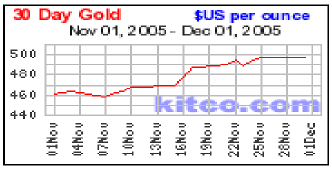
European Gold Centre

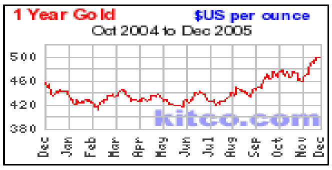
reliable information on gold, other metals and minerals and the Canadian mining and exploration industry

GOLDVIEW

December 2005 - I

CONTENTS:





WHEN YOU SAY GOLD IS GOING TO $500, IT DROPS $20, BUT SEE WHAT HAPPENS: ***WE HAVE ENTERED NEW TIMES***

It finally happened: gold has broken the $ 500 level. Last month, when gold passed $ 480, I sent you a signal saying **"WATCH GOLD! $ 500 not if but when, that is the question"**. And, defying my statement, gold dropped $ 20 in price almost instantly. Yet, as I also advised to the doubters and mistrusting among you "**to replace your fear by confidence**", my prediction came true two days ago.

I am writing these words in the plane that brings me back to Amsterdam, after having visited IIC's Gold & Precious Metals Institutional Investment Conference that was held in San Francsico. It feels good, as it felt good to be among my fellow commentators, most of whom have been sharing my views on the developments of the prices of gold and other metals, and the many mining and exploration companies, who have been hoping that we would be right.

But now, you will ask, what comes next? Well, I think that not too many things will change. I would be surprised if we would see a wild period with investors coming into a frenzy and prices skyrocketing. And that is good, that is healthy. I am pretty sure that the $ 500 gold price, which was still magic only two years ago, will settle nicely and firm up. It is there to stay and, as the scenario that I foresee for the next few years further unfolds, it will reach for even higher levels, more or less in the same manner as it did till so far.

Looking at the overall prices in the metal markets, **I feel confident that we have entered new times**. Platina is close to passing the $ 1,000 per ounce level, silver is looking to the better side of $ 8.50, even palladium, that has been staying behind for long, is proceeding towards the $ 300. And look at the base metals, copper has been surprising most of the observers (remember how negative they became when copper came above the $ 1.50 level?), and now it is zinc's turn (see Dr. Harlan Meade's vision in the Goldview issue of February 2005).

In general, the markets are reflecting what has become visible during the recent years. The world is not getting any better overall and the economic powers are shifting towards to the orient. No matter how the United States and many of its established followers are trying to downplay (or is it ignoring) the emergence of nations as China and India, their growth will continue at rates that look just as percentages but the consequences over the longer term are hardly comprehended.

As to the metals, the world has to accept a situation that has been developing over the last 10 to 20 years whereby the simple fundamentals of supply and demand have been challenged. The mining industry has experienced a long period of low metal prices and hence, not much capital to continue to explore. Existing mines and even strategic stocks have been depleted, consuming the metals in the good economic 80's and 90's, without substantial efforts to replace the used metals by exploration and development.

--continued on page 2

MINING INVESTMENT CONFERENCES

December 8 – 9, 2005
4th Annual GOLD Investment Summit
8th & 9th December 2005
Jurys Great Russell, London
www.euromoneyseminars.com

January 22 – 23, 2006
Resource Investment Conference
Vancouver, Canada
CAMBRIDGE HOUSE
www.cambridgehouse.ca

January 23 -26, 2006
MINERAL EXPLORATION ROUNDUP 2006
Vancouver, Canada
www.chamberofmines.bc.ca

February 7 – 9, 2006
INDABA
Investing in African Mining
Cape Town, RSA
www.iiconf.com

March 2 – 5, 2006
World Mines Ministries Forum
Toronto, Canada
www.wmmf.org

March 5 – 8, 2006
PDAC2006
March 5 - 8, 2006
Metro Toronto Convention Centre - North Building
www.pdac.ca

March 28 – 31, 2006
ASIA MINING Congress 2006
28 – 31 March 2006
Grand Hyatt Singapore
www.terrapinn.com

ASK FOR MORE INFORMATION

EDITORIAL COMMENT *–continued from page 1*

However, since approximately three years, the mining industry has recognized the needs and opportunities to restore the inappropriate balances between supply and demand. Rising prices, and the vision and confidence that these prices are likely to sustain, have stimulated enormous exploration programs to find new supplies of virtually every metal. Huge sums of money have flowed and are flowing into the exploration industry, where **the junior companies are playing their dominant role**. **I am sure that a lot more new money will flow into the markets as the higher metal prices will materialize.** It has always been and it will always be like that.

In the meantime, the major mining companies are trying to catch up with the juniors which often beat their larger brothers with dedication, flexibility, courage and acceptance of risks. Some of the majors, like Barrick and Goldcorp which have not forgotten where they came from, but also like Newmont where Pierre Lassonde is clearly demonstrating vision and understanding, are fully recognizing the importance of the juniors and stimulating them through taking an interest in them. Others have been just restricting themselves to their normal course of business, more or less missing the entrepreneurial attitude that is needed in these times. Typical examples of this are companies such as Noranda, almost eaten by the Chinese, then integrated with Falconbridge, which in turn will be purchased by Inco, and Placer Dome which finds Barrick knocking on their front door.

In the past, I have been expressing my opinion that **a further concentration and consolidation of the mining and exploration industry would be a good thing**. Still, the industry is a relatively small one in comparison with other industries. It is an often heard objection from institutional investment houses, in particular here in Europe, that the companies are too small to participate in a mature manner. **The smart cookies of the industry will recognize this and come to build larger units by amalgamating smaller companies.** We already see some of it, such as the recent strategic take-overs of St. Jude Resources by emerging producer Golden Star Resources and Bolivar Gold by South African giant Gold Fields. **What I like about that is also that good prices are paid for the companies taken over.** This should be a strong stimulant for many juniors to continue to make themselves eligible and attractive for others and also for investors in junior companies to make intelligent choices in making their commitments. **I am sure that we will see quite some action in the merger and acquisition arena of the junior mining and exploration industry over the next few years, thus providing additional opportunities for capital gains to the more daring investors.**

I am looking forward to a continuation of the exciting times we had in the last two years. Now that the markets have come into a more mature environment, I am expecting that more mature investment capital will show an interest to participate in the new challenges of these new times. The opportunities are there, they are only waiting to be taken. I will be happy to continue to signal them as they come by.

* * *

Further in this issue, I have included two articles on gold that caught by attention and which I found very worthwhile because they represent intelligent visions on the current and future situation of the markets: one of **Louis Paquette**, who is one of the most modest commentators that I find always interesting to read and listen to; **he explains what will drive the next phase of the markets** and one of **Lawrence Roulston**, who keeps me always anxious to learn about his views and findings; **he elaborates on the new era of gold**. Very interesting reading for the serious gold watchers among you.

I also would like to thank and compliment my friends at Goldseiten, the best German website on our industry, and Argentum Invest for their great job in organizing the **Edelmetallmesse in Munich** last week and to draw your attention to the interesting **4th Annual Gold Investment Summit** in London next week.

Finally, I refer to the column on page 6 where the charts reflect what has been happening in the base metals over the last year.

Henk J. Krasenberg

THE FINANCIAL STORY OF THE CENTURY

by Louis Paquette

But what will drive the next phase of the gold bull market?

Next month marks the five-year anniversary of the Bull Market in Gold Stocks. I remember the very bottom well, after mulling over what was wrong with the gold sector for many months, finally timidly nibbling on Franco Nevada in December of 2000. It was both the smartest and dumbest thing I may have ever done. Smart enough timing, given this was just about the precise turning point after a 20-year decline. Dumb, for being timid about it.

The bull market began for the most basic fundamental of reasons. Sub-$300 prices were unsustainable because it was getting too close to the average cost of production. Lack of incentive to find and mine the metal would eventually severely restrict supply.

The crash of the US Dollar Index starting in early 2002 kicked off another phase of the bull market, driving gold to new multi year highs again by the end of 2004.

Lately, gold is decoupling from the Dollar and is rising in all currencies. The long term price chart is telling us a new phase of the bull market has begun when it broke through $450 in September to reach new successive 17-Year highs (the HUI Index has yet to confirm this new phase, but I believe it will, and soon enough).

"..a mere five years ago, Gold was considered the laughing stock of the financial community."

But what is driving this new wave of buying? Any bull market requires an increasingly larger circle of buyers to relieve earlier participants of their positions. Well, steady demand for jewellery for one, growing 16% in the first half of 2005. Jewellery demand sets the underlying base price range for gold, making up close to 80% of annual global demand. But the big price swings over time are caused by changes in Investment demand. And that demand is growing at triple digit rates.

Why this sudden acceptance? After all, it was a mere five years ago that Gold was considered the laughing stock of the financial community. Attitudes beliefs and perception, even when wrong, are very slow to change. My belief is that the average person, who never previously considered gold as an investment, is just recently beginning to come to grips with some of the serious problems that lie ahead (concerns outlined in our previous Issue for instance).
Given enough information over long enough time, eventually, the ugly reality begins to sink in. That, extremely poor relative returns for a fifth consecutive year now and people's emotions, are what I believe are instrumental in driving the gold markets today and should continue to do so for some time to come.

Gold Stocks vs. Wall Street - who's laughing now?

Soon, mutual fund companies, brokers, insurance companies and the like, are going to start publishing their one, three and five year performance histories as folks begin preparing for another round of retirement savings contribution and tax return deadlines. Middle class Americans who have been afraid to look at their statement all year, but who have been faithfully stashing their retirement savings into mutual funds, which reflect the U.S. Stock Markets - are in for a big shock. After FIVE consecutive years now - funds reflecting Wall Street are still showing NEGATIVE returns.

The Dow appears to have roughly broken even. Funds mirroring the broader S&P 500 definitely had negative returns, while investments reflecting the NASDAQ experienced

--continued on page 4

MEMBER COMPANIES
per November 2005

Abacus Mining & Exploration Corp. tsxv-ame
Adanac Gold Corp. tsx-aua
Adroit Resources Inc. tsxv-adt
African Gold Group, Inc. tsxv-agg
Alexis Minerals Corporation tsxv-amc
Amera Resources Corporation tsxv-ams
Anooraq Resources Corp. tsxv-arq, amex-ano
Asia Gold Corp. tsxv-asg
Avino Silver & Gold Mines Ltd. tsxv-asm
Boulder Mining Corporation tsxv-bdr
Bralorne Gold Mines Ltd. tsxv-bpm
Cassidy Gold Corp. tsxv-cdy
Continuum Resources Ltd. tsxv-cnu
Coral Gold Resources Ltd. tsxv-cgr
Crowflight Minerals Inc. tsxv-cml
Desert Sun Mining Corp. tsx-dsm
Eaglecrest Explorations Ltd. tsxv-eel
Energy Metals Corporation tsxv-emc
Excellon Resources Inc. tsxv-exn
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
IMA Exploration Inc. tsxv-imr
Kimber Resources Inc. tsx-kbr
Majestic Gold Corp. tsxv-mjs
Marifil Mines Ltd. tsxv-mfm
Minefinders Corporation Ltd. tsx-mfl, amex-mfn
Molycor Gold Corp. tsxv-mor
New Gold Inc. tsx,amex-ngd
New Guinea Gold Corporation tsxv-ngg
New World Resource Corp. tsxv-nw
North American Tungsten Corp. Ltd. tsxv-ntc
Northern Continental Resources Inc. tsxv-ncr
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
Redstar Gold Corp. tsxv-rgc
Ross River Minerals Inc. tsxv-rrm
Royal Standard Minerals Inc. tsxv-rsm
Sabina Resources Limited tsxv-sbb
SearchGold Resources Inc. tsxv-rsg
South American Gold and Copper Co. Ltd. tsx-sag
South Pacific Minerals Corp. tsxv-spz
SYMC Resources Limited tsx-sy
Taseko Mines Ltd. tsxv-tko, amex-tgb
Tumi Resources Limited tsxv-tm
UC Resources Ltd. tsxv-uc
UGL Enterprises Ltd. tsxv-ugs
Universal Uranium Ltd. tsxv-uul
Vista Gold Corp. tsx,amex-vgz
War Eagle Mining Company Inc. tsxv-war
Yukon Zinc Corporation tsxv-yzc

EUROPEAN GOLD CENTRE
european platform for information on canadian mining and exploration companies

GOLD: THE FINANCIAL STORY OF THE CENTURY
--continued from page 3

what appear to be double-digit negative returns.

It gets worse. From those poor returns, subtract another 2% for inflation over five years, or another 10%. And then to add insult to injury, fund holders are charged another 2% "MRI" fees per year over five years. ANOTHER 10% - gone.

Now, overlay those horrible returns for a fifth year running - against shares of quality Gold mining stocks over the same period. The results are truly shocking. Over the same period, senior unhedged gold stocks are not up by double-digits, but a shocking 400% to 500%! That's an average of something like +80% every year!

The next phase of the gold bull market which I believe is just getting under way, will be driven by this kind of information over long enough time combined with the resulting raw emotions of envy, greed, fear and anger at how people have been betrayed by Wall Street.

The stigma is gone

One might question, in this Internet age of instant information - why did it take so long to sink in? Sure the information may be available. Beliefs change slowly, denial is an extremely stubborn trait! Also groupthink is important here - nobody wants to be part of a "fringe group" that the gold bugs were perceived as before. But now that the financial news networks are talking up gold on a daily basis, the sector has lost the stigma that was once attached to it. Indeed, the fools are increasingly looking more like the ones who have continued to have faith in a recovery on Wall Street.

Faced with a topping housing market, a gradual recognition of the Debt Bubble, along with the growing recognition of Gold as a stellar investment performer by mainstream financial media, folks will turn to the one financial asset investors can trust so far this century. That is, Gold and Gold stocks.

****

Louis Paquette launched EGS in 1995 to provide investors and speculators with a unique alternative to what he saw was a growing problem with corporate governance and conflict of interest on Wall Street. He offers a Market Psychology Investment newsletter that doesn't marry one sector but rotates with the seasonal and long term trends. While not a "perma-goldbug" the focus has been almost entirely on the Gold sector since re-entering by picking Franco Nevada at $15.65 in December, 2000. Louis is regularly quoted in Investor's Digest, Bull & Bear, Money Saver, Info-mine, Kitco, Goldseek.com, etc., and is a regular speaker on Cambridge House Investment Conference circuit.
For further information: www.EmergingGrowthStocks.com

EGS EMERGING GROWTH STOCKS

THIS DECEMBER 2005-I ISSUE REPLACES THE NOVEMBER ISSUE,
A DECEMBER 2005-II ISSUE WILL COME TO YOU IN THE THIRD WEEK OF DECEMBER

A NEW ERA FOR GOLD

by Lawrence Roulston

The dynamics of the gold market are changing, but the main driver remains the same

For the past four years, the rise in the gold price has been largely determined by the declining value of the U.S. dollar. The gold market is now taking on a life of its own, rising in real terms against most currencies. Nevertheless, the dollar remains an important variable.

Movements in the value of the dollar impact the gold price in two very important ways. First, because the gold price is denominated in U.S. dollars (at least in the west), any change in the value of the dollar is automatically reflected in the apparent price of gold. For that reason, gold acts as a hedge against the dollar.

The ongoing erosion of confidence in the U.S. dollar has another important impact on the value of gold: Some investors are shifting a portion of their wealth from dollar-denominated investments into bullion and bullion-backed assets. The overall increase in demand for bullion, coming from both consumers and investors, is now pushing the bullion market higher in real terms. So, for two very important reasons, understanding the U.S. dollar is an important element in understanding the gold market. The dollar has declined in value, and will continue to decline in value, at least in part because more dollars are flowing out of the United States than are flowing back into the country, resulting in an oversupply of dollars on world markets.

Much has been made of the U.S. trade deficit with the rest of the world. To the extent that the country buys more goods than it sells to the rest of the world, the trade deficit results in dollars leaving the country. The U.S. has had a trade deficit for decades, as an increasingly affluent nation accumulated goods from every corner of the world. For decades, that massive outflow of consumer dollars was sent back into the country by investors around the world who were eager to participate in the growth of the U.S. economy. About four years ago, the flow of investment dollars into the country slowed dramatically as investors began to lose confidence in the U.S.. The trigger event was the melt-down of the tech boom. Most investors now recognize the craziness of the mania that put multibillion-dollar values on companies with no more than a silly business plan. Not everybody in the U.S. yet realizes the extent to which that mania was driven by a massive fraud.

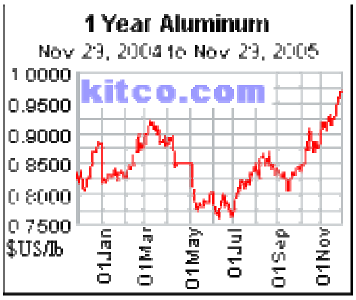
Even if Americans remain naive, sophisticated investors in other nations are acutely aware of how they were duped. Brokerage firms were touting stocks based on ludicrous valuation measures, such as 100 times revenue, while simultaneously dumping their own shares on the market. Then came the string of frauds that brought down companies, including Enron and WorldCom. Companies that were supposedly blue chip investments evaporated in a puff of smoke. The hard crackdown by the SEC (Securities and Exchange Commission) and other enforcement agencies will ultimately restore confidence. In the meantime, investigations are continuing to turn up more and more frauds and unethical business practices. The big banks were caught up in the scandals, acknowledging in the course of the investigations that they knowingly participated in the frauds. Investment firms one after the other have been indicted for illegal trading practices. Several firms have been charged with corrupt practices in dealing with foreign businesses. The deeper the regulators dig, the more rot they come up with.

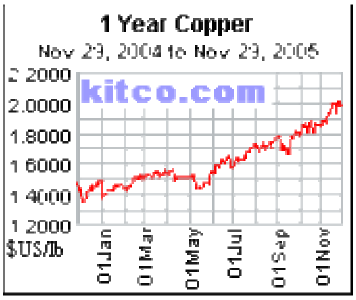
After all of the scrutiny and the tightening of reporting and auditing standards, another fraud just hit the news. Refco announced on October 10 that its chairman and CEO had hidden $430 million of loans owing to a company that he owns. It's not clear if he pocketed the money directly, or if the fraud was done to pump up the value of the company. In any event, one more fraud in the U.S. has taken another $2.8 billion out of the pockets of investors. Refco was particularly disturbing in that the company had just gone through an initial public offering in August. The IPO process involves close scrutiny by the securities regulators that should have caught such a massive fraud.

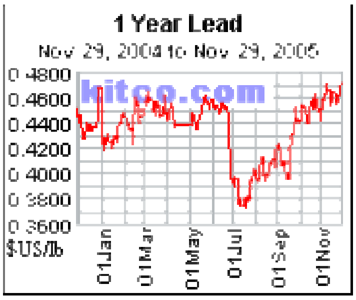
When you look at the pattern of fraud and unethical business practices, is it any wonder that investment dollars flowing into the United States have slowed to a trickle? Consumers are sending dollars out of the country, but fewer foreign investors are sending those dollars back home.

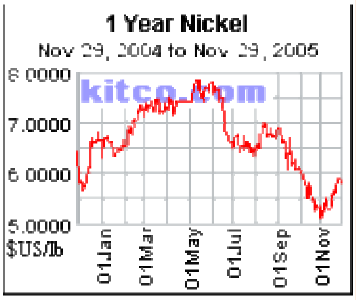
--continued on page 6

THE CHARTS OF THE BASE METALS









A NEW ERA FOR GOLD

--continued from page 5

The American consumers are being faulted for depressing the value of the dollar by creating a trade deficit. The real fault lies on the corporate side, where unethical business practices have destroyed confidence in the U.S.. Investors can't trust businesses and they can't even trust the audit firms that are supposed to be there to protect investors from improper business practices. Arthur Andersen, one of the top auditing firms, disappeared along with its client Enron. KPMG, another of the country's top audit firms, was charged by the SEC for fraud in helping Xerox cover up improper transactions that inflated pre-tax earning by $1.2 billion for the years 1997 through 2000. In August, KPMG paid a $456 million fine in another case, after admitting it helped clients evade billions of dollars in taxes. That case has now turned into a criminal investigation.

It is understandable that Americans would be less than enthusiastic about paying income tax, when they see hundreds of billions of dollars being directed at a naïve and hopelessly futile attempt to impose democracy on Iraq.
Cubans have been living under a dictator right on America's doorstep for more than four decades. Cuba does not have oil. Iraq does.

The second largest accumulation of oil on the planet occurs in northern Alberta. Canada, which is a major oil supplier to the U.S. market, has just proposed a pipeline to the Pacific Coast in order to be able to export more oil overseas. One might ask: Why would Canada consider a multibillion-dollar project to build a pipeline over several mountain ranges, when there are already pipelines in place to transport oil from Alberta to the United States? No two countries in the world have closer ties culturally, socially and economically than Canada and the United States. No two countries on the planet do more trade with one another. Canadians earn a surplus in trade of goods and services with the U.S., but that surplus is returned by Canadians who flock south to visit the United States every winter. In spite of a generally friendly and mutually beneficial relationship, the United States insists on a belligerent approach. The Americans have attempted to bully Canada on the trade front for decades and Canada is getting fed up.

For example, a single case of mad cow disease in Canada led to Canadian beef being shut out of the U.S. market. In spite of the fact that scientific panels in the United States concluded that Canadian beef, subject to testing, is perfectly safe, the border remains closed. One might, for a brief moment, think that the U.S. government is protecting consumers. That delusion goes away quickly when you realize that mad cow disease has also been found in the United States. Can even one consumer recall a warning from the government that eating U.S. beef might be dangerous? Every American consumer that eats beef is paying more because imported beef is held out of the market. The beneficiaries, of course, are the cattle industry, one of the more powerful lobby groups in the country. Not coincidentally, the cattle industry is heavily concentrated in the president's home state.

Another example of how American consumers are being royally shafted by the U.S. government is the lumber dispute. Nearly a decade ago, the U. S. lumber industry claimed that the Canadian industry was unfairly subsidized. The first couple of years of the dispute was spent trying to understand the convoluted rationalization that the U. S. lumber industry concocted. Once the situation was clearly understood, the argument has been struck down over and over again as the U.S lumber industry dragged the case through every venue that they could come up with. Along the way, the U.S. government has collected $5 billion of "penalties" from the Canadian industry.

--continued on page 7

A NEW ERA FOR GOLD

--continued from page 6

Even when the case was brought to the highest level, and once more the case was thrown out, the U.S. government refused to acknowledge that the whole thing was no more than a sham to benefit the U. S. lumber industry. In the face of repeated clear-cut judicial findings that have gone to the highest level, the president of the United States has ignored the judicial findings and insists that the two sides need to negotiate.

The U.S. insists on imposing its system of democracy and justice on the rest of the world, yet chooses to ignore the findings of the judicial system within its own borders. The American lumber industry has succeeded in keeping lumber prices high and therefore fattened their own profits. In so doing, they have unethically taken money out of the pockets of tens of millions of American consumers. Is this democracy or rule by the most powerful lobby group?

The Canadian government, realizing that they simply cannot trust Americans to honour contractual obligations, are doing the only rational thing: They are putting in place systems and infrastructure to make it easier to do more business with other nations. Several years from now, when oil is flowing across the mountains to be loaded onto Chinese tankers, the Americans will still be pouring hundreds of billions of dollars into the morass of Iraq and trying to figure out why the world is turning their backs.

While respect around the world for the U.S. plummets, an army of lawyers ties up the nation suing one another over spilt coffee. One New York law firm brags that they have won $45 billion in class action suits. There are hundreds of law firms seeking ways to initiate class actions suits. Is it really any surprise that the Dow Jones Industrial Average is at exactly the same level now as it was five years ago?

Investors who believe that they have protected their wealth because they have the same number of dollars worth of assets need to wake up. They have lost out to five years of inflation. Even more importantly, they have suffered a further 30% decline in their real wealth as the dollar continues to sink relative to the rest of the world. There may be some short term gains in the dollar, but there is little to suggest a substantive turn-around in the downward trend in the foreseeable future. I continue to believe that the U.S. is a great nation and will continue to prosper. However, it is important that investors recognize that the country faces challenges and until there are substantive changes from the present path, the dollar will continue to erode in value. In the face of the on-going decline in the dollar, investors should hold at least a portion of their wealth in hard assets or in investments backed by hard assets. They should also consider diversifying a portion of their wealth into other countries.

Lawrence Roulston, editor, is a geologist, with engineering and business training, and more than 20 years of hands-on experience in the resource industry. Lawrence is ideally suited to publish Resource Opportunities. After completing his studies at the University of British Columbia in 1975, Mr. Roulston worked as an analyst for Cominco Ltd. and for a mid-sized Calgary oil group for several years. In 1984 he became the CFO for a group of mineral exploration companies. He was also vice-president in an investment management firm focused on the resource industry. From 1994 to 1997, he was CEO and director of a mineral exploration company. Since then, he has been a resource industry consultant and independent mining analyst. Mr. Roulston's years of hands-on experience and extensive personal contacts in the industry provide unique insights that have generated an impressive track record for Resource Opportunities.
For further information: www.resourceopportunities.com