

# GSA-Pro<sup>TM</sup>

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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## Where Are We Now?

Based on 4/30's close for Gold at \$1,470/oz, and GSA's proprietary Market Cap/oz database compiled since 1994, Gold Stocks trade as if Gold was at \$823/oz. On average, Gold Stocks are:

**Undervalued -44%**

## "All In" Cost per Ounce of Gold

GSA's Special Report issued April 29 that updated Target Prices for the GSA Top 10 focused on "All In" costs per ounce for the four Producers in the portfolio. This article expands the calculation to all 22 producers of 300,000 or more ounces of Gold a year in the GSA coverage universe.

The industry for years has reported Total Cash Cost/oz (TCC), the direct cost of mining an ounce of Gold. This includes all working costs at the mine: Labor, energy, processing charges, royalties and production taxes. But even this simple metric is interpreted differently by miners. Centerra forecasts 2013 TCC of \$760 and reports a 14% revenue-based tax of \$235/oz separately. GSA adds this production tax for its true fcost total cash cost/oz of \$995 in 2013. (See page 16).

The Gold industry is pressured by investors demanding more accurate cost measurement and Governments looking for increased tax revenue. Politicians see large margin between current \$1,470 Gold price and Co's fcost average \$598/oz TCC (red circle in table below) and want to tax phantom profit. Mexico's Congress approved 5% royalty on pre-tax profits w/upcoming Senate vote. Quebec seeks to increase its NSR from 16% to 21% and add a 30% windfall tax. Dominican Republic wants more from ABX/GG's Pueblo Viejo and held up a Gold shipment in Mar-13.

## 2013 Fcst All-In Cash Cost/oz Reported by Company

	AU	ABX	GFI	GG	KGC	NGD	NEM	AUY	Average
Gross Cost/oz	\$830/oz	\$561/oz	\$860/oz	\$550/oz	\$715/oz	\$275/oz	\$725/oz	\$383/oz	\$612/oz
By-Prod Credit	—	—	—	—	—	—	(\$112)/oz	—	-\$112/oz
Net Cash Cost/oz	\$830/oz	\$561/oz	\$860/oz	\$550/oz	\$715/oz	\$275/oz	\$613/oz	\$383/oz	\$598/oz
Sustaining Capex	\$231/oz	\$277/oz	\$460/oz	\$439/oz	\$236/oz	\$470/oz	\$253/oz	\$341/oz	\$338/oz
G&A	\$56/oz	\$44/oz	—	\$105/oz	\$72/oz	\$60/oz	\$45/oz	\$107/oz	\$70/oz
Depreciation	—	—	—	—	—	—	\$177/oz	—	\$177/oz
Exploration	\$89/oz	\$11/oz	\$40/oz	\$23/oz	\$64/oz	\$70/oz	\$51/oz	\$25/oz	\$47/oz
Interest	\$59/oz	—	—	—	—	—	\$40/oz	—	\$50/oz
Other	—	\$26/oz	—	\$7/oz	\$36/oz	—	\$35/oz	—	\$26/oz
<b>Total</b>	<b>\$1,265/oz</b>	<b>\$919/oz</b>	<b>\$1,360/oz</b>	<b>\$1,124/oz</b>	<b>\$1,123/oz</b>	<b>\$875/oz</b>	<b>\$1,214/oz</b>	<b>\$856/oz</b>	<b>\$1,092/oz</b>

To deal with inaccurate total cost reporting, the industry's World Gold Council (WGC) is creating a new All-In Cash Cost/oz metric (AICC), with details expected by mid-13. The above table shows the AICC for as reported by the companies.

Note the avg fcost for 2013 of \$1,092/oz AICC for miners is 82% higher than their fcost avg TCC of \$598/oz and that they still report AICC differently. TCC does not include sustaining capital, necessary spending for future production, so the metric understates total expense. The new AICC includes sustaining capex, ranging from \$236 to \$470/oz, necessary to keep mine at current prod as well as G&A expense. Interest cost and depreciation are included by some miners and not included by others. Notice Newmont splits out by-prod credits while Goldcorp, Newgold and Yamana, also with by-prods, do not and bundle with net cash cost total.

The concept of AICC is evolving. Some believe all capex should be included as the line between sustaining (at mine UG develop, pit layback) and growth capex (new mines) is often subject to debate. Both Barrick and Newmont have spent billions on "growth" capital since 2008 while overall production has fallen. If this growth capital was included in ABX's 2013 fcost, its AICC ...continued Page 14