Dear Shareholders and Colleagues,

We trust you had a good Christmas and New Year and like us are starting the New Year with a fresh mind on investment and business matters.

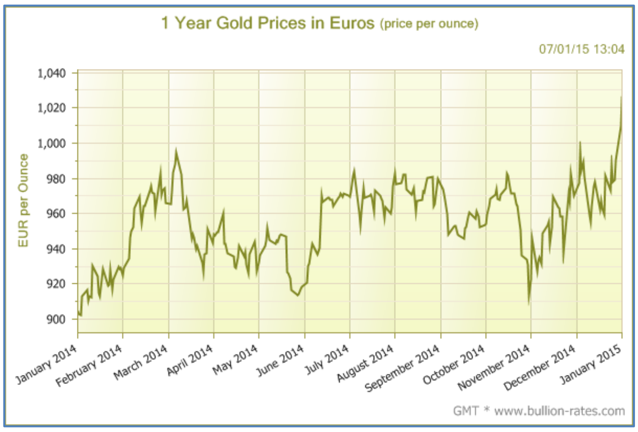
We are of course giving priority to expediting the transactions in Colombia where we are disposing of our interest in a gold mine and processing plant; although the process slowed over the holiday season we were standing by ready to act.

The holiday gave us an opportunity to look strategically at some of the trends in the markets. One to which we have already drawn attention is the change in the relative performance of gold to other currencies and markets including the US dollar.

Many people have opinions about where gold might be going but what we are restricting ourselves to here is how it is *actually* behaving, without an attempt of explanation. Since October and November the gold price has started to behave in a dramatically different fashion from previous months, rising in parallel with the rising dollar.

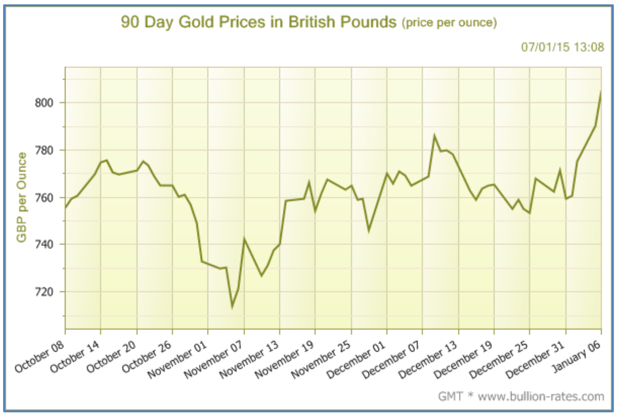
As one looks back one can see a pattern of strength with gold asserting itself against all currencies. In the case of the weaker currencies the process can be clearly seen over a two year chart; against the Russian Rouble gold held its own for the first year and has shown progressively greater strength over the last year.

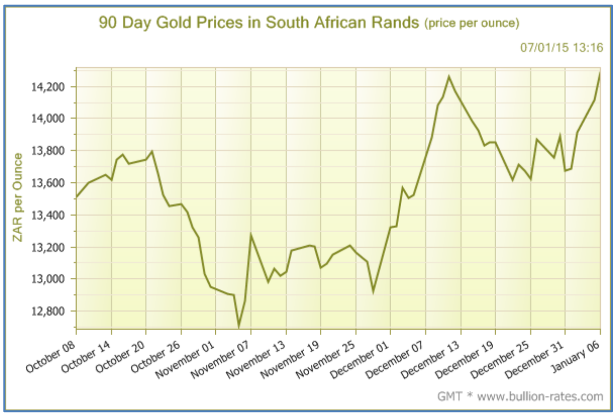
Against another weaker currency, the Euro, the pattern of strength has been evident now for a year.

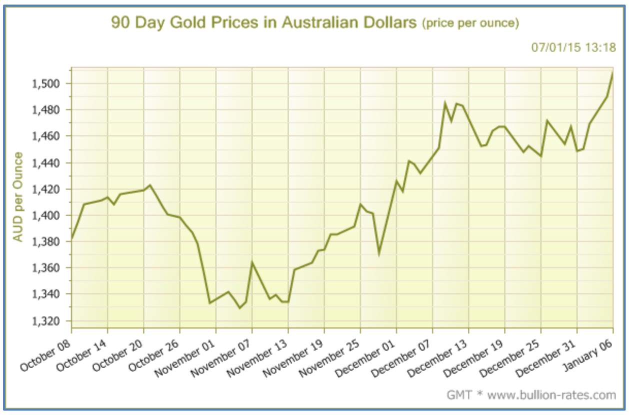


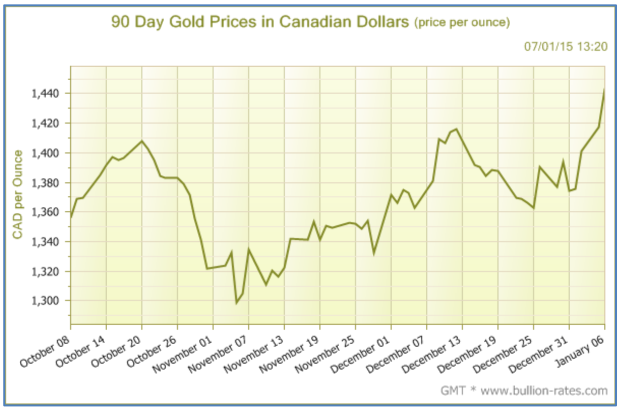
Against the Japanese Yen also the one year chart now shows a pattern of strength although that has only been confirmed in recent months.

Against another group of currencies which we may think of as a relatively stronger currencies the pattern has only established itself over the last 90 days: thus gold in pounds sterling, South African Rand, Australian dollars and Canadian dollars shows a strength developing significantly on a 90 day view.



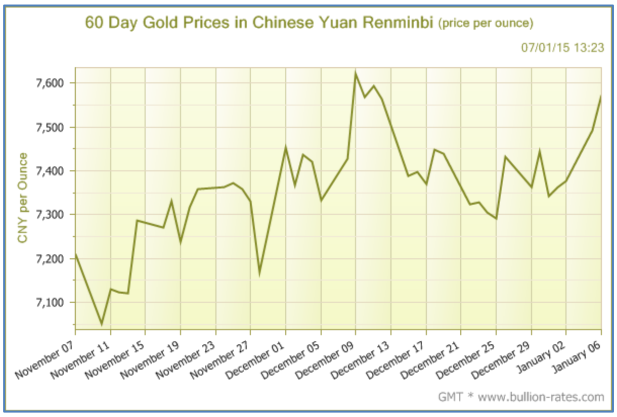


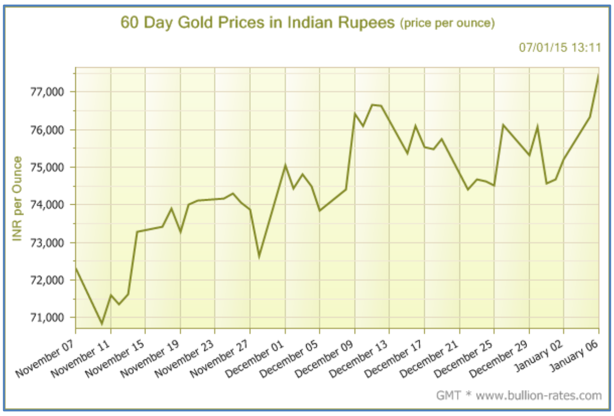


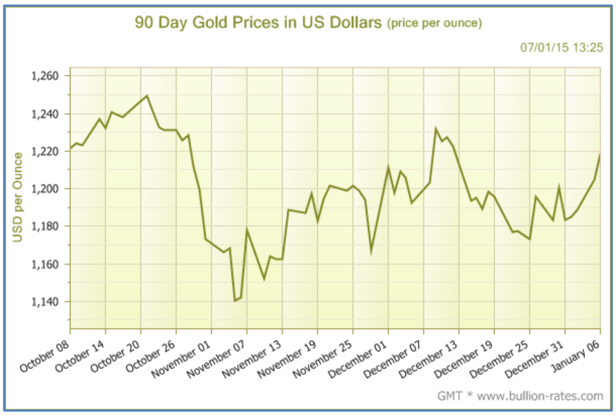


Also relevant to us: gold in Colombian pesos has shown strength in the last 90 days, having as the one year chart shows previously been weakening since the Spring.

The final group of currencies is the Chinese Renminbi and Indian Rupee: against these currencies the gold strength has only been evident in the last 60 days, and indeed the breakout against the Chinese Renminbi still needs to be confirmed.







Finally in a category all on its own is the US Dollar against the gold has not broken out. The 90 day chart shows however that it has begun a pattern of holding its own and more: this is the ratio of two very strong currencies. Previously for a significant period the Dollar's strength had seemed to equal gold's weakness and gold's strength had come with the Dollar's weakness. Therefore this is a change in behaviour: one we do not here seek to explain but just to observe, as an actual phenomenon.

We suspect that there are good fundamental reasons why gold should be strong in terms of supply & demand, marginal changes in asset preferences, and inflationary expectations. There are many expert commentators on the gold price and it is difficult to think of anything new and substantial to say. But the fundamental truth can be forgotten in the mass of detail: an environment where major countries have created additional money through QE (quantitative easing) is one with more potential inflationary pressures, any of which may actualise, even if we cannot know precisely when or how. Inflation is always and everywhere a monetary phenomenon.

This huge increase in the monetary base had its impact diminished as v (velocity of money) has sharply contracted. The reasons for this are many and the complicated interplay of them may be analysed in different ways; ultimately however this exercise in money printing can only be non-inflationary if the liquidity created has in some way gone, or will go, to increase real output and stimulate a broad based economic recovery that rights some of the pre-existing imbalances. It is difficult to know whether this has occurred or may yet occur because in a world with ZIRP (Zero Interest Rate Policy) some of the conventional signals such as the yield curve cease to operate and therefore can no longer be used to steer by. The global savings rate has hit a record 26% of GDP which indicates that the impact of liquidity on demand in the real economy has in some way been delayed and reduced. Nevertheless market index levels show some of it is finding its way to investment markets at least.

The following articles provide an interesting and unusual perspective in suggesting that in the US the rise in 10 year bond yields in the last 2 years was on a logarithmic scale the most extreme in 50 years and represented significant tightening even though the nominal peak figure of 3% appears low. The first article suggests a possible implication for gold in the end of this tightening phase whereas the second article looks in slightly more detail, for those interested, in ZIRP.

It is not necessary to believe that the gold price will rise sharply from here to believe that gold companies should perform better. In most of the world, in countries that do not use the Dollar, the gold price is significantly higher than it was while the cost of mining labour and of professional services has reduced. The decline in the oil price adds about 1% to global growth therefore increasing demand for commodities and assets while there is also a direct impact from falling oil prices on the economics of mining as the energy input to both capex and opex are reduced. Therefore although share prices have been low and the TSX-Venture index for example recently hit all-time lows, real performance may have passed the worst and recovery may already be under way.

Our exploration in the Ivory Coast has begun and we become more and more optimistic about the prospects for the country as a gold producer. We hope to share with you our experiences there as the year progresses. 2015 may see the first signs of Spring for the sector, and with that thought we wish you all a very prosperous New Year.

Yours,

Andrew Bell

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