



GSA ProTM

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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Where Are We Now?

Based on 7/30/14's Comex close at \$1,296/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994, Gold stocks trade as if Gold was \$850/oz. On average, Gold stocks are:

Undervalued -35%

Gold Stock Valuation Metrics

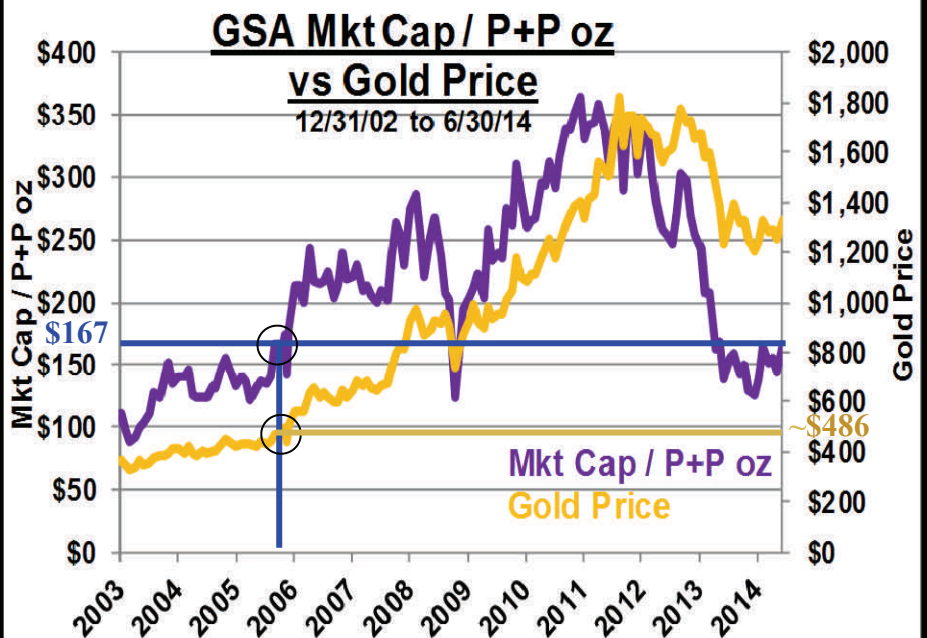
GSA uses three value metrics as an initial filter in our selection process for the Top 10: Market Cap/oz of P+P Reserves, Market Cap/oz of Production and Operating Cash Flow (OCF) Multiple, with the last determined by dividing a miner's Market Cap by its OCF.

This same data can be aggregated for the industry and we do it in every issue of *GSA-Pro* on Pages 4 and 5. Plotting these values over time versus Gold price gives an idea of whether Gold stocks are over or undervalued.

For the 12 year chart below, Mkt Cap/oz P+P Reserves vs Gold, an ounce of P+P is now valued at \$167. This is the same as it was in late 2005 when Gold traded over \$800/oz lower at ~\$486 (excepting 2013 and the Oct-08 Crash).

We see this due to two reasons:

1) Margins have not expanded. In 4Q05, the average cash cost to produce an ounce of Gold was \$166; versus the period's average Gold price of \$486/oz, the margin was \$320. Now the average cash cost to produce an ounce is \$712 and versus the current ~\$1,300 Gold price, the margin appears to have expanded to \$588/oz. But we now know there are more costs to be included, such as ...continued Page 3



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