

Subject: Fwd: Fw: Fw: Help with Uranium/gold mine valuation
From: "Salim Essa<salimessa@gmail.com>" <MAILER-DAEMON>
Date: 2014/08/21, 11:51 AM
To: Tony Gupta; george@shivau.com

----- Forwarded message -----

From: "amalahle" <amalahle@gmail.com>
Date: 21 Aug 2014 13:49
Subject: Fw: Fw: Help with Uranium/gold mine valuation
To: "salimessa@gmail.com" <salimessa@gmail.com>
Cc:

See comments from expert. The valuation approach being used is flawed. Some recommendations on who to use also included. Where can I reach you?

Sent from Samsung Mobile

----- Original message -----

From: vikas_sagar@mckinsey.com
Date: 21/08/2014 14:44 (GMT+02:00)
To: "Mr. Vikas Sagar" <amalahle@gmail.com>
Subject: Fw: Fw: Help with Uranium/gold mine valuation

Vikas Sagar
McKinsey & Company, Johannesburg
[+27 82 329 8149](tel:+27823298149)

□ Greg Callaway

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

From: Greg Callaway
Sent: 08/18/2014 11:27 AM ZE10
To: Vikas Sagar
Subject: Re: Fw: Help with Uranium/gold mine valuation

Morning Vikas,

It is still unclear who the target is or are they targeting operations in South Africa in general. Hence can't give input on the operational capabilities, opportunities and issues.

A few of my thoughts below.

Current modelling approach – Three potential flaws

+ Capital cost/purchase price has not been discounted to a single point in time. Mining

industry has experienced double digit mining and capital inflation over the last decade.

+ The sample set holds projects from different segments in the mining cycle e.g. financial crisis (bottom) 2009/2010 and peak in 2011/2012 – most commodities are on the down currently (not sure of Uranium)

+ The sample set holds project from different stages in the development life cycle e.g. inferred vs indicated & measured. The level of confidence in the geological system is significantly different between inferred and measured (~75% of value)

Recommended modelling approach

It is a good sanity check to look at multiples to understand the market trend however **for a 3 week due diligence the top down NPV should be used** – more importantly this approach flags any fundamental flaws.

Three methods ranked for low to high effectiveness

+ Price / resource (as currently used)

+ EV/EBIT or EV/EBITDA

+ Top down NPV – revenues/costs driven off a highlevel drivers (e.g. tonnes outlook) and unit cost benchmarks (e.g. labour cost \$/t)

+ Bottom up activity base costing / first principles NPV (looks at mining structure, crew configuration etc).

Our experience

Recently Stewart/Nicholas/Agasan and myself were involved in a pre-due diligence of this nature with Ethos Private Equity. The team was able to identify a fundamental flaw in the previous recommendation for a target and prevented the fund from making a R3bn mistake.

Other parties to approach

I've been worked with each of the below, they are able to do their own valuations of projects, typically also find funding for these projects. Payment models include both commission or equity options

+ Imara Asset Management (Illovo, South Africa)

+ Mubadala Capital (Saudi Arabia)

+ Blackwater Resources (United Kingdom)

+ Haywood Securities (Canada)

Pure modelling; The Cyst Corporation (just off Katherine Rd) are excellent at modelling. They use bespoke software to develop economic models with a strong simulation and stochastic capability.

Hope this gives you a starting point (not contradictory to Sigurd). What are the next steps from here?

Greg Callaway

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greg_callaway@mckinsey.com

□ Vikas Sagar---2014/08/12 09:37:41

PM---_____ Vikas Sagar

From: Vikas Sagar/JOH/Africa/MCKINSEY
To: Greg Callaway/JOH/Africa/MCKINSEY@MCKINSEY
Date: 2014/08/12 09:37 PM
Subject: Fw: Help with Uranium/gold mine valuation

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----- Forwarded by Vikas Sagar/JOH/Africa/MCKINSEY on 2014/08/12 01:37 PM -----

From: Vikas Sagar/JOH/Africa/MCKINSEY
To: sigurd_mareels@mckinsey.com
Date: 2014/08/06 10:48 AM
Subject: Help with Uranium/gold mine valuation

Hello Sigurd,

A potential client is in a uranium/gold transaction and wanted some help on valuing the asset. First just some informal input, which could become more formal. I have been non committal because I'm not sure what our capabilities in this area are. Please could you help with the following:

- + Who are our experts in the Basic Material or Corporate Finance practice on mining transactions and valuations?
- + What is our experience in this area?
- + Do we have some outside parties, likely boutique outfits, that we work with in this space.

The client is specifically interested in looking at experts outside SA – feels like the local market is not very independent given that there are only a handful of people that do this stuff.

I attach a couple of files that he has sent to me that– transaction analysis and benchmarks for uranium and gold transactions and a valuation for the asset in question. He wants to see if this analysis is robust– feels (obviously) that the valuation is too low.

Rgds
Vikas

[attachment "Gold Trade Data Analyses 20140729 GvdM.XLSX" deleted by Greg Callaway/JOH/Africa/MCKINSEY] [attachment "Target Evaluation calculation.xlsx"]

deleted by Greg Callaway/JOH/Africa/MCKINSEY] [attachment "Uranium Trade Data Analysis 20140729 for GvdM.XLSX" deleted by Greg Callaway/JOH/Africa/MCKINSEY]

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Attachments:

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