

Special Report

BIG GOLD

The Golden Triple-Play: A Gold Stock, Mutual Fund and ETF

 **CASEY
RESEARCH**

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About Casey Research

Over 27 years ago, best-selling author and renowned speculator Doug Casey founded the predecessor organization to Casey Research, LLC.

Today, tens of thousands of high net worth individuals and money managers turn to Casey Research for unbiased and thoroughly researched recommendations on a variety of investments, with a focus on small-cap, undervalued junior exploration companies which, properly understood, provide the very real possibility for double- and triple-digit returns (and sometimes much more) over a 12-24-month time frame.

The Casey Research motto – Intensely Curious, Focused on Facts - is not just a tagline but an accurate expression of the world view of the Casey Research team. We think nothing of climbing on planes to remote destinations around the globe if that is where the story, and the opportunity for our subscribers to profit, is to be found.

Casey Research's due diligence is based on the "8 P's of Investing," a model created by Doug Casey. On behalf of subscribers, the team thoroughly evaluates People, Property, "Phinancing," Paper, Promotion, Politics, Price and Push and in doing so, identifies only the best of the best for recommendation.

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The Casey Research Team



Doug Casey

Chairman

Doug Casey is a highly respected author, publisher and professional investor who graduated from Georgetown University in 1968 as a classmate of Bill Clinton. He didn't inhale, either.

Doug literally wrote the book on profiting from periods of economic turmoil: his book "Crisis Investing" spent multiple weeks as #1 on the New York Times bestseller list and became the best-selling financial book of 1980 with 438,640 copies sold; surpassing big-caliber names, like "Free to Choose" by Milton Friedman, "The Real War" by Richard Nixon, and "Cosmos" by Carl Sagan.

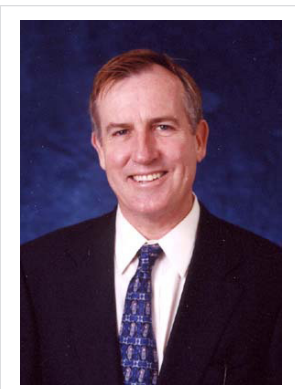
Then Doug broke the record with his next book, "Strategic Investing," by receiving the largest advance ever paid for a financial book at the time. Interestingly enough, Doug's book "The International Man" was the most sold book in the history of Rhodesia.

He has appeared on hundreds of radio and TV shows, including Donahue, Letterman, Charlie Rose, NBC News and CNN and has been featured in numerous periodicals including People, US, Time, Forbes, Washington Post, and many others.

Doug, who divides his time between homes in Aspen, Colorado; Auckland, New Zealand and Salta, Argentina, has written newsletters and alert services for sophisticated investors for over 27 years and is in demand as a featured speaker at conferences around the world. Doug has lived in 10 countries and visited over 175.

In addition to serving as a trustee on the Board of Governors of Washington College and Northwoods University, Doug has been a director and advisor to nine different financial corporations.

Doug is widely respected as one of the preeminent authorities on "rational speculation," especially in the high-potential natural resource sector.

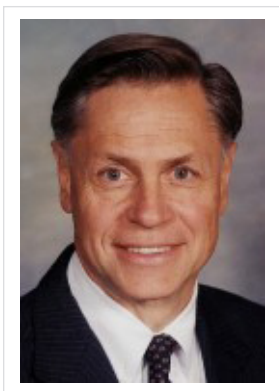


David Galland

Managing Director

David Galland is managing director of Casey Research, LLC., and the executive director of the Explorers' League. His career in the resource and financial services industry dates back to a stint working underground at the Climax mine in Colorado, following college. Over the course of his career, he has worked in a publishing and or editorial capacity with Gold Newsletter, the Aden Analysis, Wealth Magazine and Outstanding Investments, among others. He currently serves as managing editor for Doug Casey's International Speculator, Casey Investment Alert, BIG GOLD and Casey's Daily Resource Plus. In addition to his work in financial publishing, David has served as the conference director

for the annual New Orleans Investment Conference (1979 to 1987), as a founding partner and director for the Blanchard Group of Mutual Funds, and was a founding partner and executive vice president of EverBank, one of the biggest recent success stories in online financial services.



Bud Conrad

Chief Economist

Bud Conrad holds a Bachelor of Engineering degree from Yale and an MBA from Harvard. He has held positions with IBM, CDC, Amdahl, and Tandem. Currently, he serves as a local board member of the National Association of Business Economics and teaches graduate courses in investing at Golden Gate University. Mr. Conrad, a futures investor for 25 years and a full-time investor for a decade, is also a regular lecturer for the American Association of Individual Investors. In addition, as chief economist, he produces original analysis for Casey Research, including unique charts and research on the economy and investment markets.

Introduction

About Your Report

This report has been compiled from the research and analysis that originally appeared in the BIG GOLD newsletter from Casey Research.

The term Big Gold refers to large-capitalization mining companies that have reached the stage where they are actually producing gold from their mines. These are not exploratory companies; exploratory, or junior gold companies, tend to be highly speculative and can entail sizable risk for investors.

Big gold companies, because they have proven, active gold reserves, offer prudent investors substantial upside, while reducing much of the downside risk associated with smaller exploratory companies.

We hope that you enjoy this report from Casey Research, and that the ideas and opportunities presented here inspire in you an appreciation of the great possibilities unfolding in the gold market today.

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If, after reading this report, you have additional questions about investing in gold shares, or if you wish to explore further the possibilities offered by investing in gold, please visit our web site at:

www.caseyresearch.com.

Or, if you would like to find out about our publication, BIG GOLD, directly for yourself, you can do so easily by [clicking here](#).

Overview

Gold is a steadfast protector of value in times of crisis. The recent credit mortgage meltdown is just one of several rickety financial structures on the verge of collapse. The carry trade is another. As carry traders unwind their investments and buy back yen, global markets will continue to be on a wild ride. Volatility is a day trader's best friend, but unless you can sit in front of the computer all day, there are few ways to profit from unstable markets.

Hedge fund managers tend to make a "flight to quality" in such situations. Their split personalities send them back and forth between having no concept of risk and then suddenly becoming risk averse. As an ordinary investor, you will want to protect your wealth from their whims.

The biggest shock of all will come when the U.S. dollar comes tumbling down from its royal status as the world's reserve currency. It could happen abruptly, in a scenario where China retaliates against U.S.-imposed trade tariffs, dumping a sizeable portion of their reserve holdings of more than one trillion U.S. dollars. Or it could happen slowly, as the Fed attempts to prop up financial markets and the U.S. economy with injections of liquidity and interest rate cuts.

With each new wave of paper money, the U.S. dollar becomes less valuable and gold (which moves in a strong inverse relationship to the U.S. dollar) will gain momentum. A currency crisis, such as we now believe to be inevitable, usually begins slowly as wealthy individuals overseas begin to diversify out of the currency, then picks up speed as institutional investors begin to follow suit, then finally explodes on the global scene as everyone rushes toward the exits. In time, the sheer volume of U.S. dollars in circulation, backed by nothing other than political promises, assures that a monetary collapse is baked in the cake.

Seen from this macro-economic perspective, it's evident that the new bull market in gold has only begun. An investment in gold is one of the prudent ways to safeguard your net worth against rampant inflation.

In the report that follows, we'll discuss a few gold-related investments that warrant your attention at this crossroads in the market. Taken together with your physical holdings, they should help you weather the financial storms now looming, and even profit from them.

It is important, however, that you recognize that gold – and any commodity-related investment – tends to be volatile. Just because, in our opinion, gold's rise to \$1,000 or more is inevitable does not make it imminent. Between now and then, you must be willing to weather downdrafts of 10 to 20% without panicking out of your investments during the inevitable setbacks along the path to profits.

With that caveat, let's turn our attention to the safest of all "electronic" gold investments, **Exchange Traded Funds** (ETFs). Then you'll find a gold-oriented mutual fund company run by one of the top portfolio managers in the country; his funds have not only outperformed the gold indices, their expense ratios won't eat up your upside. Finally there's an international gold company with major producing assets. In multiple models, this company presents attractive valuations and has a proven record of growth.

Prudent Gold Play #1 : **StreetTRACKS Gold Shares ETF (NYSE : GLD)**

Gold has been money since, well, forever (or at least 4000 BC). The reasons for gold's persistent role as money (a career on the monetary stage exceeded only by silver's) has to do with its physical qualities, including: its rarity, its durability, its divisibility, its transportability and, of course, its usefulness and beauty. But as much as we like the feel of a solid ounce of the yellow stuff resting in our palm, there's no question that physical gold has drawbacks. For one, it can be stolen. And physical gold's portability isn't absolute – which you'll discover if you ever need to drag your holdings down to the local dealer to unload enough to free up cash for a major purchase.

Which is why it was only to be expected that some bright light would come up with a thoroughly modern way of investing in gold ... electronically... and so was born the gold-based Exchange Traded Fund (ETF).

We apologize for going basic here, but ETFs are like stocks, in that ETF shares are traded on the major exchanges. But they're not shares in a company, they're shares in a basket of assets. You, as an ETF shareholder, own some small piece of each asset. And you know exactly what those assets are, because the composition of each ETF's basket is fixed.

Although the first ETF appeared only in 1990, new ones have been popping up like drought-year wildfires, and you can now use them to invest in a bewildering array of things. Some hold fixed portfolios of securities, such as an unchanging list of stocks from a particular country. Others hold just a single commodity, such as oil or – for our purposes – gold or silver.

There are two gold ETFs listed on the NYSE: **StreetTRACKS Gold Shares** (GLD), the largest, and **iShares COMEX Gold Trust** (IAU). One silver ETF, **iShares Silver Trust** (SLV), is listed on the AMEX. There's also **iShares Cdn Gold Sector Index Fund** on the TSX (XGD).

What Your Dollar Buys You

Each ETF share represents a nearly fixed amount of metal – 1/10 ounce of gold or, for SLV, 10 ounces of silver. An ETF issues its shares every day in exchange for the physical bullion, which it stores with a designated repository. And the ETF stands ready to redeem its shares by handing over the same amount of metal. However, unlike a mutual fund, it issues and redeems its shares only in wholesale quantities (100,000 shares, or 10,000 ounces, in the case of StreetTRACKS Gold). And it generally will do so only with brokers and other market makers.

The value of your shares will closely track the market price of the metal. If bullion rises, so will your shares, and commensurately. ETFs publish a comparison of net asset value with share price on their websites (see “Additional Resources” below).

But remember that you are not buying anything physical. Want to present your shares and receive bullion in return? Don't even ask unless you have 100,000 shares – and even then expect to get turned down unless you are a broker. So all of your ETF transactions will involve only paper... or, more correctly, electronic bytes.

While a gold ETF is thin soup for gold bugs who see physical possession of the metal as a key benefit, there can be no denying the utility – the simple convenience – of ETFs. It's their primary attraction. They allow an ordinary investor, with a standard brokerage account, to buy and sell gold (or silver), without the hassle of actually taking delivery and storing the metal. Plus, there are no storage fees, bid/ask spreads, threats of theft or dealer markups to worry about.

Or, more accurately, such things are there, but hidden. Fund expenses, such as storage, insurance, and sponsor fees are covered by selling tiny quantities of gold each year, so the amount of metal behind each share gradually erodes – at a rate of about 0.4% per year in the case of gold and 0.5% for silver (higher because of greater storage costs). Theoretically, if the price of gold never changed, the value of your shares would trend toward zero, but very slowly. It would take 173 years for half your gold to evaporate. That doesn't happen to your stash of coins.

In addition to the convenience factor, some investors like ETFs because, as with stocks, they are amenable to all the tricks of the securities trade. They can be optioned, shorted, hedged, bundled, margined, whatever. Fine if you're in love with the thrill of day-to-day volatility and an experienced trader. But a useless plus if you merely want to make money from long-term appreciation. If you believe that gold is in a multi-year uptrend, as we do, then ETFs can be useful as a “set it and forget it” investment.

ETFs: A Dark Side?

ETFs weren't invented in someone's garage. The design has been thought through by serious players, who want it to be tough enough to withstand any shock. In the case of StreetTRACKS Gold, the trustee is Bank of New York, and the custodian for the gold is HSBC Bank USA – institutions for which ETFs are a minor sideline and not worth any risk to their reputation.

So what could go wrong? Ordinarily, nothing. But gold is the single investment for which “ordinarily” has the least relevance. Gold's perennial importance is that it thrives on extreme and extraordinary events. One extraordinary event we believe you should be planning for now (and planning to profit from) is mankind's flight from all paper currencies, with the dollar no exception. When that happens, most investments will be in trouble, but gold will be pole vaulting to new highs.

That's not all that will be happening. Financial institutions built by good, prudent people to withstand a 7.0 quake won't make it through the 8.6 shaker. Rivets will pop. While a majority of banks and other financial service companies probably will survive, there will be some dead giants. And, as in every financial meltdown, some giant frauds will be exposed.

We don't know who the casualties will be, but when the dollar is threatening to shrink down to a point, we wouldn't want to depend on gold that is out there, somewhere, at the end of a long chain of promises and duties. So the best approach, in our view, is to be cautious. Treat ETFs as stocks, which is what they are, not as physical metal that you can dig out of from under the back corner of the doghouse when the world's financial system is coming unglued.

Give the gold bugs a little respect, and don't put all your gold nest eggs in the ETF basket.

In any case, ETFs have become the flavor du jour. Encouraged by gold's stubborn march higher, investors are piling into the gold and silver ETFs with a vengeance. According to the sponsors, GLD now holds about 20.3 million ounces of gold in trust; SLV has 163 million ounces of silver, making ETFs major players in the global metals markets. Each ounce they buy is another ounce taken out of circulation – diminishing the supply available to would-be buyers and adding to gold's (and silver's) bullish momentum. As the precious metals bull market gains steam, the push that will come from the masses using their online brokerage accounts to pile into gold and silver cannot be overstated.

How should you play it? Keep it simple. Use ETFs as part of that corner of your portfolio dedicated to the precious metals, filling in the rest with some physical bullion or bullion coins and the more leveraged gold and silver shares such as covered in this publication

Performance Update - StreetTRACKS Gold Shares

Originally Recommended: April 2007 in the premier issue of BIG GOLD

Recommended Price: \$64.27

Recent Close: \$90.30 (January 25, 2008)

40.5% increase in 8 months

Look to pick up your gold and silver ETFs on dips, then either hold on for the much higher prices we see as inevitable... or, if you like a bit more action, unload on spikes for a quick profit. And plan to exploit gold's well-established volatility to repeat that trade on the future swings.

Additional Resources

StreetTRACKS Gold Shares Web site:

<http://www.streettracksgoldshares.com/us/index.php?noMsg=true>

iShares COMEX Gold Trust and Silver Trust web sites:

<http://www.ishares.com/fu>

iShares Cdn Gold Sector Index Fund

http://www.ishares.ca/product_info/fund_overview.do?ticker=XGD

Exchange Traded Gold World Gold Council

<http://www.exchangetradedgold.com:80>

Prudent Gold Play #2 : Mutual Funds from U.S. Global Investors

- **U.S. Global Investors Gold and Precious Metals Fund (USERX)**
- **U.S. Global Investors World Precious Minerals Fund (UNWPX)**

Mutual funds do for gold stocks what they do for almost any other type of investment – they make things easy. The fund chooses the individual stocks, takes care of the buying and selling and does all the bookkeeping for you. This is especially helpful for small investment accounts, since it permits diversification with even modest capital, and it's also welcomed by people who would prefer to do just about anything, including flossing or taking out the garbage, rather than dealing with investments.

Of course, all that convenience comes with some disadvantages, such as loss of control over investment decisions and the timing of stock trades (which can interfere with your personal tax planning).

All the mutual funds specializing in precious metals have seen healthy gains over the last five years, but among these, U.S. Global – highlighted in red -- has managed to lead the pack. When looking for a mutual fund, just as when analyzing a company, the key is management.

Frank Holmes is the CEO of U.S. Global Investors, the advisor for the U.S. Global Investors Gold Shares (USERX) and the top-performing U.S. Global Investors World Precious Minerals Fund (UNWPX), both based in San Antonio, Texas.

Frank is living proof that we're not the only ones who know something about gold stocks. Over its six-year life, his Gold Shares fund, which specializes in producing companies, is up 561.12%. Compared to gold bullion, which gained 227.82% over the same period, that's leverage of nearly 2 to 1. And that's his lesser achievement. World Precious Minerals Fund, which is weighted toward exploratory and development companies and also makes room for silver and platinum plays, is up 775.06% over the last six years, for 3-to-1 leverage to gold.

We asked Frank how he does it – why have his funds performed so well? He prefaced his answer by pointing out that Gold Shares hasn't merely done well; it has outperformed the XAU (a gold stock index maintained by the American Stock Exchange) and by a fat margin. We checked, and it's true. Gold Shares is up 561.12% over the last five years, vs. 238.6% for the XAU. So he hasn't just been riding the trend of higher gold prices, he's been outracing it by identifying the above-average performers ahead of time. But how does he do it?

“We kick tires, we visit properties all over the world.”

Anything else?

“We take a team approach. Each fund has an in-house trader and an analyst who spends much of his time on the road. They both get the same quarterly bonus – which is tied to performance. And half of everyone's bonus must be invested in the fund he's working for. That way, portfolio managers learn to live like the investors. They are very cautious about protecting the shareholders' money. I've tried to keep everyone's interests aligned.”

And what do the hard-working managers look for when they evaluate a gold stock?

“Four factors drive the price of a gold stock: the price of gold, growth in reserves, growth in production and cash flow. The best time to buy a gold stock is 6 months before a production increase. That's where the best money is made.”

We asked how much was reasonable for an investor to have in gold assets – and were a bit surprised by the small numbers.

“Always have 5% of your assets in gold itself and 5% in gold stocks. More if you feel aggressive, but never more than 25%.”

With that, we turned to the topic that mutual fund investors should never lose sight of – Chronic Expense Syndrome. Why, we enquired, is the expense ratio for World Precious Minerals Fund noticeably lower than the ratio for Gold Shares? Running a portfolio of explorers and mine developers seems so much more demanding than managing a portfolio of producing companies.

“Size.”

A one-word truth. World Precious Minerals runs leaner than Gold Shares because expenses are spread over a pool of assets that is 4 times as large.

We’re convinced that someone is minding the store in San Antonio and that their good results come from shrewd stock selection – not just from being in the right sector at the right time.

Additional Resources

More information about U.S. Global Investors is available at <http://www.usfunds.com>.

The following table shows you some of the nation's most popular gold-related mutual funds, through December '07.

It is provided here to give you an easy comparison of gold mutual fund performance. It also will give you a sense of relative fund expense ratios. To state the obvious, all things being equal, the less you pay for your mutual fund, the better. U.S. Global Investors has been highlighted in red for easy comparison.

(Table courtesy of the precious metals mutual fund analysts at Casey Research, and [BIG GOLD](#))

Performance Comparison Chart for Gold Mutual Funds

No-Load Gold Stock Mutual Funds	Assets (\$Millions)	Expense Ratio(per year)	5-Year Return (Annual Rate)
AIM Gold & Precious Metals	305	1.45%	23.88%
American Century Global Gold	1129	0.67%	20.53%
DWS Gold & Precious Metal	772	1.52%	27.96%
Fidelity Select Gold	2075	0.90%	23.25%
First Eagle Gold	1126	1.20%	18.91%
Franklin Gold and Precious Metals	1223	0.93%	25.84%
GAMCO Gold AAA	494	1.47%	27.22%
ING Global Natural Resources	149	1.42%	23.51%
Midas	250	2.39%	29.66%
Oppenheimer Gold & Special Minerals	2052	1.10%	28.87%
RiverSource Precious Metals	127	1.40%	20.35%
Rydex Precious Metals	135	1.26%	16.70%
Tocqueville Gold	1077	1.51%	25.14%
U.S. Global Investors Gold Shares	203	1.33%	31.19%
U.S. Global Investors World Precious Minerals	1030	1.01%	39.10%
USAA Precious Metals and Minerals	1001	1.21%	31.25%
Van Eck International Investors Gold	674	1.57%	27.24%
Vanguard Precious Metals	4611	0.35%	35.28%

Prudent Gold Play #3 : **Kinross Gold (NYSE : KGC, TSX: K)**

In addition to physical gold, which should be a core holding at this point, the prudent investor will also look to selectively add the stocks of well-managed gold mining companies to a portfolio. These offer tremendous upside to the price of gold, for the simple reason that, once mining costs are covered, each dollar increase in the price of gold flows pretty much straight to the bottom line (before taxes, of course!). As the bottom line is then leveraged by the market into a higher share price based on measurements such as the P/E ratio, the potential gains far exceed the simple appreciation of an ounce of gold.

When we look at an actively producing company, what we want to find is high-quality mines, low production costs, solid prospects for growth, a small or non-existent hedge book, and location, location, location – meaning that we don't like to see too many eggs in any one country basket, especially if it's within reach of politicians with expensive habits and a willingness to grab projects for the “good of the state.”

Kinross Gold Corp. delivers on all fronts.

Geographical diversity they got. Kinross' holdings are spread across five countries on three continents, with operations in Canada, the U.S., Chile, Brazil and Russia. With the exception of Russia, those locales are friendly to mining and present low political risk. And for the big international mining firms, doing business in Russia, while no picnic, is proving manageable.

As for properties, Toronto-based Kinross – formed in 1993 out of CMP Resources, Plexus Resources and Ontario Limited – has been growing by leaps and bounds, both through its own explorations and through an aggressive acquisition program. Since 1998 it has been something of a mining Pac-Man, swallowing up everything in its path, including Amax Gold, La Teko Resources, TVX Gold, Echo Bay Mines and Crown Resources.

On February 27, 2007, it completed the takeover of Bema Gold – a bold move that has upgraded Kinross' portfolio by pulling in a producing mine, a large project under construction and a major exploration property. Best of all, the Bema assets are located where Kinross is already operating or has significant prior experience – an important plus since, as they say, all mining is local.

Granted, an acquisition the size of Bema is a big step, and big steps can lead to big stumbles. But we're not going to complain. In exchange for US\$3.3 billion, Kinross picked up some excellent assets and a lot of metal.

How much metal? Bema rocketed the company's gold reserves from 27.9 million ounces to 45.3 million. And Kinross produced 1.6 million ounces of gold in 2007, vs. 1.5 million pre-Bema, with a negligible increase in the cost of sales from the \$320-\$330 per ounce range to \$355- \$365.

That's impressive, but the growth in copper and silver reserves is even more so. Silver has jumped from 27.8 million ounces to 69.5 million. And copper has gone to 2.8 billion pounds, from nothing.

To Hedge or Not to Hedge...

One always rifles through a big gold company's data looking for a hedge book. For those unfamiliar with the term, hedging was a survival strategy many companies adopted in the bad old days of gold's twenty-year bear market that ended in 1999.

Fearful that gold might be heading forever lower, producers sought survival by signing up buyers for future production under fixed-price contracts. That assured producers they could cover their production costs, with a little something left over for shareholders. But it meant giving up the benefit of any future rise in gold prices – a pledge of profit mediocrity.

That's okay when gold is flat or declining. However, when the bull is bellowing the way it is now, the heavily hedged miners are grinding their teeth, trapped into selling gold for hundreds of dollars an ounce less than they could get on the open market. Not good for shareholders.

But according to its annual report, Kinross has “no forward sales contracts, spot-deferred forward sales contracts, purchased put options or written call options outstanding,” and it “maintains a no-hedging policy on gold sales.” Good for shareholders.

The assets picked up from Bema aren't quite so clean; some of the production from the start-up of Bema's Kupol mine in Russia is hedged. But the good news is that Kupol has massive reserves above and beyond what's been hedged, plus a cost of production that is, by industry standards, minuscule. We can live with that.

So, building on existing assets, ramping up reserves and continually adding fresh prospects to the pipeline – these are things we like to see. They're integral to a strategy that has made Kinross the third-largest primary gold producer in North America and the seventh-largest in the world. And with a nearly empty hedge book, Kinross is poised to enjoy the big run-up in gold prices we believe is coming.

A Quick Tour of the Grounds

The company has nine operational mines, along with three more proto-mines in the exploration or development stage. A closer look ...

U.S. ASSETS

Round Mountain (producing; 50% interest, joint venture with Barrick)

Round Mountain mine is a conventional open-pit mine approximately 2,500 meters by 1,500 meters across, near Tonopah, Nevada. In addition, the partners are permitting the Gold Hill pit, approximately 8 kilometers further to the north.

Fort Knox (producing; 100% owned)

This Fort Knox is near Fairbanks, Alaska. (It's not the vault the U.S. government points to when people say "Show me the gold.") It includes an open-pit mine, a mill and tailings storage facility, along with an 80% share of the Gil property (in a joint venture with Teryl Resources Corporation) and the True North open-pit mine, which is temporarily off line.

Kettle River (prospective; 100% owned)

Kettle River is in Ferry County, Washington, and features an idle mill with 1,800 tons/day of capacity. The mill will reopen in 2008 to handle ore from the nearby Buckhorn deposit. This should contribute 160,000 gold ounces per year for five years, at a cost of \$350/ounce.

CHILEAN ASSETS

La Coipa (producing; 100% owned)

La Coipa, an open-pit mine, is in the Atacama Region of northern Chile (about 1,000 kilometers north of Santiago), an area that has been mined for nearly a century. Proven and probable reserves of 433,000 ounces are sufficient for only four years of production – but Kinross suspects more ore is present nearby.

Maricunga (producing; 100% owned)

The Maricunga open-pit mine is located in the Maricunga Mining District in central Chile and came to Kinross from Bema. Proven and probable reserves total 5.4 million ounces at Maricunga, with another 1.9 million of measured and indicated resources.

Cerro Casale (prospective; 49% interest)

Cerro Casale, another Bema property, also is in Atacama. It is a large gold and copper ore body with reserves of 23 million ounces of gold and 6 billion pounds of copper – one of the largest undeveloped gold/copper deposits in the world. Kinross' share of proven and probable reserves amounts to 11.2 million ounces of gold; measured and indicated resources are another 2.4 million.

BRAZILIAN ASSETS

Paracatu (producing; 100% interest)

Paracatu is a large open-pit mine in the northwest of Minas Gerais State, 230 kilometers from Brasília. Kinross is committed to an estimated \$470 million expansion, which will make the mine, already a biggie, into one of the largest in the Western Hemisphere. The expanded mine, expected to go into production in mid 2008, should be a loud-mooing cash cow, producing 557,000 ounces of gold per year at a cost of \$230 per ounce.

Crixás (producing; 50% interest, joint venture with AngloGold Ashanti)

Crixás is an underground operation near Paracatu. It has two mines producing now; three not-yet-producing ore bodies that have been accessed; and two more ore bodies under evaluation.

RUSSIAN ASSETS

Julietta (producing; 90% interest)

Julietta, another Bema property, is an underground mine in the Omsukchansk region of far eastern Russia that produces 75,000 ounces of gold equivalent per year.

Kupol (prospective; 75% interest)

The Kupol project is another Bema dig in Far Eastern Russia. It has a high-grade gold and silver vein that's open along strike (meaning no one knows where it stops). Construction began in 2005. Both open-pit and underground production is slated to begin late in 2008 and will feed an already completed 3,000-ton-per-day mill. Anticipated output is of 418,000 ounces of gold equivalent per year at an exceptionally low cash cost of \$90 per ounce.

KINROSS (December 31, 2007, incorporating the Bema Acquisition)					
Property	Kinross Interest	YTD Production (1,000 gold equivalent ounces)	Revenue (\$M)	Production Cost (per ounce)	Proven & Probable Reserves (million ounces)
USA					
Round Mountain	50.0%	302	\$208	\$316	1.442
Fort Knox	100.0%	338	\$175	\$344	3.868
Kettle River	100.0%	200 (2008 est.)	\$250 (est.)		0.990
CHILE					
La Coipa	50.0%	197	\$134.7	\$269	0.886
Maricunga*	100.0%	205		\$447	8.446
Cerro Casale	49.0%				11.238
BRAZIL					
Paracatu	100.0%	174	\$85	\$373	18.013
Crixás	50.0%	91	\$66	\$260	0.382
RUSSIA					
Julietta	90.0%	63	\$47	\$533	0.066
Kupol	75.0%	413 (2008 est.)	\$90		3.280
TOTAL					46.6

Note: Data in red reflects the impact of the Bema Acquisition

* Production from Maricunga (formerly Refugio) is 100% for March 2007 and beyond. Prior to that Kinross owned 50% of the operation.

All told, that's a lot of busy. Kinross' results reflect both the quality of its resources and its ability to get them out of the ground economically. As noted earlier, Kinross produced 1.6 million ounces of gold in 2007, but will add an impressive 500,000 to 600,000 ounces in 2008 and again in 2009.

The bottom line: With the Bema acquisition completed, the Paracatu expansion and Kupol projects underway and Buckhorn set to produce, Kinross has one of the best growth metrics among the major gold producers.

Valuing Kinross

Kinross seems a pretty picture. But nothing should be pretty to an investor unless the price is right.

Traditional measures, such as P/E ratio, don't do well at assessing the true value (or lack thereof) of a mining entity. But there are other, more useful measures specific to gold mines, including ore reserves and production cost per ounce.

While mining companies provide plenty of data, reviewing it with an eye to valuation isn't a simple business. And any method inevitably depends on assumptions about a company's costs, production rates and development trends. But any reasonable method, applied consistently, can tell a great deal about the comparative value of different gold mining stocks.

We'll talk more about Kinross' current valuation momentarily, but first we take a short and possibly mind-numbing detour to look at the components of our analysis (a quick break for a strong cup of java might be in order here).

The basic data are...

PROVEN AND PROBABLE RESERVES is what a mine is expected to eventually produce.

GOLD EQUIVALENT PRODUCTION is simply how many ounces of gold the company anticipates producing per year.

LIFE OF MINE is reserves divided by annual production.

CASH COST PER OUNCE is what the company anticipates spending to wrestle each ounce of reserves out of the ground and get it to market.

MINE ASSET VALUE is reserves multiplied by the difference between the price of gold and the cash cost per ounce.

DEBT is, well, debt. Mines aren't cheap to build, and most mining companies borrow to get things up and running.

NET ASSET VALUE is gross reserve value plus any other assets the company owns minus debt.

MARKET CAPITALIZATION is the value the market is placing on the company – current share price times the number of shares outstanding.

VALUATION RATIO is market capitalization divided by net asset value.

Still awake? Okay, now we corral that data into the valuation table below in order to begin to give you a sense of comparative value of the large mines, including Kinross.

(**Editor's Note:** subscribers can access the valuation table by logging onto CaseyResearch.com. Enter your user name and password, then once in the subscriber's only site, click on the "Our Stocks" tab at the top of the website and then on Kinross's name. Below the text and tables, you'll find a link "Compare to top gold companies" that gets you to the valuation table which is automatically updated throughout the day .)

In the table below, we conservatively assume gold is \$875 per ounce. Share prices are as of January 18, 2008:

Valuation Table for Big 10 Gold Mines												
Company	Proven and Probable Reserve M Oz	Gold Equivalent Production 000's Oz 2007E	Life of Mine	Cash Cost \$/Oz	Mine Asset Value \$M	Debt \$M	Hedge Liability \$M	Net Asset Value \$M	Share Price \$	Total Outstanding Shares M	Market Cap \$M	Valuation Ratio
Agnico-Eagle Mines	16.3	246	50.8	*	\$11,483	(\$358)	\$0	\$11,841	\$54.98	136	\$7,477	0.63
AngloGold Ashanti	66.9	5,820	11.5	\$357	\$34,654	\$3,968	\$3,591	\$27,095	\$45.09	281	\$12,670	0.47
Barrick Gold Corp.	123	8,205	15	\$370	\$62,115	\$470	\$4,100	\$57,545	\$46.73	868	\$40,562	0.70
Buenaventura	13.8	1,460	9.5	\$331	\$7,507	(\$139)	\$411	\$7,235	\$61.59	127	\$7,822	1.08
Gold Fields Ltd.	91.6	4,252	14.8	\$435	\$40,304	\$808	\$0	\$39,496	\$16.38	652	\$10,680	0.27
Goldcorp Inc.	39.75	2,975	13.3	\$140	\$29,216	\$347	\$0	\$28,869	\$34.48	705	\$24,308	0.84
Harmony Gold	53.6	2,505	22.4	\$572	\$16,241	\$330	\$0	\$15,911	\$11.06	400	\$54,424	0.28
Kinross Gold	45.3	1,665	27.2	\$383	\$18,890	\$1,357	\$188	\$21,832	\$20.40	603	\$12,310	0.56
Newmont Mining	93.9	5,435	17.3	\$388	\$38,687	\$8.43	\$0	\$44,037	\$52.88	452	\$23,902	0.54
Yamana Gold Inc.	6.8	617	11	(\$339)	\$8,255	(\$66)	\$0	\$8,321	\$15.07	356	\$5,365	0.64

To compare mines, first look at the life-of-mine figure, because it provides a quick check of how big the mine assets are. A short life of mine would mean that the company is compelled to spend shareholder assets in the near term to try and find or buy new reserves, rather than having the luxury of time to be more selective in acquiring new assets. In the meantime, they can tack their earnings to the bottom line, making the company more appealing on a P/E basis and enhancing its attractiveness to more traditional-minded investors. On the life-of-mine measure, Kinross comes in a respectable second at 27 years.

While we could tell you many long stories about this table (we actually enjoy wading through this stuff and spend our hours doing so), you probably have a day job, so we'll cut to the chase. Or, more specifically, to the column with the red heading. That's the valuation ratio, which is a first cousin of The Truth. A valuation ratio over 1.0 indicates that a company's stock may be expensive compared to its assets. A valuation ratio much below 1.0 indicates a bargain. Happily, you'll note that Kinross has one of the lower ratios in the table, at 0.56.

Yes, the calculations change as costs and gold and stock prices change. They also are revised as reserves come out of the ground and/or new reserves are identified. But valuation ratio is still a credible single summary of the important measures of a mining company and yields a prudent judgment of what we know now.

And to show its maturity as a gold producer, KGC just announced its first dividend of \$0.04 per share, which they intend to continue semi-annually.

Kinross is clearly a company on the move and a solid investment in an industry where assets count. And its valuation ratio tells us that the price is right.

Performance Update - Kinross Gold (KGC)

Originally Recommended: April 2007 in the premier issue of BIG GOLD

Recommended Price: \$14.04 (April 2007)

Recent Close: \$23.54 (February 21, 2008)

59.6% increase in 10 months

Additional Resources

For the latest company announcements, check the company's website:

www.kinross.com.

For complete updates on this and other gold-producing companies, or to access our other recommendations for precious metal investments, please visit [BIG GOLD](http://BIGGOLD.CaseyResearch.com) at CaseyResearch.com.

In Conclusion

There you have it, an ETF, a mutual fund and a stock, all prudent ways to play gold for the months and years ahead.

In the world of investing, there is no more powerful weapon in your arsenal than good, reliable and timely information. Information is the life blood of the market; fortunes are made and lost every day because of the quality of information received.

Here, in this report, we have endeavored to bring to you exactly the kind of high-quality information you can use to make an impact on your investment portfolio. The way the gold market is shaking out, each of the recommendations in this report could prove invaluable to you.

But this report can only go so far. As you move ahead, building a portfolio designed to take advantage of the incredible potential for growth in the precious metals market, you'll need to keep your information pipeline well primed with new information.

At Casey Research, we believe there's no better source for information on gold and precious metals investing than in BIG GOLD – with up-to-the-minute information, insights and recommendations that you won't find anywhere else.

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Sincerely,

David Galland,
Managing Editor