

Why China's Official Gold Reserve Announcement is A Lie.

Hello Crew,

Happy Saturday. I couldn't let the announcement yesterday go without saying something. Here is what I put together for us.

It has been over 24 hours since China announced its updated official gold reserves are now 1,658 metric tonnes and my monetary Tourette's has finally subsided. I am no longer blurting-out mile-long strings of profanity, punching walls or screaming at the never-ending stream of dim-witted drivers and pedestrians who seem hell-bent on becoming hood ornaments for the chrome grille on my truck. Clearly, I am still irritated but I am no longer feeling like the Hulk looking for things to smash... for the most part; my kids, however, are still hiding from Dad.

"Don't worry, Guys. Someone just lied to Daddy, and you guys know how I feel about liars. I'll be fine - just go and watch some Netflix for now."

Here's the deal, folks; the new official number is an insult to anyone in the industry (and half a brain) and proof that even the Chinese know that most Westerners won't even notice or care. The thing that is most disturbing is that I know they are right about the latter. It seems the 'sheeple' really are lost. In this piece I hope to give confidence, and supporting evidence, for those of us in this 'camp' that this announcement is a bold-faced lie and why they have many reasons to lie about the new official number... for now.

The first item (let's call this one 'Exhibit A') is the announcement last year by the head of the Chinese Gold Association & Party Member that China's official reserve target is 8,500mt.

Posted on 29 Sep 2014 by [Koos Jansen](#)

China Aims For Official Gold Reserves At 8500t

China should accumulate 8,500 tonnes in official gold reserves, more than the US, according to Song Xin, President of the China Gold Association, General Manager of the China National Gold Group Corporation and Party Secretary. He wrote this in an opinion editorial published on [Sina Finance](#) July 30, 2014. Gold is money *par excellence* in all circumstances and will help support the renminbi to become an international currency as "gold forms the very material basis for modern fiat currencies", Song notes. In the short term the Chinese will not back the renminbi with gold (establish a fixed renminbi price for gold), but



The previous President of the China Gold Association (CGA), Sun Zhaoxue, was also the General Manager of the China National Gold Group Corporation, these jobs are apparently connected. Song [took over](#) from Sun as CGA President and Manager of China National Gold in February 2014. Remarkably, when Sun was in office he wrote equally candid articles ([in Chinese](#)) about the importance of gold for China's economy. Sun's most renowned article is titled "Building A Strong Economic And Financial Security Barrier For China", published on August 1, 2012, in [Qilushi magazine](#), the main academic journal of the Chinese Communist Party's Central Committee (click [here](#) for a translated version). From Sun:

If we are to believe he was telling the truth, then this recent announcement flies in direct contrast to Song Xin's statement. Has China's gold reserve objective radically changed? I seriously doubt it. Let's do a little loose math here:

New Official Stated Reserves – Six Year Old Official Reserve of 1049mt = Increase of 609mt or 101.5mt/a.

At their current 'official' rate of accumulation it would take them **67.4 years** to reach their target. Now, we all know the Chinese are legendary in their implementation of long-term strategies, but none of the people implementing this 67 year plan would be around to see it. Does that make sense? Are the Chinese really that altruistic? Their human rights records suggests otherwise.

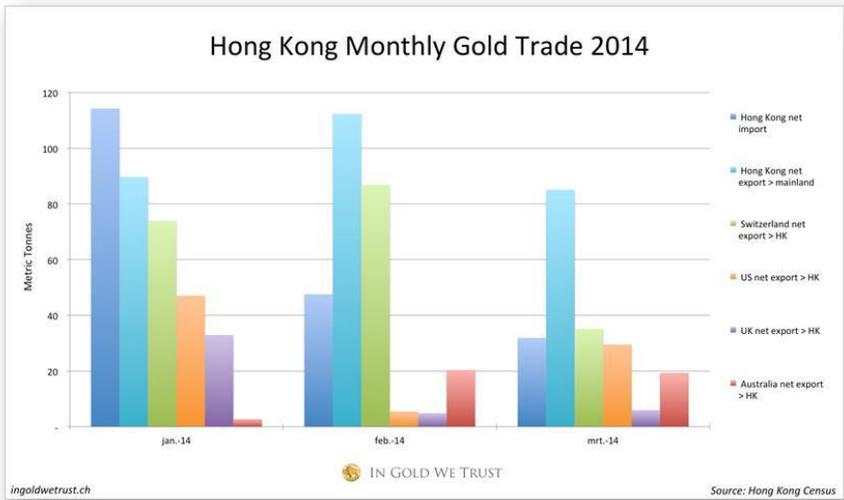
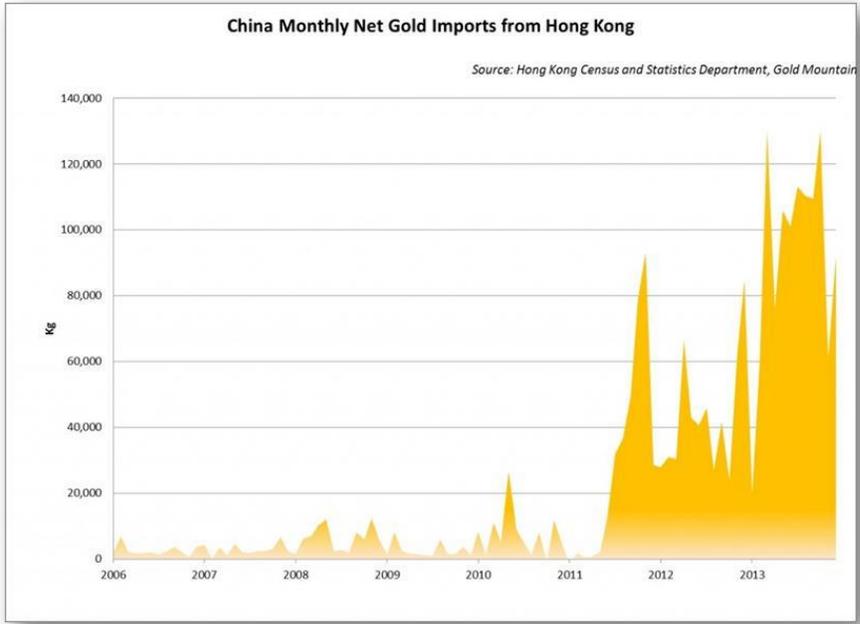
Let's now take a look at some simpler math (Exhibit B): The Chinese openly state that they are the world's largest producer of gold. They state that they have increased their mining since 2007 to a whopping 451.8mt in 2014. That is a 67% increase! They now state that they have official gold reserves in the ground, to be mined, in excess of 9,816.03mt. Here is a slide from a China Gold Association (CGA) presentation given on June 25, 2015:

1, Development of China gold industry playing an important role to the healthy development of the world gold industry

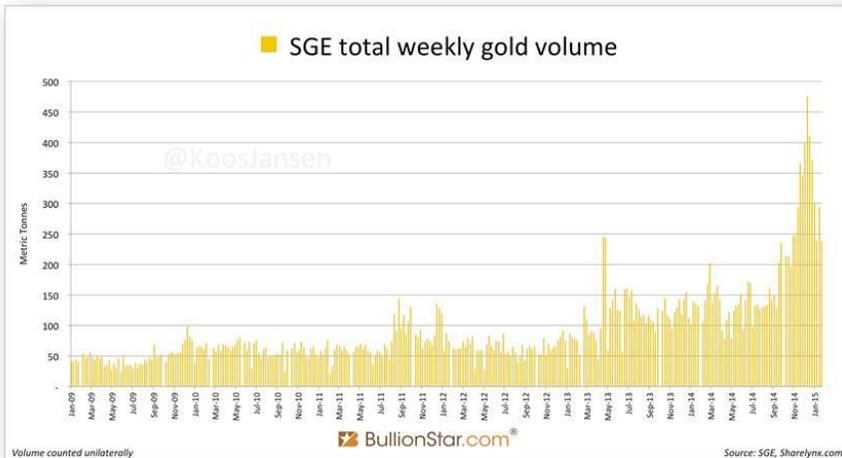
(1) Chinese gold mining guarantee the steady supply of world gold.

- 1. Gold output won the champion for 8 consecutive years.**
 - In 2007, output of Chinese gold is 270.5 ton. In 2014, the output is 451.8 ton. Increased 1.67 times comparing to 2007. the total output for past 8 years is 2851.32 ton.
- 2. Gold reserves is the world's second**
 - Since 2009, Chinese gold reserves keep increasing. Successfully breakthrough 7000 ton, 8000 ton, 9000 ton. Till the end of 2014, the gold reserves reach 9816.03 ton, the world's second
- 3. Science and technical innovation of gold achieve new results**
 - Most refining technology is reach international standards, especially in find mining, mining, utilization of resources made lots of breakthrough.
- 4. The capability of gold industry is keep improving**
 - The Chinese gold industry chain is becoming better and stronger

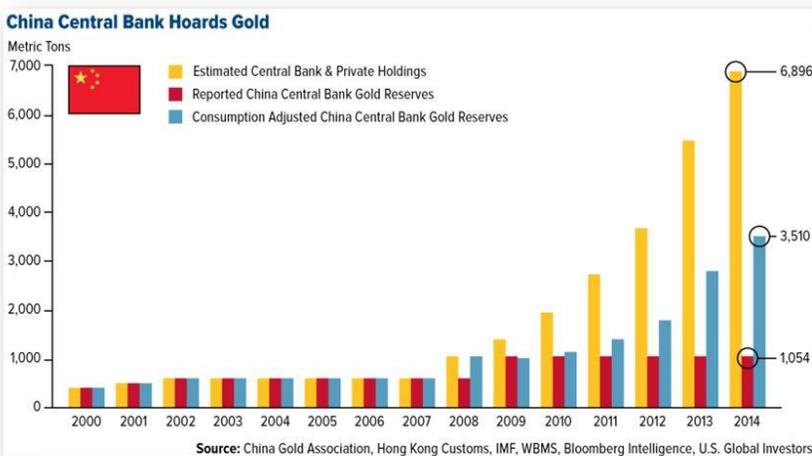
Let's now examine the net inflows of gold into China (Exhibit C). After the price of gold crashed in late 2011 & 2012, the net inflows into Hong Kong went ballistic from a historical perspective. See the charts below.



It also appears that buying intensified through 2014 and into early 2015.



Here is another chart which suggests the official numbers contrasted against several other reports are not congruent:



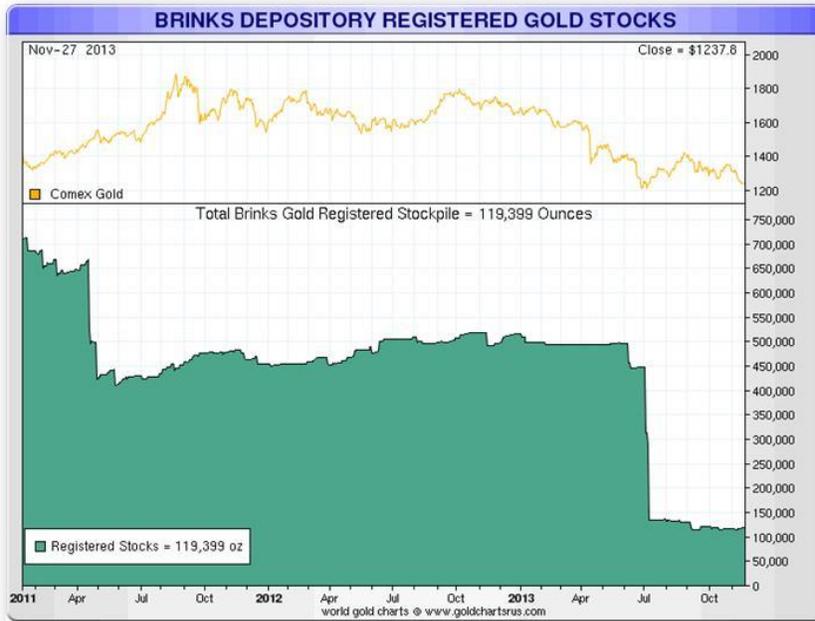
So, Exhibit A suggests that the Chinese want to substantially increase their gold holdings by a factor of nearly 8X. Exhibit B suggests that they have dramatically increased their mining capabilities. Exhibit C suggests that there has been a massive increase of gold deliveries into China since the global financial crisis in 2008, (consider this point when analyzing the role of the AIIB).

How are they able to report such a paltry increase in their official reserves when such a damning body of evidence exists? It's simple, they are lying.

What they are not stating is the amount of gold held by Chinese Sovereign Wealth Funds. These are still Chinese owned, just not part of their official PBOC reserves.

The real question is, of course, **“Why are they lying?”**

The answer to this is far more interesting to me, and should be to you as well. We all know that Western inventories resemble Old Mother Hubbard's Cupboard. The COMEX now has only 10% of what it had in January of 2013. See the charts below.



The Chinese are clearly buying everything 'gold' that they can. Unfortunately, it seems there is little to be purchased in cast bars anymore. Some would think that that means the price should now sky-rocket. Nope. Quite the contrary, I say. Remember where gold comes from. Yep, you guessed it: the ground.

So, it would appear that the Chinese are still in accumulation mode, except this time it is the resources and mines that are willing to sell equity or their resources altogether. They have been pretty good at keeping this quiet, but as they say, "A secret is something you tell one person at a time."



MineListings.com – Mines For Sale
Gold and Silver Mines for Sale, Lease, Purchase Option, Joint Venture

Browse Mines For Sale Search For Listings Add New Mine Listing Resources Contact Us

Mining Info
AdChoices

- China ETF
- Bank of China
- China Investors

Mining Projects

- Minings Claims For Sale
- Gold Mines For Sale
- Silver Mines For Sale
- Copper Mines For Sale
- USA Mines For Sale
- Canada Mines For Sale
- Sold Mines
- How To Sell A Mine
- Advertise With Us

Investment Conferences

China buying Gold Mines Instead of Gold Bullion



A top industry official from the China Gold Association told The China daily back in February that the chinese purchase of IMF bullion would cause market speculation and volatility. Instead, China is continuing to buy gold not directly from the market but through acquiring gold mines... abroad!

[Read The China Daily Story Here](#)

Dennis Gartman reported in March: "Perhaps we are to begin owning gold mines rather than gold futures of gold ETFs. We have avoided owning mines for years, preferring the "purer" play of owning gold rather than the mines, for we fear being exposed to poor mine management, or accidents in a mine that might do damage to the equity while gold itself moves higher. But if the Chinese authorities want to own mines, perhaps we have to consider doing so also..."

Why shouldn't this make sense? After all, where do investors want to put their money? Banks are unsafe. Stocks are unsafe and speculative. With Real Estate at least you have a tangible asset and it will hold some value despite market busts. And buying Gold Bullion, especially buying in large quantities, can cause the prices to fluctuate significantly.

The best bet? **Gold Mines!** Maybe even patented gold mines where the investors own both the title to the land AND the Gold in the ground.

Get ready to see a huge surge in gold mine buyers, especially from China!

Copyright 2010 – Minelistings.com

5 reasons China is coming to buy your gold mine

Frik Els | August 21, 2013

43 18 4 2 2 [Sign up for Gold Email & Alerts](#)

[Tweet](#) [Like](#) [Share](#) [+1](#) [Comments](#) [Print](#)



Chinese producers are aggressively looking at picking up gold companies and mines elsewhere as domestic demand reaches record highs.

Takeovers and asset purchases by Hong Kong and mainland miners increased to a record \$2.2 billion in 2013 according to data compiled by Bloomberg.

Chinese companies like Zijin Mining Group and Zhaojin Mining Industry Co are in a good position to take a bite out of struggling North American and European-based producers because:



SPONSOR POS

PhotoSat's
Topographi



THE NORTHERN MINER
since 1915
Global Mining News

Subscribe

Search

News Topics Videos Press Releases Companies Careers

SUBSCRIBE TODAY

Technosub
INDUSTRIAL PUMPS
DEWATERING SOLUTIONS

FREE ARTICLE PREVIEW: You are enjoying a free sample of exclusive subscriber content. There is a limit of three free articles per week. [Subscribe](#) for \$2.19/week, or [Start your 4-week free trial](#)

Share 4 Tweet 15 Share 4 Email 1

TABLE OF CONTENTS Jun 1 - 7, 2015 Volume 101 Number 16 - 1 comment

China's Zijin Mining buys into Barrick, Ivanhoe assets

By: [Trish Seydel](#)
2015-05-27

TEXT SIZE

Just a week after Vale (NYSE: VALE) unveiled a memorandum of understanding with one of China's largest commercial banks for financing arrangements worth up to US\$4 billion, **Zijin Mining Group** of southern Fujian province has agreed to acquire half of **Barrick Gold's** (TSX: ABX; NYSE: ABX) Porgera gold mine in Papua New Guinea, as well as a 49% stake in **Kamoa Holding Ltd.**, an **Ivanhoe Mines** (TSX: IVN; US-OTC: IVPAF) subsidiary that owns 95% of the company's Kamoa copper discovery in the Democratic Republic of the Congo.

Recommend

Post a comment

Request Reprint

Print article

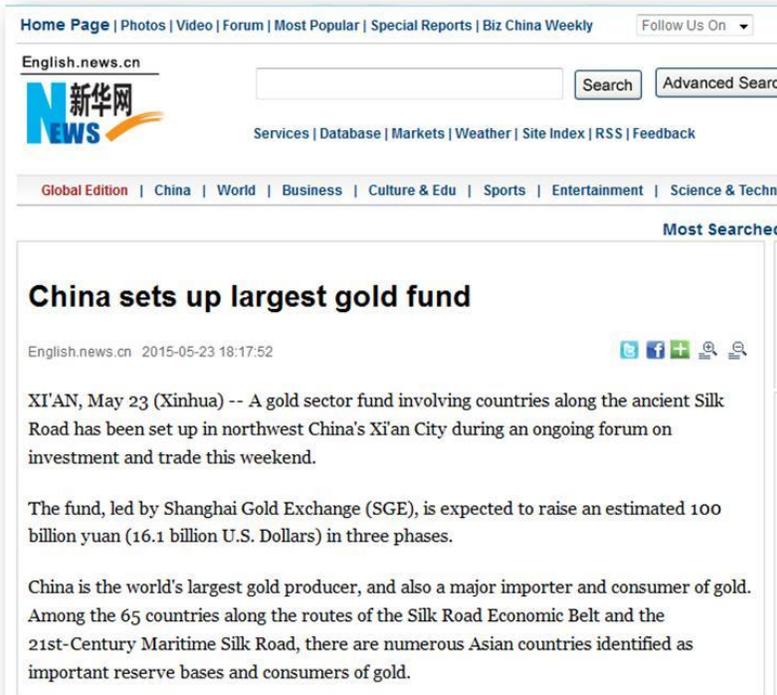
Photos



A big pit under construction for the first access decl...



Additionally, China just announced a 100billion Yuan (\$16.1b USD) investment fund to search for new gold deposits. It would seem the 'pickings' are starting to decline. See below.



Here is the summary, my friends: the price of gold will begin its inevitable ascent when China has purchased everything it wants and, likely, not a day before that. It has already bought all of the bullion it can. It has been on a buying frenzy for several years now and must have set up its new fund as a result of not being able to buy anymore existing resources. This fits with comments I overheard from resource juniors and producers at the PDAC conference in 2014. Vendors were not happy about the amount of Chinese activity in the market. There is a sentiment of distrust and frustration. I cannot fully understand the distrust, but I can appreciate how maddening it must be to sell in a depressed market to people who had no skin in bringing these projects to the market.

My advice is to do EXACTLY what the Chinese are doing. Buy the bullion for capital preservation, as you can afford, and look for good companies to sell later, or receive a revenue stream, when the mania phase arrives.

In the meantime, relax. Of course... I am actually trying to calm myself down, too.

I think I will now go and tell the children that Daddy's okay now.

Have a fantastic night.

Best Regards,

B