

# 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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Next Issue  
Web Posted: 3/1/08

## Where Are We Now?

Based on 1/30's \$919/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 \$834/oz.** On average, **Gold Stocks** are:

**Undervalued -9%**

(See pages 16 & 17 for more analysis)

## Leverage to \$900/oz Gold

Gold miners are getting their cash costs/oz under control. Gold price, after averaging \$695/oz in 2007 should average \$900/oz (or more) in 2008. Thus Gold miners should have a banner year due to an increasing profit margin, plus rising production for some. GSA crunches the numbers on 23 miners that will produce 250,000 or more ounces in 2008 and comes up with a new Top 10 Stock. *See page 18 article.*

## New Gold Stock Index

The last thing precious metals investors likely think they need is another Gold Index. But we disagree. Many are unhappy with the existing Indexes due to composition issues. The 16 stock XAU is over-weighted by Freeport (22%), which is now a copper producer due the Phelps Dodge acquisition that diluted gold to only 8% of total revenues. The HUI is better, but it omits AngloGold due its hedging (and yet includes Barrick with the same size hedge book... see below) and arbitrarily assigns weightings of 5% to 15% to the 15 components. The 34 stock Amex Gold Miners Index (GDM) is broader, but it too arbitrarily assigns weights ranging from 0.16% for Vista Gold to 15.11% for Barrick.

GSA's problems with all these Indexes: 1) unscientific assignment of weightings, 2) lack of depth to their stock lists and 3) the weightings don't represent how investors and funds invest. All investors tend towards equal dollar amounts per stock, with annual rebalancing, much as we do with the GSA Top 10.

Therefore, next issue unveils the GSA Gold Stock Index to track all 57 North American-traded gold miners covered by GSA. And the March issue will introduce the GSA Silver Stock Index and track the 15 miners covered. Both will be calculated back to 1/1/95 and available, free to all, from our chart source, Topline.

The GSA Indexes assume an equal dollar amount invested in each of its component stocks to start each year, with adjustments through the year as new miners are added or lost through mergers. At year's end, the list is rebalanced to start again with Dollar equal investments for the new year. This resetting method allows a stock to soar during the year, but not to grow to disproportionate size over the long term as have Freeport (XAU), and Barrick (HUI and GDM).

• **Best Magic Act of 2007: Barrick** made its hedge book "disappear" and convinced investors (and Cramer) it's no longer a hedger. ABX heralded closing its Corporate hedge book, and successfully downplayed the remaining 9.5 mil oz Project hedges as necessary to support future loans needed to build Pasqua-Lama and Pueblo Viejo. Nonetheless, at 9/30/07's gold price of \$743/oz, these hedges had a negative value of -\$4.0 billion (-\$5.5 bil at \$900 gold) and they will hurt profits as ABX sells at the hedges' \$404/oz delivery price while gold is \$500/oz (or more) higher!

• **Editor speaks at PDAC** - Investor's Exchange, Sunday March 2. Running thru March 5, it's one of the best gold investment conferences with more exhibiting miners than any other. For more info: <http://www.pdac.ca/pdac/conv/index.html>

• **South African electric power shortages** will disrupt all UG mine operations until 2013 says Govt-owned monopoly utility Eskom. Mines cannot operate safely w/o constant power for hoists, ventilation, etc. SA produced 8.7 mil Gold oz in 2007, mostly from UG, and represents 11% of the world's 80 mil oz/yr mine output.

• Page 5 now updated with **2008 Production and Cash cost/oz forecasts.**

• **Top 10: Addition and Deletion; read Who and Why starting Page 2**

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