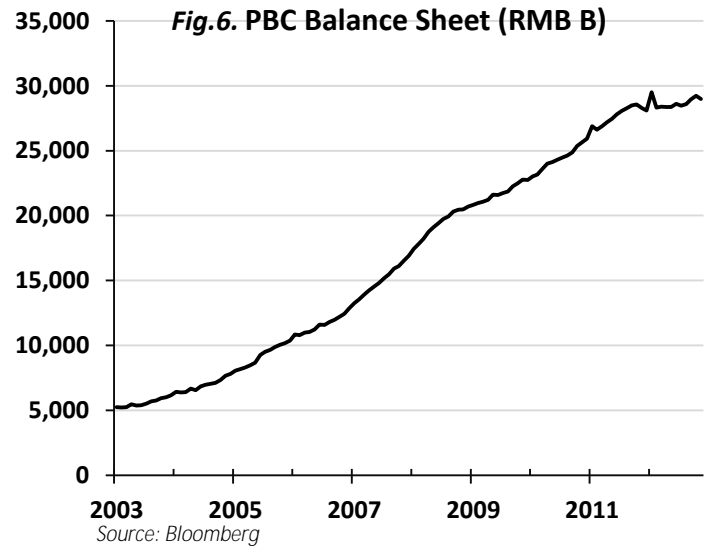
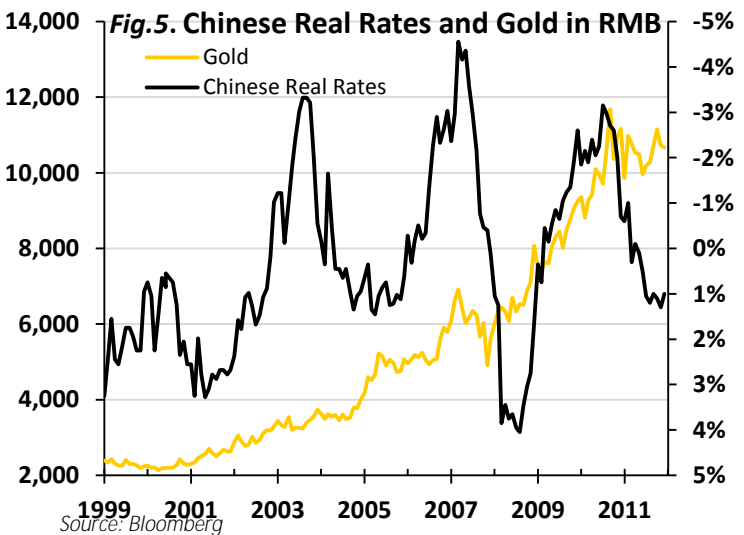
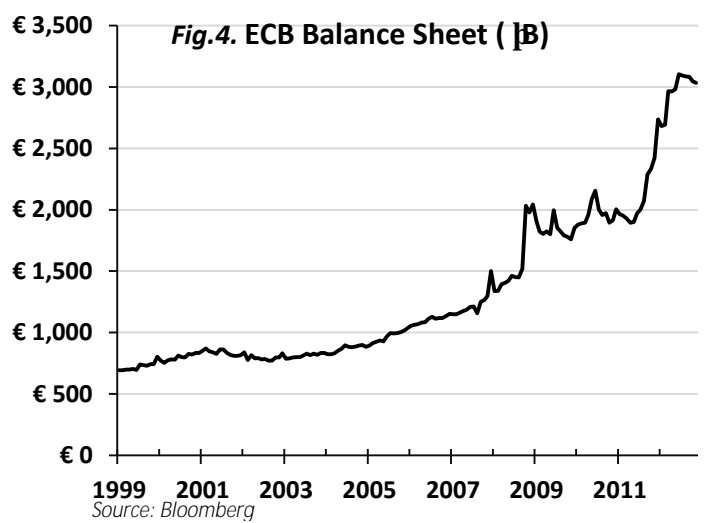
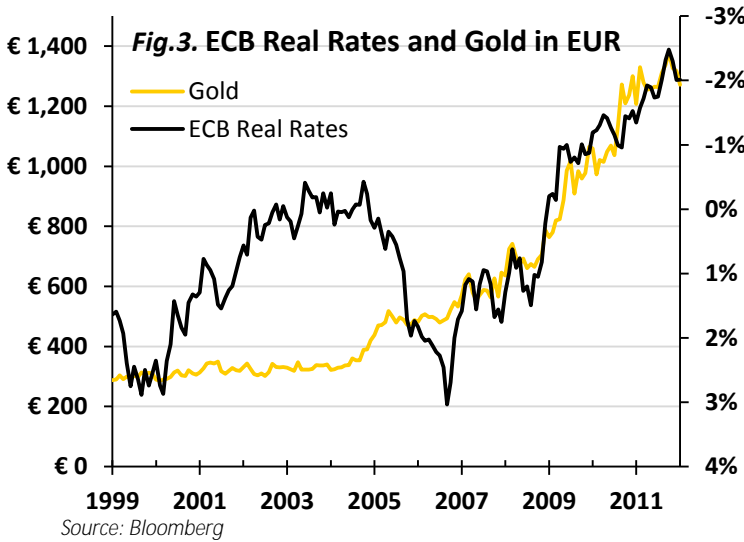
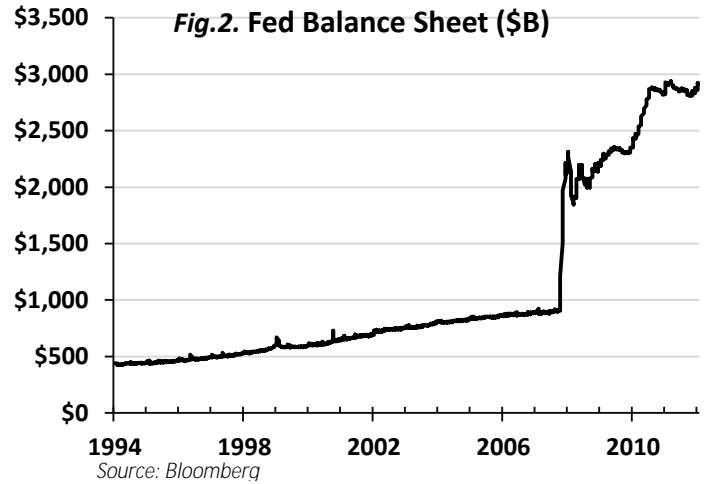
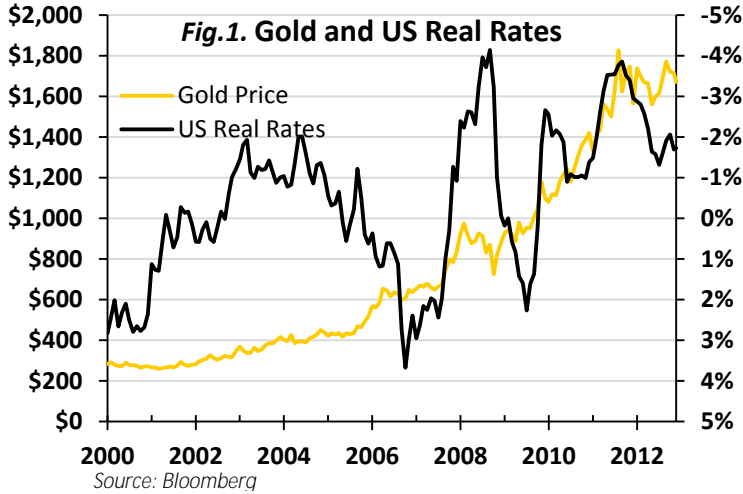


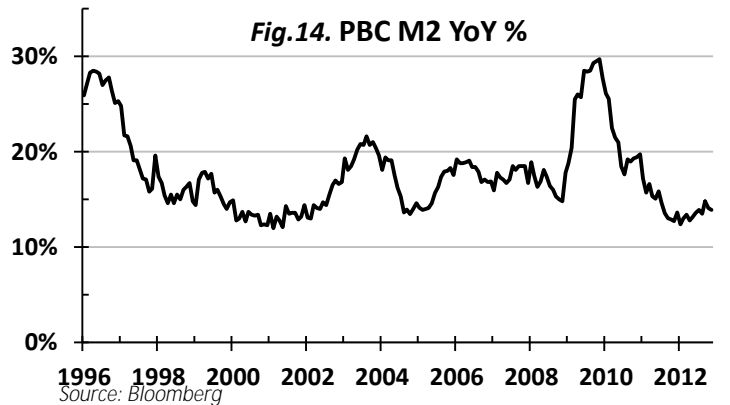
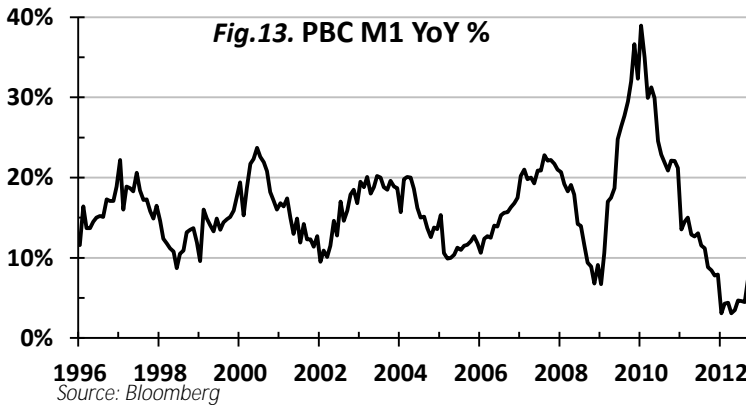
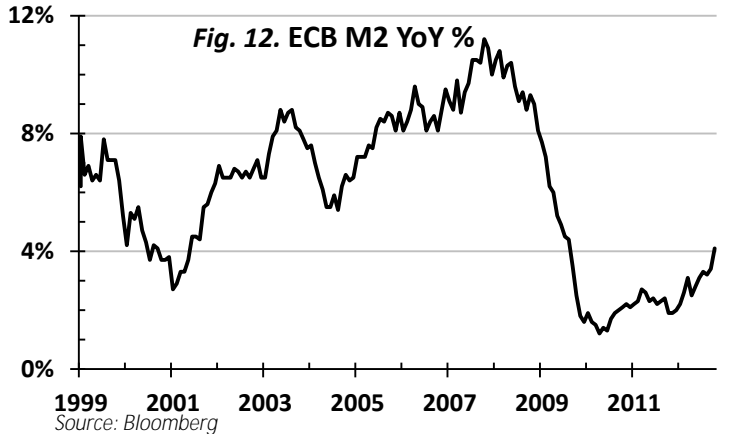
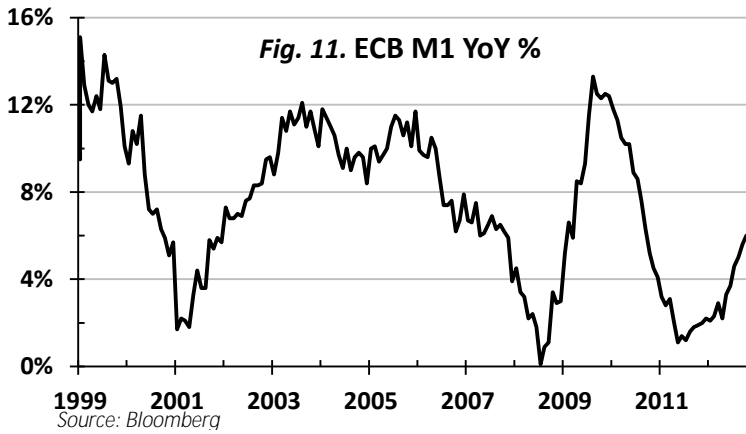
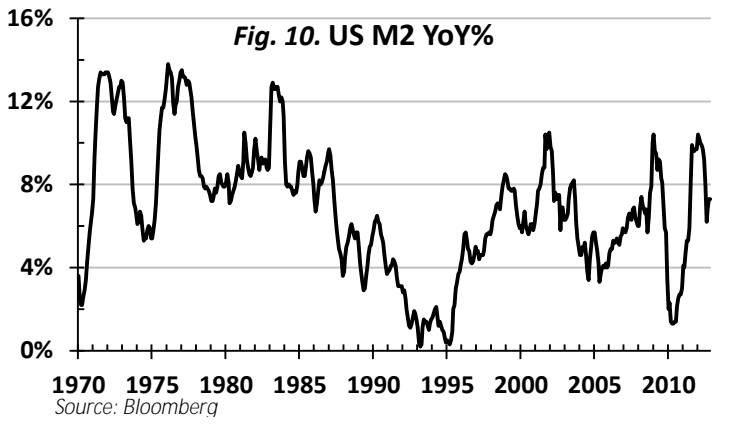
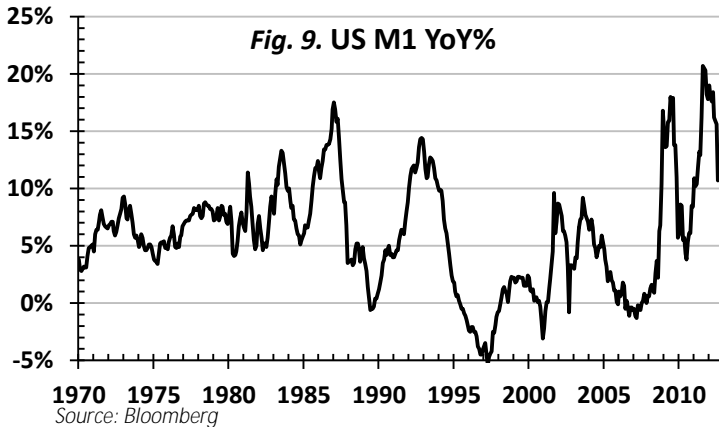
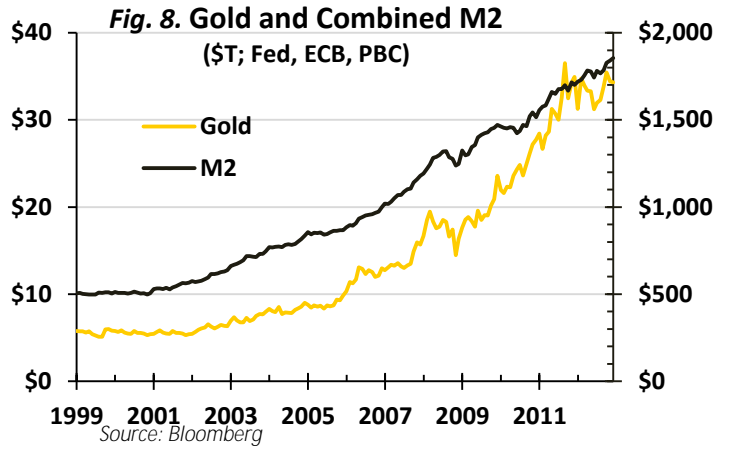
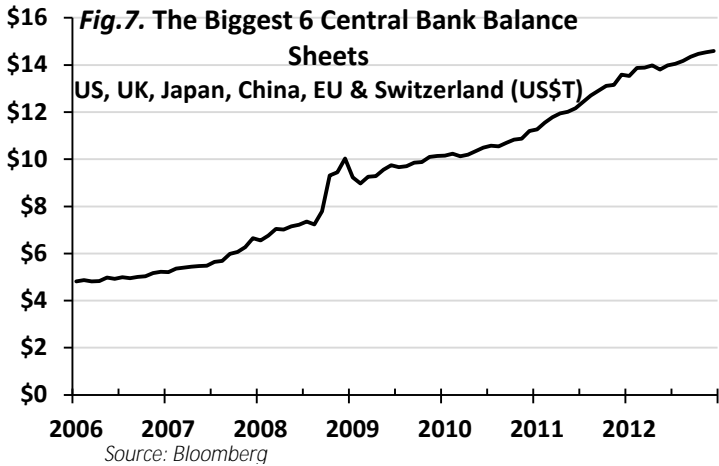
Gold Monitor

- Macro charts show bloated and still expanding central bank balance sheets, negative real interest rates in major currencies, and rapid growth of monetary aggregates. One could argue that these facts are well known, and that is certainly the case. However, the consequences of these facts are still unknown, and therefore undiscounted by the markets. This in our opinion is the basis for further upside in the gold price.
- Charts 16 & 17 reveal a potential time bomb for US treasuries. Interest on the public debt is close to historical lows, due in part to Fed manipulation, the “fear” trade, and old fashioned momentum. Think of what 300 or 400 additional basis points across the yield curve would do to the fiscal deficit. (Hint: what is $4\% \times \$16$ trillion as a percent of future fiscal deficits? Answer: it is very high).
- Charts 22 & 23 reflect the declining willingness of foreign investors to invest in US securities. It may have something to do with the point above.
- Charts 27, 30 & 31 indicate that despite all of the talk about gold, it remains very underowned.
- Charts 34 & 35 show that sentiment is at, or approaching rock bottom levels from which rallies can be reliably be expected.
- Chart 44 shows that despite all of the sell side whining about rising costs (see Chart 45), profits are at record levels.
- The consequence of Chart 44 is reflected in Chart 48, a steady decline in equity issuance. We believe declining equity dilution is an important positive fundamental change in the industry that will help lead to expanding valuation of gold mining equities.

SECTION I. MACRO



SECTION I. MACRO

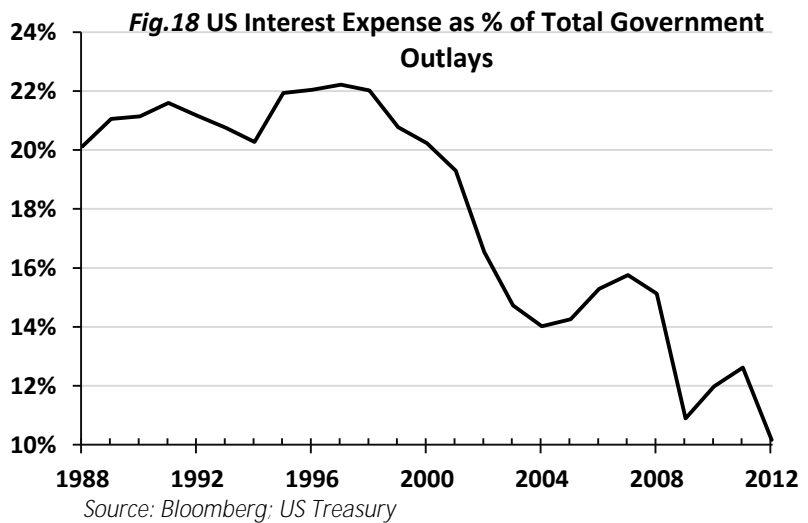
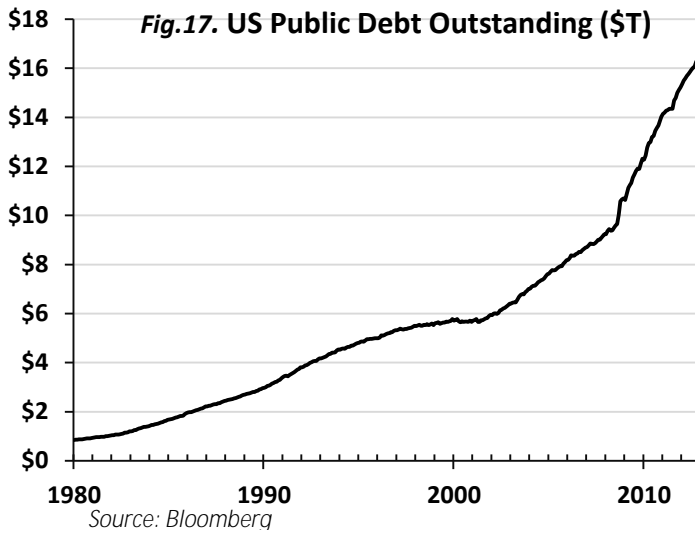
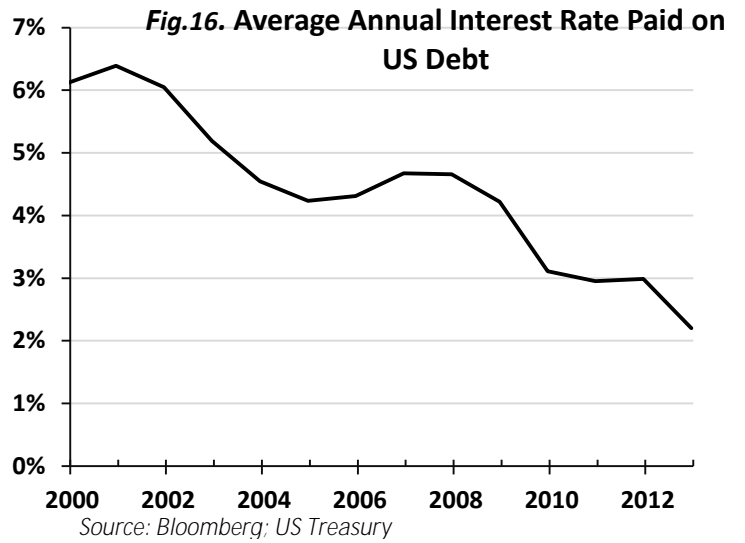


SECTION I. MACRO

Fig.15. Inflation

Dec-12	US	Euro Area	China
Headline CPI	1.80%	2.20%	2.00%
Core CPI	1.90%	1.40%	n/a
Shadowstats	9.41%	n/a	n/a

Source: Bloomberg; Shadow Government Statistics



SECTION I. MACRO

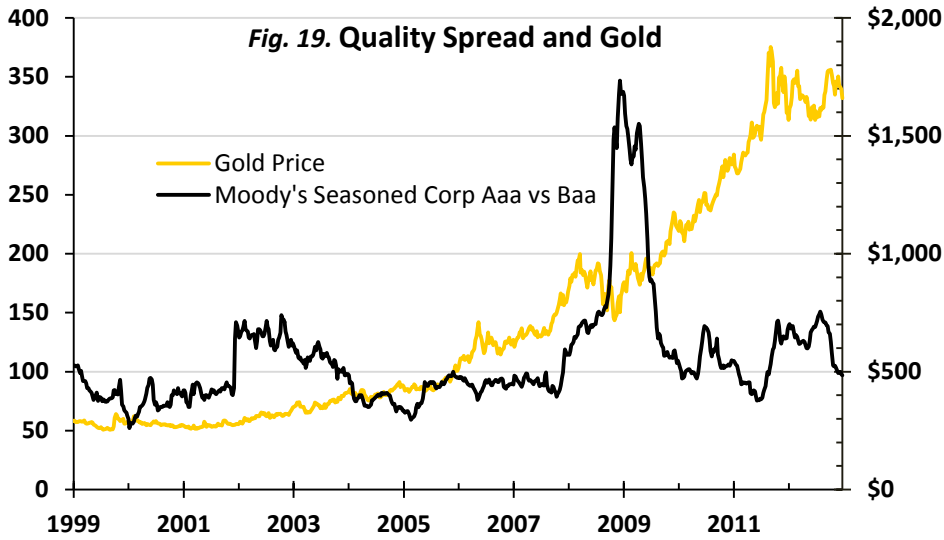


Fig.20. The Debt Ceiling (\$T)

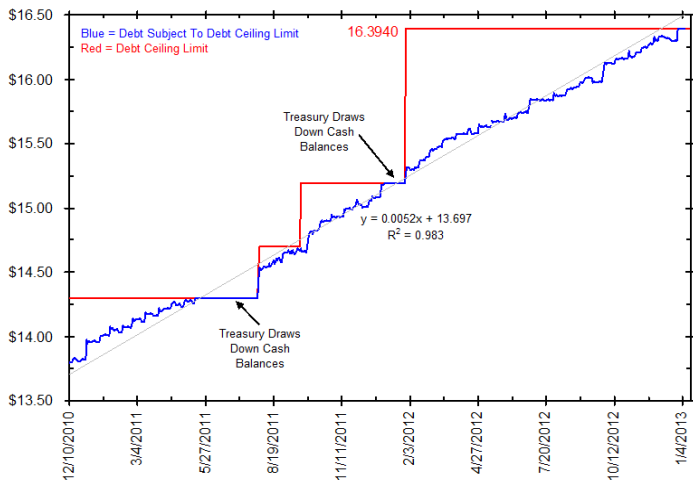


Fig.21. Global Forex Accumulation. 12 months sum

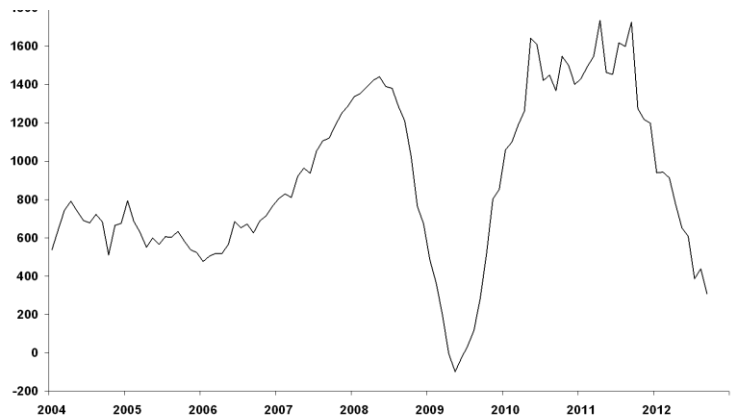


Fig.22. China Net Purchases of LT US Securities (annual \$B)

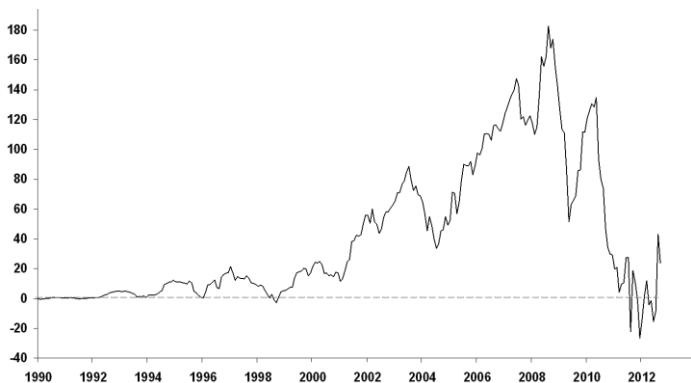


Fig.23. Share of Global Forex Accumulation Recycled into US Securities



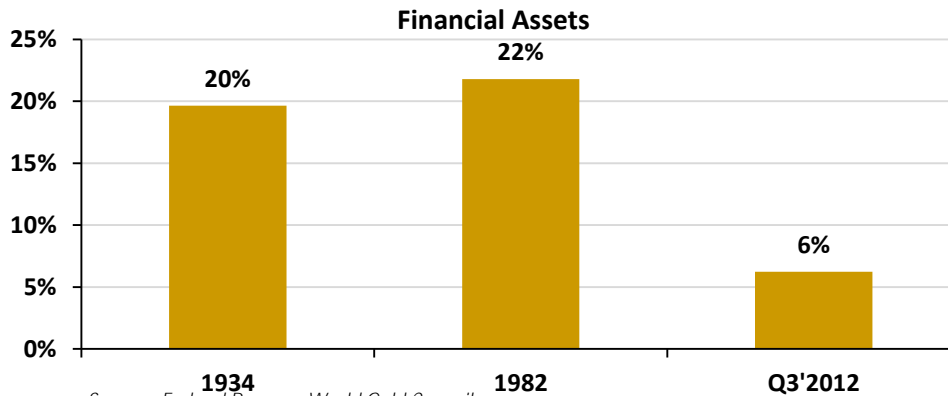
SECTION II. GOLD

Fig. 24. Gold Supply and Demand(tonnes)

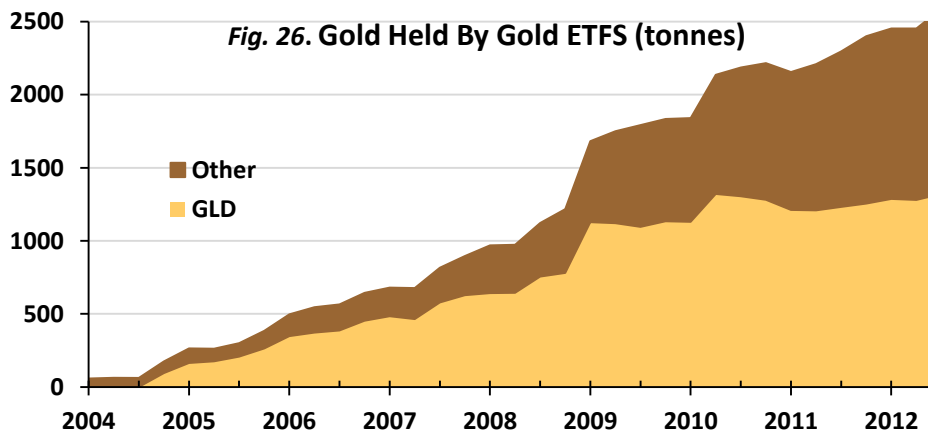
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Q32012
Supply											
Mine production	2,591	2,592	2,478	2,550	2,481	2,476	2,409	2,584	2,739	2,827	2,101
Old gold scrap	835	944	829	886	1,107	956	1,217	1,672	1,723	1,669	1,237
Traditional supply	3,426	3,536	3,307	3,436	3,588	3,432	3,626	4,257	4,463	4,495	3,337
Net producer hedging	(412)	(279)	(445)	(86)	(373)	(444)	(349)	(252)	(108)	10	(12)
Official sector sales	545	617	497	662	367	484	236	30	-	-	-
Total supply	3,559	3,874	3,359	4,012	3,582	3,472	3,513	4,034	4,355	4,505	3,326
Demand											
Jewellery	2,680	2,522	2,673	2,707	2,283	2,405	2,187	1,760	2,017	1,972	1,410
Other	360	385	416	431	458	462	436	373	466	453	327
Total fabrication	3,040	2,907	3,089	3,138	2,741	2,867	2,623	2,134	2,483	2,425	1,738
Bar & coin retail investment	373	314	396	412	421	446	649	743	1,205	1,519	942
Official sector purchases	-	-	-	-	-	-	-	-	77	457	374
ETFs & Similar	3	39	133	208	260	253	321	617	382	185	189
Implied net investment	143	614	(259)	254	160	(94)	(80)	541	207	(81)	83
Total demand	3,559	3,874	3,359	4,012	3,582	3,472	3,513	4,034	4,355	4,505	3,326

Source: World Gold Council

Fig. 25. Market Cap of Above Ground Gold as % of Total US

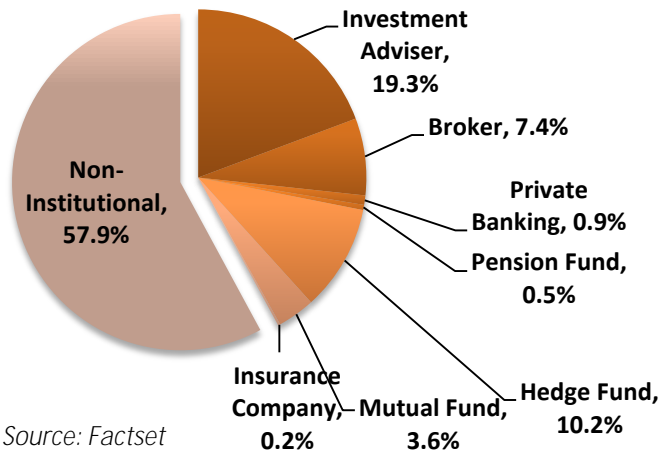


Source: Federal Reserve, World Gold Council



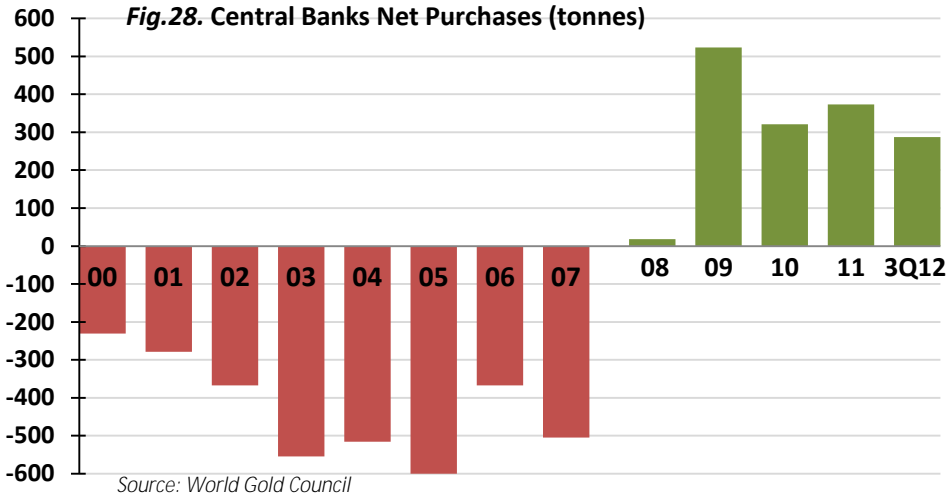
Source: Company Filings, World Gold Council

Fig. 27. GLD Ownership by Type



Source: Factset

Fig.28. Central Banks Net Purchases (tonnes)



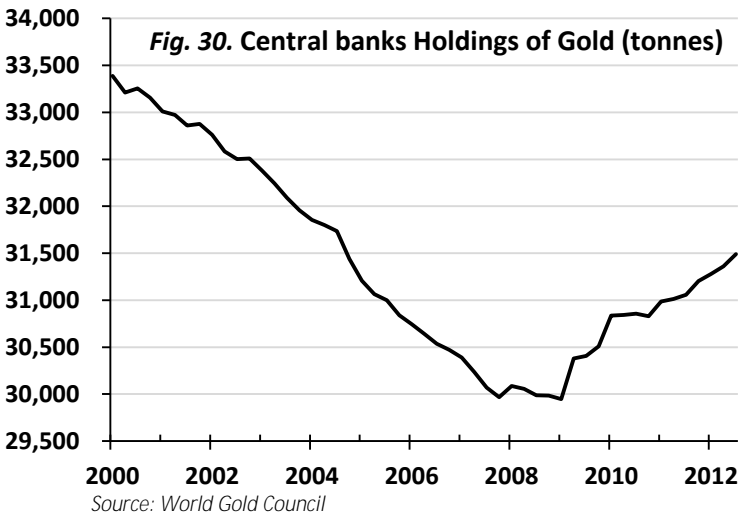
Source: World Gold Council

Fig.29. Notable Transactions in 3Q12

Country	Tonnes	Transaction
Kazakhstan	2.45	Purchase
Korea	16.00	Purchase
Russia	16.48	Purchase
Turkey	58.13	Addition

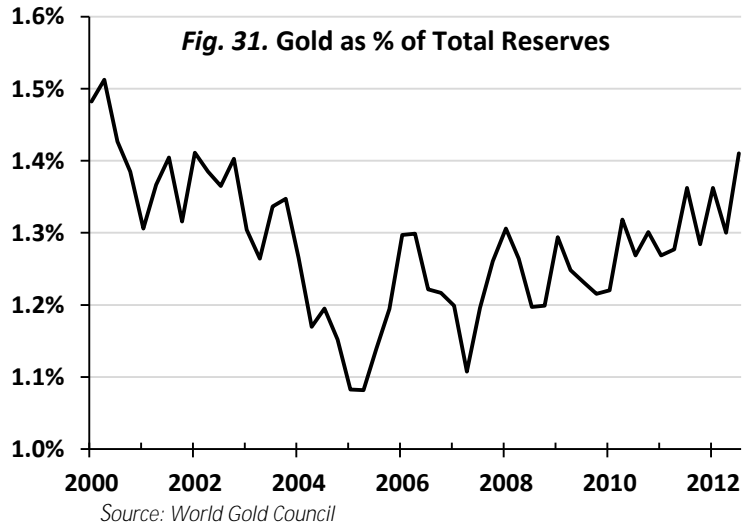
Source: World Gold Council

Fig. 30. Central banks Holdings of Gold (tonnes)



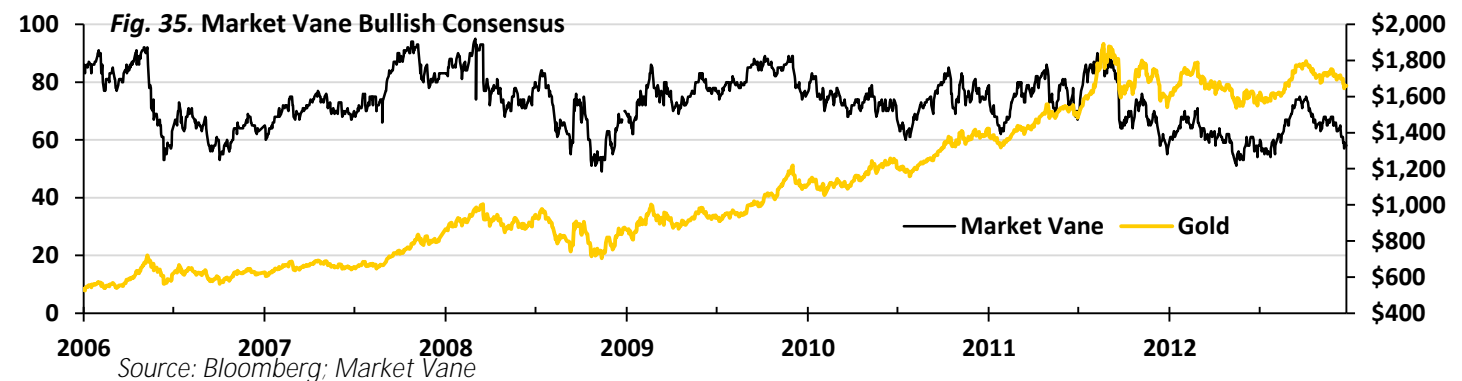
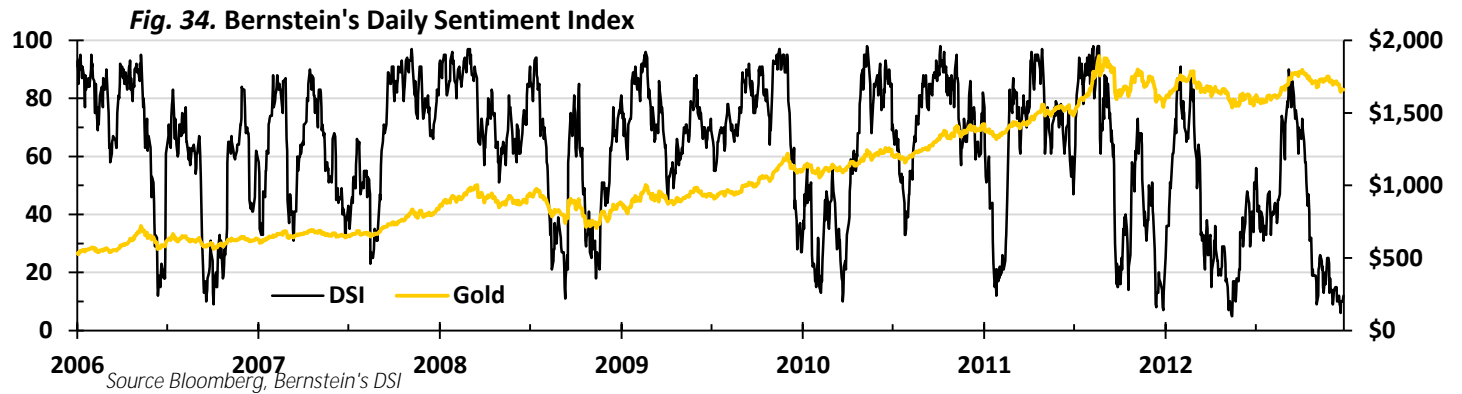
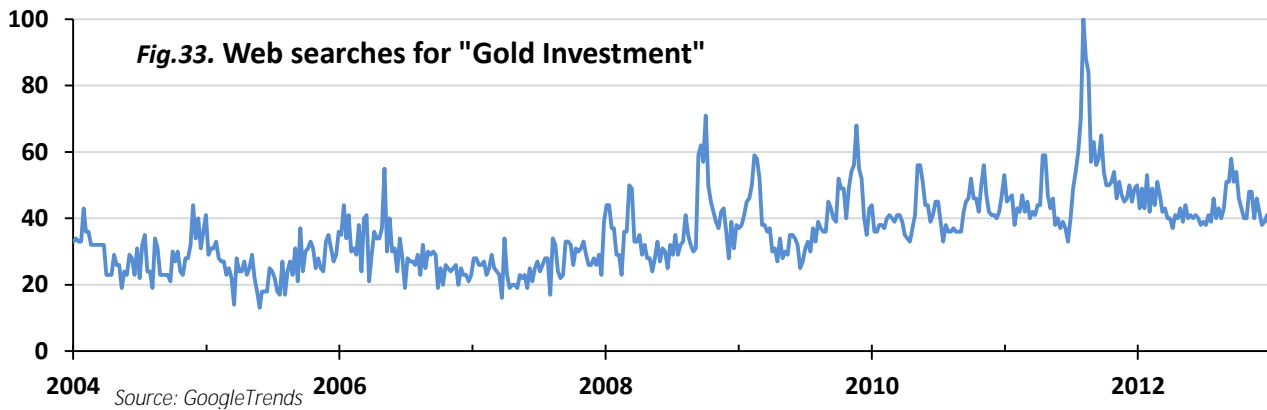
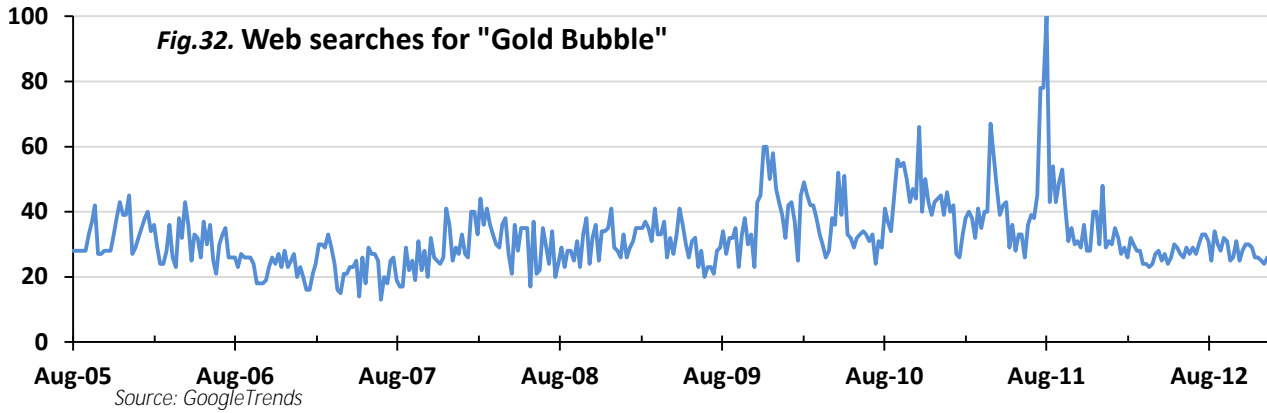
Source: World Gold Council

Fig. 31. Gold as % of Total Reserves

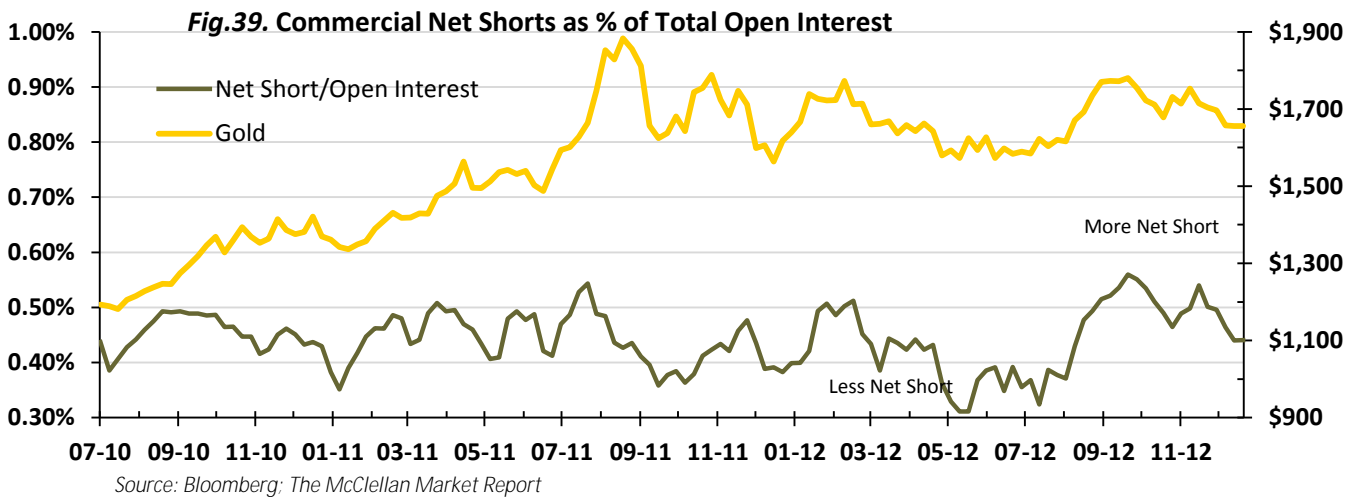
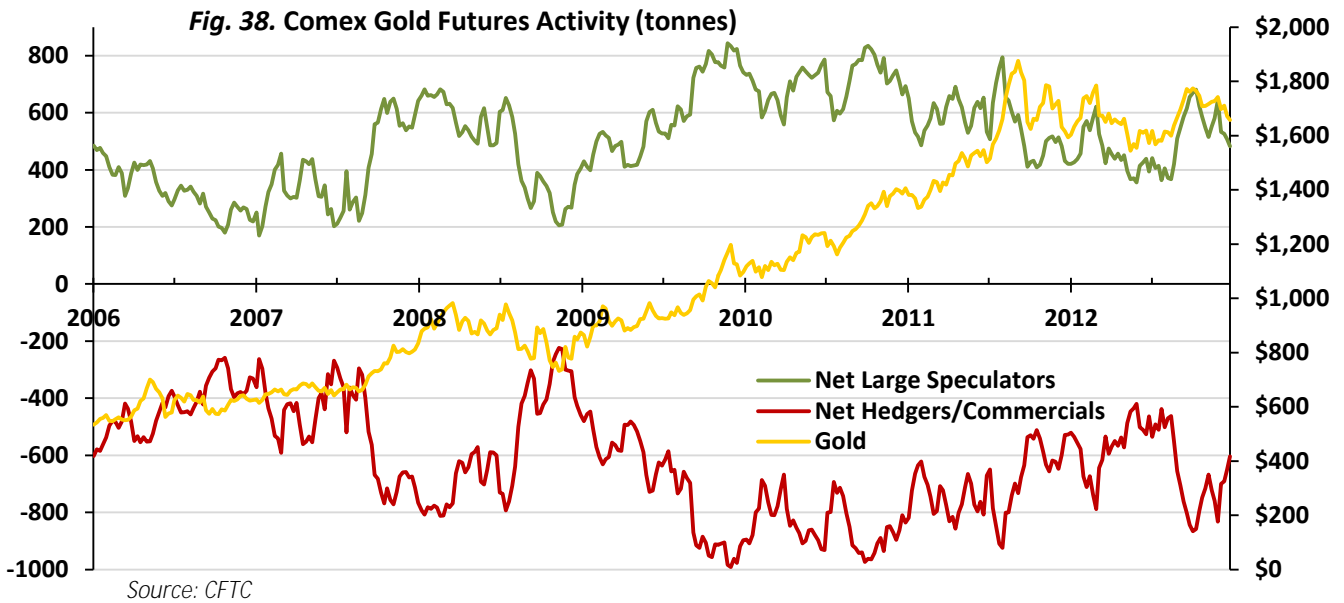
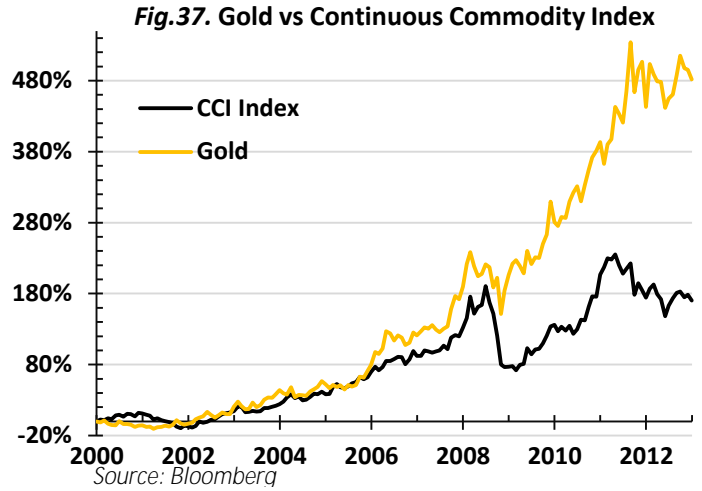
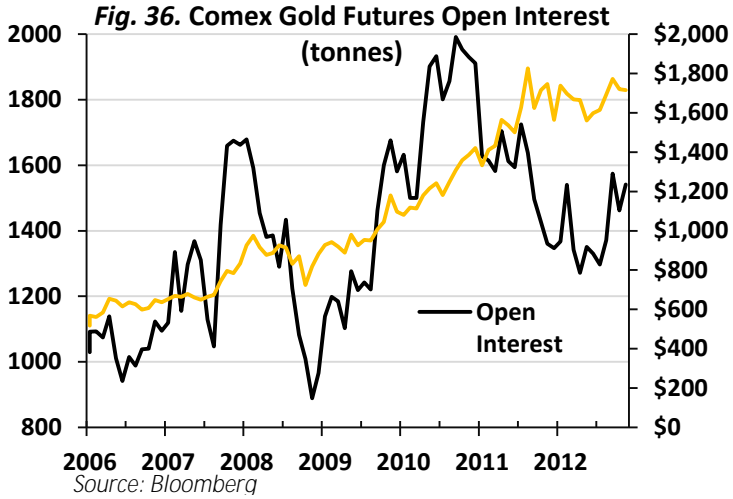


Source: World Gold Council

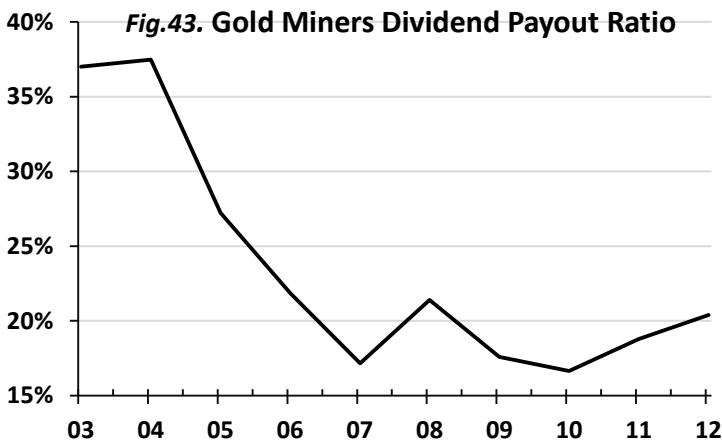
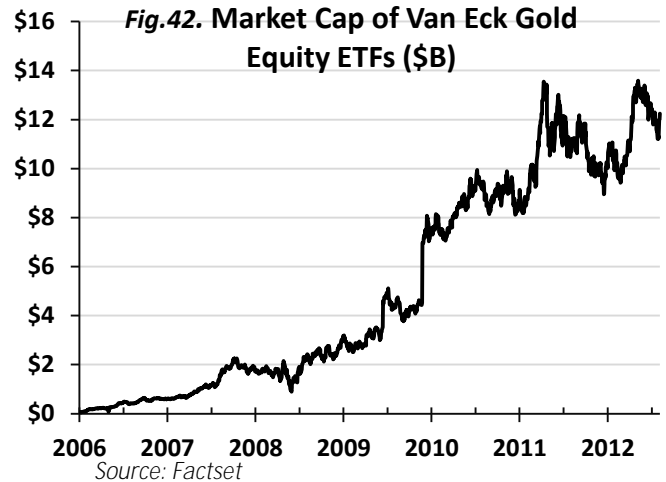
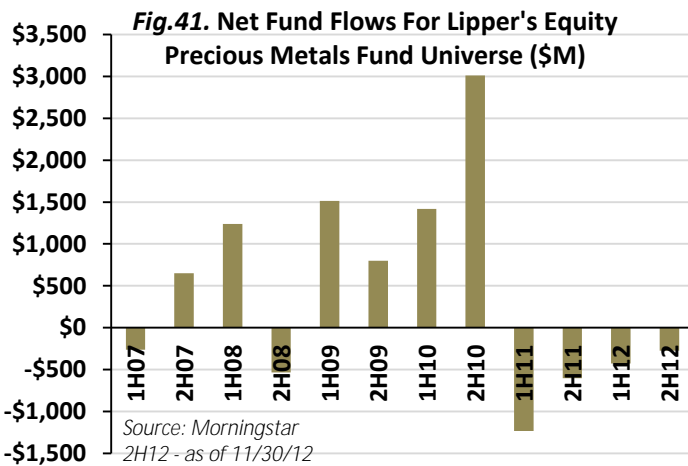
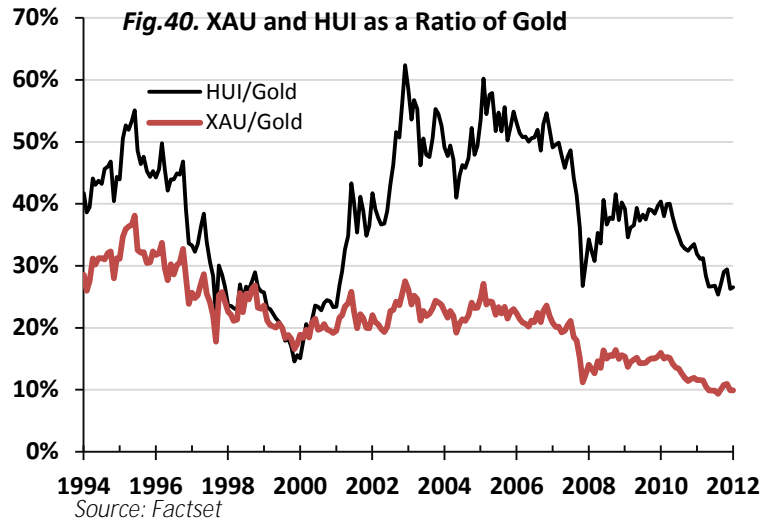
SECTION II. GOLD



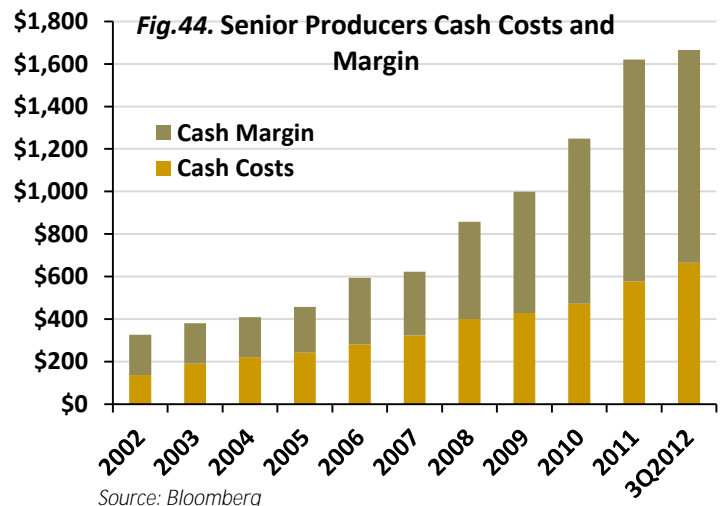
SECTION II. GOLD



SECTION III. MINING EQUITIES

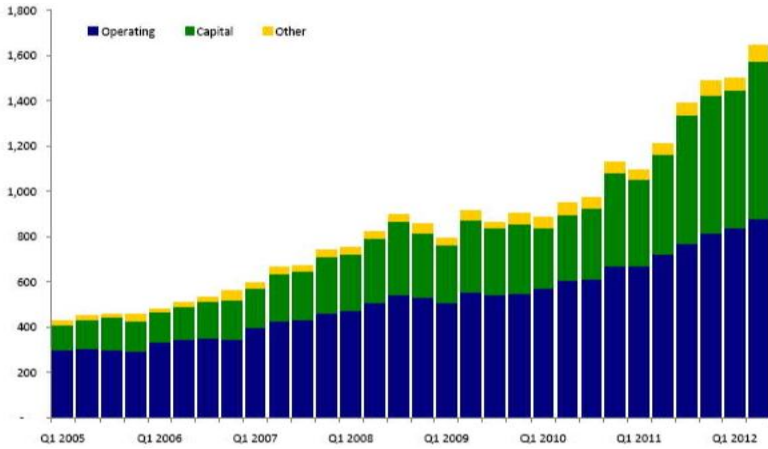


Source: Factset
Universe: ABX, NEM, GG, AU, GFI, KGC, NCM, BVN, HMY, AU, IAG, CG, EGO, GOLD



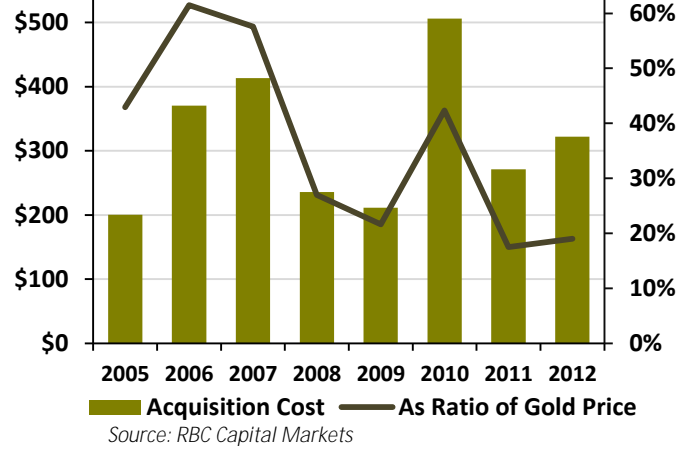
SECTION III. MINING EQUITIES

Fig. 45. Total Cash Outflow (\$/oz)

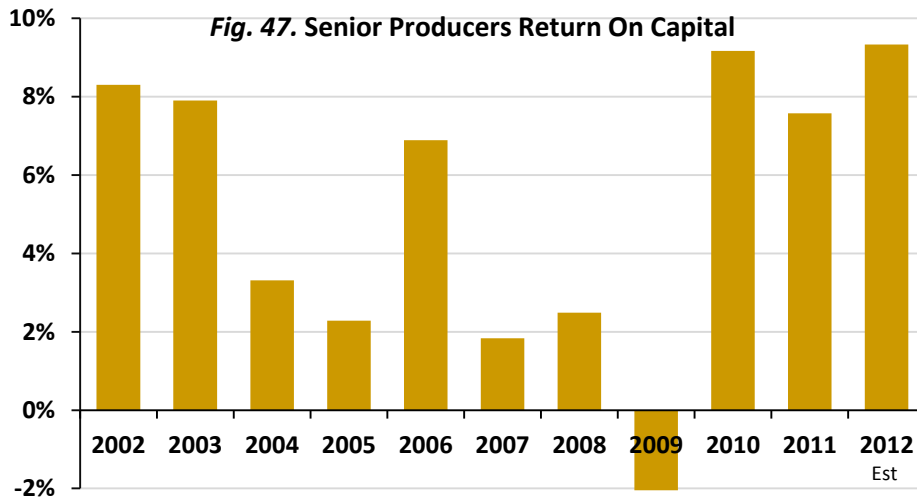


Note: Operating = Operating costs + Exploration costs + Royalties;
 Capital = Ongoing + Expansion capital; Other = Finance costs + Other costs
 Source: Gold Fields

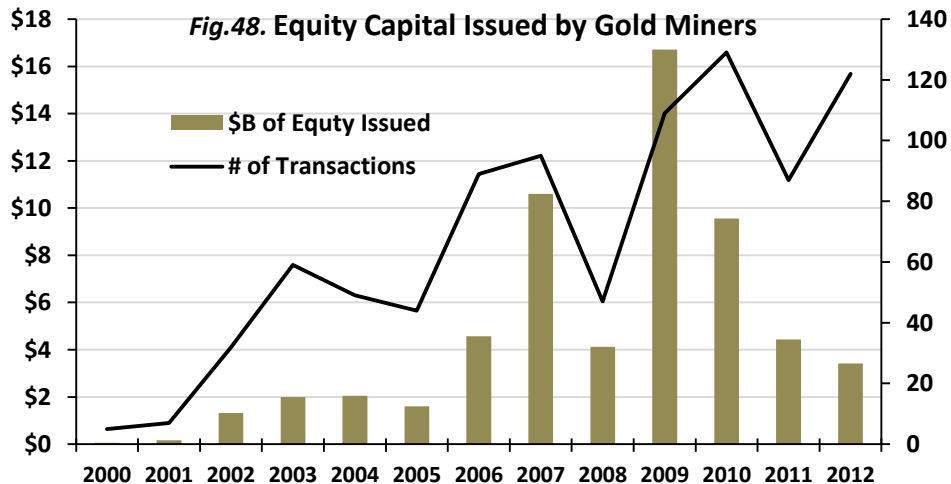
Fig. 46. Average Cost of Acquisitions in the Gold Sector (\$/Oz)



Source: RBC Capital Markets

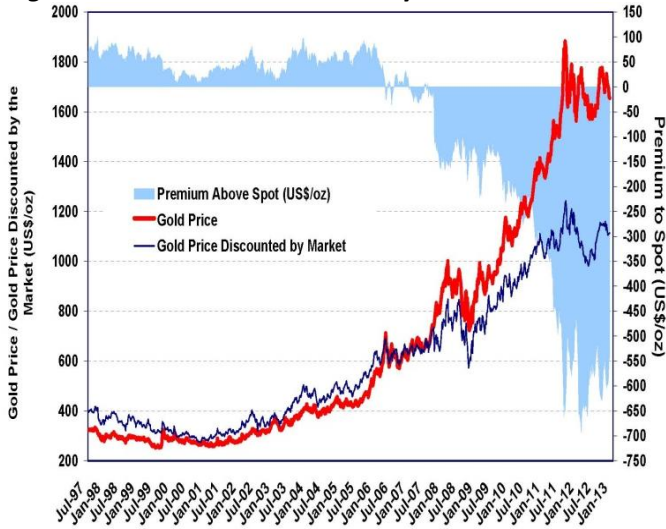


Source: Factset
 Universe: NEM, ABX, GG, KGC, AUJ, NCM, AU, GFI, HMY



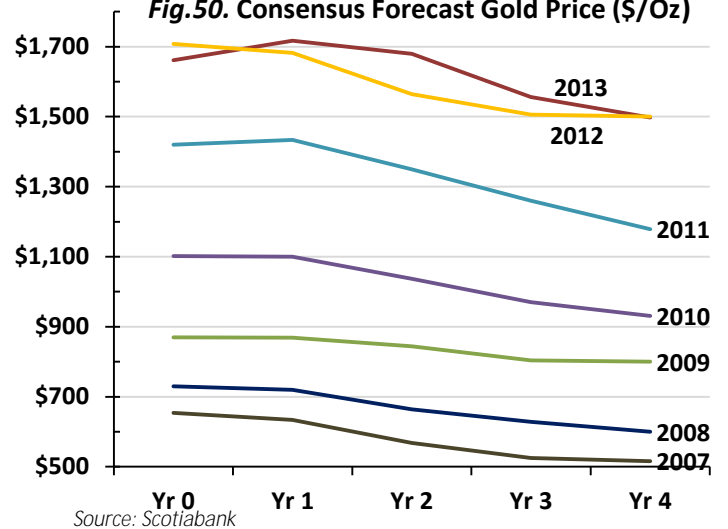
Source: RBC Capital Markets

Fig. 49. Gold Price Discounted by Market



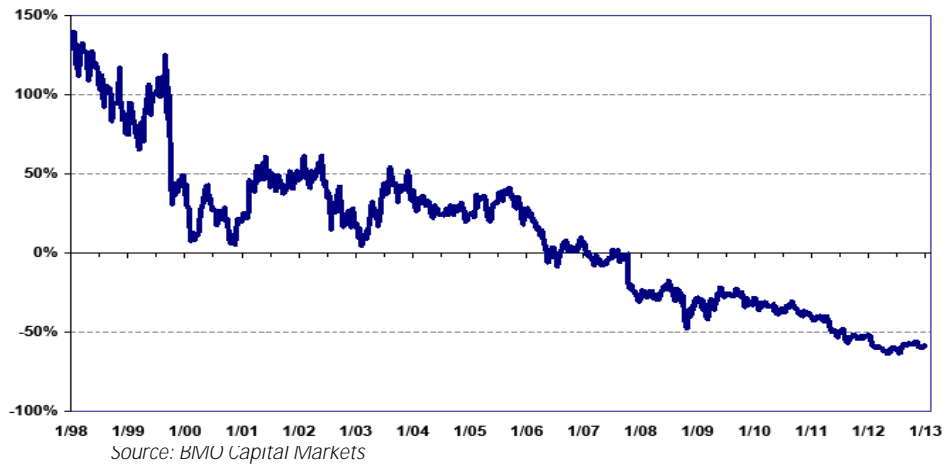
Source: BMO Capital Markets

Fig.50. Consensus Forecast Gold Price (\$/Oz)



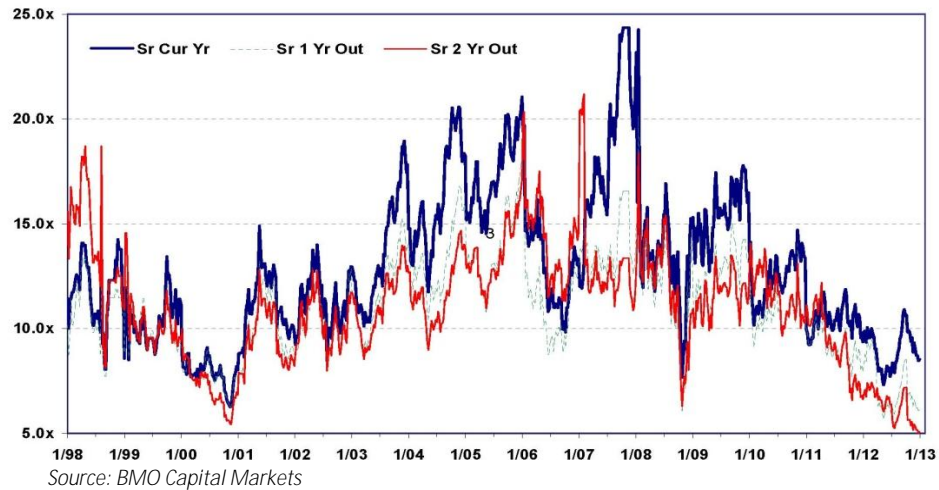
Source: Scotiabank

Fig. 51. NAV Premiums - Senior & Intermediate producers (N.A.)



Source: BMO Capital Markets

Fig. 52. P/CF - Senior producers (N.A.)



Source: BMO Capital Markets