

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: 7/1/04

Where Are We Now?

At 5/26/04's \$390/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$362/oz.** On average, stocks are:

Undervalued 16% based on MC/oz P+P
Undervalued 14% based on MC/oz Prod

Light at the End of the Tunnel?

The World is on a Dollar standard, and Gold's ability to rise the past three years has been inversely related to the Dollar's fall due to US Govt Budget Deficit and the US Current Acct Deficit. To the extent that foreign investors are unwilling to hold Dollars or Dollar-denominated assets, gold benefits as a "storage" alternative.

Readers know GSA turned bearish on gold as we felt that 1) the normal gold bull market length (~36 months) had been reached, that 2) the US economy had picked up sufficiently for the Fed to begin raising rates, which would attract back to the US the Dollars being sent ... *continued Page 6*

June Dates to Watch

US Data	Release date
Trade Deficit - Apr-04	Fri, June 11
Fgn Holdings US Assets	Tu, June 15
Current Account - 1Q04	Fri, June 18
Fed - FOMC Meeting	Tu/W, 29/30

Coeur d'Alene bids for Wheaton Golden Star bids for IAMGOLD

As GSA was going to press, and in the surprise of 2004 to date, the IAMGOLD-Wheaton merger, on which stockholders were due to vote June 8, has been totally disrupted by superior bids from CDE and GSS. The new bids, if successful, would create two large intermediate producers with respective annual gold prod of 900K (CDE+WFT) and 800K (GSS+IAG). Here's GSA's quick assessment of the deals, with their terms outlined on Page 7

CDE makes an opportunistic bid, as despite its 5 yr history of operating losses, Coeur has a high stock valuation due its silver exposure which it is using to gain access to WHT's strong cash flow from Cu and its growing gold prod. GSA never liked CDE due its self aggrandizing mngt and double counting of production (use Au to cut Ag cash cost/oz and also report Au prod as tho was a primary product); and we always have seen WHT's reported numbers as "phony" due use of Cu revs at Alumbreira to give negative Au cash cost/oz. The Cos are made for each other, in the "worst" sense. Deal would close "early Fall" says CDE.

GSS: Creates great regional gold play in West Africa and becomes, w/800K oz/yr of "dollarized" cash costs, a potential acquis target of **Anglogold** and/or **Gold Fields**. GSA loves this deal, which would close late July or early August.

- The Dollar "carry trade" extended to gold stocks? GSA knows a few of our Top 10 were also favorites of hedge fund subscribers; **Canyon**, and **Crystallex**, for example. The precipitous drops/recoveries these took 5/14 on large volume, CAU falling to \$2.26 before closing up at \$2.73, KRY closing flat at \$2.03 after hitting \$1.60, might have been due to forced sales. While not marginable, bank loans taken to leverage portfolios could have been called and share liquidation forced.

- Reviewing the Annual Meeting proxy for old "friend" **Silverado**, GSA notes Co continues to finance operations thru sale of stock, issuing some 80 mil shrs since we last visited, in Jan-03. Sept-02 shrhldrs had increased shares authorized to 200 mil, but now at 175 mil Co rapidly approaches that "wall". To avoid the tedious task of asking for further authorizations, Co now seeks to eliminate any maximum, "to ensure that there are sufficient shares available for future issuances". In 2003 Co prod 451 oz of gold, and the 80 mil shrs issued calcs to ~177,400 shrs/oz produced, begging question: "Is Silverado mining gold or gullible investors?" In GSA's opinion, it's the latter.