

June 15, 2015

## Going for Gold

### Entering the Next Cycle

AEM Market Perform  
Price: US\$30.89 Target Price: US\$35.00

ABX Outperform  
Price: US\$11.27 Target Price: US\$16.00

ELD Market Perform  
Price: C\$5.16 Target Price: C\$6.00

GG Outperform  
Price: US\$16.85 Target Price: US\$22.00

KGC Market Perform  
Price: US\$2.36 Target Price: US\$2.75

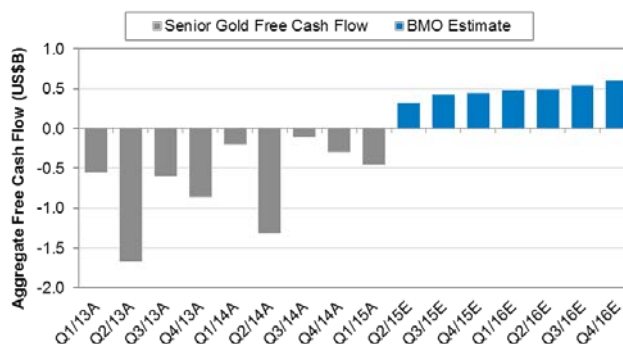
AUY Market Perform  
Price: US\$3.24 Target Price: US\$3.75

*Priced as of close on June 12, 2015*

BMO Research is initiating coverage of six of the North American-based gold miners. After two years of cost cutting, balance sheets are showing positive improvement and debt is less of an obstacle toward a new stage of growth focused on return that will drive the next cycle.

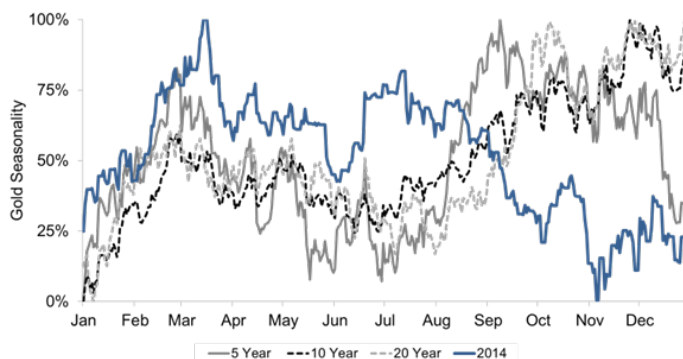
1. We have moved toward a more constructive view and believe that the senior miners look to begin to screen more constructively in early 2016 when viewed by generalist investors.
2. We recommend that investors position in advance of this catalyst, taking advantage of seasonal weakness through the summer.
3. ABX and GG are rated Outperform: ABX on execution of strategy, GG on delivery of growth. AEM, AUY, ELD, and KGC are rated Market Perform but have catalysts that could change our view.

Fig 1: Senior Golds Are Moving Toward Free Cash Flow Generation



Source: BMO Capital Markets

Fig 2: Gold Seasonality Could Play Into an Investment Strategy



Source: BMO Capital Markets

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## 1. Constructive on the Gold Miners

### We Look to Be Entering the Next Cycle

BMO Research is initiating coverage of six of the North American-based gold miners. After reviewing the core fundamentals of these miners, our outlook over the next 12 months is constructive even in the context of our \$1,180/oz gold price assumption for 2016E.

The senior miners under initiation have completed the first round of cuts focused on trimming down the head office, realigning capital budgets and mine plans to lower metal prices, and made a number of inroads into optimizing operating costs.

In our view, the senior miners have entered the second stage of optimisation strategies. This second round of optimization is focused on further benefits derived from:

- Procurement strategies that should improve consumable costs and reduce inventories
- Detailed mine-by-mine reviews targeting further improvements in sustaining capital and operating costs.
- Implementation of internal hurdle rates on new capital programs that will lead to further reductions on capital programs.

Taking these factors into consideration, declining AISC are forecast to move the senior miners under coverage toward free cash flow when they report Q2/15 financials. Early movers, in our view, include AEM and KGC.

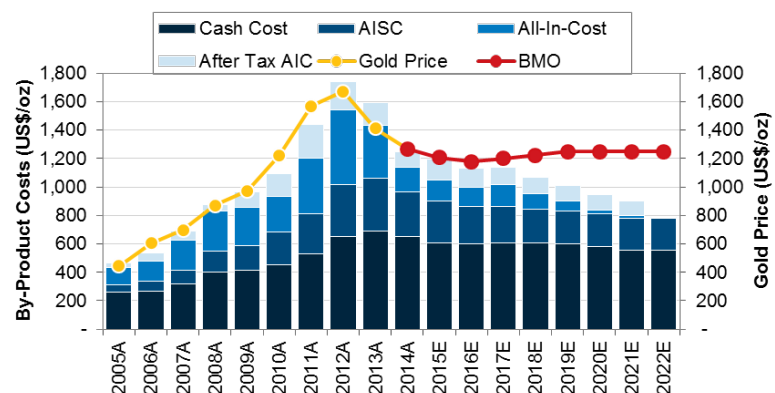
A move toward slow but steady improvement in the cash generative capacity of the miners should go a long way toward repairing balance sheets, improving investor confidence, and enabling companies to reinvest in their respective businesses. We see these trends as the beginning of the next cycle for gold equities.

**Declining costs are increasing the ability for the gold miners to generate free cash flow.**

#### Enabling the miners to:

- Repair balance sheets
- Improve investor confidence
- Reinvest in their respective businesses

Fig 3: Changes in AISC 2011E to 2022E



Source: BMO Capital Markets

## Senior Gold Sector

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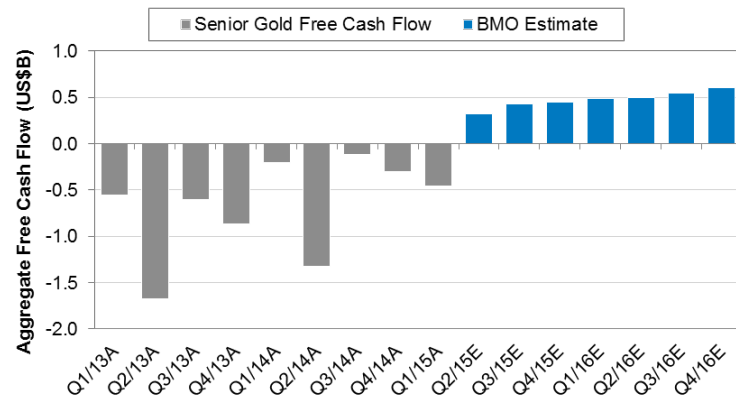
Collectively, the North American senior gold miners are projected to begin building cash.

Early leaders include AEM and KGC.

We see many parallels between the current gold market and the depths of the last cycle.

However, this time around the move toward a better business model should rekindle investor interest.

Fig 4: Senior Gold Quarterly Free Cash Flow



Source: BMO Capital Markets

### Where Are We In the Cycle?

We see many parallels between the current gold market and the depths of the last cycle in the early 2000s. The XAU and HUI had declined 80% from their respective highs in the 1996. Gold had corrected close to 40% from a peak of \$418/oz to sub-260/oz and investor interest was at an all-time low as investors chased returns in the tech and biomedical sectors. We have witnessed a similar retrenchment since the Q3/11 peak with the XAU and HUI down 75% and gold down 40% from a peak of \$1,921 to current levels.

Gold stocks began to recover in the spring of 2001 with gold rising 48% back to the \$400/oz level. Through this period, ABX shares rose 48%, AEM by 60%, KGC by 240%, and ELD by 830%.

In contrast to the previous cycle, we see where rising gold prices and the prospects of margin expansion drove investor interest; we expect the price of gold to remain flat for the next several years. Absent higher gold prices, we expect a drive to reduce costs and rationalize operations providing the catalyst for margin expansion and a rekindled interest in the sector.

### Through the Looking Glass

A constructive view for the senior north American gold miners is supported when looking at the sector through a generalist screen provided by our Chief Investment Strategist, Brian Belski (Section 3). Based on our forward-looking analysis, we see the potential for the senior gold miners to begin screening constructively in early 2016.

Taking into consideration an early 2016 inflection point, and that we are currently midway through a seasonally weak period for gold, we advocate an opportunistic investment strategy through the summer months to take advantage of a rebound in investor interest in gold through the fall.

## Senior Gold Sector

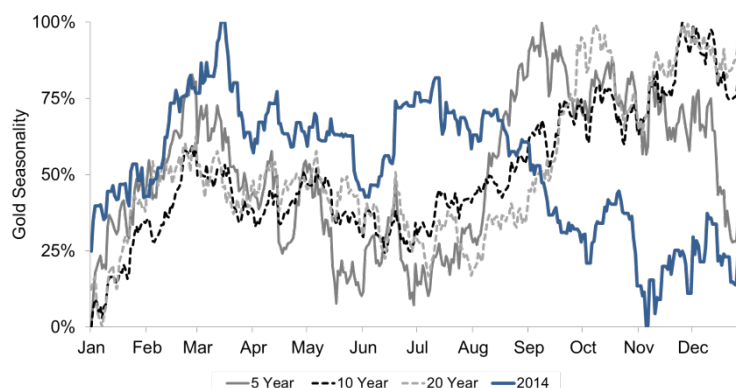
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### Investor beware:

**We are midway through a seasonally weak time for the price of gold.**

**Investors may want to look at building a position through the summer months.**

Fig 5: Gold Seasonality



Source: BMO Capital Markets

### Risks Remain

We would be remiss in suggesting that all is good for the senior gold miners. Debt levels remain sufficiently high for a number of miners and are currently impeding growth strategies. While positive inroads have been made at assessing growth opportunities, the senior miners still struggle to demonstrate reasonable returns on capital allocation. It will take investors a while to forget the \$29.1B in writedowns incurred by the six senior gold miners in 2013 and 2014.

The six senior gold miners under initiation offer potential investment opportunities, but the risk and timing of these catalysts vary significantly.

Fig 6: Opportunities and Risks

	Opportunities	Risks
ABX	<ul style="list-style-type: none"> <li>Production guidance and earnings visibility</li> <li>Execute on strategy</li> <li>Deleverage balance sheet through debt repayment</li> <li>Core asset quality</li> <li>Nevada based growth projects</li> </ul>	<ul style="list-style-type: none"> <li>Corporate compensation</li> <li>Declining production profile</li> </ul>
AEM	<ul style="list-style-type: none"> <li>Shareholder focus</li> <li>Production guidance and increasing earnings visibility</li> <li>Near-term growth</li> <li>Value add through exploration</li> </ul>	<ul style="list-style-type: none"> <li>Valuation</li> </ul>
AUY	<ul style="list-style-type: none"> <li>Cerro Moro development</li> <li>Post Argentina election rebound</li> <li>Valuation</li> </ul>	<ul style="list-style-type: none"> <li>Production guidance and earnings visibility</li> <li>Corporate compensation</li> <li>BRIO execution</li> </ul>
ELD	<ul style="list-style-type: none"> <li>Production Growth</li> <li>New mine quality</li> <li>Valuation</li> </ul>	<ul style="list-style-type: none"> <li>Greece Exposure</li> <li>Eastern Dragon permitting</li> </ul>
GG	<ul style="list-style-type: none"> <li>Core asset quality</li> <li>Growth opportunities</li> <li>Valuation</li> </ul>	<ul style="list-style-type: none"> <li>Production guidance and earnings visibility</li> <li>Trough net debt</li> <li>Dividend cut</li> </ul>
KGC	<ul style="list-style-type: none"> <li>Production guidance, improving earnings visibility</li> <li>Valuation</li> <li>Post Argentina election rebound</li> </ul>	<ul style="list-style-type: none"> <li>Russian Exposure</li> <li>Declining production profile</li> <li>Growth Strategy - Tasiast uncertainty &amp; timeframe</li> <li>Deal Risk</li> </ul>

Source: BMO Capital Markets



## Senior Gold Sector

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**BMO Research forecasts global gold production will peak at +3kt over the next several years.**

**Production could begin to decline post 2020E.**

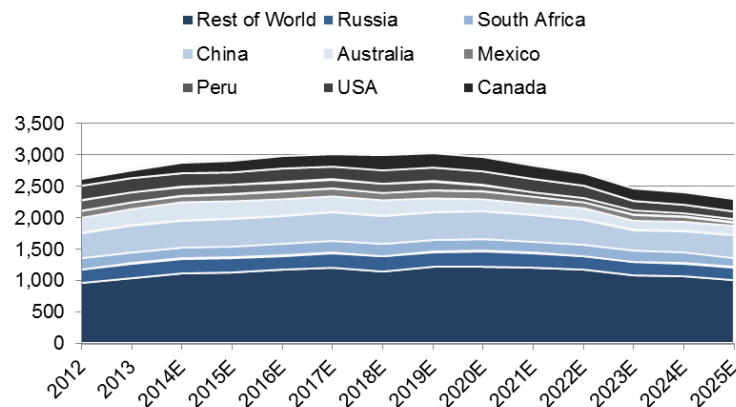
**Demand is projected to outpace supply in 2019E, but this assumes 400tpa of net central bank purchases through this period**

### Do Supply Declines Factor Into the Equation? Not Really

For some investors, a supply response to the lack of investment over the last two years on mine production could factor into an investment decision.

We see little potential for declining production to impact an investment decision given our analysis that forecasts mine supply growth through 2019E. Demand is projected to outpace supply in 2019E, but this assumes 400tpa of net central bank purchases through this period.

Fig 7: BMO Research Gold Production Forecasts



Source: BMO Capital Markets

### Price Projections Are Flat

We forecast an average gold price of \$1,207/oz in 2015E, but we see potential upside assuming the price of gold rallies into the fall in response to seasonal buying patterns in India and attendant western-backed investment momentum.

While we are comfortable with the view that the market has already priced in a rate hike by the Fed in September, an early rate hike would be negative for gold. Conversely, weak U.S. economic data through the summer months could push the prospects of a rate hike further out and would be supportive of gold through the remainder of 2015.

In our view, there is little risk for higher-than-expected inflation to support gold prices, as the Fed has so much more room to tighten. Key indicators continue to be wage growth and capacity utilization.

A weaker gold price in 2016E (\$1,180/oz) aggregates the impact of continued strengthening in the U.S. economy and prospects of continued strength in the U.S. dollar. While internally we debate the impact of a U.S. election year on the price of gold, the reality is that the response is likely to be more geared to increase price volatility than providing a clear direction.

Long term, BMO Research forecasts a nominal gold price of \$1,250/oz. It is against this flat gold price forecast that we benchmark the senior gold miners.

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Fig 8: BMO Research Metal Price Assumptions

BMO Metal Price Assumptions							
		2014A	2015E	2016E	2017E	2018E	Long-Term
Gold Price	(US\$/oz)	\$1,267	\$1,207	\$1,180	\$1,200	\$1,225	\$1,250
Silver Price	(US\$/oz)	\$19.11	\$16.43	\$16.00	\$18.00	\$20.00	\$21.00
Copper Price	(US\$/lb)	\$3.12	\$2.74	\$2.70	\$2.70	\$3.20	\$3.20
Lead Price	(US\$/lb)	\$0.95	\$0.93	\$1.05	\$1.10	\$1.15	\$1.15
Zinc Price	(US\$/lb)	\$0.98	\$1.02	\$1.15	\$1.25	\$1.25	\$1.10

Source: BMO Capital Markets

**Senior Gold Sector**

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## 2. Recommendations

**ABX and GG are rated Outperform.**

BMO Research is initiating coverage of six of the North American-based gold miners. After reviewing the core fundamentals of these miners, our outlook over the next 12 months is constructive even in the context of our \$1,180/oz gold price assumption for 2016E.

### Toward the Upside

Fig 9: North American Senior Gold Ratings &amp; Target Prices

Company	Ticker	Share Price (local)	Market Cap (US\$B)	Rating	Target (local)	Implied Return (%)
Agnico Eagle	AEM.NYSE	US\$30.89	\$6.5	Mkt	US\$35.00	13.3%
Barrick	ABX.NYSE	US\$11.27	\$13.1	OP	US\$16.00	42.0%
Eldorado	ELD.TSX	C\$5.16	\$3.0	Mkt	C\$6.00	16.3%
Goldcorp	GG.NYSE	US\$16.85	\$13.7	OP	US\$22.00	30.6%
Kinross	KGC.NYSE	US\$2.36	\$2.7	Mkt	US\$2.75	16.5%
Yamana	AUY.NYSE	US\$3.24	\$3.0	Mkt	US\$3.75	15.7%

Market data as of: June 12, 2015

Source: BMO Capital Markets

**AEM, AUY, ELD, and KGC are rated Market Perform with implied returns below 20%.**

### Methodology

The precious metal team at BMO has made a conscious decision to re-emphasize price to cash flow (EV/EBITDA) while maintaining a focus on net present value (NPV) to derive target prices. A renewed focus on one-year forward P/CFPS (EV/EBITDA) reduces the impact of financial leverage on a number of the gold producers NPV analysis.

While financial leverage remains an issue for a number of producers within our coverage universe, the reality is that debt levels amongst the senior golds are reasonable in the context of traditional debt metrics. In addition, of the \$22.5B in debt held by the six north American senior gold producers under initiation, 55% is long dated with maturities extending from 2022 to 2044.

As a base for target and recommendation derivation, we employ an equal weighting to P/CFPS and NPV using a 5% discount rate. The multiple used to derive the cash flow component of the target price is based on long-term trading averages. Deviation from the company's long-term average is supported by company-specific catalysts. Similarly, deviation from a 1.0x multiple to the 5%NPV highlights specific execution risks.

Fig 10: Target Price Methodology

Ticker	P/CF Multiple (x)	P/CF Weighting (%)	P/CF (US\$)	NPV5% Weighting (%)	NPV5% Multiple (US\$)	Target Price (US\$)
AEM.NYSE	14	65%	\$28.44	35%	\$6.75	\$35.00
ABX.NYSE	9	50%	\$11.43	50%	\$4.45	\$16.00
ELD.TSX	14	35%	\$1.83	65%	\$3.09	\$4.90
GG.NYSE	14	50%	\$14.55	50%	\$7.48	\$22.00
KGC.NYSE	5.5	35%	\$1.31	65%	\$1.44	\$2.75
AUY.NYSE	6	50%	\$1.93	50%	\$1.82	\$3.75

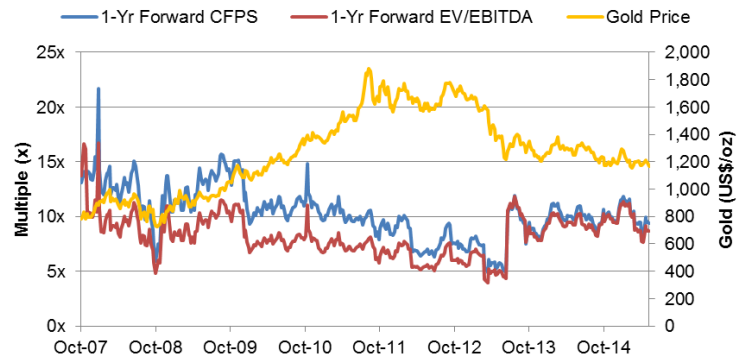
Source: BMO Capital Markets Note that the target price for ELC is expressed in US\$

## Senior Gold Sector

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Fig 11: North American Senior Gold 1-Year

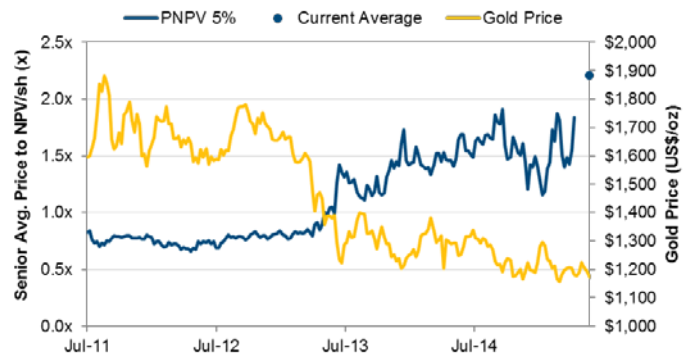
Since Q3/13, P/CF and EV/EBITDA multiples have converged and average 9.5x.



Source: BMO Capital Markets

Fig 12: North American Senior Gold P/NPV5% at Spot Gold

Senior gold miners trade at a P/NPV5% average of around 1.6x at \$1,200/oz gold.



Source: BMO Capital Markets

**Senior Gold Sector**

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### 3. Through the Looking Glass

#### The Senior Miners From a Generalist Perspective

It has been two years since the price of gold lost a quarter of its value, dropping below \$1,200/oz gold before recovering to the \$1,300/oz range. Twelve months later, the pressure on gold was repeated with gold returning to the \$1,200/oz level, where it has largely remained since Q2/14.

**The correction in the price of gold to the \$1,200/oz level exposed an industry rife with cost escalation, unsustainable capital budgets, and high debt levels.**

These two corrections exposed an industry rife with cost escalation and unsustainable capital budgets, leading to excessively high debt levels within the sector. It was during this time frame that the generalist investor began rotating out of the materials sector, predicated on the end of the commodity cycle, and moved toward exposure to the broad-based U.S. recovery.

Since that time, the senior gold miners have implemented capital and operating discipline to the point where, as a group, we expect the senior miners to produce free cash flow by the end of 2015 at \$1,200/oz gold. The senior miners have improved liquidity, are reducing debt levels, and have begun reinvesting in new projects to maintain or even grow production levels.

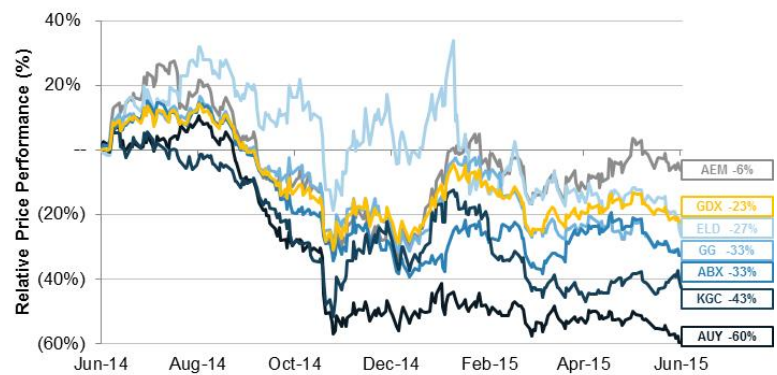
**Over the last two years the senior miners have implemented capital and operating discipline.**

Investors have begun to wake up to the realization that the senior miners have made significant changes, yet share prices remain near multi-year lows.

The price of ABX shares have risen 5% year to date in response to an articulated strategy to return to a more profitable business strategy. AEM Eagle shares have risen 40% in response to improved operational and financial performance, and reinvigorated growth strategies.

**Investors have begun to wake up to the fact that gold miners have made significant changes, yet share prices remain near multi-year lows.**

Fig 13: Share Price Performance of the Senior Miners



Source: BMO Capital Markets

**The question is when will the generalist investor begin to pay attention?**

It is our view that sufficient restructuring has occurred with the senior gold miners and that investors should benefit further from ongoing optimization. If this is the case, then the question that requires answering is, "When will the North American senior gold miners begin to screen constructively through a generalist Looking Glass?"

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**The answer is “not yet.”**

**Brian Belski, Chief Investment Strategist for BMO Capital Markets, has weighed into the valuation debate for the gold miners.**

**North American senior gold producer valuations remain attractive relative to the broader market.**

**The inflection point for the senior gold miners to begin screening constructively looks to take place in early 2016.**

**Overall fundamental composite improves to near all-time high.**

The answer is “Not yet, Alice,” given that current fundamentals, particularly earnings, liquidity, and operating efficiency metrics, remain broadly weak compared to the S&P 500. In a sector where the bulk of assets under management are those in resource-focused portfolios, the re-emergence of the generalist investor into the sector has the potential to reward.

## The Screen Test

To determine when the generalist investor will return to the gold sector, we have reviewed the performance of the senior gold miners relative to a number of screens used by Brian Belski, Chief Investment Strategist for BMO Capital Markets. For simplicity, we compare the North American senior gold miners to the performance of the S&P 500.

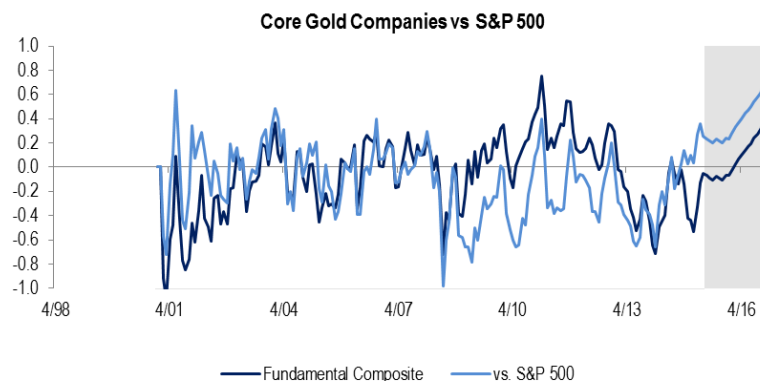
The analysis uses our forecasts for six of the North American senior gold miners under initiation and compares their historical and future performances against the S&P 500 using a number of trailing and leading indicators. In the analysis, the performance of the S&P 500 and gold were held flat and the analysis was not biased by target price.

Overall, our analysis suggests that the fundamental composite for the North American senior gold miners improves to near all-time highs under our estimates, which assume a \$1,200/oz gold price. Drilling into the individual components of the analysis, it becomes apparent that the North American senior gold producer valuations remain attractive relative to the broader market. Liquidity improves, to be comparable to the overall market. Operating efficiency stabilizes around the long-run average.

However, earnings move to the long-run average, but remain expensive relative to the broader index

The inflection point for the senior gold miners to begin screening constructively looks to take place in early 2016, based on our assumptions, as the broad composite moves above the long-run average.

Fig 14: Core Gold Composite



Source: BMO Capital Markets

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Fig 15: Valuation Composite



Metrics used in this composite include Trailing P/E, forward P/E, price to book, price to sales, PEG, price to free cash flow, and dividend yield.

Source: BMO Capital Markets

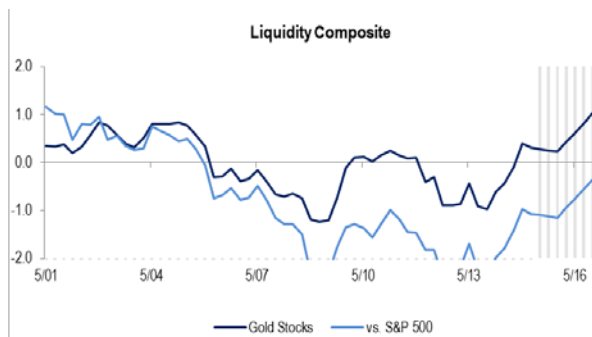
Fig 16: Earnings Composite



Metrics used in this composite include Y/Y% growth in trailing year EPS, Y/Y % estimated growth in forward year EPS, latest quarter EPS surprise, 5-year EPS volatility, and 5-year actual EPS growth.

Source: BMO Capital Markets

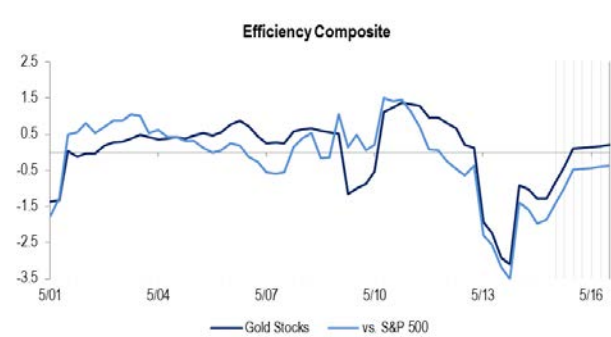
Fig 17: Liquidity Composite



Metrics used in this composite include Cash as a percentage of total assets, cash as a percentage of market capitalization, and free cash flow per share.

Source: BMO Capital Markets

Fig 18: Efficiency Composite

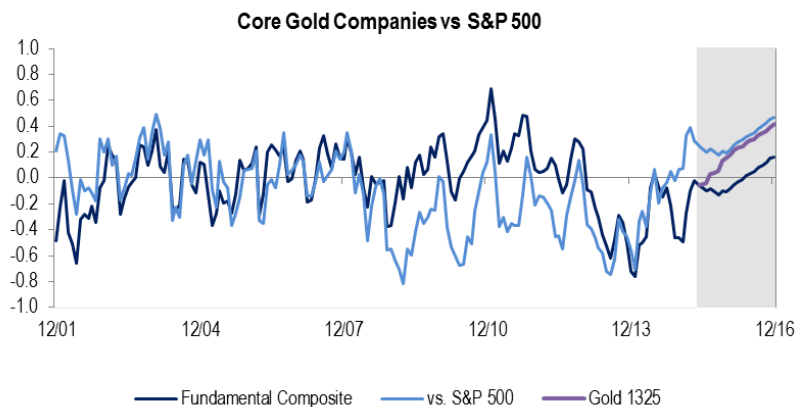


Metrics used in this composite include ROE, ROA, EBIT margin, and profit margin.

Source: BMO Capital Markets

Fig 19: Core Gold Composite at \$1,325/oz gold

**Intuitively, increasing the price of gold has a predictable effect by improving overall valuations and condensing the time frame (purple line).**



Source: BMO Capital Markets



## Senior Gold Sector

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### Which Screen the Best?

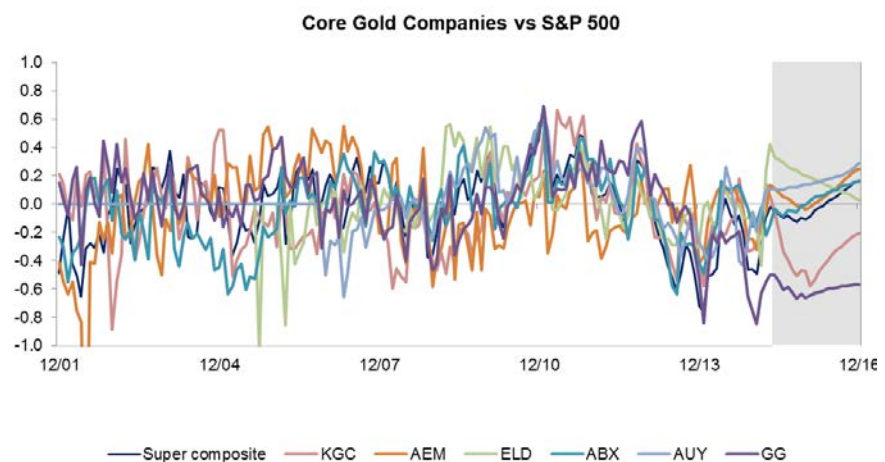
Applying the analysis to individual companies, a number of divergent trends present both opportunities and risks for investors.

- GG screens poorly relative to the other gold miners and S&P, based on a combination negative revision and EPS momentum. While valuation looks reasonable and liquidity improves, GG appears to have insufficient momentum absent positive revision momentum.
- KGC reverses the positive momentum made through 2014 largely on negative EPS momentum.
- ABX, AEM, and AUJ show improving valuation on EPS momentum.
- ELD shows a reverse trend on negative earnings revision and declining liquidity as delivery of Skouries and Olympius erode the company's balance sheet.

As Brian Belski puts it best, "Use this screening and bottom-up analysis as a road map." Taking this lead we separate the companies under initiation into three groups:

1. Companies that are making the necessary changes and have the asset quality to back these changes. This list includes Outperform-rated ABX and Market Perform-rated AEM.
  2. Companies that need to prove that they are making the necessary changes, including Outperform-rated GG and Market Perform-rated KGC.
- Companies that still need to execute on strategy, including AUJ and ELD, both rated Market Perform.

Fig 20: Core Gold Composite



Source: BMO Capital Markets

## 4. Quality of Core Assets

**The senior miners have focused discussions on core asset quality given:**

- **Mine life**
- **Lower costs**
- **Growth**

Mostly driven by debt levels, the senior miners have differentiated between core and non-core operations. For investors, this discussion opens a legitimate discussion on which miner has better-quality assets.

We view asset quality as an important discussion for investors to consider for a number of reasons. Higher-quality mines have a number of points of differentiation, including:

1. Longevity - Longer mine life based on larger reserve and resource lives.
2. Grade – Higher-quality mines generally have superior grade profiles that translate into lower costs / higher operating margins.
3. Discovery Potential – Higher-quality mines have greater potential for exploration to translate into brownfield discoveries that lead to further gains in mine life.
4. Growth – The larger and superior grade profile of higher-quality assets supports incremental expansions in production while maintaining superior returns.

The senior gold miners have begun to focus investor attention toward asset quality by highlighting core assets. For example, ABX highlights its five core operations and lower AISC. Along this theme, it seems logical to extend a comparative approach to determine which senior gold miner has superior asset quality.

**GG, ABX, and AEM have the best core asset quality.**

We rank the 48 mines operated by the six North American senior gold companies under initiation based on project value (net present value, projected reserve life, production profile and AISC, and free cash flow). Entering this equation, we also look at the political risk profile of core assets, as governments are just as capable of identifying the proverbial goose that lays the golden eggs.

Ranking the senior miners' gold operations in this manner provides a number of insights:

1. ABX and GG have three mines ranked in the top 10. AEM and AUJ have two each. The KGC top-ranked mine, Paracatu, is #11. The ELD top-ranked mine, Kislidag, is ranked 19.
2. Looking at the ranking of each company's top four operations, GG and ABX have comparable asset quality, followed closely by AEM and then AUJ. Lower core asset quality for KGC and ELD is related to a combination of reserve life, size, and political risk profile.
3. Low core asset quality for KGC and ELD is related to a combination of reserve life, size, and political risk profile.

**Low core asset quality for KGC and ELD is related to a combination of reserve life, size, and political risk profile.**

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Fig 21: Results of Core Operational Ranking

	NPV 5%, BMO (rank)	Reserve Life (rank)	LOM Avg. Gold Eq. Production (rank)	LOM Co-Product AISC (rank)	LOM Avg. FCF/oz (rank)	Jurisdiction Ranking (rank)	Overall Ranking (rank)
Cortez (ABX)	2	15	4	2	11	2	1
Malartic (AUY/AEM)	3	11	10	7	6	8	2
Eleonore (GG)	4	14	14	9	2	8	3
Penasquito (GG)	1	9	1	3	16	25	4
La Ronde (AEM)	9	19	17	4	5	8	5
Goldstrike (ABX)	5	17	3	21	29	2	6
El Peñón (AUY)	14	24	20	5	4	14	7
Turquoise Ridge (ABX 75%)	15	12	16	15	24	2	8
Los Filos (GG)	11	18	19	8	12	25	9
Kittila (AEM)	18	1	30	26	18	1	10
Paracatu (KGC)	6	8	7	25	20	33	11
Lagunas Norte (ABX)	21	40	5	6	9	24	12
Porcupine (GG)	16	10	23	19	23	17	13
Kalgoorlie (ABX 50%)	22	6	6	32	36	7	14
Tasiast (KGC)	12	7	9	14	27	43	15
Kisladag (ELD)	10	4	24	22	14	41	16
Kupol (KGC)	13	32	12	13	10	37	17
Cerro Negro (GG)	8	13	15	27	17	38	18
Minera Florida (AUY)	25	34	35	10	3	14	19
Pinos Altos (AEM)	20	22	29	16	13	25	20
Muskegwhite (GG)	23	27	26	18	15	17	21
La India (AEM)	29	37	42	1	1	25	22
Veladero (ABX)	17	28	8	33	32	21	23
Efemokuru (ELD)	27	20	37	11	7	41	24
Red Lake (GG)	19	21	18	37	37	17	25

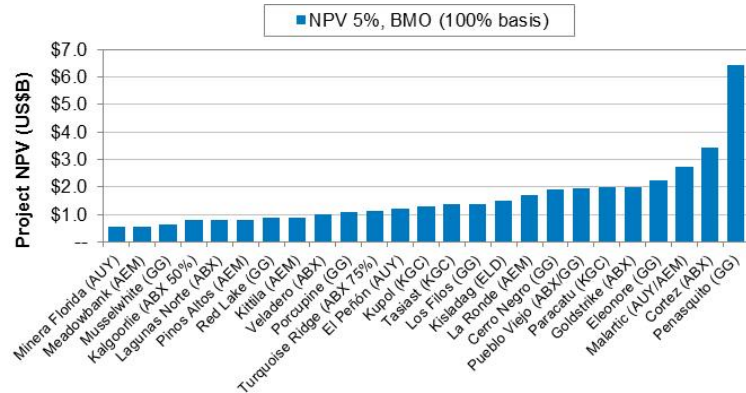
Of the top 25 operating mines:

Cortez (ABX) is ranked #1

Both GG and AEM have exposure to two mines in the top five.

Source: BMO Capital Markets

Fig 22: Top 25 Mines Based on NPV at 5% and Long-Term Metal Prices (US\$M)



Penasquito (GG) has the largest NPV5% by a wide margin.

Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

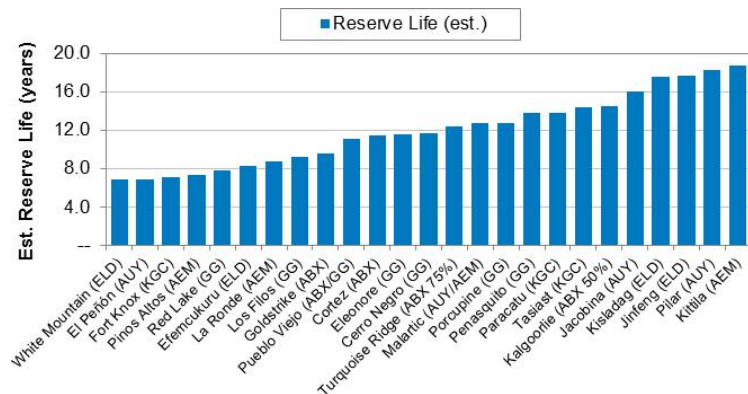
**Kitila (AEM) has the longest reserve life.**

**Both AUY and ELD have two mines in the top five.**

**Longer-life mines tend to be smaller operations.**

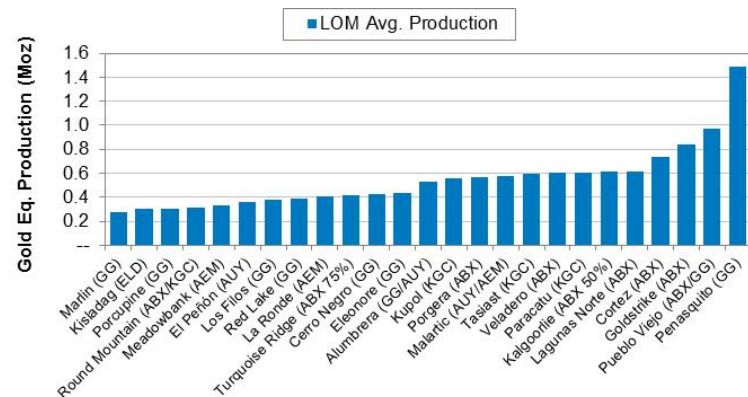
**Kalgoorlie (ABX) is the first large open pit (+500kozpa) mine.**

Fig 23: Top 25 Reserve/Resource Lives



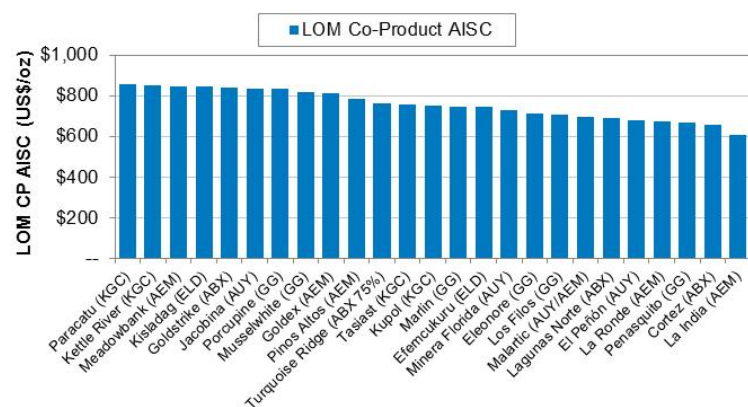
Source: BMO Capital Markets

Fig 24: Top 25 Mines by Production



Source: BMO Capital Markets

Fig 25: Top 25 Mines by AISC



Source: BMO Capital Markets

**La India has the lowest AISC.**

**The largest mines with low AISC include Cortez (ABX), and Penasquito (GG).**

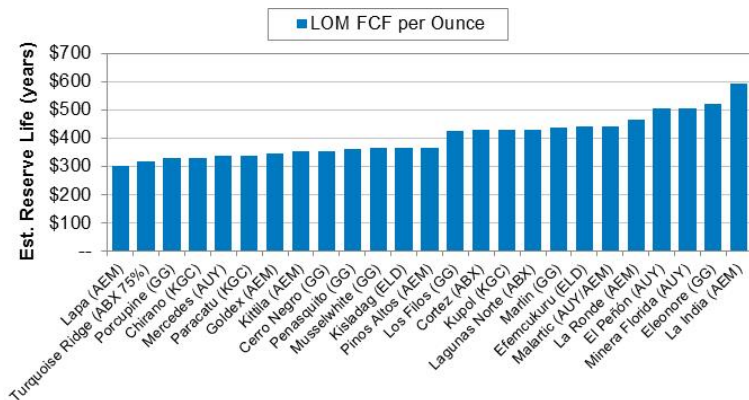
## Senior Gold Sector

June 15, 2015

Fig 26: Top 25 Mines by FCF Per Ounce of Production

La India has the highest FCF per ounce of production

Excluding La India, the higher-grade underground mines dominate the top five.



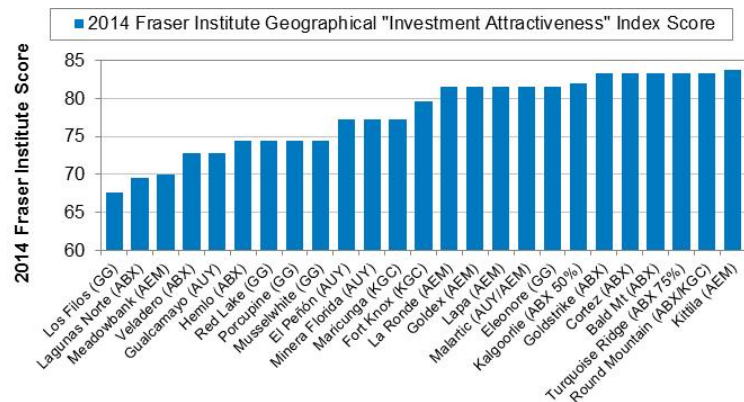
Source: BMO Capital Markets

Fig 27: Fraser Institute Rankings of Geopolitical Investment Attractiveness

Kitila (AEM) is in the best jurisdiction.

ABX benefits from its large Nevada footprint.

AEM benefits from Quebec exposure.



Source: BMO Capital Markets

**Senior Gold Sector**

June 15, 2015

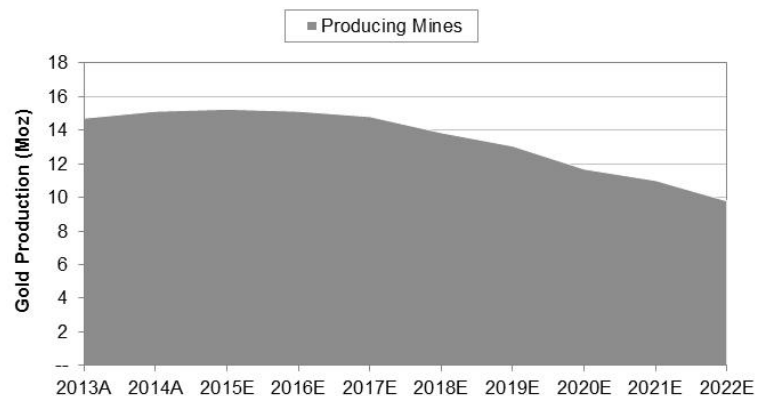
## 5. Eyes on the Future

In the context of \$1,200/oz gold, gone are the mega-projects that proved fatal for several senior management teams over the last three years. Potentially stranded mega-projects include Pascua Lama (ABX), Tasiast expansion (KGC), and El Morro (GG). Combined, these projects represent more than 1.5Moz of new gold production. Capital requirements to complete these projects based on most recent estimates is in the \$9B range.

Beneath these market disappointments, the senior miners have initiated a new stage of growth predicated on lower execution risk, manageable capital requirements, and often within sight of existing operations. Fully executed, this new stage of growth is forecast to provide combined production growth of 5Moz by 2022E at reduced capital intensity and an overall capital bill of \$10B.

Fig 28: North American Senior Gold Miner Production Profile

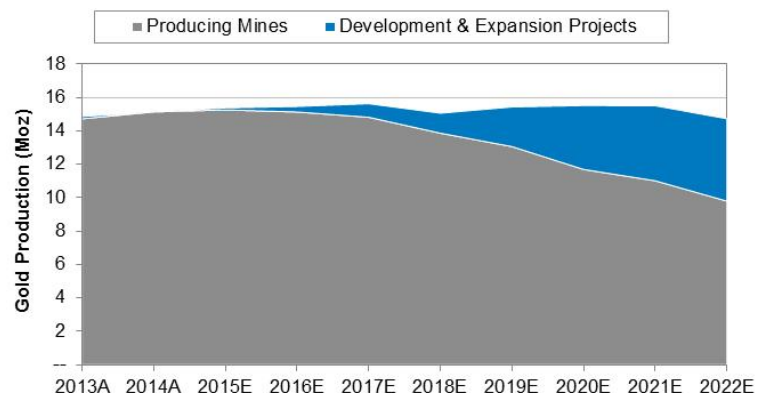
Excluding expansion and development projects, gold production from the six senior miners are forecast to peak in the next two years, and decline 35% to 9.8Moz by 2022E.



Source: BMO Capital Markets

Fig 29: North American Senior Gold Miner Production Profile

Planned expansions and new development are forecast to add 5Moz of new production by 2022E, thereby maintaining production levels.



Source: BMO Capital Markets

## Senior Gold Sector

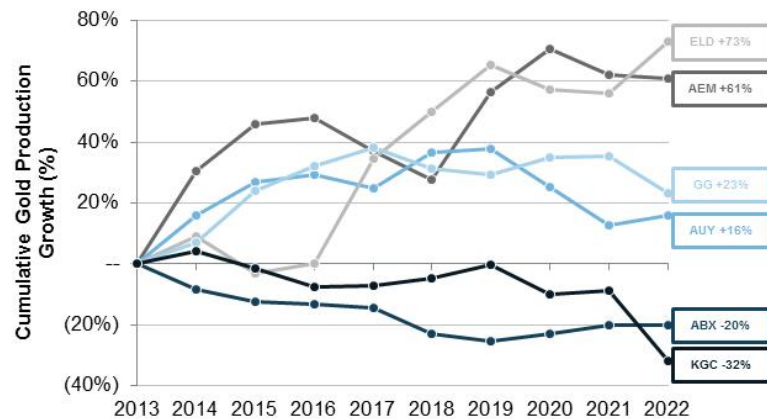
June 15, 2015

**ELD, followed by AEM, are forecast to deliver +50% growth by 2022E**

**KGC and ABX will need to grow to support 2013 production levels.**

**We rank new and expansion projects on a number of risk factors.**

Fig 30: Stemming the Pace of Production Declines



Source: BMO Capital Markets

The question investors are focused on is whether the development and /or expansion plans outlined by the senior miners are maintaining or growing production and will they lead to improved margins.

While the overall risk profile of the senior miners' development strategy has improved, which miners provide the best overall risk profile based on a set of criteria, including:

- Location Risk – Political risk profile
- Execution risk – Expansion or greenfield project
- Technical Risk – Complexity of development scenario
- Project Valuation – Net present value, internal rate of return, reserve life, production profile, AISC, and capital intensity.

We use a quartile-based ranking system for the 16 development projects being considered by the Canadian-based senior gold miners. The list includes a number of planned expansions, including development of the Amurag deposit at Meadowbank (AEM), Tasiast expansion (KGC), and Turquoise Ridge (ABX). Future expansions at Cortez (ABX) underground are not included, pending clarity on a development path later this year.

Skouries (ELD) looks to be the best new project. ELD has high-quality growth in Greece and China. Pascua Lama (ABX) ranks #7 on a go-forward basis.



## Senior Gold Sector

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Fig 31: Results of Project Ranking

	NPV 5% BMO (rank)	Resource Life (rank)	Avg. Gold Eq. Production (rank)	LOM Co- Product AISC (rank)	LOM Avg. FCF/oz (rank)	Project Capex /oz (rank)	Sustaining Capex /oz (rank)	Project IRR (rank)	Execution Risk (rank)	Jurisdiction Ranking (rank)	Overall Ranking (rank)
Skouries (ELD)	3	1	8	6	3	1	5	5	6	12	1
Goldrush (ABX)	2	3	3	4	4	4	13	7	12	1	2
Eastern Dragon (ELD)	9	10	15	1	1	7	4	1	1	11	3
Cerro Moro (AUY)	7	7	11	2	7	11	2	6	6	9	4
Olympias (ELD)	4	8	7	7	2	5	8	9	6	12	5
Camino Rojo (GG)	8	6	9	5	5	6	14	2	6	8	6
Pascua-Lama (ABX)	1	5	1	11	8	10	12	10	12	5	7
Meliadine (AEM)	5	4	4	8	9	13	10	12	6	6	8
Amaruq Exp. (AEM)	11	14	5	15	14	2	7	3	1	6	9
Tasiast Exp. (KGC)	6	11	2	9	13	14	1	15	1	10	10
La Coipa (KGC)	14	15	12	14	11	3	6	4	1	4	11
Spring Valley (ABX)	10	13	10	13	12	9	11	11	6	1	12
Turq. Ridge Exp. (ABX 75%)	15	12	6	10	15	8	15	13	1	1	13
Perama Hill (ELD)	13	9	14	3	6	15	3	8	15	12	14
Certej (ELD)	12	2	13	12	10	12	9	14	12	15	15

Source: BMO Capital Markets

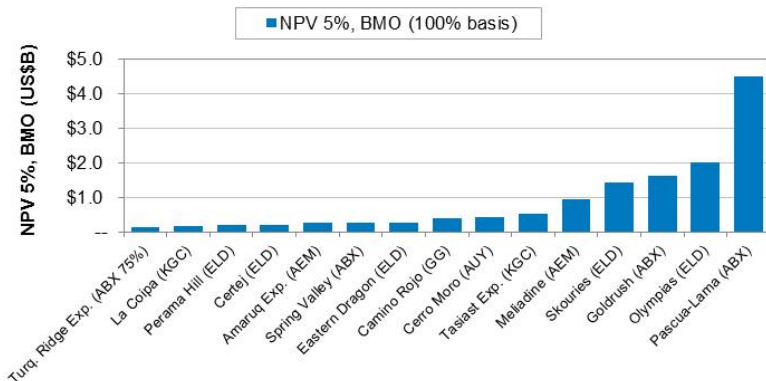
**Despite being placed on suspension, Pascua Lama is the largest project, excluding the estimated \$6.2B of sunk capital to the end of 2013.**

**ELD's Greek strategy at Skouries and Olympia rank high.**

**Goldrush (ABX) ranks #3.**

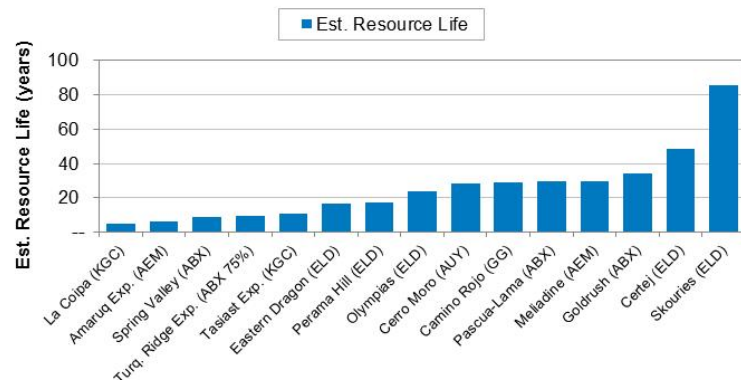
**Tasiast (KGC) is #6.**

Fig 32: Top Projects Based on NPV at 5% and Long-Term Metal Prices (US\$B)



Source: BMO Capital Markets

Fig 33: Top Resource Lives



Source: BMO Capital Markets

**ELD and ABX are focused on developing long-lived mines.**

**Meliadine will provide a long-lived base for AEM**

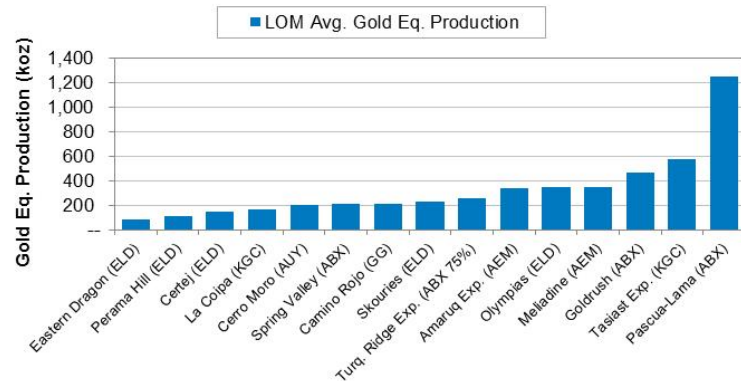
## Senior Gold Sector

June 15, 2015

Only Pasua Lama (ABX), Tasiast (KGC), and Goldrush (ABX) are projected to be capable of producing +400koz annually.

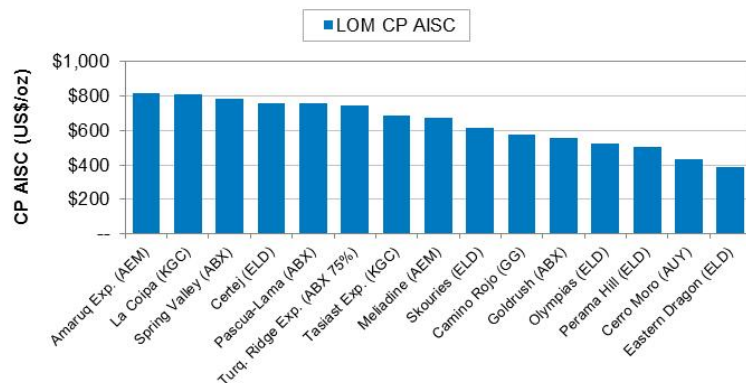
Most projects under consideration are smaller, with average production in the 225koz per annum range.

Fig 34: Top Projects by Production



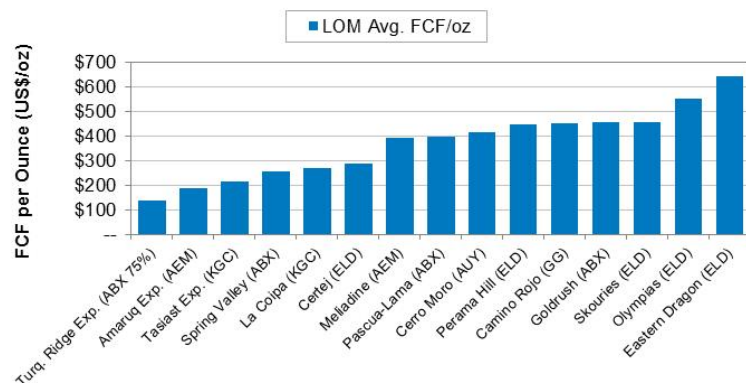
Source: BMO Capital Markets

Fig 35: Top Projects by Co-Product AISC



Source: BMO Capital Markets

Fig 36: Top Projects by FCF per Ounce of Production



Source: BMO Capital Markets

ELD development is focused on high-margin production.

Goldrush (ABX), followed by Camino Rojo, fills out the top five mines.

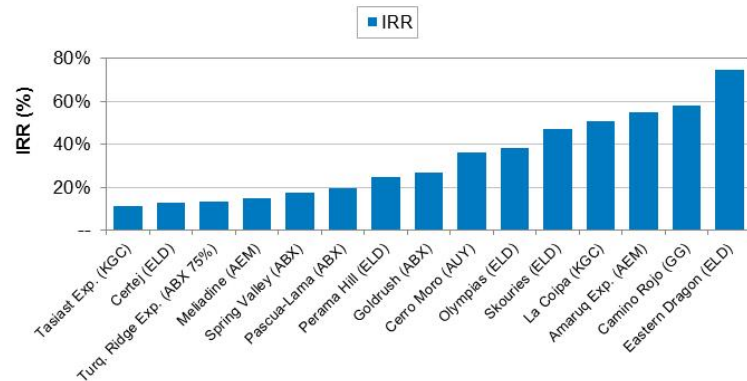
## Senior Gold Sector

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### Higher IRR projects include:

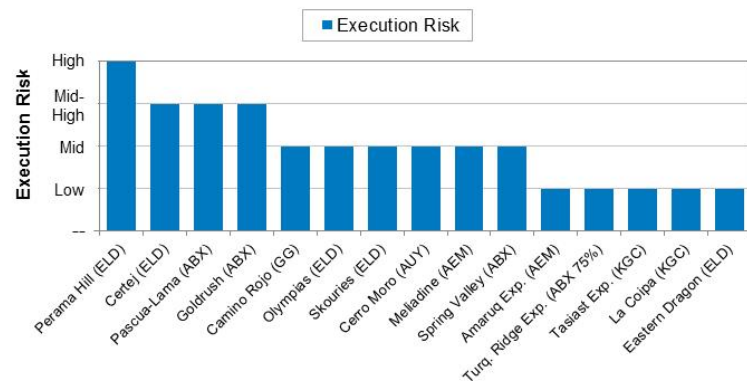
- ELD growth projects
- Camino Rojo (GG)
- Amuruq (AEM)
- A restart at La Coipa (KGC)

Fig 37: Project Ranking by IRR



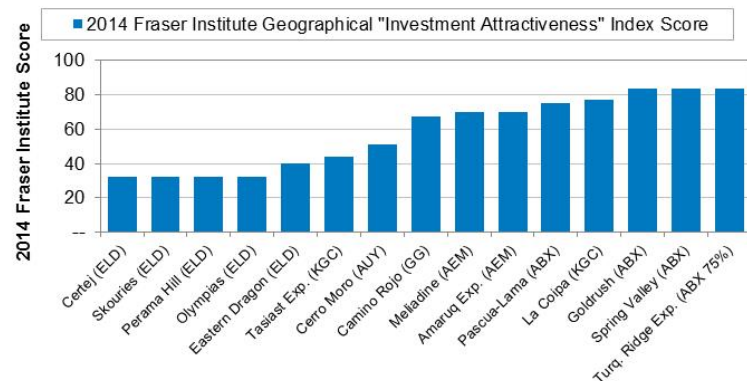
Source: BMO Capital Markets

Fig 38: Project Ranking by Execution Risk



Source: BMO Capital Markets

Fig 39: Fraser Institute Rankings of Geopolitical Investment Attractiveness



Source: BMO Capital Markets

New growth for the senior gold miners is geared toward more friendly jurisdictions.

The quality of ELD's growth is impacted by Greek exposure.

## Senior Gold Sector

June 15, 2015

### 6. Costs Matter

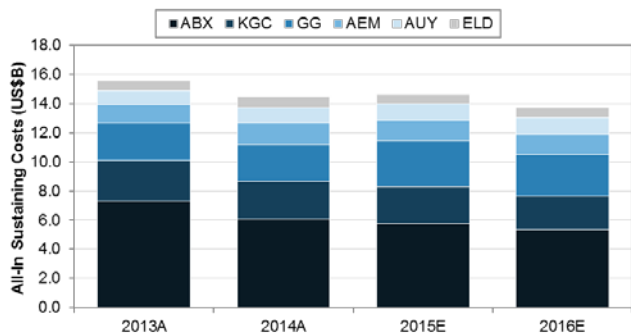
#### What Costs Are Declining?

Over the last two years, senior miners have embarked upon cost reduction programs to align costs with the current metal price environment. Analysis of these efforts shows that most of these cost reductions have taken place through optimizing sustaining capital requirements and rationalizing corporate costs.

**Sustaining capital and corporate G&A have been the focus of cost reduction.**

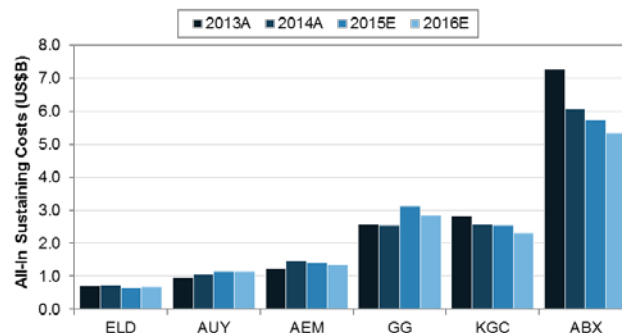
AEM and GG are poised to show the largest declines in AISC: GG through increasing production, and AEM through a combination of improving costs and increasing production. ABX has reduced AISC through lower costs and the sale of higher-cost operations.

Fig 40: Change in AISC (US\$B)



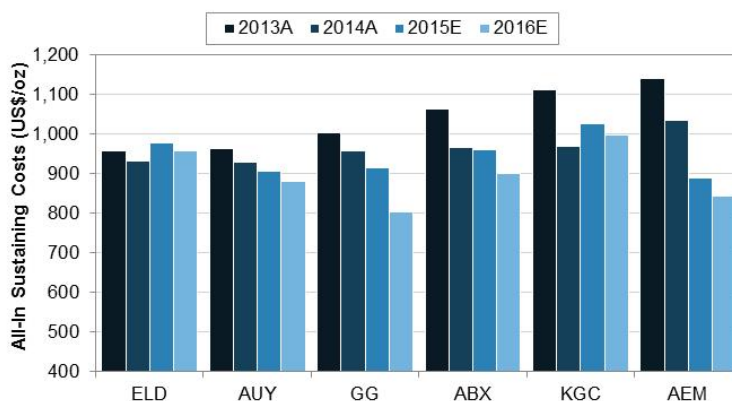
Source: BMO Capital Markets, Company Filings

Fig 41: Change in AISC (US\$B)



Source: BMO Capital Markets, Company Filings

Fig 42: Change in AISC (US\$/oz)



Source: BMO Capital Markets

**AEM and GG are poised to show the largest declines in AISC through a combination of increasing production and cost improvements.**

**ABX on cost improvements and asset sales.**

## Senior Gold Sector

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**The senior miners' first response to the fall in the price of gold through 2013 was to cut sustaining costs.**

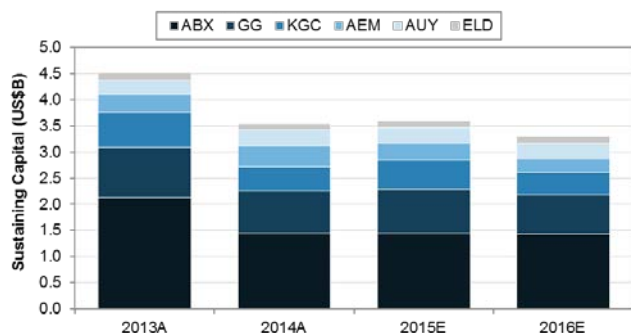
**Sustaining capital declined 22% to \$3.5B in 2014.**

The first response by the senior miners to the fall in the price of gold through 2013 was to cut and rationalize sustaining costs, with the largest cuts taken by ABX, KGC, and GG. Sustaining capital declined 22% from \$4.5B in 2013 to \$3.5B in 2014. Sustaining capital optimization appears to have hit a wall with six of the north American senior miners reporting very little change in sustaining requirements.

Companies that show the ability to drive down sustaining capital further on a per ounce basis include:

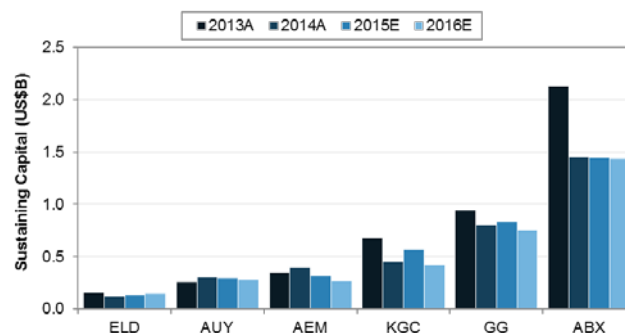
- GG through production growth.
- AEM though declining AISC levels.
- KGC's sustaining capital levels have increased in 2015E owing to increased stripping requirements at Maricunga, but are expected to decline in 2016E.

Fig 43: Change in Sustaining Capital (US\$B)



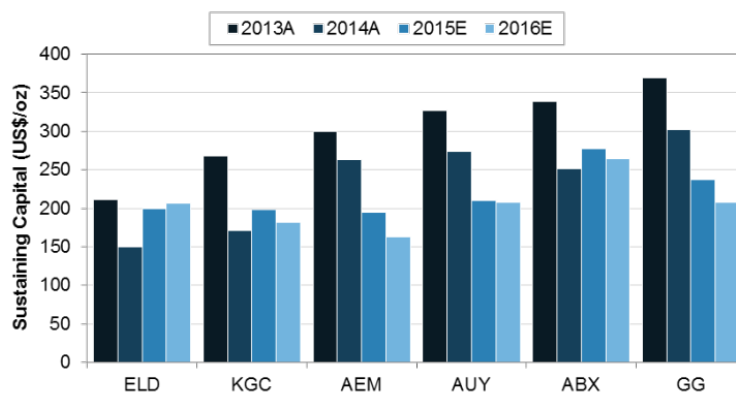
Source: BMO Capital Markets, Company Filings

Fig 44: Change in Sustaining Capital (US\$B)



Source: BMO Capital Markets, Company Filings

Fig 45: Change in Sustaining Capital (US\$/oz)



Source: BMO Capital Markets

**Sustaining costs for AEM are projected to decline further.**

**GG is expected to drive sustaining capital lower through increasing production.**

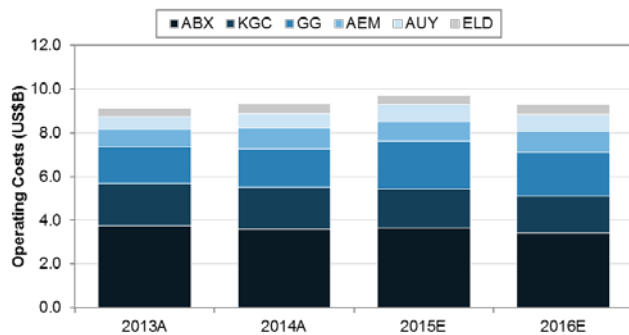
## Senior Gold Sector

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Operating costs for the six senior North American gold producers have remained relatively flat in dollar terms. KGC and ABX are the only senior miners that have been able to bring absolute dollar levels down: KGC through cost reduction measures; and ABX through a combination of cost improvements and asset sales.

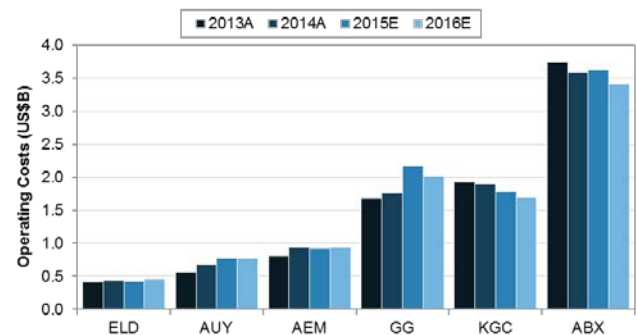
GG and AEM have been able to reduce operating costs per ounce through increasing production. For the next two years, operating costs are projected to be relatively stable.

Fig 46: Change in Operating Costs (US\$B)



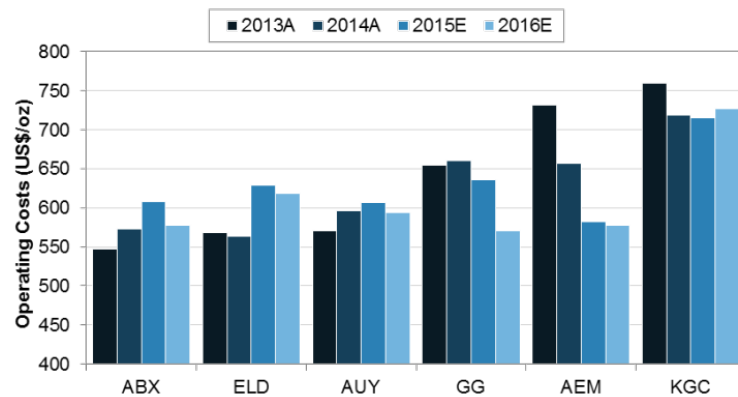
Source: BMO Capital Markets, Company Filings

Fig 47: Change in Operating Costs (US\$B)



Source: BMO Capital Markets, Company Filings

Fig 48: Change in Operating Costs (US\$/oz)



Source: BMO Capital Markets

**For the next two years, operating costs are projected to be relatively stable for KGC, AEM and ELD.**

**GG's costs are declining as production rises.**

**ABX through optimization plans.**

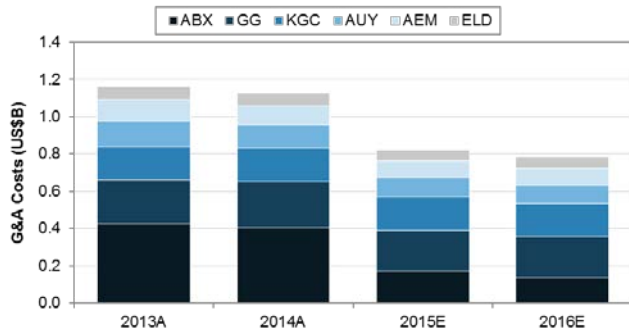
Corporate G&A was a focus of cost reduction with a number of seniors slashing head office head counts by upward of 40%. A significant component of cost reduction was realized through trimmed down exploration departments as companies reined in greenfield programs and through the reduction or elimination of project development and M&A teams as companies cut growth plans.

ABX alone has outlined savings of \$30M in 2015, increasing to \$70M by 2016 from reduced G&A expenditures.

## Senior Gold Sector

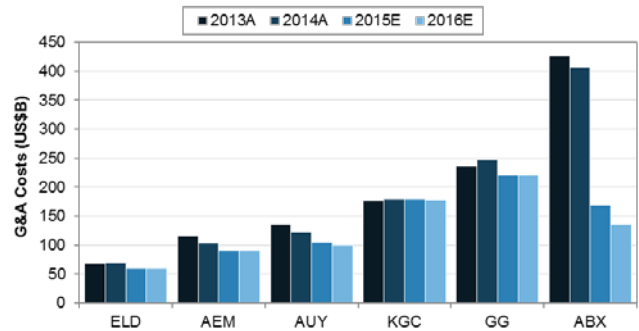
June 15, 2015

Fig 49: Change in G&A Costs (US\$B)



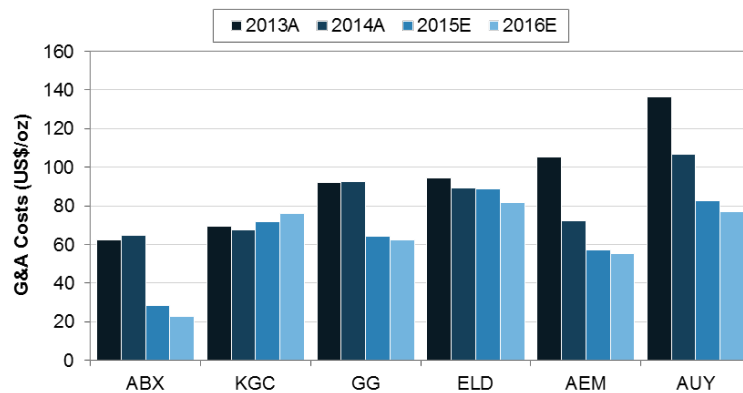
Source: BMO Capital Markets, Company Filings

Fig 50: Change in G&A Costs (US\$B)



Source: BMO Capital Markets, Company Filings

Fig 51: Change in G&A Costs (US\$/oz)



Source: BMO Capital Markets

Most senior gold miners have shown significant reductions in G&A cots.

KGC's costs have risen owing to production declines.

## Operating Leverage

To assess the potential impact of further optimization programs, we look at the main levers on operating costs and which company will benefit the most. The key variables to flex include

1. Producer FX
2. Fuel Price
3. Operating cost reductions
4. Capital cost reductions
5. Corporate G&A costs

Overall, changes in FX and operating cost improvements through ongoing optimization programs look to provide opportunities for further AISC reductions. Further capacity to reduce sustaining costs could still be meaningful, but further reductions in G&A and fuel price have limited impact.



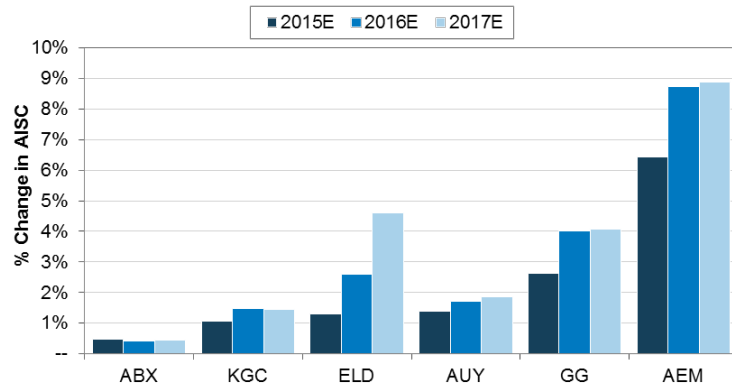
## Senior Gold Sector

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**AEM shows the largest exposure to producer FX due to exposure to Canada.**

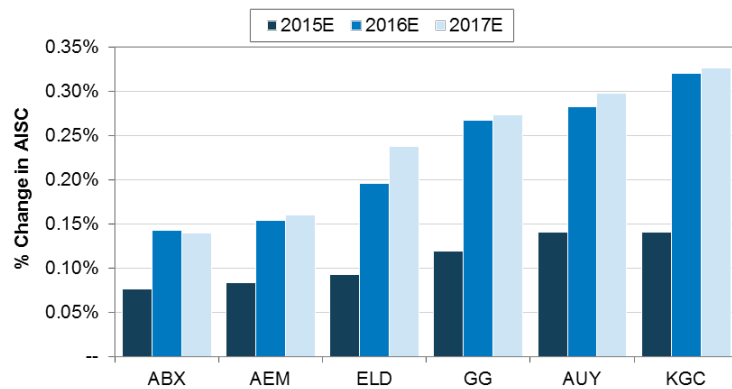
**ELD follows with exposure to Greece.**

Fig 52: Impact of a 10% Change in Producer FX (%)



Source: BMO Capital Markets

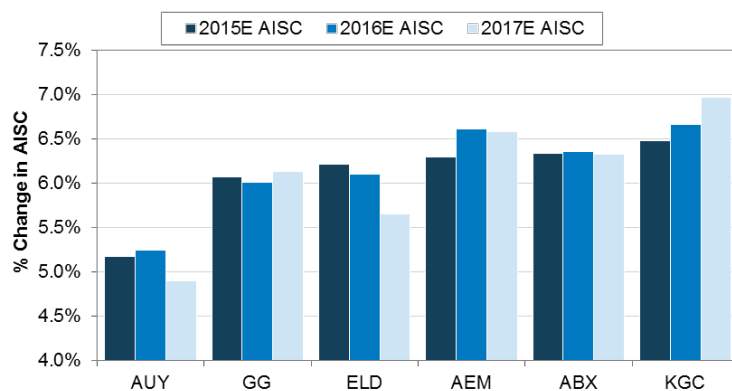
Fig 53: Impact of a 10% Change in Fuel Price (%)



Source: BMO Capital Markets

**As broadcast by the miners, exposure to fuel prices is minimal.**

Fig 54: Impact of a 10% Change in Operating Cost (%)



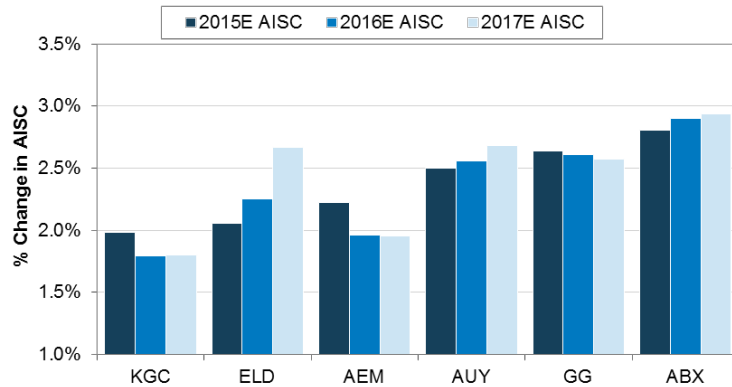
Source: BMO Capital Markets

**Operating cost improvements could have a meaningful impact on the bottom line.**

## Senior Gold Sector

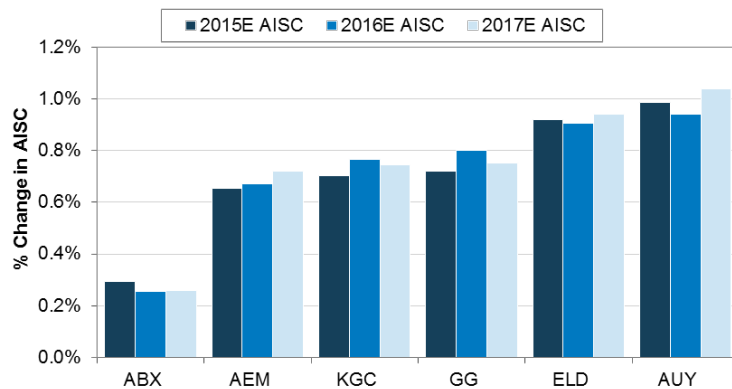
June 15, 2015

Fig 55: Impact of a 10% Change in Sustaining Capital (%)



Source: BMO Capital Markets

Fig 56: Impact of a 10% Change in Corporate G&A (%)



Source: BMO Capital Markets

Further capacity to reduce sustaining costs could still be meaningful.

Further cuts in corporate costs seem unlikely, with the impact on operating margins minimal.

Senior Gold Sector  
June 15, 2015

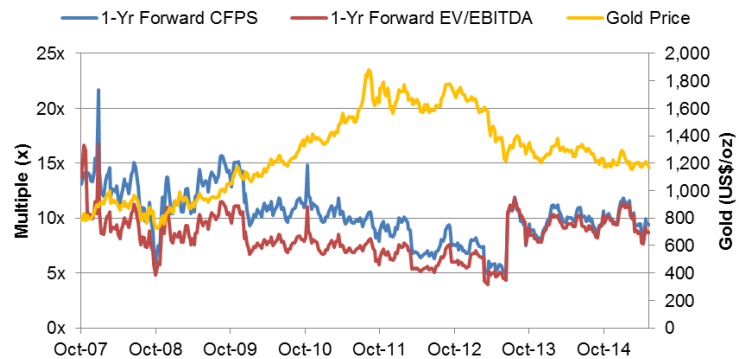
## 7. Valuation

### Trading Multiples Look Attractive

Given BMO Research price assumptions (\$1,207/oz in 2015E, \$1,180/oz in 2016E, \$2,000 in 2017E, \$1,225/oz in 2018E, and \$1,250/oz in 2019E), a number of companies trade at attractive P/CFPS and EV/EBITDA multiples relative to historical averages and the broader market.

Fig 57: North American Senior Gold 1-Year

Since Q3/13, P/CF and EV/EBITDA multiples have converged and average 9.5x.



Source: BMO Capital Markets

Fig 58: North American Senior Valuation Metrics

			2015E							2016E						
Company	Ticker	Price	CFPS	P/CF	EV	EBITDA	EV/EBITDA	EPS	P/E	CFPS	P/CF	EV	EBITDA	EV/EBITDA	EPS	P/E
		(US\$/sh)	(US\$/sh)	(ratio)	(US\$M)	(US\$M)	(ratio)	(US\$/sh)	(ratio)	(US\$/sh)	(ratio)	(US\$M)	(US\$M)	(ratio)	(US\$/sh)	(ratio)
Agnico Eagle	AEM.NYSE	\$30.89	\$3.10	10.0x	\$7,114	\$803	8.9x	\$0.66	46.6x	\$3.12	9.9x	\$7,114	\$798	8.9x	\$0.90	34.4x
Barrick	ABX.NYSE	\$11.27	\$1.97	5.7x	\$22,328	\$3,722	6.0x	\$0.48	23.4x	\$2.54	4.4x	\$22,328	\$4,123	5.4x	\$0.75	15.0x
Eldorado	ELD.TSX	\$4.19	\$0.32	13.1x	\$3,075	\$280	11.0x	\$0.07	>50	\$0.37	11.2x	\$3,075	\$327	9.4x	\$0.09	48.3x
Goldcorp	GG.NYSE	\$16.85	\$1.72	9.8x	\$16,549	\$1,943	8.5x	\$0.41	41.0x	\$2.09	8.1x	\$16,549	\$2,147	7.7x	\$0.50	33.9x
Kinross	KGC.NYSE	\$2.36	\$0.79	3.0x	\$2,803	\$995	2.8x	\$0.06	37.3x	\$0.68	3.5x	\$2,803	\$855	3.3x	(\$0.01)	n.a.
Yamana	AUY.NYSE	\$3.24	\$0.52	6.3x	\$4,804	\$775	6.2x	\$0.07	44.4x	\$0.64	5.0x	\$4,804	\$817	5.9x	(\$0.04)	n.a.
Average				7.6x			7.0x		35.1x		6.8x			6.6x		30.4x

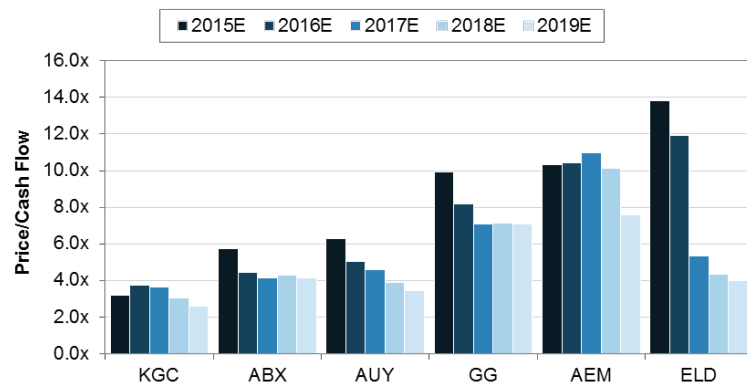
Market data as of: June 12, 2015

Source: BMO Capital Markets

Fig 59: Price/Cash Flow 2015E to 2019E, BMO Commodity Prices

KGC, ABX, and AUY trade at a discount to peers on a P/CF basis.

ELD P/CF multiples are projected to decline as Skouries and Olympia enter production.

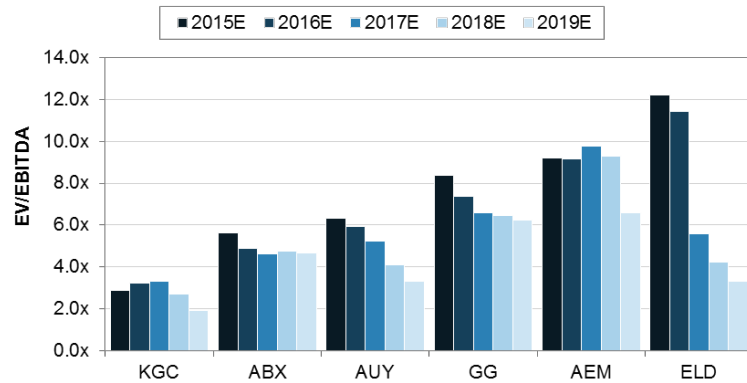


Source: BMO Capital Markets

## Senior Gold Sector

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Fig 60: EV/EBITDA 2015E to 2019E, BMO Commodity Prices

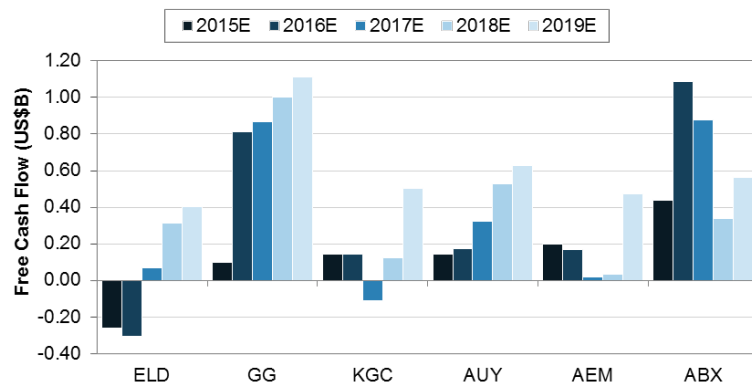


KGC, ABX, and AUY trade at a discount to peer EV/EBITDA.

ABX owing to debt level.

Source: BMO Capital Markets

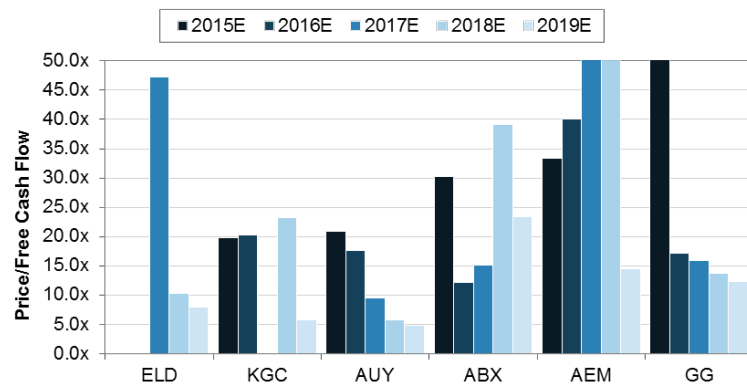
Fig 61: Free Cash Flow 2015E to 2019E, BMO Commodity Prices



GG, AUY, and ELD show improving free cash flow prospects.

Source: BMO Capital Markets

Fig 62: Price/Free Cash Flow 2015E to 2019E, BMO Commodity Prices



GG, AUY, and ELD show improving free cash flow prospects.

Source: BMO Capital Markets

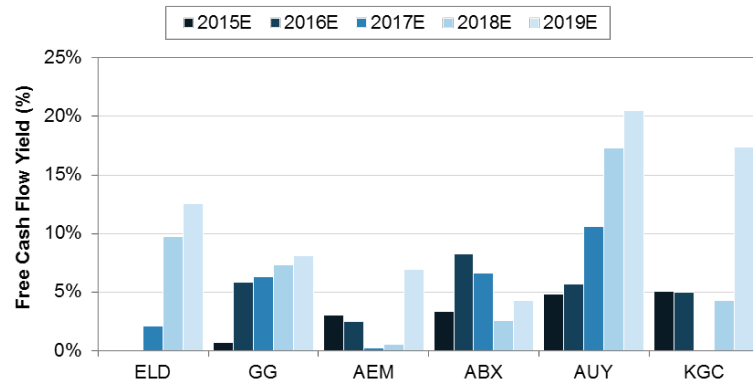
## Senior Gold Sector

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Fig 63: Free Cash Flow Yield 2015E to 2019E, BMO Commodity Prices

ELD's, AUY's, KGC's, and AEM's FCF yields are forecast to rise once growth projects are complete.

GG looks to be moving into a mature stage of FCF generation.



Source: BMO Capital Markets

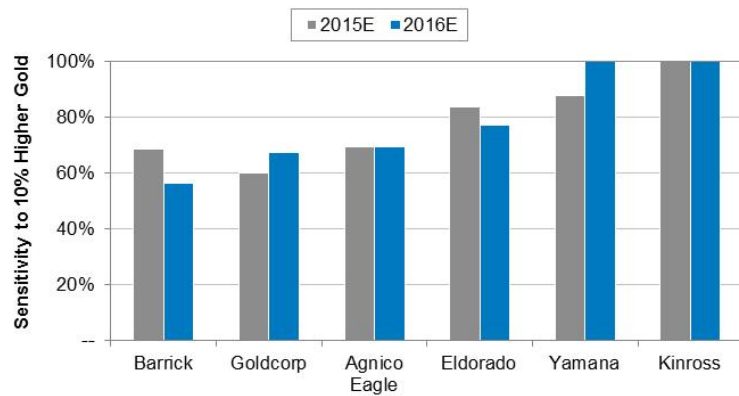
## Senior Gold Sector

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### Sensitivity

Fig 64: EPS Sensitivity to 10% Higher Gold, BMO Commodity Prices

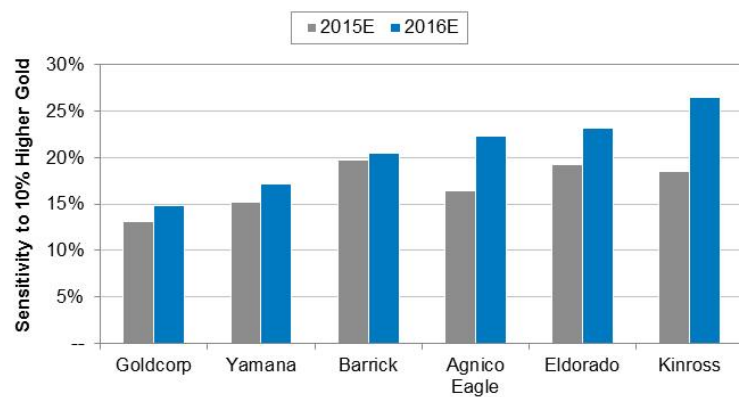
AUY and KGC show the highest EPS leverage to higher gold prices.



Source: BMO Capital Markets

Fig 65: CFPS Sensitivity to 10% Higher Gold, BMO Commodity Prices

KGC and ELD show the highest CFPS leverage to higher gold prices.



Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

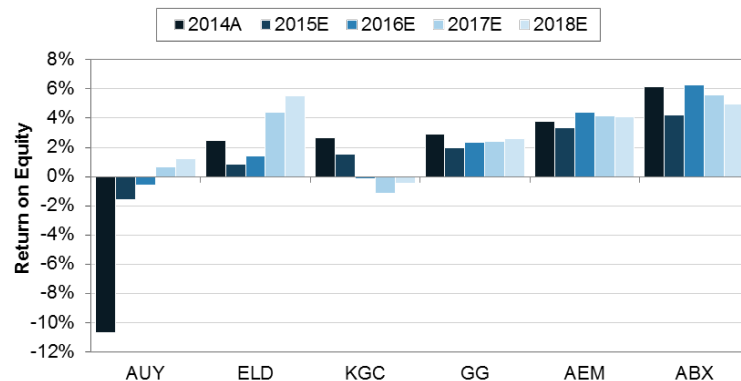
### Profitability and Capital Efficiency

Fig 66: Return on Equity

ABX and AEM have superior return on equity.

AUY and ELD show the greatest improvement.

KGC's ROE is declining until Tasiast is completed in 2019E.



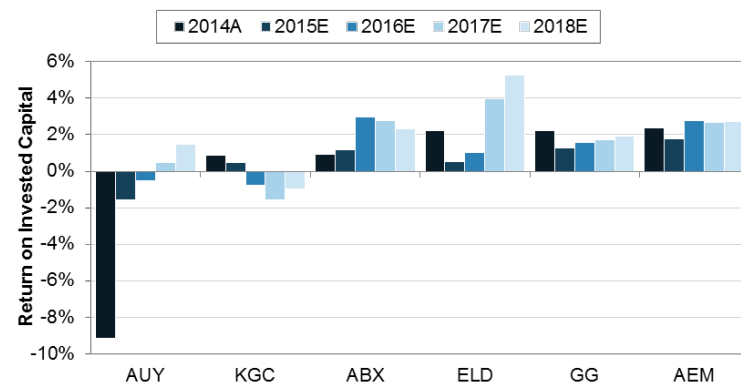
Source: BMO Capital Markets

Fig 67: Return on Invested Capital

ABX, GG, and AEM have similar ROIC profiles.

AUY and ELD show the greatest improvement.

KGC's ROIC is declining until Tasiast is completed in 2019E.



Source: BMO Capital Markets

### P/NPV-Based Valuation

Fig 68: North American Senior Price vs. NPV

Company	Ticker	Price	BMO Prices				Spot Prices			
			NAV <sub>5%</sub>	P/NAV <sub>5%</sub>	NAV <sub>10%</sub>	P/NAV <sub>10%</sub>	NAV <sub>5%</sub>	P/NAV <sub>5%</sub>	NAV <sub>10%</sub>	P/NAV <sub>10%</sub>
		(US\$/sh)	(US\$/sh)	(ratio)	(US\$/sh)	(ratio)	(US\$/sh)	(ratio)	(US\$/sh)	(ratio)
Agnico Eagle	AEM.NYSE	\$30.89	\$19.28	1.60x	\$11.48	2.69x	\$15.44	2.00x	\$8.97	3.44x
Barrick	ABX.NYSE	\$11.27	\$8.90	1.27x	\$3.29	3.43x	\$2.52	4.46x	(\$0.86)	n.a.
Eldorado	ELD.TSX	\$4.19	\$5.94	0.71x	\$3.38	1.24x	\$3.68	1.14x	\$2.05	2.04x
Goldcorp	GG.NYSE	\$16.85	\$16.61	1.01x	\$10.11	1.67x	\$10.26	1.64x	\$6.29	2.68x
Kinross	KGC.NYSE	\$2.36	\$2.76	0.85x	\$1.73	1.36x	\$1.79	1.32x	\$1.00	2.35x
Yamana	AUY.NYSE	\$3.24	\$3.64	0.89x	\$2.21	1.46x	\$2.22	1.46x	\$1.29	2.52x
Average				1.06x		1.98x		2.01x		2.61x

Market data as of: June 12, 2015

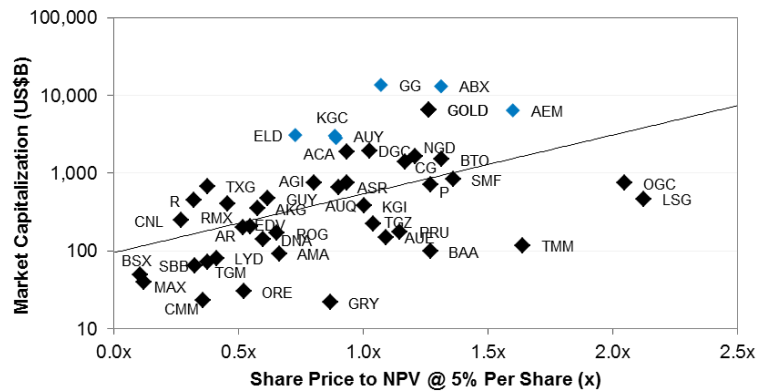
Source: BMO Capital Markets



## Senior Gold Sector

June 15, 2015

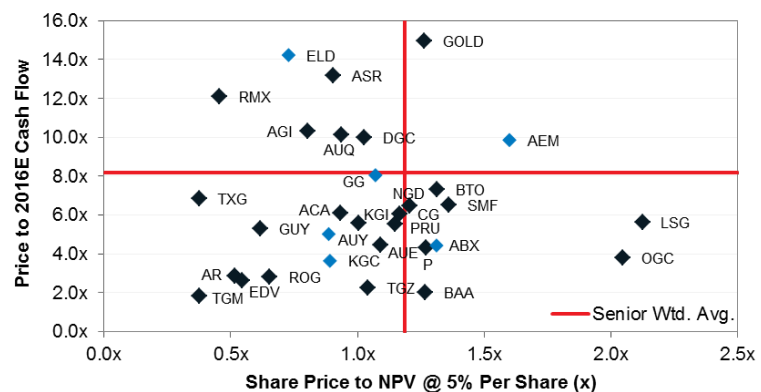
Fig 69: Market Capitalization vs. P/NPV 5%



ELD, KGC, and AUY look attractively valued comparing P/NPV versus size of company.

Source: BMO Capital Markets

Fig 70: P/NPV 5% vs. 2016E P/CF



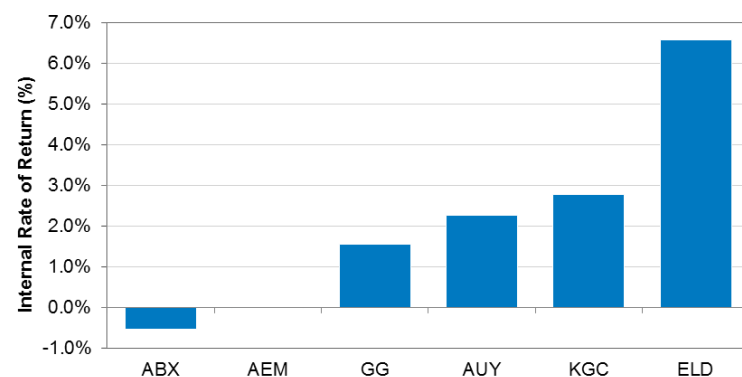
Comparing P/NPV and P/CF, KGC and AUY appear attractively valued.

GG trades near the peer average.

Source: BMO Capital Markets

BMO Research defines the Internal Rate of Return as the discount rate required for the 10% NPV/sh at spot metal prices to equal the share price.

Fig 71: Internal Rate of Return (IRR)



ELD trades at a higher IRR due to Greek-related development risk.

ABX trades at a negative IRR owing to its levered balance sheet.

Source: BMO Capital Markets

## Senior Gold Sector

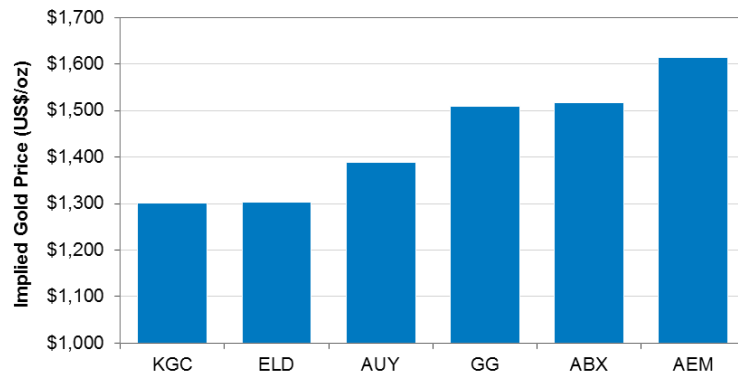
June 15, 2015

BMO Research defines the implied gold price as the gold price required to calculate an NPV at the implied average discount for the sector equal to the market capitalization of each company. Based on these metrics, the senior gold miners trade at an implied price between \$1,300/oz and \$1,600/oz.

Fig 72: Implied Gold Price

**AEM trades at a high implied gold price owing to valuation and below-average reserve life.**

**KGC and ELD trade at low implied gold prices due to valuation discount.**



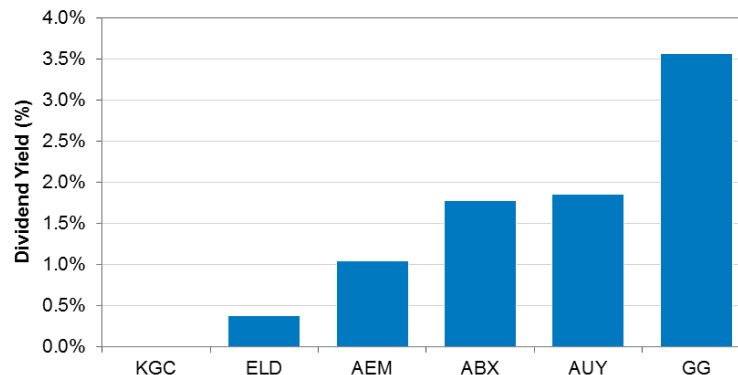
Source: BMO Capital Markets

Fig 73: Dividend Yield 2015E

**GG has a peer-leading dividend yield.**

**ABX and AUY have similar dividends yields, followed by ELD.**

**KGC suspended its dividend in July 2013.**



Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

## 8. Report Card

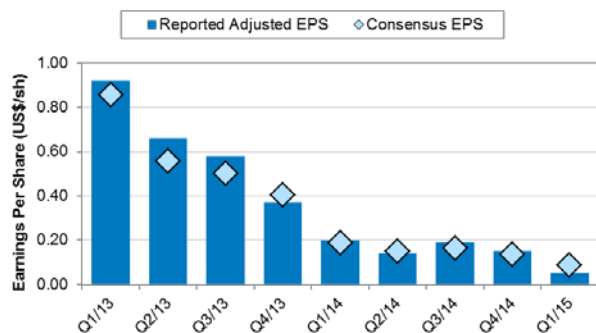
### Delivery Matters

In our view, delivery on guidance correlates with investor confidence and a higher probability of meeting Street expectations. Of the six companies under initiation, in our view:

- ABX, AEM, KGC have established acceptable production guidance. AUY and GG have room for improvement.
- ABX followed by ELD appear to be more predictable on earnings relative to Street expectations.
- AEM and KGC are demonstrating positive free cash flow momentum.

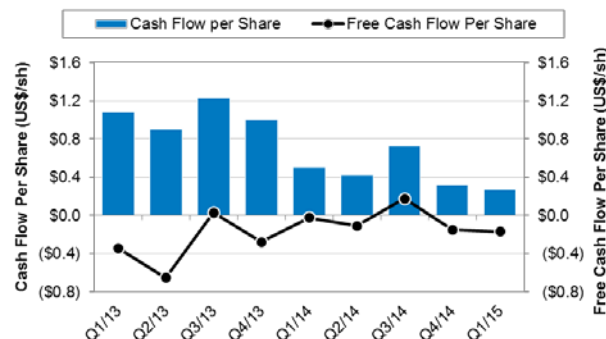
ABX has demonstrated consistent operational performance supporting a solid track record of production guidance. Reported earnings have broadly been in line with expectations, with Q1/15 an isolated event. Declining CFPS and negative FCFPS attest to the necessity of delivering on the “Back to the Future Strategy.”

Fig 74: ABX – Adjusted EPS vs. Consensus



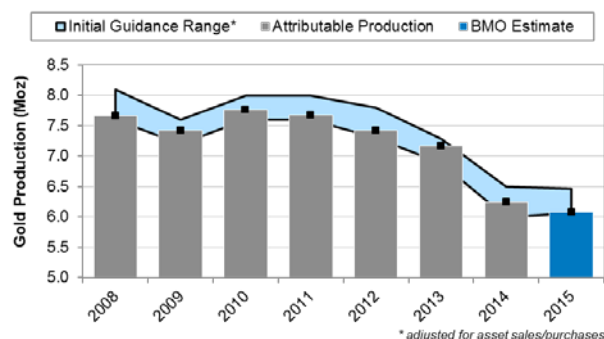
Source: BMO Capital Markets, Company Filings, Bloomberg

Fig 75: ABX – CFPS and FCFPS Momentum



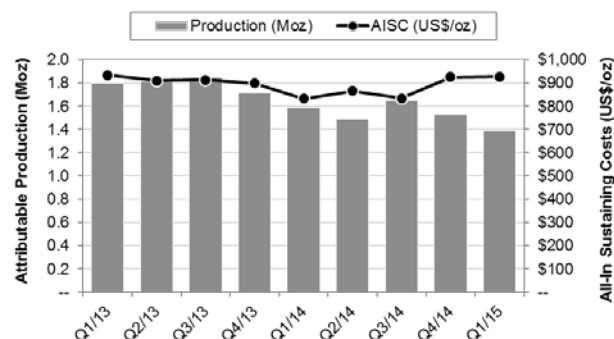
Source: BMO Capital Markets, Company Filings

Fig 76: ABX – Production vs. Initial Guidance



Source: BMO Capital Markets, Company Filings

Fig 77: ABX – Operational Performance



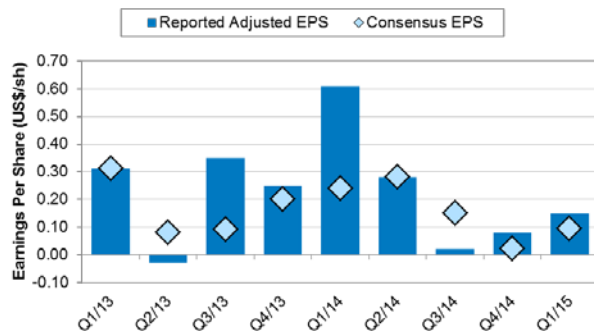
Source: BMO Capital Markets, Company Filings

## Senior Gold Sector

June 15, 2015

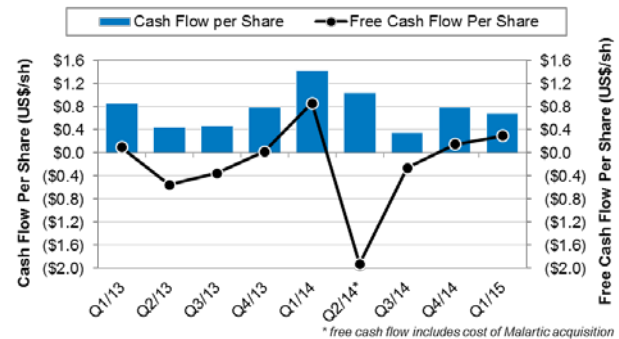
After misses in 2011 and 2012, AEM has established predictable production guidance. Improving costs and growing production age are beginning to pay off with growth in earnings and free cash flow.

Fig 78: AEM – Adjusted EPS vs. Consensus



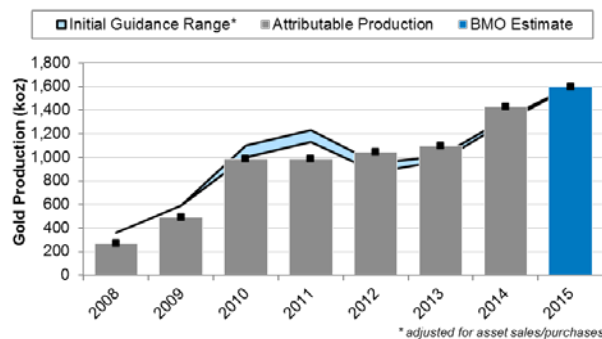
Source: BMO Capital Markets, Company Filings, Bloomberg

Fig 79: AEM – CFPS and FCFPS Momentum



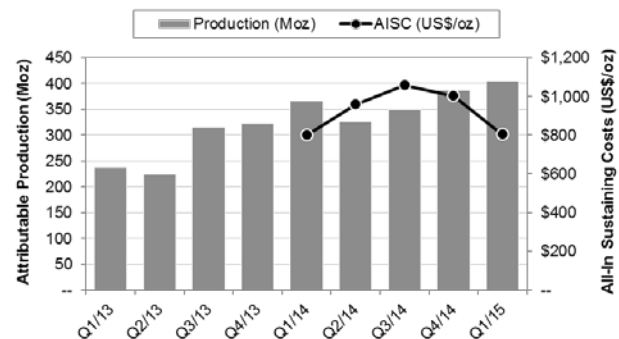
Source: BMO Capital Markets, Company Filings

Fig 80: AEM – Production vs. Initial Guidance



Source: BMO Capital Markets, Company Filings

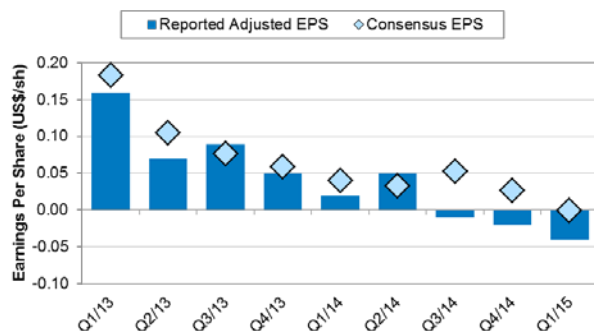
Fig 81: AEM – Operational Performance



Source: BMO Capital Markets, Company Filings

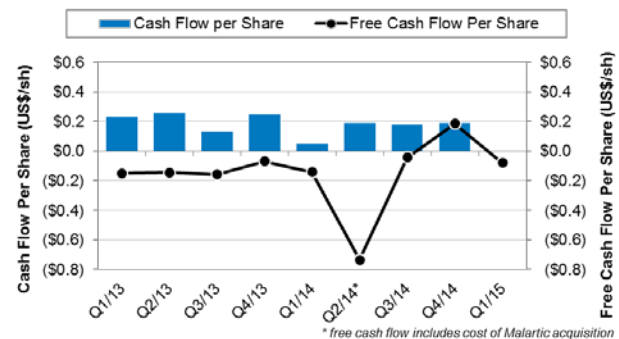
Production misses over the last two years for AUJ have eroded investor confidence. Delivery of 2015 production guidance and improvements at the company's BRIO operations will be key to rebuilding confidence, in our view.

Fig 82: AUJ – Adjusted EPS vs. Consensus



Source: BMO Capital Markets, Company Filings, Bloomberg

Fig 83: AUJ – CFPS and FCFPS Momentum

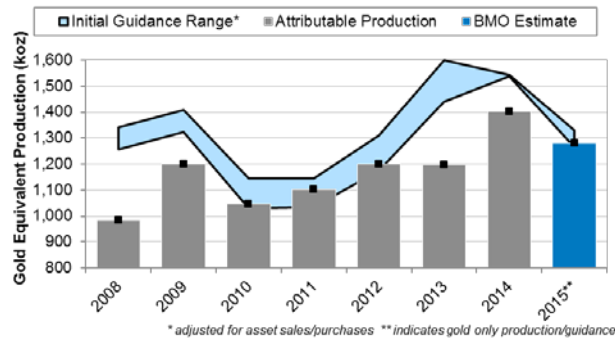


Source: BMO Capital Markets, Company Filings

## Senior Gold Sector

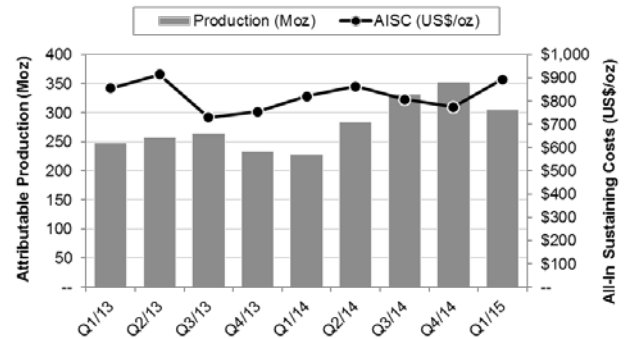
June 15, 2015

Fig 84: AUY – Production vs. Initial Guidance



Source: BMO Capital Markets, Company Filings

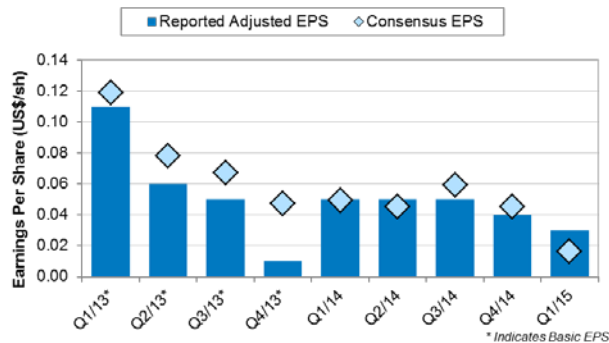
Fig 85: AUY – Operational Performance



Source: BMO Capital Markets, Company Filings

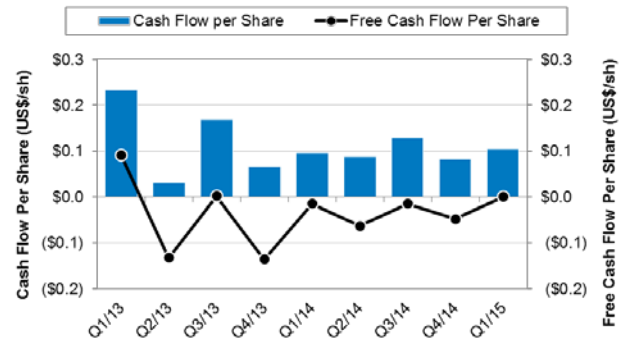
ELD looks to have returned to predictable production guidance after misses in 2011 and 2012. Cash flow from operations has remained steady. The company continues to consume cash as it grows production.

Fig 86: ELD – Adjusted EPS vs. Consensus



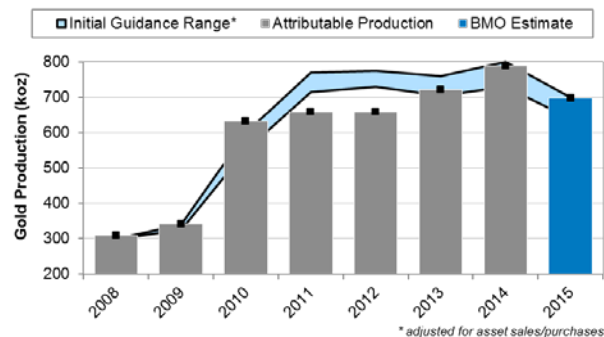
Source: BMO Capital Markets, Company Filings, Bloomberg

Fig 87: ELD – CFPS and FCFPS Momentum



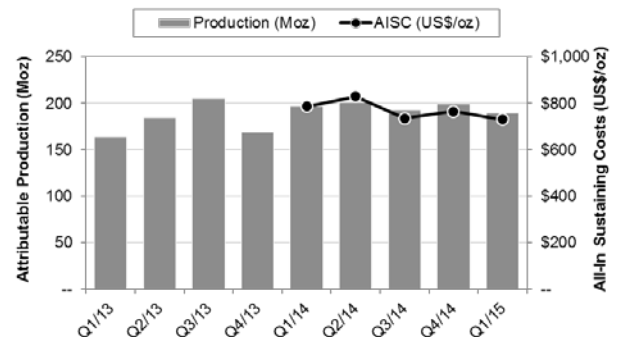
Source: BMO Capital Markets, Company Filings

Fig 88: ELD – Production vs. Initial Guidance



Source: BMO Capital Markets, Company Filings

Fig 89: ELD – Operational Performance



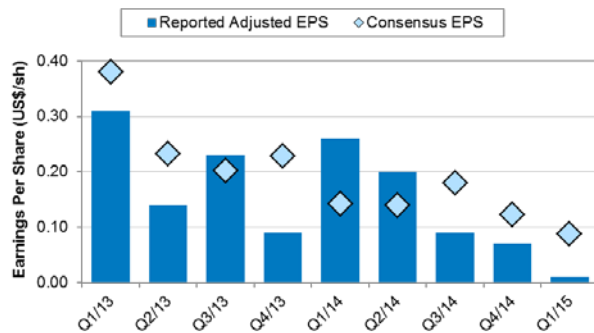
Source: BMO Capital Markets, Company Filings

## Senior Gold Sector

June 15, 2015

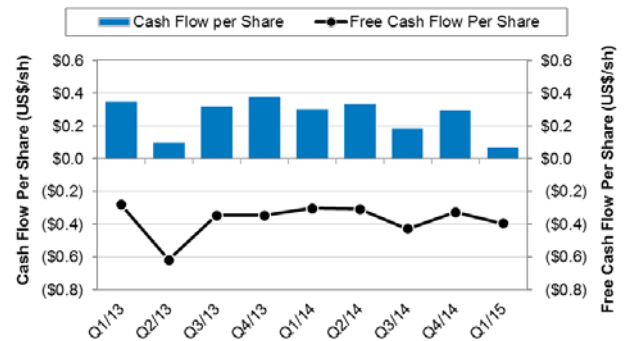
Missed production guidance has led to earnings volatility for GG. The signs of increased production are beginning to take hold. A focus on delivery in 2015 is a key step in the company's evolution, in our view.

Fig 90: GG – Adjusted EPS vs. Consensus



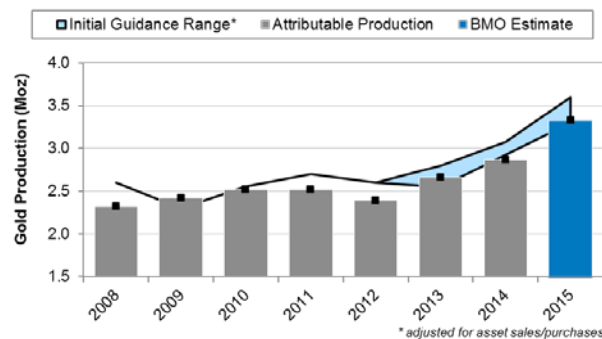
Source: BMO Capital Markets, Company Filings, Bloomberg

Fig 91: GG – CFPS and FCFPS Momentum



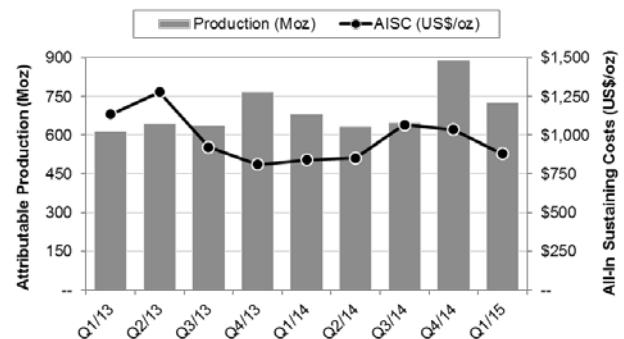
Source: BMO Capital Markets, Company Filings

Fig 92: GG – Production vs. Initial Guidance



Source: BMO Capital Markets, Company Filings

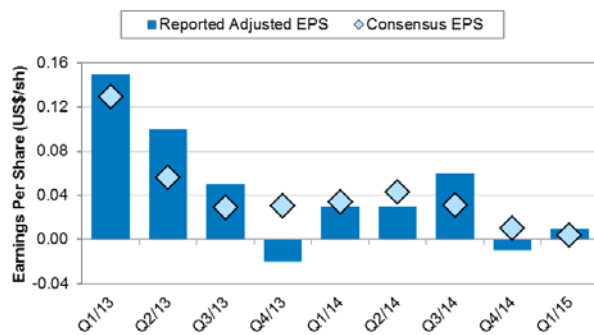
Fig 93: GG – Operational Performance



Source: BMO Capital Markets, Company Filings

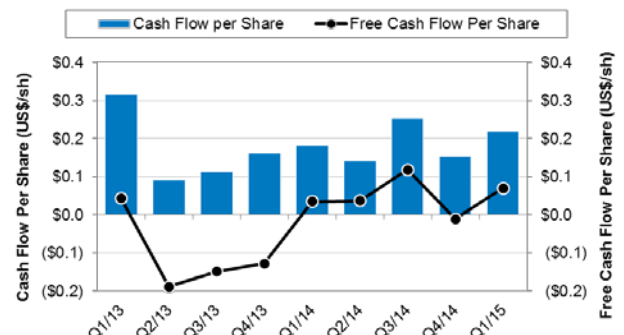
KGC has established a solid track record of delivering production guidance. Declining operating costs have translated into free cash flow. However, the company's earnings remain volatile relative to expectations.

Fig 94: KGC – Adjusted EPS vs. Consensus



Source: BMO Capital Markets, Company Filings, Bloomberg

Fig 95: KGC – CFPS and FCFPS Momentum

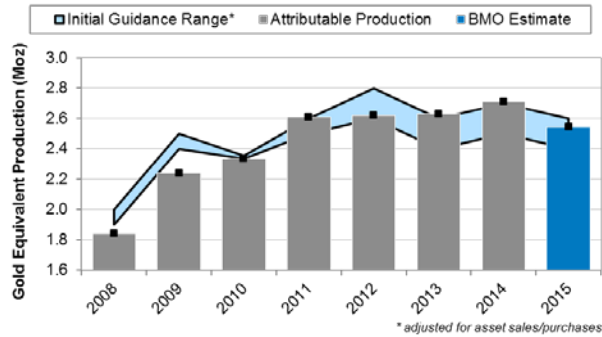


Source: BMO Capital Markets, Company Filings

## Senior Gold Sector

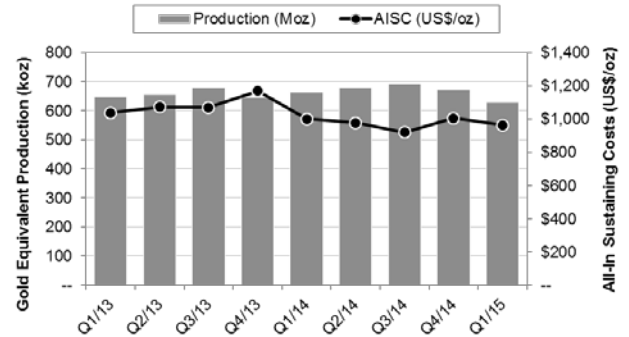
June 15, 2015

Fig 96: KGC – Production vs. Initial Guidance



Source: BMO Capital Markets, Company Filings

Fig 97: KGC – Operational Performance



Source: BMO Capital Markets, Company Filings

**Senior Gold Sector**  
June 15, 2015

## 9. Reserves and Resources

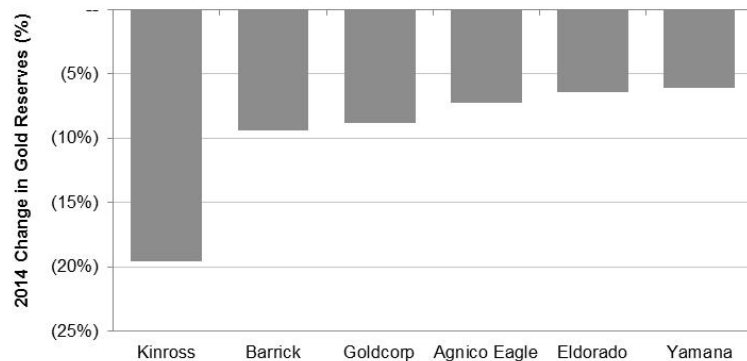
Over 2014, the senior miners collectively reported a decline of 26Moz (7.3%) in total gold reserves. This was largely attributed to:

- A move toward non-core asset sales.
- Lower metal price assumptions used in reserve estimation.
- Continued retrenchment of exploration programs.

Overall, metal price assumptions used in reserve estimation are now more aligned with spot prices. Gold price assumptions range from \$1,086/oz (AUY) to \$1,300/oz (GG). In our view, the concerted move away from a trailing-average gold price assumption (and toward spot) reflects a more prudent and conservative method of reserve estimation.

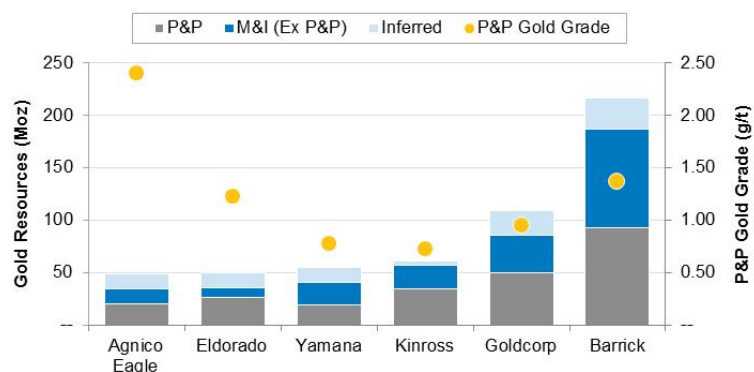
We see lower risk for meaningful reserve reductions going forward, but recognize that select producers may be inclined to reevaluate price assumptions at year-end if a more constructive gold price environment is not observed through H2.

Fig 98: Y/Y Reserve Declines Excluding Divested and Acquired Mines (%)



Source: Company Filings

Fig 99: Gold Endowment (Moz) and Reserve Grade (g/t)



Source: Company Filings

**Over 2014, the senior miners collectively reported a decline of 26Moz (7.3%) in total gold reserves.**

**Overall, metal price assumptions used in reserve estimation are now more aligned with spot prices.**

**Reserves reported at the end of 2014 saw an overall 10.3% decline for the six senior North American gold miners.**

**KGC reported the largest decline, at 19%.**

**ABX supports the largest resource base, at 217Moz gold.**

**AEM reflects the smallest senior gold miner by total resources.**

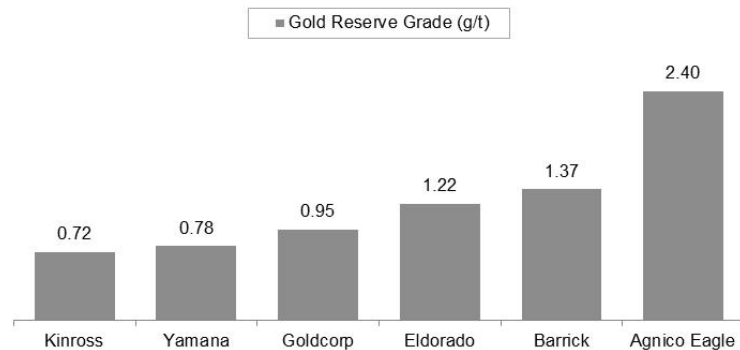


## Senior Gold Sector

June 15, 2015

But AEM also displays the highest reserve grade.

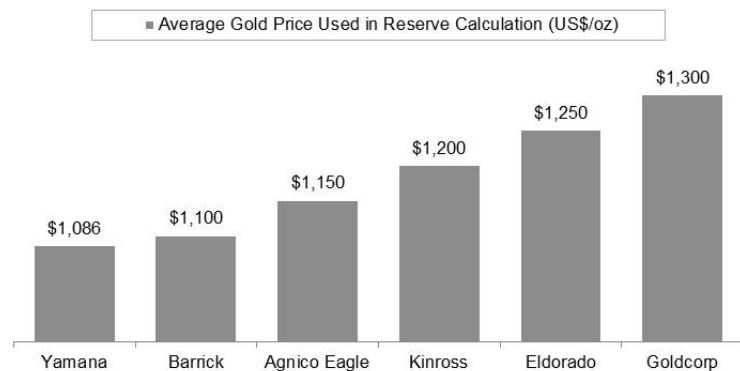
Fig 100: Gold Reserve Grade (g/t)



Source: Company Filings

Gold price assumptions used in reserve estimation range from \$1,086/oz (AUY) to \$1,300/oz (GG).

Fig 101: Average Gold Price Assumption Used In Reserve Estimation



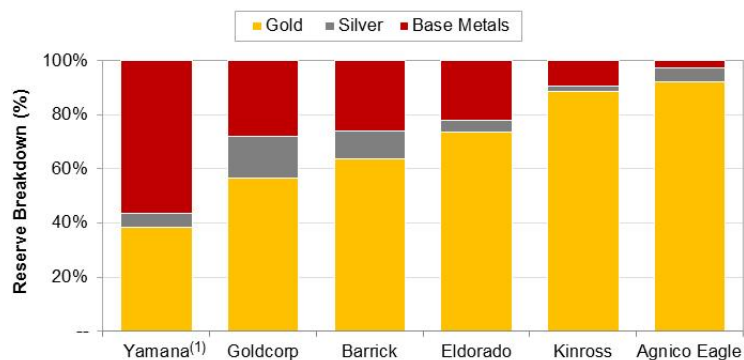
Source: Company Filings

AEM provides the purest exposure to gold on the basis of reserves.

AUY provides the greatest exposure to base metals.

Excluding Agua Rica would dilute AUY's base metal exposure to 26% and increase gold to 67%.

Fig 102: Reserve Breakdown by Metal (%)



1. Includes Agua Rica. Excluding Agua Rica would dilute AUY's base metal exposure to 26% and increase gold to 67%.

Source: BMO Capital Markets, Company Filings

## Senior Gold Sector

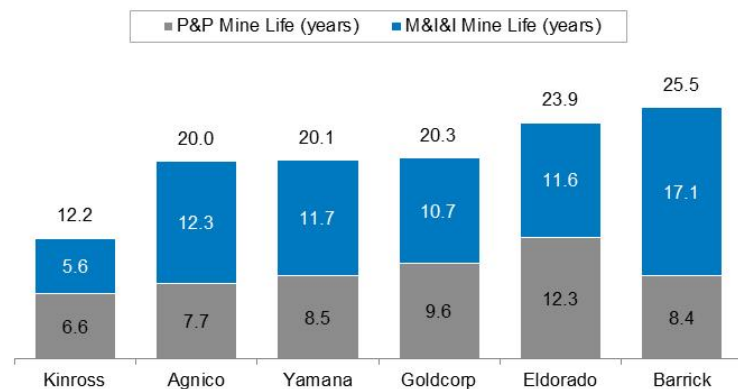
June 15, 2015

**We prefer senior miners anchored by high-grade and long-lived operations.**

We prefer senior miners anchored by high-grade and long-lived operations. These core assets reflect the centre of gravity for several miners, which continue to divest non-core assets and refocus internal resources on optimizing these key operations.

Excluding development projects, companies with the longest estimated mine lives include ELD, GG, and AUJ. The longest-lived assets based on reserves include Jabal Sayid (ABX), Skouries (ELD), and Chapada (AUJ).

Fig 103: Estimated Reserve & Resource Lives (Years) – Producing Mines Only



Source: BMO Capital Markets, Company Filings

**Companies with the greatest operational longevity include ELD, GG, and AUJ**

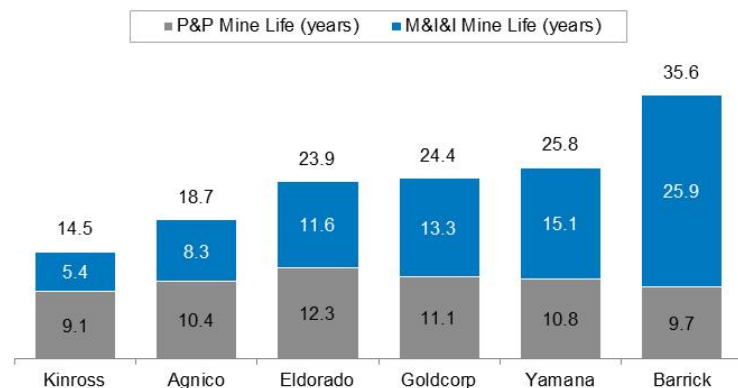
**Looking at core operations, reserve lives hover around 10 years.**

**ELD has the longest reserve life.**

**KGC has the shortest reserve life.**

**ABX has the largest resource life potential.**

Fig 104: Estimated Reserve & Resource Lives (Years) – Core Mines Only



Source: BMO Capital Markets, Company Filings

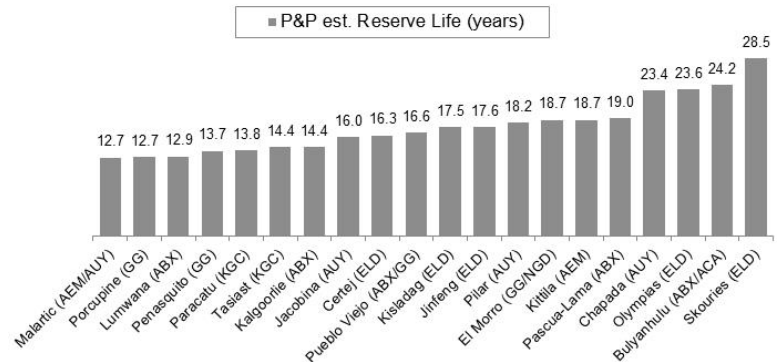
## Senior Gold Sector

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Fig 105: Top 20 Estimated Gold Reserve Lives (Years)

In our view, the longest-lived gold assets include:

- Skouries (ELD)
- Bulyanhulu (ABX 64%)
- Olympias

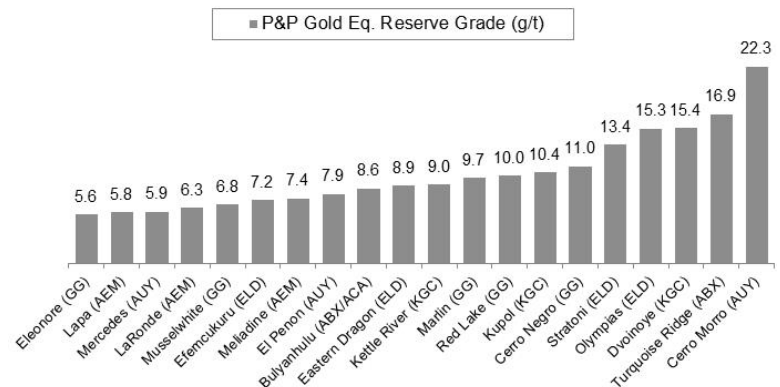


Source: BMO Capital Markets, Company Filings

Fig 106: Top 20 Gold Eq. Reserve Grades (g/t)

Amongst the senior miners, the highest grade assets include:

- Cerro Morro (AUY)
- Turquoise Ridge (ABX 50%)
- Dvoinoye (KGC)



Source: Company Filings BMO Capital Markets is restricted on Newmont Gold (NEM)

**Senior Gold Sector**

June 15, 2015

## 10. A Healthy Balance Sheet

### Is a Happy Investor

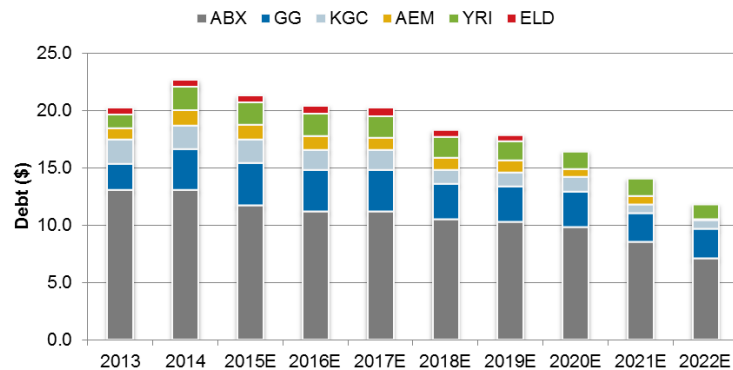
In our view, the drive toward improved liquidity is necessary for the long-term viability of the senior gold miners. High and persistent debt levels inhibit the gold miners from executing on long-term growth strategies.

Improving liquidity for the senior gold miners has the added benefit of translating into positive momentum that will begin to attract generalist investors.

In this section we review the change in debt-related metrics that are the focus of discussions with investors. We separate the discussion on corporate liquidity into three components:

1. Debt and debt maturity – While several senior gold producers have large debt positions, a significant component of this debt has minimal covenant requirements and is long-dated.
2. Debt servicing obligations – For a number of the gold producers, debt servicing costs have increased to the point where these obligations have begun to impact business decisions.
3. Debt to equity

Fig 107: Senior Debt 2015E and 2016E



Source: BMO Capital Markets

**Debt levels for the senior gold miners peaked in 2014 at \$22.7B.**

**ABX accounts for 55% of senior gold miner debt.**

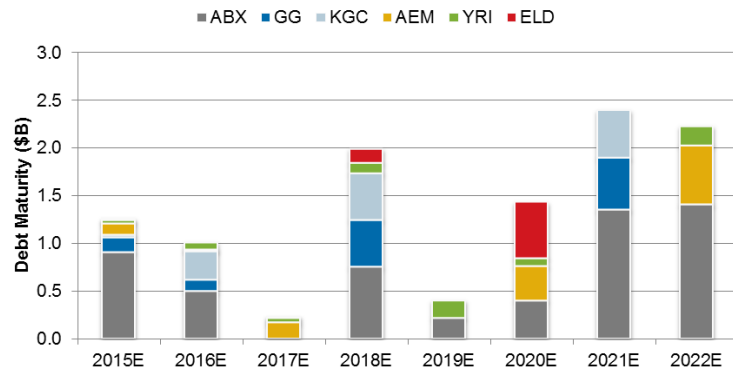
## Senior Gold Sector

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Senior gold miners should reduce debt by \$10.9B by the end of 2022E.

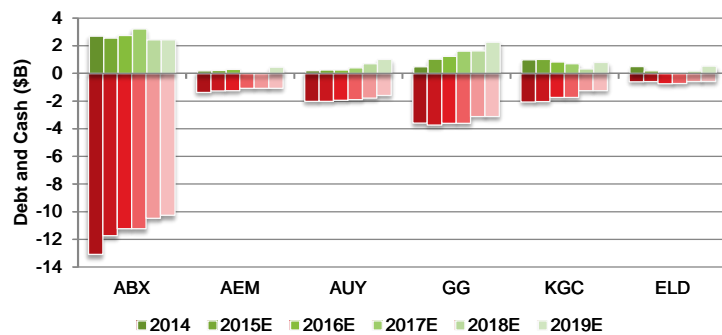
Over 50% of this debt matures in 2020E and beyond

Fig 108: Debt Maturity 2015E to 2019E (\$B)



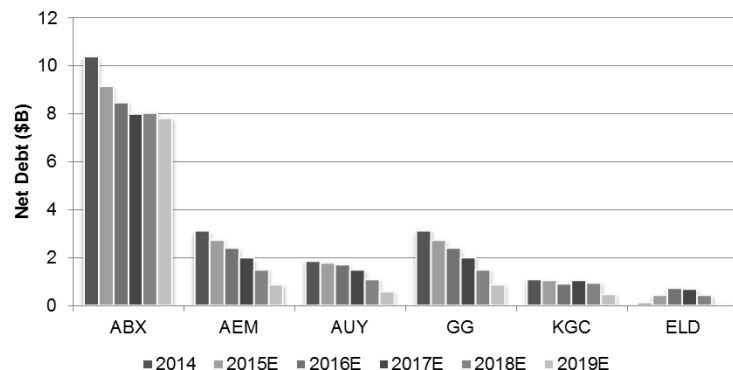
Source: BMO Capital Markets

Fig 109: Company Net Debt Forecast 2015E to 2019E (\$B)



Source: BMO Capital Markets

Fig 110: Company Net Debt Forecast 2015E to 2019E (\$B)



Source: BMO Capital Markets

Absent any early retirement, ABX's net debt will remain high.

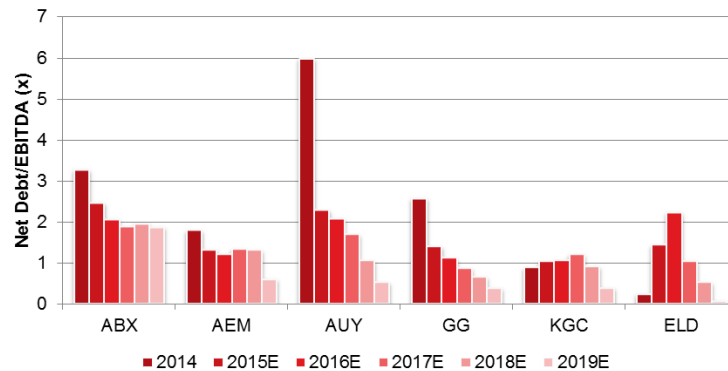
ELD is forecast to eliminate debt by 2019E.

## Senior Gold Sector

June 15, 2015

Debt/EBITDA levels for the senior gold miners are low relative to typical covenant requirements (3.5x).

Fig 111: Net Debt to EBITDA 2014E to 2019E (x)

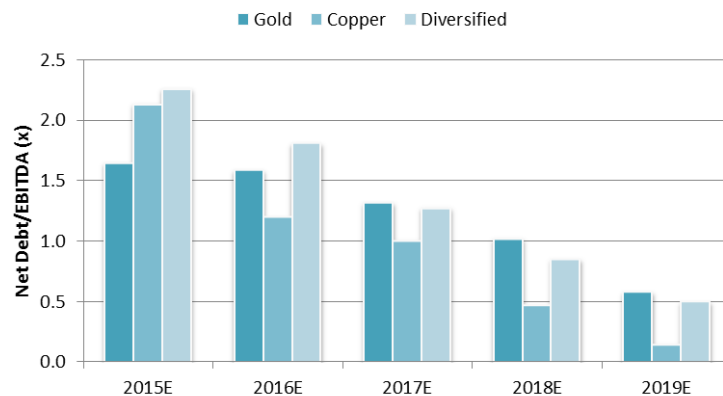


Source: BMO Capital Markets

Fig 112: Net Debt to EBITDA 2014E to 2019E (x)

Gold sector net debt to EBITDA levels are below those for copper and diversified miners.

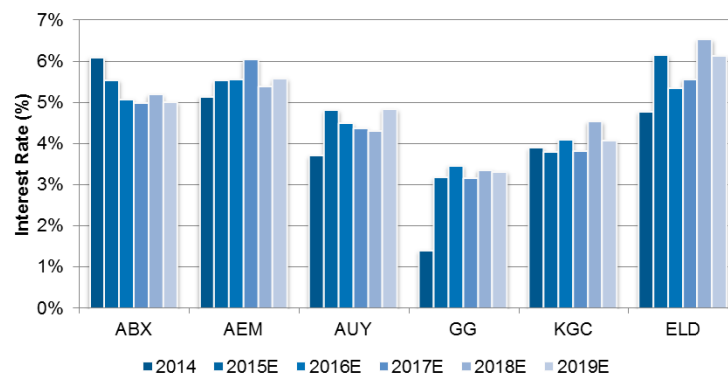
Higher debt levels for the copper and diversified miners are driving 35% production growth versus 3% for the senior gold miners.



Source: BMO Capital Markets

Fig 113: Average Interest Rates 2015E to 2019E (%)

Interest rates are reasonable.



Source: BMO Capital Markets

## Senior Gold Sector

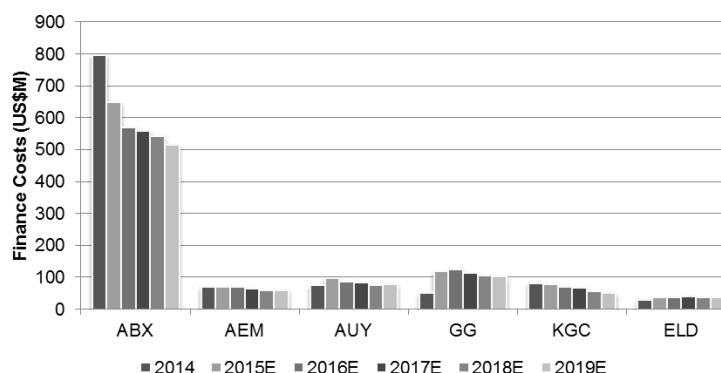
June 15, 2015

**ABX has annual finance expenses that exceed those of the other miners.**

**ABX's annual finance charges highlight the company's plan to reduce debt by \$3B in 2015E.**

**In our view, the discussion of senior gold debt levels is more about the allocation of capital and the impact of lower gold prices on the balance sheet.**

Fig 114: Finance Costs (\$M)



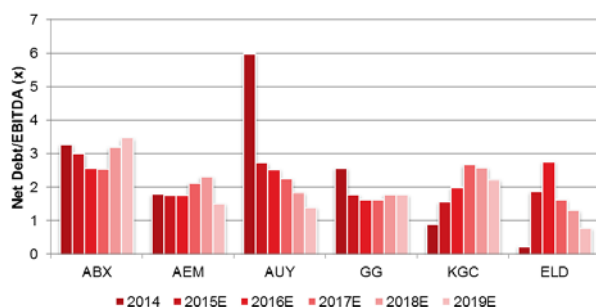
Source: BMO Capital Markets

Contrary to the view of some equity investors, debt levels of the six senior gold miners are not onerous, in our view. Net debt to EBITDA ratios of 1.6x and interest coverage ratios of 4 to 1 are superior to those of the copper and diversified miners. That said, we see the discussion surrounding debt levels of the senior miners as one that questions: 1) the capital intensity of the gold miners to maintain production levels; and, 2) a lack of conviction in the price of gold.

The discussion surrounding capital allocation is currently active, with all of the senior miners implementing internal hurdle rates (typically an after-tax 15% return on invested capital). The challenge facing the senior gold miners is the prospect of having to invest \$26.7B over the next eight years to maintain current production levels over the next five years. Contrast this with the copper miners, which are investing twice the amount of capital (\$52B) over the same period of time while growing production rates by 35%. It is easy to see how some investors question the ability of the senior gold miners to repair their balance sheets.

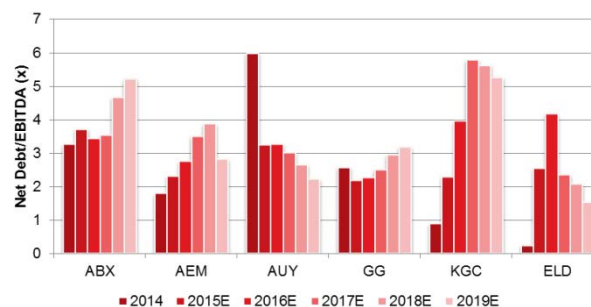
This fear is compounded when considering further declines in the price of gold. While our analysis suggests that the senior gold miners maintain reasonable net debt to EBITDA ratios at \$1,100/oz gold, it is a different picture at \$1,000/oz.

Fig 115: Net Debt to EBITDA at US\$1,100/oz gold



Source: BMO Capital Markets, Company Filings

Fig 116: Net Debt to EBITDA at US\$1,000/oz gold



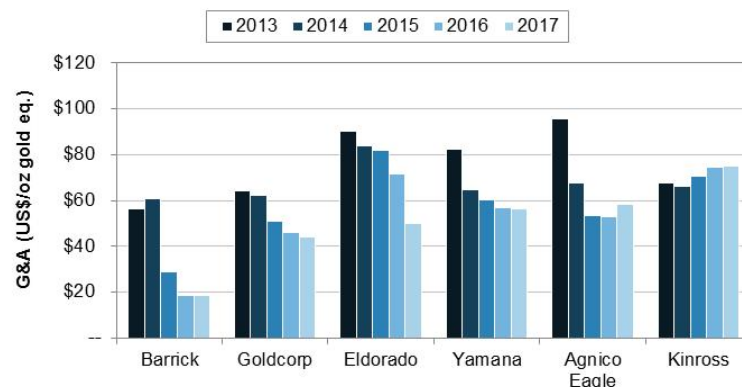
Source: BMO Capital Markets, Company Filings

## 11. The Cost of Doing Business

### Still Room for Improvement

The senior miners have announced material changes to their head offices. For some of these miners, corporate head-counts have declined 30–40%. However, since 2013, the senior North American miners are projecting \$285M in corporate overhead reductions, representing \$18/oz of gold equivalent production by the end of 2015E.

Fig 117: G&A per Gold-Equivalent Ounce Produced 2013 to 2017 (\$/oz)



Source: BMO Capital Markets

Despite the progress, some companies continue to maintain elevated corporate expense levels

### Executive Compensation Out of Step With the Times

Executive compensation was a focal point of investor discussion during this year's AGM calendar. Over the last couple of years, investors have been critical compensation. At peak gold prices in 2011, C-suite and director compensation was broadly in line with the market capitalization-weighted proportion of gold mining stocks on the TSX 60.

By 2014 the market capitalization weighting of the gold mining stocks on the TSX 60 had declined to 3%. While C-suite and director compensation has declined, the declines have not kept pace with the reweighting of the gold miners on the TSX.

Looking closer at the changes indicates that C-Suite compensation lagged in 2012, but has shown positive momentum over the last two years. Director compensation has been following in step, but this trend was broken with an increase in director compensation reported in 2014.

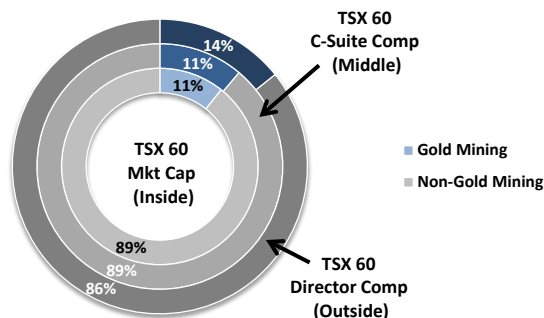
**In 2011 at peak gold prices, mining compensation was in line with the market cap-weighted proportion of gold mining stocks on the TSX 60.**



## Senior Gold Sector

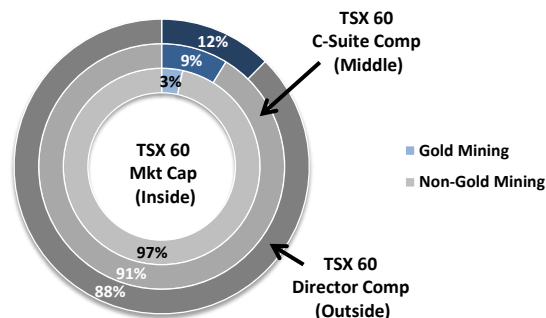
June 15, 2015

Fig 118: 2011 Gold Mining Compensation vs. TSX 60



Source: Bloomberg

Fig 119: 2014 Gold Mining Compensation vs. TSX 60

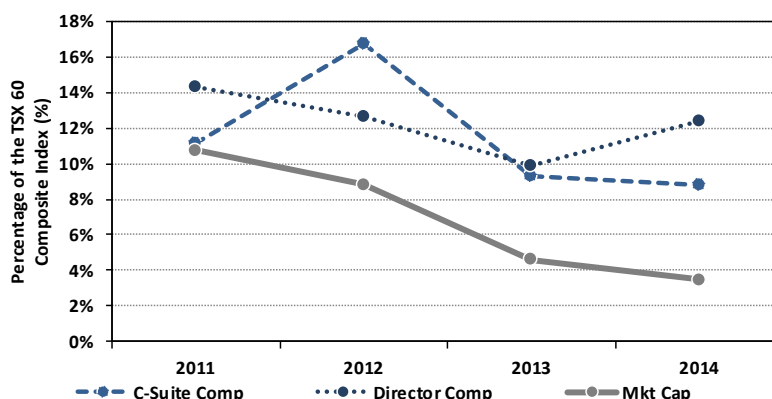


Source: Bloomberg

Fig 120: Evolution of Gold Mining Compensation vs. TSX 60

Through time, C-Suite compensation seems to be moving in the appropriate direction with a ~5% lag.

Conversely, Directors' compensation within gold mining stocks seems to have broken in 2014 with the rise in compensation.



Source: Bloomberg

## Say on Pay Provision

The "Say on Pay" provision was introduced in 2009. As of the most recent available data, 46 (77%) of the TSX 60-listed companies had adopted the provision. Interestingly, gold mining companies were early adopters.

In 2012, the gold mining group received its first poor Say on Pay performance with two companies having greater votes against than for their respective compensation plans. The average vote for compensation improved in 2013 as the gold miners moved to better align compensation with performance.

After lagging, we expect C-Suite and Director compensation within the gold sector will continue to improve with companies implementing compensation plans that are aligned with performance and investor interests. We view this as critical for the sector to rebuild investor confidence. Failure to do so will likely limit interest in a sector and slow the pace of recovery.

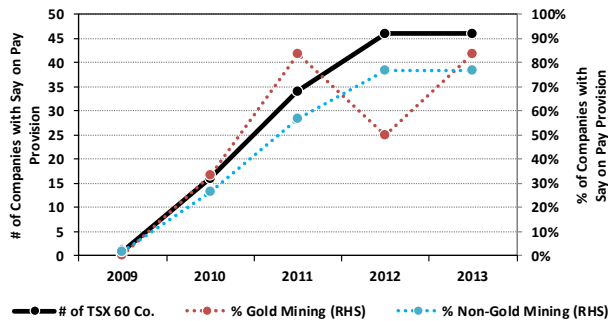
By 2013, the TSX 60 had 46 companies that had adopted the "Say on Pay" provision with the gold mining stocks becoming early adopters.

After lagging, compensation appears to be heading in the right direction.

## Senior Gold Sector

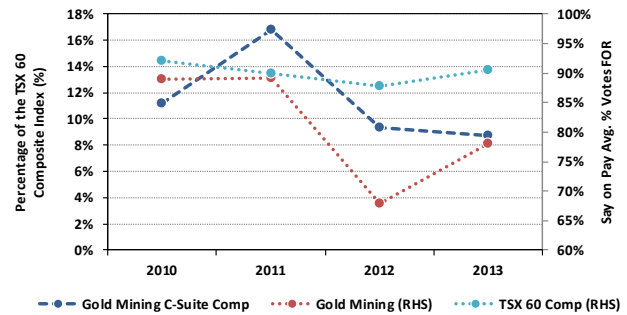
June 15, 2015

Fig 121: Adoption of Say on Pay Provision



Source: BMO Capital Markets

Fig 122: Evolution of Say on Pay Votes



Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

## 12. Back to the Future With Barrick

## Will a Leaner Barrick Resonate With Investors?

**ABX unveiled a “Back to the Future” strategy to return to a more nimble operating model, and leaner management structure.**

Barrick (ABX) unveiled a “Back to the Future” strategy earlier this year to return to a more nimble operating model, and leaner management structure, and a goal to deliver \$3B in debt reduction through 2015. Branding of this new ABX is in its infancy, but the company has begun to show it can execute with the announced sales of Cowal and a 50% interest in Porgera. The strategy appears to have resonated with investors, with shares of ABX up 5% year to date, if for no other reason than there is now an articulated strategy after what many investors would suggest was a directionless 2014.

**\$3B in debt reduction this year will require asset sales other than those announced.**

In our view, debt reduction of \$3B in 2015 will require either further asset sales above those already announced or other sources of capital, including equity. Even if ABX is successful in meeting this debt reduction target, continued high debt levels will continue to weigh on the capacity to execute on what looks to be a series of highly prospective growth opportunities within the company's own backyard.

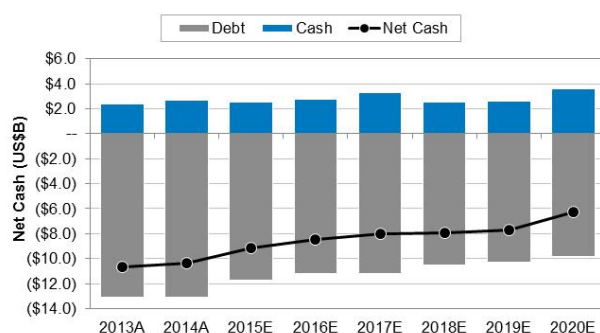
**Delivery of this strategy has the potential to maintain the pace of share price appreciation.**

So we ask the question, “How lean can ABX Get?” In addition to recent asset sales, we see a further \$4.8B in potential divestiture that has the potential to deleverage the balance sheet, improve free cash flow, and rebuild ABX, based on core operations and higher-quality growth prospects.

## Initiating With an Outperform Rating and US\$16.00 Target Price

The reality is that a future ABX lies somewhere in between. Meanwhile, those on the sidelines wait for more evidence that this new strategy will reignite an investment thesis in ABX. An Outperform rating and target price of US\$16.00 for shares of ABX looks beyond the share price momentum over the last six months to the next series of catalysts we expect will maintain the pace of share price appreciation at current metal prices.

Fig 123: ABX Net Debt



Source: BMO Capital Markets

Fig 124: Shares of ABX Continue to Underperform



Source: BMO Capital Markets

**Senior Gold Sector**

June 15, 2015

**Valuation**

A US\$16.00 target price for ABX is derived using a 50% weighting toward the 5%NPV, using BMO metal price assumptions, of \$8.90/sh and 9x 2016E cash flow of \$2.54/sh. While shares of ABX have historically traded at 8x one-year-forward cash flow projections, we expect execution of ABX's business strategy will continue to build momentum and support share price appreciation in line with peer average cash flow multiples. The 42% return to our target price supports an Outperform rating for shares of ABX.

For investors focused solely on NPV, a US\$16.00 share price implies 1.8x the 5%NPV/sh versus a peer average of 1.4x, based on target prices for the six senior gold miners under initiation.

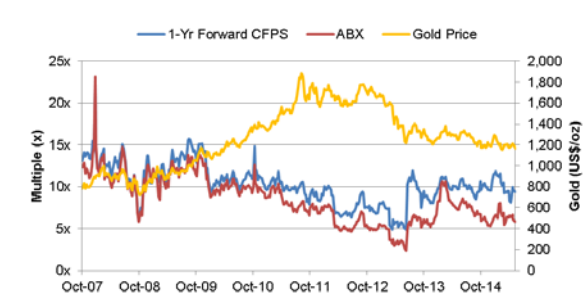
Fig 125: ABX Valuation vs. Peers

Company	Ticker	Price (US\$/sh)	BMO Prices			
			NAV <sub>5%</sub> (US\$/sh)	P/NAV <sub>5%</sub> (ratio)	NAV <sub>10%</sub> (US\$/sh)	P/NAV <sub>10%</sub> (ratio)
Agnico Eagle	AEM.NYSE	\$30.89	\$19.28	1.60x	\$11.48	2.69x
Barrick	ABX.NYSE	\$11.27	\$8.90	1.27x	\$3.29	3.43x
Eldorado	ELD.TSX	\$4.19	\$5.94	0.71x	\$3.38	1.24x
Goldcorp	GG.NYSE	\$16.85	\$16.61	1.01x	\$10.11	1.67x
Kinross	KGC.NYSE	\$2.36	\$2.76	0.85x	\$1.73	1.36x
Yamana	AUY.NYSE	\$3.24	\$3.64	0.89x	\$2.21	1.46x
<b>Average</b>				<b>1.06x</b>		<b>1.98x</b>

Market data as of: June 12, 2015

Source: BMO Capital Markets

Fig 126: Shares of ABX Continue to Underperform



Source: BMO Capital Markets

**Following the sale of Cowal and a 50% interest in Porgera, 2015E production guidance is estimated at 6.0-6.4Moz gold, contingent on a Q3 closing for both transactions.**

**A Focus on Core Assets**

ABX has 15 mines in nine countries; including a 63.9% interest in Acacia Mining Plc (ACA-LSE, £3.08, Outperform, covered by Andrew Breichmanas). Attributable 2015 production is forecast at 6.2-6.6Moz of gold at AISC of \$860-895/oz. Following the sale of Cowal and a 50% interest in Porgera, 2015E production guidance is estimated at 6.0-6.4Moz gold, contingent on a Q3 closing for both transactions.

ABX has indicated that production will be ~55% weighted at 20% lower costs in H2/15, and that cash costs and AISC are projected to be highest in Q2/15.

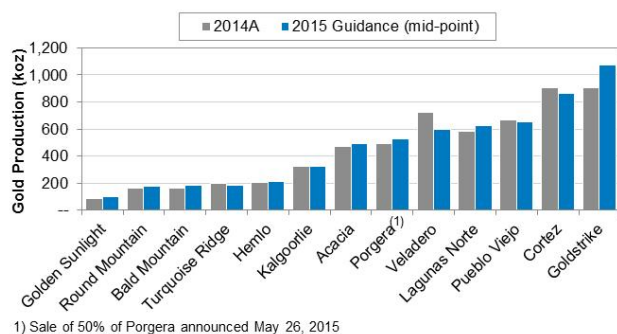
Following the recent improvements in Zambian tax code, ABX revised 2015 copper production to 480-520Mlb (218-236Kt) of copper at C3 cash costs of \$1.75-2.00/lb.

2015E production remains weighted toward Nevada, followed by South America and the Dominican Republic. Goldstrike operations remain the largest producer, followed by Cortez and Pueblo Viejo (60%).

## Senior Gold Sector

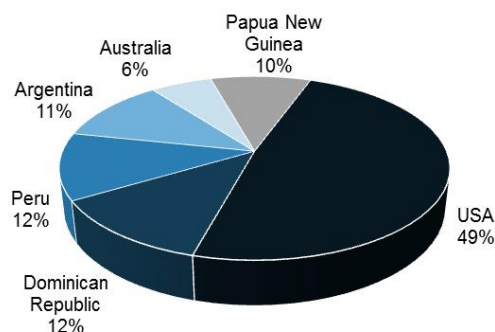
June 15, 2015

Fig 127: 2015E Production Guidance by Mine



Source: BMO Capital Markets

Fig 128: 2015E Production Guidance by Region

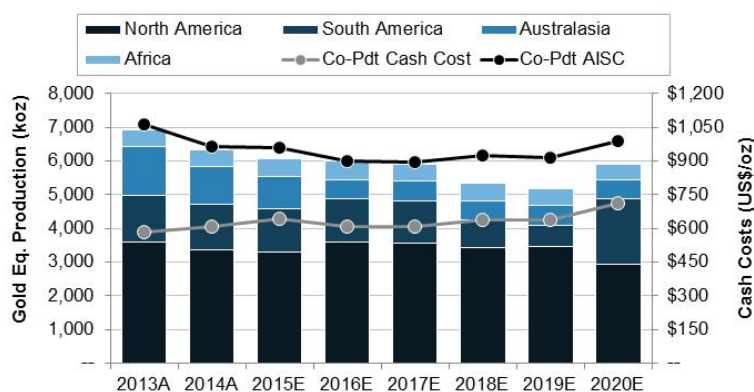


Source: BMO Capital Markets

**Production is forecast to drop below the 6Moz level in 2018E due to scheduled grade decline at Pueblo Viejo and reserve depletion at Lagunas Norte.**

Excluding any further divestiture, our analysis suggests that ABX will maintain production levels above 6Moz gold through to the end of 2017E. Consolidated production is forecast to drop below the 6Moz level in 2018E due to scheduled grade decline at Pueblo Viejo and reserve depletion at Lagunas Norte. Production levels above 6Moz could be realized in the early 2020 time frame with the development of the Goldrush deposit. Through this time frame, AISC are forecast to remain relatively flat.

Fig 129: ABX Attributable Production and Cost Profile



Source: BMO Capital Markets

**Production levels above 6Moz could be realized in the early 2020 time frame with the development of the Goldrush deposit.**

ABX has separated its operating mines into a group of cornerstone mines that account for 60% of attributable production with AISC of \$725-775/oz. Cornerstone mines include Cortez and Goldstrike in Nevada, Lagunas Norte in Peru, Veladero in Argentina, and Pueblo Viejo in the Dominican Republic. Expansion plans could position Turquoise Ridge as a sixth cornerstone mine in 2019E.

As would be expected, the company's cornerstone mines and 63.9% interest in ACA form the bulk of the company's project value. Zaldivar is second only in value to Cortez operations.

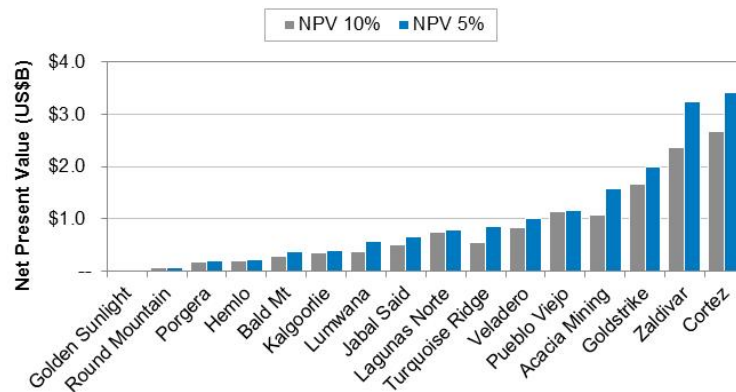
## Senior Gold Sector

June 15, 2015

We estimate \$22.9B in project value using a 5% discount rate.

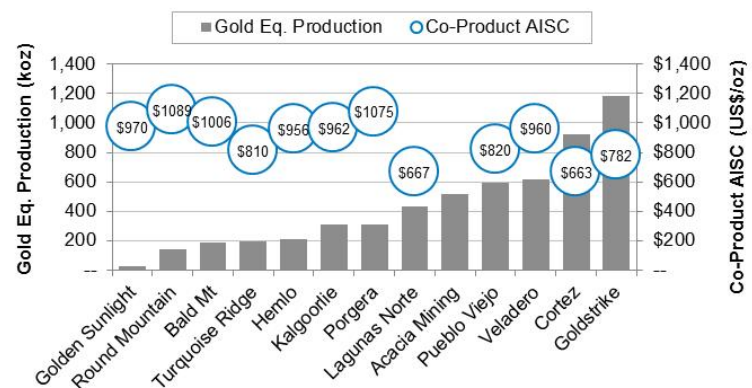
Cortez and Zaldivar are the largest projects by NPV.

Fig 130: NPV at 5% and 10% Discount Rate and BMO Prices



Source: BMO Capital Markets

Fig 131: Average Production and AISC (2015E – 2019E)



Source: BMO Capital Markets

ABX's cornerstone mines account for 60% of attributable production with AISC of \$725-775/oz.

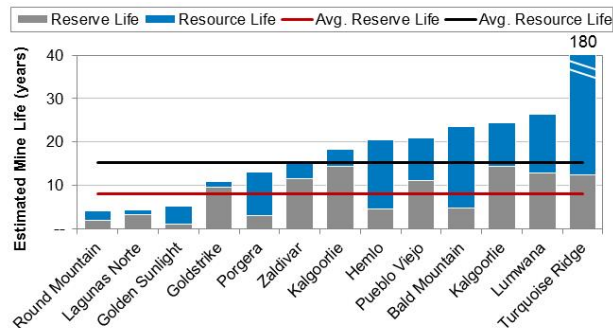
ABX has an operational reserve life of 8.1 years. Excluding the very large resource life at Turquoise Ridge (~180 years at LOM production rates), resources could provide a further 7.2 years of operational life.

Including development projects, ABX hosts an 11.8-year reserve life with a further 12 years of resource life.

## Senior Gold Sector

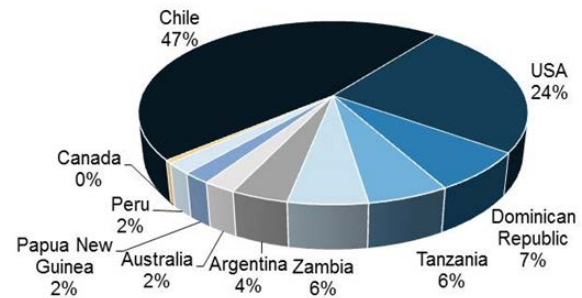
June 15, 2015

Fig 132: ABX Reserve and Resource Life by Mine



Source: BMO Capital Markets

Fig 133: ABX Reserves by Region



Source: BMO Capital Markets

## What Does the Future Hold for Barrick?

At the beginning of 2015, ABX outlined \$1.5-1.7B in sustaining capital along with \$300-400M of capital allocated to mine site expansion and other projects. Through ongoing optimization programs, ABX announced potential sustaining capital reductions of \$200M, offset by an additional \$100M in sustaining capital requirements for Lumwana.

Under the “Back to the Future” approach, ABX has begun to outline growth opportunities that can best be broken into three strategies.

1. Expansions or greenfield development within core operating areas. ABX has four pre-feasibility studies outlined for completion in 2015 focused on the Nevada operating region. Development of a sulphide circuit at Lagunas Norte represents another expression of this strategy.
2. Mine Plan Enhancements – We expect the “Value Realization” program to identify a number of opportunities where mine plan or processing enhancements could lead to production increases at existing operations.
3. Large Greenfield Upside – ABX has a number of large projects of world class size and tenor that do not currently meet a 15% hurdle rate on invested capital. The highest profile of these projects is Pascua Lama, where construction activities are currently on hold.

### Consider the Balance Sheet

Liquidity is not the primary concern when contemplating the future for ABX. The company continues to maintain a strong financial footing with \$2.3B in cash and \$4B in undrawn credit facilities. Most of the company's debt is long-dated, with \$0.9B in debt repayment through the end of 2017.

Debt and debt servicing costs become an integral part of the discussion when investors begin to contemplate development cycles, the \$4.5B of debt maturing between 2020 and 2023, and gold price volatility.

In our view, the company's net debt position and interest obligations are challenging ABX's ability to invest in future project.

**Under the “Back to the Future” approach, ABX has begun to outline growth opportunities that can best be broken into three strategies.**

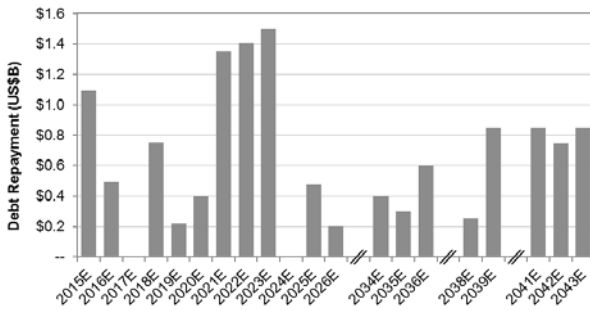
**In our view, the company's net debt position and interest obligations are challenging ABX's ability to invest in future project.**



## Senior Gold Sector

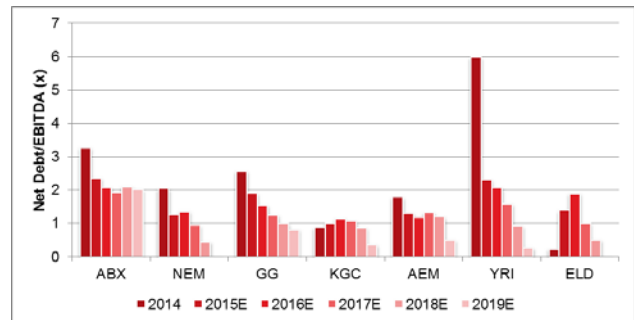
June 15, 2015

Fig 134: Debt Maturity (US\$B)



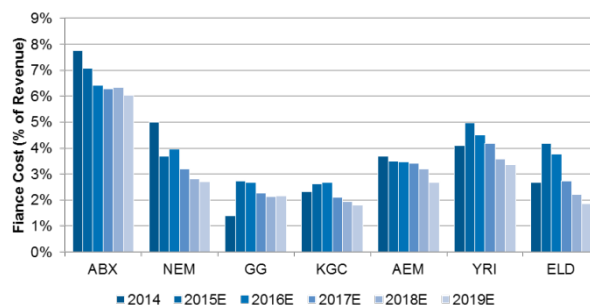
Source: BMO Capital Markets

Fig 135: Net Debt to EBITDA vs. Peers (x)



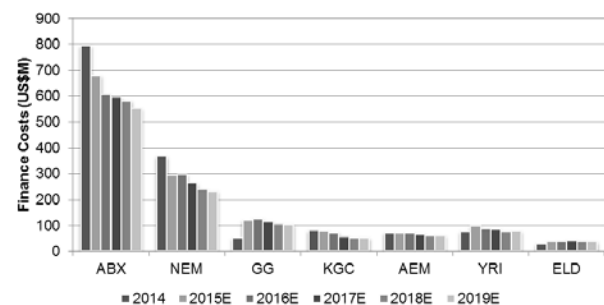
Source: BMO Capital Markets

Fig 136: Finance Costs (% of Revenue)



Source: BMO Capital Markets

Fig 137: Finance Costs (US\$M)



Source: BMO Capital Markets

## The Way Forward

Taking these factors into consideration, we see three potential ways forward for ABX.

**We see three potential ways forward for ABX.**

1. **Drive Forward** – Sell a 50% stake in Zaldivar, which we estimate would raise a further \$1.25-1.50B. Drive forward with Turquoise Ridge and Cortez Deep expansions. Build Gold Rush and Spring Valley and commit to completion of Pascua Lama.
2. **Sideline Pascua** – Sell a 50% stake in Zaldivar. Drive forward with Turquoise Ridge and Cortez Deep expansions. Build Gold Rush and Spring Valley. Permanently sideline Pascua.
3. **Cut to the Core** – In addition to selling Zaldivar, ABX embarks on further asset sales of non-core assets outlined below, which could bring in a further \$1.2B in debt reduction. Drive forward with Turquoise Ridge and Cortez Deep expansions. Build Gold Rush and Spring Valley. Permanently sideline Pascua.



## Senior Gold Sector

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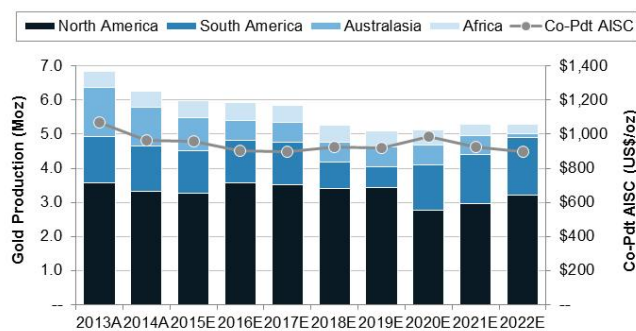
### Drive Forward

**In this scenario, ABX looks to be able to meet both capital requirements and debt repayment obligations at \$1,250/oz gold.**

Under this base-case scenario, ABX has relatively low capital requirements for the next two years, after which development capital is forecast to rise to peak funding of \$1.8B in 2018. Increased capital spending in the 2017E-2019E time frame assumes \$2.4B for completion of Pascua Lama, \$225M for Turquoise Ridge expansion, \$250M for Spring Valley development, and \$0.8B for Gold Rush development.

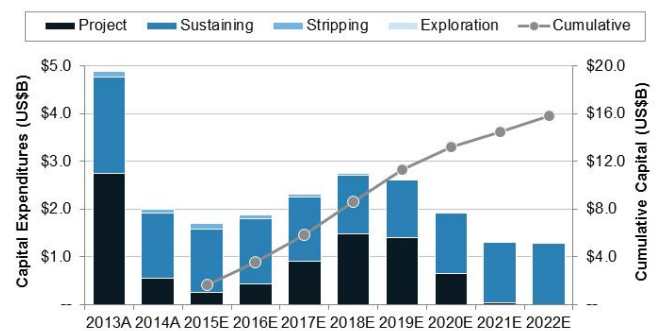
In this scenario, ABX looks to be able to meet both capital requirements and debt repayment obligations at \$1,250/oz gold.

Fig 138: Drive Forward Production and Cost Profile



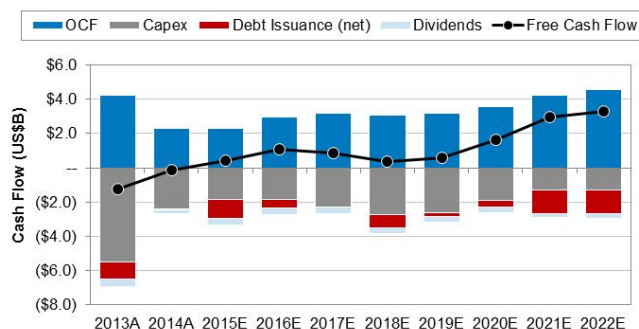
Source: BMO Capital Markets

Fig 139: Drive Forward Capital Forecasts



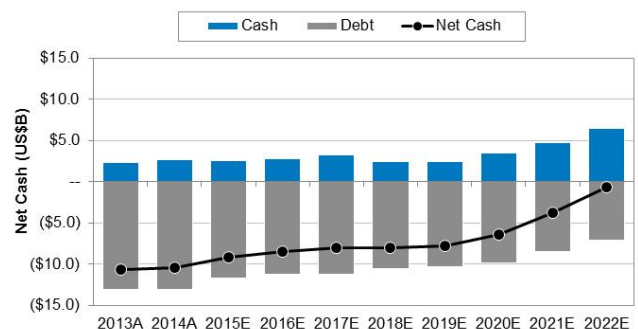
Source: BMO Capital Markets

Fig 140: Drive Forward Sources and Uses of Capital



Source: BMO Capital Markets

Fig 141: Drive Forward Debt Profile



Source: BMO Capital Markets

## Senior Gold Sector June 15, 2015

### Sideline Pascua

#### The permanent deferral of Pascua Lama would:

1. Lower ABX's gold production to the ~4.5Moz range by 2020E.
2. Marginally improve the company's free cash flow outlook
3. Reduce the company's risk profile.

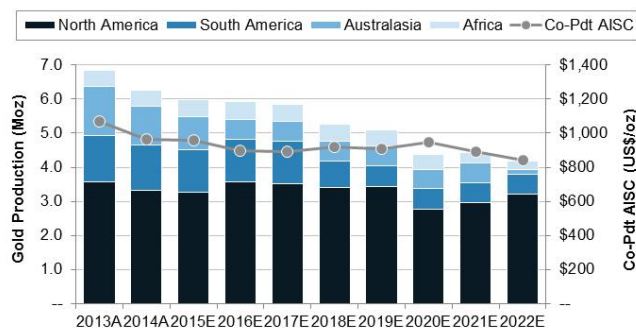
While an attractive solution for some investors given capital projections and gold price uncertainty, permanent deferral of Pascua has potentially negative implications. First, it ignores the quality of the project which ranks as the best undeveloped gold projects held by the North American Seniors, and the potential cash generative capacity of the project once in full production.

Second, permanent deferral of Pascua would trigger uncertain reclamation liabilities that would run into the hundreds of millions and could impair government goodwill to advance the Alturas project should it advance.

Most of ABX's debt is at the corporate level and not linked to Pascua development.

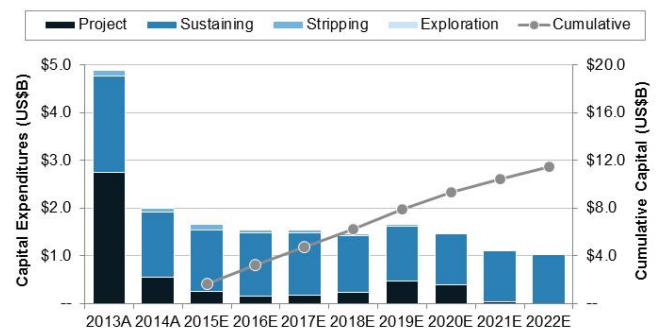
The permanent deferral of Pascua Lama would 1) reduce ABX's gold production to the ~4.5Moz range by 2020E; 2) marginally improve the company's free cash flow outlook; and, 3) reduce the company's risk profile toward the capital-intensive and technically challenging deposit.

Fig 142: Sideline Pascua Production and Cost Profile



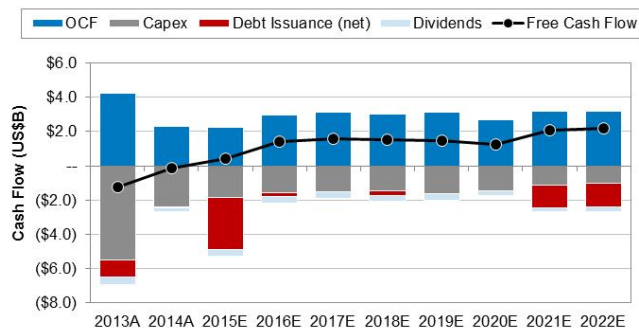
Source: BMO Capital Markets

Fig 143: Sideline Pascua Capital Forecasts



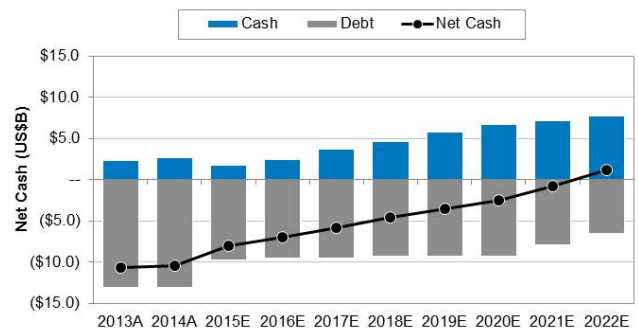
Source: BMO Capital Markets

Fig 144: Sideline Pascua Sources and Uses of Capital



Source: BMO Capital Markets

Fig 145: Sideline Pascua Debt Profile



Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

**Under this scenario, ABX would retire close to half the \$13B in debt and become a leaner, more profitable miner.**

**We see the potential for a further \$4.8B through**

- A sale of a 50% interest in copper assets.
- Sale of non-core gold assets.
- A 25% sale of Pascua Lama.

## Cut to the Core

In addition to the already \$848M raised through the sale of Cowal and 50% sale of Porgera, we see a larger opportunity for Barrick to divest of non-core assets and partial divestitures ABX copper operations and a 25% interest in Pascua that could potentially raise upward of \$4.8B for debt repayment.

Under this scenario, ABX would retire close to half the \$13B in debt and become a leaner, more profitable miner, albeit with a production profile that would lie below GG on a gold-equivalent basis.

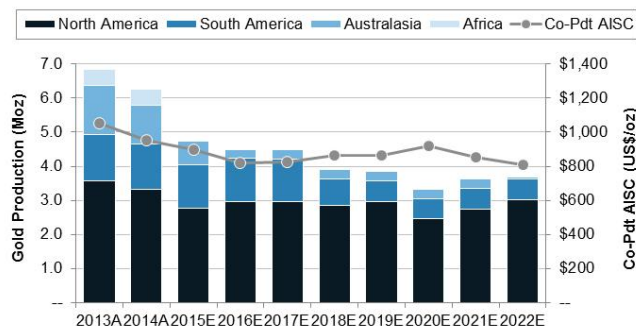
Positively, this leaner ABX would be able to focus on development opportunities within its core operating region and move into a net cash position by 2019E, based on \$1,250/oz gold.

Fig 146: Cut to the Core Asset Sales

	10% NPV (US\$M)	5% NPV (\$M) (US\$M)	Multiple (ratio)	Interest Sold (%)	Value Realized (US\$M)
Lumwana	\$362	\$578	1.0x	50.0%	\$181
Jabal	\$500	\$652	1.0x	50.0%	\$250
Zaldivar	\$2,361	\$3,234	1.0x	50.0%	\$1,181
Acacia	\$976	\$1,471	1.0x	100.0%	\$1,471
Bald Mt	\$286	\$376	1.0x	100.0%	\$376
Golden Sunlight	\$30	\$30	1.0x	100.0%	\$30
Ruby Hill	\$0	\$0	1.0x	100.0%	\$0
Spring Valley	\$82	\$194	1.0x	100.0%	\$194
Round Mountain	\$56	\$64	1.0x	100.0%	\$64
Hemlo	\$199	\$221	1.0x	100.0%	\$221
Kalgoorlie	\$340	\$397	1.0x	100.0%	\$397
Pascua Lama	\$1,909	\$4,516	1.0x	25.0%	\$477
<b>Total</b>	<b>\$7,101</b>	<b>\$11,734</b>			<b>\$4,843</b>

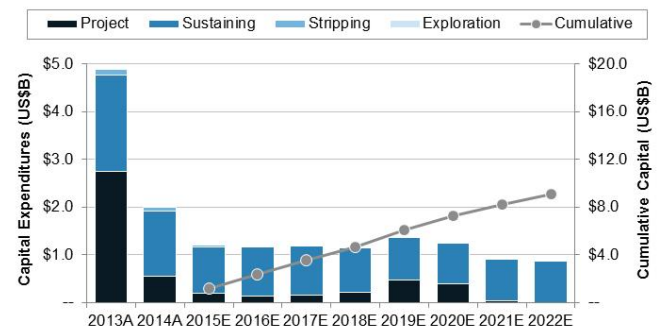
Source: BMO Capital Markets

Fig 147: Cut to the Core Production and Cost Profile



Source: BMO Capital Markets

Fig 148: Cut to the Core Capital Forecasts

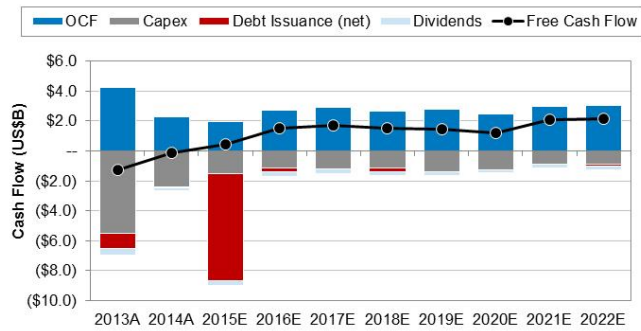


Source: BMO Capital Markets

## Senior Gold Sector

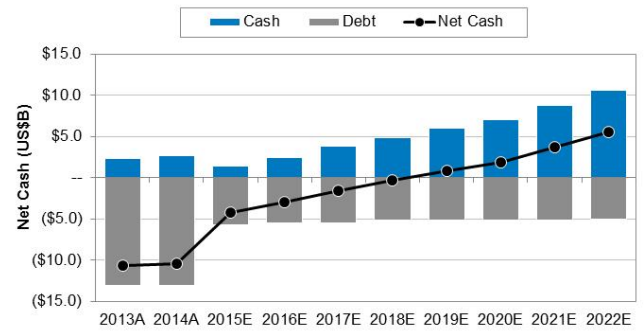
June 15, 2015

Fig 149: Cut to the Core Sources and Uses of Capital



Source: BMO Capital Markets

Fig 150: Cut to the Core Debt Profile



Source: BMO Capital Markets

**Senior Gold Sector**

June 15, 2015

Fig 151: Barrick Gold Production and By-Product All-In Sustaining Cost Forecasts

Barrick @ BMO Prices	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Production (koz)	6,200 - 6,600	7,169	6,249	5,984	5,918	5,841	5,251	5,103	5,253
Total Cash Costs, by-pdt (US\$/oz)	600 - 640	577	602	636	604	601	629	629	563
AISC, by-pdt (US\$/oz)	860 - 895	1,068	962	959	898	890	918	910	840
Total Capex (US\$M)	1,800 - 2,100	4,883	2,002	1,698	1,872	2,316	2,756	2,632	1,923

Attributable Gold Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Goldstrike (USA)	1,000 - 1,150	891	902	1,014	1,230	1,226	1,226	1,226	706
Cortez (USA)	875 - 900	1,337	902	797	944	961	961	961	963
Bald Mt (USA)	170 - 195	94	160	193	187	186	186	186	187
Turquoise Ridge (USA)	175 - 200	168	195	176	168	168	168	294	379
Golden Sunlight (USA)	90 - 105	95	84	99	31	--	--	--	--
Ruby Hill (USA)	--	91	33	3	--	--	--	--	--
Goldrush (USA)	--	--	--	--	--	--	--	--	--
Round Mountain (USA)	170 - 190	156	164	160	160	159	159	68	--
Spring Valley (USA)	--	--	--	--	--	--	--	--	127
Marigold (USA)	--	55	11	--	--	--	--	--	--
Hemlo (Canada)	200 - 225	204	207	208	213	212	212	212	120
Pueblo Viejo (Dominican Republic)	625 - 675	488	665	610	634	603	485	485	405
Lagunas Norte (Peru)	600 - 650	606	582	664	646	645	183	--	--
Pierina (Peru)	--	97	16	2	--	--	--	--	--
Veladero (Argentina)	575 - 625	641	722	603	604	602	602	602	604
Pascua-Lama (Chile/Argentina)	--	--	--	--	--	--	--	--	743
Cerro Casale (Chile)	--	--	--	--	--	--	--	--	--
Porgera (PNG)	500 - 550	482	494	458	272	271	271	271	272
Cowal (Australia)	250 - 280	297	268	195	--	--	--	--	--
Kalgoorlie (Australia)	315 - 330	316	325	308	305	307	307	307	308
Acacia Mining @ 73.9%	480 - 510	473	473	495	524	501	490	490	440
<b>Total</b>	<b>6,200 - 6,600</b>	<b>7,169</b>	<b>6,249</b>	<b>5,984</b>	<b>5,918</b>	<b>5,841</b>	<b>5,251</b>	<b>5,103</b>	<b>5,253</b>

AISC, by-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Goldstrike (USA)	700 - 800	904	852	832	770	771	774	774	888
Cortez (USA)	760 - 835	433	702	806	639	629	631	632	632
Bald Mt (USA)	1,060 - 1,100	2,147	1,060	1,001	1,003	1,005	1,009	1,011	1,012
Turquoise Ridge (USA)	875 - 925	931	628	803	837	838	839	764	746
Golden Sunlight (USA)	1,000 - 1,025	914	1,179	928	1,111	--	--	--	--
Ruby Hill (USA)	--	893	697	599	--	--	--	--	--
Goldrush (USA)	--	--	--	--	--	--	--	--	--
Round Mountain (USA)	1,180 - 1,205	1,331	1,170	1,262	1,036	1,041	1,052	1,008	--
Spring Valley (USA)	--	--	--	--	--	--	--	--	781
Marigold (USA)	--	1,542	1,220	--	--	--	--	--	--
Hemlo (Canada)	940 - 980	1,216	1,064	982	946	948	951	953	1,112
Pueblo Viejo (Dominican Republic)	540 - 590	736	580	740	717	752	906	910	1,089
Lagunas Norte (Peru)	675 - 725	629	543	625	681	680	679	--	--
Pierina (Peru)	--	1,356	2,274	--	--	--	--	--	--
Veladero (Argentina)	990 - 1,075	823	814	958	946	944	943	943	943
Pascua-Lama (Chile/Argentina)	--	--	--	--	--	--	--	--	199
Cerro Casale (Chile)	--	--	--	--	--	--	--	--	--
Porgera (PNG)	1,025 - 1,125	1,314	955	1,072	1,074	1,075	1,077	1,078	1,078
Cowal (Australia)	740 - 775	775	692	701	--	--	--	--	--
Kalgoorlie (Australia)	915 - 940	956	953	934	949	966	979	981	981
Acacia Mining	1,050 - 1,000	1,350	1,078	1,062	957	899	846	803	764
<b>Company Level</b>	<b>860 - 895</b>	<b>1,068</b>	<b>962</b>	<b>959</b>	<b>898</b>	<b>890</b>	<b>918</b>	<b>910</b>	<b>840</b>

Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

Fig 152: Barrick Gold-Equivalent Production and Co-Product All-In Sustaining Cost Forecasts

Gold Equivalent Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Goldstrike (USA)		891	902	1,014	1,230	1,226	1,226	1,226	706
Cortez (USA)		1,337	902	797	944	961	961	961	963
Bald Mt (USA)		94	160	193	187	186	186	186	187
Turquoise Ridge (USA)		168	195	176	168	168	168	294	379
Golden Sunlight (USA)		95	84	99	31	--	--	--	--
Ruby Hill (USA)		91	33	3	--	--	--	--	--
Goldrush (USA)		--	--	--	--	--	--	--	--
Round Mountain (USA)		156	164	160	160	159	159	68	--
Spring Valley (USA)		--	--	--	--	--	--	--	127
Marigold (USA)		55	11	--	--	--	--	--	--
Hemlo (Canada)		204	207	208	213	212	212	212	120
Pueblo Viejo (Dominican Republic)		509	700	637	666	634	524	523	442
Lagunas Norte (Peru)		614	591	672	655	654	186	--	--
Pierina (Peru)		109	16	2	--	--	--	--	--
Veladero (Argentina)		655	736	617	618	618	619	620	621
Pascua-Lama (Chile/Argentina)		--	--	--	--	--	--	--	1,330
Cerro Casale (Chile)		--	--	--	--	--	--	--	--
Porgera (PNG)		482	494	458	272	271	271	271	272
Cowal (Australia)		297	268	195	--	--	--	--	--
Kalgoorlie (Australia)		316	325	308	305	307	307	307	308
Acacia Mining		498	500	516	545	515	505	504	453
<b>Total</b>		<b>6,910</b>	<b>6,334</b>	<b>6,055</b>	<b>5,994</b>	<b>5,912</b>	<b>5,325</b>	<b>5,173</b>	<b>5,908</b>

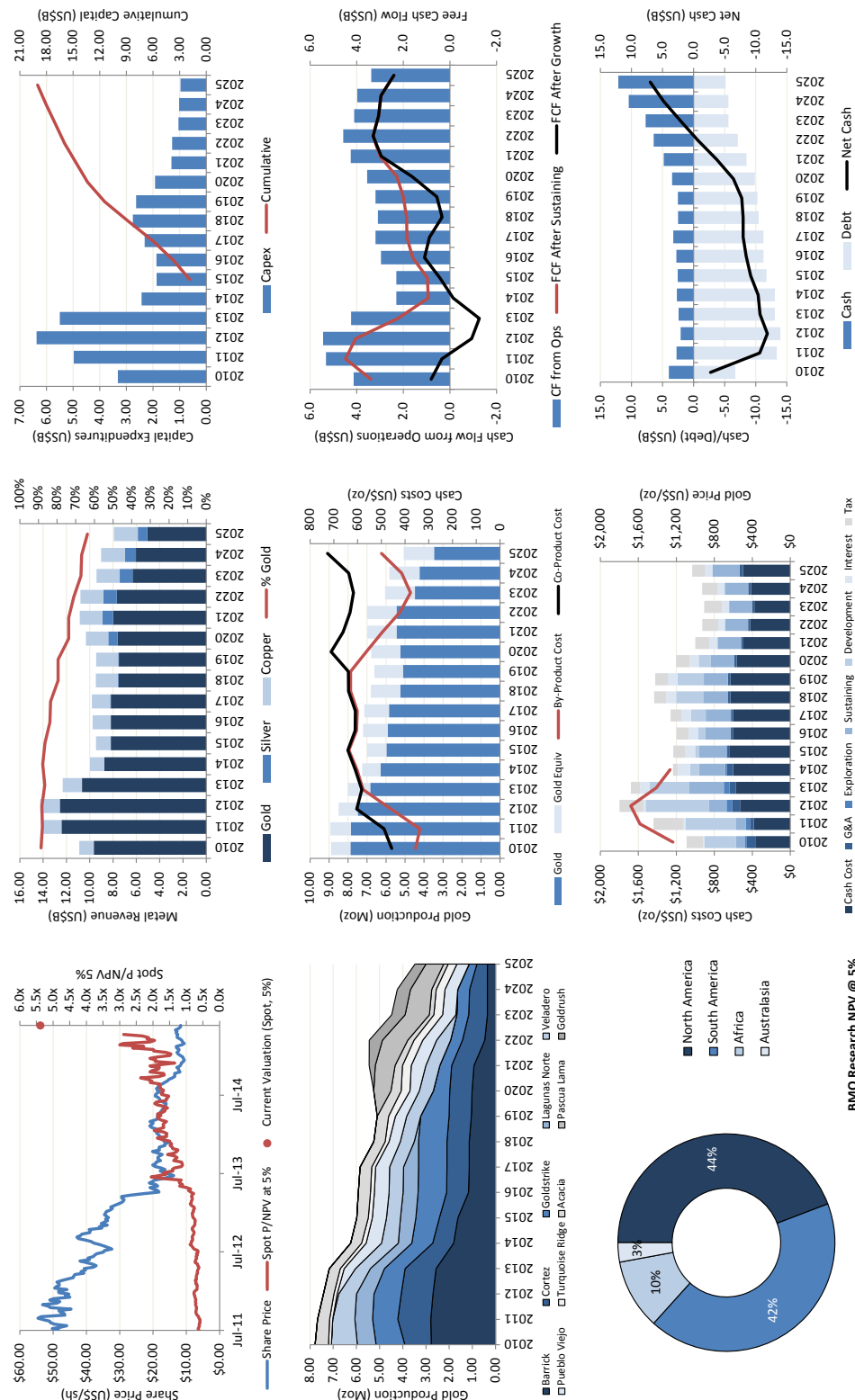
AISC, co-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Goldstrike (USA)		904	852	832	770	771	774	774	888
Cortez (USA)		433	702	806	639	629	631	632	632
Bald Mt (USA)		2,147	1,060	1,001	1,003	1,005	1,009	1,011	1,012
Turquoise Ridge (USA)		931	628	803	837	838	839	764	746
Golden Sunlight (USA)		914	1,179	928	1,111	--	--	--	--
Ruby Hill (USA)		893	697	599	--	--	--	--	--
Goldrush (USA)		--	--	--	--	--	--	--	--
Round Mountain (USA)		1,331	1,170	1,262	1,036	1,041	1,052	1,008	--
Spring Valley (USA)		--	--	--	--	--	--	--	781
Marigold (USA)		1,542	1,220	--	--	--	--	--	--
Hemlo (Canada)		1,216	1,064	982	946	948	951	953	1,112
Pueblo Viejo (Dominican Republic)		763	614	763	740	774	929	935	1,103
Lagunas Norte (Peru)		624	575	622	688	688	688	--	--
Pierina (Peru)		1,333	2,831	--	--	--	--	--	--
Veladero (Argentina)		857	824	993	952	951	951	951	952
Pascua-Lama (Chile/Argentina)		--	--	--	--	--	--	--	665
Cerro Casale (Chile)		--	--	--	--	--	--	--	--
Porgera (PNG)		1,314	955	1,072	1,074	1,075	1,077	1,078	1,078
Cowal (Australia)		775	692	701	--	--	--	--	--
Kalgoorlie (Australia)		956	953	934	949	966	979	981	981
<b>Company Level</b>		<b>1,068</b>	<b>966</b>	<b>960</b>	<b>902</b>	<b>896</b>	<b>924</b>	<b>917</b>	<b>987</b>

Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

Fig 153: BMO Research Summary Charts for Barrick Gold, BMO Research Commodity Prices



Source: BMO Capital Markets



## Senior Gold Sector

June 15, 2015

## 13. Kinross Doing the Right Things

## But Is It Enough?

**KGC has made significant progress on improving operational performance and improving liquidity.**

**We expect KGC to be in a position to move forward with a Tasiast expansion mid-2016.**

**Tasiast expansion maintains +2Moz production out to 2021E at lower AISC.**

**The alternative is for KGC to use the \$1B in cash to buy on the open market.**

**KGC is rated Market Perform with a US\$2.75 target price.**

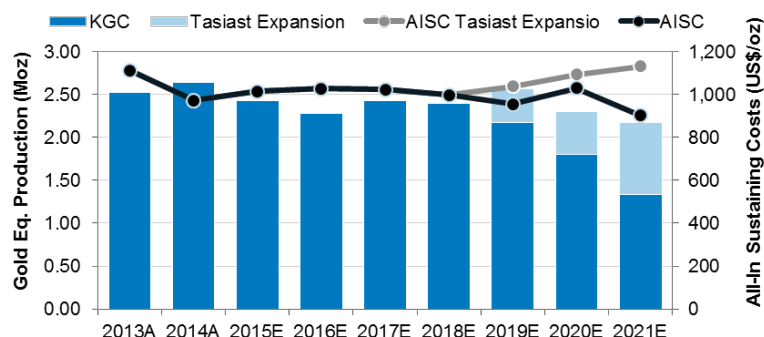
Kinross (KGC) has come a long way since the corporate shake-up in Q3/12. Since Paul Rollinson assumed the CEO position, KGC has put the brakes on Tasiast expansion and established a solid operational track record focused on margin that has translated into improving financial performance and liquidity.

The company's efforts have not gone unnoticed by investors. However, KGC remains attractively valued relative to peers on near-term metrics (EV/EBITDA, P/CFPS). The question is why?

The answer lies partially with the suspension of Tasiast expansion plans, which exposed the company's aging suite of mines and declining production profile. KGC has outlined organic growth options to slow the pace of decline, including the restart of La Coipa operations and tailing reprocessing at Paracatu, but these options dwarf in comparison to an expansion at Tasiast.

In our view, KGC has two options: 1) build sufficient liquidity to move forward with Tasiast, for which we expect a decision by mid-2016 at current metal prices; or, 2) use the \$1B in cash to buy assets on the open market.

Fig 154: Contribution of Tasiast Expansion on the KGC Production Profile



Source: BMO Capital Markets

Both of these options remain a key uncertainty in the eyes of investors. Add to this investor concerns related to the company's Russia exposure, and shares of KGC are likely to remain at discounted levels.

#### Initiating With Market Perform Rating and US\$2.75 Target Price

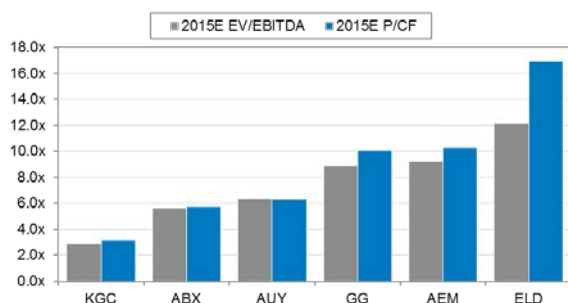
A Market Perform rating and US\$2.75 target price for shares of KGC reflect a +12-month hiatus until the company will be in the position to address investor concerns on production sustainability. We view this as the single-most critical question in valuing KGC, with Russia risk a lingering discount that is not likely to unwind any time soon.



## Senior Gold Sector

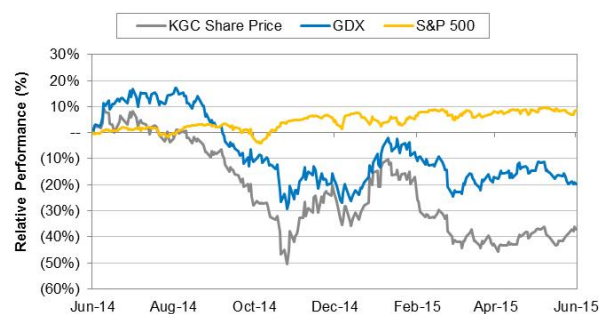
June 15, 2015

Fig 155: Reserve Life and Russia Weigh on KGC



Source: BMO Capital Markets

Fig 156: Shares of KGC Have Lagged Peers



Source: BMO Capital Markets

## Valuation

A US\$2.75 target price for KGC is derived using a 65% weighting toward the 5%NPV, using BMO metal price assumptions, of \$2.76/sh and 5.5x 2016E cash flow of \$0.68/sh. Shares of KGC have historically traded at 6.5x one-year-forward cash flow projections, below a peer average of 10x, and highlighting the company's elevated risk profile. A 5x P/CFPS multiple to derive a KGC target price reflects uncertainty over the next 12 months on a pathway toward mine life extensions and Tasiast development to maintain +2Moz production levels. We do see this strategy unfolding, but, in our view, these catalysts are +12-months out. The 16.5% return to our target price supports a Market Perform rating for shares of KGC.

For investors focused solely on NPV, a US\$2.75 share price implies 1.1x the 5%NPV/sh versus a peer average of 1.4x, based on target prices for the six senior gold miners under initiation.

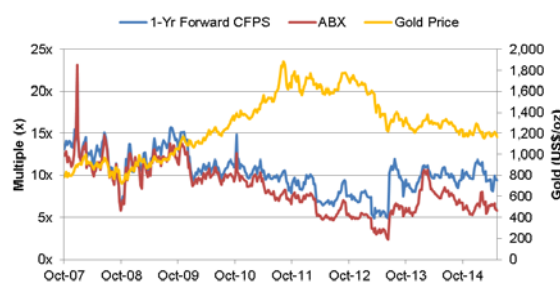
Fig 157: KGC Valuation vs. Peers

Company	Ticker	Price	BMO Prices			
			NAV <sub>5%</sub>	P/NAV <sub>5%</sub>	NAV <sub>10%</sub>	P/NAV <sub>10%</sub>
		(US\$/sh)	(US\$/sh)	(ratio)	(US\$/sh)	(ratio)
Agnico Eagle	AEM.NYSE	\$30.89	\$19.28	1.60x	\$11.48	2.69x
Barrick	ABX.NYSE	\$11.27	\$8.90	1.27x	\$3.29	3.43x
Eldorado	ELD.TSX	\$4.19	\$5.94	0.71x	\$3.38	1.24x
Goldcorp	GG.NYSE	\$16.85	\$16.61	1.01x	\$10.11	1.67x
Kinross	KGC.NYSE	\$2.36	\$2.76	0.85x	\$1.73	1.36x
Yamana	AUY.NYSE	\$3.24	\$3.64	0.89x	\$2.21	1.46x
Average				1.06x		1.98x

Market data as of: June 12, 2015

Source: BMO Capital Markets

Fig 158: KGC Trades Below Peer P/CFPS



Source: BMO Capital Markets

## A Tale of Two Mines

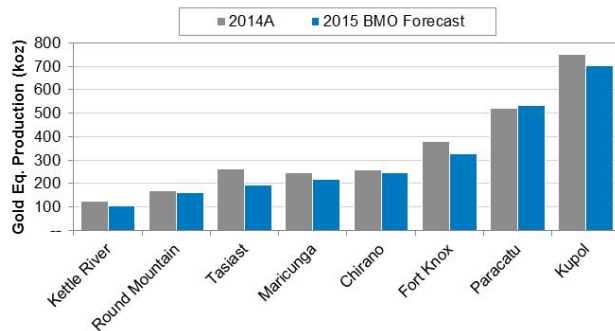
KGC is guiding to gold-equivalent production of 2.4-2.6Moz at AISC of \$1,000-1,100/oz. of gold. Gold-equivalent production includes an estimated 4.3Moz of silver. KGC operates in three regions with gold-equivalent production weighted to the Americas (54%), followed by Russia at (28%), and West Africa at (19%).

2015E gold-equivalent production is weighted toward South America and Russia, followed by North America and Africa. Combined, Kupol and Dvoinoye is the largest producing centre, underscoring an elevated risk profile of KGC for some investors.

## Senior Gold Sector

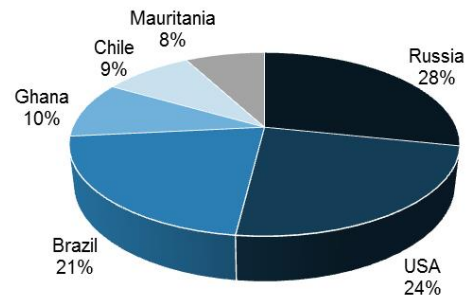
June 15, 2015

Fig 159: 2015E Production by Mine



Source: BMO Capital Markets

Fig 160: 2015E Production by Region

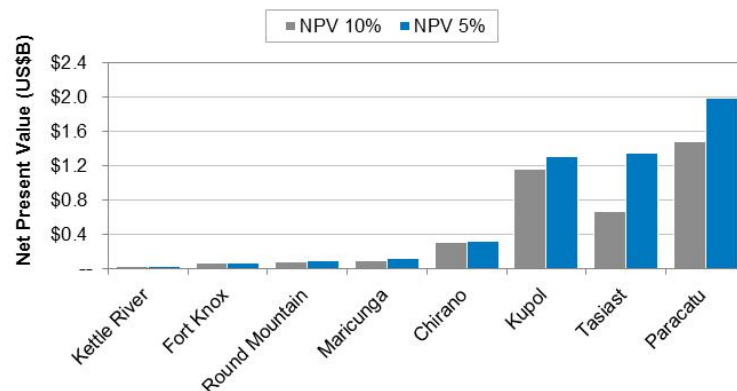


Source: BMO Capital Markets

In our view, Paracatu is the foundation of KGC with annual production of ~600koz of gold and a 14-year mine life, based on current reserves. Kupol-Dvoynoye has a comparable production profile over the next five years; however, exploration is critical to extend mine life beyond the 2020E time frame. Expansion would position Tasiast as a core mine beginning in 2019E.

On the opposite side of the spectrum are Kettle River – Buckhorn, Fort Knox, and Round Mountain, all of which have low exploration potential and are forecast to wind down in the 2018-2020 time frame.

Fig 161: NPV at 5% and 10% Discount Rate and BMO Prices



Source: BMO Capital Markets

**Kupol – Dvoynoye and Paracatu are the largest operations based on NPV.**

**Expansion would position Tasiast as a core mine.**

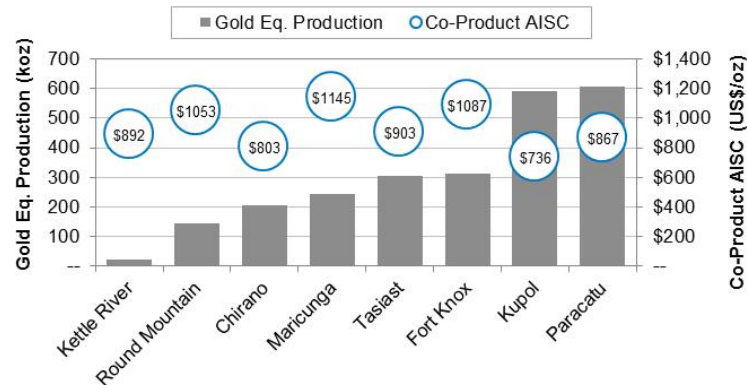
## Senior Gold Sector

June 15, 2015

Fig 162: Average Production and AISC (2015E – 2019E)

**Kupol has the lowest AISC of the KGC mines.**

**Assuming expansion by 2019E, Tasiast is forecast to have low AISC.**



Source: BMO Capital Markets

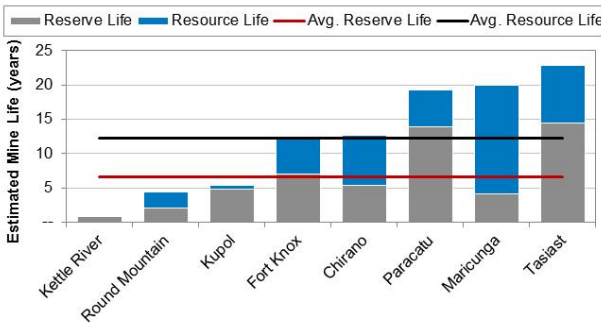
A review of KGC's reserves by asset highlights the challenges the company faces in filling the looming production gap. The large reserve base highlights the long mine life at Tasiast, based on current processing rates.

Round Mountain does host a modest-sized resource inventory that should support mine extensions, but conversion of these reserves depends on a pre-strip that requires a higher metal price environment.

While Chirano, hosts a five-year mine life, we see potential to replace mine depletion as exploration continues to delineate the down-plunge extensions of known orebodies.

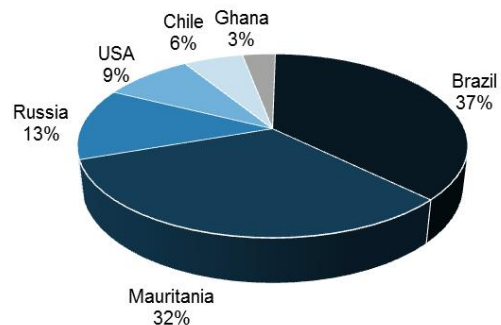
**KGC's reserve life is short and several mines are expected to close over the next couple of years.**

Fig 163: KGC Reserve and Resource Life by Mine



Source: BMO Capital Markets

Fig 164: KGC Reserves by Region



Source: BMO Capital Markets

Our analysis suggests that KGC should be able to maintain gold-equivalent production levels above 2Moz through to the end of 2018E, after which KGC's production rates are forecast to decline 65% to 0.9Moz by 2020E due to mine closures.

## Senior Gold Sector

June 15, 2015

**Our analysis suggests that KGC should be able to maintain gold -equivalent production levels above 2Moz through 2018E.**

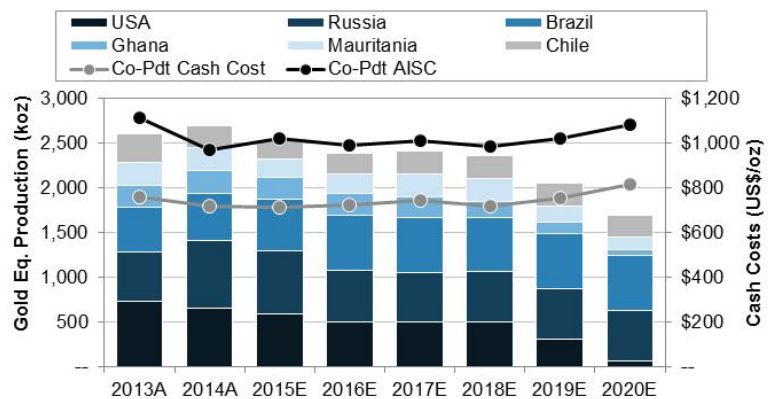
**After that, KGC's production rates are forecast to decline 65% to 0.9Moz by 2020E due to mine closures.**

**A re-start of Coipa could add 140koz of gold -equivalent production beginning in 2018E.**

The sequence of mine closures includes:

- Kettle River – Buckhorn late 2015E (105koz in 2015E)
- Round Mountain – 2018E ( average of 165koz per annum)
- Fort Know – 2019E (average of 310koz per annum)
- Kupol – Dvionoye – 2020E (average of 410koz per annum)
- Chirano – 2022E (average of 200koz per annum)

Fig 165: KGC Production Based on Reserves



Source: BMO Capital Markets

## Growth, or Should We Say Tasiast?

To stem the production decline, KGC has identified a number of opportunities to offset declining production. However, peak production days look to be over, based on the company's existing portfolio of operating mines and excluding an expansion at Tasiast.

A re-start of operations at La Coipa is expected to add a further 140koz of gold-equivalent production beginning in 2018E, with a projected mine life of five years based on known resources.

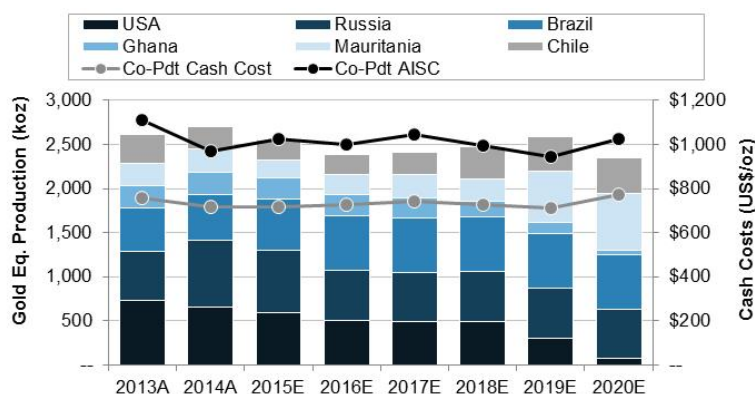
A go-ahead decision for Tasiast by mid-2016E could partially fill this looming production gap.

## Senior Gold Sector

June 15, 2015

**KGC settled on an expansion strategy for Tasiast in early 2014 that outlined average annual gold production of 664koz at AISC of \$780/oz with a 12-year mine life.**

Fig 166: KGC Production and Cost Forecasts



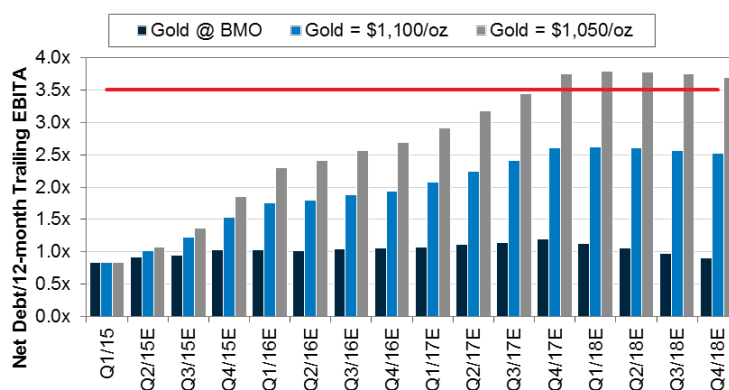
Source: BMO Capital Markets

KGC settled on an expansion strategy for Tasiast in early 2014 that outlined average annual gold production of 664koz at AISC of \$780/oz with a 12-year mine life. Tasiast expansion plans involved the replacement of the 8ktpd processing plant with a new 38ktpd plant, for total capital of \$1.5B. KGC placed expansion plans for Tasiast on the back burner in Q1/15, citing balance sheet risk given the three-year construction time frame risk of lower gold prices.

The primary concern for Tasiast development is the \$1.5B capital budget versus debt covenant requirements for the \$500M term loan due 2018 that requires KGC to maintain a trailing 12-month Net Debt/EBITDA ratio below 3.5x.

Our analysis suggests KGC is in a position to execute on Tasiast expansion even if gold were to decline to the \$1,100/oz range.

Fig 167: Debt/12-Month Trailing EBITDA Assumptions



Source: BMO Capital Markets

**Our analysis suggests KGC is in a position to execute on Tasiast expansion even if gold were to decline to the \$1,100/oz range.**

## Senior Gold Sector

June 15, 2015

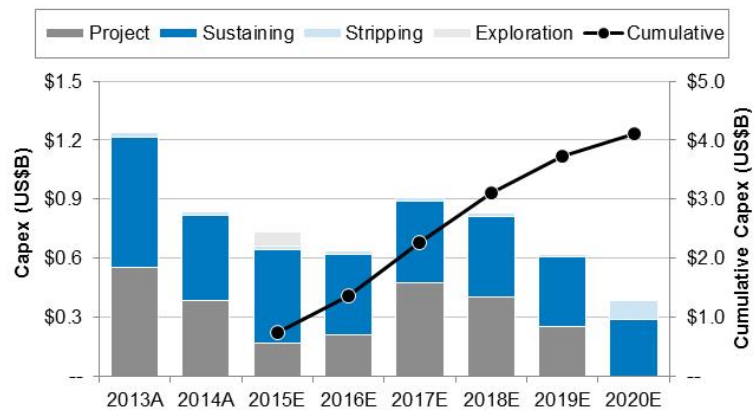
### Reinvesting in the Business

For 2015E, KGC has outlined capital expenditures of \$725M, of which \$505M is sustaining capital. Of the \$220M in development capital, \$155M is allocated to Tasiast pre-development activities and \$40M to capitalized interest.

Assuming a go-ahead decision for La Coipa re-start and Tasiast expansion in 2016E, we forecast development capital of \$1.4B through 2019E with sustaining capital over the same period of time of \$1.6B.

Fig 168: Capital Forecasts

Assuming a go-ahead decision for Tasiast and La Coipa, we forecast development capital of \$1.4B through 2019E with sustaining capital over the same period of time of \$1.6B.



Source: BMO Capital Markets

### Financial Footing Supports Growth Strategy

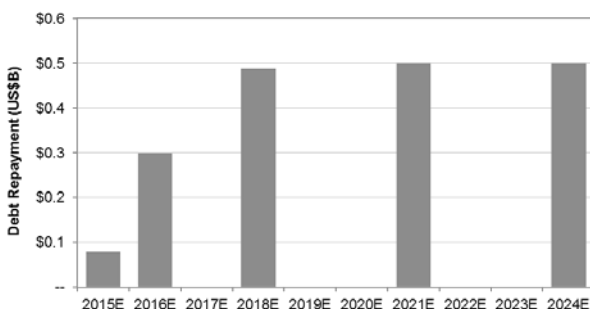
At the end of Q1/15, KGC had \$2B in debt and \$1B in cash, and \$1.5B in undrawn credit facilities, providing ample liquidity.

KGC has sufficient liquidity to develop Tasiast.

The company's below-average finance costs and staggered repayment schedule provide the opportunity to layer in project-specific debt for Tasiast expansion.

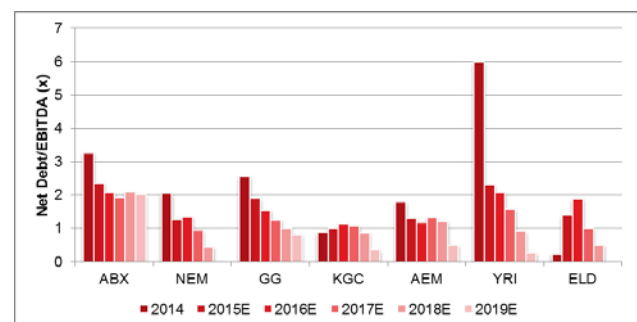
Assuming, \$1,200/oz gold, KGC looks to be able to fund Tasiast expansion internally, exiting peak funding in 2018E with ~\$200M in cash.

Fig 169: Debt Maturity (US\$B)



Source: BMO Capital Markets

Fig 170: Net Debt to EBITDA vs. Peers (x)

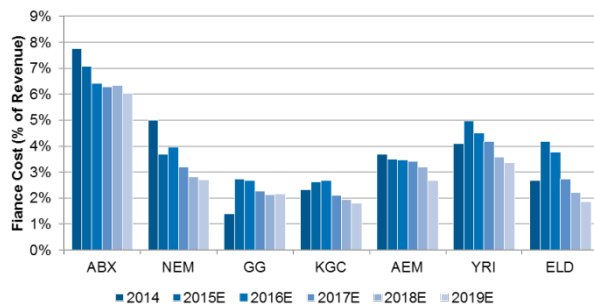


Source: BMO Capital Markets

## Senior Gold Sector

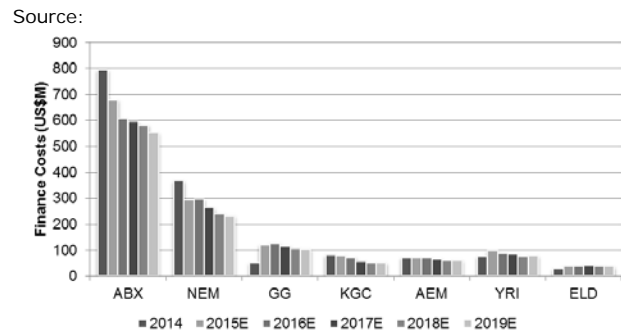
June 15, 2015

Fig 171: Finance Costs (% of Revenue)



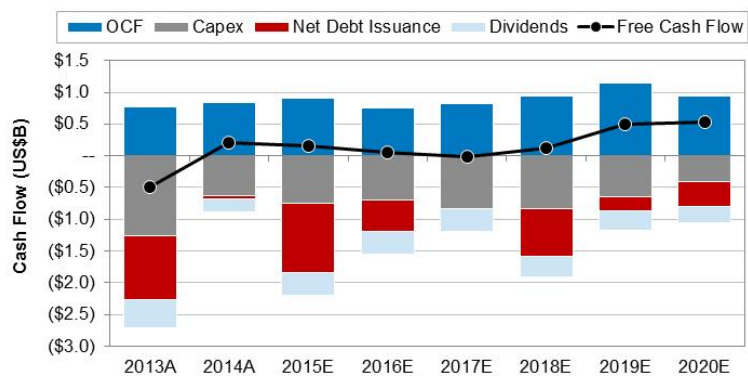
Source: BMO Capital Markets

Fig 172: Finance Costs (US\$M)



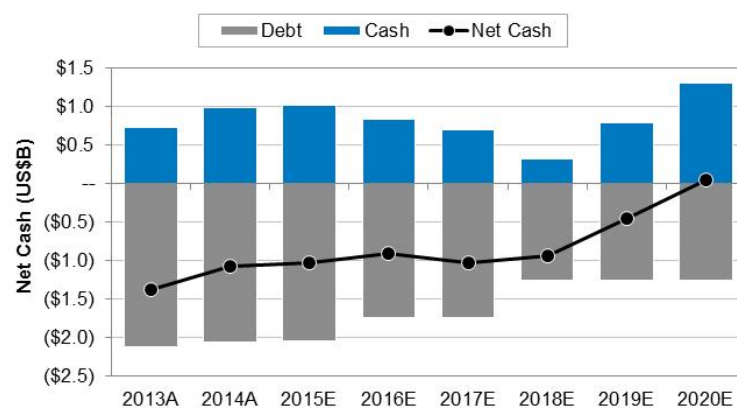
Source: BMO Capital Markets

Fig 173: Projected Sources and Uses of Capital



Source: BMO Capital Markets

Fig 174: KGC Net Debt Profile



Source: BMO Capital Markets

KGC looks to be able to fund Tasiast expansion internally, exiting peak funding in 2018E with ~\$317M in cash.

At \$1,200/oz gold, this reduces to ~\$200M in cash at the end of 2018E.



**Senior Gold Sector**

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**Corporate Strategies**

**The other way forward is to buy on the open market.**

**Pre-production offers better value.**

To fully address the looming production declines, KGC will need to layer in an acquisition strategy that has been absent over the last two years as it focused on operational improvements. The question is what to buy?

In our view, KGC is better off looking at an exploration company with an engineering stage project where potential acquirers can buy reserves and resources in the ground well below the industry average finding costs or an emerging producer that has yet to re-rate as a producer. Conveniently, we have provided a list of potential acquisition targets within the BMO Research coverage universe.

Fig 175: Potential Acquisition Targets for KGC

Company	Ticker	Project	Start-Up	Average Annual		
				Gold Production	Cash Costs	Fully Funded?
			(year)	(koz)	(US\$/oz)	
Amara Mining	AMA-LSE	Yaoure	2018	277	\$646	✗
Asanko Gold	ASK-TSX	Obotan	2016	186	\$665	✓
Aureus Mining	AUE-TSX	New Liberty	2015	93	\$710	✓
Belo Sun Mining	BSX-TSX	Volta Grande	2018	168	\$735	✗
Castle Mountain	CMM-TSXV	Castle Mountain	2016	164	\$754	✗
Continental Gold	CNL-TSX	Buritica	2018	264	\$531	✗
Dalradian Resources	DNA-TSX	Curraghinalt	2018	151	\$554	✗
Gryphon Minerals	GRY-ASX	Banfora	2016	70	\$743	✗
Guyana Goldfields	GUY-TSX	Aurora	2015	197	\$587	✓
Lydian International	LYD-TSX	Amulsar	2017	195	\$656	✗
Midas Gold	MAX-TSX	Stibnite Gold	2020	343	\$652	✗
Orezone Gold	ORE-TSX	Bombore	2017	118	\$715	✗
Romarco Minerals	R-TSX	Haile	2016	329	\$491	✓
Roxgold	ROG-TSXV	Yaramoko	2016	100	\$510	✓
Rubicon Minerals	RMX-TSX	Phoenix	2015	174	\$571	✓
Sabina Gold & Silver	SBB-TSX	Back River	2018	284	\$687	✗
Torex Gold Resources	TXG-TSX	Morelos	2015	325	\$561	✓
True Gold Mining	TGM-TSX	Karma	2016	104	\$741	✓

Source: BMO Capital Markets



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Fig 176: Kinross Gold Production and All-In Sustaining Cost Forecasts

Kinross @ BMO Prices	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Gold Equivalent Production (koz)	2,400 - 2,600	2,607	2,697	2,546	2,390	2,412	2,478	2,593	2,345
Total Cash Costs, co-pdt (US\$/oz)	720 - 780	759	718	715	726	743	728	714	772
AISC, co-pdt (US\$/oz)	1,000 - 1,100	1,112	970	1,026	998	1,043	992	946	1,025
Total Capex (US\$M)	725	1,237	839	734	635	905	831	616	382

Gold Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Fort Knox (USA)		422	379	325	333	332	332	247	70
Round Mountain (USA)		163	157	163	166	166	166	62	--
Kettle River (USA)		150	123	105	--	--	--	--	--
Paracatu (Brazil)		500	521	582	615	613	613	613	615
La Coipa (Chile)		138	--	--	--	--	114	142	142
Maricunga (Chile)		188	247	227	231	256	256	256	256
Kupol (Russia)		466	686	643	515	489	489	489	490
Chirano (Ghana)		248	258	246	247	228	182	129	55
Tasiast (Mauritania)		248	260	195	224	261	255	582	642
<b>Total</b>	<b>2,300 - 2,500</b>	<b>2,523</b>	<b>2,633</b>	<b>2,487</b>	<b>2,330</b>	<b>2,346</b>	<b>2,406</b>	<b>2,519</b>	<b>2,271</b>

AISC, by-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Fort Knox (USA)		906	939	1,112	1,064	1,072	1,091	1,103	1,678
Round Mountain (USA)		1,228	1,123	1,245	995	1,000	1,011	961	--
Kettle River (USA)		644	725	892	--	--	--	--	--
Paracatu (Brazil)		1,132	1,038	916	860	858	856	849	848
La Coipa (Chile)		935	--	--	--	--	814	809	809
Maricunga (Chile)		1,470	1,073	1,203	1,224	1,103	1,105	1,106	1,106
Kupol (Russia)		746	648	631	753	787	773	766	766
Chirano (Ghana)		1,168	801	811	773	777	780	923	1,615
Tasiast (Mauritania)		1,390	1,226	1,226	991	1,116	847	690	959
<b>Company Level</b>		<b>1,073</b>	<b>963</b>	<b>1,022</b>	<b>993</b>	<b>1,039</b>	<b>968</b>	<b>915</b>	<b>993</b>

Gold Equivalent Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Fort Knox (USA)		422	379	325	333	332	332	247	70
Round Mountain (USA)		163	157	163	166	166	166	62	--
Kettle River (USA)		150	123	105	--	--	--	--	--
Paracatu (Brazil)		500	521	582	615	613	613	613	615
La Coipa (Chile)		138	--	--	--	--	114	142	142
Maricunga (Chile)		188	247	227	231	256	256	256	256
Kupol (Russia)		550	751	703	575	555	561	563	565
Chirano (Ghana)		248	258	246	247	228	182	129	55
Tasiast (Mauritania)		248	260	195	224	261	255	582	642
<b>Total</b>	<b>2,400 - 2,600</b>	<b>2,607</b>	<b>2,697</b>	<b>2,546</b>	<b>2,390</b>	<b>2,412</b>	<b>2,478</b>	<b>2,593</b>	<b>2,345</b>

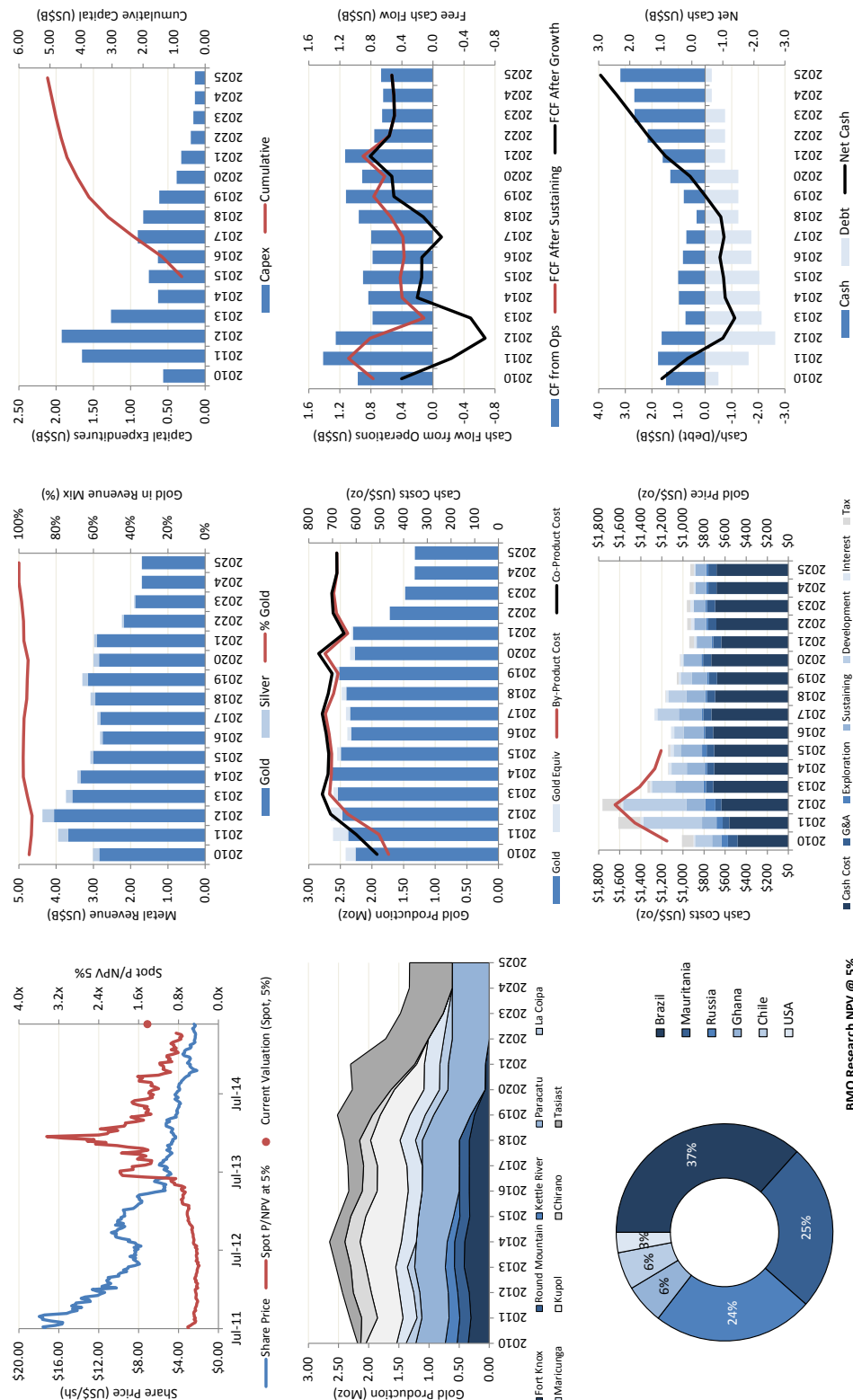
AISC, co-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Fort Knox (USA)		906	939	1,112	1,064	1,072	1,091	1,103	1,678
Round Mountain (USA)		1,228	1,123	1,245	995	1,000	1,011	961	--
Kettle River (USA)		644	725	892	--	--	--	--	--
Paracatu (Brazil)		1,132	1,038	916	860	858	856	849	848
La Coipa (Chile)		935	--	--	--	--	814	809	809
Maricunga (Chile)		1,470	1,073	1,203	1,224	1,103	1,105	1,106	1,106
Kupol (Russia)		746	648	631	753	787	773	766	766
Chirano (Ghana)		1,168	801	811	773	777	780	923	1,615
Tasiast (Mauritania)		1,390	1,226	1,226	991	1,116	847	690	959
<b>Total</b>	<b>1,000 - 1,100</b>	<b>1,112</b>	<b>970</b>	<b>1,026</b>	<b>998</b>	<b>1,043</b>	<b>992</b>	<b>946</b>	<b>1,025</b>

Source: BMO Capital Markets

## Senior Gold Sector

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Fig 177: BMO Research Summary Charts for KGC



Source: BMO Capital Markets

**Senior Gold Sector**

June 15, 2015

## 14. Agnico Eagle

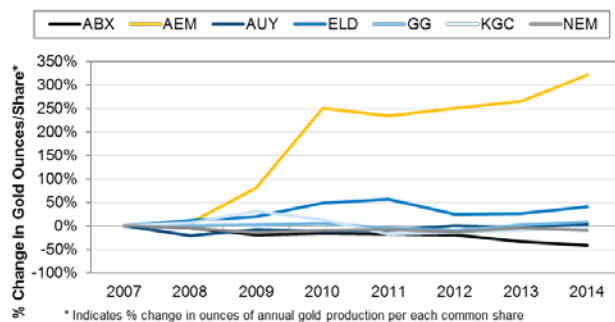
### Maintaining the Pace of Delivering

**AEM has built a reputation amongst the senior gold producers of delivering growth while reducing risk to shareholders.**

Agnico Eagle (AEM) has built a reputation amongst the senior gold producers of delivering growth while reducing risk to shareholders. The company has not been immune to stumbles in execution in the past. However, we believe investors generally agree that AEM has learned from these growing pains. Of interest to investors, AEM has recorded production growth of +300% over the last decade while the share count has risen only modestly.

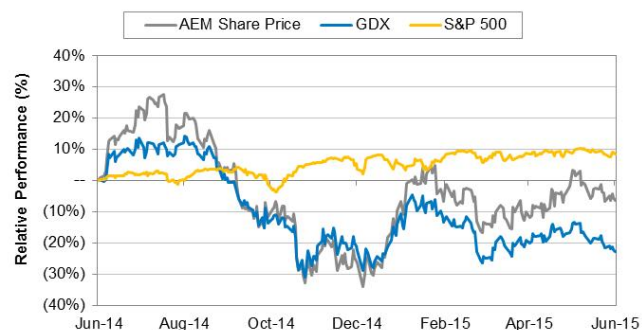
Positively, AEM's focus on growth over the last decade has not compromised its balance sheet, with debt at the end of Q1 of \$1.3B versus cash of \$172M and available credit of \$800M. AEM's focus on shareholder value has paid off, with shares of AEM outperforming relative to peers.

Fig 178: AEM Production Growth vs. Share Count



Source: BMO Capital Markets

Fig 179: Shares of AEM Have Outperformed Peers



Source: BMO Capital Markets

### Exploration a Necessity, Not a Luxury

Tempering a view on AEM is the realization that the company has a disadvantage relative to peers in its ability to demonstrate a long-lived operational base. Short reserve lives at a number of operations place the focus on exploration.

Positively, AEM's exploration appears to be firing on all cylinders and the company continues to be opportunistic with investments in the junior sector.

**AEM is rated Market Perform with a \$35.00 target price.**

### Initiating With Market Perform Rating and \$35.00 Target Price

A Market Perform rating and US\$35.00 target price for shares of AEM are supported by the company's strong record of execution, which is currently reflected in the company's long-standing valuation premium relative to peers. There is no question the company is delivering exploration success, but we view this as a necessity to back-fill the current valuation. We believe exploration success at Amurraq and El Barqueno will be central to modifying this view.

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### Valuation

A US\$35.00 target price for AEM is derived using a 35% weighting toward the 5%NPV, using BMO metal price assumptions, of \$19.28/sh and 14x 2016E cash flow of \$3.12/sh. Shares of AEM have historically traded at 13.5x one-year-forward cash flow projections, above a peer average of 13.5x, and highlighting the company's growth prospects driven by an exploration strategy that consistently delivers reserve life extensions that compensate for the company's short reserve life. While we remain constructive on AEM, applying 14x P/CFPS to derive a target price implies an 8.8% return to our target price and supports a Market Perform rating.

For investors focused solely on NPV, a US\$35.00 share price implies 1.8x the 5%NPV/sh versus a peer average of 1.4x, based on target prices for the six senior gold miners under initiation.

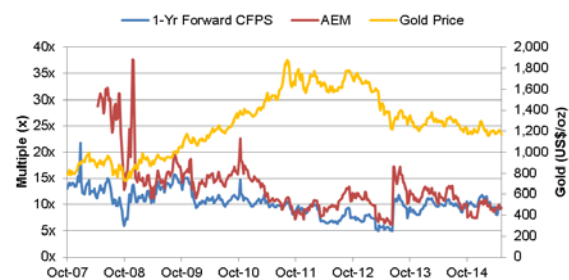
Fig 180: Peer NPV Multiples

Company	Ticker	Price (US\$/sh)	BMO Prices			
			NAV <sub>5%</sub> (US\$/sh)	P/NAV <sub>5%</sub> (ratio)	NAV <sub>10%</sub> (US\$/sh)	P/NAV <sub>10%</sub> (ratio)
Agnico Eagle	AEM.NYSE	\$30.89	\$19.28	1.60x	\$11.48	2.69x
Barrick	ABX.NYSE	\$11.27	\$8.90	1.27x	\$3.29	3.43x
Eldorado	ELD.TSX	\$4.19	\$5.94	0.71x	\$3.38	1.24x
Goldcorp	GG.NYSE	\$16.85	\$16.61	1.01x	\$10.11	1.67x
Kinross	KGC.NYSE	\$2.36	\$2.76	0.85x	\$1.73	1.36x
Yamana	AUY.NYSE	\$3.24	\$3.64	0.89x	\$2.21	1.46x
Average				1.06x		1.98x

Market data as of: June 12, 2015

Source: BMO Capital Markets

Fig 181: AEM Trades Below Peer P/CFPS



Source: BMO Capital Markets

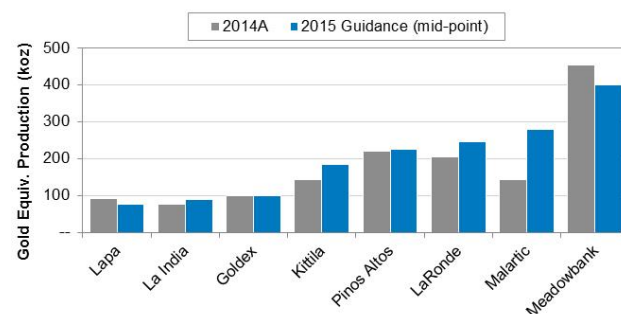
### A Canadian-Focused Miner

AEM operates seven mines (including a 50% interest in the Malartic mine) in four key regions. Production guidance for 2015 is for 1.6Moz of gold at AISC of \$880/oz to \$900/oz.

#### AEM retains a Canada focus.

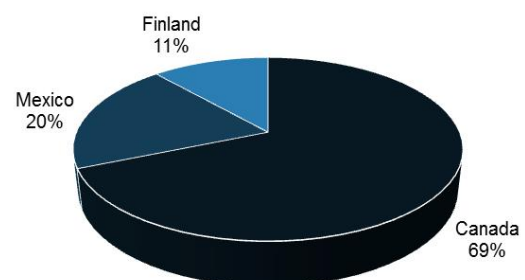
At close to 70% of production in Canada, AEM remains a Canadian-focused gold producer. The company's largest producers in 2015E include Meadowbank and Malartic (50%) followed by LaRonde.

Fig 182: 2015E Production Guidance by Mine



Source: BMO Capital Markets

Fig 183: 2015E Production Guidance by Region



Source: BMO Capital Markets

## Senior Gold Sector

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**AEM is projected to maintain production in the 1.6Moz range.**

**Meliadine production beginning in 2019E is forecast to lift gold production rates to the 1.8Moz range.**

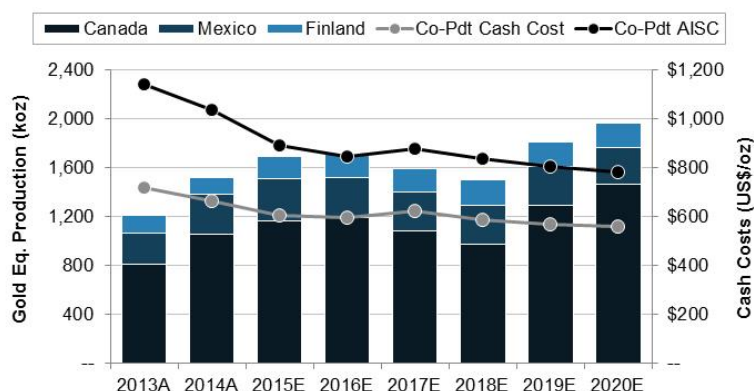
**AISC are projected to decline, driven by higher grades at Amuraq and Meliadine.**

We expect AEM to maintain current production rates for the foreseeable future, contingent on our assumptions on Goldex reserve conversion and development of Amuraq as a satellite to Meadowbank.

Meliadine production beginning in 2019E is forecast to lift gold production rates to the 1.8Moz range.

Long term, we see potential for AEM to progressively improve AISC as higher-margin production from Amuraq and Meliadine comes online.

Fig 184: AEM Production and Cost Forecasts



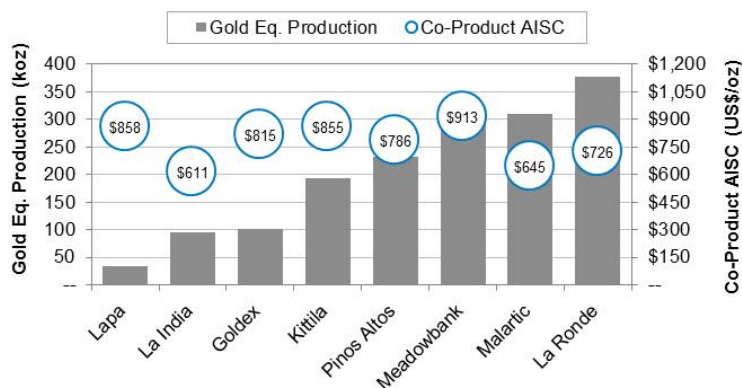
Source: BMO Capital Markets

The company's core operations with long reserve lives include LaRonde, a 50% interest in Malartic and the Kitilla mine. These three mines support the bulk of the EAM asset value.

Outside of these core operations, Pinos Altos and the company's newest mine La India support average reserve lives that we expect to be augmented by future exploration success.

Lapa, Goldex, and Meadowbank are set to deplete their respective reserve base by 2017E. Further resource conversion at Goldex, and the recently discovered Amuraq satellite deposit at Meadowbank support production into the 2020E time frame.

Fig 185: Average Production and AISC (2015E – 2019E)



Source: BMO Capital Markets

### Core mines include :

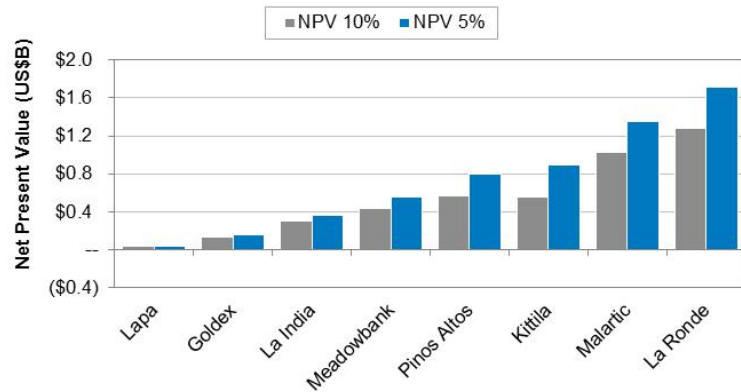
1. LaRonde
2. Malartic
3. Kitilla

## Senior Gold Sector

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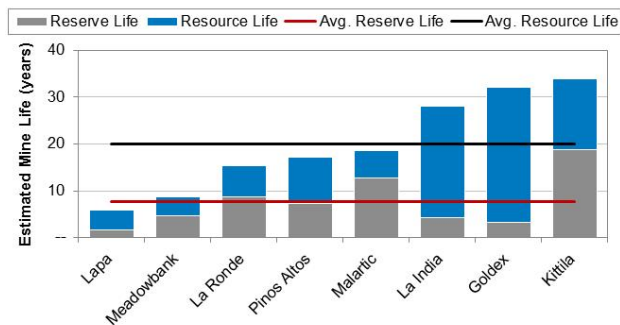
Fig 186: NPV at 5% and 10% Discount Rate and BMO Prices

Combined, BMO Research estimates \$4.3B in asset value using a 5% discount rate.



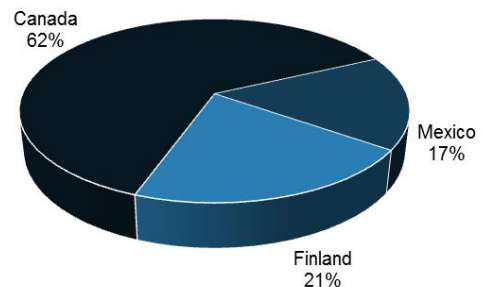
Source: BMO Capital Markets

Fig 187: AEM Reserve and Resource Life by Mine



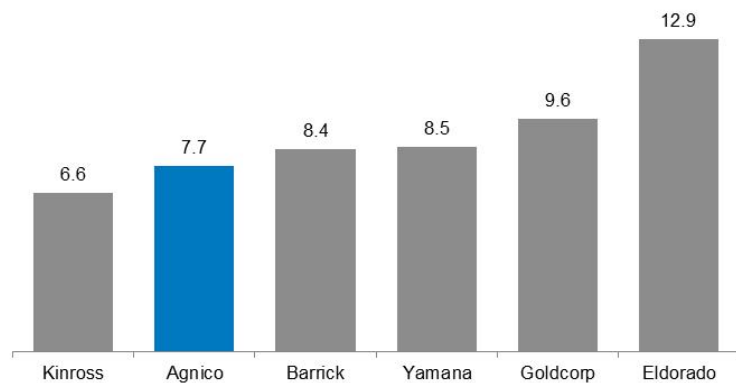
Source: BMO Capital Markets

Fig 188: AEM Reserves and Resources by Region



Source: BMO Capital Markets

Fig 189: AEM Has a Below-Average Reserve Life



Source: BMO Capital Markets

**Senior Gold Sector**

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**Reinvesting in the Business**

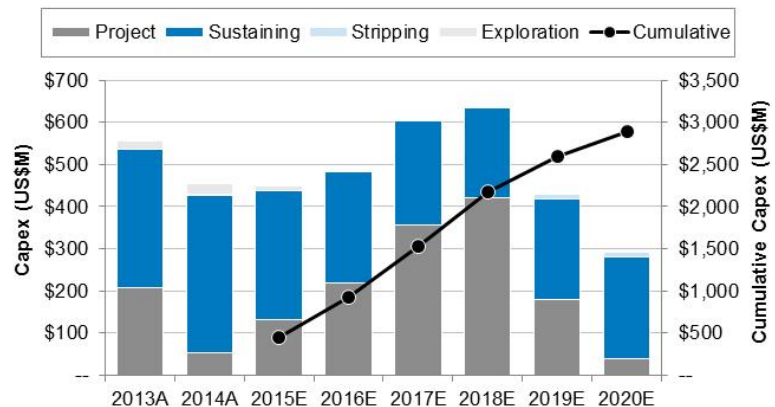
AEM is forecast to maintain sustaining capital requirements in the \$200-250M range on an annual basis.

Assuming development of Meliadine and the Amuraq deposit as a satellite open-pit mine to Meadowbank, we estimate project capital to increase to the \$350M range in 2017E/18E.

Combined, these two mines are forecast to add +600koz of annual gold production at low AISC.

Fig 190: Capital Forecasts

Assuming development of Meliadine and the Amuraq deposit as a satellite open-pit mine to Meadowbank, we estimate project capital to increase to the \$350M range in 2017E/18E.



Source: BMO Capital Markets

**Exploration Success on Key Fronts**

To address a short reserve life at a number of the company's operations, AEM has outlined a well-articulated exploration program in 2015 to focus on three core objectives in addition to ongoing reserve replacement:

1. Meadowbank – Vault zone reserve estimate and Amuraq advancement
2. Goldex – Deep Zone conversion
3. Lapa – Pandora exploration

**Meadowbank – Filling the Gap**

Near term, we expect positive changes to both the Canadian dollar and price of diesel to enable AEM to reintroduce the Vault deposit into the mine plan beginning in 2017.

Discovery of the Amuraq, for which the company recently announced an initial inferred resource of 1.5Moz gold, has given a new lease on life to Meadowbank. We expect AEM to fast-track Amuraq permitting, including a 50km all-weather road to incorporate the deposit into a mine plan. We estimate total capital of \$155M to advance Amuraq to production beginning in H2/18.

Positively, Amuraq remains open, as an exploration permit and the grade of the resource at 7.07g/t gold is more than double the reserve grade at Meadowbank. Near-surface resource growth looks to be good, based on recent drill results, and the shear-hosted nature of the gold mineralization lends itself to future underground potential.

AEM's exploration shows good potential to extend reserve lives at Goldex and Meadowbank.

The re-introduction of Vault reserves will fill a 2018E gap in production.

But Amuraq is the future of Meadowbank.

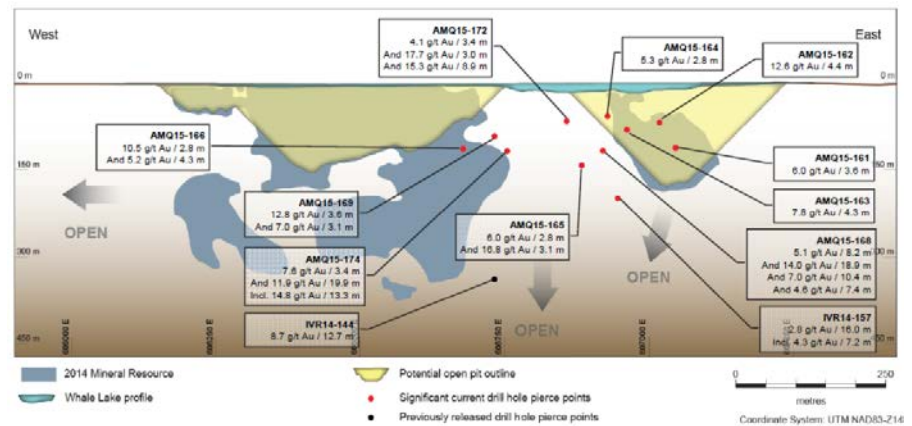


## Senior Gold Sector

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Fig 191: Amuraq Open Pit and Underground Resource and Recent Drill Results

Resource delineation at Amuraq points to further open-pit and future underground potential.



Source: BMO Capital Markets

### Goldex – Filling the Gap

Goldex hosts an outsized resource base of 3.6Moz (2.1Moz M&I and 1.5M inferred) of gold relative to the 0.3Moz gold reserve base. Key objectives are to incorporate the M3 and M4 zones into the mine plan in the near term while advancing the Deep zone into reserves by year-end.

Reserve delineation at Goldex could add up to 8 years of mine life.

We view the potential to expand the reserve base at Goldex as high, with the current ability to delineate underground reserves restricted by infrastructure. In 2015, AEM has designed an exploration program to build out supporting infrastructure to facilitate reserve conversion, which we estimate could add up to eight years based on conservative resource conversion rates.

### Lapa – Opening Pandora's Box

Based on existing reserves, Lapa is forecast to produce 75koz in 2015, declining to 50koz as operations wind down through 2016. While, AEM is considering a number of opportunities to delineate reserve potential on parallel structures, the most promising target appears to be the adjacent Pandora zone located on joint-venture ground with AUY. The joint venture (50:50) has proposed a C\$3.1M exploration program to begin underground resource potential at Pandora.

### The Next Stage of Growth

AEM has already set the stage for the next phase of growth through the advancement of the Meliadine project north of Meadowbank to Project Certificate approval in Q1/15. AEM is in the process of submitting operating permits, licences, and authorizations that are expected to be approved through the remainder of 2015.

Meliadine is the next stage of growth.

Meliadine contains 3.3Moz of reserves in two deposits that support development of a nine-year mine life with estimated annual production of ~350koz of gold at cash costs of \$531/oz. Initial capital for the 3ktpd mine (expanding to 5ktpd in year 3) is estimated at \$911M. AEM has committed C\$64M in 2015, of which C\$21M is earmarked for underground development.



## Senior Gold Sector June 15, 2015

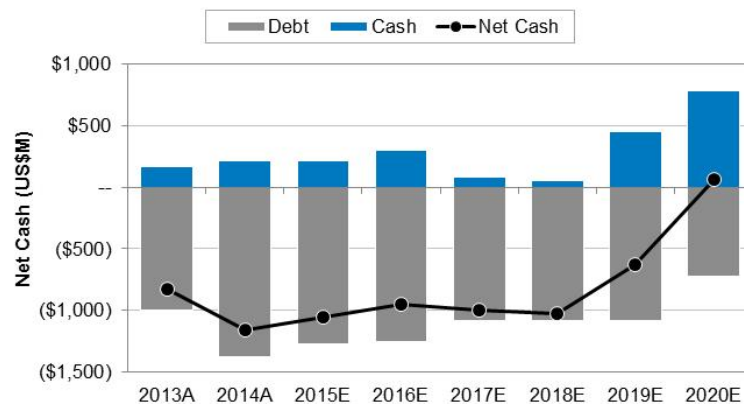
### Financial Footing Supports Growth Strategy

While many of its peers were cutting corporate, sustaining, and capital costs through 2014, AEM has implemented minimal changes given a lean operating culture and low corporate overhead.

Our analysis suggests that AEM should be in a position to fund development while meeting current debt obligations. At the BMO Research metal price assumption of \$1,250/oz long term, AEM is expected to build cash rapidly once Meliadine is in production, moving to net cash by 2020E.

Fig 192: AEM Net Debt Profile

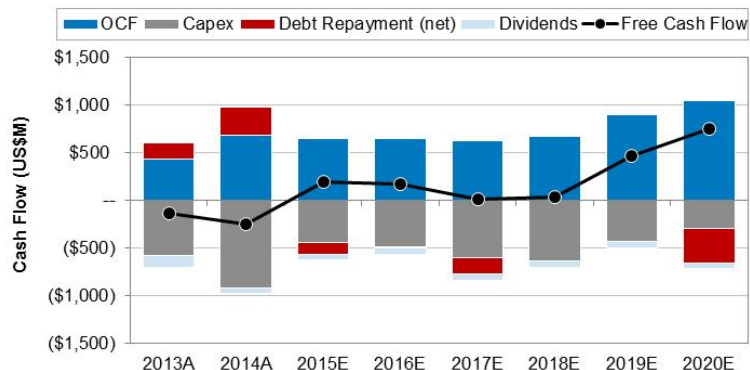
At \$1,200/oz gold, AEM looks to require additional financing to construct Meliadine.



Source: BMO Capital Markets

Fig 193: Projected Sources and Uses of Capital

AEM is forecast to build cash rapidly once Meliadine is in production in 2019E.

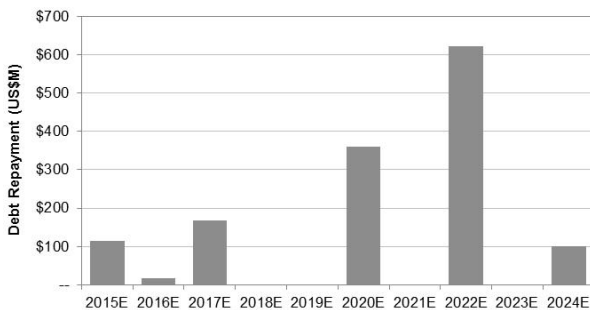


Source: BMO Capital Markets

## Senior Gold Sector

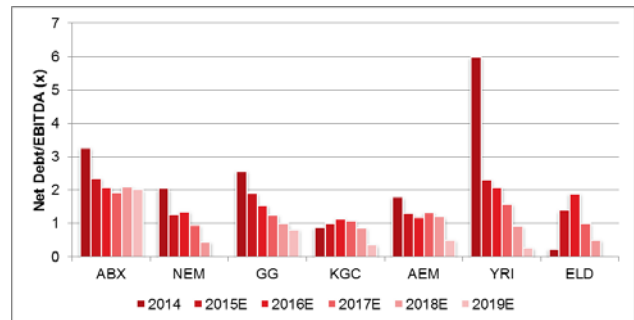
June 15, 2015

Fig 194: Debt Maturity (US\$B)



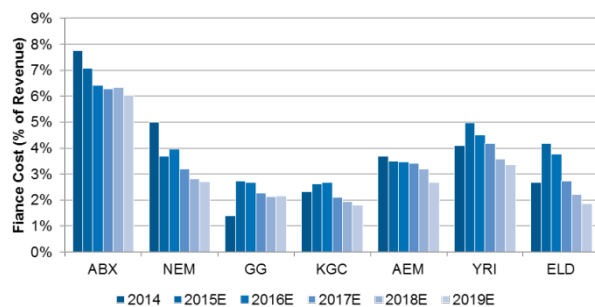
Source: BMO Capital Markets

Fig 195: Net Debt to EBITDA vs. Peers (x)



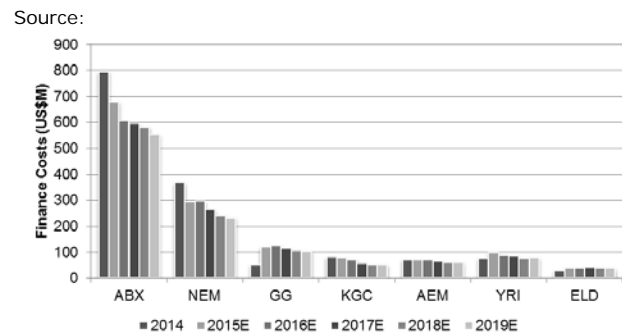
Source: BMO Capital Markets

Fig 196: Finance Costs (% of Revenue)



Source: BMO Capital Markets

Fig 197: Finance Costs (US\$M)



Source: BMO Capital Markets

## Corporate Strategies

AEM has established a record of investing in junior exploration companies as part of a long-term growth strategy. While not all investments translate into acquisition (i.e., Sulliden Resources, Rubicon Minerals (RMX-TSX, \$1.41, Outperform (S)), a number of them have, such as the acquisition of Cayden Resources in 2014.

Recent investments and examples of this strategy include a 17.4% interest in Belo Sun (BSX-TSX, \$0.22, Outperform (S), covered by Brian Quast) and a further 5% interest in Pershimco. We view this as a pragmatic extension of AEM's exploration strategy, allowing it to acquire an interest in reserve and resource ounces below finding cost and provide funding to further de-risk the project.

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Fig 198: Agnico Eagle Mines Production and All-In Sustaining Cost Forecasts

Agnico Eagle @ BMO Prices	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Production (koz)	1,600	1,096	1,429	1,600	1,622	1,502	1,399	1,716	1,870
Total Cash Costs, By-Pdt (US\$/oz)	618	656	627	568	565	587	544	528	525
AISC, by-pdt (US\$/oz)	880-900	1,118	1,020	872	826	858	810	777	759
Total Capex (US\$M)	481	555	454	448	483	604	636	429	293

Attributable Gold Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
La Ronde (Canada)	245	182	205	245	295	329	377	377	379
Goldex (Canada)	100	21	100	105	101	100	100	100	47
Lapa (Canada)	75	101	93	83	84	3	--	--	--
Meadow bank (Canada)	400	431	453	389	365	293	77	358	359
Meliadine (Canada)	--	--	--	--	--	--	--	88	359
Malartic (Canada)	280	--	143	279	294	293	356	304	256
Pinos Altos (Mexico)	225	216	219	220	200	195	195	195	176
La India (Mexico)	90	--	75	95	93	93	93	93	93
Kittila (Finland)	185	146	142	184	191	195	200	200	201
<b>Total</b>	<b>1,600</b>	<b>1,096</b>	<b>1,429</b>	<b>1,600</b>	<b>1,622</b>	<b>1,502</b>	<b>1,399</b>	<b>1,716</b>	<b>1,870</b>

AISC, by-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
La Ronde (Canada)		763	670	555	477	434	370	375	373
Goldex (Canada)		782	623	572	602	617	622	623	632
Lapa (Canada)		679	669	674	661	1,593	--	--	--
Meadow bank (Canada)		769	608	629	679	861	1,559	692	692
Meliadine (Canada)		--	--	--	--	--	--	420	408
Malartic (Canada)		--	697	577	565	575	499	535	668
Pinos Altos (Mexico)		418	535	451	482	491	481	481	469
La India (Mexico)		--	487	436	487	501	506	512	512
Kittila (Finland)		608	846	645	605	604	614	625	625
<b>Company Level</b>	<b>880-900</b>	<b>1,118</b>	<b>1,020</b>	<b>872</b>	<b>826</b>	<b>858</b>	<b>810</b>	<b>777</b>	<b>759</b>

Gold Equivalent Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
La Ronde (Canada)		255	262	296	344	381	433	431	432
Goldex (Canada)		21	100	105	101	100	100	100	47
Lapa (Canada)		101	93	83	84	3	--	--	--
Meadow bank (Canada)		432	455	392	366	295	77	358	359
Meliadine (Canada)		--	--	--	--	--	--	88	360
Malartic (Canada)		--	145	282	297	296	360	308	260
Pinos Altos (Mexico)		255	245	249	227	225	228	229	209
La India (Mexico)		--	78	98	95	95	95	95	96
Kittila (Finland)		146	142	184	191	195	200	200	201
<b>Total</b>		<b>1,210</b>	<b>1,519</b>	<b>1,690</b>	<b>1,706</b>	<b>1,591</b>	<b>1,494</b>	<b>1,810</b>	<b>1,963</b>

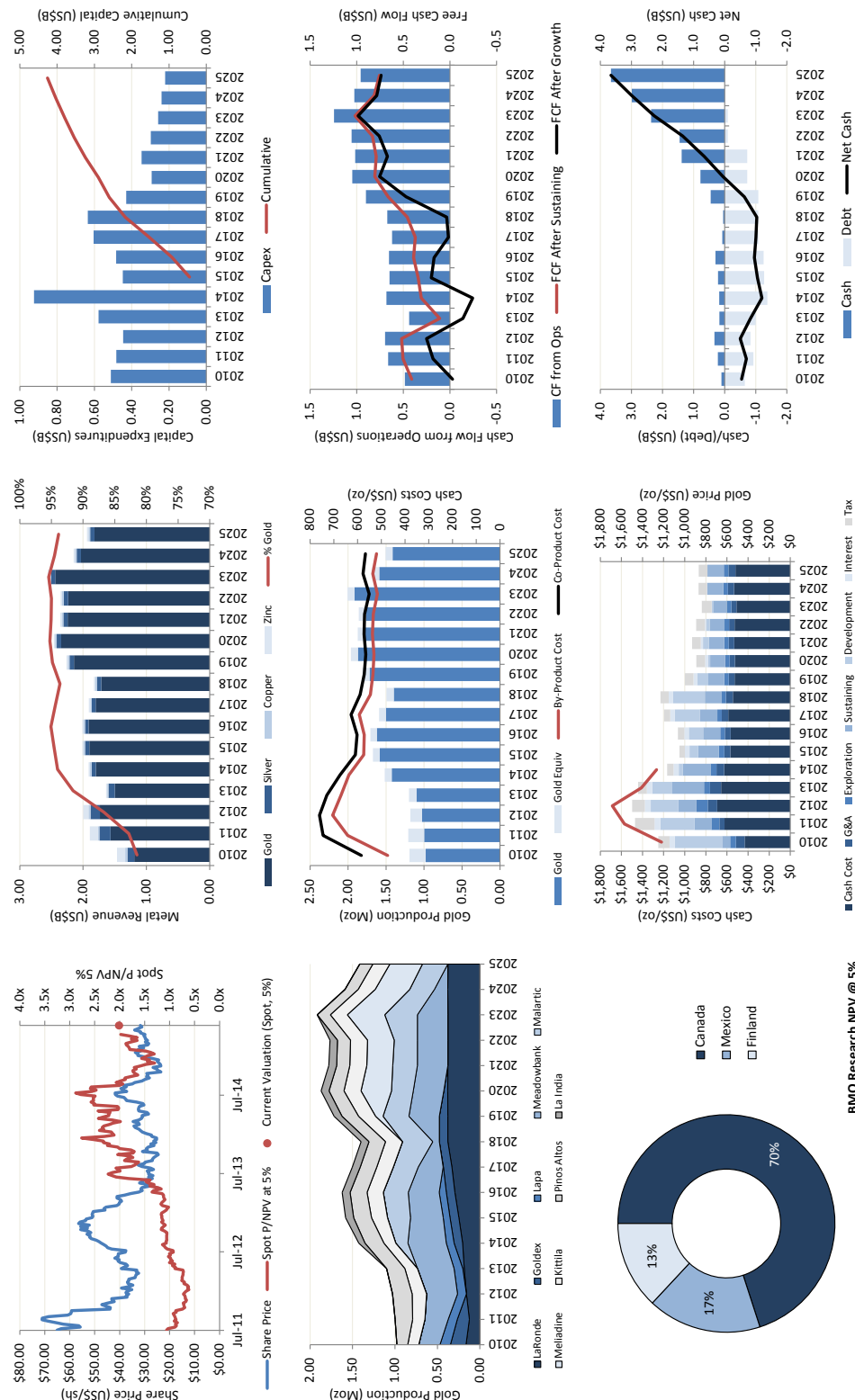
AISC, co-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
La Ronde (Canada)		1,263	1,095	893	785	724	644	648	648
Goldex (Canada)		1,899	965	825	798	813	819	819	829
Lapa (Canada)		900	883	846	835	1,767	--	--	--
Meadow bank (Canada)		949	729	871	857	1,000	1,655	787	786
Meliadine (Canada)		--	--	--	--	--	--	501	487
Malartic (Canada)		--	943	749	648	661	571	620	767
Pinos Altos (Mexico)		804	849	783	774	789	789	794	773
La India (Mexico)		--	661	730	563	578	586	592	592
Kittila (Finland)		1,172	1,606	894	846	840	844	855	855
<b>Company Level</b>		<b>1,141</b>	<b>1,034</b>	<b>890</b>	<b>844</b>	<b>877</b>	<b>836</b>	<b>802</b>	<b>782</b>

Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

Fig 199: BMO Research Summary Charts for Agnico Eagle, BMO Research Commodity Prices



Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

## 15. Goldcorp

## Asset Quality, Yes - Show Me the \$\$\$

**GG is exiting a 10-year growth phase that has seen it invest \$10.7B in new capital.**

Goldcorp (GG) is exiting a 10-year growth phase that has seen it invest \$10.7B in new capital to build five new mines, two of which entered commercial production in Q1/15. Combined, these new mines have grown GG's gold production by 60% once Cerro Negro and Eleonore reach full production rates. The impact on the company's balance sheet has not gone unnoticed by investors, having moved from a peak net cash position of \$1.2B in 2011 to net debt of \$3.5B at the end of Q1/15.

Investor concerns about the company's ability to deliver on 2015 guidance began to grow at the end of Q1. These concerns were further amplified when GG reported a soft Q1, drawing \$300M to improve short-term liquidity.

**Exiting peak capex, GG is at peak net debt with investor concerns about the ability to maintain the dividend increasing.**

Our analysis suggests that GG could fall short of generating free cash flow after paying out \$0.5B in dividends in 2015. We view investor concerns as short-lived, detracting from what is best described as the newest portfolio of low-cost mines amongst the North American senior gold producers, which will drive \$0.8B (5.5% yield) in 2016E free cash flow at the current gold price.

**We believe GG can maintain the dividend, and focus on the future.**

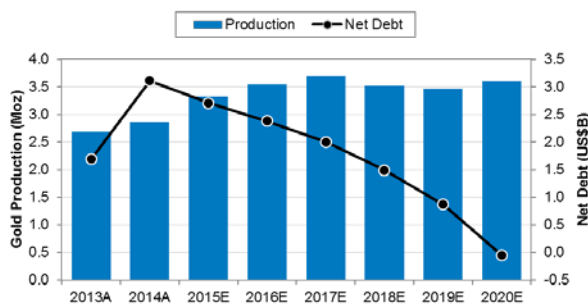
Further, one could argue that investors are partially compensated for the company's growth strategy given a dividend that is almost as large as the combined payout of peers. The challenge for GG is to look beyond current balance sheet issues, maintain the dividend, and focus on the future. While a cut in the dividend would resolve near-term financial concerns, the implications could be long-lived. On June 15, GG announced plans to dispose of its 25% interest in Tahoe Resources (THO-TSX, \$18.49, Restricted) for gross proceeds of C\$998M.

## Initiating Outperform Rating and US\$22.00 Target Price

**GG is rated Outperform with a US\$22.00 target price.**

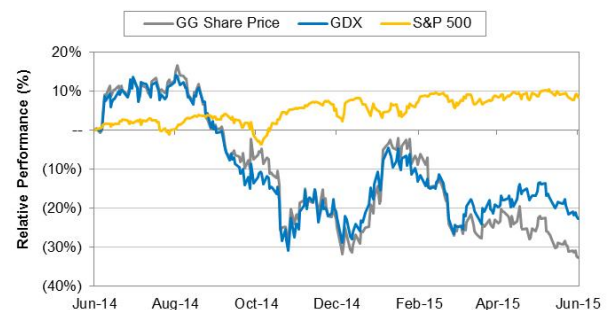
An Outperform rating and target price of US\$22.00 for shares of GG are supported by long-term company fundamentals that will provide investor exposure to reasonable valuations predicated on a portfolio with the capacity to rebuild the company's balance sheet over the next couple of years. While a lively discussion regarding the dividend is ongoing with investors, we believe GG can maintain the dividend and focus on the future.

Fig 200: GG Hits Peak Net Debt in 2015E



Source: BMO Capital Markets

Fig 201: GG Shares Down on Execution Concerns



Source: BMO Capital Markets

**Senior Gold Sector**

June 15, 2015

**Valuation**

A US\$22.00 target price for GG is derived using a 50% weighting toward the 5%NPV, using BMO metal price assumptions, of \$16.61/sh and 14x 2016E cash flow of \$2.08/sh. Shares of GG have historically traded at 14x one-year-forward cash flow projections, above a peer average of 10x, and highlighting the company's growth prospects. While some investors may question GG's ability to maintain a growth multiple, we see a number of new opportunities for growth that will evolve out of the company's young operational base. Further, we expect exploration over the next several years to return positive gains on reserve life growth that, in our view, will continue to support a premium multiple. Applying 14x P/CFPS to derive a GG target price implies a 31% return to our target price and supports an Outperform rating.

For investors focused solely on NPV, a US\$22.00 share price implies 1.5x the 5%NPV/sh, in line with a peer average of 1.4x, based on target prices for the six senior gold miners under initiation.

Fig 202: Peer NPV Multiples

Company	Ticker	Price (US\$/sh)	BMO Prices			
			NAV <sub>5%</sub> (US\$/sh)	P/NAV <sub>5%</sub> (ratio)	NAV <sub>10%</sub> (US\$/sh)	P/NAV <sub>10%</sub> (ratio)
Agnico Eagle	AEM.NYSE	\$30.89	\$19.28	1.60x	\$11.48	2.69x
Barrick	ABX.NYSE	\$11.27	\$8.90	1.27x	\$3.29	3.43x
Eldorado	ELD.TSX	\$4.19	\$5.94	0.71x	\$3.38	1.24x
Goldcorp	GG.NYSE	\$16.85	\$16.61	1.01x	\$10.11	1.67x
Kinross	KGC.NYSE	\$2.36	\$2.76	0.85x	\$1.73	1.36x
Yamana	AUY.NYSE	\$3.24	\$3.64	0.89x	\$2.21	1.46x
<b>Average</b>				<b>1.06x</b>		<b>1.98x</b>

Market data as of: June 12, 2015

Source: BMO Capital Markets

Fig 203: GG Currently Trades Below Peer P/CF



Source: BMO Capital Markets

**GG is targeting y/y production growth of 20% to 3.3-3.6Moz of gold-equivalent production in 2015E at AISC of \$875-950/oz**

**Five Mines in Four Key Operating Regions**

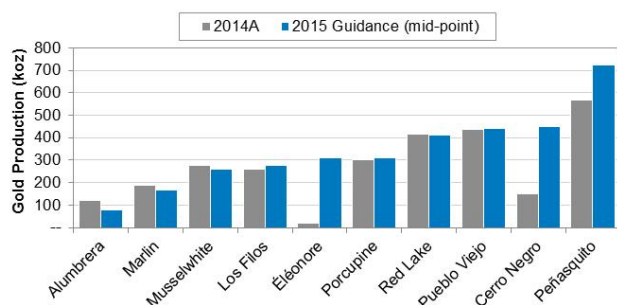
GG is targeting y/y production growth of 20% to 3.3-3.6Moz of gold-equivalent production in 2015E at AISC of \$875-950/oz. 2015 production growth is supported by 425-475koz of forecast new gold-equivalent production at Cerro Negro and 290-330koz of forecast gold production from Eleonore.

Pensquito remains the largest of GG's mines, at 700-750ko gold equivalent in 2015E, followed by the newly commissioned Cerro Negro, the company's 40% interest in Pueblo Viejo, and Red Lake. Despite the size of these new mines, Canada remains the largest contributor of production, at ~1.3Moz from Red Lake, Porcupine, Eleonore, and Musselwhite in 2015E.

## Senior Gold Sector

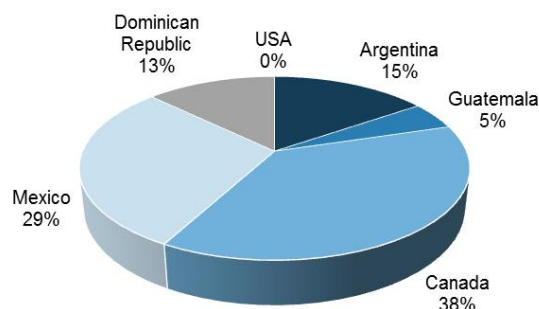
June 15, 2015

Fig 204: 2015E Production Guidance by Mine



Source: BMO Capital Markets

Fig 205: 2015E Production Guidance by Region



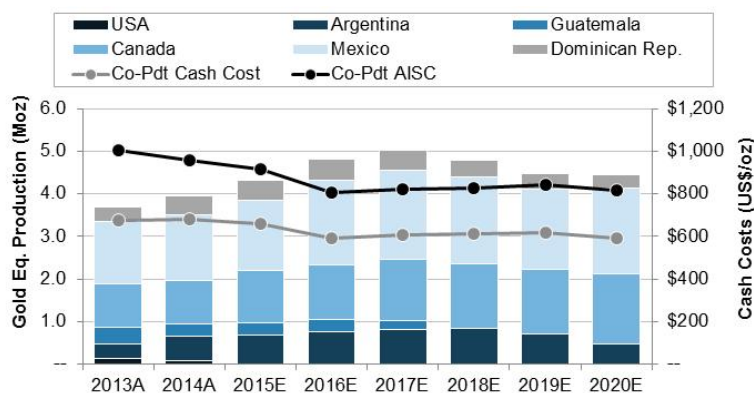
Source: BMO Capital Markets

**GG's production is forecast to climb over the next two years, reaching 5Moz gold equivalent (3.6Moz gold) by 2017E.**

GG's production is forecast to climb over the next two years, reaching 5Moz gold equivalent (3.6Moz gold) by 2017E, after which production is expected to gradually decline due to reserve depletion at Marlin and projected grade decline at Pueblo Viejo. Gold production of +3.5Moz is forecast to continue through 2020, assuming development of Borden as a source of high-grade ore for the porcupine operations and Camino Rojo as an oxide heap leach mine with production in the range of 200koz annually beginning in 2019E.

AISC are forecast to decline to the \$800/oz range by 2016E.

Fig 206: GG Production and Cost Forecasts



Source: BMO Capital Markets

**GG's gold-equivalent production is forecast to increase to 5Moz in 2017E.**

GG's valuation is dominated by mines that have entered production since 2008, with Penasquito representing the largest contributor to NPV. These five new mines are responsible for 65% of gold production over the next five years at sub-\$600/oz AISC.

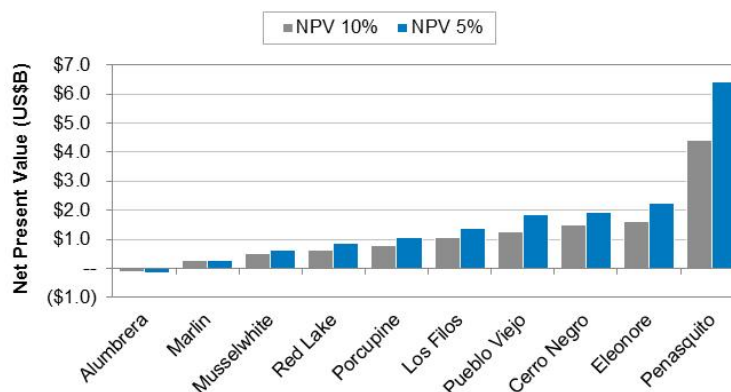


## Senior Gold Sector

June 15, 2015

Fig 207: NPV at 5% and 10% Discount Rate and BMO Prices

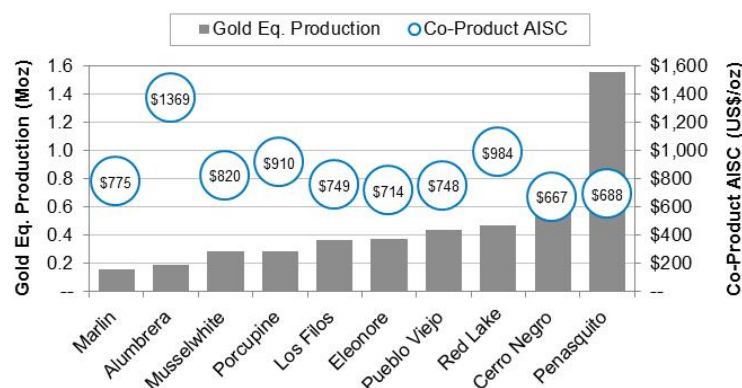
**Penasquito continues to dominate the GG asset NPV.**



Source: BMO Capital Markets

Fig 208: Average Production and AISC (2015E – 2019E)

**GG's five new mines are responsible for 65% of gold production over the next five years at sub-\$600/oz AISC.**



Source: BMO Capital Markets

**A young operational base translates into an above-average reserve life.**

The company's young operational base translates into an above-average reserve and resource lives relative to the North American senior gold producers.

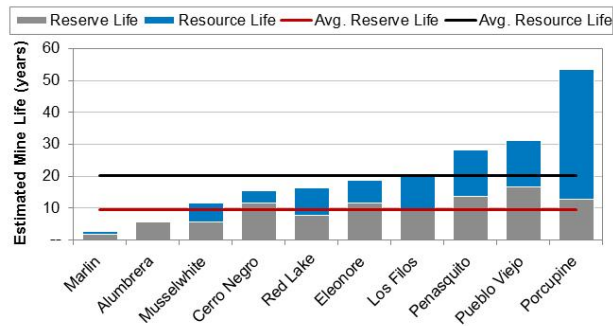
The company's gold reserve base is weighted towards Mexico followed by Canada. On a gold-equivalent basis, Mexico accounts for 48% of the company's reserve base, followed by Chile at 21% owing to the large by-product contribution at both Penasquito and El Morro.



## Senior Gold Sector

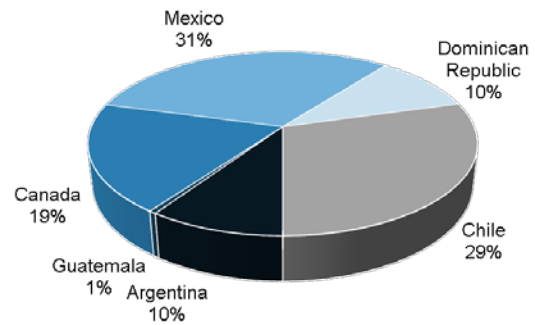
June 15, 2015

Fig 209: GG Reserve and Resource Life by Mine



Source: BMO Capital Markets

Fig 210: GG Reserves by Region

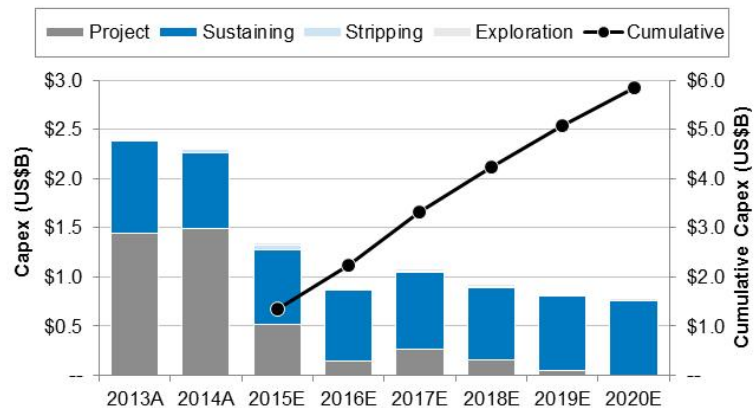


Source: BMO Capital Markets

### Reinvesting in the Business

GG is exiting peak capex with 2015 guidance 30% below the \$2.2B spent in 2014. We forecast capital requirements below \$1B with new project capital related to the Penasquito MEP and construction of an oxide heap leach mine at Camino Rojo.

Fig 211: Capital Forecasts



Source: BMO Capital Markets

**GG is exiting peak capex with 2015 guidance 30% below the \$2.2B spent in 2014.**

**Senior Gold Sector**  
June 15, 2015

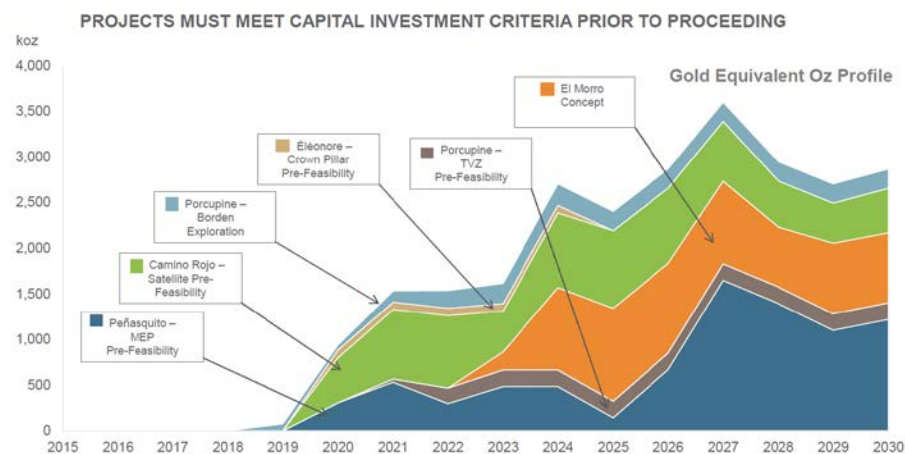
## Organic Growth Opportunities

GG has outlined the next generation of growth with a focus on maintaining production levels beyond the 2020 time frame. The company's strategy can be broken down broadly into three elements:

1. **Executing:** Projects currently in execution, including Cochenour in Red Lake and the Hollinger open pit and Hoyle Deep expansion in the Porcupine camp.
2. **Incremental Expansions:** These projects look at unrealized opportunities to augment existing production, which look to yield positive results. The most significant of these will be the MEP and skarn projects that are under consideration for Penasquito. At a minimum, Borden will be developed as a satellite to Porcupine operations.
3. **New Opportunities:** These are the next class of stand-alone operations that are likely to represent large capital investments, including El Morro and the Camino Rojo sulphide project.

Fig 212: GG Next Generation of Growth

GG has laid out a series of next generation projects that, combined, could add a further 2.5Moz of annual production.



Source: BMO Capital Markets

### What Will Move Forward?

We expect the MEP program at Penasquito and the crown pillar study at Eleonore to advance to execution.

Our analysis suggests that there is an above-average probability that GG will look at initial development scenarios at Camino Rojo as a heap leach mine and Borden as a satellite operation supplying supplemental feed to the Porcupine complex.

### What Is Likely to Remain on the Back Burner for Now

While Chile remains a preferred jurisdiction for mining investment, a number of environmental and social agendas need to be resolved before Gold Corp can commit development capital to El Morro.

While a large sulphide inventory has been established at Camino Rojo, the development of this potential remains at the conceptual stage, with GG reviewing development options that span from stand-alone to supplemental feed to an expanded processing complex at Penasquito.

A number of brownfield expansions or satellite developments are likely to move forward.

Gone for now are the mega-projects.

## Senior Gold Sector

June 15, 2015

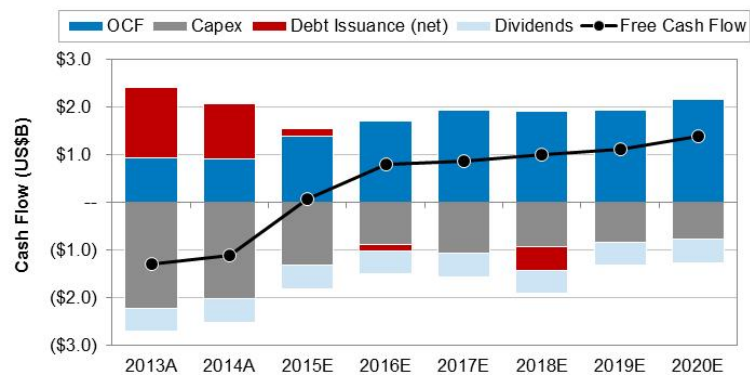
### Financial Footing Supports Growth Strategy

GG exited Q1/15 at trough liquidity with \$420M in cash after drawing \$300M of the \$2B credit facility, and a further \$3.6M in debt.

However, GG has a number of advantages that should support the next stage of growth. Exiting peak capex, the company's expanded production profile is forecast to generate free cash flow at current metal prices to repay debt while continuing to invest in project development. In addition, the majority of GG's debt is long-dated and is low interest bearing in contrast to other senior miners.

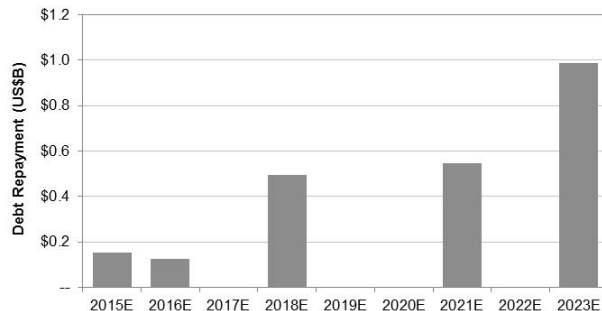
Fig 213: Projected Sources and Uses of Capital

Exiting peak capex, GG's expanded production profile is forecast to generate free cash flow at current metal prices to repay debt while continuing to invest in project development.



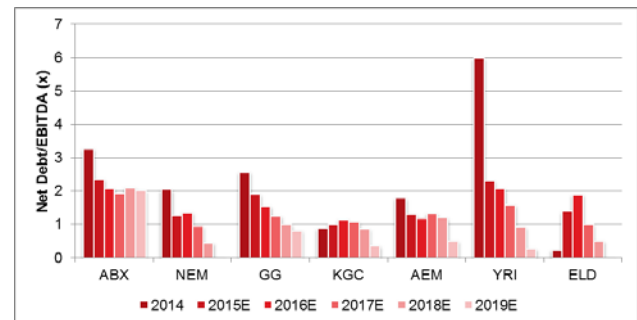
Source: BMO Capital Markets

Fig 214: Debt Maturity (US\$B)



Source: BMO Capital Markets

Fig 215: Net Debt to EBITDA vs. Peers (x)

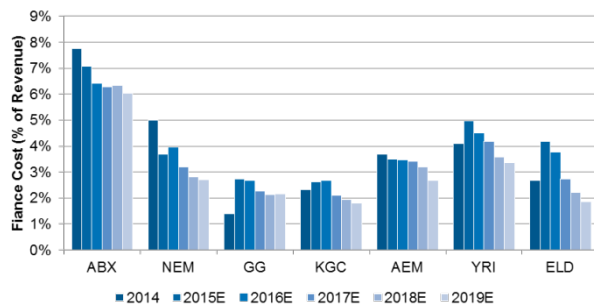


Source: BMO Capital Markets

## Senior Gold Sector

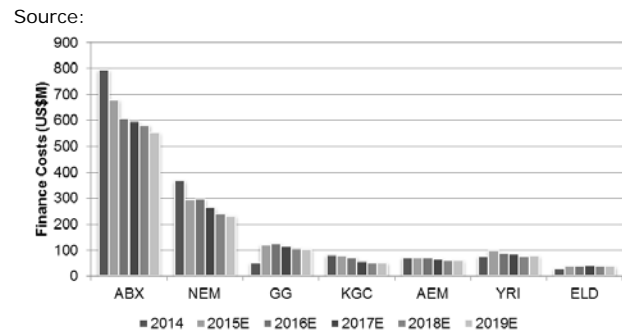
June 15, 2015

Fig 216: Finance Costs (% of Revenue)



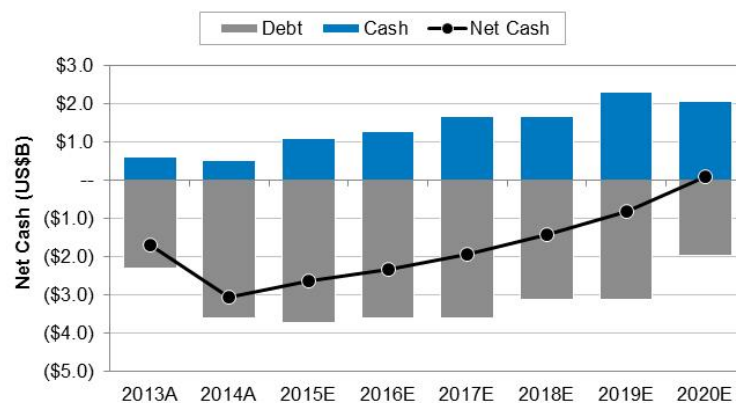
Source: BMO Capital Markets

Fig 217: Finance Costs (US\$M)



Source: BMO Capital Markets

Fig 218: GG Net Debt Profile

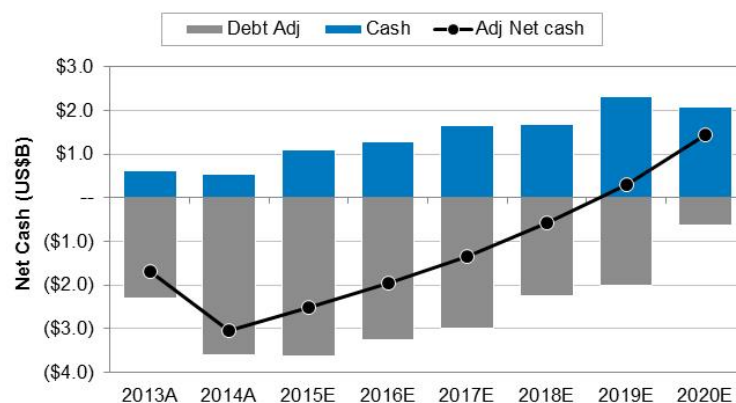


Source: BMO Capital Markets

GG is forecast to hit peak net debt in 2015E.

For investors concerned with the pace of debt repayment, consider the dividend payout. While not currently under consideration, a 50% cut to GG's dividend could unlock \$1.3B that could be used to accelerate debt repayment.

Fig 219: GG Net Debt Profile After a 50% Cut in the Dividend



Source: BMO Capital Markets

For investors concerned with the pace of debt repayment, consider the dividend payout.

A 50% cut to GG's dividend could unlock \$1.3B that could be used to accelerate debt repayment.

## Corporate Strategies

## Senior Gold Sector

June 15, 2015

**GG's main strategy is growth through acquisition.**

GG's main strategy is acquisition, extending back to 2004 with the acquisition of Virginia Gold for \$0.4B for the Eleonore deposit. Including Virginia, GG has made six key acquisitions of pre-development projects, including Gold Eagle (\$1.5B) in 2008 for the Bruce Channel (Cochenour) deposit, Andean Resources (\$3.4B) in 2010 for the Cerro Negro deposit, \$0.5B in 2010 to acquire a 70% interest in the El Morro project, \$0.3B to acquire Canplats in 2009 to acquire the Camino Rojo project, and the recent acquisition of Probe Mines (\$0.4B) to acquire the Borden project.

**For investors fearing acquisition for acquisition's sake, GG has implemented a more principled acquisition strategy.**

Given its view on grassroots exploration, GG will have to continue to acquire. We expect the company to continue to hunt in the fertile junior exploration world, where most companies are currently valued below finding cost for resources.

For investors fearing acquisition for acquisition sake, GG has implemented a more principled acquisition strategy that benchmarks external opportunities with internal projects.

**Even so, the company has a successful track record of creating shareholder value.**

GG is batting 0.500 to date with production at Cochenour just around the corner. Looking out, the company's exploration strategy looks to be even more successful when you consider Camino Rojo at minimum developing into a heap leach operation and Borden looking as if it would fit into a future production plan for Porcupine as a base-case scenario. Development of El Morro is still open for debate.

GG has also shown success at divesting non-core assets and realizing value, including Silver Wheaton (SLW-NYSE, US\$18.36, Outperform), Primero (P-TSX, \$5.34, Outperform, covered by Brian Quast) and Tahoe Resources (THO-TSX, \$18.49, Restricted).

## Senior Gold Sector

June 15, 2015

Fig 220: Goldcorp Gold Production and By-Product All-In Sustaining Cost Forecasts

Goldcorp @ BMO Prices	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Production (koz)	3,300 - 3,600	2,678	2,864	3,323	3,539	3,698	3,512	3,467	3,611
Total Cash Costs, by-pdt (US\$/oz)		649	670	569	487	501	512	510	464
AISC, By-Pdt (US\$/oz)	875 - 950	1,125	1,083	891	776	792	808	812	754
Total Capex (US\$M)	1,200 - 1,400	2,393	2,294	1,348	892	1,076	924	833	782

Attributable Gold Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Red Lake (Canada)	400 - 425	493	414	430	404	503	503	503	505
Porcupine (Canada)	300 - 320	292	300	289	284	283	283	283	404
Musselwhite (Canada)	250 - 270	256	278	267	286	285	285	285	286
Eleonore (Canada)	290 - 330	--	18	254	327	375	449	455	456
Penasquito (Mexico)	700 - 750	404	568	699	698	667	610	498	626
Los Filos (Mexico)	265 - 290	332	259	286	344	402	402	402	403
El Sauzal (Mexico)	--	81	38	--	--	--	--	--	--
Marlin (Guatemala)	160 - 175	248	187	174	171	118	--	--	--
Wharf (USA)	15 - 20	58	72	11	--	--	--	--	--
Marigold (USA)	--	72	15	--	--	--	--	--	--
Pueblo Viejo (Dominican Republic)	420 - 460	325	443	437	452	430	346	346	289
Cerro Negro (Argentina)	425 - 475	--	152	405	501	561	561	518	433
Alumbra (Argentina)	75 - 85	118	120	71	73	72	72	46	--
El Morro (Chile)	--	--	--	--	--	--	--	--	--
Camino Rojo (Mexico)	--	--	--	--	--	--	--	130	208
<b>Total</b>	<b>3,300 - 3,600</b>	<b>2,678</b>	<b>2,864</b>	<b>3,323</b>	<b>3,539</b>	<b>3,698</b>	<b>3,512</b>	<b>3,467</b>	<b>3,611</b>

AISC, by-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Red Lake (Canada)		880	934	754	916	1,060	1,071	1,072	1,072
Porcupine (Canada)		1,034	905	872	899	920	930	931	838
Musselwhite (Canada)		1,088	811	825	803	820	827	827	828
Eleonore (Canada)		--	--	714	715	739	703	701	704
Penasquito (Mexico)		914	868	625	170	160	34	65	11
Los Filos (Mexico)		1,002	993	955	802	684	687	687	687
El Sauzal (Mexico)		915	1,465	--	--	--	--	--	--
Marlin (Guatemala)		628	778	599	475	380	--	--	--
Wharf (USA)		1,166	871	996	--	--	--	--	--
Marigold (USA)		1,504	1,207	--	--	--	--	--	--
Pueblo Viejo (Dominican Republic)		750	608	675	641	673	793	798	961
Cerro Negro (Argentina)		--	--	672	610	572	563	611	748
Alumbra (Argentina)		565	609	1,566	1,834	1,847	1,500	1,509	--
El Morro (Chile)		--	--	--	--	--	--	--	--
Camino Rojo (Mexico)		--	--	--	--	--	--	435	406
<b>Total</b>	<b>875 - 950</b>	<b>1,125</b>	<b>1,083</b>	<b>891</b>	<b>776</b>	<b>792</b>	<b>808</b>	<b>812</b>	<b>754</b>

Source: BMO Capital Markets

**Senior Gold Sector**

June 15, 2015

Fig 221: Goldcorp Gold-Equivalent Production and By-Product All-In Sustaining Cost Forecasts

Gold Equivalent Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Red Lake (Canada)		493	414	430	404	503	503	503	505
Porcupine (Canada)		292	300	289	284	283	283	283	404
Muskeg (Canada)		256	278	267	286	285	285	285	286
Eleonore (Canada)		--	18	254	327	375	449	455	456
Penasquito (Mexico)		1,038	1,247	1,365	1,637	1,685	1,638	1,457	1,593
Los Filos (Mexico)		332	259	286	344	402	402	402	403
El Sauzal (Mexico)		81	38	--	--	--	--	--	--
Marlin (Guatemala)		393	295	282	283	203	--	--	--
Wharf (USA)		58	72	11	--	--	--	--	--
Marigold (USA)		72	15	--	--	--	--	--	--
Pueblo Viejo (Dominican Republic)		339	467	463	486	462	388	387	327
Cerro Negro (Argentina)		--	152	470	557	618	623	575	477
Alumbra (Argentina)		330	405	203	195	192	212	134	--
El Morro (Chile)		--	--	--	--	--	--	--	--
Camino Rojo (Mexico)		--	--	--	--	--	--	147	236
<b>Total</b>	<b>4,400 - 4,800</b>	<b>3,683</b>	<b>3,960</b>	<b>4,321</b>	<b>4,803</b>	<b>5,011</b>	<b>4,783</b>	<b>4,629</b>	<b>4,688</b>

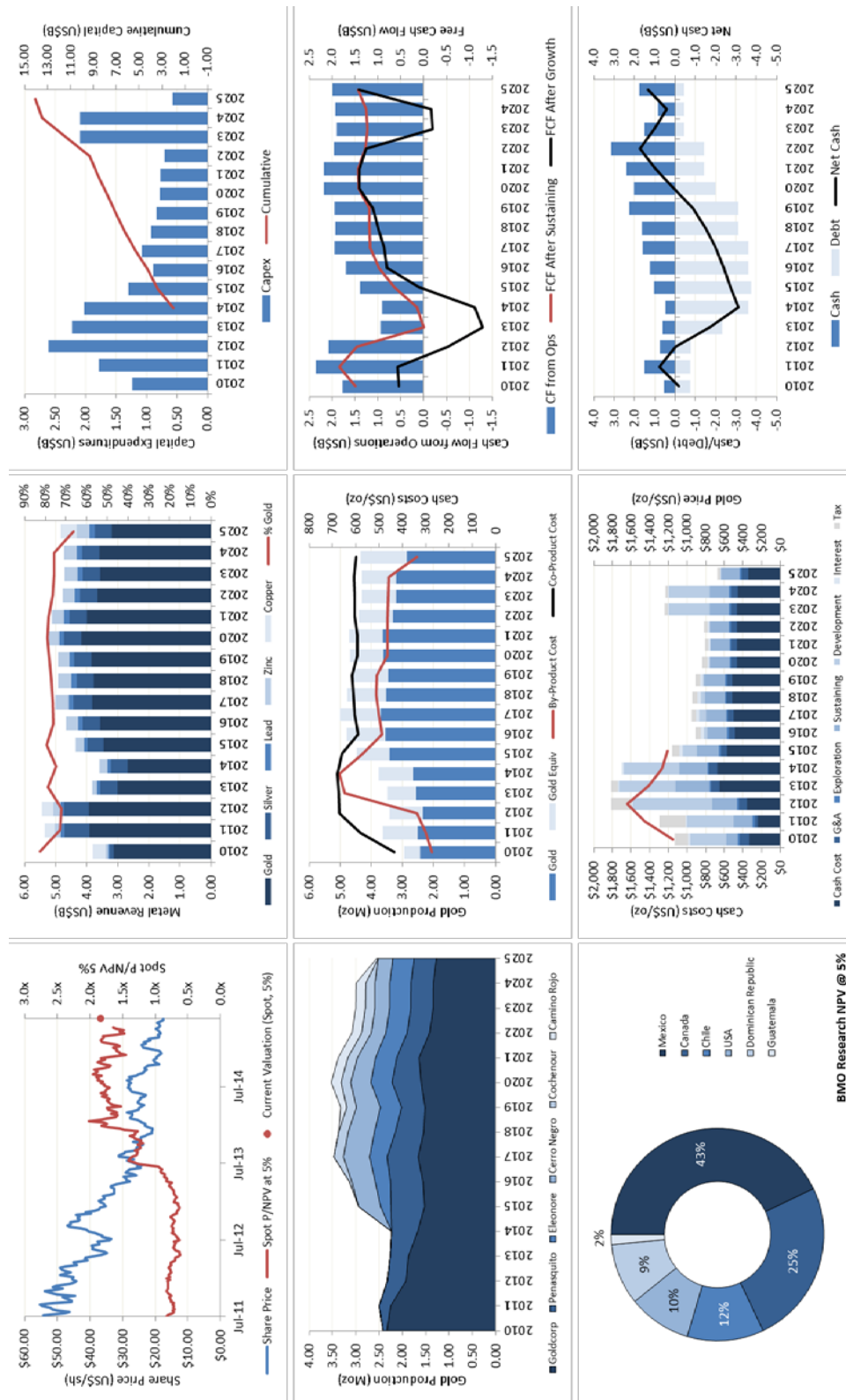
AISC, co-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Red Lake (Canada)		880	934	754	916	1,060	1,071	1,072	1,072
Porcupine (Canada)		1,034	905	872	899	920	930	931	838
Muskeg (Canada)		1,088	811	825	803	820	827	827	828
Eleonore (Canada)		--	--	714	715	739	703	701	704
Penasquito (Mexico)		1,016	995	808	633	665	654	701	642
Los Filos (Mexico)		1,002	993	955	802	684	687	687	687
El Sauzal (Mexico)		915	1,465	--	--	--	--	--	--
Marlin (Guatemala)		904	956	833	754	725	--	--	--
Wharf (USA)		1,166	871	996	--	--	--	--	--
Marigold (USA)		1,504	1,207	--	--	--	--	--	--
Pueblo Viejo (Dominican Republic)		776	642	706	679	710	840	846	996
Cerro Negro (Argentina)		--	--	748	668	630	628	674	795
Alumbra (Argentina)		1,066	1,048	1,326	1,424	1,443	1,319	1,340	--
El Morro (Chile)		--	--	--	--	--	--	--	--
Camino Rojo (Mexico)		--	--	--	--	--	--	599	570
<b>Total</b>		<b>1,004</b>	<b>958</b>	<b>915</b>	<b>804</b>	<b>820</b>	<b>829</b>	<b>842</b>	<b>817</b>

Source: BMO Capital Markets

## Senior Gold Sector

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Fig 222: BMO Research Summary Charts for Goldcorp, BMO Research Commodity Prices



Source: BMO Capital Markets



## Senior Gold Sector

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## 16. Eldorado Gold – The Long Game

## Greece – Opportunity or Achilles Heel?

**ELD's business model is to focus on asset quality and manage risk.**

Eldorado is no stranger to the risks and opportunity of being a first mover. The company successfully navigated through Turkish permitting to bring the Kışladağ mine into operation in 2006, followed by Efemçukuru in 2011. The company's foray into China more than 15 years ago led to development of the Tanjinshan mine in 2006, followed by the \$1.8B Sino Gold acquisition in 2009.

Under the stewardship of Paul Wright, the ELD business model is relatively straightforward: focusing on asset quality with manageable capital hurdles and successfully navigating sovereign and permitting risk through a focus on environmental stewardship and social responsibility.

ELD executed on this business strategy a third time in 2012 with the \$2.4B acquisition of European Goldfields and a long-term development strategy for the Straton mine, including two new satellite operations. Certej in Romania fits within this eastern Europe strategy, with the company focusing grassroots exploration activities in this relatively underexplored region with demonstrable discovery upside.

**Political uncertainty with an uncertain time frame is weighing on ELD.**

Political uncertainty in Greece, which has been in a state of turmoil since the Global Financial Crisis, has been at the forefront of the investor consciousness when discussing ELD.

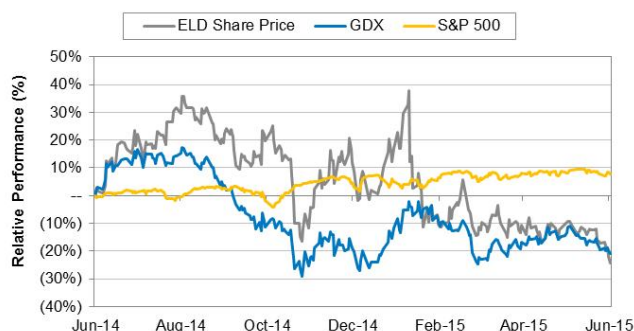
Our analysis indicates that shares of ELD are trading at a discount to the senior gold producers, lending support to the investor view that developing a mine in Greece is akin to Achilles' fatal downfall during the Trojan Wars some 2,700 years ago.

## Initiating With Market Perform Rating and C\$6.00 Target Price

**ELD is rated Market Perform with a C\$6.00 target price.**

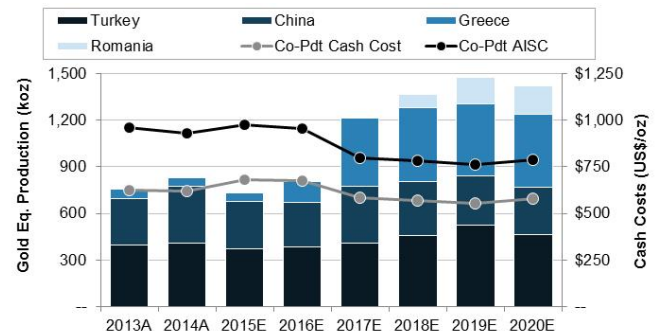
Contrary to this view, we see a focused strategy that plays well into the growth-oriented investor focused on long-term value. However, in the near term we expect a level of volatility in the ELD share price as the company navigates through the noise surrounding development of Olympius. We are initiating coverage of ELD with a Market Perform rating and \$6.00 target price. In our view, resolution of Skouries permitting issues is a clear buy signal for shares of ELD.

Fig 223: Shares of ELD Have Lagged



Source: BMO Capital Markets

Fig 224: ELD Production Growth



Source: BMO Capital Markets

**Senior Gold Sector**

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**Valuation**

A C\$6.00 target price for ELD is derived using a 65% weighting toward the 5%NPV, using BMO metal price assumptions, of \$5.94/sh and 14x 2016E cash flow of \$0.37/sh. Shares of ELD have historically traded at 16x one-year-forward cash flow projections, above a peer average of 10x, and highlighting the company's growth prospects. Applying 14x P/CFPS, in line with other growth stocks, and 0.8x 5%NPV to reflect execution risk implies a 16% return to our target price and supports a Market Perform rating.

For investors focused solely on NPV, a C\$6.00 share price implies 1.0x the 5%NPV/sh, below the peer average of 1.4x, based on target prices for the six senior gold miners under initiation.

Fig 225: Peer NPV Multiples

Company	Ticker	Price (US\$/sh)	BMO Prices			
			NAV <sub>5%</sub> (US\$/sh)	P/NAV <sub>5%</sub> (ratio)	NAV <sub>10%</sub> (US\$/sh)	P/NAV <sub>10%</sub> (ratio)
Agnico Eagle	AEM.NYSE	\$30.89	\$19.28	1.60x	\$11.48	2.69x
Barrick	ABX.NYSE	\$11.27	\$8.90	1.27x	\$3.29	3.43x
Eldorado	ELD.TSX	\$4.19	\$5.94	0.71x	\$3.38	1.24x
Goldcorp	GG.NYSE	\$16.85	\$16.61	1.01x	\$10.11	1.67x
Kinross	KGC.NYSE	\$2.36	\$2.76	0.85x	\$1.73	1.36x
Yamana	AUY.NYSE	\$3.24	\$3.64	0.89x	\$2.21	1.46x
<b>Average</b>				<b>1.06x</b>		<b>1.98x</b>

Market data as of: June 12, 2015

Source: BMO Capital Markets

Fig 226: ELD Trades Above Peer P/CFPS



Source: BMO Capital Markets

**For 2015, ELD is forecasting 700koz of gold at AISC of \$960-995/oz.**

**Production is split between Turkey and China.**

**Long-Lived Core Operations**

ELD operates six mines spread among three countries. Annual production guidance for 2015 is 640-700koz of gold at AISC of \$960-995/oz. Included in production guidance is 20-25koz of pre-commercial production from Olympias in Greece and White Mountain in China that are excluded from our forecast.

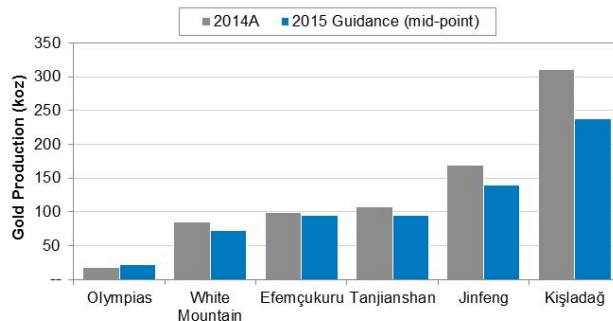
ELD 2015E production is split 55:45 between Turkey and China, with Kışladağ representing over a third of annual production guidance. Efemçukuru, located 200km west of Kışladağ, is an underground mine producing 90-100koz of gold per annum.

The company's Chinese operations include Jinfeng, Tanjinshan, and White Mountain, with combined annual gold production of between 295koz and 320koz of gold. The Stratonis mine in Greece produces a silver-base metal concentrate with production in the range of 0.8Moz of silver and 20kt lead and zinc in concentrate.

**Senior Gold Sector**

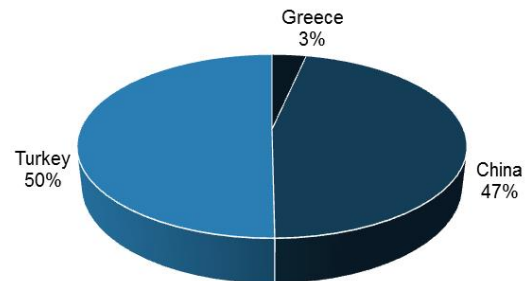
June 15, 2015

Fig 227: 2015E Production Guidance by Mine



Source: BMO Capital Markets

Fig 228: 2015E Production Guidance by Region



Source: BMO Capital Markets

**ELD has a growth trajectory that surpasses 1Moz of annual gold production by 2017E.**

**ELD has outlined a phased strategy for Olympias.**

## Supercharged Growth

At sub-1Moz of annual gold production for 2015E, ELD is the smallest producer in this report. However, ELD has a growth trajectory that surpasses 1Moz of annual gold production by 2017E, placing it squarely within the North American senior gold producer pack.

### Olympias – A Long-Term Development Strategy

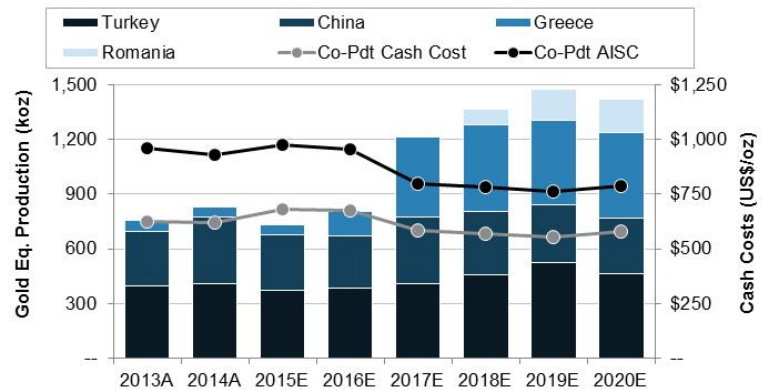
ELD has four core construction projects. In Greece, ELD is developing the Olympias and Skouries deposits, which are within a 10km radius of the operating Stratoni mine. The strategies for the two deposits are very different. Olympias is being developed as a satellite to Stratoni with site activities currently focused on tailing reclamation and construction of an 8km haulage tunnel targeted for completion in the 2020 time frame.

Phase 2 is expected to begin in H2/16E and involves processing of ore from the Olympias underground through the refurbished mill on site to produce lead-silver, zinc, and gold bearing pyrite-arsenopyrite concentrates. Capital required to modify the existing plant is estimated at US\$83M to achieve processing rates of 385ktpa. Annual production for the first four years is estimated at 60koz of gold, 1.1Moz of silver and 25kt of lead and zinc at by-product cash costs of US\$309/oz.

Phase 3 contemplates the decommissioning and reclamation of the Olympias processing plant, and construction of a new processing plant at the Stratoni mine site. Ore from an expanded Olympias underground will be transported to the new processing plant via the 8km haulage tunnel. The Olympias deposit is projected to begin in 2020E and ramping up to annual production of 180koz of gold, 2.9Moz of silver, and 73kt of lead and zinc in concentrate at AISC of US\$520/oz.

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Fig 229: ELD Production and Cost Forecasts



Source: BMO Capital Markets

Fig 230: Halkidiki Development Strategy



Source: Eldorado Gold

In Greece, ELD is developing the Olympias and Skouries deposits, which are within a 10km radius of the operating Stratoni mine.

### Skouries Continues to Move Forward, Despite Current Obstacles

Skouries is a greenfield development and, as such, is the focus of opposition and at the vagaries of the recently appointed government, which has rescinded a permit to prevent the mine from commercial production. The government's actions have not yet impeded the development schedule, with construction activities through 2015 focused on earthworks and civil construction. ELD is currently in discussion with the government to resolve the outstanding permitting differences. Positively, ELD has the support of labour groups within the Halkidiki region, an influential support base, and support base of the current government.

Assuming a resolution to the current permit impediment is crafted through the remainder of 2015E, ELD will remain on track for project completion mid-2016E with a total capital estimate of \$450M achievable. Once in full production, Skouries is forecast to contribute 150koz of gold and 28kt of copper in concentrate at co-product AISC of \$570/oz over the first five years. Olympias has a large reserve base that supports future underground development and a projected 20-year mine life.

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**How to Awake a Sleeping Dragon**

In China, ELD has been on hold for two years to complete the final stages of construction at Eastern Dragon. In 2014, ELD teamed up with in-country partner CDH Investments, which acquired a 20% interest in the project for \$40M to move Eastern Dragon forward. ELD is currently awaiting the project permit approval and is limited by a seasonal construction time frame ending in the late fall.

**Completion of Eastern Dragon awaits final permitting.**

We view the prospect of securing the permit in time to complete construction in 2015 as optimistic given the impact of regime transition within the Chinese government and the paralysis that is likely to persist into 2016.

Assuming a 2016 completion of construction, Eastern Dragon has the potential to ramp up to full production rates of 70koz gold at co-product AISC of \$400/oz over an 11-year mine life. ELD estimates that a further \$35-40M will be required to complete construction.

**For ELD, Certej represents an initial step into Romania. Developing an operating footprint at Certej opens up the potential to exploit peripheral deposits in the region.**

ELD provided details on the next stage of growth with the release of a feasibility study for the Certej project in Romania. Certej is a gold-copper porphyry that has the potential to produce 140koz of gold annually at AISC of \$745/oz over a 15-year mine life. Initial capital for the 8ktpd open pit mine requiring pressure oxidation processing for gold recovery is estimated at \$450M with a further \$200M in sustaining capital. Assuming a gold price of \$1,250/oz, the feasibility study estimates a 13% IRR and NPV of \$230M at a 5% discount rate.

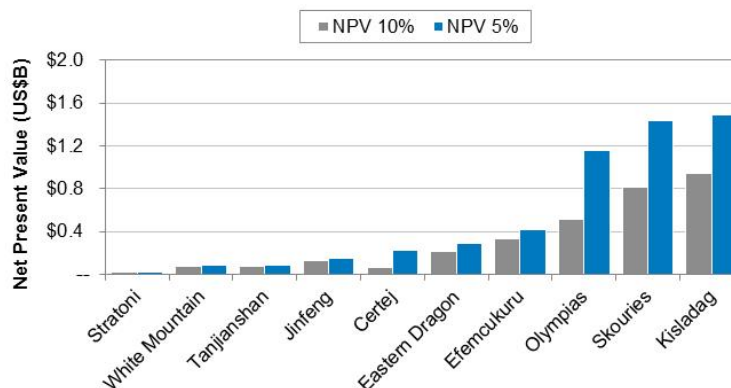
For ELD, Certej represents an initial step into Romania. Developing an operating footprint at Certej opens up the potential to exploit peripheral deposits in the region that over the long term could potentially improve the overall economics of a decision for Certej.

**ELD's Asset Value Weighted Toward Growth**

ELD's asset valuation is weighted toward development-stage projects that underscore the company's above-average risk profile. Olympias and Skouries place 55% of the ELD valuation in Greece.

Kislidag and Efemcukuru form the basis of the company's operating asset, value with the company's Chinese assets a minor contributor.

Fig 231: NPV at 5% and 10% Discount Rate and BMO Prices



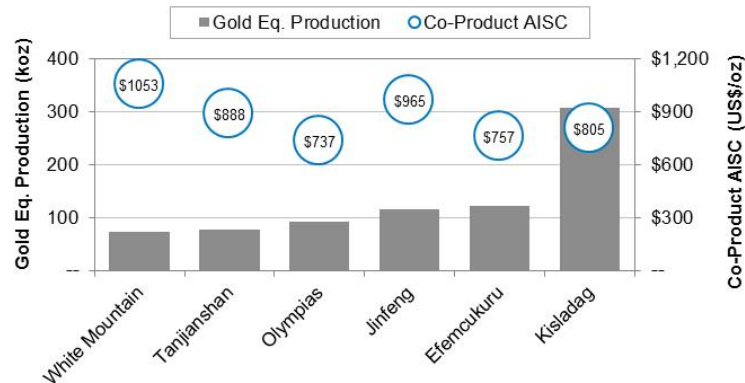
Source: BMO Capital Markets

The ELD valuation is dominated by the company's development projects in Greece, and Turkish operating mines.

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Fig 57: Average Production and AISC (2015E – 2019E)



The company's lowest-cost mines are based in Turkey.

Source: BMO Capital Markets

ELD has an above-average reserve life.

50% of the company's reserves are located in Greece.

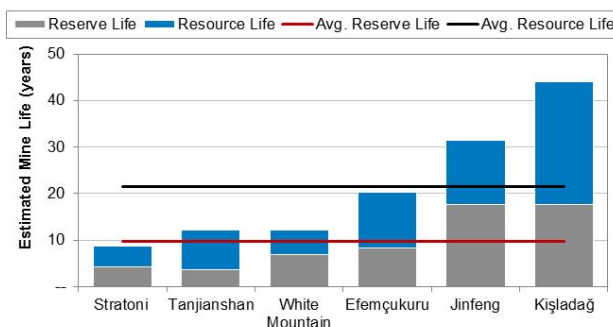
### Future Lies in Greece

Based on reserves at the end of 2014, ELD has a 10-year reserve life for its operating mines. Kislidag and Jinfeng are the longest-lived mines, both displaying 17.5-year reserve lives. Overall, resources add a further 11.5 years of reserve potential.

When reserves and resources for development projects are included, the ELD reserve life increased to 13 years with a further 16.5 years of resource potential.

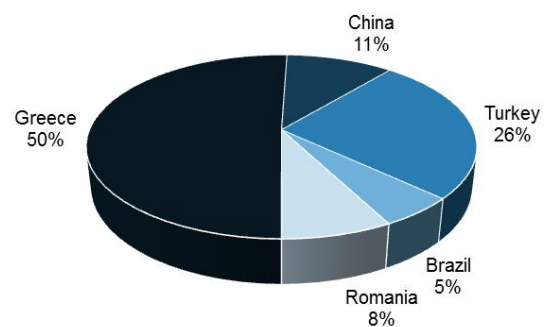
The project value weighting to Greece is reinforced by the overall distribution of reserves, 50% of which reside in Greece.

Fig 233: ELD Reserve and Resource Life by Mine



Source: BMO Capital Markets

Fig 234: ELD Reserves by Region



Source: BMO Capital Markets

### Investing in the Business

For 2015, ELD has outlined sustaining capital of \$165M, the majority (\$70M) of which is allocated to waste stripping at Kislidag. Planned capital programs total \$370M, of which \$200M is committed to Skouries and \$110M to Olympias. ELD has outlined \$35M in capital to complete Eastern Dragon construction, pending receipt of final permits.

ELD has a sustained capital program that extends into the 2022E time frame. We estimate \$2B in capital to execute on continued stripping at Kislidag, and development of Skouries, Olympias, and Certej. Sustaining capital over the same period of time is estimated at \$1.5B.

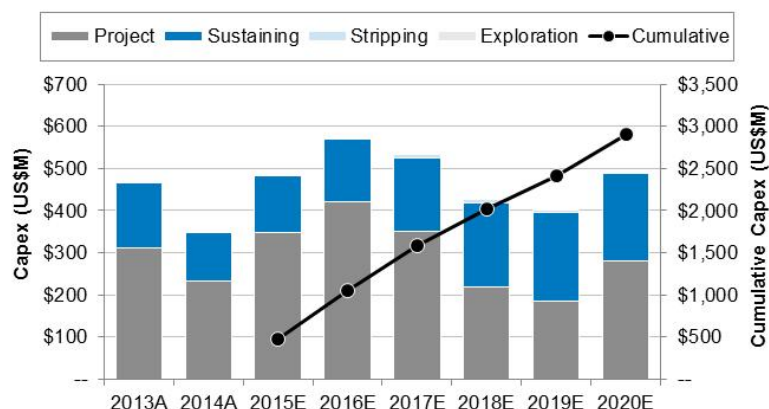


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Fig 235: Capital Forecasts

We estimate \$2B in capital to execute on continued stripping at Kislidag, and development of Skouries, Olympias, and Certaj. Sustaining capital over the same period of time is estimated at \$1.5B.



Source: BMO Capital Markets

## A Solid Financial Footing

We forecast that ELD has sufficient liquidity to be able to meet current development plans. At the end of Q1/15, ELD has cash of \$494M with available and undrawn credit of \$375M and \$605M in debt

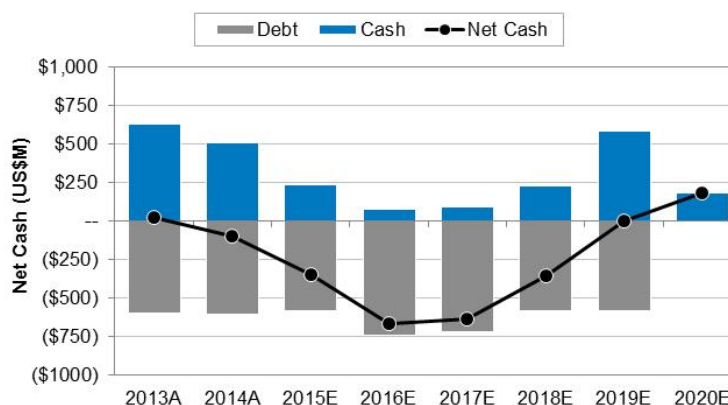
We forecast that ELD has sufficient liquidity to be able to meet current development plans.

Entering peak capex funding in 2016/2017, ELD is projected to be able to meet capital requirements through available cash and operating cash flow based on BMO Research metal price assumptions. At spot metal prices, ELD will require external sources of capital to fund development.

Once Skouries and the second stage of Olympia construction are complete, ELD should quickly rebuild cash and repay the \$575M of debt due in 2020E. Through this period, ELD will maintain net debt to EBITDA levels below 2 to 1.

Fig 236: ELD Net Debt Profile

At spot metal prices, ELD will require external sources of capital to fund development.



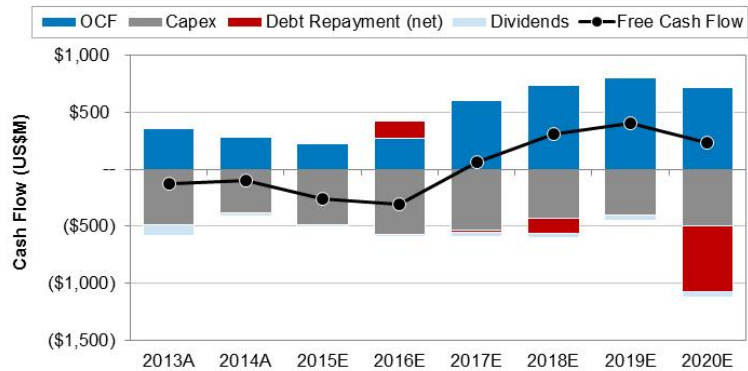
Source: BMO Capital Markets

## Senior Gold Sector

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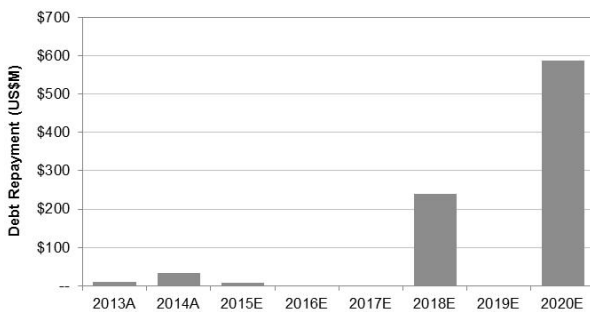
Fig 237: Projected Sources and Uses of Capital

Once Skouries and the second stage of Olympia construction are complete, ELD should quickly rebuild cash and repay the \$575M of debt due in 2020E.



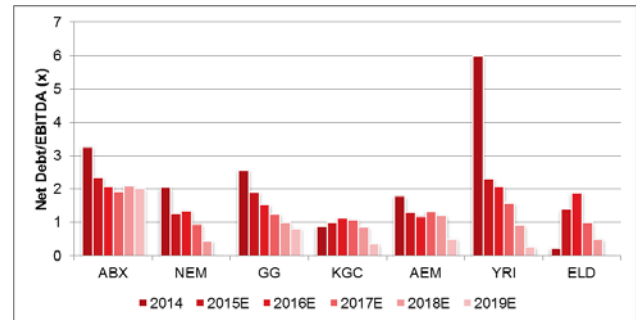
Source: BMO Capital Markets

Fig 238: Debt Maturity (US\$m)



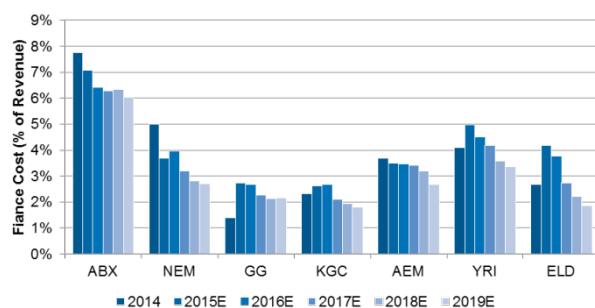
Source: BMO Capital Markets

Fig 239: Net Debt to EBITDA vs. Peers (x)



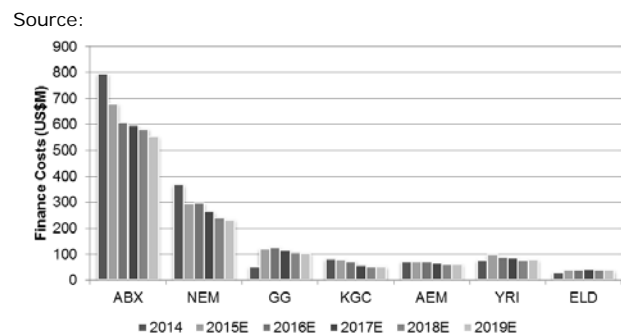
Source: BMO Capital Markets

Fig 240: Finance Costs (% of Revenue)



Source: BMO Capital Markets

Fig 241: Finance Costs (US\$m)



BMO Capital Markets



## Senior Gold Sector

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### Corporate Strategies – What to Do With China

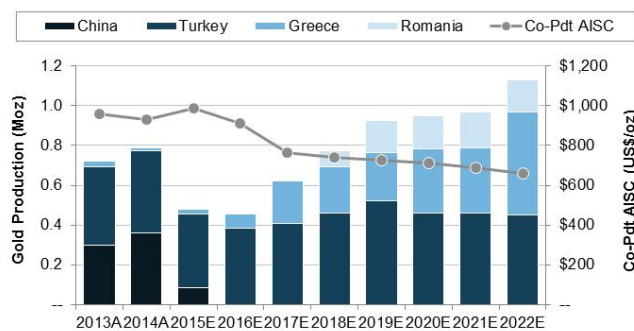
While ELD has largely succeeded in its objective when it entered China, the reality is that China has yet to become receptive to direct foreign investment in the mining sector, preferring to take a “We Can Do It Ourselves” approach to the sector.

ELD is in the process of divesting of China in what we expect to be a sale of assets to a Chinese operator. While an alternative solution could be the listing of ELD’s Chinese operations in-country, divestiture would provide a clean exit. NPV analysis suggests that ELD could realize \$400-500M using recent transactions as a basis for valuation.

After peaking investor interest in the concept of divesting all or part of an interest in the Chinese operations, ELD has provided little additional information except to indicate that timing will be contingent on delivering Eastern Dragon.

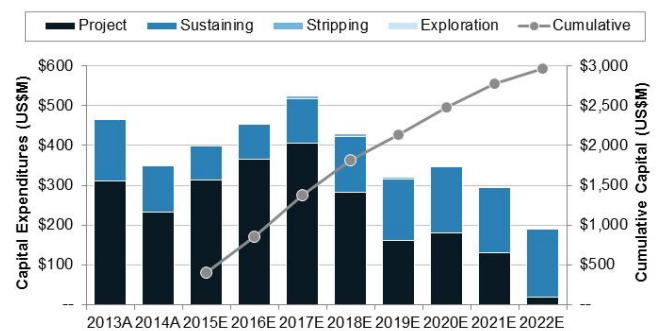
**Sale of all or part of ELD’s Chinese operations awaits a resolution at Eastern Dragon.**

Fig 242: Production and Cost Profile (excl. China)



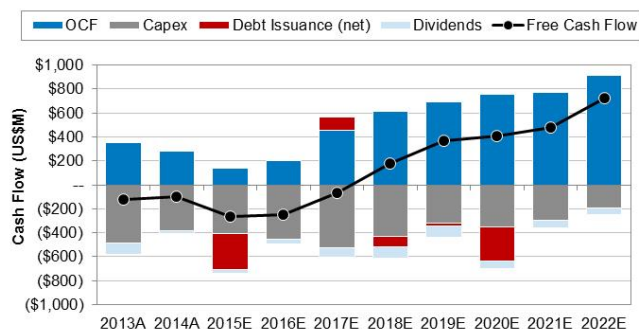
Source: BMO Capital Markets

Fig 243: Capital Forecasts (excl. China)



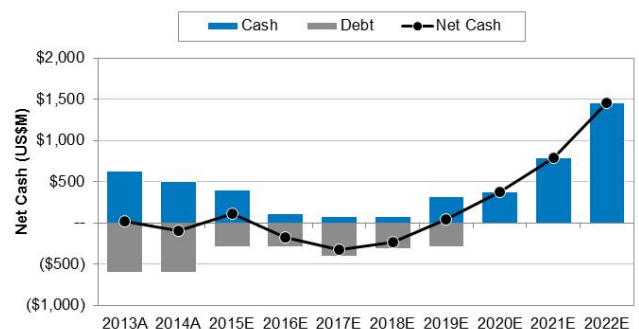
Source: BMO Capital Markets

Fig 244: Sources and Uses of Capital (excl. China)



Source: BMO Capital Markets

Fig 245: Debt Profile (excl. China)



Source: BMO Capital Markets

**Senior Gold Sector**

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Fig 246: Eldorado Gold Production and By-Product All-In Sustaining Cost Forecast

<b>Eldorado @ BMO Prices</b>	<b>2015 Guidance</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
Production (koz)	640 - 700	721	786	698	741	979	1,107	1,233	1,247
Total Cash Costs, by-pdt (US\$/oz)	570-615	519	543	655	591	405	369	364	319
AISC, by-pdt (US\$/oz)		873	872	965	902	673	633	611	568
Total Capex (US\$M)	165	465	349	473	554	623	493	379	405

<b>Attributable Gold Production (koz)</b>	<b>2015 Guidance</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
Kisladag (Turkey)	230 - 245	306	311	276	265	279	329	394	331
Efencukuru (Turkey)	90 - 100	91	99	96	117	130	130	130	131
Tanjianshan (China)	90 - 100	101	108	97	79	69	69	69	57
Jinfeng (China)	135 - 145	123	169	132	126	125	107	83	83
White Mountain (China)	70 - 75	73	85	76	73	73	73	73	73
Eastern Dragon (China)	5 - 10	--	--	--	7	91	84	84	84
Stratoni (Greece)	--	--	--	--	--	--	--	--	--
Olympias (Greece)	20-25	26	15	22	40	77	85	94	172
Skouries (Greece)	--	--	--	--	34	135	149	149	149
Perama Hill (Greece)	--	--	--	--	--	--	--	--	--
Certej (Romania)	--	--	--	--	--	--	81	158	169
Tocantinzinho (Brazil)	--	--	--	--	--	--	--	--	--
Villa Nova (Brazil)	--	--	--	--	--	--	--	--	--
<b>Total</b>	<b>640 - 700</b>	<b>721</b>	<b>786</b>	<b>698</b>	<b>741</b>	<b>979</b>	<b>1,107</b>	<b>1,233</b>	<b>1,247</b>

<b>AISC, by-pdt (US\$/oz)</b>	<b>2015 Guidance</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
Kisladag (Turkey)		506	677	839	841	802	817	750	889
Efencukuru (Turkey)		851	927	856	747	731	737	739	739
Tanjianshan (China)		713	708	776	888	932	943	946	1,031
Jinfeng (China)		1,050	835	927	1,010	1,016	975	864	916
White Mountain (China)		1,233	978	1,010	1,077	1,060	1,058	1,054	1,088
Eastern Dragon (China)		--	--	--	433	223	264	257	295
Stratoni (Greece)		--	--	--	--	--	--	--	--
Olympias (Greece)		--	--	--	34	(82)	(158)	(109)	(273)
Skouries (Greece)		--	--	--	(40)	(148)	(368)	(390)	(443)
Perama Hill (Greece)		--	--	--	--	--	--	--	--
Certej (Romania)		--	--	--	--	--	670	678	630
Tocantinzinho (Brazil)		--	--	--	--	--	--	--	--
Villa Nova (Brazil)		--	--	--	--	--	--	--	--
<b>Company Level</b>	<b>--</b>	<b>873</b>	<b>872</b>	<b>965</b>	<b>902</b>	<b>673</b>	<b>633</b>	<b>611</b>	<b>568</b>

Source: BMO Capital Markets

**Senior Gold Sector**

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Fig 247: Eldorado Gold-Equivalent Production and Co-Product All-In Sustaining Cost Forecasts

Gold Equivalent Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Kisladag (Turkey)		306	311	276	265	279	329	394	331
Efencukuru (Turkey)		91	99	96	117	130	130	130	131
Tanjianshan (China)		101	108	97	79	69	69	69	57
Jinfeng (China)		123	169	132	126	125	107	83	83
White Mountain (China)		73	85	76	73	73	73	73	73
Eastern Dragon (China)		--	--	--	7	100	94	94	95
Stratoni (Greece)		37	41	32	34	36	36	32	32
Olympias (Greece)		26	15	22	75	163	185	198	358
Skouries (Greece)		--	--	--	62	261	309	306	307
Perama Hill (Greece)		--	--	--	--	--	--	--	--
Certej (Romania)		--	--	--	--	--	85	167	179
Tocantinzinho (Brazil)		--	--	--	--	--	--	--	--
Villa Nova (Brazil)		--	--	--	--	--	--	--	--
<b>Total</b>	<b>--</b>	<b>758</b>	<b>827</b>	<b>730</b>	<b>839</b>	<b>1,236</b>	<b>1,418</b>	<b>1,546</b>	<b>1,646</b>

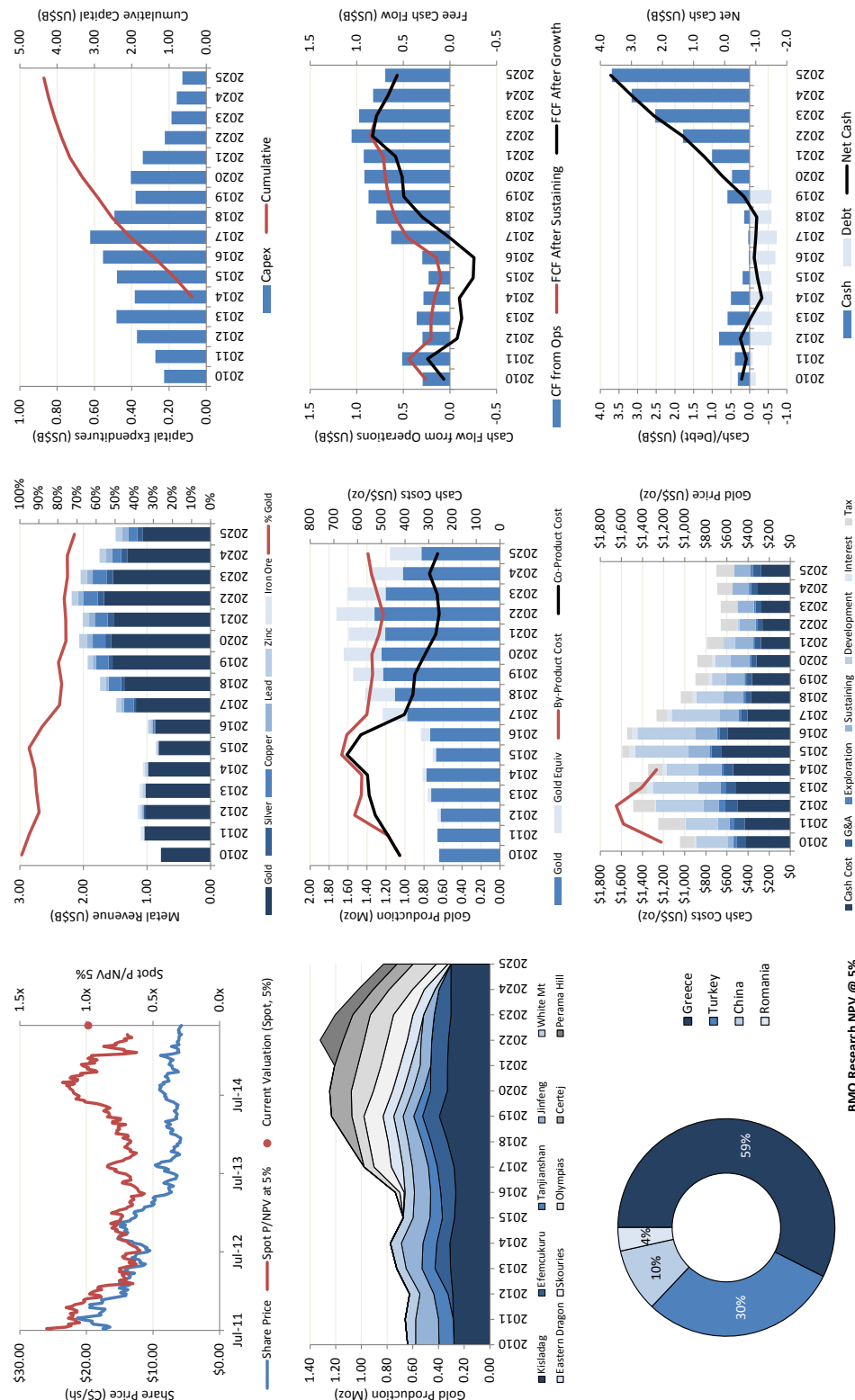
AISC, co-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Kisladag (Turkey)		506	677	839	841	802	817	750	889
Efencukuru (Turkey)		851	927	856	747	731	737	739	739
Tanjianshan (China)		713	708	776	888	932	943	946	1,031
Jinfeng (China)		1,050	835	927	1,010	1,016	975	864	916
White Mountain (China)		1,233	978	1,010	1,077	1,060	1,058	1,054	1,088
Eastern Dragon (China)		--	--	--	495	315	372	372	405
Stratoni (Greece)		1,360	1,169	1,173	994	988	1,025	1,167	1,125
Olympias (Greece)		--	--	--	610	595	588	606	520
Skouries (Greece)		--	--	--	506	501	458	452	433
Perama Hill (Greece)		--	--	--	--	--	--	--	--
Certej (Romania)		--	--	--	--	--	700	709	668
Tocantinzinho (Brazil)		--	--	--	--	--	--	--	--
Villa Nova (Brazil)		--	--	--	--	--	--	--	--
<b>Company Level</b>	<b>--</b>	<b>959</b>	<b>932</b>	<b>978</b>	<b>935</b>	<b>783</b>	<b>763</b>	<b>741</b>	<b>735</b>

Source: BMO Capital Markets

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Fig 248: BMO Research Summary Charts for Eldorado, BMO Research Commodity Prices



Source: BMO Capital Markets

## Senior Gold Sector

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## 17. Yamana

## Looking for Investor Redemption

Yamana Gold is coming off a year of missed execution in 2014 with a plan to jettison the troublesome non-performing Brazilian mines and divert investor attention to the development of the high-grade Cerro Moro project in Argentina.

**Missed execution has tempered investor enthusiasm for Yamana.**

**Yamana has outlined a pathway to improve confidence, but investors are likely to remain skeptical through 2015.**

Underperformance began mid-2014 when Yamana missed production guidance and conveyed to the market the operational challenges facing its newest mines in Brazil. The company announced a strategy to meet production objectives, including the temporary shutdown of the Pillar mine to address technical issues. In conjunction with this announcement, Yamana announced plans to carve out a Brazil-focused intermediate gold producer once operational issues have been resolved.

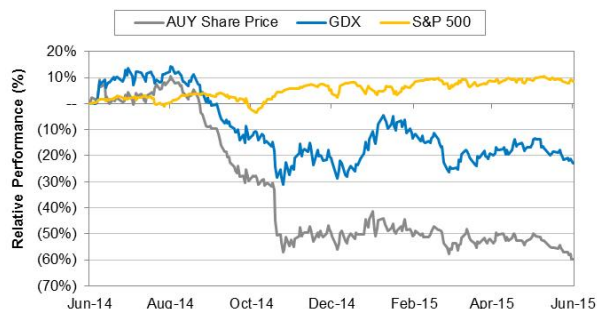
There is not the first time Yamana has missed guidance and investors remain sceptical of the events that transpired through 2014 with shares of the company trading at a distinct discount to the senior gold peer average. Despite the discount, it is our view that Yamana will need to restore credibility to close this gap. A negative "Say on Pay" vote underscores the challenges facing management, which are likely to persist through 2015.

While investors wait, Yamana is assembling the next stage of growth, most recently with the acquisition of Monument Gold and strengthening its presence in Canada. A little bit of exploration luck will be key to realizing value or whether another junior gold company lies in the waiting.

**Initiating Market Perform Rating and US\$3.75 Target Price**

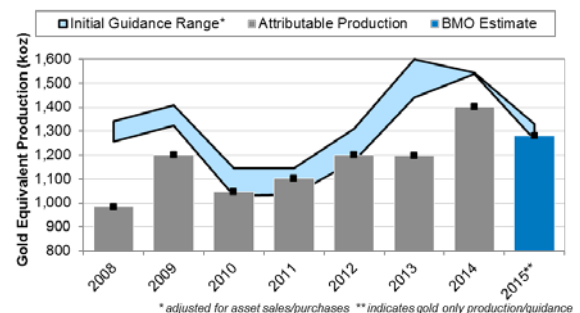
While potential catalysts are present, including Cerro Moro, the divestiture of the non-performing Brazil assets into a newly minted Brio Mines or even a pathway for realizing value for Aqua Rica, the potential impact of these catalysts are +12 months out. We believe that shares of Yamana will likely continue to underperform until the company can execute. Relief from this view could materialize early with a positive election result and currency devaluation that renews investor interest in Argentina exposure.

Fig 249: AUJ Shares Have Lagged Peers



Source: BMO Capital Markets

Fig 250: AUJ Has Been Challenged to Meet Guidance



Source: BMO Capital Markets

## Senior Gold Sector

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### Valuation

A US\$3.75 target price for Yamana is derived using a 50% weighting toward the 5%NPV, using BMO metal price assumptions, of US\$3.64/sh and 6x 2016E cash flow of US\$0.64/sh. Shares of Yamana have historically traded at 7.5x one-year-forward cash flow projections, below a peer average of 10x, and highlighting the company's spotty track record. Until Yamana can demonstrate progress on key catalysts, or catch positive momentum on investor outlook for Argentina, a 6x P/CFPS implies a 15.7% return to our target price and supports a Market Perform rating.

For investors focused solely on NPV, a US\$3.75 share price implies 1.0x the 5%NPV/sh, below the peer average of 1.4x, based on target prices for the six senior gold miners under initiation.

Fig 251: Peer NPV Multiples

Company	Ticker	Price (US\$/sh)	BMO Prices			
			NAV <sub>5%</sub> (US\$/sh)	P/NAV <sub>5%</sub> (ratio)	NAV <sub>10%</sub> (US\$/sh)	P/NAV <sub>10%</sub> (ratio)
Agnico Eagle	AEM.NYSE	\$30.89	\$19.28	1.60x	\$11.48	2.69x
Barrick	ABX.NYSE	\$11.27	\$8.90	1.27x	\$3.29	3.43x
Eldorado	ELD.TSX	\$4.19	\$5.94	0.71x	\$3.38	1.24x
Goldcorp	GG.NYSE	\$16.85	\$16.61	1.01x	\$10.11	1.67x
Kinross	KGC.NYSE	\$2.36	\$2.76	0.85x	\$1.73	1.36x
Yamana	AUY.NYSE	\$3.24	\$3.64	0.89x	\$2.21	1.46x
<b>Average</b>				<b>1.06x</b>		<b>1.98x</b>

Market data as of: June 12, 2015

Source: BMO Capital Markets

Fig 252: AUY Trades Above Peer P/CFPS



Source: BMO Capital Markets

### Looking Northward

Until last year, Yamana was a Latin American-focused gold producer cored by operations in Brazil, Chile, Argentina, and more recently Mexico. In 2015, Yamana looked northward and teamed up with AEM (AEM-NYSE, US\$30.94, Market Perform) to purchase a 50% interest in the Malartic gold mine in Quebec and a large portfolio of exploration projects in Central Canada.

Production guidance for 2015 is estimated at 1.3Moz of gold, 9.6Moz of silver, and 120Mlb (54.4kt) of copper. AISC guidance for precious metal production is \$800-830/oz for gold production or \$10.30-10.50/oz for silver production.

Malartic and El Penon are the company's largest producing mines, followed by Guacamayo. Including copper, Chapada would be the largest of Yamana's mines, producing ~400koz gold equivalent in 2015E. Combined, these four mines contribute +60% of 2015 guidance.

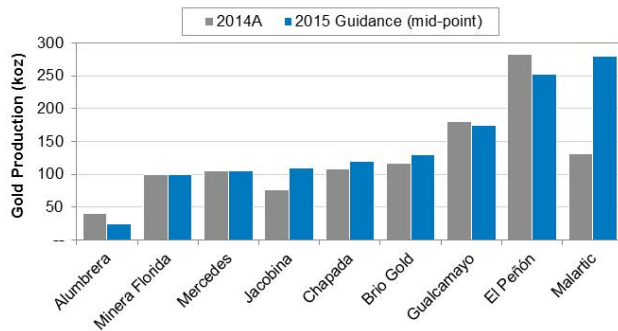
Yamana also operates a suite of mines producing ~100koz of gold annually, including Pilar, part of the BRIO portfolio of assets.

Yamana's production remains weighted to South America, with Malartic in Canada contributing 22% of 2015 production.

## Senior Gold Sector

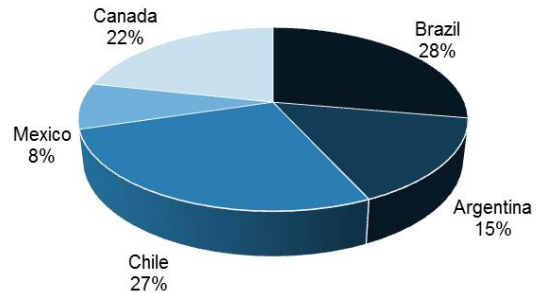
June 15, 2015

Fig 253: 2015E Production Guidance by Mine



Source: BMO Capital Markets

Fig 254: 2015E Production Guidance by Region

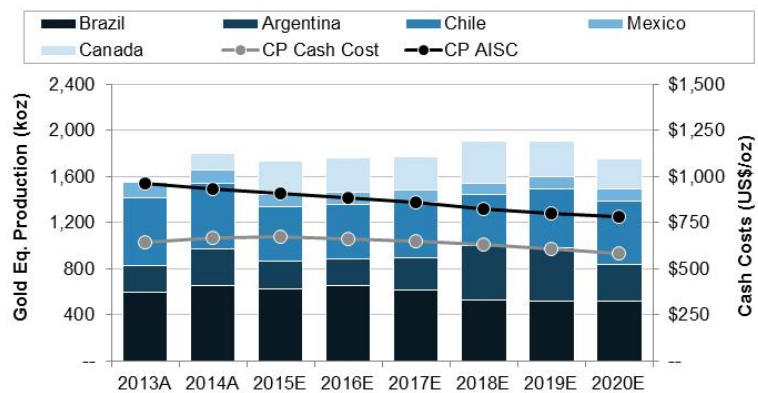


Source: BMO Capital Markets

After 2015, Yamana is projected to maintain a flat production profile until Cerro Moro enters into production in late 2017E. The addition of high-grade production from Cerro Moro has the potential to drive the company's co-product AISC down to the \$725/oz range.

Fig 255: AUy Production and Cost Forecasts

**Co-product AISC are projected to decline to the \$725/oz range with the addition of Cerro Moro.**



Source: BMO Capital Markets

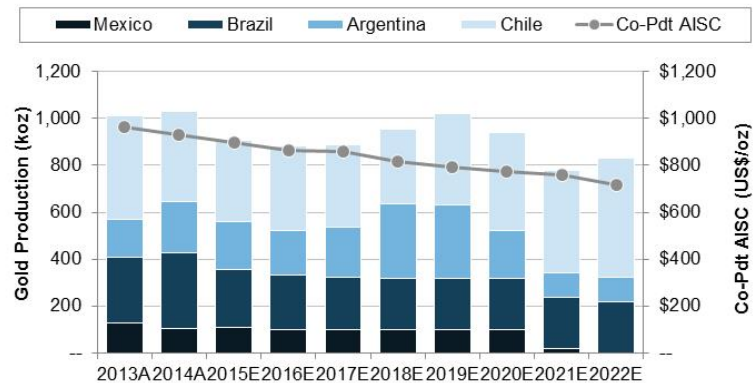
Removing the BRIO operations under a full divestiture scenario, Yamana drops below 1Moz gold-equivalent production in 2016E, returning above that level in 2019E. Positively, AISC improve by ~5% through the divestiture.



## Senior Gold Sector

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Fig 256: AUJ Production and Cost Forecasts Excluding BRIO

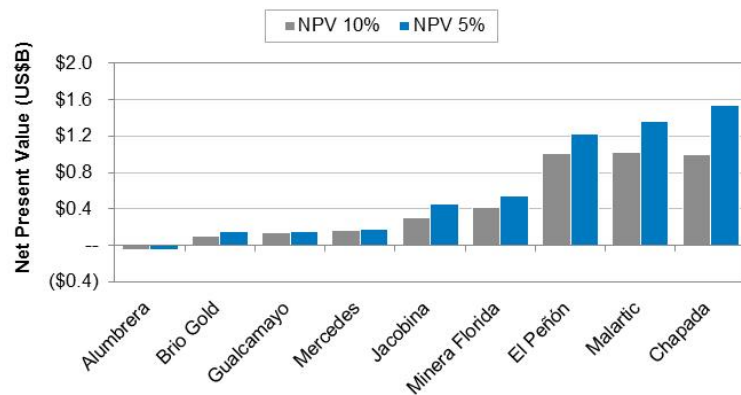


Excluding BRIO, Yamana drops below 1Moz gold-equivalent production in 2016E, returning above that level in 2019E.

Source: BMO Capital Markets

Yamana has a core group of operating mines (Malartic, Chapada, and El Penon) that forms the backbone of gold production at lower co-product AISC, estimated at ~\$725/oz.

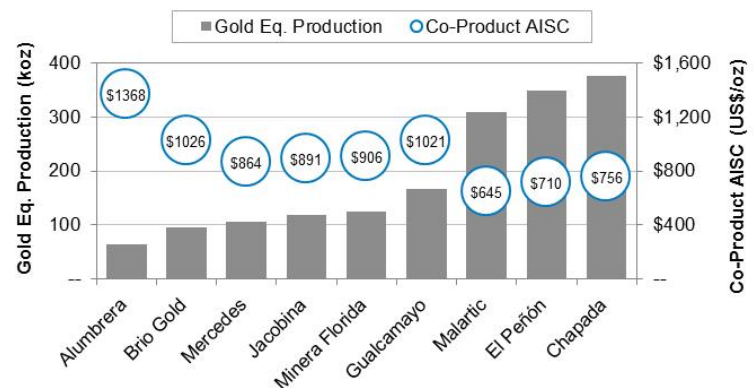
Fig 257: NPV at 5% and 10% Discount Rate and BMO Prices



Core operating mines include Malartic, Chapada, and El Penon.

Source: BMO Capital Markets

Fig 258: Average Production and AISC (2015E – 2019E)



These core mines operate at significantly lower AISC.

Source: BMO Capital Markets



## Senior Gold Sector

June 15, 2015

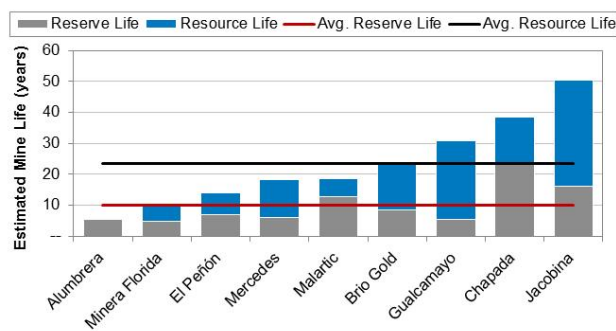
### Yamana has a 10-year reserve life.

Yamana has a 10-year reserve life supported by longer-lived operations, including Chapada, Jacobina, and Malartic. Core mines with shorter reserve lives, including Gualcamayo and Mercedes, have large resource bases that support future reserve life extension.

Including development projects, Yamana has an average reserve life of 10 years with a further 13.5 years of resource potential.

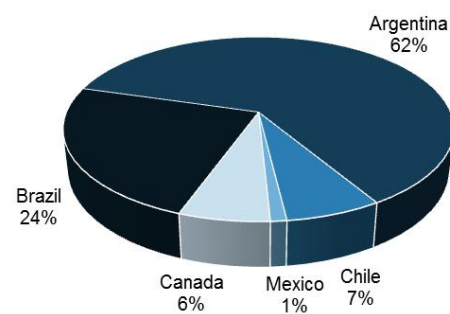
Owing to the very large inventory of gold and copper contained within the Agua Rica deposit, Yamana's reserve base is strongly weighted to Argentina. Excluding Agua Rica, Yamana's reserve base is more balanced, with 11% exposure to Argentina.

Fig 259: AUY Reserve and Resource Life by Mine



Source: BMO Capital Markets

Fig 260: AUY Reserves and Resources by Region



Source: BMO Capital Markets

### Reinvesting in the Business

Yamana has outlined sustaining capital of \$265M with \$90-140M committed to development, depending on the timing of construction at Cerro Moro. Yamana is also planning to spend \$95M on exploration through 2015, the primary focus of which will be reserve replacement at operating mines, particularly at El Penon, where drilling at the Ventura extension is returning better-than-average reserve grade. Mineralization remains open to the south for more than 700 metres.

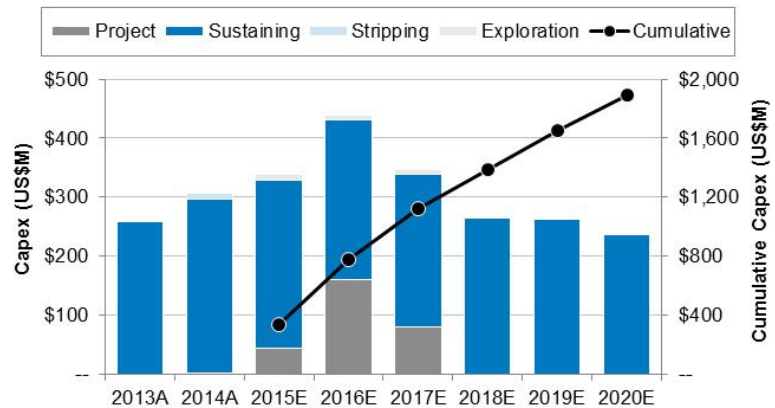
In contrast to its peers, Yamana has lower capital requirements to maintain production growth. Aside from the projected \$265M in projected capital to complete Cerro Moro, capital projections for Yamana are based on \$225-250M of sustaining capital on an annual basis.

## Senior Gold Sector

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Fig 261: Capital Forecasts

Aside from the projected \$265M in projected capital to complete Cerro Moro, capital projections for Yamana are based on \$225M to \$250M of sustaining capital per year.



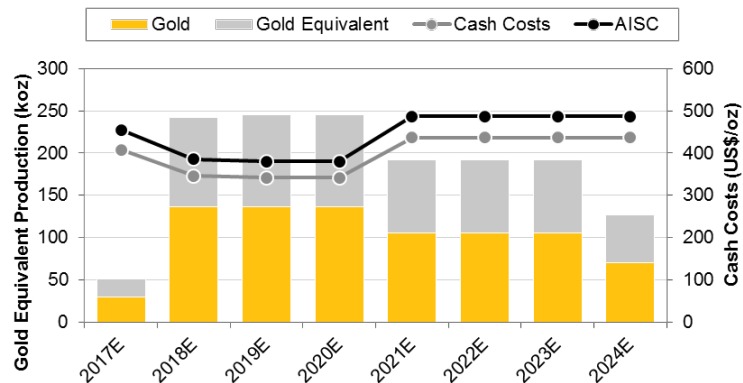
Source: BMO Capital Markets

## Hello to Argentina

The next stage of growth for Yamana lies in southern Argentina with plans to develop the Cerro Moro mine, which could add 100koz of gold and 5Moz of silver per year over a seven-year mine life at low AISC. The initial capital investment of US\$265M for a 1.0ktpd mine could be funded through existing liquidity. While small, Cerro Moro's asset quality ranks high within the pipeline of development projects being advanced by the North American senior gold miners.

Fig 262: Cerro Moro Production Profile

Cerro Moro is forecast to produce 102koz of gold and 5Moz annually at AISC of US\$547-557/oz.



Source: BMO Capital Markets

Following the acquisition of a 50% interest in Malartic, Yamana has begun to focus more on a Canadian strategy, recently announcing the acquisition of Mega Precious Metals for C\$14M. In the space of 12 months, Yamana has assembled interest in more than half-dozen projects with total attributable resource potential of 6.6Moz of gold.

We have yet to assign value to these projects, with two, Upper Beaver and Monument Bay, at a preliminary engineering stage.

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Fig 263: AUJ Has a Growing Interest in Canada

In the space of 12 months, Yamana has assembled interest in more than a half-dozen projects with total attributable resource potential of 6.6Moz of gold.



Source: Yamana Gold

## A Solid Financial Footing

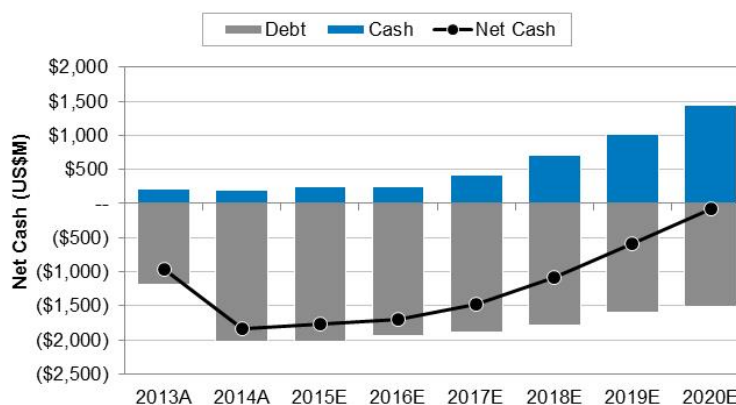
Following completion of a C\$299.3M equity financing in Q1/15, Yamana has improved liquidity with US\$911M in cash (US\$121M), available credit and net debt of US\$1.6B. At current metal prices, Yamana should be in a position to internally fund the US\$265M for Cerro Moro construction.

Once Cerro Moro is in production, Yamana would be in a position to generate meaningful free cash flow, potentially moving into a net cash position by 2020E.

The company's debt repayment schedule is manageable with US\$0.5B of the US\$1.9B due through 2020. The company's net debt to EBITDA ratio is projected to decline to sub-2x over this timeframe.

Fig 264: AUJ Net Debt Profile

At current metal prices, Yamana should be in a position to internally fund the US\$265M for Cerro Moro construction.



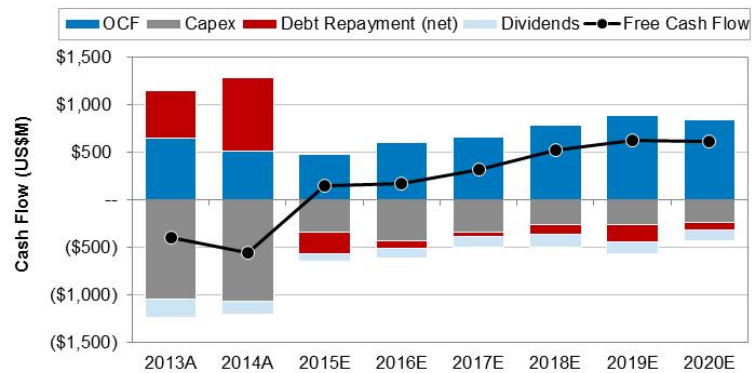
Source: BMO Capital Markets

## Senior Gold Sector

June 15, 2015

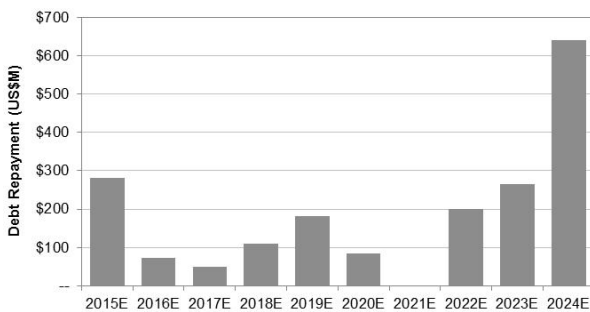
Fig 265: AUY Projected Sources and Uses of Capital

Yamana will be in a position to generate meaningful free cash flow, potentially moving into a net cash position by 2020E.



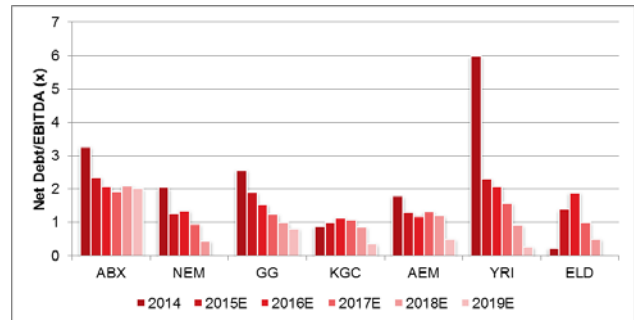
Source: BMO Capital Markets

Fig 266: Debt Maturity (US\$B)



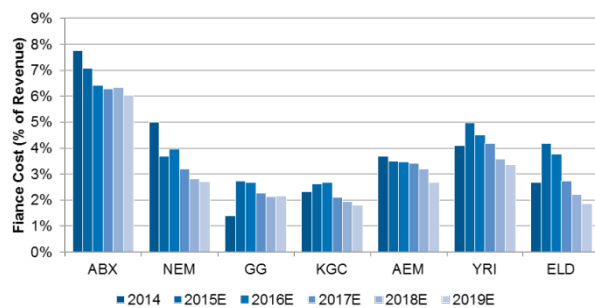
Source: BMO Capital Markets

Fig 267: Net Debt to EBITDA vs. Peers (x)



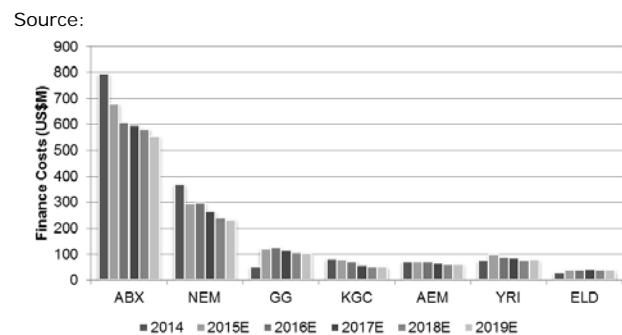
Source: BMO Capital Markets

Fig 268: Finance Costs (% of Revenue)



Source: BMO Capital Markets

Fig 269: Finance Costs (US\$M)



Source: BMO Capital Markets

**Senior Gold Sector**

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**Ciao Brio**

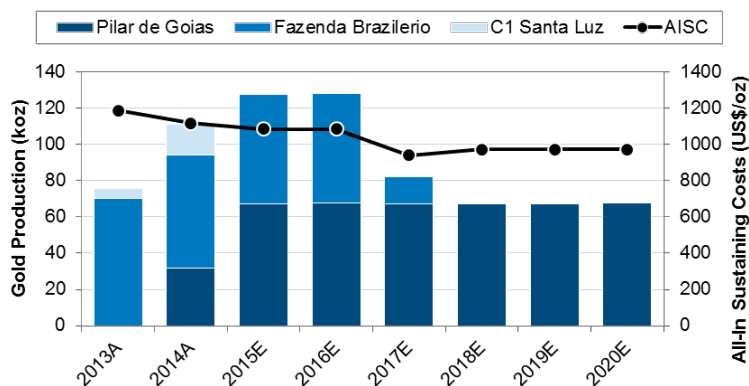
Yamana has announced plans to divest of non-core Brazilian mines into a new intermediate gold miner, Brio Gold, sometime in H2/15. Brio Gold assets include the Fazenda Brasileiro and Pilar mines, along with the C1 Santa Luz operation currently on care and maintenance. Yamana is targeting 130koz gold production in 2015E at \$730/oz, which looks to be optimistic given Q1/15 results.

Yamana has implemented an 18-month program to identify processing options that will form the basis of a revised operating plan for C1 Santa Luz. C1 Santa Luz was placed on care and maintenance in Q3/14 after Yamana announced that recovery issues were impacting the profitability of the mine. The results of metallurgical test work are expected to be announced shortly, followed by process engineering in H2/15 and plant modification during the first half of 2016. C1 Santa Luz has the potential to add a further 100koz of annual gold production to Brio Gold.

We estimate a \$150M value for the Brio Gold asset base, based on 1.0x the 5% NPV and in line with the intermediate peer average within the BMO Research coverage universe. The value represents a low-case scenario, as we have yet to include potential value for the C1 Santa Luz project, pending the results of metallurgical testing and required design changes.

Yamana has a number of options to realize value for Brio, all of which are contingent on a positive outcome for C1 Santa Luz. While the company has indicated that the process to divest of Brio will begin in the fall, we expect this process to extend into 2016. Until a pathway is articulated, we continue to incorporate Brio into our Yamana valuation.

Fig 270: Brio Gold Production and Cost Forecast



Source: BMO Capital Markets

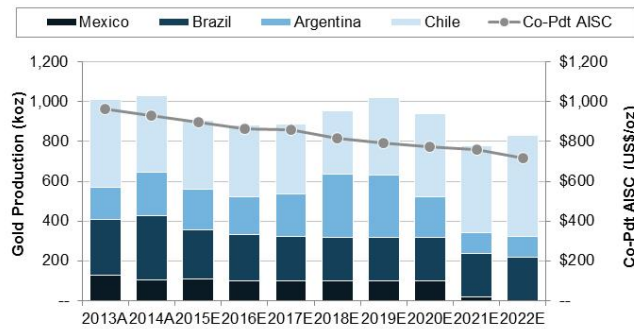
Removing the BRIO operations under a full divestiture scenario, Yamana drops below 1Moz gold-equivalent production in 2016E, returning above that level in 2019E. Positively, AISC improve by ~5% through the divestiture.

Given our low valuation for the Brio assets, we do not see any material impact on Yamana's net debt after a full divestiture scenario. Sale price and the amount of debt transferred to Brio could positively impact this view.

## Senior Gold Sector

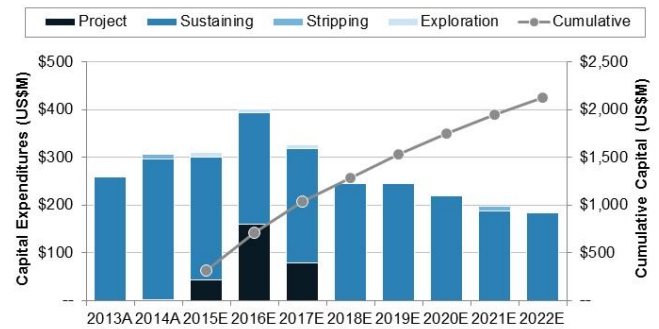
June 15, 2015

Fig 271: AUY Production and Cost Profile (excl. BRIO)



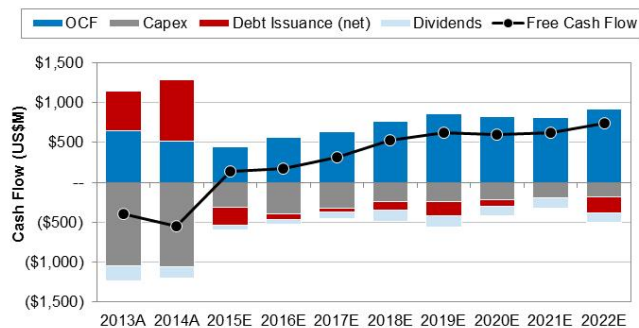
Source: BMO Capital Markets

Fig 272: AUY Capital Forecasts (excl. BRIO)



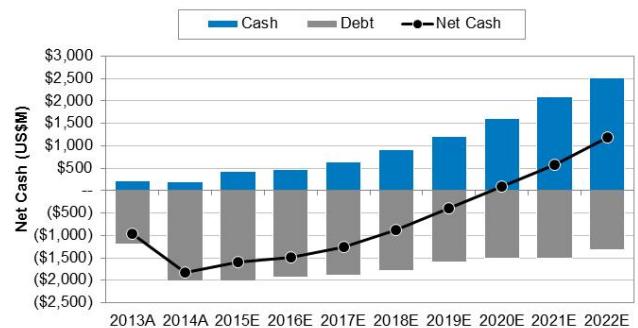
Source: BMO Capital Markets

Fig 273: AUY Sources and Uses of Capital (excl. BRIO)



Source: BMO Capital Markets

Fig 274: AUY Debt Profile (excl. BRIO)



Source: BMO Capital Markets

### Agua Rica Plan Emerging

The recent signing of a Definitive Agreement with the Province of Catamarca, Argentina, represented by the provincial mining company Catamarca Minería y Energetica Sociedad del Estado, sets the groundwork for cooperation to consolidate important mining projects and prospective properties in the province, most notably the Agua Rica property and the Cerro Atajo projects. The two projects lie adjacent to and represent future production potential for the aging Bajo Alumbra mine.

Yamana has outlined a plan to divest Agua Rica and recent developments support a more positive outcome. We have yet to assign value for Agua Rica.

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Fig 275: Yamana Gold Production and By-Product All-In Sustaining Cost Forecasts

Yamana @ BMO Prices	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Production (koz)	1,297	1,010	1,171	1,280	1,307	1,260	1,380	1,392	1,264
Total Cash Costs, by-pdt (US\$/oz)	545	360	509	523	522	467	449	404	335
AISC, by-pdt (US\$/oz)	800 - 830	853	907	836	818	766	714	665	603
Total Capex (US\$M)	355 - 405	261	307	339	438	347	264	262	237

Attributable Gold Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
El Peñón (Chile)	252	338	283	245	264	252	211	211	211
Gualcamayo (Argentina)	175	120	180	177	168	161	161	161	68
Malartic (Canada)	280	--	143	279	294	293	356	304	256
Minera Florida (Chile)	100	103	100	101	98	98	107	177	207
Chapada (Brazil)	120	104	107	115	116	97	93	93	93
Mercedes (Mexico)	105	129	105	107	99	99	99	99	99
Jacobina (Brazil)	110	74	76	103	116	125	125	125	125
Alumbrera (Argentina)	25	39	40	23	24	24	24	18	--
Brio Gold (Brazil)	130	76	117	127	128	82	67	67	68
Ernesto/Pau-a-Pique (Brazil)	--	28	20	0	--	--	--	--	--
Cerro Moro (Argentina)	--	--	--	--	--	30	136	136	136
<b>Total</b>	<b>1,297</b>	<b>1,010</b>	<b>1,171</b>	<b>1,280</b>	<b>1,307</b>	<b>1,260</b>	<b>1,380</b>	<b>1,392</b>	<b>1,264</b>

AISC, by-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
El Peñón (Chile)		236	287	477	502	424	481	452	450
Gualcamayo (Argentina)		1,761	1,133	1,015	990	1,029	1,036	1,039	1,040
Malartic (Canada)		938	744	642	654	564	612	759	714
Minera Florida (Chile)		899	978	1,025	1,067	1,102	946	543	457
Chapada (Brazil)		(1,804)	(1,738)	(1,098)	(772)	(1,250)	(397)	(395)	(431)
Mercedes (Mexico)		616	839	771	871	867	864	864	864
Jacobina (Brazil)		1,529	1,434	978	869	871	874	875	876
Alumbrera (Argentina)		565	609	1,566	1,834	1,847	1,500	1,485	--
Brio Gold (Brazil)		1,213	1,136	1,084	1,084	937	969	970	971
Ernesto/Pau-a-Pique (Brazil)		--	2,458	56,635	--	--	--	--	--
Cerro Moro (Argentina)		--	--	--	--	(93)	(272)	(319)	(322)
<b>Company Level</b>	<b>800 - 830</b>	<b>853</b>	<b>907</b>	<b>836</b>	<b>818</b>	<b>766</b>	<b>714</b>	<b>665</b>	<b>603</b>

Source: BMO Capital Markets

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Fig 276: Yamana Gold-Equivalent Production and Co-Product All-In Sustaining Cost Forecasts

Gold Equivalent Production (koz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
El Peñón (Chile)		468	452	359	367	376	323	326	326
Gualcamayo (Argentina)		120	180	177	168	161	161	161	68
Malartic (Canada)		--	145	282	297	296	360	308	260
Minera Florida (Chile)		119	120	109	105	102	116	189	221
Chapada (Brazil)		419	441	390	412	413	335	330	332
Mercedes (Mexico)		142	113	112	104	104	105	105	105
Jacobina (Brazil)		74	76	103	116	125	125	125	125
Alumbrera (Argentina)		110	135	68	65	64	71	50	--
Brio Gold (Brazil)		76	117	127	128	82	67	67	68
Ernesto/Pau-a-Pique (Brazil)		28	20	0	--	--	--	--	--
Cerro Moro (Argentina)		--	--	--	--	51	242	245	245
<b>Total</b>		<b>1,553</b>	<b>1,799</b>	<b>1,729</b>	<b>1,761</b>	<b>1,775</b>	<b>1,904</b>	<b>1,907</b>	<b>1,750</b>

AISC, co-pdt (US\$/oz)	2015 Guidance	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
El Peñón (Chile)		498	534	709	693	680	739	733	734
Gualcamayo (Argentina)		1,761	1,133	1,015	990	1,029	1,036	1,039	1,040
Malartic (Canada)		--	943	749	648	661	571	620	767
Minera Florida (Chile)		959	975	1,038	1,075	1,106	968	589	505
Chapada (Brazil)		698	629	667	715	720	851	864	859
Mercedes (Mexico)		670	847	790	885	884	884	885	885
Jacobina (Brazil)		1,529	1,434	978	869	871	874	875	876
Alumbrera (Argentina)		1,066	1,048	1,326	1,424	1,443	1,319	1,334	--
Brio Gold (Brazil)		1,213	1,136	1,084	1,084	937	969	970	971
Ernesto/Pau-a-Pique (Brazil)		--	2,458	56,635	--	--	--	--	--
Cerro Moro (Argentina)		--	--	--	--	451	384	380	380
<b>Company Level</b>	<b>880 - 910</b>	<b>853</b>	<b>907</b>	<b>836</b>	<b>818</b>	<b>766</b>	<b>714</b>	<b>665</b>	<b>603</b>

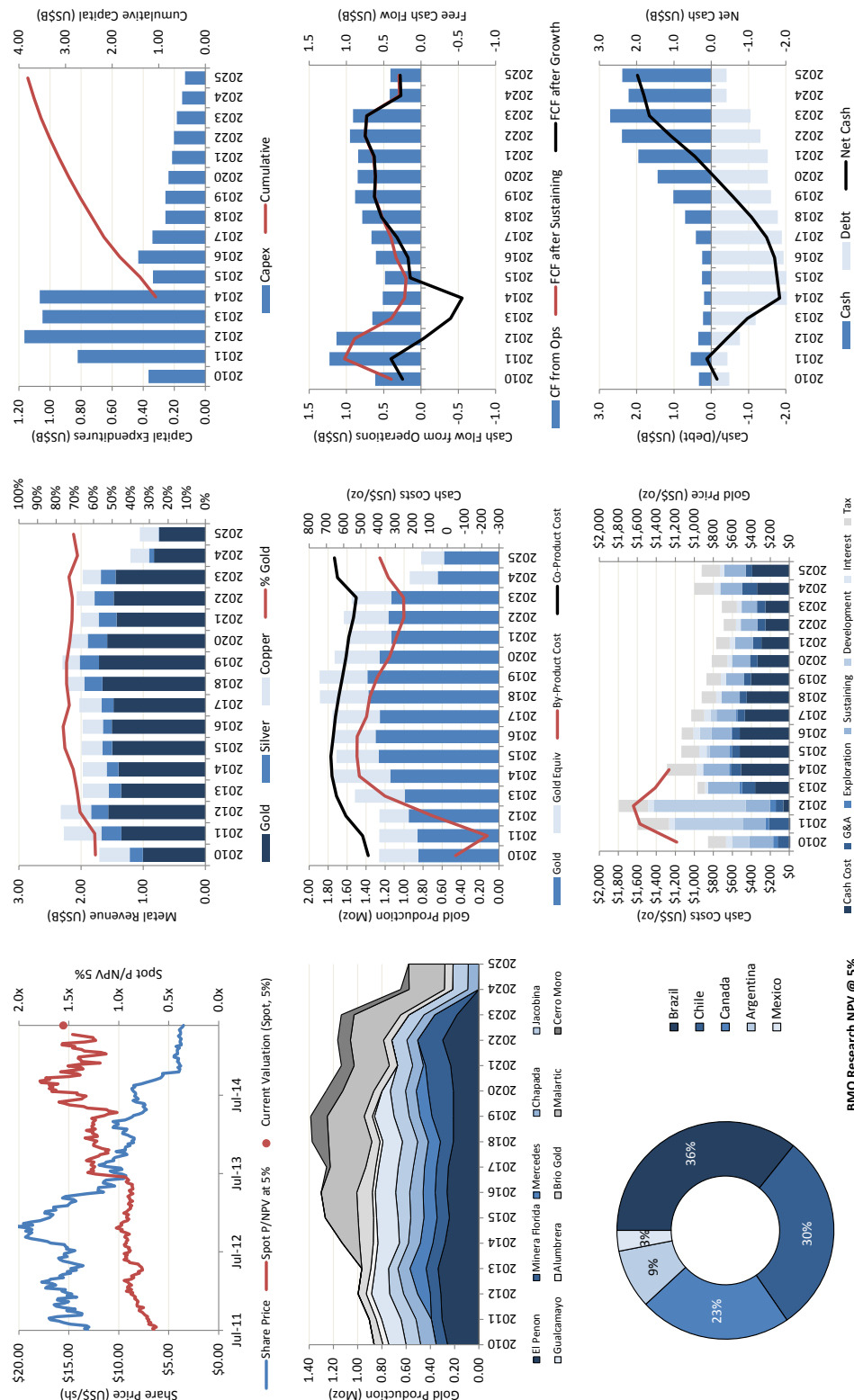
Source: BMO Capital Markets



## Senior Gold Sector

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Fig 277: BMO Research Summary Charts for Yamana, BMO Research Commodity Prices



Source: BMO Capital Markets

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**Technical:** Mining and processing may be affected by unexpected events, such as pit failures, dike failures or equipment breakdowns, which may result in significantly higher costs, revisions to mine plans, sterilization of reserves or ultimate closure of the mine.

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Hold	Market Perform	51.4%	10.4%	38.5%	52.1%	41.9%	40.5%
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(S) = Speculative investment;

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