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Mining Indaba 2015 Special Issue



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Dear Readers,

India's gold bullion and jewellery industry started the year 2015 on a highly encouraging note. Firstly, Government of India clarified that there will not be any import restriction on gold as current account deficit is under control. Secondly, India exported \$6 billion worth plain gold jewellery in first eight months (Apr-Nov'14) of current fiscal (2014-15), against \$5 billion in the same period in 2013-14 fiscal. At the current rate, total plain gold jewellery export might touch \$10 billion at the end of the current fiscal. If India could manage to do the same, it would be (estimated) 30% of country's total gold import. In 2013-14, India managed to do the same – export of plain gold jewellery touched \$8.12 billion while country had spent \$26 billion on gold imports.



Gold mining is the talk of the street in the recent past. Due to low price of gold, majority of the gold mining companies have been struggling to manage their costs. As per industry standard, average gold mining cost has escalated to anywhere between \$1100-1500/oz on case-to-case basis. Especially, cost has been increased manifold in South Africa where entire mining is done very deep. All cost involved in mining - electricity, diesel and labour- increased manifold, thereby extracting gold from deep shaft has become highly expensive when gold price goes below \$1400/oz. On the other hand, cost involved in open-cast mining is much lower, but recovery (gms/ton of ore) of gold is equally lower than underground mining. Therefore, companies having strong balance sheet and diversified mining operations (both open cast and underground) in multiple geographic locations have been able to maintain the operating cost. The miners have undertaken aggressive cost-cutting measures like closure of unprofitable small mines, layoffs from administrative staff etc to remain in the business. The situation could worsen if gold price falls below \$1000/oz. In this issue, we bring a perspective on issues affecting global gold mining business.

Special thanks to Mr. Xu Luode, Chairman, Shanghai Gold Exchange, for sharing his thought behind launching of International Board towards reform and development of China's gold market. The step has opened up China's gold market to global investors for the first time.

Greetings and best wishes to delegates gathering at the Mining Indaba Conference in Cape Town, South Africa!

Good wishes

Debajit Saha
Editor

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Gold Mining Industry in South Africa Needs Radical Shift

Lara Smith, Managing Director, Core Consultants



Since the discovery of the Witwatersrand Goldfields in 1886, South Africa has been a dominant player in the global gold mining industry. In 1979 South Africa accounted for an estimated 79 percent of global production. Between 1884 and 2004, it was estimated South Africa was responsible for one-third of all gold estimated to be above surface on Earth.

Since then, the South African gold mining industry has lost position to other nations for a host of reasons - some economical, some inevitable. For example, production is down 8.2 percent per year on average over the last decade for a cumulative 83 percent decline. An exploration of how the industry got to its current state not only charts the decline but also provides a framework for what the industry must do if it is to survive, an occurrence which is far from guaranteed.

The list of contributors to the decline of the South African gold mining industry is a long one. One of the biggest is simply that it is more expensive to operate a mine than ever before. The Chamber of Mines in South Africa charted cost increases between 2007 and 2012. Average annual cost increases for common outlays were:

- electricity: 26%
- diesel: 15.7%
- reinforcing steel: 15.3%
- structural steel: 11.2%
- mining machinery: 4.4%
- cement: 9.1%
- labor: 12%

The influence of labor in the declining competitiveness of the industry abroad is felt in many ways.

The effect is exacerbated when one looks at some of South Africa's new competitors. China, Russia and many of South Africa's continental neighbors are able to pay substantially lower wages.

At the turn of the century, South African wages were more than 300 percent higher than the average wage in other developing countries.

Mature, deep level underground mines, of which there are many in the country, spend as much as 60 percent of their expenses on labor.

When coupled with a sharp increase in labor actions the damage is magnified. In 2012-2013 the per-day losses of labor actions were (all figures ZAR):

- 350 million revenue
- 10 million taxes
- 100 million pay
- 45 million Loss of sales by suppliers to the mining industry per day

Labor cost increases are occurring at a time when per capita productivity is in a freefall. In a period of increased competition and many new efficiencies, productivity has declined 35 percent since 2007.

The average South African worker annually produces 55 ounces of fine gold, compared to 1,220 for the average American worker and 1,342 per Australian (technology plays a key role and will be explored when discussing solutions).

Inadequate government administration is another negative factor on the industry. Poor oversight of rights applications and processes has resulted in several court cases which exposed the inability to properly administer applications. In 2008, the Doe Run Exploration Company, a U.S.-based firm, sued over the fraudulent issuance of rights. The judge's ruling touches on the many negative effects lengthy

delays have on companies and the industry as a whole:

"A lamentable trend has developed in cases of this nature, i.e. concerning the issuing of rights under the Act, that very lengthy delays are experienced by applicants to have their applications finalised by the Department. The present case is no exception. These lengthy delays cannot be in the interests of the economy, where much needed investment is delayed and sometimes even lost. In the present matter a US company has already invested millions of Rands and stands ready to invest more, provided it can have finality on its applications. The extraordinary delays, alluded to in this judgment, are adverse to such foreign investment. Of further concern in this matter is that the Respondents had failed to discover the records of the various decisions, as they were called upon to do in terms of Rule 53(1). It took a contempt of court application to have same discovered. I would hope that this Court has seen the last of this disturbing trend in the present matter"

Another area where government can provide more support is in the provision of improved infrastructure. Logistics costs for South African producers are rising much faster than the global average.

Given the distances needed to ship to port from many mines, it is imperative the government invests

in the maintenance of existing infrastructure and the building of additional lanes, rail lines and routes in order to get product to port as quickly as possible. Delays due to road maintenance, traffic delays and other disruptions add to costs and increase the time it takes to get product to market. The ports themselves need to be improved in order to accommodate increased shipping in an efficient manner, an activity competing governments are prioritizing.

South Africa's current point in the gold mining life cycle is another contributor to its drop on the list. The industry is suffering from what is termed "geological inflation" - the effect of declining grades and recoveries for increased tonnages to be mined.

With many mines at least 50 years old they are getting deeper, which increases the extraction costs. At these points inefficiencies of old extraction methods and outdated equipment are exposed, making it all the more important to utilize the most current methods. Such methods increase the lifespan of mines which is needed at a time when fewer new discoveries are being made.

It is also costing more to find fewer new deposits. In 2002, there were seven new discoveries in the Western World at a total cost of \$1.1 billion. Ten years later it cost \$8.9 billion for eight discoveries.

The increases when combined paint a stark picture of the challenges facing all gold companies. In 2009 leading companies spent \$30.5 billion on costs related to employees, governments, capital providers, suppliers and communities. By 2012 those costs nearly doubled to \$55.6 billion. The increases in labor, utility and extraction costs are occurring at an inopportune time, as the global nature of finance dictates South Africa's gold mining industry must compete with those nations whose comparable costs are considerably lower. Private and institutional investors will not care why costs are up. If they do not see a business case where they can make a sufficient return on their investment, they will move to a more lucrative opportunity.

Solutions

With little chance of a sufficient number of near-surface deposits being discovered, it is imperative South African gold mining operations become much more efficient, and an area which must see a radical shift is the training, deployment and compensation of human capital.

The industry must adapt to the skill sets of younger workers. Reared on technology, expediency and a less rigid philosophy on work, the new labor pool will not be attracted to inflexible, single-duty jobs.

The industry needs to embrace technology as it searches for every conceivable efficiency, but the most modern technologies will attract the most talented and productive workers.

In conjunction with the government and educational institutions they must invest in technology training so the next wave of employees can function in interesting (read multi-tasking) positions.

Companies are finding improvements in the use of modernized equipment, remote control operation of equipment and through the increased use of concepts such as underground workshops. They must work together with industry bodies, individual companies and labor pools to provide incentives for stakeholder-driven solutions which come with automatic buy-in from the generating party.

That becomes imperative when dealing with mine employees. Companies must also balance the unenviable task of retaining the existing labor force while retraining them and extracting labor concessions that will allow them to compete on a global stage. Pay for performance structures, the increased automation of work, and even outsourcing are issues to be addressed in order to help the industry maintain long-term viability.

Companies must also take a proactive approach to every item on their balance sheet. With the increasing costs of all energy sources companies must work in partnership with government, researchers and related industries to maximize energy efficiency at every stage in

the process. Sharing equipment and energy sources when possible has seen success in other industries.

Corporate management must become more efficient in project analysis and selection. Areas to consider include:

1. Personnel scheduling

In addition to increasing the productivity of personnel, companies must find ways to get more people in the mines more often. The rate of actual shifts worked to available shifts sits between 70 to 80 percent. This needs to increase.

2. Energy usage analysis

Companies must look at reducing both idling time and peak usage periods. Both waste in their own ways.

3. Renegotiation of energy contracts

Energy costs are increasing at rates well above revenues. Companies need to stress to utilities that such a situation is unmanageable in the long-term.

4. Increased scrutiny of completed, existing and potential projects

Beginning with a more thorough analysis of completed projects with an eye to seeing which costs most impacted profit margins, every initiative must be carefully analyzed

by a universally accepted set of principles which help determine whether or not to proceed with a project.

If properly employed these steps can result in renewed use of unwanted or discarded deposits which will lengthen the entire industry's productive period.

As we have seen government must also play several key roles:

1. Facilitating partnerships between themselves, the industry, labor and academia;
2. Increasing the credibility and effectiveness of government agencies;
3. Increasing the quality of road, rail and port infrastructure.

The gold industry is notorious for its cyclical nature. While its sheer age of existence presents the South African gold mining industry with some unique challenges, its chances of success are maximized if it takes what may be in some cases drastic steps now so it is well-positioned to capitalize on the next round of productivity, and with it increased investment.



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People Invest in Physical Metal to Preserve Capital and in Mines to See Returns

Andrew Chanin, CEO, PureFunds, talked about current status of gold mining and exploration industry, effect of price bearishness, investment opportunity in Africa etc. when interviewed by **Bullion Bulletin**. Excerpts...



According to you, how lucrative or grim is gold exploration and mining industry looking?

I think there is pressure on the mining side; however, it is one of the situations where the grimmer it looks the more lucrative future opportunities may be. When the situation is really good and prices are increasing very quickly, not only old companies but new mining companies also try to take advantage of the rising price of precious metals. I think we saw earlier in the cycle that there was an overinvestment into noneconomic

Investment in physical metal and in mining ETFs can both be important for some one's investment portfolio. Particularly in US, people invest in physical gold for risk mitigation/diversification. Investors here were really excited in the mining space when the gold price was at \$1900/ounce and silver at \$49/ounce. But people lost money in the downturn after 2011 and I think there is great opportunity now.

projects. In 2011 we saw an all time high in gold and near-term high in silver prices, but all of a sudden, the prices started to collapse as we saw a downturn for gold and silver. That affected the mining industry as many companies became unprofitable or barely profitable at the current prices. We have seen a lot of fluctuation in mining space as there was an oversupply of mining companies in the market which got in at the time of high metal prices and now these companies are not finding their investment in mining profitable. The sector had been very poor for investment over the last three and half years but this natural cycle has been flushing out many of these poorly managed companies.

For the current scenario, the mining industry is not lucrative and looks rather grim, however, the strong

companies with solid projects are going to survive and those companies are going to benefit from upcoming supply shortages resulting from the closure of other mines and exploration projects. On top of that, the companies that survive would have to work harder as they learn from the last fallout in prices. Now the miners have become more proactive in their approach especially in case of silver.

Typically, how miners manage cost when gold and silver price is not in their favour? (Many miners are struggling at present as gold price has come to their cash cost)

There was so much excitement back in 2009-11 when everyone wanted to own gold or silver mine. Back then, many producers were hedging by using futures and that is what we have seen changing

dramatically. Historically, many producers would hedge production by using futures; this changed 2012-2014 with few if any producers hedging with futures. Although many companies could have locked in beneficial prices, they did not take advantage of the opportunity. This is a sign that many producers do not believe prices can fall much further. They needed to find different ways to make a profit. We have seen significant reduction in exploration, plans on hold to bring less economic mines in production, seen many companies selling their assets and cutting staff. The recent downturn in energy prices has also helped them save money on fuel costs and mining service companies are slashing their prices making it cheaper for many miners/explorers to operate. It is going to be more competitive in this low tide environment. Also, the price now is temporarily low and their assumption is the long term move would be higher.

What is the structural difference between gold mining and silver mining (Of course miners got silver as by product in most occasions)?

Around two-thirds of annual global mine supply of silver comes as a byproduct of base metal mining. So there are very few primary silver producers out there; however our index tries to focus on some of the

smaller primary silver producers and larger explorers. It is very difficult for primary miners to be profitable at the current price of silver and cost of production. Many miners do not think that current silver prices reflect the actual value of silver. Where there is not much operational difference between gold and silver mines, the main difference here is- there are lots of miners who focus primarily in gold mining compared to the small number of primary silver mines in operation.

As you run Junior Silver ETF, tell us why did you choose junior companies rather than old or bigger ones?

It is an interesting time with the growth of ETF industry in the US as it became very strong after 2000. One of the things that I got from ETF trading was that- typically the first fund in the market that focuses on a specific area will typically be the most successful fund to gather assets. When we launched our Junior Silver ETF (NYSE Arca: SILJ), we were the first company to do so. What we liked about the junior miners is the way they trade relative to metal prices and their larger peers. In precious metal bull markets, junior miners/explorers can sometimes see strong outperformance compared to the underlying metal or their

larger counterparts since junior companies typically trade at a higher beta. Essentially, junior companies provide a high risk/reward prospect so this fund was designed attract investors that had a conviction of higher gold and silver prices.

What is the current cost of production for junior silver mines?

If you think of the dynamics of the mining companies, if you do not explore, once you finish mining all the material on your property, then there will be no value left to your mine. So the exploration process in pipeline is extremely important for companies. Including the exploration cost, we have seen the silver mine production cost between \$14-20/ounce and for many primary silver miners, the cost is close to \$20-22/ounce. Right now, with silver price at \$15-17/ounce, many of the companies would be facing losses, but for exploration companies that are not in production, the current price is not as much of an issue. Since they are only affected by the silver price when they actually producing and have silver to sell, they are more concerned about the future price of silver versus the current price. So as the price of silver comes down, the companies that are only exploring and not selling their silver, the reduced price should not embarrass

them much. That being said, current low silver prices will make it harder for silver miners to borrow/raise money if they need it immediately.

What do you suggest investors to invest, gold or silver ETF/ETP which primarily deal in physical metal or ETFs like Pure Fund Junior ETF which invests in mining and exploration companies? What is the reason?

Investment in physical metal and in mining ETFs can both be important for some one's investment portfolio. Particularly in US, people invest in physical gold for risk mitigation/diversification. Investors here were really excited in the mining space when the gold price was at \$1900/ounce and silver at \$49/ounce. But people lost money in the downturn after 2011 and I think there is great opportunity now. Many people have got scared out of the space so it is a much underrated area right now. So the rising price of precious metals would be beneficial for both investments in physical metal and in mining ETFs. Investing in mining

For the current scenario, the mining industry is not lucrative and looks rather grim, however, the strong companies with solid projects are going to survive and those companies are going to benefit from upcoming supply shortages resulting from the closure of other mines and exploration projects.

companies which are trading at current low price could provide very good portfolio rebalancing opportunities. Investors should consider mining ETFs since they provide exposure to many mining/exploration companies as opposed to trying to pick a few individual company names. As I have heard many traders say, people invest in physical metal to preserve their capital and they invest in mines to see returns; that is the environment we are looking at now.

Does your company tend to invest only in South America or the other parts of the world as well?

The majority of the silver mining companies in the fund are listed on US and Canadian exchanges; however the properties of these companies are global. Their properties are in Mexico, Argentina, Brazil, China etc.

Do you think that Africa is a very lucrative destination for investment?

There are incredible opportunities for investment in Africa with its abundant resource base. That

being said, Africa is a completely different market compared to developed investment markets like US. It would be difficult to invest in African markets- first, not many investors have access to those markets; second, it would be difficult to retract money from these frontier markets and also the market capitalization of mining companies are much smaller. So it is a riskier market with more geo political tension, nationalization risk etc.

.....
Andrew Chanin is chief executive officer of PureFunds. Previously he was Director of International Trading at Cohen Capital Group developing the company's ETF trading capabilities and specializing as an ETF Arbitrage trader. He began his career on the American Stock Exchange for Kellogg Capital Group. In 2008, he became Lead Market Maker for newly NYSE Arca-listed International/Global Equity ETFs at Kellogg. Chanin has made markets in over 100 ETFs, and this experience has provided him with a vast knowledge of all varieties of ETF products. Chanin holds a Bachelor of Science in Management degree in finance from Tulane University.



Disclaimer: Views are personal and not the views of the publisher.

Market Participants to Structure their Businesses to Deal with Cyclicity

Brian Williams, Group General Manager – ALS Minerals Division, talked about the operation of ALS's mineral inspection division, developments in precious metals mining and exploration sector, current scenario and future prospects when given an interview to **Bullion Bulletin**. Excerpts...



As one of the best precious metals inspection laboratories in the world, brief our readers about ALS Inspection Group's operation, activities and reach. Also brief us about your client base.

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The sector has been in downturn since 2011/12. At the onset of 2015, we are now into the third/fourth year of the down cycle. Without a crystal ball, it is impossible to predict the moment at which an inflexion is reach, however if history is any guide, and some of the stability or potential uptrend in the gold price is taken into account, there is some room for cautious optimism.

ALS Minerals Division. The Minerals Division also includes specialist Geochemistry, MineSite, Metallurgy and Engineering (Laboratory Design, Equipment Supply and Air Handling), service lines.

All service lines within the Minerals Division strive to differentiate on the basis of technology, quality, service optimization and a genuine understanding of customer cost base pressures. The ALS Minerals service offering covers the entire resource life-cycle from exploration, feasibility, production, design, development through to trade, and finally rehabilitation.

The ALS Inspection Group provides accurate and independent global Inspection & Analysis services for metals, minerals, ores, precious metals, Ferro alloys and solid fuels. Our expertise is used to inspect, weigh, sample, analyse and report on the quantity and quality of commodities to produce findings that can be used for final commercial settlement purposes. With regards to precious metals, our services are regularly utilized by clients from the mining, chemical, oil, petrochemical, pharmaceutical, electronic, jewelry,

financial and governmental sectors. Highly experienced inspectors and analytical technicians from ALS Inspection frequently conduct operations which involve; dore', bullion, concentrates, slimes, residues, catalysts (fresh and spent), precious-metal scrap and jewelry. The ALS Inspection network provides coverage at all of the major precious metal and PGM refineries and production facilities around the world, many with permanent representatives. Our coverage includes all processing stages including drying, incineration, crushing, milling, blending, screen grading, moisture determination, loss on ignition (LOI), leaching, chemical treatment, melting, matting, sawing, drilling and alloying, weighing and stock verification. All sampling and sample preparation operations are undertaken to the highest of international standards with all laboratories being ISO 17025:2005 accredited. ALS Inspection is an active associate member of many prestigious trade organizations including the LBMA (London Bullion Market Association) and the IPMI (International Precious Metals Institute). Our diverse and bespoke portfolio of services

brings Reliability, Independence and Integrity to the global precious metals markets.

Being in the market place for more than four decades, what kind of changes and development have you observed in precious metals mining and exploration sector?

The Exploration sector is typically cyclical, and over recent years has been in cyclic downturn. Cycles are driven by supply & demand, sentiment and macro-economic factors which in turn impact appetite for equity funding. It is incumbent upon market participants to structure their businesses appropriately to deal with cyclicity. More recent trends include in the increased cost of mining and exploration due to legislation imposts, geopolitical issues, labour/contracting costs and the increasing depth of drilling and mining activities.

The challenges pertaining to bullion mining has become more stringent given the production cost, deep mining, political and labour unrest. What is your view on the present day mining condition?

Market conditions are tight at present. Commodity prices whilst still at relative high levels against historic levels, are materially lower than those of more recent times. There is no question that market participants will react and adapt to the new conditions. Already there are a number of miners reporting significantly reduced all in sustaining costs (AISC) as a result of an emphasis on cost base management, capital deferment and efficiencies. This has had a knock on effect to suppliers in the sector. Suppliers must now extract greater efficiencies and/or develop techniques that extend the reach of the exploration/mining dollar.

There has been, and will continue to be pressure on Junior explorers, however those with good resources will inevitably sustain. There is also evidence of increased M&A activity. Explorers are tending to concentrate to a greater extent on brownfield, rather than greenfield targets. All of these are adaptations to current market conditions. It follows that behaviour will continue to evolve in line with market sentiment and confidence.

Given the severe challenges in mining operations and the present bearish outlook of precious metals prices, how do you see at the future of the precious metals mining and exploration industry?

As I have stated previously, it is well known that the sector is cyclic and it is incumbent upon long term participants and leaders in the sector to operate robust business models that can accommodate cyclicity. Robust businesses have the ability to manage costs, without compromising services.

The sector has been in downturn since 2011/12. At the onset of 2015, we are now into the third/fourth year of the down cycle. Without a crystal ball, it is impossible to predict the moment at which an inflexion is reached, however if history is any guide, and some of the stability or potential uptrend in the gold price is taken into account, there is some room for cautious optimism.

ALS has worked very hard on cost base management in an effort to pass on efficiencies to customers. The Geochemistry Group has developed a series of impressive techniques over recent times including Hyperspectral services, Pb Isotope testing, Specialist Clay Fractionation tests, Super Ultra Trace detection, Ionic Leach analysis

and investment in automation – all specifically designed to drive further the exploration dollar in a cost sensitive market. The ALS Metallurgy Group is developing specialist Coarse Floatation techniques, and has invested in piloting capabilities in locations in North America, Australia and South America – again, all specifically to pass on convenience and efficiency to localized customers. Our Mine Site Group has been successful with seven on site laboratory management tenders in recent times and has a healthy pipeline of projects in progress – again, an innovative approach, demonstrated delivery on specified KPI and a focus on cost base assisting ALS cause. Our Engineering Group (MARC Technology) is currently delivering on two significant laboratory build projects - value again being the differentiator.

Lastly, what is the future expansion plan of the company? How important is the Asian region for precious metals mining?

ALS is a genuine long term participant in the TIC sector. Our Corporate strategy has long been to proliferate Geographic Expansion in Targeted sectors of choice. Whilst acquisitive activity may be somewhat curtailed momentarily as a result of market conditions, viable business opportunities will always be seriously considered. The Asian region is important to ALS, with all Divisions – Minerals, Life Sciences, Energy and Industrial active in the region. ALS employs over 1100 staff in Asia with representation in China, Hong Kong, Mongolia, Malaysia, Singapore, Thailand, Indonesia, Laos, Vietnam and Myanmar.



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At Current Gold Price Lots of Mining Companies are Unprofitable

Sven Lunsche, Vice-President Corporate Affairs, Gold Fields, South Africa, discussed about precious metals mining operations in different regions (Australia and Africa), current challenges and cost pressure in mining etc. while interviewed by **Bullion Bulletin**. Excerpts...



As the economies of many resource countries in Africa rely heavily on mining, the mining industry is far more regulated on the continent and there is high government involvement in mining industry. So companies have to spend lot more time dealing with governments.

mining simultaneously. But here, the underground mining does mostly not have shaft systems in place and also there is difference in skills levels. Australia mining requires much more mechanized mining where as in Africa the mining operations require semi-skilled and unskilled labour for the most. Also, the labour force in Africa is highly unionized, where as in Australia labour unions are not that prominent.

As the economies of many resource countries in Africa rely heavily on mining, the mining industry is far more regulated on the continent and there is high government involvement in mining industry. So companies have to spend lot more time dealing with governments. Due to regulatory uncertainties in Africa, it makes long term investment decisions a bit more complex. In Australia, once a company meets most regulatory and environmental requirements, it can do business easily. In Australia, Canada, and, to some extent, South America etc, there is a greater level of regulatory certainty.

Also in African countries, we have to spend lot of time dealing with

communities. If we do not meet the legitimate demands of the various communities, it makes mining operations very difficult in the area. There are no such issues in the mining industry in Australia.

There are many places in the world where mining companies have been facing economic and social pressure. In this environment, how can the mining community create a sustainable value?

We do face a lot of economical and social pressures because government is highly reliable on mining revenue while the nations' government have limited capacity to spend the mining revenue for societal development. That is why we play a far more active role here through our community and sustainability development teams. We also invest a lot more funds in building roads, schools and infrastructure. Most progressive mining companies accept that this is a part of doing business as local communities are undoubtedly one of our most important stake holders.

Secondly, we have to be very transparent in our operations. We participate in lot of sustainable

What is the structural difference in mining operation between Africa and Australia region in respect of mining and exploration policies, royalty, labour law etc.?

Certainly in South Africa, lots of the mines (platinum, diamonds) are underground mines. That obviously brings a lot of financial, technological and operational challenges. We operate at 3000meters underground due to the grades of our ore. We also have operation in rest of Africa like Ghana where the mining mostly is open cast. Open cast mining is lot easier technologically but the grade (grams of gold per ton of ore) is much lower. That is why we often see difference in cost of operation between South African mining and mining in other parts of the world.

About our mines in Australia, we do operate open cast and underground

development principles like the UN Global Compact, which measures our human right contributions, the Global Reporting Initiatives which reports on our environmental, energy, social and community governance policies etc. On the cost base, gold mining companies around the world have adopted the All in Sustaining Cost principle, where we declare our entire cost base to the government. We are signatories of the EITI (Extractive Industry Transparency Initiative) which requires us to declare where our government contributions goes. So when we pay money to government in the form of taxes, royalties, contributions, it is all very transparent.

Cash cost in Africa and Australasia are quite high compared to America. What is the reason? What are your plans to reduce the cost?

Most of the mines in South America are open cast mining, so by nature it is a lot cheaper. The labour cost in South America is also lower than in Africa and in Australia (the big issue in Australia is high labour cost). Energy costs and labour costs have risen sharply in African countries. In South Africa itself, going underground, is a very costly exercise; we invest heavily in shaft system, underground ventilation, and underground water supply, amongst other. I think overall mining has become a very costly business. Also, when commodity prices are low, it makes lot of the operations marginal and one has to introduce some drastic measures to bring down the cost.

Our current all-in-cost of mining is \$1030/ounce.

Your current all-in-cost for mining is coming around \$1096/oz. US\$186 million generated through three quarters in 2014 with 12% free cash flow margin. The number is quite phenomenal. But, if gold price continues to remain at current low level or lower from the current level (as it is forecast by many), how would it affect your balance sheet two to three years down the line?

Guidance on overall 2014 numbers released 16-1-2014:

For FY14, attributable gold equivalent production is expected to be approximately 2.22 million ounces, with AISC of US\$1,060/oz and AIC of US\$1,095/oz. The production expected for 2014 is slightly better than the original guidance of 2.20 million ounces.

The AISC expected for 2014 is approximately 6% better than the original guidance of US\$1,125/oz, provided on 13 February 2014, and 3% better than the revised guidance of US\$1,090/oz provided on 20 October 2014. Similarly, the expected AIC for FY14 is approximately 5% better than the original guidance of US\$ 1,150/oz, and 3% better than the revised guidance of US\$1,130/oz.

What we state in our strategy is that at a purchasing price of \$1300/ounce, we want to achieve a 15% free cash flow margin, which gives us a little bit of cushion. So 15% of \$1300 is \$1050; if the gold price comes in below \$1050 for a lengthy period of time, we have to look at further measures. For now, all our mines are profitable. It is important to note that our South Deep project is still in development and as such still requires development

capital. It is not yet a fully fledged mine.

We have also undergone some very painful restructuring over the last three years - we cut back on our admin staff, unbundled three of our South African mines, closed a lot of marginal operations at our mines in Ghana and Australia.

Our outlook for gold is that gold will remain close to current levels this year. But even at this level, lots of mining companies are not profitable – as a result supply will dwindle a bit and a lot of rationalization will take place. With lower supply will come an uptick of prices towards next year, we believe.

Your group policy is to remain unhedged to the gold price unless taken project specific basis. How are you protecting your cash flows or safeguarding against high cost operations effectively thereby?

We do not hedge in particular, we believe that the market gives the realistic estimation of the price and our policy will remain to be completely un-hedged. We believe in the long term future of gold and we accept exposure to the market price movements.

All of the gold of the major mining companies goes directly to the international bullion banks and it is paid at the spot, ruling market price. Most of our gold goes through refineries and those refineries often have contracts with the bullion banks.



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Controlling Cost through the Price Cycle

Mike Bunch, Chief Operating Officer, Summit Mining International

The Super Cycle is Gone

The utopia of rising sales volume for mining companies from 2002-2011 was entirely due to rising production volume and prices. The Australian mining sector experienced an 18 percent annual growth rate in revenues, and 11 percent growth in prices. (1) However, EBIT remained flat during the same time period. In addition, Australian mines saw a 7 percent annual decline in both labor and capital productivity. (2)

Mines in the U.S. and Canada produced similar results, where the world-wide mining industry has seen a productivity drop of 40% since 2001. (3)

The decade “bull run” of rising prices was trashed by companies that chased low-quality assets while increasing debt on their balance sheet. It seemed everyone believed the “super cycle” would last forever, while completely ignoring the history of cycle downturns.

Reality has now settled back in and companies are struggling to make ends meet. The basic management staple of controlling costs and improving production/productivity that was lost in the excitement is now back in play. Traditional cost-cutting approaches, such as across-the-board spending cuts, layoffs, and hiring freezes are only short-term initiatives and will not permanently improve a company's cost structure or improve long-term competitiveness. This can only be accomplished by engaging front-line employees and empowering them to make necessary improvements in their daily work.

It is time for leaders to lead and develop cultures of continuous improvement within their organizations in order to sustain their mining project to the end of mine life.

The Summit Mining Model

Summit Mining International, a subsidiary of Sumitomo, operates the company's 100%-owned and operated Minera San Cristóbal (MSC) located at an elevation of approximately 13,000 feet in the Bolivian Altiplano. The mine ranks as one of the largest deposits of zinc, lead and silver in the world. It is a low-grade deposit using open-pit mining methods and state-of-the-art technology for producing high-quality zinc-silver and lead-silver concentrates.

The project directly employs approximately 1,500 people, primarily from the local surrounding indigenous communities, and 4,500 support contractors. Most employees had little or no mining experience prior to working at MSC. Initial nameplate plant production was achieved in August 2008.

In 2009, Summit implemented a Business Management Model at San Cristóbal to set a foundation for continuous improvement and the way the company does business, regardless of future management and staff changes or turnover. Optimization of the project's cost structure and productivity were primary goals while meeting the complex legal and regulatory requirements of a large mining operation.

The model focuses on 3 primary fundamentals of business management:

THE BUSINESS MANAGEMENT MODEL



Value-Based Leadership is a relationship between leaders and followers that is based on shared values that are supported and demonstrated by the Leader. Team members strongly agree on the importance of values and ways of doing things. Values are used in decision-making with a focus on “Doing What’s Right.”

Summit uses a “matrix” (flat) organizational structure and focuses on developing strong teamwork environments, with team goals and team compensation. There is a high level of trust among team members. Members that do not support the team effort or the Business Management Model are returned to the job market.

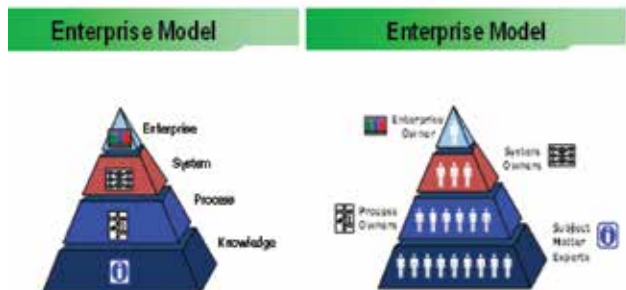
The foundation of the Model is Systems and Structure. For MSC, there are 125 key processes in the Value Chain that form Business Systems, such as production, finance, supply chain, and HR, among others. Subject matter experts are qualified individuals who are involved and participate in the process on a regular basis.

Each process is assigned a Process Owner and 5 to 7 subject matter experts who are responsible for the development, maintenance, documentation, and continuous improvement of their specific process. Each System is assigned a System Owner (usually the department manager) who is responsible for the operation of all of the processes within the system.

The model incorporates the familiar continuous improvement cycle of: Plan, Do, Check, and Act.

Documentation is significantly reduced through the use of process mapping. In operation, the model uses a top-down approach for strategic and business development and a bottom-up approach using hundreds of front-line employees in the daily processes.

ENTERPRISE MODEL

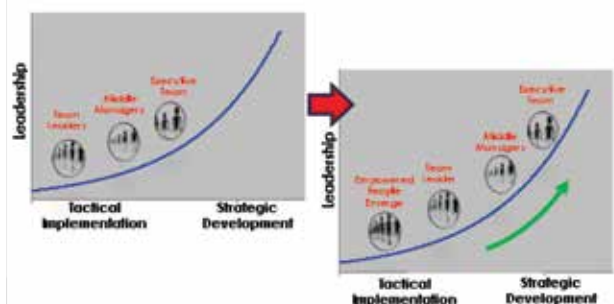


Empowerment

When asked about empowerment, most mining operators and executives claim to have it reflected in their organizations. The fact is that most do not have a clue as to how to implement and develop empowerment in their respective companies.

Basic MBA management courses for organizational development teach two primary functions: Tactical Implementation and Strategic Development. The issue with empowerment is that management is too much involved in day-to-day tactical implementation and not enough time is spent on strategy.

ORG Development - Empowerment



When management moves up the leadership curve and begins to lead rather than direct, empowered people emerge. A wise senior executive in our New York office recently coined the phrase: “Hands off, eyes on, hand in hand.”

To move our leaders up the leadership curve, there are a few simple tasks or focus areas. First, the flat matrix organization is a must. We do not have managers managing managers. Second, we take the operating managers off site twice a year for a week at a time to focus on strategic and business planning. While away from site, superintendents and team leaders run the entire operation. And yes, while the managers are away, production goes up.

Third, we allow for testing of new ideas and failures. Not every idea is going to work. We do not accept/allow safety or environment incidents when testing these ideas.

Finally, Summit does not hand down non-value-added corporate B.S. We should all know that corporate B.S. is generated when a person from the corporate office shows up to site saying “I’m here to help.” Summit runs a very lean corporate office and has no non-value-added corporate staff. We recently had a study done on corporate overhead for mid-cap mining companies.

The simple study showed that some mid-cap companies had over 100 corporate office staff. What do these people do? They give more non-value-added work to your site team. If you want a quick hit on cutting costs, look first at your corporate office.

Results

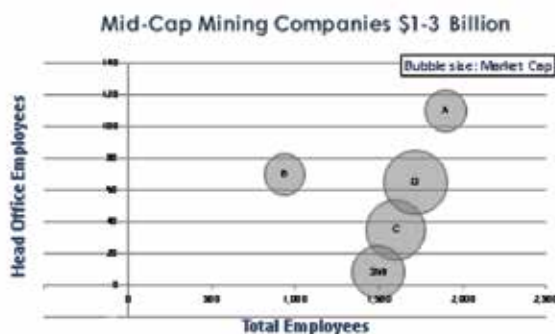
Summit and MSC are not exempt from the cost pressures of the industry, such as increased taxes/royalties and the cost of labor and materials. In addition, our head grades have dropped 27 percent and our mine waste stripping has more than doubled over the past 5 years.

To offset the effects of the lower head grade, we completed a \$5 million feasibility study in 2009 for a plant expansion from the current nameplate of 40,000 tpd to 60,000 tpd. In 2010, the project was approved for 52,000 tpd at a cost of \$174.2 million.

The project was completed in the third quarter of 2014 at a cost of \$25 million. Yes, a 30 percent increase in plant throughput at a cost of just \$25 million. The empowered staff and employees focused on understanding the existing plant capacity and used the basis of Systems and Structure in the Business Management Model to de-bottleneck the existing system, rather than using the industry standard of “just go buy it and build it.” After a presentation by Summit Mining on these results at the November 2014 London Bullion Marketing Association conference in Lima, an association member made the comment that this is “Really good if it’s true.” Our reply was, “come see it for yourself.”

In regards to cash costs, we use the Wood McKenzie Zinc Mines Normal C1 Cash Cost comparison to other zinc mines in the world. Though MSC is the fourth-largest silver producer in the world, zinc is the primary

Non-Value-Added Corp BS



product. In 2011, MSC was in the in 50th percentile of producing mines, 2012 the 41st percentile, and 2013 the 35th percentile.

Among the many areas of cost reduction, overall mill power consumption was reduced by over 10 percent and fresh water consumption by over 50 percent.

In addition to reducing operating and capital costs for the project, we believe Summit is the first mining company to achieve simultaneous triple international certification for our processes. In 2010, we received the ISO 9001 (Quality), ISO 14001 (Environmental), and OHSAS 18001 (Health & Safety) certifications. In addition, we hold ISO 17025 (Laboratory), ISO 27001 (Information Systems), and NB 512001 (Bolivian Health) certifications.

Recommendations

Executive and operating mine managers must control costs at all times, not just in the down cycle. Traditional short- term cost reduction initiatives won't permanently improve a company's cost structure or improve long-term competitiveness. Leaders must lead by developing a future path forward, provide the training and resources for their employees to succeed, and implement systems and structures for long-term business improvement.

Cost and productivity improvement require involvement by all employees. Leaders must lead rather than direct and find a way to make "empowerment" a reality rather than a buzz word.

(1) *"Profits in a Slowdown, How Australian Mining Companies Can Cut Costs and Grow Stronger"*; Jackson and Gilbertson, p.5 & 9, 2012.

(2) *Australian Bureau of Statistics ABS 5260, "Experimental Estimates of Industry Multifactor*

Productivity", 2010–2011; *Strategy and Analysis*.

(3) *"What will halt the worldwide decline in mine equipment performance?"*; S.M.E. Mining Engineering, Adsero and Lumley, p. 46-61, September 2013.

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Mike Bunch is a registered professional mining engineer (Arizona) with more than 28 years of domestic and international mining & mineral process experience including the successful development and startup of a world class copper mine (El Abra, Chile) and a world class lead-zinc-silver mine (San Cristobal, Bolivia).

Prior to joining Summit Mining International in October 2009, Mr. Bunch was Vice President and General Manager of the San Cristobal Mine where he implemented a business management system that moved the project from bankruptcy to profitability in less than a year. San Cristobal became the first mine in the world to achieve simultaneous triple international certification (ISO 9001, ISO 14001, & OHSAS 18001).



4th

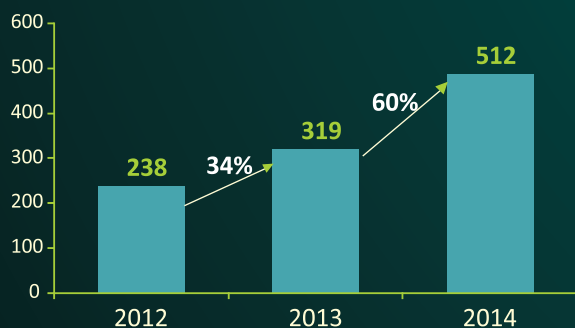


2015 DUBAI PRECIOUS METALS CONFERENCE

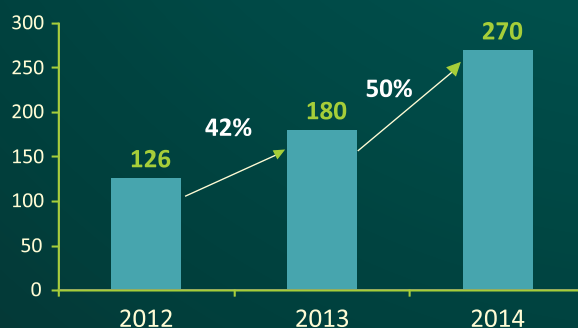
12-13 April 2015, Atlantis The Palm



Growth of Delegate Participation in DPMC



Growth of Participated Companies in DPMC



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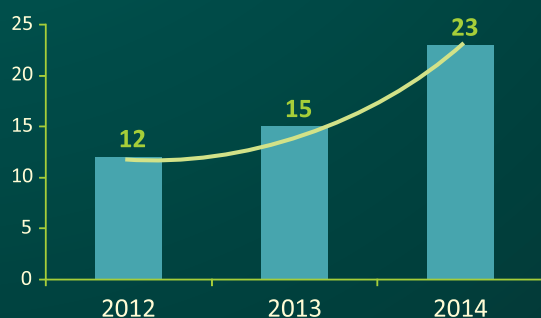
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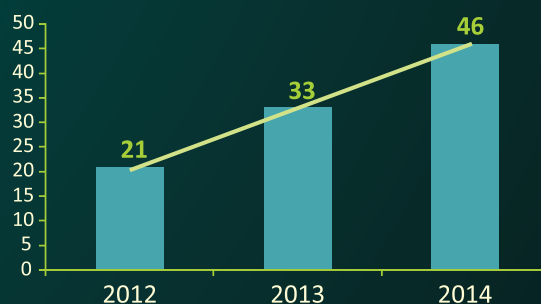
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Growth of Refiners' & Mints' Participation in DPMC



Growth of Participation of Banks/Financial Institutions in DPMC





MADE FOR TRADE

OUR GOLDEN RULE IS RESPONSIBLE SOURCING.

DMCC is committed to working with global stakeholders to develop and promote the implementation of industry best practices; our responsible sourcing accreditation programme is globally recognised and fully aligned with the OECD guidance.

DMCC's responsible sourcing accreditation will allow your company to comply with conflict-free gold sourcing regulations globally, thereby enabling your products to be traded anywhere in the world.

Our goal is to create an inclusive gold industry that is responsible and able to provide assurances on the adequacy of its due diligence procedures and supply chain management practices. If you are a company that deals with any form of gold in your supply chain you are eligible to become one of our accredited members.

DMCC has three accreditation initiatives for responsible sourcing of gold based on DMCC's Practical Guidance and Review Protocol as follows:

- **Responsible Market Participant (RMP)**
Accreditation of responsible sourcing practices based on 3rd party independent assurance, designed for all gold market participants: traders, jewellers, processors and aggregators.
- **Market Deliverable Brand (MDB)**
An accreditation initiative available to refiners demanding to certify their production quality and technical capabilities as well as their responsible sourcing practices.
- **Dubai Good Delivery (DGD)**
Regarded as the international benchmark for large refineries that deliver to financial institutions and hold the highest quality and technical capabilities for the production of gold. This accreditation goes beyond responsible sourcing practices to review all aspects of a refinery's operations. Open to refineries with a minimum of 3 years of operations and producing at least 10 tonnes of gold annually.

For further information on how to become a member email commodityservices@dmcc.ae; call +97144336711 or visit dmcc.ae.



Physical Gold is the Only Asset Class with No Counterparty Risk

Douglas R. MacQuarrie, President, Asante Gold Corporation, discussed about the company's project in Ghana, investment environment in Ghana, increased production cost etc. while interviewed by **Bullion Bulletin**. Excerpts...

Tell us in brief about your new project in Ghana.

Asante has entered into a term sheet to form a joint venture on the Kubi Gold project with Goknet Mining Company Limited of Accra, Ghana (subject to final closing). Kubi has had over \$30 million in exploration since the mid 1980's - resulting in a recent NI43-101 mineral resource estimate by SEMS Exploration Services Ltd: Measured Resources 0.66 million tonnes@5.30g/t for 112,000 ounces; Indicated Resources 0.66 million tonnes@5.65g/t for 121,000 ounces; and Inferred Resources 0.67 million tonnes@5.31g/t for 115,000 ounces (see www.sedar.com). The mineral resources are contained in a steeply dipping, 1 to 5 metre wide garnet bearing and silicified zone associated with a major structural break - a splay of the famous Ashanti shear zone which hosts the +60 million oz Obuasi gold ore bodies just 20 km to the north of Kubi.

Your joint venture with Goknet will cost you \$15 million in two years. How did you conceive the idea that mine was worthy enough to invest?

Worldwide, underground gold resources grading above 5 g/t have insitu values averaging circa \$50 per oz. (US\$1200 god price). This measure suggests an insitu valuation for Kubi of circa US\$17 million. Given its excellent infrastructure and availability of nearby milling facilities, this is a resource which, with further positive results from underground development and

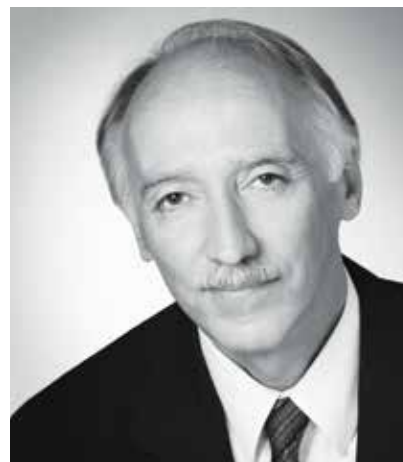
bulk sampling, could easily be brought into production.

How is the environment for investment in gold mining projects in Ghana and rest of West Africa (From regulation, labour law, royalty, taxation and so on)?

Ghana is a mining friendly country with more than 1000 years of mining history. It is currently the second largest gold producer in Africa producing 3 to 4 million oz annually. Royalty and taxation levels are average - however the mining mentality of the Country and its elephant sized ore bodies - are second to none. Ghana and Ghanaians understand gold and mining and its benefits. This is why Asante continues to focus its operations and future in Ghana.

With escalating mining operation cost and tumbling gold price, how difficult is to sustain?

Physical gold is the only asset class which has no counterparty risk. It is the only real money - worked for the Egyptians and still works today. As a commodity, it has the lowest volatility. On this basis, the current gold price is too low and will, as it always does, "revert to the mean" at a much higher valuation vis a vis fiat currencies such as the US\$. High gold prices and the right project will return large profits to gold mining companies and their shareholders. Low gold prices - as we have now - require the input of sustaining capital and patient shareholders. This is the history of gold mining.



What is your expectation of global mine supply in 2015?

Global gold mine supply will probably drop in 2015 and for the next few years, as a result of too low gold prices squeezing margins and killing exploration for new deposits.

.....
Douglas R. MacQuarrie- P.Geo.BC, B.Sc. Combined Honours Geology & Geophysics

A resident of Vancouver, Mr. MacQuarrie has 36 years' mineral exploration experience, the last 18 years in West Africa. He has been responsible for the discovery, acquisition and development of many significant gold deposits both in Canada and in Ghana, West Africa. As the former CEO of PMI Gold Corporation he was responsible for raising over \$45 million for Ghana gold exploration and development. Mr. MacQuarrie is a co-founder of Asante Gold.



Disclaimer: Views are personal and not the views of the publisher.

Gold Mining In 2014

William Tankard, Director Precious Metals Mining - GFMS

Commodities Research & Forecasts

With the nine months of reported data and the first end-year production beginning to be reported, it seems an opportune time to provide GFMS' provisional estimates for the mining sector in 2014.

For the full year we estimate that mine production rose to a new all-time high of 3,109 tonnes. Volumes continued to grow due to the ongoing effects of investment in project development in previous years. The top five mine site increases were all from properties which began operations in prior years and were ramping production up towards full capacity in 2014. Between them these five accounted for 55 tonnes of growth. More mature properties generally did not do so well, with losses seen at some of the world's largest mature assets, such as at Cortez, Newmont's Nevada complex, Yanacocha and a number of South African mines.

Regionally production followed a similar trend, with the largest falls seen in some of the established gold producing countries, such as Peru, the United States and South

Africa. Some of the largest growth was seen in countries such as China, which has long enjoyed an upward trajectory, but also other countries including Mongolia, the Democratic Republic of Congo, the Dominican Republic and Russia. The latter overtook Australia to become the second largest gold producing country last year.

Last year saw the gold price fall to four-year lows in early November, below the current industry average All-in Cost of production and, whilst miners had some success in cutting the average cost of production during 2014, margins have contracted for most operators. Although closures and suspensions have so far been limited to smaller, ageing higher cost operations, there have been deferrals of major capital expenditure projects and a reduction in exploration spending. We would argue that in terms of both profitability and volumes, the industry remains in a precarious position.

PRODUCTION COSTS

Based on information currently available, for the nine months to end-September, global average

Total Cash Cost of production was, at \$736/oz, 4% lower than that of the same period in 2013. The drive by producers to maximise production and minimise unit costs is one factor driving this trend, and this increase in mine supply is partly attributable to the ramp-up in output from new, relatively low-cost operations such as Canadian Malartic and Pueblo Viejo. Furthermore, closure of a number of high-cost mines throughout 2013 and 2014 also contributed towards the reduction in average producer cash costs.

Comparison of regional trends in producer-reported Total Cash Costs reveals that the situation is not entirely positive. In North America, Total Cash Costs increased during the period, driven by the United States, where 9-month costs for 2014 rose by 5% year-on-year. This stemmed from lower production and higher unit costs at some ageing mines, and at very large operations such as Cortez. The 15% increase in average Total Cash Costs for Mexican producers, due in part to the introduction of a new mining tax, also contributed to the regional trend.

As a consequence of US dollar strength last year, producers in a number of countries including Canada, Australia and South Africa had, to varying extents, favourable exchange rate movements to thank for reductions in USD costs. Factors such as exchange rate movements, lower oil prices and lower price-linked royalty rates have benefited many operators in recent months, but can hardly be relied upon to continue working in favour of gold miners over the longer term.

With the exception of the first quarter of 2014, the trend in the quarterly gold price has remained negative throughout the last two years. However, the reining-in of Total Cash Costs has provided gold miners with a limited degree of respite, with the quarterly average simple cash margin seeing a \$10/oz quarter-on-quarter increase in the third quarter of 2014.

Total Production Costs, which include Total Cash Costs plus depreciation, averaged \$972/oz during the first nine months of 2014, a 2% decrease year-on-year. The smaller decrease relative to that of the Total Cash Cost was a consequence of higher depreciation charges following mine plan revisions. We estimate the All-In Cost of production (a proprietary GFMS metric designed to reflect the full marginal cost of mining, including ongoing capital

costs, indirect costs and corporate overheads), at approximately \$1,300/oz for the first nine months of 2014. However, for full-year 2014 it is likely to exceed this as it will incorporate impairments announced in year-end reports, such as the potential write-down of up to \$2.7 billion of Cerro Negro announced by Goldcorp. Given that the annual average gold price saw a 10% decrease in 2014, it is likely that many producers will recalculate year-end reserves at lower gold prices, and may also undertake mine plan revisions that could necessitate further impairments.

Although cost-containment has been a prevailing theme for some time now in the mining industry, it is not yet clear to what extent the various austerity and margin-protection measures implemented recently are sustainable over the longer term, rather than just short-term survival strategies. As yet, there are few examples of gold miners making fundamental changes to working practices, such as moving to increased mechanisation at existing operations, although exceptions include Acacia Mining's Bulyanhulu, and Gold Fields' South Deep.

Generally, miners have sought to bring down their production costs through undertaking various efficiency initiatives together with cuts to non-essential capital

spending and corporate overheads. Some have also revised mine plans in order to improve near-term output. These mine plan revisions may (in some cases) be enabling operations to remain profitable, but will have repercussions for production levels in later years, given that some miners have opted to prioritise higher grade ore in order to lower unit costs. The observable consequences of these actions over the last few quarters have included the sustained growth in global mine supply, and a reversal of the long-established trend of falling global average processed grade.

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This article is an excerpt from analysis published in January in the GFMS Gold Survey 2014 – Update 2, available for download by registering at <https://forms.thomsonreuters.com/gfms/>



Disclaimer: Views are personal and not the views of the publisher.

Turkey Fifth Largest in Jewellery Production Worldwide

Nazlı Gökçe Mis, Co-Director/ Trader, Troy Precious Metals Trade Inc., discussed in detail about Turkey's gold trade, jewellery demand, GDS and the future of the industry etc. while giving an interview to **Bullion Bulletin**. Excerpts...



Brief us about Turkey's current gold trade. How has it been performing so far in 2014?

As it is well-known, Turkey is one of the arteries of Gold sector. When we look at its performance last year, there was recorded direct import figure over 300 MT; for this year it is expected to exceed 300 MT. Apart from this, there is scrap recycle and within the inward processing regime also gold is being traded. According to Istanbul Exchange, Precious Metals Market transaction volume is around 220 MT so far.

In Turkey, yearly production of mining companies is around 30 MT and it is targeted at 36 MT for 2015.

Government effort is to ease the nation's current account deficit by encouraging households to bring their gold coins which is estimated to be around \$302 billion. Turkish gold based deposit accounts have grown 15% this year calculated until the end of July, which is a 3 fold increase in standard savings accounts according to the Turkish Central Bank.

Jewelry sector has the capacity for 600 MT gold and 300 MT silver to process into Bijou but not whole of this capacity is used. Turkey is fifth for jewellery production worldwide and it is a competitor to Italy by World Bijou Authorities.

There are around 40,000 shops all across Turkey and each shop's yearly turnover is 3.5 MN USD on an average and that means 140 billion USD trading volume. There is 40 percent scrap return over this volume meaning around 55 billion USD. Especially historical GRANDBAZAAR is holding the pulse of gold trading as there are many tourists visiting every season and keep market alive.

According to official records, export of Bijou and jewellery staff made of Gold recorded as 332 MT but when we consider the export realized by passenger and other purchases

made by tourists during their visit to Turkey, it is estimated over 400 MT. With the recent regulation, Istanbul Gold Exchange brokerage companies are authorized to trade for diamond also.

Also there is new application started to be used in Gold sector i.e. Credit Card Installment on gold selling. In 2015 sharp rise is expected on Selling via Internet over 100 percent. In E-Commerce, the best performance is waiting from Gold.

Turkey is one of the major destinations for physical gold trade in Middle East. How is the physical demand in the region in terms of jewelry consumption?

Turkish Gold Jewellery is being imported to 130 countries in total. Gulf Countries are still the most trading market and when we focus to Middle East, UAE is the most important Market for Turkey

jewellery manufacturers currently.

According to Jewelry Exporters Association's announcement, on

November UAE became

leader with over

5300 kg jewellery

purchase. Since

Dubai has

Free Trade

environment

and low taxes,

it provides

buyers

significant

advantages.

Right after

UAE, USA, Hong

Kong and Belgium

are the active buyers

this year. To increase this

amount, every year Turkish jewellery

manufacturers attend jewellery

shows as so many sector players are

visiting shows to purchase and create

new business lines; and most of the

Bijou models are being designed

according to Gulf countries' taste.

Coming to legislation, Turkey's government has been instrumental in promoting a successful Gold Deposit Scheme. Brief us about the Scheme's features and performance so far.

Recently there has been a campaign called 'golden account' wherein Turkey's banks are adding tons of gold to their account. The 'golden account' scheme is offering customers a chance to open a time deposit gold account in banks as functioning assets to the national economy.

There are brokerage companies authorized by Turkish Treasury and experienced on precious metals

The

World Gold

Council estimates that by bringing 5,000 metric tons (5,512 tons) of treasure

into the banking system - an amount greater in value than

Ireland's GDP, Turkey aims to reduce gold imports and external borrowing. Gold is gradually being remonetized

again and with gold soon to become a Tier 1 asset, banks will

attempt to get a significant amount of gold onto their

balance sheets.

transactions. It is allowed only for the members to realize import. So these exchange members give companies brokerage service for import – export, as well as physical payment, refining, transfers, ounce transfers, storage, trading, hedging services through 'Metal Account'.

Foreign and domestic clients can get benefit from the physical markets advantages by creating account at one of these members. Troy is one of the most active and only member of Istanbul Gold Exchange that gives direct access to gold market.

Some Turkish banks are now offering customers the ability to use their gold based deposits for collateral on gold backed loans; accordingly others are allowing access to Turkish Lira or for access to credit cards. Isbank and Turkiye Garanti Bankasi, the country's biggest lenders by market value, offer gold-backed loans, where customers can bring jewellery or coins to the bank and take out loans against their value. Garanti also has a credit card linked to gold deposit accounts.

Government effort is to ease the nation's current account deficit by encouraging households to bring their gold coins which is estimated to be around \$302 billion. Turkish gold based deposit accounts have grown 15% this year calculated until the end of July, which is a 3 fold increase in standard savings accounts according to the Turkish Central Bank.

This campaign is targeted at Turks who traditionally give gold coins or jewellery as presents at weddings, births and circumcision ceremonies. The custom gained popularity a decade ago as Turkey's inflation rate topped 70%, making gold an attractive store of wealth.

The World Gold Council estimates that by bringing 5,000 metric tons (5,512 tons) of treasure into the banking system - an amount greater in value than Ireland's GDP, Turkey aims to reduce gold imports and external borrowing. Gold is gradually being remonetized again and with gold soon to become a Tier 1 asset, banks will attempt to get a significant amount of gold onto their balance sheets.

What is the scenario for the investment demand for precious metals in the country?

Gold demand in Turkey is increasing due to more awareness especially within small traders. Besides from gold buying for investment purpose, there has been rise in jewellery and ornament purchases. Recently gold lived sharp drop and it has

been expected for long time not only on gold price but also over the commodity prices. Recovery on American economy and FED's move to conclude the quantitative easing and mood of optimism on global economy bring this expectation. Of course still there are some problems, waiting for solution. On the face of this picture, some cautious traders see gold again a safe port so that may cause gold price to rise again. It may not be seen a risk for the market nowadays but, markets point of view for this risk may change in 2015.

Istanbul Gold Exchange member, Troy Precious Metals Trading Inc., provides Physical Trading platform GOLDTAKAS for physical gold buyers, presents both Physical Free market and Istanbul Gold Exchange market to their hands. There is best price choice on the Live Exchange board. Troy is the first and only company that provides Istanbul Gold Exchange direct access.

Most important point is gold for TRY is determined by spot ounce price and USD/TRY rate. So there are 2 parities to follow up gold prices. Currently dollar strength is rising against TRY, so decreasing in gold prices may not be a good chance for Turkish buyers.

It is estimated, there are 5000 MT gold that is mattress saving. So to take out this huge quantity from mattress, there should be government policy as well as all other sector players' project. Economy law makers have some moves but there should be more campaign and awareness on this issue. Small investors accepted to give their physical gold to banks or companies like TROY. It is expected that this habit will increase day by day.

Again, Turkey's scrap (recycled gold and silver) market is quite robust.

What effects can the present unrest of global precious metals price bring to the total yearly scrap flow?

According to Istanbul Gold Exchange data, in the 6th century-old Grand Bazaar, there were 4000 jewelers and about 1.5 metric tons of scrap gold was processed into bullion there every day. Transaction volume totally was around 4.5 billion USD.

Today, there is 40 percent scrap return recorded every year and that means almost 50 Billion USD scrap commerce.

Generally decreasing gold prices stop the scrap gold recycle, gold holders do not prefer to turn into cash, they prefer to wait gold prices to gain more ground. When there is sharp drop on

the gold price, there is rising price difference between local markets and international spot gold price. That time gold demand rises along with the premium comprised on the price. Turkey is one of the major markets of gold and demand is met with premium. So scrap collectors want to use that advantage from Europe, Balkanian countries, Northern Africa and Middle East.

Lastly, how are you looking at the future of the industry on the present condition? What is your forecast for the precious metals trade both in demand and price front for next year?

Precious metals industry is a very dynamic and progressing day by day, both in jewellery and technology side. Use of GOLD will not lose any appeal regardless the low price levels. Jewellery sector players keep this industry by organizing global extensive fairs and designs of products are becoming more and more varied. Turkey now is the second biggest jewellery exporter, third biggest Jewellery manufacturer and fifth biggest Jewellery importer in the world. Turkey has entered a new period called as 'Branding'. Besides developing jewellery sector, bullion imports and scrap returns will also continue. Regarding gold prices, we see that in the middle of this year, with FED interest rates increase, dollar rapidly will gain ground. So gold price will be knocked down sharply and probably will step back from its price band for around 100 USD/oz at once.



Disclaimer: Views are personal and not the views of the publisher.



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Embrace Global Markets, Strengthen International Cooperation, Share China Opportunities, Advocate Mutual Benefits

Shanghai Gold Exchange, A Market-based and Global Exchange Center

Xu Luode, Chairman, Shanghai Gold Exchange

The Shanghai Gold Exchange (“Exchange” or “SGE”) was officially established on October 30, 2002 by the People’s Bank of China (“PBC”) under the approval of the State Council. In just little over a decade, the SGE has firmly placed itself as the most important domestic trading platform and central hub for spot and investment products in gold, silver and platinum. SGE’s success also extends to the international stage: it has been ranked as the world’s largest exchange for physical gold bullions for seven years in a row, and its trading volume in gold and silver reached 11.6 and 430.5 thousand metric tons respectively in 2013, which puts it as the fourth largest exchange in the world for gold and third largest in silver.

I. Background and Significance of the Launch of the International Board

The official launch of SGE’s International Board on September 18, 2014 has unveiled a new chapter in the reform and development of China’s gold market, and marked a solid step in the opening up of the China’s gold market to global investors. Its strategic launch underscores both SGE’s own

development needs and its desire for greater integration with international markets. The background and significance of the International Board are:

1. China has an enormous market base for gold products and harbors great potential.

In recent years, we have witnessed the trend of “oriental gold” playing an increasingly important role in the global market attributable to the rapid development of the China’s gold market: in 2013 alone, the gold produced and imported by China exceeded 50 percent of the world’s gold production and 60 percent of the world’s gold consumption, respectively. As the world’s biggest gold producer, consumer, and importer, China is gradually integrating itself into the global gold market. Meanwhile, China is still a relatively young market as compared to its more established siblings in the world; similarly, SGE has been operating for less than 12 years and is still in its early development stage. But the future is bright: as the urbanization spreads to far corners of China and national income level surges, the development and growth potential of the China’s gold market has never been stronger.



2. Chinese government has been a major proponent for advancing China’s gold market and ushering in its era of internationalization.

Chinese government regards the gold market as an indispensable component of China’s financial market and attaches great importance to its growth and development. PBC has laid a solid foundation for transforming it from a domestic commodity market based on spot products to an international investment market based on derivatives. On another front, the Chinese government established the Shanghai Pilot Free Trade Zone (“Shanghai FTZ”) in September 2013, signaling its determination to introduce more innovations and

reforms to the domestic financial system. As national efforts to internationalize RMB reach their crescendo, China's domestic gold market is facing an auspicious window and timing for pursuing its internationalization and greater openness.

The significance of the launch of the International Board is manifest in the following three aspects:

(1) The International Board provides a vital link between the domestic and international gold markets. By inviting foreign investors to trade in China's domestic market, the International Board has greatly expanded the size of the market and increased market liquidity. Foreign investors can take advantage of the diverse range of trading, pricing, and hedging instruments as well as the arbitrage opportunities of "RMB-denominated gold price, RMB interest rates, and RMB exchange rates" provides, and share in the benefits and wealth brought about by China's market reforms and development.

(2) The International Board provides a new investment channel for offshore RMB. The International Board offers an attractive investment channel for foreigners holding offshore RMB and imbues offshore RMB with greater investment value and liquidity than ever before. At the same time, the International Board has spurred innovations in FX and interest rate products, improved the visibility and standing of RMB as an international

money of account and settlement currency, and accelerated RMB's march to becoming an international currency.

(3) The International Board lends greater weight to the importance of Asian gold market on the international stage. China, India, Dubai and Singapore all enjoy vibrant trading scenes and comparative advantages; however, in the eyes of many investors, the influence wielded by the Asian markets is still very limited as a whole. Using the International Board as a launch pad, China's gold market will embrace greater openness and foster stronger ties with its neighbors and, together, elevate the trading and pricing influence of Asia in the world's gold market.

II. Key Features of the International Board

The launch of the International Board has attracted major spotlights from international markets due to its five prominent features:

1. Internationalization of market participants. SGE's first 40 high-profile international members include major global commercial banks, investment banks, gold refiners, and investment firms such as HSBC, Standard Chartered, Scotia Mocatta, Goldman Sachs, ANZ, Metalor, Heraeus and PAMP. International members are permitted to trade in all products listed on the Exchange through proprietary accounts and on behalf of international investors.

2. Internationalization of funds.

Offshore RMB and offshore convertible currencies can be used in the trading of RMB-quoted precious metals products offered by the Exchange via the PBC's Free Trade Accounting Unit.

3. Internationalization of pricing.

All products listed on the Exchange are denominated in RMB. As more market participants gather to trade on the Exchange, and onshore investors and domestic funds become more intertwined with offshore investors and offshore funds, the sphere of influence of trading prices on the Exchange will gradually expand from nearby regions to the whole world and, at the same time, RMB-denominated gold benchmark price will emerge as another financial index of global significance.

4. Internationalization of products.

SGE integrates the Main Board with the International Board so that domestic and foreign investors can trade in the same arena. After being admitted to the Exchange, international investors are allowed to trade in a wide array of products, including the three spot gold products listed on the International Board as well as spot and deferred products on the Main Board. In addition, to better meet the needs of the market, the Exchange has further optimized the structure of products and recently introduced (T+N) deferred products as a new choice for the investors. SGE has also embedded

bullion leasing service in its design of the International Board. SGE will concentrate on the launch of this service as its next step toward offering the full range of services that international investors demand.

5. Internationalization of delivery, storage and transportation

services. SGE provides delivery, storage, logistics and other supporting services for the importation and transit of gold through its fully modernized vault in the Shanghai FTZ that is capable of holding thousands of metric tons of gold. International investors may choose to conduct the delivery of physical gold at this vault at their own discretion. The physical gold so delivered may be imported into China by any qualified entity commissioned by the Exchange, or transited without restriction to any other country in the world.

III. Market Performance and Development Outlook of the International Board

As of November 2014, international members have traded more than 100 metric tons of gold in aggregate with a total turnover of around RMB 25 billion; imported gold tipped in at around 12 metric tons, and a total of 15 metric tons of gold have been deposited into the International Board Certified Vault. The market functions of the International Board are beginning to take root and contribute positively to the national economy.

As is widely expected, the International Board has shown a promising start, but SGE's internationalization initiative has just taken its first step, more efforts and time will be needed to realize the full market functions and economic impacts of the International Board.

1. Strengthen international cooperation and seek mutual

benefits. SGE and CME have recently signed a Memorandum of Understanding with regards to future cooperation efforts. As a perennial major consumer of gold and a close neighbor of China, India will undoubtedly become one of SGE's most important partners in the coming years. SGE looks forward to forming close partnerships with the Indian market.

2. Attract more foreign entities and investors to participate.

At present, a large number of international organizations have expressed their strong desire to join in the SGE and the Exchange itself has started the admission process for a second group of international members. Looking ahead, SGE will continue to admit competitive foreign entities as its members in accordance with market needs, and will allow international members to conduct brokerage services when the time is ripe and accelerate the preparatory steps for the eventual admittance of foreign individual investors.

3. Further tap into market

potentials and improve investor

service. In the future, the SGE will continue to optimize and enrich its range of bullion products, gradually open its silver, platinum, palladium and other precious metals products as well as price asking products and derivatives such as forwards and options to international investors. Furthermore, the SGE will focus on enhancing its transit and leasing businesses, gradually roll out foreign currency-based collateral services and FX swaps, accept offshore funds from more varied sources for International Board transactions, further improve the financial services offered to international members and customers in regards to account opening and cross-border funds transfers, provide customized and streamlined financial solutions to international members, and, by adopting a top-down design, offer exceptional and expedient services to international investors.

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Mr. Xu Luode, Bachelor of Economics and senior accountant, is the Chairman of Shanghai Gold Exchange. He is also the Vice Chairman of China Gold Association, the Vice Chairman of China Payment and Settlement Association, the Executive Member of China Finance Society, and the Executive Member of China Numismatic Society.



Disclaimer: Views are personal and not the views of the publisher.



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We are Optimistic about Singapore Jewellery Market

Asher O, Managing Director- India operations, Malabar Gold & Diamonds, talked about the effect of 80:20 rule on sourcing, jewellery demand pattern in Middle East and prospects of retail jewellery industry in India while giving an interview to **Bullion Bulletin**. Excerpts...

After implementation of 80:20 rule in 2013, how did you approach your business?

(Retail business expansion, sourcing of metal, unavailability of metal loans, bottom line problem)

Not with-standing the fact that the 80:20 had its undesirable implications on the Jewellery industry, the same goes without saying that it had its positives on the economy.

Our Modus operandi under this circumstance was simple,

(A) First and the foremost principal approach was to make sure our current stores operations were not in any way hampered and curtailed.

(B) Secondly Retail Expansions were by and large concentrated and targeted to those states wherein we already had presence, which were already in our books.

Since we had an export dissection, procuring metal became less of an issue due to the 80:20 directive, moreover both the above objectives were met due to this. Needless to say more and more suppliers approached us due to this business augmentation.

In the current changing environment, how important is it to professionalize the family business in case of retail jewellery houses? Share your experience.

In order for any business to make it to the next growth cycle, professionalization is essential. We have always had a professional approach to our business

since its inception and have been keeping up with the needs of the changing scenarios. We have a transparent organizational policy with clearly defined roles. Here, the business practices are a team effort, and everyone involved walks the talk with no exceptions.

Here team is a unit, an entity that has no weak links in the chain.

In the words of our Chairman "Ours is an empire built on Trust, Teamwork, and Goodwill. We derive our strength from many. Time from those who have time, talents from the talented, resources from the resourceful, and investment from the people who have the money; some from all our team, and all from some of our driving forces."

What kind of jewellery is preferred in Middle East market? What is the consumption pattern for jewellery there?

Middle East being a mix of over 120 nationalities has a demand of multiple kind of jewellery that caters to its diverse needs. Catering to the tastes of our customers, we sell jewellery in 24, 22, 21& 18 caratage. The demand is high for light weight daily wear jewellery in gold and diamonds. People in the Middle East are exposed to a lot of jewellery and they prefer international style. The demand for heavy traditional jewellery boosts during festivities and wedding. People are also increasingly buying gold on a monthly basis as a form of investment. Gold is being bought both as exquisite ornaments as well as one of the best investments for the future.

In some Middle East countries, there are reports that gold consumption has decreased in last 4-5 years. Is that true?

We currently have 46 showrooms across GCC and Singapore and have witnessed a continuous increase for gold and diamond jewellery across all countries that we have been operating in.

What is your growth expectation and business plan pertaining particularly to Singapore? Is Singapore a big market for Indian jewellery?

Having a lot of people of Indian origin and due to the consistent demand for gold & diamonds, we are very optimistic about Singapore jewellery market. We already have 2 showrooms in Singapore and are planning to open our 3rd one there in the month of December.

Lastly, what is your view on the prospects and future growth of Indian retail jewellery industry?

India is undoubtedly the largest market for gold and diamond jewellery in the world. The potential of this country is immense. To be the largest jewellery retailer in the world, we have to look no further than India. The culture, traditions and rituals are all interweaved with gold and precious gems; and this has been carried down centuries and will remain for centuries to come.

We see the prospects in India to be very positive for jewellery industry and retail in the coming years.



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The Sixth LBMA Assaying and Refining Conference

The Millennium Hotel, Grosvenor Square, Mayfair, London
8 - 10 March, 2015

Scope

Assaying, analysis and refining of precious metals, primarily covering gold and silver.

Who should attend?

Assayers and Analysts, Refinery Managers and Engineers, and anyone interested in hearing about the latest technical developments or in networking with members of their peer group located in precious metal refineries around the world.

At the last event, held in March 2013, 162 delegates from 27 countries participated.

Outline Programme

- Sunday 8 March
Evening: Welcome Reception
- Monday 9 March
Plenary Sessions covering a wide range of topics*
Evening: Conference Dinner
- Tuesday 10 March
Plenary Sessions covering a wide range of topics*

*Details of the speakers can be downloaded from the LBMA website:
www.LBMA.org.uk

Registration

Registration will open in January, please refer to the LBMA website for further details.

Fees (all subject to 20% VAT)

Conference Registration

The Conference Fee includes attendance at the plenary sessions, the welcome reception, lunches on 9 and 10 March, and the Conference Dinner:

- LBMA Members, Associates and Good Delivery Refiners: **£450**
- Others: **£550**

Optional Events

The Fee for each of the following optional events is £60 (plus 20% VAT). It includes a light lunch following the event as well as entrance fees, for the visit to the Royal Institution, and transport (in the case of the visit to Inspectorate).

The London Assay Office

The London Assay Office, located near St Paul's cathedral, is responsible for the assay-checking and hall-marking of precious metal products (both locally manufactured and imported). It is located at the rear of the livery hall of the Goldsmiths Company, one of oldest guilds in the City of London, with a history stretching back to 1300. The visit will include a quick tour of the livery hall, one of the finest in the City of London, followed by a tour of the assaying and hall-marking sections.

Inspectorate International

Inspectorate, one of the LBMA's Good Delivery Supervisors, is located at Witham in Essex, a 45-minute journey from London. The visit will focus on Inspectorate's wide-ranging facilities for sampling, assaying and analysing a range of metals and minerals.

Although visits to the other LBMA supervisors, ALS and Alex Stewart International (both of which are

located in Liverpool), are not included in the programme as options, both companies would be delighted to receive visits from delegates attending the Conference.

The Royal Institution

The Royal Institution is without doubt the place in London that anyone interested in the history of science in the UK should visit. Founded in March 1799, with the aim of introducing new technologies and teaching science to the general public, it has been at its present location in Albemarle Street in Mayfair ever since. Some of the great names who did their work here include Dewar, Bragg, Davy and especially Faraday. An idea of some of the iconic items that will be seen during the tour can be viewed on the RI's website: www.rigb.org.

Workshop on X-ray Fluorescence Spectrometry

Led by Dr Mike Hinds, Assay Chemist, Royal Canadian Mint
Due to its wide analytical range (ppm to %), simple sample preparations and least-cost-per-unit analysis, X-ray Fluorescence Spectrometry (XRF) has been widely used by many industry sectors, such as cement, metals, glass, petrochemicals, pharmaceuticals and mineral processing as a primary tool for analysis of their materials. This workshop will explain how XRF works and what makes it different from other atomic spectrometric techniques. The different types of XRF spectrometers will be discussed, and the advantages, disadvantages and limitations of each type of XRF will be highlighted (wavelength dispersive XRF versus energy dispersive XRF versus hand-held XRF). The workshop will end with a review of some examples of how XRF can be used for precious metal analyses.

भौतिक गोल्ड प्रतिपक्ष जोखिम रहित एकमात्र परिसंपत्ति वर्ग

डलगस आर मैक्वेरी, प्रेसीडेन्ट असान्ते गोल्ड कार्पोरेशन, ने बुलियन बुलेटिन को दिये साक्षात्कार में कंपनी के घाना में चल रहे प्रोजेक्ट, यहां के निवेश वातावरण तथा बढ़ती उत्पादन लागत के संबंध में विस्तार से चर्चा की। सारांश.....



हाल में किये एन आई 43-101 खनिज संसाधन अनुमान में 0.66 मिलियन टन अयस्क मौजूद होने की संभावना लगायी गयी है। इस मात्रा में 5.30 ग्राम प्रति टन गोल्ड रिकवरी होने के अनुमान स्वरूप कुल 112,000 औंस गोल्ड उत्पादन की संभावना है। साथ ही इन्डिकेटेड रिसोर्स 5.65 ग्राम प्रति टन तथा इन्फर्ड रिसोर्स 5.31 ग्राम प्रति टन के दर से क्रमशः 121,000 औंस तथा 115,000 औंस गोल्ड उत्पादन का अनुमान है

(,,,)। ये खनिज संसाधन काफी गहरे व 1 से 5 मीटर चौड़े गहरे लाल रंग तथा सिलिका क्षेत्र में प्रमुख स्ट्रक्चरल ब्रेक से जुड़े हुये हैं। कुबी के उत्तर में 20 किमी की दूरी पर प्रसिद्ध अशान्ती अपरुपण क्षेत्र स्थित है जहां 60 मिलियन औंस से ज्यादा ओबैसी गोल्ड अयस्क धारित क्षेत्र है।

अगले दो सालों में गोकनेट के साथ आपके संयुक्त उपक्रम की लागत 15 मिलियन डालर होने का अनुमान है।

आपको यह विचार कैसे आया कि यह खदान इतने बड़े निवेश के लिये लायक साबित होगी?

दुनियाभर में 5 ग्राम प्रति टन ग्रेड वाले भूमिगत गोल्ड संसाधन का खदान पर मूल्य औसतन 50 डालर प्रति औंस होता है (1200 डालर गोल्ड मूल्य के आधार पर)। इस अनुमान के अनुसार कुबी के अयस्क का खदान पर मूल्यांकन 17 मिलियन डालर होता है। उत्कृष्ट इन्फ्रास्ट्रक्चर तथा निकट में उपलब्ध मिलिंग सुविधा होने से, यह एक ऐसा संसाधन है जो, भूमिगत विकास तथा वृहद सैपलिंग के सकारात्मक परिणाम से, आसानीपूर्वक उत्पादन में लाया जा सकता है।

पश्चिमी अफ्रीका तथा घाना में गोल्ड माइनिंग में निवेश के लिहाज से वातावरण किस प्रकार है (विनिमयन, मजदूर कानून, रॉयल्टी, टैक्स इत्यादि के लिहाज से)?

घाना खनन के लिहाज से एक अच्छा देश है जहां खनन का इतिहास 1000 साल से भी पुराना है। यह अफ्रीका का दूसरा सबसे बड़ा गोल्ड उत्पादन करने वाला देश है जहां औसतन 3 से 4 मिलियन औंस गोल्ड का सालाना उत्पादन होता है। रॉयल्टी तथा टैक्स का स्तर मध्यम है- हालांकि देश की खनन मानसिकता तथा वृहद मात्रा में मौजूद अयस्क भंडार बेजोड़

घाना में चल रहे आपके प्रोजेक्ट के बारे में हमें कृपया बतलाइये? असान्ते द्वारा आकरा, घाना स्थित गोकनेट माइनिंग कंपनी लिमिटेड के साथ कुबी गोल्ड प्रोजेक्ट पर एक संयुक्त उपक्रम स्थापित करने के उद्देश्य से एक समझौता करार किया गया है (इस अंतिम निर्णय बाकी है)। कुबी खदान में वर्ष 1980 के मध्य के दौरान से लगभग 30 मिलियन डालर मूल्य का उत्खनन किया जा चुका है- जिसके परिणामस्वरूप एसईएमएस एक्सप्लोरेशन सर्विसेस लिमि द्वारा

है। घाना तथा यहां के नागरिक गोल्ड माइनिंग तथा इसके लाभ को समझते हैं। इसके कारण ही असान्ते अपने परिचालन तथा भविष्य के लिये घाना पर ध्यान केन्द्रित किये हुये हैं।

माइनिंग की बढ़ती परिचालन लागत तथा गोल्ड के गिरते भाव से माइनिंग उद्योग का टिके रहना कितना मुश्किल है?

भौतिक गोल्ड प्रतिपक्ष जोखिम रहित एकमात्र परिसंपत्ति वर्ग है। यही एकमात्र वास्तविक मुद्रा है— ऐसा मिस्त्र के नागरिकों के लिये साबित हुआ था और आज भी ऐसा हो रहा है। एक कमोडिटी के लिहाज से इसमें अनियमितता काफी कम है। इस आधार पर, गोल्ड की वर्तमान कीमत काफी कम है और ऐसा हमेशा रहेगा। जैसा कि इसमें हमेशा होता है कि, यह अपने मध्यवर्ती बिंदु पर वापसी यूएस डालर जैसी अधिदिष्ट मुद्रा के मुकाबले काफी उच्च मूल्यांकन पर करता है। गोल्ड की उच्च कीमतें तथा सही प्रोजेक्ट में निवेश गोल्ड माइनिंग कंपनियों तथा उसके हितधारकों के लिये अच्छा लाभ प्रदान करेगा। गोल्ड की नीची कीमत— जैसा कि अभी है— के दौरान स्थिर पूंजी तथा संयमित हितधारकों की जरूरत होती है। यह गोल्ड माइनिंग का इतिहास है।

वर्ष 2015 के दौरान खदानों से गोल्ड आपूर्ति की मात्रा पर आपका क्या विचार है?

वर्ष 2015 में वैश्विक गोल्ड माइनिंग का मात्रा कम रह सकती है, और गोल्ड की नीची कीमतें, सिकुड़ते

मार्जिन इसके नये उत्खनन प्रोजेक्टों पर विराम लगा सकते हैं।

वैन्कुअर के रहने वाले डलगस आर मैक्वेरी को 36 सालों का खनिज उत्खनन का अनुभव है जिसमें पिछले 18 साल का अनुभव पश्चिम अफ्रीका में है। कनाडा व घाना में इनके नेतृत्व में कई महत्वपूर्ण गोल्ड भंडार की खोज, अधिग्रहण तथा विकास हुआ है। पूर्व में पीएम आई गोल्ड कार्पोरेशन के सीईओ पद पर रहने के दौरान इन्होंने घाना गोल्ड उत्खनन तथा विकास के लिये 45 मिलियन डालर एकत्रित करना इनका दायित्व था। डलगस आर मैक्वेरी असान्ते गोल्ड कार्पोरेशन के सह-संस्थापक हैं।



घाना खनन के लिहाज से एक अच्छा देश है जहां खनन का इतिहास 1000 साल से भी पुराना है। यह अफ्रीका का दूसरा सबसे बड़ा गोल्ड उत्पादन करने वाला देश है जहां औसतन 3 से 4 मिलियन औंस गोल्ड का सालाना उत्पादन होता है। रॉयल्टी तथा टैक्स का स्तर मध्यम है— हालांकि देश की खनन मानसिकता तथा वृहद मात्रा में मौजूद अयस्क भंडार बेजोड़ है। घाना तथा यहां के नागरिक गोल्ड माइनिंग तथा इसके लाभ को समझते हैं। इसके कारण ही असान्ते अपने परिचालन तथा भविष्य के लिये घाना पर ध्यान केन्द्रित किये हुये हैं।

हम सिंगापुर ज्वैलरी बाजार को लेकर आशान्वित

अशर ओ, मैनेजिंग डायरेक्टर-इन्डिया ऑपरेशन, मलाबार गोल्ड एंड डायमंड, ने गोल्ड सोर्सिंग पर 80:20 नियम के प्रभाव, मिडिल ईस्ट में ज्वैलरी की मांग के रुख तथा भारत में रिटेल ज्वैलरी उद्योग की संभावनाओं पर बुलियन बुलेटिन के साथ अपने साक्षात्कार में विस्तार से बातचीत की। सारांश....

साल 2013 में 80:20 नियम के लागू हो जाने के बाद आपने अपने कारोबार के लिये किस तरह का दृष्टिकोण अपनाया है? (रिटेल कारोबार का विस्तार, सोर्सिंग, धातु लोन की अनुपलब्धता इत्यादि)

इस बात को महत्व नहीं देते हुये कि 80:20 नियम का ज्वैलरी उद्योग पर काफी अनवांछित प्रभाव पड़ा है, इसने अर्थव्यवस्था के सुधार के लिये काफी सकारात्मक भूमिका निभायी है।

इस परिवेश में हमारी कार्य-प्रणाली काफी साधारण थी,

- पहला तथा सबसे महत्वपूर्ण सिद्धांत कि अपने वर्तमान स्टोर परिचालन को किसी भी तरह से प्रभावित नहीं होने देना
- दूसरा, रिटेल का विस्तार ज्यादातर ऐसे राज्यों में करना जहां हम पहले से ही मौजूद हैं।

जैसा कि हम निर्यात कारोबार में भी हैं इसलिये 80:20 नियम के अंतर्गत धातु की खरीदी हमारे लिये कोई प्रमुख समस्या नहीं थी, और इसी के चलते ही हमारे उपरोक्त उद्देश्य भी पूरे किये जा सके हैं। यह कहना नाहक होगा कि हमारी इस व्यवसायिक वृद्धि से ज्यादा से ज्यादा सप्लायरों ने हमसे संपर्क साधा है।

इस वर्तमान परिवर्तित वातावरण में यह कितना तार्किक है कि पारिवारिक व्यवसाय को पेशेवर रूप में परिवर्तित किया जाये। कृपया हमें अपने विचार बतलायें? किसी भी व्यवसाय को ग्रोथ के अगले चरण में ले जाने के लिये पेशेवर सिद्धांत अपनाना बहुत जरूरी है। हमने अपने व्यवसाय की

शुरुवात से ही एक पेशेवर जैसा ही सिद्धांत अपनाया हुआ है और इसे इस परिवर्तनशील वातावरण में जारी रखा है। हमारी एक पारदर्शी संगठन नीति के साथ स्पष्ट रूप से तय नियम हैं। यहां व्यवसाय एक टीम का प्रयास है और इसमें शामिल सभी के लिये बिना किसी अपवाद के एक समान चाल लागू है। यहां टीम एक युनिट है और संस्था में कोई कमजोर कड़ी नहीं है।

हमारे चेयरमेन के शब्दों में, हमारा कारोबार विश्वास, टीमवर्क तथा साख पर टिका एक साम्राज्य है। हम अपनी मजबूती कईयों से प्राप्त करते हैं। समय जिसके पास समय है, टैलेन्ट जो कि टैलेन्टेड है, संसाधन को संसाधनयुक्त से तथा निवेश ऐसे लोगों से जिनके पास धन है; हमारी सभी टीमों में से कुछ तथा कुछ के सभी हमारी मुख्य ताकत हैं।

मिडिलईस्ट बाजार में किस प्रकार की ज्वैलरी पसंद की जाती है? वहां ज्वैलरी की खपत किस प्रकार की है?

मिडिल ईस्ट में 120 देशों के नागरिकों का जमाव है जिसके चलते यहां विभिन्न प्रकार की ज्वैलरी की मांग रहती है। अपने ग्राहकों की जरूरत को ध्यान में रखते हुये हम 24, 22, 21 व 18 कैरेट की ज्वैलरी की बिक्री करते हैं। हल्के वजन की रोजाना पहने जा सकने वाली तथा डायमंड ज्वैलरी की मांग यहां सबसे ज्यादा है। मिडिल ईस्ट के लोगों को काफी सारी ज्वैलरियों के बारे में पता है और ये अंतरराष्ट्रीय डिजाइन की ज्वैलरी पसंद करते हैं। भारी तथा परंपरिक ज्वैलरियों की मांग त्योहारों तथा शादी-ब्याह के समय में ज्यादा होती है। इसके साथ ही लोग मासिक समय पर निवेश के लिहाज से भी गोल्ड खरीदते हैं।

कुछ मिडिल ईस्ट देशों में ऐसा पाया गया है कि पिछले ३-४ सालों के दौरान यहां ज्वैलरी की मांग में कमी आयी है? क्या यह सत्य है?

हमारी अभी जीसीसी तथा सिंगापुर में 46 रिटेल शोरूम हैं जहां हमने इस सभी देशों में गोल्ड व डायमंड ज्वैलरी की मांग में लगातार वृद्धि होते देखा है।

सिंगापुर के लिहाज से आपकी ग्रोथ की दर तथा व्यवसायिक योजना किस प्रकार की है? क्या सिंगापुर भारतीय ज्वैलरी के लिये एक बड़ा बाजार है?

काफी सारे भारतीय नागरिकों की उपस्थिति तथा गोल्ड व डायमंड ज्वैलरी की लगातार मांग होने के चलते हम सिंगापुर बाजार को लेकर काफी आशावादी हैं। हमारे सिंगापुर में पहले से ही 2 शोरूम हैं तथा दिसंबर माह के दौरान हमारी तीसरी शोरूम खोलने की योजना है।

अंत में, भारतीय रिटेल ज्वैलरी उद्योग में ग्रोथ को लेकर आपका किस तरह का विचार है?

भारत बेशक रूप से विश्व में गोल्ड तथा डायमंड ज्वैलरी का सबसे बड़ा बाजार है। इस देश की संभावनायें अपार हैं। विश्व का सबसे बड़ा ज्वैलरी रिटेलर बनने के लिये हमें भारत से आगे भी ध्यान देना होगा। संस्कृति, परंपरा तथा अनुष्ठान सभी गोल्ड तथा बहुमूल्य रत्नों से जुड़े हुये हैं; यह सभी सदियों से चल रही है और सदियों तक निभायी जाती रहेंगी। आने वाले सालों में हम भारत में ज्वैलरी उद्योग तथा रिटेल के विकास की व्यापक संभावनायें देखते हैं।



Bullion - Data & Statistics

Gold Spot Market, International (Per Troy Ounce)			
Spot gold	01 st Jan	21 st Jan	% Change
Australia(AUD)	1451.00	1594.37	9.42
Britain(GBP)	761.67	852.88	11.31
Canada(CAD)	1378.72	1594.63	14.55
Europe(Euro)	981.70	1111.95	12.46
Japan(Yen)	142284.50	152257.90	6.77
Switzerland(CHF)	1180.29	1111.54	-6.00
USA(USD)	1186.72	1291.80	8.48

Silver Spot Market, International (Per Troy Ounce)			
Spot Silver	01 st Jan	21 st Jan	% Change
Australia(AUD)	19.33	22.33	14.45
Britain(GBP)	10.14	11.94	16.36
Canada(CAD)	18.36	22.34	19.59
Europe(Euro)	13.07	15.57	17.50
Japan(Yen)	1895.99	2133.08	11.78
Switzerland(CHF)	15.72	15.56	-0.98
USA(USD)	15.82	18.10	13.49

Monthly Exchange Data (Gold) (From Jan 01-21)						
Exchange	Commodity	Open	High	Low	Close	% Ch.
MCX	Gold April'15	26950.00	28271.00	26600.00	27977.00	3.67
NCDEX New	Gold April'15	27214.00	28646.00	27214.00	28646.00	4.09
COMEX	Gold April'15	1185.00	1308.00	1168.30	1294.70	8.86
TOCOM	Gold April'15	4577.00	4934.00	4577.00	4917.00	6.90

1- Rs/10 gms, 2- \$/oz, 3- Jpy/gm

Fortnightly Exchange Data (Silver) (From Jan 01-21)						
Exchange	Commodity	Open	High	Low	Close	% Ch.
MCX	Silver Mar'15	36051.00	40580.00	35698.00	39923.00	10.37
NCDEX	Silver Mar'15	36263.00	40260.00	36263.00	40260.00	7.35
COMEX	Silver Mar'15	15.73	18.51	15.51	18.19	15.38
TOCOM	Silver April'15	62.30	68.30	61.80	68.10	8.90

1- Rs/kg, 2- \$/oz, 3- Jpy 0.1/gm

Gold Spot Market, India			Rs/10gm
Spot Gold	01 st Jan	21 st Jan	% chg
Delhi	27100.00	28500.00	5.04
Mumbai	26880.00	28500.00	5.85
Bangalore	27083.00	28506.00	5.12
Chennai	26990.00	28640.00	5.93
Kolkata	27070.00	28675.00	5.76
Hyderabad	27040.00	28610.00	5.64
Ahmedabad	26602.00	28168.00	5.72

Currency Change (Monthly)		
	01 st Jan	21 st Jan
EUR/USD	1.2104	1.1610
USD/JPY	119.79	117.95
USD/INR	63.35	61.62
USD/AUD	1.2222	1.2368
USD/GBP	1.5546	1.5143

Silver Spot Market, India			Rs/kg
Spot Silver	01 st Jan	21 st Jan	% chg
Mumbai	36700.00	40900.00	10.84

Bullion - Data & Statistics

Gold Forward Offer Rate (GOFO)		
	01 st Jan	21 st Jan
1m	-0.04000	0.06750
2 m	-0.02000	0.07750
3 m	-0.01333	0.08250
6 m	0.02333	0.09500
1 y	0.13500	0.13500

Gold Lease Rate		
	01 st Jan	15 th Jan
1m	0.20750	0.06300
2 m	0.23420	0.10670
3 m	0.25560	0.14510
6 m	0.34147	0.23890
1 y	0.49780	0.46740

LONDON FIXING (Per Troy Ounce)										
GOLD AM			GOLD PM				SILVER			
DATE	USD AM	GBP AM	EUR AM	USD PM	GBP PM	EUR PM	DATE	USD CENTS	GBP PENCE	EUR CENTS
01/02/2015	1184.25	1172.00	766.41	760.79	983.35	974.88	01/02/2015	15.71	10.17	13.03
01/05/2015	1192.00	1200.00	779.90	788.02	998.91	1005.53	01/05/2015	15.88	10.42	13.34
01/06/2015	1211.00	1210.25	797.08	797.16	1017.31	1014.72	01/06/2015	16.29	10.72	13.70
01/07/2015	1213.75	1210.50	802.37	802.29	1023.83	1023.68	01/07/2015	16.33	10.80	13.81
01/08/2015	1206.50	1215.50	800.97	805.87	1025.06	1030.52	01/08/2015	16.37	10.87	13.91
01/09/2015	1211.25	1217.75	799.61	803.90	1025.09	1030.77	01/09/2015	16.24	10.72	13.75
01/12/2015	1222.00	1226.50	808.09	808.50	1035.77	1035.72	01/12/2015	16.52	10.91	14.00
01/13/2015	1239.00	1231.50	820.97	812.71	1049.91	1047.28	01/13/2015	17.00	11.23	14.42
01/14/2015	1228.75	1235.00	808.76	812.13	1044.99	1049.01	01/14/2015	16.64	10.96	14.16
01/15/2015	1235.25	1259.00	811.76	827.96	1055.41	1082.17	01/15/2015	17.12	11.23	14.63
01/16/2015	1258.25	1277.50	826.76	843.85	1082.37	1107.21	01/16/2015	16.92	11.13	14.60
01/19/2015	1275.50	1273.75	841.41	839.87	1099.85	1096.08	01/19/2015	17.65	11.64	15.23
01/20/2015	1292.25	1288.75	852.35	848.92	1113.63	1112.14	01/20/2015	17.80	11.75	15.37
01/21/2015	1298.00	1293.50	859.32	855.55	1121.67	1110.11	01/21/2015	18.22	12.05	15.74

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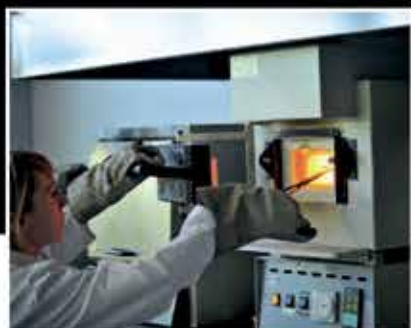
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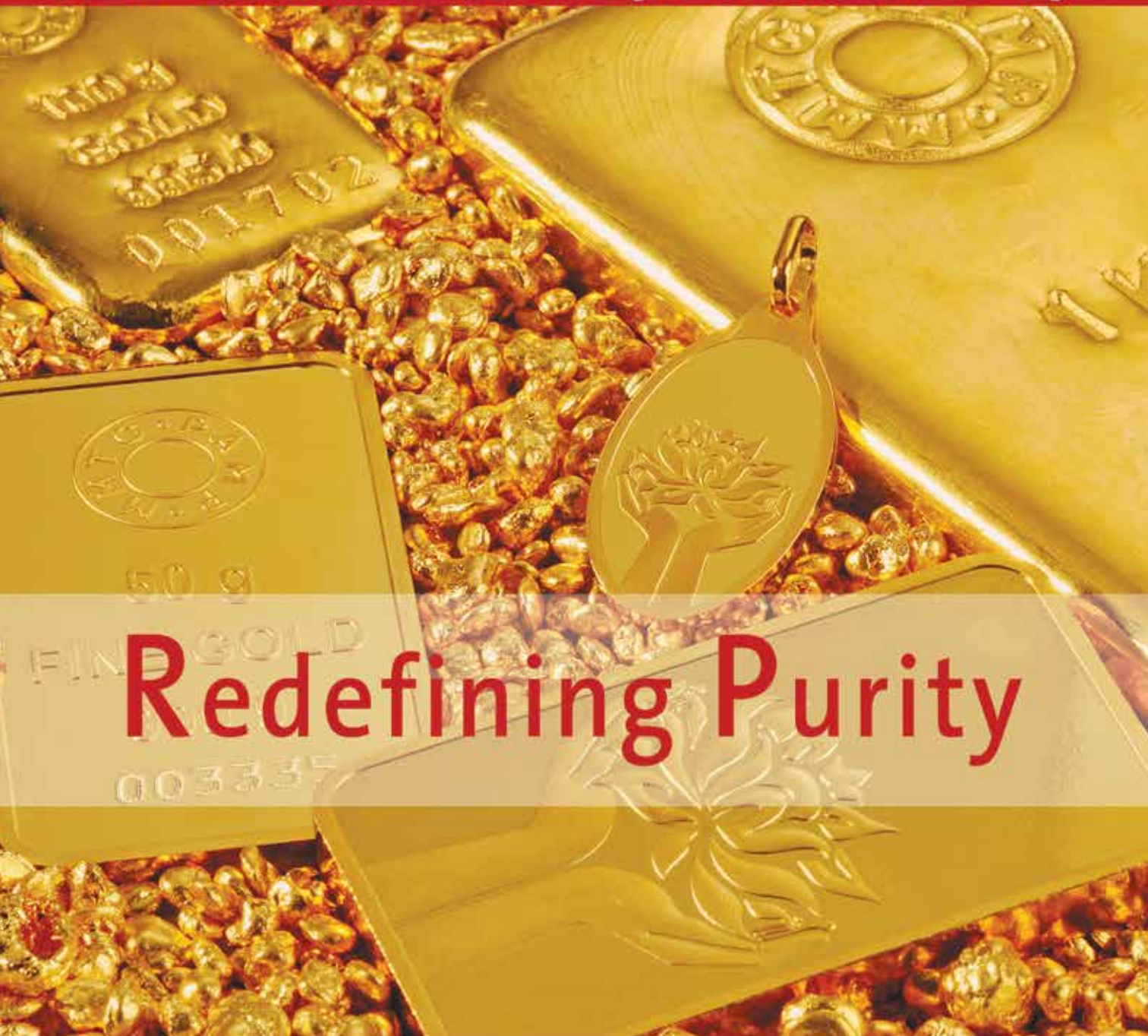
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