

Media Release

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June Quarter 2009

RCR's Equity Research Report: Junior and Mid Tier Gold Companies

Key Points

Gold Market:

- **Gold will continue to perform as a 'safe haven investment' relative to most asset classes, thriving on bad news, US dollar weakness and inflation fears.**
- **Gold is currently caught in a battle between US dollar weakness and equity market recovery.**
- **Even if equity markets continue to recover, gold is likely to be underpinned by increasing fears of post-recession inflation and US dollar weakness.**
- **The gold market is being driven by the emergence of gold-backed Exchange Traded Funds (ETF's) which surged in the March 2009 quarter (up by US\$15 billion to US\$49 billion in value) and for the first time, eclipsing demand from the traditional gold demand stalwarts, jewellery and industrial fabrication.**

Gold Equities:

- **Gold share indices in the last six months have recovered much of their 2008 falls and have strongly outperformed overall equity markets strongly.**
- **Money is flowing even into the junior end of gold share markets, with many exploration and development gold companies undertaking equity raisings.**

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 15 gold exploration and development companies. RCR also publishes a quarterly Uranium Sector Review and a recently published quarterly 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.

Analyst's Comment – Gold Price Outlook:

"The gold price is currently being driven by two opposing factors" says RCR Senior Gold Analyst Dr Tony Parry. "Equity market recovery (which reduces the perceived need for 'safe haven' buying of gold) tends to push it down, while US dollar weakness increases 'store of value' demand for gold, and tends to drive it up. Strong equity market recovery in March pushed gold back below US\$900/oz, while a diving US dollar since early April (and more subdued equity markets) has seen the gold price surge back up towards the US\$1,000/oz mark. Which of these will win? In the next six months we see gold tacking in a band between US\$900 and US\$1,000, with probably a greater risk that further equity market recovery could push it below US\$900, relative to US\$ weakness which could push it over US\$1,000. Beyond that time period, re-emergence of inflation is the monster under the bed which could crawl out and become the dominant driving force in gold markets, and which could see the price above US\$1,000/oz in 2010."

Gold has recovered to US\$980/oz after dipping to US\$869 in April.

Stock market rallies pushed gold down; a weak US dollar has brought it back up.

Safe haven investment buying has dominated gold markets in 1Q09.

Record inflows into Exchange Traded Funds

Anticipated trading range US\$900 to US\$1,000/oz over next 6 months, further equity rallies could see US\$900 breached again.

Gold shares have strongly outperformed in the last 6 months...

...and held their value in the last 3 months while equity markets have finally rallied.

Gold Price Performance

The current gold price of US\$980/oz (June 2) is at a three month high, up 4% from the US\$942 at the end of February. However, during that three month period the price has by no means been flat, spending most of April below US\$900, and reaching a low of US\$869/oz on April 17.

The late March/early April falls in the gold price below US\$900 coincided with strong rallies in world equity markets and a growing feeling that the worst may be over. The gold price recovery since has been less to do with stock markets (which have continued a more modest rallying trend) and everything to do with the US dollar which has been in a solid downtrend.

Gold Market Fundamentals

Surging safe haven investment buying channelled through gold Exchange Traded Funds (ETF's) has dominated gold markets in recent months. On the supply side recycled gold scrap flooded onto the market, while on the demand side jewellery and industrial demand dropped dramatically. ETF's stepped in and took up the slack with record fund inflows, boosting equivalent gold holdings by 458 tonnes to 1,648 tonnes (in value ETF holdings in the March quarter increased by US\$15.5 billion to US\$49 billion). For the first time, ETF demand exceeded jewellery and industrial demand, the traditional stalwarts of demand.

Gold Price Outlook

RCR expects gold to trade in the range of US\$900/oz to US\$1,000/oz in the next six months. A high level of volatility is expected. We see slightly more risk on the downside if equity markets continue to rally. Breaking through US\$1,000 will be challenging even with a weakening US dollar, unless strong bearish sentiment returns to equities. Inflation remains a less dominant factor at the moment.

Gold Equities

Gold shares have been the place to be in the last six months. Gold share indices have recovered much of the ground since hitting lows in the September 2008 quarter, and have strongly outperformed overall sharemarket indices. In the past 6 months the Australian Gold Index is up 38%, Canadian up 26% and South African up 29%. The South African and Canadian indices are now slightly above the levels 12 months ago (pre global financial crisis), the Australian is 13% below 12 month levels. In comparison the Morgan Stanley World Index (MSWI) is still 37% below its May 2008 level.

In the last three months, however, gold shares have underperformed with fairly flat performance (as gold dipped in April). Equity markets have finally produced their first serious 2009 rally (MSWI up 28%).

RCR June Quarter 2009 Featured Company Summary

AUSTRALIA

| Company | Code | Comment |
|---------------------------------|------|---|
| A1 Minerals Limited | AAM | Feasibility Study, Imminent Production A1 will be a ~35kozpa producer in 4Q09 from high grade ~4g/t starter pits at its low capex A\$10m Brightstar project near Laverton (1.7moz resource), subject to a further capital raising of ~A\$7m. The strong operational cashflow will then fund future expansion. |
| Adamus Resources Limited | ADU | Feasibility Study Ore reserves at the Southern Ashanti gold project, Ghana, have increased 31% to 1.07Moz @ 2g/t Au (resource 2.1Moz). BFS expected May '09. Potential production of 100kozpa Au, with opex US\$350-450/oz, possible from 2H10. Upside to >5moz Au. |
| Andean Resources Limited | AND | Advanced exploration/Pre feasibility study Cerro Negro gold project (100% AND, Argentina) - a high grade resource, with solid exploration leverage and favourable project economics. Regional drilling results 1H09 highlight potential for significant new discovery. Mid term resource target 4-5moz Au Eq. |
| Avoca Resources Limited | AVO | Production April '09 production from Trident Gold Mine, at the 5.3g/t, 1.45moz Au Higginsville Project (WA), hit AVO's long-term target rate of 190kozpa. Forecast output for FY09 is 140koz Au. A possible takeover of Dioro could boost FY10 production to +250koz Au. |
| Azumah Resources Limited | AZM | Early to Advanced Exploration AZM has completed a crucial A\$5.2m equity raising to fuel its move towards producer status as the dominant player in the emerging NW Ghana gold belt. We anticipate a fast track to an initial 1moz target 4Q09 (current 0.75moz) and increasing future production focus. |
| Beaconsfield Gold NL | BCD | Production BCD is producing gold at +80kozpa, from the high grade (10.5g/t Au) Beaconsfield Gold Mine (BGM, TAS). Reduced opex expected in 2-3Q09, after 1H09 development to open up F21 Zone for 2010 production (discovery hole 9m @ 37.5g/t Au). |
| Catalpa Resources Limited | CAH | Plant Construction - Advanced Exploration Catalpa has cleared major hurdles to becoming a mid tier producer with over A\$100m in debt and equity successfully raised in the last three months. Construction is now underway at the fully funded ~100kozpa Edna May project with first pour expected 2Q10. |
| Cortona Resources Limited | CRC | Advanced Exploration CRC has locked in a A\$1.8m share placement to fund ongoing drilling at its flagship Dargues Reef project (NSW, 286koz Au @ 6.2g/t) and regional targets. A scoping study and resource upgrade (to ~500koz Au) are expected in 2-3Q09. |
| Eleckra Mines Limited | EKM | Advanced Exploration EKM controls most of the highly prospective and underexplored Yamarna belt (WA) and has established resources of 749koz gold and 6.2mlb U3O8. The company is increasing its gold focus, pegging further unexplored ground N of AngloGold's Tropicana (5moz resource). |
| Kingsgate Consolidated Limited | KCN | Production, Advanced Exploration KCN's new Chatree N leases have lifted output to 150kozpa, grades are up and costs down (~US\$340/oz). Further upside from promising higher grades at Chatree N drilling (each +0.1g/t resource grade adds ~A\$1 to NPV/share), Chokdee discovery and plant expansion FY11. |
| Kingsrose Mining Limited | KRM | Production, New Project Commissioning As operator of the Comet Vale mining operations (50% JV with RDR) KRM is developing a profile as a specialist high grade underground miner. KRM is now looking to commission its second operation in 4Q10 - an 85%-owned 30kozpa Indonesian operation. |
| Morning Star Gold NL | MCO | Advanced Exploration, Pre Feasibility After over a decade of refurbishment work and >A\$10m spent, MCO is preparing to breathe life into Victoria's historic Morning Star underground mine (past production ~900koz at 26g/t) with a PFS underway and first production of ~30-60kozpa expected 2Q10. |
| Navigator Resources Limited | NAV | PFS, Advanced Exploration NAV has announced a surprise A\$16m option deal to acquire the idled Bronzewing gold operations. This could see NAV in production at ~100kozpa by 1Q10, leapfrogging the less robust former headline project at Leonora - expected to be a ~60kozpa contributor by 4Q10. |
| North Queensland Metals limited | NQM | Production, Advanced Exploration NQM's cashflow of ~A\$15mpa from the 60kozpa Pajingo (QLD) gold operation (NQM 60%) will be applied to NQM's vision of becoming a mid tier gold producer (150kozpa in 5 years) from QLD's Drummond Basin. Recent Dotswood option deal is first step aimed at 100 |
| West Wits Mining Limited | WWI | Advanced Exploration WWI is exploring for major >4moz gold and >15mlb uranium targets on the Witwatersrand Basin near Johannesburg. The plan is to fund this with cash flow produced from mining of near surface deposits (468koz JORC resource). First open cut production expected 1Q10. |

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 September Quarter, 2009.