

Special Alert - July 4, 2011

GOLD STOCK ANALYST

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Gold Resources (GORO) is the target of a "hatchet job" in July 2, 2011 issue of *Barron's*. A link to the article is found here: <http://online.barrons.com/home-page/> You'll have to join for the full report, or buy at your newsstand. A link to GORO's reply is posted here: <http://www.goldresourcecorp.com/>

From the Barron's lead-in, GORO's reply, and the response below, you can probably save yourself the money, although you might like the cover article predicting \$150/bbl oil in the summer of 2012... higher oil is always good for Gold.

I am traveling now and without all my information in the office. But, as I am cited by name in the article, I feel compelled to give my objections. GSA has always said the Reids are "odd ducks" in the way they've financed and built the mine, but doing things differently is not a reason to think there's fraud being committed, as the article implies.

In my phone conversation with the author, Michael Santoli, I made a number of points.

1) He cites no mining industry sources suggesting something might be amiss. In fact, he cites no information sources beyond InsiderScore.com's tally of \$13.7 mil in management share sales over the past year. This is a trivial 6% of their now \$229 mil holdings at the recent \$24 close and they still hold ~18% of the 53 mil shares issued. Source #2 is the Amex short interest report showing 3.4 mil shrs (14% of the public float) have been borrowed and sold (shorted) in hopes of buying back at a lower price. Who the shorters are, and what is their relation to Santoli, we are left to guess.

2) On GORO's side, but apparently not of equal or greater weight to Santoli are:

A) Hochschild Mining, a Peruvian miner, invested \$65 mil in GORO (now holds ~28%) to build the mill and start mining on the strength of 240,000' of drill results. This eliminated the need to follow the traditional path of taking 2 years for a feasibility study to get the mine financed. Moreover, Santoli neglected to mention that at the same approximate time Hochschild bought into GORO, it made another major investment in Canadian miner, Lakeshore Gold. Several years later, in 2010, needing several hundred million dollars itself to build a new mine, Hochschild chose to sell all its Lakeshore and keep GORO. "Pretty strong vote of confidence for GORO" said your Editor to Santoli.

B) Tocqueville Gold Fund (~9% of GORO shrs) was an early investor based on their in-house geologist's site visit and has continued to buy in every financing since to maintain its position. Over the years Tocqueville has consistently been a top performing gold fund, the best sign of a knowledgeable fund manager.

C) Analyst Mike Dudas is a long time industry veteran and had no reason to stake his own

reputation on a potential fraud when he assisted in Jefferies' \$56 mil equity sale in Sept 2010.

D) I reminded Santoli that I was quoted in Barron's after Gold Stock Analyst declared to its subscribers that Bre-X was a fraud in early 1997. Fortunately the Company collapsed before the threatened \$1 billion lawsuit was filed. But, my point to Santoli was that I have a track record when it comes to revealing frauds, and if I thought something was amiss in GORO's case, I'd have no hesitation to say so.

The article's opening point will be my last. GORO spent \$1.7 mil on a Colorado Springs townhouse in a residential development across from a golf course to be their new headquarters. So what? I live on the beach in Ft Lauderdale and bought another unit in the same building to be GSA's office when the time came. Where is it written that any Company's management has to work in disgusting digs?

So what next? Despite the article, I don't think GORO will plummet when trading opens Tuesday, July 5th. Most investors, certainly all those who came because of its GSA Top 10 status, already know the "odd duck" story. But in case I'm wrong, I've got several limit orders placed at below market prices. I don't think they will get filled, but if they do, I'll be glad own more GORO shares due other holders' stupid selling. And I'm telling my brokerage "No" to lending my shares. Thanks for that idea, Santoli!

John Doody