Mining

Gold Medal Performance

2009 Global Gold Price Survey Report

December 2009

Close-up of gold nuggets

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The 2009 edition of the annual Gold Price Survey Report covers 58 gold mining and development companies with global operations. These companies, based in six countries across the globe, have reported expected production of over 39 million ounces in 2009.

The price of gold had a strong showing in 2009 sustaining a value over US$1,000 since early October. The price started the year at US$875 and averaged US$959[1]. The value of gold climbed steadily throughout the year with prices ranging between US$812 and peaking at over US$1,200 in early December, at the time this report was written.

[1] Average calculated with January 2 to November 30, 2009 gold prices.

Gold production

Expected 2009 production	**39.65 million oz.**
2008 production	**35.63 million oz.**

In the 2008 report, 44% of companies did not expect their production levels to change as a result of commodity price volatility. This year however, after seeing a significant increase in forecasted production levels over 2008, companies seem to give more weight to commodity pricing. Almost three-quarters (Exhibit 1) of respondents reported an expected increase in their long term production levels, and ninety-one percent of respondents expect gold prices to continue to rise in the next year.

Gold price assumptions, carrying values and reserves

Of the companies surveyed, 71% have determined the gold price assumptions that will be used in ongoing reserve determinations and carrying values at December 31, 2009. The average price indicated by respondents is US$764 for reserves compared to US$734 in 2008, and US$825 for carrying values compared with 2008's price of US$751.

Exhibit 2 shows that gold price assumptions have been increasing steadily over the last few years, with the most significant increases in 2009.

Exhibit 1 Change in production levels – Expectations

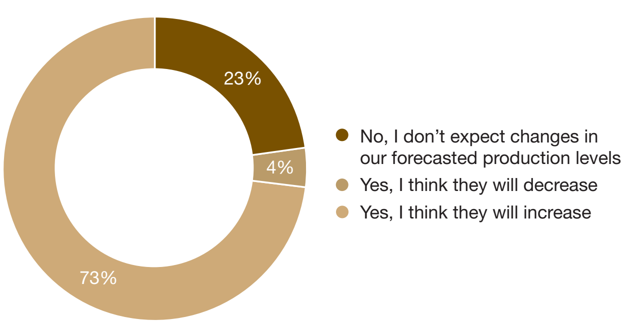

Exhibit 1—**Question:** Given the market and commodity price volatility that has hit the market in the past year, do you expect your longer term production levels to change?

Exhibit 2 Gold price assumptions – Reserves

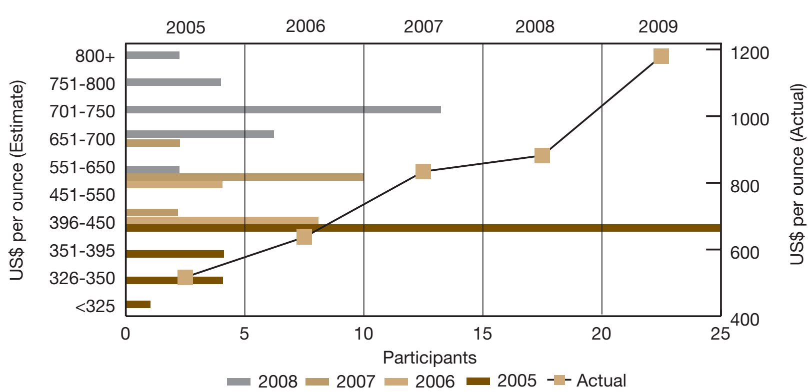

Exhibit 2—Reported gold price assumptions for reserves v. the actual year-end price of gold.
Note: 2009 price taken on November 30, 2009

Just over half of the companies (58%) plan to use the same prices over time (2008: 69%). Of those planning to use variable prices, the average prices reported trend strongly downwards over the longer term (see Exhibit 3).

Companies continue to apply a consistent approach to gold price assumptions across all locations where they have operations or properties.

Based on our survey results, companies use a number of different sources in determining their price estimates. Current price (45%), analysts' trends (38%) and historic price (36%) are the main factors considered in estimating gold prices (see Exhibit 4).

A greater percentage of this year's respondents plan to disclose price assumptions in determining reserves and carrying values this year. For reserves, 84% of companies will disclose price assumptions compared to only 62% in 2008; for carrying values, 39% disclosure is compared with 31% in 2008.

In testing the appropriateness of carrying values, companies are permitted to include resources beyond proven and probable. However, our results show that many companies still feel that proven and probable reserves are sufficient bases to support the assertion that carrying values are recoverable.

Financing

Companies are more optimistic than last year when evaluating opportunities for financing. Exhibit 5 shows that the majority of companies (83%) stated that financing would be more readily available going forward. At this time last year, 89% of respondents reported that financing would be more difficult to secure, likely due to the imminent credit crunch at that time.

Hedging

There have been no significant changes in the use of gold sales derivatives in the past year. Of the respondents, approximately 22% hedge gold sales (versus 20% in 2008) and consistent with 2008, nearly all follow "normal sales" accounting.

Reserve sensitivity

Year-over-year, more companies are disclosing the sensitivity of reserves to price assumptions. Of those surveyed, more than two-thirds (70%) indicated they have not made this disclosure in prior years and more than two-thirds (67%) would not do so this year.

Likewise, fewer companies are disclosing the sensitivity of their reserves to exchange rate changes than in the previous year. Fifty-six percent reported that they would not include these disclosures this year (compared to 80% in 2008) and 58% indicated they have not in previous years (2008: 82%).

Exchange rates

Survey respondents reported using the following fixed rates and ranges of rates for reserves and carrying values:

	Reserves		Carrying values	
	Fixed	Range	Fixed	Range
US$: Canadian	1.0769	1.00 – 1.18	1.0619	1.00 – 1.18
US$: Australian	1.0200	0.75 – 1.23	1.0287	0.75 – 1.26
US$: South African Rand	8.2900	N/A	8.1667	8.02 – 9.17

A slight increase in the number of companies indicating they will disclose exchange rates this year; 44% identified they would do so this year compared with 42% in 2008, and 42% indicated they have disclosed in previous years (2008: 40%).

Forty-six percent of companies responded that the current exchange rate remained the leading factor considered when determining exchange rates used this year. Other important considerations include analysts' predictions (32%) and historical trends (32%), consistent with 2008.

Exhibit 3 Long term price estimate trend for companies using variable prices

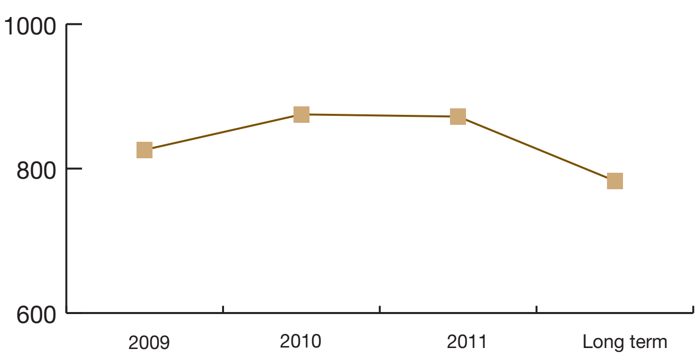

Exhibit 3—Long term gold price assumptions for reserves and carrying value assessments reported by companies using variable prices over time.

Exhibit 4 Factors used in estimating gold price

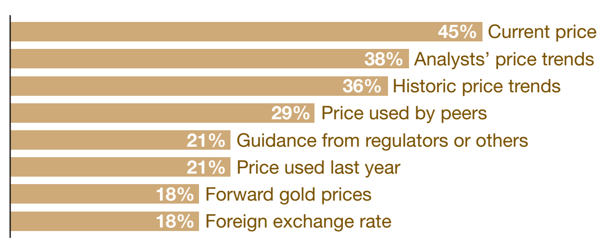

Exhibit 4—Question: What considerations are important in the determination of the price assumptions used? (Select all that apply.)

Major Challenges

This year, companies were asked to identify their top three challenges, which are shown in Exhibit 6. Respondents reported higher costs, geopolitical issues and the dependability of estimates as their biggest concerns. These challenges are not surprising.

Higher costs: The price of energy has been in flux over this past year. The US dollar has lost strength against many currencies resulting in increased labour costs. Cut-off grade has decreased resulting in higher recovery costs.

Geopolitical: New or impending social, political, economic and environmental changes have impacted mining operations across the globe.

Dependability of estimates: Must account for dilution, recovery rates, cut-off grade and other complex factors on the reserves. As dilution increases producers incur more cash costs.

Reserve replenishment

When asked to identify their plans for replacing or replenishing reserves, respondents reported organic exploration, exploring/exploiting a past production area or deposit, and acquisitions to be their top three means of replenishing reserves. (see Exhibit 7).

Contact us

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We welcome comments and suggestions on how to tailor future editions of this annual survey to better serve the needs of decision makers in the gold industry. Please direct comments and/or questions to:

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Exhibit 5 Availability of financing in 2010

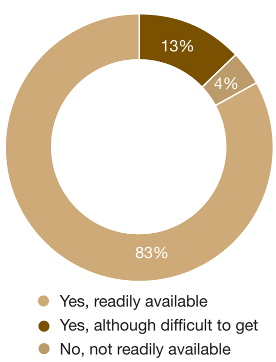

Exhibit 5—Question: Was/is funding readily available or do you anticipate funding being readily available?

Exhibit 6 Major challenges

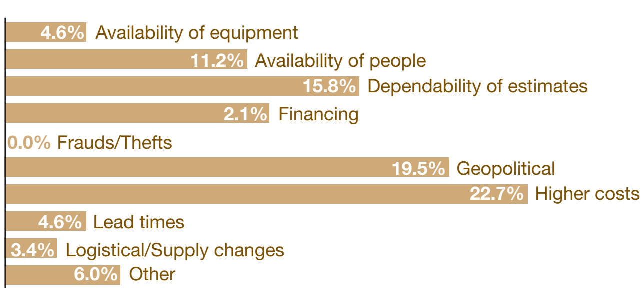

Exhibit 6—Question: What are your top 3 challenges? Please rank in order of importance.

Exhibit 7 Plans for reserve replenishment

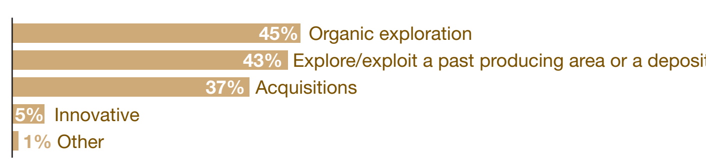

Exhibit 7—Question: What are your plans/intentions in terms of replacing or replenishing reserves? Please select all that apply.

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