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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Where Are We Now?

Based on 06/01/15's Comex close at **$1,189/oz** Gold, and GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks trade as if Gold was $667/oz**. On average, Gold stocks are:

Undervalued –44%

Majors are Running Low on P+P Ounces

And therein lies a profit opportunity from some thinly traded non-Top10 stocks.

A Gold mining rule of thumb is that a miner should have minimum Reserves for future production equal to or greater than 10X its current rate. (A corollary is that a new mine's annual prod rate is sized at approx one-tenth of its P+P Reserves.)

Reserve ounces themselves are based upon drill holes being close-enough spaced and depending on the deposit's geology, such that one can have a certain confidence level that the 2"-4" wide hole samples represent the mineralization for 10 to 50 meter distance to the next closest drill hole.

Since P+P Reserve ounces must be also be profitable to mine, the slipping Gold price since its $1895 peak in 2011 has caused miners' P+P to shrink as marginal, low grade ounces are no longer profitable to mine and deleted from year-end totals. See reduced totals in 2012 to 2014 period in the table below.

The table considers the five largest *GSA-Pro* covered miners and their Reserves. Without new discoveries and/or acquisitions, three on the list, Anglogold, Barrick and Goldcorp are nearing the 10 years of future production danger point.

Barrick is now actually below 10X as its largest deposit, Casale at 17.4 mil oz is not ready to build and its second largest, Pasqua-Lama at 15.4 mil oz, is halted by environmental issues. Subtract their 32.8 mil oz from our estimate of Barrick's P+P at end-15 of 86.4 mil oz and the 53.6 mil oz left is only 7.3 years of production.

Gold Fields at 18.5 years of Production from 48.6 mil P+P looks good, but subtracting South Deep, which has long-struggled to get above 200K oz/yr from its 35.1 mil oz P+P, leaves GFI with net 13.5 mil P+P and only 5.3 years of production left!

But while Reserve totals are falling, miners are cutting exploration budgets to save cash, focusing drills around existing sites and dropping pure exploration altogether. Any miner that's adding Reserve ounces at $50/oz or less is doing a very good job.

In the current Gold malaise some miners' Reserves are selling below the $50/oz mark, making it cheaper to buy them and with more certain results than drilling. This makes them acquisition targets and the basis for a new *GSA-Pro* feature: **Top 10 Incubator Stocks** which are not yet Top 10 for various reasons. See Page 3.

	Anglogold	Barrick	Goldcorp	Gold Fields	Newmont
P+P End-12 @ Au Price	74.0 mil oz @$1,300	140.2 mil oz @$1,500	67.1 mil oz @$1,350	54.8 mil oz @$1,350	99.2 mil oz @$1,400
P+P End-13 @ Au Price	74.0 mil oz @$1,300	103.8 mil @$1,100	54.4 mil oz @$1,300	57.4 mil oz @$1,500	88.3 mil oz @$1400
P+P End-14 @ Au Price	57.5 mil oz @$1,100	93.0 mil @$1,100	50.1 mil oz @$1,300	48.6 mil oz @$1,300	88.4 mil @$1,300
'15 Prod Fcst	4,095K oz	6,250K oz	3,440K oz	2,175K oz	4,650K
P+P loss in '15 net of 15% Process loss	-4,800K	-7,350K	-4,050K	-2,560K	-5,470K
Est P+P end-'15 w/o new discoveries	52.7 mil	86.4 mil	46.0 mil	48.0 mil	82.9 mil
Est Years of Prod left	11.0 yrs	11.7 yrs	11.2 yrs	18.5 yrs	15.1 yrs