

Media Release

1 April 2009

March Quarter 2010

Resource Capital Research - Equity Research Report: Junior and Mid Tier Gold Companies

Key Points

Gold Market:

- We are moderately bearish on gold and expect trading mostly in the US\$1,050/oz to US\$1,100 oz band for the balance of 2010.
- Gold has retreated by 9% from the record high of US\$1,215.70/oz (2 Dec. 2009).
- We believe that the late 2009 surge in the gold price was predominantly speculative.
- Gold has been patchy in the March Quarter, trading around the US\$1,100/oz level.
- Gold's inverse relationship with the US dollar has come back to the fore.
- The US dollar is likely to remain well supported – mainly because the currencies it is measured against are generally friendless.
- Gold's fundamentals are not strong – redemptions in gold-backed Exchange Traded Funds (ETF's) has seen net gold outflows in the last two months, fabrication demand is subdued, and we expect increased producer hedging.

Gold Equities:

- Gold shares have generally underperformed in the last month 12 months, after having their day in the sun in the first quarter of 2009.
- World equity markets have rallied strongly over the last 12 months (Morgan Stanley World Index up 51%), but the major gold share indices are up only 8% for Australia, down 2% for Canada and down 23% for South Africa despite gold being up 21%.
- The junior exploration and development gold companies have generally outperformed strongly in the last 12 months, with money flowing into the sector.
- The share prices of the 16 exploration and development companies covered in the RCR March Quarter Review are, on average, up by 159% over the last 12 months.

Analyst's Comment –Equity Performance and Gold Price Outlook:

"If you weren't in emerging gold exploration and development companies in the last twelve months, your gold shares have probably underperformed" says **RCR Senior Gold Analyst Dr Tony Parry**. "The Australian, Canadian and South African gold share indices have significantly underperformed world equity markets, and the US dollar gold price, in the last 12 months, partly due to currency appreciation against the US dollar. However the emerging producers of tomorrow have continued to dramatically outperform their big brothers."

"On the gold price, we are cautious on the medium term outlook, and are forecasting an average price of US\$1,075/oz for the balance of 2010, due to expectations that the US dollar will be well supported, and weakening supply-demand fundamentals for gold."

Resource Capital Research ("RCR"), an equity research company which focuses on small and mid size resource companies, today launched its major quarterly research report covering 16 gold exploration and development companies. RCR also publishes a quarterly Uranium Sector Review, Iron Ore Company Review and a Tin & Tungsten Company Review.

To access the free summary of the gold report or to purchase the 58 page comprehensive report, go to www.rcresearch.com.au/reports.

Overview and Investment Comment

Gold's all time high on 2 December 2009 was US\$1,215.70/ounce.

The anticipated range for the remainder of 2010 is US\$1,050 to US\$1,100.

The last three months has seen little direction for gold.

We see near term risk on the downside due to US dollar firming...

...and weaker supply-demand fundamentals for gold.

Over the last twelve months major gold equities have underperformed strongly recovering broader equity markets, and also the gold price, due to strengthening producer country currencies...

...but the junior companies have performed strongly.

Gold Price outlook

After a speculative surge in November and December 2009, which saw gold peak at an all time high of US\$1,215.70/oz, it appears that the US dollar has returned to the ascendancy as the main driver of the gold price in the short to medium term.

RCR expects the gold price to trend downwards and spend most of the remainder of 2010 in the range US\$1,050/oz to US\$1,100/oz. Our forecast for that period is an average price of US\$1,075/oz.

The spot price of gold is currently US\$1,107.00/oz (March 30) which is down 9% from the December 2009 all time high. Over the past three months the gold price has firmed slightly from US\$1,096.80/oz (up 0.9%), and has generally traded either side of the US\$1,100/oz mark.

We are moderately bearish on the outlook for gold in the medium term because we consider that the current uptrend for the US dollar could continue, particularly when taking into account the status of most of the currencies the greenback is measured against.

We consider that gold's supply-demand fundamentals also tip the balance towards further gold price weakening. Key measures of safe haven demand for gold, such as inflows into Exchange Traded Funds (ETF's) have been weak in the last half of 2009 and actually have flipped over into net outflows in the first two months of 2010. Jewellery demand remains subdued and producer net de-hedging is likely to trend towards net hedging during 2010.

Gold Equities

Gold shares produced spectacular outperformance in the March quarter of 2009, at the height of the GFC, but since then have generally underperformed. In the last 12 months equity markets have recovered strongly (the Morgan Stanley World Index is up 51%), but the Australian gold index is up only 8%, the Canadian gold index is down 2% and the South African index down 23%. All have underperformed the US dollar gold price (up 21%), due to strengthening producer country currencies. Junior and emerging companies have, however, outshone their big brothers, as is evidenced by an average 159% twelve month share price rise for juniors featured in this Review.

		Current *	1 month	3 month	6 month	1 year
Gold Price	US\$/oz	na	-1%	1%	12%	21%
USA	S&P 500 Gold Index	na	2%	6%	15%	11%
Canada	S&P/TSX Gold Index	na	-4%	-5%	-7%	-2%
Australia	S&P/ASX200 Gold Index	na	8%	-5%	9%	8%
South Africa	FTSE/JSE Gold Index	na	2%	-6%	-7%	-23%
FTSE Gold Index	FTSE Gold Index	na	2%	-3%	0%	17%
World Markets (all sectors)	Morgan Stanley World Index	na	6%	2%	7%	51%

*Table data as at 29 March 2010

Source: Bloomberg, RCR

RCR March Quarter 2010 Featured Company Summary

AUSTRALIA

Company	Code	Comment
A1 Minerals Limited	AAM	Production A1 has joined the gold producer ranks with first pour at its low capex ~A\$12m Brightstar project near Laverton (1.7moz resource). After getting through teething problems in commissioning, we expect the market to focus on potential expansion to >50kozpa within two years.
Allied Gold Limited	ALD	Production Expanding mid tier producer ALD plans to more than triple gold output from its 7.8moz Au resource by early 2013, to +300kozpa. This should see both oxide and sulphide operations at Simberi (PNG) and a restart of the 120kozpa Gold Ridge (Solomon Is).
Ampella Mining Limited	AMX	Mid Exploration An initial 1.2moz Au resource at Konkerea (Burkina Faso) may have set the scene for a year of strong results for Ampella, as it spends A\$15m exploring 110km strike on the Batie West Shear. Drill results are pending at the Tonior Prospect (surface grades to ~21.5oz Au).
Azumah Resources Limited	AZM	Scoping An initial 350koz Au resource at the Julie Prospect has pushed AZM's resource inventory at the Wa Gold Project (Ghana) to 1.104moz Au. Strong newsflow is expected from a second 40,000m drilling program, ahead of a Feasibility Study in late 2010.
Beacon Minerals Limited	BCN	Advanced Exploration BCN now has the funding to push ahead strongly in 2010 with drilling of targets at its Barlee Gold Project in WA. It has set an initial 0.5moz target for what looks like high grade shallow mineralisation. This could lead to a PFS for production commencing within 12 months.
Catalpa Resources Limited	CAH	Production & New Plant Construction Less than two years ago CAH was a hopeful capitalised at A\$15m. Now it is about to become a ~130kozpa gold producer, is in the ASX300 index, and is capitalised at >A\$250m. As its Edna May mine commissions in May, we expect further re-rating towards our A\$2.07 base case valuation.
Eleckra Mines Limited	EKM	Advanced Exploration EKM's Yamarna belt (WA) exploration has produced a new high grade discovery and probably more with three major new anomalies to be drilled 2Q10. This increases our expectation of a >1moz resource (0.75moz current), with improved grades, and a share valuation of ~A\$0.20.
Kingsgate Consolidated Limited	KCN	Production, Advanced Exploration We are forecasting 141koz FY10 gold output (US\$295/oz opex), rising to 193koz in FY12 with plant expansion. Discoveries of major regional mineralised zones support our view that KCN is sitting in a >10moz Thai Au province, which could drive KCN towards A\$11/share.
Morning Star Gold NL	MCO	Production Underground mining grades at Morning Star averaged 22.95g/t in 4Q09, well in excess of current resource grades and in line with historic production (~900koz at 26g/t). Milling to produce 15-25kozpa Au via gravity could commence in Jun '10.
Norseman Gold Plc	NGX	Production, Advanced Exploration NGX's credibility and profitability have suffered with recent grade and production shortfalls. However, it is still confident it can get back on track and boost production to ~110koz in FY11 (after ~65koz FY10). If so, shares look very undervalued based on our A\$1.45/share NAV.
North Queensland Metals Limited	NQM	Production, Advanced Exploration Dividend-paying NQM is firming up strategies for additional ore to feed the under-utilised Pajingo mill (60% NQM), to boost Pajingo production by 75% to >100kozpa in 12 months. The clarity should lead to a re-rating of NQM as a growth stock - towards our A\$0.47/share NAV.
Perseus Mining Limited	PRU	Definitive Feasibility Study A start to construction of the Central Ashanti Gold Project (Ghana) is imminent, with environmental permits pending. Production from the 2.1moz Reserve could commence in 3Q11, with a predicted +300kozpa Au coming from the CAGP and Tengrela (Ivory Coast).
Vantage Goldfields Limited	VGO	Production, Advanced Exploration Proposed market debutant VGO plans to expand two mines in South Africa's rich Barberton goldfields from ~20kozpa (CY10) to ~80kozpa (CY13) equity production. Current project resource base is 4.38moz. Proposed A\$0.40/share IPO price is below our valuation range.
West Wits Mining Limited	WWI	Advanced Exploration WWI will outsource initial ore treatment to neighbour Mintails, aiming for shared ~20kozpa gold production in 4Q10 from near-surface deposits on the Witwatersrand Basin. Cash flow will fund exploration for >4moz Au and >15mlb U reef targets.
YTC Resources Limited	YTC	Pre-Feasibility Study YTC is on track to start gold and base metal production in early 2011 from the Hera Project (NSW). A resource upgrade and DFS are expected in April 2010. A near-term value driver could be exploration drilling between Hera and the historic Nymagee Copper Mine.

Company Summary

CANADA

Company	Code	Comment
Nevsun Resources Limited	NSU	Construction Mining at the US\$260m Bisha gold and base metal project, Eritrea, could start in late 2010. Forecast gold production is an impressive 900koz Au before year 3, costing US\$230/oz including credits. Estimated project NPV is US\$5.11/share at current metal prices.

About Resource Capital Research

Resource Capital Research ("RCR") (www.rcresearch.com.au) was founded in 2004 and is based in Sydney. RCR provides investors with in-depth reports on current investment opportunities in the mining sector both in Australia and globally. The focus is on small and mid cap resource companies, within the gold, uranium and tin/tungsten sectors, ranging from exploration stage, through development and production. John Wilson the principal of the firm and analyst has over ten years' experience analysing mining companies in Sydney and on Wall Street including for major investment banks. Dr Tony Parry, Senior Gold Analyst, joined RCR in early 2008. Tony has extensive experience in mining equity research, equity sales and mining corporate finance (working in London for five years and subsequently Perth).

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The report is available at www.rcresearch.com.au. The next Gold Company Review will be published in the June Quarter, 2010.