

## GOLD MINERS

“**Franco-Nevada Corp.** (FNV 45.02 NYSE) saw a second-quarter increase in revenue of 112% over last year, and has boosted its expectation for a full-year jump of at least 65%. This increase in revenue has come from the higher gold (and other) prices as well as from acquisitions; Gold Wheaton contributed a full quarter, for example. But these two factors count for only about half of the revenue increase. Significantly, the other half is from existing royalties coming on stream, some of which have been held for a very long time. This is organic growth at no additional cost, and is likely to continue. Franco Nevada had (at quarter end) 343 assets, 208 of them mineral assets, of which 39 were producing. It says it has 24 other assets with ‘reasonable potential’ to be producing over the next five years. This would double the company’s revenue without additional G&A or other costs. Just in the remainder of this year, another four royalties are expected to come on stream, including the major royalty on Tasiast. Of course, the company is not sitting still, but continues to seek new royalties; last week it added a significant royalty on part of Rubicon’s property at Red Lake. The company has diversified its royalty base, but it retains the strong political and asset profile. Some 80% of its revenues come from North America while 90% come from precious metals (68% from gold). The balance sheet remains strong, with \$500 million in capital (including a credit line of \$175 million). With top management, strong diversified assets, a solid balance sheet, and an exceptional growth profile, Franco Nevada belongs in every portfolio.”

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