The Bull & Bear's

GOLD STOCK NEWS

MARCH 2013

Monthly Analysis of Gold Stocks and Precious Metals Trends

GOLD Forecast 2013

The aim of the London Bullion Market Association (LBMA) *2013 Precious Metals Forecast* is to predict the average, high and low price for the year ahead for gold, silver, platinum and palladium as accurately as possible.

Forecast contributors expect all four metals to increase in price during 2013 by at least 5%. Forecasters however, predict that continued uncertainties in the global economy mean that there could be significant volatility in the prices for all metals.

In comparison to the previous few years' double digit performance, 2012 saw only a single digit rise of just over 4% in the price of gold. Analysts are expecting a similar increase in price during 2013, with the average price forecast to increase by 5.3% against the price in the first week of January 2013. Analysts

are certainly less bullish than they were this time last year when they predicted a double digit price increase of more than 10% for 2012. And whilst last year was the 12th consecutive year in which the gold price has risen, it was the also the first year since 2007 not to record a new all time high.

Analysts are forecasting that the gold price will trade in the range $1,529 to $1,914, with an average price forecast of $1,753. Analysts argue that factors which could push the gold price towards the upper end of the range include the expansion of the US balance sheet through QE3, continued weakness in the US dollar, an expected increase in physical demand from China and India, muted growth in the supply of gold as well as an expected increase in net official sector purchases. On the downside analysts cite a strengthening of the dollar, an increase in global real interest rates and a reduction in physical demand, particularly from India and ETF funds, as factors which could push the price towards the bottom end of the range.

Analysts are predicting an increase in the price of all four metals in 2013. They are most bullish about the prospects for silver, citing limited supply growth coupled with increased industrial and investor demand, as positive factors helping to push up the price. They forecast that the average price in 2013 will be $33.21, 9.4% higher than the average price in the first week of 2013, with the price trading in the range between $26.20 and $39.75. Analysts warn that the price may also come under pressure from larger surplus of mine supplies and a downturn in the global economy.

Platinum has been dominated by disruption in supplies as a result of the industrial unrest in

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Gold's Correction Is Not Over!

By Sy Harding
Street Smart Report

Gold created a lot of excitement in 2011 when it spiked up 25% from $1,500 an ounce to a record high of $1,900 in less than two months. That had gold bugs salivating, and widespread projections of $2,500 gold by the end of 2011, $3,000 to $5,000 gold just a year or two away.

There seemed to be sound reasoning for the expectation. In the summer of 2011 the economic recovery had stalled again, the euro-zone debt crisis was at full boil, global stock markets were down (the Dow down 19% from a top in early May). And it had been expected for several years that the Fed's easy money policies would eventually create runaway inflation. More than enough reasons to pile into gold, as a safe haven in a slowing economy and tumbling stock market, and as a hedge against inflation.

As it was spiking up, gold became popular not just among traders and investors pouring money into gold stocks and ETF's, but consumers going after gold coin and gold-bar offerings on the internet, and gold 'stores' springing up like weeds on the streets and highways.

But trends only last until conditions supporting the trend change.

In this case, the stalled economic recovery got back on track, the euro-zone debt crisis faded into the background again, the stock market recovered from its summer correction, and although still expected, inflation had not shown up. Gold topped out as suddenly as it had spiked up, plunging from $1,900 to $1,600 an ounce in five weeks, and to $1,550 by early 2012.

Gold's extreme volatility since its mid-2011 peak has made it a great trading vehicle, but not much of a buy and hold investment, still down $250 an ounce, 13%, from that 2011 peak.

My technical indicators have been on a sell signal for gold since October 16, with a downside target of $1,650 an ounce, with the caveat that if that level did not hold the next potential support is another $100 an ounce lower, at its mid-year low last year of around $1,550.

Meanwhile, gold had become confined within a symmetrical triangle formation of lower highs on the rally attempts and higher lows on the pullbacks. The direction of the breakout from such a pattern usually indicates the direction for a while.

After considerable indecision so far this year, in the last few days it looks like it has broken out of the triangle formation to the downside, making another down-leg likely.

As the price of gold has been dropping, twirling and bouncing 'we buy gold' signs have become dominant on the streets, luring back in those now wanting to sell the gold they're no longer so excited about owning.

I wonder how many gold 'investors' have been surprised to find out that, unlike buying gold stocks or ETF's, gold coins and bars are purchased at retail prices, but sold at wholesale prices, usually around a 20% discount to the prevailing gold price. That can be quite a shock to someone who watches the price of gold fall 20% before deciding to bail out, and then discovers they will face a dealer's 'discount' of another 20% when selling.

In any event, the charts are saying gold's correction probably has further to go. Conditions and situations in the background don't seem to dispute that notion.

The appeal of a safe haven has been fading away (note also the decline in bond prices). The economic recovery is back on track. Inflation remains benign. India, the world's largest importer of gold due to its population's infatuation with gold jewelry, is determined to cool off that demand. India's government raised import taxes on gold in March of last year in its first effort to cool off demand, which may have had an influence on last summer's decline in the price of gold. And last month it increased that import tax again. India has no domestic gold mines and blames gold imports (for jewelry production and investing) for a large portion of its trade deficit, and says it accounts for 80% of the country's current-account deficit.

So looking at technical indications on charts, or fundamental situations in the background, it looks like gold's correction has further to go on the downside before our next job comes into play, determining the next buying opportunity.

Editor's Note: Sy Harding is editor of the Street Smart Report, www.streetsmartreport.com, published by Asset Management Corp., 505 East New York Ave., Ste. 3, DeLand, FL 32724, 1 year, 17 issues, $275. Mr. Harding also publishes the *FREE* daily market blog, www.StreetSmartPost.com. You can follow him on Twitter @ streetsmartpost.

Sy Harding was just named by *Timer Digest* as #1 Gold Timer for 2012 (Gold Timer of the Year), and #2 Long-Term Stock Market Timer for 2012.

'Money Stimulus Marathon' Good for Gold Price

Eric Winmill, mining equities research analyst with Casimir Capital, sees great potential for small-cap metals producers and developers in the Americas –home to good infrastructure, skilled workers and great geology. In this Gold Report *interview, www. theaureport.com, Winmill also explains how "all-in" cash costs are making it easier for companies and investors to understand – and predict – cash-flow generation and identifies companies that he expects to take off.*

The Gold Report: Eric, most of the companies you cover are small-cap names operating one or two mines in the Americas. Is that where investors will make money in 2013?

Eric Winmill: We are seeing a lot of money flowing back into the Americas, along with a lot of merger and acquisition (M&A) activity in the gold space.

This is happening for all the reasons you might expect: access to skilled workers, a highly productive workforce, security of mineral rights, great infrastructure and, of course, great geology. These small- to mid-cap producers with one or two assets are typically ramping up. We focus on finding great teams and great assets as we believe these will deliver the best potential for returns this year and in subsequent years.

TGR: What valuation metric do you use or trust most?

EW: We tend to use price-to-net-asset-value (NAV) multiples. That captures most of the growth in the companies and the projects going forward and allows us to run sensitivities on gold prices and such. In some cases we incorporate price to cash flow, but rely primarily on price to NAV.

TGR: Can you give us a brief overview of Casimir Capital's gold trading range projections for 2013?

EW: Rather than forecasting a price range, we use a fixed value. For 2013 we are using a price of $1,800/ounce ($1,800/oz), a bit above where the quote is now.

"Small- to mid-cap producers with one or two assets are typically ramping up."

I agree with a *Barron's* quote from Darren C. Pollock at Cheviot Value Management LLC, who said, "We are in the middle of a monetary stimulus marathon, this is no sprint." Just about all of the major currencies are "reflating" at the moment. Against that backdrop, we are bullish on gold prices through 2013 and into 2014.

TGR: Does your spot price drop in 2014?

EW: Under our peak-pricing scenario, we forecast $1,900/oz in 2014. We move to a long-term price of $1,400/oz after 2016.

TGR: Since mid-July 2012 you have turned over or dropped 6 of 15 the companies you cover. Why such significant change?

EW: It really is not as significant or as unusual as it appears. One company, Prodigy Gold Inc., was taken out by **Argonaut Gold Inc.** (TSX: AR). That is the kind of scenario you want to see.

"It is all about a renewed focus on smart projects and efficient capital allocation."

Three others were transferred to a colleague who joined us last summer. He had covered those firms at his prior shop and it made sense to hand them over to him.

The remaining two names were ones I covered with my previous company. When I joined Casimir, I inherited 10 names that demanded a lot of time although I would look to relaunch on those going forward.

TGR: Of the 10 companies, which is the most likely to receive a takeover offer?

EW: That is a good question, given that takeover "optionality" is a part of what we look for in the companies we cover. We see takeover potential underpinning or sweetening the valuation. However, looking solely for takeover targets as an investment strategy is not really our mandate.

Nonetheless, as companies surface value in their key assets, it is natural to suspect that they might be takeover targets. One example is **Luna Gold Corp.** (TSX.V: LGC), which is ramping production at its Aurizona mine in Brazil. Next year, production will reach 125,000 oz (125 Koz)/year. The company has a long-term plan that could take production up to 300 Koz/year or even 500 Koz/year. That kind of asset

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could be very attractive to midtier or even senior gold companies.

TGR: What are the longer-term expansion plans at Aurizona?

EW: Luna Gold has a very clear expansion strategy at Aurizona. The company is working through a phase 1 expansion right now. In the next few months we expect news on a phase 2 expansion that could add another 100 Koz/year or more.

Looking down the road, Luna Gold has a very promising property right next to the Aurizona property called Luna Greenfields. The company intends for that to be the source of its next gold mine. Including underground potential, it could drive production to 300–500 Koz/year.

TGR: Does Luna Gold plan to mine the high-grade portion of that first to generate early cash flow? If so, could we see a slight drop from production at Aurizona over the next couple of years?

EW: I would not call it "high-grading" per se. Right now, Luna is mining a lot of the near-surface saprolite-type ores. These are very easy and cheap to process. Down the road, the company plans to do some crusher improvements to facilitate processing of more of the deeper fresh rock ore.

TGR: How do Luna Gold's cash costs of roughly $705–715/oz compare with other companies of similar size?

EW: Luna Gold would probably be on the lower end of the junior to midtier gold producers.

In Luna Gold's latest guidance, it presented an "all-in sustaining cash cost" measure. This is a new trend in the industry to help investors understand better which companies are adding cash to the balance sheet. Luna Gold is suggesting a 2013 all-in cost just over $1,000/oz. I think that stacks up very well against the juniors and even the midtiers and some of the seniors.

"The industry trend toward reporting all-in sustaining cash costs should help investors make better decisions."

Another interesting company is **Eastmain Resources Inc.** (TSX: ER), which is exploring its Eau Claire deposit in the James Bay region of Québec, Canada. **Goldcorp Inc.** (TSX: G; NYSE: GG) recently increased its stake in Eastmain to 9.9%. Eau Claire is right next door to Goldcorp's Éléonore project. It is fair to say that Goldcorp is watching very keenly what is happening there. Eau Claire has to be on the radar screen of a lot of potential acquirers.

TGR: Eastmain has a Measured and Indicated resource of 2.5 million ounces (2.5b Moz), and your valuation puts those ounces at roughly $100/oz in the ground. Is that a bit high given the devaluation of ounces-in-the-ground resources we have seen recently?

EW: We think $100/oz is a reasonable number in this instance. In the M&A landscape certain assets are commanding a real premium in the eyes of acquirers. Often those are very high-grade deposits with great infrastructure or great synergies with established companies. In those cases, it is not unreasonable to think that large premiums could be paid.

TGR: What advantages does Eastmain have over other similar-sized companies?

EW: One advantage is that Eastmain is operating in the Americas, and in Québec in particular. It is a great spot for exploration projects. Eastmain has good access to infrastructure, skilled talent and world-class geology: high-grade results near surface and at depth and a deposit that is wide open in many directions.

TGR: Doesn't an average of roughly 4 grams per ton (4 g/t) in an open-pit scenario seem quite positive?

EW: Yes, that is one of the reasons we like it. In 2013, we should see Eastmain do about 25,000 meters (2,500m) of drilling at its flagship Eau Claire project.

TGR: Of the companies you cover, some are up and some are down. Of those that are down, which is the most likely to rebound from a tough year in 2012?

EW: There is no doubt that the junior to mid-cap sector has been challenging for investors in the last 12 months. However, we are looking for catalysts in 2013 from a number of companies.

Luna Gold's expected news about its phase 2 expansion should be positive for that stock. Another is **St Andrew Goldfields Ltd.** (TSX: SAS), an underground producer in the Timmins Camp. The company is completing a bulk sample from its Taylor underground project in 2013. As St Andrew continues to demonstrate consistent results, its shares could move higher.

TGR: St Andrew met its production guidance for 2012. What is its forecast for 2013?

EW: In 2013, we have St Andrew producing just over 100 Koz. The company is scheduled to release financial results later this month, which should provide more clarity on the 2013 outlook.

TGR: What are its cash costs?

EW: We have cash costs at about $960/oz.

TGR: Production of 100 Koz in 2013 would be about 6 Koz over 2012. Where else does St Andrew's long-term growth lie?

EW: When the company brings the Taylor underground project on-line, it will have four mines in production. We could see production climbing to over 125 Koz/year by late 2013, early 2014.

TGR: Last month you launched coverage of **Veris Gold Corp.** (TSX: VG; OTCBB: YNGFF), previously called **Yukon-Nevada Gold Corp**. (TSX: YNG). Veris is slated to dramatically increase gold production in 2013. What should investors expect from Veris this year?

EW: We see 2013 as a very exciting year for Veris. The company owns and operates the Jerritt Canyon mine in Nevada. This is a storied asset that has produced nearly 8 Moz of gold since the early 1980s.

In 2012, the company produced 108 Koz gold. This year we could see production upward of 170 Koz from three underground mines.

One of the big catalysts we are looking for from Veris is its plan

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Atna Resources Producing Gold at the Pinson Underground Mine, the Company's 2nd Mine in Its Western U.S. Development Portfolio

Targeting Annual Gold Production of 300,000 Ounces

2013 is shaping up to be a major expansion year for Atna Resources Ltd. (TSX: ATN; OTC QB: ATNAF), as the company advances development at multiple mines and puts itself firmly on track to triple its gold production profile.

Gold production in 2012 at its flagship Briggs Mine in California totaled nearly 37,000 ounces of gold, virtually all of which were sold at record high prices for the company. In addition, the company made its first commercial gold shipment in December 2012 from its Pinson Mine in Nevada. Expanded operations at both Briggs and Pinson are expected to lift Atna's annual gold production to between 102,000 and 115,000 ounces of gold in 2013.

"We expect 2013 will see a substantial increase in Atna's gold production as Pinson transitions from development to gold production," says Atna Resources President and CEO James Hesketh. "Once this is completed we plan to accelerate development at our Reward Gold Mine, which will further increase Atna's gold production and financial strength."

Atna Resources has set itself an aggressive goal of producing upwards of 300,000 ounces of gold annually from four operating mines. The Briggs and Pinson mines alone have the potential to produce up to 200,000 ounces a year. Once the Reward Mine in Nevada comes on line in 2014, Pinson's production is expanded to include open pit operations, and production begins at the company's Columbia Project in Montana, Atna will be well within range of meeting its 300,000 ounce goal.

"Our primary focus this year is to get the Pinson Mine fully operating, to develop a solid cash flow, reduce our debt and start development at the Reward Mine," says Hesketh. "We have a fairly ambitious game plan for the next two years. We are building a real mining company."

Growing Gold Production at Briggs, Pinson Resulted in Record Year for Atna

2012 was a banner year for Atna Resources – a strong performance amply reflected by a 30 percent hike in the company's share price and a 60% increase in overall market capitalization.

The year was marked by a 14% increase in gold sales and a 20% increase in sales revenues boosted by a 5% increase in gold sale prices. Market confidence in the company's strategic plans resulted in a mid-year $17.25 million oversubscribed bought deal financing led by Canaccord Genuity Corp. and including NCP Northland Capital Partners Inc. By the end of 2012, Atna had $19.3 million in cash, most of which will be used to further development at the Pinson and Reward projects. Full financials can be viewed on the company's website.

"We are in good shape financially," says Hesketh. "We own all of our projects and are building a true mining company the old fashioned way – with a long-term strategy that ensures that we do not get over-extended, builds our gold production incrementally and focuses on maintaining a clean balance sheet with growing cash flow."

Pinson Gold Mine to Become a Significant Gold Producer for Atna

Atna Resources' Pinson Gold Mine, located in a gold-rich area of Nevada, has the potential to become a major gold producer. With commercial production initiated, the company recently received a crucial permit that will allow it to construct and operate an

Atna Resources' Pinson Underground Mine in Nevada expected to produce 550,000 ounces of gold over the next six years from current reserves.

underground mine. The permit authorizes Atna to construct, operate and extract up to 400,000 tons of ore a year for offsite gold processing. Previously, Atna was only allowed to mine up to 36,500 tons of ore a year at the Pinson Mine.

"This is a major development for Atna's future growth and profitability," says Hesketh. "We expect production at Pinson to steadily increase through the year with significantly higher levels of gold production in the second half of 2013."

Exploration drilling at Pinson continues to confirm high gold grades within the underground mine. In December 2012, drill results included up to 45 feet grading at 0.911 oz/ton gold (31.2 g/t gold). A technical, NI 43-101-compliant study conducted in 2012 projects a minimum six-year mine life at Pinson, recovering about 550,000 ounces of gold at a rate of about 90,000 ounces a year from current proven and probably mineral reserves.

During 2013, underground mine expansion at Pinson will include development of spiral ramp access and multiple laterals to ore stoping areas, along with development of underground infrastructure including ventilating, water compressed air, maintenance facilities and ground support, as well as completion of surface infrastructure and dewatering wells. In 2012, Atna drove 1,192 feet of new ramp access and 2,140 feet of spiral, laterals and underground development work. An onsite assay lab is now in operation.

"The goal for 2013 is to end the year with a total of nine operating ore stoping areas with additional stopes continuously developed to replace depleting stopes," Hesketh says. "With underground truck haulage, the number of working faces should achieve a daily production rate of 800 to 1,000 tons of ore."

In addition, the Pinson project actually hosts a second mine – an open pittable source of gold where drilling has revealed up to 238 feet grading at 0.041 oz/ton gold (1.40 g/t gold). Pinson previously operated as an open pit mine, shutting down in 1999 due to low gold prices.

Focus on Western U.S.

Atna's goal is to become the next mid-tier go producer by incrementally building annual gol production to over 300,000 ounces. The company creates shareholder value by leveraging production to gold price, increasing its resource and reserve base through brownfield site exploration, and using cash flow and equity appreciation to drive acquisitions and merger based growth. Pictured below:

- *Top Left:* Gold pour at Briggs Mine
- *Bottom Left:* Gold doré bars from Briggs
- *Top Right:* View of Briggs Open Pit Mine
- *Bottom Right:* Miners exiting Pinson Underground Mine

Now that prices have risen substantially, Atna is considering reopening the pit, which it believes has the potential to produce up to 100,000 ounces of gold annually.

One major advantage for Atna is that it does not have to build a processing plant at Pinson. The mine is located on Nevada's prolific Getchell gold belt and Atna will be hauling its ore to nearby processing facilities operated by Barrick Gold Corp. and Newmont Mining.

"Pinson is on fast-track development, particularly because of third party processing," says Hesketh.

Commercial gold production at Atna Resources' Pinson Mine's underground and open pit operations in Nevada expected to reach nearly 200,000 oz/year by 2016.

Reward, Colombia Mines Lead Strong Portfolio of Development Projects

2013 will be an important year as well at Atna's open pit heap leach Reward Project in Nevada. Atna is planning to jump start development of that mine once solid cash flow from production is established at Pinson which will enable the company to also reduce debt – perhaps as soon as mid-year.

A technical report produced in 2012 extended the Reward mine life span by two years and it now has a projected six-year life span, projected to produce gold at an annual rate of about 35,000 ounces – equivalent to an NPV of $100 million (at a gold price of $1,500 and a discount rate of 5%). The company commenced a drill program in February 2013 to further expand the mine life.

Once Reward is in production, Atna's will turn its attention to its Columbia Gold Mine Project in Montana, which it would become the company's fourth operating mine. Atna is planning a feasibility study at Columbia later this year, and will seek expanded permitting for further development and operations. Columbia has a solid resource base: 741,000 ounces of gold (measured and indicated) plus and additional 453,570 ounces inferred. Once in operation, Columbia is expected to produce about 70,000 oz. of gold annually.

"We have a very large pipeline of development projects that we plan to bring in sequentially over the next four to five years," says Hesketh. "At that point, we will have four complete units producing between 250,000 and 300,000 ounces of gold a year."

Investment Considerations

Atna Resources is an impressive mining company poised to enter the ranks of mid-tier producers – its assets include two operating mines, two advanced properties nearing production, an impressive portfolio of exploration properties, significant reserves (1.2 million oz/Au) and resources (3.9 million oz/Au), a swiftly diminishing debt load, and most importantly operations in one of the lowest geopolitical risk areas of the world, the Western U.S.

Given the current price of gold and Atna's full production cost (including direct costs, royalties, depreciation and taxes) of about $1,100/ounce and basic cash cost of about $930/ounce, there is ample room for profit as Atna expands production at its Briggs and Pinson Mines – money the company intends to put right back in to developing its third and fourth gold mines.

"We have maintained a pretty consistent financial focus since we began mining operations in 2009," says Hesketh. "We are building a truly sustainable, mid-tier gold production company with the potential for half a billion dollars a year in revenues."

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'Money Stimulus Marathon' Good for Gold Price

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to do toll milling. The company's roaster in Nevada has spare capacity to treat refractory ore. We expect Veris to start toll-milling third-party ore. This could generate significant revenue and help drive its cash costs down.

The company also has a huge land package in Nevada: 120 square miles only 35 miles from the Carlin Trend. It contains some very interesting targets that Veris plans to drill off later this year.

TGR: Veris had some exploration success at Jerritt Canyon, too. One hole hit 49.7m of 8.3 g/t gold. What did you make of that?

EW: Those results were from the Smith underground mine and are indicative of the type of high-grade results we might see going forward. It is a prolific district with a long history of production and the right kind of geology for new discoveries as well.

TGR: You have a buy rating on Veris and target price of $3.80, correct?

EW: Yes.

TGR: Of your strong buy ratings, we have talked about two of them – Luna Gold and St Andrew. What are the other two?

EW: They are **Sandstorm Gold Ltd.** (TSX: SSL) and **Brigus Gold Corp.** (NYSE.MKT: BRD; TSX: BRD).

Sandstorm is a gold royalty and streaming company. It has a portfolio of producing assets and is different from a traditional gold producer in that it provides early-stage financing in exchange for a portion of the gold sales. Nolan Watson and his team have done a terrific job of creating value. Investors get a lot of upside participation in gold prices without the traditional operating and capital expense risk.

TGR: It certainly seems to be an almost ideal way to play the space. Does Sandstorm have enough production coming onstream to get royalty streams at good prices?

EW: Absolutely. Sandstorm has a very full pipeline of deals. It just acquired a 60% interest in **Premier Royalty Inc.** (TSX: NSR), a new royalty company that just started trading in December 2012. The fact that Sandstorm has taken control is indicative of the kind of innovative, value-added transactions we think investors can look forward to.

TGR: And Brigus?

EW: Brigus has the Black Fox mine in Timmins. It is an open-pit and underground mine that Brigus has done a great job on, ramping up production. The company recently brought on Daniel Racine as chief operating officer, and he has just assumed the role of president. Racine has worked at **Agnico-Eagle Mines Ltd.** (TSX: AEM; NYSE: AEM) for many years. Brigus has put together a really strong team and the result can be seen in its latest production results. Cash costs are declining and production is increasing. Longer term, Brigus is drilling off its Grey Fox property, not far from Black Fox, and hopes to bring it into production in early 2015.

TGR: Other pundits in this space believe that a business combination of Brigus and St. Andrew makes sense. Do you agree?

EW: Certainly, when you look at the land map of the two companies' assets, there could be operational synergies. But I really could not speak to any of the particulars of that kind of a combination.

TGR: What are the biggest catalysts for Brigus in 2013?

EW: We should see the company's financial results for Q4/12 by the end of March.

We anticipate a feasibility study of Grey Fox in the latter half of 2013. The company is talking about 2013 production of 90–100 Koz, up from 77 Koz in 2012. It could be an exciting year for Brigus.

TGR: A couple of years ago Brigus was in turnaround. Is that process complete?

EW: The company has been growing production at Black Fox and the latest results suggest that the operation is hitting its stride.

TGR: Can you give our readers a reason or two to be hopeful in 2013, after a difficult 2012?

EW: I think the industry as a whole has gotten the message loud and clear that it is all about a renewed focus on smart projects and efficient capital allocation, not just growth for growth's sake. In addition, the industry trend toward reporting all-in sustaining cash costs should help investors make better decisions about which companies are really adding cash to the balance sheet.

TGR: Eric, thank you for your time and your insights.

Editor's Note: Eric Winmill joined Casimir Capital in 2012 as a mining analyst in the Equity Research Department. Winmill has 14 years of capital markets' experience, primarily in the evaluation and analysis of precious and base metal projects around the globe.

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Gold: A Top, or Preparing for New All-Time Highs?

James Dines
Editor, *The Dines Letter*

James Dines: "Comparably, gold bullion is now considered "useless" in relation to currencies, scorned as a wasted effort to dig out of a hole from a mine worldwide and store in a hole in Fort Knox. We obviously did not discover the usefulness of gold in monetary matters, but we understood it at first sight – and your editor got fired from his Wall Street job for daring to insist on its validity. Even now, in many discussions on gold's function, the argument that it is of no use is still occasionally hoisted, especially by Keynesians, who despise gold because they can't print it. Communist hero Vladimir Lenin used to boast that gold was so useless, "We shall use gold for the purpose of building lavatories in the streets," (see our *The Invisible Crash* book, paperback, www.dinesletter.com).

Gold's function is that of a circuit breaker protecting against excess printing of paper money that steals more proportionally from the poor via inflation. We were willing to stand alone against the Mass, but it's getting tiresome to yet again have to confront the cliché of "useless gold." Are there any other inane clichés against gold? Yes, plenty. Another is, "Gold cannot be used as a monetary base because there's not enough of it," ridiculous because the price of gold could be raised to whichever level is necessary – it is the quantity of gold, not its current price in today's corrupt paper currencies, that will count.

Our last Major "Buy" signal on gold bullion was on 25 Sep 2001, when we added many new gold-stock recommendations at bargain-basement low prices. Since 2001, it was followed by a higher gold price for nearly 12 consecutive years, (up 7% in 2012), an amazing performance not matched by any other investment category of which we are aware. Last year the price of gold finally flattened out at very high levels, between around $1,540 and $1,790.

Yet, there was Warren Buffett on CNBC international channel last year, heaping scorn on gold as an investment. Hailed by many as the world's greatest investor Mr. Buffett exclaimed that his position has always been that "Gold doesn't do anything. It just sits there. It cannot grow." TDL's long-term position is likewise unchanged. Instead, Mr. Buffett prefers stocks whose companies expand and "grow," but he doesn't appear to grasp that much of that so-called growth represents more government-printed paper – which buys fewer goods and services due to inflation – and that very difference is represented by the higher gold price that he was unable to predict or comprehend even now!

Despite buffeting by Mr. Buffett, our unshakable long-term bullishness on gold is based on the view that the money Washington "creates" out of thin air chasing each ounce of gold means higher gold prices, an ineluctable expectation. Same for silver, a coin good as gold anywhere in the world, regardless, of what's stamped on it. Platinum and palladium are valuable to lesser degrees because they are not seen entirely as monetary metals yet, but we predict they eventually will be – even rhodium – when gold and silver prices go high enough; we long ago baptized silver as "the poor man's gold," that platinum would someday be known as "the rich man's gold" and palladium as "the rich man's silver." We remain long-term bullish on them all.

Which leaves us with a further question for serious investors, as to why gold and silver mining shares have not been rising commensurately with their bullion prices. A simple answer might be because of the costs of extraction are already included in gold coins. Miners are confronted with such future variables as fuel and labor prices, also some governments greedily grubbing to grab the gold of goldbugs. Counter to that thought however, is that gold miners maintain their "wealth in the ground," untaxed until it is extracted, perhaps until a day when taxes are lower – or gold prices are higher. Thus, in theory, gold-mining stocks should be outperforming gold bullion, especially since at higher gold prices much ore that had been too sparse to be commercially minable (the proverbial "moose pasture") suddenly becomes a gold mine. Indeed the advantage of gold stock leverage has occurred in the past and will do so again.

GOLD STOCK NEWS

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Perhaps gold stocks are underperforming bullion because of anticipated rising expenses during the coming transition to inflation that would price some gold-mining companies out of the market. The other side of the coin is that a sudden stampede driving gold bullion higher could more than catch up with inflation and drive gold stocks to outpace the metal. That's why we recommend holding all facets of the precious metals, hoping that at least some soldiers get through. Even gold coin sales continue at steadily significant levels, as paper money is exchanged to gold. We have also always recommended never keeping wealth on your person or anywhere near you residence.

To be fair, many gold stocks have risen with gold bullion, albeit not as much, and have also been more volatile than the 12 straight years of rising gold prices. Granted, some of the cause is correctly ascribable to the Mass Psychology of those individual investors who buy gold stocks as compared with gold bullion bars: jewelers, banks, governments and far-sighted TDLrs. But gold shares are also affected by political risk, as for example when socialist Bolivia stole (er, "nationalized") its silver mines. Some mine locations are thus more attractive than others. TDL keeps in mind that nowhere is totally "safe," but that likewise applies to gold bullion itself, even though coins could at least be moved to some extent.

We believe that the mystery might be solved by a shocking prediction we made a long time ago of "the world's coming peak gold production"! if not already here, we must be getting close. The planet has been scoured for gold since antiquity, and it already takes processing *one ton* of earth 2,000 pounds, to extract around one *gram* (!) of gold, the weight of paper clip. The high costs of the necessary chemicals alone is a limiting factor on gold mining.

What might this bold prediction mean to the gold-mining industry? As with oil, once all the gold is extracted it is gone forever. Whether or not the gold price rises enough to meet rising costs and other risks, gold mining will eventually end on this planet. In other words, some gold might still wait in the ground but it wouldn't be commercial, so the industry would slowly grind to a halt, mined out. It's difficult to imagine.

Hold on, we ourselves challenged that chilling conclusion. If mines closed and the supply of gold naturally plunged, wouldn't the law of supply and demand itself then push gold prices high enough to make additional mining commercial again? And wouldn't mining companies merge with each other to cut costs and replace the reserves inexorably mined each year? Yes and yes, as recent gold acquisitions and a higher gold bullion price already tend to confirm our prediction of the bullishness of a gold production peak!

Bottom line, how do we lead our loyal, long-term TDLrs through those future probabilities? Gold will be a refuge, despite near-term volatility, by investors whipped by the vicissitudes of Mass emotion, but we recommend that you hang on to your life raft. Since there is no monetary substitute for gold and silver, and accepting that no investment is totally safe these days, our precaution is to invest in both gold and silver bullions and their miners. Obviously, if comparatively safe geopolitically, properties whose mine's gold content is higher in terms of gram/ton would rise faster. And we factor that into our gold recommendations.

If our predictions of inflation, and a possible hyperinflation, unfortunately come true due to the WEE's (Washington Economic Establishment) reckless overprinting of paper money, and mining becomes increasingly uneconomic, the upward pressure on gold bullion prices would thus become unstoppable. We have covered the various ways we recommend investing in gold bullion many times, summarized in our *Goldbug!* book, and coins in particular. We will focus on more gold share recommendations this year as we perceive opportunities emerging for our TDLrs, diversifying is possible.

One area of concern is South African gold mines, gripped in labor turmoil and stoked by a widening wealth disparity between rich and poor, we have nonetheless been long-term holders and enjoy their above-average dividends. But revolutions are brewing worldwide, so we have mixed feelings, grading them "Hold" but not committing new capital just yet because the outcome is not clear enough. We are watching closely however, and personally believe that South-African golds will eventually emerge bullish again, because all that gold underground is simply too valuable to be abandoned.

The conclusion is: we are still long-term bullish on gold and silver. As emotional metals they will have their ups and downs – which we have always judged to be buying opportunities. The above thinking is as far as we have gotten to date. The first 110 pages of our *Goldbug!* book is a history of the truth about gold that took us many years to research and write, which we've seen nowhere else, providing a deeper understanding of where gold investing came from and intellectually extrapolating where it will probably go – written by "The Original Goldbug."

Editor's Note: *The Dines Letter* is one of the best-known and oldest stock-market newsletters of its type in the world. Basing its recommendations on Mass Psychology, Technical Analysis and Fundamental Economics, *The Dines Letter* offers explicit advice on stocks, gold and silver stocks, commodities, currencies, the economy and the overall international outlook.

Goldbug! Originally published as *The Invisible Crash*, the newly updated Goldbug! book written by Mr. Dines, "The Original Goldbug" himself is the third and final edition. The book can be ordered by calling the order desk at 1-800-84-LUCKY or from the website, www.dinesletter.com.

KITCO NEWS, Market Nuggets, a daily column providing up to the minute coverage on the precious metals sector at www.kitco.com.

Adrian Day Looks For Gold To Recover From Recent Weakness

Adrian Day, president of Adrian Day Asset Management, looks for gold to rally from recent weakness. Some of the factors driving down gold over the last five months include improving U.S. economic data, concerns about when the Federal Reserve might eventually end quantitative easing, a lessening of the eurozone crisis and an exodus from gold by hedge funds at year-end. Still, Day points out, while the U.S. economy is improving, it also is not robust and Japan and Europe reported weak gross-domestic-product data last week.

He looks for continued accommodative monetary policy in the U.S., Japan and U.K. "Though 'some members' of the FOMC think bond buying should end, the Fed has made clear that the 'very accommodative' monetary policy would continue, even after the economy had improved," Day says.

He calls reduced fund holdings of gold a "positive sign" for contrarians, commenting that hedge funds that jumped to stocks may turn back to gold at the next budget impasse in Washington. Another contrarian indicator is the apparent rapid increase in short selling. "What has been sold short, has to be bought back eventually," he says.

"One can't be sure how much lower or for how much longer gold will fall, but we are closer to the bottom than the top, for both gold and gold shares....The fundamentals remain positive for gold, while valuation indicators for gold and shares are near long-term lows. The clear breakdown of budget talks may provide the trigger for selling the stock market and moving back into gold," says Day.

Fears Of Another Hike On Gold Import Duties Could Boost Near-Term Demand In India

India's gold demand may pick up in the near term on concerns of another tax hike ahead of the country's annual budget review, says HSBC. India's finance minister is scheduled to present the union budget to Parliament on Feb. 28. Back on Jan. 21, India raised taxes on gold imports to 6% from 4% in an attempt to redress the country's trade deficit. "This was not a surprise to the bullion market as the Indian government gave ample notice for the potential of a tax hike in gold imports," HSBC says.

"The Bombay Bullion Association recently noted that India imported 100t of gold in January, the highest in 18 months, as the bulk of the imports came ahead of the tax increase."

HSBC says the chairman of the All India Gem & Jewelry Trade Federation indicates there are now concerns that the Indian government may increase the duty on gold to 8% as part of the upcoming annual budget proposal, and this in turn may mean less bullion imports this year. "While higher import taxes may have longer-term implications to Indian gold demand, similar to earlier in the year, merchants may choose to purchase bullion ahead of the budget proposals and subsequent potential tax hike, in our view,"

HSBC says. "A pick-up in Indian gold buying may help support the bullion market and stem further losses, we believe."

Allen Sykora of Kitco News

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GOLD NEWSLETTER, 111 Veterans Memorial Blvd., Metairie, LA 70005. Monthly, 1 year, $198. www.goldnewsletter.com.

Running out of time

Brien Lundin: "Gold is facing a deadline. While we're barely one-twelfth of the way into the year, if we're going to enjoy a typical spring rally that corrects around the beginning of summer...well, time's getting short.

I'll admit to some frustration at being teased by a prompt, but painfully short, surge in gold as the year began. The U.S. Congress and the Obama administration executed a picture-perfect bungee jump, plunging over the "fiscal cliff" just momentarily, before striking a deal that avoided more draconian tax hikes.

The deal eliminated the most proximal bout of uncertainty in the investment markets, and therefore quickly killed off the hours-long gold rally.

Since then, gold has been executing a few bungee oscillations of its own – reaching the bottom of the rubber rope before bouncing higher after GDP numbers showed the U.S. economy actually contracted by 0.1% in the fourth quarter and after the Federal Reserve remained on its QE course in its latest policy statement.

Over most of January, however, economic prospects brightened and gold continually failed to break through $1,700. This led investors to focus more on equities, robbing gold of potential speculative fuel for its bull market.

There's no doubt that gold's failure to get going in the New Year, and especially its weakening technicals, have been worrisome. Even with its most recent bounce, it remains below the key $1,700 benchmark that it must surpass to ignite speculative passions once again.

While it's only February, the harsh truth is that there's not much time left for gold to begin putting in a seasonal rally. However, there are some interesting developments that could change things in a flash, and dramatically so.

At the same time, we have to recognize that gold has been doing the same thing it has done throughout this long bull market: Trying to shake out the weak hands, and even some of the relatively strong ones."

GOLD Forecast 2013

Continued from page 1

South Africa, which accounts for 75% of total world supply. This is expected to continue and together with continued growth in markets, such as China, mean that analysts are bullish about the prospects of platinum, forecasting an average price of $1,682; 6.8% above the average price in the first week of 2013.

The price of palladium is also expected to benefit from a negative impact on supply, in particular from a continued slowdown in sales from Russia, where stockpiles appear to be depleted. Analysts cite supply constraints coupled with increased industrial demand, particularly from the autocatalyst market, as factors which could see the average price in 2013 rise to $744, a $100 increase on the average price in 2012.

Analysts participating in the LBMA Forecast have an excellent record in predicting the direction of the gold price movement. Indeed analysts have correctly predicted the direction of the gold price every year (with the exception of 2004) since the Forecast Survey began in 2001. This is an excellent record which compares impressively against other forecast surveys. The gold price has risen four fold in the last seven years and analysts are predicting a further increase of 5.3% in 2013. And if forecasters' predictions prove as accurate this year as in previous years then we are all set for a further increase in the gold price during 2013.

William Adams
Fastmarkets, Salisbury
Gold: Range: $1,620 – $2,020
Average: $1,765

We remain bullish for gold as we feel creditors of US and EU debt (we are not so worried about Japanese debt) will become increasingly nervous about how the debt is managed. Will the debtors be tempted to debase the currencies in which the debt is denominated? In addition, we feel the legacy of all the quantitative easing that has been done could well stoke inflation once economic growth in the US and China gathers momentum, which we think we will start to see in 2013. Central banks, we feel, will be reluctant to tighten monetary policy in fear of stifling the recoveries and that may well mean inflation gets a head start. Overall, we feel with so much debt denominated in fiat currencies, creditors will want to reduce exposure to fiat paper in order to protect the value of their wealth.

Robin Bhar
Société Générale CIB, London
Gold: Range: $1,400 – $1,800
Average: $1,700

Gold will be underpinned by renewed fears of inflationary forces and currency volatility, while the US dollar is also expected to remain relatively weak on the back of QE3 and the possibility of other monetary tools designed to help offset any headwinds from fiscal consolidation. That said, we believe that much of these forces are priced into the market and that, while investors remain friendly towards gold, they are to some extent positioned accordingly. The official sector is expected to remain on the buy side, reflecting a continued desire for reserve diversification, helping to keep the future price decline reasonably gradual.

Daniel Brebner
Deutsche Bank, London
Gold: Range: $1,525 – $2,000
Average: $1,860

Of course, gold cannot tarnish in the physical sense, but certainly from an investment perspective, our conviction for continued structural strength in the gold market is being tested. There are legitimate arguments being made with respect to an inflection in performance, reversing a 10+ year trend of appreciation.

Global investment demand for gold has moderated considerably over the past 18 months (down c. 16% year on year for Q3 2012), largely a function of the apparent success of central bankers in mitigating the risks associated with excessive financial leverage within the Western economic system. The strength in other more conventional assets, US equities for example, as economic conditions appear to normalise has also resulted in less urgency for investors to buy unorthodox investment instruments such as gold.

There is a growing conviction by many investors and analysts that the US dollar is likely to strengthen over the longer term. US energy independence is a key contributor to this theme. Certainly, a strong dollar would mitigate upside for gold in dollar terms. Finally, we note that the US Fed's latest minutes suggest that there may be earlier-than-expected policy tightening. Several board members "thought that it would probably be appropriate to slow or stop asset purchases well before the end of 2013, citing concerns about financial stability".

Despite the issues highlighted above, we are not convinced that the Western economies have kicked their addiction to zero-cost funding, particularly given the importance of growth for this highly indebted region. On this basis, and given the likelihood that Chinese demand remains robust, we expect that gold should continue to appreciate over the course of the year.

Suki Cooper
Barclays Capital, New York
Gold: Range: $1,540 – $1,900
Average: $1,778

Lack of conviction has tainted gold price action, and gold has struggled to establish its identity as a safe-haven asset, instead rallying amid a risk-on environment. The hurdles for gold are mounting from dollar strength to a softer physical market, but in our view, a number of positive macro catalysts still exist that could push prices significantly higher. Beyond central bank balance sheet expansion, uncertainty over the US debt ceiling vote and reduced risk premia in Europe should set a positive backdrop for gold. Furthermore, central bank buying continues, while gold held across

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physically backed ETPs remains close to record highs despite price corrections. However, this also poses the key risk to prices: should ETP flows turn negative, prices could tumble sharply. We retain a positive outlook on the market and continue to believe that rising market confidence, outperformance of alternative assets and rising real interest rates will dictate the turning point for prices, factors we do not expect to hinder gold in 2013.

Peter Fertig
QCR Quantitative Commodity Research Ltd, Hainburg
Gold: Range: $1,525 – $1,975
Average: $1,775

Sentiment among many analysts turned negative for gold in 2013. Also, large speculators reduce holdings of gold futures. This could drive gold down to test last year's low. However, the reasons stated why gold should head lower are not convincing. Quantitative easing by the Fed is not a necessary condition for firmer gold prices. Also a rise of yields on longer-dated US Treasury notes and bonds would not be a rational reason to switch out of gold and into fixed nominal income assets. Higher yields will probably be the result of a stronger US economy. This should lead to an increase in investors' risk appetite, which is favorable for gold. Furthermore, GDP growth in China accelerates again. The change of fiscal and monetary policy

in Japan towards a 2% inflation target makes gold a more attractive investment for Asian investors. Thus, the average price of gold is expected to increase in 2013.

René Hochreiter
Allan Hochreiter (Pty) Ltd, Johannesburg
Gold: Range: $1,480 – $1,720
Average: $1,600

The gold price will likely soften over the year as world economies recover and the US dollar gains strength, the fiscal cliff will likely be avoided, and the recovering US economy will pull China and eventually Europe up behind it. In the fabrication sector, gold may lose some ground to platinum due to the latter metal's more attractive price. Scrap recoveries may also increase as sellers take advantage of the high current prices.

David Jollie
Mitsui & Co Precious Metals Inc, London
Gold: Range: $1,520 – $2,000
Average: $1,785

A developed world perspective on gold suggests that investors will have mixed motivations towards this metal in 2013. We feel that the euro will survive and that the global financial system's health is slowly improving. This suggests that the insurance premium for gold will diminish. Despite recent noises from the Federal Reserve, we expect to see widespread use of unconventional monetary policy in many countries and continued low or negative real interest rates too. This should boost asset prices, possibly at the expense of a weak US dollar. However, inflation seems set to remain under control in the near term at least and other investments such as equities could be more attractive than during 2012. In the developing markets, Chinese demand should remain strong, but the Indian authorities seem set to

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GOLD FORECAST 2013

Name	*Company*	*City*	*Low*	*High*	*Average*
1. Adam, William	Fastmarkets	Salisbury	1,620.00	2,020.00	1,765.00
2. Bhar, Robin	Societe Generale	London	1,400.00	1,800.00	1,700.00
3. Brebner, Daniel	Deutsche Bank	London	1,525.00	2,000.00	1,860.00
4. Cooper, Suki	Barclays Capital	New York	1,540.00	1,900.00	1,778.00
5. Fertig, Peter	QCR Quantitative Commodity Research Ltd.	Hainburg	1,525.00	1,975.00	1,775.00
6. Hochreiter, Rene	Allan Hochreiter (Pty) Ltd	Johannesburg	1,480.00	1,720.00	1,600.00
7. Jollie, David	Mitsui & Co Precious Metals	London	1,520.00	2,000.00	1,785.00
8. Kendall, Tom	Credit Suisse Securities Exchange (Ltd)	London	1,545.00	1,885.00	1,740.00
9. Klapwijk, Philip	Thomson Reuters GFMS	Hong Kong	1,642.00	2,002.00	1,847.00
10. Kotecha, Mitul	Credit Agricole	Hong Kong	1,500.00	1,830.00	1,650.00
11. Melek, Bart	TD Securities	Toronto	1,527.00	2,012.00	1,895.00
12. Murenbeeld, Martin	Dundee Group of Companies	Victoria	1,475.00	2,025.00	1,768.00
13. Nagao, Eddie	Sumitomo Corporation	Tokyo	1,450.00	1,800.00	1,600.00
14. Norman, Ross	Sharps Pixley Ltd	London	1,550.00	1,800.00	1,736.00
15. Panizzutti, Frederic	MKS Finance S.A.	Geneva	1,580.00	1,880.00	1,753.00
16. Proettel, Thorsten	LBBW	Stuttgart	1,620.00	1,850.00	1,745.00
17. Rhodes, Jeffrey	INTL Commodities	Dubai	1,525.00	1,925.00	1,727.00
18. Savant, Rohit	CPM Group	New York	1,450.00	1,850.00	1,658.00
19. Steel, James	HSBC	New York	1,575.00	1,950.00	1,760.00
20. Teves, Joni	UBS	London	1,575.00	2,100.00	1,900.00
21. Tremblay, Anne-Laure	BNP Paribas	London	1,530.00	2,000.00	1,865.00
22. Vaidya, Bhargava	BN Vaidya & Associates	Mumbai	1,515.00	1,800.00	1,670.00
23. Zumpfe, Alexander	Heraeus	Hanau	1,500.00	1,895.00	1,750.00
Averages			**$1,529.09**	**$,1913.87**	**$1,753.37**

Gold Forecast 2013

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intervene further in the gold market, to the detriment of demand. Overall, we remain bullish for gold but less so than we were last year and feel that $2,000 is currently a rather distant target.

Tom Kendall
Credit Suisse Securities (Europe) Ltd, London
Gold: Range: $1,545 – $1,885
Average: $1,740

The 12-year-old US dollar gold bull market is not in the best of health: 2012 was a frequently trying year for gold traders and investors, and we think 2013 will bring further prolonged periods of range trading in a low implied volatility environment.

Our central macroeconomic case is that the acute phase of the global crisis is probably over and that there will be a slow improvement in global growth through the second half of the year. If this proves to be correct then the relative appeal of gold is likely to diminish as fear trades fade. Consequently, we think the current gold cycle is likely to peak this year (on a quarterly average price basis – we have probably already seen the absolute high in US dollars).

Prior to that, however, a resumption of Treasury purchases by the US Federal Reserve and a battle over tax and spending plans in the US in late February/early March are expected to drive gold higher.

Physical demand from China and India is also expected to improve, although there is a risk that the Indian government may introduce fresh policy measures to restrict bullion imports in the 2013/14 budget.

Gold will continue to have a role in portfolios that seek diversification and long-term inflation protection, and central banks will remain net buyers of the metal in our view, but an increasing number of investors are likely to switch their attention elsewhere this year. One manifestation of that is that we expect platinum to regain its historical premium to gold.

Philip Klapwijk
Thomson Reuters GFMS, Hong Kong
Gold: Range: $1,642 – $2,002
Average: $1,847

At the time of writing, gold's recent lacklustre price performance together with an excessively bearish interpretation of the latest FOMC minutes have depressed sentiment towards the yellow metal. It may be, though, that the market is overreacting and that gold will surprise to the upside in 2013. First, looking at the metal's supply/demand fundamentals, these may actually improve a little or at least not deteriorate any further. Supply growth will, at best, be very modest, with only a marginal gain in mine production expected and scrap is set to fall unless prices are a good deal higher. Fabrication should be supported by a better tone to the Chinese economy this year and a rebound in Indian demand from 2012's especially weak performance. In short, at anything close to prevailing gold prices, the 'surplus' in the market is unlikely to grow and may even contract somewhat. Second, economic conditions will encourage a high level of net bullion purchases from both the official sector and investors. As regards the former, risks would seem to be stacked to the upside in terms of the scope for gold purchases as a means of reserves diversification. Particularly important in terms of the outlook for investment this year is that there is no scope for short-term interest rate rises in any of the three major currency blocs. Indeed, further loosening of monetary policy is probable, especially in Japan. And, on the fiscal front, progress in reducing deficits will be slow and government debt ratios will rise to levels that in the case of the United States should see it lose its AAA status. The market is far too sanguine about the longer-run implications of that likely development. Gold will be a major beneficiary.

Mitul Kotecha
Credit Agricole, Hong Kong
Gold: Range: $1,500 – $1,830
Average: $1,650

The path of gold prices will hinge in part on the stance of central banks in two ways. Firstly, continued balance sheet expansion and currency debasement will imply that gold prices remain supported. Secondly, despite the slower pace compared to past quarters, official sector purchases will still provide a floor to gold prices, especially as they diversify from the dollar and euro. Emerging economies, particularly China and India, will also play an important role in gold demand given the expected pick-up in growth in these countries. Given the robust negative relationship between gold prices and US Treasury yields, and our expectations that US Treasury yields will rise in coming months, we look for a gradual decline in gold prices. Assuming that the usual relationship between gold prices and risk aversion reasserts itself, we expect a trend of improving risk appetite to weigh on gold prices into 2013.

Bart Melek
TD Securities, Toronto
Gold: Range: $1,527 – $2,012
Average: $1,895

While we agree that the eventual reversal of the Fed's ultra accommodative monetary stance will sufficiently impact investment demand to depress gold prices, it is too early to react to this possibility through much of 2013. The economic environment around the world and in the US is still quite poor, implying a greater chance that central banks around the world, including the Fed, are likely to ease policy further.

The Fed's $85 billion/month QE programme throughout the year should prevent the yield curve from steepening too much, keeping the opportunity cost of holding gold low. New targeting of higher implied and actual inflation levels by some major central banks, and massive and rising balance sheet positions, along with rising inflation expectations, should help to keep investment demand strong.

Meanwhile, central banks look set to use gold again as a way to diversify their FX reserves, likely buying another 500 tonnes in 2013. Growing activity on the Shanghai Gold Exchange, stronger fabrication activity demand resulting from improving global economic conditions and relatively muted supply growth are another set of factors that make us believe gold should perform very well in 2013.

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Martin Murenbeeld
DundeeWealth Economics, Victoria
Gold: Range: $1,475 – $2,025
Average: $1,768

We thought 2012 would prove to be a difficult year for forecasters, and it certainly proved to be such a year for us. We forecast correctly that 2012 would, somewhat like 2008, be a contest between "recession/slow growth" and monetary "reflation". But we bet that reflation, in response to a likely 'Grexit' – eurozone downsizing – and further financial problems around the world, would win the day for gold. We were wrong; gold went more or less sideways on the back of only modest increases in global liquidity, instead of averaging $1,835 as forecast.

2013 could see a similar pattern unfold, with recession/slow growth/disinflation pulling gold downwards and monetary reflation (i.e. the Fed's QE of $85 billion/month) no more than managing to keep gold prices stable. Because we have raised the probability of a sideways pattern for gold, our forecast has come down modestly from that of last year.

Fundamentally, however, not much has changed in the outlook – other than the likelihood of a eurozone breakup in 2013 appears to have declined. But Draghi/ECB will have to make good on the "we'll do whatever it takes" promise in 2013, which together with an increase of $1 trillion in the Fed's balance sheet in 2013 and more QE from the Bank of Japan, should help our global liquidity measures and push gold prices somewhat higher.

Other positive factors include continued central bank purchases of gold, ongoing investment demand, the quiet transformation of gold into an acceptable financial asset once again, strong consumer demand in China to help offset some further possible (policy-induced) deterioration of gold demand in India, and the rather tepid increases in new mine supply.

The major negative factors include weak growth and disinflation tendencies around the world. But it is precisely these factors that preclude central banks adopting monetary policy 'exit strategies' in 2013.

Eddie Nagao
Sumitomo Corporation, Tokyo
Gold: Range: $1,450 – $1,800
Average $1,600

We expect continued political upheavals, especially in countries that have just faced or will face a change of leadership, to push gold up to the year's high in Q1, if not Q2. However, in the second half of the year, we expect the global economy to stabilise, led especially by the US and China, and this will stimulate investors to change their asset allocations. In particular, a rise in real US interest rates will prompt a shift of money from gold and silver to industrial commodities, equities and real estate, where higher returns can be expected.

Ross Norman
Sharps Pixley Ltd, London
Gold: Range: $1,550 – $1,800
Average: $1,736

We see the long-term gold bull run remaining very much intact, but the conviction and patience of gold investors may be tested in 2013. Against the backdrop of an improving macroeconomic environment, particularly in the US, we see dollar firmness and a fading of the fear trade providing a drag on rising gold prices. For a market used to a 17% year-on-year gain, a single-digit percentage increase may feel like a bear market. In essence, we

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SILVER FORECAST 2013

Name	*Company*	*City*	*Low*	*High*	*Average*
1. Adams, William	Fastmarkets	Salisbury	26.00	45.00	33.30
2. Bhar, Robin	Societe Generale	London	26.00	36.00	31.00
3. Brebner, Daniel	Deutsche Bank	London	29.00	45.00	37.00
4. Cooper, Suki	Barclays Capital	New York	25.50	38.00	32.50
5. Fertig, Peter	QCR Quantitative Commodity Research Ltd	Hainburg	26.00	37.50	33.25
6. Hochreiter, Rene	Allan Hochreiter (Pty) Ltd	Johannesburg	23.00	31.00	27.00
7. Jollie, David	Mitsui & Co Precious Metals	London	23.45	43.00	31.85
8. Kendall, Tom	Credit Suisse Securities Europe (Ltd)	London	27.90	36.30	32.20
9. Klapwijk, Philip	Thomson Reuters GFMS	Hong Kong	29.50	43.40	35.60
10. Melek, Bart	TD Securities	Toronto	26.00	48.00	40.52
11. Nagao, Eddie	Sumitomo Corporation	Tokyo	23.50	34.00	28.25
12. Norman, Ross	Sharps Pixley Ltd	London	26.00	35.00	31.16
13. Panizzutti, Frederic	MKS Finance S.A.	Geneva	27.00	39.00	34.00
14. Proettel, Thorsten	LBBW	Stuttgart	29.00	36.40	33.20
15. Rhodes, Jeffrey	Intl Commodities	Dubai	25.75	50.25	36.25
16. Savant, Rohit	CPM Group	New York	26.00	36.00	30.70
17. Steel, James	HSBC	New York	27.00	37.00	32.00
18. Teves, Joni	UBS	London	26.00	47.00	36.80
19. Tremblay, Anne-Laure	BNP Paribas	London	25.00	45.00	39.05
20. Vaidya, Bhargava	BN Vaidya & Associates	Mumbai	23.50	37.00	30.25
21. Zumpfe, Alexander	Heraeus	Hanau	29.00	35.00	31.50
Averages			**$26.20**	**$39.75**	**$33.21**

Gold Forecast 2013

Continued from page 17

see 2013 looking surprisingly like 2012 – that is modest price gains, declining volatility and extended periods of range trading. The caveat to this is the US debt ceiling issue, which arises in March 2013 – a fudged outcome could of course generate far higher outcomes than shown above. The key issues will be ongoing central bank purchases and growth in investment demand, this being partially offset by a reduction in speculator positions and moderately lower Indian demand as import duties are raised again. Broadly speaking though, gold will continue to be seen as cheap insurance for those concerned with tail risk and is a high-quality asset that holds value amidst competitive devaluations of currencies.

Frederic Panizzutti
MKS (Switzerland) S.A., Geneva
Gold: Range: $1,580 – $1,880
Average: $1,753

On 31 December 2012, gold closed at $1,664.00/ oz, about 4.6% higher than the opening price on 2 January 2013, and traded in a $254/oz range. Compared to the previous few years' double-digit performance, 2012 resulted in a significant slowdown. 2013 is likely to have another single- digit performance. While we still are in a bull trend, we expect the upside momentum to slow down, with the market entering a 'consolidation' phase. The significant accumulation of physical gold over the last three years, due to portfolio diversification/ protection aiming to reduce credit risk, is likely to slightly slow down in the coming few months as the global economic crisis seems to be more or less contained.

Possible signs of growth and inflation in Q4 seem likely. Negative real interest rates and monetary generosity in the USA and EU, fiscal austerity, as well as a cautious attitude toward credit risk-taking are some of the factors that should help gold to gradually move higher over the course of the year. We expect some shift of physical from the West to East in the coming months on the expectation that major Asian currencies will strengthen, resulting in more buying interest from this region, both by the private and official sectors. This could result in higher volatility and interesting gold price action.

Ultimately, all fundamentals remain positive for gold and we expect the yellow metal to again trade over $1,800/oz.

Thorsten Proettel
Landesbank Baden-Wurttemberg (LBBW), Stuttgart
Gold: Range: $1,620 – $1,850
Average: $1,745

Last year was the 12th consecutive year with a positive gold price performance, but the first year since 2007 without new all-time high.

Different factors led to this result and they will further influence the gold price in 2013. As a well-known fact, the economic crisis increased the investment demand, which pushed gold prices higher. But after a surge in 2008, 2009 and 2010, gold demand in Western markets decreased considerably due to saturation. Last year, ETC demand, as well as physical investment demand, reached lower 2007 levels and I expect them not to resurge in 2013.

On the other hand, the price is well supported by low interest rates in all major currency areas, a situation which may not change until 2014.

Furthermore, accelerating economic growth in China will spur gold demand in the biggest market besides India.

Jeffrey Rhodes
INTL Commodities, Dubai
Gold: Range: $1,525 – $1,925
Average: $1,727

Perhaps the most striking feature of 2012 was the sharply reduced level of price volatility across the whole precious metals complex. The record-breaking march of gold upwards had seen the yellow metal post a series of all-time highs in 2011, which culminated in a record price of $1,920 and a trading range between the high and low point of $610 or 46%. However, 2012 proved to be much less dramatic as the prevailing universal bullishness dissipated and gold settled into a period of quiet consolidation within a relatively narrow trading range of $268 or 18% between the year's high of $1,795 and low of $1,527. Although some will be disappointed with gold's performance last year, it still managed to post a year-on-year gain of 7%, with an increase in the annual average price of $6%, matching the gains posted in the DJIA. The fact that gold's annual rate of capital gain last year was well below the annual average increase of 18% since the bull market started in 2001 has prompted some long-lost bears to emerge from the woods. But I remain firmly in the other corner and view 2012 as a year of solid consolidation, with the base line of support being raised to $1,500, providing a platform for another positive year for gold. However, with $1,800 now providing a stiff overhead technical barrier that could prove tough to penetrate, and gold 'out of the headlines', we could well be in for another year of reduced volatility with the price largely contained within these parameters. Nevertheless, in my view, any break outside of this range is likely on the upside as private investors keep their trust in gold to build on the 2,380 tons ($126.4 billion) of ETF holdings already accumulated, and non-Western central banks continue to diversify their dollar holdings into the yellow metal. With the plunge over the fiscal cliff in the US only temporarily averted; the problems in the eurozone deferred but not resolved, and the uncertain global economic outlook likely to keep interest rates in the West close to zero, the search for yield goes on and will keep gold centre stage as an attractive asset class for money managers.

Rohit Savant
CPM Group, New York
Gold: Range: $1,450 – $1,850
Average: $1,658

Gold prices are expected to remain at historically elevated levels during 2013, but are unlikely to reach record high levels during the year. Investors still see many reasons to hold at least some portion of their wealth in gold, but they do not intend to chase the price higher. The lack of urgency results

Continued on next page

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from the fact that many of the problems that are cited as reasons to purchase gold – such as the debt and deficit issues of governments around the world, the weakening of major currencies and monetary accommodation by central banks – are already factored into the price. These are structural issues that are expected to take years to be resolved, and it is becoming increasingly clear to investors that the doomsday predictions related to these issues are unlikely to materialise. Investors thus continue to add gold to their long-term portfolios against long- term economic difficulties, but they have become more price sensitive. Central banks are expected to continue buying gold to diversify their large foreign exchange reserves, which should underpin prices.

James Steel
HSBC, New York
Gold: Range: $1,575 – $1,950
Average: $1,760

Gold should derive support from ongoing accommodative monetary policies by the US Federal Reserve and other central banks. Even investors who believe QE policies will be ineffective may be attracted to gold as an inflation hedge of as a quality asset. A modestly stronger euro in 2013, based on HSBC currency research forecasts, would also likely buoy gold. After a weak 2012, Indian consumption should partially recover based on historical consumption patterns and we anticipate strong Chinese import demand. Scrap supplies, while ample, are unlikely to rise at current price levels. Mine supply is likely to grow moderately, but we do not believe the marginal increase in output will be sufficient to deter a rally. The official sector is likely to be a strong source of demand in 2013, as emerging market central banks are likely to keep accumulating gold as one strategy to diversify their foreign exchange holdings.

Joni Teves
UBS, London
Gold: Range: $1,575 - $2,100
Average: $1,900

We remain gold bulls. Ongoing uncertainty around US fiscal issues, together with the view that major central banks will maintain loose monetary policies for longer, are key supports of our outlook. The avoidance of the fiscal cliff and expected back-loading of spending cuts are positive for gold: 1) to the extent that the dollar weakens on disappointment from those who are hoping for more fiscal restraint, and 2) given the likelihood this will lead to a US downgrade. Continued Fed balance sheet expansion amid subdued growth plus the ECB's OMT plus further easing by Bank of Japan are all gold price-supportive. A weaker Japanese yen outlook also means that traditional flight-to-quality flows could be redirected to gold. While physical demand may remain sluggish, official sector buying and demand from more strategic, quality investors will compensate.

Anne-Laure Tremblay
BNP Paribas, London
Gold: Range: $1,530 – $2,000
Average: $1,865

Gold is tightly linked with the expansion of money supply, particularly in the US. The expansion of the Fed's balance sheet through QE3 should be supportive for the metal, at least in the first half of 2013. The outlook beyond that will largely depend on the evolution of central banks' monetary policy and equally, on market anticipations of that evolution. After a final rally in the next few months, we expect gold prices to peak in mid-2013. The downside will, however, be limited by pockets of strength, including physical demand from China and India, and official buying. Tail risks concerning a break-up of the eurozone have declined, but the ongoing stand-off between Democrats and Republicans around the issue of the deficit may prompt some safe-haven buying.

Bhargava Vaidya
BN Vaidya & Associates, Mumbai
Gold: Range: $1,515 – $1,800
Average: $1,670

Gold bull run should slow down due to reduced liquidity. The eurozone debt crisis and US economy issues will at times bring in some volatility. Overall demand for gold should come down. Supply of scrap should increase.

In countries such as India, a systematic attempt is being made to introduce new paper products and bring out old gold hoardings to reduce gold physical demand/ imports. These all should have a negative impact on price.

Gold will continue to be the most important store of value in all portfolios.

Alexander Zumpfe
Heraeus, Hanau
Gold: Range: $1,500 – $1,895
Average: $1,751

At the time of writing, gold is caught between a questionable US budget compromise and initial signals that the Fed might slow down its quantitative easing programmes sooner than widely expected. Cheap money has been one of the major triggers behind the metal's recent bull trend. Market players will hence watch carefully any rumours, data and figures that could imply a possible change in monetary policy. Though inflation is currently not of major concern, it will remain at the back of investors' minds. If the global economy manages to gain traction, it will increase credit demand and the velocity of money. While this initially implicates higher inflation rates (gold positive) it also paves the way for higher interest (gold negative!). As long as the environment of negative real interest rates persists, gold will remain on the shopping list of investors though. However, it is increasingly vulnerable to lose market share against other asset classes. Central banks are likely to diversify further away from the US dollar into gold. The jewellery industry has recently been less supportive. The weak rupee together with increased duties dampened demand in 2012. This adds to the increasingly volatile gold price itself. Price swings are characteristic for investment markets; however, physical consumers are not only price, but also volatility sensitive. While India is unlikely to deliver a major positive stimulus because of that, we expect China to remain a stable and supportive factor. Yet, it is unclear to what extent that demand comes out of the investment or the jewellery sector.

U.S. Silver & Gold: Low Risk, Low Capital Needs, High Growth

Targeting 5 Million Ounces of Silver Production by 2015

Silver production at U.S. Silver & Gold's flagship Galena Mine Complex is expected to increase by up to 15% in 2013, setting the stage for impressive revenue growth as average grades improve and cash costs drop by up to 15%.

U.S. Silver & Gold (TSX: USA; OTCQX: USGIF) had a strong fourth quarter in 2012, following a busy year, highlighted by a merger with RX Gold & Silver, defeat of a hostile takeover, a new name and a new, highly experienced management team.

The merger with RX Gold & Silver contributed a producing gold property in Montana and a new heavy-hitter president – Darren Blasutti, who formerly was Barrick Gold's senior VP of corporate development, leading Barrick's strategic development and executing more than 25 gold mining transactions, including Sutton Resources, Homestake Mining, Placer Dome and consolidation of the Cortez gold property.

Under his leadership this year, U.S. Silver & Gold expects to further increase production and reduce mining costs. The company is projecting producing between 2.7 and 3.0 million ounces of silver and up to 18,000 ounces of gold. Cash costs for silver are forecast to drop about 10%-15% to between $17 and $19 an ounce.

"Our goal is to increase production, reduce costs and raise the profitability of the ounces we mine. We expect to do better each quarter," says Blasutti. "U.S. Silver & Gold's internal dynamics are very impressive and will drive our production growth."

Caladay Zone Discovery Points to Long-Term Growth in Silver Production

U.S. Silver & Gold's consolidated, 100%-owned property portfolio includes the Galena, Coeur, Caladay and Dayrock silver-lead-copper mines, part of a 14,000-acre land package in the heart of Idaho's Silver Valley/Coeur d'Alene Mining District. As well as the Drumlummon high grade gold and silver mine in Montana, which has produced historically over 1 million ounces of gold and 12 million ounces of silver. Ore from the mine will be processed at the Galena mill in 2013 and the recently acquired Belmont Mine is being reviewed for development late 2013. This year's production at Drumlummon is projected to reach up to 18,000 ounces of gold.

The operating Galena Mine complex has over 23 million ounces of silver reserves (proven and probable) and an additional 12-million-ounce measured and indicated resource. A new silver-copper vein system has been traced to within 150 feet of existing workings and offers the potential for near-term production opportunities.

The adjacent Coeur Mine began production in late 2012 and will be ramped up this year and is expected to produce about 300,000 ounces of silver in 2014, and 500,000 ounces in 2015. The Coeur currently contains a measured and indicated resource of 3.3 million ounces of silver. Drilling underway is expected to identify a 6.0 million ounce resource by the end of 2014.

But it is high grade mineralization recently discovered at Galena's Caladay silver-lead zone. In late 2012 and early 2013, the company began a review of historic data from the Caladay Zone. That, along with continued exploration, also identified an area of high grade silver-copper mineralization.

There are almost 1,200 drills into the Caladay Zone , but the data had never been put together digitally to show the block model," says Blasutti. "We have been fast-tracking it ever since. Caladay is going to be a great mine and the future of the company."

The semi-continuous mineralized zone extends from the Galena Mine into the Caladay Mine at depth. The zone contains broad areas of both higher and lower

grades of silver and lead, as well as areas of high grade silver-copper. The company is preparing a preliminary analysis of the Caladay lead-silver zone for future low-cost bulk mining development. The scoping study, expected to be completed by mid-year, will determine the timing and the most profitable approach to integrating the zone into existing mine plans.

"These new areas will enable us to take advantage of our additional hoisting and milling capacity to increase production in 2014 and beyond with modest capital outlays," says Blasutti. The complex has two operating mills that currently are operating at about half their 1,500-ton/day capacity.

Test mining in recently identified high grade areas is expected to begin in the third quarter 2013. The company has a global tonnage target of 60-70 million tons and potential silver resource of 150-200 million ounces at 3-4 oz/ton silver and 4% lead. Higher grades range to 40% with continuous widths of 15-30 feet ranging from 5-10 oz/ton silver and 5-11% lead.

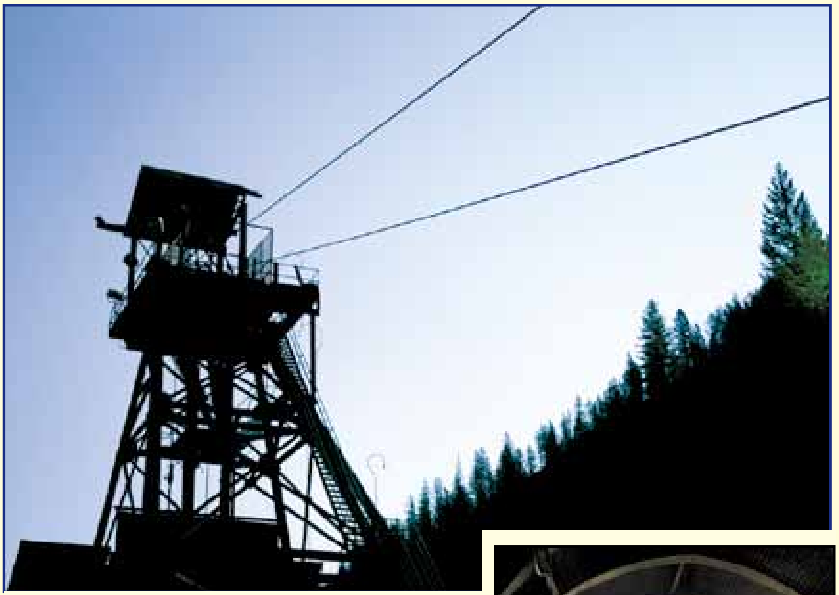
New Management Policies Lead to Increased Efficiency, Lower Costs

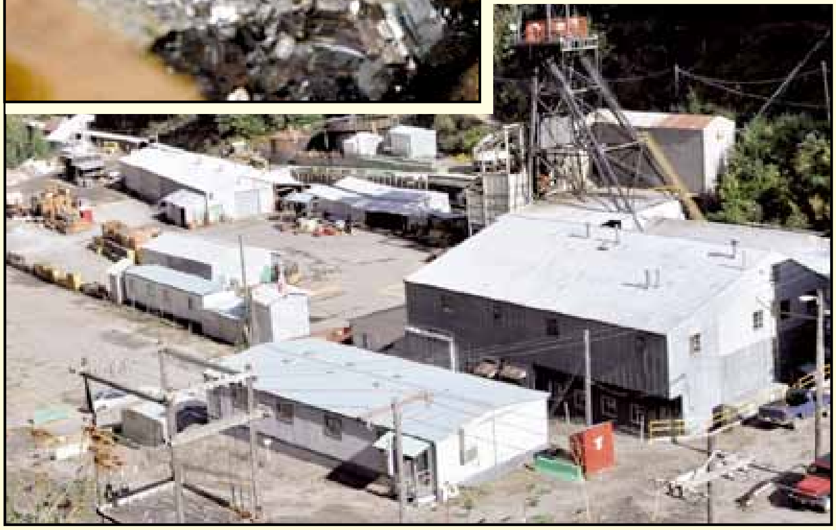
A new management team took over U.S. Silver & Gold operations in August 2012 and the results of their ideas and efforts are already amply evident. One important part of Blasutti's management strategy has been to engage all employees in strategic planning by educating its employees about the business rationale for operational improvements . By altering shift operations, instituting work-sharing policies, creating more flexible schedules, and increasing both the number of employees and time worked per shift, the company is transforming operations from 5-days-a-week to a 24-hours-a-day, 7-days-a-week in order to produce silver more efficiently and cost effectively.

The company's two mills, which now run well below capacity, are now within sight of full 1500-tpd production. Planning is in place to cut costs at the rate of 15%, year over year, while development of additional resources will replenish and increase the company's production pipeline.

The Galena Mine the Second Largest Silver Mine in the U.S.

The Galena mine is the second largest silver mine in U.S. history, with mining dating back to 1887. The Galena Mine, 100% owned by U.S. Silver, has historically produced 180 million ounces of silver and has reserves of 23.2 million ounces at average grades of 14.3 oz/t silver. The Galena mining complex includes two mills with a 1,400 tpd capacity, which produces a silver-rich concentrate, the Couer Mine, and the Caladay Zone, which drilling indicates has the potential for a broad mineable resource.





"Producing 1500 tons a day doesn't happen overnight. We have highly skilled underground employees vital to accomplishing this goal," says Blasutti. "They are starting to act with a sense of urgency and like business owners. I am very proud and happy they are buying into what we are trying to create. Mining can be a boom and bust industry, but as long as we focus on the bottom line, we will be there to prosper in better equity markets.

Pending Resource Updates To Affirm Extended Mine Life, Profitability

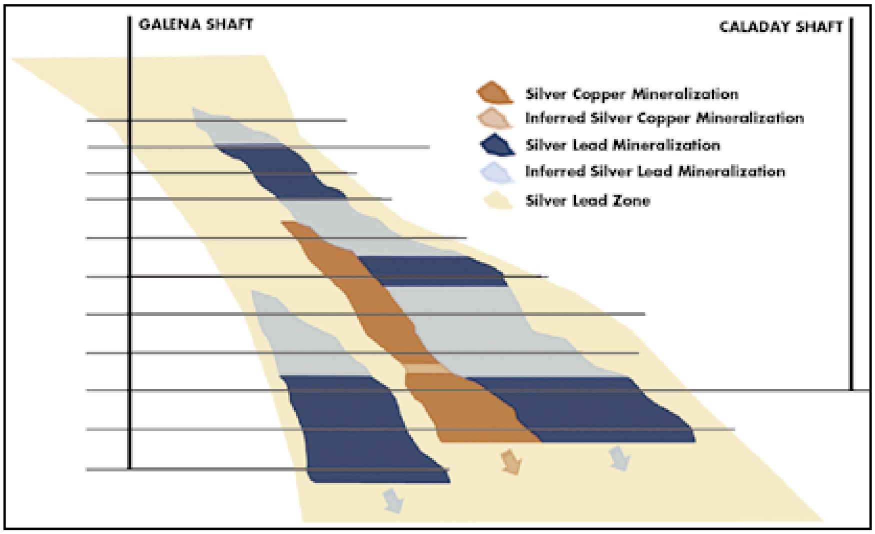
This year , U.S. Silver & Gold expects to announce a significant increase to its resource base, potentially doubling the number of measured and indicated and inferred ounces from the Caladay Zone alone – setting the stage for significant long-term production growth.

The company believes it will produce 5 million ounces of silver annually by the end of 2015. The new resource estimate will demonstrate this ambitious production level can be achieved completely organically from present holdings rather than from future acquisitions.

"We have to ramp up development to ramp up production, but we can do this without issuing any more shares," says Blasutti. "With the new discoveries at the Caladay Zone, we easily can produce 5 million ounces of silver from the Galena Complex.

Investment Considerations

U.S. Silver & Gold has a long and impressive list of assets, both tangible and intangible – operating mines, significant brownfield expansion, a dominant land position in the prolific Silver Valley, a proven management team, highly trained and skilled mine workers, and a favorable environment for strategic accretive acquisitions. The company also is in an enviable financial position with $19 million in cash, $7 million in receivables and a quickly diminishing $7.9 million in debt, and substantial revenues from ongoing silver production – in fact, more than enough to fund its expansion plans well into the future. Blasutti, however,



New high grade discoveries at the Caladay Zone expected to significantly boost silver production.

is a fiscally conservative accountant at heart, and determined not to eat into U.S. Silver & Gold's cash balance to fund expansion. He is planning to put a three-year term line of credit in place that would provide guaranteed development capital even if silver prices fall.

As a result, U.S. Silver & Gold is solidifying its status as a reliable, mid-tier silver producer poised to significantly expand its resource base, and is well-endowed with development and exploration properties that will fuel its growing production profile.

Forecasters polled by the London Bullion Market Association predict an increase in the price of silver, gold, platinum and palladium in 2013 _ and are particularly bullish about silver prices, citing limited supply growth, increased industrial and investor demand, strong coin and silver bar purchases, and a bottoming out of jewelry demand. A Silver Institute Silver study estimates industrial demand will rise 6% to a record high in 2014. These factors, along with the U.S. Silver & Gold's future silver production potential, mining-friendly jurisdiction, solid valuation metrics, and proven management team make a compelling investment case for investors in what is the second most prolific silver mine in U.S. history.

"We believe we are attractively positioned amongst our mid-tier silver producer peers and with a 5 million ounce production level we could experience a significant rerating," says Blasutti. "U.S. Silver & Gold is built for low risk, low capital growth."

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Shares Outstanding: 59.9 million

52 Week Trading Range:
(as of Feb. 15, 2013)
Canada: Hi: C$2.74 • Low: C$1.10

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A gold miner that's moving higher

Jason Cimpl: "**Argonaut Gold** (TSX: AR) may have reached an optimal entry point before it rallies to a new high.

Gold miners have suffered this year. In fact, the last three years have been agonizing for most miners. The **Market Vectors Gold Miners ETF** (NYSE: GDX) is down around 9% this year and is roughly flat from 2010. This is especially surprising because gold is up about 1% and 55%, respectively, during the same periods. Gold miners have been one of the real duds of the equity and commodity rally. The rise in gold and fall by gold miners confused many gold bugs. Their confusion is understandable. After all, how could gold rise, yet gold miners – that presumably benefit from gold increasing – go down? It really comes down to cost. Gold has gone up, but the costs to mine it have as well. In fact, the rise in costs outpaced the rise in gold (for some).

Though gold miners have trended lower, Argonaut has done the opposite. The shares are worth about twice as much as they were in 2011. This gain is impressive in its own right. However, that ascent is more amazing considering the gold mining industry performed so poorly. Argonaut is clearly a favored stock among a crowd of weak competition. Institutions have supported the shares as they sold its peers. The repeated bounces off the 200-day moving average are evidence of this buying activity.

This accumulation around the 200-day moving average is important to note because the shares find themselves at this trend line right now. Based on the past support at the 200-day moving average, investors should expect this trend line to hold, resulting in another rally to new highs."

3 Reasons for and Against a Gold Rally

Tyler Laundon: "The price action in gold and gold miners over the past six months has many investors turning their back on the precious metal.

Gold fell below $1,600 last week to reach a six month low, prompting many to step back and wonder aloud if the precious metal's decade long bull market has officially come to an end.

With the price of gold now back to where it was in July of 2011, it's time to decipher whether this is a buying opportunity, or time to head for the exits.

Three Reasons to sell (or stay away)

1. It has now been well reported that some hedge fund managers liquidated gold holdings in late 2012, and SEC filings show this to be accurate. George Soros sold half of his holdings in the SPDR Gold Trust ETF (GLD) in Q4 2012. Sales like these "*...bolster speculation that gold's 12-year bull-run is coming to the end*", according to Bloomberg. It may be right.

2. Speculation is rising that the Fed will end asset purchases, which currently stand at $85 billion a month, in mid-to-late 2013. Removing some of this "excess liquidity" would likely reduce the fear trade that has pushed investors toward gold.

3. The evidence speaks for itself – gold and gold mining stocks keep going down and are breaking through technical support. Physical gold's price fell to a 6-month low last week, and gold mining stocks are falling even faster, breaking to a 9-month low last week. There is no reason to catch a falling knife, as they say.

Three Reasons to buy (or hold):

1. Soros may have sold his gold holdings because he saw a better use of the capital, specifically in the Japanese yen. In late 2012, Japan's new leader, Prime Minister Shinzo Abe stated his goal to drive down the yen. Spurred by Japan's policies, the yen fell, driving up the price of gold as denominated in yen by nearly 20% over six months. Over the same period gold denominated in U.S. dollars was flat. *The Wall Street Journal* reported that Soros was on the right side of this trade, gaining *"...almost $1 billion on the trade since November (2012)."*

2. According to the U.S. Global Investors "oscillator model" gold has corrected far enough and has entered a potentially profitable buy zone. The model indicates that gold has dropped 2 standard deviations on a year-over-year basis. "*An event like this has happened only about 2 percent of the time over the last 10 years ... following these extreme lows, gold has historically increased as much as 15 percent over the next year*", according to the mutual fund group.

3. Central banks around the world are still buying gold. The WGC reports that in 2012, central bank demand was 534 tons, the highest recorded since 1964. Demand was high in emerging markets including Brazil, Mexico, Brazil, South Korea, the Philippines and Russia, which now has the 8th largest gold reserve in the world. Central bank buying is a good showing of confidence in gold.

Conclusion

The technical evidence suggests that the price of gold may soon move to the upside. I wouldn't bet against a rise in gold's price, regardless of what hedge fund filings show. Nothing happens in a vacuum. That said, a reversal isn't guaranteed. For these reasons I'm neutral on gold right now.

However, the performance of gold miners is troubling. Bullish indicators, such as takeover bids and dirt cheap valuations still haven't led to stabilization in the sector. When a turnaround comes, there will likely be plenty of time for investors to get into these stocks, so I see little reason to load up on gold miners now."

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What's in store for gold miners in 2013?

Tom Bulford: "It appears", says Numis Securities, "that $700-$800/oz is the new $500-$600/oz". The broker is referring to the sharp increase of the cost of gold mining that has taken place in the last year or two. In its latest review of the sector, Numis urges investors to "stick with gold" – despite giving plenty of reasons for doing the opposite.

As we move into 2013, gold bulls are getting anxious. Depending upon your interpretation of charts, the price is either consolidating around the 1,600/oz level ahead of a renewed advance or else the ten-year bull-run has decisively faltered. Edison Investment Research points out that the last two years have been two of the worst for the gold price since 2001 and asks "is the gold bull market drawing to a close?"

The answer "is an emphatic no", says Edison. Until governments show a real determination to fight inflation and preserve the value of paper currencies it thinks that the gold price will continue to rise, albeit at a more subdued rate.

But both of these brokers give several reasons for caution. The gold price was supposed to "power to $2,000/oz" following the US's quantitative easing programme last autumn. It did not happen. Investment demand has been falling. Other asset classes are starting to deliver better returns. Governments around the world have started to confront their budgetary problems. And as the global economy continues its recovery from the financial crisis, the need for a safe haven is not so urgent.

Driven by Sentiment or Fundamentals?

The brokers acknowledge these factors. But with several gold miners amongst their clients, they are hardly likely to declare themselves outright bearish. And yet Edison says that "the years of exceptional returns may be behind us". Numis kicks the can down the road saying that "we need a prolonged period of sustainable growth to become bullish about the economy and we are yet to experience this". But it cuts its predicted 2013 gold price by 7% to $1,775, while maintaining a long-term price target of only $1,300.

Numis also observes that "gold is a fickle beast and driven by sentiment far more than fundamentals these days". I am not sure that I agree with this. Given that most gold ends up in underground vaults, sentiment has always been paramount. And the idea that this sentiment is fickle is undermined by a price chart that shows a really quite smooth bull-market progression from 2001, followed by a period of consolidation in a narrow range.

Anyway, being of rational and sound mind, I have never been a big fan of gold. But that does not mean that I would not invest in a gold mine if it made good money. That, though, has not been as easy as you might think. The shares of gold miners have lagged behind the actual gold price, thanks to a combination of those rising costs, political and labour hostility, operational delays and the mining of lower quality ore grades that only make sense at a high gold price.

2013 could be a good year for gold shares

While Numis warns that Guinea, Tanzania, Cote d'Ivoire, the DRC and Zimbabwe may yet have nasty surprises in store for the miners, these headwinds may be easing off. It offers a number of buy recommendations including, amongst the smaller players: **Centamin Egypt** (CEY), **Avocet Mining** (AVM) and **Highland Gold** (HGM).

Selectively then, 2013 could be a good year for gold shares. But the big picture is surely of a world slowly returning to economic health and growth, a context that favours industrial metals over the safe-haven status of gold.

Amongst these industrial metals, my favourites are the select group, including cobalt, tantalum and rare earths, that are on EU and US government lists of critical raw materials. That in itself tells you that the supply/demand picture should be in favour of producers.

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Atna Resources: Gold production levels moving substantially higher

Lawrence Roulston: "In addition to the emergence of a whole new set of mining companies, there is a great deal of capital beginning to come into the resource industry from other sources, including: state owned enterprises seeking to secure stable, long-term metal supplies; sovereign wealth funds looking for exposure to resources; metal trading companies, which are increasingly making equity investments to secure off-take agreements; private equity funds which can see the longer term picture in resources; as well as corporations that rely on metals as an input to their operations.

Roulston summarizes:

- The current slowdown in new mine development by the large Western majors will further exacerbate supply shortages in the future, supporting higher metal prices.

• There are investors with a longer-term outlook who will continue to invest in and/or purchase metal deposits.

• As a result, those exploration and development companies which are advancing high quality metal deposits will appreciate in value over time.

• Investors stand to realize big gains by investing at this time in carefully selected metal companies.

Atna Resources (TSX: ATN; C$1.05) has received permit approval to ramp up production at its Pinson underground mine in Nevada. The permit allows them to extract 400,000 tons per annum, with the ore being trucked to Barrick' s nearby Goldstrike mill for processing. Management expects production to steadily ramp up over the course of the year to the 1,000 ton per day level. Production for this year is forecast at 65,000 to 70,000 ounces at a full cost of $1,000 to $1,100. Once at the full production level, Pinson will produce over 120,000 ounces per year.

Production from Pinson will add to output from the Briggs mine in California, which produced over 36,000 ounces last year. Management projects 37,000 to 45,000 ounces this year at a full cost of $1,070 to $1,120. The company ended last year with $19 million of cash, putting it in a healthy financial position through the start-up of Pinson.

The company expects that cash flow from operations will reduce its debt level over the course of this year. Once the debt is brought down, they will turn their attention to the development of their third mine, Reward, also in Nevada. The current share price offers an attractive entry point for this company as its gold production level begins to move substantially higher."

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FREE GOLD MONEY REPORT, focuses on precious metals and national currencies. www.fgmr.com

Three things to watch in 2013

James Turk: "The precious metals have been in a 2-year trading range. Though gold rose 10.2% in 2011 and 7.0% in 2012, these rates are below the 16.8% average annual appreciation gold has achieved over the past twelve years.

Importantly, by being in a trading range, it is clear that the precious metals have refused to break lower despite repeated attempts by the gold cartel that occasionally gave the precious metals a severe pummeling. So given the precious metals dogged determination to absorb whatever was thrown at them throughout this period – which is a sign of underlying strength – we can reasonably expect gold and silver to start moving higher soon.

I discussed this point in a recent King World News interview, which also mentioned short-term overhead resistance levels. In an interview with KWN at the beginning of this month, I presented my 2013 outlook, the important point being the potential for a black-swan event like the one experienced in 2008 with the Lehman Brothers collapse. The reason for this worrying outlook is simple. The interrelated sovereign debt and bank solvency crises have not been solved. So the outlook for gold and silver remains very bullish.

So gold and silver will probably break out of their 2-year trading soon, and as a consequence, the appreciation in 2013 for both precious metals will exceed their 12-year annual average. Therefore, my expectation for 2013 is that gold will probably rise at least 20%. Silver will also do better than its 12-year average of 20.1% per annum.

I'm not going to try predicting how high silver will rise. Rather, I will just re-affirm my longstanding expectation that when silver finally clears resistance around $36-$37, it will jump to $68-$70 in 2-to-3 months. Its inevitable breakout above $50 will mean that silver has entered the second stage of its bull market.

I have already noted above that it is the ongoing monetary and financial problems that will drive gold and silver higher this year. So here are three things that I am watching as 2013 progresses.

1) The yield on the 10-year T-note climbs above 2%. This yield is probably the tipping point signaling that the Federal Reserve through its financial repression cannot keep interest rates artificially low any longer. In other words, market forces will finally overpower the Fed.

2) The gold/silver ratio falls below 50. This event will signal that silver is outperforming gold, which is often a good indication that both gold and silver are ready to jump higher, but with silver rising faster than gold.

3) The Federal Reserve balance sheet starts growing. The Fed generally expanded its balance sheet from the start of the 2008 crisis to a peak of $2.86 trillion of assets in July 2011, which is actually higher than its current total of $2.81 trillion.

Many years ago prominent newsletter writer Richard Russell coined the phrase "inflate or die" to explain the Fed's predicament. The financial system has become so abnormal, the Fed has to keep inflating to prevent the system from literally going off the rails. But the irony is that eventually the financial system dies as a consequence of accumulated inflation.

The alternative of course is to return to sound money based on precious metals. And until that happens, we individuals need to keep accumulating gold and silver, which remain undervalued."

Editor's Note: James Turk is publisher of the *Free Gold Money Report*, a website to help readers better understand gold, money and currency through his commentaries and insights. For more information visit www.fgmr.com.

Mr. Turk is founder and chairman of GoldMoney, which provides a convenient and economical way to buy and sell gold, silver and platinum online using the digital gold currency for which he was awarded four US patents. For more information visit www.goldmoney.com.

Aurizon Mines Expanding Mining to New Areas at Casa Berardi

Aurizon Mines Ltd. is a gold producer with a growth strategy focused on developing its existing projects in the Abitibi region of north-western Quebec, Canada, one of the world's most favorable mining jurisdictions and prolific gold and base metal regions, and by increasing production through accretive transactions. Aurizon has eight properties in Quebec including Casa Berardi, an operating gold mine, the advanced stage gold development property of the Heva and Hosco West Extension areas, and a growing project pipeline that includes the Duverny and the Kipawa exploration properties, and an earn-in joint venture agreements on the Fayolle, Marban, Opinaca, Wildcat, and Duvay-Fontana properties. Aurizon's combined property holdings cover in excess of 300 square miles of prospective geology in the Abitibi area of Quebec. During the past three years Aurizon invested $116 million in exploration, development and capital expenditures at the Casa Berardi Gold Mine, and $28.9 million at the Joanna Gold Development Project (now Heva/Hosco West), where recent drilling resulted in a new discovery that returned 1.7 grams of gold per tonne over 96.5 metres. Aurizon expects a mineral resource estimate to be completed in the first half of 2013.

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Puma Exploration Discovers New High-Grade Silver-Gold Lens Using New Geological Model

Puma Exploration is exploring advanced precious and base metals projects in Canada. The company's major assets are the Nicholas-Denys Silver Project and Turgeon Copper Project in New Brunswick and the Little Stull Lake Gold Project in Manitoba. New Brunswick has been ranked the best place in the world to conduct mining exploration by the 2012 Fraser Institute Survey. The Nicholas-Denys property is 6,750 hectares located only 20 kilometres north of Bathurst and is part of the Bathurst Mining Camp of northern New Brunswick. The property is accessible by road all year round and is intersected by a power line. Geophysical surveys added with compilation of current and previous works has confirmed the presence of two structures parallels to the Rocky-Brook-Millstream Fault. The Rocky-Brook-Millstream Fault is a primary control for the mineralization found in the main Haché, Shaft, Henry, PineTree, and Great Northern lenses. All three structures together hosts 16 promising silver deposits and showings over a strike length of 10 kilometers.

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Teryl Resources Intent on Replicating Strategy of $15 Million Sale of the Gil Venture to Kinross Gold

Teryl Resources Corp. is an accomplished explorer with a track record of exploration, development and marketing their properties profitably to majors. Most recently, Teryl concluded the sale of its remaining 20% interest in its Gil property in Alaska to its joint venture partner, Kinross, for $15 million from 1% of the NSR then ½ of 1% NSR for the life of the Mine. The company continues to hold interests in gold and silver properties in Alaska and Northern British Columbia, Canada. Teryl controls its road-accessible Westridge gold property in the Fairbanks Mining District, its Silverknife Property in British Columbia, a prospective target for precious and base metals mineralization. The Westridge Property is situated due south of Kinross' True North gold deposit. A re-sampling program at Silverknife in 2012 confirmed the presence of high grade silver, lead and zinc. Teryl intends to model and define the extent of the Silverknife mineralization in order to target 2013 drill holes.

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