

# 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 10/28's \$471 Gold, and GSA's proprietary Market Cap/oz data base since 1994, for a Rising Gold Market, gold stocks trade as if gold was \$453; the stocks on average are:

Undervalued -4% based on MC/oz P+P  
Undervalued -4% based on MC/oz Prod

## Barrick (and Goldcorp) bid for Placer Dome

See Report and Analysis on Page 17

## Helicopter Ben

Newly nominated Fed-head **Bernanke's** "helicopter" comment is quoted by goldbugs as proof he'll bring a looser monetary policy. They ignore the context of the 11/21/02 speech at National Economics Club in Washington D.C.

Made when Fed funds were 1% and many did worry about the possibility, the speech's title was "Deflation: Making Sure 'It' Doesn't Happen Here." In contrast to Greenspan, the speech is remarkable in its clarity and professorial discussion of the many policy tools available; any student could readily follow the 1-2-3 format.

A "helicopter drop" of money was cited as Milton Friedman's comment; Bernanke actually said "deflation is always reversible under a fiat money system" via "printing press... or its electronic equivalent"... "government can always generate higher spending and inflation." Here's the full text: <http://www.federalreserve.gov/boarddocs/speeches/2002/20021121/default.htm>

GSA sees Bernanke bringing a refreshing change from Greenspan's obfuscations, but due to the erroneous "helicopter" attribution, in confirmation hearings he may have to seem more of an "inflation hawk" than he might, in fact, be.

## Cash Costs/oz - Margins Slowly Improve

Here's two quarters added to the chart we ran May-05 for the six largest gold miners: ABX, AU, GFI, HMY, NEM and PDG. Cost pressures endure; NEM says fuel is now 20% of costs, all energy almost 25% or \$60 of Co's \$238 cash/oz 3Q05, in line with '\$1 change in a barrel of oil is \$1 change in cash cost/oz' industry maxim.

For the individual stocks' history, see table on Page 8.

	2001	2002	2003	2004	1Q05	2Q05	3Q05
Wgtd Avg/oz	\$180	\$179	\$228	\$267	\$295	\$284	\$278
Avg Gold Price	\$271	\$310	\$363	\$410	\$427	\$427	\$440
Net Oper Prft Profit	+\$91	+\$131	+\$135	+\$143	+\$132	+\$143	\$162
Oper Profit % Au Price	33.6%	42.3%	37.2%	35.9%	30.9%	33.5%	<b>36.8%</b>

• US Treasury's "Currency Manipulator" Report, due 10/15, is been pushed back to early November and it may again "punt" rather than name the Chinese. This is based on Treasury's Snow's clear tune change during mid-Oct visit from hectoring China to revalue, as the call was "falling on deaf ears." Now Snow seeks faster modernization of banking and financial system (a billion Visa cards?), on grounds that this will stimulate demand and cut China's \$200 bil trade surplus with the US.

• **WSJ** reported Oct 5 that 91 companies had disclosed plans to **repatriate \$206 billion** in overseas profits under the **Homeland Investment Act**. "Companies have stepped up repatriation in recent months, with another burst of announcements expected in conjunction with third quarter earning reports... US companies ultimately are expected to **repatriate as much as \$350 billion.**" *GSA continues to see this program providing major support to the Dollar; its end comes soon.*

• **Change in Top 10.** Read "Who" and "Why" on Page 2.

• See you at the **San Fran Gold Show**, Nov 27&28. [www.goldconference.com](http://www.goldconference.com)