



Questions?



Presentation Outline

- Current situation
- Discounted Cash Flow Analysis
- Valuation of Un-mined Gol
- Tax shield Analysis
- Sensitivity Analysis
- Qualitative Factors
- Recommendation and Decision

Current Situation

- Agnico Eagle Mines Ltd. (AEM) share price recently took a drop in the market to a price of \$13.89 per share
- Should National continue to hold AEM in it's portfolio?

Sources of Value

Value is generated from three sources;

- Future Cash Flows
- Value of Real Option
- Tax shields

Discounted Cash Flow Analysis

	WACC Valuation (US\$000s)						
	2002	2003	2004	2005	2006	2007	2008
Sales Revenue	\$ 70,267	\$ 120,250	\$ 128,375	\$ 133,510	\$ 138,840	\$ 144,404	\$ 150,179
COGS	-47,079	-78,163	-80,875	-84,111	-87,469	-90,975	-94,613
Gross Profit	23,188	42,087	47,500	49,399	51,371	53,429	55,566
Other Operating Expenses:							
SGA Expenses	-9,135	-13,829	-12,196	-11,348	-11,801	-12,274	-12,765
Depreciation	-8,255	-14,126	-15,081	-15,684	-16,310	-16,964	-17,642
Capital Taxes	-1,044	-1,702	-1,757	-1,826	-1,897	-1,971	-2,048
Operating EBIT	4,755	12,430	18,466	20,541	21,363	22,220	23,111
Taxes on EBIT	-2,203	-5,323	-7,260	-7,768	-8,079	-8,404	-8,741
Change in Deferred Taxes	301	-276	-107	-147	-152	-159	-165
NOPLATPA	2,853	6,831	11,099	12,626	13,132	13,657	14,205
Depreciation	8,255	14,126	15,081	15,684	16,310	16,964	17,642
Gross Cash Flow	11,108	20,957	26,180	28,310	29,442	30,621	31,847
Change in Working Capital	3,468	-3,022	-1,884	-926	-961	-1,003	-1,041
Capital Expenditures	16,268	40,639	25,400	29,805	30,968	32,265	33,524
Gross Investment	19,736	37,617	23,516	28,879	30,007	31,262	32,483
Operating Free Cash Flow	-8,628	-16,660	2,664	-569	-565	-641	-636
WACC	10.23%	10.28%	10.34%	10.36%	10.36%	10.36%	10.36%
Present Value of Free Cash Flows	-8,086	-14,157	2,052	-397	-357	-367	-330
Terminal Value							142,598
Present Value of Terminal Value	74,035						
Enterprise Value	52,392						