

DOWNSIDE PROTECTION REPORT

Edited by the Research Team of
Ideas
THE MANUAL OF

SPECIAL EDITION: SPOTLIGHT ON GOLD

"Confronted with the challenge to distill the secret of sound investment into three words, we venture the motto: Margin of Safety." —Ben Graham • March 10, 2009



With
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About Downside Protection Report

Our mission is to uncover stocks with a large margin of safety and bring them to you once a month.

John Mihaljevic, editor, is a fund manager, former banker and analyst. He is a member of Value Investors Club, an exclusive community of top money managers, and has won the Club's prize for best investment idea. John is a trained capital allocator, having studied under Yale chief investment officer David Swensen and served as research assistant to Nobel laureate James Tobin. John holds a BA in Economics, *summa cum laude*, from Yale and is a CFA charterholder. He resides in New York City with his wife and two kids.

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Dear Fellow Idea Seekers,

Value-oriented investors, including ourselves, typically analyze companies from the bottom up. In the current turbulent economic climate, however, investors ignore macro variables at their peril. Several prominent value-oriented investors have recently started paying significantly more attention to how major changes in macro variables, including commodity prices, may impact businesses in their portfolios.

David Einhorn, founder of Greenlight Capital and one of the most successful bottom-up fundamental investors of the past decade-and-a-half, discussed in January his uncharacteristic interest in a specific commodity—gold:

"We never thought we would ever buy gold or gold stocks. David's grandfather Benjamin was a goldbug. From the time David was ten, Grandpa Ben took every opportunity to tell David about the problems with fiat currencies and the coming inflation and advised that the only sensible thing to do was to buy gold and gold stocks..."

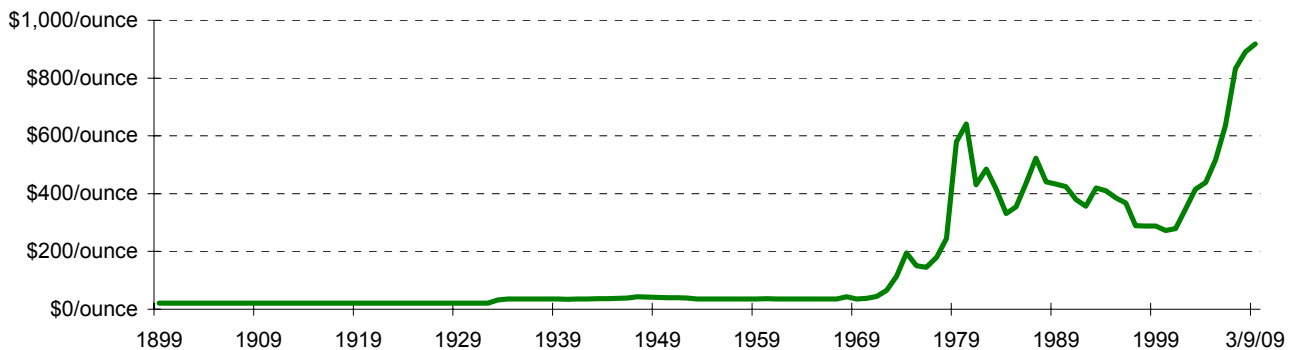
"To everyone's dismay, we believe that some of Grandpa Ben's predictions are playing out. Our current chairman of the Federal Reserve, Ben Bernanke, is an "inflationist." When times were good, he supported an easy money policy. Even when the Fed raised rates, Bernanke took great pains to give the markets many warnings to insure that the higher rates wouldn't break up the credit party, *i.e.*, *bubble formation*. Now that the cycle has turned, the Fed has promised to resort to "all means necessary" to head off the effects of the collapsed bubble. Rates have effectively been lowered to zero. The Fed is making loans collateralized by toxic waste and has now begun a policy called "quantitative easing" – a fancy term for "printing money." The size of the Fed's balance sheet is exploding and the currency is being debased. Combined with an aggressive fiscal policy, it is clear that the authorities are going "all-in" to try to mitigate the near-term effects of the economic collapse. Our guess is that if the chairman of the Fed is determined to debase the currency, he will succeed. Our instinct is that gold will do well either way: deflation will lead to further steps to debase the currency, while inflation speaks for itself. We have bought gold, an index of gold mining stocks (GDX) and calls on higher long-term U.S. interest rates..."

We agree with the above sentiments expressed in Greenlight's Q4 letter to investors and believe it is time for investors of all stripes to become educated about gold as a potential investment and inflation hedge. In this special edition, we present data and opinions on the outlook for gold.

Sincerely,

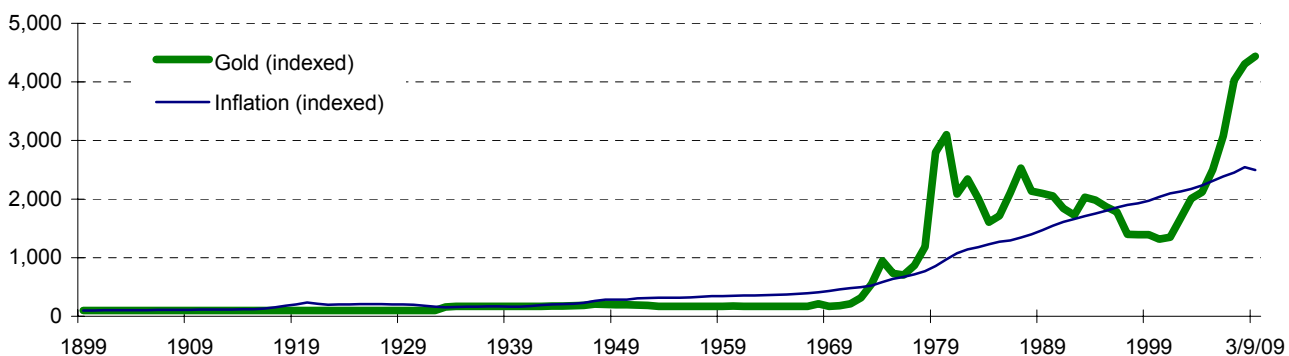
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Gold Price Since 1899 (\$ per troy ounce)



Source: Global Financial Data, Finfacts, NYMEX.com, *The Manual of Ideas* analysis.

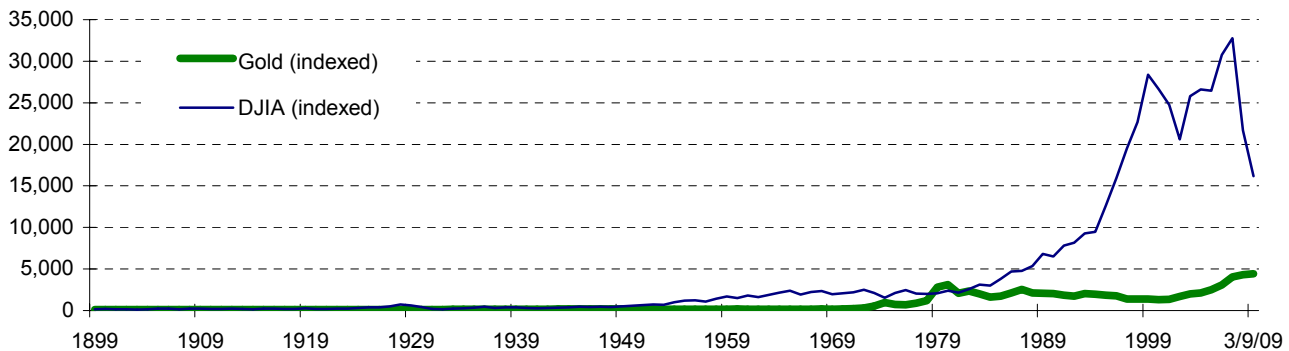
Gold Price vs. CPI Since 1899* (indexed: year 1899 = 100)



* CPI data based on McCusker's Composite from 1899-1912 and CPI-U from 1912-2009.

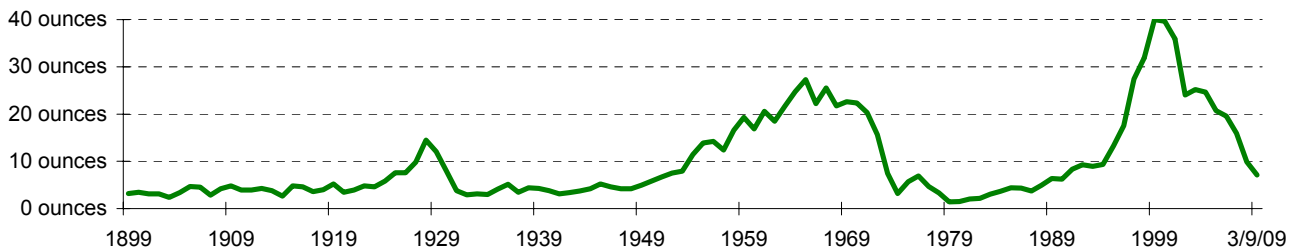
Source: Global Financial Data, Finfacts, NYMEX.com, Bureau of Labor Statistics, *The Manual of Ideas* analysis.

Gold Price vs. Dow Jones Industrial Average Since 1899 (indexed: year 1899 = 100)



Source: Global Financial Data, Finfacts, NYMEX.com, Dow Jones & Co., New York Stock Exchange, *The Manual of Ideas* analysis.

DJIA "Purchasing Power" Since 1899 (DJIA divided by price of gold per troy ounce)



Source: Global Financial Data, Finfacts, NYMEX.com, Dow Jones & Co., New York Stock Exchange, *The Manual of Ideas* analysis.

EXCLUSIVE INTERVIEW

**Thomas B. Winmill,
Portfolio Manager, Midas Fund (MIDSX)**

The unprecedented size of the government’s intervention in the economy and the significant expansion of the Fed’s balance sheet raise the specter of runaway inflation once the current wave of deleveraging has run its course. Nonetheless, gold still fetches only about \$1,000 an ounce. What are investors missing?

Our view at Midas is that inflation from expansion of the Fed’s balance sheet is less likely since the new money created barely recoups the market losses of capital in the banking and other financial industries. In any event, as current low interest rates suggest, there is little inflationary demand for credit as the economy contracts.

Inflation from fiscal expansion through the stimulus packages probably will take some time. The Federal government’s fiscal intervention has to trickle through the economy and has to offset the spending cuts of state and local governments, business, and the consumer to result in inflation. At Midas we see widespread deleveraging by state and local governments, business, and the consumer pitted against massive Federal government re-leveraging. Deflation is likely the near term result, with potentially massive inflation in the long term – but not from the current government intervention – from another source altogether.



Thomas B. Winmill
Portfolio Manager
Midas Fund (MIDSX)

Overall, among the four major factors we at Midas attribute to gold’s typical price movements, we believe gold’s most recent performance is due more to what we call the “fear factor” (when investors flee the market to seek what is perceived as a safe haven in gold), rather than economic factors. And that poses risks for short term investors because the fear factor is the fastest to leave the market once stability returns, which can result in dramatic falls in the gold price.

What is your outlook for the price of gold for the remainder of 2009?

Fluctuation between its marginal cost of probably mid-\$700 per ounce and \$1,000, with a possible rise over \$1,000 should geo-political events give rise to more fear factors. At Midas, we believe an average price in 2009 somewhere in the low \$900s per ounce is likely. Midas Fund often seeks to benefit from price fluctuations by overweighting the gold mining sector at lower prices and emphasizing other natural resources areas when gold appears to be approaching the high end of our price expectations.

Is gold the best choice for investors looking to protect themselves against inflation? What about silver or platinum?

At Midas, we believe gold provides the best protection against inflation among those three metals. Silver and platinum are primarily industrial metals. For example, up to 80% of platinum production is normally consumed by catalytic converter manufacturers for diesel and gasoline powered vehicles. Should the global economy continue to contract, industrial metals prices normally would not keep up with inflation, but rather drop to a level of the costs of lower marginal cost producers, while higher marginal cost producers go out of business. The Midas emphasis on quality means, in part, seeking low cost operations that can produce acceptable levels of cash returns even during low price environments.

Other than inflation, what factors will drive gold prices longer term?

At Midas, we generally consider four main factors: the monetary policies of the United States and other large economy countries; U.S. fiscal policies; fundamental supply and demand; and, as discussed previously, the geo-political fear factor.

Geo-political and similar headlines often impel investors to seek safe havens to preserve wealth. For thousands of years, gold (for whatever reason, and whether rational or not) has offered a “store of value” and we currently do not foresee a time when investors will discard this role for the “barbaric relic.” Investing from fear, however, is typically not profitable. To maximize returns from this factor we would suggest that investors invest in gold when the sun is shining (and the price is low), and all’s right with the world. Then sit back, relax, and enjoy the flight to safety that inevitably occurs from time to time, and then sell at that point judged to be closest to the time of maximum pessimism (when prices are presumably higher). This suggestion, we admit, is much easier to make than follow.

When assessing the gold price in terms of the monetary policies of the United States and other large economy countries, at Midas we look at the relative interest rate policies of their central banks versus local rates of inflation to determine likely trends in real interest rates. In short, if relative U.S. real interest rates are low and trending lower, we believe it is reasonable to expect an increasingly favorable opportunity for gold investing for U.S. investors.

Loose U.S. fiscal policies, such as those we are experiencing now, can lead to U.S. inflation, a weaker dollar, higher U.S. tax rates, and many other unwelcome financial conditions that may lead many investors to bid up the price of gold. Earlier we referred to “another source altogether” of massive future inflation. At Midas, we think the unimaginably huge entitlement program obligations of the U.S. government that have been accumulated over the past decades, totaling roughly \$54 trillion, will start coming home to roost in four to six years – when the cash payout to baby boomers for Social Security, Medicare, and Medicaid is more than what is collected in current taxes — and may lead to inflation expectations that will dwarf the current outlook.

Help us understand the supply/demand equation for gold. Who are the major suppliers, and how much gold remains to be mined? On the demand side, how important is gold's use in jewelry versus as a safe haven investment? Are there any material industrial or other sources of demand for gold?

Gold supply comes from mine production, forward sales, official sales (from central banks), and scrap gold. South African mines used to produce more than half of the world's gold, but supply has become more diverse. China is now the world's largest gold miner. South Africa produces a declining but significant amount of gold, as do the United States, Australia, Canada, and Russia. Many Latin American and Asian countries are joining the ranks of important gold producers as well.

How much gold remains to be mined? It depends on the price offered in the market. In other words, if gold sold for \$100 per ounce, very little gold could be mined economically. If miners could get \$10,000 per ounce, many, many areas of the earth's crust on land and undersea (!) could probably be found to profitably yield gold, including the "waste rock" from today's gold mining operations.

On the demand side, jewelry fabricators are the largest normal consumer of gold, representing typically 2/3 of the demand total. Industrial demand is usually around 10% of all demand. In today's world, however, jewelry demand has fallen to about half of the total, as high prices and the recession have pushed many price elastic jewelry buyers from the counter, and the safe haven investment buyers have moved to the forefront, taking possession of gold in bars, coins, and ETF shares. Investment demand for gold has risen from the 20-25% level to almost half of world total, according to the World Gold Council.

Midas Fund – Top Ten Holdings

(as of January 31, 2009)

1. Barrick Gold Corporation
2. Eldorado Gold Corporation
3. Kinross Gold Corporation
4. Yamana Gold, Inc.
5. Compania de Minas Buenaventura SA
6. Lihir Gold Ltd.
7. Agnico-Eagle Mines Ltd.
8. Newmont Mining Corporation
9. Goldcorp, Inc.
10. Newcrest Mining Ltd.

Top ten holdings comprise ~55% of assets.

Source:

www.midasfunds.com/TopTenHoldings.html

How does one go about analyzing one gold company versus another? What metrics do you look for when weighing which companies to invest in?

At Midas we look at the "3 P's" – people, projects, and pricing. Regarding people, we like to meet with management and carefully examine their track record for obtaining above average returns for shareholders. In management, we seek quality, consistency, and a track record of success in bringing mines into production on time and within budget, meeting high IRR goals. Projects we like are large and high grade, involving simple metallurgy, with potential to add ounces and mine life through exploration, in a country with secure land rights and a fair tax regime – that's the dream, anyway. Usually, we have to compromise on one or more of these preferences. We often seek the differing or confirmatory judgment of competitors, geologists, engineers, and others to assess the merits of projects. In analyzing the pricing of the shares, we most heavily weight discounted cash flows, since at the end of a mine's life no business remains. We will weight P/Es and P/Cash flows, etc. for miners with long lived mines and large mineral resources— rare events.

In managing the Midas Fund, you presumably weigh the alternative of owning bullion versus investing in gold mining companies? How do you decide your allocation to bullion versus gold producers?

An old timer in the mining investment business once told me “You know, there’s probably a *limited* amount of *gold* that mining companies produce at this price, but there is an *unlimited* amount of *shares* they can produce at this price.” When the market for gold investments is subdued, quality mining company shares seem to outperform bullion in many cases. When the gold market gets euphoric, however, newly minted gold mining shares flood the market. That’s a time to re-emphasize bullion if the factors outlined above suggest a favorable outlook for the metal.

Are gold ETFs efficient investment vehicles? How do you convince someone to invest in Midas Fund versus an ETF or similar vehicle?

All the Midas Funds (Midas Fund, Midas Perpetual Portfolio, and Midas Special Fund) have certain efficiency advantages over a gold ETF, such as GLD. First, long term gains on gold ETFs shares, such as GLD, are taxed at the 28% rate for most investors. Long term capital gains, if any, on the Midas Funds are eligible for the 15% rate for most investors. Second, there is no commission on purchases of Midas Funds shares when purchasing directly from a Fund, and after 30 days no redemption fees or commission on sales. Third, unlike most ETFs, the Midas Funds offer dollar cost averaging and other attractive shareholder services.

As to “convincing” someone, we ask that investors interested in this sector carefully read the prospectus for both Midas Fund, which emphasizes gold mining and other natural resource companies, and Midas Perpetual Portfolio. Midas Perpetual Portfolio invests a fixed target percentage of its total assets in each of the following investment categories: gold; silver; Swiss franc assets; hard asset securities; large capitalization growth stocks; and dollar assets. The Fund’s gold and silver investments include bullion, bullion type coins, and exchange traded funds that invest therein.

In closing, our compliance department would like me to state the following:

Past performance does not guarantee future results. Investment return will fluctuate, so shares when redeemed may be worth more or less than their cost. Dollar cost averaging does not assure a profit or protect against loss in a declining market and investors should consider their ability to make purchases when prices are low. One of Midas’ guiding principles is that we will communicate with our shareholders as candidly as possible because we believe shareholders benefit from understanding our investment philosophy and approach. Our views and opinions regarding the prospects of our portfolio holdings, Funds and the economy are “forward looking statements” which may or may not be accurate and may be materially different over future periods. We disclaim any obligation to update or alter any forward looking statements, whether as a result of new information, future events, or otherwise. Thus, you should not place undue reliance on forward looking statements, which also speak only as of the date of such statements. Current performance may be lower or higher than the performance quoted herein. Midas Funds are offered by a prospectus which contains more complete information, including charges, risks and expenses. Please read it carefully before you invest or send money. Investor Service Center, Inc., Distributor and FINRA member.



GOLD MARKET ANALYSIS**How Supply and Demand Dynamics Are Affecting Gold Prices***

By Balaji Viswanathan

The gold market is undergoing radical change, with investment trends in Europe and the U.S. taking the lead from the traditional market—jewelry in India. While Indian jewelry is still the world's biggest consumer of gold, the market seems more diverse now. The exchange-traded fund SPDR® Gold Shares (NYSE: GLD) has become the biggest market mover, and there has been heavy demand for coins and bars. If this fundamental change in consumer/investor choices continues, gold could see a significant upward movement in price in the short to medium term. It remains to be seen how this change in behavior may continue after the end of this crisis, i.e., over the next 3-5 years. If it is a permanent change, it will likely be positive for the gold industry as it will provide a wider and more diverse base, thereby removing the quirks associated with Indian marriage seasons and similar factors.

Indian consumption remains the only bright spot in the jewelry scene, with jewelry consumption in rest of the world down significantly. This may be due to the fact that India has been spared the brunt of the global recession so far. However, jewelry consumption could drop sharply once reality sets in and the Indian market starts to reflect the global economic headwinds.

Investment Considerations

1. One of the most noteworthy emerging factors in the market is the SPDR® Gold Shares (NYSE: GLD) exchange-traded fund (ETF). GLD has more than 1,000 tonnes of gold under management and has become a market mover of the price of the underlying metal (the tail wagging the dog).
2. Since the beginning of 2008, GLD has built up a substantial lead in gold holdings over similar ETFs.
3. Gold investment in Europe increased by more than 10x in 2008. Europe is now the biggest net retail investor in gold. Vietnam and the U.S. led in this category until 2006.
4. In the U.S., gold investments declined in 2007 but rebounded strongly in 2008. More than 75 tons were consumed for investment purposes in the U.S. last year.
5. More people are now buying gold for investment than for consumption.
6. Sales of gold bars and coins have more than tripled recently, while sales of jewelry (biggest consumer) declined 3% in 4Q08.

* The analysis presented herein is based on data from the World Gold Council, the U.S. Geological Survey and other sources. The opinions expressed in this article are those of the writer and do not necessarily represent the views of BeyondProxy LLC.

Consumption Considerations

1. While gold prices, measured in U.S. dollars, were choppy in 2008, prices were more stable when measured in Euros.
2. India is still the world's biggest consumer of gold at 147 tons in 4Q08, followed by China, Europe and the U.S. India briefly ceded its lead to the U.S. last year but has once again regained the lead. India accounts for 21% of worldwide gold consumptions.
3. Indian jewelry consumption more than doubled in 4Q08 versus the year-earlier period, while it declined in many other countries, including a staggering 57% decline in Turkey.
4. The U.S. exports far more gold than it imports.

Production Considerations

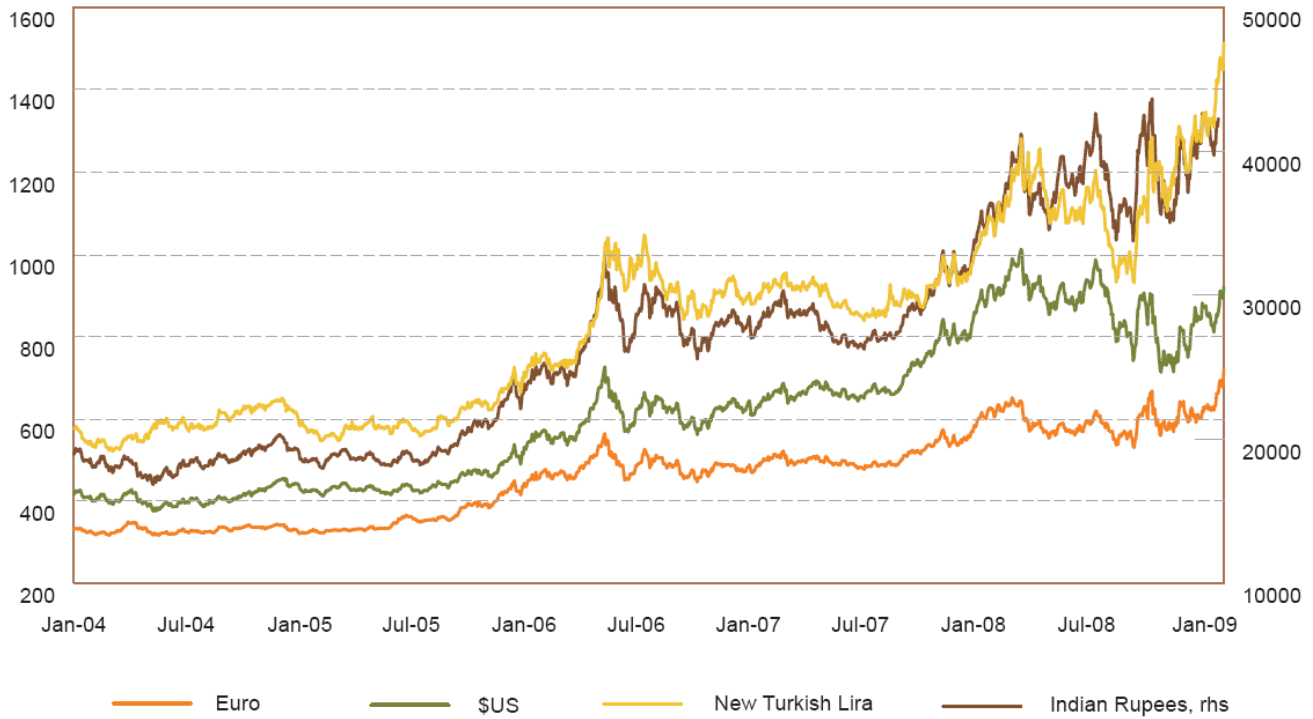
1. The U.S. is the world's third-largest producer of gold (230 tons annually), trailing South Africa and China. The U.S. gold mining industry employed 9,200 people in 2008, and the U.S. accounted for close to 10% of global mine production.
2. U.S. production has declined nearly 10% since 2006.
3. Official sector sales declined 27% in 4Q08, suggesting that central banks may be hoarding more gold than in the past.

Analysis of Market Dynamics

Gold prices exhibited uncharacteristically high volatility in 2008, driven primarily by U.S. dollar exchange rates. Gold and the dollar have an inverse relationship, and the dollar experienced quite a ride last year. However, when gold prices are measured in Euros, 2008 was not very volatile, with prices showing an upward trend. While price movements during 2008 may have primarily reflected a weaker dollar, gold now appears to have become a bet against all major paper currencies.

The gold market appears to have fundamentally changed from one that is highly dependent on Indian jewelry demand to a market that appears to be driven by renewed investment interest, including greater demand for bars and coins in Europe and the U.S. While it is unclear whether this represents a permanent change or simply a reflex reaction to collapsing markets, the outlook for gold prices appears bullish. The gold market may overcome the seasonal fluctuations associated with the Indian marriage season. This represents an important shift from the past.

Price of Gold in Different Currencies



Source: World Gold Council, Balaji Viswanathan.

Supply Characteristics

Central banks reduced their sales of gold by 27% y-y in 4Q08, while bar and coin sales grew by 247% during the same period. Quarterly mine production remained virtually unchanged at 634 tons, while old gold scrap sales grew 15%. It appears that consumers are increasingly turning to their gold items to generate cash, whether to cash in on the perceived high price of gold or simply because of a need for cash.

World Gold Supply and Demand Statistics

	2006	2007	2008 ¹	% ch 2008 vs 2007	Q1'06	Q2'06	Q3'06	Q4'06	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08	Q3'08	Q4'08 ¹	% ch Q4'08 vs Q4'07
Supply																	
Mine production	2,486	2,473	2,407	-3	574	599	648	665	590	613	640	630	550	589	634	634	1
Net producer hedging	-410	-447	-363	...	-143	-161	-68	-38	-94	-197	-82	-74	-128	-126	-63	-46	...
Total mine supply	2,076	2,026	2,044	1	431	438	579	628	495	416	557	557	422	463	570	588	6
Official sector sales ²	370	485	279	-42	103	130	78	58	72	145	170	97	80	86	42	71	-27
Old gold scrap	1,129	977	1,146	17	308	337	241	243	244	239	216	277	339	275	211	320	15
Total Supply	3,574	3,488	3,468	-1	842	905	899	928	812	801	944	931	841	824	824	980	5
Demand																	
Fabrication																	
Jewellery	2,285	2,401	2,138	-11	522	532	606	625	586	698	630	488	472	519	672	475	-3
Industrial & dental	459	461	430	-7	112	115	116	116	116	118	117	110	111	112	108	99	-10
Sub-total above fabrication	2,744	2,862	2,568	-10	634	648	721	741	702	816	746	598	583	632	780	574	-4
Bar & coin retail investment ³	424	446	636	43	91	100	112	119	125	144	116	61	86	137	202	212	247
Other retail investment	-19	-36	133	...	-1	-6	-4	-8	-12	-15	-9	0	-5	-2	47	93	...
ETFs & similar	260	253	321	27	113	49	19	79	36	-3	139	80	73	4	150	95	18
Total Demand	3,409	3,526	3,659	4	837	791	850	932	851	943	993	739	736	771	1,179	973	32
"Inferred investment" ⁴	165	-38	-191	...	5	115	49	-3	-40	-142	-48	192	104	53	-355	7	-96
London PM fix (US\$/oz)	603.77	695.39	871.96	25	554.07	627.71	621.67	613.21	649.82	666.84	680.13	786.25	924.83	896.29	871.60	794.76	1

Source: World Gold Council, Balaji Viswanathan.

Demand Characteristics

It is interesting to note that electronics and industrial usage has come down. Either technological progress has been made to reduce the need for gold in manufacturing processes or, more likely, this is an indicator of a fundamental demand collapse in world markets for certain products. While the latter would confirm weakness in the global economy, it should not be seen as a bearish sign for gold prices because electronics and industrial uses account for only about 10% of annual consumption.

World mints may be beginning to run out of coin supply as consumers and investors have been stockpiling coins. Jewelry sales have come down a bit, an indicator of consumers tightening their belts in the U.S. There are also some fundamental changes in consumer trends in India, where many girls seem to prefer platinum. This has not materially impacted gold sales in India at this point but may be of concern over the long term.

Composition of Gold Demand

Tonnes			% ch 2008 vs 2007									% ch Q4'08 vs Q4'07
	2007	2008 ¹		Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08	Q3'08	Q4'08 ²	
Jewellery consumption	2,400.6	2,137.5	-11	565.1	662.9	602.3	570.3	443.0	504.0	651.6	538.9	-6
Industrial & dental	461.2	430.4	-7	116.2	118.1	116.7	110.1	111.1	112.2	108.4	98.6	-10
Electronics	310.6	289.7	-7	77.5	79.4	78.8	74.9	75.9	76.5	73.3	63.9	-15
Other Industrial	92.8	86.7	-7	23.9	24.1	23.7	21.1	21.2	22.1	22.0	21.5	2
Dentistry	57.8	54.0	-7	14.8	14.6	14.2	14.1	14.0	13.6	13.2	13.2	-7
Identifiable Investment	663.7	1,090.7	64	149.0	126.9	246.4	141.4	153.7	139.4	398.6	399.0	182
Net retail investment	410.3	769.3	87	112.7	129.4	106.9	61.4	81.0	135.4	248.6	304.2	396
Bar Hoarding	236.3	378.2	60	66.6	79.7	59.7	30.2	46.6	88.4	116.6	126.6	318
Official Coin	137.0	197.7	44	37.7	38.7	38.2	22.4	29.5	36.6	63.8	67.9	203
Medals/Imitation Coin	72.6	60.5	-17	20.4	25.6	18.3	8.4	9.7	12.4	21.2	17.2	105
Other identified retail invest. ¹	-35.6	132.8	...	-12.1	-14.5	-9.3	0.3	-4.8	-2.0	47.0	92.6	...
ETFs & similar products¹	253.3	321.4	27	36.4	-2.6	139.5	80.0	72.7	4.0	150.0	94.7	18
Total identifiable demand	3,525.5	3,658.6	4	830.4	907.9	965.4	821.8	707.8	755.6	1,158.6	1,036.5	26

Source: World Gold Council, Balaji Viswanathan.

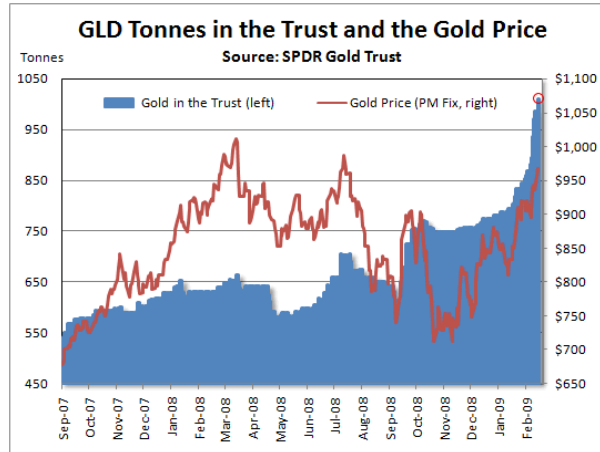
Gold ETFs

ETFs essentially buy gold in their warehouses and sell shares related to their holdings of gold. GLD, the world’s biggest gold ETF, has seen a large increase in assets under management. Owning gold through an ETF appears to be cost-effective, as trading costs may be low and one does not need to worry about assaying, value estimation and security of the bullion. While “end-of-the-world” pessimists may be reluctant to use an ETF as a vehicle for their supposedly most secure investment, most practical investors may find an ETF a sensible way to gain exposure to the metal. On the other hand, some investors may decide that it makes sense to hold gold in the form of

bars and coins for emergency situations. GLD is the most heavily traded ETF and now holds more than a 1,000 tonnes of gold (worth about \$30 billion at recent market prices).

GLD’s asset increase has coincided with an increase in gold prices, and it may be reasonable to believe that GLD’s large asset base has some influence on gold prices, while higher gold prices may also be contributing to inflows in the ETF.

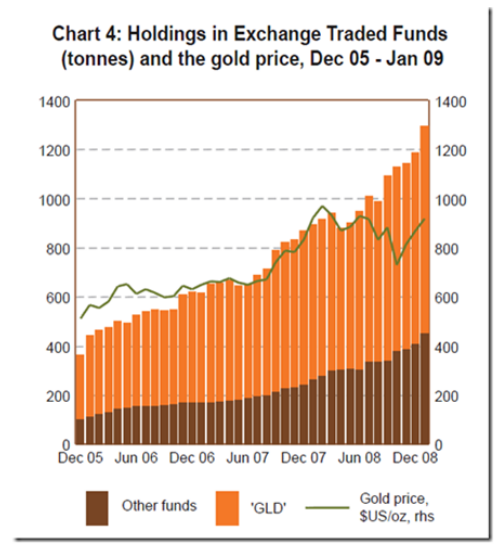
Gold Holdings of SPDR Gold Shares (NYSE: GLD) ETF



Source: <http://themassthatgreenspanmade.blogspot.com/2009/02/yousa-one-thousand-tonnes.html>

As the following figure shows, GLD has established a significant lead over other gold ETFs. The ratio of GLD assets to assets of other gold-related ETFs has remained roughly 3:1. This may give GLD certain scale advantages in executing transactions and employing various trading strategies.

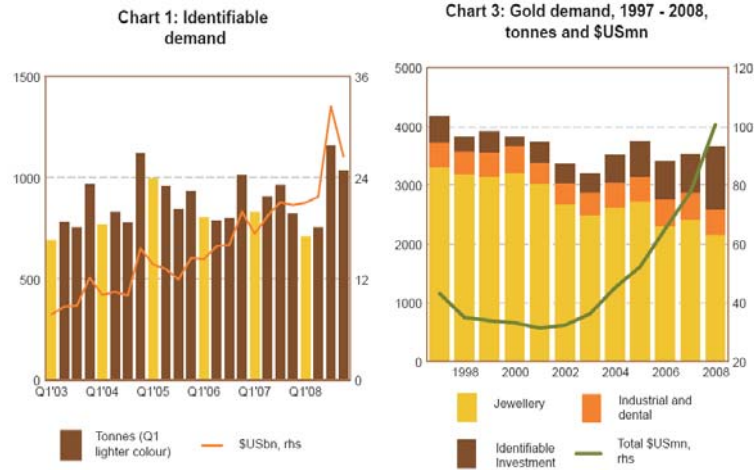
Gold Holdings Of GLD And Other Funds



Source: World Gold Council, Balaji Viswanathan.

Long-Term Demand Trends

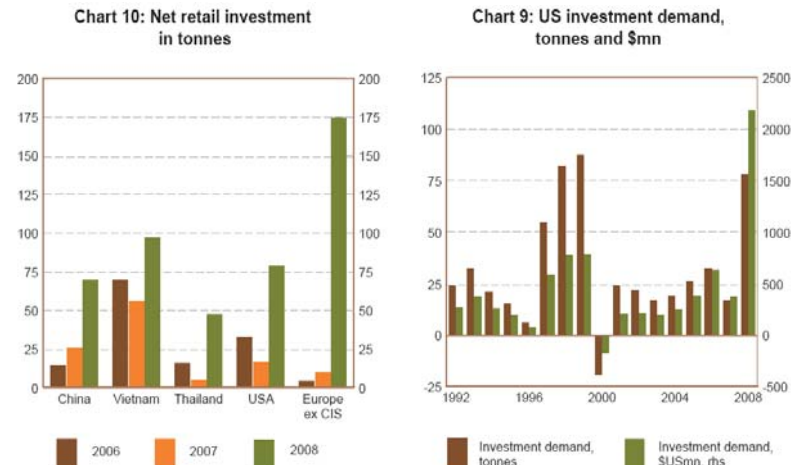
Gold use in jewelry has declined by more than one-third over the past decade, from roughly 3,000 tonnes to roughly 2,000 tonnes per year. Industrial usage has remained fairly constant, while investment demand for gold has increased tenfold from 2000 levels. Gold demand in dollar terms has climbed steadily since 2001.



Source: World Gold Council, Balaji Viswanathan.

Changes in European demand in recent years have been striking. Retail investment demand for gold has risen from virtually zero in 2006 to 175 tonnes in 2008, topping retail investment demand in other geographies, including China and the U.S. It appears that Europeans are even less comfortable with economic conditions than their counterparts in the U.S., China and other countries. Vietnam's lead in the retail investment space has dwindled in the past few years, while Chinese consumers are acquiring increasing quantities of the metal.

Total U.S. investment demand for gold has risen from *minus* 20 tonnes in 2000 to more than 100 tonnes in 2008. In 2000, when the U.S. economy was peaking and the commodity prices languished, U.S. investors were most bearish about gold. The bearishness was unjustified in hindsight.



Source: World Gold Council, Balaji Viswanathan.

Consumption Statistics By Country

As expected, India continues to lead the world in consumption demand for gold. India accounted for 21% of worldwide gold demand in 4Q08. China, Europe and the U.S. are the next three markets by size.

Indian jewelry demand has been on an upswing while jewelry consumption in many other countries has turned down—most notably in Turkey, the U.S. and the U.K. The dynamic in India appears to be at least partly due to the fact that the global recession has affected India less than many other countries to date. This could change, of course, and Indian jewelry demand could suffer materially.

	2007			2008 ¹			% ch 2008 vs 2007		
	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total
India	551.7	217.5	769.2	469.7	190.5	660.2	-15	-12	-14
Greater China	331.1	34.0	365.1	353.5	78.6	432.1	7	131	18
China	302.2	25.6	327.8	326.7	68.9	395.6	8	169	21
Hong Kong	14.2	1.0	15.3	14.7	1.0	15.7	3	-2	3
Taiwan	14.7	7.4	22.1	12.1	8.7	20.8	-17	18	-6
Japan	30.6	-56.3	-25.7	28.2	-39.4	-11.2	-8
Indonesia	55.2	0.3	55.5	55.9	2.9	58.7	1	834	6
Vietnam	21.4	56.1	77.5	19.6	96.2	115.8	-8	71	49
Middle East	325.5	20.1	345.6	311.4	28.2	339.6	-4	40	-2
Saudi Arabia	117.9	9.0	126.9	108.9	13.5	122.4	-8	50	-4
Egypt	67.8	0.7	68.5	74.3	2.5	76.8	10	247	12
UAE	99.8	7.5	107.3	93.4	9.5	102.9	-6	27	-4
Other Gulf	40.0	2.9	42.9	34.8	2.6	37.5	-13	-9	-13
Turkey	188.1	61.1	249.3	153.2	57.1	210.3	-19	-7	-16
Russia ²	85.7	...	85.7	96.1	...	96.1	12	...	12
USA	257.9	16.6	274.5	179.1	77.8	256.9	-31	370	-6
Italy ²	59.1	...	59.1	50.8	...	50.8	-14	...	-14
UK ²	50.1	...	50.1	36.2	...	36.2	-28	...	-28
Europe ex CIS ³	...	9.6	9.6	...	173.8	173.8	...	1718	1718
Total Above	1956.3	359.1	2315.4	1753.6	665.6	2419.2	-10	85	4
Other	444.3	51.3	495.6	384.0	103.7	487.7	-14	102	-2
World Total	2400.6	410.3	2810.9	2137.5	769.3	2906.8	-11	87	3

Source: World Gold Council, Balaji Viswanathan.

Production Trends

China is the gold production leader, followed by South Africa and the U.S. Australia and Indonesia saw production drop sharply last year. Overall, there has been a slight drop in mine production worldwide.

Worldwide Gold Production and Reserves (in metric tons)

	Mine production		Reserves ⁷	Reserve base ⁷
	2007	2008 ⁸		
United States	238	230	3,000	5,500
Australia	246	225	5,000	6,000
Brazil	40	40	2,000	2,500
Canada	101	100	2,000	4,200
China	275	295	1,200	4,100
Chile	42	42	2,000	3,400
Ghana	84	84	1,600	2,700
Indonesia	118	90	3,000	6,000
Mexico	39	41	1,400	3,400
Peru	170	175	1,400	2,300
Papua New Guinea	65	65	1,300	2,300
Russia	157	165	5,000	7,000
South Africa	252	250	6,000	31,000
Uzbekistan	85	85	1,700	1,900
Other countries	471	440	⁸ 10,000	⁸ 22,000
World total (rounded)	2,380	2,330	47,000	100,000

Source: U.S. Geological Survey, Balaji Viswanathan.

U.S. mine production has been on a downward trend since 2004. Meanwhile, scrap metal refining has been on an upswing and exports have increased materially. The U.S. has turned from a net importer to a net exporter of gold in recent years. Canada and Peru rank among the largest importers of gold from the U.S.

U.S. Gold Production and Imports

<u>Salient Statistics—United States:</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008*</u>
Production:					
Mine	258	256	252	238	230
Refinery:					
Primary	222	195	181	176	170
Secondary (new and old scrap)	92	81	89	135	120
Imports ²	283	341	263	170	230
Exports ²	257	324	389	519	595
Consumption, reported	185	183	185	180	180
Stocks, yearend, Treasury ³	8,140	8,140	8,140	8,140	8,140
Price, dollars per ounce ⁴	411	446	606	699	900
Employment, mine and mill, number ⁵	7,550	7,910	8,350	9,130	9,200
Net import reliance ⁶ as a percentage of apparent consumption	8	4	E	E	E

Recycling: 120 tons of new and old scrap, equal to about 67% of reported consumption, was recycled in 2008.

Import Sources (2004-07):² Peru, 35%; Canada, 30%; Mexico, 9%; Chile, 8; and other, 18%.

Source: U.S. Geological Survey, Balaji Viswanathan.

Balaji Viswanathan is editor of EconJournal (www.econjournal.com), a non-profit news source based in Seattle, Washington. He can be reached at vvbalajiviswanathan@gmail.com.

Related Articles

1. “Historic gold, silver, oil prices and their relationships,” <http://econjournal.com/2008/11/25/historic-gold-silver-oil-prices-and-their-relationships/>
2. “What’s happening with gold,” <http://econjournal.com/2008/11/06/whats-happening-with-gold/>

Gold & Silver Companies — By Market Capitalization

Company / Ticker	Recent Price (\$)	Market Value (\$mn)	Enterprise Value (\$mn)	LTM EBIT / EV	Last FY EPS	Insider Own.	Price / Tangible Book	Div. Yield
Barrick Gold Corporation (USA) / ABX	28.76	25,108	28,227	4%	0.89	1%	2.5x	1.4%
Goldcorp Inc. (USA) / GG	29.47	21,478	21,013	3%	0.34	1%	1.6x	0.6%
Newmont Mining Corporation / NEM	38.90	19,030	22,279	5%	1.82	1%	2.8x	1.0%
Anglo American plc (ADR) / AAUK	7.12	18,747	29,016	27%	2.15	1%	1.1x	6.2%
Freeport-McMoRan Copper & Gold / FCX	33.88	13,947	24,133	nm	(29.69)	1%	8.2x	-
AngloGold Ashanti Limited (ADR) / AU	30.71	11,067	11,880	nm	(3.29)	46%	4.9x	0.3%
Kinross Gold Corporation (USA) / KGC	16.68	10,992	11,573	4%	0.56	1%	3.1x	0.5%
Agnico-Eagle Mines Limited (US) / AEM	49.96	7,734	7,835	0%	0.50	0%	3.1x	0.4%
Gold Fields Limited (ADR) / GFI	11.19	7,312	8,282	8%	0.69	1%	1.8x	0.5%
Yamana Gold Inc. (USA) / AUJ	8.70	6,381	6,881	6%	0.26	1%	1.0x	1.4%
Harmony Gold Mining Co. (ADR) / HMY	11.41	4,843	4,973	5%	(0.26)	17%	1.8x	-
Compania de Minas Buenaventura / BVN	18.89	4,819	4,713	nm	0.89	22%	3.3x	1.0%
Lihir Gold Limited (ADR) / LIHR	20.20	4,418	4,354	5%	0.53	1%	1.8x	-
Randgold Resources Ltd. (ADR) / GOLD	47.87	3,662	3,410	2%	0.54	1%	5.4x	0.3%
Eldorado Gold Corporation (USA) / EGO	8.31	3,043	3,027	3%	0.09	1%	4.5x	-
IAMGOLD Corporation (USA) / IAG	7.71	2,279	2,061	7%	(0.17)	3%	1.6x	0.8%
Silver Wheaton Corp. (USA) / SLW	6.63	1,906	2,271	5%	(0.55)	1%	2.1x	-
Royal Gold, Inc. / RGLD	40.15	1,366	1,330	5%	0.61	10%	2.7x	0.8%
Pan American Silver Corp. (USA) / PAAS	14.32	1,248	1,220	5%	0.28	6%	1.8x	-
Gammon Gold, Inc. / GRS	7.58	910	940	0%	(0.90)	1%	1.8x	-
Silver Standard Resources Inc. / SSRI	13.82	867	827	nm	(0.90)	2%	2.3x	-
Seabridge Gold, Inc. (USA) / SA	17.75	663	654	nm	(0.34)	8%	85.0x	-
Aurizon Mines Ltd.(USA) / AZK	3.74	554	583	4%	0.03	1%	4.8x	-
NovaGold Resources Inc. (USA) / NG	2.70	491	552	nm	(1.49)	2%	2.4x	-
Northern Dynasty Minerals Ltd. / NAK	4.88	452	413	nm	(0.90)	21%	nm	-
Coeur d'Alene Mines Corporatio / CDE	0.63	385	799	nm	0.00	1%	nm	-
Tanzanian Royalty Exploration / TRE	4.14	368	366	nm	(0.05)	5%	16.6x	-
New Gold Inc. (USA) / NGD	1.71	364	366	nm	(4.00)	1%	.3x	-
Jaguar Mining Inc. / JAG	5.58	357	403	0%	(0.93)	1%	1.8x	-
Minefinders Corp. Ltd. (USA) / MFN	5.58	355	459	nm	(0.23)	2%	3.1x	-
DRDGOLD Ltd. (ADR) / DROOY	9.16	345	295	1%	0.34	1%	2.8x	1.2%
ASA Limited / ASA	47.88	345	324	2%	(36.86)	0%	1.0x	7.1%
Golden Star Resources Ltd. (US) / GSS	1.38	326	415	nm	(0.31)	1%	.8x	-
Northgate Minerals Corporation / NXG	1.15	294	288	9%	0.04	1%	.7x	-
Corriente Resources Inc. / ETQ	3.46	261	190	nm	(0.32)	11%	1.8x	-
Allied Nevada Gold Corp. / ANV	4.16	239	209	nm	(0.26)	21%	1.6x	-
Hecla Mining Company / HL	1.27	229	355	nm	(0.36)	0%	.4x	-
Orezone Resources Inc. (USA) / OZN	0.63	225	233	nm	(0.09)	2%	.7x	-
Great Basin Gold Ltd. (USA) / GBG	0.99	213	218	nm	(0.25)	1%	1.1x	-
Mag Silver Corp (ADR) / MVG	4.25	209	161	nm	(0.25)	1%	2.9x	-

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Gold & Silver Companies – By Market Capitalization *(continued)*

Company / Ticker	Recent Price (\$)	Market Value (\$mn)	Enterprise Value (\$mn)	LTM EBIT / EV	Last FY EPS	Insider Own.	Price / Tangible Book	Div. Yield
Western Goldfields Inc. (CAN) / WGW	1.51	207	255	2%	(0.43)	5%	2.8x	-
Rubicon Minerals Corp. (USA) / RBY	1.39	206	201	0%	(0.06)	33%	3.1x	-
U.S. Gold Corporation / UXG	2.03	199	183	nm	(0.35)	38%	1.0x	-
Fronteer Development Group Inc / FRG	2.37	197	128	15%	(0.48)	1%	.7x	-
Searchlight Minerals Corp. / SRCH	1.77	187	178	na	(0.02)	17%	1.6x	-
Gold Resource Corporation / GORO	4.25	146	141	nm	(0.28)	27%	15.2x	-
International Royalty Corporat / ROY	1.71	134	156	2%	0.04	21%	.5x	2.3%
Nevsun Resources (USA) / NSU	0.99	127	104	nm	(0.03)	2%	3.2x	-
Capital Gold Corporation / CGLD	0.63	121	124	11%	0.03	5%	4.3x	-
Exeter Resource Corp. / XRA	2.13	107	86	nm	(0.34)	17%	5.0x	-
Minera Andes Inc. (USA) / MNEAF	0.53	101	114	nm	(0.13)	25%	1.6x	-
Entree Gold Inc. / EGI	1.03	97	40	nm	(0.16)	33%	1.6x	-
Crystallex International Corp. / KRY	0.29	86	127	nm	(0.09)	1%	.3x	-
Cardero Resources Corp. (USA) / CDY	1.30	76	75	nm	(0.24)	14%	9.1x	-
Richmont Mines Inc. (USA) / RIC	2.70	64	41	0%	0.20	5%	1.3x	-
Vista Gold Corp. / VGZ	1.86	64	59	nm	(0.27)	2%	1.2x	-
Endeavour Silver Corp. (CAN) / EXK	1.29	63	58	nm	(0.27)	4%	1.1x	-
Claude Resources Inc. (USA) / CGR	0.59	57	78	nm	(0.17)	1%	.8x	-
Orko Silver Corp. (ADR) / OKOFF	0.53	57	54	nm	(0.17)	1%	14.3x	-
Keegan Resources Inc. / KGN	1.97	56	52	nm	(0.47)	1%	2.0x	-
Alexco Resource Corp. (USA) / AXU	1.37	54	47	nm	(0.32)	27%	1.2x	-
Banro Corporation / BAA	1.24	50	31	nm	(0.93)	6%	.4x	-
GoldSpring, Inc. / GSPG	0.01	48	64	nm	0.00	29%	nm	-
Paramount Gold and Silver Corp / PZG	0.76	47	45	nm	(0.39)	35%	2.6x	-
Mines Management, Inc. / MGN	1.88	43	20	nm	(0.46)	21%	1.2x	-
Apex Silver Mines Limited / APXSQ	0.71	42	584	nm	0.20	1%	nm	-
Continental Minerals Corp. (US / KMKCF	0.30	39	22	nm	(0.15)	9%	.4x	-
Oromin Explorations Ltd. / OLEPF	0.57	37	28	nm	(0.16)	16%	1.0x	-
Central Sun Mining Inc. / SMC	0.56	35	33	nm	(1.54)	32%	.8x	-
Solitario Exploration & Royalt / XPL	1.17	35	27	nm	(0.15)	18%	2.1x	-
Gold Reserve Inc. / GRZ	0.60	34	40	nm	(0.28)	6%	.2x	-
Almaden Minerals Ltd. (USA) / AAU	0.74	34	22	nm	(0.05)	7%	1.7x	-
Midway Gold Corp. / MDW	0.51	33	33	nm	(0.19)	28%	1.0x	-
Eastern Goldfields, Inc. / EGDD	3.50	33	50	nm	(0.15)	28%	9.1x	-
Kimber Resources, Inc. / KBX	0.49	30	26	nm	(0.12)	10%	.8x	-
Gentor Resources, Inc. / GNT0	1.25	28	29	nm	(0.10)	67%	nm	-
Petaquilla Minerals Ltd.(USA) / PTQME	0.29	28	62	nm	(0.42)	2%	.7x	-
Brazauro Resources Corporation / BZOFF	0.31	27	22	nm	(0.06)	14%	1.0x	-
Caledonia Mining Corporation (/ CALVF	0.05	24	20	nm	(0.01)	1%	1.3x	-
Evolving Gold Corp.(ADR) / EVOGF	0.29	23	9	na	(0.32)	1%	.9x	-

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Gold & Silver Companies — Stock Price Performance (sorted by price decline since 12/31/08)

Company / Ticker	Recent Price (\$)	Δ to 52-Wk		Price Performance		
		Low (\$)	High (\$)	Since 12/31/08	Since 12/31/06	Since 12/31/04
Hecla Mining Company / HL	1.27	-22%	935%	-55%	-83%	-78%
GoldSpring, Inc. / GSPG	0.01	0%	600%	-50%	nm	-93%
Anglo American plc (ADR) / AAUK	7.12	-13%	411%	-39%	-73%	-46%
Gold Reserve Inc. / GRZ	0.60	-60%	782%	-36%	-87%	-87%
Caledonia Mining Corporation (/ CALVF	0.05	-60%	320%	-29%	-38%	-55%
Gentor Resources, Inc. / GNT0	1.25	0%	92%	-29%	na	na
Coeur d'Alene Mines Corporatio / CDE	0.63	-43%	676%	-28%	-87%	-84%
Searchlight Minerals Corp. / SRCH	1.77	-55%	140%	-28%	-61%	>999%
Great Basin Gold Ltd. (USA) / GBG	0.99	-26%	289%	-23%	-41%	-17%
Solitario Exploration & Royalt / XPL	1.17	-8%	413%	-22%	-72%	-20%
Barrick Gold Corporation (USA) / ABX	28.76	-40%	90%	-22%	-6%	19%
Petaquilla Minerals Ltd.(USA) / PTQME	0.29	-10%	855%	-19%	-85%	-31%
Royal Gold, Inc. / RGLD	40.15	-43%	24%	-18%	12%	120%
Allied Nevada Gold Corp. / ANV	4.16	-63%	61%	-18%	na	na
Pan American Silver Corp. (USA / PAAS	14.32	-38%	208%	-16%	-43%	-10%
Silver Standard Resources Inc. / SSRI	13.82	-61%	173%	-13%	-55%	14%
Kinross Gold Corporation (USA) / KGC	16.68	-59%	64%	-9%	40%	137%
Lihir Gold Limited (ADR) / LIHR	20.20	-60%	103%	-8%	-18%	117%
Goldcorp Inc. (USA) / GG	29.47	-53%	79%	-7%	4%	96%
Alexco Resource Corp. (USA) / AXU	1.37	-69%	258%	-6%	-67%	na
ASA Limited / ASA	47.88	-35%	93%	-6%	-26%	18%
Mag Silver Corp (ADR) / MVG	4.25	-27%	235%	-6%	-20%	394%
Compania de Minas Buenaventura / BVN	18.89	-52%	127%	-5%	35%	65%
Newmont Mining Corporation / NEM	38.90	-46%	42%	-4%	-14%	-12%
Agnico-Eagle Mines Limited (US / AEM	49.96	-58%	67%	-3%	21%	263%
Tanzanian Royalty Exploration / TRE	4.14	-62%	50%	-3%	-30%	336%
Western Goldfields Inc. (CAN) / WGW	1.51	-77%	160%	-3%	-37%	196%
Kimber Resources, Inc. / KBX	0.49	-16%	300%	-2%	-78%	-67%
Eastern Goldfields, Inc. / EGDD	3.50	-21%	70%	0%	-43%	na
Silver Wheaton Corp. (USA) / SLW	6.63	-62%	195%	2%	-37%	115%
Harmony Gold Mining Co. (ADR) / HMY	11.41	-52%	28%	4%	-28%	23%
Eldorado Gold Corporation (USA / EGO	8.31	-71%	15%	5%	54%	182%
Jaguar Mining Inc. / JAG	5.58	-67%	147%	7%	na	na
Corriente Resources Inc. / ETQ	3.46	-45%	59%	8%	-2%	45%
Minefinders Corp. Ltd. (USA) / MFN	5.58	-54%	144%	8%	-37%	-19%
Randgold Resources Ltd. (ADR) / GOLD	47.87	-53%	18%	9%	104%	319%
Exeter Resource Corp. / XRA	2.13	-62%	137%	9%	20%	105%
AngloGold Ashanti Limited (ADR / AU	30.71	-56%	33%	11%	-35%	-16%
Midway Gold Corp. / MDW	0.51	-76%	557%	11%	-81%	-45%
Continental Minerals Corp. (US / KMKCF	0.30	-33%	420%	11%	-84%	-76%

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Gold & Silver Companies — Stock Price Performance

(sorted by price decline since 12/31/08) (continued)

Company / Ticker	Recent Price (\$)	Δ to 52-Wk		Price Performance		
		Low (\$)	High (\$)	Since 12/31/08	Since 12/31/06	Since 12/31/04
Gold Fields Limited (ADR) / GFI	11.19	-59%	51%	13%	-41%	-10%
Yamana Gold Inc. (USA) / AUJ	8.70	-62%	129%	13%	-34%	188%
Orko Silver Corp. (ADR) / OKOFF	0.53	-58%	292%	13%	26%	na
Almaden Minerals Ltd. (USA) / AAU	0.74	-55%	257%	14%	-67%	-51%
Aurizon Mines Ltd.(USA) / AZK	3.74	-72%	52%	15%	19%	173%
Banro Corporation / BAA	1.24	-48%	760%	18%	-91%	-65%
Cardero Resources Corp. (USA) / CDY	1.30	-44%	181%	18%	-12%	-49%
Entree Gold Inc. / EGI	1.03	-62%	148%	18%	-34%	-10%
New Gold Inc. (USA) / NGD	1.71	-57%	>999%	20%	-78%	-68%
Rubicon Minerals Corp. (USA) / RBY	1.39	-50%	38%	20%	74%	124%
Fronteer Development Group Inc / FRG	2.37	-49%	261%	21%	-74%	66%
Gold Resource Corporation / GORO	4.25	-53%	43%	21%	136%	na
International Royalty Corporat / ROY	1.71	-39%	260%	26%	-66%	na
IAMGOLD Corporation (USA) / IAG	7.71	-71%	17%	26%	-12%	16%
Endeavour Silver Corp. (CAN) / EXK	1.29	-45%	240%	26%	-67%	-5%
Oromin Explorations Ltd. / OLEPF	0.57	-46%	504%	33%	-67%	33%
Northern Dynasty Minerals Ltd. / NAK	4.88	-67%	151%	33%	-40%	0%
Seabridge Gold, Inc. (USA) / SA	17.75	-65%	48%	36%	26%	389%
Minera Andes Inc. (USA) / MNEAF	0.53	-53%	225%	36%	-60%	-10%
Orezone Resources Inc. (USA) / OZN	0.63	-84%	178%	37%	-57%	-50%
Nevsun Resources (USA) / NSU	0.99	-73%	123%	38%	-54%	-47%
Golden Star Resources Ltd. (US / GSS	1.38	-71%	212%	38%	-53%	-66%
Northgate Minerals Corporation / NXG	1.15	-52%	200%	39%	-67%	-32%
Gammon Gold, Inc. / GRS	7.58	-73%	49%	39%	-53%	42%
Freeport-McMoRan Copper & Gold / FCX	33.88	-54%	276%	39%	-39%	-11%
Evolving Gold Corp.(ADR) / EVOGF	0.29	-59%	400%	45%	16%	na
Brazauro Resources Corporation / BZOFF	0.31	-71%	187%	48%	-60%	-73%
Mines Management, Inc. / MGN	1.88	-74%	120%	50%	-62%	-55%
Richmont Mines Inc. (USA) / RIC	2.70	-65%	55%	57%	14%	-41%
DRDGOLD Ltd. (ADR) / DROOY	9.16	-69%	32%	64%	2%	-41%
Paramount Gold and Silver Corp / PZG	0.76	-71%	197%	65%	-64%	-85%
Capital Gold Corporation / CGLD	0.63	-63%	25%	66%	58%	152%
Vista Gold Corp. / VGZ	1.86	-59%	185%	66%	-78%	-51%
Crystallex International Corp. / KRY	0.29	-66%	876%	71%	-92%	-92%
NovaGold Resources Inc. (USA) / NG	2.70	-86%	289%	84%	-84%	-65%
Claude Resources Inc. (USA) / CGR	0.59	-80%	132%	84%	-60%	-45%
Keegan Resources Inc. / KGN	1.97	-82%	192%	114%	-23%	na
U.S. Gold Corporation / UXG	2.03	-81%	68%	123%	-60%	383%
Central Sun Mining Inc. / SMC	0.56	-88%	311%	124%	-84%	-81%
Apex Silver Mines Limited / APXSQ	0.71	-37%	>999%	na	na	na

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Gold & Silver Companies — P/E Multiples *(sorted by P/E based on estimated EPS for next fiscal year)*

Company / Ticker	Recent Price (\$)	Market Value (\$mn)	P/E (A) Last FY	P/E (Estimated)			FY End Date
				This FY	Next FY	In 2 Yrs	
Capital Gold Corporation / CGLD	0.63	121	21x	11x	5x	5x	7/31/09
Anglo American plc (ADR) / AAUK	7.12	18,747	3x	3x	6x	18x	12/31/08
Coeur d'Alene Mines Corporatio / CDE	0.63	385	nm	21x	8x	nm	12/31/09
DRDGOLD Ltd. (ADR) / DROOY	9.16	345	27x	8x	9x	na	6/30/09
Freeport-McMoRan Copper & Gold / FCX	33.88	13,947	nm	68x	12x	8x	12/31/09
Compania de Minas Buenaventura / BVN	18.89	4,819	21x	10x	13x	14x	12/31/08
Gold Fields Limited (ADR) / GFI	11.19	7,312	16x	20x	14x	22x	6/30/09
Harmony Gold Mining Co. (ADR) / HMY	11.41	4,843	nm	21x	16x	15x	6/30/09
Newmont Mining Corporation / NEM	38.90	19,030	21x	20x	16x	16x	12/31/09
Lihir Gold Limited (ADR) / LIHR	20.20	4,418	38x	19x	17x	na	12/31/09
AngloGold Ashanti Limited (ADR / AU	30.71	11,067	nm	11x	17x	na	12/31/09
Randgold Resources Ltd. (ADR) / GOLD	47.87	3,662	89x	38x	25x	19x	12/31/09
Royal Gold, Inc. / RGLD	40.15	1,366	66x	59x	41x	37x	6/30/09
Allied Nevada Gold Corp. / ANV	4.16	239	nm	nm	46x	14x	12/31/08

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Note:

Other gold and silver companies we considered either have no forward earnings estimates or negative estimates of forward EPS.

Gold & Silver Companies — Selected Metrics *(sorted by net cash to market value)*

Company / Ticker	Recent Price (\$)	Price / Tangible Book	Net Cash / MV	Dividend Yield
Evolving Gold Corp.(ADR) / EVOGF	0.29	0.9x	61%	-
Entree Gold Inc. / EGI	1.03	1.6x	59%	-
Mines Management, Inc. / MGN	1.88	1.2x	53%	-
Continental Minerals Corp. (US / KMKCF	0.30	0.4x	44%	-
Banro Corporation / BAA	1.24	0.4x	38%	-
Richmont Mines Inc. (USA) / RIC	2.70	1.3x	37%	-
Fronteer Development Group Inc / FRG	2.37	0.7x	35%	-
Almaden Minerals Ltd. (USA) / AAU	0.74	1.7x	34%	-
Corriente Resources Inc. / ETQ	3.46	1.8x	27%	-
Oromin Explorations Ltd. / OLEPF	0.57	1.0x	24%	-
Solitario Exploration & Royalt / XPL	1.17	2.1x	23%	-
Mag Silver Corp (ADR) / MVG	4.25	2.9x	23%	-
Exeter Resource Corp. / XRA	2.13	5.0x	19%	-
Brazauro Resources Corporation / BZOFF	0.31	1.0x	18%	-
Nevsun Resources (USA) / NSU	0.99	3.2x	18%	-
Caledonia Mining Corporation (/ CALVF	0.05	1.3x	18%	-
Kimber Resources, Inc. / KBX	0.49	0.8x	15%	-
DRDGOLD Ltd. (ADR) / DROOY	9.16	2.8x	15%	1.2%
Alexco Resource Corp. (USA) / AXU	1.37	1.2x	13%	-
Allied Nevada Gold Corp. / ANV	4.16	1.6x	12%	-
IAMGOLD Corporation (USA) / IAG	7.71	1.6x	10%	0.8%
Endeavour Silver Corp. (CAN) / EXK	1.29	1.1x	9%	-
Northern Dynasty Minerals Ltd. / NAK	4.88	nm	9%	-
U.S. Gold Corporation / UXG	2.03	1.0x	8%	-
Vista Gold Corp. / VGZ	1.86	1.2x	7%	-
Keegan Resources Inc. / KGN	1.97	2.0x	7%	-
Randgold Resources Ltd. (ADR) / GOLD	47.87	5.4x	7%	0.3%
Central Sun Mining Inc. / SMC	0.56	0.8x	7%	-
ASA Limited / ASA	47.88	1.0x	6%	7.1%
Searchlight Minerals Corp. / SRCH	1.77	1.6x	5%	-
Orko Silver Corp. (ADR) / OKOFF	0.53	14.3x	5%	-
Silver Standard Resources Inc. / SSRI	13.82	2.3x	5%	-
Paramount Gold and Silver Corp / PZG	0.76	2.6x	5%	-
Gold Resource Corporation / GORO	4.25	15.2x	4%	-
Royal Gold, Inc. / RGLD	40.15	2.7x	3%	0.8%
Northgate Minerals Corporation / NXG	1.15	0.7x	2%	-
Pan American Silver Corp. (USA / PAAS	14.32	1.8x	2%	-
Compania de Minas Buenaventura / BVN	18.89	3.3x	2%	1.0%
Goldcorp Inc. (USA) / GG	29.47	1.6x	2%	0.6%
Rubicon Minerals Corp. (USA) / RBY	1.39	3.1x	2%	-
Lihir Gold Limited (ADR) / LIHR	20.20	1.8x	1%	-

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Gold & Silver Companies — Insider Ownership, Open Market Activity

(sorted by # of buys; if no buys, then sorted by insider ownership percentage)

Company / Ticker	Market Value (\$mn)	Recent Price (\$)	YTD Change	Insider Ownership	Last Six Months	
					Insider Buys	Insider Sales
U.S. Gold Corporation / UXG	199	2.03	123%	38%	10	1
Allied Nevada Gold Corp. / ANV	239	4.16	-18%	21%	8	3
Vista Gold Corp. / VGZ	64	1.86	66%	2%	4	-
Freeport-McMoRan Copper & Gold / FCX	13,947	33.88	39%	1%	4	6
Golden Star Resources Ltd. (US / GSS	326	1.38	38%	1%	3	2
Midway Gold Corp. / MDW	33	0.51	11%	28%	2	-
GoldSpring, Inc. / GSPG	48	0.01	-50%	29%	1	-
Mines Management, Inc. / MGN	43	1.88	50%	21%	1	-
Hecla Mining Company / HL	229	1.27	-55%	0%	1	-
Royal Gold, Inc. / RGLD	1,366	40.15	-18%	10%	1	19
Gentor Resources, Inc. / GNT0	28	1.25	-29%	67%	-	-
AngloGold Ashanti Limited (ADR / AU	11,067	30.71	11%	46%	-	-
Paramount Gold and Silver Corp / PZG	47	0.76	65%	35%	-	-
Entree Gold Inc. / EGI	97	1.03	18%	33%	-	-
Rubicon Minerals Corp. (USA) / RBY	206	1.39	20%	33%	-	-
Central Sun Mining Inc. / SMC	35	0.56	124%	32%	-	-
Eastern Goldfields, Inc. / EGDD	33	3.50	0%	28%	-	-
Alexco Resource Corp. (USA) / AXU	54	1.37	-6%	27%	-	-
Gold Resource Corporation / GORO	146	4.25	21%	27%	-	-
Minera Andes Inc. (USA) / MNEAF	101	0.53	36%	25%	-	-
Compania de Minas Buenaventura / BVN	4,819	18.89	-5%	22%	-	-
Northern Dynasty Minerals Ltd. / NAK	452	4.88	33%	21%	-	-
International Royalty Corporat / ROY	134	1.71	26%	21%	-	-
Solitario Exploration & Royalt / XPL	35	1.17	-22%	18%	-	-
Exeter Resource Corp. / XRA	107	2.13	9%	17%	-	-
Harmony Gold Mining Co. (ADR) / HMY	4,843	11.41	4%	17%	-	-
Oromin Explorations Ltd. / OLEPF	37	0.57	33%	16%	-	-
Brazauro Resources Corporation / BZOFF	27	0.31	48%	14%	-	-
Cardero Resources Corp. (USA) / CDY	76	1.30	18%	14%	-	-
Corriente Resources Inc. / ETQ	261	3.46	8%	11%	-	-
Kimber Resources, Inc. / KBX	30	0.49	-2%	10%	-	-
Continental Minerals Corp. (US / KMKCF	39	0.30	11%	9%	-	-
Seabridge Gold, Inc. (USA) / SA	663	17.75	36%	8%	-	-
Almaden Minerals Ltd. (USA) / AAU	34	0.74	14%	7%	-	-
Pan American Silver Corp. (USA) / PAAS	1,248	14.32	-16%	6%	-	-
Banro Corporation / BAA	50	1.24	18%	6%	-	-
Gold Reserve Inc. / GRZ	34	0.60	-36%	6%	-	-
Richmont Mines Inc. (USA) / RIC	64	2.70	57%	5%	-	-
Capital Gold Corporation / CGLD	121	0.63	66%	5%	-	-
Western Goldfields Inc. (CAN) / WGW	207	1.51	-3%	5%	-	-

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