May 29, 2020 | 00:39 ET | 00:39 ET~

IN Depth

Precious Metals & Minerals

Raising Long-Term Precious Metals Pricing

Bottom Line: After a thorough examination of long-term gold price formation, we have increased our long-run gold forecast by 16.7% to $1,400/oz, and long-run silver by 5.8% to $18.25/oz. This has had a marked effect on our target prices and NPV estimates in particular but has resulted in only one rating upgrade (KL goes to OP from Mkt).

Key Points

We have used a framework of factors to try and apply some scientific rationale to assess what we believe is a fair equilibrium level for long-term precious metals pricing, with a focus on monetary policy, ETF inflows, asset allocation, TIPS correlation, as parts of our assessment framework:

- **Gold**: We now expect gold prices to average $1,732/oz this year, 5% higher than our previous forecast. We have also raised our 2021-2024 price expectations by 4-8%. Our long-run forecast has been increased by 17% to $1,400/oz (previously $1,200/oz).
- **Silver**: We have also adjusted out silver forecast higher, with 2020 now expected to average $17.60/oz (+2%) and 2021-24 moves 2-6% higher. Our long-run price has been increased by 6% to $18.25/oz (previously $17.25/oz).

After raising our long-term pricing estimates, our target prices rise by around 20%, with more levered (either through higher costs or through higher debt loads) companies faring best. Our NPV estimates increase for over 30% for the group. As a general rule, companies with higher base metals exposure tend to fare worse than their peers, but the trend is still positive.

Despite being a cliché in the investment world, this time really is different. We are not anticipating that an elevated gold price will drive a return to the bad behaviours of the past, or at least not to a widespread extent. Growth for growth's sake has been shunned by investors and management teams alike. Costs are expected to remain relatively stable as low fuel prices and a strong U.S. dollar aid in maintaining cost bases.

Our estimates show a definite upward trend in free cash flow as we look into the future, even for many of the smaller companies under coverage. With so many gold producers generating free cash flow, it seems likely that the market may start to look to these companies as good businesses, rather than just leveraged ways to invest in gold. This can only bode well for asset allocation to the space.

Our preferred equities are placed into four categories - Value (AEM, GFI, WPM, TXG), Catalyst (AGI, AU), Execution (BTO, NEM, PAAS, SSRM), and Growth (EQX, OLA, WDO). We are upgrading KL to OP from Mkt, and we are downgrading OR to Mkt from OP.

BMO Capital Markets

Metals & Mining

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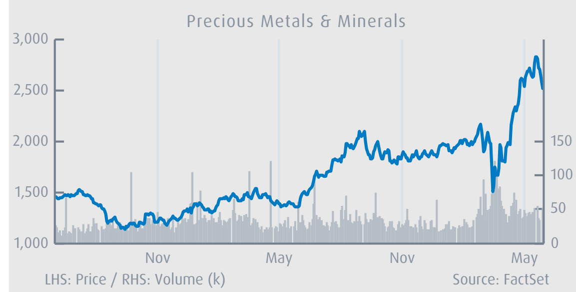
What's Inside

We are raising our long-term price estimates for gold and silver. This report highlights why we believe that long-run prices should be raised and the impact on the equities under coverage.



A Rising Tide

Changing a long-term price is not something we take lightly, or indeed do very often. Our long-run gold price assumption has been static since 2015, generally reflecting that gold companies have maintained reserve pricing assumptions at lower levels as the industry began to show discipline. However, particularly for macroeconomic-led commodities such as gold, it is useful to consider how long-term market dynamics may have changed. The challenge lies in choosing the methodology used to set a long-run price, given that traditional supply and demand are generally viewed as less relevant in the gold market. Just as with near-term gold prices, we have used a framework of factors to try and apply some scientific rationale to assess what we believe is a fair equilibrium level. As a result, we have increased our long-run gold forecast by 16.7% to $1,400/oz, and long-run silver by 5.8% to $18.25/oz.

This has had a dramatic impact on our multiples, and, as might be imagined, higher cost, more levered producers tend to fare better in this analysis. That being said, we aren't advocating a purely "buy leverage" investment thesis, but are still giving consideration to management quality, jurisdiction, production growth, and FCF generation, as we are convinced that the market will continue to reward higher quality companies over highly leveraged companies. Following the revision to our commodity price assumptions, we are upgrading Kirkland Lake Gold to Outperform from Market Perform, and we are downgrading Osisko Royalties to Market Perform from Outperform.

Despite being a cliché in the investment world, this time really is different. We are not anticipating that an elevated gold price will drive a return to the bad behaviours of the past, or at least not to a widespread extent. Growth for growth's sake has been shunned by investors and management teams alike. Costs are expected to remain relatively stable as low fuel prices and a strong U.S. dollar aid in maintaining cost bases. While a strong argument can be made that many mines have been starved for sustaining capex, and that AISC may rise modestly as a result, technology may keep cash costs in line so that the industry as a whole actually begins to generate cash flow, even free cash flow in many cases. With balance sheets generally in good shape, gold prices high, and management discipline in place, there has already been a trend to capital returns as dividends or share buybacks. We expect this to continue to be rewarded for the foreseeable future, even if it means a decline in global gold production.

Price Forecast Changes

Gold: We now expect gold prices to average $1,732/oz this year, 5% higher than our previous forecast. We have also raised our 2021-2024 price expectations by 4-8%. Our long-run forecast has been increased by 17% to $1,400/oz (previously $1,200/oz).

Silver: We have also adjusted out silver forecast higher, with 2020 now expected to average $17.60/oz (+2%) and 2021-24 moves 2-6% higher. Our long-run price has been increased by 6% to $18.25/oz (previously $17.25/oz).

Exhibit 1: BMO Gold & Silver Price Forecasts

			Q1 2020	Q2 2020	Q3 2020	Q4 2020	2019	2020	2021	2022	2023	2024	LT
Gold	$/oz	New	1,583	1,715	1,780	1,850	1,393	1,732	1,769	1,663	1,625	1,450	1,400
		Old	1,583	1,660	1,675	1,700	1,393	1,654	1,698	1,540	1,500	1,350	1,200
		% change	*0%*	*3%*	*6%*	*9%*	*0%*	*5%*	*4%*	*8%*	*8%*	*7%*	*17%*
Silver	$/oz	New	16.8	16.4	18.5	18.8	16.2	17.6	18.5	17.5	17.5	18.0	18.3
		Old	16.8	15.5	18.5	18.5	16.2	17.3	18.1	16.5	16.9	17.1	17.3
		% change	*0%*	*5%*	*0%*	*1%*	*0%*	*2%*	*2%*	*6%*	*4%*	*5%*	*6%*

Source: LBMA, BMO Capital Markets

It's Different This Time ... Really

Traditionally, gold demand had an element of price sensitivity as jewellery wholesalers and retail bar and coin investors reacted to price swings. The industry had clear market fundamentals, even if prone to enhanced, but predictable, seasonality. Now, however, with the growing popularity of ETFs, helped by ever-lower management fees, we see the marginal gold buyer as relatively insensitive to prices and driven more by mandates and macro expectations than by micro-market details.

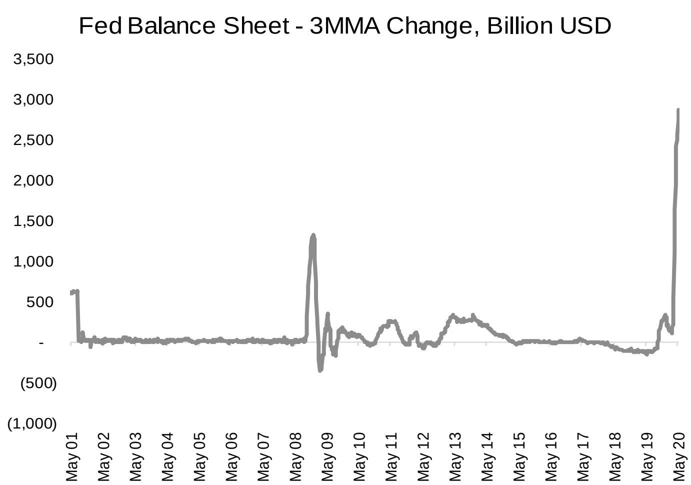
We use a number of elements in our framework of thinking about gold prices, both in the short and long term. This includes consumer demand, USD expectations, global assets under management, safe haven demand, yield expectations, central bank strategies, and supply trends. However, we are increasingly giving more weight to macro asset allocation flows, which inform our views on pricing dynamics more than traditional industry metrics, such as the cost curve.

Loose Monetary Policy Bodes Well for Precious Metals

Often, what is bad for the world is good for gold. A key learning from this pandemic-affected global economy is that ever increasing amounts of liquidity will be pushed into the system to solve economic woes. Global central banks continue to push highly accommodative monetary policy, with the COVID-19 fallout giving more momentum to a trend which had already started to emerge from the middle of last year. After all that has gone on, it is easy to forget the world entered 2020 with an easing bias. Across the world, more support is being given than in 2008-09, with a prime example being the Federal Reserve balance sheet expanding aggressively with a promise of more policy options available and able to be deployed. Moreover, government bond yields across major economies have continued to drop through 2020. We see this environment as highly supportive of gold prices, even without factoring in the potentially more fragile geopolitical risk environment which often results from economic downturns.

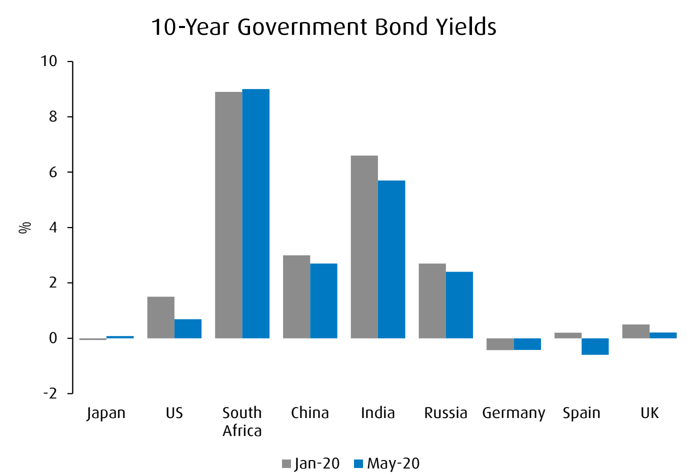
Even with inflation stubbornly low across the world, real interest rates are negative in many areas, which offers support to hard assets and safe havens. Even as cash is put back to work, given the potential for aftershocks and blips in the recovery path we think there naturally will be a defensive tilt to portfolios. And this is where gold tends to benefit from asset allocation flows. Moreover, trend expectations are now for real interest rates to remain extremely low relative to history, which is a change to the gold price formation framework in the longer term.

Exhibit 2: Federal Reserve policy is highly accommodative once more ...



Source: Federal Reserve, BMO Capital Markets

Exhibit 3: ... while yields continue to drop across key economies, encouraging macro asset allocators to rotate into gold



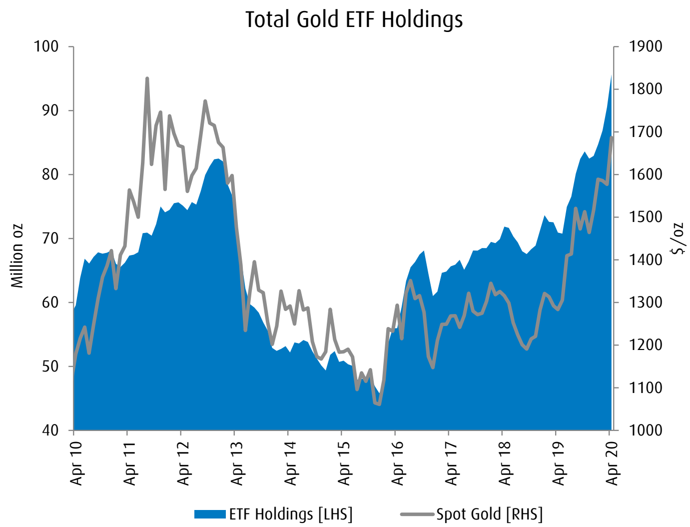
Source: Bloomberg, BMO Capital Markets

ETFs Now Drive the Bus

In a loose monetary policy environment, gold typically screens well from an asset allocation perspective. And the simplest way for macro asset allocators to get exposure to gold is through ETFs. Over the longer cycle, provided general assets under management trend higher, then we should see annuity inflows into gold ETFs. This in itself makes gold a little more pro-cyclical than generally assumed.

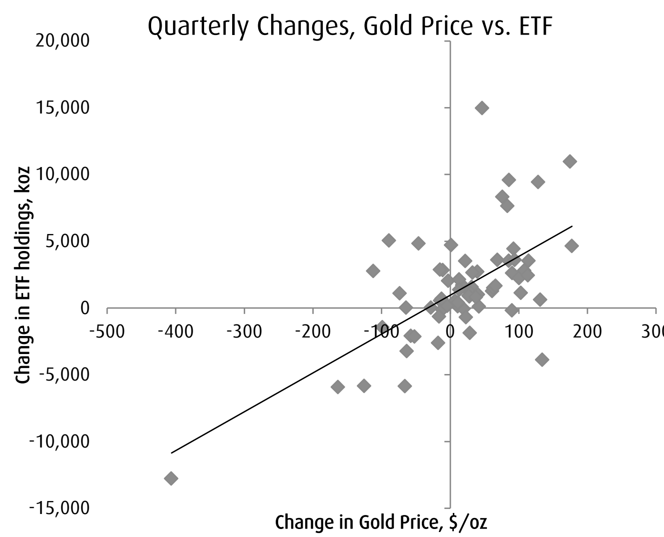
More than the level of ETF holdings, however, it is the pace of ETF holdings that drives near-dated gold prices, in our view. Relative changes in gold prices over any given quarter typically show strong positive correlation with the relative ETF flows in that quarter. This year is on course to mark a record for annual ETF inflows, which currently make up over a third of global gold demand in our estimates for the first time. Of course, ETFs can see outflows amid constraints on financial liquidity and/or a significant equity market sell-off, or as a funding source for higher risk in the portfolio. So while we see a trend annuity, the rate of change is crucial.

Exhibit 4: While physically backed gold ETF holdings continue to make new highs …



Source: LBMA, Bloomberg, BMO Capital Markets

Exhibit 5: … in our view it is the pace of ETF flows that is extremely important for gold price formation



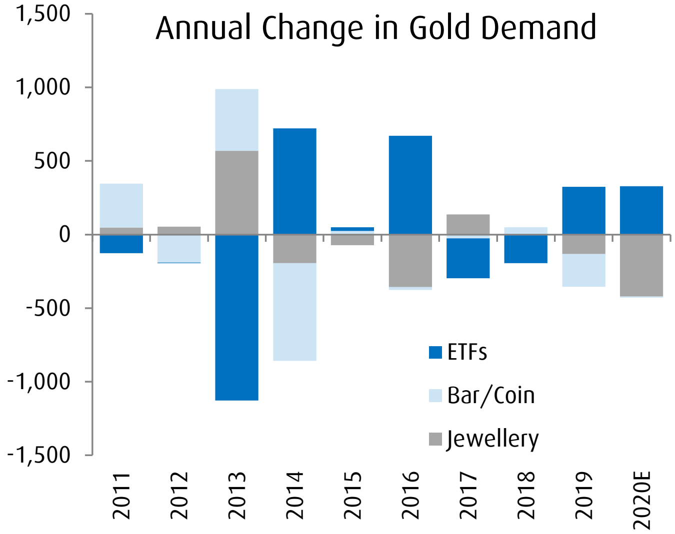
Source: LBMA, Bloomberg, BMO Capital Markets

Solving for a Steady-State Market

When we think about assessing a long-run price, classical commodity economics points to incentive pricing. However, that philosophy itself must incorporate an assessment of what additional supply is needed to balance the market. For example, in growth markets, many more projects will be needed.

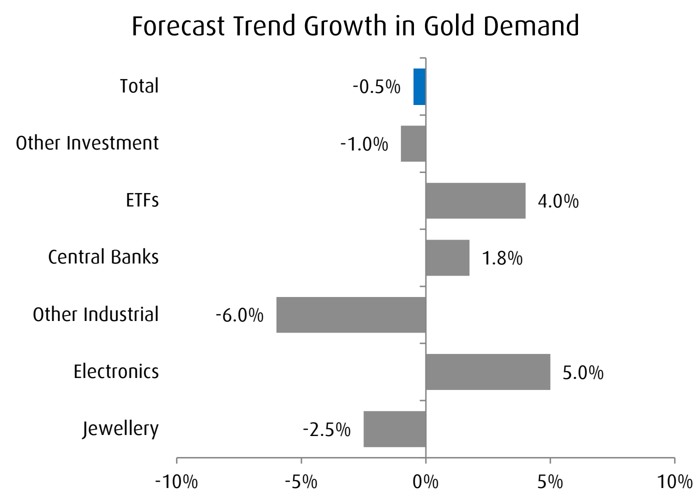
For gold, recent years have seen a consistent offsetting trend between macro and micro asset allocation. Stronger macroeconomic flows mean higher prices and a weak consumer, and vice versa. The net result is a relatively flat demand environment in terms of trend growth – just as we have seen over the past decade (~0.5% CAGR). Given the industry structure, we are essentially looking to keep overall mine supply roughly flat (though trend scrap recovery will likely increase) at current levels. Rather than drive growth, our long-run price is one that seeks to keep the industry in a steady-state for future years.

Exhibit 6: With changes in macro and micro gold demand consistently offsetting each other ...



Source: WGC, BMO Capital Markets

Exhibit 7: ... we are essentially trying to solve for a stagnant market environment in the medium to long term

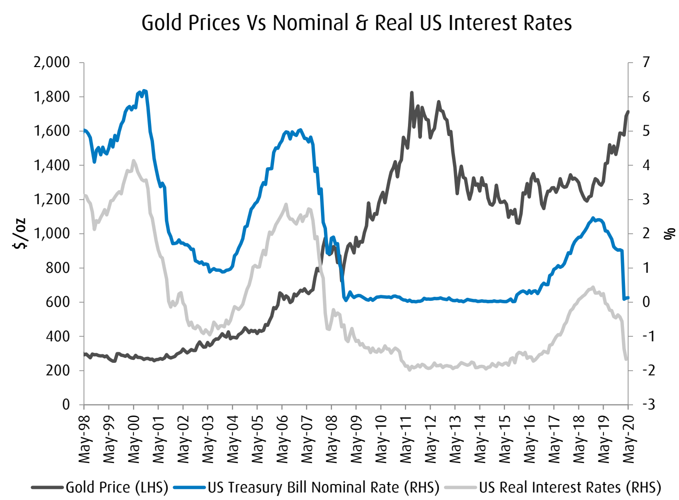


Source: WGC, BMO Capital Markets

Please TIPS Your Server

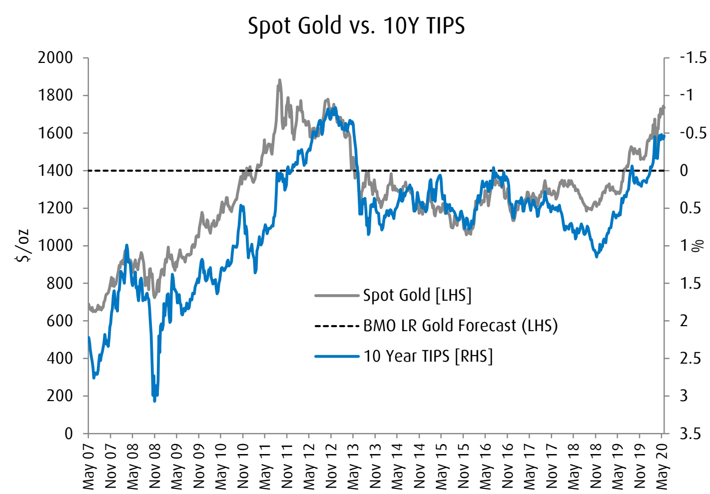
One good cross-check for our long-run price is how it sits against TIPS (Treasury Inflation Protected Securities). While some of the other parts of our gold framework have been mixed in terms of their correlation with prices (a prime example being the USD), inverted 10-year TIPS has continued to have a close relationship. And with a long-run gold price of $1,400/oz, this would imply a long run TIPS of ~0, based on the assumption that such correlation continues.

Exhibit 8: The drop in real interest rates over time has been highly supportive of gold



Source: LBMA, Bloomberg, BMO Capital Markets

Exhibit 9: Our LR forecast implies a 10-year TIPS of around zero



Source: LBMA, Bloomberg, BMO Capital Markets

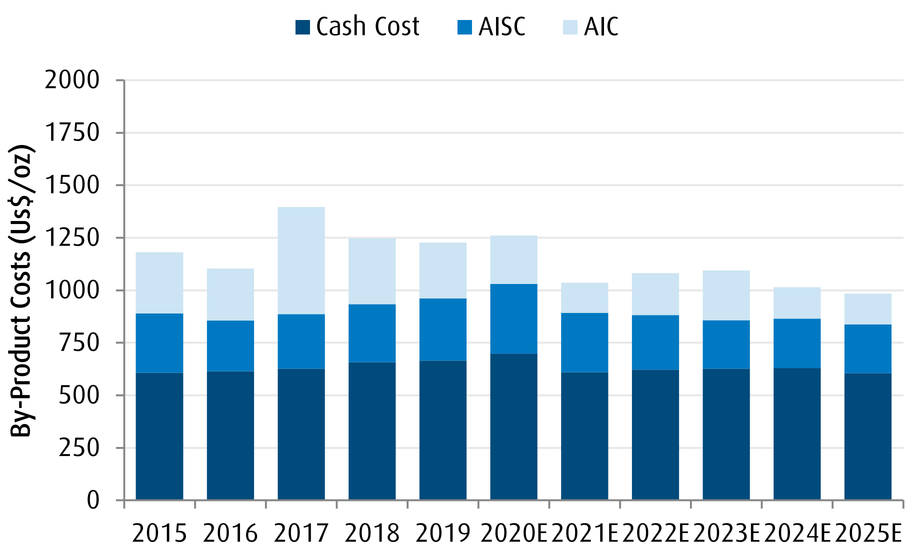
Where This Takes the Industry

Given that mine supply has very little bearing on the formation of a long-term gold price, changes to long-term gold price assumptions tend to drive management behaviour more than simply adjusting mine supply as mines are toggled on or off. In the past, as prices increased, growth was pursued in order to get ever-increasing leverage to the rising metals pricing. A litany of poor M&A decisions, cost over-runs, ill-advised expansion projects, etc, still linger in many investors' minds. As the gold price retreated from its 2011 highs, management teams "got religion." The industry now has generally strong balance sheets, and costs are still being managed well. While M&A has certainly picked up in pace, zero-premium mergers of producers now seem to be a trend that the market has generally accepted well. There have been some equity raises of late, but not nearly the volume of years gone by in a rising gold price environment. Companies now seem to be content to produce gold at a relatively steady AISC level, and there has been a marked trend to returning cash to shareholders, which has been rewarded with some share price appreciation.

Current Cost Structure for the Industry

Cost discipline has been a mantra for the industry over the past 5+ years as the gold price has retreated from all-time highs. While there has certainly been some assistance from lower fuel costs, lower labour rates (generally due to favourable exchange rate movements versus the U.S. dollar), deployment of new technology (especially autonomous mining), etc., many investors look to AISC as a key investment criterion, and many of the more successful management teams have got the message.

Exhibit 10: Cost structure for the gold industry 2015 – 2025E



Source: BMO Capital Markets

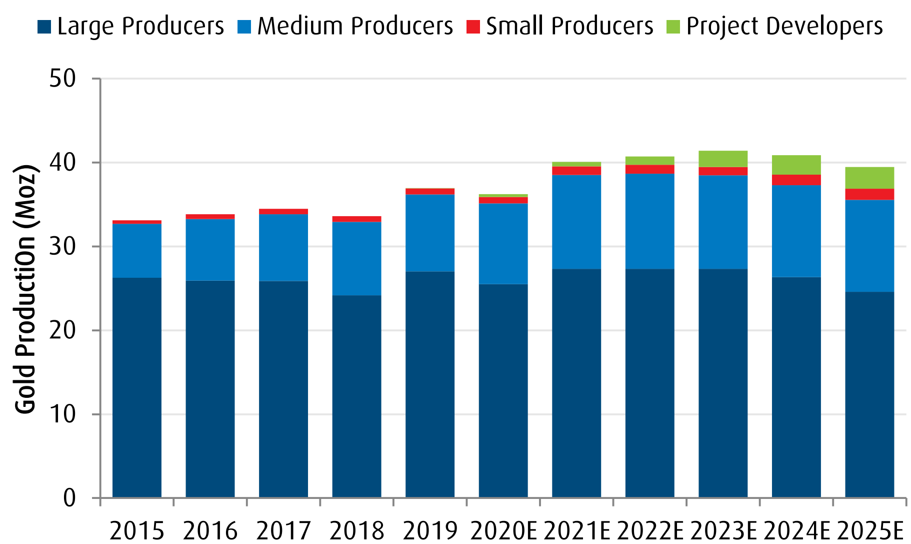
There is definitely a strong argument to be made that perhaps growth capital will increase to a higher run rate as the gold price remains high, but companies seem to be remaining disciplined with prices used to calculate reserves staying conservative, and mine plans remaining relatively constant. Therefore, while there's every chance that sustaining capital costs could rise into the future, modest savings from technology (autonomous mining, HPGR's, advanced dispatch systems, etc.), combined with modest growth plans, should allow the industry to start generating meaningful free cash flow. Growth capital is generally in decline, so All-In Costs (AIC) should remain well below our gold price forecasts, which will drive free cash flow for the industry.

For Production, Flat Is the New Up

While relatively unimportant in setting gold pricing, declining mine supply can generate positive investor sentiment to the space. We would assert that high quality development projects will begin to garner a scarcity premium, as will producers with any significant, financed, permitted growth on the horizon. In the meantime, companies will focus on growing near-term FCF and returning ever-increasing amounts of capital to shareholders, particularly the larger producers, where meaningful growth is a more difficult task.

There is a dearth of new projects in the precious metals space. For the most part, only high quality projects are being financed, and this financing is often coming from non-traditional sources (private equity, gold pre-payment facilities, corporate investment, etc.), rather than the large equity raises of the past. While we still expect gold production within the BMO coverage universe to continue to increase through to 2023, this growth is modest at best.

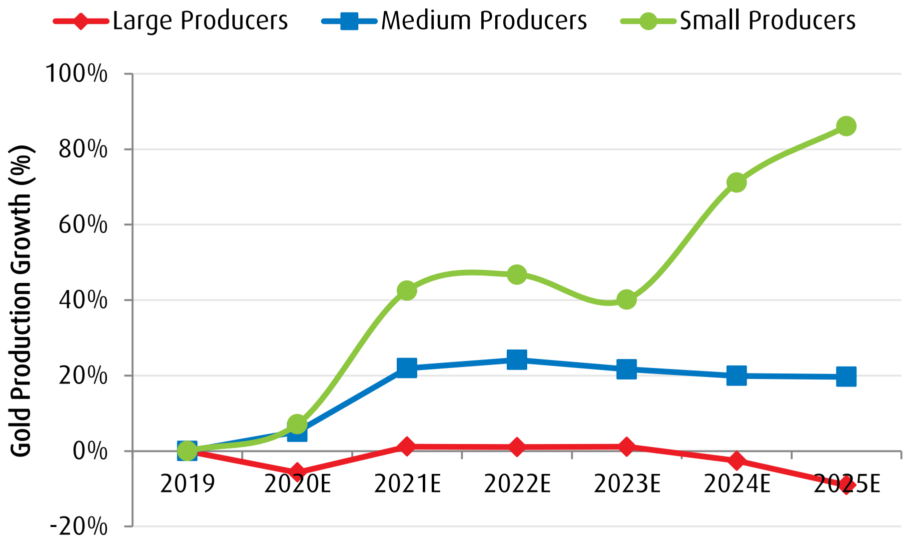
Exhibit 11: Gold production for BMO coverage 2015 – 2025E



Source: BMO Capital Markets

As might be expected, following a COVID-affected 2020, we expect that gold production will increase in 2021. This is especially true for the senior gold producers, where we expect that 2021 production will roughly mirror 2019 production before production begins to decline. On a production growth basis, the outlook seems rosier for the medium-sized and smaller producers. As a group, and as is typical, the smaller producers are expecting more production growth in the future, but as we see in the above chart, this vigorous growth has a negligible impact on the total amount of gold actually being produced by the companies under coverage.

Exhibit 12: Production growth for BMO coverage universe 2019 – 2025E



Source: BMO Capital Markets

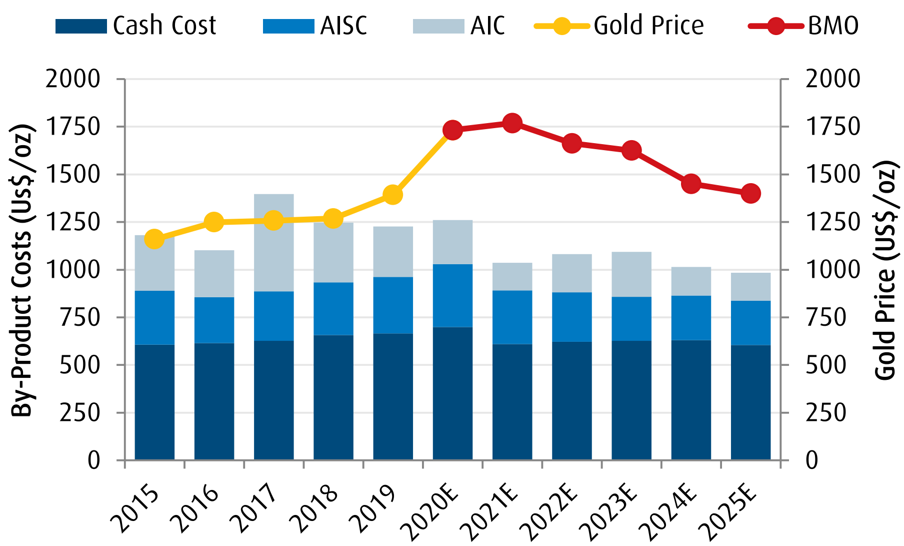
While some may argue that the lack of growth for the larger producers sets the stage for M&A as these ex-growth companies buy smaller companies for growth, the trend has been more towards similar-sized companies merging to optimize growth projects and this will likely lead to lower growth in the future as these merged companies meter out both sets of growth projects over a longer time.

Zero-premium mergers also seem to be increasingly well regarded by the market, and are becoming more popular. Some may argue that a merger without a premium doesn't necessarily reward the management of the acquired company for the work they've done to make themselves attractive to a suitor, but these marriages of convenience are starting to show that larger companies with better balance sheets are being rewarded with higher multiples. Synergies tend to be trivial, but diversification of geopolitical and operational risk is appealing to the current crop of gold equity investors.

The Best Things in Life Are Free (Cash Flow)

AS shown in the following chart, 2020 looks to be the year where All-In Costs (AIC) for the industry dramatically decouple from the gold price, giving rise to increasing free cash flow yields for the gold producers:

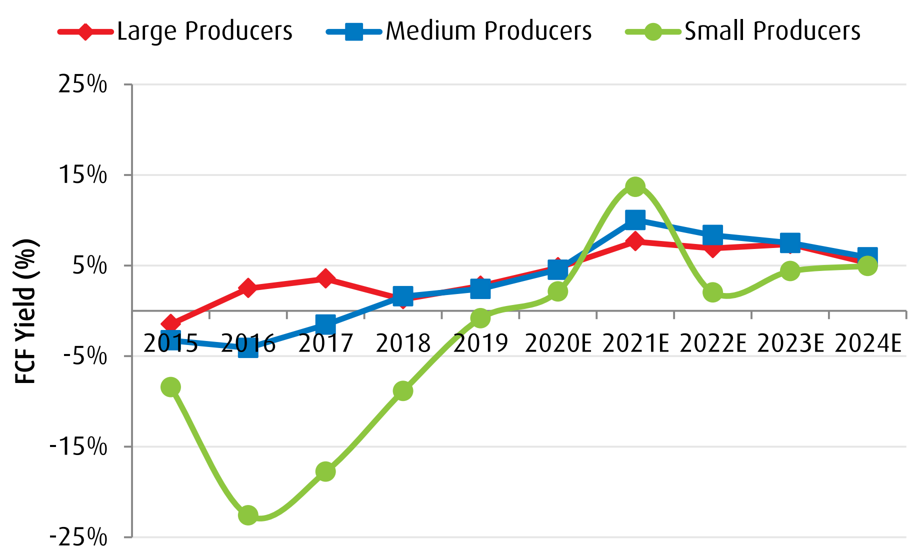
Exhibit 13: Cost structure for the gold industry 2015 – 2025E



Source: BMO Capital Markets

It's fair to say that the gold industry has a poor record of generating free cash flow, but it is clear that management teams are getting the point. Investors generally reward companies that return capital to shareholders, as dividend-paying companies are generally considered to have installed a "self-imposed" discipline mechanism which guards against poorly considered growth.

Exhibit 14: Gold producer FCF yield 2015 – 2024E



Source: BMO Capital Markets

Our estimates show a definite upward trend in free cash flow as we look into the future, even for many of the smaller companies under coverage. With so many gold producers generating free cash flow, it seems likely that the market may start to look to these companies as good businesses, rather than just leveraged ways to invest in gold. This can only bode well for asset allocation to the space.

Of course, there are some risks to these free cash flow estimates. While cash costs look to remain relatively stable with fuel prices low, and foreign exchange effects generally keeping labour costs in check, despite some upward pressure from social distancing, there is a thought that sustaining capital costs could be set to rise. Anecdotally, the market is concerned that at least some of the move towards free cash flow in the industry has come at the expense of sustaining capital budgets, which may have been reduced too far. Given that the market is also now rewarding strong exploration results, there is also an argument that many companies may increase exploration budgets to grow reserves through drilling at an increasing pace (rather than buying reserves through M&A). There is also a possibility that as nations look to the cost of stimulating their economies after COVID-related lockdowns, mining taxes and royalties could come under scrutiny. Therefore, while our free cash flow estimates may represent a best-case scenario, the fact that the trend is towards positive and increasing yields is still a big positive indicator for investor sentiment.

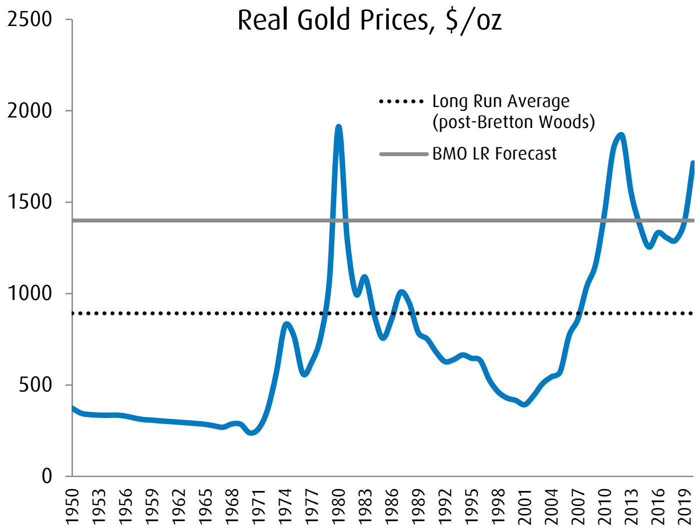
It is also worth noting that growth is not dead. While many companies, particularly the larger producers are now ex-growth, companies that can demonstrate production growth are still getting a premium in the market. However, this growth needs to be financed, permitted, and in the hands of a management team that the market trusts. Time will tell if the market will begin to reward more speculative growth (thus incentivizing some of the sins of the past), or whether free cash flow growth will continue to trump production growth. It is worth noting the dearth of pre-production equities with meaningful, permitted (or permittable), financed (or financeable) projects. In our view, these companies are likely to begin to garner premium valuations (as compared to other developers) as the gold price remains elevated.

Long Run Above the Long Term

The changing nature of the gold market, both in terms of costs and demand dynamics, means that our $1,400/oz price equilibrium expectation is significantly above the historical price average for gold. Adjusting for inflation, since the end of the Bretton Woods System in 1971 the average gold price has been $892/oz in today's money. Moreover, for context, our LR price at the start of 2010 was $750/oz, around half today's level.

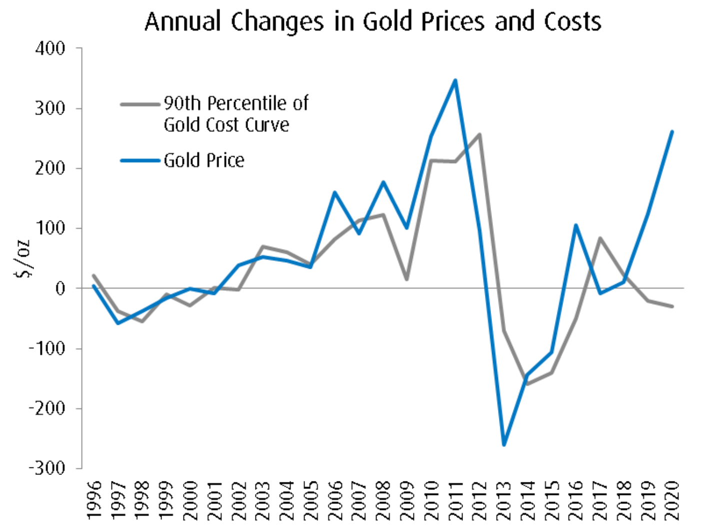
What is more important, however, is that industry profitability is now trending at a record level, with the gap between prices and the top end of the cost curve having never before been so wide as it is presently. This leaves an industry fundamentally better placed from a financial perspective, and more attractive as a long-term investment opportunity given many tailwinds are set to persist from a macroeconomic standpoint.

Exhibit 15: Our new long-run forecast is well above long-term gold price averages



Source: LBMA, BMO Capital Markets

Exhibit 16: While gold prices have been at this level before, industry profitability has not, as 2019-20 has seen costs decouple



Source: LBMA, Wood Mackenzie, BMO Capital Markets

N.B. Costs are on a cash plus sustaining capital basis

What Curbs Our Enthusiasm?

Of course, our long-run price expectation is still ~20% below current spot levels. So why not a higher price? We think there are a number of factors which, in a rational market, point to a lower equilibrium than seen in current market dynamics.

The first comes from the supply side of the equation. While supplier discipline is holding for now, high prices have a tendency to cure high prices in all markets. We would anticipate that should the current industry profitability persist, the urge to accelerate growth options could prove too strong. When coupled with greater availability of secondary material, this could well yield a situation where supply growth markedly exceeds that of demand.

On the demand side, as discussed previously the rise in negative yielding debt has been a key element persuading macro asset allocators to add to gold positions. However, while they can certainly last for a while given current monetary conditions, we are not yet convinced that this is the new economic normal – although they are difficult to move away from, negative yields at a central bank level are not something that feels like they should last in perpetuity, which is how we have to think about a long-run price equilibrium. Clearly, yields will be lower than historical norms (hence our higher than historical average price) but we think some retracement is likely in the future.

Lastly, we do see a situation where asset allocators will look to diversify their ETF exposure away from gold as investment strategies (both active and passive) grow in sophistication. This may slow the rate of trend annuity inflow into gold relative to current market conditions.

We should also note that in our forecast we do not build in a "supply scarcity"' premium for gold. Given global mine supply growth is clearly challenged (with output in China for example falling for four consecutive years) there is an argument that some risk premium could be added over and above our calculated price. However, given we do see potential growth from small and medium-sized producers under our coverage, and more importantly that there is plenty of available inventory in gold, we do not believe this is necessary.

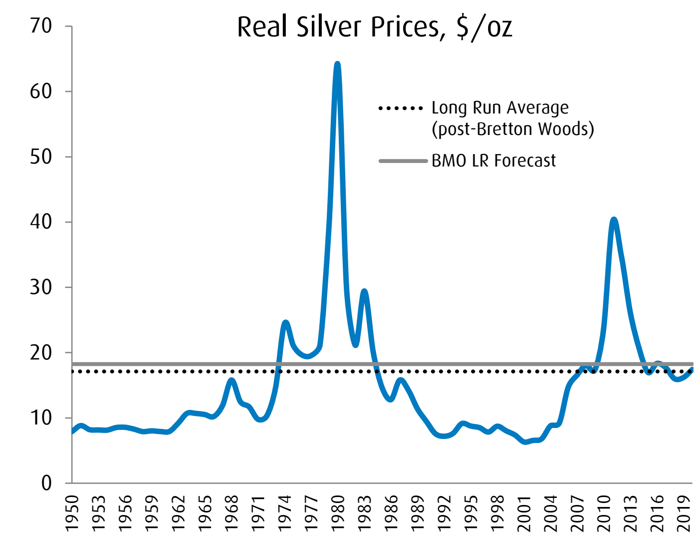
And the Silver Metal Goes To ...

Silver simply cannot decouple itself from the fortunes of gold, and the two will typically move together in any given cycle. However, silver does offer more torque at points of inflection, partly due to liquidity, and partly due to the different way the market trades. In our view, while gold continues to receive "annuity" demand from macro asset allocation trends, silver does not – very few asset managers have a mandate to hold a proportion of the portfolio in silver. For this reason, we see traditional norms in the gold:silver ratio as less relevant. However, it is still important in terms of our long-term price assessment. Moreover, ETF moves can still be influential and silver is now benefitting from positive moves in this area after years of underperformance relative to gold.

Meanwhile, we see silver as benefitting from a continued recovery in industrial demand over the coming years, which should see price outperformance relative to gold on a 3- to 5-year view. As governments seek to further bolster economic recovery, we anticipate silver-intensive areas such as 5G and solar technology could well benefit from any fiscal impulse, making silver increasingly the "infrastructure" precious metal. Thus, unlike gold, our medium-term silver price is higher than current spot pricing. However, our long-run price of $18.25/oz (implying a gold:silver ratio of 76:1) is roughly in line with the long-term historical norm, as compared to gold's clear step up.

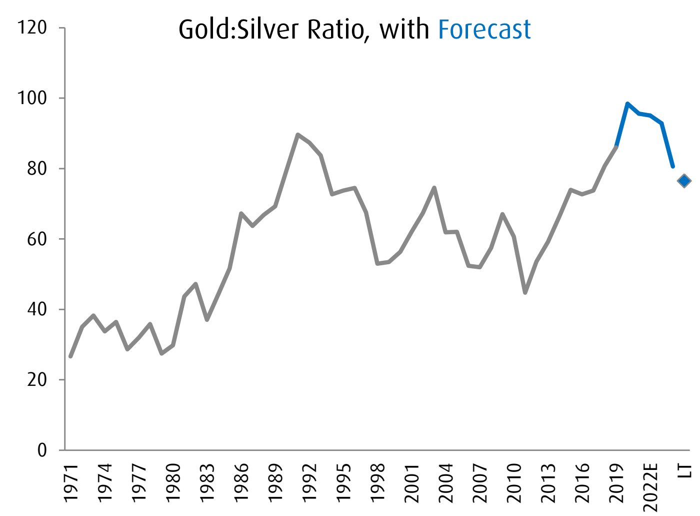
For further details on our silver view, please refer to this recent note.

Exhibit 17: In contrast to gold, our long-run silver price expectation is only marginally above the long-run history



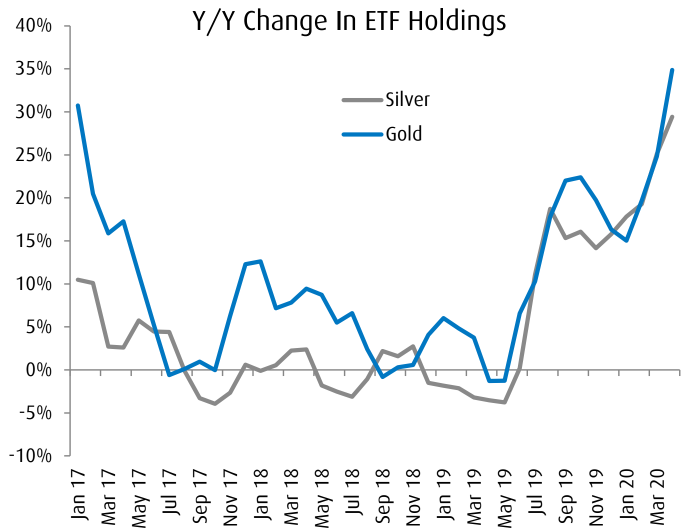
Source: LBMA, BMO Capital Markets

Exhibit 18: We do expect moderate silver outperformance over the coming years, but the gold-silver ratio will remain elevated



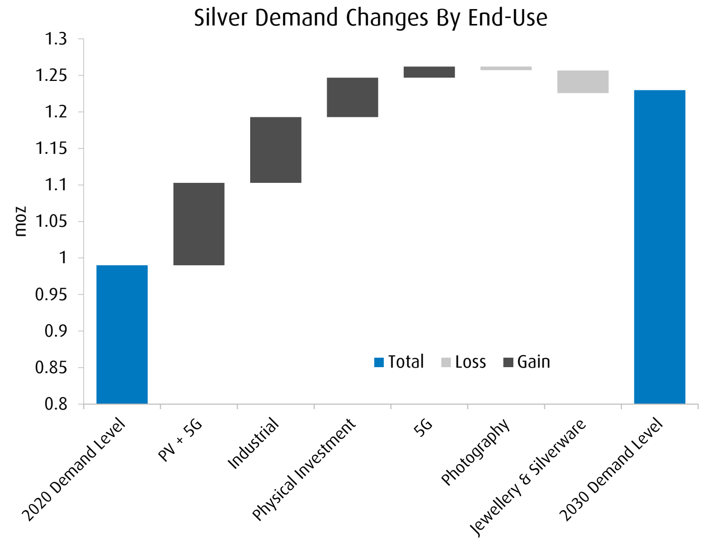
Source: LBMA, BMO Capital Markets

Exhibit 19: Silver ETF flows typically have underperformed those of gold, but are keeping pace in the current cycle



Source: Bloomberg, BMO Capital Markets

Exhibit 20: We remain confident of silver demand growth in industrial and infrastructure sectors

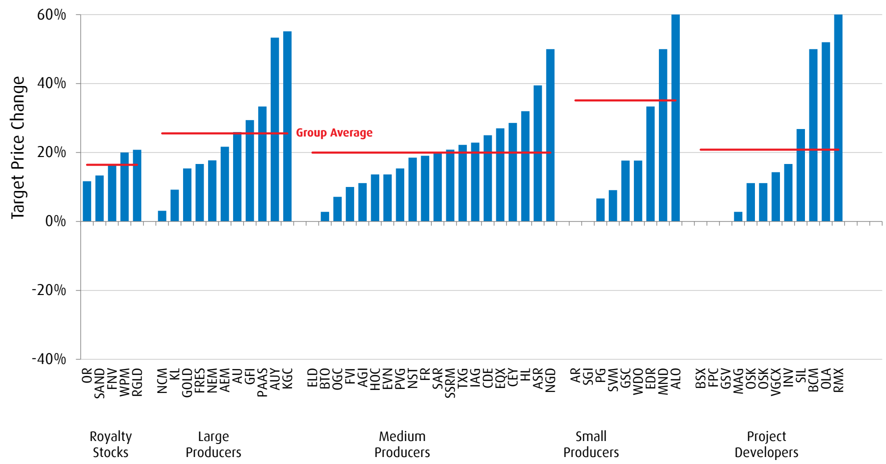


Source: CPM, Silver Institute, BMO Capital Markets

Equity Impact

These changes to our precious metals price forecasts have had fairly dramatic effects on our estimates, particularly for NPV, as our long-term gold price rises to $1,400/oz. We are raising our price targets for the group as a whole, even as we keep the multiples used for calculating our price target relatively constant. On the whole, our price targets rise by around 20%, with more levered (either through higher costs or through higher debt loads) companies faring best. As a general rule, companies with higher base metals exposure tend to fare worse than their peers, but the trend is still positive.

Exhibit 21: Changes to BMO target prices



Source: BMO Capital Markets

Recommendation Changes

Despite raising our long-term gold and silver price forecasts, and generally raising our price targets for the equities, there are only two rating changes. After notable underperformance so far this year, we are raising our rating on Kirkland Lake Gold (KL) to Outperform from Market Perform, as the valuation is now more compelling than many of its peers.

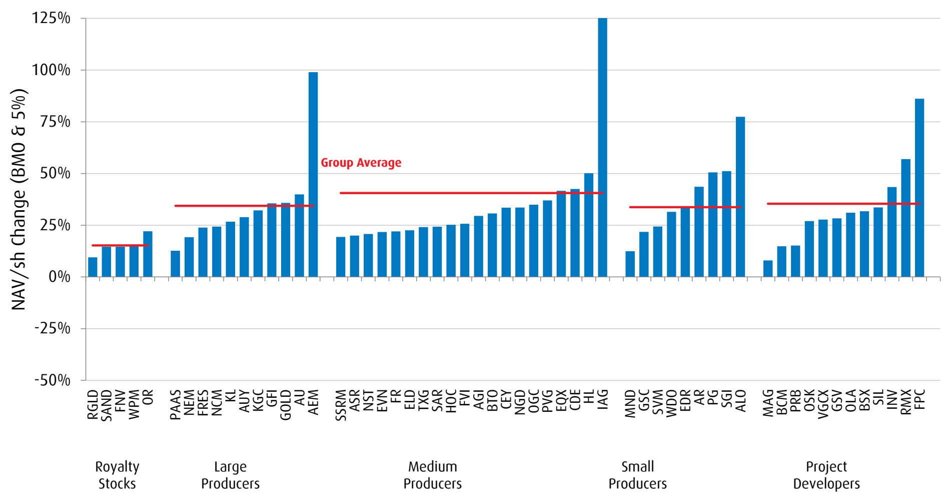
We are also downgrading Osisko Gold Royalties (OR) to Market Perform from Outperform. We have reduced our valuation target multiples for both P/NAV (5) and P/CFO (NTM) because of the company's shift more towards an operator and producer versus a pure royalty company. The shift is partly the result of OR bringing some challenged assets in-house, such as the Renard diamond mine as a part of Stornoway Diamond's bankruptcy protection process. It is also partly a result of challenges (in our view) related to exit from OR's "accelerator model," e.g., the acquisition of Barkerville Gold Mines.

Changes to Estimates

Net Present Value

Even though our near-term precious metals price estimates are slightly elevated, increasing the long-term gold price by $200/oz has the largest impact on our NPV estimates. All of our NPV estimates increase, and the more levered companies (with higher costs or higher debt loads) increase most, as might be expected. Companies with higher base metals exposure fare worse in this analysis generally. Hedging has a very limited impact, since despite many companies having some production hedged, most of these hedges are relatively short term, only comprise a portion of production, and often have a collar structure so that there is still leverage to the price adjustments that we've made.

Exhibit 22: Changes to NAV estimates (BMO, 5%)



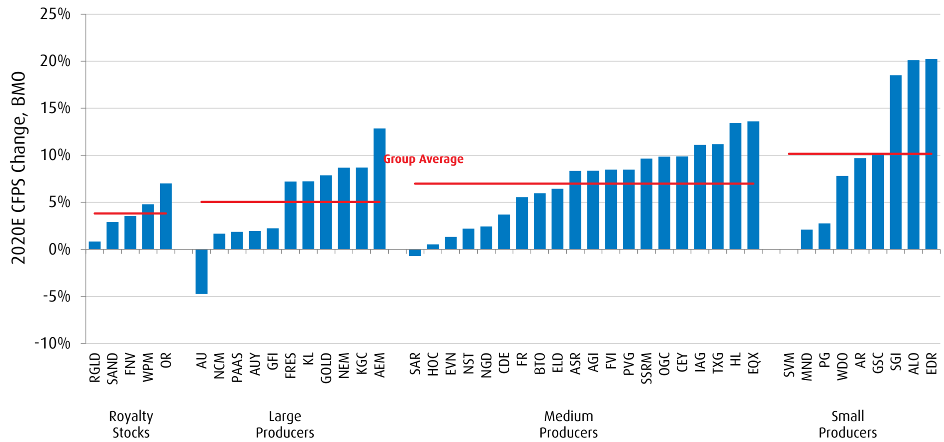
Source: BMO Capital Markets

Even though our NPV estimates have increased by over 30% for the group, and our price targets have increased by ~20%, we are still firmly of the view that investors will gravitate to those companies with strong management, clean balance sheets, a policy or plan to return excess capital to shareholders, and/or assets with low costs and high exploration potential. Therefore, we are not recommending a "buy leverage" investment strategy, but for those investors looking for more torque to rising precious metals prices, we would assert that leverage from debt is generally better leverage than leverage from higher cost assets. Higher costs tend to go higher in a rising gold price environment, while debt levels tend to sharpen management focus on driving cash flow.

Cash Flow

Our 2020E CFPS estimates have been modestly affected by our adjustments to the precious metals price estimates, but with almost half of the year finished, and Q2 cash flows expected to be very volatile as COVID-19 related costs and suspensions flow through the industry, it seems likely that 2020 cash flow estimates are less important to the market at present.

Exhibit 23: Changes to FY2020 CFPS estimates

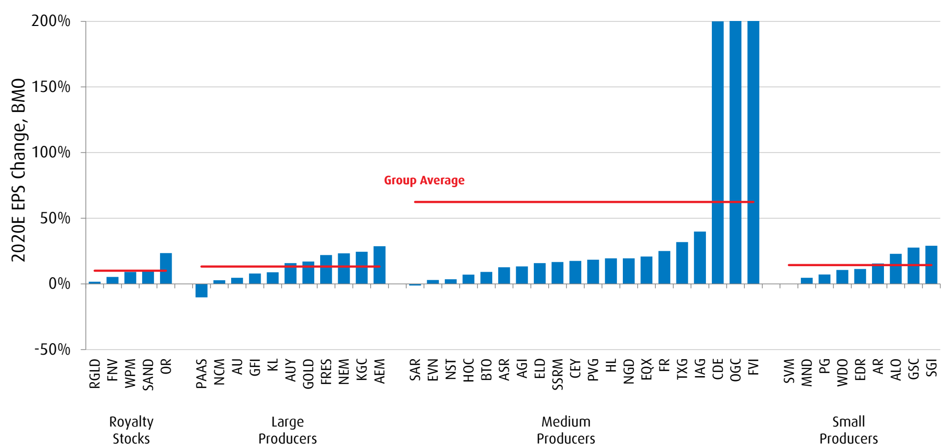


Source: BMO Capital Markets

Earnings per Share

If cash flow projections for 2020 are expected to be volatile, earnings estimates are likely even less important to the market at present. However, for the sake of completeness, our changes to 2020 earnings estimates are presented below.

Exhibit 24: Changes to FY2020 EPS estimates



Source: BMO Capital Markets

Conclusion

After a thorough examination of long-term gold price formation, we have increased our long-run gold forecast by 16.7% to $1,400/oz, and long-run silver by 5.8% to $18.25/oz. This has had a marked effect on our target prices and NPV estimates in particular, but has resulted in two rating changes (KL goes to OP from Mkt and OR goes to Mkt from OP); our preferred equities are still broadly similar.

Preferred Names

We have characterized our preferred precious metals equities into four categories: Value, Catalyst, Execution, and Growth.

Exhibit 25: : Gold and precious metals preferred equities

Value

Preferred List	Ticker	Price	Target	Return
Agnico Eagle	AEM	$63.13	$73.00	16%
Gold Fields	GFI	$7.48	$11.00	47%
Wheaton Precious Metals	WPM	$42.21	$48.00	14%
Torex Gold	TXG	C$18.69	C$33.00	77%

Catalyst

Preferred List	Ticker	Price	Target	Return
Alamos Gold	AGI	C$11.03	C$15.00	36%
AngloGold Ashanti	AU	$24.35	$34.00	40%

Execution

Preferred List	Ticker	Price	Target	Return
B2Gold	BTO	C$6.95	C$9.25	33%
Newmont Mining	NEM	$58.73	$73.00	24%
Pan American Silver	PAAS	$26.12	$32.00	23%
SSR Mining	SSRM	$19.11	$29.00	52%

Growth

Preferred List	Ticker	Price	Target	Return
Equinox Gold	EQX	C$12.50	C$23.50	88%
Orla Mining	OLA	C$3.32	$3.80	14%
Wesdome	WDO	C$11.72	$15.00	28%

Note: Stocks listed in alphabetical order, not preference.

Prices as of May 27, 2020.

Source: BMO Capital Markets

Appendix – Estimate and Target Price Changes: Precious Metals Coverage

Exhibit 26: Changes to Precious Metals Targets and Ratings

Company	Ticker	Analyst	Share Price 27-May-20		Target Price		Change	Rating	
					Previous	Revised		Previous	Revised
			(local)	(US$/sh)	($/sh)	($/sh)	(%)		
Royalty/Streaming Co's.									
Franco-Nevada	FNV	JP	C$191.28	$138.41	C$158.00	C$184.00	16%	Mkt	Mkt
Osisko Gold Royalties	OR	JP	C$13.50	$9.77	C$15.00	C$16.75	12%	OP	Mkt
Royal Gold	RGLD	JP	$132.61	$132.61	$101.00	$122.00	21%	Mkt	Mkt
Sandstorm Gold	SAND	RC	$8.36	$8.36	$7.50	$8.50	13%	Mkt	Mkt
Wheaton Precious Metals	WPM	JP	$42.21	$42.21	$40.00	$48.00	20%	OP	OP
Large Producers									
Agnico Eagle	AEM	JP	$63.13	$63.13	$60.00	$73.00	22%	OP	OP
AngloGold Ashanti	AU	RR	$24.35	$24.35	$27.00	$34.00	26%	OP	OP
Barrick Gold	GOLD	JP	$23.92	$23.92	$26.00	$30.00	15%	OP	OP
Fresnillo	FRES	RT	£7.51	$9.17	£7.50	£8.75	17%	Mkt	Mkt
Gold Fields	GFI	RR	$7.48	$7.48	$8.50	$11.00	29%	OP	OP
Kinross	KGC	JP	$6.63	$6.63	$5.80	$9.00	55%	Mkt	Mkt
Kirkland Lake Gold	KL	BQ	C$51.72	$37.42	C$65.00	C$71.00	9%	Mkt	OP
Newcrest Mining	NCM	BQ	A$29.56	$19.45	A$32.50	A$33.50	3%	Mkt	Mkt
Newmont Mining	NEM	JP	$58.73	$58.73	$62.00	$73.00	18%	OP	OP
Pan American Silver	PAAS	RT	$26.12	$26.12	$24.00	$32.00	33%	OP	OP
Yamana	AUY	JP	$5.04	$5.04	$3.75	$5.75	53%	Mkt	Mkt
Medium Producers									
Alacer Gold	ASR	BQ	C$8.40	$6.08	C$9.50	C$13.25	39%	OP	OP
Alamos Gold	AGI	BQ	C$11.03	$7.98	C$13.50	C$15.00	11%	OP	OP
B2Gold	BTO	BQ	C$6.95	$5.03	C$9.00	C$9.25	3%	OP	OP
Centamin	CEY	RR	£1.61	$1.96	£1.75	£2.25	29%	OP	OP
Coeur Mining	CDE	RT	$5.32	$5.32	$5.00	$6.25	25%	Mkt	Mkt
Eldorado	ELD	BQ	C$11.80	$8.54	C$16.00	C$16.00	0%	OP	OP
Endeavour Mining	EDV	RR	C$30.54	$22.10	R	R	na	R	R
Equinox Gold	EQX	RT	C$12.50	$9.04	C$18.50	C$23.50	27%	OP	OP
Evolution Mining	EVN	BQ	A$5.61	$3.69	A$5.50	A$6.25	14%	Mkt	Mkt
First Majestic Silver	FR	RT	C$13.04	$9.44	C$10.50	C$12.50	19%	Mkt	Mkt
Fortuna Silver	FVI	RT	C$5.73	$4.15	C$7.50	C$8.25	10%	OP	OP
Hecla Mining	HL	RT	$3.27	$3.27	$2.50	$3.30	32%	Mkt	Mkt
Hochschild Mining	HOC	RT	£1.88	$2.30	£2.20	£2.50	14%	OP	OP
IAMGOLD	IAG	JP	$3.71	$3.71	$3.50	$4.30	23%	Mkt	Mkt
New Gold	NGD	BQ	C$1.63	$1.18	C$1.50	C$2.25	50%	OP	OP
OceanaGold	OGC	BQ	C$2.81	$2.03	C$3.50	C$3.75	7%	OP	OP
Pretium Resources	PVG	AM	C$11.75	$8.50	C$13.00	C$15.00	15%	OP	OP
Saracen Mineral Holdings	SAR	BQ	A$5.00	$3.29	A$5.00	A$6.00	20%	Mkt	Mkt
SSR Mining	SSRM	RT	$19.11	$19.11	$24.00	$29.00	21%	OP	OP
Torex Gold Resources	TXG	RT	C$18.69	$13.52	C$27.00	C$33.00	22%	OP	OP
Small Producers									
Alio Gold	ALO	BQ	C$1.23	$0.89	C$0.71	C$2.00	182%	Mkt	Mkt
Argonaut Gold	AR	BQ	C$1.85	$1.34	C$3.00	C$3.00	0%	OP	OP
Endeavour Silver	EDR	RT	C$2.60	$1.88	C$2.10	C$2.80	33%	Mkt	Mkt
Golden Star Resources	GSC	RR	C$3.93	$2.84	C$4.25	C$5.00	18%	Mkt	Mkt
Mandalay Resources	MND	BQ	C$1.99	$1.44	C$2.00	C$3.00	50%	OP	OP
Premier Gold	PG	AM	C$2.02	$1.46	C$3.75	C$4.00	7%	OP	OP
Silvercorp Metals	SVM	RT	C$5.71	$4.13	C$5.50	C$6.00	9%	Mkt	Mkt
Superior Gold	SGI	BQ	C$0.68	$0.49	C$1.00	C$1.00	0%	OP	OP
TMAC Resources	TMR	BQ	C$1.52	$1.10	R	R	na	R	R
Wesdome	WDO	AM	C$11.72	$8.48	C$12.75	C$15.00	18%	OP	OP
Project Developers									
Bear Creek Mining	BCM	RT	C$2.50	$1.81	C$2.00	C$3.00	50%	OP(S)	OP(S)
Belo Sun	BSX	BQ	C$0.74	$0.54	NA	NA	na	OP(S)	OP(S)
Falco Resources	FPC	AM	C$0.29	$0.21	C$0.80	C$0.80	0%	OP	OP
Gold Standard Ventures	GSV	AM	C$0.96	$0.69	C$2.50	C$2.50	0%	OP(S)	OP(S)
INV Metals	INV	AM	C$0.58	$0.42	C$1.50	C$1.75	17%	OP	OP
Lundin Gold	LUG	BQ	C$12.00	$8.68	R	R	na	R	R
MAG Silver	MAG	RT	C$16.47	$11.92	C$18.00	C$18.50	3%	OP(S)	OP(S)
New Pacific Metals	NUAG	RT	C$5.58	$4.04	R	R	na	R	R
Orla Mining	OLA	AM	C$3.32	$2.40	C$2.50	C$3.80	52%	OP	OP
Osisko Mining	OSK	AM	C$3.95	$2.86	C$4.50	C$5.00	11%	OP	OP
Probe Metals	PRB	AM	C$1.26	$0.91	C$2.25	C$2.50	11%	OP(S)	OP(S)
Rubicon Minerals	RMX	AM	C$1.58	$1.14	C$2.00	C$3.30	65%	OP(S)	OP(S)
Sabina Gold & Silver	SBB	AM	C$1.79	$1.30	R	R	na	R	R
SilverCrest Metals	SIL	RT	C$11.24	$8.13	C$10.25	C$13.00	27%	OP(S)	OP(S)
Victoria Gold	VGCX	AM	C$11.59	$8.39	C$14.00	C$16.00	14%	OP	OP

Source: BMO Capital Markets. BMO Capital Markets is Restricted on Endeavour Mining, TMAC Resources, Lundin Gold, New Pacific Metals, Sabina Gold & Silver.

Exhibit 27: Changes to Precious Metals EPS

Company	Ticker	Analyst	Share Price 27-May-20		2020E EPS		Change	2021E EPS		Change	2022E EPS		Change
			(local)	(US$/sh)	Previous ($/sh)	Revised ($/sh)	(%)	Previous ($/sh)	Revised ($/sh)	(%)	Previous ($/sh)	Revised ($/sh)	(%)
Royalty/Streaming Co's.													
Franco-Nevada	FNV	JP	C$191.28	$138.41	$2.33	$2.45	5%	$2.66	$2.81	6%	$2.37	$2.66	12%
Osisko Gold Royalties	OR	JP	C$13.50	$9.77	C$0.11	C$0.14	23%	C$0.35	C$0.39	12%	C$0.74	C$0.85	14%
Royal Gold	RGLD	JP	$132.61	$132.61	$2.35	$2.39	2%	$2.68	$2.97	11%	$2.33	$2.70	16%
Sandstorm Gold	SAND	RC	$8.36	$8.36	$0.13	$0.15	11%	$0.17	$0.19	9%	$0.15	$0.18	18%
Wheaton Precious Metals	WPM	JP	$42.21	$42.21	$0.88	$0.96	9%	$0.98	$1.06	8%	$0.82	$0.98	19%
Large Producers													
Agnico Eagle	AEM	JP	$63.13	$63.13	$1.31	$1.69	29%	$2.50	$2.95	18%	$1.49	$2.09	40%
AngloGold Ashanti	AU	RR	$24.35	$24.35	$2.54	$2.65	5%	$3.04	$3.24	7%	$2.26	$2.71	20%
Barrick Gold	GOLD	JP	$23.92	$23.92	$0.91	$1.07	17%	$1.26	$1.41	11%	$0.96	$1.22	27%
Fresnillo	FRES	RT	£7.51	$9.17	$0.31	$0.38	22%	$0.54	$0.60	13%	$0.43	$0.56	28%
Gold Fields	GFI	RR	$7.48	$7.48	$0.37	$0.40	8%	$0.98	$1.07	9%	$0.67	$0.84	27%
Kinross	KGC	JP	$6.63	$6.63	$0.39	$0.48	24%	$0.59	$0.68	16%	$0.42	$0.59	41%
Kirkland Lake Gold	KL	BQ	C$51.72	$37.42	$3.37	$3.67	9%	$4.06	$4.34	7%	$3.31	$3.80	15%
Newcrest Mining	NCM	BQ	A$29.56	$19.45	$0.68	$0.70	3%	$0.86	$0.97	13%	$0.94	$1.12	18%
Newmont Mining	NEM	JP	$58.73	$58.73	$1.78	$2.19	23%	$3.28	$3.66	11%	$2.24	$2.94	31%
Pan American Silver	PAAS	RT	$26.12	$26.12	$0.75	$0.67	(10%)	$2.11	$1.50	(29%)	$1.51	$1.94	29%
Yamana	AUY	JP	$5.04	$5.04	$0.17	$0.20	16%	$0.17	$0.20	21%	$0.03	$0.07	173%
Medium Producers													
Alacer Gold	ASR	BQ	C$8.40	$6.08	$0.55	$0.62	13%	$0.47	$0.52	10%	$0.37	$0.46	22%
Alamos Gold	AGI	BQ	C$11.03	$7.98	$0.36	$0.41	13%	$0.58	$0.65	11%	$0.60	$0.72	20%
B2Gold	BTO	BQ	C$6.95	$5.03	$0.39	$0.42	9%	$0.29	$0.32	10%	$0.26	$0.31	20%
Centamin	CEY	RR	£1.61	$1.96	$0.19	$0.22	17%	$0.17	$0.19	9%	$0.14	$0.18	25%
Coeur Mining	CDE	RT	$5.32	$5.32	$0.01	$0.03	200%	$0.14	$0.19	32%	($0.06)	$0.12	305%
Eldorado	ELD	BQ	C$11.80	$8.54	$0.88	$1.02	16%	$0.58	$0.58	1%	$0.21	$0.35	68%
Endeavour Mining	EDV	RR	C$30.54	$22.10	R	R	na	R	R	na	R	R	na
Equinox Gold	EQX	RT	C$12.50	$9.04	$0.83	$1.01	21%	$1.81	$2.00	10%	$1.42	$1.75	23%
Evolution Mining	EVN	BQ	A$5.61	$3.69	A$0.24	A$0.24	3%	A$0.27	A$0.32	15%	A$0.16	A$0.20	28%
First Majestic Silver	FR	RT	C$13.04	$9.44	$0.07	$0.09	25%	$0.36	$0.39	10%	$0.30	$0.38	25%
Fortuna Silver	FVI	RT	C$5.73	$4.15	($0.00)	$0.02	500%	$0.58	$0.64	10%	$0.45	$0.56	25%
Hecla Mining	HL	RT	$3.27	$3.27	($0.04)	($0.03)	19%	$0.14	$0.17	22%	$0.05	$0.10	106%
Hochschild Mining	HOC	RT	£1.88	$2.30	$0.13	$0.14	7%	$0.28	$0.31	11%	$0.23	$0.28	23%
IAMGOLD	IAG	JP	$3.71	$3.71	$0.22	$0.31	40%	$0.53	$0.62	16%	$0.57	$0.74	29%
New Gold	NGD	BQ	C$1.63	$1.18	($0.04)	($0.03)	19%	$0.17	$0.20	18%	$0.17	$0.22	29%
OceanaGold	OGC	BQ	C$2.81	$2.03	$0.01	$0.05	275%	$0.39	$0.44	12%	$0.29	$0.37	28%
Pretium Resources	PVG	AM	C$11.75	$8.50	$0.56	$0.66	18%	$0.81	$0.90	12%	$0.62	$0.79	28%
Saracen Mineral Holdings	SAR	BQ	A$5.00	$3.29	A$0.25	A$0.25	(1%)	A$0.54	A$0.57	7%	A$0.42	A$0.48	13%
SSR Mining	SSRM	RT	$19.11	$19.11	$1.29	$1.51	17%	$2.14	$2.32	9%	$1.51	$1.81	19%
Torex Gold Resources	TXG	RT	C$18.69	$13.52	$0.55	$0.72	32%	$0.74	$0.97	32%	$0.10	$0.51	399%
Small Producers													
Alio Gold	ALO	BQ	C$1.23	$0.89	$0.30	$0.37	23%	$0.41	$0.47	15%	$0.26	$0.36	39%
Argonaut Gold	AR	BQ	C$1.85	$1.34	$0.29	$0.34	16%	$0.62	$0.67	9%	$0.41	$0.51	25%
Endeavour Silver	EDR	RT	C$2.60	$1.88	($0.11)	($0.09)	11%	$0.04	$0.06	49%	$0.05	$0.09	89%
Golden Star Resources	GSC	RR	C$3.93	$2.84	$0.21	$0.26	28%	$0.48	$0.53	10%	$0.35	$0.46	31%
Mandalay Resources	MND	BQ	C$1.99	$1.44	$0.37	$0.38	5%	$0.59	$0.60	1%	$0.67	$0.71	5%
Premier Gold	PG	AM	C$2.02	$1.46	($0.20)	($0.18)	7%	$0.41	$0.44	8%	$0.25	$0.31	22%
Silvercorp Metals	SVM	RT	C$5.71	$4.13	$0.19	$0.19	0%	$0.09	$0.10	10%	$0.20	$0.23	15%
Superior Gold	SGI	BQ	C$0.68	$0.49	$0.12	$0.15	29%	$0.35	$0.40	14%	$0.27	$0.36	33%
TMAC Resources	TMR	BQ	C$1.52	$1.10	R	R	na	R	R	na	R	R	na
Wesdome	WDO	AM	C$11.72	$8.48	C$0.47	C$0.52	11%	C$0.73	C$0.81	10%	C$0.63	C$0.77	22%
Project Developers													
Bear Creek Mining	BCM	RT	C$2.50	$1.81	($0.12)	($0.12)	(6%)	($0.11)	($0.11)	1%	($0.10)	($0.09)	2%
Belo Sun	BSX	BQ	C$0.74	$0.54	($0.01)	($0.01)	0%	($0.02)	($0.02)	5%	$0.10	$0.11	11%
Falco Resources	FPC	AM	C$0.29	$0.21	C$(0.05)	C$(0.05)	0%	C$0.23	C$0.23	0%	C$0.50	C$0.50	0%
Gold Standard Ventures	GSV	AM	C$0.96	$0.69	C$(0.03)	C$(0.03)	0%	C$(0.03)	C$(0.03)	0%	C$0.14	C$0.19	29%
INV Metals	INV	AM	C$0.58	$0.42	C$(0.03)	C$(0.03)	0%	C$(0.04)	C$(0.04)	0%	C$(0.07)	C$(0.07)	1%
Lundin Gold	LUG	BQ	C$12.00	$8.68	R	R	na	R	R	na	R	R	na
MAG Silver	MAG	RT	C$16.47	$11.92	($0.14)	($0.14)	1%	$0.19	$0.20	4%	$0.46	$0.51	13%
New Pacific Metals	NUAG	RT	C$5.58	$4.04	R	R	na	R	R	na	R	R	na
Orla Mining	OLA	AM	$3.32	$2.40	C$(0.11)	C$(0.11)	0%	C$0.07	C$0.08	18%	C$0.13	C$0.16	23%
Osisko Mining	OSK	AM	C$3.95	$2.86	C$(0.03)	C$(0.03)	0%	C$0.07	C$0.07	0%	C$0.66	C$0.70	6%
Probe Metals	PRB	AM	C$1.26	$0.91	C$(0.06)	C$(0.10)	(53%)	C$(0.03)	C$(0.04)	(6%)	C$(0.02)	C$(0.02)	(13%)
Rubicon Minerals	RMX	AM	C$1.58	$1.14	($0.11)	($0.11)	0%	($0.27)	($0.27)	1%	$0.06	$0.11	85%
Sabina Gold & Silver	SBB	AM	C$1.79	$1.30	R	R	na	R	R	na	R	R	na
SilverCrest Metals	SIL	RT	C$11.24	$8.13	C$(0.19)	C$(0.19)	0%	C$(0.05)	C$(0.01)	81%	C$1.15	C$0.53	(54%)
Victoria Gold	VGCX	AM	C$11.59	$8.39	C$0.05	C$0.07	36%	C$0.08	C$0.07	(7%)	C$1.53	C$2.23	46%

Source: BMO Capital Markets. BMO Capital Markets is Restricted on Endeavour Mining, TMAC Resources, Lundin Gold, New Pacific Metals, Sabina Gold & Silver.

Exhibit 28: Changes to Precious Metals CFPS

Company	Ticker	Analyst	Share Price 27-May-20		2020E CFPS		Change	2021E CFPS		Change	2022E CFPS		Change
			(local)	(US$/sh)	Previous ($/sh)	Revised ($/sh)	(%)	Previous ($/sh)	Revised ($/sh)	(%)	Previous ($/sh)	Revised ($/sh)	(%)
Royalty/Streaming Co's.													
Franco-Nevada	FNV	JP	C$191.28	$138.41	$3.80	$3.94	4%	$4.28	$4.43	4%	$3.98	$4.26	7%
Osisko Gold Royalties	OR	JP	C$13.50	$9.77	C$0.66	C$0.70	7%	C$1.05	C$1.13	7%	C$1.61	C$1.77	10%
Royal Gold	RGLD	JP	$132.61	$132.61	$4.84	$4.88	1%	$5.39	$5.67	5%	$5.24	$5.59	7%
Sandstorm Gold	SAND	RC	$8.36	$8.36	$0.34	$0.35	3%	$0.39	$0.40	3%	$0.36	$0.38	7%
Wheaton Precious Metals	WPM	JP	$42.21	$42.21	$1.56	$1.64	5%	$1.91	$1.98	4%	$1.69	$1.85	9%
Large Producers													
Agnico Eagle	AEM	JP	$63.13	$63.13	$4.17	$4.70	13%	$6.82	$7.00	3%	$5.89	$6.52	11%
AngloGold Ashanti	AU	RR	$24.35	$24.35	$4.24	$4.04	(5%)	$4.86	$5.08	5%	$4.17	$4.61	11%
Barrick Gold	GOLD	JP	$23.92	$23.92	$2.53	$2.73	8%	$3.16	$3.36	6%	$2.85	$3.22	13%
Fresnillo	FRES	RT	£7.51	$9.17	$0.94	$1.01	7%	$1.22	$1.28	6%	$1.18	$1.30	11%
Gold Fields	GFI	RR	$7.48	$7.48	$1.21	$1.24	2%	$1.86	$1.95	5%	$1.58	$1.76	11%
Kinross	KGC	JP	$6.63	$6.63	$1.10	$1.20	9%	$1.41	$1.50	7%	$1.28	$1.45	13%
Kirkland Lake Gold	KL	BQ	C$51.72	$37.42	$4.85	$5.21	7%	$6.05	$6.38	5%	$5.21	$5.79	11%
Newcrest Mining	NCM	BQ	A$29.56	$19.45	$1.32	$1.35	2%	$1.69	$1.81	8%	$1.82	$2.00	10%
Newmont Mining	NEM	JP	$58.73	$58.73	$4.93	$5.36	9%	$6.46	$6.85	6%	$5.70	$6.43	13%
Pan American Silver	PAAS	RT	$26.12	$26.12	$1.98	$2.02	2%	$3.81	$3.18	(17%)	$3.23	$3.76	16%
Yamana	AUY	JP	$5.04	$5.04	$0.62	$0.63	2%	$0.73	$0.77	5%	$0.66	$0.69	5%
Medium Producers													
Alacer Gold	ASR	BQ	C$8.40	$6.08	$1.09	$1.18	8%	$1.21	$1.29	7%	$0.97	$1.09	13%
Alamos Gold	AGI	BQ	C$11.03	$7.98	$0.78	$0.84	8%	$1.19	$1.28	7%	$1.24	$1.39	12%
B2Gold	BTO	BQ	C$6.95	$5.03	$0.79	$0.84	6%	$0.71	$0.75	6%	$0.58	$0.64	11%
Centamin	CEY	RR	£1.61	$1.96	$0.43	$0.47	10%	$0.43	$0.46	9%	$0.35	$0.41	18%
Coeur Mining	CDE	RT	$5.32	$5.32	$0.46	$0.48	4%	$0.86	$0.91	5%	$0.93	$1.10	18%
Eldorado	ELD	BQ	C$11.80	$8.54	$2.13	$2.27	6%	$2.26	$1.97	(13%)	$2.17	$1.86	(14%)
Endeavour Mining	EDV	RR	C$30.54	$22.10	R	R	na	R	R	na	R	R	na
Equinox Gold	EQX	RT	C$12.50	$9.04	$0.97	$1.10	14%	$2.42	$2.58	7%	$2.19	$2.49	14%
Evolution Mining	EVN	BQ	A$5.61	$3.69	A$0.53	A$0.53	1%	A$0.62	A$0.66	6%	A$0.51	A$0.55	8%
First Majestic Silver	FR	RT	C$13.04	$9.44	$0.32	$0.34	6%	$0.76	$0.80	5%	$0.71	$0.79	11%
Fortuna Silver	FVI	RT	C$5.73	$4.15	$0.25	$0.27	8%	$1.17	$1.23	5%	$1.02	$1.13	11%
Hecla Mining	HL	RT	$3.27	$3.27	$0.20	$0.23	13%	$0.40	$0.43	7%	$0.30	$0.35	16%
Hochschild Mining	HOC	RT	£1.88	$2.30	$0.38	$0.38	1%	$0.57	$0.60	5%	$0.52	$0.57	10%
IAMGOLD	IAG	JP	$3.71	$3.71	$0.86	$0.96	11%	$1.19	$1.28	8%	$1.20	$1.38	15%
New Gold	NGD	BQ	C$1.63	$1.18	$0.33	$0.34	2%	$0.51	$0.54	6%	$0.52	$0.57	9%
OceanaGold	OGC	BQ	C$2.81	$2.03	$0.34	$0.37	10%	$0.69	$0.73	6%	$0.60	$0.68	13%
Pretium Resources	PVG	AM	C$11.75	$8.50	$1.22	$1.32	8%	$1.36	$1.46	7%	$1.16	$1.33	15%
Saracen Mineral Holdings	SAR	BQ	A$5.00	$3.29	A$0.42	A$0.42	(1%)	A$0.72	A$0.76	5%	A$0.60	A$0.65	9%
SSR Mining	SSRM	RT	$19.11	$19.11	$2.21	$2.42	10%	$3.19	$3.37	6%	$2.52	$2.82	12%
Torex Gold Resources	TXG	RT	C$18.69	$13.52	$2.62	$2.91	11%	$4.16	$4.38	5%	$3.36	$3.80	13%
Small Producers													
Alio Gold	ALO	BQ	C$1.23	$0.89	$0.34	$0.41	20%	$0.47	$0.53	13%	$0.33	$0.43	31%
Argonaut Gold	AR	BQ	C$1.85	$1.34	$0.51	$0.55	10%	$0.78	$0.84	7%	$0.53	$0.63	19%
Endeavour Silver	EDR	RT	$2.60	$1.88	$0.08	$0.10	20%	$0.28	$0.31	8%	$0.23	$0.28	21%
Golden Star Resources	GSC	RR	C$3.93	$2.84	$0.82	$0.90	10%	$1.19	$1.23	4%	$1.08	$1.24	14%
Mandalay Resources	MND	BQ	C$1.99	$1.44	$0.67	$0.68	2%	$1.05	$1.05	0%	$1.13	$1.16	3%
Premier Gold	PG	AM	C$2.02	$1.46	($0.29)	($0.28)	3%	$0.52	$0.55	6%	$0.36	$0.41	15%
Silvercorp Metals	SVM	RT	C$5.71	$4.13	$0.43	$0.43	0%	$0.26	$0.26	3%	$0.42	$0.45	7%
Superior Gold	SGI	BQ	C$0.68	$0.49	$0.16	$0.19	19%	$0.47	$0.52	10%	$0.44	$0.53	20%
TMAC Resources	TMR	BQ	C$1.52	$1.10	R	R	na	R	R	na	R	R	na
Wesdome	WDO	AM	C$11.72	$8.48	C$0.91	C$0.98	8%	C$0.91	C$0.99	8%	C$1.10	C$1.27	16%
Project Developers													
Bear Creek Mining	BCM	RT	C$2.50	$1.81	($0.11)	($0.12)	(3%)	($0.11)	($0.11)	1%	($0.09)	($0.09)	2%
Belo Sun	BSX	BQ	C$0.74	$0.54	($0.01)	($0.01)	0%	($0.03)	($0.02)	4%	$0.12	$0.13	7%
Falco Resources	FPC	AM	C$0.29	$0.21	C$(0.05)	C$(0.05)	0%	C$(0.04)	C$(0.04)	0%	C$(0.04)	C$(0.04)	0%
Gold Standard Ventures	GSV	AM	C$0.96	$0.69	C$(0.02)	C$(0.02)	0%	C$(0.03)	C$(0.03)	0%	C$0.25	C$0.30	17%
INV Metals	INV	AM	C$0.58	$0.42	C$(0.02)	C$(0.02)	0%	C$(0.04)	C$(0.04)	0%	C$(0.07)	C$(0.07)	1%
Lundin Gold	LUG	BQ	C$12.00	$8.68	R	R	na	R	R	na	R	R	na
MAG Silver	MAG	RT	C$16.47	$11.92	$0.03	$0.03	7%	$0.33	$0.34	2%	$0.77	$0.83	8%
New Pacific Metals	NUAG	RT	C$5.58	$4.04	R	R	na	R	R	na	R	R	na
Orla Mining	OLA	AM	C$3.32	$2.40	C$(0.12)	C$(0.12)	0%	C$0.12	C$0.13	8%	C$0.18	C$0.21	17%
Osisko Mining	OSK	AM	C$3.95	$2.86	C$0.04	C$0.04	0%	C$(0.03)	C$(0.03)	0%	C$0.45	C$0.49	9%
Probe Metals	PRB	AM	C$1.26	$0.91	C$(0.06)	C$(0.08)	(20%)	C$(0.03)	C$(0.03)	0%	C$(0.01)	C$(0.02)	(100%)
Rubicon Minerals	RMX	AM	C$1.58	$1.14	($0.13)	($0.13)	0%	($0.26)	($0.26)	0%	$0.13	$0.18	38%
Sabina Gold & Silver	SBB	AM	C$1.79	$1.30	R	R	na	R	R	na	R	R	na
SilverCrest Metals	SIL	RT	C$11.24	$8.13	C$(0.13)	C$(0.13)	0%	C$(0.02)	C$(0.01)	50%	C$1.66	C$0.79	(52%)
Victoria Gold	VGCX	AM	C$11.59	$8.39	C$3.08	C$3.38	10%	C$3.54	C$3.78	7%	C$3.10	C$3.30	6%

Source: BMO Capital Markets. BMO Capital Markets is Restricted on Endeavour Mining, TMAC Resources, Lundin Gold, New Pacific Metals, Sabina Gold & Silver.

BMO Capital Markets

Exhibit 29: Changes to Precious Metals $NPV_{5\%}$

Company	Ticker	Analyst	Share Price 27-May-20		NAVPS (BMO, 5%) Previous	Revised	Change
			(local)	(US$/sh)	($/sh)	($/sh)	(%)
Royalty/Streaming Co's.							
Franco-Nevada	FNV	JP	C$191.28	$138.41	$39.26	$44.99	**15%**
Osisko Gold Royalties	OR	JP	C$13.50	$9.77	$7.03	$8.58	**22%**
Royal Gold	RGLD	JP	$132.61	$132.61	$40.10	$43.90	**9%**
Sandstorm Gold	SAND	RC	$8.36	$8.36	$4.46	$5.11	**15%**
Wheaton Precious Metals	WPM	JP	$42.21	$42.21	$16.52	$19.10	**16%**
Large Producers							
Agnico Eagle	AEM	JP	$63.13	$63.13	$10.27	$20.43	**99%**
AngloGold Ashanti	AU	RR	$24.35	$24.35	$13.82	$19.34	**40%**
Barrick Gold	GOLD	JP	$23.92	$23.92	$8.66	$11.76	**36%**
Fresnillo	FRES	RT	£7.51	$9.17	$5.30	$6.56	**24%**
Gold Fields	GFI	RR	$7.48	$7.48	$5.29	$7.17	**36%**
Kinross	KGC	JP	$6.63	$6.63	$4.15	$5.49	**32%**
Kirkland Lake Gold	KL	BQ	C$51.72	$37.42	C$30.84	C$39.07	**27%**
Newcrest Mining	NCM	BQ	A$29.56	$19.45	A$14.32	A$17.81	**24%**
Newmont Mining	NEM	JP	$58.73	$58.73	$31.21	$37.21	**19%**
Pan American Silver	PAAS	RT	$26.12	$26.12	$15.95	$17.97	**13%**
Yamana	AUY	JP	$5.04	$5.04	$1.94	$2.50	**29%**
Medium Producers							
Alacer Gold	ASR	BQ	C$8.40	$6.08	C$4.62	C$5.54	**20%**
Alamos Gold	AGI	BQ	C$11.03	$7.98	C$11.84	C$15.34	**30%**
B2Gold	BTO	BQ	C$6.95	$5.03	C$3.31	C$4.33	**31%**
Centamin	CEY	RR	£1.61	$1.96	£0.98	£1.30	**33%**
Coeur Mining	CDE	RT	$5.32	$5.32	$2.65	$3.77	**42%**
Eldorado	ELD	BQ	C$11.80	$8.54	$13.77	$16.87	**23%**
Endeavour Mining	EDV	RR	C$30.54	$22.10	R	R	**na**
Equinox Gold	EQX	RT	C$12.50	$9.04	$7.98	$11.30	**42%**
Evolution Mining	EVN	BQ	A$5.61	$3.69	A$2.58	A$3.15	**22%**
First Majestic Silver	FR	RT	C$13.04	$9.44	$2.39	$2.91	**22%**
Fortuna Silver	FVI	RT	C$5.73	$4.15	$2.81	$3.53	**26%**
Hecla Mining	HL	RT	$3.27	$3.27	$1.12	$1.68	**50%**
Hochschild Mining	HOC	RT	£1.88	$2.30	$1.40	$1.75	**25%**
IAMGOLD	IAG	JP	$3.71	$3.71	$1.16	$4.08	**252%**
New Gold	NGD	BQ	C$1.63	$1.18	C$1.25	C$1.67	**34%**
OceanaGold	OGC	BQ	C$2.81	$2.03	C$3.39	C$4.58	**35%**
Pretium Resources	PVG	AM	C$11.75	$8.50	$5.42	$7.43	**37%**
Saracen Mineral Holdings	SAR	BQ	A$5.00	$3.29	A$2.42	A$3.01	**24%**
SSR Mining	SSRM	RT	$19.11	$19.11	$12.92	$15.41	**19%**
Torex Gold Resources	TXG	RT	C$18.69	$13.52	$16.95	$21.03	**24%**
Small Producers							
Alio Gold	ALO	BQ	C$1.23	$0.89	C$1.48	C$2.63	**77%**
Argonaut Gold	AR	BQ	C$1.85	$1.34	C$3.24	C$4.65	**44%**
Endeavour Silver	EDR	RT	C$2.60	$1.88	$1.07	$1.44	**34%**
Golden Star Resources	GSC	RR	C$3.93	$2.84	C$4.76	C$5.79	**22%**
Mandalay Resources	MND	BQ	C$1.99	$1.44	C$4.58	C$5.15	**12%**
Premier Gold	PG	AM	C$2.02	$1.46	C$3.79	C$5.70	**51%**
Silvercorp Metals	SVM	RT	C$5.71	$4.13	$2.97	$3.70	**24%**
Superior Gold	SGI	BQ	C$0.68	$0.49	C$1.44	C$2.18	**51%**
TMAC Resources	TMR	BQ	C$1.52	$1.10	R	R	**na**
Wesdome	WDO	AM	C$11.72	$8.48	C$6.49	C$8.53	**31%**
Project Developers							
Bear Creek Mining	BCM	RT	C$2.50	$1.81	$1.84	$2.12	**15%**
Belo Sun	BSX	BQ	C$0.74	$0.54	C$2.17	C$2.86	**32%**
Falco Resources	FPC	AM	C$0.29	$0.21	C$1.93	C$3.60	**86%**
Gold Standard Ventures	GSV	AM	C$0.96	$0.69	C$2.08	C$2.66	**28%**
INV Metals	INV	AM	C$0.58	$0.42	C$2.58	C$3.70	**43%**
Lundin Gold	LUG	BQ	C$12.00	$8.68	R	R	**na**
MAG Silver	MAG	RT	C$16.47	$11.92	$7.88	$8.51	**8%**
New Pacific Metals	NUAG	RT	C$5.58	$4.04	R	R	**na**
Orla Mining	OLA	AM	C$3.32	$2.40	C$2.38	C$3.11	**31%**
Osisko Mining	OSK	AM	C$3.95	$2.86	C$3.71	C$4.71	**27%**
Probe Metals	PRB	AM	C$1.26	$0.91	C$2.19	C$2.52	**15%**
Rubicon Minerals	RMX	AM	C$1.58	$1.14	C$2.41	C$3.78	**57%**
Sabina Gold & Silver	SBB	AM	C$1.79	$1.30	R	R	**na**
SilverCrest Metals	SIL	RT	C$11.24	$8.13	$4.30	$5.74	**34%**
Victoria Gold	VGCX	AM	C$11.59	$8.39	$11.47	$14.65	**28%**

Source: BMO Capital Markets. BMO Capital Markets is Restricted on Endeavour Mining, TMAC Resources, Lundin Gold, New Pacific Metals, Sabina Gold & Silver.

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Buy	Outperform	43.2 %	26.1 %	51.7 %	45.6 %	55.2 %	57.7%
Hold	Market Perform	54.0 %	18.5 %	45.7 %	51.7 %	42.9 %	37.5%
Sell	Underperform	2.8 %	20.0 %	2.6 %	2.7 %	1.9 %	4.8%

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Prior BMO Capital Markets Rating System

(April 2013 - October 2016)
http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

(January 2010 - April 2013)
http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

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