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Gold Miners: The M&A Wave, Part II - The Tide Is Rolling In

July 29, 2014

Since our last M&A report, senior miners have staged substantial M&A transactions, adding to growth, and repairing balance sheets.

For many producers, growth remains a top issue. Seniors are in a better position today versus eight months ago to acquire undervalued developers.

Going forward, GG and AUY are in the best position to acquire assets; PVG, SA, PZG, and GSV remain our top picks for M&A targets.

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Please see addendum of this report for important disclosures.

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- **Metals & Mining: Precious Metals**
- **Metals & Mining: Emerging Miners**

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Gold Miners: M&A Wave, Part II. Tide Is Rolling In - Ahead of the Curve Series

The Cowen Insight

In line with our November report, Gold Miners: Prime Time for an M&A Wave?, senior producers have engaged in substantial M&A, cost cutting, and divesting non-core assets. We see GG and AUY as being in the best position to make acquisitions. Furthermore, we see PVG, SA, PZG, and GSV as targets that provide the greatest optionality for seniors looking refill their pipelines and create value.

Senior Producers Have Improved Balance Sheets

Since our last report on M&A, Gold Miners: Prime Time for an M&A Wave?, close to \$6.0Bn has flowed in and out of the top six North American senior producers. Over \$1.0Bn in assets have been divested by senior miners in 2014, with ABX leading the charge, monetizing ~\$550MM throughout the year. The healthier miners, AEM and AUY, have bulked up their production profiles, following a ~\$4.0Bn joint acquisition of Osisko Mining, completed in 2Q14. Heading into 2H14, GG appears in the best position to engage in M&A: with ~\$400MM in divestments completed in 2014, no asset purchases, and capex programs largely finishing this year, the company should have close to \$4.0Bn in spending capacity (assuming debt levels do not exceed 25% Net Debt to Capital). We see balance sheets improving going into 2015: the average Net Debt to Capital across the top six North American producers could be reduced by as much as 25% from 2014 to 2015. Going forward, we see GG and AUY as the miners with balance sheet potential for acquisitions. Additionally, we expect ABX to continue off-loading non-core assets and tightening its focus on its highest-margin and longest-lived mines. We expect ABX could divest over \$2.0Bn (exclusive of Goldstrike) in remaining non-core assets.

Junior Miners' Continue To De-Risk Assets; But Valuation Gap Remains Wide

While equity prices for miners have remained at historically low levels, the well-cashed pre-developers have continued to advance projects. Since our November report, several juniors have advanced their assets' position along the development curve; nevertheless, developmental success has had little effect on share price. Moreover, we have seen a contraction in select high-quality juniors' P/NAV. As a result, this disconnect provides a unique opportunity for seniors to purchase less risky assets at relatively the same price, versus a year ago.Within the next 12 months, we expect several juniors to complete key milestones, including: 1) PVG - Brucejack permits to be received in 1Q15, 2) SA - KSM permits to be received in 3Q14, 3) PZG - updated PEA at San Miguel in 3Q14, and, 4) GSV - initial resource for Pinion in 3Q14.

"Buy Now, Act Later" Strategy Remains Our Recommendation For Seniors

We continue to believe the best strategy for seniors is to acquire targets today for heavily discounted prices to NAV; giving them the option to defer development according to growth needs and balance sheet health. We calculate, at current forward curves, the most of the senior producers will have built sufficient spending capacity for even the largest projects within 5 years.

Please see addendum of this report for important disclosures.

Senior Producers: What Has Changed, What Is Expected

Since our November 2013 report, *Gold Miners: Prime Time for an M&A Wave?*, senior gold producers have engaged in significant M&A transactions, with better-positioned seniors adding to growth, while the poorer-positioned ones worked to repair balance sheets. In total, among the six top North American seniors, we witnessed close to $6.0Bn in M&A-related transaction value. While gold price has remained relatively range-bound, seniors appear in a better position versus year-end 2013, as highlighted by lower expected 2014 Net Debt to Total Capitalization ratios, and lower expected 2014 all-in costs.

For some, however, better balance sheets and lower near-term costs come at the expense of future production growth. While near-term production is expected to improve, pipelines begin tapering around 2017-2018 (Figure 11). Going into 2015, we see capital spending falling off, a consequence of having delayed project development in efforts to conserve cash. We expect that balance sheet improvement that has taken place, coupled with an increasing need to focus on the next stage of growth, should lead to ongoing M&A.

Figure 1 : Senior Gold Producer Snapshot 2013-2015

		Market Cap ($MM)	YE %Net Debt/ Total Cap	Production (oz)	Cash Cost ($/oz)	All-in Costs, minus by-product ($/oz)	Capital Expenditures ($MM)	M&A Total Transaction Value ($MM)
ABX	2013	$19,927	40.1%	7,166,000	$589	$1,243	($5,133)	$777
	2014	$22,364	40.8%	6,156,262	$589	$1,122	($2,130)	$557
	2015	n/a	34.9%	6,694,136	$584	$924	($1,340)	n/a
NEM	2013	$11,452	30.7%	5,584,000	$634	$1,069	($1,844)	$661
	2014	$12,680	24.0%	5,223,443	$720	$1,321	($1,357)	$91
	2015	n/a	16.5%	5,735,464	$621	$1,193	($1,960)	n/a
GG	2013	$16,984	7.7%	2,637,188	$549	$1,495	($2,446)	$8
	2014	$23,124	5.2%	2,893,892	$423	$1,191	($2,233)	$407
	2015	n/a	0.5%	4,030,438	$499	$801	($819)	n/a
AEM	2013	$4,505	20.9%	1,132,953	$658	$1,278	($550)	($70)
	2014	$8,664	32.4%	1,397,109	$690	$1,202	($482)	($1,640)
	2015	n/a	27.9%	1,527,477	$682	$1,146	($469)	n/a
KGC	2013	$4,893	16.4%	2,519,872	$720	$1,370	($1,268)	-
	2014	$4,768	10.2%	2,566,999	$638	$1,038	($635)	-
	2015	n/a	7.1%	2,642,738	$681	$1,165	($831)	n/a
AUY	2013	$6,385	11.6%	1,121,456	$298	$1,447	($1,007)	($52)
	2014	$7,326	16.9%	1,430,372	$365	$958	($587)	($1,515)
	2015	n/a	12.6%	1,754,384	$306	$845	($649)	n/a

Source: Cowen and Company estimates
*Market-cap at year-end for 2013; Ytd for 2014
*KGC production and cash costs in ounces AuEq
*Implied All-in Costs = operating costs + capex + SGA/Exploration + interest/tax
*Capex and M&A: positive = inflow, negative = outflow

As shown in Figure 1 the higher-levered seniors ABX and NEM have been focused on selling non-core assets (and were reportedly in talks to merge and rationalize assets; see our report Barrick/Newmont - Sorting Through The Noise). Meanwhile, AEM and AUY have taken advantage of healthier balance sheets and historically-depressed equity valuations to buy production and expand project pipelines. Looking to 2015, we expect GG to be in the best financial position to engage in M&A. That being said, we see NEM and AUY as having the capacity to make additional purchases, and ABX and KGC being the most challenged.

From a growth perspective, with their existing pipelines, both Agnico and Yamana are now both in a solid growth position after their joint purchase of Osisko – receiving not only operating assets, but both a near-term and longer-term development projects. Both Barrick and Kinross have little to no net growth ahead of them, and what production replacement they have will come at a heavy, up-front capital burden. With Barrick's high financial leverage, we believe they will need to either delay major projects (Donlin, Goldrush, Turquoise Ridge O/P, Pascua-Lama completion), prioritize, or significantly reduce the initial scope – most likely all three. Like Barrick, Kinross has several large projects (Tasiast expansion, Lobo-Marte) that they need to execute on in order to counter declining existing production, but would face financial challenges.

Despite recent M&A activity, we see the senior gold producers as much better positioned both financially and operationally, to withstand a $1200/oz-$1300/oz gold price environment vs. last year. It is our view that they can now afford to make acquisitions to be built at a later date, and take advantage of low junior miner market valuations.

Junior Developers: De-Risking Projects, But Still No Love

Figure 2 : Select Junior Miner Equity Performance and Development Progress (4Q13 – present)

Company	Ticker	Market Cap		P/NAV		Material Project De-Risking Initiatives			
		Dec. 2013	YtD 2014	Dec. 2013	YtD 2014	Date	Completed Since Dec. 2013	Date	Upcoming Near-Term Catalysts
Gold Canyon	GCU	$47.5	$56.5	0.05x	0.04x	May-14	EA Filing Confirmation for Construction of Access Corridor	N/A	Springpole PFS/FS
Gold Standard Ventures	GSV	$73.6	$83.2	0.37x	0.12x	Jan-14	Acquisition/Consolidation of Pinion	Jul-14	Pinion Initial Resource
						Jun-14	Drilling Confirms Historic Assays		
Guyana Goldfields	GUY	$376.3	$465.8	0.29x	0.37x	Jun-14	Project Financing Secured	4Q14	Aurora Construction Begins
Northern Dynasty	NAK	$78.9	$79.8	0.02x	0.01x	Dec-13	Acquires 100% Ownership of Project	1Q15	EPA CWA Process Completion
NOVAGOLD	NG	$1,193.0	$1,246.9	0.34x	0.26x	Jun-14	Partnership with First Nations	4Q14	Donlin Draft EIS
Paramount	PZG	$148.3	$153.4	0.33x	0.18x	Jul-14	Updated Expanded Resource	Aug-14	San Miguel Updated PEA
Pretium Resources	PVG	$804.9	$757.2	0.42x	0.23x	Dec-13	Positive Bulk Sample Results	1Q15	Brucejack Permits Expected
						Jun-14	Updated Feasibility Study		
						Jul-14	Permit Application Submitted		
Seabridge	SA	$388.3	$391.2	0.18x	0.07x	Feb-14	Initial Deep Kerr Resource (KSM)	3Q14	KSM Permits Expected
						Apr-14	Initial Walsh Lake Resource (Courageous Lake)		
						Jun-14	Partnership with First Nations (KSM)		
Vista Gold	VGZ	$37.7	$38.8	0.13x	0.07x	Feb-14	Converts $16MM in investments to cash	3Q14	Mt Todd EIS Approval

Source: Cowen and Company estimates

Since last November, several high-profile developers have continued to de-risk projects and complete key milestones that set-up projects for advancement along the development curve. However, the improvements to project risk have not carried over to the marketplace. Developers' market values remain at historical lows; what's more, on a P/NAV basis, valuations have actually diminished (Figure 2).

Project improvement among developers, coupled with corresponding lower valuations, provides a unique environment for senior producers looking to add projects to bulk up longer-term growth. In fact, we see the environment today as more potentially value accretive to acquirers than it was near the end of 2013. We continue to believe that producers should take advantage of low valuations and acquire high-quality pre-production assets. We believe acquirers could benefit from utilizing a "buy now, act later" strategy, capitalizing on today's valuations, and then proceeding with development according to their respective financial capacity and growth profiles.

By our estimates, we are in the 13th year of a secular bull cycle for gold (assuming 2012-2013 was a pause and not a break). Consequently, many of the better known development projects have had significant spending on asset definition, engineering, and planning, permitting, and are at or near "shovel ready" status. We see PVG, SA, PZG, and GSV as the most interesting targets.

Long-Lived Projects at Attractive Price

As previously mentioned, junior developers with high-quality projects continue to be undervalued in the marketplace. As shown in Figure 3, projects are available in highly investable jurisdictions, are long-lived, and are expected to provide meaningful production for seniors looking to maintain and grow future production levels. In addition, some of these assets are still 2-4 years away before major spending would be required. This provides ample time for major and mid-tier producers to layer them into their existing project pipelines, and if necessary await higher metal prices or improved spending capacity.

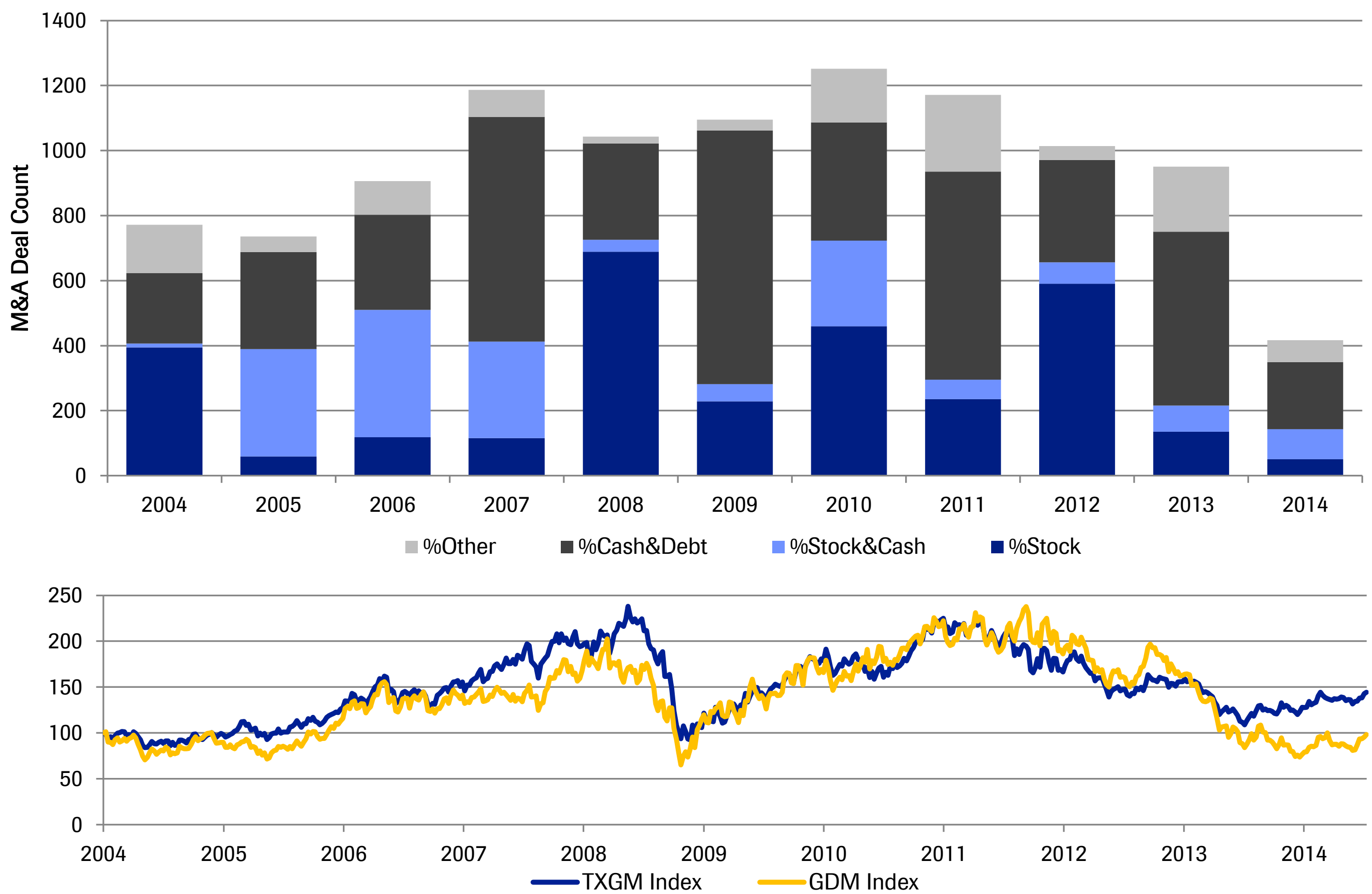
Figure 3 : Select Junior Developer Project Comparison

Company	Ticker	Market Cap YtD 2014 ($MM)	Project	Location	Earliest Construction Start	Estimated Production	Estimated Capex ($MM)	Mine-Life	IRR	Average Annual Production Au (first 10 yrs)	Average Annual Production Ag (first 10 yrs)	Average Annual Production Cu (first 10 yrs)	Cash Cost (first 10 yrs)
Gold Canyon	GCU	$57	Springpole	Ontario	2016	2018	$559	24	26%	343,341	1,823,998	-	$496 /oz Au
Gold Standard Ventures	GSV	$83	Railroad	Nevada	2017	2018	$257	20	17%	257,958	263,945	-	$983 /oz Au
Guyana Goldfields	GUY	$465	Aurora	Guyana	2014	2015	$257	22	22%	249,093	-	-	$485 /oz Au
Northern Dynasty	NAK	$80	Pebble	Alaska	2018	2021	$4,675	31	28%	382,120	5,854,402	482,826,832	-$0.36 /lb Cu
NOVAGOLD	NG	$1,247	Donlin (50%)	Alaska	2016	2019	$6,250	28	17%	1,880,307	469,253	-	$495 /oz Au
			Galore Creek (50%)	British Columbia	2016	2019	$4,999	29	16%	362,654	4,551,089	515,118,042	$0.09 /lb Cu
Paramount	PZG	$153	San Miguel	Mexico	2016	2017	$243	28	18%	75,952	4,745,983	-	-$412 /oz Au
			Sleeper	Nevada	2017	2018	$499	22	37%	205,016	333,811	-	$655 /oz Au
Pretium Resources	PVG	$757	Brucejack	British Columbia	2014	2016	$814	38	44%	454,049	525,386	-	$307 /oz Au
Seabridge	SA	$391	KSM	British Columbia	2015	2018	$5,350	50	16%	945,908	2,708,422	193,351,296	$78 /oz Au
			Courageous Lake	Northwest Territories	2017	2019	$1,572	26	13%	356,956	233,286	-	$760 /oz Au
Vista Gold	VGZ	$39	Mt. Todd	Australia	2015	2017	$1,074	22	17%	402,638	-	-	$999 /oz Au

Source: Cowen and Company estimates

M & A Themes Going Forward

Figure 4 : Breakdown of Completed M&A Transactions By Deal Type



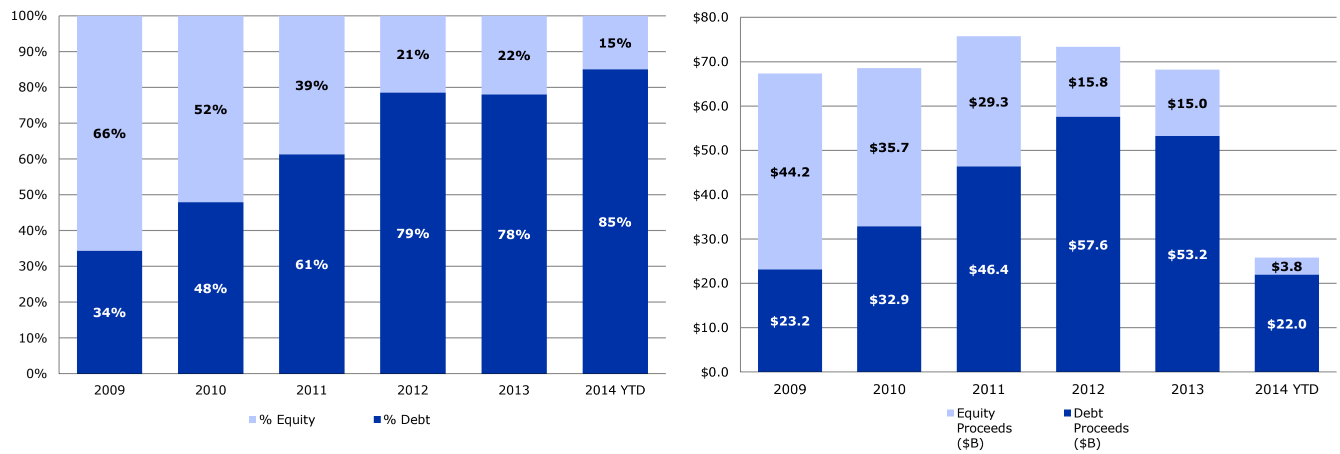
Source: Bloomberg

We maintain that the greatest value can be created by using expertise and low cost capital to build high-return mines. Mergers and acquisitions appear to have picked up over the last 7 months. We have seen the sale of operating assets, as well as the purchase of companies, operating mines, and some pre-production assets. However, most of the consolidation activity has been for operating assets, where low risk has generated high premiums. This is evidence of the risk-off mentality in the industry, despite the extreme valuation disconnect between producers and pre-producers. Going forward, should we get a meaningful bull market in gold, we would expect not only equity issuances to accelerate, but also acceleration in M&A. With higher equity prices, managements become more comfortable using shares to make purchases. This would be a turnaround from the last few years, where declining gold prices and low interest rates have encouraged the use of debt and cash on the balance sheet to make acquisitions. Unlike cash and debt, there is virtually an unlimited ceiling to the number of shares management is willing to offer. It is this characteristic that increases the likelihood of accelerated M&A.

We have compiled data from the last decade on M&A activity in the mining industry. The data covers the mining sector at large, including Base Metals, Precious Metals, Diversified Minerals, and Mining Services. As shown in Figure 4, Cash and Debt transactions dominated M&A activity during periods of rising equity prices, while stock-based transactions dominated during years of falling equity prices. Looking at recent transactions, this trend makes sense; cash has been a large factor in deal completion. For both acquirers and targets, companies remain highly sensitive to equity valuation, allowing cash to drive deals.

We continue to believe that current valuations for pre-producers and junior miners provide senior miners with an opportunity to build project pipelines at large discounts to NAV. Furthermore, development projects only require significant capital spending once a construction decision is made, allowing an acquirer to “buy now, act later.”

Figure 5 : Mining Industry Public Offerings



Source: Capital IQ

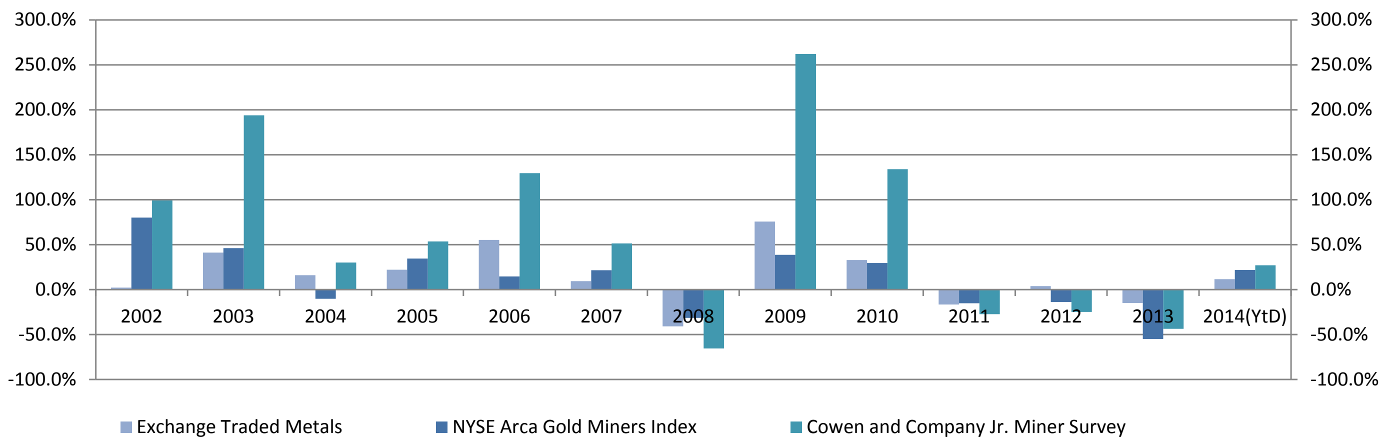
As equity prices remain at suppressed levels for all miners, we expect cash to continue to play a key part in M&A transactions. As we review miners’ propensity to buy assets, we assess their production pipeline, in relation to their balance sheet strength. Typically, we would find that companies with production growth falling off in the 2017-2018 timeframe (or earlier) would be well-suited to take advantage of large-scale assets at reduced equity prices, as these assets would take 3-5 years to drill, test, permit, and develop.

Looking at public offerings, we see that companies within the mining industry have been raising significantly more debt as a percentage of total capital raised versus equity. However, should equity prices for the sector rise we would expect the pendulum to start to swing back in the other direction and for a greater proportion of equity to be utilized.

Gold Performance Drives Market Interest In Gold Equities

Similar to physical gold, the aggregate value of the junior mining sector is quite small vs. the global equity market. This is due in part to gold and junior mining equities being largely incorporated in Canada, South Africa, and Australia – thus being excluded from major US and European indices. Thus, like physical gold, the junior mining equities can be driven by a relatively small movement in fund flows into the sector.

Figure 6 : Exchange traded metals performance vs. the large cap and junior miner equity performance



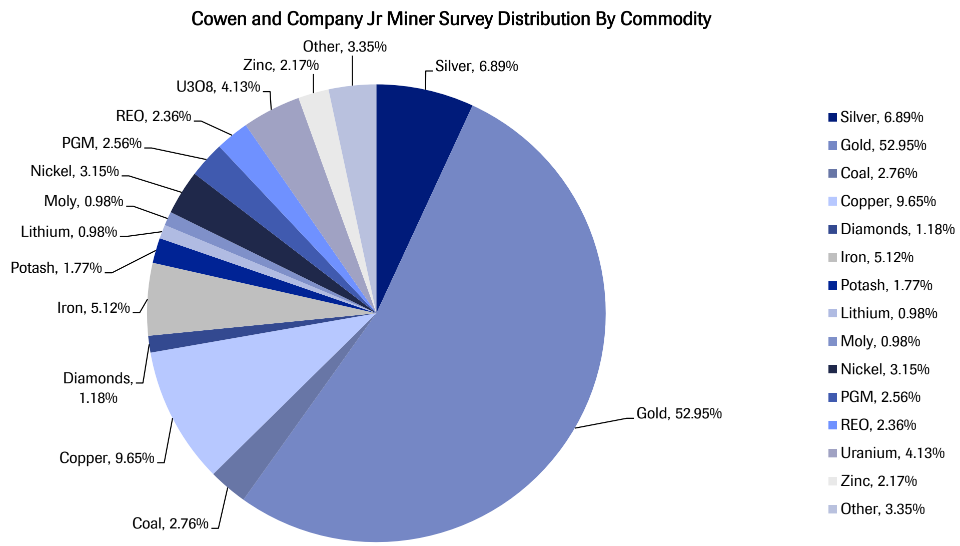
Source: Data from Bloomberg

When market sentiment turns positive on the sector, typically the largest, most liquid names benefit first, as investors seek out names perceived to be the lowest risk. Then, with higher share prices, the senior producers become more comfortable using shares to make acquisitions. A combination of lower cost of capital, M&A speculation, and higher metal prices leading to projected returns on development projects then drives the small-cap and micro-cap names to outperform.

Gold a Dominant Influence on the Junior Mining Space

It is our observation that the vast majority of junior miners are principally looking for or actively developing gold assets. Over the last 6 years that we have maintained our Jr. Miner Survey, gold has maintained its dominant position (see Figure 7) among the commodities associated with the junior mining industry. For this reason, the sentiment towards gold price often casts a shadow over the whole junior mining sector.

Figure 7 : Junior Miner Survey of Companies (~500) by Major Commodity



Source: Bloomberg

…But Every Metal Has Its Own Cycle

Despite gold's dominant position as the commodity of choice in the junior mining space, other metals (or industrial materials) have their own cycles and can generate interest. Over the last decade we have seen "bubble" behavior for a variety of commodities including molybdenum, nickel, uranium, metallurgical coal, zinc, etc. These can spawn mini-booms for junior equities with those associated commodities.

Figure 8 : Exchange Traded Annual Commodity Price Performance

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014(YtD)
Gold	24.80%	19.50%	5.30%	18.00%	22.99%	30.82%	4.99%	24.64%	29.29%	11.01%	4.71%	-28.30%	9.40%
Silver	3.50%	24.30%	14.90%	29.20%	44.93%	14.28%	-24.13%	48.68%	82.95%	-9.13%	2.61%	-35.75%	8.97%
Copper	5.10%	51.10%	41.30%	39.80%	42.57%	9.25%	-54.55%	128.26%	28.00%	-20.67%	1.81%	-10.34%	-4.40%
Aluminum	0.70%	18.40%	23.30%	16.30%	22.78%	-13.50%	-36.83%	42.04%	8.95%	-18.68%	-0.19%	-16.69%	10.32%
Nickel	21.50%	133.10%	-10.30%	-10.10%	139.75%	-19.01%	-56.99%	40.34%	30.30%	-25.62%	-9.74%	-21.49%	37.09%
Zinc	-2.30%	33.20%	24.90%	51.60%	119.97%	-42.62%	-50.71%	100.00%	-4.66%	-25.30%	10.76%	-3.97%	10.94%
Lead	-15.10%	73.00%	41.80%	3.20%	58.40%	54.36%	-61.80%	123.12%	1.39%	-22.00%	10.95%	-8.72%	-1.40%
Platinum	25.60%	35.60%	5.90%	12.70%	16.66%	35.64%	-38.37%	57.06%	20.87%	-21.53%	7.84%	-10.86%	9.81%
Palladium	-45.90%	-18.70%	-3.60%	36.50%	31.89%	14.13%	-49.42%	117.38%	97.09%	-18.14%	5.92%	1.74%	23.81%

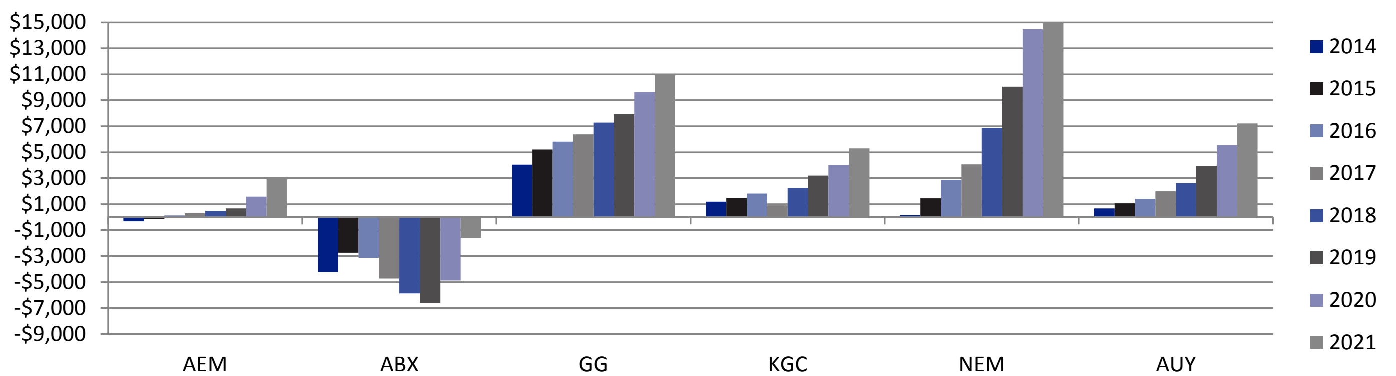
Source: Bloomberg

Update on Strategic View of the Mining Space

Our view of the mining industry's capacity to grow remains relatively unchanged. While most miners currently do not have much capital to engage in large-scale acquisitions (keep in mind this chart is post the $4Bn joint acquisition of Osisko Mining by AEM/AUY), we see miners' ability to engage in M&A for the most part improving in the future.

As was the case in our November M&A report, *Gold Miners: Prime Time for an M&A Wave?*, Goldcorp continues to have the highest capacity for M&A transactions among top gold miners. Goldcorp, having lost its bid to purchase Osisko Mining and the Canadian Malartic Mine, remains the only gold miner, apart from Kinross, to have not yet engaged in M&A activity in 2014. As demonstrated in Figure 9, Barrick appears to have no capacity for M&A additions; with close to $13.0Bn in debt on its balance sheet, at current metals prices, the company will have no choice but to 1) continue to sell off non-core assets, 2) reduce capital spending, and 3) delay projects.

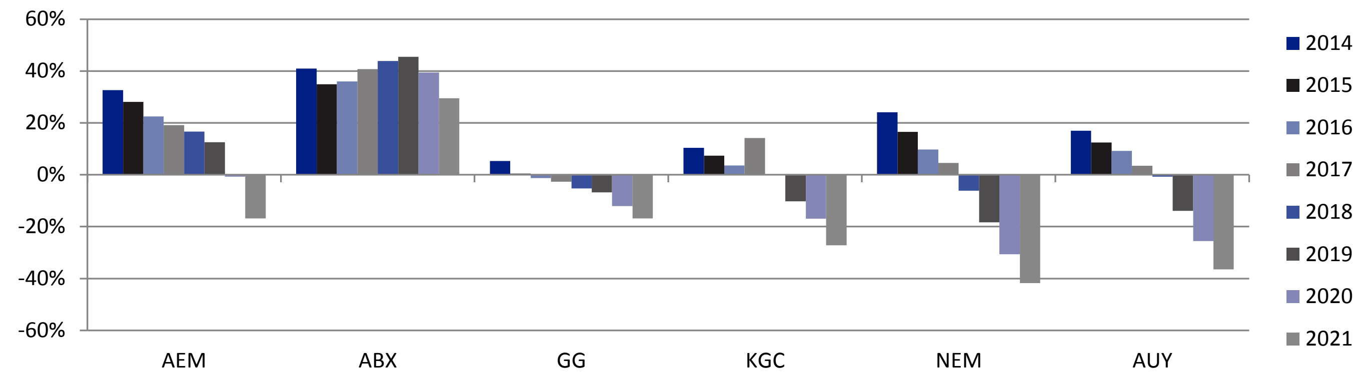
Figure 9 : Additional Net Debt Capacity ($MM) of Large North American Producers (2014-2021E)



Source: Cowen and Company; Note: assumes 25% Net Debt to Capital ratio, current forward curves for metal prices.

Otherwise, the remaining miners – AEM, AUY, NEM, KGC – have limited capacity in 2014, at current metals prices, to purchase assets without further equity or debt issuances. While we would not expect to see M&A activity from KGC or NEM for the remainder of 2014, Figure 3 shows that AUY still has room to grow. Furthermore, while AEM appears to have little spending capacity, we believe it is in the best position among its peers to continue to engage in all-stock M&A transactions.

Figure 10 : Net Debt to Capital Ratio For Senior Gold Miners

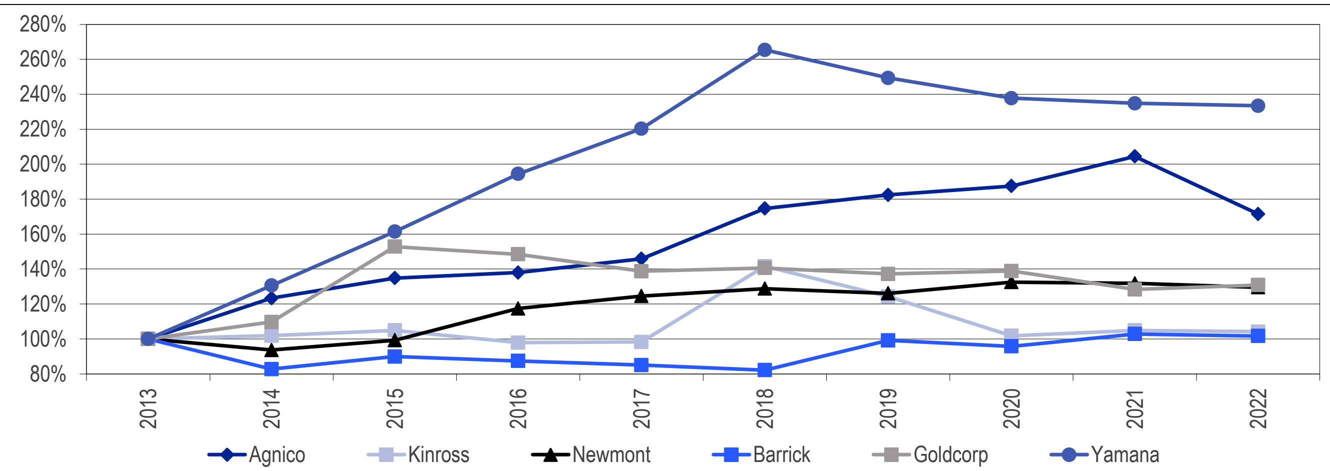


Source: Cowen and Company

In addition to capacity to grow, we examine the necessity to grow. For the most part, we continue to believe that seniors' production profiles will begin to deflate around 2017/2018. Given the lengthening lead times to start a new mine, we believe seniors should now begin taking action towards filling out 5-year production growth. The largest North American producers need to continuously develop projects to offset the natural depletion inherent in the mining business. If management teams do not act to purchase advanced assets, many will likely find themselves without replacement production post 2017 (see Figure 11).

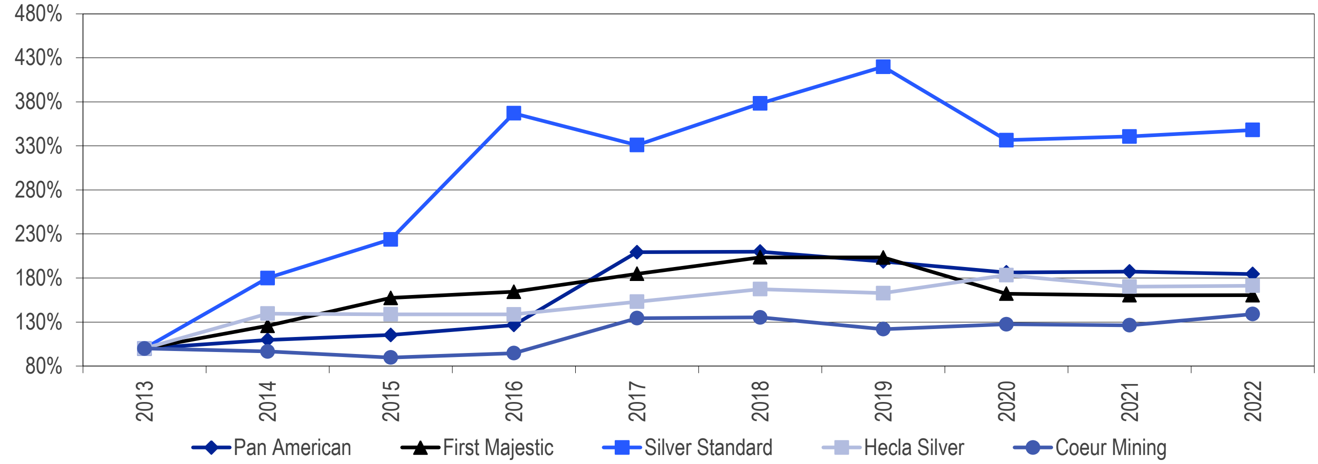
While we believe that established producers can improve current balance sheets from the sale of non-core assets and equity interests, we recognize that these assets should have been disposed of 2-3 years ago, when market conditions were more favorable.

Figure 11 : Estimated 9-Yr Gold Production Growth For Senior Gold Producers (2013 base)



Source: Cowen and Company

Figure 12 : Estimated 9-Yr Production Growth For Silver Producers in Silver Equivalent Ounces (2013 base)



Source: Cowen and Company

Note: PAAS growth assumes production from Navidad, SSRI growth assumes production from Pitarilla and San Luis

As valuations remain historically low across the space, it would be logical and rational for profitable producers to use cash (and in some cases debt) to:

- Purchase the highest quality pre-producers to upgrade their longer-term project pipelines.
- Purchase strategic assets with operating or corporate synergies, in proximity to existing assets, and in safe jurisdictions.
- Acquire large, lower grade assets that can be built 10 years down the road at higher metal prices, and better balance sheets.

In our view, not only are valuations at decade lows, but the valuation discrepancy between producers and pre-producers is at levels not seen since 2008 – when many pre-producers were trading at negative enterprise values. So despite shareholder fears and CEO conservatism, we believe the current value opportunity should drive M&A.

Figure 13 : Emerging & Precious Metal Miners Comparative Analysis

Company	Ticker	Price USD 07/28/14	Rating	12-mo Tgt Price	Upside to TP	NAV	Mkt Price /NAV	2014 YtD Perf.	Mkt. Cap	Net Debt	Shares Out	EV	EPS 2013	EPS 2014E	EPS 2015E	EPS 2016E	EBITDA ($MM) 2013	EBITDA ($MM) 2014E	EBITDA ($MM) 2015E	EBITDA ($MM) 2016E	Op CF Per Share 2013	Op CF Per Share 2014E	Op CF Per Share 2015E	Op CF Per Share 2016E
Emerging Miners																								
Chesapeake Gold	CKG	$3.33	1	**$17.22**	417.2%	$67.28	0.05x	12.9%	$161	($26)	48	$135	($0.04)	($0.04)	$0.06	($0.03)	($6)	($7)	($7)	($7)	($0.04)	($0.04)	$0.06	($0.03)
Gabriel Resources	GBU	$0.84	1	**$1.87**	123.5%	$7.73	0.11x	2.3%	$342	($18)	408	$324	($0.02)	($0.04)	($0.08)	($0.21)	($11)	($12)	($12)	($12)	($0.01)	($0.02)	($0.06)	($0.20)
Gold Canyon Resources	GCU	$0.36	1	**$1.98**	449.9%	$6.99	0.05x	38.5%	$60	($26)	166	$34	($0.05)	($0.04)	($0.03)	($0.04)	($7)	($7)	($7)	($8)	($0.02)	($0.01)	($0.01)	($0.02)
Gold Standard Ventures Corp.	GSV	$0.68	1	**$2.34**	244.6%	$5.85	0.12x	0.0%	$78	$1	114	$77	($0.03)	($0.03)	($0.04)	($0.09)	($5)	($5)	($5)	($5)	($0.02)	($0.02)	($0.03)	($0.08)
Guyana Goldfields	GUY	$3.10	1	**$6.53**	110.6%	$8.81	0.35x	73.2%	$485	$69	156	$554	($0.08)	($0.06)	$0.19	$0.31	($9)	($11)	$93	$127	($0.03)	($0.09)	$0.49	$0.68
Meadow Bay Gold	MAY	$0.17	1	**$0.50**	205.7%	$2.03	0.08x	3.1%	$11	$0	67	$11	($0.02)	($0.02)	($0.01)	($0.01)	($1)	($1)	($1)	($1)	($0.02)	($0.02)	($0.01)	($0.02)
Northern Dynasty	NAK	$0.81	1	**$8.92**	1001.8%	$86.76	0.01x	-40.0%	$83	($3)	103	$81	($0.05)	($0.10)	($0.08)	($0.09)	($5)	($9)	($11)	($10)	($0.02)	($0.07)	($0.05)	($0.13)
NovaGold Resources	NG	$3.87	2	**$4.06**	5.0%	$15.55	0.25x	39.2%	$1,404	($83)	363	$1,321	($0.20)	($0.09)	($0.08)	($0.07)	($58)	($11)	($12)	($12)	($0.06)	$0.01	($0.00)	($0.01)
Paramount Gold & Silver	PZG	$0.95	1	**$2.30**	142.6%	$5.64	0.17x	5.6%	$152	$8	160	$159	($0.06)	($0.06)	($0.06)	$0.01	($9)	($9)	($9)	$7	($0.06)	($0.06)	($0.06)	$0.04
Pretium Resources Inc.	PVG	$7.49	1	**$22.51**	200.5%	$38.02	0.20x	38.7%	$830	($24)	111	$806	($0.02)	($0.02)	($0.15)	$1.86	($3)	($3)	($3)	$378	($0.02)	$0.00	($0.06)	$0.86
Seabridge Gold	SA	$8.29	1	**$70.22**	747.0%	$136.06	0.06x	1.3%	$418	($21)	50	$397	($0.32)	($0.17)	($0.17)	($0.18)	($9)	($12)	($13)	($13)	($0.13)	($0.07)	($0.08)	($0.08)
Vista Gold Corp.	VGZ	$0.47	1	**$3.79**	706.1%	$6.46	0.07x	4.4%	$50	($3)	107	$47	($0.42)	($0.10)	($0.23)	($0.23)	($23)	($14)	($14)	($14)	($0.17)	($0.17)	($0.39)	($0.39)
Emerging Miners Average							0.13x	14.9%																
Junior Miners																								
Alamos Gold	AGI	$10.18	1	**$15.77**	54.9%	$18.24	0.56x	-17.9%	$1,344	($284)	132	$1,061	$0.30	$0.13	$0.26	$0.79	$150	$60	$92	$217	$0.68	$0.46	$0.65	$1.41
Allied Nevada	ANV	$3.24	2	**$5.12**	58.1%	$15.23	0.21x	-18.4%	$340	$453	105	$794	$0.01	$0.07	$0.10	($0.94)	$60	$90	$123	$74	($0.31)	$0.54	$0.49	($0.43)
Coeur Mining	CDE	$8.03	2	**$9.98**	24.3%	$11.34	0.71x	-29.1%	$833	$99	104	$932	($6.65)	($0.91)	($0.72)	($0.30)	$161	$80	$80	$150	$1.16	$0.95	$0.81	$1.20
First Majestic Silver Corp.	AG	$10.56	2	**$12.24**	15.9%	$12.36	0.85x	1.1%	$1,241	($53)	118	$1,188	($0.33)	$0.26	$0.66	$0.69	$96	$99	$176	$192	$0.96	$0.90	$1.36	$1.44
Goldgroup Mining	GGA	$0.19	1	**$0.98**	414.5%	$4.81	0.04x	58.3%	$27	$10	143	$37	($0.06)	$0.22	$0.31	$0.47	($6)	$40	$68	$90	($0.01)	$0.25	$0.38	$0.58
Hecla Mining	HL	$3.26	2	**$3.33**	2.2%	$3.55	0.92x	3.5%	$1,205	$313	370	$1,517	($0.08)	$0.06	$0.07	$0.07	$52	$151	$172	$173	$0.08	$0.15	$0.35	$0.35
McEwen Mining	MUX	$2.87	1	**$4.71**	63.9%	$12.16	0.24x	34.7%	$869	($51)	303	$818	($0.50)	$0.02	$0.10	$0.22	($42)	$8	$45	$124	($0.14)	$0.07	$0.15	$0.35
Metals X Limited	MLX	$0.23	1	**$0.52**	124.6%	$0.69	0.33x	27.8%	$383	($97)	1666	$287	$0.01	$0.03	$0.03	$0.05	$21	$123	$147	$196	$0.01	$0.06	$0.08	$0.10
Pan American Silver Corp.	PAAS	$14.91	2	**$14.58**	-2.2%	$21.63	0.69x	24.7%	$2,390	($324)	160	$2,066	($2.91)	$0.17	$0.50	$0.55	$191	$265	$251	$476	$1.30	$1.17	$1.63	$1.70
San Gold	SGR	$0.14	2	**$0.14**	1.2%	$0.67	0.20x	12.5%	$53	$29	390	$82	($0.32)	($0.08)	($0.09)	($0.09)	($76)	($2)	($1)	$7	$0.01	$0.01	$0.01	$0.03
Silver Standard Resources	SSRI	$9.31	1	**$17.82**	91.4%	$22.63	0.41x	24.8%	$772	$53	83	$825	($2.79)	($0.08)	$0.17	$1.55	($204)	$29	$38	$121	$0.97	$0.35	$0.60	$2.36
Taseko Mines Ltd.	TGB	$2.52	1	**$6.70**	166.0%	$15.60	0.16x	16.7%	$486	$176	193	$662	($0.13)	$0.10	$0.31	$0.77	$6	$74	$138	$265	$0.35	$0.31	$0.55	$1.01
Timmins Gold Corp	TMM.CN	$2.06	2	**$2.32**	12.8%	$2.32	0.89x	80.7%	$334	($50)	162	$283	$0.11	$0.08	$0.08	$0.03	$63	$48	$51	$29	$0.36	$0.19	$0.14	$0.17
Turquoise Hill	TRQ	$3.53	1	**$9.31**	163.8%	$10.96	0.32x	10.7%	$7,099	($1,499)	2011	$5,601	($0.09)	$0.07	$0.07	$0.01	($413)	$916	$1,028	$361	($0.49)	$0.37	$0.40	$0.15
Junior Miners Average							0.47x	16.4%																
Senior Miners																								
Agnico-Eagle	AEM	$41.66	2	**$26.01**	-37.6%	$30.44	1.37x	51.0%	$8,692	$1,378	209	$10,069	($2.35)	$1.24	$1.45	$1.58	$49	$709	$811	$895	$2.54	$2.63	$3.03	$3.20
Barrick Gold	ABX	$18.58	2	**$19.38**	4.3%	$24.60	0.76x	1.5%	$21,766	$10,837	1172	$32,603	$2.63	$0.62	$1.44	$1.53	($7,218)	$4,329	$5,203	$5,406	$3.62	$1.86	$2.90	$2.95
Goldcorp	GG	$28.20	2	**$24.86**	-11.8%	$26.32	1.07x	24.7%	$23,491	$1,084	833	$24,575	($3.18)	$0.98	$1.37	$1.65	$1,002	$2,178	$2,833	$3,108	$1.15	$2.08	$2.74	$2.94
Kinross Gold	KGC	$4.12	2	**$5.69**	38.1%	$7.46	0.55x	-8.0%	$4,711	$857	1143	$5,568	$0.15	$0.23	$0.15	$0.26	($1,806)	$1,288	$1,222	$1,343	$0.87	$0.96	$0.91	$0.97
Newmont Mining	NEM	$25.38	2	**$32.15**	26.7%	$38.58	0.66x	5.9%	$12,665	$3,993	499	$16,658	($5.62)	$0.61	$1.55	$3.17	$1,977	$2,249	$3,731	$4,771	($4.03)	$3.50	$6.66	$8.05
Yamana Gold	AUY	$8.29	1	**$10.81**	30.4%	$12.83	0.65x	-7.7%	$7,282	$1,413	878	$8,695	($0.59)	$0.14	$0.40	$0.63	$12	$896	$1,276	$1,697	$0.87	$0.89	$1.29	$1.71
Senior Miners Average							0.84x	11.2%																
Franco Nevada	FNV	$62.50	2	**$44.82**	-28.3%	56.84	1.10x	49.6%	$9,200	($788)	147	$8,412	$0.08	$0.98	$1.02	$1.07	$179	$368	$379	$395	$1.70	$2.04	$2.09	$2.18
Royal Gold	RGLD	$78.00	1	**$97.87**	25.5%	$104.25	0.75x	59.1%	$5,070	($362)	65	$4,708	$1.09	$1.36	$1.36	$1.80	$257	$289	$322	$396	$2.72	$3.21	$3.71	$4.48
Silver Wheaton	SLW	$26.57	2	**$27.81**	4.7%	$31.15	0.85x	25.1%	$9,520	$902	358	$10,422	$1.05	$0.84	$1.05	$1.20	$525	$486	$556	$625	$1.50	$1.09	$1.07	$1.16
Sandstorm Gold	SAND	$7.37	1	**$8.56**	16.1%	$9.43	0.78x	60.9%	$859	($99)	117	$760	($0.79)	$0.07	$0.11	$0.18	($50)	$34	$41	$48	$0.34	$0.31	$0.39	$0.47
Royalty Company Average							0.87x	48.7%																

Source: Cowen and Company. Notes: for rating 1=Outperform, 2=Market Perform, 3=Underperform.

Large Cap Producers

Barrick Gold

Since our last report, Barrick has been one of the most active of the senior producers in terms of asset re-organization. Throughout 2014, the company has been busy off-loading several of its non-core assets, in efforts to strip out high-cost, non-core mines from its project portfolio. In our November M&A report, Gold Miners: Prime Time for an M&A Wave?, we outlined a list of Barrick's non-core assets, the sale of which we believed would benefit the company's financial position (see Exhibit 8 in the November report).

Figure 14 : Barrick Recent Material Asset Sales To-Date

Date	Asset Sold	Acquirer	Selling Price (US$MM)	Discount to NAV*	Payment Type	Notes
7/23/2013	Barrick Energy	Multiple buyers	$455.00	0.67x	Cash and Royalty	$405MM cash; $50MM in royalty value
8/22/2013	Yilgarn South Assets	Gold Fields	$300.00	0.67x	Cash and Shares	Gold Fields elected to deliver half the consideration in shares
12/22/2013	Plutonic Gold Mine	Northern Star Resources	$22.31	0.67x	Cash	
1/22/2014	Kanowna Assets	Northern Star Resources	$66.35	0.27x	Cash	
2/3/2014	Marigold Gold Mine	Silver Standard Resources	$275.00	0.73x	Cash	33% interest
3/11/2014	African Barrick Shares		$188.00			approx. 14% of pre-sale holding; continues to hold 262MM shares ABG
7/14/2014	Jabal Sayid Copper	Saudi Arabian Mining Company	$210.00	0.67x	Cash	

Source: Cowen and Company, Bloomberg
*NAV based on Cowen and Company estimates

Barrick has publicly stated its intention to sell non-core assets for a while; in August 2013, management stated that 12 out of its 27 mines would be closed, sold, or significantly revamped. The company began divesting assets in mid-2013, when the company announced the sale of non-core energy assets for $455MM. Approximately one month after, the company continued its divestment program with its sale of three Australian mines to Goldfields for $300MM.

ABG currently has a market capitalization of approximately $1.9Bn. A successful sale of the remainder of ABG shares held by ABX would provide ~$1.21Bn in gross proceeds (recent attempts to unload the entirety of ABX interest in ABG have been unsuccessful. However, the company successfully sold 14% of its interest in ABG in March 2014, as shown in Figure 14). In addition to Barrick's remaining interest in ABG, we believe that other gold operations that should be on the block include: Round Mountain, Ruby Hill, Hemlo, Bald Mountain, Golden Sunlight, Pierina, Cowel, Kalgoorlie, and Porgera. We expect management to shop other non-core assets including its Kabanga nickel project in Tanzania, Sedibelo, and the Nyanzaga project within ABG.

By our calculations, should management successfully sell these assets, the entirety of its African Barrick interest, its smaller and higher cost operations, and all its non-core assets, it could bring in as much as $2.43Bn (excluding a sale of Goldstrike). This estimate is based on a combined $3.68Bn NAV and its 0.67x P/NAV yield from sales conducted over the past several months. Barrick's core gold producing assets are Cortez, Goldstrike, Pueblo Viejo, Veladero and Lagunas Norte. In combination, these 5 assets generate 60% of production at an all-in sustaining cost of $650-$700/oz.

We believe that Barrick has taken a series of outsized political risks in recent years, and now needs to refocus efforts in North America. In our view, selling off most of its non-core assets will not only help rebuild its balance sheet and improve its political risk profile, but will re-focus management on fewer and larger assets, and allow for growth of quality ounces from a lower production base. We estimate that selling non-core gold assets would reduce annual gold production to closer to 4MM - 5MM oz per year, but with little negative impact to free cash flows.

Figure 15 : Valuation Chart of Non-Core Assets

	Intrinsic Value (NAV)	Est. Market Value (0.67x NAV)
Round Mountain (50%)	100	67
East Archimedes/Ruby Hill	55	37
Hemlo (100%) (Ontario)	351	235
Bald Mountain (100%)	314	210
Golden Sunlight (100%) (Montana)	33	22
Cowal	517	346
Kalgoorlie (50% w/ NEM)	246	165
Porgera (95%)	843	565
Bulyanhulu (63.5% interest in ABG)	532	357
Buzwagi (63.5% interest in ABG)	22	15
North Mara (63.5% interest in ABG)	372	249
Sedbelo (Platinum)	35	24
Kabanga (Nickel)	271	182
Nyanzaga Project (ABG)	118	79
	$3,810	**$2,553**

Source: Cowen and Company

In addition to its gold producing assets, Barrick's copper business consists of its Zaldivar mine in Chile, Lumwana mine in Zambia, and 50% of Jabal Sayid (the remaining 50% was sold in mid-July). We would not be averse to seeing Barrick sell off some or all of these assets, if they can get the right price. These assets could be easier to monetize vs. gold assets, as consumers of copper are looking to secure supply. We value Zaldivar at $2.8Bn, Lumwana at $1.5Bn, and Jabal Sayid at $893MM.

Our view on potential "good fits" for Barrick remains relatively unchanged. Still, we expect to see further asset sales before any significant purchases take place. In addition to the high amounts of debt on the company's balance sheet, current operations do not appear sufficient to generate the capital required to build the company's major pipeline projects: Pascua Lama, Goldrush, Turquoise Ridge O/P, Donlin Gold, and Spring Valley. Should the company succeed at finding cash for strategic acquisitions, we believe value-generating targets would include:

Figure 16 : List of Potential Acquisition Targets For Barrick

Company	Ticker	Project	Est. Start of: Construction	Production	Estimated Capex ($MM)	LOM	IRR	Avg Annual Production Au (1st 10 yrs) Gold (ozs)	Silver (ozs)	Copper (lbs)	Cash Cost
Pretium	PVG	Brucejack	2014	2016	814	39	44%	454,049	525,386		$307
NOVAGOLD	NG	50% Donlin Creek	2016	2019	3,181	28	16%	940,153	234,626		$495
Chesapeake Gold	CKG	Metates	2015	2019	4,358	25	18%	786,571	22,159,842		($157)
Exeter Resources	XRA	Caspiche	2014	2016	4,920	30	12%	548,696	764,853	132,099,632	$472
Seabridge Gold	SA	KSM	2015	2018	5,380	52	16%	945,908	2,708,422	193,351,296	$78
Imperial Metals	III	Red Chris	NA	2014	58	50	14%	45,658	319,091	75,923,429	$0.92 /lb Cu
Romarco	R	Haile	2015	2017	370	17	19%	326,121	392,916		$314

Source: Cowen and Company and company filings

- **Pretium Resources**: tax synergies, jurisdiction, potential near-term production
- **NOVAGOLD**: Already 50% owner of Donlin, acquiring the other 50% would allow ABX to proceed at its own speed (while it would take on financing risk currently being shared).
- **Chesapeake**: the Metates project is located in the low-risk jurisdiction of Mexico. Could purchase now to store for later development. Barrick has perhaps the most experience building the autoclave technology needed to process Metates ore (same as Pueblo Viejo and Donlin).

We also continue to believe that ABX should sell its Goldstrike asset in Nevada to Newmont (see page 20 in our previous note: *Gold Miners: Prime Time for an M&A Wave?*). In our view, an NAV neutral sale of Goldstrike would again go a long way to repairing ABX's balance sheet and re-focusing Barrick on Cortez area development (Cortez Hills, Goldrush, Turquoise Ridge). Further, we believe it would make clear the decision for Barrick to construct a much-needed processing facility in the Cortez area and eliminate the need to haul ore from these assets over to the Goldstrike facilities.

Newmont Mining

Newmont was one of the first companies among its peers to actively begin selling assets in efforts to repair balance sheets and sell non-core assets. In 2013, the company divested two major non-core assets. In mid-2013, the company sold its stake in Canadian Oil Sands Ltd. for US$578MM. Near the end of 2013, NEM sold it Midas Operation in Nevada to Klondex Mines for total consideration of $83MM. Following the sale of Midas, the company's next M&A transaction occurred in early July 2014, when it completed the sale of its Jundee asset in Australia, purchased by Northern Star (the same acquirer as for the Barrick Australian asset sales). Jundee was sold for $91MM, indicating, by our model, a discount of 0.84x NAV. The sale of Jundee follows what seems to be a recent trend among the top senior gold producers of selling assets in Australia.

Otherwise, we have yet to see NEM engage in substantial M&A activity, as the company remains focused on the continued integration of its Akyem Gold Project in Ghana, and Phoenix Copper Leach Project in Nevada, both of which came online near the end of 2013. By our model, we expect Akyem to contribute approximately 450-500K oz/yr at cash costs steadily increasing from ~$495/oz Au in 2014 to ~$725/oz by 2020. In its year-end financial statements, the company provided its three-year production guidance for 2014-2016, whereby it expects production of 5.0-5.3MM oz Au in 2014, increasing in 2015, and holding relatively flat at 2015 levels in 2016.

Newmont's pipeline of growth projects remains focused on Long Canyon in Nevada (purchased in 2010 through the acquisition of Fronteer Gold) and the Merian Gold Project in Suriname. However, with capital investments at Long Canyon and Merian since 2011 totaling approximately $100MM and $70MM, respectively, there remains no clear path forward on development of these assets, or their contribution to future production (our model currently assumes that eventual production of both Long Canyon and Merian is achieved). Our price target incorporates the value of these two projects, albeit at a discount to NAV – 0. 50x for each – based on their placement along the development curve. Nevertheless, even if these two growth projects are realized, the NEM production profile only provides the company with a 5-year CAGR of 5.19%, and an 8-year CAGR of 3.51%, by our model (using 2013 as base).

Like Barrick, Newmont is carrying a relatively high debt level considering the cash flow generated during the bull market for gold. This is largely due to cost inflation and spending for acquisitions/development that have yet to show a return (Akyem, Long Canyon, Conga, Hope Bay), and weak years for its Batu Hijau copper-gold mine in Indonesia, due to a key permit delay in 2008. The company's recent conflict with the Indonesian Government over copper concentrate export taxes at Batu Hijau of course has not helped the situation (see our note: Copper in Indonesia: Far Too Much Complacency).

We would like to see Newmont sell off its non-core assets in Australia, its equity interests, and seriously consider a phased exit out of Peru and Indonesia. Furthermore, we would like to see Newmont re-focus its efforts in low investment risk jurisdictions such as Nevada, where it already has made significant infrastructure investments. We would also like to see Newmont invest into the "Golden Triangle" of northwestern British Columbia, Canada.

Potential good fits include:

Figure 17 : List of Potential Acquisition Targets For Newmont

			Est. Start of:		Estimated			Avg Annual Production Au (1st 10 yrs)			
Company	Ticker	Project	Construction	Production	Capex ($MM)	LOM	IRR	Gold (ozs)	Silver (ozs)	Copper (lbs)	Cash Cost
Gold Standard	GSV	Railroad	2017	2018	248	20	16%	257,958	263,945		$983
Seabridge Gold	SA	KSM	2015	2018	5,380	52	16%	945,908	2,708,422	193,351,296	$78
Northern Dynasty	NAK	Pebble	2018	2021	4,805	32	28%	382,120	5,854,402	482,826,832	($0.18) /lb Cu
Pretium	PVG	Brucejack	2014	2016	814	39	44%	454,049	525,386		$307
Imperial Metals	III	Red Chris	NA	2014	58	50	14%	45,658	319,091	75,923,429	$0.92 /lb Cu
Romarco	R	Haile	2015	2017	370	17	19%	326,121	392,916		$314
Allied Nevada	ANV	Hycroft Expansion	2016	2017	300	30	21%	409,427	23,046,054		$581

Source: Cowen and Company and company filings

- **Gold Standard Ventures**: established ownership along the Carlin trend, close to NEM operations. NEM would acquire pre-development assets, adjacent to current operations, at a steep discount. The purchase of GSV would solidify Newmont's exploration pipeline on the trend, and likely provide ore to NEM's existing infrastructure into 2020 and beyond.

- **Seabridge**: would gain exposure to the "Golden Triangle." Tax synergies and key managerial partnerships could be a much more attractive alternative to investing in Congo (Peru) or Elang (Indonesia) in our view.

- **Northern Dynasty**: We think that Newmont could take Anglo's place and help fund NAK's giant Pebble asset through permitting at a trivial cost – thus gaining a low cost option on what is perceived as the highest risk portion of the investment. After permitting has been achieved (perhaps by 2017), Newmont can choose to what extent they would like to participate.

Goldcorp

As of July 2014, GG is in one of the best positions for M&A activity. After having lost the bid for Osisko Mining (AUY/AEM jointly purchased OSK for ~$4Bn total consideration), the company remains well capitalized to pursue new M&A opportunities. Even without the addition of Osisko's Canadian Malartic, Goldcorp maintains one of the best near-term growth rates among its peers. We expect GG's ability to pursue M&A to only increase as time passes. With its large-scale capital initiatives behind it – Cochenour, Éléonore, and Cerro Negro come online by the end of this year – we forecast production in 2015 and beyond to begin to generate significant cash. By our model, assuming no change to metals prices and no operational hiccups, GG is on track to generate over $1.2Bn in FCF by 2017, and over $2.2Bn by 2019.

Production in 2014 should allow GG to achieve y/y growth of 9.73%. By 2015, given the company's current growth plan, we expect production to grow an additional 39.27%, by our model. Growth in 2014 is driven by increase in production at Peñasquito, Marlin, and a 30% increase at Pueblo Viejo. In addition, Éléonore, Cochenour, and Cerro Negro expect to have initial production later this year, offsetting the closing - or sale - of depleting assets such as El Sauzal, Marlin, Marigold, and Alumbrera). In 2015, production will be mainly driven by ramp-ups at the three newest projects which should look to contribute 350,000, 90,000, and 530,000 oz Au, respectively. Production is expected to retreat modestly by 2017, holding flat at about 40% above 2013 levels until 2020. With $1.0Bn in cash and equivalents on the balance sheet, as at the end of 1Q14, in addition to $2.0Bn available under its credit facility, GG has the ability to seek out value accretive growth-generating opportunities.

While Goldcorp is well positioned in the near term for growth, we think management should consider buying assets to re-fill its longer-term project pipeline. Post 2015, we see little in the way of growth, sliding production and rising costs (granted, off a low base). As mentioned previously, we would not be in favor of developing El Morro based on our estimate of a 13% IRR. Given the need to fill its longer-term pipeline and the strong balance sheet, we believe that GG should take advantage of the current low pre-producer valuations.

Figure 18 : List of Potential Acquisition Targets For Goldcorp

			Est. Start of:		Estimated			Avg Annual Production Au (1st 10 yrs)			
Company	Ticker	Project	Construction	Production	Capex ($MM)	LOM	IRR	Gold (ozs)	Silver (ozs)	Copper (lbs)	Cash Cost
Premier	PG	Rahill-Bonanza	2014	2016	125	13	29%	90,923			$770
Pretium	PVG	Brucejack	2014	2016	814	39	44%	454,049	525,386		$307
Gold Canyon	GCU	Springpole	2016	2018	579	25	26%	343,341	1,823,998		$496
Torex Gold	TXG	Morelos	2014	2015	480	11	15%	315,564	199,398		$1,582
Rubicon	RBY	Phoenix	2013	2015	294	16	24%	605,325			$720
Romarco	R	Haile	2015	2017	370	17	19%	326,121	392,916		$314

Source: Cowen and Company and company filings

- **Gold Canyon Resources**: a robust asset, in a safe jurisdiction. The asset could be purchased for well under $50MM in the current market.
- **Pretium Resources**: jurisdiction, potential near-term production. A high-return project that will be shovel ready next year.

Agnico-Eagle

Following the acquisition of Osisko Mining, Agnico-Eagle has one of the best growth profiles among the senior gold miners, only bested by Yamana, by our model. Agnico-Eagle and Yamana completed the joint acquisition of Osisko in late May, having won the bid against Goldcorp, who initially announced its intention to buy the Quebecois company in early 2014. Following the closing of the acquisition, Yamana and Agnico Eagle now each own 50% of Osisko and have formed a joint committee to operate the Canadian Malartic mine in Quebec. The partners will also jointly explore and potentially develop the Kirkland Lake assets, and continue the exploration at the Hammond Reef, Pandora, and Wood-Pandora properties. With Canadian Malartic providing ~300K oz Au/yr to AEM's production profile, and assuming Kirkland Lake and Hammond Reef are eventually brought online in 2017 and 2018 respectively, the company, by our model, now shows a 5-year production CAGR (using 2013 as base) of 12.0%.

In our view, Agnico is looking to buy and develop assets that can produce 100k – 200k oz of gold per year, or ~10%-15% of its current production base, with sub-$600/oz cash cost and +20% IRR. While Agnico has had its share of technical issues, they are generally considered to have a high caliber management and technical team.

Outside of the company's equity interests (the company invested ~$70MM in junior developers in 2013; as of July 2014, investments include Rubicon, ATAC, Sulliden, Stornoway, Kootenay), we think the following could be interesting from an acquisition perspective to fill out the project pipeline beyond 2018:

Figure 19 : List of Potential Acquisition Targets For Goldcorp

			Est. Start of:		Estimated			Avg Annual Production Au (1st 10 yrs)			
Company	Ticker	Project	Construction	Production	Capex ($MM)	LOM	IRR	Gold (ozs)	Silver (ozs)	Copper (lbs)	Cash Cost
Gold Canyon	GCU	Springpole	2016	2018	579	25	26%	343,341	1,823,998		$496
Gold Standard	GSV	Railroad	2017	2018	248	20	16%	257,958	263,945		$983
Guyana Goldfields	GUY	Aurora	2014	2015	297	24	22%	249,093			$485
Klondex	KDX	Fire Creek	2015	2015	76	26	29%	80,849			$470
Seabridge - Courag	SA	Walsh Lake / FAT	NA	2018	NA	NA	NA	NA			NA
Sabina Gold & Silve	SBB	Black River	2015	2018	615	25	19%	282,672			$851
Midway Gold	MDW	North & South Pan	2014	2014	100	15	45%	61,329			$731

Source: Cowen and Company and company filings

- **Gold Canyon Resources**: a robust asset, in a safe jurisdiction. The asset could be purchased for well under $50MM in the current market.
- **Gold Standard Ventures**: access to the prolific Carlin Trend, alongside NEM and ABX. Both oxide and sulfide potential.
- **Guyana Goldfields**: long-lived asset would be a good size for AEM. Near-term production: fully permitted, and financing is in place.
- **Seabridge's 100% owned Courageous Lake Project (Mathews Lake Greenstone Belt)**: offers low risk jurisdiction of Northwest Territories, existing open pit resource, developing high-grade underground resource, and lots of exploration potential.

Yamana

As previously mentioned, Yamana is the other beneficiary, along with AEM, of the acquisition of Osisko Mining. Following the acquisition of Osisko, which like AEM, provides Yamana with not only 50% of production (~300K oz Au/yr) from the operating Canadian Malartic Mine in Quebec, but also 50% ownership in the development of the Upper Beaver and Hammond Reef projects, Yamana has emerged as the highest-growth senior miner, by our model. Using 2013 as base year, AUY now appears to show a ~21.0% 5-year CAGR, almost double that of its next-best competitor, and now-partner, Agnico-Eagle.

With a low debt/cap ratio and strong operating cash flows, Yamana is well positioned to weather gold price volatility. With a major capital program largely behind it, we expect sequential free cash flow growth – peaking at $1.7Bn per year by 2017. With significant mine life remaining at most of its assets, and additional exploration potential, we see little urgency for acquisitions. However, we believe that management can see that current valuations provide an opportunity to pick up assets on the cheap, and pocket them for another day. The company already has solid near-term pipeline, and some longer-term project, but is well positioned from a balance sheet and cash flow perspective.

In our earlier report, *Gold Miners: Prime Time for an M&A Wave?*, we said Yamana should pursue opportunities in Canada; as a Canadian corporation operating outside the country, operating assets in Canada provided opportunities for tax synergies. Following the company's joint acquisition of Osisko, however, we no longer see any benefit for tax synergies to be had by AUY from Canadian asset purchases. Still, we would not be adverse to additional Canadian asset purchases (safe jurisdiction, potential locational synergies).

Overall, we think Yamana should be looking for low risk operations in investment-friendly jurisdictions, in part to dilute the (mis)perception that Yamana has significantly more political risk than its North American peer group. We think assets that will produce 150k-350k oz of Au with attractive +15% IRRs should be attractive acquisition candidates. With Canadian Malartic providing sufficient near-term growth, we expect acquisitions to be more focused on securing assets for the longer term.

Figure 20 : List of Potential Acquisition Targets For Yamana

			Est. Start of:		Estimated			Avg Annual Production Au (1st 10 yrs)			
Company	Ticker	Project	Construction	Production	Capex ($MM)	LOM	IRR	Gold (ozs)	Silver (ozs)	Copper (lbs)	Cash Cost
Guyana Goldfields	GUY	Aurora	2014	2015	297	24	22%	249,093			$485
Torex Gold	TXG	Morelos	2014	2015	480	11	15%	315,564	199,398		$1,582
Beadell Resources	BRD	Tucano	NA	P	-	32	43%	182,298			$661
AuRico	AUQ	Young Davidson	NA	P	-	20	15%	245,081			$609

Source: Cowen and Company and company filings

- **Gold Canyon Resources**: a robust asset, in a safe jurisdiction. The asset could be purchased for well under $50MM in the current market.
- **Guyana Goldfields**: long-lived asset would be a good size for AEM. Near-term production: fully permitted, and financing is in place.

Kinross

Kinross remains the only senior miner of the top six North American producers, since our November report, to have not engaged in any M&A activities, be it buying or selling assets. The company's two primary sources of growth remain the Tasiast expansion in Mauritania, and Lobo-Marte in Chile. In early April 2014, KGC released its long-anticipated Feasibility Study for the Tasiast expansion (see our note: Tasiast Feasibility - Marginal Benefit). The new Feasibility Study for Tasiast improved on throughput, as was anticipated, and almost halved capital costs; yet while a marginally better NPV, the company has yet to commit to construction.

After its two key growth projects (Tasiast & Lobo-Marte) are up and running by the end of 2016, and with the loss of its Fruta Del Norte project in Ecuador, the project pipeline appears depleted. Like both Barrick and Newmont, Kinross has some non-core assets which it could sell in the right market and help repair its balance sheet. We view its 50% interest in Round Mountain, La Coipa, Kettle River, 25% interest in Cerro Casale, and interest in White Gold as all non-core.

With the fate of the Tasiast expansion still in the balance, and no clear path for the development of Lobo-Marte, KGC will need to begin thinking about alternatives for growth. Our model currently assumes that both the Tasiast expansion and development of Lobo-Marte are achieved. Our price target incorporates the value of these two projects, albeit at a discount to NAV – 0.75x for Tasiast, and 0.25x for Lobo-Marte – based on their placement along the development curve. Nevertheless, even if these two growth projects are realized, KGC holds one of the lowest growth rates among its peers: using 2013 as base, by our model, KGC shows a 5-year CAGR of 5.32%, and an 8-year CAGR of 0.60%.

After the long-delayed completion of the Tasiast and Lobo-Marte projects, we believe KGC should focus principally on moderate capital project in Canada and/or the U.S. Projects in Canada would benefit from a tax shield generated by corporate expenditures at the headquarters. In this light, and considering record low valuations, we would like to see KGC scoop up one or several of the following names:

Figure 21 : List of Potential Acquisition Targets For Goldcorp

			Est. Start of:		Estimated			Avg Annual Production Au (1st 10 yrs)			
Company	Ticker	Project	Construction	Production	Capex ($MM)	LOM	IRR	Gold (ozs)	Silver (ozs)	Copper (lbs)	Cash Cost
Victoria Gold	VIT	Eagle	2014	2016	431	16	17%	290,132			$776
Gold Canyon Resou	GCU	Springpole	2016	2018	579	25	26%	343,341	1,823,998		$496
Exeter Resources	XRA	Caspiche	2014	2016	4,920	30	12%	548,696	764,853	132,099,632	$472
Freegold Ventures	FVL	Golden Summit	NA	NA	NA	NA	NA				

Source: Cowen and Company and company filings

- **Gold Canyon Resources**: a robust asset, in a safe jurisdiction. The asset could be purchased for well under $50MM in the current market.

Mid Cap Producers

Alamos Gold

Alamos Gold is a well-established producer, producing gold at its Mulatos Mine in Sonora State, Mexico. In 2013, Mulatos brought in ~$135MM in mine-related free cash flows, down from $200MM in 2012, due to lower metals prices. At an average gold price of ~$1,300/oz for 2014, Mulatos is on track to bring in ~$50MM in mine-related free cash flows. We model Mulatos having the potential to operate out to 2030.

The company's production growth has slowed over the past few quarters as permitting delays have somewhat stalled development at its Turkish assets, Ağı Dağı and Kirazlı. Production from the Turkish assets was once anticipated for 2014; in fact, the company initially received an EIA Positive Decision Certificate for Kirazli from the Turkish Government in August 2013. However, in January 2014, the Turkish Court issued an injunction order regarding the Ministry's approval of the EIA for the project, on the basis that the report failed to assess the "cumulative impacts" of the Kirazli project in conjunction with other potential mining projects in the region. The company's EIA for Agi Dagi has been submitted and is currently under review. Initial production as a result has been pushed back, with no definite timeline provided; our model currently assumes a 2016 production start-up. The company has budgeted $4.8MM towards spending in Turkey in 2014 for permitting, community and government relations and general administration costs only. Given the continuing delay in receipt of key permits, headcount has been reduced and spending has been curtailed significantly. Once permits are received, AGI anticipates it will take 18 months to bring the project into production.

Partially due to the delays experienced in Turkey, and partially due to the company's healthy financial position and depressed values for mining equities, AGI has used its time chasing the next addition to its pipeline. In 2013, the company made two acquisitions: Esperanza Silver ($70MM) and Orsa Ventures ($3.5MM). We believe the company can make further acquisitions. Most likely, management would prefer producing assets in safe and familiar jurisdictions. At the end of 1Q14, the company held approximately $400MM in cash and equivalents. Furthermore, the company holds no long-term debt.

On the other side of the coin, with Mulatos producing nearly 200k oz of gold per year, should we consider Alamos as a takeover target? While we do not think Alamos is a willing seller, we can envision it as a target for a mid-tier producer looking to buy low-risk production. Names that Alamos could be a fit for include Agnico, Yamana, and IAMgold, in our view.

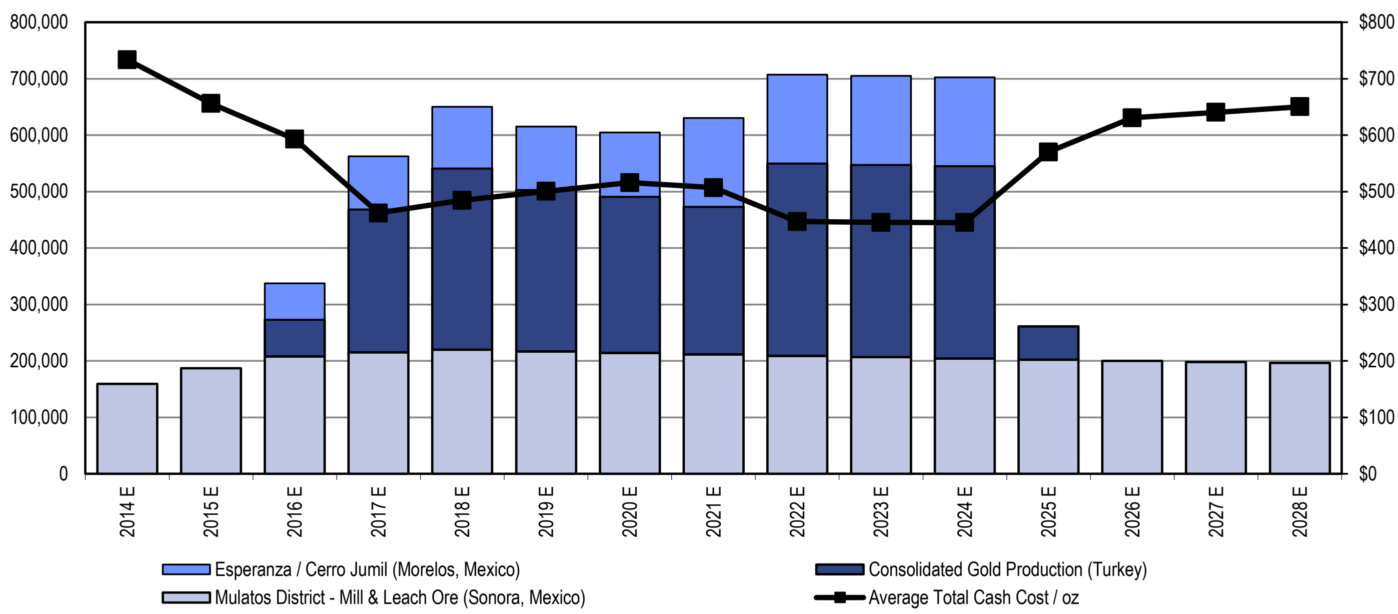
By our model, AGI is currently trading at a ~0.52x P/NAV, on the low side for junior producers, as well as for the company historically. We believe the market may be pricing in a steep discount for Turkish assets; our model, however, assumes a near-term resolution in Turkey, opening up the assets for construction starting in 2015, with production by 2016. Conversely, we expect the market is pricing in full value at Mulatos. As a result, we do not see AGI as a likely takeout target.

Figure 22 : NAV Breakdown by Asset

		2014 E		
Shares Out		132.1		
OPERATIONS	**IRR**	**NAV/Share**	**Adj. Factor**	**Adj. NAV/Sh**
Mulatos District - Mill & Leach Ore (Sonora, Mexico)	32%	6.49	1.00X	6.49
Ağı Dağı and Kirazlı Consolidated Turkey Assets	25%	7.68	0.75X	5.76
Esperanza / Cerro Jumil (Morelos, Mexico)	25%	1.82	0.50X	0.91
EARLY STAGE ASSETS				
Quartz Mountain (Oregon, U.S.)		0.81		0.81
EQUITY INTERESTS				
Primero Mining		0.10		0.10
Global Minerals		0.02		0.02
Total Adjusted NAV				13.63
Adjusted NAV less Net Debt				**$15.79**

Source: Cowen and Company

Figure 23 : Alamos Gold Production Profile (oz Au)



Source: Cowen and Company

Coeur Mining

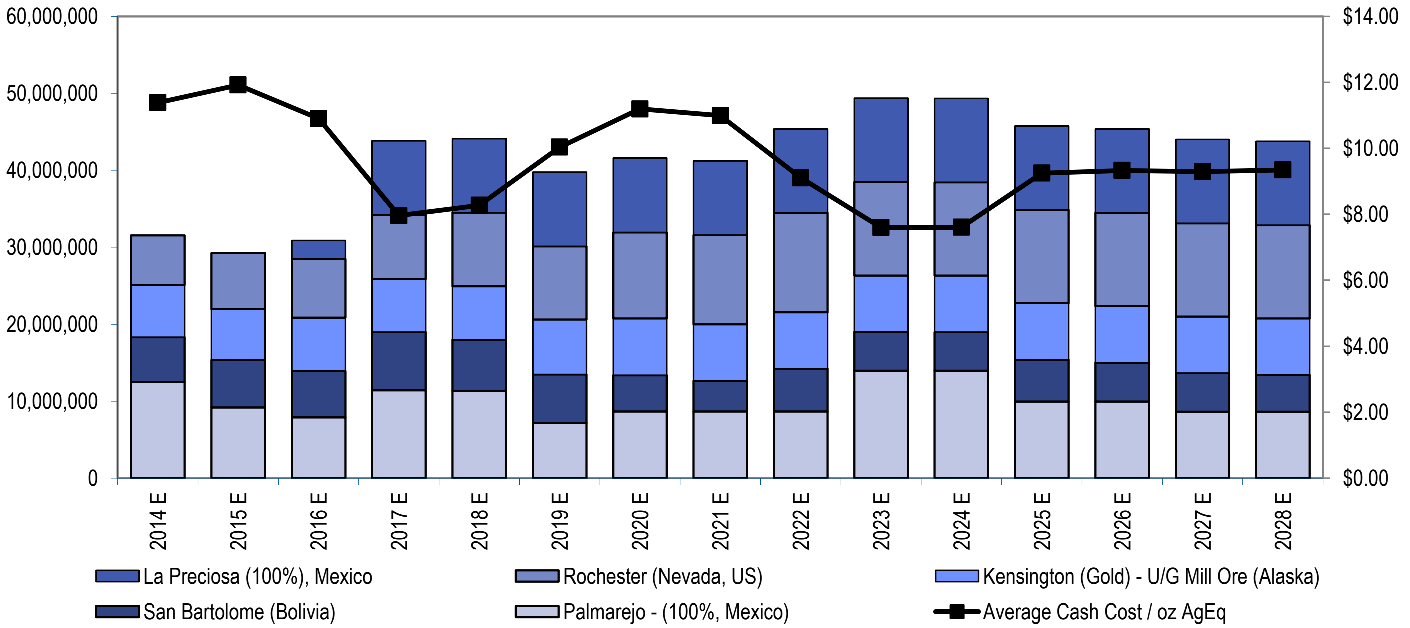
Coeur is a multi-asset, multi-million ounce silver producer, operating three silver projects and one gold project, across the United States, Mexico, and Bolivia. We expect the company's four assets – Palmarejo, San Bartolomé, Rochester, and Kensington – to be long-lived assets, in production beyond 2030. By our model, CDE appears to show the weakest growth profile (based on ounces silver equivalent) versus its peers. Currently, growth for the company is expected to come from three sources: 1) the Rochester expansion, 2) development of La Preciosa, and 3) growth of the company's royalty arm, Coeur Capital.

The company's current growth profile is mostly a function of recent M&A activity. The company's first recent M&A transaction was completed in April 2013, when CDE completed the acquisition of Orko Silver and its La Preciosa Silver project in Mexico. Orko was purchased by CDE for a total transaction value of $384MM, which included ~$100MM in cash; CDE's offer topped First Majestic's late-2012 bid for the company (priced at $387MM, but with no cash component). First Majestic subsequently chose not to renew its offer. The future of La Preciosa remains uncertain. A PEA was completed on the project in 2013; Coeur will continue to advance the project through a feasibility study, expected to be completed in mid-2014. While La Preciosa provides optionality, we believe the asset was not worth departing with $100MM in cash that could have been more efficiently spent elsewhere.

Coeur Capital is the company's second venture into growth. Coeur Capital was formed through its previously owned stream on silver production from the Endeavor Mine in Australia, coupled with its ~$24MM purchase of Global Royalty Corp., completed in late 2013. Coeur Capital's portfolio should provide the company with 3.86MM oz Ag in 2014, growing to ~8.0MM oz by 2017. Coeur has publicly stated that it intends to grow the royalty portfolio, building up value for a future sale.

At current metals prices, we expect CDE to finish the year with ~$400MM in cash, and ~$500MM in debt. Should the company move forward with the development of La Preciosa, approximately $450MM will be needed to fund construction through to production.

Figure 24 : Coeur Mining Production Profile (oz AgEq)



Source: Cowen and Company

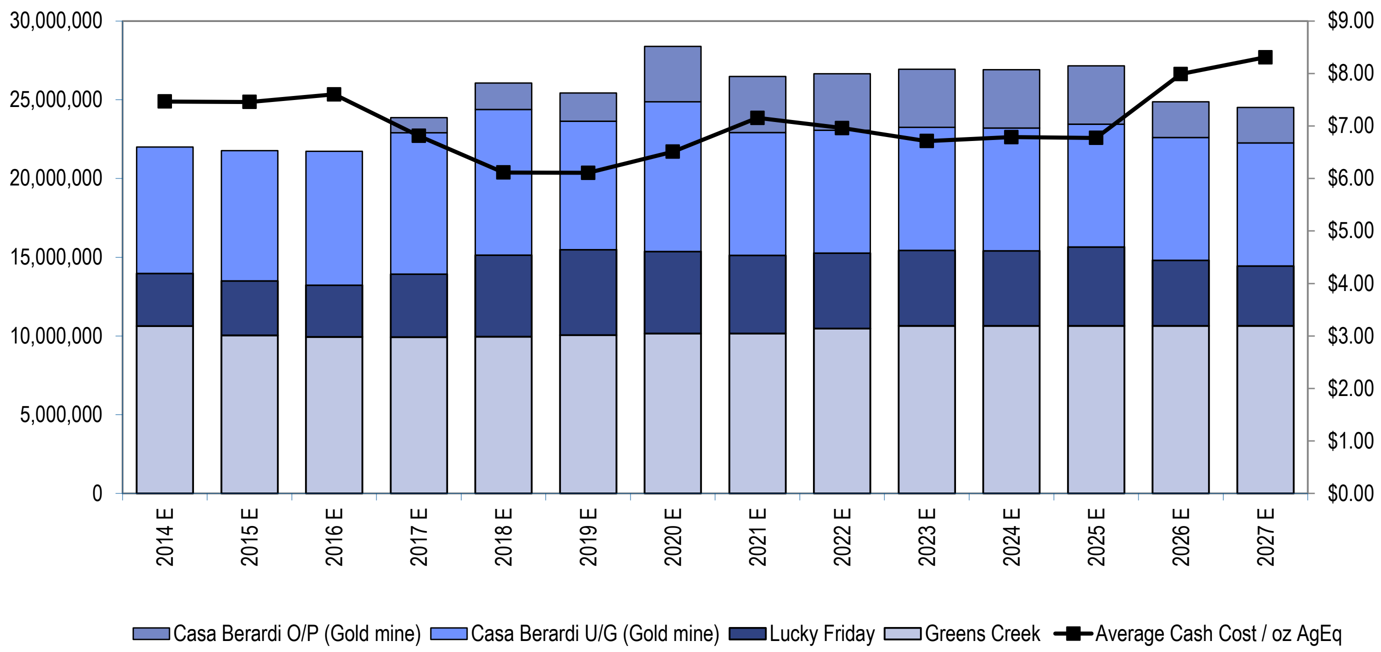
Hecla Mining

Hecla produces silver and gold from its three mines, located throughout North America: the Greens Creek Silver Mine in Alaska, the Lucky Friday Mine in Idaho, and the Casa Berardi Gold Mine in Quebec. Once a pure-play silver company, Hecla ventured into the gold space when it acquired Aurizon Minerals for $740MM in 2013. Following integration of Aurizon's Casa Berardi Mine, Hecla's ~20MM oz AgEq per year production profile is made up of ~9.3MM oz Ag and ~170,000 oz Au (gold revenues account for just under 40% of total revenues).

In 2014, we expect Hecla's operations to grow ~40% y/y (in silver equivalent ounces), one of the highest versus its peers, by our model. The growth is in part due to 1) Lucky Friday operating at steady state, following 2013's ramp-up out of suspension, and 2) a full year of steady-state operations from the Casa Berardi Mine (the acquisition was completed in June 2013). After 2014, however, Hecla's growth drops to one of the lowest versus peers, driven mostly by the Lucky Friday #4 Shaft coming online at the end of 2016, and the Casa Berardi open-pit coming online in mid-2017.

In 2014, we expect HL to produce 20.14MM oz AgEq, made up of 9.3MM oz Ag and 170,000 oz Au. Using 2014 as base year, the company's current growth opportunities provide HL with a 5-year CAGR of ~3.14%, and an 8-year CAGR of 2.59%. We expect cash at year-end to total $174MM. Current growth initiatives, coupled with its sustaining capital, provide HL with little to no FCF to invest in additional projects.

Figure 25 : Hecla Mining Production Profile (oz AgEq)



Source: Cowen and Company

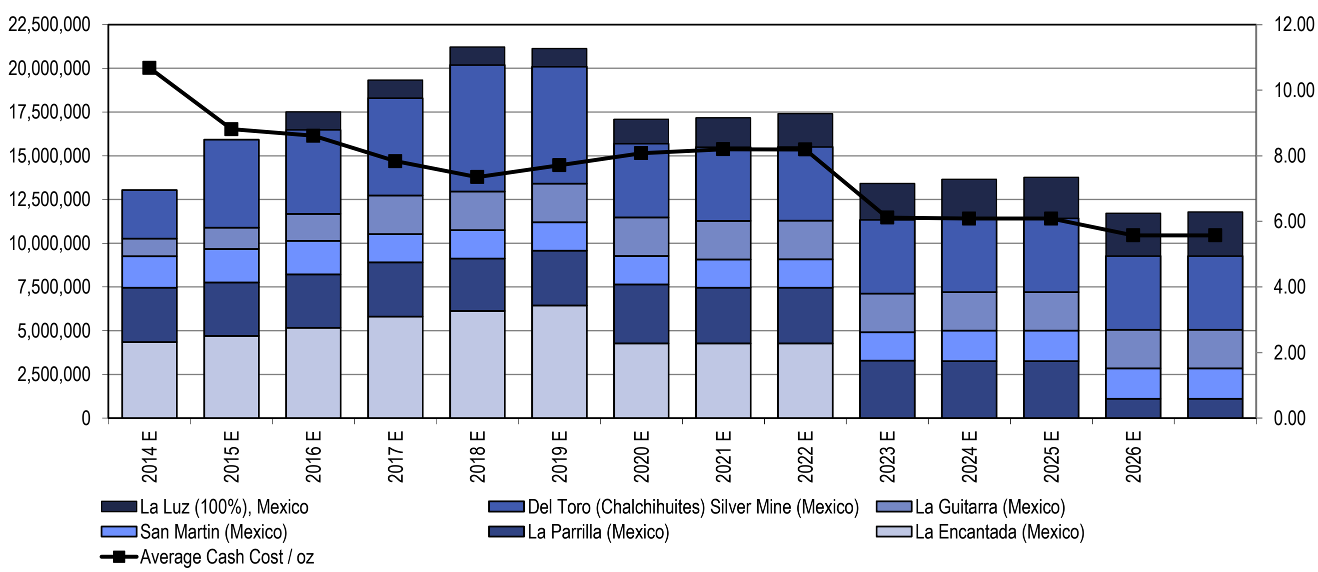
First Majestic Silver

First Majestic is currently producing from its five mines, all located in Mexico. With the large capital development initiatives behind it, our model projects the company being free cash flow positive from 2014 onward, at current silver prices. On aggregate, should current project expansion initiatives stay in place, First Majestic could be producing upwards of 15.5MM oz Ag by 2015, at cash costs of below $9.00/oz Ag. As of the end of 1Q14, the company held ~$40MM in cash and equivalents; we expect AG to hold approximately $55MM in cash by the end of 2014.

Current growth opportunities within the company's portfolio include activities at both existing mines, and development projects. At Del Toro, the company is currently developing San Juan mine in preparation for ramping up production of oxide ore to 2,000 tpd. At La Encantada, growth opportunities include expanding underground development to increase production to 3,000 tpd. Our model also includes growth from the developing La Luz project, currently in permitting, which we believe could add approximately 1.0MM oz Ag/yr to production by 2016. We believe First Majestic is looking to further expand its pipeline. The company is driven by quality assets that are low-cost, and are potentially synergistic with current operations. Currently, by our model, production from current and development operations is expected to steadily increase until 2018, at which point we expect to see production growth drop off in 2020, due to lower expected production contribution from Del Toro and La Encantada.

We expect management to continue their focus on silver dominant assets in Mexico. Potential assets of interests include Paramount, MAG Silver, or Silvercrest Mines. These companies possess both high quality assets and located in Mexico. However, the company should grow over the next several years just through the ramp-up and expansion of its existing assets. In addition, the company holds interest in several historic, high-grade districts in Mexico that it may be able to reactivate – thus continuing its organic growth.

Figure 26 : First Majestic Production Profile (oz AgEq)



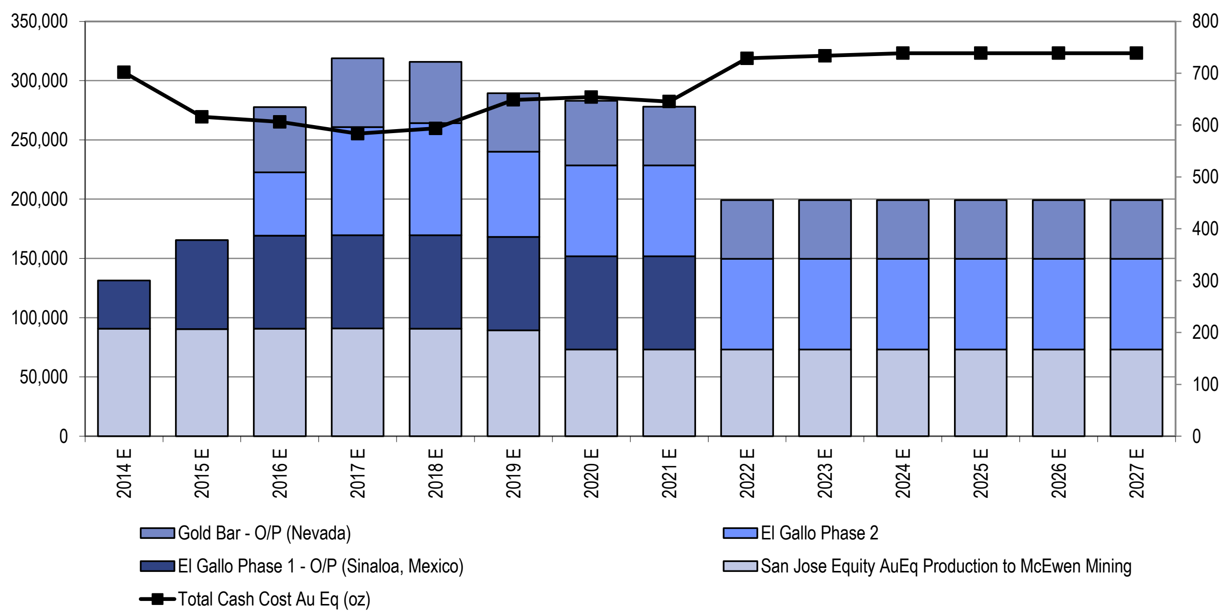
Source: Cowen and Company

McEwen Mining

The El Gallo 1 expansion from 3,000 to 4,500 tpd was completed in 2Q14 and commissioning has been initiated. The increased capacity, combined with higher grades as mining moves deeper in the pit, is expected to increase production to 75,000 oz AuEq by 2015. At El Gallo 2, a construction decision has yet to be made, but will be affected by prevailing silver prices, and ability to secure financing. Meanwhile, the El Gallo 2 ball mill is 75% complete and expected to be delivered in 4Q14. The company's Gold Bar project in Nevada is moving forward; a completeness determination was received in April 2014, on the PoO submitted in 4Q13. Commencement of the NEPA process will occur after review and approval of baseline documents for the associated land actions. As a lower capital project than El Gallo 2, construction could begin at Gold Bar by 2015.

MUX has repeatedly and publicly stated that the company's goal is to be included in the S&P500. By 2015, the company should have operations in Argentina, Mexico, and Nevada, but is unlikely to break the $5Bn market cap needed to qualify for the index in our view. We would expect MUX to look to make an acquisition of assets in the U.S. or Canada to be able to create sufficient market cap. However, for the next 2 years we expect MUX to focus on bringing production online in Mexico and the U.S. The company also holds 100% interest in the Los Azules Copper Project in Argentina. While the company has publicly stated that it eventually hopes to sell the asset, we do not see it as a high-priority item currently; MUX has made clear that it will only sell it for the right price.

Figure 27 : McEwen Mining Production Profile (oz Au)



Source: Cowen and Company

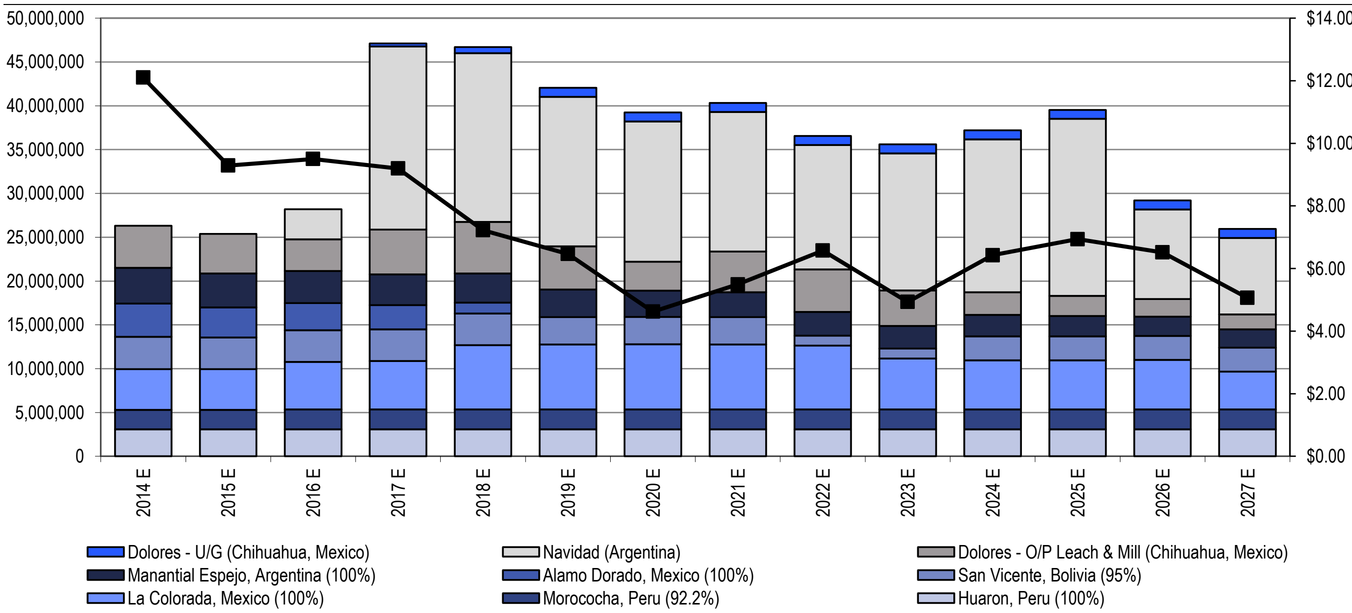
Pan American Silver

Pan American is a global silver producer, with operations throughout the Americas. The company currently operates eight active mines. The company's annual production of ~27MM oz Ag ranks it as one of the largest silver producers in the world. However, the company currently produces at a higher-than-average cost of ~$12/oz Ag (on a total cost basis, several operations are producing at or near marginal cost). Pan American is run by a knowledgeable and experienced management team. By end-2014 we expect PAAS to have a cash balance of close to $200MM. The company's once-robust pipeline of development projects has become deflated: the La Preciosa earn-in was foregone in mid-2012, and the Navidad project is currently being reevaluated. Should the company decide to not proceed with Navidad, other operations will be able to accommodate a +25MM oz Ag production profile until 2021, and a +20MM oz Ag profile until 2025.

Even without the contribution of Navidad, we believe that PAAS is set up to be the leader in silver equivalent production versus its silver producer peers, from 2014 onwards (assuming successful completion of the La Colorada expansion, as well as development of the Dolores underground). Still, despite being the production leader, in addition to being one of the highest cost silver producers, PAAS currently has one of the weakest growth profiles versus its peers. Assuming development of Navidad does not materialize, we expect current initiatives will keep company-wide operations FCF-negative until 2017; by 2018, we expect FCF to increase at a healthy rate. Given the nature of current operations, ex-Navidad, we expect an acquisition will need to be driven by either the sale of assets, equity issuance, debt issuance, or a combination of the three.

We believe PAAS will be looking for acquisitions that accommodate maintaining long-term stable production, and will be looking for projects that will lower its consolidated operating costs, located in existing operating jurisdictions. Pan American offers strong operating abilities and balance sheet – thus is able to properly develop undercapitalized assets. We think targets that could be of interest to PAAS include: Aurcana Corp., Excellon Resources, Wildcat Silver, and Huldra Silver.

Figure 28 : Pan American SIlver Production Profile (oz Ag)



Source: Cowen and Company

Silver Standard

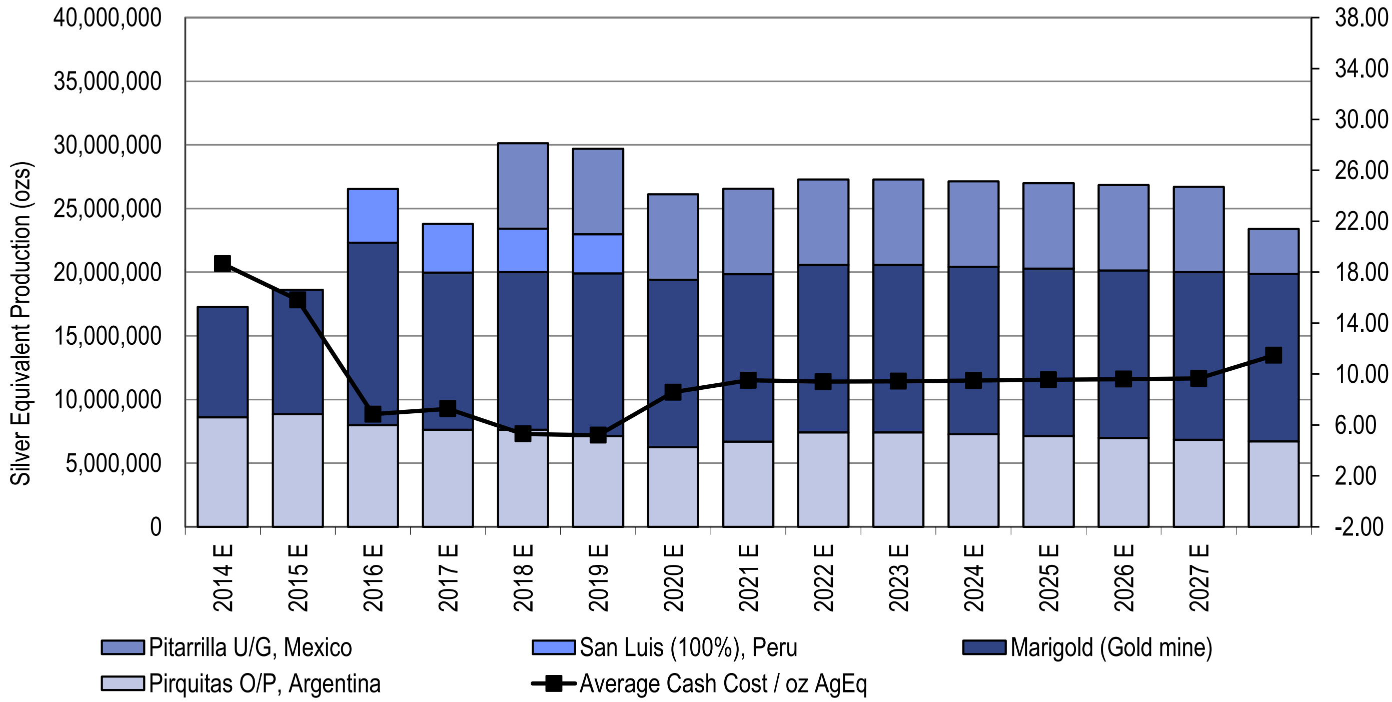
Silver Standard is a dual-asset, silver and gold producer, since the acquisition of 100% of the Marigold Mine in Nevada from the ABX/GG JV in April 2014. The company's flagship mine, the 100%-owned Pirquitas Mine, is located in northern Argentina. Operations at the higher-cost silver mine have been hindered by low metals prices, as well as ongoing difficulties of operating in Argentina. Mitigation efforts at the mine to increase production and reduce costs have been successful; however total costs at the mine continue to fluctuate near marginal cost.

The company's purchase of Marigold in April for $275MM (all cash) was one of the highest-profile M&A transactions within our coverage list since our November report. The company's venture into gold – maybe more importantly, away from silver – reflects a trend among its silver peers, including: Pan American, which purchased Minefinders and its Dolores Gold Mine in early 2012; and Hecla Silver, which purchased Aurizon Mines' Casa Berardi Gold Mine in Quebec in early-to-mid 2013.

SSRI has a pipeline of largely silver projects, including the bulk-tonnage, long-life Pitarrilla in Mexico, and high-grade, short-life San Luis in Peru. Both projects are primarily silver ventures. To-date, management has not provided a clear path forward with respect to either project. In fact, the purchase of Marigold could be viewed as an effort to mitigate the delay in production growth that was once expected from these assets. Still, efforts continue at both projects. At Pitarilla, management is reviewing options to optimize the project, as it does not look attractive at current metals prices. San Luis suffers primarily from jurisdictional issues. The project straddles two separate communities; the Ecash community is in favor of the project, while the Cochabamba community is less-so. The company is currently exploring opportunities to begin development within the Ecash community – drilling is planned for this year.

Following the $275MM all-cash Marigold transaction, the company holds approximately $280MM in available liquidity. Assuming current metals prices, we expect the Marigold Mine to begin contributing significantly to cash flow in 2016, when we expect to begin to see higher grades from the mine. Should development of the company's two pre-production projects not be realized, we expect current operations to build liquidity (assuming stable PVG share price, and no further PVG shares are sold) to over $300MM by the end of 2014, and over $400MM by the end of 2016. With both a strong financial position and an existing project pipeline, we have low expectations for M&A activities.

Figure 29 : Silver Standard Production Profile (oz AgEq)



Source: Cowen and Company

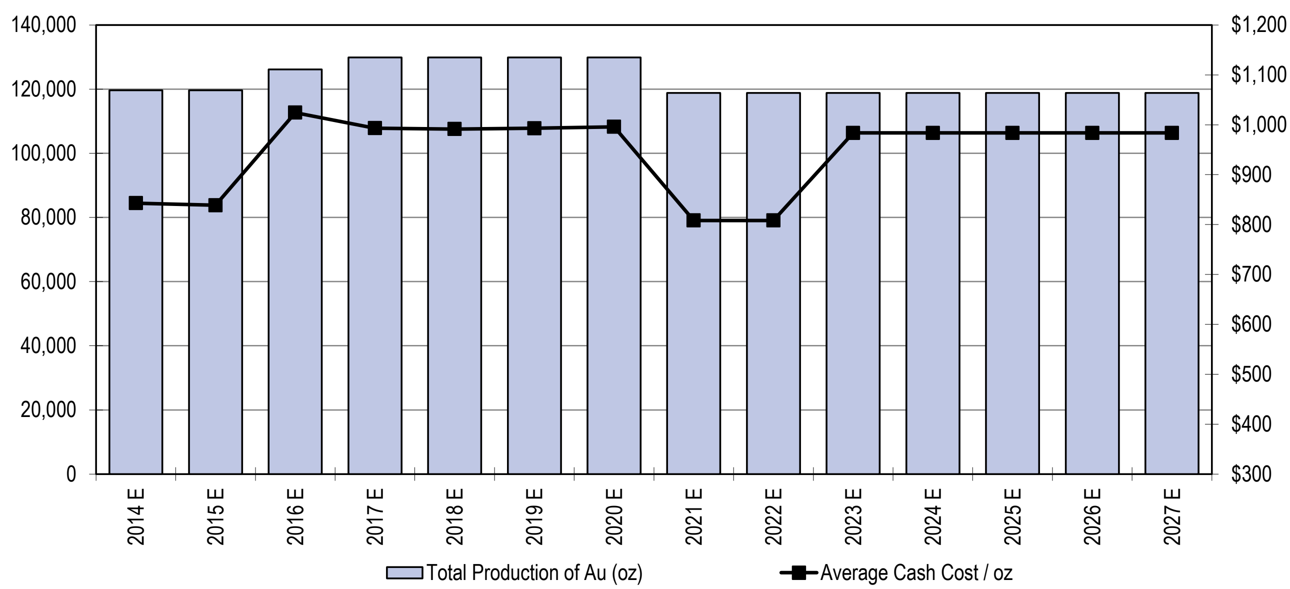
Timmins Gold

Timmins is producing gold from its 100%-owned San Francisco Mine in Sonora State, Mexico. The project entered commercial gold production in mid-2010. Since then, the mine produced 55,000 oz Au in 2011, 95,000 oz Au in 2012, 119,500 oz Au in 2013, and is on track to meet 115,000-120,000 oz Au in 2014. We expect cash costs for 2014, after silver credits, ~$800-$850/oz. The company is managed by a sound operating team, which succeeded in achieving goals by expanding nameplate capacity from 10,000 tpd originally; to the current 24,000 tpd through the addition of a second crusher (1Q14 marked the first full quarter of design capacity).

The company continues to maintain, as was announced in 2013, that construction and implementation of a third crusher - which would increase throughput to 30,000 tpd - will be deferred in efforts to conserve cash. The company currently has sufficient leach pad capacity at San Francisco to continue operations through 2016, but will need to expand leach pads to accommodate operations thereafter. Without installation of a third crusher, San Francisco should continue to operate at 24,000 tpd. The eventual throughput expansion, coupled with another grade reduction, should boost annual production to the 129,000 oz Au per year level. We model San Francisco as being able to provide consistent production out to 2034.

Timmins finished 2013 with approximately $23MM in cash on the balance sheet. Following a $24MM equity raise completed in 1Q14, we expect the company to finish 2014 with approximately $54MM cash, and we expect operations to continuously moderately grow cash until the eventual expansion to 30,000 tpd, which we expect should cost between $20-$30MM.

Figure 30 : Timmins Gold Production Profile (oz Au)



Source: Cowen and Company

Pre-Producers

Pretium Resources

Pretium Resources is advancing its 100%-owned Brucejack project in Northern British Columbia, which resides next to Seabridge's KSM mega-project. The project released its Updated Feasibility Study in June 2014 (see our note: Increasing Target Price on Updated Feasibility Study for Brucejack), evaluating a 2,700 tpd scenario, for the production of 504,000 oz Au/yr for the first 8 years and 324,000 oz Au/yr for the remainder of its total 18-year mine life. Initial capital is calculated to be ~$750MM, $80MM higher than the 2013 Feasibility Study, but which includes a $69MM contingency. We believe Brucejack's high-grade nature, coupled with its presence of silver and gold, make it an ideal fit for several senior producers. Additionally, the project is jurisdictionally safe.

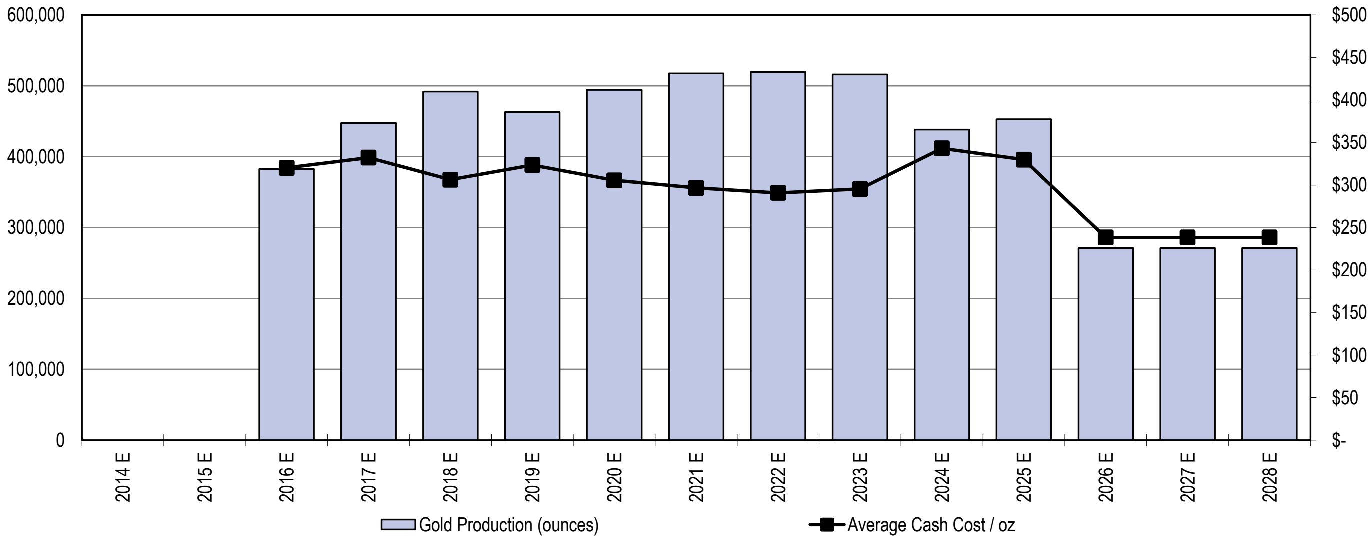
In early July, the company submitted permits to the British Columbia Environmental Assessment Office (BCEAO). The application is currently completing a 30-day screening period to ensure that the application is complete. Once the application has been accepted, it enters a 180-day period to complete a review by the working group. The working group includes First Nations, local governments, and other government agencies. The British Columbia Environmental Assessment Office (BCEAO) then prepares an assessment report for a decision by the Minister of Environment and the Minister of Energy and Mines. Should permitting be completed on time, construction could be initiated as early as next year (2015). With permits submitted, and the updated Feasibility Study released, PVG has now turned its sights to the next pre-construction hurdle, financing.

Figure 31 : NAV Breakdown by Asset

		2014 E		
Shares Out		110.8		
ADVANCED PROJECTS	**IRR**	**NAV/Share**	**Adj. Factor**	**Adj. NAV/Sh**
Snowfields (BC, Canada)	12%	11.92	0.25x	2.98
Brucejack 2013 BFS U/G	43%	25.45	0.75x	19.08
Total Adjusted NAV				$22.06
Adjusted NAV less Net Debt				**$22.28**

Source: Cowen and Company

Figure 32 : Brucejack Gold Production



Source: Cowen and Company

Seabridge Gold

Seabridge is a pre-producer, developing two large-scale assets: the KSM project in northern British Columbia, and the Courageous Lake project in the Northwest Territories. The company's primary focus is the advancement of KSM. An EIS was submitted for the project in 1Q13, and approval is expected in mid-2014. Up until mid-2012, development at the project was focused on defining the four deposits that make up KSM: Kerr, Sulphurets, Iron Cap, and Mitchell. To-date, exploration has culminated in Proven and Probable reserves of 38.2MM oz Au, 9.89Bn lbs Cu, and 191MM oz Ag. Since mid-2012, however, indications of copper cores underlying the Kerr and Iron Cap deposits have spurred a new focus on exploration. Within two years, the company has successfully defined an Inferred resource at Deep Kerr, totaling 514.7MM tonnes, containing 5.9MM oz Au, 6.05Bn lbs Cu, and 30.3MM oz Ag. One of KSM's largest hurdles remains the $5.3Bn in capex necessary to build the project, according to the 2012 PFS (does not factor in Deep Kerr). Still, the project is expected to produce 508,000 oz Au and 1.47MM lbs Cu per year for +50 years. We expect a project of this size to be of interest not only to gold miners, but copper producers as well.

Since our November report, the company has been working diligently at the project to reduce additional risk ahead of the receipt of permits, expected this year. In addition to announcing an initial Inferred resource at Deep Kerr, the company has also announced key partnerships with local First Nations, a necessary step to ensure a productive relationship with a common goal of bringing the project to production. The company's agreements with two key First Nations groups, the Nisga'a Nation and the Gitanyow Nation, should help open up funding options once permits are received, and allow the project to move into construction. The company will continue to advance drilling throughout 2014. The 2014 KSM drill program aims to follow-up on recent success at the Deep Kerr core zone, and to further explore high-grade targets which could lead to a potential second core zone at Iron Cap.

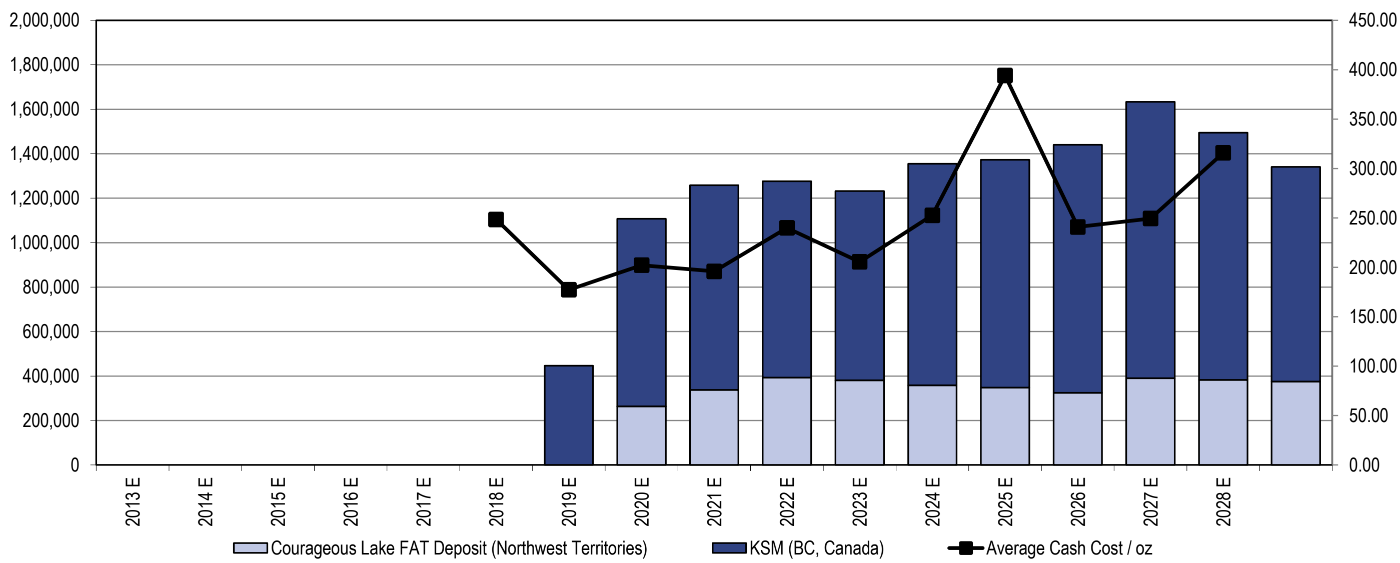
Seabridge is also advancing the Courageous Lake project in the Northwest Territories, within 100 km of two operating open pit diamond mines. The PFS for the project, released in mid-2012, was based on reserves of 6.5MM oz Au, capable of producing 385,000 oz/yr. Drilling is currently defining shallow mineralization which could improve economics. In March 2014, the company announced a maiden resource for the Walsh Lake deposit, the most promising new discovery on the project.

Figure 33 : NAV Breakdown by Asset

		2014 E		
Shares Out		50.5		
ADVANCED PROJECTS	**IRR**	**NAV/Share**	**Adj. Factor**	**Adj. NAV/Sh**
KSM (BC, Canada)	16%	102.62	0.50x	$51.31
Courageous Lake FAT Deposit (Northwest Territorie	13%	13.80	0.25x	$3.45
EXPLORATION PROJECTS				
Deep Kerr @ KSM (BC, Canada)		15.96		15.96
EQUITY INTERESTS				
Grassy Mountain (Calico & Rockstar)		*0.20*		*0.20*
Red Mountain (Banks Island Gold)		*0.25*		*0.25*
Quartz Mountain (now Alamos)		*0.36*		*0.36*
Castle-Black Rock (Wolfpack)		0.23		*0.23*
Total Project NAV				$68.64
NAV less Net Debt				**$69.06**

Source: Cowen and Company

Figure 34 : Gold Production and Cash Cost



Source: Cowen and Company

Gold Standard Ventures

Gold Standard is an exploration company, currently undertaking drilling activities at its 100%-owned Railroad project, nestled along the prolific Carlin Trend, adjacent to Newmont's historic 6MM oz Au Rain Mine. While still no resource has been defined, the company is undergoing an expansive drilling campaign, which has already found impressive sulfide and oxide mineralization. The Railroad Property, simply because of its location, is a logical fit for senior producers currently operating in the area with existing infrastructure and processing capacity. Additionally, we believe the project is an interesting entry point for other producers currently attempting to enter Nevada.

In early 2014, the company consolidated its previous ~51% ownership in the Pinion deposit, adjacent to Railroad, purchasing Scorpio Gold's minority portion for total consideration of $13MM (see our note: Updating Valuation For Pinion Acquisition). The Pinion deposit is contiguous to the south of GSV's flagship Railroad Project. Consolidation of Railroad/ Pinion has provided GSV with effective control of contiguous mineral rights covering 35 square miles. The oxidized and near-surface nature of Pinion mineralization provides opportunities for near-term development, at low operating and capital costs. We view this deposit as similar to (but higher grade) Newmont's Emigrant Springs (now called Emigrant) heap-leach gold operation just north of the Railroad district.

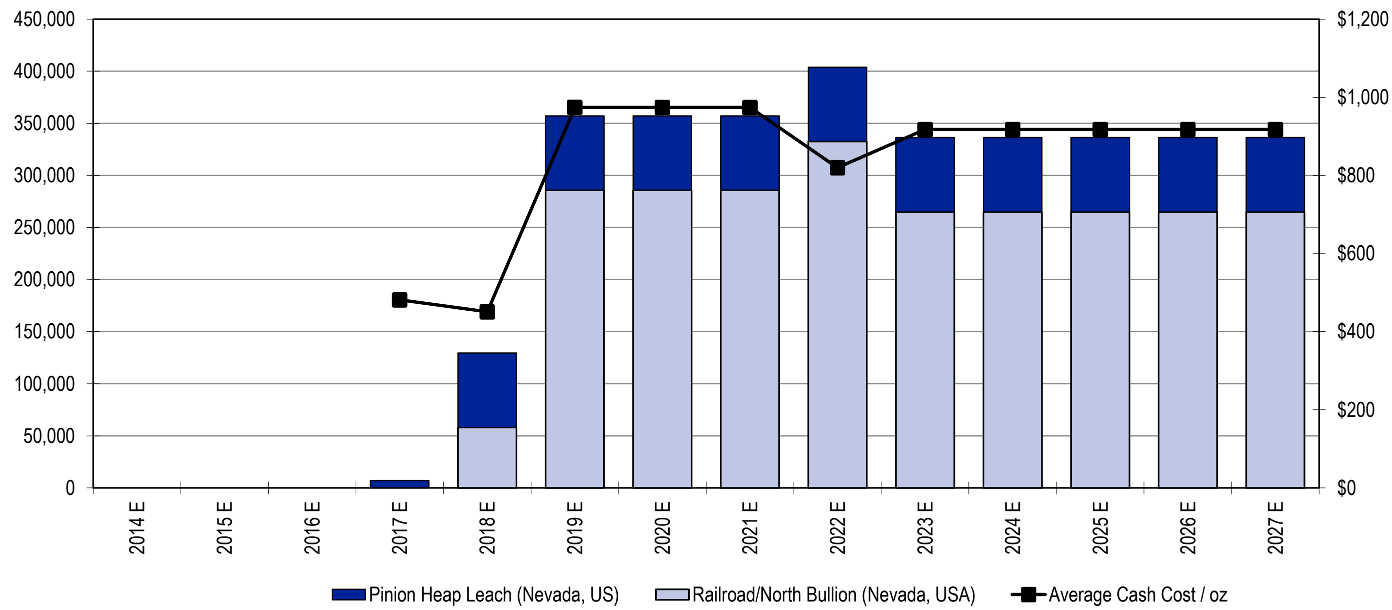
Since the acquisition, GSV has been busy expanding its knowledge of the historical deposit. Upon reviewing historical drill data, the company initiated a drill program of its own, which follows-up on conclusions from the re-logging of historical drill data: 1) that gold is hosted in collapsed breccia, and 2) that historical drilling was too shallow. To-date, drilling has successfully confirmed the presence of collapsed breccia, believed to be the host of gold mineralization. Phase 1 drilling is expected to culminate in an NI 43-101 resource, planned for late July. Phase 2 will be planned for 2H14.

Figure 35 : NAV Breakdown by Asset

		2014 E		
Shares Out (FD)		118.3		
	IRR	**NAV/Share**	**Adj. Factor**	**Adj. NAV/Sh**
ADVANCED PROJECTS				
Railroad/North Bullion (Nevada, USA)	15%	2.49	0.25X	0.62
Pinion Heap Leach (Nevada, US)	35%	1.25	0.25X	0.31
EARLY STAGE PROJECTS				
Crecent Valley North		0.23		0.23
East Douglas Camp		0.63		0.63
Saford Claims		0.08		0.08
IC		0.12		0.12
RC		0.12		0.12
Total Adjusted NAV				$2.11
Adjusted NAV less Nebt Debt				**$2.13**

Source: Cowen and Company

Figure 36 : Gold Production and Cash Cost



Source: Cowen and Company

Paramount Gold and Silver

Paramount owns 100% of two key assets: the San Miguel District in central Mexico, and the Sleeper District in northern Nevada. San Miguel remains the company's primary focus. In early July 2014, the company announced an updated resource for the project, which has incorporated new drilling, as well as recent heap-leach test that would provide a lower-cost processing option for the San Francisco and San Antonio deposits, previously evaluated through milling. The updated resource for San Miguel now stands at M&I Resources of 1.12MM oz Au and 77.13MM oz Ag, plus Inferred Resources of 0.70MM oz Au and 37.99MM oz Ag. The new resource updates the previous September 2012 resource, demonstrating an increase in M&I gold and silver ounces by 76% and 44%, respectively. Inferred gold and silver resources fell 14% and 18%, respectively, as a portion of the inferred was converted to higher categories. The new estimate will form the basis of an updated PEA, expected next month. By definition, a PEA enables the evaluation of project economics through the inclusion of all resource categories, including lower-confidence Inferred resources. The new PEA will update the previous February 2013 assessment.

The Sleeper District was a historical open pit mine, with ore processed both by heap leach and through an oxide mill. We envision the reactivation of Sleeper as a heap-leach only operation, producing 136k oz of Au and 214k oz of Ag over a 23 year mine life. Both districts have significant resource expansion potential, some of which we have factored into our mine life estimates.

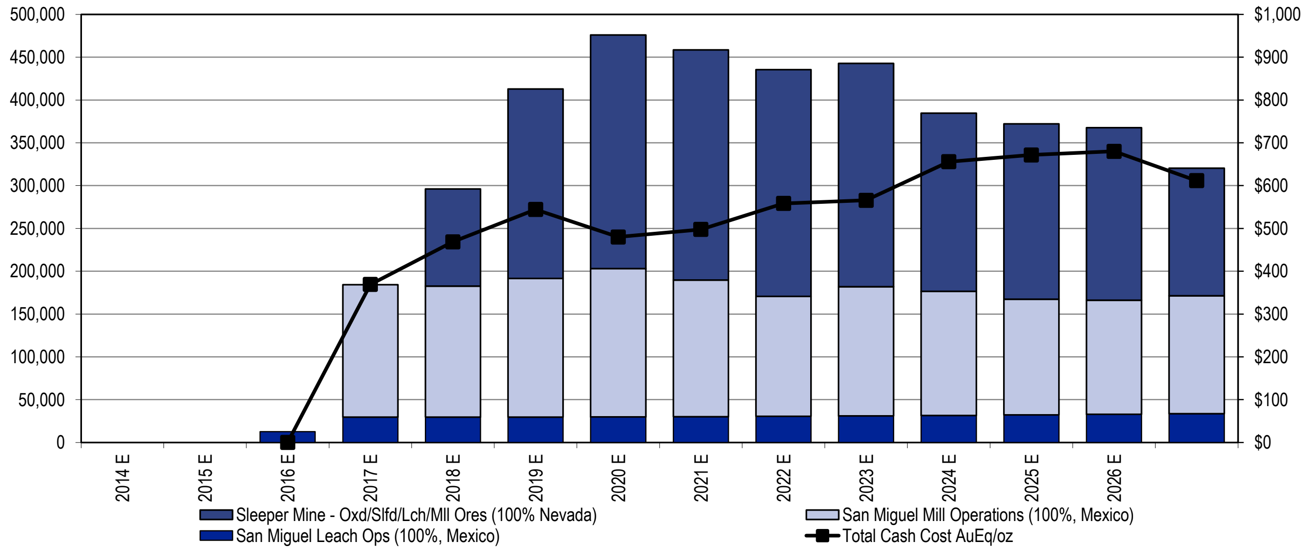
With attractive gold/silver projects in low-risk jurisdictions for mining investment, we think Paramount could be an interested target for a number of potential buyers with existing assets in the U.S. and Mexico. The silver aspect of the Mexican assets should be of interest to silver producers.

Figure 37 : NAV Breakdown by Asset

		2014 E		
Shares Out		159.5		
ADVANCED PROJECTS	**IRR**	**NAV/Share**	**Adj. Factor**	**Adj. NAV/Sh**
San Miguel Mill Operations (100%, Mexico)	39%	2.43	0.75X	1.82
San Miguel Leach Ops (100%, Mexico)	18%	0.66	0.75X	0.49
Sleeper Mine - Oxd/Slfd/Lch/Mll Ores (100% Nevada)	37%	2.62	0.25X	0.65
Total Adjusted NAV				2.36
Adjusted NAV less Net Debt				**$2.31**

Source: Cowen and Company

Figure 38 : Gold Production and Cash Cost



Source: Cowen and Company

Guyana Goldfields

Guyana Goldfields is advancing the Aurora Gold Project in Guyana. The most recent Feasibility Study on the project was released in early 2013 (the initial released a year prior), which more than halved initial capex to $205MM, through a ~20% reduction in annual gold production, to 194,000 oz/yr. The Aurora Project currently holds all necessary permits required to begin construction, and as of early June 2014, financing has been secured, made up of $185MM in debt, and required the company to raise $33MM in equity (the company closed a $44MM private placement in late June). Following the private placement, the company holds ~$120MM in cash.

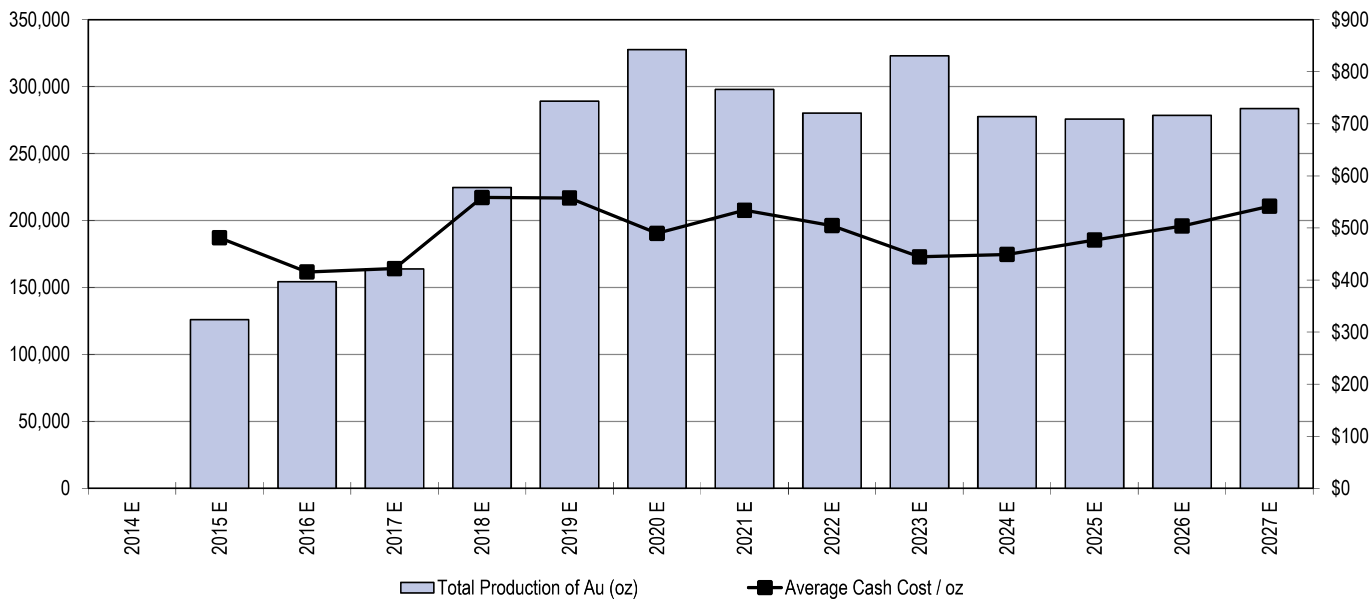
With cash costs of ~$525/oz at $1,300/oz gold, we believe the 17-yr Aurora project would be a good fit for most producers.

Figure 39 : NAV Breakdown by Asset

		2014 E		
Shares Outstanding (FD)		156.5		
Advanced Projects	**IRR**	**NAV/Share**	**Adj. Factor**	**Adj. NAV/Sh**
Aurora Project (Guyana)	22%	9.06	0.75X	6.80
Early Stage Project & Resources				
Aranka (Sulfur Rose)		0.14	0.25X	0.04
Total Adjusted NAV				6.94
Adjusted NAV less Net Debt				**$6.50**

Source: Cowen and Company

Figure 40 : Gold Production and Cash Cost



Source: Cowen and Company

Gold Canyon Resources

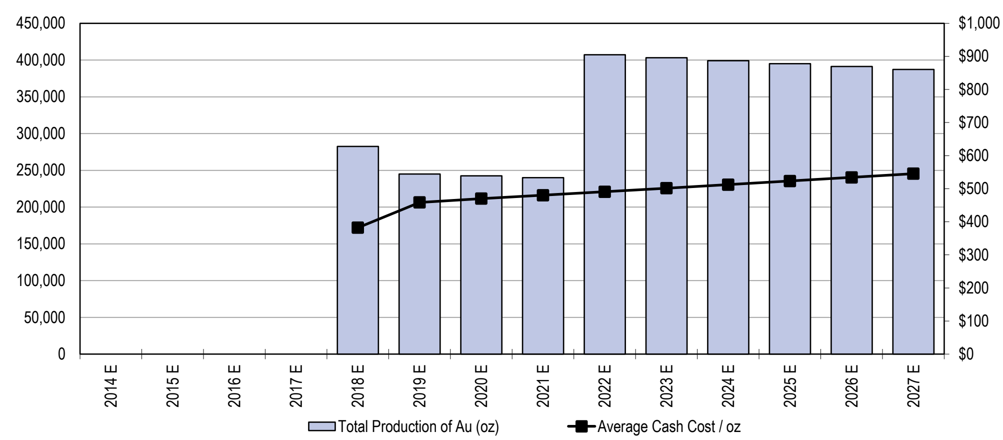
Gold Canyon is developing the large-scale, 100%-owned Springpole Project, located 110 km northeast of Goldcorp's Red Lake district in Ontario, Canada. According to the initial PEA released in early 2013, life-of-mine annual production is forecast to be 217,000 oz Au and 1.2MM oz Ag, at cash costs of $636/oz AuEq. Initial capital is expected to be ~$450MM. We view this as an attractive early-stage asset in a prime jurisdiction. It is large enough to be meaningful to even the senior producers, but at a very modest upfront cost. Early economics and metallurgy look attractive.

Figure 41 : NAV Breakdown by Asset

		2014 E		
Shares Out		170.4		
ADVANCED PROJECTS	**IRR**	**NAV/Share**	**Adj. Factor**	**Adj. NAV/Sh**
Springpole Project (Ontario, Canada)	26%	8.01	0.25X	2.00
EARLY STAGE PROJECTS				
Malawi REE Project (33%)		0.00		0.00
Horseshoe Island Au (Ontario, Canada)		0.03		0.03
Favourable Lake Cu-Zn-Pb-Mo (Ontario, Canada)		0.02		0.02
Cordero Ga (Nevada, USA)		0.11		0.11
Caley, (Nevada, USA)		0.00		0.00
Kratz Spring REE (Missouri, USA)		0.00		0.00
Total Adjusted NAV				2.15
Adjusted NAV less Net Debt				**$2.30**

Source: Cowen and Company

Figure 42 : Gold Production and Cash Cost



Source: Cowen and Company

Vista Gold

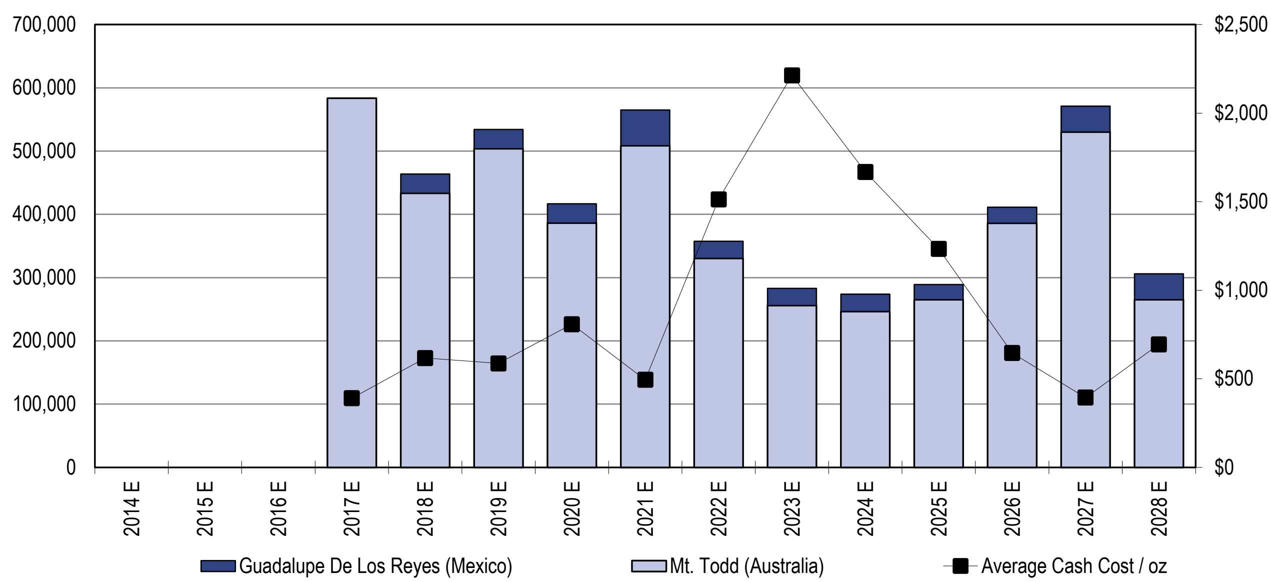
Vista Gold is currently developing the historic Mt. Todd Project in Western Australia. An updated PFS was released for the project in late May 2013 which evaluated the original 50,000 tpd scenario, as well as an alternate lower tonnage scenario which would reduce the base case $1.05Bn capital cost to ~$760MM. Since acquiring the property six years ago, Vista has worked to prove project viability. As of September 2012, the project now stands at +7MM oz in resources. Mt. Todd is a project that we believe, once constructed, would be a good fit for most producers. Located in a safe jurisdiction, the project would deliver solid ounces at most company's marginal cost. The project is currently awaiting EIS approval, expected in 3Q14.

Figure 43 : NAV Breakdown by Asset

		2014 E		
Shares Out		107.4		
ADVANCED PROJECTS	**IRR**	**NAV/Share**	**Adj. Factor**	**Adj. NAV/Sh**
Mt. Todd (Australia)	17%	4.76	0.50X	2.38
Guadalupe de los Reyes (Mexico)	15%	0.44	0.25X	0.11
RESOURCES & EQUITY INTERESTS				
Midas Gold Corp 24.9% Equity Interest (Idaho)		0.10		0.10
Long Valley (California)		0.65		0.65
Awak Mas, 20% interest (Indonesia)		0.24		0.24
Amayapamp (Bolivia) 3.5% NSR Royalty		0.31		0.31
Total Adjusted NAV				2.49
Adjusted NAV less Net Debt				**$3.82**

Source: Cowen and Company

Figure 44 : Gold Production and Cash Cost



Source: Cowen and Company

Ticker	Rating	Price*	Price Target	Ticker	Rating	Price*	Price Target
AEM	Market Perform	$42.12	$26.00	AGI	Outperform	C$9.61	C$15.77
ANV	Market Perform	$3.30	$5.12	ABX	Market Perform	$18.69	$19.36
CKG.CN	Outperform	C$3.55	C$17.21	CDE	Market Perform	$8.15	$9.67
AG	Market Perform	$10.65	$12.24	FNV	Market Perform	$58.22	$44.82
GBU.CN	Outperform	$0.90	$1.87	GCU.CN	Outperform	C$0.37	C$1.98
GG	Market Perform	$28.44	$24.85	GGA.CN	Outperform	C$0.19	C$0.98
GSV	Outperform	$0.73	$2.34	GUY.CN	Outperform	C$3.12	C$6.53
HL	Market Perform	$3.27	$3.33	KGC	Market Perform	$4.14	$5.69
MUX	Outperform	$2.92	$4.70	MAY.CN	Outperform	C$0.17	C$0.50
MLX.AU	Outperform	AUD0.23	AUD0.52	NEM	Market Perform	$25.64	$32.14
NAK	Outperform	$0.83	$8.91	NG	Market Perform	$3.92	$4.06
PAAS	Market Perform	$15.13	$14.57	PZG	Outperform	$0.97	$2.30
PVG.CN	Outperform	C$7.55	C$22.49	RGLD	Outperform	$78.58	$97.87
SAND	Outperform	$6.99	$8.56	SGR.CN	Market Perform	C$0.14	C$0.14
SA	Outperform	$8.45	$70.17	SSRI	Outperform	$9.53	$17.84
SLW	Market Perform	$26.78	$27.81	TGB	Outperform	$2.40	$6.70
TMM.CN	Market Perform	C$2.05	C$2.32	TRQ	Outperform	$3.51	$9.30
VGZ	Outperform	$0.46	$3.75	AUY	Outperform	$8.39	$10.81

**As of 07/28/2014*

Valuation Methodology And Risks

Valuation Methodology

Precious Metals:

In the Precious Metals and Emerging Miners space, we utilize NAV methodology (income approach) to value developing and operational mining plays as this method encompasses key variables such as: price, operating costs, up-front capital, mine life, time-value of money, and the corporate balance sheet. This method allows for these variables to change over time.

Our individual asset values use Reserves and Resources to determine project life. Where possible, forward commodity and exchange rate price strips are used to generate revenues and modify costs. Costs are built from historic results, modifications of existing studies, or from independent studies of like deposits. Full costing (on-site & off-site), stripping ratios, oil price, and currency rates are used to determine costs per ton. Relatively recent contract smelting and refining terms, payable rates, and shipping rates are used. Estimates of capital expenditures for new projects or brownfield expansions rely on recent detailed costing studies and various rules of thumb regarding both upfront and sustaining capital costs. Due to the nature of exploration assets, where key variables have greater uncertainty, the market or cost approaches are generally preferred to the income approach. However, these approaches themselves contain a great deal of uncertainty, where value determination is indirect -- as no two assets are directly comparable, due to intrinsic differences in geology, land ownership, legal/tax regime, mineralogical potential, and extraction economics. In addition, as market conditions and commodity prices change, previous market transactions quickly become stale and no longer representative of current fair-market value. As assets develop and more information is gathered, the cost and market approach advantages give way to the income approach which is our primary valuation choice.

For the market approach, we prefer to use more than one comparable transaction, adjusting transactions to take into account non-comparable factors, and then using a per-area-unit approach (such as dollars/claim). For the cost approach, we favor the geoscience matrix approach (Kilburn, 1990) -- where five major criteria (broken into 19 parts) are considered to reach a value per claim based on a multiple to- cost per claim. However, this approach reaches a maximum value per claim, which, at a point, ceases to be representative of successful advances in exploration and development.

Early-stage exploration properties may be accounted for using 3% of current in-situ value. For precious metal dominated development projects, we derive an average "precious metal discount rate" from the market price of the largest precious metal equities we have modeled. Currently, we calculate a discount rate near 10%. Similarly, we determine a "base metal discount rate" by utilizing the 3 large copper producers we have modeled. Our calculated base metal discount rate is approximately 14%. Gold companies usually trade at higher financial multiples and lower discount rates due to the expected low beta to market of the underlying commodity, which frequently leads to the aggressive practice of evaluating gold projects on a zero discount rate. Back calculation of discount rates for large, multi-asset miners supports our view of discount rates, however. Most importantly, 1) we remain agnostic to price forecasting, 2) utilize consistent discount rates between projects and companies and 3) present investors with an asset by asset breakdown of NAV. By following this methodology we avoid personal biases regarding commodity price expectations and relative risk perceptions, thus providing a framework for the investor to apply their own commodity price views and risk handicaps. Our ratings and price targets are based upon a combination of value and leverage relative to a company's peer group.

Emerging Miners:

In the Precious Metals and Emerging Miners space, we utilize NAV methodology (income approach) to value developing and operational mining plays as this method encompasses key variables such as: price, operating costs, up-front capital, mine life, time-value of money, and the corporate balance sheet. This method allows for these variables to change over time.

Our individual asset values use Reserves and Resources to determine project life. Where possible, forward commodity and exchange rate price strips are used to generate revenues and modify costs. Costs are built from historic results, modifications of existing studies, or from independent studies of like deposits. Full costing (on-site & off-site), stripping ratios, oil price, and currency rates are used to determine costs per ton. Relatively recent contract smelting and refining terms, payable rates, and shipping rates are used. Estimates of capital expenditures for new projects or brownfield expansions rely on recent detailed costing studies and various rules of thumb regarding both upfront and sustaining capital costs. Due to the nature of exploration assets, where key variables have greater uncertainty, the market or cost approaches are generally preferred to the income approach. However, these approaches themselves contain a great deal of uncertainty, where value determination is indirect -- as no two assets are directly comparable, due to intrinsic differences in geology, land ownership, legal/tax regime, mineralogical potential, and extraction economics. In addition, as market conditions and commodity prices change, previous market transactions quickly become stale and no longer representative of current fair-market value. As assets develop and more information is gathered, the cost and market approach advantages give way to the income approach which is our primary valuation choice.

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companies usually trade at higher financial multiples and lower discount rates due to the expected low beta to market of the underlying commodity, which frequently leads to the aggressive practice of evaluating gold projects on a zero discount rate. Back calculation of discount rates for large, multi-asset miners supports our view of discount rates, however. Most importantly, 1) we remain agnostic to price forecasting, 2) utilize consistent discount rates between projects and companies and 3) present investors with an asset by asset breakdown of NAV. By following this methodology we avoid personal biases regarding commodity price expectations and relative risk perceptions, thus providing a framework for the investor to apply their own commodity price views and risk handicaps. Our ratings and price targets are based upon a combination of value and leverage relative to a company's peer group.

Investment Risks

Precious Metals:

Political Risk: With worldwide assets, miners are subject to significant political risk. Despite compliance with national laws, provincial or local opposition (legal or otherwise) may impact operations. Changing federal laws and regulations may negatively impact project economics, regardless of prior agreements. Environmental groups and other non-governmental organizations may actively pursue tactics (legal or otherwise) that can negatively impact miners.

Operational and Technical Risk: The mining industry contends with risks associated with large-scale equipment, earth moving operations, and heavily strained processing equipment. These operations are subject to uncertainties that must be recognized and managed to avoid major, and often catastrophic, negative events. All mines are fundamentally unique, and thus dangers must constantly be investigated and managed. Similarly, new projects are subject to technical risks, and design flaws may result from applying an existing process to a new ore body.

Commodity Price Risk: Nearly all commodity-related equities are exposed to changes in the underlying commodity. Investors may seek this exposure for the upside potential, but must recognize that leverage cuts both ways. Lower commodity prices could undoubtedly make attractive projects less economically viable.

Market Risk: While the market sentiment toward the group is often tied closely with commodity prices (and risk), it may also be impacted by business cycle expectations and general opinion as to the legitimacy of the sector.

Financing and Dilution Risk: The cost of financing changes beyond the control of any company, and the availability of capital can appear or disappear rapidly. If a miner does not access the capital markets when conditions are favorable (either when the stock price is strong or debt is inexpensive), then management might find themselves short of capital and forced to take very expensive debt financing or issue equity at very low prices or risk going bankrupt altogether, both to the detriment of existing shareholders.

Royalty Risk in the US and Abroad: Mining companies in the US and abroad may be subject to a changing royalty regime which can negatively impact profitability and/or the economic viability of developing projects. Currently in the U.S. Congress there are two bills. One would impose gross revenue royalties while the other would impose a net revenue royalty. Passage of either bill would prove detrimental to exploration and mining investment in the US.

Emerging Miners:

Political Risk: With worldwide assets, miners are subject to significant political risk. Despite compliance with national laws, provincial or local opposition (legal or otherwise) may impact operations. Changing federal laws and regulations may negatively impact project economics, regardless of prior agreements. Environmental groups and other non-governmental organizations may actively pursue tactics (legal or otherwise) that can negatively impact miners.

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Commodity Price Risk: Nearly all commodity-related equities are exposed to changes in the underlying commodity. Investors may seek this exposure for the upside potential, but must recognize that leverage cuts both ways. Lower commodity prices could undoubtedly make attractive projects less economically viable.

Market Risk: While the market sentiment toward the group is often tied closely with commodity prices (and risk), it may also be impacted by business cycle expectations and general opinion as to the legitimacy of the sector.

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Addendum

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Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

Market Perform (2): The stock is expected to have a total return that falls between the parameters of an Outperform and Underperform over the next 12 months

Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Rating System until May 25, 2013

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Neutral (2): Stock expected to perform in line with the S&P 500

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Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period

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