

Growth Stocks Weekly

Vol. 10 No. 1

Publisher: Diversified Financial Solutions ~ **Since:** May, 1995 ~ **Editor:** Richard Reinhard ~ **E-Mail:** rreinhard@shaw.ca

Performance: Year ended April 1996 **116.9%**; 1997 **28.1%**; 1998 **36.4%**; 1999 **39.4%**; 2000 **180.9%**; 2001 **-50.5%**; 2002 **18.7%**; 2003 **28.8%**; 2004 **166.7%**

Current Growth Portfolio

As at May 4, 2004

(Our 9th Anniversary Edition!!)

(All \$Cdn unless noted)

Entry Dates	Units	Positions	Average Cost	Current Price	Current Value \$	%Value/ Cost
4-5/02, 7/02, 11/02, 3-6/03	1,766,666	VRB Power Systems	0.155	0.610	1,077,666	392%
8/02, 03/03	750,000	Bell Resources	0.121	0.120	90,000	99%
12/03	350,000	Bell Resources \$0.20 Wts	0.000	0.000	0	N/A
11/02, 01/03, 10/03	100,000	Entrée Gold Inc.	0.364	1.110	111,000	305%
10/03	12,500	Entrée Gold \$1.35 Wts	0.000	0.000	0	N/A
12/02, 10/03	360,000	Grandcru Res Corp	0.207	0.235	84,600	114%
12/02	250,000	Grandcru Res Corp \$0.20 Wts	0.000	0.035	8,750	N/A
10/03	110,000	Grandcru Res Corp \$0.55 Wts	0.000	0.000	0	N/A
03/03	50,000	ASP Ventures, Inc	US0.285	US0.025	1,250	14%
08/03, 10/03	641,667	Tri-Alpha Investmts	0.189	0.160	102,667	85%
08/03	83,333	Tri-Alpha Inv \$0.20 Wts	0.000	0.000	0	N/A
10/03	120,000	Consolidated New Sage Res	0.125	0.170	20,400	136%
12/03	50,000	European Minerals	US0.80	US0.70	65,000	125%
01/04, 03/04	50,000	Yale Resources	0.225	0.500	25,000	222%
01/04	25,000	Yale Resources \$0.15 Wts	0.000	0.350	8,750	N/A
03/04	25,000	Yale Resources \$0.40 Wts	0.000	0.100	2,500	N/A
04/04	50,000	Knight Resources	0.727	0.790	39,500	109%
05/04	5,000	Northern Orion Res	2.788	3.070	15,350	110%
		Cash Credit			50,818	
		Portfolio Value			1,703,251	

Value @ 5/5/2003 \$638,589

One-year performance 166.72%

Portfolio Changes:

Company Name	Comments	Closing Price
Wireless Age Communications (WLSA)	Stop loss triggered at US\$2.99 Feb 4	US\$1.32
Yale Resources (MRK-TSXv)	Bought 25,000 units at \$0.10 Jan 21	\$0.50
Yale Resources (MRK-TSXv)	Bought 25,000 units at \$0.35 Mar 21	\$0.50
Entrée Gold (ETG-TSXv)	Sold 25,000 at \$1.45 on April 12	\$1.11
Northern Orion Res (NNO-TSX, NTO-Amex)	Bought 5,000 shares @\$3.57 Apr 14, stopped out \$3.19 Apr 28	\$3.07
Knight Resources (KNP-TSXv)	Bought 50,000 shares at \$0.72 Apr 23	\$0.79
Northern Orion Res (NNO-TSX, NTO-Amex)	Bought 5,000 shares @\$2.76 May 3	\$3.07

Market Revaluation – We're Holding Tight

It was only two ago we got the feeling that the US dollar was going down, and that a new bull market in precious metals and most commodities was getting underway. Late year we wondered how long the move could go on without a meaningful correction. A correction was overdue. The China story was becoming too main stream. Investor expectations too widespread – time for a shakeout.

It is always a good idea to be in some cash and generally out of debt, but given the 45-year record low interest rates it is particularly timely. The US election year is upon us and the Fed's been fighting their deflation bugaboo since the tech wreck. There's more than a whiff of inflation in the air. There is a real risk that rising rates will not just double but potentially rise several-fold over a few painful years. If interest rates do keep rising, a lot of debt that went to finance appreciated or depreciating assets will be in trouble. Forced liquidation (think non-performing real estate for example as mortgage renewal time comes around and the past stampede to buy into that market becomes a torrent of sellers looking to stop the red ink).

In fact, a lot of people's debt will be destroyed for them if they don't act preemptively do it themselves first. Much of the world (the US, the UK, China) is so indebted this unwinding of bad debt could possibly get out of control. It's doubtful that many investors realize the danger.

Stocks and bonds have had historically long bull markets, from 1982 to 2000 for stocks and from 1981 to maybe this year for bonds. The jury is still out on bonds: they could still rise if we have deflation. But stocks are definitely in a bear market, and in my opinion are just coming off a nice bear market rally that began in October of 2002 and now seems over.

On the other hand, precious metals entered a bull market at the end of 2000, after a 20-year bear market. This bull market could last an equally long 20 years. Even bull markets however – especially long bull markets – have periods of violent shakeouts, or mini bear markets, all designed to cause panic and shake the assets out of weak hands. It is only the market breathing: like any living thing. After a long and fast run like we've experienced this last year, it pauses to exhale. I've had concerns since late December that the metals need to start exhaling after their hell-bent runs of last year. It is only natural. This correction could last well into the summer, taking out the excess and speculative positions built up in the latter stage of the run up. We feel particularly safe in our early-stage metals positions as we are only riding down initial profits, painful as that may be. With few exceptions, we have not chased up any deals nor taken the bait of being Johnny-come-lately after a price run up.

It's always wise to bank original principal on the way up, so that they can psychologically handle the violent corrections common to bull markets. For months now we have seen metals falling along with stocks and bonds. But keep it in perspective - they are doing so for very different reasons. For stocks and bonds, a bear market is in the early stages - for metals, a bull market is in the early stages – with all the violent and volatile action that has historically accompanied such moves.

China is now struggling with the same problems of too much credit creation that the US is, but, at least China is announcing that it wants to slam on the breaks on the massive amounts of loose credit. Meanwhile, the US continues to pour it on. There is also a surprising amount of comment that the US-dollar-based price of oil should be altered to something else, possibly the euro or a basket of currencies by which the oil price should be officially denominated and reckoned. If the dollar starts to once again fall and hit new lows this sentiment would intensify. Higher oil prices in dollars and a change in the currency reckoning away from the dollar could mean severe hard times for the US that is extremely dependent on cheap gas.

I think the corrections in the Euro, gold and silver are finally about over. The Euro is likely about to resume its upward march, having bounced off \$US1.18.

The silver market has been true to form of late. How many newly entered silver holders have panicked and dumped their holdings recently? Certainly the ones who bought near the \$8.45 top of last month, or who bought on margin, have all been through the wringer. Those who have ridden out the brutal 40% plunge in the silver price these last couple weeks have seen the enemy, and have real battle scars to prove it. If they survived that kind of carnage they can survive anything. Keep in mind that silver prices are much more volatile than gold; while they may rise more, they also fall more. Don't acquire positions beyond what your stomach can take during large-percentage corrections.

For those who have been waiting to buy, today's prices are at levels where we would start wading in with cash positions – but no need to rush the process. Dollar cost averaging is always prudent on the way in and on the way out – nobody's going to ring the bell at the top or the bottom.

Gold's correction could last well into the summer. It is now May and I think we could continue to see fairly soft prices for another two to three months. But we are closer to the bottom than the recent top and for those who have been waiting to buy, this area makes a great opportunity. Just temper your expectations.

These are very interesting times. You need to watch what happens in the stock market very carefully during May and June. Complacency has come back and not many investors are prepared for another May and June like we had two years ago. If it happens, investor psychology could turn rather ugly and the US dollar will take another severe hit.

VRB Power Systems (VRB-TSX Venture)



VRB Power Systems (VRB-TSX Venture) – Weekly Chart

Website: <http://www.vrbpower.com/>

VRB Power (VRB-TSXv/VTTCF/VNK-B-Frankfurt): VRB is still our favorite non-resource stock from a fundamental standpoint, and of course from a return-on-investment perspective. We stated back at about \$0.08 that the fundamentals behind the scene were aligning and point to VRB Power not only surviving their share meltdown and lack of working capital, but potentially finding their place in the spotlight as their technology is validated and becomes in demand. Shortly thereafter they closed an \$850,000 convertible debenture and top-up placement for an additional \$150,000 to VRB's CEO, serving to validate our opinion that things are moving forward. We readily participated in that financing round as well the earlier placement at \$0.10 per unit, and this has served us well.

Based in Vancouver, B.C. Canada, VRB Power Systems Inc. is an electrochemical energy storage company that has commercialized the patented Vanadium Redox Battery Energy Storage System ("VRB-ESS"). The VRB-ESS is a new enabling technology that can effectively store electricity on demand. The VRB-ESS can provide direct economic benefits to utilities and end users in terms of improved power quality, reliability and energy efficiency. The VRB-ESS is particularly well suited to load leveling (peak shaving), electrical power arbitrage, grid stability enhancements, capital deferral and Remote Area Power Supply (RAPS) applications. It is primarily focused on stationary power sources such as utility substations, commercial buildings, production facilities, telecommunication operations, cellular radio sites, and renewable resource generation such as wind farms - creating the ability to provide "firm" capacity. As a "green" technology, the VRB is characterized by the lowest ecological impact of all energy storage technologies and is unlike most other conventional energy storage systems that rely on toxic substances such as lead, zinc or cadmium. VRB Power is listed on the TSX Venture Exchange ("VRB"), the OTC Pink Sheets ("VRBPF") and on the Frankfurt Exchange ("VNK").

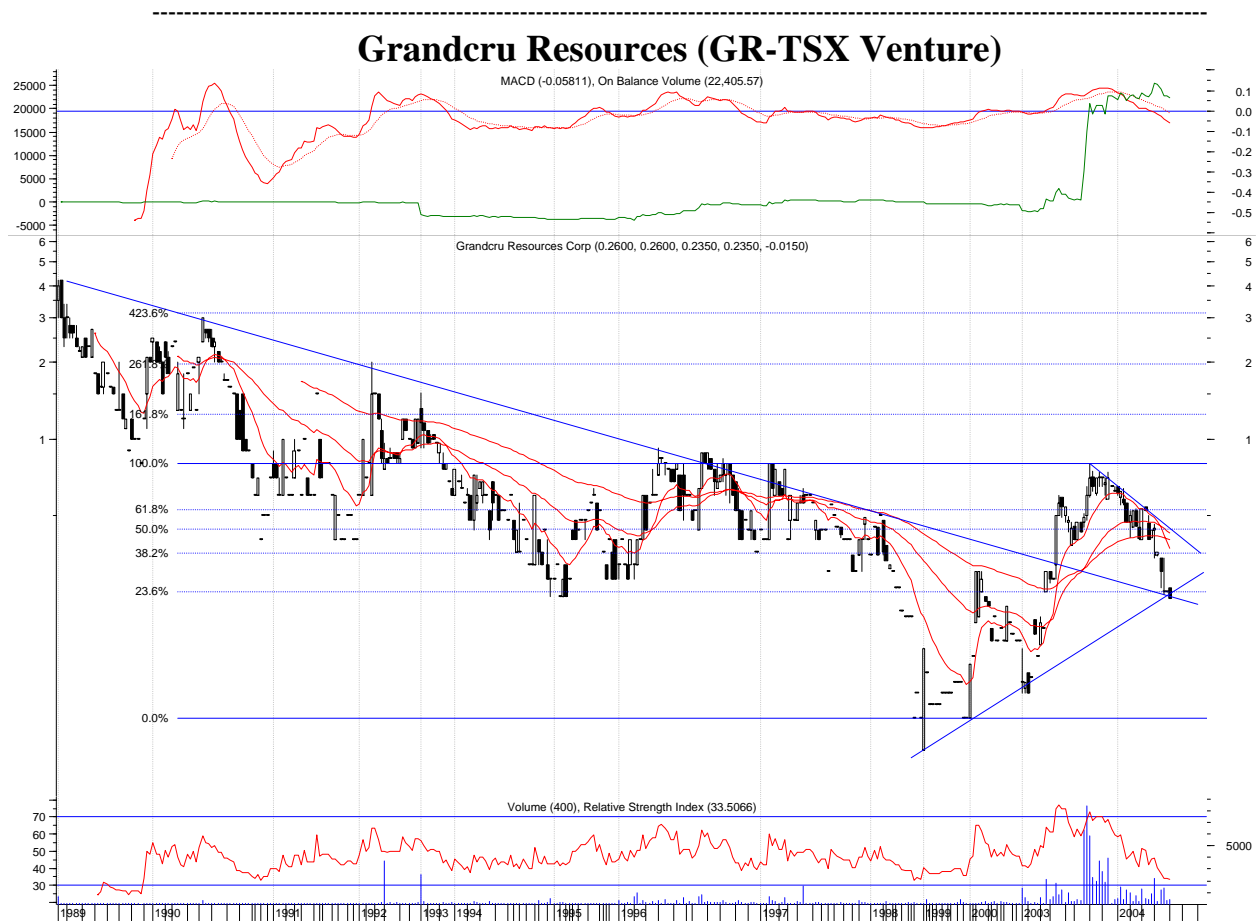
We have continuously believed that the VRB Power technology is truly revolutionary, with no viable alternatives in sight for large-scale applications. The recent power blackouts in North American and elsewhere highlights how VRB's technology can meet shortcomings already at critical levels in many areas of the U.S. I know I keep repeating myself, but **I believe this is a long-term keeper for a potentially huge, out-of-the-park home run. This is one of those rare opportunities where we're in early, in big, and in no hurry to take already outstanding profits in an accommodatingly liquid market. There is the potential that this company achieves a capitalized value in excess of \$1 billion, given the expected order size and gross margins involved, suggesting a share price in the double digits.**

Technicals

This weekly chart illustrates an on-going consolidation pattern, typically called a "flag". Price is clearly in a channel and now

attempting to lift once again. The 13, 40, and 80-week moving averages (MA) are acting as resistance after the price-break in mid-April. The upper scale's green On-Balance-Volume indicator and Moving Average Convergence Divergence indicator both mirror the recent price decline, not providing much of a clue to the future. Given the low-volume nature of the decline, any news-driven volume boost to the upside would re-establish price back above the MA's rather quickly. The Relative-Strength index is somewhat oversold, implying a readiness for price to lift from this area. Fibonacci Retracement support at \$0.57 has been holding well, and should serve as an excellent accumulation area for current investors. Buy 'em when they're quite.

"There are a few times when new technologies appear which have the potential to cause paradigm shifts. I believe that the VRB energy storage system is one of these technologies. Storing multiple megawatt hours of energy highly efficiently and in a distributed fashion provides the ideal way to enhance grid reliability, and generate improved return on assets for all utilities. The impact of events such as the blackout of the 15th August 2003 could have been reduced with proper placement of energy storage systems in the grid. The use of the VRB system with wind generation and solar power to provide firm capacity will address the major complaint that utilities have about these renewable resources. By integrating the VRB energy storage system with diesel generators used in many remote installations we can reduce emissions and contribute to Kyoto accord undertakings. **The potential is enormous. and unlike some of the hydrogen based technologies, the VRB energy storage technology does not require wholesale infrastructure change for its application - it complements existing approaches.** The market has set the goals - I am excited about the opportunity to aggressively pursue this enormous potential for the Vanadium Redox Battery Energy Storage System. The Convertible Debenture financing announced yesterday, totaling \$10 Million USD with the exercise of the attached warrants, will provide the company with the necessary capital to pursue technology enhancements and associated price reductions, an aggressive marketing campaign, and rapid expansion of operations and personnel. **The Financiers are a strategic - value add group that will bring significant benefits to the company in the short and long term".** - Timothy Hennessy.



Grandcru Resources (GR-TSX Venture) – Weekly Chart

Grandcru Resources Corporation (TSX-V: GR) is a recently reorganized company focused on gold and silver exploration opportunities in North America. The Company's projects are strategically located in the Red Lake region of Ontario, the Schefferville region of Quebec, the North Carlin region of Nevada and the Guadalupe de los Reyes district in Mexico. The Company's properties range from early-stage exploration to advanced-stage resource and represent a diversified opportunity to invest in North American gold and silver exploration.

To date, the Company has employed its resources to acquire a diversified portfolio of assets and initiate exploration of those assets. This has been a two-stage process in each region within which the Company operates. The initial step was to acquire a multi-target property position within the district, followed by securing an anchor project within those targets.

In Quebec, the Ashuanipi property presents a multi-target project. The Company has compiled all historical data (both surface geology and geophysics) into a comprehensive 43-101 technical report. This process has identified multiple targets for a planned ground program during the summer season of 2004.

In Red Lake, the Company has acquired several properties, which are positioned strategically throughout the camp. The anchor project is the Sanshaw-Bonanza JV, which requires drilling to expand the historical gold resource on the property. Recent high grade gold intersections on Planet Exploration's and Goldcorp's Red Lake gold discovery suggest excellent potential for discovering an economically viable deposit. Located in the world's high grade gold capital, the prolific Red Lake District of Ontario, Planet Exploration's property comprises 18 contiguous blocks, of 268 units, covering 4288 hectares, directly adjacent to Grandcru's interests.

The properties in Elko, Nevada are distributed along historical gold and silver trends. The anchor project is the Clover property, which has received several phases of historical exploration, including successful drilling.

The San Miguel property in the Guadalupe de los Reyes camp in Mexico represents the most advanced project in the portfolio. The Company is actively working toward acquiring the balance of the properties in the Guadalupe camp with a focus on nearterm production potential.

Corporate Strategy

The management of the Company has been successful in the first phase of developing the Company – asset acquisition. The second phase of the corporate strategy has two parallel objectives. The first objective is the ongoing exploration of the Company's projects both through JV relationships and through internal efforts. The second objective is to move the Company toward commercial production.

The Guadalupe camp has been the subject of a previous pre-feasibility study (Pincock Allen & Holt - 1997). The study concluded that the Zapote and San Miguel zones could be placed into production and over a four year period, an open pit heap-leach deposit would produce 40,700 ounces of gold per year at a total cash cost of \$US190.00 per ounce. Future work would involve: diamond drilling for grade confirmation, metallurgical test work and infill drilling to advance in-pit inferred resources.

Management of The Company is presently negotiating to acquire the balance of the properties in the Guadalupe camp and securing the next round of financing in order to accomplish the phase two objectives of the corporate plan. Property payment obligations and work commitments going forward are attached.

Technicals

Grandcru's share price cleared its long-term decline line in August 2003, achieving a price peak at old resistance of \$0.80 in November before things went quiet. Price has ground down to a major support area – the crossroads of the newly-established long-term uptrend and just above the old long-term down-trend. This price level coincides with a key Fibonacci Retracement line at the \$0.25 area. The OBV is at high levels and continues to hold steady, a convergence to the price decline (a strong indicator that price will resume its up trend). RSI is at severely oversold levels, also suggesting the decline is overdone.

The timing of the low-volume decline is coincidental with the coming expiry of 3 million \$0.20 warrants on May 22. I suspect that the decline was precipitated by some of these early shareholders who have determined a need for cash to either exercise their warrants, or who are not patient with the company's methodical build up of intrinsic value and maybe unhappy with the declining price trend (selling begets selling). Roughly, the breakup value today on a cash buy-out basis of existing measurable commercially-ready assets is well in excess of \$1 per share. We anticipate a share price in excess of this level over the next year. Shares are illiquid at these prices – accumulation must be handled carefully by a savvy broker.

The Red Lake Region

Goldcorp's Red Lake mine is believed to be the richest gold mine in the world. The total of current reserves and resources together with mined material at the Red Lake Mine is more than 10 million ounces of gold at an average grade of 26.1 g/t. The exploration program for 2002 at the Red Lake Mine had a budget of \$12 million. Placer Dome Inc's 100%-owned Campbell Mine at Red Lake is one of the highest-grade gold mines in the world. Producing continuously since 1949, the underground mine produced 178,139 ounces of gold in 2001. The proven and probable mineral reserves as of December 31, 2001 contained 1,043,000 ounces of gold. A well-funded junior exploration company with over 247 square km of land holdings in the Red Lake gold camp, Rubicon Minerals recently announced that high-grade gold mineralization was intersected in a diamond drill program at its 60%-owned McCuaig project, Red Lake.

Past production and current reserves from the Red Lake Region exceed 23 million ounces of gold, the majority of which (80%) stems from Gold Corp's Red Lake Mine, Placer Dome's Campbell Mine and the Cochenour Mine located about 30km to the south of Planet Exploration's property.

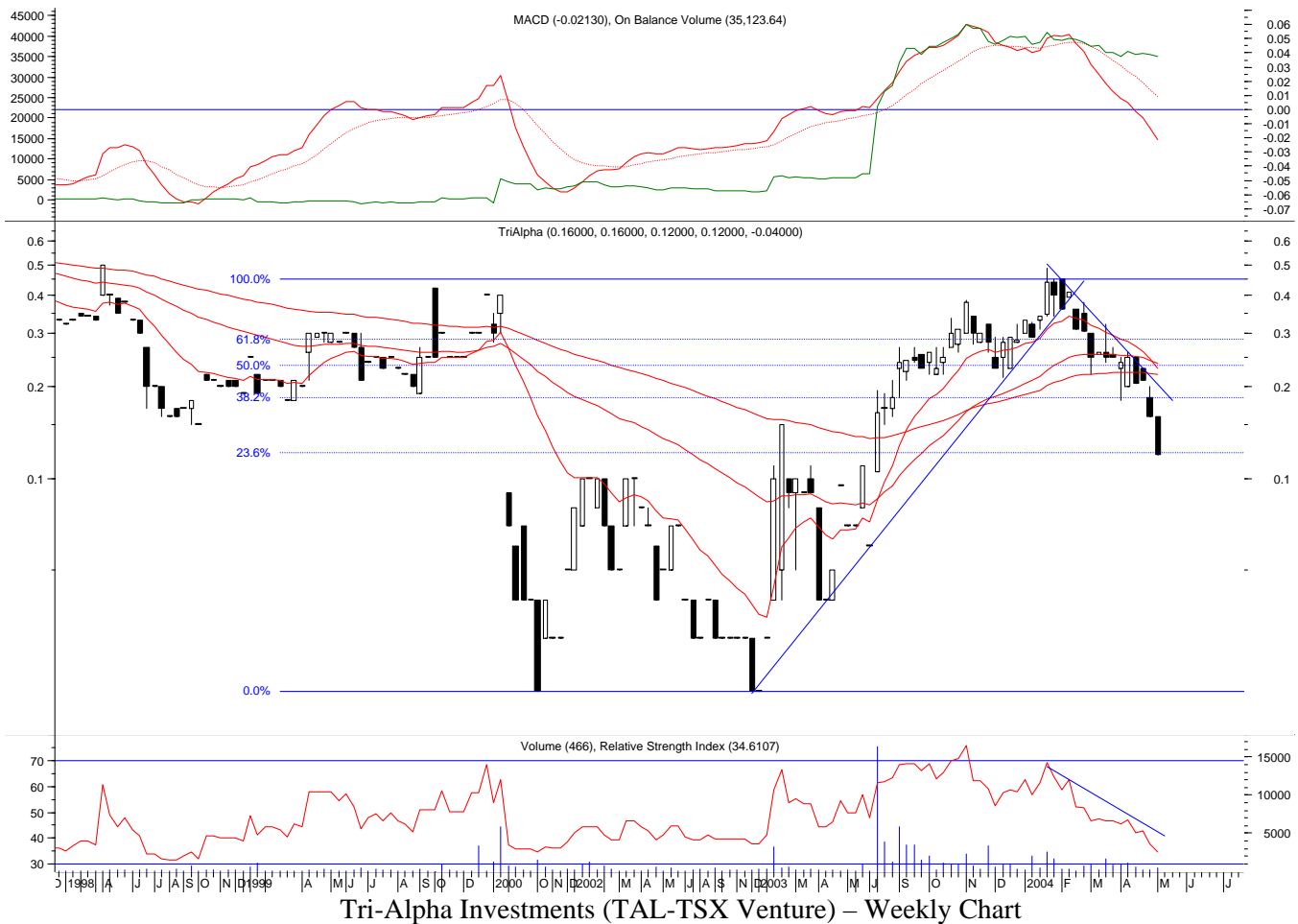
Comparison to other world class gold districts strongly suggest that more significant reserves have yet to be discovered in Red Lake. Massive disseminated and vein type structures host the existing gold reserves in this region.

Planet Exploration is concentrating its efforts in Red Lake on the continuity of its previously discovered 200-250 metre strike zone within a potential 2,500 metre strike zone. Previous programs explored only approximately 17% of the 2,500 metres with any intensity. This suggests that Planet may well be in the preliminary stages of a viable, economic gold discovery.

Planet's gold bearing zones are of classic Red Lake type including 23.13 g/t over 0.46 metres, 11.58 metres of 3.12 g/t including 12.24 g/t over 1.07 metres and 12.17 metres of 1.22 g/t including 5.87 g/t over 1.52 metres. Both massive disseminated and vein type gold bearing structures have been discovered on Planet's properties and are the focus of the company's current drilling program.

Planet Exploration Inc. and Goldcorp Inc. have formed a strategic alliance to exploit Planet's Red Lake gold discovery. Goldcorp will spend \$2.55 million over three years to earn a 50% interest in Planet's property and will then hold an option to increase their position to 60%. In addition Goldcorp has directly invested \$500,000 into Planet via private placement.

Tri-Alpha Investments (TAL.T-TSX Venture)



Tri-Alpha Investments (TAL-TSX Venture) – Weekly Chart

February 18, 2003 – Tri-Alpha announced that it has entered into an option agreement with Stares Contracting Corporation of Thunder Bay, Ontario, whereby the Company can earn a one hundred percent (100%) interest in 80 mining claim units located in Pays Plates Township, Ontario. Commencing upon the execution of a formal agreement, the Company will be required, in equal stages over a four year period, to pay a minimum of \$200,000, issue an aggregate of 400,000 common shares of the Company, and complete a \$1,000,000 work program on the Property. The Property is subject to a 2% NSR with the Company having the right to purchase 1% of the NSR for \$1,000,000 with a first right of refusal to the remaining 1%. A finder's fee is payable as permitted by regulatory policies.

The Company also announced that it reached an agreement for the settlement of a debt in the amount of approximately \$1 million by the issuance of 6,000,000 units. Each unit consists of one share and one share purchase warrant, exercisable at \$0.25 for a two-year period. The Company also announced the appointment of George Cavey, P.Geo. to the Board of Directors. Mr. Cavey is presently President of the Canadian Council of Professional Geoscientists, and a Member of MTAMC

(Mining, Technical, Advisory and Monitoring Committee) created by the Canadian Security Administrators responsible for the implementation of National Instrument 43-101.

August 13, 2003 – A non-brokered private placement of 2 million units at \$0.15 per unit was announced. Each unit consists of one share and one-half share purchase warrant, each full warrant entitling the holder to purchase one additional common share of the company at \$0.20 for a one year period after closing. The net proceeds of the offering will be used for exploration activities, to settle debt and for working capital.

Sept 5, 2003 - Tri-Alpha announces that it is in the process of completing the required steps to enable it to regain its status as a Tier 2 listed company on the TSX Venture Exchange (the 'Exchange').

- i) Tri-Alpha executed a formal option agreement with Stares Contracting Corporation of Thunder Bay, Ontario, whereby the Company can earn a one hundred percent (100%) interest in 80 mining claim units located in Pays Plats Township, Ontario referred to as the Big Duck Lake Property (the 'Property'). The option agreement calls for the Company to pay a total of \$40,000, issue an aggregate of 400,000 common shares of the Company in stages and complete a \$1,000,000 work program on the Property in equal stages over a 4 year period. The Property is subject to a 2% NSR with the Company having the right to purchase 1% of the NSR for \$1,000,000 with a first right of refusal to the remaining 1%. A finder's fee will be paid incidental to this acquisition in accordance with Exchange policies;
- ii) Tri-Alpha reached an agreement for the settlement of a debt in the amount of approximately \$1 million by the issuance of 6,000,000 units. Each unit consists of one share and one share purchase warrant, exercisable at \$0.25 over a two-year period; and
- iii) Tri-Alpha agreed to a private placement of up to \$300,000 by issuance of up to 2,000,000 units at a price of \$0.15 per unit, with each unit consisting of one common share and one share purchase warrant, with each full warrant entitling the holder to acquire one additional share at an exercise price of \$0.26 for a period of one year from closing. The proceeds of the private placement will be utilized for the Phase One Work Program and for general working capital.

We positioned into this re-awakening shell with a \$25,000 private placement investment, and participated in a 1 million share cross carried out in the market at \$0.15. We accumulated the balance of our position on share price weakness. We are awaiting a Compilation Report and some anticipated management changes. Buy 'em when they're quiet.

Technicals

Similar to many charts, the price decline has taken place on low volume, coincidental to the recent pullback in the metal markets. Some support is indicated at this level, but the shares can be difficult to buy given the lack of liquidity at these cheap prices. Accumulation must be effected by an experienced broker to avoid spiking the price.

Entrée Gold (ETG-TSX Venture)

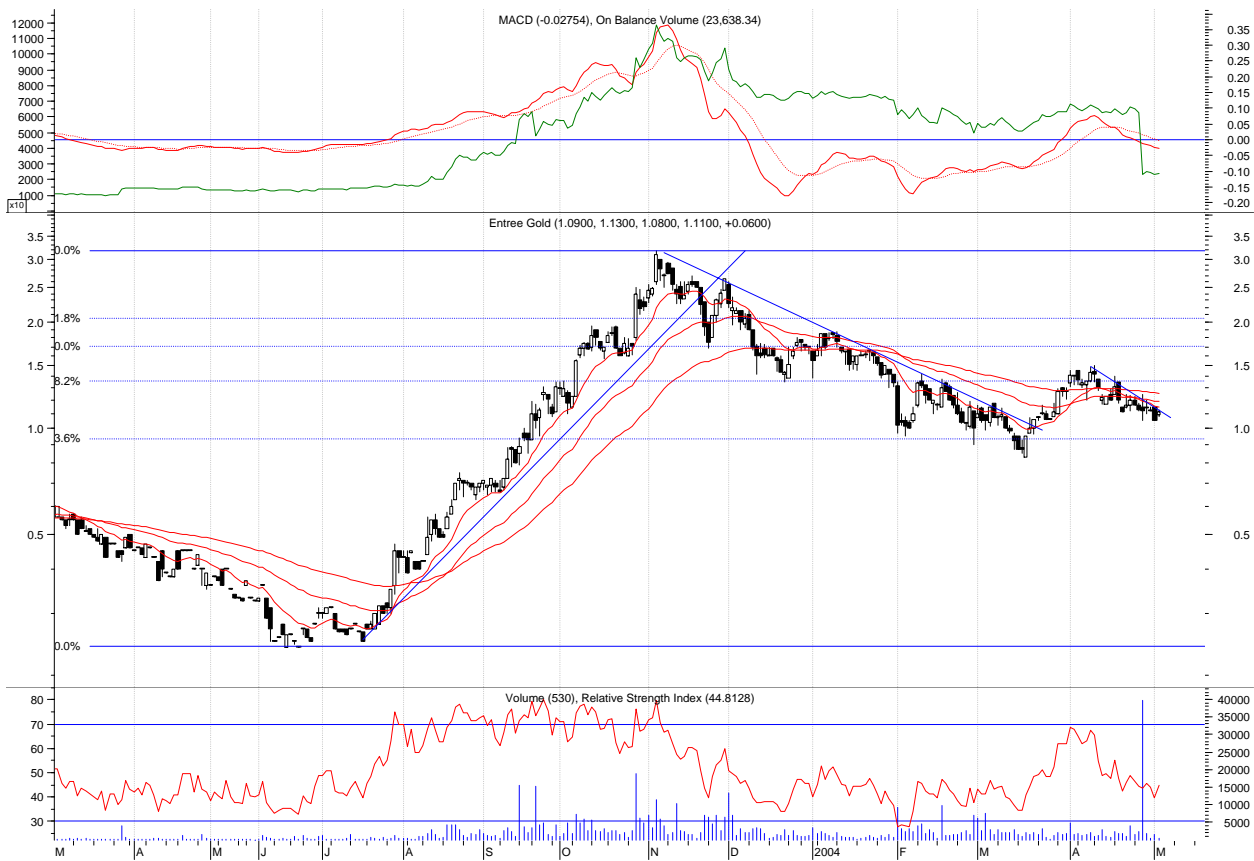
See my Nov 4, 2002 Research Report "Anatomy of an Emerging Junior" for why we positioned in this winner at \$0.10 and participated in every placement since.

Website: <http://www.entreegold.com/>

Entrée Gold Inc. ETG – TSX Venture Exchange is a Canadian junior resource company, focusing on the exploration and advancement of premium gold and copper assets worldwide.

The Company's prime asset is the 100% owned, royalty free Lookout Hill (Shivee Tolgoi) Property, strategically located adjacent to and completely surrounding the world class Ivanhoe Mines Ltd. Turquoise Hill (Oyu Tolgoi) copper-gold discovery in Mongolia.

- Entrée Gold's 179,500 hectare Lookout Hill (Shivee Tolgoi) Property completely surrounds Ivanhoe Mines' approximately 8,500 hectare Turquoise Hill (Oyu Tolgoi) Property.
- Lookout Hill potentially hosts extensions to the northerly trending porphyry copper-gold mineralized system being explored by Ivanhoe Mines Ltd. Drilling at Turquoise Hill, to date (December 2003) has outlined inferred resources, of 1.28 billion tonnes grading 1.13% copper and 0.24 g/t gold at a cut-off grade of 0.60% copper equivalent for all four deposits on the Turquoise Hill property. These inferred resources are estimated to contain approximately 14.6 million tonnes (30.1 billion pounds) of copper and 9.7 million ounces of gold.
- Lookout Hill hosts epithermal bonanza style gold mineralization in its Zone III and X-Grid areas, with recent sampling returning select grab values of up to 60.7 g/t gold
- Several reconnaissance gold and copper targets have also been identified at Lookout Hill.
- The 2003 exploration programs have recently been completed, and results are being compiled.



Entrée Gold (ETG-TSX Venture) – Daily Chart

Technicals

After an amazing 4-months of price appreciation from our initial entry levels, the trend was broken and we endured almost 5 months of declines as investors anticipated a quiet winter season. The more recent rally bottomed coincidental with the severe price declines in the metals markets. A recent block trade has skewed the chart's volume and OBV indicator to the negative. Support sits at around \$0.93 and is unlikely to break given the large balance of cash and upcoming drill program. We are watching for a break of the downtrend with some accompanying volume. We have sold a fair part of our original position at much higher prices to lock in exceptional profits, but private-placed some dollars back into the mainly institutional \$12 million financing at \$1.00 per unit for further expected gains (and the free warrants!).

Gold & Copper's Correction Overdone

Let me start but saying that I'm very biased, and have done a lot of research that supports my convictions. I believe commodities will turn out to be a fantastic place to invest for the rest of this decade. Returns in commodities should easily beat stocks and bonds for the next five years.

Last week's precipitous drop amid panic selling by off-side speculators saw a \$10 bounce and a settling at the mid-US\$380's. Who said the markets are boring? With the threatening overhang of gold in the short term hands of the speculators, the market was ripe for a major shakeout at the start of the week. Many were looking over the cliff edge called the 200-day moving average and saying that's the end of the "Bull" market. Others were saying the clean out of 'weak' holders of gold, sets the market looking up again.

Then, in came a flood of demand for physical gold. Having patiently stood to one side, as the large scale speculators took the market up in a rush to take positions at prices well-above \$400, these patient buyers saw them turn and the weakest of them run with a total liquidation of an estimated 50 to 150 tonnes being off-loaded. Without any warning or determinable signal, at prices they clearly believed were right for the market, physical demand flooded in from China and from Japan but particularly India, where the arbitrageurs had their day too, buying cheaply, to import to India where premiums over the international price guaranteed them a sound profit. Demand was so great that we heard reports of a shortage of 100-Kilo bars in the market.

In Japan, buyers are keenly aware of the departure of the Bank of Japan from the market and believe a lower Yen is here to stay as imports to Japan swing the balance of payments to a deficit. This is a far better weapon for a weaker Yen than the interference by the Central Bank so prevalent during more desperate times.

The government of China is being blamed for the fall in precious metals, because they stated they wanted a cooling of the economy, to ensure stable, balanced growth. This was enough for the panic signals to be given, as the thought that China would reduce its demand for commodities would break the bull's back. Seems like the market needed any excuse, even bad ones to tumble. Technically, the market was due for a correction. But we have to say that the inscrutable Asian market is still very comfortable in gold.

Northern Orion Resources (NNO-TSX, NTO-AMEX)



Northern Orion Resources (NNO-TSXv, NTO-Amex) Daily chart, Semi-log scale

Website: <http://www.northernorion.com/>

- 12.5% owner of Alumbrera - one of the lowest cost copper-gold mines in the world
- US\$50-60 million annual cash flow projected for next 7 years from Alumbrera alone
- Adjacent 100%-owned Agua Rica copper-gold deposit readying for development
- Agua Rica adds a massive 18 billion lbs of copper & 10 million oz of gold to reserves
- Agua Rica expected to contribute US\$350 million in annual cash flow
- Agua Rica has had \$50 million spent on it - mine life estimated to be over 25 years
- Rising copper & gold price environment offers tremendous bonus upside to shareholders
- American Stock Exchange ("AMEX") listing effective April 8, 2004 enhances audience
- Technical analysis suggests a potential breakout move to the C\$6.00 area
- Current stock price is at a low 6x multiple to cash flow, with no value for Agua Rica
- Northern Orion is a potential takeover target in a resource-hungry world

Northern Orion Resources (NNO-TSX, NTO-AMEX) is a recently restructured intermediate-tier copper-gold producer under new management, with strong backing from the institutional community and mining finance establishment.

Last May's \$US77.8 million special warrant issue has re-capitalized the company, allowing the strategic acquisition of the company's 12.5% interest in the Bajo de la Alumbrera operating mine in Argentina, and the remaining 72% interest in the Agua Rica project it did not own. The timing of these events was perfect, as the resource markets have surged to record price levels and a scramble is now on by majors looking to bolster long-neglected inventories with production-ready assets.

With Northern Orion generating in excess of US\$50 million in annualized yearly cash flow from Alumbrera, and owning 100% of the adjacent massive Agua Rica copper-gold deposit, the current valuation of the company is exceptionally low relative to its peers.

Alumbrera is one of the lowest cost producers of copper in the world, net of gold credits, with a projected cash cost of less than US\$0.15 per pound with copper trading at US\$1.30.

Technicals

The daily chart shown on page one provides a short-term perspective of Northern Orion's correction. Given our premise for the metals, severe corrections offer excellent opportunities for (re) entry into rare finds like this.

The first thing to note on the daily chart is the supportive nature of the 50% Fibonacci Retracement line. What was once resistance at the C\$2.75 area became much-tested support after the early November 2003 price breakout. No less than 4 tests can be counted after which we saw a succession of higher highs and higher lows. You will recall that old resistance becomes support and vice-versa – the “memory effect” so often found and of use by TA practitioners. The accelerating trend that left this support area behind during the recent run up to test the recent new metal price highs was broken when our “line in the sand” gave way. We were stopped out of NNO at C\$3.19.

Given the gold and copper corrections, it is easy to see why NNO broke down. But you have to believe that anticipated Q1 financials are going to benefit handsomely from that exceptional price run up in the metals, providing a further windfall of cash flow to NNO.

Yes there could be further downside to NNO, mostly dependent on commodity prices. Next support levels are found at C\$2.41 and C\$1.98. Do I think we'll see these prices this cycle? Frankly no, but one can wish! It would offer an opportunity to reset at bargain prices. The only spoiler would be to be wrong on the demand for the metals. Given the fundamentals for gold and copper (see my separate reports on this), I'm betting on NNO. We are re-establishing one-half of our intended position with a purchase at C\$2.76.

MACD and the RSI are both in over-sold territory. The OBV indicator in the upper chart window confirmed strong accumulation of the stock (versus distribution) as it powered higher, with only some recent apparent profit taking evident. The so-called “smart money”, given the relatively low-volume correction, is holding fast.

Knight Resources Ltd. (KNP-TSX Venture)

Knight Resources and JV partner Anglo American have made a significant nickel discovery on their West Raglan property in northern Quebec. West Raglan is on the same geologic belt (The “Raglan Horizon”) as Falconbridge's Raglan mine, a producing nickel mine in the region.

Knight is managed by a team of professional geologists, Harvey Keats and Kerry Sparkes, who were key personnel in developing the world class Voisey's Bay nickel deposit in the 1990s.

Knight is earning a 49% in the property from Anglo American. The West Raglan Project also covers over 65 km of the western extension of the Expo-Ungava Horizon which hosts the Expo-Ungava deposit and the Mesamax occurrence, discovered by Canadian Royalties in 2002.

The Cape Smith Belt in northern Quebec has emerged as one of the most prospective areas in the world to discover new nickel deposits. By entering into an agreement with Anglo American to earn a 49% interest, Knight positioned itself with the West Raglan Project, a 720-square-kilometer land package, in early 2003 before the recent large move up in metals prices.

One of mining giant Falconbridge's richest properties is its Raglan nickel mine, located 90 kilometers east of the eastern margin of the West Raglan Project. Resources, reserves and mined ore to date at Raglan total 28 million tonnes averaging 2.8% nickel and 0.8% copper, with significant platinum group elements and cobalt.

The known nickel deposits in the Cape Smith Belt occur in two different settings: the Raglan Formation and the Delta Horizon. Falconbridge's resources and reserves are hosted by the Raglan Formation, and occur in nine separate ore deposits over a 55-kilometer strike length.

In 2002 Anglo American flew the entire property with their deep penetrating electromagnetic and magnetic airborne system, confirming the existence of 70 km of strike length of the Raglan Formation and 65 km of strike length of the Delta Horizon, all on the West Raglan Project.

In July 2003 surface sampling discovered high grade boulders on the West Raglan Project. The best grab sample taken assayed 3.41% nickel, 2.91% copper, 0.09% cobalt, 3.3 grams per tonne palladium and 0.84 grams per tonne platinum. A total of 18 holes were drilled, eight of which intersected significant nickel, copper, cobalt, platinum and palladium mineralization in the Frontier area of the project. A 1% nickel grade equates to a gold grade of about 11 grams per tonne – to give some perspective as to how rich this find is.

The discovery hole (Hole 8) hit 14.75 meters of 3.04% nickel. The best hole, Hole 16, intersected 5.12 meters of 4.16% nickel averaging 35% sulphides, including a stunning 0.67-meter intersection of 11.83% nickel in massive sulphides.

Knight has only eight holes with significant mineralization to its credit, but it is directly on trend with the rich Raglan mine. Knowledgeable geologists who have seen the core believe it's identical to the Raglan mineralization.

Drilling at the West Raglan Project resumes this June with a C\$4.4 million exploration program focused on the Frontier area, target drilling on the virtually unexplored 70 km strike length of the Raglan Formation, and target drilling on the 65 kilometers of strike length of the Delta Horizon.

With little in the way of news since last year's results, the subsequent correction in the resource market, and now the latest Novawest Resources litigation against Anglo American regarding this property, the share price has pulled back. We believe the correction is overdone, and price has reached a tested support area suggesting a bargain entry price is at hand.



Knight Resources (KNP-TSXv) Weekly chart, Semi-log scale

European Minerals (EPM.U-TSX - \$US)



European Minerals (EPM.U-TSX - \$US) Weekly chart, Semi-log scale

Website: <http://www.europeanminerals.com>

European Minerals Corp. is focused on developing quality gold assets in the "Nevada of Eastern Europe" - a large, undeveloped mineralized belt called the Carpathian Arc, stretching from Greece up through the Baltic States. The investment opportunity is to acquire and develop high quality gold assets in this region which has not been extensively explored by modern methods.

The company is managed by an experienced team of mining and financial professionals with demonstrated ability in raising development finance for mining projects. The company's 86% owned Varvarinskoye gold-copper deposit already has a two million ounce gold equivalent reserve, outlined by an independent feasibility study. An open pit mine, Varvarinskoye is projected to produce 120,000 oz of gold equivalent per year at US\$188/oz cash operating cost.

Technicals

Support is found at the US\$0.66 area which we suspect will hold. The metals market and news flow will largely dictate this stocks upside from here.

Other holdings:

Companies we are and have accumulated positions in, such as Bell Resources, ASP Ventures, Consolidated New Sage Resources and Yale Resources are early-stage deals (effectively are or recently were "shells"). Due to their restructuring, pedigree, ownership, controlling interests, etc we have accumulated speculative positions BEFORE we know what will become of them. We assume something will, and so we wait. The waiting could be lengthy – maybe forever. But such a tact has served us well in the past, and pays off handsomely. Just remember to not sell too soon on these types of investments, as they generally become 10-baggers from where we like to buy them, once they come alive maybe a lot more! Remember – these deals require patience to accumulate, and are often fairly "tightly" held (illiquid!).

(c) 1995-2004 Growth Stocks Weekly. ALL RIGHTS RESERVED.

DISCLAIMER

Growth Stocks Weekly is an independent electronic publication committed to providing our subscribers with factual information on selected publicly traded companies, business, and economics. All companies are chosen on the basis of certain financial analysis, and other pertinent criteria with a view toward maximizing the upside potential for investors while minimizing the downside risk, whenever possible with the added aid of technical analysis. Growth Stocks Weekly and its editors do not accept compensation from public companies featured in this publication. All statements and expressions are the sole opinions of the editors and are subject to change without notice. A profile, description, or other mention of a company in the newsletter is neither an offer nor solicitation to buy or sell any securities mentioned. While we believe all sources of information to be factual and reliable, in no way do we represent or guarantee the accuracy thereof, nor the statements made herein. The staff of Growth Stocks Weekly are not registered investment advisors and do not purport to offer personalized investment related advice. The publisher, staff, or anyone associated with, or associated to, the Growth Stocks Weekly may own securities mentioned in this newsletter and may buy or sell securities without notice. The profiles, critiques, and other editorial content of the Growth Stocks Weekly may contain forward-looking statements relating to the expected capabilities of the companies mentioned herein. The reader should verify all claims and do their own due diligence before investing in any securities mentioned. Investing in securities is speculative and carries a high degree of risk. The information found in this profile is protected by copyright laws and may not be copied, or reproduced in any way without the expressed, written consent of the editors of Growth Stocks Weekly. We encourage our readers to invest carefully and read the investor information available at the web sites of the Securities and Exchange Commission ("SEC") at <http://www.sec.gov> and/or the National Association of Securities Dealers ("NASD") at <http://www.nasd.com>. We also strongly recommend that you read the SEC advisory to investors concerning Internet Stock Fraud, which can be found at <http://www.sec.gov/consumer/cyberfr.htm>. Readers can review all public filings by companies at the SEC's EDGAR page in the U.S. and SEDAR's electronic filing of securities information as required by the securities regulatory agencies in Canada at www.sedar.com. The NASD has published information on how to invest carefully at its web site.