

GIBRALTAR MINES LIMITED

TOTAL RESERVES: 206 MILLION TONS OF COPPER ORE
(WITH MOLYBDENUM)

AVERAGE COPPER ORE GRADE: .39% (MOLYBDENITE 0.016%)

THE ORE BODY CONSISTS OF SEVERAL HIGHER GRADE AREAS WHICH
WILL BE MINED FIRST. THIS ORE WILL LIKELY GRADE AS HIGH
AS .50% COPPER EQUIVALENT.

MILLING CAPACITY PER DAY: 30,000 TONS

COST OF PRODUCTION: \$1.65 PER TON (HAVE USED BRENDA
MINES PUBLISHED OPERATING COST PER TON)

?
Reasonable
what is strip
ratio?

NET INCOME FOR THE FIRST YEAR OF PRODUCTION:

1. COPPER GRADE .5% OR 10 LBS. PER TON

2. PRICE OF COPPER:

LONDON METAL EXCHANGE \$.50/LB

U.S. PRICE \$.56/LB

CANADIAN PRICE \$.50/LB

WE WILL USE \$.45/LB TO BE ON THE SAFE SIDE.

3. INCOME PER TON:

10 LBS/TON X \$.45 = \$4.50

4. NET INCOME PER TON:

\$4.50 - \$1.65 (COST OF PRODUCTION/TON)

= \$2.85

2.

T. A. RICHARDSON & CO. LIMITED

5. NET INCOME PER DAY WITH 30,000 TON/DAY MILLING CAPACITY:

$$\$2.85 \times 30,000 \text{ TON/DAY} = \$85,500$$

6. NET INCOME FROM THE FIRST YEAR OF PRODUCTION:

$$\begin{aligned} & \$85,000 \times 325 \text{ (WORKING DAYS} \\ & \text{PER YEAR)} = \$27,850,000 \end{aligned}$$

7. TOTAL NUMBER OF SHARES OUTSTANDING ULTIMATELY:

12,000,000 SHARES

THE ABOVE FIGURE INCLUDES 71% OWNERSHIP BY PLACER DEVELOPMENT AND 2% HELD BY DUVAL INC. PLACER EXERCISED OPTIONS OF: 100,000 SHARES AT \$3.00, \$3.50, \$4.00 and \$4.50. IT IS COMMONLY THOUGHT THAT PLACER HAS ALSO PURCHASED STOCK ON THE MARKET BETWEEN \$3.50 and \$4.50. IN OTHER WORDS, IT IS ESTIMATED THAT PLACER HOLDS 9,600,000 SHARES.

8. NET INCOME PER SHARE:

$$\frac{\$27,850,000}{12,000,000 \text{ SHARES}} = \$2.31/\text{SHARE}$$

GIBRALTAR WILL BE ABLE TO TAKE ADVANTAGE OF THE 3-YEAR TAX FREE PERIOD. THE COMPANY WILL ALSO BE IN A POSITION TO WRITE OFF ITS CAPITAL EXPENDITURES IN THE FOURTH YEAR. THEREFORE, GIBRALTAR WILL ENJOY FOUR TAX FREE YEARS.

GIBRALTAR WILL BE IN A POSITION TO REPAY ITS BANK DEBT DURING THE FIRST THREE YEARS OF PRODUCTION. AN AGREEMENT HAS BEEN NEGOTIATED COVERING THE SALE OF ALL CONCENTRATES.

FINANCING HAS BEEN ARRANGED THROUGH THE CANADIAN IMPERIAL BANK OF COMMERCE AND THE BANK OF NOVA SCOTIA FOR \$74,000,000.

SITE PREPARATION HAS STARTED AND PRODUCTION SHOULD BEGIN IN JUNE 1972.

I HAVE ASSUMED THAT THE PRICE OF COPPER WILL NOT INCREASE BUT, AS WE HAVE SEEN IN THE PAST YEAR, COPPER HAS BEEN SCARCE AND THE PRICE REACHED A HIGH OF 80¢ PER POUND. THERE IS NO WAY OF TELLING WHAT PRICE COPPER WILL BE IN 1972. THE PLACER PEOPLE, IT IS UNDERSTOOD, HAVE CALCULATED THAT GIBRALTAR WILL BREAK EVEN AT 36¢/LB FOR COPPER, SO THAT THERE IS A BUILT-IN MARGIN OF SAFETY.

IN 1969-1970 GIBRALTAR HAS HAD A PRICE RANGE OF BETWEEN 60¢ AND \$5.10; PRESENTLY IT IS APPROXIMATELY \$3.50 TO \$3.75. OVER THE NEXT TWO YEARS THE STOCK SHOULD MOVE TO HIGHER LEVELS UNTIL PRODUCTION RESULTS ARE CONFIRMED. AT THAT POINT GIBRALTAR WILL TRADE ON THE BASIS OF ITS EARNINGS. WITH EARNINGS OF \$2.30 THE STOCK SHOULD TRADE AT 10 TIMES EARNINGS OR \$23.00. IF OUR CALCULATIONS, WHICH ARE VERY CONSERVATIVE, ARE WRONG BY 100% AND EARNINGS ARE ONLY \$1.15, THE STOCK SHOULD STILL TRADE AT \$11.50/SHARE.

RECOMMENDATION

WE RECOMMEND THE PURCHASE OF GIBRALTAR AT PRESENT LEVELS. THE STOCK COULD BE HELD FOR THE LONG TERM, BUT IF ONLY HELD UNTIL PRODUCTION BEGINS THERE IS A GOOD POSSIBILITY THAT A CAPITAL GAIN OF 300 - 500% COULD BE REALIZED. ?
IF THE STOCK IS SOLD BEFORE PRODUCTION, THEN IT IS POSSIBLE TO REALIZE A CAPITAL GAIN OF 100 - 300%. DIVIDENDS WOULD POSSIBLY BE PAID IN 3 TO 4 YEARS, AND PLACER CONTROLLED COMPANIES HAVE A RECORD OF HIGH DIVIDEND PAYOUT. ?

PLACER DEVELOPMENT HAS HAD A GOOD RECORD OF SUCCESS IN NEW MINE DEVELOPMENT. SOME OF THESE INCLUDE ENDAKO MINES (\$3.00 - \$18.00 IN TWO YEARS) AND CRAIGMONT MINES (\$3.40 - \$20.00 IN TWO YEARS). GIBRALTAR WILL BE A MINE WITHIN TWO YEARS AND SHOULD BE PURCHASED ON THAT BASIS.