

GOLDNERDS TOP RESEARCH STOCKS NORTH AMERICA

Today I would like to take this opportunity to review the search parameters we at the Global Speculator use to shortlist prospective gold investments using GoldNerds Pro. Following on from this, I will reveal the recent research lists we have generated employing these detailed parameters. These lists are exclusive to GoldNerds Pro subscribers only.

Important Measurable Parameters

Quantitative parameters we deem important when looking for solid gold companies to invest in, in no specific order of importance, include:

- Evidence of responsible capital management demonstrated by a relatively small number of outstanding shares.
- A Market Capitalization of less than US\$500m as junior companies generally have a better propensity to grow. We also run searches for producers with capitalizations over US\$500m.
- A solid balance sheet with manageable levels of debt and a healthy cash balance.
- Reasonably priced reserves with a resource base capable of adding to these reserves measured by mineable ounces (we will flesh this out in more detail later).
- Limited hedging. We are bullish on the gold price and want to invest predominantly in companies which will be able to capitalize on higher gold prices going forward.
- A relatively low Total Cost per oz (see details below). This implies value for money (all else being equal).
- Modest levels of political risk. We are not completely averse to political risk provided the quality of the deposit more than compensates for this risk.

Step 1: Set the Scoring System

The Scoring system we employ to reflect some of these characteristics resembles the following:

<i>Weight</i>	<i>Factor</i>
0	Large company
0	Small company
100	Cash, investments, etc
100	Liabilities
0	Percentage in gold
50	Less hedging
0	More hedging
0	JORC reserve
0	JORC resource
100	Mineable gold
0	Market cap per resource ounce
0	Market cap per mineable ounce
0	EV per resource ounce
0	EV per mineable ounce
50	Production
0	Cash cost
150	TCO
0	Market cap per production oz
50	Country risk
600	<i>Total (= Maximum possible score)</i>

What does this scoring system mean?

In a nutshell, we are rewarding companies with:

1. **Larger cash balances** (less chance of dilution via near term capital raisings)
2. **Lower liabilities** where the big ticket item is usually interest bearing debt. Excessive debt increases risk.
3. **Less hedging** given we are bullish on the gold price going forward.
4. **More Mineable Gold.** Mineable Gold by definition in the **Customization** section of the spreadsheet counts 100% of the reserves, and 20% of the resource over and above the reserves. We like to be conservative and work with predominantly reserves which have demonstrated theoretical economic viability at the very least.
5. **Larger production** prospects.
6. **Lower TCO.** TCO takes the Enterprise value per mineable oz of gold and adds remaining development costs associated with undeveloped projects, the average overall cash cost (producing and development projects) and the ongoing capital costs associated with these projects. The result is a crude but indicative guide as to what you are paying per mineable oz of gold as an investor. In practice, we are seeking undervalued companies with lower TCOs within a comparison group containing candidates of a similar classification or development stage (Production, Development or Exploration).
7. Projects in **more desirable political locations.**

Step 2: We Apply Filters (Search 1 Example)

In the main **Gold Stocks** section of the spreadsheet, we have all our data in columns with the companies listed down the left hand side. The following diagram only contains the pertinent information we are using with many columns not displayed. It has also been condensed to fit on the page.

Rank	Of Interest	Update Share Prices	Control Panel... (Ctrl+U)	Share Price in Local Currency	Stock Exchange	# Shares	Cash	Investments	Hedge-book	Liabilities	Other Financial Assets	Market Cap	Status	Reserve	Resource	Mineable Gold	EV/ Mineable Oz	Current Production	Future Production	Development Costs	Current Capital Costs	Future Capital Costs	Current Cash Cost	Future Cash Cost	TCO	Country Risk	Score
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The top left section of the sheet contains the following menu box:



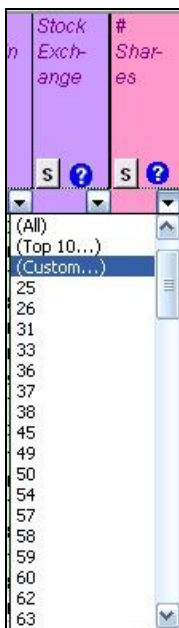
Note the **Filters On/Off** button. When you click on this button, little drop down arrows appear under each column of information as you can see in the previous diagram.

The columns we will be filtering include:

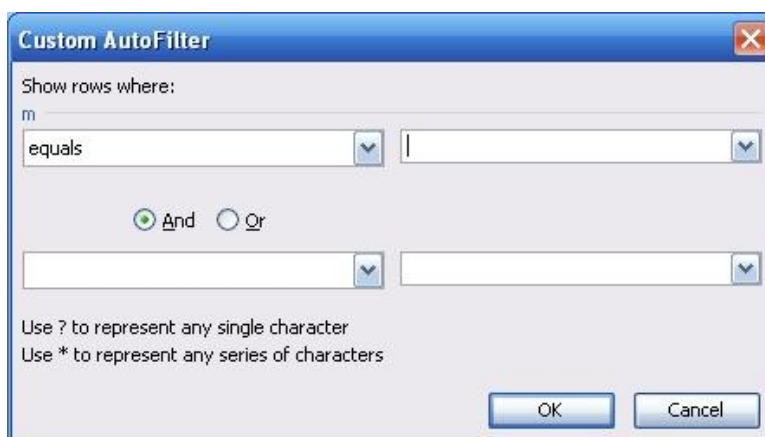
1. # Shares
2. Market Capitalization
3. Status
4. Reserves
5. Current Production

Filter 1: # Shares

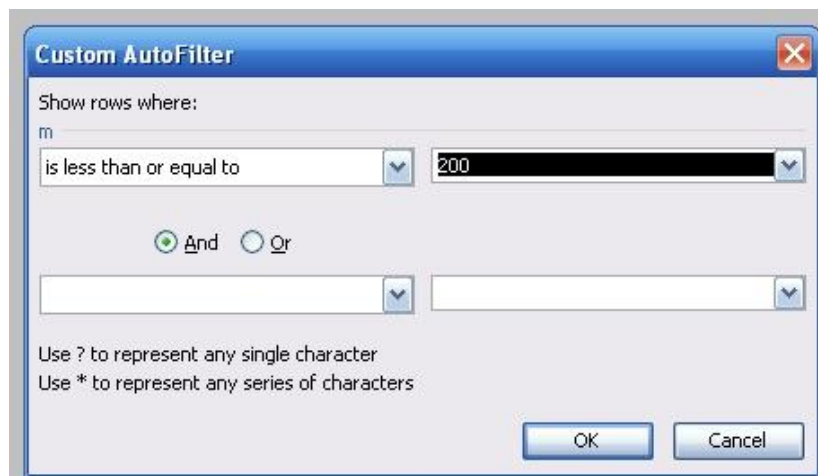
As mentioned previously, we like to see companies do more with less and issue shares sparingly. We therefore run a filter to look at companies with less than 200m shares, being mindful of companies which have consolidated their share capital. Clicking the down arrow in the **Share column** will display the following menu items.



Select the Custom option in order to further define the filtering criteria in the below window.



We choose the following parameters:



Custom AutoFilter

Show rows where:
m

is less than or equal to 200

And Or

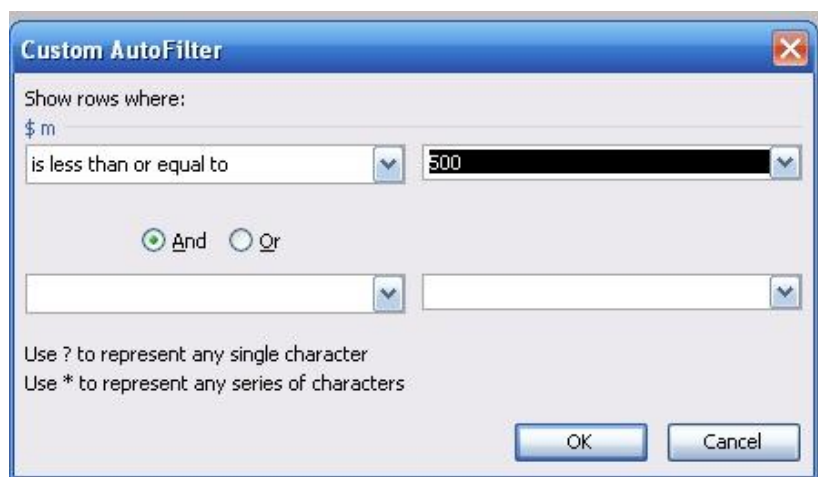
Use ? to represent any single character
Use * to represent any series of characters

OK Cancel

By applying this filter we get all the companies with less than 200m shares.

Filter 2: Market Capitalization

As we are generally interested in the smaller juniors, we run a filter for companies less than US\$500m. Again, we click on the down arrow in that column and select Custom. Enter the following parameters:



Custom AutoFilter

Show rows where:
\$ m

is less than or equal to 500

And Or

Use ? to represent any single character
Use * to represent any series of characters

OK Cancel

By applying this filter we get all the companies with a market capitalization of less than US\$500m.

Filter 3: Status

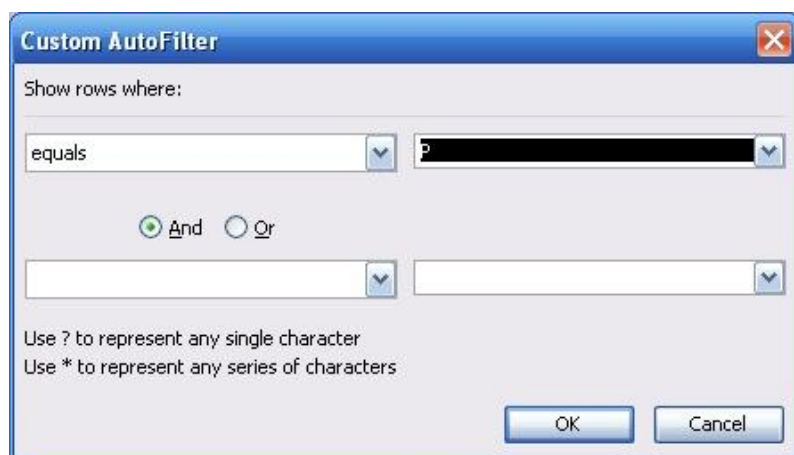
This filter enables us to choose the classification of company we want to search for. We get a choice of:

P: Producers: Have at least one project which is in production.

D: Development: Scoping study at least.

E: Exploration: No study work done on projects.

For this search, we are interested in **Producing** companies and set the parameters as follows:



Custom AutoFilter

Show rows where:

equals [?]

And Or

[] []

Use ? to represent any single character
Use * to represent any series of characters

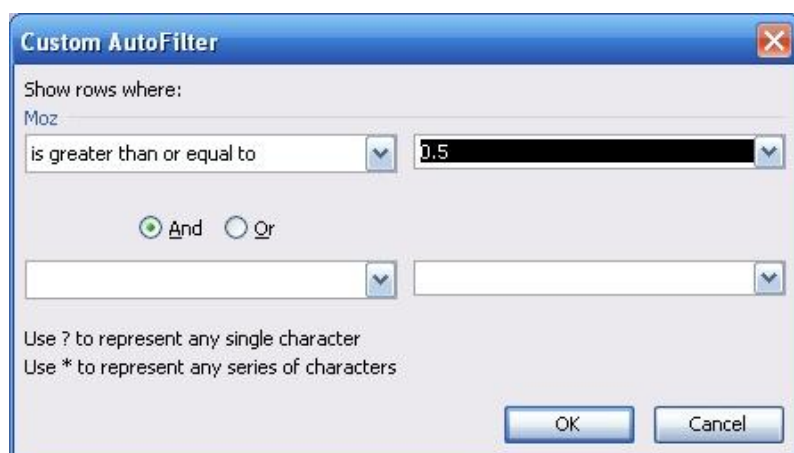
OK Cancel

This limits our list to just companies with at least one production stage project.

Filter 4: Reserves

We are only interested in companies with a minimum reserve or mine plan of 500,000 oz and hence a sufficient mine life to fund the companies' growth strategies and allow for succession planning. The last thing you want is a company exhausting their production capabilities and not having another project to replace it. Ideally, you want companies to more than replace depleted ounces with exploration success and new projects. Companies which can grow profitable production year in year out generally experience stronger share price appreciation.

We set the parameters as follows:



Custom AutoFilter

Show rows where:

Moz

is greater than or equal to [0.5]

And Or

[] []

Use ? to represent any single character
Use * to represent any series of characters

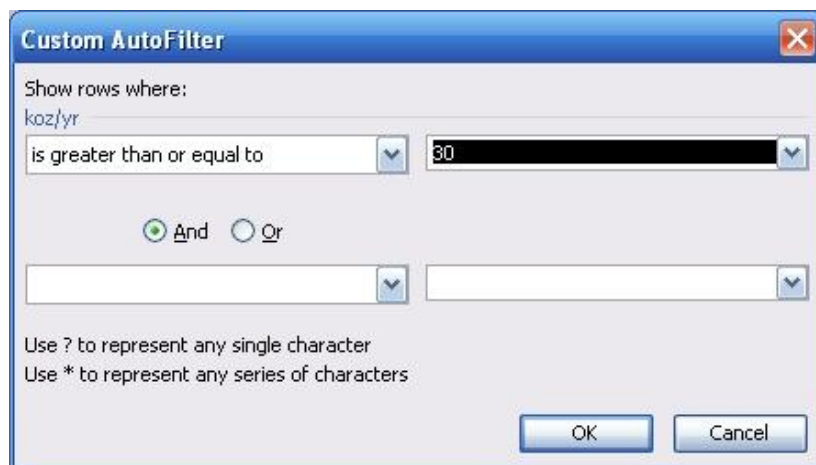
OK Cancel

Filter 5: Current Production

This next filter narrows our search to producers with a minimum of 30,000 oz of production per annum. Our experience indicates this to be the minimum threshold from which reliable cash flow can be generated to fund future production growth. Some investors will apply a more conservative minimum of between 100,000 and 200,000 oz per annum, considering this to be the critical mass necessary to achieve economies of scale and consistent profits with less risk. Whilst we accept this premise, micro producers can provide substantially more leverage. Their processing plants often contain excess capacity which can be readily activated at relatively low cost, once further exploration secures additional mill feed. Confronted with this scenario, a micro producer is better positioned to more than double its production from 30,000 oz per annum, upwards to between 60,000 and 100,000 oz per annum than a mid-cap to

double its production profile from 100,000 to 200,000 oz per annum. We have witnessed a number of companies achieve this feat with share price appreciation of anywhere from 500% up to 1,000%! Once you weigh up many of the other important factors we are considering, it is possible to mitigate some of the risks involved.

We set the parameters for this filter as follows:



This limits our search to companies which produce at least 30,000 oz per annum.

Step 3: Sort Remaining Companies by Score

Last but not least, we sort the **Scoring** column by highest to lowest by hitting the **S** button in that particular column.



This will then apply the scoring parameters we stipulated in Step 1 to the filtered companies we have shortlisted in Step 2. We then use this list to conduct further research working our way down the list from the highest to the lowest scoring companies. Typically, the top 5 companies are of most interest.

The Research Results

Below are the results for three different searches we undertook on our database of close to 120 US and Canadian listed companies (Source: GoldNerds NorAm Pro 2010_0721). We firstly looked at the micro producers and then broadened our search to the larger producers. The final list is a look at some of the development stage gold companies. Note the filter parameters below each data set and that our lists also include silver producers where silver has been converted into gold equivalents at the prevailing ratio at the time. The scoring system remains the same for

all the searches. Our stocks of interest are highlighted in green. To make it easier to read, you may want to adjust the size of the text within Acrobat Reader (150+ should be ideal).

Search 1: Gold Producer Stage (Market Capitalization less than US\$500m)

Rank	OT/Interest	Update Share Prices	Control Panel (Ctrl-U)	Share Price in Local Currency	Stock Exchange	# Shares	Cash	Investments	Hedge-book	Liabilities	Other Financial Assets	Market Cap	Status	Reserve	Resource	Mineable Gold	EV/ Mineable Oz	Current Production	Future Production	Development Costs	Current Capital Costs	Future Capital Costs	Current Cash Cost	Future Cash Cost	TCC	Country Risk	Score
1	y	ORV	Orvana Minerals	1,480	TSX	116	41.3	0.0	0.0	18.3	9.3	166	P	1.2	3.2	1.6	82	43	133	70	6	10	521	364	564	20	347
2	y	CGC	Capital Gold	3,710	AMEX	48	9.2	0.0	0.0	15.9	34.0	182	P	1.5	1.7	1.5	100	51	70	0	6	8	358	293	510	15	320
3	y	TRY	Troy Resources	2,330	TSX	87	23.7	3.4	0.0	15.1	19.4	196	P	0.6	1.8	0.8	208	64	67	69	7	7	697	323	685	17	284
4	y	GLW	Gold Wheaton	2,500	TSX	164	25.6	20.8	0.0	110.7	109.3	392	P	0.7	2.8	1.2	299	70	98	0	0	0	400	400	689	14	248
5	y	LMA	La Mancha Resources	1,650	TSX	143	20.5	2.7	0.0	45.6	43.2	226	P	0.8	3.2	1.2	166	98	140	1	12	17	571	539	826	34	248
6	-	FR	First Majestic Silver	3,990	TSX	93	8.2	0.4	0.0	24.7	12.7	364	P	0.7	4.4	1.4	256	60	88	0	14	9	581	460	813	15	244
7	-	BRD	Brixus Gold	1,270	TSX	129	23.0	0.0	(35.4)	90.1	17.9	157	P	2.4	4.8	2.8	85	64	162	63	3	34	583	500	817	4	226

* Note Capital Gold did participate in a 1 for 4 Share Consolidation earlier in the year but met our hurdle with a pre-consolidation number of shares less than the 200 million cut off.

Filter Summary

1. # Shares: less than 200 (less than 200 million shares)
2. Market Capitalization: less than 500 (less than US\$500 million)
3. Status: P (Producer)
4. Reserves: Greater than 0.5 (greater than 500,000 oz)
5. Current Production: Greater than 30 (greater than 30,000 oz a year)

Search 2: Gold Producer Stage (Market Capitalization Greater than US\$500m)

Rank	OT/Interest	Update Share Prices	Control Panel (Ctrl-U)	Share Price in Local Currency	Stock Exchange	# Shares	Cash	Investments	Hedge-book	Liabilities	Other Financial Assets	Market Cap	Status	Reserve	Resource	Mineable Gold	EV/ Mineable Oz	Current Production	Future Production	Development Costs	Current Capital Costs	Future Capital Costs	Current Cash Cost	Future Cash Cost	TCC	Country Risk	Score
1	y	GOLD	Randgold Resources	88,000	NASDAQ	90	514.6	0.0	(25.8)	89.0	296.1	8,306	P	15.6	27.3	17.9	425	491	1,343	1,277	122	335	546	408	1,155	59	344
2	y	PAAS	Pan American Silver	23,040	NASDAQ	107	215.4	0.0	0.0	158.3	149.9	2,475	P	3.3	18.9	6.4	353	351	570	352	43	47	354	364	854	18	343
3	y	AEM	Agnico Eagle Mines	57,430	TSX	168	118.1	18.1	0.0	982.7	278.5	9,374	P	18.4	34.8	21.7	459	587	1,565	456	156	147	347	392	965	5	342
4	y	ARZ	Aurizon Mines	5,150	TSX	159	109.0	0.0	(5.0)	39.0	18.5	796	P	2.0	7.3	3.1	232	155	265	187	19	24	461	475	860	3	325
5	y	GAM	Gammon Gold	6,110	TSX	138	114.3	9.3	0.0	87.1	92.6	810	P	2.4	7.3	3.4	201	219	180	0	87	58	476	450	975	15	315
6	-	JAG	Jaguar Mining	8,390	TSX	84	95.1	0.0	0.0	204.4	98.4	683	P	4.3	8.1	5.1	136	155	439	263	43	86	507	471	854	20	312
7	-	AGI	Alamos Gold	15,470	TSX	114	150.1	0.0	0.0	26.6	39.8	1,727	P	2.4	7.2	3.3	467	171	339	265	27	34	338	312	958	15	312
8	-	CDE	Coeur D'Alene Mines	15,300	NYSE	78	56.0	0.0	0.0	556.2	202.9	1,204	P	5.5	9.9	6.4	236	249	458	63	36	66	578	353	741	12	293

Filter Summary

1. # Shares: less than 200 (less than 200 million shares)
2. Market Capitalization: Greater than 500 (greater than US\$500 million)
3. Status: P (Producer)
4. Reserves: Greater than 1 (greater than 1 million oz)
5. Current Production: Greater than 100 (greater than 100,000 oz a year)

Search 3: Gold Development Stage (Market Capitalization: All)

Rank	OT/Interest	Update Share Prices	Control Panel (Ctrl-U)	Share Price in Local Currency	Stock Exchange	# Shares	Cash	Investments	Hedge-book	Liabilities	Other Financial Assets	Market Cap	Status	Reserve	Resource	Mineable Gold	EV/ Mineable Oz	Current Production	Future Production	Development Costs	Current Capital Costs	Future Capital Costs	Current Cash Cost	Future Cash Cost	TCC	Country Risk	Score
1	y	TRO	Taseko	4,180	TSX	186	187.2	14.8	(10.4)	168.8	105.2	797	D	11.0	16.9	12.2	55	235	773	15	15	188	370	3	492		
2	y	SEA	Seabridge Gold	26,490	TSX	41	57.9	0.0	0.0	6.1	2.4	1,050	D	30.1	72.0	38.5	26	1,134	4,352	35	35	272	442	3	478		
3	y	GSL	Greystar Resources	3,980	TSX	84	117.5	0.0	0.0	5.0	0.8	325	D	9.3	12.2	9.9	21	511	638	21	21	391	517	20	458		
4	y	BAA	Barrick	1,000	TSX	173	176.3	3.6	0.0	80.0	9.5	299	D	4.5	11.2	5.9	20	334	809	3	3	350	484	75	428		
5	y	DOC	Detour Gold	23,950	TSX	70	300.4	0.0	0.0	6.5	1.3	1,655	D	11.4	21.8	13.5	101	650	992	39	39	454	693	3	407		
6	-	BCM	Bear Creek Mining	3,650	TSX-V	70	35.8	0.0	0.0	34.4	5.1	248	D	3.8	7.9	4.6	52	163	390	13	13	321	537	20	361		
7	-	VIZ	Vista Gold	1,420	TSX	47	22.9	0.0	0.0	21.7	6.6	63	D	1.3	16.6	4.4	13	707	846	15	15	432	659	9	358		
8	-	ANO	Anatolia Minerals Development	5,520	TSX	139	66.2	0.0	0.0	90.7	17.2	744	D	2.1	7.7	3.2	236	166	65	3	3	260	535	15	337		
9	-	GQM	Golden Queen Mining	1,340	TSX	94	9.8	0.0	0.0	0.2	0.0	123	D	1.3	3.4	1.8	85	84	60	0	1	427	542	4	332		

Filter Summary

1. **# Shares:** less than 200 (less than 200 million shares)
2. **Market Capitalization:** No Limit
3. **Status:** D (Development Stage)
4. **Reserves:** Greater than 1 (greater than 1 million oz)
5. **Future Production:** Greater than 100 (greater than 100,000 oz a year)

Conclusion

Today we have given you a run down on the way we use the GoldNerds Professional product to conduct our preliminary research. The results we have generated are by no means recommendations. I would consider them, however, to be solid leads using quantitative analysis on publically available information. Additional research and due diligence you can and should do include:

1. Finding out about the **management** of these companies and see what record they have of successfully developing projects.
2. Looking at the **share price** chart over a 10 year period and see if the company has grown shareholder wealth. We have been in a precious metals bull market now for 10 years. If the share price has not grown significantly in that time, the company has been doing something wrong.
3. Looking out for **share consolidations**. Look at earlier annual reports to see if the number of shares outstanding has dropped significantly. A more acceptable share consolidation may take place when a company is making the progression from explorer to producer. Some of these companies may have been in the wilderness for many years surviving on capital raisings prior to making a discovery and then progressing to a self sustaining producer. There may also be a change in management, ushering in a new era for the company. Consolidation, in these cases, is almost like hitting the reset button on the share count. When it involves companies that have been producers for a number of preceding years, however, this should ring some alarm bells. Note Coeur D'Alene which appeared in the Search 2 results. They undertook a 1 for 10 consolidation back in May 2009.
4. Considering the **political and environmental risk** associated with the companies' projects. Some companies rank highly in our searches because they are discounted heavily for these factors. Ask these questions: What countries are the key projects located in? Is there local support or opposition to the projects? Are there environmental concerns hanging over the projects? Does the country/province in which the projects reside have a stable government? Is the government mining company friendly?
5. Looking at **Insider ownership** to determine whether the key executives running the company have a vested interest in growing the business. By this, I don't mean options but fully paid shares. A minimum 5-10% interest is what we generally like to see. The annual report is as good a place as any to find out these numbers.

The GoldNerds Professional product serves two primary functions:

1. It allows us to conduct **regular up to date research** such as what we have demonstrated to you today. The information contained in the spreadsheet is forever changing. This is why a new spreadsheet is issued nearly every 2 weeks for subscribers. New feasibility studies come out, a new resource statement gets released, quarterly production results are announced and the list goes on. Being a researcher for GoldNerds, I can tell you this is none stop!
2. It gives us a **portfolio management tool** which enables us to **monitor the progress** of our existing investments, relative to the alternatives available in the market place. What appears in a search one month may exit the next as developments occur. I am sure I don't need to tell many of you that for the most part, these are **not** "**buy and forget about**" investments. They need to be monitored and constantly assessed

against their peers. If for whatever reason they start to slip, you need to ask yourself whether they are worth holding. This is the single biggest mistake I see investors in this sector make (buy and hope).

I trust you have found this report useful. The best part about GoldNerds is that if you disagree with any of the parameters we have outlined, you can tailor the settings to your own preferences. We strongly encourage you to do so. We look forward to monitoring the progress and performance of these interest group lists over the coming months. Stay tuned for updates.

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