

Gold

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2003 mine production: \$2.3 billion

World rank: Eighth

Exports: \$2.7 billion

Canada	2002	2003 (e)	2004 (f)
	(tonnes)		
Production	151.9	140.5	130

(e) Estimated; (f) Forecast.

Gold is valued for its rarity, lustrous beauty, ductility, high resistance to corrosion, and conductivity. It has been treasured for its decorative and monetary value for at least 8000 years. Gold has a high density, its weight being equal to 19.3 times an equivalent volume of water. The main industrial uses for gold are in jewellery (83%) and electronics (8%). Gold bullion coins, such as the Maple Leaf coin, are also important products.

PRICES, LONDON BULLION MARKET ASSOCIATION

2001	2002	2003	2004 (e)
(London PM, US\$/oz)			
271.04	309.68	363.32	405.00

(e) Estimated.

CANADIAN OVERVIEW

- Richmont Mines ceased mining operations at its Hammerdown mine in Newfoundland and Labrador in June following the depletion of ore reserves. The Nugget Pond mill continued to process ore until the beginning of July. The Hammerdown mine produced a total of slightly more than 143 000 oz of gold since production started in July 2001.
- In October 2004, Barrick completed the sale of the Holt-McDermott mine, adjacent land holdings, and the mill and mill-related facilities to Newmont Canada Limited. Newmont will assume the asset retirement and other environmental obligations associated with the mine.
- Mining operations were concluded in July at Miramar's Giant mine in Yellowknife, Northwest Territories. Together with the closure of the Con mine in 2003, both of Miramar's operations in the Yellowknife region are now moving into a phase of mine reclamation.
- Overburden removal at the Pamour mine near Timmins, Ontario, is expected to begin in the fourth quarter of 2004 with gold production expected to start in the second quarter of 2005, one quarter earlier than previously planned. The Pamour mine is jointly owned by Kinross Gold Corporation (49%) and Placer Dome (CLA) Limited (51%) under the Porcupine Joint Venture.
- Cambior's Mouska mine in northwestern Quebec resumed operations at the beginning of October following the completion of a shaft deepening program one month earlier than scheduled and within the allotted budget of \$11 million.

WORLD OVERVIEW

- In March 2004, the European Central Bank and 14 other central banks announced the renewal of the Central Bank Gold Agreement. The new agreement's terms are similar to the old agreement that expired in

September. The only substantive difference is a change in the maximum level of sales, which has been increased from 400 t to up to 500 t/y, with an overall total of no more than 2500 t over the five-year life of the new agreement.

- Major gold companies continued efforts to merge or acquire companies in order to increase market capitalization and attract investor interest. Among the unsuccessful bids were U.S.-based Coeur d'Alene Mines' attempt to take over Vancouver-based Wheaton River Minerals, and Denver-based Golden Star Resources' unsolicited bid for Toronto-based IAMGOLD Corporation.
- The Ghanaian government approved the AngloGold takeover of Ashanti Goldfields to create AngloGold Ashanti Limited in April. The new company is expected to rival U.S.-based Newmont for the top spot as the world's largest gold producer of 2004 at close to 7 million oz.
- MMC Norilsk Nickel acquired 20% of South Africa's Gold Fields Ltd. from Anglo American plc in April. By year-end, Norilsk was reportedly supporting an unsolicited bid by Harmony Gold to acquire 100% of Gold Fields.
- Major gold producers (Placer Dome, Barrick, Anglo-Gold, Gold Fields) reduced their hedging programs to increase exposure to spot gold prices and improve market sentiment.
- Newmont started development of the Phoenix project in Nevada, which is expected to produce more than 12 000 kg/y when production starts in 2006.
- Peru is set to become the world's fifth largest producer in 2005 with the start-up next year of the Alto Chicama and La Zanja projects and the expansion of the Aruntani mine.
- Cambior Inc. started commercial production at its new Rosebel mine in Suriname in the first quarter of 2004. Cambior began to wind down operations at its Omai property in Guyana with the last of the pit production completed in October. The mill will continue to process stockpiled ore through the first nine months of 2005.
- In November, Kinross announced the acquisition of its joint-venture partner's 51% interest in the Paracatu mine in Brazil for US\$260 million.
- A new gold-backed security known as streetTRACKS Gold Shares was listed on the New York Stock Exchange in November. The exchange-traded fund, which is sponsored by a unit of the World Gold Council, offers investors the ability to access the gold bul-

lion market, with each share representing one-tenth of an ounce of gold. Similar investment products are found on the Johannesburg Stock Exchange and in the United Kingdom and Australia.

MARKET OUTLOOK

World gold demand rose over 4% in 2003 largely as the result of stronger investment buying offsetting declines in fabrication and de-hedging. Fabricated demand for gold fell by 3.6% to 3049 t, the lowest level in 12 years. While fabrication demand was up sharply in Turkey (47%) to reach third place after India and Italy, the increase was not enough to offset the fall in fabrication demand in Europe, Latin America and parts of east Asia. Jewellery demand fell by over 100 t, largely as the result of a 20% drop in the important Italian market.

While only accounting for 8% of total fabricated demand for gold, the electronics industry is the second largest market for gold after jewellery. Gold's high electrical conductivity, its malleability, and its resistance to corrosion have made it an important component in the manufacture of a wide range of electronic products and equipment, including computers, telephones, cellular telephones, and home appliances. Some 237 t was used in 2003, with Japan leading the way in the market accounting for 42% of the demand, or 100 t.

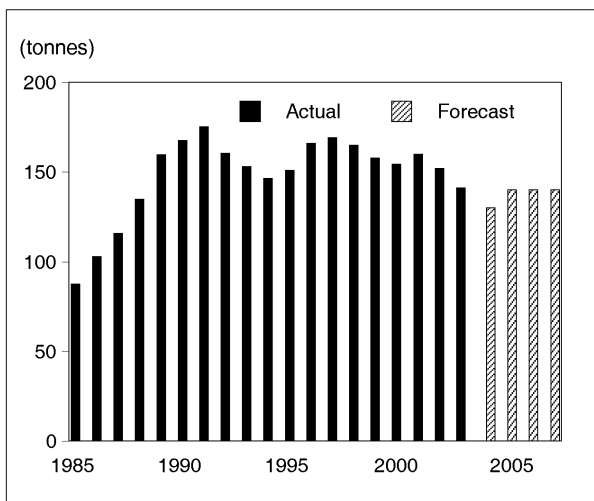
Turkey led the way in official coin production (47 t) in 2003, ahead of the United States (15 t) and Canada (7 t). Total world coin production rose 9% to reach close to 105 t.

CANADIAN PRODUCTION OUTLOOK

In 2003, Canadian gold production totalled 141.5 t, a decrease of 7% compared to the 2002 total of 152 t. The reduction in production resulted primarily from a number of mine closures in Quebec, Ontario and Nunavut. For the first nine months of 2004, Canada produced some 94.8 t of gold, down by 9.6% over the same period in 2003. Production declines over the first nine months of 2004 were recorded in the Atlantic Provinces (down 43%), Quebec (down 10%), Ontario (down 6%), British Columbia (down 13%) and Northwest Territories (down 87%). The only increases were recorded in the Prairie Provinces (up 8%) and the Yukon (up 110%).

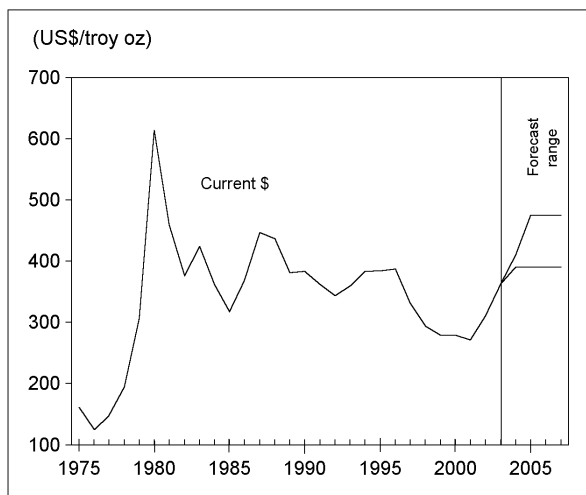
About 90% of Canada's gold production comes from hardrock underground and open-pit gold mines. The remainder is from base-metal mines and placer mining operations. Much of the decline in production over the first nine months of 2004 was the result of mine closures at gold mines. This trend is likely to continue as older base-metal mines reach the end of their ore reserves and fewer new mines come on stream to replace them.

Figure 1
Mine Production of Gold in Canada, 1985-2007



Source: Natural Resources Canada.

Figure 2
London Bullion Market Association Gold Prices, 1975-2007



Source: Natural Resources Canada.

PRICE OUTLOOK

Gold prices made an impressive recovery in 2003 rising above the US\$400/oz barrier towards year-end, the highest level seen in 14 years. On average, gold was up 17% over 2002, reaching an annual average of US\$363/oz. While the price rise in U.S. dollar terms was positive, the net effect of the stronger Canadian dollar against the U.S. dollar resulted in gold prices in Canadian dollar terms ending the year lower than where they started in 2003 at an average \$508/oz.

Low interest rates and the record U.S. current account deficit continued to put downward pressure on the U.S. dollar in 2004. This in turn put upward pressure on gold prices. The renewal of the agreement by central banks to limit sales, de-hedging by producers, and lower mine output, combined with strong demand, all helped push gold prices to 16-year highs by November. The liberalization of gold markets in China and India is expected to increase investor demand in both of these important markets. Merger and acquisition activity will also likely continue in 2005 as large producers continue to seek increased market share.

Gold is expected to average somewhere in the \$410/oz range in 2004. Having broken through the \$450/oz barrier in late November, many analysts now predict that gold will continue to trade in the \$450-\$475/oz range in the first half of 2005.

Note: Information in this article was current as of November 30, 2004.

NOTE TO READER

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TABLE 1. COMPANY WEB SITES FOR FURTHER INFORMATION

Company	Web Site Address
Agnico Eagle Mines Limited	www.agnico-eagle.com
Aur Resources Inc.	www.aurreources.com
Aurizon Mines Ltd.	www.aurizon.com
Barrick Gold Corporation	www.barrick.com
Bema Gold Corporation	www.bema.com
Breakwater Resources Ltd.	www.breakwater.ca
Callinan Mines Limited	www.callinan.com
Cambior Inc.	www.cambior.com
Campbell Resources Inc.	www.ressourcescampbell.com
Centerra Gold Inc.	www.centerragold.com
Claude Resources Inc.	www.clauderresources.com
Falconbridge Limited	www.falconbridge.com
Goldcorp Inc.	www.goldcorp.com
IAMGOLD Corporation	www.iamgold.com
Imperial Metals Corporation	www.imperialmetals.com
Inco Limited	www.inco.com
Inmet Mining Corporation	www.inmet-mining.com
Johnson Matthey Plc	www.matthey.com
Kinross Gold Corporation	www.kinross.com
Kirkland Lake Gold Inc.	www.klgold.com
Miramar Mining Corporation	www.miramarmining.com
Newmont Mining Corporation	www.newmont.com
Noranda Inc.	www.noranda.com
Northgate Minerals Corporation	www.northgateminerals.ca
Placer Dome Inc.	www.placerdome.com
Richmont Mines Inc.	www.richmont-mines.com
River Gold Mines Ltd.	www.rivergoldmine.com
Royal Canadian Mint	www.mint.ca
Teck Cominco Limited	www.teckcominco.com
Wheaton River Minerals Ltd.	www.wheatonriver.com