

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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Where Are We Now?

At 8/27's \$405/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$374/oz.** On average the stocks are:

Undervalued 17% based on MC/oz P+P

Undervalued 14% based on MC/oz Prod

Out of (South) Africa!

In a surprise and very clever deal, **Gold Fields** will spin out its international assets (Australia, Ghana, Finland plus its JVs/minority interests in Junior explorers) to **IAMGOLD** for 352 mil shrs and hold ~70% of a new company, named **Gold Fields International** which will ultimately move from Amex to NYSE.

GSA loves this deal! Created is a 2.0 mil oz/yr Major, 70% owned by GFI, 30% by IAG holders. With 15 mil P+P, \$350 mil cash, 2 near-develop projects (Peru and Finland) and a big expl portfolio; the deep new management team will be led by GFI's current Chair Chris Thompson. More on Page 3 and stock data Pages 4&5.

US Trade Deficit for June 2004

soared to record \$55.8 bil, up from a revised higher \$46.9 bil in May-04. US Imports were boosted by net oil imports of \$13.9 bil; this new record is due less to the 74¢/bbl avg price increase to \$33.76/bbl, but much more to the additional 1.35 mil bbls/day (a new record 11.55 mil bbls) that the US demanded in June over May-04.

A new record Current Account Deficit (CAD) of over \$600 bil is a certainty for 2Q04; the only question being how much over \$600 bil? The table below tracks the Trade Deficit over the last 2 qtrs, its percentage of CAD, and US GDP fcsts for 2Q04 of 2.5% to 3.0%.

As seen, the data projects a CAD of 5.19% to 5.38% of US GDP; anything above 5.15% is a new record deficit and should send gold price higher.

United States: (Fest GDP Growth)	4Q03	1Q04	Range 2Q04 (+2.5%) (+3.0%)	
Trade Deficit	-\$502 bil	-\$537 bil	-\$603 bil	
% Trade of CAD	99%	95%	99%	95%
Curr Acct Deficit	-\$508	-\$579	-\$609	-\$635
US GDP	\$11,262 bil	\$11,451 bil	\$11,737	\$11,795
% CAD of GDP	-4.51%	-5.06%	-5.19%	-5.38%

- See you in **Las Vegas** Sept 8 & 9; for info: 800-282-7469 or www.iiconf.com.
- Reported in recent 10Q filing w/SEC: **Buffett** increases **Berkshire Hathaway's** bet against the Dollar to hold \$19 bil in foreign currency contracts on 6/30/04.
- **South African Central Bank** finally reacted to business/labor pleas and in a big surprise, cut repo rate by 0.50% to 7.50% on 8/12; this despite saying 'CPIX inflation is expected to rise over the next two years, but will probably not breach the upper 6% level of the target range'. Coming on a day when gold fell \$1.50, this welcomed rate cut saw the Rand fall and gold rise 3.3% to R78,647/kg (R2,529/oz). The rate cut, along w/Fed's 0.25% rate increase the same week significantly reduces the Rand/US\$ carry that hedge funds/banks are playing, and it could mark a turn towards a weaker Rand.

- **Durban Deep**, as GSA has warned, became a major victim of the strong Rand as its P+P fell 31%, from 17.04 to 11.74 mil oz, as of 6/30/04.

- **Gold conspiracy** believers will love the well written piece by John Embry and posted on his firm's website: <http://www.sprott.com>. GSA continues to believe that the gold price is manipulated by tacit, rather than overt, collusion; much the same as when one tobacco company raises prices, the others usually follow along.

- Aussie **Sons of Gwalia** likely bankrupt on 8/30 by its 3.1 mil oz hedge book, w/negative A\$348 mil value on 6/30/04, as year end P+P Reserves will see "significant downgrade" from 6/30/03's 3.27 mil oz because many oz are not "viable to mine".

- **Newmont** buys 10% of **Gabriel** (10 mil oz deposit) to possibly reveal new ounce acquisition strategy; what other miners are in its 35 stock portfolio? See Page 11.