GOLD STOCK ANALYST™

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Where Are We Now?

Based on 12/28's **$1,105/oz** Gold, and GSA's proprietary Market Cap/oz database compiled since 1994, **Gold Stocks trade as if Gold was at $1,027/oz**.

On average, **Gold Stocks** are:

Undervalued -7%

Gold and Gold Stocks Reset for 2010 Gains

This 28 page issue has two important features:

I) We've recalculated two of our key metrics. First, Market Caps/oz of Production are now based on miners' 2010 forecast output. From 2009's 39.6 mil oz produced by GSA covered miners, we see the total rising 7.3% to 42.5 mil in 2010.

Second, the Operating Cash Flow (OCF) forecasts not only include 2010 production, but we've raised our average Gold price for the year to $1,100 (and think it could go well higher). Higher production and higher prices combine to have a dramatic impact on OCF. Based on Gold's actual average price of $971/oz in 2009, the industry's OCF was $21.6 billion. In 2010, with higher production and average price, we see OCF at $27.9 bil, an increase of 29% over 2010. This should provide the fuel for significant gains by the producers.

II) We've updated the GSA User Guide. Even some of our long time subscribers will benefit from a review as there's quite a lot that's new to the Guide.

Where's the Growth?

The data used to calculate US GDP trickles in over the 3 months that follow a quarter's end. As more sectors report and other data arrives, a "truer" picture of the economy is available. The ideal real rate of growth, high enough to absorb new workers and low enough to avoid inflation, is between 2% to 3%/year.

Last October, Larry Kudlow and other CNBC cheerleaders proclaimed a boom had begun when +3.5% growth was reported for 3Q09 US GDP on 10/29/09.

Unfortunately, the "boom" is off the rose as the 3rd GDP estimate sees the "real" inflation adjusted growth as barely into the ideal range and means the unemployment rate will continue in double digits.

We believe the Fed will NOT raise rates before November elections and perhaps NOT after, either. This means that 2010 should be good for a higher Gold price.

3Q09 US GDP	Advance Estimate 10/29/09	Second Estimate 11/24/09	Third Estimate 12/22/09
Real GDP (Inflation Adjusted)	+3.5%	+2.8%	+2.2%
Current Dollars	+4.3%	+3.3%	+2.6%

P&P Reserves Set to Increase

The US SEC allows miners to use the trailing 3 average price to report Proven and Probable Reserves. With only 2 more trading days in 2009, Gold looks to average $971/oz, up $99 from 2008's average of $872, and $276 above 2007's $695/oz. The 3-year average price is now $846/oz, vs $725 generally used at end 2008.

Higher prices will make more lower grade oz economic and raise total P&P for most miners. But because it costs more to recover an oz these lower grades, cash costs/oz could, and will for many miners, rise from the current $450/oz range.

Production, Market Caps/oz and Operating Cash Flow Multiples, all on Page 5, now adjusted to reflect 2010 Forecasts and $1,100/oz Gold.

Happy Holidays to All! GSA will be closed until Jan 13, 2010. But we and our webmaster will still be reachable via the website's "Contact Us" button.