

Gold price upgrade:

With gold recently touching a record high of ~US\$1,900/oz Argonaut has reviewed its gold price forecast.

Current forces driving the bull market include:

- A soft USD
- Inflationary pressure in emerging economies
- Financial uncertainty

Recent site visits and attendance at the 2011 Diggers and Dealers conference in Kalgoorlie confirm industry wide cost pressures / margin squeeze, adding further support to prices. Declining head grades, especially in Australia, exacerbates the pressure.

Impact:

Positive

Argonaut has increased its gold price outlook by 15% over the next three years to US\$1,550/oz, and the long term by 10% to US\$1,100/oz. Argonaut's forecast sits comfortably below spot, with recent substantial price gains occurring over a short period of time.

No changes were made to AUD/USD and other metal price forecasts.

The main risk to gold's advance is a sudden deflationary event such as a sovereign default, a property market collapse in China, or a more severe than expected second round of recession in the USA or Europe.

View:

Positive

Despite record gold prices, Argonaut remains focused on high grade / high margin miners with cash flow and earnings. The opportunistic "recycling" of old assets, currently prevalent, presents operational risks best mitigated by backing quality management teams.

Argonaut's top gold selections (alphabetical order):

- Alacer Gold (AQG) – PT \$15.99
- Ramelius Resources (RMS) – PT \$1.95
- Silver Lake (SLR) – PT \$3.25
- Troy Resources (TRY) – PT \$5.15