

GOLD STOCK ANALYST™

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

May 2009 • Since 1994 •

Mergers & Acquisitions: 1 + 1 = 3

The two deals that came after the big PDAC convention last March in Toronto fell into two classes: One, **New Gold** merging with **Western** is an attempt to “bulk up” to get more attention from Mr Market.

The other, **Silver Wheaton** acquiring **Silverstone**, sees the former taking advantage of SST’s 2009 forecast \$35 mil Silver royalty stream that was trading at just a 5X Multiple. SLW (and GSA) expect that after deal is completed in June, Mr Market will mark the stream up to its own pre-deal 18X and in doing so, boost SLW’s share price. (See table Page 16 for an explanation of the “mark up” mechanics.)

The chart presents OCF Multiples on the vertical axis and ... *continued Page 16*

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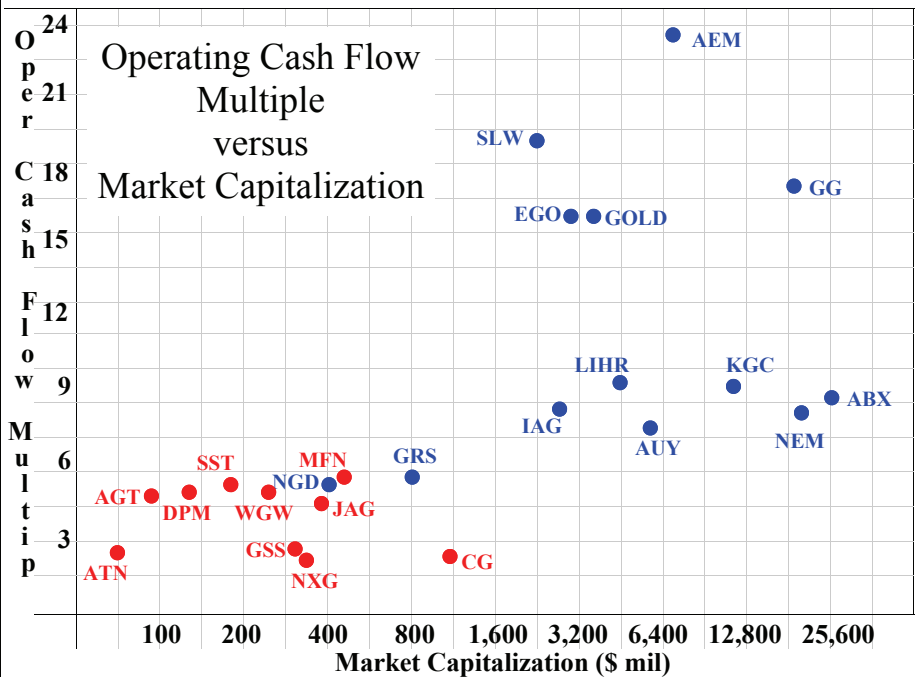
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Where Are We Now?

Based on 4/29’s \$898/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 \$729/oz.** On average, **Gold Stocks** are:

Undervalued -19%



China Buying Gold?

The recent announcement got lots of press, but they are not really buying Gold. Despite a 76% increase in Gold held since end-03, the Metal’s percent of total reserves has fallen! (See table.)

Why, after being silent on its Gold since 2003, China has chosen to reveal the increase is unknown. But, it does show the Nation more underweighted than was believed and with the China’s public concerns about the Dollar’s value, the data shows it has lots of room to increase its Gold holdings.

Buying the 13 mil oz the IMF wants to sell would be a good start and cost China “only” \$11.7 bil.

China	12/31/03	3/31/09
Gold	600t = 19.3 mil oz X \$416 = \$8.0 bil	1,054t = 33.9 mil oz X \$900 = \$30.5 bil
Tot Resrvs	\$416.2 bil	\$1,954.0 bil
Gold %	1.9%	1.6%

• See you at **NY Gold Show**, May 11&12. Info at www.iiconf.com