GOLD: BULL or BEAR?

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EUROPEAN GOLD FORUM
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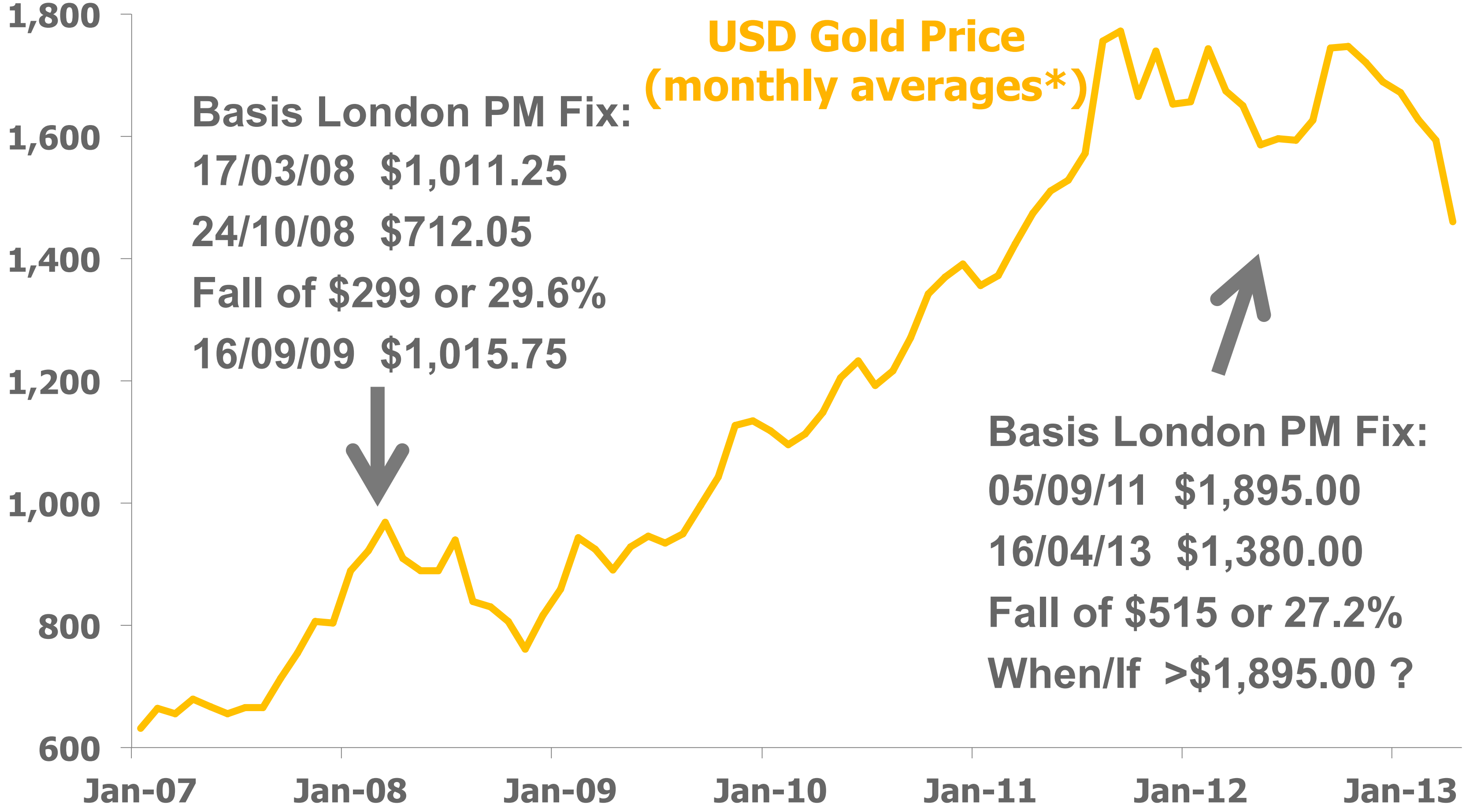
BEARS VICTORIOUS?

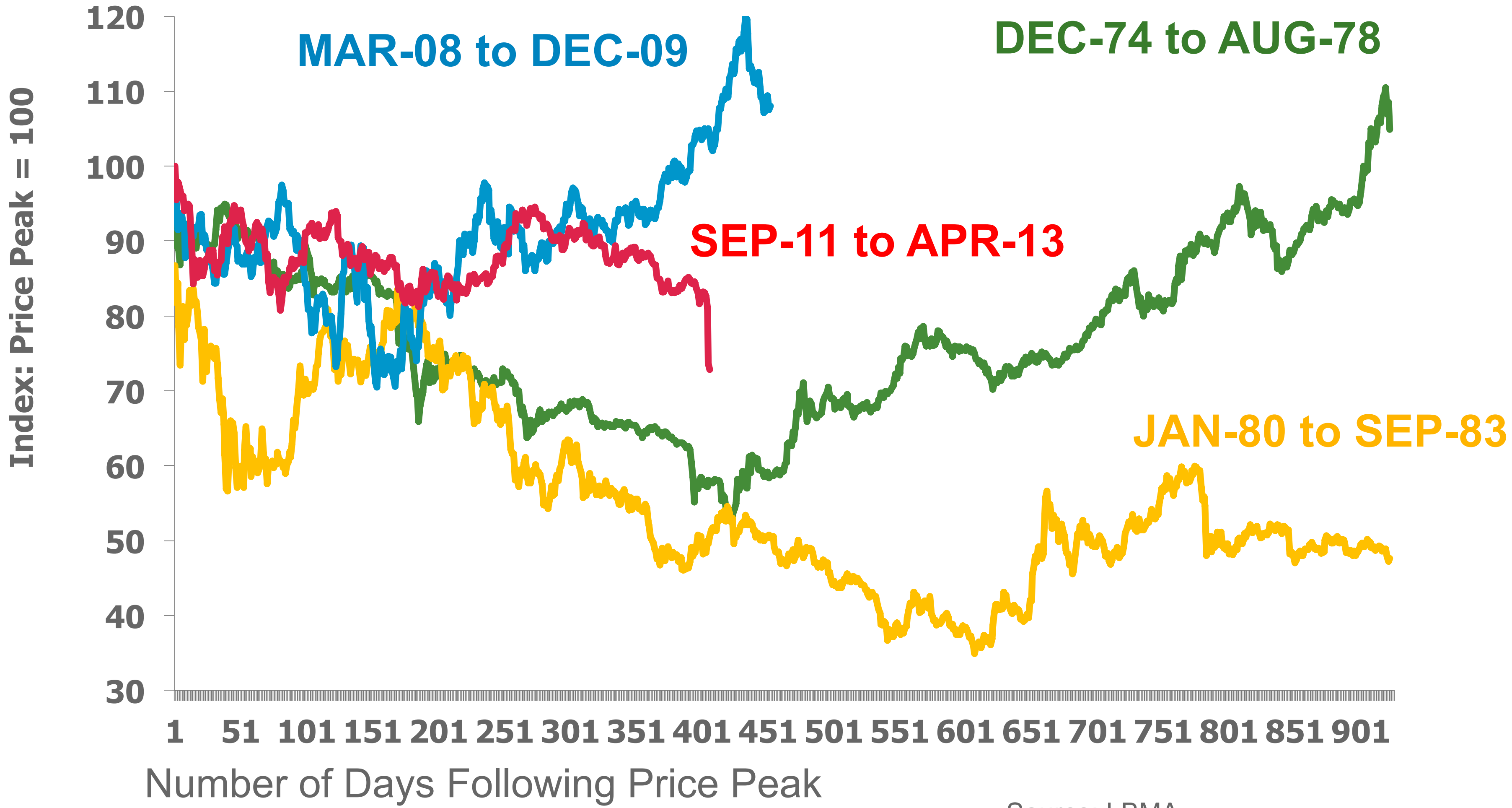
GOLD PRICE SLUMP FAR WORSE THAN POST-LEHMAN?



*April 2013 forecast average $1,460

Source: LBMA

GOLD PRICES FOLLOWING PEAKS
INDEXED DAILY SERIES

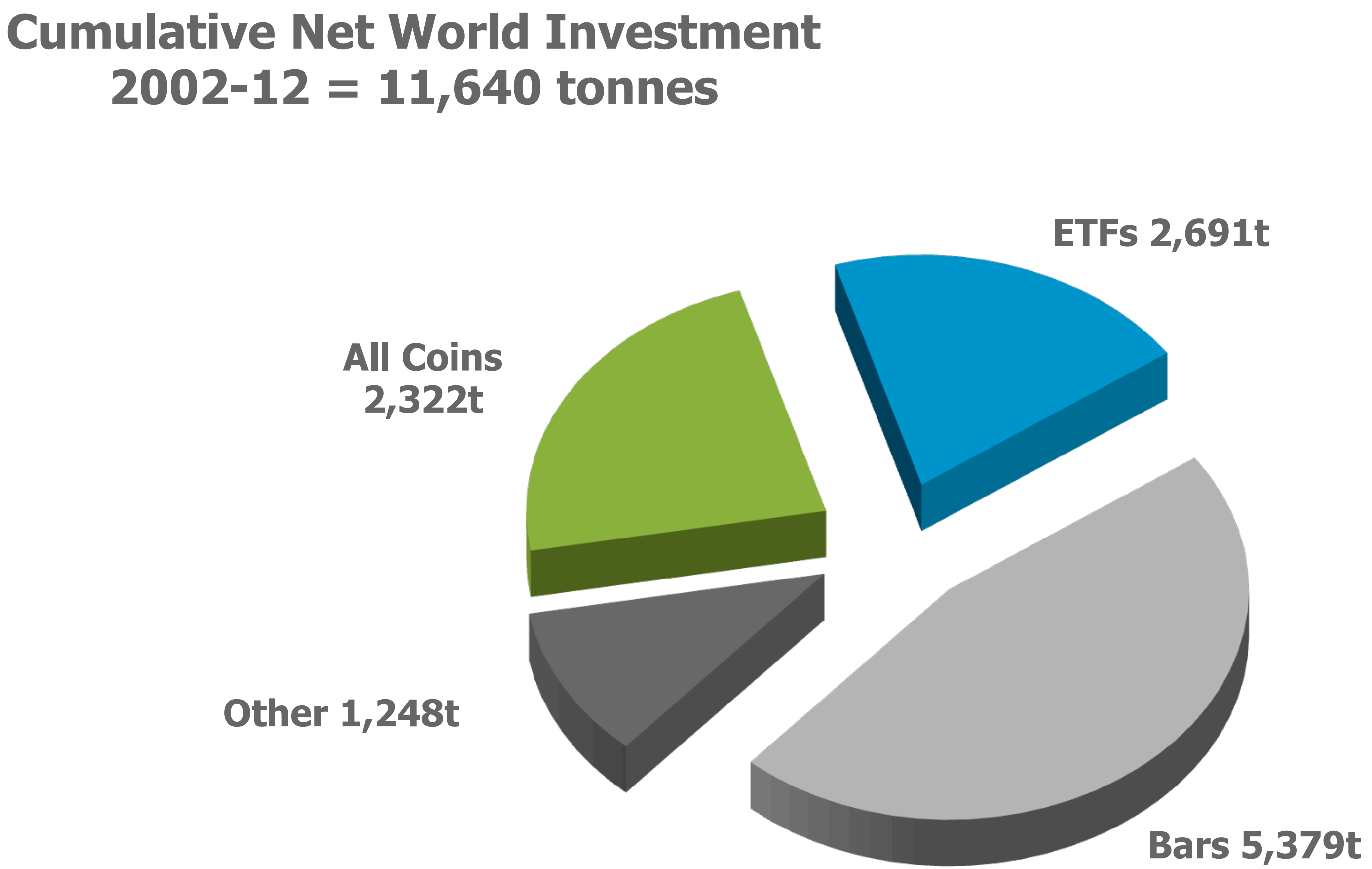


Source: LBMA

WHY COULD PRICES STILL FALL FURTHER?

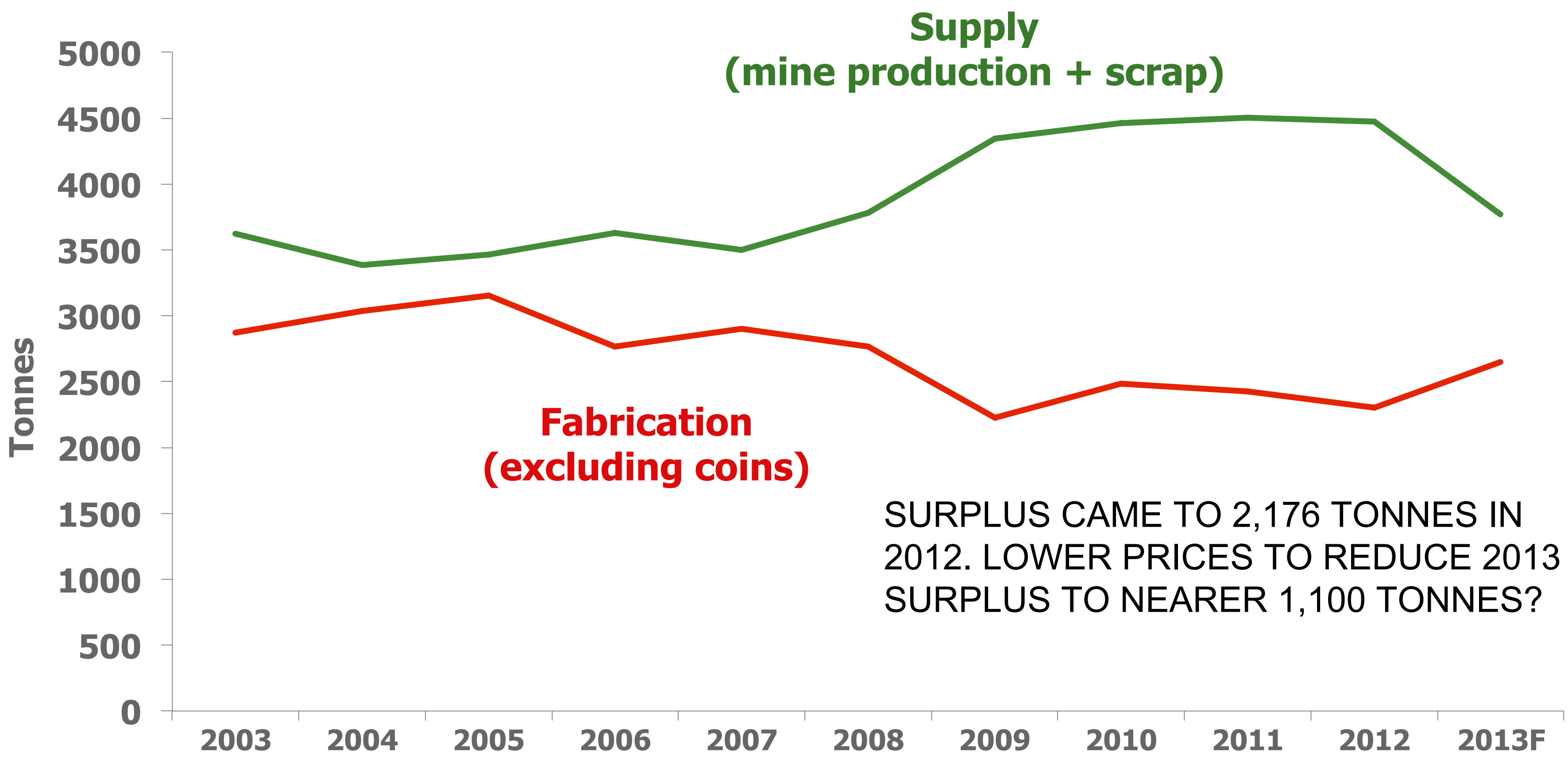
- Investors' belief in gold has been broken by its poor price performance over the last 18 months.
- No economic developments on the horizon will be capable of restoring investor interest in gold?
- Despite year-to-date selling, especially out of ETFs, there is still a massive overhang of gold purchased by investors during the bull market.
- The gold market is in a substantial "surplus" and to reduce this to a 'digestible' level the price may have to fall further to reduce mine production and scrap and boost jewellery demand.
- Net official sector purchases may have peaked and could swing back to sales if there are disposals by Eurozone central banks?
- Demand for gold in India, China and Middle East is not that special.
- As price falls the prospect of a new round of producer hedging grows.

CUMULATIVE NET WORLD INVESTMENT, 2002-12



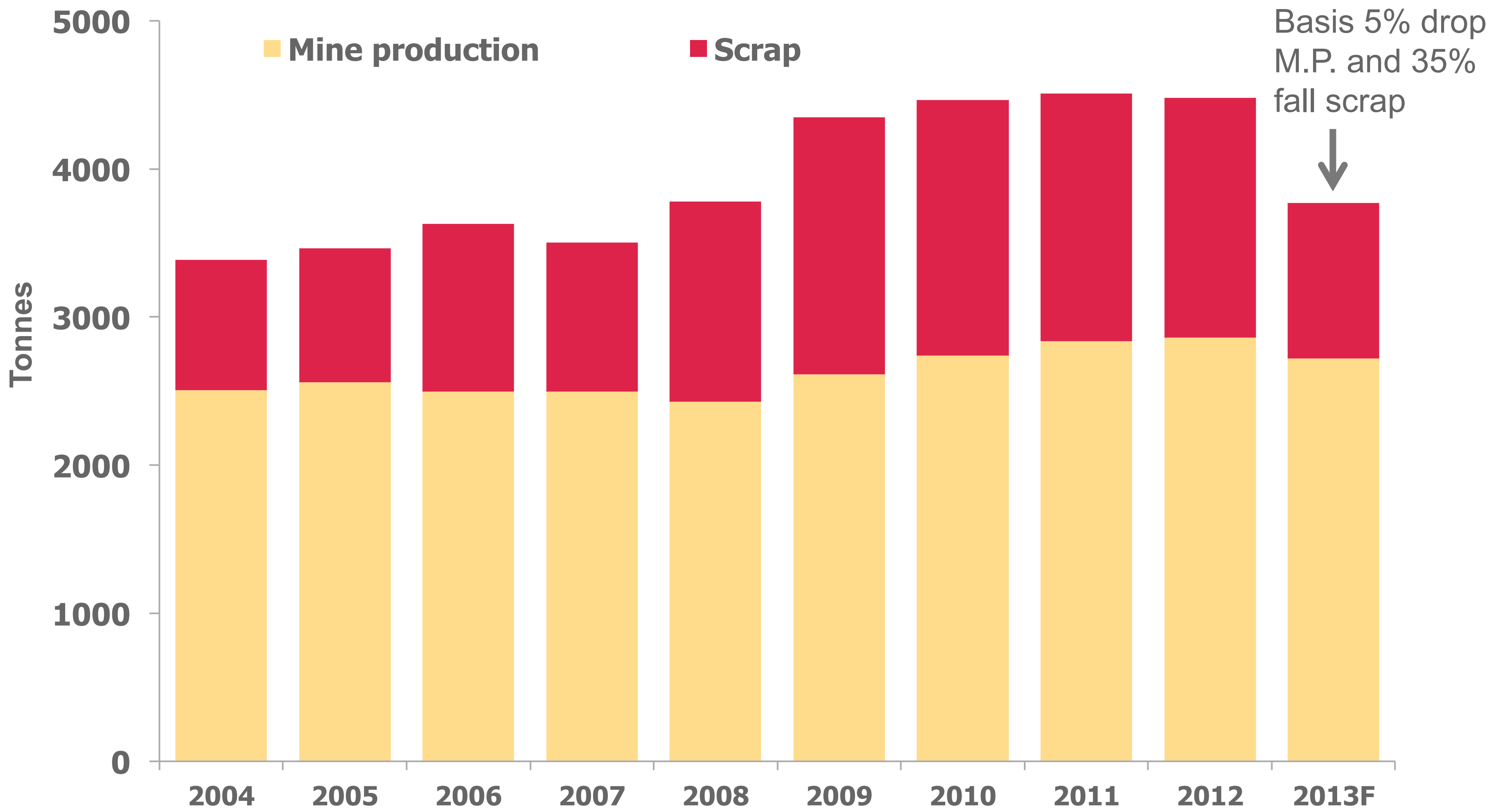
Source: Thomson Reuters GFMS

STRUCTURAL GOLD MARKET 'SURPLUS' IS HUGE



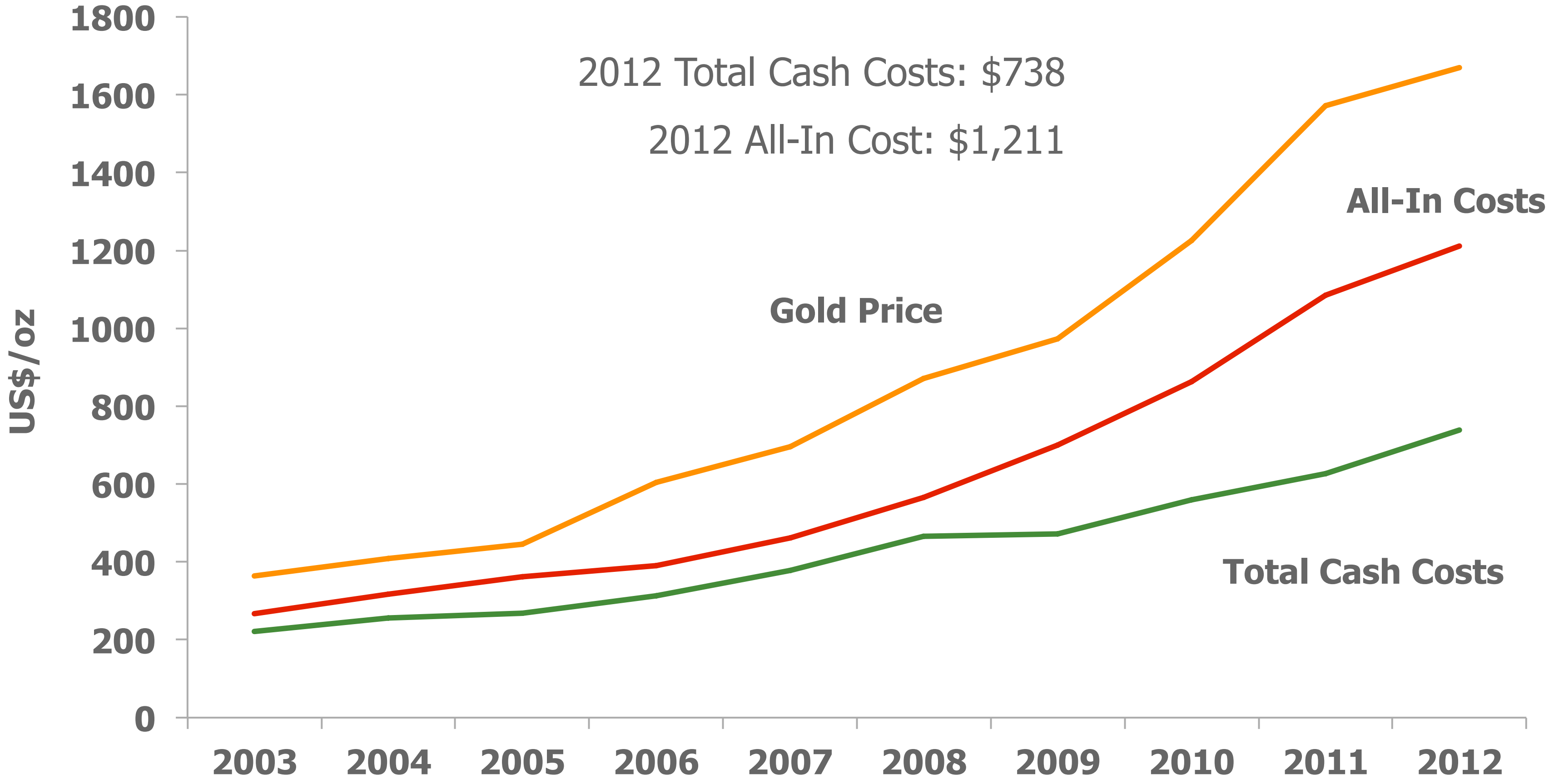
Source: Thomson Reuters GFMS; Precious Metals Insights

WORLD GOLD SUPPLY



Source: Thomson Reuters GFMS, Precious Metals Insights

PRODUCTION COSTS 2003-2012E



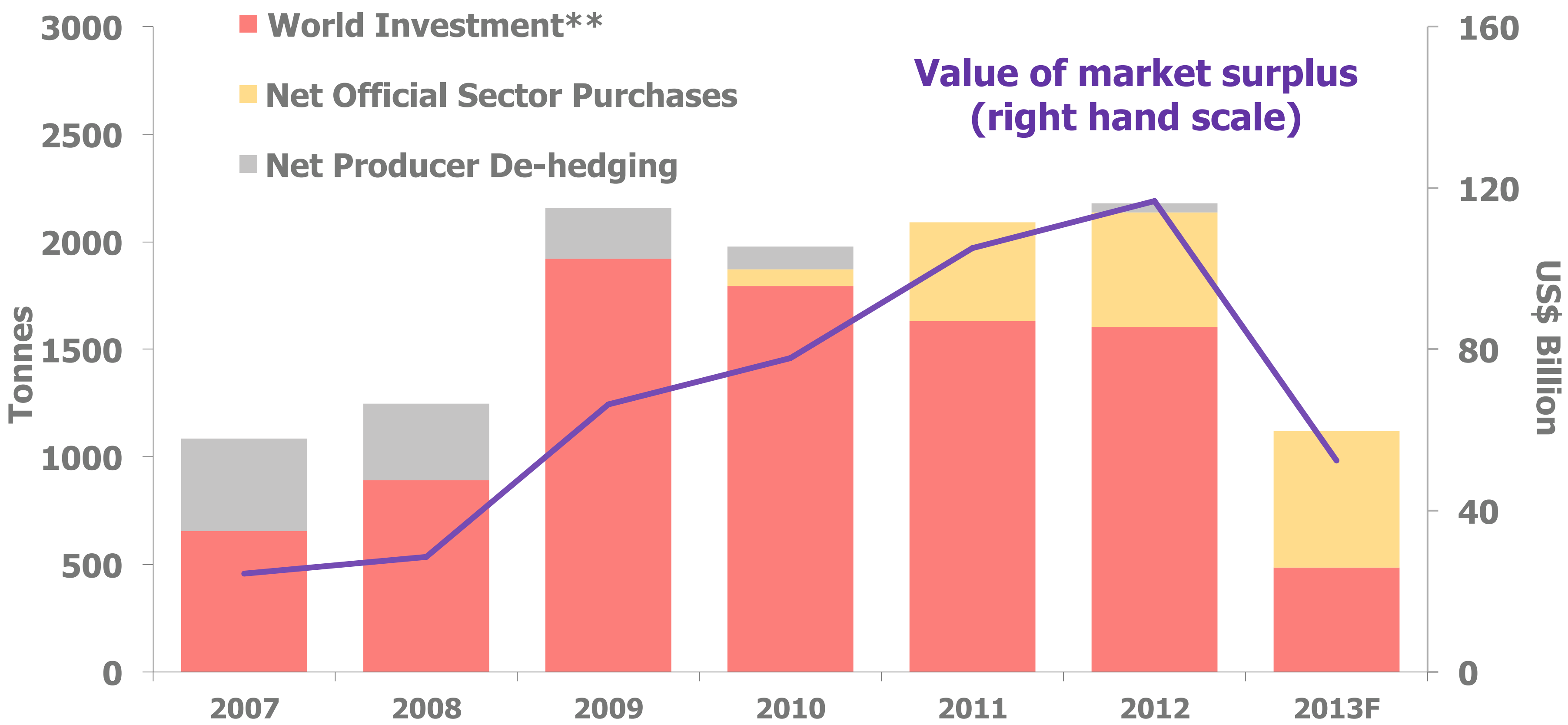
Source: Thomson Reuters GFMS

JEWELLERY FABRICATION VOLUME & VALUE*

* Gold raw material value using annual average prices

Source: Thomson Reuters GFMS, Precious Metals Insights

GOLD MARKET SURPLUS* ABSORPTION

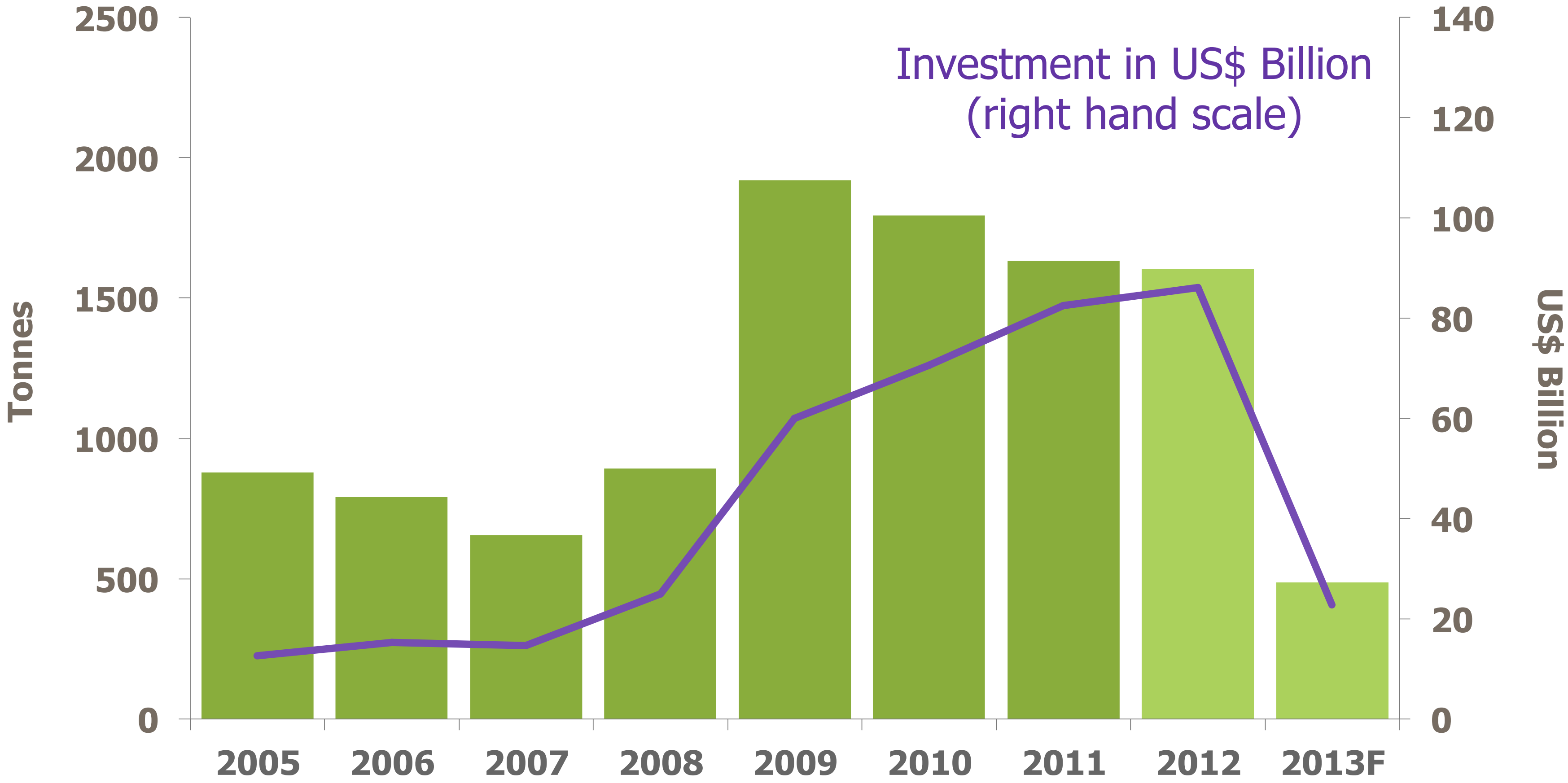


* Mine Production plus Scrap minus Fabrication (excluding all coins);

** World Investment is the sum of Implied Net Investment, Physical Bar Investment and all Coins & Medals

Source: Thomson Reuters GFMS, Precious Metals Insights

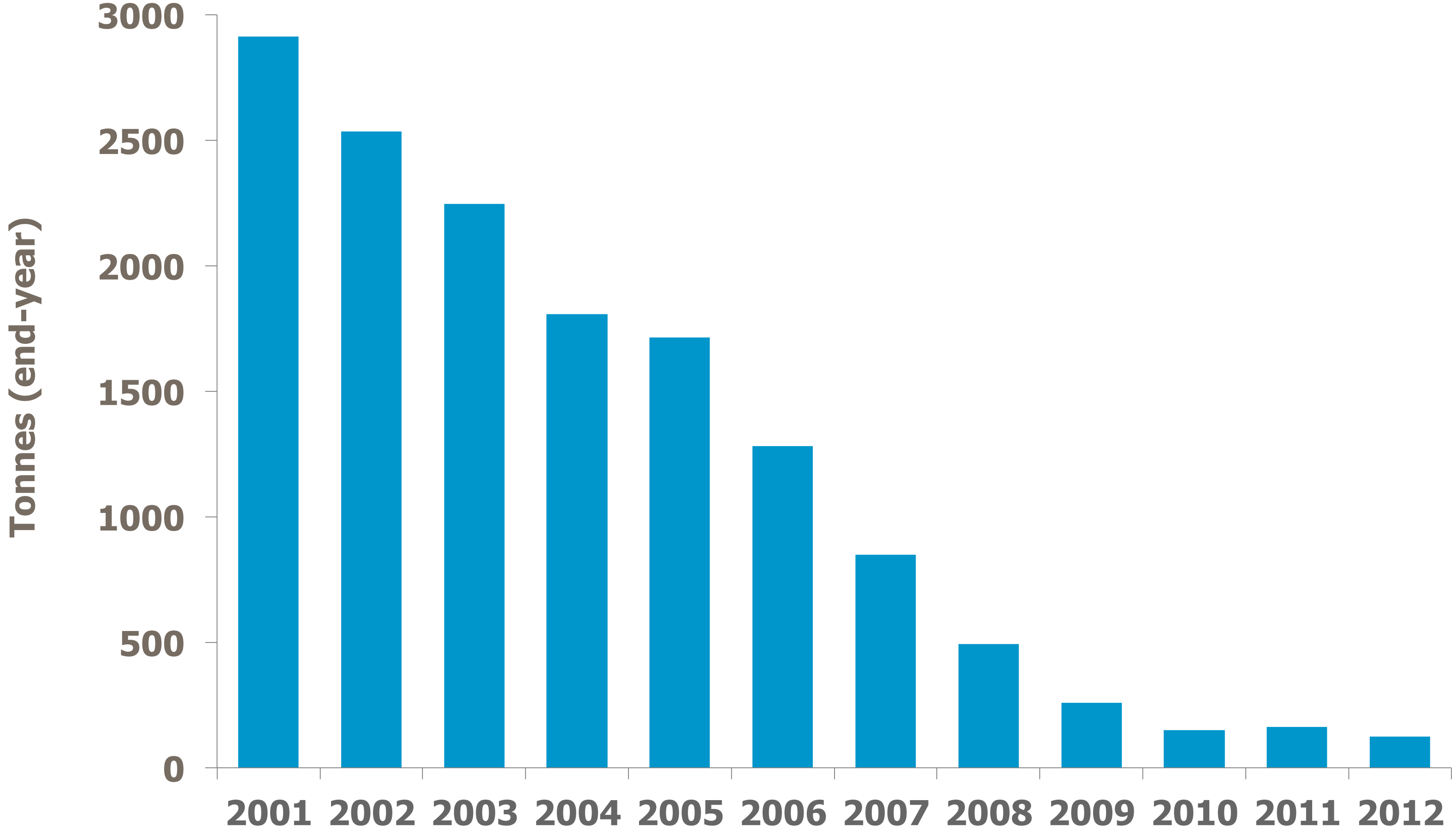
WORLD INVESTMENT*



*World Investment is the sum of Implied Net Investment, Physical Bar Investment and all Coins & Medals

Source: Thomson Reuters GFMS, Precious Metals Insights

OUTSTANDING DELTA ADJUSTED PRODUCERS HEDGE POSITION



Source: Thomson Reuters GFMS

IS THE BEAR TRIUMPHANT or WILL THE BULL EVENTUALLY ESCAPE ITS JAWS?

IS THERE ANY HOPE LEFT FOR THE GOLD BULLS IN THE SHORT RUN?

SHORTER TERM RISKS TO THE BEARISH CONSENSUS

- Economic Growth Disappoints
- US Dollar Weakens Again
- Stock Prices Retreat
- Eurozone Crisis Takes Turn for the Worse
- Geopolitical Risks Grow

SUCH FACTORS MAY SUPPORT A MODERATE RECOVERY IN THE PRICE BUT ARE PROBABLY NOT SUFFICIENT TO RETURN US TO A FULLY FLEDGED INVESTOR-DRIVEN BULL MARKET IN GOLD

IN THE LONG RUN THE BULLS COULD BE BACK!

LONGER TERM, OTHER FACTORS MIGHT YET BE THE CATALYST FOR A RETURN OF INVESTMENT AND MUCH HIGHER GOLD PRICES

- Debt: Public and private sector debt levels in many western countries threaten economic stability and private property rights. Creditors, savers and the wealthy are vulnerable.

- Inflation: Certain major central banks' unorthodox monetary policies could eventually result in much higher inflation. Many governments will welcome this as it would reduce the real burden of debts.

- Currency Debasement: Confidence in the fiat money system requires that the value of money is preserved in the long run through positive real interest rates maintaining at least domestic purchasing power of the currency. This is no longer a 'given' in many key economies.

CONCLUSIONS

- The gold bull market is clearly over ….at least for the medium term future. The best analogy is the post-1974 'mini bear market'.

- There is further potential downside, especially if producers start to hedge aggressively or central banks' purchases slump or 'Asian' demand fails to respond strongly. This could lead to prices 'undershooting'. A dip to sub-$1,000 levels would not be out of the question under such circumstances.

- In the absence of such circumstances, gold should hold above $1,200. Possible price range for the rest of this year and also 2014 would be roughly $1,250 to $1,550. This assumes some recovery after the massive sell-off and the price bouncing off its low.

- Longer run there is a good chance that gold will become more attractive again to investors as both a store of value and an asset with perceived long term upside in a world of declining currency values. Assuming central banks fail their anti-inflation mandates and governments in the US and Europe do not deal properly with their fiscal and institutional challenges then a new high for the gold price is eminently feasible within the next 3 to 5 years.

THANK YOU BULLS AND BEARS FOR YOUR ATTENTION!

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