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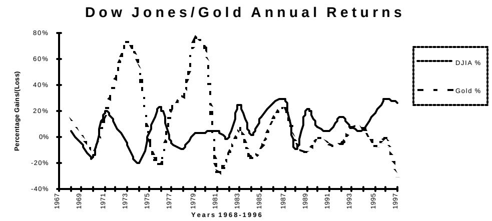
Gold



& Technology Stocks

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Why Gold & Gold Shares? Tocqueville's John Hathaway Explains

John Hathaway

Gold proponents are "people with bad teeth who live in back woods and play banjoes." Rather than engage in a serious discussion about why market forces have declared gold to be money for thousands of years, one well-known British gold analyst used that kind of "hillbilly" word picture to discredit those of us who think we should return to honest money. This month we interviewed John Hathaway, a gold investment proponent if not a self-declared "gold bug." John is certainly no "hillbilly." As portfolio manager of the Tocqueville Gold Fund, Mr. Hathaway puts his Harvard University education to work to make an intelligent argument for gold rather than to throw "mud pies" at those who would, if they could, ship all the gold on earth to the moon. John has successfully managed the Tocqueville Gold Fund since 1997, and he frequently writes serious essays that explain why gold is a most important investment, especially now. John kindly shared some of his thoughts on gold in my May 27, 2004 interview with him which follows.

TAYLOR: Thank you, John, for carving out some time to talk to our subscribers. I want to ask you some questions about the Tocqueville Gold Fund and later get your views on the economy, various financial markets, and of course the gold market. But before we focus on gold, could you tell our subscribers about the Tocqueville group? Could you perhaps give us a brief overview of the Tocqueville funds and possibly some details such as minimum investment, fees, etc.? I would also like to ask if investors can switch from one fund to another; and, if there is an overriding investment philosophy for the group as a whole, could you also perhaps tell us about that?

HATHAWAY: Tocqueville is a registered investment advisor. We are based in New York. We have a branch office in Paris. We manage money for wealthy families, for individuals, for institutions, and we do have a mutual fund group as well, which has approximately $1 billion dollars of a total $3.5 billion dollars under management. The gold fund is the largest of our funds. It is approximately half of the total of the mutual funds or about $500 million.

You can switch between funds. I believe the minimum investment is $1000. That information is all rather well laid out on our Web site, www.tocqueville.com.

The overriding investment philosophy is "contrarian value." We started the gold fund back in 1998 because gold was despised. We didn't like what we saw in the stock market with its excessive valuations and speculation in all manner of overpriced technology stocks. We started our gold fund as a way of protecting client assets in the context of what we thought could be a difficult period for the financial markets. And fortunately for us that turned out to be a reasonably good call. So that is the philosophy of the Tocqueville group. There are about 54 employees and about 10 partners who are portfolio managers. I'm a senior managing director. I sit on the investment committee of the firm but I spend most of my time on the gold fund.

TAYLOR: John, with respect to individual investors, could you tell us the minimum amount of investment you require.

HATHAWAY: For separate accounts, the minimum is $2.5 million. We also have a hedge fund, which is both a domestic limited partnership and an offshore limited partnership, and the minimum there is $500,000.

TAYLOR: I believe your gold fund buys only gold producers in the mid-cap to large-cap range. You do not buy gold exploration stocks, is that right? And how do you define “mid-cap” and “large-cap”?

HATHAWAY: Well, we do have some exploration exposure but because of liquidity concerns we have to limit that. The dividing line in my mind is $1 billion. That size or larger would be large cap. Of course this is a very small sector. In other sectors, a $1 billion market cap stock might be considered “small cap.”

TAYLOR: I notice that a significant portion of your fund is invested in South Africa, which is the world’s largest gold-producing nation. Do you know off the top of your head what your fund exposure is to South Africa?

HATHAWAY: It’s about 15%.

TAYLOR: We have a couple of South African gold mining firms in our newsletter but have not aggressively invested in that country because of our concerns of political instability. What are your thoughts with respect to present and future prospects for political and economic stability in South Africa?

HATHAWAY: They do have a stable society. It’s a democracy. There is a rule of law. So I don’t really have a lot of problems with South Africa. I know the market does because the shares are fairly heavily discounted compared to their peers around the world. The bigger issue for South Africa is its currency, which has been very strong. The rand price of gold has actually gone down over the last few years, even though in dollar terms the price of gold has been moving up. So, the strong rand has squeezed margins in South Africa.

TAYLOR: They have made some legal changes with respect to mining in South Africa that encourage smaller companies to become more active in exploration and development.

HATHAWAY: Yes, they have changed the mining charter so that it’s basically a “use it or lose it” proposition. So you can no longer hold on to a property forever.

TAYLOR: Yes, one of the companies on our list, Centurion Gold which trades in the U.S., has been acquiring various projects and has built up resource and reserve ounces fairly aggressively, as a result of this new legislation.

TAYLOR: I’d like to ask you about gold producers that hedge. Barrick, in particular, had something like a 24-million-ounce hedged position at one time in the past. It has taken it down to about 15 million ounces now. Do you own Barrick?

HATHAWAY: We have a small position. They are changing their stripes. They realize that hedging was a mistake—at least in this market—and so they are moving to reduce their hedge book, and that is why the stock is more interesting.

TAYLOR: What about Newmont? Do you hold it?

HATHAWAY: Yes, that is our largest position.

TAYLOR: Getting back to the hedging issue. Placer Dome still has a sizeable hedge book I think.

HATHAWAY: Yes, but there are almost no companies today that would defend hedging. Smaller companies may be required by their bankers to do it, and that is defensible because they might not otherwise be able to gain funding.

TAYLOR: Speaking of Barrick, are you familiar with the Blanchard lawsuit, which is now in the discovery phase? Have you kept up with that?

HATHAWAY: Not really.

TAYLOR: I guess your view on these things is that we should just let the markets take care of these matters?

HATHAWAY: Yes, if Blanchard can come up with something, more power to them. But frankly, that’s not the best use of my time.

TAYLOR: I’d like to turn now to some financial markets including gold. On your Web site, you suggest that while a stronger euro has been bullish for gold, we might expect the yen and renminbi could be the next currencies against which the dollar would weaken, thus leading to higher gold prices. Now this morning, when I looked at the dollar index chart, I notice that the dollar fell yesterday through an up-trend line that dates back to February of this year. And then I happened to see an article that said producer prices in China are up 5%—not per year but in just one month, that being April 2004. “Overheating” would seem to be the operative word if China’s economic statistics are reliable. Do you take press reports seriously that China is in the process of cooling off their economy, and if so, what are the implications for the global markets, the dollar, interest rates, and gold?

HATHAWAY: The dollar is definitely breaking down now.

TAYLOR: What are some of the forces you see behind that?

HATHAWAY: The dollar has just completed a counter-trend rally amidst a prolonged bear market. There is nothing new to that. The reason the dollar is in a bear market is the same as the reasons we talked about a couple of years ago, which is basically oversupply.

TAYLOR: And that's not changing at the moment. What you do have is a counter-trend

HATHAWAY: Nothing has changed that. What you did have was a counter-trend rally, which is the sort of thing you will have in any major market trend. In bear markets you get long rallies that fool people and get them to take their eye off the ball, and the same thing occurs in bull markets. It just so happens that over the last year or two gold has been a surrogate for the euro. I don't think that is going to be the case two years from now, but for the time being people who see the dollar as an unattractive asset can easily buy the euro, but as a sort of corollary of that trend, they also go long on gold. That has been the story over the last year and one half.

TAYLOR: What about other currencies, like the renminbi and the yen?

HATHAWAY: You can't trade the renminbi. There is no capital flow in and out of that currency so it has to be transaction oriented. There are probably some of the same things going on with the yen.

TAYLOR: I recall an essay you wrote some time ago, in which you suggested gold during this bull market would be measured in four digits rather than three. Do you still hold out the prospects of that happening?

HATHAWAY: You can get to that in a very easy way. You can take the market cap of all the gold above the ground including central bank reserves and just mark it to the current market. It is about $1 trillion dollars. If you look at the market cap of all the financial assets (which would be the stock markets and the bond markets of the world), you are talking about $70 to $80 trillion dollars. And so the ratio of the gold market cap to financial asset market cap is 1:70. If you look at the last time that gold peaked out, back in 1980 when gold was $800, that same ratio was 1:4. So when people were worried about their stocks and their bonds, they valued gold in such a way that the market cap of gold was roughly 25%. We don't need a ratio of 1:4 to get to four digits ($1,000 or more).

TAYLOR: In your latest essay, titled "Interest Rates and 'The Death of Gold'" you noted a study by Peter Palmedo of Sun Valley Gold that suggested that the weekly price fluctuations in gold were almost entirely (88%) explained by the stock market. Do you have a sense of the longer-term relationship between gold and equities? And if so, given your bullish views on gold, what does that say about the direction of stock prices over the next several years?

HATHAWAY: I have no reason to think the longer term correlation is much different than what Peter had to say. Over time there has been a rather reliable inverse correlation. And so to be positive on gold, as I am, you would correctly infer that I have a fairly dim view of the potential return for stocks and bonds. I would say to an investor that you don't have to really know this. But if you want some insurance simply to protect yourself in case stocks and bonds turn out to be a poor investment, at least have some gold so that you will be protected.

TAYLOR: I know the World Gold Council did some work a few years ago against a whole bunch of asset categories that showed gold was negatively correlated with almost everything else. Not only stocks and bonds but real estate as well.

HATHAWAY: That still holds true.

TAYLOR: You might think real estate and gold might move together in an inflationary environment.

HATHAWAY: But I'm more interested in the financial assets vs. gold.

TAYLOR: But if we had really high interest rates as we had in the 1970s when we also had inflation, that would be real bad for real estate, would it not?

HATHAWAY: Sure.

TAYLOR: In the late 1970s, we saw exactly that. My first mortgage was a 17.5% mortgage.

HATHAWAY: (laughing) I'm sure it's a lot less than that now.

TAYLOR: Yes. Well not quite because we sold our house, applied about 10% to purchase gold via www.goldmoney.com, and the rest is in short T-Bills.

HATHAWAY: That would be unusual. Most people would do the opposite.

TAYLOR: Yes exactly. As you can see, I share the Tocqueville fund's contrarian philosophy.

TAYLOR: In your most recent essay you suggested that just because interest rates were rising, investors should not automatically conclude that higher rates were bearish for gold. You noted three major points that needed to be considered. First, is the prospective rise in interest rates the beginning or the end of a process? Second, are the increases in nominal interest rates identical to real interest rates? Third, and most important, will the interest rate increases be favorable or adverse for the returns on financial assets? For the sake of our subscribers who may not have read your essay, could you comment briefly on these three points and why they are important reasons that higher rates may not stop gold's rise?

HATHAWAY: The way most people will relate this potential to the assertion that rising interest rates are lethal for gold is to look at what happened in the 1970s. You had a 15-year march upward in interest rates. And gold was the best-performing asset.

But answering the three questions I raised in my essay, the answers to all three appear to me to be very favorable for higher gold prices now. The conditions present now are at least somewhat reminiscent of the 1970s. First, increases in interest rates are almost certainly in the very earliest stages because at the present time, they still reflect an extremely accommodative and overly stimulative monetary policy. With measured inflation at around 1.7%, to simply bring existing monetary policy up to a "neutral" status would require a Federal funds rate of +/-4%, compared to the existing Federal funds rate of around 1%.

Secondly, real interest rates (defined as 90-day T-bill discount rates less trailing twelve months inflation) are negative by approximately 100 basis points. This is a very gold-friendly statistic. During the 1970s, negative real interest was an important reason financial markets performed poorly and a reason that gold performed so well. And if the inflation rate continues to trend upward and interest rates continue to be raised in small incremental steps, leaving real interest rates negative or very low, inflation will continue to rise from this overly stimulative policy. What will be required to halt the forces of a growing wave of inflation will be Volcker-like administering of higher interest rates. The problem with employing such a strict or tight monetary policy is that it likely will shatter the eggshell pyramid of debt grounded upon the Fed's extremely easy monetary stance over the past decade.

The medicine administered by Volcker resulted in the deepest recession since the Great Depression. Which leads me to answer the third question: "What collateral damage would arise from a multi-year rise in interest rates sufficient to quell gathering inflation?" In 2004, the debt bubble and all manner of other bubbles are so much larger than they were in 1980s. That suggests that anything like Volcker's tough monetary medicine of 1980 may well send the financial markets and the U.S. economy into a steep recession, much more severe than the steep 1980-82 decline into something more like that of the 1930s. Greenspan, Bernanke, and other Fed officials are not unaware of this possibility and so, it seems likely that a Greenspan-like policy of staying behind the curve by raising interest rates in very small incremental steps is the most likely monetary policy going forward to avoid deflating the debt bubble. That should be extremely positive for gold, as it was in the 1970s.

TAYLOR: In reading your most recent essay, if I understand you correctly, you believe that a remedy to try to stop inflation, like Paul Volcker implemented in 1980, is out of the question because of the huge amount of debt in place. As I recall from experience, the recession that followed that tough medicine (double-digit interest rates) was the worst and deepest since the 1930s.

HATHAWAY: That's right, it was.

TAYLOR: But debt was nothing then compared to now.

HATHAWAY: Also true.

TAYLOR: Ludwig von Mises noted that ultimately, when bubbles are blown, the monetary authorities have no choice but to tighten the supply of money, which leads to a deflationary depression. Otherwise, we will face a hyper-inflationary event that ends up taking us to the same place—a collapsed financial system and a depressed economy. Do you agree with this scenario and if so, what could a deflationary collapse mean for gold and gold shares?

HATHAWAY: The example from recent history—recent being relative, but in the 1930s—people sought out gold because of the shakiness of the banking system, which of course held all this bad debt. In some way or another, all bets would be off with respect to the integrity of the government's commitment to maintain the purchasing power of the dollar at $20 to 1 ounce of gold. In those days you looked at the commitment of the government to convertibility into gold as a measure of its integrity. Of course you don't have that today, so it's a little harder to grasp the concept. But the markets foresaw that that was a relationship that would be severely tested, and therefore, long before the government actually raised the price of gold, it anticipated a rising gold price in the midst of the worst inflation in modern history. The dynamics might be a little different this time around because there is no official link to a specific gold price. Financial assets were jeopardized by a deflationary syndrome, in which asset prices were collapsing. Loans against those assets went bad accordingly. The collapse of credit drove investors into gold, which had no liabilities against it. The dollar, of course, is imperiled by unprecedented liabilities.

So the difference is that then you had an official link with gold and now you don't. But the market reasoning would be the same in the event of a deflationary collapse of the system. Today, we have a government that faces a fairly stark choice between continuing to inflate and maybe even hyper inflate or let the whole mess of debt, derivatives, adjustable rate mortgatges, junk bonds, etc., implode.

TAYLOR: An implosion of the system?

HATHAWAY. Yes, to implode—as it becomes increasingly apparent that to avoid that such a collapse, the system must be held together by inflating new bubbles. The more apparent this becomes, you don't really need to know what the outcome would be, because either scenario—deflation or inflation—is going to be good for gold.

TAYLOR: Right. I guess it's the in between, more moderate period, like we saw during the 1980s and 1990s.

HATHAWAY: Right. You could look at the 1990s and say that was kind of a historical oasis. It was a random event. And where we are today—which is kind of looking at this high wire act between letting everything fall apart (which is kind of what they did in the 1980s), or continue to inflate. That is kind of the passion play that everyone is becoming more aware of.

TAYLOR: Yes, it seems all the policy makers know to do is to stimulate the economy with more and more fiscal and monetary stimulus, but that is really just adding to the problem.

HATHAWAY: I agree.

TAYLOR: John, one of the things that really frightens me is that when I look at charts of total debt, I see an almost exponential growth rate. Yet when we look at GDP, we see growth in a linear fashion. And it seems to me that we are on a treadmill that is speeding up faster and faster and at some point in time, we will not be able to run fast enough to keep from spinning off the end of the treadmill. Do you share that concern, or do you think Bernanke can endlessly drop enough money fast enough from helicopters to avoid spinning off the end?

HATHAWAY: That is exactly where we are. What Bernanke has been saying is that you should never sell the Fed short on its ability to print enough money to keep things from falling apart.

TAYLOR: John in reading your essay, I think you were suggesting that toward the end of last year and early this year, the gold market got a little ahead of itself with speculative money flowing into gold just as it was going into commodities and all manner of other assets. Is that your thinking, and do you think those excesses have been corrected now and that gold's bull market correction is about over?

HATHAWAY: Everything tells me that we have been through a severe correction and that we made a significant low and that looking retroactively, it was a terrific entry point. I think today as we are speaking it is still a good entry point, because people are still off balance and probably licking their wounds from what happened six weeks ago.

TAYLOR: As we speak, I'm looking at my screen which shows $393.80 right now. Going back a year, it was around $360, so we have not really experienced any extreme downturn.

HATHAWAY: Well, there is nobody celebrating right now. There is still some skepticism. I think it is still a good entry point. This is an extremely small sector, so it is very prone to being overdone both ways. And one should have that in mind when they take a position and be prepared. If investors are smart enough to trade the position, more power to them. But I think it is best for most people to just sit it out.

TAYLOR: I couldn't agree more with you on that score. John, I live in New York City, and I know you work here as well. It is my contention that if I were to poll people in NYC that I would not find 1% of the population yet into gold. Would you agree?

HATHAWAY: I agree. Most people don't know about gold. Don't want to know about gold. They don't care at all about it.

TAYLOR: In your closing remarks in your last essay, you talked a bit about the "Financial Times" and how that publication might be used to help us identify key turning points for gold. Would you care to share that with our readers?

HATHAWAY: The financial media in general serves up a feast of ignorance no matter what they talk about. And the "Financial Times" of six or so weeks ago was just great. They said the days of gold as a serious investment are over. And then you look back to see what they wrote about "The Death of Gold" about six years ago, and that was just about the very bottom of a 20-year bear market and probably one of the better investment opportunities investors have had in at least the last 10 years. And then you see the "Business Week" cover about the death of equities at the beginning of the best bull market in history in stocks. The financial media can't seem to get it right at major turning points. And they seem to be consistently wrong at these key turning points. That's why we are contrarians here at the Tocqueville fund. It's not an easy thing to do because you need that sort of public record of opposition to what's popular. And so until things go your way, that's a guarantee of failure.

TAYLOR: Because you have to go out and sell things that no one wants, but should want.

HATHAWAY: That's right.

TAYLOR: You know, John, every MBA student at sometime learns about modern portfolio or Markowitz portfolio diversification, which uses a mathematical model to select a mix of different kinds of assets that are less than perfectly correlated with one another in order to optimize a rate of return for any given level of risk, risk being defined as variance of returns over time. A portfolio with less volatile returns is less risky than one that is more volatile. And I recall from my MBA days when my professor pointed out how useful an asset that is actually negatively correlated with stocks and bonds would be in optimizing a portfolio's performance over time. When he asked the students if we could think of an example of a negatively correlated asset, no one responded. So Professor Francis had to tell us: "Gold." This is such a truth I think, so to me it is curious as to why Wall Street can't get it. Or perhaps they don't want to get it?

HATHAWAY: Part of it is that gold has been falsely or incorrectly positioned in the past. Too many people were basically trying to frighten people into buying it with "end of the world" scenarios. To me that is the wrong approach.

TAYLOR: Perhaps that is why Andy Smith recently referred to people who are bullish on gold as those who are to be found only among those "with bad teeth in the back country playing their banjoes."

HATHAWAY: That is probably fair if you are talking about what was happening twenty-five years ago. Those kinds of people are still around. There are opportunists or promoters and so forth. But it doesn't have to be that way. You can look at it rationally and dispassionately and say, "Look, we are in a world where, if a lot of things don't go according to plan, some exposure to gold makes sense."

TAYLOR: John, I think I've taken more than enough of your time. You have been very generous and kind to share your thoughts and wisdom with our readers. I could think of questions all day long to ask you but that would be an unfair demand on your time. I think the important thing you are telling us is that gold remains a very undervalued asset and as such the contrarian model employed by the Tocqueville fund group and accordingly, you remain bullish on gold and expect a much higher price down the road. We want to point our readers to your excellent Web site at www.tocquevillefunds.com. You can contact the fund at info@tocquevillefunds.com, or call 1-800-697-3863.

HATHAWAY. Great! Thank you. My pleasure.

Our Model Portfolios

J Taylor's Model Portfolio **as of: 6/7/2004**			
Category	**Weight**	**YTD Gain**	**Tot Gain**
Progress "A" Gold Producers	14%	-19.04%	107.71%
Speculative Mining Shares	20%	-23.67%	177.01%
Essential Technology Stocks	6%	-8.93%	173.60%
Energy Stocks	13%	5.67%	122.92%
Gold & Silver Bullion	4%	-2.95%	6.03%
Prudent Bear Fund	15%	-7.65%	41.39%
Prudent Global Income Fnd	8%	-3.46%	36.99%
U.S. Treasury Securities Cash Fnd	10%	0.00%	0.00%
Rogers Raw Materials Index Fd	9%	15.56%	79.98%
Model Portfolio	**100%**	**-8.72%**	**106.41%**
S&P 500		**2.56%**	**14.04%**

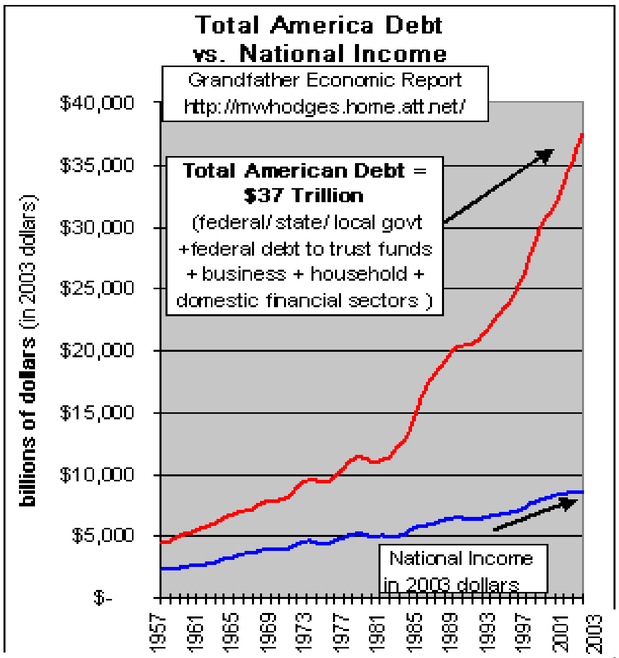
J Taylor's Model Portfolio **as of: 6/7/2004**			**$1,000**
Low Budget/Maintenance from 1/1/03			**on 1/1/03**
Category	**Weight**	**YTD Gain**	**Total Value**
World Precious Minerals Fund	43%	-3.39%	$ 554.38
GoldMoney.com	8%	-5.23%	$ 98.47
The Prudent Bear Fund	16%	-7.65%	$ 201.80
The Prudent Global Income Fund	17%	-3.46%	$ 223.02
The Global Resource Fund	7%	-14.95%	$ 85.82
U.S. Treasury Securitiese Cash Fnd.	10%	0.00%	$ 129.00
Low Maintainence Portfolio	**100%**	**-4.89%**	**$ 1,292.49**
S&P 500		**2.56%**	

As the charts illustrate above, so far 2004 has not been a blockbuster year for us. Our Model Portfolio is down 8.72% while the S&P 500 is up 2.56%. Our Low Budget/Low Maintenance Model Portfolio has fared better but it too is down, having given up 4.89% of its value since January 1, 2004. This year is not even half over, so it is entirely conceivable that the markets could turn around especially since the equity markets are now in the "bad" half of the year. Whether we see a turnaround or not, I would like to remind subscribers that our value-oriented investment philosophy requires us to take positions that are most often contrary to the general consensus. As John Hathaway pointed out in our interview this month, that isn't easy because it means proposing investment ideas that run counter to what most people believe and thus want to hear. But taking the hard positions have their rewards, as evidenced by our Model Portfolio performance during the early years of this bear market.

Over the past four years, since the bear market in equities began in 2000, our hypothetical Model Portfolio posted the following annual returns: (5.20%), +7.60%, +46.2%, and +43.05%. One thousand dollars invested in our Model Portfolio in January 2000 would have grown to $2,098 by December 31, 2003. By contrast, the S&P 500 posted the following returns from January 1, 2000, through

December 31, 2003: (10.14%), (13.04%), (23.37%), and +26.38%. Had you followed the urging of CNBC's Kudlow & Cramer and Abby Joseph Cohen and a host of other establishment folks in the mainstream media and bought the S&P 500, you would have seen your $1,000 investment decline to $757.

Of course, what really matters is where we go from here. The establishment has most investors convinced that equities and housing and all manner of bubbles can expand indefinitely if only the Fed prints more money. In other words, market reality can be defied by a continuous dose of Keynes and Milton Friedman (the father of monetarism).



data: Federal Reserve. US Treas.. Bureau Economic Analysis

We beg to disagree. Equities are grossly overvalued. Gold is grossly undervalued (thanks in large part to interventionist manipulations) and most importantly, debt is growing exponentially while income continues to grow in a linear fashion. Americans are living beyond their means, thanks to foreign willingness to take increasingly worthless dollars in exchange for valuable stuff they sell us.

What Ian Gordon has pointed out in his Kondratieff cycle work is that without a gold standard, cycle after cycle, policy makers try to defy natural laws of economics as far as they can. I believe our current manipulators may have become somewhat more astute in their manipulation practices and in controlling the thinking of the American people through the modern media. However, like all generations before us, thee will be a limit to the dishonesty of our policy makers. Certainly the chart below suggests that even without problems such as rising interest rates or rising energy costs or rising taxes, sooner or later, our nation will be one bankrupt country that cannot be bailed out. In fact, current policies prolong the return to equilibrium and ultimately, when policies can no longer withhold the forces of nature, the pain form the fall to equilibrium will be all the greater. A with all prior Kondratieff cycles, cycle ending limits are met when debt can no longer be repaid. Debt repudiation and wave after wave of bankruptcy ensues resulting in massive unemployment. When the slate is wiped clean and equilibrium restored, a new Kondratieff 60 to 70 year cycle can begin. This cycle will be no exception.

We concede growing levels of inflation are likely until interest rates peak. However, we also do not believe inflation will rise to the heights of the late 1970s because of the deflationary effects of the exponentially rising debt as pictured in the chart below. So, we will continue to watch the energy markets as well as the Rogers Raw Materials Index Fund, both of which have been the best performers in our Model Portfolio.

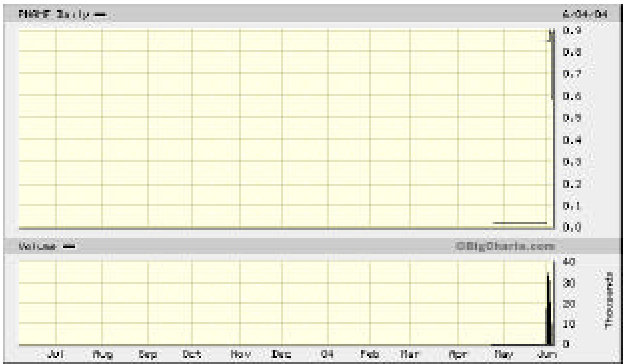
Ultimately, we expect to exit from these inflation hedges and stick with the assets that will do best in the bear market (the Prudent Bear Fund) and the Kondratieff winter (cash, gold, and gold stocks). These views are, of course, way off base from what Kudlow & Cramer will tell you on CNBC. But remember the rule: you get what you pay for. I can't promise you we will always have it right. But I will promise you I will work very hard, with the help of investment professionals like my friend Ian Gordon, folks like Jim Puplava, Richard Russell, James Sinclair, Wistar Holt, David Tice, and many, many others I read daily and talk to, to discern the big picture as it really is—apart from the self-serving, misleading information given daily to us by our mainstream propaganda machine. At this point in time, despite our disappointing performance so far this year, we believe it is prudent to stay with our current Model Portfolios given the longer term perspective as we see it.

Weekly Hotline for The Essentials

We strongly urge you to receive our weekly messages by email (text or adobe format) because you will receive so much more information that way. However, for those of you who are unable to use the internet, you should be calling our 3 minute weekly hotline message which we use to make buy and sell recommendations as well commentary on the gold, silver, energy, commodity, stock and bond markets. Paid subscribers are welcome to call this message, which is updated every Saturday by 8:00 PM. Tel (718) 779-5985.

Hotline Buy Recommendation 6/5/04

Pan American Gold Corporation



Traded: OTC BB–PNAMF–$0.89
Shares Outstanding: 35,835,373
Market Capitalization: $32 million
Progress Rating: "B"

As the chart above illustrates, Pan American Gold Corporation (Pan American) is a newly formed junior gold mining firm. I have chosen to add this company's shares to our hypothetical Model Portfolio because I believe a strong management team combined with an array of projects from the production ready Cactus Gold Mine in California to the enormously prospective prospective but early exploration project at Eskay Creek in British Columbia provided investors with a very favorable risk/reward opportunity over the longer term.

Given your editor's well documented deflationary views, I believe companies with prospects for operating cash flow and with advanced stage gold projects will be much better off than those having nothing more than "grass roots" or early exploration prospects. Why so? Because if/when policy makers are unable to keep the enormous debt bubble from imploding, capital will be available only for low-risk projects and life's essentials. In other words, I believe it will be difficult for companies with little more than some promising gold exploration claims and a theoretical geological model to secure capital to explore and drill those targets. So, even though early exploration companies are likely to post the biggest gains when they are successful in outlining a viable mineral deposit, when the deflationary disease finally arrives, the scarcity of capital will, in our view make it virtually impossible funding for wild cat exploration.

Pan American's Cactus Gold Mine should provide early cash flow. And between that project and the Eskay Creek projected noted above, this company has several other less speculative projects, at least one of which appears to hold excellent potential for hosting a world class gold deposit. So, as junior gold mining firms are concerned, Pan American provides investors with the best of both worlds.

It appears likely that the company will very soon enjoy operating cash flows which reduces risk and also provides funding of exploration which, based on its level of success can lead to a dramatic rise in this company's shares from their current level. While we believe this company definitely provides investors with longer-term "moon shot" potential, our near term target price is a more modest $2.00 over the next 12 to 18 months. Following is a discussion of the company's major projects.

<u>The Cactus Gold Mine</u>
Kern County, California

The formerly producing gold mine is the project that is expected to produce early cash flows for Pan American. Once requisite permits are received, the Cactus Gold Mine will have virtually everything in place for the resumption of production.

Pan American owns a 50% interest by way of an equity holding in Cactus Minerals, a private Colorado company. The Cactus property is located in the western Mojave Desert, about 60 miles north of Los Angeles and nine miles west of the town of Mojave, in Kern County, California. The Cactus property, held previously by CoCa Mines and Hecla Mining Co., consists primarily of private land that was originally part of the Southern Pacific Railroad. The property has been mined intermittently since the start of the twentieth century, and as recently as the 1990s. Gold was first mined here in 1894. Historically, approximately 400,000 ounces of gold and one million ounces of silver have come out of this property.

Currently, management is focusing on the northwest portion of the property where unpatented vein-bearing gold mineralization is the target. Cactus has staked eight claims and has acquired an Exploration Right with an option to purchase an additional unpatented claim.

The property contains a drill-inferred undiluted geologic resource of 100,000 tons grading 0.3000 ounces per ton of gold. Assuming dilution of 100% in the open pit portion and 20% mining dilution in the underground portion generates a drill-inferred diluted mineable resource of 160,000 tons grading 0.191 ounces per ton of gold with 30,000 contained ounces of gold. This resource, in two separate blocks, is indicated by two drill holes.

The first target within this 160,000 ton resource is a shallow open open-pit mining deposit with a diluted resource of 100,000 tons of ore at 0.125 ounces of gold per ton. The strip ratio for this deposit which lies only about 25 to 30 ft. below the surface is approximately 1.5:1. The second remaining target, which contains about 60,000 tons, lies at a depth of 270-275 feet and would require underground mining. This diluted resource contains 60,000 tons at a grade of 0.300 ounces of gold per ton. Cactus plans to develop these resources as a small open pit and then an underground mine using heap-leaching and Merrill Crowe gold recovery technology.

Investors should be aware that it often takes considerable time to take a mine into production. Even though this small-scale project appears virtually ready to be put back into production, one factor that could delay a return to production would be overly stringent environmental regulation, for which California is well known. However, the scale of the Cactus project is small, compared with the major disturbance from mining in the past. Cactus' projected small open pit (310,000 tons of ore and waste) and a small underground mine operation should cause minimal disturbance. Accordingly, management suggests that that permitting required to put the project into production should be reasonably straightforward. Whether this project gets into production later this year as hoped or early next year, the Cactus Mine does appear to provide shareholders with a viable cash-producing asset that should reduce risk and enhance longer term shareholder value by helping to fund exploration of some very exciting gold mining properties of which Eskay Creek may be one of the most exciting.

Eskay Creek
Northwestern B.C.

Pan American holds a 75% interest in 74 claims in this area that was put on mining maps in the 1980s as a result of a significant gold and silver discovery in the 1980s. The agreement was struck with Mat Mason, who was at least in part responsible for the discovery of gold from which Barrick Gold is now producing gold and silver. Initially this project contained some 4.4 million tonnes of ore grading 0.77 oz./ton gold and 29 ounces per ton silver. At $350 gold and $4.5 per ounce of silver, this deposit contained a gross value of $1.76 billion. The claims comprise approximately 30,500 hectares (75,000 acres).

That was then. What about now? Make no mistake; Eskay Creek is truly a “grassroots” target with considerable “blue-sky” potential. But at least four factors make this project an exciting prospect for Pan American Shareholders. First, the geology is similar to the surrounding geology that hosts the existing prolific mines. Second, since the mid-1980s, glaciers that had previously covered the surface have receded so that potentially mineral-bearing outcrops can now be observed and explored by geologists. Third, mine finder Mat Mason—who will be continuing to work on these claims—has considerable knowledge about the geology in this area. Fourth, Pan American can participate in a program planned by the BC Geological Survey Branch in 2004 includes radiometric surveying of the area. This survey will flag potassium distribution, which through its radioactive isotope will provide more valuable exploration information to help geologists better understand where to drill for gold and silver by identifying potassic alteration that is typically associated with precious and base metals mineralization.

The claim locations optioned by PanAm were selected on the basis of regional geochemical data, Minfile data, geological potential, and personal knowledge of the area from Mr. D. Kuran, P.Geo., and others, including Mat Mason. Management plans to budget approximately $60,000 to $100,000 for first year exploration activities on this project. Given the early stage of this project, investors should not look to this property as the one that is likely to first drive the stock substantially higher from some good drill results. But if early stage exploration is promising, this could become a very important property for shareholders, longer term.

I was fortunate to meet with the company’s president when he was in New York on June 4. I was glad to hear he had much the same philosophy as John Hiner regarding another favorite junior gold exploration stock—Geocom. Specifically, his view is that you need to ferret out whether a project is likely to have potential early on and if it does not, you get rid of it quickly and move on to another. By so doing you dramatically increase your chances of success while minimizing exploration expenses. Eskay Creek represents an enormous exploration target in a good geological address. This could be a property of huge value or it may not be. Geologists should know more following this year’s work program. But even if results should be disappointing, the Kinsley Mountain Property in Nevada, which has had considerably more work carried out on it, appears to already offer strong prospects of hosting a major gold deposit. Work there this year could cause this company’s shares to rise dramatically.

Kinsley Mountain Property
Elko County, Nevada

Pan American holds an option to earn a 60% interest in the Kinsley Mountain property, where a total of 138,151 ounces of gold were previously produced by Alta Gold Company in the 1990s. The property, which comprises more than 70 unpatented claims covering approximately two square miles, was first discovered in 1984 by USMX, and later explored by Cominco American Inc. and Hecla Mining Company. Overall, some 1,132 holes were drilled, and detailed surface sampling and geophysics were carried out. In other words, there is a huge amount of geological information available to Pan American, assuming (as I do) that the company will move forward on this project.

In April 1994, the property was purchased by Alta Gold Company for $3 million and, following a positive feasibility study by Kilborn Engineering Pacific Ltd., was soon put into production. While past production focused on an oxide heap-leach resource that totaled some 245,000 ounces of gold, extensive exploration has outlined several other potential targets indicating the potential for high-grade portions of the deposit at depth, as frequently occurs in Carlin-type deposits.

As is typical of these kinds of deposits, the Kinsley Mountain Range in the area of the Kinsley Mountain Gold project is made up of a suite of upper and middle Cambrian rocks consisting of limestone, dolomites, and shale, which serve to trap higher grade gold mineralization below. The mineralization in the upper rock levels (200 to 300 feet of rock in the Kinsley Mountain Range) has been totally oxidized. As such, this lower grade material is usually amenable to gold recovery via heap leaching.

Higher grade unoxidized sulfide mineralization has been found in two places on the Kinsley Mountain property, approximately 400 to 500 feet below the surface. Apparently, Alta Gold never explored or developed this sulfide mineralization during its period of operation, despite the fact that the few holes put down were highly successful. They yielded gold grades ranging from 0.235 ounces per ton on the east side of the range to 0.149 ounces per ton one mile to the northwest. The test holes concentrated on only two small targets of the deeper, high-grade unit. It added 57,000 ounces of gold at a cutoff of 0.09 ounces per ton. Management believes that since these are bedded deposits, there is a high probability that Kinsley Mountain may contain in the yet-unexplored high-grade zones many times the amount of gold already mined on the property.

It is important to note that this mine was shut down—not because of a lack of economic viability, but rather due to cost over-runs at Alta's Olinghouse project in western Nevada. Alta Gold was forced into bankruptcy in 1999, at which time the Kinsley project was abandoned. Nevada Sunrise, a private company, thereafter staked the claims and acquired the historical exploration and production data. Pan American subsequently acquired a complete data package for the property, amounting to more than 20 tons of material from 1,182 drill holes.

This property is actually the one held by the company that I find the most exciting because of the large amount of geological data already available, the high grade intersections at depth, and the potential for the known gold-bearing zones to extend along a considerable strike length. For example, historical drilling by Cominco and Alta Gold encountered high-grade carbonaceous material in two different zones approximately one mile apart. In other words, this project appears to hold the prospects for a multimillion-ounce deposit. Not surprisingly, Pan American's president was very high on this project when I spoke to him in New York.

Lennie Property
Balmer Township

Pan American owns a 100% interest in 14 patented claims covering 400 acres in the Red Lake area of Northern Ontario, one of the world's most exciting gold plays. Pan American's Lennie property is within 3.2 km (two miles) of major producing gold mines operated by Goldcorp Inc. (Red Lake Mine) and Placer Dome (Campbell Mine). The combined past production, current reserves, and resources of these two mines total more than 23 million ounces at 0.65 ounce per ton of gold. Goldcorp has reported it has 4.6 million ounces at an average grade of 2.35 ounces per ton of gold. Mining is profitable even at depressed gold prices with such high grades.

The gold-bearing structures in this area tend to extend to great depths. Given the productive history of this region and technologies now that allow for mining at greater depths, it is not surprising that five senior gold companies, Placer Dome, Goldcorp, AngloGold, Teck, and Kinross have active exploration programs in this area.

Pan American considers its Lennie Property, which was originally staked in 1946, to be highly prospective. Diamond drilling has outlined a structure with a total strike length of 700 feet remaining open to the east and west. This structure was identified to a depth of 1,300 feet, proving vertical continuity of the vein. Samples from nine drill holes have revealed positive gold assays; seven were above 0.08 ounce per ton and two were of 0.02 to 0.07 ounces per ton. Significant gold values may have been overlooked, however, since the core samples were of an inadequate size and were inappropriately treated. But they do reflect positive gold occurrences. Six specific target areas have been identified as warranting further exploration. A two-phase program costing an estimated $100,000 to $150,000 has been proposed. Clearly, the Lennie provides Pan American with another project with good potential to add shareholder value.

Pinnacle Property
Nye County, Nevada

Pan American Gold holds an option to earn a 60% interest in claims over an area of widespread gold mineralization on this property located in Nye County, Nevada. Homestake Mining drilled 12 holes on the property, and geologists in the company's Reno office believed they had encountered a new discovery. However, with declining gold prices, large companies are relatively quick to slash exploration budgets, so Homestake abandoned work on the property and allowed it to revert back to its original owner. Not surprisingly, with Pan American's President Richard Bachman previously working as a Homestake geologist, this project has found its way into the Pan American property portfolio.

Indeed there is reason to get excited about this property. It comprises a classic Nevada volcanic system where gold occurs in a semi-circular arc over a distance of four miles. Homestake's drilling, combined with several hundred surface samples, indicates high potential for a major gold deposit. The best drill intercept revealed 40 feet of 0.11

ounces per ton of gold. The best surface sample was two ounces of ton per gold. The property is believed to have good potential for hosting a high-grade underground deposit and given gold mineralization over such a large distance, it could be a sizeable deposit.

Management

Richard Bachman , President/Chief Executive Officer, Director- Richard has over 24 years of experience, as both a geologist and administrator. Serving as a senior geologist with Homestake Mining Company, he maintained positions in various capacities ranging from exploration to mine operations. At the Homestake Mine in Lead, South Dakota, he was responsible for several considerable discoveries, which increased the reserves of the mine. The Lead Mine, now closed, was one of the oldest in the U.S. and one of the largest deposits in history with over 40 million ounces of gold. Richard also helped design, implement and direct successful acquisition and exploration programs in South America, Africa and Europe.

Gregory Burnett Vice President/Corporate Affairs, Director – Gregory has some 17 years of diversified business experience in corporate finance and administration. For close to twenty years ha has specialized in the provision of due diligence services, development of business plans, and the structuring, financing and management of venture capital projects. Until recently Greg was the company's President and CEO. Greg is an active member of the investment community, both in the United States and Canada, and is responsible for several very successful mining and oil and gas mergers and acquisitions. His educational background includes a bachelor's degree in civil engineering and a master's degree in business administration (MBA).

Michael Sweatman, Chief Financial Officer, Director – Michael is a chartered accountant, Michael Sweatman has held such positions as CFO, VP-finance, secretary-treasurer, and director for several ventures, including many public and private sector energy and resource companies. His extensive financial background includes serving as CFO and acting president of Yukon Energy Corporation, where he directed operations and oversaw an extensive capital budget as well as regulatory matters. Mr. Sweatman's significant experience as a director and officer of a number of public companies has encompassed the maintenance of regulatory standings in Canada and the U.S. in addition to familiarity with a variety of filings.

Professional Advisory Board

Matt Mason – Matt, a prospector, was a pioneer in recognizing the rich potential of the Eskay gold field in Northwestern British Columbia is the stuff of legend. He was one of a small group of explorers who saw a $50,000 stake in land at Eskay Creek turn into a $10 million bonanza. The land Mason explored now forms part of Barrick Gold Corporation's hugely successful mine – one of the highest grade and lowest cost producing mines in the world.

Bob Gilroy – Bob is also a member of the company's advisory board. Over some 37 years, Bob has held senior operating, engineering, management, and executive positions with nickel, copper, gold, silver, tantalum and tungsten mining companies. His experience covers all facets of the industry: financing, exploration, permitting, development, rehabilitation, production and reclamation. He worked on the development and subsequently the management of the Lupin gold mine in the Arctic that produced 190,000 ounces of gold annually. He also headed an engineering group that evaluated mining opportunities on five continents from 1987 to 1996 that culminated in the management of a large property exploration program in the Philippines. He also served as a vice President of Wheaton River Minerals, a managed North American Tungsten's CanTung Mine, the world's second largest tungsten producer and served as a Vice President, Operations of Nuna Logistics which provides open-pit mining, crushing, road building and support services, principally for diamond mines in Canada's far north.

David Kuran – Mr. Kuran is a British Columbian based, consulting geologist with 25 years experience in the international mineral exploration and mining industry. David was Senior Geologist for Homestake Canada Inc. for 10 years, responsible for exploration and development at the Eskay Creek Mine district, later for Western Canada, Alaska and Europe. Mr. Kuran has been involved with both major and junior companies, in Vancouver, since 1980. David has participated in and managed exploration and development programs ranging from early stage to multifaceted pre-production development and evaluation projects in the western Cordillera and Archean terrains. Pan American is most pleased to have David join the company's Advisory Board as his experience in the Eskay Creek area will be of significant value as Pan American is the largest foreign landowner in the area.

SUMMARY & CONCLUSION

This company has the ingredients to minimize risk and maximize upside potential about as much as is possible for a junior gold mining firm. Assuming the Cactus mine provides early cash flow, the need to dilute shareholder interest should be minimized. A range of advanced stage projects to grassroots projects should provide a considerable pipeline of future drill results which are the lifeblood of a junior exploration company. A number of prospective properties also increases the likelihood that one or more will turn out to host a major gold discovery. Last, but most important of all, this company has an impressive management team and advisory board which should reduce errors made by less experienced management teams more commong among junior gold companies.

For all of these reasons, we believe speculative investors should consider allocating up to 5% of their investment portfolio to Pan American. For additional information call the company in Reno, Nevada, at 775-721-8883 and/or visit www.panamericangold.com.

Hotline Buy Recommendation 5/29/04

PANORO MINERALS LTD.

Traded Toronto Venture (PML–US$0.106)
Shares Outstanding: 23,376,045
Fully Diluted: 36,364,814
Market Cap: $2.5 million
Progress Rating: "D"

Panoro Minerals Ltd. is a mining exploration company headquartered in Vancouver, Canada, and traded on the TSX Venture Exchange (TSX-V: PML). Panoro's strategic focus is on exploring for large-potential gold and gold-copper projects in countries with the corresponding geological potential and the right political and economic conditions. For Panoro, the two countries where it has a considerable commitment are Peru and the Philippines. This company is led by former AMAX executive Alan Borne, chairman and director, and Helmut Wober, P. Eng., who is the company's president and CEO and also a director.

The company has two gold/copper porphyry targets which have the potential to host large-scale, low-grade copper and gold mineralization. We underscore the word POTENTIAL because, as our "D" progress rating suggests, this is a company that has yet to outline a mineral-bearing deposit of any size, let alone discover a viable deposit. That of course is why a company with such a high-profile management team is selling at such a low price. However, these are exactly the kinds of companies that can, with some good exploration results, rise dramatically in value. But given the high level of risk inherent in this stock, investors are especially urged to limit their exposure to no more than 5% of their portfolios when buying this stock. Given this company's highly experienced and well-connected senior management, combined with a miniscule market cap of approximately $2.4 million and at least two attractive properties, this company appears to provide investors with an excellent speculative play on gold.

The following description of Panoro's two current exploration was quoted, verbatim, from the company's Web site at www.panoro.com:

The El Rosal Gold Copper Porphyry Target is located in Lambayeque and Cajamarca Departments, northwestern Peru, is a porphyry Cu-Au prospect with related Cu-Zn-Ag and Cu-Au skarn mineralization. Panoro Minerals Ltd. has acquired a one hundred percent clear interest in the property since beginning work in 1998. It consists of eleven mineral concessions that encompass an area of fifty-seven square kilometres. The property is seventy-five kilometres east of the major city of Chiclayo at elevations ranging from 350 to 1300 metres with most of the area of interest between 400 and 800 metres. It is accessible by a main paved road from Chiclayo followed by some shorter earth roads to the east of the town of Chongoyape to the village of La Ramada.

In the period from June to August, 2003 the company carried out a Phase I exploration programme. The work proposed was surface exploration to further test the potential of the El Rosal - Zona Central skarn alteration zones and the underlying porphyry Cu mineralization, as well as examination of the La Ramada Cu-Au skarn mineralization and other mineral occurrences. More recently priority has been redirected based on favorable results of geological, geochemical and geophysical data to the 'La Ramada Target' a larger zone of skarn Cu-Au showings with indications of porphyry Cu-Au mineralization to the south. In light of this evolving interest in the broader property, the 2003 programme objectives were determined to be, in order of priority: 1. geological mapping and evaluation of the La Ramada grid area to extend the mapped area to the east of El Rosal Zona Central with map scale and mapping style compatible with the existing maps by Rhys and Mullens (1999); 2. to determine if a large, circular magnetic feature to the southeast of La Ramada zone in the Quebrada Caña Brava headwaters could be related to buried intrusions with potential porphyry copper mineralization or to higher-level volcanic structures with possibl eepithermal base and precious metal manifestations; 3. to examine the Quebrada Calabozo headwater area for the presence of intrusive rocks and to determine if the stream geochemical anomalies there could be related to intrusions with porphyry Cu-Au mineralization; and 4. to examine the area to the south and southeast of the El Rosal grid to check for indications of geochemical 'leakage' expressed as base metal veins or other distal indications of buried mineralized intrusions with porphyry Cu potential.

Geologic mapping was carried out at the El Rosal property from July 9 to 19, 2003. Mapping at 1:5 000 scale with results presented at 1:10 000 scale (Figure 1) covers roughly a six square kilometre area over the cut grid established in 2003 to the south of the village of La Ramada in the La Ramada zone, the north-southerly trending ridge between Quebradas Calabozo and Caña Brava. In addition, reconnaissance regional mapping was conducted to the southeast of the La Ramada grid in the Quebrada Caña Brava drainage basin headwaters area.

Panoro Minerals has concluded the formal agreement with Mindoro Resources, whereby Panoro has been granted an option to earn a 40-per-cent interest in the 24,000-hectare land position of Mindoro in the Surigao gold district in northern Mindanao. Panoro can earn its interest by spending a total of $2-million in exploration expenditures over a period of four years. The exploration commitment for the first year is $350,000. Under a separate agreement with a private Philippine company, Minimax Mineral Exploration Corporation, both Mindoro and Panoro may increase their interests at feasibility stage through an interest purchase based on established mining reserves. Potential interest levels at production would then be Panoro 42.5 per cent, Mindoro 42.5 per cent and Minimax 15 per cent.

Mindoro has also advised that an exploration permit covering the two high-priority Surigao projects, Tapian San Francisco and Tapian Main, has been granted by the Mines and Geoscience Bureau of the Philippines, clearing the way for exploration to commence immediately. The third high-priority target, Agata, is covered by an existing MPSA (mineral production-sharing agreement) concession.

The excitement over the area is driven by the recent discovery of a cluster of high-grade copper-gold porphyry deposits by a joint venture between Anglo American and Philex Gold Corp. Anglo American, involved in a local land position similar in size to the one Panoro will be participating in, has resisted publishing resource inventories probably because it is negotiating land and joint venture deals with other players in the district. Published reports indicate that the first discovery, the Boyongan porphyry, was intersected by a hole grading 1.66 per cent copper and 4.5 grams per tonne gold over a length of 366 metres. Other intersections contained 1.07 per cent copper and 2.03 grams per tonne gold over 388 metres (including 2.21 per cent copper and 5.11 grams per tonne gold over 153 metres). A second deposit, the Bayugo porphyry, featured an intersection of 0.9 per cent copper and 1.1 grams per tonne gold over 260 metres. A possible third porphyry deposit was indicated in news in Stockwatch by Philex Gold. In addition to these discoveries, an Australian company, Red5 Limited, is currently drilling a similar copper-gold porphyry system on its Siana project only a short distance from one of the land blocks under option to Panoro. At the former Siana mine, Red5 has also identified an independently estimated resource of 1.1 million ounces of gold under and around the old open pit.

The geological and structural features controlling the locations of these deposits in the district are well known. These are intersections of northeast trending faults and lineaments with the north-northwest-trending branches of the Philippine fault system. The targets that have been identified on the land package that Panoro will be working on with its joint venture partner Mindoro are extremely well located with regard to the district controls. In the case of Tapian San Francisco and Tapian Main, they are located on the same cross-structures as Boyongan and Siana. All the targets are supported by copper-gold soil geochemical anomalies, former and presently active workings of small-scale artisan miners that are exploiting high-grade gold and gold-copper occurrences in the near-surface weathering zone. Tapian Main and Tapian San Francisco both had small mills operating prior to the Japanese conquest in World War II. A large phyllic alteration zone and sheeted quartz veining have been observed on the Tapian San Francisco target, where the pattern of intersecting lineaments and structures is also the most intensive.

An aggressive program of exploration will commence immediately. This will include line cutting of grids, followed by geological and geochemical surveys. Geophysical (IP and magnetic) surveys are planned to commence by July to define drill targets. Mindoro will be the operator of the work programs for at least the first two years. Mindoro's management is well qualified under National Instrument 43-101 and is well established in the Philippines, where it has been active for many years.

The Surgio Project in the Philippines is located in the Surgio Gold and Copper Province, with its gold and gold/copper porphyry deposits and unexplored potential for large tonnage deposits, because it meets Panoro's stated strategic goals to explore for such deposits.

The Surigao Gold and Gold/Copper Province is in the northern part of the prolific Eastern Mindanao gold belt, where activities have recently intensified with the discovery of the Boyongan gold/copper porphyry deposit. This deposit, originally discovered in 2000 is subject to intensive delineation drilling by Anglo American. Subsequent and ongoing drilling with up to 6 rigs resulted in indications of a cluster of three porphyry systems. Anglo American plc. and Philex Gold Inc. have indicated that an independently estimated resource inventory will be completed and released later this year.

Panoro has concluded the Formal Agreement with Mindoro Resources Ltd. (Mindoro) whereby Panoro has been granted an option to earn a 40% interest in the 24,000 hectare land position of Mindoro in the Surigao Gold District in northern Mindanao. Panoro can earn its interest by spending a total of CAD$ 2 Million in exploration expenditures over a period of four Years. The exploration commitment for the first year is CAD$350,000. Under a separate agreement with a private Philippine company Minimax Mineral Exploration Corporation [Minimax], both Mindoro and Panoro may increase their interests at feasibility stage through an interest purchase based on established mining reserves. Potential interest levels at production would then be Panoro 42.5%, Mindoro 42.5% and Minimax 15%.

The 24,000 hectare land position contains several identified targets, marked by numerous historical gold/copper mining operations, characteristic alteration zones and coincident gold and copper geochemical anomalies in stream sediments and systematic soil grids, and two gold prospects on which encouraging drill results have been obtained, located at district controlling structural intersections, that indicate a high potential for the occurrence of bulk tonnage gold deposits in calcareous sediments and of sizeable porphyry gold/copper deposits.

Investors should buy this stock with both eyes open. It is especially risky because it both of the companies projects are early exploration. And our general rule of not allocating more than 5% of your portfolio to any one stock is especially important with a high risk/high reward proposition such as this. But, if anything like a major deposit begins to emerge, it could quickly become a “5 or 10 bagger” from current levels. Contact the company at 604 629-0903 and/or www.panoro.com.

Two Favorite Gold Stocks

Given my view of an impending Kondratieff winter characterized by a devastating decline in liquidity and a shortage of capital your editor has some concerns that companies without proven gold projects may find it difficult to raise capital to explore and develop earlier stage projects. If capital is extremely hard to come by because wealth previously held in equities, bonds and real estate for example disappears into “money heaven” will it be possible to raise equity funding for companies to drill test a geological model ? Perhaps so, but my hunch is that raising capital will be much harder for speculative concerns during the Kondratieff winter than it is now. Companies with proven properties however, should have little difficulty.

Given that view, I continue to favor advanced stage junior gold mining firms as those most likely to succeed if and when the Fed is no loner able to inflate our problems away and when our outrageously leveraged financial system implodes. Two of the companies I believe are the most undervalued given: 1) their advanced stage projects and 2) the enormous upside potential of not one but multiple properties are: Golden Phoenix Minerals and New Guinea Gold. Following is a review I provided in recent hotline messages on those two companies.

GOLDEN PHOENIX MINERALS

Traded OTB BB- GPXM
Recent Price: $0.33
Initial Recommendation: 7/3/99 - $0.13
Shares Outstanding: 104.7 million
Fully Diluted: 111.4 million
Progress Rating: “A” (In Production)

Mineral Ridge production has now increased to a level where the company’s overhead is being met from cash flow. It is my view, in talking to management, that they anticipate production of upward to 1,000 ounces of gold per month from Mineral Ridge from the current leaching operations, which at current gold prices would provide the project with positive cash flows, from which the very substantial exploration potential at Mineral Ridge could be explored. Mineral Ridge has, as we have discussed previously, multimillion-ounce gold potential and the system has some known high-grade zones that management plans to explore this year.

It is my understanding that a milling operation will be installed at Mineral Ridge and that this could possibly take place before the end of 2004. If so, Mineral Ridge could be producing upward to 30,000 ounces per year, which should be sufficient to begin generating some earnings.

A second reason I believe this stock is very undervalued is the little-talked-about, newly-acquired Ashdown project. This project has had prior small-scale gold production, but what is remarkable is its exceptionally high molybdenum mineralization. In fact, the moly grades of 3% here make the 0.10 oz.-per-ton gold grades seem almost meaningless.

How much of this high-grade moly and gold does this project have? That is unknown now but apparently the project has substantial exploration potential both for gold and molybdenum. But, at 3% moly and 0.10 oz.-per-ton gold, this material carries an extremely high value of somewhere around $789 per ton! It is my understanding that the mining costs for this material are expected to be very low and that the extraction process appears to be very simple and low cost. Also it is my understanding that management is working toward getting a low tonnage milling facility on this property before the end of the year, so that it is conceivable cash flow could be forthcoming from the Ashdown project by November or December 2004.

A third reason I think this stock is so undervalued is the Borealis project, which contains a resource of 1.4 million ounces of gold and has, according to company geologist Steve Craig, the potential to host 3 million to 5 million ounces. That brings me to the following press release, which GPXM put out on May 18, 2004.

"RENO, NV, May 18, 2004 - Golden Phoenix Minerals, Inc. (OTC Bulletin Board:GPXM - News), which specializes in the acquisition and development of deposits in the western United States that contain gold, silver, copper and other strategic minerals, announced today that joint venture partner Gryphon Gold Corporation is currently drilling at the Borealis gold project as part of its Phase One program to produce gold. Gryphon Gold has spent $1.2 million to date and anticipates spending $5.2 million to complete Phase One of the program of bringing the unspent oxide heaps, dumps and stockpiles to production.

"Gryphon Gold began its leach-pad drilling program in early May after receiving approvals from the Nevada Department of Environmental Protection and the U.S. Forest Service. These drilling results will provide additional data to optimize the design, engineering, construction and operation of the gold leaching facility utilizing the unspent leach pad ores, dumps and stockpiles, to provide cash flow to expand into the Phase Two mining of insitu oxide ores. This program is designed to support an initial gold production decision by March 2005.

"Gryphon Gold has already made good progress with its Phase One plans, including confirming Golden Phoenix's resource assessment, drilling geotechnical holes in the leach pad area, initial permitting for drilling and geotechnical assessments required for the mining operation, and posting a reclamation bond for the drilling. It also continues to work on the engineering and design of a proposed mining operation and is performing additional claim staking on peripheral areas that may have some gold potential.

"'We are pleased with Gryphon's progress towards turning the Borealis project into a producing gold mine in the next 12 -18 months. Once Borealis is in operation, the next goal for the project is to address the tremendous exploration potential remaining on the property and to increase the overall mineable gold reserve," said Michael Fitzsimonds, President of Golden Phoenix Minerals.'

"Gryphon Gold Corporation is a private, Nevada incorporated company, headquartered in Denver, Colorado, with offices in Hawthorne, Nevada. Gryphon has agreed to spend $5 million to acquire a 50 percent interest in the Borealis property within four years and has an option to acquire an additional 20 percent by spending $4 million or completing a feasibility study based on a mineable reserve of 500,000 ounces of gold. The Borealis property has, as calculated by Golden Phoenix, a mineral inventory of 33.4 million tons averaging 0.044 ounces gold per ton for 1.45 million ounces of gold."

I have not even mentioned the Contact copper project, which contains a billion-pound copper resource with only a small fraction of the prospective system explored. In other words, GPXM has at least four mineral deposits, all of which have size potential. One of those projects, Mineral Ridge, is now producing cash flow and is expected to increase its cash flow production through the end of this year, and the company may have a second meaningful source of cash flow from the Ashdown project. It also has a third project apparently heading toward production at the Borealis.

Do you see why I think this company, which has a market cap of only around $30 million, is undervalued? If this company has a weakness, it is probably in the area of promoting its story to shareholders and prospective shareholders. Its management is comprised of highly-skilled and very experienced mining pros in the persons of president Mike Fitzsimonds, an engineer, and former lead Kennecott geologist Steve Craig. Both men have had years of working for major mining firms, and they have given their all, including their financial futures, to try to get GPXM to succeed. Both men are, in my view, as honest and ethical as anyone I know. The only improvement I think they might make now is on the public relations front. But I will take a company headed by honest and competent mining pros any day over one that is heavy on the promotional efforts and short on managerial talent.

An example of where the company may be short on public relations skills may be in the area of issuing press releases. For example, I understand investors were very discouraged and some angered by a proposal to substantially increase the number of authorized shares of the company. Knowing both Mike and Steve as I do, that didn't bother me because I am confident they would never issue shares unless it was absolutely necessary. After all, as significant shareholders, they don't want to see their holdings diluted any more than anyone else. But a press release that explained the need for authorizing shares in light of the company's growth potential would have been much more palatable perhaps than simply publishing a big number.

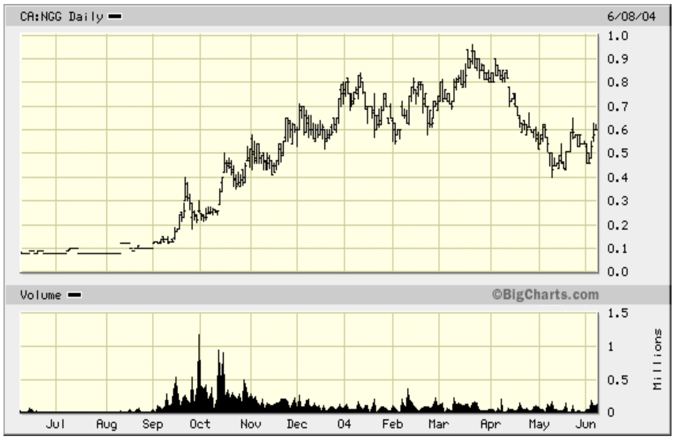
A rising gold price and continued progress toward additional production and cash flows on the various companies held will go a long way toward overcoming these seemingly trivial matters which, in fact, are not so trivial if they result in an undervalued stock price. After all, an undervalued stock price results in funding at a lower than necessary level, which does lead to more dilution than would otherwise be necessary. But the really important thing to keep in mind here is that GPXM is building intrinsic value for shareholders, and sooner or later, the market will fully price this stock.

What is a full price for GPXM? I think if you look at its peers, a price closer to $1 per share would be more like what it should be selling for now. Smaller producers—like Aurizon Mines for example—have a market cap of around US$100 million. Richmont Mines (a company we used to cover in these pages) has a cap of around US$60 million. Claude Resources, a small gold producer and also a company currently covered in this letter, has a market cap of around $65 million. But neither of these companies has anything like the upside exploration potential GPXM has on its multiple properties. So, given projected production and sizeable upside potential on at least three gold projects, the current market cap of around $30 million for GPXM looks like a bargain to me. 775-853-4919 and/or www.golden-phoenix.com.

Progress Rating Upgrade: Golden Phoenix has been producing small amounts of gold for quite a few months. However, production has not progressed to the point where the project is now cash flow positive. Accordingly, we are upgrading our Progress ratingfor GPXM to "A" designated for those companies that have achieved commercial production.

EDITOR'S DISCLAIMER: Over the past few years, your editor has assisted the company in raising a considerable amount of capital to help the company acquire property interests and advance those properties to where they are today. By directing accredited investors to the company, I was paid a fee. Because the company was strapped for cash, I agreed to accept a large portion of the amount owed to me in stock that was restricted under SEC Rule #144. Those shares also brought with them warrants to acquire a like number of additional stocks with a 2-year restriction at $0.15 per share. Together, the shares I already own plus those I plan to acquire by exercising my option, will result in your editor and his family allocating well in excess of our standard recommended 5% to any one company. Accordingly, over time, I expect to sell approximately half of the shares of GPXM I hold and apply some of the proceeds of that sale to the new shares to be purchased, to pay taxes on the gains, and to reallocate to other investments along the lines recommended on a regular basis in this newsletter.

NEW GUINEA GOLD



Traded TSX-NGG
Initial Recommendation: 9/19/03 - $0.193
Price 6/7/04: US$0.43
Shares Outstanding: 40 million
Fully Diluted: 44.7 million
Insider Holdings: Macmin (PNG) Ltd.: 28 million
Quality Rating: "B"

This has been one of our favorite junior gold stocks, and recent news of a positive feasibility study revision for the company's Sinivit project, in which NGG holds a 92.5% interest, served to strengthen our sense that this penny gold stock may be poised for enormous growth over the coming years.

The Sinivit study, which supports the development and mining of the gold mineralization at the project, is the first stage in a three-stage mine development program in Papua New Guinea. The study has been lodged with the Papua New Guinea government, and required approvals to commence development are expected in due course.

NGG has interests in 12 projects in Papua New Guinea, all with major gold or gold/copper potential. The company's focus is on four projects, including three with gold resources, which are targeted for consecutive development over the next three years. These resources were partly drilled out in the late 1990s, but because of market conditions, the company was unable to undertake complete evaluation at that time. The resources defined to date form relatively small parts of large mineralized systems, one or all of which the company considers could host major gold deposits, geologically similar to the known multimillion-ounce gold deposits operated in Papua New Guinea by Placer Dome and Rio Tinto.

The company's business plan forecasts gold production totaling 40,000 ounces per year for a minimum of four to five years, commencing in mid-2005. Based on the following details of the revised feasibility study, prospects appear good for a mid 2005 start up.

A revised feasibility study has been completed which supports the immediate development of the Sinivit gold mine. An external feasibility was completed in the late 1990s, but because of market conditions, the project did not proceed at that time. The revised feasibility differs from the original feasibility in two main areas: recovery of gold will be from vat leaching instead of CIP and the known reserves will be mined over a 15-month period instead of three years. These changes substantially increase the return on the project and thus its viability.

The revised metallurgical testing was carried out in-house and by consultants Ammtec. This testing showed that column leach tests gave gold recoveries of 88 per cent. The revised mine plan was completed by consultant mining engineer, Colin Wregg.

The main conclusions of the feasibility study for the Sinivit project were as follows:

A total of 300,000 tonnes of oxide ore at a grade of 5.3 grams per tonne gold, and 600,000 tonnes of waste, would be mined from an open pit over a 15-month period.

Gold recovery from oxide ore is estimated at 88%

Capital cost of the mine would be $6.3-million.
Cost per ounce of gold recovered (before tax, royalty and cost of capital) is $168.

Cash flow before tax, royalty and repayment of capital is approximately $17.5-million. Net cash flow for the project is estimated at approximately $8.85-million (includes $850,000 for residual plant value).

In addition to the oxide resources, the Sinivit project has a resource of telluride/gold mineralization plus excellent potential to substantially increase that resource. Studies will be carried out to determine if this additional resource can be economically developed.

Mine development could commence soon after all government approvals are in place. At this point in time, the company does not believe that this is likely before August 2005, with gold production in mid-2005. With the company dependent on government approval, and with NGG's president expressing to your editor frustrations over how slowly the New Guinea Government can sometimes move, it is always possible the start up time frame could slip. But that is always a given in the mining industry. Seldom to projects get started within targeted time frames.

Part of the cash flow will be used to upgrade inferred oxide gold resources at Sinivit to reserves or for drilling to increase the oxide resource base. The intention is to extend the life of the mine. The cash flow will also be used to advance the Imwauna project (Normanby property), which the company hopes will be its second mine.

The company expects to have a third mine, namely the Weioko mine (sehulea property) commence production in 2006. Overall, NGG has three small but high-grade gold mines, which, subject to completion of feasibility studies, should yield pre-tax operating cash flows (EBIT) of over $30 million over a 3-to-4 year period. Each of these projects have considerable exploration potential so management plans to apply at least some of the cash flow from these early-producing mines to increase the resource on those projects. But what also makes this company so exciting are several world-class gold and copper projects in Papua New Guinea (PNG) which were acquired by way of an acquisition of Macmin (PNG) Ltd. for shares of NGG.

As noted above, Macmin (PNG) Ltd. holds 17.3 million of 28 million, or nearly 62% of NGG's fully diluted share position. Management is averse to gold loan funding or other forms of debt funding. Assuming these early projects provide the level of cash flow suggested, it is truly possible that NGG could avoid some of the debt pitfalls that so many junior mining firms have fallen into in the past.

Political Risk?

When you think of Papa New Guinea, you might think of a primitive people that might rather serve western folks up for dinner as to allow them to engage in a civilized commercial enterprise in their land. But this country now has a democratic government and it has had a democracy most of the time since the country was given its independence by Australia. Given the importance of mining to PNG, it has well-established mining laws, which are very helpful in moving projects forward.

As I have seen how difficult it is to establish mining projects in the U.S. in recent years, thanks to the mindless activism of environmental extremists and a growing dictatorial mindset in America, I believe the most prudent thing for gold investors to do is to invest in a number of gold mining companies with mining projects sprinkled around the globe. And if you can't buy a sufficient number of gold mining companies on your own, then buy a gold mutual fund that achieves geographical diversification. We are living in an increasingly unstable world such that areas deemed stable now, including the U.S., may in fact become unstable much sooner than can be imagined. For that reason, I am quite pleased to have a small percentage of our Model Portfolio in PNG.

Summary

NGG holds title to no fewer than five gold projects (Normanby, Sehulea, Sinivit, Crater Mountain, and Feni and two copper/gold projects (Simuku and Mt. Nakru). Management believes that all of these projects have world-class mine potential. The projects are at an advanced stage of exploration and either have defined resources or encouraging drill-hole intersections which contain geologically significant grades of gold and/or copper. These are exceptionally exciting prospects in a part of the world where elephant sized gold and gold/copper deposits abound.

Early cash flows from production should reduce risk to shareholders from indebtedness and share holder dilution.

Management is highly experienced and they know how to do business in Papa New Guinea. Near term production potential plus a host of projects with world class potential all provide the rationale for being very bullish on this company. Of course NGG, as a junior gold mining firm is by definition risky. Accordingly, as always we urge you not to allocate more than 5% of your investment portfolio in this one stock at time of purchase. For additional information, contact the company in Vancovuer at 604-662-3598 and/or www.newguineagold.ca.

Golden Goliath Gets No Respect. It Should

Traded Toronto Venture (GNG- $0.29
Initial Recommendation: 1/17/03 - $0.17
Shares Outstanding: 30,230,457
Fully diluted: 40,408,910
Fully Diluted: 40,408,910
Progress Rating: "C"

I'm not sure what it is, but this company seems not to have made much of an impression on the markets. Despite some blockbuster silver and gold assays released late in April, this stock continues to languish as one of the more inexpensive penny stocks on our list.

Between March 1, 2004, and April 23, 2004, Golden Goliath conducted a trenching and sampling program on its one hundred percent owned Las Bolas property located in Chihuahua, Mexico. A total of 564 meters of trenching was completed and the results appear quite positive. According to management, trenching in the Guadalapana-Frijolar area, which tested the extension of the significant mineralization obtained in the Frijolar workings, not only turned up some exciting assays, but also led to a better understanding of the nature of the mineralization. The previously sampled Frijolar tunnel averages 315.5 grams silver per tonne or 9.15 ounces per ton over 115 feet, and drill hole B03-11 returned 326.6 grams silver per tonne or 9.47 ounces per ton with 0.04 gram gold per tonne over 50 feet. In this latest trench-sampling program, eight trenches were cut out along a 250-meter northeast-trending zone believed to be underlain by the Guadalapana and Frijolar mineralized structures. The most significant results are as follows:

- The workers were unable to reach down to bedrock on the Frijolar 2 trench. However, the mine dump material it cut assayed 346 g/t silver or 10.03 ounces per ton from surface to a depth of four meters, and a two-meter sample immediately above a section where bedrock was excavated assayed 846 g/t silver or 24.53 ounces per ton.

- The Frijolar 3 trench obtained 31.5 g/t silver across five meters, 245 g/t silver or 7.11 ounces/ton across 2.5 meters, and 15.5 g/t silver across two meters.

- The Frijolar 4 trench returned an assay of 245 g/t silver or 7.11 ounces per ton across 2.5 meters.

- The Frijolar 5 trench yielded a five-meter sample assaying 45 g/t silver.

- The Frijolar 9 trench returned 30 g/t silver across eight meters.

Also, a trench testing the Corazon structure returned an 18-meter width averaging 43.3 g/t silver. The results indicate that the high-grade silver mineralization is structurally controlled along narrow shears and associated fractures. Very high-grade primary sulphide mineralization at depth is also known to exist from samples such the polybasite-rich samples from the Arbolito shaft dump area that returned 71,817 g/t silver (2,082 troy ounces per short ton) and 2.83 g/t Au (0.082 ounce per short ton).

Underground sampling in the Gambusino and newly discovered Cumaro 1 and 2 mines has returned high-grade silver assays. However the sampling was conducted along the walls of the tunnel, which follow the strike of the narrow structures, and therefore the sampling only attests to the continuity of mineralization along strike. The Cumaro 2 adit contains an 18-meter section that averaged 130.8 g/t silver, or 3.79 ounces per ton, along strike.

A 1.5-meter-wide sample that was taken across the width of the structure was collected from the portal of the Providencia adit, which lies about 550 meters south of Cumaro 2. This sample assayed 434 g/t silver, or 12.59 ounces per ton.

The potential of the Las Bolas property for hosting a concentration of structures and silver mineralization remains good, and additionally, the potential for a silver/gold-bearing intrusive at depth exists, as shown by the association of silver/gold mineralization with rhyolite and andesite dikes.

The Cumaro-Las Bolas-Gambusino-Arbolito east-west trend contains the highest concentration of underground workings and high-grade silver/gold assays, and therefore appears to have the best potential for hosting a concentration of silver/gold mineralization along shear-related structures and the potential of a silver/gold-bearing intrusive at depth.

As I spent some time reviewing these numbers and this company's overall story, I believe this is another very, very undervalued speculative gold exploration stock. Assuming we are in a gold bull market, as I do, GNG will soon have its day and when it comes, this will no longer be a penny gold stock. 604-682-2950 and/or www.goldengoliath.com.

Our "Essential" Techs Keep On Improving

It may not be reflected in the share prices of our "essential" technology sector, but on a fundamental basis, most of the companies in this sector appear to be performing very well. **Mc Kenzie Bay International (OTCBB-MKBY-$1.60)** is moving toward the installation of its first Windstor this summer. I believe once that installation is completed, this company will begin selling these units like hotcakes! **Environmental Power Co (OTCBB-POWR-$1.04)** announced profits of five cents for the first quarter but the real story here is news that a second installation of the company's bio-gas to electric power units is being installed. This is an exceptionally exciting story that turns a problem (manure runoff) into a positive (renewable energy). The markets for this technology are very, very large. The company never promotes itself, but reading SEC documents provides evidence things are going very well as this infant company is ready for blast off. **Itronics Inc. (OTCBB-ITRO$0.11)** continues to lose money, but there has been a substantial rise in GOLD'n GRO fertilizer sales this year and once the company can get over the $8 million mark, its business model suggests it can turn highly profitable. Hopefully, some major field crops could be the key to this company's success. **International Wex Technologies** (Toronto-WXI-$4.00) continues to progress its tetrodin technology along in Canada, Europe and China. The markets for its products in the area of anesthesia, analgesics and drug treatment are also enormous. **Flexible Solutions (American –FSI-$5.00)** continues to gain recognition in the field of water conservation and these markets are also enormous. These are all micro-cap companies that have virtually no following among major brokerage firms. While all of these stocks bring with them a fair amount of risk, I remain convinced they are all viable and have major upside potential from current levels. Moreover, all these companies are involved in lowering the cost of producing essential goods and services. That will be more and more important as we enter the Kondratieff winter.

PORTFOLIO SCORECARD

Equity Gold Stocks	Exch	Ticker	P	Company Activity/Comments	Price 12/31/03	Initial Date	Initial Price	Price 6/7/04	2004 % Gain	Overall Gain	Buy/ Hold
***Essential* Technology Stocks**											
Environmental Power Co.	O	POWR	A	83 Mw waste coal-fired electric generation	$ 0.90	1/1/02	$ 0.20	$1.05	16.7%	425.0%	Buy
Flexible Solutions *	A	FSI	A	Patented Water Saving Technology	$ 4.96	3/16/02	$ 2.65	$5.00	0.8%	88.7%	Buy
International Wex Tech *	C	WXI	B	Pharmaceutical - Near commercial detox drug	$ 4.55	11/5/99	$ 0.59	$3.33	-26.8%	466.8%	Buy
Itronics Inc. *	O	ITRO	A	Photo waste recycled to silver & fertilizer	$ 0.15	3/1/97	$ 0.10	$0.11	-28.0%	8.0%	Buy
McKenzie Bay Int'l *	O	MKBY	B	Vertically integrated vanadium tech energy Co.	$ 2.60	3/25/00	$ 2.00	$1.56	-40.0%	-22.0%	Buy
Nevada Geothermal Power	C	NGP	C	Nevada Geothermal Electricity Project	$ 0.26	1/1/02	$ 0.14	$0.40	53.2%	191.1%	Buy
Pro-Pharmaceuticals	A	PRW	B	Improved Chemotheorpy Drug - Phase I Trials	$ 3.95	8/19/00	$ 5.50	$3.50	-11.4%	-36.4%	Buy
Average Gain (Loss) on Technology Stocks (Including closed positions) =================================>									**-5.08%**	**160.17%**	
Energy Stocks											
Blue Parrot Energy	T	BPA	A	Oil and gas producer in Alberta & Wash.	$ 0.35	9/6/56	$ 0.35	$0.32	-8.1%	-8.1%	Buy
International TME Resc. *	C	ITME	A	Small Texas gas producer & development projct.	$ 0.42	6/29/02	$ 0.08	$0.40	-4.8%	400.0%	Buy
Petrofund Energy Trst *	A	PTF	A	Oil & gas royalty trust in Western Canada	$ 14.46	1/1/02	$ 7.54	$11.80	-15.0%	90.9%	Buy
Transcanada Corp.	N	TRP	A	Natural gas transmission and electric generation	$ 21.51	1/1/02	$ 12.46	$19.50	-8.3%	67.3%	Buy
VTEX Energy Inc.	O	VXEN	B	Oil and Gas Properties in Tex, Ok, LA and KN	$ 0.31	1/22/04	$ 0.31	$0.51	64.5%	64.5%	Buy
Average Gain (Loss) on Miscellaneous Stocks (Including closed positions) ==============================>									**5.67%**	**122.92%**	
Precious Metals & Hedge Funds											
Gold *	N/A	N/A	N/A	The Best Money Ever Discovered by Humankind	$ 415.20	12/3/90	$ 390.00	$393.50	-5.23%	0.9%	Buy
Silver *	N/A	N/A	N/A	2nd Best Money Ever Discovered by Humankind	$ 5.92	11/15/97	$ 5.29	$5.88	-0.7%	11.2%	Buy
The Prudent Bear Fnd *	O	BEARX	A	David Tice - Hedge fund for small investors	$ 6.23	9/25/99	$ 4.37	$5.63	-7.7%	41.4%	Buy
The Prud Global Inc. Fund *	O	PSAFX	A	David Tice - Hedge Against the U.S. dollar	$ 13.27	5/20/00	$ 9.48	$12.69	-3.5%	37.0%	Buy
World Prec. Metals Fnd	O	UNWPX	A	Frank Holmes - Produc. And Expl. Gold Stocks	$ 16.66	03/20/85	$ 9.70	$14.17	-14.95%	46%	Buy
Global Resource Fnd	O	PSPFX	A	Frank Holmes - Commodity Exposure Fund	$ 8.55	03/20/03	$ 4.69	$8.26	-3.39%	76%	Buy
U.S. Treasury Cash Fnd	O	USTXX	A	Frank Holmes - U.S. Treasury Cash Fund	$ 1.00	04/22/04	$ 1.00	$1.00	0.00%	0%	Buy
Rogers Int'l Raw Materials	O	N/A	A	Rogers Raw Material Index Fund	$ 7,891	5/6/02	$ 5,067	$9,119	15.6%	80.0%	Buy
J Taylor's Model Portfolio	N/A	N/A	N/A	Portfolio Reflecting Newsletter Stratagy	$ 2,261	1/1/01	$ 1,000	$2,064	-8.72%	106%	--
J's LBLM Model Portfoio	N/A	N/A	N/A	Low Budget/Low Maintenance Proxy Porfolio	$ 1,359	1/1/03	$ 1,000	$1,292	-4.88%	29.2%	--
S&P 500 Index	N/A	N/A	N/A	Broad based measure of U.S. Equity Markets	$ 1,112	1/1/01	$ 1,000	$1,123	0.96%	12.3%	--

Portfolio Scorecard

C$= 0.7439

Equity Gold Stocks	Exch	Ticker	P	Company Activity/Comments	Price 12/31/03	Initial Date	Initial Price	Price 6/7/04	2004 % Gain	Overall Gain	Buy/ Hold
AgnicoEagle Mines Ltd *	N	AEM	A	Mid-sized Canadian gold producer	$ 12.07	3/10/01	$ 7.38	$13.62	12.8%	84.7%	Buy
Anaconda Gold Corp.	T	ANX	B	Advanced gold props in NWT and Newfoundland	$ 0.26	1/30/04	$ 0.26	$0.25	-5.6%	-5.6%	Buy
Argent Resources Ltd.	T	AOU	D	Highly Prosepctive Gold Target - Timmins Ontario	$ 0.14	3/19/04	$ 0.14	$0.11	-19.7%	-19.7%	Buy
Bishop Resources	C	BRI	C	Highly Prospective Gold & Silver Pops in B.C.	$ 0.18	12/6/03	$ 0.16	$0.06	-66.5%	-62.8%	Buy
Cangold Ltd. *	T	CLD	C	Promising Exploration in Red Lake Gold Mine	$ 0.22	6/23/03	$ 0.08	$0.13	-41.8%	64.8%	Buy
Canarc Resources *	T	CCM	B	Advanced stage gold project in B.C.	$ 0.65	2/27/89	$ 1.19	$0.74	14.8%	-37.5%	Buy
Candente Resource Corp *	C	DNT	D	Highly Prospective Gold Targets in Peru	$ 0.89	1/26/02	$ 0.11	$0.61	-31.2%	444.7%	Buy
Centurion Gold Holdings *	O	CGHI	B	Near Prod. in South Africa. Maj. Acquisition expec	$ 2.53	10/17/03	$ 2.10	$1.17	-53.8%	-44.3%	Buy
Claude Resources *	A	CGR	A	Smaller Producer in Saskatchewan, Ontario	$ 1.68	5/11/02	$ 1.06	$0.99	-41.1%	-6.6%	Buy
Continuum Resources Ltd.	B	CNU	B	Near Production in Mexican gold/zinc + Canada	$ 0.60	3/19/04	$ 0.60	$0.33	-44.2%	-44.2%	Buy
Copper Ridge	T	KRX	C	Advanc. Proj in Mexico Also prospects in N. Am.	$ 0.12	5/1/04	$ 0.12	$0.13	2.0%	2.0%	Buy
Emgold Mining Corp. *	C	EMR	B	California Underground Mine - multi million oz.	$ 1.08	10/19/02	$ 0.15	$0.80	-25.6%	450.3%	Buy
Endeavor Gold Corp.	T	EDR	B	Gold & Silver Properties in Mexico	$ 1.21	2/7/04	$ 1.21	$1.02	-15.8%	-15.8%	Buy
Energold Mining Ltd.	C	EGD	C	Highly Prosective Gold Projects = Dom Republic	$ 0.50	10/13/01	$ 0.08	$0.50	-0.6%	547.3%	Buy
Excellon Resources *	C	EXN	B	High grade Silver, lead, zinc Deposit in Mexico	$ 0.17	4/24/03	$ 0.07	$0.13	-23.3%	86.0%	Buy
Fjordland Minerals	C	FEX	D	Gold Copper target in B.C./ Gold target in Nevada	$ 0.19	2/21/04	$ 0.19	$0.12	-36.7%	-36.7%	Buy
Genco Resources Ltd.	C	GGC	A	Silver/Gold Mexican Producer with great bluesky	$ 1.14	2/21/04	$ 1.14	$0.71	-38.0%	-38.0%	Buy
GeoCom Resources *	O	GOCM	C	Advamced Stage Gold in Argentina + Alaska proj.	$ 1.35	3/29/03	$ 1.15	$0.79	-41.5%	-31.3%	Buy
Glamis Gold *	N	GLG	A	Cal. Nev., Honduras Medium Sized Au Producer	$ 17.12	5/11/02	$ 7.79	$16.71	-2.4%	114.5%	Buy
Globestar Mining	C	GMI	B	Nearing copper, gold, silver prod. In Dom Rep.	$ 0.47	10/12/02	$ 0.32	$0.45	-5.2%	41.7%	Buy
Goldcorp *	N	GG	A	Gold Producer with major low cost deposit	$ 15.95	5/1/99	$ 2.97	$11.86	-25.6%	304.4%	Buy
Gold Fields Ltd. *	N	GFI	A	Large South African Gold Producer	$ 13.94	6/15/02	$ 12.37	$11.31	-18.9%	-8.6%	Buy
Golden Phoenix Minerals *	O	GPXM	B	Advanced Stage gold & copper Explorat'n	$ 0.46	7/3/99	$ 0.13	$0.33	-28.3%	153.8%	Buy
Golden Goliath	C	GNG	C	Large scale gold-silver exporation play in Mexico	$ 0.46	1/17/03	$ 0.17	$0.29	-37.3%	70.7%	Buy
Great Basin Gold	A	GBN	B	Large gold deposits in Nevada & South Africa	$ 2.62	11/8/03	$ 2.04	$1.31	-50.0%	-35.8%	Buy
Great Panther	T	GPR	B	Advanced Stage gold/silver project in Mexico	$ 0.41	5/1/04	$ 0.41	$0.37	-8.8%	-8.8%	Buy
Great Quest Metals *	C	GQ	C	Promising Exploration Targets in Mali, Africa	$ 0.51	10/19/02	$ 0.16	$0.45	-12.4%	180.7%	Buy
IMA Exploration *	C	IMR	D	Highly Prospectie Gold & Silver Prop in S.A.	$ 1.35	2/5/00	$ 0.40	$2.23	65.3%	458.0%	Buy
Jaguar Mining Inc.	T	JAG	A	Small Production & Large Upside in Brazil	$ 4.31	3/19/04	$ 4.31	$3.35	-22.3%	-22.3%	Buy
Liberty Star Gold	O	LBTS	D	Grass Roots near Northern Dynasty's Pebble	$ 1.71	3/27/04	$ 1.71	$1.28	-25.1%	-25.1%	Buy
Luzon Minerals Ltd.	T	LZN	B	2 Advanced Stage gold projects in Bolivia	$ 0.37	4/17/04	$ 0.37	$0.37	0.5%	0.5%	Buy
Mag Silver Corporation	C	MAG	C	Potential World Class Mexican Silver deposit	$ 1.79	11/29/03	$ 1.65	$1.03	-42.2%	-37.3%	Buy
Midway Gold Corp	C	MDW	C	Two highly prospective Nevada Gold Projects	$ 1.85	11/29/03	$ 1.38	$0.82	-55.8%	-40.7%	Buy
Newmont Mining	N	NEM	A	World's Largest Gold Producer - Anti-Hedging	$ 48.61	6/6/03	$ 31.76	$39.97	-17.8%	25.9%	Buy
New Guinea Gold Corp. *	T	NGG	B	Advanced Gold Mines in New Guinea	$ 0.58	9/20/03	$ 0.19	$0.43	-25.4%	123.6%	Buy
Northern Dynasty Min *	C	NDM	C	Coper/Gold Porphyry Target in Alaska	$ 4.51	1/1/02	$ 0.26	$3.67	-18.7%	1310.6%	Buy
Northern Star Mining	C	NSM	C	Advanced Stage Underground Au Mine - Quebec	$ 0.82	7/26/03	$ 0.25	$0.41	-50.0%	66.3%	Buy
Pacific Ridge Exploration	T	PEX	C	Highly Prospective Nevada Gold Targets	$ 0.23	11/14/03	$ 0.18	$0.08	-66.3%	-56.6%	Buy
PMI Ventures	T	PMV	D	Highly Prospective Gold Targets in Ghana WA	$ 0.53	7/19/03	$ 0.39	$0.21	-60.9%	-46.7%	Buy
Pelangio Mines Inc.	C	PLG	C	1.7 Million Ounce Resource + Major explorat. Pot	$ 0.37	1/1/02	$ 0.08	$0.40	8.5%	435.6%	Buy
Piedmont Mining Co. *	O	PIED	-	Start-up Junior Mining Co with Stellar Managm't	$ 0.16	10/11/03	$ 0.06	$0.11	-34.4%	75.0%	Buy
Radius Exploration Ltd..	C	RDU	D	Highly Prospective properties in Central America	$ 1.03	3/6/04	$ 1.03	$1.04	1.0%	1.0%	Buy
Randgold Resources	O	GOLD	A	Major, Highly Profitable African Gold Producer	$ 27.35	10/25/03	$ 20.55	$18.21	-33.4%	-11.4%	Buy
Rare Earth Metals	C	REM	C	Highly Prospective Nevada AU + Manitoba NI proj	$ 0.53	9/6/03	$ 0.30	$0.32	-39.9%	6.6%	Buy
Redhawk Resoruces Inc.	T	RDK	D	Early Stage gold target in Nevada	$ 0.22	1/30/04	$ 0.22	$0.19	-15.1%	-15.1%	Buy
Ross River Minerals	T	RRM	C	Very promising gold/silver target in Mexico	$ 1.12	8/23/03	$ 0.28	$0.61	-45.5%	117.9%	Buy
Rubicon Minerals Corp.	C	RUBIF	C	Prospective Red Lake & Newfoundland gold prop	$ 1.13	5/23/03	$ 0.67	$0.89	-21.2%	32.8%	Buy
Samex Mining *	O	SMXMF	D	Large gold Expl. Targets in Boliva & Chile	$ 1.07	4/16/03	$ 0.15	$0.65	-39.3%	348.3%	Buy
Seabridge Gold Inc.	T	SEA	B	Gold Resources totaling 13.8 million oz.	$ 4.09	2/1/03	$ 1.97	$3.22	-21.2%	63.5%	Buy
Southern Rio	T	SNZ	C	High Grade gold vein system discovered in B.C.	$ 0.25	8/16/03	$ 0.07	$0.09	-64.9%	24.0%	Buy
Spectrumgold Inc.	T	SGX	C	5 mill oz. Au + 5 bns lbs. Copper in Alaska	$ 4.05	11/22/03	$ 2.61	$4.54	12.1%	73.9%	Buy
Sultan Minerals	C	SUL	C	Large Gold Exploration Target in B.C.	$ 0.19	3/6/03	$ 0.16	$0.10	-45.8%	-35.6%	Buy
Terraco Gold Corp	T	TEN	D	Highly Prospective Nevada Gold Targets	$ 0.31	7/19/03	$ 0.39	$0.16	-47.0%	-58.1%	Buy
Tumi Resources *	T	TM	C	Highly Prospective silver-gold Targets in Mexico	$ 1.06	11/19/03	$ 0.72	$0.83	-22.4%	14.7%	Buy
U.S. Gold Corp*	O	USGL	B	Advanced Stage Nevada Gold Ready for Prod.	$ 0.82	3/23/02	$ 0.33	$0.70	-14.6%	112.1%	Buy
X-Cal Resources Ltd.	T	XCL	B	Operator on Sleeper Mine nearing production	$ 0.63	4/8/00	$ 0.24	$0.39	-37.7%	64.3%	Buy
Average Gain (Loss) on Gold Mining Stocks (Including closed positions) ==================================>									**-25.43%**	**92.06%**	

CHART EXPLANATION|| Exch A=American; N=New York; O=NASDAQ/Bulletin Board; C= Canadian Exchanges; M= Montreal. T= Toronto. ||**P=PROGRESS RATING -** A = Currently Operating, B=Not in operation but with pre-feasibility or feasibility study in hand; C = No feasibility study but strong indications of the existence of a commercial ore body.|| ***** Represents companies in which the editor and/or his family hold a long position. D= Ore body not yet delineated but based on size of mineral bearing structures and early geological work, indicates potential for outlining an ore body. **2004 CLOSED POSITIONS: Alamos Minerals (+698%), Fortune Minerals (+620%), IAMGOLD (+635%), Kimber Resources (+591%), Nevsun Resources (+843%)** and **NovaGold (+1,036%), Composite Technology (+267.6%). || J Taylor's Gold & Technology Stocks,** is published monthly as a copyright publication of **Taylor Hard Money Advisors, Inc. (THMA)**, Box 770871, Woodside, N.Y. Tel.: (718) 457-1426. Website: **www.miningstocks.com.** THMA provides investment advice solely on a paid subscription basis. Under copyright law, from time-to-time, THMA receives a standard fee of $250 per page upon request from companies whose shares are discussed in this publication. However buy or sell recommendations are never made in exchange for fees paid to THMA or anyone associated with THMA. Information contained herein is obtained from sources believed to be reliable, but we do not guarantee its completeness or its accuracy. The management of Taylor Hard Money Advisors, Inc. may, from time to time buy and sell shares of the companies recommended herein. However, no statement or expression of any opinion expressed herein constitutes an offer to buy or sell the securities mentioned herein. Any stocks held at the time of publication are denoted by an asterisk next to the name of the security in the chart above. Subscription rates: One Year $123; Two Years - $219. Foreign delivery postal system, add 25% to regular prices.