Investment Report on Gold

sutra analytics

Confidential

EXECUTIVE SUMMARY

Returns on gold are expected to be comparable to some of the most attractive asset classes. There exists an enormous opportunity to invest in gold and good performing gold mining companies

Short term trends

- US dollar has a negative correlation with gold price. Federal reserve has recently declared rate cuts and warned that sub-prime mortgage effect is more severe than what it was thought earlier. US Dollar has already depreciated further against other currencies as an after effect
- Demand for gold has been increasing in China and Middle East. India has also witnessed strengthening demand in 2007. This is expected to change the demand dynamics. Central banks are expected to nullify their own demand supply appetite
- Oil price are expected to hold to their current levels or are expected to go up

Our proprietary econometric model predicts the gold price to be in the range of $700-$800 over the next one year. This will mean an annualized returns of ~20% from its August price level

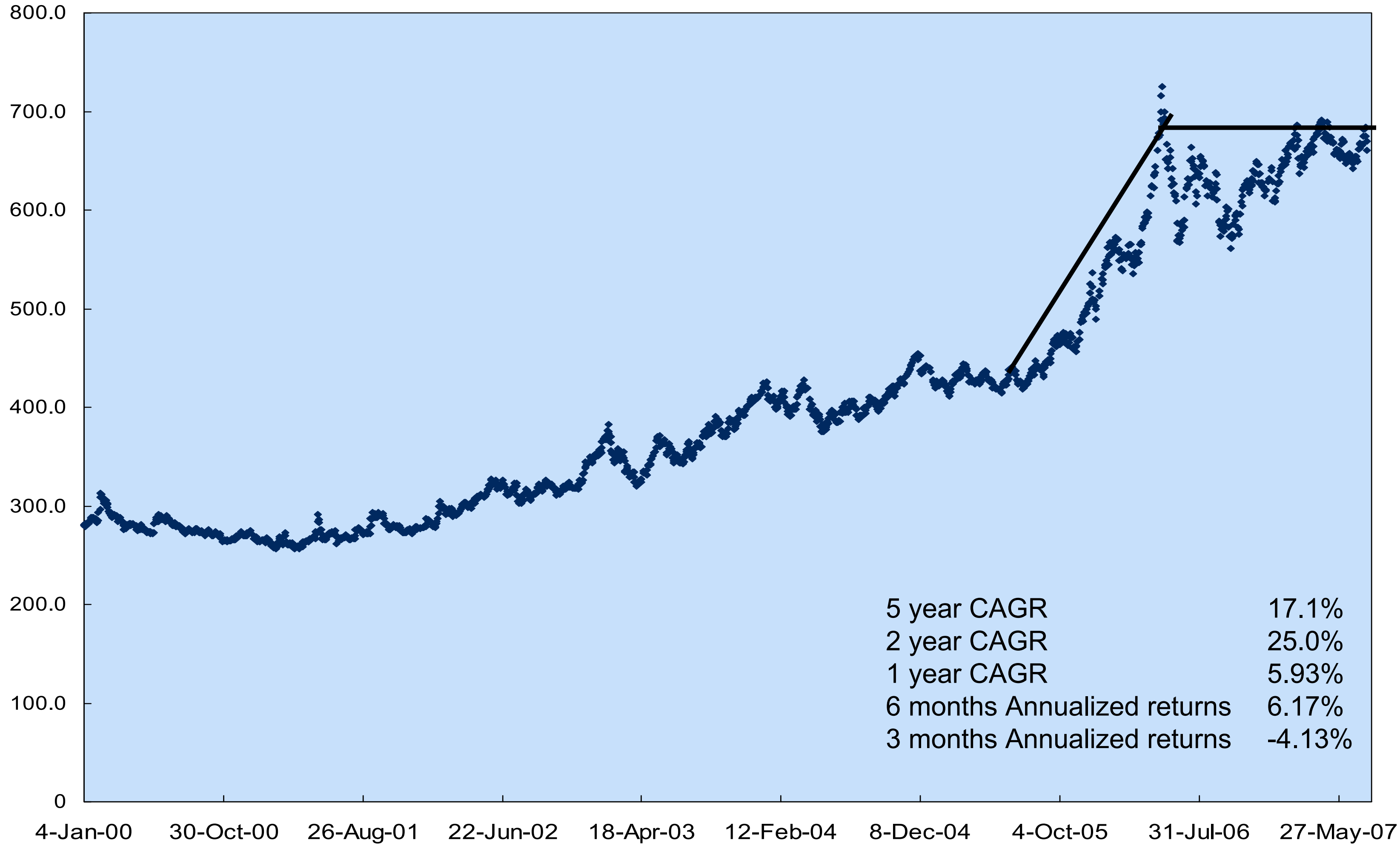
Long term trends

- Demand supply dynamics of gold are expected to change.
- Other driving factors like oil price, economics of some of the western nation are also expected to act in favor of gold price

Our economic model also predict gold price is expected to be in the range of $1500 - $2000 over the next 6-8 years

Source: Sutra Analytics

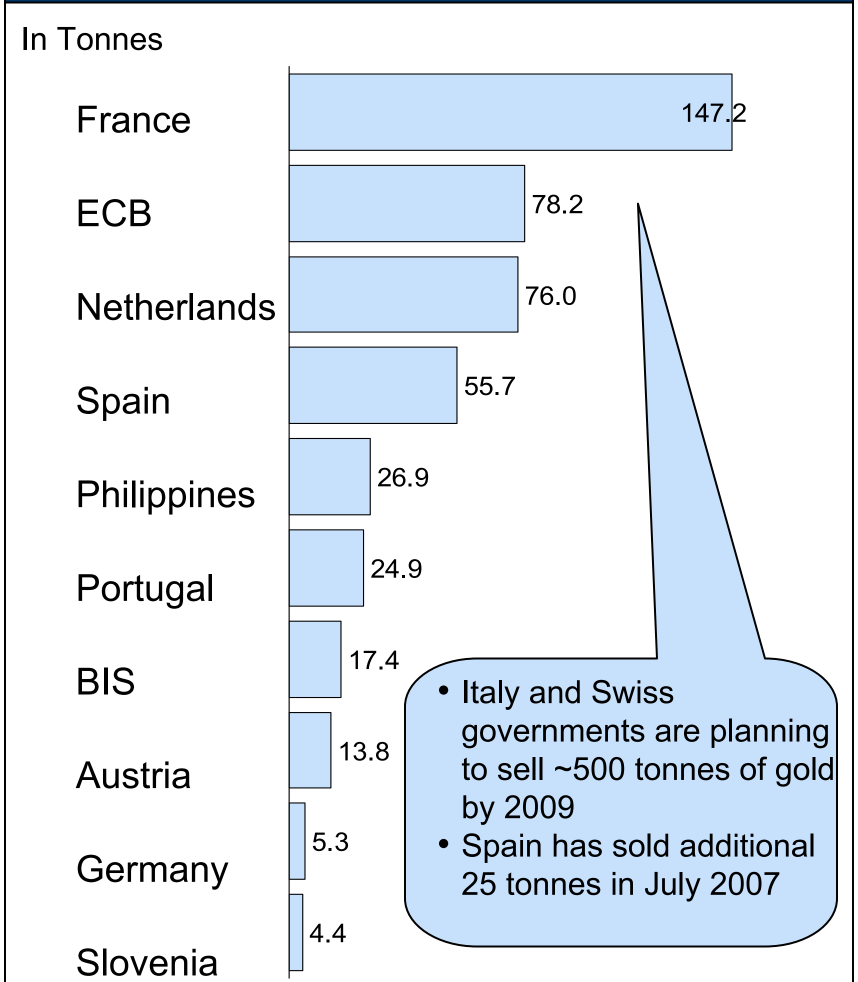
GOLD PRICE HAS EXPERIENCED HUGE GROWTH BETWEEN 2004-2006, THIS YEAR HAS SEEN CONSOLIDATION AT EXISTING PRICE



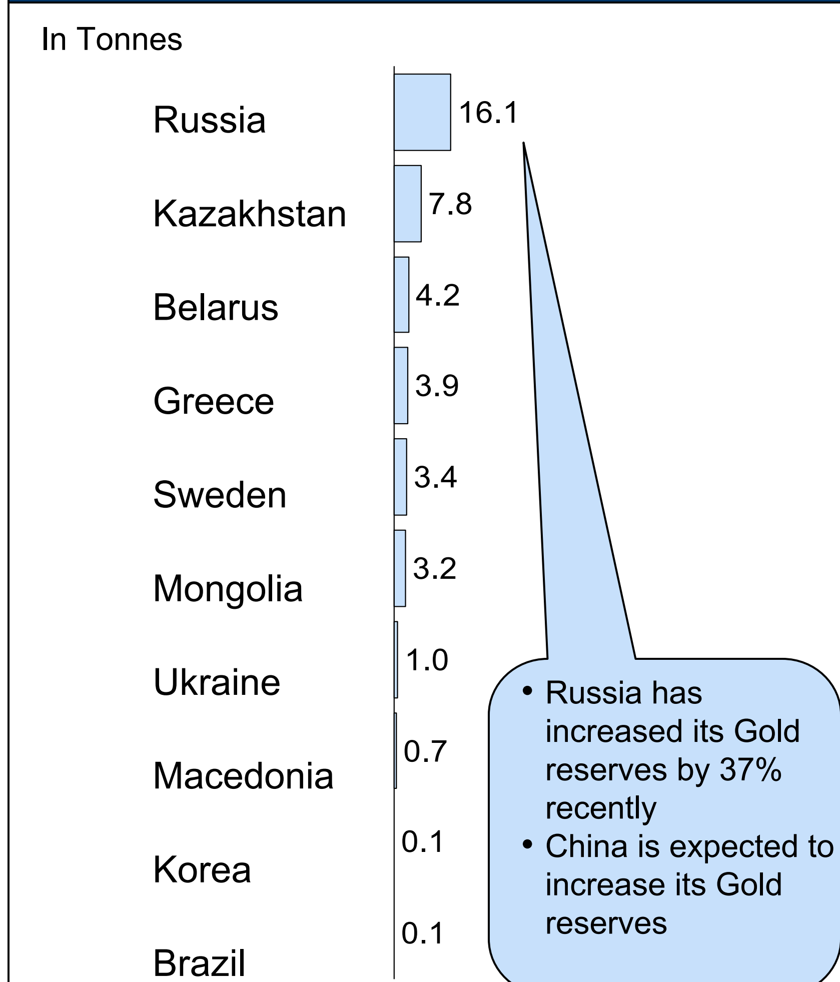
* Based on end of July 2007; London pm fix
Source: Web Search, Sutra Analytics

CENTRAL BANKS OF COUNTRIES HAVE BEEN NET SELLERS IN THE GOLD MARKET, FUTURE MAY NOT LOOK VERY DIFFERENT

Net Sellers for Gold Reserves



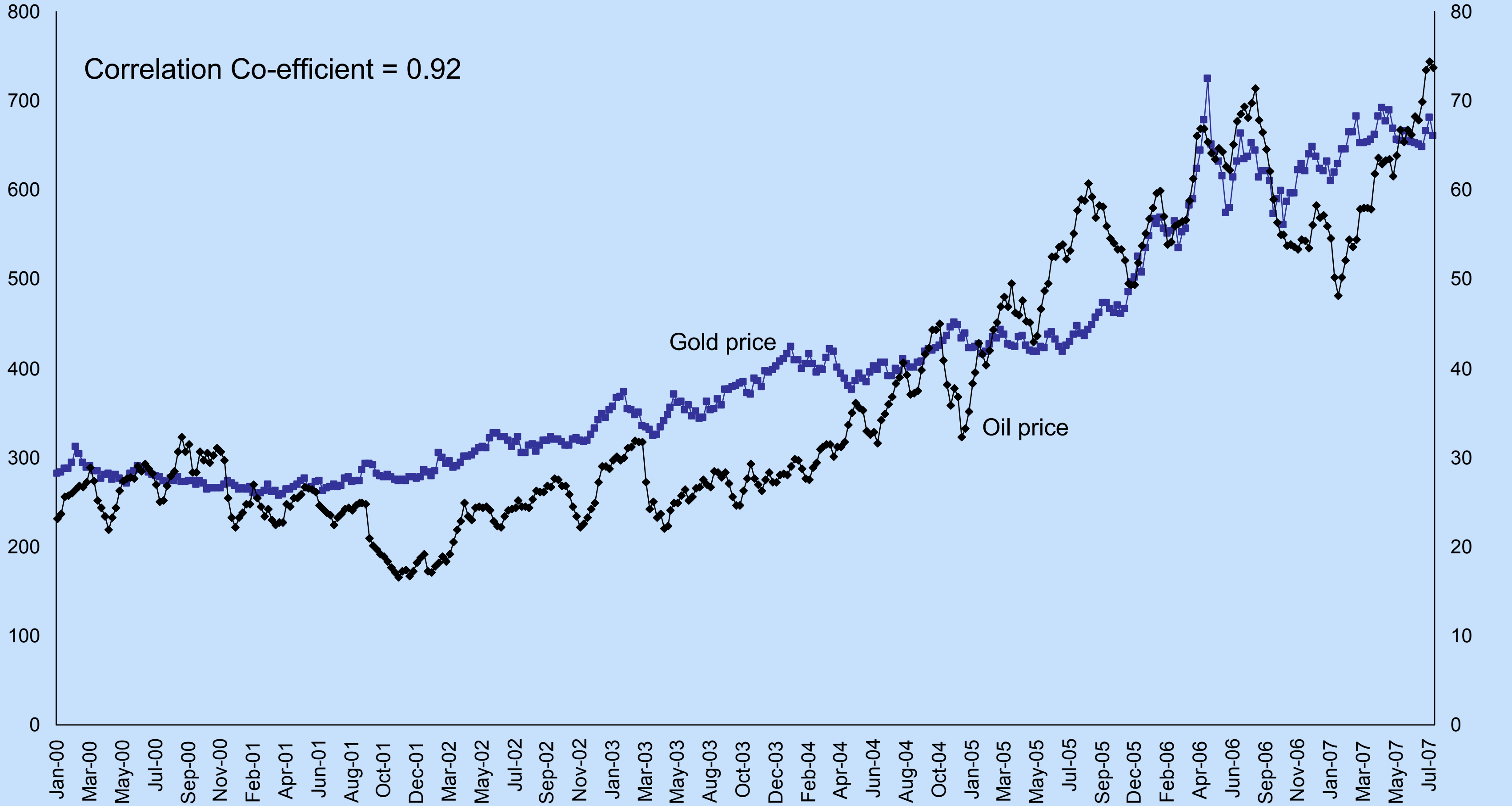
Net Buyers for Gold Reserves



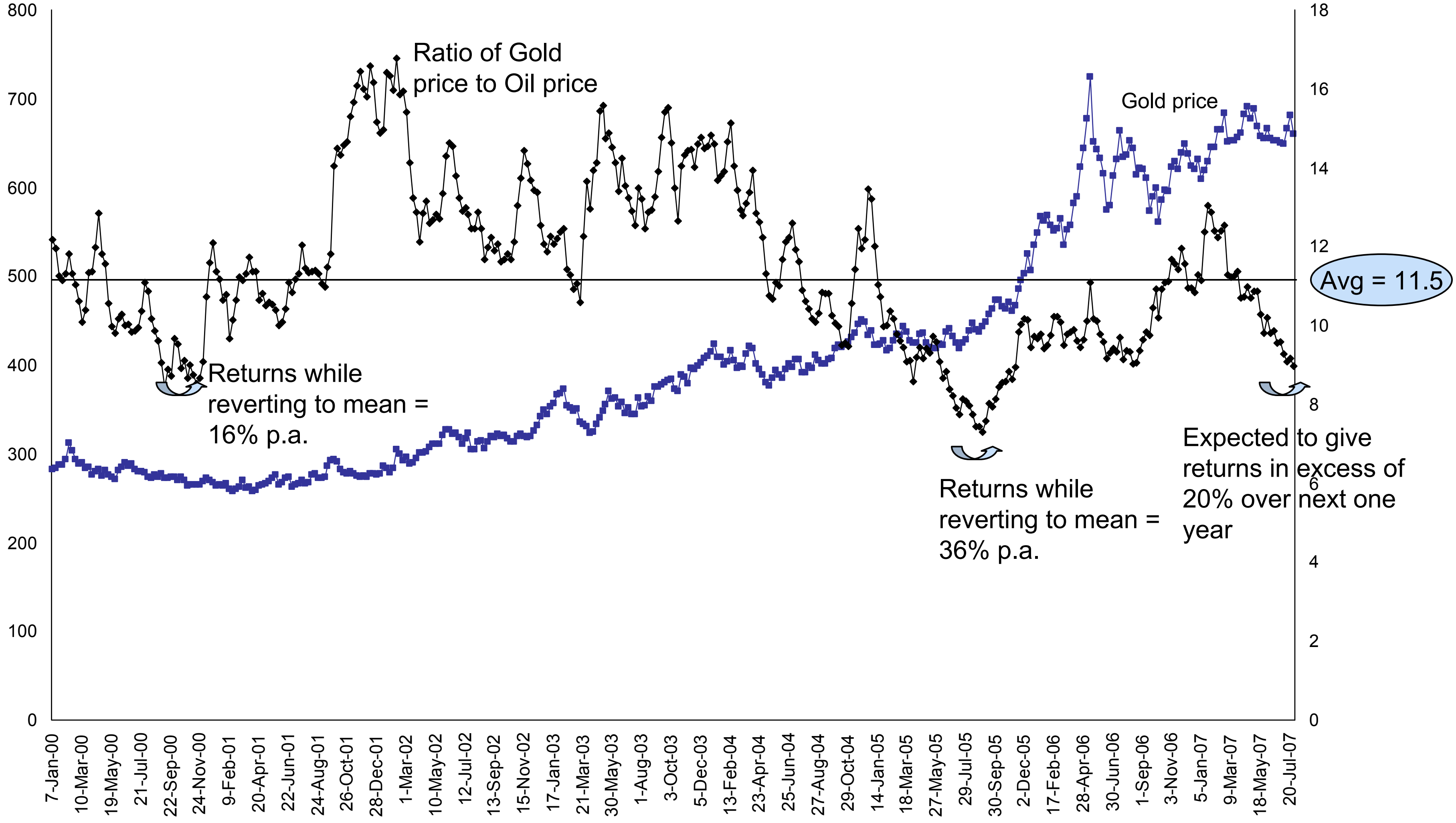
Source: World Gold Council, Web Search, Sutra Analytics

GOLD PRICE IS HIGHLY CORRELATED WITH OIL PRICE

Oil and Gold price move very closely

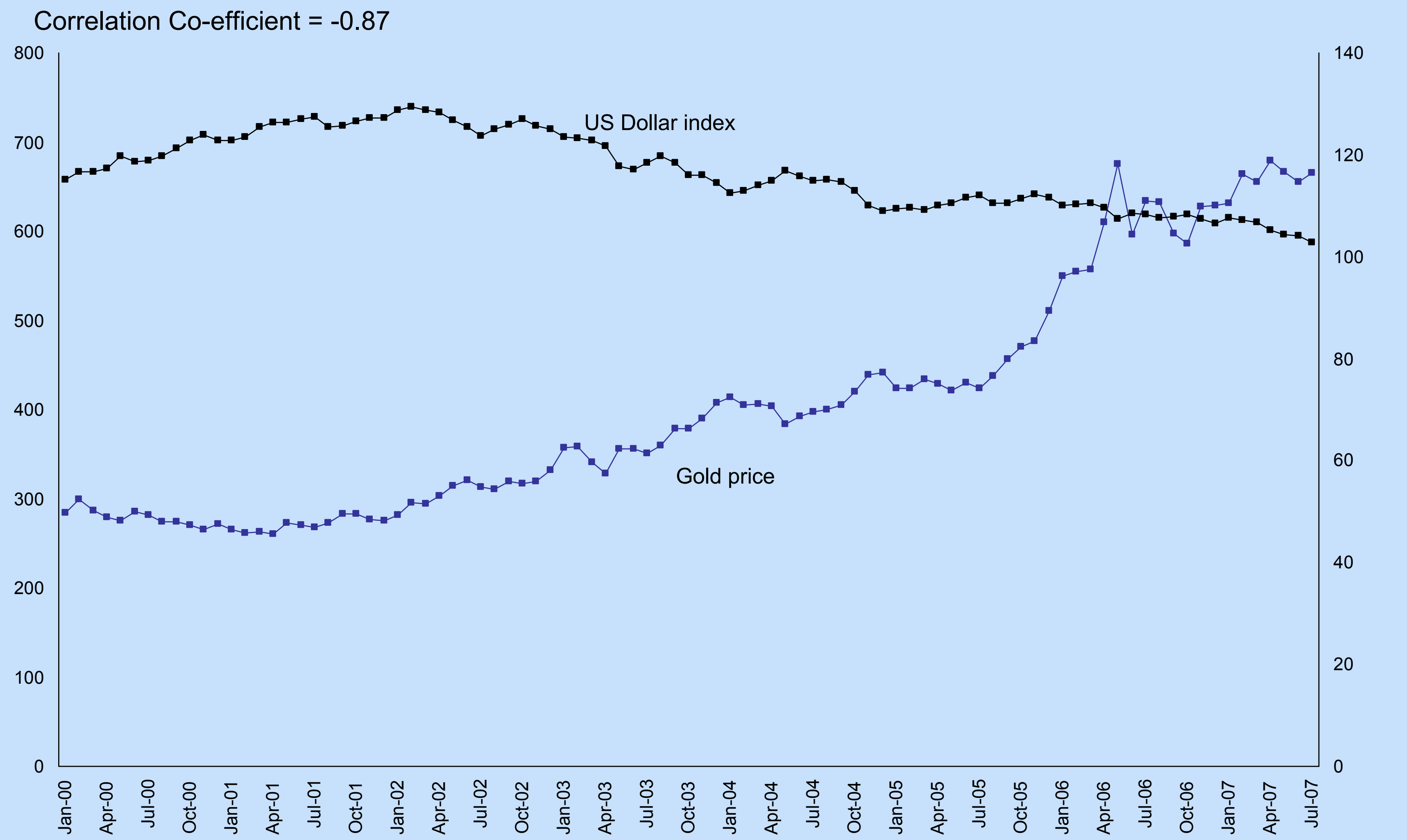


RATIO OF GOLD TO OIL PRICES BEYOND A CERTAIN POINT HAS TRIGGERED PRICE OF GOLD TO GO UP



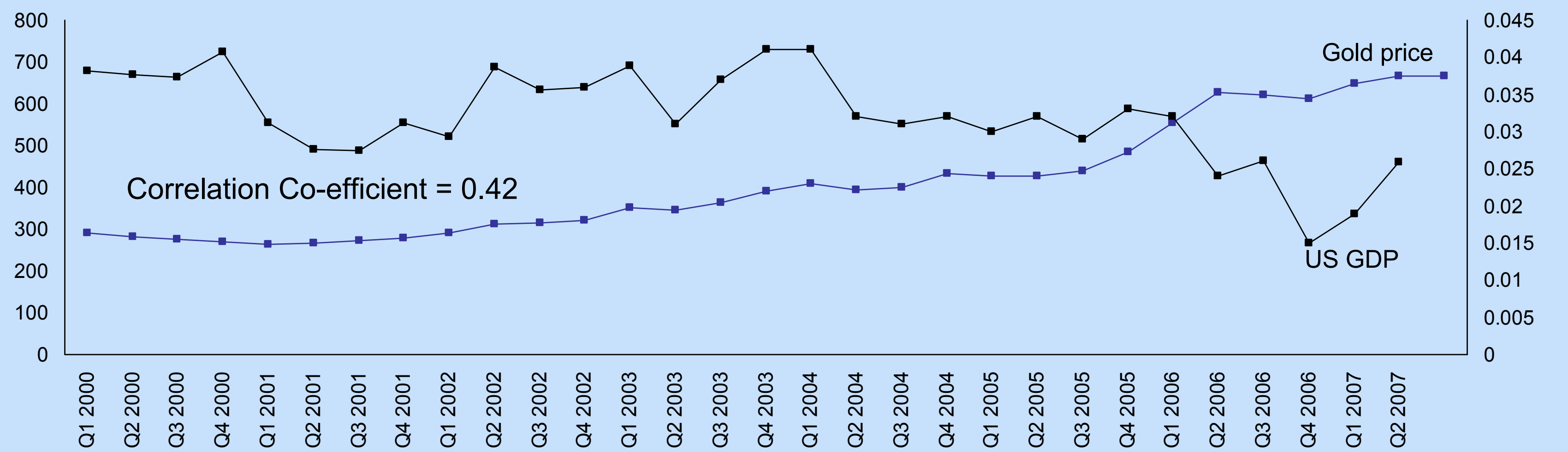
GOLD PRICE IS NEGATIVELY CORRELATED WITH US DOLLAR INDEX

Gold price and US Dollar move in opposite directions

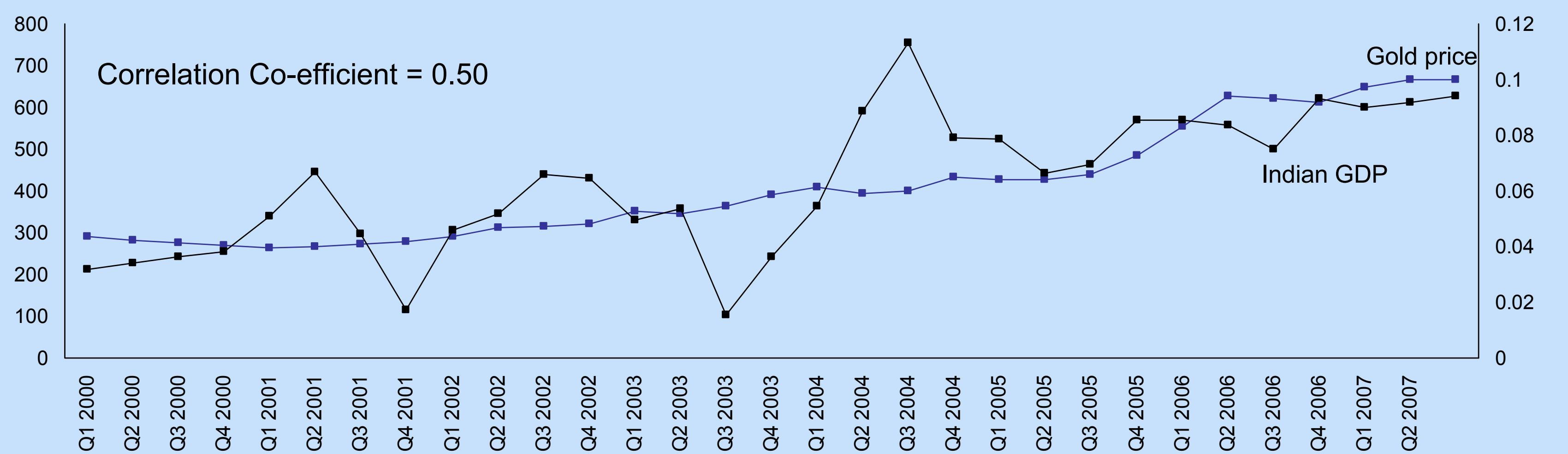


GROWTH IN THE US AND INDIAN GDP – THE TWO LARGEST CONSUMERS OF GOLD, ALSO SHOW CORRELATION WITH GOLD PRICE MOVEMENTS

Gold prices show inverse relation with growth of US GDP



Higher GDP growth in India drives demand for gold and hence gold prices



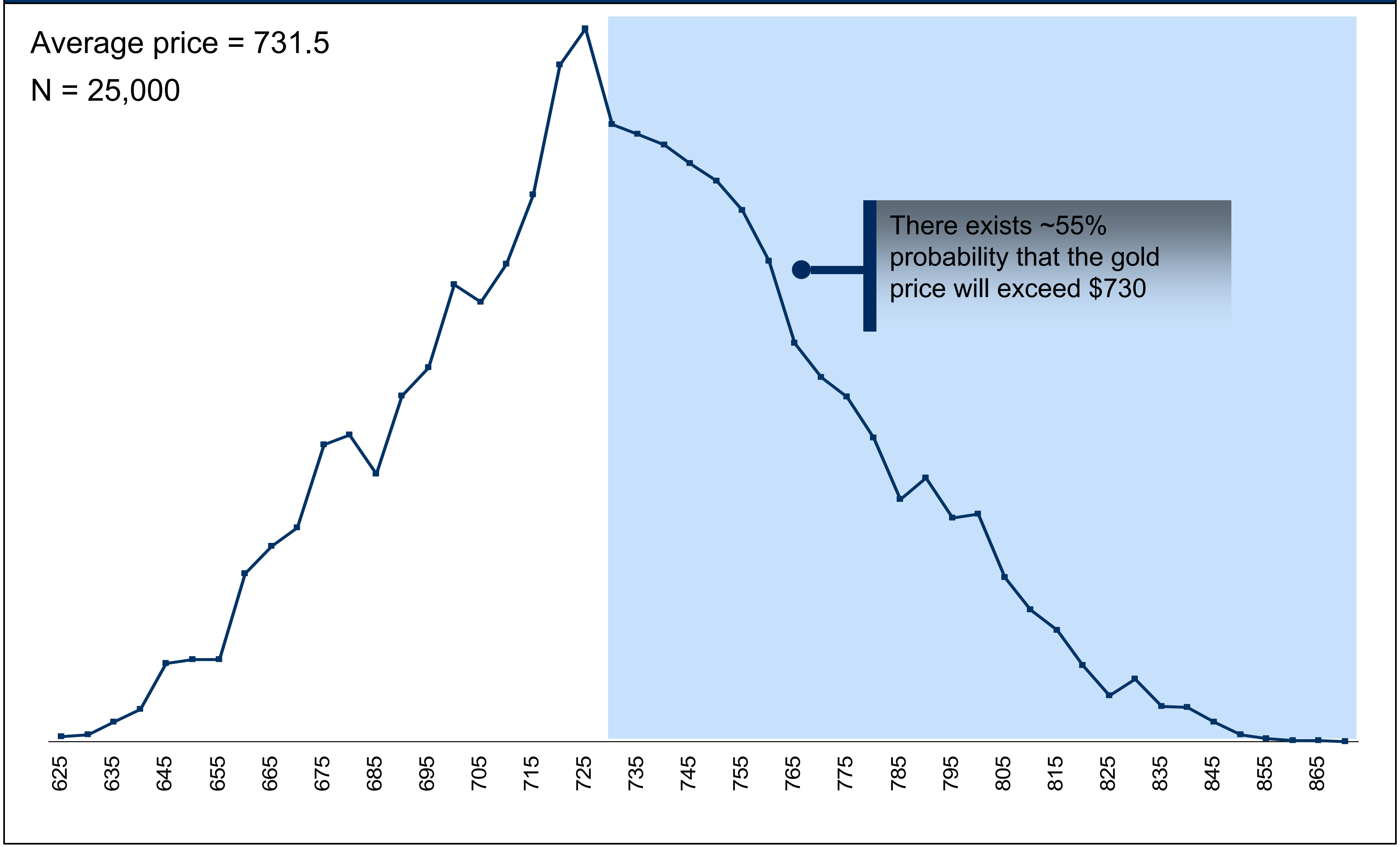
AN ECONOMETRIC MODEL CAPTURES SOME OF THE FACTORS THAT ARE LINKED TO THE GOLD

Factors	Rationale
Strength of US dollar	• US dollar has a negative correlation with the price of gold
Global demand	• Global demand affects the price of gold positively
US GDP	• Gold traditionally has been acting as a hedge against inflation in US economy. It has also been negatively correlated with the US GDP growth (despite US being one of the largest consumers of Gold)
Oil price	• Oil price has been positively correlated with the price of gold
Political stability	• We have created a global political stability index. On a stand alone basis it explains very short term movement in gold price, however it has not come significant in the multi factor model
India GDP Growth	• India has traditionally been the largest consumer market of gold. Good economic condition drives up the demand of gold

Source: Press searches, expert interviews, Sutra Analytics

MONTE CARLO SIMULATION ARE DONE ON THE ECONOMETRIC MODEL TO UNDERSTAND MOVEMENT OF GOLD PRICE UNDER DIFFERENT SCENARIOS

Probability distribution for Gold price



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Source: Sutra Analytics

GLOBAL GOLD DEMAND HAS GONE DOWN IN 2006 BECAUSE OF DROP IN JEWELLERY DEMAND AS GOLD PRICE RALLIED

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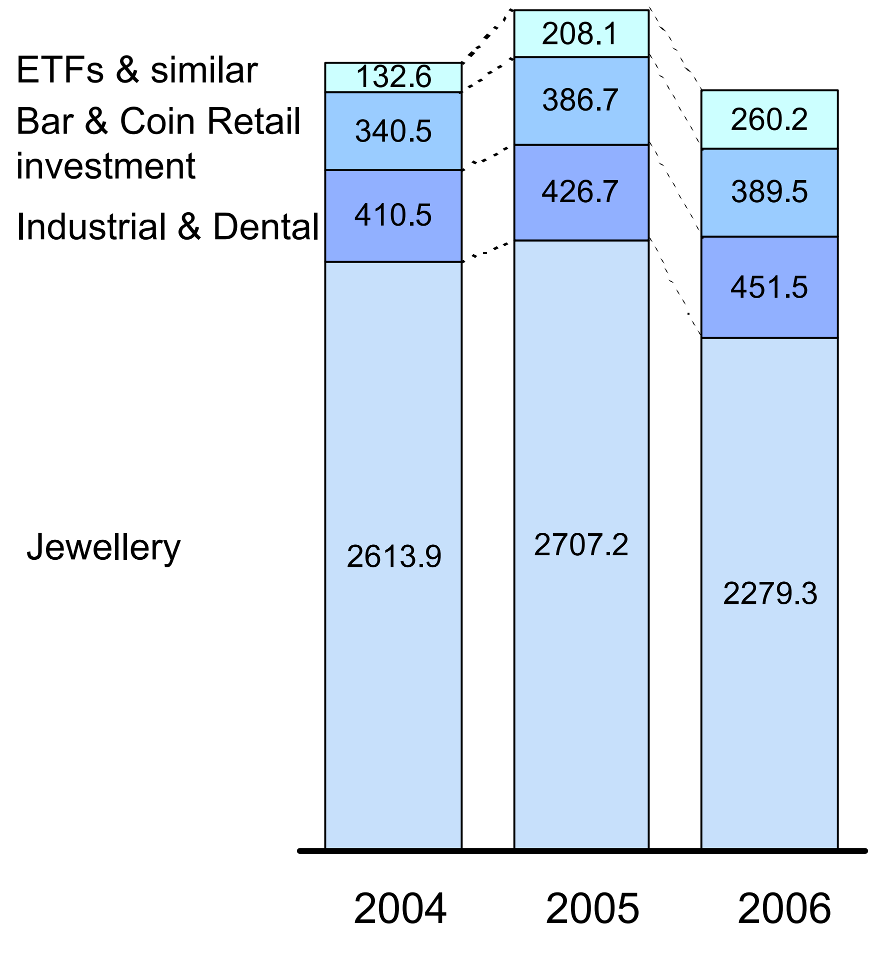
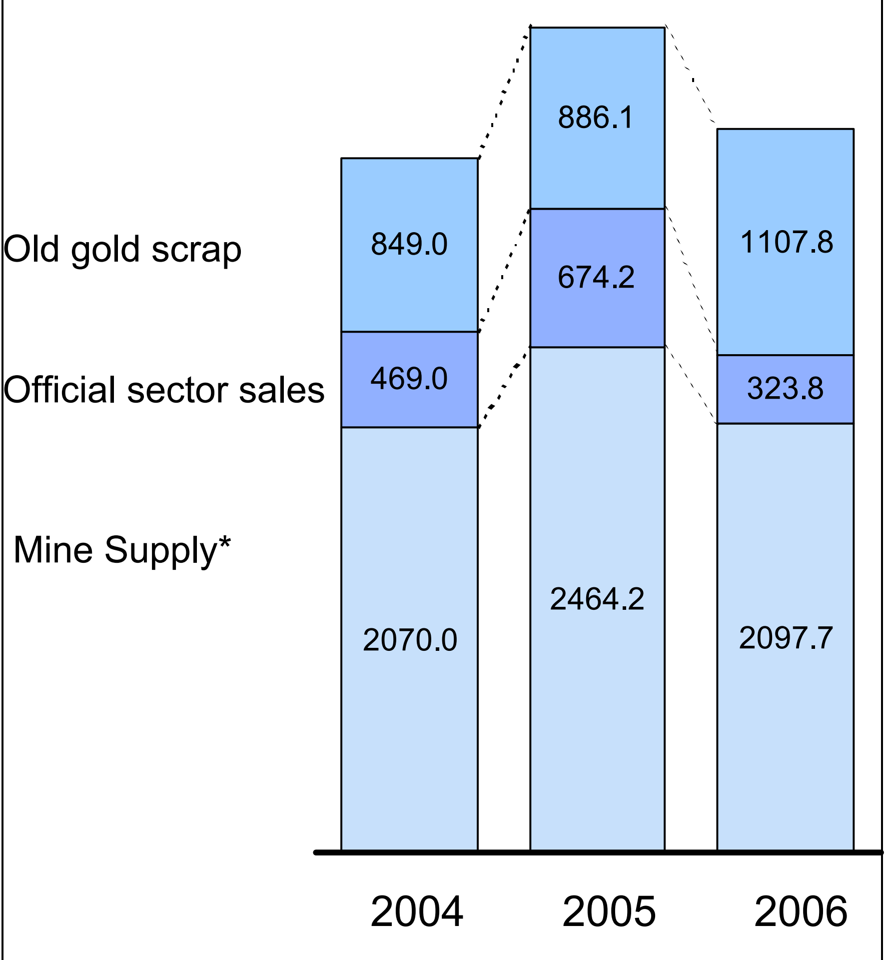
Global Gold Demand



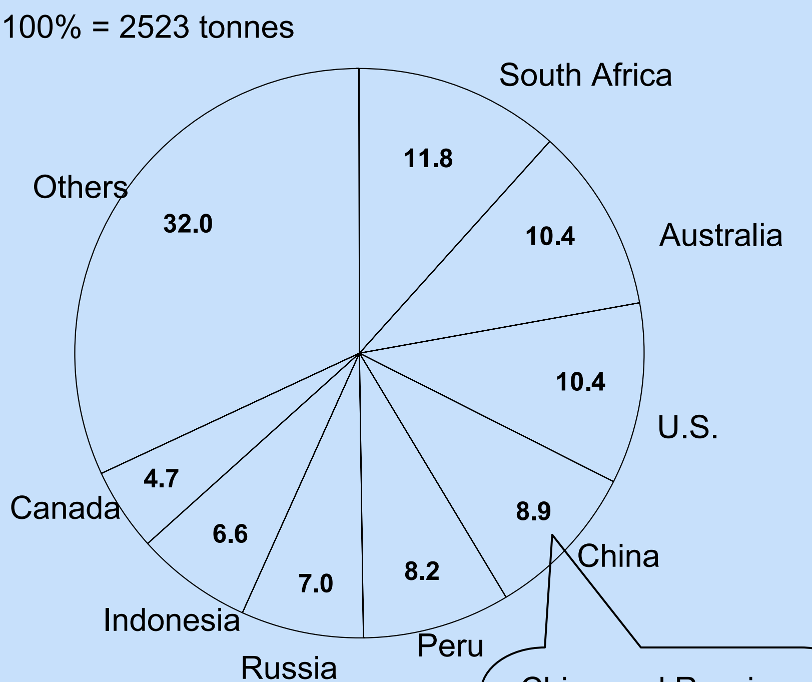
Global Gold Supply



* Net of hedging contracts
Source: WGC, Sutra Analytics

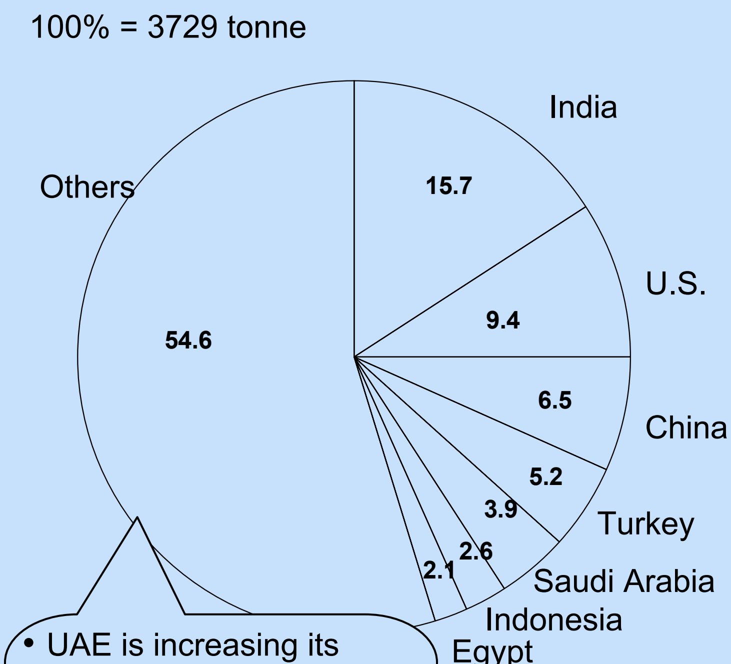
GLOBAL DYNAMICS OF DEMAND AND SUPPLY IS GOING TO CHANGE

Global mining output by countries



- China and Russia are expected to increase their gold production whereas South Africa will witness downfall in gold production

Global gold consumption by countries



- UAE is increasing its consumption because of surge in jewelry demand
- China has also witnessed hike because of golden pig year and increasing investment in gold

- There exists a fair degree of concentration for Gold producing nations whereas consumption is fairly spread barring couple of countries
- U.S., China and Indonesia are one of the largest producer and consumer of gold making net availability of gold in international markets somewhat limited

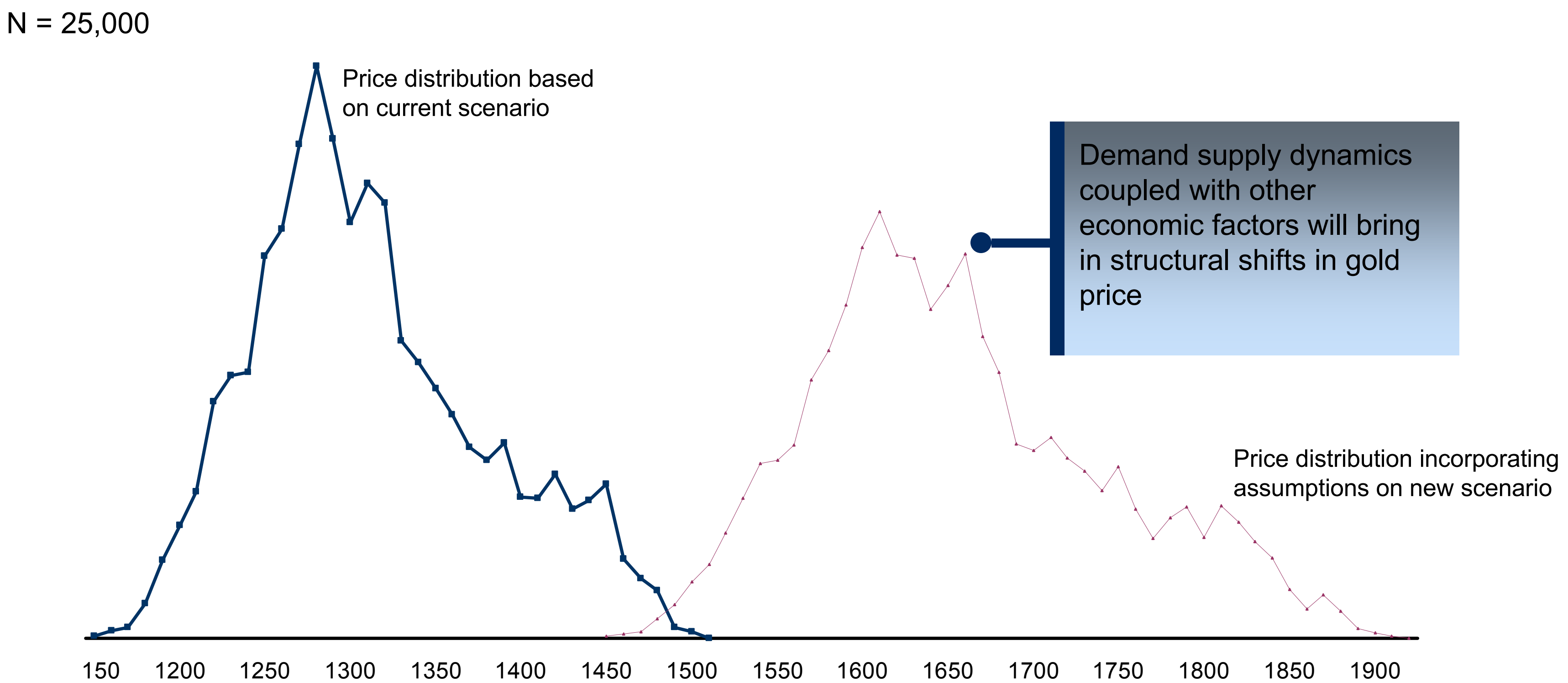
Source: GFMS Gold Survey 2006, WGC, press search, expert interviews, Sutra Analytics

PRICE OF GOLD IN THE MEDIUM TERM WILL GIVE RETURNS BETTER THAN THE INFLATION HEDGE FOR INVESTORS

Factors	Rationale
Strength of US dollar	• US and European currencies are expected to weaken in the medium term. It will be driven by – Increasing trade deficit between these and emerging market economies – Public finances are already bleeding in many of these countries putting pressure on the value of the currency
Global supply	• Global Gold supply will reduce beyond 8-10 years – New mine finding rates has already dropped in the African region and companies are spending more dollars in identifying new mines – Gold extraction is also becoming more expensive – Higher barriers to entry due to global environmental and governmental regulations
Emerging Market economies	• Emerging market economies will bring more imbalances beyond five years: – A lot of emerging economies will have trade surplus which because of falling USD and Euro, they would like to park it in the form of gold as foreign reserves – Increasing economic prosperity is expected to grow in countries like China, India, Turkey. Demand for gold is expected to go up because of more disposable income going into gold (either in the form of investments or in the form of jewelry)
Oil price	• Oil price will go up by substantially in the next 5-8 years • Gold has historically been highly correlated with oil so is also expected to go up

Source: Press searches, expert interviews, Sutra Analytics

GOLD PRICE DISTRIBUTIONS IN THE LONG RUN MAY UNDERGO SHIFTS WITH CHANGES IN UNDERLYING FACTORS AND DEMAND SUPPLY PATTERNS



- Any change in the distribution of underlying factors will lead to shifts in long run gold price distribution, e.g. - substantial rise in oil prices may cause a shift in oil price distribution and hence affect long run gold prices.
- Changes in the dynamics of demand and supply of gold stock driven by higher demand from growing economies like India and China or shifting patterns of gold mine production also can lead to parametric shifts in the gold price distribution

Source: Sutra Analytics