



Gold



Lead



Copper



Platinum



Nickel



Iron



Aluminium



Zinc



Silver

## THE PROPHECY

*"Les simulacres d'or & d'argent enfléz,  
Qu'après le rapt au lac furent gettez.  
Au desouvert estaincts tous & troublez.  
Au marbre script prescript intergetez."*

Century Eight Quatrain 28  
Michel de Nostradame

*"The copies of gold and silver inflated, which after  
the theft were thrown into the lake, at the discovery  
that all is exhausted and dissipated by the debt. All  
scrips and bonds will be wiped out."*

Could Nostradamus have been foretelling events about to unfold in global financial markets?

## PROPHECIES APART, ALL IS NOT WELL FOR THE US DOLLAR

Demand for the US dollar has waned on concern the US will not attract enough capital to fund its current account deficit which is forecast to break US\$500bn, equivalent to 5% of GDP, this year. This enormous rising trade deficit is putting strong downward pressure on the US\$ which has fallen 20% against the Euro over the course of the last 12 months. Rebounding US economic growth, rising commodity prices and increasing long term bond yields suggest short term interest rates ought to be raised in the US but will they be increased sufficiently in a presidential re-election year to prevent the inflation genie escaping from the bottle?

With political/military tensions heightening in Iraq/Middle East, the financial/political conditions are ripe for a rout of the US\$ and a flight into the security of gold.

US\$/EURO  
May 1993 - November 2003



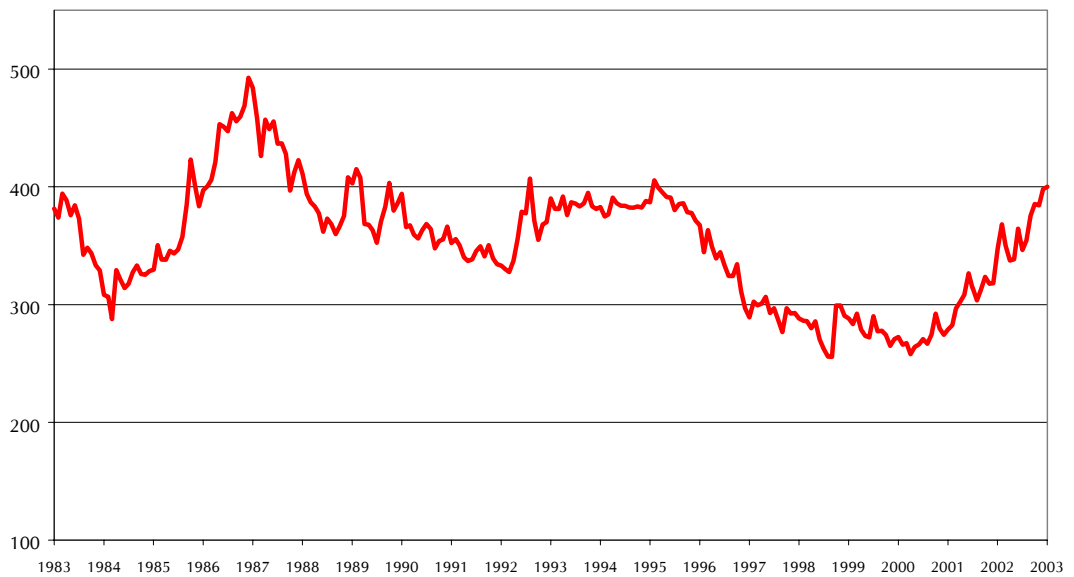
## ANNUAL US CURRENT ACCOUNT DEFICIT REPRESENTS 80% OF CENTRAL BANK GOLD RESERVES VALUE

It is worth putting in perspective how the US current account deficit of US\$500bn compares with the value of global gold reserves. With gold at US\$400/oz the value of annual world gold production (4,000t/year) corresponds to just 1/10<sup>th</sup> of the annual US current account deficit. Official central bank gold holdings, totalling some 30,000t, represent 8/10<sup>th</sup> of the annual US current account deficit and total cumulative gold production mined to date of around 150,000t is worth just 4 times the total 2003 US current account deficit. Sobering numbers. Clearly, either the gold price is too low, the current account deficit too high or a combination of the two factors.

**WITH PSYCHOLOGICAL US\$400 LEVEL BROKEN, GOLD COULD MOVE HIGHER MORE RAPIDLY**

The conclusive break in early December of the key psychological US\$400 resistance level will, we believe, now initiate a more speculative and volatile period for gold which could see the price move higher more rapidly, possibly spiking to US\$500/oz in 2004 if confidence in the US\$ wanes. Signs are already apparent that the gold shorts are getting nervous as the last reported COMEX commitment of traders report for gold on 28 November 2003 suggested the shorts were covering with COMEX total short positions reduced by 7,126,200 oz to 41,135,900 oz.

**GOLD PRICE US\$  
1983 - 2003**



**SHIFT IN FAVOUR FROM PAPER ASSETS TO REAL ASSETS ABOUT TO OCCUR?**

History has a tendency to repeat itself and we believe we could be entering a period not dissimilar to the 1970's when paper assets fell out of favour in place of hard real assets as typified by gold. The long term paper to real asset shift in funds is represented in the Dow Jones/Gold price index. In the past it has traded below 5:1. If this ratio level is reached once again, and assuming the Dow falls from current levels of 9,900 to 5,000, gold could touch US\$1,000/oz if a 5:1 Dow/Gold ratio returned.

**THE CYCLE BETWEEN PAPER AND TANGIBLE ASSETS. IS GOLD HEADED FOR US\$1,000/OZ LONG TERM?**

**DOW JONES TO US\$ GOLD PRICE  
June 1914 - September 2003**



**GOOD BUYING OPPORTUNITY IN LEVERAGED AUSTRALIAN GOLD SHARES**

Australian gold shares today represent better buying value now than they did one month ago despite the US\$ gold price being some 5% higher. We believe now is a good time to reposition the gold portfolio to a more aggressive stance which favours the more leveraged gold stocks.

**Australian Listed Gold Stocks Providing Above Average Leverage to the Gold Price**

| <b>Name</b>                  | <b>ASX Code</b> | <b>Share Price</b> | <b>Market Capitalisation</b> |
|------------------------------|-----------------|--------------------|------------------------------|
| Lihir Gold Ltd               | LHG             | A\$1.60            | A\$2,052m                    |
| Equigold NL                  | EQI             | A\$1.58            | A\$235m                      |
| Croesus Mining NL            | CRS             | A\$0.69            | A\$227m                      |
| Perseverance Corporation Ltd | PSV             | A\$0.35            | A\$186m                      |
| Red Back Mines NL            | RBK             | A\$0.67            | A\$89m                       |
| Emperor Mines Ltd            | EMP             | A\$0.70            | A\$79m                       |
| Ballarat Goldfields NL       | BGF             | A\$0.12            | A\$59m                       |
| Dioro Exploration NL         | DIO             | A\$0.13            | A\$51m                       |
| Tanami Gold NL               | TAM             | A\$0.23            | A\$45m                       |
| Tribune Resources NL         | TBR             | A\$0.98            | A\$40m                       |
| Red 5 Ltd                    | RED             | A\$0.18            | A\$34m                       |

*The Alchemist*

**DISCLAIMER**

RFC Research Limited ("RFC") has prepared this note to provide general commentary and analysis to professional investors on selected resource companies, securities and markets. No part of this report is to be construed as a solicitation, offer or invitation to buy or sell any security and should not be relied upon in connection with any contract or commitment whatsoever. RFC prepared this report without taking into account the objectives, financial situation or needs of any person. Before making an investment decision or otherwise acting on the basis of this report you should consult with a professional investment adviser to consider the appropriateness of the advice, having regard to your objectives, financial situation and/or needs. This report is based on publicly available information. Although the information contained in this report has been obtained from sources believed to be reliable and accurate, its accuracy, reliability or completeness has not been verified by RFC and is not guaranteed. Opinions, conclusions, assumptions, estimates, reflections, forward looking statements and forecasts referred to in this report are those of RFC alone and not those of the companies referred to in this report and these companies do not endorse this report. Opinions expressed reflect RFC's judgement at the date of this report and may change without notice. Forecasts of commodity prices, interest rates, exchange rates and economic growth are subject to significant change. No representation or assurance is given that any prediction, projection or forecast contained in this report will be achieved. At the time of writing this report, RFC is engaged by Red 5 Limited and may be seeking to become engaged by other companies referred to in this report to prepare ongoing investment research reports and expects to be paid fees in relation to its services. RFC and its related bodies corporate or any of their associates, officers or employees may have interests in securities referred to in this report and may hold directorships in or provide corporate finance or other services to the companies referred to in this report. Further, they may buy or sell securities of the companies referred to in this report as principal or agent, and as such may effect transactions which are not consistent with any opinions contained in this report. Use of the information in this report is at your own risk. RFC is not responsible for any adverse consequences arising out of the use of this report. To the extent permitted by law, RFC accepts no responsibility for damages or loss relating in any way to any errors or omissions in any information or opinions provided in this report, whether arising from negligence or otherwise from the use of or reliance on this report. This report is intended to be, and is only, published and distributed in Australia and is not to be read or relied upon by any person situated outside of Australia.