

GOLD STOCK ANALYST™

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

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Next Issue Mailed: **3/1/04**

Where Are We Now?

At 1/27/04's **\$406/oz** Gold, based on GSA's Market Cap/oz database since 1994, gold stocks trade as if gold was \$377; gold stocks on average are:

Undervalued 13% based on MC/oz P+P
Undervalued 16% based on MC/oz Prod

Is Gold's Bull Market Over?

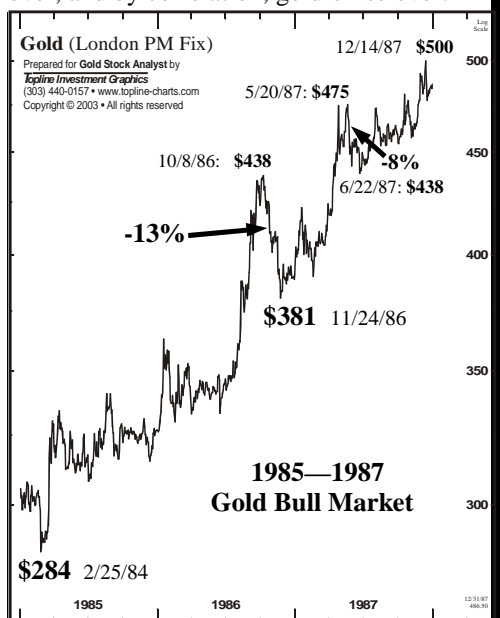
Gold, after besting the last bull market's \$416 high (Feb-96) to close 1/13/04 at \$426, has fallen back to close in US trading at \$402 on 1/30/04. CNBC cheerleader Larry Kudlow declares the Dollar's fall over, and by correlation, gold's rise over.

The middle week of January saw the Dollar fall to a record low \$1.29 per Euro and European Central Bank members began speaking out, trying to talk down the Euro.

But subsequent comments from the US essentially said "it's your problem, not ours" as a falling US\$ aids US exports and reduces imports; both help to add more jobs in the US.

The current bull market is replicating the 1985-87 gold bull market shown in the adjacent chart. In the rise from \$284 to \$500/oz, there were several major retracements, the largest being 13% in Oct/Nov-86.

No market goes straight up and occasional setbacks for gold should be expected. But so long as the US's twin deficits (Budget and Current Acct) grow, gold's rise is intact.



Irresponsible Reporting Returns to Gold

Canadian based Hunter-Dickinson Group (HDG) specializes in acquiring large deposits, usually a low-grade copper/gold porphyry, putting it into a controlled stand-alone company, sprucing it up with more drilling, etc and then selling the company to a bonafide miner. HDG last took this path in the sale of **El Condor**, and its Kemess deposit to **Royal Oak** that ultimately led to RYO's bankruptcy.

Nothern Dynasty, an HDG Co, headlined-claimed 26.5 mil oz gold ... *cont Pg 9*

- Bidding for Sukhoi Log, the 30+ mil oz Russian deposit with challenging metallurgy (~\$1 bil capex) has been put off to 3Q04; **Barrick** and **Norilsk** (controls **Stillwater**) are thought the primary contenders ... ABX due its capital and process expertise and Norilsk due its political clout and nearby Lenzoloto gold mine.

- Will **BankOne** find a timebomb inside of **JP Morgan's** huge derivative book (2.5X larger than next largest exposed, Bank of America)? US Comptroller of Currency data for 9/30/03, latest avail, showed JPM with 51%, \$34.2 trillion, of the gross \$67.1 trillion derivatives outstanding in US. Further, JPM's Total Credit Exposure from all contracts equalled 783% of its \$45 bil total equity. JPM's winning positions, those with a positive Mark to Market, are up a total \$681.9 bil while the losing positions have a total loss of -\$667.4 billion. The slim \$14.5 bil difference in the positive and negative total values is even more tenuous when one considers that 92.2% of JPM's contracts are privately written (vs exchanged traded derivatives) and thus valued by by JPM itself! Who knows what the real values are? The \$14.5 bil sliver of profit could easily vanish in a sudden market shift.