

## **CanadianInvestors.com – April 14, 2002**

Now that the Habs are safely in the playoffs it should allow me to avoid repeats of Friday outburst of anger. I will be able to safely yell at the Habs without inflicting it upon my loyal subscribers :).

Celestica (CLS:T) (I am a seller at \$52.00), Greenspan and the Bank of Canada on tap this week. Judging by what happened in New Zealand and Australia when they raised rates the dollar should go higher when we raise rates. I will explain a little later how I can still be predicting a recession due to a trade war and still expect interest rates to rise.

Normally I would consider an IPO opening up 50% a positive (especially if I had shares). Unfortunately, Jetblue's IPO is a sign that the bubble has not yet been burst just reallocated.

Mondays tend to be up days in bear markets.

### **For Traders:**

Gold and oil names are all at their 50 day moving averages. Talisman (TLM:T) and Ketch (KCH:T) both look interesting at their 50 day. Ketch is below the secondary offering of \$4.80 so this price is also attractive. Call them technical alerts given that the price of oil is expected to rise with the return of Chavez in Venezuela over the weekend. Iamgold (IMG:T) and Goldcorp (G:T) didn't work out. With both right at the 50 day I would be expecting a bounce. (Long Iamgold at the time of writing). Aastra (AAH:T) is looking great ahead of this week's earnings.

### **For Investors**

Given the warnings by GE (GE:US) and IBM (IBM:US), not to mention my concerns raised about trade wars, I am not changing my recommended allocation of 25% cash, 25% gold, 25% equities and 25% bonds.

However, a couple of stocks look interesting for speculative investors who want to maximize their foreign exposure in their RRSP's by investing outside the country without actually investing outside the country.

## **Eldorado Gold (ELD:T) – Price \$0.84 – Target \$2.00**

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[www.eldoradogold.com](http://www.eldoradogold.com)

Eldorado has world class gold assets in Brazil and Turkey, two countries with enormous geological potential. In Brazil they are focusing on the continuing improvement at the Sao Bento mine, and on the potential of the Brumal property. In Turkey, they continue to expand our asset base, with a resource of approximately 8.3 million ounces. Gold production for 2002 is expected to be approximately 105,000 ounces at a cash cost of \$185 per ounce. South African based GoldFields (GOLD:US) owns 30% of the company.

### **Fundamentally**

\$150 million market cap. for a debt free junior producer in Brazil with lots of blue sky potential. 2002 production should be 105,000 ounces at cash costs of \$185 an ounce with only 8% of production hedged. Trading at 10 times last years operating cash flow the company has a large 6.7 million ounce resource project in Turkey called Kisladag with updated reserves expected in May. You are buying the gold in the ground for about \$20.00 per ounce. The other potential upside you have is that South African based Gold Fields (GOLD:US) owns 30% and has recently

announced that they have eliminated their hedging program. Given that they are bullish on the prospects for gold I wouldn't be surprised to see them consolidate their publicly traded investments at some point.

### **Technically**

Four year base. The bigger the base the bigger the rise. First downside support is found at \$0.75 – around the 50 day moving average.

### **Arizona Star (AZS:V) – Price \$1.46 – Target \$3.00**

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Arizona Star Resource Corp. is a gold exploration company operating in Chile. Arizona's success comes with the discovery of the Cerro Casale deposit on the Aldebaran Property. Arizona Star owns 51% of the Aldebaran property until Placer Dome Inc. completes its commitments. Placer Dome will earn a 51% interest in the Aldebaran property with Bema Gold and Arizona Star Resource Corp. retaining a 24% and 25% interest respectively.

### **Fundamentally**

\$60 million market cap for \$3 million in cash. Call it a triumphant return to the VSE. Prior to Bre-X it was rumored that Clive Johnson turned down a bid in the mid teens for this world class deposit. The deposit itself would produce over 1 million ounces a year over an 18 year life. While Placer (PDG:T) will own 51% and the deposit really needs higher gold prices \$350 an ounce before it becomes commercially viable the hope is two fold: 1 – given its relatively low cash costs (under \$175 at current copper prices) of Cerro Casale Placer will need to bring a new mine on production given its own declining production and 2 Bema\* (BGO:T) the controlling shareholder will finally merge its operations with that of Arizona in anticipation of a financing.

### **Technically**

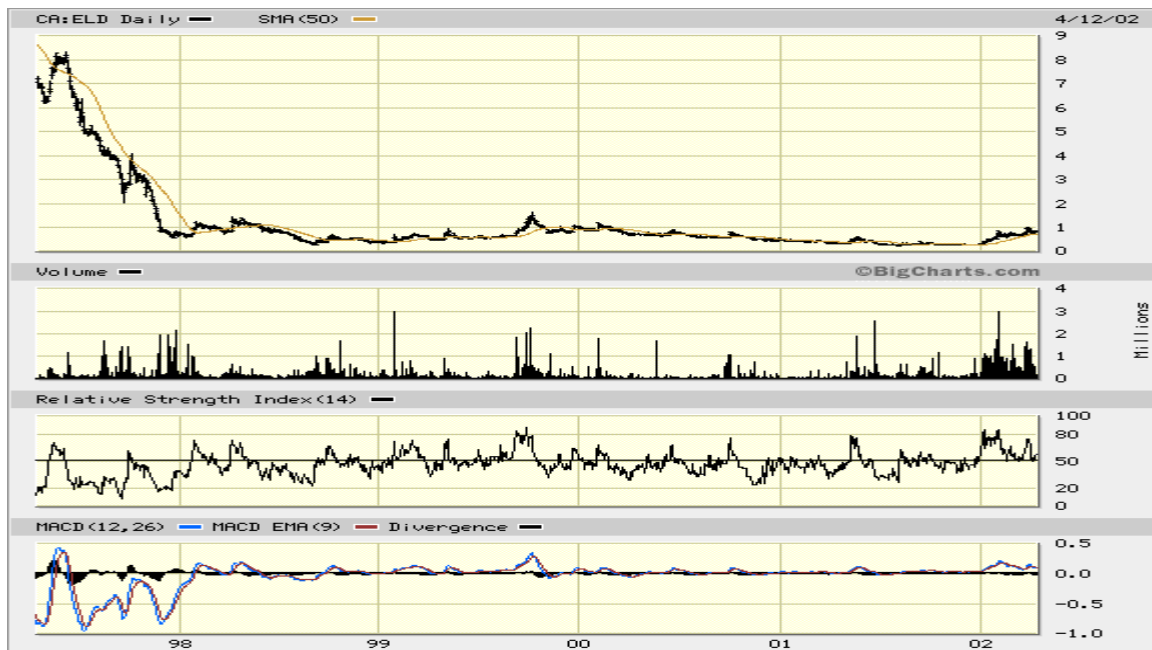
Again the bigger the base the bigger the bull market. 4 year base here. Closed at new 52 week high on Friday. Downside support isn't found until \$1.20 – bottom of the recent trading range. Buy any pullbacks.

\* Long Bema gold at the time of writing

## Eldorado Gold (ELD:T) – Price \$0.84 – Target \$2.00

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Eldorado has world class gold assets in Brazil and Turkey, two countries with enormous geological potential. In Brazil they are focusing on the continuing improvement at the Sao Bento mine, and on the potential of the Brumal property. In Turkey, they continue to expand our asset base, with a resource of approximately 8.3 million ounces. Gold production for 2002 is expected to be approximately 105,000 ounces at a cash cost of \$185 per ounce. South African based GoldFields (GOLD:US) owns 30% of the company.



### Financials

Eldorado today reported its financial results for the year 2001, a net loss of \$3.9 million or \$0.04 cents per common share. This compares with a net profit of \$1.1 million or \$0.01 cents per common share in 2000. For the year the Company's hedge position provided an average realized gold price of \$298 per ounce resulting in a contribution margin, the difference between revenues and total cash cost, of \$77 per ounce or \$7.9 million. Cash flow from operating activities was \$13.0 million (\$0.13 per share) compared to \$4.6 million (\$0.06 per share) in 2000.

Net earnings for the fourth quarter amounted to a loss of \$1.1 million (\$0.01 per share), compared to a profit of \$0.3 million (\$0.00 per share) in 2000. The Company's hedge position provided an average realized gold price of \$296 per ounce for the fourth quarter resulting in a contribution margin of \$97 per ounce or \$2.2 million. Cash flow in the fourth quarter from operating activities was \$4.0 million (\$0.04 per share) compared to \$1.7 million (\$0.02 per share in 2000).

### Operating Performance

Eldorado's total cash cost in 2001 was \$221 per ounce, a decrease of \$2 per ounce compared to 2000. Production of 102,841 ounces for the year ending December 31, 2001 at a total cash cost of \$221 per ounce compares to production of 152,436 ounces at a total cash cost of \$223 per ounce in 2000. A significant portion of the reduction in gold production is as a result of the sale

of the La Colorada mine in Mexico on November 1, 2000. Production at the La Colorada mine in 2000 was 39,486 ounces.

In the fourth quarter 2001, the Company generated positive cash flow from operations of \$4.0 million.

Gold production during the fourth quarter was 23,001 ounces compared to 30,444 ounces in the fourth quarter of 2000. The fourth quarter 2000 results included 3,169 ounces of gold produced at the La Colorada mine.

The total cash cost in the fourth quarter 2001 was \$199 per ounce, 18.4% or \$45 per ounce lower than the total cash cost in the same quarter of 2000. Total cash cost for the year 2001 was \$221 per ounce, 0.9% or \$2 per ounce lower than the total cash cost during the year 2000.

In Brazil, at the Sao Bento mine, gold production in the fourth quarter 2001 was 23,001 ounces (102,841 ounces for 2001) compared to 27,275 ounces in the fourth quarter of 2000 (112,950 ounces for 2000). Total cash costs decreased to \$199 per ounce compared with \$245 per ounce in the fourth quarter of 2000. For the year 2001 total cash costs were \$221 per ounce compared to \$201 per ounce in 2000.

During 2001 the Sao Bento Mine experienced and successfully managed a number of operating difficulties. The principal difficulties in the year related to the electrical energy reduction and the shutdown of the autoclave 2 for major repairs. Effective June 1, 2001 the Brazilian Government mandated a 20% reduction in electrical energy consumption for the country. The Company complied with this mandate by shutting down the BIOX plant. This action resulted in a 15% reduction in gold production with a 20% reduction in power usage. As previously reported, effective March 1, 2002, the Brazilian Government has eliminated all energy restrictions.

Gold Production in the fourth quarter of 2001 was lower than 2000 due to the decreased power availability and the shut down of the autoclave for repairs on December 15, 2001. At the time of the shutdown the Company had received \$6.4 million for the repairs from the Company's insurance provider (Brazil Resseguros S.A.).

In 2001, the Company increased its cash by \$2.4 million, while reducing total debt by \$10.6 million. In 2002 further debt reduction is forecast at \$10.3 million. Eldorado intends to continue to reduce debt, so that it can advance its Turkish projects with a strong balance sheet.

### **Hedge Position**

On July 2, 2001, the Company closed out its gold hedging contracts maturing after December 31, 2001. As at December 31, 2001 Eldorado had 8,118 ounces of gold hedged at an average price of \$292.

### **Subsequent events**

On February 15, 2002, the company completed a special warrant financing of 59,523,810 special warrants at a price of Cdn\$0.42 per special warrant for gross proceeds of Cdn\$25,000,000. Each special warrant entitles the holder to receive one common share of the Company at no additional cost. On February 15, 2002 the proceeds of the financing, net of the Underwriters commission and expenses, were released to the Company upon receipt of shareholder approval satisfactory to the Toronto Stock Exchange.

## **Outlook**

Gold production for 2002 is expected to be approximately 105,000 ounces at a cash cost of \$185 per ounce. As at December 31, 2001, eight percent of the Company's production was hedged. Eldorado plans to increase its gold hedge position during the year, but will not hedge more than 50 percent of production on an opportunistic basis as prices fluctuate above the \$290 per ounce level. A private placement totaling CDN\$25.0 million was completed in February 2002. These proceeds will be used to fund the Kisladag Feasibility Study program, drill the Brumal property in Brazil, and pay down debt.

## **Financials**

Following the completion of the Company's recently announced private placement, the proceeds, net of commission, in the amount of CDN\$23.5 million were released to the Company on February 15, 2002. Subsequently, the Company reduced its debt by US\$7.5 million and as of March 31, 2002 plans a further reduction to a level of US\$5.4 million. The estimated total cash balance at March 31, 2002 will be US\$10.2 million.

## **Sao Bento**

The recent elimination of energy restrictions in Brazil provides additional confidence in the Company's plan in 2002 to produce 105,000 ounces of gold at cash costs of US\$185 per ounce. The repair of the Company's #2 Autoclave remains on schedule and is expected to be back in operation on March 18, 2002. The full cost of the repair, including business interruption coverage, has been recovered through payments from the Company's insurance provider.

Mining operations year to date are proceeding according to plan with mine grades averaging in excess of 9.0 g/t gold. Reduced plant throughput resulting from the #2 Autoclave repair has resulted in a 30,000 ton stockpile of ore on surface, to be processed during the balance of 2002.

Exploration and development drilling totalling 9,600 meters through 2002 is ongoing with two diamond drills operating on the mine's 23rd level. The program is designed to both extend and upgrade resources down to the mine's 30th level elevation (Figure 1).

The Company intends, following finalizing its agreement with AngloGold, to execute a 7,200 meter drill program below the 30th level elevation. The program is designed to confirm the continuity of the Sao Bento ore body within the extended Banded Iron Formation ("BIF") to a depth up to 250 meters below the mine's 30th level elevation.

## **Brumal Project**

With the ratification of the Option Agreement between the Company and Companhia Vale do Rio Doce ("CVRD") scheduled for mid March they are ready to commence our first work program on the Brumal property.

Drilling will commence in March with an initial 2,000 meter diamond drill program consisting of 6 holes designed to confirm and extend the previously identified mineralization within the BIF.

Drilling to date has located the mineralized horizon within the BIF, which has been demonstrated to depths of 500 meters below the surface. The deepest drill hole on the property intersected 13.3 g/t gold over a true width of 3.6 meters, at a depth of 475 meters from the surface. Three ore horizons similar to Sao Bento have been recognized close to the upper and lower contacts of the main iron formation. They believe the strong similarities between the BIF structure and

composition at Brumal and Sao Bento indicate a potential to host mineralized structures of similar grades to Sao Bento.

Their initial objective is to validate the target resource necessary to make a production decision based on a shallow reserve accessible by a decline from surface; the present estimation of an initial target is 250,000-500,000 ounces.

The close proximity (within 5 km) of the Brumal Project to the Sao Bento metallurgical plant presents an opportunity for Eldorado to utilize the excess milling capacity available at Sao Bento which is ideally suited for treating Brumal ore.

### **Kisladag**

A 3,400 meter deep drill program at the Kisladag Project commenced this week. This program is designed to test the northern and southern flanks of the porphyry system and investigate higher-grade sulphide zones at depth with the objective to test the validity of a target in excess of the presently defined 6.7 million ounce resource. The program consists of 8 diamond core holes with planned depths up to a maximum of 450 meters. Results from the drilling will be incorporated in an updated resource estimate in May 2002. This work is part of the intensive work program intended to bring the Kisladag project to full feasibility in the first quarter 2003.

In addition, approximately 4,000 meters of reverse circulation drilling is planned for completion in the 3rd Quarter 2002 and is designed as further infill drilling for the Kisladag Feasibility Study. Concurrent with the drilling program, further metallurgical testwork and the Environmental Impact Study are proceeding.

### **Fundamentally**

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### **Technically**

Four year base. The bigger the base the bigger the rise. First downside support is found at \$0.75 – around the 50 day moving average.

Eldorado Gold Corporation  
Consolidated Balance Sheets  
Expressed in thousands of U.S. dollars

	December 31	
	2001	2000
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 4,752	\$ 2,300
Restricted cash (Note 9)	475	7,053
Accounts receivable	3,747	4,944
Inventories (Note 4)	5,069	4,669
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	14,043	18,966
Mine property, plant and equipment (Note 5)	66,495	70,627
Mineral properties and deferred development (Note 5)	30,673	29,442
Investments and advances	122	277
Future income taxes (Note 13)	-	203
Other assets and deferred charges (Note 6)	1,961	1,675
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	\$ 113,294	\$ 121,190
	=====	=====
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 11,769	\$ 6,553
Current portion of long term debt (Note 9)	6,243	7,331
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	18,012	13,884
Provision for reclamation costs	3,467	3,467
Deferred gain (Note 7)	5,621	4,322
Future income taxes (Note 13)	178	193
Convertible debentures (Note 8)	1,870	2,427
Long term debt (Note 9)	9,103	18,006
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	38,251	42,299
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	316,406	310,527
Special warrants (Note 10)	-	5,840
Equity portion of convertible debentures (Note 8)	7,280	6,723
Deficit	(248,643)	(244,199)
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	75,043	78,891
	-----	-----
	\$ 113,294	\$ 121,190
	=====	=====

Eldorado Gold Corporation  
Consolidated Statements of Operations and Deficit  
Expressed in thousands of U.S. dollars except per share amounts

	Three months ended December 31 2001	Three months ended December 31 2000	Year ended December 31 2001	Year ended December 31 2000
Revenue				
Gold sales	\$7,385	\$10,195	\$33,523	\$51,455
Interest and other income	301	1,155	944	1,962
	7,686	11,350	34,467	53,417
Expenses				
Operating costs	4,568	7,428	22,753	34,013
Depletion amort.	2,265	2,301	8,991	11,369
General & admin.	960	996	3,296	3,163
Exploration expense	79	190	508	539
Interest costs	278	876	1,919	3,076
Reclamation	-	104	-	674
Foreign exchange loss (gain)	115	(463)	173	(576)
	8,265	11,432	37,640	52,258
(Loss) profit before the undernoted items (579)	(579)	(82)	(3,173)	1,159
Write down, disposals of investments and advances (24)	(24)	(59)	(24)	(59)
Reorganization costs (406)	(406)	-	(406)	-
Gain on disposals of mine property, plant and equipment 14	14	-	74	-
Gain on disposition of subsidiary -	-	647	-	297
(Loss) profit before income taxes (995)	(995)	506	(3,529)	1,397
Taxes				
Current (138)	(138)	237	(155)	1,019
Future -	-	(433)	(203)	(1,310)
Net (loss) income for the period \$(1,133)	\$(1,133)	\$310	\$(3,887)	\$1,106
Deficit at the beginning				
of the period (247,366)	(247,366)	(244,376)	(244,199)	(244,791)
Interest on deb. (144)	(144)	(133)	(557)	(514)
Deficit at end of the period \$(248,643)	\$(248,643)	\$(244,199)	\$(248,643)	\$(244,199)
Weighted avg # of shares out. 102,320,772	102,320,772	84,040,314	99,736,407	79,874,211
Basic (Loss)per share				
- U.S.\$ (0.01)	\$(0.01)	\$-	\$(0.04)	\$0.01

## Arizona Star (AZS:V) – Price \$1.46 – Target \$3.00

Arizona Star Resource Corp. is a gold exploration company operating in Chile. Arizona's success comes with the discovery of the Cerro Casale deposit on the Aldebaran Property. Arizona Star owns 51% of the Aldebaran property until Placer Dome Inc. completes its commitments. Placer Dome will earn a 51% interest in the Aldebaran property with Bema Gold and Arizona Star Resource Corp. retaining a 24% and 25% interest respectively.



The Aldebaran property is located at the southern end of the Maricunga Mining District in northern Chile, approximately 145 kilometres southeast of the city of Copiapo. The 30-kilometre

by 15-kilometre Aldebaran Property is located 30 kilometres south of Bema's Refugio Mine. The Aldebaran property consists of the Cerro Casale deposit as well as seven other exploration targets.

Based on the Feasibility Study completed in January 2000 by Placer Dome Technical Services Limited, Cerro Casale contains over one billion tonnes of mineable ore that could produce over 17.5 million ounces of gold and 2.34 million tonnes of copper over the 18 year mine life. The feasibility study was completed using a gold price of US\$350 per ounce and a copper price of US\$0.95 per pound. Cash production costs are estimated to be below US\$100 per ounce of gold with total operating costs estimated at US\$203 per ounce of gold (assuming credits for copper at US\$0.95 per pound). Cerro Casale is located in northern Chile, approximately 145 kilometres south-east of the city of Copiapo, at an elevation between 3,800 and 4,450 metres.

The fresh water supply for the project has been secured. Water rights totaling 1,145 liters per second have been formally granted in the Piedra Pomez and Pedrenales areas. Electrical power contracts are also in place for 245 megawatts, sufficient for construction and plant start-up at initial milling rates of approximately 170,000 tonnes per day.

#### **Exploration**

Arizona Star recently announced that joint venture partner, Aur Resources Inc. ("Aur") has commenced the second round of drilling at the Agua de la Piedra (ADLP) property located in Region II, northern Chile. Aur is operator of the project and owns 51% of the 264 square kilometre ADLP property while Arizona Star owns 49%. This second phase of drilling is following a successful first round, which outlined a new gold zone in the region.

#### **Fundamentally**

\$60 million market cap for \$3 million in cash. Call it a triumphant return to the VSE. Prior to Bre-X it was rumored that Clive Johnson turned down a bid in the mid teens for this world class deposit. The deposit itself would produce over 1 million ounces a year over an 18 year life. While Placer (PDG:T) will own 51% and the deposit really needs higher gold prices \$350 an ounce before it becomes commercially viable the hope is two fold: 1 – given its relatively low cash costs (under \$175 at current copper prices) of Cerro Casale Placer will need to bring a new mine on production given its own declining production and 2 Bema\* (BGO:T) the controlling shareholder will finally merge its operations with that of Arizona in anticipation of a financing.

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Again the bigger the base the bigger the bull market. 4 year base here. Closed at new 52 week high on Friday. Downside support isn't found until \$1.20 – bottom of the recent trading range.

\* Long Bema gold at the time of writing