

# GOLD STOCK ANALYST™

A Monthly Newsletter Finding **Undervalued** Investment Opportunities through Fundamental Analysis & Rankings of the largest North American-Traded Precious Metals Mining Stocks

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**Web Posted:** 5/1/09

## Where Are We Now?

Based on 3/27/09's \$924/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994 for Rising and Falling Gold price trends, **Gold Stocks trade as if Gold was \$837/oz.** On average, Gold Stocks are:

**Undervalued -9%**

## What If?

The year has begun well for GSA Top 10, up 26.6%, approximately triple the XAU Index and Gold itself. This prompted some "what if" daydreaming... what if the Top 10 simply returned to 2008 highs? ... cont Pg 2

	2009 to date
<b>GSA Top 10:</b>	<b>+26.6%</b>
S&P 500:	-9.7%
XAU Index:	+9.9%
Gold:	+6.8%

## Size Matters

The graphic below landed in GSA's email and unfortunately without a credit to the broker-analyst or firm that did the work.

It shows what we all know to be true. That the Senior miners are participating more in Gold's price appreciation than the Intermediates and Juniors. The chart ranks miners based on their Market Cap (# shares times price), versus its Net Present Value. (Explorers have no Reserves and thus no NPV can be calculated.) GSA doesn't like using NPV to pick the Top 10 stocks (read why in the GSA User Guide on our website), but it's OK to use to make our point here.

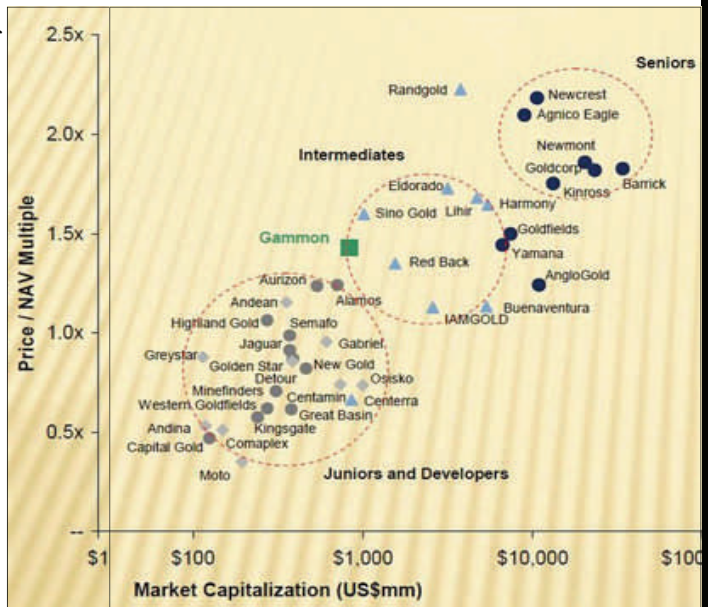
The graphic proves GSA's contention that since mid-08, the place to be invested is the larger Gold miners. Their ounces sell for premiums of 1.5X to 2.5X to NPV vs the smaller miners at zero premium (a 1.0X multiple) or even below NPV.

Do investors find safety in size and a multi-mine portfolio, or is it a lack of knowledge of the better buys among the smaller miners?

We think it's a combination of both. Investors need exposure across the size spectrum, and we have several "blue dot" Seniors in the Top 10.

But the largest rewards will come from owning those now priced at 0.5X to 1.0X of NPV.

They have room for price appreciation due to growth, getting discovered, or a Senior "pays up" to acquire.



• **Cycle completed.** Ex Fed-head Greenspan said the stock market was "irrationally exuberant" and too high on Dec 5, 1996 when the S&P500 closed at 744. The Index irrationally doubled to a 1527 close on March 24, 2000 and then topping this, closed at 1562 on October 12, 2007. Sixteen months later the S&P500 slid through 744 to complete the cycle on Feb 23, 2009 and temporarily bottomed on March 9 at 677.

• **New York Gold Show**, May 11&12. See you there! [www.iiconf.com](http://www.iiconf.com)