GSAPro™

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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What Will be Left for Investors?

There's a creeping takeover of African and South American Gold mines by some host nations that's best called "resource nationalism". Investors must decide if there will be enough of a return left for the public shareholders after these nations have extracted their "pound of flesh" from the mines/owners. From the Govt's perspective, their goal is to maximize taxes and social benefits from the miners without driving them from the nation, because they need the miners' expertise to keep the mines operating to generate jobs and tax revenues.

Below is a non-exhaustive list and simply an indication of the "problem's" extent.

It began in South Africa in 1994 with the election of Nelson Mandela. His African National Congress' demanded the economic policies of apartheid, favoring white business owners, change to better represent the Nation's demographics through Black Economic Empowerment (BEE). BEE's implemented demands saw black mining industry ownership reach 15% by 2009, 26% by 2014, and in mid-2017 SA's Mining Minister Zwane unveiled a new charter that increases black ownership to 30%. This ongoing industry takeover, with little compensation for stockholders, saw GSA recently drop coverage of Harmony, DRDgold and Sibanye.

In Ghana, the Government has a 10% carried (free) interest in its Gold mines since the 1980s. This carried interest policy has been mimicked by other Africans such as Senegal, Cote d'Ivoire and Burkina Faso. Other nations have different ownership levels, such as Mali at 20% and DRC a varying interest from 0% to 14%

Ecuador: has had little Gold mining investment. The Fruta del Norte (FDN) project was discovered in 1990s, acquired by Kinross in Sept-08 and advanced to a positive Pre-Feasibility Study. But KGC in June-13 elected not to proceed as was unable to negotiate a change in the Nation's new tax law, including its 70% windfall profits levy (would negate a primary reason why investors buy Gold stocks). After Kinross wrote off $720 mil in 2013, Lundin Gold acquired FDN in 2014. Jan-16 Lundin announced a new tax regime for FDN which delays the windfall tax until after Co has recouped its development investment. The May-17 Feasib Update shows a 4.0 year capex payback, after which the tax could be imposed. Important to note, the Feasib Study (link on Co's website) on page 4-14 states the Govt's "share of cumulative benefits derived from the FDN will not be less than 50%". The Govt's share is based on the sum of income, royalty, Windfall, profit sharing, non-recoverable VAT taxes and subject to annual top-up by Co should it fall below 50%.

Indonesia: Freeport's Grasburg mine: Govt's initial 10% from the 1990s was increased to 51% in August, 2017 in exchange for a special operating permit for Grasberg until 2041, a 20 year extension to its existing permit. FCX would also build a smelter to process the mine's ore in-country. *...continued Page 3*

New Feature: Front Page listing in lower left of GSA-Top 10s mentioned in News.
Coverage Changes: Coming over from *GSA-Silver* as Ag is now a low percentage of Total Revenues: **SSR Mining** (formerly Silver Standard, Gold = 76% of Revs) and **Tahoe** (w/Escobal shut by Govt, Gold now 100% of Revs).
To make room, we drop **Mandalay** as flooding shut Cerro Bayo mine and we see little upside at its two other mines. **Newcrest**: no interest from N. Amer investors for big Aussie miner, in part due low volume and ADR's "OTC Pink" sheet listing.