



*The version of Gold Stock Analyst newsletter for Professional Investors  
Reports on 60+ Gold miners plus the mid-month GSA-Top10 newsletter*

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## Top 10 News (on Pg 3):

## Cobre Mine & Franco-Nevada's Streams

The \$6.3 bil capex Cobre Copper/Gold mine being built by First Quantum in Panama now begins its lengthy start up to mine the site's P+P Reserves of Copper, Gold and Silver.

By early-19, Franco will have invested \$1.356 bil for streams on the mine's Gold and Silver and they will be a key assets in FNV's royalty and stream portfolio. Over the mine/streams' 40 year life, Cobre could generate more net income for FNV than its hugely successful royalties on Barrick's Goldstrike property.

No estimates of Franco's net income from Cobre exist, so GSA does so below.

Modified to simplify in early-18, FNV's 2017 Annual Report says Gold and Silver streams "are indexed to copper in concentrate produced". Cobre I and C-II are both now per 1.0 mil pounds of Copper in the mine's "con" shipped to smelters:

Cobre-I	Gold	120 Au oz/1.0 mil lbs Cu prod until 808K oz (~10 yrs)	\$418/oz
	Silver	1,376 Ag oz/1.0 mil lbs Cu until 9.8 mil oz	\$6.27/oz
Cobre-II	Gold	30 Au oz/1.0 mil lbs Cu until 202K oz	20% Spot
	Silver	344 Ag oz/1.0 mil lbs Cu until 2.5 mil oz	20% Spot
Total		150 oz Au + 1,720 oz Ag per 1.0 mil lbs Cu	

Cobre-II's stream, acquired 2017/18 has better prices for FNV vs C-I. C-II, uses 20% of Spot. For Gold that's \$260/oz at \$1,300, vs the fixed \$418 in C-I. For Silver, 20% of \$17.00 is \$3.40 vs C-I's \$6.27/oz. For simplicity and erring on the conservative, GSA uses only C-I's pricing to calculate Franco's annual net.

The only 43-101 study, out in 2010, saw P+P Reserves of 2.1 bil tonnes containing 16.6 bil lbs Cu, 5.0 mil oz Au and 99 mil oz Ag and based on \$2.00 Cu, \$750 Au and \$12.50 Ag. The mill, delivers "con" that's 28% Cu, and it was first sized at 150K t/day (57 mil tonnes/annum) for \$4.3 bil capex. First Quantum (FM on TSX) acquired Inmet and increased output to 74 mtpa. Now FM sees 85 mtpa (236K t/d) by 2020 (\$6.4 bil total capex) and then on to 100 mtpa (277K t/d) after 2022.

Feb-18, First Quant released fest Cu production for 2019-21. FNV receives its fixed Au and Ag stream ounces per 1.0 mil lbs Cu and from that we can calculate Franco's stream income. As seen below, GSA fcsts, net of payments/oz to FM, Franco's \$18 mil in 2H18 rising to \$128 mil in 2021. (See FNV Pg 11 report)

	2H18	2019	2020	2021
Rate: mil tpa / K t/day	19mil/50K	57mil/150K	74mil/200K	85mil/235K
Cu in "con"	50K tonnes	150K tonnes	285K tonnes	350K tonnes
Cu pounds in "con"	110 mil	330 mil	627 mil	770 mil
Streams: 1.0 mil lbs Cu = 150 oz Au + 1720 oz Ag	17K Au oz 189K oz Ag	50K Au oz 568K oz Ag	94K Au oz 1,078K Ag	116K Au oz 1,324K Ag
Streams net \$/oz:	17K x \$982/oz =	50K Au x \$982/oz =	94K Au oz x \$982/oz =	116K Au x \$982/oz =
Au oz x (\$1400-\$418)=\$982	<b>\$16 mil</b>	<b>\$49 mil</b>	<b>\$92 mil</b>	<b>\$114 mil</b>
Ag oz x (\$17-\$6.27)=\$10.74	189K oz Ag x\$10.74/oz=	568K oz Ag x\$10.74/oz=	1,078K Ag x\$10.74/oz=	1,324K Ag x\$10.74/oz=
	<b>\$2 mil</b>	<b>\$6 mil</b>	<b>\$12 mil</b>	<b>\$14 mil</b>
<b>FNV net stream income</b>	<b>\$18 mil</b>	<b>\$55 mil</b>	<b>\$104 mil</b>	<b>\$128 mil</b>