GAZIFÈRE INC.
Prime Rate Forecasting Process
2011 Rate case (Phase IV)

In order to forecast the prime rate, the expected Bank of Canada overnight rate target is used as a starting point. The reason for this originates from the direct relationship between the prime rate and the overnight rate target. In particular, since December 2008 the prime rate has exceeded the overnight rate target by 2.00%. Therefore, once expectations are formed regarding the level of the overnight rate target, 2.00% is added to arrive at the prime rate estimate. Please see Figure-1 below for the historical data and 2011 estimate of the overnight rate target and the prime rate.

Determining the overnight rate target estimate requires an analysis of market information in order to arrive at a reasonable expectation for how the Bank of Canada may act in setting its future targets. Market data, market reports and Bank of Canada monetary policy reports help guide the expectations for the overnight rate target. Once the outlook for the overnight rate target is determined, a comparison of this outlook is benchmarked against the publicly available views of major Canadian financial institutions to assess the in-house projection's consistency and reasonableness. The institutions considered are: BMO Capital Markets, CIBC World Markets, Desjardins Economic Studies, RBC Financial Group, Scotiabank Group and TD Securities. Please see Figure-2 below for the 2011 forecasts of the overnight rate target by the aforementioned financial institutions.

After conducting the analysis of market information, the forecast of the overnight rate target for 2011 was set at 1.90%. This estimate is 65 basis points below the average market view of 2.55% for 2011, which is considered a reasonable estimate as it is consistent with the average financial institutions expectation.

Overall, the 2011 estimate of the Bank of Canada overnight rate target of 1.90% plus the 2.00% premium, results in the 3.90% prime rate forecast for 2011.

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Figure-1

Overnight Rate Target and Prime Rate Forecasts

col. 1	col. 2 Canada; Overnight rate (percent)[1]	col. 3 Canada; Chartered bank administered interest rates - prime business (percent)[2]	col. 4 Difference in Prime Rate from Overnight Rate (percent) col.3 - col. 2
Monthly Historical Data			
Dec-08	1.50	3.50	*2.00*
Jan-09	1.00	3.00	*2.00*
Feb-09	1.00	3.00	*2.00*
Mar-09	0.50	2.50	*2.00*
Apr-09	0.25	2.25	*2.00*
May-09	0.25	2.25	*2.00*
Jun-09	0.25	2.25	*2.00*
Jul-09	0.25	2.25	*2.00*
Aug-09	0.25	2.25	*2.00*
Sep-09	0.25	2.25	*2.00*
Oct-09	0.25	2.25	*2.00*
Nov-09	0.25	2.25	*2.00*
Dec-09	0.25	2.25	*2.00*
Jan-10	0.25	2.25	*2.00*
Feb-10	0.25	2.25	*2.00*
Mar-10	0.25	2.25	*2.00*
Apr-10	0.25	2.25	*2.00*
Annual Forecast			
2011	1.90	3.90	*2.00*

[1] Historical Overnight Rate found at: www.bankofcanada.ca
[2] Prime Rate data series history from Statistics Canada CANSIM II database: v-Series number - v122495

Figure-2

Overnight Rate Target Forecasts from Canadian Financial Institutions

col. 1	col. 2	col. 3	col. 4	col. 5	col. 6	col. 7	col. 8
	BMO Capital Markets	CIBC World Markets	Desjardins Economic Studies	RBC Financial Group	Scotiabank Group	TD Securities	**Average**
Forecast Date:	4-May-10	29-Apr-10	3-May-10	7-May-10	5-May-10	12-May-10	-
Annual Forecasts							
2011	2.71	1.94	2.38	2.88	2.63	2.75	**2.55**