



# High River Gold: sound 2009 results impressive Q4 EPS of C\$0.05 (amended)

This report is an amended version of the note we published on April 22, 2010, where we used an inappropriate approach at determining the P/NAV multiple, which has now been corrected. We have also adjusted our DCF calculation and our valuation approach for HRG's exploration projects. Thus we set our target price at C\$1.76/share and retain our BUY recommendation.

High River Gold Mines Ltd. has released its final 2009 results. The Company executed impressive results, achieving increased production and implementing outstanding cost control at its operating mines while progressing with its Bissa exploration project.

## Positive

- Strong 53% production growth and excellent cost control: 336,000 ounces of gold were produced in 2009 compared to 220,000 ounces in 2008 (100% basis), while Total cash costs decreased 21% to US\$505/oz in 2009 compared to US\$638/oz in 2008.
- Continued expansion at operating mines: a second ball mill at Berezitovy is planned to commission in 1H10 which we estimate will add 50% to the current processing capacity at the mine.
- Strong progress at the Bissa exploration project: the Company plans to complete a bankable feasibility study and start mine development in 2010.
- The company's financial position has improved substantially in 2009: the Company paid down \$92.3 mln in debt; working capital turned positive to \$95.8 mln compared with a deficit of \$42.1 mln in 2008 and the Company's net debt decreased to \$1.4 mln as of end 2009, compared with \$169 mln a year earlier.
- In 4Q09 the Company recorded an impressive C\$0.05 EPS, which in our view represent a key turning point in HRG's financial performance.
- Q409 cash generation totaled \$40.0 mln compared to \$33.0 mln in 3Q09 and \$22.8 mln in 2Q09. We believe the Company will have enough resources to finance its future capital expenditures.

## Negative

- The mature state of Irokinda and Zun-Holba operations suggests less than 12 months of production at current rates; we believe that their mine life can be extended due to substantial \$23 mln exploration budget for 2010.

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

| Shares data              |             |
|--------------------------|-------------|
| Ticker                   | HRG         |
| Shares issued, mln       | 799         |
| Current price, C\$       | 0.80        |
| <b>Target price, C\$</b> | <b>1.76</b> |
| <b>Upside</b>            | <b>120%</b> |
| Market value, C\$ m      |             |
| Market capitalization    | 621.2       |
| Net debt                 | 1.4         |
| Enterprise value         | 622.6       |
| 2010E EPS, C\$/share     | 0.09        |

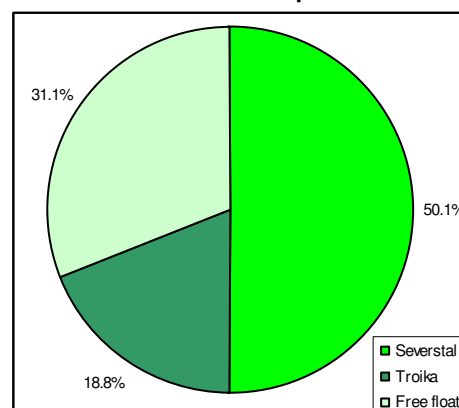
Source: Company data, OLMA estimates

## HRG share price performance



Source: Bloomberg

## Ownership



Source: Bloomberg, company data

## Overview of operations

The Company has shown outstanding operational success: gold production grew 53% to 336,000 ounces (100%) in 2009 from 220,000 ounces in 2008 while Total production costs decreased 28% to US\$560/oz in 2009 compared to US\$776/oz in 2008.

The growth of production came primarily from HRG's two new mines, Taparko and Berezitovy, which are now starting to deliver on planned production results: a set of start-up technical issues encountered at Taparko and Berezitovy throughout 2009 has been addressed and a greatly improved production was achieved at these mines.

The Company recorded an impressive 21% reduction in Total cash costs at its operations from US\$638/oz in 2008 to US\$505/oz in 2009, which came primarily from a combination of cost control measures, higher operating levels and a drop in exchange rate for the Rouble.

### *High River Gold 2009 operating results review*

|                                  | 2009       | 2008       | Y-o-Y       |
|----------------------------------|------------|------------|-------------|
| <b>Gold production (100%)</b>    |            |            |             |
| Buryatzoloto*                    | 149        | 146        | 2%          |
| Taparko-Bouroum                  | 100        | 31         | 225%        |
| Berezitovy                       | 87         | 16         | 458%        |
| <b>Total</b>                     | <b>336</b> | <b>192</b> | <b>75%</b>  |
| <b>Total cash costs, US\$/oz</b> |            |            |             |
| Buryatzoloto*                    | 494        | 580        | -15%        |
| Taparko-Bouroum                  | 469        | 838        | -44%        |
| Berezitovy                       | 564        | 775        | -27%        |
| <b>Total</b>                     | <b>505</b> | <b>638</b> | <b>-21%</b> |

\* Includes Irokinda, Zun-Holba and placer operations

Source: Company data, Olma estimates

The company achieved stable operations at its Irokinda and Zun-Holba underground mines with gold production slightly increased to 149koz in 2009 (100%) and Total cash costs reduced down to US\$494/oz, from US\$580/oz a year earlier. The company's cost increased at the Buryatzoloto mines due to inflation and increases in output, though this was offset by the weakening Russian Rouble as compared to US\$ in 2009.

Replacing reserves at Irokinda and Zun-Holba remains a priority for local management. The Company stated that the Irokinda mine can continue production at current rates for less than 6 months and 12 months at the Zun-Holba mine. However we believe that their mine life can be extended due to a substantial exploration program with \$23mln budgeted for 2010, which may result in replacing mined-out reserves and extending the mine life at these mines. In addition, a substantial capital program is planned for in the first half of 2010 for capital mining works to prepare the existing reserves for extraction.

So far the Zun-Holba and Irokinda mines continue to operate according to plan.

The company recorded an increase in gold output at its Berezitovy open pit mine, with 87.5koz produced (on a 100% basis) in 2009 as compared to 15.7koz a year earlier with Total cash costs at US\$564/oz in 2009 and US\$775/oz in 2008. However, the mine continues to underperform: the Company continued to experience maintenance shutdowns at Berezitovy, which led to mill utilization of 72% in 2009. HRG has also reported that the main crusher was out of operation for most of February due to mechanical problems

As a result of this underperformance, it was decided to build a second ball mill at the mine with a capacity of 90 tonnes per hour. The commissioning of the second mill is planned for 1H10. We discounted the mill's capacity by 28% and estimate that the mill will add around 50% to the current processing capacity at the mine.

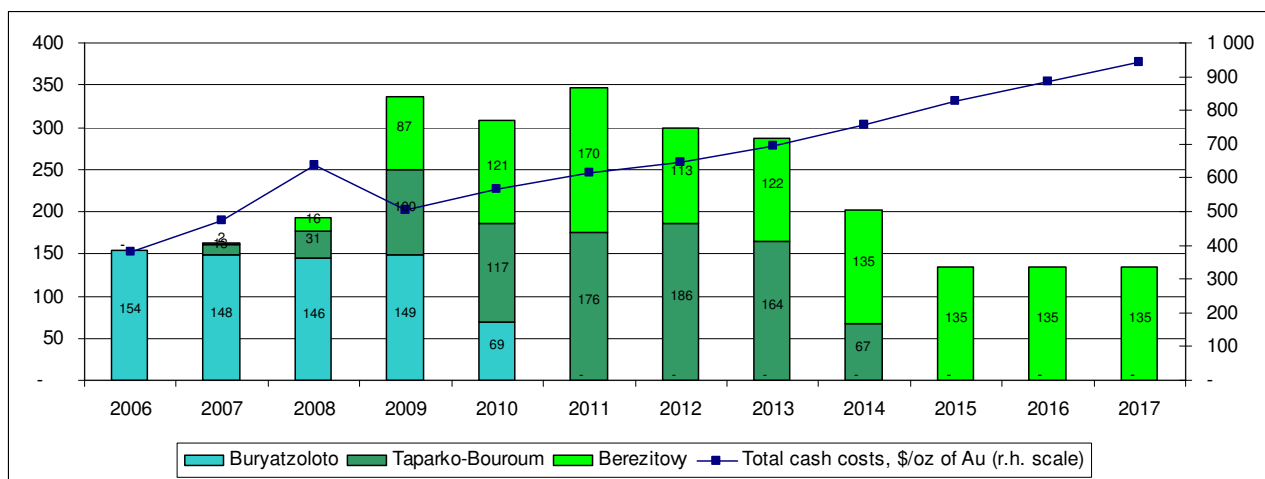
Production at the Taparko open pit mine totaled 99.5koz (100%), a 225% y-o-y increase as compared to 31koz in 2008; the improvement came primarily from increased mill performance. The company stated that many of the technical issues at the mine have been addressed and reports that Taparko began treating ore at planned production levels in Q409. The decision concerning building a second mill is on hold as the present mine performance is acceptable. However the Company has still not passed the completion test required by the loan agreement with RGI (see below).

In 2009 HRG made strong progress at the Bissa gold exploration project: the Company plans to complete a bankable feasibility study and start mine development in 2010. Bissa is by far the Company's largest gold asset with 1724 koz of gold in MI&I resources (100%). Due to lack of information we do not model Bissa at the moment, but will update our model should any additional information be disclosed.

HRG suspended exploration activity at its Prognoz silver project in 2009 as a cash conservation measure and have not budgeted exploration for 2010.

We now have better visibility of the Company's future performance and have switched to a DCF valuation approach. Our key model parameters are presented below:

*High River Gold gold output, '000 oz*



Source: Company data, Olma estimates

Our production projections are based on technical reports by consulting agencies MICON International (for Irokinda, Zun-Holba and Berezitovy) and SRK (for Taparko-Bouroum mine), disclosed by the Company.

## Financial Overview

HRG's sales increased 104% to \$369.4 mln in 2009 from \$181.2 in 2008 as a result of increased gold production and a higher realized gold price.

World gold prices increased significantly in 2009, averaging approximately US\$972/oz compared to US\$872/oz in 2008. As a result, HRG's average realized gold price in 2009 was US\$976/oz compared to US\$862/oz in 2008.

The company showed impressive improvements on costs: all operations showed lower cash operating costs per ounce due to a combination of cost control measures and higher operating levels. That resulted in gross profit growth from \$8.5 mln in 2008 to \$116.6 mln in 2009.

The Company's financial position has improved substantially in 2009: the Company paid out \$92.3 mln in debt; working capital turned positive at \$95.8 mln compared with a deficit of \$42.1 mln in 2008.

Cash available has grown to \$82.1 million primarily due to a private placement of 150 mln of additionally issued shares in favor of Polenica Investments, a Troika Dialog affiliate, on October 27, 2009 for a total consideration of \$57 mln.

As a result, the Company's net debt decreased to \$1.4 mln as of 2009, compared to \$169 mln a year earlier.

*High River Gold 2009 financial results review, \$ mln*

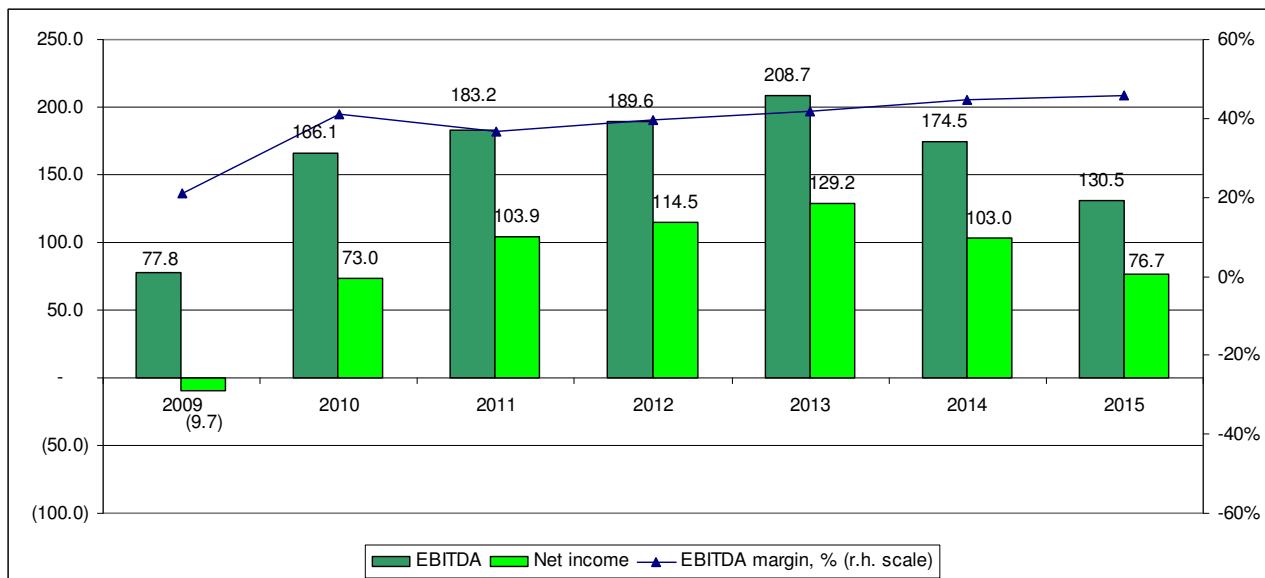
|                                  | 2009         | 2008          | Y-o-Y       | 4Q09         | 3Q09         | Q-o-Q       |
|----------------------------------|--------------|---------------|-------------|--------------|--------------|-------------|
| <b>Sales</b>                     | <b>369.4</b> | <b>181.2</b>  | <b>104%</b> | <b>101.6</b> | <b>90.5</b>  | <b>12%</b>  |
| Gross profit                     | 116.6        | 8.5           | 1273%       | 33.8         | 27.8         | 22%         |
| Gross margin                     | 32%          | 5%            |             | 33%          | 31%          |             |
| <b>EBITDA</b>                    | <b>77.8</b>  | <b>(4.4)</b>  | <b>n/a</b>  | <b>48.0</b>  | <b>21.2</b>  | <b>127%</b> |
| EBITDA margin                    | 21%          | n/a           |             | 47%          | 23%          |             |
| <b>Net income</b>                | <b>(9.7)</b> | <b>(57.4)</b> | <b>n/a</b>  | <b>31.6</b>  | <b>(4.5)</b> | <b>n/a</b>  |
| Net margin                       | n/a          | n/a           |             | 31%          | n/a          |             |
| <b>Cash flow from operations</b> | <b>125.5</b> | <b>25.6</b>   | <b>390%</b> | <b>40.0</b>  | <b>33.0</b>  | <b>21%</b>  |
| Cash and cash equivalents        | 82.6         | 19.1          | 332%        |              |              |             |
| Current and long term debt       | 84.0         | 188.1         | -55%        |              |              |             |
| Net debt                         | 1.4          | 169.0         | -99%        |              |              |             |
| Working capital                  | 95.8         | (42.1)        | n/a         |              |              |             |

*Source: Company data, Olma estimates*

The major achievement by HRG was attaining profitability in Q4 2009 which in our view represents a key turning point in HRG's financial performance. Addressing operating issues at Taparko and Berezitovy resulted in greatly improved production. Combined with increases in the price of gold, all the mines had significant cash flow in 2009: Q409 cash generation totaled \$40.0mln compared to \$33.0 mln in 3Q09 and \$22.8 mln in 2Q09

In 4Q09 the Company recorded an impressive \$0.05 EPS, which we believe to be the best indication of improved cash generation by HRG. We expect a \$0.09 EPS in 2010. Our EBITDA and Net Income projections are summarized below:

High River Gold 2009 financials, \$mln



Source: Company data, Olma estimates

We believe the Company will continue using operating cash flow to reduce its leverage. We also believe the company now has enough resources to finance the Taparko and Berezitovy mine expansions, the in-fill drilling to expand resources and complete the Bissa feasibility study, the planned exploration program in Burkina Faso to maintain licenses and the extraction program at Zun-Holba and Irokinda.

## Valuation

We now have very good visibility for the Company's future cash flows and decide to use a DCF approach for the Company's valuation.

We rely on the traditional NAV valuation for HRG using our gold price forecast and appropriate discount rate for each asset. Under our methodology, we incorporate a US\$1135/oz gold price projection for 2010 and apply a 10% growth rate for 2011 and onwards to forecast realized prices. We then apply a P/NAV multiple similar to the valuations of other precious metals-related equities to obtain a target price.

We have constructed NAV models as of end 2010 for all of HRG's operating projects that currently have sufficient production and financial visibility, namely Buryatzoloto, Berezitovy and Somita. We applied capital costs of 10.5% to the company's assets.

### High River Gold operating projects' value

| Project         | NAV of the Project | HRG share | Attributable NAV | P/NAV | Equity       |
|-----------------|--------------------|-----------|------------------|-------|--------------|
|                 | \$ mln             | %         | \$ mln           | X     | \$ mln       |
| Buryatzoloto    | 13                 | 85%       | 11               | 1.40  | 16           |
| Berezitovy      | 479                | 99%       | 474              | 1.40  | 664          |
| Taparko-Bouroum | 314                | 90%       | 283              | 1.40  | 396          |
| <b>Total</b>    |                    |           |                  |       | <b>1 075</b> |

Source: Company data, Olma estimates

### High River Gold NAV Valuation

|                                    | \$ mln       | \$ per share |
|------------------------------------|--------------|--------------|
| Buryatzoloto                       | 16           | 0.02         |
| Berezitovy                         | 664          | 0.83         |
| Somita                             | 396          | 0.50         |
| <b>Total value of projects</b>     | <b>1 075</b> | <b>1.35</b>  |
| Add: Value of Prognoz              | 184          | 0.23         |
| Add: Value of Bissa                | 176          | 0.22         |
| Less: Corporate SG&A               | 25           | 0.03         |
| <b>Fundamental value of assets</b> | <b>1 411</b> | <b>1.77</b>  |
| Less: Net debt                     | 1.41         | 0.00         |
| <b>Fundamental equity value</b>    | <b>1 409</b> | <b>1.76</b>  |

Source: Company data, Olma estimates

We thus set our target price to C\$1.76/share which implies a 120% upside and retain our BUY recommendation on the stock.

Appendix A: High River Gold Peer Group Summary

| Ticker                          | Headquarters | Share price<br>US\$/share | Mcap<br>US\$ mln | EV<br>US\$ mln | EV/S       |            | EV/EBITDA  |             | P/E         | 2010E       | EV/<br>Production | EV/<br>Reserves* | EV/<br>Resources** |            |
|---------------------------------|--------------|---------------------------|------------------|----------------|------------|------------|------------|-------------|-------------|-------------|-------------------|------------------|--------------------|------------|
|                                 |              |                           |                  |                | 2008       | 2009       | 2008       | 2009        |             |             |                   |                  |                    | 2008       |
| <b>Intermediate Gold Miners</b> |              |                           |                  |                |            |            |            |             |             |             |                   |                  |                    |            |
| High River Gold Mines           | HRG CN       | Canada                    | 630.2            | 631.6          | 3.70       | 1.71       | 1.56       | 8.13        | 3.81        | neg         | 8.63              | 2.2              | 298                | 152        |
| Northgate Minerals              | NGX CN       | Canada                    | 905.7            | 704.3          | 1.53       | 1.45       | 1.42       | 4.53        | 4.78        | neg         | 29.89             | 1.8              | 551                | 52         |
| Centerra Gold                   | CG CN        | Canada                    | 2 546.5          | 2 223.6        | 3.50       | 3.24       | 2.88       | 9.23        | 6.33        | 42.22       | 17.15             | 4.1              | 304                | 154        |
| Golden Star Resources           | GSC CN       | Canada                    | 1 134.2          | 1 139.2        | 4.43       | 2.84       | 2.50       | 8.33        | 6.09        | 68.66       | 17.75             | 2.5              | 305                | 151        |
| Gammon Gold                     | GAM CN       | Canada                    | 1 000.0          | 908.6          | 4.28       | 4.39       | 3.04       | 12.90       | 6.14        | >100        | 12.83             | 5.1              | 294                | 177        |
| Jaguar Mining                   | JAG CN       | United States             | 795.7            | 806.6          | 8.61       | 5.73       | 3.67       | 26.12       | 9.15        | neg         | 27.35             | 4.8              | 405                | 174        |
| Crew Gold                       | CRU CN       | United Kingdom            | 632.4            | 939.0          | 4.18       | 5.09       | 4.10       | neg         | 15.53       | neg         | 36.24             | 6.7              | 313                | 180        |
| <b>Average</b>                  |              |                           |                  |                | <b>4.4</b> | <b>3.8</b> | <b>2.9</b> | <b>12.2</b> | <b>8.0</b>  | <b>42.8</b> | <b>23.5</b>       | <b>4.2</b>       | <b>362</b>         | <b>148</b> |
| <b>Weighted average</b>         |              |                           |                  |                | <b>4.1</b> | <b>3.6</b> | <b>2.9</b> | <b>11.1</b> | <b>7.2</b>  | <b>26.8</b> | <b>21.2</b>       | <b>4.0</b>       | <b>347</b>         | <b>149</b> |
| <b>Senior Gold Miners</b>       |              |                           |                  |                |            |            |            |             |             |             |                   |                  |                    |            |
| Newmont Mining                  | NEM US       | United States             | 26 150.0         | 27 688.0       | 4.52       | 3.59       | 2.99       | 7.37        | 5.95        | 31.47       | 15.25             | 5.0              | 302                | n/e        |
| AngloGold Ashanti               | ANG SJ       | South Africa              | 14 653.5         | 15 490.8       | 4.24       | 4.19       | 3.37       | 14.97       | 9.59        | neg         | 22.42             | 3.1              | 207                | 64         |
| Gold Fields                     | GFI SJ       | South Africa              | 9 206.0          | 10 106.0       | 3.19       | 3.09       | 2.37       | 8.21        | 5.84        | 15.01       | 15.94             | 2.8              | 128                | 40         |
| Barrick Gold                    | ABX CN       | Canada                    | 40 036.3         | 43 807.3       | 5.75       | 5.38       | 4.36       | 14.55       | 8.33        | 51.00       | 15.41             | 5.5              | 313                | 188        |
| Harmony Gold Mining             | HAR SJ       | South Africa              | 4 036.0          | 3 831.0        | 2.89       | 2.97       | 2.27       | 19.98       | 14.71       | neg         | 31.28             | 2.6              | 80                 | 18         |
| Kinross Gold                    | K CN         | Canada                    | 12 796.8         | 12 856.6       | 7.95       | 5.33       | 5.00       | 11.76       | 10.63       | neg         | 28.07             | 5.3              | 245                | 149        |
| Newcrest Mining                 | NCMAU        | Australia                 | 15 212.3         | 15 280.3       | 7.21       | 8.07       | 6.07       | 19.78       | 12.70       | >100        | 26.00             | 7.0              | 354                | 83         |
| Goldcorp                        | GG US        | Canada                    | 30 347.4         | 30 183.6       | 12.47      | 11.08      | 8.47       | 22.09       | 16.09       | 20.57       | 36.17             | 10.4             | 435                | 235        |
| <b>Average</b>                  |              |                           |                  |                | <b>6.0</b> | <b>5.5</b> | <b>4.4</b> | <b>19.8</b> | <b>13.9</b> | <b>29.5</b> | <b>23.8</b>       | <b>5.2</b>       | <b>258</b>         | <b>111</b> |
| <b>Weighted average</b>         |              |                           |                  |                | <b>6.8</b> | <b>6.2</b> | <b>4.9</b> | <b>19.7</b> | <b>14.2</b> | <b>23.8</b> | <b>22.8</b>       | <b>6.1</b>       | <b>306</b>         | <b>126</b> |
| <b>Russian Gold Miners</b>      |              |                           |                  |                |            |            |            |             |             |             |                   |                  |                    |            |
| Polyus Gold                     | PLZL LI      | Russia                    | 9 531.4          | 9 362.1        | 8.61       | 7.59       | 5.43       | 17.10       | 11.74       | >100        | 19.00             | 7.4              | 129                | 64         |
| Petropavlovsk                   | POG LN       | United Kingdom            | 3 318.9          | 3 338.0        | 8.75       | 7.07       | 4.33       | 15.34       | 7.18        | >100        | 12.05             | 4.4              | 289                | 175        |
| Highland Gold Mining            | HGM LN       | Russia                    | 646.6            | 627.7          | 4.17       | 3.90       | 2.99       | 10.17       | 6.93        | neg         | 8.64              | 2.5              | 411                | 130        |
| Polymetal                       | PMTLLI       | Russia                    | 4 313.3          | 4 625.5        | 9.20       | 8.38       | 5.52       | 19.65       | 11.34       | neg         | 19.17             | 7.3              | 338                | 152        |
| <b>Average</b>                  |              |                           |                  |                | <b>7.7</b> | <b>6.7</b> | <b>4.6</b> | <b>15.6</b> | <b>9.3</b>  | <b>n/a</b>  | <b>14.7</b>       | <b>5.4</b>       | <b>292</b>         | <b>130</b> |
| <b>Weighted average</b>         |              |                           |                  |                | <b>8.6</b> | <b>7.6</b> | <b>5.2</b> | <b>17.1</b> | <b>10.6</b> | <b>n/a</b>  | <b>17.4</b>       | <b>6.7</b>       | <b>220</b>         | <b>108</b> |

\* 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

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 April 27, 2010

Source: Bloomberg, Thomson, Companies, Olma estimates

Appendix B: High River Gold assets

| Deposit                   | Ownership  | Tonnes of ore, 000 tonnes | Gold Grade, g/t | Contained gold, koz | Silver Grade, g/t | Contained silver, koz | Gold attributable, koz | Silver attributable, koz |
|---------------------------|------------|---------------------------|-----------------|---------------------|-------------------|-----------------------|------------------------|--------------------------|
| <b>Zun-Holba</b>          | <b>85%</b> |                           |                 |                     |                   |                       |                        |                          |
| P&P Reserves              |            | 721                       | 10.8            | 250                 | -                 | -                     | 212                    | -                        |
| M&I Resources             |            | 570                       | 15.0            | 275                 | -                 | -                     | 234                    | -                        |
| MI&I Resources            |            | 858                       | 14.3            | 395                 | -                 | -                     | 336                    | -                        |
| <b>Irokinda</b>           | <b>85%</b> |                           |                 |                     |                   |                       |                        |                          |
| P&P Reserves              |            | 497                       | 11.5            | 184                 | -                 | -                     | 156                    | -                        |
| M&I Resources             |            | 396                       | 15.4            | 196                 | -                 | -                     | 166                    | -                        |
| MI&I Resources            |            | 517                       | 15.4            | 255                 | -                 | -                     | 217                    | -                        |
| <b>Somita</b>             | <b>90%</b> |                           |                 |                     |                   |                       |                        |                          |
| P&P Reserves              |            | 8 854                     | 2.8             | 800                 | -                 | -                     | 720                    | -                        |
| M&I Resources             |            | 12 626                    | 2.8             | 1 118               | -                 | -                     | 1 006                  | -                        |
| MI&I Resources            |            | 15 404                    | 2.8             | 1 368               | -                 | -                     | 1 231                  | -                        |
| <b>Berezitovy</b>         | <b>99%</b> |                           |                 |                     |                   |                       |                        |                          |
| P&P Reserves              |            | -                         | -               | -                   | -                 | -                     | -                      | -                        |
| M&I Resources             |            | 14 040                    | 2.8             | 1 282               | 12.7              | 5 733                 | 1 269                  | 5 676                    |
| MI&I Resources            |            | 14 350                    | 2.8             | 1 304               | 12.7              | 5 838                 | 1 291                  | 5 780                    |
| <b>Prognoz</b>            | <b>50%</b> |                           |                 |                     |                   |                       |                        |                          |
| P&P Reserves              |            | -                         | -               | -                   | -                 | -                     | -                      | -                        |
| M&I Resources             |            | 4 490                     | -               | -                   | 704               | 101 639               | -                      | 50 819                   |
| MI&I Resources            |            | 9 360                     | -               | -                   | 681               | 204 832               | -                      | 102 416                  |
| <b>Bissa</b>              | <b>90%</b> |                           |                 |                     |                   |                       |                        |                          |
| P&P Reserves              |            | -                         | -               | -                   | -                 | -                     | -                      | -                        |
| M&I Resources             |            | 15 916                    | 1.8             | 926                 | -                 | -                     | 834                    | -                        |
| MI&I Resources            |            | 33 646                    | 1.6             | 1 724               | -                 | -                     | 1 552                  | -                        |
| <b>Total</b>              |            |                           |                 |                     |                   |                       |                        |                          |
| <b>P&amp;P Reserves</b>   |            | <b>10 072</b>             | <b>3.8</b>      | <b>1 235</b>        | <b>-</b>          | <b>-</b>              | <b>1 089</b>           | <b>-</b>                 |
| <b>M&amp;I Resources</b>  |            | <b>48 038</b>             | <b>2.5</b>      | <b>3 797</b>        | <b>69.5</b>       | <b>107 372</b>        | <b>3 509</b>           | <b>56 495</b>            |
| <b>MI&amp;I Resources</b> |            | <b>74 135</b>             | <b>2.1</b>      | <b>5 047</b>        | <b>88.4</b>       | <b>210 671</b>        | <b>4 627</b>           | <b>108 196</b>           |

\* Mineral reserve and resource estimates for Zun-Holba and Irokinda mines and Taparko-Bouroum and Prognoz projects are as at December 31, 2007

\*\* Mineral reserve and resource estimates for the Berezitovy project are as at December 2003

\*\*\* Mineral reserve and resource estimates for the Bissa project are as at April 23, 2009

Source: Company data



## Appendix C: High River Gold financials, \$ mln

|                               | 2008          | 2009          | 2010E         | 2011E         | 2012E        | 2013E        | 2014E        |
|-------------------------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| <b>INCOME STATEMENT</b>       |               |               |               |               |              |              |              |
| <b>Revenues</b>               | <b>181.2</b>  | <b>369.4</b>  | <b>404.8</b>  | <b>500.0</b>  | <b>476.9</b> | <b>501.1</b> | <b>389.1</b> |
| Costs                         | (172.7)       | (252.8)       | (260.7)       | (322.1)       | (296.0)      | (302.0)      | (227.8)      |
| Gross Income                  | 8.5           | 116.6         | 144.1         | 178.0         | 180.9        | 199.0        | 161.3        |
| <i>Gross margin</i>           | 5%            | 32%           | 36%           | 36%           | 38%          | 40%          | 41%          |
| SG&A                          | (17.1)        | (13.2)        | (13.7)        | (16.9)        | (15.5)       | (15.8)       | (11.9)       |
| Other Operating Expenses      | (24.4)        | (84.4)        | (16.4)        | (16.8)        | (14.7)       | (13.6)       | (13.9)       |
| <b>EBITDA</b>                 | <b>(4.4)</b>  | <b>77.8</b>   | <b>166.1</b>  | <b>183.2</b>  | <b>189.6</b> | <b>208.7</b> | <b>174.5</b> |
| <i>EBITDA margin</i>          | <i>n/a</i>    | <i>21%</i>    | <i>41%</i>    | <i>37%</i>    | <i>40%</i>   | <i>42%</i>   | <i>45%</i>   |
| D&A                           | 28.5          | 58.8          | 52.0          | 38.9          | 38.9         | 39.1         | 39.1         |
| EBIT                          | (33.0)        | 19.0          | 114.1         | 144.3         | 150.7        | 169.6        | 135.4        |
| Financing costs, net          | (14.4)        | (21.7)        | (17.5)        | (7.8)         | (0.9)        | (0.8)        | (0.7)        |
| EBT                           | (47.4)        | (2.7)         | 96.6          | 136.5         | 149.8        | 168.9        | 134.7        |
| Income taxes                  | (9.4)         | (3.6)         | (19.3)        | (27.3)        | (30.0)       | (33.8)       | (26.9)       |
| Non-controlling interest      | (0.6)         | (3.5)         | (4.3)         | (5.3)         | (5.4)        | (5.9)        | (4.8)        |
| <b>Net income</b>             | <b>(57.4)</b> | <b>(9.7)</b>  | <b>73.0</b>   | <b>103.9</b>  | <b>114.5</b> | <b>129.2</b> | <b>103.0</b> |
| <i>Net margin</i>             | <i>n/a</i>    | <i>n/a</i>    | <i>18%</i>    | <i>21%</i>    | <i>24%</i>   | <i>26%</i>   | <i>26%</i>   |
| <b>BALANCE SHEET</b>          |               |               |               |               |              |              |              |
| <b>Assets</b>                 |               |               |               |               |              |              |              |
| Property, plant and equipment | 432.1         | 340.6         | 316.1         | 277.7         | 241.5        | 202.5        | 163.4        |
| Other assets                  | 196.6         | 172.1         | 178.4         | 195.1         | 191.0        | 195.3        | 175.6        |
| Total non-current assets      | 628.7         | 512.8         | 494.5         | 472.8         | 432.5        | 397.7        | 339.0        |
| Cash and cash equivalents     | 19.1          | 82.1          | 196.6         | 357.8         | 634.8        | 904.2        | 1 192.6      |
| Accounts receivable           | 14.5          | 18.1          | 19.9          | 24.5          | 23.4         | 24.6         | 19.1         |
| Inventory                     | 79.4          | 81.1          | 83.6          | 103.3         | 94.9         | 96.9         | 73.1         |
| Other assets                  | 11.4          | 12.4          | 25.5          | 31.5          | 30.0         | 31.5         | 24.5         |
| Total current assets          | 124.4         | 194.2         | 325.5         | 517.1         | 783.1        | 1 057.2      | 1 309.2      |
| Total assets                  | 753.1         | 707.0         | 820.0         | 989.9         | 1 215.7      | 1 455.0      | 1 648.2      |
| <b>Liabilities</b>            |               |               |               |               |              |              |              |
| Equity                        | 477.0         | 512.8         | 659.5         | 868.1         | 1 097.8      | 1 340.8      | 1 546.8      |
| Long-term debt                | 51.4          | 25.4          | 7.6           | 2.9           | 2.9          | 3.9          | 3.9          |
| Other                         | 39.6          | 48.5          | 60.6          | 42.6          | 44.5         | 41.8         | 42.6         |
| Total long-term liabilities   | 91.1          | 73.8          | 68.3          | 45.5          | 47.5         | 45.7         | 46.5         |
| Short-term debt               | 136.7         | 58.7          | 30.5          | 6.9           | 6.9          | 5.9          | 5.9          |
| Accounts payable              | 29.8          | 39.7          | 41.0          | 50.6          | 46.5         | 47.5         | 35.8         |
| Total short-term liabilities  | 166.5         | 98.4          | 71.5          | 57.5          | 53.4         | 53.3         | 41.7         |
| Non-controlling interest      | 18.5          | 21.9          | 20.7          | 18.8          | 17.0         | 15.1         | 13.2         |
| Total liabilities & equity    | 753.1         | 707.0         | 820.0         | 989.9         | 1 215.7      | 1 455.0      | 1 648.2      |
| <b>CASH FLOW STATEMENT</b>    |               |               |               |               |              |              |              |
| <b>Net Income</b>             | <b>(57.4)</b> | <b>(9.7)</b>  | <b>73.0</b>   | <b>103.9</b>  | <b>114.5</b> | <b>129.2</b> | <b>103.0</b> |
| Depreciation & Amortization   | 28.5          | 58.8          | 52.0          | 38.9          | 38.9         | 39.1         | 39.1         |
| Working capital change        | (14.1)        | 140.9         | (3.0)         | (14.7)        | 5.4          | (2.2)        | 17.6         |
| Other assets change           | 68.7          | (64.4)        | (1.6)         | (25.9)        | 1.6          | (6.2)        | 6.0          |
| <b>Operating cash flow</b>    | <b>25.6</b>   | <b>125.5</b>  | <b>120.4</b>  | <b>102.1</b>  | <b>160.4</b> | <b>159.9</b> | <b>165.7</b> |
| Capital Expenditures          | (85.7)        | 32.7          | (27.5)        | (0.5)         | (2.7)        | (0.1)        | (0.0)        |
| Other                         | (8.2)         | (65.6)        | (6.2)         | (16.7)        | 4.1          | (4.2)        | 19.7         |
| <b>Investing cash flow</b>    | <b>(93.9)</b> | <b>(32.9)</b> | <b>(33.8)</b> | <b>(17.2)</b> | <b>1.4</b>   | <b>(4.3)</b> | <b>19.6</b>  |
| Increase in Debt              | (52.3)        | (94.5)        | (45.9)        | (28.4)        | -            | -            | -            |
| Other                         | 86.5          | 67.5          | 73.7          | 104.6         | 115.2        | 113.8        | 103.0        |
| <b>Financing cash flow</b>    | <b>34.2</b>   | <b>(26.9)</b> | <b>27.8</b>   | <b>76.2</b>   | <b>115.2</b> | <b>113.8</b> | <b>103.0</b> |
| <b>Net Change in Cash</b>     | <b>(32.4)</b> | <b>62.9</b>   | <b>114.5</b>  | <b>161.2</b>  | <b>277.0</b> | <b>269.4</b> | <b>288.4</b> |

Source: Company data, Olma estimates

## Appendix D: High River Gold operations, \$ mln

|                                | 2008         | 2009         | 2010E        | 2011E        | 2012E        | 2013E        | 2014E        |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Realized price, \$/oz          | 862.0        | 976.0        | 1 138.1      | 1 251.9      | 1 377.1      | 1 514.8      | 1 666.3      |
| <b>Production, koz</b>         |              |              |              |              |              |              |              |
| Buryatzoloto                   | 145.8        | 149.4        | 69.1         | -            | -            | -            | -            |
| Somita                         | 15.7         | 87.5         | 120.9        | 170.2        | 113.4        | 122.1        | 134.7        |
| Berezitovy                     | 30.7         | 99.5         | 117.3        | 176.1        | 186.1        | 164.4        | 67.5         |
| <b>Total</b>                   | <b>192.1</b> | <b>336.4</b> | <b>307.3</b> | <b>346.2</b> | <b>299.5</b> | <b>286.5</b> | <b>202.2</b> |
| <b>Total cash costs, \$/oz</b> |              |              |              |              |              |              |              |
| Buryatzoloto                   | 580          | 494          | 538          | -            | -            | -            | -            |
| Somita                         | 775          | 564          | 603          | 643          | 685          | 729          | 777          |
| Berezitovy                     | 838          | 469          | 549          | 585          | 624          | 667          | 713          |
| <b>Average</b>                 | <b>638</b>   | <b>505</b>   | <b>568</b>   | <b>613</b>   | <b>647</b>   | <b>694</b>   | <b>756</b>   |

Source: Company data, Olma estimates

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