



How to Engage with Miners of the World and ensure reliable supplies?



FIRST GOLD
INTERNATIONAL

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President



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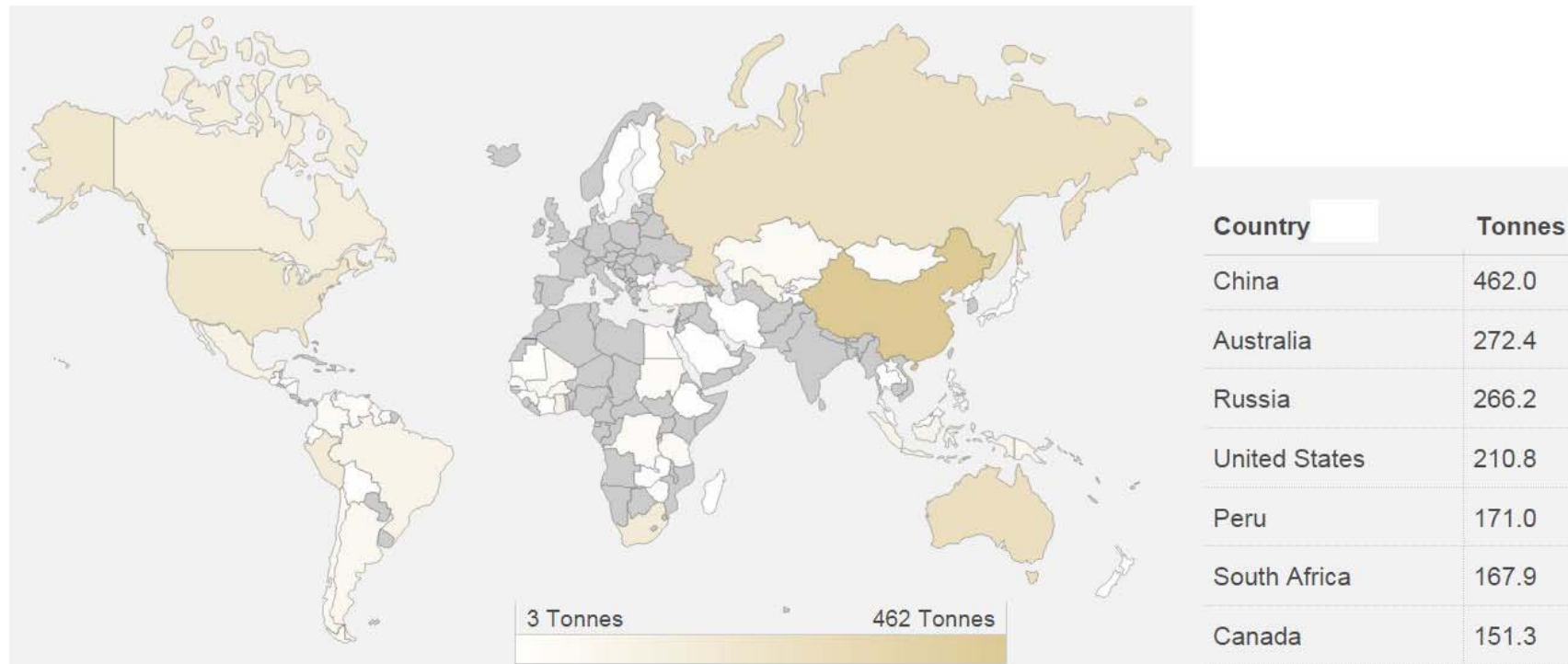
1. Understanding the Mining Business
2. Current challenges facing the Mining Industry
3. Access to Capital
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Understanding the mining business

Gold Producing Countries and Mine Locations

- Historically, South Africa has been the biggest gold producer and in 1970, they accounted for 2/3rds of the world's production
- China is currently the world's top producer and holds the most reserves



As of Year End 2014

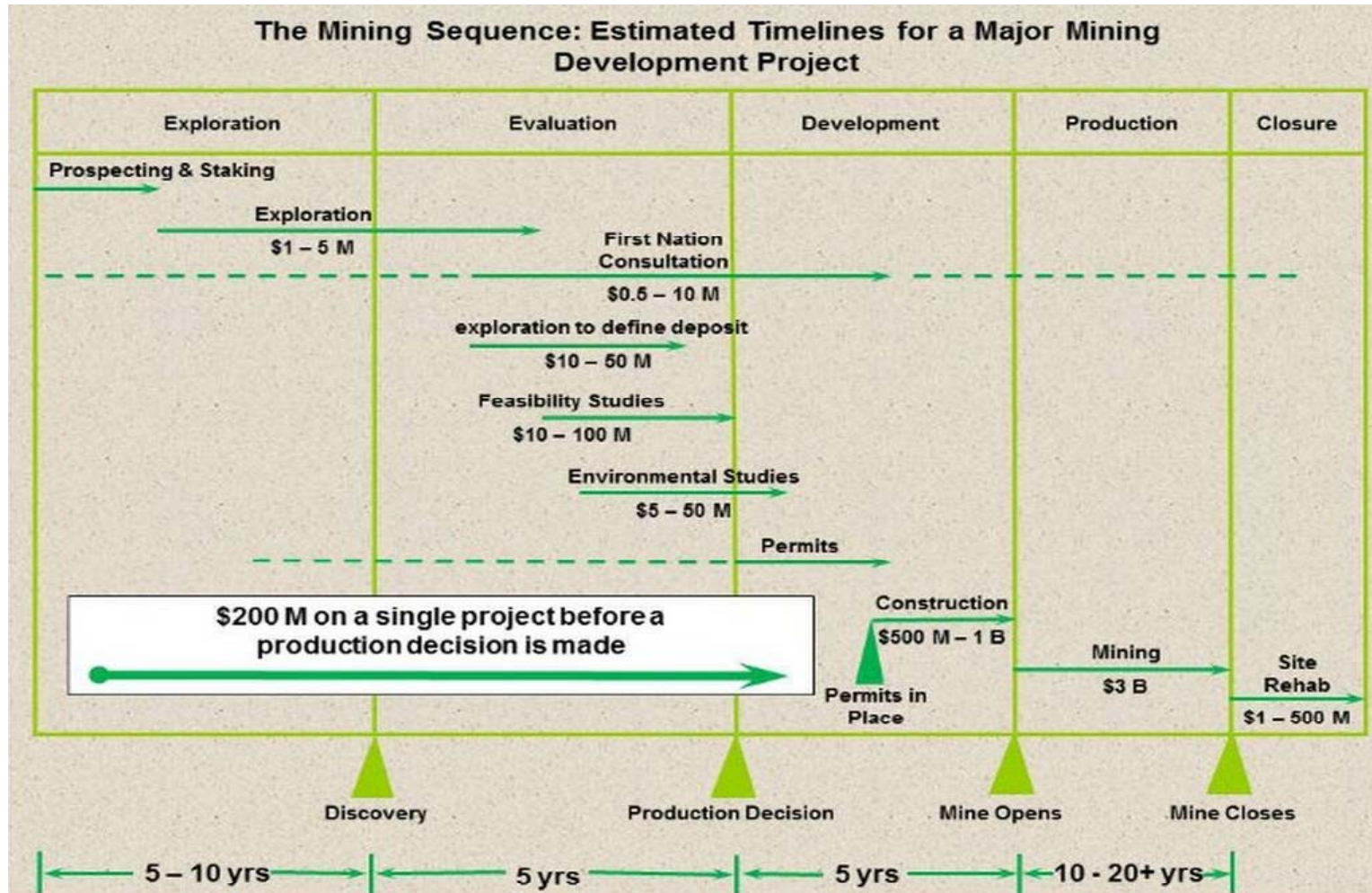


Gold Mining Companies

- 21 of the 50 largest gold mining companies in the world by market cap are headquartered in Canada.
- Majority of gold mining companies are traded either over the TSX, NYSE, ASX, LSE or JSE.
- There are many Chinese gold mining companies, and they are traded on the Shanghai, Hong Kong or Shenzhen exchanges.
- As of August 14, 2015, Goldcorp (\$11.9B), Newmont (\$9.2B) and Barrick (\$9.0B) were the three largest gold mining companies by market cap in USD (as of August 14, 2015)
- In 2014, Barrick (6.3M), Newmont (4.8M) and AngloGold Ashanti (4.4M) were the three top gold ounce producers
- Since the gold price peak in 2011, mining companies have lost significant market cap due to a decreased gold price and rising mining costs
- The length of time it takes to develop gold mining projects and bring them to production makes it difficult for mining companies to quickly respond to market conditions



The Life of a Mine





Gold Mining – 4 Distinct Phases

- There are four distinct phases: Exploration, Evaluation, Development and Production
 - **Exploration** is the process of looking for ore (commercially viable concentrations of minerals to mine) to mine.
 - **Evaluation** is the comprehensive economic assessment including completion of a “bankable feasibility study” of the ore deposit/mine.
 - **Development** is the process of constructing a mine to produce the metals
 - **Production** phase where mines are in commercial production and gold is sold in the market.
- 1 of 10 mineral exploration projects is taken to the drill stage,
- 1 of every 1,000 drill programs finds a viable mineral deposit
- Less than 0.01% of mining projects becomes a mine
- It typically takes ten to fifteen years of exploration, data analysis, planning and financing to bring a mine into production.



Be where mining companies congregate

PDAC – Largest mining conference in the world hosted in Canada

- The Prospectors & Developers Association of Canada (PDAC) represents the interests of the Canadian mineral exploration and development industry.
- PDAC has more than 7,000 individual members (including prospectors, developers, geoscientists, consultants, mining executives, and students, as well as those involved in the drilling, financial, investment, legal and other support fields) and more than 1,000 corporate members (including senior, mid-size and junior mining companies and organizations providing services to the mineral industry).
- Every year in early March, more than 25,000 mining people gather in Toronto for a three day conference.

Mining Indaba – Hosted in South Africa

- The world's largest gathering of the most influential stakeholders – financier, investors, mining professionals, government officials, etc- in African mining
- Representatives from more than 100 countries
- More than 2,300 international companies with vested interest throughout the African mining value chain

Others – Denver Gold Conference, Mines and Money London



Choice of Refiners

- Geographic location, air transport routes and related security infrastructure near mines determine refining choices.
- Not usually “competitively “ sourced by miners as many of them rely on historical relationships .
- Refining represent a very small portion of the overall cost of production .
- Miners relationships with Bullion banks usually determine which refiners to use. In most cases gold is sold to the Bullion bank by the miner.
- Sale of dore/refined gold is cash settled and no “credit” is granted by mining companies.
- Counter –party risk would be a major concern for mining companies.



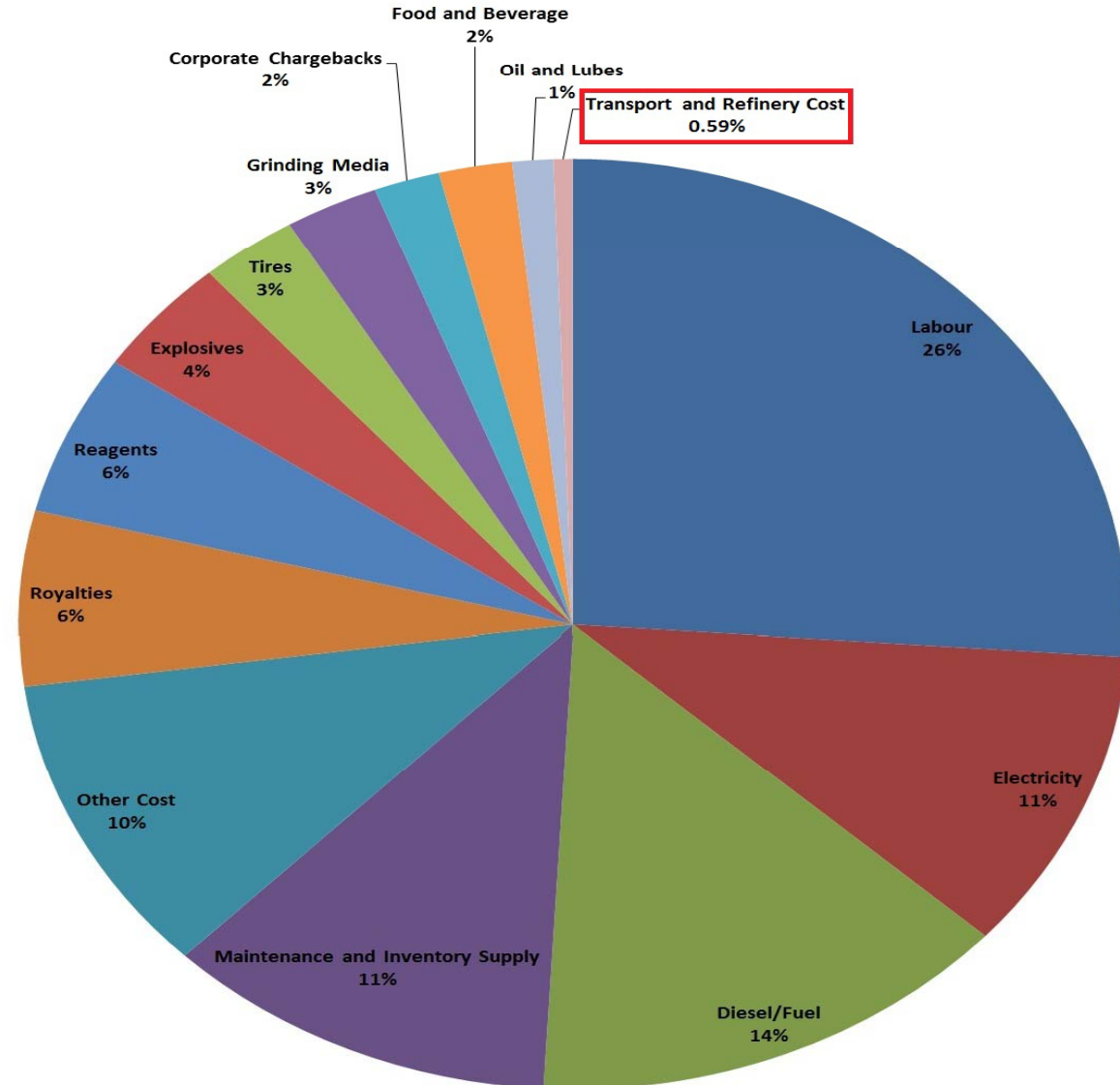
Choice of Refiners

- If the miner has any debt or other financing associated with the mine, then, in most cases , as a condition of financing, dore is shipped to a refinery designated by the financier.
- Depending on the composition of the gold dore and other metals, only certain refineries will be able to process/refine the dore to pure gold.
- India and Asia based refiners need to better “market/promote” their capabilities to miners.
- LBMA accredited refiners would be looked upon more favorably.
- Gold companies don’t have sales or trading department.



Operating Cost Breakdown

- Average cost to produce an ounce of gold is more than USD 1,100
- Transport and refining cost accounts for less than 1% of production cost
- Labour, fuel and power are the “big ticket” cost items





Current Challenges faced by Gold Producers



Current Challenges faced by Miners/Gold Producers

- In the last ten years, very few large discoveries of economic gold deposits
- Worldwide gold production forecasted to decline
- Long lead time from discovery to production (>10 years)
- Production outpacing reserve replacement → 0.5 ounces discovered for every ounce of gold produced
- Lower gold prices and volatility causing miners to defer expansion or the start of new mines
- Cost containment, optimizing cash flow and preserving liquidity is more important than pursuing growth
- Alternative gold investment options such as ETFs is decreasing available capital
- Ability to forecast fuel and currencies has meant losing money on hedging strategies

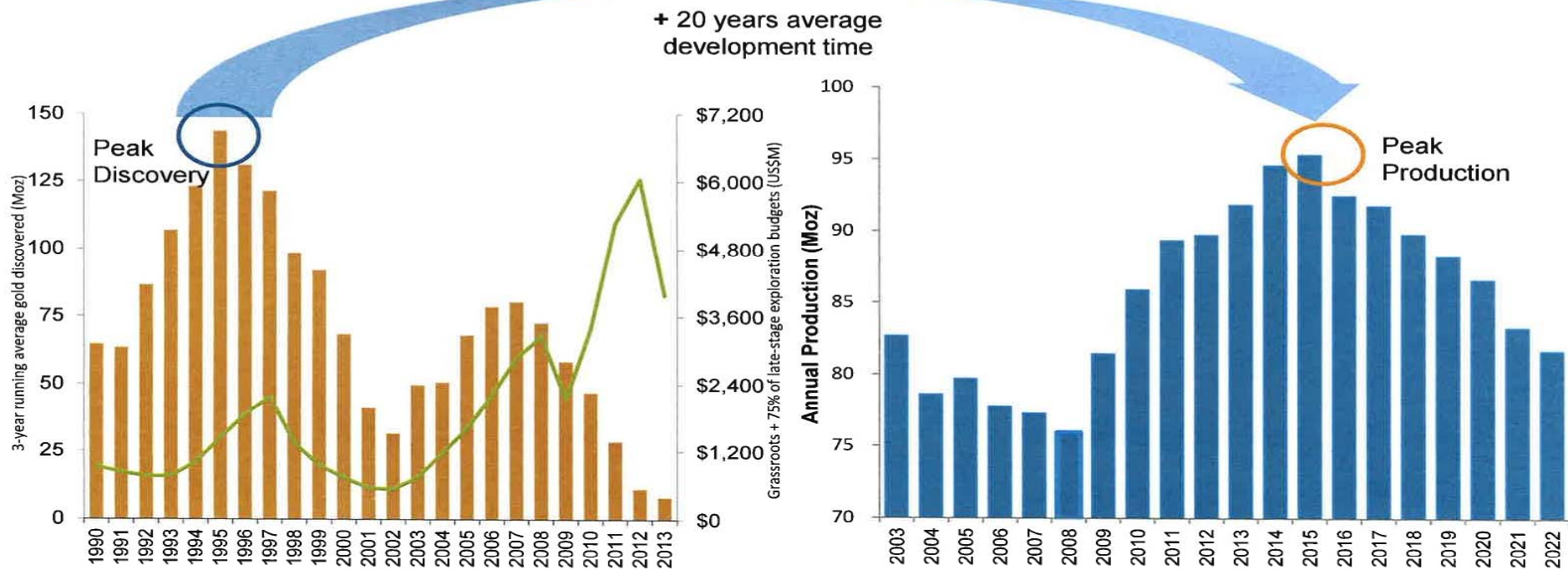


Peak Gold

PEAK PRODUCTION IS EXPECTED ~2015

- Gold market forecasters are expecting peak production in ~2015
- This coincides with a ~20 year development cycle from peak discovery

“PEAK GOLD”





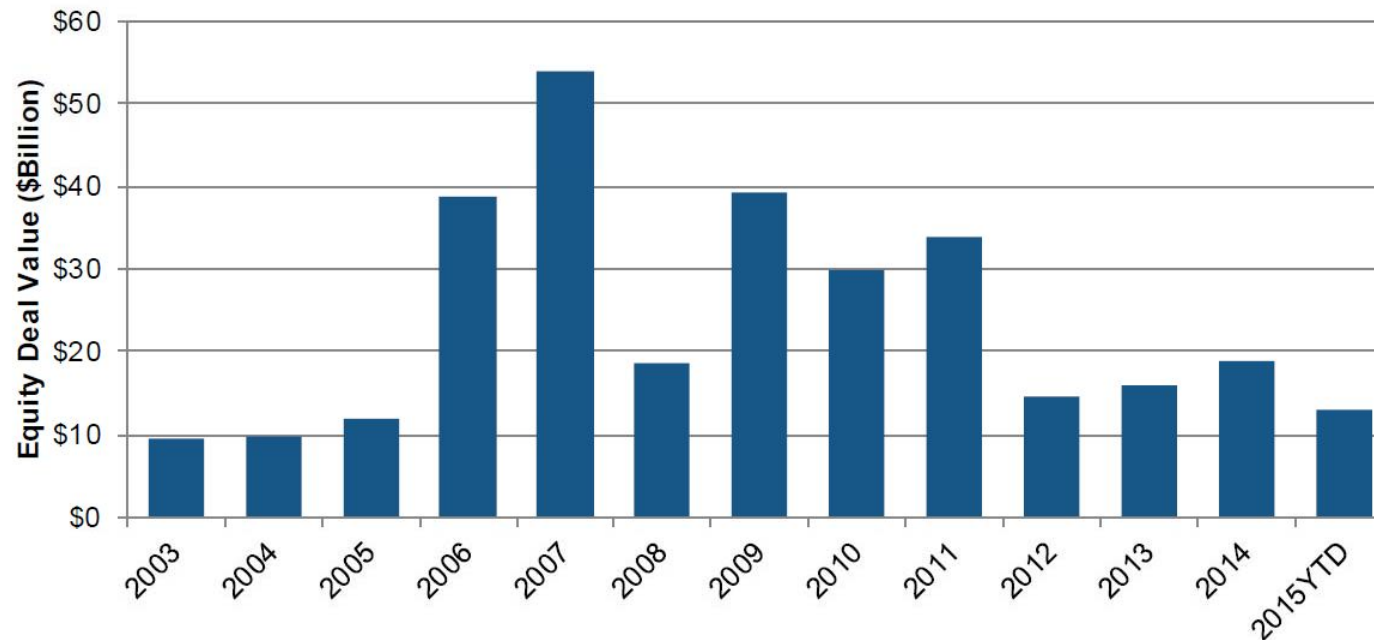
Access to Capital



Equity Capital Constraint

- The ability of mining companies to secure external funding has diminished in recent years with equity...

Value of Equity Financing in the Mining Sector (2003-2015YTD)

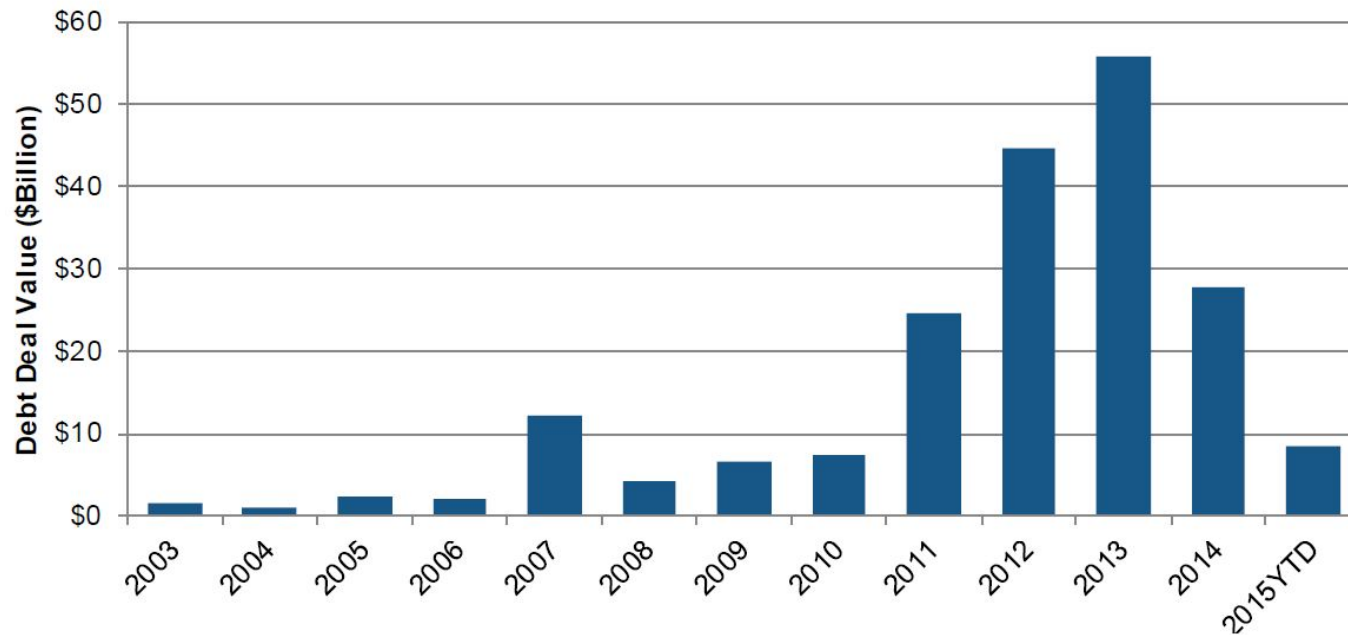


Source: Bloomberg



- And with debt...

Value of Debt Financing in the Mining Sector (2003-2015YTD)



Source: Bloomberg

- Producers with existing credit facilities facing challenges in renewing existing credit lines.
- Developers and even existing producers seeking alternative sources of capital.



Net Debt of Gold Miners

Company	Head Office	Market Cap	Yearly Gold Production	Total Debt	Total Cash	Net Debt
Kinross	Toronto, CANADA	2,270	2,643,592	2,030	1,031	999
Eldorado	Vancouver, CANADA	2,809	724,640	596	446	150
Agnico Eagle	Toronto, CANADA	5,151	1,614,712	1,212	158	1,053
Goldcorp	Vancouver, CANADA	11,862	3,632,000	3,544	940	2,604
Primero	Vancouver, CANADA	460	219,448	126	40	86
Barrick	Toronto, CANADA	8,945	5,780,000	13,144	2,122	11,022
New Gold	Vancouver, CANADA	1,151	345,768	879	327	553
Newmont	Greenwood Village, UNITED STATES	9,179	5,608,000	6,383	3,308	3,075
Centerra Gold	Toronto, CANADA	1,713	500,352	76	250	(174)
Yamana Gold	Toronto, CANADA	2,082	1,195,272	1,842	119	1,723
IAMGOLD	Toronto, CANADA	697	808,000	649	836	(187)
Alacer	Englewood, UNITED STATES	844	215,028	0	357	(357)
Semafo	St Laurent, CANADA	935	264,000	88	131	(43)
Detour Gold	Toronto, CANADA	2,393	501,392	427	132	295
Rand Gold	Jersey, JERSEY	5,778	1,200,155	3	109	(106)
AngloGold	Johannesburg, SOUTH AFRICA	2,540	3,876,000	3,670	362	3,308
Gold Fields	Sandown Sandton, SOUTH AFRICA	2,062	2,004,000	1,902	402	1,499
Newcrest	Melbourne, AUSTRALIA	6,209	2,440,744	3,608	105	3,504

Gold companies are actually “deleveraging”

*Market Cap as of August 14, 2015

**Balance Sheet items as of Q2/2015



Convergence of Physical Markets to Capital Markets

- Refiners, bullion dealers and jewelry groups as a substantial source of new capital.
- Vertical or backward integration. Common with bulk materials and base metals.
- Examples include iron ore, coal, cobalt, nickel and copper.
- Glencore, Tata Steel, Posco Steel Arcelor Mittal and others are investors in mines as well as the entire value chain.
- With battery powered cars coming along, car manufactures including likes of Tesla are dealing directly with Miners .

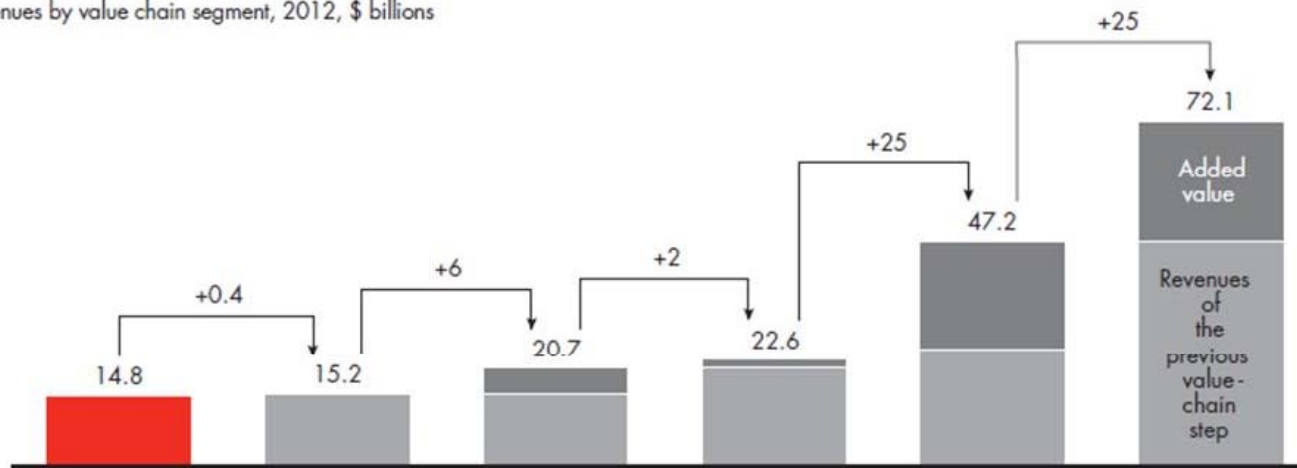


Convergence of Physical Markets to Capital Markets

- Diamond industry – value chain “tighter” than gold.



Global revenues by value chain segment, 2012, \$ billions





Dominion Diamonds

- Started in 1994 as an explorer under the name of Aber Resources and discovered the Diavik Diamond Mine in Canada.
- Started rough stones production in 2003 .
- 2004 – acquired Harry Winston, luxury Jewelry and watch retail brand .
- 2012-2013, acquires controlling interest in Ekati Diamond mine in Canada..
- To fund purchase of Ekati Diamond Mine, sells Harry Winston in 2013 .
- Today, company is worth over USD 1.5 B with over USD 900 M in annual turnover .



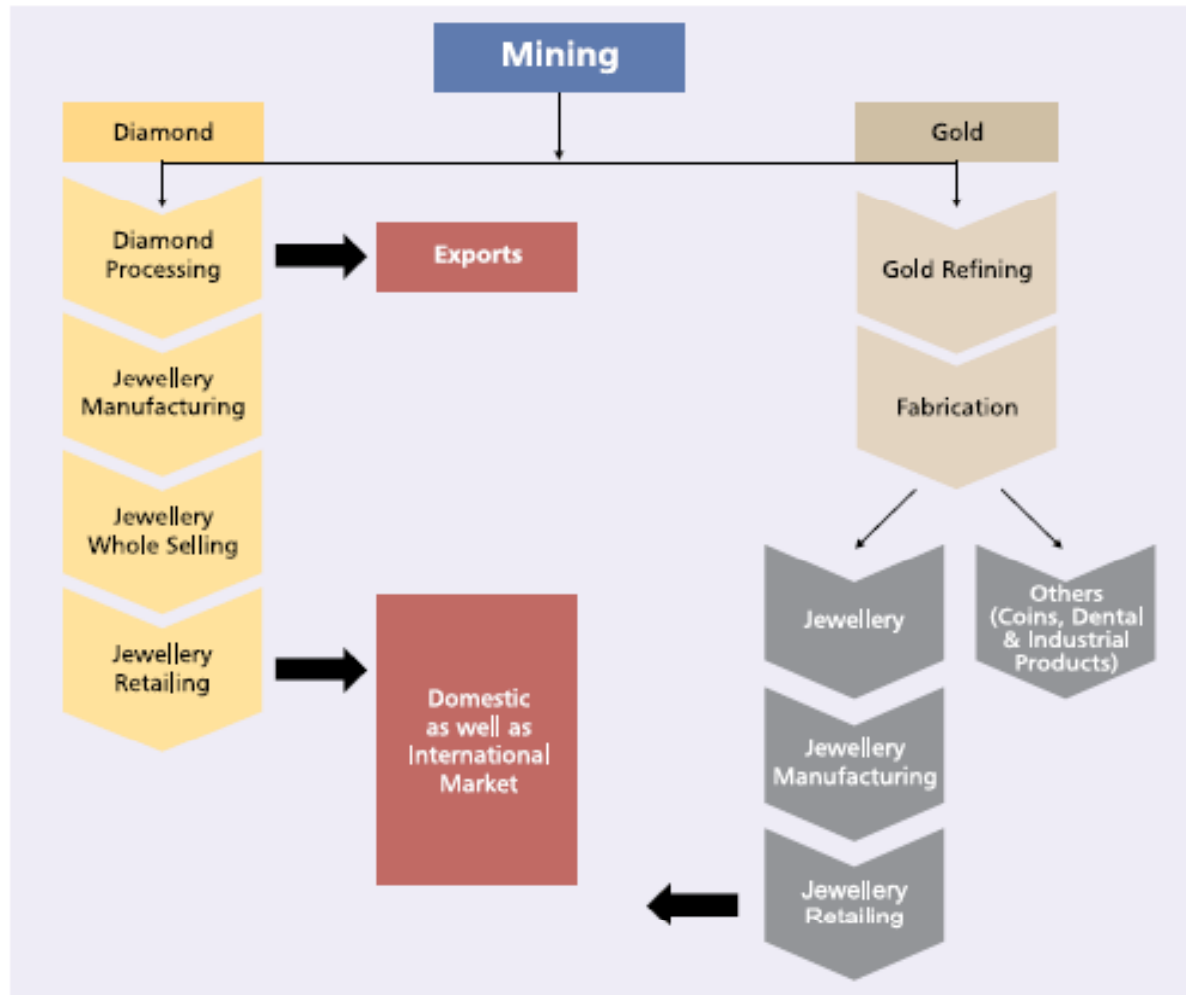
Rajesh Exports

- One of the world's largest gold and diamond manufacturers.
- Recent Acquisition U.S.\$ \$400.0 m of Valcambi , a Swiss based , refiner further integrates their entire business.
- With Valcambi, Rajesh Exports has reliable source of gold as well as obtaining leading expertise and knowledge in precious metals refining business.
- With the Valcambi acquisition , Rajesh is definitely “closer “ to the Miners !
- Not many existing refineries are available for sale.



Convergence of Physical Markets to Capital Markets

Exhibit 1.2: Value Chain – Diamonds and Gold



Source: D&B Research



Mine Financing



	Market cap (million)	Commodity focus	Geographic focus
Franco-Nevada Corp Toronto, ON, Canada	\$6,900	Gold, PGM, oil and gas	North America, South America, Africa, Australia, Europe
Silver Wheaton Corp Vancouver, BC, Canada	\$ 5,491	Silver, gold	North America, South America, Europe
Royal Gold Inc. Denver, Colorado, US	\$3,482	Silver, gold, potash, base metals	North America, South America, Africa, Australia
Sandstorm Gold Ltd Vancouver, BC, Canada	\$ 336	Gold	North America, South America, South Africa
Osisko Royalty, Montreal, QC, Canada	\$1,134	Montreal, BC, Canada	North America, South America, Australia

Total Market Cap of Royalty Companies is approximately USD 17 billion
*as of August 14, 2015



Comparison of Key Metrics for Royalty Companies and Producers, At Spot Gold (2016E)

Category	Directly Comparable			Not Directly Comparable		
	FCF Yield (1)	Sustainable FCF Yield (1) (3)	P/NAV (2)	EV/EBITDA (1)	P/CF (2)	P/E (2)
Royalty Group	3.0%	5.2%	1.9x	17.6x	19.1x	43.0x
Large Producers	2.4%	3.5%	2.4x	7.0x	7.0x	38.1x

Notes:

Royalty group: FMV, OR, RGLD, SLW

Large producer group: ABX, AEM, G, GOLD, ELD, K, YRI

(1) Weighted by enterprise value

(2) Weighted by market capitalization

(3) Sustainable FCF defined as free cash flow, less the impact of non-growth capital, before dividends.

Source: Bloomberg, Company reports, Dundee Capital Markets estimates



Royalty and Stream Financing

What is a royalty company?

- Royalty companies are non-operating entities which own a passive right to production from a resource project.
- While royalty companies are exposed to production output, and therefore operating risks, royalty-style agreements have either a fixed cost agreement or no costs.
- As a result of this fixed cost agreement, the royalty group can generate better margins and incur no exposure to an operation's expenses, where inflation has been a major historical challenge for producers.
- In 2015, royalty/producer EBITDA margins of 84%/45%, and fully loaded costs of \$441/\$1,087 per ounce.
- While royalty transactions have traditionally been consummated as a source of funding or project financing, in recent years, royalties have also become relevant for M&A transactions and debt restructuring, both for the gold and non-gold sectors.



Overview of Royalty and Stream Financing Model

- Royalty transactions are typically structured as revenue-based royalties or streams, which provide the royalty holder a portion of an asset's output
- No exposure to an operation's expenses.
- For royalties, an owner incurs no costs, while for streams, a fixed pre-set cost is agreed upon.
- Royalty companies can generate better margins from ongoing production than operators and royalty companies are exposed to few mining cost uncertainties, which has been a major challenge for operators in recent years.





Typical Transaction Types for Royalty Companies:

Streams

Description: Metal purchase agreements that provide the right to purchase all or a portion of one or more metals produced from a mine at a pre-set price in exchange for an up front deposit. Well suited to co-product assets, providing significant value for by-product metals.

Silver Wheaton's ("SLW") Penasquito Stream: In 2007, SLW entered into an agreement with Goldcorp to purchase 25% of LOM silver produced at Penasquito at the lesser of US\$3.90/oz Ag (+inflation) for an upfront cash payment of US\$485MM. In 2014, SLW sold 7.1 MMoz Ag for total sales of \$135MM at a cost of \$4.05/oz.

Commentary: Streams are agreements held at the corporate level, which differs from royalties which are interests on land. In the event of default, and depending upon the legal contract structure, streams can become creditors with higher priority in the capital structure. Streams can also be arranged in tax-advantaged jurisdictions.



Streaming Deal : Franco – Nevada’s gold/silver stream at Lundin Mining’s Candelaria Mine

- Franco Nevada is a diversified precious metals streaming company
- Lundin mining is a diversified base metals mining company producing copper, zinc, lead and nickel. Lundin has operations in USA, Portugal, Spain, Sweden, DRC and Sweden



- Candelaria is a Copper – Gold – Silver mine located in northern Chile’s Atacama province
- Low altitude, close to tidewater and work force
- One of the 20 largest producing copper mines globally
- 20 year production history
- Reserve life through 2028 (14 years)



Streaming Deal : Franco – Nevada’s gold/silver stream at Lundin Mining’s Candelarie Mine

Mineral Reserves & Resources, 31 Dec 2013 ⁽¹⁾⁽²⁾⁽³⁾				
Candelaria Open Pit Reserves ⁽⁴⁾				
Category	Tonnes (000s)	Cu (%)	Au (g/t)	Ag (g/t)
Open Pit Mine	275,907	0.57%	0.13	2.08
Stockpile	92,025	0.36%	0.09	1.46
Underground Mines Reserves ⁽⁵⁾				
Category	Tonnes (000s)	Cu (%)	Au (g/t)	Ag (g/t)
Santos	5,409	0.98%	0.23	4.01
Alcaparrosa	2,157	1.04%	0.23	3.54
Ojos del Salado	7,565	0.99%	0.23	3.87
Candelaria Norte	4,922	1.14%	0.26	5.47
Contained Metal Reserves & Resources				
		Cu (kt)	Au (koz)	Ag (koz)
Total Reserves	380,419	2,050	1,542	24,603
Total M&I Resources	500,984	2,697	2,055	33,163
Total Inferred Resources	11,334	67	57	1,018



Streaming Deal : Franco – Nevada’s gold/silver stream at Lundin Mining’s Candelaria Mine

- Franco-Nevada provided an up-front deposit of \$648 million to acquire the gold & silver stream from what is primarily a copper mine.
- Franco-Nevada also participated in Lundin’s subscription receipts offering for C\$25 million
- Candelaria is an established mining operation which began contributing to Franco-Nevada’s revenues and cash flows immediately on closing
- The stream covers 68% of the payable gold and silver from 100% of the mine which is expected to average 60,000 – 70,000 attributable GEOs to Franco-Nevada per year over the next five years (2015-2019) The stream reduces to 40% after 720,000 ounces of gold and 12 million ounces of silver have been delivered to Franco-Nevada
- Franco-Nevada will pay an ongoing price of \$400 per ounce of gold and \$4.00 per ounce of silver for each ounce delivered under the stream. This price will escalate by 1% per annum following the third anniversary of the closing.



Streaming Deal : Royal Gold's gold/silver stream at Barrick Gold's Pueblo Viejo mine

- Royal Gold is a diversified royalty and streaming company
- Barrick Gold is one of the largest global miners and producer of gold



- Pueblo Viejo is located in the Dominican Republic, approximately 100 kilometers northwest of the capital city of Santo Domingo, and is operated by the Pueblo Viejo Dominicana Corporation ("PVDC") — a joint venture between Barrick (60%) and Goldcorp (40%)
- The mine completed its ramp up in 2014, and is now the only mine in the world with annual production of more than one million ounces of gold (100% basis), at all-in sustaining costs below \$700 per ounce for the next three years (2015-2017)
- Total mine proven and probable reserves¹ were 15.50 million ounces of gold and 97.20 million ounces of silver.



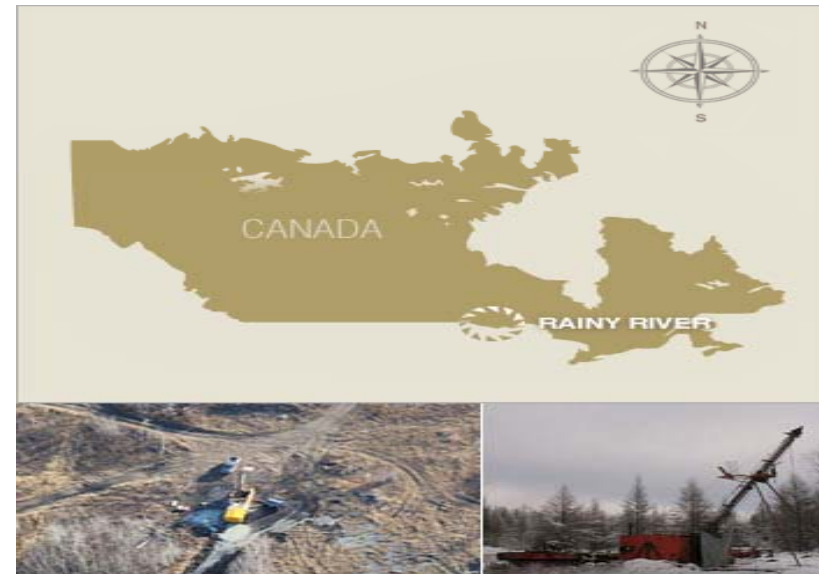
Streaming Deal : Royal Gold's gold/silver stream at Barrick Gold's Pueblo Viejo mine

- Royal Gold made an upfront cash payment of \$610MM to Barrick, plus continuing cash payments for gold and silver.
- Under the agreement, for Barrick's 60% interest in Pueblo Viejo, it will deliver 7.5% of gold production until 990 koz, and 3.75% thereafter.
- 75% of silver production will be delivered until 50MMoz, and 37.5% thereafter.
- Silver deliveries will be based upon a fixed recovery rate of 70%, compared to average realized recoveries to date of ~40% and target long term recoveries of 86%.
- Ongoing cash payments to Barrick will be 30% of the prevailing spot gold and silver prices, up until 550 koz gold and 23.1 MMoz silver is delivered, and thereafter payment will double to 60% of the prevailing spot prices



Streaming Deal : Royal Gold's gold/silver stream at New Gold's Rainy River mine

- New Gold is an intermediate gold mining company. The company has a portfolio of four producing assets and three significant development projects.
- The Rainy River Project is located 65 kilometers northwest of Fort [France](#) in western Ontario, Canada, just north of the Minnesota border.
- Over its first nine years of full production, the 21,000 tonne per day, combined open pit-underground operation is scheduled to produce an average of 325,000 ounces of gold per year
- The Rainy River Project has nearly 4 million ounces of gold reserves, continued exploration upside and projected cash costs below \$600 per ounce





Streaming Deal : Royal Gold's gold/silver stream at New Gold's Rainy River mine

- Royal Gold will make 2 advance payments to New Gold, consisting of \$100 million at closing and \$75 million once capital spending on the Project is sixty percent complete (currently expected by mid-2016)
- New Gold will deliver to Royal Gold:
 - 6.5% of the gold produced at Rainy River until 230,000 ounces have been delivered, and 3.25% thereafter
 - 60% of the silver produced at Rainy River until 3.1 million ounces have been delivered, and 30% thereafter
- Royal Gold will pay New Gold 25% of the spot price per ounce of gold or silver



Conclusion

Get involved in Mine Financing and you will definitely get closer to Miners !

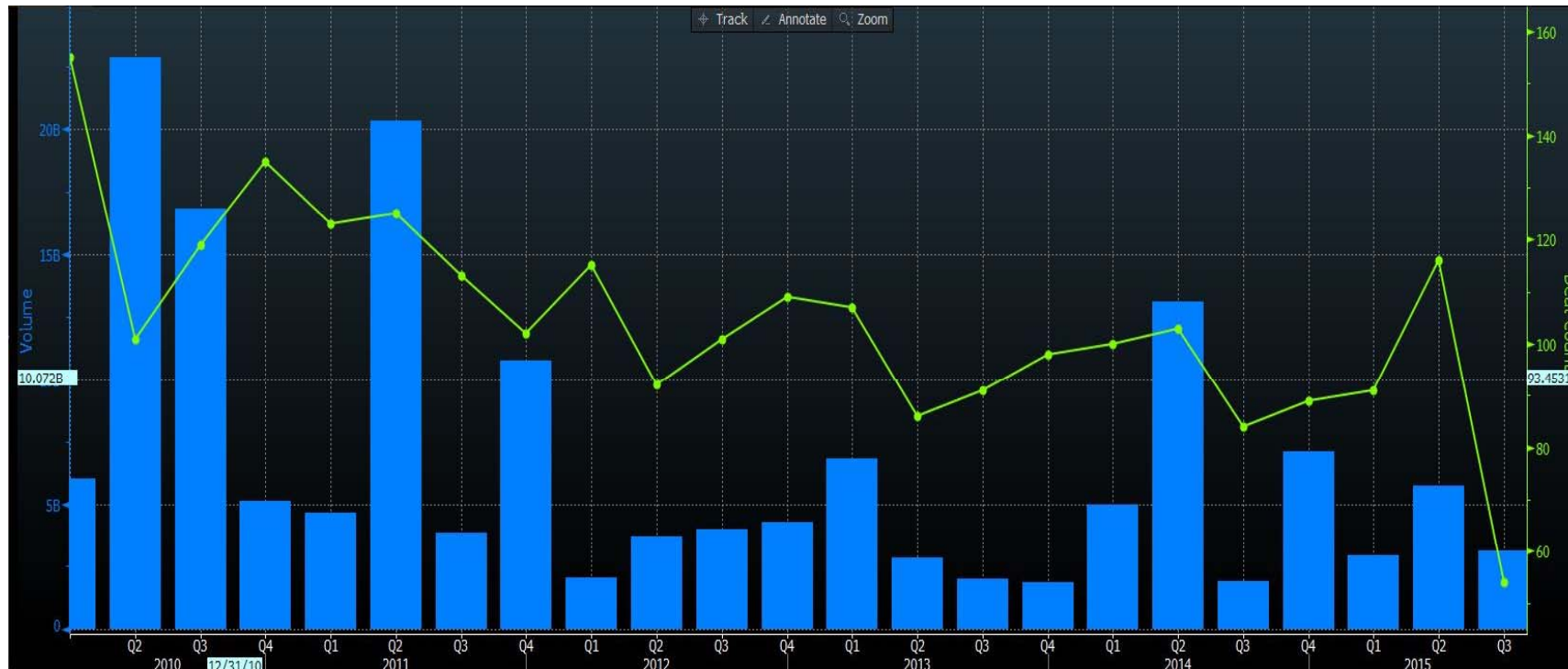


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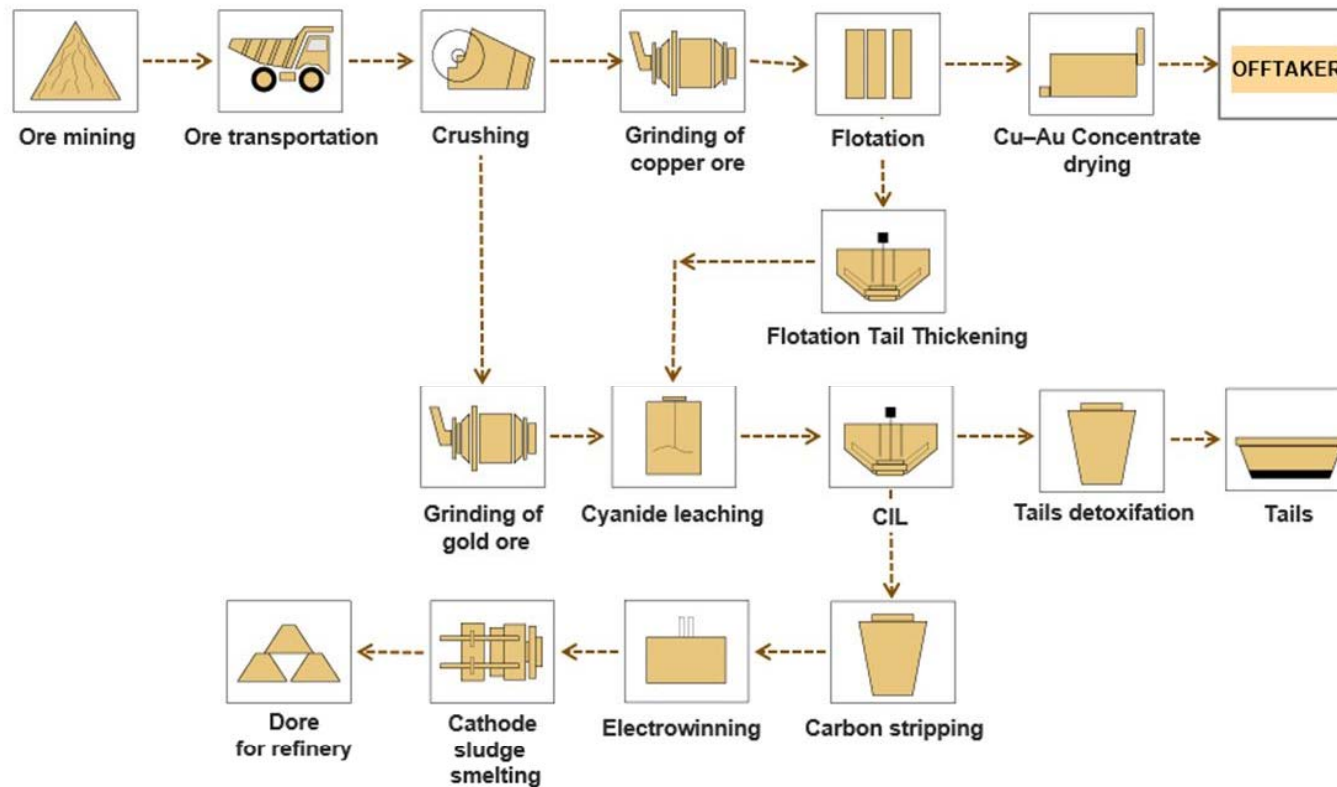
No Ready Access to Capital

- 5 year total gold mining deal volume and value (USD billions)



Mining to Gold Dore

- The average cost to produce one ounce of gold is over \$1,100 USD
- The following is the typical mining process:





Typical Transaction Types for Royalty Companies:

Revenue-Based Royalties

Description: Based on net proceeds received by the operation with defined deductions as specified by the royalty contract. Some forms of revenue-based royalties include:

- **NSR** - Net Smelter Royalty
- **ORR** - Overriding Royalty
- **GR** - Gross Royalty
- **FH** - Freehold, or Lessor Royalty

Royal Gold's Penasquito Royalty: Royal Gold holds a 2.0% NSR on all metals from Goldcorp's Penasquito mine in Mexico. The gold-silver-lead-zinc mine generated \$29.3MM in revenue for RGLD in FY2014.

Commentary: Revenue-base royalty agreements are typically the most valuable contracts, given no associated ongoing costs. Royalties also provide the holder with the greatest downside protection, given that security is held at the asset level.



Typical Transaction Types for Royalty Companies:

Profit-Based Royalties

Description: Based on the operating profit as defined in the royalty contract. Often royalty payments only begin once capital costs have been recovered by the operator. Types of profit-based royalties

- **NPI** - Net Profit Interest
- **NRI** - Net Royalty Interest

Franco-Nevada's ("FNV") Musselwhite Royalty: FNV receives 5% of Barrick's net profit at the asset once all capital requirements have been met (both operating & capital costs). FNV received \$4.6MM in revenue from the asset in 2014.

Commentary: Profit-based royalties, along with working interests, offer investors with the greatest leverage to metal prices, but also incorporate highest level of downside risk. Should projects operate at an operating loss, no royalty is paid.



Typical Transaction Types for Royalty Companies:

Working Interest

Description: Holders have an ownership position in the asset, and are liable for cash calls on their share of capital, operating and environmental costs, usually in proportion to their ownership percentage.

Franco-Nevada's Weyburn WI: In addition to a 11.7% NRI and a 0.44% ORR, FNV has a 2.26% WI on all production at its Weyburn unit. In 2014, revenue to Franco-Nevada totaled \$57.8MM from the asset.

Commentary: Working Interests are not considered to be royalties because of the ongoing funding requirements. However, for profitable operations, they can be economically similar in their calculations to NPIs.



What are key drivers for returns?

- Royalty companies have the capacity to raise capital at a lower cost than operators, and can offer funding to operators at competitive rates that exceed the royalty company's costs.
- A key driver of returns for royalty companies is deal flow, where post-transaction share prices yields outperformance (avg. 6-7% over a 3-month basis).
- Returns achieved for royalty companies are high (~14%), due in part to the royalty-advantaged business model which provides a free option to operating and exploration upside.

Cost of Capital and Return Comparison for Mining Companies

