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 6/28's NY close of **$1,235/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 $679/oz**, and are

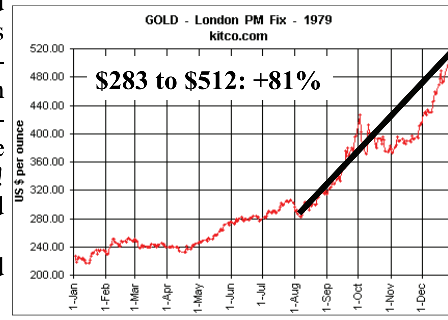
-45% Undervalued

We Have Seen the Bottom!

GSA's job is to find the best Gold stocks at any Gold price. We are not market technicians, we are fundamental analysts and have no crystal ball on future prices.

But anyone involved with Gold is expected to have a forecast, as many do even tho have nothing to do with the Metal (e.g. TV talking heads). We've been running our company analyses and Operating Cash Flows based on $1,500/oz, which we easily attainable for 2013 as Gold averaged $1,523/oz for the first 6 months.

We have said and written we think Gold could hit $2,000 in 2013. We still see this possible as the Fed-exploded Money Supply finally begins to impact CPI. From Gold's $1,192/oz London close at quarter-end on 6/28/13, a rise to $2,000 would be a 68% gain in 6 months. Possible? Yes! From 8/6/79 to 12/28/79, Gold gained +81% in under 5 months.



Now, on to this article's headline and why we see the bottom in place:

1) Quarter-end is window dressing time for funds and money managers. Having given up, they puked out their bullion ETFs and Gold shares through June. The chart to right shows June results for the Gold ETF, GLD, at **–15%**, the XAU large Gold Stock Index at **–24%** and the GDXJ Junior Gold Stock ETF at **–33%**.

This action leaves only committed owners, and when the weak hands have sold it's always a good time to buy. Gold's $50/oz reversal from its overnight low of $1,186 to close in NY at $1,235 on 6/28 indicates many others agree. Your Editor, still fully invested in the GSA Top 10, bought more American Eagles late in the day on 6/27 at $1,202/oz (plus 5%).

2) Many miners can't survive at $1,200/oz Gold. While the industry's average cash cost/oz, per *GSA-Pro* page 5 data, is just over $700/oz, the "All-in Sustaining Cost" which includes all the necessary costs to stay in business, including G&A, minesite exploration, and sustaining capital to open new ore zones at existing mines, is $1,290/oz (per recent BMO study).

We don't believe $1,200 will persist, but if it does many small producers could shut their mines, including *GSA-Pro* covered Claude, San, Lakeshore, Kirkland Lake and Golden Star. Many of the South African mines, producing a total of 4+ mil oz/yr, also risk closure (all covered by *GSA-Pro*). All the North American majors have high cost mines in their portfolios that could be closed. Reports for 2Q13 will soon be released, starting August 1 with Barrick. We expect the cumulative closures will change Mr Market's Gold supply expectations.

Subscribers continually ask about the Top 10's survivability. We see none at risk in 2013 and one in 2014 at $1,000/oz (Detour). *This article continues on Page 3 with our rationale for each stock; it will be repeated in July 15's GSA-Top10.*