

GOLD STOCK ANALYST™

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

March 2007 • Since 1994 • Issue #154 • Editor: John C. Doody • Single Issue: \$150.00

IN THIS ISSUE:

GSA's Top 10 Stocks	2
GSA Stock Data	4&5
Gold: Price, Stock Indexes, Market Indicators	7

Reviewed Inside:

Agnico Eagle	8
Alamos Gold	3
AngloGold-ASL	10&11
Apollo Gold	3
Arizona Star	3
Aurizon	3
Barrick Gold	12&13
Buenaventura Canyon	9
Centerra	9

Analyses Inside:

Mkt Caps/oz	
P+P Resrvs/Prod	14
Mkt Caps since 1994	15
Yen vs Other Indicators	16

Next Issue Web Posted: 4/2/07

Where Are We Now?

Based on 2/23's **\$683/oz** Gold (NY), and GSA's proprietary Market Cap/oz data base compiled since 1994 for Rising and Falling Gold price trends, **Gold stocks trade as if Gold was \$648/oz.** On average, Gold stocks are:

5% Undervalued

Yen Carry Trade is Unwinding

We wrote about it in our Feb 13, 2007 mid-month update. The Japanese Central Bank, by keeping interest rates at a low 0.25%, supplied cheap money for Hedge Funds, Brokers and Money Center Banks to invest anywhere with a higher yield, which is essentially everywhere. (The latter two, brokers and banks, are hedge funds by another name... does anyone think the brokers' huge profits in 2006 were from \$10/trade internet commissions?) We believed the direction of Japan's interest rates had to be higher, and on 2/21 the BOJ doubled its base rate to 0.50%, a trivial increase, but it put the carry trade players on notice.

When we wrote, the ¥/US\$ exchange rate was near its 2007 high, with US\$1.00 buying 122¥. We noted a small 4% move to 117¥ would offset much of the interest rate gain if a fund borrowed at 0.25% and invested in short term US Treasuries at 5.25%, and make the trade a loser if the bet was leveraged by a typical 10 to 1, or even 20 to 1, which is how the huge profits are made.

The stage is set: Tensions mount over Iranian nuclear ambitions; former Fed head Greenspan reported by press as fearing recession; US sub-prime lenders (20% of mortgages written in 2006) are in a tailspin giving US Markets jitters due housing's and banking's importance to the US economy, etc. ... *continued Page 16*

Will \$400/oz be the New \$300 Cash Cost/oz of Gold Produced?

Barrick's EVP Alex Davidson, in a Jan-07 speech, cited some of the price increases his company deals with, and by extension almost every other gold miner confronts (see upper table).

As a result, industry average cash costs/oz production of around \$300/oz in 2005/6, which investors had just been getting used to as normal, are now marching higher towards \$400/oz (see lower table).

Gold is supposed to protect investors from inflation, but it obviously doesn't protect the metal's miners.

The best cash cost protection for miners is by-product credits, which can lower costs to well below \$100/oz, or even make them negative. Major beneficiaries of by-product accounting: **Agnico-Eagle, Goldcorp, Meridian, Northgate and Yamana.**

• **GSA's Editor** speaks Sunday March 4 at PDAC in Toronto mining's largest convention: www.pdac.ca. Next is NYC's Gold Show, May 14-15; www.iiconf.com.

Selected Costs	Price vs 2004
<u>Operating costs:</u>	
Diesel Fuel	+76%
Explosives	+53%
Power	+32%
Cyanide	+26%
Tires	+17%
<u>Capital Costs</u>	
Stainless Steel	+35%
Copper (cables)	+89%
Cement	+61%
Structure steel	+20%
<u>Exploration:</u>	
Contract Drillers	+35%
Geophysics	+28-50%
Assays	+27%
Selected Miners	2007 Fcst
Barrick	8,250K @ \$343
Centerra	710K @ \$380
Golden Star	390K @ \$420
IAMGOLD	1,000K @ \$395
Newmont	5,400K @ \$380