

Gold

Gilles Couturier

Nonferrous Division

Telephone: (613) 992-4404

E-mail: gcouturi@nrca.gc.ca

1996 mine production: \$2.8 billion
World rank: Fourth
Exports: \$3.3 billion
 (includes exports from Bank of Canada gold sales)

Canada	1995	1996	1997 ^e	1998 ^f
(tonnes)				
Production	153.1	165.9	167	168

^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 (85%) and electronics (6%). Gold bullion coins, such as the Maple Leaf coin, are also important products.

ANNUAL AVERAGE PRICES, LONDON BULLION MARKET ASSOCIATION

1993	1994	1995	1996	1997 ^e
(US\$/oz)				
360	383	384	388	335

^e Estimated.

CANADIAN OVERVIEW

- Royal Oak Mines Inc. will commission the Kemess South project (6.6 t/y) in British Columbia in 1998.
- Also in British Columbia, Imperial Metals Corporation and Sumitomo Corp. started production at the Mount Polley mine (3 t/y) in 1997.
- Royal Oak Mines Inc. closed the Colomac mine in the Northwest Territories due to the recent decrease in the price of gold.
- In Manitoba, Rea Gold Corporation started production at the Bissett Gold mine (2.6 t/y) in August 1997.
- After six months of production, Golden Rule Resources closed the Komis mine (1.4 t/y) in Saskatchewan due to higher-than-anticipated operating costs and the low gold price.
- Royal Oak Mines Inc. announced that its previous plan to increase annual gold production from the Timmins gold camp from its current level of 2.5 t/y to 9.3 t/y by 1999 will be delayed due to the current weak gold market. The plan includes an expansion at the Pamour mine and start-up of the Matachewan mine.
- Placer Dome Inc. started production at the Muselwhite mine (6 t/y) in Ontario in April 1997.
- Also in Ontario, Madsen Gold Corp. re-opened the old Madsen mine (1.5 t/y) in the Red Lake region, and Exall Resources Limited and Glimmer Resources Inc. brought on stream the Glimmer mine (2 t/y).
- Echo Bay Mines Ltd. announced that the development of the Aquarius project near Timmins will be delayed due to the current weakness in the price of gold. The Aquarius mine was supposed to come on stream at a rate of 5 t/y in 1998.
- Production increases over the next three years are anticipated at Goldcorp Inc.'s Red Lake mine and at Kinross Gold Corporation's Hoyle Pond mine.

- In January 1997, TVX Gold Inc. and Golden Knight Resources Ltd. announced the closure of the Casa Berardi mine in Quebec because of the low gold price and high operating costs. Gold production at the Casa Berardi complex was approximately 3 t in 1996.
- Other gold mine closures in Quebec during 1997 included MSV Resources' Portage and Copper Rand mines and Battle Mountain Gold's Silidor mine due to the exhaustion of gold reserves.
- In Newfoundland, Richmond Mines Inc. began production in 1997 at Nugget Pond at a rate of 1.3 t/y.
- Also in Newfoundland, Royal Oak Mines Inc. closed the Hope Brook mine in October 1997 due to the exhaustion of economic gold reserves.

WORLD OVERVIEW

- The world's production of gold over the next two years is expected to increase at a rate of around 2% per year.
- By the year 2000, total production from the world's top five gold producers is likely to show a decrease. South Africa's production is expected to decrease by 45 t to 450 t/y, while the combined gold production of the United States, Australia and Canada will likely remain stable. Russia's output is expected to decline by 20 t to 100 t/y.
- Until the end of the decade, important production increases are expected to come from emerging producing countries such as Indonesia, Peru, Papua New Guinea and Chile.

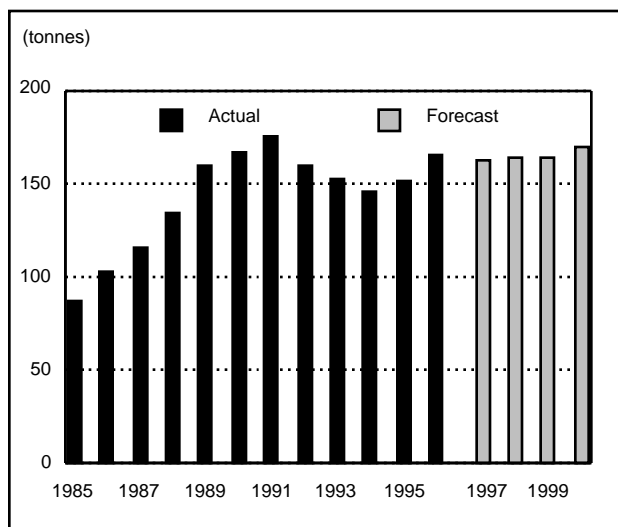
MARKET OUTLOOK

Total world fabrication demand for gold in 1997 is expected to increase by 4% to around 3400 t. World fabrication demand growth in 1997 is sparked by the consumption increase in India. India, which was the world's largest gold consumer in 1996 with 508 t, is expected to have a consumption growth rate of over 30% in 1997. However, the sale of 300 t of gold by the Bank of Netherlands in January 1997, followed by the sale of 167 t by the Australian Reserve Bank in June 1997, as well as the possibility that the Swiss National Bank may start selling 1200 t of gold by the year 2000, brought a negative sentiment to the gold market.

CANADIAN PRODUCTION OUTLOOK

Canadian gold production peaked in 1991 at 176.6 t, declined to 145.5 t in 1994, and then increased to 165.9 t in 1996. The start-up of gold mines during 1998 and 1999 should allow production to increase slightly to around 170 t/y by the end of the decade.

Figure 1
Canadian Gold Production, 1985-2000

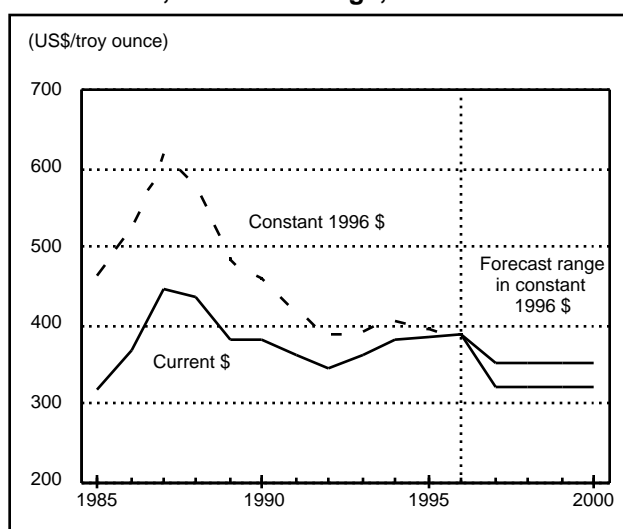


Source: Natural Resources Canada.

PRICE OUTLOOK

Although the outlook for gold fabrication demand remains positive, especially in the jewellery sector, potential gold sales by central banks continue to result in a negative market sentiment. Because of these potential central bank sales, the average gold price is expected to drop from its 1996 level of US\$388/troy oz to \$335/oz in 1997. Until the end of the decade, an annual average gold price of between US\$330 and \$360/oz is forecast.

Figure 2
Gold Prices, Annual Average, 1985-2000



Source: Natural Resources Canada.