

GOLD STOCK ANALYST™

A Monthly Newsletter Finding **Undervalued** Investment Opportunities through Fundamental Analysis & Rankings of the largest North American-Traded Precious Metals Mining Stocks

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Where Are We Now?

Based on 1/27's \$562/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994 for Rising and Falling Gold price trends, **Gold stocks trade as if Gold was \$565/oz.** On average the stocks are:

Fairly Valued based on MC/oz P+P
Fairly Valued based on MC/oz Prod

On to \$600!

We thought it would take longer to reach our \$550/oz target for 2006. As seen in the table, from the \$256 low on April 2, 2001, gold's gains had been quite orderly... every \$50/oz milestone taking 212 to 240 trading days, or almost a year, to achieve.

But suddenly, here we are above \$550 after only 17 trading days, and looking for trail markers to a higher level. Unfortunately, there are none. The last and only time gold has been above \$550/oz was during the Jan-1980 to Jan-1981 period. Then the driving force was double digit inflation, which is not now on the horizon. So, if gold is going higher, it will have to find new price

Price Gain	Trading Days to Breach
\$256 > \$300	212 days
\$301 > \$350	222
\$351 > \$400	230
\$401 > \$450	240
\$451 > \$500	236
\$501 > \$550	17

drivers. Fortunately, there are plenty and they can be grouped into three categories:

1) Gold as a Safe Haven:

Political: Billions of petro-dollars flow to mid-east producers, and the area's wealthy must be increasingly worried about future actions of US/Bush and local extremists. **Iran's** rulers seem determined to get the "bomb". What if the US directly, or indirectly thru Israel, decides to take out Iran's 60+ known nuclear program target? And now with the terrorist group **Hamas** duly elected to govern Palestine, what will they do next? And the **Iraq** "problem" remains unsolved.

The billions earned by Mid-east oil producers have not been used to improve the lot of the average citizen; unemployment prevails and satellite TV shows locals what they are missing. US's "no energy policy" holds us captive to an alienated world where suicide death to "join Allah and his virgins" is an ... *continued Page 6*

Where Are We Now?

We're a month into 2006 and gold has already hit and stayed over the \$550/oz peak we saw for the entire year. Above, GSA discusses our expectations for gold over the next 11 months. But what about the gold stocks? The **GSA Top 10** is up **+31.5% year to date**, far outpacing Gold (+9.6%) and the XAU (+14.7%), but how do gold shares compare to where they should be, on average, based on our Market Cap/oz database since 1994? Are gold shares over or under valued? For the answer, and updates to our popular Mkt Caps/oz charts, see Pages 8&9.

• **Lobbying reforms proposed** all miss the point. The ultimate corruptor is the need to finance election efforts. When campaigns cost millions, our officials can be "bent" in any direction by big donors. The solution? Ban all contribs over \$100 and require TV stations, which paid nothing for their licenses, to give lots of free time to candidates. If they're not so money-hungry, politicians won't be such prostitutes!

• **2006 Production and Cash Cost Fcsts** (as available) now in Page 5 data array.

• **Don't get to Gold Shows?** Several notes came from subscribers saying they were glad to have "met" GSA's Editor in this webcast at the Nov-05 San Fran Show by Stanlie Hunt of SmartStox: http://www.smartstox.com/interviews/doody_sf_05.php

• **Silver ETF** moved closer to reality on 1/25/06 as SEC OK'd it for Amex listing and opened 21 day window for public comment, which Silver Users Assn will use to oppose, on the basis it will "make silver too expensive". We hope so!

• **Gold ETF** holdings soar! The largest, GLD held 10.7 mil oz on 1/30/06, up from 7.8 mil on 12/27/05; the 2.9 mil oz growth (37%) surely aided gold's gain in Jan-06.