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June 2002

Inside...

Looking at Newmont

Absorbing A Giant Merger

By Walter Lynch, editor
The Lynch International Investment Survey

Newmont Mining Company (NYSE NEM $31.20) closed out its biggest merger yet in the March 2002 first quarter. The "new" Newmont became quite a different mining company from the "old" company. As the Chief Financial Officer said in a conference call, "Due to the acquisition in mid-February, the first quarter had a lot of accounting-related noise, reflecting about half a quarter of consolidation. For this reason, the first quarter is really not an accurate representation of coming quarters."

Actually, the financials were really not bad. Sales of gold were up but costs also rose. The March 2002 sales rose to $491.6 million from $427.5 million in the same 2001 quarter. At the same time, Newmont reduced its first quarter loss to $8.9 million (d$0.04 per share) from a loss of $37.2 million (d$0.20 per share) in March 2001.

Note that the recent March quarter included a non-cash mark-to-market gain from derivatives of $12.3 million ($0.04 per share). In the March 2001 quarter, the loss included both a mark-to-market gain and also merger related costs (Battle Mountain merger) resulting in a loss of $31.7 million (d$0.17 per share).

With the Normandy Mining and Franco-Nevada acquisitions being recorded in the middle of the March quarter, investors should really be looking forward so as not to be confused by various accounting adjustments. We believe that, while the accounting end may not be representative, the actual hard mining end does give representation of what may be expected in the months ahead.

March gold sales for the "new" Newmont amounted to 1.5 million oz. With the integration of the Normandy properties management is looking for an increase in production in 2002 to 7.5 million oz. In 2001, the "old" Newmont produced 5.43 million oz. at a total cash cost of US$184 per oz. Total cash costs increased to US$196 per oz. due mainly to a sharp increase in costs at the Nevada operations. These saw production fall by 123,000 oz. in the first quarter to 606,000 oz., while total cash costs rose to US$239 per oz. from US$200 per oz. in the March 2001 quarter.

Note that through the entire year of 2001, Nevada operational cash costs rose due to lower grades but, more importantly, due to higher energy costs. For the entire year 2001, total cash costs rose to US$222

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Looking at Newmont

Absorbing A Giant Merger

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per oz. from US$203 per oz. in 2000. NEM's Nevada operations had been tied in closely to the local utilities and were seriously affected by the West Coast energy crisis.

South American Production

In Peru, March production from the Yanacocha group of mines in Peru totaled 248,000 oz. for NEM's account (51.3%). Again, total cash costs rose to US$137 per oz., the highest level since the group came onstream. In 2001, total annual cash costs rose to US$117 per oz. with the March 2001 costs averaging only US$33 per oz. This has been due to higher cost mining at the new La Quinoa mine of Yanachoca where the new crushing and agglomeration operations added to the cost structure. By 2003, La Quinoa is expected to produce one million oz. annually at a total cash cost of US$125 per oz.

Indonesian Operations

In Indonesia, the Minihasa gold operation ended production in late 2001 and the company is currently processing low grade surface stockpiles. This will continue in diminishing amounts through 2003. Newmont's second Indonesian operation is the Batu Hijau copper gold mine on the island of Sumbawa. NEM holds a 45% interest with Sumitomo Corp. of Japan holding 35% and a local company (P.T. Pukuafu Indah) holding the balance. It is expected that total 2002 copper production here should be close to 700 million lbs. Plus 575,000 oz. of by-product gold. Total cash costs should be in the range of $0.34 - $0.36 per lb. of copper, net of gold credits.

Newmont has a 50% interest in the Newmont-Zarafshan mine in Uzbekistan. NEM's quarterly share of the low grade stockpiles averages 55,000 oz. with total cash costs of US$136 per oz. The joint venture is currently expanding the leach pad and the conveyor system to take care of an additional 220 million tons of ore averaging 0.05 oz. of gold per ton.

Selected Australian Mines

Looking forward, through 2002, as we pointed out, NEM management expects to produce 7.5 million oz. of gold at a total cash cost of US$180 per oz. Note that these costs are substantially below the first quarter companywide costs of US$196 per oz. On a recent conference call, Chairman Wayne Murdy said, "Our mine plans in Nevada, Yanacocha and Tanami and Yandal in Australia indicate a rising production profile and a corresponding decline in costs." The two Australian properties were part of the Normandy mining empire. NEM now owns 100% of the Yandal operation which consists of the Bronzewing, Jundee and Wiluna mines located about 425 miles northeast of Perth in Western Australia. In 2001 they produced 835,000 oz. at a total cash cost estimated at US$160 per oz.

The Tanami operations consist of The Granites treatment plant and a number of mining operations including the Callie underground mine as well as the Dead Bullock Ridge, Bunkers and Quorn open pits. In 2001, Normandy's share (89%) amounted to 442,500 oz. with total cash costs of US$144 per oz.

Prior to the Normandy acquisition, NEM held a 50% interest in the Vera/Nancy gold mine in Australia with the balance held by Normandy. Total production amounted to 252,000 oz. annually at a total cash cost of US$105 per oz. NEM also gained a 50% interest in the Super Pit in Kalgoorlie. This is Australia's largest gold producer. Its total output amounted to 768.000 oz. with total cash costs of US$203 per oz. Barrick Gold holds the other 50%.

With the acquisition of Normandy, Newmont has global gold reserves of 86.0 million oz. This is based on NEM's December 31, 2001 reserves report and Normandy's reserves report as of June 30, 2001 (end of fiscal year).

Recommendation

NEM has been a long time recommendation of The Lynch International Investment Survey. We continue to recommend it. Just keep in mind that the metal itself can quickly reverse course. Limit your gold share investments to about 10% to 15% of your total portfolio. NEM fulfills the quality end of our recommendation. It is one of the best in the industry. As an unhedged producer, the investor benefits from the current rise in the gold price. Note that the "new" NEM is in the process of working down the enormous Normandy hedge position. However, this is being done slowly and carefully. Current investment positions in NEM should be maintained. Add to these only on share reactions of 10% to 15% below the current market price.

Editor's Note: Walter Lynch is editor of The Lynch International Investment Survey, a highly-regarded advisory newsletter published continuously for over 30 years, 431-136th St., Belle Harbor, NY 11694, 1 year, 52 issues, $175.

The Bull & Bear Financial Report

P.O. Box 917179
Longwood, FL 32791
Phone: 1-800-336-2855
Fax: (407) 682-6170
Editor: David J. Robinson

Gold Fever Spreads to the Idaho Silver Fields

By Ron Nicklas and Tom Wobker
Pennaluna & Company

The growing investor excitement over gold mining stocks now seems to be spilling over into the Idaho silver fields.

This is probably not surprising. Rallies in gold are often followed by rallies in silver – "the poor man's gold". Since the price of silver has been lagging gold for months, odds of a catch-up move are looking good. Also, prospects are promising for heavier industrial demand as economic recovery accelerates.

And there's another point too. While the universe of gold stocks is very small, the universe of silver stocks is downright *tiny*. Even a modest flow of new money into the sector could ratchet prices up quite sharply.

This new investor interest seems still in the early stage. Although prices and trading volumes in a number of these stocks are climbing higher (in some cases a lot higher), shares of many of the smaller juniors haven't risen too much. That could come in stage two, if the trend continues.

Gold among the silver stocks

The concentration of silver miners in the Inland Northwest is explained by geography. North Idaho's Coeur d'Alene Mining District is the richest primary silver-producing region on earth. It's yielded up more than a billion ounces during the last century.

Over the years, silver mining and exploration outfits have proliferated here. Periodically, bear markets in precious metals come along and push many into hibernation, merger, or out of existence. When the bull shows up again, the survivors go back to work. That may be where we are now.

Besides silver, there's a fair amount of *gold* scattered among these stocks too. You'll notice that fact in this brief report that highlights a few recent developments in Northwest mining stocks. (Prices are as of late May.)

Hecla Mining (NYSE HL) – Hecla was built on silver, but it counts on gold for revenue too. First quarter gold production climbed nearly 60% – to over 56,000 ounces. Cash cost of gold production fell to $137 an ounce, and silver production costs dropped also. Quarterly income from operations was slightly on the plus side: a penny a share, up from a loss of five cents a year ago. After a charge for unpaid preferred dividends, the loss was two cents a share, still a marked improvement.

Lately the market has looked fondly on 111-year-old Hecla. At New Years, the stock stood at .94. By late May, it had quintupled to $4.75.

New Jersey Mining (OTCBB NJMC) – Although New Jersey has plenty of silver property, it's focused on gold at the moment. Bolstered by a recent private placement, the small junior has started 1,500 meters of diamond drilling for high-grade gold shoots at its mine near Kellogg, Idaho. As for silver, it plans to drill later this summer at its Silver Strand mine near Coeur d'Alene and at the Lost Eagle prospect near Murray. Headed by the father and son mining engineer team of Fred and Grant Brackebusch, New Jersey shares are quoted now at about .23 (bid).

Coeur d'Alene Mines (NYSE CDE) – Coeur just inked a deal for $16 million in new financing to pay off $9.4 million in debt that comes due in June. After a first-quarter loss of 23 cents a share, it says things are now looking up. Its new Cerro Bayo gold and silver mine in Chile recently went into production a month ahead of schedule; Coeur expects it to produce 52,000 ounces of gold and 3.6 million ounces of silver this year.

Quarterly production from its Silver Valley mining operations up in the District (where Coeur employs a couple of hundred people) climbed over 30% from the same time last year, and hit 1.5 million ounces of silver. Cash costs of production fell 9%. Coeur stock started the year at .80 and was trading recently at $1.88.

Sterling Mining (PinkSheets: SRLM) – At age 99, Sterling is an old-timer with a large portfolio of silver properties that's now drawing a bead on gold as well. Its Ashington Mining subsidiary plans more work this summer at the Kimberly Gold Mine Project down in central Idaho. The project is operated by Kimberly Gold Mines, Inc., a private firm in which Sterling has an interest. The Kimberly is an old gold mine with over 4,000 feet of tunneling and a 100-ton per day mill. The aim is to rehabilitate and explore the property and start producing gold again. Drilling is planned later this season. Sterling stock was bid recently at .25.

Sunshine Mining – Sunshine just couldn't wait any longer for better silver prices. The historic old timer filed Chapter 11 last year, mothballed the Sunshine Mine last winter, sold its Argentina property and closed its office this spring. It looks like a goner.

Formation Capital (TSE FCO) – Formation is focused not on gold or silver, but on *cobalt*. The Canadian firm is developing a cobalt mine in Idaho's Lemhi County and wants to become the only integrated cobalt miner and chemical refiner in the United States. To further the plan, Formation has paid Sunshine $675,000 toward purchase of its Big Creek refinery up in the Silver Valley, where it would process the mine's concentrate. FCO was trading recently on the Toronto Stock Exchange at about US .31.

Yamana (TSE YRI) – Spokane-based Yamana has been busy this spring. First, it sold its Mina Martha silver properties in Santa Cruz Province, Argentina, to Coeur d'Alene Mines. That left it without debt and free to focus on its gold properties in the same area. In late April, it agreed to a joint venture to develop those properties with Compania de Minas Buenaventura S.A.A., Peru's largest publicly traded precious metals mining company. The agreement includes a

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buy of 1.5 million Yamana shares and a three-year $2.8 million exploration program. Yamana traded in Toronto recently at about US .21.

Trend Mining (OTCBB TRDM) – Trend is a former junior silver that some time ago shifted its focus to PGM metals. This spring, Trend acquired sole ownership of the Lake Owen platinum-palladium-gold property in Wyoming. Prominent financier Asher Edelman holds nearly 20% of the stock of the Coeur d'Alene firm, whose shares have been somewhat bruised by falling platinum and palladium prices. Trend stock has traded lately in the .70 range.

Minera Andes (OTCBB MNEAF/ CDNX MAI) – Minera Andes says that more drilling by joint venture partner Mauricio Hochschild & Cia. Ltda. at its Huevos Verdes property in Argentina has boosted the estimated size of the gold and silver system there. (Mauricio Hochschild is a large, century-old Peruvian mining firm.) Exploration shafts and underground galleries are planned for later this year. Minera controls over 400,000 acres of mineral exploration land in Argentina, with gold, silver and copper targets. Headquartered in Spokane, the firm's stock is owned 25% by Spokane-based N.A. Degerstrom, Inc., the mining contracting and engineering company. Shares were trading recently at about .25, up from around a nickel at the start of the year.

Stillwater Mining (NYSE SWC) – Montana-based Stillwater has hired a crowd of Silver Valley hard rock miners to work at its mine over near Nye during the past couple of years. The only U.S. producer of palladium and platinum, Stillwater has lately seen turbulent times. Beset by weak PGM demand and embroiled in argument with the SEC over how it defines probable reserves, the outfit has also been targeted by class action lawsuits. The stock, which a year ago was trading above $37, is now trading under $18.

As we write, gold is in a robust advance and silver appears to be strengthening. If these trends continue, we expect dramatic developments around here. We'll try to keep you updated on them.

[Disclosure Note: Pennaluna & Company is a NASD member firm that has been active in the market for mining stocks since 1926. Thus it may take positions from time to time in any of the mining stocks mentioned in this article.]

Editor's Note: The authors Ron Nicklas is president of Pennaluna & Company, a NASD broker-dealer and market maker with its main office in Coeur d'Alene, Idaho, and clients in a number of states. Tom Wobker is a principal with the firm. Founded in 1926, Pennaluna trades stocks on all U.S. and Canadian exchanges, Nasdaq, OTCBB and Pink Sheets, with a special focus on mining securities. Phone 800-535-5329 or visit www.pennaluna.com. The firm also offers discount online trading at www.penntrade.com.

Klondike Gold Hunts For Another Sullivan Mine

by George Werniuk

Patience has been a lifesaver for many junior companies over the last several years. When investors shunned the mineral exploration and mining sectors, the die-hard explorers hunkered down and waited for better times.

Some even took advantage of the situation and quietly planned for the day when market sentiment would improve and they could raise the financing to continue searching for deposits.

Klondike Gold Corp. (TSX KG $0.22; Tel: 604-685-2222; Web site: www.klondikegoldcorp.com) went even further.

While many exploration companies were fleeing B.C. because of its hostile attitude towards mineral exploration, Klondike was quietly picking up ground that it had coveted for years.

At Staking Cost

As ground reverted to the Crown, Klondike would pick it up for just the cost of staking. The plan was to pull together a land position in the Kimberley-Cranbrook area of south-eastern British Columbia and search for deposits similar to Cominco Ltd's Sullivan mine.

Sullivan mined 166 million tons of ore producing 18.5 billion pounds of lead, 17.5 billion pounds of zinc and 297 million ounces of silver from 1900 to 2001.

Over 70 years of exploration had failed to locate another deposit of Sullivan's size and richness, but a vast resource of information and knowledge had been accumulated.

Klondike has been working on a deposit model that it thinks will prove effective in finding Sullivan-like deposits.

According to the company's reasoning, the location of the Sullivan deposit was controlled by geological structures, namely a major regional north-south fault that was intersected by smaller east-west trending faults or geological structural breaks.

About 1.4 billion years ago these intersections acted as conduits for mineral-rich fluids rising from the depths of the earth to spread along the sea floor. The accumulating fluids remained undisturbed, were eventually buried, and turned into the Sullivan deposit.

The cross-cutting fault structures are readily visible on satellite imagery. Other factors such as geochemistry, alteration, age and displacement of the rocks over hundreds of millions of years also have to be taken into account.

But the most visible manifestation of the potential targets are cross-cutting structures. Of the 24 targets identified so far by Klondike, six have been optioned from other juniors and 18 are on ground 100 percent owned by Klondike.

According to Richard Hughes, president of Klondike, the aim for this year is to drill test the 24 vents that have been identified on the company's ground with at least one hole each.

Phase I drilling is already underway with the drill testing of the Fran, DA and Cool vents. This drilling should be completed by mid-June.

Phases II of drilling will start later in June and will test five Sullivan-type targets plus one gold target. The vents to be tested in Phase II will be

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the Irishman, Quartz Mountain, Payday, M.F.W. and Comis. The remaining vents will be tested subject to financing.

Of the 24 targets, three are under option from Abitibi Mining Corp. and three from Sedex Mining Corp.

Klondike Gold began in 1981 as Arbor Resources Inc., a junior company devoted to acquiring and developing hard rock claims in the Klondike Mining District, Dawson City, Yukon. Following a corporate restructuring in 1996, the company was renamed Klondike Gold Corp.

Today it holds about 500 claims in and around Bonanza and Eldorado creeks in the Yukon where over six million ounces of gold have been produced since 1896. The bulk of this gold has come from placer gravel deposits.

Where did the placer gold come from? That has never been answered, but Klondike thinks it has found the motherload.

The company spent seven years exploring the area and found gold in bedrock, in three shear zones that contained nuggets of gold and some gold mixed with sulphides. The three zones range in width from 10 to 95 feet, and are located on the east side of Eldorado Creek.

Three more years were spent trenching, drilling and sampling the zones. Today the zones have been followed for more than three miles and are now ready for bulk sampling.

Because of the nugget-type mineralization, drilling could give misleading gold values. Therefore, bulk sampling is the only method of testing the true grade of the zones.

In 1912, a 5000-ton bulk sample was processed giving a grade of 0.15 ounces per ton (opt) gold, but the primitive processing method and poor gold recoveries underestimated the true grade of the ore, which the company thinks might be as high as 0.29 opt gold.

Drilling is planned for this summer to test the length of the shear zone.

The recent increase in price of gold makes this project one to watch if the bulk sampling does go ahead. If the shear zones prove to be the source of the Klondike fortunes, Klondike Gold could live up to its namesake.

Track Record

Klondike also has some silver properties in southeastern British Columbia, but these are not being actively explored as the focus of the company's resources are on the Sullivan and Klondike projects.

The company has good properties, both gold and base metal, located in areas that can easily support mining requirements.

Richard Hughes, president of the company, is a mining man with a proven track record in the business. He was involved in the discovery and development of the Belmoral gold mine in Val d'Or Quebec, the Hemlo gold deposit in northern Ontario and the Sleeping giant gold mine in northern Quebec.

Editor 's Note : George Werniuk is a Toronto-based geologist. His article appeared in the Investor's Digest of Canada, 133 Richmond St., W., Toronto, Ontario M5H 3M8, 1 year, 24 issues, $137. Investor's Digest of Canada was voted the World's Best Investment Advisory by the Washington based Newsletter and Electronic Publishers Foundation in 2001 for the third time.

Mountain Province Diamonds Inc.

Discovers High-Quality, Top-Color Diamonds in Canada

Global Diamond Giant De Beers Funding All Exploration & Development Costs

Mountain Province Diamonds Inc. (OTC BB: MPVI; Toronto: MPV) is sitting on a potential world-class g em-quality diamond deposit in Canada's Northwest Territories.

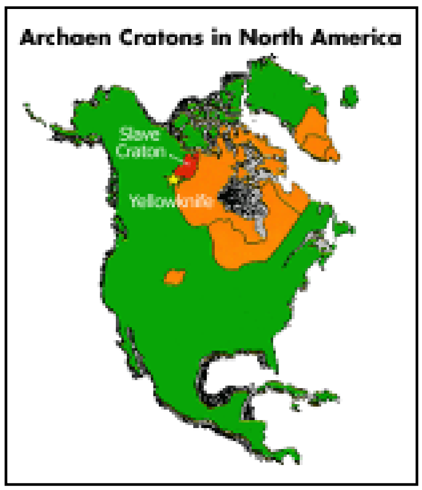
The in-situ diamond value – now estimated at nearly $3 billion – has attracted a partner with very deep pockets: South African diamond giant De Beers Consolidated Mines Limited. De Beers already has spent more than $30 million to develop the MPVI property and shows no signs of quitting.

Early results of the latest round of drilling and bulk sampling should be available in August and new modeled values per carat are expected by November. At that point, De Beers will update the desktop study using the new values. After the results of the desktop study are available, De Beers will decide whether to begin a full-scale feasibility study to bring the property to production. When in production, Mountain Province is assured of a 36 % production share of a major new diamond mine.

De Beers wants to know whether the discovery of a 9.9 carat high quality, top color "super" diamond last year

Mountain Province Diamonds Inc.

Summary:
Mountain Province Diamonds Inc. (OTC BB: MPVI; Toronto: MPV) is actively involved in exploring and developing diamond deposits in Canada's Northwest Territories through a joint venture agreement with De Beers Canada Exploration Inc., a wholly owned subsidiary of De Beers Consolidated Mines. MPV and De Beers have already discovered seven diamondiferous pipes (three large and four small). De Beers has completed major bulk sampling of the Hearne, Tuzo and 5034 pipes and has discovered a high quality, top color 9.9 carat diamond valued at $60,000, raising the possibility these valuable, high quality stones could occur regularly during production. Results of additional bulk sampling are expected by fall 2002. The joint venture agreement calls for De Beers to pay for all exploration and development expenses. Mountain Province retains a 36 percent interest in the quarter-million-acre property, located 115 km southeast of Canada's first diamond mine, the Ekati mine which produces 6 percent of the world's gem diamonds.



Company Contact:

Jan W. Vandersande, President & CEO

3633 E. Inland Empire Blvd. #465, Ontario, CA 91764

Phone: 909-466-1411 • Fax: 909-466-1409

Email: mtnprovinvrel@att.net

Web: www.mountainprovince.com

Shares Outstanding: 50 million • Public Float: 25 million

52-Week Range: Hi: $1.08 • Low:$0.27

is indicative of a population of such high-quality gem stones. "A higher modeled value is almost a foregone conclusion," says John Kaiser, editor of the Bottom-Fish Tracker. "Kennady Lake is picking up steam within the De Beers organization as a development priority."

Northwest Territories A Major Diamond Producer

Diamonds were first discovered in Canada's Northwest Territories in 1991, producing a diamond "rush" to stake promising ground. Today, the Ekati Mine, located about 70 miles northwest of Mountain Province's property, produces about 6 percent of the world's annual supply of gem quality diamonds.

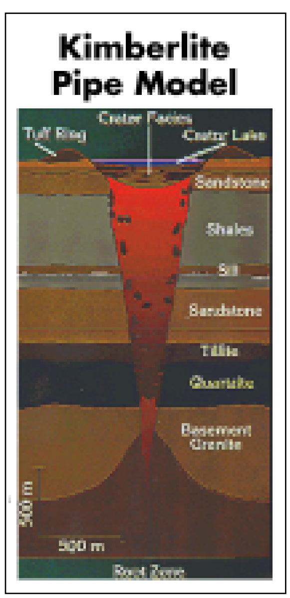
MPVI began its exploration efforts in 1992 and quickly secured mining claims to properties totalling about one-quarter million acres. The discovery of the 5034 diamond pipe in 1995 attracted the attention of De Beers.

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. Over the course of several drilling programs, bulk sampling analysis has proven out the value of the property, now standing at $2.8 billion in in-situ diamonds in the three large diamond pipes.

Large Gem-Quality Diamond Prompts New Bulk Sampling by De Beers

Mountain Province has discovered seven diamondiferous kimberlite pipes (three large and four small) and several diamondiferous sills, all bearing diamonds. Bulk sampling analysis last year on the two most promising pipes – the Hearne and 5034 – turned up a 9.9 carat high quality, top color gem diamond valued at $60,000 from the 5034 pipe. This diamond is one of a population of high quality gem diamonds recovered from the last two bulk samples.

"This is a really top diamond," says MPVI President and CEO Jan W. Vandersande. "We are doing additional bulk sampling now to see if we find more large diamonds like that one. If we do, this will allow De Beers to be much more aggressive in their value modeling."



Recovery of additional large high-quality, top-color diamonds could increase the values per carat sufficiently so that the threshold required for the project to move to the next stage of development (feasibility) is achieved, says Vandersande.

Mountain Province expects the results of the latest diamond bulk sampling program to begin coming in later this summer and a new value model to be completed by November or December.

Continued Exploration Activities

De Beers will decide whether to conduct additional sill surface sampling this summer based on the results of a 10-hole drill program to define the size and thickness of the MZ Lake diamondiferous sill deposit (located approximately 20 km northwest of Kennady Lake, which contains the three large pipes). This sill system has the potential to add to the resource base.

Experienced Management

Mountain Province Diamonds President and CEO Jan W. Vandersande Ph.D. has an extensive background and expertise in diamond mining and the diamond market. He holds a M.Sc in Physics from Cornell University and a Ph.D. in Solid State Physics from the University of the Witwatersrand in South Africa. He has researched the conductivity of rocks and minerals, including diamonds. He is the author of over 30 published articles and book contributions on the properties of natural diamonds. While in South Africa he worked closely with the De Beers Diamond Research Laboratory. Dr. Vandersande also served as a financial and scientific consultant and mining analyst, and has advised brokerage firms, money managers and private clients on natural resource companies and commodities.

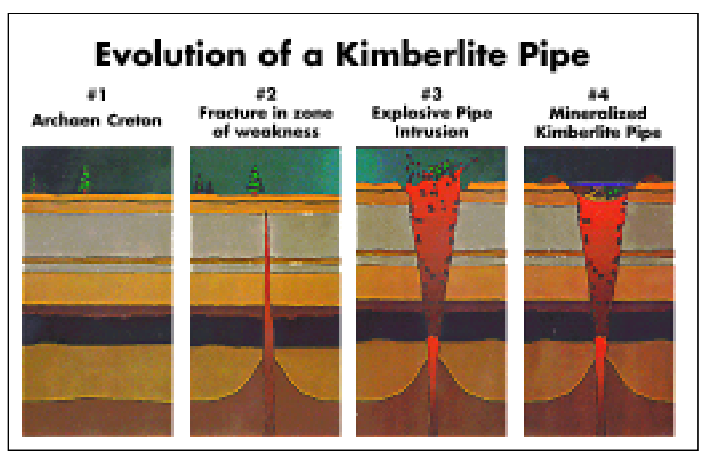
The Diamond Analysts

"De Beers clearly wants to see diamond production in Canada and this project represents one of the company's best shots at early production." –

Lawrence Roulston, Resource Opportunities

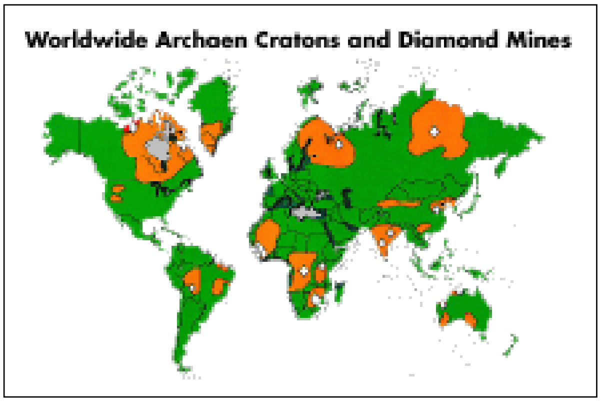
"Mountain Province remains the best junior Canadian diamond asset play. It is a core component of any Canadian diamond portfolio." –

John Kaiser Bottom-Fish Tracker



Paul Shatzko M.D., the company founder and chairman, is also closely involved in the mining industry. He served as corporate secretary and director for Valpar Resources Inc., and was president of Trans-Asian Resources Inc. and a director of Excellon Resources Inc., Gee Ten Ventures Inc., Quattro Resources Ltd., and Camphor Ventures Inc.

David N. Siegel, a company director, is currently president and CEO of U.S. Airways, and formerly was president and COO of the Budget Group Inc. and president of Continental Express Inc.



Strong Financial Backing

Mountain Province Diamonds enjoys the solid financial backing of De Beers Canada Exploration Inc., a subsidiary of De Beers. Under the terms of the joint venture agreement, De Beers is paying for all exploration, evaluation and production costs to earn a 60 percent interest in the property. De Beers has spent about $30 million on the AK property since 1997 and has just spent about $8-10 million in the current bulk sampling program.

"They wouldn't be spending this kind of money on more bulk sampling if they didn't believe there was a very good possibility of finding additional large good quality diamonds," says Vandersande.

MPVI is only responsible for their administrative costs. Last December MPVI raised nearly $600,000 when it sold 1.6 million shares of common stock at C$0.58. A wealthy Irish investor is a major shareholder.

Investment Considerations

The potential political problems in Southern Africa, combined with the devastating human tragedy of the AIDS crisis in South Africa – and its impact on the potential incountry mining workforce, are two of the reasons that led De Beers to focus on developing diamond deposits outside of Southern Africa.

"De Beers is a company with a global reach," De Beers chairman Nicky Oppenheimer said recently. "Exploration is particularly intense in Canada. We are committed to moving these discoveries there through to production."

Mountain Province's AK property project is one of the four largest in De Beers' current Canadian exploration/development portfolio. Last summer, De Beers allocated more than half (C$47 million) of its annual global exploration budget to diamond exploration in Canada.

"De Beers is clearly unwilling to allow the $3 billion worth of MPVI diamonds to remain in the ground," say analysts Gary Goldstein and Jin Chun of Gilford Securities (New York), who maintain a "Buy" rating on Mountain Province Diamonds. ■

Silver Market Outlook for 2002 Looks Brighter

After Global Economic Downturn Affects 2001 Silver Market

Silver fabrication demand should recover fairly strongly in 2002 as the world's economies pick up steam, according to the World Silver Survey 2002, released by The Silver Institute. The current rebound in global GDP growth is already starting to lead to higher demand for a wide range of silver-containing products. Over the rest of the year, the health of the electronics industry, in particular, will be an important factor.

Silver fabrication demand dipped 4.9 percent in 2001, principally due to a downturn in global GDP, the anemic performance of the electronics industry and the bursting of the "tech bubble." The electronics sector was the key factor behind the decline in overall silver fabrication last year. This is not surprising given that world economic growth slumped to its lowest level since the early 1990s.

Industrial use of silver is the largest component of silver fabrication demand, with silver being used in a wide range of products. Electrical and electronics applications account for the largest area of industrial silver offtake, consuming nearly 133 million troy ounces (Moz) last year. Brazing alloys and solders are other important industrial uses of silver, taking up 36 Moz in 2001.

Jewelry and silverware fabrication demand escalated a solid 2.2 percent in 2001. Asia accounted for most of the global gains, with Indian offtake growing particularly strongly – up nearly 22 percent. Thailand reported an 8 percent growth in offtake.

Demand for silver-bearing photographic products was 4 percent lower in 2001, in large measure from the slowdown in world economic growth, which impacted both consumer imaging and the graphic arts industry. Demand was higher, however, in the United Kingdom, Japan and China, the latter rising 30 percent last year. Radiography remains an important component of silver photographic demand, consuming 73 Moz, while consumer photographic demand accounted for 87 Moz last year.

Output of silver coins and medals were off by 9 percent in 2001, as a result of lower demand in the United States and Germany, the two largest silver coin-manufacturing countries. Gains were posted in Mexico, Spain, and China last year in this sector.

Global silver supply fell 6 percent in 2001. The drop in global supply was recorded despite a modest 1.5-percent increase in mine production. The increase in 2001 mine production resulted from a growth at a number of base metals operations particularly in Peru and Chile, where silver is produced as a by-product. Of particular note, silver from primary mines generated 25 percent of total mined silver last year. Mexico again mined the most silver in 2001, followed by Peru, Australia, the United States and China.

As for 2002, the weak outlook for base metals prices generally, coupled with the implementation of numerous production cutbacks at zinc and copper operations, and reduced silver by-product from gold mines in 2001, suggest lower silver output from these sources in 2002, according to the Survey.

Another major story for silver in 2001 was that, for the third year in a row, the silver market had to absorb a very high level of government stock sales. Official sector sales were up 9.7 percent year-on-year, but still lower than levels recorded in 1999. Chinese government sales accounted for 75 percent of the world's total of official stock sales. The Survey's authors conclude that China does not have the capacity to supply indefinitely the market at the kind of levels seen in the last three years. Also, the United States Defense Logistics Agency transferred its remaining silver stockpile to the U.S. Mint for its coinage programs during the course of 2001. The U.S. Mint is now exploring legislative authority to purchase silver from the open market for its silver coinage programs.

Of note, for the first time in over a decade, there were virtually no net sales out of private-sector stocks, indicating some modest silver investment last year. This was the first time in over ten years that there was an increase in silver investment.

In 2001, the structural deficit between fabrication demand and conventional supply (mine production and recycled scrap) was 89.4 Moz. This gap was almost entirely filled by the net government stock sales.

While silver prices averaged $4.37 per troy ounce in 2001, the metal ended the year on a much-brighter note, with silver fixing at $4.52 on December 31, only 7 cents down from the year's first trading day. In 2002, the average COMEX closing spot price for silver is $4.51 per ounce through May17, 2002.

Editor 's Note : The 2002 edition of the World Silver Survey was independently researched and compiled by London-based gold fields Mineral Services Ltd., the precious metals research company. The Silver Institute has published this annual report on the global silver market since 1990, to bring reliable supply and demand statistics to market participants and the public at large.

Copies of World Silver Survey 2002 request may be purchased for US$175 from The Silver Institute, 1112 16th Street, NW, Suite 240, Washington, DC 20036, 202-835-0185; fax 202-835-0155, or from the Institute's Web site at www.silverinstitute.org.

The Bull & Bear's

Resource Investor Advisory

INVESTMENT QUALITY TRENDS
7440 Girard Ave., Ste. 4, La Jolla, CA 92037.
1 year, 24 issues, $310.
Trial: 2 months, 4 issues, $55. www.iqtrends.com.

Consider Barrick Gold an insurance policy

Geraldine Weiss: "Investment attention lately has turned to gold, the commodity that gives comfort to investors in time of stress, uncertainty and anxiety. We never have been strong advocates of holding gold as an investment. Since 1980 when the price of gold peaked at $800 per ounce, investors have seen the price of the commodity steadily decline. In fact, over the last 15 years, precious metals funds have averaged a 2.02% loss per year, while the S&P 500 index was rising 16.34% a year. Soaring inflation caused the metal to rise so high in 1980.

Today there is no inflation to speak of, but there are other reasons why the price of gold has been slowly rising during the past two years and now is over $300 per ounce. Those reasons include the following: 1) production is sagging while demand is rising; 2) central banks have sold about as much gold as they dare to sell; 3) a rising supply of dollars is in foreign hands; 4) the dollar is overvalued; 5) our trade deficit won't go away; 6) gold is the alternative to the dollar; 7) real rates of interest are low; 8) the world has become a scary place with threats of terrorism, bombs and other insanities. Also, individuals and governments in Japan, China and the Middle East reportedly are accumulating gold.

So, while we still do not advocate holding the physical metal, a small investment in a dividend paying gold stock or a gold mutual fund is starting to make some sense. Our choice would be **Barrick Gold** (ABX) in the Undervalued category, a high quality producer of gold in the U.S. and Canada. With the price of gold in a rising trend and expected to reach $500 per ounce, the dividend should be safe and the price of the stock should rise. Consider it an insurance policy against terrorism."

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OIL/ENERGY STATISTICS BULLETIN and Canadian Oil Reports, P.O. Box 189, Whitman, MA 02382. 1 year, 24 issues, $185.

Burlington Resources stands to be a major beneficiary of healthy gas markets

John McGilvray: "With natural gas markets showing improvement that's expected to continue, it now appears that gas producers can look forward to recovering profits through the rest of 2002 and well beyond. **Burlington Resources** (NYSE BR $42.97, www.br-inc.com), which ranks among the world's largest independent gas producers, should be a big beneficiary of this. And, for that reason, investors are becoming attracted to the shares in increasing numbers – a trend that we also see persisting.

The company's status as one of the industry's top independent gas producers and reserve owners has been achieved through a combination of successful exploration and, more recently, major acquisitions – especially in Canada. Burlington now boasts one of the best portfolios of gas producing and highly prospective properties in the region stretching from the U.S. Rockies through Canada's western provinces. The company also has some promising oil and gas projects in progress outside North America, although it is North American natural gas that will likely fuel the lion's share of this firm's future growth.

Burlington has been in the process of selling off many producing assets that it considers to be outside its areas of concentration. So far the response to this effort has well exceeded expectations, causing the company to raise its projection of the proceeds from an earlier target of $500 million to the range of $750 million to $1.2 billion – which will be used to reduce debt. As a result of these sales, the company expects that its production will decline somewhat through the remainder of the year with gas output for the year averaging between 1.75 billion and 2 billion cf/d vs. the first quarter's level of 2.019 billion cf/d. *Burlington Resources is a good buy for a possible move to a target at 48 in 2002 and the potential for much higher prices than that over the long run.*"

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FORECASTER MONEYLETTER
19623 Ventura Blvd., Tarzana, CA 91356.
1 year, 40 issues, $150 (special to new subscribers).

Gold prices to get stronger

As the U.S. dollar gets weaker, economist John Kamin expects gold prices (specifically gold coins) to get stronger. He says it's an inverse relationship. Weaker dollar = higher gold. Silver and silver coins are a tagalong. Higher inflation rates are also convincing fence-sitters to re-evaluate putting more money into rising hard assets, such as gold coins.

Daily terrorist alerts from the USA government are also causing people to think more about hard assets, such as gold coins, tangible assets such as homes, etc.

Kamin predicts a rare coin will sell this summer for between $4 million and $8 million, possibly higher, to set a new world record. "Watch the July 30th auction of a 1933 $20 gold coin," he says. He predicts that this will result in a surge of new interest in coin collecting and related fields.

PERSONAL FINANCE
1750 Old Meadow Road, Suite 301, McLean, VA 22012.
1 year, 24 issues, $97.

Precious metals vital investment hedges

Yiannis G. Mostrous: "*Precious metals remain vital investment hedges; exposure to the gems will help to balance your portfolio.*

Investing in hard assets is coming back with a roar. After a long bear market, gold in particular is re-establishing itself as a much-needed safe haven. Silver and platinum follow closely because they're leveraged to gold moves.

As long as technology stocks continue to disappoint – and they will – non-financial assets will increase in importance. In the meantime, gold has broken out, gaining 10 percent in value while gold stocks are up about 40 percent. Large funds have been long gold for some time, in an effort to make their performances look better.

Our picks turned in a solid performance, and there's no reason why they shouldn't continue advancing. But let's examine where they stand.

Apex Silver Mines (AMEX SIL $12.75, 46.5 percent return) is waiting for the right pricing environment to develop its important silver mine in Bolivia. The mine contains more than 400 million ounces of silver and 8 billion pounds of zinc. At full estimated production rates, it will be the second largest mine in the world, which will make Apex the fourth largest producer.

Management has a conservative attitude toward business and it's not in a hurry to jump into production. At the same time, low prices are driving a lot of the weaker competitors out of the business. Apex has a lot of cash and reasonable debt obligations – it can afford to wait for the inevitable upturn.

Currently, the company is working toward completing the infrastructure that will allow the uninterrupted operation of the mine, once management decides to start production.

With a projected low cost per ounce of silver and estimated earnings power of $3 a share, Apex Silver is a buy below 13.

Barrick Gold (NYSE ABX $21.54, 38.2 percent return) is one of the biggest gold companies on the planet, with 84 million ounces of reserves and well-known hedge practices. This hedging is what makes the company one of the most conservative plays in the industry.

Barrick is finding new reserves in Peru, Argentina, Chile, Australia and Tanzania. In Peru the company recently discovered a cache of 3.5 million ounces in its mines. This new finding is fortifying Barrick's long-term outlook. The company is expected to increase its exploration funds in Peru by 300 percent to $20 million.

Barrick's 2001 acquisition of Homestake Mining has lifted the company past the competition, giving it a place beside industry giants Newmont Mining and AngloGold. The company continues to post the best margins in the industry, it has good country diversifications and has a strong financial position. *Buy Barrick below 21.*

Newmont Mining (NYSE NEM $30.29, 42.9 percent return) is the world's largest mining company in terms of gold production, reserves and market capitalization. The company doesn't hedge its production and therefore is the most leveraged to the price of the metal, so it tends to perform extremely well when gold rises and it lags when prices fall.

The company's main operations are in North America, Peru, Australia and Indonesia. In Australia, Newmont recently bought the country's largest gold producer and has been selling non-essential assets.

Management is expecting to generate free cash flow of more than $100 million this year as well as next. By 2005, that number should reach $500 million. In addition, management is focused on reducing debt, which currently stands at $1.7 billion. *Buy Newmont below 30.*

The Other Metal

North American Palladium (AMEX PAL $5.56, 14.1 percent return) is that continent's lowest-cost producer of platinum group metals (PGMs). These metals play an important role in the automotive, electronics and jewelry industries, and they're also essential in the energy and environmental markets.

PGM prices have declined sharply because of the slowdown in the economy, but will be big beneficiaries of the upcoming economic recovery. Keep in mind that there's usually a lag between the beginning of an economic growth cycle and the increase in PGM prices. Another kicker is the fact that platinum is prized as precious metal – in parts of Asia, platinum is more prized for jewelry than gold.

N.A. Palladium is profitable and has a good chance for solid profits in the current year. The company has been improving operating results and is trading at a discount to a lot of its competitors. Furthermore, it's enjoying outstanding profit margins, a low debt-to-equity ratio and a 25 percent return on equity. *Buy North American Palladium below 6.50.*

Stillwater Mining (NYSE SWC $17.18, 16.7 percent loss) is the most important U.S.-based PGM producer. The company's mines and plants are in Montana and are viewed as long-life assets. It has 27.7 million ounces in reserves and an expected operating life of 25 years.

The recent softness in PGM prices led to a 16 percent decrease in first-quarter revenues to $76 million. In an effort to reduce debt, the company had a private placement in the beginning of the year. The proceeds were used to pay down debt, which now stands at $180 million.

Stillwater is expected to generate about $90 million in cash flow in 2002 and invest about $75 million in its business. As PGM prices rise, the company will be able to generate $40 million of free cash flow per year. *Buy Stillwater below 18.*"

Editor's Note: Yiannis G. Mostrous is a *Personal Finance* analyst and editor of *Wall Street Winners*.

FULLERMONEY, Suite 1.21, Plaza 535 Kings Road, London SW10 0SZ UK. Single issue price, £35.

What could slow or even reverse gold's rally?

David Fuller: "*Everything has been moving in gold's favor recently but this is not a constant*. Fear has been fueling the rising gold price. It started in Japan, with fear of bank vulnerability, especially as the Koizumi Government has reduced its guaranteed coverage for depositors against default in two stages – 31st March 2002 and also 2003. Investors in many countries have been more fearful of stock markets, causing some of them to buy gold and especially gold shares. They also have less confidence in paper currencies, including the US dollar in recent months. Mining companies have been major buyers, fearing that their hedging policies have turned from virtuous to vicious circle. Concern over the Israeli/Palestinian and India/Pakistan conflicts has also supported gold. A trend driven by fear alone requires deteriorating expectations regarding whatever asset categories people are abandoning. This is seldom sustainable beyond the medium term. Consequently, improved confidence in Japan, a firmer trend for stock markets and/or the US dollar, and political settlements in the Middle East and South East could easily spark profit taking in gold. Bulls of gold do not need to fear increased mine output or scrap supplies until bullion trades at considerably higher levels. In fact, mine output has declined in recent years, due to low prices. Similarly, we are unlikely to see aggressive hedging until gold has risen to levels generally regarded as unsustainable. Interest rates are another relevant factor. When they rise, it will make gold more expensive to own relative to assets that provide a yield. All of these concerns can lead to profit taking and a correction in gold, but they are unlikely to derail the bull market, which is arguably only in its early stages.

The main if not immediate concern for gold bulls is central bank sales. In theory, the CBs could swamp the gold rally at any time by unloading more of their reserves. How realistic is this? Not very while the price remains under $500 an ounce. Three years ago the European CBs agreed to requests from mining countries, especially those in Africa, not to increase their annual sales above 1500 tonnes until at least 2004. It is not impossible that political pressure, from gold producing countries and from voters in the European countries, including the UK, could lead to fewer CB sales in future. There is no suggestion that the US would sell any of its gold reserves. Consequently, we can probably forget about the possibility of increasing CB sales of gold until the price is much higher. Moreover, it is possible that some CBs in Asia or the Middle East might actually add to their gold reserves. In conclusion, investors can expect a long-term bull market for gold. While the price action will be volatile from time to time, gold has only recently completed its base formations against the main fiat currencies. There is a cyclicality to all markets, which is part fundamental and part psychological. Gold experienced a 20-year bear market, which drove it to extremely depressed levels, particularly relative to financial assets and property. Consequently, gold could easily remain in an overall bull market for a decade or two, first as a value play and much later as another bubble. My minimum long-term target is $1000. A generation has passed since we last saw gold fever. In the minds and hearts of men, no acquisition fever has ever burned longer or hotter than gold fever."

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The Peter Dag PORTFOLIO STRATEGY & MANAGEMENT, 65 Lakefront Dr., Akron, OH 44319. 1 year, 24 issues, $295. www.peterdag.com

Gold and most commodities will peak Following a slowdown in the economy

George Dagnino: "Will gold continue to rise after the Fed starts tightening?" Gold and most commodities will peak following a slowdown in the economy and rising *real* interest rates. No one can project the levels it will fall to. However, the average price of gold since 1974 has been close to $350, and $19 for crude oil"

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Roger Conrad's UTILITY INVESTOR
1750 Old Meadow Rd., Suite 301, McLean, VA 22102. Monthly, 1 year, $129.

Oil heats up

Roger Conrad: "Not since the 1970s have oil supplies been so tenuous. From the failed coup in Venezuela to the Israeli/Palestinian violence, the never-ending war in Afghanistan and anti-American rage on Arab streets, there are no shortage of triggers that could send black gold's price soaring. Meanwhile, global demand is starting to accelerate and oil prices are steadily moving upward.

Aggressive Holding **Ballard Power** (Nasdaq BLDP $24.82), North America's leading developer of fuel cells, is a leveraged bet to cash in on higher energy prices.

Ballard's chief appeal isn't its product line, which includes units to power automobiles, homes and portable electronic devices, or its engineering prowess. Rather, it's the network of alliances with major corporations, which ensures funding and support as it moves to the commercial stage. Partners include Coleman, DaimlerChrysler, Ford, Honda and several utilities, including stakeholder FirstEnergy.

Ballard has no real current earnings and isn't likely to for several years. Consequently, its shares trade largely on fuel cells' appeal, which runs hot when energy prices rise. With investors still largely complacent about energy, Ballard sells for a fraction of its 2000 highs.

A move in oil north of $30 could quickly double the stock. Downside is protected by the company's steady progress toward commercialization. *Ballard's a super buy for aggressive investors up to 30. Conservative investors should choose lower-risk IdaCorp up to 42.*"

THE YAMAMOTO FORECAST
P.O. Box 573, Kahului, HI 96733.
Monthly, 1 year, $350.

More upside for gold

Irwin Yamamoto: "After the huge ascent, it would not surprise us to see a bout of profit-taking in the gold market. In fact, the resumption of the present rally without a retracement may be asking a lot. In the short run, avoid chasing the metals securities. On the other hand, retain your current holdings.

Despite the sizable spike up, I feel there's more to the upside for the metal. Investors will continue to use gold as al proxy for safety in these uncertain times. In addition, the American dollar remains overvalued. A weakness in the U.S. currency equals strength in the bullion.

The metal could receive attention from the Far East. As Japan regains its footing, economically, the Japanese – a past buyer of gold, will return to investing. The bullion is a way to diversify one's portfolio. Due to the recession overseas, people forget how influential Japan is when it pertains to starting an international trend. If the Japanese begin to enter the gold market, watch out!

My 52-percent position in the precious metals securities is extremely high. A 5-percent stake in the sector would be appropriate for the conservative person.

The following equities aren't for the typical investor. They should be considered for only aggressive accounts.

Coeur d'Alene Mines (CDE) possesses a massive silver-producing profile. It has survived with available cash, but the debt load remains excessive. High risk.

Echo Bay Mines (ECO) is an old favorite of the gold bugs. This producer needs a much higher metal price. Debt is of concern.

Halliburton (HAL) is a major oil services firm with strong financials. Unfortunately, asbestos claims have depressed the price of the stock.

Hecla Mining (HL) is an important player in the silver industry. It also mines and processes gold. Operations are located in the United States, Mexico and Venezuela.

Remarkable. A word to describe the progress of Hecla. This enterprise had been in dire straits. But in the first quarter of 2002, an income from continuing operation (excluding the unpaid preferred share dividend) was achieved. For the year, silver production should jump by one million ounces to 7.5 million ounces, including a 40% increase over a previous estimate at the company's new mine. Also, the average total cash costs are expected to be $3.00 an ounce, more than a 50-cent per ounce decrease from last year.

Financially, the balance sheet continues to improve. There's a cash position of $8.6 million. Another $5.6 million was raised on the sale of the firm's corporate headquarters building. The current ratio, current assets to current liabilities, stands at 1.2 to 1.

The performance of the equity must be considered phenomenon. Only a few months ago, it was in danger of being delisted by the New York Stock Exchange. The stock has skyrocketed from its low of $.77 to a recent high of $5.02. The advance is one of the best on Wall Street in the past few months. And we don't think the upside action has been completed. Hecla Mining may not be suited for the faint at heart, but it's an enticing choice for the speculator. This silver producer looks like a great turnaround story.

A financial deal saved **Vista Gold** (VGZ), a gold mining company. The cash infusion gave it time."

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THE LYNCH INTERNATIONAL INVESTMENT SURVEY, 431 – 136th Street, Belle Harbor, NY 11694. 1 year, 52 issues, $175.

Apex Silver Mines: A well financed silver speculation

Walter Lynch: "**Apex Silver Mines, Ltd.** (ASE SIL $16.11) saw its share hit recently in the silver and gold price retreat. Shares hit an all-time high of $18.00 in intraday Tuesday trading before closing at $16.50. At midweek, it fell further to $15.94. Just keep in mind that both the metal price and the share price can quickly reverse course. In a sustained market run up, investors tend to forget that both can quickly retreat as well as advance sharply.

Apex itself has been developing its large San Cristobal property in Bolivia for several years and the infrastructure necessary to sustain it. Mine reserves were calculated in 1999 by an independent company, Mine Reserves Associates, to contain 470 million oz. of silver, 8.8 billion lbs of zinc and 3.1 billion lbs of lead. That estimate was based on 132,000 metres of drilling. It represents the world's largest open-pit silver reserves.

The major pre-construction expenditures at the mine have been completed. Two major associated projects have been advanced – a power supply agreement and the design and use of a highway system from the mine in Bolivia to Puerto Patache in Chile.

Again, we point out that investors must remember that it is a major developing project and must be treated as a speculation – although a very well financed one ($40.7 million in cash and cash equivalents). Apex's only income is interest received. Expenditures have been carefully pruned but still produce deficits. However, the "burn rate" is quite low. In the March quarter, Apex reported a net loss of $1.0 million ($0.03 per share) vs. a net loss of $1.9 million ($0.05 per share) in March 2001. In the same time frames, cash and cash equivalents declined by $800,000 to $40.7 million.

When Will It Come Onstream?

How long before the San Cristobal will be placed in production? It has been estimated that, for the first five years, the mine will annually produce 27 million oz. of silver and 470 million lbs. of zinc at a cash cost of $1.23 per oz. of silver net of by-product credits and $0.23 per lb. of zinc. Management estimates that it will take two years once the project financing has been completed. Due to the very low silver prices, until just recently, management has been concentrating on the project's infrastructure (power, permits, transportation and port facilities). Once the company is comfortable with the metals markets, Apex and its project finance arrangers (Barclay's Capital and Deutsche Bank) expect to quickly develop a financing package. Management has said, for the record, that it will not rush into weak metal markets just to say that they are "an operating mine." Keep an eye on this developing situation. Remember it is still a speculation." 6/10

Sy Harding's STREET SMART REPORT
169 Daniel Webster Highway, Meredith, NH 03253.
1 year, 17 issues, $250.
www.StreetSmartReport.com.

A down spike is now due

Sy Harding: "We remain on the March 9 sell signal for gold and believe the significant pullback is underway.

Gold Bullion

The technical indicators on gold bullion are extremely overbought, and to levels that always in the past have resulted in a downside reversal.

Gold bullion itself is extremely extended above its 200-day m.a. to levels that have always resulted in a spike back down to the vicinity of the 200-day m.a.

XAU Index (Mining Stocks)

The XAU is also very extended above its 200-day moving average, and the technical indicators on the XAU are also well into overbought territory, to levels that almost always result in a significant pullback.

The situation with the gold sector that make its moves so dramatic and spiky in both directions is that it is such a small market sector. The three largest gold mining companies, Newmont Mining, Barrick Gold, and Placer Dome, have market capitalizations of just $11.5 billion, $9.9 billion, and $4 billion. Including those companies, the stocks of all gold mining companies combined is only $40 billion.

That's less than the market capitalization of many individual company's stocks. For instance, the market cap of Home Depot alone is $111 billion, of Disney $50 billion. You can imagine the effect on one of them if new money poured in (or out) as it does in the gold sector. Spikes up and down would be just as dramatic as they are in the gold sector. A down spike is now due."

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LIBERTY'S OUTLOOK
300 Frandor Ave., Lansing, MI 48912.
1 year, 12 issues, $79.

Platinum Up 31% In 7 Months!

Patrick Heller: "It seems that platinum has a hard time reaching equilibrium. When it dived to close at a low of $418.00 on October 31, 2001, it seemed obvious that the price had fallen too far in reaction to fears that industrial demand would decline because of the recession.

Since then, the price has recovered. It was recently supported by the May 13, 2002 report from Johnson Matthey that 2001 platinum demand set an all-time record of 6.15 million ounces and that, for the third consecutive year, platinum demand exceeded new supplies.

For more than the previous decade before 1999, new supplies of platinum each year exceeded the industrial demand. In some years, the investment demand absorbed this surplus, but overall the platinum market was in surplus for the long-term. Platinum demand was rising steadily, but supply was more than keeping pace.

Automotive catalysts and jewelry are the largest uses of platinum. The Chinese platinum jewelry market has soared in the past few years (including an 18% rise in 2001 over 2000) so that, all by itself, it now represents more than 20% of worldwide demand for platinum.

I have been lukewarm about platinum because of the long-term continuing surplus. However, I believe there has been a fundamental shift to where we will likely see continuing shortages. While platinum does not have as much potential as gold and silver, in my judgment, it may be worth considering as a small portion of your hard asset portfolio."

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PROFESSIONAL TIMING SERVICE
P.O. Box 7483, Missoula, MT 59807.
1 year, 24 issues, $185.

Get out of dollars

Curtis Hesler: "My advice is to get out of dollars as best you can. How?

(1) By selling your dollars for gold.

(2) By moving out of financial assets and into tangible investments like oil, gas, and coal.

(3) By keeping your liquidity in short-term paper – preferably T-bills. Liquidity should be held in as conservative and as liquid form as possible.

I don't expect banks will go broke, but we need to be mindful of their condition. According to some sources, the banks hold only $56 billion in reserves. Contrast that to M2 at $5.5 trillion and total U.S. debt of about $30 trillion. Why have a fractional reserve system at all?

I do expect we will see some banks get into trouble over the next couple of years, and you might want to be mindful of that possibility. The Fed was formed to protect the big banks, so even if they get into trouble, U.S. citizens will be there to bail them out with their tax money. Also, you should be aware of the fact that your account is "insured" by the FDIC; it is not "guaranteed" by anyone.

I look for the dollar to fall to 80 basis December futures eventually. The implications are many, and you need to position yourself accordingly. However, in the short-term – perhaps this month – I wouldn't be surprised to see some intervention to stem the decline. Such intervention will chase the shorts out for a while and create a minor bounce. Even a short-term bounce will give the gold investors some reason to take some money off the table.

So, although gold has a long ways to go on the up side and the dollar a long ways to go on the down side, I look for a technical bounce in the dollar and a pullback in gold this month. Don't anticipate or jump the gun with your gold investments though. Hang on until our models give us the sells we are waiting for."

Editor's Note: Published since 1978, this highly-regarded timing service was again profitable in 2001. For a free one-month trial to Professional Timing service call 1-888-891-4326. Visit the web site at www.protiming.com.

GROWTH STOCK OUTLOOK
P.O. Box 15381, Chevy Chase, MD 20825.
1 year, 24 issues, $235.

What's happening in Gold?

Charles Allmon: "Sagging gold production and rising industrial demand could keep steady upward pressure on gold. Rising U.S. interest rates, too, will give an extra upward shove to the gold price. Something in the $300-$350. per ounce range in 2002 may be a reasonable expectation. A nuclear attack by terrorists on any large U.S. city could easily send gold over $500, maybe over $1,000.

Britain and France fought the Hundred Years' War. Our battle to fend off a prolonged crusade and eventual Islam domination of Europe and possibly North America could last 50-100 years. If you take the time to carefully study Islam's historic vision to conquer, not be assimilated, you will recognize 100 years as a reasonable time frame. Tell your children and grandchildren to get ready! This is no time to reject the lessons of history. And gold will be king."

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THE GRANVILLE MARKET LETTER
P.O. Drawer 413006, Kansas City, MO 64141.
1 year, 46 issues, $250.

Short term top here

Joseph Granville: "Having seen our bull run in gold taking on parabolic characteristics, we are seeing a short-term top here and some temporary profit-taking for traders is in order. Today June gold rose to 322.80 and December gold rose to 326.19. Sharpest gains demand the closest stop loss levels." 6/6

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LIBERTY'S OUTLOOK
300 Frandor Ave., Lansing, MI 48912.
Monthly, 1 year, $79.

A good time to buy rare coins

Patrick Heller: "The purchase of rare coins is not for everyone. Although the prospects for appreciation are greater than for gold and silver bullion, there is also greater risk. Because of this, they may be completely unsuitable for your particular circumstances.

Overall, I recommend that 5-20% of your net worth be held in hard assets such as precious metals and rare coins. Of your total hard asset holdings, I am conservative and suggest that gold and silver bullion-priced coins and ingots make up 75-100% of your total. That leaves 0-25% for rare coins. A comfortable level for many would be 10% of your hard assets allocated to rare coins while an aggressive investor may put as much as 25% into numismatics.

We have evaluated different categories of U.S. coins and recommend a diversified allocation. Different categories will peak and decline by different amounts and at different times. With diversification, you can achieve an overall better return over the long-term than by concentrating in one area.

Here are the categories we especially like (using a conservative approach leaning toward greater safety and liquidity:

1. Common Date U.S. Gold Coins, $1.00 through $10.00. (15-25%). These will almost certainly outperform common-date Double Eagles. These coins are still available and have not run up in price, so they make excellent choices right now.

2. Better -Date U.S. Gold Coins, $1.00 through $20.00 (10-20%). There are many issues that are 10 to 50 times scarcer than common dates, yet cost surprisingly close to the price of the common pieces. This has been an area of strength, with supplies especially tight. Seek opportunities as they arise.

3. Gold Commemoratives, 1903-1926. (10-15%). These coins are far scarcer than the gold coins issued for circulation, yet often sell for less than the more common coins. Supplies are really tight, but prices have not yet caught fire. Snap them up when they can be found.

4. Better -Date and Better -Grade Morgan and Peace Dollars. (15-25%). Morgan and Peace Dollars are some of the most widely collected U.S. coins. It is possible to pick up many rarities for a fraction of their mid-1989 prices. Supplies are getting tight and significant price increases are underway. Be selective and look for opportunities.

5. Better -Date and Better -Grade Minor Silver Coins. 10-20%). Here again, many issues are available for a huge discount to their past peak prices. Supplies are erratic. With care, you can acquire coins that have not yet taken off in price.

6. Silver Commemoratives, 1892-1954. (10-15%). There are an amazing number of low-mintage issues in this series. Prices are far too low today, but are already on their way up. Supplies of attractive white coins are almost non-existent. Popularity will likely grow more than other areas as a result of the Statehood Quarter series.

7. Copper and Nickel Coins and Special Opportunities. (5-10%). There are a number of low mintage rarities that are real bargains today. Supplies are erratic. Prices have not yet jumped. Look for opportunities.

I have been a coin collector for almost 40 years. I am used to being patient and selective in adding to my numismatic holdings – and profiting by that attitude. There would rarely be a scenario where I would advocate a faster numismatic acquisition program.

But now, looking at the solid base that the U.S. rare coin market has established, how thin supplies are, and at how prices have started rising with enthusiasm, I don't think that patient and selective will maximize profits. It is somewhat against my nature to say it, but I think the greater rare coin profits will be realized by those who make their largest purchases soon compared to what will be gained by those who are patient and selective.

With the stock markets in the doldrums, the U.S. dollar teetering, low interest rates on bonds and CDs, there may never be a better time to buy rare coins."

Editor's Note: Liberty's Outlook is published by Liberty Coin Service a dealer in rare coins and precious metals since 1971. For more information or pricing on rare coins call 1-800-527-2375 or visit the web site at www.libertycoinservice.com.

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Gold stock indices may be getting ahead of themselves

Ian McAvity: "The Amex Gold Bugs Index has now reached a four-fold increase from its Nov 2000 lows! It seems somehow ironic that Jay Taylor, President of Placer Dome, after launching a takeover offer at a substantial premium for Aussie producer Aurion Gold observed that the world has changed in the last 5 months. Wrong Mr. Taylor…it changed 18 months ago when the various gold indices bottomed and turned up. Making an all paper offer with shares that had been notable laggards this year, PDG has been spanked by the market on this news. Placer and Barrick have been the two most unapologetic hedgers. Aurion is more heavily hedged than PDG! Placer's track record in takeovers is such that it warrants a wide miss…and may be indicative of an approaching phase comparable to the early 1970's, when bullion price out-ran the shares.

Gold shares anticipated the liberation and likely rise in the gold price, but as it unfolded, the shares were unable to keep pace with it. Gold made its big breakout move about $40/oz in Q1-1971, as the old TSE Gold Mines Index (in US$) reached a price equal to 14x Gold. Two years later, as gold reached $125, that ratio was down to 7x Gold. Gold stocks weren't able to keep up with it!

In today's context, gold is accelerating into the key resistance area of $325/$340 to resolve a big base formation dating from the initial probe of $280 in late 1997. The Gold stock indices have been flying in anticipation, may be getting ahead of themselves. But the gold price still may be some work to do before leaving that big base behind…"

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After breather, Gold will continue its assault on the $325 area.

James Turk: "It would not be surprising if gold took a breather here. Consider that: (1) Bullish consensus has reached an extreme; (2) Resistance at $325 is formidable, as demonstrated by the inability of gold so far to hold above that level – even though it briefly climbed above it; (3) And gold has been climbing all year without any serious correction.

Given the above, it is not too surprising that gold fell back sharply on June 5th. The more surprising event occurred the next day. Gold brushed itself off from that shellacking and climbed right back up into the mid-$320's, which for me was a real sign of strength.

So while gold may take a breather here, it is just that – a breather. Thereafter, I expect gold to continue its assault on the $325 area.

I still think that gold will finally hurdle above this $325 resistance area this quarter, so this breather will not, I expect, last too long. We only have three weeks left in the quarter. But that is plenty of time for the high bullish consensus in gold to work its way lower, for gold to move out of the headlines, and for gold to establish a new area of support above the $318 - $320 area.

Importantly, this support level below $320 is now being built and tested. In time this support will provide a launching pad that will enable gold to take another probe at over-head resistance above $325, and finally enable gold to trade above that key resistance level.

The Gold chart is presenting a very convincing picture for us gold bulls. The huge base in gold that we have been watching for over the past 6 years is now firmly in place. And gold has managed to climb above the resistance line (horizontal line on the chart) around the $318 area. This pattern now looks complete. Gold looks ready to sail higher, but it may still take another couple of weeks for gold to launch above $325.

I expect that those short gold – those governments and banks that have kept the gold price subdued – are really worrying right now. In his complaint filed in U.S. federal court against the BIS, Reg Howe quoted the Governor of the Bank of England as saying after the big gold rally in 1999 was stopped:

"We looked into the abyss if the gold price rose further. A further rise would have taken down one or several trading houses, which might have taken down all the rest in their wake. Therefore, at any price, at any cost, the central banks had to quell the gold price, manage it."

The price level back in 1999 that provoked that action by the central banks was $325. Here we are again at that same level. The huge short position in the gold market remains, so is it not logical to assume that the central bankers are once again looking into the same abyss? Of course they are, and many of the big banks that are short gold face the possibility of taking huge losses as the gold price rises.

Consequently, the big banks will get their lap dogs in the central banks to do what they can in order to try stopping the gold price at this $325 level, but I place the emphasis on the word *try*. I don't think that central bankers can stop the gold price this time. Central bankers are not omnipotent. We learned that in 1971.

When gold finally broke away from $35 in August 1971, it never looked back. The same thing, I expect, will happen today. When gold finally breaks above $325, we will never see these prices again.

Silver broke out of its $4.40 to $4.70 trading range, and briefly climbed above $5. And on a relative basis, silver over the past couple of weeks is starting to outperform gold, which is what should be expected in a precious metals bull market. However, the chart of the gold/silver ratio is still lackluster. Therefore, I continue to focus for now on gold, as that is where the real opportunity seems to be developing.

That relationship between silver and gold performance may change, and silver may yet take the lead. But so far it hasn't."

PRECIOUS METALS ADVISORY, CPM Group, 30 Broad St., 37th Fl., New York, NY 10004. Monthly, 1 year, $2,400. www.cpmgroup.com.

Precious metals price outlook for June

Jeffrey Christian "There has been a fair amount of speculative heat in these markets, which has pushed prices sharply higher rapidly. Some of these shorter-term factors could dissipate, perhaps in late June or early July. At least one large silver-trading bank appears to have taken a large position in the July Comex silver contract, apparently betting that silver prices might spike up between now and July. That sort of trade would not be expected to keep prices high beyond early July, for example.

If a short-term sell-off occurs, gold, silver, platinum, and copper all might see some profit taking and lower prices. Prices are not expected to fall back to low levels seen earlier this year, however, even if such short-term bullish factors evaporate and profit taking occurs, prices are expected to remain above new support levels, reflecting the continuation of stronger fundamentals and a supporting macroeconomic environment. How far prices fall in such an event, over the course of the summer, will bear important information as to how much further they might rise later in 2002. For example, some traders are seeing $310 as a support level for gold. If gold holds above $310 through the summer, that would be a very strong signal of higher prices in the final four months of this year. The stronger longer-term support for gold is around $290 – $295, meanwhile. As long as prices hold above these levels, the longer-term upward trend that seems to have begun in January 2002 remains in tact.

Silver prices, meanwhile, may remain above $4.80. Since the open interest in the July Comex contract remains rather high as of 6 June, the impression is that silver prices still may make a run for $5.50 - $5.55 yet in June. Any move that high should be viewed as speculative in nature. Prices appear to be headed upward in the longer run, based on fundamentals and economic conditions, but such a fast rise in so short a time would reflect more speculative elements, including technically based trading and congestion in the July Comex contract.

Platinum, palladium, and copper also all remain vulnerable to such short-term price volatility. Platinum is facing high open interest in the July Nymex contract, which could contribute to another upward move in prices. Prices rose from around $510 to $565 as the then-active April Nymex contract came due in early April. Prices sold off in early May, but since have gradually recovered to $563.70 as of 6 June. This may be setting the stage for a push to $600 or even $640 in late June and early July.

Palladium is still facing a bit of tightness in June. There were 10,000 ounces of open interest in the June Nymex contract as of 5 June, and only 14,800 ounces registered in Nymex approved depositories. This creates an environment in which palladium prices could repeat their run to $385 seen in the middle of May in the next few weeks. In fact, prices could go even higher, if the speculative environment now present in the metals markets persists over the course of this month.

Copper prices, meanwhile, are testing 80 cents, a level not seen since the first quarter 2001. If prices push above this level, a short-term run to 85 is possible. Given high open interest in the July Comex stockpile, and in light of recent mine cutback announcements, such a move may well materialize. Beyond any such congestion in the July contract, copper would be expected to consolidate recent gains over the remainder of the summer, possibly trading between 75 and 79 cents."

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The trend in gold is up and the trend is your friend

Robert Chapman: "Last week the gold manipulators pulled another stealth attack overnight in Australia with a follow-up in London. They then pounded the US market but could not put the gold price under $318 an ounce. JP Morgan in an attempt to look unbiased predicted a price in 2002 of $305 and in 2003 of $310 to $325 an ounce. This of course is disinformation, but it does show the gold cartel has given up trying to keep prices under $325 an ounce. The anti-gold propaganda as we predicted is all over the media, 99% one-sided. If anything, they have to fight the growing notion that gold has resumed its safe haven role. This, while the dollar declines and gold production falls. In 1999 the gold producers hedged over 500 tons, but this year they will probably buy in 400 tons. That effectively takes 900 tons out of the market a swing of 23% in a total market of 3,850 tons. The best part is that the hedgers have just begun to cover. Between them and the shorts we are looking at 15,000 tons. The ball has started rolling and it is only going to pick up momentum. The momentum has shifted and those hedges and shorts have finally given gold an underpinning it hasn't had since 1985. Producers know no matter how much they make hedging it won't stop the investing public from not buying or selling their shares and that is what this is all about. Share price appreciation. The hedgers are in a zero sum game they cannot now win. Small and medium sized central banks have no gold left to sell or hedge. The only leasors or derivative participants left are the major central banks and leasing due to low interest rates is no longer viable. Now that gold is firmly in the low $300's many new participants have entered the long side of the market. Thus we see much higher gold prices. You do not want to be out of this market. Those who trade out could get left behind. An absolute worst-case scenario for gold over the next year is $512 an ounce. We are headed toward a lower stock market and lower bond prices due to lack of earnings and higher interest rates and when historically these things have happened, gold has moved higher. As the dollar devalues and deflation expresses itself the price of gold has to rise. Remember gold is a currency and it becomes the only refuge in the flight to quality from the dollar. In holding gold shares, bullion and coins don't attempt to trade the market unless you are a professional. Go long and stay long. You only trade in the futures and options arena and again if not a professional get first class assistance. Foreign capital is fleeing the dollar and there are few real viable alternatives and gold is one of them. The trend in gold is up and the trend is your friend." 6/12

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