European Gold Centre

reliable information on gold, other metals and minerals and the Canadian mining and exploration industry

GOLDVIEW

A SPECIAL WELCOME TO ALL DELEGATES AND VISITORS

October 2006-II

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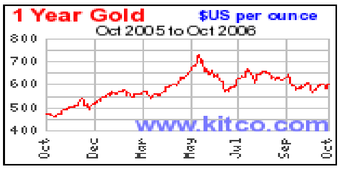
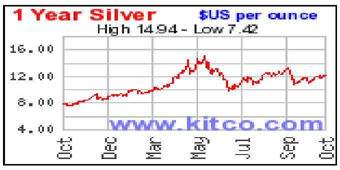
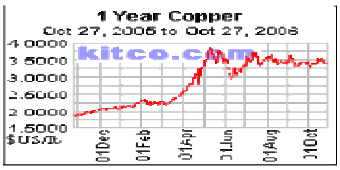






IT IS EASY TO SAY THAT YOU THINK MINING AND EXPLORATION SHARES ARE TOO CHEAP BUT IS NOT SO EASY TO EXPLAIN WHY

THE MARKET IS NOT REALLY COOPERATING BUT NOTHING OF THE FUNDAMENTALS CHANGED

The other day, I was asked by my friends at Precious Capital AG in Zurich to come and speak at their informational and educational World of Mining Event. They invited a distinguished audience of Swiss bankers, portfolio managers and other institutional specialists and a prime selection of sophisticated private investors on the occasion of their Global Mining & Metals Fund. They asked me to speak on the topic **'Are mining stocks too cheap?'**. That is easier said than done!

Nevertheless, I did not have any trouble giving my answer, which was a wholeheartedly **'YES, but…… it is not true for all of them but it is absolutely true for quite many of them'**.

In this context, it is wise to determine where we are in the markets today. The period of correction that we have seen over the last few months is confusing to many of us, but if you take a long term standpoint, it is nothing more than a hurdle to be taken. The chart of the gold price since 2000 shows that the long term trend is still in tact and the several factors that are driving the market have not really changed. Moreover, I have written it before, in my opinion, **gold is still cheap**. The all-time highest gold price is still the US$850 per ounce dating from January 1980; just corrected for the cost-of-living values, this all-time would be equal to approximately US$2,150 now!

Like I said, the driving factors for a continuing positive development of gold are still there. Just to name a few: old-fashioned supply and demand, changing values of international currencies, the long-term international commodity cycle which is far from over like some commentators want us to believe, the positions of gold and gold loans of the central banks, the political tensions in the world that will not go away or be solved, the ongoing shift in economical balance of powers **(read the two-part article by Julian Phillips in this issue!)**, the greater accessibility to the gold markets through new products, the influx of demand from the emerging nations in the gold markets, and a few more.

In this environment, mining and exploration shares remain to provide the best leverage and the most attractive way to benefit from the metals markets!

–continued

MINING INVESTMENT CONFERENCES

October 30 – November 2, 2006
Mining Metals Oil &Gas Congress
Dubai, UAE
www.minellc.com

November 3 – 4, 2006
Int. Edelmetalle Rohstoffemesse
Munchen, Germany
www.edelmetallmesse.com

November 6, 2006
Gold Investing
Zürich, Switzerland
www.academyfinance.ch

November 7 – 9, 2006
West African Mining Industry Conference
Accra, Ghana
www.spintelligent-events.com/wapic2006/en/

November 9, 2006
The Silver Summit (UK)
London, UK
www.thesilversummit.co.uk

November 14 – 16, 2006
China Mining
Beijing, China
www.china-mining.com

November 15 – 19, 2006
New Orleans Investment Conference
New Orleans, USA
www.neworleansconference.com

November 20 – 22, 2006
Mines and Money
London, UK
www.minesandmoney.co.uk

November 26 – 27, 2006
San Francisco Precious Metals Investment Conference
San Francisco, USA
www.iiconf.com

January 21 – 22, 2007
Resource Investment Conference
Vancouver, Canada
www.goldshow.ca

January 29 – February 1, 2007
Mineral Exploration Roundup
Vancouver, Canada
www.chamberofmines.bc.ca

February 6 – 8, 2007
Indaba Mining Investment
Capetown, South Africa
www.iiconf.com

February 8 – 10, 2007
Africa 2007 Mining Congress
Victoria Falls, Zambia
www.minellc.com

ASK FOR MORE INFORMATION

EDITORIAL COMMENT –continued

So let us have a look where we stand now. In general, the market for mining shares has shown a rather lacklustre performance since the top of end 2003. Gold was at US$400 per ounce at the time! Of course, there have been quite a few exceptions; companies that have seen their shares seen doubling, tripling quadrupling and even more. But many of the companies have not seen that happen; while they have made tremendous progress at their projects since then, that progress are not reflected in their share prices while the gold price has increased by 50%! **It is this segment of the market, where at this time, mining shares investors are provided with excellent opportunities to streamline their existing portfolios and new investors to get positioned and build an interesting and potentially profitable basket of junior company shares.**
To do this intelligently, investors have to do their homework and seek the assistance of specialists who in turn should use old-fashioned skills of analysis to select the best vehicles in the market. Making the right choices is key to the selection process!
Now, to judge what capabilities and ingredients are necessary at the corporate level, to have the best chance to a successful performance, the following factors are important:

- management should be project driven,
- open to new opportunities should be recognized,
- flexibility and new management tools,
- the right mix of geologists, entrepreneurs and merchants,
- inventivity in finding financing solutions,
- political sensitivity and understanding,
- geological and technical support,
- exploration and production capabilities,
- respect for human resources and rights,
- proper understanding of size economics,
- expertise of local and foreign share markets,
- clear reflection of time frames for their objectives, and
- know hot to market progress to current and prospective shareholders and the financial community.

Please realize that this list of necessary qualities is far from complete, but it can be a helpful tool to use when you are looking at the corporate information package of the junior companies. **I find it extremely valuable to see where the company was say two, three years ago, where the company is now and where the company is likely to be two, three years from now.**
There are too many junior exploration companies that have gone nowhere with their projects over the last two years and are imminent to go nowhere over the next two years. Avoid these!
It is of great importance that the companies where you have a clear picture of their development and the management quality to continue this development, are getting priority in the selection progress. Select these!
But, aside from the individual selections, it is necessary to keep watching the developments in the world on a macro, international scale. Not an easy thing to do and complicated by definition, especially because many government officials and political commentators want to distract our attention from the developments that take place in reality. That is why I find it wise to include articles in these issues that are solid and reflecting original views and standpoints; like the ones by Julian Phillips on the next pages. Worthy of your most serious attention! **Henk J. Krasenberg**

MEMBER COMPANIES
per November 2006

Abacus Mining & Exploration Corp. tsxv-ame
Adanac Gold Corp. tsx-aua
Adriana Resources Inc. tsxv-adi
Adroit Resources Inc. tsxv-adt
African Gold Group, Inc. tsxv-agg
Alexis Minerals Corporation tsxv-amc
Alhambra Resources Ltd. tsxv-alh
Amera Resources Corporation tsxv-ams
Anooraq Resources Corp. tsxv-arq, amex-ano
Aura Gold Inc. tsx-ora
Boulder Mining Corporation tsxv-bdr
Bullion River Gold Corp. otcbb-blrv
Canasil Resources Inc. tsxv-clz
Continuum Resources Ltd. tsxv-cnu
Crowflight Minerals Inc. tsxv-cml
Eaglecrest Explorations Ltd. tsxv-eel
ECU Silver Mining Inc. tsxv-ecu
El Niño Ventures Inc. tsxv-eln
Emgold Mining Corporation tsxv-emr
Energy Metals Corporation tsxv-emc
Everton Resources Inc. tsxv-evr
Excellon Resources Inc. tsxv-exn
First Narrows Resources Corp. tsxv-uno
Formation Capital Corporation tsx-fco
Frontier Pacific Mining Corporation tsxv-frp
Genco Resources Ltd. tsxv-ggc
GlobeStar Mining Corp. tsxv-gmi
GLR Resources Inc. tsx-grs
Goldex Resources Corporation tsxv-gdx
Goldrea Resources Corp. tsx-gor
Great Basin Gold Ltd. tsx-gbg, amex-gbn
Great Panther Resources Limited tsxv-gpr
Harvest Gold Corporation tsxv-hvg
Helio Resource Corp. tsxv-hrc
IGC Resources Inc. tsxv-igc
IMA Exploration Inc. tsxv-imr
Linear Gold Corp. tsx-lrr
Majestic Gold Corp. tsxv-mjs
Marifil Mines Ltd. tsxv-mfm
Minefinders Corporation Ltd. tsx-mfl, amex-mfn
Molycor Gold Corp. tsxv-mor
Nayarit Gold Inc. tsxv-nyg
New Guinea Gold Corporation tsxv-ngg
New World Resource Corp. tsxv-nw
Nordic Diamonds Ltd. tsxv-ndl
North American Tungsten Corp. Ltd. tsxv-ntc
Northern Dynasty Minerals Ltd. tsxv-ndm
Northern Lion Gold Corp. tsxv-nl
Northern Star Mining Corporation tsxv-nsm
Oremex Resources Inc. tsxv-orm
Pan American Silver Corp. tsx-paa, nasdaq-paas
Pele Mountain Resources Inc. tsxv-gem
RedHill Energy Inc. tsxv-rh
Redstar Gold Corp. tsxv-rgc
Royal Standard Minerals Inc. tsxv-rsm
Sabina Silver Corporation tsxv-sbb
Silvercorp Metals Inc. tsx-svm
South American Gold and Copper Co. Ltd. tsx-sag
Sterling Mining Company otcbb-srlm
Taseko Mines Ltd. tsxv-tko, amex-tgb
Tone Resources Ltd. tsxv-tns
Tumi Resources Limited tsxv-tm
UC Resources Ltd. tsxv-uc
Universal Uranium Ltd. tsxv-uul
Vista Gold Corp. tsx,amex-vgz
War Eagle Mining Company Inc. tsxv-war
Yukon Zinc Corporation tsxv-yzc

****new Member Companies**

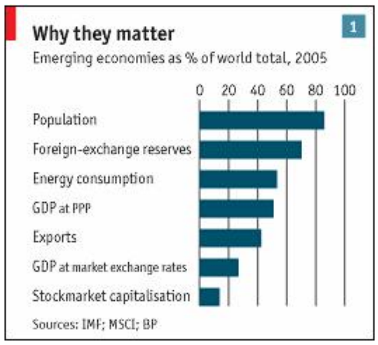
PART I
BALANCE OF POWER SHIFT – GOOD FOR GOLD

by
Julian D.W. Phillips

With figures from the *Economist* we can quantify just how they will feed global uncertainty and spur the bull market in gold.

The importance of these shifts cannot be over-emphasized, because they are changing the 'Balance of Power' in the world significantly and shaping the global economy and will deeply affectthe state of the global monetary system. So far the $ has managed to hold onto the reins of power in the world monetary system, despite the catastrophic, persistent and unhealthy, Trade deficit of the United States, about which the States is doing absolutely nothing, which has and will be good for gold, but not for the U.S. Should this state of affairs persist continuously, there is no doubt that the $ will face an enormous crisis and in turn create one for the global monetary system.

Last year the combined output of all emerging economies achieved more than half of total world G.D.P. (measured at purchasing-power parity). **This means that the rich countries no longer dominate the global economy.** The developing countries also have a far greater influence on the performance of the rich economies than is generally realized. Emerging economies are driving global growth and having a big impact on developed countries' inflation, interest rates, wages and profits. As these newcomers become more integrated into the global economy this osmotic influence will change the face of the world economy forever. On the surface it would seem reasonable to believe their wealth and individual incomes would catch up with the rest of the world and we all enjoy the biggest boost to the world economy ever, far outperforming the industrial revolution. But we feel this is wishful thinking. To date the effect has been that the developing nations have drawn off wealth from the developed nations to themselves. It seems likely that as has been the case with Japan and its development, their products will dominate the global economy and with the bulk of the world's population in these developing countries global wealth and power will shift away from the developed nations before the global economy leaps in size.



It is already clear from the state of the U.S. Balance of Payments that the drain on the U.S. trading power is well along.

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PART I – BALANCE OF POWER SHIFT – GOOD FOR GOLD by Julian D.W. Phillips

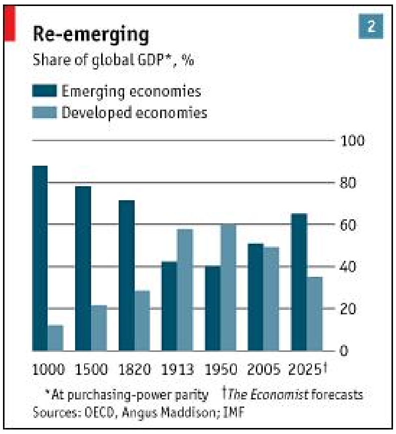
continued

The poor prospects for the $ are clear to most observers so there is little reason to believe that the U.S and other developed nations will enjoy continued wealth alongside these nations, except for that they enjoy within their own close sphere of influence, which is shrinking already.

The emerging countries we are talking about are not solely China and India, as is the present impression in many quarters, but nations from all corners of the earth that can provide products of the same quality at lower prices. Consequently, due to this all-pervasive process, the 'ripples' flowing from this evolution will breed structural monetary breakdowns because of the capital flows and exchange rate pressures that are far greater than ever before!

So many developing countries together with former Soviet block nations have embraced market-friendly economic reforms, opened their borders to trade and investment, industrialized and are now a present part of the global economy, alongside China and India.

Because of the synthesizing of these nations into developed nation's economies within the global economy, their influence changes national developed economies dramatically. The prime example of this is being seen in the United States where the record share of profits in national income [production by U.S. companies of goods in these emerging economies at prices far lower than they cold previously produce in the States], sluggish growth in real wages [because U.S. workers are in effect competing with emerging nations wage levels], high oil prices [as global demand rises] alongside low inflation [the goods produced in emerging economies are a fraction of the cost of U.S. and other developed nations goods], low global interest rates [because developed world economies are now fragile and cannot withstand much higher interest rates] and from where the U.S. Trade deficit and other developed nations deficits, emanate.



Emerging countries share of world exports has jumped to 43%, from 20% in 1970. They consume over half of the world's energy and have accounted for four-fifths of the growth in oil demand in the past five years. They also hold 70% of the world's foreign-exchange reserves.

So although measured at purchasing-power parity (which takes account of lower prices in poorer countries) **the emerging economies now make up over half of world G.D.P.**, at market exchange rates their share is still less than 30%. But even at market exchange rates, **they accounted for well over half of the increase in global output last year. [China and India together made up less than 1/4 of the total increase in emerging economies' G.D.P. last year.]**

In the past five years, **their annual growth has averaged almost 7%, its fastest pace in recorded history and well above the 2.3% growth in rich economies.** The International Monetary Fund forecasts forecasts that in the next five years emerging economies will grow at an average of **6.8% a year**, whereas **the developed economies will notch up only 2.7%.** If both groups continued in this way, **in 20 years' time emerging economies would account for two-thirds of global output (at purchasing-power parity)**.

Since 2000, world G.D.P. per head has grown by an average of 3.2% a year, thanks to the acceleration in emerging economies. That would beat the 2.9% annual growth during the golden age of 1950-73, when Europe and Japan were rebuilding their economies after the war.

Because of lower wages, many developed countries have moved their production into new factories, trained local workers and boosted productivity in China. The products had established markets, so to be able to supply these markets at far lower costs and from high productivity factories and workers. When America

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PART I – BALANCE OF POWER SHIFT – GOOD FOR GOLD by Julian D.W. Phillips

continued

and Britain were industrializing in the 19th century, they took 50 years to double their real incomes per head; today China is now doubling its real income per head within nine years.

The sum of China's total exports and imports amounts to around 70% of its G.D.P., against only 25-30% in India or America. In 2007, China is likely to account for 10% of world trade, up from 4% in 2000. These exports go to virtually every nation on earth, not just the developed world. The speed of these developments has been accelerated tremendously through the Internet, which virtually destroys geography, taking the search for new products or [the other way] new markets across the globe, to a quick and personal level, in a moment, a far cry from the painstaking searches of the past.

As the incomes of these emerging countries grow, so their demand for wants as opposed to needs will grow, creating a huge demand for non-essential items, but once they have learned how to produce them, they will produce them and export them to the developed world as well. With Japanese cars taking the first place in automobile popularity in the States, the trail don this road has been blazed.

Right now the demand from the developing world for infrastructure goods is being felt in the developed world as over half of the combined exports of America, the € area and Japan go to these poorer economies. The rich economies' trade with developing countries is growing twice as fast as their trade with one another, but will this continue as these emerging economies gain the expertise to even outperform the developed world in items currently only being manufactured in the developed world. As China, India and the former Soviet Union has embraced market capitalism, the global labor force has, in effect, doubled, but sad to say the new labor force can do the same work, with the same quality for a small part of the price.

PART II OF THIS ARTICLE STARTS AT PAGE 6

THE SHIFT IN ECONOMIC POWER TO THE EAST

– DENIAL, CRISIS AND SOARING GOLD! –

* * *

November 14 – 16, 2006

China Mining 2006, Beijing, China

www.china-mining.com

November 15 – 19, 2006

New Orleans 2006 Investment Conference, New Orleans, USA

www.neworleansconference.com

November 26 – 27, 2006

San Francisco Precious Metals Investment Conference 2006, San Francisco, USA

www.iiconf.com

PART II
THE SHIFT IN ECONOMIC POWER TO THE EAST – DENIAL, CRISIS AND SOARING GOLD! –

by

Julian D.W. Phillips

In the first part of this piece, we described how the shift in wealth from West to East is long-term and structural and unlikely to be reversed. At some point in time this shift will lead to economic and political rifts that will heighten global tensions and prompt financial and possibly military responses. The shifting of economic power to the east is well along and unlikely to stop.

Political Pressures!

The workers in the developed world are usually voters as well, so at some point we expect a loud outcry from workers and demands for protectionism by politicians, far greater than we see at present. Inevitably this will bring politics, [on this issue] head-on with the interests of capitalists.

We do not expect the politicians to roll over and be overwhelmed by commercial interests when it comes to their future votes. To add fuel to this oncoming crisis, the emergence of a cheap, global but competent, labor force will have an ongoing, destructive effect on manufacturing in the developed world [not just the U.S.] in the short, medium and long-term. So when push comes to shove, how much transfer of wealth and production can the U.S. [and the developed world] cope with, until they become an extremely diminished power? In turn, how long will they tolerate the entire process before sparks begin to fly?

So Far, So Good

This evolution has been going on for quite some time now, but we have yet to see a really declining $. We have seen a rising oil price and a rising gold price, but with low bond yields. It seems as though the market has ignored these evolutions completely. Or has it?

In the past, the pain of fixed exchange rates came from the huge capital flows from weak countries to the strong, forcing the weak down and the strong up. Then exchange rates were 'floated', so all looked well in the 'seventies', until the underlying pressures became too great. Then we had Central Bankers telling the markets they would not revalue or devalue, [usually just prior to them doing so]. In the seventies, Central Bankers gained the ability to manipulate the exchange rate behind the scenes in a 'dirty float' of their rates [where they directly managed these rates]. Today the swing to the strong [Eastern economies] is different with the nations in receipt of the capital flows [surpluses] now protecting dubious $. Partly due to the reinvestment of the $ by nations with surplus $ back into the United States, the $ is not falling.

As of now the emerging nations control 70% of the world's reserves and great deal of the U.S. Treasury market. In other words surplus nations are taking ownership of a great deal of the U.S.

However, with political jurisdiction resting in the hands of the Administration, ownership may well be less powerful than control, implying that at any time the Administration considers it in the national interest it can freeze these foreign owned assets emasculating any power they have! But that will only happen when days are far darker than now.

Yes, the $ looks strong at present, but at the expense of all this capital firmly in the 'control' of foreigners. Whilst the $ holds this value, emerging nations are using it as the currency for developing infrastructure and buying the necessary products to do so, as fast as possible, or on buying future resources right across the globe. As this happens, make no mistake about there is a transfer of power, not just of wealth to the emerging nations! *--continued*

PART II – THE SHIFT IN ECONOMIC POWER TO THE EAST – DENIAL, CRISIS AND SOARING GOLD! by Julian D.W. Phillips

continued

Central Banks are seeing this low inflation [with worries that it will rise] and congratulating themselves on keeping inflation and interest rates low. But in fact it is the integration of the national economy into the global economy that is presenting such a pleasant picture.

Below the surface danger lies. Should the reliance on the $ slowly be shared by other currencies, there will be a weakening if not a collapse of the $ which will then have to stand on its own merits. In effect, **the control of the $ strength is now passing, or has passed, from the U.S. to the surplus $ holding, emerging nations.**

The process of feeding surplus $ back into the U.S. has buoyed the U.S. economy, further extending this capital flow to the emerging nations and taking it to new highs. By keeping interest rates too low, there has been a build-up of excess liquidity, which has flowed into the prices of assets such as homes, rather than into traditional inflation. The housing market appeared to be becoming distressed, but with the temporary drop in the oil price some relief is being felt in the consumer's cash flow, staving of disasters in many cases. Consequently, the "live-now, pay-later" way of thinking, which has encouraged too much borrowing and too little saving is still entrenched, making more permanent the capital flows to the East. The visible result in the States have been to widen the current-account deficit to record levels persistently, effectively enslaving the future of the $.

The emerging economies' refusal to allow their exchange rates to rise, entrenches their ability milk capital from the developed world to their own coffers, giving them cheap capital to develop their nations even more!

When we hear the Chinese express their view on the Yuan, that "when it is in the interests of China the Yuan will be allowed to appreciate", we see it as a warning that the $ will eventually be allowed to fall heavily. The ripples from this change of policy will be felt quickly and painfully. Subsequently, there is a risk that the U.S. economy will face a sharp financial shock and a recession, or an extended period of sluggish growth. But the assumption that the rest of the world will follow the U.S. down should not be quickly taken. **America's total imports from the rest of the world last year amounted to only 4% of world G.D.P.**

Julian Philips' history in the financial world goes back to 1970, after leaving the British Army having been an Officer in the Light Infantry, serving in Malaya, Mauritius, and Belfast. After a brief period in Timber Management, Julian joined the London Stock Exchange, qualifying as a member. He specialised from the beginning in currencies, gold and the "Dollar Premium". At the time, the gold / currency world exploded into action after the floating of the $ and the Pound Sterling. He wrote on gold and the $ premium in magazines, Accountancy and The International Currency Review.
Julian moved to South Africa, where he was appointed a Macro economist for the Electricity Supply Commission, guiding currency decisions on the multi-Billion foreign Loan Portfolio, before joining Chase Manhattan the the U.K. Merchant Bank, Hill Samuel, in Johannesburg, specialising in gold. He moved to Capetown, where establishing the Fund Management department of the Board of Executors.
Julian returned to the 'Gold World' over two years ago and established ***"Gold - Authentic Money"*** and now contributing to ***"Global Watch - The Gold Forecaster"***

* * * * *

Precious Metals & Commodities Show 2006

The elite of the precious metals and commodities markets will meet again in Munich this November. Apart from the big and well-known exhibitors there will be speakers from all over the world.

With **Dr. Marc Faber**, otherwise known as "Dr. Doom", we have a top-class expert on stock exchanges, who already pointed to the risks of the US-budget deficit growing without limits years ago, the risks of the overrated stock and real estate markets and to the great potential of the preciuos metals and commodities markets. The Swiss analyst gained global recognition for his predictions of the Wallstreet crash in 1997, for the crash in Japan in 1990 and for the financial crises in the late 1990ies. Only for being able to attend the Precious Metals Fair, Mr. Faber will come from Hongkong to Munich.



There are four well-known speakers coming from northern America. **Bill Murphy** is head of (Gold Anti-Trust Action Committee), whose members (among others famous mining companies) come out against an alleged manipulation of the price of gold. **James Turk** is the founder of Goldmoney.com, which is a money account based on physical back up, and he is an author as well. **Robert Friedland** is chairman of Ivanhoe Mines Ltd. and he is known to be an excellent speaker on economic topics. **Jim Willie**, who came to Munich already last year, has become extremely popular for his letters from the stock exchange in America during the last 12 months.

Fund manager **Dr. Joachim Berlenbach** is coming from South Africa to our fair in Munich. Together with Markus Bachmann he founded the successful Craton Capital Funds 3 years ago. The gold and precious metals analyst has been working for Tiberius since this summer. Tiberius was founded by Markus Mezger und Christoph Eibl.

The duel of the great names of the letters from the stock exchange will be a renewal of last year's event. The three oldest letters in the field of precious metals will present their point of view: **Dr. Bruno Bandulet**, **Johann A. Saiger** and **Martin Siegel**. **Manfred Zimmel**, the stock exchange astrologer, will also be there. **Claus Vogt** has recently taken over from Hans Jörg Müllenmeister and is now the editor of "Sicheres Geld" ("Safe Money").

Uwe Berggold will come to Munich from northern Bavaria; **Prof. Hans Jürgen Bocker** will come from Switzerland, **Henk J. Krasenberg** will come from the Netherlands.

We took up some of last year's suggestions and will offer a workshop for the first time this year. **Mr. Steffen Paulick** from proaurum in Munich will explain and also show the basics of a physical facility for precious metals. Historical coins for purposes of collection and investment will be the topic of **Rainer Maier**'s workshop. Mr. **Herbert Wüstefeld** from ABN AMRO will discuss the chances and risks of derivatives. **Dietmar Siebholz** and **Eugen Weinberg**'s focus will be on mining companies. Further presentations will cover topics like strategies, signals for entering or leaving a market and alternative forms of investment.

for more information: **www.edelmetallmesse.com**