

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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US Current Account Deficit for 4Q04

The US Current Account Deficit (CAD) has been flat the last two quarters, at 5.64% and 5.58% of US GDP (see chart page 16, Jan-05 issue). With Trade data in for 4Q04, we can speculate on what the two unknowns (net income payments and unilateral transfers) might be in the 4Q04 data due to be released March 16, 2005.

Table below takes the already known Trade Deficit for 4Q04 of -\$687 bil and says "what if" based on the most recent history of Trade as a percent of CAD, 92% to 94%, and estimates a CAD of -\$731 bil to -\$747 bil. Dividing the by the already known 4Q04 GDP, GSA fcsts new record CAD, between -6.10% and -6.23% of GDP.

United States: (Annualized Rates)	1Q04 (Actual)	2Q04 (Actual)	4Q04 (Actual)	4Q04 Possibilities	
Trade Deficit	-\$554.4 bil	-\$604.3 bil	-\$621.4 bil	-\$687.3 bil	-\$687.3 bil
Income & Unilateral	-\$34.2	-\$53.2	-\$37.5	if 94%= -\$43.9	if 92%= -\$59.8
Curr Acct Deficit	-\$588.7 bil	-\$657.6 bil	-\$658.8	then: -\$731.2 bil	then -\$747.1 bil
% Trade of CAD	94%	92%	94%	94%	92%
US GDP	\$11,473 bil	\$11,658 bil	\$11,814 bil	\$11,989 bil	\$11,989 bil
% CAD of GDP	-5.13%	-5.64%	-5.58%	-6.10%	-6.23%

• **Print Subscribers** missed Feb 16 Update w/comments on: KRY, GSS, QEE, CAU, GG/WHT/GLG, and HMY/GFI. Convert anytime to Web Access with mid-month Updates; send us an email from our website: www.goldstockanalyst.com.

• **South African Central Bank** did not cut benchmark interest rate from 7.5% at Feb 9 meeting, much due to CPIX inflation benchmark increasing from annualized 2.7% in 3Q04 to 5.0% in 4Q04. Most recent data showed unit labor costs up 4.9%, annualized domestic demand up 5.6%, M3 up 12.8% and loan demand up 12.5%. The Bank expects CPIX inflation to "rise moderately in 2005", which means a continued strong Rand will keep pressure on the South African gold miners.

• **South Korean Central Bank** upset Market when it said would diversify out of Dollars into higher yielding currencies. Bank clarified next day... it will use new monies to diversify and not change its existing \$200 bil portfolio, said to be 70% in Dollars. S Korea's Current Account Surplus topped \$28 bil in 2004, and its most recent rate indicates \$3 bil/month could be diverted from US\$ asset purchases.

• Elevated to Tier I coverage, with reports this issue: **Nevada Pacific**, **Nevsun**, and **Queenstake**. Joining GSA with Tier II coverage: **SEMAFO**.

• See you at **PDAC in Toronto**, March 6 - 9. Your Editor speaks Sunday at 2:30. Next event for GSA: **NY Gold Show**, May 23-24, 2005. <http://www.iiconf.com/>

• **Uranium Stocks:** GSA knows little about them and their market looks super frothy. But we've been barraged with "What to buy?" questions. GSA thinks most are "crapshoots" as they're generally a long way from drilling and proving up economic deposits. But, Nov-04 we bot a few shares of **Fronteer Development** (<http://www.fronteergroup.com>) based on its 50% of 780 sqkm prop in Labrador's Central Mineral Belt, w/4 prev explored U sites and a 9/04 airborne magnetic and radiometric survey that identified 4 more unknown near-surface deposits. GSA also liked that Co has multiple gold projs in Turkey, w/several currently being drilled.

Now, at end-Feb and having a "triple", we took ~50% out of FTDGF (OTC) to buy **Altius Mnrls**. ALS (CDX) owns 50% balance of the Labrador props, has a portfolio of other expl props, and a 0.225% NSR royalty on Voisey's Bay Nickel deposit, due to begin prod in 2006 at rates (according to N's 3/03 bankable feasib) of 110 mil lbs Ni, 85 mil lbs Cu, and 5 mil lbs Cobalt/yr; at curr prices revs total \$1.01 bil/yr, making royalty worth US\$2.3 mil/yr. **Note:** readers are on their own here; while GSA already owns these shares, there's zero likelihood we'll do updates.

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Where Are We Now?

At 2/25's \$434/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$386/oz**. On average the stocks are:

Undervalued 20% based on MC/oz P+P

Undervalued 21% based on MC/oz Prod

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