

HOW TO HANDLE DEBT?

By Andy Clay

In the current financial crisis which is not exclusive to exploration and mining, the question as to how to handle debt in the face of the need for new capital is a major problem.

Fundamental to this is defining underlying value of the mineral asset and using an appropriate set of economic parameters. Venmyn has adopted the principle of a two-year historic and two-year consensus price going forward as a basis to establish a fair price. Calculating an NPV, historic cost and market comparison is one thing but how to incorporate the debt is still unclear in transaction calculation.

If you have any questions or comments, please do not hesitate to send them to Andy Clay.