

Canadian Equity Research

27 January 2015

Company	Rating	Price	Target
ABX-TSX	Sell	C\$15.82	C\$14.00↑ <i>previous</i> C\$12.00
AEM-TSX	Buy	C\$40.78	C\$57.00↑ <i>previous</i> C\$49.00
AGI-TSX	Hold	C\$7.14	C\$8.50↓ <i>previous</i> C\$9.00
AR-TSX	Buy	C\$2.51	C\$5.00↑ <i>previous</i> C\$4.75
AUQ-TSX	Hold	C\$4.89	C\$5.50
AXR-TSX	Hold	C\$0.72	C\$0.80↑ <i>previous</i> C\$0.70
BTO-TSX	Buy	C\$2.52	C\$3.75↑ <i>previous</i> C\$3.50
EDV-TSX	Buy	C\$0.58	C\$1.20↑ <i>previous</i> C\$1.00
ELD-TSX	Hold↑ <i>previous</i> Sell	C\$7.09	C\$8.50↓ <i>previous</i> C\$8.75
FVI-TSX	Buy↑ <i>previous</i> Hold	C\$5.75	C\$7.50↑ <i>previous</i> C\$6.50
G-TSX	Buy	C\$29.76	C\$36.00↑ <i>previous</i> C\$35.00
GSC-TSX	Buy	C\$0.39	C\$0.70↑ <i>previous</i> C\$0.50
IMG-TSX	Sell	C\$3.47	C\$3.25↑ <i>previous</i> C\$3.00
K-TSX	Buy	C\$4.23	C\$6.50↑ <i>previous</i> C\$5.50
NGD-TSX	Buy	C\$5.35	C\$7.50
PAA-TSX	Hold	C\$14.33	C\$16.50↑ <i>previous</i> C\$14.00
SCZ-TSXV	Hold	C\$0.29	C\$0.35↓ <i>previous</i> C\$0.45
SLW-TSX	Buy	C\$29.29	C\$36.00↑ <i>previous</i> C\$30.00
SSL-TSX	Hold	C\$5.01	C\$5.25↑ <i>previous</i> C\$5.00
THO-TSX	Hold	C\$17.83	C\$21.00↑ <i>previous</i> C\$18.00

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Company Update

Price deck update – Dollar divergence

Investment recommendation

We previously commented that the macro-economic backdrop for gold was not supportive with real rates on the rise (mainly due to declining inflation) and expectations for further dollar strengthening. However, we advised a Marketweight stance for gold equities mainly as a protective put on markets and systemic risk. Safe haven appeal appears to be the stronger force at present.

We have revised our forward curve pricing assumption to capture the recent improvement in gold (+5%) and silver (+12%) prices, weakness in copper (-11%), WTI (-4%) and further weakness in major producer currencies such as the CAD (-4%) and AUD (-3%). See Figure 11 for a summary of changes to our commodity price assumptions.

As a result of the adjustments, there have been numerous, generally positive, revisions to our target prices. Recommendation changes are as follows: Eldorado (HOLD from Sell on share weakness) and Fortuna Silver (BUY from Hold). We have removed Goldcorp and added Agnico Eagle and Fortuna Silver to our CG *Focus List*.

Investment highlights

- Gold has de-linked from its typical inverse relationship to the dollar. Since early November 2014 the DXY has appreciated 8.4% while gold has appreciated 13.5%. The positive correlation of gold to the dollar is likely due to increased safe haven investment demand driven by increased market volatility across several asset classes, rising systemic risk and moreover, as a hedge against the competitive devaluation of the world's major fiat currencies.
- In the last two weeks we have seen the Swiss abandon their euro peg, the Canadian Central Bank surprise with a rate cut and the ECB announcement of a \$1.14 trillion QE program. These events were followed by the anti-austerity Greek election outcome that may result in instability – and possibly contagion into the Eurozone.

Valuation

Since November 5, 2014 – NA senior gold equities have appreciated 43%, with an average beta of 3.2x, well above the historical beta closer to 2.0x. Consequently, the equities appear ahead of themselves and we believe a cooling off period should be expected.

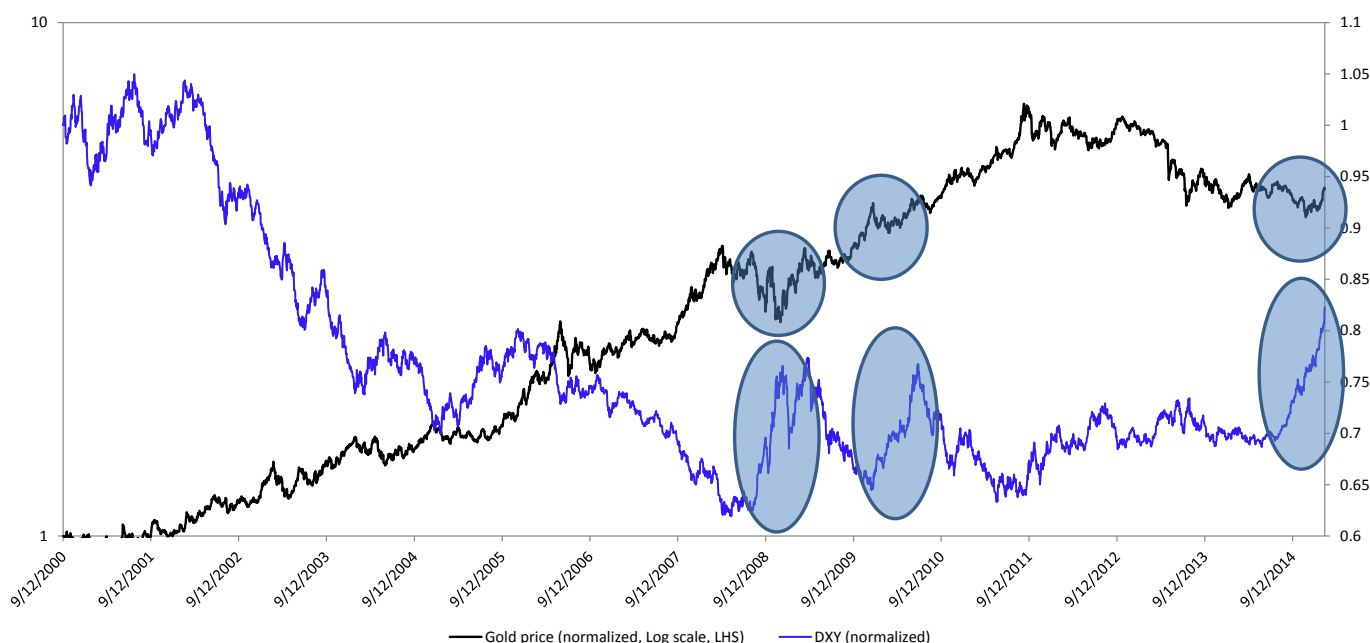
The sector currently trades on a 0.85x multiple to NAV (0.73x excluding silver producers) on the forward curve. Our average target multiple of 0.88x for the gold producers is justifiably below the historical 0.9x to 1.1x valuation range seen at the current gold price.

Our top picks are currently Agnico Eagle, B2Gold, and Fortuna.

Market observations

Since 2000, the US dollar has only experienced appreciation (as measured by DXY) of the magnitude we are currently seeing three times. During the prior two events (July 2008 – November 2008 and November 2009-June 2010) gold both fell and rose in price (by 27 and 6%, respectively; see Figure 1 and Figure 2).

Figure 1: Gold vs. DXY (circled areas represent periods of significant USD appreciation)



Source: Bloomberg, Canaccord Genuity Estimates

During the financial crisis of 2008, the gold price declined while the dollar strengthened by about 1.2x. During the next up-gap in the DXY, gold strengthened 6% (or about 1/3 the DXY move). The latest DXY move has been completely disconnected from the gold price – DXY is up 19% while the gold price is almost unchanged.

Figure 2: DXY and Gold Price performance - selected time frames

	DXY	Gold px
July-Nov-08	22%	-27%
Dec-09-May-10	19%	6%
July-14-present	19%	-2%

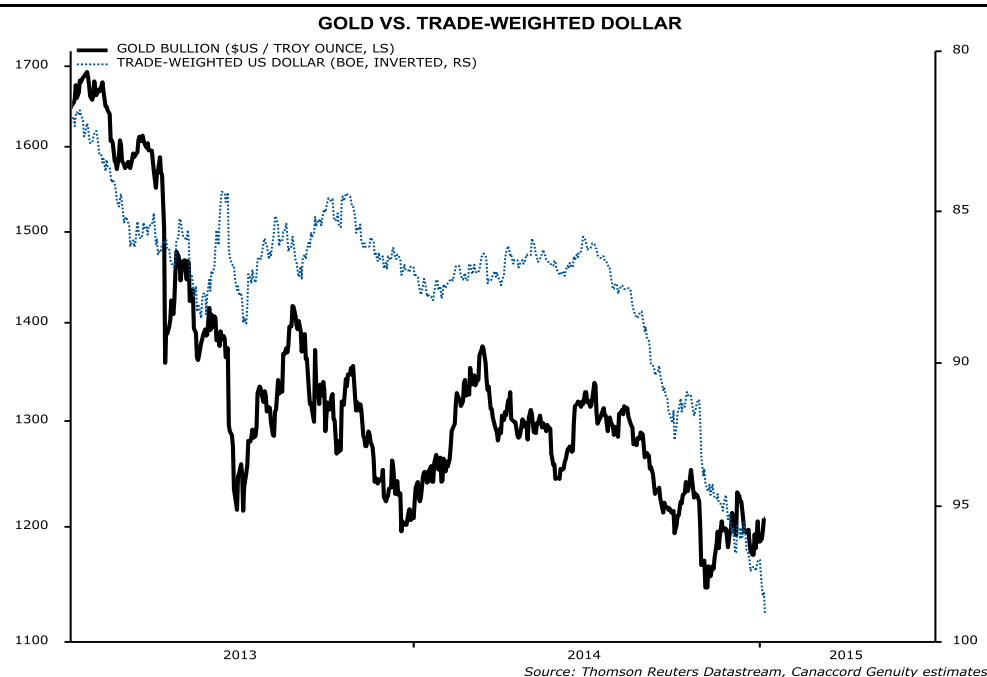
Source: Bloomberg, Canaccord Genuity Estimates

Investment demand for gold, which is the primary determinant of price, is typically driven by three key factors: the US dollar (inverse), US real interest rates (inverse) and, to a lesser degree, the S&P (inverse) and the equity risk premium (ERP).

We have further analyzed the relative performance of the S&P (proxy for the broader equity markets), the USD (as measured by the DXY), gold and gold equities (GDX) from mid-2007 to present. We have broken the performance down into more discrete segments coinciding with more significant movements in the price of gold.

Key observations:

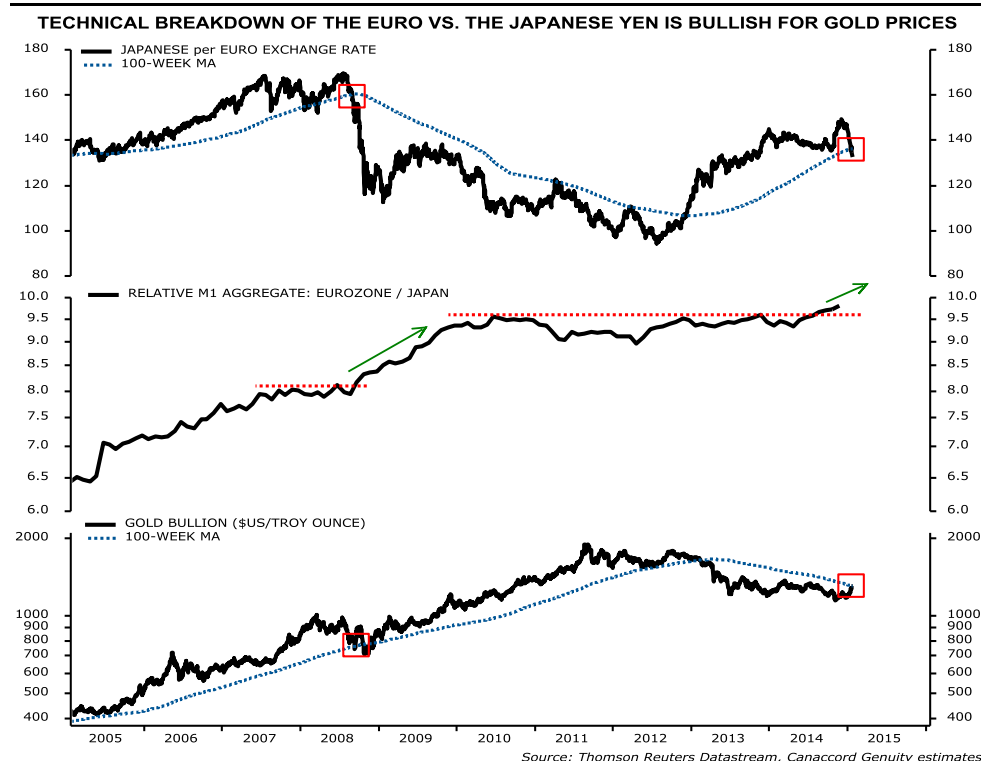
- In terms of gold's correlation to the S&P, there appear to be three key phases. Pre GFC negative correlation, post QE positive correlation and the post gold collapse phase negative correlation.
- During strong market corrections gold and gold equities perform similarly (beta ~1.0). Gold and GDX were always positively correlated.
- The significance of the dollar ebbs and flows but, in general, a strong $\pm 2.5\%$ move in the dollar will most often result in the opposite performance in gold and gold equities. **In only 2 of 22 periods did the DXY and gold show a positive correlation, with both events occurring in mid-2010. The third event is occurring now.**

Figure 3: Gold and the Trade Weighted Dollar (BOE Calculated)

Source: Canaccord Genuity Estimates, Thomson Reuters Datastream

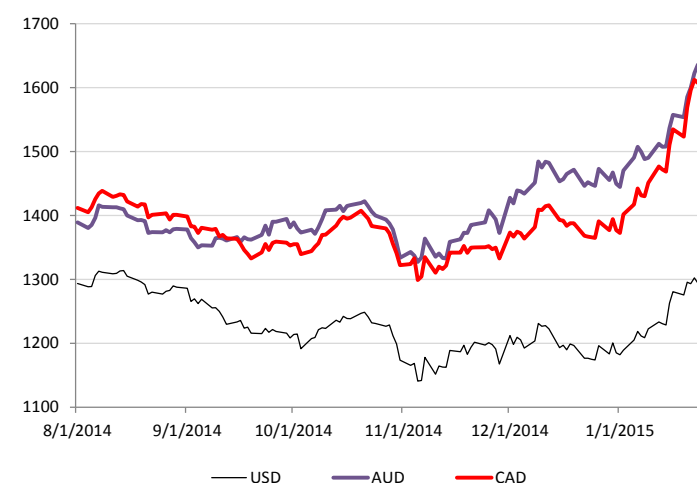
As per Canaccord Genuity's North American portfolio strategist, Martin Roberge, a bullish gold price environment is in place: "First, the correlation between gold and the US\$ is fading. This may indicate that gold has become a protective put on markets and on rising volatility across several asset classes. This is our stance. Second, gold has also been negatively correlated with the yen and this relationship is fading too owing to successful QE at the ECB. [Figure 4] below shows that the EUR is now falling faster than the yen (first panel). This means that investors believe the ECB has over-delivered. This dynamic is also consistent with the M1 in Europe breaking out to M1 in Japan (second panel). This could lead to a shift from the yen to the euro carry trade. If not, the yen is no longer as attractive for borrowers hence the sustained bid below the bullion. With the eur/yen cross breaking its 100-week this week, we believe it is just a question of time before we break above the 100-w average for gold ~1,310. By failing to do it this week, a pause and decline to the 200-day average ~1,250 would be a rationale move. If we don't, it would confirm that the recent gold run could be the "real thing" that takes us to the 200w average ~1,500. Stay tuned."

Figure 4: Euro vs. Japanese Yen

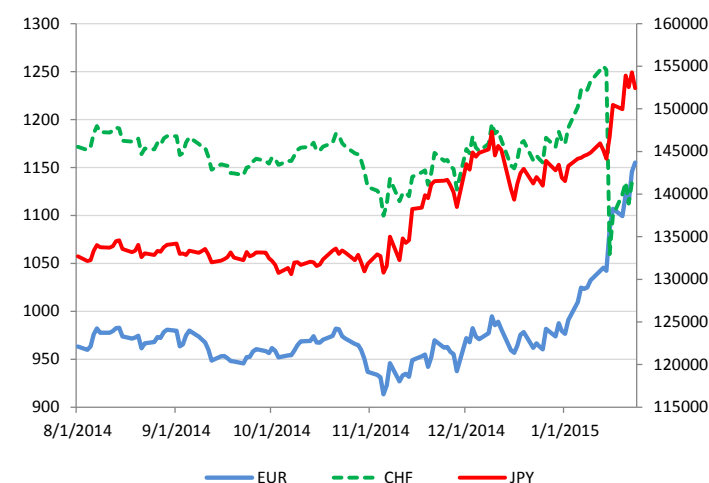


Source: Canaccord Genuity Estimates, Thomson Reuters Datastream

Currency volatility over the last few months has resulted in varying performance for gold in different currencies (Figure 5 and Figure 6). Most notably, the Swiss (historically relatively staunch supporters of gold and gold money) have seen their gold wealth evaporate as the franc revalued aggressively in light of the elimination of the peg to the euro. Conversely, Canada's rate cut has boosted gold prices in that currency. It is also beneficial for European-based investors (as well as the Japanese) to continue to hold gold or even increase their exposure.

Figure 5: Gold price performance in various currencies

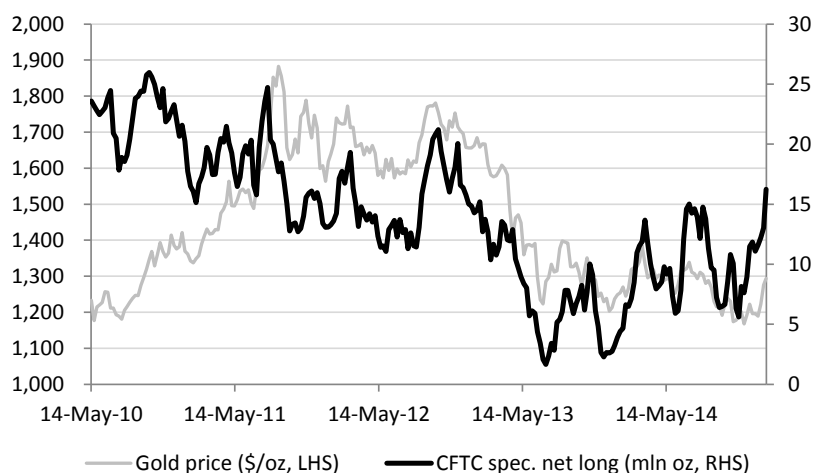
Source: Bloomberg, Canaccord Genuity Estimates

Figure 6: Gold price performance in various currencies

Source: Bloomberg, Canaccord Genuity Estimates

The Australian gold price seems to be imitating the Canadian version most likely due to the 'commodity currency' status ascribed to both.

CFTC speculative net long position is at a two-year high – we note that each time a higher high has formed in the last two years it coincided with an interim high in the gold price (Figure 7).

Figure 7: CFTC speculative net long positions (mln oz)

Source: Canaccord Genuity Estimates, CFTC

Overall, over shorter durations, the price of gold is quite difficult to forecast given that the relative importance of the historical key price drivers ebbs and flows over time. Correlations for gold's key drivers are not static. The gold price is subject to numerous exogenous variables or shocks mainly related to political and economic risks while supply and demand for gold is more difficult to fully quantify than for other commodities.

The net result is that the gold price is difficult to predict at the best of times and is even more difficult in the current environment where unconventional monetary

policies are being pursued by the world's Central Banks. Unconventional policies may lead to unconventional outcomes. The current run in gold may represent a quantum shift higher in the metal to reflect rising systemic and currency debasement risk.

The current gold run may also be short-lived with the renewed global QE providing further market stimulus and eventual economic growth. With the US appearing to remain on course for economic recovery and with the potential for increased real rates (as continuously signalled by the Fed), gold's safe haven appeal could decline.

The jury is still out. In any event our thesis remains – gold and gold equities serve a purpose as portfolio insurance and high quality names should be included in any generalist portfolio. Gold equities remain under-owned in North America. We remain Marketweight gold equities although we would not be surprised by a near-term pull-back.

Gold equity betas rise

Since early November 2014, gold is up about 15% while the DXY is up 9%. Over this time frame, gold shares have enjoyed an above-historic average rally in terms of beta to gold price. Figure 8 summarises recent market activity and provides commentary for some of the underperformers.

Figure 8: Performance - 12 months and from November 5, 2014 gold price low

	performance		beta to gold		comments/observations
	12-mth	from Nov 5	12-mth	from Nov 5	
Silver	-8.6%	19.4%	1.2	1.4	Silver is outperforming gold from the Nov. lows
Gold	2.4%	13.5%	1.0	1.0	
DXY	17.8%	8.4%	(0.1)	(0.1)	Japan's competitive currency devaluation yields results
JPY	14.1%	2.7%	(0.2)	(0.2)	
CAD	-11.9%	-9.1%	0.1	0.2	Surprise rate cut hits the CAD (Canadian miners benefit)
Euro	-18.2%	-10.3%	0.1	0.1	EU stimulus package drives Euro exit
WTI	-53.2%	-42.1%	0.3	0.4	
DGC	78.9%	86.2%	3.6	4.2	RESTRICTED
IMG	-24.2%	85.5%	3.0	4.1	High cost structure = high torque to gold (highest in sector)
K	-28.8%	68.5%	2.3	3.1	
AEM	6.4%	46.6%	2.4	2.7	
SLW	2.3%	35.2%	1.0	0.9	Beta impact should be lower for royalty/streaming cos.
G	-0.5%	34.3%	2.1	2.5	
PAA	-14.8%	27.2%	1.2	1.3	Positive 2015 guidance update, strong leverage to silver
NGD	-27.3%	24.7%	2.6	3.3	Underperformance likely explained by copper price decline
YRI	-57.3%	18.4%	2.4	3.1	RESTRICTED
ABX	-35.6%	13.3%	2.0	2.5	Copper exposure/Lumwana shutdown, balance sheet stress
ELD	-14.2%	13.2%	2.7	3.0	Downward revisions to production profile
THO	-19.2%	-11.0%	0.9	0.8	Guatemala royalty increase takes a toll
Avg. Au	-11.4%	43.4%	2.6	3.2	Gold Producers Only
Avg. Ag	-10.6%	17.1%	1.1	1.0	Silver Producers Only
SSL	-25.5%	57.5%	3.2	3.6	Decent Q3/14, recovery from oversold territory
AXR	-65.1%	38.4%	1.2	0.8	Recent performance on Flame & Moth drill results
FVI	19.0%	38.4%	1.6	1.3	Positive updates from Trinidad North, operating performance
BTO	-16.3%	35.9%	2.5	2.7	Strong Q4/14, successful Otjikoto start-up
P	-25.3%	30.6%	3.1	4.1	RESTRICTED
AUQ	-17.7%	28.7%	2.6	3.0	Strong operating results from YD
GSC	-54.7%	24.9%	3.2	3.5	High leverage to gold
EDV	-24.9%	19.5%	3.4	3.8	Strong operating performance offset by index-related sell-off
AR	-55.6%	4.0%	2.9	3.4	Disappointing operating results and index-related sell-off
AGI	-35.0%	-12.3%	2.0	2.3	Operating miss and disappointing guidance
LGC	-78.3%	-13.6%	1.3	0.1	RESTRICTED
Avg. Au	-37.0%	19.5%	2.7	2.9	Gold Producers Only
Avg. Ag	-23.0%	38.4%	1.4	1.1	Silver Producers Only

Source: Bloomberg, Canaccord Genuity Estimates

Rating and target price revisions

Our revised (+11%) target prices are predicated on our forward curve derived NPV estimates. Consequently, our target valuations reflect our estimate of fair market values at prevailing pricing.

Revised target prices and ratings revisions are highlighted in Figure 9. Our target prices for the large capitalization producers are predicated on an average 0.88x multiple to NAV, below the historical mid-cycle range of 1.0x to 1.1x (Figure 10) to reflect continued challenges such as operating risks, balance sheet weakness, dilutive M&A practices, and management alignment issues.

Based on the updated current forward curve and a return to more normalized valuation levels, we could see an additional average upside re-rating potential of 22% for the larger producers and 44% average return for the mid-tier producers. While the return may be higher in the mid-tiers – so is the risk.

Figure 9: Rating and target price revisions

Company	Analyst	Ticker	Currency	Close	Rating		Target		Target % Change	Dividend Yield	Total Implied Return	NAVPS Forward Curve	Target Multiple	Current P/NAV
					26-Jan-15	Previous	New	Previous						
				LARGE CAP										
Kinross Gold	TL	K	C\$	\$4.23	BUY	BUY	\$5.50	\$6.50	18%	0.0%	54%	\$8.15	0.80	0.52
Agnico Eagle Mines	TL	AEM	C\$	\$40.78	BUY	BUY	\$49.00	\$57.00	16%	1.2%	41%	\$51.52	1.10	0.79
New Gold	RP	NGD	C\$	\$5.35	BUY	BUY	\$7.50	\$7.50	0%	0.0%	40%	\$8.66	0.90	0.62
Silver Wheaton	TL	SLW	C\$	\$29.29	BUY	BUY	\$30.00	\$36.00	20%	1.0%	24%	\$21.61	1.65*	1.36
Goldcorp	TL	G	C\$	\$29.76	BUY	BUY	\$35.00	\$36.00	3%	2.2%	23%	\$34.30	1.05	0.87
Eldorado Gold	TL	ELD	C\$	\$7.09	SELL	HOLD	\$8.75	\$8.50	-3%	0.3%	20%	\$9.50	0.90	0.75
Tahoe Resources	TL/JK	THO	C\$	\$17.83	HOLD	HOLD	\$18.00	\$21.00	17%	1.5%	19%	\$15.70	1.40	1.14
Pan American Silver	JK	PAA	C\$	\$14.33	HOLD	HOLD	\$14.00	\$16.50	18%	4.0%	19%	\$15.36	1.10	0.93
IAMGOLD	TL	IMG	C\$	\$3.47	SELL	SELL	\$3.00	\$3.25	8%	0.0%	-6%	\$5.96	0.50	0.58
Barrick Gold	TL	ABX	C\$	\$15.82	SELL	SELL	\$12.00	\$14.00	17%	1.4%	-10%	\$16.51	0.90	0.96
Average									11%	1.5%	22%		1.03	0.85
Average Excl Silver													0.88	0.73
MID/SMALL CAP														
Endeavour Mining	RP	EDV	C\$	\$0.58	BUY	BUY	\$1.00	\$1.20	20%	0.0%	107%	\$1.84	0.70	0.32
Argonaut Gold	RP	AR	C\$	\$2.51	BUY	BUY	\$4.75	\$5.00	5%	0.0%	99%	\$6.36	0.75	0.39
Golden Star	RP	GSC	C\$	\$0.39	BUY	BUY	\$0.50	\$0.70	40%	0.0%	79%	\$1.48	0.65	0.26
B2Gold	RP	BTO	C\$	\$2.52	BUY	BUY	\$3.50	\$3.75	7%	0.0%	49%	\$3.67	1.00	0.69
Fortuna Silver	JK	FVI	C\$	\$5.83	HOLD	BUY	\$6.50	\$7.50	15%	0.0%	29%	\$6.64	1.15	0.88
Alamos Gold	RP	AGI	C\$	\$7.14	HOLD	HOLD	\$9.00	\$8.50	-6%	2.9%	22%	\$11.02	0.70	0.65
Santacruz Silver	JK	SCZ	C\$	\$0.29	HOLD	HOLD	\$0.45	\$0.35	-22%	0.0%	21%	\$0.48	0.60	0.60
AuRico Gold	RP	AUQ	C\$	\$4.89	HOLD	HOLD	\$5.50	\$5.50	0%	1.5%	14%	\$6.32	0.90	0.77
Alexco Resource	JK	AXR	C\$	\$0.72	HOLD	HOLD	\$0.70	\$0.80	14%	0.0%	11%	\$1.06	0.75	0.68
Sandstorm Gold	RP	SSL	C\$	\$5.01	HOLD	HOLD	\$5.00	\$5.25	5%	0.0%	5%	\$4.62	1.20	1.08
Average									8%	2.2%	44%		0.84	0.63
Average Excl Silver													0.84	0.60

Source: FactSet, Canaccord Genuity Estimates

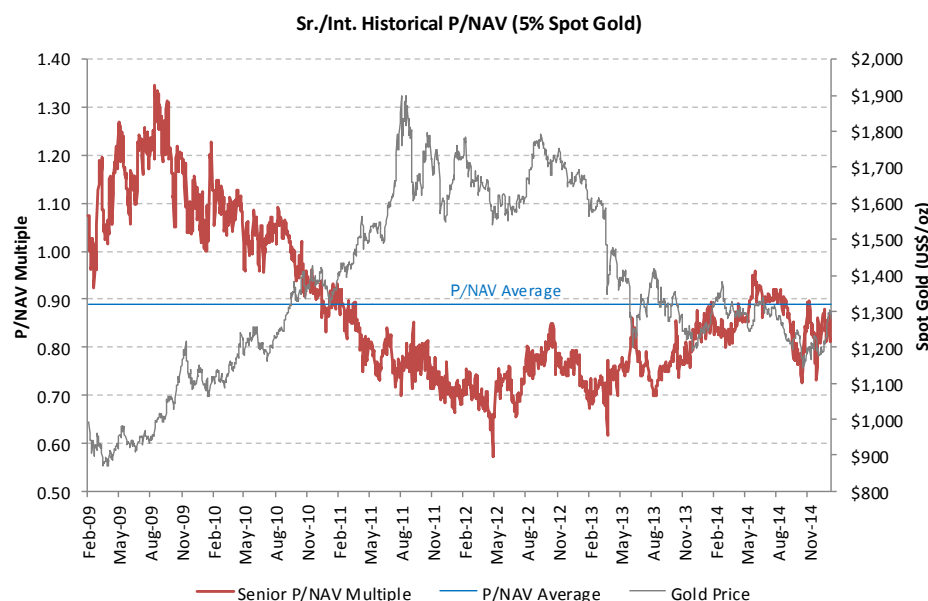
Among the seniors, we continue to see increasing valuation dispersion on NAV metrics. Agnico Eagle (BUY, CG Focus List pick) is currently trading near NAV but should trade at a premium given its high quality assets/management and has numerous positive re-rating potential catalysts on the horizon. Kinross (BUY) currently trades at the largest discount to the group (29% discount) likely on continued political risk concerns (Russia). We believe the current discount on Kinross is unjustified. Barrick (SELL) continues to remain an outlier, trading at a 32% premium to other large gold producers, despite declining production, a heavy debt load, acquisition risk (Newmont?) and governance and strategy concerns. IAMGOLD (SELL) has seen a material re-rating of late despite acquisition risk (a large proportion of the NAV is related to the cash pile which is expected to redeployed with a resulting NAV de-

rating), no disclosure on the long-term mine plans, the potential for material reserve write-downs at year end, and closure risk at Rosebel.

Among the mid-tiers, AuRico, B2Gold and Alamos currently trade at a premium to the gold producer group (outside of Sandstorm which receives a royalty premium). We believe the valuation for AuRico is justifiable given the lower development risk. The lowest multiples in the group are currently attributed to the companies with the weakest balance sheets e.g., Golden Star and Endeavour.

Silver producers continue to trade at a premium; however, the gap to gold producers has narrowed considerably. In our update on January 9, 2015, all silver producers under coverage were trading at or above 1x P/NAV; we note that both Pan American Silver (HOLD) and Fortuna (BUY, CG Focus List) now trade at a discount to NAV, while Tahoe's premium to the group has declined to 34% from 62% previously. We largely attribute this shift to the outperformance in the price of silver vs gold since our update. Spot silver is up 9.3% over that period versus 5.9% for gold, and the long-term forward curve derived price of silver has moved up 12% versus 5% for gold.

Figure 10: Sr/Int Historic P/NAV vs Gold Price



Source: Bloomberg, Canaccord Genuity Estimates

Ratings revisions

Eldorado Gold (ELD : TSX) – Raised to HOLD from Sell, Target to C\$8.50 from C\$8.75

We are raising our rating for Eldorado Gold to HOLD from Sell following strong recent share price underperformance. Since releasing its Q4/14 operating results and weaker than expected 2015 guidance on January 20, 2015, ELD shares have declined 25%. We believe that the risk reward profile is now more balanced. Despite the recent positive shift in the forward curve, we have revised lower our target multiple from 1.0x to 0.9x to reflect heightened political risk in Greece, where almost 50% of its NAV is located. The company has clearly moved into the valuation penalty box for the time being.

Fortuna Silver (FVI : TSX) – Raised to BUY from Hold, Target to C\$7.50 from C\$6.50

We are raising our rating on Fortuna Silver to BUY from Hold. Fortuna Silver has underperformed silver producers by 12% YTD and is currently trading at an 18% discount to its silver peers on NAV.

Company Updates

Goldcorp (G : TSX) BUY rating, C\$36.00 target from C\$35.00

We have updated our valuation for Goldcorp reflecting its recently announced acquisition of Probe Mines (announced January 19, 2015) and other disclosures. Please refer to our separate note titled “*Probe Portends Pipeline Pinch?*” for a complete analysis of Goldcorp.

Santacruz Silver (SCZ : TSXV) HOLD rating, C\$0.35 target from C\$0.45

Our valuation for Santacruz Silver has declined in part due to lower long-term commodity price estimates for zinc and lead; down 4.4% and 2.3%, respectively. We estimate that under a scenario with San Felipe built and producing, approximately 60% of the company's revenues come from zinc and lead. We have also adjusted our equity raise assumptions reflecting recent share price performance. Shares have declined by 23% since our update on January 9, and our valuation now assumes an equity raise of \$35 million at \$0.25/sh versus \$0.35/sh previously. The recent commodity price performance has also put the company's hedging program (announced December 1, 2014) out of the money. We do however note that the company is not capped to the upside, so can therefore fully partake in further up swings in commodities.

CG forward curve assumptions

The Canaccord Genuity (CG) forward curve pricing assumptions are shown in Figure 11. Since our last update in early January 2015, the long-term forward gold price has increased 5%, from \$1,334/oz to \$1,400/oz. Curve pricing for other major metals copper and silver has also changed, approximately down 11% and up 12%, respectively. Following the recent decline in the Bank of Canada rate to 0.75%, we have seen further weakness in the CAD/USD exchange rate, with the CAD devaluing by a further 4.3% in long term estimates.

Figure 11: Commodity price and currency forecast revisions (forward curve as of January 23, 2015 versus January 5, 2015)

		2015 E	2016 E	2017 E	2018 E	2019 E	2020 E/ Long term
Gold (US\$/oz)	New	\$1,294	\$1,300	\$1,312	\$1,329	\$1,351	\$1,400
	Previous	\$1,205	\$1,212	\$1,230	\$1,251	\$1,276	\$1,334
	Change (%)	7.4%	7.2%	6.7%	6.2%	5.9%	5.0%
Silver (US\$/oz)	New	18.34	18.52	18.78	19.06	19.42	19.42
	Previous	\$16.24	\$16.44	\$16.70	\$16.97	\$17.34	\$17.34
	Change (%)	12.9%	12.7%	12.5%	12.3%	12.0%	12.0%
Gold/Silver ratio	New	70.6	70.2	69.9	69.7	69.6	72.1
	Previous	74.2	73.8	73.7	73.7	73.6	76.9
	Change (%)	-4.9%	-4.8%	-5.1%	-5.4%	-5.5%	-6.3%
Copper (US\$/lb)	New	3.11	2.50	2.49	2.48	2.48	2.48
	Previous	\$3.11	\$2.83	\$2.81	\$2.80	\$2.80	\$2.80
	Change (%)	0.0%	-11.6%	-11.3%	-11.2%	-11.2%	-11.2%
Zinc (US\$/lb)	New	0.98	0.95	0.96	0.96	0.96	0.95
	Previous	\$0.98	\$1.01	\$1.01	\$1.01	\$1.00	\$1.00
	Change (%)	0.0%	-5.1%	-4.8%	-4.5%	-4.4%	-4.4%
Lead (US\$/lb)	New	0.95	0.84	0.85	0.86	0.86	0.86
	Previous	\$0.95	\$0.85	\$0.87	\$0.88	\$0.88	\$0.88
	Change (%)	0.0%	-1.6%	-2.2%	-2.4%	-2.3%	-2.3%
CDN/USD Exchange	New	0.80	0.80	0.80	0.81	0.81	0.81
	Previous	\$0.85	\$0.84	\$0.84	\$0.85	\$0.85	\$0.85
	Change (%)	-5.1%	-4.8%	-4.7%	-4.5%	-4.3%	-4.3%
USD/AUD Exchange	New	0.78	0.77	0.76	0.75	0.75	0.75
	Previous	\$0.80	\$0.79	\$0.78	\$0.78	\$0.77	\$0.77
	Change (%)	-2.1%	-2.2%	-2.3%	-2.6%	-2.8%	-2.8%
USD/EUR Exchange	New	1.12	1.13	1.14	1.17	1.19	1.19
	Previous	\$1.20	\$1.21	\$1.22	\$1.24	\$1.27	\$1.27
	Change (%)	-6.1%	-6.1%	-6.1%	-6.2%	-6.3%	-6.3%
USD/CLP Exchange	New	635	650	656	667	681	681
	Previous	627	642	649	664	678	678
	Change (%)	1.3%	1.2%	1.1%	0.5%	0.5%	0.5%
USD/BRL Exchange	New	R\$ 2.72	R\$ 2.72	R\$ 2.72	R\$ 2.72	R\$ 2.72	R\$ 2.72
	Previous	R\$ 2.85	R\$ 2.85	R\$ 2.85	R\$ 2.85	R\$ 2.85	R\$ 2.85
	Change (%)	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
WTI Oil (US\$/bbl)	New	\$49.66	\$56.75	\$61.19	\$63.66	\$65.05	\$65.92
	Previous	\$53.37	\$60.47	\$64.65	\$66.65	\$67.92	\$68.71
	Change (%)	-7.0%	-6.1%	-5.4%	-4.5%	-4.2%	-4.1%
USD/RUB Exchange	New	\$0.015	\$0.013	\$0.012	\$0.011	\$0.010	\$0.010
	Previous	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
	Change (%)	0.5%	-0.8%	-2.4%	2.1%	-6.7%	-6.7%

Source: Bloomberg, Canaccord Genuity Estimates

EPS and CPFS revisions

Our 2015 and 2016 financial forecasts have improved primarily due to a higher gold and silver price and revised currency assumptions. Our revised financial estimates also reflect company-specific guidance and assumption changes.

See Figure 12 for revised EPS and CFPS estimates, Figure 13 for trading metrics, and Figure 14 for our NAV estimate revisions. Figure 15 shows YTD performance of the equities.

For the larger producers, our 2015 and 2016 CF estimates have increased 22% and 17%, respectively. The largest positive revisions to cash flow were to Agnico Eagle, Pan American Silver, Tahoe, Goldcorp and Barrick. Among the mid-tier producers, the largest positive revisions to cash flow estimates were to AuRico, Endeavour, Alamos and Fortuna.

Figure 12: EPS and CFPS estimate revisions

	EPS Estimates								CFPS Estimates							
	2015E				2016E				2015E				2016E			
	Previous	New	\$ Change	% Change	Previous	New	\$ Change	% Change	Previous	New	\$ Change	% Change	Previous	New	\$ Change	% Change
LARGE CAP																
New Gold	\$0.14	\$0.15	\$0.01	7%	\$0.16	\$0.16	\$0.00	3%	\$0.71	\$0.72	\$0.00	0%	\$0.73	\$0.72	(\$0.01)	(1%)
Silver Wheaton	\$0.74	\$0.87	\$0.13	18%	\$0.89	\$1.07	\$0.18	21%	\$1.31	\$1.41	\$0.10	8%	\$1.52	\$1.68	\$0.16	11%
Barrick Gold	\$0.51	\$0.69	\$0.17	34%	\$0.68	\$0.86	\$0.18	27%	\$1.78	\$2.04	\$0.26	15%	\$1.99	\$2.25	\$0.27	13%
Goldcorp	\$0.59	\$0.85	\$0.26	45%	\$0.96	\$1.12	\$0.16	17%	\$2.05	\$2.33	\$0.28	14%	\$2.56	\$2.57	\$0.00	0%
Tahoe Resources	\$0.38	\$0.58	\$0.20	53%	\$0.41	\$0.57	\$0.16	40%	\$0.75	\$1.01	\$0.27	36%	\$0.83	\$1.05	\$0.22	26%
Agnico Eagle Mines	\$0.80	\$1.24	\$0.44	55%	\$1.17	\$1.44	\$0.27	23%	\$3.08	\$3.59	\$0.50	16%	\$3.33	\$3.78	\$0.45	13%
Kinross Gold	\$0.14	\$0.25	\$0.11	78%	\$0.11	\$0.19	\$0.08	76%	\$0.84	\$0.95	\$0.11	13%	\$0.81	\$0.87	\$0.05	7%
Eldorado Gold	\$0.03	\$0.08	\$0.05	163%	\$0.08	\$0.13	\$0.05	60%	\$0.28	\$0.34	\$0.06	21%	\$0.39	\$0.46	\$0.07	18%
IAMGOLD	(\$0.20)	(\$0.09)	\$0.11	nm	(\$0.16)	(\$0.07)	\$0.09	nm	\$0.36	\$0.51	\$0.16	44%	\$0.47	\$0.63	\$0.15	33%
Pan American Silver	(\$0.20)	\$0.07	\$0.27	nm	(\$0.11)	\$0.21	\$0.32	nm	\$0.60	\$0.93	\$0.33	55%	\$0.86	\$1.29	\$0.43	50%
Average				56%				33%				22%				17%
MID/SMALL CAP																
Sandstorm Gold	\$0.06	\$0.10	\$0.04	72%	\$0.06	\$0.10	\$0.04	74%	\$0.32	\$0.36	\$0.04	13%	\$0.36	\$0.40	\$0.04	12%
Fortuna Silver	\$0.10	\$0.18	\$0.08	74%	\$0.19	\$0.29	\$0.10	53%	\$0.33	\$0.41	\$0.08	24%	\$0.50	\$0.60	\$0.10	20%
B2Gold	\$0.03	\$0.07	\$0.04	111%	\$0.09	\$0.13	\$0.05	56%	\$0.21	\$0.24	\$0.04	18%	\$0.28	\$0.32	\$0.05	17%
Argonaut Gold	\$0.04	\$0.10	\$0.06	148%	\$0.12	\$0.18	\$0.07	57%	\$0.34	\$0.40	\$0.06	18%	\$0.43	\$0.49	\$0.07	15%
Alexco Resource	(\$0.03)	(\$0.03)	\$0.00	nm	(\$0.03)	(\$0.03)	\$0.00	nm	(\$0.03)	(\$0.03)	\$0.00	nm	(\$0.04)	(\$0.04)	\$0.00	nm
AuRico Gold	(\$0.29)	(\$0.18)	\$0.11	nm	(\$0.11)	\$0.01	\$0.13	nm	\$0.25	\$0.36	\$0.11	43%	\$0.47	\$0.59	\$0.13	27%
Golden Star	(\$0.17)	(\$0.11)	\$0.06	nm	(\$0.16)	(\$0.12)	\$0.04	nm	\$0.14	\$0.20	\$0.05	38%	\$0.05	\$0.10	\$0.05	99%
Santacruz Silver	(\$0.02)	(\$0.01)	\$0.01	nm	(\$0.02)	(\$0.00)	\$0.01	nm	(\$0.00)	\$0.00	\$0.00	nm	\$0.01	\$0.01	\$0.01	61%
Endeavour Mining	(\$0.04)	\$0.05	\$0.09	nm	(\$0.03)	\$0.03	\$0.06	nm	\$0.39	\$0.48	\$0.09	23%	\$0.38	\$0.43	\$0.06	15%
Alamos Gold	(\$0.16)	(\$0.10)	\$0.07	nm	\$0.17	\$0.19	\$0.02	12%	\$0.29	\$0.38	\$0.09	33%	\$0.35	\$0.43	\$0.07	21%
Average				101%				50%				26%				32%

Source: Canaccord Genuity Estimates

Figure 13 below highlights individual profitability metrics for the North American gold producers while Figure 14 highlights the changes to our NAV estimates.

Overall, the sector continues to appear expensive on historical P/E metrics given margin erosion, and higher depreciation expense (capital costs inflation and shorter mine lives) and higher taxes and royalties. On P/CF and EV/EBITDA metrics the sector appears to be trading broadly in-line with historical levels but still at a strong premium on average to Canadian oil and gas and base metal equities.

Figure 13: P/E, P/CF, EV/EBITDA and Net Debt/EBITDA metrics

	P/E			P/CF			EV/EBITDA			Net Debt/EBITDA	
	2015E	2016E		2015E	2016E		2015E	2016E		2015E	2016E
LARGE CAP											
IAMGOLD	-31.8	-39.1	Kinross Gold	3.6	3.9	Kinross Gold	3.1	3.4	Barrick Gold	1.9	1.6
Kinross Gold	13.5	17.6	IAMGOLD	5.5	4.4	IAMGOLD	4.4	3.8	New Gold	1.6	1.7
Barrick Gold	18.5	14.8	New Gold	6.0	6.0	New Gold	5.0	4.9	Eldorado Gold	1.3	1.6
Tahoe Resources	24.7	25.1	Barrick Gold	6.2	5.7	Barrick Gold	5.1	4.6	Agnico Eagle Mines	0.9	0.5
Agnico Eagle Mines	26.4	22.8	Agnico Eagle Mines	9.1	8.7	Agnico Eagle Mines	8.2	7.4	Goldcorp	0.8	0.5
Silver Wheaton	26.9	22.0	Goldcorp	10.3	9.3	Goldcorp	9.4	8.1	Silver Wheaton	0.6	-0.2
Goldcorp	28.2	21.4	Pan American Silver	12.4	9.0	Pan American Silver	10.4	7.9	Kinross Gold	0.2	0.4
New Gold	29.2	26.8	Tahoe Resources	14.1	13.7	Tahoe Resources	12.4	12.2	IAMGOLD	0.2	0.1
Eldorado Gold	69.3	42.4	Eldorado Gold	16.6	12.3	Eldorado Gold	14.5	11.5	Tahoe Resources	-0.7	-1.2
Pan American Silver	175.8	56.0	Silver Wheaton	16.7	14.0	Silver Wheaton	16.9	13.5	Pan American Silver	-1.1	-1.0
Average	38.1	21.0		10.0	8.7		8.9	7.7		0.6	0.4
MID/SMALL CAP											
Alamos Gold	-59.6	30.3	Endeavour Mining	1.0	1.1	Endeavour Mining	0.9	1.0	Santacruz Silver	nm	nm
Santacruz Silver	-25.9	-66.8	Golden Star	1.6	3.1	Golden Star	1.3	1.6	Alexco Resource	nm	nm
AuRico Gold	-21.6	300.7	Argonaut Gold	5.1	4.1	Argonaut Gold	4.4	3.4	AuRico Gold	2.3	1.4
Golden Star	-2.8	-2.6	B2Gold	8.3	6.2	B2Gold	7.3	5.5	Golden Star	1.6	2.2
Endeavour Mining	9.7	15.1	AuRico Gold	10.9	6.6	AuRico Gold	8.0	5.4	B2Gold	1.2	0.9
Argonaut Gold	20.3	11.0	Sandstorm Gold	11.2	10.1	Fortuna Silver	8.6	5.9	Endeavour Mining	0.7	0.2
Fortuna Silver	25.6	15.9	Fortuna Silver	11.5	7.8	Sandstorm Gold	10.7	9.6	Fortuna Silver	-0.3	-0.5
B2Gold	27.7	15.1	Alamos Gold	15.1	13.5	Alamos Gold	15.0	10.5	Argonaut Gold	-0.7	-1.1
Sandstorm Gold	41.9	40.3	Santacruz Silver	60.3	16.5	Alexco Resource	nm	nm	Sandstorm Gold	-2.9	-3.7
Alexco Resource	nm	nm	Alexco Resource	nm	nm	Santacruz Silver	nm	8.0	Alamos Gold	-5.8	-3.4
Average	1.7	39.9		13.9	7.7		7.0	5.7		-0.5	-0.5

Source: FactSet, Canaccord Genuity Estimates

Figure 14: NAV estimate revisions

		Close	NAVPS				P/NAV
		26-Jan-15	Previous	New	\$ Change	% Change	
LARGE CAP							
Silver Wheaton	SLW	\$29.29	\$18.30	\$21.61	\$3.31	18%	1.36
Tahoe Resources	THO	\$17.83	\$12.58	\$15.70	\$3.11	25%	1.14
Barrick Gold	ABX	\$15.82	\$14.16	\$16.51	\$2.36	17%	0.96
Pan American Silver	PAA	\$14.33	\$12.05	\$15.36	\$3.31	27%	0.93
Goldcorp	G	\$29.76	\$31.30	\$34.30	\$3.00	10%	0.87
Agnico Eagle Mines	AEM	\$40.78	\$44.24	\$51.52	\$7.28	16%	0.79
Eldorado Gold	ELD	\$7.09	\$8.69	\$9.50	\$0.81	9%	0.75
New Gold	NGD	\$5.35	\$7.95	\$8.66	\$0.71	9%	0.62
IAMGOLD	IMG	\$3.47	\$4.93	\$5.96	\$1.04	21%	0.58
Kinross Gold	K	\$4.23	\$6.80	\$8.15	\$1.36	20%	0.52
Average						18%	0.85
Average Ex Silvers							0.73
MID/SMALL CAP							
Sandstorm Gold	SSL	\$5.01	\$4.19	\$4.62	\$0.43	10%	1.08
Fortuna Silver	FVI	\$5.83	\$5.23	\$6.64	\$1.41	27%	0.88
AuRico Gold	AUQ	\$4.89	\$5.54	\$6.32	\$0.78	14%	0.77
B2Gold	BTO	\$2.52	\$3.03	\$3.67	\$0.64	21%	0.69
Alexco Resource	AXR	\$0.72	\$0.96	\$1.06	\$0.10	11%	0.68
Alamos Gold	AGI	\$7.14	\$10.50	\$11.02	\$0.53	5%	0.65
Santacruz Silver	SCZ	\$0.29	\$0.61	\$0.48	(\$0.13)	(22%)	0.60
Argonaut Gold	AR	\$2.51	\$5.70	\$6.36	\$0.65	11%	0.39
Endeavour Mining	EDV	\$0.58	\$1.44	\$1.84	\$0.39	27%	0.32
Golden Star	GSC	\$0.39	\$1.10	\$1.48	\$0.37	34%	0.26
Average						14%	0.63
Average Ex Silvers							0.60

Source: FactSet, Canaccord Genuity Estimates

Figure 15: Share price performance

Company	Analyst	Ticker	Currency	Close 26-Jan-15	Rating	Target	Dividend Yield	Total Implied Return	Share Price Performance				
									1 week	1 month	3 months	6 months	12 months
LARGE CAP													
Kinross Gold	TL	K	C\$	\$4.23	BUY	\$6.50	0.0%	54%	-1%	35%	38%	-5%	-18%
Agnico Eagle Mines	TL	AEM	C\$	\$40.78	BUY	\$57.00	1.2%	41%	4%	48%	24%	-8%	19%
New Gold	RP	NGD	C\$	\$5.35	BUY	\$7.50	0.0%	40%	-3%	9%	10%	-22%	-16%
Silver Wheaton	TL	SLW	C\$	\$29.29	BUY	\$36.00	1.0%	24%	5%	26%	32%	2%	20%
Goldcorp	TL	G	C\$	\$29.76	BUY	\$36.00	2.2%	23%	4%	45%	19%	-2%	12%
Eldorado Gold	TL	ELD	C\$	\$7.09	HOLD	\$8.50	0.3%	20%	-20%	2%	-8%	-14%	-3%
Tahoe Resources	TL/JK	THO	C\$	\$17.83	HOLD	\$21.00	1.5%	19%	-3%	15%	-26%	-39%	-7%
Pan American Silver	JK	PAA	C\$	\$14.33	HOLD	\$16.50	4.0%	19%	9%	36%	20%	-12%	1%
IAMGOLD	TL	IMG	C\$	\$3.47	SELL	\$3.25	0.0%	-6%	-5%	23%	32%	-16%	-15%
Barrick Gold	TL	ABX	C\$	\$15.82	SELL	\$14.00	1.4%	-10%	12%	32%	5%	-21%	-25%
Average							1.5%	22%	0%	27%	14%	-14%	-3%
MID/SMALL CAP													
Endeavour Mining	RP	EDV	C\$	\$0.58	BUY	\$1.20	0.0%	107%	-2%	49%	-8%	-36%	-15%
Argonaut Gold	RP	AR	C\$	\$2.51	BUY	\$5.00	0.0%	99%	-15%	38%	-22%	-38%	-49%
Golden Star	RP	GSC	C\$	\$0.39	BUY	\$0.70	0.0%	79%	13%	81%	13%	-34%	-49%
B2Gold	RP	BTO	C\$	\$2.52	BUY	\$3.75	0.0%	49%	0%	37%	19%	-14%	-6%
Fortuna Silver	JK	FVI	C\$	\$5.83	BUY	\$7.50	0.0%	29%	3%	17%	15%	-5%	44%
Alamos Gold	RP	AGI	C\$	\$7.14	HOLD	\$8.50	2.9%	22%	-27%	-11%	-24%	-30%	-29%
Santacruz Silver	JK	SCZ	C\$	\$0.29	HOLD	\$0.35	0.0%	21%	0%	-22%	-50%	-67%	-70%
Au Rico Gold	RP	AUQ	C\$	\$4.89	HOLD	\$5.50	1.5%	14%	2%	35%	15%	8%	-7%
Alexco Resources	JK	AXR	C\$	\$0.72	HOLD	\$0.80	0.0%	11%	9%	29%	24%	-35%	-62%
Sandstorm Gold	RP	SSL	C\$	\$5.01	HOLD	\$5.25	0.0%	5%	3%	34%	20%	-33%	-14%
Average							2.2%	44%	-1%	29%	0%	-28%	-26%
METALS													
Gold				\$1,281					0%	7%	4%	-1%	1%
Silver				\$17.91					1%	11%	4%	-13%	-10%

Source: FactSet, Canaccord Genuity Estimates

Q4/14 Earnings

As shown in Figure 16, we highlight our Q4/14 quarterly earnings estimates, reflecting operating performance in the quarter if already released. Overall, we expect continued weak results for the North American gold and silver producers during Q4/14 financial reporting season. We note that we are largely in line with consensus, with the main outlier being Agnico Eagle.

Figure 16: Q4/14E earnings scorecard

	Ticker-Exchange	26-Jan Close	CG Target	Implied Return	Rating	Q4/14E CG EPS	Q4/14E Cons. EPS	Difference versus Consensus	Q3/14A	Change from Q3/14A to Q4/14E (\$)	(%)
LARGE CAP											
	K-T	\$4.23	\$6.50	54%	BUY	\$0.05	\$0.01	\$0.04	\$0.06	(\$0.01)	(17%)
	AEM-T	\$40.78	\$57.00	41%	BUY	\$0.15	\$0.05	\$0.10	\$0.01	\$0.14	NA
	NGD-T	\$5.35	\$7.50	40%	BUY	\$0.02	\$0.02	\$0.00	\$0.01	\$0.01	100%
	SLW-T	\$29.29	\$36.00	24%	BUY	\$0.15	\$0.19	(\$0.04)	\$0.20	(\$0.05)	(25%)
	Goldcorp	\$29.76	\$36.00	23%	BUY	\$0.18	\$0.16	\$0.02	\$0.09	\$0.09	100%
	Eldorado Gold	\$7.09	\$8.50	20%	HOLD	\$0.04	\$0.05	(\$0.01)	\$0.05	(\$0.01)	(20%)
	Tahoe Resources	\$17.83	\$21.00	19%	HOLD	\$0.14	\$0.16	(\$0.02)	\$0.13	\$0.01	8%
	PAA-T	\$14.33	\$16.50	19%	HOLD	(\$0.07)	(\$0.03)	(\$0.04)	(\$0.09)	\$0.02	NA
	IMG-T	\$3.47	\$3.25	(6%)	SELL	\$0.01	\$0.01	\$0.00	\$0.01	\$0.00	0%
	ABX-T	\$15.82	\$14.00	(10%)	SELL	\$0.20	\$0.15	\$0.05	\$0.19	\$0.01	5%
MID/SMALL CAP											
	EDV-T	\$0.58	\$1.20	107%	BUY	(\$0.01)	(\$0.02)	\$0.01	\$0.00	(\$0.01)	NA
	AR-T	\$2.51	\$5.00	99%	BUY	\$0.05	\$0.04	\$0.01	(\$0.01)	\$0.06	NA
	GSC-T	\$0.39	\$0.70	79%	BUY	(\$0.01)	(\$0.01)	\$0.00	(\$0.01)	\$0.00	NA
	B2Gold	\$2.52	\$3.75	49%	BUY	(\$0.01)	\$0.00	(\$0.01)	(\$0.01)	\$0.00	NA
	FVI-T	\$5.83	\$7.50	29%	BUY	\$0.01	\$0.03	(\$0.02)	\$0.06	(\$0.05)	(83%)
	AGI-T	\$7.14	\$8.50	22%	HOLD	(\$0.02)	\$0.00	(\$0.02)	(\$0.01)	(\$0.01)	NA
	SCZ-V	\$0.29	\$0.35	21%	HOLD	(\$0.01)	(\$0.02)	\$0.01	(\$0.01)	\$0.00	NA
	AUR-T	\$4.89	\$5.50	14%	HOLD	(\$0.10)	(\$0.05)	(\$0.05)	(\$0.02)	(\$0.08)	NA
	AXR-T	\$0.72	\$0.80	11%	HOLD	NA	NA	NA	NA	NA	NA
	SSL-T	\$5.01	\$5.25	5%	HOLD	\$0.01	\$0.02	(\$0.01)	\$0.01	\$0.00	0%

Source: FactSet, Canaccord Genuity Estimates

Appendix: Important Disclosures

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Rating	Coverage Universe		IB Clients
	#	%	%
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Hold	353	32.56%	13.60%
Sell	51	4.70%	1.96%
Speculative Buy	48	4.43%	60.42%
	1084*	100.0%	

*Total includes stocks that are Under Review

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