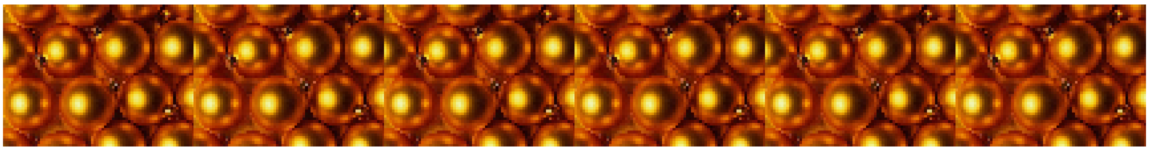
E U R O P E A N G O L D C E N T R E

information on gold, the only store of value, and international companies in gold mining and exploration

G O L D V I E W

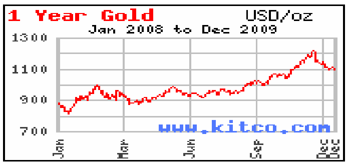


I WISH YOU A REAL GOLDEN 2010 IN ALL ASPECTS OF LIFE

January 2010

IN THIS ISSUE

gold pour Kinross



A NEW YEAR IS COMING WITH NEW GOLD RECORDS

GOOD REASONS FOR GOLD TO GO UP SHOULD OUTWEIGH THE WRONG ONES

THE US DOLLAR WILL NOT HOLD CURRENT LEVELS AND WATCH THE SUPPLY AND DEMAND OF GOLD

As you know, I am not afraid to speak out what I think. I am not a short term opportunity seeker, neither am I afraid to be wrong and admit if things go different from what I thought, wrote and said. And so far, that has worked for me. I know what I believe in and since I don't see any developments that prompt me to change my mind, I don't need to revise my thoughts and my view on gold.

That is why I have no trouble to make the clear statements as I do in the heading of this comment. **Gold will reach new highs in 2010 and for very good reasons**, in spite of that quite a few of my colleagues say that gold has gone up for the wrong reasons. As I have said several times in the past issues, I disagree with them.

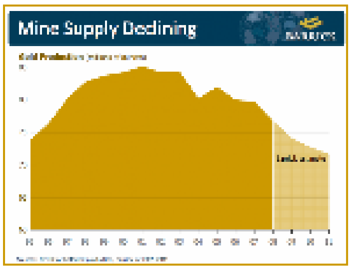
My view is based on a number of developments that each on its own could provide the reason for gold to achieve considerable higher levels. And certainly, if some of them would occur in more or less the same time frame, as I deem quite well possible, we could have a situation that would trigger gold to go to price levels that will surprise all of us.

First, not surprisingly as I assume, I am not at ease at all with the current value of the US dollar. I never could be accused of being a pessimist, that is just not my character, but I cannot share the optimism about the economic recoveries that holds up the dollar and also have been stimulating the general stockmarkets in 2009 and are expected to do so in 2010. I think that we will have to wait longer than we expect for economies, internationally but surely that of the US, to recover sufficiently to justify a higher dollar. It is even more likely that the lack of recovery will force the FED to keep interest rates at the prevailing low levels for much longer than the second half of 2010 that they hoped for. It is even likely that we have not seen the end of financial rescue operations from the government to victims of the crisis or their mismanagement, which would add to the already serious inflationary pressure. ►

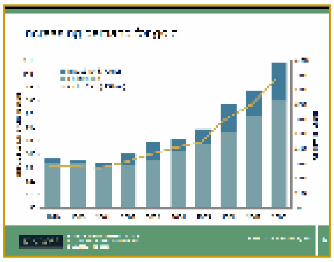
►*EDITORIAL COMMENT*

Then, the other factor that I find mostly misinterpreted or even misunderstood, is the supply and demand situation of gold. I have argued before that just looking at the dry figures is not good enough to get the right picture. Studying the figures of the last few years, you could say indeed that supply and demand have been pretty much in balance. However, that picture already changes if you take the selling by governments and central banks off the supply side as a kind of artificial supply. But even that is besides the point that I want to make. I think it is the task of an analyst to look beyond the factual figures. It is perfectly normal if an analyst looks at the shares of for instance an industrial company, that he includes the prospects of that company and its industry in his judgement. The estimates of the developments and the earnings for the future leads to the conclusion of whether that company and its shares are attractive or not. But when we talk about gold, the non-believers or, as Frank Holmes recently called them so beautifully and rightly, the perma-skeptics only point to the past and the present. They act like a shopkeeper and only look in the back room to see how much gold is there and how much is sold. Be a real analyst and make an interpretation of what the underlying trend indicates for the future.

As I said in the previous issue, 'vision is not meant to look back, it is meant to look forward'. Among those who understand that are some of the big gold producing companies. Take Barrick, the gold industry leader as they call themselves with good reason. In their presentation at the Bank of America Merrill Lynch Global Industries Conference of last December, they pleaded their case for a bullish outlook on gold. They included their interpretation of the declining mine supply and mentioned low interest rates, increased liquidity, fiscal policies, diversification benefits, growth in investment demand and scarcity value as positive factors. It was this vision that made Barrick eliminate their heavy hedging policies of the past. By doing that they did not only render a very good service to themselves but also to their shareholders.



And take Kinross, which is the Featured Company in this issue, that presented at the same conference and pointed into same direction. They did not project any future figures, they based their positive attitude towards gold strictly on the current figures, so the same as the negative-on-gold watchers but with a different interpretation. Also they showed that mine production peaked in 2001 and has been declining since then; in addition they had an interesting graph of the decline in major gold discoveries between 1997 and 2007. On the other side, they showed that the demand for gold clearly has been increasing since 2001. They were not speaking out on the outlook for gold as Barrick did, but they did paint an environment that will enable them to flourish with growing margins and growing cash flows.



Being positive on gold for many years to come and finding myself in the good company of many of my respected colleagues and confident companies as Barrick, Kinross and many others, I have no problem to speak out on what I expect for the coming year: a new year is coming with new gold records because the good reasons for gold to go up should outweigh the wrong ones!

- I decided to pay attention to one of the, in my view, most remarkable gold producer. A company with its own style, its own values and with its own remarkable achievements: **Kinross Gold Corp.** is the **FEATURED COMPANY** in this issue. Because they deserve it and because they are so modest themselves. I expect their 2009 figures to be another step forward on their path of success and I am sure this company will continue to develop in their own remarkable way in the next few years.
- In the **FEATURED ARTICLE** my friend from South Africa, **Julian D.W. Phillips** gives his view on **"What Should Investors in Gold & Silver Do Now?"**. Julian has the ability to tell complicated things in a very down-to-earth and simple way. He wrote this already in the first half of December but since it is still very actual, it still is worthwhile to read.
- In another article, I have arranged **"An Interesting Discussion That Never Took Place"** in which I brought one of the most commented on opinions on gold and one of the most personal comments to that opinion to the non-existing table. Both of the views on gold, that of **Nouriel Robini** and that of **Merryn Somerset Webb**, tell their own story. I hope they won't mind that I put them together…..
- And then as usual NEWS SUPPORTING COMPANIES (with no news), MINING INVESTMENT EVENTS and GOLD NUGGETS which always contains the most significant mining investment conferences and interesting developments in the world of gold.
- In particular, I draw your attention to the MINING INDABA in Cape Town in the first days of February and the largest mining event of the year, the annual convention of the PDAC, the Prospectors & Developers Association of Canada, in Toronto in early March. If you think we have winter now in Europe, join me for the real cold in Toronto. See you somewhere soon!

Henk J. Krasenberg

FEATURED COMPANY

The idea behind the Featured Companies is to bring companies to your attention that I have known, come across, discovered and find interesting enough to signal. I have chosen this format to just reflect in a nutshell what the particular company is about. It is not an analysis, not a recommendation, not a presentation, but merely a strictly personal impression of companies that I find worthwhile to mention.

KINROSS

A SOLID GOLD PRODUCING COMPANY, WITH A STYLE OF ITS OWN

NYSE-KGC $18.37, TSX-K C$19.37, shares outstanding 695.7 million, fully diluted 717.5 million

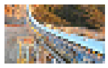
When you are expected to produce approximately 2.2 million ounces of gold in 2009, reflecting an estimated increase of 22%, you can call that an accomplishment. Kinross is a gold producer that has achieved a series of accomplishments since they started in 1993 with a production of 67,700 ounces. But they are not the type of company that is bragging about what they do. They have their own style, in operating, in communicating and in doing their business. They call it "THE KINROSS WAY" and like to be different from their colleague producers. For those of you who would like to know more about how they are different, I advise you to download their brochure "living our values…" and read about their four values: 1. putting people first, 2. outstanding corporate citizenship, 3. high performance culture, and 4. rigorous financial discipline. It puts the core business, being a global mining company and a leading gold producer, in a special perspective.

Production: Kinross has interests in **eight mines** in four key regions, the **United States**, **Chile**, **Brazil** and **Russia**:










United States: The **Round Mountain gold mine** in Nevada is a large tonnage open pit operation in which Kinross holds a 50% ownership, with the remaining 50% held by an affiliate of Barrick Gold. In 2008, production came to a gold equivalent of 246,946 ounces. The **Kettle River-Buckhorn**, 100% owned by Kinross and located in Washington State is an underground operation and had a gold equivalent production of 27,036 ounces in 2008. The **Fort Knox** mine is located in Alaska and 100% owned by Kinross. In 2008, gold equivalent production came to 329,105 ounces.

Chile: The open pit **La Coipa mine**, 100% owned by Kinross, is located in the Atacama Region of northern Chile and produced a gold equivalent of 226,293 ounces in 2008. The **Maricunga open pit mine** is a high altitude, cold weather heap leach operation, located in the Maricunga mining district in central-east Chile. Kinross acquired its original 50% interest and became operator of the mine in 1998 and acquired the remaining 50% in 2007 through the acquisition of Bema Gold Corporation. In 2008, the Maricunga produced a gold equivalent of 223,341 ounces.

Brazil: The **Crixas site** in central Brazil is made up of two underground mines operating 24 hours, seven days a week. The ownership is divided 50%-50% between Kinross and Anglo Gold Ashanti. In 2008, the Crixas mines produced a gold equivalent of 87,669 ounces. The **Paracatu mine** is a large scale open pit operation and 100% owned by Kinross. The mine recently underwent a major expansion, increasing the lifespan and production capacity. At full capacity, the Paracatu will be the biggest gold producer in Brazil.

Russia: Kinross acquired the 75% interest in the **Kupol project** through the acquisition of Bema Gold; the remaining 25% is held by the Government of Chukotka. The Kupol mine, located in the Chukotka Autonomous Okrug of the Far Eastern Region of the Russian Federation, consists of both an underground and open pit operation. In 2008, the Kupol recorded a gold equivalent production of 469,907 ounces.

In addition to these 8 gold producing mining operations, Kinross has interests in **four development projects:**
In Chile, 50% in the **Cerro Casale** project (Barrick owns the other 50%), one of the largest undeveloped gold and copper deposits in the world, with reserves of approximately 21 million ounces of gold and 5 billion pounds of copper; and the **Lobo-Marte** project, located about midway between the Maricunga and La Coipa Mines. Former owner Teck has calculated significant Indicated and Inferred Resources which are scheduled to be upgraded to NI43-101 standards by Kinross.

In Ecuador Kinross acquired 100% of the **Fruta del Norte** project, one of the most exciting gold discoveries of the past 15 years through the acquisition in September 2008 of Aurelian Resources. After the discovery drill hole was reported in April 2006, subsequently followed up by a NI43-101 compliant initial inferred mineral resource in October 2007, comprising 58.9 million tonnes grading 7.23g/t gold and 11.8g/t silver for 13.7 million ounces of contained gold, and 22.4 million ounces of contained silver. On January 29, 2009, a new Mining Law was published in the Ecuadorian government's official registry and has now taken effect. On November 10, 2009, Kinross announced that it has obtained authorization from the Ecuadorian ►

FEATURED COMPANY

KINROSS

► Ministry of Non-Renewable Natural Resources to re-commence advanced exploration activities. With this authorization, Kinross expects to re-commence its drilling program at FDN shortly. The program includes a 20,000 meter drilling campaign to support **completion of a feasibility study**. The company plans to use four drills to execute the drilling campaign which is expected to take six months to complete. Kinross expects to complete a pre-feasibility study in January 2010.

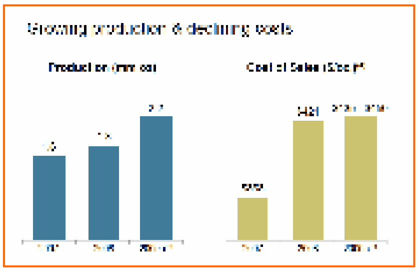
The fourth development project is in the United States at the **Fort Knox Expansion** project at the Fort Knox mine in Alaska. In February 2008, Kinross approved the construction of a heap leach facility and expansion of the open pit mine. Fort Knox mines and stockpiles large volumes of low grade ore and mineralized waste material that cannot be economically processed at the existing mill. The heap leach facility will allow the mine to process some of these low-grade materials, as well as zones of lower-grade ore that have not yet been mined. The Fort Knox Expansion Project is expected to extend the life of the mine from 2012 until 2018. As well, the project will double the life-of-mine production to 2.9 million gold ounces, and will increase Fort Knox production to an average 370,000 gold ounces per year during the five years starting in 2010. Production from the Phase 7 Expansion project is expected to begin in the fourth quarter of 2009.

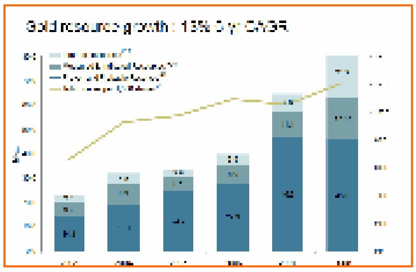
Furthermore, Kinross is pursuing its strategy to build future growth through aggressive exploration through **joint venture partnerships** with and/or **investing** in a number of promising junior exploration companies, thus strengthening existing positions in the United States and Russia and stretching its focus to Mexico, Colombia, Nicaragua, El Salvador, Canada.

Reserves: As per December 31, 2008, Kinross has stated its Mineral Reserve and Mineral Resources as:
Proven and Probable resources: Gold: 2.61 billion tonnes at an average grade of 0.54g/t, containing over 45.6 million ounces of gold. Silver: 572 million tonnes at an average grade of 5.7g/t, containing over 105.7 million ounces of silver. Copper: 533.6 tonnes at an average grade of 0.22% copper, containing over 2.6 billion pounds of copper.

Measured & Indicated resources: Gold: 837.7 million tonnes at an average grade of 0.51g/t, containing over 13.6 million ounces of gold. Silver: 193.0 million tonnes at an average grade of 4.5g/t, containing over 27.7 million ounces of silver. Copper: 169.7 tonnes at an average grade of 0.19% copper, containing over 717 million pounds of copper.

In March 2009, Kinross made a remarkable announcement. Through a net investment of US$150 million, the company acquired an indirect interest in the Diavik Diamond Mine in Canada's Northwest Territories and a 19.9% shareholding in Harry Winston Diamond Corporation (TSX-HW, NYSE-HWD). Kinross President and CEO Tye Burt clarified this step out of the gold sector: "We are acting on a rare opportunity to acquire a stake in one of the world's great diamond mines, operating in northern Canada, with a long mine life and a record of strong cash flows. For Kinross, this represents a strategic investment that is accretive and has the potential to create excellent long-term value for our investors. We view diamond mining as complementary to our core business of gold mining, which remains our primary focus. We believe that, as with gold, the long-term supply and demand fundamentals for high-quality diamonds are strong." Kinross can be complimented with this transaction and the timing thereof. Whereas the purchase of the shareholding was done at US3.00 per share, the shares closed at US$9.00 on Dec 31. Not bad at all!





Kinross has been showing an impressive growth in its gold production (223% since 2003!) and its gold resource figures. But also in other figures such as its profit margins, its revenues, its cash flow, Kinross has been able to record what it calls "Disciplined Growth". Of course, to this growth also the increase in its realized gold price was a contributing factor. But I think that the strict controls and following the consequent path that management has set out, have been of main influence. Recently was announced that the figures as per the end of 2009 will be released next month, on February 17 to be precise. Given the continuance of the strong gold markets over last year and the timing of some company and project developments, I am pretty sure that Kinross will again satisfy their shareholders. Somewhere on the website, it says that Kinross 'currently' has 121 ounces of gold resources per 1,000 shares. I could not see when that 'currently' was calculated. But with the gold price at the moment of this writing, that underlying value has only become more substantial. I know these statements about 'money in the ground' often don't mean much because most often they are made by people that never have gotten one ounce out of the ground. That certainly is not the case with to the Kinross people. **They may do it in their own particular way, but they have proven that they are miners that an investor can count on.**

www.kinross.com

AN INTERESTING DISCUSSION THAT NEVER TOOK PLACE

Following the pro and cons on gold is not always easy but always interesting. I like the commentators who dare to speak out, in either direction, and avoid following the many opportunists who switch their opinions as easy as the gold price shifts direction, most probably in an effort to be "right" all the time.
One of the most outspoken commentators is **Nouriel Roubini** who sees the positive side of gold but nevertheless issues a warning. And read the comment that his warning triggers from
Merryn Somerset Webb, the Editor-in-chief of MoneyWeek, the UK's best-selling financial magazine. Combining the two reads like an interesting discussion that never took place.........

One of the most circulated, quoted and commented-on articles came from Nouriel Roubini. On his website, he surprised all the followers of gold with his outspoken view, confronting the gold bugs with his interpretation of what many have called the gold bubble. He issues a warning that the strength will not lead to the widely mentioned possibility of $2000 gold and it is likely to go lower.

Roubini summarizes the current situation:
In the last nine months, concerns about a global depression have dissipated and the global economy is recovering from its worst recession in decade; deflation is still gripping the global economy as the slack in goods and labor markets persists at high levels. So why have gold prices started to rise sharply again in the last few months, in spite of no near-term risk of inflation or of depression? And could gold prices rapidly rise towards $2000?

On the one hand, the Doctor does see the pro-gold argument, which he highlights in five main points:

First, while we are still experiencing global deflation, there are rising concerns that inflation may reemerge forcefully in the medium term because of large monetized fiscal deficits.

Second, a massive wall of liquidity—borne of easy monetary policy—is chasing assets. Some of those assets include commodities like oil and base metals—the rise of which could eventually become inflationary.

Third, dollar funded carry trades and a more generalized portfolio allocation to non-dollar assets (especially EM assets) are pushing the U.S. dollar sharply down. There is an inverse relation between the value of the dollar and the dollar price of commodities: the lower the dollar the higher the dollar price of oil and other commodities, including gold. The rise of gold in euros has been much more muted.

Fourth, the global supply of gold—both existing and newly produced—is limited, and demand is rising faster than supply over the medium term. The recovery of the global economy has started a revival of retail gold demand especially in India. Central banks looking to diversify their portfolios account for further demand—see for instance, the recent increase in gold holdings by emerging market central banks. Most of the increase in demand comes from private investors using gold as a hedge against low probability tail risks of high inflation and another near depression caused by a double dip reces sion. Inflation risk and the risk of a double-dip are both low, suggesting lower gold prices, but increasingly investors want to hedge against such risks early on. And given the inelastic supply of gold, it only takes a small shift in the portfolios of central banks and private investors to boost increase the price of gold significantly.

Finally, as sovereign risk is rising—see Dubai, Greece and other emerging markets and advanced economies—the concern ıt sovereigns not being able to back stop too-big-to-save financial system could rise again.

There are several reasons why gold prices are gradually rising, but they do not suggest a rapid rise toward $2000; at most they suggest a gradual rise with significant risks of downward correction

So far the reasoning of Nouriel Roubini, which triggered many reactions from all over the world. One of these was the reaction from Merryn Somerset Webb, the Editor-in-chief of MoneyWeek:

WHY ROUBINI IS WRONG ON GOLD
Bad news for gold bugs: Professor Nouriel Roubini, the man who, as the FT puts it, "came to fame for predicting the global crash in financial markets", still refers to gold as a "barbaric relic". But even worse than that, he thinks our favourite metal is "in part a bubble that could easily go bust". I don't entirely disagree with him.

Almost everything is in a little bit of a bubble, simply because of the low-interest-rate/high-liquidity environment in which we live. And I never expect anything to move in a straight line – corrections are par for the course.

But I still believe that gold is in a long term bull market, one that is still a long way from its end, and one that isn't going "bust" any time soon.

Why? Because the supply and demand fundamentals are good. There is little new supply – mine supply has been falling on and off for years, and the central banks who used to regularly flood the market are now buyers rather than sellers. But there is plenty of new demand – both from those central bankers and from investors who, thanks to ETFs, now have an easy way into the market.

The key point here, however, is not that there is new demand for gold. It's why there is new demand for gold. Roubini says that he can only see one scenario in which gold would "rapidly rise in value": one in which "fiat currencies are rapidly debased via inflation". Clearly, he doesn't think that is very likely (or he'd be a gold bug too). I think it's a dead cert. Not this year, maybe not even next year, but at some point before the crisis is fully played out.

That's why I'm hanging on to my gold.

Henk J. Krasenberg

Nouriel Roubini: www.roubini.com – Merryn Somerset Webb: www.moneyweek.com

WHAT SHOULD INVESTORS IN GOLD & SILVER DO NOW?

A CHANGE OF MARKET – UNDERSTANDING FUNDAMENTALS

We have talked about a complete change of tone and shape in the market place in the last few weeks that has altered the future of gold. It has taken 10 years for this to happen, but it is here at last.

by Julian D.W. Phillips

Conditions when gold last peaked

When gold was floated off from the $ and the U.S. refused to exchange U.S. dollars for gold, gold was considered to be money, still. The message didn't sink in to the public for some years. The gold price rose from $42.35 to $850 in a series of neat moves. But all Central Banks had subscribed to the U.S. inspired change in the monetary scene before it hit $100. No, they didn't accept the Special Drawing Right of the I.M.F., but they did accept the $ as the sole global reserve currency when it became apparent that this was the only currency they could use to buy oil with.

First the U.S. sold gold, then the I.M.F., both sales failing to discourage investors, but the campaign was then changed to accelerated sales of gold from producers to overwhelm keen buyers, which it did successfully [through a scheme to lend producers gold ahead of new production of gold, with which they repaid the loan. Quite a time before the gold priced peaked at $850 investors became wary of buying gold shares, letting the bullion price run by itself, to the peak. Gold shares and bullion were considered very acceptable institutional investments by all ahead of this change.

Gold itself gradually went off investor's screens and into the shadows as a barbarous relic. It took years before the world accepted the fact that central bankers, including European ones, were against gold and were following policies that undermined the gold price. Even gold shares were treated with disdain. For the next 15 years gold from around 1985 gold was sidelined.

Conditions now

The negative perception and undercurrent of potential central bank sales militated against a rise in the gold price. This situation lasted right up until 1999 and the announcement of the "Washington Agreement". Oddly enough this was an Agreement to sell gold by European Bankers [they had not done this before] but turned the gold price around to the positive side. At the time the gold price was at $275. From there it slowly rose. What changed the scene?

It was the statement that gold was a valued reserve asset in the eyes of central banks and that the sales were limited to specific quantities. This immediately removed the perception that gold sales would continue until all central bank held gold would be sold into the 'open market'. Supply could then be measured accurately.

It was clear that demand could now overcome supply eventually. Producers slowly realized that the days of falling gold price were over and they were vulnerable to losses, [through the scheme that accelerated gold production] if gold prices rose above the proceeds they hoped to achieve over years from their previously hedged positions. They started buying gold to cover their exposures.

But just as the market took a very long time to realize gold prices were going to go down, again the market has taken nearly 10 years to realize that gold was coming back onto investor's screens. With the three central bank gold agreements still in front of us, the common perception still remains that central bank's are sellers. It has taken most of this year for the market to accept that central banks have stopped selling and are now net buyers.

Institutional acceptance from central banks through Sovereign Wealth funds through the many types of funds down to individuals, is now gold's path into the future. The implications of this for the gold price are enormous. These changes must form the foundation of our approach to gold from now on, with all other factors affecting gold subordinated to this. Right now Asia is leading the way in this appreciation.

Adjustments to ratios influencing the gold price: The Oil price & The $:€ Exchange rate

Some analysts in the past took the performance of the oil price as a direct guide to coming gold prices. We have believed that at best its influence was and still is indirect. It pointed a general direction when growth and speculation, prior to ►

FEATURED ARTICLE

WHAT SHOULD INVESTORS IN GOLD & SILVER DO NOW?

August 2007 was such that the oil price rocketed to $145 a barrel. As the bubble popped the oil price fell back to $35 a barrel, but gold didn't fall. Now with Russia trying to sell as much as it can and O.P.E.C. keen to hold prices around $80 the oil price is 'under the control' of oil producers. In time, once the global economic recovery is established, growth in Asia together with the recovery maturing in the West will see demand outpace supply, taking the oil price up to new territory. But, until then its function as an indicator of future gold prices has been undermined.

For most of this year and years before, the $: € exchange rate was taken particularly by short-term traders as a direction finder for the gold price with, at times the gold price cleaving to the rate. Many times the gold price decoupled from the € as it rose against both, but on a day to day basis the $ still triggers moves in the gold price. Why? Inside the U.S. speculators and traders see this rate as being a measure of the value of the $. It harps back to when currencies were complete measures of value. When the $ weakened, it was seen in isolation to other currencies, particularly the only other really major currency, the €. But now the true picture that the $ is the trunk of the tree that all currencies stem from is becoming clear. Consequently gold now has a record of moving up against all currencies. This is symptomatic of the structural faults in the monetary/currency systems. At the turn of the century the € price of gold was well below €300 and took some years to rise through this level, but now it has just broken through €800.

With China rising from insignificance to growing prominence the tensions rising from a $-pegged Yuan and greater trade tensions on the way the time for another global currency to barge into the world scene has come. This promises some ruptures and ructions to the extent that it is now prudent to retain and or buy gold for national reserves and for investment protection against currency swings. A future of uncertainty and lack of global cooperation is on the horizon. So what relevance does the $: € exchange rate, have on this scene? Why should the gold price move with the €?

The breaking away from this ratio is more significant than gold's relationship with oil. This break takes gold away from all currencies and places it as a measure of the entire system.

While we do expect the markets, particularly in the short-term, to take time to be weaned off this relationship, it has, is and will happen.

Changed Direction

This leaves gold in a new world. This was what drove the gold price up to $850 the first time. This time those central banks, which control the world of money are now turning back to gold. Where will they be happy to see gold? And in what role? We will have to wait and see.

It is incumbent on all of us who follow the gold price and its influences to re-address these changes in the gold market and to adjust to this new shape and new future.

Impact on the Gold Price Long-term & Short-term

For Subscribers only! We sent out a review of the gold market to Subscribers only, which reveals why the gold price is being held well above $1,000, where it will go next and how the gold market has changed shape due to the changes in overall central bank policies, from selling gold to buying gold. Potential Subscribers should ask for this report and it will be forwarded to them.

Julian D.W. Phillips

Julian Phillips' history in the financial world goes back to 1970. Julian moved to South Africa, where he was appointed a Macro economist for the Electricity Supply Commission, before joining Chase Manhattan and Hill Samuel, specialising in gold. He moved to Capetown, establishing the Fund Management dept of the Board of Executors. Julian returned to the 'Gold World' a few years ago and established ***"Gold - Authentic Money"*** and now contributing to ***"Global Watch - The Gold Forecaster"***
www.goldforecaster.com

NEWS SUPPORTING COMPANIES

Eagle Peak Resources Inc. – private company, share issue price C$1.00, www.eaglepeakresources.com

and

X-Cal Resources Ltd. – TSX-XCL: price Dec 31 – C$0.21, www.x-cal.com

did not report any news in this period.

G O L D N U G G E T S

A remarkable comment comes from Al Abaroa, commodity strategist from Options Pro. He predicts the precious metal will rise to $1,300-$1,400 in the first six months of 2010 before losing its luster. "We're starting to see upticks in inflation. And the future gold price will certainly be driven by inflation risk," Abaroa said. "Before we start moving higher, we are going to have to enter a period of consolidation, probably through year's end." On the subject of inflation, Abaroa said food inflation is coming back into the picture and natural gas is another commodity set to gain next year. A cold snap in the U.S. is likely to push natural gas prices up, as roughly 50 percent of households in the country use natural gas to heat their homes. "Natural gas will certainly become a more important part of the Energy Administration package presently being put forward by the Obama Administration," he said.

China s gold output increased by 31.47 tons or 14.10% year on year to 254.55 tons in the first ten months of this year, according to the latest statistics released by the Ministry of Industry and Information Technology. In October alone, China produced 26.35 tons of gold. In the period from January to October, gold mines in the country produced 211.60 tons of gold, up 14.70% year on year, while by-product gold from non-ferrous smelters grew11.25% to 42.96 tons. In the same period, China's top five gold producers, including China National Gold Group Corp and Zijin Mining Group Co Ltd, saw output rise 10.93% from a year earlier to 100.61 tonnes, accounting for 39.53% of the country's total. The gross industrial output value of the gold industry climbed 7.40% year on year to RMB 107.9 billion in the period, while the sector's profit dropped 0.49% to RMB 10.69 billion.

Russia's Finance Ministry has sold 30 metric tons of gold to the country's Central Bank for US$1 billion, an official said, saying the cash will be use to help ease the crisis in the country's budget. The cash slightly reduces Russia's deficit - reportedly around 7.3 percent of gross domestic product this year. The Central Bank is the only government body mandated to engage in foreign commodity and currency trade. The deal marks the first large sale of gold from Russian coffers since the collapse of the Soviet Union. Russia is weathering its worst financial crisis in a decade. Russia's finance minister said in October that Moscow was considering a gold sale on world markets to cash in on high prices as the government faces its first budget deficit in decade. A Finance Ministry spokesman said the deal was struck last week. The spokesman, who declined to be identified because he was unauthorized to comment on the deal, would not say what the Central Bank planned to do with the gold, but Finance Minister Alexei Kudrin said that Moscow was considering selling gold on world markets to cash in on high prices and further replenish the budget.

Russia's gold reserve on Dec. 1 totaled 19.7 million troy ounces (612.74 metric tons), 20.1% more than on Jan. 1 this year, according to the Central Bank of Russia. The value of the gold reserve on the date was $22.979 billion, 58.1% more than on Jan. 1. The proportion of gold in Russia's total international reserves increased to 5.1% from 3.4% on Jan. 1.

*Which are the countries that own the largest quantity of gold reserves now? Check out here: **The United States is the world leader in gold reserves. It has 8133 tonnes of gold reserves as on September 2008 that accounts for 76.5% of its foreign exchange reserves. **Germany has the second highest gold reserves at 3412.6 tonnes. **France has 2508 tonnes of gold constituting 58.7% of its forex assets. **Italy has 2451.8 tonnes of gold constituting 61.9% of forex reserves. **China became the fifth biggest holder of gold reserves with 1054 tonnes. **Switzerland has 1040 tonnes of gold reserves constituting 23.8% of total forex reserves. **India which recently bought 200 tonnes of gold from IMF has 557 tonnes of gold reserves representing 3% of total forex reseres. **The IMF, which currently holds 3,217 tonnes of gold, is the third-largest official holder of the precious metal. The IMF has made gold sales a key element of its new income model aimed at lowering its dependence on lending revenue to cover expenses.*

In its latest quarterly Commodity Review, investment bank Société Générale forecasts continued strength in investor flows into commodities in the first half of 2010, helped by central banks keeping policy rates at extremely low levels. The bank suggests that, not least due to the size of the output gap in the United States, the recently developed fears of an increase in FOMC interest rate policy has been overdone and therefore recommends buying into the latest correction in commodity prices. The bank's foreign exchange strategists are looking for new lows for the US dollar against the euro during the first half of 2010. SocGen therefore expects precious metals prices, led by gold, to rally sharply in the next two quarters and the bank is looking for gold at $1,500 before mid-2010.