

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: 4/1/06

Where Are We Now?

Based on 2/24's \$554/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 \$565/oz.** On average the stocks are:

Overvalued 2% based on MC/oz P+P
Overvalued 2% based on MC/oz Prod

Stay the Course

we advised in Feb Update. The sky was seemingly falling as gold dropped from its \$572 peak to \$539. Gold bulls (Pg 8 chart) fell from 90+% to under 80%, and investors ran for cover.

Gold's underlying driver is the Dollar's poor macroeconomic picture and its future implications. No one can time the market's ebb and flow... look at all the swings (adjacent) this bull market had since its 4/2/01 start. Until there's a fundamental change, stay the course!

Recent Merger Activity

has focused on producers, or those with feasib study completed; investors should stay at this upper segment of the "food chain":

- Gold Fields buying Bolivar, w/prod begun '05
- Barrick buying Placer.
- Yamana bought RNC with 2 producing mines.
- Yamana buys Desert Sun, w/prod begun '05.
- Silver Wheaton, buys 6 mil oz/yr silver prod.
- Glamis buys Western, w/completed full feasib.

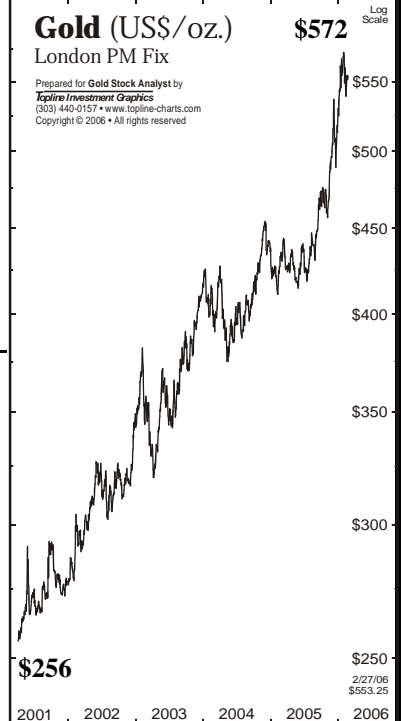
See Page 6 for "Who's Next to Go" article.

Gold (US\$/oz.)

\$572

London PM Fix

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Mergers come to GSA Top 10

The two drivers behind stock prices in the current market are production growth and reserve replacement. In-house exploration teams aren't replacing reserves as fast as they are mined (see Page 6 article), and companies are increasing looking to the outside for growth.

Two of the **GSA Top 10** announced friendly deals in February. The latest, as we neared our press date, was Glamis' bid for **Western Silver**. The bid is worth ~\$22.00 for each WTZ and represents a **100% gain** in the two months since the stock was added to our Top 10 at \$11.01 in the Jan-06 issue.

The earlier deal was **Yamana's** bid for Desert Sun and it's 100K/yr Jacobina mine. With projects in both companies' pipelines, AUY is clearly on track to reach 1.0 mil oz/yr by 2009 and this makes it Brazil's dominant gold miner, and an obvious target for majors such as **Kinross** and **Anglogold**. See discussion Page 3.

• **Contrary indicator:** We all know the gold bull market is over when taxi drivers begin advising the next price milestone; John Hathaway, manager of the Tocqueville Gold Fund, noted in his year-end review that 2005 "saw virtually no inflows".

• **Phony Govt Data:** GSA's friend Kate Welling now writes at Weeden; her mid-90s interviews of your Editor for *Barron's* put GSA on the map. Now comes a great interview of John Williams of ShadowStats.com (Sorry, you'll have to type it in): <http://www.weeden.com/welling/Downloads/2006/0804welling022106.pdf>

Two Changes in GSA Top 10; Who and Why on Page 2