

PRESS CUTTING

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## Which way next for Gold?

by **Ian Mclelland and Mark Allen**

Investing in the shiny metal has never been for the faint of heart. After spending what seemed like an eternity in the doldrums, when a strong US dollar policy ruled the day, Gold bugs are now in much brighter spirits in the first decade of the new century.

A resolutely battered US dollar and exceptional growth in Asia has stoked inflationary flames in economies around the world, which has bolstered the appeal of the yellow metal once again. This time around however, gold bulls are hoping the good times are here to stay.

There is no shortage of commentary in the public domain telling investors why gold should go higher, or stay elevated; and equally there are plenty of bearish arguments out there too.

Rather than work through the same old arguments though, here is our technical view on gold, which for the moment at least, suggests that neither bulls nor bears are making much of an effort to break out of the current trading range.



As can be seen from the 2 year chart of gold above, the price of the commodity has been in a stable upward trend throughout this period, with the 200 day exponential moving average steadily rising.

The moving averages appear to have limited any downward momentum, with the 50 day exponential moving average (green line) providing support during the boom period from August 2007 to March 2008. Prices escalated over 60% during this period to a peak of \$1033 on the 17th March 2008, with the tabloids adding to the hysteria.

Since this rally gold prices have been due some correction and after breaking down through the 50 day exponential moving average it looked extremely bearish for the commodity. However it is worth noting that the weakness was short lived, with the long term support offered from the 200 day exponential moving average continuing to contain the selling.

Furthermore there is a line of support around \$850 from the November 2007 peak and the May 2008 low, which matches the second Fibonacci retracement of 38.2% from the highs.

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The oscillators are trading in oversold territory, with the stochastics trying to break back above the lower horizontal line and the moving average convergence divergence histogram starting to tick upwards. Both suggest the short term down trend for gold may have run its course as buyers are re-entering the market.

In summary, the muted selling experienced since the peak is significant, as the price appears to be consolidating at these levels rather than correcting lower. Which in turn suggests a re-test of recent highs of \$950 and \$1000 are still possible.

Support levels are \$890 and \$850 and a break of the latter would negate this view.

Today Gold prices plunged after the US dollar rallied off the back of comments made by the European Central Bank. For gold investors, one eye must always be on the US dollar which has considerable sway over its direction. We have looked at the EURO/USD.



As can be seen from the 2 year chart of EUR/USD above, the currency has been trading in an upward channel formation since June 2007 and is currently approaching the lower trend line at 1.552.

The Euro reached a peak of 1.603 on the 22nd April and since then has been priced within a relatively tight short term trading range between 1.530 and 1.600. Since failing to break above 1.600 for the second time further short term consolidative action appears likely back down to 1.530.

The lower boundary of this short term trading range at 1.530 coincides with the 200 day exponential moving average, which over the past two years has provided support for the Euro.

The oscillators are in oversold territory with both the stochastics and moving average convergence divergence appearing to have slightly more downside to come. Furthermore the relative strength index has traded a lower low, while the currency has not. This suggests the selling momentum is building, which may suggest the Euro has further to fall.

Therefore initial support comes from the longer term upward channel formation at 1.552. However if this fails, the secondary and more influential support comes from the 200 day exponential moving average and the base of the recent trading range at 1.530.

In summary there could be further short term weakness, but the longer term outlook remains bullish. Near term support levels are seen at 1.552 and 1.530, with an extension to 1.600 being possible in the near term and a break to 1.650 in the longer term. However a clear break of 1.530 would invalidate this scenario.

Alternatively, for investor's interested in exposure to gold exploration and mining companies, we have included summaries on a wide range of companies at various stages of development across the UK, North American and Australian markets.

**African Gold Group** [TSX.V: AGG] is focused on discovering a world class gold deposit that has the potential to create enormous wealth for shareholders. The management has over 100 years of operating experience in Africa, and has played critical roles in raising more than \$200 million for gold exploration and development projects on the African continent.

**Ariana Resources** [LSE: AAU] is an exploration company focused on delivering success via an intelligent exploration strategy, which integrates geoscientific knowledge and new technologies to identify and advance prospects rapidly, and secures optimal value for our shareholders. Ariana is focused on gold in Turkey and the company's most advanced asset is the Sindirgi gold project.

**Central China Goldfields** [LSE: GGG] Central China Goldfield's has two projects which are located in some of the most prolific belts in China. The Nimu Copper Project is an advanced copper – molybdenum project. Dong Mao Huo which is a small inactive gold mine that the company is aiming to move back into production in 2009

**Emed Mining** [LSE: EMED] region of interest spans from Europe to Middle East which includes many past centres of mining and under-explored potential for many styles of mineralisation such as volcanogenic-hosted massive sulphide copper-gold, epithermal gold and porphyry copper-gold. Key projects include Gold in Slovakia, Georgia and Turkey and Copper at Rio Tinto in Spain and Klirou in Cyprus.

**Finders Resources** [LSE: FND, ASX: FND] is an emerging copper producer through its Wetar copper project in eastern Indonesia (73% and earning), and has additional growth potential through its Ojolali gold-silver project in South Sumatra (72% with option). Finders has budgeted for up to 10,000m of drilling to expand on the gold and silver inferred resources (1 million Oz eq.) at the Ojolali Project.

**Freegold** [TSX.V: ITF] is a Canadian gold exploration and development company which has assembled a senior, production-oriented management team over the past two years. Freegold's team has an excellent track record, having taken 5 companies to production in the past, and having created over \$1 billion of new market capitalization in the process. Freegold's current assets include three advanced-stage gold projects: the Almaden project in Idaho, and the Golden Summit and Vinasale projects in Alaska.

**Golden Goliath Resources** [TSX.V: GNG] is focused on exploring and developing the gold and silver potential of an historic mining camp located in the world famous Sierra Madre Occidental Mountains of northwestern Mexico. Golden Goliath controls an entire old mining camp that covers an area of 15 by 25 kilometres, with numerous past producing gold and silver mines dating back to the time of the Spaniards.

**Goldplat** [LSE: GDP] strategy is to create a mid-tier mining house focused on gold production leveraged through revenue generated from its two gold recovery businesses based in South Africa and Ghana.. The Company is expanding into gold mining through the acquisition of known deposits with targets of between 200,000 and one million ounces of ore contained. It has a 50/50 JV project in the highly prospective 213 sq km Lolgorien licence area located in the historically producing Migori Archaean Greenstone Belt in western Kenya, and aims to establish a mining operation in the short term.

**Greatland Gold** [LSE: GGP] is exploring for and develop natural resources, with a focus on gold in Tasmania. The Firetower project in Tasmania, is the company's primary focus. It has high-grade gold mineralisation at surface and drill intercepts up to 30g/t gold. The second

project of Warrentinna lies in the north east of Tasmania and covers three historic goldfield with numerous old working. High grade gold has been identified in these areas. A third project of Lackman Rock in Western Australia is prospective for both gold and nickel sulphides.

**Kalimantan Gold** [TSX.V: KLG, LSE: KLG] is focused on exploration in Kalimantan, Indonesia where it has been active for a number of years. The company is exploring for gold and copper in two distinct areas of Kalimantan and is also seeking to acquire a number of coal prospects in the region. The company is currently undertaking a 4,000 metre drill programme at its 100%-owned Jelai gold prospect and results to date indicate the potential for a major epithermal gold deposit.

**Kefi Minerals** [LSE: KEFI] owns exploration licences in Turkey and Bulgaria as well as an extensive database containing information about numerous prospective sites in the region, providing a pipeline of exploration targets. Since listing Kefi has focused on identifying projects that have the potential to contain large gold deposits.

**Keegan Resources** [TSX.V: KGN, AMEX: KGN] is a well-financed junior gold company run by a proven successful management team with two premier gold assets in Ghana, West Africa. Keegan has successfully identified a significant gold deposit at its Esaase property which is currently being delineated and rapidly moved towards production while exploration efforts continue to expand the current 1.7 million ounce 43-101 resource. Keegan's second project, the Asumura gold property located along one of Ghana's three major deposit hosting structures will also be subject to significant drilling programs in 2008.

**Kryso Resources** [LSE: KYS] is advancing the Pakrut Gold Deposit in Tajikistan. The Company's executive directors have a proven track record of operating in Tajikistan are the first foreign company to obtain a 100% interest in a mining and exploration project in the country. Pakrut is located in the Tien-Shan Belt - which has the second largest known gold resource after the Witwatersrand in South Africa.

**Leyshon Resources** [LSE: LRL, ASX: LRL] has a proud history as one of Australia's most financially successful gold mining companies having produced over 2.7 million ounces from its Mt Leyshon Gold Mine in Queensland and distributed over A\$300 million dollars to its shareholders over its 15 year life. Today Leyshon has divested its Australian mining and exploration interests and is focused on the Zheng Guang project in Heilongjiang, northeast China. Zheng Guang has estimated the resource of 1.21 million ounces of gold, 94,000 tonnes of zinc and 3.72 million ounces of silver and is fast moving towards production. The company forecasts annual revenues of \$90 million from the project at current metal prices.

**Majestic Gold Corp.** [TSX.V: MJS] is a gold exploration and development company with a portfolio of projects in well known gold belts throughout China. The company focuses on projects at or near the development stage, where the potential for low-cost production can provide a greater return on investment.

**Mariana Resources** [LSE: MARL] strategy is to seek underexplored areas with potential for high grade polymetallic-gold epithermal/skarn mineralisation. Mariana brings to bear considerable field experience in this regard and early recognition of critical geological features is an important aspect. The Mariana Team brings together over 150 years of combined industry experience, with a specific South American focus.

**Medusa Mining** [LSE: MML, ASX: MML] is an expanding gold producer in the Philippines. Medusa's gold production operations are very robust due to its high grades and low production costs, and over the next 12 to 18 months should expand considerably towards 100,000 annualised production as new multiple mines are brought into production to feed a central milling facility.

**Mercator Gold** [LSE: MCR] has revived a large former gold producing area at Meekatharra, Western Australia, and brought it back to production. Following an aggressive exploration programme and a major upgrade of existing mine infrastructure Mercator produced its first gold in October 2007 and expects to produce approximately 120,000 ounces of gold per annum.

**Metals Exploration** [LSE: MTL] primary objective is to discover and develop high value mineral resources within the Southeast Asia - Pacific region with particular emphasis on the Philippines. The company's flagship asset is the 2 million ounce Runruno Gold Project where a scoping study was recently completed ahead of a pre-feasibility study expected later this year.

**Nevsun Resources** [TSX: NSU, AMEX: NSU] is currently focused on advancing its precious and base metal-rich Bisha Project in Eritrea. Nevsun completed the final feasibility study and a Social & Environmental Impact Assessment (SEIA) as well as a draft Environmental Management Plan for the Bisha Project in Q4 2006 and is advancing towards production.

**Norseman Gold** [LSE: NGL] operates Australia's longest continuously running gold mining operation, which has produced over 5.5 million ounces of gold over a period of more than 65 years from the Norseman field in Western Australia. In addition to the two producing high-grade underground gold mines and lower-grade open pit stockpiles, the Company has a portfolio of highly perspective, advanced exploration targets.

**Oxus Gold** plc (LSE: OXS) is the only publicly listed gold mining company with primary operations inside the Republic of Uzbekistan. Oxus is currently producing significant quantities of both gold and silver from its 50% stake in the Amantaytau Goldfields JV (AGF). AGF also enjoys the privilege of being positioned just 40 kilometres south of the world's largest single open pit gold mine at Muruntau.

**Pan African Resources** [LSE: PAF] is currently producing gold from the Barberton Gold Mine in South Africa and has multiple advanced and grass roots gold interests in Mozambique, Central African Republic and Ghana.

**Patagonia Gold** [LSE: PGD] holds permits or options to purchase property in the Patagonian region of Argentina and Chile across an area of over 7,000 square kilometres. Major shareholders include Carlos Miguens, the Argentinean industrialist and Barrick Gold, the world's largest gold miner. The company is led by Chairman, Sir John Craven, who is also non-executive Chairman of Lonmin, and Chief Executive Officer, Bill Humphries, the co-founder of the successful mining explorer, Brancote Holdings.

**Pencari Mining's** [TSX.V: PMC] strategic focus is on uranium and gold projects. Pencari has taken this focus to Madagascar, where there are abundant unexplored opportunities. Pencari controls 5 gold properties totalling 4,788.5 square kilometres and 8 uranium properties totalling 27,518.75 square kilometres.

**Persian Gold** [LSE: PNG] is an Irish based company exploring for large gold deposits in the altered volcanics of Iran. The Company's strategy is to discover significant porphyry copper-gold and volcanic hosted gold deposits similar to those found in the Andes of South America. Largely unexplored in the last 30 years, Iran has low operating costs and excellent infrastructure with a highly educated and well trained workforce.

**PMI Gold** [TSX.V: PMI] controls 663-square kilometres of gold exploration concessions in Ghana in the middle of one of the World's most productive gold mining areas, commonly known as the "Golden Triangle". Management of PMI has been active in Ghana since 1993.

**Sacre-Coeur Minerals** [TSX-V: SCM] presently has an interest in approximately 850 square miles of mineral properties in Guyana, including the Million Mountain project in north-central Guyana consisting of 21 permits covering some 21,768 acres in the Mazaruni Mining District.

**Serabi Mining's** [LSE: SRB] primary operation is the 100% owned Palito Gold Mine located in

the Tapajos region of northern Brazil. Having established a strong, strategic land position in the Tapajos, Serabi's goal is to use Palito as a template for the accelerated development of additional gold mines in the region.

**Stratex International** [LSE: STI] has rapidly amassed a portfolio of high-potential exploration licences in central and western Turkey. Revenues will be generated by either developing the defined resource into a mine in collaboration with strategic partner Teck Cominco or selling the resource to a third party.

**Tianshan Goldfields** [LSE: TGF] is focused on developing its 90% interest in the Gold Mountain Project in north western China. The Gold Mountain Project consists of exploration licences covering 632 square kilometres and hosts advanced gold deposits and exploration targets with the potential for both large tonnage disseminated gold deposits and narrower higher grade opportunities. The Company currently has a total Indicated and Inferred Mineral Resource estimated at 95 million tonnes at 0.9g/t Au for 2.8 million ounces of gold (at 0.5g/t Au lower cut-off grade).

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