

# Equity Investment Advisers Gold Report



Tuesday, 02 July 2019

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## Australia sees gold overtaking thermal coal as export earner

Australia expects gold to overtake thermal coal as its fourth-largest export earner in the coming financial year as coal prices fall on subdued demand from Asia, while global tensions prop up gold prices.

Asian demand for the heating fuel is expected to top out this year, as large consuming countries, including China, turn to cleaner energy such as hydropower, nuclear and renewables, Australia's Department of Industry said in its Resources and Energy quarterly report.

Australia is the world's second-biggest exporter of thermal coal, behind Indonesia, shipping out an estimated 209 million tonnes last financial year. Some 39% of its exports go to Japan, and roughly a quarter to China.

"The trend for world imports ... is likely to be slightly downwards. Imports from most developed countries are forecast to decline, as governments phase out coal-fired power generation," the report said.

It also pointed to signs that Japan would pivot away from thermal coal more quickly than expected, after the country shelved two coal-fired power projects in the past six months with a third also likely.

Australia's exports were forecast to grow slightly in 2020/21, but the report forecast a fall in benchmark Newcastle spot prices from \$105 a tonne in 2018 to \$83 a tonne this year and \$75 in 2020.

At the same time, exports from the world's second-largest gold producer are set to climb 12% in the 2019/20 financial year from 329 tonnes in the year to end-June, while gold prices are expected to rise.

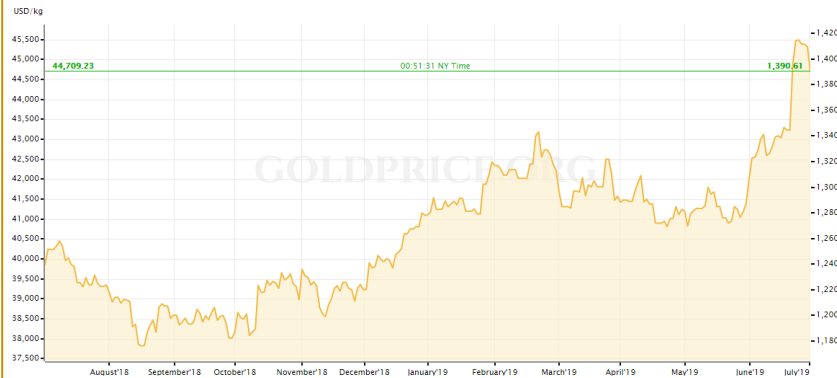
"Trade and geopolitical risks are likely to support gold prices," it said. The report expected gold to average \$1,440 an ounce in 2021, compared with \$1,392 an ounce on Monday.

It forecast gold exports worth A\$22.0 billion (\$15.40 billion) in 2019/20, ahead of A\$21.2 billion of thermal coal exports.

Total resource and energy commodity earnings for 2019/20 were expected to rise by 3.4% to \$285 billion, partly due to a prolonged shortage in iron ore exports from Brazil and a weaker Australian dollar.

This morning the Australian Department of Industry issued a quarterly report on Resources and Energy, in which it said that the growing demand for gold was to elevate it to Australia's fourth largest export earner, and with the gold price still high at A\$1,986.66, the hope is that physical gold is entering a new bear market that will revive global gold mining and guarantee the future of the industry for decades to come.

## Gold Price



## Silver Price



## Gold To Silver Price Ratio



## The resurgence of Australia's gold fields: How growing demand is bringing fresh life to old mines

With gold reaching a record price of A\$2,044 per ounce last month, it's no surprise that gold mining in Australia is enjoying a fresh wave of interest from investors and consumers alike.

One region in particular, Victoria, has seen production double over the past five years. Regional Victoria is estimated to hold around 80 million ounces of gold underground, based on mine assessments and radar scans of the terrain, and growing demand for gold amidst global economic uncertainty has made gold mining companies hot property once more.

The Fosterville Mine in Bendigo, central Victoria, has a reserve of 2.7 million ounces of high quality gold. New investment into the company has allowed the mining operation to go deeper, which in turn has resulted in a significant increase in the quality of gold. The site is now producing 31 grade gold: that is to say, 31 parts per million. Typically mines produce gold between 4 and 10 parts per million.

Fosterville isn't the only success in the state though, with the Castlemaine Goldfields mine in Ballarat open once again after 100 years of closure. Other operations, including the Costerfield Mine also near Bendigo, and the Stawell Mine, have resumed operations within the past 12 months.

The other major gold state, Western Australia, hosts the Gruyere gold mine – Australia's last major gold discovery. Gruyere produced its first gold bar over the weekend since opening in 2013, with estimates that the mining site could produce gold for at least the next 12 years.

Western Australia is also a testing site at present for renewable power.

## The Quick Rundown: Italian Gold Struggle Continues

- The European Central Bank has given tentative approval to the Italian coalition government for it to amend the official terms of ownership with regards Italy's national gold reserves.
- The ECB cautiously permitted the Italian government to proceed with its changes on Tuesday, though stated its expectations that the government consults with the Bank of Italy over any changes, for the sake of full transparency and in order to respect the independence of the central bank.
- At present, la Banca d'Italia is the official owner of Italy's 2,451.8 tonnes of gold bullion. The right-wing Lega party (one half of Italy's coalition government) is keen to amend the law to clearly state that the bank holds the gold specifically on behalf of the Italian state.
- The ECB is concerned by the phrase "an exclusive title of deposit", which the European bank feels could be a hindrance to the Italian central bank regarding its access to the gold reserves and its responsibilities.

You may also be interested in:

<https://www.moneymetals.com/news/2019/06/27/steve-forbes-gold-key-insights-oot8o3>

<https://www.marketwatch.com/story/5-reasons-why-2019-has-been-golds-time-to-glitter-2019-07-01?mod=commodities>

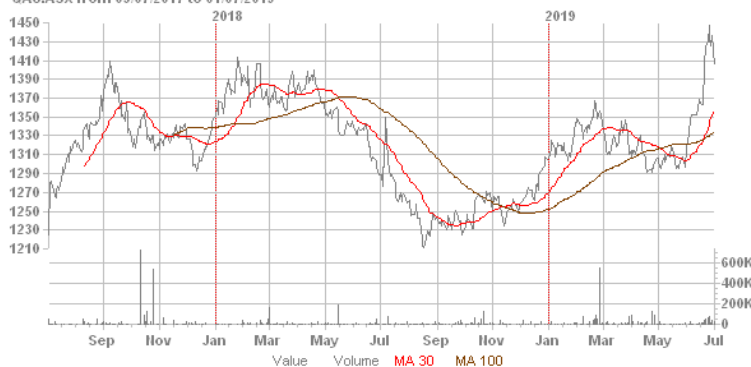
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## ETF – Betashares Gold

GAU.ASX from 03/07/2017 to 01/07/2019



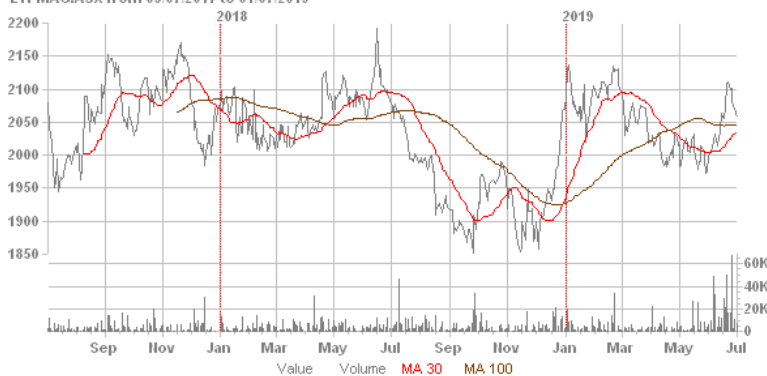
## ETF – Physical Gold

GOLD.ASX from 03/07/2017 to 01/07/2019



## ETF – Physical Silver

ETPMAG.ASX from 03/07/2017 to 01/07/2019



Listing (ASX)	Points	Percent.	Price
Evolution Mining	0.075	1.781%	\$4.285
Newcrest Mining	0.180	0.576%	\$31.440
Northern Star	0.170	1.521%	\$11.350
Rio Tinto	1.950	1.862%	\$106.700
South32	0.110	3.438%	\$3.310

As at 5:00 pm NZT, 02 July