Gold Saga Comment
(including visible gold and cash costs)

(by Keith Goode : 28 May 2013)

What happened in April 2013 ?

In what is best described as the "Gold Saga" over a period of almost exactly 2 weeks from 9 April to 23 April (with the market impact from 10 April to 24 April), the **gold** price **fell** by more than **$200**/oz within a week. Goldman Sachs (Goldmans) went from bullish/buy gold up to 9 April at ~$1570/oz through "short" gold on 10 April, only to "change horses" back again on 23 April at ~$1408/oz stating close the gold "short" positions, as the gold price could rise. (It is currently [28 May] finding resistance at ~$1400/oz).

The gold price coincidentally fell from ~$1565/1575 on 9/11 April to $1380 on 16 April (based on London pm fixes) with a trading low of $1321 and had recovered to $1408 on 23 April amidst unprecedented world-wide demand for delivery and purchase of physical gold, and then increased to resistance about $1470/oz (and sold back down on Friday 10 May to ~$1420/oz & closing ~$1445 [Merrills 9 May forecast: $1200 by June]).

Chronologically, the events broadly were : (note the 24hour time zone is NY time so 9am Mon Hong Kong is 9pm Sun NY)

Figure 1a. 9 to 11 April 2013 24Hr Spot Gold and Point Comments

- November 2012: gold futures margins dropped from 15% to 5% by a Nth Am trader, followed by other Nth Am traders & then the Asian traders.
- 10 April 2013: Goldmans switch from bullish gold up to 9Apr, to bearish, reduce y/e gold forecast to $1450/oz, recommend "shorting" gold. Gold price drops from ~1580 to ~$1560 as shown in Figure 1a
- 11 April 2013 (Thursday) : 24-hour Gold trading holds $1550 long-term support (shown in Figure 2a), trading ~$1560 to $1565.

Figure 1b. 12 to 15 April 2013 24Hr Spot Gold and Point Comments (Note : Comex only had ~286.6t on 11Apr)

- 12 Apr 2013 (Fri): After Asian market & as London closes (for weekend) $6bn short futures trade (costing $300m [due to 5%margin]) rep 4moz/124t of gold executed on Comex, *London screens "freeze" blocking buy orders*, & Comex follows with 35mins of $15bn (cost ~$750m) short trades rep 10moz/300t of gold.
- 12 April 2013: Critical $1550 Gold support level broken, computerised stops begin to occur selling gold positions automatically taking gold to $1500.
- 14 April 2013 (Sunday) : Hong Kong opens Mon 15th, gold drops down to ~$1450/oz.

Figure 1c. 15 to 17 April 2013 24Hr Spot Gold and Point Comments

- 15 April 2013 (Mon) : London opens, gold falls to pm fix at $1380,
- 15 April 2013 : Goldmans re-iterates "short" gold, reduces y/e forecast to $1400. Comex down to 1350, HKong opens, down to 1321, & recovers to 1340.
- ***World-wide stampede to buy physical gold starts.***
- 16 April 2013 : Goldmans states "Gold no longer a safe haven, switch to natural gas" *(their author appears to not understand the allure of gold).*
- 17 April 2013 : Gold finds resistance at $1400.

Figure 1d. 17 to 19 April 2013 24Hr Spot Gold and Point Comments

- 16/17 April : Asian traders raise futures margins back up from 5% to 15%.
- 17 April 2013: Gold holds around $1380, falls with HK briefly to $1340 before recovering to ~$1360.
- ~17 April 2013 : North American traders raise futures margins back up again to 15%.
- 18/19 April 2013 : Gold encounters resistance at $1400; then $1420 and support at $1400.

Figure 1e. 19 to 22 April 2013 24Hr Spot Gold and Point Comments

- 21 Apr 2013: Rises back through $1420 with Hong Kong opening.
- 22 April 2013 (Monday) : Gold recovers in London to $1440.
- Falls with Comex opening, as Goldmans state that Gold ETF's are a "bubble", ie still negative gold & gold ETF holdings were continuing to fall dramatically (but the gold price held $1420).

Figure 1f. 23 to 25 April 2013 24Hr Spot Gold and Point Comments

- 23 Apr 2013: Goldmans "changes horses" back again, calls off "short" recommendation as gold could now rise.
- *(Despite no change in the rationale that Goldmans applied : Cyprus, on-off reduction of $85bn per month injection, Gold ETF's actually falling faster than expected, & leave their y/e $1400 target unchanged).*
- 25 April 2013 (Thursday) : Gold recovered to resistance at ~$1470/oz.

Conclusions / Results :

- Goldmans "calls" **may have simply been pure coincidence** with what happened. The "short" call was made based on falling ETF holdings, and "comments" such as some IMF notes that suggested Cyprus could sell part of its gold for ~$0.5bn to reduce the ~$40bn debt package being sought; and the Fed in its FOMC minutes were considering slowing the $85bn per month injection down to $50bn, which could strengthen the US$ *(less money being printed - even though the monthly printing does not appear to have materially weakened the US$).*
- **Or** Goldmans may have had **exposed** "short" positions that were at risk of the gold price rising from its $1550 support level shown in Figure 2a, **and/or** they had a **large buy** order at lower levels and switched back again when the order had been completed. Apparently it's not the first time Goldmans have been possibly involved in a gold price fall, the prev time (not proven) was ~2008.
- **Whatever was the reason, the reality is that the gold price has fallen through its $1550/oz support level,** with only the 10-year trend still intact as shown in Figure 2a, and has **severely damaged share market confidence in gold** and gold **shares.**
- **Pandora's box has been opened, hedge funds found the classic unregulated play**, where they could "short" $21bn worth of a "stock", in this case "gold", for an outlay of ~$1bn, and ***score a "multiple whammy***" by shorting the other precious metals (they all followed gold down - regardless of individual fundamentals), & could also short the major gold stocks ahead of the "hit".
- There is no other "stock" that we know of that you can naked "short" $21bn worth at its opening (ie without holding any). Comparatively, it would be like selling ~20% or ~600m BHP on its opening.
- Shorting the major gold stocks has the benefit of extra downside leverage, if you know that your actions should result in the gold price falling and hence gold share prices falling too - and you can't face prosecution for it because gold trading is not regulated.
- **The Libor ruling** at the end of March 2013 was when a landmark class-action civil lawsuit against some banks for Libor-related offenses was dismissed. In that case, a federal judge accepted the banker-defendants' argument: "If cities and towns and other investors lost money because of Libor manipulation, that was their own fault for ever thinking the banks were competing in the first place" (Source:rollingstone). *So if instead "a group" colludes in "shorting" then they may not be liable either (it will be interesting to see if the same excuse holds for BP & Shell over UK fuel prices since ~2001).*

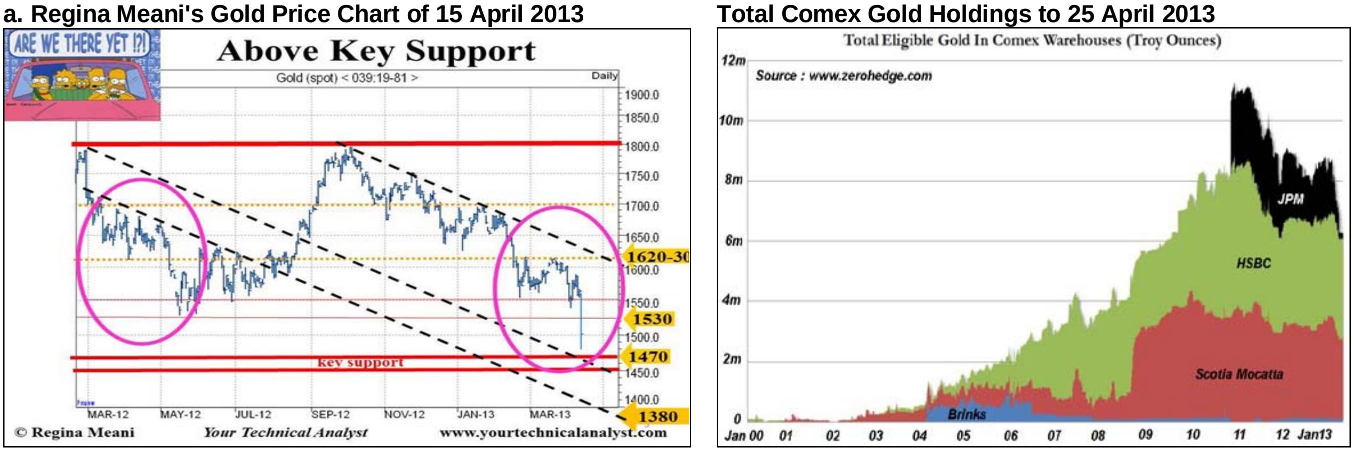
Figure 2. Kitco's 10-year Gold Price Chart of 15 April 2013 & over the Past Year to 27 May 2013

a. Kitco's 10-year Gold Price Chart **b. Kitco Gold over the Past Year to 27 May 2013**

The **closest accurate charting** that we saw ahead of the gold price fall and recovery was Regina Meani's (www.yourtechnicalanalyst.com) chart of 15 April as shown in Figure 3a. Regina commented at that time. *"The near-term risk would be a close below $1450 indicating a further decline to around $1380 or possibly lower in a deepening of the corrective phase. Over the short term, a bounce back* (through resistance shown at $1470) *above $1530 would be considered favourable with the first conjunction of resistance in the $1620-30 zone". (**Note: lowest gold pm fix was $1380/oz).***

Figure 3. Regina Meani's Gold Price Chart of 15 April 2013 & Total Comex Gold Holdings to 25 April 2013

a. Regina Meani's Gold Price Chart of 15 April 2013 **Total Comex Gold Holdings to 25 April 2013**



Physical Demand

However, as stated above, while gold demand does increase when the gold price falls, this time it skyrocketed globally into physical - China - Hong Kong - Singapore - Australia - UK - Germany - US - Canada etc, with many outlets reporting shortages of physical gold for delivery resulting in higher premiums, as shown in the Figure 4a from Hong Kong of depleted stocks in jewellery shops. It was known that a shortage of physical gold was developing, but was not being particularly focused on, even when Holland's ABN Amro stopped allowing gold conversion or distribution from its bank after 1 Apr 2013.

Other banks have since followed suit, refusing to deliver gold hold on clients' behalf and only providing paper receipts, raising questions as to whether it actually exists or has been sold more than once. There has always been great debate as to how much physical gold that the (electronically produced fiat) paper gold is based on (that 424t sale was greater than the then Comex holdings of ~287t, and the ~21t (for ~$1bn bet) that it represented were unlikely to have actually been held by the "seller". *We can recall a banker once stating that the total central bank gold holdings are traded every 3-5 days in global markets.*

Which may be another catalyst for the steady withdrawals/fall in Comex gold bullion stocks (mostly under JPMorgan) as shown in Figure 3b down to March 2009 levels of ~5.8moz (25 Apr).

And on April 25, JPM's reported Comex gold holdings in its vault dropped by a further by ~261koz from 402.4koz to a quoted 141.6koz as shown in Figure 3b. Maybe it is mostly going to China, who would not want to store their gold at Comex, or a general fear that Comex may stop allowing gold from being withdrawn. *The US Fed has stated that should any US bullion bank default, then it will pay out the gold holdings owed in US$ cash (probably through a quick printing press run of the new $100 bills)*.

The above may seem bullish - but you have to read the fine print as in the word "eligible" as a bullion bank holds registered gold (presumably bullion) and eligible gold (often coins etc, of which the difference in distinction appears to be fuzzy), as shown at 29 April 2012 of Comex's metal depository stats in Figure 4. JPM had been reducing their eligible gold holdings, but can use registered for settlement too, and can move between the classifications, as between 25 and 29 April it moved 4,752oz from "Registered" to "Eligible". The previously reported 141.6koz must have been understated as it was tabulated at 159.5koz.

Figure 4. Comex's Gold Holdings as at 29 April 2013 (total 8.05moz or ~250t of gold)

Gold (koz)	Brinks	HSBC	JPMorgan	Manfra	Scotia Mocatta	Total
Registered	493.3	378.1	758.1	20.0	501.7	**2151.1**
Eligible	130.3	3184.5	163.8	7.0	2412.6	**5898.2**
Total	623.6	3562.5	921.9	26.9	2914.2	**8049.2**

While some of the demand could be switching from paper gold ETF's (that are supposed to represent physical holdings) to actual physical gold, there had also been increasing short positions before Goldmans made their call (& it seems that the 424t or ~13.5moz short was soon closed out). With more bullion banks declaring "force majeure" or the inability to deliver physical gold and instead settling in cash or a certificate representing the gold , the falling ETFs may be undergoing material conversion to physical and stored elsewhere. There has always been suspicion as to what the ETFs are actually based on - ie a certain amount may simply be paper (especially after that Hong Kong trader's comment that "ETF holdings are neither realistic or reliable, because gold can be borrowed").

However, the big surprise was that physical gold and silver sales went ballistically/asymptotically into a global demand bubble. *The* shortage of physical stocks has continued as reflected in a jewellery shop in Hong Kong in Figure 5a, with India soon quoting 3 weeks' time for physical delivery. So presumably some of the pictures we took in the past year have now been materially depleted.

The rush for physical gold and silver almost developed "panic" proportions with the action by the Bank of Cyprus "spooking" the market even further. People with savings at the Bank of Cyprus saw them keep the first €100,000 as cash, then of the remainder: 37.5% was converted into the bank's shares, 22.5% was classified as "at risk", 30% was frozen & the remaining 10% is free for use. Confiscation by a Govt of savings has occurred before, such as the confiscation of gold for which cash of the day was paid.

At the last China Mining Conference in Tianjin in November 2012, it was commented that China had been handed two gifts (the rest of the world looked upon them as calamities) to acquire resources cheaply, being the GFC in 2008 and the current Euro crisis. At the next Conference in Nov 2013, China will be able to add - "and the Gold price collapse in 2013", as apparently the Shanghai Gold Exchange delivered 1030t of gold in the first 4 months of this year to the end of April 2013, and Chinese/Asian groups are buying gold mines throughout the world.

Also Chinese housewives apparently bought ~300t gold in the couple of weeks to 5 May, although they were probably additionally encouraged by the falling stocks on the Shanghai Stock exchange on 26 April that has been attributed to steady shorting by JPMorgan and Citigroup (as per the China Daily on 6 May).

It will be interesting to see just how much was imported into China in the 2nd quarter of 2013, as the first quarter of 2013's import stats were : Jan 51.3t, Feb 97t, & Mar 223.5t (& that was ahead of the price fall).

Figure 5. A Hong Kong Gold Jewellery Shop on 25 April 2013, and Singapore's Little India in July 2009

a. A Hong Kong Gold Jewellery Shop on 25 April 2013

b. Singapore's Little India in July 2009

We have seen these scrambles to buy gold at low prices in Asia before. Figure 5b shows the situation that we saw in Singapore's Little India in early July 2009 when gold was trading at ~US$930/oz (and since then it more than doubled). Even for those buyers, at ~$1400/oz it is still a ~50% increase in less than 4 years. Hence it can be understood why some buyers believe the gold price will increase over time. The Chairman of China's Zijin Gold Mining Group also stated on 22 May in Kalgoorlie, that "the recent volatility in gold was just a small correction in the current bull market"(which perhaps over time, it may prove to be).

The catalyst in 2009 was the IMF finally stating that they were going to sell 403t of gold - they had been threatening to sell for many years, and finally stated that they would -"it was the last shoe to fall", and as expected marked a relative low in the gold price. Gold rose through $1000/oz, despite many statements that due to a poor monsoon in India, gold had to fall (but that did not deter those buyers in Singapore as shown in Figure 4b), and analysts/banks were then forecasting gold's collapse to less than $900/oz within the coming year.

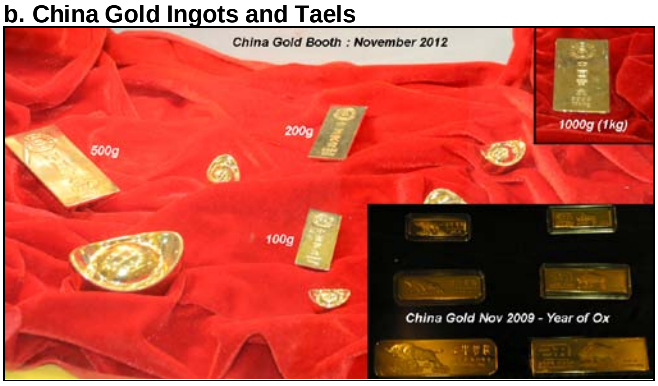
Physical Gold Investment Products

Interestingly the gold products do vary depending on what country you are in - it is not simply bangles, rings, chains & plain bars or ingots. China has undertaken excellent marketing through casting ingots, coins & bars with animals of the Chinese Zodiac each year, and hence encouraging buying on that basis. The two main gold shop chains in China are two of the gold producers : China Gold and Zhaojin, of which China Gold has the shops in the international and domestic airports as shown in Figure 6a in Beijing.

Figure 6. Beijing Aport China Gold Shop in Nov 2010 and China Gold Ingots and Taels

a. Beijing Aport China Gold Shop Nov 2010 - Year of Tiger

b. China Gold Ingots and Taels



In November 2009, we took images of gold bars at the China Gold stand (at China Mining) of the Year of the Ox, while at the China Gold stand in November 2012, were the more regular bars and "boat-shaped" taels as shown in Figure 6b, while Zhaojin had gold chains and earrings as shown in Figure 7a.

Figure 7. Zhaojin Gold Ingots in Nov 2013 and Silver Lake's Commemorative Small Gold Bars in Aug 2012

a. Zhaojin Gold Ingots and Jewellery

b. Silver Lake's Commemorative Small Gold Bars DnD 2012

In contrast to China's gold companies, apart from the Anglogold gold jewellery, the Western world gold producers do relatively little to promote and sell gold (outside of the World Gold Council), apart from occasional commemorate coins or bars, such as the 230oz shown in the Silver Lake booth in Figure 7b at last years' Diggers n Dealers (DnD) in August 2012, and their 2010 gold coins commemorating 100,000oz of gold production as shown in Figure 8a.

Silver Lake (SLR) of course established a reputation with their DnD solid gold casts in 2010 of an air-leg miner and 2011 of a gold prospector, as shown in Figure 8b - that were for sale at that time.

Figure 8. Silver Lake's 100,000oz Poured 2010 Coin, and DnD Gold Casts of 2010 and 2011

a. SLR's 100,000oz Poured 2010 Gold Coin

b. Silver Lake's DnD Gold Casts 2010 and 2011

At Dubai's International Airport, its gold shop sells to the world and hence has a range of mostly the traditional products from different countries/origins such as Australia, Switzerland, USA, Canada and China as shown in Figures 9a and 9b. We have also seen large Chinese zodiac coins there too.

Figure 9. Gold Investment Products at Dubai's International Airport

a. Gold Jewellery Chains, Earrings, and Krugerrands **b. Rabbit, Panda, Maple Leaf, & Kangaroo Coins & Swiss Ingots**

However, it was in Istanbul's Grand Bazaar in Turkey, that we saw a completely different range of gold jewellery in Figure 10b in addition to the usual coins, rings and bracelets of Figure 10a in extremely well-stocked gold shops.

Figure 10. Relatively Conventional Gold Jewellery in Figure 10a, but different in Figure 10b

a. Gold Jewellery Shop : Coins and Rings **b. Gold Jewellery Shop : Amulets and Braided Necklaces**

- Especially the fine detailed amulets & braided necklaces shown in more detail in Figures 11a, b, c & 11d:

Figure 11. Detailed Gold Jewellery in Figure 10b

a. Figure 10b Gold Jewellery : Part of Upper Window **b. Figure 10b Gold Jewellery : Middle & Lower Window**

Figure 11. Detailed Gold Jewellery in Figure 10b - Amulet Detail

c. Figure 10b Gold Jewellery Middle Window - Amulet Detail **d. Amulet Detail**

Museum Gold

The gold that we saw in museums in the past year was mostly in Turkey and China. While it is well known that the gold found in Troy was scattered to the "four winds across the world" after its discovery, most of it reputedly located in Moscow [confiscated at the end of WWII from Berlin], there were apparently ~16 treasure hoards discovered at Troy. The largest (dubbed King Priam's treasure) and found on the other side of the ramp shown in Figure 12a, actually dates back to Levels 2 and 3 of Troy or 2500 to 2100 BC. Whereas the famous Trojan war was thought to have occurred at about Level 6 or ~1300BC to 1200BC.

Figure 12. The Ramp at Troy, and Various Gold Items from Troy

a. The Ramp at Troy (Priam's Treasure was over the edge)

b. Various Gold Items from Troy

Although it is mostly a collection of old ruins, and may date back to ~8000BC, Troy or Troia in NW Turkey was closer to the coast up to ~1200BC, and not simply famous for the Trojan horse and the Trojan War. Many famous people visited the Temple of Athena and/or the Tomb of Achilles) such as Xerxes in 480BC ahead of occupying Greece, and Alexander the Great in 334BC ahead of taking revenge on the Persians. Caesar visited Troy in 48BC on the basis that he believed it was the home of his legendary forebears, and Constantine almost made it the capital in 324AD, but instead chose Byzantium (now Istanbul).

Some gold was recovered from robbers of Troy in 1837 and is on display in the Archaeological Museum of the Topkapi Palace in Istanbul as shown in Figure 12b, although there are only a few items. However, the gold ornaments and jewellery in the Archaeological Museum in Çannakale (SW of Lapseki and Chesser's Kestanelik gold exploration project), appeared to be more impressive (especially the lion ring), although they are dated as late 4th to early 3rd Cent BC as shown in Figures 13a and 13b.

Figure 13. Gold Jewellery, Diadems, Lion Ring & Ear-rings from late 4th Cent BC, Çannakale Arch Museum

a. Gold Jewellery and Diadems late 4th Cent BC

b. Gold Lion Ring and Jewellery of 4th Cent BC

We also visited the JinSha Temple of the Sun Museum in Chengdu that was recently (Feb 2001) discovered when digging foundations for a new area of apartment blocks, and dates back to ~3000BC. Amongst the items were the golden sun and immortal bird disc that now adorns many parts of Chengdu, and a golden mask as shown in Figure 14a. The mask was very reminiscent of the Inca ones in Lima.

Figure 14. Sun and Immortal Bird and Gold Mask at Chengdu's JinSha Museum, and Masks in Lima

a. The Sun & Immortal Bird & Mask at JinSha, Chengdu

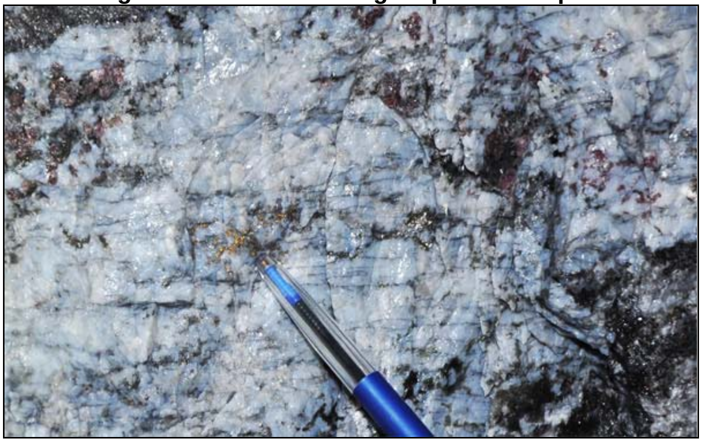
b. Gold Mask at Larcoma & Anthrop Museum, Lima, 2008

Mined Gold

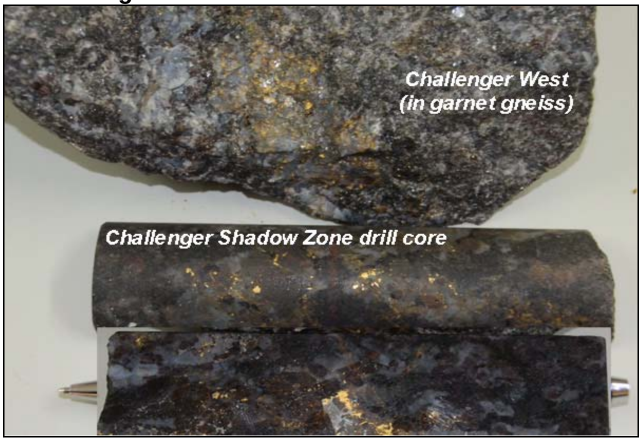
Of course, the finished products look fantastic, but very often mined gold cannot be seen with the naked eye. Even a few pin-head specs of visible gold often infers grades ~15g/t or higher. During the past year we/ERA saw some pin-head gold specs underground on a sidewall last year at Kingsgate's Challenger gold mine in South Australia in June 2012, as shown in Figures 15a and 15b.

Figure 15. Visible Gold at Kingsgate's Challenger Mine in South Australia

a. Challenger M2 820 Level air-leg stope in blue quartz



b. Challenger West



There was some gold at the artisanal workings near Kingsgate's Chatree gold mine in Thailand in June 2012 in Figure 16a, although the volume of gold at Indochine's Mt Kare artisanal workings in March 2013 were more impressive, especially the crystalline gold shown in Figures 16b and 17a.

Figure 16. Gold from Artisanal Workings in Thailand and Papua New Guinea

a. Gold from Artisanal Workings in Thailand

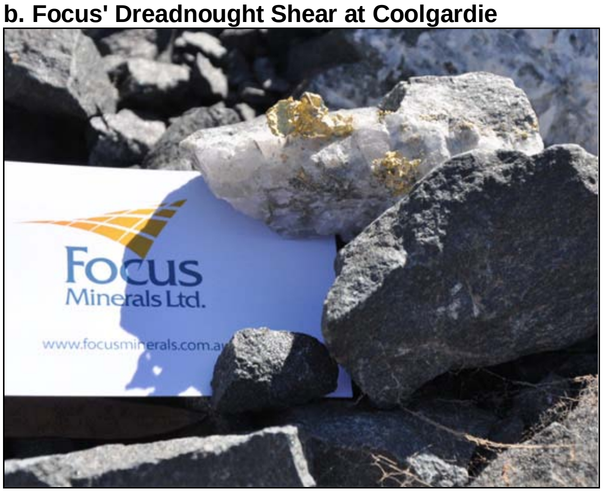
b. Artisans Panning for Gold in the WRZ zone, Mt Kare, PNG

Focus Minerals had some impressive gold specimens from its Dreadnought Shear zone at Coolgardie in August 2012 as shown in Figure 17b.

Figure 17. Visible Gold Specimens from IDC's Mt Kare and FML's Coolgardie

a. Typical Visible Gold Specimens from Mt Kare

b. Focus' Dreadnought Shear at Coolgardie



However, some of the original visible gold specimens from Silver Lake are still amongst the most impressive that we have a record of, as shown in Figures 8a and 18a in about 2008/2009, along with those recent ones from A1 Consolidated Gold's (AYC's) lodes intersected in their decline on the way to the main orebody in the Woods Point area of Eastern Victoria, that were on display at the May 2013 RIU conference in Sydney, as shown in Figure 18b.

Figure 18. Gold Specimens from Silver Lake Resources (SLR) and A1 Consolidated (AYC : Eastern Victoria)
a. Visible Gold from : Silver Lake Daisy Milano 8 Level **b. Visible Gold Specimens from A1 Consolidated Gold**

And then there are the gold nuggets, often sold as specimen stone (being total weight x gold price x a factor) with resulting higher premiums as shown in Figures 19a and 19b by the prices in the GAPP booth at the Sydney RIU Gold conference in mid-May 2013.

Figure 19. Visible Gold Specimens mostly from WA
a. Visible Gold Specimens mostly from WA **b. Visible Gold Specimens mostly from WA**

Mine Costs

Comparable mining costs evolved from the fiasco that existed in the early 1990s, where for example, one company which bought the pub across the road in WA, included the pub revenue in the gold revenue and the costs below the line (because it was marginally profitable). The revised approved format became operating cash costs (C1 : being mining + milling + admin), total cash costs (C2 : being operating + royalties), and total costs (C3 : being C2 + D & A [depreciation and amortisation]).

However, there have been recent moves (mostly from North America) to make the mining costs more representative and include some exploration and say sustaining capex *instead of D & A*, to result in AISC or an all-in-sustaining (cash) cost, but the result has been total confusion for investors.

Silver Lake was the first Australian gold company to use a type of AISC for its Mount Monger operations, instead of the conventional C2 plus D & A. SLR gave its MQ13 quarterly AISC at $1144/oz being C1 ($730/oz) + royalties ($48/oz) for C2 ($778/oz) + sustaining capex ($81/oz), waste development ($212/oz), extensional exploration ($20/oz) and corporate overheads ($54/oz) resulting in a C3 or total cost of $1144/oz. An investor told us the reason they sold SLR was because it was mining waste and not gold ore (we explained that all mines mine through waste to get to the orebody), but SLR appears in fact to be the only gold company on the ASX that refers to waste development.

SLR appears to have had its share price penalised for using an AISC, as it would appear that the AISC was regarded as a C2 cash cost and then D & A was added.

Northern Star appeared to give the clearest quarterly report (MQ13) providing both forms on page 5 as in C2 cash cost including royalties ($642/oz), total costs C3 ($921/oz with D & A of $279/oz). NST's AISC was given as C2 (broken down) plus mine development & sustaining capex ($220/oz), NST's Paulsens mine exploration ($38/oz) and corporate/admin ($35/oz) for a total AISC of $935/oz - which is relatively similar to the D & A derived $921/oz.

Alacer also now reports an AISC (C2 cash + mine exploration + sust capex + general & admin) in its MD & A (management discussion & analysis) reports and its D & A, although not for its individual operations (it used to, but has stopped doing so). A number of gold companies only give C2 cash costs such as Regis, Focus and Saracen (including royalties - it is necessary to read the fine print), and have the D & A figures in their half yearly financials. However Regis does break up its D & A separately in its financials.

One of the criticisms against D & A is the amortisation especially post acquisition of a company, when the acquisition is written off (previous reporting used to have pre and post abnormal profits). However if the D, and A are reported separately with explanatory notes then this issue could be reasonably resolved.

The AISC definition is apparently going to be set by the World Gold Council. The Agnico Eagle, Scotiabank and Desjardin proposal does not specify mine development, with the additional/replacement costs (of D & A) being sustaining capex, corporate & admin, and (relevant) exploration. Gold Fields who are credited with starting the AISC process actually only uses operating costs + capex. The AISC is not a GAAP (accountancy) requirement and only Alacer, Silver Lake and Northern Star are currently reporting it in Australia, and even then they have different definitions of their own AISC.

AISC reporting really depends on who is the target audience - certainly not the fund manager or the day trader, if anything it's the analyst who has time and/or wants that level of detail.

***In our/ERA opinion* : simplicity (not confusion) should be used.** Namely, operating C1 cash cost + royalties (for C2) plus D & plus A (ie separately) to result in a total cost of C3. And use footnotes to explain why the amortisation is anomalous or abnormally high for whatever reason. This means that the gold producers' total costs should be relatively comparable.

Table 1. Australian Company Cash & Total Costs Ranked by C3 Total Costs using the (D & A)/oz from DH12 reports

Ranked on est C3 MQ2013 A$/oz	ASX Code	Prodn 000oz	C0 Operating	By-prod Credits	Inventories	C1 Net Operating	Royalties	C2 Cash	D & A MQ13	C3 Total	D & A DH12	C3 Total Base DH12	AISC	DH2012	Prodn 000oz	D &A A$m
Regis	RRL	75				582	*67*	*649*			100	749		RRL	181	18
Northern Star	NST	25	606	-3	-2	601	41	642	279	921	153	795	ver 1 : 935	NST	70	11
Silver Lake	SLR	38				682	48	730			183	913	ver 2 : 1144	SLR	52	10
Resolute	RSG	110				831	*83*	*914*	*156*	1070	133	1048		RSG	223	30
Newcrest	NCM	514	1284	-293	-242	749	50	799	286	1086	272	1071		NCM	953	259
Troy	TRY	26	994	-377		617	*156*	773			309	1082		TRY	55	17
Perseus	PRU	57	741		182	923	88	1011			97	1108		PRU	104	10
St Barbara	SBM	87				*931*	*37*	*968*	*296*	*1265*	296	1264		SBM	173	51
Evolution	EVN	84	983	-21	-27	935	81	1016	412	1427	366	1382		EVN	196	72
Alacer	AQG	93				849	83	932	396	1328	453	1385	ver 1 : 1401	AQG	186	84
Kingsgate	KCN	48				932	119	1051	*476*	*1527*	366	1417		KCN	90	33
Norton Goldfields	NGF	43				1033	43	1076	271	1347	344	1420		NGF	70	24
Ramelius	RMS	21				1076	*39*	1115			392	1507		RMS	40	16
Saracen	SAR	36	970		21	991	64	1055			456	1511		SAR	60	27
Focus	FML	22				1893	80	1973			331	2304		FML	91	30
Tanami	TAM	6				1944	48	1992			524	2516		TAM	21	11

As can be seen in Tables 1 and 2 of costs associated with their MQ2013 gold production, some of the Australian gold companies are very scant when it comes to quarterly detail, and often report cash costs excluding royalties as their main number, with their total D & A in the half-yearly financials. Note : Some companies were excluded from the tables for being too small (Kingsrose / Red 5) or for possibly ambiguous costs (Oceana).

Table 2. Australian Company Mine Cash and Total Costs Ranked on the Basis of C2 Cash Costs in MQ13

Ranked on C2 MQ2013 A$/oz	ASX Code	Prodn 000oz	C0 Operating	By-prod Credits	Inventories	C1 Net Operating	Royalties	C2 Cash	D & A MQ13	C3 Total	D & A DH12	C3 Total Base DH12	AISC	DH2012	Prodn 000oz	D &A A$m
Cadia	NCM	117	1118	-843	65	340	59	399	289	687						
Copler	AQG	45				397	42	439								
Moolart Well	RRL	26				562	64	626								
Paulsens	NST	25	606	-3	-2	601	41	642	279	921	153	795	ver 1 : 935	NST	70	11
Garden Well	RRL	48				593	69	662								
Lihir	NCM	172	973	-1	-323	649	27	676	197	874						
Mt Monger	SLR	38				682	48	730			183	913	ver 2 : 1144	SLR	52	10
Gosowong	NCM	59	813	-36	-41	736	70	806	233	1039						
Gwalia	SBM	41	707	-5	73	775	39	814	237	1051						
King O'Hills	SBM	17	951	-32	-67	852	40	892	350	1242						
Pajingo	EVN	21	1036	-24	-200	812	82	894	613	1508						
Chatree	KCN	31	982	-184	-24	774	149	923	217	1140						
Bonikro	NCM	24	1431	0	-546	885	45	930	245	1175						
Frogs Leg	AQG	11				948	27	975								
Edikan	PRU	57	741		182	923	88	1011								
Mt Rawdon	EVN	19	752	-34	220	938	88	1026	402	1428						
Cracow	EVN	25	939	-19	43	963	82	1045	402	1446						
Carosue Dam	SAR	36	970		21	991	64	1055			456	1511		SAR	60	27
Paddington	NGF	43				1033	43	1076	271	1347	344	1420		NGF	70	24
Simberi	SBM	15	1204	-2	-154	1048	32	1080	319	1399						
Edna May	EVN	19	1221	-9	-149	1063	72	1135	201	1337						
Telfer	NCM	124	1878	-359	-420	1099	63	1162	411	1573						
Challenger	KCN	17	1205	-2	16	1219	59	1278	949	2227						
Higginsville	AQG	29				1196	179	1375								
Gold Ridge	SBM	14	1461	-16	-88	1357	36	1393	381	1774						
Laverton	FML	14				1642	93	1735								
Hidden Valley	NCM	19	2502	-303	-452	1747	43	1790	478	2268						
Coyote	TAM	6				1944	48	1992			524	2516		TAM	21	11
SKO	AQG	8				2020	42	2062								
Coolgardie	FML	8				2408	54	2462								
Burbanks	***RMS***	*6*				*296*	*not given*									
Casposo	***TRY***	*18*	*998*	*-524*		*474*	*not given*									
Ravenswood	***RSG***	*38*				*741*	*not given*			*1079*						
Syama	***RSG***	*53*				*769*	*not given*			*961*						
Andorinhas	***TRY***	*8*				*862*	*not given*									
Golden Pride	***RSG***	*19*				*1193*	*not given*			*1363*						
Mt Magnet	***RMS***	*15*				*1396*	*not given*									

Obviously lower silver and copper prices are going to impact on the by-product credit deductions.

If companies still want to provide an AISC, then place it on page 5 of the quarterly, for the analyst that may like that level of detail, as currently it seems to be causing confusion as reflected in ***SLR's*** *weakened share price, compared to its* ***third lowest cost rating*** *on a total cost (including D & A) basis in Table 1*.