INVESTMENT TERMS EXPLAINED

Accredited Investor: An individual or institutional investor who meets certain minimum regulatory requirements relating to income, net worth, or investment knowledge.

Adjusted Cost Base: A calculation used to determine the cost of an investment for income tax purposes for the purpose of determining capital gains and capital losses.

Advance Royalty: The prepayment of a designated amount (the advance royalty) prior to actual mine production. The advance royalty payments may be deductible from future production royalties.

Ask: The lowest price a seller is willing to accept.

Asset: An asset has a probable future economic benefit obtained or controlled by a particular entity as a result of a past transaction or event.

At-the-money: An option with a strike price equal to (or almost equal to) the market price of the underlying security.

Authorized Capital: see Capital Stock.

Authorized Shares: The maximum number of common or preferred shares that a corporation may issue under the terms of its charter.

Balance Sheet: A financial statement showing a company’s assets, liabilities and shareholders’ equity at a given date.

Bear Market: A stock market where the majority of investors are selling (bears), which causes a prolonged decline in equity prices; the opposite of a bull market.

Bid: The highest price a buyer is willing to pay.

Black Economic Empowerment (BEE): A South African Government policy aimed at increasing the levels of participation of black people in the ownership, management and control of economic activities.

Blue Sky: Tremendous upside potential.

Board lot: Commonly, one hundred shares.

Bond: An agreement to repay the principal borrowed, plus a specified amount of interest over a period of time. Strictly defined, assets are pledged as collateral to secure the borrowing, but often this term is loosely used.

Book Value: The value recorded on the balance sheet at which the assets would be valued at if the company were liquidated.

Bought Deal: A new issue of stocks (or bonds) bought from the issuer by an investment dealer for resale usually by way of a private placement or short form prospectus.

Broken Lot: See Odd Lot.

Broker: An investment dealer, registered representative.

Bull market: A stock market where the majority of investors are buying (bulls), which causes a prolonged rise in equity prices; the opposite of a bear market.

Bullion: Metal, such as gold that is formed into bars or ingots.

Buy-out: An investment transaction in which an entire company or a controlling part of stock is sold for either money or shares. If the sale is between a prospector and a company, the prospector often retains an interest in the property that is subject to a sizeable buy-out clause if the property goes into production.

Call Option: The right to buy a specific number of shares at a specific price by a fixed date. The buyer pays a premium for this right.

Call: An option contract that gives the holder the right to buy a specified number of shares by a fixed date.

Capital Asset Pricing Model: A model that looks at the relationship between risk and return. (CAPM)

Capital Gain: When a security is sold for more than the purchase price. For non-registered securities, 50% of the gain is added to income and taxed at the investor's marginal tax rate.

Capital Loss: When a security is sold for less than the purchase price. For tax purposes, only 50% of capital losses can only be applied against capital gains, but they can be carried forward indefinitely.

Capital Stock: All shares of a company, including preferred as well as common; also called Equity Capital.

Capital Stock: All of the shares of a company.

Capitalization: 1.The total dollar amount of debt, preferred and common stock, contributed surplus and retained earnings of a company. 2. The total dollar value that the financial markets place on a company calculated by multiplying the number of outstanding shares by the current stock price.

Capital Cost Allowance: The amount allowed under the Income Tax Act to be deducted from the value of certain assets and treated as an expense in computing an individual's or company's income for a taxation year.

Cash Cost: The total cost including the cost of production, refining, royalties and administration.

Cash Flow: The inflows and outflows of cash in a company.

Cash Flow Analysis: A detailed economic assessment of a proposed mine which includes capital costs, operating costs, taxes, projected revenues, etc.

Charter: A document issued by a governing authority that creates, or incorporates, a company or other institution.

Commodity: Anything for which there is demand, but which is supplied without qualitative differentiation.

Common Stock: Securities that carry full voting privileges and right to receipt of dividends only after holders of preferred stock have received such payments.

Consolidated Financial Statements: Financial statements that present the position of a parent company and its subsidiaries as a whole.

Correlation: The relationship between two or more securities.

Cum Rights: With rights.

Cum-dividend: If shares are purchased cum-dividend, the purchaser is entitled to the already-declared dividend.

Cumulative Preferred: A preferred stock that has provisions that if dividend payments are not made; the unpaid dividends will accumulate in arrears and must be paid before any dividends can be paid out to common share holders.

Current Assets: Cash and other assets that will be converted to cash in the normal course of business within one year.

Day Order: A buy or sell order that is only valid on the day it is entered.

Day order: An order to buy or sell shares, good only on the day the order was entered.

Debenture: An agreement to repay the principal borrowed, plus a specified amount of interest over a period of time. No specific assets pledged as collateral.

Debt Financing: Method of raising capital whereby companies borrow money from a lending institution.

Deferred Charges: Expenses incurred but not charged against the current year's operation.

Depletion: An accounting device, used primarily in tax computations. It recognizes the consumption of an ore deposit, a mine's principal asset.

Depreciation: Systematic charges against earnings to write off the cost of a tangible asset over its useful life. This is an accounting entry and does not involve the expenditure of cash.

Derivative: A type of financial instrument whose value is dependent on some underlying financial asset, commodity, or other investment.

Dilution (shares): The reduction in the proportional ownership of each current shareholder of a company that results from the issuance of new shares.

Disclosure: A principle of the securities regulation of Canada. It entails the full, true and plain disclosure of all material facts necessary to make investment decisions.

Discount: The amount by which a preferred stock or bond sells below its par value.

Discounted Cash Flow: An approach used to value a project or company incorporating the time value of money. All future cash flows are estimated and discounted to give them a present value.

Dividend Claim: Made when a dividend has been paid to the previous holder because stock has not yet been transferred to the name of the new owner.

Dividend: Cash or stock distributed to shareholders .

Due diligence: The degree of care and caution required before making a decision; loosely, a financial and technical investigation to determine whether an investment is sound.

Enterprise Value: Reflects what it would cost to purchase a company as a whole.

Equity Capital: All shares of a company, including preferred as well as common; also called Capital Stock.

Equity Financing: The provision of funds by buying shares.

Equity: The ownership interest in a corporation’s stock that represents a claim on its earnings and assets.

Escrowed shares: Outstanding shares of a company that may not be bought or sold unless special approval is obtained.

Ex Rights: Without rights.

Exchange Trade Funds (ETF): An investment vehicle that trades on a stock exchange and holds stocks or bonds. It trades at roughly the same price as the net asset value of its underlying assets

Ex-Dividend: If shares are purchased ex-dividend, the purchaser is not entitled to the dividend payment.

Exercise Price:
The price, as specified in an option contract, at which an underlying security will be purchased in the case of a call, or sold in the case of a put: also called a Strike Price.

Fiscal Year: A company's accounting year.

Fixed Assets: Tangible long-term assets that are unlikely to be converted into cash in the normal business cycle. Examples include land, buildings and machinery.

Flow-through shares: Shares in an exploration company that allow the tax deduction or credits for mineral exploration to be passed to the investor.

Forward Contract: The sale or purchase of a commodity for delivery at a specified future date. Unlike a futures contract, the terms of a forward contract are not standardized and there may be no secondary market.

Fundamental Analysis: Security analysis that is based on fundamental facts about a company and an analysis of the economic conditions that affect the company's business.

Futures Contract: The sale or purchase of a commodity for delivery at a specified future date. Unlike a forward contract, the terms of a future contract are standardized and trade on an exchange.

GAAP: Acronym for Generally Accepted Accounting Principles that outline the conventions, procedures and guidelines for accounting purposes.

Gold loan: A form of debt financing whereby a potential gold producer borrows gold from a lending institution, sells the gold on the open market, uses the cash for mine development, then pays back the gold from actual mine production.

Good-Through Order: An order to buy or sell securities that is valid for a specified number of days and is automatically cancelled if it is not filled.

Good till Cancelled Order: An order to buy or sell securities that is valid until the close of business on the day specified.

Gross Smelter Return Royalty (GSR): A percentage of gross revenue of a mining operation without any deductions for costs.

Gross value royalty: A share of gross revenue from the sale of minerals from a mine.

Gross Value: The theoretical value of ore, determined simply by multiplying the assay of metal or metals and their current market price. It must be used only with caution and severe qualification.

Halt in Trading: A temporary halt in trading of a security in order to allow for significant news to be reported and widely disseminated.

Hedging: Taking a buy or sell position in a futures market opposite to a position held in the cash market to minimize the risk of financial loss from an adverse price change.

Holding company: A corporation engaged principally in holding a controlling interest in one or more other companies.

Initial Public Offering (IPO): The first sale of shares to the public, usually by subscription from a group of investment dealers.

Insider: All directors and senior officers of a corporation and those who may be presumed to have access to non-public or insider information.

Institutional investors: Organizations, such as Pension funds and mutual funds, managing money for a large number of individual investors.

Issued Shares: The part of authorized shares that has been sold by the corporation and is now held by shareholders.

Joint venture: A contractual agreement between two or more parties for the purpose of executing a business undertaking. All parties agree to share in the profits and losses of the enterprise.

Limit order: An order made by a client to a broker to buy or sell shares at a specified price or better. The order will only be executed if the market reaches are betters that price.

Listed Stock: The stock of a company which is traded on a stock exchange.

London fix: The twice-daily bidding session held by five dealing companies to set the gold price. There are also daily London fixes to set the prices of other precious metals.

London Metals Exchange: A major bidding market for base metals, which operates daily in London.

Long Position: Securities owned outright or carried on margin.

Margin: The amount of money paid by a client when he or she uses credit to buy a security.

Market Capitalization: See capitalization.

Market order: An order to buy or sell at the best price available. In absence of any specified price or limit, an order is considered to be “at the market”.

Material Change: A change in the affairs of a company that is expected to have a significant impact on the market value of its securities.

Net Asset Value: NAV is used to determine the per-share value of a mutual fund or a company that operate like mutual funds. It is found by calculating Assets minus Liabilities divided by the shares outstanding

Net Earnings: the Company’s profit remaining after all expense, taxes and dividends have been paid.

Net profit interest:
A portion of the profit remaining after all charges, including taxes and bookkeeping charges, such as depreciation, have been deducted.

Net smelter return (NSR): A percentage of gross revenue from mining operations, less a share of costs.

Net Value Royalty: A percentage of gross revenue less contractually defined costs.

Net worth: The difference between total assets and total liabilities.

NSR: See net smelter return.

Odd lot: A block of shares that is less than a board lot. Usually refers to a securities trade for less than 100 shares, sometimes called a broken lot.

Offer: The lowest price at which a person is willing to sell a security on the stock market.

Open order: An order to buy or sell stock, which is good until cancelled by the client.

Operating cost: Cash cost plus depreciation and amortization.

Option agreement: An agreement with a company or another party who can exercise certain options and increase their interest in a property by making periodic payments to the option or by exploring, developing, or producing from the optionor's property.

Option: An agreement to purchase a property reached between the property vendor and some other party who wishes to explore the property further. Option (on stock)The right to buy or sell a share at a set price, regardless of market value.

Option: The right to buy or sell specific securities at a specified price within a specified time.

Outstanding Shares: The part of issued shares which remains outstanding in the hands of investors.

Par value: The stated face value of a stock. Par value shares have no specified face value, but the total amount of authorized capital is set down in the company's charter.

Participating interest: A company's interest in a mine, which entitles it to a certain percentage of profits in return for putting up an equal percentage of the capital cost of the project.

Pooling shares: See escrowed shares.

Portfolio: A list of financial assets.

Preferred Shares: These are shares of a limited liability company that rank ahead of common shares, but after bonds, in distribution of earnings or in claim to the company's assets in the event of liquidation. They pay a fixed dividend but normally do not have voting rights, as with common shares.

Present Value: The current worth of a sum of money that will be received sometime in the future.

Price-to-earnings ratio: The current market price of a stock divided by the company's net earnings per share for the year.

Private Placement: A direct private offering of securities to a limited number of buyers, usually institutions.

Private placement: The sale of shares to individuals or corporations outside the normal market, at a negotiated price. Often used to raise capital for a junior exploration company.

Pro rata: In proportion, usually to ownership, income or contribution.

Profit and loss statement: The income statement of a company detailing revenues minus total costs to give total profit.

Prospectus: 1. A document filed with the appropriate securities commission detailing the activities and financial condition of a company seeking funds from the public through the issuance of shares. 2. A legal document that describes securities being offered for sale to the public.

Put: An option to sell a stock at an agreed upon price within a specified time. The owner can present his put to the contracting broker at any time within the option period and compel him to buy the stock.

Record date: The date by which a shareholder must be registered on the books of a company in order to receive a declared dividend or to vote on company affairs.

Retail Investment (Gold): Comprised of three categories: bar, coin and medallion purchases.

Rights: A certificate that gives the holder the right to buy securities at a specific price within a specified time limit. Rights and warrants can be bought and sold prior to their expiry date because not all shareholders wish to exercise their rights. Also called warrants.

Secular Market Trend: A long-term trend that usually last 5 to 25 years. It is made up of primary trends. For example, in a secular bull market, the primary bear market phases are less punishing and shorter in duration than the primary bull market phases, which leads to overall market gains.

Short selling: The borrowing of stock from a broker in order to sell it in the hope that it may be purchased at a lower price later on.

Stop Buy Order: An order to buy a security only after it has reached a specific price.

Stop Loss Order: An order to sell a security only after it has reached a specific price.

Stop-loss order: An arrangement whereby a client gives his broker instructions to sell a stock if and when its price drops to a specified figure on the market.

Street certificate: A certificate representing ownership in a specified number of shares that is registered in the name of some previous owner who has endorsed the certificate so that it may be transferred to a new owner without referral to transfer agent.

Subsidiary company: A company in which the majority of shares (a controlling position) is held by another company.

Takeover Bid: An offer to all or most shareholders of a company to purchase voting securities of the company which, with the offeror's already owned securities, will in total exceed 20% of the outstanding voting securities of the company.

Technical Analysis: A method to forecasting prices that examines historical market data to predict future movements in the market.

Trading floor: The area in a stock exchange building where shares are bought and sold.

Trading post: An area on the trading floor of a stock exchange where current stock prices are listed and where the floor traders (representatives of brokerage firms) meet to buy or sell the stocks listed at that particular post.

Treasury Shares: Authorized, but unissued stock or repurchased shares.

Underwrite: A firm commitment made by a broker or other financial institution to purchase a block of shares at a specified price.

Valuation: The act or process of valuing or of estimating the value or worth; appraisal.

Voting right: The stockholder's right to vote in the affairs of the company. Most common shares have one vote each. Preferred stock usually has the right to vote when preferred dividends are in default.

Warrant: A certificate that gives the holder the right to buy securities at a specific price within a specified time limit. Rights and warrants can be bought and sold prior to their expiry date because not all shareholders wish to exercise their rights. Also called Rights.

Working capital: The liquid resources a company has to meet day-to-day expenses of operation; defined as the excess of current assets over current liabilities.

Working option: An agreement to do specified exploration work, or to spend a specified amount of time or money on exploration, usually in several stages. It can take a number of forms; a common one involves increasing cash payments to the prospector and increased expenditures by the company at each stage. In return the company increases its interest in the subject property. Working options usually cover several stages through to production.

Write-offs: Amounts deducted from a company's reported profit for depreciation or preproduction costs. Write-offs are not an out-of-pocket expense, but reduce the amount of taxable profit.

Yield: The current annual dividend rate expressed as a percentage of the current market price of the stock.