

What a difference 10 years can make

The LBMA (LPPM) Precious Metals Conference

Presented by Pierre Lassonde

Montreal - September 19, 2011



LBMA Precious Metals Conference

Istanbul May 2001

Economic indicators

- The Dow was 10,735*
- US 3-month T-bill interest rates were 3.88%*
- The US dollar bought 1.12 euros*
- China's oil consumption in 2000 was 1.8bn barrels (USA: 7.2bn barrels)
 - In 2010, China consumed 3.3bn barrels, (USA: 7bn barrels)
- In 2000, China's FX reserves totalled US\$166bn
 - Today, this figure is US\$3,100bn

*As of April, 2001

2

LBMA Precious Metals Conference Istanbul May 2001

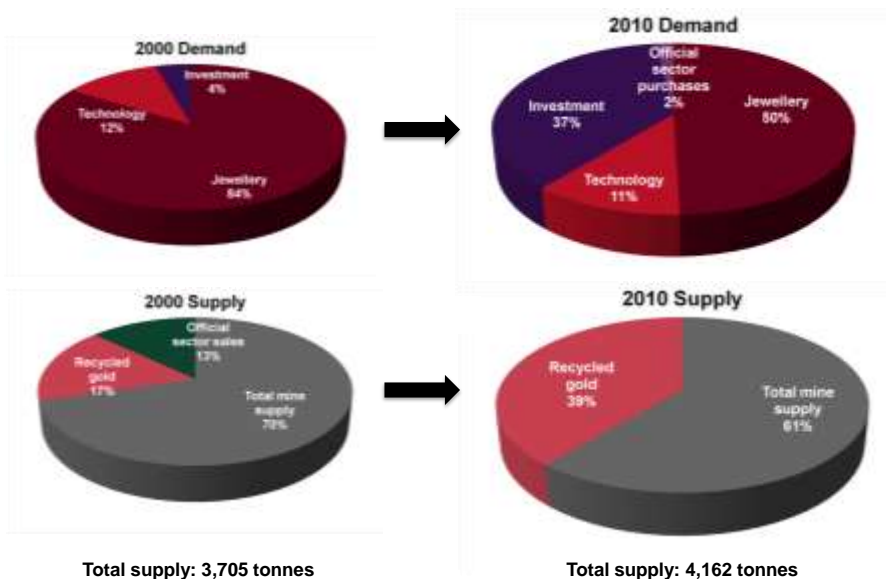
Gold supply and demand in 2000

- Central banks sold 479 tonnes of gold
- Average cost of production was US\$319
- Global producer hedgebook totalled 3,063 tonnes
- Mine production was 2,620 tonnes



3

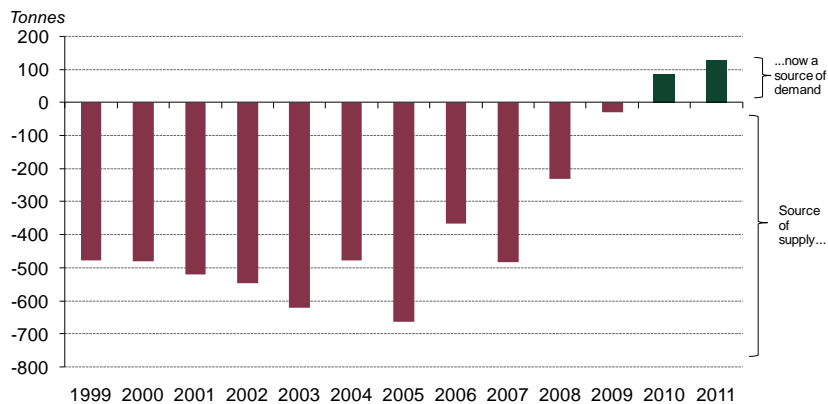
10 years of change in the gold market



4

Central banks become gold purchasers

Net official sector transactions



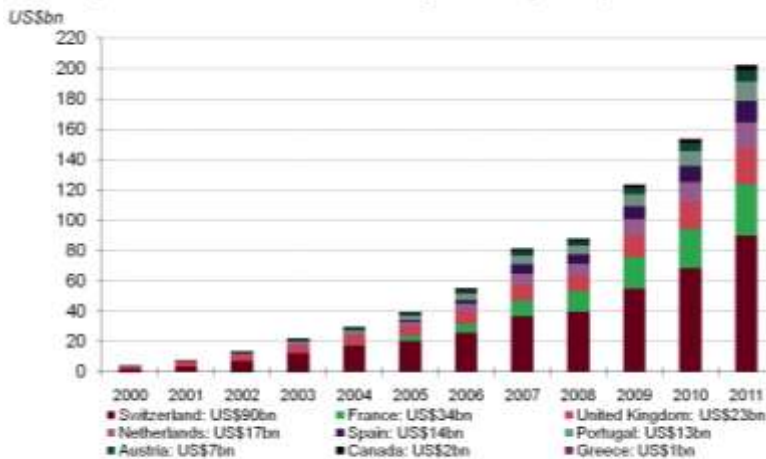
Source: GFMS, World Gold Council

The Future: Beware of the golden rule: “He who has the gold makes the rules”. Look to Asia and emerging nations to increase gold ownership.

5

If only they had kept their gold

Forgone profit from selected central bank gold sales (US\$bn)

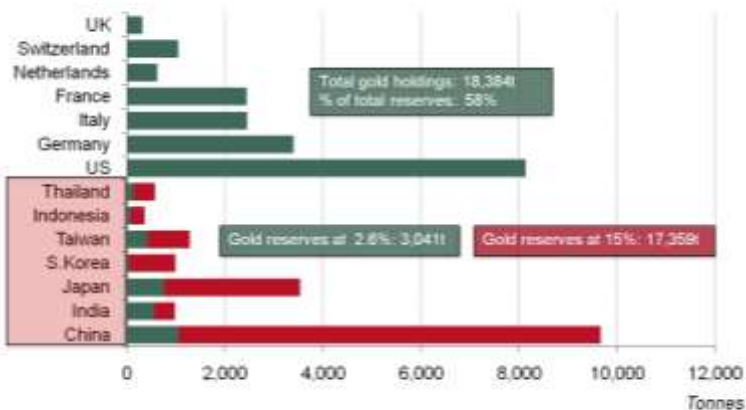


Note: 2011 price = US\$1,800/oz
Source: IMF IFS, LBMA, World Gold Council

6

If Asian majors held 15% of their reserves in gold

Central bank gold holdings in tonnes

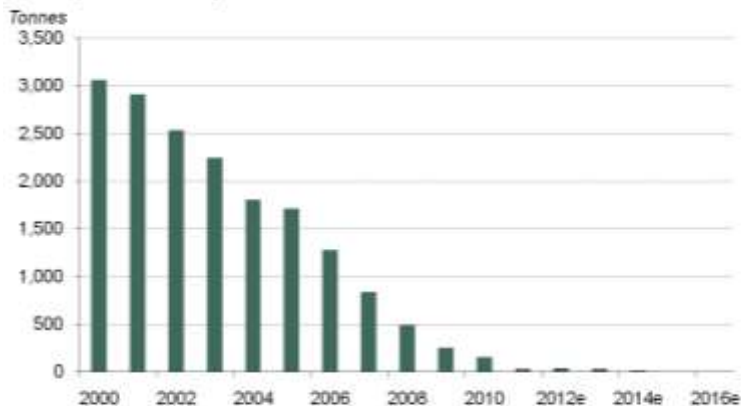


Source: IMF IFS, World Gold Council

7

Unattractive hedging environment

Global producer hedgebook



Source: Thomson Reuters GPMS, World Gold Council

The Future: Interest rates at zero for the foreseeable future

8

Gold as a financial asset

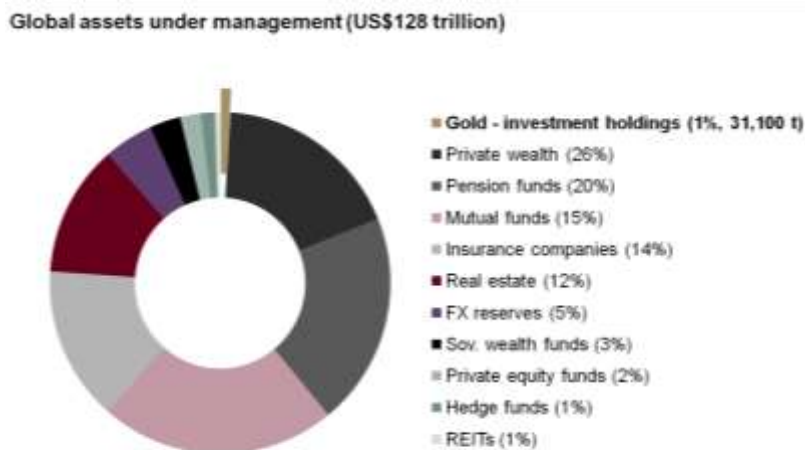


Note: 2011, as of Aug 12th
 Source: Thomson Reuters GFMS, ETF Securities, SPDR Gold Shares, World Gold Council

The Future: Gold is fulfilling its role as a global currency

9

Global allocations to gold remain small



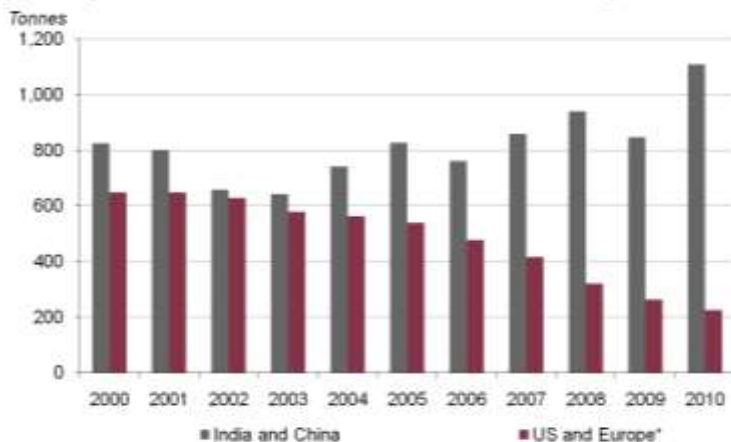
*Gold calculated using 2010 average price of US\$1224.5, global 2010 AUM of US\$128 trillion
 Source: IMF, IFSL, Cap Gemini, Morgan Stanley, Preqin, Hennessy Group, FT.com, The Boston Consulting Group

The Future: If gold investment holdings represented 5% of global assets, they would total 162,565 tonnes or US\$6.4 trillion

10

India and China's growing dominance

Jewellery demand in India and China versus the US and Europe*



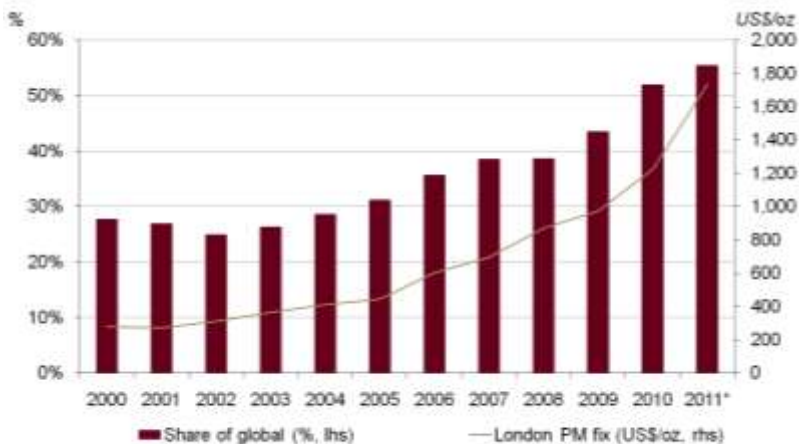
*Europe comprises France, Germany, Italy, and the UK.
Source: Thomson Reuters GFMS, World Gold Council

11

India and China's proportion of gold demand....

China to double and India to increase by 30%

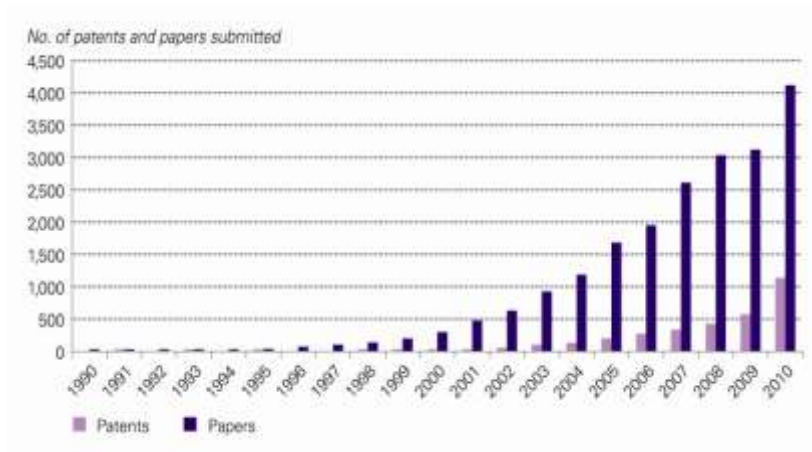
Indian and Chinese consumer demand¹ as a share of total consumer demand



Source: Thomson Reuters GFMS, Reuters Datastream, World Gold Council
¹Consumer demand includes jewellery and total bar and coin
^{*}Annual ave. price to 2010, 2011 price at 12th August

12

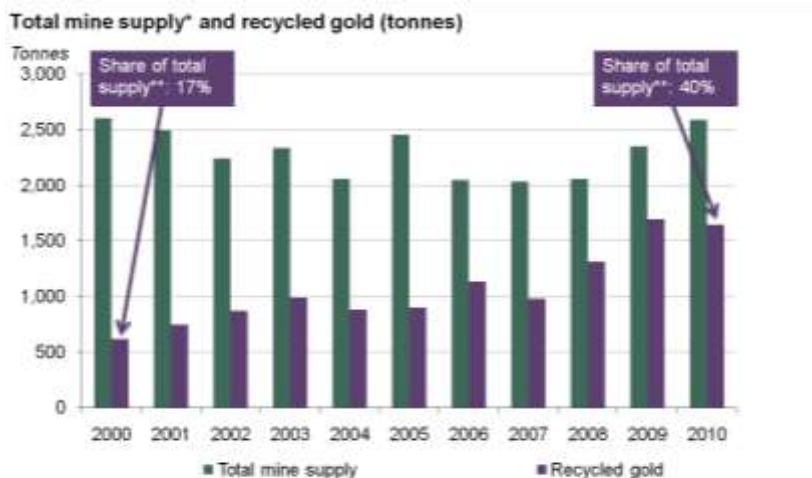
Developing new technology markets



The Future: Increasing probability of making a golden breakthrough

13

Growth of recycled gold supply

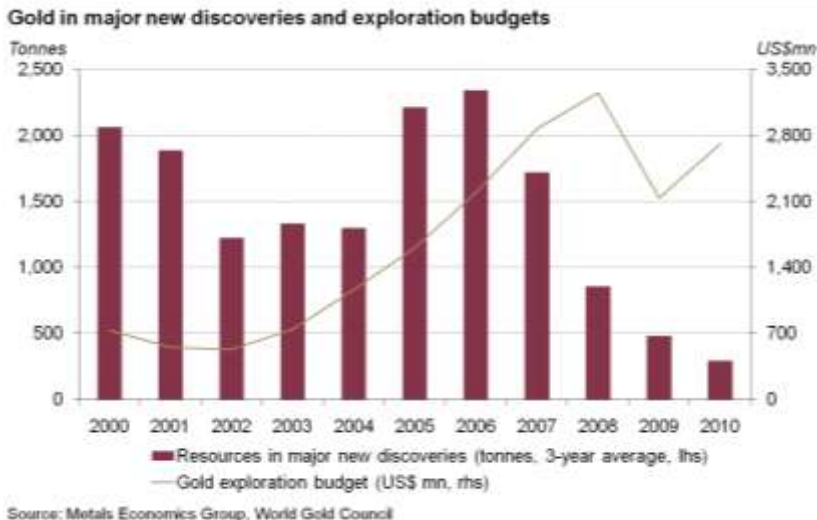


* Mine supply = mine production net of producer hedging. ** Total supply includes official sector activity, not shown here. Source: Thomson Reuters GFMS, World Gold Council

The Future: Recycled gold could exceed mine production

14

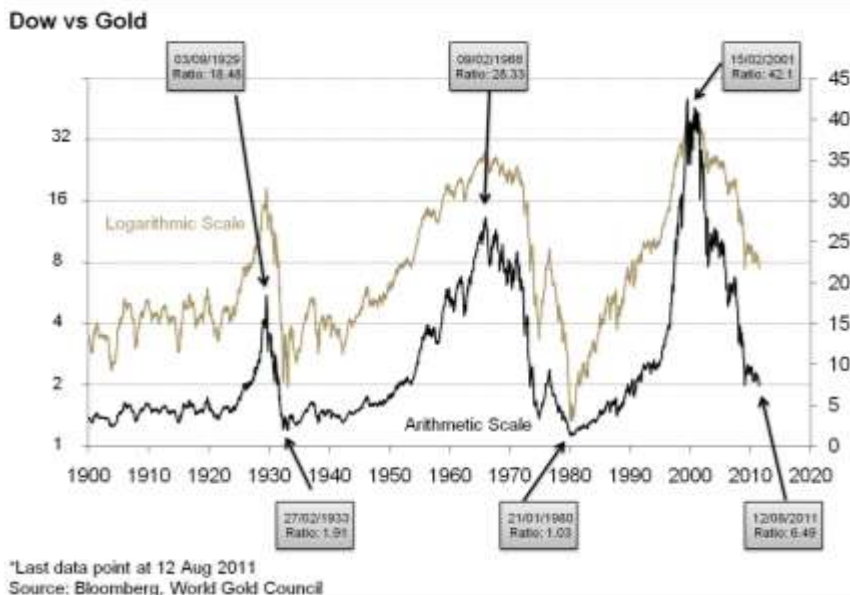
Lack of major new discoveries



The Future: Production growth likely to remain constrained

15

History as a guide to the future



16