The BIS-network dupes the gold mining industry

1. Introduction

In our paper from July 20, 2015 we concluded that JPM in cooperation with the BIS controls the dollar gold price by using their very dominant position in gold derivatives in the US Banking System. JPM held during 1999 – 2014 an average of 3.262 paper metric tons gold (derivatives) available for interventions on the development of the dollar gold price with the BIS as counterparty. Furthermore we concluded that the paper volume sets the dollar gold price and that there is almost no influence on the dollar gold price from the physical supply and demand. Overall the conclusion is that there is no free market for gold.

In our paper from October 7, 2015 we explained that JPM and the BIS are operating agents for the BIS network to maintain the confidence in the dollar and therefore manipulate the dollar gold price. We spoke about the artificial price drop in 2013 and the possible following dishoarding by private holders.

In this paper we will analyze the financial position of three leading mining companies considering the manipulated dollar gold price. We analyzed the annual statements of Barrick, Newmont and Goldcorp with their key business in gold mining (other products are by-products) and a combined market-share 2015 of 15,3% on gold mining worldwide. We concluded that there is in retrospect a combined average dollar gold price 2013 - 2015 needed of $ 1.890 per ounce to get break even (= the point of balance making neither a profit nor a loss). The realized combined average dollar gold price 2013 – 2015 is $ 1.274 per ounce. On any sold ounce gold the combined three mining companies loose more than dollar $ 600 per ounce, or 48%. It goes without saying that they struggle to stay in business.

2. The analyzed gold mining companies

Barrick, Newmont and Goldcorp

BARRICK

Barrick Gold Corporation is the largest gold mining company in the world, with its headquarters in Toronro, Ontario, Canada. Barrick employs approximately 27.000 employees and contractors worldwide. Market-share Barrick 6,0% of the new produced gold 2015.

Newmont Mining Corporation is the world's second largest producer of gold, with its headquarters in Greenwood Village, Colorado, USA. Newmont employs approximately 34.000 employees and contractors worldwide. Market-share Newmont 5,7% of the new produced gold 2015.

Goldcorp is a gold producer headquartered in Vancouver, Britisch Columbia, Canada. Goldcorp employs approximately 14.000 employees and contractors worldwide. Market-share Goldcorp 3,6% of new produced gold 2015.

3. The (combined) yearly nett income/loss

Since 2013 nett loss

The next table is based upon the (consolidated) statements of income (or loss) listed in the companies annual reports.

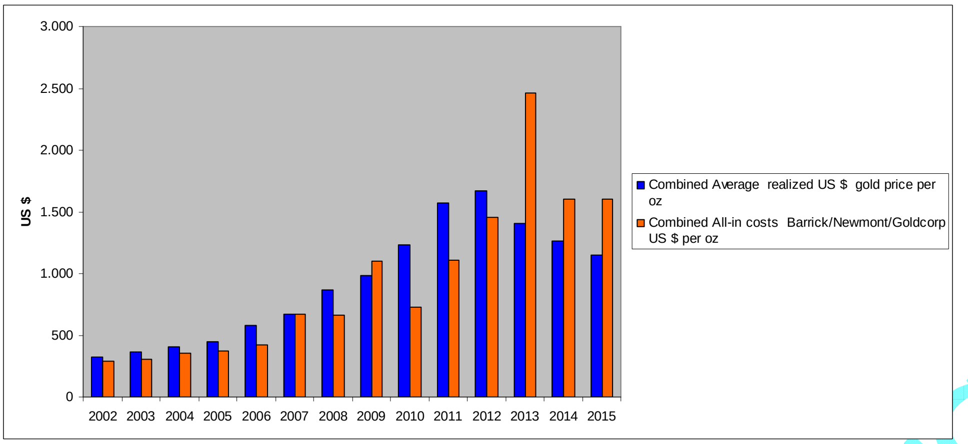
	Barrick Nett income/loss *millions of US $	Newmont Nett income/loss *millions of US $	Goldcorp Nett income/loss *millions of US $	Combined Nett income/loss Barrick/Newmont/Goldcorp *millions of US $
2002	193	147	68	408
2003	200	510	99	809
2004	248	411	51	710
2005	401	360	286	1.047
2006	1.506	840	408	2.754
2007	1.119	-1.485	375	9
2008	785	1.160	1.476	3.421
2009	-4.274	2.093	240	-1.941
2010	3.630	3.116	1.412	8.158
2011	4.537	972	1.881	7.390
2012	-549	2.118	1.749	3.318
2013	-10.603	-2.795	-2.709	-16.107
2014	-2.959	329	-2.159	-4.789
2015	-3.113	304	-4.157	-6.966

The gold mining industry is clearly no steady making money industry. We will analyze this later.

4. The combined all-in company costs and the dollar gold price per ounce

Loss since 2013, even though the change of mindset.

Based upon the annual accounts we combined the figures from Barrick, Newmont and Goldcorp regarding average realized dollar gold price per ounce and the all-in company costs per ounce through the years 2002 -2015.



What we see is that there is a kind of balance between the dollar gold price and the all-in company costs per ounce gold through the years 2002 – 2012, but from 2013 – 2015 there is a strange disconnection.

It's very clear that the combined all-in company costs are higher than the combined average realized dollar gold price per ounce. Since 2013 every ounce is sold with loss.

Companies aim for a profitable production. Only that way they can stay in business.
Regarding this issue in April 2013 Jamie Sokalsky, CEO of Barrick, wrote: "Over the past decade, our industry has been focussed on increasing gold production, often without regard for the costs. In essence, this was growth for growth's sake". And Peter Munk, Founder and Chairman of Barrick, wrote "Barrick is leading the change from a focus on growth, in favour of maximizing free cash flow and growing rates of return".
Since 2013 Barrick uses aggressive cost management, meaning: reducing costs and an ongoing review of costs is an integral part of the management of business.

The gold mining industry doesn't seem to succeed in the objective for a profitable production so far.

In our view this is another indication that there is almost no influence on the dollar gold price from the physical supply and demand. The paper volume sets the (manipulated) dollar gold price.

5. The disconnection between the all-in company costs and the realized dollar gold price

Nett loss per ounce gold US $ 622, or 48%

The following table shows us the combined nett loss of Barrick, Newmont and Goldcorp over the years 2013 – 2015, divided by the produced ounces gold. This is the combined nett loss per ounce. If we add up the combined average realized dollar gold price, the sum shows the combined all-in company costs from Barrick, Newmont and Goldcorp together.

	Combined Nett loss Barrick/Newmont/Goldcorp *millions of US $	Combined Procuced oz Barrick/Newmont/Goldcorp *1.000	Combined Nett loss Barrick/Newmont/Goldcorp US $ per oz	Combined Average realized US $ gold price per oz	Combined All-in costs Barrick/Newmont/Goldcorp US $ per oz
2013	-16.107	15.226	-1.058	1.408	2.466
2014	-4.789	14.153	-338	1.262	1.601
2015	-6.966	15.415	-452	1.150	1.602
Total 2013-2015	**-27.862**	**44.794**	**-622**	**1.274**	**1.890**

What we see in retrospect is that a dollar gold price 2013 – 2015 of $ 1.890 is needed to get break even.

The average realized dollar gold price 2013 - 2015 was $ 1.274 per ounce. Ergo, the average nett loss was US $ 622 per ounce, or 48%.

6. The view of the World Gold Council

WGC 2012: "Higher gold price needed to stay in business"

The World Gold Council is the marketing development organisation for the gold industry. The World Gold Council has 18 members, including Barrick, Newmont and Goldcorp.

World Gold Council CEO Aram Shishmanian said on the May 14, 2012 that because of the sharp increase in mining costs the dollar gold price needed to reach $ 3.000 an ounce in 2017 for the industry to stay profitable and stay in business.

7. How long can this go on?

How long can this go on?

The BIS-network keeps a lid on the dollar gold price (see our paper dated October 7, 2015). Since 2013 the dollar gold price per ounce gold is lower than the all-in company costs per ounce gold. The question is how long this can go on.

Every year the loss per ounce continues will cost the gold mining industry worldwide 60 Billion dollar.

Worldwide mine production 2015:	3.100 tons
Worldwide mine production 2015:	99.688.000 ounces
Loss per ounce:	$ 600
Total loss worldwide mine production:	60 Billion dollar
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