

Recommendation: Buy (S)
Target Price: C\$9.00

♦ Alio Gold (ALO-TSX, ALO-NYSE)
Emerging From Transformational Year

Current Price	C\$3.48	Shares Outstanding (MM)	
52 Wk High	C\$7.99	Basic	44.7
52 Wk Low	C\$3.54	Diluted	46.5
Cash (MM)	\$51.6	Mgmt. & Dir.	0.7
Debt (MM)	\$0.0	Market Cap.	C\$155.5
NAVPS	C\$9.51	EV	\$69.7
P/NAV	0.37x	Reserves	1.9 MMoz
Spot NAVPS*	C\$10.75	Total Resource	2.8 MMoz
Spot P/NAV*	0.32x		

Fiscal YE Dec. 31		2017A	2018E	2019E	
Production (000 oz)	Q1	26.0	22.8	30.7	
	Q2	22.0	23.6	30.7	
	Q3	19.4	25.0	30.7	
	Q4	16.1	25.2	30.7	
	FY	83.6	96.5	123.0	
AISC (\$/oz)	FY	\$1,041	\$1,076	\$950	
	CFPS, adj.	Q1	\$0.33	\$0.07	\$0.31
		Q2	\$0.25	\$0.08	\$0.30
		Q3	\$0.15	\$0.13	\$0.31
		Q4	\$0.02	\$0.16	\$0.23
FY	\$0.76	\$0.44	\$1.15		
P/CF		3.6x	6.1x	2.4x	

* Cormark deck is \$1,250/oz; spot gold is \$1,324/oz

Company Description:

Alio Gold is a Vancouver-based junior that generates cash from its 100%-owned San Francisco open-pit, heap leach mine in Sonora, Mexico. A two-year period of balance sheet and operational repair has positioned Alio to focus on its growth strategy, starting with the high-grade, low-strip Ana Paula asset (34% IRR at \$1,220/oz in PFS). Management has a proven track record and the CEO has successfully built the G9 mine in the same state as Ana Paula.

Unless otherwise denoted, all figures shown in US\$

Investment Thesis:

Alio Gold represents a rebranded Timmins Gold following a Management team replacement and rationalization strategy (2016-17) that streamlined the asset portfolio and firmed up the balance sheet. The new CEO (Greg McCunn) is leading a more focused strategy that leverages the current Mexican platform to build a growth mid-tier producer.

Highlights:

- **Q4/17 Beat:** Alio beat our CFPS estimate (\$0.02 per share vs. -\$0.10 per share forecast) to exit 2017 with \$51.6 MM in cash/short-term investments and no debt. Recall that 2017 was a year of lower production as Alio launched a waste stripping campaign to access the Phase 5/6 pit shells allowing for stable production of 100 koz/yr going forward.
- **San Francisco Update:** The SF pit has been developed to allow access to multiple faces and unconstrained ore flow. Alio has also elected to put the crusher improvements on hold while it investigates improved blasting patterns as a potentially more efficient solution to improving recoveries. As a result, capital spending declines materially in 2018. Other developments include the stacking of run-of-mine (ROM) low grade material, mined during the pre-strip, to supplement production as the mine ramps up to 90-100 Koz in 2018.
- **Ana Paula U/G In-Focus:** Alio has outlined a \$20 MM budget at its growth asset, including ongoing development of the U/G ramp to evaluate an inclusion of the U/G breccia zone into a delayed DFS. Potential benefits include lower LOM capex (eliminates final pit pushback), better grade profile and the ability to store deleterious tailings U/G.
- **Maintain Buy (S) Rating, C\$9.00 Target**



Source: BigCharts.com, February 21, 2018 (Chart C\$)

♦ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Alio Gold Inc

Our disclosure statements are located on the second last page of this report

San Francisco Update – Capex Slows In 2018; Leach Recovery Will Be Key:

- Alio delivered a slight beat to our Q4/17 estimates resulting in a stronger than forecast cash position (\$51.6 MM cash/short-term investments and \$61.7 MM in working capital).
- The major driver of the earnings beat was lower than anticipated cash costs and the timing of taxes. The full quarterly stats are shown in Figure 1.
- Recall that 2017 was a year of transformation for the San Francisco mine as Alio published an updated mine plan in April and began a pre-stripping campaign to access the Phase 5 and 6 pits that allow revitalized production of ~100 koz/yr for the next five years ([LINK](#)). The mine moved 28% more waste in 2017 vs. 2016.
- Other operational updates at San Francisco include the initiation of a ROM pad that will process the sub cut-off grade material (<0.20 g/t Au) via a dump leach.
- As of February 18, 219,000 t (at a grade of 0.17 g/t Au) has been stacked and Alio estimates ultimate metallurgical leach recovery of 40% (the ROM pad will contribute 10% to total production guidance in 2018).
- Additionally, Alio has put on hold prior plans to evaluate crusher optimization (incl. the HPGR) in favour of testing improved blasting patterns/techniques in the hope that these studies will show improved recovery but for lower capital investment. The strategy is preferable given the HPGR is a \$7 MM capex item and the ROM project also requires a more thorough blast pattern allowing for these tests to proceed prior to committing to additional crusher capex.
- Production guidance for 2018 at San Francisco remains 90-100 koz at AISC of \$1,000-1,100/oz and sustaining capex will be drastically reduced Y/Y to \$2.5-3.0 MM (vs \$8.7 MM in 2017) as waste stripping comes to an end.

Figure 1: Q4/17 Results

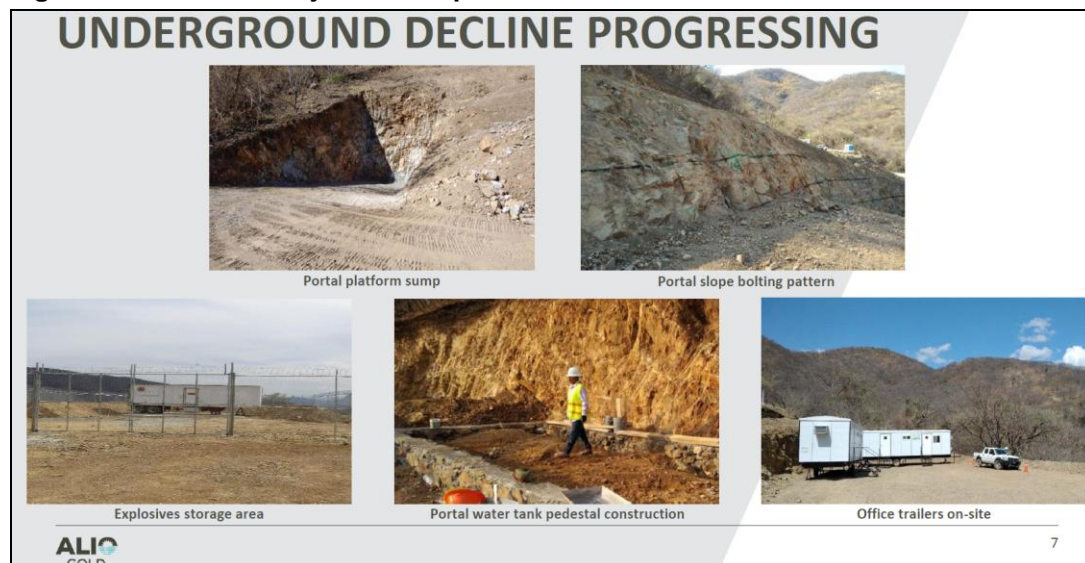
	Q3/17 Actual	Q4/17 Cormark	Q4/17 Actual
\$MM unless noted			
Production (000oz)	19.4	16.1 *	16.1
Sold (000oz)	19.6	16.1 *	16.1
Ore Mined (000t)	1,646	1,758 *	1,758
Strip Ratio (w:o)	3.2	3.5 *	3.5
Ore Processing Rate (tpd)	20,830	18,947 *	18,741
Ore Processed (000t)	1,916	1,724 *	1,724
Grade Processed (g/t)	0.40	0.46 *	0.46
Cash Costs (\$/oz)	\$886	\$1,471	\$1,041
Realized Gold Price (\$/oz)	\$1,278	\$1,274 *	\$1,274
Cash Margin (\$/oz)	\$392	-\$197	\$233
AISC (\$/oz)	\$1,104	\$1,684	\$1,357
Adjusted EPS	\$0.12	(\$0.09)	(\$0.06)
CFPS	\$0.15	(\$0.10)	\$0.02
Op. Cash Flow (pre WC)	\$6.4	(\$4.5)	\$1.0
Op. Cash Flow (post WC)	\$2.7	(\$4.5)	(\$2.2)
Investing Cash Flow	(\$27.5)	(\$16.6)	(\$17.3)
Financing Cash Flow	\$37.3	\$2.7	\$2.8
Net Change in Cash	\$12.6	(\$18.3)	(\$17.0)
Cash, End of Period	\$48.5	\$30.1	\$31.5
Debt, End of Period	\$0.0	\$0.0	\$0.0
* Pre-reported			

Source: Company Reports/Cormark Securities

Ana Paula Update – U/G Focus To Delay And Improve DFS:

- Alio has been busy at Ana Paula where it continues to pursue, exploration, development and permitting. The budget for Ana Paula in 2018 is \$20 MM.
- The Q4 release outlined a focus on the integration of an U/G component to the Ana Paula mine plan in the upcoming DFS and we expect this is driven by the following potential benefits:
 - Lower capex by delaying or removing the final pit pushback to access the same ounces for less investment.
 - Better utilization of the existing mill which has a 6,000 tpd capacity vs. the open-pit’s ability to supply only 5,000 tpd.
 - Opens up the potential for Alio to store treated tailings from the ambient pressure oxidation (AOX) circuit underground, reducing the permitting footprint of the mine. This seems to be the key driver for delaying the DFS to incorporate the U/G component.
- While all this speaks of a change of scope we expect the net impact is positive to NPV, recall that the tailings concerns arise from Alio’s decision to include an AOX circuit to boost recovery of gold contained in arsenopyrite (we currently model an NPV5% of \$275 MM at \$1,300/oz).
- Activity has picked up at site with six holes being drilled into the breccia zone while U/G development continues as the portal is installed in a valley adjacent to the proposed pit.
- Alio has also permitted and ordered a 100-man camp to accommodate the growing employee base as early site works and advanced exploration commence.
- The major milestone for Ana Paula remains the publication of the DFS (likely delayed to Q4/18) that will coincide with a funding package of \$90-100 MM, likely in the form of debt and or streaming facility.

Figure 2: Ana Paula Project Assumptions/Results



Source: Company filings/Cormark Securities.

Still Deeply Discounted; Execution Should Drive Rerating:

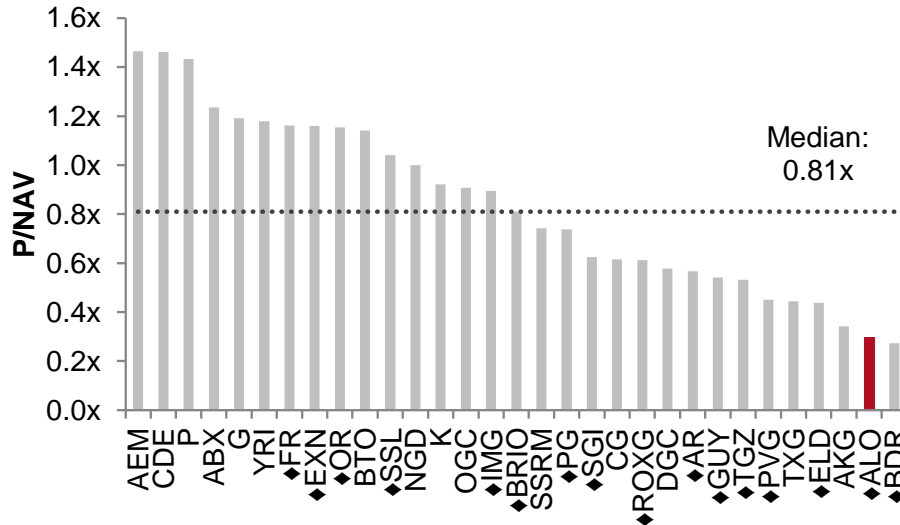
- Alio continues to trade like a developer, despite the strong and historic base of production at San Francisco and the impressive growth profile (>200 koz year by 2020). Alio's spot P/NAV multiple of 0.32x is below the average of even our development stage companies (0.5x).
- We expect that ongoing execution will be key to eroding the discount to peers and dealing with the two most common pushbacks on the stock: 1) that it is challenging and expensive to build and operate a mine in Guerrero and 2) concerns that the new production profile at San Francisco is not sustainable.
- We would like to see Alio meet its production guidance in 2018 and continue to show that it can operate in Guerrero by completing the U/G ramp and delivering a bankable feasibility study. Advancement at both assets will crystalize our NAV estimate and should help reduce the glaring valuation disconnect.
- Given the solid balance sheet (fully funded into 2019 if need be) and mine plan inflection point at San Francisco (i.e. capex spend comes to an end), we like the risk/reward of this stock and rate it Buy (S) with a C\$9.00 target. Should the broader gold space improve, we believe Alio may outperform peers having lagged the group for quite some time.
- Interestingly, despite selling off with neighbouring Torex (TXG:TO, Buy rating, C\$19.00 target, covered by Richard Gray) during the roadblock issues ([LINK](#)) Alio did not recover in-step as the safety situation improves.

Figure 3: ALO Valuation Table At \$1,250/oz

Asset		Value (\$MM)	\$ Per Share	% of NAV
San Francisco NPV, Mexico	5.0% disct.	\$78.5	\$1.33	18%
Ana Paula NPV, Mexico	5.0% disct.	\$249.5	\$4.21	57%
Total Mining Assets		\$328.0	\$5.54	75%
Total Mining Assets (C\$)		C\$420.5	C\$7.10	
Cash & ST Investments	Exit Q4/17	\$51.6	\$0.87	12%
Cash From ITM Proceeds at Target		\$36.1	\$0.61	8%
Cash From Future Equity Raises		\$23.4	\$0.40	5%
Debt		\$0.0	\$0.00	0%
Total Financial Assets		\$111.1	\$1.88	25%
Total Financial Assets (C\$)		C\$142.4	C\$2.40	
Net Asset Value		\$439.1	\$7.41	
Net Asset Value (C\$)		C\$563	C\$9.51	
P/NAV			0.37x	

Source: Cormark Securities

Figure 4: Producer P/NAV Comps – Full Cormark Universe

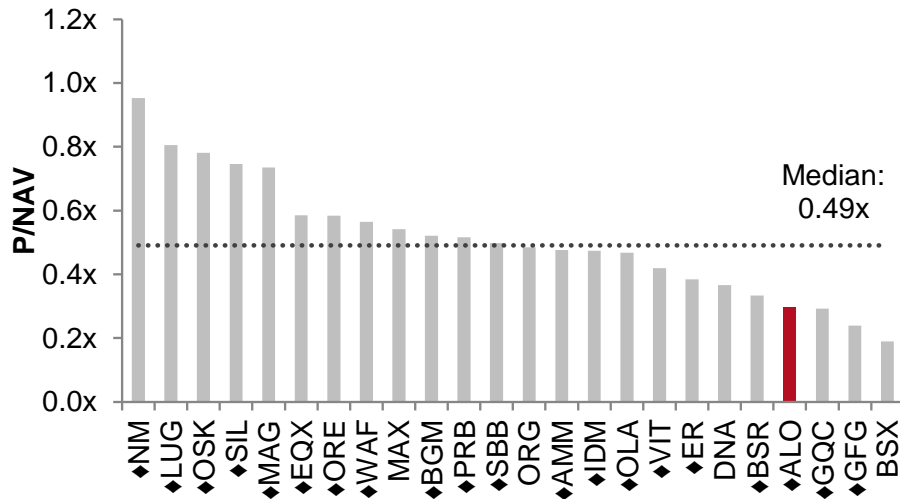


Source: Cormark Securities

◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and/or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions for these companies

Source: Cormark Securities

Figure 5: Developer (and Alio) P/NAV Comps – Full Cormark Universe



Source: Cormark Securities

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Source: Cormark Securities



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MORNING MEETING NOTES
FEBRUARY 22, 2018

We, Tyron Breytenbach and Nicolas Dion, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company(ies) and its (their) securities. We also certify that we have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Alio Gold Inc.

Updated February 21, 2018

Price Chart and Disclosure Statement

*Information updated monthly on or about the 5th of each month.



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Buy or Top Pick	69%	Buy or Top Pick	51%
Market Perform	14%	Market Perform	26%
Reduce	1%	Reduce	75%
Not Rated	15%		

Recommendation / Target Chg	Date	C\$
	10-Jan-18	9.00 (B-S)
	10-Nov-17	11.00 (B-S)
	11-Aug-17	12.00 (B-S)
	12-May-17	14.00 (B-S)
	02-May-17	12.00 (B-S)

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If YES

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2) What type of security is it?

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Torex Gold Resources Inc.

Updated February 21, 2018

Price Chart and Disclosure Statement

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Market Perform	14%	Market Perform	26%
Reduce	1%	Reduce	75%
Not Rated	15%		

Recommendation / Target Chg	Date	C\$
	30-Jan-18	19.00 (B)
	10-Jan-18	13.00 (MP)
	19-Dec-17	14.00 (MP)
	10-Nov-17	25.00 (B)
	11-Aug-17	35.00 (B)
	19-Apr-17	45.00 (B)
	30-Mar-17	42.00 (B)
	13-Jan-17	36.00 (B)
	10-Jan-17	38.00 (B)
	12-Aug-16	40.00 (B)
	14-Jul-16	33.00 (B)
	15-Jun-16	30.00 (B)
	15-Jun-16	30.00 (Chng Cover)
	10-May-16	- (U.R.)
	29-Apr-16	28.50 (B)

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Top Pick	our best investment ideas, the greatest potential value appreciation
Buy	expected to outperform its peer group
Market Perform	expected to perform with its peer group
Reduce	expected to underperform its peer group

Our ratings may be followed by "(S)" which denotes that the investment is *speculative* and has a higher degree of risk associated with it.

Additionally, our target prices are set based on a 12-month investment horizon.

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Alio Gold Inc.⁷

HOLD

ALO-TSX

February 22, 2018

Last: **C\$3.74**
Target: **C\$4.70**

Miss on 4Q financials; better 2018 expected

Alio reported 4Q17 and 2017 financial results. Production of 16.1k oz in 4Q and 83.6k oz in 2017 was pre-reported. 4Q cash cost of \$1,041/oz (AISC of \$1,357/oz) was higher than our forecast of \$973/oz. 2017 cash cost was \$831/oz (AISC of \$1,034/oz). The company managed to accelerate waste stripping in 4Q. The acceleration was required to open up new mining areas and improve mine flexibility. The main pit is now open on several fronts.

4Q clean EPS of \$(0.05) was slightly lower than our estimate of \$(0.04) and consensus of \$0.01. 4Q CFPS (before working capital changes) of \$(0.05) was also lower than our forecast of \$0.03 and consensus of \$0.02.

In 2018, Alio expects to produce 90k-100k oz at AISC of \$1,000-\$1,100/oz. In December 2017, the company implemented a new strategy under which lower grade run-of-mine ("ROM") material has been sent directly for heap leaching while higher grade material has been sent for crushing. As the ROM ore was only recently placed under leach (placed in late January), 1Q is expected to be the weakest quarter. Alio expects approx. 20% of annual gold production in 1Q.

At Ana Paula, the focus remains on exploration. Alio is working to delineate the known extensions below the planned open pit. Construction of a 1.2k m underground decline is underway. The decline is planned to be used from 3Q for underground drilling.

Recommendation

As part of revitalizing efforts, ALO had to play catch up at San Francisco. Now with several new mining areas opened up, we should see a better performance in 2018.

Our target price of C\$4.70/sh, which is determined by using a 1.0x NAV multiple, remains unchanged.

What's Changed	Old	New
Rating	HOLD	n.c.
Target	C\$4.70	n.c.
Gold Production 2017A (k oz)	84	n.a.
Gold Production 2018E (k oz)	96	n.c.
Gold Production 2019E (k oz)	113	n.c.

Share Data	
Share o/s (mm, basic/f.d. itm)	45 / 53
52-week high/low	C\$7.99 / C\$3.54
Market cap (m)	C\$163
EV (m)	\$98
Net debt (m)	(\$31)
Projected return	26%
NAV5%/share	\$3.55
P/NAV5%	0.84x

Financial Data	2017A	2018E	2019E
YE Dec. 31			
Gold production (k oz)	84	96	113
Cash costs (\$/oz)	\$831	\$838	\$846
EPS	\$0.30	\$0.30	\$0.37
CFPS	\$0.61	\$0.69	\$0.84
P/E	9.9x	9.9x	8.1x
P/CF	4.8x	4.3x	3.5x

All figures in US\$ unless otherwise noted

 [Current Chart](#)

 [Previous Research](#)

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Alio Gold (ALO CN)

Stock Rating:	HOLD
Target Price:	\$4.70
Share Price:	\$3.74
Implied Return:	25.7%
Market Cap (C\$mm):	163

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Company Summary

Alio Gold is a gold producer operating the San Francisco gold mine in Sonora, Mexico. The company is working towards developing its Ana Paula project in Guerrero, Mexico.

Investment Thesis & Catalysts

- Improving operations at San Francisco and extending its mine life
- Exploration success at Ana Paula, leading to resource growth
- Positive feasibility study on Ana Paula

Financial Data

	2017A	2018E	2019E	2020E
Cash	31.5	65.3	87.9	85.8
Debt	-	-	-	-
Total Debt / Total Assets	0%	0%	0%	0%
EPS	0.30	0.30	0.37	0.19
CFPS	0.61	0.69	0.84	0.56
P/E	9.9x	9.9x	8.1x	15.4x
P/CF	4.8x	4.3x	3.5x	5.3x
EV/EBITDA	2.4x	1.8x	1.5x	2.2x
Income Statement	2017A	2018A	2019A	2020E
Revenue	105.2	130.2	152.4	145.9
EBITDA	26.7	36.6	44.1	29.5
EBIT	19.7	24.2	29.6	15.6
Net Income	11.9	15.7	19.2	10.2
EPS	0.30	0.30	0.37	0.19
EBITDA/Share	0.60	0.82	0.99	0.66
Basic Shares Outstanding	44.7	44.7	44.7	44.7
Options & Warrants	8.0	8.0	8.0	8.0
Fully Diluted Shares Outstanding	52.7	52.7	52.7	52.7
Cash Flow	2017A	2018A	2019A	2020E
Net Income	11.9	15.7	19.2	10.2
Depreciation	4.6	12.4	14.5	13.9
Other	(3.5)	8.5	10.4	5.5
Operating Cash Flow	13.1	36.6	44.1	29.5
Investing Cash Flow	(55.8)	(2.8)	(21.5)	(31.6)
Financing Cash Flow	40.1	-	-	-
Cash Increase/Decrease	(2.4)	33.8	22.6	(2.1)
Ending Cash	31.5	65.3	87.9	85.8
Free Cash Flow	(25.3)	33.8	22.6	(2.1)

Company Management

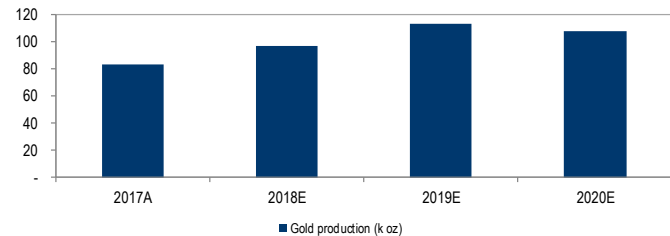
Bryan Coates	Independent Chairman
Greg McCunn	CEO & Director
Colette Rustad	CFO

Source: Company Reports, GMP Securities, Bloomberg, FactSet ^GMP Estimate

	Tonnes		
Reserves / Resources	(000')	Gold g/t	Gold mmoz
San Francisco 2P Reserves	54,800	0.527	0.90
San Francisco M&I Resources	74,800	0.541	1.30
Ana Paula 2P Reserves	13,400	2.360	1.00
Ana Paula M&I Resources	18,000	2.060	1.20

GMP Commodity Forecast	2017A	2018E	2019E	2020E
Gold Price (US\$/oz)	1,260	1,350	1,350	1,350
Silver Price (US\$/oz)	17.06	19.25	19.25	19.25

Production (Attributable)	2017A	2018E	2019E	2020E
San Francisco Gold Production (000 oz)	84	96	113	108
Ana Paula Gold Production (000 oz)	-	-	-	-
Total				
Gold Production (000 oz)	84	96	113	108
Total Cash Costs (US\$/oz Au)	\$831	\$838	\$846	\$958



NAV Valuation

	Ownership	Discount	Rte	CAD\$MM	CAD\$/Sh
Non-Operating Assets					
Exploration assets				\$5.0	\$0.09
Cash				\$65.3	\$1.24
Cash from Options and Warrants				\$0.0	\$0.00
Non-Operating Asset NAV				\$70.3	\$1.33
Mining Assets					
San Francisco	100%	5%		\$116.6	\$2.21
Total Mining Assets				\$116.6	\$2.21
NET ASSET VALUE				\$186.9	\$3.55
NAV multiple					1.00x
Exchange rate (USD/CAD)					\$0.80
CAD Valuation					\$4.44
TMM Target Price					\$4.70

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**Alio Gold (ALO CN) – Financial results below expectations given greater than expected increase in costs**Sentiment Indicator : **negative**

Produced by Mihaljevic, Mark (RBC Dominion Securities Inc.) on Wednesday, February 21, 2018, 07:59 AM ET

Disseminated on Wednesday, February 21, 2018, 08:09 AM ET

We expect a negative reaction from Alio's shares given quarterly financial results were weaker than expected driven by higher than forecast costs following pre-release of production and sales. Recall, the company had previously provided 2018 guidance of 90-100 Koz of gold at all-in sustaining costs between \$1,000-1,100/oz. Alio noted it is evaluating changing the scope of the upcoming feasibility study for its Ana Paula project in Guerrero, Mexico to incorporate an underground operation. This would have the potential to (1) increase total reserves, (2) fill the planned 1 Ktpd in excess plant capacity with higher grade underground feed, (3) mine the third phase of the planned open-pit from underground at a lower cost, and (4) allow for more efficient tailings disposal. We would expect incorporating the underground would result in the study being delayed into 2019, compared to Q2/18 under the prior scenario.

Exhibit 1: Summary of operational and financial results

	Q4/2017		Q3/2017		Notes
	Actual	RBC	Actual	Consensus	
Production					
San Francisco	16.1	16.1	19.4		
Gold (Koz)	16.1	16.1	19.4		Production results pre-released
Sales (Koz)	16.1	16.1	19.6		Quarterly sales also pre-released
Cash Costs					
San Francisco	\$1,041	\$921	\$886		Higher unit mining, processing and G&A costs q/q
Total Cash Cost (\$/oz) - Reported	\$1,041	\$921	\$886		
Sustaining Capex	\$111	\$124	\$132		
Corporate Overhead/Exploration/Other	\$205	\$109	\$86		\$1.6M (~\$100/oz) increase in G&A compared to Q3
All-in Sustaining Cash Costs (\$/oz) - Reported	\$1,357	\$1,154	\$1,104		
Consolidated financial results					
Adjusted earnings (\$/sh)	(\$0.06)	\$0.03	\$0.10	\$0.01	Lower than expected financials driven by
Operating cash flow (\$/sh) - Reported	\$0.02	\$0.06	\$0.15	\$0.02	higher than forecast operating & corporate costs
Sustaining cash flow (\$/sh) - Levered	(\$0.16)	(\$0.09)	\$0.00		

Source: Company reports, RBC Capital Markets estimates

Conference call:

- 1 Wednesday, February 21, at 11 a.m. ET
 - o Dial-in: 1-855-427-9509 or 1-210-229-8822 (Conference ID: 9983338)

Company Name	Exchange	Ticker	Rating	Risk Qualifier	Price Target	Currency	Price	Price Date
Alio Gold Inc	Toronto SE	ALO CN	Sector Perform	Speculative Risk	6.00	US Dollar	3.74	21 Feb 2018 07:42:21 ET

RBC Dominion Securities Inc.
Mark Mihaljevic (Analyst) | (416) 842-3804 | mark.mihaljevic@rbccm.com

Click here for conflict of interest and other disclosures relating to [Alio Gold Inc](#), [Mark Mihaljevic](#) These disclosures are also available by sending a written request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7 or an email to rbcsinsight@rbccm.com

Alio Gold Inc.

Q4 Results See Cost Uptick; Ana Paula Underground Component Could Delay DFS Timing

OUR TAKE: Q4/17 financial results came in below our expectations with EPS of -\$0.06 (vs. our \$0.01 estimate) and CFPS of \$0.02 (vs. our \$0.04 estimate), largely as a result of higher deferred tax expense along with higher costs. Q4/17 All-In Sustaining Cost (AISC) was \$1,357/oz, ahead of our \$1,318/oz estimate and \$1,104/oz recorded in Q3/17. Production of 16.1koz Au for Q4 or 83.6koz Au for FY17 had already been pre-reported. With the Q4 results, ALO reiterated 2018 guidance for production of 90k-100k oz Au with AISC between \$1,000 and \$1,100/oz. Notably, Alio indicated that an underground component may be included in the Ana Paula Definitive Feasibility Study (DFS), which would likely delay publication until late 2018.

Following model updates to incorporate Q4 results, we maintain our Sector Perform rating while our price target moves to C\$6.00 (from C\$7.00 previously).

At the **Ana Paula** project, Alio is evaluating the potential inclusion of an underground component, which would have three main benefits: 1) this could supply additional ore feed to the 6,000 tpd plant to supplement the open pit where mining is constrained to 5,000 tpd owing to pit geometry, 2) this could reduce the phase 3 waste stripping requirement through mining from underground, thus improving project economics, and 3) this could optimize tailings disposal through potential underground tailings storage. Further details are expected in Q1/18; if included, this could delay the DFS until later this year.

At **San Francisco**, Alio reports that a dual cutoff strategy is being implemented whereby lower-grade ore is trucked to old leach pads as run-of-mine (ROM) material, while higher-grade material is crushed to a finer grind to optimize metallurgical recoveries. In conjunction with this strategy, Alio is seeking to optimize blasting techniques and parameters, along with emulsion blends.

ALO ended Q4/17 with \$51.6M in cash and short-term investments on hand (vs. \$68.5M in Q3/17) and no debt.

With this note we have applied lower P/NAV multiples for San Francisco and Ana Paula, resulting in a C\$6.00 price target (down from C\$7.00 previously). Our revised target is based on a 0.9x P/NAV multiple (vs. 1.05x previously). Valuation: ALO shares are trading at a spot P/NAV of 0.49x and 4.5x 2018E P/CF vs. peers at 0.73x and 5.6x, respectively. Summary quarterly results are shown in Exhibit 1.

Qtly Adj EPS (FD)	Q1	Q2	Q3	Q4	Year	Price/Adj. EPS
2016A	\$0.01	\$0.02	\$0.02	\$0.02	\$0.07	50.3x
2017A	\$0.02	\$0.10	\$0.12	\$-0.06	\$0.30	12.3x
2018E	\$-0.01	\$0.07	\$0.07	\$0.07	\$0.20	14.9x
2019E	\$0.09	\$0.09	\$0.09	\$0.09	\$0.37	8.0x

(FY-Dec.)	2015A	2016A	2017A	2018E	2019E
CFPS	\$0.02	\$0.13	\$0.71	\$0.52	\$0.95
Price/Cash Flow	73.1x	24.9x	5.2x	5.7x	3.1x
EBITDA (M)	\$2.2	\$27	\$27	\$23	\$43
Gold Prod (000 oz)	93	100	84	92	110
Gold Cash Cost (US\$/oz)	\$1,019	\$743	\$831	\$959	\$867

Historical price multiple calculations use FYE prices. All values in US\$ unless otherwise indicated. Source: FactSet; company reports; Scotiabank GBM estimates.

Dissemination: February 21, 2018, 14:05 ET. Production: February 21, 2018, 14:00 ET.

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[Link to ScotiaView](#)

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PERTINENT DATA

Rating	Sector Perform
1-Yr. Target	C\$6.00
ALO-T	C\$3.74
ALO-A	US\$2.94
1-Yr. Return	60.4%
Risk Ranking	Speculative
NAVPS	C\$6.69
P/NAV	0.56x
Valuation: 0.9x NAV	

PERTINENT REVISIONS

	New	Old
1-Yr. Target	C\$6.00	C\$7.00
Adj EPS18E	\$0.20	\$0.22
Adj EPS19E	\$0.37	\$0.38
NAVPS	C\$6.69	C\$6.74
New Valuation: 0.9x NAV		
Old Valuation: 1.05x NAV		

CAPITALIZATION

Market Cap. (M)	C\$201
Net Debt + Pref. (M)	C\$-69
Enterprise Value (M)	\$104
Shares O/S (M)	54
Float O/S (M)	52



Exhibit 1: Summary Quarterly Results

	Reported Q4/17A	Scotia Q4/17E	% diff	Reported Q3/17A	%Δq/q	Reported Q4/16A	%Δy/y
Operating Statistics - San Francisco							
Ore processed (000's tonnes)	1,724	1,724	0%	1,916	-10%	1,918	-10%
Average grade (g/t Au)	0.46	0.46	0%	0.40	15%	0.48	-5%
Waste mined (000's tonnes)	6,232	4,945	26%	5,185	20%	2,734	128%
Total mined (000's tonnes)	7,990	6,923	15%	6,830	17%	4,598	74%
Strip ratio (waste:ore)	3.55	2.50	42%	3.15	13%	1.47	141%
Gold placed on pads (oz)	25,502	25,502	0%	24,647	na	29,723	na
Gold produced (oz)	16,070	16,070	0%	19,429	-17%	25,287	-36%
Gold sold (oz)	16,067	16,067	0%	19,601	-18%	26,012	-38%
Gold recovery (%)	63%	63%	0%	79%	na	85%	na
Average ore processed (tpd)	18,741	18,741	0%	20,830	-10%	20,847	-10%
Financial Statistics							
Cash cost net of by-products (\$/oz)	\$1,041	\$1,054	-1%	\$886	17%	\$716	45%
All-in sustaining cash cost (\$/oz)	\$1,357	\$1,318	3%	\$1,104	23%	\$910	49%
Average realized gold price (\$/oz)	\$1,274	\$1,274	0%	\$1,278	0%	\$1,191	7%
Metal revenues (\$M)	\$20.6	\$20.6	0%	\$25.2	-18%	\$31.0	-34%
Profit (loss) from operations (\$M)	(\$0.5)	\$1.0	na	\$6.7	na	\$6.9	na
Earnings (Loss) (\$M)	(\$2.9)	\$0.6	na	\$5.2	na	\$6.0	na
Reported EPS	(\$0.06)	\$0.01	na	\$0.12	na	\$0.02	na
Cash flow from ops (pre W/C) (\$M)	\$1.0	\$1.9	-45%	\$6.4	-84%	\$10.0	-90%
CFPS (pre W/C)	\$0.02	\$0.04	-46%	\$0.15	-84%	\$0.03	-22%
Quarter-end cash position (\$M)	\$51.6	\$51.5	0%	\$68.5	-25%	\$33.9	52%

Source: Company reports; Scotiabank GBM estimates.

Exhibit 2: Operating and Financial Parameters
Alio Gold Inc.

Symbol	ALO-T; ALO-N	Stock Rating	SP
Share Price (C\$)	\$3.60	12 Month Target Price (C\$)	\$6.00
FD Shares Outstanding (M)	53.7	Implied Return	67%
Market Cap (C\$M)	\$193	NAV/Share (C\$)	\$6.69
Enterprise Value (C\$M)	\$143	Dividend / Share (C\$)	-
52-week High / Low (C\$)	\$7.99 / \$3.52	Price/NAV	0.54x

Ratio Analysis	2016A	2017A	2018E	2019E
Net Income (C\$M)	\$31.7	\$11.9	\$8.9	\$16.6
Adjusted EPS	\$0.07	\$0.30	\$0.20	\$0.37
P/E (x)	28.8x	9.4x	14.3x	7.6x
Operating CF, pre-WC	\$42.9	\$28.1	\$23.2	\$42.4
CFPS, pre-WC	\$0.13	\$0.71	\$0.52	\$0.95
P/CF, pre-WC	21.3x	4.0x	5.5x	3.0x

Income Statement Items (US\$M)	2016A	2017A	2018E	2019E
Total Revenue	\$123	\$105	\$119	\$143
Operating costs	\$75	\$70	\$88	\$95
SG&A	\$8	\$9	\$8	\$4
Depreciation	\$14	\$5	\$9	\$16
Other	\$14	\$0	\$1	\$1
EBITDA	\$27	\$27	\$23	\$43
EBIT	\$13	\$22	\$15	\$27
EBT	\$13	\$22	\$15	\$27
Taxes	\$4	\$9	\$4	\$6
Effective tax rate	33%	40%	27%	23%
Reported net earnings	\$32	\$12	\$9	\$17
Reported EPS	\$0.10	\$0.30	\$0.20	\$0.37
Adjusted EPS	\$0.07	\$0.30	\$0.20	\$0.37

Cash Flow Statement Items (US\$M)	2016A	2017A	2018E	2019E
Net earnings before tax	\$36	\$21	\$15	\$26
DD&A	\$14	\$5	\$9	\$16
Stock based compensation	\$0	\$0	\$0	\$0
Income tax paid	\$3	\$3	\$0	\$0
Other	(\$11)	(\$0)	\$0	\$0
Operating CF, pre-WC	\$43	\$28	\$23	\$42
CF from operating activities	\$34	\$13	\$23	\$42
CF from financing activities	\$1	\$40	\$35	\$0
CAPEX	(\$15)	(\$38)	(\$25)	(\$138)
CF from investing activities	(\$12)	(\$56)	(\$25)	(\$138)
Net change in cash	\$25	(\$2)	\$33	(\$95)
CFPS, pre-WC	\$0.13	\$0.71	\$0.52	\$0.95
Free Cash Flow (Op CF - capex)	\$19	(\$25)	(\$2)	(\$95)

Balance Sheet Items (US\$M)	2016A	2017A	2018E	2019E
Cash	\$34	\$31	\$85	(\$10)
Current assets	\$57	\$87	\$120	\$25
Property, plant & equipment	\$114	\$149	\$174	\$312
Total assets	\$171	\$236	\$294	\$336
Short-term debt	\$0	\$0	\$0	\$0
Current liabilities	\$19	\$25	\$25	\$25
Long-term debt	\$0	\$0	\$35	\$35
Total liabilities	\$28	\$39	\$74	\$74
Shareholder's equity	\$143	\$197	\$220	\$263
Total liabilities & shareholder's equity	\$171	\$236	\$294	\$336
Working capital	\$38	\$62	\$95	(\$0)

Mine Reserves and Resources

Attrib. Gold Reserves (000 oz)	632
Attrib. Gold Resources (000 oz)	2,963

	2016A	2017A	2018E	2019E
Share price (CAD\$)	\$3.60	\$3.60	\$3.60	\$3.60
Shares Outstanding (M) fd	324.2	39.9	44.7	44.7
Gold price (US\$/oz)	\$1,249	\$1,259	\$1,300	\$1,300

Mine Production and Costs

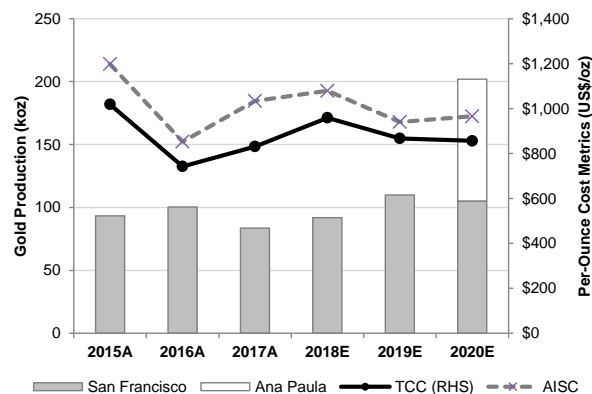
	2016A	2017A	2018E	2019E
San Francisco (000s oz)	100.3	83.6	91.9	110.0
Ana Paula (000s oz)	0.0	0.0	0.0	0.0
Total Gold Production (000s oz)	100.3	83.6	91.9	110.0
Average cash costs (US\$/oz gold)	\$743	\$831	\$959	\$867

Additional Ratio Analysis

	2016A	2017A	2018E	2019E
Profit Margin	39%	34%	27%	34%
ROE	22%	6%	4%	6%
ROA	19%	5%	3%	5%
EV/EBITDA (x)	4.2x	4.2x	4.9x	2.6x
Net Debt/Equity	n.m.	n.m.	n.m.	12%
Book Value (CAD\$/sh)	\$0.53	\$5.91	\$6.58	\$7.53
Free cash flow (CAD\$/sh)	\$0.06	(\$0.63)	(\$0.04)	(\$2.13)

NAV Analysis

Asset Breakdown	C\$M	C\$/Sh	%
San Francisco	\$109	\$2.03	35%
Ana Paula	\$203	\$3.78	65%
Subtotal - Operations	\$312	\$5.81	100%
Cash	\$69	\$1.29	
Corporate Adjustments	(\$17)	(\$0.41)	
Total Debt	\$0	\$0.00	
Net Asset Value	\$365	\$6.69	
Target Multiple		0.90x	
Target Price & Implied Return		\$6.00	67%

Production & Total Cash Cost Profile (2015A-2020E)


Source: Company reports; Scotiabank GBM estimates.

Company Overview

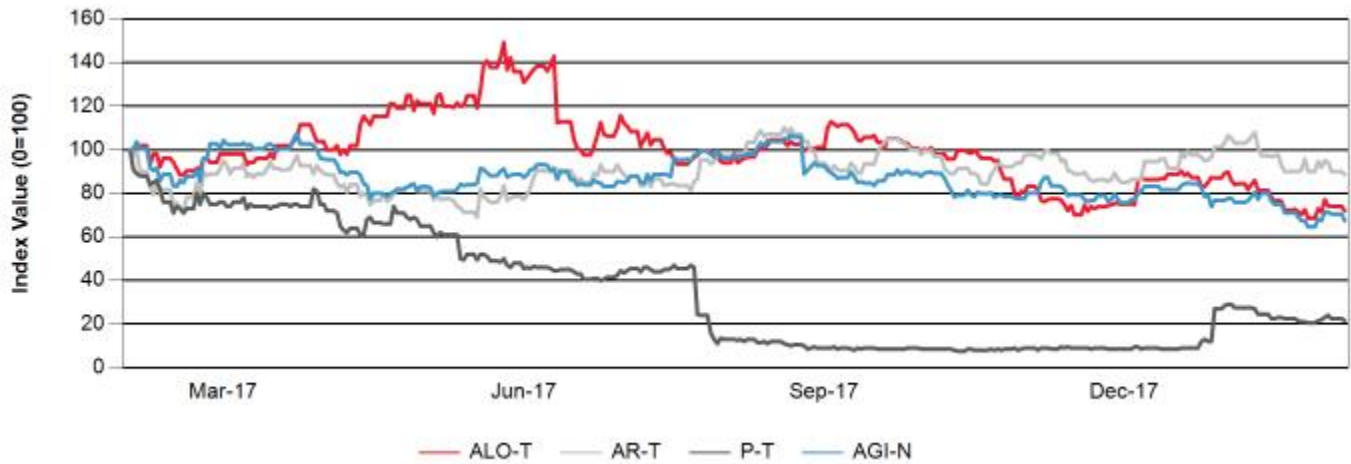
Company Description

Alio Gold Inc. (Alio) is a Vancouver-based gold producer with the operating San Francisco open-pit heap leach gold mine in Sonora, Mexico and the Ana Paula gold development project in Guerrero, Mexico.

Risks

Key Risks: Multiple contraction, commodity prices, technical and operational risks, and geopolitical risks

Total Return Index of ALO-T



Source: Scotiabank GBM; FactSet.

Appendix A: Important Disclosures**Company** **Disclosures (see legend below)***

Alio Gold Inc.	I, O1, VS0055
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VS0055 Research Analyst Ovais Habib visited the San Francisco project, an operating mine, on October 22, 2012, and May 20, 2014. Partial payment was received from the issuer for the travel-related expenses incurred by the Research Analyst to visit this site.

Rating and Price Target History

Alio Gold Inc. (ALO-T) as of February 20, 2018 (in CAD)

02-25-2015 Price: 10.50 Rating: SP Target: 2.00	03-11-2015 Price: 8.50 Rating: SP Target: 1.75*	07-31-2015 Price: 4.00 Rating: SP Target: 1.50*	08-31-2015 Price: 3.55 Rating: SP Target: 0.50*	11-03-2015 Price: 2.50 Rating: SP Target: 0.25*	03-24-2016 Price: 2.85 Rating: SP Target: 0.30*	05-18-2016 Price: 4.25 Rating: SP Target: 0.50*	07-13-2016 Price: 5.80 Rating: SP Target: 0.55*	08-12-2016 Price: 7.20 Rating: SP Target: 0.75*	08-23-2016 Price: 6.40 Rating: SO* Target: 1.00*	01-10-2017 Price: 4.40 Rating: SP* Target: 0.75*	05-12-2017 Price: 6.20 Rating: SP Target: 0.80*
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05-16-2017 Price: 6.50 Rating: SP Target: 7.50*	01-09-2018 Price: 4.33 Rating: SP Target: 7.00*
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*Represents the value(s) that changed.

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Ratings Legend: FS=Focus Stock; SO=Sector Outperform; SP=Sector Perform; SU=Sector Underperform; T=Tender; UR=Under Review; CS=Coverage Suspended; DC=Discontinued Coverage
Source: Scotiabank GBM estimates/Scotia Howard Weil estimates; FactSet.

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The rating assigned to each security covered in this report is based on the Scotiabank, Global Banking and Markets research analyst's 12-month view on the security. Analysts may sometimes express to traders, salespeople and certain clients their shorter-term views on these securities that differ from their 12-month view due to several factors, including but not limited to the inherent volatility of the marketplace.

Ratings

Focus Stock (FS)

The stock represents an analyst's best idea(s); stocks in this category are expected to significantly outperform the average 12-month total return of the analyst's coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

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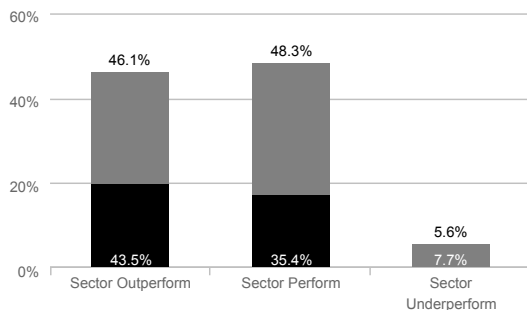
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* As of January 31, 2018.

Source: Scotiabank GBM.

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Action Note

Equity Research

February 21, 2018

Gold and Precious Minerals - Mid-and Small-Cap Golds

Alio Gold Inc.

(ALO-T, ALO-N) C\$3.56 | US\$2.94

2018 Focus will be on Ana Paula
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Mengdi Li, CPA, CA (Associate)
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Event

Alio Gold reported Q4/17 financial results; production was previously released.

Impact: SLIGHTLY NEGATIVE

Q4 was a relatively weak quarter, which was not a surprise as the company had previously announced pre-stripping, ramp-up delays at San Francisco in late 2017, which decreased the Q4 production. Incorporating the results, and slightly higher cost estimates, our NAV declines to C\$7.02/share from C\$7.47/share previously.

- **Adjusted EPS** of -\$0.02 was below our estimate of \$0.03 and consensus of \$0.01, largely due to higher-than-expected operating and overhead costs. CFPS (pre-working capital) of \$0.02/sh was below our estimate of \$0.06/sh, reflecting the higher-than-expected costs.
- **Operating Costs** were higher-than-expected, with total cash costs of \$1,041/oz higher than our estimate of \$932/oz. The increase was largely due to higher cost per tonne mined (more waste was mined during Q4) and the ramp-up delays.
- **Balance sheet; financing upon completion of DFS:** Net cash decreased to \$51.6mm from \$68.5mm previously. Management reiterated that a potential debt financing for ~\$90-\$100mm is expected to be arranged in order to fund Ana Paula. The company is reviewing proposals for the financing, which is expected to be arranged in conjunction with the completion of a Definitive Feasibility Study (DFS).
- **Underground contemplated for Ana Paula:** The DFS has been planned for completion in Q2 2018, however, Alio is currently evaluating a change in scope of the DFS which would include an underground mine component. Management plans to construct an underground decline into the known extension of the high-grade breccia extension which is below the proposed open pit. The decline is expected to reach the area during Q3/18, after which drilling and more development work will take place.

TD Investment Conclusion

We are maintaining our BUY recommendation but lowering our target price to C\$9.00 from C\$10.50 previously on our lower NAV and slightly lower multiples.

With the optionality of the producing San Francisco mine and the new management's focus on surfacing value for Ana Paula, which has favourable economics, we continue to believe that there is value to be surfaced. We continue to view the company as a potential acquisition target.

Recommendation:	BUY
Risk:	HIGH
12-Month Target Price:	C\$9.00↓ Prior: C\$10.50
12-Month Dividend (Est.):	C\$0.00
12-Month Total Return:	152.8%

Market Data (C\$)

Current Price	C\$3.56
52-Week Range	\$3.54 - \$7.99
Mkt Cap (f.d.) (\$mm)	\$163.0
Mkt Cap (basic) (\$mm)	\$159.1
EV (\$mm)	\$97.7
Current Dividend	\$0.00
Dividend Yield	0.0%
Avg. Daily Trading Vol.	212,541

Financial Data (C\$)

Fiscal Y-E	December
Shares O/S (f.d)(mm)	45.8
Shares O/S (basic) (mm)	44.7
Float Shares (mm)	44.7
Net Debt (\$mm)	\$(65.3)
NAVPS	\$7.02

Estimates (US\$)

Year	2016A	2017A	2018E	2019E
EBITDA (\$mm)	40.7	26.7	37.0	53.5
EBITDA (\$mm) (old)	-	29.0	-	-
EPS (f.d.)	0.06	0.38	0.35	0.41
EPS (f.d.) (old)	-	0.43	0.36	0.42
CFPS (f.d.)	0.13	0.65	0.72	1.04
CFPS (f.d) (old)	-	0.69	0.74	1.07

EPS (f.d.) Quarterly Estimates (US\$)

Year	2016A	2017A	2018E	2019E
Q1	0.01	0.21	0.05	-
Q2	0.02	0.10	0.10	-
Q3	0.02	0.10	0.10	-
Q4	0.01	(0.02)	0.10	-

Valuations

Year	2016A	2017A	2018E	2019E
P/E (f.d.)	47.4x	7.5x	8.1x	6.9x
P/CFPS (f.d)	21.9x	4.4x	3.9x	2.7x

All figures in US\$, unless otherwise specified



Company Profile

Alio Gold Corp.(ALO-T, ALO-N) is a Vancouver-based junior gold producer focused on the production, development, exploration, and acquisition of mineral properties in Mexico. The company's primary asset is the San Francisco mine, an open-pit heap leach operation, in Sonora Mexico.

Details

- **Free cash flow** (defined as OCF pre-working capital changes less total capex) was negative \$16.2mm, reflecting capex of \$17.3mm spent during Q4/17 at San Francisco (\$9.2mm) and Ana Paula (\$8.1mm).
- **AISC** for Q4/17 was \$1,357/oz sold and was \$1,034/oz sold for the full year.

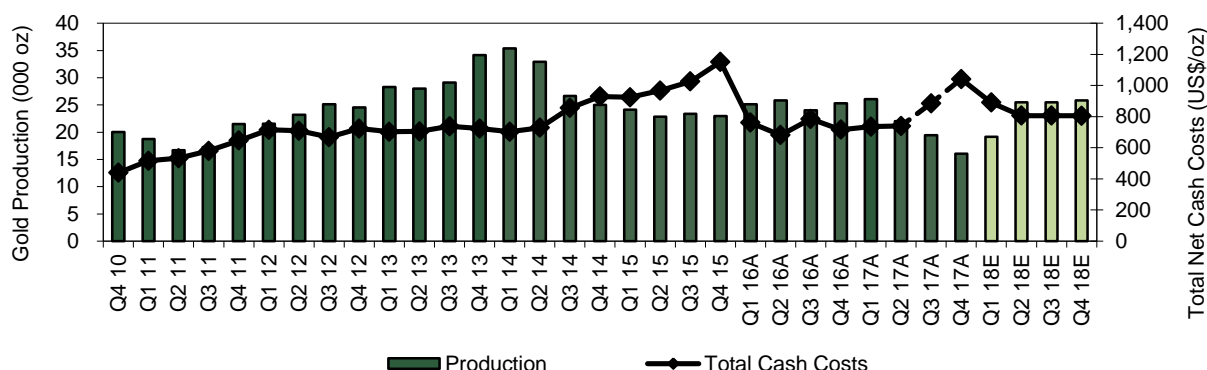
Exhibit 1: Quarterly Operating Summary

Gold Production	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q4 17	Difference (%)		
	Actual	Actual	Actual	Actual	Actual	TDSI Est.	TD Est.	QoQ	YoY
Total Production (San Francisco) - (ozs)	25,287	26,048	22,011	19,429	16,070	16,070	0%	-17%	-23%
Total Cash Operating Costs ¹ - (US\$/oz)	716	735	740	886	1,041	932	12%	17%	24%

¹ By-product basis.

Source: Company reports, TD Securities Inc.

Exhibit 2: Historical Operating Results



Source: Company reports, TD Securities Inc.

Exhibit 3: Changes to Our Estimates

	Gold Production (000 oz)		Total Net Cash Costs (US\$/oz)		
	2018E	2019E	2018E	2019E	
New	96.0	111.1	\$823	\$735	
Old	96.5	111.1	\$825	\$735	
	EPS (US\$/sh)		CFPS (US\$/sh)		NAVPS
	2018E	2019E	2018E	2019E	(C\$/sh)
New	\$0.35	\$0.41	\$0.72	\$1.04	\$7.02
Old	\$0.36	\$0.42	\$0.74	\$1.07	\$7.47

Source: TD Securities Inc.



Action Note

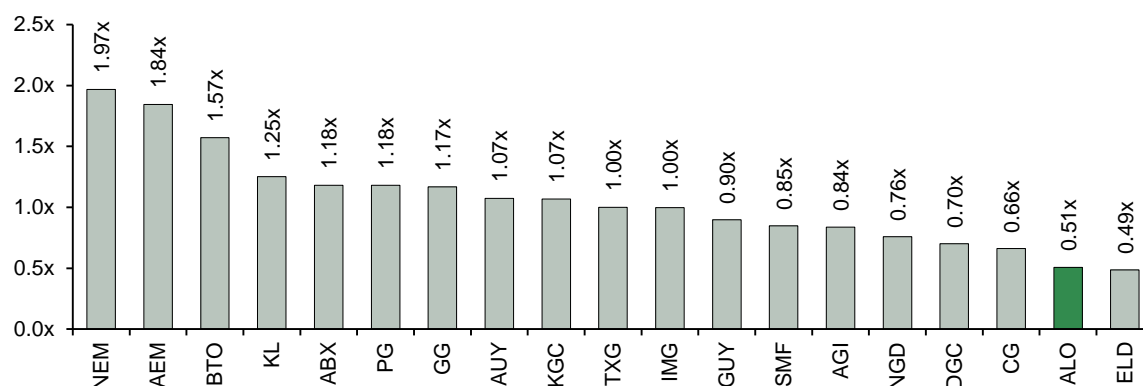
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Valuation

Alio is currently trading at 0.51x NAV and at 1.4x 2019E EBITDA, well below the junior/mid-cap producer group average of 0.89x NAV and 5.2x 2019E EBITDA. With the San Francisco mine slated to continue production and given the optionality in its development projects, we believe that the stock has a take-out potential closer to the average valuation of the peer group.

Exhibit 4: Gold Producers — P/NAV



Source: TD Securities Inc.

Exhibit 5: Peer Valuation Summary

Company	P/NAV	P/E		P/CF		EV/EBITDA	
		2018E	2019E	2018E	2019E	2018E	2019E
B2Gold Corp.	1.57	12.5	12.9	5.7	5.8	5.8	6.1
Yamana Gold Inc.	1.07	50.8	30.5	4.5	4.0	6.8	6.1
Alamos Gold Inc.	0.84	29.9	21.0	9.7	8.5	8.1	6.9
Eldorado Gold Corp.	0.49	63.9	48.0	6.1	6.0	5.5	5.4
Detour Gold Corp.	0.70	13.1	22.1	5.5	6.4	6.0	7.0
IAMGOLD Corp.	1.00	69.1	67.8	7.5	6.8	6.2	5.5
Kirkland Lake Gold Ltd.	1.25	14.6	15.0	8.0	7.4	7.1	6.5
New Gold Inc.	0.76	18.6	13.7	4.3	3.7	5.3	4.5
Centerra Gold Inc.	0.66	10.4	5.7	4.0	2.9	3.1	2.3
Torex Gold Resources Inc.	1.00	102.8	12.3	5.2	3.7	7.3	4.3
SEMAFO Inc.	0.85	32.9	12.6	6.3	4.1	5.0	3.1
Guyana Goldfields Inc.	0.90	35.6	88.8	8.0	9.3	7.9	9.0
Alio Gold Corp.	0.51	8.1	6.9	3.9	2.7	2.1	1.4
Average:	0.89	35.6	27.5	6.1	5.5	5.9	5.2

Source: TD Securities Inc.

Action Note

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February 21, 2018

Justification of Target Price

Our target price is based on a 1.1x NAV multiple (1.2x previously) on mining assets, weighted 60%, and a 6x multiple (7x previously) to our 2019E EBITDA estimate, weighted 40%. The updated multiples reflect the increased risk of geopolitical instability in the Guerrero region of Mexico, where the Ana Paula project is located. We value Alio at the lower-end of the junior/intermediate producers' target multiple ranges of 1.1x–1.7x NAV and 6x–11.0x EBITDA, balancing the company's relatively high operating cost structure against what we view as a relatively safe operating jurisdiction for the San Francisco mine and favourable economics of Ana Paula project.

Key Risks to Target Price

Our recommendation is subject to political, technical, forecast, and financial risks. These risks include, but are not limited to: risks related to gold and fuel prices; the governing fiscal and legislative regimes; the timing of key developments; market conditions; capital and operating costs; foreign exchange rates; resources; operating parameters; permitting; environmental concerns; indigenous people; and both staffing and retention of key personnel. The company has financing risk, with development projects in the pipeline and insufficient resources to develop them. There are also elevated political and social risks in the Guerrero region of Mexico which has impacted other mining operations in the area.

Action Note

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February 21, 2018

Exhibit 6: Alio Gold Snapshot

Symbol	TSX:ALO	Target Price (C\$):	\$9.00
Share Price (C\$)	\$3.56	Return:	153%
Market Cap (C\$m)	\$163	Reserves (mm ozs Au)	0.57
Stock Rating:	BUY	Total Resources (mm ozs Au)	1.04

Company Profile:

Alio Gold is a junior gold producer with a single operating asset, San Francisco in Mexico and a number of exploration properties in Mexico.

Ratio Analysis	2014A	2015A	2016A	2017A	2018E
Net Income (US\$m)	14	(7)	20	15	16
EPS (f.d.) (US\$/sh)	0.08	(0.03)	0.06	0.38	0.35
Operating CF bf. ch. in WC (US\$m)	31	55	39	16	33
CFPS bf. ch. in WC (US\$/sh)	0.26	0.02	0.13	0.65	0.72

Income Statement Items (US\$m)

Total revenue	154	109	124	105	126
Operating costs	98	96	75	70	80
Exploration	-	-	-	-	-
SG&A	14	11	8	9	8
Depreciation	19	17	14	5	12
Interest expense	2	1	3	(1)	-
Other	-	-	1	-	1
EBITDA	43	3	41	27	37
EBIT	24	(13)	26	22	25
EBT	20	(241)	36	21	25
Taxes	11	(50)	4	9	9
Effective tax rate	54%	35%	35%	35%	35%
Earnings bf. minority interests	9	(190)	32	12	16
Minority interest	-	-	-	-	-
Reported net earnings	9	(190)	32	12	16
Adjusted net earnings	14	(7)	20	15	16
Reported EPS (US\$/sh)	0.06	(0.77)	0.10	0.32	0.35
Adjusted EPS (US\$/sh)	0.08	(0.03)	0.06	0.38	0.35

Cash Flow Statement Items (US\$m)

Net earnings	9	(190)	32	12	16
DD&A	19	17	14	5	12
Deferred taxes	-	-	-	(4)	2
Minority interest	-	-	-	-	-
Other	3	229	(7)	3	2
Operating CF bf. ch. in WC	31	55	39	16	33
CF from operating activities	33	13	34	13	33
CF from financing activities	19	4	1	40	-
CAPEX	(36)	(32)	(19)	(38)	(70)
CF from investing activities	(47)	(32)	(12)	(56)	(70)
Net change in cash	4	(15)	22	(2)	(37)
CFPS bf. ch. in WC (US\$/sh)	0.26	0.02	0.13	0.65	0.72

Balance Sheet Items (US\$m)

Cash	27	11	34	52	14
Current assets (incl. cash)	90	32	57	87	41
Property, plant & equipment	216	121	114	149	207
Total assets	312	153	171	236	248
Short-term debt	11	10	-	-	-
Current liabilities	38	46	19	25	21
Long-term debt	-	-	-	-	-
Total liabilities	98	56	28	39	36
Minority interest	-	-	-	1	-
Shareholder's equity	214	96	143	197	212
Working capital	52	(14)	38	62	20

¹ All-in cash costs include operating costs, G&A, sustaining capex, exploration costs and other.

Source: Company reports, TD Securities.

Steven Green, CFA (416) 307-6304 steven.green@tdsecurities.com

	2014A	2015A	2016A	2017A	2018E
S/O (mm)	162.0	248.6	324.2	39.9	45.8
Average Gold price (US\$/oz)	\$1,267	\$1,171	\$1,248	\$1,258	\$1,300
Total Cash costs (US\$/oz)	\$790	\$1,017	\$734	\$831	\$823
All-in cash costs ¹ (US\$/oz)	\$1,163	\$1,415	\$937	\$1,065	\$1,044

Mine Production

Gold - San Francisco (000 ozs)	120	93	100	84	96
Total Gold (000 ozs)	120	93	100	84	96

Quarterly Mine Production

	Q1 17A	Q2 17A	Q3 17A	Q4 17A
Total Gold (000 ozs)	26	22	19	16
Total Cash costs (US\$/oz)	\$735	\$740	\$886	\$1,041
All-in cash costs ¹ (US\$/oz)	\$867	\$964	\$1,104	\$1,357

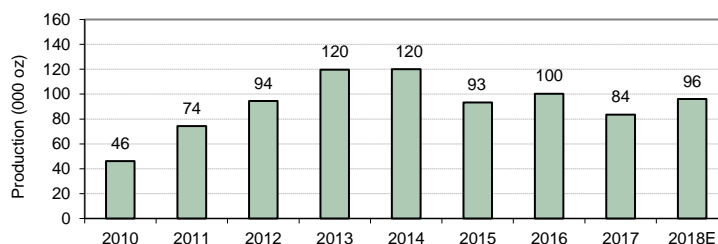
Operating Profit (US\$m)

San Francisco	29	(2)	27	22	24
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Additional Ratio Analysis

	2014A	2015A	2016A	2017A	2018E
Net interest coverage (x)	12.7	na	8.9	na	na
Profit margin	37%	13%	40%	34%	36%
ROE	6%	-5%	17%	9%	8%
ROA	4%	-5%	12%	7%	7%
Net Debt/Equity	na	na	na	na	na
Book Value (US\$/sh)	1.32	0.39	0.44	4.93	4.63
Free cash flow (US\$/sh)	(0.02)	(0.08)	0.05	(0.63)	(0.81)

Production Profile



NAV Analysis

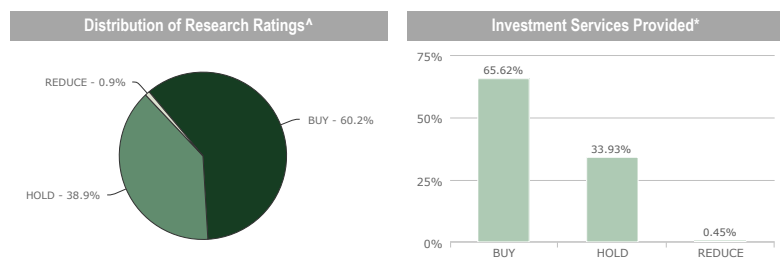
Asset	NAV (US\$ mm)	NAV/Sh (C\$)
San Francisco	100% \$118.5	\$3.32
Caballo Blanco	100% \$0.0	\$0.00
Ana Paula	100% \$107.5	\$3.01
Exploration Properties	var \$0.0	\$0.00
Working Capital and ITM Options	100% \$62.8	\$1.76
Debt	100% \$0.0	\$0.00
SG&A	100% (\$34.0)	(\$0.95)
Asset Retirement Obligation	100% (\$4.1)	(\$0.11)
Total NAV	\$250.8	\$7.02

Action Note

Equity Research

February 21, 2018

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Definition of Research Ratings

ACTION LIST BUY: The stock's total return is expected to exceed a minimum of 15% (with higher thresholds for less liquid, more risky securities) over the next 12 months and it is a top pick in the Analyst's sector.

BUY: The stock's total return is expected to exceed a minimum of 10% (with higher thresholds for less liquid, more risky securities) over the next 12 months.

SPECULATIVE BUY: The stock's total return is expected to exceed a minimum of 30% over the next 12 months (with higher thresholds for less liquid securities); however, there is material event risk associated with the investment that could result in a significant loss.

HOLD: The stock's total return is expected to be between 0% and 10%, (with higher thresholds for less liquid, more risky securities) over the next 12 months.

TENDER: Investors are advised to tender their shares to a specific offer for the company's securities or to support a proposed combination reflecting our view that a superior offer is not forthcoming.

REDUCE: The stock's total return is expected to be negative over the next 12 months.

UNDER REVIEW: Our rating is under review pending additional information and/or analysis. The prior rating should not be relied on.

Overall Risk Rating in order of increasing risk: Low (7.0% of coverage universe), Medium (38.0%), High (45.6%), Speculative (9.4%)

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Action Note

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