The Bull & Bear's Resource Investor

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GOLD
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PLATINUM
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A 2003 Preview of South African Gold Shares

By Walter Lynch, editor
Lynch International
Investment Survey

In 2002, the South African Parliament passed a number of laws affecting that country's mining industry and investors who have held South African shares. In July, it passed the Minerals and Resources Act which returned all mineral rights to the state. The Act introduced a "use it or lose it" policy to prevent companies from hoarding mineral rights that they had not immediate plans to use. This is not unusual as other countries have similar laws. It was the application of that law that has raised investment questions.

Inside...

Learning to Live With Change

In particular, many believed that the law gave excessive discretionary powers to the Minister of Minerals and Energy to grant or deny licenses, does not allow for proper appeal procedures and provides no certainty in a sector that requires long-term investments, according to the industry.

The government also passed a "black empowerment charter" which is forcing mining companies to have 26% black ownership within the next five years. So far, most of the major mining companies have been able to work within the parameters of this act by using joint ventures with black mining companies. We have noted, however, a trend to expand their mining interests outside of South Africa to Central Africa, Australia and North America.

The #2 Global Gold Producer

AngloGold, Ltd. (NYSE: AU); American Dep. Sh.; 1998-2003 Range: $38.69 - $12.25; Current Price: $36.44 – AU turned in a strong fourth quarter and full year in 2002. Keep in mind that, at the beginning of 2002, AU sold the last four of its gold producers in the Orange Free State gold field to a joint venture of Harmony Gold and African Rainbow Minerals. Despite this, quarterly production held at 1.55 million oz., down 2% from the September quarter. Cash costs rose to US$173 per oz. from US$158 per oz. due primarily to a sharp recovery in the rand vis-à-vis the dollar. In 2002, the rand appreciated 40% against the dollar. Despite this, the December operating profit rose to US$184 million from US$150 million in September. The net profit in December rose to US$100 million from US$81 million in September.

Full Year Production and Profits

For the full year 2002, gold

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A 2003 Preview of South African Gold Shares

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production amounted to 5.94 million oz. This was at the high end of management's earlier estimate of 5.8-5.9 million oz. Gold production was down from 6.98 million oz. in 2001 due to the sale of the Free State gold mines.

The last four mines sold included the Bambanani (formerly Freegold #1 shaft area), the Matjhabeng (Western Holdings), the Tshepong and the H.J. Joel mines. These mines had been operating at a loss, all being high cost producers. As a result of their disposal, cash costs for the year were reduced to US$161 per oz. from $178 in 2001.

AngloGold's operating profit rose to US$650 million from US$517 million in 2001. The 2002 net profit rose to US$332 million ($1.50 per share) up from US$245 million ($1.14 per share) in 2001. Gross dividends in 2002 rose to US$1.42 per share vs. US$0.87 per share in 2001.

The main producers of AngloGold are now the Vaal River and West Wits mines. These are basically the old Vaal Reefs and Western Deep mines that had been so prolific in the past. The Great Noligwa mine (Vaal Reefs #8 shaft area) is producing at a one million oz. annual rate with cash costs close to US$120 per oz. The Great Noligwa and the Kopanang mine (Vaal Reefs #9 shaft area) account for about 1.5 million oz. between them and account for 37% of AU's global operating profit.

In the West Witwatersrand the three sectors of the old Western Deep mine (East, West and South sectors) are now the Tau Tona mine, the Savuka and the Mponeng mines. Gold production amounted to 1.3 million oz. in 2002 with total cash costs of US$146 per oz.

In Central Africa, AU holds a 50% interest in the Geita mine in Tanzania which it acquired from Ashanti Goldfields. It also holds a 38% interest in the Sadiola mine, a 40% interest in the Yatela and Morila mines, all in Mali and a 100% interest in the Navachab in Namibia. In 2002, these mines produced 995,000 oz. with total cash costs of US$128 per oz.

In AngloGold's lesser markets, its North American mines produced 437,000 oz. at a total cash cost of US$231 per oz. In South America, AU's mines produced about 455,000 oz. with total cash costs of US$122 per oz. In Australia, AU's mines produced 520,000 oz with total cash costs of US$189 per oz. Taken collectively, AU's mines placed the company in the global #2 spot among gold producers. At the same time, the company has actively controlled its hedge book, reducing its potions by 133 metric tons in 2002. We believe that the hedge book will be further reduced in 2003. There is, of course, the South African risk that should be taken into account. Shares are recommended on reactions to the $30-$32 range.

The #4 Global Gold Producer

Gold Fields, Ltd. (NYSE: GFI); Amer. Dep. Receipts; 1999-2003 Range: US$17.15 - $3.25; Current Price: $12.68 – GFI is the world's largest unhedged gold producer. This title had long belonged to Newmont Mining until it took over Normandy Mining of Australia from which it acquired one of the world's largest hedge books. It is now in the process of unwinding it, not an easy job at this point. GFI is a strong 4.0-4.2 million oz. annual producer. It backs this with gold reserves totaling about 79 million oz. plus even larger resources (definitely not of the same quality or assurance).

The company's most prolific and lowest cost producers are all located in South Africa. The three main gold producers are the Driefontein, Kloof and Beatrix. Driefontein's quarterly production is now at the 330,000 oz. level with Kloof at 250,000 oz. per quarter and Beatrix at 175,000 oz. The St. Helena, which we had reviewed as long ago as 1970, was sold to the Harmony Joint Venture – Harmony-African Rainbow Minerals JV. It had become a short life, high cost producer that no longer fit into GFI.

Gold Fields has, in the past few years, built up a respectable international operation that now accounts for 27% of GFI's total production. In Ghana, GFI operates the Tarkwa, the Teberbie and the Damang. The Damang was just acquired a few months ago. In Australia, GFI acquired the St. Ives and Agnew mines from WMC, Ltd. which had decided to leave the gold mining industry and concentrate on base metals. The Damang mine in Ghana increased December quarterly production to 65,000 oz. while the Agnew saw production increase to 34,000 oz. Both the

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The Bull & Bear Financial Report

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Tarkwa and the St. Ives saw a modest decline in production. The Tarkwa had an expected decline due largely to gold-in-process changes quarter to quarter. St. Ives had lower production levels due to anticipated lower yields.

In recent years, we had believed that Gold Fields would make a bid for a major North American gold producer. It did make one run but was stopped by its own government for fear that it would change its domicile to North America. This appears to be out for a time as GFI appears to be ready to expand in Australia. Today, the only North American producer that would be a fit, in our opinion, is Placer dome. The big obstacle appears to be the questions on the hedging positions. GFI is unhedged. PDG, in its own right, is heavily hedged. Its latest acquisition, Aurion Gold of Australia, is one of the heaviest hedged producers in Australia.

In fiscal 2002 (June 30th), GFI produced 4.1 million oz., up 300,000 oz. Total 2002 cash costs amounted to US$171 per oz. In the fiscal 2003 first six months, gold production rose to 2.22 million oz., up from 1.87 million in the 2002 first half. Note that total cash costs for the 2003 period rose to US$190 due to the strengthening of the rand. Despite this, the 2003 six months net income rose to US$135 million ($0.29 per share) from US$91 million ($0.20 per share). Be patient. Wait for a 10% share price retreat from the current level.

Harmony: Strong Production – Improved Profits

Harmony Gold Mining Co., Ltd. (NYSE ADRs: HMY); 1998-2003 Range: US$19.00 - $3.50; Current Price: US$13.85 – Harmony was, for decades, a very large, very low grade producer in the Orange Free State gold field. New management and the need to find other ore sources led it to acquire other properties, including marginal high cost operations of the larger mining giants and the mining finance houses of South Africa.

In recent years, it acquired the Evander gold mine. This encompassed the entire Evander gold field including the old Kinross, Bracken, Leslie and Evander mines. It also acquired Randfontein Estates as well as Elandsrand and Deelkraal.

In 2002, it acquired four important mines in the Free State from AngloGold. These were the Bambanani (formerly Freegold #1 shaft area), the Tshepong (Freegold #2 and #4 shaft areas), the Matjhabeng (formerly Western Holdings) and the H.J. Joel mine. Long time subscribers will recognize many of these mines that were prominent in their own right 30 or 40 years ago.

In fiscal 2002 (June 30th), Harmony increased its gold production to 2.66 million oz. from 2.14 million oz. in fiscal 2001. Cash operating costs were reduced to US$192 per oz. in 2002 from US$234 per oz. in the prior year. The cash operating profit rose to US$253 million in 2002 from $88.4 million in fiscal 2001. This was accomplished by a combination of well-planned acquisitions, excellent cost control and a declining value of the rand vis-à-vis the US dollar.

As you know, just about the time of the fiscal yearend, the dollar began to become very volatile against the rand and, then, fell sharply. Note that, since the pricing of gold is always in dollars on the major trading floors and the largest costs of the South African mines are in rands, a strong rand hurts the bottom line of every producer.

A plus for Harmony is that *it has remained essentially unhedged*. After it acquired Randfontein, it quickly unwound that company's hedge book. Thus, it has been able to benefit fully from the rise in the gold price. This combined with gold production now running at 800,000 oz. per quarter and costs held reasonably in line despite a strengthening of the rand should be encouraging to investors.

In the first six months of fiscal 2003 (Dec. 31st), gold sales rose to R5.05 billion (US$432 million), up 65% from the same 2002 period. The net income rose to R883 million (US$75 million). However, this included a one-time profit of R469 million from the sale of Aurion Gold Mining shares to Placer Dome of Canada. The net income showed a 120% improvement over the same 2002 six months. On a per share basis, the earnings rose to R495.0 (US$0.42). Note that the rand is currently quoted at US$0.1172.

Harmony has taken a positive attitude on the Black Empowerment Act with the early sale, in 2001, of a 10% participation right to Khuma Bathong, a black empowerment company. In fiscal 2002, it set up a joint venture with African Rainbow Minerals, also a black empowerment company. Only time will tell the real benefits to Harmony and its shareholders, Harmony, in the US$11-$12 range represents an improving speculative situation for those who can afford the S.A. risk factor.

The Oldest South African Gold Producer

Durban Roodepoort Deep (Nasdaq Sm. Cap: DROOY); Amer. Dep. Receipts; 1999-2003 Range: US$4.70-$0.82; Recent Price: US$3.85 – DRD is the oldest South African gold producer. Operations started here in 1894. It is now producing in the 950,000-1,000,000 oz. annual range. In the December quarter, its properties produced 225,241 oz. Cash operating costs increased by 7%. This was due primarily to the strengthening of the rand vis-à-vis the US dollar. As Wellesley-Wood, the CEO of DRD said, "The volatility of the R/$ exchange rate – amounting to 40% over 12 months – was most unwelcome, placing margings under pressure and making future mine planning uncertain."

On the financial side, the runup in the spot gold price in December to an average US$321 per oz. was particularly helpful to the

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South African Gold Shares

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company. DRD specializes in older low grade, high cost mines where the profit margins are very slim. Note that, as the fiscal year (June 30th) had ended, Durban Deep management closed out the company's hedge book. As a result, since that time, it has received the spot price for its production. Sheer luck or management expertise – depends on whom you talk to.

In fiscal 2002 (June 30th), Durban Deep saw its net earnings improve to US$0.10 per share, a major improvement over recent years when constant heavy write-offs were taken. This continued into fiscal 2003 when the September quarterly net increased to US$14.6 million (US$0.08 per share). In the recent December quarter, the net income improved 54% from September to US$22.5 million (US$0.123 per share).

The further runup, in the March 2003 quarter, in the gold price should be translated to a further improvement in the net income. Investors, however, should keep in mind that DRD's mines are marginal and short life, for the most part. Harties, which was acquired from Avgold in 1999, has had recent problems. In December, it was hit by a seismic event (earth tremors). It was also hit by an underground fire at the #5 Shaft. This restricted the volume of higher grade material entering the mill and slowed up the expansion of the Medium Grade areas at the #6 Shaft. Note that the future growth of Harties has been closely tied to the Medium Grade Project. To further attempt to control the operation's cost base, the Harties #7 Shaft gold plant has been closed. Note, also, that there has been a decline in available ore from the Harties open pit which is now expected to close about April/May of this year.

Rising Costs

Production at Crown Gold Recoveries, now owned jointly with a black empowerment corporation, produced 48,934 oz. in the December quarter but its cash costs rose sharply from US$210 to US$278 per oz. the cost increases were due to "industrial action" (strikes) at the East Rand Proprietary mine as well as the strengthening of the rand vis-à-vis the dollar.

The workforce here was reduced about 40%. ERPM has raised about US$12 million from the S.A. Industrial Development Corp. to upgrade this operation including the reclamation of the old Cason Dump where they hope to recover an additional 40,000 oz. annually.

In the December quarter, the best operation of DRD appeared to be Blyvoors, where an expansion program helped produce 22,634 oz., the highest quarterly output in a decade.

At the Tolukuma exploration project in Papua New Guinea, *costs have risen* as the project increased development rates to access new areas. Exploration results on the Kunda vein have been disappointing and the focus has moved on to deeper drilling of the mine's Miliahamba structure.

Be Cautious

Putting the entire picture pieces together, the conservative investor will, in our opinion, find Durban Deep to be too risky. Because of the cost problems throughout, the general low grade of ore still available and the marginal short life of important mines, we continue to believe that Durban Deep is suitable only for experienced traders and speculators who are fully cognizant of the risks involved.

Editor's Note: Walter Lynch is editor of The Lynch International Investment Survey, 431 136th Street, Belle Harbor, NY 11694. 1 year, 52 issues, $175. Published since 1971, this authoritative newsletter provides commentary on the stock market, bonds, money markets with an emphasis on international precious metals securities and U.S. industrial stocks.

CORAL GOLD

TSX.V: CLH; OTCBB CLHVF

Coral Gold's primary asset is the 14,000-acre Tenabo (Robertson) property on the Battle Mountain Gold Belt in North Central Nevada. The property is divided into two sectors: 1.) The "Excluded" claims in which Cortez Gold Mines (Placer Dome 60%, Kennecott 40%) hold a 61% interest and with Coral Gold holding a 39% carried interest. 2.) The central "Core" claims are a 100% owned by Coral. The Core area contains a surface resource estimated at 1 million ounces of Gold.

The Tenabo (Robertson) property adjoins Cortez Gold Mines' Pipeline Mine, one of North America's premier gold operations with 1 million ounces of gold produced annually and cash costs of under US$90 per ounce.

The Company is currently waiting for results from its 2002 drilling program and preparing its 2003 exploration budget.

Market Makers for Coral Gold include:

Aegis Capital Corp.
BrokerageAmerica, Inc.
Newbridge Securities Corp.
Burlington Capital Markets Inc.
Wm. V. Frankel & Co., Inc.
Hill Thompson Magid, L.P.
Jefferies & Co., Inc.
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Vfinance Investments, Inc.
ViewTrade Securities, Inc.
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Mountain Province Diamonds Inc.

New Sampling Shows Significant Increase In Large Diamonds Recovered Joint Venture Partner De Beers Moves Closer to Feasibility Study Decision

The sharply increasing number of large, diamonds recovered this past year by Mountain Province Diamonds Inc. (OTC BB: MPVI; TSX: MPV) and its joint venture partner, De Beers, reinforces the likelihood the companies have discovered a major diamond deposit in Canada's Northwest Territories.

"We have a significant increase in the number of large diamonds recovered compared to the previous two bulk samples," says Jan W. Vandersande, MPV President and CEO. "It's just getting better and better."

In the next few months, De Beers will report valuations on these samples that Vandersande says could lead to the next phase: either a pre-feasibility or feasibility study critical to bringing the deposit to full production.

"A positive feasibility study would result in mine construction and then production.'", says Vandersande.

De Beers Canada Exploration Inc., a wholly-owned subsidiary of De Beers Consolidated Mines Ltd., recently reported that the diamond recovery from kimberlite samples taken in 2002 from the 5034 diamond pipe totaled 1,215 carats with the three largest diamonds weighing 7.0, 6.6 and 5.9 carats. For the Hearne diamond pipe there were 1,174 carats with the three largest diamonds weighing 8.7, 6.4 and 4.9 carats.

The recovered diamonds were sent to the Diamond Trading Company (DTC) in London for valuation. The diamond values will be used to model the values per carat in Johannesburg. Following the per carat modeling, revenue per tonne modeling will be performed. Results will be out in March 2003 with the updated desktop study expected in April.

"The increased number of diamonds – especially the larger diamonds – now available for valuation will lead to a much greater confidence in the value-per-carat modeling and hopefully higher values," says Vandersande.

The 5034 and Hearne kimberlite pipes are two of the largest and have the highest values of the five diamondiferous bodies in the cluster at Kennady Lake, located on the joint venture's AK claims in the Northwest Territories of Canada.

In 1997, the two companies entered a joint venture agreement calling for De Beers to finance all exploration and development costs, including an estimated $400 million to build the mine provided a benchmark internal rate of return is achieved. For that De Beers will own 60% of the mine and Mountain Province 36% once the mine is in production. Over the course of several drilling programs, bulk sampling analysis has proven out the value of the property, now standing at approximately

$2.8 billion in in-situ diamonds in the three largest diamond pipes.

More Large Diamonds Found at Kennady Lake

De Beers completed the winter 2002 bulk sample program of the 5034 and Hearne pipes in April 2002. The purpose of the bulk sampling program is to increase the available revenue information for these two pipes. Since revenue is determined by grade and diamond value, it is important to combine diamond grade estimates along with diamond revenue estimates. The large number of diamonds obtained in the 2002 program will thus increase the confidence in, and accuracy of, revenue modeling. Last year, De Beers observed that a population of high quality, top color diamonds exists amongst the diamonds recovered from the 2001 bulk sample. Specifically, the 9.9 carat diamond recovered from the 5034 pipe is such a diamond and was valued at US $60,000. These high quality, top color diamonds have a significant impact, especially the larger ones, on the revenue per tonne so the more accurately their frequency of occurrence is known, the greater the confidence in and accuracy of the revenue per carat modeling. In other words, De Beers wants to know whether the discovery of a 9.9 carat high quality, top color "super" diamond valued at $60,000 last year is indicative of a population of such high-quality gem stones.

In total, for the 2002 bulk sample of the 5034 pipe there are 70 diamonds weighing more than 1 carat, which include 21 greater than 2 carats, and 161 diamonds between half a carat and 1 carat. The number of diamonds over a half-carat recovered this year is proportionately (to the total number of carats recovered) significantly greater than those diamonds recovered in 1999 and 2001.

In 2002, the number of diamonds greater than a half-carat found at the Hearne pipe were proportionately greater than the diamonds recovered in the 1999 and 2001 bulk samples. Last year's samples produced 31 percent more diamonds weighing over a half-carat than recovered in 2001 and 15 percent more than found in 1999. The recovered diamonds included 50 diamonds weighing more than one carat, including 13 greater than two carats and 157 diamonds between half a carat and one carat. The three largest diamonds recovered in 2002 weigh 8.7, 6.4 and 4.9 carats compared to the largest diamond of 3.4 carats recovered in both 1999 and 2001. Vandersande says this confirms the Hearne pipe contains large diamonds similar to those found in the 5034 pipe.

Kimberlite Samples Prompt Further Exploration

Significant amounts of micro-diamonds recovered in the nearby Faraday- Kelvin area has prompted De Beers to schedule additional exploration efforts this winter–spring. Detailed ground magnetometer and ground gravity surveys are planned for both the Kelvin and Faraday bodies and the dyke systems north and south of each body starting in February. Drilling is expected to start in March.

The Kelvin kimberlite body was discovered in the spring of 2000. It is located approximately nine km northeast of Kennady lake and three km south-southwest of the Faraday kimberlite body, which was discovered in 1999. One drill hole in the north-south direction in the Kelvin pipe intersected 40 meters of kimberlite horizontally projected while another hole in approximately the east-west direction intersected 23 meters of kimberlite horizontally projected. A 3.3 meter thick kimberlite dyke at a depth of 31 meters was discovered approximately 200 meters south of the Kelvin pipe under the same narrow lake.

Sampling of the Kelvin and Faraday kimberlite bodies produced micro-diamond counts very similar to those for the 5034 and Hearne pipes, which have average grades of around 1.7 carats per tonne.

This area around the Kelvin-Faraday bodies thus offers excellent exploration potential since any kimberlite discovered will very likely have very good grades (like the 5034 and Hearne pipes).

Investment Considerations

Last fall, De Beers exercised its full allocation of share purchase warrants for a total proceeds to MPV of more than C$786,000. This raised De Beers' share position to 6.4 percent of the shares of the company. De Beers has spent over US$30 million since 1997 on developing this property.

MPV's AK property is one of the four largest in De Beers' current Canadian exploration/development portfolio. "De Beers clearly wants to see diamond production in Canada and this project represents one of the company's best shots at early production," says Lawrence Roulston, editor of *Resource Opportunities*.

"Mountain Province and its Kennady Lake project strike me as the most obvious way to profit from a diamond play. This could be a C$5 to C$10 stock," says John Kaiser, editor of the *Bottom-Fish Tracker*.

"We are very pleased with the sampling results. They continue to be better than expected," says Vandersande. "The increase in the number of larger diamonds recovered should positively impact De Beers' valuation model and will hopefully result in De Beers going to the next phase – a feasibility study." ■

Mountain Province Diamonds Inc.

Summary:

Mountain Province Diamonds Inc. (OTC BB: MPVI; Toronto: MPV) is a diamond exploration and development company concentrating on promising diamond deposits in Canada's Northwest Territories.The company's AK claims are jointly held by Mountain Province (44.1 percent), De Beers Canada Exploration Inc. (51 percent), a wholly owned subsidiary of De Beers Consolidated Mines, and Camphor Ventures Inc. (4.9 percent). A joint venture agreement with De Beers allows that company to earn up to a 60 percent interest in the AK property by taking the project to commercial development. A major bulk sampling of the Hearne, Tuzo and 5034 pipes (among seven diamondiferous pipes discovered by MPV and De Beers) produced a high quality, top color 9.9 carat diamond valued at $60,000. Recent bulk sampling recovered additional large diamonds up to 8.7 carats. The joint venture agreement calls for De Beers to pay for all exploration and development expenses. The property, is located 115 km southeast of Canada's first diamond mine, the Ekati mine, which produces 6 percent of the world's gem diamonds.

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Shares Outstanding: 50.3 million • Public Float: 20 million
52-Week Range: Hi: $1.28 • Low: $0.39

Teryl Resources Corp.

High-grade gold discovery and a multiple joint venture with Kinross Gold spells a win for Alaskan gold exploration company

Teryl Resources Corp. (TSX: TRC.V) is a gold exploration company that is very close to making the jump to becoming a gold producer with the help of its joint venture partner, Kinross Gold Corp.

What Teryl has are some very promising gold properties that are adjacent to the producing Fort Knox Mine and will benefit from existing operational infrastructure – roads, power, skilled workers and an operating mill within 20 miles from Fairbanks.

Teryl is one of the main property owners in the Fairbanks, Alaska mining district. The company's claims are located in the Tintina Gold Belt which has been the focus of extensive gold exploration during the past decade. Over that period, gold resources have exceeded 23 million ounces from 10 different deposits including the Fort Knox, True North and Ryan Load.

All of the Teryl properties are adjacent to Kinross' producing Fort Knox Mine and the True North Property. The Fort Knox is the largest operating gold mine in Alaska and is reported to contain 4 million ounces of gold.

To date, exploration efforts on Teryl properties headed by Kinross have yielded significant gold values and suggest the properties may host the "mother lode" source of the area's historically rich placer mines.

Kinross is also eager to identify a rich source of gold for its existing mill, according to Teryl President John Robertson. "The main objective is to get our joint venture property into production as soon as possible," he says. "The mill is one of their major assets and they would welcome higher grade ore to feed the mill."

Alaskan Gold Mining Joint Venture with Kinross Gold

Since 1991, Teryl and Kinross have spent $1.6 million on exploration activities on the **Gil Properties**, which are adjacent to Kinross' Fort Knox deposit. So far, the partners have defined a 400,000-ounce gold resource (drill indicated/inferred) based on 10.7 million tons grading 0.04 ounces per ton Au. The main mineralized zone ranges up to 80 feet thick, has been traced over 2,500 feet, and is open along strike and at depth.

Drilling on the Gil Properties continues to produce encouraging results. Infill drilling on the Main Gil recently intercepted 220 feet of economic mineralization including 80 feet of 0.06 opt gold. Significant grades and thicknesses were intercepted on the southwestern portion of the North Gil – an area that only had limited drilling in the past. Grades ranged up to 0.1 opt Au over thicknesses of up to 55 feet. Earlier drilling on Sourdough Ridge intercepted a new zone grading up to 1.34 opt Au.

The Gil Properties include 237 claims – owned 20 percent by Teryl and 80 percent by Kinross. The 9,480-acre area is about two miles wide and 8.5 miles long, and includes the watershed for the All Gold, Too Much Gold, Slippery and Lohr Creeks – all sites of earlier placer discoveries.

The claims lie 12 kilometers east of the Fort Knox open pit mine and are connected to the Fort Knox operation by a network of four-wheel drive access roads. The terrain is mainly low, rolling hills dissected by perennial and intermittent streams and

TERYL RESOURCES CORPORATION

TSX Venture Exchange: TRC.V

Pink Sheets: TRYLF

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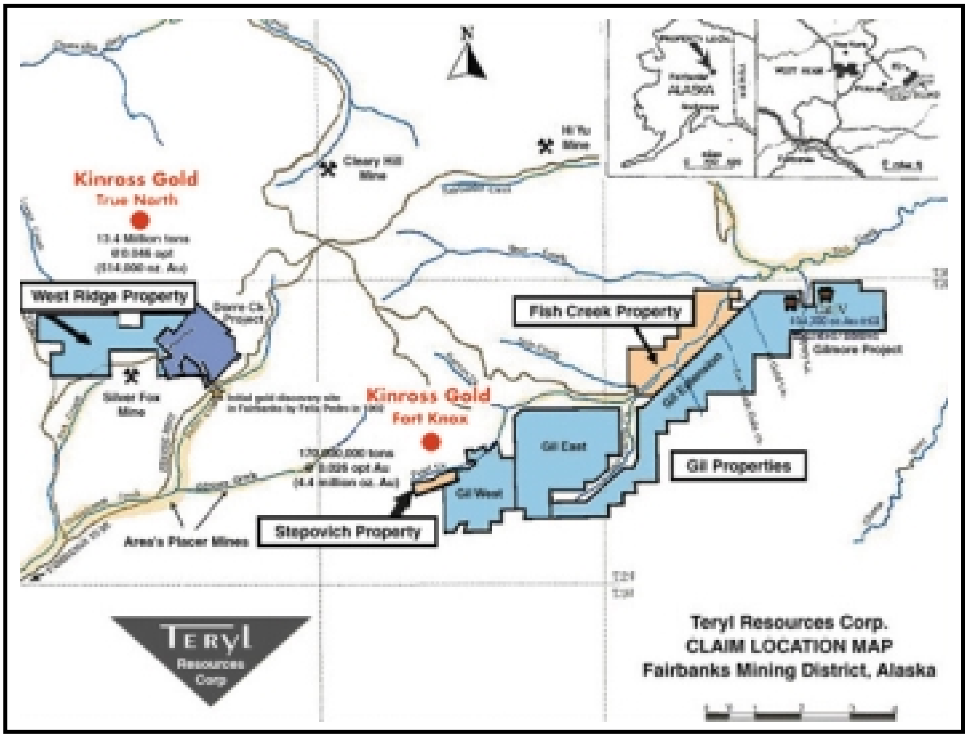
Shares Outstanding: 24.5 million
Active Float: 13 million
52-Week Trading Range:
Hi: C$0.43 • Low: C$0.05



wide alluvial valleys. Elevations range from 250 to 685 meters. Gold mineralization in the Main Gil is strata-bound and hosted in strongly altered calc-silicate horizons. North Gil mineralization is associated with high density quartz veining within strongly altered felsic schist.

Other Promising Gold Properties

Teryl also is planning an aggressive exploration and drilling program in 2003 on its 100-percent owned Westridge and its 50 percent-optioned Fish Creek properties, also located in the Fairbanks Mining District and closely adjacent to Kinross' producing Fort Knox and True North Mines.

• **Fish Creek Claims** – Auger drilling suggests the Fish Creek Claims may be an extension of the mineralized zone found on the adjacent Gil Properties. The 30 claims encompass 1,100 acres about eight miles east of the Fort Knox mine.

The Fish Creek property is also located within the Yukon-Tanana gold belt where placer camps produced over 9.3 million ounces of gold. The Fish Creek property has the potential for both a placer mining operation and a lode gold discovery at depth, according to geological reports which point to the similar geology at the adjoining Main Gil and North Gil zones, and the Fort Knox and True North deposits.

Teryl holds a 50 percent option from LinuxWizardry Systems, Inc. on the Fish Creek Claims. LinuxWizardry retains an option to back in for a 25 percent interest.

• **Westridge Claims** – located next to Kinross' True North Deposit, which is said to contain 660,000 oz. Au. The Westridge Property contains two gold zones identified by Kinross in a 2000 exploration program. Drill analysis shows elevated in-soil gold values and a chemistry similar to Kinross' True North deposit. Teryl owns 100 percent of this property, which is located directly across from Kinross' mill.

The 48 claims encompass more than 5,000 acres in the Dome Creek area of the Fairbanks mining district. Teryl is hoping extensive exploration planned this year will identify the source of placer gold located in downslope streams.

• **Stepovich Property**– located directly adjacent to the Fort Knox Mine and could be readily available for production to feed Kinross' Fort Knox Mill. The seven Stepovich lode claims are a gold-bearing tungsten skarn deposit that dip to the north towards the Fort Knox gold ore body. Kinross owns 100 percent of the claims subject to Teryl's 10 percent net profit interest.

Silver and Diamond Prospects

Although Teryl is currently focused on its Alaskan gold properties, it also holds some promising silver and diamond prospects:

• **Silverknife Claims** – Located in the Liard Mining Division of northern British Columbia. Teryl owns a 30 percent interest in the joint venture project with Reg Technologies, Inc. Current grade estimates show 400,000 tons of 12 percent silver and 16 percent lead, zinc ore over a strike length of 800 feet an average thickness of 10 feet, and a down-dip extension of 500 feet. The company is holding this asset pending an upturn in the silver market.

• **Diamond Prospect** – Teryl owns a 40 percent interest in The International Diamond Syndicate which owns a 16 percent interest in several diamond prospects in the Misty Lake region of the Northwest Territories. Several potential kimberlite pipes have been identified in a $2.9 million exploration program by BHP Billiton, De Beers, Major General and SouthernEra, the operator and joint venture partner.

Investment Considerations

Teryl has been exploring in Alaska and the Fairbanks Mining District for more than 10 years, first securing control of the Westridge Claims and later obtaining an option on the Gil properties.

Both Teryl and Kinross – which purchased the Fort Knox properties from Amax – believe the source of the area's rich placer deposits may be found on either the Gil or the Fish Creek claims. Historically, the placer creeks running through the properties have produced some five million ounces of gold, according to Robertson.

The partners are looking for the source of that placer gold. Robertson points to several magnetic anomalies that could host the mother lode. "We have three zones now that have economic gold values. If either property is the source of the gold, it will be a big win for Teryl," he says.

John Robertson has served as president of Teryl Resources since 1982. He is also president of three other public companies: Reg Technologies, Inc. (rotary engine and Rand Cam™ technologies; LinuxWizardry Systems, Inc. and IAS Communications, Inc. (antenna technologies).

"We have excellent gold properties," says Robertson, adding any one of the properties could contain significant gold deposits similar in scale to those at Kinross' Fort Knox and True North.

"Our goal this year is to raise C$1 million in equity financing," says Robertson. That money will be used in the coming year to finance an extended exploration program that will further delineate the company's mineral resources. Robertson says the program may also determine if there is a buried intrusive that is the source of gold found in nearby placer creeks. He is confident Teryl will substantially increase its reserves as a result of this year's drilling programs.

The proximity of the Gil properties to the Fort Knox Mine and Mill is a definite advantage for Teryl.

First, there is similar geology and proven high-quality gold resources.

Second, there is the solid backing of a joint venture partner that just happens to be a producing mining company with a mill on site.

Third, the property needs minimal infrastructure improvements to ready it for production. In 2001 alone, the Fort Knox Mill produced 411,221 ounces grading 0.031 ounces gpt at a cash cost of $207. Kinross' goal is to replace its present supply of higher grade ore for its mill. Teryl Resources' claims are closest to their mill.

"We are in an ideal situation for a junior mining company. We have a proven resource and the support of a major partner. Kinross Gold, our joint venture partner, has a nearby mill and has skilled workers just a short commute away in Fairbanks," says Robertson.

The company is operating in a mining zone and does not expect any problems in receiving final permitting. Once the permit is secured and the drilling and feasibility study is completed, the company only needs to put in a six-mile road.

"The infrastructure is there. To build that mill today would take several years and up to $500 million," says Robertson. "Once we complete the drilling and feasibility study the only cost to us is putting the road in. It's a perfect situation for a junior company" ■

The Bull & Bear's

Resource Investor Advisory

DICK DAVIS DIGEST, P.O. Box 8128, Ft. Lauderdale, FL 33310. 1 year, 24 issues, $180. www.dickdavis.com.

Top Resource Stock Picks

Each year the editors of **Dick Davis Digest** ask the nation's leading advisors for their single favorite investment selection for the coming year. From the eleventh annual Top Stock Picks survey are some of the featured selections in the resource industry.

"Claude Cormier, **The Ormetal Report**, www.ormetal.com: "The last year has been a great year for gold and gold stocks and our favorite Francisco Gold (FGX.V) went up 300% when it merged with Glamis Gold (GLG.NYSE), another of our favorites in 2002. Our recommendation for 2003, ***Chesapeake Gold*** (OTCBB CHPGF.PK 2.90), is a new junior exploration company born from this merger. Armed with a war chest of C$25 million dollars and its Mexican network of mining contacts, Chesapeake will be exploring for gold in Mexico and Nicaragua during 2003. The management that, while with Francisco, discovered two multi-million ounces of gold deposits in the last six years, will try to do it again with Chesapeake. Already they have acquired extremely promising prospects in Mexico with the goal of completing drill programs in the year ahead. We are convinced that it is only a matter of time before this well-experienced team of gold explorers find another valuable gold deposit. No matter what gold prices do in 2003, we have to rate Chesapeake as our favorite long-term buy & hold stock in the precious metals market sector."

Harry Schultz, **The International Life Strategies Letter**, www.hsletter.com: "Our top gold share pick for 2003 is ***Goldcorp Inc.*** (NYSE GG 12.59). Goldcorp is one of North America's top growth stories and one of the lowest cost gold producers in the world. Since January 1993, the company has achieved a 32% compound annual growth rate and outperformed the DJIA & Nasdaq indices. Goldcorp's Red Lake Mine is one of the richest and most profitable gold mines in the world. The mine produced 503,385 ounces of gold in 2001 at a cash cost of $59 per ounce. Goldcorp is in excellent financial condition: it has no debt, a rapidly growing treasury, but more importantly, remains totally unhedged to fully benefit from rising gold prices. Double-digit returns will be hard to find in 2003, but we are sure Goldcorp will be a winner."

Mark Leibovit, **VRTrader.com:** "My favorite group is gold shares and in deference to diversification I am recommending the ***Gabelli Gold Fund*** (GOLDX) as a surrogate to purchasing any one particular stock. The fund seeks long-term capital appreciation. It typically invests at least 65% of assets in equity securities of companies principally engaged in gold-related activities. These may include exploration, mining, fabrication, processing, distribution, or trading of gold, as well as financing, managing, controlling, or operating gold companies. A substantial portion of the fund's assets may be invested in foreign securities issued in both developed and emerging markets. The fund may invest up to 10%of assets in gold bullion and other precious metals. My first technical objective is into the $16 - $17 range. We will revisit our technical projections when that level is achieved."

Editors Elliott Gue, Ivan Martchev, Yiannis Mostrous, **Wall Street Winners** www.Wallstreetwinners.net: Pick the ***American Century Global Gold Fund*** (BGEIX) as their favorite pick for 2003. Gold is emerging as the strongest alternative financial asset. As long as investors feel that the quality of other assets is diminishing, gold will continue to gain in value since it will be perceived as the ultimate safe haven. Furthermore, a weaker dollar, geopolitical uncertainties, low to negative real rates, and stock market volatility will continue to feed its ascent. Since 2000, the metal has outperformed most major currencies and the broader market, even though inflation is nowhere to be found. This action has convinced us that the likelihood of a long-term bottom is high. In addition, gold and gold stocks may prove to be a better hedge against deflation. Gold is an asset that's not a liability on anyone else's balance sheet. With the extremely leveraged nature of the U.S. and global financial sectors, a disturbance of the delicate balance there may cause the Midas metal to see much higher prices than anyone expects at present."

Vivian Lewis, **Global Investing** www.global-investing.com: "***Johnson Matthey*** (OTC JMPLY.PK 24.35) is a stealth play on replacements for the internal combustion engine. It is identified by the London market as a somewhat boring global leader in precious metals refining. Its flat £90.2 million 3Q earnings (up less than 5%) on sales of £2.25 billion, down 18%, were called 'reasonable' by *Reuters*, which damned the share with faint praise. In fact, upping earnings when sales fall is a good harbinger. If the price of palladium and rhodium rises, Johnson will benefit. But that ignores fuel cell technology, which is why I recommended this stock. Johnson Matthey is in the vanguard here and in the next 15 years, forecasts say worldwide half of all new cars will be powered by fuel cells. Meanwhile, it has important other businesses: chemical, pharmaceutical, ceramic and color compounds plus the refining, fabrication and marketing of precious metals. While these may not grow fast, they generate plenty of cash. Yet, Johnson Matthey has fallen by 39% since the shares were reinstalled in the London FTSE-100 index last June. It actually raised its dividend 3%. It currently yields 3.1%, which is well over the U.S. average."

Harry Domash, **Winning Investing** www.winninginvesting.com**:** "***Enbridge Energy Partners*** (NYSE EEP 43.81), a master limited partnership (MLP), owns and operates pipelines that transport crude oil, liquid petroleum, and natural gas, along with associated gathering and processing facilities. MLPs do not pay income taxes on profits they distribute in the form of distributions to shareholders, termed limited partners. General partners manage the firm. It has been the trend in recent years for petroleum companies to transfer their pipeline assets to MLPs to take advantage of the tax benefits. Enbridge Energy Company, a Canadian producer, founded the MLP in 1991 to own and operate its Lakehead system, the primary transporter of crude oil from western Canada to the U.S. and the only transporter of crude oil to Ontario, Canada. Petroleum pipeline operators generate relatively stable cash flows because their income is related to the volume of the products transported, not to the price of oil or natural gas. It plans to grow by expanding the capacity of its Lakehead system and by acquiring additional pipeline systems. The current $0.90 per share quarterly distribution amounts to an 8.4% yield based on its $43.81 price. Analysts forecast earnings and dividend growth in the 5% - 10% range for the next few years. MLPs' dividends have attractive tax deferral features, but may not be suitable for tax-sheltered accounts. Consult your tax advisor."

John Doody, **Gold Stock Analyst**, www.goldstockanalyst.com**:** "We continue to like AngloGold, but for 2003, we like ***IAMGOLD*** (ASE IAG 5.27), which completed a merger with Repadre Capital in 1/03 to become a 450,000 oz./yr. gold producer, with low cash costs of $180/oz. This production comes from minority interests in 3 major gold mines: 38% of Sadiola and 40% of Yatela, both in Mali and operated by Anglogold; plus 19% of Tarkwa in Ghana, operated by Gold fields. IAMGOLD also has a significant royalty stream from 5 producing gold mines and Canada's Diavik diamond mine. Together they total $7.5 million per year in income to augment the company's $80 million cash available to buy another mine or royalty. It's no secret to gold investors that the best performing segment of the industry has been the larger intermediate-sized producers that now have, or will soon have, 400K to 600K oz./yr. production. The 'members' of this group (Agnico, Glamis, Goldcorp and Meridian) have seen their stock prices bid up to the point where, on average, the market values an ounce of their proven and probable reserves at $434 and an ounce of their production at $4,817. We see IAMGOLD becoming recognized as the fifth member of this group. Accordingly, IAMGOLD's stock price should rise to the group's market cap/oz. averages, which gives us our target price range of $10.28 to $12.82 per share."

Curtis J. Hesler, **Professional Timing Service**, www.protiming.com**:** "For growth in 2003, I am recommending ***ASA Ltd.*** (NYSE ASA 41.24). As the dollar continues to fall, gold will continue to rise. An easy way to exploit this is owning ASA, which is actually a closed-end fund of gold mining stocks. ASA has had a bit of a run of late. I would suggest taking positions here with the intent of using weakness to accumulate more. ASA pays a quarterly dividend of $0.15 – 1.4% a year at $41.24 in the stock. You can have a stake in gold, which I believe is in the second year of a multi-year bull market, and get a higher return than money market yields while you wait."

WALL STREET FORECASTER, Ste. 700, 250 Liston Rd., Buffalo, NY 14223. Monthly, 1 year, $99.

Two commodity stocks with secure assets

Patrick McKeough: "Producers of commodities and resources run into more than their share of political difficulties, and that's especially so in the third world. However, Newmont and EnCana mainly operate in countries where the rule of law provides them with asset security.

Newmont Mining (NYSE NEM $29; WSSF Rating: Average) is the world's largest gold producer. North America and Australia account for about 70% of its production.

Newmont earned $86.8 million or $0.24 a share in the nine months ended September 30, 2002 compared with a loss of $57.2 million or $0.29 a share a year earlier. Rising gold prices and sales helped offset higher production costs, and a $14.3 million pre-tax loss from derivative investments. Sales rose 58.3%, to $1.9 billion from $1.2 billion.

Three major acquisitions in 2001 and 2002 raised Newmont's long-term debt by roughly 77%, and nearly doubled the number of shares outstanding. But cash flow jumped to $438.3 million or $1.21 a share in the first nine months of 2002 compared with $182.3 million or $0.94 a share a year earlier. This let Newmont cut its long-term debt from 0.8 times equity at the end of 2001 to 0.3 times at September 30.

Unlike other gold producers, Newmont does not engage in hedging. It prefers to cut or expand production based on the spot price of gold, which has risen 13% in the last two months. It is now unwinding the hedge positions of its acquired operations, and should be hedge-free by the end of 2003.

Newmont is a buy for aggressive investors only.

EnCana Corp. (NYSE ECA $31; WSSF Rating: Average) is a major Canadian oil and gas producer. Its main operations are in Western Canada, the U.S. Rocky Mountains, the Gulf of Mexico, the North Sea and Ecuador. PanCanadian Energy and Alberta Energy Company merged in April 2002 to create EnCana.

Assuming that the two companies merged at the start of 2002, EnCana earned $528 million or $1.09 a share on revenues of $5.0 billion in the first nine months of 2002 (all amounts except share price converted from Canadian dollars; $1C=$0.64 U.S.). Cash flow in the period was $1.5 billion or $3.58 a share. The company did not provide year-earlier figures.

In late 2002, EnCana agreed to buy certain oil producing properties in Ecuador for $93.4 million. These new assets will boost its oil output in that country by 9%. It also sold two pipeline investments for $1.02 billion. EnCana plans to use the cash to cut long-term debt (0.6 times equity at September 30, 2002), and fund new acquisitions.

The stock now trades for 19.0 times the $1.63 a share it likely earned in 2002. Higher energy prices, combined with increased production in North America, should boost profits in 2003 to $2.00 a share. The $0.40 Canadian dividend yields 0.8%.

EnCana is a buy."

Editor's Note: The Wall Street Stock Forecaster is a 3-part investment advisory. It encompasses the monthly bulletin, the weekly phone/email Hotline and the monthly supplement, The Wall Street Stock Portfolios.

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UTILITY FORECASTER, 1750 Old Meadow Rd., Ste. 301, McLean, VA 22102. Monthly, 1 year, $129.

Enerplus Resources Fund boast big payouts

Roger Conrad: "For high income and a direct play on energy prices, it's hard to beat royalty trust **Enerplus Resources Fund** (NYSE ERF $18.86) and its tax-advantaged dividend in Canadian dollars of more than 12 percent.

Like U.S. trusts, Enerplus' shares closely track prices of natural gas (74 percent of output) and oil (26 percent). It pays dividends from pre-tax cash flows, a quarter of which are tax-free to U.S. investors.

Canadian royalty trusts like Enerplus, however, also grow via acquisitions. Consequently, it pay a consistent monthly dividend, currently at 30 cents Canadian and increased 7.1 percent in October.

Rising management fees and lower royalties from sales hurt funds operations in 2002, the account from which dividends are paid. Nonetheless, funds from operations still cover the payout and are likely to recover with prices high and several expansion projects boosting output.

The principal risk is if energy prices turn sharply lower, potentially forcing a dividend cut that would send the units' price lower as well. The Canadian dollar could also drop, effectively cutting the dividend to U.S. investors.

In addition, the trust management's ultimate parent is *El Paso Corp*., which would be a drag if the California dispute forces it into bankruptcy.

Even assuming the worst in all three cases, however, damage shouldn't exceed a few points, due to a conservative business plan and with debt only 21 percent of capital. Shares also trade on the Toronto exchange. Information available on website www.enerplus.com. *Enerplus is a buy for aggressive income in a diversified portfolio up to 20."*

INVESTOR'S EDGE, 774 Mays Blvd., Ste. 10, Incline Village, NV 89451. Monthly, 1 year, $149. E-subscription, $99.

Expect a Pullback in the Oils

Joseph Shaefer: "When Saddam leaves Iraq, either under his own power to a life of comfortable exile, or toes up toward heaven, oil prices will plummet. That won't affect refiners and marketers much, and oil service firms not too much more, but it will affect those who explore for and produce the stuff. We will lighten up on our positions now – but we'll keep lots of cash available to buy these back as soon as the public over-reacts on the downside by panic-selling oil stocks.

Natural Resources

It may seem contradictory to lighten up on my favorite oil companies, then recommend a different one here. But **BHP Billiton** (BHP) is more a play on Australia. BHP is an oil company – Australia's biggest; but it's also Australia's biggest miner of precious and ferrous metals and is also its biggest steelmaker. The company ranks among the world's top producers of iron ore and coal, crude oil, and natural gas. Other units mine aluminum, copper, lead, zinc, gold, and silver. BHP has operations worldwide, but it's Aussie at heart – and it will benefit us in two ways, once as the value of its assets rise and then as the US $ falls."

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BI RESEARCH, P.O. Box 133, Redding, CT 06875. Published every 6 weeks, 1 year, $110.

Great Basin rocks!

Tom Bishop: "The shares of **Great Basin Gold** (OTC-BB GBGLF.OB $1.09) are up nearly 31% since the last issue of BI Research, and were up 50%. Gold recently crossed $370 an ounce and this run is not just on war worries. There are some major new drivers to the price of gold. One big, lasting one is that at the beginning of January China announced that it would allow its people to buy and own gold. Heretofore, amazingly enough, this was prohibited. And, indeed, business has since been very brisk on the Shanghai Exchange. Also, the dollar has hit its lowest price against the Euro in over three years. This is only in part due to the war jitters. It is also due to our weak economy and the way the U.S. is alienating itself from investors in many foreign countries. Also, investment returns in the U.S. have been poor in recent years so there is less demand for dollars to buy them. Money is simply going elsewhere.

Since gold is priced in U.S. dollars, the dollars' weakness is helping to make the price of gold increasingly attractive to foreign buyers. Less central bank selling, less forward selling by gold producers and fewer new mines developed due to the weak gold price in recent years are all contributing as well.

Meanwhile, Hecla has filed the necessary documents with the Bureau of Mines and hopes to get feedback by April and hopefully a permit in Q3. At current prices, if the mine was in production and Hecla had earned back its up-front capital expenditure, Great Basin would be getting its 50% of the gold plus a royalty that now works out to $70 an ounce on Hecla's piece. If this resource drills up as planned, I can't believe Hecla won't acquire GBG, which is more than happy to get married off… for the right dowry.

And, over on the Burnstone in Africa, five drills are now drilling their way through a C$2 million, 20,000 foot drill program that will give GBG the necessary comfort that it has a sufficient mineable resource to prepare a C$10 million feasibility study, that in turn would lead to a production decision. GBG also just completed a C$10 million financing consisting of 5.6 million shares at C$1.80, each with half a warrant to buy another 2.8 million shares at C$1.80. I was at first disappointed to see this. There are now 52.4 million shares outstanding. However, the offering came to them, and the above noted current drilling and feasibility program plus the C$3.9 million cash commitment to acquire Burnstone, would have almost exhausted their cash surplus by the end of 2003… and there was no assurance that the climate would be as bright in a year as it is now. GBG has learned to make hay when the sun shines, and did. Note that to acquire its 80% of Burnstone's 5 – 17 million ounces of estimated gold resources, GBG will owe 10 million shares and 5 million warrants at US$.75 in April, if everything still looks good, and another 11 million shares and 5.5 million warrants in2004. That will bring the share count to 73.4 million and add 10.5 million shares of dilution on exercise of the warrants to the 15 million shares of dilution already existing. So if all warrants and options are exercised and the Company issues all the shares to acquire Burnstone, GBG will have nearly 100 million shares outstanding. While you may be inclined to gulp hard here, realize that if all warrants are converted this would bring in another $30 million Canadian and GBG would have enough with production debt financing, to take Burnstone into production. Two mines are now financed to production! And realized that GBG increased its estimated gold resources between 5 and 17 times with this transaction, while only doubling the share count. *Buy*."

FULLERMONEY, Suite 1.21, Plaza 535 Kings Road, London SW10 0SZ UK. Monthly, single issue: 35£. www.fullermoney.com.

Gold will move to $1500 over the next 10 to 15 years

David Fuller: "Investors have only just begun to buy gold. The advance has paused following a recent high at $373.15, in response to a short-term overbought condition. I expect to see a period of ranging, during which recent gains are consolidated. I doubt gold will move much below $350 during this phase, if that. Why? Because China is increasing its gold reserves, and other Asian and perhaps Middle Eastern central banks with large foreign exchange reserves are likely to follow this lead. While a portion of this demand could be offset by European central bank sales, there will be increasing pressure on them to hold dwindling gold reserves in a rising market. Japanese investors will continue to buy, knowing that the next BoJ Governor will weaken the yen. US and European investors hold little gold at present but are a significant source of future demand. Why should they buy? Two reasons – they no longer like the alternatives but everyone loves a bull market. Why buy stocks when the biggest bubble in history burst less than 3 years ago? Why buy bonds when they have already seen a high bull market; deficits are rising; the supply is increasing, and debt problems persist? In contrast, gold is cheap relative to other investments; its bull market has only just begun and supply is limited. Much ahs been made of gold's wear premium, estimated from $10 to $50. I think this premium is small, but likely to increase if war against Saddam Hussein becomes inevitable. Consequently, we are likely to see a temporary dip on the gold price if/when war commences, in line with whatever the consensus figure on the war Premium happens to be. That should be a buying opportunity. I maintain that gold will move to at least $1500 over the next 10 to 15 years.

The Big War Premium Is In Oil

Petroleum prices remain very strong, reflecting the war premium and also chaos in Venezuela. My guess is that this combined premium could be as much as $15 for spot crude, currently trading at $33.62 (NYME). Moreover, it is very likely to rise on anticipation of war. Some pundits say the crowd is complacent in expecting the price to weaken if there is a war against Saddam Hussein. My own perception is that more people now hold this view than my own, which is that crude will trade below $20 within 6 months of Saddam's removal from power. Lower oil prices will be a temporary drag on the gold price.

New Secular Bull Mkt Is In Commodities

A 5-year high for the CRB Index is no fluke. The new secular bull market is in commodities. Why? Because the long-term bear market in raw materials is over; they are priced in dollars; production has decreased in some instances, and China's imports of commodities are increasing rapidly. However, the CRB Index is likely to experience a sharp reaction if/ when war against Saddam Hussein commences, because the price of oil will fall, temporarily affecting sentiment towards other commodities, and the dollar will experience a technical rally as short positions are reduced."

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ECONOMIC ADVICE, 3910 N.E. 26th Avenue, Lighthouse Point, FL 33064. 1 year, 12 issues, $99.

Glamis is what dreams are made of

James Rapholz: "The last quarter of 2002 was one of the most eventful periods in the history of **Glamis Gold Ltd.** (NYSE GLG $12.50). Once again, their operating mines performed well, especially the San Martin mine in Honduras. During the quarter, Glamis produced 58,987 ounces of gold at a total cash cost of $167 per ounce and is on target to produce more than 250,000 ounces for the entire year of 2002 at a total cash cost of less than $170 per ounce. Glamis also made excellent progress in advancing its two gold development projects, the Marigold expansion project in Nevada and the El Sauzal project in Mexico. Furthermore, it is readily apparent that their exploration efforts have resulted in a major find at the Marlin project in Guatemala where they have already succeeded in more than doubling the resource to almost 3.3 million gold equivalent ounces. More importantly, considerable potential for further expansion remains.

One of the Company's key strengths is its excellent financial position. As of November 30, 2002, Glamis held cash and cash equivalents amounting to $47.3 million and working capital of $55.5 million. Mining operations generated $24.3 million in cash flow for the first nine months of the year. The Company remains debt-free and 100% unhedged.

Folks, Glamis Gold Ltd. is what dreams are made of! This little mining company has everything going for it and nothing going against it.

If you are interested in investing in gold mining stocks – I strongly suggest that you make Glamis a part of your portfolio.

And if you already own a piece of Glamis – you should consider buying a few more shares.

Before this gold cycle comes to an end – and that is several years out in our future – Glamis will probably be selling for over $30 per share."

Editor's Note: James Rapholz, probably has more hands-on experience in mining than most in the newsletter business, is forecasting Gold at $3,750 and Silver at $250. Incredible as these numbers may seem, Rapholz draws interesting conclusions. Send $2.00 payable to J.L. Rapholz, 3910 NE 26th Ave., Lighthouse Point, FL 33064.

DOW THEORY FORECASTS, 7412 Calumet Ave., Hammond, IN 46324. 1 year, 52 issues, $259. www.dowtheory.com.

Exxon Mobil
Looks like slick opportunity

Richard Moroney: “Despite sharply higher crude prices, it has been rough sledding for integrated oil stocks. Even **Exxon Mobil** (NYSE XOM $33) considered the stalwart of the group, has seen its shares beaten down near four-year lows. No doubt the prospect of war with Iraq has weighed on the shares. Investors also worry about continuing economic weakness in the U.S., the direction of oil prices, and weak refining margins. Despite these challenges, the company’s prospects remain solid. Earnings per share are expected to climb 17% in 2003. And with the stock nearly 27% off its high, there is plenty of rebound potential. Exxon Mobil is a Long-Term Buy.

Company Profile

Exxon Mobil has upstream (exploration and production) operations in some 40 countries and is a leading producer both on- and offshore. Downstream refining operations are in 26 countries, with more than 40,000 retail outlets in some 100 countries. The company’s chemical products are sold around the world. Exxon Mobil also mines and sells coal, copper, and other minerals. Diverse operations have helped make Exxon Mobil one of the most consistent performers in the energy sector.

Exxon Mobil was slated to announce year-end and December-quarter earnings on Jan. 30, a day after the *Forecasts* went to print. For the quarter, Wall Street expected per-share earnings of $0.50, up from $0.39 a year earlier. The consensus estimate was $0.43 just a month ago. Full-year per-share earnings should be $1.64, down from $2.18 in 2001. For 2003, earnings are expected to be $1.92 per share on sales of nearly $200 billion.

Two issues are worth noting. First, Exxon Mobil faces punitive damages of $4 billion relating to the 1989 Valdez oil spill. Management plans further appeals to reduce that amount. Second, a massive strike in Venezuela – the world’s fifth-largest oil exporter – has helped drive world oil prices to two-year highs. Prices could dip sharply following a settlement.

Despite the uncertainties, Exxon Mobil has been remarkably resilient over the years, growing sales and profits during difficult industry environments. Moreover, the company has paid a dividend every year since 1882. A modest payout ratio suggests that management can increase the dividend, currently $0.92 per share, as profits climb.

Conclusion

Exxon Mobil deserves a premium valuation. The stock trades at 21 times trailing earnings – slightly above the market multiple land 24% premium to its peer group. But the company’s track record of growth, coupled with solid returns on capital and strong finances, has earned the stock a higher P/E ratio than other oils. Consensus estimates project per-share profits will grow 8% annually over the next five years, but Exxon Mobil could exceed that target if oil and gas volumes trend higher. Moreover, the company is far better positioned to compete than it was before the Mobil merger.

Looking out two years, profit margins should continue to benefit from ongoing cost cuts and streamlining. In the near-term, continuing instability in the Middle East could keep oil prices high. Volatility in the stock is likely, but investors taking positions at current prices should reap good two- to three-year total returns.”

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COMMON CENTS, P.O. Box 126354, Benbrook, TX 76126. 1 year, 6 issues, $48.

Oil prices could plummet

Roland Carter: “We would remind investors of the following fact. Because of the Iraq situation, oil has advanced to $33+/bbl., natural gas to $4.60/mcf, and gold (rising nearly $100 /oz. since last year) has touched $370/oz. Within 24 hours after the first shot was fired in the Gulf War in 1990, oil fell about $10/bbl. to $21. Gold fell sharply, too. We’ll watch for a chance to be a buyer of oil/gas issues into such weakness if it repeats with an Iraq War.”

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SILVER-INVESTOR.COM
21307 Buckeye Lake Lane, Colbert, WA 99005.
Monthly, 1year, $78.

Further weakness represents
a good buying opportunity

David Morgan: “Technically, gold is showing some weakness here but is still well above the 200 day moving average. This key market indicator shows that gold could actually move down near the 330 level and still be in a major bull market. Silver unfortunately has moved below its 200 day moving average and as I stated last month, the trading funds sold right on cue to the benefit of the commercial traders.

What is of concern currently is the fact that many of the top tier mining companies are right on the 200 day moving average. This area should hold in our view, but if it does not hold then the market will have to consolidate further. This consolidation could take into late March or early April. Again, in our view, if we see further weakness into late March or early April, it would represent a good buying opportunity for new investors or people wishing to add to their holdings.”

FORECASTS & STRATEGIES
7811 Montrose Rd., Potomac, MD 20854.
Monthly, 1 year, $199.

Good News: Freeport Plans to Pay Cash For FXC-B

Mark Skousen: "If you haven't already done so, I urge you to earmark at least 10% of your portfolio to a gold/silver/oil stock position. Yes, they are volatile, but they belong in your portfolio as the ultimate hedge. My favorite gold play continues to be Freeport convertibles.

Freeport Copper & Gold's convertibles, FCX-A, B, C and D, have been some of my all-time favorite income/growth investments. They've done extremely well in the past two years, given the high risk (Freeport's Grasberg property is located in Indonesia, the source of political/economic instability). In the past year, FCX-B has advanced 60% and FCX-C has done even better, increasing 120%!

Freeport recently announced that it plans to redeem its gold convertible FCX-B ($35.05) in cash when it matures in August. This is great news for investors who worried that Freeport wouldn't have the liquid funds. But Freeport Copper has performed well in the past year, boosted by higher gold and copper prices and record output. Last year it produced 1.5 million pounds of copper and 2.3 million ounces of gold, while cutting its long-term debt position. This year it is expected to produce 2.6 million ounces of gold Moreover, through debt reduction and the new issue of $250 million in senior notes, it is expected to achieve strong cash flows in 2003.

I continue to recommend all four Freeport convertibles, although long-time investors should consider putting in a stop order at 10% below the current price."

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PERSONAL FINANCE, 1750 Old Meadow Road, Suite 301, McLean, VA 22102. 1 year, 24 issues, $97.

All that glitters

Stephen Leeb and Elliott Gue: "Gold and silver stocks were to the 1970s and early '80s what tech stocks were to the '90s. Rising inflation, a weak dollar and low real interest rates helped to push gold to well over $600 an ounce and silver to more than $35 in 1980. Gold and silver-related companies – many now out of business – were the speculative flavor of the day.

But when former Federal Reserve chairman Paul Volcker broke the back of inflation in the early '80s, it wasn't only inflation that broke down – gold, silver and platinum began a nearly uninterrupted slide that lasted more than 20 years. The related stocks followed suit.

But signs are that the tide is turning for precious metals stocks. Gold has bottomed and broken higher to well over $350, and platinum and silver aren't far behind. Precious metals stocks have emerged as the strongest alternative asset in today's market.

Golden Opportunity

With interest at multi-year lows and inflation still positive, real rates are close to negative. That means it actually costs money to keep your cash parked in an interest-bearing bank account. Meanwhile, stocks are trading at multi-year lows and the bond market isn't offering much income unless you're willing to accept serious credit risk.

Gold is one of the few logical alternatives for investors' money. And it's not just individual investors and fund managers who are looking to buy gold, it's major central banks around the world.

Gold has traditionally been seen as a store of wealth and throughout history it's been used as a reserve currency for countries. But in the wake of a nearly 20-year bear market, most worldwide central banks have allowed gold holdings to slip as a percent of their total reserve in favor of dollars.

This trend is especially apparent in Asia, where countries like China and India have been holding mainly dollars and only a little gold. But that's starting to change: China announced that it's increasing its reserve holding of gold and India may not be far behind.

The fundamental arguments for holding gold stocks are compelling, and the strong uptrend in most of these stocks confirms the bullish view – but it's likely to be a rocky ride. Already, Advantage Portfolio recommends **Gold Fields** (NYSE GFI) has pulled back from our entry point. Unless we see the metal really break down, pullbacks should be used as buying opportunities.

And because the company is based in South Africa there's been speculation that strength in the South African rand would hurt profits. *But strength in the currency is a minor setback in an otherwise bullish trend – Gold Fields remains a buy below 15.*

The PGMs

The bullish case for platinum group metals (PGMs) is every bit as compelling as for gold. Not only are PGMs key stores of wealth, they're important industrial metals.

Despite continued political strife in Zimbabwe, **Zimbabwe Platinum** (Zimplats OTC ZBBEF) remains a buy. The stock is ultra-leveraged to rising platinum prices and Zimbabwe remains a key source of the metal. *Zimplats is a buy below 1.50.*

This issue we're also adding **North American Palladium** (Amex PAL) to the Advantage Portfolio. The company's Lac des Iles mine in Ontario is among North America's largest deposits of palladium and the deposit contains smaller amounts of platinum, gold and silver.

The stock is a pure play on palladium prices, which have lagged platinum and gold recently – palladium will soon see its day in the sun. *North American is a buy below 3.10.*"

Editor's Note: Stephen Leeb is editor of *Personal Finance* and *The Profit Maximizer*. Elliott Gue is associate editor of *PF* and editor of www.TradingFloorPro.com.

Martin Weiss' SAFE MONEY REPORT, 4176 Burns Rd., Palm Beach Gardens, FL 33410. Monthly, 1 year, $189.

Gold: Expect A Brief Pullback, Then Another Leg Up – to $400 and Beyond! Here's What To Do

Larry Edelson: *"Question #1: "I have some incredibly juicy profits in the gold shares you've recommended. Shouldn't I take some?"*

No. It's too soon!

This is a new, major rip-roaring bull market in gold. There are bound to be setbacks and corrections, but the more you try to catch them, the greater your risk of missing out on the next major surge. Hold on tight and ride this bronco bull for the long haul.

Questions #2: "Have I missed all the fun? Is it too late to get on board?"

No. I believe the bulk of the move is still ahead.

My only caveat: Do not buy into the euphoric surges such as we've seen in recent weeks. Instead, wait for a modest price dip in my favorite gold shares to the levels I specify below. Then jump in.

Questions #3: "Why is gold's new bull market so strong?"

My answer:

• Surging investor demand, generated by massive worldwide loss of confidence in financial markets, government budgets, and the overall ability of the West to defend itself from international threats.

• Horribly inadequate supplies. There's not enough gold in the world to meet current demand.

• The Japanese, and most recently, the Chinese are buying up tons of gold. This introduces a whole new demand force.

• The selling we saw in past years by central banks and mining companies is coming to a virtual standstill.

It's one heck of a new bull market in gold and you ain't seen nothin' yet!

Question #4: "What's the latest on our mining shares?"

Anglogold (AU) is up 16% since my first recommendation just two months ago. This company just announced a $1.42 annual dividend, translating to a yearly yield of nearly 4% – not bad in contrast to the 1.88% average yield on dividend-paying S&P 500 stocks. It also expects a 10% decline in production costs to $161 per ounce… a 21% increase in operating profits to $638 million… and a 29% jump in earnings to $368 million.

If on board, hold. If not, buy at $35.35 or better.

Durban Roodepoort Deep (DROOY). In January, the company announced that it had bought a 14% stake in Emperor Mines Limited. Both companies hope to enhance operations at the emperor flagship Vatukoula mine in the Australasian region. I think this one is heading a lot higher. Hold. If not on board, buy at $4.13.

Royal Gold (RGLD) gained 7% last month and is now trading over $27. This is a great company whose share price I expect to keep moving higher. Hold. If not on board, buy shares a $27.57 or better.

Agnico Eagle (AEM). The company admitted a few problems in its recent production results stemming from underground drilling issues. Nevertheless, Agnico looks set to produce gold next year at substantially reduced costs of $125 per ounce – down from $195 in 2002. That's a good sign for next year's profits.

Meanwhile, despite the mishaps, the share price is doing great, recently hitting $16.47. Hold. If not onboard, buy at $14.64 or better.

Newmont Mining (NEM) just announced that it has boosted its regular dividend by 33% to 4 cents. That's a nice added benefit, but don't buy based on that alone. The main reason to buy is because of the gold it has in the ground.

Shares in this stock have nearly doubled since I first told you about them. Hold. If not on board, buy at $28.90 or better.

Glamis Gold (GLG) shares have appreciated sevenfold since I first recommended them. And they're still headed much higher. Like Anglogold, Glamis also announced a reduction in production costs in January – some 7% lower than in 2001. The company achieved record production of gold in the fourth quarter and for the year as a whole. And in 2003, it intends to produce the same, but at lower costs. Buy at $12.56 if not on board."

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FREEMARKET GOLD & MONEY REPORT
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Gold remains in a bull market

James Turk: "Gold is now in the process of stabilizing and re-establishing a new area of support. There has been a huge reduction in open interest. A lot of traders have been shaken out. And gold has dropped from the headlines. All of these observations suggest that the correction is over, but while it's still too early to jump to any conclusions about gold's short-term outlook, the long-term outlook remains bullish.

The fundamental factors that are driving gold higher have not changed over the past few weeks. If anything, they have become more bullish for gold. The 1.6% jump in the Producer Price Index for January indicates that there is a lot of inflation in the 'pipeline' because it is not only oil prices that are riding. The $44.2 billion trade deficit for January is a new record, which suggests that the dollar has much further to fall.

The long-term view is clear – gold remains in a bull market. Its primary trend is up, and everything suggests that gold will in time make a new high and then clear $400. But that won't happen until the short-term view improves, and it is still too early to say whether or not this correction is behind us. There may be a few more bumpy days ahead."

OIL/ENERGY STATISTICS BULLETIN and Canadian Oil Reports, 1 year, 24 issues, $185.

Natural gas markets have entered a newand prolonged period of higher prices

John McGilvray: "For the past several years we have been looking for natural gas markets to burst through to new, higher price ranges. This expectation was thwarted, though, by winter weather that was much milder than the norm in many gas-consuming regions of North America. Now, though, it appears the turning point has arrived. This season, Mother Nature has unleashed a winter on many populous areas of the United States that has been as brutal as the stock market has been dismal. The result has been unusually high demand not only for heating oil but for natural gas as well. That combined with a sharp plunge in gas storage levels – down 43% from last year – to create a spike in natural gas quotes which reached an all-time peak this week. Of course, prices over $10 per thousand cubic feet will not be sustained, but a healthy gas market will, in our view, now be the rule rather than the exception. For the rest of this year, gas markets will benefit from additional demand created by the need to replenish sharply depleted storage supplies. Beyond then, continually rising consumer demand should mean ongoing prosperity for gas producers.

Strong natural gas markets continue to focus attention on gas-rich Canadian producers, and that allowed the group to again outperform the general market this past fortnight. Moreover, there are increasing signs that gas markets are going to remain healthy if not in the stratosphere like they have been this week – for much more than the current heating season, and that's another good sign for the Western oils and their shareholders.

By just about any measure, its first year of existence was a highly successful one for **EnCana Corp.** (NYSE ECA 31.96). This giant independent producer, which was formed through the merger of Alberta Energy and PanCanadian Petroleum, has lived up to, and even exceeded, the high expectations associated with it from the beginning. Most important of all, EnCana has grown its oil, and especially natural gas, production while at the same time finding more than enough new oil and gas to replace that growing production. For 2002, in fact, the company reported last week that it had replaced 190% of production on a proved basis. In the process, EnCana increased its total conventional proved reserves by 10%.

Production itself advanced sharply for EnCana last year, particularly in the fourth quarter when natural gas sales averaged 3.04 billion cubic feet a day, up 21% from the pro forma results for the final three months of 2001. During the fourth quarter, the company was able to capitalize on its position as the largest independent owner of natural gas storage capacity in North America to sell an average of 149 million cf/d gas from storage as prices strengthened. We would expect that, given the sharp recent spike in spot market natural gas prices, results from the quarter now in progress will show even more sales from storage. For the fourth quarter, EnCana's oil and liquids output averaged about 271,000 b/d, up 8% from year earlier figures. The company, which is one of the world's most active drillers, completed 905 net wells in the quarter.

Looking ahead, EnCana is targeting 10% growth in its oil and gas sales for 2003 on a per share basis. Overall, the company is looking for production to advance to the range of 740,000 to 797,000 barrels of oil equivalent per day. EnCana will continue to be one of the continent's most prolific gas producers this year, with production expected to average between 3 billion and 3.1 billion cubic feet a day, allowing EnCana to remain one of the premier beneficiaries of expected on-going natural gas market strength. The firm's 2003 oil flow is forecast to average between 240,000 b/d and 280,000 b/d.

After earning $2.59 a share last year, EnCana appears headed for earnings in the range of $3.50 to $4.00 a share for 2003. Based on the outlook for natural gas markets, and given the company's strong role as a producer and its huge storage capacity, we would look toward the higher end of that range of the final result. In a 2002 market that can only be characterized as awful, EnCana had a total return of about 19%. *It could do even better than that this year and we would buy the shares for that reason.*

Canadian Natural Resources (NYSE CNQ 32.50; TSE CNQ 47.70) reported its fourth quarter results this week and they were excellent. With production and prices rising steadily, the company had per share net income for the quarter of C$1.56 compared with the C$0.44 netted in the final three months of 2001. Profits for the full year, however, still trailed those of '01, coming in at C$4.46 a share, down from C$5.30.

For the year, production rose by about 17%, with the majority of the growth coming in natural gas – a key positive given the strength in gas markets. Proved reserves also improved by about 20% over the year-end 2001 level. For all of 2002, CNQ's gas production averaged 1.232 million cubic feet a day, and that was a solid 34% improvement over the 2001 average. Oil and gas liquids volumes rose at a more modest pace, up 4% to an average of 215,300 b/d. The firm replaced 301% of the year's production, through a combination of acquisition and drilling, including the addition of nearly 1 trillion cubic feet of gas reserves. That brought Canadian Natural's total gas reserves at year-end 2002 to 3.7 trillion cubic feet – 94%of it in North America. *Canadian Natural Resources is an excellent way to invest in the bright future of Canadian oil and natural gas producers.*"

Kenneth Coleman's INVESTMENT TRACKER, 4805 Courageous Ln., Carlsbad, CA 92008. Monthly, 1 year, $139. E-mail. $99. www.theinvestmenttracker.com.

Ashanti: Best looking money flow patterns

Ken Coleman: "I intend to purchase **Ashanti Goldfields Co.** (NYSE ASL $6.12). Ashanti has one of the best-looking money flow patterns in the small-cap gold sector right now. The stock has moved from $3.90 to the current price since August."

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Gold is not the only metal on the move

Lawrence Roulston: "Gold has dominated news in the mining industry over the past year, but some other metals also deserve some attention. For example, platinum has been moving up even faster than the gold price, and has now broken through $700 per ounce. The copper price has also been creeping higher and looks like it has a ways to go.

I have pointed out that the gold industry was replacing only about one quarter of annual production during the period when the gold price was low and the industry slashed exploration spending. A similar situation applies to the base metals. Reduced exploration and development spending over the past few years is now beginning to impact on production levels and the major producers are scrambling to increase reserves.

The base metals have been largely ignored by investors, on the basis that the slow economy means reduced demand and low metal. However, it is important to remember that the current economic slowdown simply represents a low level of growth from the prior year, not an actual reduction in output. In other words, during this period of slow economic growth, the world is only using about the same amount of copper as was used in the prior year.

Recession or not, the mining industry continues to pull 24 billion pounds of copper out of the ground every year. It is a similar story for the other metals. The mining industry continues to mine the metals, but it has been falling short of replacing the reserves that are mined each year.

At the current level of $0.78 per pound, the copper price has now gained 30% from the $0.60 low of August 2001. I don't expect big gains in copper or other base metal prices in the near future, just a continuation of the slow uptrend. However, the strength in the copper price has important implications for some of the gold companies, in that copper is often associated with gold in ore deposits. As the copper price rises, these bi-metallic deposits become even more attractive.

Furthermore, with the copper price back into profitable territory, the copper companies will again turn their attention to replacing reserves, and that will have important implications for several junior companies."

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WORLD GOLD
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Barrick's lawyers keeping busy

Paul Burton: "A busy time for **Barrick Gold's** (TSX ABX) lawyers as the company serves a formal Libel Notice on Blanchard and Co, Inc for "false and defamatory statements", and appeals against a US$41 million tax assessment of its Pierina mine in Peru, which it claims is "incorrect and inconsistent".

In December, US precious metal dealer Blanchard filed an antitrust lawsuit against Barrick Gold and investment bank JP Morgan Chase alleging that the two companies have manipulated the gold price and made some US$2 billion in profits from short selling at the expense of investors. A Barrick official stated, "Blanchard has made statements that have no basis in fact and are totally irresponsible and defamatory. We value our good name, and we are simply not prepared to tolerate the dissemination of false statements concerning Barrick that are harmful to our reputation, business interests and stakeholders." Company officials added that Barrick plans to commence proceedings in Canada for substantial damages and other relief against those responsible for the false statements.

Meanwhile, the Peruvian authorities have ruled that the company must pay in taxes for 1999 and 2000, which Barrick notes would also result in a further US$100 million in additional taxes over the life of the mine. The tax assessment was made at Barrick's request in relation to its revaluation of the Pierina concession, which it says was made in compliance with the relevant Peruvian corporate and tax laws. The company has, however, already fully provided for US$141 million in taxes over the course of the mine's life, and therefore expects the impact on its 2002 earnings to be minimal."

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