

**Mineweb**  
**2 December 2009**

---

## WORLD'S HOTTEST 100 GOLD STOCKS

### **Current gold stock valuations imply a massive jump in cash flows or a much higher gold price**

*With gold over \$1,200 an ounce cash is flowing into gold stocks but valuations are looking increasingly stretched*

Author: Barry Sergeant

Dollar gold bullion pushed for the first time through the US\$1,200 an ounce mark overnight, once again fuelling heavy flows of cash into listed gold stocks across most of the world. At the fundamental value, valuations continue to look increasingly stretched, but market value levels are clearly not among any possible concerns lurking behind speculative trading of listed gold names at this point in whatever cycle the markets may be in.

Looking at the top end of the gold bullion producer heap, the aggregate market value of eight global Tier I gold diggers - Barrick, AngloGold Ashanti, Goldcorp, Newmont, Yamana, Kinross, Harmony, and Gold Fields - has now increased to US\$163bn. These eight stocks produced a total of US\$1.1bn in free cash flow (operating cash flow less cash spent on capital expenditure) during the first nine months of 2009.

This can conveniently be compared to the free cash flow from a single stock, Freeport-McMoRan, which for the first nine months of 2009 generated positive free cash flow of US\$1.7bn. Happily this stock is seen by the majority of investors as something outside the bubbly classification of gold stocks. It happens to rank as the world's No 4 gold miner, but focuses on copper, where it is No 2, and also molybdenum (No 1) and cobalt

Freeport's market value is a mere US\$36bn. If the eight gold stocks mentioned were merged into a single entity, all else being unchanged, the comparable market value would be, as mentioned, US\$163bn. For the uninitiated, that looks like about US\$100bn worth of froth. Based on the same metrics, if BHP Billiton, the world's biggest resources stock, were a gold stock, its market value would be US\$665bn, rather than its actual US\$201bn. That's a gap of nearly half a trillion dollars.

<b>MARKET VALUES</b>	<b>USD bn</b>
AngloGold Ashanti	16.773
Barrick	45.294
Goldcorp	32.798
Newmont	26.739
Yamana	10.163
Kinross	14.682
Harmony	5.072
Gold Fields	11.750
<b>Total</b>	<b>163.271</b>

In the listed gold stocks arena, the astonishingly high multiples imply either that the gold stocks mentioned are going to produce exponential increases in free cash flow going forward, or that the dollar gold bullion price is simply going to continue rising to levels considerably higher than US\$1,200 an ounce.

The flip side of this happy equation is that when the dollar gold price loses momentum - and that day will come - the downside for listed gold equities could be long and slippery and jangling for nerves of tungsten. Memories may be short, but Barrick, the world's biggest gold digger by value and production, saw its stock price swoon during 2008 from above US\$50.00 to around the US\$10.00 a share mark. Froth has now swept it upwards, where it is once again approaching the US\$50.00 mark.

There are slight signs of risk aversion. Leaving valuations aside for a moment, there is strong and broad demand for the majority of global Tier I and Tier II gold names. Lagging somewhat in the heavyweight league are Harmony, certainly, and also Kinross, Zijin, Gold Fields, and Polyus. At the Tier II level, Simmer & Jack is lagging terribly (not least on a management drama looking increasingly insane); good relative value is offered by Agnico-Eagle, which has apparently been price-primed for a fresh capital issue to shore up its balance sheet.

The Tier III level is much more of a mixed bag; distinct losers include two South African counters, DRDGold and First Uranium (afflicted by the same executives who control Simmer & Jack), and names exposed to Venezuela in the form of Rusoro Mining and Crystallex (which shot up by 43% overnight in Canada, giving a taste of the kind of speculative mania that continues to envelop so many gold stocks).

Over the past month or so, there has been some meaningful "swaps" among stocks involved in gold exploration and development. Some older favourites are back among the front runners, in the form of the likes of Gabriel, Timmins Gold, Mineral Deposits, Alamos (always one of the coolest no matter how hot it gets, what with mines and projects like Mulatos, Ađi Dađi & Kirazli ), Andean, European Gold, Kirkland Lake, and Novagold. Relatively fresh names in the new fangled gold rush include Loncor Resources, Tyhee, Kilo Goldmines, Kryso Resources and Vista Gold.

During this kind of mania, a point arises sooner or later when the wreckage starts to gather in the fast lane, no matter how small the debris. Some have the ability to get back on the searing roadtop and continue the journey. There are a bunch of stocks that have risen by 1,000% and more from low points over the past year - and remain more than 1,000% above those low points. Profit taking has set in; something that could change in a few seconds, given a luck-drenched fast stop in the pits attended to by a crew who best know how to get the patient back on the highway, with or without visible evidence of wear and tear.

Such names include Norseman Gold, Century Mining, Terrane, La Mancha Resources, Atac Resources, African Gold Group, Mariana, Sandfire Resources, New Dawn, Mirasol Resources, Tara Gold, Archipelago, Ventana Gold, Australian Solomons, Medoro Resources, Underworld Resources, **Frontier Mining** and Yukon-Nevada Gold.

## 100 IN-DEMAND GOLD STOCKS

*Includes some diversified names*

	Stock price	From high*	From low*	Value USD bn
Alamos	CAD 12.87	0.0%	195.2%	1.339
Northgate	CAD 3.55	0.0%	429.9%	0.986

CGA Mining	AUD 2.29	0.0%	141.1%	0.604
Avoca Resources	AUD 2.20	0.0%	65.4%	0.555
Imperial Metals	CAD 11.30	0.0%	462.2%	0.370
B2Gold	CAD 1.36	0.0%	267.6%	0.367
Chesapeake Gold	CAD 7.30	0.0%	221.6%	0.267
St Andrew Goldfields	CAD 0.74	0.0%	516.7%	0.230
Patagonia Gold	GBP 0.18	0.0%	246.3%	0.175
Carrick Gold	AUD 1.09	0.0%	120.2%	0.123
Castle Gold	CAD 1.36	0.0%	777.4%	0.103
Gold Reserve	CAD 1.57	0.0%	441.4%	0.087
A1 Minerals	AUD 0.42	0.0%	510.3%	0.065
Eurasian Minerals	CAD 2.19	0.0%	329.4%	0.060
Tyhee	CAD 0.26	0.0%	160.0%	0.049
Loncor Resources	CAD 1.60	0.0%	966.7%	0.047
Philex Gold	CAD 0.60	0.0%	300.0%	0.023
Shield Mining	AUD 0.25	0.0%	1288.9%	0.017
Newcrest	AUD 39.26	-0.1%	63.2%	17.595
Allied Nevada	CAD 14.64	-0.1%	432.4%	0.802
Virginia Mines	CAD 5.64	-0.2%	144.2%	0.160
Int'l Royalty	USD 4.63	-0.2%	345.2%	0.438
Aquiline Resources	CAD 7.20	-0.3%	585.7%	0.527
Iamgold	USD 20.34	-0.5%	484.5%	7.486
Kingsgate	AUD 10.12	-0.5%	360.0%	0.913
Lihir	AUD 3.73	-0.5%	72.7%	8.186
Jaguar	CAD 12.75	-0.5%	424.7%	0.969
Red Back	CAD 16.19	-0.7%	235.2%	3.580
Sino Gold	AUD 8.38	-0.8%	187.0%	2.276
Chaarat Gold	GBP 0.29	-0.9%	238.2%	0.054

PanAust	AUD 0.56	-0.9%	617.9%	1.521
Capital Gold	CAD 1.02	-1.0%	148.8%	0.189
Yamana	USD 13.86	-1.0%	212.9%	10.163
High River	CAD 0.48	-1.0%	458.8%	0.295
Detour Gold	CAD 17.49	-1.1%	469.7%	1.156
Centerra	CAD 13.92	-1.1%	798.1%	3.126
Barrick	USD 46.07	-1.2%	103.3%	45.294
Resolute	AUD 1.22	-1.2%	234.2%	0.432
Mineral Deposits	AUD 1.14	-1.3%	141.5%	0.603
Taseko	CAD 3.70	-1.3%	460.6%	0.645
Newmont	USD 55.66	-1.4%	107.7%	26.739
Timmins Gold	CAD 1.39	-1.4%	595.0%	0.138
Petropavlovsk	GBP 13.05	-1.4%	464.3%	3.812
Alexco Resources	CAD 3.40	-1.4%	553.8%	0.141
Royal Gold	USD 54.72	-1.5%	60.2%	2.231
Shandong Gold	CNY 91.88	-1.5%	379.8%	9.577
Gold Resource	USD 9.60	-1.5%	290.2%	0.443
Silver Lake Resources	AUD 1.28	-1.5%	750.0%	0.211
Eldorado	USD 13.93	-1.6%	230.9%	5.574
Goldcorp	USD 44.76	-1.6%	127.6%	32.798
AngloGold Ashanti	USD 46.31	-1.7%	126.5%	16.773
San Gold	CAD 3.94	-1.7%	591.2%	1.004
Nevsun	CAD 3.57	-1.9%	711.4%	0.478
CanPlats Resources	CAD 3.55	-1.9%	244.7%	0.196
European Gold	CAD 7.57	-1.9%	342.7%	1.307
Mexoro Minerals	USD 0.50	-2.0%	354.5%	0.019
Randgold Resources	USD 88.45	-2.0%	179.0%	7.959
Franco-Nevada	CAD 30.84	-2.1%	113.1%	3.306

Zhaojin	HKD 16.70	-2.1%	404.5%	0.942
Int'l Tower Hill	CAD 7.84	-2.1%	632.7%	0.434
Golden Star	USD 4.20	-2.3%	950.0%	0.952
Guyana Goldfields	CAD 7.26	-2.4%	807.5%	0.456
Vista Gold	USD 3.22	-2.4%	278.8%	0.144
Kirkland Lake	CAD 10.67	-2.5%	233.4%	0.647
Gold Wheaton	CAD 0.38	-2.6%	137.5%	0.514
Claude Resources	USD 1.10	-2.7%	478.9%	0.107
Buenaventura	USD 41.44	-2.9%	197.4%	11.391
Azumah Resources	AUD 0.30	-3.2%	650.0%	0.049
Perseus Mining	AUD 1.79	-3.2%	565.4%	0.531
Colossus Minerals	CAD 6.14	-3.3%	1327.9%	0.427
Andean	AUD 2.63	-3.3%	396.2%	1.176
Hunan Chenzhou	CNY 29.71	-3.4%	301.5%	2.383
Brett Resources	CAD 1.73	-3.4%	284.4%	0.143
Moydow Mines	USD 0.86	-3.4%	1463.6%	0.050
Midland Exploration	CAD 1.42	-3.4%	373.3%	0.029
Novagold	CAD 6.24	-3.4%	1077.4%	1.102
Medusa	AUD 4.25	-3.4%	608.3%	0.669
Orezone	CAD 0.83	-3.5%	219.2%	0.043
Dioro Exploration	AUD 1.05	-3.7%	320.0%	0.066
Greystar	CAD 6.80	-3.8%	1183.0%	0.461
Freeport-McMoRan	USD 83.91	-3.9%	434.5%	36.071
Regis Resources	AUD 0.59	-4.1%	666.2%	0.192
Kilo Goldmines	CAD 0.70	-4.1%	250.0%	0.042
Gabriel	CAD 4.06	-4.2%	310.1%	1.193
Moneta Porcupine	CAD 0.34	-4.3%	857.1%	0.036
Real Gold	HKD 15.06	-4.3%	243.8%	1.494

Minefinders	CAD 11.95	-4.3%	258.9%	0.751
Kootenay Gold	CAD 1.10	-4.3%	233.3%	0.039
Keegan Resources	USD 7.24	-4.4%	1665.9%	0.206
Explor Resources	CAD 0.64	-4.5%	573.7%	0.047
Premier Gold	CAD 3.76	-4.6%	193.8%	0.304
Continental Minerals	CAD 2.05	-4.7%	583.3%	0.253
Kryso Resources	GBP 0.15	-4.9%	364.0%	0.035
Semafo	CAD 4.78	-5.0%	364.1%	1.146
Avion Resources	CAD 0.48	-5.0%	1087.5%	0.103
Lake Shore Gold	CAD 4.15	-5.0%	558.7%	1.261
Clifton Star Resources	CAD 3.84	-5.2%	304.2%	0.085
Eastmain	CAD 1.42	-5.3%	121.9%	0.118
Chalice Gold	AUD 0.61	-5.4%	713.3%	0.078
Romarco	CAD 1.74	-5.4%	1413.0%	0.499
<i>Averages/total</i>		-2.1%	449.7%	291.249
<i>Weighted averages</i>		-1.8%	169.6%	

**\* 12-month**

*Source: market data; tables compiled by Barry Sergeant*