



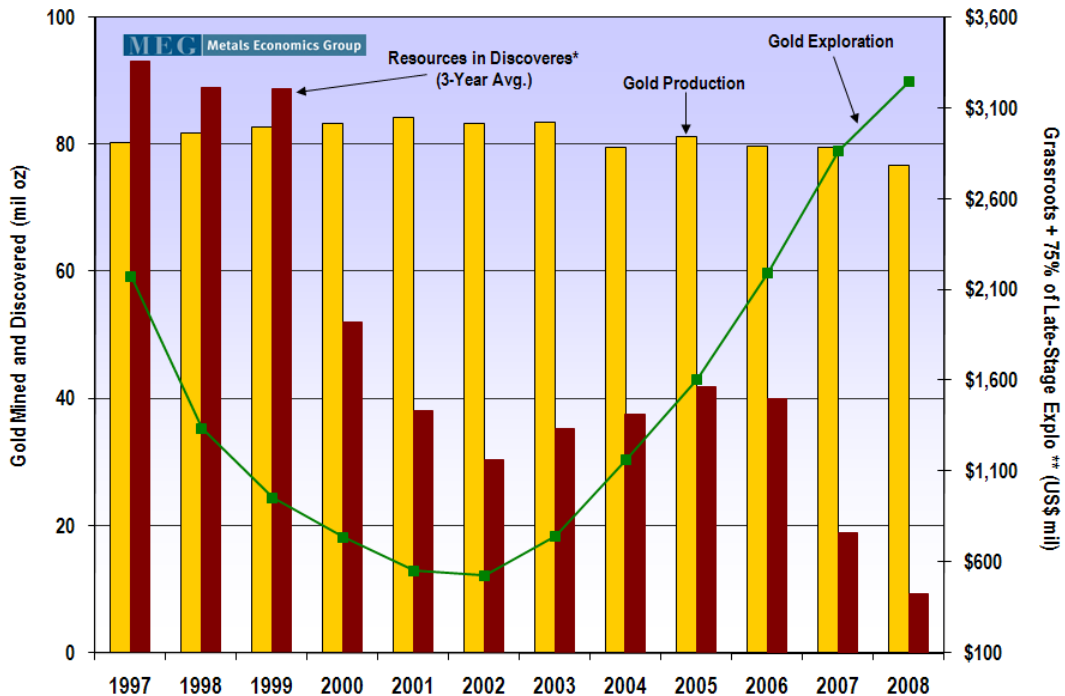
Metals Economics Group Strategies for Gold Reserves Replacement: The Costs of Finding and Acquiring Gold

Largest gold producers replace reserves despite higher costs, increased risks, and lack of new discoveries

Halifax, Nova Scotia, June 16, 2009 – Metals Economics Group’s (MEG) recent Strategies for Gold Reserves Replacement study concludes that between 1999 and 2008 the world’s largest gold producers (those with production of 450,000 oz or more in 2008) overcame rising costs, equipment and labor shortages, electrical outages, wars, permitting hurdles, typhoons, political opposition, and other obstacles to replace almost twice their reserves lost through production. The group’s average cost of replacing reserves through a combination of acquisitions and exploration was \$83/oz. At the same time, this group also increased its aggregate production by a total of 10.7 million oz/y of gold, and together accounted for about 55% of 2008 world gold production.

The group’s average annual cost of producing and replacing gold—incorporating operating costs, capital costs of new mines, sustaining capital costs at existing operations, and reserves replacement costs—more than doubled over the past decade. Although some increased costs were voluntary (mining lower-grade ores and accelerating capital investments for new mines in response to rising prices, for example) and there are signs that costs are beginning to decline, only a tripling of gold prices from the lows of the early 2000s to an average of \$872/oz in 2008 has prevented a financial meltdown like that seen in the base metals sector.

Resources in Significant New Discoveries* Relative to World Gold Production, 1997-2008



* Gold resources contained in significant discoveries (deposits containing at least 2 million oz) depicted represent a three-year running average of the total reserves, resources, and past production in these discoveries to reflect the three or more years it takes to quantify resources of this scale after the initial discovery hole. At the time of writing, no significant gold discoveries could be attributed to 2008.

** Includes the global exploration budgets directed to grassroots gold plus 75% of late stage gold exploration budgets, which we feel best reflects the funds allocated annually to discovering and subsequently defining resources.

In addition to higher costs, exploration programs are encountering increased risks from political and regulatory instability in many developing nations. These countries tend to have inferior infrastructure, less political stability, and uncertain security of tenure—all leading to slower mine development at higher costs. In the current industry-wide gold pipeline (1.7 billion oz of gold in reserves and resources in the 228 advanced-stage nonproducing projects analyzed) 19% is in lower-risk jurisdictions, 57% in medium-risk areas, and 24% in high-risk jurisdictions.

Globally, 62 significant discoveries (each containing at least 2 million oz of gold in total reserves and resources) have been reported so far in the 1997-2007 period¹. These discoveries contain a potential 377 million oz of gold in anticipated recoverable reserves—less than half of the estimated world gold mine production during the same period. Even anticipating additional reserves from these and smaller discoveries, the industry's new discovery rate still falls well short of what is needed over the long term. As a group, the major producers developed more than 90% of their exploration-derived reserves by upgrading resources at previously acquired projects and mines or at older discoveries, rather than from recent discoveries.

Increased production by the major gold producers over the past decade has resulted in a greater need to add to reserves in order to maintain a life-of-production that satisfies the long-term views of investors and market analysts. This challenge is further exacerbated by the majors' larger size requirements for new projects. Based on 2008 production, the major producers need to replace an average of almost 2 million oz/year of reserves, ranging from a high of almost 8 million oz annually for Barrick Gold to about 500,000 oz for those companies at the bottom of the list. Although, as a group, the major producers successfully replaced almost twice their total production over the past ten years, almost all of these reserves additions were achieved through acquisitions or by upgrading resources at existing projects and mines, and not through finding new significant discoveries.

MEG's Strategies for Gold Reserves Replacement study provides an authoritative analysis of gold reserves replacement and growth strategies from both exploration and acquisition perspectives. The examination of current and historical transactions involving advanced-stage gold projects, operating mines, and companies, addresses key growth-strategy issues facing the gold mining industry sector, and compares the relative costs of discovering or acquiring gold in the ground. The study is available in print and online formats. Online access includes most of the study's supporting data in a series of spreadsheets, allowing subscribers to tailor the data for further analysis, and easily transfer information into presentations and in-house reports. For more details on this study and for subscription information visit the MEG website at www.metalseconomics.com; phone (902) 429-2880; fax (902) 429-6593; email sales@metalseconomics.com.

About Metals Economics Group (www.metalseconomics.com)

Metals Economics Group (MEG) provides information and analysis on the global mining industry focused on addressing both strategic and tactical business needs. Clients benefit from a painstaking commitment to accuracy, many years of experience, excellent relationships with other industry experts, an unbiased approach to reporting and analyzing the latest trends and issues, and a responsive, personal approach to customer care. Through analysis, information services, and consulting, MEG continuously builds on its foundation as the primary source of intelligence on global minerals exploration, development, and production; strategic planning issues; and acquisitions activity.

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¹ At the time of writing, no qualifying gold discoveries were reported in 2008; however, due to the time required to assess a large deposit there may be qualifying discoveries attributable to 2008 in the future.