

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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IN THIS ISSUE:

GSA's Top 10 Stocks 2
 GSA Stock Data 4-6
 Gold: Price, Stock Indexes, Market Indicators 7

Mine Trip Reports:

Western Goldfield's Mesquite 8-9
 Pan American's Alamo Dorado 10
 Goldcorp's Penasquito 11-12
 Metallica's Cerro San Pedro 13

Denver Mining Forum

Presentation Highlights:
 GSA Top 10;
 Notables;
 Others of Interest 14-15

Analyses Inside:

US Current Acct Deficit vs US Dollar vs Gold 16

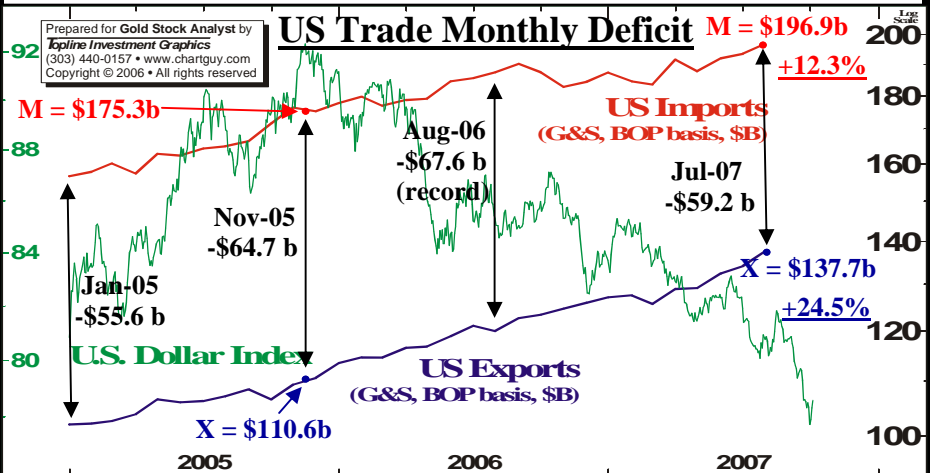
US Trade Deficit Shrinking

While we "goldbugs" revel in Gold's rise after the Fed-head blinked and placed a Bernanke "put" under the stock market (replacing that of his predecessor, Greenspan), we must continue to look at all the data that drives Gold's price.

Yes, the US Dollar continues to slide lower. BUT, as seen on Page 16 chart, the US Current Account Deficit, as a percentage of US GDP is falling, from 6.79% 4Q05 to 5.54% in the just-reported 2Q07. On an absolute basis, the record annualized deficit of \$868 bil seen in 3Q06 has shrunk by \$105 bil to \$763 bil in 2Q07. This means fewer US\$ are being Exported to the rest of the world, which means fewer US\$ offshore that might be sold to drive its value lower.

And the lower US\$ is having an impact. Monetary policy has an 18-month lag, and so do currency value changes. In the 3 years data below, the US\$ Index peaked at 92.63 Nov-05. Of late, the Index has been in the 78 range, 15% lower. This lower US\$ is shrinking the Trade Deficit, as Import growth since Nov-05 has been +12.3%, but Export growth is twice-higher at +24.5%. It's cautionary data to watch.

Supply & Demand sets prices in all market. The US\$ market continues as one of excess supply and we think \$800/oz is reachable in 2007. But the \$1,000/oz that some see in the next year will take an exogenous event and not be data-driven.



Next Issue 11/1/07
 Web Posted:

Where Are We Now?

Based on 10/5's \$741/oz Gold, and GSA's proprietary Market Cap/oz data base compiled since 1994 for Rising and Falling Gold price trends, **Gold stocks trade as if Gold was \$707/oz.**

On average, Gold stocks are:
5% Undervalued

Magical Mystery Tour

Well, not quite, but it was a great 10 days that saw your Editor on 12 flights, with planes ranging from a 20 passenger prop-powered Twin Otter, to a 30 passenger chartered Dornier jet, to standard commercial Boeing 757s. These flights, plus countless hours bussing to, from, and around the mines, hotels, and airports, provided plenty of opportunity for the 15 Analysts and Fund Managers to trade ideas, observations and stories and made every minute useful. ... continued Page 3

- **5.0 Gold/XAU Ratio** proved its worth again. As Sept issue pointed out (pg 18), the ratio rose above 5.0 in August to signal "buy" and hit 5.27 on 8/16. Seven weeks later, Oct 5, Gold was up 12% at \$743, but **XAU had gained 36%** to 171.
- See you at **San Fran Gold Show**, Nov 18&19. It's free. Info at: www.iiconf.com
- **Editor Interviewed** Oct 6 on www.financialsense.com; begins at 40 minute mark.