GSAPro™

The version of Gold Stock Analyst newsletter for Professional Investors
Reports on 60+ Gold miners plus the mid-month GSA-Top10 newsletter

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Next Issue Web Posted: 5/1/15

Where Are We Now?

Based on 04/1/15's NY close of **$1,205/oz**, and GSA's proprietary Market Cap/oz data base compiled since 1994 for Rising and Falling Gold markets, **Gold Stocks trade as if Gold was $652/oz**, and are

-46% Undervalued

Big Ounce Deposits

A *GSA-Top10* subscriber emailed: "I haven't seen you mention Seabridge Gold … and wonder why it's not a Top 10 stock. I've read it has one of the largest gold/copper reserves."

Of course as a *GSA-Pro* subscriber, you know we cover Seabridge in the issue that includes Mega-Oz Projects (the last was Dec-14) and why it's not Top 10. But to review and set up the rest of this article, Reserve ounces have to meet three tests:

1) Drill spacing close enough, based on the type of rock and deposit, that the sample represents the 25' to 100' of earth in-between drill holes to have a confidence level such that the ounces can be characterized as Probable or Proven;

2) Economic/profitable to produce at the current or a stated Gold price as shown by a Full (aka Bankable) Feasibility Study;

3) Fully permitted for development (only required by US SEC, not Canada).

Some big ounce deposits meet these tests and some don't, but there's two more practical aspects: 1) While a profit of one Dollar would meet the "economic" test, the reality is that the profit must be sufficient to earn a "reasonable" return on the invested capital, 10% after-tax being a typical minimum at the current Gold price. And 2), the capital cost to build the project must be financeable; in the current environment, probably any Gold project needing over $2 billion to build would be shelved for the future.

Seabridge's K-S-M project in British Columbia claims 38+ mil Gold oz, but fails several of the tests: 1) The ounces are shown by a Pre-feasibility study, which generally have an error range to +/- 30%, not the 10% to 15% of a Full Feasibility study; 2) the estimated capex to develop the site is $5.3 bil, far too high for Seabridge with only a $300 mil Market Cap; 3) the prices used in the May-12 study were $1,330/oz Gold and $3.45/lb for the Copper by-product, well above the current markets; 4) even at the study's higher prices, the return on investment is only 11.5% and takes a too-long 6.2 years to pay back the capital.

The table below outlines the 10+ mil oz deposits covered by *GSA-Pro* and two more on our watch list. As seen, most have studies at least several years old and the capex to build has certainly changed. But even if the last capex estimate would be the same in a new update, the multi-billion dollar construction costs are beyond what any Gold miner would risk at the current low Gold price. In GSA's opinion, this makes already producing **Detour** with 15 mil oz an obvious acquisition target.

10+ mil oz Gold Deposits: with at least a Pre-Feasibity Study

Company	Deposit Name	Oz (mil)	Loc	Capex	PreFeas Date	Gold oz/yr	Other & Issues (HF = Hedge funds control)
Covered by *GSA-Pro*							
Detour	*Detour L*	*15.0*	*ON*	*$1.5b+*	*Built*	*600K*	*Built and operating*
Gabriel	Rosia Mt	10.1	Rom	$1.5 bil	Oct-12	610K	Big permit oppos; HF
Northrn Dyn	Pebble	30.0	AK	$4.7 bil	Feb-11	673K	Big permit oppos; ptnrs quit
NovaGold	Donlin	45.0	AK	$6.7 bil	Feb-11	1.5mil	50%ABX; in permitting; HF
Seabridge	K-S-M	38.5	BC	$5.3 bil	May12	851K	Very difficult terrain; HF
Not Covered by *GSA-Pro*							
Chesapeake	Metates	18.5	Mex	$4.4 bil	Jan-13	845K	Pre-feas update due 2Q15
Intl Tower	Livngood	15.7	AK	$2.8 bil	Sep-13	699K	HF; optimizing to cut capex