

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: 2/2/04

Where Are We Now?

At 12/19/03's \$410/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, Gold stocks are trading as if Gold was \$367/oz. On average, stocks are:

Undervalued 20% based on MC/oz P+P
Undervalued 23% based on MC/oz Prod

2004 Forecast

With gold solidly above \$400/oz and a new year beginning, it's time for a look ahead. On Page 5 you'll find 2004 production and cash cost forecasts for all the producers we follow; Page 3 provides updated comments for all the GSA top 10 stocks and our year-ahead expectations.

The 2004 year should also bring an answer to Gold's most critical question: Are we in a cyclical or secular bull market? ...continued Page 6

SEC's Xmas "Lump of Coal" for Gold Miners

GSA had been looking for big P+P Reserve increases from every miner at end-03. As seen on Pg 4, most miners used \$300 or \$325 to determine economic cut-off grade for P+P at end-02. But with gold now over \$400, GSA expected most to use \$350 or \$375, which would have boosted Reserves without drilling a single hole!

But the SEC is playing "grinch", decreeing all gold miners reporting to it must use gold's 3 year rolling average price for P+P; as the table shows, this calcs to \$314. SEC will allow a slight boosting to \$325/oz due gold always being in contango (future prices higher than current).

This SEC rule is bound to create some oddities; for example **Kinross** and **Bema** have just used \$350/oz as a basis to invest \$100 mil to restart Refugio. If they now use \$325 for P+P at Refugio at end-03, some investors will question their judgement.

But, there is one "out" that may allow the SEC's low gold price for P+P to co-exist with Companies' preference to use a price closer to the current market.

Ounces are P+P so long as they are economic to produce; for the SEC, this means they will earn at least \$1 in net profit (in a Net Present Value analysis), or they have at least a very small positive return on investment (Internal Rate of Return analysis).

No miner would invest in a project that earned only \$1 net, or returned only 0.0001% on investment, as they all have hurdle profit levels or rates of return. But, so long as the oz can earn at least \$1 at \$325, miners can count them as P+P, even tho it may take a \$350/oz or higher price for a miner to see enough of a return to want to actually produce the ounces.

Avg Gold Price	
2001	\$271
2002	\$310
2003-YTD	\$363
3 Yr Avg	\$314

• **Homeland Investment Act** update: *Wall Street Journal* in a 12/9/03 article by Greg Hitt on VP Chaney's power: "In an audience granted last summer to business lobbyists, he (Chaney) signaled his sympathy with a proposal to lower the tax on (repatriating) corporate earnings that are kept abroad. The issue hasn't gone anywhere, however. Mr Bush opposes it." GSA hopes George Jr can stand up to Chaney on this one!!

• **Changes in GSA Top 10:** Two arrivals, one departure. See Page 3.
• Early Dec stock sell-off due profit taking did plenty of damage and created buying opportunities as indicated by GSA's "Where Are We Now?" analysis on lower left.



Happy Holidays to All!
GSA will be closed until Jan 9, 2004