*Daniela Cambone:* Well, the next speaker and I go *[laughs]* way back and we both speak the same language, so I’m very honored to introduce him. John Doody brings a unique perspective to gold stock analysis with a BA in Economics from Columbia, and MBA in finance from Boston University where he also did his Ph.D. Economics course. John has no formal rock studies beyond Introductory Geology to Columbia taught by the university’s school of minds, but he’s an Economics professor for the past – for almost two decades. John became interested in gold due to an innate distress of politicians and concerns over their habit of debasing the currency via inflationary economic policies. Amen to that.   
  
As Doody initially studied gold stocks, he had a hard time deciding which to buy. Their share prices, market capitalizations, production and reserve levels were all different yet each made the same product: gold. So to solve the dilemma and determine which gold stocks represent the best value at appoint in time, John popularized the metric called Market Cap per ounce. A company’s stock market capitalization is divided by the ounces produced per year or its ounces of proven and probable reserves. This puts all the miners on the same basis so when buying you know how much you are actually paying for each ounce of production and each ounce of reserves.   
  
The market cap values are wide-ranging. Sometimes justified and sometimes not. This simply means that Mister Market is inefficient and does not always price the stock correctly, which creates many of the opportunities identified in the GSA newsletters. A result of this market cap metric, John’s newsletters cover only producers or near-producers that have an independent feasibility study validating its reserves and are economic to produce. Success with this method of finding undervalued gold mining stocks led John to leave teaching and start Gold Stock Analyst in 1993 and to make his research available to everyone. The results to date have been spectacular. Through 2012, the GSA Top 10 Stocks Portfolio has a cumulative gain of over 1,200 percent and an average annual gain of over 35 percent per year. I think I can go on the record with saying he has one of the most, if not the most incredible, gold newsletter out there. So I’m very honored to bring on my dear friend, John Doody. John? *[Applause]*

*John Doody:* Well, thank you very much. Thank you, Dani. It’s nice to be with you again. We go back a long way. And when she was with Kitco. And let’s see. Today, I’m honored to be with you after a hiatus – everybody was on a hiatus last year, I guess. So today, I want to talk to you about using a curve to pick the GSA Top 10 stocks. And as you probably already know, the Gold Stock Analyst team is me and Garrett Goggin. Garrett’s somewhere probably in the audience. Garrett also writes the Silver letter. He’s the Editor of Silver Stock Analyst. But since 2000 and – since the year 200, we have an audited return for the GSA Top 10 of almost 13 percent compounded average rate of return. And that 13 percent is versus about 3 percent for the S&P and about 6 percent for gold itself. So we beat everybody, basically.   
  
And I know a number of you are Subscribers here and happy to answer any questions if we have time at the end of the talk today. Now, I’m gin got talk to you about curves. And some of you are familiar with some curves already, like the curve in baseball. Which isn’t really a curve from side to side like a curve on a road. It’s a drop pitch, really, where the curve goes from North to South, from 12:00 o’clock to 6:00 o’clock and still remains in the strike zone. Or maybe you’re familiar with a curve because your calculus professor graded on a curve and your F miraculously became a B.   
  
But the professor shifted the curve to get you your B and everybody else improved too. Whoops. Wanted to – I got – the Stansberry morality police Deleted the next curve. I was going to ask you to think about movie star curves. Here we are in Sin City. There’s lot so movie star curves, and I had a slide of Jane Mansfield and Jessica Rabbit who were pretty curvaceous people. But that didn’t pass muster so it’s okay. You can use your imagination *[Laughter]* But in gold stocks, to me anyway, a familiar curve is the Lassonde Curve; named for Pierre Lassonde.   
  
And we’re going to go through this – we’re going to go through it just broadly at the moment and then we’re going to come back after a couple Slides and look at it in more detail. But Pierre Lassonde is a legendary in mining. He’s the only guy who’s been the keynote speaker for two GSA Investor days; last year and a few years before that. And Pierre was the founder, of course, of Franco-Nevada, which is one of Porter’s hold-forever stocks. And he came up – well, he was a money manager to begin with before he got into the royalty business. And he came up with this idea of the Lassonde Curve, which makes a lot of sense. It’s the life cycle of a junior mining company.   
  
And across the – you got to look at he axis’s first. Horizontal axis is time, and the time period we’re talking about probably is about ten years for most mining stocks. And the vertical axis is the value of the project or the value of the company that owns the project. And then if you look at how this curve changes through time, you can see you start out with the discovery part, where somebody gets a couple of good drill holes. And they do more drill holes, more drilling or whatever and people get – the market gets all excited about it and newsletter guys write about it. Of course, some of them get paid to write about it. We don’t. And you get exploration, euphoria. The stock price goes up, and then you get to the point where you have to decide, “What do you really have?”   
  
And the company goes into a period of studies and technical studies and, “Does it really make any sense to build a mine?” And then we go to construction financing. And then construction – and so, there’s two periods of time when it’s best to buy the stock. One is early-on. But the odds of earl-on are really against you like 10,000 – or, 1,000 to 1 whether the mine will come out of these drill holes. And letter on when we know a lot more information about the mine, the project, and we can decide on a rational basis whether it makes sense to buy the stock or not.   
  
And that’s why we focus on the construction or pre-construction period. and then once you get in production and once companies – the price of companies goes up once they get into production and expands and so forth. So Lassonde Curve we’ll come back to. But for now let me just show you, since everybody’s talking to their book here, GSA Top 10 is the only investment newsletter I know of that’s audited – independently audited – by anybody who’s an independent auditor. The same thing that’s required of Stansberry Asset Management. Same things are required of every hedge fund, every major pension fund, every mutual fund. Audited. You have to tell what you’ve got.   
  
But that’s not done in the investment newsletter business. Why? I don’t know. But last year, our return – the one-year number on the top, we had a 31-percent return. The S&P was almost half of that, 18 percent; and gold, 25 percent. Over 20 years, our average return has been 1,239 percent. That’s cumulative. And the S&P is about ¼ of that and gold about ½ of that. So the returns are posted. We give our results. Every issue is a buy or a sell, we tell you about that in the issue and why. And we only make, you know, one to two trades a year.   
  
And so, it’s pretty easy for anybody to follow it with their portfolio. Now, why do we do this? How do we do this? How do we get this track record? The first thing is that one side of the business is simple. All gold miners make the same product. They sell it at the same price. So we don’t even have to think about that side of it. What we want to do is look deeper into the company, “What’s the difference between these companies? What’s their production rate? What’s their reserve costs, their costs of production, their cashflow, their number of shares, their debt?” How does this all interact to get a value?”   
  
And to do this – when somebody says a company is undervalued, well, undervalued relative to what? How do you know it’s undervalued? Well, we studied the industry. We calculate the values every issue for 50 stocks. 40 miners, 40 gold miners, and 10 royalty stocks. And that is the industry. So we know when we say a company’s undervalued. We know because we know the average value for the industry. And everybody that we cover is supported by current production, or there’s an independent feasibility study. Where an independent – same as an independent accounting company looks at your audited results, an independent feasibility study is where an independent team of engineers looks at your drill data, your CapEx, your operating costs and so forth and basically blesses it; gives it a seal of approval.   
  
And so, we seek undervalued, as Dani mentioned, on three different metrics. One is the operating cashflow multiple. “What is this mine going to actually earn?” The operating cashflow is what’s generated by the mine on an annual basis. And it’s simple to figure out. You take the gold price, subtract from that the cost to produce the gold – the labor costs, the power costs, the dynamite costs. Everything goes in getting the stuff out of the ground. And that’s the operating cost. And you subtract from that from the gold price and you multiply, times the number of ounces produced. That gives you an operating cashflow. And then, you divide that number in the enterprise value of the company. Enterprise value is market cap plus debt minus cash. And that gives you a multiple.   
  
And you can look at the multiple of every company across the industry. And for gold companies, the average multiple is around 6 right now. But it ranges over time whether we’re in a bull market or a bear market from down around – in the 4’s, high 4’s, to over 10. So when the gold market finally gets going, the stocks are going to expand their multiples even without expanding their production. They’re going to expand their multiples because of investor euphoria. So the average multiple for a gold stock is 6 right now. For a silver stock operating cashflow multiple, it’s around 10. And the royalty stock’s around 15. We also look at enterprise value per ounce of production.   
  
So it’s the same thing. The enterprise value is the market cap adjusted for debt minus cash, divide that by the number of ounces of production or the number of ounces of reserves. And to get to be a GSA Top 10, we have to see the potential for you to double in the next couple of years. And we give you a target price. We’re going to go through an example of a current Top 10 how we get the target price when we get to it in a few minutes. But target prices can change based upon gold price or company events. Okay. So here’s a more detailed look at the Lassonde Curve.   
  
And you start off on the Left side. You see exploration, and you can see that the odds –- this is calculated by others, not by me. But the odds that a site that has drill data becomes a mine are about 1,000 to 1. So if you’re buying a stock based upon the press release that it’s got some good drill holes, you’ve got about 1,000-to-1 chance that you’re going to make any money. It takes more information than just good drill holes. And as the time goes on, you get into the development part of the mine and there’s a lot of studies that have to get done. The first one – can everybody read that? I hope so. I can read it. The MRE That’s the mineral resource estimate. What is the number of ounces that we’re estimating at this site?   
  
And it’s based on the gold price. The higher the gold price, the more ounces are going to be economic. In fact right now there’s a big trend in the industry to reopen old gold mines that closed in the early-2000’s because the gold price was $300. Now at $1,800, they make a lot of sense. So they’re reopening mines that used to be closed. Canadian Malartic, the joint venture of Yamana and Agnico is a good example; or Detour which is owned by Kirkland Lake which is now being acquired by Agnico is a good example. And I’m going to go visit for the first time one nearby here. It’s only an hour-and-a-half away. It’s the old Viceroy mine called Castle Mountain. It was mined out at $300 gold. Now it’s got a couple-hundred – couple-million ounces of reserves at $1,500 gold.   
  
So the gold price is really important; and also the ore type. “What type of ore is it? Is it oxide ore, which is easy to heap leach? Is it sulfide ore, which needs a lot more pretreatment to make it mineable or processable? Or is it even refractory oil, which is even worse and even means more treatment?” So other factors that figure into the number of ounces. “Are they going to mine an open pit or underground? Use a heap leach or a mill to recover it?” So this all goes into the mineral resource estimate. And then, that leads you to what’s called a preliminary economic analysis. That’s where they begin to make, “Does this make sense as a mine? What’s it going to cost us to build this project?”   
  
And that then leads to a pre-feasibility study. And then, to a feasibility study. And then, a feasibility study is the only stage that can give you deliverable, proven and probably reserves. Everything else is just talk. And that’s partly because they’ve done enough work on this project to know that – to have a greater certainty that the ounces are really there. And then once you have a PMP number – proven and probably reserve number – you can figure out what size of a mine processing plant that we’re going to make. And the rule of thumb is that if you’ve got a deposit of 1 million ounces, you build a process that’ll cover 100,000 ounces a year; a 10-percent ratio.   
  
And then once you’ve got a facility size, then you’ve got the capital cost to actually process this and operate this mine. And then, you can go to permitting. ‘Cause just like building a house, if you’re going to build a huge mansion, the permitting issue is different than if you’re going to build a little cabin. So then once you’ve got that settled, then you have to do some financing. And then, of course the mine is going to deliver ounces over a period of time. It’s going to have a cashflow over a period of time and we want to know what the net present value of this project is going to be or, alternative, “What’s the internal rate of return going to be? Well, what’s the payback for it?”   
  
Now, I like payback period myself when it comes to mining stocks. Payback period is the simplest calculation possible. “How soon am I going to get my money back?” Gold mining, all commodity prices are very volatile. And I want to know if I’m going to invest in building a mine that, “Before the prices changes, am I going to get my money back?” So I don’t want a project that’s going to have a six or seven-year payback. I want a project that’s going to give me the money back in a couple of years. That minimizes risk regardless of what the NPV is or what the internal rate of return is.   
  
And then financing. “How are we going to build this mine? How much equity are we going to give up? How much debt are we going to be able to get from the banks? Are we going to do a stream deal?” Okay? All this figures into what you’ve got there. And then once you get this and you do the financing, then you’ve got to build it. And it takes one to three years to build it, and then you get a production re-rating, the stock goes up and the production expands and then so forth. And all of these letters – which you see here on the Bottom here…whoops. All of these letters – okay. Down here at the Bottom, those are all Top 10 companies. So if you’re pretty clever, you can figure out all the Top 10. I’m not going to tell you them all, but I’m going to talk about a couple here.   
  
And the point is – first point is that number ten is now TBD. We haven’t taken out of the Top 10 yet, but that’s Kirkland Gold. And Kirkland Lake Gold has increased by 500 percent since we made it Top 10 in 19 – not 19, four years ago; 2017. And we put it on the Top 10 at $7 and change, and now it’s $46. Okay. So then, other stocks here that you can try to figure out – where’d that Slide go? Okay. That you can try to figure out is O, B – this is not a vision test, although maybe it is for the people in the back row. *[Laughs]* But the letter stands for a company name.   
  
And off the chart here are two companies that probably are going to be Top 10 forever. One is A, which is Agnico Eagle. And I think Agnico is going to – it’s now a 2-millino-ounce-a-year producer. With Kirkland, it comes at 3.5-million-ounce-a-year producer with no debt. But more importantly, no political risk. Political risk is an increasing problem in the mining business. Political risk is a euphemism for, “What’s the likelihood the government is going to take your mine?” If your mine is in the Congo, pretty high. If your mine is in Canada, it’s 0 because you have solid property titles. So if you’re in Canada, the United States and a few other countries – Australia – you’ve got zero political risk. But other than that, you’ve got it.   
  
So anyway. Agnico with Kirkland Lake is going to be – is going to be, in my opinion, more powerful company to own than Barrick or Newmont. Underneath there is Franco. Okay. The others we’ll get to. But the next stock I want to talk about is A. Okay? And A stands for Ascot Resources. This is the most recent company added to the Top 10. We put the other Top 10 at $90. Now, that’s 90 what you could’ve actually bought it for. We use VWEB – volume-weighted average price – for all of our buys and sells. It represents a price you could’ve achieved when you bought it. Ascot was selling at 72 cents before we recommended it.   
  
So our recommendation bumped it up there. So you couldn’t buy it at 72 cents. So why should we use that as a price? We use – for every buy and sell, we use VWEB. Nobody does that except us. But nobody’s audited except us. So our target price, which we’ll get – you’ll see how we develop, is $2.50. So Ascot is located in the Golden Triangle. This is really an amazing collection of small mountains up to about 8,000 feet. And it’s just inland from Alaska. This is at Panhandle, part of Alaska that goes down almost to Vancouver. and it’s just inland from that.   
  
And there’s a lot of mining companies there already; some with a mine that’s under construction or being built, for example, in the Upper-Righthand corner is the Red Chris part. Newcrest paid $700 million – $800 million to get involved in that. They bought out another partner that had a 70-percent interest and Red Chris, his existing producing gold copper mine that has a big underground deposit they’re going to exploit. Just above that on the Left is Saddle. Newmont just bought GT Gold for Saddle. Surprising – I don’t know why they did it, but that’s a gold/copper project. Down to the Left here is Schaft Creek, which is a Teck Copper Fox mine, which is not in production.   
  
Further Down in Galore Creek, Newmont spent $300 million buying out Nova Gold to get their 50-percent interest in Galore Creek, but nothing’ happening there. Further down in Eskay Creek. Eskay Creek is a former mine that was owned by Barrick. It was the highest gold mine – highest-grade gold mine in the world producing over average production of about a couple-hundred-thousand ounces a year at over 1 ounce per ton. That’s an amazingly high grade. That means right now every ton would be worth $1,800 for the gold in it. Back then, the gold was only worth $300 and it became uneconomical to run the mine so they shut it down. Now Skeena is going to redo the mine as an open pit.   
  
And while the grade isn’t going to be an ounce a ton, it’s still going to be roughly 1/3 of an ounce a ton, and that’s effective enough – high enough – to make money. So just on that is KSM. KSM is owned by Seabridge. And it’s a 50-million-ounce deposit, full feasibility study and probably going to get bought in the next few months. It’s 50 million ounces and 8 billion pounds of copper. There’s a huge copper shortage in the world. As you know, copper is $4.50 a pound. The world needs copper. It needs copper for all of this Green Revolution stuff.   
  
And at this point, the gold maybe – if they get bought by a big copper company, the gold will be a byproduct to lower their copper cost. If it gets bought by a gold company, the copper will be a byproduct to lower their gold cost. But in any case, there’s no deposit in the world like this that’s so ready to mine and get going. It’s fully permitted. No issues. Bring the shovels. Okay. So the next project is Brucejack. Brucejack. That’s a Prettivm mine. 350,000 ounces a year in production, been producing for five years. Nice mine. Never was Top 10. It was a big controversy about how many ounces were really there. And further down in the corner here is Ascot Resources.   
  
Now, Ascot is the beneficiary of the changed economics in the Golden Triangle. Power now is available at 5 cents a kilowatt-hour, versus diesel power which it had to run before ethe power line went in. You can see the power line here. The Canadian government spent almost $1 billion building it. But the power line delivers power at 5 cents a kilowatt-hour. Before that, it was 15 to 20 cents a kilowatt-hour using diesel power; total change. The biggest cost in most mining operations is energy. And then also global warming. Nobody – ope. We lost that Slide again. Okay.   
  
Global warming has been good for mining companies up in the Golden Triangle because the port here, which is Stewart, used to get iced in every year. And so, nothing could move for a few months out of the year. But now it’s open year-round. And if you’re producing this kind of high-volume stuff, you need to be able to ship to smelters. And so, that makes smelter shipping easy. Okay. So if we look a little deeper at Ascot, we see that it’s three former producing mines – on this Upper-Left part of the graphic; Big Missouri, Silver Coin and Premier. And with an existing mill. It’s three underground mines shut after producing 1.8 million ounces and 41 million ounces of silver in 1968 because gold was moored at $35 an ounce. They couldn’t make any more money at $35 an ounce. So they shut.   
  
And the central mill that’s at the Premium Mine is being rehabbed and being reopened. And the May 2020 feasibility study saw 1.2 million ounces of proven and probably reserves and a 1.9 million ounces of gold as a resource. It’s going to produce an average of 135,000 ounces a year at an average cash cost of $642 from a 3,000-ton-a-day mill. The CapEx is $141 million. Uniquely, it’s fully financed. The money is in the bank or committed by the bankers. It has no need to raise money. The biggest problem the small companies have to get going when they’re young like this is, “How do they get the money without giving away your left arm and your next child?”   
  
You know, the financing agents, companies, the banks, hedge funds – they’re thieves. If they can get the money or get as much of the economic return from the deposit as they can, they’re going to take it. Which means that that leaves the shareholders holding the bag. Well, in this case the worst-case is already done. The dilution is done. And they’re building it now or rehabbing it now. The mill just got delivered and production starts in the middle of 2023 and they’ll produce 200,000 ounces a year. Interesting, Yamada bought over 6 percent of the stock just a couple of months ago. Yamada is not an investor. They bought it either to acquire or…what? We don’t know. Okay. So feasibility study. This is what the building of the mine is based on.   
  
And it’s done at the gold price of $16 or $15 or…sorry, $17 an ounce of silver and $1,400 an ounce of gold. And on these prices – which of course are lower than now. Now gold is $1,800 and silver is $2,500…on these prices, they saw reserves at 1.2 million and 3.9 million ounces of silver. And the grade is just under 6 grams a ton. The CapEx we already know is $141. The mill size is 3,000 tons a day. The recovery rates, the average production and so forth – and the after-tax return on this is 51 percent. This is a pretty good mine. And the payback even better. Less than two years. You get that $141 million back in less than two years. Mine life is eight years.   
  
So how do we get a target price? We’re unique. We give your target price in every recommendation. We don’t say, “It’s going to go up.” We’re going to say, “It’s going to go up to this. And this price, the target is based upon our expectation for gold price and our expectation of production.” So as you see here, the gold price we’re using for target pricing is $2,000 an ounce. We’ve been there. It’s not out of the question. I’m on record as predicting ultimately $3,000 an ounce gold. But we’re not using them for target pricing for a company. The forecast production, 135,000 ounces a year. Total revenues $264 million. They lose some of the revenues for the first seven years because of a stream. The cast costs and so forth works their way down.   
  
The net operating cashflow of the mine is $180 million a year. $190. I’m sorry. And the average gold mine is selling around 7 times multiple. So that gives us a target price of $1.3 billion target market cap. So subtract out the debt that they’ll have. We put in a $35-million contingency just in case they have a capital overrun and we get a net target cap of $1.2 billion. And we divide by the number of shares outstanding, fully dilute it and we get a target price of $250 a share. Stock right now is $1. So you know what it’s worth. You know how it’s going to get there.   
  
And this is our most recent report on Ascot. All of these numbers are in the current report. A lot of what I said is going to be in the next issue to recap it all for you. So if you can’t read your Scrolling, I saw some people taking notes, you’ll be able to read it in the issue. So I’m out of time. I don’t know if they’ll allow me a question or two, but I’ll be around and happy to take anybody’s questions. *[Distant audience member comments]* Would I sell? Well, it depends what drove it to $250. If the gold price went up to $3,000, I might say, “Hold.” So it’s a number that’s based on the criteria; the gold price and the other factors that are involved there.

*Audience:* So we’ll hear it from you.

*John Doody:* Of course you’ll hear it from me; if you’re a Subscriber *[laughter]* You don’t want to wait till next year, believe me. Thank you. *[Applause]*

*[End of Audio]*