Global Mining Research

BMO Capital Markets

August 21, 2011

Mining Sector

Precious Metal Stock Strategy

The gold price has been setting new record highs while silver has been volatile due to its industrial nature. Gold and silver equities have underperformed the metal during 2011, but offer compelling investment opportunities. BMO Research suggests exposure to gold stocks and to exercise cautious of silver stocks in the near term.

1. Gold companies have weathered increasing capital and operating costs, but still enjoy margin expansion and record profits. The stocks are currently trading at appealing valuations.
2. Expect volatility in the silver sector as investors continue to gyrate between fears of a global slowdown versus silver as a proxy to gold investing. Silver stock valuations remain attractive.
3. Preferred gold and silver equities are tilted towards a defensive stance for value, growth and risk.

Members of Top 15 Precious Metals Stocks

Precious Metals

Ticker	Rating	Price	Target Price
AUQ.TSX	Outperform	C$12.89	C$17.00
AVM.LSE	Outperform	£2.36	£3.25
DGC.TSX	Outperform (S)	C$32.27	na
EGU.TSX	Outperform (S)	C$11.39	C$17.50
FR.TSX	Outperform	C$20.46	C$28.00
GG.NYSE	Outperform	US$49.90	US$75.00
KGC.NYSE	Outperform	US$16.44	US$23.50
MFL.TSX	Outperform	C$15.49	C$20.00
NGD.TSX	Outperform	C$19.68	C$15.00
NEM.NYSE	Outperform	US$58.42	US$82.50
OSK.TSX	Outperform (S)	C$14.22	C$17.50
GOLD.NASDAQ	Outperform	US$104.20	US$125.00
SLW.NYSE	Outperform	US$36.81	US$53.00
THO.TSX	Outperform (S)	C$19.27	C$26.00
TXG.TSX	Outperform (S)	C$1.95	na

Share prices at close August 18, 2011

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Fig 1: BMO Research Preferred Companies and Investment Strategy

GROWTH - Delivery of Growth Projects Critical

- Growth stocks command a premium rating
- Increasing production and cash flows attractive
- Growing reserves and resource bases

Preferred Growth Stocks	Preferred To
Goldcorp	Agnico-Eagle Mines
Kinross	Eldorado Gold
Randgold	IAMGOLD
Silver Wheaton	Hecla Mining

VALUE - Attractive on Conventional Metrics

- Record margin expansion & cash flow generation
- Growing valuation gap between seniors and intermediates
- Potential for dividend increases

Preferred Value Stocks	Preferred To
Newmont Mining	Barrick Gold
New Gold	OceanaGold

DEVELOPMENT - Take-Out Target Potential

- M&A activity is becoming more intense and competitive
- Recent transactions have involved development stage assets

Preferred Development Stocks	Preferred To
Avocet	Keegan
Detour Gold	International Tower Hill
European Goldfields	Gabriel Resources
Torex	Exeter
Tahoe Resources	Orko Silver

EMERGING - Re-Rating with Execution Success

- Perceived ability to deliver on projects is key for performance
- Cost overruns or commissioning delays may impact valuation

Preferred Emerging Stocks	Preferred To
AuRico	Alacer
Minefinders	Rubicon Minerals
Osisko	Eco Oro
First Majestic	Endeavour Silver

Note: Stocks listed in alpahbetical order, not preference

Source: BMO Capital Markets

Please see pages 47 & 49 for analyst coverage.

1. Long Gold, Cautious on Silver

Positive for Gold, but Volatile for Silver

The influence of weak fiat currencies (especially the US$), global economic troubles, escalating geopolitical risk, inflationary pressures and negative real interest rates have created a “perfect storm” for the gold metal price.

BMO Research expects increased volatility in the price of silver over the short term.

BMO Research expects the price of silver to benefit from gold’s ascent, as investors move to increase their precious metal exposure.

Downward pressure is expected to be exerted on silver as investors focus on the impact of a global slowdown on industrial production.

Set against these competing views, BMO Research expects increased volatility in the silver price over the short term with price movements likely to be strongly correlated with market direction.

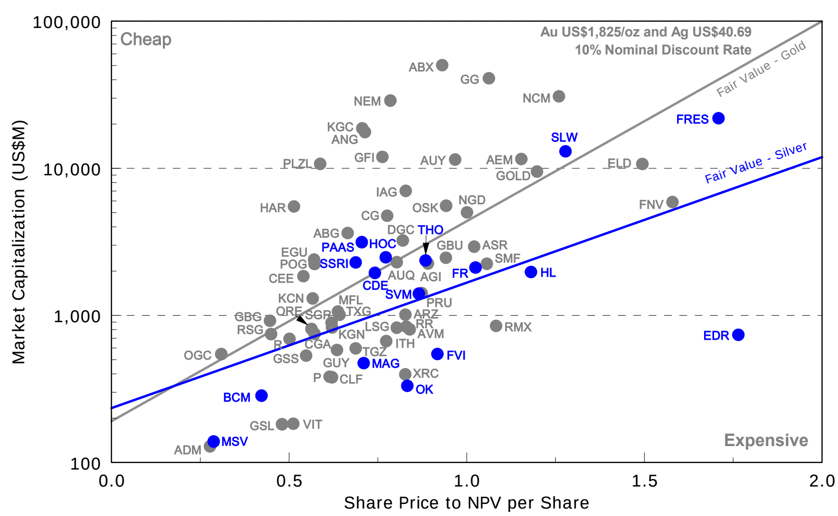
Top 15 – Funded Growth, Execution and Valuation

The Top 15 selection criteria have a bias towards financial strength.

BMO Research has compiled a Top 15 list with gold and silver company selection highlighting companies with above-average growth prospects, a management track record of execution and attractive valuation.

The Top 15 list has a bias towards those companies that have the capability to fund their respective development strategies internally, and pre-producers that are fully funded or that have strong balance sheets that can support exploration objectives over the next 12 to 24 months.

Fig 2: Market Capitalization versus P/NPV



Source: BMO Capital Markets - Priced at August 18, 2011.

The Top 15 gold & silver stock list has been updated with DGC replacing SMF.

Preferred gold and silver equities are tilted towards a defensive stance for value, growth and risk.

Fig 3: BMO Research Top 15 Precious Metals

Company	Ticker	Exposure
AuRico Gold	AUQ	Gold
Avocet Mining	AVM	Gold
Detour Gold	DGC	Gold
European Goldfields	EGU	Gold
First Majestic	FR	Silver
Goldcorp	GG	Gold
Kinross Gold	KGC	Gold
Minefinders	MFL	Gold/Silver
New Gold	NGD	Gold
Newmont Mining	NEM	Gold
Osisko Mining	OSK	Gold
Randgold Resources	GOLD	Gold
Silver Wheaton	SLW	Silver
Tahoe Resources	THO	Silver
Torex Gold	TXG	Gold

Source: BMO Capital Markets

Fig 4: BMO Research Preferred Companies and Investment Strategy

GROWTH - Delivery of Growth Projects Critical

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Osisko	Eco Oro
First Majestic	Endeavour Silver

Note: Stocks listed in alpahbetical order, not preference

Source: BMO Capital Markets

Please see pages 47 & 49 for analyst coverage.

2. Positive Outlook for Gold

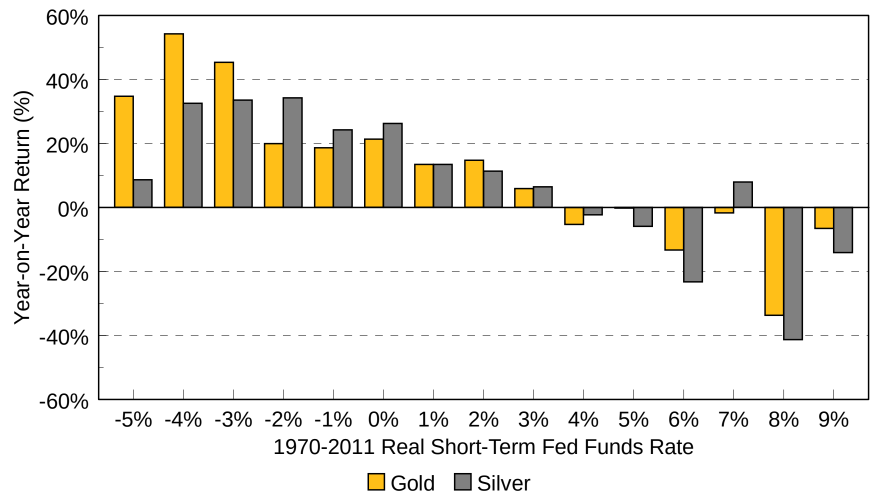
The US$ gold price has been setting new record highs over the past year and especially in the past few months.

The influence of weak fiat currencies (especially the US$), global economic troubles, escalating geopolitical risk, inflationary pressures and negative real interest rates have created a "perfect storm" for the gold metal price.

A negative real interest rate has been supportive of gold and silver metal prices.

The Fed commitment to maintain low interest rates for the next few years bodes well for gold.

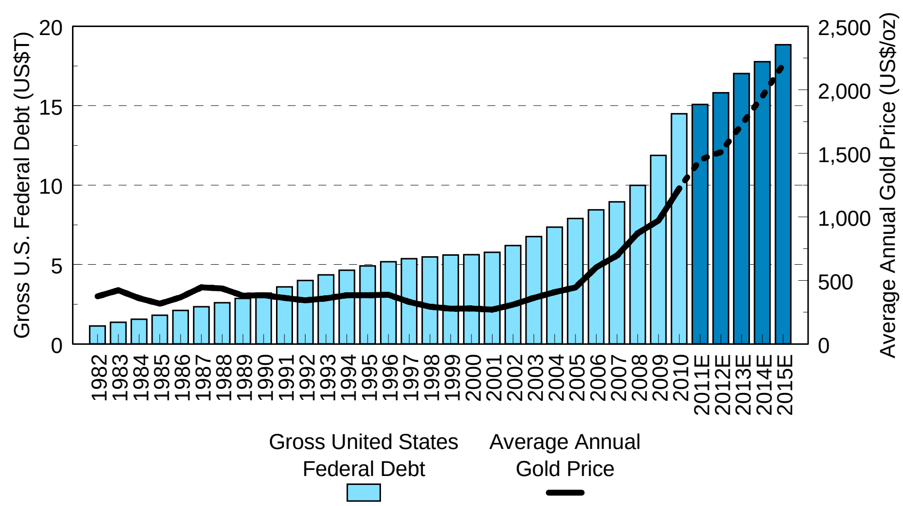
Fig 5: Gold & Silver Prices Thrive in a Negative Real Interest Rate Environment



Source: Haver and BMO Capital Markets

The gold price has become correlated with the U.S. Federal Debt, which is expected to grow in the foreseeable future.

Fig 6: Gold Price Trends in Line With The U.S. Federal Debt



Source: US Office of Management and Budget & BMO Capital Markets

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Supply and Demand Moving to Unchartered Territory

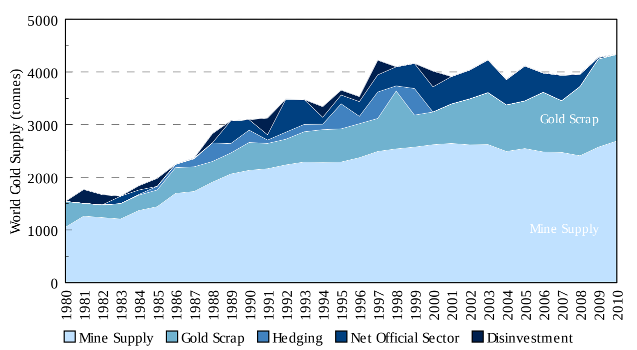
Supply and demand for gold has evolved into unchartered territory.

Gold supply now consists of just mine supply and scrap. Official sales by Central Banks have changed from contributing supply through sales to providing a source of demand with net purchases. Producer hedging added to the weight of supply during the 1990's but rapid de-hedging during this century adds to demand.

Meanwhile, gold demand has significantly shifted from jewellery domination to an increased exposure to investment demand over the past decade. The gold EFT now represents 2,280t (71Moz) or nearly one year of mine supply.

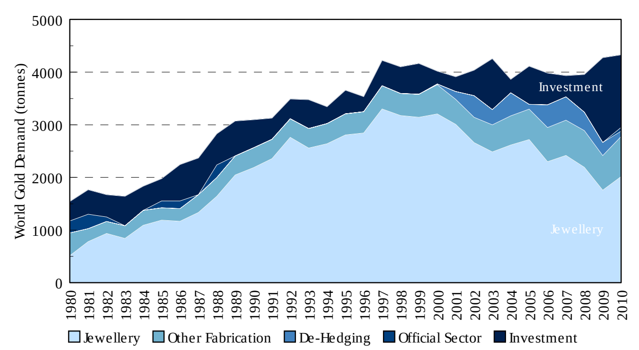
Interestingly, India and China together now represent 52% of the bars and coins and 55% of the jewellery demand for gold.

Fig 7: World Gold Supply



Source: GFMS – Gold Survey

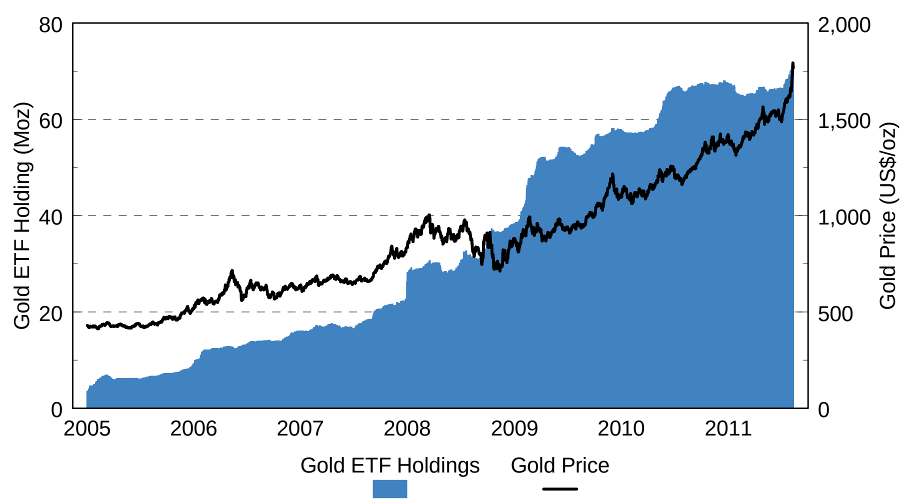
Fig 8: World Gold Demand



Source: GFMS – Gold Survey

Gold EFT now represents 2,280t (71Moz) or nearly one year of mine supply.

Fig 9: World Gold EFT Holdings



Source: Reuters, ETF Securities, iShares and BMO Capital Markets

Gold Stocks Underperformed Metal

Gold has outperformed many asset classes over the past decade, including gold stocks.

BMO Research has identified three periods in which gold equities have underperformed the gold price over the past decade, specifically:

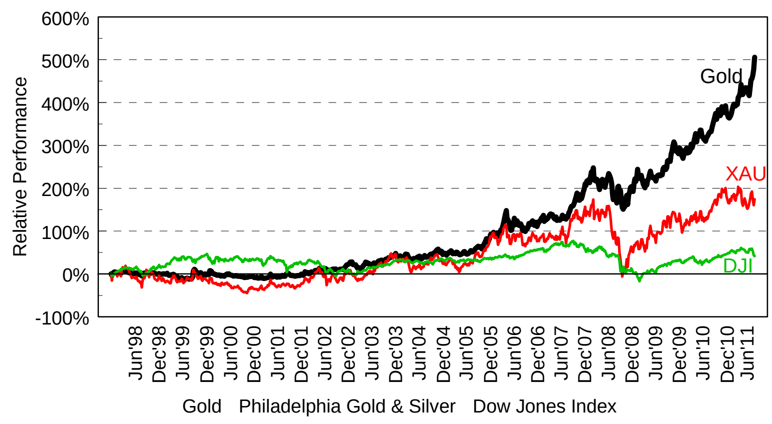
(1) In 2005–2008, driven mostly by the increasing production cost base eroding the full benefit of the rising gold price and the emergence of the gold EFT as an investment alternative.

(2) The 2008 sell-off during the Global Financial Crisis when profit taking in the gold stocks helped offset the equity losses elsewhere.

(3) During 2011, with the emergence of new equity market concerns related to the rapid increase in the metal price, rising capital and operating cost issues, growing geopolitical risk exposure for miners and compression of junior takeover premiums.

BMO Research identified three periods of gold stock under-performance:
(1) 2005–2008;
(2) 2008 GFC sell-off; and
(3) 2011 period.

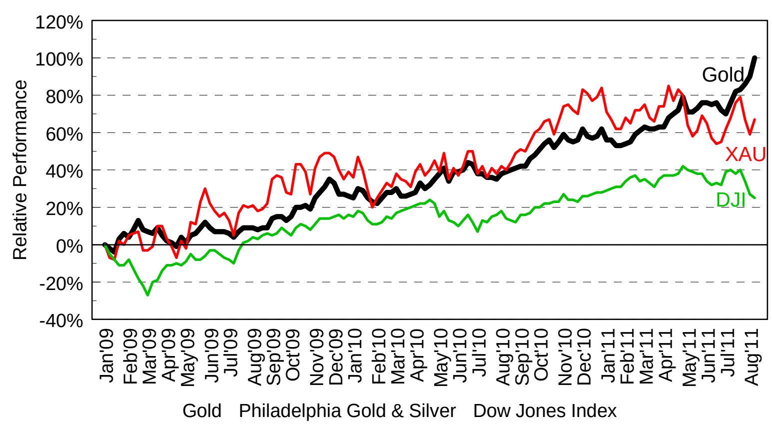
Fig 10: Three Periods of Stock Underperformance versus Gold



Source: BMO Capital Markets

Gold stocks at least kept pace with the metal during 2009–2010.

Fig 11: Gold Stocks At Least Kept Pace with the Metal in 2009–2010



Source: BMO Capital Markets

A Lag in Imputed Metal Prices

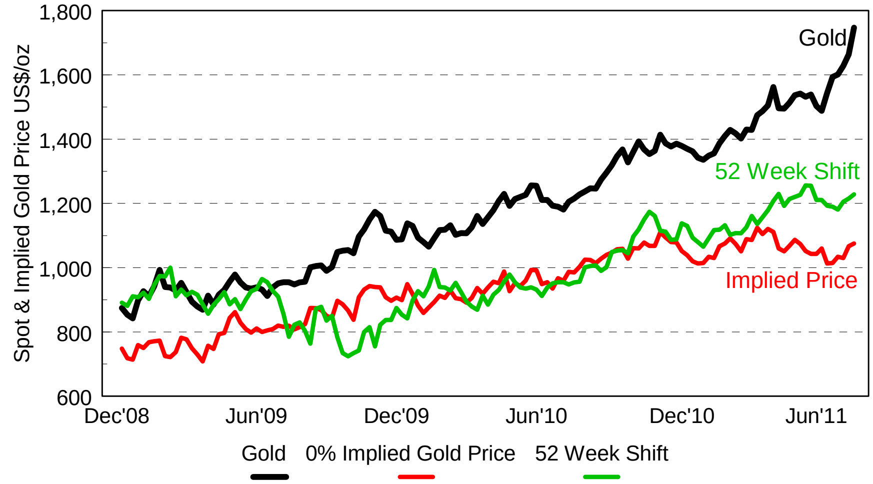
The market appears to be slow in imputing prevailing gold metal prices into the gold equities. BMO Research estimates a ~12-month lag in the market response to higher gold prices.

The rate of change in the gold price has been high over the past decade, perhaps too high for investors to gain confidence in that price as sustainable for an equity investment decision.

Investors take time to adjust to prevailing prices for gold stocks and most other markets. Five years ago it was hard to imagine sustained US$1,000/oz gold prices while today it is hard to see the gold price falling to that level.

BMO Research estimates a ~12-month lag in the market response to higher gold prices.

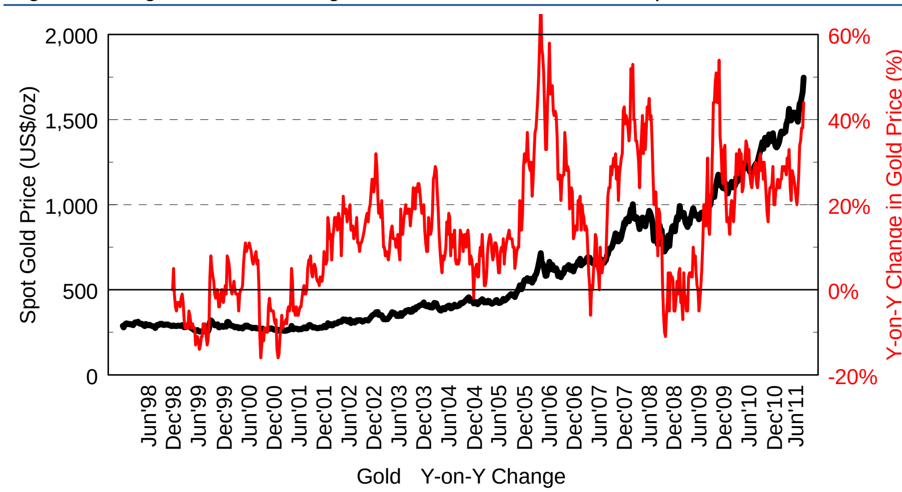
Fig 12: A ~12 Month Lag in Market Response to High Gold Prices



Source: BMO Capital Markets

The rate of change in the gold price has been high over the past decade.

Fig 13: A High Rate of Change in the Year-on-Year Gold price



Source: BMO Capital Markets

Stocks Outperformed in 2009–2010, But Not in 2011

Most gold stocks in the BMO Research universe outperformed the metal during 2009–2010.

The market appears to have preferred growth-oriented stocks regardless of value or risk.

Most gold stocks in the BMO Research universe outperformed the metal during 2009–2010 (Jan'09 to Dec'10). The market appears to have preferred growth-oriented stocks regardless of value or risk.

The 2011 market appears more nervous, with avoidance of perceived risk (geopolitical, strategy, project or cost control issues).

Factors that contributed to the under-performance include:

(1) The rapid increase in the metal price;

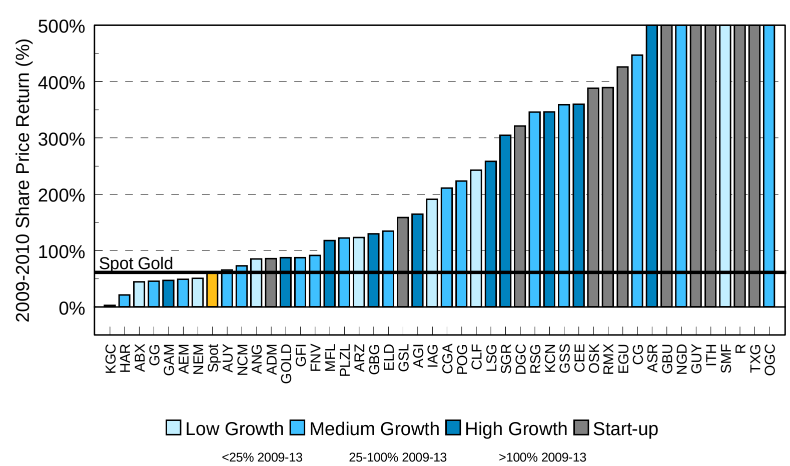
(2) Rising capital and operating cost issues;

(3) Growing geopolitical risk exposure for miners;

(4) Compression of junior takeover premiums; and

(5) Investors seeking exposure to gold prefer bullion over equities.

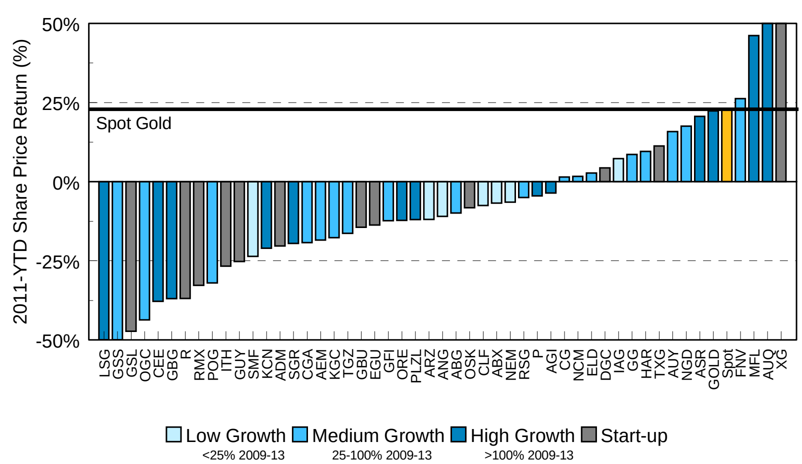
Fig 14: Most Gold Stocks Outperformed Gold in 2009–2010



Source: BMO Capital Markets

The 2011 market appears more nervous, with avoidance of perceived risk (geopolitical, strategy, project or cost control issues).

Fig 15: Gold Outperformed Most Gold Stocks in 2011



Source: BMO Capital Markets

Market Preference for Junior Stocks to Senior Stocks

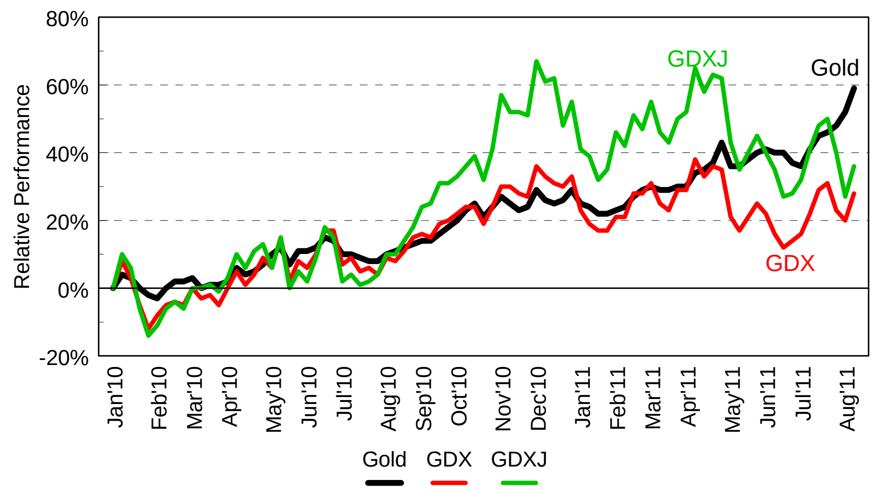
Junior stocks generally outperformed senior stocks over the past few years, reflecting an apparent market preference for growth.

However, the junior stocks appear to have lost some ground during 2011 (gold up 23%, GDX down 4% and GDXJ down 12%).

The BMO Research gold sector valuations have also shifted over the past few years with senior gold stocks trading at a discount to the intermediate stocks and a modest premium to junior stocks.

Junior stocks have generally outperformed senior stocks over the past few years, reflecting a market preference for growth.

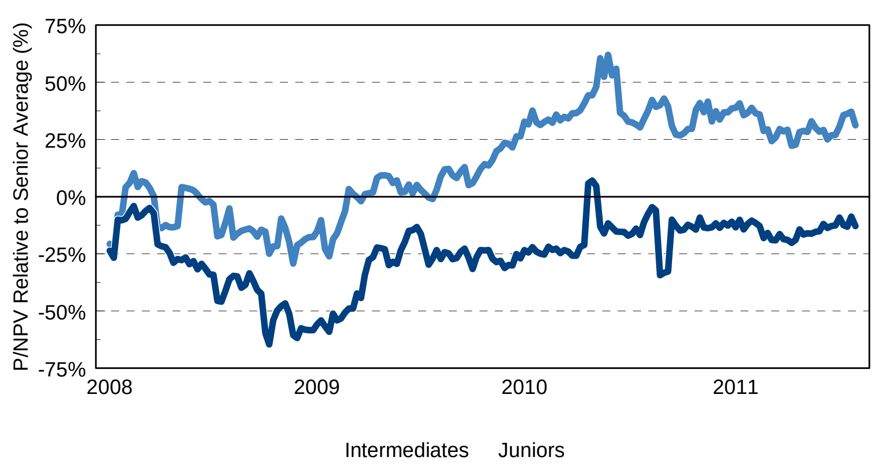
Fig 16: Junior Gold Stocks (GDXJ) Outperformed Seniors (GDX)



Source: BMO Capital Markets

Senior gold stocks trade at a discount to the intermediate stocks and a modest premium to junior stocks.

Fig 17: Intermediate Stocks Trade at a Premium to Seniors and Juniors



Source: BMO Capital Markets

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Operating Cost Escalation Worries Return

Co-product cash costs increased to US$560/oz in 2010 from US$280/oz in 2005 for the BMO Research universe of gold stocks.

BMO Research forecasts costs of US$630/oz in 2011E.

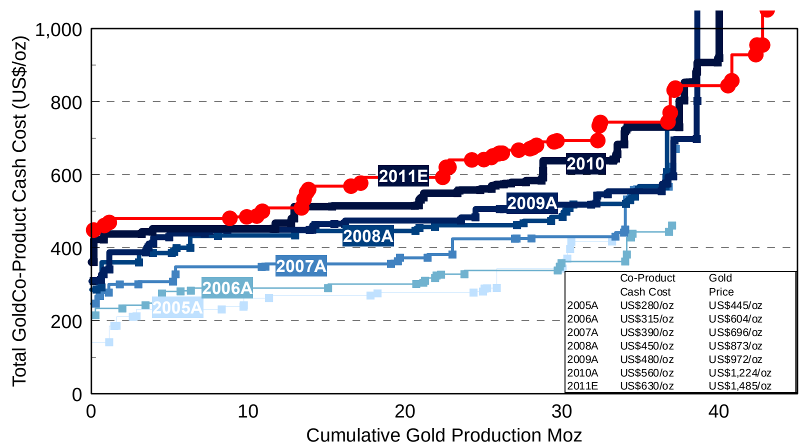
Co-product cash costs increased from US$280/oz in 2005 to US$560/oz in 2010 then US$630/oz in 2011E for the BMO Research universe of gold stocks.

The cost increase was mostly driven by higher input costs (oil, steel, labour and consumables), weaker US$, lower cut-off grades and price linked costs (royalties). Interestingly, the composition of the mine costs appears relatively stable suggesting that all costs experienced upward pressure.

The cash costs experienced the greatest rate of change during 2005–2008 as competition for the mining-centric inputs increased prior to the GFC. Some relief was available during 2009 and 2010 as the mining industry recovered from the deferral of investment following the shock of the GFC.

Rapid cost escalation peaked in 2008 then corrected during the Global Financial Crisis. However, cost pressures now appear to be returning to pre-GFC levels in operating costs and capital costs for mining stocks.

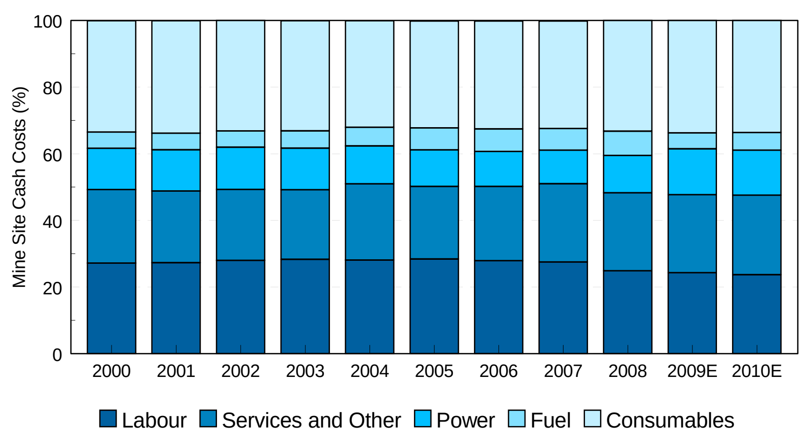
Fig 18: Cash Costs Continue to Rise for the BMO Research Gold Stocks



Source: BMO Capital Markets

The composition of mine cost mix appears relatively stable; suggests that all costs experienced upward pressure.

Fig 19: Mine Site Cash Composition Appears Relatively Stable



Source: Brook Hunt

Capital Cost Escalation Adds to the Burden

High input prices, stronger local currencies, tighter labour markets and inflation in some sectors/regions all contribute to the capex.

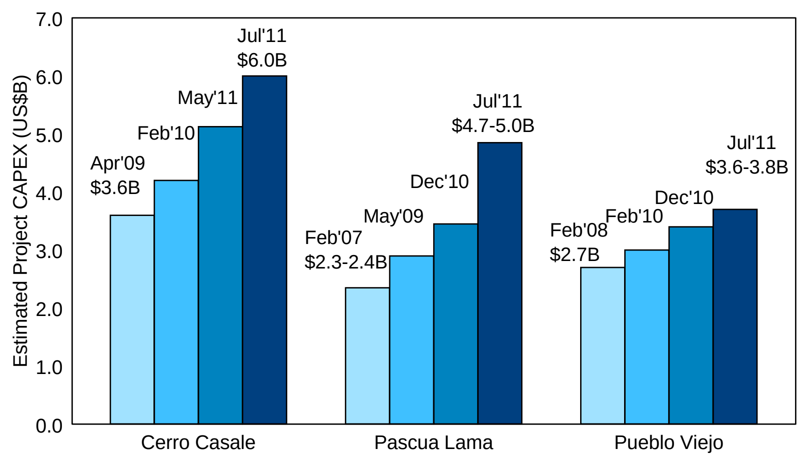
Barrick has provided a good example of capital cost escalation experienced by gold companies in recent years. The capital estimates for three key projects (Pueblu Viejo, Pascua Lama and Cerro Casale) have increased significantly over the past 2–3 years.

Capital cost escalation appears to be >25% over the past year, based on the Barrick data. However, Barrick states that stronger metal prices significantly improve the economics and overall rate of return despite the higher capital.

Senior gold producers are currently in a stronger position than juniors with healthy balance sheets, preferred supplier status and revenue as a hedge to cost inflation. Senior stocks tend to be more exposed to opex than capex.

Juniors may be exposed to cost escalation, timing delays and funding gaps for new projects in the current environment. The scenario may lead to faltering stock price performance and vulnerability to acquisition by a larger predator.

Fig 20: Barrick Provides Examples of Capital Cost Escalation (100% Basis)

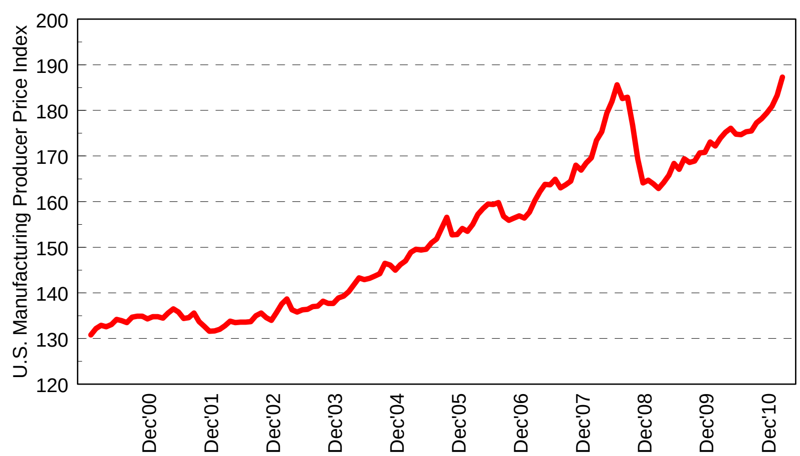


Source: BMO Capital Markets

Senior gold producers are in a stronger position than juniors, with healthy balance sheets, preferred supplier status and revenue as a hedge to cost inflation.

Juniors may be exposed to cost escalation, timing delays and funding gaps for new projects in the current environment.

Fig 21: Cost Pressures Are Returning to Peak Levels



Source: Haver & BMO Capital Markets

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Trend of Declining Cut-Off Grades

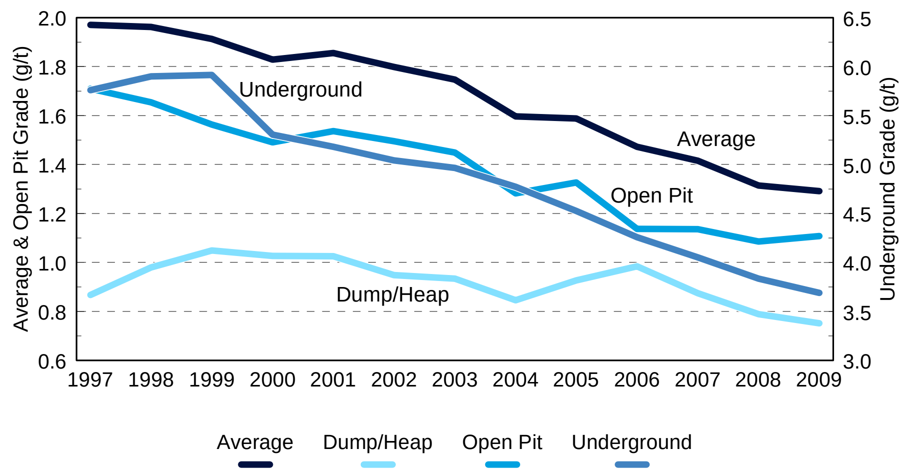
The trend of declining mined cut-off grades have contributed to the higher co-product cash costs recorded by the gold producers through time. The average grade appears to have declined from ~2g/t in 1997 to ~1.3g/t in 2009.

The lower cut-off is often considered as a reflection of the scarcity of high-grade ore bodies. However, economics plays a greater role.

The value of 1g/t ore has increased from US$10/t in 1997 to US$31/t in 2009 and is averaging US$48/t so far in 2011.

The average grade appears to have declined to ~1.3g/t in 2009 from ~2g/t in 1997.

Fig 22: Declining Open Pit and Underground Head Grade Through Time



Source: Brook Hunt & BMO Capital Markets

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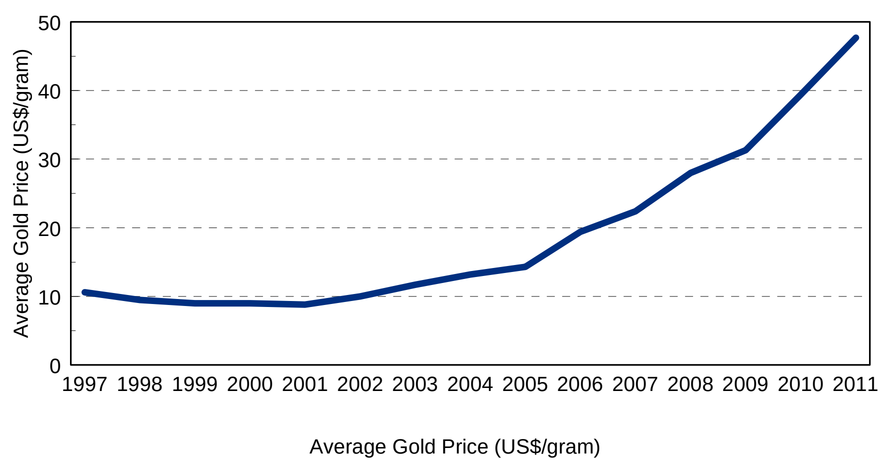
However, economics plays a greater role.

Fig 23: Higher Gold Prices Justify Lower Cut-Off Grades



Source: BMO Capital Markets

Exposure to the Upside and Demise of Gold Hedging

The global gold companies have been actively de-hedging since 2000 with the global hedge book reducing from over 100Moz to almost nothing today.

Significant hedge book closures include Newcrest (2.3Moz at US$650/oz in Oct'07), Barrick (3Moz at US$1,070/oz in Sep'09) and AngloGold Ashanti (2Moz at US$1,300/oz in Oct'10).

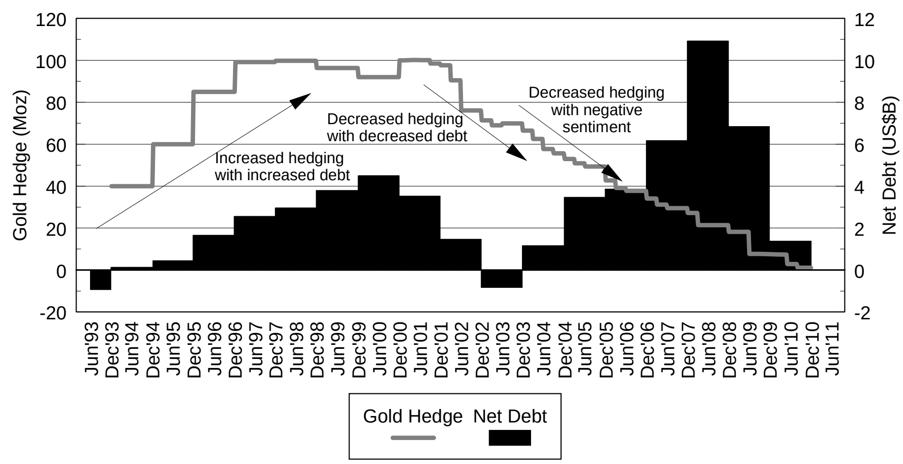
Gold producers now have full exposure to the benefits of a rising gold price.

Current gold prices may tempt companies to consider gold hedging again, but the prospect of a fixed revenue combined with likely cost escalation guarantees margin and profit erosion.

Senior gold companies are unlikely to revisit gold hedging after investing significant capital (funded by huge stock issues) to extinguish the liability.

The global gold companies have been actively de-hedging since 2000 with the global hedge book reducing from over 100Moz to almost nothing today.

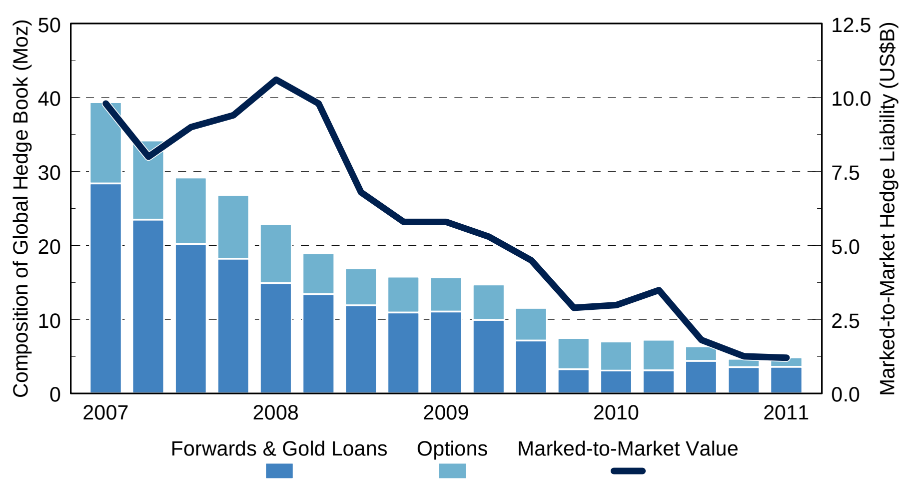
Fig 24: Hedging Cycle Peaked in 2000 and Essentially Gone in 2011



Source: BMO Capital Markets

Significant hedge book closures include: Newcrest 2Moz at US$650/oz; Barrick 3Moz at US$1070/oz; and AngloGold 2Moz at US$1300/oz.

Fig 25: Gold Producers Have Largely Abandoned Gold Hedging



Source: BMO Capital Markets

Substantial Growth Promised

The BMO Research universe of global gold stocks is forecast to increase net gold production by 13Moz from 40Moz in 2010 to 53Moz in 2013E.

The forecast growth results in a 60% gold production lift over five years for 10% compound annual growth. The coverage includes ~50 new projects with initial capital >US$40B in 2011–2015E.

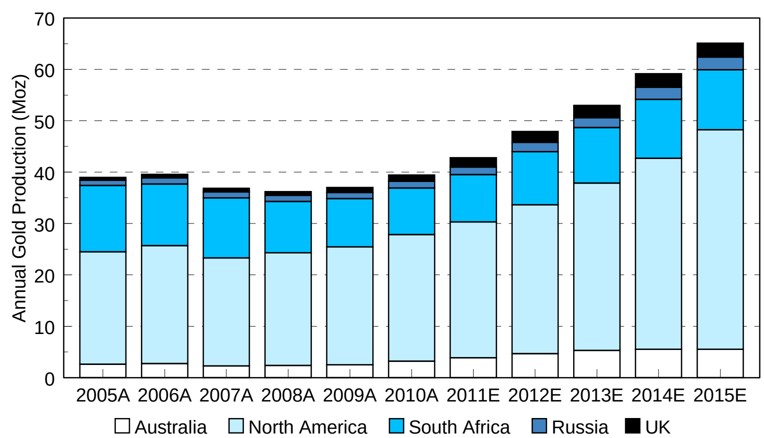
The BMO Research gold stock universe represents about one-half of the world mine supply. Global growth would be 5% p.a. if the mine supply for the rest of the world remains flat for 2011–2015E, which may not be achieved.

Gold companies analyzed by BMO Research have set ambitious growth plans, and will face the challenge of project delivery in an environment of higher capital and tighter labour markets.

The projects represent an intrinsic part of the stock valuations, so any delays or capital increases would affect the value and likely have an impact on share price performance.

BMO Research gold stocks have set ambitious growth plans and will face the challenge of project delivery in light of higher capital and tighter labour markets.

Fig 26: BMO Research Global Gold Stock Production Forecast 2011–2015E



Source: BMO Capital Markets

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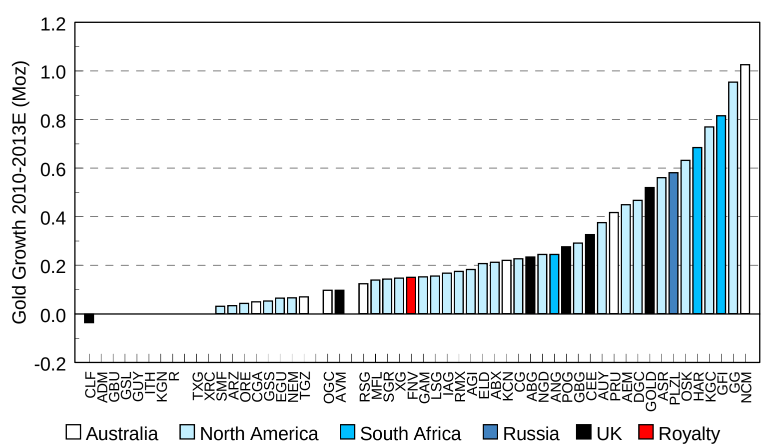
Fig 27: BMO Research Global Gold Stock Production Forecast 2011–2013E



Source: BMO Capital Markets

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Increasing Exposure to Non-Gold Revenue

BMO Research gold stocks are forecast to increase non-gold exposure through time with development of poly-metallic operations. Gold is expected to dominate production, but copper and silver output is significant.

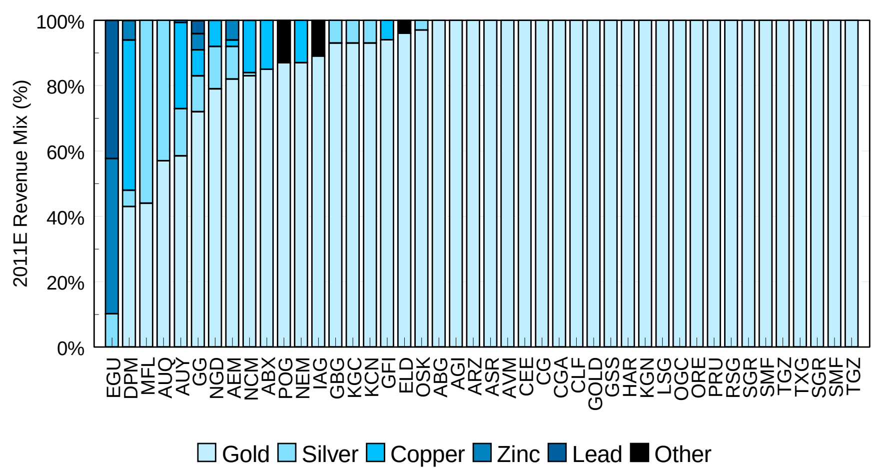
The Barrick acquisition of Equinox (a copper company) has raised the question of how much non-gold is too much to maintain a "gold premium".

No clear data exists for the level of gold required for a stock to trade at a "gold premium". However, recent examples of gold stocks seeking M&A to rebalance the portfolio for a minimum of 70% gold include:

(a) Lihir by Newcrest in 2010 for A$9.5B;
(b) Andean by Goldcorp in 2011 for C$3.6B; and
(c) Richfield by NewGold in 2011 for C$550M.

No clear data exists for the level of gold required for a stock to trade at a "gold premium" but recent M&A examples suggest >70%.

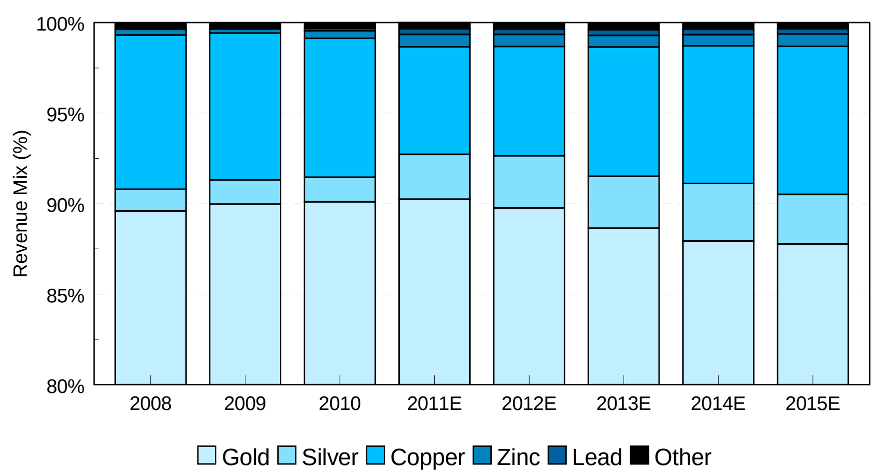
Fig 28: BMO Gold Stocks Display a Wide Range of Non-Gold Exposure



Source: BMO Capital Markets

Gold stocks are forecast to increase non-gold exposure through time with more poly-metallic operations

Fig 29: Gold Companies Are Increasing Exposure to Non-Gold Revenue



Source: BMO Capital Markets

Geopolitical Risk Considerations

Geopolitical risk exposure is becoming increasingly important for the gold stocks. It does matter where the assets are located.

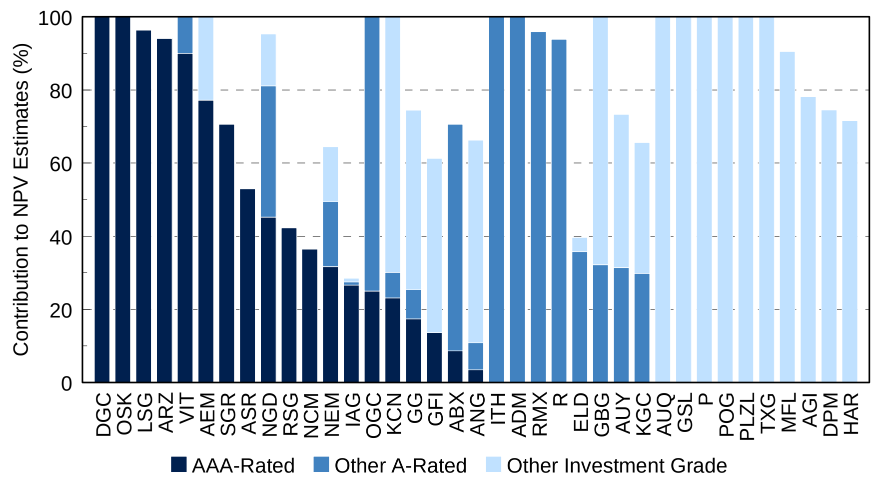
Exposure to politically unstable jurisdictions has become a concern. Centamin is an example where the performance of the Sukari mine experienced minor disruption in Egypt, but the market reaction has been harsh on the stock.

Growing rhetoric of increased taxation, royalties, regulations or discussion of nationalization of the mining industry has impaired stock prices.

The prospect of tax hikes (windfall tax) in Peru with the new Humala Presidency has spooked some investors on mining stocks with Peru exposure.

Geopolitical risk exposure is becoming increasingly important for the gold stocks. It does matter where the assets are located.

Fig 30: Companies With "Safe" Jurisdictions May Justify a Premium



Source: BMO Capital Markets

Margins Have Never Been Stronger

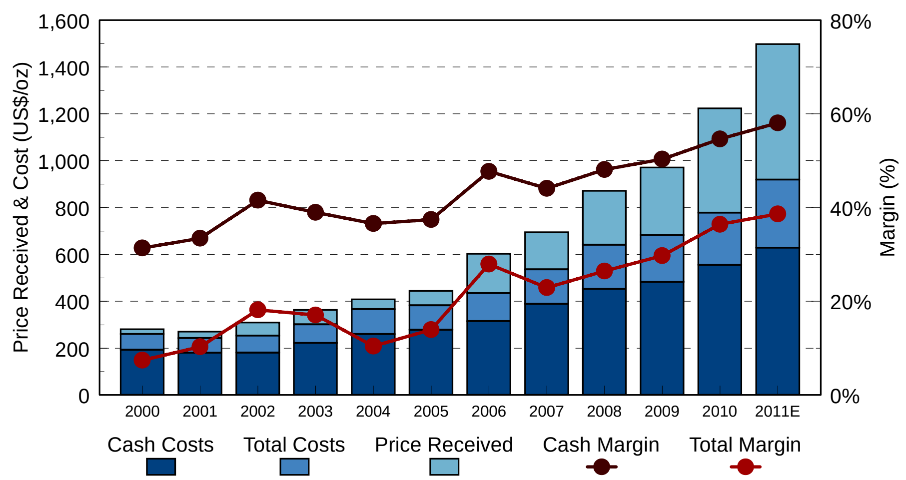
The focus on cost escalation appears to overlook the strong margins currently experienced by the gold producers. Margins have never been better for the gold stocks as the gold price increases faster than the cost base.

During 2005–2008, the increasing cost base eroding the full benefit of the rising gold price appears to have contributed to the underperformance of the stocks versus metal. However, margins have significantly improved.

The gold price is providing a natural hedge to the cost inflation pressure.

The increasing cost base eroding the full benefit of the rising gold price during 2005–2008 appears to have contributed to the underperformance of the stocks versus metal.

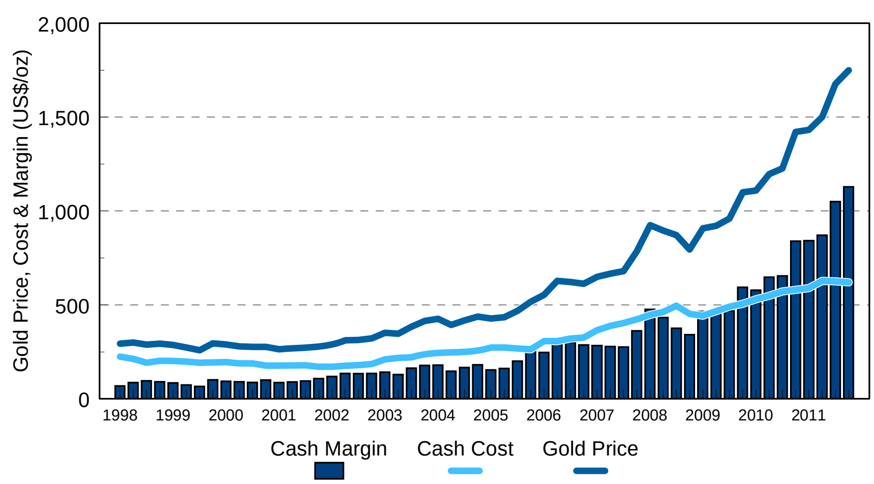
Fig 31: Cash & Total Cost Margins Increasing in 2011



Source: BMO Capital Markets

The gold price is providing a natural hedge to the cost inflation pressure.

Fig 32: Gold Price Increase Exceeding Cash Cost Escalation



Source: GFMS & BMO Capital Markets

Please see pages 47 & 49 for analyst coverage.

Strong Cash Flow Potential

BMO Research forecasts strong cash flow at prevailing prices for the producing gold stocks.

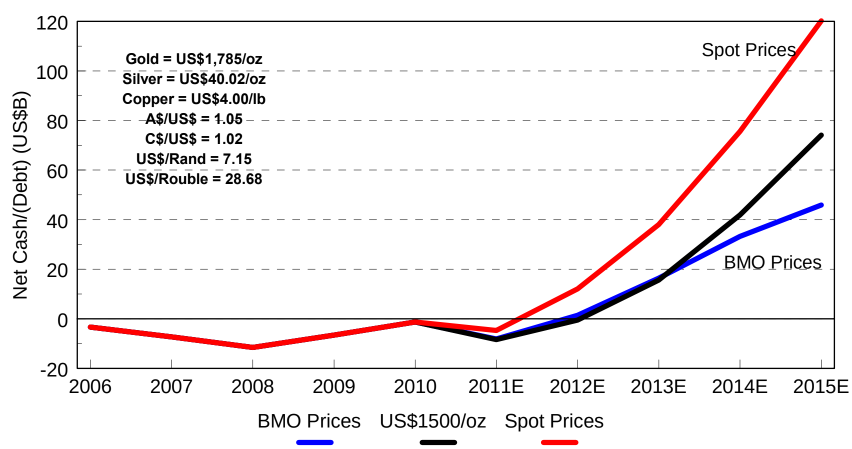
BMO Research forecasts strong cash flow at prevailing prices for the producing gold stocks. The universe is forecast to accumulate net cash of US$120B by 2015E using prevailing metal prices. Net cash is the most punitive of all cash flow measures.

The cash flow analysis includes project capital expenditure of US$70B (~US$40B greenfield projects and ~US$30B brownfield developments) plus sustaining capital of ~US$26B for 2011–2015E.

Senior gold companies have recently demonstrated a preference for the debt market in funding acquisitions and development. Barrick raised US$4B at an average rate of 3.8% for the Equinox acquisition and Kinross recently raised US$1B at ~5.2% for project developments.

Debt appears attractive and less than the BMO Research estimate of the stock cost of equity (or IRR of 10% for ABX and 14% for KGC at spot prices).

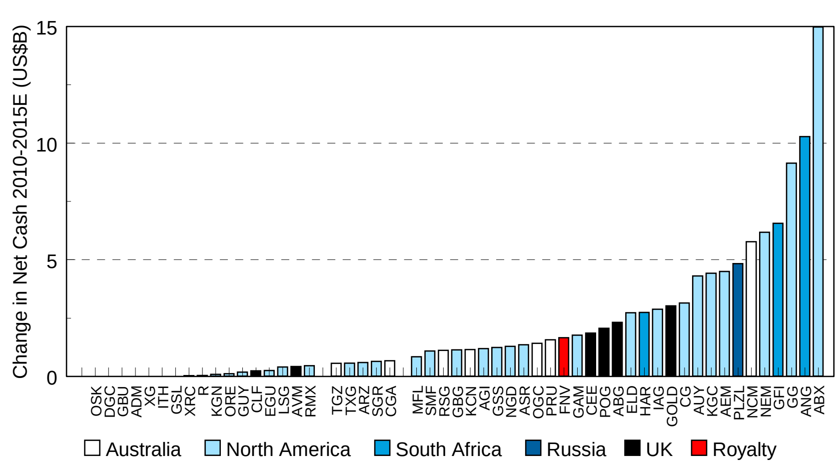
Fig 33: Significant Net Cash Accumulation for the BMO Research Gold Stocks



Source: BMO Capital Markets

Net cash is the most punitive of all cash flow measures.

Fig 34: Spot Prices Could Drive Huge Cash Accumulation for the Producers



Source: BMO Capital Markets

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Better Shareholder Returns?

Focus on cost control, margin expansion, earnings improvement and strong cash flow needs to translate into better shareholder returns.

Many gold companies have been increasing the dividend payments over the past year. However, the dividend payout ratio has not been keeping pace with the better earnings. The average payout ratio has declined from ~20% in 2008 to ~10% in 2011E for the BMO Research universe of gold stocks.

A dividend policy linked to the financial performance of the company offers investors additional leverage to the gold price (and better than a gold EFT).

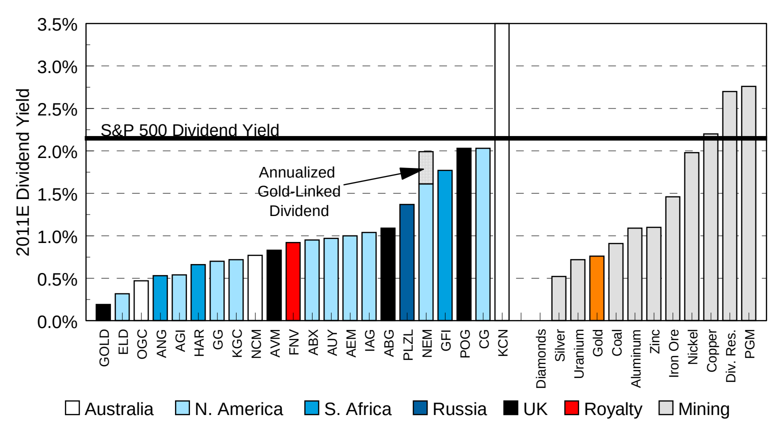
The provision of a meaningful and sustained dividend has the potential to broaden investor appeal and to instil fiscal responsibility for management.

Declaring a special one-off dividend provides shareholder return, but does not necessarily commit management to ongoing fiscal responsibility.

Share buybacks are topical given the balance sheet strength and relative value of the sector. However, buybacks work best for stocks trading at a discount to valuation. The magnitude of a meaningful buyback is unclear.

The provision of a meaningful dividend yield has potential to broaden investor appeal and to instil fiscal responsibility for management.

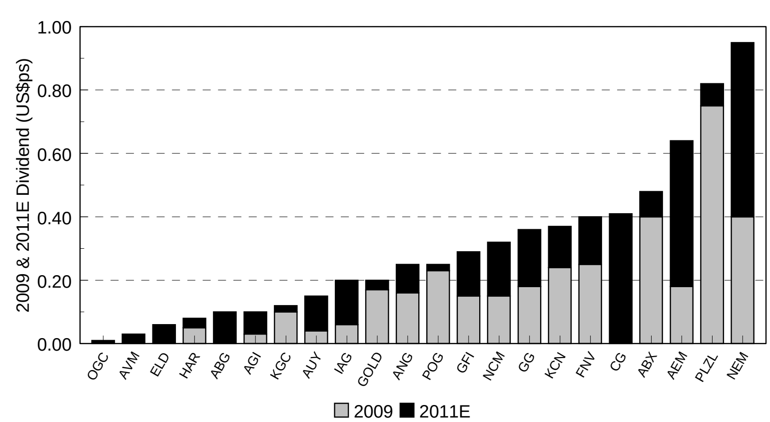
Fig 35: A Meaningful Dividend Yield May Broaden Stock Appeal



Source: BMO Capital Markets

Many gold companies have been increasing the dividend payments over the past year.

Fig 36: Senior Gold Companies Have Been Increasing Dividends



Source: BMO Capital Markets

Please see pages 47 & 49 for analyst coverage.

Scope for More M&A (&D) Ahead

BMO Research notes that a bias of larger mining stocks trading at a premium to smaller stocks and a market preference for growth stocks provide fuel for continued mining M&A.

Barrick's decision to pursue a copper company (Equinox) and the suggestion that it could not find appeal in the gold sector appears to have dampened the gold M&A trend and to reduce the imputed premium in some junior stocks.

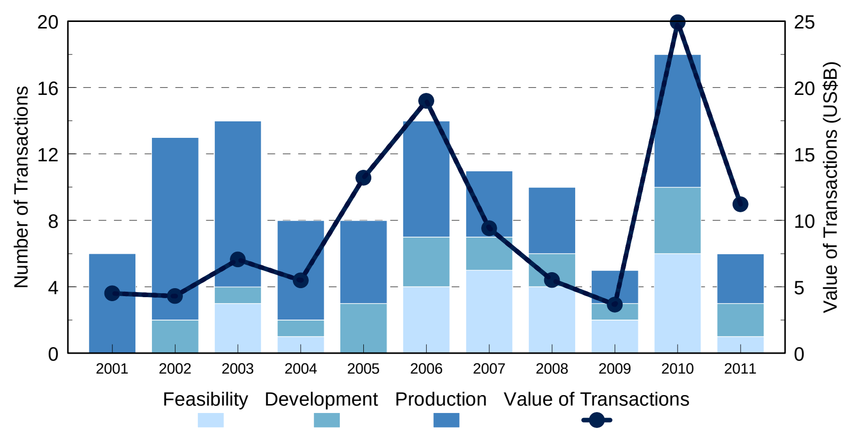
However, the balance of buy versus build may swing in favour of renewed M&A as capital cost and timing issues gain traction over the next year or so.

Divestiture and asset rationalization have also accelerated (e.g., Tahoe & Primero for Goldcorp or Cerro Casale sale to ABX from KGC).

Recent M&A events suggest that synergies are less important than perceived strategic fit for a successful acquisition and subsequent market reaction. High-quality assets are scarce and predators are prepared to pay.

Recent M&A events suggest that synergies are less important than perceived strategic fit for a successful acquisition and subsequent market reaction.

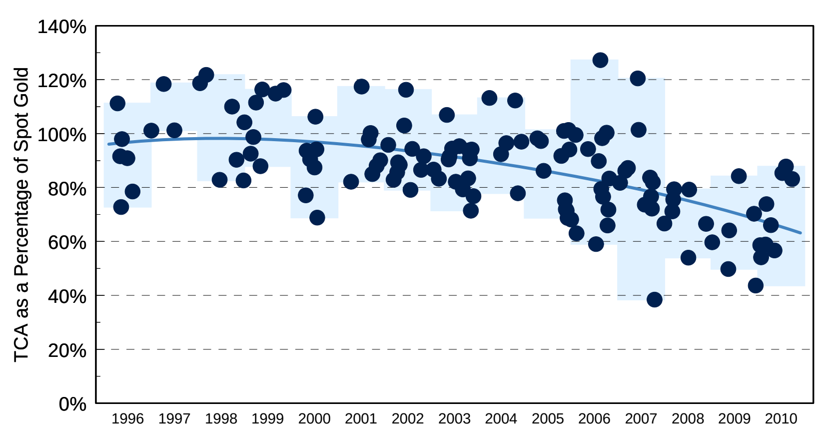
Fig 37: The Gold Sector is Fertile Ground for M&A Activity



Source: BMO Capital Markets

The balance of buy vs. build may swing in favour of renewed M&A as capital cost and timing issues re-emerge.

Fig 38: Predators Have Shown Cautious Pricing in Recent Deals



Source: BMO Capital Markets

Total Cost of Acquisition Can Identify Potential Targets

BMO Research Total Cost of Acquisition (TCA) can identify potential gold stock targets. TCA equals the market capitalization plus 25% premium plus net debt plus life of mine capex and opex per assumed LOM gold.

Historical average acquisition costs for early stage projects at the feasibility stage are about 65% of the spot gold price. Currently exploration and development companies have a TCA on average of 53%.

BMO Research expects potential acquirers to be price/risk sensitive and willing to consider acquiring technically de-risked projects, permitted or in stable mining districts that could contribute meaningful production to their growth profiles and enhance the balance sheet over time.

Potential predators seek value-accretive transactions and are generally prepared to pay a premium for de-risked, high-quality assets.

Investors should look to the quality and risks of the stock rather than purely target acquisition potential. Criteria that appeal to investors also appeal to potential predators.

Fig 39: BMO Research Total Cost of Acquisition for Gold Companies

TCA of Junior Gold Companies - Sorted Lowest to Highest

as of 12-August-2011 **Spot Gold = US$1,745/oz**

	Corporate		Capital			Operating			TCA	
	Mkt. Cap + 25% Premium (US$M)	Net Debt + Other Assets (US$M)	Remaining Initial Capital (US$M)	Sustaining Capital (US$M)	Premium Adjusted Mkt. Cap (US$M)	Total Allowable Ounces (Moz)	AMC/oz	Avg. Total Cash Costs (US$/oz)	Total Acquisition Cost (US$/oz)	Aq. Cost % of Spot
Emerging Producers and Developers										
Pacific Rim Mining	$27	($2)	$121	$28	$174	1.1	$159	$245	$404	23%
Romarco	$883	(47)	$551	$113	$1,499	5.4	$276	$342	$619	35%
Guyana Goldfields	$722	(62)	$506	$80	$1,247	4.5	$277	$384	$661	38%
Great Basin Gold	$1,140	253	$188	$445	$2,027	7.2	$283	$416	$699	40%
Torex Gold	$839	(3)	$350	$75	$1,260	3.5	$363	$385	$749	43%
Greystar Resources Ltd.	$236	($56)	$300	$229	$710	2.1	$336	$479	$815	47%
Orezone Gold	$380	($584)	$533	$30	$359	3.4	$107	$729	$835	48%
Andina Minerals	$177	($25)	$566	$271	$989	4.4	$227	$622	$849	49%
CGA Mining	$919	50	$0	$276	$1,245	3.8	$324	$555	$879	50%
Exeter Resource	$487	($99)	$4,475	$276	$5,139	16.6	$310	$576	$885	51%
Detour Gold	$4,002	($607)	$1,042	$700	$5,137	13.5	$379	$511	$890	51%
International Tower Hill	$890	($163)	$1,524	$508	$2,760	9.0	$307	$586	$893	51%
San Gold	$1,112	(146)	$38	$183	$1,187	2.9	$413	$497	$910	52%
Rainy River	$1,099	(182)	$656	$148	$1,722	4.7	$369	$568	$936	54%
European Goldfields	$3,125	310	$1,095	$141	$4,672	8.2	$572	$404	$975	56%
Keegan Resources	$702	(142)	$400	$160	$1,120	2.5	$441	$536	$977	56%
Victoria Gold	$273	($36)	$324	$67	$629	1.9	$332	$661	$992	57%
Gabriel Resources	$3,349	($287)	$1,281	$361	$4,704	7.6	$616	$409	$1,024	59%
Osisko Mining Corp.	$7,270	($320)	$654	$426	$8,030	14.4	$559	$472	$1,030	59%
Minefinders	$1,358	(206)	$70	$322	$1,544	2.8	$552	$503	$1,055	60%
Lake Shore Gold	$887	(22)	$585	$337	$1,786	2.6	$699	$416	$1,115	64%
Rubicon Minerals	$1,044	(22)	$70	$47	$1,140	1.4	$798	$336	$1,133	65%
Perseus Mining	$1,832	(73)	$170	$83	$2,012	3.4	$599	$559	$1,158	66%
Cluff Gold	$459	(105)	$163	$181	$698	1.6	$436	$749	$1,185	68%
Avion Gold	$1,166	3	$0	$149	$1,317	1.7	$762	$596	$1,358	78%
Avocet Mining	$959	(20)	$75	$238	$1,252	1.5	$822	$559	$1,381	79%
Dundee Precious Metals	$1,711	($321)	$156	$382	$1,928	1.9	$1,029	$470	$1,499	86%
Extorre Gold Mines	$1,413	($78)	$209	$53	$1,597	1.0	$1,678	$562	$2,240	128%
Weighted Average							**$431**	**$502**	**$932**	**53%**

Source: BMO Capital Markets

Junior Strategy – Be Selective

Quality, Cash and Liquidity

Some junior producers and project developers offer better value relative to larger gold peers.

For companies in this space growth is achieved through exploration, advancing projects through feasibility and permitting, construction and production.

These companies provide growth through execution on successive stages in the project life cycle that draw them closer to cash flow.

Focus attention on well-funded companies, with low technical and permitting risk and good market liquidity.

The three aspects to focus on are:

(1) Adequate funding for the next step in the life cycle;

(2) Low technical or permitting risk to avoid compounding specific risks;

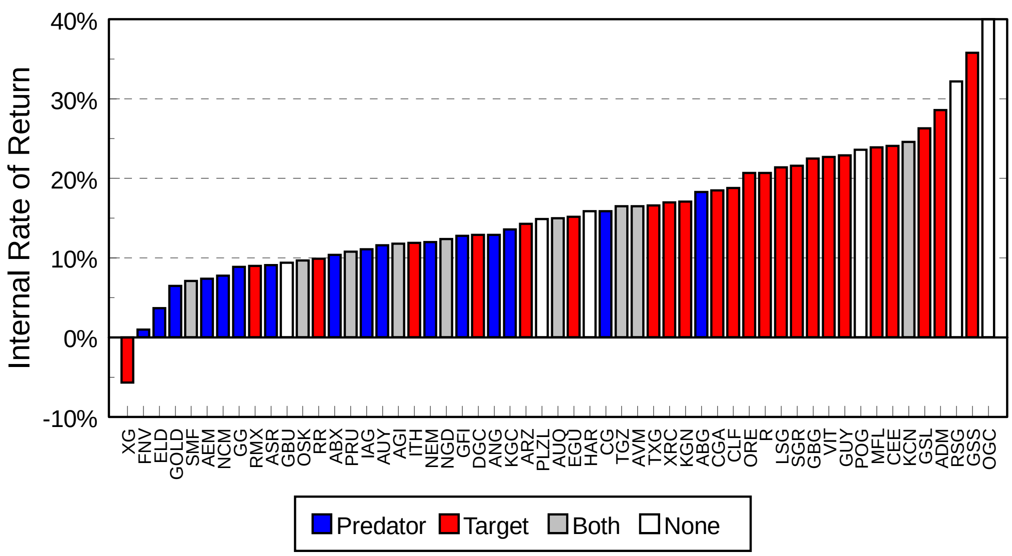
(3) Larger, liquid names are likely to benefit from a flight to quality.

Defensive names include: DGC, TXG, THO

Preferred Juniors – Companies that meet all criteria and are recommended as defensive stocks include: DGC, TXG, THO.

Juniors at Risk – Companies that have upcoming financing needs to fund their next stage of development include GBU, GUY and R (construction upon completion of permitting) and VIT (engineering studies). Companies that have technical or permitting risk include: GBU, GSL, XRC and PMU.

Fig 40: BMO Research Gold Internal Rate of Return at Spot Prices by Predator/Target



Source: BMO Capital Markets

Trading at Historically Cheap Levels

The gold stocks have only been as cheap on two previous occasions: (1) at the depth of the GFC in late 2008; and (2) at the peak of the "dot-com" era in 2000.

Implied value of the BMO Research gold stocks appears relatively cheap when compared with previous bull runs on gold.

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The gold stocks have only been as cheap on two previous occasions:

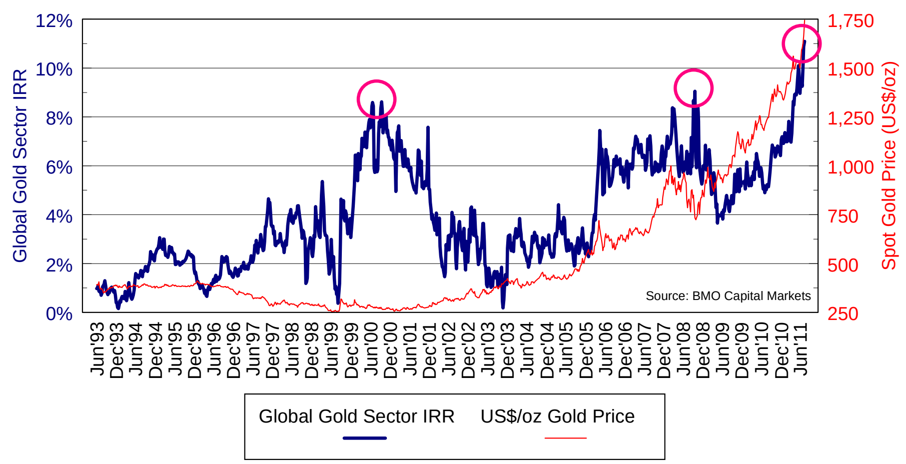
(1) At the depth of the GFC in late 2008; and

(2) At the peak of the "dot-com" era in 2000.

Regional stock valuations of gold stocks have converged in recent years, but have varied through time.

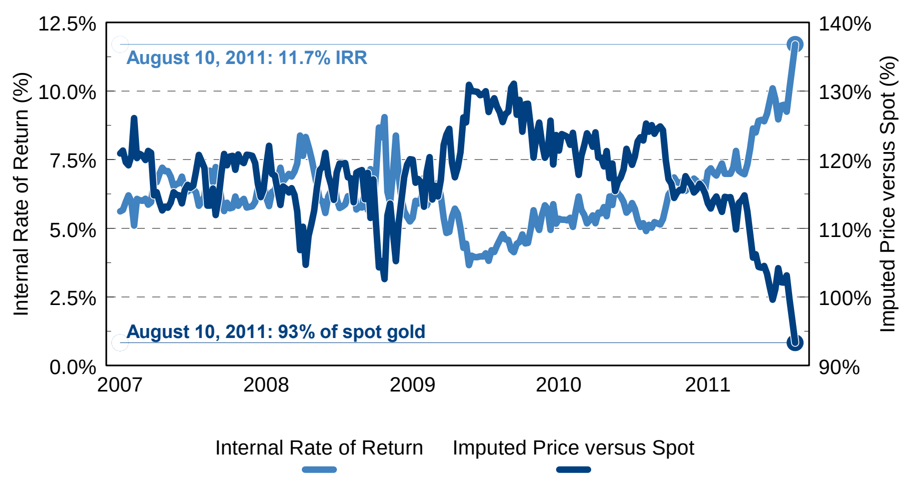
Underperformance of gold stocks versus metal during 2011 is demonstrated by the increasing IRR (defined at the discount rate required for P/NPV=1).

Fig 41: BMO Research Gold Internal Rate of Return at Spot Prices



Source: BMO Capital Markets

Fig 42: Record Cheap Levels for the BMO Gold Stocks



Source: BMO Capital Markets

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Attractive on Conventional Metrics

The BMO Research gold stocks continue to trade at a premium to base metal stocks using a range of metrics, but the gap has narrowed.

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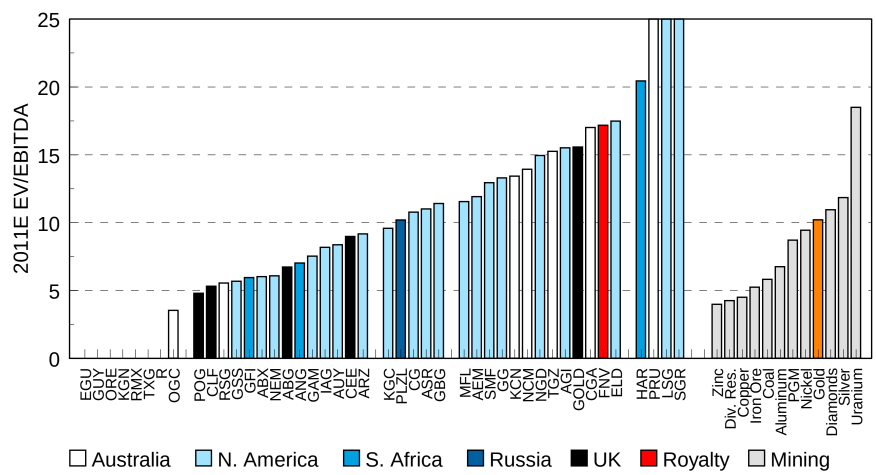
Gold stocks compare favourably with the broader metal stock universe on conventional metrics.

Gold stocks compare favourably with the broader metal stock universe on conventional metrics of EV/EBITDA and P/E ratios.

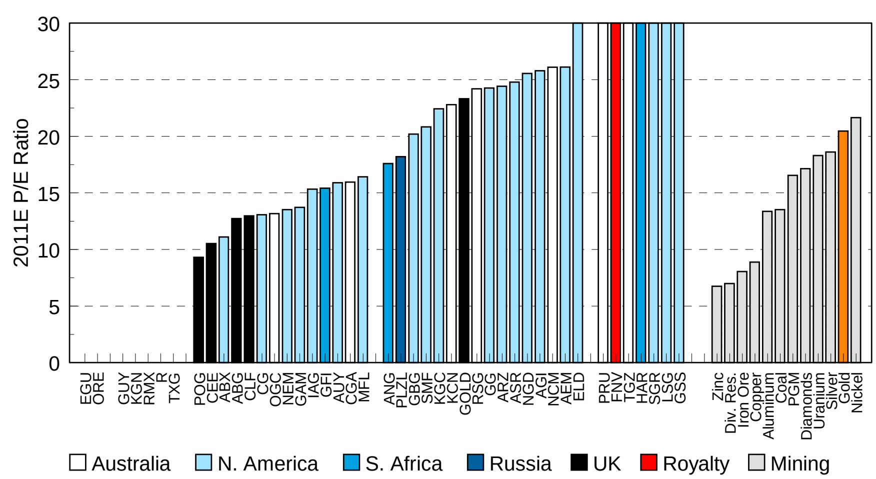
BMO Research gold stocks average 10x EV/EBITDA in 2011E with many senior gold stocks at 5–10x (NEM at 6x, ABX at 6x, GFI at 6x, ANG at 7x, AUY at 8x and KGC at 10x). The P/E ratio averages at 20x in 2011E for the gold stocks.

Fig 43: BMO Research Gold Stock 2011E EV/EBITDA



Source: BMO Capital Markets

Fig 44: BMO Research gold stock 2011E Price/Earnings



Source: BMO Capital Markets

Opportunities Among Gold Stocks

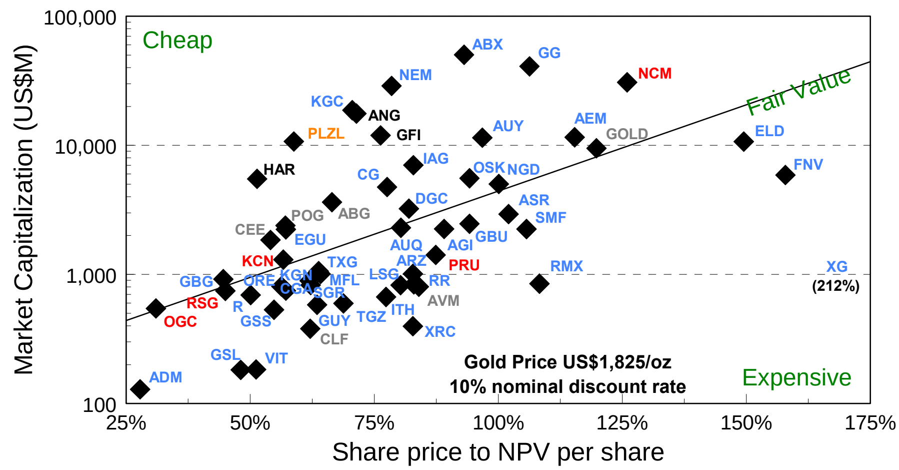
BMO Research notes that historically larger gold stocks tend to trade at a P/NPV premium to smaller companies, using spot. Recently, growth-oriented stocks have tended to trade at a premium to relatively mature producers.

Senior gold stocks offer value opportunities with further margin expansion in 2011E and protection against opex and capex escalation.

BMO Research considers VALUE, GROWTH & EXECUTION as critical in stock selection for global gold stocks.

BMO Research notes a historical bias of larger mining stocks trading at a premium to smaller stocks but the market recently shows a preference for growth.

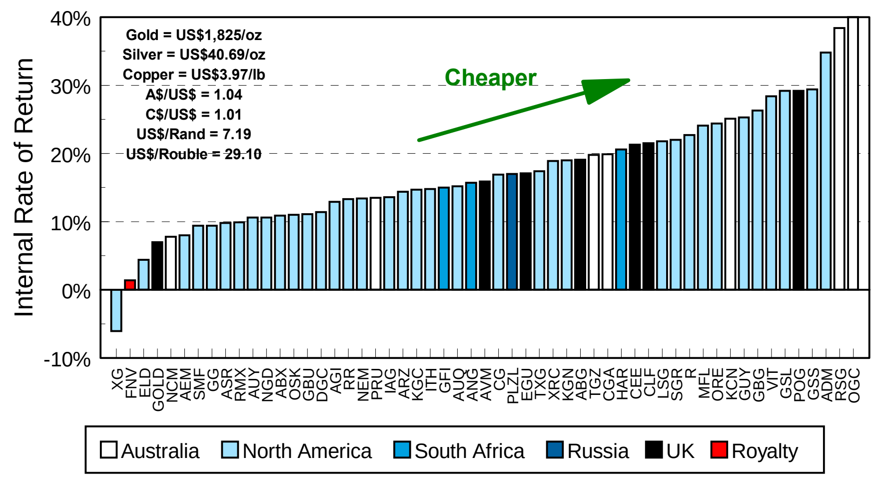
Fig 45: BMO Research Gold Market Capitalization Versus 10% P/NPV at Spot



Source: BMO Capital Markets

Senior gold stocks trade at 11% IRR compared with mid-tier at 15% and project developers at 14%.

Fig 46: BMO Research Gold Stock Internal Rate of Return at Spot



Source: BMO Capital Markets

4. Silver – Near-Term Volatility

Silver companies are in a strong financial position to weather global uncertainty.

With investors increasingly focused on the prospects of a global slowdown, BMO Research compares the health of the silver sector today relative to its condition during the 2008 GFC.

Two key themes support continued investment in the silver sector, albeit with a more defensive strategy in the near term:

(1) Silver companies have strong balance sheets with current metal prices supporting margin expansion;

(2) Whereas in 2008, gold was caught in the down draft along with equities, investors have gravitated toward gold in the current environment of global uncertainty.

Silver's association to gold is likely to moderate the impact of slowing global growth.

BMO Research expects the price of silver to benefit from gold's ascent, as investors move to increase their precious metal exposure.

Offsetting potential investment gains, downward pressure is expected to be exerted on the metal as investors focus on the impact of a global slowdown on industrial production.

BMO Research expects increased volatility in the price of silver over the short term.

Set against these competing views, BMO Research expects increased volatility in the price of silver over the short term with price movements strongly correlated with market direction.

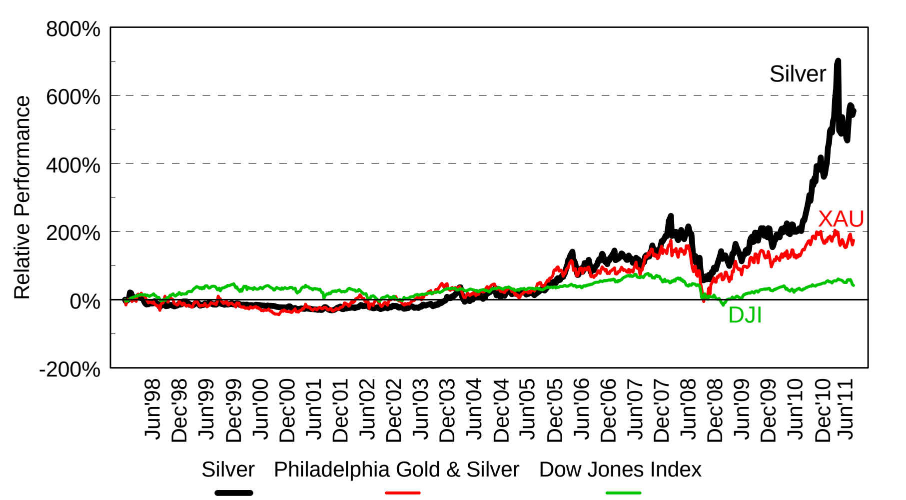
If the global economic picture improves, the widespread industrial application of silver should further contribute to investors regaining trust in the metal. Based on BMO Research's analysis, growth in global silver demand could far outstrip physical supply through 2012.

Resistance to Current Price Levels

At first glance, resistance to silver prices above US$30/oz is supported by the metals spectacular performance following the 2008 GFC, increased price volatility and the perception that the outperformance of silver has skewed the relationship to gold.

Following the sell-off during the 2008 GFC, silver has significantly outperformed gold and the broader index.

Fig 47: Silver Has Outperformed the Broader Market Since 2009

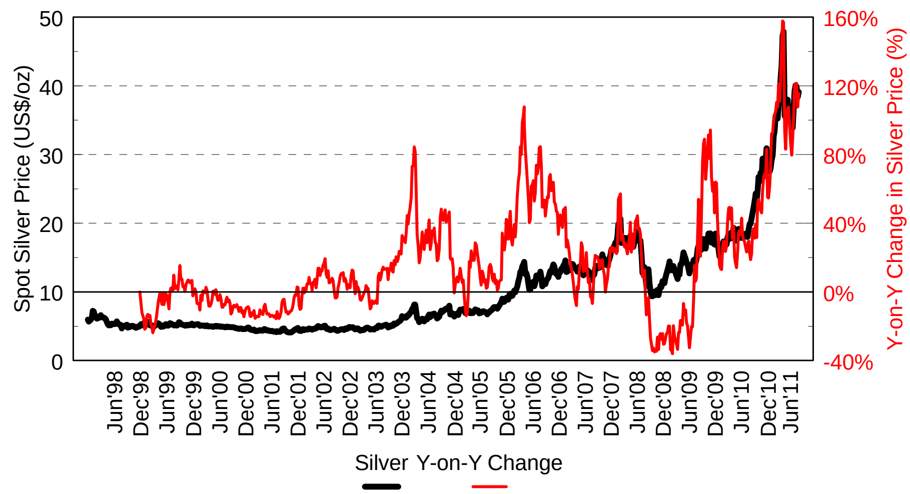


Source: BMO Capital Markets

The rate of change in the silver price has been increasing over the past decade.

Increased volatility leads to investor reluctance to impute prevailing silver prices.

Fig 48: A High Rate of Change in the Year-on-Year Silver price



Source: BMO Capital Markets

Investors are concerned that silver has risen too rapidly relative to its long-term relationship with gold.

Fig 49: Silver Versus Gold Ratio

Source: BMO Capital Markets

A New Paradigm for Silver

In a report published April 3, 2011 entitled, "A New Paradigm For Silver", BMO Research analysis indicates that silver demand and supply fundamentals have shifted, from a mine surplus during the 1990's when China was a net exporter and demand was declining with the demise of the photographic sector.

A positive outlook for silver is supported by the gap between supply and demand and current global macroeconomic concerns.

BMO Research analysis of silver supply and demand dynamics suggests that the current environment is more supportive of a price exceeding US$30/oz, as compared to the 1990's. Demand is forecast to exceed supply through 2014E, due to:

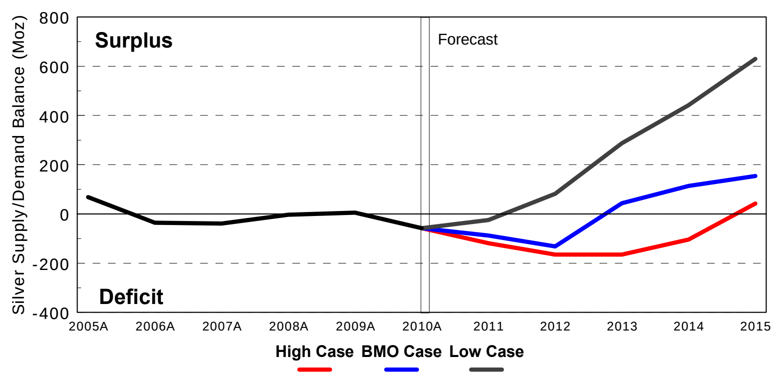
(1) Growing industrial demand outstripping mine supply through 2013E;

(2) The prospects of further quantitative easing and ongoing sovereign debt concerns supporting investment demand;

(3) The silver price still trading significantly below its 1980 inflation adjusted peak (unlike gold), with BMO Research noting that silver has historically outperformed gold during a gold "bull market".

BMO Research analysis indicates demand is expected to exceed production through 2013E.

Fig 50: BMO Research Supply & Demand Imbalance



Source: BMO Capital Markets

Silver still trades significantly below the inflation-adjusted peak in 1980.

Fig 51: Real and Inflation Adjusted Silver and Gold prices

Source: BMO Capital Markets

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New Sources Drive Demand

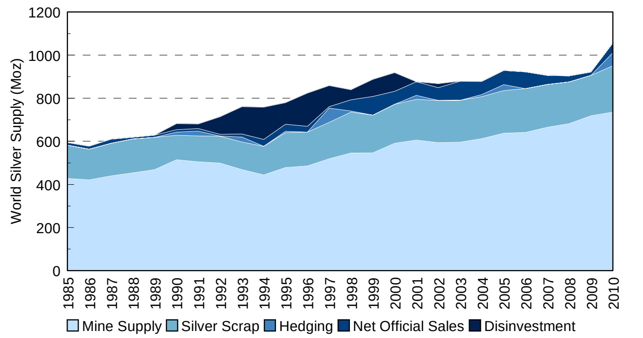
Growth in silver is supported by: (1) growing investment; (2) industrialization in developing economies; and (3) growth in new and green energy demand.

Demand for silver has evolved over the last decade, with new sources driving demand. Investment demand has grown to ~25% of total demand since the inception of the silver ETF.

The long-term growth prospects for industrial silver demand are supported by the large population base of developing economies (China and India), the drive towards modernization and current low per capita use relative to western economies.

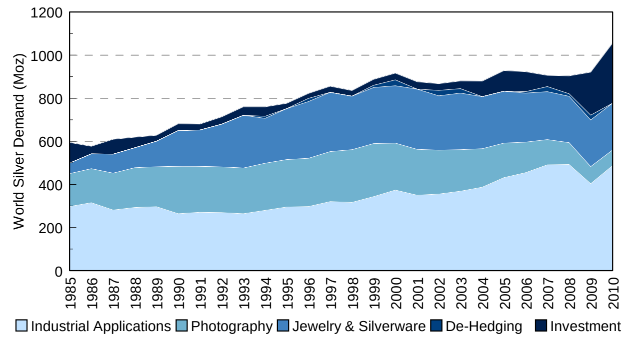
Demand from new (nanotechnology) or renewed interest in existing applications (photo voltaic) has the potential to offset the decline from traditional uses (photographic) through 2015E. A global move towards grid parity for the solar industry could position photo voltaic as a key driver of future demand.

Fig 52: World Silver Supply



Source: Silverinstitute – World Silver Survey

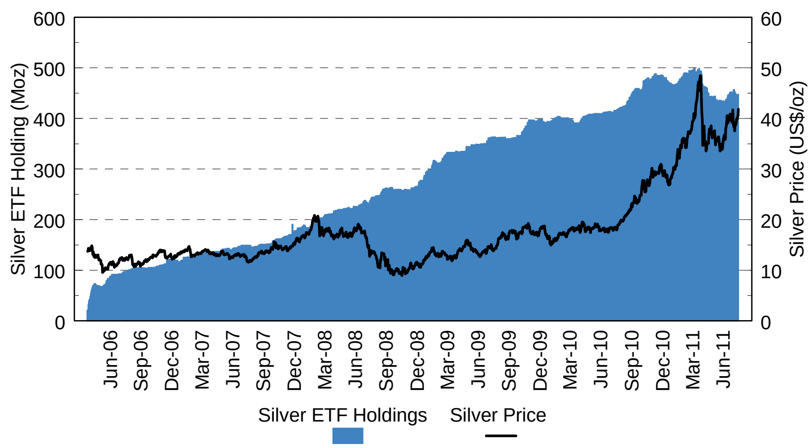
Fig 53: World Silver Demand



Source: Silverinstitute – World Silver Survey

Silver ETF holdings now represent 447Moz, or nearly two-thirds of one year of mine supply.

Fig 54: World Silver EFT Holdings



Source: Bloomberg

Stocks Outperformed in 2009–2010, But Not in 2011

Most silver stocks in the BMO Research universe outperformed the metal during 2009–2010.

The market appears to have preferred growth-oriented stocks, regardless of value or risk.

Most silver stocks in the BMO Research universe outperformed the metal during 2009–2010 (Jan'09 to Dec'10). The market appears to have preferred growth oriented stocks, regardless of value or risk.

The 2011 market appears more nervous, with avoidance of perceived risk – geopolitical, strategy, project or cost control issues.

Factors that have contributed to the underperformance include:

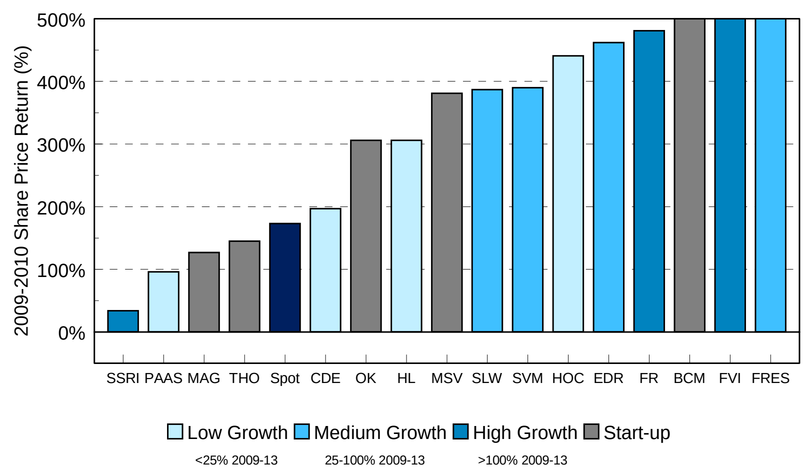
(1) The rapid increase in the metal price;

(2) Rising operating costs;

(3) Growing geopolitical risk exposure for miners; and

(4) Compression of junior takeover premiums.

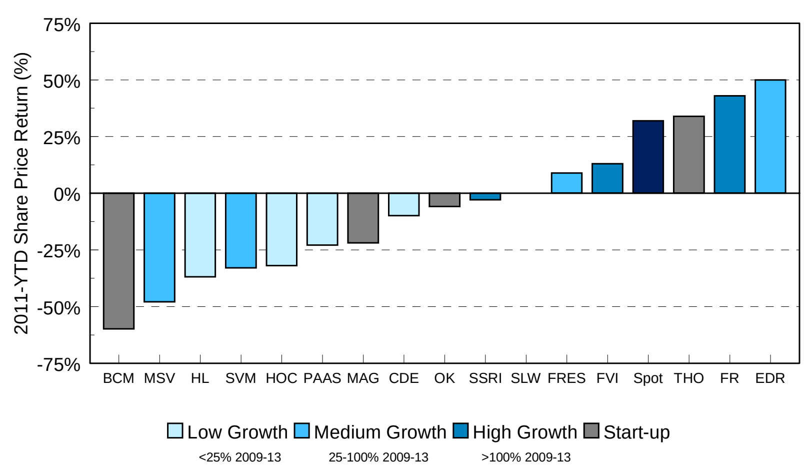
Fig 55: Most Silver Stocks Outperformed Gold in 2009–2010



Source: BMO Capital Markets

The 2011 market appears more nervous, with avoidance of perceived risk – geopolitical, strategy, project or cost control issues.

Fig 56: Silver Outperformed Most Gold Stocks in 2011



Source: BMO Capital Markets

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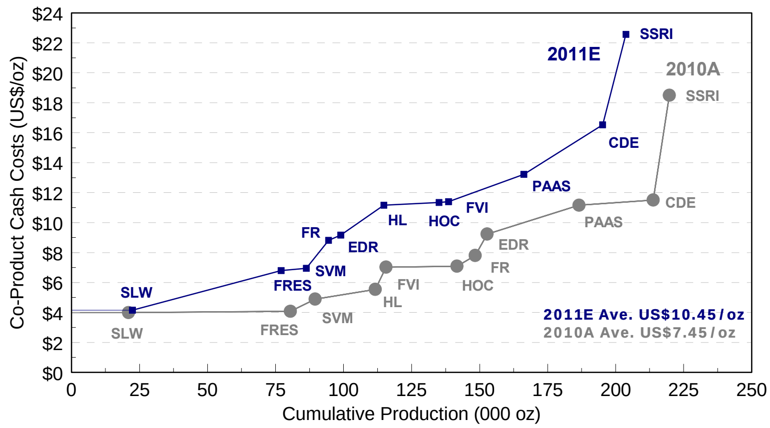
Cost Escalation is a Threat

Cost pressures have hit the silver sector in 2011, with BMO Research forecasting a 40% YoY increase in average sector cash costs.

Silver sector cash costs are expected to increase 40% year on year in 2011E, driven by inflation, escalating treatment/refining charges, profit sharing and US$ weakness.

Fig 57: 2010A and 2011E Silver Sector Cumulative Cast Cost Curve (US$/oz)



Source: BMO Capital Markets

Geopolitical Risk Considerations

Geopolitical risk exposure is becoming increasingly important for the silver stocks.

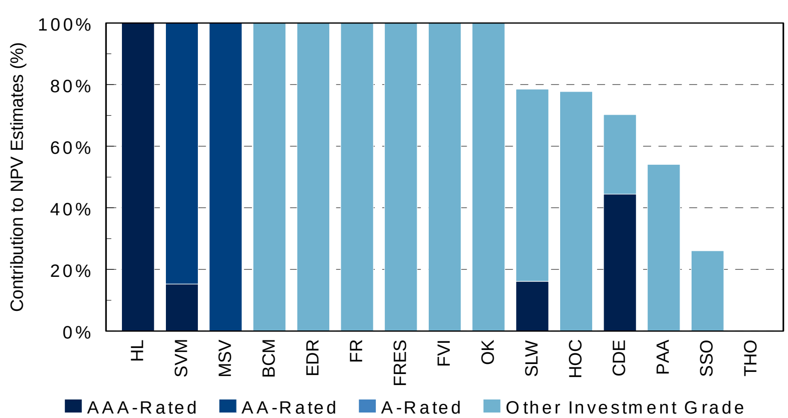
Geopolitical risk exposure is becoming increasingly important for silver stocks.

The growing threat of increased taxation, regulations or discussion of nationalization of the mining industry has impaired stock prices.

The prospect of tax hikes (windfall tax) in Peru with the new Humala Presidency has spooked some investors on mining stocks with Peru exposure.

In addition, the threat of government intervention of company assets was thrust to the forefront of investor conscience when the Peruvian government rescinded BCM's Santa Ana project mining license at the end of Q2/11, and the Bolivian government threatened to "recover" certain mining assets.

Fig 58: Companies With "Safe" Jurisdictions May Justify a Premium



Source: BMO Capital Markets

Q3/11 Precious Metal Strategy
August 21, 2011

A Near-Term Defensive Strategy

BMO Research expects increased volatility in the price of silver over the short term with price movements strongly correlated with market direction.

A defensive strategy within the silver sector includes:

(1) Silver royalty company SLW and silver producers with material gold exposure, including CDE, HOC and FRES;

(2) Intermediate silver companies with strong growth and low capital cost exposure, including FR and SVM; and

(3) Juniors that have already secured project financing, such as THO and MAG.

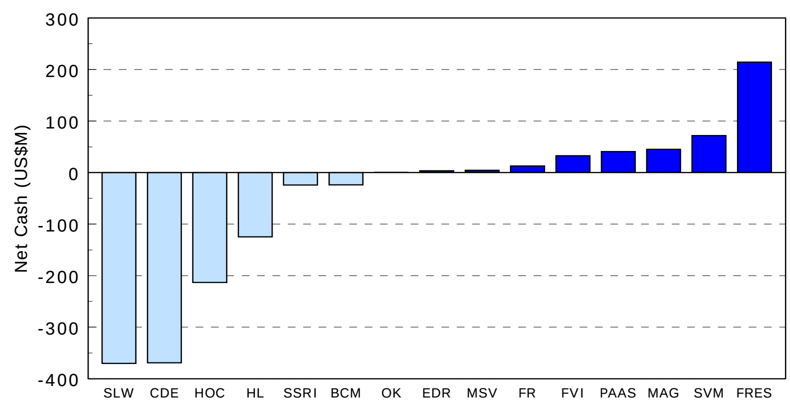
Financial Strength

Silver company balance sheets have dramatically improved since the Global Financial Crisis (GFC).

In 2008, silver sector net debt totalled US$700M. In contrast, BMO Research forecasts that the sector to exit 2011E with net cash of US$4.6B.

During the GFC, the silver sector was in a net debt position and vulnerable to financial risk.

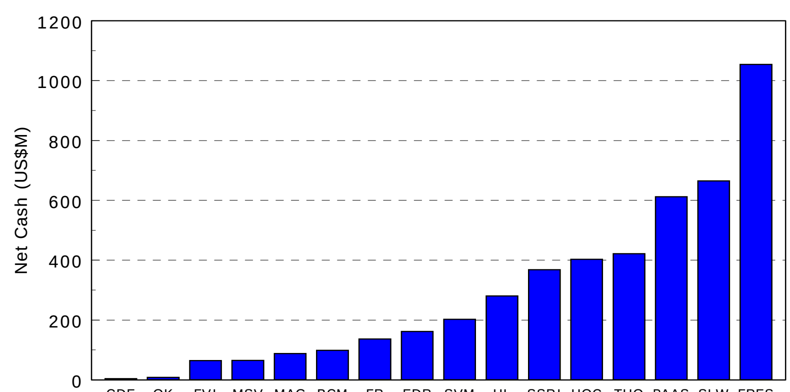
Fig 59: Silver Sector Net Cash (Debt) 2008A



Source: BMO Capital Markets

Silver sector net cash has improved significantly from 2008 with BMO Research forecasting the sector to exit 2011E with net cash of US$4.6B.

Fig 60: Silver Sector Net Cash 2011E



Source: BMO Capital Markets

Q3/11 Precious Metal Strategy
August 21, 2011

By-Product Exposure Has Benefits

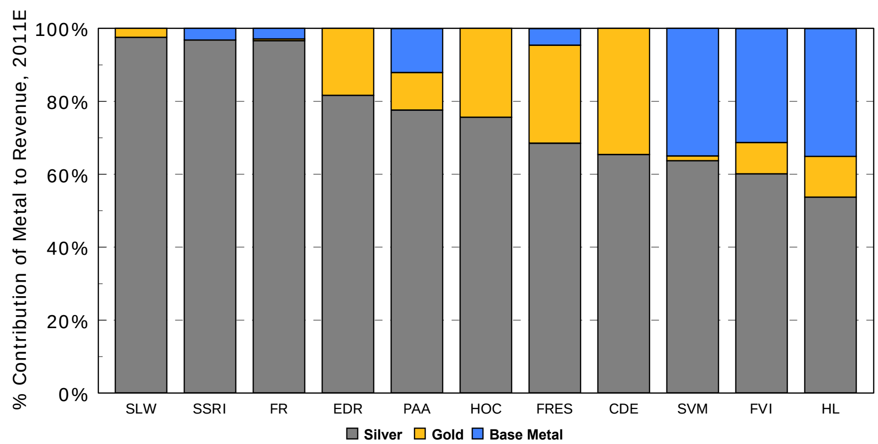
Defensive silver equities include royalty company SLW and gold exposed silver producers CDE, HOC and FRES.

In contrast, FVI and SVM have significant base metal exposure and could be at risk if the market focuses on the impact of a global slow down on industrial production.

HL has hedged lead and zinc production, reducing its exposure to fluctuating base metal prices.

Defensive silver equities include royalty company SLW and gold-weighted producers CDE, HOC and FRES

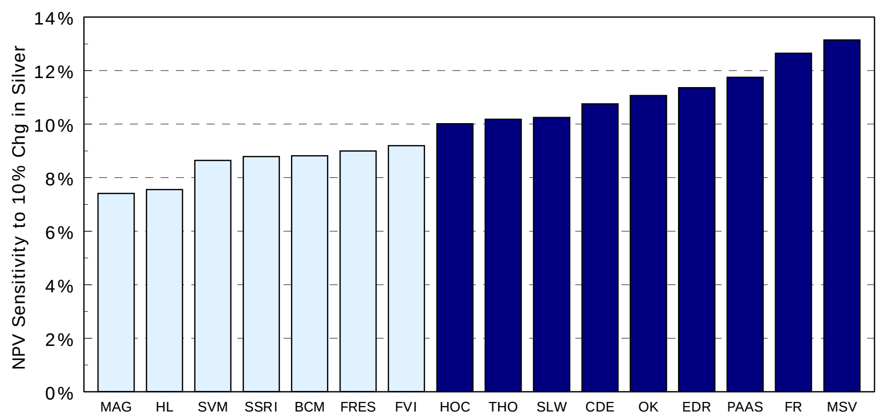
Fig 61: Revenue Split (%)



Source: BMO Capital Markets

Companies with above-average leverage to silver include MSV, FR and PAAS.

Fig 62: NPV Sensitivity to Silver Price



Source: BMO Capital Markets

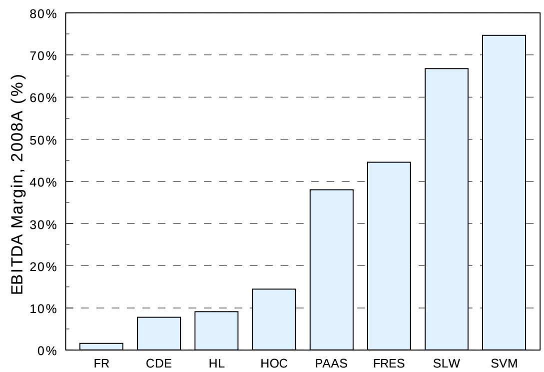
Q3/11 Precious Metal Strategy
August 21, 2011

Costs are Expanding – But Margins are Expanding More Rapidly

Silver sector cash costs are expected to increase 40% YoY in 2011E, driven by inflation, escalating treatment/refining charges, profit sharing and US$ weakness.

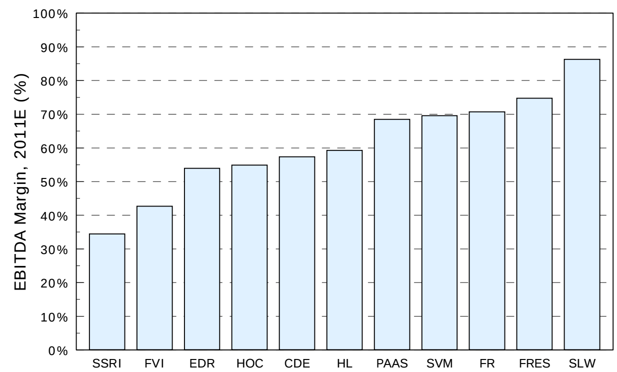
Despite the rise in operating costs, EBITDA margins have improved over 2008 levels, buoyed by higher silver prices.

Fig 63: EBITDA Margins (%), 2008A



Source: BMO Capital Markets

Fig 64: EBITDA Margins (%),2011E



Source: BMO Capital Markets

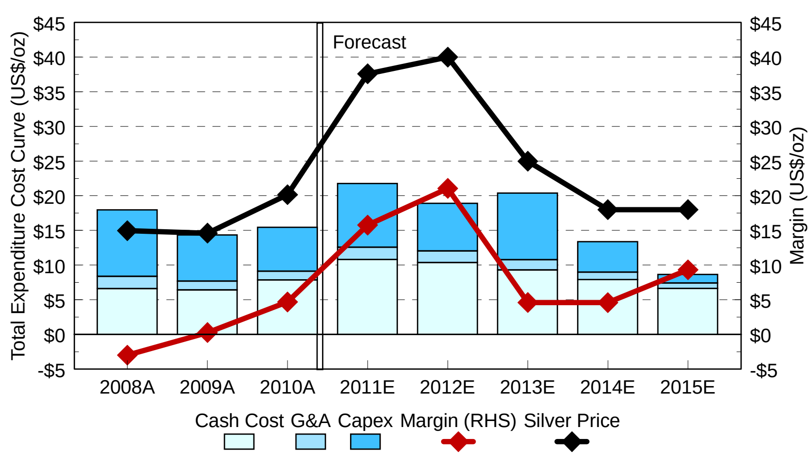
The rise in silver prices has improved margins.

The disparity between the health of silver equities during the Global Financial Crisis and today is also highlighted by margin expansion since 2008.

Taking into consideration total expenditures to produce an ounce of silver (including capital invested and corporate expenses), silver equities moved from negative margins in 2008 to a projected margin of US$15/oz in 2011E.

Despite increasing operating and capital investment by the sector, margins continue to increase.

Fig 65: Total Expenditure Cost Curve



Source: BMO Capital Markets

Strong Cash Flow Potential

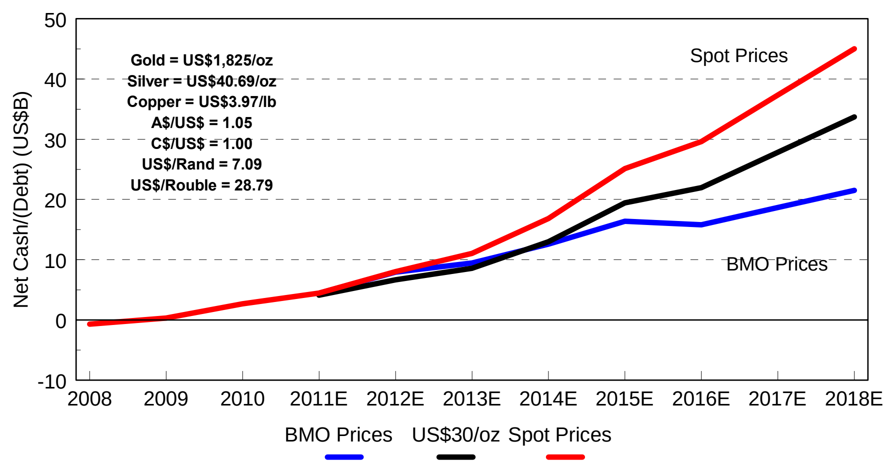
BMO Research forecasts strong cash flow at prevailing prices for the producing silver stocks.

The universe is forecast to accumulate net cash of US$45B by 2015E using spot metal prices and US$20.5B using BMO Research metal price assumptions.

The cash flow analysis includes project capital expenditure of ~US$5B plus sustaining capital of US$1.3B for 2011–2015E.

BMO Research forecasts strong cash flow at prevailing prices for silver producers.

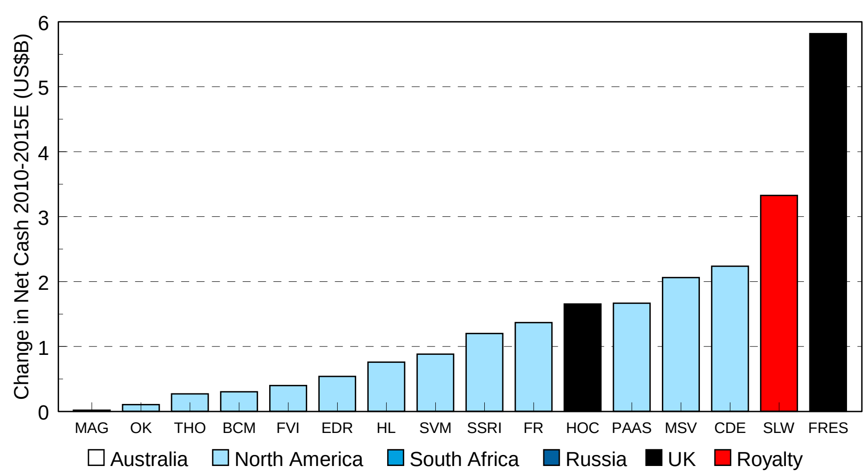
Fig 66: Significant Net Cash Accumulation for the BMO Silver Stocks



Source: BMO Capital Markets

Net cash is the most punitive of all cash flow measures.

Fig 67: Spot Prices Could Drive Huge Cash Accumulation for the Producers



Source: BMO Capital Markets

Better Shareholder Returns?

Silver companies are moving towards dividends.

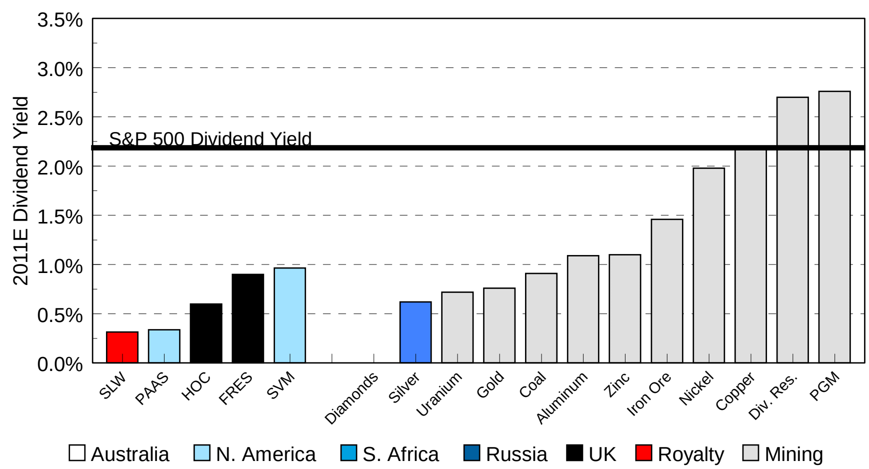
Like the gold sector, silver companies have taken initial steps towards a more meaningful dividend strategy, with new payments being announced by SLW and PAAS over the past 12 months.

BMO Research expects the trend to continue with FR, HL and CDE contemplating the introduction of a dividend, and SLW signalling a dividend increase in 2012.

BMO Research views the recent trend as positive, but silver companies have yet to implement a competitive strategy that has the potential to broaden the investor appeal and instil fiscal responsibility for management.

The provision of a meaningful dividend yield has the potential to broaden investor appeal and instil fiscal responsibility for management.

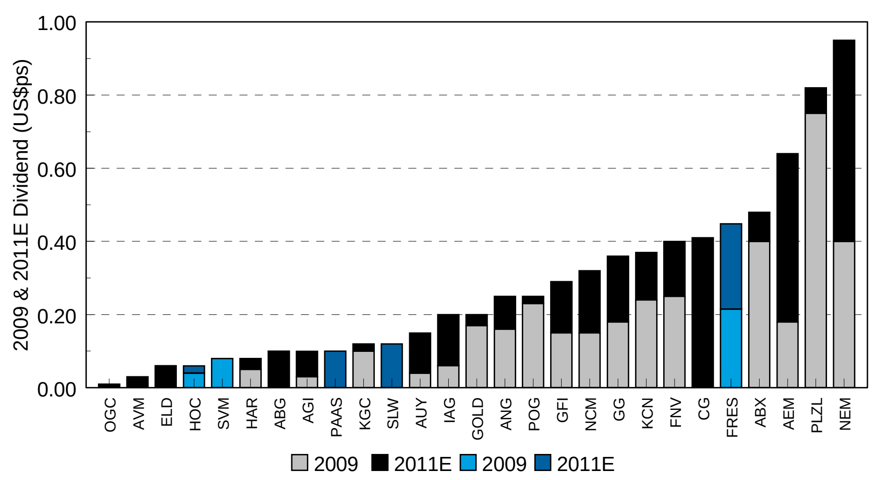
Fig 68: A Meaningful Dividend Yield May Broaden Stock Appeal



Source: BMO Capital Markets

Many gold and silver companies have been increasing dividend payments over the past year.

Fig 69: Senior Gold & Silver Companies Have Been Increasing Dividends



Source: BMO Capital Markets

Attractive on Conventional Metrics

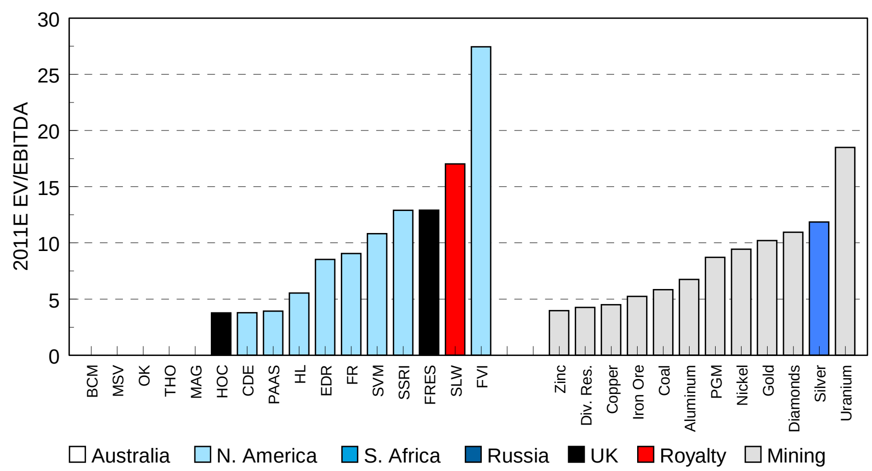
The BMO Research silver stocks continue to trade at a premium to base metal stocks using a range of metrics, but the gap is beginning to narrow with a number of senior and intermediate silver producers trading at favourably EV/EBITDA and P/E ratios.

BMO Research silver stocks average 11x EV/EBITDA in 2011E with many senior silver stocks at 4–13x (HOC at 4x, CDE at 4x and PAAS at 4x). The P/E ratio for the sector averages at 18x in 2011E for the silver stocks.

The trend towards increasingly competitive valuations for senior and intermediate silver producers is also apparent in the contraction of P/NPV multiples, to where producing companies are trading in line with the developers.

Silver stocks within BMO Research's coverage universe continue to trade at a premium to base metal stocks using a range of metrics, but the gap has narrowed.

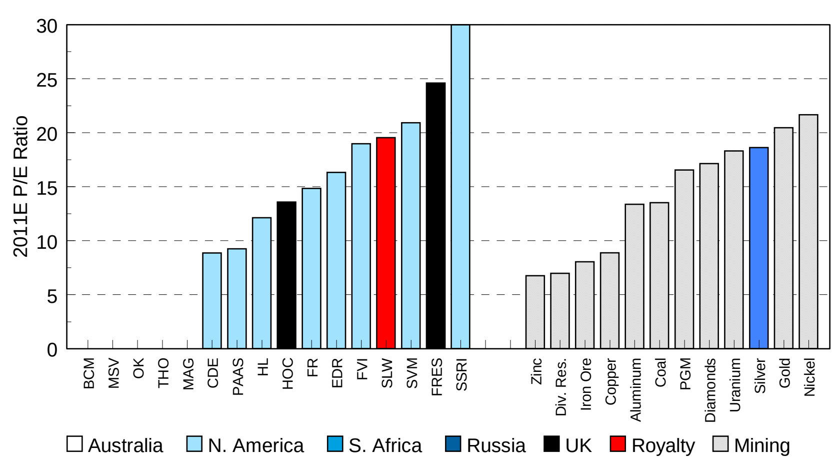
Fig 70: BMO Research Silver Stocks 2011E EV/EBITDA



Source: BMO Capital Markets

Silver stocks compare favourably with the broader metal stock universe on conventional valuation metrics.

Fig 71: BMO Research Silver Stocks 2011E Price/Earnings



Source: BMO Capital Markets

Opportunities Among Silver Stocks

BMO Research notes that historically, larger silver stocks have tended to trade at a P/NPV premium to smaller companies at spot metal prices. Recently, however, growth-oriented stocks have tended to trade at a premium to relatively mature producers.

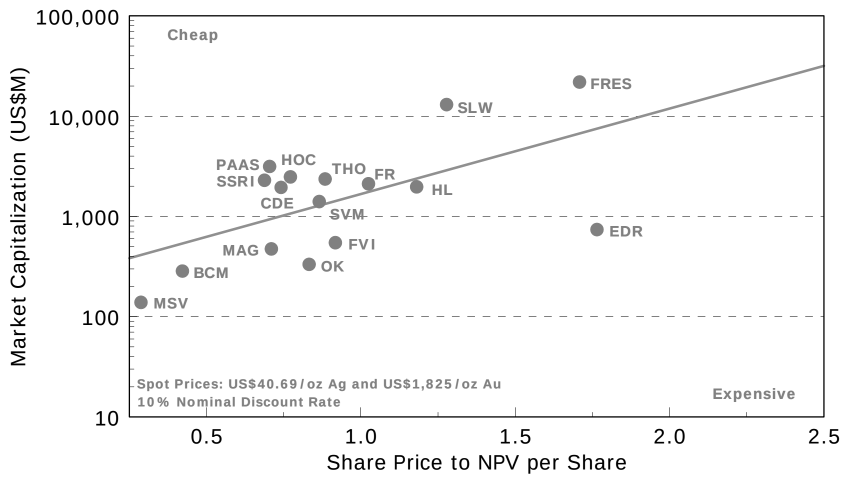
Senior silver stocks offer value opportunities with further margin expansion in 2011E and protection against operating and capital cost escalation.

BMO Research considers VALUE, GROWTH & EXECUTION as critical factors in stock selection for global silver stocks.

BMO Research notes an historical bias of larger mining stocks trading at a premium to smaller stocks.

However, the market has recently shown a preference for growth stocks.

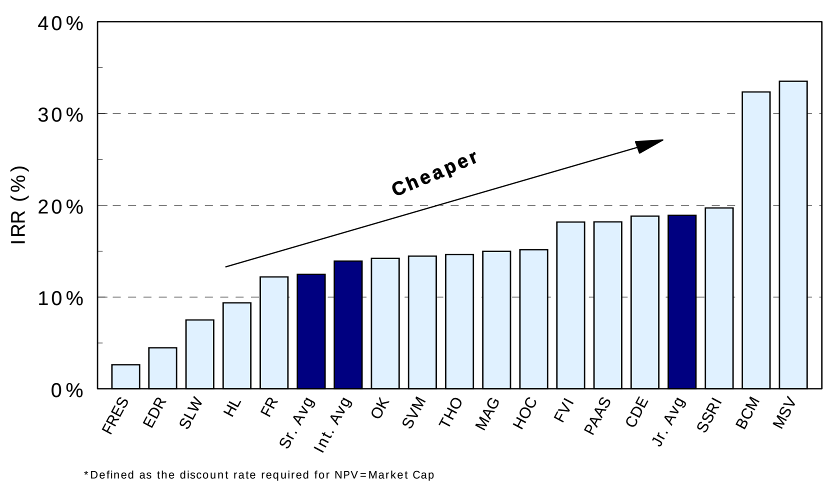
Fig 72: BMO Research Silver Market Capitalization Versus 10% P/NPV at Spot



Source: BMO Capital Markets

Senior silver stocks trade at an 11% IRR, compared with mid-tiers at 15% and juniors at 18%.

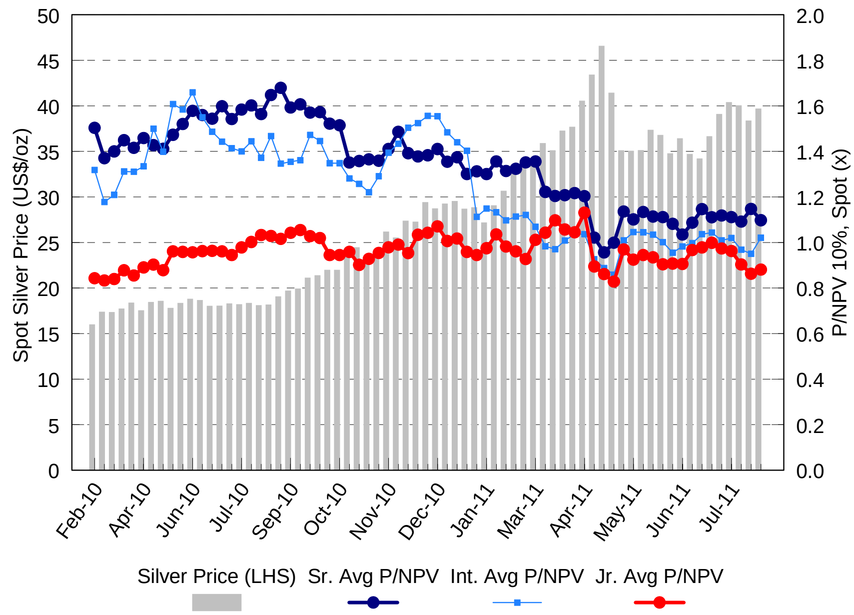
Fig 73: BMO Research Silver Stocks Internal Rate of Return at Spot



Source: BMO Capital Markets

Fig 74: Sector Historical P/NPV and Silver Price

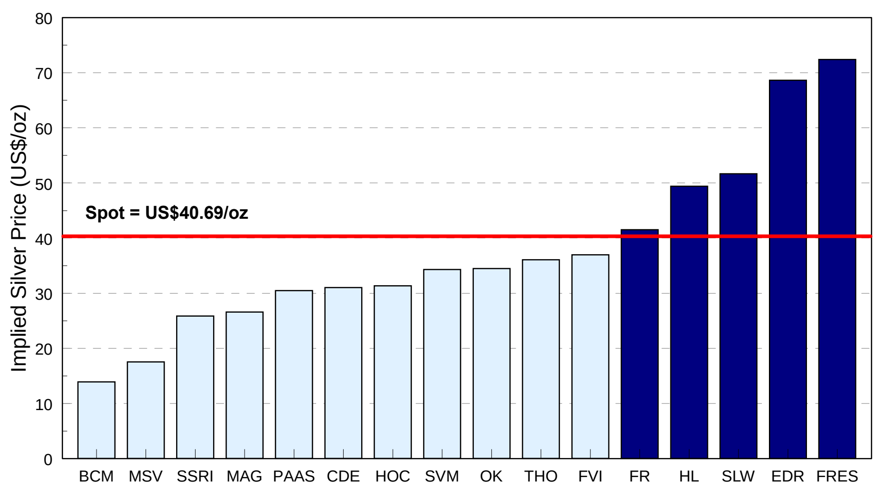
Both senior and intermediate silver producer P/NPV multiples have declined.



Source: BMO Capital Markets

Fig 75: Imputed Silver Price

Silver companies trading at a low imputed silver price have less downside risk.



Source: BMO Capital Markets

The Pace of Silver M&A is increasing

The rate of M&A within the silver sector is increasing, but deals remain small compared to the gold sector.

Unlike the gold sector, M&A within the silver sector has traditionally been subdued.

However, a trend toward increasing activity within the sector is apparent with several acquisitions occurring within the last 12 months, including:

(1) HOC's back-in to earn a 60% interest in the Inmacluada project (Q4/10) from IMZ for US$35M in cash and private placement and an agreement to fund the first US$100M of capital expenditure.

(2) The Q2/10 US$64M acquisition of Platte River by junior producer SPM.

(3) The US$11M acquisition of the past producing Cerro Bayo mine from CDE by junior producer MND in Q3/10.

(4) The pending ~US$200M merger of AUM and ECU.

The prospects of increasing M&A within the sector are also supported through the recent trend of senior silver producers investing in junior explorers.

However, with net cash positions growing rapidly, BMO Research sees the potential for predators to deploy cash towards strategic acquisitions.

CDE has the most aggressive strategy, with a total investment of US$17.9M in five companies, currently.

For the time being, predators within the silver sector appear to be more focused on organic growth (FRES has outlined a new development or expansion at one of its existing operations every year through 2016).

However, with net cash positions growing rapidly, BMO Research sees the potential for predators to deploy cash towards strategic acquisitions.

Similar to the gold sector, Total Cost of Acquisition (TCA) analysis can identify potential silver stock targets. In addition, BMO research expects predators to be price/risk sensitive and seek value accretive transactions.

Fig 76: BMO Research Total Cost of Acquisition for Silver Companies

TCA of Junior/Intermediate Silver Companies -Sorted Lowest to Highest

Date: 17-Aug-11 | **Gold Price (US$/oz)** 1,791 | **Silver Price (US$/oz)** 40.39

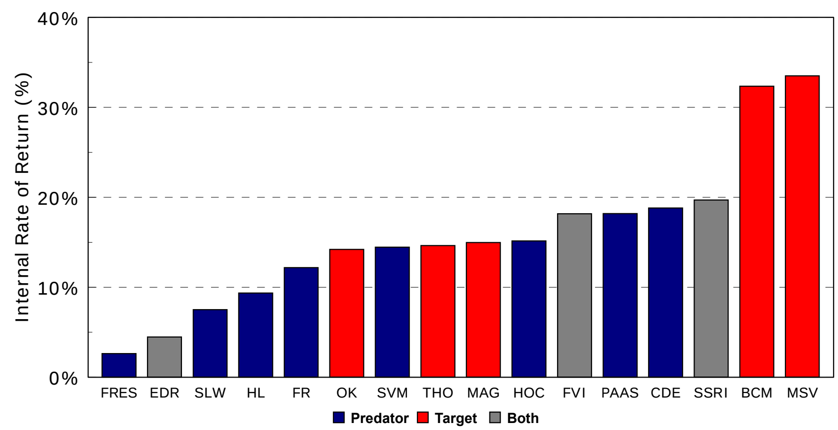
	Corporate		Capital				Operating		TCA	
	Mkt. Cap + 25% Premium (US$M)	Net Debt + Other Assets (US$M)	Initial Capital (US$M)	Sustaining Capital (US$M)	Premium Adjusted Mkt. Cap (US$M)	Total Allowable Ounces (Moz)	AMC/oz	Avg. Total Cash Costs (US$/oz)	Total Acquisition Cost (US$/oz)	Aq. Cost % of Spot
MAG	$724	-$114	$110	$47	$767	109.6	$7.00	$2.84	$9.84	24%
Bear Creek Mining	$360	-$93	$550	$128	$944	307.0	$3.08	$6.96	$10.03	25%
Minco Silver	$170	-$47	$80	$61	$264	86.1	$3.06	$7.52	$10.58	26%
Silver Standard	$2,484	-$660	$609	$187	$2,619	464.8	$5.63	$7.03	$12.67	31%
Tahoe Resources	$2,928	-$444	$360	$144	$2,988	324.4	$9.21	$5.71	$14.92	37%
Orko Silver	$422	-$8	$0	$25	$439	46.0	$9.53	$5.95	$15.49	38%
Silvercorp	$1,803	-$189	$188	$436	$2,237	303.2	$7.38	$8.19	$15.57	39%
First Majestic	$2,586	-$53	$217	$280	$3,030	292.9	$10.34	$6.74	$17.08	42%
Fortuna Silver	$696	-$24	$15	$94	$781	48.0	$16.28	$7.07	$23.35	58%
Endeavour Silver	$913	-$87	$7	$67	$901	33.4	$27.00	$11.01	$38.02	94%
Weighted Average							**$7.43**	**$6.78**	**$14.20**	**35%**

Source: BMO Capital Markets

Q3/11 Precious Metal Strategy
August 21, 2011

Junior companies with high IRR's provide accretive metrics for predator acquisition.

Fig 77: Silver Internal Rate of Return at Spot Prices by Predator/Target



Source: BMO Capital Markets

5. Core Stock Picks

Precious Metals Top 15

Senior Golds

Rating: Outperform

Target: US$75.00

Goldcorp (GG.NYSE)

Goldcorp is BMO Research's top pick for growth among senior gold producers. The company offers solid production growth prospects and is led by a management team capable of delivery and execution. The acquisition of the Cerro Negro project adds a high-quality, low-cost asset to the pipeline, bolstering the already strong growth profile. Approvals of Éléonore and Cochenour increase confidence in Goldcorp's ability to deliver the next phase of its growth promise. The company is expecting growth of 10% CAGR to 4.0Moz in 2015. Goldcorp is currently trading in line with its North American peers on a P/NPV basis, whereas historically it has traded at a sizable premium.

Rating: Outperform

Target: US$23.50

Kinross Gold (KGC.NYSE)

Kinross's gold equivalent production growth guidance of ~80% from 2011–2015 ranks the company as one of the fastest growing senior producers, fuelled by a portfolio of new projects and internal expansions. The company continues to advance its flagship Tasiast project in Mauritania with completion of a feasibility study expected in Q2/12, with commissioning expected in 2014. Further exploration success from Tasiast in the latter half of the year may also provide positive momentum. BMO Research views Kinross as having the greatest risk/reward potential among senior gold producers. Kinross is currently trading at a sharp discount to its peers.

Rating: Outperform

Target: US$82.50

Newmont Mining (NEM.NYSE)

Newmont is BMO Research's top pick for value among senior gold producers. The company recently outlined its long-term strategy for growth and is targeting gold production of 7Moz in 2017 through the development of new projects including Akyem, Conga, Merian and Long Canyon, and expansions at existing operations. The company is generating robust cash flow of over US$3B per year at spot commodity prices and recently introduced an innovative gold price-linked dividend. Newmont has now demonstrated that its focus on cost control for margin expansion, earnings improvements and strong cash flow can be translated into shareholder returns without capitulating on the growth of the business. Newmont is trading at a slight discount to its peers.

Intermediate Golds

AuRico Gold (AUQ.TSX)

Rating: Outperform

Target: C$17.00

AuRico Gold, formerly Gammon Gold, is continuing to make significant operational improvements at its flagship Ocampo mine in Mexico. The recently acquired the El Chanate mine, which is expected to contribute to production this quarter, diversifies the production base and reduces overall risk. The resumption of mining activities at the El Cubo mine with ore processing expected in H2/11 further improves the outlook. Strategic option agreements (Mezquite, Venus and Los Jarros) and investments (Golden Queen Mining and Corex Gold) offer scope for upside. AuRico is trading at a slight discount to its peers and is BMO Research's top pick among intermediate, Mexican-focused gold producers.

Avocet Mining (AVM.LSE)

Rating: Outperform

Target: £3.25

Avocet completed the sale of its mines in Malaysia and Indonesia for proceeds of US$170M, effectively completing its transition to a West Africa-focused producer. Management recently provided a strategic update detailing its initial use of proceeds from the sale and demonstrating its near-term growth opportunities in West Africa, which clearly differentiates Avocet from its regional peers. The company adopted a dividend policy at an initial level of US$20M per annum; restructured its hedge book, doubling the proportion of production exposed to spot prices; and initiated a scoping study to increase production at Inata from early-2013 while advancing Koulékoun toward production in 2014.

Minefinders (MFL.TSX)

Rating: Outperform

Target: C$20.00

After experiencing operational challenges in 2010, Minefinders appears to have turned the corner at Dolores, reporting another quarter of solid production in Q2/11. In addition, the company is nearing the completion of a mill study for Dolores that has the potential to significantly increase production rates and set the stage for future underground development. With over 50% of revenue forecast to come from silver in 2011E, Minefinders provides leverage to strong silver prices and is trading at a discount to primary silver producers. BMO Research sees the potential for a near-term re-rating in the stock as the market gives credit for Minefinder's significant silver exposure and the company continues to deliver on 2011 production guidance.

New Gold (NGD.TSX)

Rating: Outperform

Target: C$15.00

New Gold will enter the next stage of production growth with the completion of the New Afton mine in H2/12. Once in full production, New Afton is forecast to produce 85koz of gold and 75Mlb of copper (annually), over a ~14-year mine life. The company recently announced a friendly agreement with Richfield Ventures Corp. (RVC:TSXV). The Blackwater project, located in central B.C., contains 3.8Moz of gold attributable to RVC (4.2Moz total), consisting of 1.83Moz indicated and 2.0Moz inferred. BMO Research views the Blackwater acquisition as positive as it provides a gold project capable of producing ~300koz per annum, with exploration upside and regional synergies. New Gold is favoured for its solid balance sheet and strong growth profile, forecast to increase production (on a gold equivalent basis) by 87% through 2015E.

Please see pages 47 & 49 for analyst coverage.

Randgold (GOLD.NASDAQ)

Rating: Outperform

Target: US$125.00

Randgold is an intermediate gold producer and explorer offering impressive near-term growth opportunities. Outstanding second quarter results demonstrate progress and provide a glimpse of the strong results expected for the remainder of the year. At Loulo, sourcing ore from the Yalea underground and Gounkoto open pit is expected to improve mill feed grade and lower costs. Kibali and Massawa offer potential for optimization and resource additions as the projects are advanced. Given the asset quality and growth prospects, BMO Research expects the stock to regain its premium rating as performance of its operations is further demonstrated.

Gold Exploration & Development

Detour Gold (DGC.TSX)

Rating: Outperform (S)

Target: na

The Detour Lake project in Ontario contains over 25Moz in estimated resources, including ~15Moz in reserves. With a strong development team in place and eight months into construction, the overall project is currently 25% complete as development activities of the mine and processing plant are proceeding on schedule toward initial production in early 2013. Detour is undertaking a number of studies to examine potential for optimization and an eventual throughput expansion scenario beyond the initial 55–60ktpa. The company's prospective land position offers regional exploration opportunities, which, in combination with the potential for further project expansion, provide long-term organic growth prospects.

European Goldfields (EGU.TSX)

Rating: Outperform (S)

Target: C$17.50

European Goldfields achieved a significant milestone with government approval of the Environmental Impact Study for its projects in Greece. The company is now poised to commence development of the Olympias and Skouries projects beginning its transition to the European Union's largest gold producer. Further optimization of the projects, results from exploration programs and advancement of the Certej project in Romania provide further opportunities as it establishes production.

Osisko Mining (OSK.TSX)

Rating: Outperform (S)

Target: C$17.50

Osisko controls ~19.3Moz in total global resources, including 10.7Moz in reserves at the Malartic gold project in Quebec. The company recently declared commercial production at Malartic and continues to work toward reaching full capacity of 60tpd, which BMO Research anticipates by H2/12. The Hammond Reef project in Ontario, acquired in 2010, provides potential production growth beyond Malartic.

Torex Gold (TXG.TSX)

Rating: Outperform (S)

Target: na

Torex gold is advancing the Morelos project in Mexico with measured and indicated resources of 3.0Moz. Following a temporary suspension of site activity, the company anticipates ramping up exploration programs through the summer and expanding to 14 rigs for completion of 68,000m of core drilling by year-end. The initial focus is expected to be on completing 40,000m of drilling required to support the new resource estimate scheduled for the fourth quarter and subsequent pre-feasibility update. The company has begun negotiations with local communities to obtain permanent land access.

Please see pages 47 & 49 for analyst coverage.

Silver Stocks

Rating: Outperform

Target: C$28.00

First Majestic (FR.TSX)

First Majestic has established itself as a premier growth company with above-average exposure to silver. In addition to expansion of mill production at La Parilla, the company is planning an optimization program that could increase Encantada silver production by ~1Moz by 2013. At Del Toro, First Majestic is eyeing a larger development scenario that could double initial production rates to 2ktpd with capacity to expand contingent on reserve growth. The company plans to be commissioning the processing plant by the end of 2012. Through these projects, BMO Research expects First Majestic to evolve into a ~25Moz silver equivalent producer by 2015E, while maintaining below-average cash costs.

Rating: Outperform

Target: US$53.00

Silver Wheaton (SLW.NYSE)

Silver Wheaton is expected to demonstrate impressive silver sales growth, driven by the ramp-up of Goldcorp's Peñasquito mine and longer term through the development of Barrick's Pascua Lama project. The company is guiding for attributable silver production to increase ~80% from 2010 to 2015E. Silver Wheaton now boasts proven and probable reserves of nearly 1B silver-equivalent ounces and is well funded to consider further growth opportunities. Silver Wheaton offers attractive value, lower operational risk than conventional producers and the least exposure to non-silver revenue relative to other listed silver producers. The company is poised to capitalize on rising silver prices.

Rating: Outperform (S)

Target: US$26.00

Tahoe Resources (THO.TSX)

Tahoe is a junior silver company focusing on exploring and developing the Escobal Project in Guatemala. The company has a proven management team with a track record of mine development in Guatemala. The high-grade profile of Escobal suggests the potential for below-average cash costs, and the early stage of delineation could translate into future exploration growth. Moreover, recent drilling has indicated the potential for a multi-vein system and material resource expansion. An updated resource estimate and preliminary assessment (PA) released in Q4/10 highlighted a 144% increase in Escobal's indicated resource (to 245.2Moz silver), a longer mine life and more advantageous federal taxation. Tahoe has commenced site development activities, with decline development initiated in May.

Please see pages 47 & 49 for analyst coverage.

7. Appendix

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Fig 78: Gold Sector Valuation Metrics

					Market	Gold Reserves & Resources				Earnings per Share		Cash Flow per Share		Gold Production			Total Cash Cost		P/NPV at Spot Prices				Implied
Senior Producers	Analyst	Rating	Price	Target	Capitalization	Reserves	MC/oz	Resources	MC/oz	2011E	2012E	2011E	2012E	2011E	2015E	Growth	2011E	2015E	0%	11.9%	10%	IRR	Gold Price
Agnico-Eagle Mines	DH	Mkt	$65.57	$82.50	$10,740M	21.0Moz	$511/oz	27.0Moz	$397/oz	26.08x	14.69x	16.05x	10.21x	1.1Moz	1.5Moz	31.5%	$690/oz	$535/oz	0.57x	1.28x	1.15x	8.0%	$2,119
AngloGold Ashanti	DH	Mkt	R324.72	R400.00	$16,779M	73.3Moz	$229/oz	161.1Moz	$104/oz	16.22x	10.88x	9.56x	7.19x	4.3Moz	5.4Moz	24.9%	$716/oz	$631/oz	0.28x	0.80x	0.71x	15.7%	$1,641
Barrick Gold	DH	Mkt	$50.78	$61.50	$49,830M	137.4Moz	$363/oz	203.5Moz	$245/oz	11.05x	10.35x	8.36x	7.56x	7.7Moz	8.1Moz	5.4%	$480/oz	$439/oz	0.34x	1.09x	0.93x	10.9%	$1,903
Eldorado Gold	DH	Mkt	C$19.21	C$22.00	$10,488M	18.7Moz	$562/oz	22.9Moz	$458/oz	31.18x	19.86x	22.65x	15.20x	0.7Moz	1.2Moz	76.3%	$461/oz	$499/oz	0.69x	1.67x	1.49x	4.4%	$2,611
Franco Nevada	DH	Mkt	C$42.34	C$50.00	$5,405M	2.1Moz	$2,559/oz	5.4Moz	$1,008/oz	40.95x	33.26x	20.55x	18.23x	0.2Moz	0.4Moz	48.1%			0.95x	1.70x	1.58x	1.4%	$3,695
Goldcorp	DH	OP	$51.65	$75.00	$39,903M	61.7Moz	$647/oz	82.6Moz	$483/oz	23.90x	18.54x	16.82x	13.44x	2.5Moz	4.5Moz	79.2%	$509/oz	$389/oz	0.40x	1.21x	1.06x	9.4%	$2,054
Gold Fields	DH	Mkt	R120.60	R145.00	$11,945M	81.8Moz	$146/oz	152.7Moz	$78/oz	15.49x	11.25x	8.23x	6.73x	3.4Moz	4.3Moz	26.9%	$843/oz	$760/oz	0.29x	0.85x	0.76x	15.0%	$1,704
Harmony Gold Mining	DH	Mkt	R86.90	R115.00	$5,494M	45.2Moz	$122/oz	108.2Moz	$51/oz	na	11.68x	17.03x	6.79x	1.6Moz	2.0Moz	29.1%	$964/oz	$837/oz	0.10x	0.59x	0.51x	20.6%	$1,490
IAMGOLD	DH	Mkt	$19.48	$25.00	$7,017M	16.0Moz	$439/oz	21.7Moz	$323/oz	14.89x	16.69x	11.02x	11.92x	1.0Moz	1.0Moz	-3.0%	$661/oz	$582/oz	0.41x	0.92x	0.83x	13.6%	$1,713
Kinross Gold	DH	OP	$16.79	$23.50	$18,681M	64.4Moz	$290/oz	89.3Moz	$209/oz	22.58x	13.93x	12.88x	9.11x	2.7Moz	5.0Moz	85.7%	$569/oz	$535/oz	0.27x	0.82x	0.71x	14.7%	$1,629
Newcrest Mining	DH	OP	A$39.54	A$55.00	$30,782M	69.2Moz	$445/oz	122.9Moz	$251/oz	26.08x	23.67x	17.57x	15.20x	2.6Moz	3.3Moz	26.0%	$684/oz	$505/oz	0.30x	1.51x	1.26x	7.8%	$2,379
Newmont Mining	DH	OP	$60.08	$82.50	$28,859M	92.9Moz	$311/oz	121.9Moz	$237/oz	13.47x	11.30x	8.69x	7.62x	5.2Moz	6.8Moz	30.4%	$593/oz	$512/oz	0.31x	0.90x	0.79x	13.4%	$1,733
Polyus Gold	DH	Mkt	$59.50	$75.00	$10,701M	79.1Moz	$135/oz	86.9Moz	$123/oz	18.21x	11.51x	13.02x	8.57x	1.5Moz	2.5Moz	70.8%	$640/oz	$536/oz	0.17x	0.69x	0.59x	17.0%	$1,497
Yamana Gold	DH	OP	$15.51	$20.00	$11,369M	16.4Moz	$694/oz	30.0Moz	$379/oz	15.96x	13.31x	10.77x	9.21x	1.1Moz	1.5Moz	41.5%	$484/oz	$502/oz	0.44x	1.08x	0.97x	10.6%	$1,911
							$331/oz		$209/oz	21.23x	15.78x	13.80x	10.50x			33.3%	$619/oz	$538/oz	0.36x	1.10x	0.96x	11.3%	$1,963
North American Seniors																							
Agnico-Eagle Mines	DH	Mkt	$65.57	$82.50	$10,740M	21.0Moz	$511/oz	27.0Moz	$397/oz	26.08x	14.69x	16.05x	10.21x	1.1Moz	1.5Moz	31.5%	$690/oz	$535/oz	0.57x	1.28x	1.15x	8.0%	$2,119
Barrick Gold	DH	Mkt	$50.78	$61.50	$49,830M	137.4Moz	$363/oz	203.5Moz	$245/oz	11.05x	10.35x	8.36x	7.56x	7.7Moz	8.1Moz	5.4%	$480/oz	$439/oz	0.34x	1.09x	0.93x	10.9%	$1,903
Eldorado Gold	DH	Mkt	C$19.21	C$22.00	$10,488M	18.7Moz	$562/oz	22.9Moz	$458/oz	31.18x	19.86x	22.65x	15.20x	0.7Moz	1.2Moz	76.3%	$461/oz	$499/oz	0.69x	1.67x	1.49x	4.4%	$2,611
Franco Nevada	DH	Mkt	C$42.34	C$50.00	$5,405M	2.1Moz	$2,559/oz	5.4Moz	$1,008/oz	40.95x	33.26x	20.55x	18.23x	0.2Moz	0.4Moz	48.1%			0.95x	1.70x	1.58x	1.4%	$3,695
Goldcorp	DH	OP	$51.65	$75.00	$39,903M	61.7Moz	$647/oz	82.6Moz	$483/oz	23.90x	18.54x	16.82x	13.44x	2.5Moz	4.5Moz	79.2%	$509/oz	$389/oz	0.40x	1.21x	1.06x	9.4%	$2,054
IAMGOLD	DH	Mkt	$19.48	$25.00	$7,017M	16.0Moz	$439/oz	21.7Moz	$323/oz	14.89x	16.69x	11.02x	11.92x	1.0Moz	1.0Moz	-3.0%	$661/oz	$582/oz	0.41x	0.92x	0.83x	13.6%	$1,713
Kinross Gold	DH	OP	$16.79	$23.50	$18,681M	64.4Moz	$290/oz	89.3Moz	$209/oz	22.58x	13.93x	12.88x	9.11x	2.7Moz	5.0Moz	85.7%	$569/oz	$535/oz	0.27x	0.82x	0.71x	14.7%	$1,629
Newmont Mining	DH	OP	$60.08	$82.50	$28,859M	92.9Moz	$311/oz	121.9Moz	$237/oz	13.47x	11.30x	8.69x	7.62x	5.2Moz	6.8Moz	30.4%	$593/oz	$512/oz	0.31x	0.90x	0.79x	13.4%	$1,733
Yamana Gold	DH	OP	$15.51	$20.00	$11,369M	16.4Moz	$694/oz	30.0Moz	$379/oz	15.96x	13.31x	10.77x	9.21x	1.1Moz	1.5Moz	41.5%	$484/oz	$502/oz	0.44x	1.08x	0.97x	10.6%	$1,911
							$424/oz		$302/oz	22.23x	16.88x	14.20x	11.39x			34.6%	$534/oz	$474/oz	0.40x	1.11x	0.98x	10.6%	$1,981
South African Producers																							
AngloGold Ashanti	DH	Mkt	R324.72	R400.00	$16,779M	73.3Moz	$229/oz	161.1Moz	$104/oz	16.22x	10.88x	9.56x	7.19x	4.3Moz	5.4Moz	24.9%	$716/oz	$631/oz	0.28x	0.80x	0.71x	15.7%	$1,641
Gold Fields	DH	Mkt	R120.60	R145.00	$11,945M	81.8Moz	$146/oz	152.7Moz	$78/oz	15.49x	11.25x	8.23x	6.73x	3.4Moz	4.3Moz	26.9%	$843/oz	$760/oz	0.29x	0.85x	0.76x	15.0%	$1,704
Harmony Gold Mining	DH	Mkt	R86.90	R115.00	$5,494M	45.2Moz	$122/oz	108.2Moz	$51/oz	na	11.68x	17.03x	6.79x	1.6Moz	2.0Moz	29.1%	$964/oz	$837/oz	0.10x	0.59x	0.51x	20.6%	$1,490
							$171/oz		$81/oz	15.85x	11.27x	11.61x	6.91x			26.3%	$804/oz	$714/oz	0.25x	0.79x	0.70x	16.2%	$1,638
Growth Producers																							
Agnico-Eagle Mines	DH	Mkt	$65.57	$82.50	$10,740M	21.0Moz	$511/oz	27.0Moz	$397/oz	26.08x	14.69x	16.05x	10.21x	1.1Moz	1.5Moz	31.5%	$690/oz	$535/oz	0.57x	1.28x	1.15x	8.0%	$2,119
Eldorado Gold	DH	Mkt	C$19.21	C$22.00	$10,488M	18.7Moz	$562/oz	22.9Moz	$458/oz	31.18x	19.86x	22.65x	15.20x	0.7Moz	1.2Moz	76.3%	$461/oz	$499/oz	0.69x	1.67x	1.49x	4.4%	$2,611
Goldcorp	DH	OP	$51.65	$75.00	$39,903M	61.7Moz	$647/oz	82.6Moz	$483/oz	23.90x	18.54x	16.82x	13.44x	2.5Moz	4.5Moz	79.2%	$509/oz	$389/oz	0.40x	1.21x	1.06x	9.4%	$2,054
Kinross Gold	DH	OP	$16.79	$23.50	$18,681M	64.4Moz	$290/oz	89.3Moz	$209/oz	22.58x	13.93x	12.88x	9.11x	2.7Moz	5.0Moz	85.7%	$569/oz	$535/oz	0.27x	0.82x	0.71x	14.7%	$1,629
New Gold	AK	OP	C$12.32	C$15.00	$5,012M	12.8Moz	$393/oz	18.8Moz	$266/oz	27.12x	24.64x	18.56x	18.30x	0.5Moz	0.9Moz	94.1%	$647/oz	$570/oz	0.41x	1.15x	1.00x	10.6%	$1,938
Randgold Resources	AB	OP	$109.99	$125.00	$9,491M	16.4Moz	$579/oz	21.8Moz	$436/oz	23.10x	15.53x	19.24x	13.59x	0.8Moz	1.1Moz	48.9%	$639/oz	$426/oz	0.60x	1.33x	1.20x	7.0%	$2,268
SEMAFO	AB	OP	C$7.85	C$10.75	$2,243M	2.8Moz	$796/oz	6.0Moz	$375/oz	19.73x	14.02x	14.99x	11.22x	0.2Moz	0.5Moz	84.2%	$680/oz	$593/oz	0.58x	1.16x	1.06x	9.4%	$1,984
Yamana Gold	DH	OP	$15.51	$20.00	$11,369M	16.4Moz	$694/oz	30.0Moz	$379/oz	15.96x	13.31x	10.77x	9.21x	1.1Moz	1.5Moz	41.5%	$484/oz	$502/oz	0.44x	1.08x	0.97x	10.6%	$1,911
							$504/oz		$362/oz	23.71x	16.82x	16.50x	12.54x			69.5%	$563/oz	$485/oz	0.45x	1.19x	1.05x	9.7%	$2,038
West African Producers																							
Avocet Mining	AB	OP	£2.36	£3.25	$802M	0.9Moz	$853/oz	2.4Moz	$333/oz	31.10x	9.87x	12.34x	9.26x	167koz	228koz	36.5%	$659/oz	$559/oz	0.57x	0.90x	0.84x	15.9%	$1,671
Cluff Gold	AB	OP(S)	£1.01	£1.50	$221M	0.3Moz	$828/oz	2.3Moz	$96/oz	13.64x	9.23x	7.87x	10.78x	75koz	169koz	125.8%	$837/oz	$749/oz	0.35x	0.68x	0.62x	21.5%	$1,478
Golden Star	AB	Mkt	$2.20	$3.25	$533M	4.8Moz	$112/oz	8.1Moz	$66/oz	na	7.15x	6.61x	3.02x	298koz	343koz	14.9%	$1,051/oz	$970/oz	0.37x	0.59x	0.55x	29.4%	$1,491
Perseus Mining	AB	OP(S)	A$3.17	A$4.25	$1,364M	3.5Moz	$393/oz	5.1Moz	$270/oz	35.76x	7.62x	26.47x	6.19x	78koz	436koz	+250.0%	$742/oz	$559/oz	0.52x	0.95x	0.87x	13.5%	$1,741
Teranga Gold	AB	Mkt	C$2.29	C$3.00	$614M	1.4Moz	$451/oz	2.0Moz	$302/oz	49.82x	17.33x	17.94x	9.29x	141koz	205koz	45.1%	$769/oz	$600/oz	0.42x	0.74x	0.69x	19.8%	$1,520
Randgold Resources	AB	OP	$109.99	$125.00	$9,491M	16.4Moz	$579/oz	21.8Moz	$436/oz	23.10x	15.53x	19.24x	13.59x	765koz	1,139koz	48.9%	$639/oz	$426/oz	0.60x	1.33x	1.20x	7.0%	$2,268
Resolute Mining	DH	Mkt	A$1.38	A$1.60	$660M	5.0Moz	$132/oz	7.9Moz	$84/oz	24.02x	9.19x	7.63x	4.48x	344koz	452koz	31.4%	$955/oz	$820/oz	0.28x	0.49x	0.45x	38.4%	$1,298
SEMAFO	AB	OP	C$7.85	C$10.75	$2,243M	2.8Moz	$796/oz	6.0Moz	$375/oz	19.73x	14.02x	14.99x	11.22x	249koz	459koz	84.2%	$680/oz	$593/oz	0.58x	1.16x	1.06x	9.4%	$1,984
							$471/oz		$297/oz	26.81x	11.23x	14.15x	8.57x			63.4%	$767/oz	$606/oz	0.57x	1.18x	1.07x	10.7%	$2,060
Latin American Producers																							
Alamos Gold	DH	OP	C$18.10	C$24.00	$2,148M	2.4Moz	$900/oz	6.8Moz	$316/oz	25.47x	15.57x	19.99x	12.88x	157koz	392koz	150.3%	$448/oz	$398/oz	0.51x	0.97x	0.89x	12.9%	$1,762
AuRico Gold	DH	OP	C$13.29	C$17.00	$2,246M	4.5Moz	$494/oz	5.8Moz	$390/oz	13.80x	8.68x	10.16x	6.91x	310koz	558koz	79.8%	$469/oz	$503/oz	0.48x	0.87x	0.80x	15.2%	$1,664
Minefinders	AK	OP	C$15.62	C$20.00	$1,061M	4.5Moz	$237/oz	6.2Moz	$171/oz	15.73x	18.60x	9.75x	14.48x	170koz	347koz	104.0%	$551/oz	$604/oz	0.34x	0.71x	0.64x	24.1%	$1,246
New Gold	AK	OP	C$12.32	C$15.00	$5,012M	12.8Moz	$393/oz	18.8Moz	$266/oz	27.12x	24.64x	18.56x	18.30x	481koz	934koz	94.1%	$647/oz	$570/oz	0.41x	1.15x	1.00x	10.6%	$1,938
Yamana Gold	DH	OP	$15.51	$20.00	$11,369M	16.4Moz	$694/oz	30.0Moz	$379/oz	15.96x	13.31x	10.77x	9.21x	1,076koz	1,523koz	41.5%	$484/oz	$502/oz	0.44x	1.08x	0.97x	10.6%	$1,911
							$536/oz		$325/oz	19.62x	14.95x	14.88x	11.14x			70.7%	$522/oz	$515/oz	0.44x	1.04x	0.93x	12.1%	$1,838
LSE & AIM Listed Producers																							
African Barrick Gold	DH	Mkt	£5.35	£6.50	$3,627M	15.5Moz	$234/oz	21.2Moz	$171/oz	12.89x	5.58x	8.85x	6.72x	721koz	899koz	24.8%	$671/oz	$510/oz	0.32x	0.73x	0.67x	19.1%	$1,494
Avocet Mining	AB	OP	£2.36	£3.25	$802M	0.9Moz	$853/oz	2.4Moz	$333/oz	31.10x	9.87x	12.34x	9.26x	167koz	228koz	36.5%	$659/oz	$559/oz	0.57x	0.90x	0.84x	15.9%	$1,671
Centamin Egypt	DH	OP	C$1.72	C$2.50	$1,842M	9.1Moz	$202/oz	11.0Moz	$168/oz	9.86x	6.69x	11.01x	7.22x	228koz	351koz	54.3%	$620/oz	$478/oz	0.21x	0.61x	0.54x	21.3%	$1,351
Cluff Gold	AB	OP(S)	£1.01	£1.50	$221M	0.3Moz	$828/oz	2.3Moz	$96/oz	13.64x	9.23x	7.87x	10.78x	75koz	169koz	125.8%	$837/oz	$749/oz	0.35x	0.68x	0.62x	21.5%	$1,478
European Goldfields	AB	OP(S)	C$11.35	C$17.50	$2,390M	9.2Moz	$260/oz	11.3Moz	$211/oz	na	na	na	na	na	371koz	na	na	$404/oz	0.18x	0.67x	0.57x	17.1%	$1,423
Petropavlovsk	DH	Mkt	£7.19	£9.50	$2,232M	9.1Moz	$244/oz	12.2Moz	$183/oz	9.14x	3.74x	6.36x	4.66x	615koz	865koz	40.6%	$576/oz	$459/oz	0.37x	0.61x	0.57x	29.2%	$1,376
Randgold Resources	AB	OP	$109.99	$125.00	$9,491M	16.4Moz	$579/oz	21.8Moz	$436/oz	23.10x	15.53x	19.24x	13.59x	765koz	1,139koz	48.9%	$639/oz	$426/oz	0.60x	1.33x	1.20x	7.0%	$2,268
							$340/oz		$251/oz	16.62x	8.44x	10.95x	8.71x			56.5%	$638/oz	$475/oz	0.44x	0.98x	0.88x	14.5%	$1,823
Mid-Tier Producers																							
African Barrick Gold	DH	Mkt	£5.35	£6.50	$3,627M	15.5Moz	$234/oz	21.2Moz	$171/oz	12.89x	5.58x	8.85x	6.72x	721koz	899koz	24.8%	$671/oz	$510/oz	0.32x	0.73x	0.67x	19.1%	$1,494
Alacer Gold	DH	Mkt	C$10.33	C$12.00	$2,877M	5.9Moz	$485/oz	10.1Moz	$284/oz	25.24x	13.72x	14.06x	8.71x	347koz	792koz	128.4%	$657/oz	$486/oz	0.56x	1.12x	1.02x	9.8%	$1,938
Alamos Gold	DH	OP	C$18.10	C$24.00	$2,148M	2.4Moz	$900/oz	6.8Moz	$316/oz	25.47x	15.57x	19.99x	12.88x	157koz	392koz	150.3%	$448/oz	$398/oz	0.51x	0.97x	0.89x	12.9%	$1,762
AuRico Gold	DH	OP	C$13.29	C$17.00	$2,246M	4.5Moz	$494/oz	5.8Moz	$390/oz	13.80x	8.68x	10.16x	6.91x	310koz	558koz	79.8%	$469/oz	$503/oz	0.48x	0.87x	0.80x	15.2%	$1,664
Aurizon Mines	AK	Mkt	C$6.30	C$7.00	$1,011M	1.0Moz	$1,058/oz	2.2Moz	$455/oz	23.78x	14.10x	10.81x	8.26x	162koz	310koz	91.1%	$532/oz	$408/oz	0.44x	0.91x	0.83x	14.4%	$1,677
Avocet Mining	AB	OP	£2.36	£3.25	$802M	0.9Moz	$853/oz	2.4Moz	$333/oz	31.10x	9.87x	12.34x	9.26x	167koz	228koz	36.5%	$659/oz	$559/oz	0.57x	0.90x	0.84x	15.9%	$1,671
Centamin Egypt	DH	OP	C$1.72	C$2.50	$1,842M	9.1Moz	$202/oz	11.0Moz	$168/oz	9.86x	6.69x	11.01x	7.22x	228koz	351koz	54.3%	$620/oz	$478/oz	0.21x	0.61x	0.54x	21.3%	$1,351
Centerra Gold	AB	Mkt	C$20.49	C$22.50	$4,748M	8.2Moz	$582/oz	13.1Moz	$362/oz	12.81x	9.22x	10.66x	7.94x	637koz	1,034koz	62.2%	$486/oz	$458/oz	0.48x	0.84x	0.78x	16.9%	$1,596
Golden Star	AB	Mkt	$2.20	$3.25	$533M	4.8Moz	$112/oz	8.1Moz	$66/oz	na	7.15x	6.61x	3.02x	298koz	343koz	14.9%	$1,051/oz	$970/oz	0.37x	0.59x	0.55x	29.4%	$1,491
Minefinders	AK	OP	C$15.62	C$20.00	$1,061M	4.5Moz	$237/oz	6.2Moz	$171/oz	15.73x	18.60x	9.75x	14.48x	170koz	347koz	104.0%	$551/oz	$604/oz	0.34x	0.71x	0.64x	24.1%	$1,246
Perseus Mining	AB	OP(S)	A$3.17	A$4.25	$1,364M	3.5Moz	$393/oz	5.1Moz	$270/oz	35.76x	7.62x	26.47x	6.19x	78koz	436koz	+250.0%	$742/oz	$559/oz	0.52x	0.95x	0.87x	13.5%	$1,741
Teranga Gold	AB	Mkt	C$2.29	C$3.00	$614M	1.4Moz	$451/oz	2.0Moz	$302/oz	49.82x	17.33x	17.94x	9.29x	141koz	205koz	45.1%	$769/oz	$600/oz	0.42x	0.74x	0.69x	19.8%	$1,520
New Gold	AK	OP	C$12.32	C$15.00	$5,012M	12.8Moz	$393/oz	18.8Moz	$266/oz	27.12x	24.64x	18.56x	18.30x	481koz	934koz	94.1%	$647/oz	$570/oz	0.41x	1.15x	1.00x	10.6%	$1,938
OceanaGold	DH	Mkt	A$1.99	A$2.50	$536M	3.8Moz	$140/oz	6.7Moz	$79/oz	12.69x	6.94x	4.33x	3.30x	254koz	533koz	109.9%	$831/oz	$615/oz	0.19x	0.33x	0.31x	51.2%	$1,065
Resolute Mining	DH	Mkt	A$1.38	A$1.60	$660M	5.0Moz	$132/oz	7.9Moz	$84/oz	24.02x	9.19x	7.63x	4.48x	344koz	452koz	31.4%	$955/oz	$820/oz	0.28x	0.49x	0.45x	38.4%	$1,298
SEMAFO	AB	OP	C$7.85	C$10.75	$2,243M	2.8Moz	$796/oz	6.0Moz	$375/oz	19.73x	14.02x	14.99x	11.22x	249koz	459koz	84.2%	$680/oz	$593/oz	0.58x	1.16x	1.06x	9.4%	$1,984
							$368/oz		$237/oz	22.32x	11.67x	13.00x	8.28x			73.1%	$671/oz	$553/oz	0.44x	0.91x	0.83x	16.0%	$1,688
Emerging Producers																							
Alacer Gold	DH	Mkt	C$10.33	C$12.00	$2,877M	5.9Moz	$485/oz	10.1Moz	$284/oz	25.24x	13.72x	14.06x	8.71x	347koz	792koz	128.4%	$657/oz	$486/oz	0.56x	1.12x	1.02x	9.8%	$1,938
CGA Mining	AK	OP	C$2.55	C$4.00	$748M	2.3Moz	$319/oz	2.9Moz	$254/oz	15.72x	11.26x	12.73x	9.41x	163koz	290koz	77.9%	$620/oz	$545/oz	0.26x	0.66x	0.57x	19.9%	$1,335
Cluff Gold	AB	OP(S)	£1.01	£1.50	$221M	0.3Moz	$828/oz	2.3Moz	$96/oz	13.64x	9.23x	7.87x	10.78x	75koz	169koz	125.8%	$837/oz	$749/oz	0.35x	0.68x	0.62x	21.5%	$1,478
Great Basin Gold	AB	OP	C$1.99	C$3.25	$918M	7.2Moz	$128/oz	13.6Moz	$68/oz	18.88x	4.57x	15.24x	4.01x	163koz	339koz	107.8%	$674/oz	$552/oz	0.24x	0.50x	0.45x	26.3%	$1,236
Lake Shore Gold	AK	Mkt(S)	C$2.29	C$2.50	$825M	0.8Moz	$1,015/oz	1.5Moz	$533/oz	na	38.34x	31.36x	12.70x	95koz	285koz	199.5%	$721/oz	$515/oz	0.44x	0.90x	0.80x	21.8%	$1,438
Osisko Mining	JPH	OP(S)	C$14.29	C$17.50	$5,556M	9.0Moz	$620/oz	19.3Moz	$288/oz	na	na	na	na	287koz	993koz	245.9%	$867/oz	$494/oz	0.45x	1.05x	0.94x	11.0%	$1,898
Perseus Mining	AB	OP(S)	A$3.17	A$4.25	$1,364M	3.5Moz	$393/oz	5.1Moz	$270/oz	35.76x	7.62x	26.47x	6.19x	78koz	436koz	+250.0%	$742/oz	$559/oz	0.52x	0.95x	0.87x	13.5%	$1,741
San Gold	AK	OP(S)	C$2.96	C$4.50	$826M	0.3Moz	$2,479/oz	0.9Moz	$915/oz	na	15.45x	40.68x	12.56x	81koz	258koz	218.4%	$955/oz	$448/oz	0.28x	0.70x	0.62x	22.0%	$1,269
							$471/oz		$236/oz	21.00x	13.93x	19.50x	9.31x				$724/oz	$526/oz	0.46x	0.98x	0.89x	14.2%	$1,751
Project Developers																							
Andina Minerals	JPH	Mkt(S)	C$1.14	na	$129M	na	na	10.5Moz	$12/oz	na	na	na	na	na	309koz	na	na	$611/oz	0.11x	0.32x	0.28x	34.8%	$1,090
Cluff Gold	AB	OP(S)	£1.01	£1.50	$221M	0.3Moz	$828/oz	2.3Moz	$96/oz	13.64x	9.23x	7.87x	10.78x	75koz	169koz	125.8%	$837/oz	$749/oz	0.35x	0.68x	0.62x	21.5%	$1,478
Detour Gold	JPH	OP(S)	C$32.33	na	$3,228M	14.9Moz	$217/oz	25.7Moz	$126/oz	na	na	na	na	na	717koz	na	na	$403/oz	0.31x	0.93x	0.82x	11.4%	$1,874
Eco Oro Minerals	JPH	Mkt(S)	C$2.30	na	$182M	na	na	15.0Moz	$12/oz	na	na	na	na	na	170koz	na	na	$506/oz	0.24x	0.53x	0.48x	29.2%	$1,118
European Goldfields	AB	OP(S)	C$11.35	C$17.50	$2,390M	9.2Moz	$260/oz	11.3Moz	$211/oz	na	na	na	na	na	371koz	na	na	$404/oz	0.18x	0.67x	0.57x	17.1%	$1,423
Extorre Gold Mines	JPH	Mkt(S)	C$10.72	na	$1,044M	na	na	1.8Moz	$578/oz	na	na	na	na	na	88koz	na	na	$494/oz	1.45x	2.26x	2.12x	-6.1%	$3,578
Gabriel Resources	JPH	Mkt(S)	C$6.24	na	$2,465M	8.1Moz	$305/oz	12.9Moz	$192/oz	na	na	na	na	na	629koz	na	na	$341/oz	0.40x	1.08x	0.94x	11.1%	$1,906
Guyana Goldfields	AK	OP(S)	C$8.20	C$11.00	$582M	na	na	3.7Moz	$158/oz	na	na	na	na	na	261koz	na	na	$309/oz	0.25x	0.73x	0.64x	25.3%	$1,027
International Tower Hill	JPH	Mkt(S)	C$7.56	na	$668M	na	na	20.2Moz	$33/oz	na	na	na	na	na	na	na	na	na	0.23x	0.89x	0.77x	14.8%	$1,556
Keegan Resources	AB	Mkt(S)	C$7.80	C$10.00	$892M	na	na	2.9Moz	$307/oz	na	na	na	na	na	254koz	na	na	$536/oz	0.27x	0.70x	0.62x	19.0%	$1,356
Orezone Gold	AB	OP(S)	C$3.12	C$4.50	$266M	na	na	2.3Moz	$115/oz	na	na	na	na	na	291koz	na	na	$729/oz	0.29x	0.62x	0.56x	24.4%	$1,362
Rainy River	JPH	OP(S)	C$9.57	na	$837M	na	na	6.6Moz	$127/oz	na	na	na	na	na	135koz	na	na	$563/oz	0.31x	0.96x	0.83x	13.3%	$1,697
Romarco	AK	OP(S)	C$1.50	C$3.00	$707M	1.3Moz	$551/oz	4.1Moz	$171/oz	na	na	na	na	na	195koz	na	na	$321/oz	0.17x	0.60x	0.50x	22.7%	$1,023
Rubicon Minerals	AK	Und(S)	C$3.85	C$3.50	$848M	na	na	na	na	na	36.15x	na	25.19x	na	197koz	na	na	$348/oz	0.62x	1.19x	1.08x	9.9%	$1,982
Torex Gold	AB	OP(S)	C$1.99	na	$680M	na	na	3.0Moz	$229/oz	na	na	na	na	na	303koz	na	na	$385/oz	0.30x	0.73x	0.64x	17.4%	$1,424
Victoria Gold	JPH	Mkt(S)	C$0.63	na	$183M	1.8Moz	$105/oz	6.3Moz	$29/oz	na	na	na	na	na	198koz	na	na	$660/oz	0.27x	0.56x	0.51x	28.4%	$1,215
							$259/oz		$113/oz									$462/oz	0.38x	0.95x	0.84x	14.0%	$1,748

Pricing Date: August 19, 2011, Gold Price: US$1,825/oz, Silver Price: US$40.69/oz, Copper Price: US$3.97/lb.

Values Reflect Estimates by Individual Analysts: Andrew Breichmanas (AB), John Hayes (JPH), David Haughton (DH), and Andrew Kaip (AK)

Source: BMO Capital Markets

Q3/11 Precious Metal Strategy
August 21, 2011

Fig 79: Gold Sector Target Price Changes

Company	Ticker	Analyst	Price	Previous Target	Revised Target		Previous Rating	Revised Rating
African Barrick Gold	ABG	DH	£5.35	£5.50	£6.50	▲	Mkt	Mkt
Agnico-Eagle Mines	AEM	DH	$65.57	$82.50	$82.50		Mkt	Mkt
Alacer Gold	ASR	DH	C$10.33	C$10.75	C$12.00	▲	Mkt	Mkt
Alamos Gold	AGI	DH	C$18.10	C$22.00	C$24.00	▲	OP	OP
Andina Minerals	ADM	JPH	C$1.14	na	na		Mkt(S)	Mkt(S)
AngloGold Ashanti	ANG	DH	R324.72	R375.00	R400.00	▲	Mkt	Mkt
AuRico Gold	AUQ	DH	C$13.29	C$15.75	C$17.00	▲	OP	OP
Aurizon Mines	ARZ	AK	C$6.30	C$7.00	C$7.00		Mkt	Mkt
Avocet Mining	AVM	AB	£2.36	£3.00	£3.25	▲	OP	OP
Barrick Gold	ABX	DH	$50.78	$61.50	$61.50		Mkt	Mkt
Centamin Egypt	CEE	DH	C$1.72	C$3.00	C$2.50	▼	OP	OP
Centerra Gold	CG	AB	C$20.49	C$20.00	C$22.50	▲	Mkt	Mkt
CGA Mining	CGA	AK	C$2.55	C$4.00	C$4.00		OP	OP
Cluff Gold	CLF	AB	£1.01	£1.25	£1.50	▲	OP(S)	OP(S)
Detour Gold	DGC	JPH	C$32.33	na	na		OP(S)	OP(S)
Dundee Precious Metals	DPM	JPH	C$8.25	C$11.25	C$11.25		OP(S)	OP(S)
Eco Oro Minerals	EOM	JPH	C$2.30	na	na		Mkt(S)	Mkt(S)
Eldorado Gold	ELD	DH	C$19.21	C$20.00	C$22.00	▲	Mkt	Mkt
European Goldfields	EGU	AB	C$11.35	C$17.50	C$17.50		OP(S)	OP(S)
Exeter Resources	XRC	JPH	C$4.29	na	na		Mkt(S)	Mkt(S)
Extorre Gold Mines	XG	JPH	C$10.72	na	na		Mkt(S)	Mkt(S)
Franco Nevada	FNV	DH	C$42.34	C$46.00	C$50.00	▲	Mkt	Mkt
Gabriel Resources	GBU	JPH	C$6.24	na	na		Mkt(S)	Mkt(S)
Gold Fields	GFI	DH	R120.60	R130.00	R145.00	▲	Mkt	Mkt
Goldcorp	GG	DH	$51.65	$75.00	$75.00		OP	OP
Golden Star	GSS	AB	$2.20	$3.50	$3.25	▼	Mkt	Mkt
Great Basin Gold	GBG	AB	C$1.99	C$3.50	C$3.25	▼	OP	OP
Guyana Goldfields	GUY	AK	C$8.20	C$11.00	C$11.00		OP(S)	OP(S)
Harmony Gold Mining	HAR	DH	R86.90	R115.00	R115.00		Mkt	Mkt
IAMGOLD	IAG	DH	$19.48	$25.00	$25.00		Mkt	Mkt
International Tower Hill	ITH	JPH	C$7.56	na	na		Mkt(S)	Mkt(S)
Keegan Resources	KGN	AB	C$7.80	C$10.00	C$10.00		Mkt(S)	Mkt(S)
Kingsgate	KCN	DH	A$9.03	A$10.00	A$10.50	▲	Mkt	Mkt
Kinross Gold	KGC	DH	$16.79	$23.50	$23.50		OP	OP
Lake Shore Gold	LSG	AK	C$2.29	C$2.50	C$2.50		Mkt(S)	Mkt(S)
Minefinders	MFL	AK	C$15.62	C$20.00	C$20.00		OP	OP
New Gold	NGD	AK	C$12.32	C$15.00	C$15.00		OP	OP
Newcrest Mining	NCM	DH	A$39.54	A$55.00	A$55.00		OP	OP
Newmont Mining	NEM	DH	$60.08	$82.50	$82.50		OP	OP
OceanaGold	OGC	DH	A$1.99	A$3.50	A$2.50	▼	Mkt	Mkt
Orezone Gold	ORE	AB	C$3.12	C$5.00	C$4.50	▼	OP(S)	OP(S)
Osisko Mining	OSK	JPH	C$14.29	C$17.50	C$17.50		OP(S)	OP(S)
Perseus Mining	PRU	AB	A$3.17	A$4.00	A$4.25	▲	OP(S)	OP(S)
Pacific Rim Mining	PMU	JPH	C$0.16	na	na		Und(S)	Und(S)
Petropavlovsk	POG	DH	£7.19	£10.00	£9.50	▼	Mkt	Mkt
Polyus Gold	PLZL	DH	$59.50	$75.00	$75.00		Mkt	Mkt
Primero Mining	P	DH	C$4.38	na	na		R	R
Rainy River	RR	JPH	C$9.57	na	na		OP(S)	OP(S)
Randgold Resources	GOLD	AB	$109.99	$100.00	$125.00	▲	OP	OP
Resolute Mining	RSG	DH	A$1.38	A$1.60	A$1.60		Mkt	Mkt
Romarco	R	AK	C$1.50	C$3.00	C$3.00		OP(S)	OP(S)
Rubicon Minerals	RMX	AK	C$3.85	C$3.50	C$3.50		Und(S)	Und(S)
San Gold	SGR	AK	C$2.96	C$4.50	C$4.50		OP(S)	OP(S)
SEMAFO	SMF	AB	C$7.85	C$10.00	C$10.75	▲	OP	OP
Teranga Gold	TGZ	AB	C$2.29	C$3.00	C$3.00		Mkt	Mkt
Torex Gold	TXG	AB	C$1.99	na	na		OP(S)	OP(S)
Victoria Gold	VIT	JPH	C$0.63	na	na		Mkt(S)	Mkt(S)
Yamana Gold	AUY	DH	$15.51	$17.50	$20.00	▲	OP	OP

Source: BMO Capital Markets

Please see pages 47 & 49 for analyst coverage.

Fig 80: Silver Sector Valuation Metrics

Company	Ticker	Analyst	Share Price 08/18/2011	MC US$M	Rating	Target	Return	NAV US$ Spot, 10%	NAV US$ BMO, 0%	NAV US$ BMO, 10%	Multiple to NAV Spot, 10%	Multiple to NAV BMO, 0%	Multiple to NAV BMO, 10%
Senior Producers													
Fresnillo	FRES.LSE	AK	£18.40	21,723	Mkt	£18.00	-2%	17.85	18.76	9.60	1.7x	1.6x	3.2x
Silver Wheaton	SLW.NYSE	AK	38.61	13,620	OP	53.00	37%	28.79	34.65	15.72	1.3x	1.1x	2.5x
Pan American Silver	PAAS.NASDQ	AK	29.39	3,134	OP	45.00	53%	41.10	38.18	19.58	0.7x	0.8x	1.5x
Hochschild Mining	HOC.LSE	AK	£4.35	2,407	OP	£7.50	72%	9.49	6.36	4.45	0.8x	1.1x	1.6x
Coeur D'Alene Mining	CDE.NYSE	AK	24.79	2,195	OP	38.00	53%	33.41	19.99	12.64	0.7x	1.2x	2.0x
Average				43,080			**43%**				**1.0x**	**1.2x**	**2.1x**
Intermediate Producers													
Hecla Mining	HL.NYSE	AK	7.03	1,941	OP	12.00	71%	5.95	7.18	4.26	1.2x	1.0x	1.7x
Silvercorp	SVM.TSX	AK	C$ 8.29	1,467	OP	C$ 17.50	111%	9.96	14.50	7.84	0.8x	0.6x	1.1x
Silver Standard	SSRI.NASDQ	AK	25.44	2,045	OP	40.00	57%	44.95	44.31	24.61	0.6x	0.6x	1.0x
First Majestic	FR.TSX	AK	C$ 20.46	2,124	OP	C$ 28.00	37%	20.77	17.83	10.33	1.0x	1.2x	2.0x
Average				7,577			**69%**				**0.9x**	**0.8x**	**1.4x**
Junior & Emerging Producers													
Endeavour Silver	EDR.TSX	AK	C$ 10.24	874	Und	C$ 8.50	-17%	6.04	4.21	3.43	1.7x	2.5x	3.0x
Fortuna Silver	FVI-TSX	AK	C$ 5.35	666	OP	C$ 8.00	50%	6.07	5.60	3.46	0.9x	1.0x	1.6x
Bear Creek Mining	BCM.TSXV	AK	C$ 3.85	359	Mkt(S)	C$ 6.00	56%	9.48	13.87	5.95	0.4x	0.3x	0.7x
MAG Silver	MAG.TSX	JPH	C$ 9.49	617	OP(S)	n/a	n/a	13.36	18.91	9.41	0.7x	0.5x	1.0x
Minco Silver	MSV.TSX	AK	C$ 3.15	186	OP(S)	C$ 7.50	138%	11.37	9.26	4.33	0.3x	0.3x	0.7x
Orko Silver	OK.TSX	AK	C$ 2.48	321	Mkt(S)	C$ 3.25	31%	3.10	3.15	1.23	0.8x	0.8x	2.0x
Tahoe Resources	THO.TSX	AK	C$ 19.27	2,788	OP(S)	C$ 26.00	35%	22.67	24.70	9.95	0.9x	0.8x	2.0x
Average							**65%**				**0.8x**	**0.9x**	**1.6x**

*Analyst Legend: AK - Andrew Kaip, JPH - John Hayes

Company	Ticker	Analyst	Share Price 08/18/2011	MC US$M	2011E EPS (US$)	2011E P/E	2011E CFPS (US$)	2011E P/CF	2011E EV/ EBITDA	2012E EPS (US$)	2012E P/E	2012E CFPS (US$)	2012E P/CF	2012E EV/ EBITDA	IRR, Spot
Senior Producers															
Fresnillo	FRES.LSE	AK	£18.40	21,723	1.24	24.4x	1.98	15.3x	12.6x	1.58	19.2x	2.12	14.3x	10.9x	2.6%
Silver Wheaton	SLW.NYSE	AK	38.61	13,620	1.88	20.5x	2.07	18.7x	17.8x	2.50	15.5x	2.73	14.2x	17.8x	7.5%
Pan American Silver	PAAS.NASDQ	AK	29.39	3,134	3.14	9.4x	3.97	7.4x	3.9x	3.75	7.8x	4.68	6.3x	3.1x	18.2%
Hochschild Mining	HOC.LSE	AK	£4.35	2,407	0.54	13.4x	1.18	6.0x	4.0x	0.64	11.2x	1.36	5.3x	2.9x	15.2%
Coeur D'Alene Mining	CDE.NYSE	AK	24.79	2,195	2.77	9.0x	5.00	5.0x	4.4x	4.02	6.2x	6.54	3.8x	2.4x	18.8%
Average						**15.3x**		**10.5x**	**8.6x**		**12.0x**		**8.8x**	**7.4x**	**12.5%**
Intermediate Producers															
Hecla Mining	HL.NYSE	AK	7.03	1,941	0.57	12.3x	0.87	8.1x	5.0x	0.63	11.1x	0.86	8.2x	4.7x	9.4%
Silvercorp	SVM.TSX	AK	C$ 8.29	1,467	0.40	20.9x	0.55	15.3x	10.8x	0.68	12.3x	0.94	8.9x	6.0x	14.5%
Silver Standard	SSRI.NASDQ	AK	25.44	2,045	0.39	>50	0.60	42.2x	13.7x	1.14	22.2x	1.65	15.4x	10.6x	19.7%
First Majestic	FR.TSX	AK	C$ 20.46	2,124	1.39	14.8x	1.56	13.3x	9.0x	2.07	10.0x	2.26	9.1x	5.8x	12.2%
Average						**16.0x**		**19.7x**	**9.6x**		**13.9x**		**10.4x**	**6.8x**	**13.9%**
Junior & Emerging Producers															
Endeavour Silver	EDR.TSX	AK	C$ 10.24	874	0.63	16.3x	1.14	9.1x	8.5x	0.81	12.8x	1.46	7.1x	5.0x	4.5%
Fortuna Silver	FVI-TSX	AK	C$ 5.35	666	0.28	19.0x	0.34	16.1x	26.2x	0.70	7.7x	0.82	6.6x	3.5x	18.2%
Bear Creek Mining	BCM.TSXV	AK	C$ 3.85	359	(0.14)	nap	(0.13)	nap	nap	(0.06)	nap	(0.06)	nap	nap	32.4%
MAG Silver	MAG.TSX	JPH	C$ 9.49	617	0.00	nap	(0.07)	nap	nap	(0.13)	nap	(0.12)	nap	nap	
Minco Silver	MSV.TSX	AK	C$ 3.15	186	(0.06)	nap	(0.05)	nap	nap	(0.05)	nap	(0.04)	nap	nap	33.5%
Orko Silver	OK.TSX	AK	C$ 2.48	321	(0.03)	nap	(0.03)	nap	nap	(0.02)	nap	(0.03)	nap	nap	14.2%
Tahoe Resources	THO.TSX	AK	C$ 19.27	2,788	(0.20)	nap	(0.22)	nap	nap	(0.18)	nap	(0.16)	nap	nap	14.6%
Average						**17.7x**		**12.6x**	**17.4x**		**10.3x**		**6.8x**	**4.2x**	**19.6%**

*Analyst Legend: AK - Andrew Kaip, JPH - John Hayes

Source: BMO Capital Markets

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Hold	Market Perform	62.2%	14.7%	68.2%	56.2%	54.6%	39.3%
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