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 5/29/03's **$363/oz** Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was $319/oz**. On average the stocks are:

Undervalued 10% based on MC/oz P+P

Undervalued 14% based on MC/oz Prod

Target Prices for All GSA Stocks

Gold's bull market has much more to run and it's time to update GSA's Target Prices to see which miners look to be the best 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 (and since over time gold's value will rise as paper money is debased, should the metal ever be discounted?). We're happier with our method which is derived from our Quality of Ounce analysis (see your GSA User's Guide for details).

GSA values gold stocks based on: 1) the difference between the current gold price and a company's cash cost of production, 2) the P+P reserves, and 3) the capital structure the company has built to produce these reserves. This yields Total Value of P+P, adjusted for capital structure; this is then divided by the number of shares outstanding to get a target price for the stock. Gold stocks are options on the gold price, and the simple beauty of our target pricing model is that it includes all of a company's key data. If gold price rises, or cash costs fall, or more oz are found, the model responds with a higher stock price; conversely, lower gold or higher costs or fewer oz yields a lower stock price. Pages 14 & 15 present our Target Price calculations for all GSA producing gold miners based on $360 gold, and then recalculated for $450 gold, our target for end-03.

Anglogold bids for Ashanti

Ashanti had been GSA Top 10 list since 7/01 (added at $2.81) as we believed it very undervalued and expected a bid. We took ASL off Top 10 Feb-03 at $6.50 as its hedge book commits 100% of production thru 2005 at ~$345/oz. With GSA's $450 forecast, we saw ASL giving up ~$100/oz profit, an opportunity cost of $150 mil/yr on its 1.5 mil oz/yr prod, and saw the stock not participating in gold's move.

To Anglogold, already with 6 mil oz/yr prod, the opportunity cost would only represent 20% of a combined 7.5 mil oz/yr prod, and the merger would give AU the the world-class Obuasi mine and the unowned 50% of Geita, another great mine.

The deal is 0.26 AU for each ASL, or a current value of $7.60/shr, or $1.09 bil for the 143 mil fully diluted shares. GSA does not expect another offer… rumors of a Randgold bid have been denied by Chairman Kebble, and GSA sees ASL too big for GOLD to swallow. AU is apparently willing for Ghana to keep its "golden share" as it relates to Obuasi, and this should see the deal get done. Tender or Sell? We'd take AU's paper; it is Top 10 and the hefty dividend currently yields 5.8%.

- **Barrick** to spend $500 mil buying back 7% of shrs (~31 mil shrs); GSA believes ABX, with an excellent organic prod growth profile, would have gained much larger "bang for buck" if had closed hedge book, which had Mark to Mkt value of negative $489 mil on 3/31/03 at $336 gold.
- **George Soros** told CNBC on 5/20/03 he was short the Dollar and buying Gold.