

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: 11/1/02

• Dividends to become tax deductible (same as interest) to the company paying? GSA sees such a treatment tilting CFOs towards selling stock instead of borrowing. Why? Dividends

don't have to be paid while bond interest must be to avoid default. Net impact: more shares out equals lower stock prices.

• **Total Gold Hedging** fell 11.7 mil oz to 86.0 mil oz at end 2Q02 reports JP Morgan; this is approx 1 year of total mine prod.

• **November GSA** will be 20 pages to include Harmony's FY02 Annual Report, due 10/1/02 and **New Kinross'** proformas from merging KGC and **Echo Bay** and **TVX** and buying **Newmont's** 50% of TVXNA. (GSA's proformas in July 02 issue.)

• **GSA Coverage** changes: Leaving: **Gold Reserve** (see Pg 4); Arrivals coming: **Miramar** and **Randgold Resources**.

George Soros on the Dollar:

CNBC's Maria Barteramo interviewed the famous money manager on 9/16/02. Soros said currencies "move in waves" and that the Dollar would go lower due to 1) the big US Current Account Deficit: "US is essentially spending 5% more than it earns." And, 2) he forecast foreign holders of Dollar assets would "bring their money home out of fear," needing the money locally due poor economic conditions.

Soros' second thought was of great interest to GSA; we've been a believer that, on the margin, a smaller portion of the Dollars we send abroad via the US Curr Acct Deficit will return to the US due better investment opportunities overseas. To this, Soros adds another aspect: that Dollar denominated assets owned by foreigners will be sold and the money repatriated to assist their in home economies.

One such asset in line for repatriation could be the \$370+ bil Japan holds in US Treasuries, the result of years of US trade deficits with Japan. Attempting to fix its economy, Japan has run years of budget deficits and now Govt debt has build up to 160% of GDP, a 3rd world level (Moody's ranks its debt quality below Botswana). Further, Japan's banks are overloaded with bad debt, officially estimated at \$425 bil, but others see \$1 trillion a more likely total.

Making matters still worse, Japan's banks hold large blocks of shares in their capital bases. But the Nikkei has fallen from 38,000 ten years ago to 9,000 and this threatens to put many banks below the minimum required capital-to-assets ratio of 8%. To aid the banks, Bank of Japan has suggested it may buy shares from the banks to avoid them being dumped on the Market and driving prices lower.

The Japanese Govt's \$370+ bil of US Treasuries are an external asset that yields no direct benefit to its people or economy. The sale of some of this position to reduce the Govt's debt level and/or aid Japan's banks with their own bad debts and capital deficiencies seems to GSA to be exactly the type of reason why Soros sees some foreigners bringing "their money home out of fear." This will help send the Dollar "30% to 40% lower", a prediction Soros has made at other times. And, as GSA readers know, a lower dollar results in a higher Gold price.

Denver Mining Forum

The annual invitation-only three day event sees 35 GSA-covered miners below (plus 9 not covered) make presentations to an audience of institutional money managers and analysts 9/30-10/2; their talks will be summarized in Nov's GSA.

Rio Narcea	Pan Am Silver	North Amer Pd	Kinross Gold	Durban Deep
Canyon Res	Apex Silver	Crystalex	Goldcorp	Harmony Gold
Golden Star	Silver Std	Cambior	Hecla	Gold Fields
Crown Res	Bema Gold	Meridian	Lihir	Barrick
Pacific Rim	Miramar	Agnico Eagle	IAMGOLD	Anglogold
Royal Gold	Eldorado Gold	Buenaventura	Placer Dome	Newmont
Coeur d'Alene	Stillwater	Glamis Gold	Ashanti	Freeport McM

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