

GOLD STOCK ANALYST™

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

April 2004 • Issue #119 • Editor: John C. Doody • Single Issue: \$75.00

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Next Issue Mailed: 5/1/04

Where Are We Now?

At 3/26's \$422/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$385/oz.** On average the stocks are:

Undervalued 16% based on MC/oz P+P

Undervalued 18% based on MC/oz Prod

Yellow Flag Still Waving

GSA was dismayed by the adverse reaction to our lead article last issue, "Danger Sign ... or Worse?", in which we compared the similarities between the current gold bull market and that of 1985—87, both driven by the US Current Account Deficit (CAD). We did not turn bearish, despite what some have written, just cautious. In every bull market it's a good idea to continually reassess one's position; as the philosopher George Santayana reminded us, "those who ignore ... continued Page 7"

Anglogold's P+P Reserves Fall

from 72.3 mil end-02 to 63.1 mil oz end-03 despite raising the gold price used for the calculation from \$325 to \$350/oz. The damage was done by Rand's continuing strength that saw AU use a R7/\$1 exchange rate vs prior period's R9/\$1 rate.

The chart below examines how AU compares to the other "Big 4" So Africans, all of which are using P+P as of 6/30/03. As can be seen, AU's P+P are the most conservative in terms of Exchange Rate and Gold Price.

S African's P+P: 12/31/03 (w/o ASL)	P+P (mil oz)	Exch Rate Co Used	Gold Price for P+P	4QCal03 Cash/oz	P+P Price at R7.0/\$1 (same @ Au \$385)
AngloGold	63.1	R7.0/\$1	R78,768/kg	\$249	\$350/oz
Durban Dp (6/30/03)	15.8	R8.58/\$1	R96,500/kg	\$330	\$429/oz
Gold Fields (6/30 -15%)	71.0	not stated	R95,000/kg US\$325, A\$580	\$308	\$422/oz (weighted avg)
Harmony (6/30 w/ARM)	61.9	R8.5/\$1	R93,000/kg	\$350	\$413/oz

Homeland Investment Act Continues Alive

In Senate it's called "Invest in USA Act"; both give one year tax break (5.25% vs 35%) on profits repatriated from foreign subsidiaries. Currently, foreign earnings brought home after already paying foreign taxes are taxed again at 35% corporate rate; this has led to an estimated US\$600 bil stockpiled in foreign subsidiaries. Analysts estimate \$300 bil could come home under a tax holiday; Economist Allen Sinai forecasts 650K new jobs in 2005, increased GDP growth (~0.8% in '05), and \$75 bil deficit reduction over 5 years due to tax revenues on the higher US output.

The Bills are bundled with repeal Foreign Sales Corporations tax break for US exporters. Ruled an illegal subsidy by WTO, European retaliatory tariffs of 5% were imposed in March and rise 1%/month to 17%.

Wide sponsorship includes Senators Frist (Repub Majority Leader), Boxer (Dem from hi-tech CA) and Corzine (Dem, fmr Goldman CEO). Candidate Kerry's corporate tax overhaul plan revealed 3/26 also includes a one year tax holiday, but at a 10% tax rate vs the 5.25% now proposed. This is very important as it removes election politics from the issue and assures the Act's passage in some form.

If \$300 bil returns to US, it will not be lost in the trillion Dollar ForEx market flows as some have wrongly speculated. As a stock of money not now in the market, it will have the jolting effect of a new \$300 bil seeking a home in US Dollars. GSA sees conversion from Yen, Euro, or whatever ForEx it's now held in offsetting 60% of one year's \$500 bil US Current Acct Deficit (CAD). Absorbing many of the US\$ now dumped into the ForEx market by the CAD will dramatically reduce downward pressure on the Dollar by giving \$300 bil a ready home. Gold, priced in Dollars, will have a difficult time during the one year tax cut window.

• Deletion and addition to GSA Top 10; see "who" and find out "why" on Page 3.