

# 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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 ★ No Company Reports ★  
 ★ this month as ★  
 ★ we've spent ★  
 ★ time creating a new ★  
 ★ GSA ★  
 ★ User's Guide, ★  
 ★ which is included ★  
 ★ with the mailing of this ★  
 ★ issue, and is posted to ★  
 ★ GSA's website. ★  
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## Harmony bids for Gold Fields

In a bid that reminds GSA of Coeur d'Alene's bid for Wheaton, HMY tries to upgrade its assets by offering 1.275 HMY for each GFI. This would mean issuing 627 mil shares and leave current GFI holders with 66% of "New Harmony's" 948 mil shrs. NHMY would have approx 130 mil oz P+P and FY05 prod of 7.3 mil oz/yr at a GSA est cash cost of \$325/oz. While this would create the world's largest gold miner, its \$11.2 bil Mkt Cap would still be dwarfed by ... *continued Page 3*

## China: 800 Pound Gorilla in the Resource Markets

We are all well-familiar with how China's need to employ its population making products for local consumption and export markets has strained the world resource markets' ability to supply sufficient quantities of oil, copper, and myriad other raw materials. Two readily observable China-consequences are higher commodity prices, and huge ForEx reserves (\$483 bil as of July-04) accumulated by the Chinese Central Bank as it sells Yuan and buys Dollars to defend its fixed exchange rate, set artificially low at 8.28 Yuan/\$1.00 for years.

Many ask "What will China do with its mountain of Dollar reserves?" Would they emulate late 1980s Japan and buy up Hawaii and trophy buildings (Rockefeller Center) and golf courses (Pebble Beach) around the world... only to come to realize that they had vastly overpaid? Or, would a more productive use be found?

GSA believes the Chinese have tipped their hand as state owned China Minmetals is negotiating to pay \$5 bil for 100% of **Noranda** (w/copper, nickel, other other metal mines), in a friendly deal with 42% owner Brascan. This move marks a change in strategy. From the early long term supply contracts, ... *continued Pg 7*

## US Trade Deficit Heads towards \$700 billion

August's Trade Deficit came in at \$54.0 bil, up from July's \$50.5 bil and just below June's all-time record of \$55 bil. The three month rate annualizes to \$638 bil, another record that won't stand long once \$50/bbl oil gets into the data. August saw 430 mil barrels imported at an average price of \$36.37/bbl. The same monthly imports at \$50/bbl is a \$6 bil higher monthly oil bill; all else being equal, this yields a \$60 bil/month Trade Deficit, an annual rate of \$720 bil/year.

## Canyon: Montana Election Results,

including I-147 (repeals cyanide ban), continuously updated beginning the evening of 11/2/04 at <http://www.helenair.com> and <http://www.yeson147.com>

Win or lose, there will be a Canyon conference call on Nov 3. In the worst case, CAU will discuss its "Plan B" alternatives at McDonald (there are some very hopeful possibilities); in the best case, "Plan A" includes a resumption of the permit process on the site's 13 mil oz gold resource.

If Plan B is CAU's mode going forward, Web Access subscribers will receive an email with GSA's assessment the evening of Nov 3. We're holding the mailing of this issue until Nov 4 in order to include the email as an insert.

- See you there: **San Fran Gold Show**; Nov 28 & 29. Info: [www.iiconf.com](http://www.iiconf.com)
- GSA visits Venezuela to Mid-Nov to see **Crystalex's** Las Cristinas project and **Hecla's** mines. Full report Dec issue, w/pix in web-posted version.

Next Issue 12/1/04  
 Web Posted:

## Where Are We Now?

At 10/29/04's \$426/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, Gold stocks are trading as if Gold was \$395/oz. On average, stocks are:

Undervalued 14% based on MC/oz P+P  
 Undervalued 13% based on MC/oz Prod