

GOLD STOCK ANALYST™

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

August 2008 • Since 1994 • Issue #171 • Editor: John C. Doody • Single Issue: \$150.00

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Where Are We Now?

Based on 7/31's \$918/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994 for a Rising Gold market, **Gold stocks trade as if Gold was \$781/oz.** On average, Gold stocks are:

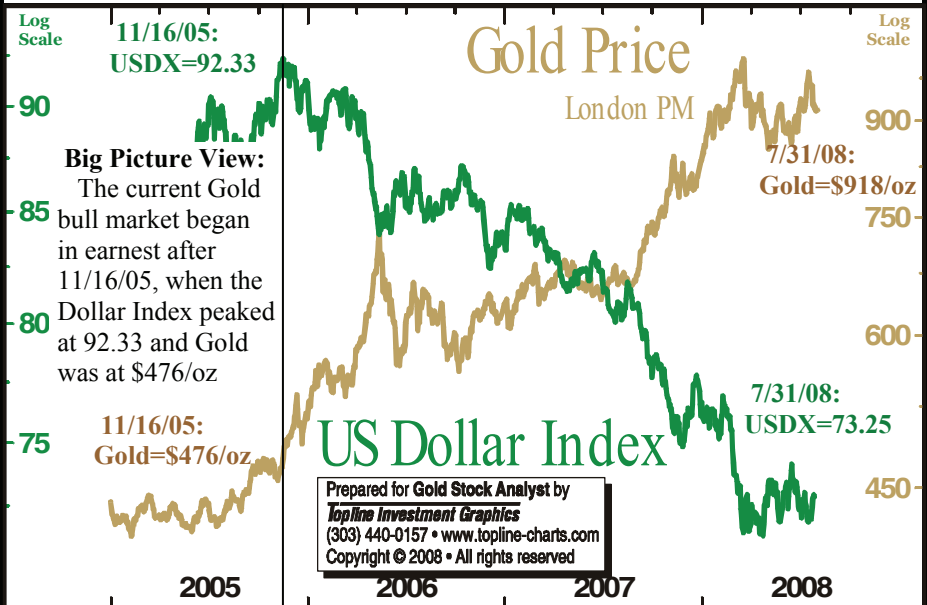
16% Undervalued

The Case for Gold... an Update

Who would have believed that when the US Stock Markets went into a bear market, down -20% from their last high, that the Gold stocks would join them?

While Gold is off ~10% from its \$1,011/oz high, the stocks are down much more, as evidenced by the XAU closing August 1 at 162.52, off 21% from its 206.37 high on 3/14/08. It's easy to forget that Gold stocks are derivatives, usually trading based on what the Metal's price does. When Gold goes up, the stocks usually do so as well because every \$1/oz in higher price falls to bottom line profits, and the unmined oz still in the ground are worth more. Unfortunately, the leverage works on the way down as well; the stocks fall more than Gold.

So is Gold's bull market over, or is this a temporary pullback? ... *continued Pg 14*



• GSA adds **Gold Wheaton** to coverage to make it five royalty earners we follow. Rather than keep them spread thru the alphabetical list, we're creating a new section to examine concurrently all the Royalty Earners. See Pgs 4&5.

• **Privatizing profits but socializing the losses.** Why must taxpayers carry the ultimate burden of the Wall Street-created financial crisis? NY State Comptroller report says Wall Street firms paid **\$127 bil in bonuses** from profits in the 2003-07 period as seeds for the crisis were sewn. Let's demand they give some back!

• **Naked Shorts:** Why not simply enforce the rules we customers have to obey? If you fail to deliver in 3 days, you get bought in. Or is SEC protecting Wall St trading desks' profits as a payoff for big political contributions?

• **FASB delays new rules** from Nov 2008 to Jan 2010. Banks were to bring ~\$5 trillion (\$700 bil at Citi alone says *WSJ*) onto balance sheets and thus need more equity to support... fears Fannie/Freddie need \$75 bil sent them crashing. Now FASB says shock is too big/soon so punted problem into 2010. Will banks actually work to comply w/this Sword of Damocles, or hope for another FASB punt in 2010?

• July 19 on **Financial Sense:** See "Editor interviews", www.goldstockanalyst.com