

# 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:** 5/31/02

## New Bull Market for Gold: Target \$450/oz

The metal's price was fully freed in August 1971 when the US ceased converting to Gold the Dollars other nations' Central Banks were accumulating from the: 1) US Trade Deficit, 2) US Capital Outflows due growth of US "multinational" firms, and 3) Dollar outflows related to the Vietnam war effort.

During the bull market that soon followed, Gold soared 371%; four more big up-turns have since ensued (see table below and centerfold). Now, with Gold up 22% to \$312/oz on May 3 from the April '01 low, we are in the sixth bull market which will continue for some time due to the following reasons:

**1) Terrorism:** 9/11 showed the world the US is not impregnable. The on-going Mid-East violence shows how vulnerable all are to suicidal actions by fanatical youths who have no fear of the death that will "promote" them to a better life with Allah. Only improved economic opportunities on earth will ... *continued Page 6*

### Gold's Bull Markets Since Price Fully Freed 8/15/71: Dates/Prices/Reasons

#	Dates	Price Range	Reasons
#1:	Nov '72 - Dec '74	\$42-\$198 +371%	Gold window shut 8/15/71 to nations wanting to exchange Dollars for gold due the chronic <b>US Curr Acct Deficit</b> .
#2:	Aug '76 - Jan '80	\$104-\$850 +717%	Oil soars - sparks <b>US Curr Acct Deficit</b> ; then inflation due loose money policy trying to offset oil price's tax effect
#3:	Jun '82 - Feb '83	\$297-\$509 +71%	Fears of impact from US Budget deficits due Reagan tax cuts passed in 1981 sparks flight from Dollar.
#4:	Feb '85 - Dec '87	\$284-\$500 +76%	Strong Dollar of early 80s falls, as outflow from <b>US Curr Acct Deficit</b> overwhelms foreign demand for Dollars.
#5:	Mar '93 - Feb '96	\$326-\$416 +28%	Clinton taxes and econ policies bring fears of inflation and loss of confidence in Dollar until he's "Republicanized" and US Budget Deficit clearly headed lower in 1995/96.
#6:	Apr '01 - ???	\$256- ???	Ongoing Dollar outflow from <b>US Current Acct Deficit</b> coupled with more reasons detailed above.

## Barrick Loses \$437 mil 1Q02!

Instead of the \$46 mil profit ABX reported for 1Q02, the real loss is \$437 million if one includes the hedge book's loss in value. ABX reports quarterly the book's benefits as the contango earned by the Premium Gold Sales Program is run thru the P+L. So, why shouldn't a change in the value of the hedge book also be recorded to give the true picture?

Barrick's Real Results 1Q02	
Hedge Book's value 12/31/01 (Au = \$279/oz)	+\$356 mil
Hedge Book's value 3/31/02 (Au = \$302/oz)	-\$127 mil
Change in value	-\$483 mil
1Q02 Net Income	+\$46 mil
"Real" Net 1Q02	-\$437 mil

• Gold jumped \$2.75/oz on Weds 4/10 as **Anglogold** told Reuters it is "aggressively" running down its hedge book, and has "been for a little while." AU is producing at a 1.4 mil oz/qtr rate and will report 1Q02 results on 4/30; if the hedge book fell by more oz than were produced, indicating AU buying-in hedges, this would be very significant as Frank Arisman, a Managing Director of the big gold derivatives player, JP Morgan Chase sits on AU's Board ... GSA reported last month that JPM's gold derivatives book is falling ... Arisman could well be telling AU to cut its own book too, as gold is 'going to pop' - We're holding the presses for this 4/30 report... see Co News on Page 4 for AU's results and details from Analyst Call.

• **German Central Bank** goes "tit for tat" against gold... The day after AU's above announcement, Bundesbank head Welteke said would adhere to Washington Agreement, but after its expiration end-04, might sell more gold.... This repeated a point he has made several times in the recent past about an event that might happen 2 1/2 years in the future. What was the real intent? Is this an admission that **Deutsche Bank**, well known to be active in the gold derivatives market, is in trouble?

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