



Issue 496

28<sup>th</sup> February 2023

# Metals Focus

## Precious Metals Weekly

### Gold

Gold is trading around \$1,820 after hitting a two-month low of \$1,806, as the dollar index surpassed 105, a 7-week high.

### Silver

Pan American Silver's silver production in Q4.22 fell by 10% y/y to 4.8Moz, while its 2022 total was down 4% y/y to 18.5Moz.

### Platinum

India's Essar will invest \$1.2bn in India to produce green hydrogen and ammonia, as a part of a total investment of \$3.6bn in low carbon energy projects in the UK and India.

### Palladium

Toyota's global vehicle production in January rose 9% y/y to 689k units, while its sales fell by 6% y/y to 710k units.

### Newmont and Newcrest, a Potential New Gold Mining Giant

At the beginning of February Newmont submitted an unsolicited bid to acquire 100% of the issued share capital of Newcrest Mining. The deal is valued at \$16.9Bn, a record for the gold sector and outstrips the previous high, Newmont's acquisition of Goldcorp in 2019, by \$4.8bn. The proposal is an all-share offer, in which Newcrest shareholders would receive 0.38 Newmont shares for each Newcrest share held, leading to a 30% share of ownership of the newly combined entity.

It has been disclosed that this is Newmont's second approach to Newcrest. The first, an all-share offer of 0.363 Newmont shares per Newcrest share, was unanimously rejected by Newcrest for not seemingly recognizing the value of the company. This latest deal has also been rejected by Newcrest for the same reason, but they have invited Newmont to engage in discussions and information sharing, which the Newmont CEO Tom Palmer has said are ongoing.

The proposed deal, if it progresses, would bring numerous benefits to Newmont. Their attributable gold production has been around 185t per annum for the last few years and is forecast to remain between 185-200t per annum for the next decade. By adding Newcrest's operations into its production profile, Newmont could immediately lift this figure to over 250t per annum, further cementing its position as the number one global gold producer.

It also gives Newmont the potential to increase gold production to over 265t per annum in the near-term as the Cadia plant expansion ramps-up and the Cadia East block cave, Lihir Phase 14A and Telfer Wesdome Stage 8

Gold you can see through.



valcambi  
suisse

Metals Focus thank the sponsors of the Precious Metals Weekly for their generous support.



[www.mkspamp.com](http://www.mkspamp.com)



[www.wisdomtree.com](http://www.wisdomtree.com)



[www.dillongage.com](http://www.dillongage.com)



[www.royalmint.com](http://www.royalmint.com)



[www.asahirefining.com](http://www.asahirefining.com)



[www.abcbullion.com.au](http://www.abcbullion.com.au)



[www.valcambi.com](http://www.valcambi.com)



[www.responsiblegold.com](http://www.responsiblegold.com)



[www.sampreciousmetals.com](http://www.sampreciousmetals.com)



[www.ibvgold.com](http://www.ibvgold.com)



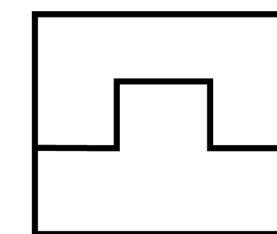
[www.randrefinery.com](http://www.randrefinery.com)



[www.realkrugerrand.com](http://www.realkrugerrand.com)



[www.helveticor.ch](http://www.helveticor.ch)



TEMPEST CAPITAL LIMITED



[www.goldstromgroup.com](http://www.goldstromgroup.com)



[www.amrapalionline.co.in](http://www.amrapalionline.co.in)



[www.howdengroup.co.uk](http://www.howdengroup.co.uk)



[www.perthmint.com](http://www.perthmint.com)



[www.axedras.com](http://www.axedras.com)



[www.preciousmetals.td.com](http://www.preciousmetals.td.com)



[www.hp.co.in](http://www.hp.co.in)



ISTANBUL GOLD REFINERY INC.

[www.igrglobal.com](http://www.igrglobal.com)



[www.thinkava.com](http://www.thinkava.com)



[www.argor-heraeus.com](http://www.argor-heraeus.com)



[www.auramet.com](http://www.auramet.com)



[www.brinks.com](http://www.brinks.com)



[www.isgold.com](http://www.isgold.com)



[www.aurus.io](http://www.aurus.io)



[www.monetary-metals.com](http://www.monetary-metals.com)

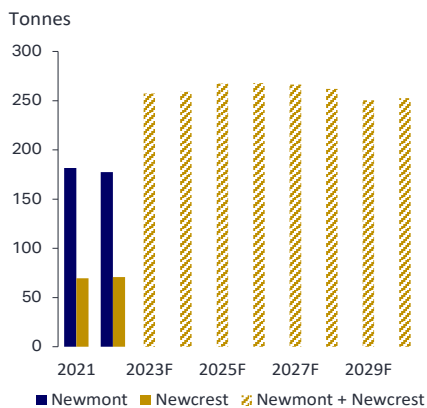


[www.agabullion.com](http://www.agabullion.com)



[www.fidelitrade.com](http://www.fidelitrade.com)

## Forecast Gold Production



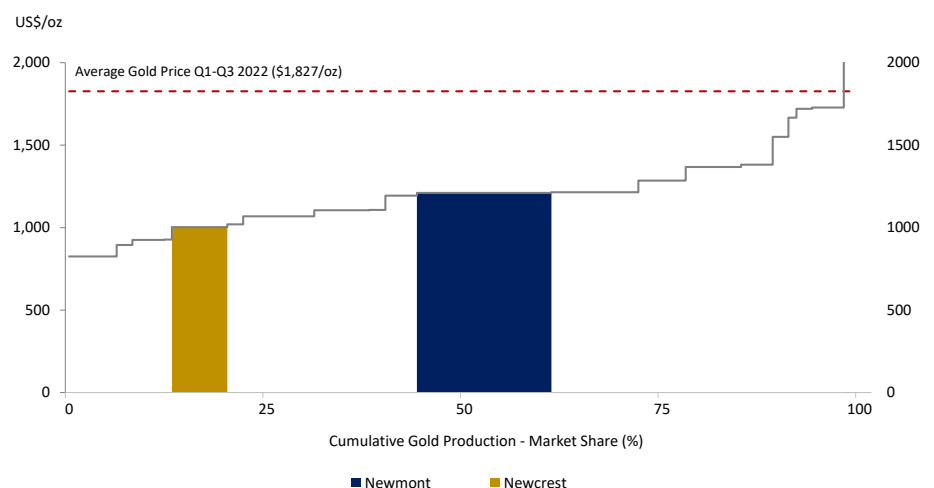
Source: Company Reports, Metals Focus

cutbacks, come on stream. There is also considerable upside for longer-term growth via Newcrest's share in the Havieron and Wafi-Golpu joint ventures, the block cave underground project at Red Chris and their strategic investments in Fruta del Norte and other projects in Ecuador. In addition, most of Newcrest's gold operations are within low-risk jurisdictions where mining legislation and government policies are deemed to be supportive of mining investment, an attractive proposition to potential investors.

As demand for renewable energy and electric vehicles gathers pace, copper is becoming an increasingly valuable commodity. Newmont's attributable copper production was 44kt in 2022, predominantly from Boddington. Newcrest produced 137kt of copper in 2022, with production coming from Cadia, Telfer and Red Chris. A deal with Newcrest would more than triple Newmont's copper production in the near-term. This would give it greater exposure to this lucrative market while it continues the feasibility studies at Galore Creek, Norte Abierto and Nuevo Unión joint ventures and de-risks the Yanacocha Sulphides project. These are all polymetallic projects which have significant copper resources.

Copper is an important product for Newcrest and helps to lower its All-In Sustaining Cost (AISC) by way of by-product credits, making it one of the lowest cost gold producers. The company's AISC for Q1-Q3.22 was \$1,003/oz, placing it firmly in the 25th percentile on the cost curve. In contrast, Newmont's AISC for Q1-Q3.22 was \$1,210/oz, straddling the 50th percentile boundary on the cost curve. Consequently, a deal with Newcrest has the potential to drive Newmont's AISC down as a result of the higher by-product credits.

## Top 20 Gold Producers' All-In Sustaining Cost Curve



Source: Metals Focus Gold Mine Cost Service





# The First Carbon Neutral Gold Certified By The Carbon Trust

MKS PAMP's portfolio of Carbon Neutral precious metals products includes its bestselling 1kg gold cast bar and 12.5kg Good Delivery bar, both certified by the Carbon Trust to the international PAS 2060 Carbon Neutrality Standard

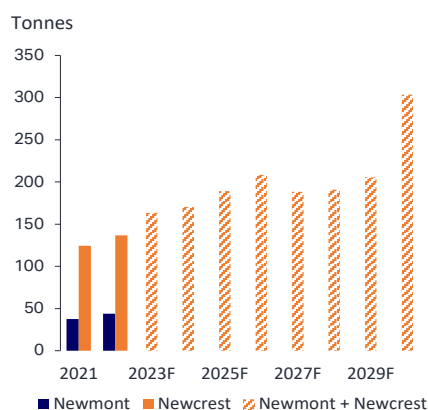


MKS PAMP

An MKS PAMP GROUP Company | [www.mkspamp.com/carbonneutralgold](http://www.mkspamp.com/carbonneutralgold)



## Forecast Copper Production



Source Company Reports, Metals Focus

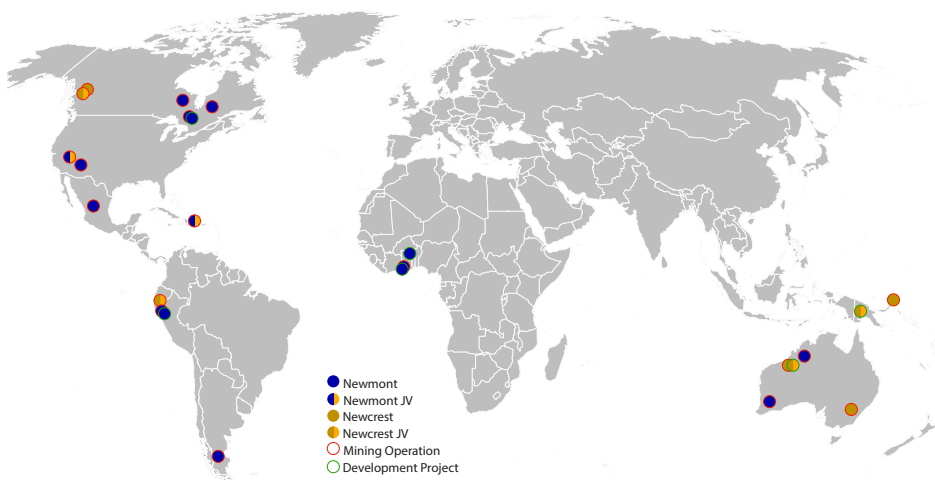
Further advantages to Newmont could be derived from regional synergies, such as the sharing of labour, technologies, and consolidating supply chains. Access to Newcrest's renowned block cave mining expertise would complement Newmont's own technical capabilities and could be of particular benefit with underground projects in Newmont's production pipeline.

The ESG credentials of Newmont and Newcrest are complementary. Both companies have strong safety cultures and have had zero fatalities in recent years. Emissions targets are similar, with both companies targeting net zero by 2050. Newcrest's Red Chris and Brucejack operations both take electricity from a predominantly hydro-powered grid, giving rise to relatively low Scope 2 emissions making them attractive acquisitions.

Finally, Newcrest's financial position is robust, with a strong balance sheet. Net debt is \$1.7Bn, with low gearing and leverage ratios of 13% and 0.8x respectively. The next corporate bond repayment is not due until 2030, a similar time to Newmont's next payment, ensuring cash is available for development. Finally, Newcrest's gold production is predominantly unhedged. The Telfer hedging contracts are relatively short-term, expiring by end-Q2.24, so if Newmont decided not to wind these contracts up on completion of a deal it would not take long for them to return to being an unhedged producer.

All in all, Newcrest would be an attractive acquisition for Newmont, but it remains to be seen if the negotiations will be successful and whether Newmont is able to secure the deal that it seeks.

## Newcrest and Newmont Properties



Source: Company Reports





THE ROYAL MINT®  
THE ORIGINAL MAKER



# MAKE Your Investment Precious

## Britannia 2022 BULLION COIN RANGE

For all distribution enquiries, please contact The Royal Mint's wholesale team.



0345 600 5014



[royalmintbullionsales@royalmint.com](mailto:royalmintbullionsales@royalmint.com)

[royalmint.com](https://royalmint.com)

CELEBRATE | COLLECT | INVEST | SECURE | DISCOVER



## Charts - Precious Metal Prices, US\$/oz

Gold



Source: Bloomberg

Silver



Source: Bloomberg

Platinum



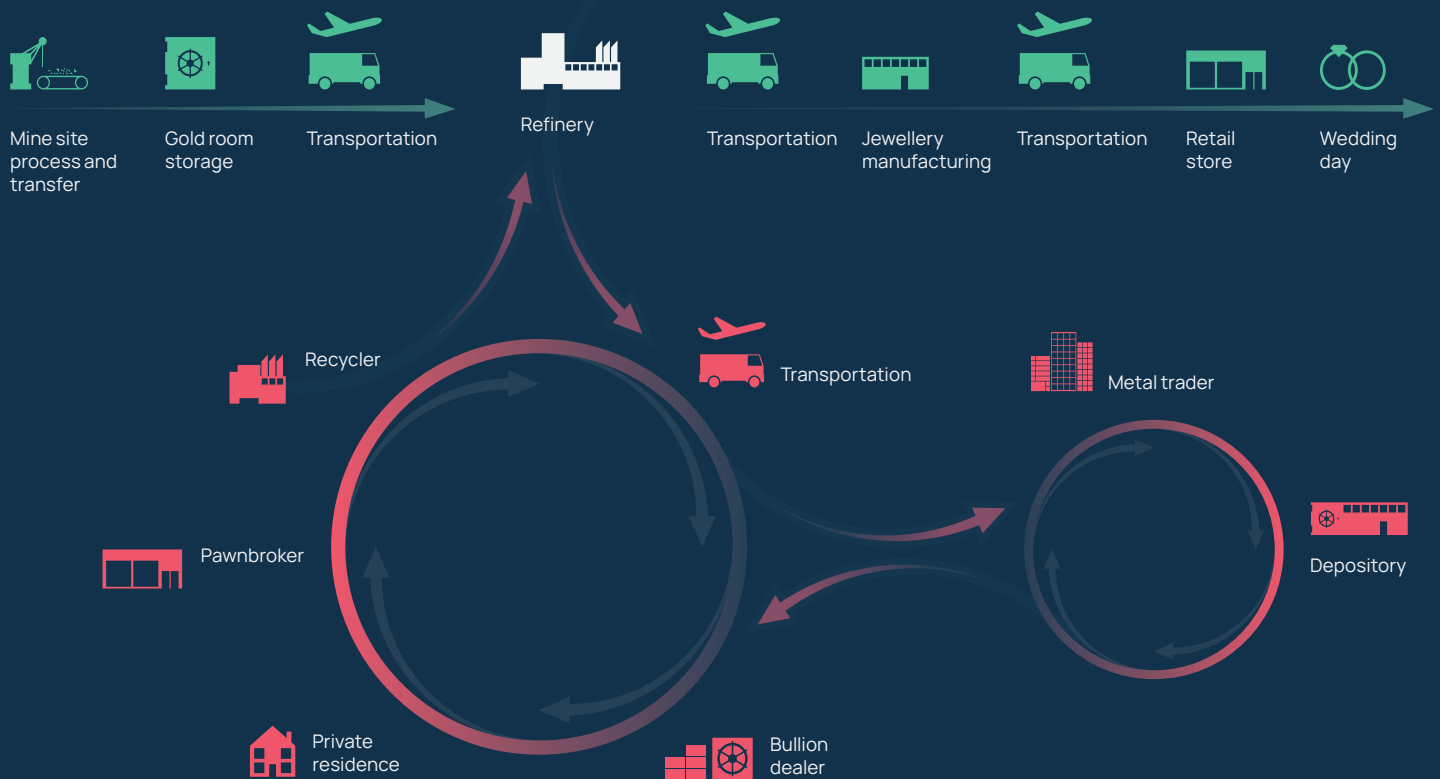
Source: Bloomberg

Palladium



Source: Bloomberg

# Covering your risk every step of the way.



In the ever-changing world of risk, protecting your business's valuable assets remains key.

Howden Insurance brokers will deliver peace of mind by offering a full insurance programme health check. We look forward to the opportunity of assisting you in protecting your valuable assets now and in the future.

[howdengroup.com](http://howdengroup.com)

**Barry Vickery**

[barry.vickery@howdengroup.com](mailto:barry.vickery@howdengroup.com)

M: +44 (0)7923 254 793

**// howden**



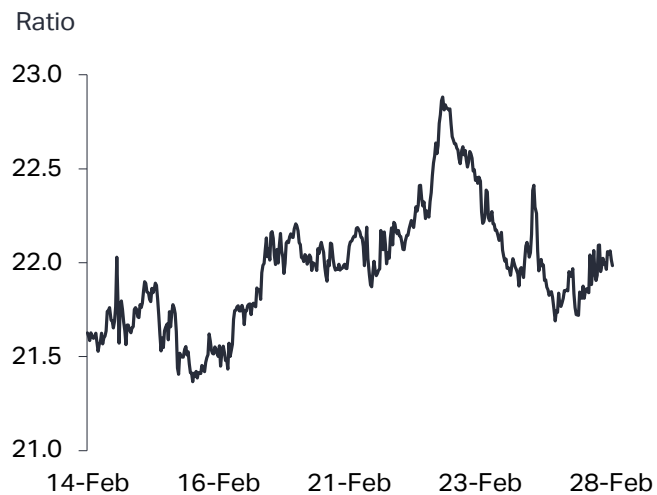
## Charts - Ratios & Spreads

Gold:Silver Ratio



Source: Bloomberg

Gold:Oil (Brent) Ratio



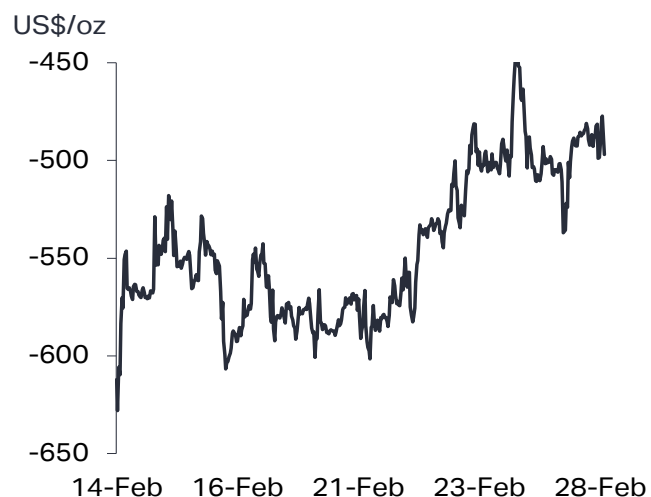
Source: Bloomberg

Platinum-Gold Discount, US\$/oz



Source: Bloomberg

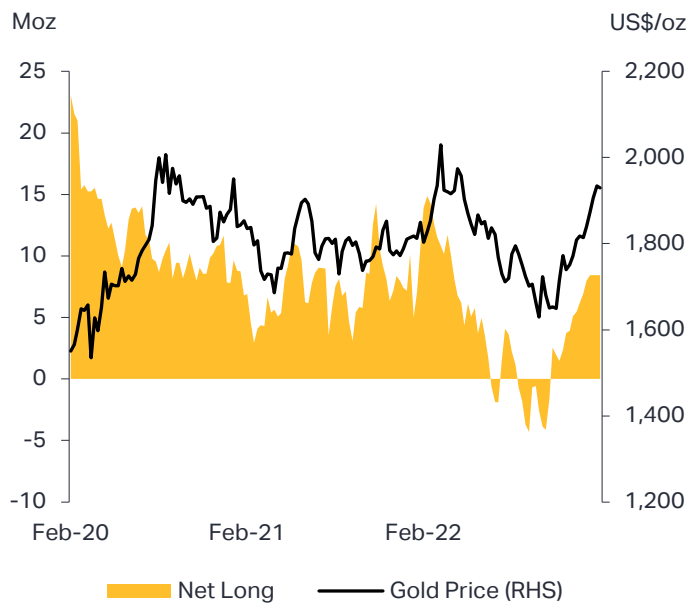
Platinum-Palladium Discount, US\$/oz



Source: Bloomberg

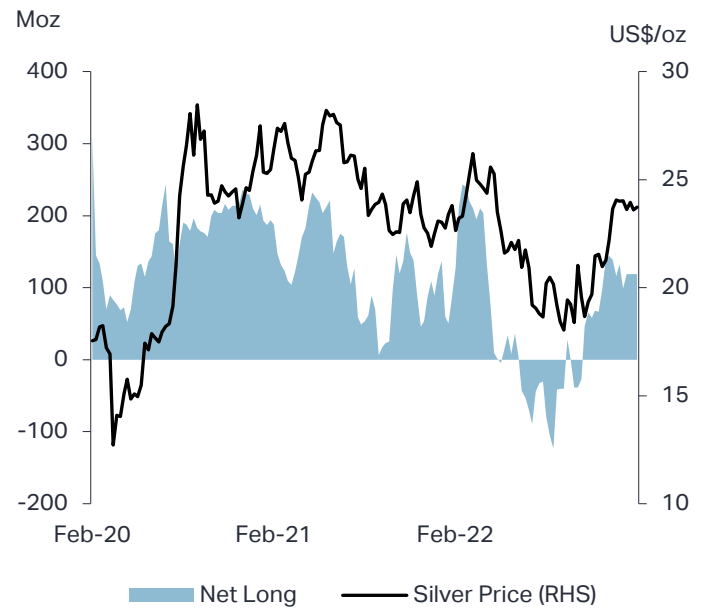
## Charts - CME Futures Net Positions\*

## Gold



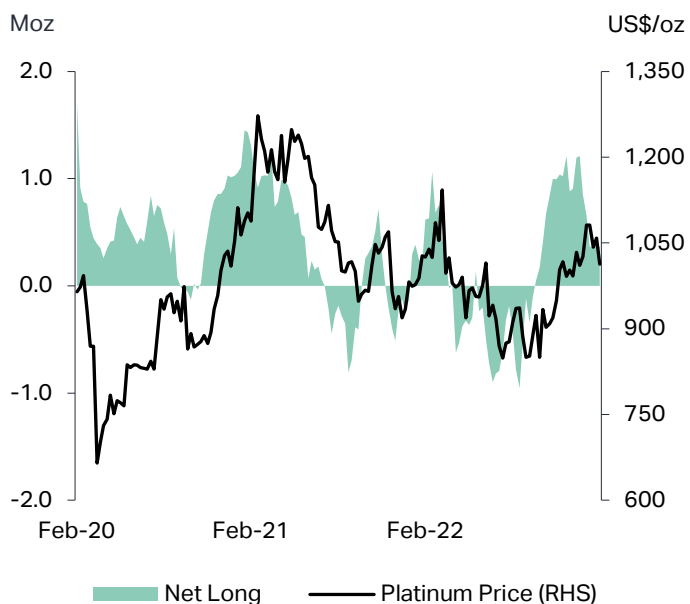
\*Managed money positions; Source: Bloomberg

## Silver



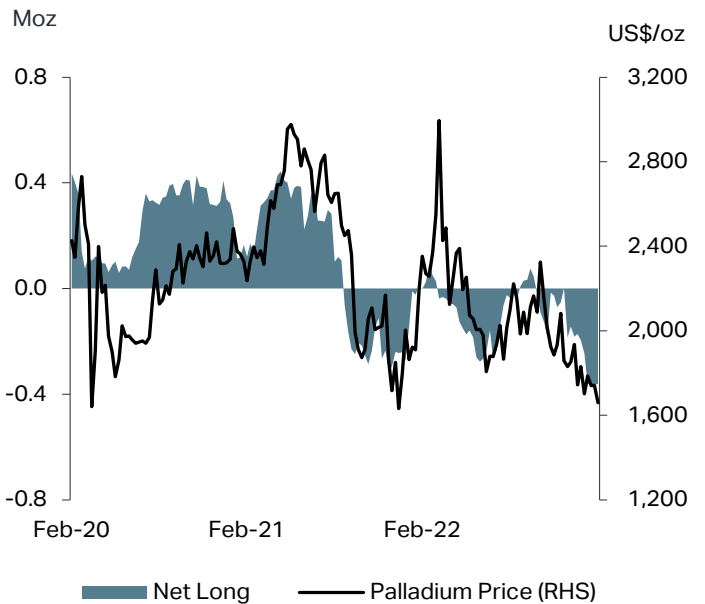
\*Managed money positions; Source: Bloomberg

## Platinum



\*Managed money positions; Source: Bloomberg

## Palladium



\*Managed money positions; Source: Bloomberg

## Charts - ETP Holdings

### Gold



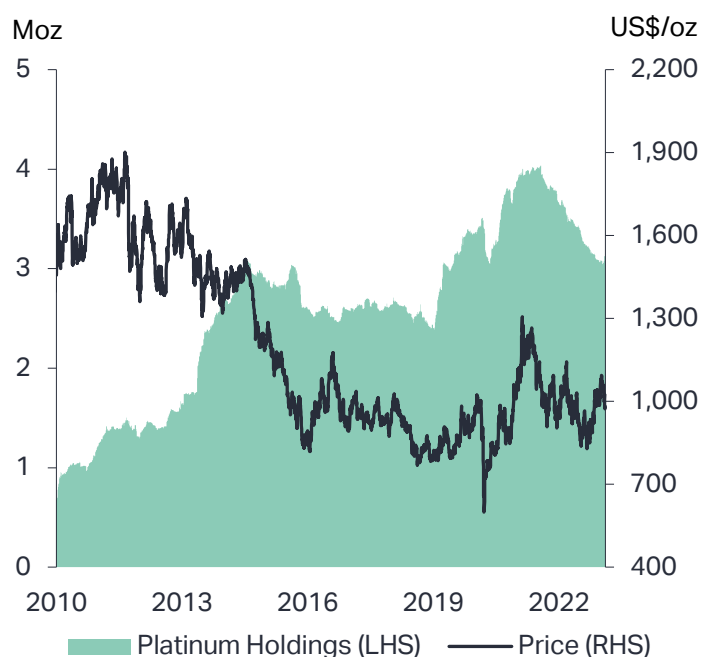
Source: Bloomberg

### Silver



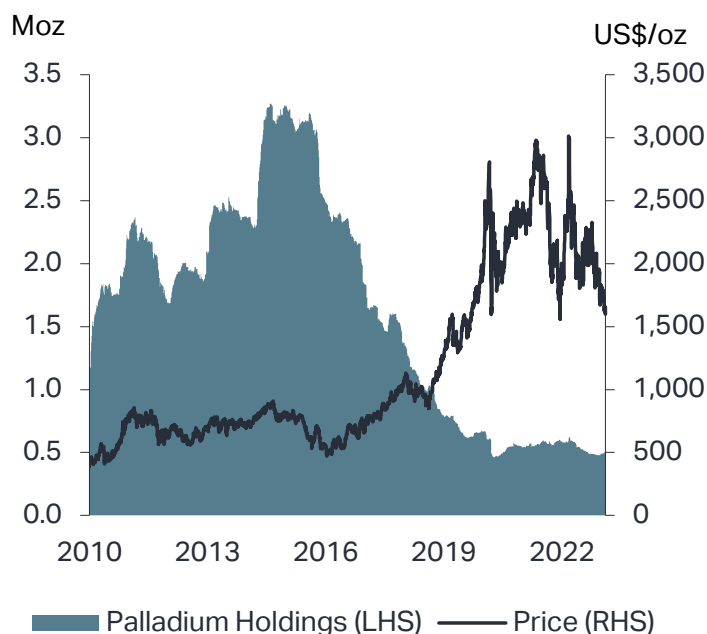
Source: Bloomberg

### Platinum



Source: Bloomberg

### Palladium



Source: Bloomberg



## Metals Focus - The Team

[Philip Newman, Managing Director](#)

[Charles de Meester, Managing Director](#)

[Neil Meader, Director of Gold and Silver](#)

[Junlu Liang, Senior Analyst](#)

[Simon Yau, Senior Consultant - Hong Kong](#)

[Peter Ryan, Independent Consultant](#)

[Elvis Chou, Consultant - Taiwan](#)

[Michael Bedford, Consultant](#)

[David Gornall, Consultant](#)

[Sarah Tomlinson, Senior Analyst](#)

[Neelan Patel, Regional Sales Director](#)

[Mirian Moreno, Business Manager](#)

[Erin Coyle, Sales & Marketing Administrator](#)

[Ghananshu Karekar, Research Associate](#)

[Nikos Kavalis, Managing Director - Singapore](#)

[Adam Webb, Director of Mine Supply](#)

[Wilma Swarts, Director of PGMs](#)

[Philip Klapwijk, Chief Consultant](#)

[Chirag Sheth, Principal Consultant - Mumbai](#)

[Yiyi Gao, Senior Analyst - Shanghai](#)

[Çagdas D. Küçükemiroglu, Consultant - Istanbul](#)

[Dale Munro, Consultant](#)

[Harshal Barot, Senior Consultant - Mumbai](#)

[Jacob Smith, Senior PGM Analyst](#)

[Francesca Rey, Consultant - Manila](#)

[Celine Zarate, Consultant - Manila](#)

[Jie Gao, Research Analyst - Shanghai](#)

[Adarsh Diwe, Analyst - Mumbai](#)

## Metals Focus - Contact Details

### Address

6th Floor, Abbey House  
74-76, St John Street  
London, EC1M 4DT  
U.K.

Tel: +44 20 3301 6510

Email: [info@metalsfocus.com](mailto:info@metalsfocus.com)

Bloomberg launch page: MTFO

Bloomberg chat: IB MFOCUS

[www.metalsfocus.com](http://www.metalsfocus.com)

## Disclaimer & Copyright

Unless otherwise stated, Metals Focus Ltd are the owner or the licensee of all intellectual property rights in this Report. This Report (including any enclosures and attachments) has been prepared for the exclusive use and benefit of the addressee(s). Nothing contained in this Report constitutes an offer to buy or sell precious metals or related securities or investments and nor does it constitute advice in relation to the buying or selling of the same. You must obtain professional or specialist advice before taking, or refraining from, any action on the basis of the content of this Report. Whilst every care has been taken in preparing the information published in this Report, Metals Focus Ltd does not guarantee the accuracy or currency of the content. Metals Focus Ltd does not accept responsibility for any errors or omissions and accepts no liability for any loss or damage howsoever arising, nor to any third party in respect of this Report.

This Report (or any part of this Report) must not be reproduced, distributed, transmitted or communicated to any third party without express written consent from Metals Focus Ltd. In cases where the Report has been provided electronically, only the authorised subscriber, in respect of whom an individual user licence has been granted, may download a copy of this report. Additional user licences may be purchased from Metals Focus Ltd on request. The commission of any unauthorised act in relation to the work may result in civil or criminal actions.