



Gold Mining Reserves In Perspective



CPM Group

17 May 2018

The World Is Not Running Out Of Gold

Looking merely at mineable reserves, and not including reserve base or resources, allows mining promoters to suggest that the world is running out of gold to mine.

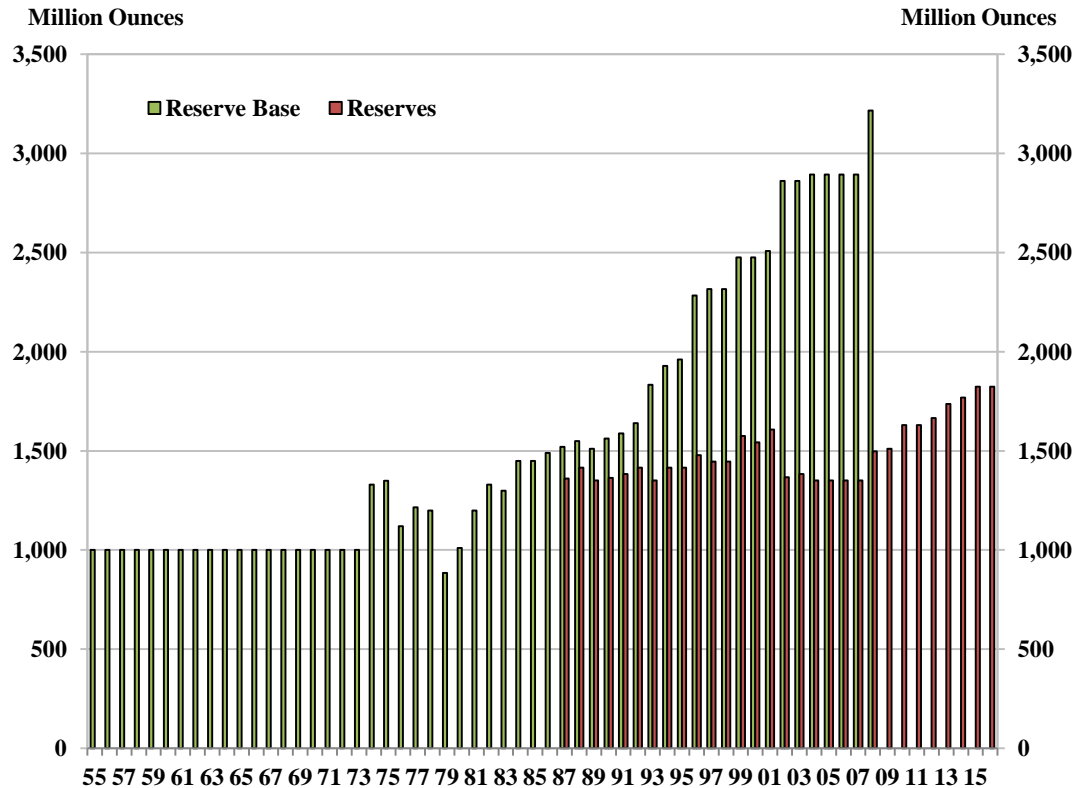
Reserves “would only provide the industry with enough ore for 15 years of production at current rates”* goes the story.

Such interesting tidbits need to be put into context to be meaningful, however. Put into the context of reserves over the past few decades, reserves are at record levels. They do cover few years’ of future production, given the enormous increase in mine production since the 1970s, but the decline is less dramatic than many believe and, as explained on page 5, may even disappear if the raw data were properly adjusted for changes in the definitions of what constitutes reserves.

In the early 1970s the industry expected to run out of reserves by the early 1980s. In the early 1980s it was said that production of 32 MM oz per year was unsustainable. The misstate is often replayed.

Gold Reserves Are At An All-time High

Gold Reserves and Reserve Base



Source: USGS.

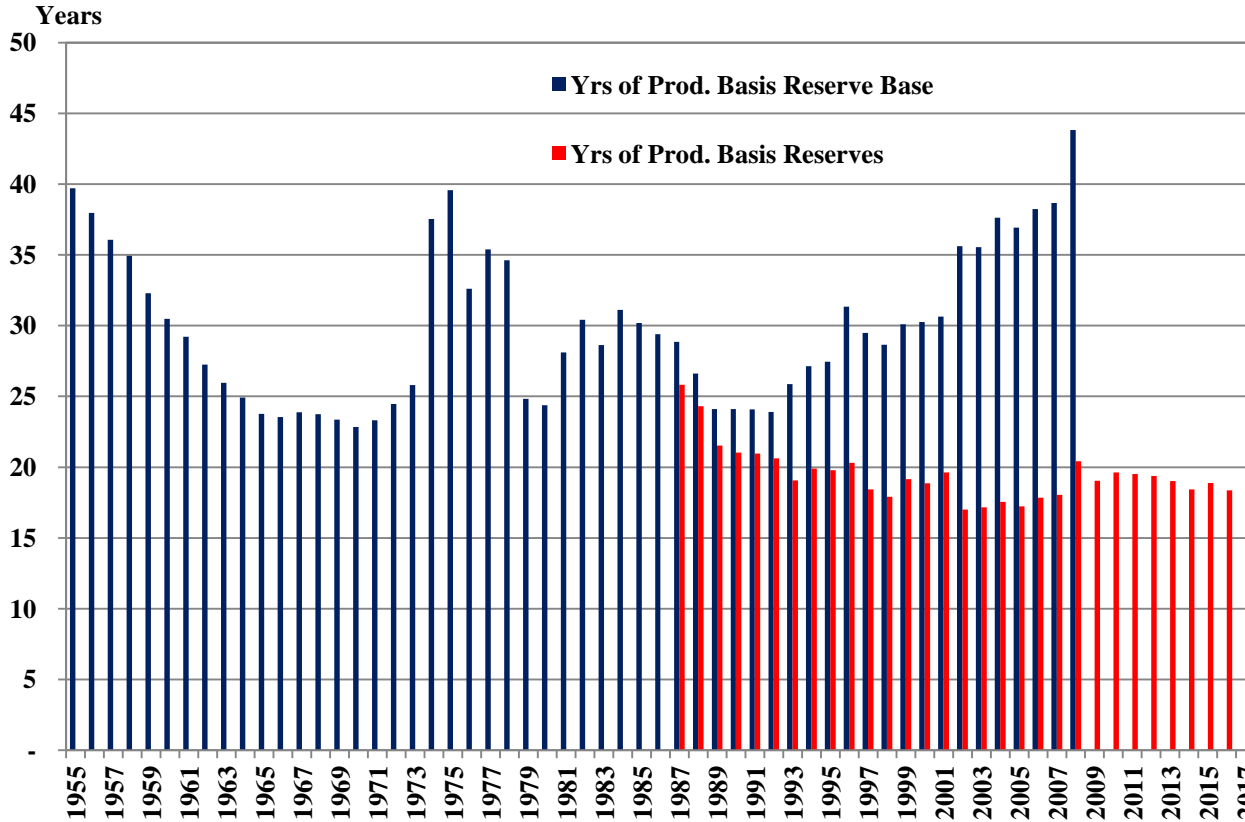
Notes: Reserve Base refers to the Measured and Indicated Resource. USGS discontinued its reporting of the Reserve Base as of 2009.

Bad data suggest reserves are at historical lows. They are not. In fact, they are higher than ever before.

And, these reserve figures exclude massive resources, including mineralized properties in China and Siberia.

Reserves And Reserve Base In Years Of Production

Years of Production Basis Reserves and Reserve Base



The number of years of future production covered by reserves has declined (see proviso on page 5), but not as dramatically as commonly perceived.

The Devil Is In The Details

There is another issue involved that typically is overlooked.

Over the past several decades the definitions of what may constitute reserves has significantly tightened. Mineralization that was allowed to be considered economically mineable reserves in the 1980s and 1990s would be excluded by current more stringent definitions of reserves. As a result the decline in gold mine reserves from 1987 through to the present was not as dramatic as the raw data here suggests. Some geologists suggest that historical reserve data adjusted for today's more stringent definitions would show increased reserves, in line with the increases record in the broader reserve base data that was available until 2008.

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CPM Group Precious Metals Advisory

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Perspective Flies Out The Window

This month's report has two articles up front. The first concerns the volatility that has roiled all financial markets, and some governments, over the past month. Much of the volatility originated in changes the Chinese government and People's Bank of China (PBOC) initiated, beginning in July but becoming more apparent in August. Many of these changes will bear long-term positive fruit. The shift to a new world paradigm for financial and monetary markets caught a lot of investors by surprise, however. Furthermore, the changes and the market reactions spawned an obscene amount of totally preposterous and over-stated fears in global commodities, equities, fixed income, and currency markets.

The first article deals with precious metals markets over the past month, and where they are likely to head.

The second article focuses on the immediate and long-term implications for gold markets and prices of a major shift in the PBOC's posture toward gold.

After falling sharply in July and early August, precious metals prices recovered by the end of the month. Gold prices had the strongest recovery, finishing the month at \$1,132, up from \$1,085.30 on 5 August, the lowest settlement price since February 2010, and up from \$1,094.90 on 31 July 2015. Other precious metals prices were also up from the lows that they reached during the first few days of August, but silver and palladium remained below their settlement prices at the end of July while platinum rose 2.6% over the course of August to \$1,010.50 from the end of July.

The rebound in gold prices, primarily, reflected investors covering previously established short positions. There was some increase in fresh long demand, but most of the buying seemed to be from investors buying back their short positions. Total open interest on the Comex gold futures market dropped ~7.4% from the low of gold prices on 24 July to 1 September.

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Next Scheduled Issue: 9 October 2015

Market Data

(Data as of 3 September; Changes from 4 August)

Commodity	Change	% Chg	\$/oz	
Gold	1,132.00	↑	3.7%	3420
Silver	14.70	↑	12%	1020
Palladium	1,081.00	↑	5.7%	5610
Platinum	986.00	↓	-2.2%	1920
Trinidad	760.00	↓	-0.8%	4010

Comex Futures & Mkt opt

Commodity	Change	% Chg	\$/oz	
Gold	8,894.92	↓	-0.8%	497,240
Registered	134.47	↓	-0.1%	62,662
Total	7,218.19	↓	-0.8%	3,98,580

Commodity	Change	% Chg	\$/oz	
Silver	110,480.00	↓	-0.8%	118,512,478
Registered	10,712.10	↓	-0.1%	10,825,008
Total	100,242.38	↓	-0.8%	117,687,470

Commodity	Change	% Chg	\$/oz	
Palladium - Total	91.00	↑	12.0%	71,017
Registered	28.00	↓	-0.1%	15,000
Total	115.00	↑	11.9%	126,118

Commodity	Change	% Chg	\$/oz	
Palladium - Total	42.97	↓	-4.7%	98,310
Registered	39.00	↓	-0.1%	14,811
Total	82.97	↓	-2.2%	103,121

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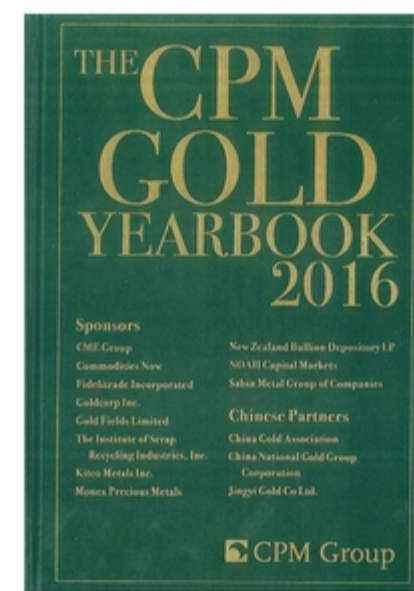
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