

PRECIOUS MINERALS

The Stage is Set for M&A in the Gold and Silver Sector

Asset-Hungry Producers Set to Feast on Vulnerable Juniors

While the volatile markets and global financial crisis are deservedly dominating discussions these days, **we believe the stage is set for an unprecedented increase of merger and acquisition activity in the precious metals sector.** For reasons and circumstances largely beyond the control of the companies themselves, valuations are down for all gold and silver companies. However, the senior and mid-tier producers' cash flow and stable balance sheets put them in an excellent position to acquire the (cheap/undervalued) junior producers and development companies that are stretched for cash, personnel, and relevance.

The obvious takeover candidates have already been acquired – Aurelian Resources (ARU-TSX) acquired by Kinross Gold (K-TSX) and Gold Eagle Mines (GEA-TSX) acquired by Goldcorp (G-TSX). These were projects with large resources, or in the case of Gold Eagle, large potential resources. The key reason these two were the first to be acquired was that they also happened to be high grade resources, an attribute that makes them valuable whether one thinks gold is on its way back to \$600/oz or back above \$1,000/oz. While there remain several junior companies with projects that are expected to ultimately be economic under the current gold price, a significant amount of upcoming mergers and acquisitions are likely to be done under the assumption that the gold price will increase in the longer-term.

We expect the senior gold producers to be on the hunt for immediate production to maintain current levels [Barrick Gold (ABX-TSX), Newmont Mining (NEM-NYSE)], to fill in gaps in growth [Kinross Gold], or to take advantage of strong cash flow to augment already-impressive profiles [Goldcorp (G-TSX), Yamana Gold (YRI-TSX), and Agnico-Eagle Mines (AEM-TSX)].

The mid-tier gold producers are likely looking to take advantage of strong balance sheets to pick off geographically strategic development projects [Eldorado Gold (ELD-TSX)], or to deliver on stated goals to provide growth through acquisition [Iamgold (IMG-TSX) and New Gold (NGD-TSX)]. Cash-flowing junior producers are likely prowling for more assets [Semafo (SMF-TSX)] by taking advantage of decent balance sheets [Jaguar Mining (JAG-TSX)] or strong cash flow [Northgate Minerals (NGX-TSX)].

We also expect the struggling junior market to look towards more mergers in order to gain the critical mass to be relevant. In the current uncertain market, investors look for size and liquidity and the one-project juniors typically do not provide these important characteristics. For example, the combined production, cost, and geographic (i.e., political risk) profile of a three-way merger between Aurizon Mines (ARZ-TSX), Jaguar Mining, and Semafo would be eerily similar to Iamgold. However, the combined market capitalization of these three companies (\$1.05 billion) is 38% below Iamgold's (\$1.68 billion). In this market, bigger is quite likely to be considered "better".

The silver sector is comprised of five prominent producers [Fresnillo plc (FRES-LSE), Pan American Silver (PAA-TSX), Silver Wheaton (SLW-TSX), Hecla Mining (HL-NYSE), and Coeur d'Alene Mines (CDE-NYSE)] that are all looking to add projects and have an extremely devalued junior silver sector to choose from. For the

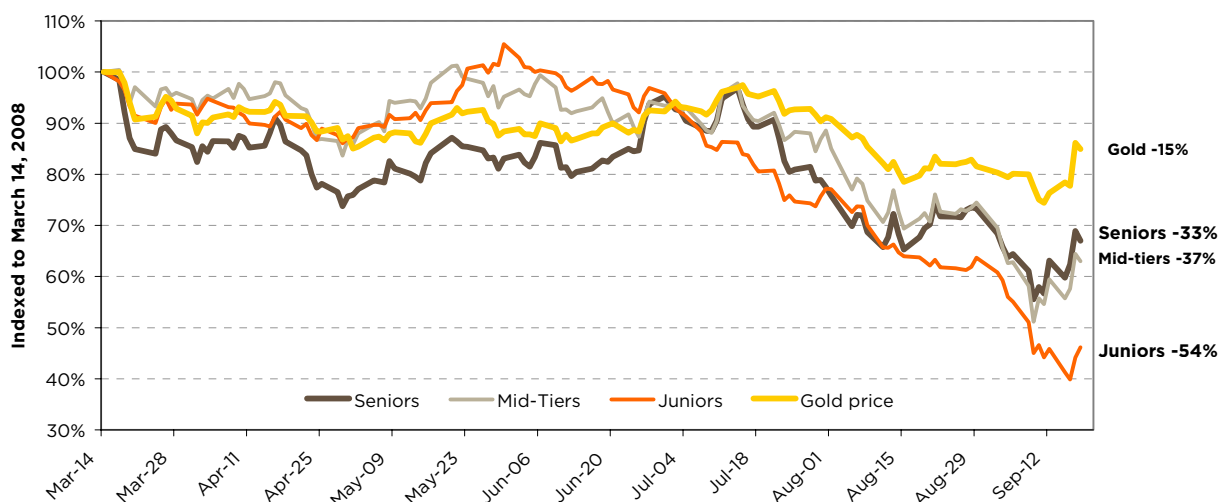
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most part, these five companies all have stable production but lack the development project pipeline that will provide the next leg of growth.

Valuations Have Turned in Favour of the Seniors

Gold and silver stock prices have been very volatile in 2008, but overall, have underperformed the underlying commodity prices, more so for gold. As Figure 1 illustrates, the junior gold stocks are down 54% on average since the highs reached in mid-March, compared to only 33% declines for the seniors and 37% for the mid-tiers. We believe this discrepancy in share price performance will be the primary catalyst for merger and acquisition activity to accelerate. What is also evident in Figure 1 is that this discrepancy has increased significantly over just the last two months (since early-August) as the global flight to quality of equities has impacted the junior names.

Figure 1: Gold Price and Senior, Mid-Tier, and Junior Share Price Performance Since March 2008 Highs



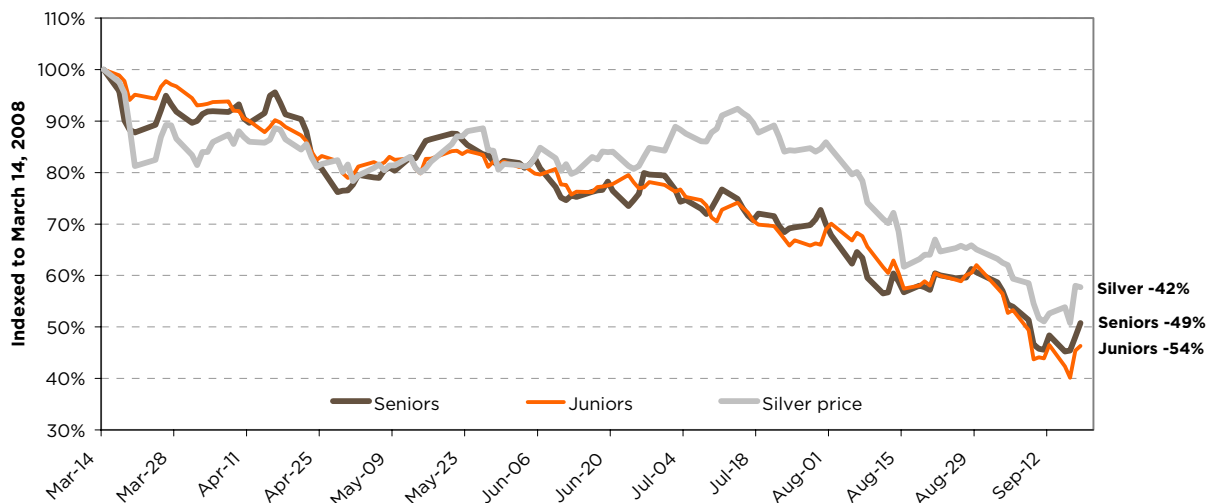
Seniors include ABX, NEM, G, K, AEM & YRI; Mid-tiers include IMG, ELD, NGX, NGD, JAG & ARZ; Juniors include SMF, DGC, CSM, GSL, VIT, CPN, AND, ADM, GBU, TRX, CPQ, OSK, GUY, BZO, ANO, KGN, HRG, EET, LGC, APG, TLO, YNG, AME, XRC, CMF, HGC

Source: Bloomberg

The discrepancy of performance between the senior and junior silver stocks has not been as drastic as with the gold names, as illustrated by Figure 2. The junior silver stocks included in this analysis are down 54% on average since the highs of mid-March, while the seniors are down 47% and the actual silver price is off 42%. What is important to note with the "senior" silver names, however, is that in terms of market capitalization, they are similar to the mid-tier gold stocks and do not benefit from the big cap bias like the senior (i.e., >\$10 billion market cap.) gold stocks do. As a result, a merger of two (or three) of the top silver companies (ie. Pan American Silver + Coeur d'Alene Mines + Silver Standard Resources) would create a big cap silver equity to compete with Fresnillo and possibly to receive some of the big cap bias that the senior gold producers receive.

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Figure 2: Silver Price, Seniors and Juniors Share Price Performance Since March 2008 Highs



Seniors include FRES, PAA, SLW, CDE, & HL; Juniors include SSO, BCM, FR, ECU, AQI, PZG, SAC, MAG, OK, SST
 Source: Bloomberg, Blackmont Capital Inc. estimates, company reports

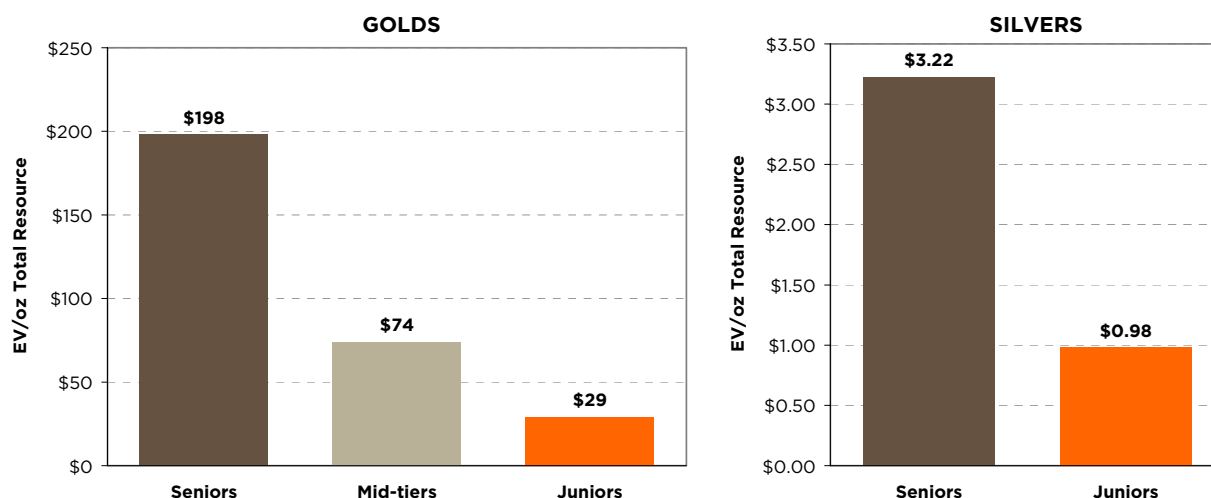
Exacerbating the problem for both gold and silver junior stocks, which typically rely on the equity markets to fund exploration and development, is the non-receptive mood of the equity market to buy junior equity deals, as well as the reluctance on the companies' part to issue equity at the current depressed levels. Project debt remains an option for these junior companies but onerous terms, not to mention the time required to finalize any debt, will make it less attractive.

Overall, the sell-off in the gold and silver names has brought valuations to very attractive levels. We have used the EV/oz of total resource as the metric to measure the relative valuations, a method that clearly has its drawbacks but is the easiest and simplest tool available to compare valuations of \$20 billion producers with \$10 million explorers. As Figure 3 indicates, the senior gold names have a significant advantage in how their resources are valued by the market, trading at an average of \$198/oz versus \$74/oz for the mid-tiers and \$29/oz for the junior names. The senior silver names trade at an average of \$3.22/oz versus \$0.98/oz for the juniors.

While other factors clearly come into play when a company is evaluating an acquisition (i.e., P/NAV, P/CF, balance sheet, geography), this advantage is important when justifying the premiums that are typically paid in gold and silver acquisitions.

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Figure 3: Valuation Gap for Golds & Silvers Based on EV/oz of Total Resource



Source: Bloomberg, Blackmont Capital estimates, company reports

What We See in our M&A Crystal Ball

Appendix A provides a summary of what we believe would be logical and possible takeovers or combinations in the gold and silver sector if the consolidation activity picks up, as we expect. We have included a brief description or justification regarding the suggested transaction, as well as the current enterprise value, EV/oz of total resource, and decrease in the share price, for each of the companies included in the discussion. These suggestions are purely speculative and are based on:

- Geographic and project synergies
- Past and current rumours
- What we would do if we were running these companies

Conclusions

Given the current volatility in the gold and silver market, it is a risky proposition to simply own a portfolio of the potential takeover candidates we have identified in this report. However, investing in a portfolio of potential takeover targets that also are sound investments from a fundamental basis is achievable. **We recommend investing in larger producers such as Kinross Gold and Yamana Gold, which are both potential targets for larger producers, but are also attractively-priced companies with strong cash flow generation.**

We also recommend establishing or adding to positions in Jaguar Mining, First Majestic Silver (FR-TSX) and Silver Standard Resources (SSO-TSX). These three companies are among our top picks on a fundamental basis, but are also excellent takeover candidates given the quality of the assets and the weakened valuations. These companies also have relatively strong balance sheets (all three raised capital in early-2009) that should ease any fears of needing to access the currently weak junior equity market.

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Appendix A

Barrick Gold (ABX-TSX, BUY)			
Market capitalization:	\$28,331 mm	Enterprise Value:	\$29,491 mm
Stock decline from March high:	-37.8%	EV / Total resource	\$141/oz
What they need:	Near-term production to maintain current levels (7.83 mm oz in 2008); large projects		
Where they are:	Strong presence in Nevada, Australia, Peru, Chile and Argentina		
What they should buy and why:	<p>Kinross Gold (K-TSX; EV of \$9.62 billion; EV/oz of \$149/oz; down 39% from highs)</p> <p>Adds growth through large projects such as Kupol, Paracatu and FDN; Barrick comfortable with Russia; consolidates ownership of Round Mountain & Cerro Casale; would allow Kinross CEO Tye Burt to assume vacant CEO post at Barrick</p> <p>Detour Gold (DGC-TSX; EV of \$476 million; EV/oz of \$36/oz; down 41% from highs)</p> <p>Provides large (13.2 mm oz) project in Ontario that has the potential to be a significant producer for Barrick in a safe and low-risk jurisdiction; start-up possible by 2012; largest shareholder of Detour is PDX Resources (PDX-TSX) which holds 40%.</p> <p>Silver Standard Resources (SSO-TSX; EV of \$1.17 billion; EV/oz of \$0.76/oz silver; down 45% from highs)</p> <p>The catalyst for acquisition of this undervalued silver company would be world-class Pitarrilla project, large potential Snowfield gold project and high-grade San Luis project; Barrick could keep gold properties and divest silver properties with Pascua-Lama.</p>		
Comments:	Barrick has the balance sheet, cash flow and multiple to buy virtually anything they want. Kinross makes the most sense as it allows them to wait until Ecuador mining law is passed.		
Newmont Mining (NEM-NYSE, BUY)			
Market capitalization:	\$21,816 mm	Enterprise Value:	\$20,455 mm
Stock decline from March high:	-25.7%	EV / Total resource	\$221/oz
What they need:	Near-term production to maintain current levels (5.15 mm oz in 2008)		
Where they are:	Strong presence in Nevada, Australia, Peru, West Africa and Canadian North		
What they should buy and why:	<p>Yamana Gold (YRI-TSX; EV of \$6.61 billion; EV/oz of \$146/oz; down 52% from highs)</p> <p>Adds growth through large, low-cost projects at El Penon and Chapada, both with low political risk. The difference in multiples (NEM at 1.5x NAV and 15x CF; YRI at 0.8x NAV and 7x CF) would make this a highly accretive acquisition for Newmont.</p> <p>Osisko Exploration (OSK-TSX; EV of \$359 million; EV/oz of \$43/oz; down 51% from highs)</p> <p>Provides large (8.4 mm oz) project in Quebec that has the potential to be a significant producer for Newmont in a safe and low-risk jurisdiction; Osisko management recently sold 8 mm shares to "strategic investor"</p> <p>Gabriel Resources (GBU-TSX; EV of \$415 million; EV/oz of \$29/oz; down 38% from highs)</p> <p>Already own 19.9% of Gabriel; upcoming national election in Romania (Nov. 30, 2008) could be catalyst for development of Rosia Montana (14.6 mm oz) to re-start; massively accretive on EV/oz basis</p>		
Comments:	Newmont has been relatively quiet on the M&A front since acquisition of Miramar in late-2007. Some of the company's largest assets carry high political risk so the acquisition of Yamana or Osisko is likely the safer bet.		
Goldcorp (G-TSX, BUY)			
Market capitalization:	\$17,991 mm	Enterprise Value:	\$19,840 mm
Stock decline from March high:	-31.7%	EV / Total resource	\$176/oz
What they need:	Longer-term production to augment current growth profile		
Where they are:	Focused primarily on the Americas, specifically Canada and Mexico		
What they should do and why:	<p>Agnico-Eagle Mines (AEM-TSX; EV of \$8.60 billion; EV/oz of \$355/oz; down 23% from highs)</p> <p>A Barrick-Kinross or Newmont-Yamana marriage could force Goldcorp to go big as well. Pairing up with Agnico-Eagle is logical given the primarily North American asset base and similar management styles, and would create top quality, blue chip senior producer.</p> <p>Terrane Metals (TRX-TVX; EV of \$19 million; EV/oz of \$4/oz; down 42% from highs)</p> <p>Goldcorp has provided a \$40 mm loan to Terrane which can be converted to a 58% interest in the Mt. Milligan copper-gold project in B.C. The large capex requirement for the project (\$917 mm) represents approximately 7 months of cash flow for Goldcorp.</p> <p>Canplats Resources (CPQ-TSX; EV of \$98 million; down 65% from highs)</p> <p>Recent drilling suggests Canplats' Camino Rojo project in Mexico, which is located 50 km from Goldcorp's Penasquito project, is shaping up to be at least comparable to Penasquito in terms of foot print and grade.</p>		
Comments:	With Gold Eagle acquisition completed and an already strong growth profile into 2013, Goldcorp doesn't need to buy much of anything. But we suspect management may find it difficult to pass up the opportunity to stockpile assets at current valuations.		

Source: Blackmont Capital Inc.

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Appendix A (continued)

Kinross Gold (K-TSX, BUY)			
Market capitalization:	\$9,899 mm	Enterprise Value:	\$9,624 mm
Stock decline from March high:	-39.3%	EV / Total resource	\$149/oz
What they need:	Production in 2010 to offset potential declines in production		
Where they are:	Russia, USA and South America (Chile, Brazil, Ecuador)		
What they should do and why:	<p>Andina Minerals (ADM-TSX; EV of \$60 million; EV/oz of \$6/oz; down 74% from highs) An acquisition primarily for project synergies as Andina's Volcan project has a low-grade resource of 9.4 mm oz and is located 23 km from Kinross' operating Maricunga mine. Andina management also has ties to Kinross.</p> <p>Jaguar Mining (JAG-TSX; EV of \$390 million; EV/oz of \$48/oz; down 56% from highs) Kinross is already well positioned in Brazil at Paracatu and Crixas, and the addition of Jaguar's assets would provide near-term production growth, an existing operating team, and a suite of assets in a safe region to offset the Russian/Ecuador risk.</p> <p>Victoria Gold (VIT-TSX; EV of \$19 million; EV/oz of \$16/oz; down 73% from highs) Kinross already owns 26% of Victoria Gold and Victoria's portfolio of high-quality exploration targets in low-risk Nevada would offset the heightened political risk of recently acquired Aurelian Resources (Ecuador).</p>		
Comments:	While the Aurelian transaction added an excellent project at a steal of a price, we expect Kinross to continue to aggressively pursue acquisitions. Near-term production needed to bridge the gap from the growth in 2009 to the start-up in Ecuador (~2012).		
Agnico-Eagle Mines (AEM-TSX; HOLD)			
Market capitalization:	\$8,700 mm	Enterprise Value:	\$8,604 mm
Stock decline from March high:	-23.4%	EV / Total resource	\$355/oz
What they need:	Tuck-in acquisitions using cash in areas in which they are currently situated		
Where they are:	Quebec, Nunavut, Mexico, Finland		
What they should do and why:	<p>Osisko Exploration (OSK-TSX; EV of \$359 million; EV/oz of \$43/oz; down 51% from highs) Provides large (8.4 mm oz) project in Quebec that has the potential to be a significant producer for Agnico-Eagle; Osisko management recently sold 8 mm shares to "strategic investor".</p> <p>Comaplex Minerals (CMF-TSX; EV of \$272 million; EV/oz of \$65/oz; down 18% from highs) Agnico-Eagle currently owns 15.6% of Comaplex through an investment made in July 2008. Comaplex's Meliadine West project in Nunavut offers high-grades (7.9 g/t) and synergies with Agnico's Meadowbank project.</p> <p>Detour Gold (DGC-TSX; EV of \$476 million; EV/oz of \$36/oz; down 41% from highs) Provides large (13.2 mm oz) project in Ontario that has the potential to be a significant producer for Agnico in a safe and low-risk jurisdiction; start-up possible by 2012; largest shareholder of Detour is PDX Resources (PDX-TSX) which holds 40%.</p>		
Comments:	Agnico-Eagle has impressive growth in 2009 and 2010, but is looking for assets that sustain this growth in 2011 and beyond. As existing projects are built, Agnico's development teams will need additional projects to work on.		
Yamana Gold (YRI-TSX, BUY)			
Market capitalization:	\$6,358 mm	Enterprise Value:	\$6,608 mm
Stock decline from March high:	-52.2%	EV / Total resource	\$146/oz
What they need:	Tuck-in acquisitions using cash in areas in which they are currently situated		
Where they are:	Brazil, Argentina, Chile and Mexico		
What they should do and why:	<p>Andean Resources (AND-TSX; EV of \$313 million; EV/oz of \$138/oz; down 48% from highs) Andean's Cerro Negro project in Argentina has the grade (15.8g/t at Eureka zone) that will make it an attractive target. Yamana is building the Gualcamayo mine in southern Argentina and still has the Esquel project that remains stalled.</p> <p>Exeter Resources (XRC-TVX; EV of \$71 million; EV/oz of \$56/oz; down 61% from highs) Exeter has been intersecting high grade gold and silver at its Cerro Moro project located in Argentina. Much like Andean, Exeter has the bonanza grades that will likely attract many suitors as exploration progresses.</p> <p>Carpathian Gold (CPN-TSX; EV of \$17 million; EV/oz of \$5/oz; down 60% from highs) Carpathian's Riacho dos Machados project (historic resource of 560,000 oz) in Brazil has the potential to be in production within two years, while the assets in Romania could be sold or optioned. Carpathian's CEO sits on the Yamana board of directors.</p>		
Comments:	Yamana has been an acquisition-focused company from its inception and while the company has vowed to focus on its organic growth, small acquisitions using cash would be easy to defend and would beef up an already robust growth profile.		

Source: Blackmont Capital Inc.

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Appendix A (continued)

Eldorado Gold (ELD-TSX; HOLD)			
Market capitalization:	\$2,678 mm	Enterprise Value:	\$2,543 mm
Stock decline from March high:	-19.0%	EV / Total resource	\$180/oz
What they need:	Longer-term production to provide growth beyond 2010		
Where they are:	Turkey China, Brazil		
What they should do and why:	<p>Brazauro Resources (BZO-TVX; EV of \$27 million; EV/oz of \$13/oz; down 43% from highs)</p> <p>Eldorado already owns 14.4% of Brazauro through a strategic investment made in July/August 2008. Brazauro's Tocantinzinho project in Brazil is likely to end up in Eldorado's hands at some point, so an acquisition of the remaining shares at the current price is logical.</p> <p>Jaguar Mining (JAG-TSX; EV of \$390 million; EV/oz of \$48/oz; down 56% from highs)</p> <p>With the closure and sale of the Sao Bento mine this year, Eldorado is without gold exposure in Brazil. Jaguar's existing mines and production growth in Brazil are a perfect fit with Eldorado and offset the high political risk of assets in Turkey, Greece and China.</p> <p>Anatolia Minerals (ANO-TSX; EV of \$77 million; EV/oz of \$12/oz; down 67% from highs)</p> <p>Anatolia's Coper project in Turkey has a resource of 6.3 mm oz and production is expected by 2010. As the only relevant gold producer in the country, Eldorado would seem to have the leg up on the competition for Anatolia.</p>		
Comments:	Eldorado has recovered nicely from the problems at Kisladag earlier in the year and continues to trade at some of the sector's highest multiples (1.3x NAV; 14x CF). The use of this premium paper for acquisitions would make for accretive deals.		
Imgold (IMG-TSX; HOLD)			
Market capitalization:	\$1,682 mm	Enterprise Value:	\$1,422 mm
Stock decline from March high:	-30.6%	EV / Total resource	\$48/oz
What they need:	Near-term production provide growth		
Where they are:	West Africa, Quebec, Guyana/Suriname, Ecuador		
What they should do and why:	<p>Aurizon Mines (ARZ-TSX; EV of \$455 million; EV/oz of \$94/oz; down 41% from highs)</p> <p>The Casa Berardi mine in Quebec is expected to produce 165,000 oz/yr and would provide a mine that would take Imgold's production back over the important 1.0 mm oz/yr level.</p> <p>Guyana Goldfields (GUY-TSX; EV of \$97 million; EV/oz of \$20/oz; down 67% from highs)</p> <p>Projects in Guyana host a resource of 4.65 mm oz and would provide a project at an attractive price in a part of the world the company is familiar with (Guyana next to Suriname; IMG used to operate the Omai mine in Guyana).</p> <p>Jaguar Mining (JAG-TSX; EV of \$390 million; EV/oz of \$48/oz; down 56% from highs)</p> <p>Jaguar's four properties in Brazil are expected to produce 123,000 oz in 2008, growing to 410,000 oz by 2011 and 700,000 oz by 2014. They would provide a steady growth profile at an attractive price (0.63 times NAV) in a safe, mining-friendly part of the world.</p>		
Comments:	Imgold management is targeting adding approximately 600,000 oz/yr of production through acquisitions by 2012. The company has a very strong balance sheet (\$298 mm cash plus \$140 mm in available credit lines) to achieve this goal.		
New Gold (NGD-TSX; Not rated)			
Market capitalization:	\$1,008 mm	Enterprise Value:	\$935 mm
Stock decline from March high:	-33.3%	EV / Total resource	\$58/oz
What they need:	Longer-term production to provide growth beyond 2010		
Where they are:	BC, Brazil, Australia, Mexico		
What they should do and why:	<p>Northgate Minerals (NGX-TSX; EV of \$366 million; EV/oz of \$49/oz; down 47% from highs)</p> <p>Northgate's asset base (mine in B.C., two mines in Australia, project in Ontario) complement New Gold's very well. Cash flow from the last two years of production from Kemess could be used to construct New Afton, which is expected to start just as Kemess runs out.</p> <p>Jaguar Mining (JAG-TSX; EV of \$390 million; EV/oz of \$48/oz; down 56% from highs)</p> <p>The growing production profile and a severely beaten-up share price makes Jaguar attractive for New Gold. Synergies with Amapari would be minimal, but the addition of pure gold exposure (ie. no copper) in the low political risk confines of Brazil suggest an ideal fit.</p> <p>Aurizon Mines (ARZ-TSX; EV of \$455 million; EV/oz of \$94/oz; down 41% from highs)</p> <p>Aurizon's Casa Berardi mine fits with New Gold's criteria in terms of production (165,000 oz/yr) and location (Quebec). Potential exploration upside exists at the Joanna project (2.0 mm oz resource), also in Quebec.</p> <p>Abacus Mining & Exploration (AME-TVX; EV of \$25 million; EV/oz of \$18/oz; down 59% from highs)</p> <p>More of a property consolidation than anything else. Abacus owns properties adjacent to New Gold's New Afton mine that could provide low cost supplemental mill feed for the mill New Gold is currently constructing at New Afton.</p>		
Comments:	Management is on record indicating they are pursuing an aggressive growth strategy and are targeting acquisitions that can produce 100,000-200,000 oz/yr in areas in which they are already located (Australia, Brazil, Mexico & Canada)		

Source: Blackmont Capital Inc.

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Appendix A (continued)

Semafo (SMF-TSX, BUY)			
Market capitalization:	\$213 mm	Enterprise Value:	\$266 mm
Stock decline from March high:	-41.9%	EV / Total resource	\$39/oz
What they need:	Near-term production to provide growth beyond 2009		
Where they are:	Burkina Faso, Niger and Guinea - all in West Africa		
What they should do and why:	<p>Etruscan Resources (EET-TSX; EV of \$129 million; EV/oz of \$46/oz; down 74% from highs)</p> <p>Semafo needs longer-term production growth. Etruscan, already a partner with Semafo at Samira, has a producing mine at Youga, a development project at Agbaou and several other projects in a region (West Africa) that is long overdue for consolidation.</p> <p>High River Gold (HRG-TSX; EV of \$281 million; EV/oz of \$72/oz; down 82% from highs)</p> <p>The board of directors overhaul at High River (four new directors appointed) indicate change is coming. The Taparko-Bouroum mine and Bissa project in Burkina Faso would be excellent fits with Semafo, while the Russian assets could be sold to finance growth.</p> <p>Keegan Resources (KGN-TSX; EV of \$47 million; EV/oz of \$28/oz; down 64% from highs)</p> <p>Keegan's combination of the Esaase project in Ghana (resource of 1.7 mm oz) and Asumura project would provide the exploration sizzle to Semafo's solid production story.</p>		
Comments:	We expect Semafo management to aggressively pursue acquisitions given the Mana mine is now producing and generating cash flow, the balance sheet is strong, and the exploration project pipeline is relatively bare.		
Northgate Minerals (NGX-TSX; BUY)			
Market capitalization:	\$403 mm	Enterprise Value:	\$366 mm
Stock decline from March high:	-47.0%	EV / Total resource	\$49/oz
What they need:	Near-term production to offset depletion at Kemess in 2011		
Where they are:	BC, Ontario, Australia		
What they should do and why:	<p>Apollo Gold (APG-TSX; EV of \$70 million; EV/oz of \$37/oz; down 64% from highs)</p> <p>Northgate should look towards Apollo which is developing the Black Fox project in Timmins. The project is slated for production in 2009, is fully financed and fully permitted, and trades at a steep discount for a near-term producer in an attractive locale.</p> <p>Yukon-Nevada Gold (YGC-TSX; EV of \$42 million; EV/oz of \$11/oz; down 91% from highs)</p> <p>Yukon-Nevada is the latest casualty of the problematic Jerritt Canyon mine in Nevada, but the Ketz River project in the Yukon is a property that fits well with Northgate's expertise in B.C. Proceeds from sale of the Jerritt mill could be used to offset acquisition cost.</p> <p>Hawthorne Resources (HGC-TSX; EV of \$4 million; EV/oz of \$4/oz; down 81% from highs)</p> <p>Hawthorne is an explorer with assets in B.C. that have a total resource of 1.0 mm oz and is poised to grow. While potentially too early-stage for the production focused Northgate, stockpiling cheap assets with large project potential in B.C. makes sense.</p>		
Comments:	Northgate has a highly regarded operating team that turned the Kemess mine into a profitable operation. This team (and equipment) will be looking for a new home when the reserves are depleted in 2011 and thus the hunt for production-ready assets.		
Jaguar Mining (JAG-TSX; BUY)			
Market capitalization:	\$379 mm	Enterprise Value:	\$390 mm
Stock decline from March high:	-55.7%	EV / Total resource	\$48/oz
What they need:	Exploration targets and longer-term production in Brazil		
Where they are:	Brazil		
What they should do and why:	<p>Luna Gold (LGC-TSX; EV of \$24 million; EV/oz of \$14/oz; down 79% from highs)</p> <p>Luna's Aurizona project in Brazil has a feasibility study that shows annual production of 60,000 oz/yr for capex of \$47.5mm and cash costs of \$422/oz, all fully permitted, with upside potential in the deeper resources. This would be a nice tuck-in acquisition for Jaguar.</p> <p>Talon Metals (TLO-TSX; EV of \$0.5 million; EV/oz of \$0.26/oz; down 46% from highs)</p> <p>The São Jorge project in northern Brazil hosts a total resource of 801,000 oz. Trading at a market cap of \$12 mm with \$12 million of cash, Talon represents excellent value for Jaguar to pick-up cheap ounces and hold for higher gold prices.</p> <p>Central Sun Mining (CSM-TSX; EV of \$45 million; EV/oz of \$27/oz; down 76% from highs)</p> <p>While outside Jaguar's comfort zone of Brazil, the opportunity to pick up Central Sun's 140,000 oz of annual production (by 2010) and operating team in Nicaragua at the current price could be tempting. Would reduce leverage to Brazilian real.</p>		
Comments:	Jaguar already has an excellent growth profile that will require significant capital spending over the next four years. However, the company is well-positioned in Brazil and could look to stockpile inexpensive assets that could be brought into production over time.		

Source: Blackmont Capital Inc.

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Appendix A (continued)

Fresnillo plc (FRES-LSE; Not rated)			
Market capitalization:	\$4,226 mm	Enterprise Value:	\$3,885 mm
Stock decline from March high:	-47.4%	EV / Total resource	\$4.64/oz
What they need:	Anything silver; have indicated they want to "double production" from current 30 mm oz/yr level		
Where they are:	Mexico		
What they should do and why:	<p>Silver Standard Resources (SSO-TSX; EV of \$1.17 billion; EV/oz of \$0.76/oz silver; down 45% from highs)</p> <p>Perhaps the most logical match-up out there. Silver Standard has a large portfolio of silver assets (1.6 bln oz of resource), including two (Pirquitas and Pitarrilla) that have the potential to produce 30 mm oz/yr within four years.</p> <p>MAG Silver (MAG-TSX; EV of \$296 million; EV/oz of \$2.83/oz silver; down 65% from highs)</p> <p>Already partners at the high-grade Juanicipio project in Mexico (Fresnillo 56%. MAG 44%), this would consolidate ownership of the asset and allow Fresnillo to develop as the sole owner.</p> <p>ECU Silver (ECU-TSX; EV of \$381 million; EV/oz of \$2.20/oz AuEq; down 29% from highs)</p> <p>ECU's Velardena project in Mexico already has 173 mm oz of silver equivalent and has the potential to be significantly larger given the recent deep drilling success. Fresnillo parent company Peñoles owns all the land surrounding Velardena.</p> <p>Hecla Mining (HL-NYSE; EV of \$958 million; EV/oz of \$3.30/oz silver; down 57% from highs)</p> <p>Hecla now owns 100% of the Greens Creek mine in Alaska, one of the world's largest silver mines. The efforts to fund the acquisition (\$750 mm) of the portion of the mine they did not own has weakened Hecla's historically high premium.</p>		
Comments:	Fresnillo is the world's largest silver company, trades at premium multiples, and has a strong balance sheet. The recent sell-off in silver equities makes the company's pledge to double production as much cheaper and easier task.		
Silver Wheaton (SLW-TSX; BUY)			
Market capitalization:	\$2,480 mm	Enterprise Value:	\$2,955 mm
Stock decline from March high:	-49.0%	EV / Total resource	\$3.20/oz
What they need:	More silver sales agreements.		
Where they are:	Silver sale agreements with mines in Mexico, Peru, Arizona, Greece.		
What they should do and why:	<p>Silverstone Resources (SST-TVX; EV of \$155 million; EV/oz of \$0.57/oz silver; down 59% from highs)</p> <p>Often referred to as the "mini Silver Wheaton", Silverstone has duplicated Silver Wheaton's model and is a competitor in the silver stream market. The multiple advantage (SLW P/CF at \$3.20/oz and 9.2x; SST P/CF at \$0.57/oz and 5.6x) would make deal accretive.</p> <p>Silver Standard Resources (SSO-TSX; EV of \$1.17 billion; EV/oz of \$0.76/oz silver; down 45% from highs)</p> <p>While definitely a long-shot, Silver Wheaton could acquire Silver Standard's assets and virtually farm out the development and construction to existing producers while keeping part of all of the silver stream for itself.</p>		
Comments:	Silver Wheaton's focus is likely to be on acquiring further silver sales agreements rather than outright acquisitions. The early warrant exercise provided the cash (\$120 mm) to allow the company to be aggressive in this regard.		
Pan American Silver (PAA-TSX; BUY)			
Market capitalization:	\$1,858 mm	Enterprise Value:	\$1,644 mm
Stock decline from March high:	-45.6%	EV / Total resource	\$2.44/oz
What they need:	Acquisitions of companies with development projects and/or current silver production		
Where they are:	Peru, Mexico, Argentina		
What they should do and why:	<p>Bear Creek Mining (BCM-TSX; EV of \$144 million; EV/oz of \$0.32/oz silver; down 78% from highs)</p> <p>Bear Creek's Corani project (362 mm oz; prefeasibility expected by Q1/09) in Peru would be an ideal fit for Pan American as they are familiar and comfortable with Peru, and are looking to leverage their ability to develop and build.</p> <p>First Majestic Silver (FR-TSX; EV of \$170 million; EV/oz of \$1.05/oz silver; down 47% from highs)</p> <p>First Majestic provides an immediate bump in production and the valuation advantage (PAA EV/oz of 2009 production is \$69/oz, FR at \$26/oz) makes a match-up compelling. Operational synergies in Mexico at Pan American's La Colorada mine (near FR's Del Toro).</p> <p>Coeur d'Alene Mines (CDE-NYSE; EV of \$1.34 billion; EV/oz of \$2.54/oz silver; down 59% from highs)</p> <p>Both companies trade at similar multiples but the combination would create a silver producer with 50 mm oz of production by 2009, making it the largest primary silver producer in the world (surpassing Fresnillo). Geographic overlap in Argentina and Bolivia.</p> <p>Silver Standard Resources (SSO-TSX; EV of \$1.17 billion; EV/oz of \$0.76/oz silver; down 45% from highs)</p> <p>Silver Standard has a portfolio of assets (1.6 bln oz of resource), including two (Pirquitas and Pitarrilla) that could produce 30 mm oz/yr within four years. This would also create the world's largest silver producer with 34 mm oz of production in 2009.</p>		
Comments:	Pan American management has indicated its desire to grow through acquisition as the Manantial Espejo project in Argentina (starts up in Q4/08) is the last of the growth projects. A strong balance sheet (\$214 mm working capital and no debt) provides the ammunition.		

Source: Blackmont Capital Inc.

PRECIOUS MINERALS

Appendix A (continued)

Coeur d'Alene Mines (CDE-NYSE; Not rated)			
Market capitalization:	\$1,004 mm	Enterprise Value:	\$1,344 mm
Stock decline from March high:	-59.1%	EV / Total resource	\$2.54/oz
What they need:	Near-term production provide growth		
Where they are:	Bolivia, Argentina, Mexico, USA, Australia		
What they should do and why:	<p>Paramount Gold & Silver (PZG-TSX; EV of \$44 million; EV/oz of \$0.50/oz silver; down 59% from highs)</p> <p>Paramount's San Miguel project in Mexico is adjacent to Coeur's Palmarejo project and recent drilling suggests the presence of "clavos" at San Miguel that are similar to those on Coeur's land.</p> <p>Aquiline Resources (AQI-TSX; EV of \$280 million; EV/oz of \$0.46/oz silver; down 54% from highs)</p> <p>Aquiline's Navidad project in Argentina is one of the world's largest undeveloped silver projects and has the potential to be a significant producer within 4-5 years. Permitting and metallurgical issues need to be overcome</p> <p>South American Silver (SAC-TSX; EV of \$2 million; EV/oz of \$0.02/oz silver; down 61% from highs)</p> <p>South American Silver has a resource of 88 mm oz at its Malku Khota project in Bolivia, expects an increase in Q4, but trades at a very low EV/oz due to the grade and the Bolivian political risk. This would be an easy tuck-in to grow Coeur's resource base.</p>		
Comments:	Coeur d'Alene's market cap has been decimated since it acquired Palmarejo in late-2007 (down 70%). However, with the San Bartolome mine in Bolivia now producing, we believe the company is well positioned to add more assets for the next leg of growth.		
Hecla Mining (HL-NYSE; Not rated)			
Market capitalization:	\$682 mm	Enterprise Value:	\$958 mm
Stock decline from March high:	-56.6%	EV / Total resource	\$3.30/oz
What they need:	Production growth		
Where they are:	Alaska, Idaho		
What they should do and why:	<p>First Majestic Silver (FR-TSX; EV of \$170 million; EV/oz of \$1.05/oz silver; down 47% from highs)</p> <p>First Majestic provides an immediate bump in production and the valuation advantage (HL EV/oz of 2009 production is \$76/oz, FR at \$26/oz) makes a match-up compelling. Hecla has no production from Mexico and very little exploration upside.</p> <p>ECU Silver (ECU-TSX; EV of \$381 million; EV/oz of \$2.20/oz AuEq; down 29% from highs)</p> <p>ECU's Velardena project in Mexico already has 173 mm oz of silver equivalent and has the potential to be significantly larger given the recent deep drilling success. Hecla has no production from Mexico and very little exploration upside.</p> <p>Orko Silver (OK-TVX; EV of \$103 million; EV/oz of \$1.09/oz silver; down 56% from highs)</p> <p>More inexpensive ounces and exploration upside in Mexico with Orko, which has a large land position, including the La Preciosa project where the latest resource update indicated 93.7 mm oz silver and 158,000 oz gold.</p>		
Comments:	Hecla underwent a major transition in 2008 as they consolidate ownership of the Green's Creek mine to the tune of \$750 mm. While the premium has eroded, the company still has a distinct multiple advantage over the juniors that will provide growth.		

Source: Blackmont Capital Inc.

PRECIOUS MINERALS

Blackmont Research Disclosure

Company Name	Ticker	Disclosure
Agnico-Eagle Mines Ltd.	AEM - TSX	-
Barrick Gold Corp.	ABX - TSX	-
Central Sun Mining Inc.	CSM - TSX	-
ECU Silver Mining Inc.	ECU - TSX	-
Eldorado Gold Corporation	ELD - TSX	-
First Majestic Silver Corp.	FR - TSX	1, 2, 12
Goldcorp Inc.	G - TSX	12
IAMGOLD Corp.	IMG - TSX	-
Jaguar Mining Inc.	JAG - TSX	1, 2, 12
Kinross Gold Corp.	K - TSX	-
Newmont Mining Corp.	NEM - NYSE	-
Northgate Minerals Corp.	NGX - TSX	-
Pan American Silver Corp.	PAA - TSX	-
Paramount Gold and Silver Corp.	PZG - TSX	12
Semafo Inc.	SMF - TSX	-
Yamana Gold Inc.	YRI - TSX	12

Richard Gray visited First Majestic Silver Corp.'s Mexico properties for a tour within the past 12 months. The cost of the visit(s) was compensated in part by the company.

Richard Gray visited Goldcorp Inc.'s Mexico & Brazil properties for a tour within the past 12 months. The cost of the visit(s) was compensated in part by the company.

Richard Gray visited Jaguar Mining Inc.'s Brazil properties for a tour within the past 12 months. The cost of the visit(s) was compensated in part by the company.

Craig Stanley visited Paramount Gold and Silver Corp.'s Mexico properties for a tour within the past 12 months. The cost of the visit(s) was compensated in full by the company.

Craig Stanley visited Victoria Gold Corp.'s Nevada properties for a tour within the past 12 months. The cost of the visit(s) was compensated in part by the company.

Richard Gray visited Yamana Gold Inc.'s Mexico & Brazil properties for a tour within the past 12 months. The cost of the visit(s) was compensated in full by the company.

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PRECIOUS MINERALS

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