

GOLD STOCK ANALYST™

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

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Data Looking Good for Gold

GSA has long preached the US Dollar controls Gold's fate. So long as the world wants Dollars, or Dollar denominated assets, Gold has a slog. And of late, a tough slog it has been... enough to cause one to forget that we're far, far off the \$256/oz low of April 2001. Pauses are natural in any climb higher, and Gold has been taking a breather since its \$427 high on April 1.

This pause will soon end, sees GSA. Key data we focus on, the Trade and Current Acct deficits, are continuing at record paces... 2 of 3 months of Trade data are now in for 2Q04; with Trade making up 90+% of the Current Acct Deficit, another record on a nominal basis is assured. Net Fgn Purchases of US financial assets has ended 6 months of very high accumulation and the rate began to slow in May '04.

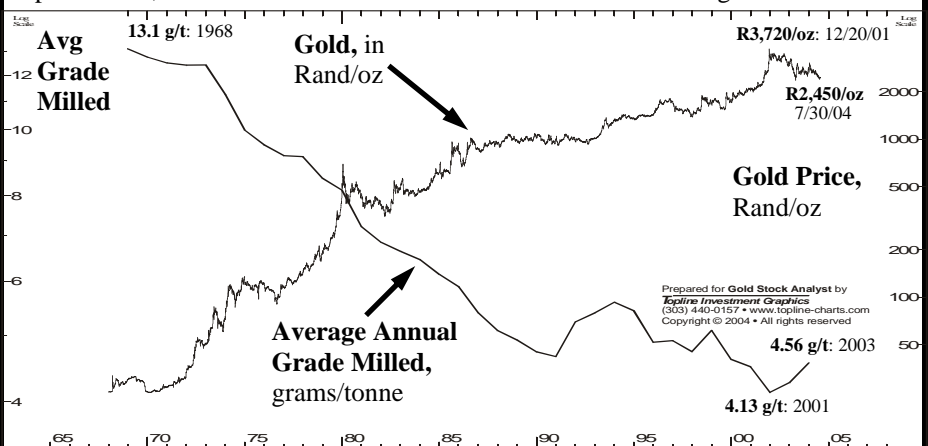
The US economy is slowing, thanks to higher oil prices, and further interest rate increases will be slow in coming, reducing Dollar's attractiveness to foreign investors. Record US Budget Deficits continue, with neither political party willing to pay more than lip service. On to \$450/oz!

Net Fgn Stocks,	Purch US Bonds, Govts	US Monthly Trade Deficit
Oct-03	\$27.8 bil	Monthly/ Qtr Tot (bil)
Nov-03	\$77.9	4/03: -\$42.5
Dec-03	\$75.9	5/03: -\$40.8
Jan-04	\$91.8	6/03: -\$40.0
Feb-04	\$83.6	7/03: -\$40.8
Mar-04	\$76.8	8/03: -\$40.2
Apr-04	\$76.0	9/03: -\$41.3
May-04	\$56.4	10/03: -\$41.5
		11/03: -\$40.0
		12/03: -\$44.0
		1/04: -\$45.2
		2/04: -\$45.2
		3/04: -\$46.6
		4/04: -\$48.1
		5/04: -\$46.0

South African Rand Strengthens Further

and breeched the key R6/\$1 level in July; while it's since slipped back to R6.2/\$1, the bell is now tolling for some SA mines. Why the Rand is strong is discussed on Page 16; the chart below shows why Rand must weaken for some mines to survive.

Since 1968, the Average Grade Milled has fallen from 13.1 grams/tonne to 4.56 g/t in 2003. But, so long as Rand fell vs the US Dollar, Gold's price rose in Rand and the sliding grades were accommodated by a higher Rand-Gold price. The recent strong Rand changed this and Gold's price has fallen 34% in the 31 months since it peaked 12/20/01. The industry feebly reacts by trying to hi-grade, as shown by the slight up-tick from the 4.13 g/t low for 2001, but as 6/30/04 quarter-end reports show, there's little left to cut and some mines will soon begin to close.



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Where Are We Now?

At 7/30/04's \$391/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$362/oz.** On average the stocks are:

Undervalued 17% based on MC/oz P+P

Undervalued 14% based on MC/oz Prod

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