

Media Release

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December Quarter 2009

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

Analyst's Comment – Gold Price Outlook:

"Although central banks have been clumsy in the past when handling gold sales, we don't expect them to behave like elephants in china shops if they want to buy gold," says **RCR Senior Gold Analyst Dr Tony Parry**, "and the limited liquidity of gold compared to US dollars will prevent them from using gold to significantly shift their foreign reserve holding away from US dollars. If the world's central banks were to increase their gold holdings from the current level (10.3% of reserves) by a further 10%, to only 20.3% of reserves, they would have to buy every ounce of global primary mine production of gold (at the current mine output rate) for the next ten years. And the US dollar would still rule. The hype about gold becoming the new reserve currency is just that. And for that reason **we are cautious on the medium term outlook for gold.**"

Key Points

Gold Market:

- **Gold surged 18% in November to a record high of US\$1,215.70/oz on 2 December.**
- **It came back rapidly when the US dollar strengthened modestly after positive jobs data. Currently it has eased to just over US\$1,100/oz.**
- **The driving force for gold's surge seemed to be the growing perception (inspired by a transfer of gold from the IMF to the Indian central bank) that the US dollar is 'dead' and central banks are deserting it and buying gold to protect their foreign reserves.**
- **This is not a realistic proposition; the world does not produce enough gold to allow it.**
- **The US dollar's liquidity is its key to it continuing to be the world's primary store of value, and is likely to find stability in the short-medium term, despite concerns over the US budget deficit and inflation (which is not yet on the horizon).**
- **Demand for gold-backed Exchange Traded Funds (ETFs) has been weak in the last two months, which suggests that fundamentals have not been driving gold's volatility.**
- **We expect trading in the US\$1,000/oz to US\$1,100 oz band in the next six months, with more risk on the downside rather than the upside.**

Gold Equities:

- **Gold shares have under-performed in the last month despite the headlines for gold.**
- **But the junior companies (emerging explorers) have generally out-performed strongly in the last 12 months, with money flowing into the sector.**

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 66 page comprehensive report, go to www.rcresearch.com.au/reports.

RCR December Quarter 2009 Featured Company Summary

AUSTRALIA

Company	Code	Comment
Ampella Mining Limited	AMX	Mid Exploration A string of good exploration results at the Batie West Gold Project in Burkina Faso (110km of strike) has inspired AMX to raise a further A\$16.5m from the market. Results include 12m @ 9.3g/t Au (Konkera). An initial JORC resource and more drilling are expected in 1Q10.
Avoca Resources Limited	AVO	Production Avoca is aiming for consistent, long-term gold production of +200kozpa. In 3Q09, the Trident Gold Mine had its second successive quarter of +50koz Au production (50.6koz) and cash costs <US\$450/oz (US\$428). Regional exploration at Higginsville continues to find more gold.
Azumah Resources Limited	AZM	Advanced Exploration AZM's share price has more than doubled in four months, as its 0.75moz Wa Gold Project in Ghana continues to attract both funding and investor confidence. An expected 1H10 resource expansion to ~1moz Au could drive a further +30% re-rating.
Catalpa Resources Limited	CAH	Plant Construction - Advanced Exploration The Lion Selection merger has been consummated and Edna May is on track for a June 2010 first pour. Catalpa now has one foot in the door of the mid tier producer club (126koz Au forecast for FY11). But it wants senior club membership - it is now setting its sights towards 170kozpa.
Chalice Gold Mines Limited	CHN	Scoping A Scoping Study of the Koka Deposit (944koz Au, Zara Gold Project, Eritrea) has found that open-cut mining could produce 110kozpa Au for 6 years, at cash cost US\$424/oz and capex US\$97.8m. Exploration and infill drilling (5,000m) at Zara commenced November '09.
Cortona Resources Limited	CRC	Scoping Dargues Reef (NSW) now has a Scoping Study for underground production of 40-50kozpa Au, with low capex of A\$30m. Current capital raising (A\$10.3m) could fund resource expansion to +500moz Au and a DFS, ahead of possible production in 2011.
Eleckra Mines Limited	EKM	Advanced Exploration EKM's exploration in the Yamarna belt (WA), current 749koz 1.78g/t Au resource, has produced high grade discoveries that suggest ~1moz is possible by mid 2010, with much improved grades. With the 6.2mlb Thatcher Soak uranium resource, shares look undervalued.
Kingsgate Consolidated Limited	KCN	Production, Advanced Exploration We are forecasting 138koz production this year for KCN with ~US\$320/t opex, increasing to 193koz in FY12 with plant expansion. The big news is that recent further discoveries of major regional mineralised zones support our view that KCN is sitting in a >10moz Thai Au province.
Korab Resources Limited	KOR	Definitive Feasibility Study KOR shareholders can look forward to a busy 1Q10, with free stock coming from the planned corporate spin-out of Bobrikovo (Ukraine), which has a near-term resource target of 640koz Au. Gold-focused exploration will increase, at Melrose (WA) and Batchelor (NT).
Morning Star Gold NL	MCO	Production Visible gold has been found during redevelopment of the Morning Star underground mine (last mined 1963, past production ~900koz at 26g/t), with assays from Maxwell's Reef up to 137.4g/t Au. A new JV could bring A\$4.5m for exploration.
Norseman Gold Plc	NGX	Production, Advanced Exploration NGX is pushing into the mid tier producer ranks with expansion underway at its high grade Norseman underground operations (3.7moz resource), utilising spare mill capacity. We expect production to be ~110koz in FY11 and 124koz in FY12, after 83koz in FY10.
North Queensland Metals Limited	NQM	Production, Advanced Exploration Dividend-paying NQM's equity in gold production could increase in the next 12 months to ~60kozpa with ore from satellite ore bodies feeding the under-utilised Pajingo mill. This has increased our assessed NAV to A\$0.48/share.
Perseus Mining Limited	PRU	Pre-Feasibility PRU has achieved US\$85m debt financing for its Ayanfuri Gold Project in west Africa. Production could commence in 3Q11, with a predicted +300kozpa Au coming from Ayanfuri and Tengrela (Ivory Coast). Current equity resource base is ~6.3moz Au.
West Wits Mining Limited	WWI	Imminent Production WWI has secured a 480ktpa CIL plant, aiming for initial production (~20kozpa) mid 2010 from near-surface deposits on the Witwatersrand Basin. Cash flow will then fund exploration for major >4moz Au and >15mlb U reef targets on WWI's 20km of Witwatersrand leases.
YTC Resources Limited	YTC	Pre-Feasibility Study YTC is awaiting results of its first drilling program at the ~510koz Au Hera gold and base metal project (NSW). An ongoing gravity survey has already defined a high-priority target (Zeus). Mining at Hera could start in Jan '11. Mid-term price target A\$0.64/share.

CANADA

Company	Code	Comment
Fronteer Development Group Inc.	FRG	Scoping FRG has high-quality uranium and gold projects, including 4.2moz Au in Nevada with potential for near-term production, and 100% ownership of Michelin, which could produce 96.9mlbs U3O8 over 17-year mine life. Current in-ground value of resources is US\$11.4bn.

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 March Quarter, 2010.