METALS FOCUS

2014 MID YEAR UPDATE

GOLD AND SILVER MINING FOCUS

A REVIEW OF THE GOLD AND SILVER MINING INDUSTRY IN H1 2014

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GOLD AND SILVER MINING FOCUS 2014 - MID YEAR UPDATE

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1. EXECUTIVE SUMMARY

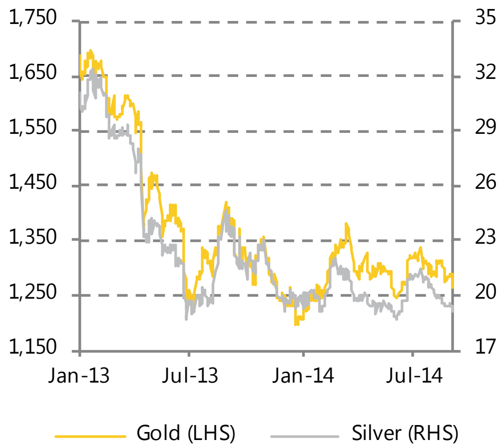
Following the launch in May of the 2014 Annual Gold and Silver Mining Focus at the Denver Gold Group's European Gold Forum, Metals Focus is delighted to now provide the industry with an update. This report highlights the latest trends within the gold and silver mining sectors, those factors impacting the wider gold and silver markets and our outlook for 2015.

Following the dramatic fall in gold and silver **prices** in the first six months of 2013, when they lost 26% and 37% of their value respectively, prices have traded broadly sideways. Rangebound conditions over the past 14 months have left gold and silver within 5% of their end-June 2013 levels in early September.

The lack of direction in 2014-to-date owes much to the more balanced stance adopted by professional investors. In other words, there has been no repeat of the widespread liquidations of 2013. However, neither has there been a desire to rebuild long positions despite tensions in the Middle East and Ukraine and renewed concerns about the health of the European banking sector. Among the factors limiting investor interest, the one that stands out remains the expectation that US interest rates will sooner or later recover and that this could trigger another leg down in prices. Meanwhile, "investor fatigue" concerning political and economic uncertainty has grown, resulting in only muted investor response to geopolitical crises this year.

Looking ahead, we see the near-term **price outlook** for both metals remaining largely rangebound, with a bias to the downside. This reflects the impact of an improving US economy and looming interest rate rises which will continue to discourage investor buying and may in fact lead to modest selling. The turning point for prices is likely to emerge around mid-2015. Perhaps surprisingly, the catalyst is likely to be interest rate rises in the US. With the authorities reluctant to risk derailing the US recovery, we expect only modest and slow rate increases, which should benefit gold. The yellow metal should also benefit from improving fundamentals, such as cost curve support and continued gains in jewellery demand. Furthermore, silver is expected to outperform gold next year, boosted by its own improving fundamentals, including falling scrap volumes and, more importantly, further growth in industrial silver offtake.

GOLD & SILVER PRICE, US$/OZ



Source: Bloomberg

MARKET OVERVIEW

	2013	2014E	Y-o-Y
Metal Prices (US$/oz)			
Gold	1,411	1,285	-9%
Silver	23.79	20.00	-16%
Gold Market Fundamentals (Moz)			
Total Supply	141.9	139.0	-2%
Total Demand	163.1	139.0	-15%
Surplus/Deficit*	-21.2	-0.0	-100%
Silver Market Fundamentals (Moz)			
Total Supply	1,038	1,061	2%
Total Demand	1,103	1,091	-1%
Surplus/Deficit*	-65	-30	-55%

* Net surplus (+), net deficit (-)
Source: Metals Focus

MINE SUPPLY OVERVIEW

	H1 13	H1 14	Y-o-Y
Global Mine Production (Moz)			
Gold	45.37	47.10	4%
Silver	400.3	417.2	4%
Gold Production Costs (US$/oz)			
Total Cash	771	723	-6%
Total Production	993	961	-3%
All-In Sustaining	1,107	961	-13%
Silver Production Costs (US$/oz)			
Total Cash	10.53	9.17	-13%
Total Production	15.70	14.07	-10%
All-In Sustaining	17.42	14.09	-19%

Source: Metals Focus

Turning to the key demand side **market fundamentals**, gold jewellery demand and physical investment are expected to fall by 7% and 32% respectively this year, with China (the world's largest physical market) unable to match its record level in 2013, and India still impacted by import restrictions. Meanwhile for silver, industrial demand is expected to continue its recovery, helped by a strong electrical/electronics sector. Silver jewellery demand is also on course to post further gains in 2014, partly because of a strong US retail market.

Despite commodity prices remaining subdued for the past year, gold and silver **mine supply** posted further gains in the first half of 2014, both seeing 4% y-o-y gains, building on the all-time highs of 2013. A large share of this growth was delivered by projects greenlighted in the last bull market and which commenced production in the second half of 2013. Of note was the start-up of the Escobal silver mine in Guatemala, and the Kibali, Akyem and Tropicana gold mines in the Democratic Republic of the Congo, Ghana and Australia respectively.

Another factor that has helped boost production has been the marked cut in **production costs**, particularly from operations in the upper quartiles of the cost curve. This was in part driven by miners' need to cut overheads, following the sharp drop in commodity prices, but was also significantly helped by a weakening of many producers currencies, lower royalty payments and an increase in processed ore grades. Total gold cash costs fell by 6% y-o-y to average US$723/oz, while at primary silver mines they declined by 13%, to US$9.17/oz.

On an all-in sustaining basis, the decline was more pronounced. During H1 14, gold mine costs averaged US$961/oz (-13% y-o-y), while at primary silver mines the average fell to US$ 14.09/oz (-19% y-o-y). In addition to the factors that drove the decline in total cash costs, the all-in sustaining cost component was further curtailed by miners sharply cutting expenditure on non-core items, such as capital expenditure.

The **outlook for global mine supply** for both metals remains positive in the near-term, with gold and silver on course to post new all-time highs this year. Post 2014, however, production is expected to plateau, and although longer-term there remains the capacity to lift the supply of both metals, without investment in new projects production will inevitably decline.

2. GOLD MARKET OVERVIEW & OUTLOOK

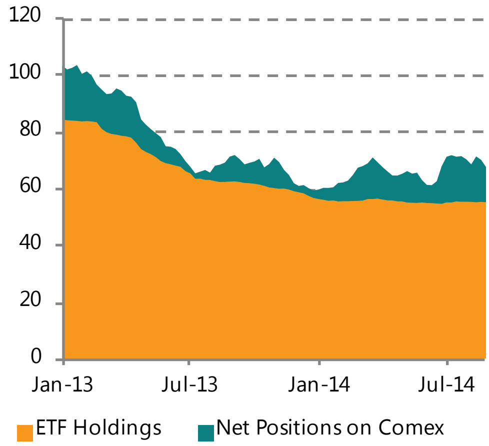
2.1 OVERVIEW

Following a dramatic fall in 2013, gold prices have spent much of 2014-to-date trading largely sideways. This reflects a lacklustre appetite on both sides of the gold market from institutional investors. On a positive note, heightened tensions in the Middle East and Ukraine, along with renewed concerns about the European banking sector, rekindled some safe haven purchases. However, with still elevated gold holdings acquired by investors in previous years, the scope for substantial fresh allocations to gold is limited. This in turn has been a key factor behind the short-lived nature of most price rallies this year.

Over the same time frame, ongoing improvements in the US economy and the threat of looming interest rate hikes have remained strong headwinds for gold prices. Moreover, declining volatility over much of the year pays testament to low investor activity and is itself an additional reason why professional players have been disinclined to become involved.

Meanwhile, physical market support has also slackened this year to-date, highlighted by a fall in bullion imports into key markets along with far lower local premiums. This in part is due to last year's exceptionally high base and, now, a lack of clear price trend. In many emerging markets, demand has been further undermined by a difficult economic backdrop, including a slowdown in GDP growth and currency weakness.

WEEKLY COMEX & ETF POSITIONS, MOZ

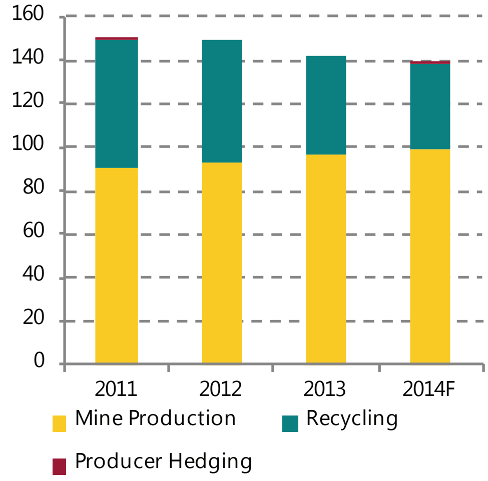


Source: CFTC, Bloomberg

GOLD PRICES, US$/OZ

Source: Bloomberg

TOTAL SUPPLY, MOZ



Source: Metals Focus

2.2 GOLD SUPPLY & DEMAND IN 2014

This year, total supply is projected to fall by 2% to 139.0 Moz. This is premised on a double-digit fall in recycling. Part of these losses, however, are expected to be offset by the continued rise in global gold output along with a return to net producer hedging.

2014 is on course to see another rise in global gold **mine production**, of around 1%, or 1.4 Moz. This will bring the CAGR from 2010-2014 to 2.7%. The first half of the year has seen growth of 4% y-o-y, with output reaching 47.1 Moz. The main driver was a number of mine starts in the second half of 2013 that have continued to ramp-up towards steady state capacity; these include Tropicana (Australia), Akyem (Ghana) and Kibali (DRC). For the full year, growth is expected to be driven by China, Canada and Russia, each delivering production increases of 950koz, 620koz and 460koz respectively. Countering some of these gains will be production losses from the US and Peru, with annual losses of 700koz and 520koz respectively forecast.

Despite **producer hedging** returning to the supply side in 2014, appetite for large scale hedging is expected to remain muted. Going forward, with the global producer hedgebook near historic lows, the potential for further de-hedging is also limited.

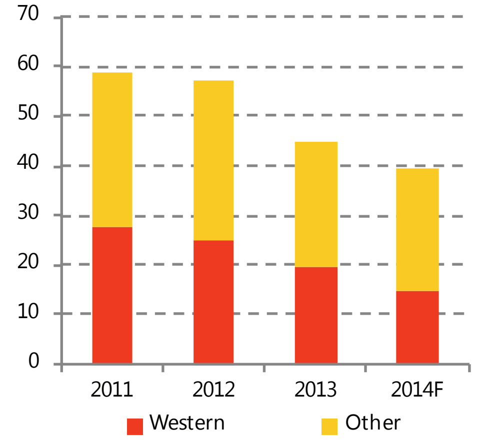
GOLD SUPPLY AND DEMAND, MOZ

	2012	2013	2014F	Y-o-Y
SUPPLY				
Mine Production	92.5	97.0	98.4	1%
Recycling	57.3	44.8	39.4	-12%
Net Producer Hedging	0.0	0.0	1.1	n/a
Total Supply	**149.8**	**141.9**	**139.0**	**-2%**
DEMAND				
Jewellery Consumption	65.8	85.0	78.9	-7%
Industrial Demand	13.6	12.8	13.5	5%
Net Physical Investment	37.4	50.9	34.5	-32%
Net Producer De-Hedging	1.4	0.9	0.0	n/a
Net Central Bank Buying	16.8	13.4	12.2	-9%
Total Demand	**134.9**	**163.1**	**139.0**	**-15%**
Market Balance	14.9	-21.2	-0.0	-100%
Nominal Gold Price	1,669	1,411	1,285	-9%

Source: Metals Focus

Following a hefty fall in 2013, **recycling** has continued to weaken this year. The decline so far has been concentrated in western countries where an improving economic backdrop and an uninspiring gold price have led to a major fall in jewellery scrap. While recycling in emerging markets has also dropped, losses have been fairly modest compared to last year, due to a recovery in recycling in some key markets. In particular, the record low Turkish lira pushed up local gold prices, which resulted in a surge in recycling. Overall, with gold prices likely to remain largely rangebound for the rest of this year, recycling is expected to fall further, bringing the annual total down by 12% to 39.4 Moz, a third below its 2011 peak.

RECYCLING, MOZ



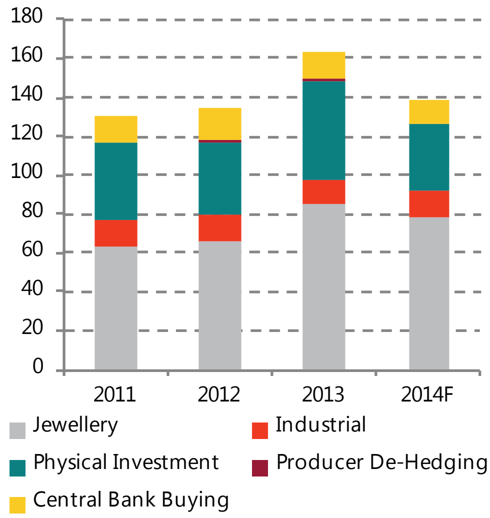
Source: Metals Focus

Turning to the demand side, the 2014 total is forecast to drop by 15% y-o-y to 139.0 Moz, largely driven by a pull-back in jewellery consumption and physical investment across many key markets. The only notable y-o-y rise is expected in industrial fabrication, which is forecast to deliver a 5% increase.

Jewellery demand is projected to see a 7% decline in 2014. However, we should stress that 2013 was an exceptional case when demand exploded in response to sharp price falls. As such, the y-o-y comparison is generally misleading.

Looking at key markets in detail, China accounts for the vast majority of losses this year, due to the high base in 2013 and a (now) cautious attitude by consumers towards gold prices. Even so, it is important to stress that China is expected to remain the world's largest jewellery market in 2014. Turning to India, demand has continued to suffer from various import restrictions. Meanwhile, pre-election regulations on cash transactions and expectations of cuts in the import duty in July encouraged consumers to postpone purchases. That said, as September-December is normally a seasonally strong period for physical demand, sales in both countries are set to improve.

TOTAL DEMAND, MOZ

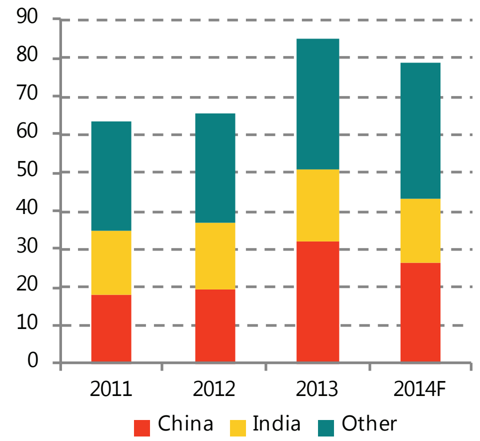


Source: Metals Focus

By contrast, western demand has been mixed this year. In particular, gold jewellery sales in the US and the UK have so far recorded decent growth thanks to improving consumer spending, while Eurozone demand has remained weak.

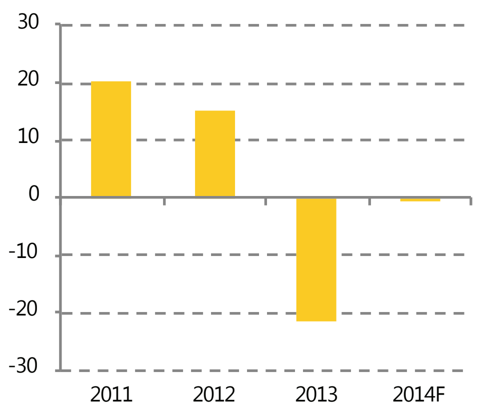
Similar to jewellery, **physical investment** has also weakened this year-to-date, with a 32% drop slated for the full year. Once again, China and India account for a large share of total losses,

JEWELLERY CONSUMPTION, MOZ



Source: Metals Focus

MARKET BALANCE*, MOZ



* Net surplus (+), net deficit (-)
Source: Metals Focus

as factors that restrain jewellery sales also impact investment. In China, sales of minted products and other gifting items have been further curtailed by the government's ongoing anti-corruption drive. Physical investment this year has also weakened in key western markets, reflecting the 2013 high base and a lack of price volatility (which dampens investor sentiment). Notwithstanding this, western physical investment has remained comfortably above pre-crisis levels, as concerns about the solidity of the economic recovery, a distrust of governments and efforts to convert wealth into less visible forms have continued to underpin demand.

Industrial fabrication is expected to grow this year by 5% to 13.5 Moz. This is premised on gold benefiting from rising sales of consumer electronics products. For example, a requirement for high performance and reliability for smartphones has lifted demand for high powered chips, which typically require thicker gold films. Meanwhile, gold use in the automotive sector is expected to record healthy gains. That said, thrifting and substitution pressure is expected to remain in place. Turning to dentistry, the long-term slide in gold fabrication is projected to remain, as the shift to non-precious materials continues.

The **official sector** has remained a net buyer in 2014-to-date at roughly 2.5-3.5 Moz per quarter, a pace that is likely to continue for the rest of the year. The bulk of gross purchases so far have been accounted for by developing countries seeking to build reserves for diversification purposes. In addition, an appetite to offload gold reserves has remained lacklustre among major European bullion holders. This has been highlighted by the announcement of the fourth Central Bank Gold Agreement which notes that "signatories currently do not plan to sell significant amounts of gold".

MARKET BALANCE

Barring a risk event, the gold market is expected to be essentially balanced this year. Of course, this is not sufficient to convince mainstream investors to return to gold. Nevertheless, it may well help to limit the price downside, especially taking into account that there may well be some pent up demand awaiting lower price levels.

2.3 GOLD OUTLOOK FOR 2015

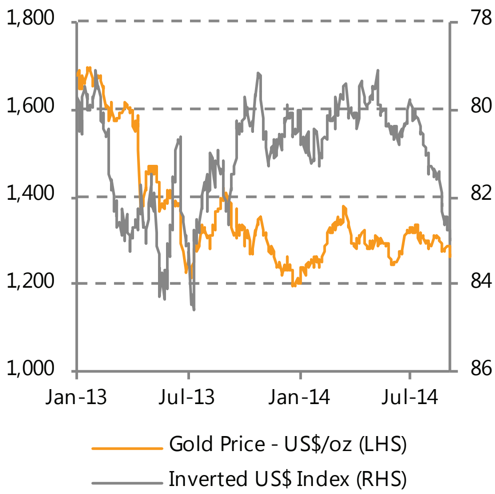
In our view, the rangebound conditions that have characterised the market for the bulk of this year will persist over the next few months and indeed into early 2015. Improvements in the US economy and looming interest rate increases will continue to hold mainstream investors back from moving into gold. A pick-up in physical demand in the Far East during late 2014 through to early 2015, however, should offer some downside protection.

From then on, we would not rule out additional investor selling in the run up to the eventual announcement of the first US interest rate rise, probably some time around the middle of next year, though such liquidations are likely to be short-lived. In fact, we expect gold will actually start its recovery after interest rate increases have been announced or even started. The reason behind this lies in our expectation that these will be modest and slow, likely leaving real short-term rates in negative territory beyond the end of 2015. It is important to remember that the US economy remains highly leveraged. Moreover, a number of its employment indicators remain problematic. As such, we believe monetary authorities will be reluctant to risk derailing what has been a challenging recovery by aggressively tightening monetary policies.

In addition, gold could benefit from positive developments in its underlying fundamentals and from cost curve support. For instance, total supply is expected to contract in 2015, as growth in mine output slows further while recycling continues to fall. Even though producer hedging will remain on the supply side, volumes are likely to be modest.

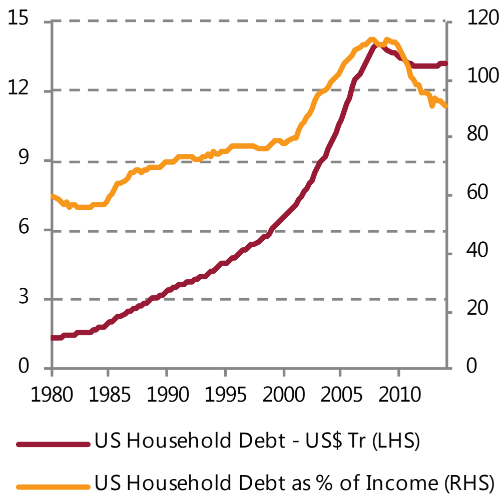
On the demand side, after a dip in 2014, growth in jewellery sales is expected to resume, led by India and China. For the former, sales will benefit from a pick-up in GDP growth and an eventual relaxation of import restrictions. In China, after painful consolidations this year, the local jewellery industry should regain its health in 2015. Likewise, physical investment in developing countries is projected to rebound, which should offset weakness in western markets. Elsewhere, the recovery in industrial offtake is expected to continue, while net central bank buying will persist throughout next year. As a result, we expect the market to move back into a structural deficit of around 9 Moz next year. This in turn could fuel fresh investor interest, helping to lift the gold price during late 2015.

GOLD & US DOLLAR INDEX



Source: Bloomberg

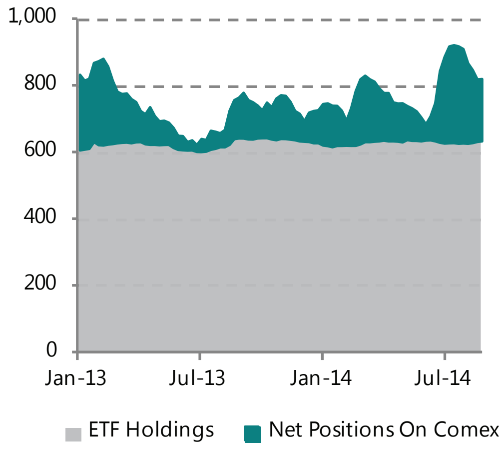
US ECONOMY LEVERAGE



Source: Federal Reserve, Bloomberg

3. SILVER MARKET OVERVIEW & OUTLOOK

WEEKLY COMEX & ETF POSITIONS, MOZ



Source: CFTC, Bloomberg

3.1 OVERVIEW

Silver has so far experienced a mixed performance in 2014. Over the first five months it was the worst performer among the precious metals, highlighted by a jump in the gold:silver ratio to levels last seen in July 2013. This was punctuated by a brief turnaround in June, helped by rising copper prices, which in turn encouraged a significant unwinding of Comex short positions. However, as of early September the ratio is once again moving notably higher.

Unsurprisingly, professional investors have remained cautious towards silver, for two main reasons. First, despite a raft of geopolitical issues, there has been a distinct lack of momentum in the gold market. In turn, this has reflected adversely on silver. Second, despite improved industrial silver demand, a somewhat uncertain outlook for Chinese and EU GDP growth has seen investors question the underlying strength of industrial offtake.

Despite the reticence of professional investors, there has also been little sign of heavy selling, which on balance should continue to year-end. Any price upside is also likely to be capped, as the lack of investor conviction leads to profit taking. Although these factors are weighing on silver, the likely absence of US interest rate hikes this year should be supportive. Taken together, this explains our smaller trading range forecast for the remainder of 2014, of US$18.50-$21.60.

SILVER PRICE AND GOLD:SILVER RATIO

Source: Bloomberg

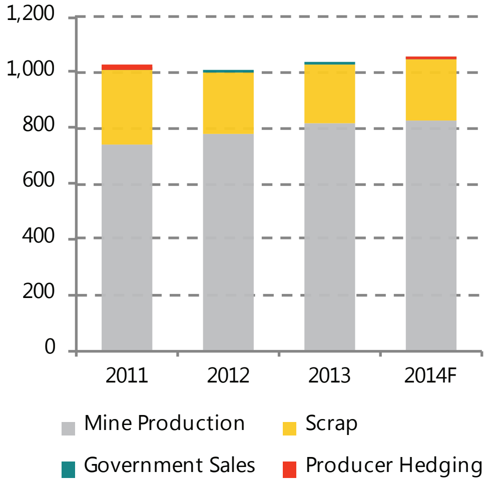
3.2 SILVER SUPPLY & DEMAND IN 2014

Global supply this year is expected to rise by 2.2% to 1,061 Moz. The bulk of the gains will come from mine supply, with a smaller contribution from producer hedging. In contrast, scrap supply is forecast to be little changed.

Looking first at **mine production**, a growth rate of just 2% represents a considerable slowdown from the 5.3% achieved during 2012-13. However, it is worth remembering that within three years the global total has risen by over 95 Moz. The growth this year will largely be derived from the primary silver sector. Most significant is the ramp-up of Escobal in Guatemala which, after only starting production in September 2013, is expected to produce around 20 Moz this year. Furthermore, in Peru the start-up of two Minera Volcan operations (Cerro de Pasco Oxide and Alpamarca) in Q2 14 will also boost the sector, having a combined capacity of around 7.5 Moz/yr once at full production.

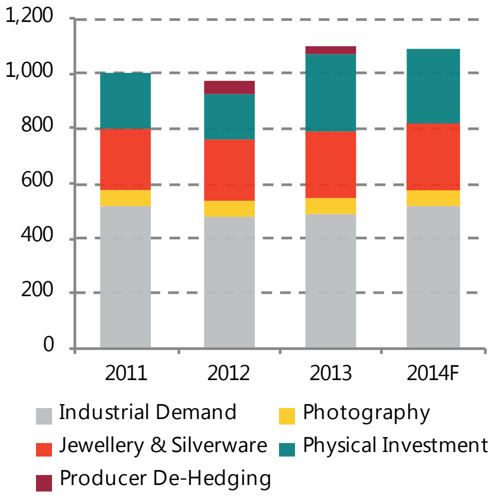
Staying with the mining industry, **producer hedging** will return to the supply side in 2014 (albeit modestly). This follows two years of substantial de-hedging, which has left the hedgebook at a historically low level.

TOTAL SUPPLY, MOZ



Source: Metals Focus

TOTAL DEMAND, MOZ



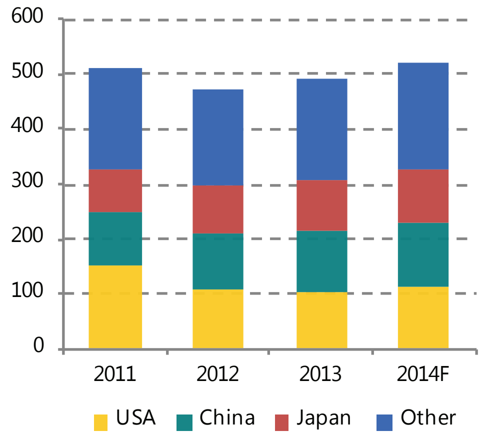
Source: Metals Focus

SILVER SUPPLY AND DEMAND, MOZ

	2012	2013	2014F	Y-o-Y
SUPPLY				
Mine Production	774.7	819.1	835.6	2%
Recycling	222.6	213.0	214.1	1%
Government Sales	4.3	6.3	6.3	0%
Net Producer Hedging	-	-	5.0	n/a
Total Supply	**1,001.6**	**1,038.4**	**1,061.0**	**2%**
DEMAND				
Industrial Demand	474.3	492.5	521.6	6%
Jewellery & Silverware	225.2	234.4	242.0	3%
Photography	61.0	58.2	53.4	-8%
Net Physical Investment	168.6	285.7	273.5	-4%
Net Producer De-Hedging	46.7	32.6	-	n/a
Total Demand	**975.8**	**1,103.4**	**1,090.5**	**-1%**
Market Balance	25.8	-65.0	-29.5	-62%
Nominal Silver Price	31.15	23.79	20.00	-16%

Source: Metals Focus

INDUSTRIAL DEMAND, MOZ



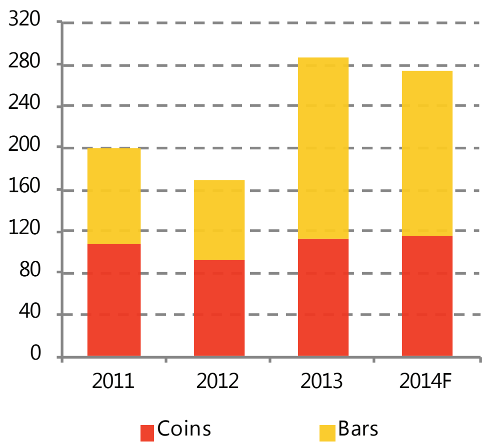
Source: Metals Focus

Finally on supply, **recycling** is unlikely to alter very much this year despite rising change-outs in ethylene oxide production. Overall, this will be offset by further structural losses in photography and weaker jewellery/silverware scrap due to subdued silver prices.

Switching to the demand side, the global total is expected to edge lower this year by 1% to 1,091 Moz after a 13% jump in 2013. There are two reasons for this. First, as Indian demand weakens (although remaining close to historical highs), there should be no repeat of last year's surge to a record level of **physical investment**. Second, with a global hedge book of little more than 20 Moz (at end-2014), **producer de-hedging** has pretty much run its course and can now be regarded as no longer material.

Turning to fabrication demand, we expect to see a net rise this year of 32 Moz compared with 2013. The main driver will be **industrial** fabrication, which continues its recovery following an 8% drop in 2012. This will be due to growth in several key end uses, but principally in electrical and electronics. Of key importance here is the recovery in photovoltaics (PV), although this remains susceptible to government policy, in terms of subsidies. Even so, the global economic recovery suggests these subsidies are now less at risk, while new PV markets have emerged, especially in East Asia. Elsewhere, silver has benefited from rising auto output, as well as growth in the fitment of electronic devices, especially in mass market vehicles.

PHYSICAL INVESTMENT, MOZ



Source: Metals Focus

Looking at **jewellery** demand, this is set to rise in 2014 helped by firmer western consumption. In the past, rising gold prices saw gold lose ground to silver. Although gold is now benefiting from weaker prices, rising GDP growth (especially in the US) has seen both gold and silver jewellery demand continue to rise.

Turning to **silverware**, little change in India (a sluggish economy offsetting weak silver prices) and China (the anti-corruption drive cancelling out rising income levels) will leave the global total unchanged this year. Finally, **photography** will continue its structural decline in 2014. Although emerging market medical offtake should rise, this will be offset by weaker paper demand and declining production of motion picture film.

3.3 OUTLOOK FOR 2015

In keeping with gold, 2015 should mark a gradual turning point for silver prices, with a modest upturn by year end. This will owe much to the eventual return of professional investors, attracted by improving supply/demand fundamentals, not least from the continued upturn in industrial demand.

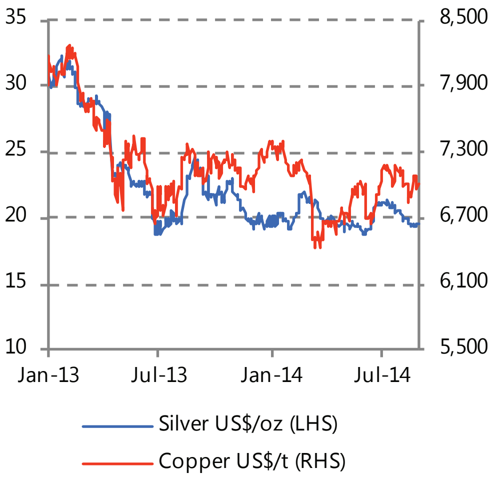
On the supply side of the equation, we expect this to slip back as a further lift in mine production offsets weaker levels of recycling. Looking first at **mine supply**, this will benefit from the start and ramp-up of new, low cost mines, primarily in the Americas. Overall though, while the global total should achieve a record high in 2015, the annual growth rate is only expected to reach a little over 1%. This will represent a far slower pace compared with that achieved during 2012-13, and even the near 2% lift estimated for this year.

In contrast, global **recycling** is on course to edge lower next year. As well as the ongoing decline from photography, industrial scrap may also weaken as subdued silver and gold prices undermine the economics of recycling low grade electronic scrap (resulting in greater use of landfill sites).

On the demand side, further growth in industrial and jewellery/silverware next year will be offset by a sharp drop in physical investment. For **industrial** demand, we expect to see the key growth areas for this year continue into 2015, namely photovoltaics along with rising demand for consumer products, automobiles and infrastructure. In **jewellery**, it is also a broadly similar story to this year - improving demand in the US and China, each benefiting from firmer economic growth.

Notwithstanding the gradual return of professional investors next year, investment in physical silver at the retail level is expected to fall sharply in 2015. The lack of price volatility will hit coin and small bar demand in the US, while the prospect of broadly stable prices is likely to discourage retail investors in India, following tremendous levels of demand there in 2013-14. A key issue for India is the gold import regime, which has benefited silver demand. Any loosening of the restrictions could therefore be detrimental to Indian silver bar consumption.

SILVER AND COPPER PRICES



Source: Bloomberg

4. GOLD MINE SUPPLY

TOP 15 GOLD PRODUCING COUNTRIES, MOZ

Country	H1 13	H1 14	Y-o-Y
China	6.36	6.86	8%
Australia	4.09	4.40	7%
Russian Federation	2.90	3.36	16%
United States	3.60	3.30	-8%
South Africa	2.85	2.79	-2%
Peru	2.97	2.49	-16%
Canada	1.79	2.30	29%
Mexico	1.66	1.69	2%
Ghana	1.54	1.69	9%
Indonesia	1.32	1.35	2%
Brazil	1.16	1.25	7%
Papua New Guinea	1.07	1.04	-3%
Uzbekistan	0.96	0.93	-2%
Argentina	0.82	0.85	4%
Mali	0.79	0.84	6%
Other	11.47	11.97	4%
Global Total	**45.37**	**47.10**	**4%**

Source: Metals Focus

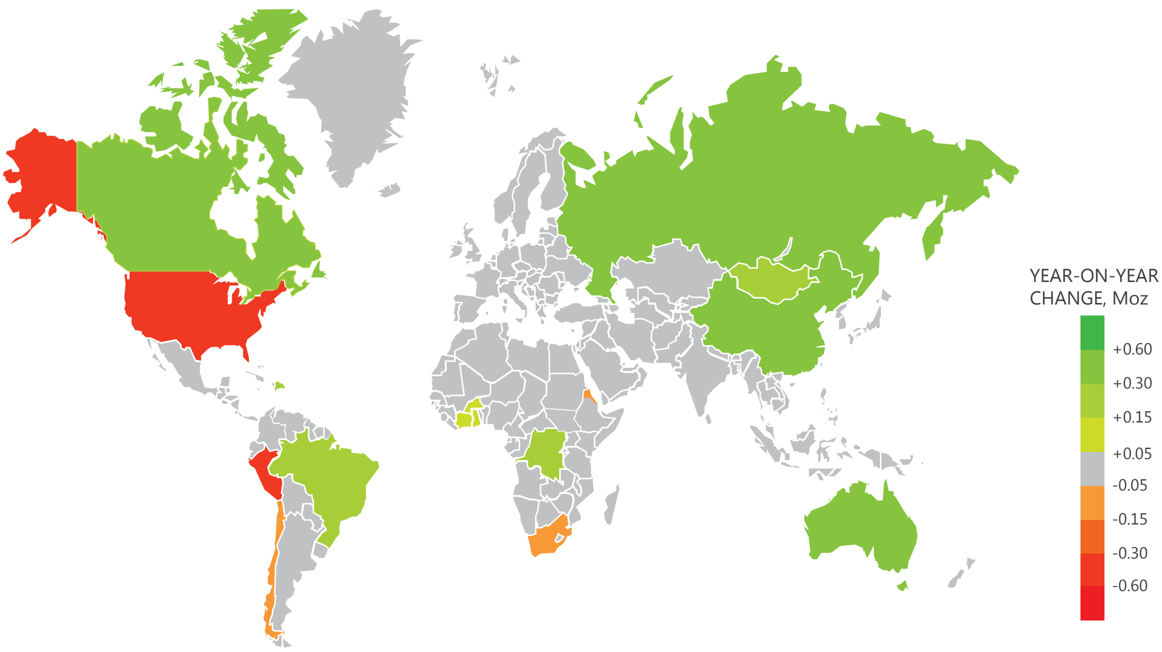
- Gold mine supply grew by 3.4% in H1 2014 to 47.10 Moz. This was due to continued growth in China, Russia and Canada, as well as higher production in Australia.
- Total cash costs dropped by 6% to US$722/oz; all-in sustaining costs fell by an impressive 13% to US$962/oz.
- The start-up of production at Kibali (DRC), Akyem (Ghana) and Tropicana (Australia) added a consolidated 690koz during the period.

4.1 GOLD MINE SUPPLY

During the first half of 2014, global gold mine production is estimated to have risen to 47.10 Moz, an increase of 1.73 Moz y-o-y. Despite gold prices being considerably lower than during the previous two years, production has continued to grow as projects greenlighted during the decade long bull market enter production and ramp-up to full capacity.

Canada and China underpinned much of the growth, adding 510koz and 500koz y-o-y respectively. Russia (+450koz) and Australia (+300koz) also made significant contributions to this outcome. However, countering some of these gains was lower production from Peru (-480koz) and the US (-300koz).

MAJOR CHANGES TO GOLD MINE SUPPLY, H1 2014 VS H1 2013



Source: Metals Focus

NORTH AMERICA

Mine supply from North America rose by 3% as lower production in the US was outweighed by strong growth in Canada (+29%) and marginally higher supply from Mexico. The rapid growth in **Canada** was driven by higher production at a number of relatively new mines, including Detour Lake, Canadian Malartic and Bell Creek, which added 224koz, 55koz and 43koz respectively. **US** output fell by 300koz, primarily due to a large fall in output at Cortez. Grades processed were 61% lower than in H1 13, output in turn fell by 317koz.

AFRICA

Output from Africa as a whole rose by 5% to 9.96 Moz on the back of production growth in Ghana and the Democratic Republic of the Congo (DRC). The Kibali project in the **DRC** poured first gold in September 2013 and has continued to ramp-up towards full capacity, with H1 production of just over 200koz. The mine is expected to produce an average of 600koz annually over the first 12 years, and has a current life of mine plan to 2031. It was also a mine start in **Ghana** that pushed output higher, with the Akyem project adding 230koz over H1 13. The mine has 7.2 Moz of reserves and is forecast to produce 460koz during 2014.

South Africa remains the continent's largest producer. During the first half, mine supply dropped by 2% to 2.79 Moz. Partially to blame was the South Deep mine where tonnes milled fell by 41%; mine output correspondingly fell by 30koz. Production from the country's largest mines, Driefontein and Kloof, was marginally higher thanks to an increase in the grade of underground ore treated.

COMMONWEALTH OF INDEPENDENT STATES (CIS)

Russia enjoyed a strong first half, with production rising by 450koz to 3.36 Moz. Output from Kupol increased by 140koz on H1 13 thanks to an improvement in both tonnes processed (+28%) and ore grades mined (+27%). Polyus Gold, the country's largest gold producer, increased output by 4% to 750koz, as Olimpiada the company's flagship mine delivered 350koz, an increase of 40koz versus H1 13.

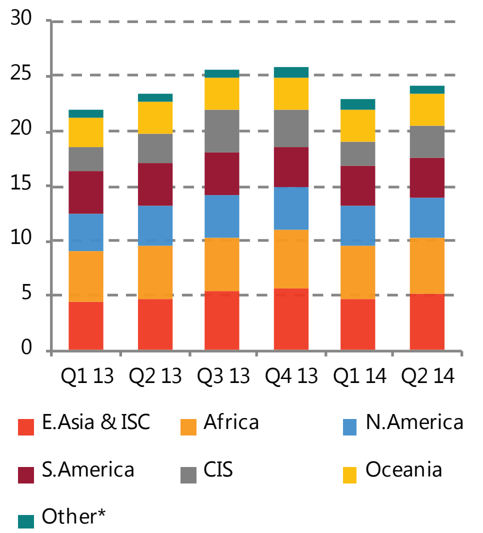
The Kumtor mine in **Kyrgyzstan** achieved further growth during H1, with output rising by 12% to 180Koz, compared to 2013,

TOP 15 GOLD PRODUCING COMPANIES, MOZ

Company	H1 13	H1 14	Y-o-Y
Barrick Gold	3.61	3.07	-15%
Newmont Mining	2.33	2.43	4%
AngloGold Ashanti	1.86	2.15	17%
Goldcorp	1.26	1.33	5%
Kinross Gold[1]	1.25	1.29	2%
Newcrest Mining	1.16	1.19	3%
Gold Fields	0.93	1.11	19%
Polyus Gold	0.72	0.75	4%
Sibanye Gold	0.66	0.71	8%
Agnico Eagle Mines	0.46	0.69	50%
Randgold Resources	0.40	0.56	42%
Harmony Gold	0.54	0.56	3%
Yamana Mining	0.51	0.51	1%
Zijin Mining	0.47	0.50	6%
Nord Gold	0.42	0.48	14%

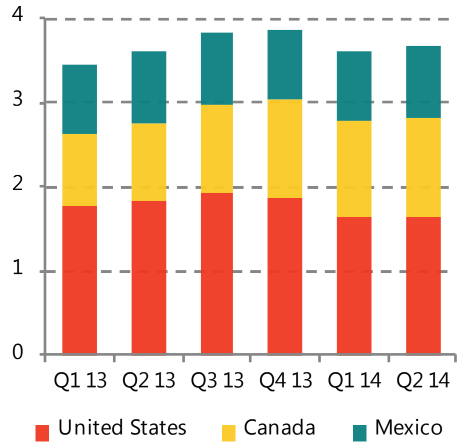
[1] Sales of gold from continuing operations
Source: Metals Focus, Company Reports

GLOBAL MINE PRODUCTION, MOZ



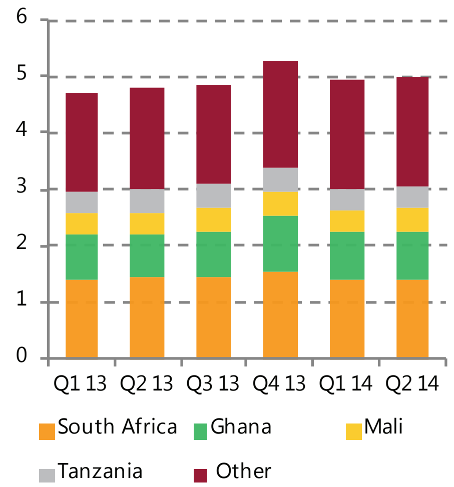
* Includes Central America & the Caribbean, Europe and the Middle East
Source: Metals Focus

NORTH AMERICAN MINE PRODUCTION, MOZ



Source: Metals Focus

AFRICAN MINE PRODUCTION, MOZ



Source: Metals Focus

the result of tonnes milled and grades rising by 3% and 2% respectively.

OCEANIA

Australia remains the second largest producer, with output of 4.40 Moz in H1 14, an increase of 300koz. This represents a continuation of 2013 when output grew by 7%. The main driver was the Tropicana mine, which added 250koz, having poured its first gold in September 2013.

Production from **Papua New Guinea** fell by 30koz, as a 20koz increase at Hidden Valley was outweighed by declines at Lihir (-30koz) and Porgera (-10koz).

EAST ASIA & THE INDIAN SUBCONTINENT

Looking first at **China**, H1 14 production is estimated to have risen by 8% to 6.86 Moz. The country's largest gold producer, Zijin Mining, refined 1.90 Moz during the first half, 7% higher than in 2013. Elsewhere in China, Eldorado Gold's output jumped by 30% to 188koz, as production at the Jinfeng mine was boosted by a rise in tonnes treated and grades processed.

The introduction of an export ban on unprocessed raw materials in **Indonesia** led to production being impacted at the Grasberg copper-gold operation. As a result, the mine operated at around 50% of normal capacity, estimated by the company to have resulted in the loss of 380koz. Despite this, production from the mine was marginally higher than the same period in 2013.

Output from **Mongolia** grew by 50% in H1 14 to 400koz, as production from the Oyu Tolgoi mine increased to 180koz.

CENTRAL AND SOUTH AMERICA

Output from Central and South America fell by 360koz during H1. Key to this was a 16% drop (480koz) in Peru to 2.49 Moz, as Yanacocha's output dropped by 180koz due to the processing of lower grades. Production from Chile was also down by 110koz. As such, these declines more than offset a 170koz improvement at Pueblo Viejo in the Dominican Republic.

OTHER

European mine supply increased by 2% as production from Kittila in Finland rose by 20koz, benefiting from a recent mill expansion.

4.3 GOLD PRODUCTION COSTS

- All-in sustaining costs fell by 13% during H1 14, to average US$961/oz, while average cash cost were 6% down at $723/oz.
- Weaker exchange rates against the US dollar and an increase in cut-off grades helped to lower costs.

COST OVERVIEW AND TRENDS

Cost containment and reductions at both mine sites and head offices have remained the main focus for mining companies. Progress has clearly been made, with all-in sustaining costs falling on average by 13%. Looking at corporate costs as an example, those recorded by senior producers have fallen from an average of US$50/oz in H1 13 to US$43/oz in H1 14. However, it is often factors outside of their control, such as input costs and exchange rates, that have had the greater bearing on costs in US$ terms.

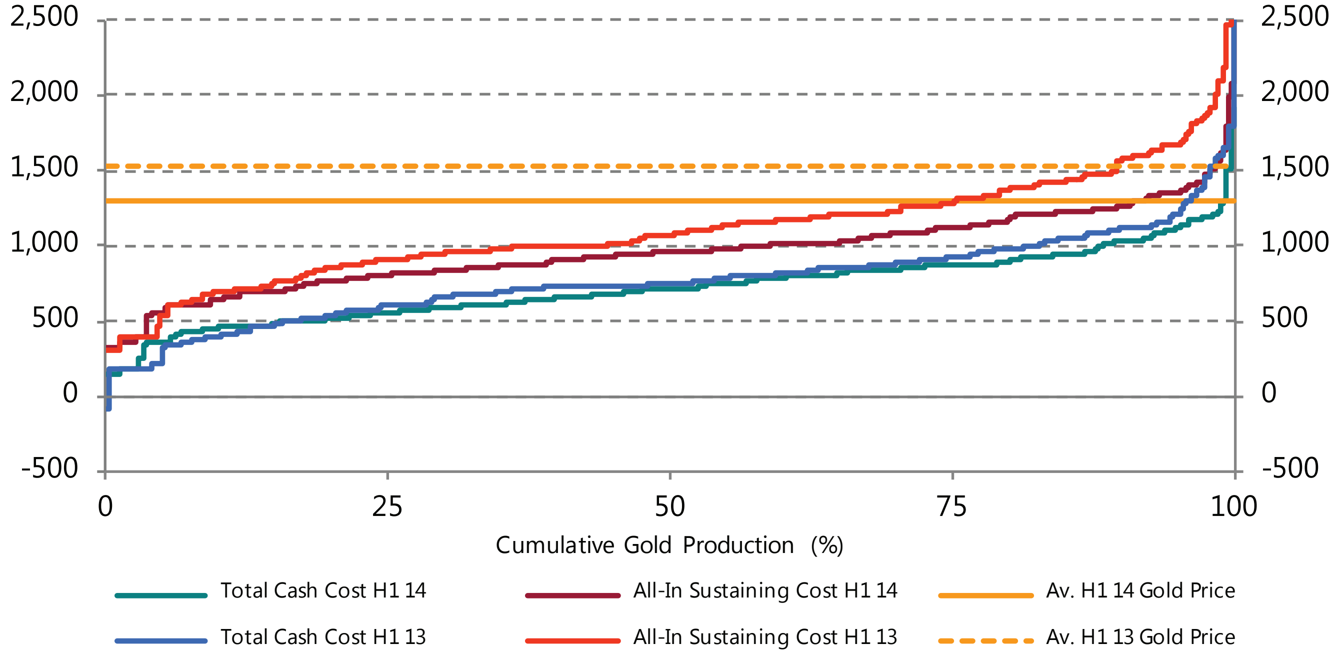
Turning to exchange rates, against H1 13 these have almost entirely weakened against the US$, to the benefit of mining company costs measured in US$ terms. Of the major producing countries, the Australian and Canadian dollar have fallen by 11% and 8% y-o-y respectively, the Russian rouble by 13%, the South African rand by 16% and the Peruvian sol by a more modest 7%.

GLOBAL GOLD MINE PRODUCTION COSTS

Cost Metric (US$/oz)	H1 13	H1 14	Y-o-Y
Total Cash	771	723	-6%
Total Production	993	961	-3%
All-In Sustaining	1,107	961	-13%
Production (Moz)			
Cost Coverage	22.5	22.9	2%
Global Production	45.4	47.1	4%

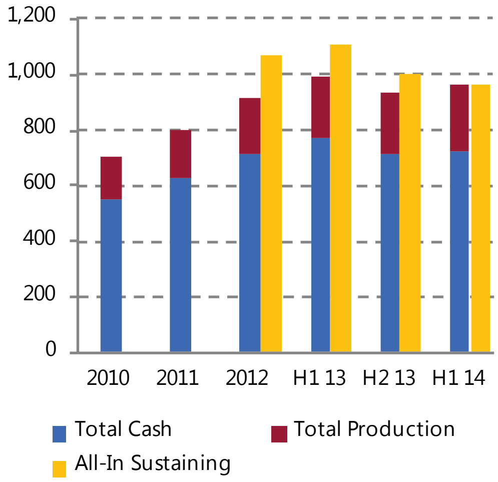
Source: Metals Focus

GOLD MINE PRODUCTION COSTS, US$/OZ



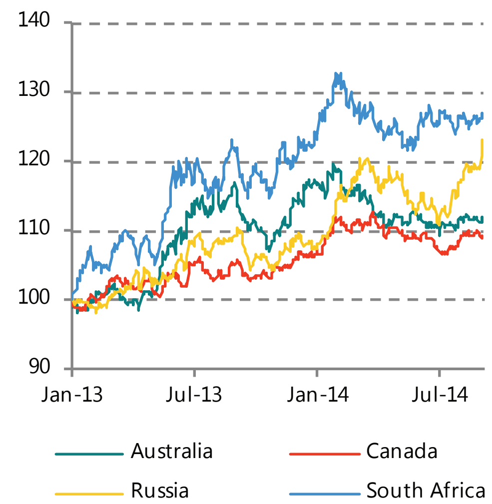
Source: Metals Focus

GLOBAL GOLD MINE PRODUCTION COSTS, US$/OZ



Source: Metals Focus

KEY PRODUCING COUNTRY EXCHANGE RATES VERSUS US$*



* Index, 2nd January 2013 = 100
Source: Bloomberg, Metals Focus

Another driver of costs are metals prices themselves, first through royalty rates, which are often a direct percentage of metals prices. Second, metals prices are used when determining the cut-off grade used at a mine, with lower prices leading to higher cut-off grades all other things being equal, this should lower operating costs. Third, metals prices also directly influence the levels of by-product credits that a mine receives. Lower metals prices lead to lower by-product credits and higher costs, this has had a disproportionately larger affect in South America where more polymetallic mines are located. Y-o-y, metals prices in H1 14 have in the main declined, gold was down 15%, silver 25%, copper 8% and lead 3%. Zinc is one of the few metals to have gone against this trend, rising 6%, although its occurrence with gold is limited.

The fall in metals prices and an increasing emphasis on profitable production over volume has led to a reversal in the trend of ever decreasing grades processed. Over the last six quarters, from a low of 1.44g/t in Q3 13, the average processed grade at primary gold mines has increased to average 1.54g/t in H1 14.

Diesel prices which are a large component of open pit mining costs have declined marginally over the period, falling by less than 1%. Steel prices have declined more markedly, with reinforcing bar prices currently at their lowest level since 2009.

It has been a combination of these factors and others, such as tyres and ex-pat labour, that have led to total cash costs falling by an average of 6% and all-in sustaining costs by a more substantial 13% versus H1 2014.

REGIONAL PERFORMANCES

The **Commonwealth of Independent States** is now the lowest cost region, with costs of $922/oz on an all-in sustaining cost basis and $637/oz on a total cash cost basis, representing a decline of 18% and 19% respectively on H1 13. The region is dominated by Russia, where some 80% of costed production is located. One of the key reasons for the cost reduction has been the depreciation of the Russian rouble, which declined by 13% on a like for like basis. There has also been a marked reduction in capital expenditure, which has helped to bring the average all-in sustaining cost down by 22% to $880/oz. An example of this is Polymetal, who reduced their capitalised exploration spending from $61M to $25M. This on its own reduced their all-in sustaining costs by $102/oz.

Costs in **North America** were mixed during H1 14. In Canada and Mexico cost fell, while in the US they increased by a substantial 16% on a total cash cost basis. However they were just 1% higher on an all-in sustaining cost basis. Both Canada and Mexico benefited from a fall in the value of their currencies, against the US dollar, dropping by 8% and 4% respectively.

In **South America**, costs have continued to rise. The region has a disproportionally high number of polymetallic projects and as such the continued fall in copper and silver prices has reduced by-product credits and pushed costs higher. Total cash costs increased by 14% to $743/oz, while all-in sustaining costs were up just 2% to $1,006/oz. Yamana Gold, who has seven operating mines in the region, is a good example as to where savings are being made. Although the company's cash cost increased from $430/oz to $491/oz, they reduced sustaining capital expenditure, general & administrative costs and exploration expenditure by $65M when compared to H1 13. This resulted in a reduction in the all-in sustaining cost component of $101/oz.

Costs in **Oceania** have declined substantially. Total cash costs fell by 13% to $772/oz and all-in costs by an impressive 16% to $971/oz. A large proportion of this fall has been thanks to the depreciation of the Australian dollar, which fell by 11% over the period. Also of note, the average grade of ore processed increased from 1.84g/t to 1.88g/t.

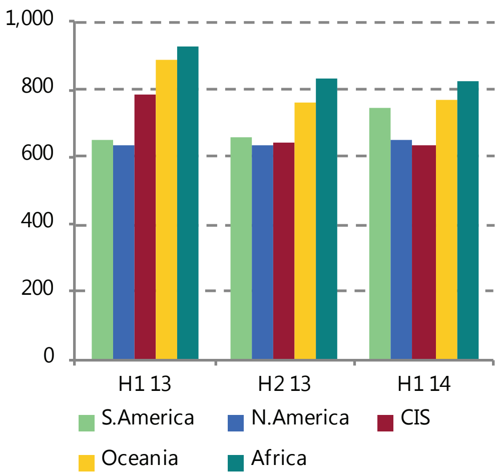
Africa remains the highest cost region. That said, costs declined markedly by 11% on a total cash cost basis and by 20% on an all-in basis to $827/oz and $1,039/oz respectively. The average grade of ore processed in the region increased by an impressive 12%. The region's two biggest producers, South Africa and Ghana, had particularly good results. In South Africa, Sibanye Gold which produced 712koz managed to lower its all-in cost from $1,275/oz to $1,071/oz. This was partially achieved through a cut in sustaining capital expenditure and by a 16% fall in the South African rand. In Ghana, the local currency fell substantially, by 40%. Added to this was a 7% increase in the average grade of ore processed which helped costs fall by 18% to $769/oz on a total cash basis.

REGIONAL GOLD MINE COSTS, US$/OZ

	H1 13	H1 14	Y-o-Y
North America			
Total Cash	633	647	2%
Total Production	853	902	6%
All-In Sustaining	982	930	-5%
Central America & the Caribbean			
Total Cash	514	491	-5%
Total Production	778	789	2%
All-In Sustaining	805	675	-16%
South America			
Total Cash	653	743	14%
Total Production	924	1,023	11%
All-In Sustaining	983	1,006	2%
Commonwealth of Independent States			
Total Cash	787	637	-19%
Total Production	980	872	-11%
All-In Sustaining	1,130	922	-18%
Oceania			
Total Cash	886	772	-13%
Total Production	1,115	1,005	-10%
All-In Sustaining	1,159	971	-16%
Africa			
Total Cash	925	827	-11%
Total Production	1,126	1,018	-10%
All-In Sustaining	1,301	1,039	-20%

Source: Metals Focus

MAJOR PRODUCING REGIONS TOTAL CASH COSTS



Source: Metals Focus

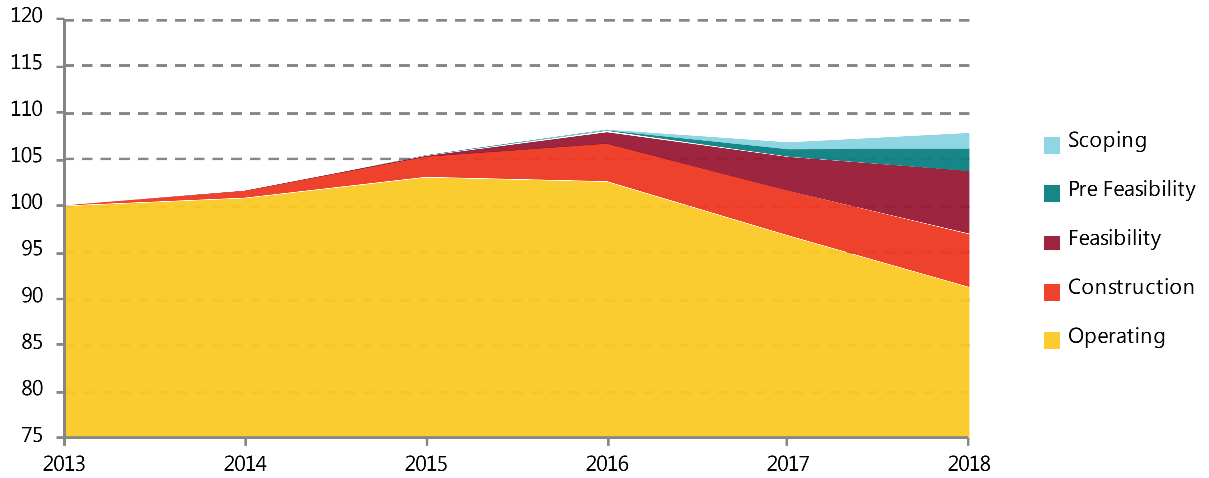
4.3 GOLD DEVELOPMENT PIPELINE

Despite metal prices in H1 14 trading some 23% lower than the average of $1,669 achieved in 2012, mine supply continues to grow. Production this year looks set to advance by 1%, or 1.4Moz, as growth from some large, recently commissioned mines more than offset production declines from the closure of some high cost operations and production declines in Peru and the US.

This growth trend looks set to continue, albeit at a slower pace through to 2016. On a country level, China and Canada are expected to lead production increases this year adding 1 Moz and 600koz respectively. Further out, growth from China is then expected to slow as lower margins and the process of replacing mined ounces from exploration becomes more difficult. A bounce in Indonesian output as the Grasberg mine processes higher grade ore is set to add circa 2 Moz by 2016. Offsetting some of these gains between now and 2018 will be production declines from ageing assets particularly in Australia (-2.2 Moz), Peru (-1.6 Moz) and South Africa (-0.9 Moz).

The chart below illustrates the production capacity of mines and projects within the Metals Focus Mines Database. Those at the construction stage have the potential to add 3 Moz by 2018, while those at feasibility and below have the potential to add 8 Moz. However, given current metals prices and capital constraints within the industry, many of these projects are likely to remain undeveloped in the medium term.

IDENTIFIABLE GOLD MINE SUPPLY CAPACITY, INDEX 2013=100



Source: Metals Focus

FOCUS BOX: INDUSTRY DEAL BOOK

A total of US$4.6B of M&A deals took place during H1 14, representing a 27% increase on the same period last year. However, this was largely the result of the Yamana Gold-Agnico Eagle acquisition of Osisko Mining for US$3.4B. Without this, just US$1.2B of transactions took place across 55 deals for an average of US$22M per deal. This is in stark contrast to the US$24.6B in H1 11 when the average deal was worth US$153M. Overall, with gold and silver prices remaining subdued, the majors are expected to continue streamlining their operations, focusing on more profitable assets and on reducing debt.

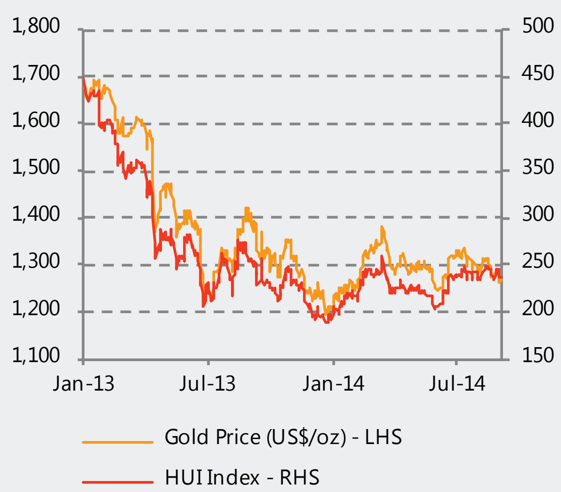
Lower metal prices have in fact led to valuations of mines and projects being heavily cut and, while the majors have been cutting spending and in some case divesting non-core or marginal assets (in an effort to reduce debt), there are a number of new companies looking to take advantage. One such group has been private investment companies, such as Magris Resources where Ex-Barrick CEO Aaron Regent is in charge. Others include QKR Corporation, backed by Qatar Holding and Kulczyk Investments, which recently acquired Anglogold Ashanti's Navachab gold mine for US$110M.

One mid-tier miner benefiting from this trend is Northern Star Resources. Following their acquisition of the Plutonic, East Kundana, Kanowna Belle and Jundee West gold mines from Barrick Gold and Newmont Mining the company has rapidly lifted its projected annual production from 350koz to 550koz. Northern Star has also gone against the broader trend of reduced capital expenditure by announcing a tripling of their exploration budget to A$50M. In addition to the Northern Star transactions, Barrick and Newmont also completed the sale of Marigold Gold Mine to Silver Standard Resources for a consideration of US$275M.

The US$3.4B purchase of Osisko by Canadian miners Yamana Gold and Agnico Eagle was the largest deal since Barrick's acquisition of Equinox in April 2011. The successful cash and share deal followed the rejection of two hostile bids from Goldcorp. Goldcorp's original bid had valued Osisko at US$2.38 billion, before a subsequently higher bid was tabled of US$3.28B. At the time of the sale, Osisko's main asset, Canadian Malartic, Canada's largest gold mine, hosted 8.9 Moz of reserves, with a further 3.0 Moz of mineral resources. The operation is expected to produce 510-530koz/annum and is currently projected to run until 2028. To put the deal into perspective, the transaction places a value of US$385 per reserve ounce of gold at Canadian Malartic. In comparison, back in September 2010, the Kinross acquisition of Red Back Mining, for US$7.1B, equated to US$879 per reserve ounce.

Elsewhere, Gold Fields are seeking a buyer for a number of its greenfield projects, as it moves away from exploration as a strategy for growth, instead looking to acquire in-production ounces. As a result, Gold Fields sold its 85% stake in Yanfolila (Mali) to Hummingbird Resources and its 51% stake in Chucapaca (Peru) to its joint-venture partner Buenaventura. Similarly in June, Austral Gold entered into an agreement with Yamana for its Amancaya gold-silver project in Chile.

GOLD VERSUS THE AMEX GOLD BUGS (HUI) INDEX



Source: Metals Focus

5. SILVER MINE SUPPLY

TOP 10 SILVER PRODUCING COUNTRIES, MOZ

Country	H1 13	H1 14	Y-o-Y
Mexico	72.8	82.8	14%
Peru	55.6	56.9	2%
China	62.3	54.7	-12%
Australia	29.7	30.8	4%
Russian Federation	23.5	25.0	7%
Bolivia	19.9	22.3	12%
Chile	18.6	20.2	9%
Poland	19.4	19.4	0%
United States	17.1	17.9	5%
Guatemala	3.4	13.3	297%
Other	78.2	73.9	-5%
Global Total	**400.3**	**417.2**	**4%**

Source: Metals Focus

» Building on the all-time high achieved in 2013, silver mine supply grew by 4% in the first half of 2014, reaching 417.2 Moz.

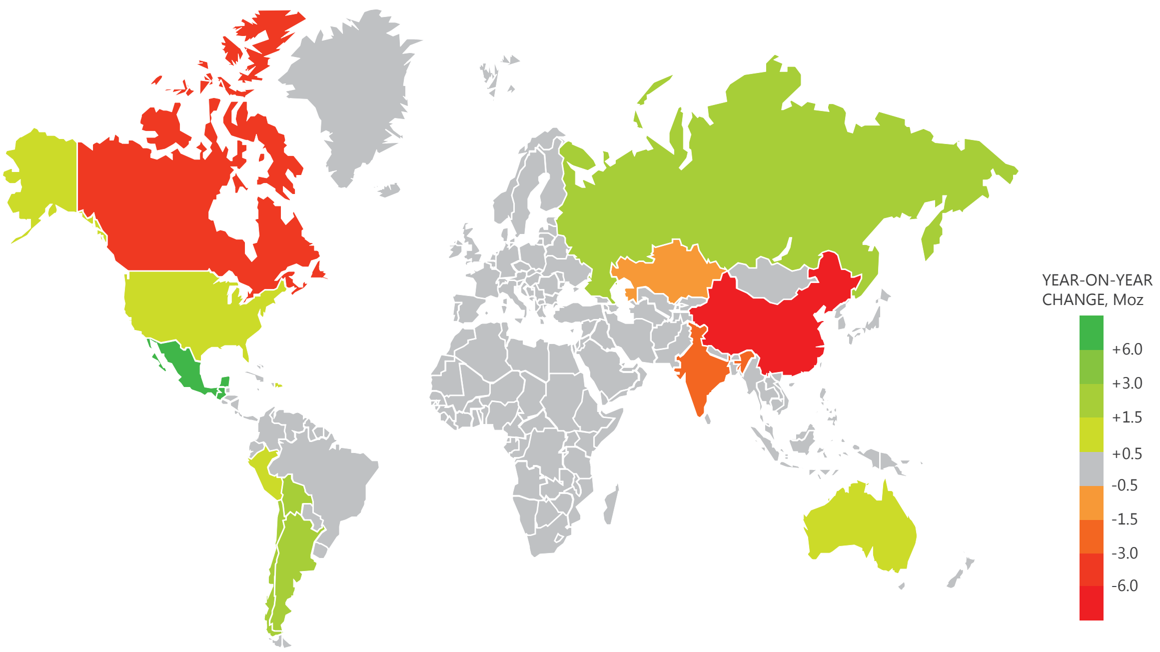
» Production costs at primary silver mines fell in the first half, by 13% on a total cash cost basis and by 19% using the all-in sustaining metric.

5.1 SILVER MINE SUPPLY

Silver mine supply grew by 4% in the first half of 2014, to 417.2 Moz. The gain was mainly the result of a 13.7 Moz lift at primary silver mines and higher levels of silver derived from by-product gold mining, which rose by 8.4 Moz versus H1 13.

On a regional basis, the gain was largely driven by the Americas. Collectively, output from the region rose by 12%, to 238.0 Moz. As a result its share of global production increased to 57% (53% in H1 13). This performance was largely due to the start-up of Escobal (Guatemala), the continued ramp-up of Peñasquito (Mexico) and higher production at some two-thirds of established primary silver mines. Although primary silver mines only account for one-third of total mined silver output, around 70% of primary supply is derived from the Americas.

MAJOR CHANGES TO SILVER MINE SUPPLY, H1 2014 VS H1 2013



Source: Metals Focus

Looking at some key producers in more detail, production in **Mexico**, the world's largest silver producer, rose by 9.9 Moz, to 82.8 Moz, on the back of gains from the primary silver and gold mining sectors; production from base metal mining managed only a slight increase y-o-y. Supply as a by-product of gold mining rose by 5.8 Moz, principally because of higher output at Peñasquito, where mine supply benefited from higher mill throughput, ore grades and metallurgical recoveries. In addition, the ramp-up of Concheño, which entered production in Q3 13, added 0.6 Moz y-o-y. The primary sector was lifted by the ramp-up of Del Toro, where final commissioning of the plant was only achieved in Q4 13, and the expansion at San Jose. These two operations added 0.9 Moz and 1.0 Moz respectively.

Peruvian output rose by an estimated 2% to 56.9 Moz, as a gain in primary silver mine supply outweighed declines in a number of other sectors. Of note, the start of production at Alpamarca-Río Pallanga and the Cerro de Pasco oxide plant in H1 14 added a consolidated 1.1 Moz. In addition, higher grades and recoveries at Arcata, driven by a greater proportion of primary ore processing (instead of the reprocessing of tailings), added 0.6 Moz y-o-y.

Chinese silver mine production is estimated to have fallen by 7.5 Moz y-o-y, on the back of a marked decline in output from the country's base metal sector. According to the World Bureau of Metal Statistics, in the first half of 2014 Chinese lead and zinc mine production fell by 26% and 20% respectively, while copper output faired a little better, falling by just 3% y-o-y.

In **Australia**, production rose by an estimated 4% to 30.8 Moz, aided by higher output from the by-product gold and lead/zinc sectors. Silver derived from the Mt Carlton gold mine totalled 1.6 Moz in H1, as activities focused on processing material from the A39 deposit, which contains significantly higher quantities of silver. Similarly at Mount Isa, silver in lead and zinc concentrates rose by 22% y-o-y, to 3.5 Moz, driven by the expansion of the silver rich Lady Loretta underground mine.

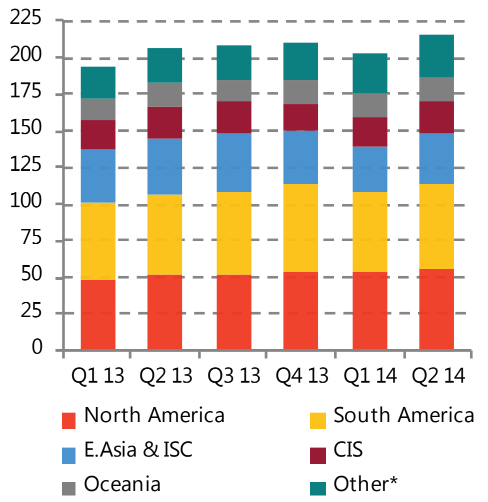
Russian production rose by 7%, to 25.0 Moz, driven by higher production at a number of Polymetal's operations. Output at Dukat increased by 1.6 Moz, as continued improvements from the Omsukchan concentrator and the Dukat underground mine helped lifted recoveries and silver ore grades by 3% and 13%

TOP 10 SILVER PRODUCING COMPANIES, MOZ

Company	H1 13	H1 14	Y-o-Y
KGHM Polska Miedz[1]	19.3	19.3	0%
Fresnillo	19.1	19.1	0%
Goldcorp	12.8	18.6	45%
BHP Billiton	20.7	17.3	-17%
GlencoreXstrata	19.8	16.6	-16%
Polymetal Intl.	14.0	15.5	11%
Pan American Silver	12.5	13.2	6%
Volcan Cia Minera	10.1	10.4	3%
Buenaventura	9.2	9.0	-2%
Coeur Mining	8.4	8.5	1%

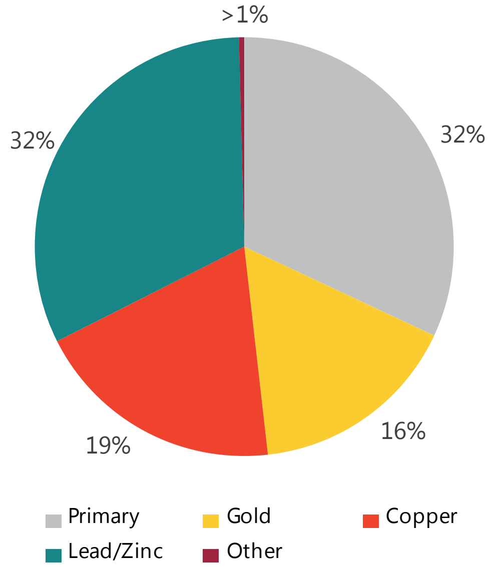
[1] Silver in concentrate produced
Source: Metals Focus, Company Reports

REGIONAL SILVER MINE PRODUCTION, MOZ



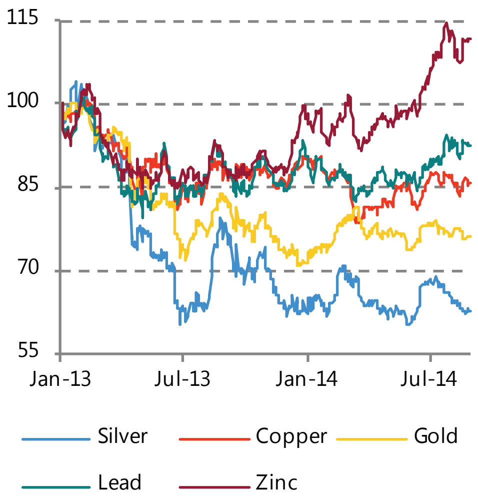
* Includes Africa, Central America & the Caribbean, Europe and the Middle East
Source: Metals Focus

SILVER MINE SUPPLY BY SECTOR IN H1 2014, MOZ



Source: Metals Focus

KEY BY-PRODUCT SILVER METAL PRICES*



*Index, 2nd January 2013 = 100
Source: Bloomberg

respectively. Meanwhile, higher grades and throughput at the Omolon complex lifted output by 0.4 Moz versus H1 13.

Bolivian silver mine supply rose by 12% to 22.3 Moz, on the back of a 6% lift in production at San Vicente and higher output at San Cristobal.

In **Chile**, a 1.7 Moz increase in silver production was largely driven by the country's copper sector. Consolidated silver output at Codelco rose by 35% to 5.7 Moz, driven by additional silver rich feed from the new Ministro Hales project. Meanwhile, silver production from the Collahuasi copper mine jumped by 81% to 3.1 Moz, the result of higher throughput levels achieved during H2 13 following the restart of the SAG mill.

Outside the top seven, which collectively accounted for around 70% of H1 14 global production, noteworthy changes also emerged in several other countries. Most significantly, **Guatemalan** production jumped four fold, to 13.3 Moz. Escobal (a primary silver mine) produced 9.9 Moz in H1, after only reaching commercial production in January 2014, while output at the country's other main silver producer, Marlin (primary gold), was unchanged y-o-y at 3.4 Moz.

Turning to **Argentina**, silver output rose by 15% to 12.8 Moz. Production at Casposo (primary gold) and Manantial Espejo (primary silver) rose by 0.8 Moz and 0.3 Moz respectively, both on the back of improved throughput, grades and recoveries.

On the downside, in addition to China, notable losses were also recorded in Canada, India and Kazakhstan. **Canadian** production dropped by 35% to 7.4 Moz, following the closure of the Brunswick lead/zinc mine (-1.3 Moz) and Bellekeno silver mine (-1.0 Moz) in May and September of last year. In addition, silver production from the Kidd copper/zinc operation dropped by 1.2 Moz y-o-y, as activities were impacted by stope availability issues and a focus on higher grade copper areas.

In **India**, an emphasis on waste stripping at Hindustan Zinc's Rampura Agucha mine led to a 1.7 Moz drop in the country's output. Meanwhile, **Kazakstan's** output declined by 1.4 Moz in the first half. This was largely the result of H1 13 benefiting from a release of material in process at Kazakmys, which meant the company's silver production fell by 1.9 Moz y-o-y.

5.2 PRIMARY SILVER PRODUCTION COSTS

In the first half of 2014, average global production costs at primary silver mines declined for all three metrics. Total cash and total production costs fell by 13% and 10% respectively, while on an all-in sustaining basis, costs dropped by 19%. (It is worth remembering that primary silver mine production accounts for around one-third of global silver mine supply.)

On a **total cash** basis, costs fell by 13% y-o-y in H1 14 to US$9.17/oz. Even so, in spite of this strong decline (versus our annual series) costs are still 50% higher than the global average in 2010. At the country level, there was one contrasting break from the general trend of falling costs. In the world's largest primary silver producer, Mexico, H1 14 costs rose by 12%. That said, at US$8.09/oz they were over 10% less than the global average. Mexico accounts for around 40% of global costed production, highlighting the strength of cost reduction strategies elsewhere.

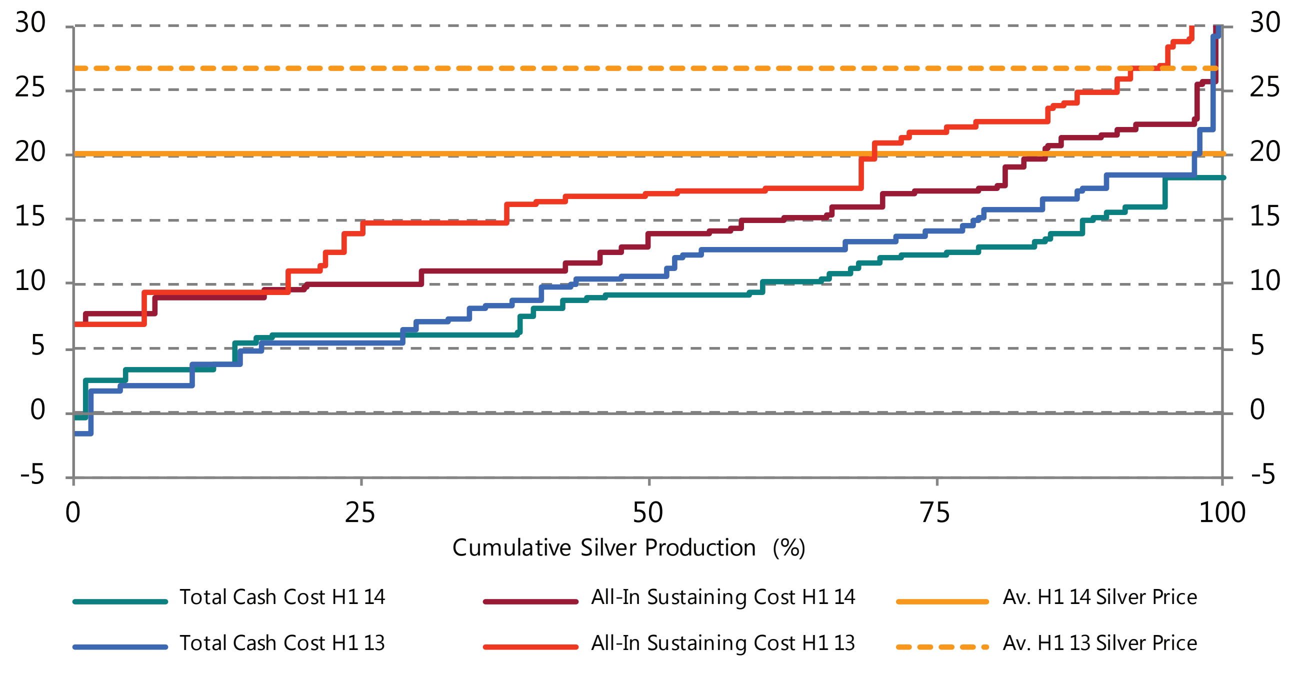
Looking at Mexico in more detail, the costs were aided by a 4% depreciation of the peso versus the dollar. However, offsetting this was the introduction of the new mining royalty in January 2014 and continued inflation in a number of key cost components. For example, in dollar terms, costs at the country's largest producer, Fresnillo, were impacted by a 1%

SILVER MINE PRODUCTION COSTS

Cost Metric (US$/oz)	H1 13	H1 14	Y-o-Y
Total Cash Cost	10.53	9.17	-13%
Total Production Cost	15.70	14.07	-10%
All-In Sustaining Cost	17.42	14.09	-19%
Production (Moz)			
Cost Coverage	90.4	105.0	16%
Global Primary	118.8	132.5	12%

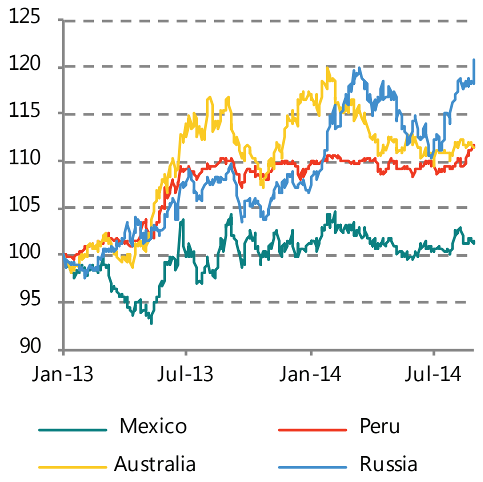
Source: Metals Focus

PRIMARY SILVER MINE PRODUCTION COSTS, US$/OZ



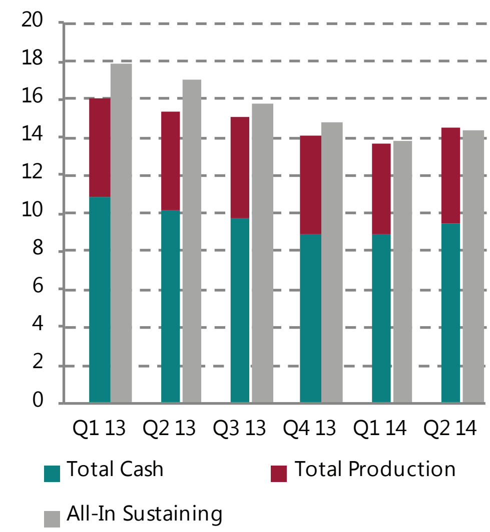
Source: Metals Focus

MAJOR PRODUCING COUNTRY CURRENCIES VERSUS THE US$*



* Index, 2nd January 2013 = 100
Source: Bloomberg, Metals Focus

QUARTERLY SILVER MINE PRODUCTION COSTS, US$/OZ



Source: Metals Focus

gain in mining wages (+5.5% in domestic currency terms), a 6.2% increase in diesel costs (as Petróleos Mexicanos moves to gradually align fuel prices to international rates) and a 2% gain in electricity tariffs. Another noteworthy addition to Fresnillo's costs was the increase in treatment and refining charges. Compared with H1 13, treatment charges per tonne of zinc (an important by-product) and refining charges per ounce of silver rose by 8% and 45% respectively.

Aside from Mexico, cash costs declined in nearly all other major producing countries. A significant factor driving this trend was the weakening of producer currencies relative to the dollar. Of note, the Russian rouble and Australian dollar lost 13% and 11% respectively y-o-y, while in South America the Peruvian nuevo sol fell 7%, and the Argentine peso dropped by 53%.

Another issue that benefited costs in H1 14 was an increase in production. On a comparative basis (excluding new start-ups and asset closures), around two-thirds of operations increased production y-o-y. The main driver behind this was an increase in throughput, which offset a slight decline in the average silver ore grade processed. Costs also benefited from the addition of new lower cost production following the start of commercial production at Escobal (Guatemala) in January.

By-product credits also form a significant component of costs at primary silver mines. Unlike silver, the prices of many by-product metals have fared better, for example y-o-y lead was down 3%, while zinc was up over 6%. And although gold fell 15%, this was partially mitigated by higher by-product output.

Looking at the other cost metrics, **total production** costs fell by 10%, driven by the aforementioned reduction in total cash costs and a 5% drop in collective depreciation, amortisation and reclamation provisions. This represents the first significant drop in the total production cost component in our series, and is likely the result of the many asset impairments incurred in 2013.

On an **all-in sustaining** basis, H1 14 costs fell by 19% to US$14.09/oz. In addition to the factors that also helped bring down total cash costs, the all-in sustaining cost component (which includes head office administrative costs and sustaining capital expenditure) fell by 29%, as capex continued to be a key line item in companies' cost reduction strategies.

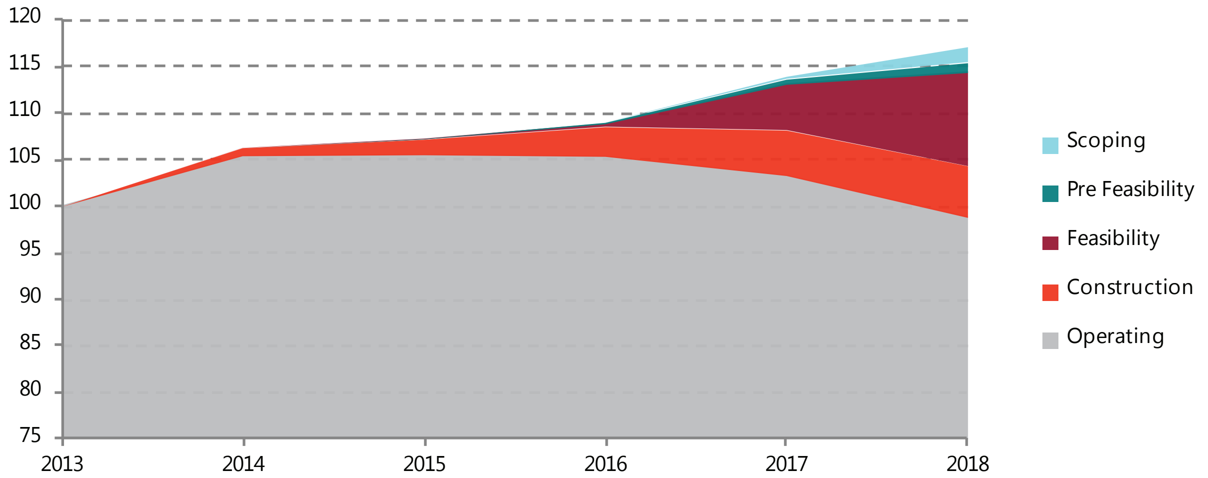
5.3 SILVER DEVELOPMENT PIPELINE

Buoyed by a strong first half, silver mine supply is expected to post yet another successive record annual high in 2014. However, as we move into next year growth is expected to moderate and, after 2015, output could well plateau at around 850 Moz/yr. Longer term, production could potentially enter a period of secular decline if investment in new projects, required to counteract declining production at a number of established mines, continues to be deferred.

A significant portion of mine supply growth since 2011 has come from the Americas. This trend is expected to continue in the near-term, driven by the ramp-up of the Escobal (Guatemala) and Alpamarca-Río Pallanga (Peru) silver mines, the Ministro Hales (Chile) and Toromocho (Peru) copper projects and the Cerro Negro (Argentina) and Pueblo Viejo (Dominican Republic) gold mines. In addition, construction activities at Saucito II and San Julián (in Mexico) are scheduled for completion in Q4 13 and H2 15 respectively; combined, these have the potential to deliver over 18.5 Moz of new production.

Over the longer term, as illustrated by the chart below, there is significant potential for new sources to come on line. However, current market conditions and tight controls on capital deployment could well see this potential production pushed further into the future. Of particular importance will be the trend in precious metal prices, with over two-thirds of the potential growth derived from projects where silver or gold is expected to form the primary revenue stream.

IDENTIFIABLE SILVER MINE SUPPLY CAPACITY, INDEX 2013=100



Source: Metals Focus

6. APPENDICES

TABLE OF APPENDICES

APPENDIX 1: METAL PRICES

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
Gold								
USD/oz	1,225	1,572	1,669	1,411	1,523	1,301	1,291	-15%
CNY/oz	8,298	10,149	10,529	8,680	9,441	7,942	7,961	-16%
AUD/oz	1,333	1,523	1,611	1,455	1,500	1,412	1,412	-6%
RUB/oz	37,301	46,292	51,812	44,815	47,230	42,472	45,203	-4%
ZAR/Kg	287,811	368,465	440,608	435,355	450,199	420,995	443,898	-1%
INR/10g	18,026	23,619	28,653	26,410	26,900	25,927	25,202	-6%
Silver								
USD/oz	20.19	35.12	31.15	23.79	26.63	21.07	20.05	-25%
MXN/oz	255.1	437.4	409.1	303.9	334.8	274.0	263.1	-21%
PEN/oz	57.19	97.21	82.19	64.45	69.66	58.81	56.19	-19%
AUD/oz	21.87	34.11	30.06	24.50	26.16	22.90	21.95	-16%
RUB/oz	615.8	1,033.8	966.0	756.1	824.6	689.8	702.4	-15%
INR/Kg	29,696	52,742	53,391	44,520	46,967	42,110	39,197	-17%
Other Precious Metals (US$/oz)								
Platinum	1,613	1,721	1,553	1,487	1,550	1,425	1,438	-7%
Palladium	529	734	645	726	728	724	781	7%
Rhodium	2,452	2,018	1,274	1,066	1,158	976	1,090	-6%
Base Metals (US$/tonne)								
Copper	7,543	8,813	7,958	7,328	7,543	7,121	6,914	-8%
Lead	2,147	2,397	2,062	2,139	2,172	2,107	2,100	-3%
Zinc	2,159	2,193	1,948	1,909	1,936	1,883	2,049	6%

Source: Bloomberg

APPENDIX 2: GLOBAL GOLD SUPPLY & DEMAND, TONNES

	2011	2012	2013	2014F	Y-o-Y
SUPPLY					
Mine Production	2,819	2,878	3,018	3,062	1%
Recycling	1,831	1,783	1,394	1,226	-12%
Net Producer Hedging	21	-	-	35	n/a
Total Supply	**4,671**	**4,661**	**4,412**	**4,324**	**-2%**
DEMAND					
Jewellery Consumption	1,983	2,046	2,645	2,453	-7%
Industrial Demand	427	422	400	419	5%
Net Physical Investment	-	1,163	1,582	1,072	-32%
Net Producer De-Hedging	-	42	30	-	n/a
Net Central Bank Buying	413	523	416	380	-9%
Total Demand	**2,823**	**4,196**	**5,072**	**4,325**	**-15%**
Market Balance	**1,848**	**465**	**-660**	**-1**	**-100%**
Nominal Gold Price	**1,571**	**1,668**	**1,412**	**1,285**	**-9%**

Source: Metals Focus

APPENDIX 3: GLOBAL SILVER SUPPLY & DEMAND, TONNES

	2011	2012	2013	2014F	Y-o-Y
SUPPLY					
Mine Production	22,968	24,096	25,478	25,990	2%
Recycling	8,415	6,923	6,624	6,658	1%
Government Sales	134	134	196	196	0%
Net Producer Hedging	369	-	-	156	n/a
Total Supply	**31,887**	**31,153**	**32,298**	**33,000**	**2%**
DEMAND					
Industrial Demand	15,959	14,752	15,319	16,222	6%
Jewellery & Silverware	6,891	7,003	7,290	7,528	3%
Photography	2,078	1,898	1,811	1,662	-8%
Net Physical Investment	6,193	5,244	8,885	8,506	-4%
Net Producer De-Hedging	-	1,453	1,014	-	n/a
Total Demand	**31,120**	**30,350**	**34,319**	**33,919**	**-1%**
Market Balance	**766**	**803**	**-2,021**	**-919**	**-55%**
Nominal Silver Price	**35.12**	**31.15**	**23.85**	**20.00**	**-16%**

Source: Metals Focus

APPENDIX 4: REGIONAL GOLD MINE PRODUCTION, MOZ

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
North America	13.24	13.77	14.27	14.74	7.05	7.69	7.29	3%
Central America*	0.60	0.74	0.70	1.43	0.67	0.76	0.86	29%
South America	15.14	15.38	15.46	15.41	7.73	7.69	7.18	-7%
Europe	0.53	0.57	0.72	0.76	0.35	0.41	0.36	2%
Africa	17.80	19.21	19.42	19.63	9.52	10.11	9.96	5%
CIS	10.45	10.70	11.13	12.12	4.80	7.32	5.26	10%
Middle East	0.75	1.01	1.19	1.33	0.62	0.71	0.65	5%
E.Asia & ISC	18.91	18.40	19.16	20.43	9.25	11.18	9.89	7%
Oceania	11.06	10.86	10.47	11.18	5.39	5.79	5.65	5%
Global Total	**88.47**	**90.64**	**92.52**	**97.03**	**45.37**	**51.66**	**47.10**	**4%**

* Includes the Caribbean
Source: Metals Focus

APPENDIX 5: REGIONAL SILVER MINE PRODUCTION, MOZ

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
North America	183.2	191.9	203.0	206.9	101.2	105.7	108.0	7%
Central America*	8.4	11.3	9.5	13.4	5.5	7.9	16.5	199%
South America	222.9	217.1	211.9	224.1	106.4	117.7	113.5	7%
Europe	50.8	51.1	51.6	55.2	27.7	27.5	27.3	-2%
Africa	14.2	13.2	13.8	13.8	6.6	7.1	6.9	5%
CIS	58.4	61.8	78.0	82.1	41.3	40.8	41.4	0%
Middle East	13.8	11.3	10.4	10.6	4.9	5.7	5.2	6%
E.Asia & ISC	113.4	121.4	137.4	150.1	75.2	74.9	65.8	-12%
Oceania	63.6	59.4	59.2	62.9	31.4	31.5	32.6	4%
Global Total	**728.8**	**738.5**	**774.7**	**819.1**	**400.3**	**418.8**	**417.2**	**4%**

* Includes the Caribbean
Source: Metals Focus

APPENDIX 6: GOLD PRODUCTION COSTS, US$/OZ

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
NORTH AMERICA								
United States								
Total Cash Cost	471	510	546	590	584	599	675	16%
Total Production Cost	631	669	715	785	779	796	881	13%
All-In Sustaining Cost	-	-	916	886	898	879	908	1%
Costed Production (Moz)	6.08	6.37	6.49	6.24	3.03	3.25	2.75	
Canada								
Total Cash Cost	484	632	762	781	804	759	688	-14%
Total Production Cost	668	838	990	1,031	1,042	1,016	994	-5%
All-In Sustaining Cost	-	-	1,192	1,186	1,208	1,192	1,044	-14%
Costed Production (Moz)	2.52	2.65	2.66	3.23	1.46	1.79	1.86	
Mexico								
Total Cash Cost	244	181	271	549	546	553	506	-7%
Total Production Cost	439	381	518	818	809	817	802	-1%
All-In Sustaining Cost	-	-	655	915	917	901	792	-14%
Costed Production (Moz)	1.85	2.11	2.47	2.32	1.17	1.16	1.11	
Total North America								
Total Cash Cost	434	476	537	634	633	636	647	2%
Total Production Cost	606	655	736	859	853	864	902	6%
All-In Sustaining Cost	-	-	924	976	982	974	930	-5%
Costed Production (Moz)	10.45	11.13	11.63	11.80	5.66	6.20	5.72	
CENTRAL AMERICA & THE CARIBBEAN								
Total Central America & the Caribbean								
Total Cash Cost	216	14	344	536	514	553	491	-5%
Total Production Cost	482	301	682	817	778	840	789	2%
All-In Sustaining Cost	-	-	785	783	805	728	675	-16%
Costed Production (Moz)	0.48	0.59	0.42	1.28	0.58	0.70	0.77	
SOUTH AMERICA								
Total Cash Cost	467	499	482	571	563	564	749	33%
Total Production Cost	551	621	629	791	770	796	1,040	35%
All-In Sustaining Cost	-	-	865	877	879	926	1,035	18%
Costed Production (Moz)	2.95	2.57	2.53	1.95	1.02	0.93	0.75	
Brazil								
Total Cash Cost	590	731	864	817	866	711	849	-2%
Total Production Cost	785	962	1,124	1,085	1,133	944	1,121	-1%
All-In Sustaining Cost	-	-	1,250	1,138	1,185	1,019	1,115	-6%
Costed Production (Moz)	1.41	1.43	1.49	1.32	0.68	0.81	0.69	

APPENDIX 6: GOLD PRODUCTION COSTS, US$/OZ (CONTINUED)

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
Argentina								
Total Cash Cost	238	316	416	476	484	638	626	29%
Total Production Cost	325	425	551	623	737	894	843	14%
All-In Sustaining Cost	-	-	720	791	847	979	857	1%
Costed Production (Moz)	1.47	1.38	1.22	1.02	0.53	0.49	0.60	
Chile								
Total Cash Cost	275	113	414	556	596	690	583	-2%
Total Production Cost	658	445	764	1,062	1,090	1,209	997	-9%
All-In Sustaining Cost	-	-	869	951	917	1,049	884	-4%
Costed Production (Moz)	0.64	0.75	0.80	0.74	0.41	0.33	0.30	
Other South America								
Total Cash Cost	521	745	840	834	871	796	915	5%
Total Production Cost	647	890	983	1,048	1,085	1,010	1,174	8%
All-In Sustaining Cost	-	-	1,129	1,117	1,231	1,068	1,139	-7%
Costed Production (Moz)	0.47	0.55	0.56	0.52	0.27	0.26	0.23	
Total South America								
Total Cash Cost	430	488	578	635	653	655	743	14%
Total Production Cost	567	656	773	890	924	924	1,023	11%
All-In Sustaining Cost	-	-	942	956	983	989	1,006	2%
Costed Production (Moz)	6.93	6.68	6.60	5.55	2.90	2.82	2.57	
EUROPE								
Total Europe								
Total Cash Cost	662	848	695	762	899	745	977	9%
Total Production Cost	834	1,003	886	988	1,062	941	1,172	10%
All-In Sustaining Cost	-	-	954	1,113	1,224	1,036	1,214	-1%
Costed Production (Moz)	0.20	0.24	0.28	0.26	0.14	0.19	0.15	
AFRICA								
South Africa								
Total Cash Cost	766	909	1,030	951	1,027	878	917	-11%
Total Production Cost	950	1,112	1,249	1,182	1,177	1,019	1,067	-9%
All-In Sustaining Cost	-	-	1,334	1,217	1,314	1,126	1,122	-15%
Costed Production (Moz)	5.09	4.78	4.09	4.22	1.99	2.23	1.88	
Ghana								
Total Cash Cost	620	706	820	868	937	796	769	-18%
Total Production Cost	800	917	1,072	1,092	1,184	1,000	971	-18%
All-In Sustaining Cost	-	-	1,242	1,242	1,448	1,086	962	-34%
Costed Production (Moz)	2.63	2.65	2.84	2.85	1.29	1.55	1.46	

APPENDIX 6: GOLD PRODUCTION COSTS, US$/OZ (CONTINUED)

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
Mali								
Total Cash Cost	728	877	915	921	905	934	861	-5%
Total Production Cost	812	969	1,022	1,083	1,061	1,081	1,045	-1%
All-In Sustaining Cost	-	-	1,148	1,224	1,222	1,225	1,146	-6%
Costed Production (Moz)	1.09	1.07	1.21	1.31	0.63	0.69	0.68	
Tanzania, United Republic of								
Total Cash Cost	642	642	712	724	774	673	691	-11%
Total Production Cost	795	832	955	962	1,072	834	875	-18%
All-In Sustaining Cost	-	-	1,199	1,146	1,389	1,036	1,044	-25%
Costed Production (Moz)	1.20	1.33	1.29	1.17	0.52	0.65	0.56	
Burkina Faso								
Total Cash Cost	504	587	728	772	746	783	788	6%
Total Production Cost	658	770	935	1,016	970	1,044	1,058	9%
All-In Sustaining Cost	-	-	1,132	1,124	1,087	1,096	961	-12%
Costed Production (Moz)	0.74	1.02	0.93	1.03	0.52	0.53	0.47	
Other Africa								
Total Cash Cost	706	789	865	871	890	860	812	-9%
Total Production Cost	854	1,019	1,126	1,095	1,097	1,048	1,039	-5%
All-In Sustaining Cost	-	-	1,167	1,069	1,187	1,020	963	-19%
Costed Production (Moz)	1.45	1.63	1.64	1.88	0.93	0.99	1.06	
Total Africa								
Total Cash Cost	696	793	889	881	925	834	827	-11%
Total Production Cost	861	988	1,111	1,103	1,126	1,009	1,018	-10%
All-In Sustaining Cost	-	-	1,241	1,187	1,301	1,100	1,039	-20%
Costed Production (Moz)	12.20	12.49	11.98	12.47	5.89	6.64	6.11	
COMMONWEALTH OF INDEPENDENT STATES								
Russian Federation								
Total Cash Cost	519	638	688	747	821	696	654	-20%
Total Production Cost	645	781	857	941	1,002	906	855	-15%
All-In Sustaining Cost	-	-	998	1,004	1,132	986	880	-22%
Costed Production (Moz)	3.01	3.20	3.65	3.84	1.65	2.13	1.77	
Kyrgyzstan								
Total Cash Cost	409	482	727	357	491	318	442	-10%
Total Production Cost	514	673	1,247	765	844	813	1,053	25%
All-In Sustaining Cost	-	-	1,483	775	1,175	498	1,253	7%
Costed Production (Moz)	0.57	0.58	0.32	0.60	0.16	0.44	0.18	

APPENDIX 6: GOLD PRODUCTION COSTS, US$/OZ (CONTINUED)

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
Other Commonwealth of Independent States								
Total Cash Cost	516	694	782	783	715	864	712	0%
Total Production Cost	632	775	897	920	854	1,061	837	-2%
All-In Sustaining Cost	-	-	972	981	1,013	991	1,114	10%
Costed Production (Moz)	0.22	0.23	0.24	0.24	0.11	0.11	0.07	
Total Commonwealth of Independent States								
Total Cash Cost	502	619	696	699	787	641	637	-19%
Total Production Cost	632	775	897	920	980	897	872	-11%
All-In Sustaining Cost	-	-	1,033	973	1,130	906	922	-18%
Costed Production (Moz)	3.79	4.01	4.20	4.68	1.93	2.67	2.02	
MIDDLE EAST								
Turkey								
Total Cash Cost	339	372	406	422	409	425	514	26%
Total Production Cost	390	483	482	541	535	527	669	25%
All-In Sustaining Cost	-	-	870	919	966	880	770	-20%
Costed Production (Moz)	0.27	0.47	0.54	0.67	0.32	0.35	0.30	
EAST ASIA & INDIAN SUBCONTINENT								
China								
Total Cash Cost	489	528	762	721	736	721	633	-14%
Total Production Cost	740	806	978	973	1,025	1,032	929	-9%
All-In Sustaining Cost	-	-	1,255	1,245	1,189	1,153	821	-31%
Costed Production (Moz)	0.36	0.37	0.44	0.45	0.14	0.15	0.19	
Indonesia								
Total Cash Cost	321	389	479	576	605	546	473	-22%
Total Production Cost	459	548	647	876	872	888	798	-8%
All-In Sustaining Cost	-	-	549	819	810	809	643	-21%
Costed Production (Moz)	0.48	0.43	0.41	0.57	0.29	0.28	0.33	
Other East Asia & Indian Subcontinent								
Total Cash Cost	464	576	669	745	718	761	749	4%
Total Production Cost	575	672	843	979	1,020	1,131	1,145	12%
All-In Sustaining Cost	-	-	1,044	1,082	941	998	967	3%
Costed Production (Moz)	0.53	0.39	0.65	0.67	0.35	0.33	0.27	
Total East Asia & Indian Subcontinent								
Total Cash Cost	421	493	644	682	679	673	606	-11%
Total Production Cost	575	672	843	979	966	1,021	949	-2%
All-In Sustaining Cost	-	-	961	1,033	938	958	795	-15%
Costed Production (Moz)	1.37	1.20	1.50	1.69	0.78	0.77	0.79	

APPENDIX 6: GOLD PRODUCTION COSTS, US$/OZ (CONTINUED)

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
OCEANIA								
Australia								
Total Cash Cost	630	749	852	797	871	716	741	-15%
Total Production Cost	794	944	1,064	1,042	1,145	954	971	-15%
All-In Sustaining Cost	-	-	1,128	1,008	1,118	929	933	-17%
Costed Production (Moz)	7.07	7.19	6.97	7.18	3.35	3.86	3.58	
Papua New Guinea								
Total Cash Cost	631	610	864	936	938	934	914	-3%
Total Production Cost	723	657	919	1,044	940	1,074	1,154	23%
All-In Sustaining Cost	-	-	1,310	1,360	1,302	1,249	1,152	-12%
Costed Production (Moz)	1.57	1.43	1.26	1.50	0.73	0.76	0.71	
Other Oceania								
Total Cash Cost	601	990	1,167	913	951	895	825	-13%
Total Production Cost	783	915	1,064	1,051	1,269	1,201	1,089	-14%
All-In Sustaining Cost	-	-	1,592	1,296	1,317	1,274	998	-24%
Costed Production (Moz)	0.38	0.40	0.36	0.42	0.20	0.23	0.19	
Total Oceania								
Total Cash Cost	629	738	867	825	886	759	772	-13%
Total Production Cost	783	915	1,064	1,051	1,115	985	1,005	-10%
All-In Sustaining Cost	-	-	1,177	1,079	1,159	995	971	-16%
Costed Production (Moz)	9.01	9.02	8.59	9.10	4.28	4.85	4.47	
GLOBAL TOTAL								
Total Cash Cost	548	624	713	739	771	711	723	-6%
Total Production Cost	705	803	917	969	993	936	961	-3%
All-In Sustaining Cost	-	-	1,066	1,045	1,107	998	961	-13%
Costed Production (Moz)	44.71	45.82	45.76	47.49	22.46	25.17	22.91	

Source: Metals Focus

APPENDIX 7: PRIMARY SILVER PRODUCTION COSTS, US$/OZ

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
NORTH AMERICA								
Mexico								
Total Cash Cost	4.42	5.26	5.37	7.27	7.23	7.69	8.09	12%
Total Production Cost	7.85	10.03	11.59	12.83	12.86	13.46	13.91	8%
All-In Sustaining Cost	-	-	12.77	13.13	14.41	12.55	13.67	-5%
Costed Production (Moz)	67.2	69.6	75.1	79.0	38.6	41.7	41.3	
United States								
Total Cash Cost	1.51	6.57	8.10	11.95	10.45	9.86	7.44	-29%
Total Production Cost	6.18	11.01	13.23	17.90	16.56	15.51	14.12	-15%
All-In Sustaining Cost	-	-	20.66	23.61	22.38	21.60	15.43	-31%
Costed Production (Moz)	14.6	13.0	11.4	13.8	6.8	7.0	7.6	
Canada								
Total Cash Cost	n/a	10.17	11.89	14.00	14.52	12.93	n/a	n/a
Total Production Cost	n/a	11.42	13.51	16.31	16.32	14.64	n/a	n/a
All-In Sustaining Cost	-	-	21.81	23.60	23.85	19.81	n/a	n/a
Costed Production (Moz)	0.0	2.0	2.2	1.5	1.0	0.5	0.0	
Total North America								
Total Cash Cost	3.90	5.58	5.88	8.06	7.86	8.06	7.99	2%
Total Production Cost	7.55	10.22	11.85	13.63	13.48	13.77	13.94	3%
All-In Sustaining Cost	-	-	14.01	14.84	15.78	13.91	13.94	-12%
Costed Production (Moz)	81.9	84.6	88.7	94.3	46.4	49.2	48.9	
CENTRAL AMERICA & THE CARIBBEAN								
Guatemala								
Total Cash Cost	0.00	0.00	0.00	0.00	n/a	n/a	6.08	n/a
Total Production Cost	0.00	0.00	0.00	0.00	n/a	n/a	8.21	n/a
All-In Sustaining Cost	0.00	0.00	0.00	0.00	n/a	n/a	8.96	n/a
Costed Production (Moz)	0.0	0.0	0.0	0.0	0.0	0.0	9.9	
SOUTH AMERICA								
Peru								
Total Cash Cost	9.79	15.11	14.61	13.14	15.31	12.43	13.36	-13%
Total Production Cost	12.28	18.17	18.69	18.31	20.56	17.56	17.89	-13%
All-In Sustaining Cost	-	-	22.36	19.84	22.46	18.75	18.02	-20%
Costed Production (Moz)	17.0	16.7	31.4	31.9	15.2	16.6	15.9	
Argentina								
Total Cash Cost	12.38	15.61	17.57	12.40	14.03	11.32	11.06	-21%
Total Production Cost	20.69	25.47	26.94	20.37	21.84	19.43	19.34	-11%
All-In Sustaining Cost	-	-	23.84	17.11	18.92	16.10	15.92	-16%
Costed Production (Moz)	17.2	17.2	18.5	17.7	8.3	9.4	8.8	

APPENDIX 7: PRIMARY SILVER PRODUCTION COSTS, US$/OZ (CONTINUED)

	2010	2011	2012	2013	H1 13	H2 13	H1 14	Y-o-Y
Bolivia								
Total Cash Cost	8.52	11.51	15.33	14.55	15.40	13.03	13.48	-12%
Total Production Cost	11.83	14.78	18.29	17.55	18.59	15.95	16.30	-12%
All-In Sustaining Cost	-	-	20.44	20.54	18.49	17.00	16.31	-12%
Costed Production (Moz)	9.9	10.8	9.9	9.9	4.9	5.0	5.0	
Chile								
Total Cash Cost	n/a	14.29	5.67	6.84	7.25	6.59	5.82	-20%
Total Production Cost	n/a	19.77	10.24	11.78	12.43	11.30	11.50	-7%
All-In Sustaining Cost	-	-	10.70	12.07	12.54	11.76	11.69	-7%
Costed Production (Moz)	0.0	1.3	2.9	3.1	1.5	1.6	1.5	
Total South America								
Total Cash Cost	10.51	14.43	15.18	12.84	14.56	11.92	12.37	-15%
Total Production Cost	15.46	20.15	20.67	18.44	20.17	17.54	17.74	-12%
All-In Sustaining Cost	-	-	21.95	18.78	20.32	17.37	16.85	-17%
Costed Production (Moz)	44.1	46.1	62.7	62.6	30.0	32.6	31.1	
COMMONWEALTH OF INDEPENDENT STATES								
Russian Federation								
Total Cash Cost	9.90	14.00	14.70	10.27	12.60	7.71	9.10	-28%
Total Production Cost	11.41	15.33	16.35	13.01	15.35	10.43	11.32	-26%
All-In Sustaining Cost	-	-	17.95	13.21	14.80	13.20	11.00	-26%
Costed Production (Moz)	14.5	17.0	19.2	22.1	11.4	10.8	13.1	
EAST ASIA & INDIAN SUBCONTINENT								
China								
Total Cash Cost	-6.43	-5.72	-1.77	1.47	1.76	1.19	3.45	96%
Total Production Cost	-5.31	-4.01	-0.23	3.95	4.10	3.86	5.83	42%
All-In Sustaining Cost	-	-	18.90	27.26	26.75	28.49	22.02	-18%
Costed Production (Moz)	5.3	5.6	5.1	4.2	2.3	1.9	1.7	
OCEANIA								
Australia								
Total Cash Cost	10.15	18.87	17.27	12.08	9.96	9.29	8.23	-17%
Total Production Cost	13.66	24.00	23.52	17.67	15.48	14.99	14.72	-5%
All-In Sustaining Cost	-	-	23.69	19.75	11.37	10.69	9.76	-14%
Costed Production (Moz)	0.6	0.6	0.7	0.7	0.4	0.3	0.3	
GLOBAL TOTAL								
Total Cash Cost	6.14	8.80	9.98	9.82	10.53	9.21	9.17	-13%
Total Production Cost	9.87	13.30	15.18	14.99	15.70	14.49	14.07	-10%
All-In Sustaining Cost	-	-	17.45	16.29	17.42	15.30	14.09	-19%
Costed Production (Moz)	146.4	153.9	176.4	183.9	90.4	94.8	105.0	

Source: Metals Focus

NOTES & DEFINITIONS

UNITS

Tonne (t)	One metric tonne - 1,000 kilograms (kg) or 32,151 troy ounces Kt - Thousand tonnes Mt - Million tonnes
Ounce (oz)	One troy ounce - 31.103 grammes Koz - Thousand ounces (1,000 oz) Moz - Million ounces (1,000,000 oz) Boz - Billion ounces (1,000,000,000 oz)
Grade (g/t)	Grammes per metric tonne of rock
Price/Cost	US$/oz unless otherwise stated; A$ - Australian Dollar C$ - Canadian Dollar R - South African Rand

DEFINITIONS

Mineral Resources	A concentration of material in, or on, the earth's crust of such grade or quantity where there is a reasonable prospect for economic extraction.
Mineral Reserves	The economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study.
Total Cash Cost	Includes all direct and indirect mine site cash costs related directly to the physical activities of producing metals, including mining, ore processing on-site general and administrative costs, third-party refining expense, royalties and mining production taxes, net of by-product revenues.
Total Production Cost	Total cash costs, plus depreciation, amortisation and reclamation and closure cost obligations relating to each operating unit.
All-In Sustaining Cost	The sum of total cash costs plus community costs, sustaining capital expenses, corporate, general and administrative expenses (net of stock option expenses) and exploration expenses.

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