

## **Gold Commentary**

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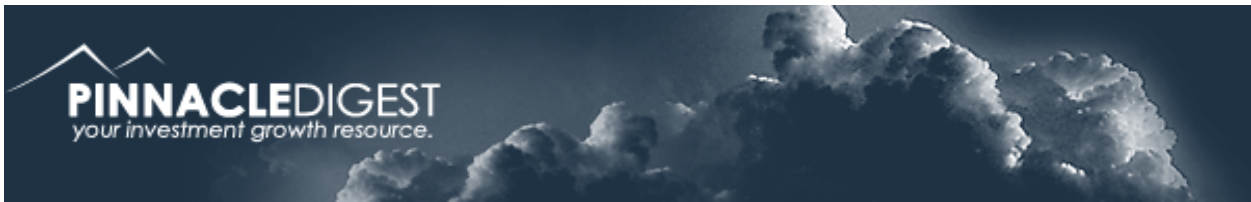
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**eResearch Corporation** is pleased to provide a **PINNACLEDIGEST** article entitled:  
**Gold Commentary.**

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Managing Director, Research Services

April 30, 2010

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## Gold Commentary

April 30, 2010

Gold is going to go up... We have all heard it a thousand times over the last two years. Sometimes when you hear something so many times you put the blinders up and look for something fresh or less talked about opportunities and sectors. In many instances this is a great and profitable approach, once the herd has got hold of an idea and its opportunity, it's usually time to move on. That stated, we don't believe this is the case with gold and we plan to stay well vested in this sector and, in particular, gold equities.

As public debt continues to increase and reach unprecedented levels, the value of gold will rise. A dramatic increase in demand for gold from new sources, most importantly, central banks from around the world, will take gold to new highs and likely drive miners with proven, economic resources through the roof.

This statement sums up the global demand for gold perfectly:

"Gold is quietly, at the edge, becoming the world's second reservable currency, supplanting the euro and rivalling the dollar. The trend shall continue months, if not years, into the future." These comments were made by the highly respected Dennis Gartman, a Suffolk, Virginia-based economist and hedge-fund manager, in one of his most recent Gartman Letters.

What we all need to understand is that central banks, which hold roughly 18% of all gold ever mined, are expanding their holdings for the first time in a generation. Not only central banks, but investors, especially in exchange-traded funds, are accumulating bullion as an alternative to currencies.

Nick Moore, an analyst at Royal Bank of Scotland Group Plc in London stated that, "There's clearly been a renaissance of gold in central bankers' minds. It's not just been central banks taking on gold, but a general shift for physical gold in the investment sector."

A country's gold reserve has become deathly important to the security of its own currency and the respect it carries abroad. Global debt levels and, most critically, the debt level of the United States has reached record levels. The United States has avoided hyper-inflation over the past 200 years by returning to and shifting between a fiat and gold standard. Let's review the facts and prepare ourselves to profit from the coming shift.

The World Gold Council recently reported that in 2009 central banks added the most gold to their reserves since 1964. Keep in mind that the purchase of this gold was amidst the longest rally in bullion prices in over 90 years and is ongoing. Central banks have been accumulating gold at a feverish pace in the first few months of 2010 and we expect this to continue.

Nicholas Larkin, a Bloomberg columnist, reported that combined central bank holdings rose 425.4 metric tons in 2009 to 30,116.9 tons, an increase worth \$13.3 billion at last year's average price, according to the data.

**Note:** President Obama wants to spend more than 100 times that amount on health care in America.

Is it likely central banks will increase their holdings in gold given the extreme spending by the leader of the world's reserve currency?

The answer is undoubtedly "Yes", but where the central banks intend to find this amount of gold year after year is the issue. As the IMF and other countries begin to delay or limit bullion sales for their own security, there will only be one reliable source of new gold which central banks will be forced to tap into.

Public companies with proven ounces of gold in the ground will reap outrageous profits from their gold if proven economic.

Gold Holdings Corp., a publicly-listed gold company, estimates that the amount of in-ground verified gold resources currently controlled by publicly-traded gold-mining companies is roughly 50,000 tonnes. Central banks have 30,000 + tons in their holdings and are increasing that number constantly. There is only 50,000 tonnes left out there currently proven and under the control of public companies. The race to acquire this gold is upon us.

Major gold miners have been recording record quarter after record quarter as their sales average well over \$1000 dollars an ounce. Every major on the block is producing at capacity to capitalize on these historic gold prices. As an investor you have to ask yourself: How are these majors going to sustain or increase their yearly production numbers? Two options: (1) Expand their current reserves from within, or (2) acquire new, proven resources. The latter is the fastest and most plausible answer.

We are very careful in selecting which gold companies we feature and invest in. We have just identified a gold company that has over 3 million ounces in the ground, and is situated very close to a major producer; in fact, it is next door to the biggest gold producer in the world. You will be interested in knowing how small of a market cap this company has in comparison to the size of the gold deposit it owns. It has, by far, the largest proven gold deposit of any company we have ever featured. We have invested in this company at higher prices than where it currently trades. Once our research report on the company is complete we will be sending it to you via email. You can expect the report within 1 week.

All the best with your investments,