
The power of gold : Greenwich firm hopes for mother lode in Armenia

By Peter Healy
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Jan Dulman, chief financial officer of Global Gold Corp. of Greenwich, opened a black jewelry box to show what 11 grams of gold nuggets looks like.

Taking as much space as three or four large aspirin, they are the same kind of precious pebbles that lured thousands of amateur prospectors with picks, shovels and pans to California in 1849 in search of quick riches.

But Dulman and his boss, Global Gold Chairman and Chief Executive Officer Van Krikorian, warned that the fast lane to instant wealth no longer exists for gold mining companies such as theirs, and armchair gold investors.

Global Gold has to mine 60,000 tons of gold ore to produce 5,400 ounces of gold metal, Krikorian said. Some of raw gold that the publicly traded company mines around the world comes in tiny specks barely visible to the naked eye within dirt, sand or solid rock.

A large tract of mountainous land in Armenia that the company acquired three years ago won't start yielding actual gold metal until 2011, said Krikorian, 48. A long process of mining, hauling, grinding, separating and refining converts the ore to metal.

"It's a capital-intensive business," said Krikorian, whose grandparents came from Armenia. "It takes a while. You have to be patient. You put your money in and hope for the best."

Last month, Global Gold announced that it discovered more gold and silver deposits on its land in the former Soviet republic that borders Iran and Turkey.

Armenian authorities believe 12.1 million tons of gold- and silver-bearing ore are in the area and could yield up to 2.6 million ounces of gold and 11.9 million ounces of silver, according to Global Gold. A gold-laden ore and plans to process it this winter, Krikorian said.

"We are positively delighted with this new discovery for ourselves and for Armenia," he said. "We acquired this property in 2005, and had a long learning curve, requiring us to explore new areas, think outside convention and experiment with our own lab and processing technologies to get to this point."

"Global Gold is in sweet spot with their new discovery," said Paul Airasian, a Belmont, Mass.-based management consultant and founder of the GoldInstitute.net Web site. "With their management and reputation, they should have no problem."

The company's big paydays appear to be a long-term prospect, based on its financial reports. Global Gold had a negative free cash flow (net loss) of \$9.5 million, or 28 cents per share, last year, compared with negative free cash flow of \$7.3 million in 2006.

CashFlowNews.com defines free cash flow from operations or operating cash flow, plus or minus capital expenses.

Incorporated in 1995, Global Gold also owns gold mines in Chile and uranium deposits in Newfoundland and Labrador in eastern Canada. Its stock was

selling at 30 cents a share last week, compared with a 52-week high of 80 cents on Nov. 15.

The company has an optimistic outlook for the long haul, Krikorian said.

"Our cash cost to produce an ounce of gold that is sent to the processor is \$350," he said.

Gold prices, on the other hand, can go up, or down, as they did on Friday.

Gold futures two days ago posted their biggest monthly decline in 28 years, as the dollar climbed, reducing the appeal of the precious metal as an alternative investment, Bloomberg News reported. Silver also fell.

On Friday, gold futures for December delivery fell \$20.30, or 2.7 percent, to \$718.20 an ounce on the Comex division of the New York Mercantile Exchange. This month, the price dropped 18 percent, the most since March 1980.

Silver futures for December delivery fell 5.5 cents, or 0.6 percent, to \$9.73 an ounce. The metal declined 21 percent this month and is down 35 percent this year.

The euro traded as low as \$1.2668 Friday. It reached a record \$1.6038 on July 15.

Gold may fall to \$620 if the dollar climbs to \$1.20 against the euro, Joel Crane, a metals strategist at Deutsche Bank AG in New York, told Bloomberg News. "Cash is just more predictable than gold now."

"There's significant pressure on all metals and commodities," Paul Sutherland, the chief investment officer at Financial & Investment Group in Traverse City, Mich., said to Bloomberg. "Gold is not acting like a currency. It's acting like a commodity. People are selling gold and gold shares because it's something you can sell to raise cash."

Gold's slumping price, however, signals a buying opportunity, said Gus Ganoudis, an investment adviser for Olympian Capital Management of Fort Lauderdale, Fla.

"Right now is a good time to get into precious metals. Gold is coming off its high," said Ganoudis, who recommended that investors should place 10 percent of their portfolio in gold.

"It is a hedge against inflation that comes from the government printing more money," he said.

Only about 1 percent of Americans invest in gold company stocks, gold bouillon or coins, Airasian said.

"Gold has been around (as a currency) for 4,000 years," Airasian said. "It is a good time to invest in it."

"Gold responds to debasement of the currency, economic uncertainty and inflation and all three are going on right now," he said.

But Jon Nadler, a senior analyst at Kitco, a Montreal-based gold refiner and dealer, disagreed. "I don't see hyperinflation going on," he said.

Nadler said gold investing is unpredictable, like any other investment.

"Gold mining stocks are subject to a lot of risks and are not immune to downdrafts in stocks," he said.

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