

GOLD STOCK ANALYST™

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

October 2004 • Issue #125 • Editor: John C. Doody • Single Issue: \$75.00

IN THIS ISSUE:

Past Analysis Index	2
GSA's Top 10 Stocks	3
GSA Stock Data	4&5
Company News	6
Silver: Price, Mkt Indics	10
PGMs: Pd & Pt Prices	10
Gold: Price, Mkt Indics	11

White Metal Stocks:

Silver:

Apex Silver	12
Coeur d'Alene	13
Hecla Mining	14
Mines Mngt	6
Pan Am Silver	15
Silver Standard	12
Silver Wheaton	6
Western Silver	6

PGMs:

North American Pd	7
Stillwater	7

Analysis Inside:

Where Are We Now?	
Mkt Caps/oz vs Gold	8
Mkt Caps/oz from '94	9
Current Acct Deficit	16

Next Issue
Web Posted: 11/01/04

Where Are We Now?

At 9/21/04's \$409/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$372/oz.** On average the stocks are:

Undervalued 18% based on MC/oz P+P

Undervalued 17% based on MC/oz Prod

US Current Account Deficit at Record 5.71% of GDP

We knew from the monthly Trade Deficit data, and wrote last issue, that the US CAD would be high; but the annualized \$665 billion rate reported 9/14 for 2Q04 far surpasses the previous record of 5.15% in 1Q03. See Page 16 chart.

How long can US continue to stuff Dollars down the World's throat? Up to now it has only resulted in pate, but at some point the goose will explode, creating a big mess in the World's financial system and result in a lower Dollar and higher Gold.

What currently keeps the system afloat, as noted by money manager David Richards in 9/20/04 *Barron's*, is effectively the "vendor financing" provided by Asian Central Banks to US consumers. To avoid their currencies appreciating in value, resulting higher prices in Dollars for their exports and dulling the US's appetite, the Chinese and Japanese Central Banks sell their own currency to buy Dollars to depress their currencies' value. With no domestic use for the US\$, the CBs buy Treasuries to earn interest; this finances the US Budget Deficit, w/the side effect of holding down US interest rates and propping up the US housing market.

"Economic trends continue until they stop", said Herb Stein, economic advisor to Presidents Nixon and Ford. When this one ends, the "goose" is going to be splattered all over in one big financial mess, thinks GSA.

Irresponsible "Reporting"

is GSA's opinion of the "info" on **Nevsun** and other Eritrean explorers recently reported by the same tipster that cared little about his subscribers when he/his firm was paid approx C\$400K by Vanessa Ventures in 2002 to tout VVV as the ultimate winner of the 15 mil oz Las Cristinas deposit, now being developed by Crystallex.

Doug Casey, in his mining stock tip sheet *The International Speculator*, claimed to have spoken with a "high-level member of the Eritrean government" about its Sept 2 order to **Nevsun** and other Canadian explorers, to "halt all mineral prospecting and exploration work and related activities in Eritrea until further notice." When Casey said Eritrean Govt wanted to renegotiate on NSU's rich Bisha deposit, he ignored a far more likely possibility for the "stop work", in GSA's opinion.

Nevsun says on-going discussions have never seen any hint of Gov't wanting more than its current 10% carried interest and country's 20-30% corporate profits tax. And it makes sense. If Eritrea wants more, why demand now before a mine is even built? That could cause the mine to never be built. And, why stop the others from exploring before they find something?

GSA suspects the real "stop work" reason is that Eritrea does not want ex-pats w/ sat phones in the outback near its huge airbase, which could be used for African Union action to stop the on-going genocide in Sudan (on Eritrea's western border).

• **San Francisco Gold Show:** Nov 28&29 at the SF Marriott. Hurricanes Frances & Ivan kept us from Las Vegas, so we're really looking forward to seeing subscribers and the 100+ exhibiting miners. More info: 800-282-7469 or www.iiconf.com.

• IMF meets October 3; will likely see official renewal for 5 more years of Sept-99 Washington Agreement, under which Central Banks self-limited their gold sales and leasing. We know already the next 5 years will see a higher limit of 500 tonnes (16.1 mil oz) per year vs prior 400 tonnes/yr; the question is "Who will sell?" France and Germany, slotted for 500 and 600 tonnes, respectively, cannot decide on the use of proceeds, and sales intended by Netherlands and Swiss total only 295 tonnes.

• **Change in GSA Top 10.** Who and why on Page 3