

Smith, Larry (Toronto)

To: Smith, Larry (Toronto)
Subject: Desjardins discount rates for gold & base metals May 2014

Desjardins discount rates for gold & base metals May 2014

Gold – Michael Parkin

5% DR for proven up producing assets,

7% for assets that need financing and permits

6% for permitted and financed pre-producing assets.

We use a blend of P/CF and P/NAV for target price generation, generally focused on P/CF and adjusting P/NAV to be in-line.

We use NTM CFPS on a rolling quarter basis and consider past peak multiples for upper limits.

We also have EV/EBITDA as a guide

Base Metals - Jackie Przybylowski

We use an 8% (real) discount rate for base metals.

To our NAV estimate we then apply a target multiple to derive our target price.

Please see the attached table from our most recent launch report for a full list of the target multiples that we apply to each asset. Our multiples are selected to reflect the relative risk associated with each asset.

We apply a 1x multiple to current cash, debt, and other corporate adjustments in our company NAV estimates.

Exhibit 26: Methodology for applying P/NAV target multiples within our coverage universe				
Asset	Ownership	Stage	Country risk	NAV (x)
Lac Oteluk	ADI (40%)	Exploration	Low	0.1
Fire Lake North	CHM (100%)	Development	Low	0.2
Huguenot	CAD (100%)	Exploration	Low	0.2
Taconite	NML (100%)	Redevelopment	Low	0.2
Carbon Creek	CDU (100%)	On hold	Low	0.3
Casselman	CSO (100%)	Early producer	Low	0.5
DSO	LIM (100%)	Early producer	Low	0.5
Constancia	HBM (100%)	Construction	Medium	0.6
DSO	NML (20%)	Construction	Low	0.6
Eagle	LUN (100%)	Construction	Low	0.6
Kami	ADV (75%)	Construction	Low	0.6
Tenke Fungurume	LUN (24%)	Producer	High	0.6
Copper Mountain	CUM (75%)	Producer	Low	0.7
Kopper Glo	CSO (100%)	Producer	Low	0.8
Lafar	HBM (100%)	Early producer	Low	0.8
Reed	HBM (70%)	Early producer	Low	0.8
Gibraltar	TKO (75%)	Producer	Low	0.9
Neves Corvo	LUN (100%)	Producer	Low	0.9
777	HBM (100%)	Mature	Low	1.0
Agua Blanca	LUN (100%)	Mature	Low	1.0
Carol Lake	LIF (15.1%)	Mature	Low	1.0
Zinkgruvan	LUN (100%)	Mature	Low	1.0

Source: Desjardins Capital Markets

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From: michael.parkin@vmd.desjardins.com [mailto:michael.parkin@vmd.desjardins.com]
Sent: Monday, May 26, 2014 8:41 AM
To: jackie.przybylowski@vmd.desjardins.com; Smith, Larry (Toronto)
Cc: john.sclodnick@vmd.desjardins.com
Subject: Re: Discount rate for base metals comps table

Hi Larry,

In general we use a 5% DR for proven up producing assets, 7% for assets that need financing and permits and 6% for permitted and financed pre-producing assets.

We use a blend of P/CF and P/NAV for target price generation, generally focused on P/CF and adjusting P/NAV to be in-line. We use NTM CFPS on a rolling quarter basis and consider past peak multiples for upper limits. We also have EV/EBITDA as a guide

▼ Jackie Przybylowski

----- Original Message -----

From: Jackie Przybylowski
Sent: 05/26/2014 08:28 AM EDT
To: "Smith, Larry (Toronto)" <lsmith@barrick.com>@VMD-INFO
Cc: Michael Parkin; John Sclodnick
Subject: Re: Discount rate for base metals comps table

Larry,

We use an 8% (real) discount rate for base metals. To our NAV estimate we then apply a target multiple to derive our target price.

Please see the attached table from our most recent launch report for a full list of the target multiples that we apply to each asset. Our multiples are selected to reflect the relative risk associated with each asset. We apply a 1x multiple to current cash, debt, and other corporate adjustments in our company NAV estimates.

The gold team uses a slightly different methodology, so I have copied our Analyst Mike Parkin and his associate John Sclodnick. I'm sure they would be happy to provide more detail.

Regards,
Jackie Przybylowski

[attachment "Desjardins base metals target multiples.pdf" deleted by Michael Parkin/VMD/Desjardins]



Jackie Przybylowski, MBA, P.Eng
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[Please click here for a link to our Metals & Mining weekly comps table](#)

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▼ "Smith, Larry (Toronto)" <lsmith@barrick.com>

"Smith, Larry (Toronto)" <lsmith@barrick.com>

26/05/2014 08:10 AM

To ["jackie.przybylowski@vmd.desjardins.com"](mailto:jackie.przybylowski@vmd.desjardins.com)
<jackie.przybylowski@vmd.desjardins.com>

cc

Subject Discount rate for base metals comps table

Hello Jackie,
I cannot see from your comps document what discount rate you use for NAV.
Most analysts seem use 8% or 10% (real) for base metals.
What does Desjardins use for base metals? Gold? Real or nominal?
Regards,
Larry

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