The Gold Report

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Where does gold come from?

It's not what you think!

By studying ancient rock samples with high-precision instruments, scientists have found evidence that accessible gold (that being mined), arrived via asteroids when the earth was still fairly young.

Here's another interesting fact: During the initial formation of the planet, heavy iron sank into the middle to form the planet's core, taking other heavy elements, like gold, with it. That's where most of the gold on the planet should be, rather than in the crust, which is where we tend to find it.

Just think about that for a minute.

Gold is not formed on the Earth like diamonds and many other gems and minerals.

In fact, most scientists believe that gold actually came to earth from outer space in large meteorites that struck the planet millions of years ago.

It arrived from outer space, millions of years ago and you can buy it for around $1,300 per ounce. Not bad.

Not only is it rare, but it's becoming increasingly difficult to find.

Fewer and fewer major gold discoveries is probably one very good reason why the majors are merging.

Recently we've heard that Barrick are making a hostile bid for Newmont's – who in turn are trying to acquire Goldcorp. Barrick have already acquired Randgold Resources.

Merger Mania?

If gold production is peaking and the mining companies aren't exploring like they used to, then where is the new supply going to come from?

……The Juniors.

It’s really all about potential, so those with potentially large deposits could well get snapped up at very attractive prices.

Many investors are fooled by large resources. Often a large resource can come from many different deposits, but that’s not really what the majors are looking for, particularly if the deposits are not close together. They want large deposits – ideally open in all directions. Which means there could be a lot more gold there.

What’s could happen?

Later on in this report I show what happened to the gold price in the last major bull market in the 1970’s and early 1980’s.

Do your own due diligence. But as you can see, it could be very exciting.

Perhaps go further back and take a look at some of the share prices of the gold companies such as Homestake Mining in the Great Depression. If history were to repeat itself several of the mining companies could increase dramatically in value.

Imagine what could happen - the major mining companies being forced to buy these explorers to meet demand if the gold price takes off. These explorers don’t have the processing plants in place and they can take a long time to both finance and build. Allowing a nearby producer to dangle a very tempting carrot in front of the shareholders.

Think of it this way. By making these huge acquisitions the majors are essentially admitting there’s a big shortage of the metal.

And this trend is just getting started.

Right now, I believe there is more risk in not owing gold than owning it.

Historic prices

I find Kitco.com is a very good site to use for historical prices. So if you want to get up to the minute prices then take a look at that. You can also access them through my website www.brookvillecapital.com

Here is a long term gold chart that you may want to take a look at. Appreciate this does not make gold look like a screaming buy, but take a look at some work done later in this report by ChartsrUS which compares the bull market in the 1970's with now.

Anyway, take a look and form your own view.

How gold has performed in some economic downturns

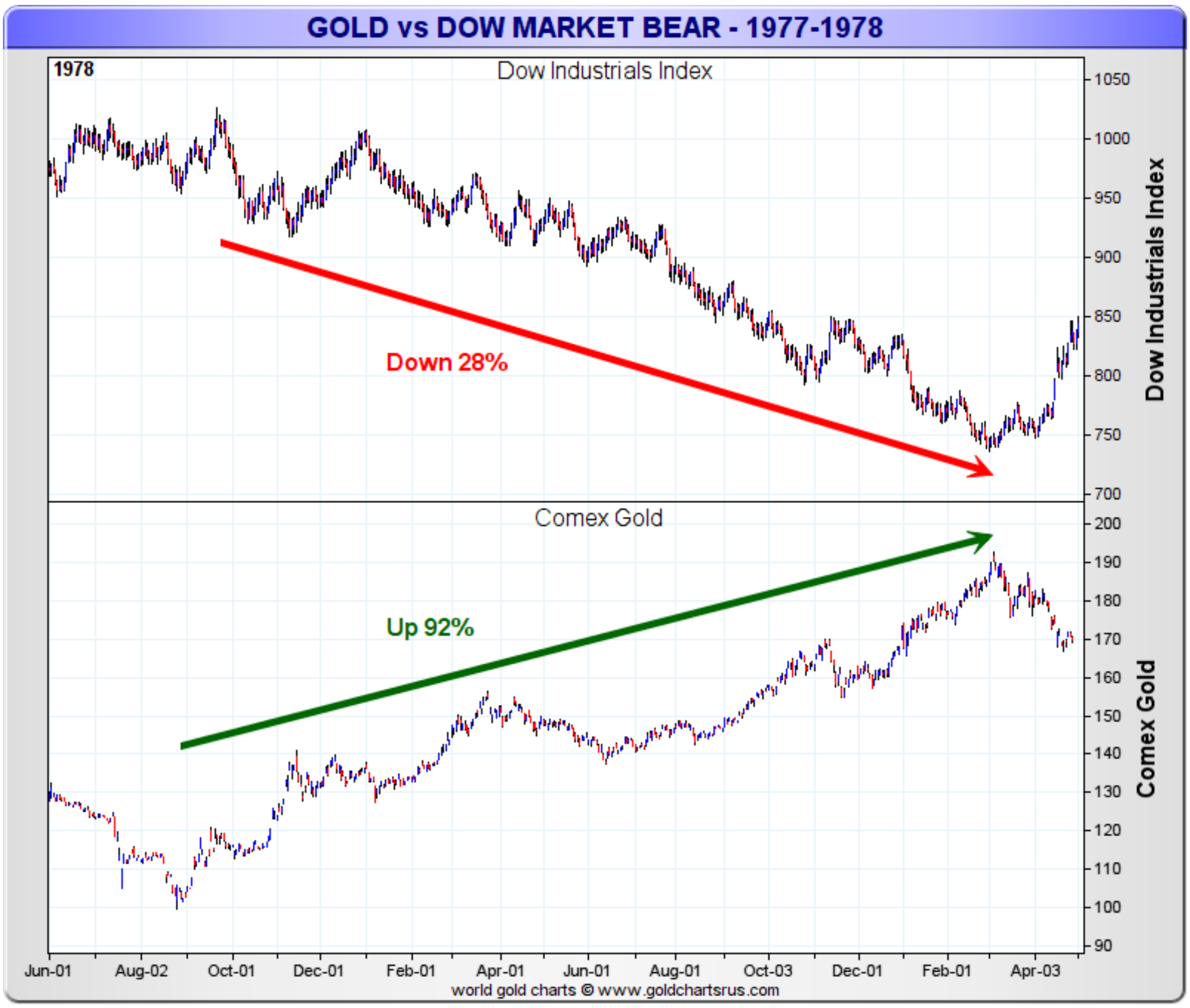
But firstly, I want to show you how Comex gold has performed in some economic downturns.

Right now there's a lot of talk about "bubbles" - a genuine fear the equity, bond, real estate or even crypto's could crash.

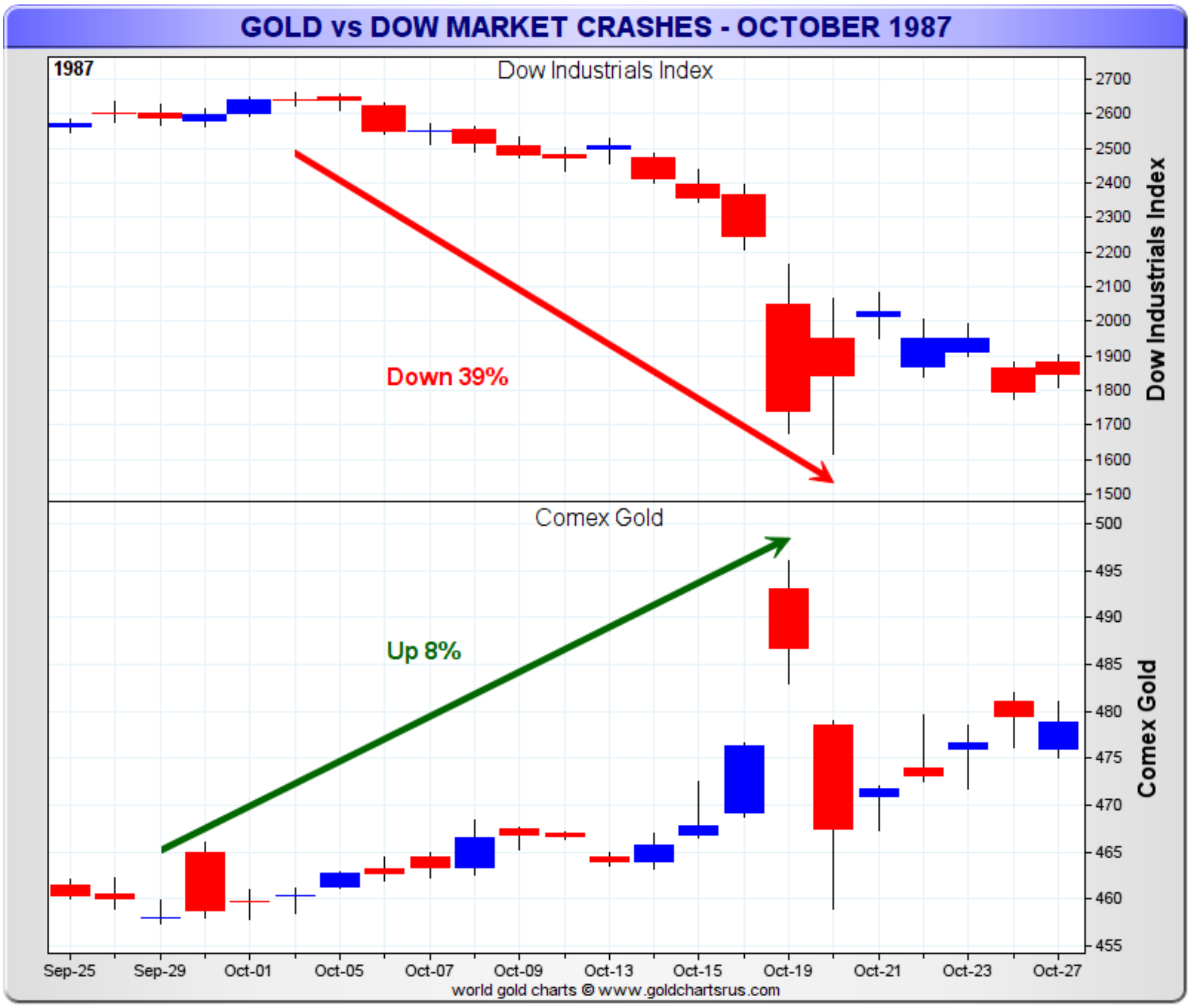
And how does gold do in a market crash….let's take a look.

I think these charts probably provide the best evidence. A picture paints a thousand words etc.

This is what happened to gold in 1977/78 when the Dow took a tumble….



again it held up nicely in the crash of 1987



and for those of you with shorter memories, here is what happened in 2008/09.

Why does the value of gold often go up in a declining stock market?

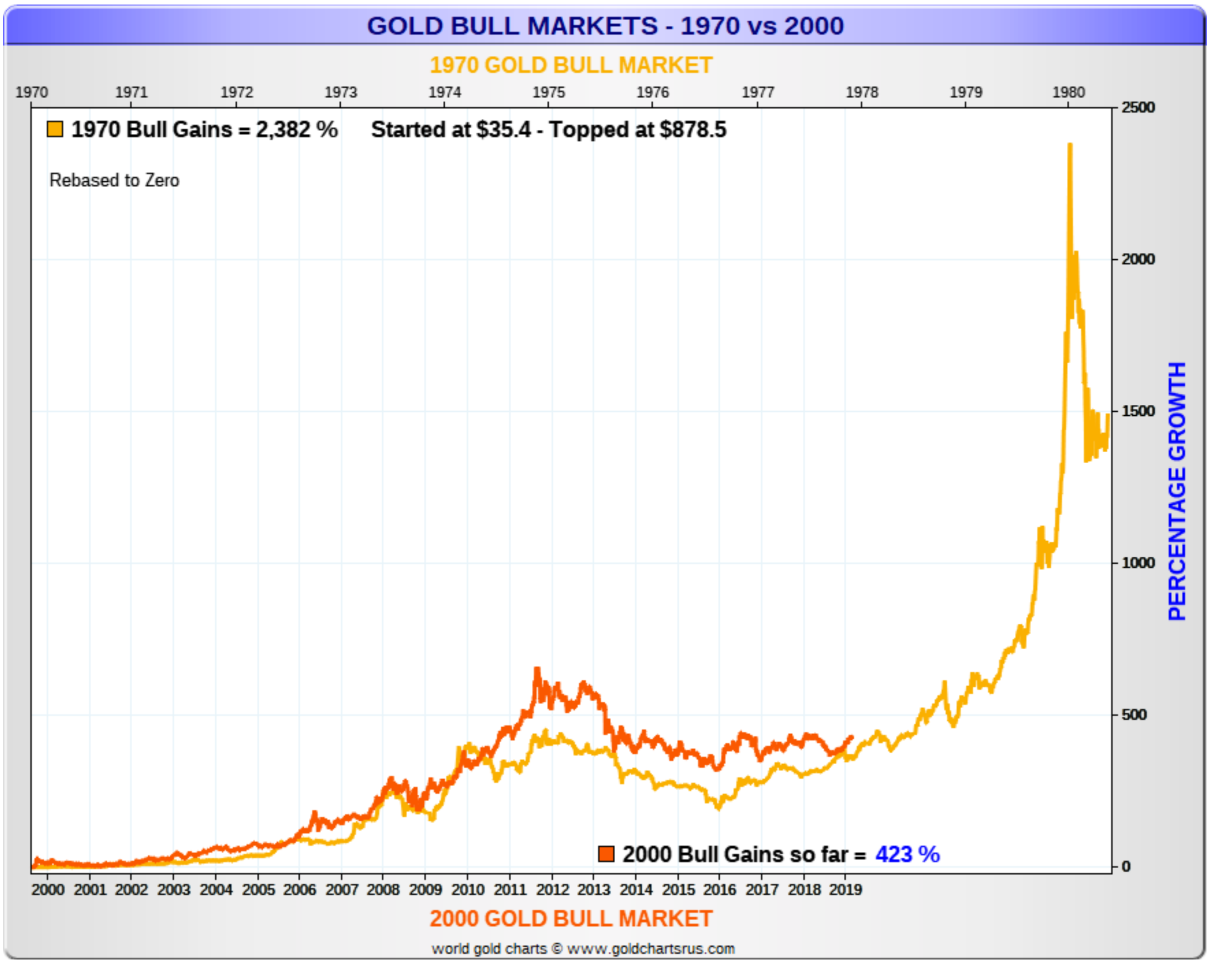
It's difficult to know for sure, but as it's been around for thousands of years, I think people feel more comfortable investing in something with a track record rather than a new asset. I could be proved wrong if there's a crash and everyone piles into Cryptocurrencies, but I think people like the "tangible" nature of gold and silver.

A comparison of the current bull market with the 1970's

This is the chart I eluded to earlier.

It's really quite self-explanatory.

If history was to repeat itself. And it's a big IF. There still could be huge potential for the gold price.



The 3 Golden Rules

When making any investment you need to know what you're doing. If you don't you're essentially gambling.

When I worked in real estate there were many people who'd made millions, sometime tens or even hundreds of millions from real estate. And having made all this money they were looking to invest in something else.

Invariably, they lost money.

Because they didn't understand what they were investing in.

They were taking capital **AWAY** from something they understood and deploying it in something they didn't.

Crazy. But many people do it.

Most do so in the belief that diversification is good. Which it is, if you know what you're doing.

Today I want to set out a few rules to follow if you want to make the most of investing in the gold mining sector.

Rule one

Only invest if you BELIEVE in the fundamentals – in the Newsletter I essentially make a case for each idea. You need to think about this, get advice from an independent financial advisor and then act accordingly.

Given the current market conditions, my newsletter will initially provide a new idea each week. I want subscribers to have a reasonable number of mining stocks in their locker as quickly as possible. After 3 months this will reduce to one a fortnight with updates on previous ideas in the other newsletters.

To be a subscriber you've obviously made some money from somewhere and no doubt challenged the status quo. Don't think making money is any different in this sector.

It isn't.

You still need to weigh up the arguments as well as consider the risks.

Rule two

Understand what you're investing in.

Gold and silver miners are probably very different to many companies you invest in.

I could write pages and pages on this. But rather than do that, let me boil it down to two points.

You are no doubt familiar with the macro and micro elements of investing. Macro elements relate to the broader investment environment – such as the escalating global debt or tensions between the US and Russia/China - the "bigger picture", if you will.

Micro elements are "company specific" activity.

For any company to be successful it helps to have both a favourable macro as well as micro environment.

For example, a company such as Apple will be valued largely on what it is currently selling as well as their pipeline of future products (micro factors) as well as the appetite in the market for electronics and the markets ability to pay for them (macro factors). My point being that in the case of a company such as Apple, I would argue that the micro factors are by far the main driver of their valuation.

If the market feels their products are and will be inferior to, say, Samsung, then even though the macro market could be strong, the belief will be that Samsung will get most of the future business - Apple and its valuation will suffer accordingly.

Keeping it simple, I would view the dog as being the micro factors and the tail the macro factors.

Now let me explain how this differs to miners. And for the sake of this explanation, let's just deal with gold and silver.

Miners produce a commodity which others in the market are also producing. Yes, there are micro factors such as their cost of production, size of resource and location of their assets. But assuming their assets are located in relatively safe places, the metal can be extracted cost effectively and they have a decent size resource, then many (but not all) miners are very similar to others.

A major part of this service is me trying to sort the wheat from the chaff. To present you with opportunities where I think the micro factors are compelling.

However, the real driver as to what they can sell their gold or silver for is out of their control – that's a macro factor.

I would argue that the Dog is the macro factor and the tail the micro factor. But you still need both (and I'm sure a dog would agree!) to make things work.

Which takes me on to Rule 3

Rule 3

Avoid knee-jerk reactions

The value of your investments could change dramatically when literally nothing has happened to the company itself.

If you're not used to this it can be traumatic. Even after investing in the sector for many years I sometimes find myself scrabbling to look at company announcements when one of my shares has gone south at some speed.

Only to find there's nothing.

If you follow Rule 1 (you believe in what you're investing in) and Rule 2 (you understand the market and you follow the right stocks) then this will be less of an issue. In fact it could be an opportunity.

A capitulation in a company's share price is invariably a binary event. An opportunity to sell or buy more.

It can make sense to sell if a company's performance or situation is woeful. A mine could be nationalised or their resource could turn out to be far less than forecast (albeit given the rigorous nature of filing a resource this is becoming more and more unlikely) – in which case it could be time to sell.

Because these are shares have the potential to make you 100%+, you can afford to be judicious and cut losses on the ones that go against you.

But in many cases, the shares can tumble because of a near miss of production or management change which, as far as I'm concerned, does not really matter. In which case it may make sense to top up. Heading in the opposite direction to those charging to the exits.

I should add that you only make your money when you sell. If this plays out like I'm expecting, we could be sitting on some great profits. But we will have to sell at some point.

In summary, there are several ingredients for success.

You have to understand and believe in the sector, acquire the right companies and be ruthless in your assessment of when to sell or buy more.

It's a highly volatile journey, but potentially very rewarding.

How to access the gold market?

If, after reading this report you decide that you want to access the market, you really need to decide how you want to do this.

There are various routes, but it largely boils down to these three:

1) **Mining shares** - I'm launching another newsletter in this space, helping investors select both producers and explorers in the mining sector. Please go to www.brookvillecapital.com if this may be of interest.

2) **Physical Gold** – there are various ways in which you can purchase gold. All I would say is you need to be careful and ensure it's genuine. It's a bit like buying wine, it's vital that you acquire it from a highly regarded source. Not only to protect you, but also make it easier when you want to sell it.

3) **Conventional gold investment**
Whether you're looking to purchase Gold as a 'buy and hold' hedge for your portfolio, whether you'd rather trade in and out of Gold, or perhaps you are of the opinion that Gold is over-valued and you'd like to 'sell and hold' a

position- there are many ways to trade and invest into the Gold Market.