Maison
Placements
Canada

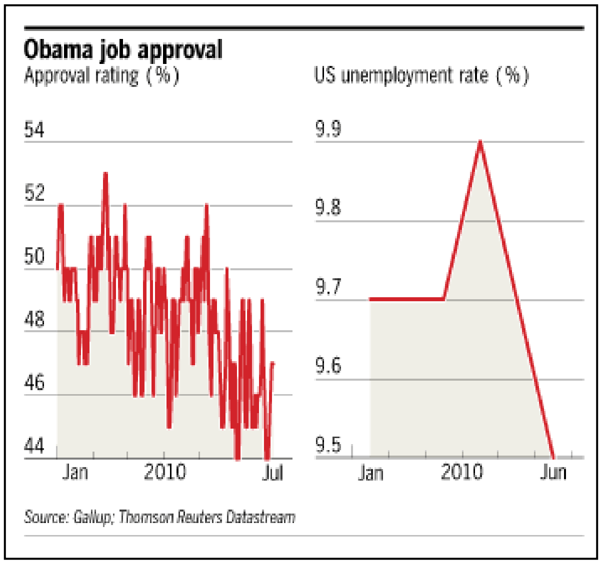
21 July 2010

Gold: Austerity vs Stimulus

President Obama is turning into one of the main political casualties of the oil spill. Like his predecessor, he has become adept at the “politics of blame”. By personalizing, vilifying and threatening to take the boots to BP and its CEO Tony Hayward, Obama did not of course stifle the spewing oil well, but instead whipped up anti-British rhetoric and of course diverted the message. And now, his government threatens to nationalize BP, barrel by barrel, whether it would be through the courts, fines, or in fact retroactive legislation. A major step towards the nationalization of BP was the establishment of a $20 billion reserve account to pay for the damage claims overseen by a government-picked mandarin. US lawmakers also plan to block BP from obtaining new offshore leases. This is taxation without representation. Whatever happened to due process? The last oil giant dismembered and eventually nationalized was Yukos in Russia and investors fear that Mr. Obama is an American version of Vladimir Putin. In fact his treatment of BP will not define President Obama’s leadership but confirm that he is the most interventionist president since FDR. Like Jimmy Carter, without the skills set to run the White House, this president will be a one term president.

The Politics of Blame

When Tony Hayward, BP’s CEO testified to the US Senate, he was only the latest corporate leader in Washington’s hot seat. Unfortunately, it has become too commonplace and easy for politicians to allocate blame to shift attention from their own ineptitude. The heads of Goldman Sachs, Fannie and Freddie and even Lehman Brothers have been paraded in front of Congress with the Senate hearings becoming equivalent to the “perp walk” or Washington’s version of a reality show with the good guys, the government, and the bad guys, business or Wall Street or BP, et al. This politics of blame is easy for politicians since they focus public anger on others providing a convenient scapegoat for Washington's mistakes, diverting people from the real problem. Americans continue to spend too much subsidizing that spending with debt. For example almost two years and trillions later, Obama's stimulus package was to cap the unemployment rate at 8 percent or better. Without the stimulus, the White House warned that unemployment would surpass 9 percent. Recent data shows that despite injecting trillions, the unemployment rate is at 9.5 percent and rising. And, he wants to spend more.



Yet BP is only the latest example of Obama's politics of blame. Obama has reorganized the automobile industry, fired GM's president and forced Chrysler into a merger. GM was turned into Government Motors with the government controlling 80 percent. Along the way, Obama's massive intervention from expanding spending to new regulations grows. And again, his Financial Reform bill, like his stimulus and healthcare packages have proven to be more politically based than economic. His bills continue expanding government's role, brimming with costly regulation and expenditures, but does nothing to resolve the root causes. The damage to the coast line was bad enough, the damage to the economy is worse.

Austerity vs Stimulus

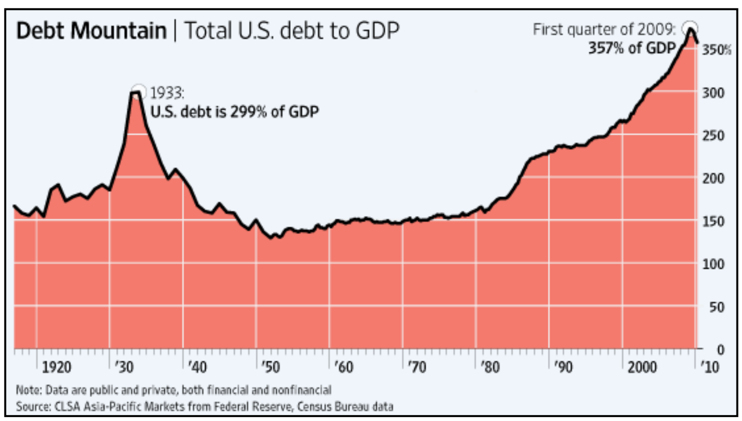
Amid the financial deterioration there is a debate between the choices of austerity and stimulus with the White House talking of yet another stimulus package when the ink isn't even dry on the last one. The real problem is that the expansionary monetary policy, aka quantitative easing, which involved the central bank injecting money into the economy through massive purchases of securities, has flooded the system with liquidity. And while there is much attention on Greece, little is said of the United States whose soaring deficits and debt numbers are worse than the weaker eurozone countries. But most troubling is that the forty eight states of America face a combined budget shortfall of $200 billion equivalent to some 30 percent of all state budgets. Indeed, the shortfall of New Jersey, Illinois, Arizona, and Nevada are 35 percent more than previous year resulting in cutbacks of service and layoffs. And of course, there is California with a $19 billion deficit that had to create their own currency last year to pay bills. And unlike the eurozone countries, there is no European Central Bank to bail them out. Eventually, the federal government will have to step in. Investors should stop worrying about overseas, they should look home.

Right now, investors are relieved that Greece appears to be at least out of the woods, accomplished only by massive government bailouts to replace foreign capital flows. But piling on more debt does not solve Greece's debt burden, in fact it worsens the problem. To be sure, the flight from the euro to other safe havens has seen gold becoming a primary beneficiary, reaching new highs in every currency including the euro and at last the US dollar. Europe's debt woes have prompted parallels with Bear Stearns and Lehman Brothers. The losses on exposure to the European countries have taken the role of subprime mortgage assets as the root cause and the bailout of Greece was really a bailout of the European banks who hold a big chunk of that country's exposure. The Bank of International Settlements (BIS) reports that French and German lenders have almost $1 trillion of exposure to its weaker members. In following the Federal Reserve, the European Central Bank is buying the debt of the weaker countries stuffing its balance sheet with questionable paper. Still Greece's public debt will increase from 120 percent to 150 percent of GDP by 2014, making matters worse. Just because Greece was saved, it was not fixed.

A chain is only as strong as its weakest link. The myth of the eurozone, was that all member economies would eventually converge with a common currency and that the stronger economies would drag along the weaker economies. But it soon became apparent that the imbalances of the member countries diverged as the huge current account surpluses of Germany were not offset by the weaker countries. Today, stronger nations like Germany are bailing out the weaker nations, causing an overall deterioration of the eurozone's balance sheet and with the bailout from the International Monetary Fund, the European Central Bank has lost creditability and of course its independence and effectiveness. The euro no longer is a reliable store of value.

What to do?

The lack of government discipline on public finances, fiat money and subsidies to spending are major contributors to the debt crisis. In addition, the discord over austerity versus spending have unveiled disparate divisions between countries. The economic reality today demands tough basic measures from living within one's means, to austerity to investment to control of public finances. In the nineties, Canada cut its deficits and boomed. For the time being, Europe's politicians are talking of austerity to tackle their country's problems, except for Obama who pushes for more spending because America's credit card has not maxed out like the others. Indeed the problem is not even austerity versus spending – it is the excessive printing of money and its consequences that worry us.



So Many Pages, So Little Content

But there is much to do. Obama's 2,300 page Dodd Frank Financial Reform Bill is touted as a sweeping overhaul of the nation's regulatory system but will do little to restore credit markets or even rein in the big players. The legislation will be the biggest expansion of government power over banking and markets since the Great Depression. Still the new rules do not reign in derivatives (at least for another year since they are yet to be written by the SEC or CFTC). The financial regulation bill doesn't even address mortgage giants Fannie Mae or Freddie Mac that insure three out of every four mortgages but are still bleeding money needing an even bigger bailout than the $145 billion sunk in just a little while ago. Moreover, other players including hedge funds, life insurance, high frequency traders, money managers, sovereign entities, remain outside the purview of the new of regulations. One thing is certain; banks should at least push their proprietary businesses outside. If the OTC derivative markets are that indispensable, banks should not be able to trade against their own clients. And those derivatives should centrally be cleared (without exception) which would at least force users to put up capital against those liabilities. The bill establishes more federal agencies, boards and regulatory oversight yet the lack of accountability and oversight of the shadow banking system remains. Congress even diluted the Volcker Rule curbing the banks' proprietary trading and limiting the investment in hedge funds. So many pages, so little content. Politicians simply lack the gumption to place responsibility on those who made the mistakes, the banks, homebuyers and other investors who took imprudent risks and big bets. The United States is in desperate need of new ideas and leadership, instead of a politics of blame, which is a desperate ruse to provide politicians cover.

Despite derivatives playing a major role in sinking the financial system, the bill left the shadow banking system largely unscathed and excessively leveraged. Since Congress deregulated derivatives in 2000, the market has exploded beyond $600 trillion or 10 times the size of world economy as derivatives become a credit substitute. The derivative business is dominated by interest swaps which makes up about half of the outstanding swaps according to the BIS. The proliferation of new financial instruments remains closely intertwined than ever. The real inflation is this explosion of financial alternatives. There are derivatives on stocks, bonds, loans, currencies, commodities like cocoa, or linked to specific events like changes in interest rates, weather or even sports. Interest rate swaps allow investors to hedge or make casino-style bets against interest rate swings. Of the $600 trillion derivative market, some 90 percent are traded by America's top five giant banks – JP Morgan, Goldman Sachs, Citibank, Bank of America and Wells Fargo. The same five made over $30 billion trading derivatives last year. Over a year and a half ago, these bankers were on the ropes, but since able to take advantage of zero interest rate, relaxed rules and of course taxpayers' largesse, rewarded themselves with huge bonuses. Even under the new bill, their market power and liabilities will grow.

Government Expansion

Ugly, uglier, ugliest. The choice between the dollar, euro and the yen is picking the lessor of three evils. So far this year, currency losses have been staggering but we haven't seen anything yet. The US continues to live beyond its means because of the dollar's half century role as a reserve currency. This right of "seignorage" allowed them to run up huge deficits, fund two wars and bailout their weakest industries with printed money. And still the federal deficit will reach last year's record $1.4 trillion, the highest since World War II. Nobel laureate economist Paul Krugman's policy prescription in Keynesian fashion is to push the government to spend even more to offset the lack of spending by consumers and companies. But the Fed's easy money policy and Obama's expansion of government, undermines the greenback and Krugman himself does not tell us who is to finance those hundreds of billions of additional government expenditures.

We prefer to heed that other wise Nobel laureate, Milton Friedman who said "inflation is always and everywhere a monetary phenomenon". Mr. Friedman's empirical work found that monetary changes take much longer to affect prices than to affect output. Wall Street's bailout, the sovereign debt crisis and record deficits have only heightened America's inflation risk.

Sinking Greenback

A weaker dollar is inevitable for a country as heavily indebted as the United States. While the Europeans bring out austerity programs and retrench spending after pulling back from the brink, the US obliviously spends more despite being fiscally dehabilitated. Bernanke's Keynesian solution to the exploding debt load and chronic deficits is to party on with more debt to service the deficits and refinance existing debt. But now they have woken up with a hangover and there is no substitute for getting one's own financial house in order. However the world's biggest savers are slowly running out of patience particulary when America's deficits are at 10.2 percent compared with the eurozone's 6.1 percent.

The turmoil in Europe has caused financial markets to contract with tens of billions of paper losses. China, the largest holder of US treasuries has become the banker to the world. With $2.5 trillion, China has more foreign exchange reserves than the International Monetary Fund (IMF). However in May, China reduced its holdings to $867.7 billion followed by Japan. Total foreign holdings of US debt are almost $4 trillion and the US can little afford to lose these creditors. So far the People's Bank of China are facing huge losses and with just over 1,000 tonnes of gold in reserves, China and has been buying gold to hedge itself against the depreciating dollar but still holds less than 2 percent of its reserves in gold. China has too many dollars and not enough gold – that will change.

The Chinese realize that the supply of dollars, controlled by the Federal Reserve has skyrocketed. To be sure Beijing's move to depeg itself from the dollar, was greeted favourably in Washington. China actually does not want any part of the dollar inflation or devaluation and by depegging the yuan from the dollar, it frees China's central bank to pursue not only an independent stance but significantly reduces the risk of importing the inevitable inflation.

Gold is the New Old Currency

The period since the breakdown of the Bretton Woods system has seen the creation of enormous bubbles in asset markets accompanied by a huge inflation in global money supply and of course its proxies. The ensuing credit crunch has shifted the burden of servicing the debt from the public sector to the private sector as taxpayers bear the brunt of the sovereign debt collapse. The era of easy credit is over. The shifting of liabilities from the individual to the state was for a time a solution. However, the fiscal consequences, i.e. soaring deficits and overspending by governments have left them facing either an increase in taxes, default or inflation to repay their debts and close the deficit gap. Taxpayers are left holding the bag.

The explosion of US dollars in the wake of America's easy money policy has caused a $1 trillion dollar currency bubble. Freed from the Bretton Wood's system of fixed exchange rates almost forty years ago, the United States supplied the world with a faith based currency which became the cornerstone of the international monetary system allowing them to spend and pay bills with printed fiat money. With inflation at forty year lows and worries of a "double dip recession", investors fear that the United States will slip into a Japanese-style deflation. But deflation is negative pricing caused by a contraction of money. Lost on Paul Krugman and others is that America continues to print money, with the Federal Reserve pushing monetary base to new highs, doubling its balance sheet over $2 trillion by buying $1.5 trillion of mortgages and US government debt. Deflation does not happen when there is too much money.

Confidence in our institutions and money has been severely shaken. The deepening European crisis exposed that even the European Central Bank, a pillar of financial respectability would relax its standards to bailout its members. In the United States, the imposition of financial reform is supposed to inspire confidence, but the tough rules have been diluted and another meltdown is certain. Limits on deficit spending and government debt have been caught in the crossfire of the politics of blame and politics of fear, as politicians and policymakers bring up the threat of a double dip recession and a Japanese-style deflation. The solution is simply a return to sound money.

But what is sound money? Sound money is money linked to gold. Sound money has funded wars and most importantly safeguarded savings. Yet sound money is hated by those very politicians who prefer to spend fiat money to pay for their deficits and expenditures. What is happening today is that the level of confidence in fiat dollar obligations have sunk to new lows while gold increases. By linking the dollar to gold, America would establish a break from the printing presses and reinvent the modern monetary system. The cost of transition would be expensive but not as expensive as the financial ruin of the dollar.

Exacerbating these problems are the fiscal imbalances of the diverse financial systems. China has become the biggest creditor of the world, while the US, the world's largest economy, its biggest debtor. For a time, Chinese creditors were content to buy US treasuries, but now America is alarmed as they purchase global resources. Meantime the West is fearful that fiscal and monetary tightening will cause a double dip recession. But the East and other fiscally responsible countries have been raising interest rates in order to avoid inflation. America's monetization of debt is a process similar to the Reichsbank monetizing of Germany's debt in the twenties. Then asset bubbles became endemic of the boom-bust cycle. The last period of fiat money from 1914 to 1925, ended with the French, German and Austrian hyperinflation who financed their government budget deficits with fiat currency. All went off a similar faith-based standard and rue that day as their currencies subsequently fell to one trillionth of their value. Today, a repeat of hyperinflation is haunting players like Germany and China, who both experienced the horrors of hyperinflation in the twenties. Unfortunately the markets have misunderstood the differences. History shows that the realities of power and sound money rides with those who have gold – "He who has the gold makes the rules".

And while CNBC or Business News talk of record gold prices, no one is asking why or the consequences of today's sky high gold price. Yen, euros and the greenback have fallen as stores of value. Paper money is an illusion. Inflation is a deliberate policy of money debasement. The present system has not served us well. Needed is to align the government's interest with taxpayers. The beauty of a gold standard is that it takes the power to create money and credit out of the politicians' hands. This time, gold has become an alternative investment. China, India and Russia have in fact being adding to their gold reserves, so have private investors, with ETFs now holding more than 2,000 tonnes of gold making them the sixth largest gold holder in the world. The Bank of International Settlements (BIS) gold holdings rose 380 tonnes, as it lent $14 billion or so to one or more central banks who used their gold as collateral. Gold is the solution and an alternative to the dollar. Gold has outlasted governments, currency collapses, depressions and yes hyperinflation. And unlike paper assets that can become worthless, gold always and everywhere retains some value. As such, we continue to expect gold will hit near time highs of $1,350 an ounce and $2,000 an ounce this year.

Recommendations

Gold mining acquisitions have climbed this year as the industry consolidates further in the quest for growth. The big senior producers are stuck on a treadmill and had difficulties replacing reserves. Newmont did not replace reserves last year. It remains cheaper to buy ounces on Bay Street than to spend money on the drill bit. Moreover, the capital cost of building a mine remains high with $1 billion price tags too common. Meanwhile, the big hedge funds and sovereign funds are in competition with the majors for the few remaining development plays. As such Detour Gold and Osisko were able to tap equity markets to fund their development.

We continue to recommend the intermediate growth producers like **Eldorado Gold**, **Agnico-Eagle** and **Centerra**. Bigger is not necessarily better, although **Barrick Gold** remains the top "go to" senior due to its balance sheet, liquidity and leaner profile. We also like more junior producers like **Centamin**, **Aurizon** and **St. Andrews Goldfields**. Mexican silver players like **Excellon** and **Mag Silver** are recommended on these pullbacks. The major attraction and "ten bagger" potential are the junior explorers like **East Asia Minerals**, **Lake Shore Gold** and **US Gold**.

Allied Nevada Gold Corp

Allied Nevada's shares have done well with a relative problem free start-up at the 100 percent owned Hycroft gold/silver heap mine in Nevada. The key for Allied is the upgrade of the huge sulphide resource because 50 percent of Allied's reserves and resource are sulphides. Allied currently has 8 rigs on site. The addition of crushers have improved gold and silver recoveries. A scoping study on the feasibility of bringing on the sulphide portion of the deposit will require a $300 million expenditure that would boost production to over 500,000 ounces from 100,000 ounces this year. Allied has a strong balance sheet. We continue to recommend Allied Nevada Gold here.

Agnico-Eagle Mines Ltd.

Agnico had a barn burner quarter with all cylinders firing. Agnico is a Canadian based producer with mines and properties in Canada, Finland, Mexico and the US. Agnico has six mines in production and is expanding four with Meliadine in development. Goldex in Quebec continues to surprise with better grades and output. Agnico has 18.4 million ounces in reserves and one of the best production and reserve profiles. La Ronde in Quebec continues to be a cash cow averaging over 7,000 tpd and the Pino Altos mine in Mexico has resolved its problems. Agnico will produce 1.1 million ounces this year with a contribution from Meadowbank in Canada's north. We continue to recommend the shares here.

Barrick Gold Inc

The world's largest gold miner, Barrick Gold had a good quarter with Chief Executive Aaron Regent making Barrick more profitable by streamlining operations, management and ridding itself of marginal assets. Barrick's balance sheet ($3.5 billion of cash) has improved to the point that Barrick is ready to make another major acquisition. While others are looking for fill in candidates we believe that Barrick has bigger prey in mind. Meanwhile, Barrick continues to ramp up $3 billion Pueblo Viejo in the Dominican Republic which will come on stream late next year and develop the $3 billion Pasqua Lama gold/silver mine on the Chile/Argentinean border. However Pasqau-Lama won't be in production until 2013 at the earliest and the Reko Diq, Pakistan project is slated for production in 2015. Barrick notes that there is potential production of about 2.4 million ounces in Cerro Casale, Reko Diz, Donlin Creek and Kabanga Nickel but these are mega projects with mega price tags. Consequently, Barrick is on the prowl for a major producer that could augment its near and intermediate term production profile. We continue to like the shares here.

Centerra Gold Inc.

Centerra had a strong quarter reflecting solid production from world class Kumtor in the Kyrgyzstan Republic. While there is ongoing political tensions, Kumtor has remained unscathed and is a major contributor to Centerra's production as well as that country's revenues. Centerra will produce 700,000 ounces up from 675,000 ounces last year. Centerra is expected to expand its output with an underground operation at Kumtor which will be funded from cash flow. We continue to recommend Centerra as an undervalued intermediate term producer. The company has no debt and over half billion dollars in working capital. Buy.

Eldorado Gold Corp.

Eldorado raised its gold production outlook slightly from four operating mines with a solid contribution from Kisladag in Turkey. Eldorado generated over $80 million in cash in the first quarter and will produce 590,000 low cost ounces this year. Eldorado enjoys a premium because of its growth profile and its ability to make accretive acquisitions. Production from the Tanjianshan mine in China has provided a solid base with Jinfeng Mine and restarted White Mountain mine contributing. Eldorado has a solid base in Turkey and China, and the Perama Hill gold project in Greece is the next contributor. Meanwhile Efemcukuru is being developed as Eldorado's second mine in Turkey and will be a contributor by the end of this year. Eldorado will spend $35 million on exploration this year. We like Eldorado here.

Kinross Gold Corp.

From a portfolio of eight operating mines, Kinross produced 544,000 ounces in the first quarter and should produce 2.2 million ounces this year. Kinross completed the fill in acquisition of Underworld Resources. Kinross has been on an acquisition spree by buying both small and large entities as a means of boosting its reserve and production profile as well as reduce its Russian dependence. Paracutu in Brazil provided over 117,000 ounces in the first quarter, but costs remain high at more than $550 per ounce. The third ball mill at Paracutu in Brazil is being installed but improvements won't be seen until next year. Kinross wisely sold the 25 percent interest in Cerro Casale in Chile to Barrick which monetized their interest. Meanwhile the company continues to develop Fruta Del Norte in Ecuador, but permitting remains the big question mark for this huge deposit. Land titles were approved by the government and the company will sink an exploration decline. Kinross also spent $600 million for 9.4 percent interest in Red Back which provides a toehold in Africa, but little else. Rather than spend that much money, we would have preferred Kinross to spend more on development and financing exploration on other potential Red Backs. Kinross currently sits with $1 billion of cash.

Gammon Gold Inc.

Gammon continues its disappointing performance with the closure of the El Cubo mine in Mexico due primarily to the difficult labour problems and the financial demands made by the unions. El Cubo was Gammon's second mine and was meant to offset some of the disappointments at Ocampo, which has been a problem prone mine also in Mexico. Ocampo produced 24,963 ounces and 1 million ounces of silver. Consequently we believe, Gammon will again disappoint shareholders and as such with nothing on the horizon, we believe that the shares should be sold.

Mag Silver Corp.

Mag Silver shares have picked up in part because the Valdecanas scoping study is close at hand. Mag's partner Fresnillo PLC of Mexico, reported a record quarter and has said publicly that they want to bring on a new mine every year for the next five years. We continue to believe that Mag's (44 percent) Juanicipio joint venture with Fresnillo (56 percent) is an ideal candidate for Fresnillo, since Juanicipio could be producing over 20 million ounces at a cash cost of $1.77 per ounce for a capex expenditure of only $300 million. Mag also has a strong CRD scarn project at Cinco de Mayo, which is in the middle of the CRD belt and there is expected to be news from that area. We continue to recommend Mag Silver for its array of assets and important stake in Juanicipio. Buy.

Yamana Gold Inc.

Yamana is a Canadian based producer with significant production in Latin America. Yamana has been disappointing due in part to the digestion problems of a multitude of acquisitions. The Company will produce one million gold equivalent ounces this year with a major contribution from flagship El Penon in Chile. Yamana also produces about 150 million pounds of copper. Yamana has been divesting itself of some mediocre assets Yamana is spending about $75 million on exploration with $18 million at El Penon. Gualcamayo in northern Argentina has become a contributor at 165,000 ounces but Esquel remains in limbo. Yamana's problem is that they are in need of a near term acquisition since their growth profile is relatively static. Aqua Rica and Jeronimo are still off in the future. We prefer Eldorado or Centerra at this time.

John R. Ing
416-947-6040

MAISON PLACEMENTS CANADA INC.

21/07/2010

	Symbol	Price 20-Jul	52 Week Range High	52 Week Range Low	Shares (Mil)	Production oz (000) 2007	2008	2009	2010E	$/oz Cost	Per Share Earnings 2007	2008	2009	2010E	PE Multiple 2007	2008E	Market Cap $Mil	Market Cap/oz	Stock Rank
Allied Nevada	ANV	17.21	23.29	8.59	87.8	-	0	43	100	400	-	-	0.05	0.40	-	-	1,511.04	15,110	4
Agnico Eagle	AEM	59.37	77.32	53.74	154.3	230	320	500	1100	310	1.05	0.57	1.75	2.20	56.5	104.2	9,160.79	8,328	5
Aurizon	ARZ	5.04	5.98	3.63	156.6	158	158	160	165	430	0.04	0.20	0.15	0.20	126.0	25.2	789.26	4,783	5
Barrick Gold	ABX	43.72	50.54	35.59	982.7	8000	7600	7400	7700	465	1.26	1.90	1.80	2.10	34.7	23.0	42,963.64	5,580	4
Centamin Egypt	CEE	2.45	2.63	1.340	1020.7	-	-	80	200	400	-	-	(0.01)	0.10			2,500.72	12,504	5
Centerra Gold	CG	13.34	15.10	5.09	234.7	550	740	675	700	450	0.18	0.55	0.48	1.00	74.1	30.1	3,130.90	4,473	4
Eldorado Gold	ELD	16.58	8.93	8.83	362.4	265	308	342	590	380	0.13	0.46	0.30	0.75	127.5	36.0	6,008.59	10,184	5
Etruscan	EET	0.42	0.61	0.18	148.4	60	80	80	85	400	(0.15)	0.02	(0.03)	0.02	(2.8)	21.0	62.33	733	1
Goldcorp	G	42.20	48.37	35.12	730.5	2300	2300	2300	2600	400	0.61	0.90	0.75	1.10	69.2	46.9	30,827.10	11,857	2
Iamgold Corp	IMG	16.95	21.95	9.98	376.0	965	997	939	945	485	(0.14)	(0.03)	0.32	0.70	(121.1)	(565.0)	6,373.20	6,744	2
Kinross Gold	K	16.51	25.22	17.18	658.9	1600	1800	2200	2300	450	0.29	0.40	0.70	0.85	56.9	41.3	10,878.44	4,730	2
Newmont Mine	NMC	61.75	60.58	42.54	459.0	5300	5100	5300	5500	450	1.99	2.03	2.65	2.50	31.0	30.4	28,343.25	5,153	3
Northgate Minerals	NGX	3.04	3.70	2.12	255.7	245	360	365	365	500	0.25	0.05	0.20	0.20	12.2	60.8	777.33	2,130	2
Yamana	YRI	9.91	15.00	1.00	751.0	588	1000	939	1000	400	0.45	0.75	0.44	0.75	22.0	13.2	7,442.41	7,442	1

*** Cdn Dollars**

Rank From 1 lowest to 5 highest

Gold Price	
2007	$697
2008	$950
2009	$975
2010	$1,350

John R. Ing
416-947-6040

Company Name	Trading Symbol	*Exchange	Disclosure code
Eldorado	ELD	T	1
Agnico-Eagle Mines	AEM	T	1
MAG Silver	MAG	T	1
East Asia Minerals	EAS	V	1,8
Excellon	EXN	T	1,6,8
US Gold	UXG	T	1,8
Aurizon	ARZ	T	1
Lake Shore Gold	LSG	T	1
St. Andrews Gold	SAS	T	1
Centerra	CG	T	1
Barrick	ABX	T	1
Centamin	CEE	T	1
Kinross	K	T	1

Analyst Disclosure

Disclosure Key: 1=The Analyst, Associate or member of their household owns the securities of the subject issuer. 2=Maison Placements Canada Inc. and/or affiliated companies beneficially own more than 1% of any class of common equity of the issuers. 3=<Employee name> who is an officer or director of Maison Placements Canada Inc. or it's affiliated companies serves as a director or advisory Board Member of the issuer. 4=In the past 12 months (including the present month) a Maison Analyst received compensation from the subject company. 5=Maison Placements Canada Inc. has managed co-managed or participated in an offering of securities by the issuer in the past 12 months. 6=Maison Placements Canada Inc. has received compensation for investment banking and related services from the issuer in the past 12 months. 7=Maison is making a market in an equity or equity related security of the subject issuer. 8=The analyst has paid a visit to review the material operations of the issuer within the past 12 months. 9=The analyst has received payment or reimbursement from the issuer regarding a visit made within the past 12 months. T-Toronto; V-TSX Venture; NQ-NASDAQ; NY-New York Stock Exchange

Disclosures
Rating Structure
Analysts at Maison use two main rating structures: a performance rating and a number rating system.
Performance Rating: Out perform: The target price is more than 25% over the most recent closing price. Market Perform: The target price is more than 15% but less than 25% of the most recent closing price. Under Perform: The target price is less than 15% over the most recent closing price.
Number Rating: Our number rating system is a range from 1 to 5. (1=Strong Sell; 2=Sell; 3=Hold; 4=Buy; 5=Strong Buy) With 5 considered among the best performers among its peers and 1 is the worst performing stock lagging its peer group. A 3 would be market perform in line with the TSX market. NR is no rating given that the company is either in registration or we do not have an opinion.
Analyst's Certification: As to each company covered in this report, each analyst certifies that the views expressed accurately reflect the analyst's personal views about the subject securities or issuers. Each analyst has not, and will not receive, directly or indirectly compensation in exchange for expressing specific recommendations in this report.
Analyst's Compensation: The compensation of the analyst who prepared this research report is based upon in part; the overall revenues and profitability of Maison Placements Canada Inc. Analysts are compensated on a salary and bonus system. Some factors affecting compensation including the productivity and quality of research, support to institutional, investment bankers, net revenues to the equity and investment banking revenue as well as compensation levels for analysts at competing brokerage dealers.
Analyst Stock Holdings: Equity research analysts and members of their households are permitted to invest in securities covered by them. No Maison analyst, or employee is permitted to effect a trade in the security of an issuer whereby there is an outstanding recommendation for a period of thirty calendar days before and five calendar days after the issuance of the research report.
Dissemination of Research: Maison disseminates its hard copy research material to their clients using the postage service and couriers. Samples of our research material are available on our web site. Electronic formats are available upon request.
General Disclosures: This report is approved by Maison Placements Canada Inc. ("Maison") which is a Canadian investment- dealer and a member of the Toronto Stock Exchange and regulated by the Investment Industry Regulatory Organization of Canada (IIROC).
The information contained in this report has been compiled by Maison from sources believed to be reliable, but no representation or warranty, express or implied, is made by Maison, its affiliates or any other person as to its accuracy, completeness or correctness. All estimates, opinions and other information contained in this report constitute Maison's judgment as of the date of this report, are subject not change without notice and are provided in good faith but without legal responsibility or liability.
Maison and its affiliates may have an investment banking or other relationship with the company that is the subject of this report and may trade in any of the securities mentioned herein either for their own account or the accounts of their customers. Accordingly, Maison or their affiliates may at any time have a long or short position in any such securities, related securities or in options, futures, or other derivative instruments based thereon.
This report is provided for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction.
This material is prepared for general circulation to clients and does not have regard to the investment objective, financial situation or particular needs of any particular person. Investors should obtain advice on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, neither Maison, its affiliates nor any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of the information contained in this report.

For more information, please visit our website: www.maisonplacements.com