

GSA-Pro GSA-Top10 Silver Stock Analyst

USER GUIDE

User Guide • Since 1994 • Editor: John C. Doody • Single Issue: \$150.00

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Next Issue Web Posted: 2/1/10

Where Are We Now?

Based on 11/30's \$1,176/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994, Gold Stocks trade as if Gold was at \$1,132/oz. On average, Gold Stocks are:

Undervalued -4% ←

Explanation of Terms, Abbreviations and Methodology

Used in the three publications from the *Gold Stock Analyst* group

Overview

Your Editor left a college professorship (Bentley; Economics & Finance) in 1994 to start this newsletter based on two beliefs:

1) Politicians' #1 goal is re-election. To this end, they try to deliver voters 9 slices from an 8 slice pizza. This cannot be done except through budget deficits and loose monetary policies; both debase the currency and create inflation.

Gold offers investors the protection they need to protect their savings from theft by inflation and debase-

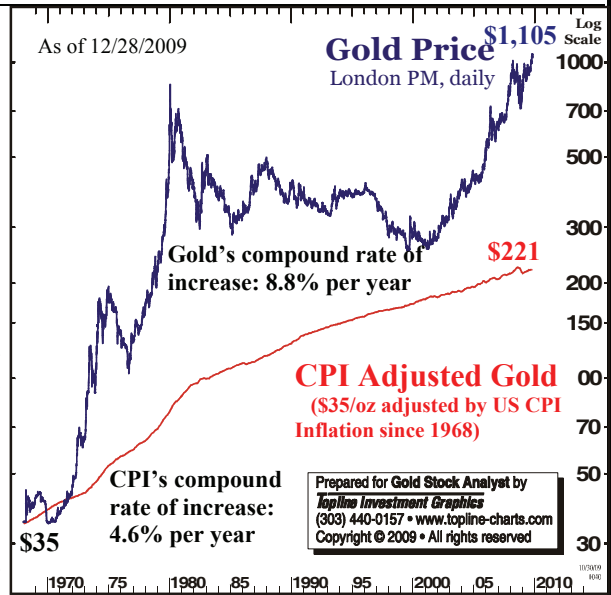
ment. Since Gold's price was freed from \$35/oz in 1968, its actual market price has far outperformed its inflation adjusted price (CPI, see chart) by a five to one margin... \$1,105 to \$221/oz!

2) The Stock Market is inefficient and does not properly value all stocks all the time. This is particularly true for Gold stocks, as the track record of the GSA Top 10 shows... up **+1,105%** in past decade and **+136%** in 2009.

All Gold miners have exactly the same output, ounces of Gold, which they sell for the same market price. But, everything else about the companies is different... number of shares, stock price, ounces of Production and Reserves, production costs, mine location, management, and many more factors ... *continued Page 13*

Many pages in this guide are from past issues. A star bordered box indicates comments have been added to the page to provide further explanation.

GSA's every-issue number crunching yields a comparison tool to determine whether Gold stocks are currently over or undervalued. More on Page 11



Top 10 Stocks

Sept-09

STOCK - Symbol	'09 Prod Fcst (Au)	Last Full Report	Mentions: Issue / Update	Current US\$ Target Price	1/2/09 Open Price	8/31/09 Close Price	Yr 2009 Change vs 1/2/09 Open
TOP 10 STOCKS (No order of preference)							
Golden Qn-GQMN	—	Sep-09	May, Jul / F, May, Jul	\$1.50	\$0.32	\$0.58	+81.3%
Goldcorp - GG	2,300K oz	Sep-09	J, J, A, J, F, M, M, J	\$50.00	\$31.53	\$36.46	+15.6%
Minefinders - MFN	165K oz	Mar-09	Aug, Sep/ Mar, May	\$15.00	\$5.15	\$8.90	+72.8%
Royal Gold- RGLD	Royalty	May-09	May, Jun / May	\$66.00	\$49.21	\$39.68	-19.4%
Silver Whtn - SLW	18.2 mil Ag	May-09	Jun, Aug / May	\$15.00	\$6.49	\$10.36	+59.6%
Northgate - NXG	382K oz	Apr-09	J, J, Aug / Mar, May	\$5.00	\$0.83	\$2.24	+169.9%
European - EGFDF	1.5mil Ag	Aug-09	/ J, F, M, May	\$6.00	\$2.67	\$3.08	+15.4%
Golden Star - GSS	400K oz	Sep-09	Mar, Jun, Sep/ May	\$4.00	\$1.00	\$2.62	+162.0%
Yamana - AUJ	1,050K oz	Apr-09	Jun, A, Sep/ May, Jun	\$13.00	\$7.72	\$9.20	+19.2%
Cash: 10%							0.0%

REMOVED from TOP 10: '09	Open: 1/2/09 or when added '09	Price when Dropped	Change in 2009 (vs dropped price)			
Franco-NV	May-09	Jun / May	\$17.52	\$27.72	+\$10.20	+58.2%
Year to Date		GSA TOP 10: +63.5%				
S&P500 Index		903.25	1,020.62	+13.0%		
XAU Index		123.85	147.04	+18.7%		
Gold (Lndn PM)		\$865/oz	\$951/oz	+9.9%		

★ Note: We held 10% cash on 8/31/09. Have held up to 40% cash in past.

★ Issue with Last Full Review. Issue or mid-month Update with comments on the stock.

★ 18-24 month Target price, which often are adjusted up or down with events... some stocks also have long term targets mentioned in their Review.

★ Price at start of current year. Current price. Stocks' Gain/loss year-to-date.

★ Year-to-date-performance of GSA Top 10 vs other benchmarks.

★ Much of GSA's Top 10 success is because we have 10 recommended stocks. We had no idea on Jan 1, 2009 that the top performers as of 8/31/09 in the table above would be Northgate and Golden Star. If we knew that, there'd only be a Top 1 or 2!

★ Buying all the Top 10 increases the chances for having a big gainer that will make a difference to your portfolio. Owning just 1 or 2 of the 10 might mean missing big gainers in the near term, and having 15, 20, 25, or more means you are diluting your big gainers, and are likely to do no better than owning a mutual fund. Mutual funds, per the SEC's "prudent man" rule, must own approx 40 stocks, and among gold miners, there are not 40 worth owning.

★ For best results, follow the Trading Rules below. Once you're invested, simply follow our infrequent but very clear Buy/Sell recommendations (only 2 in all of 2009: sold Franco when hit target; added a 10th in Sept). Use on-line broker to keep your commissions low, in the \$7-10/trade range.

★ Don't worry about having to follow 10 stocks. That's GSA's job! We'll keep you current in our Issues and Updates, and if something is very urgent, we'll issue a Special Bulletin.

TOP 10 CRITERIA: Undervalued based on current/expected output/reserves and special situations; GSA sees potential to double within the next 2 years based on existing projects, without an increase in gold price.
Past performance is no guaranty of future results.

RECOMMENDED TRADING RULES:

1. Never buy just one Gold stock, 4-6 is a minimum (all 10 is ideal), in roughly equal \$\$ amounts.
2. If you are new to Gold stock investing, scale-in. Never commit more than 50% of what you plan to invest at the start. Invest more in a few weeks, more in another month.
3. Scale into a stock; buy an initial amount that allows doubling-up if price drops.
4. Use a mental stop-loss 20% below recent average high. The stocks can be volatile and a 20% drop may easily be explained and a reason to buy more.
5. If you think you should Buy/Sell, but are uncertain, Buy/Sell 50% of the position; will be half right.
6. If a stock has had a good move, take initial investment "off the table" and let profits run.
7. If a Top 10 stock is within 20% of its Target Price, wait for pullback before buying, or for GSA to raise the Target Price.
8. Be patient. It can take time for Mr Market to recognize the value we have found.

GSA Company Reports

Miners are covered in 4 formats, depending on their size. The very largest, the Majors, with 2+ mi oz/yr Production merit 2 pages. Large Intermediates with approx 1+ mil oz/yr, such as Yamana below, are reviewed in a full page format. Smaller producers in the 100K to 700K range get half a page and those less than 100K oz/yr or those building a mine but not yet in production are covered in a Page 3 "thumbnail".

- Most Recent Balance Sheet
- Quarterly and Annual Production
- Cash Cost/oz, the direct cost in labor and materials to mine an ounce; a Key Metric
- Financial Notes
- Mines & Exploration sites, by country.
- Ownership;
- Type of Mine (Open Pit or Underground) and Processing (Mill or Heap Leach);
- Proven + Probable Reserves;
- Non-reserve Ounces;
- Production; past or forecast
- Totals and cash cost/oz
- Updates on key mines
- Analysis of Company and GSA's recommendation
- Contact info

Yamana Gold NYSE AUU DIV .04 RECENT 10.65

ASSETS	At: 6/30/09	Prod	(000)	NetCash
Cash	\$ 94.4	Period	AuEqv**	Cost/oz
Accts Rec	74.1	Tot 07	597K*	(\$182)
Inventory	127.7	1Q08	AE237K	(\$124)
Other	243.4	2Q08	AE257K	(\$140)
Goodwill	55.0	3Q08	AE235K	\$140
Net PP&E	8,655.0	Tot 08	AE255K	\$397
TOT ASS	9,421.7	1Q09	AE984K	\$136
HABS		2Q09	AE240K	\$430
Curr Liab	297.6	3Q09	AE257K	\$213
Curr Debt	83.7 (2)	Tot 09	AE314K	NA
LT Debt	472.2 (2)	1Q10	AE	
Future Tax	1,664.5	2Q10		
Other	242.2			
EQTY: Com	6,625.2			
# Shrs Com	733.2 mil			
# Fully Dil	753.8 mil(1)			

Site	Own	Facility	P+P (mil oz)	DthAuoz (mil oz)	OBProd	09Fcast	10Fcast	Notes
Brazil								
Chapada	100%	OP-Mill	2.45mil	1.41	150K	155K	155K	*45K t/day Mill expands to 57K/yr compl 3Q09
Cu by-prod			2.44bil	1.62 bil	132mil	140mil	155mil	*19 yr life, w/Mill expands offsetting grade fall
F Brasileiro	100%	UG-Mill	0.25	0.15	96K	80K	90K	*3 t/d mill delivers ~90K/yr
C1-Santa L	100%	OP-Mill	0.92	1.44				*\$143 mil = 104K/yr @ \$465 cash; prod mid-2012
Jacobina	100%	UG-Mill	1.44	3.34	73K	118K	120K	*3 mines, 6.5K t/day mill; new Canavies=higher grade
Santa Elna	Trend			0.90	*Ernesto (359K oz)+Pau Pique (540K oz): \$86 mil=100K/yr at \$356 cash; constr decs 1Q10			
Pilar	100%			1.46	*feasib on 100K oz/yr due mid-10; Caiamar, 38km away, could feed Mill			
Chile								
Penon: Au	100%	UG-Mill	1.93	2.11	AE:408K	AE:395K	AE:440K	*multiple UG vein deposits reached by ramps feed Mill,
Ag			69mil	60mil	225k+9.3m	205k+10.5m	220k+12.0m	w/capacity increased to 36K t/d at end-08
Amncaya	100%			0.35+3mil				*Au/Ag; truck ore 180km to El P's mill?
Florida	100%	UG-Mill	0.75+6mil	0.75+4mil	AE: 64K	AE:98K	AE:120K	*expans to 2K t/day compl '09; +40K/yr from tails in '12
Jeronimo	57%	UG-Mill		0.99				*earns w/\$20 mil+feasib; refractory ore = autoclave?
LaPepa	100%	OP-HL		3.38				*18K t/day HL? Maricunga region Chile
Argentina								
Gualcamayo	100%	OP-HL	2.98	1.78		75K	180K	*QDD zone add 90K/yr in 2012
Atumbrera	12.5%	OP-Mill	0.58Au		63K	40K	40K	*50% Xstrada; 37% GG. Prod slips to mining end in, est
Cu by-prod			397 mil		43mil	30mil	30mil	in 2016
Agua Rica	100%	OP-Mill	5.77mil+8.7bil	4.17mil+7.8bil	*2006: \$2.1 bil = 365 mil lbs Cu+135K oz Au+15 mil lbs Moly for 23 yrs. Seeks JV/ptnr or combo			w/Aumbrera via 35km conveyor; on books at \$831 mil. Key permits issued, all seen in '11
Esquel	100%	OP-Mill		2.56	*MDG acq'd for \$310 mil in shrs; unable to develop OP due local resistance; possible UG mine?			
Mercedes	100%	UG-Mill	0.6+6mil	0.16+2mil	*Mexico: \$152 mil capex = AE120K/yr at \$265 cash in 3Q12 w/good expl potl			
Sold by end-09								
TOTAL			17.60	23.76	80.1K+8.3m	9.10K+10.5	965K+12.0	*AE = Au Equivalent on 55Au/Ag ratio.
(net)			mil oz	mil oz	AE 984K	AE 1,100K	AE 1,145K	Prod fcast for 2013: AE 1.5 mil oz;
					@ \$136	@ \$200	@ \$200	2014: AE 1.7 mil oz

UPDATES: Brazil: CHAPADA: \$210 mil capex for initial 45K t/day mill. Due declining grades, Mill expands to 57K t/day 3Q09 and fed by new mining fleet w/150 ton trucks. Studies further 10% Mill expands (for ~\$20 mil) vs extend current ~20 yr mine life. JACOBINA: Bahia Gold Belt, 11 km strike; 3 mines feed Mill expanded to 6.7 t/day for ~115K oz/yr, Joao Belo + Morro de Vento + Canavies; w/7+ mil oz mrrlz but slowed by pillar failure, Co works to get raise prod and justify \$632 mil acquis cost. Chile: EL PENON: The prize in \$3.6 bil acquis of Meridian. Large prop w/multiple narrow UG vein systems that repeat in predictable pattern. Co seeks to build Reserves to maintain over 400K oz/yr production rate. Argentina: GUALCAMAYO: Comm prod from 7/1/09 at 200K/yr and now seeks to cut cash to ~\$300 cash/oz; QDD Lower West zone feasib study due 4Q09 to add 90K/yr prod in 2012. AGUA RICA: optimizes '06 feasib (used \$425 Au, \$1.10 Cu, \$6 Moly; says current prices incr P+P by ~20%) w/incr emphasis on Rhenium recov due ~\$5,000/lb price; discusses w/potl JV partners. EXPL: \$66 mil '09 budget focused at mines to incr P+P.

ANALYSIS: After funds ~\$1.5 bil capex thru 2013 for new mines + expansion from cash flow, Co expects to end with ~\$2.3 bil free cash, assuming \$950 gold + \$2.90 copper. Deal fct April's review came w/sale of small/high cost mines w/fcst 200K prod in 2010 to Aura (see report Aug issue). But, rather than make acquis to offset prod loss, Co focuses on internal growth to reach 1.5+ mil oz/yr. Mr Market disciplines Co for past over-promises; as a result, while looks like a mini-Goldcorp, AUU sells at average 60% of GG's values on GSA's 3 key metrics on pages 4-5. Given low \$200 net cash cost/oz, and new focus on achievable growth guidance, GSA thinks discount to GG will close to ~15%, for new \$16 target. AUU stays **GSA Top 10**.

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• Stock price & volume charts are common on the internet.

• GSA's charts are unique and present past combinations of stock price and Gold. The centering lines fit the points to establish Overvalued & Undervalued.

• At AUU's \$10.65 and Gold's \$1,041, AUU was Undervalued and selling at 77% of where it should be at \$1,041 Gold. More on Page 3, every issue.

• Mine details: capacity, cash costs, what's ahead

The Main Reason to Buy Gold Stocks is for leverage to Gold price. When Gold goes up, the stocks go up more because the price increase falls straight to profits and all the Company's unmined ounces (Reserves) are now worth more.

Accordingly, GSA's data presentation and analysis focuses on a Company's Production and Reserve ounces, plus Operating Cash Flow (Gold price - Cash Cost/oz X oz Produced), not its actual profits or earnings per share.

GSA Gold Stock Data

Company <i>(notes)</i>	Symbol: Trades	11/30/09 US\$	Dividend Actual or Indicated	Shares (mil)	Mkt Cap (\$ mil)	P+P Resrvs (mil oz)	MktCap/ Oz P+P	Non-P+P Mineraliz
Agnico Eagle <i>w/sale 9.2 mil units</i>	AEM: NYSE	\$62.66	US\$0.18	155.7	\$9,756	18.06 @\$725	\$540/oz	8.92 mil
Alamos Gold <i>w/9.4 mil sale</i>	AGI: TSE	11.18	—	107.3	1,200	2.05 @\$700	585	3.67
J Allied Nevada <i>w/11.2 mil sale</i>	ANV: ASE	13.00	—	68.6	892	1.14 @\$650	787	5.62
U <i>Anatolia</i>	ANO: TSE	2.28	—	114.7	262	2.17 @\$600	121	3.87
L Anglogold-ASX <i>w/7.8 mil sale</i>	AU: NYSE	44.04	R1.00=\$0.13**	365.9	16,114	68.20 @\$720	236	146.70
Y Apollo Gold <i>w/19.5 mil sale</i>	AGT: ASE	0.50	—	253.5	127	1.61 @\$650	79	1.18
<i>Atna (merged Canyon Res)</i>	ATN: TSE	0.65	—	83.3	54	0.42 @\$750	129	1.27
Aurizon <i>w/9.7</i>								
Aura Mnrls								
Barrick <i>(w/95.1)</i>								
<i>B 2 Gold</i>								
Buenaventur								
A Centerra <i>w/18</i>								
U Claude <i>w/13.9</i>								
G DRDGOLD <i>p</i>								
Dundee <i>w/35.1</i>								
Eldorado <i>w/Si</i>								
European Gc								
<i>F'port C+G w</i>								
<i>Gabriel net 80</i>								
Gammon Go								
Goldcorp								
<i>Golden Quee</i>								
Golden Star								
S Gold Fields								
E Great Basin								
P IAMGOLD								
Harmony <i>w/11</i>								
<i>Ivanhoe w/46</i>								
Jaguar								
<i>Lakeshore G</i>								
Lihir Gold <i>w/1</i>								
Kinross <i>w/sale</i>								
O Minefinders <i>v</i>								
C Nevsun <i>w/11.1</i>								
T Newcrest <i>(FY</i>								
New Gold <i>w/30.7 mil sale</i>	INGL: ASE	3.36	—	307.0	1,360	1.04 @\$730	102	0.35
Newmont <i>w/100% Bodd + 34.5 mil sale</i>	NEM: NYSE	53.64	US\$0.40	490.0	26,284	91.65 @\$725	287	46.37
Novagold <i>w/sale 47.7 mil shrs</i>	NG: ASE	5.59	—	183.8	1,027	No P+P	-	27.90
<i>Northern Dynasty</i>	NAK: ASE	7.43	—	93.0	691	No P+P	-	47.00
Northgate <i>w/Young-Davis feasib</i>	NXG: ASE	3.19	—	290.3	926	4.04 @\$725	229	9.96
<i>Osisko</i>	OSK: TSE	7.27	—	288.8	2,100	6.28 @\$725	334	4.36
Polyus ADRs <i>split 2-1, but 2 ADR = 1 com</i>	OPYGY: Bull Bd	28.55	US\$0.10	381.2	10,883	74.10 @\$625	147	34.48
Red Back	RBI: TSE	14.49	—	230.2	3,336	5.37 @\$700	622	3.97
Richmont	RIC: ASE	3.50	—	26.1	91	0.36 @\$650	254	0.81
Randgold <i>w/45% Moto</i>	GOLD: NASDAQ	84.74	US\$0.13	88.4	7,491	10.08 @\$650	743	8.64
<i>Romarco w/46 mil sale</i>	R.V					1.34 @\$700	393	2.80
N San Gold <i>w/19.5 mil wts exer</i>	SGR.V:					0.33 @\$600	2,887	1.27
O Seabridge	SA:					No P+P	-	49.99
V SEMAFO <i>w/17.9 mil shr sale</i>	SMF:					1.78 @\$750	591	4.23
<i>Terrane</i>	TRX.V					6.02 @\$690	87	1.62
US Gold <i>w/25 mil sale</i>	UXG: ASE	2.84	—	122.0	346	No P+P	-	2.30
Vista Gold <i>w/10.1 mil sale</i>	VGZ: ASE	3.07	—	44.6	137	1.32 @\$725	104	16.14
Yamana <i>w/3 mines sold</i>	AUY: NYSE	13.33	US\$0.04	733.2	9,774	17.60 @\$760	555	23.76
Totals and Weighted Averages					\$249.6 bil	804.9 mil	\$310/oz	

Pages 4 - 6 are Updated every Issue to Present:

Stocks Covered, where they trade and symbol.
GSA covers the industry... approx 70 producers or soon-to-be.
We believe any stock may be worthy of purchase... at the "right" price. The only way to know the "right" price is to cover the entire industry and find those undervalued.
Coverage Criteria: In production at 100K+ oz/yr or has bankable feasibility showing construction of such a mine will be profitable.
Company coverage alphabetical: Heavy horizontal lines delineate issues, as does the month abbreviation in far left column

Stock Price X Shares Outstanding = Market Capitalization (Market Cap)

Proven & Probable Reserves (P+P):
The only ounces US SEC allows companies to talk about as:
1) Drill holes are close enough to be confident the undrilled ground between holes will yield results consistent with drill results, and
2) Independent Engineering firm has examined drill data, capital costs to build a processing system, recovery rates, and found the mine should operate at a profit if built.
Reserve Price: US SEC allows use of trailing 3 year average to calculate reserves. Higher the price, the more marginal grades become profitable and thus Reserves.

Market Cap/oz P+P:
Market Cap divided by Reserves. Represents how stock market is now valuing a Company's ounces.
Compare to peers and industry **Weighted Average.**
Why is a Stock below the average? A good reason such as high cash costs, or political climate at mine location, or for no good reason, which means may be Undervalued.

Non P+P Mineralization: Other ounces with too wide drill results, too low grade to be now economic, cash costs too high to recover, etc.
Useful info, but with no standard way for companies to report, this mineralization is not normally part of GSA's analysis.

Weighted Average Mkt Cap/oz P+P:
A key comparison metric for GSA's analysis.

See Page 6 for Silver, Weighted Average Market Caps/oz and Footnotes

Finding the Undervalued

Which Stocks to Buy?

- All make Same Product: Ounces of Gold
- All else different: Price, Shares, Reserves, Production, Cash Costs, Locations
- If everything was the same, we should want to buy those stocks with the cheapest ounces. This means reducing their data to some common comparatives:

GSA finds undervalued stocks among the 70+ miners covered by starting with 3 Filters:

I) Mkt Cap/oz P+P Reserves

II) Mkt Cap/oz Production

III) Operating Cash Flow Multiple

These filters allow comparing all 70+ miners on same basis to determine, if we buy the stock:

- What are we paying per ounce of Reserves or Production? - What Cash Flow Multiple are we paying?

The analysis starts with Market Cap/oz Calculations:

Market Cap = Stock Price X # Shares

Divide Mkt Cap by P+P Reserve ounces

Can then compare result to:

1) Industry Average

2) Other Miners

For the Industry:

Total Market Cap:

\$211 bil

= \$261/oz

Total P+P:

810 mil oz

Avg Mkt Cap/oz P+P Reserves

I) Market Cap/oz Proven and Probable Reserves:

Looking at the individual miners, large disparities appear (table below condensed from Page 4 data in every issue; the data and Top 10 status is from Nov-09 issue and may not be GSA's current opinion):

1) Why are each of **Agnico Eagle's** 18.06 mil oz P+P valued by the Market at \$461/oz versus **Crystallex's** almost same number of Reserve oz, 16.86 mil, valued at only \$4 each?

Answer: Crystallex's oz are all at one site in Venezuela and it looks like Hugo Chavez is denying KRY a construction permit, which is probably the first step in step in stealing the deposit. So the difference is likely justified.

2) **Eldorado's** 12.36 mil oz in Turkey and China mines priced at \$500 each. But the oz of **European Goldfields**, with 9.19 mil oz located near Turkey in Greece and Romania, sell at \$110/oz, just 22% of EGO's. Is this reasonable?

Answer: Reading GSA's Company Reports on each, we find the biggest difference is that Eldorado is in production at several mines and while Euro has a producing base metal mine, its 3 Gold mines are nearly, but not fully, permitted and so are not yet producing.

But, w/cash in bank to build the mines without further share issues, and 20% owned by Greece's largest construction company (should assure the permits are granted), GSA thinks the price difference is Not Justified and **European Goldfields is a Top 10 Stock.**

GSA Stock Data: P+P Reserves					
Company	10/30/09 US\$	Shrs (mil)	Mkt Cap (\$mil)	P+P Resrvs (mil oz)	MktCap/ Oz P+P
Agnico Eagle	53.53	155.7	8,355	18.06 @\$725	461/oz
Allied Nevada	9.55	68.6	655	1.14 @\$650	575
Anatolia	1.97	114.7	226	2.17 @\$600	104
Anglogold-ASL	37.54	365.9	3,736	68.20 @\$720	201
Aurizon	4.35	158.5	689	0.96 @\$750	718
Aura MnrIs	2.90	164.2	476	1.80 @\$700	265
Barrick	35.93	982.7	35,308	138.50 @\$725	255
Centerra	7.65	234.9	1,797	5.81 @\$675	309
Claude	0.72	111.4	80	0.22 @\$600	365
Crystallex	0.23	298.8	69	16.86 @\$550	4
DRDGOLD	5.87	37.7	221	8.02 @\$853	28
Eldorado	11.03	560.0	6,177	12.36 @\$725	500
Euro Goldflds	5.62	179.9	1,017	9.19 @\$600	110
Gammon Gold	8.14	132.0	1,074	3.09 @\$720/\$13	348
Totals & Weighted Avg			\$211.4 bil	810.2 mil oz	\$261/oz

Finding the Undervalued

II) Market Cap/oz of Production:

The analysis again starts with Market Cap/oz Calculations:

Market Cap = Stock Price X # Shares

Divide Mkt Cap by P+P Reserve ounces

Can then compare result to:

1) Industry Average

2) Other Miners

For the Industry:

Market Cap:

\$211bil

= \$5,265/oz

Total Prod:

41 mil oz

Avg Mkt Cap/oz Prod

Looking at the individual miners, large disparities again appear (table below condensed from Page 5 every issue; this data and Top 10 status is from Nov-09 issue and may not be GSA's current opinion):

1) Why are **Golden Star's** 400K oz forecast produced in 2009 valued at only \$1,815/oz and **Red Back's**, with mines in same area (West Africa), and same 400K oz production, being valued \$7,440/oz?

Answer: As noted in GSA's Company Reports, Red Back has lower cash cost/oz and better growth prospects. So, Red Back is worth more, but 4.1X more (\$7,440 vs \$1,815/oz)? GSA doesn't think so and **Golden Star is a GSA Top 10 Stock.**

GSA Stock Data: Production		
	Co Fcst 2009 Oz @ Tot Cash/oz	Mkt Cap/oz Fcst '09 Prod
Agnico Egl	500K @ \$375	\$16,710/oz
Anglogold	4,950K @ \$460	2,775
Barrick	7,400K @ \$375	4,771
Gammon	AE: 250K @ \$430	4,296
Goldcorp	2,300K @ \$365	11,693
Golden Star	400K @ \$575	1,815
IAMGOLD	945K @ \$465	5,110
Lihir Gold	1,100K @ \$400	5,655
Kinross	2,200K @ \$445	5,869
NGD w/WGW	Full yr: 345K @ \$500	4,101
Newmont	5,200K @ \$415	4,095
Northgate	382K @ \$440	1,969
Red Back	400K @ \$420	7,440
Randgold	490K @ \$440	12,035
Yamana	1,100K @ \$200	7,099
Tots & Avgs	40.1 mil oz	\$5,265/oz

Finding the Undervalued

III) Operating Cash Flow (OCF) Multiple:

- How Market values Production Profitability

The analysis again starts with Market Cap/oz Calculations:

Market Cap = Stock Price X # Shares

Divide Mkt Cap by Operating Cash Flow (OCF), which is: Gold Price - Cash Cost/oz X Production oz.

Example: If Gold is \$900/oz and Cash Cost is \$400/oz and Production is 1.0 mil oz/year

Then \$900/oz - \$400/oz X 1.0 mil oz is \$500 mil Operating Cash Flow.

If Company's Market Cap is \$4,000 mil, dividing by its \$500 mil OCF = 8.0 OCF Multiple.

Can then compare result to:

1) Industry Average

2) Other Miners

For the Industry:

<u>Total Mkt Cap</u>	<u>\$211 bil</u>	= 11.3X
Total OCF	\$18.7 bil	

Looking at the individual miners, large disparities again appear (table below condensed from Page 5 every issue; this data and Top 10 status is from Nov-09 issue and may not be GSA's current opinion):

1) **New Gold** (NGD) has forecast 345K oz production at \$500 cash/oz and an OCF Multiple of 10.3X. But **Northgate**, also with Canadian and Australian mines, has 382K oz Production at \$440 cash/oz and only a 4.3X Multiple. Why?

Answer: From GSA Company reports, we find **New Gold** has a new mine coming on line in 2012 to increase production. **Northgate's** main mine (Kemess) is winding down to close in mid-2011 and the replacement mine, Young-Davison is not seen on line until early 2012. NXG's new mine is fully financed from cash in bank and the production gap inconsequential in the long term as Co will still have on-going 200K/yr production from its Aussie mines. Accordingly, **Northgate is a Top 10 stock.**

GSA Stock Data: Operating Cash Flow Multiples			
	Co Fcst 2009	Fcst '09	MktCap
	Oz @ Tot Cash/oz	Oper CF @ \$900	÷OCF = Multiple
Agnico Egl	500K @ \$375	\$ 263 mil	31.7X
Barrick	7,400K @ \$375	3,885 H	9.1X
EGO w/Sino	550K @ \$378	283	21.8X
Goldcorp	2,300K @ \$365	1,231	21.8X
Golden Star	400K @ \$575	131	5.5X
Lihir Gold	1,100K @ \$400	550	11.3X
Kinross	2,200K @ \$445	1,001	12.9X
Minefinders	yr AE: 168K@\$400	84	7.4X
Newcrest	FY19: 1,860K@\$350	1,023	13.6X
NGD w/WGW	Full yr: 345K@\$500	138 H	10.3X
Newmont	5,200K @ \$415	2,522	8.4X
Northgate	382K @ \$440	176	4.3X
Red Back	400K @ \$420	192	15.1X
Randgold	490K @ \$440	230	25.6X
Yamana	1,100K @ \$200	900	8.7X
Tots & Avgs	40.1 mil oz	\$18.7 bil	11.3X

Finding the Undervalued

Additional Filter: Mine Site Life Cycle:

While perhaps only 1 in 1,000 deposits becomes a mine, those that do make it all the way into production pass through a long life cycle with well-defined points along the way: See graphic below.

- 1) Discovery and Exploration to define Deposit's size to prepare a Bankable Feasibility Study. The latter defines mine's operating parameters for Environmental permits and Capital/Operating costs. Banks will loan approx 50% of capital cost to build. Remaining funds come from equity; i.e. retained earnings or share sales. Bank debt percentage can be increased further if output is hedged to lock in price over the debt repayment period, or convertible debt is used to eliminate banks and hedging.
- 2) Final permits and construction start, with 1 to 3+ years to get into production, depending on processing and site location and weather.
- 3) Commercial production, 6 -12 months after start to reach full production depending on Heap Leach recovery period or if ramping up of a Mill.

GSA Top 10 stock, **Minefinders**, completes a 15 year cycle from discovery to full production in January 2010. GSA avoids exploration stocks as too few discoveries become mines. We prefer to invest during the quiet period after discovery and before production begins as much of the risk has been removed.

Minefinders began 2009 as a Top 10 at ~~\$5.15~~ and closed the year at ~~\$10.21~~ to give us almost a double for the year.

Minefinder's Dolores (Mexico) Mine:

Discovery: 1995

Feasibility Study: July 2005

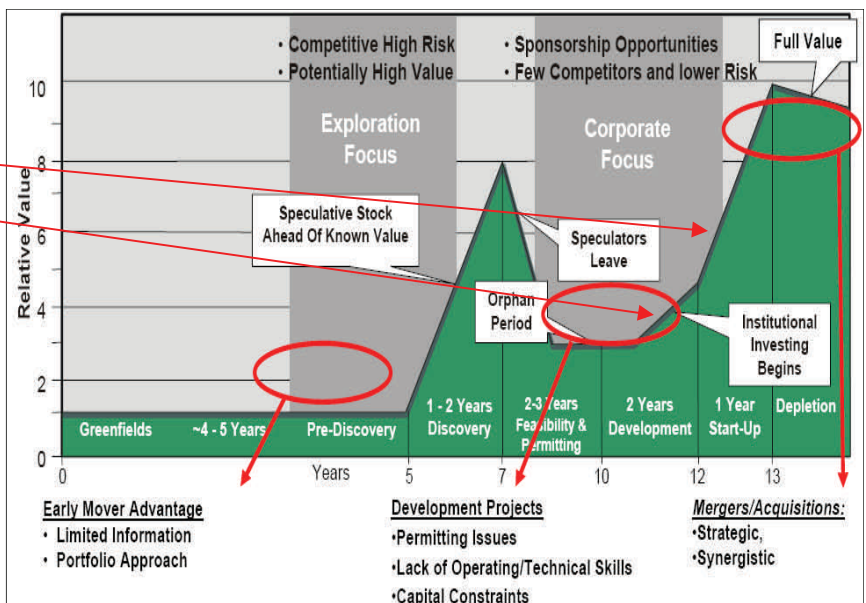
Construction Permits: May 2006

Financing: \$75 mil shares sold April 2006, \$85 mil convertible debt placed Nov 2006

Full Construction Start: Jan 07

Commercial Prod: May, 2009

Full Production: Jan 2010

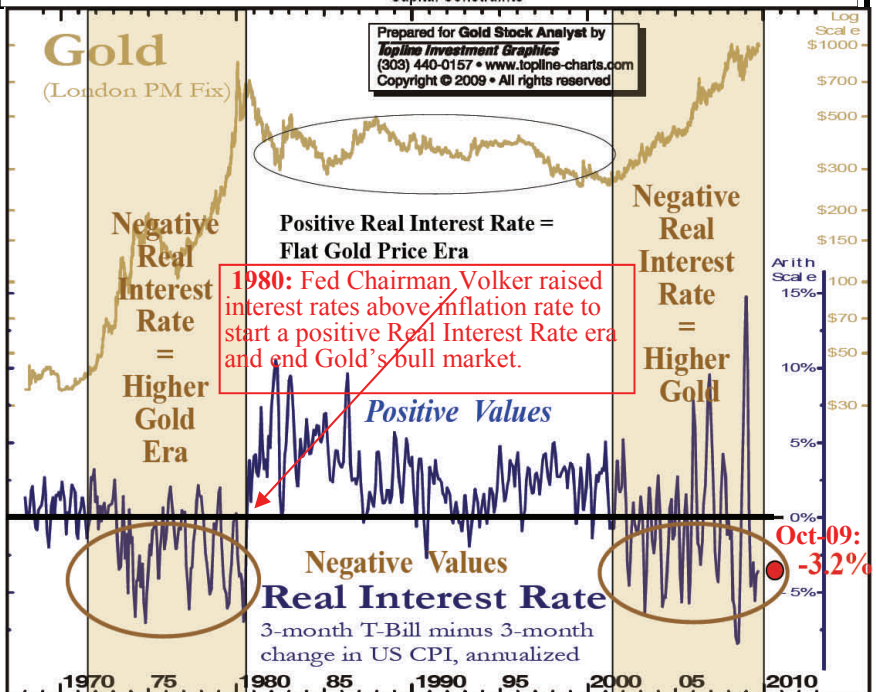


Gold Bull Market Ends When:

Long Gold Bull markets are characterized by a negative Real Interest Rate era, where the risk-free interest rate (typically the 90 day T-bill rate) minus the Inflation rate (CPI) nets to a negative number. See chart.

Bernanke is no Volker (who raised Fed Funds rate to 19% in 1980). It's unlikely Ben would raise rates until after Nov 3, 2009 US election, and probably not then if unemployment is still high. As a Princeton Economics Professor, he wrote much about Great Depression and is well aware that the Fed's tightening brought a relapse into the 1937 Recession.

At some point, interest rates will rise. But to stop Gold from continuing to run higher, the risk free rate must be jacked higher than CPI to create a positive Real Interest Rate and end the decline of cash's purchasing power. Against much political outcry, Volker did this. But it's not likely from Bernanke thinks GSA.



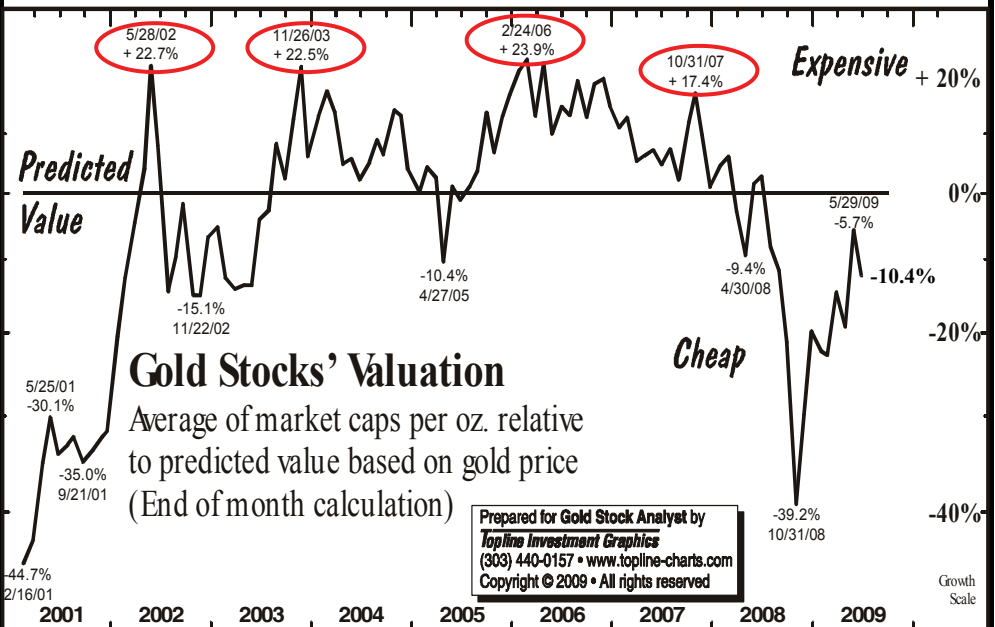
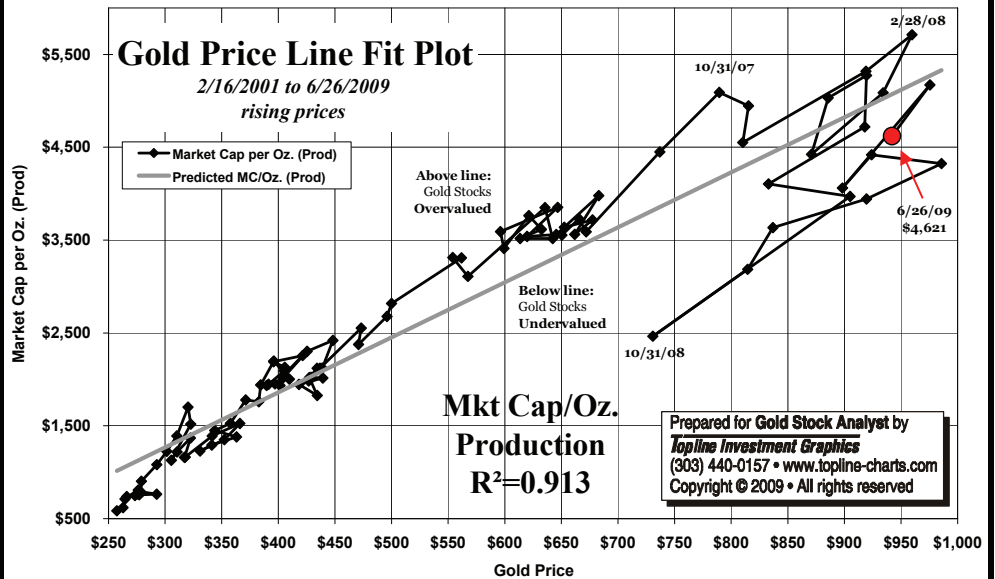
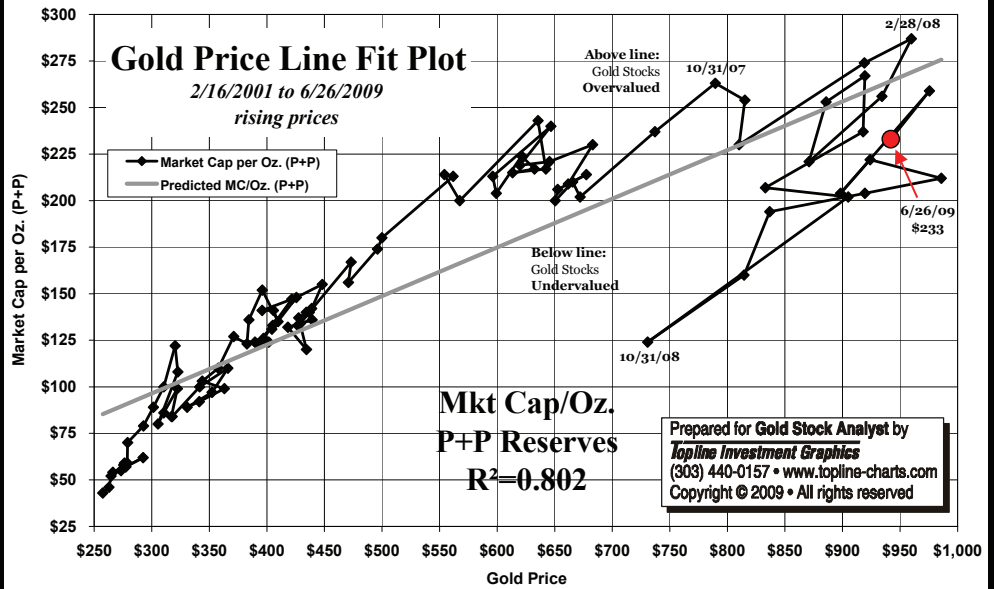
Market Caps vs Gold

Here we look at the GSA Market Cap/oz data (vertical axis) and Gold price on the horizontal. Each data point represents a combination of Mkt Cap/oz and Gold price since the Gold bull market began in 2001. As Gold has risen, so have stock prices and Market Caps/oz. The data is calculated at the end of every month and presented each issue on Pages 4-6.

Market Cap is simply stock price X number of shares. Dividing by total of all miners' Proven + Probable Reserves or Production yields a weighted average for the industry. Stocks can be compared vs each other and the Industry average, and the latter can be compared to Gold price.

The top two charts show the average Mkt Cap/oz vs Gold price for this bull market. We use a "least squares" regression to derive a line representing the average relationship. Depending on investor expectations and enthusiasm, evidenced in stock prices, the averages can be above or below the centering lines to show Overvalued or Undervalued (which the data showed on 6/26/09).

The bottom chart simply averages the top two. It's how we derive the "Where Are We Now?" answer presented on Page 1 of every issue, bottom left.



★★★★★★★★★★★★★★★★★★★★
★ The data in these charts ★
★ was based on 6/26/09 clos- ★
★ ing prices and reported in the ★
★ July-09 issue. ★
★ At that time, with Gold at ★
★ \$942 and the Top 10 up ★
★ +53% in 2009, we saw the ★
★ stocks undervalued -10.4%. ★
★ The GSA Top 10 closed ★
★ 2009 near fully valued and ★
★ the Top 10 up +136% for the ★
★ year. ★
★ We expect Gold stocks to ★
★ reach Overvalued for the 5th ★
★ time in this Gold bull market ★
★ that began in 2001. The ★
★ cause will be Gold resuming ★
★ its march higher as investors ★
★ pile into the industry's lim- ★
★ ited number of stocks. ★
★★★★★★★★★★★★★★★★★★★★

Technical Charts

The Technical Indicator Charts to the right present a past and current picture of the Gold and Gold Stock markets.

HUI Index: represents 15 unhedged mining stocks, each weighted by an arbitrary percentage that can change as the miners change. Newmont, once the largest Gold miner had it 15% weighting reduced to 10% when overtaken by Barrick and Goldcorp.

XAU Index: A Market Capitalization Index based on each stock's price and number of shares outstanding. Barrick has the largest weighting at 18.4% and Silver Standard the smallest at 0.8%. Oddly, Freeport with 90% of its revenues from copper continues in the Index with the second largest weighting at 14.6%.

Gold Price: The Daily London PM fix. The 100 day Moving Average shows the trend.

5.0 Line: Gold price divided by XAU Index. A rule of thumb that says when the ratio is above 5.0, Gold stocks are cheap relative to Gold and it's time to buy Gold stocks

Dollar Index: A weighted average of how 6 major currencies trade in Forex market vs US\$. Euro: 57.6%, Yen: 13.6%, Pound: 11.9%, Canadian \$: 9.1%, Krona: 4.2% and Swiss Franc: 3.6%

Net Large Speculators: From the Comex Commodity Exchange's Commitment of Traders Report. Data reported Friday for positions held on the prior Tuesday by Commercial Traders (representing end-users) and Non-Commercial Traders (representing Large Speculators and/or Hedge Funds). Each contract represents 100 oz; 10,000 contracts is 1.0 million oz.

Percent of GSA Stocks above 50 Moving Average: Gives the breadth of a move in the gold stocks; is it just the big caps that are moving, or is it a broader move by most of the 70 miners GSA covers?

Percent Gold Bulls: A market sentiment measure from Market Vane, which tracks daily the buy and sell recommendations of leading market and commodity trading advisors on 33 commodity futures. The indicator is best used in tracking market extremes - when overbought or oversold, prices ultimately correct to the opposite direction.



Overview ... continued from Page 1

important to stock valuation. GSA's analysis reduces the raw numbers (Pages 4&5) to 3 critical metrics discussed further on Pages 6-8, to find undervalued stocks. Our detailed company reports, Page 3, refine the data further to determine if the low price is justified, or it's truly undervalued.

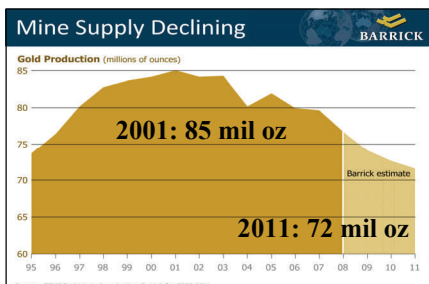
Investing in a portfolio of 10 Undervalued Gold stocks gives investors two ways to win: First, if Gold price rises, like an ocean tide, it takes most gold stocks higher. But the Top 10 usually does better.... see benchmark comparisons to Gold and XAU stock Index in Page 2 Top 10 results for year-to-date and the Page 20 graphics. Second, if Gold does nothing for awhile, undervalued Golds can still do well as their value surfaces. In 1995 to 1996, Gold was stuck in a \$350 to \$400/oz range, yet the GSA Top 10 gained +35.2% in 1995 and +61.2% in 1996. And, owning 10 stocks increases the possibility of a big winner.

Looking ahead, we see many positives that should bring higher Gold prices:

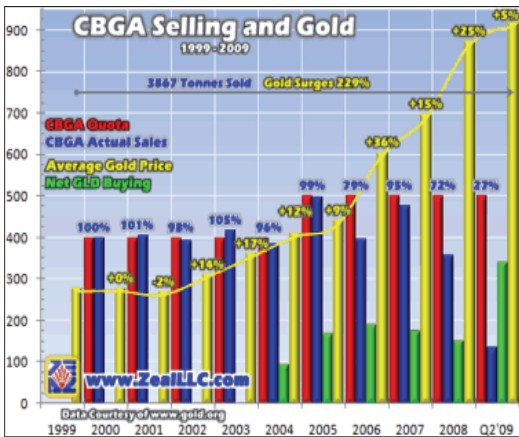
Supply and Demand:

On a microeconomic basis, the case for higher gold is impressive.

The Barrick chart shows mine supply falling by 15% in the 2001-11 decade. This is due to: 1) rising cash costs (the average cash cost is \$450/oz and double that of 10 years ago), and 2) Fewer big deposits being found, and those found are in much more challenging environments to build and operate: high altitude or very cold, or very deep.



Supply is also limited by falling Central Bank (CB) sales, as the Zeal chart shows. Realizing that Market uncertainty over their possible Gold sales was depressing the Metal's price and the value of their key holding, the biggest CBs voluntarily limited sales in 1999. In the beginning, sales (blue bars) filled the quota (red bars). But after 2005, with a rising Gold price, the CB sales fell short of their allowance. In 2009, India, Russia and some smaller nations began adding more Gold to their CB reserves. If China with \$2.3 trillion total reserves decides to join the others and add to its meager 34 mil oz, \$37 bil, 1.6% of total, Gold holdings, the Metal's price will explode!

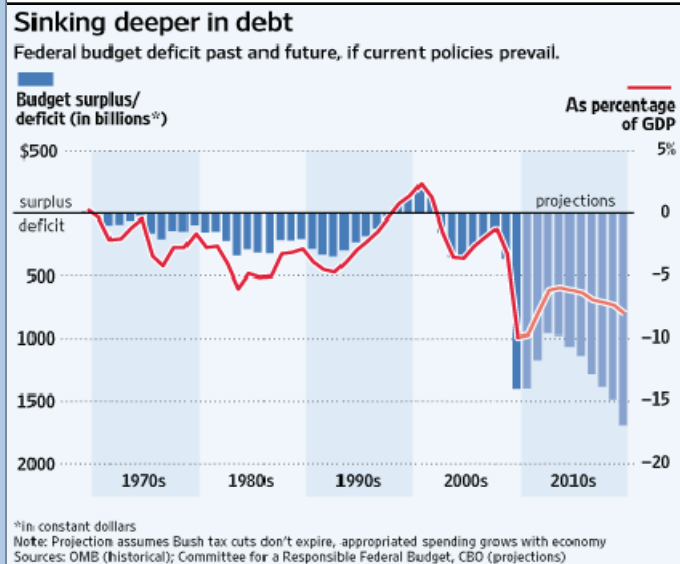
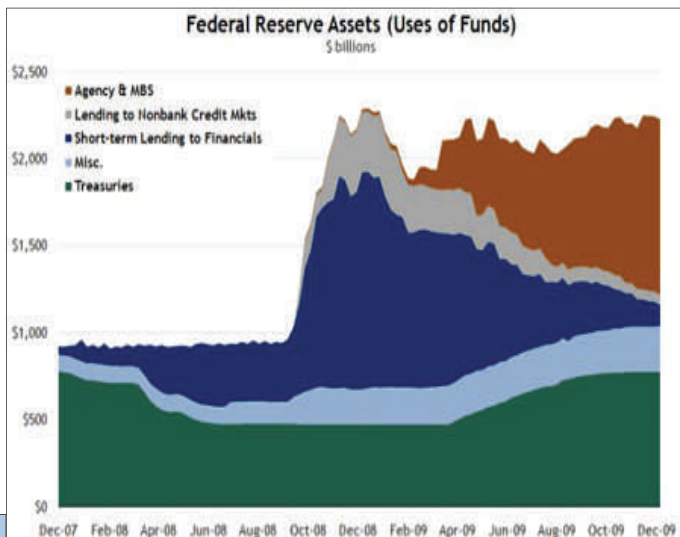


Macroeconomic Picture: Gold is Dollar denominated, which means when the greenback weakens, Gold rises.

As shown in lower right chart, the US Govt will be running \$1+ trillion budget deficits for years to come, and flooding the world with dollar-denominated debt to finance.

Add the Fed's own balance sheet (to right) that's been swollen to \$2.3 trillion by its purchase of junk and mortgage-backed bonds that will be difficult to unload without a very loose monetary policy.

These conditions are not good for average US citizen, but great for Gold as the excess Supply of Dollars in the financial markets will drive the Greenback lower and the Metal higher.



GSA Abbreviations

GSA recognizes our "telegraphic" style (as Jim Grant, of *Grant's Interest Rate Observer*, calls it) and use of abbreviations can sometimes make reading an issue, especially Company Reports, difficult. But, we see our job as providing as much information as possible to the reader, so he can make his own decisions and/or understand fully how we came to our conclusions. And, to cover 70+ companies and fit economic and market analysis within GSA's framework, the style is needed.

Within GSA's format we do try to maximize "readability" and we do our best to minimize abbreviations, and keep them to their most obvious contraction. One "trick" readers tell us they use is to softly read out loud; the words seem to flow and fit together better and the abbreviated words become more obvious. When stumped, these two pages of our most common abbreviations should help.

Symbols used:

~ approximate
> greater than; item to left is greater than item to right
< less than; item to left is less than item to right
X multiplied by, or times
÷ divided by
K thousand (as in K oz)

Abbreviations:

ac: acre
acq or acquis: acquisition
addl: additional
adj: adjacent
adv: advance or advantage
Ag: silver
ann: annual or announced
amalg: amalgamation
amt: amount
amort: amortize
anal: analysis or analyze
approx: approximate
Au: gold
avail: available
avg: average
bal: balance
BLM: US Bureau of Land Management
C\$: Canadian dollars
calc: calculated
cap: capital or capitalization
capex: capital expenditure
chg: change
CIL: carbon-in-leach mill recov process
CIP: carbon-in-pulp mill recov process
certif: certified
Co: company
com: common stock
comml: commercial
compl: complete
con: ore concentrated for shipment to smelter
cond: condition
consol: consolidated
const: construction
cont: continue
contd: contained
contig: contiguous
conting: contingent
corp: corporation
Cu: copper
curr: current

cv or conv: convert or convertible
D/D/A: depreciation/depletion/amortization
deb: debenture
dedic: dedicated
DEIS: Draft EIS
demo: demonstrate
dep: deposit
depl: deplete
deprec: depreciation
deter: determine
dev: development
disc: discover or discontinue
div: dividend
divers: diversification
EA: Enviromental Assessment; less stringent than EIS
econ: economic
EIS: Environmental Impact Statement (for mining operations)
enviro: enviroment
EPA: Environmental Protection Agency
eqv: equivalent
est: estimate
estab: establish
eval: evaluation
excell: excellent
exec: exercise
exp: expense, expiration or expansion
expl: explore or exploration
exten: extension
fcst: forecast
feasib: feasibility
fee: total of all ownership rights in land
fin: finance or financial
fmr: former
form: formation
fwd: forward
FY: fiscal year end that's different from December
geog: geology or geographic
govt: government
GSA: Gold Stock Analyst
H: half year, as in 1H or 2H
HL: heap leach recovery method
inc: income
incl: include
incr: increase
indep: independent
indic: indicate
indir: indirect
injunct: injunction
int: interest

GSA Abbreviations

<p>inv: invest or inventory IRS: Internal Revenue Service JV: joint venture jr: junior K: thousand, as in K oz liab: liability loc: location LOC: line of credit ltd: limited LTD: long term debt M: milling recovery method maint: maintain or maintenance mand: mandatory matl: material max: maximum min: minimum or minority metallurg: metallurgical mkt: market mngt: management mnrliz: mineralization Mo: molybdenum mon: month NA: not applicable, not available natl: national negot: negotiation nmf: not meaningful figure NPI: net profits royalty (percent of profits after defined costs) NSR: net smelter royalty (percent of sales) obj: object or objective obt: obtain OthAuOz: other gold mnrliz at site that is not P+P OP: open pit mine OP-HL: open pit-heap leach recover OP-M: open pit-mill recovery oper: operations opt: option oth: other oz: ounce P+P: proven and probable reserves pat: patented, eqv to fee land ownership Pb: lead Pd: palladium pmts: payments potl: potential prod: produce or production prod: produce or production prog: progress proj: project</p>	<p>prop: property prov: proven or province/provincial Pt: platinum ptnr: partner purch: purchase pvt: private Q: quarter, as in 1Q04 qtrly: quarterly reco: recommend recov: recovery red: reduce redmpt: redemption regis: registered, registration req: require resrvs: reserves revs: revenues rptd: reported sched: schedule sens: sensitive SG&A: selling, general & administrative shrs: shares signif: significant sim: similar sls: sales Sn: tin sqkm: square kilometers sqmi: square miles stds: standards sub: subject or subsidiary subseq: subsequent subsid: subsidiary susp: suspend tech: technology telcall: telephone call terr: terrain or territory TLC: tax loss carryforward tot: total UG: underground unpat: claim only to minerals on/under govt land viab: viable vs: versus wgted: weighted wts: warrants w/: with w/o: without ¥: Japanese Yen yr: year Zn: zinc</p>
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Conversion of Weights and Measures

1 troy oz = 31.1 grams	1 meter = 39.37 inches = 3.28 feet	1 square mile = 640 acres
1 kilogram = 31.15 troy ounces	1 square metre = 10.76 square feet	1 square mile = 2.59 square kilometers
1 kilogram = 2.205 pounds	1 kilometer = 3,280 feet	1 hectare = 2.47 acres
1 tonne (metric) = 1,000 kilograms	1 square kilometer = 0.386 square miles	
1 tonne (metric) = 31,150 troy ounces	1 acre = 43,560 square feet	
1 ton (short ton) = 2,000 pounds	1 acre = 4,048 sq meters	
1 gram/tonne = 0.029 troy ounces per ton	1 mile = 5,280 feet	

The Case for Royalty Stocks

GSA covers six royalty earning stocks. These are defined as passive investors that typically contribute money for capital costs to build a mine or for further exploration at a site in search of an economic deposit. In return for the financing, the royalty company gets a negotiated share of total revenues or profits ultimately earned (see royalty types on Page 17).

The table below summarizes some of the advantages (and the few disadvantages) of a royalty earner versus other precious metal investments. To GSA, the royalty earners' biggest advantage is the ability to payout a high percentage of profits as dividends, something miners and explores cannot do due to their own internal cash needs. ETFs and bullion are by their nature barren assets, unable to earn income to pay dividends to shareholders.

The article on Page 17 looks at Valuing a Royalty Earner based on the limited trading history of two public stocks. We think a good case is made for an average valuation multiple of 20X annual gross royalty revenues, and based on the rise and fall on market tides, a normal trading range of 12X to 25X.

Royalty Earners vs Other Precious Metal Investment Vehicles

	Royalty Earners	Mine Operators	Explorers	ETFs	Bullion
<u>As a Business:</u>					
<u>Exposure to:</u>					
Metal Price Increase	Yes	Yes	Yes	Yes	Yes
Exploration/Discovery	Yes, but limited to royalty area	Yes	Yes	No	No
Production Expansion	Yes	Yes	—	No	No
Acquis new royals/props	Yes	Yes	Yes	No	No
<u>Exposure to:</u>					
Operating Cost Increases	No	Yes	—	No	No
Capital Cost Increases	No	Yes	—	No	No
Share Dilution to build mine/explore more	No	Yes	Yes	No	No
Environmental Liabs	No	Yes	Yes	No	No
<u>Potential Negatives:</u>					
Project Problems: Permits, Operational, Political	Yes	Yes	Yes	No	No
Must replace depleted sites	Yes	Yes	No	No	No
<u>As an Investment:</u>					
<u>Positives:</u>					
Stock Beta to Gold vs ETFs and Bullion	Can be higher than 1.0	Can be higher than 1.0	Can be higher than 1.0	1.0	1.0
Net Profit Leverage to Gold Increase	Yes, net profits up more due costs fixed	Maybe; depends on costs staying flat	No	No	No
Dividends: US Tax Rate	Yes (max 15% tax)	Yes (max 15% tax)	No	No	No
Capital Gains: US Tax on Long Term gain (1+ Yr)	Yes (max 15%)	Yes (max 15%)	Yes (max 15%)	No; tax at 28% collectable rate	No; tax at 28% collectable rate
<u>Negatives:</u>					
Corp Overhead Cost vs Admin/Storage Fees	Higher	Higher	Higher	Lower	Lower

Valuing a Royalty Earner

What's the appropriate price for a Royalty Earner's shares? Past valuation histories can be a good guide and we have market data for two, Franco Nevada before its purchase by Newmont on 2/20/02, and Royal Gold. One beauty of the royalty companies is their low corporate overhead; they all have fewer than 20 employees and their largest expense is usually taxes. Since their primary assets are their income streams, GSA prefers to evaluate the stocks based on their multiples of Market Capitalization divided Gross Royalty income. Looking at the two stocks' past valuations

1) **Franco Nevada:** Merged with its sister Euro Nevada in Sept-99, sold its producing Midas mine for 20% of Normandy Mining in 2000, and then did 3-way merger with Newmont and Normandy Feb-02. When completed, NEM paid \$1,862 mil in shares and cash for 80% of NDY, implying a value of \$466 mil for Franco's 20%. Subtracting this from the \$2,558 mil in shares paid for all of Franco gives a \$2,092 mil value for its royalty income stream from Precious Metals and Oil & Gas. GSA estimates FNV's royalty income for the year ended 3/31/02 at \$110.2 mil (twice its 6 month royalties of \$55.1 mil thru 9/30/01 from the merger documents). The net \$2,092 mil paid by NEM divided by \$110.2 mil income is a Gross Royalty multiple of 19X (when Gold was under \$300/oz).

2) **Royal Gold:** Has always been a pure Gold royalty earner, without Oil & Gas interests. As seen in the chart and table below, the Market has valued RGLD's annual gross royalty income for the past 13 years at multiples ranging from 5X to 96X. Focusing on the period beginning with FY03, the first year after gross income had exceeded a \$10 mil/yr rate, the multiple ranged from 11X to 38X, an average of 20X that corresponds well with the 19X NEM paid for Franco.



	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Gross Royals	\$3.7 mil	\$8.2 mil	\$2.2 mil	\$1.0 mil	\$9.4 mil	\$6.0 mil	\$12.3 mil	\$15.8 mil	\$21.4 mil	\$25.3 mil	\$28.4 mil	\$48.4 mil	\$66.3 mil	\$75.7 mil
# Shrs (mil)	14.9	16.1	16.9	17.5	17.9	17.9	18.3	20.8	21.0	23.8	23.6	29.2	34.3	42.2
Price Range	\$7.37-\$15.88	\$8.25-\$14.25	\$4.00-\$9.38	\$3.06-\$5.50	\$2.50-\$6.13	\$2.31-\$3.88	\$3.07-\$15.95	\$9.05-\$28.80	\$11.07-\$25.34	\$12.30-\$25.34	\$18.74-\$41.66	\$23.25-\$37.50	\$23.61-\$35.42	5/29/09: \$36.79
Mkt Cap Range	\$110 - \$237 mil	\$133 - \$229 mil	\$68 - \$159 mil	\$54 - \$96 mil	\$45 - \$110 mil	\$41 - \$69 mil	\$56 - \$292 mil	\$188 - \$599 mil	\$232 - \$532 mil	\$293 - \$603 mil	\$442 - \$983 mil	\$679 - \$1,095 mil	\$810 - \$1,225 mil	\$1,553 Mil
Gross Royal Multpl	30X - 64X	16X - 28X	31X - 72X	54X - 96X	5X - 12X	7X - 12X	5X - 24X	12X - 38X	11X - 25X	12X - 24X	16X - 35X	14X - 23X	12X - 18X	21X
Avg	47X	22X	52X	75X	9X	10X	15X	25X	18X	18X	26X	19X	15X	

Royalty Types and Definitions

There are many possible permutations, but most royalties fall into three types:

1) Sales Royalty, a percentage charge on Gross Sales (GSR) or Net Sales after specific deductions for costs such as transport or refining (NSR).

2) Net Profits Royalty, a percentage charge on Profits as determined by deducting specific costs such as cash cost (labor and materials), depreciation, further exploration at the minesite, production taxes, etc. (NPI)

3) Working or Participating Interest: More like a partnership.

-Contributing: The holder contributes capital and other costs according to the proportional interest.

-Non-contributing: No contributions, but often no income earned until all capital costs have been recovered by contributors.

Roy Example	NSR	NPI
Gold Price	\$900/oz	\$900/oz
Cash Cost/oz	—	\$400
Deprec/Amort	—	\$100
Royal Basis	\$900	\$400
Royalty	3%	3%
Roy payment	\$27	\$12

What's a Reserve Ounce?

MINE STAGES:

Exploration: 1. Land or mineral rights acquisition. 2. Survey via aerial and geological methods, such as rock sampling, to identify initial drilling sites. 3. Drill widely spaced holes seeking mineralization and economic-sized deposit. 4. Assay drilling results. Sufficient drilling can result in a scoping or pre-feasibility study that gives a rough estimate of deposit size, ore grade, indicated mining plan/method, capital requirements and general economics for deposit.

Development: Additional drilling as part of **feasibility study** (defines ore reserves, identifies a mining/processing method, estimates capital costs, production costs and project profitability and return on investment); then financing and construction of the mine and process facility. From initial land acquisition, process often takes 10 years before production starts.

Production: Operation of facility to mine and process the metal sought.

Depletion: Closure of operations and reclamation/restoration of property, complying with pre-determined standards.

RESERVE DEFINITION:

Caveat: OP deposits are far less expensive to fully define, as depths involved are usually less than 500' and drilling costs are lower. Exploration drilling from the surface of a deposit that will be mined from underground (usually 750' or deeper, unless the deposit is very large or has conducive topography) is expensive, up to \$100,000/hole. Once a deposit has been developed, drilling from inside the mine is much lower cost, but this can disrupt production. Further, there is little economic incentive to "prove up" UG ore from "indicated" status beyond next several years' production. As a result, UG mines' P+P reserves are generally lower than OP mines; for UG mines, one should consider the site's history proving up oz.

Classifications, listed in increasing confidence level:

Drill Results: are just the start, and often the end, of a serious exploration program after initial sampling and geologic assessment completed. Widely scattered drill holes attempting to find high enough grade over long enough intercepts to justify further work. While no statistics are available, probably only 1 in 5 drill programs continues beyond this stage.

Geologic Resource: lowest classification confidence level. Minerals have been found, and based on assay results, the lengths of mineralized drill intercepts and assumptions about uniformity between widely spaced holes, an ounce or pound total is postulated w/o regard to recovery economics. Tonnage and grade warrants further evaluation. Quantity results often called: **estimated, inferred** or **drill-indicated** (not be confused with "Indicated" below).

Possible: not acceptable to US SEC as Reserves (usually due to drill-hole spacing being too wide); Canada accepts Possible Ore Reserves and permits their addition to Proven and Possible to calculate Total Reserves. When Canadian Reserves include Possible, they are called "3P" (GSA deletes "possibles" from Reserve Data and shifts the oz to "Other Au Oz" column).

Probable: US SEC acceptable (called Indicated, if not yet proven economic): "Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation." Economic recovery has been confirmed.

Proven: US SEC acceptable (Measured, if not yet proven economic): "Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established." Economic extraction and recovery confirmed at a specified near current market price. Every site is different, but for an OP, 50' drill spacing, in a grid pattern, is often sufficient for "proven." **P+P Reserves** are sometimes called 2P Reserves.

Caution: No amount of drilling can substitute for mining and processing to determine the deposit's true grade and size. Mines have done everything "right," only to find the drilling done for the feasibility study had hit too many high grade pockets and the true average grade was much lower than plan so that the deposit was, in fact, not economic.

43-101 Report: Canadian standard for reporting of a deposit's total Mineral Resources and Reserves. Report format provides for various standards and confidence levels and must be signed by a "qualified person".

	IDENTIFIED MINERAL RESOURCES	become	ORE RESERVES ("ore" ounces, by definition are economically viable)
<p>Over time, an increasing amount of data from sampling and drilling leads to increased knowledge and confidence in the understanding of the deposit itself.</p> <p>Once enough close-spaced drilling has been done to understand the deposit, size estimates can be made at various confidence levels</p>	<u>In situ mineralization classes:</u>	<p>Defining the size and grade of an ore body does not make the oz Reserve status.</p> <p>A feasibility study must find that the oz can be legally mined and it is economic to do so at current gold price.</p> <p>Reserves at an existing mine must meet the "economic to mine" test each year, based on a near-market gold price.</p>	<u>Mineable Ore</u> (no equiv term to geologic)
	Geologic Resource (lowest) (no equiv term to possible)		Possible Reserves (only Canada allows reporting)
	Indicated Resource (often 100' drill spacing)		Probable Reserves
	Measured Resource (highest confidence level-often 50' drill spacing)		Proven Reserves (highest confidence)

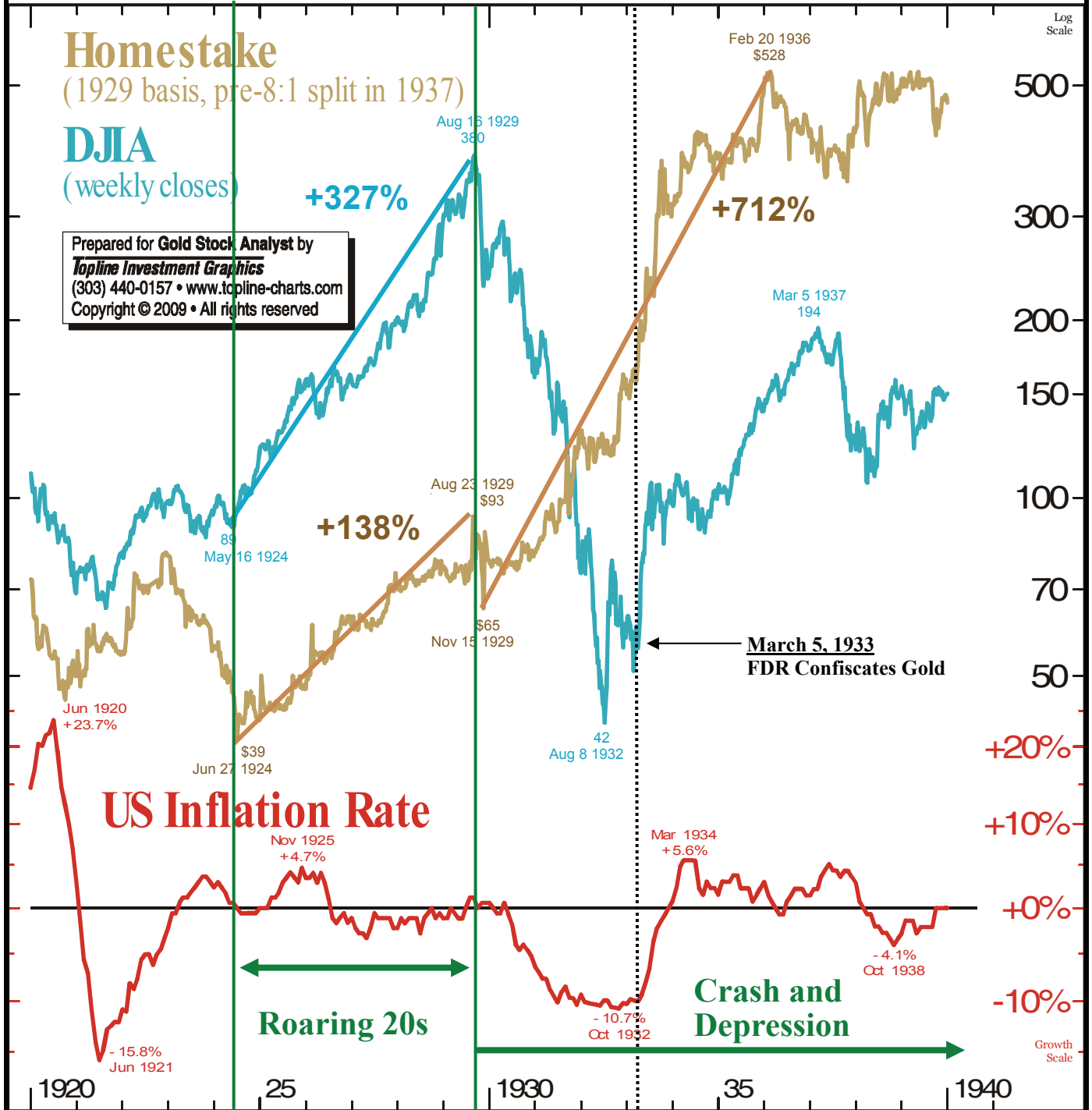
Homestake vs CPI vs DJIA, in Inflation and Deflation

The two-decade chart below covers what we see are 3 major periods of the 1920 to 1940s:

- 1) Post WWI recession and recovery.
- 2) The Roaring 20s, from mid-1924 to the Crash in August 1929. Inflation was benign through the period, the DJIA soared +327%, from 89 to its 380 peak, and Homestake performed well, up +138% to its Aug-29 high.
- 3) In the 1929 Crash, all stocks fell, including HM... just as all stocks and the Gold miners fell together in 3Q08. But HM soon recovered from its \$65 low in Nov-29 to gain +712% over the next 5+ years to peak at \$528/share.

Through this period, HM answered the performance question: Gold Stocks outperformed. Soaring in Deflation, when CPI was falling ~10%/yr in 1930-32 and soaring when CPI returned to Inflation after FDR took everyone's Gold to "break the thermometer".

Markets are now too integrated for US Govt to take citizens' Gold (they would simply buy it offshore) so it won't be confiscated. But less obvious wealth confiscation from Govt Deficits and Money Supply expansion will bring Inflation accomplish the same end for those who are not protected by holding Gold and the GSA Top 10.

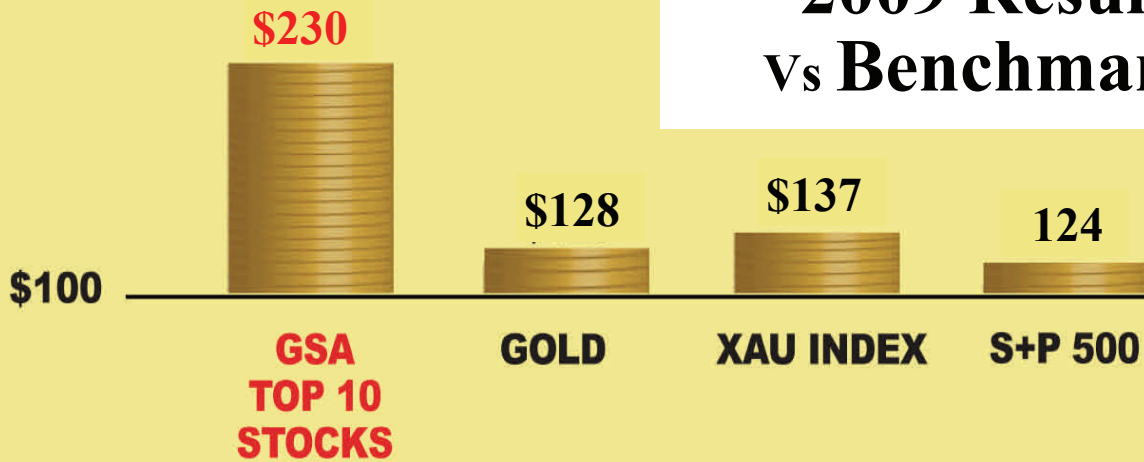


GSA Top 10 Results

The success of GSA's analysis and the results of our Top 10 Stock portfolio speak for themselves. No other Gold advisory or mutual fund can top GSA's record!

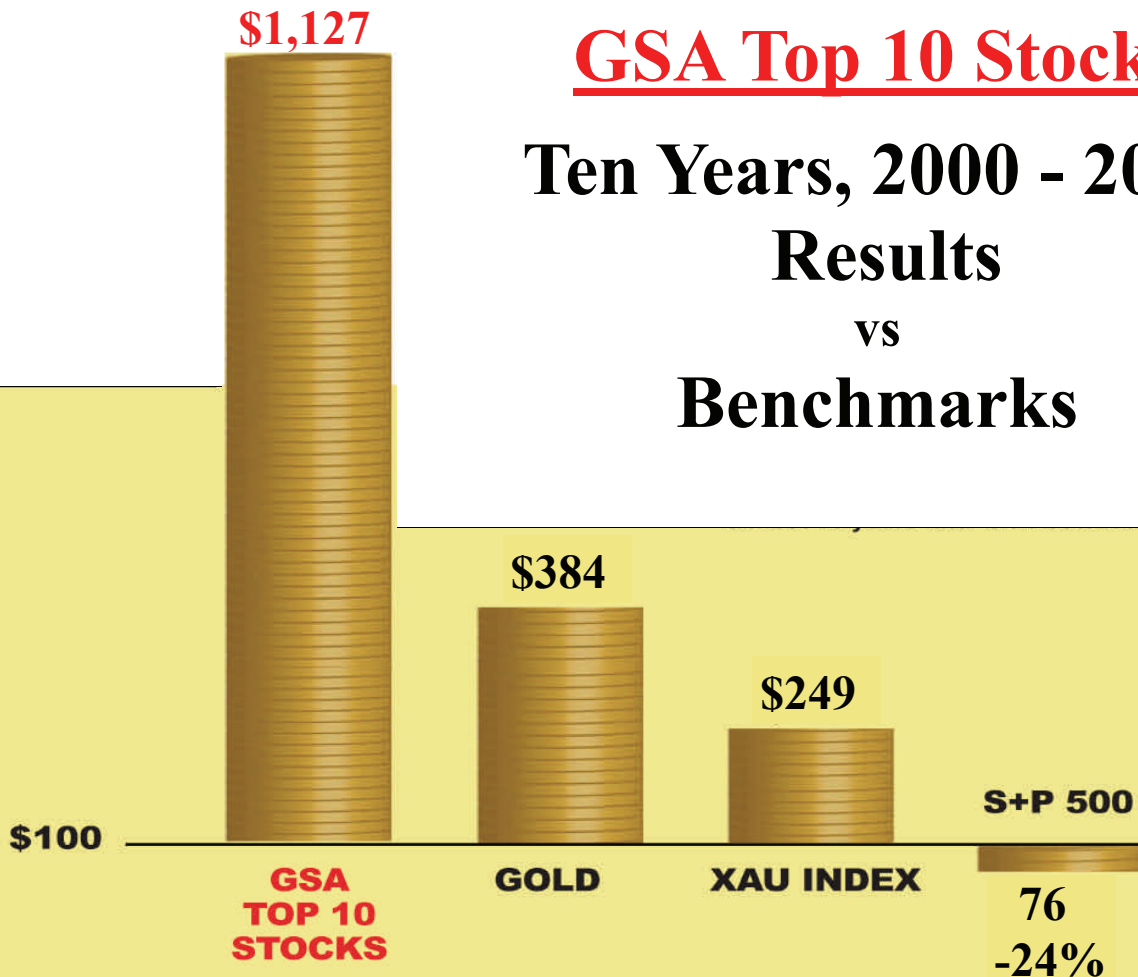
GSA Top 10 Stocks

2009 Results Vs Benchmarks



GSA Top 10 Stocks

Ten Years, 2000 - 2009 Results vs Benchmarks



From www.morningstar.com: Gold Mutual Funds vs GSA Top 10: 1 Year and 10 Year Results

Morningstar: Fund Quickrank

GSA Top 10 vs Top 20 Mutual Funds

1 year return: 2009

Fund Quickrank

Select broad asset class
 All Funds U.S. Stocks Int'l Stocks Bond Funds Balanced Funds Alternative

Select fund category: All Alternative Funds | Select ranking field: Total return %: 1 Year | View Results

GSA Top 10 Stocks 129.85%

Ticker	Name	total return
UNWPX	U.S. Global Investors Wld Prec Minerals	95.09
TGLDX	Tocqueville Gold	92.07
MIDSX	Midas	87.95
OPGSX	Oppenheimer Gold & Special Minerals A	85.14
BPLSX	Robeco Long/Short Eq I	78.73
FKRCX	Franklin Gold and Precious Metals A	75.34
INIVX	Van Eck Intl Investors Gold A	69.20
USAGX	USAA Precious Metals and Minerals	68.84
FGLDX	AIM Gold & Precious Metals Inv	60.09
RYPMX	Rydex Precious Metals Inv	56.99
OCMGX	OCM Gold	56.63
INPMX	RiverSource Precious Metals & Mining A	56.46
GOLDX	GAMCO Gold AAA	56.17
PMPIX	ProFunds Precious Metals UltraSector Inv	53.66
EKWBX	Evergreen Precious Metals B	50.55
USERX	U.S. Global Investors Gold and Prec Mtls	49.95
BGEIX	American Century Global Gold Inv	48.34
FLSRX	Forward Long/Short Credit Analysis Inv	46.79
SCGDY	DWS Gold & Precious Metals S	45.23
SGGDY	First Eagle Gold A	43.49

Morningstar: Fund Quickrank

GSA Top 10 vs Top 20 Mutual Funds

10 years: 2000-2009 (compounded annual return)

Fund Quickrank

Select broad asset class
 All Funds U.S. Stocks Int'l Stocks Bond Funds Balanced Funds Alternative

Select fund category: All Alternative Funds | Select ranking field: Total return %: 10 Year Annualiz | View Results

GSA Top 10 Stocks 27.40%

Ticker	Name	total return
USAGX	USAA Precious Metals and Minerals	24.44
EKWBX	Evergreen Precious Metals B	21.82
TGLDX	Tocqueville Gold	21.71
SGGDY	First Eagle Gold A	21.42
INIVX	Van Eck Intl Investors Gold A	21.39
GOLDX	GAMCO Gold AAA	20.29
OCMGX	OCM Gold	19.97
OPGSX	Oppenheimer Gold & Special Minerals A	19.55
SCGDY	DWS Gold & Precious Metals S	19.32
FKRCX	Franklin Gold and Precious Metals A	18.57
USERX	U.S. Global Investors Gold and Prec Mtls	18.33
FGLDX	AIM Gold & Precious Metals Inv	18.14
UNWPX	U.S. Global Investors Wld Prec Minerals	17.91
FSAGX	Fidelity Select Gold	17.10
BGEIX	American Century Global Gold Inv	16.69
INPMX	RiverSource Precious Metals & Mining A	16.38
BPLSX	Robeco Long/Short Eq I	14.83
MIDSX	Midas	11.61
RYPMX	Rydex Precious Metals Inv	10.91
BEARX	Federated Prudent Bear	8.63