

FSB Gold Book – Juniors...Going for Gold!

This report sheds light on a select number of small to mid cap emerging gold stocks operating across four geographic regions. Some of the general conclusions we reach are:

- West African juniors appear to be trading at a premium to Australian juniors based on a EV\$/oz basis;
- Valuations appear to be factoring in considerably lower gold prices; &
- Moving into production doesn't automatically re-rate a company's share price.

Our views on the gold market

We are bullish on gold for very fundamental reasons. Gold has long been a store of wealth and, in our view, will continue to do so for both public and private investors. The crisis of confidence in the US dollar as the reserve store of wealth in the recent financial turmoil has lead to a revival of the gold market which, we believe, will see sustained higher gold prices for the foreseeable future.

West African Junior Explorers....the race is on!

The number of listed gold juniors exploring for gold in West Africa has grown dramatically over the past 12 months, with **Adamus Resources (ADU)** leading the way. Burkina Faso is emerging as a new hot spot and we view this trend will continue given the exploration success displayed by a number of companies along with the existence of large-scale established mining operations already in place. Specifically in Burkina Faso, we like **Gryphon Minerals (GRY)** who, in our view, is likely to double its Resource base from the current 1.1Moz in CY10 to enable the development of a ~150-200kozpa open cut operation.

We think the Indonesian sovereign risk discount will begin to unwind.

We recently had a field trip to Indonesia and reviewed the prospective gold operations for both **Intrepid (IAU) and Robust (ROL)**. IAU has already defined a 3.3moz Au Eq Resource on top of, what looks to be, an impressive Au-Cu porphyry system. ROL are targeting a multi-million oz Au Resource on Romang Island. We believe the region will start to receive greater recognition for stable mining conditions after the mining legislation was rewritten last year with a view to more transparency.

In Australia our preference is on the producers with key picks being Catalpa Resources (CAH) and Silver Lake Resources (SLR).

CAH owns 100% of the +100kozpa Edna May gold mine in WA and a 30% stake in the +100kozpa Cracow gold mine in Qld. With Edna May now producing at 2.5mtpa and commissioned on time and under budget, we expect positive news flow in the coming months regarding expanding Resources and Reserves. Our price target for CAH is \$2.10/share with reporting of cash costs and head grades, possibly after the June quarter, viewed as a short term catalyst.

Silver Lake Resources (SLR) has had continued success with its ongoing exploration of high-grade resources. SLR has set itself ambitious targets of 5moz of resources within two years and building up to 300kozpa by 2014. Stretch targets by anyone's standards, but SLR have been very good at delivering to date. Watch out for a significant resource upgrade in July 2010.

DETAILS IN ATTACHED 24 PAGE REPORT

Michael Evans

Analyst

+61 (0)2 9993 8163

Disclaimer & Disclosure of Interests. Foster Stockbroking Pty Limited has prepared this report. This document contains general securities advice only. In preparing the report, Foster Stockbroking did not take into account the specific investment objectives, financial situation or particular needs of any specific recipient. The report is

published only for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Foster Stockbroking is not aware that a recipient intends to rely on this report and is not aware of the manner in which it will be used by the recipient.

Investors must obtain personal financial advice from their investment advisor to determine whether the information contained in this report is appropriate to the investor's financial circumstances. Recipients should not regard the report as a substitute for the exercise of their own judgment.

The views expressed in this report are that of the analyst named on the cover page, and no part of compensation of the analyst is directly related to inclusion of specific recommendations or views in this report. The analyst receives compensation partly based on Foster Stockbroking revenues, including any investment banking and proprietary trading revenues, as well as performance measures such as accuracy and efficacy of both recommendations and research reports.

Foster Stockbroking believes that the information contained in this document is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made at the time of its compilation in an honest and fair manner that is not compromised. However, no representation or warranty is made as to the accuracy, completeness or reliability of any estimates, opinions, conclusions or recommendations (which may change without notice) or other information contained in this document and, to the maximum extent permitted by law, Foster Stockbroking disclaims all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from this document. Foster Stockbroking is under no obligation to update or keep current the information contained herein and has no obligation to tell you when opinions or information in this report change.

Foster Stockbroking, and its directors, officers and employees or clients may have or had interests in the securities of the instruments referred to herein, and may make purchases or sales in them as principal or agent at any time and may affect transactions which may not be consistent with the opinion set out in this report. Foster Stockbroking and its Associates state that they may earn brokerage, fees or other benefits from securities referred to in this report. Furthermore, Foster Stockbroking may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant company.

Specific disclosure: The analyst, Foster Stockbroking and/or associated parties have beneficial ownership or other interests in securities issued by companies discussed in this report at the time of this report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing the report and making the recommendation.

Specific disclosure: Foster Stockbroking and/or associated parties may have received fees in the past 12 months from companies covered in this report for services provided in jointly underwriting and managing the recent institutional placement. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing the report and making the recommendation.