

# Is \$3000 gold possible? A look at the 'for and against', and Australian gold miner Alkane Resources

2020 has seen unprecedented levels of global economic disruption due to the COVID-19 (coronavirus) pandemic. This has seen share markets collapse and the gold price rise 15% in just a few months. Some say this is just the beginning of the gold bull run, with Bank of America now forecasting gold prices could reach US\$3,000/oz, which is almost double the current price of US\$1,721/oz.

Today we look at the arguments for and against US\$3,000/oz gold.

## Gold 1 year price chart – Gold = US\$1,721



Source

### **The case for US\$3,000/oz gold**

- COVID-19 has so far caused **2,994,958 confirmed cases** and **206,997 deaths**, and is severely disrupting the global economy. Some countries are now re-opening their economies; however the risk remains high of a second wave of infections. We may still be a long way away from herd immunity, successful treatments, and a successful vaccine.
- Goldman Sachs recently stated: The downturn will be 4 times worse than the Global Financial Crisis (GFC). In the U.S., second-quarter activity likely dropped 35% while unemployment could hit 15%.
- The IMF forecasts global GDP to be minus 3% in 2020, then recover to +5.2% in 2021, assuming pandemic fades in the second half of 2020.
- The coronavirus health crisis may be followed by a coronavirus debt crisis. Global governments have responded to the COVID-19 with massive stimulus, and hence trillions of dollars in new money printing.
- Bank of America (BoA) forecasts gold to hit US\$3,000/oz by October 2021, in a report titled: "The Fed can't print gold." BoA states that with an official recession looming, monetary authorities are poised to buy record amounts of financial assets and double the sizes of their balance sheets.
- Global gold supply is struggling to increase each year as it becomes harder and more costly to find and mine gold.
- Gold performs best when rates are low, and right now we have historic low interest rates.
- Historically gold has proved to be the best storage of wealth.

### **The case against US\$3,000/oz gold**

- Lower jewelry demand in India and China may put downward pressure on the gold price. Gold jewelry represents the largest source of annual demand for gold. Though it has declined over recent decades, but it still accounts for around 50% of total demand.
- A stronger US dollar may mean a lower USD gold price.
- We may recover quickly from COVID-19, and stock market sentiment could improve, thereby lowering sentiment towards gold investment.

## **Viewpoint**

I think BoA hit the nail on the head with their report title: "The Fed can't print gold." Gold's scarcity and centuries long history as a preserver of wealth means investors will always seek gold as a safe haven. The global supply of new gold struggles to increase YoY, yet the supply of new fiat currencies such as the USD continues to flood the market, as printing presses work 24/7 to print new dollars.

## **Investor's takeaway**

Investors would be wise to have some gold in their portfolio, as a hedge against a collapse in paper money and the global economy. Physical gold is always the safest and purest way to play. Next can be the gold backed ETFs, followed by gold miner ETFs, and finally gold miners.

## **Smaller gold producers with exploration upside**

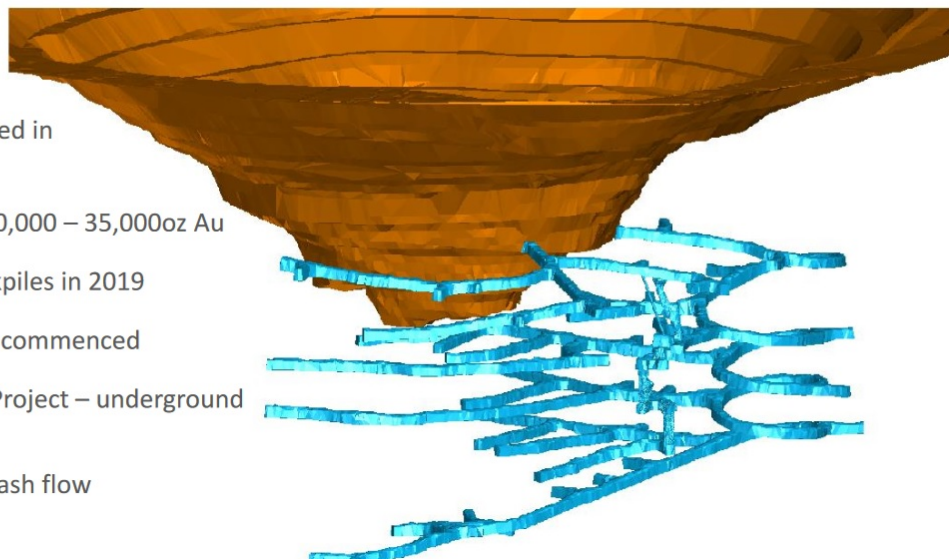
For investors wanting to leverage their gold exposure, investing into gold producers and successful explorers can achieve this. One example that comes to mind would be Alkane Resources Ltd. (ASX: ALK). Alkane Resources has gold production at their Tomingley Gold Mine, successful gold exploration, and a 100% ownership of the Dubbo Rare Earth Project. They are very well funded to achieve success with cash, bullion and investments of A\$91.7 million.

# Alkane Resources Tomingley Gold Mine forecast to produce 30-35,000 oz Au at AISC A\$1,250-\$1,400 in FY 2020

## Tomingley Gold Project



- 1.0 mtpa plant (achieved run rate of 1.4mtpa on oxide ore)
- 12 month construction completed in 2014 on time and budget
- Production guidance for FY20 30,000 – 35,000oz Au
- Treated existing low grade stockpiles in 2019
- Underground mining of ore has commenced
- Exploration has revitalised the Project – underground and Tomingley Corridor
- Potential for strong near term cash flow



## Source

**Alkane Resources has very significant exploration upside at their Kaiser-Boda target zone (part of the Northern Molong Porphyry Project)**

Apart from a producing gold mine (Tomingley Gold Project) and their Tomingley corridor exploration projects; Alkane Resources has very significant exploration upside at the Kaiser-Boda target zone (within the Northern Molong Porphyry Project), which has been mapped over a north-south strike length of a massive 6km long and 1km wide.

Alkane Resources recently announced: “Further extensive porphyry Gold-Copper mineralisation at Boda“. What’s striking about this announcement was the long length of mineralisation, and it started near surface. For example, **965.7m grading 0.21g/t gold, 0.11% copper** from 7.3m, and **153.0m grading 0.40g/t gold, 0.13% copper** from 480m. In March 2020, Alkane Resources announced another very long drill result also at the Kaiser-Boda target zone. Drill hole KSDD007 resulted in **1,167m @ 0.55g/t Au, 0.25% Cu** from 75m. Another was KSDD003, **507m @**

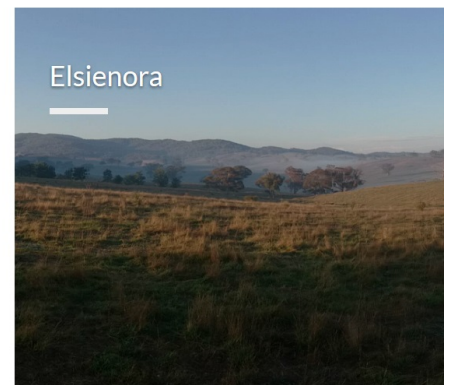
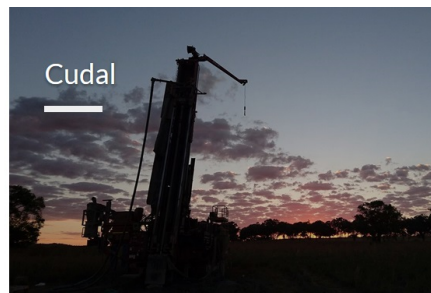
**0.48g/t Au, 0.20% Cu** from 211m.

Gold copper porphyry style deposits can be very large making them economic despite lower gold grades, due to efficiencies of scale and copper by-products credits.

Alkane Resources' Managing Director, Nic Earner, stated:

"We're delighted to confirm further extensive mineralisation at the Boda Prospect. Our drilling to date demonstrates broad, ore-grade mineralisation over **at least a 300m north-south by 400m wide zone with over 800m depth**, with the mineralisation open along strike and at depth, and a significant higher grade core with exceptional characteristics."

**A summary image of Alkane Resources extensive exploration projects and mine in Australia**



Source

## Closing remarks

There has probably never been a better time to buy gold or a quality gold miner. For investors wanting higher risk and reward the small gold producers, with growing production and exploration upside offer an exciting opportunity.

As financial and debt markets melt down, very few sectors will show positive returns, let alone a chance to double or triple. And remember gold is very rare, and as BoA says: "The Fed can't print gold."

And 'yes', US\$3,000/oz gold by October 2021 is very possible.