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Commercial bank debt: **Here to stay.**

Access to commercial bank debt is critical for the future of mining companies and consequently the energy transition. Technologies required for our global net-zero goals rely on the sustainable mining of critical minerals.

Commercial bank debt remains the cheapest form of funding when one considers the spectrum of liquidity sources and capital pools available to mining companies. The cost of capital is a key input into any mining company's final investment decision and is always pivotal to the decision on whether to invest and develop a mining project.

On the spectrum of funding sources, equity is the most expensive while commercial bank debt is the cheapest form of capital. Alternative financing solutions rank somewhere between equity and bank debt. However, these funding sources require higher 'equity-like' returns while recent alternative financings concluded contain terms and conditions that mimic those of senior debt funding. Therefore, the alternative financier enjoys a double benefit.

Typically, a junior miner will require additional funding after their initial equity raise. This is often followed by a second equity raise or funding provided by an alternative financier, if the junior miner is reluctant to pursue a second equity raise.

Alternative financiers provide innovative funding solutions to junior miners but comes at a significant cost. **Mining companies must be cognisant of the total cost of this funding, including equity-kickers, relative to the restrictions and potential hooks alternative financiers bring into their offer over the long term.**

A misperception exists across the globe that the availability of commercial bank debt to mining companies is shrinking. Experienced commercial banks with long-serving mining investment bankers continue providing commercial bank debt to companies with good projects. **These banks have faithfully adopted the green energy transition and subscribe to the Sustainable Development Goals as enshrined in the United Nations Charter.**

Commercial banks follow a rigorous due diligence process when evaluating mining projects, which, on conclusion, provides significant credibility to a mining company, project, and the management team on completion of a debt raising. However, chief financial officers responsible for the corporate treasury function need to develop the tolerance and patience to deal with debt providers and must commit to doing the work necessary to unlock cheaper capital pools and not succumb to the charm and superficial attractiveness of alternative financiers.

Sustainability has transformed from a secondary consideration to a key feature of project viability. Environmental, social and governance compliance is now essential, but it's not enough to merely meet regulations. The real measure is how management integrates sustainability into its strategy. Is it a core principle or a box-ticking exercise?

Regulatory uncertainty is increasing, with governments seeking greater value from natural resources through higher ownership, taxes, royalties, and export restrictions. For lenders, the challenge is managing unpredictability. Stable regulatory environments allow for accurate forecasting and risk management, while sudden policy changes undermine trust and slow investment. Companies with diversified operations across jurisdictions often fare better, spreading their exposure to political and regulatory volatility.

It is important for mining companies to work with experienced mining bankers who understand mining finance and how to manage the risks while still providing mining them with financing and flexibility when they need it the most.

As Mining Indaba 2025 approaches, it's clear that mining finance is about more than enabling projects. It's about driving progress, aligning the sector with global sustainability goals, and managing its unique complexities.

The future of mining will be defined by its ability to balance opportunity with responsibility and risk with resilience. For lenders, this means moving beyond transactional relationships to become partners in shaping an industry critical to global progress.

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