

29 October 2019

Trade Finance Application

Chrome Ore | ABC Investments (Pty) Ltd

Executive Summary

Amount: \$10,000,000

Region: South Africa, export to China

Currency: USD

Term: 12 months revolving

Trade cycle: 60 days

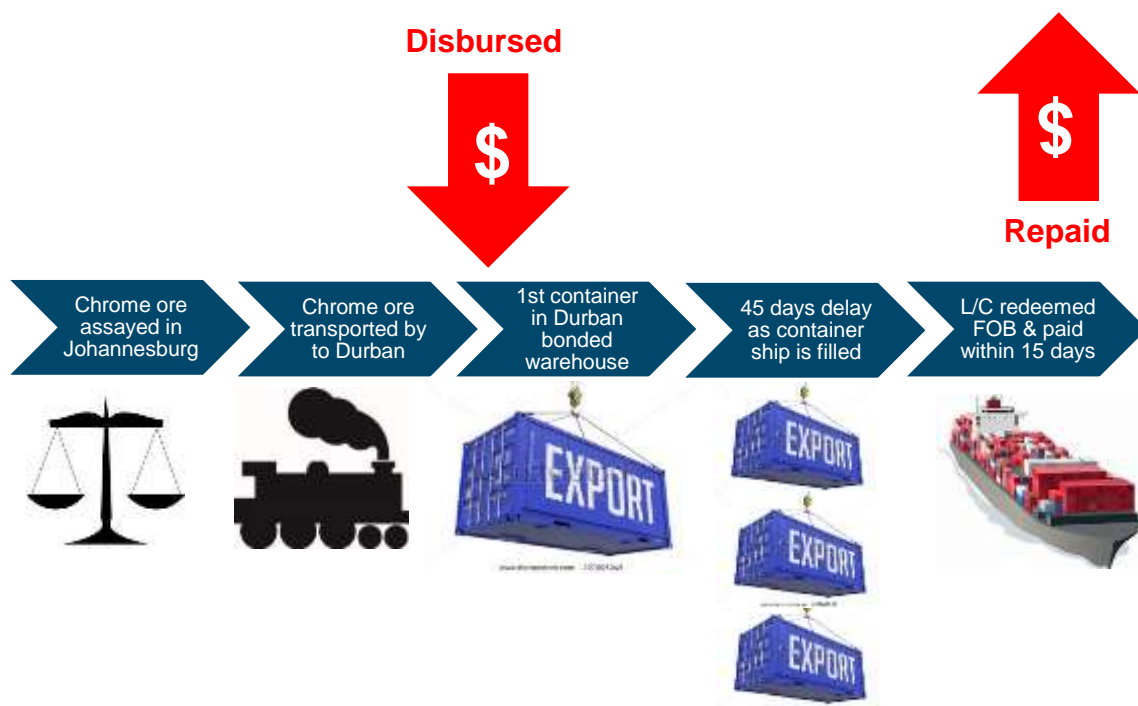
Rate: 12% p.a.

Facility Fee: 1.5% upfront

Security: Chrome Ore

Debtors: Letters of Credit

Trade and Finance Flow



- The trade finance facility commences only upon stock entering Durban port in South Africa.
- By the time any funds are disbursed the security would already have been assayed, and securely stored in a bonded warehouse within the port.
- The vessel is filled up over a 45 day period, thus creating a finance need.
- Funding takes place based on a purchase price of \$180/ton from the supplier on an LTV of 76% i.e. \$137 for the first 45 days.
- Once the stock is shipped under a Letter of Credit for \$200/ton, the balance is paid to the supplier and our funding increases to \$180/ton.

Collateral

Chrome Ore is a hard commodity in high demand in China. Product is readily sale-able to a number of vendors. Note that under this facility, we do not lose control of the stock at any stage and there is no debtor risk, as the commodity only passes out of our possession on receipt of the L/C. There is a 15-day administrative delay until payment is received under the L/C.

Other security:

- a) Personal suretyship by 1 or more proprietors.
- b) Letters of credit to be ceded to ourselves prior to any disbursement.

Background

- ABC Investments (Pty) Ltd is a South African minerals trading company.
- ABC identified the chromite export opportunity in early 2016 and has deployed its own capital to procure run of mine ('ROM') chromite ore for onward sale to ferrochrome mills in China.
- ABC has delivered 16,600 tons of containerised ore since April 2016. Each containerised ton has sold for an average of \$200 per ton and a margin of \$20 has been earned.
- Ore is procured locally against a confirmed back to back purchase order from a Chinese buyer, with a confirmed LC in place.

- Each trading cycle from ore purchase to 95% payment by Chinese buyer is between 30 and 60 days, with the last 5% paid on assay in China.

Financials

The company is relatively new but has a sales track record. Financials YTD show turnover of circa \$3m with a gross margin of around 11%. We have therefore insisted on personal suretyship of the primary proprietor. We take comfort that the company has some trading history, albeit limited. Our risk is covered by Letters of Credit.

Due Diligence Requirements

- 1) Financial analysis
- 2) KYC/FICA on all related parties
- 3) Debtor analysis (Letter of Credit)
- 4) Bank and L/C Documentation
- 5) Trade documentation to be studied and legal opinion sought in need
- 6) Legal structure to be signed off
- 7) Background references and credit checks on borrower, and all related parties
- 8) Any other items at the committee's unfettered discretion