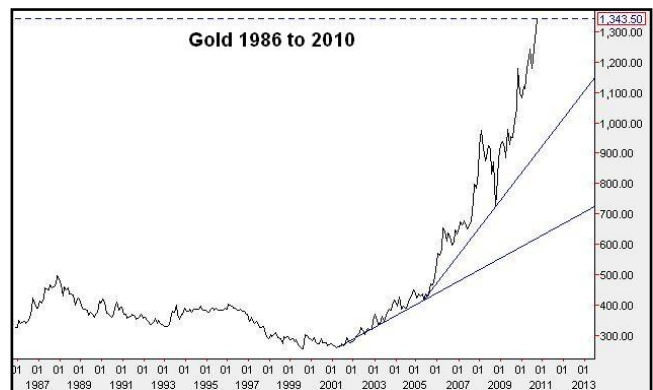


Executive Summary

- The Gold rally continues with prices posting fresh all time highs in October. As economic and fiscal uncertainties continue the rally is expected to extend, although there are downside risks.
- The fact that Gold prices are this high suggests there is still a lot of fear in the markets. If a double dipped recession unfolds, the financial crisis may escalate again; if it does not, then Quantitative Easing (QE) may trigger inflation.
- The outlook for Gold remains bullish, as it continues to provide a hedge against the legacy of QE and weakness in fiat currencies. At some stage a sustainable economic recovery will start and then Gold is likely to correct sharply.

Introduction

So far 2010 has been an interesting year as generally Gold prices have continued to trend higher and have set fresh record highs in the process. However, equities, bonds and base metals, have performed strongly too. At some stage we expect equities and base metals to move in an opposite direction to Gold. Indeed we



feel Gold is reflecting the economic and financial situation more accurately than the others. There are numerous reasons to be bullish for equities and industrial commodities and continued fund interest for the long term is one such reason. Fundamental supply concerns are another. However, can equities and industrial metals out run another economic slow down? It seems as though burgeoning budget deficits will lead to austerity measures in Europe, restrictions on property speculation in China will slow growth and QE in the US will eventually debase the dollar. We think there is still a high risk of another broad market correction, probably boosting demand for safe-haven investments. Such a scenario is also likely to prompt more QE, risking debasement of the dollar and reducing confidence in fiat currencies. This is likely to boost demand for bullion and other items with intrinsic value. Gold's moves seem measured and determined and the rally does not yet look like a bubble.

The Big Picture

The financial markets remain fragile, having survived the banking crisis of 2008 and the credit-crunch, and then the sovereign debt crisis in 2010. With each crisis caused to some degree by the preceding one the markets remain on tenterhooks. Governments' finances are already stretched and having racked up unprecedented levels of debt, they have left central banks with little ammunition to fight another crisis, should one unfold. Another recession would cause problems as governments would feel the need to provide support, socially and fiscally, but that would require issuing more debt. The danger is that debt could get to a level that could not be serviced without major austerity measures being implemented and this in turn would throttle the prospects for economic growth. We said in last year's Forecast "governments have probably only bought some time. They may have prevented a total crisis, but in doing so have saddled countries and electorates with huge debt and budget deficits that are likely to last for years". We fear we may still be in the eye of the financial storm and that the economic and fiscal situation will deteriorate before it finally starts to recover.

Confidence rebounded as 2009 progressed and it has generally continued to recover in 2010. The chart on the right of the Dow Jones index shows there was a bout of weakness in mid-January to early February, but the markets sprang higher after that, only to fall again when the sovereign debt crisis unfolded in April and May. Prices have since recovered, but are still below the highs seen earlier in the year. This suggests there is a good deal of uncertainty still around. Indeed with Gold prices setting new record highs it seems some market players fear more trouble ahead. The chart of the Dow shows the impressive rebound off the 2009 low - given all the troubles that the developed world economies still face, we question whether this rebound is justified, or whether it has been driven by loose monetary policy, including QE, and misplaced confidence that governments are more powerful than the markets. The chart of the Dow does, however, show a possible bearish head-and-shoulder pattern forming and that could signal a deeper correction is on the way. If such a move develops it is likely to drag Gold prices down too, initially, but the increased fear that another stock market sell-off would bring, is also likely to see more money move into Gold as a secondary reaction.



If the economies in the developed world do suffer another period of low growth, or even recession, then the risk is that a period of deflation could set in. With governments already heavily in debt another down turn could see the need for more fiscal injections and that would run the risk of digging a deeper fiscal hole. More QE would increase the concern in the markets that governments were debasing the value of their currencies, which would also, no doubt, worry creditors and prompt them to diversify out of those currencies being debased. The first tranche of \$1.7 trillion of QE contributed to around a 10% fall in the dollar. The other problem could be that when growth does return, central banks that had resorted to QE may err on the side of caution when they contemplate reducing money supply and in turn that could lead to high inflation. (Perhaps governments would like to see some pickup in inflation as it would reduce the value of their debt burden.)

Overall the markets generally seem to be caught in a quandary and the consensus seems to be for slower growth going forward with governments still providing some stimulus to nudge the

recovery along. However, we feel the markets have anticipated a stronger recovery than is likely to be seen and in turn that leaves room for disappointment. If disappointment turns into long liquidation and risk reduction across markets then that could create its own crisis.

Gold – some trends are changing

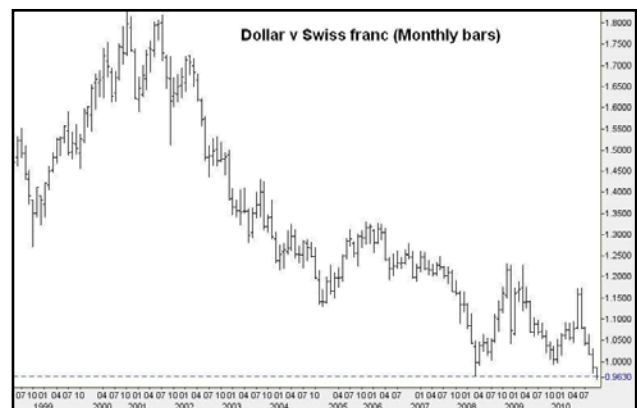
Since the rally in Gold started in 2001, Gold prices have climbed on the back of a host of issues including: the weaker dollar, increased geopolitical risk, higher oil prices, portfolio diversification, producer dehedging, falling mine production and, until recently, reliable and resilient Asian jewellery demand. However, some of these bullish underlying trends are now changing, for example producer dehedging has all but run its course, Gold production is climbing again, jewellery demand has fallen sharply and oil prices are relatively low. The one factor that has turned more positive for Gold is the reduction in official sector sales and the possibility that this sector might turn a net buyer. On balance the changes are negative for Gold's fundamentals. However, one thing that has not changed is investors' demand for Gold. The financial crisis and the sovereign debt crisis have increased the demand for safe-haven investments.

Given the deteriorating fundamentals, where supply is increasing and fabrication demand is falling, the bull market in Gold is in the hands of investors. In 2009, Gold supply was 4,287 tonnes, according to GFMS Ltd, and total fabrication demand plus de-hedging, totalled 2,671 tonnes. This meant that, excluding investor demand, the market was in a surplus of 1,616 tonnes. So while investors' appetite is strong enough to absorb this surplus, the rally in Gold can continue. Going forward we feel one of the main driving influences will be the need, or otherwise, for more QE as this is likely to determine the level of confidence in fiat currencies. Indeed we feel the final stages of the bull market will happen as Gold becomes more monetised and people view Gold as the 'must-have' alternative to fiat currencies. As the Fed contemplates more QE there is potential for considerably more investment buying and, just as any rally can 'run away' on the upside, it is possible investment demand could do the same, especially given the size of the financial market and the Gold market's small size in relationship to it. However, just as any rally can 'go exponential', at some stage it inevitably corrects - perhaps sharply. With large holdings of Gold in ETFs, futures, bars and coins, the market will rightly be nervous and on the look out for signs of change.

In summary, the big picture outlook remains bullish in the medium term. Although there seems to be a degree of optimism that the worst is over and that an economic recovery is underway (albeit slower than originally thought), we are not so sure. Indeed, with Gold prices setting record highs there are obviously others who feel differently and we would be in that camp. Overall, we fear that the rebound off the 2009 lows may have run its course and it may be in the process of stalling. The measures governments have taken over the past two years have bought some time, but the legacy of their actions are likely to have created even bigger global problems and these could emerge if markets get more worried about the level of debt. If people and creditors start to lose faith in the dollar and other hard currencies, then a dollar crisis could unfold and that would likely impact all markets, creating further turmoil, uncertainty and fear in the process, all of which is likely to boost the appeal of Gold.

FACTORS DRIVING GOLD PRICES

The dollar – As the financial crisis took hold in mid-2008, the dollar found some support as safe-haven buying into US Treasuries led to dollar buying too. However, the irony is that the US's reliance on QE in effect threatens to debase the dollar, turning it even more into a fiat currency. Indeed, there is a fear that debt levels could get so high that governments' only hope of repaying the debt would be to allow inflation to reduce its value. When inflation takes off in a country the currency weakens as it devalues against other currencies. However, when two or more currencies devalue at the same time their exchange rates may not register much change, but the buying power of these currencies is reduced. This is one reason why we expect Gold prices to continue to rise. As Europe, Japan and the US take measures, such as QE, to underpin their economic growth and fend off deflation, they risk debasing their currencies, so it is not surprising that Gold prices have been rising across these currencies. Because competitive devaluation is impacting many of the currencies that make up the dollar index (which includes the euro, the yen, the pound, the Swiss franc and the Swedish krona) the extent of weakness in the dollar might not be showing up in the index. However, a look at the dollar vs the Swiss franc, clearly shows the down trend in the dollar continues, see chart opposite. During the sovereign debt scares in Europe in the first half 2010, the inverse relationship between the dollar and Gold has been sporadic with both often rising at the same time, which highlights both are seen as safe-havens. However, more recently the dollar has been falling and Gold has been rising.



Deflation - Inflation - At present, the prospects of deflation seem to be a bigger cause for concern than inflation, although the inflation / deflation risk has now become more of a geographical issue. Asia and rapidly developing economies face inflation, while developed economies are worried about deflation and with interest rates already as low as they can be, governments are using QE in an attempt to avoid deflation. As QE debases a currency, we feel Gold will remain in demand even during a period of deflation. One argument against strong Gold prices during periods of deflation is that deflation is likely to see more demand for US Treasuries and in turn that is likely to underpin the dollar; but as we have already experienced the dollar and Gold can rise in tandem. Once sustainable economic growth is seen again, we expect inflation to take hold in the West, either as governments allow it to, in an effort to reduce the value of their debt mountains, or because they end up being slow to tighten monetary policy. This may happen if growth returns while unemployment remains high, or the housing market remains fragile. So even though inflation is unlikely to be an issue in the West in the medium term, it is a longer term threat, especially given all the QE.

Stagflation – Given there is a degree of unknown consequences in the measures central banks are applying in their effort to prompt growth and avoid deflation, there is a risk that they could be creating the conditions for stagflation. Indeed although official inflation in the West is low, asset prices are already rising strongly and they are not doing so on the back of a strong pick-up in demand. So it would appear that one of the consequences of QE is that liquidity is pumping into equity and commodity markets and is chasing prices higher. As such, we are getting high prices, but little economic growth and as growth remains subdued unemployment is remains high. In this situation governments are likely to refrain from raising interest rates and in turn that is likely to lead to inflation.

De-hedging – At the start of the bull market for Gold, which roughly coincided with the start of de-hedging, the total hedge book stood at 3,107 tonnes (99.9Moz). At the end Q2'10, the hedge book stood at 195 tonnes (6.75Moz). As the hedge book shrinks the level of de-hedging has, not surprisingly, slowed: in H1'10 the hedge book was cut by 40 tonnes. The 'de-hedging era' is now coming to a close and therefore one of the steady drivers of the bull market is petering out. At present, the attitude towards hedging has not changed and new hedges only seem to be put on when bankers/financiers demand it for new projects. However, at some stage Gold's bull market will end and even though the current wishes of shareholders of mining companies is for no, or limited hedging, that attitude is likely to change when the prospect for economic recovery improve, the need for safe-havens recedes and long liquidation emerges. For the moment the mood amongst producers is, in the majority, still bullish for the Gold price.

Central Bank Official Sales – For many years central banks have been net sellers of Gold but that may now be about to change. As the first year of the third Central Bank Gold Agreement (CBGA-III), which allows for sales of 400 tonnes of Gold per annum, comes to an end, it appears as though EU central banks have reported sales of less than 3 tonnes; the IMF has sold 222 tonnes to central banks (India 200 tonnes, Mauritius 2 tonnes, Sri Lanka 10 tonnes and Bangladesh 10 tonnes) and 88.3 tonnes on the open the market, so collectively official sales look to be in order of some 333 tonnes. Outside their acceptance of IMF sales, European central banks would appear to have had a significant change of heart as their sales have been minimal whereas under CBGA-II annual sales averaged 377 tonnes. Other countries have been adding to their Gold reserves; between January and the end of April IMF data shows official holdings increased 43 tonnes, with Russia and Venezuela the two main buyers. Other reports also suggest that Russia has continued to build up its Gold reserves and at the end of July reportedly held some 726 tonnes, up 13.6 percent so far this year. With limited IMF sales next year, (they still have an estimated 92.7 tonnes to sell) and with European central banks perhaps refraining from selling, we would not be surprised to see central banks become net buyers in 2011. As of the end of July 2010, central banks still held 30,520 tonnes of Gold – this is worth remembering when we worry about sovereign debt as if the situation did become critical then central banks could turn to their Gold reserves to bail themselves out. Note how the Bank of International Settlements, BIS, completed a 346 tonne Gold swap in July with various commercial banks, whereby it lent them money and took Gold as collateral.

Central Bank diversification - Although the US dollar is likely to remain the World's reserve currency for the foreseeable future, there are definite moves afoot by some countries to diversify their reserves. Leading the move is China, which has cut its holdings of US Treasuries and is buying Japanese bonds. At the end of June, China held \$843.7 billion of US debt, down from the \$938.3 billion peak seen in September 2009. China bought the equivalent of \$20 billion worth of Japanese debt in H1'10 and officials suggest China may buy debt from its other Asian trading partners. China has often said that it is not looking to diversify into Gold

as the Gold market is too small, however they could increase their holdings by buying a proportion of the country's mine output. Even if China does not increase its Gold reserves, it does look as though other Asia countries are doing so and we would expect this trend to continue and perhaps spread to the oil producers too. As the table opposite shows China, Japan and Saudi Arabia only have 2% to 3% of their reserves in Gold compared to 62% in the Euro area.

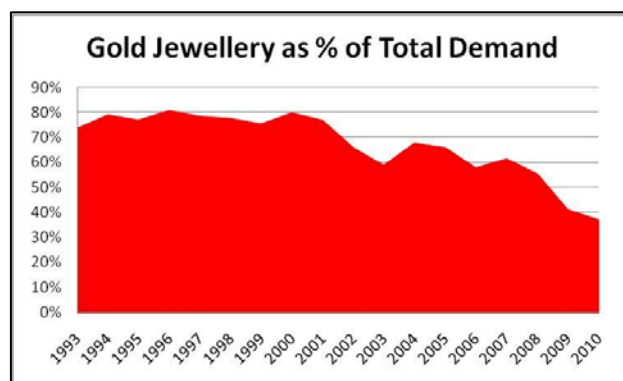
Proportion of Gold in Official Reserves			
	Reserves Total bn (\$)	Gold (tonnes)	Gold as %
USA	410	8,134	75%
Euro Area	662	10,798	62%
Switzerland	174	1,054	22%
UK	65	310	18%
India	253	558	8%
Russia	412	681	6%
Saudi Arabia	382	323	3%
China	2,217	1,054	2%
Japan	926	765	3%

Oil – Oil and Gold prices have tended to be positively correlated for most of the bull run (see chart opposite). However, since March this year, oil prices have oscillated in a sideways trend, while Gold prices have continued to rise. This weaker correlation suggests oil prices are struggling as the outlook for economic growth has deteriorated, while Gold remains strong in anticipation that there is still trouble ahead for the financial markets. When oil prices start to move higher on the back of stronger growth prospects it might well be an early warning that Gold's bull run is entering a final stage. That said, the final stage of the Gold bull run could be very powerful, as a return to growth might well be inflationary.



Jewellery demand – Up until the beginning of the bull-run in Gold in 2001, jewellery accounted for the bulk of Gold consumption averaging 78% between 1993 and 2000. It then started to slip in the mid-2000's to an average of around 62% and since 2009, jewellery has consumed less than 50% of total demand (see chart). High Gold prices have reduced demand and in recent years economic hardship has pushed consumption down further. This has generally been a feature across the World, with one significant exception: that of China. In 2009, global jewellery demand fell 20% year on year to around 1,760 tonnes and it is expected to fall a further 15% this year to 1,500 tonnes. China, however, saw demand reach a record level of 340 tonne, a rise of 7.6%. Indeed, over the past decade China's appetite for Gold jewellery has increased at an average rate of 7% per annum. India remains the world's largest buyer of Gold jewellery - it used around 475 tonnes in 2009, but this was the lowest since 1996. In the ten years to 2009, annual demand in India has averaged 565 tonnes, but since 2005 demand has eased by an average of 6.6% per annum, no doubt, in part, as a result of the high price.

In the second quarter 2010, global Gold jewellery demand, fell 14% from the first quarter and 5%, year on year, according to the World Gold Council (WGC). Indian demand in the quarter was 123 tonnes, which was down 2%, year on year, but well down from the second quarter average of 165 tonnes seen over the past seven years. Second quarter Chinese demand, bucked the trend, increasing 5% to 75.4 tonnes. There

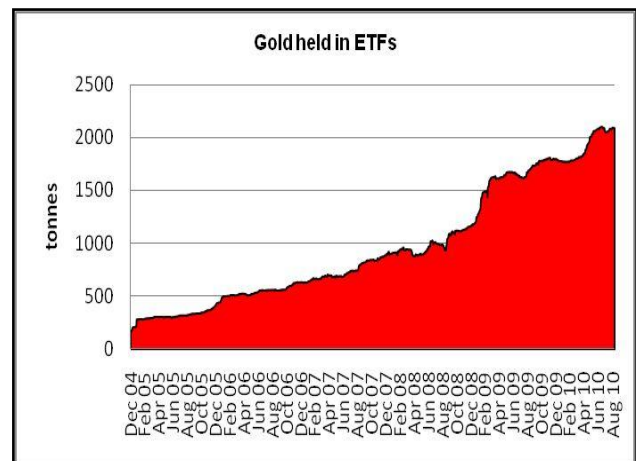


is also evidence that trends are changing with some parts of Asia buying less Gold jewellery and instead buying more Gold bars and coins, while other consumers are dealing with the higher prices by buying lower carat jewellery, or jewellery made from less expensive materials, such as Silver, Palladium and, even, steel.

Demand for Gold jewellery is likely to remain depressed while prices are high and going forward we expect prices to become increasingly volatile, which will no doubt further depress demand. Gold jewellery buying is expected to remain price elastic; we should expect good restocking into price dips, as we saw with the dip to \$1,100/oz earlier in the year, but overall demand for jewellery is likely to remain under pressure until prices fall. That said, while Gold prices remain high, we expect higher levels of jewellery recycling, where old jewellery is swapped for new jewellery. China is also likely to see continuing demand growth as the population's disposable incomes grows. In addition, there are also reports that with investors shying away from the property market in China, more money is going into items like jewellery, which are seen as much as an investment as they are an adornment.

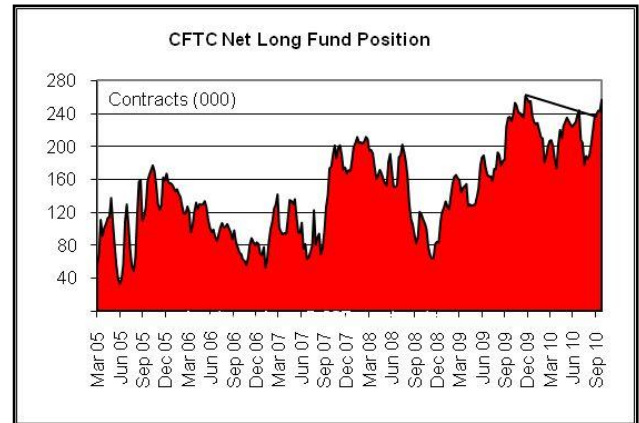
Investment demand

Exchange traded funds (ETFs) have become a highly popular investment vehicle and are used across the spectrum of the investment community from retail investors, pension funds, to hedge funds and sovereign wealth funds. Interestingly as the chart shows, there have been few instances of large redemptions and the overall trend in the amount of metal held in the ETFs has been up. The financial crisis in 2008 saw a rapid increase in the size of the ETFs as did the sovereign debt crisis early this year. The amount of Gold held peaked in mid-July 2010 at 2,095 tonnes, redemptions during the recent rally in equities saw holdings drop to 2,046 tonnes, but then as fears rose in early August about a possible double-dip recession and the dollar started to weaken in September, the buying returned and holdings set a new peak at 2,106 tonnes. Investor interest is not just confined to ETFs, in recent years there have been unprecedented levels of investment in Gold bars and coins. In 2008, retail investment demand in Europe and North America jumped to 327 tonnes and climbed to 414 tonnes in 2009. By comparison the average level of buying in 2006 and 2007 was 50 tonnes. In early 2010, demand slipped as the fear factor in the markets subsided, but it picked up again once the sovereign debt crisis escalated. Sales of American Gold Eagle coins averaged 82,875 oz in the first four months of 2010, they jumped to 190,000 oz in May and averaged 164,500 oz in May, June and July, before dropping back to 41,500 oz in August.



At some stage, once recovery is underway and the threat of inflation subsides, investors are likely to reduce their exposure to Gold in all forms and when that happens the Gold price is likely to correct significantly. However, this is unlikely to be an issue in the medium term as the risks of double-dipped recession, dollar devaluation and inflation, are still present.

The Futures market – The net long fund position has been climbing steeply since 20th July 2010 when the position stood at 178,307 contracts, it has since climbed 44% to 257,649 contracts as of late September. The downward sloping line on the chart joining previous peaks shows that the net long fund position has broken higher again. The two previous highs were at 244,725 contracts in late June 2010 and 262,331 contracts on 24th November 2009. What is noteworthy is that recent periods of long



liquidation have not been particularly severe with the net fund position only dropping to around 170,000 contracts, avoiding the steep declines seen in early years of the bull market when the net fund long position would drop to around the 50,000 contracts. We think the market may be able to sustain an even larger fund long position as there is still a high chance that more QE will be seen and in turn that is likely to see more competitive currency devaluation.

SUPPLY

After eight years of higher Gold prices the supply response is beginning to be seen with output on the increase again, ending a down trend in production that has lasted for more than a decade. In 2008, mine production was 2,409 tonnes, the lowest for twelve years, but it jumped 6.7% in 2009 to 2,572 tonnes, according to GFMS Ltd, as a host of new projects world wide came on stream. We expect growth of around 2.5% this year and around 1 percent in 2011, although we would not be surprised if these were revised up. In the first half of 2010, mine output, increased by 4% according to the World Gold Council (WGC). Given record high prices and the fact prices have been on the rise for eight years, it is surprising that the supply response has not been greater. However, the corporate practice of expanding reserves by acquisition rather than exploration is no doubt one reason for the slow supply response. Ore grades have also been falling, they fell 2.2% last year. The combination of potentially large profit-margins and greater availability of the factors of production needed by miners, such as equipment, mining engineers and skilled labour, now that the boom in base metal mining has slowed, should lead to a faster period of mine growth, especially as the sector is fashionable at the moment and investors are no doubt looking for potentially lucrative projects. Given that average cash costs of production are around \$500/oz, with total costs around \$700/oz, there is a significant potential profit margin to whet producers' and investors' appetites.

South African drops to third place, just avoiding fourth place

China became the world's largest Gold producer in 2007 and has held that position each year since, with output in 2009 climbing 11% to around 325 tonnes. South Africa, which was the largest producer until 2006, saw production fall to 220 tonne last year, a drop of 6% from 2008. Australia has become the second largest producing country, with production rising 3.5% to 222 tonnes and with US output at 219 tonnes, South Africa is in danger of falling into fourth place. Russia is in fifth place with 2009's output climbing 9% to 205 tonnes, while Peru is in sixth place with output of 182 tonnes.

Scrap

High Gold prices and hard economic times have led to an increase in scrap supply, which according to GFMS Ltd was 1,674 tonnes in 2009, compared to 1,315.6 tonnes in 2008, an increase of 27%. To some extent we see the rise in scrap supply as a function of a change in

habits, where instead of buying new Gold jewellery, some consumers who can not afford to continue buying are instead selling old jewellery pieces and buying new pieces. In, Europe and North America there has been noticeable rise in businesses offering to buy old jewellery. Indeed as some companies have run national advertising campaigns offering to buy old Gold, it is likely that a lot of old jewellery has been “sucked out of the woodwork”. This surge in scrap supply might now be followed by something of a dearth. Over the period 2008 to 2010, we estimate that some 4,400 tonnes of scrap Gold will have come on to the market, equivalent to around 1.7 year’s worth of mine production. This destocking bodes well for the supply / demand balance going forward as it suggests on the one hand there will be less scrap supply in 2011 and, secondly, having got rid of old jewellery, there may well be pent up demand for new jewellery.

Overall with mine supply picking up again (albeit at a slower rate than in 2009) and with scrap supply expected to ease slightly this year and more next year, we think the peak in Gold supply will have been seen in 2009 - at least for a few years. We expect that supply will fall slightly this year and more so in 2011. If scrap supply falls back to the 10 year average of around 1,000 tonnes, then supply could drop quite significantly over the next few year, unless redemptions from ETFs start to be seen, but the earliest we would expect that is late 2011.

Technical Outlook

Gold’s bull run continues, prices have just set new highs at around \$1,387/oz and all thoughts are now on where the next peak is likely to be. This weekly chart shows the up trend line is strong and is shadowed by the 40 week moving average. However, the stochastic indicators, having been very strong, now look tired and therefore some consolidation seems likely in the short term. This would tie in with the spike up through the overhead



resistance line connecting the 2008 and late-2009 peaks at around \$1,322/oz – as such, we would not be surprised to see some consolidation in the \$1,320-\$1,360/oz range for a while. Since October 2008, the up trend line has provided support so over the medium term we would look for dips to run into support around the up trend line, which is last at around \$1,215/oz and was last touched in late July. Further support should be available lower down at the 40 week moving average level around \$1,190/oz. If a significant sell-off got underway (while the overall bullish picture remained intact), then we would expect solid support around the \$1,050-\$1,100/oz level. As for where the next peak is likely to lie, we would point to \$1,440/oz as this is where the upper resistance line is currently at. Projecting that line forward would suggest prices could be up around \$1,620/oz in twelve months time. As such, in the year ahead, we would be looking for a trading range between \$1,050-\$1,600/oz

Forecast & Conclusion

There are a multitude of factors influencing the Gold price, but one of the main reasons driving the bull market is all the uncertainty over the economic recovery and the legacy of the massive governments’ stimulus packages and bailouts mainly paid for with borrowed and printed

money. At present this is reflected by the weakening dollar. So far despite all the governments' efforts the recoveries in the US and Europe look fragile and are likely to need more government support in the months ahead. There is already talk that the Fed may be looking to inject another trillion dollars of QE. One of the concerns is that the actions being taken are debasing the dollar and encouraging competitive currency devaluation. As former 'hard' currencies tend towards losing value, faith in these fiat currencies is falling and as a result people are swapping out of fiat currencies and into Gold and other commodities with intrinsic value. Indeed this might be a reason why industrial metals are doing well even when the economic outlook is uncertain.

The rebounds in the markets after the 2008 financial crisis have been very powerful, but how justified these are remains a moot point. If prices have run ahead of the fundamentals, which we think is the case then another correction across markets may be seen and in turn that is likely to increase the problems for already stretched governments. Such a development might well lead to another crisis and that could drive more investors into safe havens especially if confidence in the dollar continues to sink.

Overall, we do not think we are near the peak in Gold yet as we think the world's financial problems are not over. However, the higher the Gold price goes the more volatile trading is likely to become and the more nervous investors and funds are likely to be. Another broad market sell-off could lead to a sell-off in Gold – possibly down to the \$1,050/oz area, but again the increased fear of the consequences of another broad based sell-off could then see Gold prices shoot higher – indeed Gold could still become a bubble, either because of a deterioration in the economic, financial and fiscal climate, or because recovery gets going and that prompts fears of inflation as the governments around the world delay the start of monetary tightening.

We fondly hope that, at some stage, the problems facing the global economy (and the West in particular) will be solved and normality will return. When that process begins, safe-haven assets are likely to be sold, producers are likely, once again, to increase hedge selling and a good deal of the stock that has built up in allocated accounts at banks and in ETFs may flood back into the market. One can imagine what prices will do under such circumstances. There may well be some scares along the way that the end of the bull market is unfolding and sharp sell-offs are likely to be seen, but overall until robust private sector sustainable growth is seen we expect Gold's bull market to continue. In the months ahead we expect increased volatility in Gold prices. Once real confidence returns and sustainable economic growth looks in place to the extent that governments' finances will improve, we would expect rotation out of safe-havens and more appetite for risk, mainly through equities. Given that there are still some concerns over the possibility of a doubled dipped recession, that unemployment remains stubbornly high and house prices are still depressed, and there is still talk of more QE, we feel it is too early to think the worst maybe behind us. If we are in the eye of the financial storm then the next part of the storm may well be the one that leads to the end-spike up in Gold prices. There seems little point forecasting how high prices might go but we would not be surprised to see prices trading in the \$1,500/oz -1,600/oz range, possibly spiking higher. That said, we would also think there is a chance that prices could be trading well below current levels in twelve months time.

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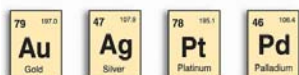
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