



# GSA Pro<sup>TM</sup>

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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 Web Posted: 12/1/14

### Where Are We Now?

Based on 10/31's NY close of **\$1,171/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 \$544/oz**, and are

**-54% Undervalued**

## QE Ends. What's Next for Gold?

(In addition to the below, please reread the October 5 blog post on our website which was repeated on Page 12 in October 15 issue of GSA Top10.)

Gold was trading at \$1,226 at 2PM on Wednesday, Oct 29 when the Fed's well-anticipated announcement came. The US Dollar then soared and Gold closed the week down \$55 to \$1,171/oz and violated the key \$1,200/oz level for the 4th time since mid-13; this time it solidly created a new low. So, What's Next for Gold?

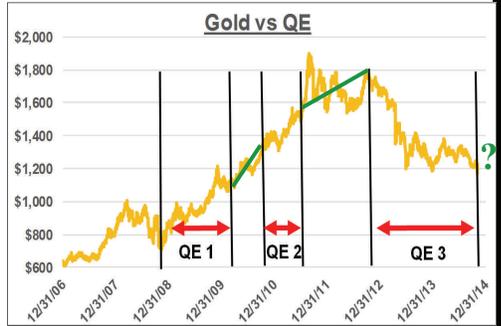
Your Editor thinks the bottom is near and nibbled at some of the Top 10 Stocks on Friday and will buy more on Monday, for these reasons:

1) The \$1,200/oz level has more significance for Gold than a line on a chart; it's also the price needed by many miners to keep producing and cover all their costs. For the larger miners that have reported 3Q14 results to date, the middle column in table to right calculates ALL their ongoing costs/oz (including G&A, interest and taxes) from their 3Q14 income statements. As seen, all five have a total above \$1,200/oz and each will report a loss if the current Gold price prevails through 4Q14.

Avg Gold 3Q14: \$1,282	3Q14 Prod	Tot All costs/oz	Tot All/oz w/o D/D/A
Yamana	391K	\$1,307	\$944
Goldcorp	652K	\$1,380	\$1,090
Barrick	1,649K	\$1,457	\$1,207
Newmont	1,154K	\$1,483	\$1,207
Eldorado	193K	\$1,254	\$1,052

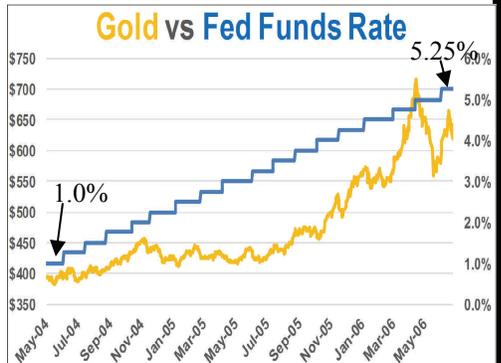
Recognizing Depreciation/Depletion/Amortization are non-cash costs, the table's right hand column shows just the "hard" costs/oz. As seen, the largest miners Barrick and Newmont have ongoing hard total costs/oz (ex-D/D/A) higher than \$1,200. If Gold's current \$1,171/oz price prevails thru 4Q14, some of their highest cost mines will close. Mines closing will signal lower Gold supply to the Market and should boost Gold's price.

2) The end of QE1 and QE2 were both good for Gold as the Metal continued higher in the following months, as seen in green on chart to right. QE3 was not good, but perhaps the "after QE" trend higher will continue.



3) Much of the US Dollar's recent strength is due expectations the Fed will soon raise interest rates. Its preferred tool is the Fed Funds rate which was last raised in the 2004-2006 period from 1.0% to 5.25% and Gold also rose from \$400 to over \$700/oz.

From the current 0%-0.25% Fed target and Yellen wanting 2% inflation, Gold investors should have little to fear. We are sitting tight, fully invested in the Top 10.



More posted to GSA's blog Nov 2.