



Surbiton Associates Pty Ltd

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MEDIA RELEASE

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Australia's Gold Production Hits 12-Year High

Australia's gold production in 2015 totalled 285 tonnes, almost two tonnes more than in 2014 and the highest annual total since 2003, according to Melbourne mining consultants Surbiton Associates Pty Ltd. Production in the December quarter 2015 was 73 tonnes, slightly above that produced in the September quarter 2015.

While commodities and the shares of resource companies were sold down heavily in 2015, the gold sector has become a rare bright spot on the Australian scene, despite the negative sentiment, particularly in US markets.

"For 2015, Australia's gold production of 285 tonnes was worth over A\$14 billion at the average gold price, that's good news", said Dr Sandra Close a director of Surbiton Associates. "Once again the local gold sector has benefitted from weaker US dollar exchange rates."

Throughout 2015 the US dollar gold price slowly declined to around US\$1,050 per ounce near year end, although since the start of 2016 it has recovered quite rapidly to over the \$1,200 per ounce mark. By contrast the A\$ gold price remained relatively stable during 2015, averaging A\$1,540 per ounce, while since January it has risen to over A\$1,700 per ounce.

"The Australian dollar has fallen from near 95 US cents in mid-2014, to around 82 US cents at the start of 2015, to around 72 cents by end 2015," said Dr Close. "Such a significant devaluation has provided quite a boost to the Australian gold sector, as well as to other exporters."

"I wonder if investors are aware that the Australian dollar gold price, at around A\$1,700 per ounce, is only about A\$100 per ounce less than the all-time record Australian dollar gold price reached in August 2011," Dr Close said.

Dr Close said that the lower oil and gas prices have reduced the cost of energy in both the mining and processing phases of the industry and that the end of the "mining boom" has reduced pressure on wages and led to lower contract rates for mining and ore haulage.

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"If you factor higher prices and tighter cost containment into the overall equation, margins have increased," Dr Close said. "Much of the local gold sector is travelling quite well for the moment."

She noted that there had been recent overseas commentary that Australian gold producers were being squeezed by high costs.

"Such comments are typical of US-centric observers who fail to appreciate the effect of weaker local currencies on the economics of gold production, whether in Australia or in other gold producing countries outside the US," she said.

Dr Close said a number of mothballed operations were currently being brought back into production which should help boost Australian gold output in the near future. In addition, there was increasing toll treatment of ore by small companies.

"Metals X is ramping up its rejuvenated Murchison Operations near Meekatharra, (ultimately 200,000 ounces annually), Saracen Mineral Holdings poured the first gold at the reopened Thunderbox mine (150,000 ounces a year) early in February and Blackham Resources expects to bring its Wiluna operation (100,000 ounces annually) back into production mid-year," Dr Close said.

While Newcrest will soon place its Ridgeway mine on care and maintenance, it will probably use the spare milling capacity to treat additional higher-grade Cadia East ore.

"We have seen the usual ups and downs in output for individual operations in the December quarter," she said. "Both Tanami and Super Pit reduced output by around a tonne each, compared to the previous quarter but on the other hand production at Telfer, Tropicana and St Ives was considerably improved."

Australia's largest gold producers for the **2015 year** were:

Operation	Ounces	Owner
Boddington	794,000	Newmont Mining Corp
Super Pit – JV	640,000	Newmont Mining Corp 50%, Barrick Gold Corp 50%
Cadia East	508,303	Newcrest Mining Ltd
Tropicana – JV	488,939	AngloGold 70%, Independence Group 30%
Telfer	488,817	Newcrest Mining Ltd

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