Valuation

Given the early stage nature of exploration mining companies it is difficult to apply most standard valuation methodologies. Factors affecting valuation that can vary widely among exploration mines include mix of metals mined, location and geology, stage of exploration/permitting, quality of potential deposits, experience of management team, degree of prior mining in the area, regulatory environment, etc. Given the lack of public data on other similar mining acquisitions, we will use the Gil Properties sale as a valuation metric comparable to value Teryl's other mining properties.

Teryl sold its 20% interest in Gil Properties to Kinross Gold for $15.5 million which equates to a 5.2x multiple of Gil's deferred exploration expenditures. The current deferred exploration expenditures balance of Teryl's other properties is $0.6 million. Assuming an additional $2.0 million is expended on future exploration before these properties are sold, the future deferred exploration balance would be $2.6 million. Given management's belief that some of its other properties are more valuable than the Gil Properties and expect a competitive auction process, we will apply a premium multiple of 7.0x to the future deferred exploration balance. This results in a valuation of $17.9 million for the sale of these other properties. Applying a 50% discount factor for uncertainty and timing of the future payments yields an adjusted valuation of $8.9 million.

The following table details the analysis we used to derive our valuation for the Company. Key components include:

- ◊ $1.1mm of cash on balance sheet (Feb 2013)
- ◊ $1.5mm upcoming Gil advanced royalty upon commencement of production
- ◊ $5.7mm remaining Gil payment which is a 50% discount to the remaining $11.3mm to account for risk and uncertainty of payments and timing
- ◊ $8.9mm adjusted valuation of Teryl properties as outlined above
- ◊ Less: $2.0mm in estimated future exploration activities before properties are sold
- ◊ Less: $1.5mm in estimated next 2 years of operating expenses based on current expenses