

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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Goldrums

The US Current Account Deficit came in for 1Q05 at 6.4% of US GDP, and a new record annual rate of \$780 bil. Yet gold remained in its last 6 month's trading range, defined by a \$454 top on Dec 2, 2004, and a bottom of \$411 on Feb 8, 2005. The macro picture says gold must go higher. Pierre Lassonde, Pres of Newmont and on everyone's short list of smartest guys in the biz, predicts \$525/oz gold by 2006. We agree, and have been forecasting \$500 by end-05. But how, and when?

The stocks continue their lethargy, with very few being up for 2005 to date. Subscribers continually ask "what will bring a break-out in the metal or the shares?"

GSA believes it will take news, from a macroeconomic source to decisively drive gold thru its Dec-04 \$454, and/or something company specific to re-ignite the stocks themselves.

On the macro front, GSA sees two paths to \$500 gold. The first may already be being signaled by Foreign Purchases of US Securities. Data out June 15 shows foreign purchases were below US Trade Deficit for second consecutive month (see table below). Ordinarily this gap should have caused the Dollar to slide in March/April, as the apparent money coming back into the US was less than the money outflow. But, GSA believes the gap was/is temporarily being filled by the repatriation of foreign profits under Homeland Investment Act, a tax break that ends in 2005. (Since the money is coming from US-owned foreign subsidiaries, not from foreign investors, it isn't reported in foreign purchase data; May data out July 18.)

The second path to higher gold is marked China's coming revaluation of the Yuan. Today, June 30, Fed-head Greenspan and Treasury Secretary Snow convinced the Senate, and Senators Schummer and Graham, to delay until the fall a vote that was scheduled to impose a 27.5% tariff on Chinese imports. The argument was that "China will act soon" and "will revalue in the next few months". A revaluation higher for the Yuan, which will pull other Asian ... *continued Page 6*

Net Foreign Purchases of US Securities No Longer Covering US Trade Deficit

	All 2004	Jan-05	Feb-05	Mar-05	Apr-05
US Trade Deficit	-\$617.6 bil	-\$55.1 bil	-\$60.1 bil	-\$53.6 bil	-\$57.0
Fgn LT Inflows	+\$795.2	+\$92.3	+\$84.1	+\$40.6	+\$47.4
Net In/Out	+\$177.6	+\$34.2	+24.0	-\$13.0	-\$9.6

- **Changes in Top 10.** See Who and Why on Page 2
- Print-only subscribers missed mid-June Updates on: CAU, AZS, BGO, KRY, NVPGF, QEE, AUY, and NSU.
- See you in Las Vegas, Sept 7&8; make plans now, info at: www.iiconf.com.
- **Spam Guards** continue to be tightened by the Internet Service Providers (ISPs). That you have received our emails to date is no assurance future emails will get thru. To assure delivery of GSA Passwords and Updates, please send an email from your email address to: goldstock@goldstockanalyst.com - put "test" as the Subject. This should put GSA on your safe list and assure future deliveries.

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Where Are We Now?

Based on 6/27/05's \$439/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 \$409/oz.** On average the stocks are:

Undervalued -6% based on MC/oz P+P

Undervalued -7% based on MC/oz Prod