US Gold CEO sees gold price soaring

REUTERS

* CEO sees gold at $2,000/oz by end of 2010
* Could rise to $5,000 in 2012-2014

By Steve James
NEW YORK (Reuters) - A gold supply shortage and governments printing money will likely drive up the gold price to $2,000 per ounce by the end of next year and above $5,000 between 2012 and 2014, a gold mining executive said Tuesday.

“Annual mine production is declining and costs are going up, so that means higher prices,” Rob McEwen, chairman and chief executive officer of US Gold Corp , told Reuters in an interview.

“By the end of 2010 I see the gold price at $2,000 and before the game’s over at over $5,000.”

Asked when that might occur, McEwen said: “That will probably be in 2012 to ‘14, because of lack of supply and also gold is money, it’s a currency.

“It’s only used as a currency in times of economic distress, and we’re at one of those points -- one of three in the last 110 years.”

Toronto-based US Gold is a junior mining company with land holdings in Nevada and Mexico where it is carrying out exploration drilling. McEwen has extensive experience heading several gold mining companies over the last two decades.

Asked if his bullish gold price view meant he did not see the economic situation improving in the near term, he said: “I think our governments will be printing more money and our dollar will buy less.”

Gold, which set record highs above $1,200 in recent months, hit a seven-week low Tuesday at $1,087 per ounce in London, hurt by a firmer U.S. dollar.

“There’s just too many dollars out there and too many people looking at their investments disappearing,” McEwen said. “The trend is that most Western governments right now are trying to solve the economic problems by printing money.

“It’s a short-term measure but the pain’s going to come down the road.”

McEwen noted that the gold price had risen from $250 an ounce in 2001 and that was attracting more investors. “But gold is still not a component of most portfolios,” he said.

Asked how increased demand for gold would affect mining for the precious metal, McEwen said he expected more consolidation with big companies buying up juniors, who carry out much of the exploration on single projects.

“The junior sector has been lagging considerably behind the intermediate and senior producers, because of their negative cash flow, while the others have positive cash flow from their production.

“With that declining production profile, the seniors will go out and look for discoveries and they’ll buy them,” he said. “They have large treasuries, they need growth and the juniors are providing it.”

Asked if he would consider an offer for US Gold, McEwen said: “As shareholders you’re always looking and I’m the largest shareholder in the company, and my interest is to see a higher share price.”

McEwen said US Gold had been drilling all year at its Nevada holding adjacent to Barrick Gold (ABX - news - people)’s Cortez project and had expanded its resource there and expected a feasibility study next year.

At its El Gallo project in Mexico, “we have a high-grade silver discovery that seems to be growing in size” with a resource estimate expected in the second quarter next year.