

**Gold Producers**

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**Investment Research**

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**Examining the Cost Curve**

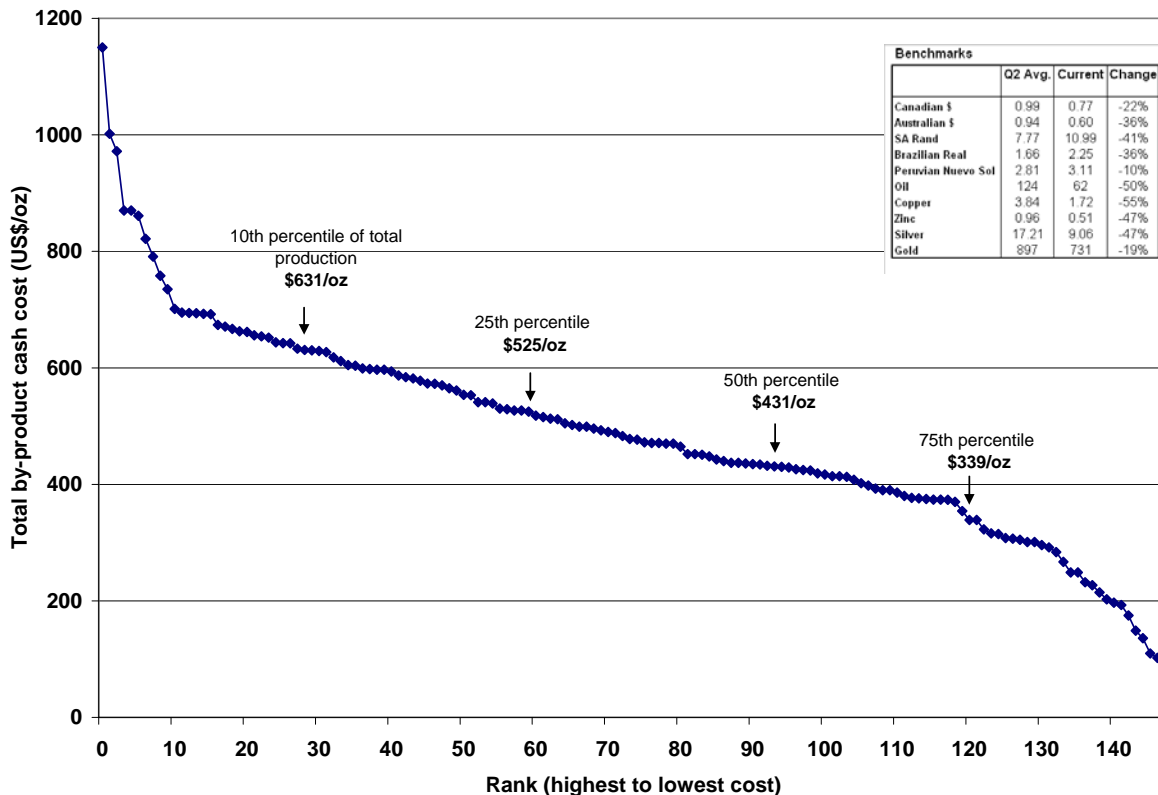
**Battered, but not yet Beaten**

The recent pressures on commodities in general and gold in particular have led to the question - are gold producers still profitable at current prices? We have reviewed the Q2/08 costs of 152 gold mining operations around the globe (Figure 1, Table 1)) and can suggest that the answer is "yes", in most cases. While gold prices have come off the peak of over US\$1000/oz in March of this year, the decline has not been as dramatic as that seen in base metals over the same period. We do expect revenues and earnings to decline given current bullion prices; however, we do not expect to see a significant number of mine closures caused by low gold prices.

**Bigger Continues to be Better**

While there are exceptions, we find that the larger producers usually inhabit the lower half of the cost curve, while the smaller producers dominate the upper end (Figure 2, Table 2). We note that the 17 lowest cost producers (out of a total of 35 in our survey) produced an average of over 420,000 oz of gold each in the second quarter of 2008, whereas the 17 highest cost producers turned out slightly more than 125,000 oz in the same period. We continue to recommend that investors focus on the larger cap, pure gold producers.

**Figure 1: Ranking of gold operations by Q2/08 total cash costs (data includes 148 operations producing 9.4MM oz gold at an average total cash cost of US\$435/oz) - note that rank refers to Table 1 and operations with negative cash costs are excluded**

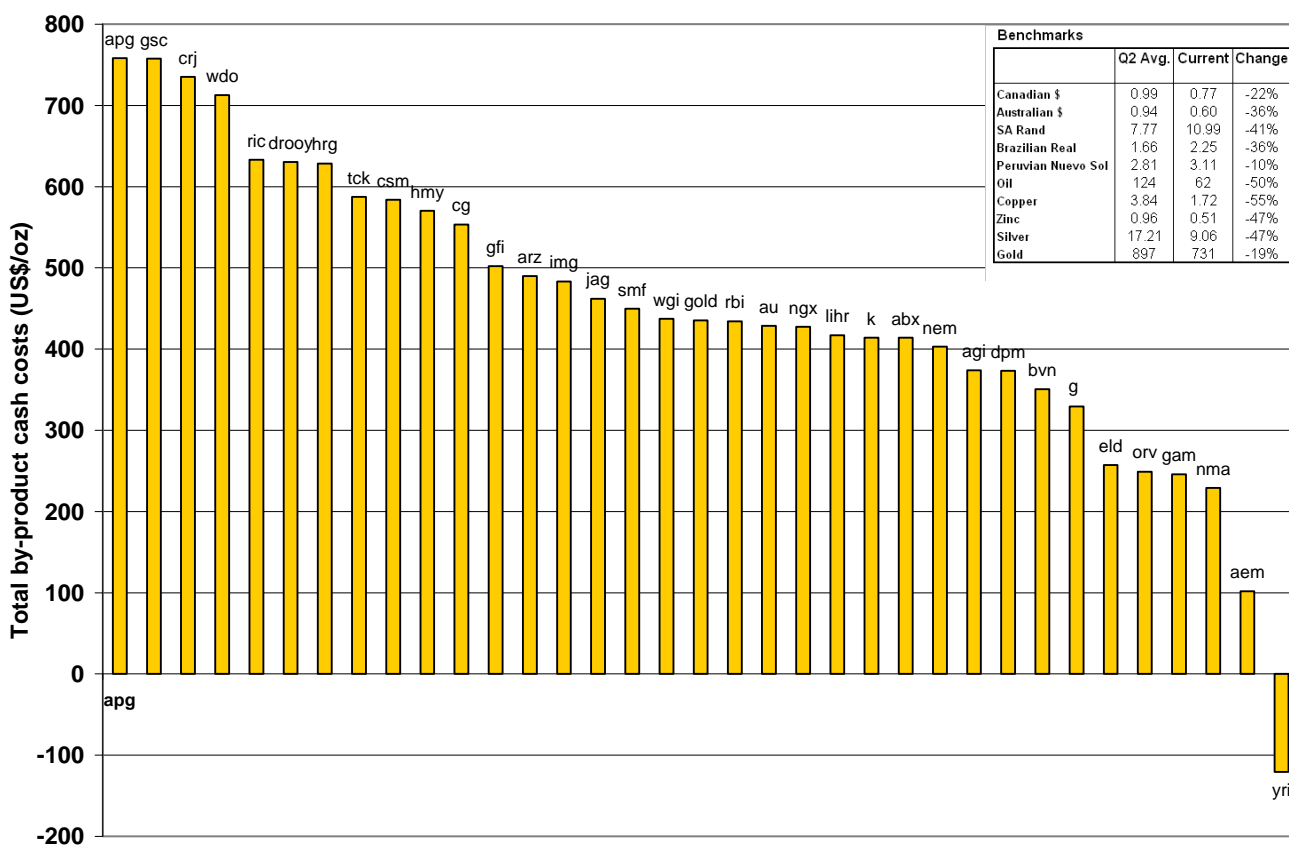


Source: Company reports, Dundee Securities estimates

Third quarter production costs will likely be positively impacted by lower fuel costs (particularly in open pit operations) and, in the case of non-US operations, weakening local currencies as compared to the greenback. However, operations exposed to, or which have benefited from, base metal and/or silver by-product credits are likely to see costs increase. We note that the two lowest cost producers in the second quarter of 2008, Yamana Gold (YRI-TSX, Not Rated) and Agnico-Eagle Mines (AEM-T: BUY, Target Price C\$71.00), are both heavily exposed to base metal credits.

While production may not be in jeopardy, future growth profiles may be. We would not be surprised to hear that large capital development projects may be delayed and, contrary to conventional thinking, that there may be less interest in acquisitions (even as valuation spreads increase) as producers strive to protect earnings and cash in the current tight credit market.

Figure 2: Cost Profile of Gold Companies in Q2/08 (net of by-product credits)



Source: Company reports, Dundee Securities estimates

**Table 1: Total Cash Costs by operation**

Rank	Company	Operation	Total Cash Costs Q2 2008 \$/oz	Production Q2 2008 (000 oz)
1	Northgate	Fosterville	1150	15
2	Goldfields	South Deep	1002	38
3	High River	Taparko	972	9
4	Golden Star	Bogoso	870	47
5	Anglogold	Cerro Vanguardia	870	27
6	Yamana	Rossi	861	1
7	Wesdome	Kiena	822	9
8	Harmony	Virginia	791	57
9	Apollo Gold	Montan Tunnels	758	9
10	Claude	Seabee	735	12
11	Harmony	Target	701	21
12	Buenaventura	Antapite	695	10
13	Harmony	Masimong	694	28
14	DRDGGOLD	Blyvoor	694	35
15	Jaguar	Sabara	693	5
16	Teck Cominco	Hemlo	692	33
17	High River	Irokinda	674	15
18	Barrick	Mara	671	49
19	Yamana	Sao Francisco	667	15
20	Goldfields	St. Ives	663	102
21	Barrick	Plutonic	662	28
22	Barrick	Hemlo	656	33
23	Goldcorp	Marigold	654	17
24	Goldcorp	Procupine	652	71
25	Goldcorp	Musselwhite	644	50
26	Wesdome	Eagle River	642	14
27	Yamana	San Andres	642	12
28	Richmont	Beaufor	633	17
29	Centerra	Kumtor	631	111
30	Anglogold	Geita	630	74
31	IAMGOLD	Doyon	629	29
32	Northgate	Stawell	627	23
33	Newcrest	Telfer	618	146
34	Anglogold	Obuasi	612	79
35	Barrick	Granny Smith	605	33
36	Barrick	Cowal	604	39
37	Anglogold	Navachab	599	16
38	IAMGOLD	Damang	598	10
39	Barrick	Bulyanhulu	597	55
40	Goldcorp	San Dimas	597	20
41	Harmony	Doorn-kop	594	11
42	Golden Star	Wassa	587	31
43	Central Sun	Limon	584	9
44	IAMGOLD	Yatela	582	15
45	Goldfields	Damang	578	50
46	Harmony	Bambanani	573	32
47	Anglogold	Yatela	573	15
48	Barrick	Turquoise Ridge	570	31
49	Newmont	Nevada	565	301
50	Barrick	Kalgoorlie	561	71

Table 1: Total Cash Costs by operation (continued)

Rank	Company	Operation	Total Cash Costs Q2 2008 \$/oz	Production Q2 2008 (000 oz)
51	Anglogold	Tau Leko	554	35
52	Anglogold	Sunrise Dam	553	114
53	Barrick	Bald Mountain	541	29
54	Harmony	Elands-rand	541	50
55	Semafo	Samira	539	20
56	Barrick	Marigold	530	13
57	DRDGGOLD	Crown	529	22
58	Barrick	Yilgarn South	527	29
59	Barrick	Darlot	527	29
60	High River	Berezitovy	525	16
61	Newmont	Batu Hijau	518	17
62	Harmony	Evander	516	50
63	Harmony	Phakisa	513	2
64	Anglogold	Moab Khotson	512	28
65	Teck Cominco	Pogo	505	42
66	Kinross	Paracatu	502	47
67	Barrick	Lawlers	499	27
68	Harmony	Joel	499	20
69	Randgold	Loulo	496	70
70	Anglogold	Iduapriem	493	46
71	Aurizon	Casa Berardi	490	37
72	Kinross	Maricunga	488	57
73	IAMGOLD	Rosebel	483	75
74	Goldfields	Beatrix	478	118
75	Goldfields	Kloof	477	179
76	Kinross	Round Mountain	472	66
77	Yamana	Minera Florida	471	14
78	Barrick	Round Mountain	471	60
79	Barrick	Henty	470	18
80	Goldcorp	Los Filos	470	65
81	Barrick	Veladero	465	159
82	Goldfields	Agnew	452	55
83	Barrick	Goldstrike	452	373
84	IAMGOLD	Tarkwa	451	32
85	Goldcorp	Wharf	448	15
86	Goldfields	Tarkwa	443	169
87	Anglogold	Savuka	440	18
88	Western Goldf	Mesquite	437	29
89	Red Back	Tasiat	437	35
90	Barrick	Kawnona	436	66
91	High River	Zun-Holba	435	11
92	Anglogold	Siguiri	434	86
93	Anglogold	Great Noligwa	432	96
94	Red Back	Chirano	431	30
95	Newmont	Nevada	430	554
96	Harmony	Tshepong	429	63
97	Anglogold	Morila	426	46
98	Harmony	Phoenix	425	7
99	Barrick	Cortez	424	103
100	Semafo	Mana	419	17

**Table 1: Total Cash Costs by operation (continued)**

Rank	Company	Operation	Total Cash Costs Q2 2008 \$/oz	Production Q2 2008 (000 oz)
101	Lihir	Lihir Island	417	171
102	Goldfields	Driefontein	414	218
103	Barrick	Porgera	414	152
104	IAMGOLD	Sadiola	413	45
105	Anglogold	Sadiola	408	45
106	Kinross	Fort Knox	402	86
107	Randgold	Morila	398	114
108	Harmony	Kalgold	393	21
109	Newmont	Ahafo	390	134
110	Jaguar	Turmalina	390	16
111	Buenaventura	Yanacocha	386	104
112	Semafo	Kiniero	380	18
113	IAMGOLD	Mupane	377	25
114	Yamana	Fazendo	376	28
115	Gammon	El Cubo	375	11
116	Newmont	Yanacocha	374	222
117	Alamos	Mulatos	374	39
118	Dundee Precious	Chelopech	373	19
119	Centerra	Boroo	370	47
120	Newcrest	Caracow	354	22
121	Anglogold	TauTona	339	91
122	Goldcorp	Red Lake	339	150
123	Anglogold	Brazil	323	82
124	Anglogold	Kopanang	316	96
125	Kinross	La Coipa	315	33
126	Barrick	Sunlight	308	30
127	Anglogold	Serra Grande	307	22
128	Eldorado	Tanjianshan	305	29
129	Newmont	Australia	301	565
130	Anglogold	Cripple Creek	301	59
131	Kinross	Crixas	296	22
132	Kinross	Kupol	292	43
133	Yamana	El Penon	284	114
134	Barrick	Pierina	267	115
135	Buenaventura	Orcopampa	249	70
136	Orvana	Don Mario	249	21
137	Eldorado	Kisladag	232	55
138	Anglogold	Mponeng	227	160
139	Newcrest	Gosowong	215	104
140	Gammon	Ocampo	203	33
141	Goldcorp	Marlin	197	51
142	Newcrest	Cadia Hill	193	81
143	Barrick	Tulawaka	175	47
144	Goldcorp	El Sauzal	149	68
145	Barrick	Lagunas Norte	136	262
146	Barrick	Ruby Hill	110	19
147	Agnico	Laronde	102	59
148	Northgate	Kemess South	92	46
149	Yamana	Jacobina	-252	16
150	Newcrest	Ridgeway	-443	82
151	Goldcorp	Alumbrera	-715	41
152	Yamana	Chapada	-2219	42

Source: Company reports, Dundee Securities estimates

**Table 2: Q2/08 Total Cash Costs by Company**

	<b>Total Cash Costs \$/oz</b>
Apollo Gold	758
Golden Star	758
Claude	735
Wesdome	713
Richmont	633
DRDGGOLD	630
High River	628
Teck Cominco	587
Central Sun	584
Harmony	570
Centerra	553
Goldfields	502
Aurizon	490
IAMGOLD	483
Jaguar	462
Semafo	450
Western Goldfields	437
Randgold	435
Red Back	434
Anglogold	429
Northgate	427
Lihir	417
Kinross	414
Barrick	414
Newmont	403
Alamos	374
Dundee Precious	373
Buenaventura	351
Goldcorp	329
Eldorado	257
Orvana	249
Gammon	246
Newcrest	229
Agnico	102
Yamana	-121

Source: Company reports, Dundee Securities estimates

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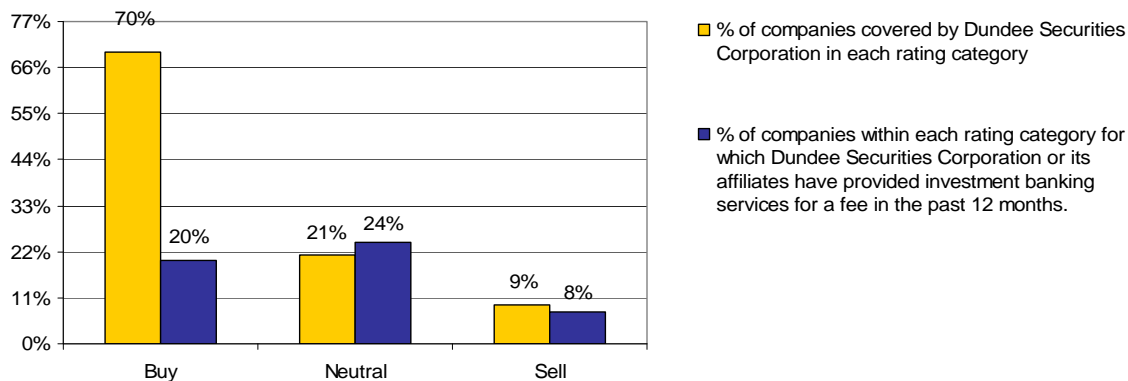
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As at September 30, 2008

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