

LDSmith

From: Walker, Stephen D <stephen.walker@rbccm.com>
Sent: October 2, 2014 10:05 AM
To: 'LDSmith'
Cc: Forsyth, Chris
Subject: RE: RBC Capital Markets - Precious Metals & Minerals Weekly - NAV discount rate

real

From: LDSmith [mailto:ldsmith416@gmail.com]
Sent: 2014, October, 02 9:15 AM
To: Walker, Stephen D
Cc: Forsyth, Chris
Subject: RE: RBC Capital Markets - Precious Metals & Minerals Weekly - NAV discount rate

Hi Stephen,
I should have thought to ask this before, but is the 7% real or nominal?
Do you run your cash flow projections on a real or nominal basis?
The reason I ask is that the 7% is a bit higher than what I have seen for gold companies (typically 5%) but would be about right if you include around 2% inflation. However, RBC's price forecasts are flat going out several years, implying price forecasts on a real basis.
Larry

L.D. Smith
LDSmith416@gmail.com
416-804-5465

From: Walker, Stephen D [mailto:stephen.walker@rbccm.com]
Sent: October 1, 2014 11:49 AM
To: 'ldsmith416@gmail.com'
Cc: Forsyth, Chris
Subject: Re: RBC Capital Markets - Precious Metals & Minerals Weekly - NAV discount rate

Larry,
We use 7% for most of our operating mines in the America's, Australasia and most of Africa. Higher risk geopolitical regions have higher discount rates (8 to 10 %) for mines in DRC/central Africa, Russian and the FSU countries. For feasibility stage projects in lower risk regions we take a base of 7% and add 1% for each of the following pre-financing stage, pre-feasibility stage and scoping stage. Then add 1-2% for geopolitical risk if necessary.

Stephen D. Walker
Managing Director
Head of Global Mining Research
RBC Capital Markets
416 842 4120

RBC CM Global Mining Events:
- Energy & Mining Royalty Conference, Toronto October 1st.

- Global Gold Producer Conference, London November 19th.

From: LDSmith [<mailto:ldsmith416@gmail.com>]
Sent: Wednesday, October 01, 2014 10:35 AM
To: Walker, Stephen D
Cc: Forsyth, Chris
Subject: RBC Capital Markets - Precious Metals & Minerals Weekly - NAV discount rate

Hello Stephen,
Could you please tell me the discount rate that you use for NAV calculations in the valuation tables in RBC Capital Markets - Precious Metals & Minerals Weekly Valuation Tables.
Thank you,
Larry Smith

L.D. Smith
LDSmith416@gmail.com
416-804-5465

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