

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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Gold Stocks

| | |
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White Metal Stocks:

Silver:

| | |
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PGMs:

| | |
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Where Are We Now?

Based on 8/29's \$437/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994 for Rising and Falling Gold price trends, **Gold stocks trade as if Gold was \$423/oz.** On average the stocks are:

Undervalued 3% based on MC/oz P+P
Undervalued 3% based on MC/oz Prod

2Q05 US Current Account Deficit (CAD)

will likely be lower than 1Q05's record level, on an absolute and on a percentage of US GDP basis.

The Trade Deficit data for 2Q05 has already been reported at a slightly lower than 1Q05 level of -\$698 bil. What won't be known until the CAD data is released on Sept 16, 2005 is the net Income flows in/out of US and the Unilateral transfers out of the US (foreign aid and immigrants sending money home). In the past 4 quarters, the total of the two unknowns ranged from 6% to 11% of the total CAD. Applying these percentages to the known Trade Deficit data (see table) results in non-record CADs ranging from -\$729 bil to -\$770 bil. Dividing by the current estimate of GDP for 2Q05 yields percentages of US GDP lower than the past two quarters, ranging from -5.89% to -6.22%.

Data showing the CAD shrinking will be hailed by the Larry Kudlows of the world as proof the Deficit is under control. As further proof they'll offer the Foreign Investment inflow data, which after failing to cover Trade Deficit outflows in March and April 2005, has re-established a positive trend; June-05's \$55.8 bil Trade Deficit outflow was covered by foreigners investing \$71.2 bil in the US for a \$15.4 bil surplus inflow. But, as seen in Page 3 chart, Foreign ... *continued Page 3*

| United States: (Annualized Rates) | 2Q04 (Actual) | 3Q04 (Actual) | 4Q04 (Actual) | 1Q05 (Actual) | 2Q05 (Low Est) | 2Q05 (Hi Est) |
|--------------------------------------|------------------|------------------|------------------|------------------|---------------------|------------------|
| Trade Deficit | -\$613 bil | -\$638 bil | -\$685 bil | -\$698 bil | -\$685 bil (actual) | |
| % Trade of CAD | 92% | 94% | 91% | 89% | If 94%, | If 89%, |
| % Income+Trans | 8% | 6% | 9% | 11% | then = 6% | then = 11% |
| Curr Acct Deficit | -\$667 bil | -\$668 bil | -\$753 bil | -\$780 bil | = -\$729 bil | = -\$770 bil |
| US GDP | \$11,666 bil | \$11,819 bil | \$11,995 bil | \$12,199 bil | \$12,376 bil | \$12,376 bil |
| % CAD of GDP | -5.72% | -5.65% | -6.28% | -6.39% | -5.89% | -6.22% |

Higher Oil: Where's the Economic Impact?

Why has higher oil had so little impact? Two reasons: 1) Feb-81 saw oil average \$31.77/bbl and peak at \$39.00/bbl. Adjusting by US CPI, the Feb-81 average equates to \$70.44/bbl and the peak to \$86.46; so oil's price has not yet reached prior levels. 2) Energy usage has fallen in terms of thousands of BTU consumed to produce \$1 of GDP; 2004's 9,200 BTU/\$1 GDP was down 36% from 1981's level of 14,410 and 48% lower than 1972's level of 17,710. This reduction is due to increased efficiency in power usage and the economy's trend towards services, which by their nature use less power than manufacturing.

| Year (avg) | Oil Price \$ avg/bbl | Avg in 2005 \$ | BTU per \$1 GDP |
|------------|----------------------|----------------|-----------------|
| 1972 | \$3.39 | \$12.82 | 17,710 |
| 1981 | \$31.77 | \$70.44 | 14,410 |
| 2004 | \$37.66 | \$38.81 | 9,200 |
| Jul 2005 | \$60.00 | \$60.00 | NA |

• **Las Vegas Gold Show** Sept 7 & 8 at the Mirage Hotel. Look for GSA in booth 1021... see you there! More info: 800-282-7469 or www.iiconf.com.

• Does **China's** aggressive quest for nearby oil, first the aborted attempt for Unocal (w/SE Asia fields) and now a bid for smaller PetroKazakhstan, imply anything for its copper needs and **Ivanhoe** (especially after China's rebuffed Noranda bid)? GSA thinks not. There were other bidders for the oil Cos, but China has a stranglehold on IVN; the only path to sea and markets is thru China.