

Mining

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Industry Brief

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Mining

Peru: Thoughts On Tax & Royalty Changes

Peruvian Preliminary Election Results:

- It appears that Ollanta Humala and Keiko Fujimori could be heading to the runoff election scheduled for Sunday, June 5th.
- We expect continued volatility and possibly short-term market weakness based on the results. For reference, we set out roughly what the NAV impact could be on our covered companies with exposure to Peru assuming an increase in royalty and tax rates.
- We expect that any proposed changes to mining royalties and/or taxes could create controversy and protests as the Ministry of Energy and Mines of Peru estimates that 20% of the labour force is employed directly in the mining industry.

Estimated Impact of Potential Changes in Royalty & Tax Rates on Our Covered Companies with Peruvian Exposure

	Exposure to Peru as % of NAV	3% & 30% Current NAV	5% Royalty NAV	Impact	35% Tax NAV	Impact	5% Royalty & 35% Tax	Impact
Bear Creek	100%	12.44	12.09	-2.8%	11.60	-6.7%	11.28	-9.3%
Pan American Silver	21%	24.84	24.50	-1.4%	23.88	-3.9%	23.61	-4.9%
Sulliden	100%	2.79	2.72	-2.5%	2.63	-5.7%	2.56	-8.2%
Average				-2.2%		-5.4%		-7.5%

Source: Raymond James Ltd.

Company	Ticker Primary	Ticker Secondary	Current Price	Rating
Gold				
Sulliden Gold Corporation Ltd.	SUE-TSX		C\$2.00	1
Silver				
Bear Creek Mining Corp.	BCM-TSXV		C\$10.67	2
Pan American Silver	PAAS-NASDAQ	PAA.T-TSX	US\$42.65	1

Raymond James Ltd.

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US\$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be approved for sale in all U.S. states. NC=not covered.

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Raymond James Ltd. (Canada) definitions

Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months. **Outperform (MO2)** The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months. **Market Perform (MP3)** The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities. **Underperform (MU4)** The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

Raymond James & Associates (U.S.) definitions

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Raymond James Latin American rating definitions

Strong Buy (SB1) Expected to appreciate and produce a total return of at least 25.0% over the next twelve months. **Outperform (MO2)** Expected to appreciate and produce a total return of between 15.0% and 25.0% over the next twelve months. **Market Perform (MP3)** Expected to perform in line with the underlying country index. **Underperform (MU4)** Expected to underperform the underlying country index.

Raymond James European Equities rating definitions

Strong Buy (1) Absolute return expected to be at least 10% over the next 12 months and perceived best performer in the sector universe. **Buy (2)** Absolute return expected to be at least 10% over the next 12 months. **Fair Value (3)** Stock currently trades around its fair price and should perform in the range of -10% to +10% over the next 12 months. **Sell (4)** Expected absolute drop in the share price of more than 10% in next 12 months.

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Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, possibly a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG) Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

Rating Distributions

	Coverage Universe Rating Distribution		Investment Banking Distribution	
	RJL	RJA	RJL	RJA
Strong Buy and Outperform (Buy)	69%	54%	52%	25%
Market Perform (Hold)	28%	40%	38%	11%
Underperform (Sell)	3%	6%	0%	12%

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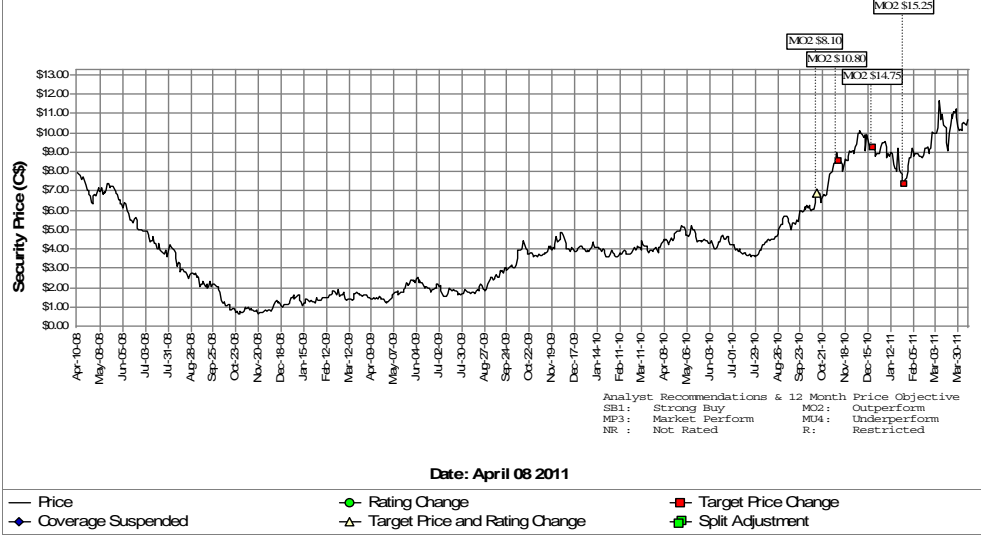
Company Name	Disclosure
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Pan American Silver	Within the last 12 months, Pan American Silver has paid for all or a material portion of the travel costs associated with a site visit by the Analyst and/or Associate.
Sulliden Gold Corporation Ltd.	Within the last 12 months, Sulliden Gold Corporation Ltd. has paid for all or a material portion of the travel costs associated with a site visit by the Analyst and/or Associate. Raymond James Ltd. has managed or co-managed a public offering of securities within the last 12 months with respect to Sulliden Gold Corporation Ltd.. Raymond James Ltd. has provided investment banking services within the last 12 months with respect to Sulliden Gold Corporation Ltd.. Raymond James Ltd. has received compensation for investment banking services within the last 12 months with respect to Sulliden Gold Corporation Ltd..

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Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences.

Target Prices: The information below indicates target price and rating changes for the subject companies included in this research.

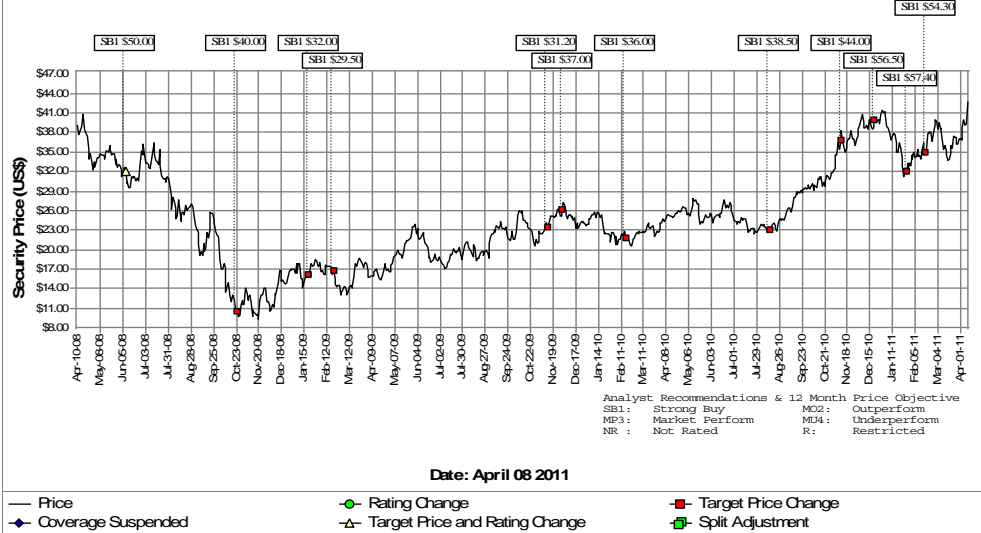
Bear Creek Mining Corp. (BCM) 3 yr. Stock Performance



Update Date	Closing Price	Target Price	Rating
Jan-26-11	7.36	15.25	2
Dec-21-10	9.27	14.75	2
Nov-09-10	8.56	10.80	2
Oct-14-10	6.86	8.10	2

Valuation Methodology: Our valuation methodology for the company considers the stock's valuation as it compares to our estimate of Net Asset Value (NAV).

Pan American Silver (PAAS) 3 yr. Stock Performance



Update Date	Closing Price	Target Price	Rating
Feb-17-11	34.87	54.30	1
Jan-26-11	32.00	57.40	1
Dec-21-10	39.89	56.50	1
Nov-10-10	36.82	44.00	1
Aug-13-10	23.02	38.50	1
Feb-17-10	21.83	36.00	1
Dec-01-09	26.27	37.00	1
Nov-12-09	23.43	31.20	1
Feb-20-09	16.68	29.50	1
Jan-21-09	16.13	32.00	1
Oct-23-08	10.61	40.00	1
Jun-09-08	32.10	50.00	1

Valuation Methodology: Our valuation methodology for the company considers the stock's valuation as it compares to our estimate of Net Asset Value (NAV).



Valuation Methodology: Our target price is based on a cash-adjusted P/NAV multiple applied to our NAVPS estimate.

Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the projected target prices included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects. International investments involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

Mining - Risk Factors

Some of the risk factors that pertain to the projected 6-12 month stock price target for mining companies in our universe are as follows: Mining companies are subject to a range of risks, including, but not limited to: environmental risk, political risk, operational risk, financial risk, hedging risk, commodity price fluctuation risk, and currency risk. Any difference between our metal price forecasts and realized metal prices will likely have an impact on our earnings and valuation estimates for the mining companies in our research coverage universe. The operation of mines, and mills is complex and is exposed to a number of risks, most of which are beyond the company’s control. These include: environmental compliance issues; personal accidents; metallurgical/other processing problems; unexpected rock formations; ground or slope failures; flooding or fires; earthquakes; rock bursts; equipment failures; consultant errors and, interruption due to inclement, weather conditions, road closures, and/or local protests. Other risks include, but are not limited to: uncertainties surrounding reclamation costs; aging equipment and facilities which could lead to increased costs; strikes; and, transportation disruptions.

Risks - Pan American Silver

Mining is an inherently risky business, key risks include, the political environment, operating issues and metal prices. Company specific risks relating to Pan American Silver include: 1) the age of some of the mining equipment and milling facilities at the company’s Peruvian operations. 2) the company also does not own the surface rights at the Morococha operations. 3) Heightened political risks with regards to the company’s San Vicente mine in Bolivia and the Navidad project in Chubut province in Argentina.

Risks - Bear Creek Mining Corp.

Some of the risk factors that pertain to the projected 6-12 month stock price target for mining companies in our universe are as follows: Mining companies are subject to a range of risks, including, but not limited to: environmental risk, political risk, operational risk, financial risk, hedging risk, commodity price fluctuation risk, and currency risk. Any difference between our metal price forecasts and realized metal prices will likely have an impact on our earnings and valuation estimates for the mining companies in our research coverage universe. The operation of mines, and mills is complex and is exposed to a number of risks, most of which are beyond the company's control. These include: environmental compliance issues; personal accidents; metallurgical/other processing problems; unexpected rock formations; ground or slope failures; flooding or fires; earthquakes; rock bursts; equipment failures; consultant errors and, interruption due to inclement, weather conditions, road closures, and/or local protests. Other risks include, but are not limited to: uncertainties surrounding reclamation costs; aging equipment and facilities which could lead to increased costs; strikes; and, transportation disruptions.

Risks - Sulliden Gold Corp.

Exploration Risk. Our outlook on SUE hinges on continued exploration success at Shahuindo. There is a risk that future drilling yields only weak mineralization and that the deposit does not expand.

Decline in the Price of Gold. A drop in the price of gold could cause investors and creditors to become disenchanted with the commodity, which would make it difficult for SUE to secure further financing.

Resource Risk. Our model assumes an oxide resource of 93.0 Mt grading 0.69 g/t Au or 2.05 Moz Au. There is risk that grades reported from future drilling are lower than the average grade we have assumed for the deposit.

Capital Requirements. The company has sufficient funds to complete its 2010 work program, however further market decline could make it difficult for the company to raise the capital required for project construction.

Surface Rights Acquisition. Sulliden requires additional surface rights to build a mine. The company estimates approximately 1,200 ha are required for the pit, waste dumps, leach pads and plant. The acquisition process is on-going and we believe the company has secured over 700 ha. The ground is primarily used for grazing, so we expect the acquisition by out right purchase and/or land swaps is achievable.

Permits. An Environmental Impact Assessment is required for production. Although preliminary work has been completed (required for the Category II Permit) and baseline studies have commenced, additional detailed studies remain to be completed. Additional permits include Mine Closure Plan, Certificate for the Inexistence of Archaeological Remains, Beneficiation Certificate (required prior to extraction and processing), Water Usage, District and Provincial municipality licenses, construction and operational permits, etc. Any delays or denials would adversely affect the project.

Metallurgy. To date, recoveries have been estimated based on results from bulk samples taken from surface showings across the property. In 2010, eight PQ drill holes were completed to provide metallurgical samples. The results are pending but adverse recoveries would decrease the metal production and valuation of the company.

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