HAYWOOD SECURITIES INC. CAPITAL MARKETS

Research Report

CGA Mining Ltd. (CGA-T, $1.84)

Wednesday, May 21, 2008

Rating:	**SECTOR OUTPERFORM**
Target Price:	**$3.20**
Return:	**64%**
YTD Performance:	**27%**
Risk Profile:	**SPECULATIVE**

Andrew Kaip (416-507-2417, akaip@haywood.com)
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Maintaining Haywood's position as first mover within the junior precious metal sector, our $3.20 target is the first on the street.

Masbate Resource Update

Event: CGA Mining released an updated resource statement and announced plans to begin a scoping study to increase mill capacity for the Masbate Project in the Philippines.

Impact – Neutral: The update estimates total resources of 7.77 million ounces of gold up from the previous 4.6 million ounces of gold and was estimated to examine expanding operations.

- **Forecasts, target price, ratings –** No change.

Issues:

- **Masbate Resource Update**
  CGA Mining released an updated resource statement outlining indicated resources of 153.4M tonnes grading 0.92 g/t gold for 4.6Moz of gold and inferred resources of 127.2M tonnes grading 0.79 g/t gold for 3.2Moz of gold. The total 7.8Moz gold resource was derived using a 0.36 g/t cut off and US$750 gold price. The previous resource of released in Q4/07 outlined resources of 4.8 million ounce using a 0.7 g/t cut-off and US$450 gold price.
- **CGA Commits to Scoping Study for Masbate Project**
  The larger resource reduces potential waste to ore strip ratios from the current 3.4 to 1 to the 1.5 to 1 range. Contemplating a larger resource and lower strip ratio, the company has committed to a scoping study to optimise project economics over the initial 10 years of the project life. CGA plans to examine a higher throughput option (up to 7mtpa from the current 4mtpa) which the Company anticipates will require modest additional capital and no modifications to the current plant layout.
- **Adding Ounces**
  The updated resource does not include +9,000 metres of new drilling that includes a new discovery adjacent to the North Libra open pit (10.51 g/t gold over 42 metres). We expect plans to drill an additional 20,000 metres of infill drilling to upgrade resources and to identify new zones of mineralization will continue to increase the Masbate resources base.

Valuation: Our target price of $3.20 per share is based on 1.2x our after-tax project $NAV_{5\%}$ of US$551 million or US$2.60 per share. We add an exploration credit of US$75 million, or US$0.36 per share, to reflect further growth potential at Masbate. CGA Mining trades at 0.6x project $NAV_{5\%}$, at the low end of our coverage universe that average 0.8x project $NAV_{3\% to\ 8\%}$.

Catalysts: 1) $80.3M debt facility in Q2 2008; 2) Reserve update in Q2 2008.

Investment Brief: CGA is an emerging gold producer that is developing the Masbate Project in the Philippines. Targeting production to begin in Q1/09, we forecast output in the range of 200,000 ounces of gold annually at estimated cash cost of US$410 over a +13-year mine life.

Forecast Risk	**High**
Financial Risk	**Low**
Valuation Risk	**Moderate**
Political Risk	**High**
52-Week High / Low	$2.14/$0.45
Dividend / Yield	$0.00/0.0%
Shares O/S	210.6 M (basic) 226.8 M (F/D)
Market Capitalization	387 million
Daily Volume	130,000

Financial Summary

Year-end Dec 31	2008E	2009E	2010E	2011E	2012E	2013E
Ave. Shares Outstanding, M	210.6	211.2	214.3	217.4	226.8	226.8
EPS	0.10	0.26	0.21	0.17	0.14	0.10
P/E	18x	7x	8x	10x	13x	17x
Target Price/EPS	32x	12x	15x	18x	23x	31x
CFFOPS	(0.13)	0.28	0.26	0.24	0.21	0.15
P/CFFOPS	-	6x	7x	7x	8x	12x
Target Price/CFFOPS	-	11x	12x	13x	15x	21x

Production Estimates

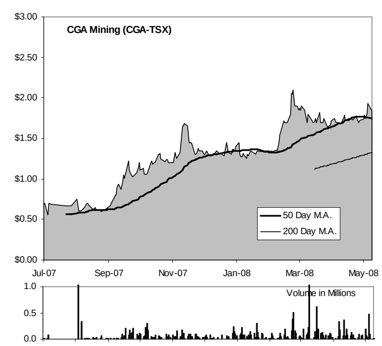
	2009E	2010E	2011E	2012E	LOM
Tonnes Milled per Annum, 000	3,623	3,960	4,500	4,500	4,780
Average Milling Rate, per day	10,065	11,000	12,500	12,500	13,277
Annual Gold Production, 000 oz	193	211	233	233	202
Total Cash Costs, US$/oz	$ 347	$ 345	$ 331	$ 331	$ 409
Total Production Costs, US$/oz	$ 384	$ 392	$ 378	$ 379	$ 469

Company Profile – www.cgamining.com
CGA Mining is an emerging gold producer that is developing the Masbate project in the Philippines.

Company CEO – Michael Carrick

Revisions, Date of Record
Rating – Initiated March 10, 2008
Target – Increased to $3.20 April 3, 2008

Price Performance



Source: Bloomberg

Please see rating structure, important disclosure, risk profile parameters, disclaimers, and notes on pages 6-9 of this report.

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CGA Mining Ltd.

CGA Mining Ltd.				C$	1.84
Recommendation	SECTOR OUTPERFORM	Target US$	3.17	Shares O/S, M	210.6
Risk Profile	SPECULATIVE	Target C$	3.20	Float, M	210.6
		12-Month Return	74%	Market Capitalization, C$M	$ 387.4
In US$ unless otherwise stated				*Current C$/US$ FX*	1.02

Capital Structure	Ave. Strike Price C$/Share	Maturity Date	Shares Millions
Shares Outstanding			210.6
Options	$ 0.70	June 08 - July 11	10.0
Warrants	$ 1.03	Nov. 10	6.3
Fully Diluted Shares			226.8

Ownership	Shares O/S, M	% O/S
Management	2.5	1.2%
Institutional	74.4	35.3%

NET ASSET VALUE		Base Case 3.3 Moz (US$M)	($/Share)[1]
Project NAV$_{5\%}$			
Masbate		$ 551	$ 2.60
Project NAV		$ 551	$ 2.60
Balance Sheet Adjustments			
Masbate Exploration Potential		$ 75	$ 0.36
Mikushi (51% Interest)		$ 19	$ 0.09
Cash and Equivalent @ Dec. 31, 2008		$ 26	$ 0.12
Debt		$ (105)	$ (0.50)
I-T-M Options and Warrants		$ 13	$ 0.06
Corporate Adjustment[2]		$ (12)	$ (0.06)
		$ 14	$ 0.07
Total NAV	US$	$ 566	$ 2.67
	C$	$ 577	$ 2.72
Multiple to Project NAV	1.2x	$ 661	$ 3.12
12-Month Target Price	US$	$ 676	$ 3.17
	C$	$ 689	$ 3.20
Share Price / Project NAV			0.7x

Assumptions		2007A	2008E	2009E	2010E	Long-term 2011E
Gold	US$/oz	$ 653	$ 975	$ 900	$ 800	$ 700
Exchange Rate	C$/US$	1.12	1.02	1.05	1.09	1.14

Production Estimates	2009E	2010E	2011E	2012E	LOM
Tonnes Milled per Annum, 000	3,623	3,960	4,500	4,500	4,780
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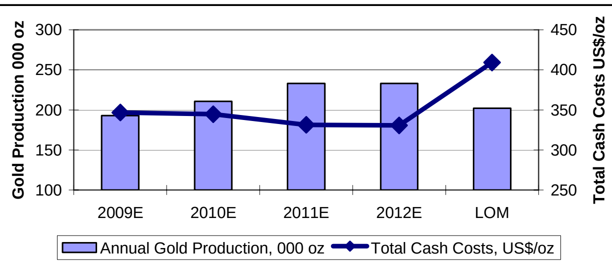
Reserves Modelled	Interest	Tonnes (000)	Grade g/t	Silver g/t	Gold (000 oz)	Silver (000 oz)	LOM Yrs
Masbate	100%	65,723	1.57		3,314		13.75

Modelled Production



1. Based on 210.6 million P/D shares

Financial Summary Year-end Dec 31	2008E	2009E	2010E	2011E	2012E	2013E
Ave. Shares Outstanding, M	210.6	211.2	214.3	217.4	226.8	226.8
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P/E	18x	7x	9x	10x	13x	18x
Target Price/EPS	32x	12x	15x	18x	23x	31x
CFFOPS	(0.13)	0.28	0.26	0.24	0.21	0.15
P/CFFOPS	-	6x	7x	8x	9x	12x
Target Price/CFFOPS	-	11x	12x	13x	15x	21x
Income Statement						
Revenue, $M	0.7	170.1	165.3	159.8	151.3	138.3
Operating Expenses, $M	-	66.9	72.7	77.2	77.0	85.6
Depreciation, $M	-	7.2	10.0	10.9	11.2	11.1
General & Admin, $M	6.4	5.5	5.7	5.8	6.0	6.1
Exploration Expenses, $M	15.5	5.0	2.8	0.5	0.5	0.5
Net Income, $M	20.6	54.5	44.7	37.7	30.8	22.8
Balance Sheet						
Cash & Equivalents, $M	25.5	67.2	111.5	141.7	148.9	180.4
Working Capital, $M	27.3	66.2	110.3	140.5	122.5	183.8
Long-term Debt, $M	105.3	60.2	65.2	45.1	-	-
Shareholder Equity, $M	83.4	141.6	191.3	233.0	269.6	292.3
Cash Flow						
Op. CF (before W/C), $M	(27.2)	58.8	55.5	52.0	47.8	33.8
Financing CF, $M	80.3	(19.7)	(13.6)	(20.1)	(38.5)	-
Investing CF, $M	(75.0)	(1.8)	(2.0)	(2.3)	(2.3)	(2.5)
Change in Cash, $M	(21.9)	37.3	39.8	29.7	7.1	31.3

Comparables Consensus Est.	Share C$	EV US$M	CFPS 2009	CFPS 2010	P/CFPS 2009	P/CFPS 2010
Eldorado Gold Corp.	7.86	2,645	0.40	0.45	20x	17x
Red Back Mining Inc.	8.25	1,462	0.70	0.63	12x	13x
Aurizon Mines Ltd.	5.19	812	0.50	0.47	10x	11x
GBS Gold	1.48	246	0.25	0.25	6x	6x
Alamos Gold Inc.	6.69	616	1.00	0.63	7x	11x
Lake Shore Gold	1.67	226	(0.05)	0.08	-	22x
					11x	13x
CGA Mining Ltd.	1.84	360	0.28	0.26	6x	7x

Reserves		Tonnes (000)	Gold g/t	Silver g/t	Gold 000 oz	Silver 000 oz
Probable		37,400	1.65		1,984	
		37,400	1.65		1,984	

Resources 0.7 g/t gold cut off		Tonnes (000)	Gold g/t	Silver g/t	Gold 000 oz	Silver 000 oz
Indicated		21,900	1.38		971	
Total		21,900	1.38		971	
Inferred		33,700	1.63		1,766	
Inferred	Low grade	18,650	0.61		366	
Total		52,350	1.27		2,132	

2. Includes G&A and exploration expenditures

Source: Haywood Securities

Investment Thesis

With Masbate development on schedule and capex expenditures insulated by a turnkey contract with Leighton Holdings Limited, Australasia's premier mine contractor, CGA Mining provides an acceptable-risk entry point for investors seeking the twin upside of gold exposure and near-term producer revaluation.

CGA Mining is on track to announce Masbate commercial production in Q1/09, and we estimate production at an annualized rate of 200,000 ounces at life-of-mine total cash costs of US$409 per ounce of gold over a +13-year mine life. At 0.6x our $NAVPS_{5\%}$, CGA Mining is trading at a developer discount with producer peers trading at 1.3x $NAVPS_{3\%}$ (0.7x to 1.9x), providing investors with a predictable 12-month re-rating window.

In addition to near-term production, CGA Mining provides investors with several avenues for capturing discovery upside. Despite Masbate's brownfields setting, we see multiple avenues for growth within the existing footprint as well as further afield along a well-defined trend of early stage prospects.

Considering the Company's calculated efforts in limiting development risk, we opine that re-rating to producer status and our target of $3.20 could be faster than our 12-month horizon.

Resource Update

CGA Mining released an updated resource statement outlining indicated resources of 153.4 million tonnes grading 0.92 g/t gold for 4.6 million ounces of gold and inferred resources of 127.2 million tonnes grading 0.79 g/t gold for 3.2 million ounces of gold. The total 7.8 million ounces gold resource was derived using a 0.36 g/t cut off and US$750 gold price.

The larger resource reduces potential waste to ore strip ratios from the current 3.4 to 1 to the 1.5 to 1 range. Contemplating a larger resource and lower strip ratio, the company has committed to a scoping study to optimise project economics over the initial 10 years of the project life. CGA plans to examine a higher throughput option (up to 7mtpa from the current 4mtpa) which the Company anticipates will require modest additional capital and no modifications to the current plant layout.

We reiterate our 12-month target price of $3.20 leavered share and maintain our SECTOR OUTPERFORM rating, with a SPECULATIVE risk profile for CGA Mining.

Valuation

Our target price of $3.20 per share is based on 1.2x our after-tax project $NAV_{5\%}$ of US$551 million or US$2.60 per share. We add an exploration credit of US$75 million, or US$0.36 per share, to reflect further growth potential at Masbate. CGA Mining trades at 0.6x project $NAV5_{\%}$, at the low end of our producer coverage universe that average 1.3x project $NAV_{3\%}$.

CGA Mining NAV

Haywood Assumptions	2007E	2008E	2009E	2010E	2011E	2012E
Gold	$ 653	$ 975	$ 900	$ 800	$ 700	$ 675
	$ 12.98	$ 18.50	$ 17.30	$ 14.30	$ 11.60	$ 11.05
C$/US$ Exchange Rate	1.12	1.02	1.05	1.09	1.14	1.14

				Base Case 3.3 Moz	
Project $NAV_{5\%}$					
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NAV	US$			$ 566	$ 2.67
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Multiple to Project NAV		1.2x		$ 661	$ 3.10
12-Month Target Price			US$	$ 676	$ 3.17
			C$	C$ 689	C$ 3.20
Share Price / Project NAV					0.6x

Notes: 2. Includes general and administrative expenses as well as exploration expenses
1. Based on 210.6 million P/D shares
All figures in US$ unless noted otherwise

Source: Haywood Securities

Our project $NAV_{5\%}$ is based on development of an open-pit mining operation at Masbate, with gold extraction using conventional milling and carbon-in-pulp (CIP), followed by elution and electrowinning to produce doré. We model an initial rate of 11,000 tonnes per day during the first 2-years of operations to reflect fine-grinding of oxide gold ore to improve recoveries. In years three and four we model continued production from oxide reserves, largely derived from the Panique open pit (inferred resource of 15.3 million tonnes at 1.87 g/t gold, or 900,000 ounces of gold), but at a higher rate of 12,500 tonnes per day as operations are optimized.

Masbate Project – Updated Resource and Announcement of Scoping Study

CGA Mining released an updated resource statement outlining indicated resources of 153.4 million tonnes grading 0.92 g/t gold for 4.6 million ounces of gold and inferred resources of 127.2 million tonnes grading 0.79 g/t gold for 3.2 million ounces of gold. The total 7.8 million ounces gold resource was estimated by ordinary kriging for all styles of mineralization using a 0.36 g/t gold cut-off and US$750 gold price. The previous resource that was released in Q4/07 outlined total resources of 4.8 million ounce of gold and was established using a 0.7 g/t gold cut-off and US$450 gold price using ordinary kriging for veins and uniform conditioning for stockwork mineralization. At a 0.7 g/t gold cut of, the new resource compares favourably with the Q4/07 resource estimate. Current reserves for the Masbate Project contain 1.98 million ounces calculated at 0.7 g/t cut-off and a US$450 gold price. A reserve update on the project is also anticipated during this quarter.

The larger resource reduces potential waste to ore strip ratios from the current 3.4 to 1 to the 1.5 to 1 range. Contemplating a larger resource and lower strip ratio, the company has committed to a scoping study to optimise project economics over the initial 10 years of the project life. CGA plans to examine a higher throughput option (up to 7mtpa from the current 4mtpa) which they anticipate will require relatively modest additional capital and no modifications to the current plant layout. We plan to await results from the revised reserve estimate and scoping study before making adjustments to our valuation.

The updated resource does not include +9,000 metres of new drilling that includes a new discovery adjacent to the North Libra open pit (10.51 g/t gold over 42 metres). We expect plans to drill an additional 20,000 metres of infill drilling to upgrade resources and to identify new zones of mineralisation will continue to increase the Masbate resources base.

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TSX:CGA	CGA Mining Ltd.		X	X	X				
TSX:ELD	Eldorado Gold Corp.			X					
TSX:RBI	Red Back Mining Inc.			X	X				
TSX:GBS	GBS Gold International Inc.		X	X			X		
TSX:AGI	Alamos Gold Inc.			X					
TSX:LSG	Lake Shore Gold Corp.			X					

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- n/a

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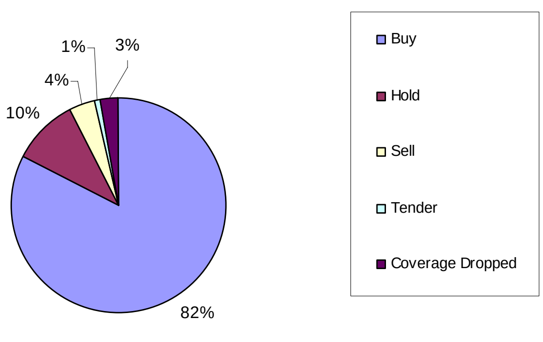
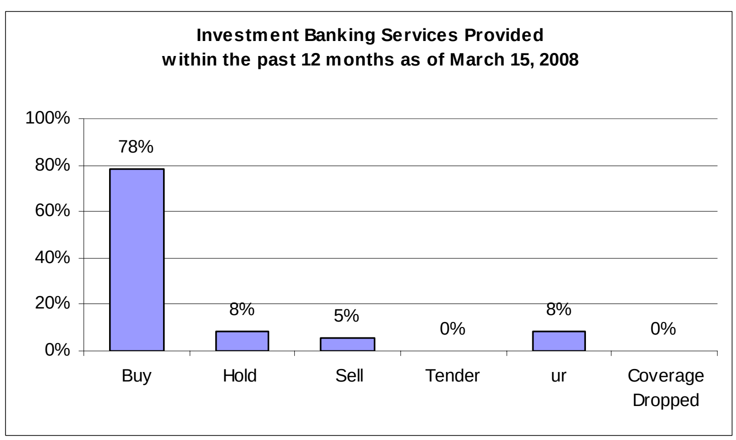
Rating Distribution December 15, 2007 - March 15, 2008





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Financial Risk: *High* – The business plan is not fully funded, but requires debt and/or equity financing. The exploration program is funded for two years or less. This categorization does not predict whether the additional funds will be raised. *Moderate* – The development plan is fully funded, with the exploration program funded for three years or more. The Company's debt is rated below investment grade. *Low* – The Company is fully funded. Its debt is rated investment grade and/or the Company has a history of profitability or dividend payments in each of the last three years.

Valuation Risk: *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by 15% to 50%. *Low* – The current valuation is at the low end of historic ranges and at a discount to peer valuations. The valuation reflects limited new exploration success and no commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by less than 15% or falls below the current market value.

Political Risk: *High* – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. *Moderate* – Industry activity or infrastructure is minimal. Government at national, regional, and local levels is indifferent. Obtaining permits is relatively straightforward. *Low* – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

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Changes in the rates of exchange between currencies may cause the value of your investment to fluctuate.

If you are a UK resident private customer and you propose to do business with Haywood Securities Inc, please take note of the following:

Any investment services undertaken on your behalf by Haywood Securities Inc are not covered by the rules and regulations made for the protection of private investors in the UK. This means that you will not have the benefit of rights designed to protect investors under the Financial Services and Markets Act 2000 and under the rules of the Financial Services Authority ("FSA").In particular, you will not benefit from the following UK protections:
(a) the right to claim through the UK's Financial Services Compensation Scheme for losses resulting in the unlikely event of our default;
(b) in the event of a dispute, access to the UK's Financial Ombudsman Service;
(c) protection of money held on your behalf under the FSA's Client Money Rules.