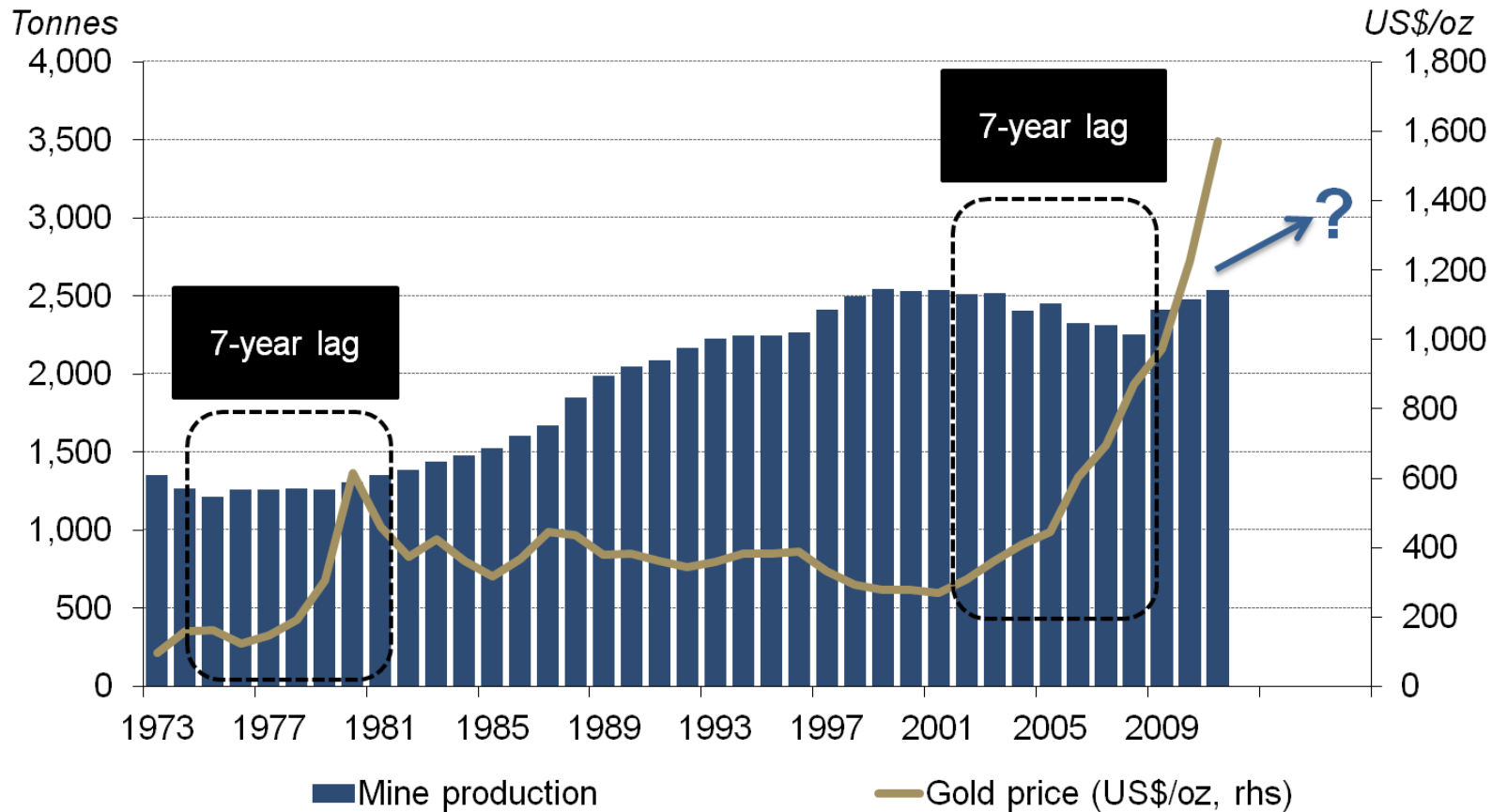


“It was the best of times, it was the worst of times”, Charles Dickens

Presented by Pierre Lassonde | Monday 10th September 2012
Denver Gold Forum

A gold bull market brings a production response...

Mine supply of gold and the gold price

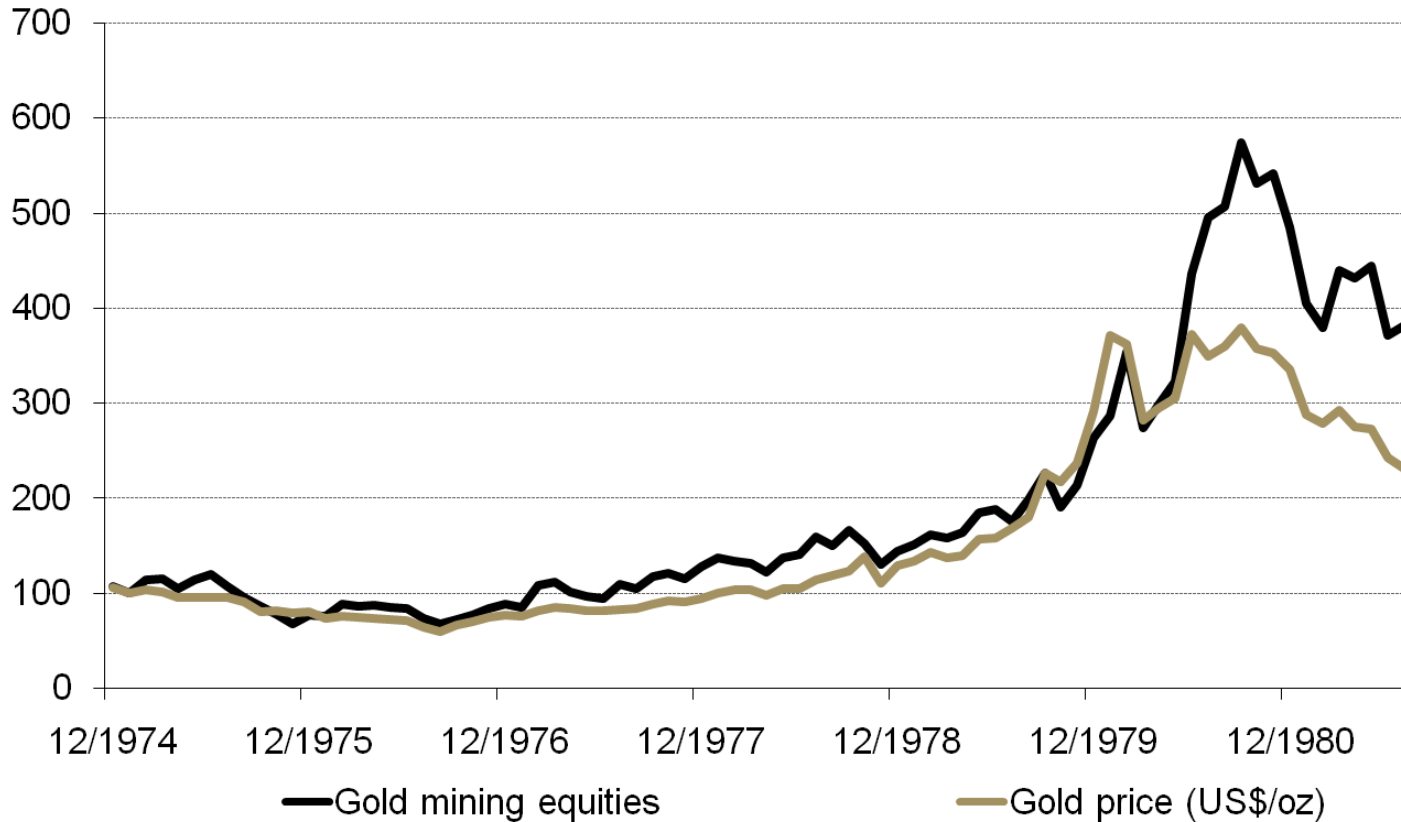


Source: CPM Group, LBMA, World Gold Council

...and a bull market in in gold equities...

Gold mining equities vs gold during the 1970s (Index: Jan 1975=100)

Index level



Source: GlobalFinancialData, TR Datastream, World Gold Council

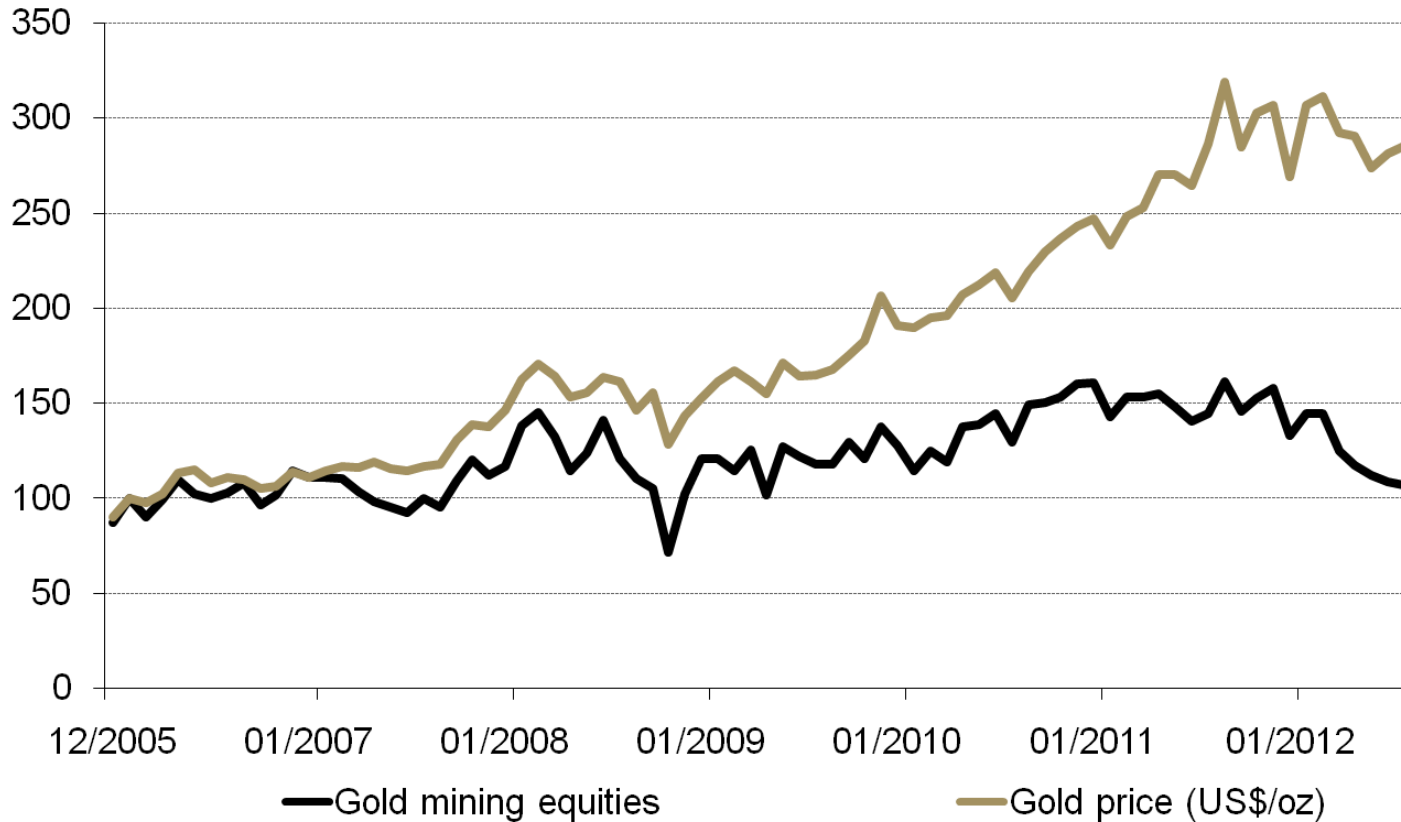
* S&P/TSX gold mining equities, USD

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...but not this time.

Gold mining equities vs gold today. (Index: Jan 2006=100)

Index level



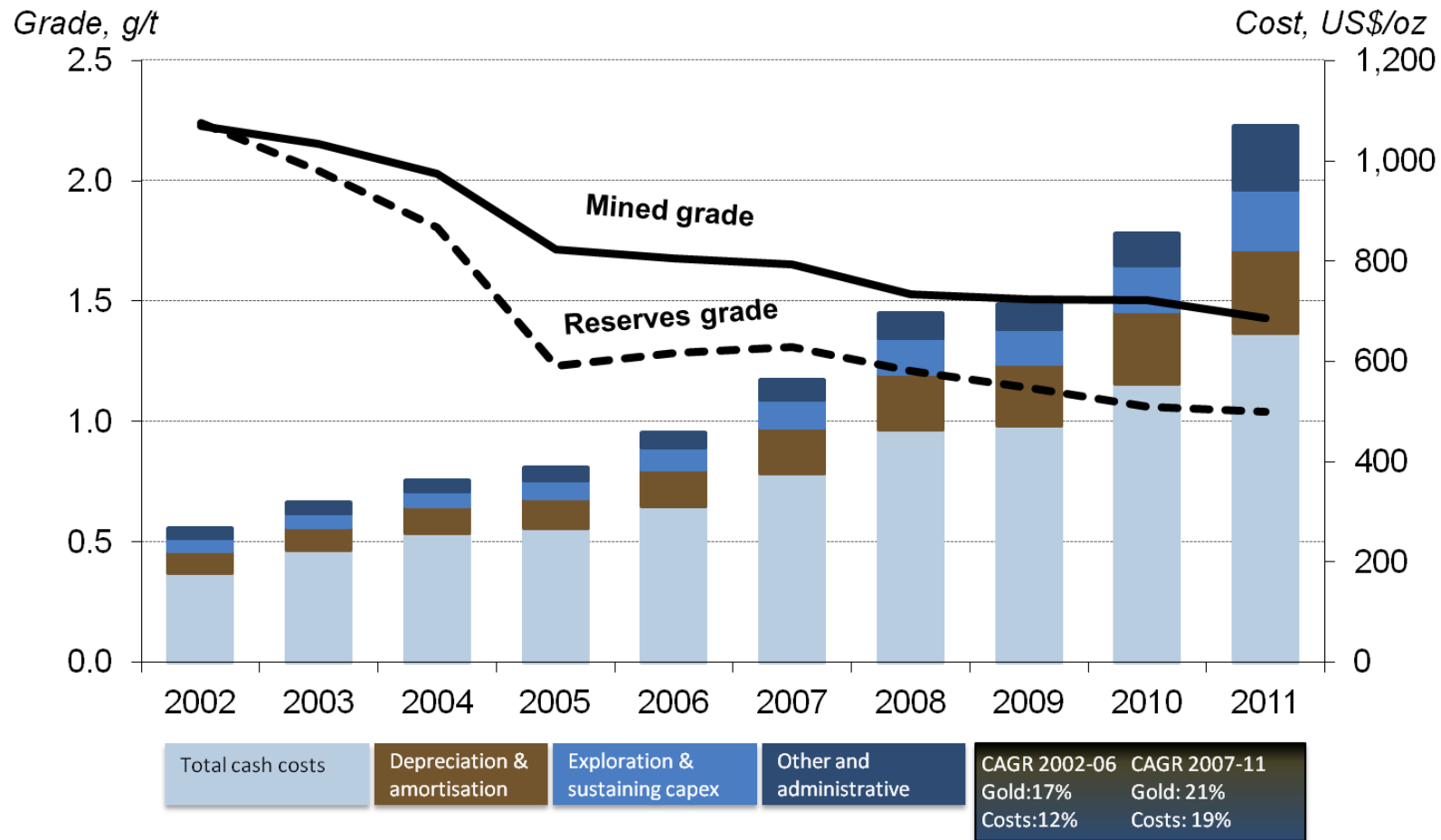
Source: GlobalFinancialData, TR Datastream, World Gold Council

* S&P/TSX gold mining equities, USD

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It's all about grade

Low-grading and All-in costs*

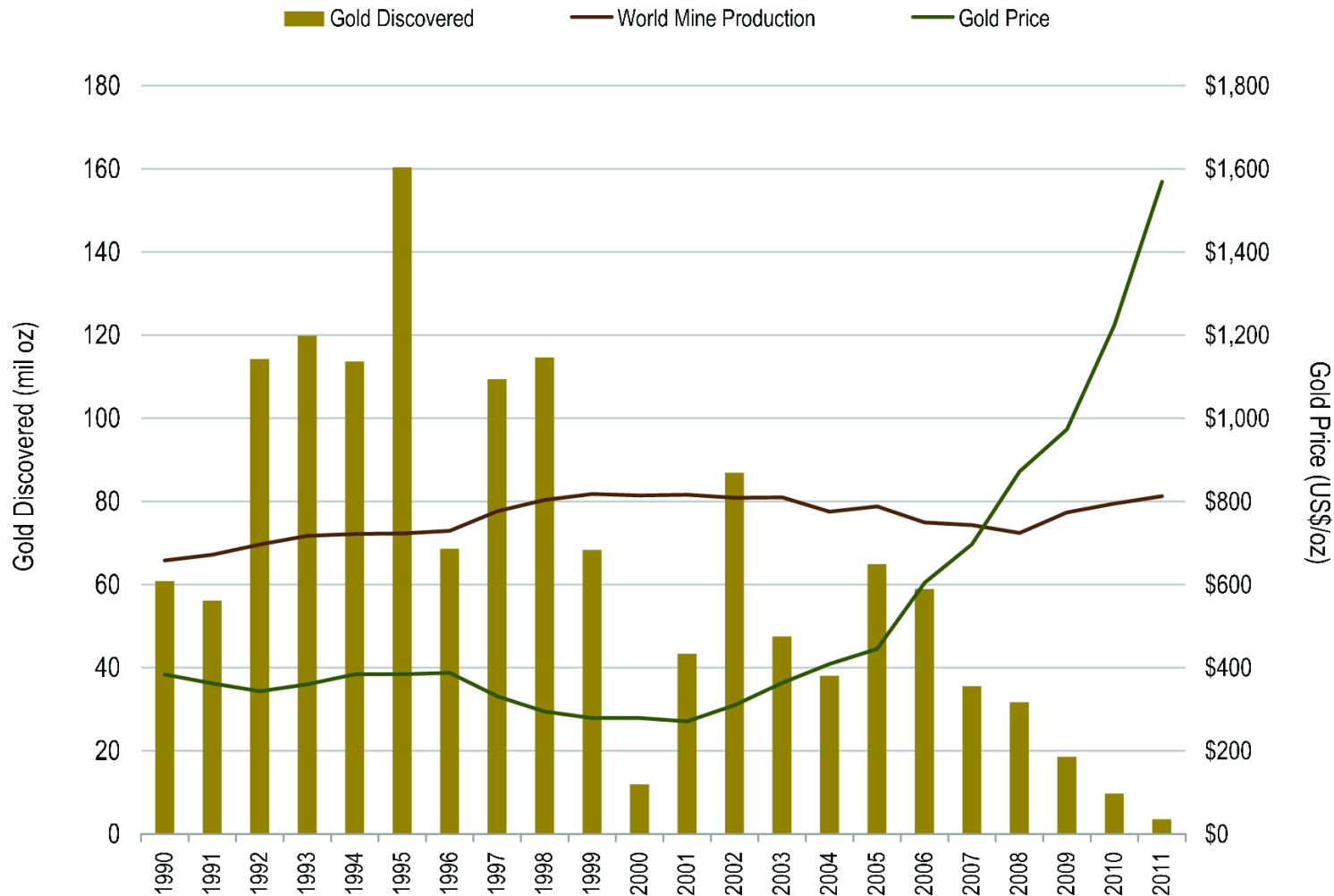


Source: GFMS Mine Economics, LBMA, World Gold Council

*All-in costs are a GFMS proprietary measure, designed to reflect the full marginal cost of mining

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New finds are proving increasingly elusive...



Represents 189 gold deposits discovered since 1990, each with at least 2m oz of gold in total reserves, resources and past production (or at least 1m oz in reserves)

Data sources: Metals Economics Group – *Strategies for Gold Reserves Replacement 2012*

And costly...How many dollars of in-situ gold value does 1 dollar of exploration expenditure yield?

Return on exploration costs for gold

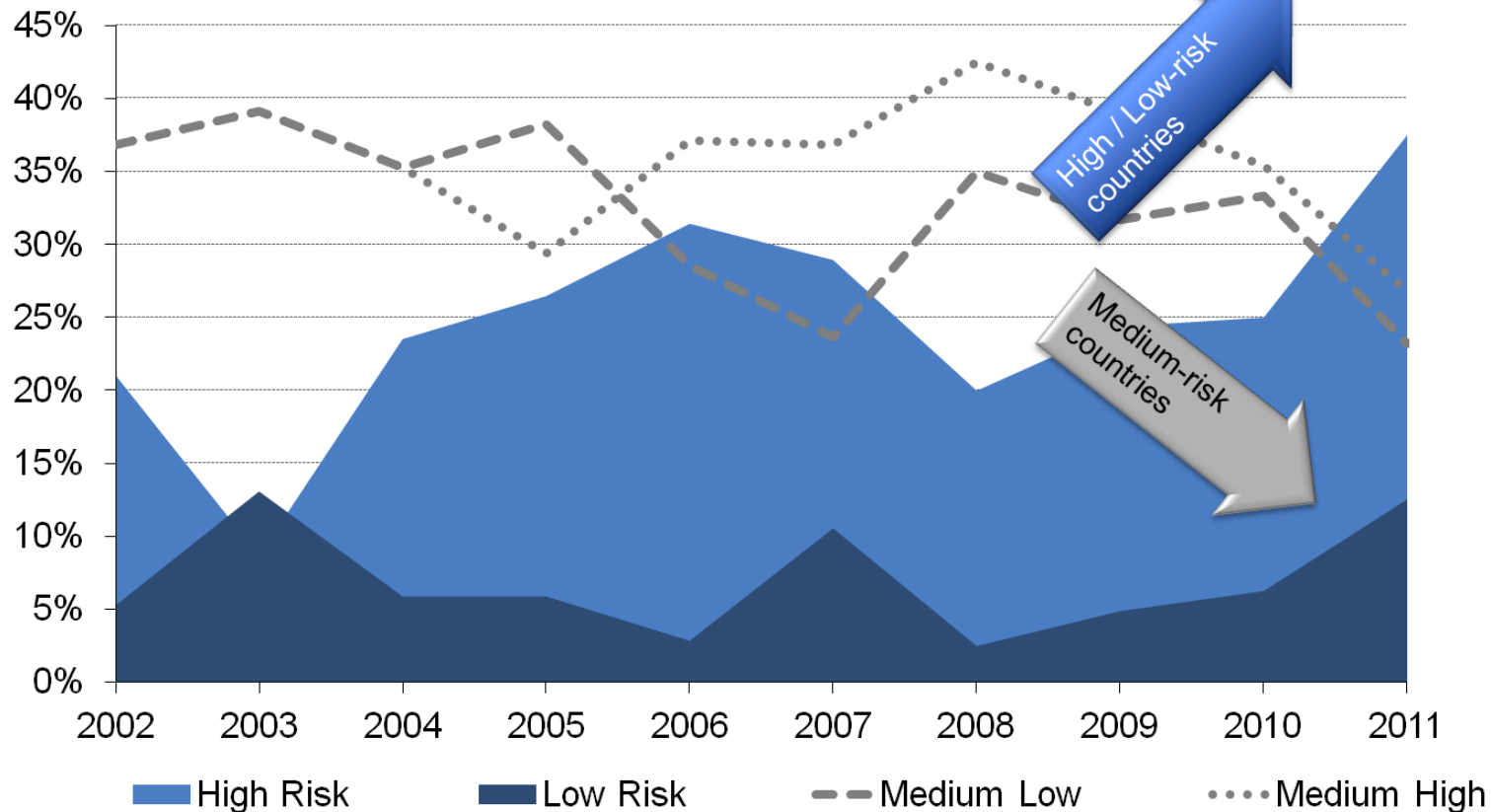
Decade	Ratio return/cost
1950-1960	42x
1960-1970	105x
1970-1980	83x
1980-1990	57x
1990-2000	23x
2000-2010	11x

Sources: Erste Bank, Müller, McKeith (2009)

Resource nationalism is polarising production...

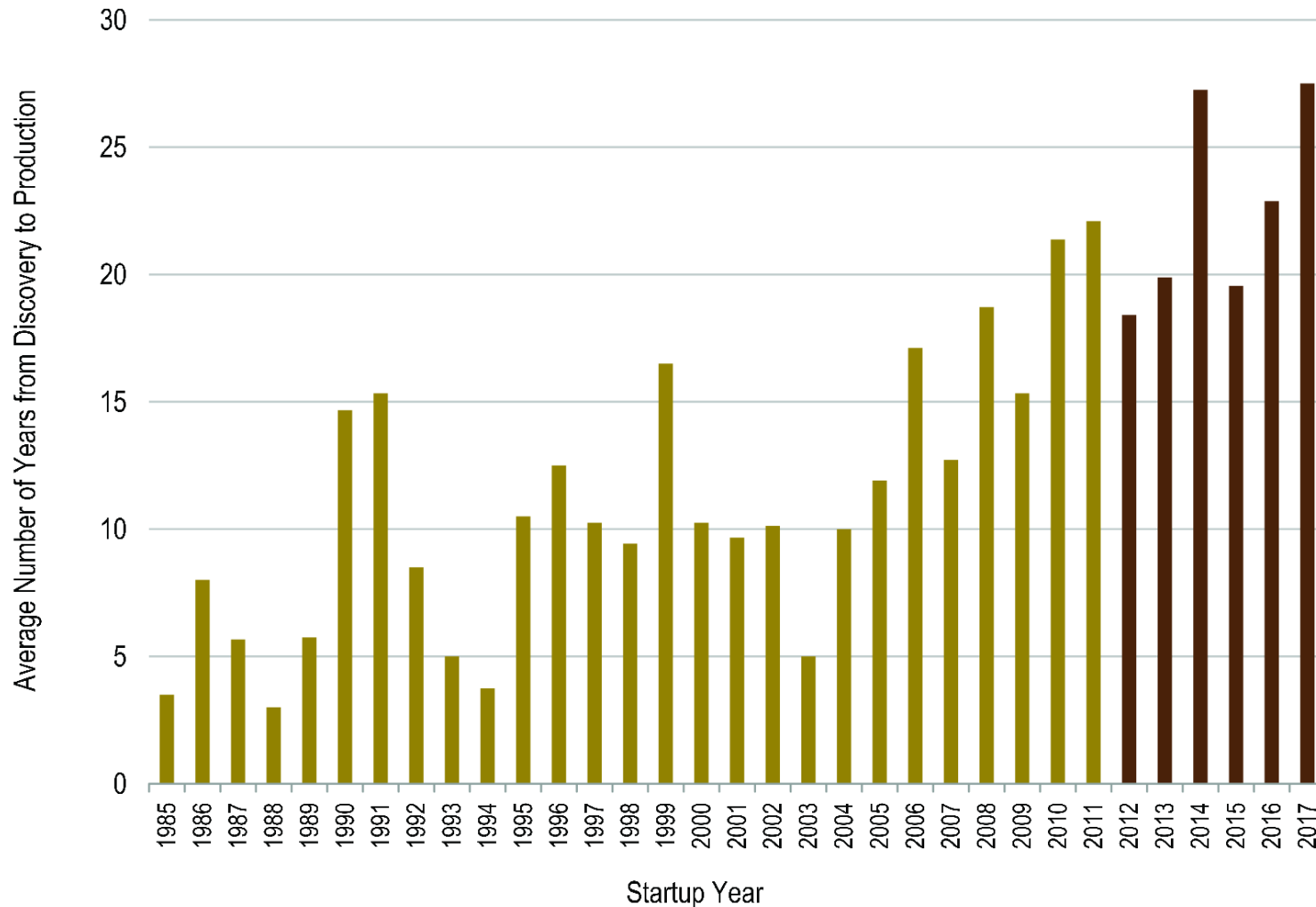
Political risk ranking of mining countries

Share of total



Source: Fraser Institute, World Gold Council

New finds are taking longer to bring to market...

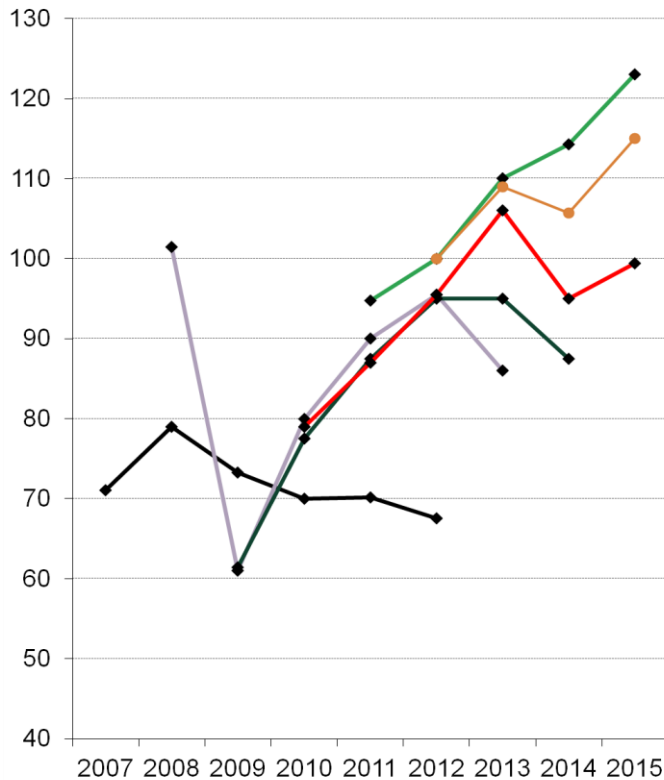


Data sources: Metals Economics Group – *Strategies for Gold Reserves Replacement 2012*

Analysts: Friends or foes?

Oil price: Costs proxy

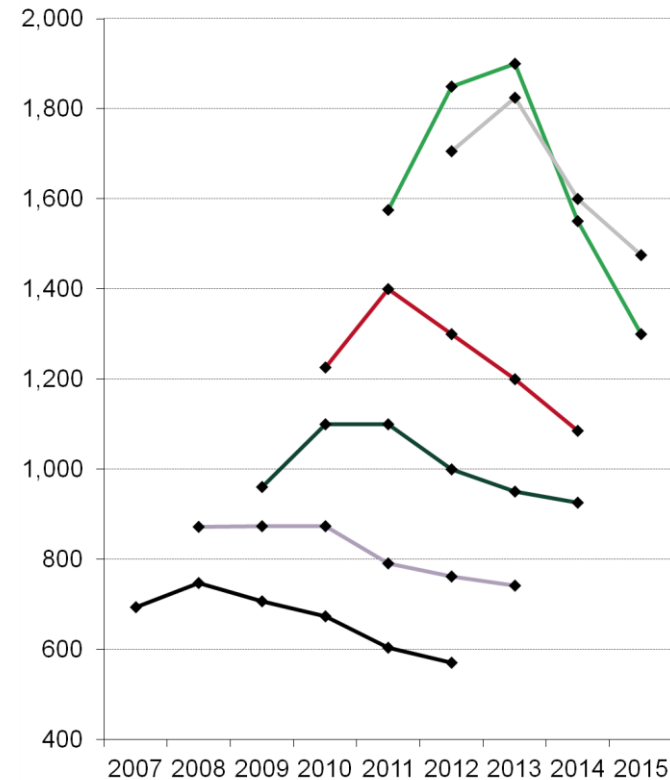
Bloomberg median analyst WTI crude price forecasts
US\$/bbl



Source: Bloomberg, World Gold Council

Gold price: Revenue proxy

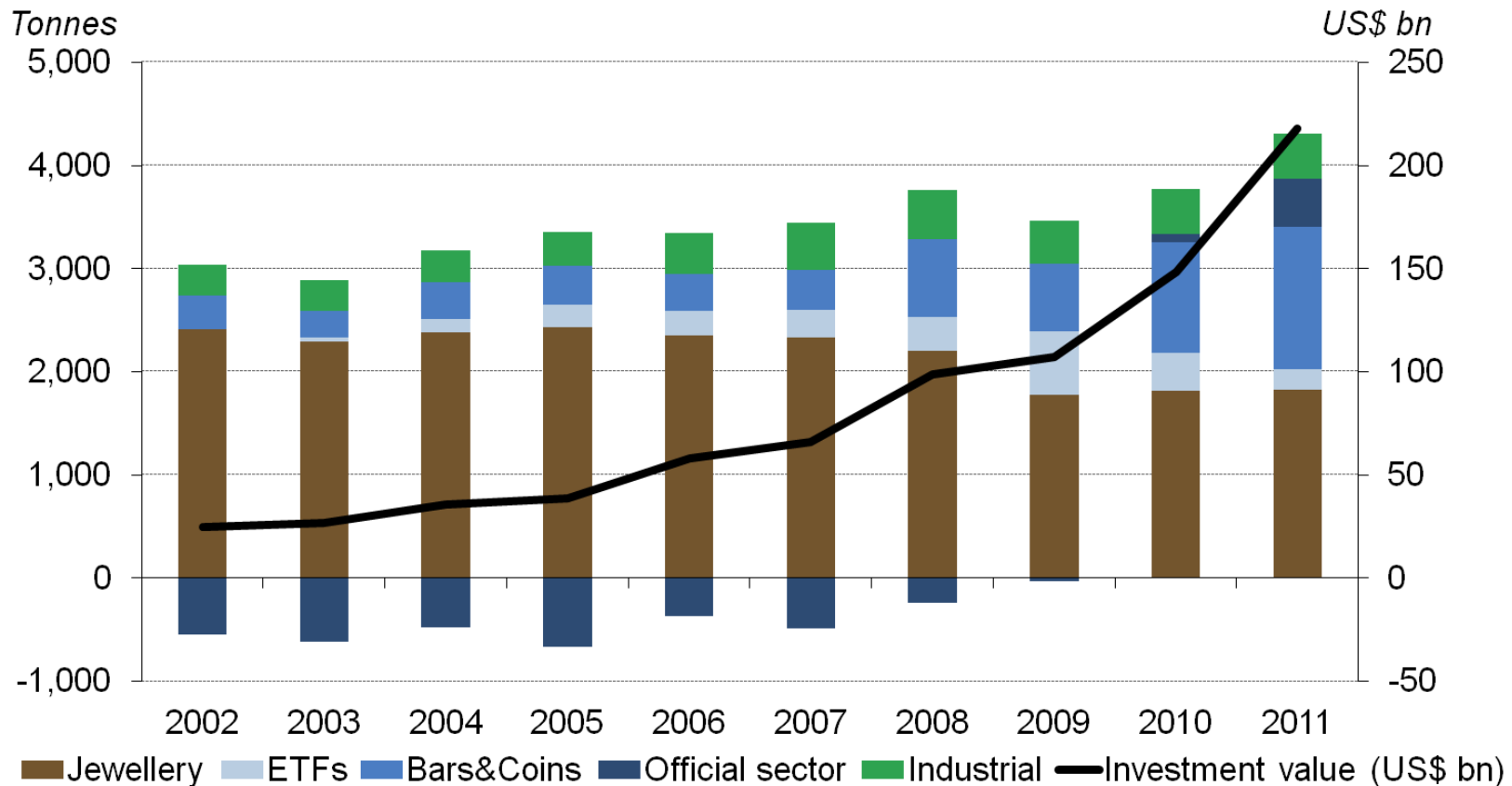
Bloomberg median analyst gold price forecasts
US\$/oz



Source: Bloomberg, World Gold Council

Demand continues to expand and broaden...

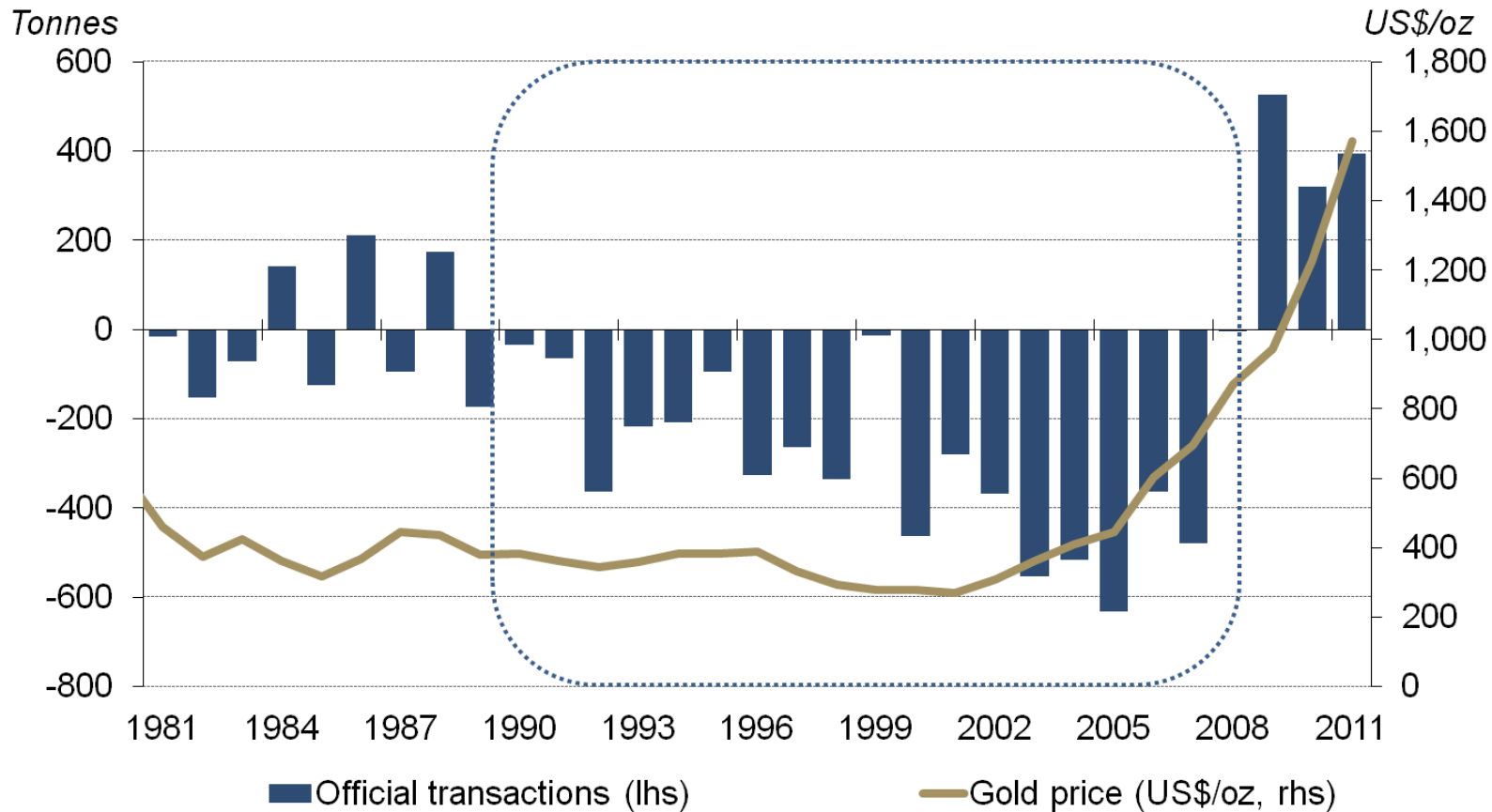
Global gold demand in tonnes and value (US\$bn)



Source: Bloomberg, CPM Group, LBMA, World Gold Council

Central banks return as net buyers after 20 years...

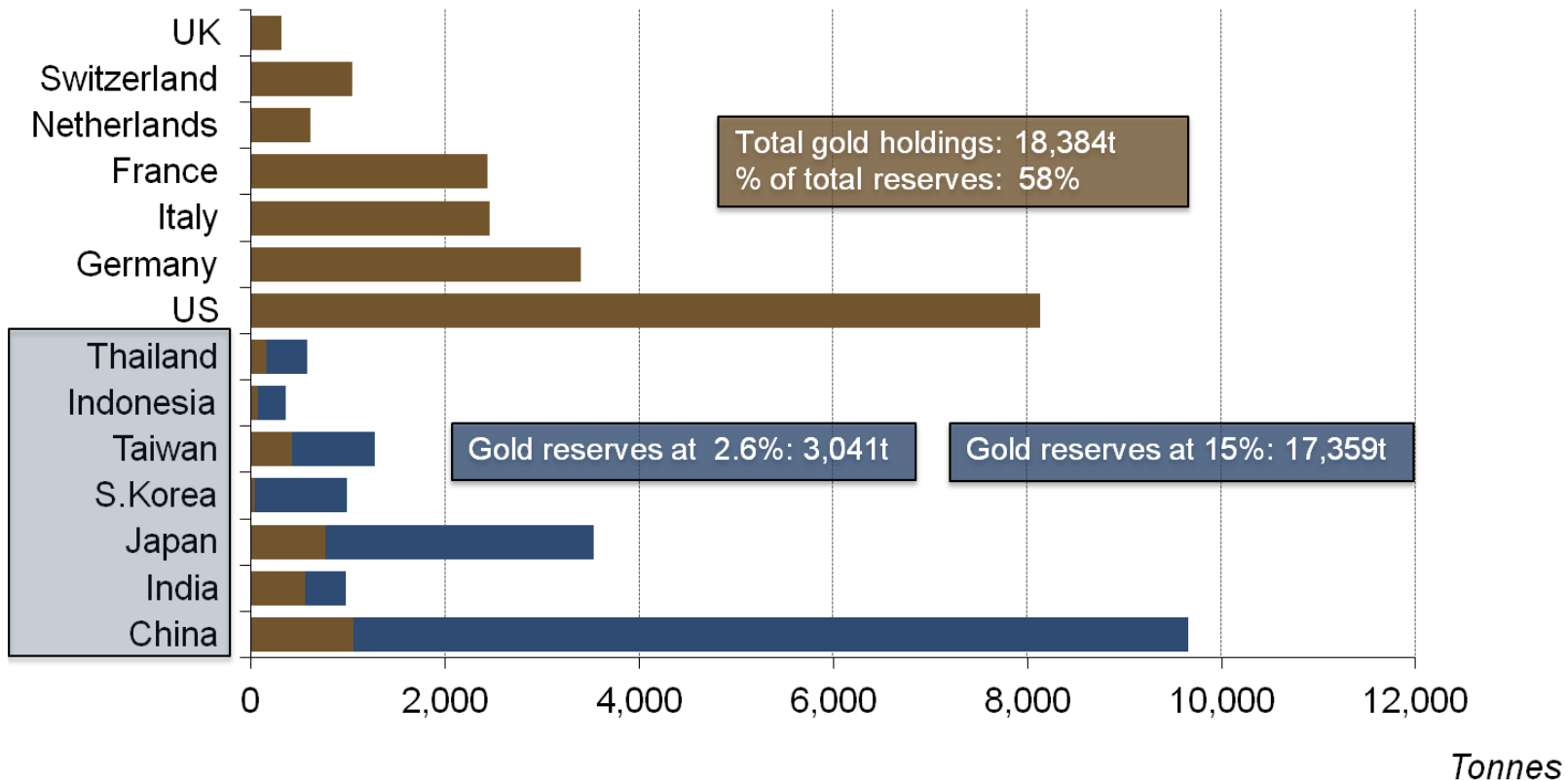
Official sector net transactions



Source: CPM Group, LBMA, World Gold Council

and are not done yet...

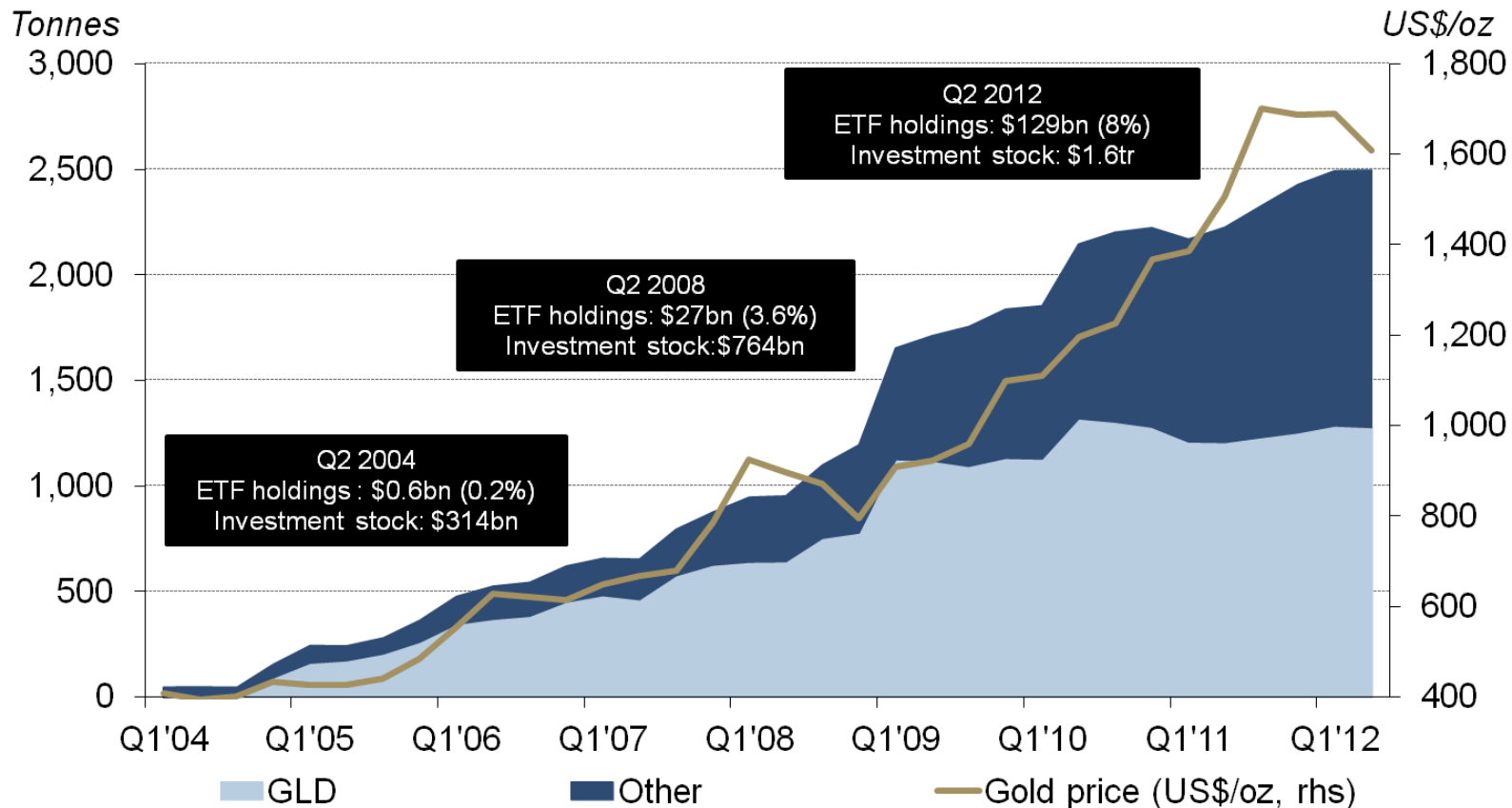
Central bank gold holdings in tonnes



Source: IMF IFS, World Gold Council

Investment growing steadily, but gold is significantly under-owned...

ETF holdings are sticky and an established feature of the investment landscape

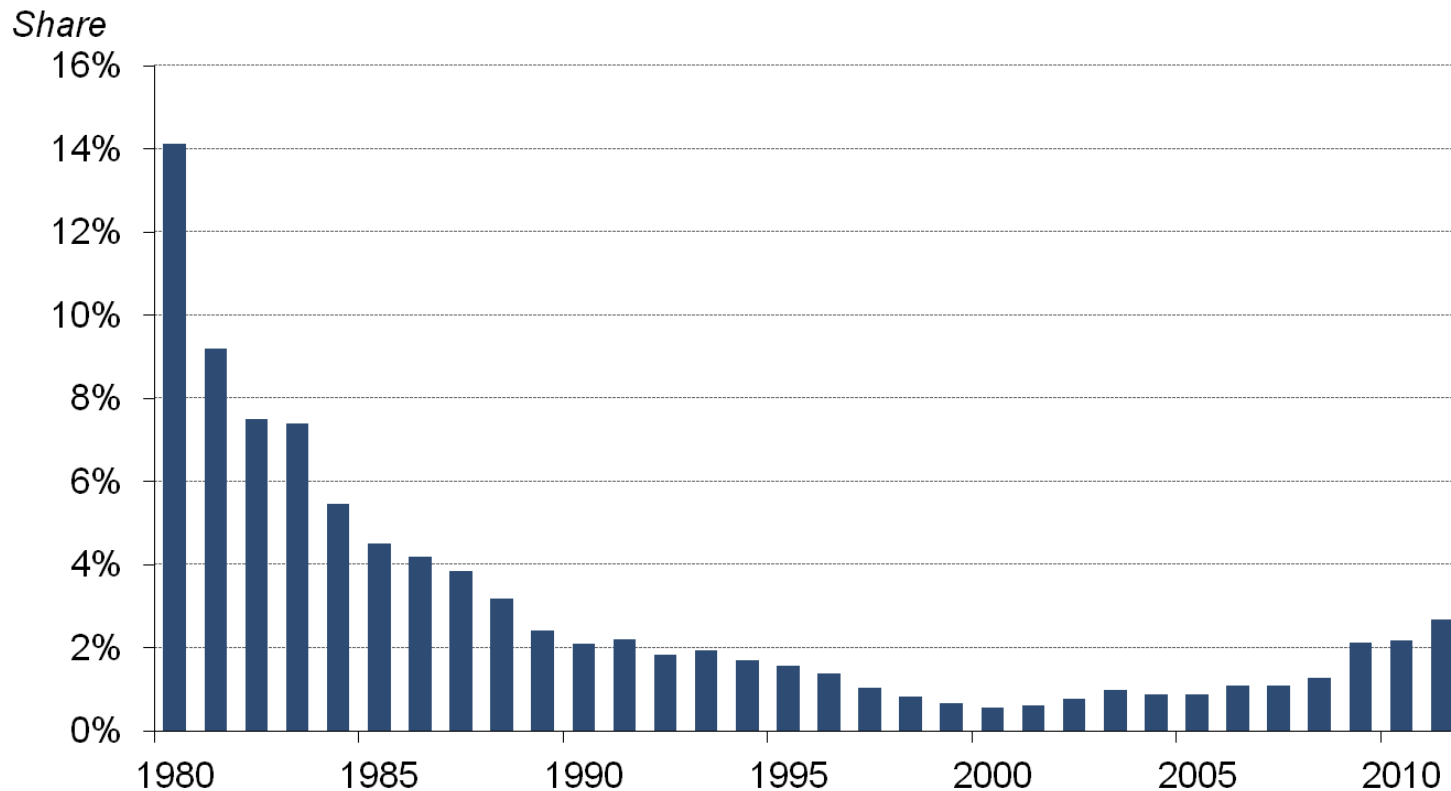


Source: LBMA, Respective ETF providers, Thomson Reuters GFMS, World Gold Council

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Gold's share of global allocations, 1980-2011

Includes: global equity, global marketable gov't debt, global private investment stocks of gold
Excludes: corp/agency debt, money markets, commodities, real estate, hedge funds, private equity

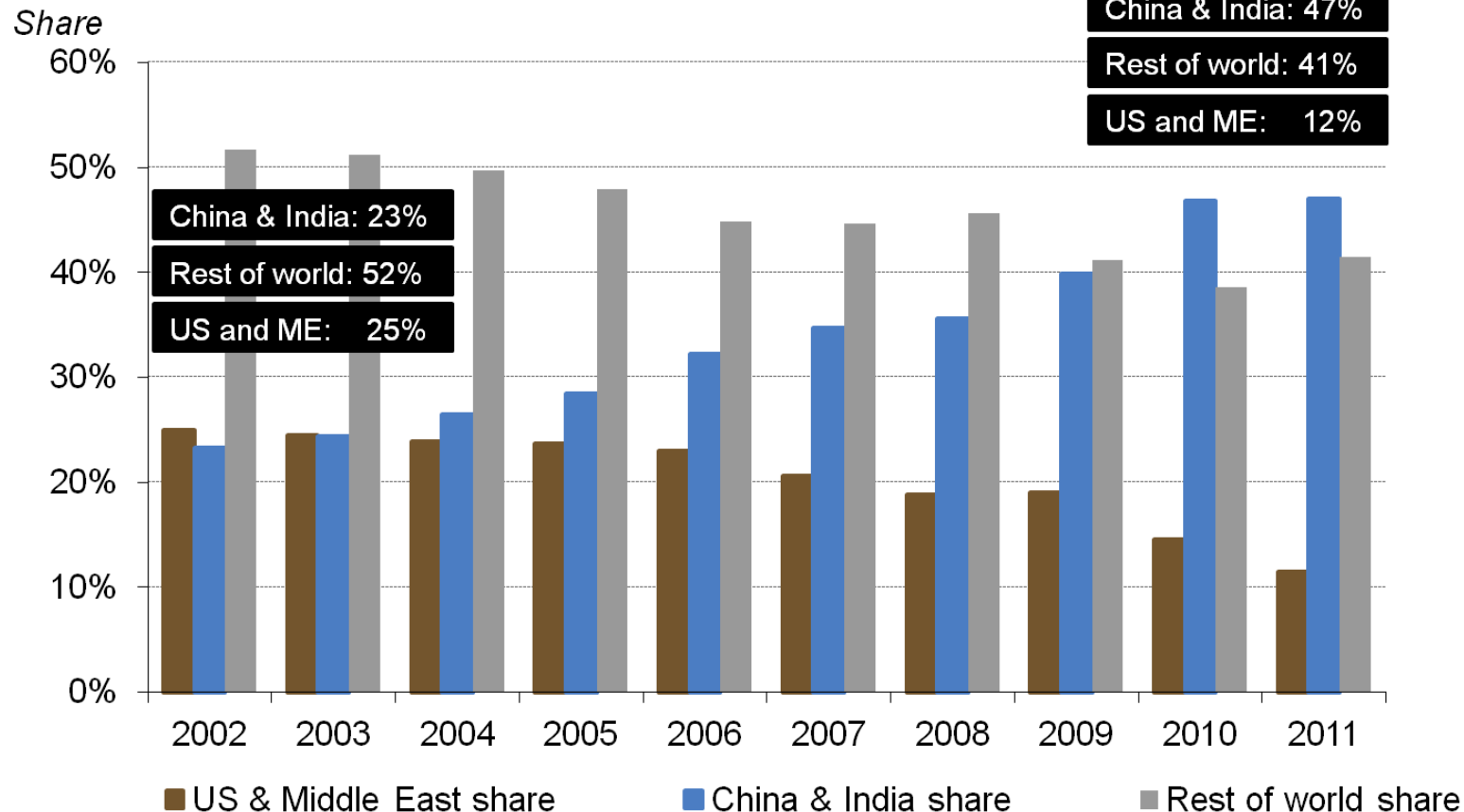


If gold's share doubled, it would amount to c.66,000 tonnes, equivalent to 23 years of production at current levels.

Source: CPM Group, OECD, TR Datastream, Thomson Reuters GFMS, World Gold Council

China and India account for a lion's share of growth...

China and India's growing prominence



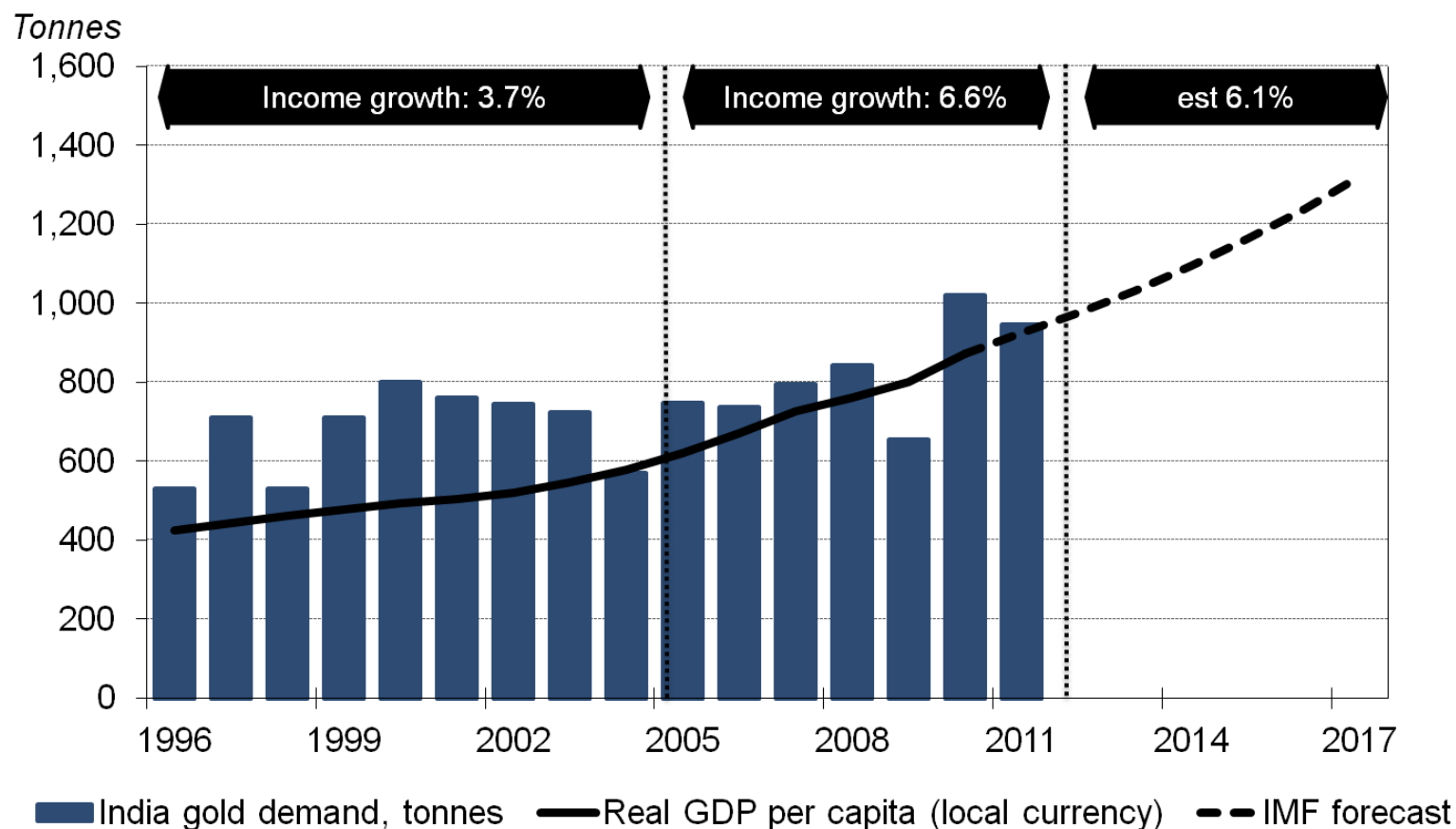
Source: Thomson Reuters GFMS

Note: gold demand comprises jewellery, investment and technology (excludes ETFs)

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With rising incomes driving demand in India...

India gold demand and wealth creation



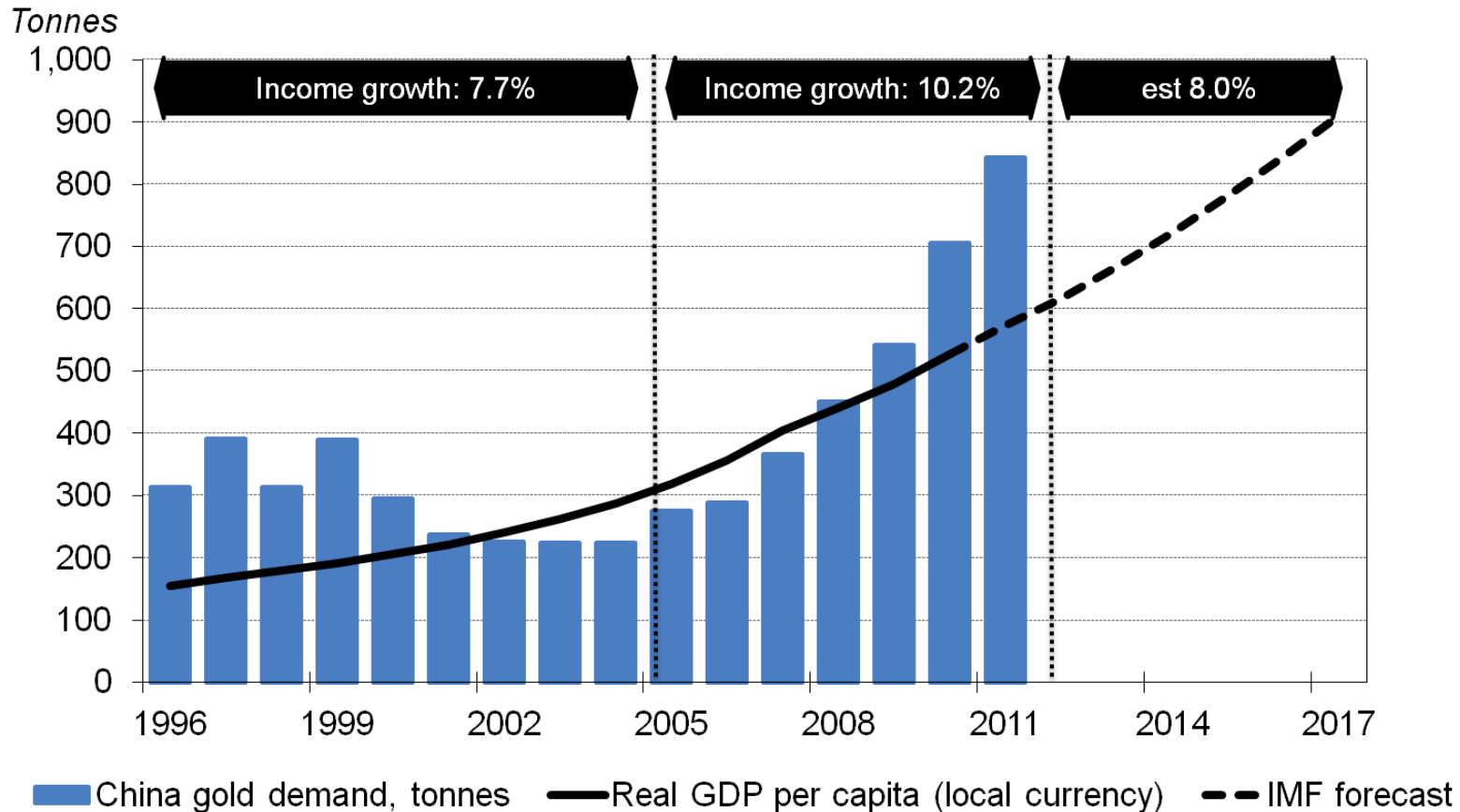
Source: Bloomberg, IMF, World Gold Council

Note: Income growth = real local currency GDP/Capita compounded annual growth rate

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and China...

China gold demand and wealth creation



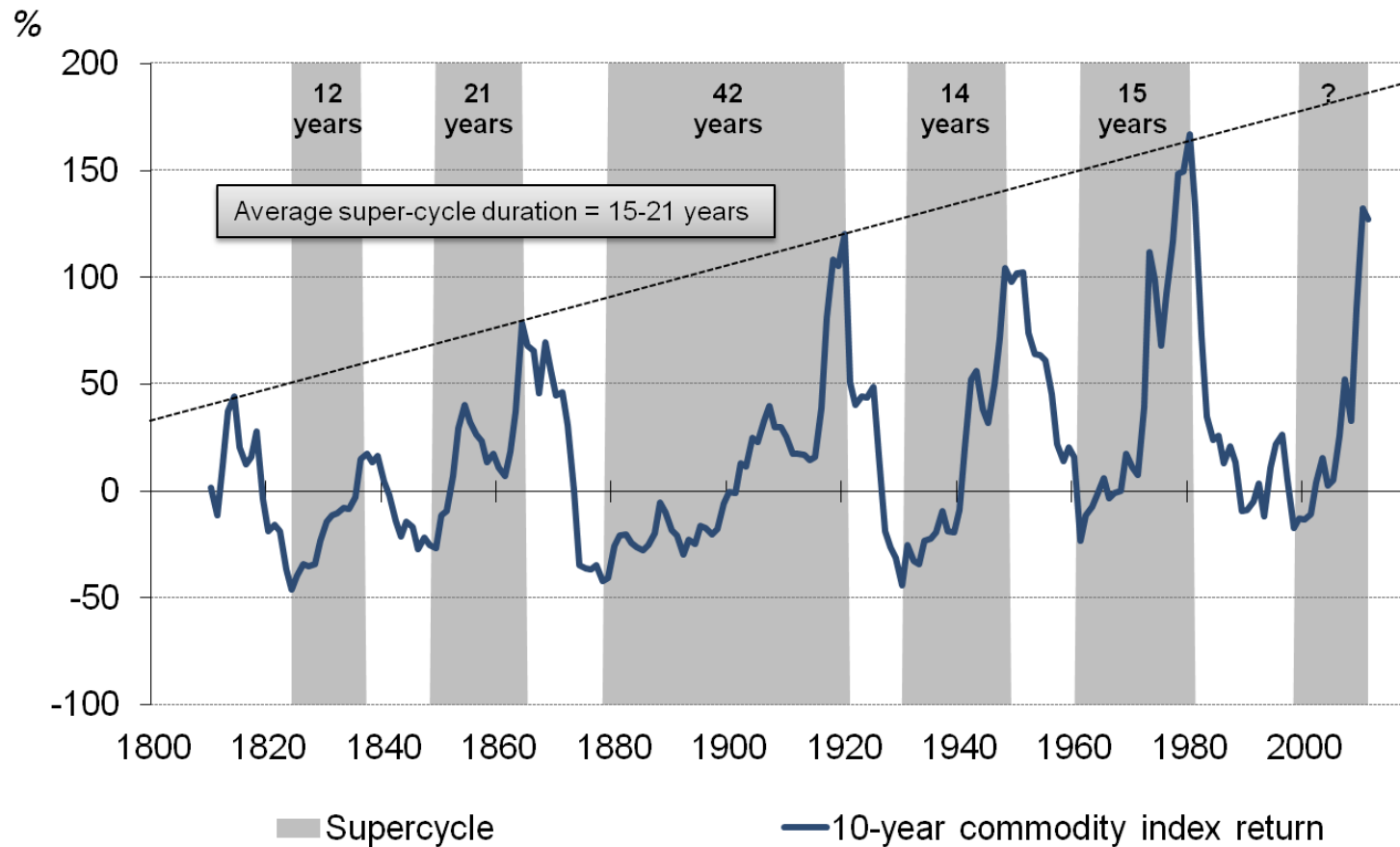
Source: Bloomberg, IMF, World Gold Council

Note: Income growth = real local currency GDP/Capita compounded annual growth rate

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Commodity super-cycle

The commodity super-cycle



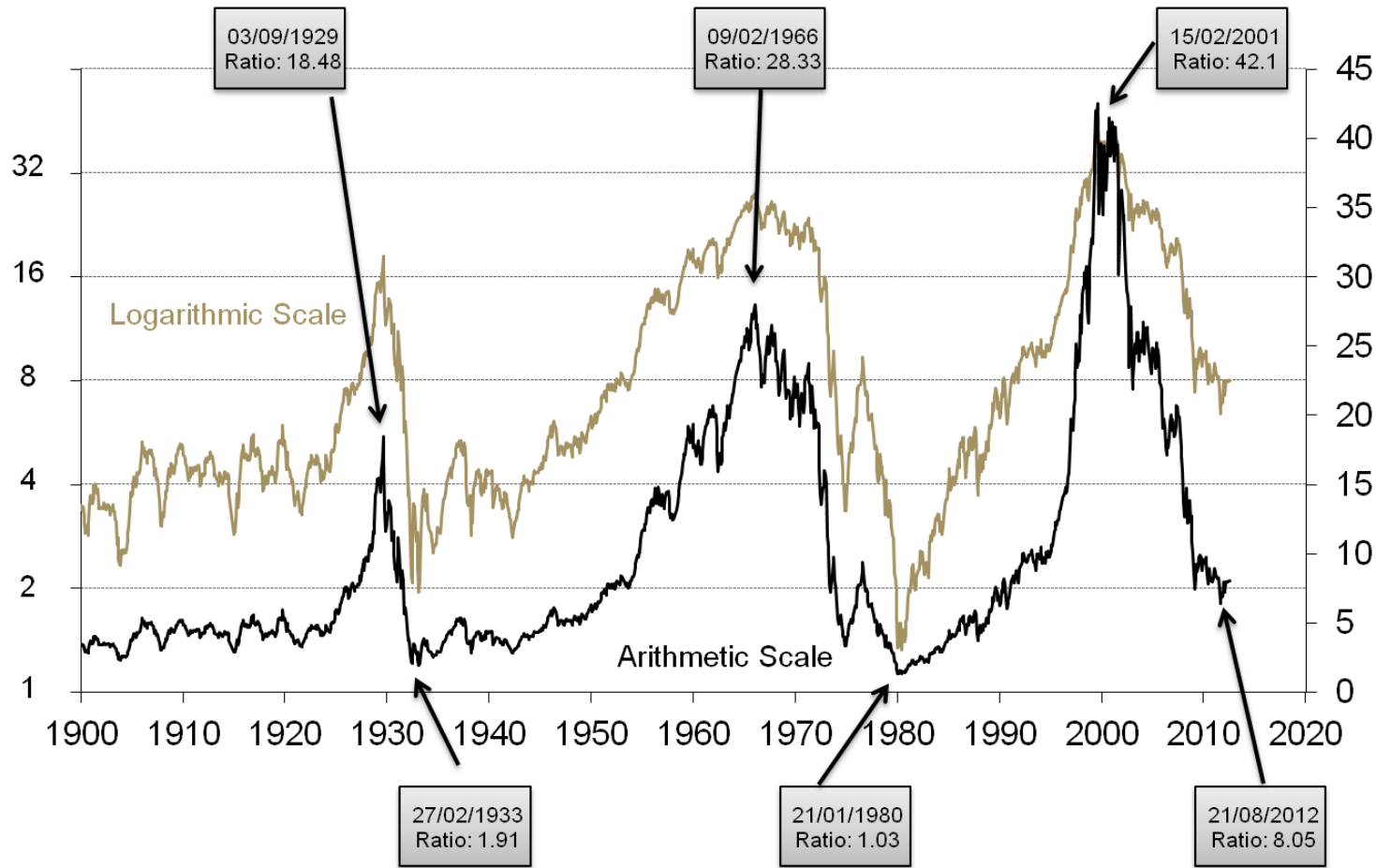
Source: Roy Jastram, World Gold Council

Note: US wholesale price index 10yr returns to 1960. CRB spot index 10yr returns from 1961 to 2011

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Dow / Gold ratio

Dow vs Gold



*Last data point at 21/08/2012

Source: Bloomberg, World Gold Council

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Thank you

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