

# GOLD STOCK ANALYST™

A Monthly Newsletter Finding **Undervalued** Investment Opportunities through Fundamental Analysis & Rankings of the largest North American-Traded Precious Metals Mining Stocks

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**Next Issue Mailed:** 9/2/03

## Where Are We Now?

At 7/30/03's \$358/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, gold stocks on average are:

**Undervalued 5%** based on MC/oz P+P  
**Undervalued 9%** based on MC/oz Prod

## Placer Dome

set the current pricing standard for P+P and Resource ounces in its now concluded \$298 mil (incl \$43 mil proj debt) purchase of East African Gold Mines and its newly producing OP-Mill (fcst 220K/yr at \$200 cash/oz) on a 423 sqkm property in Tanzania. The prior benchmark was the Brancote/Esquel deposit purchase by Meridian for (coincidentally) \$298 mil, a 3.77 mil resource oz deposit that still needs permits and a mine/mill but has fcst cash costs ~\$100/oz.

Based on the table below PDG looks to have a bargain, especially when considering EAGM adds 100K oz to Placer's account in 2003. But this is too hasty a conclusion as the oz will add little to profits, as adjacent table shows, meaning the big payoff will have to come from finding more oz on the prop.

PDG's tot cost/oz	
Cash cost	\$200
Non-cash	52
Acquis/oz	\$69-\$100
Total	\$321-\$352

Buyer	Target	Total Paid	P+P oz	\$/P+Poz	Rsrce Oz	\$/Res oz
Placer	EAGC	\$298 mil	2.94 mil	\$100/oz	4.35 mil	\$69/oz
Meridian	Brancote	\$298	3.01 est	99/oz	3.77	\$79/oz

## Nantucket Island

Your Editor made his annual pilgrimage to his former hometown island that continues to be a favorite playground to S&P 500 execs, as evidenced by IBM's former head Lou Gerstner inking a \$12.4 mil "second" home purchase during our stay.

Believing some aspects of "trickle down" economics, how those at the very top behave with their own money GSA sees as a good, but still anecdotal, leading indicator of the economy's future. Some observations:

Restaurants, there's several dozen very fine ones: booked up even during the week, but reservations were available on the edges of "prime" dining hours.

Real Estate, still the Island's prime cocktail topic: Sales: off 8% in 1st 6 months '03 to 227 properties, and dollar volume down 13% to 153 mil; that's still an average \$674K on an island where "starter" homes are advertised at \$500K.

Beach Erosion, always a factor on the Island: In 20 years since begun, a 2% property transfer tax has funded purchase of ~2,000 acres for open space; in the same period 2,000+ acres have been lost due to erosion from the 30,000 acre island. The 2002/03 winter was particularly severe... we noted loss of 50' feet of beach in front our little \$2,100/wk rental cottage.

• Apologies for this issue's Aug 4 mailing date ... simply too many companies reported 2Q results at end-July/Aug 1... we chose to delay to include them on Pg 7.

• **Freddie Mac** nailed for shifting earnings, under the guise of hedging, to meet Market expectations. Called a "rogue" by *WSJ* that's "at the center of the housing market, and is implicitly backed by the federal government". But where, wonders GSA, are the calls to examine the big US banks (**Morgan/Chase** and **Citibank**), key to the capital markets and also implicitly backed by the Federal Reserve? GSA regularly updates their gold derivative positions, which are just the tip of their hedging icebergs. The accounting problem here is that the banks self-value their positions due to no public market for the privately written instruments; under this loophole, both parties to a hedge can declare it profitable, clearly an impossibility.

• GSA personnel addition: **Dezerra Slein**, as Assistant Editor. Dez will be proofreading issues (surely many will appreciate that!) and helping to run the business end of GSA... you'll often get her on the phone and you'll meet Dez at NYC Gold Show Sept 8&9 (more info: [www.iiconf.com](http://www.iiconf.com)).