



GSA ProTM

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

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What Will Goldcorp Do?

Usually when someone picks a fight they intend to battle through to the finish. But this was not the case in GG's bid for Osisko. After an opening offer of C\$5.95/shr in cash and GG shares for a total C\$2.6 bil (later raised to C\$7.65 for total C\$3.6 bil), Osisko resisted and ultimately accepted a joint bid from Yamana and Agnico (see page 16) for C\$3.9 bil that GG declined to top.

GSA believes GG's bid was not simply opportunistic because Osisko was cheap, but to reduce exposure in nations' that are becoming, or might become, less welcoming to North American miners. (See graphics to right showing how OSK would have added 10% to Canada's share of GG production and increase its Canadian P+P by 80%.)

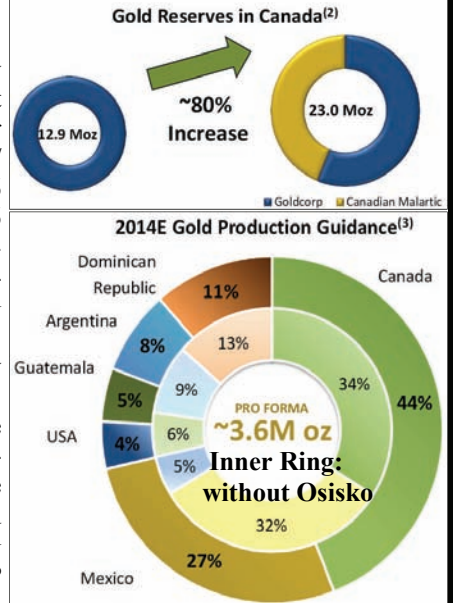
Such nations include Mexico which raised mining taxes on all projects, not just those that are yet to be built; this includes GG's big Penasquito mine and the often troubled by labor unrest, Los Filos. Chile's Court stops GG's develop of El Morro until local issues are settled. At GG/ABX's Pueblo Viejo JV, the Dominican Republic Govt seized an ore shipment to extract higher taxes and royalties from the mine owners. Argentina, where GG builds Cerro Negro, has capital controls that might hinder getting future profits out of that Nation.

Goldcorp has always praised itself for staying in relatively (1) political-risk free nations in the Americas, but the list of nations meeting this criterion has shrunk to just Canada, and perhaps the U.S. Other likely criteria would be:

2) Size. Malartic is ~600K oz/yr mine and any new GG target would have to produce 300K+ oz/yr to have an impact on Co's 3+ mil oz/yr prod.

3) Cash flowing now. GG plans ~\$2.4 bil capex spending and ~\$500 mil in dividends in 2014. This is funded from ~\$1 bil cash, \$2.0 bil credit avail and ~\$1.5 bil Operating Cash Flow (OCF) for the year. While Co's total \$4.5 bil avail for 2014 handily covers the \$2.9 bil spending for the year, GG's Osisko bid needed \$1.4 bil of the cash, leaving only \$200 mil in the "register". Osisko's mine will generate ~\$330 mil OCF in 2014 and more going forward as it grows to ~600K oz/yr steady state. This fact rules out any miners w/o significant current production.

So with these three goals in mind, where could GG turn next? Looking at who might qualify in the GSA Top 10 (ex the royalty earners): ... *continued Page 3*



Next Issue Web Posted: 6/2/14

Where Are We Now?

Based on 5/1/14's \$1,292/oz Gold, and GSA's proprietary Market Cap/oz data base compiled since 1994 for Rising and Falling Gold price trends, Gold stocks trade as if Gold was \$775/oz.

On average, Gold stocks are:

-40.2% Undervalued

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