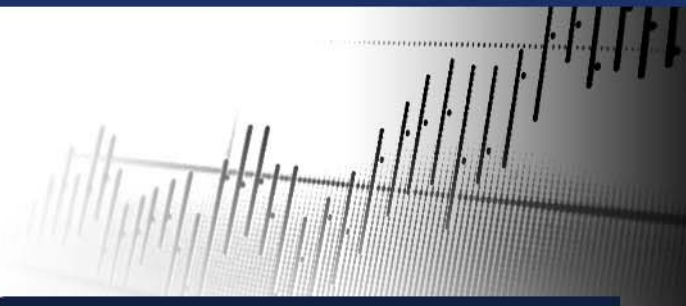




TOP

Stock Insights

Consistent Growth Stock Profits



Special Report

Gold Rush 2008:

**5 Gold Stocks
to Profit from
in a Down
Market**



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Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

Table of Contents

Introduction	4
Falling Dollar Equals Rising Gold Prices	5
Gold Thrives In Inflationary Times.....	5
High Demand, Short Supply Deliver a Unique Profit Opportunity to Investors	6
Gold and Oil Move In Tandem.....	7
How Individual Investors Can Capture Profits from Gold	7
How Hedging Can Hinder Your Profits and How the Five Companies in this Report Maximize their Profit Potential	8
5 Gold Stocks to Profit from in a Down Market	9
Aurizon Mines.....	9
Barrick Gold Corporation.....	11
Eldorado Gold Corporation	13
Kinross Gold Corporation	15
Yamana Gold Inc.	17



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

Introduction

Investments able to buck financial calamity, inflation, an anemic currency and a loss of economic confidence among foreign debtors — all monkeys on the back of the United States today — are rare commodities.

It appears that gold may be the rarest of all.

While domestic and international markets tumbled day-after-day in the first three months of 2008, gold climbed to an historical high of \$993 an ounce and shows signs of reaching new heights in the near term. When all else looks risky, gold flourishes.

"After all, in a credit crunch, cash is deemed to be king. In which case, gold owned outright has just been crowned emperor."— Adrian Ash, BullionVault

Used as money for more than 3,500 years, gold thrives on crisis and investors' fears. Two of the biggest drivers, a rapidly depreciating dollar and growing inflation, have helped catapult the price of gold more than 60% over the past two years.

Don't think for one second that gold has run its course. In inflation-adjusted terms, today's gold prices don't hold a candle to what they were in 1980, when the Soviets attacked Afghanistan and prices rose to \$875.

Today, that ounce would be worth \$2,200. Even if gold tops \$1,500 next month, it won't be near its potential inflation-based price.

"We don't see any reason in this cycle why gold shouldn't reach its real all-time high, which is actually about \$2,200 an ounce."— David Garofalo, CFO, Agnico-Eagle Mines

No disrespect to Mr. Garofalo, but I firmly believe that gold's seemingly unencumbered price-raising rampage will propel the yellow metal to \$3,000. It's just a matter of time. I don't even consider myself a gold bug, but I'd be somewhat negligent not to bring to your immediate attention this once-in-a-lifetime opportunity.

The start of this commodities run began in 1999. As Jim Rogers, author of *Hot Commodities* writes, "The shortest bull market for commodities lasted 15 years, the longest 23 years, so if history is any guide, they've got a long way to go. This is not a bubble."

The up tick in gold is a mere 9 years old, so we should see at least six more years of this party—maybe more—with a whole lot of investors making a boatload of cash.

The bottom line is that the problems plaguing the United States — the same ones that propel the price of gold — are far from over. That's good news for investors in the yellow metal.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

In this report, we're recommending five gold mining stocks, all Canada-based, fully leveraged to the price of gold and nearly immune from the chaos enveloping the financial industry.

Before going into detail about these stocks and the opportunities they present, I want to delve a little deeper into what makes gold tick, why it should continue ticking and how history provides a gauge for the future.

Falling Dollar Equals Rising Gold Prices

As the U.S. dollar weakens, the price of gold strengthens. When the dollar fell in 1982 and 1983, the price of gold rose from \$294 an ounce to \$514 an ounce in just nine months — an increase of 74%. It happened again from 1985 to 1987, when a drop in the dollar propelled the price of gold from \$282 to \$502 over 21 months — an increase of 78%.

Comparatively speaking, our currency is in even more trouble: the Fed appears to be using the U.S. dollar in an attempt to ward off a recession and spark the economy.

As nervous global financial markets sold off in January, the Fed "came to the rescue" after fearing the U.S. credit crisis would sink the U.S. economy. After three previous quarter-point cuts, it came down even harder with a 75-basis point drop, the largest cut since 1982. That was followed shortly by another 50-point cut.

"Suddenly, the world is realizing that gold is still a safe haven asset. We've seen pretty substantial losses in equity markets. I think this is genuine safe-haven buying." — James Moore, theBullionDesk

As the dollar enters its next down phase, the United States could easily suffer a flight of capital. Not only will you see each dollar buy less, but, more importantly, there could be less demand for dollars, as foreign investors slash the flow of dollars from Asia, Europe, and the Middle East ... or our biggest debtors start to pull their money from U.S. Treasuries.

Gold Thrives In Inflationary Times

Like the dollar, inflation and the price of gold are highly correlated. Since the end of World War II, the five steepest years of U.S. inflation were 1946, 1974, 1975, 1979 and 1980. During those five years, the average real return on stocks, as measured by the Dow, was -12.33%; the average real return on gold was 130.4%.

During the 1970s, gold soared to 23 times its value and a \$50,000 investment would have made you a millionaire almost overnight.

Historically, gold has served as a hedge not only against inflation, but also against deflation. For example, in the slump following the "Wall Street Crash," from September 1929 to April 1932, the Dow Jones Industrial Index slid 85%, to 56 from 382. Some 4,000 U.S. banks closed their doors. Meanwhile, the price of gold actually went up.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

High Demand, Short Supply Deliver a Unique Profit Opportunity to Investors

Power shortages in South Africa in late January forced its three biggest gold producers — AngloGold Ashanti, Gold Fields and Harmony — to suspend production. And recent reports from the power producers of South Africa indicate that it could take at least 5 years for them to ramp up electricity production to meet growing demand.

With no end in sight to the country's energy crisis, ongoing stoppages would affect the gold supply, raising prices and likely profits for mining companies in other countries. South Africa is the world's second-largest producer of gold. This is huge.

That, coupled with growing investment and consumer demand from China and India, makes it even likelier that gold prices will move higher.

For example, demand for gold-based Exchange Traded Funds (ETFs) has skyrocketed. Forbes recently reported that "inflows into physically backed ETFs have risen by 32.5% this year," according to a daily research report by Barclays Capital. This added 205 metric tons to demand.

When gold ETFs were first launched in 2003, they attracted mostly institutional investors. Today the balance is shifting, and more and more retail investors are considering gold ETFs as an essential component of a well-balanced portfolio.

"I think by the end of 2010 we'll be north of \$2,000 and could be as high as \$5,000. So why is it going to go to \$2,000? Because people are going to lose confidence in financial assets, in paper, in real estate, in the banking system. They're going to get nervous about their money. And we've seen it happen twice in the last 110 years." — Rob McEwen, Founder of Goldcorp

The oldest and biggest gold ETF is streetTracks Gold Shares, trading under the ticker GLD. It has become a proxy for many investors. Even as you read this, money is flowing into GLD at a tremendous rate. This ETF holds more than \$16.8 billion in gold, more than the central bank of China, giving GLD a valuation greater than General Motors.

All ETFs are designed to track their underlying indexes, and so GLD tracks the actual price of gold in a way similar to a gold futures contract. But you don't have to have any special futures trading knowledge to capture futures-like profits. GLD is up 31% thus far in 2008.

The World Gold Council, a mining-industry group, sponsors GLD.

As or more significant with respect to investment demand, gold futures began trading in Shanghai, China on Jan. 9 — a move expected to push demand massively higher.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

The new market traded contracts for about 350,000 ounces of gold on its first day, a level that traders considered extremely positive given the fact that the well-established Comex, the New York-based metals exchange, usually trades about 800,000 to 1 million ounces a day.

Some strategists consider the launch of the Shanghai gold futures the most important development in the bullion market since the introduction of exchange-traded funds in 2003.

The eight largest gold ETFs now hold about 840 tons of gold — more than the official bullion reserves of the European Central Bank. Expectations are for overall Chinese gold demand in 2008 to increase from last year's estimated 300 tons.

China is the world's third-largest consumer of gold used for jewelry and investment after India and the United States, according to the World Gold Council. And with the growing middle class in China demanding a more Western-like lifestyle each day, you can expect demand for gold to only increase.

Gold and Oil Move In Tandem

As you may have figured out already, the price of gold bullion and crude oil are highly correlated. Over the past 60 years, one ounce of gold has on average purchased 15.2 barrels of oil. With gold trading at around \$972 per ounce and crude oil trading at \$106, this ratio today stands at 9.2:1 as of this writing.

Even if you're not an oil person, you know that oil is on the rise. Now, the price of oil continues to break all-time highs. While some may stated that oil may not continue to trade over \$100 indefinitely, its unlikely to retreat much below \$80 anytime soon, especially when looking at the huge demand coming out of the booming Asian economies including China and India combined with supply issues.

The price of gold has not been sitting out the commodity rally through. It's up 31% so far in 2008. In spite of gold's recent gains, the ratio remains out of whack.

The idea here is that with oil unlikely to decline below \$80 anytime soon, the price of gold is likely to rally in the coming years - and in a big way. Historical data shows that when the ratio falls below 11 (meaning one ounce of gold will buy you 11 barrels of oil), the ratio not only will come back in line with the average, but that speculation drives the ratio above the historical average of 15.2, as has been evidenced every time that the ratio fell below 11.

One could argue that we now live in different times with the global commodity markets, and ratios such as gold-to-oil are no longer meaningful.

I disagree and am willing to bet that commodity prices are in fact highly correlated, and that historical relationships between prices are likely to remain in tact for the foreseeable future.

How Individual Investors Can Capture Profits from Gold

When you think of gold investments, what comes to mind? A vault packed with



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

stacks of gold bars, rare coins neatly arranged in a collector's binder for passing from generation-to-generation, or the ever-popular "gold you can fold" certificates that eliminate the need for storage?

These most direct ways to own gold have been around for a long time. It's a guarantee that your investment is 100% correlated to the price of gold, so there are no impurities to muddle with your profits.

Many people still opt for buying physical gold in one of the above forms, but as the gold bull rages on and individual investors clamor to get in on the action, more and more tools are popping up and making it easier and more practical for you to own a nugget or two in some way, shape or form.

In this report, we've targeted what we believe are five mining companies that provide the best opportunity for profiting from the gold bull market.

All of them are Canadian, have proven gold reserves, and are currently unhedged to take advantage of historically high gold prices.

How Hedging Can Hinder Your Profits and How the Five Companies in this Report Maximize their Profit Potential

Hedging, when mining companies lock in today's price of gold to be paid by a bank at a future date when the gold is produced, is used to protect cash flow and manage risk in the event the yellow metal falls in value.

In boom times, this practice can line banks' pockets with cash and rob shareholders of serious profit. The higher gold prices climb, the worse it is for hedged gold mines and shareholders whose losses mount exponentially as gold prices march upward.

On the other hand, the sky's the limit for non-hedging mining companies.

In January 2001, an ounce of gold sold for \$274. At that time, shares of Kinross Corp. (KGC), one of the companies we recommend in this report, had a price tag of \$1.44. In January 2008, gold hit a record high of \$900 for a 228% gain over seven years. Meanwhile, this stock skyrocketed to \$21 or 1,358%.

Estimates show that every 10% change in gold price results in a 20% change in the NAV of Kinross stock. On Jan. 3, 2007 gold sold for \$642.60 per ounce, while this stock went for \$11.42. Exactly one year later, gold had risen 34% to \$858.85. Meanwhile, KGC soared 82% to \$20.81. Considering where gold is headed, it's still a bargain.

Investing in a gold miner gives you exposure to the rise in gold prices, higher returns if the miner discovers more gold, and liquidity.

Without further ado, we present five mining companies demonstrating financial stability, future growth and profits as gold prices push onward and upward ... wherever that may be.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

5 Gold Stocks to Profit from in a Down Market

Aurizon Mines

Aurizon Mines (AMEX: AZK)

Vancouver, British Columbia

Website: <http://www.aurizon.com>

Rating: BUY

Initial Coverage: \$3.88 February 7, 2008

Price Target: \$5.25

52-week low / high: \$2.59 / \$4.65

Shares Outstanding: 146.65 million

Market Capitalization: \$593 million

Why We Like Aurizon Mines:

- New Member of the S&P/TSX Global Gold Index.
- Strong financials.
- Cash rich.
- Large presence in Northwestern Quebec, specifically the Casa Berardi Mine.
- Many future exploration projects.

It's hard to find any glaring weaknesses associated with Aurizon Mines (AMEX: AZK), which was recently added to the S&P/TSX Global Gold Index, an international benchmark that tracks the biggest and best in the industry.

The Vancouver-based mining company has come a long way since the early 2000s, when the price of gold sank below \$300 and work ceased on its newly acquired Casa Berardi mine in Northwestern Quebec.

Now considered Aurizon's most important nugget, Casa Berardi's location initially made it tricky and time consuming to reach gold deposits. After kick-starting its drilling operations, though, Aurizon finally yanked its first gold from Casa Berardi in December of 2006.

The rest, as they say, is history.

The 22-mile long property boasts about 1.1 million ounces of gold reserves. Currently, the company is able to extract 165,000 ounces per year from Casa Berardi. Aurizon's market capitalization has grown to over \$600 million from \$11 million in just seven years as investors gradually caught wind of Casa Berardi.

With a full commercial producer in Casa Berardi, Aurizon's Joanna property is also a potential powerhouse, with estimates showing that Joanna has two million ounces of resources. Additionally, the company discovered gold, uranium and rare earth elements at its Kipawa property in the summer of 2007.

In an effort to recruit help with gold exploration, Aurizon recently reached a joint agreement with Lake Shore Gold. With Lake Shore Gold's team of expert geologists, Aurizon can focus its efforts on mining operations and its new partner can take over



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

the cumbersome task of gold exploration.

Seen as a win-win situation, any gold reserves discovered by Lake Shore will create additional revenue for Aurizon. Currently, only 20% of Casa Berardi is being actively explored by Aurizon and the hope is that Lake Shore will help unlock any "unknown" treasures beneath the property,

With the Casa Berardi and Kipawa successes, and solid news about Joanna, Aurizon's past year has been one to remember. Add to that the fact that Aurizon has no fixed price gold contracts, and that makes the past year even more stellar. Aurizon's gold has been selling at current spot prices, which averaged \$679 in the latest quarter of 2007

This will be the first full year that Aurizon has produced revenue. Not only that, the miner has been profitable throughout all of 2007.

Even though production has been revised lower and cash costs to mine will increase, we are still very bullish on the stock. Aurizon has great potential at the Joanna and Kipawa Projects, and the expected rise in gold prices will boost revenues going forward. Analysts are currently calling for EPS of \$0.23 with the average price of gold at \$732. That would give Aurizon a forward P/E of 17 times forward earnings. Given the potential of the company and the rising price of gold, we believe the forward P/E is low. Our target price of \$5.25 results in a forward P/E of 23 and a price appreciation of 35%.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

Barrick Gold Corporation

Barrick Gold Corporation (NYSE: ABX)

Toronto, Ontario

Website: <http://www.barrick.com>

Rating: BUY

Initial Coverage: \$48.11 – February 8, 2008

Price Target: \$58.00

52-week low / high: \$26.94 / \$52.60

Shares Outstanding: 878.74 million

Market Capitalization: \$43.5 billion

Why We Like Barrick Gold:

- Only A-rated balance sheet in the industry.
- Largest gold producer in the world.
- 27 mines around the globe.

With its gold reach stretching into Papua New Guinea, the United States, Canada, Australia, Peru, Chile, Russia, South Africa, Argentina and Tanzania, Barrick Gold Corporation (NYSE: ABX) is historically one of the best miners in the industry

Over the years, Barrick has staked claim to about 10% of the world's annual gold production, sits on the world's largest reserves at 123 million ounces, and has \$2.7 billion in cash for funding further exploration and acquisitions. Their proven and probable current gold reserves greatly exceed anyone else in the industry.

Expecting to produce 8.1 million ounces of gold in 2007, the Toronto-based leader is the largest pure mining company in the world with, aside from gold, some exposure to silver and copper.

While is headquartered in Toronto, Ontario, Canada, Barrick has four regional business units in Australia, Africa, North America and South America.

The company's current production is 40% in North America, 24% in South America and 28% in the Australia/Pacific region

Like many gold miners that used hedges when gold sold for \$300 per ounce a few years back, Barrick has since eliminated all of its gold hedges. Now that it sells gold production at spot, making it fully tied to the price of gold, the company has seen improved revenues that help squelch higher production costs.

Barrick's 2006 acquisition of Vancouver rival Placer Dome for \$10 billion has been a huge catalyst for growth. The major addition was complemented with a smattering of smaller ones, such as the recent purchase of Arizona Star Resource Corp., and gave Barrick control over one of the world's largest undeveloped gold and copper projects in Chile.

The company is also exploring approximately 100 properties in 16 countries, making it well diversified geopolitically.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

Two of Barrick's most anticipated projects include the opening of Buzwagi in Tanzania next year and Cortez Hills in Nevada in 2010.

Buzwagi, located in East Africa, is located south of the Bulyanhulu mine. Its close proximity to both Bulyanhulu and Tulawaka brings significant advantages, including the sharing of equipment, infrastructure, personnel and training.

It will be the second largest mining operation in Tanzania and the largest single open pit in the country. The project is expected to begin pre-stripping and mining activities in 2008, with production scheduled to begin in 2009.

Today, as gold hovers around the historical \$900 per ounce mark, with many analysts predicting year-ending prices near or above \$1,000, Barrick stands to benefit greatly from the bullion boom.

With a favorable balance sheet, the company has room to finance either increased production or an acquisition using in-house resources. Analysts are currently calling an EPS of \$2.49 on 2008 earnings, giving Barrick a forward P/E of 19. However, most of these analysts have yet to upwardly revise their 2008 gold price assumptions. Accordingly, Barrick's earnings would then be undervalued.

Analysts who have upwardly revised earnings are estimating 2008 EPS of \$3.20, resulting in a forward P/E of 15, which is very cheap. Barrick could easily be trading at 20 times forward earnings, but we'll be conservative in our ratio since we don't know how much gold will run up in price in 2008. We are valuing the company using a forward EPS of \$3.20 and a forward P/E of 18, resulting in our target price of \$58.

Celebrating its 25th anniversary this year, its stock has risen 14% since the start of 2008. We think you'll have plenty to celebrate, too, with Barrick added to your portfolio.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

Eldorado Gold Corporation

Eldorado Gold Corporation (AMEX: EGO)

Vancouver, British Columbia

Website: <http://www.eldoradogold.com>

Rating: BUY

Initial Coverage: \$5.97 - February 8, 2008

Price Target: \$7.50

52-week low / high: \$7.16 / \$3.25

Shares Outstanding: 344.21 million

Market Capitalization: \$2.1 billion

Why We Like Eldorado Gold:

- Kisladag due to reopen early 2008.
- Expanding margins.
- Geographic diversity.

On July 11, 2007, a Turkish court ordered Eldorado Gold Corporation (EGO) to temporarily cease production at Kisladag, Turkey's largest mine that yielded 60% of its gold a year earlier. In question was the legality and validity of the Mine's Environmental Impact Assessment.

When shareholders caught wind of the shutdown, Eldorado's stock plunged 25% in one day, but since hitting that bottom, its stock has rebounded on expectations that the mine will be up and running early this year.

When Kisladag starts churning out gold again, stock of the Vancouver, B.C.-based company will be handsomely rewarded and we want to make sure you're in the right stock at the right time to participate in Eldorado's potentially steep climb.

Despite having its "best player" sidelined for nearly half of 2007, Kisladag still produced 135,306 ounces at a dirt-cheap cost of \$189 per ounce. Eldorado expects production to jump to 190,000 in 2008 for a slightly higher cost of \$222 per ounce.

With a 13-year life, at full throttle, Kisladag is capable of producing an average 240,000 ounces of gold annually. Commercial production began in July 2006, the result of a grass-roots exploration effort by Eldorado.

Transitioning from a junior minor to a multi-mine operator, Eldorado used to put most of its chips on Kisladag, but is beginning to build a supporting cast in Turkey, Brazil and China.

Unlike our other recommendations, Eldorado offers investors exposure to the Chinese gold market with its Qinghai province-based Tanjianshan Mine, which produced 138,192 ounces of gold in 2007.

Its São Bento Mine in Brazil ceased operation in January 2007. It yielded 1.8 million ounces after being mined underground for 20 years.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

Eldorado expects 281,000 ounces of gold in 2007 and forecasts production of 299,999 ounces in 2008. Its future looks even brighter with a couple of key upcoming projects.

With the feasibility study concluded in 2007 on the Turkish Efemcukuru Project, construction should begin in the second quarter of 2008. Average annual production is estimated at 108,000 ounces per year. The mine will include a high-grade vein system with 1.2 million ounces of proven reserves and potential for expansion.

At the Vila Nova Iron Ore project in Brazil, negotiations are underway with potential iron ore purchasers and detailed engineering is in its final stages. Construction activities are underway and commercial production is expected in Q4 2008.

Trading at a miniscule 1.8 times NAV, Eldorado is undervalued. Given the size of the company, the price to NAV should average around 2.5 times. With a NAV currently at \$3.36 per share, Eldorado has a fair value of \$8.40. However, given the uncertainty surrounding the Kisladag mine, we are reducing that multiple to 2.25 times NAV. This results in a fair value of \$7.50 per share.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

Kinross Gold Corporation

Kinross Gold Corporation (NYSE: KGC)

Toronto, Ontario

Website: <http://www.kinross.com>

Rating: BUY

Initial Coverage: \$20.90 - February 8, 2008

Price Target: \$27.00

52-week low / high: \$9.87 / \$24.05

Shares Outstanding: 602.60 million

Market Capitalization: \$13.4 billion

Why We Like Kinross Gold Corp.:

- Third-largest primary gold producer in North America by reserves.
- No hedging.
- Recent asset swap with Goldcorp has decreased costs.

Based in Toronto, Ontario, with mines in the United States, Brazil, Russia and Chile, Kinross Gold Corporation (NYSE: KGC) is the third-largest primary gold producer in North America, with 43 million ounces of gold, and was recently referred to by RBC Capital Analyst Stephen D. Walker as a “sitting duck” for a takeover by Newmont Mining, Barrick Gold, or Goldcorp.

Though known today as one of the only major mining companies whose cash costs are declining, that hasn't always been the case. In fact, when Tye Burt took over as president and CEO of Kinross. in March 2005, he had his hands quite full.

Gold production was falling and costs were rising due largely to serious accounting problems caused by previous mergers with TVX Gold Inc. and Echo Bay Mines Ltd.

Tasked with cleaning up the mess, he embarked on a cost-cutting campaign by ridding the company of under-performing assets and aggressively expanding the Paracatu mine in south-central Brazil.

Expected to begin in 2008, average annual production at Paracatu for the first five years is predicted to be about 557,000 ounces of gold per year at an average cost of sales of approximately \$230 per ounce. The first 10 years should provide an average annual output of 490,000 ounces at \$259 per ounce.

In a more recent move that decreased costs and increased cash, Kinross swapped assets with Goldcorp that resulted in a beefing up of Kinross' presence in South America — a key part of its growth strategy—and a streamlining of its portfolio by unloading two high-cost, high-maintenance mines in Ontario, Canada.

Kinross specifically acquired Goldcorp's 50% stake in Compania Minera Mantos de Oro and became the full owner and operator of the La Coipa mine in northern Chile. Kinross also received \$204 million cash from Goldcorp.

Kinross is currently courting a partnership with Barrick Gold to acquire a stake in the



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

massive Cerro Casale project in Chile, which is rich in both gold and copper and has reserves of 23 million ounces and six billion pounds, respectively.

Kinross' Kupol mine, located in the Chukotka region in Far East Russia, is slated to begin production in June 2008, while the expansion of its Paracatu mine in Brazil should happen mid-year.

Both projects will play a big role in boosting Kinross' annual production to around 2.5 million to 2.6 million ounces by 2009, up from about 1.6 million ounces in 2007.

The company's ongoing efforts to bolster productivity and reduce costs — coupled with the probability that prices for gold, silver and even copper will continue to rise — make Kinross one of the best ways to participate and profit from the commodities boom.

Kinross currently appears a bit pricey, sporting a P/E(ttm) of 54, but the true story of the company is not where it has been, but where we believe it is going.

Analysts are calling for 2007 revenues to be \$1.1 billion with 2008 revenues estimated at \$1.6 billion. Meanwhile, Kinross is also decreasing costs per ounce. Earnings will also see a boost as the price of gold continues to reach new heights. Kinross is incredibly sensitive to the price of gold, so with every 10% change in the gold price, Kinross' EPS increases by 20%. The company has historically been reluctant to dilute shares to generate cash and has a very manageable debt position.

Currently, the consensus 2008 EPS for Kinross is \$0.72 with an average gold price of \$750. As of now, gold is trading around \$900 with no signs of falling away from that price. If we assume that gold will average \$850, this will raise 2008 EPS to \$0.91 and result in a forward P/E of 23. The current market is paying 30 times forward earnings. If we value Kinross based on what the market is paying and our revised EPS, we compute our target price at \$27.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

Yamana Gold Inc.

Yamana Gold Inc. (NYSE: AUU)

Toronto, Ontario

Website: <http://www.yamana.com>

Rating: BUY

Initial Coverage: \$14.72 - February 8, 2008

Price Target: \$23.00

52-week low / high: \$8.40 / \$17.67

Shares Outstanding: 355.74 million

Market Capitalization: \$5.53 billion

Why We Like Yamana Gold:

- Three-way merger with Meridian Gold and Northern Orion.
- Nine mines in operation with seven more scheduled to open in the next five years.
- Outstanding growth prospects.

Now that Yamana Gold Inc. (NYSE: AUU) acquired two of its competitors, the Toronto-based miner expects to produce a rather Goldcorp-like 2.2 million ounces of the yellow metal by 2012, more than four times it did in 2007.

That's no easy feat — with or without the acquisitions of Meridian Corp. and Northern Orion — and neither is its goal to produce one million ounces of gold by the end of 2008.

Its current dominance in Latin America, coupled with the startup of two mines in August 2007, gives Yamana the confidence to make those ambitious numbers a reality.

Its flagship Chapada copper-gold mine in Brazil, has exceeded production targets since its start-up in early 2007. A huge producer of gold, it expected to produce 190,000 ounces in 2008.

Moving toward being labeled a mid-tier gold producer like veteran Canadian companies Kinross Gold Corp. and Agnico-Eagle Mines Ltd, Yamana has come a long way in a short time and we expect a happy ending for the company's shareholders. That's why we've singled out Yamana as a mining stock positioned to help you participate in the next leg of the gold boom.

Comprised primarily of short-lasting smaller mines in 2005 and 2006, investors viewed Yamana as a below-average quality asset, yet buoyed by potential. Currently, the company operates nine mines and plans to open seven more in the next five years. An expected 146% ramp-up in gold production between 2007 and 2012 (20% CAGR) is expected, which is impressive considering the industry's production has been falling 3% per year.

Yamana had one of the lowest gold production costs in the industry at \$335 per ounce in 2006. Factoring in by-product credits and sales of metals other than gold,



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

cash costs decreased to negative \$382 per ounce in 2007.

Quarter-over-quarter production in 2008 is expected to steamroll into the second half of the year. Look for a total of up to 1.3 million gold ounces in 2008 increasing to 1.6 million gold equivalent ounces in 2009 from mines currently in production and under construction.

Its 2008 exploration program will focus on mine, near-mine and regional exploration activities in Brazil, Chile, Argentina, Mexico, Nicaragua, Peru and Nevada. Yamana plans approximately 350,000 meters of total drilling on all projects in 2008.

In one of its most recent moves, Yamana announced that it will build a 103,000 ounce-per-year mine in Brazil at a cost of \$139 million. The Santa Luz mine further solidifies the company's goal to triple gold production by 2012.

Yamana is a great company with great growth potential. Management is focused on growing its production ability and exploring new land for gold deposits. Historically, Yamana has not taken on debt to fund its projects, but it does go to the market for cash on a consistent basis. This dilutive effect is a concern for investors, but the expected growth in earnings should mitigate the risk of any share dilution.

The company started to hit profitability in 2007 and we do not expect this trend to reverse. Analysts are predicting \$0.72 EPS in 2007 and \$1.09 EPS in 2008. Based on these estimates, Yamana carries a P/E of 23 and a forward P/E of 15. Fundamentally, the stock is undervalued. Considering the company's incredible growth and the healthy prospects of gold, Yamana deserves a richer premium. Our target price of \$23 results in a P/E of 32 times current earnings and 21 times forward earnings, both multiples being in line with the current industry.



Gold Rush 2008: 5 Gold Stocks to Profit from in a Down Market

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