Goldletter INTERNATIONAL

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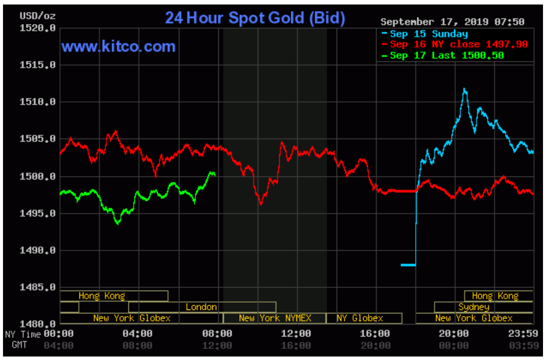
September 2019

Gold Market Review and Outlook



Marino G. Pieterse, publisher and editor

► Fundamentally no room for bullion price increase above $ 1,500

► Gold producers benefit from net-production margins having widened by more than $ 300 since year-end 2018

GOLD from fundamental perspective of supply and demand

(in tonnes)	**H2 2019**	**H1** 2018	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**1998**
Supply	**2,234**	**2,190**	**4,520**	**4,475**	**4,557**	**4,401**	**4,289**	**4,345**	**4,551**	**4,139**
of which:										
Mine production	1,647	1,583	3,347	*3,319*	*3,251*	*3,221*	*3,131*	*3,042*	*2,850*	2,574
Scrap	608	589	1,173	*1,156*	*1,307*	*1,180*	*1,158*	*1,303*	*1,701*	1,105
Net hedging/dehedging	-21	18	-29	*-28*	*32*	*21*	*-104*	*-30*	*-40*	97
Total supply	**2,234**	**2,190**	**4,491**	**4,447**	**4,590**	**4,422**	**4,185**	**4,315**	**4,511**	**3,776**
Physical demand	**1,954**	**1,934**	**4,277**	**3,955**	**3,631**	**4,442**	**4,094**	**5,087**	**4,361**	**3,910**
of which:										
Jewellery fabrication	1,005	1,039	2,200	*2,202*	*1,953*	*2,464*	*2,242*	*2,470*	*2,036*	3,169
Industrial fabrication	186	194	335	*333*	*366*	*376*	*285*	*296*	*303*	567
Physisical demand	503	510	1,090	*1,045*	*1,043*	*1,160*	*1,101*	*1,790*	*1,356*	174
(Bar hoarding, coins, medals)										
Net official sector	260	191	652	375	269	443	466	409	544	(363)
Market balance	**280**	**256**	**214**	**492**	**959**	**-20**	**-156**	**-978**	**269**	**229**
of which:										
ETFs	101	47	69	*207*	*625*	*-166*	*-157*	*-880*	*279*	-
Net market balance	***195***	***227***	***145***	***285***	***334***	***146***	***1***	***-98***	***-10***	**229**
Total demand	**2,234**	**2,190**	**4,491**	**4,447**	**4,590**	**4,422**	**3,938**	**4,109**	**4,630**	**3,776**
LBMA average gold price ($/oz)	**1,307**	**1,318**	**1,234**	**1,208**	**1,251**	**1,160**	**1,266**	**1,411**	**1,669**	294

source: Thomson Reuters/GFMS

GOLD not always a safe haven in times of financial turbulence

During period of United States - China trade war

		in US$	Change in %
►	Year-end 2018	1,281.65	
	August 28, 2019 (H)	1,541.75	20

During period of 2010 - 2018

		in US$	Change in % year-to-year
►	Year-end 2010	1,410.00	28
	May 3, 2011 (H)	1,546.50	
►	Year-end 2011	1,571.50	11
	October 4, 2012 (H)	1,791.75	
►	Year-end 2012	1,664.00	6
	January 2, 2013 (H)	1,693.75	
►	Year-end 2013	1,201.50	-28
	March 14, 2014 (H)	1,385.00	
►	Year-end 2014	1,199.25	0
	January 21, 2015 (H)	1,298.00	
►	Year-end 2015	1,062.25	-11
	July 6, 2016 (H)	1,370.00	
►	Year-end 2016	1,159.10	9
	September 6, 2017 (H)	1,350.90	
►	Year-end 2017	1,296.50	12
	January 24, 2018 (H)	1,360.25	

During period of financial crisis of 2008 - 2009

		in US$	Change in %
►	Year-end 2007	836.50	
	March 17, 2008 (H)	1,030.80	23
	October 24, 2008	692.50	-33
►	Year-end 2008	865.00	25
	December 3, 2009 (H)	1,226.10	42
►	Year-end 2009	1,104.00	-10
	December 7, 2010 (H)	1,426.00	29

The crisis resistance of dollar compared to gold price

			Euro/US$	gold price
	March 17, 2008		1.58	**1,030.80** ***2008 high***
	June 30, 2008		1.58	930.20
	September 15, 2008		1.46	996.00
	October 24, 2008		1.26	**692.50** ***2008 low***
	December 16, 2008	1)	1.37	838.25
►	**Year-end 2008**		1.40	865.00
	February 27, 2009		**1.26** ***2009 high***	952.00
	June 30, 2009		1.41	934.50
	May 13, 2009	2)	1.36	924.00
	December 3, 2009		**1.51** ***2009 low***	**1,226.10** ***2009 high***
►	**Year-end 2009**		1.43	1,104.00
	March 31, 2010		1.35	1,115.50
	April 30, 2010		1.33	1,179.25
	May 14, 2010	3)	1.24	1,248.95
	June 8, 2010		**1.19** ***2010 high***	1,246.00
	September 30, 2010		1.36	1,307.00
►	**Year-end 2010**		1.33	1,410.25
	January 28, 2011		1.36	**1,319.00** ***2011 low***
	April 13, 2011	4)	1.44	1,457.50
	April 29, 2011		**1.48** ***2011 low***	1,535.50
	July 13, 2011	5)	1.41	1,579.00
	September 6, 2011		1.44	**1,920.00** ***2011 high***
	September 30, 2011		1.35	1,619.77
	November 9, 2011	6)	1.36	1,784.00
	December 14, 2011	7)	1.30	1,603.00
►	**Year-end 2011**		**1.29** ***2011 high***	1,571.50
	July 5, 2012	8)	1.24	1,604.00
	May 23, 2012		1.26	**1,537.50** ***2012 low***
	July 26, 2012	9)	1.23	1,618.00
	October 4, 2012		1.30	**1,791.75** ***2012 high***
►	**Year-end 2012**		1.32	1,664.00
	January 2, 2013		1.32	**1,693.75** ***2013 high***
	February 20, 2012		**1.34** ***2012 low***	1,733.00
	March 25, 2013		**1.28** ***2013 high***	1,599.25
	April 15, 2013		1.31	1,352.60
	May 8, 2013	10)	1.32	1,469.00
	June 30, 2013		1.30	1,192.00 ***2013 low***
	September 30, 2013		1.35	1,326.50
	November 11, 2013	11)	1.36	1,253.00
►	**Year-end 2013**		**1.38** ***2013 low***	1,201.50
	March 14, 2014		**1.39** ***2014 low***	**1,385.00** ***2014 high***
	June 12, 2014	12)	1.35	1,265.75
	June 30, 2014		1.37	1,315.00
	September 13, 2014	13)	1.29	1,241.25
	September 30, 2014		1.26	1,216.50
	October 31, 2014		1.25	**1,164.25** ***2014 low***
►	**Year-end 2014**		**1.21** ***2014 high***	1,199.25
	January 2, 2015		**1.21** ***2015 low***	1,172.00
	January 21, 2015		1.15	**1,298.00** ***2015 high***
	March 16, 2015		**1.05** ***2015 high***	1,150.75
	September 30, 2015		1.12	1,114.00
	December 3, 2015		1.06	**1,050.60** ***2015 low***
	December 16, 2015	14)	1.09	1,075.25
►	**Year-end 2015**		1.09	1,062.25
	July 6, 2016		1.10	**1,370.00** ***2016 high***
	September 30, 2016		1.12	1,322.50
	November 8, 2016	15)	1.10	1,282.35
	December 15, 2016	16)	1.04	1,126.95
	December 20, 2016		**1.04** ***2016 high***	**1,125.70** ***2016 low***
►	**Year-end 2016**		1.05	1,159.10
	March 15, 2017	17)	**1.07** ***2017 high***	1,198.80
	June 14, 2017	18)	1.12	1,275.50
	June 30, 2017		1.14	1,242.25
	September 8, 2017		**1.21** ***2017 low***	**1,350.90** ***2017 high***
	September 30, 2017		1.18	1,283.10
	December 14, 2017	19)	1.18	1,251.00
►	**Year-end 2017**		1.19	1,296.50
	January 24, 2018		1.24	**1,360.25** ***2018 high***
	February 16, 2018		**1.25** ***2018 low***	1,352.10
	March 21, 2018	20)	1.23	1,321.35
	April 30, 2018		1.17	1,305.35
	June 13, 2018	21)	1.17	1,296.15
	June 30, 2018		1.16	1,250.45
	August 17, 2018		1.14	**1,176.70** ***2018 low***
	September 26, 2018	22)	1.17	1,185.40
	November 12, 2018		**1.12** ***2018 high***	1,205.55
	December 19, 2018	23)	1.14	1,255.00
►	**Year-end 2018**		**1.14**	**1,281.65**
	January 10, 2019		**1.15** ***2019 low***	1,291.90
	April 25, 2019		1.11	1,280.80
	July 31, 2019	24)	1.11	1,427.55
	August 30, 2019		**1.10** ***2019 high***	**1,528.40** ***2019 high***

►Positive impact of increase of central bank holdings overstated

In its **GFMA Gold Survey** in the first half of 2019 net bank holdings increased by 69 tonnes year-to-year to 260 tonnes, the highest H1 level of purchasing since H1 2012. This performance is accounted for by the GFMS on the back of slowing global economic growth and heightened uncertainty in the financial markets, led by unresolved and escalating trade tariff between the United States and China, vagueness over the outcome for Brexit and rising geopolitical tensions between Iran and the United States.

In my view, having already forecasted a recovery of the gold price from a level of $ 1,200 to $ 1,300-1,350 by the end of 2018 as a result of increasing international geopolitical turmoil, in particular hurting the European Union due to the Brexit and growing nationalism in Italy, and the cold war between the four Eastern Europe visegrád countries Poland, Czech Republic, Slovakia and Hungary, and not being clear at that time, which also applies to what extent the trade war between the United States and China would accelerate and the geopolitical tensions between Iran and the United States causing additional geopolitical tensions.

As a result, as I consider the recovery up to a level of $ 1,350 – 1,400 as a natural market performance,, a further increase of the gold price to a 2019 high of $ 1,528.40 on August 30, in my view, not be accounted for by higher purchases from central banks as these come from emerging countries with small gold holdings as part of their total monetary reserves (see statistics overview on page 5).

Currency composition of official Foreign Exchange Reserves (COFER)

	in US$ billion	in % total
US Dollar	26,341	57.4
Euro	8,658	18.9
Japanese Yen	2,079	4.5
Pond sterling	1,911	4.2
Canadian dollar	780	1.7
Chinese Renminbi	735	1.6
Australian dollar	710	1.5
Swiss franc	68	0.1
Other currencies	1,050	2.3
Unallocated reserves	3,595	7.8
Total Foreign Exchange Reserves	**45,927**	**100.0**

In this respect, it should be realized that gold is only a monetary instrument to protect the value of the US dollar, as demonstrated by the currency composition of official foreign exchange reserves (COFER), with the US$ dollar accounting for 57.4% of total reserves (see statistics overview on this page).

In addition, the 21 signatories to the **Central Bank Gold Agreement** (**CBGA**), representing all Euro countries with the exception of the United Kingdom, but no euro-currency countries Switzerland and Sweden included, with the CBAG extended every 5 years (currently CBAG-4 applying as of September 27, 2014), while gold still acting as a monetary instrument in the Western world, not being functional as such in emerging countries, led by **China** and **India**.

It is overlooked these days that by building huge gold reserves this was originally meant to function as a buffer to deal with economical depressions. In this respect, it is noteworthy that according to GFNS statistics in the 10-year period of 1997 – 2006, in contrast to later years, there was a high level of official sector selling to a total of 4,800 tonnes.

Having reported the purchase of 69 tonnes in the H1 of 2019, it should be note that this is a gross number, which does not include the largest contribution to the inflated sales levels coming from Venezuela, where a reported 44 tonnes has been shred from the central bank by President Maduro in order to gain liquidity for the long suffering country, as U.S. sanctions have limited the country from participating in gold swap deals and indeed in the repatriation of gold from vaults such as the Bank of England.

As such, the net number of gold purchases at 25 tonnes was significantly lower than the gross number at 69 tonnes.

World official gold holdings and total monetary reserves

Top 10 Western countries

September 2019	***Gold reserves in tonnes***	***Gold as % total foreign reserves***	***Total monetary reserves in US$ billion*** *(gold price of US$ 1,500)*
United States	8,133.5	78.0	503
Germany	3,366.8	71.9	226
Italy	2,451.8	67.4	175
France	2,436.1	60.8	193
Switzerland	1,040.0	5.7	880
Netherlands	612.5	67.7	44
Portugal	382.5	64.7	29
United Kingdom	310.3	8.5	176
Spain	281.6	17.6	77
Austria	280.0	52.1	26
Total	**19,295.1**		**2,329**

Top 10 emerging countries

Russian Federation	2,219.2	19.6	546
China	1,936.5	2.8	3,100
India	618.2	6.5	459
Kazakhstan	380.0	63.0	29
Iuzbekistan	327.8	54.3	29
Turkey	320.7	16.3	95
Poland	228.2	8.9	124
Philippines	197.9	10.6	90
Thailand	154.0	3.2	232
South Africa	125.3	11.7	52
Total	**6,507.8**		**4,756**

Source: IMF/World Gold Council

► Introduction of Chinese cryptocurrency will affect gold as a monetary instrument

On August 27, 2019, it was announced that China's central bank will announce a state-backed cryptocurrency and issue it to 7 institutions in the coming months. Independent researcher Paul Schulte, who ow runs an eponymous bank research firm and worked as global head of financial strategy for China Construction Bank until 2012, says the largest bank in the world, the Industrial and Commercial Bank of China, the second largest bank in the world, the Bank of China, the Agricultural Bank of China; the two of China's largest financial technology companies Alibaba and Tencent; and Union Pay, an association of Chinese banks, will receive the cryptocurrency.

A separate source, who is involved in the development of the cryptocurrency dubbed **DC/EP (Digital Currency/Electronic),** 7 institutions would be receiving the new asset when it launches, adding that an 8th institution, of which the name has not been revealed yet, could also be among the first tier of recipients.

The technology behind the cryptocurrency has already been ready since last year and could launch as soon as November 11, China's busiest shopping day, known as Singles Day.

The plan to us a diverse set of China's trusted institutions to disperse the cryptocurrency is reminiscent of a number of other ideas currently percolating around the world.
For instance, **Facebook**'s planned **Libra cryptocurrency** will be backed by a basket of currencies issued by central banks with support from companies like Mastercard and Uber in the United States, Vodaphone in England.

Last week, Bank of England governor Marc Carney floated the idea of a new currency backed by a number of central banks to replace the US dollar as the global reserve currency.

What sets China's **DC/EP** part from libra and Carney's synthetic hegemonic currency ("SHC") according to Schulte, is that while libra is little more than early-stage computer code and the HSC doesn't appear to have gone much further than Carney's mind, the Chinese cryptocurrency is ready to launch and China's central bank will be the first to do so.

In a speech on August 10 at the China Finance 40 Forum, Mr. Nu changchun, deputy director of the Paying Division of the People's Bank of China (PBOC) and the new head of China's cryptocurrency research lab, already said the two-tiered system is designed to "curb public demand for other cryptographic assets, consolidate national currency, sovereignty, ensure that the central bank maintains control over monetary policy effecting the currency, increase the likelihood of people using the currency, distribute the risk of having all the authority directly in the hands of the central bank and encourage competition between the organizations that receive the cryptocurrency".

Whether anyone outside China would actually use a digital renminbi for transaction in their own country is unclear. As the Bank of England governor's comments about replacing the U.S. dollar indicate, much of the world' is tired of having their financial stability tied to the United States' monetary system.

In this respect, the escalating trade war between the United States and China and President Trump having accused China of being a "currency manipulator" could play a crucial role. While China has denied the charge and called the U.S. "protectionist" in a press statement, the perception of manipulation could be harmful to broaden adaption of a digital currency linked to the renminbi.

On the other hand, the introduction of Chinese cryptocurrencies would affect gold as an optional financial not only for China, but also other emerging countries in Asia to strengthen the position of the renminbi against the US dollar and other official exchange reserves as part of China's Belt an Road Initiative to pass the United States as the world's leading economy in the next twenty years, supported by its goal to lead the G5-articificial intelligence revolution.

The currency compensation of official foreign exchange reserves (COFER) is dominated by the US dollar holing US$ 26,341 billion or 57.4% of a total of the latest available calculation of US$ 45,927 billion, compared to only US$ 735 million or 1.7% of Chinese renminbi (see overview).

►The Reserve Bank of India ("RBI")

The **Reserve Bank of India ("RBI")**, the central bank, in April 2018 ordered bank and other financial institutions to stop dealing with anyone involved in cryptocurrencies. That cut-off access to the country's financial system, forcing some of the largest crypto exchanges to shut down.

The cryptocurrency industry is now hoping for respite as a long-running Supreme Court case comes to a head. A final judgement is expected shortly.

The rise of the cryptocurrencies has caused global concerns. Among G20 members, the US, UK and many others have sought to regulate digital currencies to ensure they are covered by money laundering laws and can be taxed.

However, **India** is joining **China**, **Saudi Arabia** and **Indonesia** in seeking to sever restrict to trade, not to mention impose a blanked ban.

The RBI itself noted the risk that digital currency trading will shift from exchanges to private forums and off-shore apparently increasing the changes that they will be used for illicit activities.

India, under prime minister Narendra Modi, has embarked on a project to embrace technologies that can help digitize the economy, promoting mobile payments and raving about the transformative potential of blockchain. Government policies have lead large numbers of Indians to begin investing in financial markets for the first time.

►Course of US dollar Index (USDX)

The US dollar Index (USDX) started in March 1973 and today us a basket of 6 currencies, including **Euros** (57.6%), **Japanese yen** (13.6%), **British pounds** (11.9%), **Canadian dollars** (9.1%), **Swedish crones** (4.2%) and **Swiss francs** (3.6%).

Since the USDX went up in 1995 from a long-term resistance level of 80 to a high of 120 in 2001.
At the time the Euro was introduced (January 1, 2001), it dropped to a low of 72 in March 2008, but was then followed by a strong upward correction to $ 87 well above the historic resistance level.

After a new correction to 74 in early December 2009, from the second half of 2011 into 2012 there was another strong recovery to above the 80 level and reaching a high of 84 in August 2012. Since then, the index moved in a relatively stable range before moving up strongly in the course of the second half of 2014.

In the last week of January 2002 the index reached a high of 121 during the high-tech boom and a low of 71 just prior to the great recession of 2008-2009. Since then, the USD Index has moved up again to a level of 102,53 in August 2019.

Meanwhile, a make-up of the basket is overdue for revision, as China has emerged to the world’s second trading partner since it became a member of the World Trade Organization in late 2001.

► The fall of US and Euro zone interest rates since the 2018-2019 financial crisis has ended as a driver of higher gold prices.

At March 17, 2008, at the time the financial crisis 2008-2009 began, accelerated by the collapse of US investment bank Lehman Brothers on September 2018, the Fed funds rate was lowered in 10 stages from 5.25% to 0.25% in the 18 months from June 29, 2007 to December 18, 2008.
Over the same period the gold price increased from $ 714.75 to $ 838.25

Not earlier than on January 15, 2009, the **European Central Bank (ECB)** interest rate was lowered by 0.50% to 2.00%, at which time the gold price was $ 810.00 and he Euro/US$ ratio 1.31.

The **ECB** interest was lowered further in 3 stages to 1.00% before the announcement of a salvation package to support the euro on May 10, 2014, at which time the gold price was $ 1,196.50 and the Euro/US$ ratio at 1.28.

Then, on July 26, 2012, Mario Draghi, President of the ECB, stated that he would do whatever it takes to save the Euro. At that time the gold price was $ 1,680 and the euro/US$ ratio 1.23.

Further lowering of the ECB interest rate in 4 stages from 0.75% to 0.05% and the announcement of a quantitative easing program, under which the ECB from March 2015 to the end of 2018 bought € 2,600 billion of eurozone-debentures, the statement of Draghi appeared to be effective. The euro strengthened to an interim high against the US$ of 1.39 on March 14, 2014 in conjunction of which the gold price showed a recovery from a 2013 low of $ 1,192.10 to a new high of $ 1,385 on September 30, 2013, and the US$ weakening against the euro to 1.30.

Six years later, expecting Donald Trump to be re-elected, and the US economy in a significantly better shape than the EU economy, illustrated by an expected GDP growth rate of 2.4% compared to 1.2% for the European Union this year, enhanced by the Brexit procedure, as well as escalating nationalism among EU members, in particular applying to Italy, as well as to the cold war between the Eastern European visegrád countries (Poland, the Czech Republic, Slovakia and Hungary).

In summary, my conclusion is that because of the bureaucratic structure the EU will stay under ongoing pressure, thereby losing its international economic status, in conjunction, resulting in ongoing pressure on the euro to at least a one to one parity with the dollar.

► 10-year course of the dollar against other currencies

	Euro	Yen	RMB	Rupee	C$	A$	SA Rand
September 16, 2019	0.90	108	7.07	70.90	1.33	1.45	14.56
year-to-year 2008 / 2009	-3	2	0	-6	-14	-24	-22
year-to-year 2009 / 2010	9	-11	-3	-3	-5	-11	-10
year-to-year 2010 / 2011	3	-6	-4	20	2	0	22
year-to-year 2011 / 2012	-2	12	-1	1	-2	-2	4
year-to-year 2012 / 2013	-4	22	-3	13	7	17	24
year-to-year 2013 / 2014	13	14	0	3	9	9	11
year-to-year 2014 / 2015	12	0	6	4	20	12	33
year-to-year 2015 / 2016	4	-3	7	2	-3	1	-11
year-to-year 2016 / 2017	-12	-3	-6	-6	-7	-7	-10
year-to-year 2017 / 2018	4	-3	5	9	8	11	17
September 16, 2019 / year-end 2018	3	-4	4	3	-2	5	7
► Year-end 2013 to September 16, 2019	24	1	17	16	24	32	46

► Gold price compared to US$: Year-end 2013 ($ 1,201.50) to September 16, 2019 ($ 1,497.20) : 25%

► Jewellery and retail demand dictated by India and China

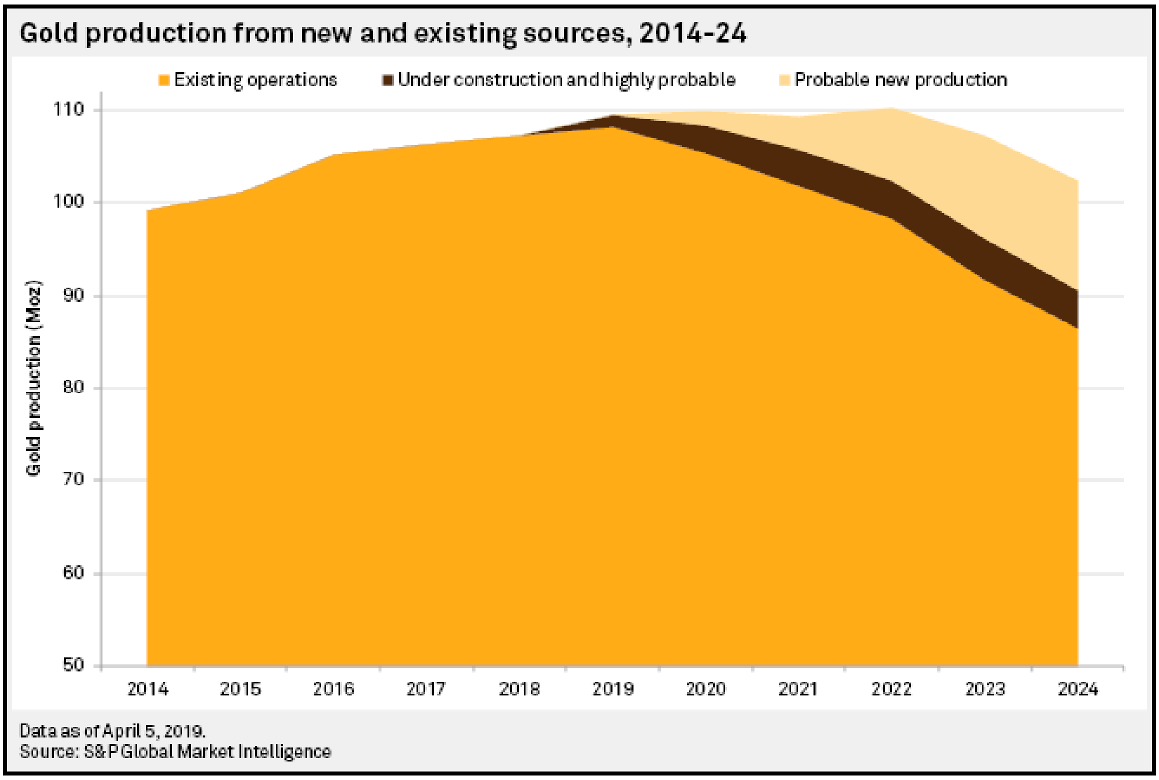
JEWELLERY GOLD DEMAND	H1 2019	H1 2018	2018	2018 in % total
Asia, of which:	**770.0**	**784.3**	**1,561.7**	**82.0**
India	*289.3*	*257.3*	*639.1*	*40.9*
China	*294.6*	*257.3*	*567.4*	*36.3*
Europe, of which:	**52.1**	**57.7**	**132.4**	**7.0**
Turkey	*7.9*	*9.7*	*33.2*	
Russia	*7.4*	*7.7*	*33.2*	
UK	*5.6*	*5.8*	*20.5*	
Italy	*5.7*	*5.7*	*16.4*	
France	*4.0*	*4.2*	*11.4*	
North America, of which:	**62.2**	**64.4**	**156.9**	**8.2**
United States	*50.0*	*52.7*	*74.4*	
Africa	**14.2**	**13.1**	**25.2**	**1.3**
South America, of which	**15.6**	**15.3**	**28.1**	**1.5**
Brazil	*9.7*	*9.5*	*16.5*	
World total	**914.1**	**934.8**	**1,904.3**	**100.0**

RETAIL GOLD DEMAND	H1 2019	H1 2018	2018	2018 in % total
ASIA of which:	**314.1**	**318.7**	**680.9**	**62.7**
India			*145.1*	*23.1*
China			*232*	*37.0*
EUROPE	**119.1**	**127.8**	**272.1**	**25.1**
AFRICA	**39.4**	**31.5**	**70.8**	**6.5**
NORTH AMERICA	**20.6**	**20.9**	**37.3**	**3.4**
OCEANIA (Australia)	**8.7**	**9.3**	**22.3**	**2.1**
SOUTH AMERICA	**0.9**	**1.0**	**1.8**	**0.2**
WORLD TOTAL	**502.8**	**509.2**	**1,085.2**	**100.0**

►In 2018, gold production increased for the 10th consecutive year

In 2018, gold production increased for the 10th consecutive year **to total 107.3 million ounces**. The year-over-year increase of just under 1% was the smallest in the last decade, yet since 2008, output has risen by 40%.
In 2019, S & P Global Market Intelligence expects a further growth of 2.3 million ounces, the strongest in the last 3 years, debunking commentary calling for peak gold.

Gold output is expected to stay steady by the research institute until 2022 and decline thereafter as indicated by the declining global reserve base and more than 15% of gold production by 2024 to be coming from mines that are not yet producing.



More than half of the 2.3 million ounces increase in 2019 is projected to come from new mines that are expected to come on stream in the year have recently commissioned. Examples of those include **Gruyere JV** in Western Australia (50% **Gold Fields**, 50% **Gold Road Resources**); **Meliadine** in Nunavut, Canada (**Agnico Eagle Mines**), both in the second quarter; and the restarted operations at **Obuasi** in Ghana (**AngloGold Ashanti**) and **Aurizone** in Brazil (**Equinox Gold**), both of which have been idle since 2015.

Largest new starts in 2019

Project	Owner(s)	Location	Startup	2019 production (oz)
Meliadine	Agnico Eagle Mines Ltd.	Canada (Nunavut)	Q3	230,000
Gruyere	Gold Fields Ltd. 50%; Gold Road Resources Ltd. 50%	Australia (Western Australia)	Q2	194,625
Obuasi*	AngloGold Ashanti Ltd.	Ghana (Ashanti)	Q4	136,640
Aurizona*	Equinox Gold Corp.	Brazil (Maranhão)	Q1-2	95,000
Lamaque	Eldorado Gold Corp.	Canada (Quebec)	Q1	83,326

Data as of April 5, 2019.
* Obuasi and Aurizona have been on care and maintenance since 2015.
Source: S&P Global Market Intelligence

The ongoing ramp-up at **PHSC Polyus**' **Natalka** and **Nord Gold SE**'s commissioning at **Gross** are significant contributors to a continued increase in Russia's production in 2019.
Russia's production is expected to essentially equal Australia's production in 2020 and then surpass Australia.

Meanwhile in **Canada**, the startup of **Meliadine** and continued ramp-up of **Rainy River**, **Eleonore** and **Hope Bay** among others, drive some of the fastest national growth that is expected to last for several years.

Canada is projected to pass the U.S. in national gold production in 2019 to be the 4th-largest gold producing country.

According to S & P Global Market Intelligence new production coming on stream over the next 5 years is expected to produce much as 4.3 million ounces by 2024.
Another 11.7 million ounces is expected from projects currently undergoing feasibility studies or evaluating restarts.

Falling production from depleted operations over the next several years will start outpacing that growth by as early as 2021. Current forecasts project 2020 production to increase as much as 0.4 million ounces year-over-year. Then production is expected to fluctuate, with a roughly 0.7 million ounces drop in 2021, followed by an increase again in 2022 due to advancements at developing projects. From there on, gold production is expected to fall by over 3 million ounces in 2023 and up to 5 million ounces in 2024.

That latter drop will leave gold production 7% or 7.2 million ounces lower than 2019 levels. If only half of the probable new production enters the market, gold production will be 13 million ounces or 12% lower than 2019 levels, according to S & P Global Market Intelligence.

Canada is the only major gold-producing country to continue significant increases to 5 years

Although global production is expected to start decreasing, not all jurisdictions will have shrinking production. Of the 99 countries with gold production in 2018 of that will have production in 2024, 49 are expected to produce less, 27 to produce more and 23 are expected to maintain production.

Among the countries expected to increase production, **Canada** is expected to have four times the production increase, of second-closest **Ecuador**. Canada's still growing gold sector is showing no signs of abating 5 years in the future. Very few of the country's gold mines are facing depletion and new ones continue to commission such as **Elenore** in 2015, **Brucejack** in 2012, **Rainy River** in 2017 and **Hope Bay** in 2017; still more are expected, including the aforementioned **Lamaque** and **Meliadine**, plus **Dublin Gulch** in 2019 and **Coffee** in 2021.

Australia's production is expected to fall the most according to S & P Global Market Intelligence. The current second-largest gold producing nation behind China is expected to fall to fourth place globally in 2024 The underlying reason for Australia's fall is accounted for the depletion of several long-lived assets such as **St.Ives, Paddington, Telfer, Edna May, Southern Cross, Agnew/Lawlers**.
The expected commissioning of Mt Todd and reactivation of United Reefs Operations Centre will partly mitigate the loss from the aforementioned closures.

Although **Indonesia**'s gold production appears to fall substantially by 2024, 2018 production was anomalously high, primarily due to the previously mentioned increase at Grassberg, where gold production in 2024 is expected to be comparable to most other years; therefore in Indonesia production at large is expected to be only slightly lower than previous years.

Peru's gold production, meanwhile, is clearly trending downward, with the **Orcopampa**, **La Zanja** and **Tambomayo** all facing depletion before 2024. With closure only a few years further out, **Lagunas Norte** and **Yanacocha** will also be producing less gold in 2024 than they have historically.

Ecuador's projected gold increases come from a handful of new projects. The largest of them is **Lundin Gold**'s **Fruta del Norte project**, expected in 2020, while **INV Metal**'s **Loma Large** could be producing by 2021-22.
Turkey expects increasing production to come from projects owned by or involving major production partners. New production is expected from **Oksut** in 2020, **Agi Dagi, Kirazli** and **Yenipazor** in 2021; **Hod Maden** in 2022; and **Gediktepe** in 2023.

► Growing gold share of production will come from base metal mines

In 2018, more than 11% of global gold production came from only metallic base metal mines – a considerable increase of 2 million ounces over the 9.6% in 2017 – with more than 1 million ounces of that coming from **Grassberg**.

The Grassberg increase will, however, be short-lived, as its gold production is expected to fall by 0.9 million ounces in 2019 as fold grades decrease. Increased gold content from **Kazzinc_Consolidated Batu Hijau**, **Oyu Tolgoi** and **Escondida** contributed another 0.7 million ounces to 2018 production, but all of those operations are expected to see gold production fall in 2019.

As those polymetallic mines experience only a brief interval of gold-rich ore, gold production from those mines will fall in 2019 and 2020 SP Global Market Intelligence says.
Past 2020 though, polymetallic mines' gold production is expected to increase gradually. With falling production from primary gold mines after 2020 and minor increases from polymetallic mines, a growing share of the world's gold production will come from sources where gold is a by-product.

Less than 10% of the world's gold production is expected by SP Global Market Intelligence to come from secondary sources in 2020, but they foresee this amount to grow to more than 11% by 2024.

GOLD production comparison of traditional and emerging countries

Traditional countries (4)	2018	2015			
United States	221.7	231.3			
Canada	189.0	157.7			
Australia	314.9	279.2			
South Africa	129.8	162.0			
Emerging countries (15)	**2018**	**2015**		**2018**	**2015**
Africa (4) :			**Central Asia (3) :**		
Ghana	130.5	95.4	Russia	207.3	255.3
Sudan	76.5	67.8	Uzbekistan	92.5	86.7
Mali	61	49	Kazakhstan	68.4	51
Tanzania	47.7	53.2			
			North America (1) :		
Asia (3) :			Mexico	115.4	131.6
China	404.1	460.3			
Indonesia	136.9	113.2			
Philippines	36.8	40.6			
South America (4) :					
Peru	158.4	170.5			
Brazil	97.1	95.4			
Argentina	60	63.9			
Chile	36.5	42.5			

► Hedging expected to be stimulated as a result of booming gold prices

According to the **GFMS Gold Survey** the **net hedge book** contracted by 0.8 million ounces (25 tonnes) during Q 1 2019, represented a 12% decrease compared to Q4 2018.
As a result, the hedge book stood at a total 6.24 million ounces (184 tonnes) at the end of March. According to the **GFMS Gold Survey** records during the last quarter 30 companies took a net de-hedging position, while only 10 were net-hedgers.

Amongst the last group, the largest hedger was **Gold Fields** central, after increasing its options and forward contract by 0.12 million ounces (3.6 tonnes), mainly at its Australian-based operations. The Company holds the second largest nominal hedge book totaling 1.06 million ounces (32.9 tonnes). Other net-hedgers include **Harmony Gold** and **Resolute Mining** with a combined 0.08 million ounces (2.8 tonnes).

Hedging activity remains strongly in Australia where the Aussi dollar has depressed around 12% since January 2018, pushing companies to secure the favorable gold prices in the local currency. According to the estimations of the Survey, over 45% of the total hedge books is represented by Australian-based miners having increased considerably over the last few years.

Turning to the **net de-hedgers**, Russian-based **Polyus Gold** has remained at the top for two consecutive years, as it continues to exercise its barrier options which are part of its Strategic Price protection Programme signed in July 2014. Polyus holds the largest nominal hedge book, which adds up to 1.89 million ounces (58.6 tonnes), representing 19% of the global total.

Further de-hedging activity was posted during the last quarter of Mexico-based **Fresnillo**, as over 0.17 million ounces (5 tonnes) of options matured during this period, while Australian company **Newcrest** delivered 0.12 million ounces (3.6 tonnes), thereby hedging a portion of Telfer's production until 2023, locking in near record-high gold prices back in 2016.

The delivery schedule of hedging for the rest of 2019 is 2.38 million ounces (64 tonnes), of which around 0.87 million ounces (27 tonnes) were due to mature during the second quarter of 2019.

Even though some gold producers have already decided to increase their hedge books, the bulk of contracts during the current months are relatively modest compared to historical data.

► Net production margins at a US$ 1,500 gold price have increased by more than US$ 300 from $ 1,282 at year-end 2018 to date
As a result, net production margins calculated on all-in sustaining costs increased by more than 50% in most cases

The world's top 10 gold producers + reserves *(in million ounces)*

	Estimated production 2019	Production 2018	Market valuation 30/08/2019 (in $ bln.)	Reserves	In years of production	All-in sustaining costs *(in ounces)*	Net production margins at US$ 1,500 gold price
Newmont Goldcorp	6.50		32.7	65.4	10	975	525
Barrick Gold	5.10 - 5.60	5.10	33.9	151.1	28	870 - 920	600
AngloGold Ashanti	3.25 - 3.40	3.40	10.1	184.5	56	730 - 780	705
Polyus Gold	2.80	2.44	14.7	64.0	26	605	895
Kinross Gold	2.50	2.48	6.2	25.5	10	995	505
Newcrest Mining (30/6)	2.49	2.35	19.1	62.0	25	738	862
Polymetal International *	1.55	1.56	6.8	3.2	2	800 - 850	675
Agnico Eagle Mines	1.75	1.63	14.8	22.0	13	875 - 925	600
Zijin Mining	1.30	1.18	8.6	43.6	34	NA	NA
Evolution Mining (30/6)	0.73 - 0.77	0.80	5.9	7.2	7	599 - 633	884

* *fiscal year 2020*

Course of gold price versus HUI-Index

		Gold price	Change in %	HUI index	Change in %
2019					
August 30		1,528	8	228.24	18
June 28		1,409	9	194.12	24
May 31		1,296	1	157.08	2
April 30		1,282	-1	153.76	-10
March 31		1,295	-2	169.95	1
February 28		1,319	0	168.27	-1
January 31		1,323	3	170.39	6
Year-end 2018		1,282	5	160.58	12
November 30, 2018		1,218	3	145.04	3
October 31		1,215	2	142.82	1
September 28		1,187	-1	141.07	-2
August 31		1,202	-4	143.23	-18
July 31		1,221	-6	166.36	-8
June 30		1,250	-4	174.52	-3
May 31		1,305	-1	180.04	1
April 30		1,313	-1	178.47	2
March 30		1,324	0	175.41	2
February 28		1,318	-2	171.87	-13
January 31		1,345	4	196.44	2
Year-end 2017	2017	1,297	-4	192.31	-11
September 8 (high)	2017	1,351	2	216.70	3
August 29	2017	1,319	6	210.49	13
June 30	2017	1,242	0	185.71	-6
March 31	2017	1,245	3	197.23	-5
January 31	2017	1,213	5	207.45	14
Year-end 2016	2016	1,159		182.31	
Year-to-year	2017	1,297	12	192.31	5
	2016	1,159	9	182.31	64
	2015	1,062	-11	111.18	-32
	2014	1,199	0	164.03	-17
	2013	1,202	-28	197.70	-55
	2012	1,664	6	444.20	-11
	2011	1,572	11	498.73	-13
	2010	1,410	28	573.32	33
	2009	1,104	28	429.91	42
	2008	865		302.41	

► Overview market performance of gold investment recommendations

Market performance as at Sept. 16, 2019	33.7%
Market performance 2018 (US$) :	-7.4%
Market performance 2017 (US$):	13.2%
Market performance 2016 (US$):	88.7%

	Sept.16 2019	year-end 2018	Change %	year-end 2017
Gold price	1,497.20	1,282	17	1297
HUI-Index	207.28	160.58	29	192.31

CALENDAR OF MINING EVENTS

Goldletter INTERNATIONAL

Uraniumletter INTERNATIONAL

Strategic Metals & Rare Earths Letter INTERNATIONAL

Media Partners 2019

Media Partners 2019

September	24 – 25		**Africa Mining Summit – Gaborone, Botswana**
September	25 – 26		**6th World Nuclear Industry Congress - London**
October	8 – 10		**MINEX Russia – Moscow**
October	28 – 31		**IMARC Mining and Resources Conference – Melbourne, Australia**
November	5 – 6	►	**The Mining Show - Dubai**
November	6 – 7		**Mining Investment Latin America Summit – Lima, Peru**
December	4		**MINEX Eurasia – London**
December	5 – 6		**Nuclear Industry Summit Latin America – Buenos Aires, Argentina**

Media Partners 2020

March	1 - 4	PDAC – Toronto, Canada

► ***Marino G. Pieterse – speaker***

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