

GSA-ProTM

The version of *Gold Stock Analyst* newsletter for Professional Investors
Reports on 70+ Gold miners plus the GSA-Top10 newsletter in mid-month

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Where Are We Now?

Based on 12/27's Comex close for Gold at **\$1,593/oz**, and GSA's proprietary Market Cap/oz database compiled since 1994, **Gold Stocks trade as if Gold was at \$1,249/oz**. On average, **Gold Stocks** are:

Undervalued -22%

Looking Ahead and Back

No one knows the future, including Gold's price, which is why GSA bases Target Prices on a current Gold price (using \$1,600/oz now). But end of the year is a good time to look ahead and imagine what might happen. Here's what we see for 2012, with varying degrees of certainty:

Economics and Gold: Poor economics + Mid-East tensions = higher Gold. Analysts for Merrill-Lynch, Morgan Stanley and others see \$2,000 breached in 2012. GSA also thinks this is likely as negative real interest rates continue world-wide and send investors to Gold to protect purchasing power.

Europe: ECB's 12/21 lending of €489 bil (US\$635 bil) to 500+ banks for 3 years is a back-door QE program as banks can use the Euro to buy sovereign debt. It will take more as similar-sized US economy took ~\$1.7 trillion purchases by the Fed.

US: We believe is headed for a double dip; the final number for 3Q11 GDP was revised downward to just +1.8%. It's an election year; blocked by Repubs on increased spending, Obama/Dems will push for more monetary stimulus, i.e. QE3.

Mid-East: With US troops gone from Iraq, Iran continuing on a nuclear path, and continuing "Arab Spring", 2012 might see a match struck to this "tinder box" area.

We remain invested 1/3 Gold, 1/3 cash, and 1/3 GSA Top 10, an overall portfolio we've discussed in past issues since implemented in July 15 *GSA-Top10*.

Gold Stock Analyst:

In Jan-11 we became the world's first newsletter with audited results for every Top 10 portfolio buy/sell over past 10 years. And, in 2011 we had the biggest annual growth in subscribers in our history. We think the audit brought this growth as many investors joined due to the independent verification of our returns.

As the table shows, the Top 10 has been the leading performer in 6 of the 10 years in this continuing Gold bull market. It's still an amazing record that comes from recognizing the long term trend and staying on plan. After a mediocre 2011, we think the Top 10 could make a big move higher in 2012.

As for GSA itself, several changes are coming:

Silver Stock Analyst: The recent promotion that featured a one-time Silver Report was a success. We now expect to launch *Silver Stock Analyst* as a separate monthly subscription newsletter by mid-2012. It will be similar to the Silver Report, which was modeled after *GSA-Top10*, but will cover a universe of ~20 Silver stocks.

Bahamas Conference: Our November conference in Belize was a success, and will be even more so with the changes we envisage, including: 1) moving to a destination reachable from many locations by non-stop jet, and 2) presentations by Top 10 companies. We are thinking Nassau, Bahamas at the-April... details to come.

• **Vacation:** GSA's office will be closed from Dec 29 thru Jan 10. We ARE reachable by email via the "Contact" button on the website's homepage.

• **Rebalance** your Top 10 portfolio at the end of 2011 or start of 2012. Don't be over-exacting. Each stock should be approx 10% of your Gold stock portfolio.

| Performance-leading year totals since 2001 | | | | |
|--|-----------|---------|--------------|-----------|
| | GSA Top10 | S&P 500 | Gold Bullion | XAU Index |
| 2001-10 | 6 | 1 | 2 | 1 |
| 10 yr gain | +1360% | -5% | +421% | +341% |