



GSA Pro TM

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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Yamana Bids for 50% of Osisko

Osisko Mining (last report in March *GSA-Pro*), seeking to avoid hostile takeover by Goldcorp, has struck a friendly deal with Yamana today, April 2.

On Jan 13, 2014 Goldcorp made a hostile bid for Osisko offering C\$5.95 (US\$5.36) for each OSK share, comprised of C\$2.26 in cash and 0.146 GG (then worth C\$3.69 at GG's prior close of C\$25.29), for a total consideration of C\$2.6 bil (US\$2.34 bil) This was a 28% premium over OSK's 20 day volume weighted average price (VWAP) and 15% above it's prior day closing.

Attracting GG was OSK's Canadian Malartic mine in Quebec with 10.1 mil oz of P+P and after two years of start-up teething its 55K t/day Mill now operating near plan with 550K oz seen in 2014 at ~US\$700 cash/oz. A plus is that the acquisition would immediately add cash flow as all the big spending is complete at Malartic; OSK's Operating Cash Flow at \$1,300 Gold will be ~\$330 mil in 2014. Life of Mine, OSK sees 600K oz/yr at \$525 cash cost and \$691/oz AISC and an OCF at \$1,300 Gold of \$465 mil/yr.

Osisko has other assets including Hammond Reef with 7.2 mil oz Au mnriliz, Upper Beaver with 4.1 mil or Au mnriliz, plus greenfields exploration properties of 230 sqkm at Kirkland Lake and 9,600 sqkm in Guerrero, Mexico. GG said it gave no value to these, but Yamana ascribed \$300 mil in its offer.

In the weeks since Goldcorp's bid, OSK has been fighting GG off and looking for a better deal. Today they got it in a friendly bid.

Yamana's offer today has a better share price for OSK, at C\$7.60 (US\$6.84), but it's complicated and only for a 50% interest in the Malartic mine and the other properties. From Yamana's standpoint it's straightforward: C\$2.19 cash and 0.2119 AUY shares (worth C\$2.06 at AUY's closing price on April 1), or a total C\$441.5 cash and 95.7 mil AUY shrs (worth C\$488.1 mil) for 50% of the mining properties and a total cost of C\$929.6 mil (US\$837 mil).

For the ounces acquired and price paid, the table below indicates it's a good deal for AUY, especially as the oz are in politically safe Canada. Offsetting is that the 50/50 partnership will carry more debt and the stream obligation (37.5K oz/yr at 42% of spot Gold price). But most importantly, the deal does ... *continued Page 3*

GSA Valuation Metrics	GSA Avg 3/31/14	For US\$837 mil, AUY pays
MC/oz P+P	\$151/oz	\$166/oz
MC/oz Prod	\$3,007/oz	\$2,790/oz
OCF Multiple	5.4X	3.6X

Next Issue
 Web Posted: 5/1/14

Where Are We Now?

Based on 3/31's close for Gold at \$1,284/oz, and GSA's proprietary Market Cap/oz database compiled since 1994, Gold Stocks trade as if Gold was at \$783/oz. On average, Gold Stocks are:

Undervalued -39%

1Q14 Scoreboard:

- GSA Top 10: **+36.7%**;
- Morningstar Average Gold Fund: +12.04%;
- XAU Gold Stock Index: +8.4;
- Gold: +6.5%;
- S&P 500 Index: **+1.3%**

First quarter 2014 saw Gold the best performing stock market sector, and the GSA Top 10 portfolio topping all its benchmarks (listed above).

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