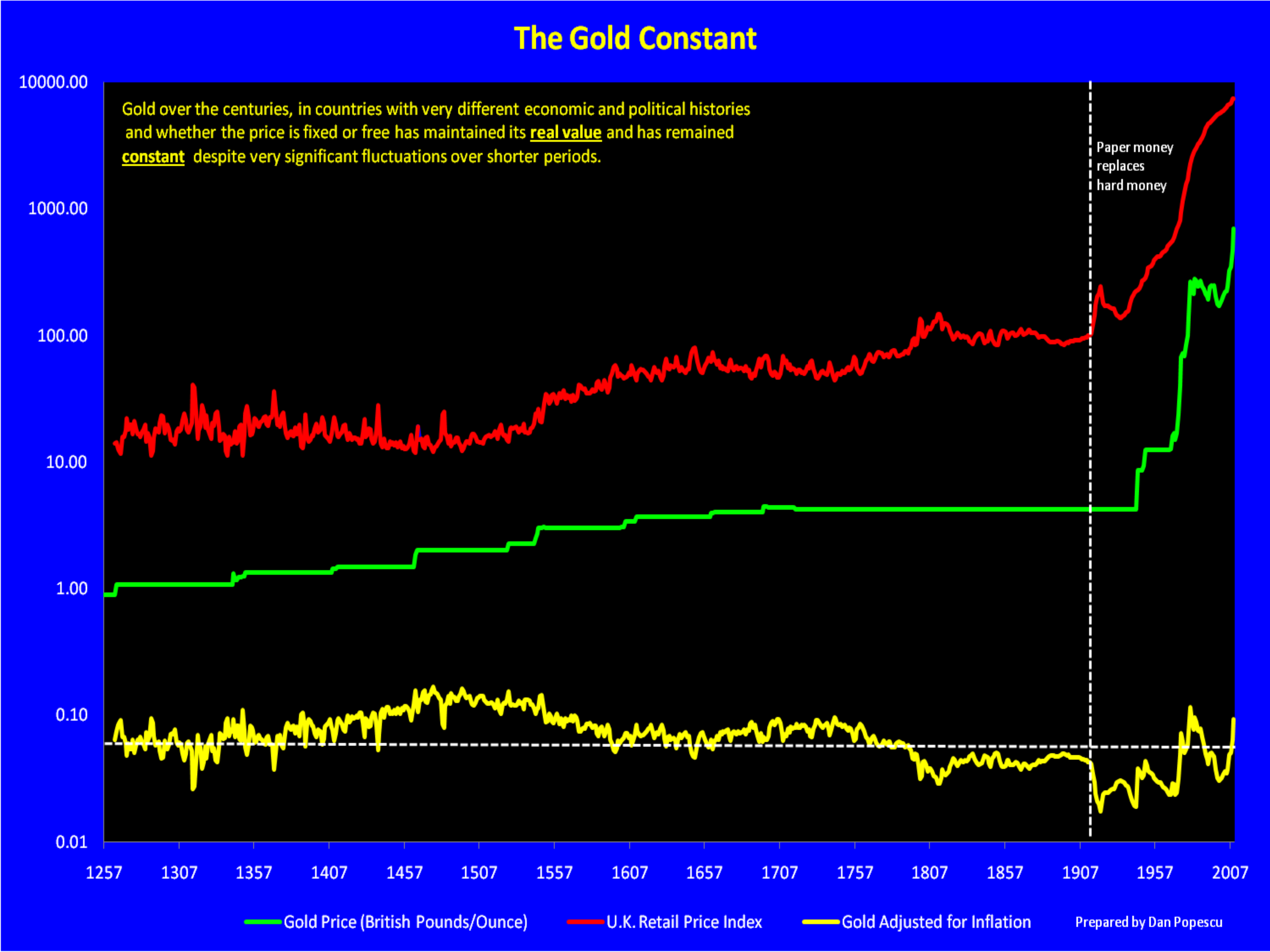
On Gold

Dr. Nick Demos

A) Gold during crisis


The Gold Constant
Gold over the centuries, in countries with very different economic and political histories
and whether the price is fixed or free has maintained its real value and has remained
constant despite very significant fluctuations over shorter periods.
Paper money
replaces
hard money
10000.00
1000.00
100.00
10.00
1.00
0.10
0.01
1257
1307
1357
1407
1457
1507
1557
1607
1657
1707
1757
1807
1857
1907
1957
2007
Gold Price (British Pounds/Ounce)
U.K. Retail Price Index
Gold Adjusted for Inflation
Prepared by Dan Popescu

Purchasing power of the DOW during last financial crisis (when adjusted for Gold)

Gold ~ Zero real rate of return

1oz Gold ≈ 350 loaves of bread

450 BC

Pericles

1oz Gold ≈ 350 loaves of bread

2019 AD

Today

Across 2,500 years gold has retained its purchasing power

Two main sources for GOLD…

- **Buying (existing) Gold**

- **Extracting (new) Gold from Earth & financing gold mining**

Gold everlasting characteristics…

Has been cherished
(in all civilizations)

Offer security
(in political turmoil
economic crisis
catastrophe)

Indestructible

Does not corrode

Nature does not alter

Does not rust

Gold supply & demand

Gold demand

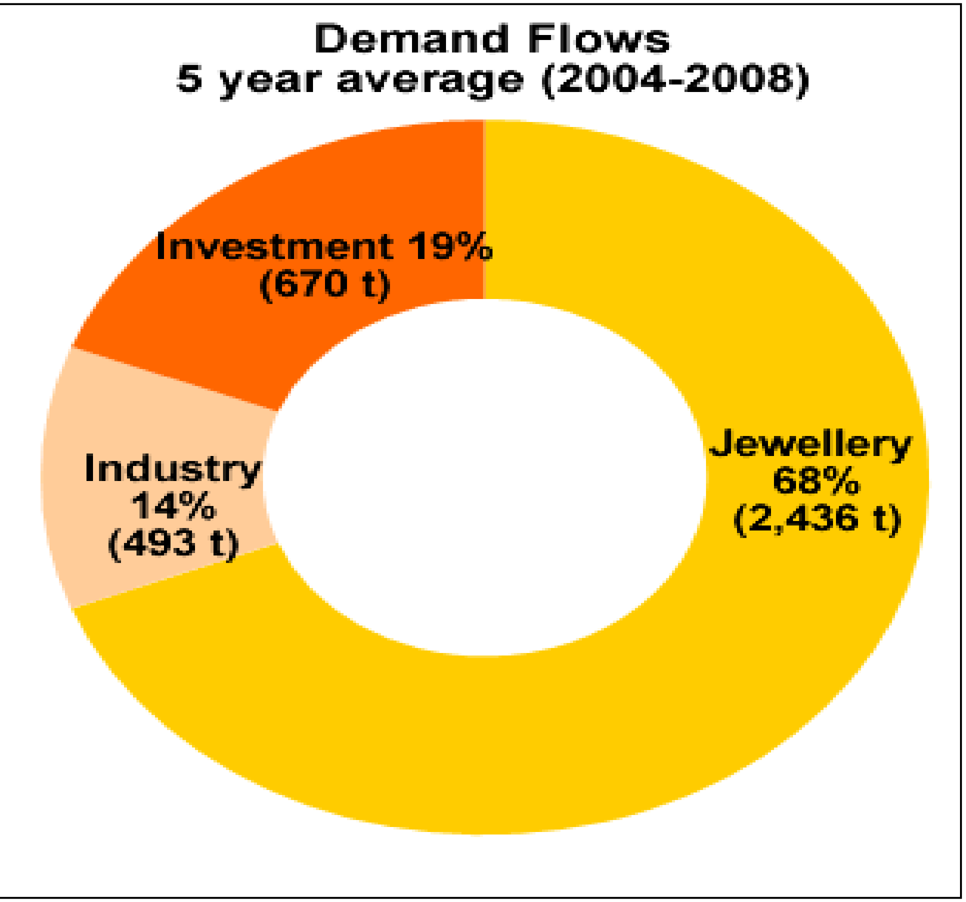
- Jewellery demand
    - 70% of usage
    - Price sensitive
    - Gold ↑ Jewellery demand ↓
- Investment demand
    - Transacted over the counter
    - Not measurable
    - Is the marginal driver of gold
    - Gold ↑ Investment demand ↑

Gold supply

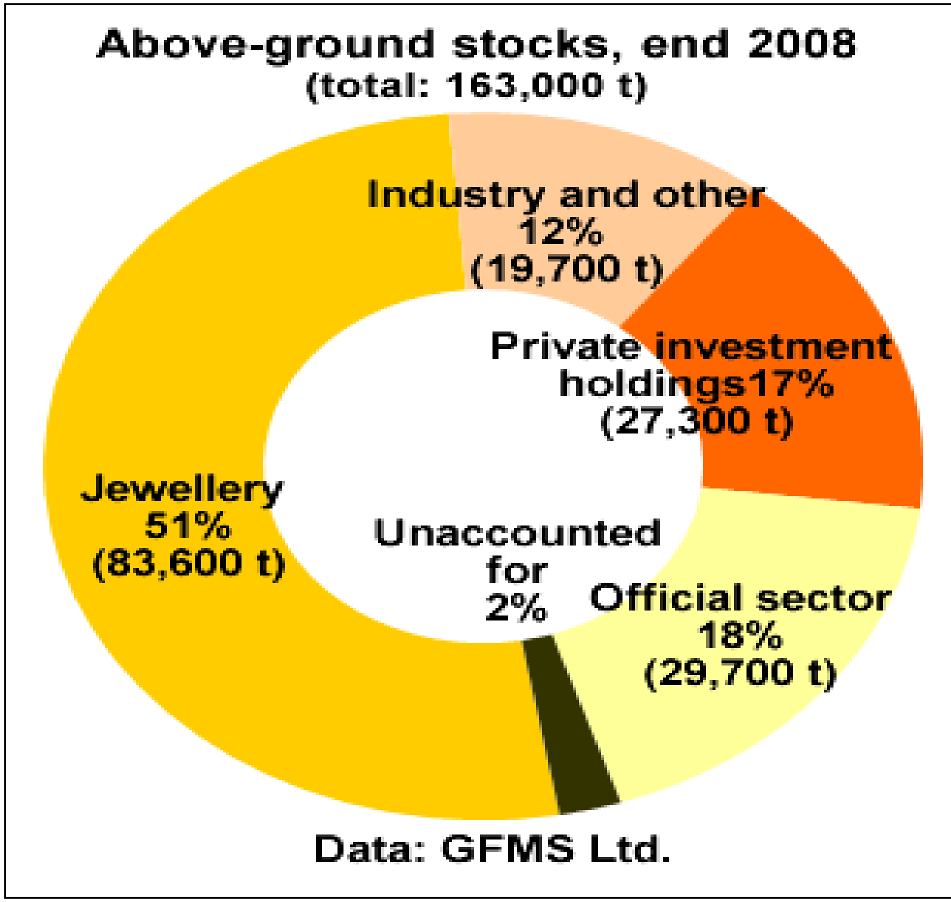
- Annual increase in supply is a small fraction of aboveground stocks
    - Unknown underground
    - Unknown aboveground?
- Global
    - Hidden & lost gold
    - Space!!

Gold demand & supply

Gold demand



Gold supply



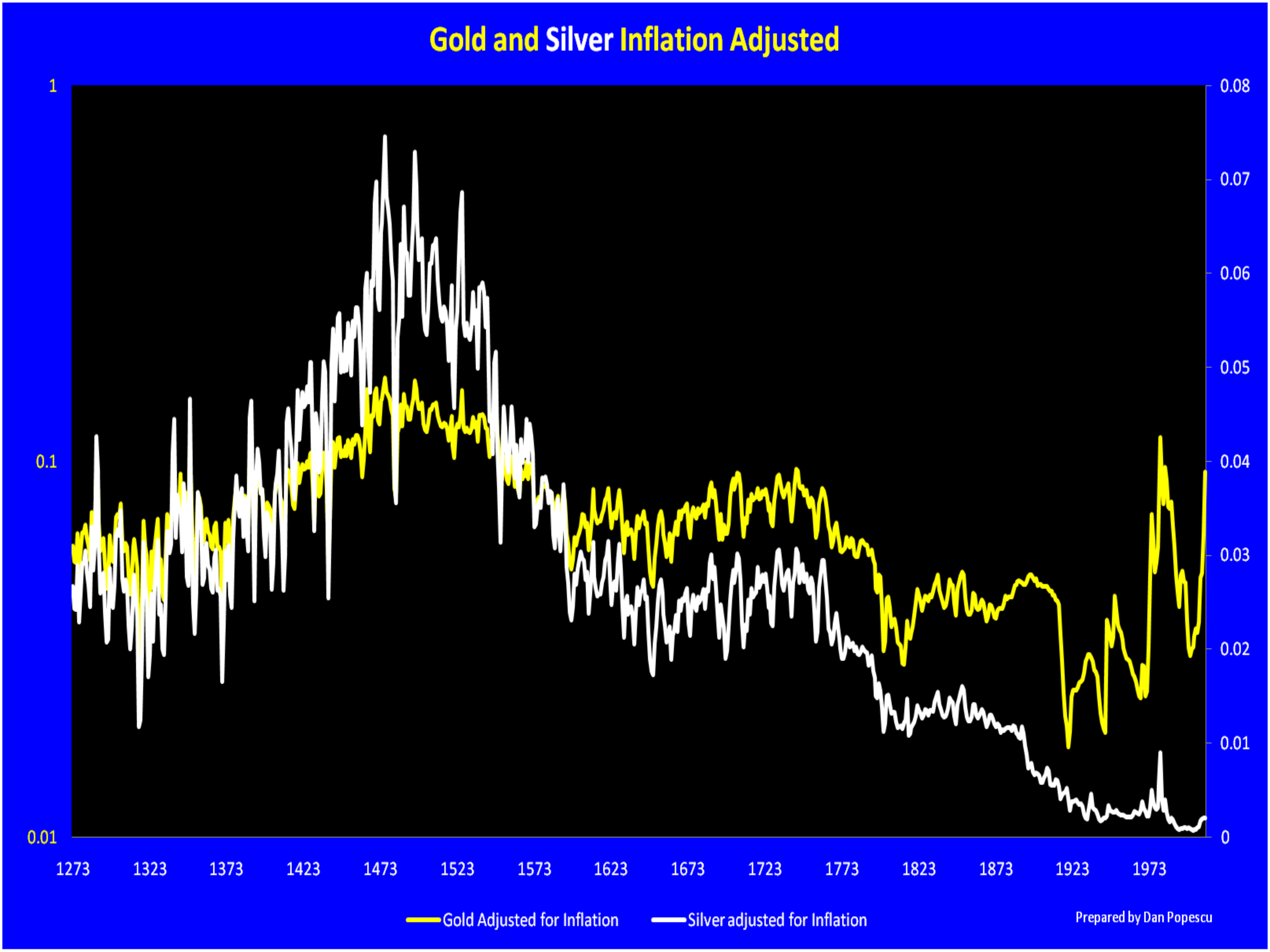
Gold & Silver

Gold

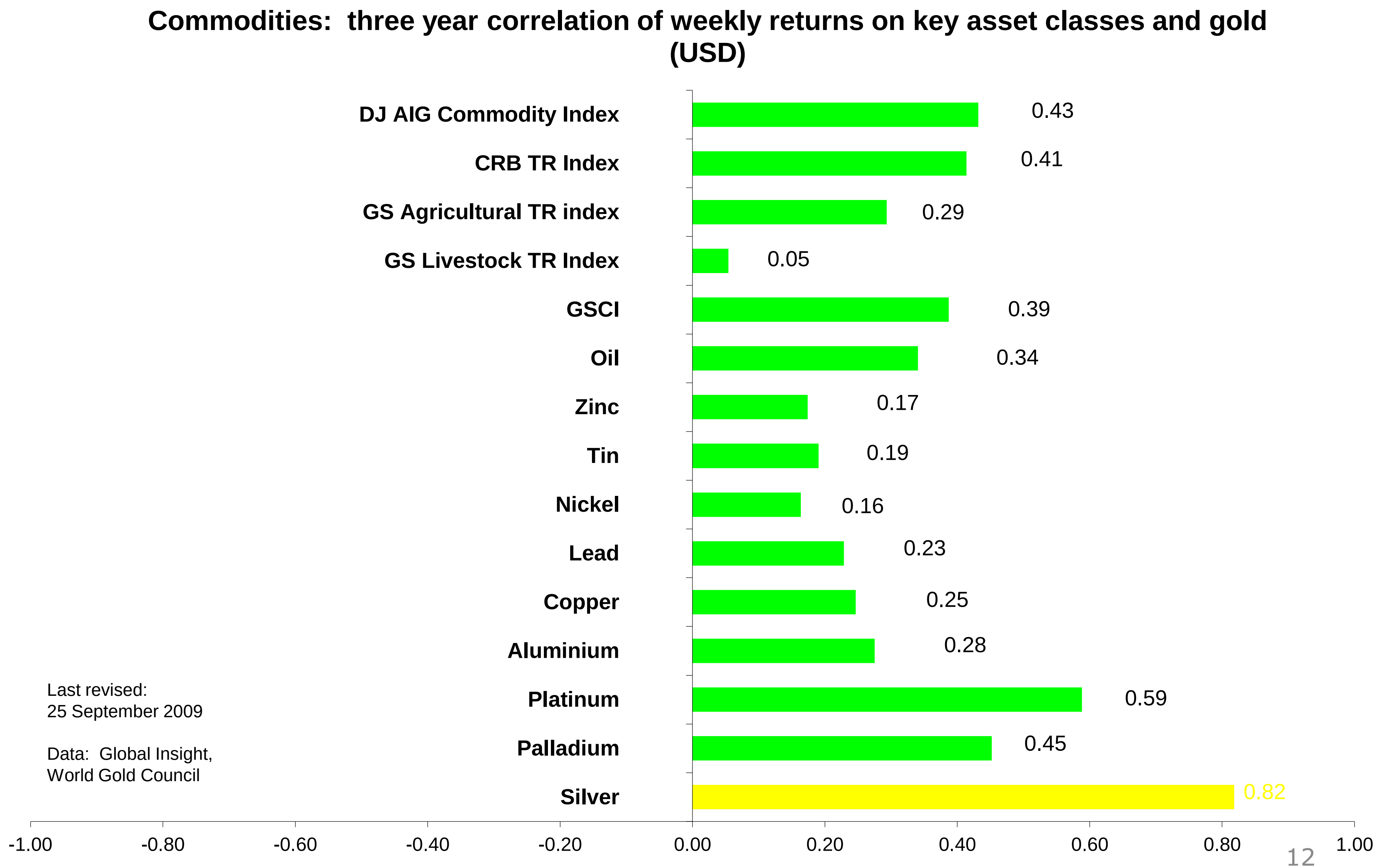
- Demand
  - Industrial 13%
  - Investment 19%
  - Jewellery 68%
- Supply
  - Mine production 1.5%
- Store value
- Currency of last resort
- Gold/Silver relationship has changed around 1876

Silver

- Demand
  - Industrial 64%
  - Investment 26%
  - Jewellery 10%
- Supply
  - Mine production 75%
- Poor’s man gold
- Not a medium of exchange
- A 0.80 correlation with gold


Gold and Silver Inflation Adjusted
1
0.1
0.01
0.08
0.07
0.06
0.05
0.04
0.03
0.02
0.01
0
1273
1323
1373
1423
1473
1523
1573
1623
1673
1723
1773
1823
1873
1923
1973
Gold Adjusted for Inflation
Silver adjusted for Inflation
Prepared by Dan Popescu

Gold correlation...during 2009 financial crisis



Last revised:
25 September 2009

Data: Global Insight,
World Gold Council

B) New Gold -Mining

Gold mining

Gold mine production

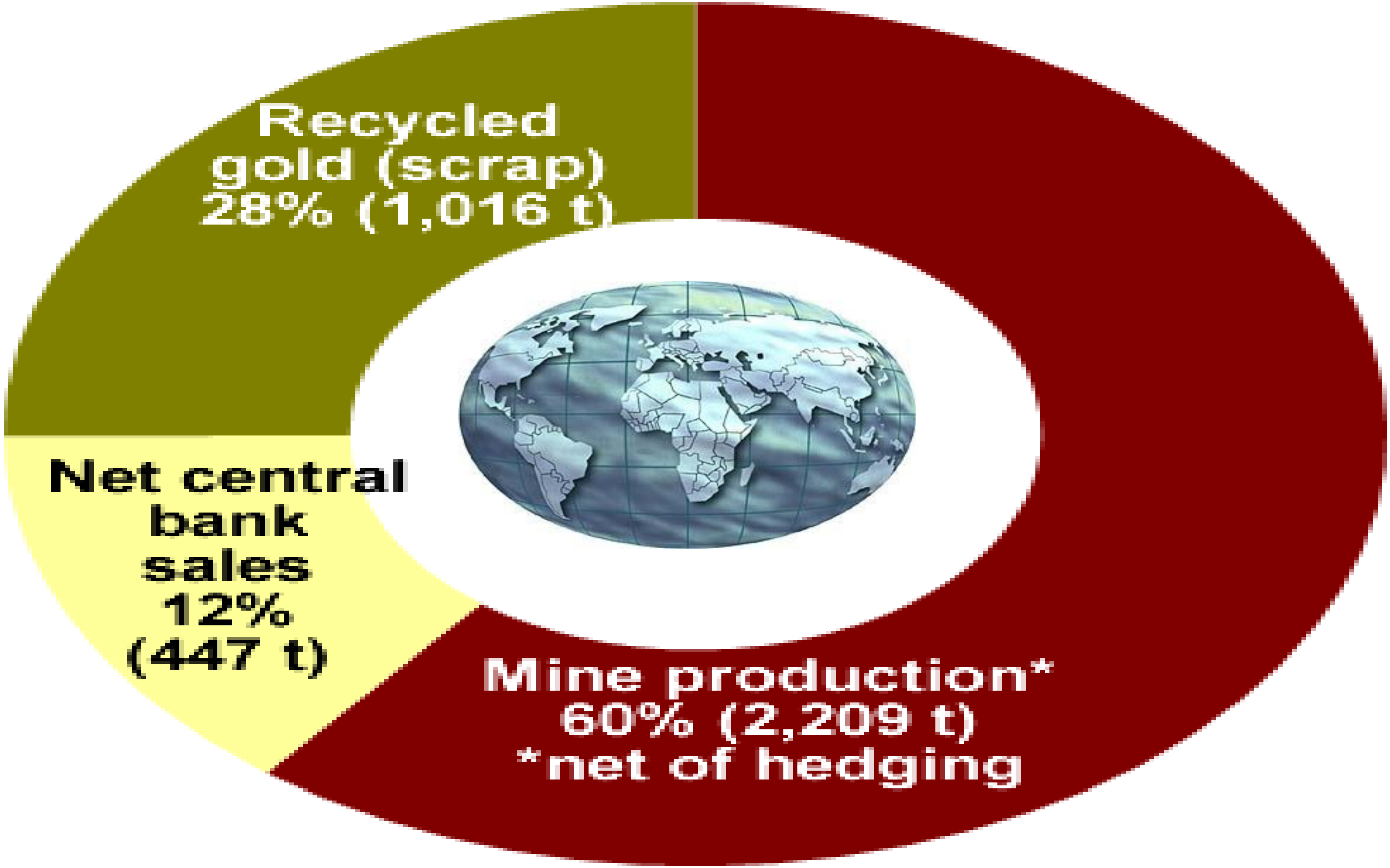
- Historically, only 161,000 tons of gold has been mined
- Almost 100,000 tons extracted past 50 years
- Mine production declining since 2001
- Harder to find new reserves
- High-grade, low cost deposits increasingly rare
- New deposits
  - higher cost
  - higher political risk jurisdictions

Costs of mining

- Increasing cost of production
- Total production costs $600 / oz. (2009)
- Instability in blessed countries
- Information costs
- Exploration budget
  - $2 billions (2002)
  - $13 billions (2008)

Gold mining production represents only 1.5% of the total gold supply
(insignificant amount to affect price)

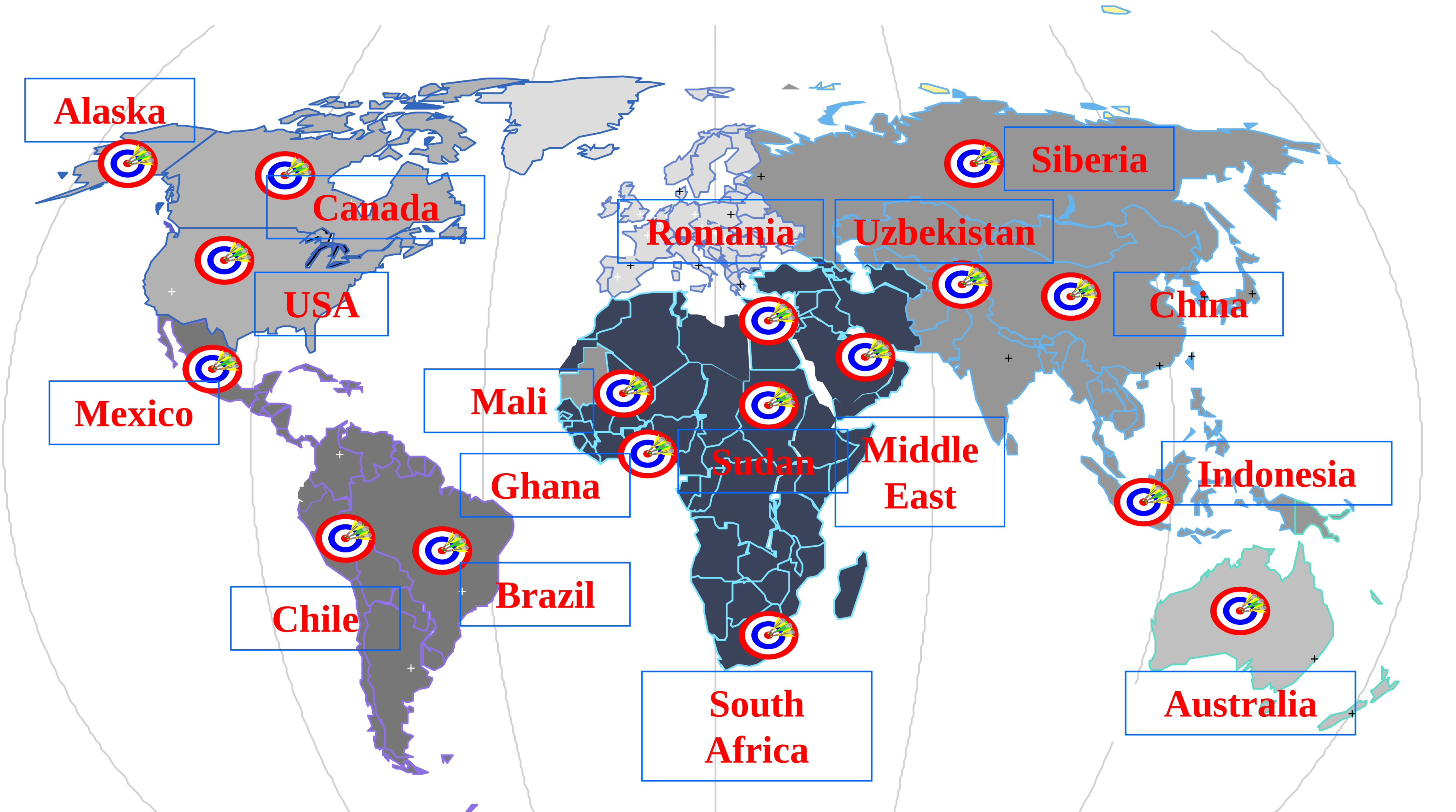
Supply flows five-year average (2004-2008)



Financing gold mining

1) Checking country-origin and mine acceptance
2) Mapping potential investors
3) Selecting bankers
4) Selecting stock exchange
5) Completing valuation and research
6) Preparing company and executing offering
7) Raising capital
8) Starting exploration and mine developing

1) Checking country origin and mine acceptance



2) Mapping potential investors

3) Selecting bankers

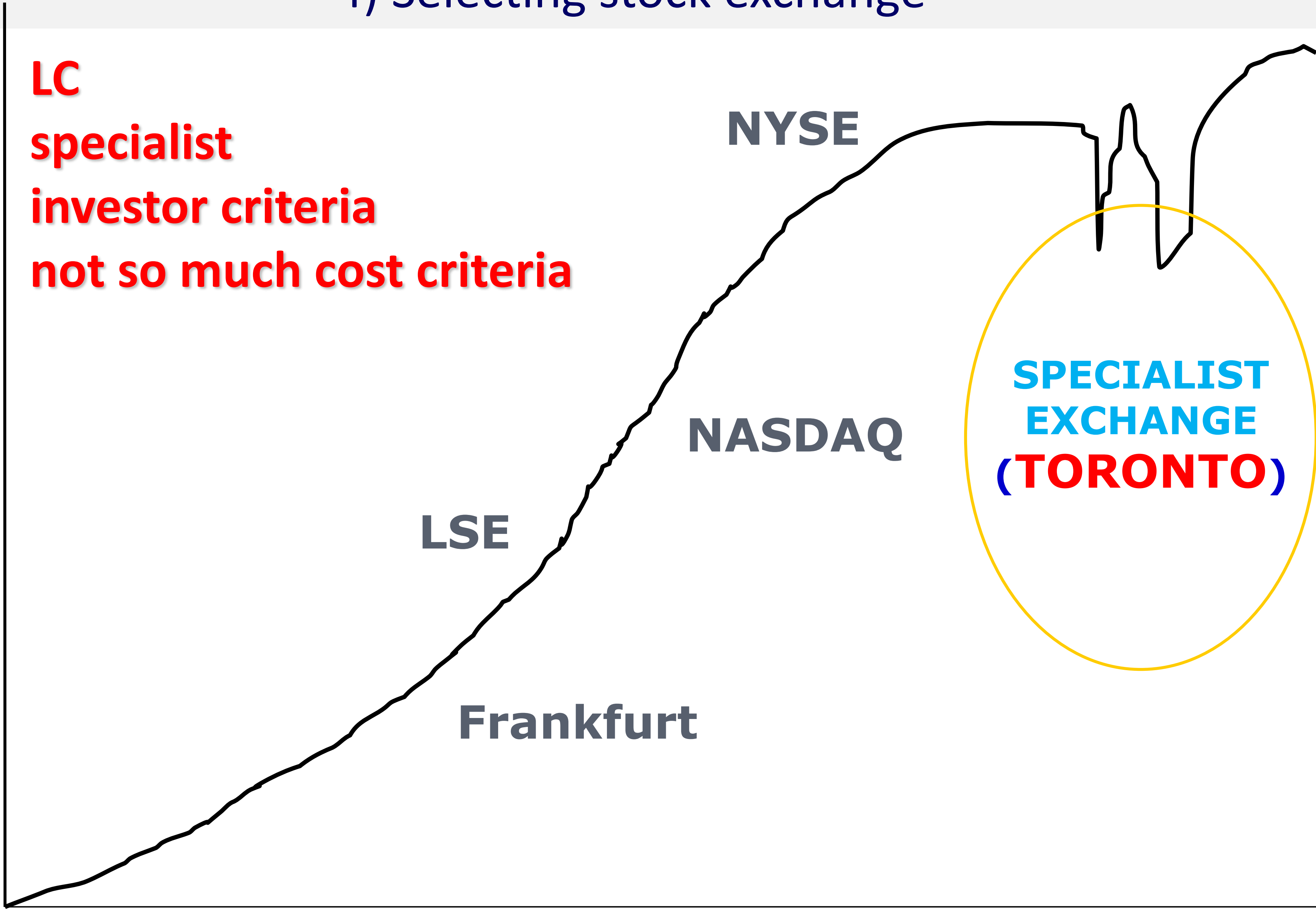
“The banks serve the interests of their Investors”

- Check carefully the engagement letter with the banks
- Select actively the syndicate - prevent collusion – manage conflict
- Control bookrunner behaviour (trading, allocation)
- Be part of your valuation
- Audit and control feedback from Investors
- Enlarge the pool of targeted Investors
- Optimize pricing and sustain aftermarket performance

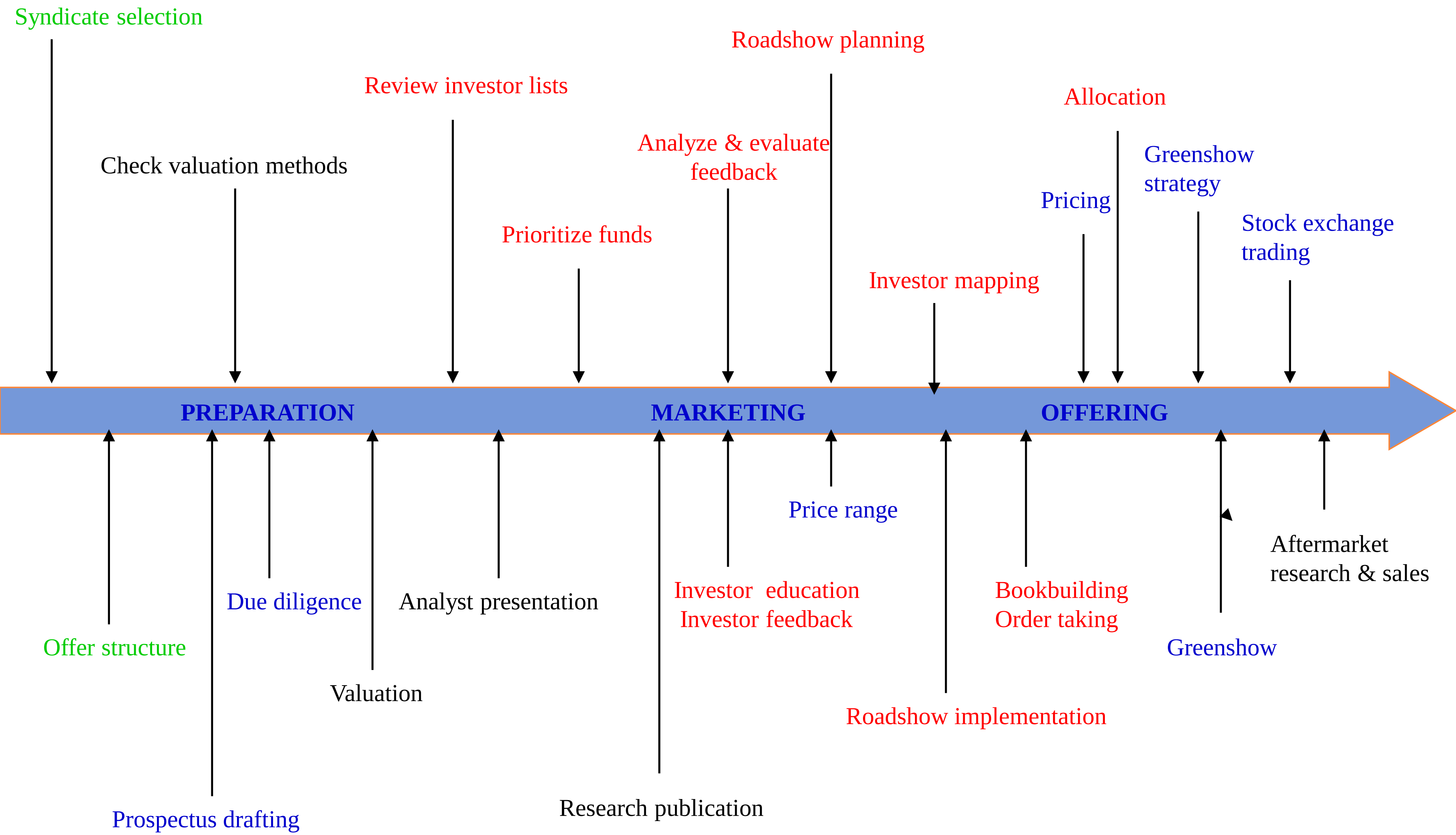
1) Pre-IPO	**Underwriter A**	**Underwriter B**	**Underwriter C**
LEGAL AND REGULATORY FRAMEWORK			
LISTING FEE			
LEGAL FEES			
AUDITORS FEES			
OUT-OF-POCKET-EXPENSES			
CAPABILITIES			
1) On-IPO			
BANKS SYNDICATE			
OFFERING ROADSHOWS			
TARGETTING AND SHARE DISTRIBUTION			
PRICE SELECTION			
OUT-OF-POCKET-EXPENSES			
1) After-IPO			
FILLINGS			
STOCK EXCHNAGE AND SEC REGULATIONS			
RELATIONSHIP ROADSHOWS			
PROACTIVE ROADSHOWS			
LEGAL FEES			
OUT-OF-POCKET-EXPENSES			

4) Selecting stock exchange

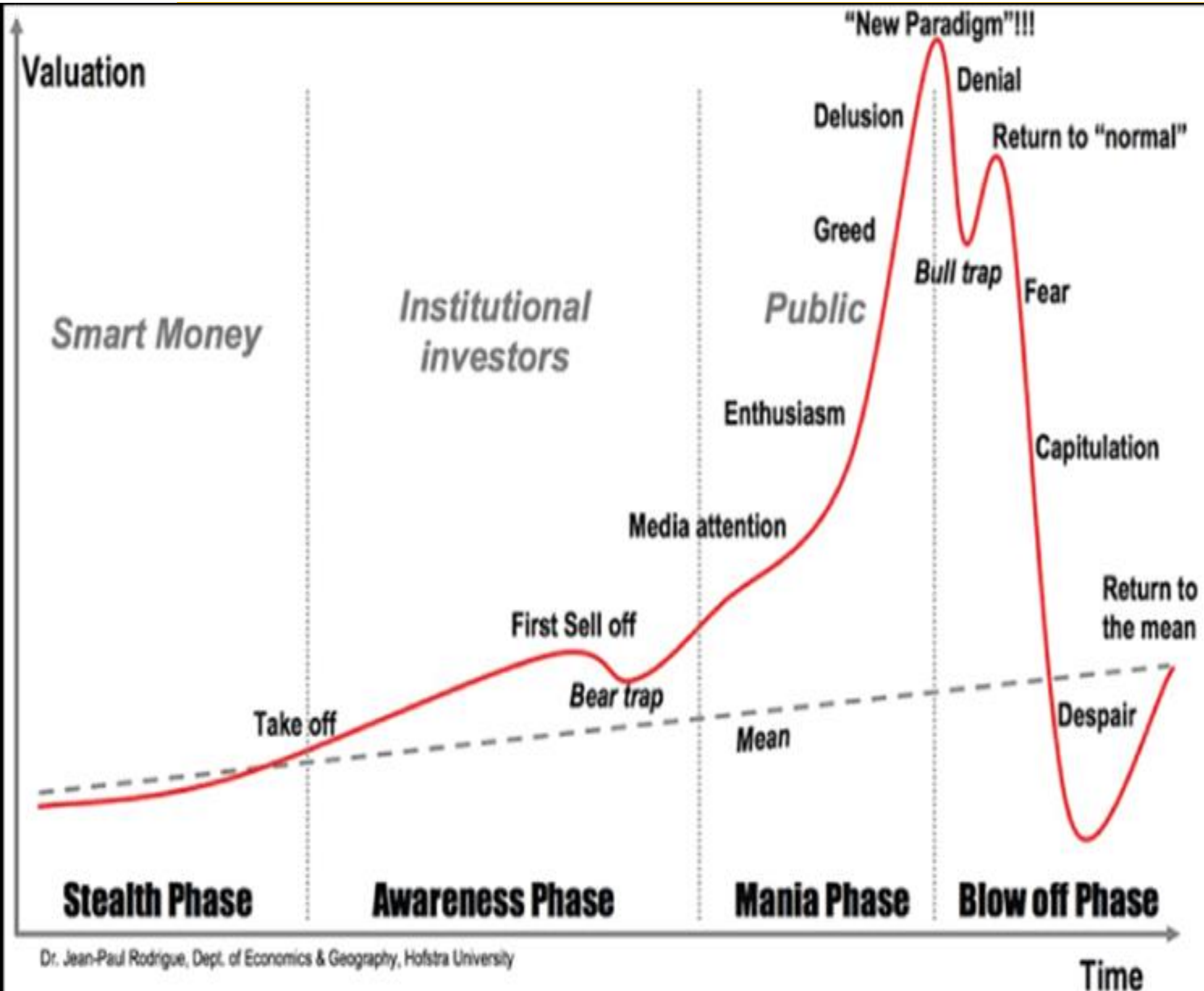
LC
specialist
investor criteria
not so much cost criteria



5&6) Valuation & offering



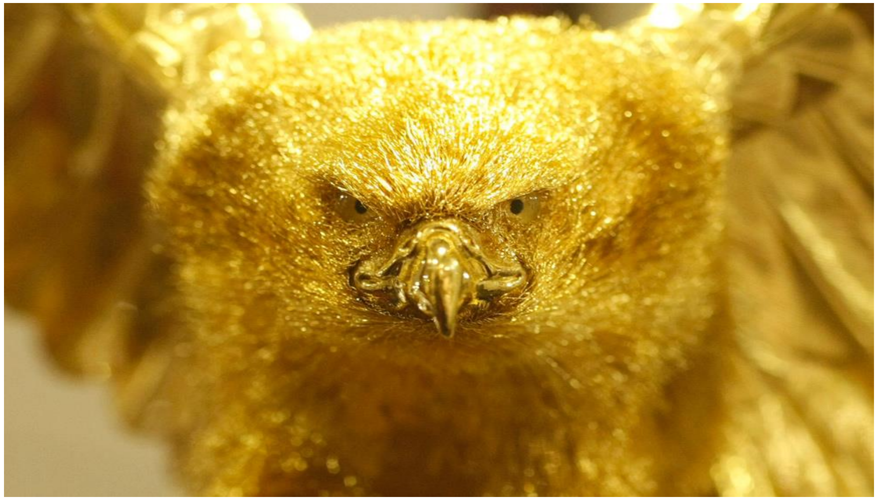
7) Raising capital



Convert targeted potential investors to shareholders

8) Exploration and mine development

Looking for Gold…



1) I would like to thank Mr. Dan Popescu, CFA for providing invaluable data, info and pictures for this presentation.