

GOLD STOCK ANALYST™

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

February 2003 • Issue #105 • Editor: John C. Doody • Single Issue: \$75.00

IN THIS ISSUE:

Past Analysis Index	2
GSA's Top 10 Stocks	3
GSA Stock Data	4&5
The Metals Markets	6
Co News & Analysis	7
Gold: Price, Stock Indexes, Market Indicators	8

Reviewed Inside:

Ashanti	10 & 11
Barrick Gold	12 & 13
Bema Gold	9
Buenaventura	9
Cambior	14
Canyon	15
Claude	16
Crown Res	7
Crystallex	15
Durban Deep	16

Analyses Inside:

Next Investor Fleecing?	7
Bank's Gold Derivatives	6
IAG: Dick Davis Digest	6
GFMS: 2002, Update 2	6

Next Issue Mailed: 3/1/03

Where Are We Now?

At 1/24/03's \$366/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, gold stocks on average are:

Undervalued 18% based on MC/oz P+P
Undervalued 27% based on MC/oz Prod

On to \$450!

This bull market in gold is a mirror image of the Feb-85 to Dec-87 period when gold was driven to \$500/oz from \$284, a 76% gain in 34 months, all due the US Current Account Deficit; in the period, the Dollar fell 40% vs the Yen and Mark.

This time around, in addition to the record US Current Account Deficit's (now 5% of US GDP vs 3% earlier), there's the likelihood of war, and world-wide loose Monetary Policy that leaves the world's economies awash with liquidity that will ultimately materialize in higher inflation.

Prior period's 76% gain from gold's Apr-01 \$256 low is \$450/oz. On to \$450!

Chinese Central Bank Gold

China's Central Bank, the People's Bank, said it had 19.3 mil oz of gold at end-02 in ForEx reserves, which totalled \$275 bil on 11/30/02, the latest full report. (The gold was worth \$6.7 bil at \$350/oz and represented 2.4% of the total reserves.) China's gold holdings apparently increased 3.2 mil oz in 4Q02 based on the total reported for 9/30/02. Annualized, the purchase rate is 12.8 mil oz/yr, over 10% of the 124 mil oz total demand for gold in 2002! (See GFMS report Page 6 herein.)

The US has a \$120 bil/yr trade deficit with China, which says it holds sufficient Dollar reserves, so it now also buys Euros and gold. It's unknown how much gold the Chinese Central Bank will buy; if they paid an average \$325 for the 3.2 mil oz purchased in 4Q02, \$1 billion was spent. This is just over 3% of the \$30 billion per quarter that the annual \$120 bil US trade deficit represents. GSA does not expect the level of Chinese gold purchases to increase significantly, as massive Dollar selling would pressure the undervalued Yuan/Dollar exchange rate and make holding the long-time peg of 8.3 Yuan to \$1 more difficult; China does not want a revaluation higher for the Yuan as it would lessen the trade advantage it now enjoys. Nonetheless, if China simply continues buying at the 4Q02 rate, removal of 10% of gold supply from the Market is extremely bullish for gold price.

Meanwhile, the Swiss continue selling; 9.1 mil oz in 2002. Thru 1/10/03 the Swiss had sold 22 mil of their 42 mil oz sales program. On the good news side, Germany's Central Bank said 1/20/03 is prevented from selling gold by 1999 Washington Agreement (WA); and when it expires 9/04, will only sell gradually to prevent a sharp fall in gold price. (GSA expects WA renewal; by then Swiss selling is done and they'll be replaced by Germany, but still under a 400 tonnes/yr cap.)

Silverado Exposed Again: A must read article for all Micro Cap gold stock investors: http://www.worldnetdaily.com/news/article.asp?ARTICLE_ID=30603. For an upcoming "pump and dump" scheme (in GSA's opinion), see Page 7 this issue.

GSA's Top 10 Stocks: 2001: + 21%, 2002: +94%

Two changes to Top 10: 1 added, 1 removed; see Page 3

New GSA Feature Begins This Issue:

GSA's data since 1994 provides a basis to compare current Mkt Cap valuations, which reflect the underlying stocks' prices, to where they should be based on the current gold price, to determine whether gold stocks in general are over or undervalued. See box to left. For the full history, see Jan 03 issue.