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: 3/1/16

Where Are We Now?

Based on 01/29/16's NY close of **$1,118/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 $547/oz**, and are

-51% Undervalued

Investing in Gold Miners or the Host Nation Currencies?

The big surprise in 2016 to date has been the performance of the South African Gold mining stocks, as Harmony, DRDGold and Sibanye are three of the four top YTD gainers in GSA Pro's 60 stock coverage list. (The 4th is a TOP 10)

2016 YTD	12/31/15	1/31/16	Change
HMY	$0.93	$1.79	92.7%
DRD	$1.60	$2.80	75.0%
GQMNF	$0.53	$0.78	46.7%
SBGL	$6.09	$8.86	45.5%

The charts to right track Gold's 5 year price in US Dollars and the local currencies of South Africa, Canada, Mexico and Australia, all home to multiple Gold mines. In general, they show an initial 1-3 years of the local currencies paralleling the US$, meaning a stable exchange rate. Then they diverge as the local Gold price heads higher because the local currency is falling vs the Dollar, while the Metal still continues to slide in US$ terms.

The effect of local currencies falling vs the US$ is that cash costs/oz in Dollars also falls. This increasing local profitability is appealing to GSA, especially when it's accompanied by reasonable ore grades, "lowish" inflation and stable politics and tax policies.

Readily meeting these tests are Canada and Australia. Mexico sort of meets them although it raised miners' taxes in 2013. But South Africa fails miserably and GSA believes that investors in the SA Gold miners are at risk.

We want to invest in miners that can be profitable without help from a falling currency. SA is problematic as Gold grades fall as mining goes deeper, the mines are slowly being nationalized, and their increasing profits will attract increased taxes. We say AVOID.

Coverage Change: We are dropping coverage of **Gabriel Resources**, with the 10 mil oz Rosia Montana Gold deposit in Romania. After years of trying, Co has been unable to complete permit process due "greenie" opposition and unresponsive Govt authorities. This despite Newmont and big hedge funds holding 76% of Co's shares. Most employees were laid off by Nov-15 and arbitration requests filed w/ World Bank, Canada and other authorities under investment protection treaties.