

Have gold and gold shares seen their reaction lows during the current consolidation?

Preliminary technical evidence is encouraging. If gold is in a secular bull market, as I believe, then it should be encountering support near the upper region of its base. Silver - a gold proxy without the threat of central bank sales - should generally outperform on the upside. Gold shares, which have always been volatile, should outshine bullion during the rallies. Is this happening? Interestingly, the US dollar price of gold has rallied from initial support near \$310. Priced in euros, it has steadied near previous highs between 1999 and 2001, and remains within a long-term uptrend. In yen terms - *not illustrated* - gold is losing downward momentum near its March reaction low. Silver is leading a rally after finding support near the upper region of its base. Newmont Mining, the world's biggest gold share, has bounced from its base

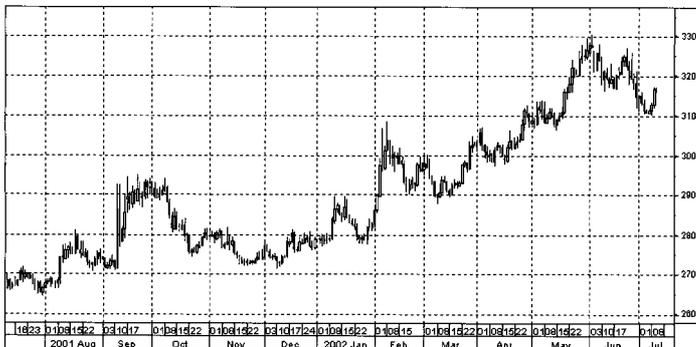
to retest overhead trading.

In response to those who say gold has "had it's day", I say they are either indulging in wishful thinking (not liking the implications of strengthening precious metals) or have no knowledge of financial history. Gold is old money. As such, we don't really need it - as a monetary haven - when the fiat (paper) stuff, including shares, is performing for us. However when people suspect that currencies might not maintain their value, and when they lose their confidence in stock markets, gold is understandably remonetized by default. Until someone can convince me that confidence in equities will suddenly be restored to its 1990s status by a central bank or presidential decree, I will remain positioned for a long-term bull market in precious metals and the better managed companies that mine them, using tactics outlined in earlier reports.

Best regards - David Fuller

Charts supplied by Bloomberg.

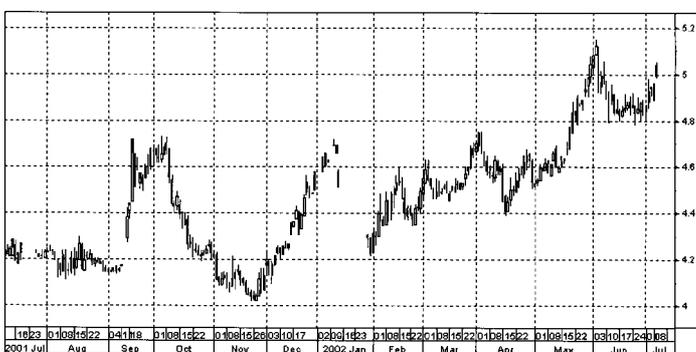
Gold Bullion in Dollar: \$315.75 (Daily)



Gold Bullion: E320.16 (Weekly)



Silver 1st Month Continuation: \$5.038 (Daily)



Newmont Mining: \$28.62 (Daily)



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