

The modern-day gold rush



TIM CARLETON
is chief investment
officer at Auscap Asset
Management.

Gold has performed very strongly in recent times. Tim Carleton indicates this trend will continue and how the local market has much to gain from it.

Australian investors, and Australia more broadly, should be a significant beneficiary of the recent modern-day gold rush, with the precious metal set to become the country's second most valuable export after iron ore, should prices hold.

The move in the gold price has been extraordinary. As at mid-October 2025, it had gained US\$1000, 32 per cent, in less than two months, and US\$2500, 141 per cent, in the previous two years. Since the end of 2015, gold has gained over 318 per cent to its recent peak of US\$4381 and has since fallen back to around US\$4000.

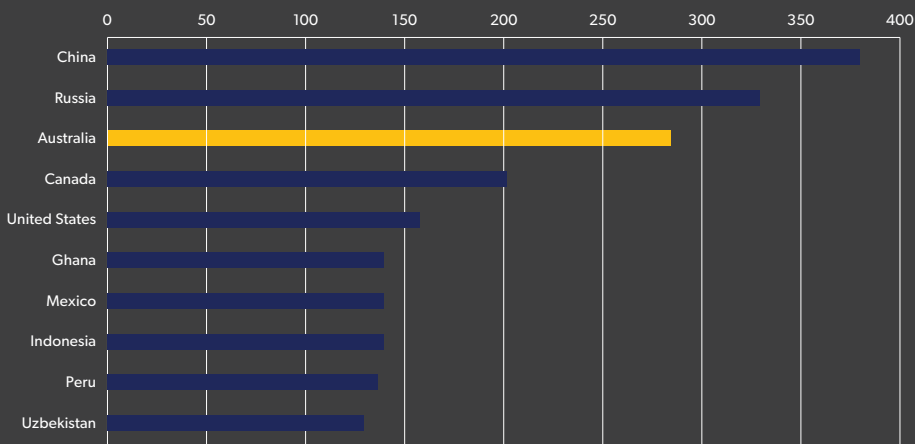
The question is whether the gold price can continue rising or whether the laws of demand and supply will ensure a reversal.

Historically, the demand for gold has been primarily for jewellery, representing an estimated 45 per cent of total above-ground stocks in 2024. Private investment in gold represented 22 per cent of the gold stock and official holdings by central banks were 17 per cent.

Now, demand for gold is being driven by rising central bank demand and private investor

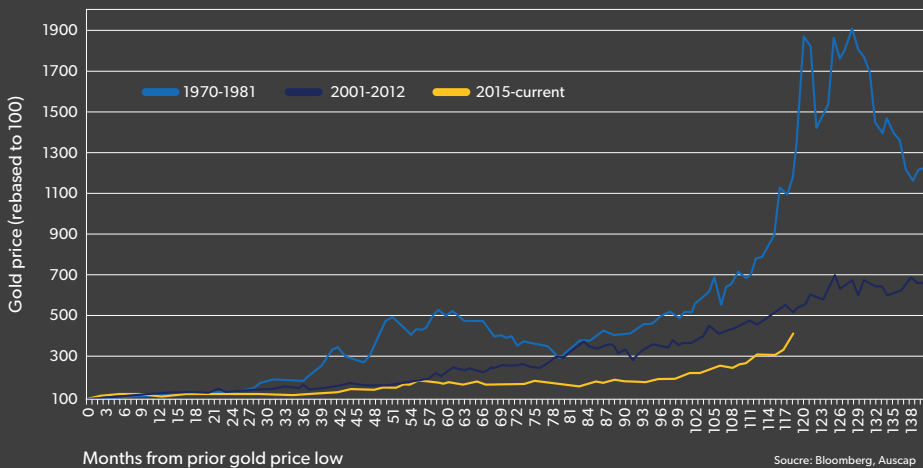
Continued on next page ▶

Chart 1: Gold production (tonnes) by country (2024)



Source World Gold Council, Auscap

Chart 2: Major gold booms: 1970 to 2025



Source: Bloomberg, Auscap

If the current gold price holds, it should result in extraordinary profitability for Australian gold miners, very healthy return on capital metrics and strong cash generation for some years to come.

► Continued from previous page

buying. Over 60 per cent of demand for gold in the first half of calendar year 2025 was for investment, compared to an average of 42 per cent between 2010 and 2023, while purchases for the use of the precious metal in jewellery and technology have fallen as a percentage of total demand in recent years.

This gold rush is, in other words, being driven by investors. Importantly, there is a strong correlation between the percentage of total gold demand driven by private investment plus central bank demand and the gold price. There are multiple reasons given for central bank and investor demand, including diversifying away from the US dollar, a hedge against inflation, a hedge

Continued on next page ►

► **Continued from previous page**

against other asset classes and US dollar weakness to name but a few.

At the same time, supply is increasing only modestly. Over the past 10 years, gold mining has only added around 1.8 per cent to the global stock of gold annually. While the move in the gold price will certainly result in a surge in production, even if global production doubles, this would take the annual increase in gold from less than 2 per cent to less than 4 per cent of the global stock. This has the potential to support the gains in the gold price to date.

Modern-day gold rush good for Australia

Australia as a nation is benefitting significantly from the gold rush, with the precious metal a valuable export. The Australian government recently forecast gold export earnings would hit \$60 billion in 2025/26, overtaking liquid natural gas as Australia's second most valuable export.

In 2024, Australia was the third largest gold producer with a 7.8 per cent share of global production, but that share is rising (see Chart 1). We expect domestic production to expand significantly over coming years, with both growth in the current operations of existing Australian gold miners and the development of numerous additional gold mines. The Minerals Council of Australia has suggested output is anticipated to rise to 369 tonnes in the 2027 financial year, which would be only marginally below China's output in 2024. This could make Australia the world's second-largest gold

producer.

This is the third major gold boom since the dismantling of the Bretton Woods system in 1971, when the price of gold was unpegged from the US dollar at a rate of US\$35 per ounce. In the 1970s gold gained nineteenfold in 10 years. The next major rally occurred from the early 2000s to a peak in 2011. The gold price went up sevenfold in a 10-year period. These price gains dwarf the fourfold gain in the gold price since 2015, as demonstrated in Chart 2. So it could be there is more in the gold rally to come when compared to other gold rallies.

Australian miners reap cash windfalls

The most direct winners from a gold price trading above US\$4000 an ounce are gold mining companies, including those listed on the Australian Securities Exchange (ASX). If the current gold price holds, it should result in extraordinary profitability for Australian gold miners, very healthy return on capital metrics and strong cash generation for some years to come.

Moreover, with demand likely to remain strong, a continued rise in the gold price cannot be discounted. Should the rally continue, Australian miners will be significant beneficiaries. As the gold price has risen, the value of gold companies listed on the ASX has surged to around \$146 billion today from \$45 billion at the start of 2024. This is excluding Newcrest Mining, which was previously Australia's largest listed gold company, but was taken over by Newmont Corporation in late 2023. The market capitalisation of Newmont has jumped to \$165 billion from \$70 billion

With demand likely to remain strong, a continued rise in the gold price cannot be discounted. Should the rally continue, Australian miners will be significant beneficiaries.

over the same time.

There are now nine gold companies listed on the ASX with a market capitalisation of greater than \$5 billion, which is up from two at the end of 2023. All of these companies now have a market capitalisation exceeding that of companies such as Penfolds owner Treasury Wines, regional lender Bank of Queensland and global industrial and medical glove manufacturer Ansell. All of this is a function of the strong gains in the gold price.

Auscap owns several ASX-listed gold companies through the Auscap High Conviction Australian Equities Fund and the Auscap Ex-20 Australian Equities Fund that have higher-quality, lower-cost mining operations with strong growth potential and disciplined management teams. The funds' holdings in gold miners Genesis Minerals and Northern Star Resources were some of the largest contributors to returns in September 2025. ▼