

# 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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## Year to Date Results

CNBC's talking heads tell us how well the US markets are doing. They are right, but the Markets haven't matched GSA's Top 10, up 32% YTD.... *cont Page 3*

2003 Performance	1/1/03	8/27/03	% Chg
<b>GSA Top 10</b> (Indexed)	100.0	131.9	<b>+31.9%</b>
XAU Index	77.72	91.38	+17.6%
Gold Price/oz (PM fix)	\$347.20	\$371.25	+6.9%
DJIA	8344.63	9333.79	+11.9%
S&P 500	879.82	996.79	+13.3%

## South African Miner's P+P Reserves

A key determinant to the Proven and Probable Reserves at a minesite is the gold price used to establish a cut-off grade, the minimum gold concentration that will be profitable to mine, given the mine's average processing recoveries and associated costs. While every mine will be different, miners report on a company-wide basis using the same gold price, and GSA presents this info on Page 4 every issue.

The Rand's spectacular rise in the past year, recovering from a low of ~13R/\$1 to the current R7.4/\$1 has left the So African miners in a quandary. As seen below, all four S Africans covered by GSA, due to the Rand's rise, are effectively using a cut-off price much higher than the current gold price (and the \$300 - \$325/oz used by N American miners), which prompts the question "what are their real P+P at the current (8/27/03) gold price of \$371/oz (R88,324/kg)?"

At \$371 gold, both AU's and GFI's average margin exceeds \$100/oz, so their P+P are likely unchanged. But HMY's \$68/oz margin (\$371-\$303) and Durban's \$18/oz margin (\$371-\$353) means some mines are not worth keeping open, and therefore their oz are no longer P+P Reserves. Closure of some mines and the missing of company-wide production goals looms in the future. The first casualty is Durban's North West operations, where Co proposes to cut prod 20% (120K oz/yr) and lay off 4,500 workers; DROOY's 8+ mil oz P+P here are clearly overstated.

South African's P+P at 6/30/03	Rptd P+P (mil oz)	Exch Rate Used	Price Used Rand/kg	P+P: Rand/oz	Latest qtr Cash/oz	P+P Price at R7.4/\$1
AngloGold (20F-4/03)	72.3 mil	R9.0/\$1	R94,039	R2,925/oz	\$223	<b>\$395/oz</b>
Durban Deep	15.8	not stated	R96,500	R3,002/oz	\$353	<b>\$406/oz</b>
Gold Fields (6/30/02)	78.9	R10.4/\$1	R95,293	R2,964/oz	\$255	<b>\$401/oz</b>
Harmony w/ARM	61.9	R8.5/\$1	R93,000	R2,893/oz	\$303	<b>\$391/oz</b>

• See you at the **New York Institutional Gold Conference**, Sept 8 & 9, at the Marriott Marquis in Times Square. Your Editor is holding a Workshop at 7:30AM on Tuesday and then speaking again at 9:40AM in the Main Auditorium. More info from IIC at 800-282-7469, or on-line at [www.iiconf.com](http://www.iiconf.com).

• The "Sobig" computer virus hit GSA hard, knocking us off the internet for several days. If you were spammed by the virus' grabbing our email addresses, we sincerely apologize. New and stronger firewalls have been installed and we hope this will never happen again!

• **Feeding ducks when they're quacking:** Many gold miners have been selling shrs. **Newmont's** US\$1 billion shelf registration continues hung up in SEC review for reasons GSA believes are related to accounting treatment for the \$3 bil goodwill on Co's books from the acquisition of Normandy and Franco-Nevada. With the stock approaching \$40, GSA expects NEM give up the fight and sell 25 mil shares (6%) to raise \$1 bil. While this might weaken stock in short term, it would aid Co long term and bring no change in Co's GSA Top 10 status.

**Next Issue Mailed:** 10/1/03

## Where Are We Now?

At 8/27/03's \$371/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$353/oz.** On average the stocks are:

**Undervalued 3%** based on MC/oz P+P  
**Undervalued 7%** based on MC/oz Prod