current liabilities. Therefore the level of the current liquidity ratio was constantly extremely low.

Also, since 2019 RCI Ltd had almost no cash reserves and the cash liquidity ratio was constantly close to zero.

All the liquidity ratios reflect the company's very difficult liquidity situation in the recent years, which is very disadvantageous in terms of credit risk assessment.

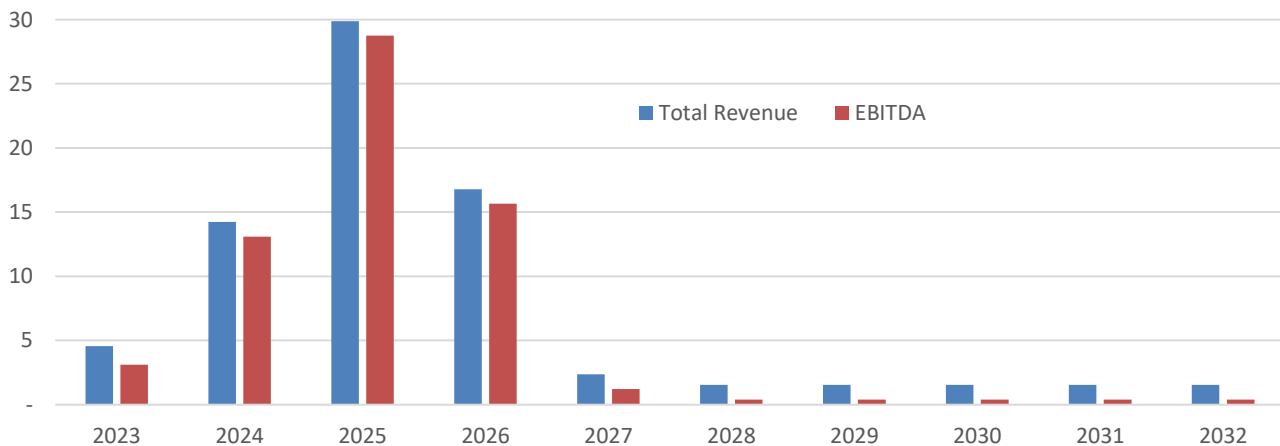
## Analysis of financial forecasts

RCI Ltd prepared its financial forecasts for the next 10 years in optimistic and pessimistic scenarios. The forecasts base on the assumption, that the company in the nearest future will issue bonds (via the SPV – RCI plc) in the amount of \$30 million, from which \$27.7 million will be invested in the first year in three initial gold mining projects.

The following analysis presents forecasted figures starting from the year 2023, but if the bond issue will be finalised quickly in the current year, the planned cash flows can be realized faster than in the presented analysis.

EuroRating based the forecasts analysis basing on the company's pessimistic scenario – with the average gold market price of \$1200/oz (which is far lower than the current price of ca. \$1900/oz) and a success rate of 80%.

**Chart 8. RCI Ltd – forecasted revenues (\$ million)**



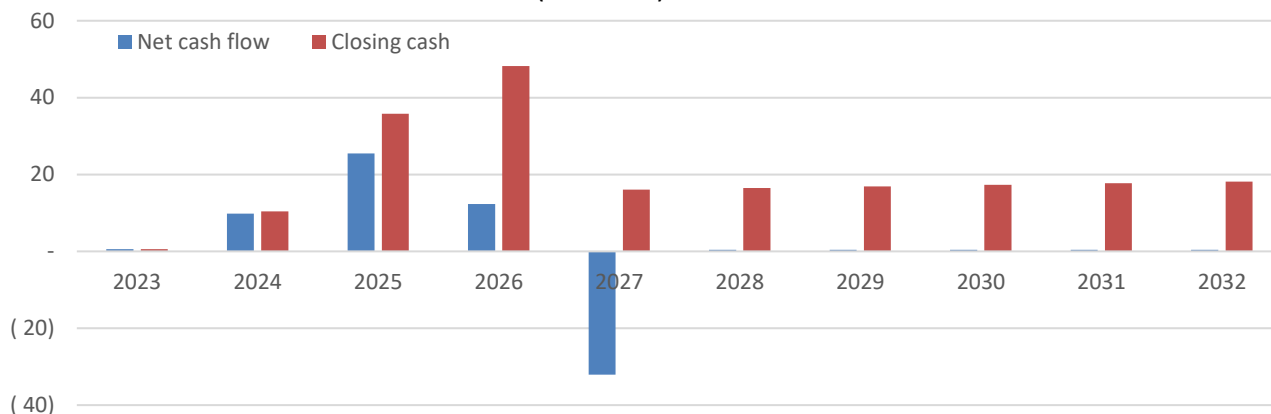
Source: Raptor Capital International Ltd

RCI Ltd expects from the initial three gold mining projects revenues in the form of gold streams and royalties. In the first four years the main source of revenues will come from a physical gold streaming. The revenues from this source shall reach in total \$63.2 million.

From the third year RCI Ltd will also generate revenues from received royalties (a fixed percentage of the revenue generated by a mine). Revenue from this source will be generated in the next years in the amounts of \$0.1-1.5 million, and will amount to the total of \$11.7 million in 8 years.



**Chart 9. RCI Ltd – forecasted cash flows (\$ million)**



Source: Raptor Capital International Ltd

RCI Ltd plans to issue bonds in the amount of \$30 million, of which \$27.7 million should be invested in the three initial gold mining projects. The remaining part will constitute a reserve for interest payments, as well as for commissions on funds raised.

The company expects to generate first revenues from transaction fees and from gold streams already in the first year. The forecasts assume, that at the end of the first year the cash amount will be \$0.6 million. In the first four years the total cash flows from gold mine operations should reach \$48.2 million, which should allow RCI Ltd to repay at the end of the fifth year the \$30 million bond obligations plus interest. After bonds repayment the company should still have \$16.1 million in cash. In the subsequent years RCI Ltd will also receive cash from royalties (\$0.4 million per year), which will increase cash amount to \$18.1 million at the end of the tenth year.

EuroRating assesses the financial forecasts (in the pessimistic scenario) presented by RCI Ltd as credible and likely to be realized. Nevertheless, the greatest risk for the forecasted figures is the likelihood of slower than assumed generation of revenues from the gold streams, or even more significantly less than the assumed amounts of the gold mined.

The risk related to potential problems with the quantity of the gold produced or delays in production will be partially reduced by the fact that RCI Ltd will invest in three different mining projects. However, it cannot be ruled out that serious problems may occur in more than one mine, which may reduce or delay the RCI Ltd's cash flow generation, and thus may impair its ability to redeem the issued bonds on a timely basis.

Last, but not least, it should be emphasized again that the RCI Ltd's ability to make any investments in mining projects, due to the lack of its own financial resources and the current company's critical financial situation, is now fully dependent on the success of raising funds by the bond issue.

## **Additional risk factors relating to the principal borrower**

### **Dependence on mine operators**

RCI Ltd will advance funds to mining companies to purchase part of the future production of gold to be delivered to RCI Ltd. The company will then sell the metal on the market for a profit. Later RCI Ltd should receive royalty payments over future mining revenues. However, RCI Ltd will have limited or no control of decisions regarding the development or operations of any of the mines and will be subject to the decisions of the mining company operating such mine in respect of all operating matters including permitting, feasibility analysis, mine design, operation, etc. These decisions may be motivated by the best interests of operator and may not coincide with the best interests of RCI Ltd.

### **Volatility of commodity prices**

The profitability of RCI Ltd's interests in streaming agreements is directly related to the market price of gold and/or silver, which may fluctuate widely. These prices can be volatile and may be affected by factors outside the company's control, including metal supply and demand, demand of industrial and jewellery sectors, interest rates, securities prices, inflation, global political or economic conditions, any of which may have an adverse impact on the precious metals prices.

### **Environmental risks and other hazards**

Mining activities are subject to significant potential risks and liabilities associated with pollution of the environment and disposal of waste and significant permitting requirements may apply to the operation of mines. If a mine is forced to incur significant costs to comply with environmental regulations or becomes subject to environmental restrictions which inhibit its operations, this may have a material adverse impact on RCI Ltd's performance under the streaming agreements.

### **Governmental regulations**

Operation of mines are subject to extensive laws and regulations governing aspects such as exploration, development, production, exports, taxes, labour standards, waste disposal, remediation of the environment, safety, storage and transportation of hazardous substances and other matters. To the extent that costs of evaluating, operating and carrying out operations of mines in compliance with such regulations increases or results in delays then the performance of Raptor pursuant to the streaming agreements could suffer a material adverse impact.

**Key management risk**

The company is dependent upon the services of a small number of key management personnel, who are highly skilled and experienced. The company's ability to manage its activities will depend in large part on the efforts of these individuals. The loss of the services of one or more of such key management personnel could have a material adverse effect on the company.

**Foreign exchange risk**

The RCI Ltd's income under streaming agreements is subject to fluctuations in foreign currency exchange rates which may be material and have an adverse effect on the contracts' profitability. Mining projects financial models do not account for adverse foreign exchange fluctuations, which may lead to higher costs than anticipated and a slower rate of gold stream deliveries to RCI Ltd.

## Raptor Capital International Ltd – financial statements

Table 4. Raptor Capital International Ltd – profit and loss account

Profit and loss \$'000	2018	2019	2020	2021
<b>Revenues</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Cost of providing services	-8.0	-25.8	-11.0	-2.2
Administrative expenses	-310.3	-706.8	-589.5	-526.6
Depreciation	0.0	0.0	0.0	0.0
Other gains/(losses)	-3.0	15.7	-10.3	-163.7
<b>Finance costs and share of profits</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Finance income	0.0	0.0	0.0	0.0
Finance costs	-179.0	-169.9	-79.2	-203.1
<b>Income tax</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Income tax expense	0.0	0.0	0.0	0.0
<b>Net profit/(loss)</b>	<b>-500.3</b>	<b>-886.8</b>	<b>-690.0</b>	<b>-895.5</b>

Source: Raptor Capital International Ltd financial statements

Table 5. Raptor Capital International Ltd – balance sheet – assets

Assets	Dec 2018	Dec 2019	Dec 2020	Dec 2021
Receivables	0.0	815.0	199.6	0.0
<b>Total non-current assets</b>	<b>0.0</b>	<b>815.0</b>	<b>199.6</b>	<b>0.0</b>
Trade and other receivables	23.3	55.0	17.3	65.4
<b>Cash and cash equivalents</b>	<b>44.4</b>	<b>6.2</b>	<b>0.6</b>	<b>4.7</b>
<b>Total current assets</b>	<b>67.7</b>	<b>61.2</b>	<b>17.9</b>	<b>70.2</b>
<b>Total assets</b>	<b>67.7</b>	<b>876.2</b>	<b>217.4</b>	<b>70.2</b>

Source: Raptor Capital International Ltd financial statements

Table 6. Raptor Capital International Ltd – balance sheet – liabilities

Liabilities	Dec 2018	Dec 2019	Dec 2020	Dec 2021
<b>Long term liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Trade and other payables	554.8	1,227.6	1,192.0	1,895.4
Borrowings	0.0	265.1	314.4	363.7
<b>Total current liabilities</b>	<b>554.8</b>	<b>1,492.7</b>	<b>1,506.4</b>	<b>2,259.2</b>
<b>Total liabilities</b>	<b>554.8</b>	<b>1,492.7</b>	<b>1,506.4</b>	<b>2,259.2</b>
Share capital and share premium	10.0	810.0	810.0	810.0
Other reserves	3.2	-39.4	-	0.0
Retained earnings/(losses)	0.0	-500.3	-1,409.0	-2,103.5
Current period profit/(loss)	-500.3	-886.8	-690.0	-895.5
<b>Total equity</b>	<b>-487.2</b>	<b>-616.5</b>	<b>-1,288.9</b>	<b>-2,189.0</b>
<b>Total liabilities + equity</b>	<b>67.7</b>	<b>876.2</b>	<b>217.4</b>	<b>70.2</b>

Source: Raptor Capital International Ltd financial statements

Table 7. Raptor Capital International Ltd – cash flow statement

Cash flow	2018	2019	2020	2021
Cost of providing services	-8.0	-25.8	-11.0	-2.2
Administrative expenses	-310.3	-706.8	-589.5	-526.6
Finance costs	-179.0	-151.3	-29.9	-153.8
Other receivables	-	-	0.0	-55.4
Prepayments & deposits	-13.3	-31.7	37.7	7.3
Directors loans receivable	-10.0	-	-	-
Intercompany receivables	-	-	0.0	-44.0
Trade payables	171.7	161.6	150.4	269.8
Other payables	38.0	-38.0	29.9	-16.9
Directors loans payable	345.2	498.1	126.9	490.0
<b>Cash flow pre-taxes, investing &amp; financing</b>	<b>34.2</b>	<b>-293.9</b>	<b>-285.5</b>	<b>-31.8</b>
Interest received	0.0	0.0	0.0	0.0
<b>Cash flow from operating activities</b>	<b>34.2</b>	<b>-293.9</b>	<b>-285.5</b>	<b>-31.8</b>
Repayment from long-term loan receivable	0.0	0.0	287.5	40.9
Payments to long-term loan receivable	-	-815.0	-	-
<b>Cash flow from investing activities</b>	<b>0.0</b>	<b>-815.0</b>	<b>287.5</b>	<b>40.9</b>
<b>Cash flow pre-financing</b>	<b>34.2</b>	<b>-1,108.9</b>	<b>2.0</b>	<b>9.1</b>
Proceeds from issue of shares	10.0	800.0	-	-
Proceeds from borrowings	0.0	246.6	-	-
Effects of exchange rate on cash	0.2	24.1	-7.6	-4.9
<b>Cash flow from financing activities</b>	<b>10.2</b>	<b>1,070.6</b>	<b>-7.6</b>	<b>-4.9</b>
<b>Net Cash flow</b>	<b>44.4</b>	<b>-38.2</b>	<b>-5.6</b>	<b>4.2</b>
Opening cash balance	0.0	44.4	6.2	0.6
<b>Closing cash balance</b>	<b>44.4</b>	<b>6.2</b>	<b>0.6</b>	<b>4.7</b>

Source: Raptor Capital International Ltd financial statements

**Table 8. Raptor Capital International Ltd – forecasted revenues (\$ thousand)**

		Gold price \$1,200 oz.					Silver price \$20 oz.		Success rate 80%		
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Gold sold</b>											
Initial projects (1-3)	oz	3,230	11,859	24,804	12,775	0	0	0	0	0	0
	Total oz	<b>3,230</b>	<b>11,859</b>	<b>24,804</b>	<b>12,775</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revenue US\$ 000s</b>											
<i>Gold streams</i>											
Initial projects (1-3)		3,875	14,231	29,765	15,329	0	0	0	0	0	0
	<b>Total</b>	<b>3,875</b>	<b>14,231</b>	<b>29,765</b>	<b>15,329</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Mine royalties</i>											
Initial projects (1-3)		0	0	122	1,464	2,369	1,543	1,543	1,543	1,543	1,543
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>122</b>	<b>1,464</b>	<b>2,369</b>	<b>1,543</b>	<b>1,543</b>	<b>1,543</b>	<b>1,543</b>	<b>1,543</b>
Transaction fees		693	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>		<b>4,569</b>	<b>14,231</b>	<b>29,887</b>	<b>16,794</b>	<b>2,369</b>	<b>1,543</b>	<b>1,543</b>	<b>1,543</b>	<b>1,543</b>	<b>1,543</b>

Source: Raptor Capital International Ltd financial forecasts

Table 9. Raptor Capital International Ltd – forecasted cash flows (\$ thousand)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Total Revenue</b>	<b>4,569</b>	<b>14,231</b>	<b>29,887</b>	<b>16,794</b>	<b>2,369</b>	<b>1,543</b>	<b>1,543</b>	<b>1,543</b>	<b>1,543</b>	<b>1,543</b>
Direct costs	300	0	0	0	0	0	0	0	0	0
Overheads	1,441	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141
<b>EBITDA</b>	<b>3,128</b>	<b>13,090</b>	<b>28,746</b>	<b>15,653</b>	<b>1,228</b>	<b>402</b>	<b>402</b>	<b>402</b>	<b>402</b>	<b>402</b>
Investing	-27,737	0	0	0	0	0	0	0	0	0
<b>Cash flow pre-financing</b>	<b>(24,609)</b>	<b>13,090</b>	<b>28,746</b>	<b>15,653</b>	<b>1,228</b>	<b>402</b>	<b>402</b>	<b>402</b>	<b>402</b>	<b>402</b>
<b>Financing</b>										
Funds raised	30,000	0	0	0	0	0	0	0	0	0
Commissions on funds raised	-1,500	0	0	0	0	0	0	0	0	0
Interest	-3,300	-3,300	-3,300	-3,300	-3,300	0	0	0	0	0
Repayment of principal	0	0	0	0	-30,000	0	0	0	0	0
<b>Net cash flow</b>	<b>591</b>	<b>9,790</b>	<b>25,446</b>	<b>12,353</b>	<b>(32,072)</b>	<b>402</b>	<b>402</b>	<b>402</b>	<b>402</b>	<b>402</b>
Opening cash	-	591	10,381	35,827	48,179	16,107	16,509	16,911	17,314	17,716
<b>Closing cash</b>	<b>591</b>	<b>10,381</b>	<b>35,827</b>	<b>48,179</b>	<b>16,107</b>	<b>16,509</b>	<b>16,911</b>	<b>17,314</b>	<b>17,716</b>	<b>18,118</b>

Source: Raptor Capital International Ltd financial forecasts

**Rating scale applied by the EuroRating credit rating agency**

Rating	Risk description
<b>AAA</b>	Negligible credit risk. Highest level of financial credibility. Rating assigned exclusively where an entity has extremely strong capacity to meet financial commitments.
<b>AA+</b> <b>AA</b> <b>AA-</b>	Very low credit risk. Very high level of financial credibility. Very strong capacity to meet financial commitments. Low susceptibility to adverse economic conditions.
<b>A+</b> <b>A</b> <b>A-</b>	Low credit risk. High financial credibility and capacity to meet financial commitments. Average resistance to long-term unfavourable economic financial conditions.
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>	Moderate credit risk. Good financial credibility and adequate capacity to meet financial commitments in the long term. Increased susceptibility to long-term adverse economic conditions.
<b>BB+</b> <b>BB</b> <b>BB-</b>	Increased credit risk. Relatively lower financial credibility. Adequate capacity to meet financial commitments under average or favourable economic conditions. High or medium level of debt recovery in the event of default.
<b>B+</b> <b>B</b> <b>B-</b>	High credit risk. Capability of meeting financial commitments largely conditioned on favourable external conditions. Medium or low level of debt recovery in case of a default.
<b>CCC</b> <b>CC</b> <b>C</b>	Very high credit risk. Very low capability to meet financial commitments even under favourable economic conditions. Low or very low level of debt recovery in case of a default.
<b>D</b>	Extremely high credit risk. Complete lack of capability to meet financial commitments. Without additional external support the level of debt recovery is very low or close to zero.

Full details on the rating scale applied by the EuroRating credit rating agency are published on the agency's website at: [www.eurorating.com/en/ratings/rating-scale](http://www.eurorating.com/en/ratings/rating-scale)



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## Methodology

The presented credit rating for the issuer assigned to the company Raptor Capital International plc (United Kingdom) is a general assessment of the creditworthiness of the rated entity and it concerns the credit risk of its unsecured and unsubordinated financial liabilities.

The methodology used for the credit risk assessment of companies is available on the EuroRating's website at: <https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology>

The rating definitions and the rating scale used by EuroRating are published on the agency's website at: <https://www.eurorating.com/en/ratings/rating-scale>

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EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: <http://www.eurorating.com/en/ratings/methodology/definition-of-default>

## Public status of the assigned credit rating for the issuer

The presented credit rating for the company Raptor Capital International plc is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published free of charge on the EuroRating credit rating agency website in the section "Credit ratings", in the appropriate tab on the rated security/entity. EuroRating is not responsible for information on the current rating provided by the rated entity or any third party.

## Solicitation, key sources and quality of information

The presented credit rating was solicited by the rated entity. EuroRating received remuneration for the assigning and subsequent monitoring of the rating. The rated entity and/or its agents have participated in the rating process by providing the EuroRating credit rating agency documents, information and explanations concerning its economic and financial situation.

The main sources of information used in the rating process were financial statements and forecasts of the rated company and of the principal borrower (Raptor Capital International Ltd), the bond memorandum ("Listing particulars") and other data, information and explanations provided by the rated company and/or its agents.

Prior to the issuance of the rating or outlook action, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

### **Key rating assumptions**

Raptor Capital International plc is a special purpose vehicle and was established for a specific purpose – to raise funds for the company Raptor Capital International Ltd, which intends to invest in gold mining and processing projects.

The issuer is a new company with no financial history and in addition its credit risk will depend on the financial condition and the credit risk of the principal borrower, which will receive the proceeds from bonds – Raptor Capital International Ltd. Therefore, the credit risk analysis of the issuer was to a large extent based on the analysis of the principal borrower.

As the principal borrower plans to invest the proceeds from bonds in royalty and streaming contracts with gold mining companies, which should completely change its financial situation as compared to the situation before the bond issue, the analysis and the assigned credit rating are based both on the historical and current financial situation of the principal borrower, as well as on its forecasts for the future.

EuroRating considers the scope and quality of available information on the rated entity (and related parties – including in particular the principal borrower) as sufficient to issue a reliable credit rating. EuroRating takes all necessary measures to ensure that obtained information used in the rating process is of proper quality and is derived from sources deemed by the agency as reliable. Nevertheless, EuroRating does not have a possibility to verify or to confirm in each case the correctness and authenticity of obtained data and information used in the rating process and/or presented in this report.

The credit rating for the company Raptor Capital International plc was issued by EuroRating with the basic assumption that the bond issue will be carried out successfully (otherwise the company will have no assets nor liabilities and the assigned credit rating for the issuer will not be applicable).

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