

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 4/26's \$636 Gold, and GSA's proprietary Market Cap/oz data base since 1994 for a Rising Gold Market, gold stocks trade as if gold was \$630; the stocks on average are:

Undervalued -1% based on MC/oz P+P
Undervalued -1% based on MC/oz Prod

LBO for Newmont?

It's not often that a gold miner's private market value could make it a candidate for a leveraged buyout, but it's true now. This due to the current contango in the gold forward market, where the metal's price increases approx \$3/oz each month into the future, and hedging is possible for 15 years out.

The idea isn't ours, but was advanced by Prudential's John Tumazos on the Newmont's 1Q06 results Analyst Call. Intrigued, GSA decided to explore the thought as it could be the basis for NEM's return to GSA Top 10 status. While we haven't run the numbers, this analysis could likely apply to other big non-hedging gold miners, namely **Freeport** and **Gold Fields**.

An LBO could go as follows: NEM has 448.5 mil shrs out and \$75/shr (29% premium to current \$58/shr) should buy them all, for a total cost of \$33.6 bil. NEM is a steady state 6.5 mil oz producer and there's several ways the LBO could be financed: 1) The LBO borrows the \$33.6 from an banking syndicate and sells forward its 6.5 mil oz/yr production for each of the next 12 years; as the LBO delivers into the contracts, the net proceeds after deducting operating costs are used to repay the banks. Or 2) the LBO takes a gold loan of 53 mil oz ... *continued Page 6*

On to ??

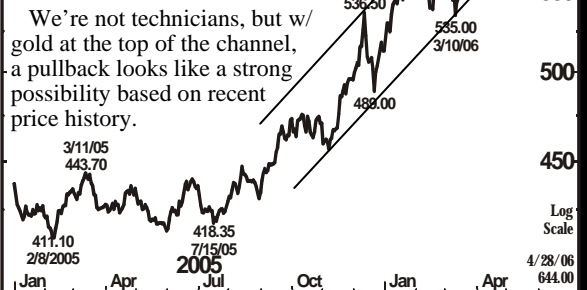
GSA remains bullish on gold's long term future, but we remain very cautious in the short term as the metal appears over-bought (see chart).

We think pullback to below \$600 is likely, which will signal a new buying opportunity.

Accordingly, we remain 30% in cash to give future buying power, yet remain largely exposed should any Iran/oil related event cause gold to spike higher.

Gold (London PM Fix)

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We're not technicians, but w/ gold at the top of the channel, a pullback looks like a strong possibility based on recent price history.

Tooting our Own Horn

April's mid-Month Update recco'd going to 40% cash after the GSA Top 10 had far outperformed every other benchmark in the precious metal universe for 1Q06, which ended 3/31/06. See table. While this was great, it was really the first week of April that tipped us into the "take profits" mode, as the Top 10 gained another 20% in one week to end the first 14 weeks of 2006 at **up +80%**!

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	2006 Results thru 3/31/06
GSA Top 10 Stocks*	+59.8%*
US Global: World Gld	+37.8%
Silver	+30.1%
Avg All Gold Funds	+20.5%
Gold	+13.5%
XAU Index	+10.6%
*thru 4/7/06:	+79.9%
*thru 4/26/06 (data day):	+86.2%

- **Addition to GSA Top 10.** Who and Why begins on page 2.
- See you at the **NY Gold Show**, May 14&15. More info at: iiconf.com