

Gold

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2004 mine production: \$2.2 billion
 World rank: Eighth
 Exports: \$3.6 billion

Canada	2003	2004	2005 (f)
	(tonnes)		
Production	140.9	128.7	125

(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.

ANNUAL AVERAGE PRICES, LONDON BULLION MARKET ASSOCIATION

2002	2003	2004	2005 (f)	2006 (f)
(London PM, US\$/oz)				
309.68	363.32	409.17	440	520

(f) Forecast.

CANADIAN OVERVIEW

- In October, Toronto-based Barrick Gold Corporation made an unsolicited offer to acquire all of the outstanding shares of Vancouver-based Placer Dome Inc. Included in the US\$9.2 billion bid, Vancouver-based Goldcorp Inc. agreed to acquire Placer's Campbell, Porcupine and Musselwhite gold mines in Ontario and the La Coipa silver mine in Chile, as well as Placer's Canadian exploration and reclamation properties.
- Richmond Mines Inc. continued development work on its East Amphi project in northwestern Quebec. Some 26 500 t of development ore was processed at the Camflo mill during the year. A decision on whether to put the East Amphi property into production is expected by year-end.
- Citing rising costs and the strength of the Canadian dollar, River Gold Mines Ltd. announced that it would adopt a new mining plan at the Eagle River mine near Wawa, Ontario, that involved cutting operations, employment and production in half to 1.12 t/y in 2006.
- Open-pit development at the Pamour mine near Timmins, Ontario, was completed earlier this year and started producing gold in June. The Pamour mine is jointly owned by Kinross Gold Corporation (49%) and Placer Dome (CLA) Limited (51%) under the Porcupine Joint Venture.
- Cambior Inc. entered into an agreement with Aurizon Mines Ltd. to purchase its remaining 50% interest in the Sleeping Giant gold mine north of Amos, Quebec, for a cash purchase price of \$5 million.
- Century Mining Corporation restarted production at the Sigma mine open pit at Val-d'Or, Quebec, in the first quarter of 2005. According to company reports, the Sigma-Lamaque Complex contains 139 t of gold in resources, of which 27 t have been upgraded to reserves.

WORLD OVERVIEW

- Placer Dome plans to go ahead with the Cortez Hills project in Nevada (together with 40% partner Rio Tinto plc) and the Pueblo Viejo project in the Dominican Republic. Placer Dome also reached an agreement in principle to sell its interests in the Cerro Casale project in Chile to project partners Bema Gold Corporation and Arizona Star Resources Corp.
- Barrick's Lagunas Norte (Alto Chicama) mine in Peru achieved start-up in June, ahead of schedule and under budget. The mine is expected to produce about 17 t of gold in 2005. Gold production is expected to average about 25 t/y for the first three full years. Based on existing reserves of 283 t, the minimum mine life is expected to be 10 years.
- Barrick's Veladero mine in Argentina poured its first gold in September. The mine has an expected 17-year mine life and is expected to produce about 22 t/y in the first three years of operation.
- Glamis Gold started production at its Marlin mine in Guatemala in November. The mine will produce 622 kg of gold in 2005 and the company expects to produce 7.8 t of gold and more than 93 t of silver in 2006.
- The new Tulawaka mine in Tanzania started production in March. The project is a joint venture between Barrick (70%) and Montréal-based Northern Mining Explorations Ltd. (30%).
- The much-anticipated Dubai Gold and Commodities Exchange (DGCX) was officially launched at the end of November, becoming the world's newest commodities exchange and the first such marketplace in the Middle East.

MARKET OUTLOOK

Gold fundamentals continued to strengthen throughout 2005 with strong physical demand for gold in key Asian and Middle East markets. Fabricated demand for gold jewellery increased by about 2% in 2004 and is expected to rise again in 2005 by another 3% to 2750 t. While only accounting for 8% of the 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 357 t will be used in 2005, with Japan

expected to lead the way in the market, accounting for 135 t or 61% of the demand.

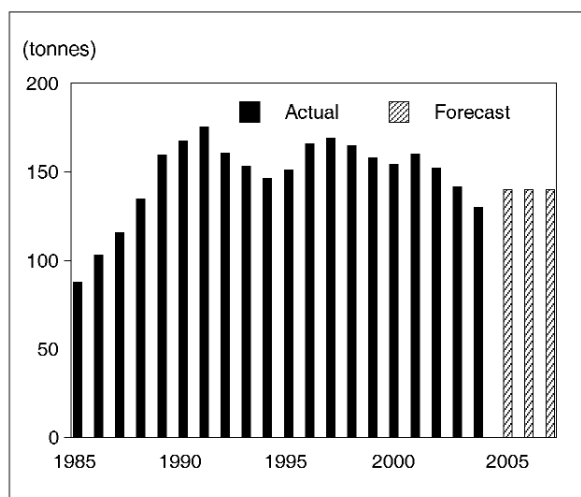
On the investment side, the rise in oil prices and the risk of inflation have provided added incentives for investors to put their money into gold. The introduction of gold exchange traded funds (ETFs) in recent years has made it easier for investors to invest in gold. Demand for gold coins and ETFs is expected to rise in 2005 and to remain strong in 2006.

CANADIAN PRODUCTION OUTLOOK

In 2004, Canadian gold production totalled 128.7 t, a decrease of 14% compared to the 2003 total of 149.9 t. The reduction in production resulted primarily from a number of mine closures in Newfoundland and Labrador, Quebec, Ontario, Manitoba, and the Northwest Territories. For the first nine months of 2005, Canada produced some 92.5 t of gold, down just under 6% over the same period in 2004. Production declines were recorded in all provinces and territories over the first nine months of 2005, with the exception of Ontario, which recorded a 3% increase.

About 90% of Canada's gold production comes from hard-rock underground and open-pit gold mines. The remainder is from base-metal mines and from placer mining operations. Much of the decline in production over the first nine months of 2005 was the result of closures at gold mines in late 2004 and early 2005. A number of projects are currently under review to either restart old mines or to develop new deposits.

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



Source: Natural Resources Canada.

PRICE OUTLOOK

Gold prices made an impressive recovery throughout 2005, rising above the US\$490/oz barrier towards the end of November, the highest level seen in 18 years. On average, the price of gold was up 7% over the same period in 2004, reaching a year-to-date average of US\$437/oz at the end of November. In real terms, however, adjusting for the declining value of the U.S. dollar, the 1988 high of US\$483.90/oz is equivalent to \$850/oz today, and the all-time high of \$850/oz in January 1980 would be worth \$2142/oz.

While the price rise in U.S. dollar terms is welcome news for producers, the net effect of the stronger Canadian dollar against the U.S. dollar, coupled with higher energy and other operating costs at some Canadian mines, muted the good news somewhat. The year-to-date average gold price in Canadian dollar terms was virtually unchanged from 2004 at about \$530/oz at the end of November 2005. Gold traded in the \$510-\$530/oz range for most of the year, finally breaking above \$550/oz in late September and rallying towards \$580/oz at the end of November.

Low interest rates and the record current account deficit in the United States continued to put downward pressure on the U.S. dollar in 2005. This in turn put upward pressure on gold prices. The renewal of the agreement by central banks to limit sales, de-hedging by producers, the risk of inflation and higher energy prices, and lower mine output all combined with strong physical demand to support higher gold prices. 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 likely also continue in 2006 as large producers continue to seek to increase their market share.

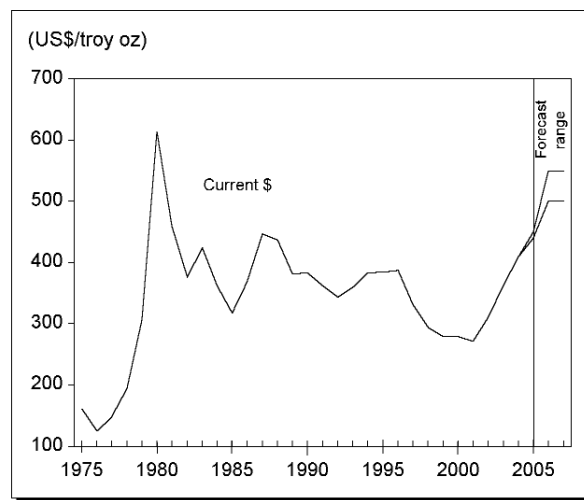
Gold is expected to average about US\$440/oz in 2005. Having breached the \$500/oz barrier at the end of November, many analysts are now predicting that gold prices will continue to rise over the coming year and possibly reach the \$600 range by year-end, with an annual average of about US\$520/oz.

Note: Information in this article was current as of November 15, 2005.

NOTE TO READERS

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



Source: Natural Resources Canada.

TABLE 1. COMPANY WEB SITES FOR FURTHER INFORMATION

Company	Web Site Address
Agnico Eagle Mines Limited	www.agnico-eagle.com
Aurizon Mines Ltd.	www.aurizon.com
Aur Resources Inc.	www.aurreources.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
Century Mining Corporation	www.centurymining.com
Claude Resources Inc.	www.claudereresources.com
Falconbridge Limited	www.falconbridge.com
Goldcorp Inc.	www.goldcorp.com
HudBay Minerals Inc.	www.hudbayminerals.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
Northern Mining Explorations Ltd.	www.xnord.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

TABLE 2. GOLD MARKETS

Company	Web Site Address
Dubai Gold and Commodities Exchange	www.dgcx.ae
London Bullion Market Association	www.lbma.org.uk
Multi Commodity Exchange of India	www.mcxindia.com
New York Mercantile Exchange (NYMEX)	www.nymex.com
Shanghai Gold Exchange	www.sge.sh
The London Gold Market Fixing Ltd.	www.goldfixing.com
Tokyo Commodities Exchange (TOCOM)	www.tocom.or.jp