

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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Where Are We Now?

At 5/1/03's \$341/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$313/oz.** On average the stocks are:

Undervalued 7% based on MC/oz P+P
Undervalued 10% based on MC/oz Prod

Back to Basics

With the successful conclusion of Gulf War II, the financial talking heads say gold's day in the sun is over. Not true, says GSA and others who pay attention to the underlying US economic fundamentals.

There's no question Gulf War II confused gold's march to a higher price. The fall from \$382 (London PM fix) on Feb 5 to the \$321 low on April 9 was a drop of 15.9%.

GSA has long held this bull market is a repeat of 1985-85 when gold soared to \$500/oz. That bull market had a similar -13% drop in Oct/Nov '86 (see chart), and GSA sees the recent pullback as ... *continued Page 8*

Gold (London PM Fix)

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New Gold ETF

Trading on Aussie Stock Exchange since 3/28/03 are Gold Bullion Securities issued by Gold Bullion Ltd (symbol: GOLD). Classified as an Exchange Traded Fund, these are redeemable preference shares representing 1/10th of one fine troy ounce of gold bullion and trade like common stock. Established with World Gold Council's help, this ETF is an open-ended fund that buys gold to fully back each of the outstanding shares; the shares can be sold on the Exchange or redeemed for gold or cash. The gold backing the shares is insured and stored at a custodian bank (HSBC) in London; there's a 0.02% per month (0.24%/yr) fee that pays for management and overhead. The fee is funded by selling a small amount of gold every month and every 4 years there will be a 99 for 100 share consolidation to restore the shares to 100% gold backing.

Until now, the easiest way to own gold-back shares was Central Fund of Canada (AMEX: CEF); but this closed-end fund trades at a 17% premium (NAV \$3.84 vs \$4.49 price 4/25/03), meaning buyers don't get full value of gold when they buy a share. Further, the Fund has a much higher expense ratio; based on 1Q03 expenses/taxes, the annual cost is 0.92%, almost four times the Aussie ETF.

It's widely known World Gold Council is working on a US ETF similar to its Aussie version. This would be the US's first commodity based ETF, so the OK is slow to come (SEC clearance now hoped for by end of June 2003). GSA believes a US ETF will revolutionize the gold market; it will give brokers a way to earn a commission while helping their customers add the often suggested 5% to 10% gold position to their portfolios; and it will be insured under SIPC, something gold coins kept in a bank safe deposit box lack. Until SEC approval comes, learn more about the Aussie version at: www.goldbullion.com.au.

- This issue late due LV Gold show and many Co's 1Q03 reports issued thru 5/2/03.
- **Subscribers: Please see important message on Page 3... immediately!**