



Precious Metals – Industry Thematic

A Not So Cheery Cheerio as the UK Votes to Leave the EU, Yet the Outcome a Marked Positive for our Precious Metal Co's



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Market Weight

(NBF Economics &
Strategy Group)

- **BREXIT vote to LEAVE delivers a justifiable lift to both gold and silver...** Indeed, post the BREXIT vote Au and Ag prices closed up 4.3%. While the outlook from the interplay of variables is far from certain, we contend that the step-change in metal prices is justified and the benefit to be protracted on heightened volatility and fears of exit contagion and geopolitical risks associated with a fragmented Europe. We expect these factors to be overarching to any resultant USD strength. In other words, a scenario where Au and Ag can sustain buoyant pricing in the face of a stronger USD. Moreover, the ancillary effect of a stronger USD and a weaker economic backdrop for the Eurozone would likely present headwinds for the Fed in respect to the timing and magnitude of rate hikes. This outlook is additive to an already constructive backdrop for gold - one that intensified in early June with the miss on non-farm payrolls, in turn producing an extended runway for Au where the threat of rate hikes has less bite. As such, we are adopting higher Au and Ag price assumptions through all years. Specifically, our forecast for Au is up ~4% to US\$1,325/oz (2017) and US\$1,350 (2018+) while for Ag our forecasts are ~6% higher through 2019 and 3% in 2020+ to US\$18.00/oz (2017), US\$18.50/oz (2018), and US\$19.00/oz (2019+).
- **...While the S&P/TSX Gold Index closed up 7.3%... with upside.** Importantly, the repercussions of the LEAVE vote present a notable benefit for our Au and Ag co's beyond a higher gold price. That is, a further improvement in the outlook for operating costs on currency weakness (CAD -2%; MXN -4% and poised to weaken further per the updated forecasts of NBF's Economics and Strategy team) and on weaker pricing for key inputs such as steel and oil. With operating margins, FCF, and balance sheets poised to get a lift, the net effect should broaden consideration and application of multiples more typical of tailwind periods rather than inappropriate comparison to the last four years where the industry was mired in persistent headwinds. Consistent with prior benchmarking exercises, we point to the 2007 to 2011 period and corresponding valuations as a guide to the upside. We do not subscribe to the idea that all companies warrant valuations typical of this period since the complexion of the industry is now one of unavoidable production declines for many whereas before the majority of co's offered production growth or the impression thereof. That being said, for the time being and until cost pressures trigger heightened differentiation we expect even our growth-challenged producers to benefit from heightened interest in the space. This will likely continue until cost pressures start to bite or valuations approach benchmark levels. Bottom line, the benchmarking exercise highlights that most of our Au co's (less so Ag equities) offer significant upside to 2007 to 2011-type valuations even with scaling back benchmarks to capture scenarios with production declines.
- **Top Picks offer combination of long reserve lives and FCF while with an improved outlook for Au and Ag we also give added consideration to those steeply discounted names with exploration optionality.** In consideration of an industry facing production declines and our contention that the severity of this issue is still not fully appreciated, we remain drawn to those producers with long reserve lives where development capex is sunk and/or those discounted producers with executable low capex projects in the pipeline. Furthermore, we do view as favourable instances where there is alignment between our fundamental view (NAV consideration) and the upside presented in our historical valuation review. Such is the case for our **Producer Top Picks - Alamos Gold (AGI), Fortuna (FVI), Newmarket Gold (NMI), Sandstorm Gold (SSL), SEMAFO (SMF), Tahoe Resources (THO), and Yamana Gold (YRI).**
- **Target increases across the board; upgrading DGC and GSC to Outperform.** Targets for our Au/Ag producers are up on average 19%, royalties up 15%, and developers up 18%. With respect to ratings, we are upgrading Detour Gold (DGC) and Golden Star (GSC). The step change in gold prices and concurrent decline in both the CAD and key consumables explain the upgrade for DGC while GSC's peer-high leverage to gold prices and recent operational improvements explain the upgrade.

Figure 1: Target Increases Across the Board for our Gold and Silver Producers (avg.+19%) and Royalty Co's (avg. +15%); Upgrading DGC and GSC to Outperform

Company	Symbol	Stock Rating	Δ	Share Price	New	Target Old	% chg	Δ	Proj Return	Analyst
Senior Producers (>1 mln oz production)										
Agnico-Eagle Mines Ltd.	AEM.TO	SP	-	\$67.51	\$68.00	\$56.50	20.4%	▲	1%	Parsons
Kinross Gold Corp.	K.TO	SP	-	\$6.66	\$7.75	\$6.85	13.1%	▲	16%	Parsons
Yamana Gold Inc.	YRI.TO	OP	-	\$6.64	\$8.00	\$6.75	18.5%	▲	22%	Parsons
Intermediate Producers (>250 Koz production)										
Alamos Gold Inc.	AGI.TO	OP	-	\$10.34	\$12.00	\$9.50	26.3%	▲	16%	Melnyk
B2Gold Corp.	BTO.TO	OP	-	\$3.12	\$3.85	\$3.05	26.2%	▲	23%	Parsons
Detour Gold Corp.	DGC.TO	OP	▲	\$32.67	\$38.00	\$32.25	17.8%	▲	16%	Parsons
IAMGOLD Corp.	IMG.TO	SP	-	\$5.55	\$6.10	\$4.40	38.6%	▲	10%	Parsons
Kirkland Lake Gold	KGI.TO	OP	-	\$10.79	\$13.50	\$12.75	5.9%	▲	25%	Ray
New Gold Inc.	NGD.TO	SP	-	\$5.77	\$6.50	\$5.60	16.1%	▲	13%	Parsons
OceanaGold Corp.	OGC.TO	OP	-	\$4.78	\$6.00	\$4.75	26.3%	▲	26%	Ray
Tahoe Resources Inc.	THO.TO	OP	-	\$18.02	\$21.25	\$19.25	10.4%	▲	18%	Parsons
Junior Producers (<250 Koz production)										
Alacer Gold Corp.	ASR.TO	SP	-	\$3.09	\$3.75	\$3.40	10.3%	▲	21%	Parsons
Golden Star Resources Ltd.	GSC.TO	OP	▲	\$0.81	\$1.20	\$0.90	33.3%	▲	48%	Ray
Newmarket Gold	NMI.TO	OP	-	\$3.87	\$5.00	\$4.50	11.1%	▲	29%	Melnyk
Richmont Mines Inc.	RIC.TO	SP	-	\$11.55	\$11.70	\$10.50	11.4%	▲	1%	Melnyk
SEMAFO Inc.	SMF.TO	OP	-	\$6.41	\$7.50	\$6.50	15.4%	▲	17%	Ray
Timmins Gold	TMM.TO	SP	-	\$0.45	\$0.65	\$0.60	8.3%	▲	44%	Ray
Wesdome Gold Mines Ltd.	WDO.TO	OP	-	\$2.04	\$2.60	\$2.00	30.0%	▲	27%	Ray
Silver Producers										
First Majestic Silver Corp.	FR.TO	SP	-	\$16.98	\$17.50	\$14.00	25.0%	▲	3%	Doyle
Fortuna Silver Mines Inc.	FVI.TO	OP	-	\$8.17	\$10.00	\$9.25	8.1%	▲	22%	Doyle
Royalty Companies										
AuRico Metals Inc.	AMI.TO	OP	-	\$0.95	\$1.50	\$1.20	25.0%	▲	58%	Melnyk
Franco-Nevada Corp.	FNV.TO	OP	-	\$94.05	\$100.00	\$92.00	8.7%	▲	8%	Nagle
Osisko Gold Royalties	OR.TO	OP	-	\$16.77	\$18.00	\$18.00	5.6%	▲	13%	Nagle
Royal Gold Inc.	RGLD.O	SP	-	US\$69.17	US\$72.00	US\$63.00	14.3%	▲	5%	Nagle
Sandstorm Gold	SSL.TO	OP	-	\$6.28	\$7.25	\$6.00	20.8%	▲	15%	Nagle
Silver Wheaton	SLW.TO	OP	-	\$27.69	\$31.00	\$27.00	14.8%	▲	13%	Nagle

All prices in Cdn\$, except RGLD in US\$

OP = Outperform; SP = Sector Perform; UP = Under Perform; UR = Under Review; R = Restricted; T = Tender

Source: NBF Estimates, Thomson Reuters

Figure 2: Developers Benefit from Higher LT Au and Ag Prices – Targets Up Avg. 18%

Company	Symbol	Stock Rating	Δ	Share Price	New	Target Old	% chg	Δ	Proj Return	Analyst
Development and Exploration Companies										
Atlantic Gold Corp.	AGB.V	OP	-	\$0.67	\$1.10	\$1.00	10.0%	▲	64%	Melnyk
Belo Sun Mining Corp.	BSX.TO	OP	-	\$0.84	\$1.10	\$0.85	29.4%	▲	31%	Nagle
Dalradian Resources Inc.	DNA.TO	OP	-	\$1.06	\$1.95	\$1.75	11.4%	▲	84%	Melnyk
Kaminak Gold Corp.	KAM.V	T	-	\$2.58	\$2.62	\$2.62	0.0%	-	2%	Melnyk
Luna Gold Corp.	LGC.TO	UR	-	\$0.19	UR	UR	0.0%	-	UR	Nagle
Lundin Gold Inc.	LUG.TO	OP	-	\$5.70	\$7.35	\$7.00	5.0%	▲	29%	Melnyk
Lydian International Ltd.	LYD.TO	OP	-	\$0.39	\$0.60	\$0.50	20.0%	▲	54%	Nagle
MAG Silver Corp.	MAG.TO	OP	-	\$16.29	\$19.00	\$15.00	26.7%	▲	17%	Nagle
Midas Gold Corp.	MAX.TO	OP	-	\$0.82	\$1.10	\$0.80	37.5%	▲	34%	Melnyk
Mtn Province Diamonds	MPV.TO	OP	-	\$6.16	\$6.75	\$6.75	0.0%	-	10%	Ray
NovaGold Resources Inc.	NG.TO	SP	-	\$8.35	\$8.00	\$6.75	18.5%	▲	-4%	Ray
Orezone Gold Corp.	ORE.V	OP	-	\$1.10	\$1.40	\$1.20	16.7%	▲	27%	Melnyk
Pilot Gold Corp.	PLG.TO	OP	-	\$0.72	\$1.00	\$0.80	25.0%	▲	39%	Nagle
Sabina Gold & Silver Corp.	SBB.TO	UP	-	\$1.12	\$0.75	\$0.50	50.0%	▲	-33%	Melnyk
Seabridge Gold Inc.	SEA.TO	SP	-	\$18.73	\$17.50	\$16.00	9.4%	▲	-7%	Ray
Timmins Gold Inc.	TMM.TO	SP	-	\$0.45	\$0.65	\$0.60	8.3%	▲	44%	Nagle
TMAC Resources Inc.	TMR.TO	SP	-	\$16.95	\$16.75	\$13.50	24.1%	▲	-1%	Ray
Victoria Gold Corp.	VIT.V	OP	-	\$0.48	\$0.65	\$0.50	30.0%	▲	36%	Melnyk

All prices in Cdn\$

OP = Outperform; SP = Sector Perform; UP = Under Perform; UR = Under Review; R = Restricted; T = Tender

Source: NBF Estimates, Thomson Reuters

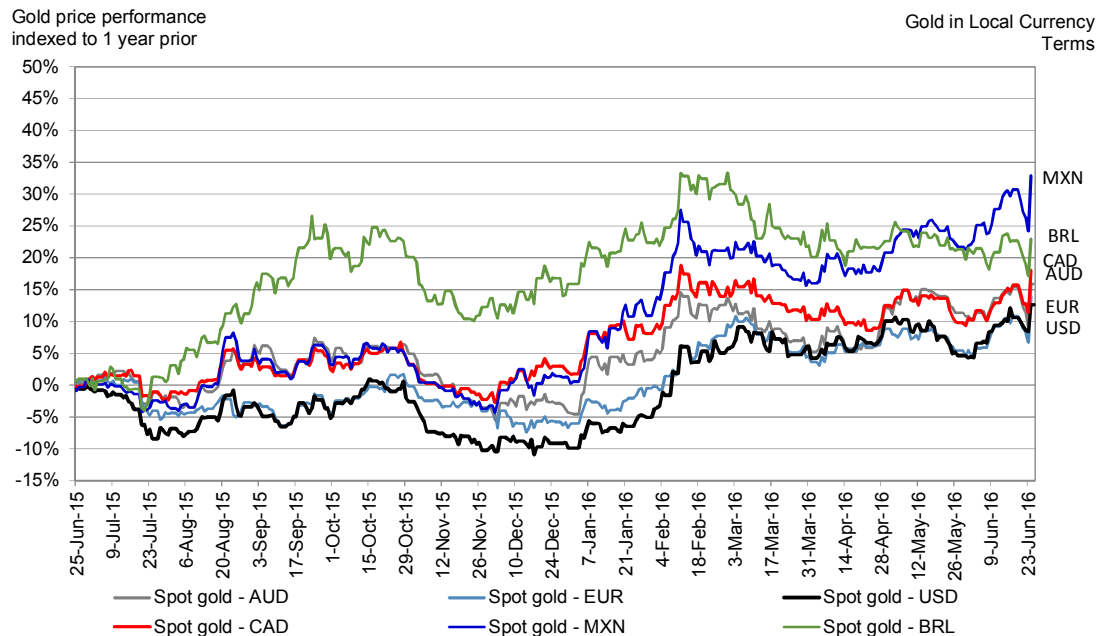
Figure 3: Increasing Gold and Silver Forecasts Across All Years While FX Rates Recalibrated Lower to Reflect Market Conditions and Outlook

Precious Metals			Q2/16E	Q3/16E	Q4/16E	2016	2017	2018	2019	2020	Long Term
Gold	USD/oz	New	1,259	1,325	1,325	1,274	1,325	1,350	1,350	1,350	1,350
		Old	1,250	1,250	1,250	1,233	1,275	1,300	1,300	1,300	1,300
Silver	USD/oz	New	16.77	17.75	17.75	16.85	18.00	18.50	19.00	19.00	19.00
		Old	16.25	16.25	16.50	16.00	17.00	17.50	18.00	18.50	18.50

FX Rates			Q2/16E	Q3/16E	Q4/16E	2016	2017	2018	2019	2020	Long Term
Canada	USD/CAD	New	0.776	0.76	0.76	0.76	0.76	0.77	0.78	0.80	0.85
		Old	0.78	0.78	0.78	0.77	0.78	0.78	0.78	0.80	0.85
Australia	USD/AUD	New	0.746	0.72	0.72	0.73	0.73	0.74	0.76	0.78	0.85
		Old	0.76	0.76	0.76	0.75	0.76	0.76	0.76	0.78	0.85
Argentina	ARS/USD	New	14.21	10.00	10.00	12.18	9.50	9.50	9.50	9.50	9.50
		Old	10.00	10.00	10.00	10.00	9.50	9.50	9.50	9.50	9.50
Brazil	BRL/USD	New	3.540	3.40	3.50	3.59	3.50	3.50	3.50	3.25	3.00
		Old	3.50	3.50	3.50	3.60	3.50	3.50	3.50	3.25	3.00
Chile	CLP/USD	New	678.0	675.0	675.0	681.5	650.0	650.0	550.0	550.0	550.0
		Old	675.0	675.0	675.0	682.0	650.0	650.0	550.0	550.0	550.0
EURO	USD/EUR	New	1.125	1.06	1.08	1.10	1.10	1.15	1.20	1.25	1.25
		Old	1.14	1.14	1.14	1.13	1.15	1.20	1.20	1.25	1.25
Mexico	MXN/USD	New	18.12	18.75	18.75	18.28	18.75	18.00	17.00	15.00	13.75
		Old	17.50	17.50	17.50	17.63	17.50	17.50	17.00	15.00	13.75

Source: NBF Estimates

Figure 4: Widespread Currency Depreciation Post the BREXIT Vote Drives Gold Prices Materially Higher in Local Currency Terms; Cdn\$ Gold Price Nearing 2011 Highs



Source: Bloomberg

Revisiting Our Historical Valuation Review... Again

Historical valuation benchmarks point to more upside for gold equities, yet not without volatility and certainly contingent upon gold price tailwinds, which we contend are in the cards. The following analysis is data-driven in nature and by no means is it intended to replace a more fundamental review. That being said, when there exists significant volatility, both with respect to gold and gold equities, we do find a review of historical valuations to be a useful guide to assess, at least preliminarily, whether stocks have moved too far, too fast or if there is still headroom for valuations to expand further.

The process for our company-by-company review. For producers, our valuation review focuses on EV/CF and the historical trading ranges. The intent is to benchmark valuations, particularly in periods where there existed tailwinds for gold equities, whether from higher gold prices or from periods of volatility in the broader markets. For this, we highlight the period from late 2007 to late 2010, which we see as gaining in significance given recent gold and silver increases and an improved backdrop for operating costs.

Figure 5: Summary Table – Implied Returns to 2007 to late 2010-Type Valuations, Which We Suggest are Increasingly Relevant Given the Magnitude of Tailwinds in the Space

Company name	Ticker	NBF est.*		Benchmarked to 2007-2010 multiples			Footnote
		EV/CF 16	EV/CF 17	Reference EV/CF	Δ% vs 2016	Δ% vs 2017	
Agnico Eagle	AEM.TO	16.2x	15.8x	15.1x	-6.8%	-4.2%	(1)
Kinross	K.TO	6.6x	6.4x	10.6x	60.5%	66.0%	(3) YRI proxy
Iamgold	IMG.TO	7.2x	5.7x	8.4x	15.4%	45.3%	(2) Mid Tier-1sd
Yamana Gold	YRI.TO	10.0x	8.9x	10.6x	6.2%	18.4%	(2)
Alamos Gold	AGI.TO	12.4x	10.1x	11.9x	-3.9%	17.8%	(3) YRI proxy
B2Gold	BTO.TO	9.8x	15.1x	10.6x	8.4%	-29.9%	(3) YRI proxy
Detour Gold	DGC.TO	15.8x	12.5x	15.1x	-4.5%	20.4%	(1)
Kirkland Lake Gold	KGI.TO	7.7x	6.7x	9.1x	17.3%	35.0%	(3) Mid Tier
Newgold	NGD.TO	10.3x	9.1x	10.5x	2.3%	15.3%	(2)
Newmarket Gold	NMI.TO	4.7x	4.0x	9.1x	94.3%	127.5%	(3) Mid Tier
Oceanagold	OGC.TO	9.9x	6.9x	10.5x	6.2%	52.7%	(3) NGD
Tahoe	THO.TO	13.5x	9.6x	15.1x	11.7%	57.9%	(1)
Alacer Gold	ASR.TO	5.7x	10.2x	9.1x	59.2%	-11.3%	(3) Mid Tier
Golden Star (5)	GSC.TO	6.5x	3.2x	5.5x	-15.6%	71.4%	(3)
Richmont	RIC.TO	9.7x	9.2x	9.1x	-6.0%	-1.5%	(3) Mid Tier
Semafo	SMF.TO	9.7x	9.5x	9.1x	-6.2%	-4.2%	(3) Mid Tier
Wesdome	WDO.TO	9.7x	5.2x	8.7x	-10.7%	65.8%	(2)
Franco Nevada	FNV.TO	28.1x	27.7x	30.0x	6.8%	8.5%	
Osisko Royalty	OR.TO	29.4x	29.2x	30.0x	2.2%	2.8%	
Royal Gold	RGLD.O	16.9x	13.2x	18.0x	6.8%	36.4%	
Silver Wheaton	SLW.TO	17.1x	17.2x	18.0x	5.3%	4.5%	
Sandstorm	SSL.TO	18.5x	15.2x	18.0x	-2.7%	18.2%	
First Majestic	FR.TO	19.1x	16.6x	15.0x	-21.4%	-9.5%	
Fortuna	FVI.TO	12.9x	9.7x	13.0x	0.8%	34.4%	
Average		12.8x	11.5x	13.3x	9.4%	26.6%	

(1) Reference EV/CF uses Avg in 2007-2010 period for select high-quality producers (15.0x)

(2) Reference EV/CF uses company avg from the 2007-2010 period

(3) Reference EV/CF uses proxy-company avg from 2007-2010 period

Source: Thompson, Bloomberg, NBF estimates

Source: NBF Estimates, Company Reports

Key results of our analysis are summarized in Figure 5, drawing from our historical review of multiples among gold producers and royalty companies. The 2007 to 2011 reference or benchmark multiples are somewhat conceptual in nature given market, industry, and company differences between then and now, yet still provide a multiple goal post under an extended constructive and higher price gold environment, which we see as probable. Given these differences, we do not necessarily apply a company's own historical valuation as the benchmark EV/CF, we may use the group average for the period or a proxy company if deemed more appropriate. Furthermore, given the short-term cash flow focus we note that this exercise can materially understate the opportunity for situations where production and cash flow growth kicks in after 2017 - we highlight Alacer Gold (ASR), B2Gold (BTO) and New Gold (NGD) - or conversely overstate the opportunity where there are production declines in the offing. We remind our readers of the distinction - our NBF target prices are rooted in a more fundamental analysis using P/NAV and P/CF using a US\$1,350/oz long-term gold price assumption, whereas the review of historical valuations and benchmarking is for illustrative purposes.

Overall, the exercise points to substantial upside across the bulk of our coverage universe. The notable exception is for Agnico (AEM). We note AEM traded at 22x EV/CF in the 2007 to 2010 period, yet we are reluctant to employ this as a benchmark since in the prior period investors were paying up for AEM's peer-leading production growth (325%) from the development of five new mines.

Developers to Remain in Focus as a Solution for Producer Production Declines

Rising producer valuations juxtaposed with declining production profiles are surely to keep targeted M&A in focus as miners look to a scant selection of high quality development companies. In our February 2016 Production Cliff Thematic (the fourth such installment since January 2013), we highlight the looming outlook for production declines, particularly for senior gold miners and large intermediates, and their motivation to secure high quality development projects. However, as a result of recent M&A activity (see Figure 6), the list of executable development projects is limited, particularly those that offer compelling IRRs, reasonable capital intensity, a clear path to permitting (or permits in hand), and acceptable political risk.

Toe-hold acquisitions in development and exploration companies to persist as reinforced during the NBF hosted CEO Panel Discussion on June 9, 2016. This includes companies such as Agnico Eagle (which has had a number of toe-hold investments in recent years, including ~17% of Belo Sun) and Goldcorp, who acquired a ~10% toe-hold in Gold Standard Ventures (GSV) in February 2016. This triggered OceanaGold to exercise its right to increase its stake in GSV to ~20% (from ~15%). Eldorado, too, has been active recently increasing its ownership in Integra Gold to ~15%. We expect that these types of investments will continue as producers 'stake their claims' in prospective development projects.

Looking at total acquisition cost (TAC) for a list of companies/projects that could be targeted for M&A and/or strategic investments. This is not meant to be an all-encompassing review of available development assets, but rather a short list of projects that we believe could benefit from an acceleration of the M&A theme. In calculating the TAC we looked at what it would cost a potential acquirer to "BUY (assuming 30% premium to closing price on June 24th, 2016), BUILD and OPERATE" available opportunities. We would like to highlight that the TAC is just one of many decision criteria. Others might include timing, political risk, permitting risk, mine life, average annual production, scalability and cash costs. Based on these criteria and only looking at companies in our coverage universe, names that we consider takeout or toe-hold investment candidates include: Atlantic Gold, Belo Sun Mining, Dalradian Resources, MAG Silver, Midas Gold, Orezone Gold, and Victoria Gold.

Looking beyond M&A to positioning of the development companies and valuation, we highlight the following as our Top Picks: Atlantic Gold, Aurico Metals, Dalradian Resources,

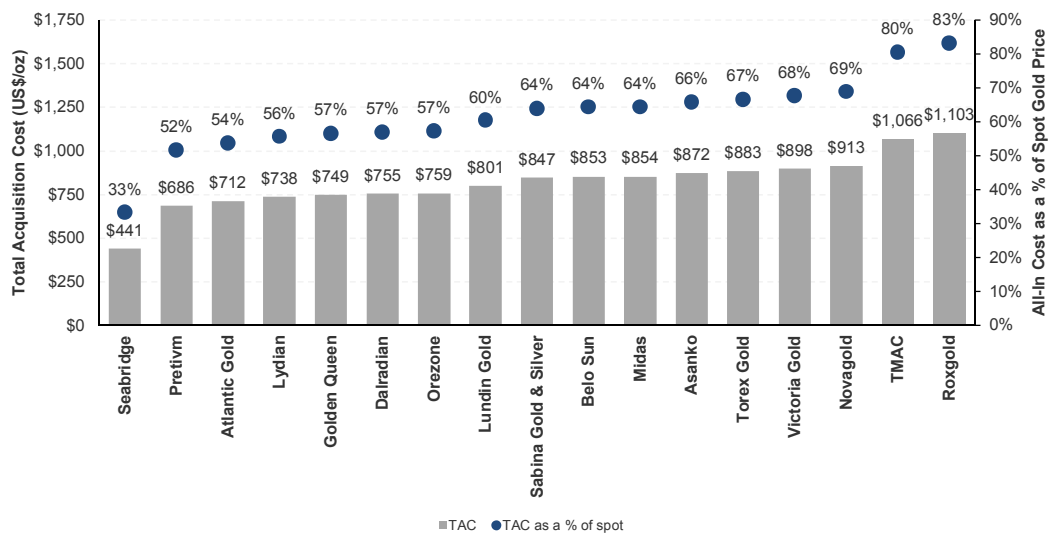
Orezone Gold, and Victoria Gold.

Figure 6: Precedent Gold Developer Transactions Since Early 2013

Transaction	Target's P/NAV	TAC (US\$/oz)	% of Spot	Spot Gold (US\$/oz)
	At Bid	(Total resources)		
Goldcorp > Kaminak (May-16)	1.25x	\$625	49%	\$1,277
Endeavour > True Gold (Mar-16)	1.05x	\$680	54%	\$1,250
Alamos > Carlisle (Oct-15)	n/a	\$657	56%	\$1,170
First Mining > Gold Canyon (Sep-15)	n/a	\$748	66%	\$1,135
Goldcorp > El Morro (30%) (Aug-15)	1.14x	n/a	n/a	\$1,121
OceanaGold > Romarco (Jul-15)	0.75x	\$751	68%	\$1,097
Lake Shore > Temex (Jul-15)	0.31x	n/a	n/a	\$1,147
Yamana > Mega Precious (Apr-15)	n/a	n/a	n/a	\$1,186
Premier > South Arturo (Apr-15)	0.64x	\$698	58%	\$1,199
Marlin > Commonwealth (Mar-15)	0.24x	\$969	81%	\$1,196
Hecla > Revett (Mar-15)	0.22x	n/a	n/a	\$1,196
Timmins > Newstrike (Feb-15)	0.56x	\$693	56%	\$1,233
SEMAFO > Orbis (Oct-14)	1.05x	\$796	65%	\$1,227
Centerra > Premier JV (Feb-15)	0.70x	n/a	n/a	\$1,269
Goldcorp > Probe (Jan-15)	1.24x	n/a	n/a	\$1,278
Timmins > Caballo (Dec-14)	0.29x	\$953	80%	\$1,196
Coeur > Paramount (Dec-14)	0.34x	\$916	76%	\$1,203
New Gold > Bayfield (Nov-14)	n/a	n/a	n/a	\$1,155
Fortress > Fruta del Norte (Oct-14)	n/a	n/a	n/a	\$1,245
Agnico > Cayden (Sep-14)	n/a	n/a	n/a	\$1,266
B2Gold > Papillon (Jun-14)	0.94x	\$873	75%	\$1,247
Rio Alto > Sulliden (May-14)	0.80x	\$809	62%	\$1,296
West Kirkland > Hasbrouck (Jan-14)	0.35x	\$699	55%	\$1,257
Asanko > PMI (Dec-13)	0.43x	\$805	65%	\$1,235
Argonaut > San Agustin (Nov-13)	n/a	n/a	n/a	\$1,307
Eldorado > Glory (Oct-13)	n/a	\$636	47%	\$1,349
B2Gold > Volta (Oct-13)	0.68x	\$889	66%	\$1,348
Oceana > Pacific Rim (Oct-13)	n/a	n/a	n/a	\$1,324
BRZ Resources > BRZ Gold (Sep-13)	0.16x	\$717	53%	\$1,341
Invecture > Kimber (Sep-13)	n/a	\$552	42%	\$1,314
Alamos > Esperanza (Jul-13)	0.29x	\$655	51%	\$1,285
Teranga > Oromin (Jun-13)	n/a	\$842	60%	\$1,395
New Gold > Rainy River (May-13)	0.63x	\$725	51%	\$1,414
Troy > Azimuth (Mar-13)	0.42x	n/a	n/a	\$1,603
Average	0.63x	\$759	61%	\$1,258

Source: NBF Estimates, Company Reports

Figure 7: Total Acquisition Cost (TAC) (US\$/oz total Au resource)



Notes:

- Total acquisition cost (TAC) comprises of cost to BUY, BUILD and OPERATE = "Buy and Build" cost per oz + sustaining capex per Au oz produced + LOM total cash costs per oz (net of by-product credits).
- BUY and Build = Transaction value (market cap + 30% premium - cash + debt) + attributable development capex.
- Sustaining capex per Au oz produced (total sustaining capex divided by total LOM production).
- TAC as a % of spot based on spot gold price as of June 24, 2016 of ~US\$1,325/oz.

Source: NBF Estimates, Company Reports

Figure 8: Gold Developer Landscape - Overview

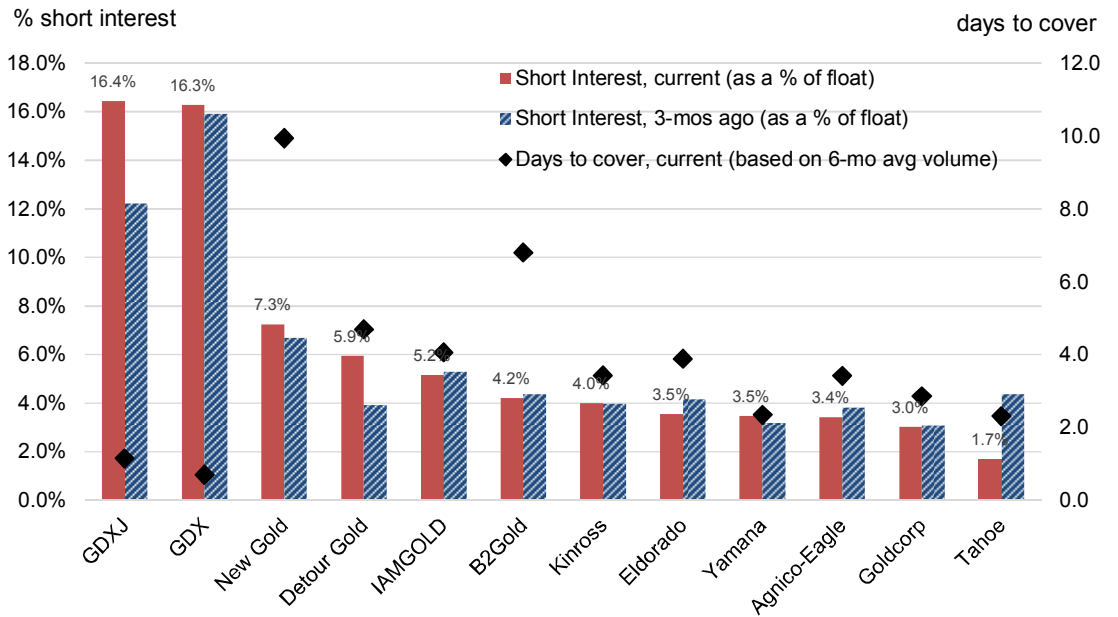
Company	Geography	Stage	Permitted (Yes/No)	Est. Start-Up (years)	LOM	Avg. Annual Production ⁽¹⁾ (k oz)	Total Cash Costs ⁽²⁾ (US\$/oz)	Au R&R ⁽³⁾	Au Grade ⁽³⁾	Au Eq. R&R ⁽⁴⁾	Au Eq. Grade ⁽⁴⁾
Asanko Gold	Ghana	Production	YES	2016	12.5	376	\$670	10.4	1.68	10.4	1.68
Atlantic Gold	Canada	Construction	YES	2017	8.0	141	\$490	2.2	1.53	2.2	1.53
AuRico Metals	Canada	Development	NO	2022	12.0	106	\$94	5.6	0.42	10.0	0.75
Belo Sun	Brazil	Development	NO	2018	17.2	205	\$707	6.1	0.97	6.1	0.97
Dalradian	Ireland	Development	NO	2021	21.0	132	\$555	4.4	10.71	4.4	10.71
Eastmain	Canada	Development	NO	na	na	na	na	1.6	4.01	1.6	4.01
Golden Queen	USA	Production	YES	2016	11.3	37	\$518	1.8	1.06	2.2	1.32
Lundin Gold	Ecuador	Development	NO	2020	17.0	337	\$575	9.5	8.33	9.7	8.50
Lydian	Armenia	Construction	YES	2018	10.0	211	\$509	5.0	0.68	5.3	0.72
Midas Gold	USA	Development	NO	2022	12.0	328	\$622	6.5	1.57	6.7	1.60
Novagold	USA	Development	NO	2022	27.0	550	\$635	28.3	0.98	42.7	1.48
Orezone	Burkina Faso	Development	NO ⁽⁵⁾	2018	10.7	116	\$603	5.3	1.04	5.3	1.04
Pretivm	Canada	Construction	YES	2017	18.0	404	\$398	15.3	15.81	16.2	16.74
Roxgold	Burkina Faso	Production	YES	2016	7.4	100	\$467	1.3	13.55	1.3	13.55
Seabridge	Canada	Development	YES	2021	55.0	508	\$148	94.0	0.55	166.6	0.97
Sabina Gold & Silver	Canada	Development	NO	2021	12.0	179	\$646	7.2	6.21	7.2	6.21
TMAC Resources	Canada	Construction	YES	2016	20.0	160	\$669	5.9	8.73	5.9	8.73
Torex Gold	Mexico	Production	YES	2016	16.5	262	\$513	8.5	2.49	11.6	3.42
Victoria Gold	Canada	Development	YES	2019	9.0	179	\$673	5.3	0.72	5.3	0.72

Notes:

1. Life-of-mine annual gold production.
2. Life-of-mine total cash costs net of by-product credits.
3. Au resources (mln oz) and grade (gpt).
4. Au Eqv. Resources (mln oz) and grade (gpt). LT price assumptions: Au – US\$1,350/oz; Ag – US\$19/oz; Cu – US\$2.80/lb.
5. Orezone's Bomboré project has received environmental approval and is awaiting mining permit from the Burkina Faso government.

Source: NBF Estimates, Company Reports

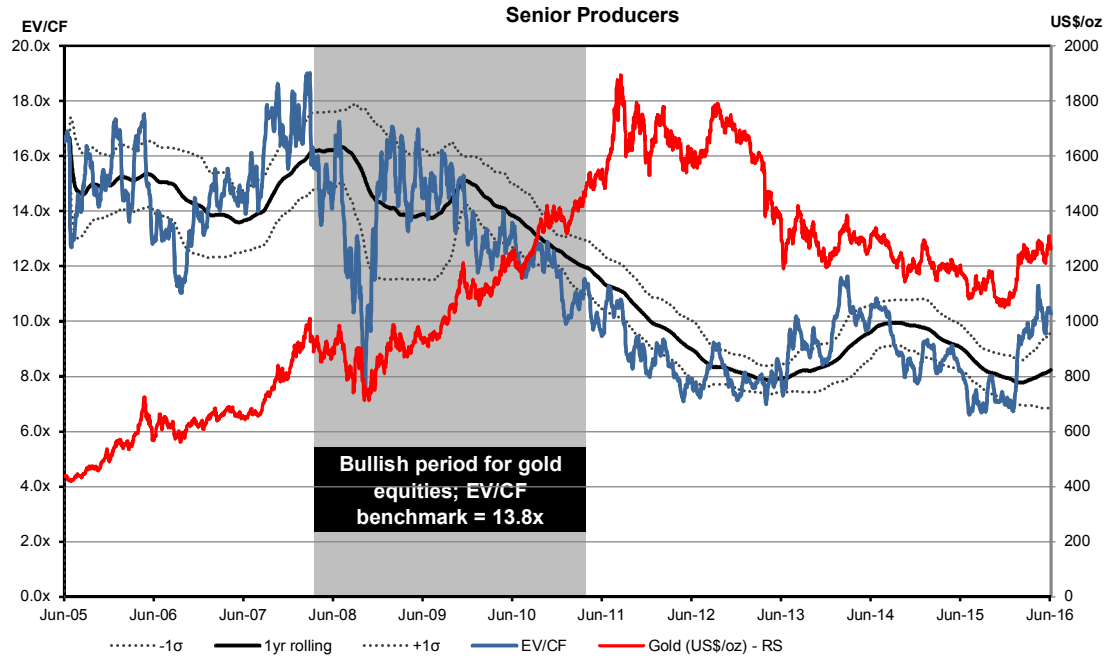
Appendix A : Covering of Elevated Short Interest in GDX and GDXJ Offers More Beta During Periods of Gold Price Volatility



Source: NBF Estimates, Company Reports

Appendix B – Historical Valuation Plots

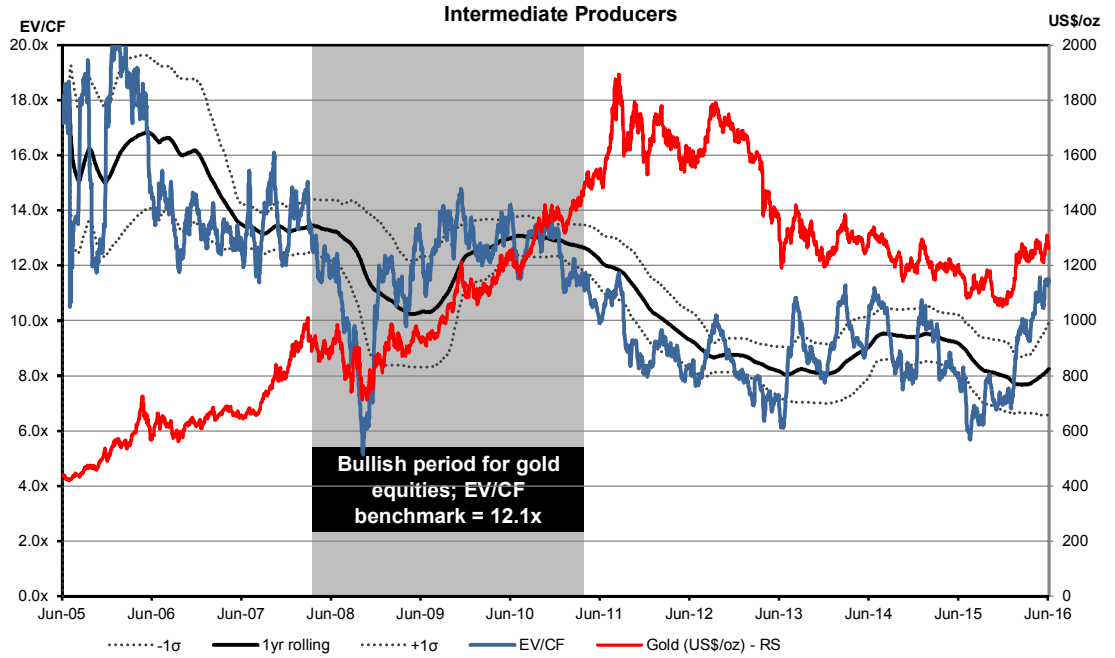
Historical EV/CF Valuations for Senior Gold Companies



Based on historical data from: K-T; ABX-T; G-T; NEM-US;

Source: Bloomberg, NBF Estimates

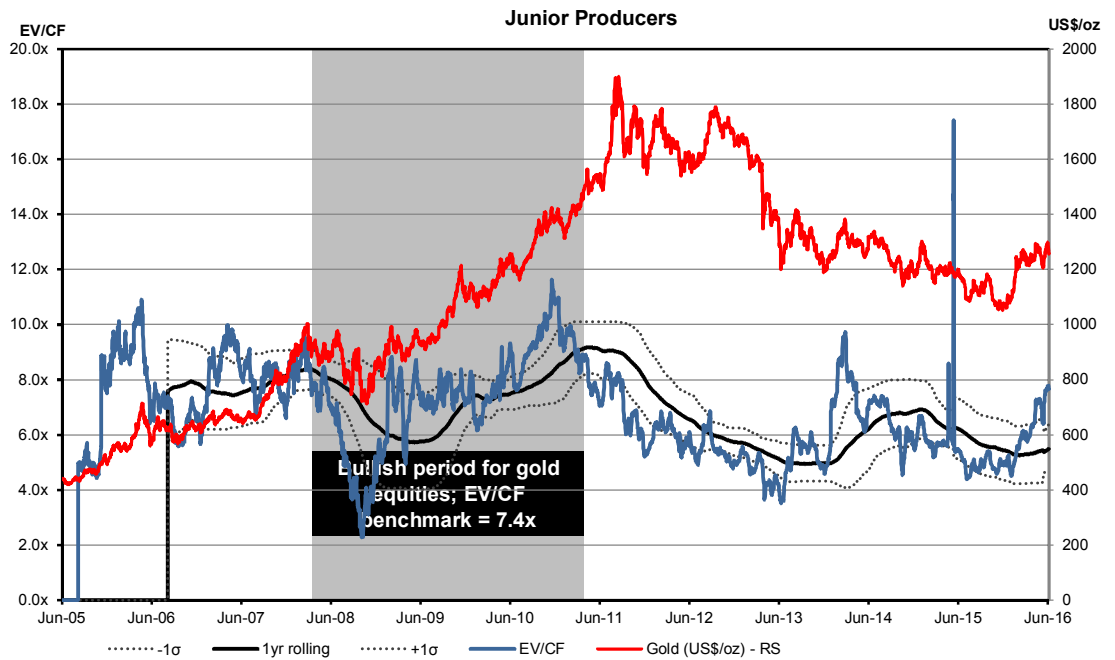
Historical EV/CF Valuations for Intermediate Gold Companies



Based on historical data from: AEM-T; AGI-T; DGC-T; IMG-T; NGD-T; OGC-T; THO-T; YRI-T; CG-T; ELD-T;

Source: Bloomberg, NBF Estimates

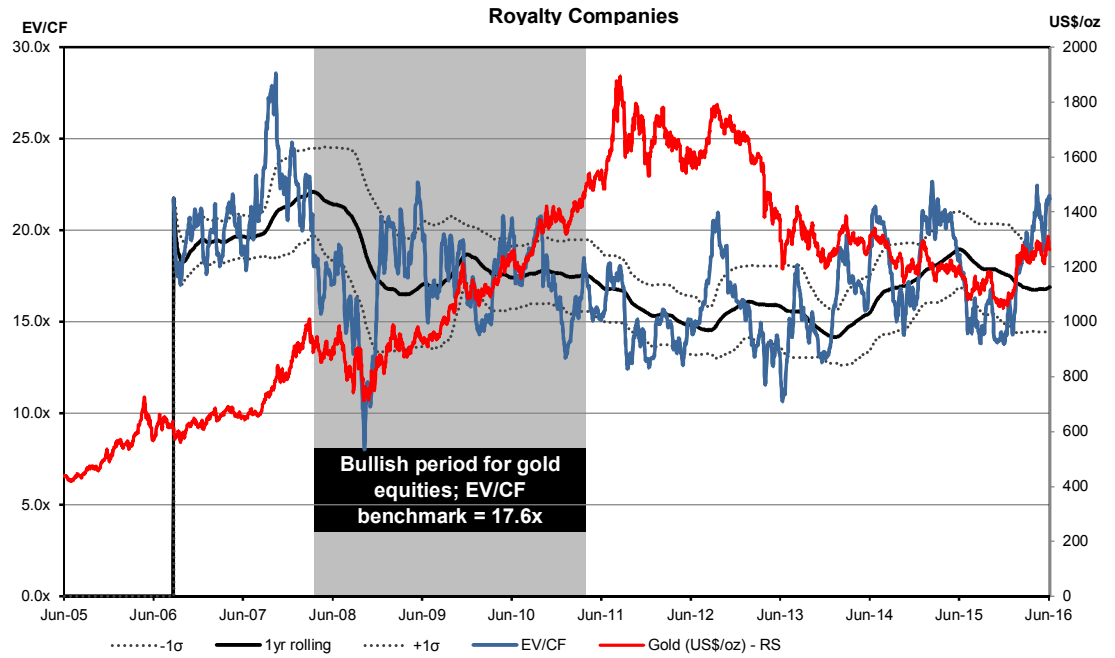
Historical EV/CF Valuations for Junior Gold Companies



Based on historical data from: ASR-T; BTO-T; KGI-T; WDO-T; SMF-T; P-T; RIC-T; GSC-T; JAG-T; NGX-T;

Source: Bloomberg, NBF Estimates

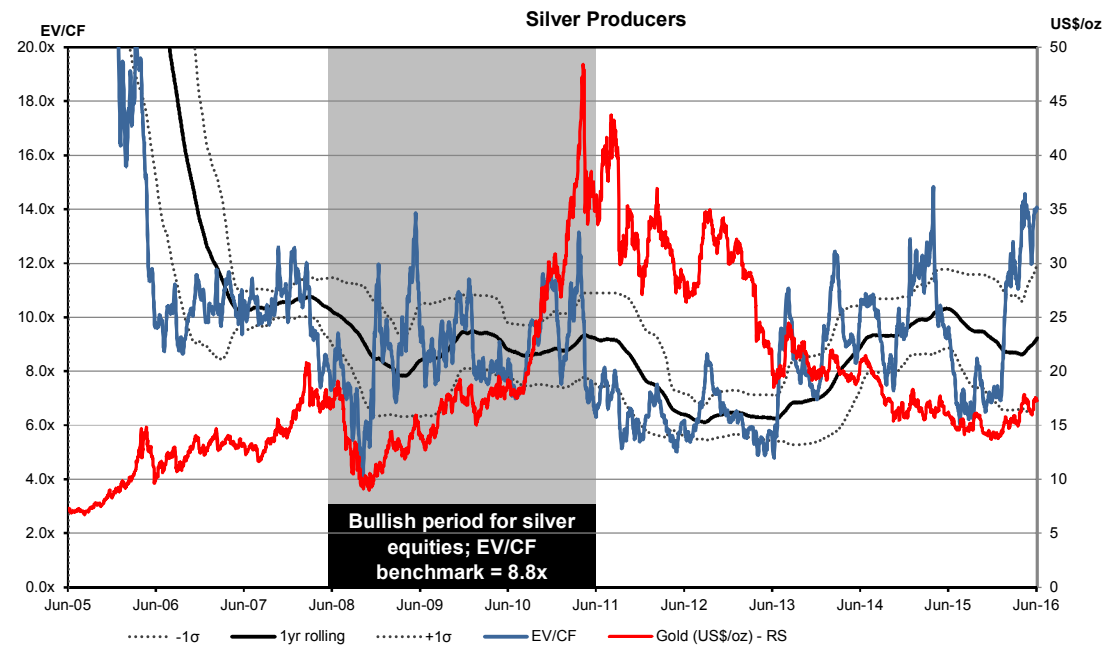
Historical EV/CF Valuations for Royalty Companies



Based on historical data from: FNV-T; OR-T; RGLD-US; SLW-T; SSL-T;

Source: Bloomberg, NBF Estimates

Historical EV/CF Valuations for Silver Companies



Based on historical data from: FR-T; FVI-T; PAA-T; EDR-T; CDE-US; HL-US;

Source: Bloomberg, NBF Estimates

Appendix C: Precious Metals Producer and Royalty Coverage Universe – Target Methodology

Senior Producers (>1 mln oz prod'n)			Target Multiple
Agnico Eagle (AEM-T)	Parsons	New	2.00x NAV (40%), 16.0x 2017 CF (60%)
		Old	2.00x NAV (40%), 14.0x 2017 CF (60%)
Kinross Gold (K-T)	Parsons	New	1.15x NAV (50%), 10.0x 2017 CF (50%)
		Old	1.25x NAV (50%), 10.0x 2017 CF (50%)
Yamana Gold (YRI-T)	Parsons	New	1.20x NAV (50%), 10.0x 2016/17 CF (50%)
		Old	1.15x NAV (50%), 9.5x 2016/17 CF (50%)
Intermediate Producers (>250 Koz prod'n)			Target Multiple
Alamos Gold (AGI-T)	Melnyk	New	1.40x NAV (75%), 12.0x 2016/17 CF (25%)
		Old	1.30x NAV (75%), 11.0x 2016/17 CF (25%)
B2Gold (BTO-T)	Parsons	New	1.30x NAV (50%), 12.0x 2016 CF (50%)
		Old	1.25x NAV (50%), 10.0x 2016 CF (50%)
Detour Gold (DGC-T)	Parsons	New	1.60x NAV (50%), 14.0x 2017 CF (50%)
		Old	1.55x NAV (50%), 13.5x 2017 CF (50%)
IAMGOLD (IMG-T)	Parsons	New	1.10x NAV (50%), 9.0x 2016/17 CF (50%)
		Old	0.80x NAV (50%), 8.0x 2016/17 CF (50%)
Kirkland Lake Gold (KGI-T)	Ray	New	1.20x NAV (50%), 10.0x 2017 CFPS (50%)
		Old	1.10x NAV (33%), 10.0x 2016 CFPS (33%), 10.0x 2017 CFPS (33%)
New Gold (NGD-T)	Parsons	New	1.20x NAV (50%), 9.0x 2017/18 CF (50%)
		Old	1.20x NAV (50%), 8.5x 2017/18 CF (50%)
Newmarket Gold (NMI-T)	Melnyk	New	1.20x NAV (50%), 8.0x 2016 CF (50%)
		Old	1.20x NAV (50%), 8.0x 2016 CF (50%)
OceanaGold (OGC-T)	Ray	New	1.20x NAV (50%), 11.0x 2017 CFPS (50%)
		Old	1.10x NAV (33%), 10.0x 2016 CFPS (33%), 8.0x 2017 CFPS (33%)
Tahoe Resources (THO-T)	Parsons	New	1.45x NAV (50%), 13.0x 2017 CF (50%)
		Old	1.45x NAV (50%), 13.0x 2017 CF (50%)

All amounts in Cdn\$ unless otherwise indicated

For our base-case NAV estimates, we generally use a 5% discount rate for producing assets and 8% for development stage assets

Junior Producers (<250 Koz prod'n)			Target Multiple
Alacer Gold (ASR-T)	Parsons	New	1.05x NAV (100%), 9.0x 2017 CF (0%)
		Old	1.05x NAV (100%), 9.0x 2017 CF (0%)
Golden Star (GSC-T)	Ray	New	1.10x NAVPS
		Old	1.00x NAVPS
Richmont Mines (RIC-T)	Melnyk	New	1.30x NAV (75%), 11.0x 2016 CF (25%)
		Old	1.30x NAV (75%), 10.0x 2016 CF (25%)
SEMAFO (SMF-T)	Ray	New	1.20x NAV (33%), 12.0x 2017 CF (33%), 12.0x 2018 CF (33%)
		Old	1.20x NAV (33%), 12.5x 2017 CF (33%), 9.0x 2018 CF (33%)
Timmins Gold (TMM-T)	Nagle	New	0.85x NAVPS (100%)
		Old	0.75x NAVPS (100%)
Wesdome Mines (WDO-T)	Ray	New	1.05x NAV (50%), 8.0x 2017 CFPS (50%)
		Old	1.00x NAVPS (33%), 8.0x 2016 CF (33%), 8.0x 2017 CF (33%)

All amounts in Cdn\$ unless otherwise indicated

For our base-case NAV estimates, we generally use a 5% discount rate for producing assets and 8% for development stage assets

Source: NBF Estimates, Company Reports

Appendix C continued: Royalty and Silver Producer Coverage Universe – Target Methodology

Royalty Companies			Target Multiple
AuRico Metals (AMI-T)	Melnyk	New	1.30x NAV (Royalties), 1.00x NAV (Kemess)
		Old	1.30x NAV (Royalties), 0.90x NAV (Kemess)
Franco-Nevada (FNV-T)	Nagle	New	2.00x NAV (33%), 30.0x EV/2016 CF (33%), 30.0x EV/2017 CF (33%)
		Old	2.00x NAV (33%), 30.0x EV/2016 CF (33%), 30.0x EV/2017 CF (33%)
Osisko Gold Royalties (OR-T)	Nagle	New	1.60x NAV (100%)
		Old	1.60x NAV (100%)
Royal Gold* (RGLD-O)	Nagle	New	1.70x NAV (33%), 17.0x EV/2016 CF (33%), 17.0x EV/2017 CF (33%)
		Old	1.50x NAV (33%), 16.0x EV/2016 CF (33%), 16.0x EV/2017 CF (33%)
Sandstorm Gold (SSL-T)	Nagle	New	1.70x NAV (33%), 19.0x EV/2016 CF (33%), 19.0x EV/2017 CF (33%)
		Old	1.60x NAV (33%), 17.0x EV/2016 CF (33%), 17.0x EV/2017 CF (33%)
Silver Wheaton (SLW-T)	Nagle	New	1.70x NAV (33%), 19.0x EV/2016 CF (33%), 19.0x EV/2017 CF (33%)
		Old	1.50x NAV (33%), 18.0x EV/2016 CF (33%), 18.0x EV/2017 CF (33%)

All amounts in Cdn\$ unless otherwise indicated

*RGLD fiscal year estimates are based on a June 30 year-end.

Silver Producers			Target Multiple
First Majestic Silver (FR-T)	Doyle	New	2.00x NAV (33%), 20.0x EV/2016 CF (33%), 20.0x EV/2017 CF (33%)
		Old	1.80x NAV (33%), 18.0x EV/2016 CF (33%), 18.0x EV/2017 CF (33%)
Fortuna Silver Mines (FVI-T)	Doyle	New	1.50x NAV (33%), 15.0x EV/2016 CF (33%), 15.0x EV/2017 CF (33%)
		Old	1.50x NAV (33%), 15.0x EV/2016 CF (33%), 15.0x EV/2017 CF (33%)

All amounts in Cdn\$ unless otherwise indicated

Source: NBF Estimates, Company Reports

Appendix C continued: Developer Coverage Universe – Target Methodology

Developers			Target Multiple
Atlantic Gold Corp. (AGB.V)	Melnyk	New Old	1.00x NAVPS (8%) 1.00x NAVPS (8%)
Belo Sun Mining Corp. (BSX.TO)	Nagle	New Old	0.85x NAVPS (10%) 0.75x NAVPS (10%)
Dalradian Resources Inc. (DNA.TO)	Melnyk	New Old	0.90x NAVPS (8%) 0.90x NAVPS (8%)
Kaminak Gold Corp. (KAM.V)	Melnyk	New Old	N/A (valued on G bid) N/A (valued on G bid)
Luna Gold Corp. (LGC.TO)	Nagle	New Old	Under Review Under Review
Lundin Gold Inc. (LUG.TO)	Melnyk	New Old	1.00x NAVPS (8%) 1.10x NAVPS (8%)
Lydian International Ltd. (LYD.TO)	Nagle	New Old	0.85x NAVPS (8%) 0.75x NAVPS (8%)
MAG Silver Corp. (MAG.TO)	Nagle	New Old	1.50x NAVPS (6%) 1.30x NAVPS (7%)
Midas Gold Corp. (MAX.TO)	Melnyk	New Old	1.00x NAVPS (8%) 0.90x NAVPS (8%)
Mtn Province Diamonds (MPV.TO)	Ray	New Old	1.00x NAVPS (8%) 1.00x NAVPS (8%)
NovaGold Resources Inc. (NG.TO)	Ray	New Old	EV/Resources EV/Resources
Orezone Gold Corp. (ORE.V)	Melnyk	New Old	1.10x NAVPS (8%) 1.10x NAVPS (8%)
Pilot Gold Corp. (PLG.TO)	Nagle	New Old	0.85x NAVPS (10%) 0.75x NAVPS (10%)
Sabina Gold & Silver Corp. (SBB.TO)	Melnyk	New Old	0.40x NAVPS (10%) 0.25x NAVPS (10%)
Seabridge Gold Inc. (SEA.TO)	Ray	New Old	0.95x NAVPS (10%) 0.95x NAVPS (10%)
TMAC Resources Inc. (TMR.TO)	Ray	New Old	1.05x NAV (50%), 9.0x 2017 CFPS (50%) 1.00x NAV (50%), 8.0x 2017 CFPS (50%)
Victoria Gold Corp. (VIT.V)	Melnyk	New Old	1.10x NAVPS (8%) 1.00x NAVPS (8%)

All amounts in Cdn\$ unless otherwise indicated

Source: NBF Estimates, Company Reports

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ORE		MAG	2,3,4,5,6,7	THO			
RIC	2,3,4,5,7,10	OR	2,3,4,5,6,7	TKO			
SBB	2,3,4,5,7	PLG		YRI	2,3,4,5,6,7,10		
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