

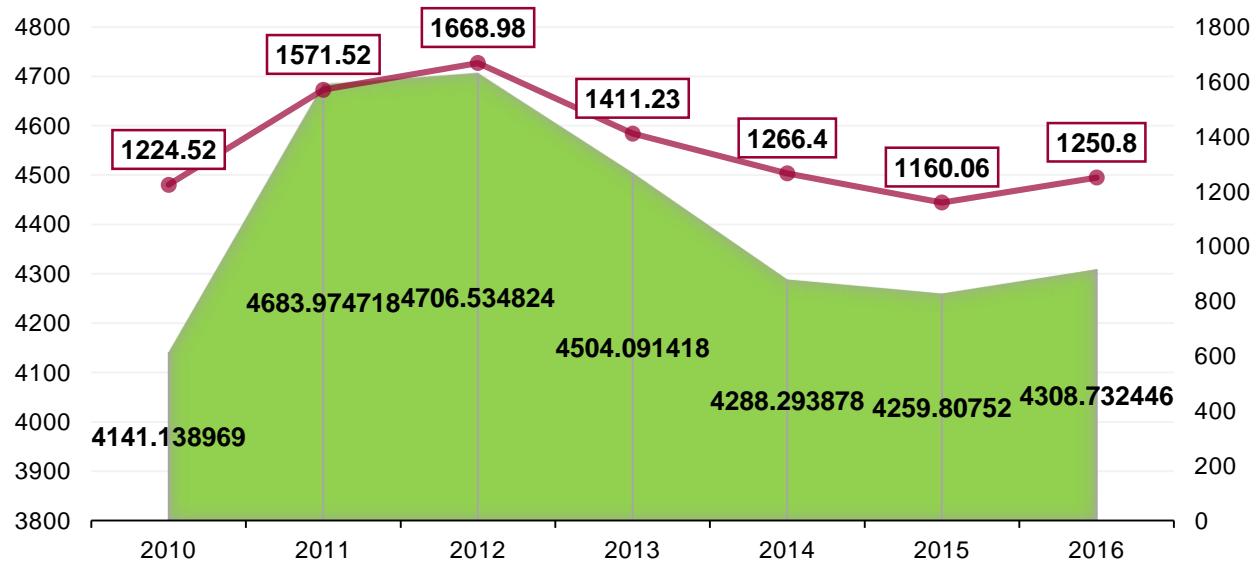
# ***GOLD MARKET STUDY***

March 2017



# TOTAL DEMAND AND PRICES

## World Gold Demand in tons

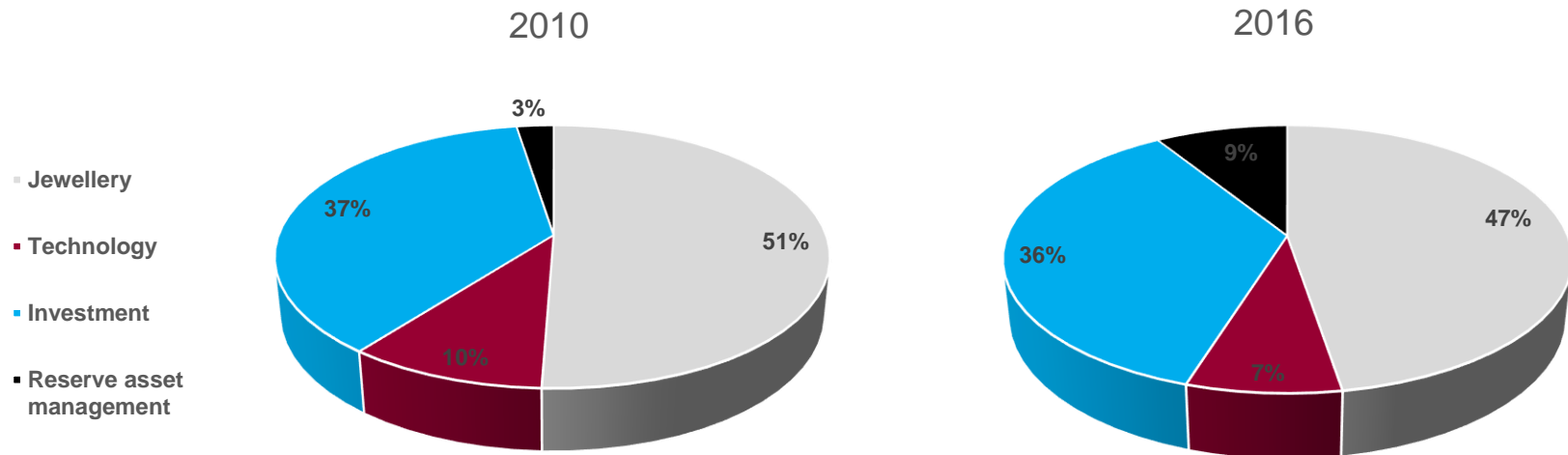


Source: Bloomberg

# TOTAL DEMAND

4 types of usage for buying gold. As of 2016:

Jewelry	2,414 tons
Technology	330 tons
Investment	878 tons
Reserve asset management	588 tons



Source: World Gold Council, 2016

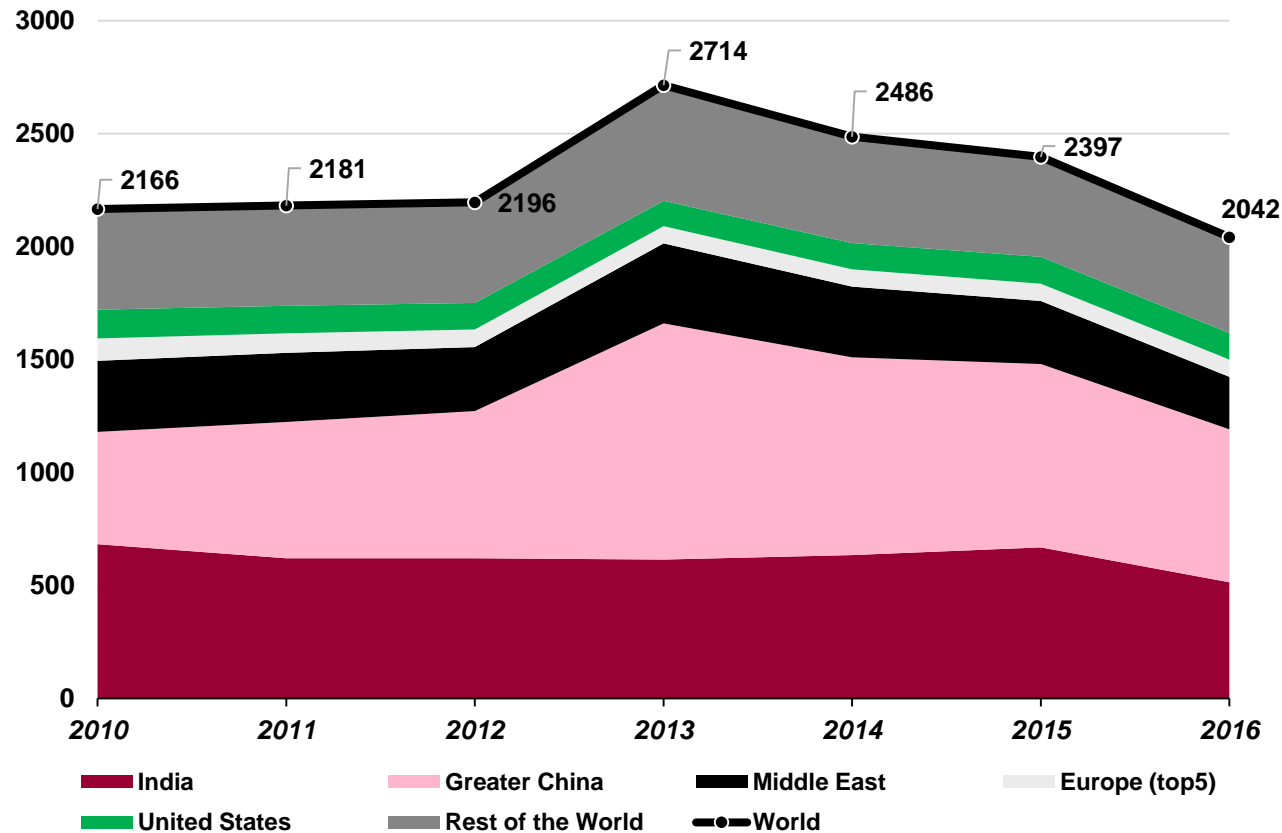
# TOTAL DEMAND

## Recent Key Developments in the Gold Demand

- Demand from Emerging Markets still leads (India, China, Middle East)
  - Jewelry demand from these countries are high
- But, demand for jewelry is slowing down
  - Indian demand is significantly slowing down because of greater initiatives for transparency and accountability
- Exchange traded products (ETP) is an area for growth
  - Because of strategic motives or long term positions
  - European demand for ETPs are driving

# JEWELRY DEMAND

## Gold Jewelry Demand, countries



Source: World Gold Council, 2016

# JEWELRY DEMAND

In 2016, decrease in Jewelry Demand continued

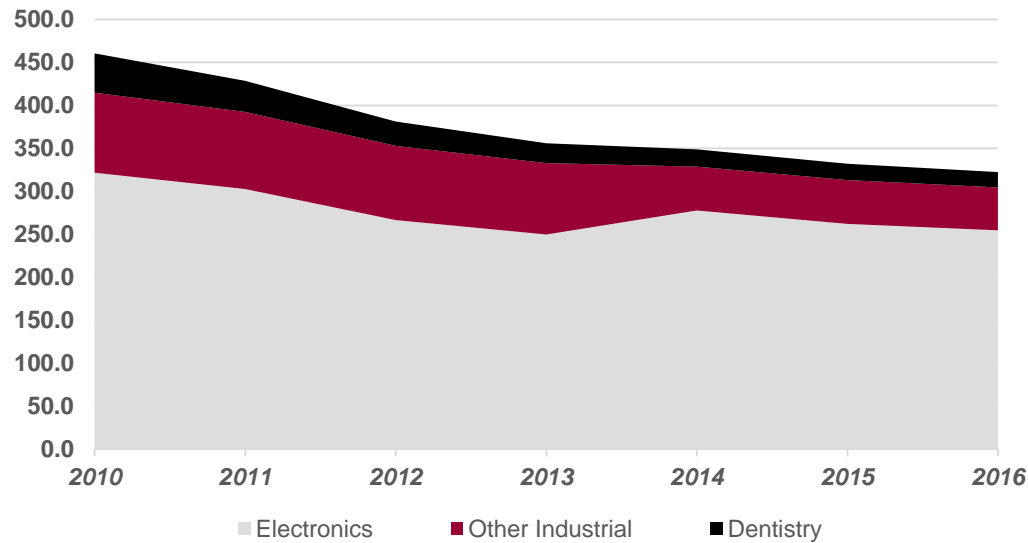
- As of 2016, year-on-year 14.8% decrease

2016	2,041 tons
2015	2,397 tons

- At Lowest levels since 2009
  - *Prices increased in 2016*
  - *Weakness in Indian Demand for Jewelry continued*
  - *Chinese Demand decreased to 4 year low*
  - *Demand in the Middle East stagnated*

# TECHNOLOGY DEMAND

## 3 major usages of gold in Technology



Source: World Gold Council, 2016

In 2016:

Electronics	254.5 tons
Other Industrial	50 tons
Dentistry	18 tons

# TECHNOLOGY DEMAND

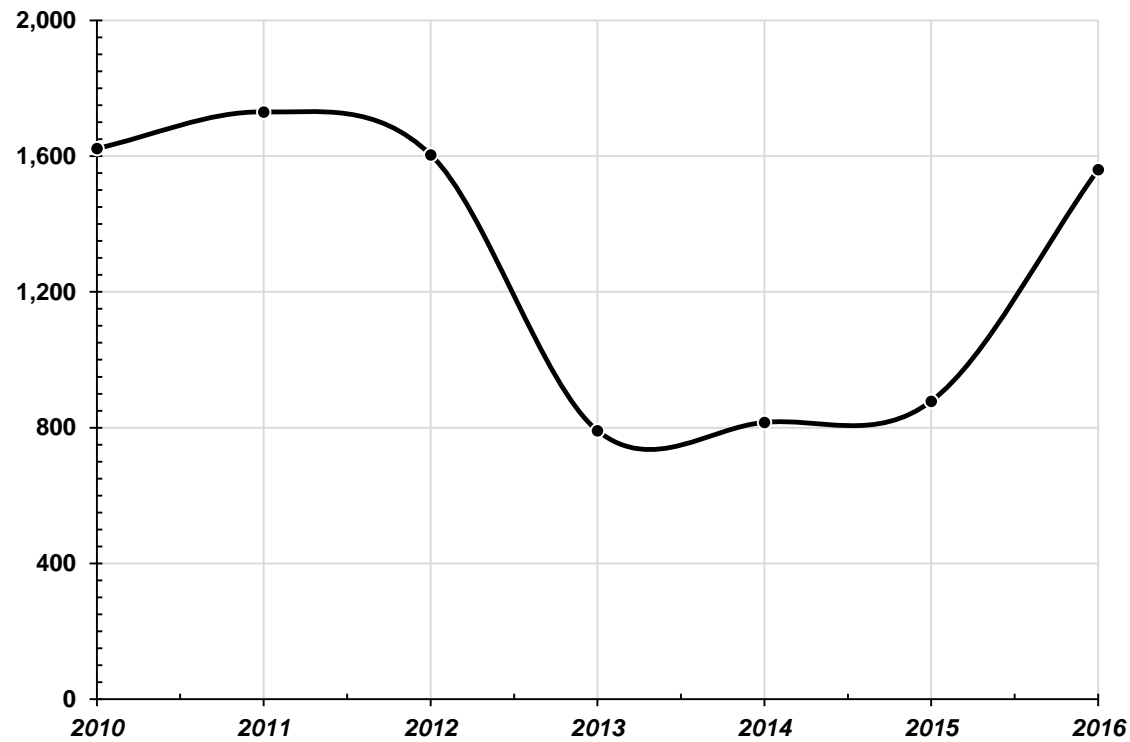
in 2016

- Gold Demand in the Electronics sector was flat
  - *Demand for gold bonding wire and LED industry improved*
  - *Demand decreased from wireless manufacturers*
- Gold Demand for Other Industrial and Dentistry uses also stayed flat
  - Small increase for Gold plated products
  - Slight decrease for dentistry usage



# INVESTMENT DEMAND

## Gold Investment Demand, tons



Source: World Gold Council, 2016

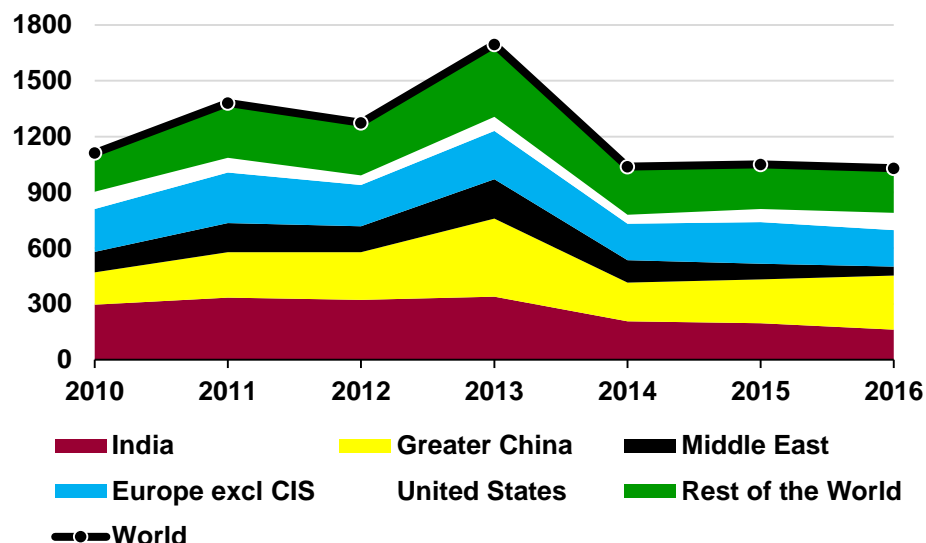
# INVESTMENT DEMAND

## 2 types of usage of gold as an Investment vehicle

- **Total Bar and Coin**

*In 2016*                      *1,029.2 tons*

*In 2015*                      *1,011.7 tons*



- **Exchange Traded Funds and similar products**

*(Negative number means outflow from gold ETPs )*

*In 2016*                      *531.9 tons*

*In 2015*                      *-133.4 tons*

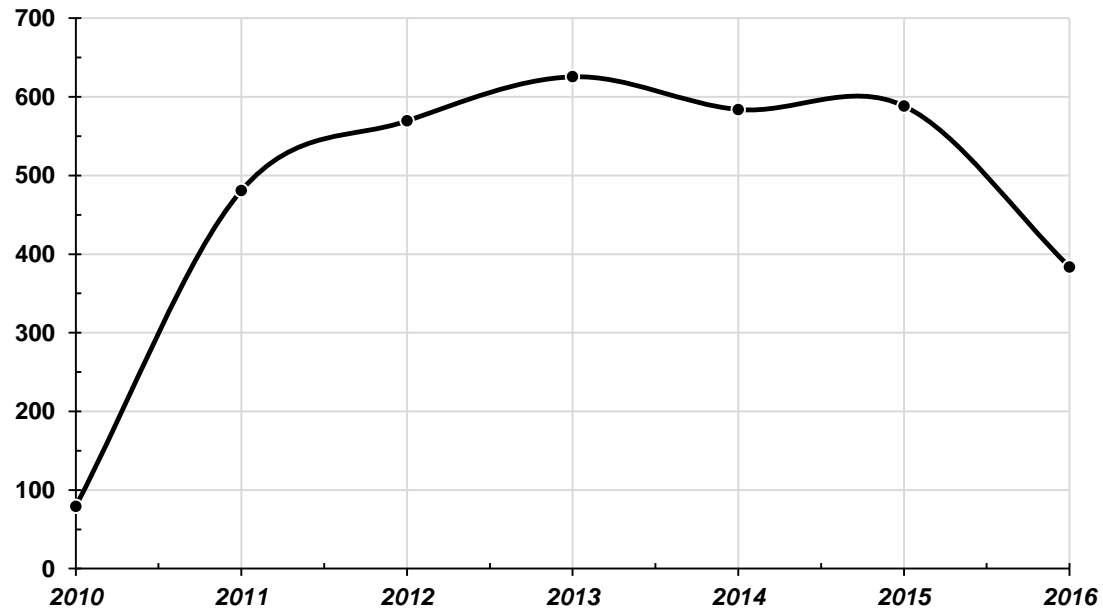
# INVESTMENT DEMAND

in 2016

- **Indian** demand for bar and coin dropped significantly, because
  - *Prices are still at high level*
  - *Government policies to curb cash transactions discouraged gold buying*
- **China's** demand also started to be sluggish
  - *Slowdown of economic growth contributes to the weak demand*
  - *Shifts away from coin and bars to **ETPs***
- **European** investors sold off gold since prices started to decrease from its temporary high levels

# CENTRAL BANK RESERVE DEMAND

Reserve Asset Management, tons



Source: World Gold Council, 2016

# CENTRAL BANK RESERVE DEMAND

In 2016 Central Bank purchases were restrained

## In 2016:

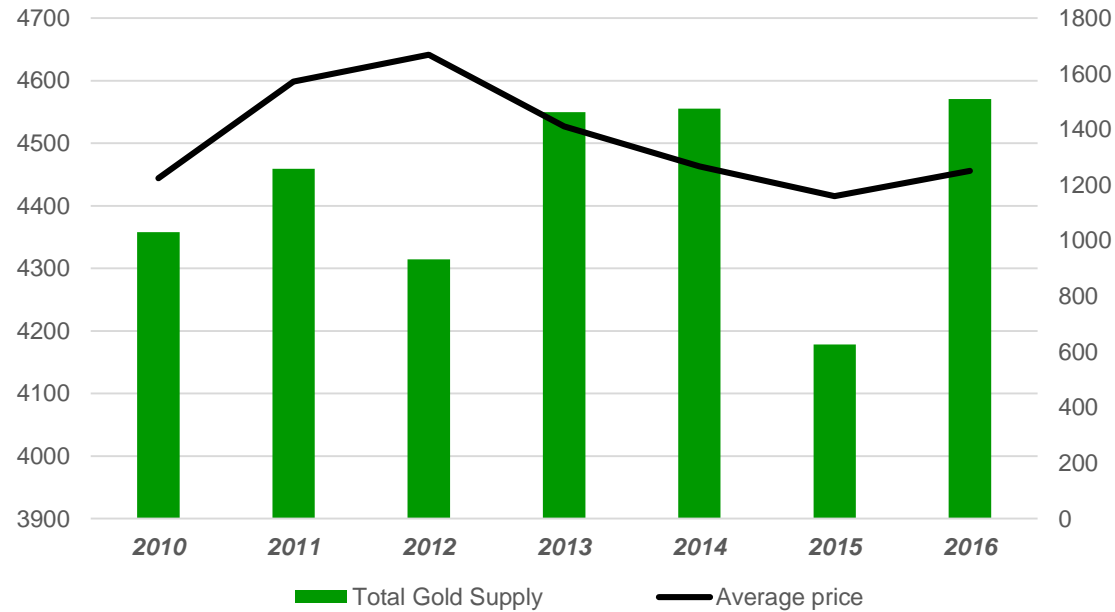
<b>Russia</b>	<b>43.9 tons</b>
<b>China</b>	<b>15.2 tons</b>
<b>Kazakhstan</b>	<b>10 tons</b>
<b>Belarus</b>	<b>3.1 tons</b>
<b>Other banks limited</b>	

## Total reserves

<b>USA</b>	<b>8,133 tons</b>
<b>Germany</b>	<b>3,381 tons</b>
<b>Italy</b>	<b>2,451 tons</b>
<b>France</b>	<b>2,435 tons</b>
<b>China</b>	<b>1,797 tons</b>
<b>Russia</b>	<b>1,460 tons</b>

# TOTAL SUPPLY

## World Gold Supply



Source: Bloomberg.

**In 2016:**

**Gold Mine production**

**3,236 tons (71%)**

**Net producer hedging**

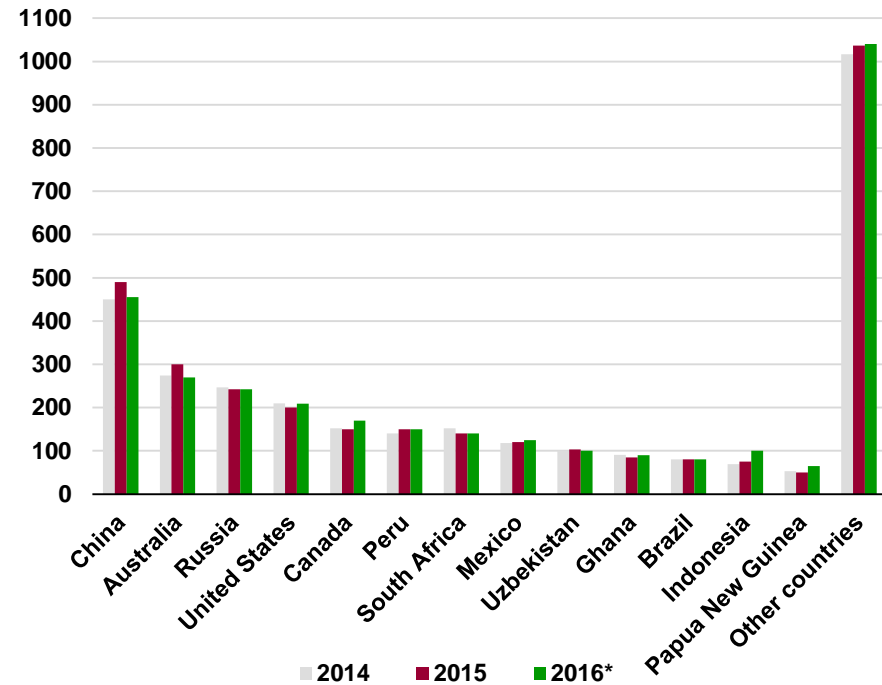
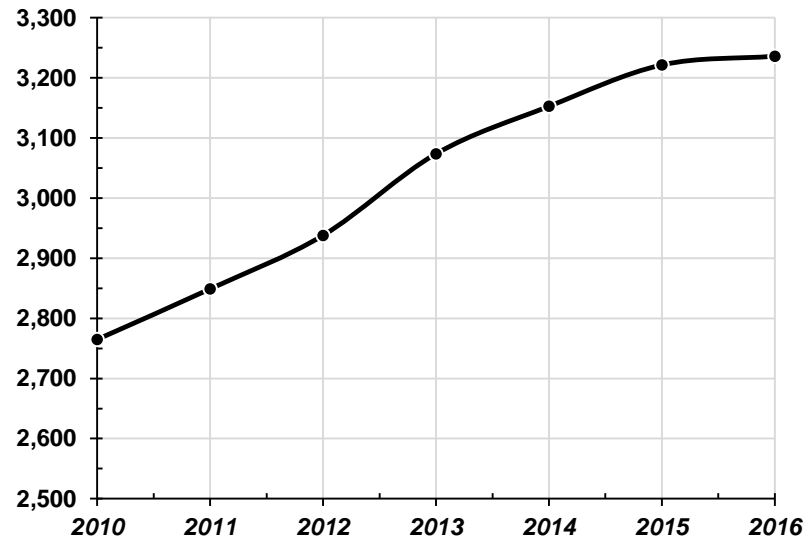
**26 tons**

**Recycled gold**

**1,308 tons (29%)**

# PRODUCTION SUPPLY

## Gold Mine Production, tons



Source: Bloomberg.

# PRODUCTION SUPPLY

## Gold Mine production

### **Steady level of mine production because of cost cutting**

- »Guyana project intensifies
- »Project in Grasberg (Indonesia) expected to raise production level
- »Merian project in Surinam (new project)

### **At the same time production slowed down**

- »USA (6 tonnes)
- »Mongolia's Oyu Tolgoi (lower grade ore)



# PRODUCTION SUPPLY

## Cost management

- **Cost of project development remains at low level**
- **Companies are hesitant to spend**
- **Not many new projects are coming through the pipeline**

# PRODUCTION SUPPLY

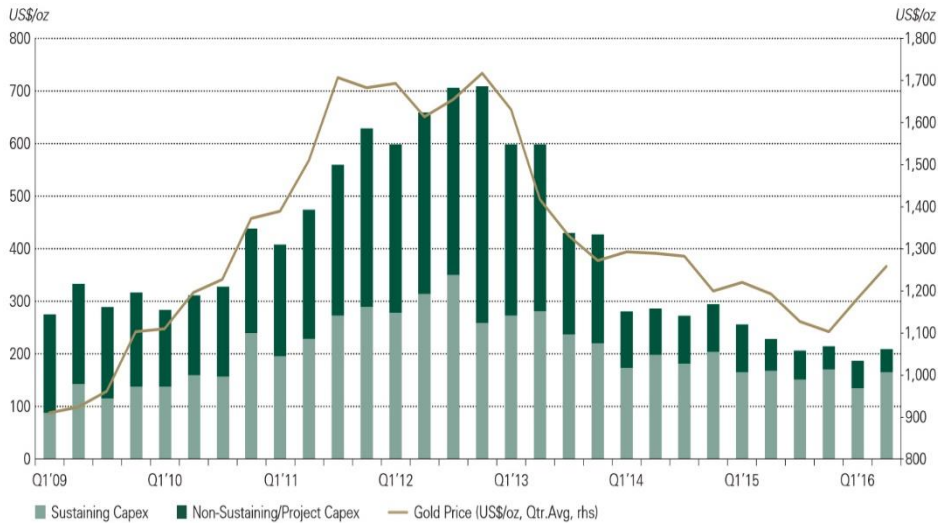
## Major producers

	Country	Established date	2010		2016	
			Gold production (tons)	Rank	Gold production (tons)	Rank
Barrick Gold	Canada	1983	180	I	154	I
Newmont Mining	USA	1921	180	I	137	II
AngloGold Ashanti	South Africa	2004	126	III	102	III
Goldcorp	Canada	1994	69	VI	80	IV
Kinross Gold	Canada	1993	66	VII	78	V
Newcrest Mining	Australia	1921	49	VIII	68	VII
Navoi Mining and Metallurgical Combinat	Uzbekistan	1958	89	V	70	VI
Gold Fields	South Africa	1998	98	IV	60	VIII
Polyus Gold International	Russia	1921	39	IX	55	IX
Agnico Eagle	Canada	1953	28	X	47	X

# PRODUCTION SUPPLY

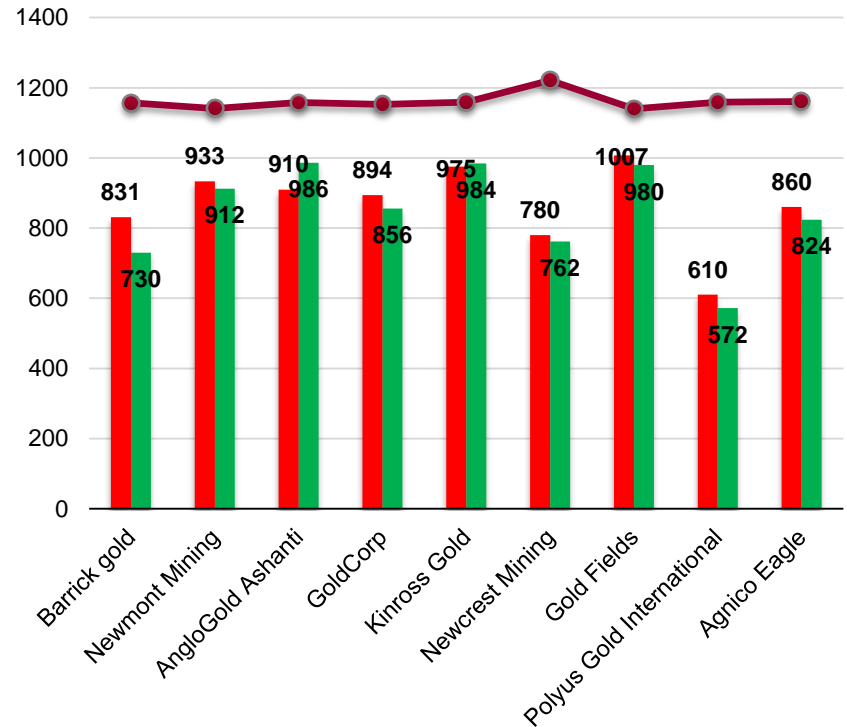
## Cost cutting continues: All in Sustaining Cost

- Cost management remains a key priority for the industry – costs are well below the peak levels from 2013.
- In particular, continued cuts to project spending imply a constricted pipeline.



Note: Sustaining capital expenditure are costs incurred related to maintaining of production at current levels. Non-sustaining/project capital expenditure are those costs incurred at new operations and costs related to 'major projects' at existing operations where these projects will materially increase production.

Source: Metals Focus Peer Group Analysis



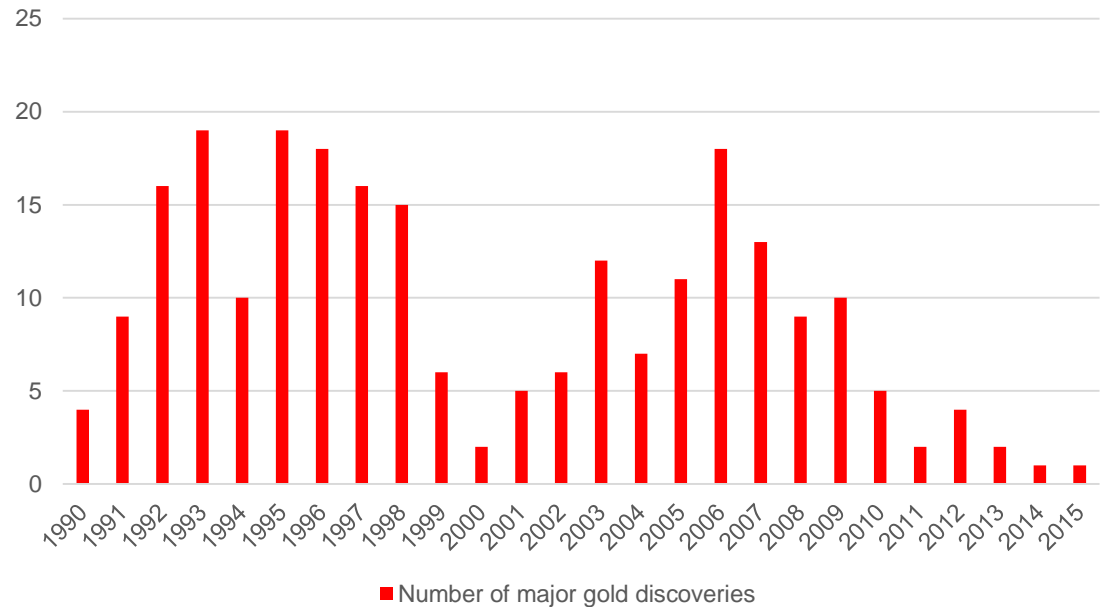
2015 AISC (USD) 2016 AISC (USD) 2015 Average prices

Source: from individual companies

# PRODUCTION SUPPLY

## Future dynamics

- **Number of discoveries are decreasing**
- **Exploration expenditure decreased**
  - 2012      **\$10.5 bln**
  - 2015      **\$4.2 bln**



Source: GFL/MinEx Consulting

# PRODUCTION SUPPLY

## Major developments in the production

- **17% of all gold found is a by-product: lowest since 2000**
- **Recent tier 1 discoveries**
  - **Red Hill/Goldrush (Nevada) 480 tons**
  - **Cote (Canada) 264.8 tons**
  - **Haiyu (China) 469 tons**

# PRODUCTION SUPPLY

## Major developments in the production

- **New discoveries are down in terms of potential production**
- **New projects that are delayed (Society of Mining Professors):**
  - *Colombia's \$3.5 bln gold project: delayed*
  - *Peru's 135 projects of \$7.5 bln: delayed*
  - *Chile's 11 copper and gold projects of \$39 bln: delayed*
  - *Mongolia's \$10 bln copper and gold project: delayed*

# WORLD GOLD PRICE

## Analysis of gold prices

**In 2014**



- Declined due to lower investment in the gold market.
- Also effect of US tighten monetary policy.

**In 2015**



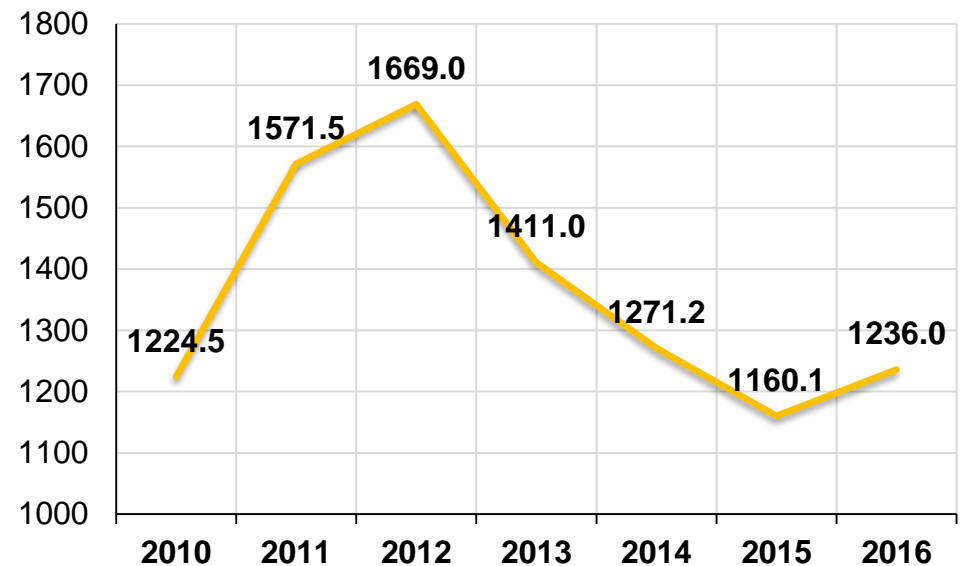
- Gold demand of China and India

**In 2016**



- Economic uncertainties:
  - U.K voted to leave the European Union.
  - Donald Trump won the election.

**In 2017**

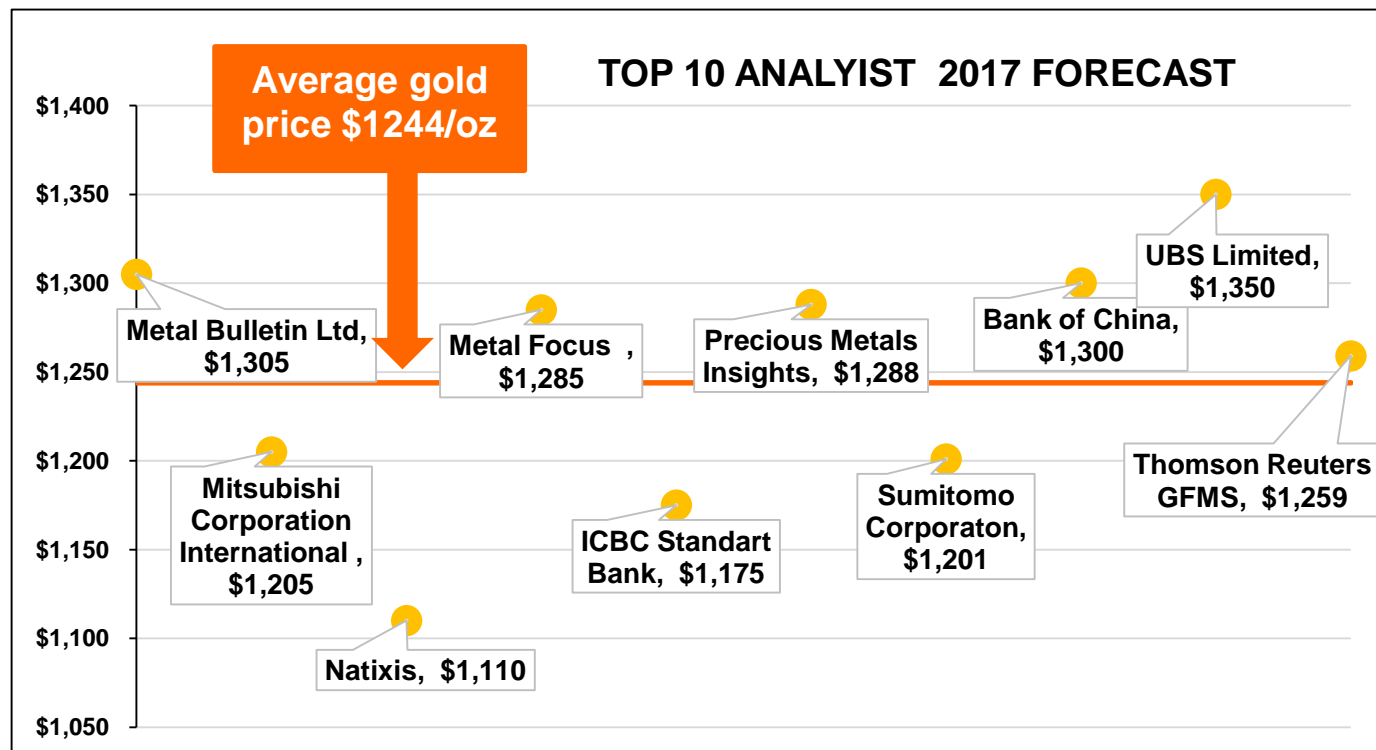


Source: Bloomberg.

# WORLD GOLD PRICE

## 2017 Trends in Gold Price

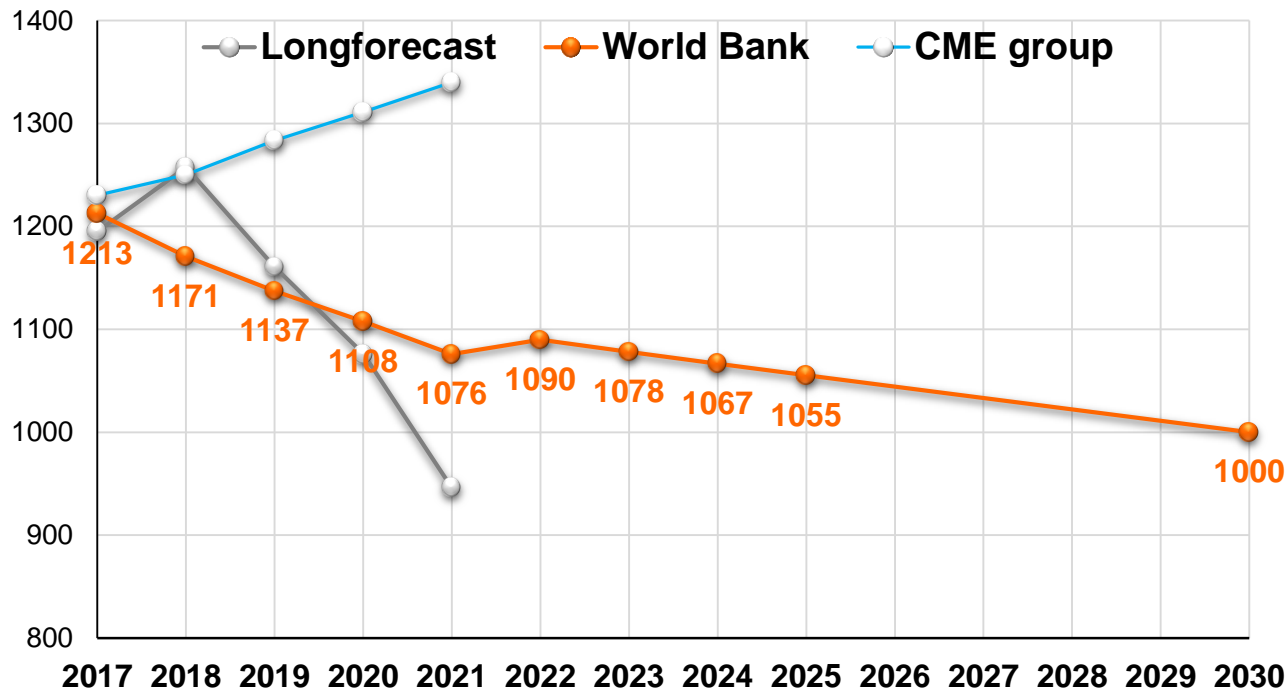
- In U.S, weak economic growth, economic uncertainty and rising interest rates will send gold prices higher.
- In Europe, further uncertainty with elections to be held later in 2017 in both France and Germany.
- **LBMA forecast, 24 analysts predicted gold price in 2017. (Average price is \$1244)**





# WORLD GOLD PRICE

## Gold Price outlook

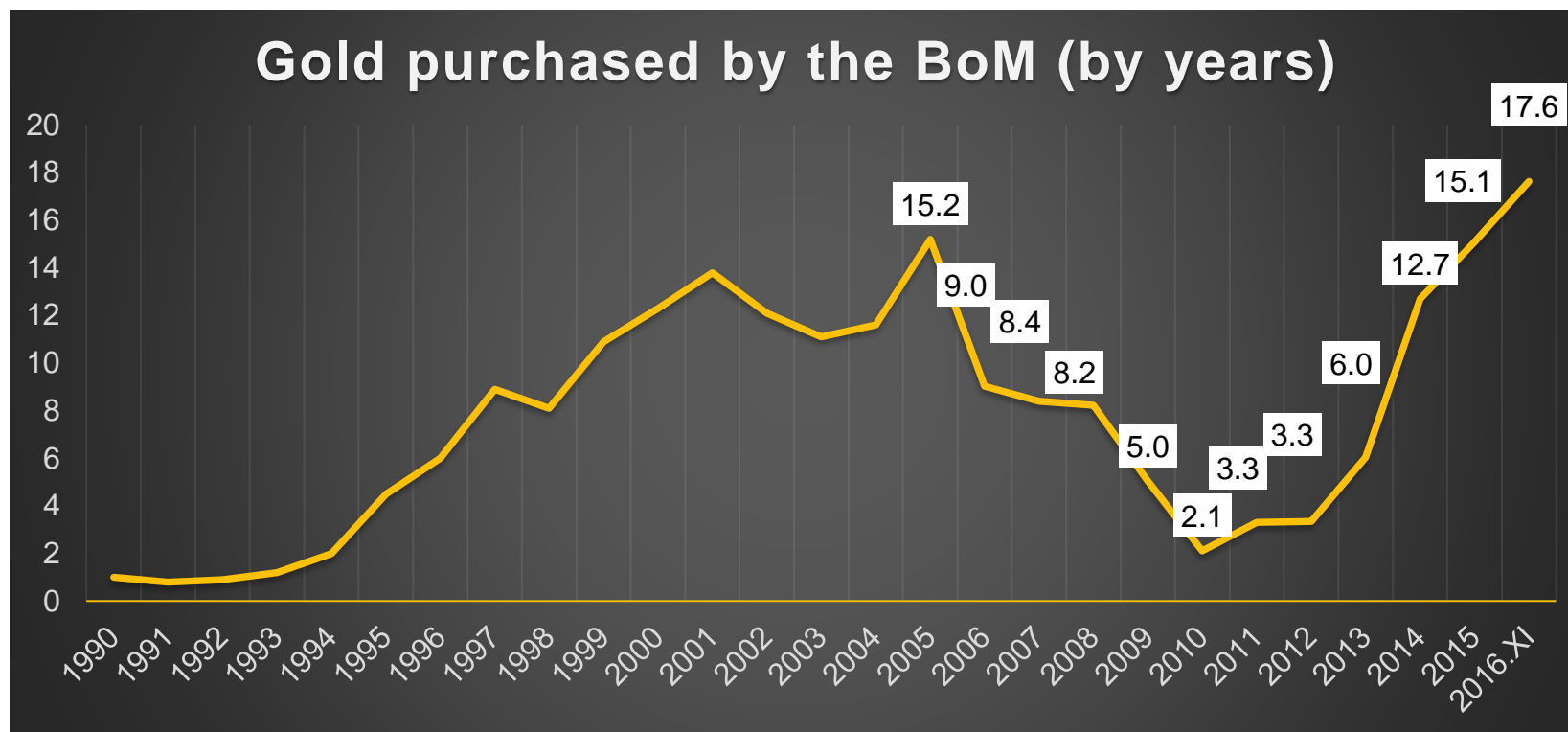


- BMO (Canada)- gold price will improve moderately to \$1,250 an ounce in 2018.
- BMI - average of \$1,500 per ounce by 2020.
- Conversely, World Bank sees price will decrease smoothly for long term.

**THANK YOU VERY MUCH FOR YOUR ATTENTION !**

# MONGOLIAN GOLD PRODUCTION

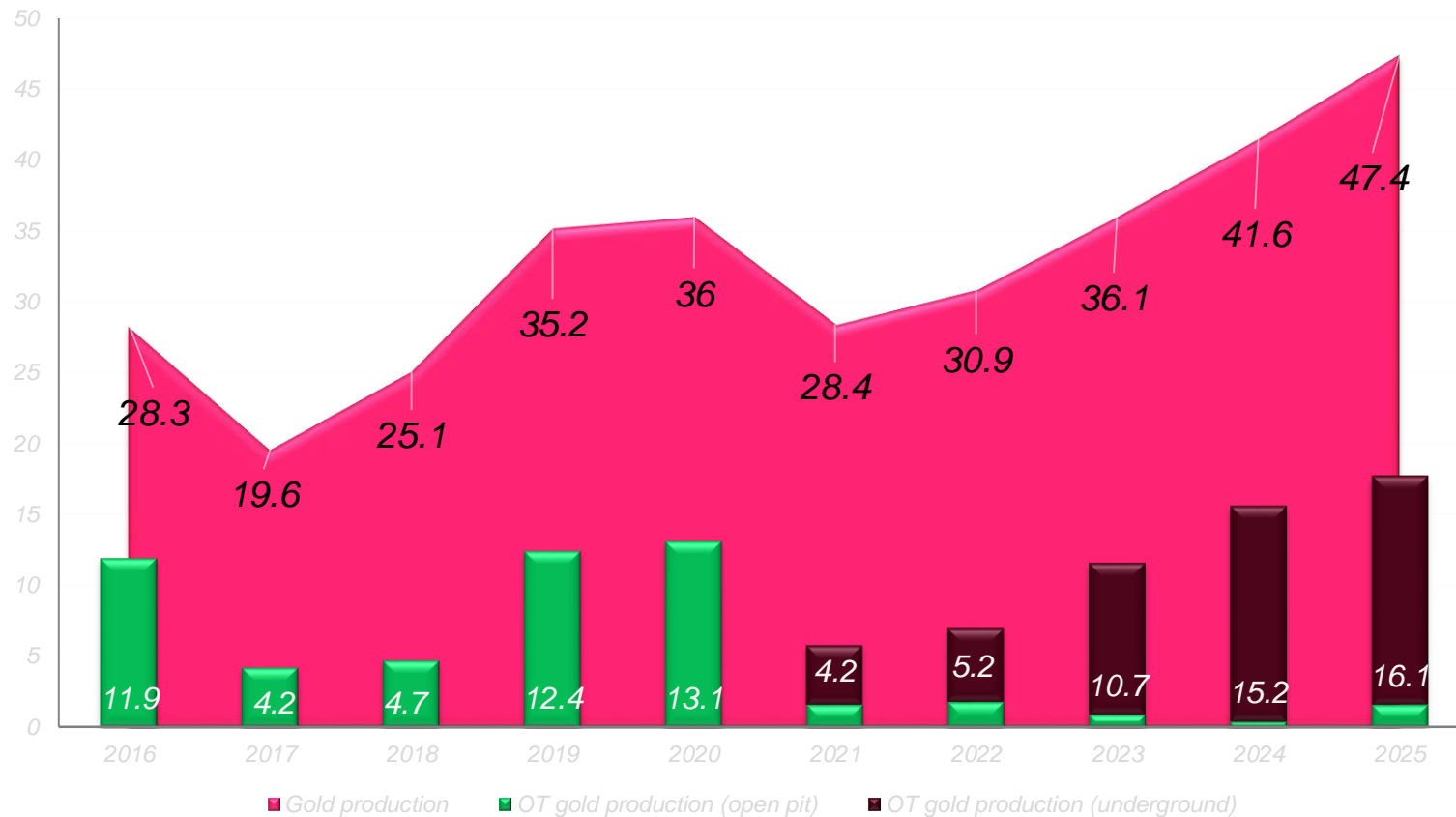
Main local buyers and distributor: the Bank of Mongolia



Source: The Bank of Mongolia

# MONGOLIAN GOLD PRODUCTION

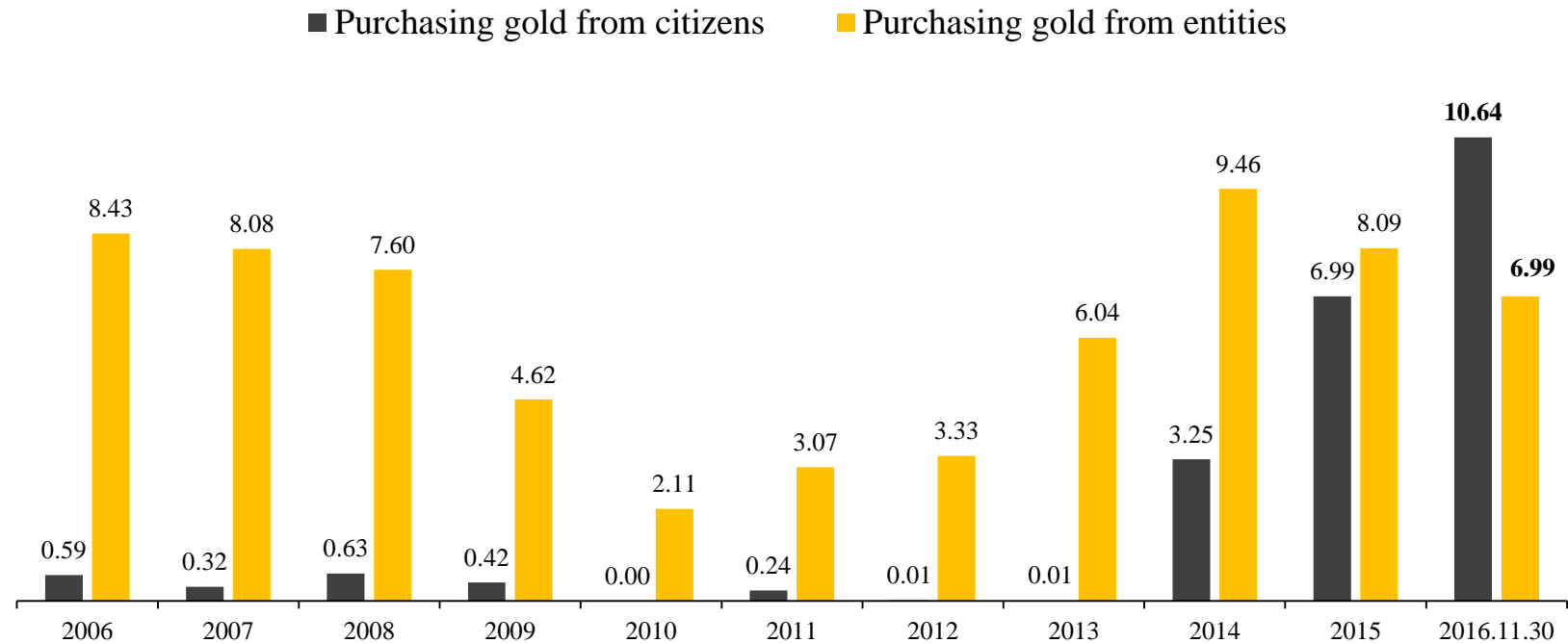
Including Oyu Tolgoi



Source: MRAM

# MONGOLIAN GOLD PRODUCTION

## Purchase by the bank of Mongolia



Source: The Bank of Mongolia

# MONGOLIAN GOLD EXPORT DESTINATION

## Mongolian Gold Export countries

Table 1. Mongolian gold export by countries

Million \$	2010	2011	2012	2013	2014	2015
Canada	141.0	90.0	116.8	134.1		
Great Britain	37.3			175.8	380.0	315.4
Korea	0.02	6.1				
France					0.01	
Switzerland		13.6	5.5		25.3	104.3
India						0.9
Total	178.3	109.8	122.3	309.8	405.2	420.6

Source: Mongolian Customs