



High River Gold: Bissa valuation updated on feasibility study results TP upgraded to C\$2.19/share

High River Gold Mines Ltd. has released feasibility study results for its Bissa gold project, prepared by Wardell Armstrong International (WAI).

Based on the published technical data we have calculated the NPV for the Bissa gold project applying our gold price assumptions. Our NPV totaled C\$297mln, compared to our previous resource-based estimate of C\$190mln. We have thus updated our valuation of HRG.

We have also accounted for the recent appreciation in HRG's peer group and our P/NAV multiple, which we use to value HRG's operating assets. It now stands at 1.4. That said, we are upgrading our TP to C\$2.19/share.

We would like to point out, that there is a discrepancy in the officially published Bissa Measured, Indicated & Inferred (MI&I) resource numbers compared to the ones published by Severstal, HRG's parent major shareholder. In its gold business overview investor presentation* Severstal reported that Bissa had 2.9Moz in MI&I category, while in the published feasibility study MI&I resources were claimed to contain 1.5Moz of gold.

We have requested clarification from the company's management and await a response. Our Bissa valuation could be revised upwards, should management confirm the 2.9Moz number.

We would also like to mention, that, according to WAI, the approach to generating the mineral resources and mineral reserves has been too conservative. A \$950/oz gold price has been used to design the mining pit. WAI claims there is potential to increase the Mineral Resources and Mineral Reserves of this project making it even more financially viable.

Shares data*	
Ticker	HRG
Shares issued, mln	840
Current price, C\$	0.95
Target price, C\$	2.19
Upside	130%
Market value*, C\$ m	
Market capitalization	800
Net debt**	-185.0
Enterprise value	615
2010E EPS, C\$/share	0.15

*as of September 22, 2010

**Assuming the release of RGI loan C\$97mln collateral; including C\$26mln in cash from warrants

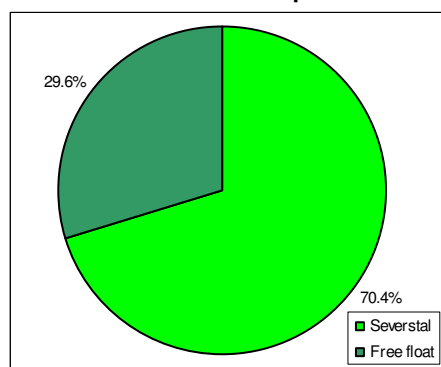
Source: Company data, OLMA estimates

HRG share price performance



Source: Bloomberg

Ownership



Source: Bloomberg, company data

* - The presentation is available at

http://www.severstal.com/eng/ir/conferences_presentations/business_presentations/4010.pdf

Note: all numbers in this report are expressed in Canadian Dollars unless otherwise stated

Appendix A: High River Gold Peer Group Summary

	Ticker	Share price US\$/share	Mcap US\$ mln	EV US\$ mln	EV/S 2008	EV/S 2009	2010E	2008	2009	2010E	2008	2009	P/E 2009	2010E	EV/ Production	EV/ Reserves**	EV/ Resources***	P/ NAV****
Intermediate Gold Miners																		
High River Gold Mine	HRG CN	0.93	780.9	600.3	3.51	1.63	1.27	34.14	7.72	2.72	neg	neg	neg	6.15	1.78	283.34	144.78	0.62
Northgate Minerals	NGX CN	3.4	978.3	776.9	1.69	1.60	1.55	7.50	4.99	5.27	91.26	neg	neg	35.57	2.14	607.42	57.91	
Centerra Gold	CG CN	16.4	3 860.1	3 537.3	5.56	5.16	4.28	15.20	14.68	8.75	28.64	64.00	14.73	5.24	5.24	483.17	245.76	
Golden Star Resources	GSC CN	4.9	1 288.0	1 293.0	5.02	3.23	2.81	>100	9.46	8.03	neg	77.97	35.44	3.19	3.19	346.65	171.95	
SEMAFO	SMF CN	9.1	2 457.6	2 430.1	4.83	10.09	7.97	19.57	24.49	15.54	neg	56.49	26.23	10.04	10.04	1 635.46	365.38	
Gammon Gold	GAM CN	7.0	994.2	902.8	4.25	4.37	3.80	16.95	12.81	8.07	25.72	>100	neg	4.14	4.14	292.18	175.99	
Jaguar Mining	JAG CN	6.5	547.3	558.2	5.96	3.97	2.84	26.64	18.07	10.02	neg	neg	neg	3.60	3.60	279.99	120.19	
Crew Gold	CRU CN	4.3	455.0	761.6	3.39	4.13	3.32	neg	neg	11.99	neg	neg	neg	4.35	4.35	254.04	145.93	
Average					4.3	4.3	3.5	20.0	13.2	8.8	48.5	66.2	21.2		4.3	522.8	178.5	
Weighted average					4.7	5.3	4.3	15.2	14.3	9.6	19.8	42.8	18.6		5.3	678.2	224.0	
Senior Gold Miners																		
Newmont Mining	NEM US	64.1	31 594.0	33 132.0	5.41	4.30	3.62	15.49	8.82	6.83	38.02	24.36	16.98	6.30	6.30	360.99	n/a	
AngloGold Ashanti	ANG SJ	44.7	16 205.9	17 043.2	4.66	4.61	3.31	41.91	16.47	9.35	neg	>100	41.08	3.71	3.71	227.58	70.72	
Gold Fields	GFI SJ	15.2	10 701.5	11 601.5	3.66	2.79	2.19	9.67	7.58	5.29	17.44	22.34	15.21	3.41	3.41	147.11	45.43	
Barrick Gold	ABX CN	46.8	46 149.5	49 920.5	6.56	6.14	4.72	16.58	13.91	8.56	58.79	neg	15.25	6.73	6.73	357.21	214.13	
Harmony Gold Mining	HAR SJ	11.24	4 819.9	4 874.8	3.68	3.27	2.33	25.43	18.73	8.29	neg	neg	18.81	3.34	3.34	101.24	22.60	
Kinross Gold	K CN	18.9	13 282.2	13 342.0	8.25	5.53	4.81	20.33	12.20	9.88	neg	42.86	27.20	5.96	5.96	253.73	154.44	
Newcrest Mining	NCM AU	38.8	29 647.2	29 463.9	13.91	11.92	7.27	31.59	21.05	13.56	>100	60.34	26.45	12.97	12.97	682.26	160.99	
Goldcorp	GG US	44.2	32 861.2	32 697.4	13.51	12.01	9.08	31.08	23.93	16.45	22.27	>100	34.47	12.53	12.53	471.25	254.48	
Average					7.5	6.3	4.7	24.0	15.3	9.8	34.1	37.5	24.4		6.9	325.2	131.8	
Weighted average					8.5	7.3	5.4	23.7	15.8	10.4	26.1	18.2	24.0		8.1	392.5	144.7	
Russian Gold Miners																		
Polyus Gold	PLZL LI	24.0	9 150.1	8 864.1	8.15	7.24	5.20	20.33	16.15	11.33	>100	28.33	18.28	7.03	7.03	119.65	80.43	0.94
Petropavlovsk	POGL LN	18.7	3 515.7	3 534.7	9.25	7.49	4.68	25.99	15.71	9.56	>100	24.28	15.66	7.26	7.26	527.57	299.55	2.11
Highland Gold Mining	HGM LN	2.3	757.6	619.5	4.15	3.76	2.95	16.02	10.03	6.84	neg	14.43	10.12	3.80	3.80	405.99	127.93	1.14
Polymetal	PMTL LI	15.0	5 970.7	6 382.5	12.70	11.38	7.62	51.41	27.01	15.65	neg	62.20	26.54	10.90	10.90	466.52	209.23	1.88
Average					8.6	7.5	5.1	28.4	17.2	10.8	n/a	32.3	17.6		7.2	379.9	179.3	1.5
Weighted average					9.6	8.4	5.8	30.8	19.2	12.2	-	37.5	20.0		8.1	311.6	161.7	1.4

* Assuming the release of RGL loan C\$97mln collateral, including C\$26mln in cash proceeds from Severstal warrants exercise

** Proven and Probable reserves or B+C1+C2 reserves under GKZ standards

**** M&I resources inclusive of reserves or B+C1+C2+P1 resources under GKZ standards

***** We base our valuation of HRG on comparative analysis of Russian gold miners' P/NAV

Note: Reserves and resources are in gold equivalent; 2009 Sales, EBITDA and Net Income data is consensus estimate, if actual data is not reported; prices are as of Sept. 22, 2010

Source: Bloomberg, Thomson, Companies, Olma estimates

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