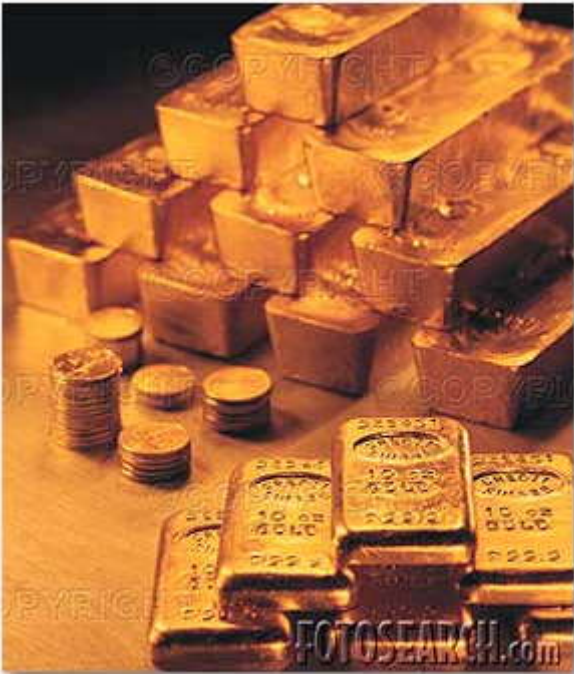


## THE HISTORY OF GOLD



**Bullion:** Gold usually in the form of bars, wafers or ingots with a minimum fineness of .995. The bar carries a serial number and the stamp of a recognized refiner.

**Bullion Coin:** A legal tender coin whose market price depends on its gold content, rather than its rarity or face value.

Gold was first legalized as money as early as 1091 BC in China as an alternative to silk. Gold is still the only universally accepted medium of exchange. Millions of people all over the world continue to use gold as a hedge against inflation and as a basic form of savings and a reliable store of value during times of economic uncertainty or political upheaval.

Historically, gold has always been a method for storing value when ordinary currency was losing value. When paper currencies become worthless many investors purchase gold and silver as a response to worldwide currency instability. When governments fail, gold and silver retain their value. If other investments are valued in the depreciating currency, allocating a portion to gold assets is similar to a financial insurance policy. Thus precious metals have a "flight to safety" characteristic.

Gold is a tangible asset, its beauty and artistry can be held in your hand, admired and shared.

Gold is quite rare, in that all of the gold ever mined could fit into a cube measuring 20 yards on each side. New gold mined each year is relatively small, adding about 2% per year to the world's total stock. About one quarter of all gold in existence is held by governments, central banks and official institutions as part of their international reserves.

The largest source of demand for gold is the jewelry industry. Western mine production can barely keep pace with this demand alone. Gold has applications in many industries including aerospace, electronics, medicine and dentistry. Governments and central banks buy gold to increase their official reserves. Market circumstances dictate the investment component of demand, which varies from year to year.

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Bullion is the basic commodity traded in the gold market. By adding gold to a portfolio of stocks, bonds and mutual funds, an investor is introducing a tangible or real asset to the asset mix. This increases the degree of diversification and protects the portfolio against fluctuations in value of any one asset type.

The economic forces that affect the price of gold are different from, and often are opposed to the forces which determine the price of most common financial assets. This independent movement of gold to other financial assets can reduce the overall volatility and adds balance to a portfolio.

The purchasing power of gold over time has been generally stable, whereas the purchasing power of the U.S. dollar has steadily declined. Dollars invested in gold, generally provide a rate of return that is equal to inflation over time. Thus gold has the 'hedge against inflation' capability.

Gold's remarkable stability over time is evident in the following. A gentleman's suit in sixteenth century England around the time of King Henry the VIII, cost the equivalent of one ounce of gold, approximately the same as a suit would cost today.

Whether you are conservative or aggressive in your investment approach, gold can represent an important part of your asset allocation. Experts believe that 10-15% of portfolio assets be in gold. No matter what level of risk an investor wishes to take, every portfolio needs a secure foundation.

For investors who wish to take possession or direct control of their assets, buying physical bullion has appeal. It is easy and convenient to own bullion, and commissions on buying and selling gold are minimal. Gold bullion bars are the most cost-efficient means of owning gold.

Gold bullion coins are both enjoyable and convenient, and popular among medium and small investors. Bullion coins are legal tender of the issuing country, and their gold content is guaranteed. The bullion coin bears a face value that is primarily symbolic, the true value is based on the gold content and the daily fluctuating price. Bullion coins have the gold weight related intrinsic value, plus they have the added benefit of artistic beauty and appeal.



The most popular bullion coins are the American Eagle, Australian Kangaroo Nugget, Canadian Maple Leaf, and the South African Krugerrand.

Numismatic gold coins are valued by rarity, original number minted, age and condition. Most are bought and sold within the coin collecting community, and have little to do with the daily gold price. Numismatic gold coins are cherished for their beauty and historical significance and the potential investment value. This value is largely based on perceived value. This perceived value is priced as a premium that is over and above the intrinsic gold content.

The American Eagle Bullion program was launched in 1986 with the sale of gold and silver bullion coins. Platinum was added to the American Eagle Bullion family in 1997. A bullion coin is a coin that is valued by its weight in a specific precious metal. American Eagle Gold and Platinum Bullion coins are available in four denominations: one ounce, one-half ounce, one-quarter ounce, and one-tenth ounce while the silver bullion coin is only available in the one ounce size.

Gold is the most liquid of the world's assets and can be bought and sold 24 hours a day in many markets around the world. Trading spreads are generally lower than spreads on stocks and bonds which are considered liquid assets. And finally, the amount of time needed to execute a trade in gold is the same for stocks and bonds.

You might ask yourself, "Is now the right time to buy gold?" The answer with gold is always the same, Yes. Gold is an investment for the long run. The right time to buy gold is when you understand what it is and what it can do for your portfolio.

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