

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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Triple Deficits Working for Gold

The stars continue aligned for a much higher gold price:

1) Current Account Deficit: CNBC finally has got it, which means foreign investors have as well. The CA deficit widened to a record \$450 bil/yr in 1Q02, a rate that requires almost \$2 bil every working day to be recycled back into US based investments. Clearly, some foreigners are sated and now sell the Dollars received to invest elsewhere. On 6/27 George Soros, who brought Pound's devalue in 1992, predicted the Dollar to fall another 33% on top of 10% drop year to date.

2) US Budget Deficit: Where have the Surpluses gone? Eliminated by increased terrorism spending and lower tax receipts Bush rate cuts and low economic growth.

3) Gold Supply Deficit: Jewelry/Industrial/Investment demand for Gold runs ~110 mil oz/yr and mine production is ~85 mil oz/yr. This 25 mil oz/yr deficit has been filled from scrap/recycling and Central Bank sales. But as Investment Demand grows due reasons #1, #2, and terrorism, the Supply Gap widens and gold's price will continue to increase.

Three Miners to Merge... But, where's the Ounces?

Long rumored, the merger of **Kinross**, **Echo Bay** and **TVX** was announced 6/10. It looks to GSA like a deal engineered by **Newmont**, the initial beneficiary, as: 1) NEM sells its 50% of TVXNA JV to the only buyer for \$180 mil to meet its \$400 mil of asset sales goal for 2002; and 2) trades its 49% of dying ECO ... *cont Page 4*

Newmont's Hedge Book Value

NEM, we know, is a reluctant hedger... it's the 7.3 mil oz of "bad" that came along with Normandy's "good", the 2.5 mil oz/yr prod and 26 mil oz of P+P.

Gold's on-going rise since 3/31/02 when NEM said its hedge book had a negative \$411 mil value is seen by some as a reason not to own NEM.

But that's only half the story. Since much of the book has an Aussie Dollar component, the A\$'s rise in the same period vs the US\$ has added a larger and off-setting positive component to the book, such that it's total negative value has fallen by \$58 mil since 3/31/02!

	Gold Price	\$US/\$A	Book's value
3/31/02	\$302/oz	US\$0.53	(US\$411 mil)
Delta	- \$9 mil for every +\$1/oz in gold price	+ US\$50 mil for every 1¢ in value A\$	net: +\$58 mil
6/28 NY close	\$314.40	US\$0.564	—
Value change/ New value	- US\$112 mil	+ US170 mil	(US\$353 mil)

• **They're baaaaack!**... the touts, the promoters, the "liars standing next to holes the ground" that Mark Twain warned about. Be careful! GSA is not going to list them, why invite a lawsuit?... But, be very careful! A stock that went from 10¢ to 50¢ is not likely to increase 5X again, and its fall could be quicker than the rise.

• **Chase-Morgan** and **Citibank** had increased their gold derivative books by 15% on 3/31/02, as gold was up \$25/oz in 1Q02 to \$303/oz. More on Page 4.

• Recent **Central Bank** activity:

-**Russia** put 1.2 mil oz out for lending w/interest payable in gold.

-**Netherlands** said reduced gold borrowing by the market and the low interest rates available causes a cut in amount of gold it offers to bullion banks for lending.

-**Swiss** said thru 6/14 had sold 16.7 of its 41.8 mil oz sales program. Proceeds invested 65% in Swiss Franc bonds, 25% in Euro bonds, 3% (only!!!!) in US bonds and balance in other currencies. *Looks like Swiss expect a continued Dollar slide.*

Next Issue Mailed: 8/1/02