

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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IN THIS ISSUE:

| | |
|---|-----|
| Past Analysis Index | 2 |
| GSA's Top 10 Stocks | 3 |
| GSA Stock Data | 4&5 |
| The Metals Markets | 6 |
| Co News & Analysis | 7 |
| Gold: Price, Stock Indexes, Market Indicators | 8 |

Reviewed Inside:

| | |
|--------------------|----|
| Cambior | 9 |
| Canyon (full page) | 10 |
| Claude | 11 |
| Crown Res | 7 |
| Crystallex | 12 |
| Durban Deep | 11 |
| Eldorado | 12 |
| Freeport | 13 |
| Glamis | 14 |
| Gold Reserve | 7 |
| Goldcorp | 15 |

Analyses Inside:

| | |
|---|----|
| Current Acct Deficit vs Gold vs US Dollar | 16 |
|---|----|

Next Issue Emailed: 8/2/04

Where Are We Now?

At 6/25/04's \$402/oz Gold, based on GSA's Market Cap/oz database since 1994, gold stocks trade as if gold was \$359; gold stocks on average are: **Undervalued 22%** based on MC/oz P+P **Undervalued 18%** based on MC/oz Prod

Yellow Flag Lifted; Gold's Climb to \$450 Resumes

The data released June 18 for the US Current Account showed a record Deficit for 1Q04 of \$580 bil, and reversed a trend towards lower percentages of the US GDP that had been seen over the prior 3 quarters, as it climbed from -4.51% to -5.06% (see data table on Page 6 and graph on Page 16). This was what GSA needed to see in order to resume our bullish stance on Gold.

But, just as one robin does not make a Spring, one new data set does not establish a new trend. GSA's belief that gold will head higher is buttressed by two additional sets of data:

1) Monthly Net Foreign Purchases of US Stocks, Bonds and Gov't Debt, while still very high, have slowed since since peaking at \$91.8 bil in Jan-04, as can be seen in adjacent table. Each month's data annualizes to far more than 1Q04's Current Account Deficit (CAD) of \$580 bil, but that it's slackening gives hope that a trend lower is in place (see Page 6 for chart of running 12 months totals). To the extent US Dollars are sold and not used to buy ... *continued Page 6*

| Net Fgn Purch US Stocks, Bonds, Govts | |
|---------------------------------------|---------------|
| Oct-03 | \$27.8 bil |
| Nov-03 | \$77.9 |
| Dec-03 | \$75.9 |
| Jan-04 | \$91.8 |
| Feb-04 | \$83.3 |
| Mar-04 | \$80.7 |
| Apr-04 | \$76.2 |
| May-04 | Due 7/16 |

Homeland Investment Act (HIA) Update

GSA first warned of HIA's potential impact on the Dollar and gold (not good) last December. Now Wall Street has woken up to its implications and begun to weigh in with forecasts. Below we update the Act's current status, give the opinions of several Street analysts, and end with our current take:

Current Status: US House and Senate passed corporate tax bills that eliminate the \$4 bil/yr tax beak for US exporters that's been declared an illegal trade subsidy by World Trade Org, and has resulted in punitive tariffs being applied by European Union on select US exports beginning 3/1/04 at 5%, rising 1% per month to 17%.

As a general offset to losing the Foreign Sales Corp tax break (and it doesn't benefit many of those actually losing the break), a one year window is proposed for profits earned and then kept overseas to be repatriated at a 5.25% rate. While profit taxes have been paid in the foreign lands, a US tax code anomaly requires any net profits then brought home to be taxed again at ... *continued Page 7*

• Charles DeGaulle must be rolling over in his grave! **Bank of France** Governor Noyer confirms it will sell 600 tonnes (19.3 mil oz) of its 3,025 tonne total (97.3 mil oz, worth \$37.5 bil at \$385/oz) to bring down its annual Govt Deficit. Forecast at 3.6% of GDP, it will be above the 3.0% Euro limit for the third consecutive year (4.1% in 2003, 3.2% in 2002). "The gold will be sold when the market is healthy and the price is fair" and under the renewed 500 tonnes/year Central Bank gold sales pact, which France signed March 8, 2004.

• July 6 **IAMGOLD** holders vote on issuing 423 mil shrs to merge w/**Wheaton River** to create **Axiom Gold**. WHT holders vote to reaffirm the deal on same day. Now CDE and GSS have raised their bids for WHT and IAG. Details Page 7

• **Las Vegas Gold Show** Sept 8&9 at Mirage Hotel. For more info: 800-282-7469 or www.iiconf.com. Make plans now... see you there!

Subscribers: Please see note on Page 6
