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Gold price tipped for all-time high

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Gold is becoming an investment haven from the COVID-19 pandemic.

The precious metal is up by around 16 per cent since the start of the year, and gold bulls see the broad rally continuing as US infection rates rise and global trade tensions intensify.

The Australian dollar no longer moves with the gold price and it is ironic that in 2020 the COVID-19-racked state of Victoria has returned as a global centre of gold production.

Gold is notorious for its wild price fluctuations, but the current boom gained extra substance this week when Bank of America strategist Paul Ciana said the uptrend in gold prices is set to test the 2012 highs of \$US1790 - \$US1805 an ounce. Its currently around \$US1765 an ounce.

And he goes further, suggesting that a buying wave heading gold prices into the \$US2000s is already underway and gold is likely to rise to an all-time high.

I emphasise that gold bulls are often wrong and there will be fluctuations both ways, but the Bank of America tag catches everyone's attention.

In Australia gold production is synonymous with Western Australia and Kalgoorlie but the Victorian boom in Bendigo has surprised the world.

In the 1850s and 1860s Bendigo, along with Ballarat and other nearby areas, made “Marvellous Melbourne” one of the richest cities in the world and the largest city in Australia.

Bendigo’s new wealth was sparked by a Canadian Tony Makuch, who left school early and worked in deep underground mines, cleaning track from slime spills. From there he rose doing every unpleasant job in the gold mines in Canada in the same way as his father and grandfather.

Makuch became head of Canada’s Kirkland Lake Group and is recognised as one of the world’s great gold explorers and gold mine developers. In 2016 he travelled to Fosterville, 25km from Bendigo and personally ventured deep into a small struggling mine. Unlike countless Australians Makuch knew what to look for. And it was there - a change in the quartz in the newly-mined sections.

When Kirkland bought Fosterville in 2016 it produced 150,000 ounces of gold, but reserves were just 244,000 ounces at seven grams per tonne, so it was set for closure.

The 2020 March quarter was a historic one for the mine because in three months under Kirkland it beat that original 2016 yearly output.

The mine looks like producing around 500,000 ounces in 2020 and more than 575,000 ounces in 2021.

This production growth is supported by reserves of 2.72 million ounces -- 10 times the 2016 calculation---at 31 grams per tonne. It is one of the world’s highest-grade, most profitable gold mines.

And as always happens, the bonanza has sparked a rash of hopefuls looking to take advantage of the Victorian bonanza.

The chairman of the Melbourne Mining Club and partner in EL & C Baillieu, Richard Morrow, sent me a short note describing the boom in Victorian gold hopefuls.

One of the leaders is Fosterville South, which is approaching a \$200 million market capitalisation. Others in the Victorian stratosphere include Catalyst, Chalice and a number of non-listed companies operating in Stawell and Ballarat.

But of course, they are totally dwarfed by Kirkland Lake’s \$US15 billion market capitalisation, which includes mines in Canada.

Morrow says the market value of Victorian gold mines (including the Kirkland stake) is around \$12 billion.

And to highlight this Victorian boom the Melbourne Cup is set to be made of Bendigo Gold.

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Robert GottliebSEN has spent more than 50 years writing and commentating about business and investment in Australia. He has won the Walkley award and Australian Journalist of the Year award. He has a place in t... [Read more](#)



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