GLOBAL | RESEARCH

Global Gold Outlook

Spring/Summer 2008 - The Pause that Refreshes

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For Required Disclosures, please see page 37.

Highlights

Investment Strategy: We believe that the greenback's role as a reserve currency will continue to decline in importance relative to alternatives such as the euro and gold. At the same time, we suspect that central banks' current aggressive reflationary efforts will place additional pressure on currencies relative to hard commodities in the years to come. It is within this context that we have highlighted some of the more immediate risks (moderating global inflation expectations, a pause in the greenback's downward trend, downward inflationary pressures on disposable income) while maintaining our long-term bullish outlook for gold.

Emerging Markets: We believe the "energy and agflation" problem currently underway across many EMs will have lasting power and inflation could remain a serious issue across EMs over the next 1–2 years. This will necessitate EM central banks to shift monetary policy priorities from growth to inflation. To cope, a mix of policy alternatives are likely to be utilized: greater subsidization or price and export controls, tighter monetary policy via higher interest rates and/or increasing policymakers' tolerance of currency appreciation.

Technical: The secular bull case for gold remains as strong as ever. In recent months, spiraling food and energy prices have stoked traditional inflation concerns, while ongoing deflation in the credit markets has increasingly fueled fears of downstream monetary reflation. Against this backdrop, bullion appreciated some 57% from last June's low at $642.80 to the recent high at $1017.50. **From a technical standpoint, we believe there is a strong likelihood that gold is now in the early stages of a multi-month consolidation phase after its big nine-month advance.** We profile Agnico-Eagle as one of the stronger gold names, (i.e., those that made new all-time highs in March, and are currently trading well-above their 200-day averages) and Yamana as one of the weaker ones.

Fundamental: Supply fundamentals are expected to remain relatively stable in the near term, with the exception of a moderate decline forecast for global mine production in 2008, as a result of expected curtailment of production from South Africa (due to power constraints). On the demand side of the equation, near-term weakness is expected for jewellery, largely due to the combined impact of a slowdown in global growth, elevated gold price levels and price volatility.

Investment Recommendation: Combining our view that a seasonal slowdown for gold demand is around the corner in the summer months, and the possibility that the U.S. fed rate cutting cycle may come to an end shortly, **we believe the timing is right for investors to take profits in the short term in gold and gold equities.** We also would use a seasonally quiet period in June and July to buy-back or add to existing gold equity positions as **we expect a rebound in the gold price in the period of seasonal strength in September–October.**

From a fundamental perspective, we continue to favor gold companies with improving production and cost profiles, gold reserve upside, active exploration programs and strong management teams. Gold equities that we believe offer investors a combination of these characteristics include: **Kinross Gold, Harmony Gold, Centerra Gold, Jaguar Mining, Central African Gold, Anatolia Minerals** and **Avoca Resources.** Each of these companies is profiled at the end of this report.

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Investment Strategy: A Pause in Our Positive Long-term Gold Story?

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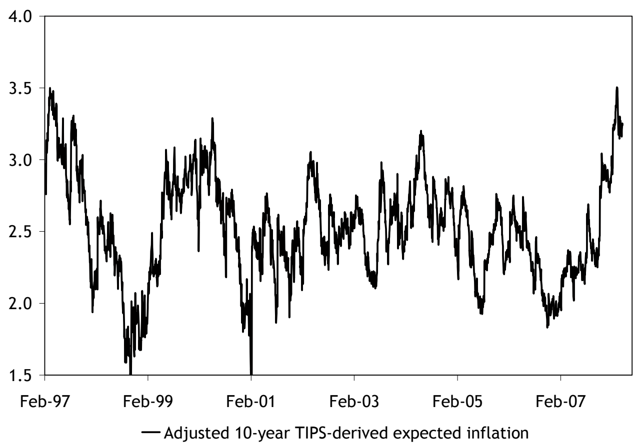
- Global inflation expectations moderate in the face of slowing aggregate demand.
- The greenback's downtrend pauses as economic growth differentials temporarily turn less one-sided against the U.S. economy.
- Downward pressure that accelerating food prices place on disposable incomes exacerbates the seasonally weak period of emerging market demand for gold.
- These three risks have emerged at a time when speculators are very long gold bullion.

A popular debate among market followers these days centers on the question of what currently poses a bigger risk – inflation or deflation? Herein lies one of the appeals of gold over the long term, as we view it is an effective hedge under either scenario. However, if we had to choose one as currently being top-of-mind for markets right now, record high oil and food prices and aggressive monetary ease from the Fed would have us leaning in inflation's direction.

Exhibit 1: The "Inflation Trade" and Gold: From Tailwind to Speedbump?



Source: RBC Capital Markets, Cleveland FRB

Source: RBC Capital Markets, OECD, Global Insight

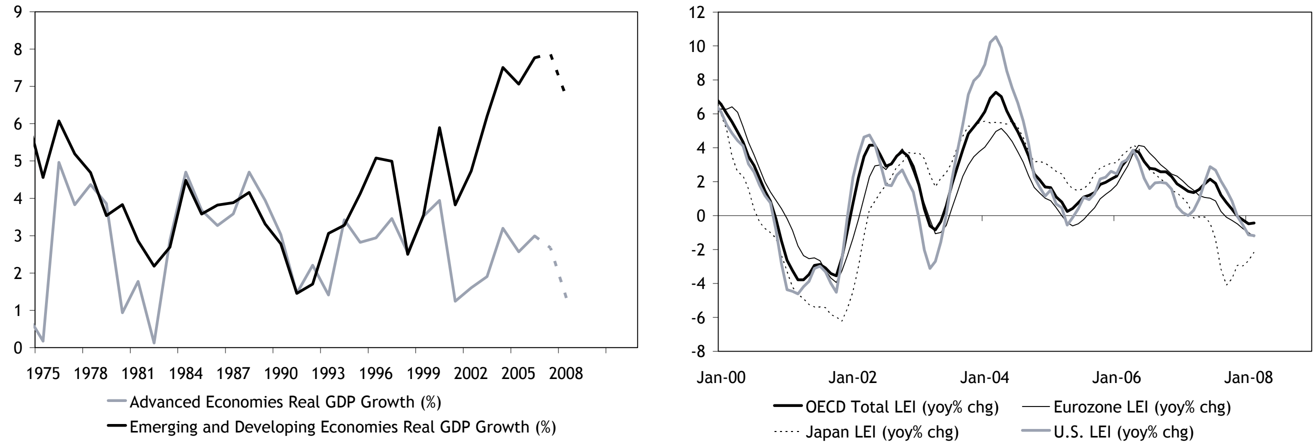
The big bet investors have placed on the 'inflation trade' poses some risks for the gold price over the next quarter or two, as the increase in inflation expectations – reflected in part by gold's performance – may have gotten ahead of itself. It's no coincidence that gold's recent run to new record highs has come at a time when bond markets are pricing for the highest expected inflation rates in over ten years (Exhibit 1, LHS). Meanwhile, actual global inflation has failed to corroborate those expectations (Exhibit 1, RHS). This leaves gold vulnerable to a re-rating downward in inflation expectations.

A marked acceleration in actual inflation rates over the next 3–6 months seems unlikely given dimming prospects for the global economy. The IMF recently downgraded its forecast for 2008 global economic growth (Exhibit 2, LHS), while many leading economic indicators from around the world remain in negative territory (Exhibit 2, RHS). In our view the downside risks to the gold price should dissipate once inflation expectations moderate and become better aligned with the outlook of slower global growth.

Another risk to the near-term gold outlook is a potential counter-trend rally in the USD. Gold's latest run has been helped in part by a belief that robust economic growth around the world would continue virtually unhindered, even in the face of a U.S. slowdown. The resulting relative bearish outlook for the U.S. economy put pressure on the greenback, boosting gold in the process. However, faith in this decoupling hypothesis is now being put to the test as investors are confronted with a steady stream of evidence suggesting that the global economy is not as immune to a U.S. slowdown as once thought.

The lagged impact on other economies' fortunes should begin to get reflected in a narrowing of estimated GDP growth differentials, providing the USD with near-term support (and gold with near-term headwinds) in the process. Note that a USD rally here would likely be fairly short-lived, representing a counter-trend move within a broader, fundamentally-driven bearish trajectory. This would not be unlike the countertrend USD bounce we saw in the first half of 2005, during which time gold consolidated its gains from the prior few years before continuing its advance.

Exhibit 2: Slowing Global Economic Growth Should Cool Prices

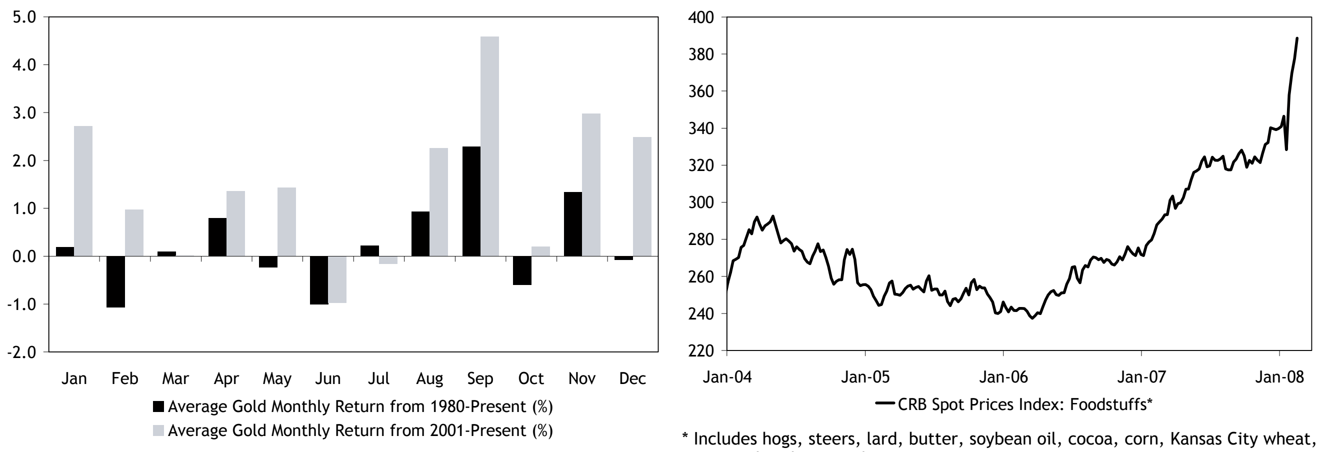


Source: RBC Capital Markets, IMF (2007-08 are estimates), Global Financial Data Inc.

Source: RBC Capital Markets, OECD

A more immediate potential risk lies in the fact that we are now entering a traditionally weak season for gold. History has shown that gold prices tend to decline as we move from spring into summer (Exhibit 3, LHS). In addition to the venerated “sell in May and go away” explanation, another reason particular to gold is the drawing to a close of the Indian spring wedding season. The resulting drop-off in gold demand could be exacerbated this year by the intense food price inflation currently being endured around the world (Exhibit 3, RHS). As prices rise, more income will have to be directed away from shiny adornments and towards nourishing necessities. At the same time, farmers – a significant component of India’s gold buying community – now have added incentive to direct more resources towards crops that are currently fetching record high prices, leaving less left over to invest in luxuries and stores of value such as gold.

Exhibit 3: Seasonal Weakness to be Exacerbated by Rising Food Prices/Lower Disposable Incomes in Emerging Economies?



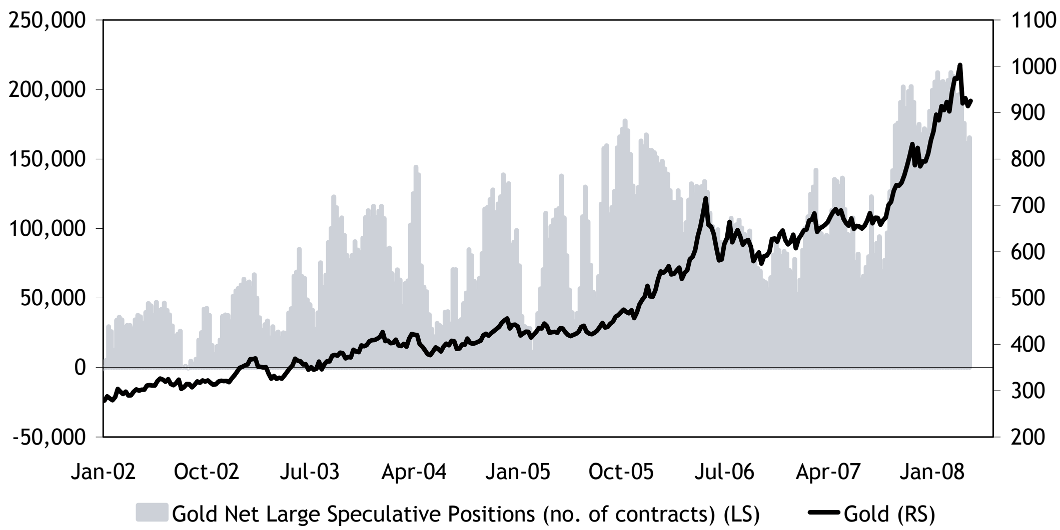
Source: RBC Capital Markets Research

* Includes hogs, steers, lard, butter, soybean oil, cocoa, corn, Kansas City wheat, Minneapolis wheat, and sugar.
Source: RBC Capital Markets, CRB, Global Insight

The seasonal weakness story comes with a cautionary caveat: the spring-summer declines have been less significant in recent years than in the past, while the opposite can be said of the traditionally stronger months later in the calendar year (Exhibit 3, LHS). This is not surprising given that we are in the midst of a broader gold bull, but it does raise a cautionary flag for those hoping to time the market. If the traditionally strong period comes a bit earlier than its usual August-September timeframe this year, those who got out/went short in anticipation of the hopedfor spring dip could find themselves whipsawed and scrambling when the time comes to get back in/cover.

The potential for liquidation among speculators presents another near term potential risk. This type of concern tends to arise when a trade gets "crowded" on one side. In gold's case, it is not surprising to find that the long side has been quite popular, with net speculative positions recently reaching new highs (Exhibit 4). However, this in and of itself is not what concerns us most, as speculators have been net long the commodity for the last five years straight, during which time the gold price has continued to push on to new highs. Rather, it is the very fact that the long gold trade has indeed been so successful, as this makes it a prime selling candidate in the face of a forced liquidation. Should continuing credit market jitters and issues surrounding toxic paper induce further general market sell offs, winning trades will be sold to meet margin calls on the losers. We got a taste of this in mid-March of this year, when the golden baby was tossed out with the credit market's bath water in the midst of a broader asset liquidation and flight to safety.

Exhibit 4: Winning Long Gold Trades Prone to Liquidation in Broader Market Selloff



Source: RBC Capital Markets, CFTC

Bottom Line: The risks noted above are immediate- or short-term (i.e., 3 to 6 months) in nature. They do not change the longer-term bullish case for gold that we have been making for the past five years. We believe that the greenback's role as a reserve currency will continue to decline in importance relative to alternatives such as the euro and gold. At the same time, we suspect that central banks' current aggressive reflationary efforts will place additional pressure on currencies relative to hard commodities in the years to come. It is within this context that we have highlighted some of the more immediate risks while maintaining our long-term bullish outlook for gold.

Emerging Markets Inflation Back in Play

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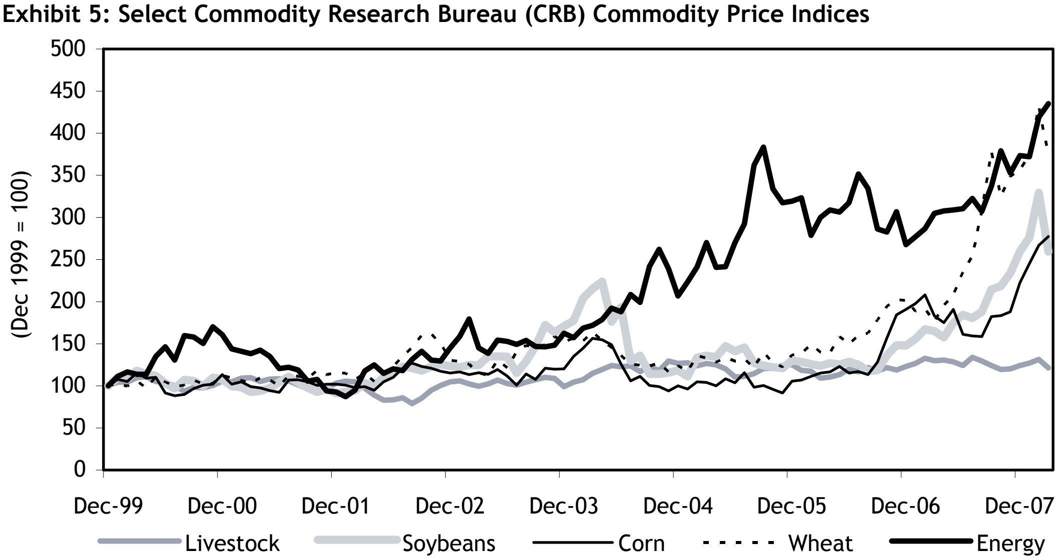
Strategy Implications

- As we moved through 2007, inflation rates in many Emerging Markets (EM) look to have bottomed and started to revert higher again. In almost every case, rapidly rising food and energy prices are to blame while goods inflation has remained stable/low.
- We believe the "energy and agflation" problem currently underway across many EMs will have lasting power and inflation could remain a serious issue across EMs over the next 1–2 years.
- This will necessitate EM central banks to shift monetary policy priorities from growth to inflation. To cope, a mix of policy alternatives are likely to be utilized: greater subsidization or price and export controls, tighter monetary policy via higher interest rates and / or increasing policymakers' tolerance of currency appreciation.
- An increased tolerance for a stronger FX rate in combination with higher local interest rates should be (ceteris paribus) positive from an EM-carry perspective, as interest rate differentials would widen leaving EM yields even more attractive. Ultimately, however, it will be external financial market volatility that will prove king when it comes to appetite for EM-carry trades.

Historically, hyperinflation has been a chronic problem afflicting emerging market (EM) countries. However, between 2002 and 2007, we witnessed broad trend dis-inflation across the EM world with both headline and core inflation touching multi-decade or historic lows, a development enabling almost universal monetary easing cycles to take hold leading to a sharp decline in both real and nominal interest rates. A number of factors underpinned the taming in EM inflation, including strong FX appreciation, solid productivity gains, generally less populist fiscal policies, improved central bank credibility as many have shifted to inflation-targeting regimes, as well as the China-effect that has fuelled imported tradable goods dis-inflation or in some cases even deflation.

However, as we moved through 2007, inflation rates in many EMs look to have bottomed and started to revert higher again continuing through early-2008. **In almost every case, rapidly rising food and energy prices are to blame**. Looking at Exhibit 5, this does not come as a major surprise as both energy (particularly oil) and many soft agricultural commodity prices have spiked sharply in the last 1–2 years and the inflationary impact is beginning to feed through. Between December 2005 and March 2008, oil +166%, corn +163%, soybeans +99% and wheat +174% prices have all abruptly surged, with only livestock prices holding relatively flat over this period.

Exhibit 5: Select Commodity Research Bureau (CRB) Commodity Price Indices



Source: RBC Capital Markets Research, CRB

Although cyclical or one-off factors are partly to blame (i.e., drought conditions in key agricultural goods exporters, increased investment money inflows into commodities as the latter have performed broadly well tracking strong global growth, increased speculative buying thanks to cheap financing, high geo-political risks, etc.), **we believe a number of key structural drivers are also behind the run-up in the above-noted commodity prices**. First, global demand for both food and energy is accelerating rapidly as many parts of the emerging world industrialize and build-up an ever-larger middle-class with higher disposable income and a shifting diet beyond basic staples (notably China and India). Second, the multi-year surge in oil prices is fuelling higher demand for less-costly and more efficient alternative energy sources, a phenomenon driving a bio-fuels demand shock that is reducing farmland for food consumption, as a growing number of farmers find it more profitable to sell their crops for energy-use rather than human consumption.

The structural dynamics noted above could mean that the "energy and agflation" problem that exists across many EMs will have lasting power and inflation could remain a serious issue for these countries over the next 1–2 years and not just a temporary phenomenon regardless of an expected slowdown in global economic growth. **There is a high risk that at some point, the current energy and food price shock could trigger a vicious cycle filtering through into service prices, wages and inflation expectations.** The prospect for second-round contamination is stronger in lower-income EMs vs. the developed world, as **the weight of food in consumer price baskets of the former is generally much higher** as food accounts for a greater share of total household expenditure. Due to the latter, food prices are prone to much tighter government intervention in EMs via price caps / controls. In turn, the pass-through to consumers is more gradual over a longer period of time; thus, we may not have seen the worst of the food price shock hit EM yet. In Exhibit 6, we compare the energy and food weights in CPI in select EMs relative to their G7 peers. Although food takes a greater share of the CPI basket in EM, the weight of energy tends to be equal to or for the most part, slightly less in the developed vs. developing world due to higher government subsidization as well as lower household heating and vehicle use per capita in most EM countries. **Net-net, food and energy carry a 30-40% (or greater) weight in virtually all EM CPI baskets versus a ~24% weight in the G7.**

Exhibit 6: Food and Energy Weight in CPI

% Weight in Total CPI Basket	Food	Energy	Total
Latin America:			
Argentina	31.3	5.9	37.2
Brazil	20.6	9.7	30.3
Chile	27.3	5.7	33.0
Colombia	29.5	6.8	36.3
Mexico	22.7	7.7	30.4
EMEA:			
Hungary	20.0	13.7	33.7
Poland	19.9	16.1	36.0
Russia	40.2	10.8	51.0
S. Africa	23.0	10.3	33.3
Turkey	27.9	12.6	40.5
Iceland	16.1	8.0	24.1
Asia:			
China	33.6	N/A	N/A
India	26.9	18.8	45.7
EM average	26.1	10.5	**36.0**
G7 average	15.9	8.2	**24.1**

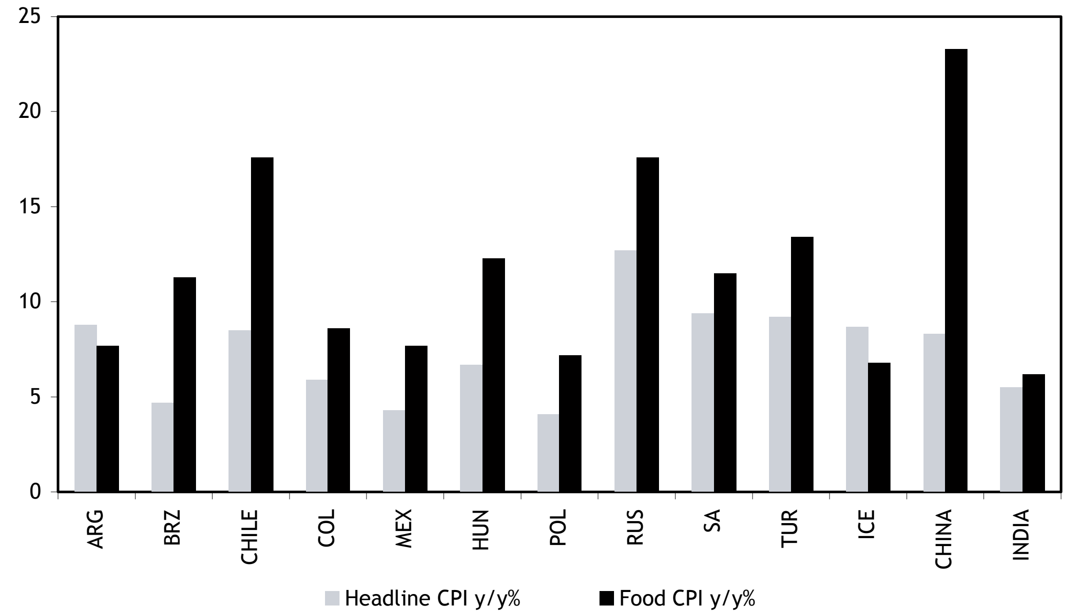
Source: IMF, National Central Banks

In Exhibit 7, we report the latest available headline and food CPI y/y data for some of the largest EM countries. Of the 13 countries spanning Latin America, EMEA and Asia that we have chosen, only in two (Argentina and Iceland) is y/y food CPI running below headline CPI. In fact, in more than 50% of the countries in our survey, food CPI has hit double-digits in y/y terms, while in a number of the countries (Brazil, Chile, Poland, Hungary and China) food CPI is running at approximately double the rate of the overall headline rate.

Implications

As it is very difficult for central banks globally to fight supply-side energy and food price shocks, EM policy-makers must nonetheless deal with the problem that a rising headline CPI rate tends to drive inflation expectations higher. With headline CPI now firmly on the up-tick or hovering at elevated levels near the upper-bound of inflation targets across EM (Exhibit 8), it is fair to say that the EM monetary easing cycles witnessed over the past few years are over as inflation pressures emanating from high food & energy prices will very likely extend through 2008. Of the 13 countries in our survey in Exhibit 8, 11 of them feature headline CPI that hovers above their respective central bank CPI target ranges. In the remaining two countries, inflation is either expected to be or already at the upper limit of the target by the end of this year.

Exhibit 7: EM Headline and Food CPI



Source: Bloomberg

Exhibit 8: CPI Dynamics and Monetary Policy Bias

	2008 CB inflation target %	Dec-2008 RBC CPI forecast	# of months above target	Monetary Policy Bias 3-6 m	Monetary Policy Bias 6-12 m
ARG	7.7-11	10.0	0	→	→
BRZ	4.5 +/- 2	4.6	3	↗	↗
CHILE	3 +/- 1	6.2	8	→	→
COL	3.5-4.5	4.8	15	→	↘
MEX	3 +/- 1	3.6	1	↘	↘
HUN	3 +/- 1	4.8	16	↗	→
POL	2.5 +/- 1	3.6	5	↗	↗
RUS	8.0-9.5	10.5	8	↗	↗
SA	3-6	6.7	11	→	→
TUR	4 +/- 2	7.2	27	↗	↘
ICE	2.5 +/- 1.5	10.0	7	↗	↘
CHINA	3	5.8	11	↗	→
INDIA	5-5.5	5.1	19	↗	↗

Source: IMF, National Central Banks, RBC Capital Markets Research

Exhibit 9: Risks to CB Policy

BRZ	BCB rate hike cycle could extend into 2009
COL	BanRep staying on hold for longer, possibly through year-end
MEX	Banxico hiking one more time in 08Q2
HUN	NBH could be forced to raise rates by a further 100bp
SA	SARB further hiking rates (through year-end)
TUR	A near-term shift to a temporary tightening cycle
ICE	Sedlabanki hiking more aggressively vs. our +50-100bp forecast

Source: RBC Capital Markets

All in all, we believe EM central banks will face a much more challenging 2008 as energy and food price pressures are unlikely to abate and will inevitably be forced to shift their monetary policy priorities. To cope, a mix of policy alternatives are likely to be utilized: **greater subsidization or price and export controls** (as already seen in Argentina, Russia, Mexico), **tighter monetary policy via higher interest rates or an increased tolerance for currency appreciation by policymakers.**

Although greater subsidization or price/export controls will bring short-term CPI relief and possibly stave off social unrest, it would only serve to distort pricing over the long haul limiting its effectiveness. Ultimately, we believe that central banks will have no choice but to hike rates (or keep them high for longer) or allow their currencies to strengthen more aggressively. The latter would allow for less aggressive rate hikes, in turn partially sheltering the domestic economy from tighter credit conditions at a time when exports will likely suffer from slowing global import demand. **A possible risk is that EM central banks may be forced to keep monetary policy tight at a time when global growth potentially slows more aggressively than currently anticipated dragging commodity prices lower as well, exerting further downward pressures on their own domestic economies and ultimately debunking the EM de-coupling myth.**

An increased tolerance for a stronger FX rate in combination with higher local interest rates should be (ceteris paribus) positive from an EM-carry perspective, as interest rate differentials would widen leaving EM yields even more attractive. The inflation-fighting credibility of EM central banks could also strengthen as the latter have historically had a poor track record in combating inflation, helping contain FX weakness pressures. Ultimately, it will be external financial market volatility that will prove king when it comes to appetite for EM-carry trades; if volatility remains high through 2008, it will be difficult for investors to hold EM carry-trade positions as stop-losses would likely be triggered frequently.

The Gold Outlook: A Technical Perspective

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Gold Likely Beginning A Multi-Month Consolidation

The secular bull case for gold remains as strong as ever. In recent months, spiraling food and energy prices have stoked traditional inflation concerns, while ongoing deflation in the credit markets has increasingly fueled fears of downstream monetary reflation.

Against this backdrop, bullion appreciated some 57% from last June's low at $642.80 to the recent high at $1017.50. From a technical standpoint, we believe there is a strong likelihood that gold is now in the early stages of a multi-month consolidation phase after its big 9-month advance.

Exhibit 10 shows that there have been two major consolidation/correction phases in gold since the start of the bull market in 2001. The first (A) lasted 14 months from early 2004 to mid-2005. The second (B) lasted 13 months from May 2006 to June 2007. How long this one might last is anybody's guess, but we believe that a new trading range could run as far as Q1/09, and work hand-in-hand with our "Muddle Through" scenario for the stock market as a whole.

Exhibit 10: Gold Price (London PM Fix)

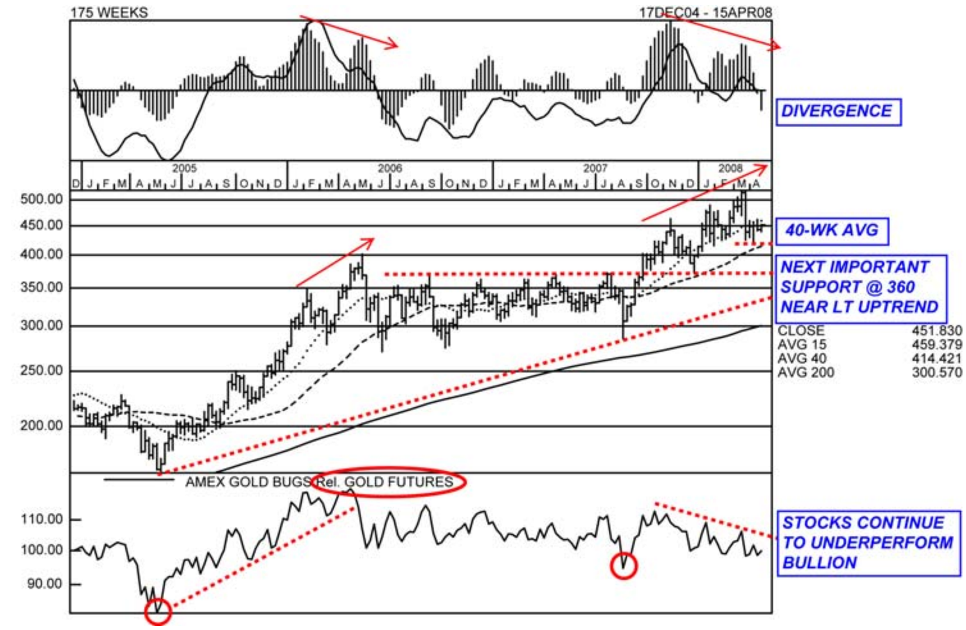
Source: RBC Capital Markets Trend & Cycle

Since last June, gold has performed inversely to the major stock averages. We believe that the mid-March highs in gold corresponded to a successful "retest" of the January lows in stocks. Further, this successful retest by stocks is, at least so far, consistent with equity markets entering a recovery phase that can last until Q1 to Q2/09 when the peak of the current 4-year cycle is due (see discussion and Roadmaps in our January forecast piece, *2008: The Year In Prospect*).

Regardless of the eventual outcome, we believe it makes tactical sense to take an intermediate trading approach to the gold sector for the next several months. As Exhibit 11 shows, intermediate momentum for the AMEX Gold Bugs Index (HUI) turned down only four weeks ago, and does not yet show signs of bottoming. Note that the momentum peak in March was lower than the prior peak in November. The last divergence of this sort took place in March 2006, right at the start of the second multi-quarter consolidation since 2004.

First support for the HUI Index is near the 40-week average currently at 414.42. The next lower level of support is near the December 2007 low at 371.76. Corresponding levels for bullion are between 877.00 and 864.00, then between the 200-day average at 807.46 and the mid-December low at 792.50. The highs of the range are likely to be near 975 for bullion and 500 for the HUI.

Exhibit 11: AMEX Gold Bugs Index

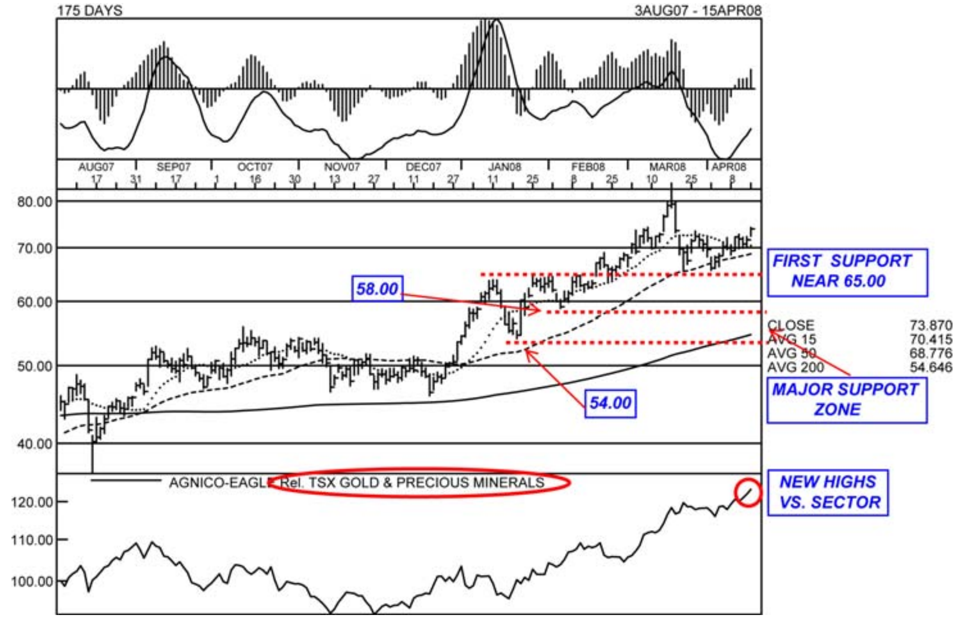


Source: RBC Capital Markets Trend & Cycle

From a longer-term standpoint, it appears that bullion is acting progressively stronger in relation to the stocks over time. Note that in the mid-2005-mid-2006 advance, the HUI strongly outperformed bullion (bottom panel, Exhibit 11): the HUI gained 143% during this period while gold gained 74%. In the advance from June 2007, the HUI gained 82% vs. gold's 61%. The stocks have lagged bullion since November, and the relative downtrend is still intact. The demand for physical gold appears to be gaining vs. demand for the stocks.

For stock examples, we illustrate **Agnico-Eagle** and **Yamana**. Agnico is a proxy for the stronger gold names, i.e., those that made new all-time highs in March, and are currently trading well-above their 200-day averages: Eldorado, Goldcorp, Kinross and Pan American Silver have similar patterns. Yamana is a proxy for names that have acted weaker of late, and have already caught up with their 200-day averages: Barrick Gold, Centerra, Red Back Mining and Silvercorp have similar patterns.

Exhibit 12: Agnico-Eagle Mines



Source: RBC Capital Markets Trend & Cycle

First support for AEM has already been defined near 65.00. We believe that there is a good chance that the stronger names will eventually define the lower end of their trading ranges near the 200-day average. For Agnico, this would likely be somewhere between the early-February low at 58.00 and the rising 200-day average, currently at 54.64.

Exhibit 13: Yamana Gold Inc.

Source: RBC Capital Markets Trend & Cycle

First support for Yamana is being defined close to the 200-day average and the mid-January/February lows near 14.09. The next important level of support is near the December low at 11.59. We would expect YRI to approach this level as and when Agnico breaks its recent lows near 65.00 and catches up with its 200-day average.

Fundamentals for Gold

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Supply and Demand

We monitor the global gold supply and demand data compiled by GFMS Ltd[1] (Years 2002-2007 in Exhibit 14 below). From a supply perspective, the gold and diversified mining companies under coverage, or closely followed, by RBC Capital Markets accounted for approximately 70% of global gold mine production in 2007, as reported by GFMS. For the purpose of the report, we have also revised our estimates for some of the other components of supply and demand, which we discuss in more detail below.

Supply fundamentals are expected to remain relatively stable in the near term, with the exception of a moderate decline forecast for global mine production in 2008, as a result of expected curtailment of production from South Africa, due to power constraints on deep-level underground mining. On the demand side of the equation, near-term weakness is expected for jewellery demand, largely due to the combined impact of a slowdown in global growth, elevated gold price levels and price volatility.

Our longer-term fundamental view on gold remains intact, primarily as a result of our view of flat to declining mine supply beyond the end of the decade. With continued bearish outlook for the U.S. dollar, we continue to forecast strong investment demand, and an overall positive fundamental picture for gold prices for the next several years.

Exhibit 14: World Gold Supply and Demand (tonnes) – 2002 – 2012E

Supply	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008E**	**2009E**	**2010E**	**2011E**	**2012E**
Mine production	2,618	2,621	2,493	2,548	2,486	2,476	2,416	2,453	2,476	2,478	2,455
Official sector sales (Net of Purchases)	547	620	479	663	370	481	400	400	500	500	500
Old gold scrap	872	985	878	897	1,126	956	1,000	900	850	850	850
Net producer hedging	-	-	-	-	-	-	-	-	-	-	-
Implied disinvestment	-	-	12	-	-	-	-	-	-	-	-
Total Supply	**4,037**	**4,225**	**3,862**	**4,108**	**3,982**	**3,912**	**3,816**	**3,753**	**3,826**	**3,828**	**3,805**
Demand											
Fabrication											
Jewellery fabrication	2,660	2,482	2,613	2,708	2,284	2,401	2,175	2,215	2,335	2,360	2,380
Other fabrication	481	515	555	579	648	671	690	710	725	740	755
Total Fabrication	3,141	2,997	3,168	3,287	2,932	3,072	2,865	2,925	3,060	3,100	3,135
Bar hoarding	264	180	257	264	235	236	240	255	265	275	275
Net Producer Dehedging	412	289	438	92	410	446	250	175	150	125	100
Implied Investment	220	760	-	465	404	158	461	398	351	328	295
Total Demand	**4,037**	**4,225**	**3,862**	**4,108**	**3,982**	**3,912**	**3,816**	**3,753**	**3,826**	**3,828**	**3,805**
Gold Price Average (US$/oz)	$310	$363	$409	$444	$604	$695	**$910**	**$935**	**$965**	**$1,000**	**$1,000**

Source: 2002-2007: GFMS reports, 2008E-onwards: RBC Capital Markets estimates

[1] *GFMS – Gold Survey 2008* – April 2008

Key Supply Drivers

We have summarized some of the key drivers below.

1) Based on our analysis of companies whose combined output accounts for approximately 70% of worldwide production, we expect **mine production** to remain fairly stable in 2008 and 2009 and then to peak in 2010-11. We expect this increase to be distributed across several projects, companies and geographies, not driven by any one particular start-up. **Large-scale projects expected to contribute to increased production in 2010 include:**

   a. Penasquito (Goldcorp: Mexico)

   b. Kupol (Kinross Gold: Russia)

   c. Boddington (Newmont Mining: Australia)

   Although production is expected to fall slightly in 2012, there are several large-scale projects that are expected to contribute to a relatively large component of production in 2012:

   a. Pueblo Viejo (Barrick Gold: Dominican Republic)

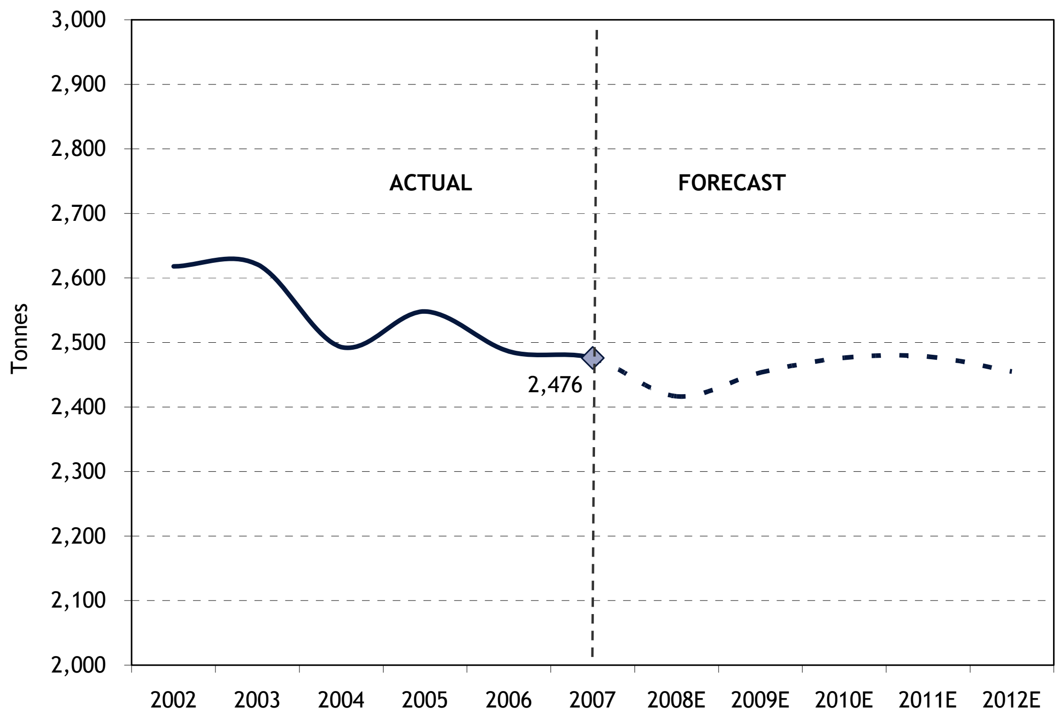
   b. Pascua Lama (Barrick Gold: Chile)

   c. Rosia Montana (Gabriel Resources: Romania)

   d. Cerro Casale (Kinross Gold: Chile)

   e. Olympiada (Polyus Gold, Russia)

Exhibit 15: Global Mine Supply



Source: GFMS, RBC Capital Markets estimates

2) We have adopted a conservative approach to forecasting **official sector activity**, assuming that the maximum allowable tonnes prescribed by the Central Bank Gold Agreement (CBGA) are sold each year (500t). We also assume that a new CBGA agreement takes effect after 2009 that allows its signatories to sell an aggregate of 600 tonnes annually for another five years.

   Central bank purchases are also assumed that would partially offset the European Central Bank sales, particularly with respect to China's stated intention to diversify its foreign exchange reserves in effort to reduce its exposure to the U.S. dollar. Other potential purchasers include Russia and the UAE. We estimate 100 tonnes a year of Central Bank buying. However, potential purchasers such as Russia and China are unlikely to move markets, as these governments do not need to buy gold on the open market, as they have the option of purchasing gold from domestic producers and not delivering to the global markets.

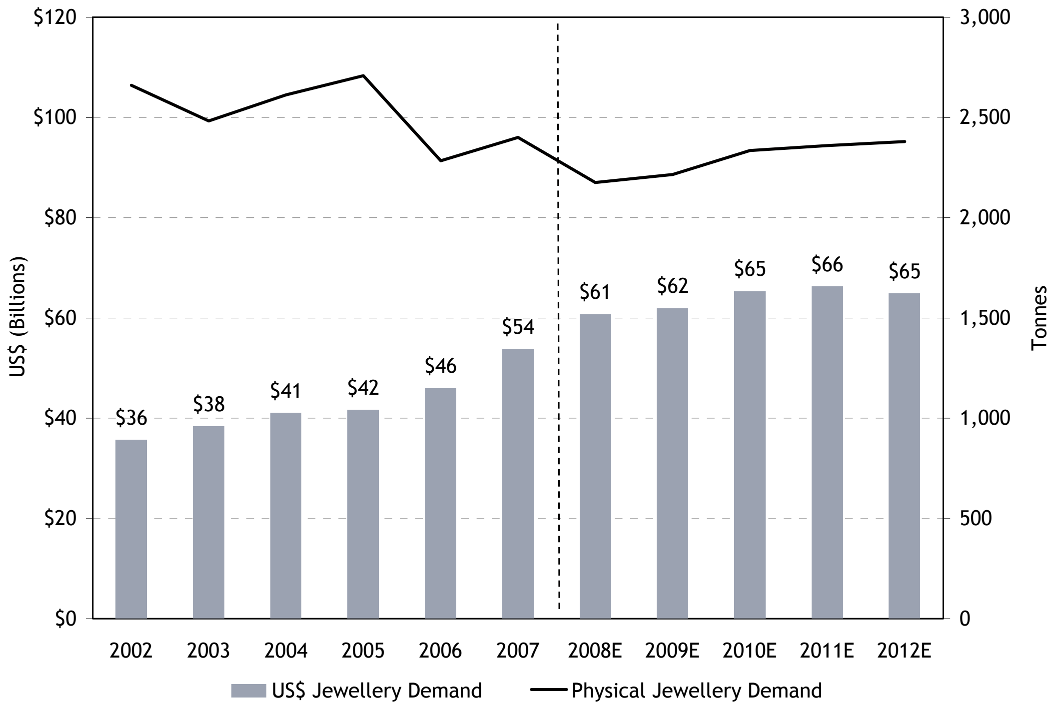
3) Generally, **gold scrap sales** are directly related to gold price volatility. Going forward, we assume that the gold supply from scrap sales will increase in the near term towards the high end of its 10-year range on the back of an expected continuation of increased price volatility.

Demand Drivers

1) **Jewellery demand**, which has historically accounted for roughly 80% of total fabrication demand, is expected to decrease by approximately 9% in 2008 in response to expectations for increased price volatility, elevated price levels and a decline in GDP growth. This expected drop is slightly lower than the decline experienced in 2006–2005, where the total jewellery demand in tonnage terms fell by 16%, largely due to a similar environment of a surge in price levels and price volatility.

   Despite our forecast for a 226 tonnes dip in jewellery demand in tonnage terms in 2008, we forecast that the total dollar value spent on jewellery will continue to grow, even after accounting for inflation (bars in Exhibit 16).

Exhibit 16: Gold Jewellery Spend (2007 US$) versus Physical Gold Demand (tonnes)

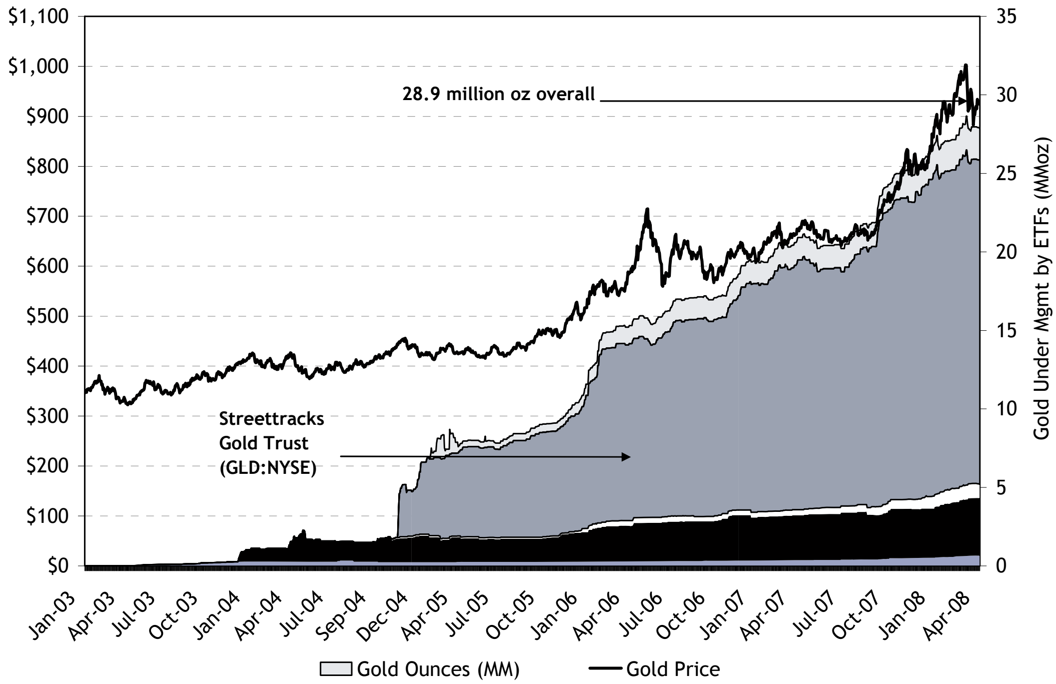


Source: GFMS, RBC Capital Markets estimates

2) **Producer de-hedging**, reached an all time high of 446 tonnes in 2007, contributing to roughly 11% of total gold demand. Companies such as Newcrest, Barrick and Newmont made the most sizeable reductions to their hedge positions in 2007. We expect a moderate decline in the rate of de-hedging to 250 tonnes for 2008 and fall further looking out 2009 and onwards.

3) **Implied investment:** Over the past couple of years, **Exchange Traded Fund (ETF) gold products** have emerged as a meaningful component of gold demand, accounting for 7% of total demand in 2007. Following a slowdown in mid-2007, the five primary ETFs have added almost eight million ounces, coincident with the gold price rally. During the recent pullback in the gold price from its (intraday) high of $1033/oz to $874/oz, ETF ounces under management fell only slightly from 29.6MMoz to 28.9MMoz, suggesting that investors use this product for long-term or strategic investment purposes, rather than for short-term trading opportunities (see Exhibit 17 below).

Exhibit 17: Global ETF Growth 2003-Present



Source: World Gold Council, Bloomberg, RBC Capital Markets

Moving into a Seasonally Weak Period

As discussed earlier in the Investment Strategy section of this report, we are entering a seasonally weak period for gold demand. Over the past 28 years, gold has typically outperformed on a monthly basis in the months of April and May. This is usually followed by a seasonal slowdown in the summer months, and an upsurge in the early fall. With this in mind, **we recommend investors crystallize profits now, and take advantage of gold at lower levels during the Summer 2008 period to re-establish long positions.**

Gold Equity Investment Strategy

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Current market factors lead us to believe investors should take profits in gold and gold equities in the short-term. However, we expect a rebound in the gold price in the period of seasonal strength in September-October.

Fed Rate Cutting Cycle May Be Nearing an End

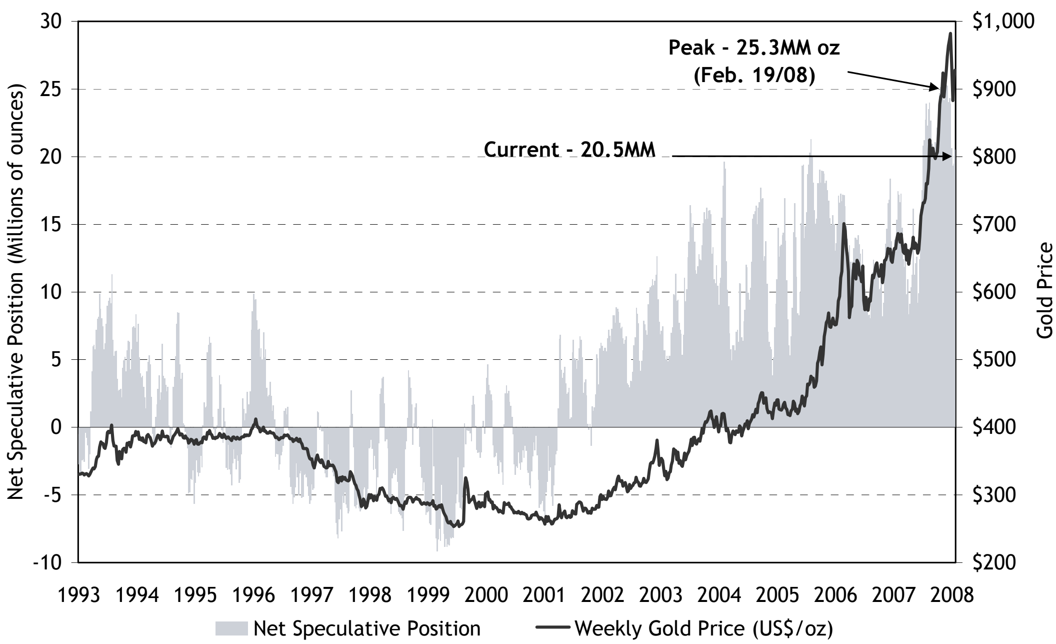
After the U.S. Federal Reserve began its recent rate cutting cycle on September 18, 2007, we published a view that it would have a positive impact on the gold price. In our analysis of 13 prior Fed rate cutting cycles, in both the recession and non-recession cycles, we found the average duration of the cycle to be eight months, and the average one-year return on gold equities from the beginning of the cycle to be 17%. In the seven months since the start of the most recent Fed cutting cycle, gold has increased by roughly 30% to the current level of ~$920/oz (as well as reaching an all time intraday high of $1,033/oz on March 17). During the same period, gold equities, as measured by the S&P TSX Gold Sub Index, have increased by roughly 28%. We believe that the current fed rate cutting cycle may come to an end over the next one to three months, based on the historical average length of these cycles.

Combining our view that a seasonal slowdown for gold demand is around the corner in the summer months, and the possibility that the U.S. fed rate cutting cycle may come to an end shortly, we believe the timing is right for investors to take profits in the short term in gold and gold equities. We also would use a seasonally quiet period in June and July to buy-back or add to existing gold equity positions.

Net Speculative Gold Futures Position Poised for a Pullback

A record increase in the net speculative long gold futures position on COMEX has coincided with the run in the price of gold. On February 19, 2008, the net long position in futures reached an all-time high of 25.3MMoz before pulling back to the current 20.5MMoz level (Exhibit 18). We expect the high positive correlation between gold and the speculative futures position to continue, and look for the long position to decline possibly as low as the 10MMoz range, before gold consolidates and makes another run at $1,000/oz in September-October 2008.

Exhibit 18: COMEX Gold Futures Pullback on Recent Gold Price Correction



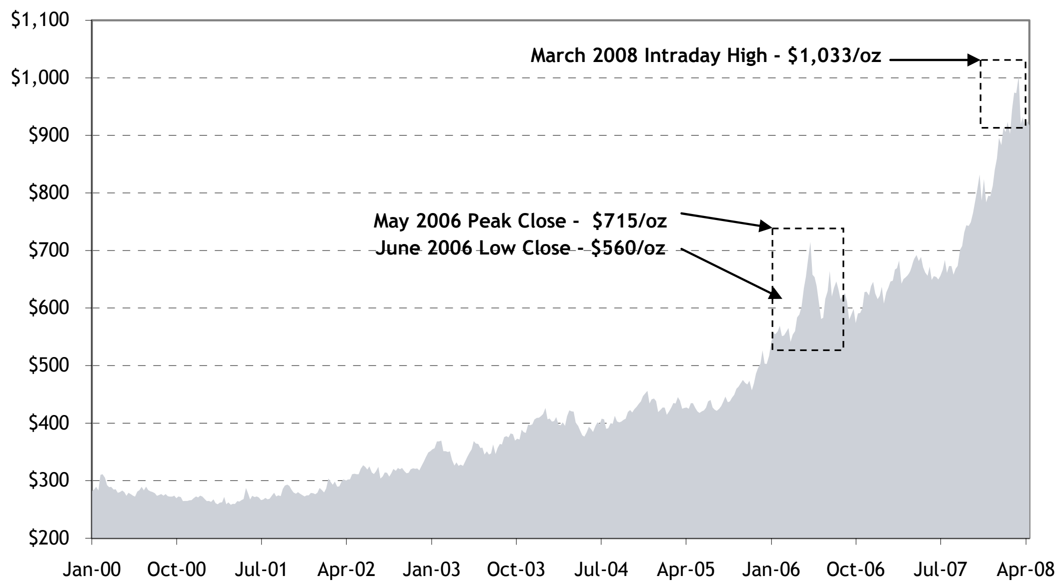
Source: Bloomberg, RBC Capital Markets

History Repeating Itself? Gold Reaches High Before Consolidation

In May 2006, gold ran to a 26-year high of $730/oz (intraday trading), followed by a steep pullback to the ~$550/oz level, a short rally back up to $650/oz, and finally a consolidation over a 4-month period at the $600/oz level. In early 2006, investor concern about geopolitical risk in the Middle East, North Korea, and the oil supply out of Nigeria was the leading cause of the gold price move.

Similarly, in the September 2007 to March 2008 period, global risk aversion increased, this time relating to the sub-prime mortgage crisis in the U.S. and the contraction of global monetary liquidity and soaring commodity prices. Gold followed with a record run to the $1,033/oz level, and has recently pulled back to the $900/oz level. We believe a similar scenario as occurred in June 2006 may be repeated by gold over the next few months. If this is the case, investors should take profits by selling into near-term strength, as we believe gold may consolidate at lower levels during the summer months before taking another run at $1,000/oz in the fall of 2008.

Exhibit 19: Gold Price Peak and Correction – History Repeats Itself



Source: Bloomberg, RBC Capital Markets

Best Ideas: Fundamental Analysis

Kinross Gold

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Symbol:	KGC/K	**Stock Rating:**	Outperform
Exchange:	NYSE/TSX	**Risk Qualifier:**	Above Average
Price (April 18, 2008):	$23.82	**One-Year Target** (US$):	$29.00
52-Week High/ Low (US$):	$27.40/$9.87		

Fiscal Years Ending Dec 31 (US$ unless otherwise specified)	**2007**	**2008E**	**2009E**	**2010E**
Gold Price (US$/oz)	$697	$910	$940	$970
EPS F.D.	$0.36	$1.12	$1.61	$1.59
P/E F.D. (X)	66.2	21.4	14.8	15.0
CFPS F.D.	$0.58	$1.44	$2.09	$2.24
P/CF F.D. (X)	41.1	16.5	11.4	10.6
Gold Production (koz)	1,589	2,104	2,690	2,674
Cash costs ($/oz)	$368	$363	$334	$331

Source: Company reports, RBC Capital Markets estimates

Company Profile

Kinross Gold is a Canadian Tier I gold company that has grown through acquisitions. With its recent takeover of Bema Gold, we expect KGC's production to grow from 1.6 million ounces in 2007 to 2.7 million ounces in 2009. Over the same period, cash costs are expected to decline considerably, due primarily to the onset of low-cost production from the Kupol project in Chukotka, Russia.

Investment Thesis

- Our bullish investment case for Kinross Gold is driven by its strong near-term growth profile, solid management team, and near-term potential for the stock to be re-rated higher.
- The Kupol mine is expected to ramp up beginning in May 2008, the Paracatu expansion starts in July 2008 and the Buckhorn project is forecast to begin contributing in Q4/08.
- We forecast KGC's total cash cost profile to buck the industry-wide inflationary trend, declining from $368/oz in 2007 to $334/oz in 2009, although H1/08 costs will be higher due to inflation pressures at the existing mines.
- We believe KGC could be an attractive takeover target for large-cap Tier I gold producers and should get re-rated higher as they deliver on their production growth.
- Our $29.00 target reflects a blend of 16x our 2009 CFPS and 1.6x our 2009 NAV estimates.

Harmony Gold

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Symbol:	HAR/HMY	**Stock Rating:**	Outperform
Exchange:	JSE/NYSE	**Risk Qualifier:**	Above Average
Price (April 18, 2008):	R95.10	**One-Year Target** (R):	R150.00
52-Week High/ Low (R):	R118.5/R60		

Fiscal Years Ending June 30 (ZAR unless otherwise specified)	**2007**	**2008E**	**2009E**	**2010E**
Gold Price (US$/oz)	$644	$819	$925	$950
EPS F.D.	R0.86	R2.25	R8.43	R16.61
P/E F.D. (X)	n.m.	42.3	11.3	5.7
CFPS F.D.	R3.78	R4.97	R11.44	R19.41
P/CF F.D. (X)	25.2	19.1	8.3	4.9
Gold Production (koz)	2,344	1,813	1,923	2,126
Cash costs ($/oz)	$486	$595	$574	$549

Source: Company reports, RBC Capital Markets estimates

Company Profile

Harmony, the world's fifth-largest gold mining company, is listed on seven bourses (JSE, LSE, NASDAQ, NYSE, Euronext Paris, Euronext Brussels and Berlin Stock Exchange) and has operations in South Africa and Papua New Guinea ("PNG"). It produced about 2.3 million ounces of gold in FY2007 (primarily from South Africa). Harmony is undergoing internal restructuring, which should lead to the sale of several marginal assets and a significant reduction in total production. However, there is a capital growth campaign involving the development of five large-scale projects in South Africa and PNG which combined will exploit 20 million life-of-mine ounces.

Investment Thesis

- Harmony possesses five high-quality South African production assets which offer leverage to the gold price. The company's growth assets are of good quality and should have a significant positive impact on earnings once they are in full production.
- Harmony's PNG assets will require vast amounts of capital investment; consequently, the company is seeking a partner with which to jointly develop the PNG assets.
- Harmony possesses significant surface and underground uranium resources. It recently set up a new uranium company in partnership with a private equity fund to develop some of its high quality uranium resources. Harmony retains a 40% interest in this entity, which gives it exposure to uranium prices without having to fund the full capital requirements of developing these assets.
- The internal restructuring being implemented by CEO Graham Briggs is likely to lead to the sale or closing down of several marginal mines. This would significantly reduce total gold production, but margins would be improved and the funds raised though asset sales should provide capital with which to develop growth projects.
- We determine our target price by applying a 1x multiple to the NAV. We believe there is scope to increase this multiple in future if new management delivers on current guidance. Based on relative value and the expected 12-month return of the stock relative to other companies in our coverage universe, we rank this stock Outperform, Above Average Risk.

Centerra Gold

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stephen.walker@rbccm.com

Symbol:	CG	**Stock Rating:**	Outperform
Exchange:	TSX	**Risk Qualifier:**	Speculative
Price (April 18, 2008):	C$11.50	**One-Year Target** (C$):	C$17.50
52-Week High/ Low (C$):	C$16.08/C$3.16		

Fiscal Years Ending Dec 31	**2007**	**2008E**	**2009E**	**2010E**
(US$ unless otherwise specified)				
Gold Price (US$/oz)	$697	$912	$935	$965
EPS F.D.	$0.18	$1.02	$1.28	$1.44
P/E F.D. (X)	63.4	11.2	9.0	7.9
CFPS F.D.	$0.38	$1.43	$1.70	$1.89
P/CF F.D. (X)	30.4	8.0	6.7	6.0
Gold Production (koz)	543	795	812	816
Cash costs ($/oz)	$474	$419	$390	$382

Source: Company reports, RBC Capital Markets estimates

Company Profile

Centerra Gold is a Canada-based gold company operating in Mongolia, central Asia and Kyrgyz Republic in the former Soviet Union. Centerra is the largest Western-based gold producer operating in the region. The company has a large cash surplus and is actively looking to grow its business through merger and acquisition opportunities in central Asia, the former Soviet Union and other emerging markets.

Investment Thesis

- Centerra announced a binding agreement with the Kyrgyz government pertaining to the Kumtor project. Once the parliament approves, CG ownership will be 40.5% CCO and 29.3% Kyrgyz government.
- The region that Centerra is operating in has been relatively under explored, and exploration work has the potential to significantly extend the mine life of the operation. Significantly higher grade from the SB zone at Kumtor results in strong EPS/CFPS in H2/08, 2009 and 2010.
- The Mongolian government recently approved the Gatsuurt feasibility study and is currently negotiating tax agreements.
- A feasibility study for underground development at Kumtor is underway, with potential for significant resource expansion.
- Our 2008E NAV is C$9.45. Our target price of C$17.50 is derived by applying 1.5x and 15x multiples to our 2008 NAV and CFPS estimates, respectively.

Jaguar Mining Inc.

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Symbol:	JAG	**Stock Rating:**	Outperform
Exchange:	TSX	**Risk Qualifier:**	Above Average
Price (April 18, 2008):	C$10.27	**One-Year Target:**	C$17.00
52-Week High/ Low:	C$14.45/C$5.36		

Fiscal Years Ending Dec 31 (US$ unless otherwise specified)	**2007**	**2008E**	**2009E**	**2010E**
Gold Price (US$/oz)	$710	$910	$935	$965
EPS F.D.	($0.25)	$0.40	$1.08	$1.52
P/E F.D. (X)	n.m.	25.6	9.5	6.7
CFPS F.D.	($0.12)	$0.70	$1.49	$2.11
P/CF F.D. (X)	n.m.	14.6	6.8	4.8
Gold Production (koz)	70	150	216	294
Cash costs ($/oz)	$362	$329	$299	$296

Source: Company reports, RBC Capital Markets estimates

Company Profile

Jaguar Mining Inc. is a Canadian-listed exploration and development company with its head office in Connecticut. It has a large land position around the city of Belo Horizonte in southeastern Brazil. The company is focused on gold deposits located in the Iron Quadrangle area in the State of Minas Gerais. Jaguar's operating team has extensive experience, both in Brazil and the Iron Quadrangle, which has a long history of gold production. The company is actively mining at the Sabara and Turmalina gold mines and is developing the Paciencia and Caete mines, with the goal of becoming a Tier II gold producer by 2010.

Investment Thesis

- Jaguar Mining is an emerging gold producer focused on Brazil. We believe investor interest is likely to improve in 2008, partially as a result of increasing interest in stable political countries such as Brazil, and partly as Jaguar's growing producer story emerges as the company completes construction at Paciencia in Q2/08, and moves Caete towards start up in early 2009.
- While Jaguar Mining lacks a large core asset, we view the company's strategy to develop several small mines in a well-serviced area (infrastructure-rich), such as the Iron Quadrangle area of Belo Horizonte in Brazil, as having merit and providing potential to deliver growth quicker and at lower risk (execution, capital, political, etc.) than other emerging producers looking for larger projects in other (often less favorable) jurisdictions. The company has already outlined ambitious growth beyond our current expectations, to grow annual output from the 300-400Koz/yr we have modeled , towards 700Koz/yr by 2014, potentially taking Jaguar from a small Tier II gold producer to large Tier II producer.
- For Jaguar, we employ 1.5x NAV and 12.5x forward P/CF target multiples to derive our target price of C$17.00, which reflect discounts to our target range for the Tier II gold producers (1.5x-2.5x P/NAV and 15x-25x forward P/CF). These discounted target multiples reflect the emerging Tier II producer status of the company during its growth phase over the coming few years.

Central African Gold

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Symbol:	CAN	**Stock Rating:**	Outperform
Exchange:	AIM	**Risk Qualifier:**	Speculative
Price (April 18, 2008):	£0.32	**One-Year Target:**	£0.70
52-Week High/ Low:	£0.60/£0.28		

Fiscal Years Ending Dec 31 (US$ unless otherwise specified)	**2007**	**2008E**	**2009E**	**2010E**
Gold Price (US$/oz)	$695	$910	$935	$965
EPS F.D.	($0.04)	$0.15	$0.23	$0.22
P/E F.D. (X)	n.m.	4.3	2.8	2.9
CFPS F.D.	($0.04)	$0.17	$0.25	$0.25
P/CF F.D. (X)	n.m.	3.8	2.6	2.6
Gold Production (koz)	38	104	140	140
Cash costs ($/oz)	$643	$508	$430	$474

Source: Company reports, RBC Capital Markets estimates

Company Profile

Central African Gold (CAG) is an AIM-quoted emerging gold explorer with assets in Ghana, Zimbabwe, Mali and Botswana. The flagship asset is Bibiani in Ghana, which is ramping up to produce over 100,000 oz/yr at the end of 2008.

Investment Thesis

- Strong base with potential to grow. In a relatively short space of time, CAG has defined 5.6 MMoz in resources and 2 MMoz of reserves. It has a growing production profile with potential to expand.
- Fully financed. Following a recent equity fundraising of £15.6 million and a debt facility of $25 million, the company is fully financed to develop its assets.
- Undervalued compared to peers. Comparative analysis of emerging gold producers in the RBC universe indicate that CAG is significantly undervalued. CAG has an AMC/Resource of $22/oz, relative to the average of $48/oz. For our Tier III gold producers, the average increases to $108/oz. We would expect CAG to move up the value curve over the next year as it reaches full production.
- Best case scenario increases NAV estimates by 75% to $253 million (£0.77/sh). Bibiani has processing capacity available to expand production to 200,000 oz/yr. We believe this represents significant upside to the CAG.
- We rank the stock Outperform, Speculative Risk. Our 12-month price target for CAG is £0.70/sh, 112% above the current trading price. This is based on 1x P/NAV and 10x forward P/CF, with a weighting of 75/25. As CAG becomes an established producer, we believe a more aggressive rating on the stock could be realized.

Anatolia Minerals Development Limited

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Symbol:	ANO	**Stock Rating:**	Top Pick
Exchange:	TSX	**Risk Qualifier:**	Speculative
Price (April 18, 2008):	C$4.12	**One-Year Target:**	C$9.00
52-Week High/ Low:	C$6.99/C$3.44		

Fiscal Years Ending Dec 31 **(US$ unless otherwise specified)**	**2007**	**2008E**	**2009E**	**2010E**
Gold Price (US$/oz)	$695	$910	$935	$965
EPS F.D.	($0.21)	($0.20)	($0.23)	$0.84
P/E F.D. (X)	n.m.	n.m.	n.m.	4.9
CFPS F.D.	($0.16)	($0.20)	($0.23)	$1.21
P/CF F.D. (X)	n.m.	n.m.	n.m.	3.4
Gold Production (koz)	0	0	0	197
Cash costs ($/oz)	$0	$0	$0	$221

Source: Company reports, RBC Capital Markets estimates

Company Profile

Anatolia Minerals Development Limited is a U.S.-based, Canadian-listed mineral exploration and development company. The company's mineral property portfolio consists of precious and base metals properties throughout Turkey. Anatolia's main asset is the 100%-owned Cöpler gold project located in east-central Turkey.

Investment Thesis

- Anatolia Minerals is successfully executing an "early entrant" strategy that has been attempted by a number of small-cap mining companies over the years, focusing its particular efforts on Turkey. Ten years of activity in the country have allowed Anatolia to gain access to a number of prospective exploration properties for gold and copper, while garnering valuable experience of how to do business in the country. In our view, management is capable of taking its gained knowledge to successfully transform itself from explorer/developer to producer, by advancing its main project, Cöpler, through permitting, financing and construction, to become a new gold producer in early 2010.
- We look for increased investor interest in Anatolia Minerals over the next year, as the company achieves milestones that would allow the successful development of the Cöpler mine. Potential catalysts for the shares in the short term include:
  1) Cöpler Reserve/Resource and Economic update (Q2);
  2) Completion of financing for Cöpler mine construction (Q2-Q3). We assume $75-$100 million of project debt;
  3) Cöpler Mine Construction Start Up (Q3/08); and
  4) Exploration results from property portfolio in Turkey for gold and copper (ongoing).
- With 2.8MMoz of gold reserves, we consider Anatolia to be among the more attractive acquisition targets for Tier III gold producers (under 250Koz of annual gold output) seeking to gain Tier II status. We believe the underlying (but still open pittable) sulphide-hosted gold resources will also prove economic, suggesting potential for a 6–8 million ounce gold reserve at Cöpler. We consider this deposit size an attractive target for larger Tier II (and possibly Tier I) gold producers. Our current valuation only includes the current mine plan for the 2.8MMoz oxide-hosted mineable reserves, with no contribution from the additional 3–5MMoz of gold resources (oxide and sulphide) we expect are present on the property.

Avoca Resources Ltd.

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Symbol:	AVO	**Stock Rating:**	Outperform
Exchange:	ASX	**Risk Qualifier:**	Above Average
Price (April 18, 2008):	A$2.35	**One-Year Target** (A$):	A$2.50
52-Week High/ Low (A$):	A$2.72/A$1.26		

Fiscal Years Ending June 30	**2007**	**2008E**	**2009E**	**2010E**
(A$ unless otherwise specified)				
Gold Price (US$/oz)	$695	$910	$935	$965
EPS F.D.	($0.03)	($0.01)	$0.16	$0.20
P/E F.D. (X)	n.m.	n.m.	14.7	11.8
CFPS F.D.	($0.02)	($0.01)	$0.27	$0.33
P/CF F.D. (X)	n.m.	n.m.	8.7	7.1
Gold Production (koz)	0	0	151	183
Cash costs (US$/oz)	$0	$0	$376	$362

Source: Company reports, RBC Capital Markets estimates

Company Profile

Avoca Resources is a gold mining and exploration company based in Perth, Australia. It was listed on the ASX in April 2002 after being spun out of nickel company, Heron Resources. In late 2004, Avoca paid A$6.25m to Goldfields Ltd for the Higginsville Project, 120km south of Kalgoorlie, where it is developing a 1Mtpa gold project. The high-grade Trident orebody, discovered in Dec 2004, forms the basis of the Project with an initial 581Koz reserve and management is confident of 10+ years mine life. Avoca raised A$125m in April 2007 and production is on schedule to begin June 2008, reaching 190Koz pa in F2010. The Higginsville field produced ~1.2MMoz between 1989-1999 and all but 50Koz was mined from open pits. The geology is the same as the 15+MMoz St Ives field immediately north and the 6+MMoz Norseman field immediately south, both having ~75% of their endowment from underground mines. Exploration has led to the discovery of new high-grade ore bodies near Trident, including Athena & Apollo, and total resource is presently 1.35MMoz.

Investment Thesis

- Avoca Resources is an attractive, emerging gold producer within a sector offering few quality investment alternatives. The Higginsville project is fully funded and on time for June commissioning of a 1Mtpa, 190Koz, high-grade underground mine at Trident.
- Avoca has superior exploration potential over a belt between St Ives (+15MMoz) and Norseman (+6MMoz). Higginsville's endowment is only 1.2MMoz and +4MMoz is realistic, in our view. St Ives and Norseman produced 75% of gold from underground vs 5% at Higginsville. Drill-hole depth averages just 45m, highlighting prospectivity. The A$11m exploration budget is sizeable.
- Our 151Koz FY09 forecast and 183Koz in FY10 are 10-20Koz below guidance. We prefer to be cautious, even though guidance from experienced management is likely to be conservative. We forecast plant throughput at 10% over nominal capacity and grade of 5.5g/t could easily be exceeded.
- Strong, unhedged cash flow is illustrated by EBITDA of ~A$100m from FY10 and net cash generated of ~A$30-40mpa. We forecast a maiden profit of A$36m in FY09, rising 28% to A$46m in FY10. FY09 NPAT would rise 36% if gold overcall of 15-30% seen at similar operations is achieved
- We rate Avoca Outperform with A$2.50 target based on 10x FY10 CFM and 1.5x P/NPV. We are confident that management will extend mine life significantly through exploration success, leading to a re-rating.

Appendix I: RBCCM Global Gold Equity Universe – Comparable Table

Company	Tick	Price Curr	Report Curr	Analyst	Rating	Risk	Price	Target (12m)	Return to Target	52 Wk High	52 Wk Low	NAV/sh Est	P/NAV	Shares (MM)	Mkt Cap (US$M)	AMC (1) (US$M)
Tier I Gold Producers																
Kinross Gold	KGC	USD	USD	SW	O	AA	$23.82	$29.00	22%	$27.40	$9.87	$15.86	1.50x	597	$14,211	$14,424
Lihir Gold	LGL	AUD	AUD	GB	O	AA	A$3.30	A$4.40	33%	A$4.45	A$2.71	A$3.02	1.09x	1,904	$5,908	$5,692
Harmony Gold	HAR	ZAR	ZAR	LE	O	AA	R95.10	R150.00	58%	R118.50	R60.00	R154.49	0.62x	400	$4,948	$5,048
Newcrest Mining	NCM	AUD	AUD	GB	O	A	A$33.34	A$40.00	20%	A$40.50	A$21.56	A$22.98	1.45x	453	$14,208	$14,446
Goldcorp Inc.	GG	USD	USD	MC	SP	A	$41.56	$51.00	23%	$46.30	$21.00	$21.04	1.98x	731	$30,376	$29,183
Barrick Gold	ABX	USD	USD	SW	SP	A	$43.76	$51.00	17%	$54.74	$27.71	$30.76	1.42x	865	$37,852	$38,152
AngloGold Ashanti	ANG	ZAR	ZAR	LE	SP	AA	R288.00	R370.00	29%	R349.00	R248.01	R429.71	0.67x	278	$10,397	$12,787
Newmont	NEM	USD	USD	SW	SP	AA	$46.27	$53.00	15%	$57.55	$38.01	$34.51	1.34x	450	$20,822	$21,497
Gold Fields	GFI	ZAR	ZAR	LE	U	A	R116.88	R130.00	11%	R137.40	R92.02	R112.13	1.04x	653	$9,915	$10,599
Average									**25%**				**1.23x**		**$16,515**	**$16,870**
Total															**$148,638**	**$151,828**
Tier II Gold Producers																
IAMGOLD Corporation	IAG	USD	USD	MC	O	A	$7.10	$11.00	56%	$10.43	$6.42	$9.14	0.78x	296	$2,098	$1,948
Simmer & Jack Mines	SIM	ZAR	ZAR	LE	O	A	R4.83	R16.50	242%	R7.90	R4.00	R16.74	0.29x	1,049	$659	$523
Centerra Gold	CG	CAD	USD	SW	O	Spec	C$11.50	C$17.50	52%	C$16.08	C$3.16	C$9.45	1.22x	217	$2,447	$2,231
Franco-Nevada	FNV	CAD	USD	SW	SP	A	C$20.00	C$22.00	11%	C$23.49	C$13.63	C$12.96	1.54x	89	$1,741	$1,727
Eldorado Gold Corp.	EGO	USD	USD	MC	SP	A	$7.43	$8.50	14%	$7.88	$3.25	$4.69	1.59x	352	$2,618	$2,521
Yamana Gold Inc.	AUY	USD	USD	MC	SP	A	$14.49	$20.00	38%	$19.93	$8.40	$8.24	1.76x	324	$4,696	$5,057
High River Gold Mines	HRG	CAD	CAD	MC	SP	AA	C$2.06	C$3.50	70%	C$3.50	C$2.03	C$1.92	1.08x	346	$698	$743
Agnico-Eagle Mines	AEM	USD	USD	MC	SP	AA	$72.17	$82.00	14%	$83.45	$33.25	$28.98	2.49x	142	$10,277	$9,805
Average									**62%**				**1.34x**		**$3,154**	**$3,069**
Total															**$25,233**	**$24,554**

Source: Company Reports, RBCCM Estimates

RBCCM's gold price forecasts for 2008,2009 and 2010 are $910/oz, $935/oz and $965/oz respectively, with a long-term price of $1,000/oz.

(1) AMC (Adjusted Market Cap) calculated as market cap plus long-term debt less working capital

Please note that comparables data and valuation sections may not contain updates from research published subsequent to pricing date.
Appendix I continues on next page.

Appendix I: RBCCM Global Gold Equity Universe – Comparable Table (continued)

Company	Tick	CFPS				P/CFPS (2)			EPS				P/E (2)			Free CF Yield (3)		ROE
Tier I Gold Producers		**2007**	**2008E**	**2009E**	**2010E**	**'08E**	**'09E**	**'10E**	**2007**	**2008E**	**2009E**	**2010E**	**'08E**	**'09E**	**'10E**	**2007**	**2008E**	**2007**
Kinross Gold	KGC	$0.58	$1.44	$2.09	$2.24	16.5x	11.4x	10.6x	$0.36	$1.12	$1.61	$1.59	21.4x	14.8x	15.0x	(0.4%)	4.3%	10.6%
Lihir Gold (4)	LGL	$0.09	$0.15	$0.20	$0.23	22.4x	16.8x	14.2x	$0.07	$0.12	$0.17	$0.20	27.6x	19.7x	16.4x	(1.7%)	1.2%	5.3%
Harmony Gold *	HAR	R3.78	R4.97	R11.44	R19.41	19.1x	8.3x	4.9x	R0.86	R2.25	R8.43	R16.61	42.2x	11.3x	5.7x	0.9%	(4.2%)	2.5%
Newcrest Mining *	NCM	A$1.25	A$2.03	A$1.97	A$1.90	16.5x	16.9x	17.5x	A$0.22	A$0.53	A$0.80	A$0.84	62.5x	41.5x	39.9x	0.6%	4.3%	13.8%
Goldcorp Inc.	GG	$1.16	$1.62	$2.05	$2.79	25.6x	20.3x	14.9x	$0.60	$1.01	$1.32	$1.91	41.1x	31.4x	21.8x	(5.7%)	(2.4%)	5.5%
Barrick Gold	ABX	$2.28	$3.66	$3.68	$4.11	12.0x	11.9x	10.7x	$1.27	$2.58	$2.62	$2.99	16.9x	16.7x	14.6x	(0.9%)	1.4%	7.6%
AngloGold Ashanti	ANG	R26.34	R19.67	R25.42	R27.52	14.6x	11.3x	10.5x	R7.00	R3.77	R10.43	R13.47	76.3x	27.6x	21.4x	3.0%	(1.7%)	6.6%
Newmont	NEM	$4.08	$4.74	$5.64	$6.23	9.8x	8.2x	7.4x	$1.66	$1.84	$2.54	$3.07	25.1x	18.2x	15.1x	(1.9%)	0.1%	9.4%
Gold Fields *	GFI	R4.50	R8.77	R13.32	R15.41	13.3x	8.8x	7.6x	R4.23	R3.83	R8.50	R10.53	30.5x	13.7x	11.1x	3.5%	5.9%	4.4%
Average						**16.6x**	**12.7x**	**10.9x**					**38.2x**	**21.7x**	**17.9x**	(0.3%)	1.0%	7.3%
Tier II Gold Producers																		
IAMGOLD Corporation	IAG	$0.66	$0.90	$0.97	$0.99	7.9x	7.3x	7.2x	$0.21	$0.42	$0.53	$0.65	16.8x	13.4x	11.0x	(2.4%)	2.7%	3.4%
Simmer & Jack Mines *	SIM	(R0.23)	R0.28	R0.98	R1.80	17.1x	4.9x	2.7x	(R0.20)	R0.26	R0.93	R1.68	18.9x	5.2x	2.9x	(11.3%)	(13.5%)	10.7%
Centerra Gold	CG	$0.38	$1.43	$1.70	$1.89	7.9x	6.6x	6.0x	$0.18	$1.02	$1.28	$1.44	11.1x	8.8x	7.8x	(1.8%)	9.6%	5.3%
Franco-Nevada	FNV	$0.03	$1.17	$1.05	$1.00	16.7x	18.7x	19.7x	$0.02	$0.48	$0.40	$0.35	41.0x	48.5x	56.0x	n.m.	1.7%	n.a.
Eldorado Gold Corp.	EGO	$0.23	$0.38	$0.51	$0.60	19.4x	14.6x	12.5x	$0.12	$0.29	$0.41	$0.47	25.6x	18.2x	15.8x	(2.5%)	1.1%	10.1%
Yamana Gold Inc.	AUY	$0.59	$1.32	$1.46	$1.38	11.0x	9.9x	10.5x	$0.41	$0.96	$1.05	$1.02	15.0x	13.8x	14.2x	(8.7%)	2.9%	4.5%
High River Gold Mines	HRG	C$0.05	C$0.27	C$0.40	C$0.43	7.7x	5.2x	4.7x	(C$0.04)	C$0.17	C$0.30	C$0.33	12.3x	6.9x	6.2x	(24.2%)	1.1%	(3.4%)
Agnico-Eagle Mines	AEM	$1.69	$2.18	$3.72	$5.01	33.2x	19.4x	14.4x	$1.13	$1.58	$2.13	$3.51	45.8x	33.9x	20.5x	(3.0%)	(2.7%)	9.1%
Average						**15.1x**	**10.8x**	**9.7x**					**23.3x**	**18.6x**	**16.8x**	(7.7%)	0.4%	5.7%

Source: Company Reports, RBCCM Estimates

(2) P/CFPS and P/E multiples higher than 80x excluded from analysis

(3) Free Cash Flow is calculated as: Operating Cash Flow - Debt Repayments - Capex

(4) Adjusted: hedging losses excluded

* Harmony Gold, Newcrest Mining and Gold Fields figures are for the year ended June 30. Simmer & Jack figures are for the year ended March 31.

Please note that comparables data and valuation sections may not contain updates from research published subsequent to pricing date.
Appendix I continues on next page.

Appendix I: RBCCM Global Gold Equity Universe – Comparable Table (continued)

Company	Tick	Production (000 oz)					Cash Costs (US$/oz) (5)					Reserve (P&P) (6)	Resource (M&I) (6)	AMC/ Rsrv (6,7)	AMC/ Rsrc (6,7)	Resource/ Reserve
Tier I Gold Producers		**2007**	**2008E**	**2009E**	**2010E**	**3YΔ**	**2007**	**2008E**	**2009E**	**2010E**	**3YΔ**	**Oz (000s)**	**Oz (000s)**	**(US$/oz)**	**(US$/oz)**	
Kinross Gold	KGC	1,589	2,104	2,690	2,674	**19.0%**	$368	$363	$334	$331	**(3.4%)**	43,000	54,600	$251	$195	1.27x
Lihir Gold	LGL	701	755	924	1,012	**13.0%**	$301	$361	$372	$367	**6.7%**	23,600	42,000	$241	$136	1.78x
Harmony Gold *	HAR	2,344	1,813	1,923	2,126	**(3.2%)**	$486	$595	$574	$549	**4.2%**	53,200	132,292	$95	$35	2.49x
Newcrest Mining *	NCM	1,604	1,829	1,752	1,649	**0.9%**	$219	$190	$274	$312	**12.6%**	33,000	54,600	$250	$143	1.65x
Goldcorp Inc.	GG	2,360	2,575	2,946	3,619	**15.3%**	$288	$344	$297	$256	**(3.8%)**	43,400	67,500	$409	$280	1.56x
Barrick Gold	ABX	8,043	7,983	7,836	8,343	**1.2%**	$275	$398	$409	$397	**13.0%**	124,600	175,200	$225	$164	1.41x
AngloGold Ashanti	ANG	5,477	4,962	5,440	5,800	**1.9%**	$357	$353	$350	$349	**(0.7%)**	73,113	161,042	$175	$79	2.20x
Newmont	NEM	5,315	5,139	5,586	5,798	**2.9%**	$406	$452	$446	$446	**3.2%**	93,900	112,300	$156	$128	1.20x
Gold Fields *	GFI	4,024	3,440	3,843	4,006	**(0.1%)**	$376	$513	$476	$474	**8.0%**	89,890	222,124	$118	$48	2.47x
Average		**3,495**	**3,400**	**3,660**	**3,892**	**5.7%**	**$342**	**$396**	**$392**	**$387**		**64,189**	**113,518**	**$213**	**$134**	**1.78x**
Total		**31,458**	**30,601**	**32,938**	**35,027**							**577,703**	**1,021,658**			
Tier II Gold Producers																
IAMGOLD Corporation	IAG	966	918	931	851	**(4.1%)**	$423	$467	$469	$468	**3.4%**	7,975	22,669	$244	$86	2.84x
Simmer & Jack Mines *	SIM	140	190	321	389	**40.6%**	$612	$535	$551	$488	**(7.3%)**	6,696	14,840	$50	$26	2.22x
Centerra Gold	CG	543	795	812	816	**14.6%**	$474	$419	$390	$382	**(6.9%)**	7,000	12,300	$319	$181	1.76x
Franco-Nevada	FNV	n.a.	n.a.	n.a.	n.a.	**-**	n.a.	n.a.	n.a.	n.a.	**-**	n.a.	n.a.	n.m.	n.m.	n.m.
Eldorado Gold Corp.	EGO	267	285	362	414	**15.7%**	$262	$257	$267	$287	**3.0%**	7,655	10,415	$329	$242	1.36x
Yamana Gold Inc.	AUY	588	1,315	1,570	1,645	**40.9%**	$336	$319	$312	$323	**(1.3%)**	17,915	30,785	$282	$164	1.72x
High River Gold Mines	HRG	132	266	336	353	**38.7%**	$429	$449	$421	$437	**0.6%**	2,566	3,865	$271	$183	1.51x
Agnico-Eagle Mines **	AEM	231	343	772	1,281	**77.1%**	($358)	$326	$309	$279	**n.m.**	16,659	19,458	$452	$393	1.17x
Average		**410**	**587**	**729**	**821**	**31.9%**	**$423**	**$396**	**$388**	**$380**		**9,495**	**16,333**	**$278**	**$182**	**1.80x**
Total		**2,867**	**4,112**	**5,105**	**5,749**							**66,466**	**114,332**			

Source: Company Reports, RBCCM Estimates

(5) Cash cost per ounce averages exclude negative outliers

(6) Reserves and Resources in gold only, AMC/oz in gold equivalent assuming prices of US$600/oz Au, US$16.50/oz Ag, US$2.50/lb Cu, US$1.50/lb Zn

(7) AMC/oz of reserves and resources higher than US$600/oz excluded from averages

* Harmony Gold, Newcrest Mining and Gold Fields figures are for the year ended June 30. Simmer & Jack figures are for the year ended March 31

** Agnico-Eagle cash cost figures reflect the by-product method for 2007, and the co-product method thereafter as new mines come on-line

Please note that comparables data and valuation sections may not contain updates from research published subsequent to pricing date.
Appendix I continues on next page.

Appendix I: RBCCM Global Gold Equity Universe – Comparable Table (continued)

Company	Tick	Price Curr	Report Curr	Analyst	Rating	Risk	Price	Target (12m)	Return to Target	52 Wk High	52 Wk Low	NAV/sh Est	P/NAV	Shares (MM)	Mkt Cap (US$M)	AMC (1) (US$M)
Tier III Gold Producers																
Western Goldfields Inc.	WGI	CAD	USD	MC	O	AA	C$3.05	C$5.50	80%	C$4.13	C$1.73	$3.70	0.81x	135	$404	$427
Jaguar Mining Inc.	JAG	CAD	USD	MC	O	AA	C$10.27	C$17.00	66%	C$14.45	C$5.36	C$9.60	1.05x	72	$726	$777
Great Basin Gold	GBG	CAD	CAD	LE	O	A	C$3.31	C$5.00	51%	C$3.83	C$1.98	C$7.23	0.46x	203	$660	$631
First Uranium Corp	FIU	CAD	USD	AS	O	AA	C$6.27	C$15.00	139%	C$13.25	C$6.00	C$15.15	0.41x	131	$805	$623
Pamodzi Gold	PZG	ZAR	ZAR	LE	O	Spec	R9.90	R30.00	203%	R23.00	R8.00	R53.51	0.19x	42	$54	$111
Central African Gold	CAN	GBP	USD	CB	O	Spec	£0.32	£0.70	119%	£0.60	£0.28	£0.90	0.35x	166	$106	$126
Uruguay Mineral Expl.	UGY	GBP	USD	DK	U	Spec	£1.36	£1.25	(3%)	£1.88	£1.28	£3.16	0.43x	52	$142	$97
Pan African Resources	PAF	GBP	GBP	LE	O	Spec	£0.06	£0.15	146%	£0.10	£0.06	£0.16	0.38x	1,079	$132	$129
Avoca Resources	AVO	AUD	AUD	GB	O	AA	A$2.35	A$2.50	6%	A$2.72	A$1.26	A$1.35	1.74x	219	$484	$492
Alamos Gold	AGI	CAD	USD	SW	SP	AA	C$6.44	C$8.00	24%	C$8.40	C$4.82	C$5.18	1.24x	94	$595	$558
DRDGOLD	DRD	ZAR	ZAR	LE	SP	Spec	R7.29	R12.00	65%	R10.25	R3.50	R12.07	0.60x	376	$356	$389
Highland Gold	HGM	GBP	USD	CB	U	AA	£1.89	£1.80	(5%)	£2.52	£0.75	£1.24	1.52x	325	$1,228	$890
NovaGold Resources	NG	CAD	CAD	SW	U	Spec	C$7.43	C$9.00	21%	C$19.99	C$5.90	C$8.69	0.85x	106	$771	$681
International Minerals	IMZ	CAD	USD	MC	U	Spec	C$5.68	C$6.25	10%	C$6.65	C$4.90	C$6.29	0.90x	125	$696	$654
Average									**66%**				**0.78x**		**$511**	**$470**
Total															**$7,159**	**$6,583**
Emerging Gold Producers																
Anatolia Minerals	ANO	CAD	USD	MC	TP	Spec	C$4.12	C$9.00	118%	C$6.99	C$3.44	$6.18	0.65x	83	$336	$200
Andean Resources	AND	CAD	AUD	SW	O	Spec	C$1.55	C$2.25	45%	C$2.05	C$0.56	$1.82	0.85x	346	$526	$516
European Goldfields	EGU	CAD	USD	SW	O	Spec	C$5.50	C$9.50	73%	C$7.20	C$4.58	C$9.45	0.58x	179	$966	$966
Gold Reserve Inc.	GRZ	USD	USD	MC	O	Spec	$3.99	$11.00	176%	$7.38	$3.87	$11.70	0.34x	55	$218	$105
Banro Corporation	BAA	CAD	USD	CB	O	Spec	C$8.33	C$17.00	104%	C$13.00	C$8.00	C$16.76	0.50x	40	$325	$291
Greystar Resources Ltd.	GSL	CAD	CAD	MC	O	Spec	C$5.04	C$12.00	138%	C$9.90	C$4.40	C$10.46	0.48x	46	$227	$175
Osisko Exploration Ltd.	OSK	CAD	CAD	MC	O	Spec	C$4.32	C$7.75	79%	C$7.24	C$4.04	C$6.39	0.68x	178	$752	$569
Central Rand Gold	CRND	GBP	GBP	LE	O	A	£0.88	£1.90	116%	£1.49	£0.81	£2.90	0.30x	246	$433	$432
Aflease Gold	AFO	ZAR	ZAR	LE	SP	AA	R2.30	R3.75	63%	R615.00	R2.05	R3.05	0.75x	523	$157	$150
Aurelian Resources Inc.	ARU	CAD	CAD	MC	SP	Spec	C$5.04	C$10.00	98%	C$10.23	C$4.81	C$11.79	0.43x	135	$665	$608
Gabriel Resources	GBU	CAD	CAD	SW	U	Spec	C$1.46	C$1.50	3%	C$4.95	C$1.27	C$2.96	0.49x	255	$365	$217
Mintails	MLI	AUD	AUD	LE	U	Spec	A$0.57	A$0.65	14%	A$0.95	A$0.37	A$0.28	n.m.	380	$204	$198
Wits Gold	WGR	ZAR	ZAR	LE	U	Spec	R105.00	R150.00	43%	R180.10	R91.45	R58.34	n.m.	27	$373	$367
Average									**82%**				**0.55x**		**$426**	**$369**
Total															**$5,544**	**$4,792**

Source: Company Reports, RBCCM Estimates

RBCCM's gold price forecasts for 2008,2009 and 2010 are $910/oz, $935/oz and $965/oz respectively, with a long-term price of $1,000/oz.

(1) AMC (Adjusted Market Cap) calculated as market cap plus long-term debt less working capital

Please note that comparables data and valuation sections may not contain updates from research published subsequent to pricing date.
Appendix I continues on next page.

Appendix I: RBCCM Global Gold Equity Universe – Comparable Table (continued)

Company	Tick	CFPS				P/CFPS (2)			EPS				P/E (2)			Free CF Yield (3)		ROE
Tier III Gold Producers		2007	2008E	2009E	2010E	'08E	'09E	'10E	2007	2008E	2009E	2010E	'08E	'09E	'10E	2007	2008E	2007
Western Goldfields Inc.	WGI	($0.19)	$0.46	$0.42	$0.49	6.6x	7.1x	6.1x	($0.22)	$0.27	$0.26	$0.31	11.111	11.4x	9.5x	n.m.	n.m.	n.m.
Jaguar Mining Inc.	JAG	($0.12)	$0.70	$1.49	$2.11	14.5x	6.7x	4.8x	($0.25)	$0.40	$1.08	$1.52	25.3x	9.4x	6.6x	n.m.	n.m.	n.m.
Great Basin Gold	GBG	(C$0.31)	C$0.18	C$0.71	C$8.61	18.0x	4.7x	0.4x	(C$0.25)	C$0.12	C$0.46	C$0.66	26.9x	7.2x	5.0x	(20.2%)	(5.6%)	(16.3%)
First Uranium Corp *	FIU	($0.16)	$0.14	$0.60	$2.06	44.8x	10.3x	3.0x	($0.08)	($0.01)	$0.55	$1.93	n.m.	11.1x	3.2x	n.m.	n.m.	n.m.
Pamodzi Gold	PZG	(R3.62)	R3.98	R11.43	R13.01	2.5x	0.9x	0.8x	(R5.00)	R3.07	R10.09	R10.70	3.2x	1.0x	0.9x	(52.7%)	20.4%	(93.3%)
Central African Gold	CAN	($0.04)	$0.17	$0.25	$0.25	3.7x	2.5x	2.6x	($0.04)	$0.15	$0.23	$0.22	4.2x	2.8x	2.9x	1.0%	(9.6%)	n.m.
Uruguay Mineral Expl.	UGY	$0.52	$0.58	$0.32	$0.34	4.6x	8.6x	8.0x	$0.30	$0.39	$0.44	$0.21	7.0x	6.2x	12.7x	5.4%	20.4%	5.0%
Pan African Resources	PAF	(£0.00)	£0.01	£0.01	£0.02	8.2x	5.0x	3.1x	(£0.00)	£0.01	£0.00	£0.02	11.6x	12.4x	3.9x	(9.5%)	5.5%	(11.5%)
Avoca Resources	AVO	($0.02)	($0.01)	$0.27	$0.33	n.m.	8.7x	7.2x	($0.03)	($0.01)	$0.16	$0.20	n.m.	15.1x	11.8x	(3.2%)	(24.3%)	(4.4%)
Alamos Gold	AGI	$0.19	$0.50	$0.59	$0.62	12.7x	10.8x	10.2x	$0.07	$0.33	$0.41	$0.45	18.9x	15.3x	14.1x	1.2%	6.6%	4.9%
DRDGOLD	DRD	(R0.35)	R0.90	R1.78	R2.03	8.1x	4.1x	3.6x	(R2.74)	R0.61	R1.45	R1.69	12.0x	5.0x	4.3x	n.m.	n.m.	n.m.
Highland Gold	HGM	$0.08	$0.11	$0.21	$0.17	34.1x	18.3x	22.4x	$0.02	$0.08	$0.16	$0.14	48.2x	23.2x	26.3x	(15.4%)	(14.6%)	3.7%
NovaGold Resources	NG	(C$0.43)	C$0.11	C$0.36	C$0.31	67.6x	20.7x	23.9x	(C$0.41)	C$0.01	C$0.18	C$0.16	n.m.	41.4x	45.1x	n.m.	n.m.	n.m.
International Minerals *	IMZ	$0.06	$0.14	$0.56	$0.62	41.0x	9.9x	9.0x	$0.04	$0.09	$0.39	$0.43	58.6x	14.3x	12.9x	n.m.	n.m.	n.m.
Average						**20.5x**	**8.5x**	**7.5x**					**20.6x**	**12.6x**	**11.4x**	(11.7%)	(0.1%)	(16.0%)
Emerging Gold Producers																		
Anatolia Minerals	ANO	($0.16)	($0.20)	($0.23)	$1.21	n.m.	n.m.	3.3x	($0.21)	($0.20)	($0.23)	$0.84	n.m.	n.m.	4.8x			
Andean Resources *	AND	(A$0.01)	(A$0.02)	(A$0.02)	(A$0.02)	n.m.	n.m.	n.m.	(A$0.02)	(A$0.03)	(A$0.02)	(A$0.02)	n.m.	n.m.	n.m.			
European Goldfields	EGU	$0.22	$0.21	$0.26	$1.47	25.9x	20.6x	3.7x	$0.15	$0.16	$0.19	$1.26	33.6x	28.8x	4.3x			
Gold Reserve Inc.	GRZ	($0.11)	($0.19)	($0.40)	$0.25	n.m.	n.m.	16.1x	($0.11)	($0.19)	($0.40)	$0.08	n.m.	n.m.	49.8x			
Banro Corporation	BAA	($0.12)	($0.19)	($0.13)	($0.50)	n.m.	n.m.	n.m.	($0.09)	($0.19)	($0.30)	($1.08)	n.m.	n.m.	n.m.			
Greystar Resources Ltd.	GSL	(C$0.32)	(C$0.25)	(C$0.20)	C$1.49	n.m.	n.m.	3.4x	(C$0.32)	(C$0.25)	(C$0.16)	C$0.84	n.m.	n.m.	6.0x			
Osisko Exploration Ltd.	OSK	(C$0.05)	(C$0.03)	(C$0.03)	(C$0.04)	n.m.	n.m.	n.m.	(C$0.05)	(C$0.03)	(C$0.03)	(C$0.02)	n.m.	n.m.	n.m.			
Central Rand Gold	CRND	(£0.05)	(£0.05)	£0.07	£0.38	n.m.	13.5x	2.3x	(£0.08)	(£0.15)	(£0.06)	£0.26	n.m.	n.m.	3.4x			
Aflease Gold	AFO	(R0.14)	(R0.09)	R0.71	R1.33	n.m.	3.2x	1.7x	(R0.15)	(R0.10)	R0.40	R0.66	n.m.	5.7x	3.5x			
Aurelian Resources Inc.	ARU	(C$0.04)	(C$0.05)	(C$0.06)	(C$0.06)	n.m.	n.m.	n.m.	(C$0.04)	(C$0.05)	(C$0.06)	(C$0.06)	n.m.	n.m.	n.m.			
Gabriel Resources	GBU	(C$0.05)	(C$0.02)	C$0.01	C$0.01	n.m.	n.m.	n.m.	(C$0.06)	(C$0.02)	C$0.00	C$0.00	n.m.	n.m.	n.m.			
Mintails *	MLI	(A$0.03)	(A$0.01)	A$0.05	A$0.09	n.m.	n.m.	n.m.	(A$0.04)	(A$0.04)	A$0.05	A$0.08	n.m.	12.0x	6.8x			
Wits Gold *	WGR	(R0.50)	(R0.15)	(R0.46)	(R1.48)	n.m.	n.m.	n.m.	(R0.14)	(R0.17)	(R0.41)	(R1.30)	n.m.	n.m.	n.m.			
Average						**25.9x**	**12.5x**	**5.1x**					**33.6x**	**15.5x**	**11.2x**			

Source: Company Reports, RBCCM Estimates
(2) Averages exclude outliers
(3) Free Cash Flow is calculated as: Operating Cash Flow - Debt Repayments - Capex
* Andean, Mintails and International Minerals figures are for the year ended June 30. First Uranium Figures are for the year ended March 31
* Wits Gold figures are for the year ended February 28.

Please note that comparables data and valuation sections may not contain updates from research published subsequent to pricing date.
Appendix I continues on next page.

Appendix I: RBCCM Global Gold Equity Universe – Comparable Table (continued)

Company	Tick	Production (000 oz)					Cash Costs (US$/oz)					Reserve (P&P) (4)	Resource (M&I) (4)	AMC/ Rsrv (4,5)	AMC/ Rsrc (4,5)	Resource/ Reserve
Tier III Gold Producers		**2007**	**2008E**	**2009E**	**2010E**	**3YΔ**	**2007**	**2008E**	**2009E**	**2010E**	**3YΔ**	**Oz (000s)**	**Oz (000s)**	**(US$/oz)**	**(US$/oz)**	
Western Goldfields Inc.	WGI	-	147	159	169	-	-	$358	$363	$352	-	2,767	3,869	$154	$110	1.40x
Jaguar Mining Inc.	JAG	70	150	216	294	**61.3%**	$362	$329	$299	$296	**(6.5%)**	1,139	2,641	$682	$294	2.32x
Great Basin Gold	GBG	-	97	230	362	-	-	$427	$190	$301	-	3,476	9,641	$181	$65	2.77x
First Uranium Corp *	FIU	-	44	161	273	-	-	$383	$161	($245)	-	-	37,139	n.m.	$53	n.m.
Pamodzi Gold	PZG	95	347	472	487	**72.3%**	$1,253	$636	$546	$568	**(23.2%)**	3,584	25,553	$31	$4	7.13x
Central African Gold	CAN	38	104	140	140	**53.8%**	$643	$508	$430	$474	**(9.7%)**	1,959	3,609	$64	$35	1.84x
Uruguay Mineral Expl.	UGY	98	96	90	60	**(15.1%)**	$290	$344	$359	$375	**8.9%**	522	885	$127	$137	1.70x
Pan African Resources	PAF	-	73	91	113	-	-	$500	$524	$506	-	485	1,932	$267	$67	3.98x
Avoca Resources	AVO	0	0	151	183	-	$0	$0	$376	$362	-	581	1,352	$847	$364	2.33x
Alamos Gold	AGI	106	134	140	140	**9.7%**	$406	$370	$354	$361	**(3.9%)**	2,100	3,440	$266	$162	1.64x
DRDGOLD	DRD	477	235	246	242	**(20.2%)**	$591	$610	$563	$552	**(2.3%)**	10,911	15,304	$36	$25	1.40x
Highland Gold	HGM	156	177	295	286	**22.3%**	$467	$430	$390	$431	**(2.7%)**	950	6,570	$937	$135	6.92x
NovaGold Resources	NG	-	59	119	116	-	-	$447	$455	$476	-	400	13,780	$1,702	$18	n.m.
International Minerals *	IMZ	-	-	-	52.45	-	-	$353	$186	$254	-	605	4,554	$876	$127	7.53x
Average		**149**	**138**	**193**	**208**	**26.3%**	**$287**	**$407**	**$371**	**$362**		**2,106**	**9,305**	**$123**	**$118**	**3.41x**
Total		**1,041**	**1,661**	**2,512**	**2,916**							**29,479**	**130,269**			
Emerging Gold Producers																
Anatolia Minerals	ANO	-	-	-	197	-	-	-	-	$221	-	2,797	3,925	$66	$47	1.40x
Andean Resources *	AND	-	-	-	-	-	-	-	-	-	-	-	536	n.m.	$963	n.m.
European Goldfields	EGU	-	-	26	260	-	-	-	n.a.	-	-	9,083	10,645	$40	$34	1.17x
Gold Reserve Inc.	GRZ	-	-	-	109	-	-	-	-	$185	-	10,400	12,100	$10	$9	1.16x
Banro Corporation	BAA	-	-	-	-	-	-	-	-	-	-	-	3,565	n.m.	$82	n.m.
Greystar Resources Ltd.	GSL	-	-	-	194	-	-	-	-	$315	-	-	10,200	n.m.	$17	n.m.
Osisko Exploration Ltd.	OSK	-	-	-	-	-	-	-	-	-	-	-	8,370	n.m.	$68	n.m.
Central Rand Gold	CRND	-	5	139	428	-	-	$3,061	$617	$529	-	-	21,400	n.m.	$20	n.m.
Aflease Gold	AFO	-	-	68	145	-	-	-	$191	$293	-	1,356	2,940	$111	$51	2.17x
Aurelian Resources Inc.	ARU	-	-	-	-	-	-	-	-	-	-	-	13,700	n.m.	$44	n.m.
Gabriel Resources	GBU	-	-	-	-	-	-	-	-	-	-	8,080	11,680	$23	$16	1.45x
Mintails *	MLI	-	10	64	160	-	-	$947	$810	$735	-	-	301	n.m.	$118	n.m.
Wits Gold *	WGR	-	-	-	-	-	-	-	-	-	-	-	19,466	n.m.	$16	n.m.
Average		**-**	**8**	**74**	**213**							**2,440**	**9,141**	**$50**	**$46**	**1.47x**
Total		**-**	**16**	**297**	**1,494**							**31,716**	**118,828**			

Source: Company Reports, RBCCM Estimates

(4) Reserves and Resources in gold only, AMC/oz in gold equivalent assuming prices of US$600/oz Au, US$16.50/oz Ag, US$2.50/lb Cu, US$1.50/lb Zn

(5) AMC/oz of reserves and resources higher than US$600/oz for golds excluded from averages

* Andean, Mintails and International Minerals figures are for the year ended June 30. First Uranium Figures are for the year ended March 31

* Wits Gold figures are for the year ended February 28.

Please note that comparables data and valuation sections may not contain updates from research published subsequent to pricing date.
Analysts: AS – Adam Schatzker; CB – Cailey Barker; DK – Des Kilalea; GB – Geoff Breen; LE – Leon Esterhuizen; MC – Mike Curran; SW – Stephen Walker
Ratings: TP – Top Pick; O – Outperform; SP – Sector Perform; U – Underperform **Risk Ratings:** AA – Above Average; A – Average; Spec- Speculative

Appendix II: Valuation Methodology and Price Target Impediments

Aflease Gold Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; junior average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings, we derive a price target of R3.75/share (US$0.50/share). We rate the shares Sector Perform, Above Average Risk. Risks to our valuation include project, political, socio-economic, fiscal, mineral rights ownership, operational, commodity price, environmental regulations, financing and trading liquidity risks. The company's high dependency to the Modder East Project is notable; alternative sources of production need to be built into the mining plan as soon as possible, in our opinion.

Agnico-Eagle Mines Our $82.00 target reflects a midpoint of 2.5x our NAV estimate and 25.0x our forward CFPS estimate. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. Execution risk is a potential impediment in the medium term.

Alamos Gold Our target price of C$8.00 per share is derived by applying a 1.50x multiple to our C$ NAV per share. Impediments to our target price being reached could include fluctuations in commodity prices and exchange rates. Furthermore, due to the increasing costs of energy, material and labour, greater than expected mine operating and new project construction costs could adversely affect the share price. The fact that Alamos just began producing at commercial rate presents operational risks.

Anatolia Minerals Our C$9.00 target reflects a midpoint of 1.25x our NAV estimate and 12.5x our forward CFPS estimate. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. In a very competitive environment, Anatolia Minerals, as with all mining companies, faces challenges finding and replacing mined reserves.

Andean Resources We value Andean Resources by applying a 1.0x multiple to the average of our base-case and upside valuation estimates. Our NAV for Andean is comprised of the company's two development mines (Vein Zone and Eureka Vein) and its corporate assets/liabilities. In addition, we ascribe value to the company's exploration upside, which we deem to be significant. Andean is exposed to a number of risks which could be impediments to our target price. These include; permitting risk, development risk, finance risk and sovereign risk.

AngloGold Ashanti We have opted to settle for a higher valuation than the simple average derived in our valuation matrix. Specifically, given the high level of offshore exposure (60% outside South Africa), we lean more toward the U.S. major company valuation multiples to determine a price target. We derive a price target of R370/share (US$50/share) and rate the shares Sector Perform, Above Average Risk. The principle risk to this company and to our forecasts is the very bad hedge book that continues to get deeper under water as the gold price increases. The uncertainty relating to possible power supply constraints in South Africa could also have a material impact on our estimates. AngloGold is under new management while Anglo American is still looking to divest its remaining holding. This could cause an overhang while the company re-aligns itself to new objectives.

Aurelian Resources Inc. Our target price of C$10.00 reflects the midpoint of fair values generated using a 1.00x P/NAV multiple and 10.0x P/CF multiple, which represent significant discounts to our target ranges for Tier II gold producers (1.5-2.5x P/NAV and 15-25x forward P/CF). Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. In a very competitive environment, Aurelian, as with all mining companies, faces challenges finding and replacing mined reserves. Our Speculative Risk (SR) qualifier reflects the lack of a completed feasibility study, and the execution risk relating to the permitting, financing, and timely development of the Fruta Del Norte gold-silver project over the next several years.

Avoca Resources Our target of A$2.50 is based on 1.5x our P/NPV and 10.0x F2010 CFM. Impediments to Avoca reaching our forecast earnings and price targets include commissioning risk, lower than estimated head grade and gold production, lower realised gold prices and singlemine exposure.

Banro Corporation Our target price of C$17.00 reflects a multiple of 1.0x our NAV estimate. This multiple is in-line with other emerging gold producers. Impediments to our target include commodity and currency fluctuations, political and sovereign risk in the countries where the company operates, and increasing input costs such as energy and manpower.

Barrick Gold Our target price of $51.00 reflects a multiple of 1.5x our NAV, and 15.0x our 2008 CFPS estimate. These multiples are in-line with previous peak trading ranges for Barrick and other Tier I producers. Impediments to our target include commodity and currency fluctuations, increasing input costs such as energy and manpower, and the challenge of sustaining its large gold reserve base.

Centerra Gold Our target price of C$17.50 is determined by applying 1.6x and 16.0x multiples to 2008 NAV and CFPS estimates. Impediments to our target price include commodity and currency price fluctuations as well as variations in our operating and capital cost assumptions. The mines are also subject to political and ownership risks.

Central African Gold Our 12-month price target of £0.70 is derived using an NAV-based DCF model. Impediments to our target price include commodity and currency price fluctuations, development risks, operating and capital cost inflation and country risks.

Central Rand Gold

Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; major average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings on P/cash flow, we derive a price target of £1.90/share (US$3.80/share). Our price target does not take full account of the average value potential, as we deem it necessary to discount this potential in light of the high level of uncertainty related to the execution of the company's plan. Still, it correlates to a 5x P/E at our estimate for normalised long-term earnings potential. We rate the shares Outperform, Average Risk. Risks to our valuation include project risk; political, socio-economic and fiscal risk; mineral rights ownership risk; operational risk; commodity price risk and environmental regulations; as well as financing uncertainties and trading liquidity. The company's story rests almost entirely on being able to apply a new mining method that will allow much lower mining costs. If this does not materialize, the company's value would be significantly lower.

DRDGOLD

Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; major average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings on P/cash flow, we derive a price target of R12.00/share (US$1.60/share). We rate the shares Sector Perform, Speculative Risk. As for all SA –based producers, the potential electricity supply shortage could have a material impact on DRDGOLD and our forecasts. Also, in the case of DRDGOLD in particular, the risk exists that the new management team may feel pressured to start buying assets again. We believe such a move, before proving current operations to be sustainably profitable, could be detrimental to the share price performance.

Eldorado Gold Corp.

Our $8.50 target reflects a multiple of 2.00x our 2008 NAV estimate and 20.0x our forward CFPS estimate. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs.

European Goldfields

Our C$9.50 target reflects a multiple of 1.0x our 2008 NAV estimate. Impediments to our target price include fluctuations in currencies and commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. With properties located in Romania and Greece, the company is exposed to political and sovereign risk. The company is also exposed to exploration and mining risks, as it may not be able to economically recover the contained resource.

First Uranium Corp

Our C$15.00 target reflects a multiple of 1.00x our 2008 NAV estimate. Key price target impediments are execution and commodity price/exchange rate forecast risks.

Franco-Nevada

Our C$22.00 target reflects a blend of 2.00x the mining component of our 2008 NAV estimate, 1.50x the oil & gas component of our 2008 NAV estimate, 25x for the mining component of our 2008 CFPS estimate, and 8x the oil & gas component of our 2008 CFPS estimate. The primary impediments to our target price include commodity risk and reinvestment risk.

Gabriel Resources

Our C$1.50 target reflects a multiple of 0.5x our 2008 NAV estimate. Risks in achieving our price target include delays in receiving the EIA, and/or construction permits, delays in acquiring property and completing village relocation and political risk (given the coalition government), and an ongoing need for the company to raise equity for working capital purposes.

Goldcorp Inc.

Our target price of $51.00 reflects the midpoint of fair values generated using a 2.50x P/NAV multiple and 25.0x P/CF multiple, which represent a slight premium to Tier I / II gold producer averages. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. We also consider the shares to have a degree of execution risk, relating to the start-up of new mines.

Gold Fields

Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; major average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings on P/cash flow, we derive a price target of R130/share (US$17/share). We rate the shares Underperform, Average Risk.The principal impediments to our forecasts and valuations are long-term commodity prices, the ZAR/USD exchange rate, the local inflation outlook, and legislative and fiscal changes in South Africa. A significant part of Gold Fields' future is tied to South Deep – if it continues to underperfom, Gold Fields could battle to deliver improved profitability.

Gold Reserve Inc.

Our target price of $11.00 reflects the midpoint of fair values generated using a 1.00x P/NAV multiple and 10.0x P/CF multiple, which represent significant discounts to our target ranges for Tier II gold producers (1.5-2.5x P/NAV and 15-25x forward P/CF). Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. In a very competitive environment, Gold Reserve, as with all mining companies, faces challenges finding and replacing mined reserves. Our Speculative Risk (SR) qualifier reflects remaining execution risk to complete financing and construct the Brisas gold-copper mine over the next 24-30 months.

Great Basin Gold

Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; major average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings on P/cash flow, we derive a price target of C$5.00/share (US$5.10/share). We rate the shares Outperform, Average Risk. Risks to our valuation include project, political, socio-economic, fiscal, mineral rights ownership, operational, commodity price, environmental regulations, financing and trading liquidity risks. Hollister continues to add new resources: while good news, this may delay mining commencement or cause mining to be changed once the full extent of the resource becomes known.

Greystar Resources Ltd.	Our target price of C$12.00 reflects the midpoint of fair values generated using a 1.00x P/NAV multiple and 10.0x P/CF multiple, which represent significant discounts to our target ranges for Tier II gold producers (1.5-2.5x P/NAV and 15-25x forward P/CF). Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. In a very competitive environment, Greystar, as with all mining companies, faces challenges finding and replacing mined reserves. Our Speculative Risk qualifier reflects the lack of a completed feasibility study, and the execution risk relating to the financing and development of the Angostura gold-silver project.
Harmony Gold	Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; major average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings on P/cash flow, we derive a price target of R150/share (US$20.00/share). We rate the shares Outperform, Above Average Risk. Apart from the obvious risk of large-scale disruption to output due to a possible electricity supply constraint in South Africa, the primary risk in the short term is the potential for non-delivery on production and cost promises made by management. Still, with so many valuation multiples indicating value, Harmony could well be a potential corporate takeout target, in our opinion.
Highland Gold	Our target price of GBP1.80 reflects multiples of 1.50x NAV and 15.0x forward P/CF. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. Highland also faces political and development risk in Russia, competition from other mining companies, and challenges finding and replacing mined reserves.
High River Gold Mines	Our target price of C$3.50 reflects multiples of 1.25x NAV and 12.5x forward P/CF. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. In a very competitive environment, High River, as with all mining companies, faces challenges finding and replacing mined reserves.
IAMGOLD Corporation	Our target price of $11.00 reflects the midpoint of fair values generated using a 1.3x P/NAV multiple and 12.5x P/CF multiple, which represent a slight discount to Tier I / II gold producer averages. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs.
International Minerals	Our target price of C$6.25 reflects multiples of 1.25x NAV and 12.5x forward P/CF. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. The company has above-average execution risk relating to the financing, timing, etc. that investors are exposed to over the next few years as the company looks to transition into an emerging Tier II gold producer.
Jaguar Mining Inc.	Our target price of C$17.00 reflects multiples of 1.50x NAV and 12.5x forward P/CF. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. In a very competitive environment, Jaguar, as with all mining companies, faces challenges finding and replacing mined reserves.
Kinross Gold	Our target price of $29.00 reflects multiples of 1.6x NAV and 16.0x forward P/CF in line with Tier I Gold Producers. Impediments to our target price include fluctuations in commodity prices, greater than expected operating and new project construction costs and increasing energy, material and manpower costs. With a key development project located in Russia (Kupol), Kinross has a degree of political risk exposure.
Lihir Gold	Our target of A$4.40 is based on a 1.50x our forward strip NAV and 16.0x CFM in 2008E. Impediments to Lihir achieving our forecast earnings and price targets include lower than estimated head grades and gold production in Lienetz, lower realized gold prices, unscheduled deliveries against the hedge book, unscheduled plant breakdowns and increased country risk for Papua New Guinea.
Mintails	Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; major average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings on P/cash flow, we derive a price target of A$0.65/share (US$0.60/share). This does not take account of the significant upside that could be realized through phase two, which could bring both uranium and acid revenue on line from 2010. We rate the shares Underperform, Speculative Risk. Risks to our valuation include project, political, socio-economic, fiscal, mineral rights ownership, operational, commodity price, environmental regulations, financing and trading liquidity risks. In our opinion, share price performance will be constrained by uncertainty surrounding the company's situation: further crystallization is required before full value can be attributed for Phase 2.
Newcrest Mining	Our target price of A$40.00 is based on 1.8x price to forward strip NPV & 18.0x CFM for FY09, Newcrest's first full year as a 100% unhedged producer. We have applied an average risk qualifier to Newcrest reflecting the quality of its asset base – long life, low cash costs and healthy margins - and its location. The main risks to our earnings remain commissioning risk at the Telfer underground, operational risk at Telfer and in particular the grade/recovery/arsenic issue, political risk in Indonesia plus future metal prices and exchange rates and particularly the copper price.
Newmont	Our target price of $53.00 reflects a multiple of 1.5x our NAV, and 15.0x our 2008 CFPS estimate. These multiples are in-line with previous trading ranges for Newmont and other Tier I producers. Risks and impediments to our target price include the challenge of maintaining 8.0 million ounces of annual consolidated gold production, fluctuations in commodity prices and exchange rates, as well as cost over runs and construction delays on development projects.

NovaGold Resources	Our C$9.00 target is based on 1.0x our estimated NAV. Impediments to our target price include the potential for delays in development, difficulty in obtaining financing and control issues with its core properties.
Osisko Exploration Ltd.	Our target price of C$7.75 reflects the midpoint of fair values generated using a 1.00x P/NAV multiple and 10.0x P/CF multiple, which represent significant discounts to our target ranges for Tier II gold producers (1.5-2.5x P/NAV and 15-25x forward P/CF). Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. In a very competitive environment, Osisko, as with all mining companies, faces challenges finding and replacing mined reserves. Our Speculative Risk (SR) qualifier reflects the lack of a completed feasibility study for Malartic, and the execution risk relating to the financing and timing of a potential mine.
Pamodzi Gold	Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; major average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings, we derive a price target of R30.00/share (US$4.00/share). We rate the shares Outperform, Speculative Risk. The principal impediments to our forecasts and valuations are long-term commodity prices, the ZAR/USD exchange rate, and the potential for electricity supply constraints in South Africa. This is complicated further by the company having inherited a very bad hedge position that will serve as a significant drag on earnings.
Pan African Resources	Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; major average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings on P/cash flow, we derive a price target of £0.15/share. We rate the shares Outperform, Speculative Risk. Risks to our valuation include project, political, socio-economic, fiscal, mineral rights ownership, operational, commodity price, environmental regulations, financing and trading liquidity risks. Delivering sharply higher resource numbers from drilling in the Central African Republic is central: disappointing drilling results would put downwards pressure on the share price.
Simmer & Jack Mines	Applying industry average (peer group) values of EV/resource ounce; EV/production ounce; major average implied P/E; NPV at spot, at spot less 30% and at long-term RBC prices; a P/sales ratio; and U.S. industry average ratings, we derive a price target of R16.50/share (US$2.20/share). We rate the shares Outperform, Average Risk. Electricity supply constraints could have a material impact on our estimates. Also, with most of Simmers' initial gold production coming from Buffels – an old mine in a highly seismically active mining area – this represents significant risk for unplanned production losses (as do recent moves by the South African government to close down the entire mine when there has been a fatal accident).
Uruguay Mineral Expl.	Our £1.25 target is based on the application of a 0.8x multiple to our NAV. The NAV is based on a DCF model of the existing gold mining operations, with no allowance for expanding the resource. The two most important impediments to our target price are the gold price and the company's ability to retain key staff.
Western Goldfields Inc.	Our target price of C$5.50 is a 75/25 blend of fair values generated using a P/NAV multiple of 1.25x and forward looking P/CF multiple of 12.5x. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs.
Wits Gold	As a company with no production and a very slim chance of achieving any production in the near future, Wits Gold can only be valued on the basis of an ascribed value for the resource base. Still, given the low probability of it actually becoming a mining company, even this has to be heavily discounted, in our opinion. Our price target of R150/share essentially ascribes only 20% of the EV/Resource ounce potential due to a minimum of 10 years before we could potentially see any production. We rate the shares Underperform, Speculative Risk. Risks to our valuation include project, political, socio-economic, fiscal, mineral rights ownership, operational, commodity price, environmental regulations, financing and trading liquidity risks. In our opinion, the chances of Wits' resources being mined are both too remote and too far in the future to recommend current investment, especially given the availability of better, more easily-valued prospects.
Yamana Gold Inc.	Our $20.00 target is based on 2.1x our estimated NAV and 18.7x our forward CFPS forecast. Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. In a very competitive environment, Yamana, as with all mining companies, faces challenges finding and replacing mined reserves.

Appendix III: Gold Equity Valuation Overview

Our favored initial basis of valuation for precious metals producers is a price to net asset value (P/NAV) metric, where NAV is based on a discounted cash flow (DCF) model constructed using our estimates of the parameters of existing or potential mining operations, with corporate assets evaluated separately (and valued separately using a 1.0x multiple). We adopted a gold forward strip approach to forecasting future gold prices, using the current forward strip for gold (as determined by our RBC bullion traders in the U.K.), which is reviewed periodically. Future-year cash flows are then discounted using a base rate of 5%, to which a risk premium is added, depending on the currency and/or political risk to which we consider the company's operating assets to be most exposed. We do not have separate risk adjustments for each individual country in the world, instead classifying our risk premiums as 1.8% (most of the Americas, Australia), 3.0% (Eastern Europe, Turkey, etc.) or 5.8% (South Africa, Russia, etc.). Since gold historically has rarely been in backwardization, our gold forward strip typically inflates gold prices in future periods, and thus we also inflate our operating cost assumptions at each mine. This mining cost inflation rate typically matches the risk premium selected for the company.

We consider P/NAV to be the best valuation metric for much of the gold price cycle, but we argue that a second metric, price to cash flow (P/CF), becomes increasingly important during periods of rising gold prices, as we believe this provides a better metric for identifying both successful growth delivery companies and/or companies with better short-term leverage to rising gold prices.

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