



# 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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### IN THIS ISSUE:

Top 10 Stocks	2
GSA Stock Data	4-6
Gold: Price & Indexes	7

### Reviewed Inside:

#### South African Golds

AngloGold	8
DRDGold	9
Harmony	10
Sibanye	11

Dundee	12
Eldorado	13
Endeavour Mining	12
Gabriel	3
Goldcorp	14&15
Gold Fields	16

#### Analyses Inside:

Top 10 Comments	3
Denver Gold Forum	9
Blog Post 8/21/15	17

Next Issue  
Web Posted: 10/1/15

### Where Are We Now?

Based on 08/31/15's NY close of **\$1,135/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 \$487/oz**, and are

**-57% Undervalued**

### We Are Not Alone!

As investors we are ultimately responsible for our successes and failures. We make the decision to place the trade, not someone else or a machine. So times like these are bound to bring self doubts and second guessing to Gold investors.

Everything that should be driving Gold price higher isn't, and there's no clear reason why, other than believable conspiracy theories involving hedge funds or Central Banks and similar to the recent LIBOR and Forex rate rigging scandals.

We constantly ask ourselves why haven't the following boosted Gold?

- Trillions of US Dollars injected in three rounds of Quantitative Easing (QE) by the Federal Reserve into the US economy; these boosted stock and bond prices, rare art, unique Ferraris, and once again luxury housing... every asset but Gold.

- The ECB with US\$1.2 trillion to spend and w/not enough sovereign debt available is now buying corporate bonds!

- Japan's CB spends \$630 bil/yr and owns one-third of all Govt issued bonds.

- China's QE version tries to stop its over-valued stock market slide.

Gold is supposed to be a safe haven. Yet even if we accept that investor over-exuberance that drove it to \$1,900/oz in 2011, the Metal shouldn't have fallen to the \$1,100/oz extreme low that's sending some mines into bankruptcy (Allied Nevada). Wide price swings usually settle down and regress to the mean. At this point we'd be happy to see Gold at \$1,500/oz, the mean of its peak and valley.

Gold investors that are fatigued and tempted to throw in the towel should consider that some of the smartest guys have returned to the room:

- Stanley Druckenmiller, former chief strategist for George Soros and whose fund had a 30% average annual gain from 1986 to 2010 (per *Bloomberg*), in 2Q15 bought \$324 mil shares of GLD, the largest ETF.

- Carl Icahn, billionaire and activist investor just acquired \$900 mil shares (8.5%) of Freeport. Once covered by GSA as its Grasberg mine produced ~1.5 mil oz/yr in Gold as a by-product to ~1 bil lbs/yr Cu. We dropped coverage when FCX acquired copper-only miner Phelps Dodge and watched when it spent \$9 bil in 2013 on Oil & Gas producers Plains and McMoRan. Aside from Icahn's reputation of shaking up management to increase the stock price, with Gold, copper and O&G at cycle lows, this was an likely an astute purchase of undervalued assets (see note below).

Well known investors staying with their Gold bets and as previously noted by GSA include (google their name and Gold for more): Greenlight's David Einhorn, Baupost's Seth Klarman, John Paulson of his namesake funds and George Soros.

Net net, we are happy for the famous company in Gold, new and old, hope that their bets will pay off to reward us all.

### What Could Ichan do with Freeport?

Dismantle FCX ...break into its roots is obvious... Freeport w/huge Grasberg Cu/Au mine with P+P reserves/mineralization for decades more life; Phelps Dodge w/ multiple Cu mines around the world; and the Oil & Gas operations.

A new idea: FCX has 1.04 bil shares; at \$10.00 a \$10.4 bil Market Cap. The Grasberg mine reliably produces 1 mil oz Gold/yr for years to come. Sell a 1 mil oz/yr stream. At \$1,200 Gold and \$400/oz price, would yield the stream's owner \$800 mil/yr. At a low 10X multiple, it's worth \$8 bil, almost FCX's Market Cap!