

# 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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## Where Are We Now?

Based on 12/23/05's \$504/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994 for Rising Gold market, **Gold stocks trade as if Gold was \$504/oz.** On average the stocks are:

Fairly valued based on MC/oz P+P  
Fairly valued based on MC/oz Prod

## Higher Gold in 2006

GSA is on record in the Dec-05 issue predicting \$550 Gold in 2006. After the Metal ran to \$540 and then pulled back, and in case you think that was "it", here's the key macroeconomic reasons to keep in mind why Gold will go higher in 2006:

1. The US Trade Deficit has resumed its increasing pace; October was an all time record at -\$68.9 bil. This is an annual pace that will lead to the -\$900 bil Current Account Deficit (CAD) predicted for the US by OECD. (For more, see Page 16.)
2. China's Trade Surplus with the US is now at a +\$200 bil/yr rate. A big 2006 election issue will be the strong Yuan, with China being told to revalue or suffer the 27.5% import tariff proposed by Senators Schumer and Graham. A higher Yuan is the same as a lower US Dollar and good for Gold.
3. The interest rate differential between US and Euro/Japan has peaked. US rates have plateaued and Euro/Japan rates are beginning to tighten. This lowers the attraction of US investments to foreigners and they'll be more likely to sell the Dollars received from our CAD than keep them to invest in the US.
4. The Homeland Investment Act expires 12/31/05 for most companies. When the Dollars repatriated to take advantage of the 5.25% rate vs the normal 35% profit tax are finally totaled, its sure to be over \$300 bil... a big prop under the Dollar in 2005.

## P+P Reserves at 12/31/05

The US SEC mandates miners use gold's 3 year avg price to calc year-end P+P Reserves.

In 2002 and '03, all used \$300/oz; 2004 saw \$350 to \$375 used. For end-2005, \$400 is a certainty, but with the end-05's gold price being more than \$100/oz higher, GSA expects to see \$450 used by many Canadians and others not subject to very close scrutiny by the SEC.

	Au Avg	Yr End	For P+P
2000	\$279	\$274	—
2001	\$271	\$277	—
2002	\$310	\$347	\$287
2003	\$363	\$416	\$315
2004	\$410	\$436	\$361
2005	\$444	\$504	\$407

• **Addition + Deletion to Top 10... a Silver stock added!** Read Who/Why Page 2  
• **StreetTracks (GLD)** gold ETF began life 11/18/05 with 2.8 mil oz. At almost end-05, as GSA went to press, holdings had almost tripled to 7.8 mil oz, worth \$3.9 bil, above BVN's \$3.6 bil, but well below HMY's \$5.1 bil in Mkt value.

• Since the bid for **Placer** is an OK, but not a great deal, GSA has thought **Barrick's** bid might have much to do with its 78 year old Founder/Chair Peter Munk wanting to be World's #1 gold miner. Apparently, this was true as far back as 1996. Munk testified in court on Dec 7, reported by *Globe and Mail*, that he personally become involved in the pursuit of **Bre-X** as the deposit would have made Barrick "the world's largest gold producer" (Ed: *Had the oz actually been there! We still remember, after GSA's call of "fraud" had been picked up and run in Barron's, being threatened with a \$1 billion defamation lawsuit... and our great relief several weeks later as events proved us right.*) For more on ABX see Page 6.

## Happy Holidays!

Thanks for your continued support! GSA is closed for our annual vacation and will back in office on Monday Jan 9, 2006