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MEDIA RELEASE**Gold stocks undervalued, gains seen: leading expert**

Sydney, 15 September 2014 – Gold stocks are likely to rise over the next year from their current undervalued levels. Additionally merger and acquisition activity could heat up with any rise in the gold price towards US\$1400 an ounce, according to Joe Foster, Portfolio Manager of Van Eck Global's gold strategies.

Mr Foster said in a recent outlook on the gold market that while the gold price and gold stocks are off their 2013 lows, further gains in price are likely given the extent of last year's sell-off.

"Gold stocks have done very poorly over the last several years as they have been out of favour. It's going to take a lot to make up the lost value that has been destroyed over the last several years. We're in the process of recovering that value," said Mr Foster.

"Even though gold stocks are up from 2013 levels, with some stocks up some 30% or so this year, we think they've got a long way to go to reach fair value. Valuations still look very attractive to us now."

Mr Foster said several factors could help support the gold price over the coming year, which has formed a solid base around US\$1200 per ounce.

"Gold continues to trade in the US\$1200 per ounce to US\$1400 per ounce range and we maintain our view that the price has established an important base. Fundamentally, Chinese demand is expected to increase, and lower costs of production, heightened geopolitical risk and an absence of persistent bullion exchange-traded product (ETP) selling are helping to support the gold price at current levels," he said.

"People are worried about events in Iraq, Gaza and stability in the Middle East generally. Ukraine remains unstable. We expect these uncertainties and conflicts to continue to underpin the gold price throughout this year and next," he said.

"In the US, financial-market and monetary policy risk remain. In the current low-growth recovery the US Government has piled up trillions of dollars of debt that looks like it is here to stay. We like to think of gold as a hedge against irresponsible policies from Washington, D.C. and possible asset bubbles or inflationary pressures, particularly," Mr Foster said.

According to Mr Foster, M&A activity will likely rebound with any further gains in the price to US\$1400 per ounce, which could positively impact Australian gold miners.

"I think M&A will continue at relatively low levels, as long as the gold price remains at current levels. If we get a move through US\$1400 an ounce and we see a more positive trend in the gold market, I would expect to see M&A activity start to heat up as valuations rise and higher takeover offers are made for gold miners," he said.

"In the first quarter, we saw a hostile takeover attempt. This underscores my point that the takeover target, Canadian miner Osisko, wasn't willing to be purchased at current valuations. The acquirer, Goldcorp, had to go hostile.

"Osisko, in the end, was taken over by a combination of two companies, Yamana and Agnico. Again, takeover activity has been at low levels because companies aren't willing to be taken over at these low valuations as this struggle indicated," Mr Foster said.

“We haven't seen much on the mega-merger front in recent times because a lot of that activity has already occurred; these companies are already at a very large size. In fact, there was recent news about changes in top management at Barrick. Barrick is the largest gold company in the world and we think that they realise that this mega gold company model might not be the best way to run a gold company.

“We could see changes at Barrick that reflect what we're talking about, the fact that some of these companies have gotten too big for their own good,” Mr Foster said.

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