

# GOLD STOCK ANALYST™

*A Monthly Newsletter Finding Undervalued Investment Opportunities through Fundamental Analysis & Rankings of the largest North American-Traded Precious Metals Mining Stocks*

June 2002 • Issue #97 • Editor: John C. Doody • Single Issue: \$75.00

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## Target Prices for All GSA Stocks

We've had a good run so far in 2002 (GSA Top 10 is up 120%) and the question of taking some profits or re-arranging the Top 10 portfolio arises.

In general, the bull market has much more to run - more next issue when we look at past peaks for the industry, with particular focus on historic Market Caps/oz P+P and Production. But, perhaps some individual stocks have topped out and others have lagged to make them relatively better buys.

Target prices can be calculated by several methods. Many broker-analysts use the Net Present Value method. Here the annual cash flows are calculated for a company's mines over the reserve life; these are then discounted by various interest rates to a Present Value and totaled. With perhaps an adjustment for capital structure, the calculated NPV is compared to the current stock price. Since the stock price is almost always higher than the NPV, the analyst then attempts to define an appropriate premium the stock should trade at versus its NPV and thus whether the shares are over or undervalued. Choosing an appropriate discount rate and the appropriate premium seems like "black magic" to GSA ... *cont Page 6*

## Placer Dome Finally Acts

and joins the consolidation trend with an unsolicited US\$1.11 bil bid on 5/27 for the largest independent Aussie producer, **AurionGold**, as predicted in Feb-02 GSA.

This deal makes sense as it consolidates ownership of Granny Smith and Porgera mines and adds 1.0 mil oz/yr to PDG's production and 6.1 mil oz to P+P. At a 30% premium, it's a rich 17.5 PDG per 100 AOR or a total 78.6 mil PDG shares; on the 5/24 prior close this was AS\$4.51, or US\$2.48, per share and is dilutive to PDG's Mkt caps/oz. With Harmony's 9.8% of AOR committed before the bid was made, and the high price, no competing offer is expected. More on Pages 12 & 13.

*GSA wonders if Placer has considered every option. PDG operates the Golden Sunlight mine in Montana and must know of the 45 page Chamber of Commerce survey, released Jan-02, that showed 69% of MT citizens now believe the State should "Promote Mineral and Timber Industries". (In this poorest state in the nation, the people want jobs!) Based on this, a \$2 mil PR effort for the Nov-02 election could likely overturn I-137 that prevents **Canyon Resources\*** from developing the 7.0 mil oz P+P (at \$275) at its McDonald site. This trivial amount of PDG's \$44 mil expl budget could lead to a JV for 50%, 3.5 mil oz, of the deposit; or even to PDG bidding \$5/shr, \$100 mil, for the whole deposit. McD has more P+P oz than all of Aurion, and they're probably available at 10% of the cost.*

*Alas, too many miners seemingly only know how to dig holes, and when it comes to "thinking out of the mine shaft" they remain in the dark ages.*

• "Hats off" to **Standard & Poors** as it takes the lead the SEC won't/can't (big political donors tell Congress what they want: options aren't pay... pension plan gains are "earnings", etc) in announcing will now calculate operating earnings by: 1) eliminating pension fund gains - would have cut **GE's** 2001 net income by \$0.30 to \$1.11/share; and 2) including stock option costs as employee wages - would have increased **Cisco's** 2001 loss by \$0.21 to negative \$0.35/share). While this will more accurately report earnings, they will be lower and raise P/E ratios to make the US Market look even more over-valued.

• Mark your calendars for the **New York Gold Show** Sept 23 and 24 at the Marriott Marquis; San Fran Show is Dec 1 and 2, and Vegas in April 2003. For more info call International Investment Conferences at 800-282-7469.

• **Top 10: Up 120%** year to date. New target prices for 8 of the stocks based on Centerfold analysis and gold's expected rise to \$350/oz by end-02. \*See Page 3 disclaimer; Montana trial to overturn I-137 now set to start on Aug 13, 2002.

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