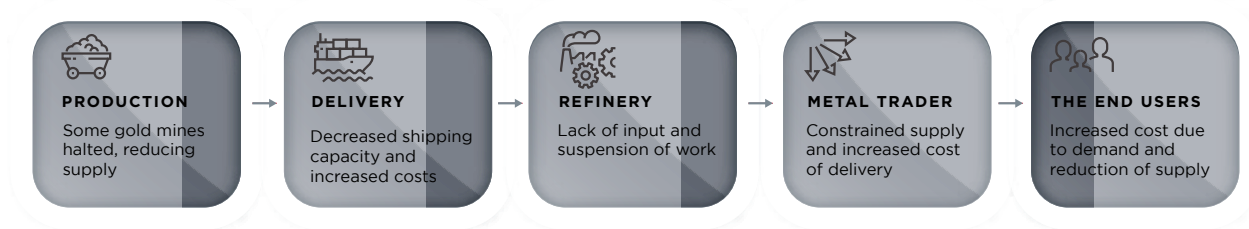


# The Impact of COVID-19 Shutdowns on the Gold Supply Chain

Chains are only as strong as their weakest link. The COVID shutdowns impacted every link in the gold supply chain.

## The Ripple Effect: Stalling a Supply Chain



As the virus spread around the world threatening country after country, investors sought safe haven investments such as gold to weather the economic lockdown.

**This demand, in addition to the supply chain disruption, dramatically affected the four primary markets for gold.**

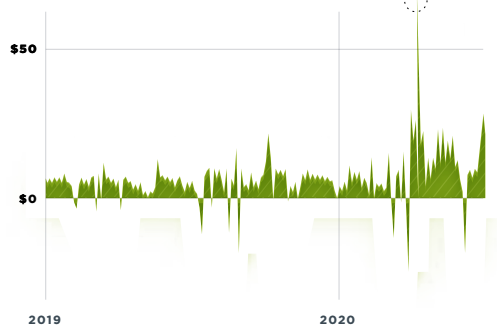


### FUTURES CONTRACTS COMEX

A futures contract is an agreement for delivery of gold at a price in the future. A futures exchange such as the COMEX, standardizes the contracts.

During the initial period of the pandemic, gold futures spiked to reach a high of US\$70 above the spot price of gold.

#### FUTURE GOLD CONTRACT PREMIUMS CONTRACT PREMIUM TO SPOT (USD)

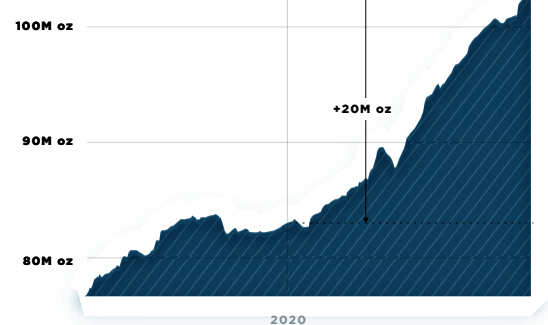


### ETFs EQUITY MARKETS

From the beginning of 2020 to June, the amount of gold held by ETFs massively increased, from 83M oz to 103M oz.

The SPDR Gold Trust, the largest gold ETF, was forced to lease gold from the Bank of England when it couldn't buy enough to meet inflows.

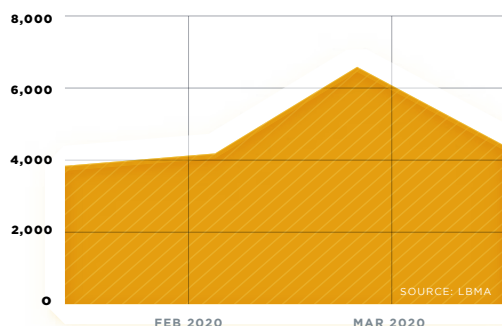
#### GOLD ETF HOLDINGS MILLION OUNCES



### PHYSICAL GOLD FOR COMMERCE & FINANCE LONDON OTC

The LBMA recorded 6,573 transfers of gold amounting to 29.2M ounces of gold worth \$46.4B in March 2020. This was the largest amount of transfers since 1996.

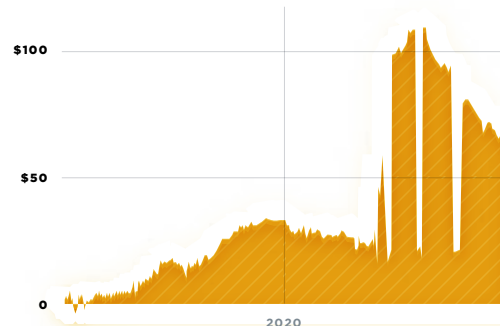
#### NUMBER OF GOLD TRANSFERS LBMA - MONTHLY CLEARING STATISTICS



### COINS AND SMALL BARS RETAIL DISTRIBUTORS

One ounce American Gold Eagle coins serve as a good proxy for the demand for physical gold from retail investors. The COINGEAG Index, which tracks the price premium on 1 oz Gold Eagles, spiked during the early stages of the lockdown.

#### AMERICAN GOLD EAGLE COIN INDEX PRICE PREMIUM OF AMERICAN GOLD EAGLE (USD)



Each one of these requires physical gold, but COVID-19 restrictions disrupted delivery options.

**So how does gold get to customers during a time of crisis?**



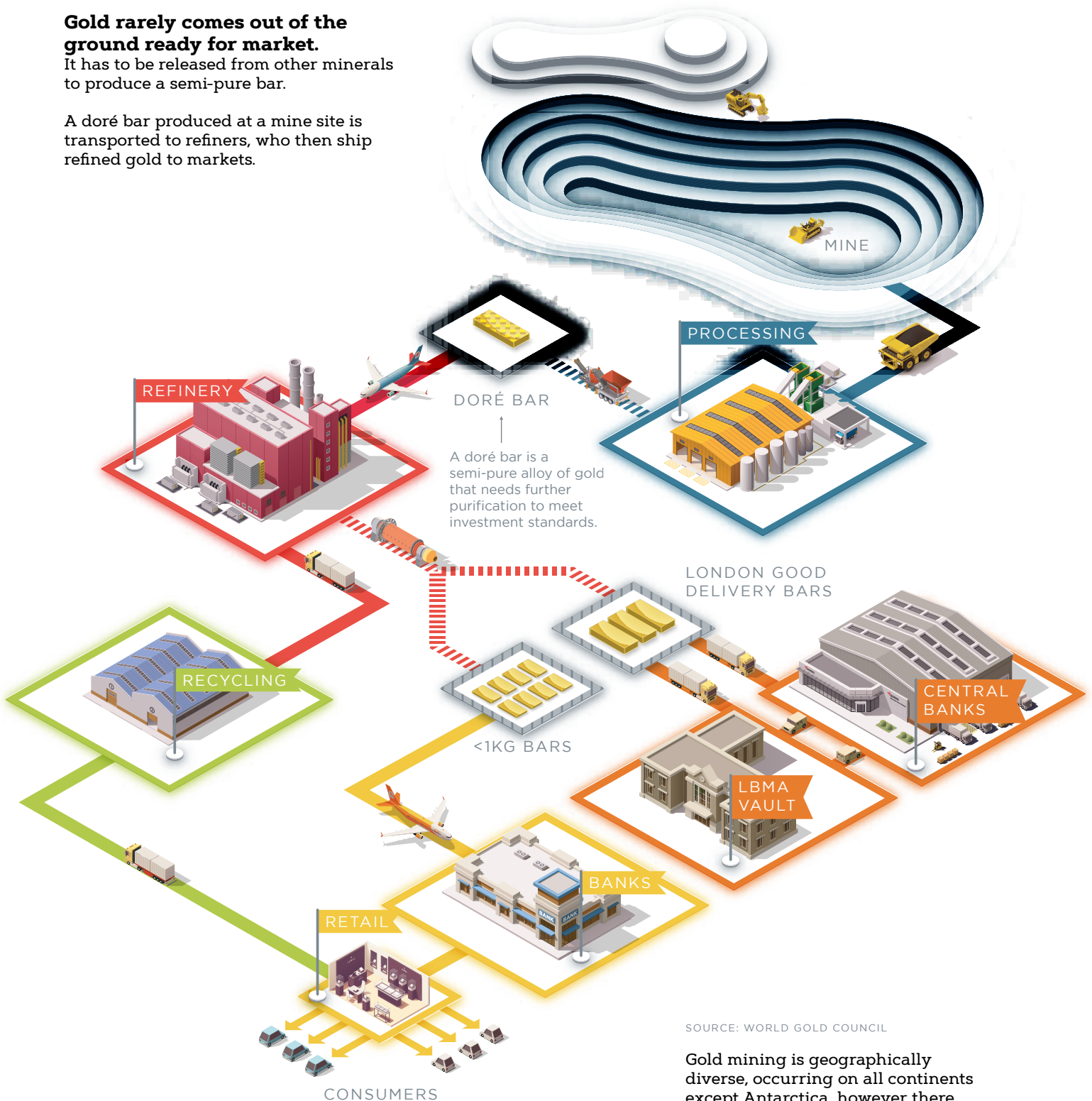
# Gold's Journey

FROM THE GROUND TO THE VAULT

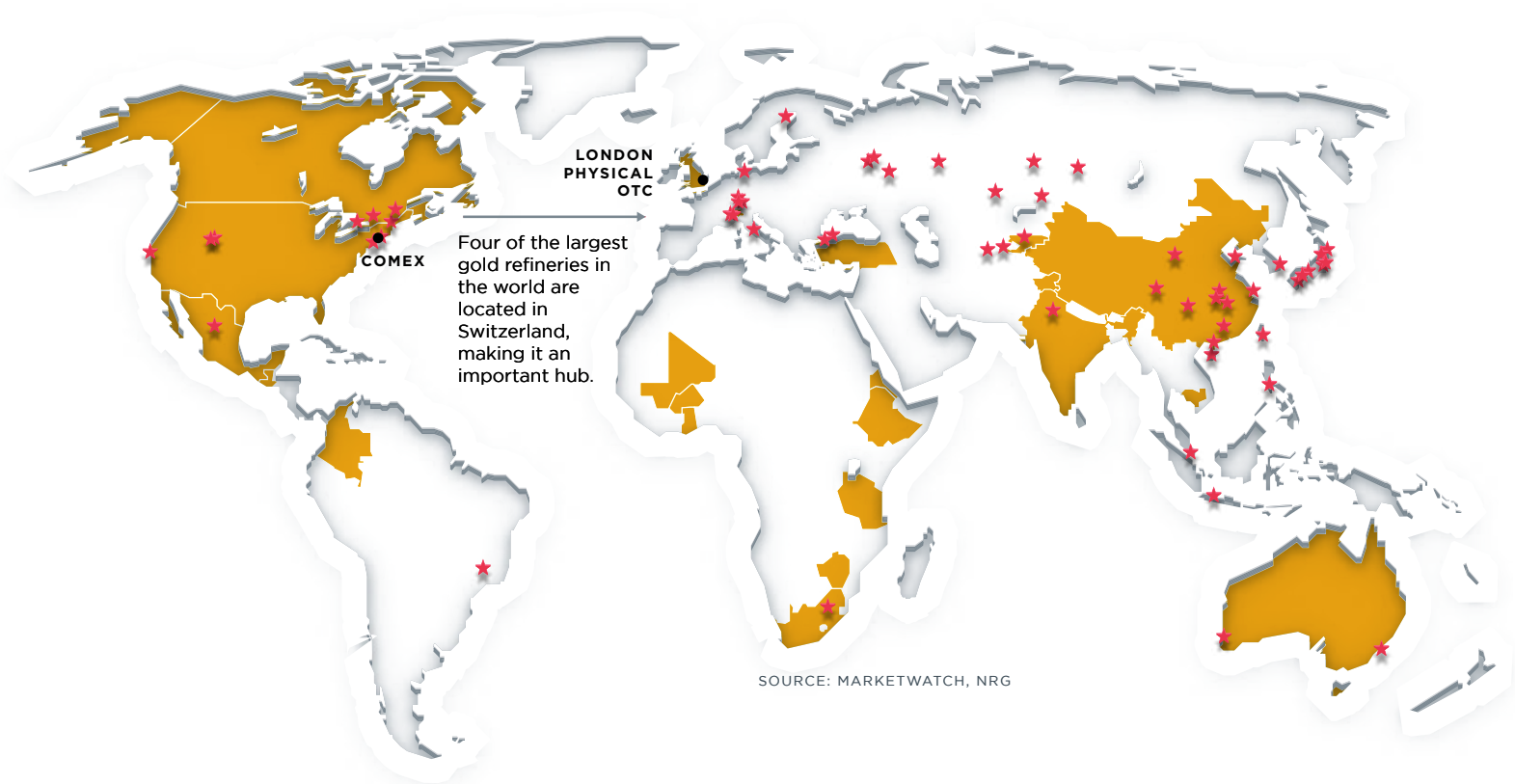
## Gold rarely comes out of the ground ready for market.

It has to be released from other minerals to produce a semi-pure bar.

A doré bar produced at a mine site is transported to refiners, who then ship refined gold to markets.



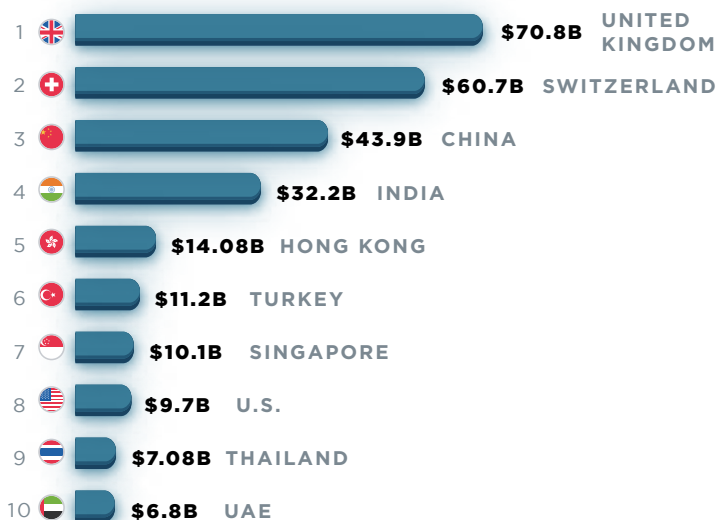
■ TOP GOLD PRODUCING NATIONS → ★ REFINERIES → ● GOLD FINANCIAL MARKETS



Once it's refined, gold travels to financial hubs around the world. London is the largest gold hub with many vaults dedicated to gold and other precious metals.

#### 2019 GOLD IMPORTS (US\$)

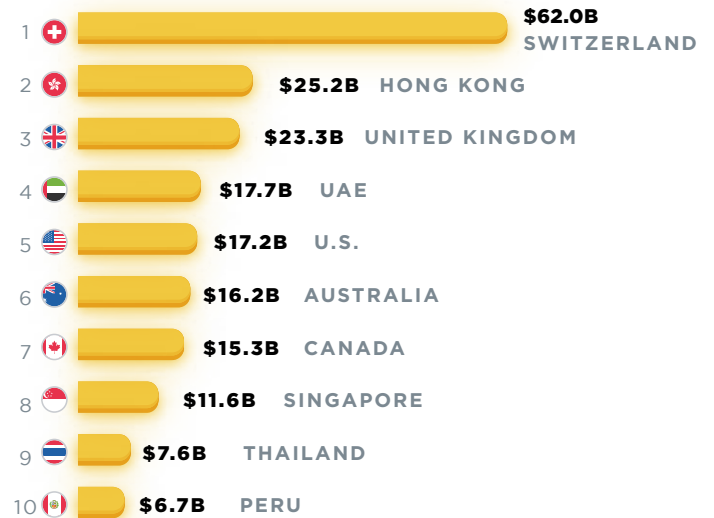
SOURCE: WORLD'S TOP EXPORTS



The U.K. vaults hold the world's largest commercial stockpiles of gold, equal to 10 months of global gold mine output.

#### 2019 GOLD EXPORTS (US\$)

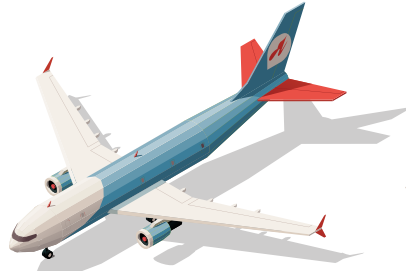
SOURCE: WORLD'S TOP EXPORTS



Hong Kong, Singapore, and Dubai are also significant exporters/importers of the metal despite having no gold mines.



There are three ways gold travels the world, each with their own risks and costs.



#### [\$] COMMERCIAL FLIGHTS

- Established passenger routes
- Small volumes
- Subject to spacing priorities

#### [\$\$\$\$] CARGO PLANES

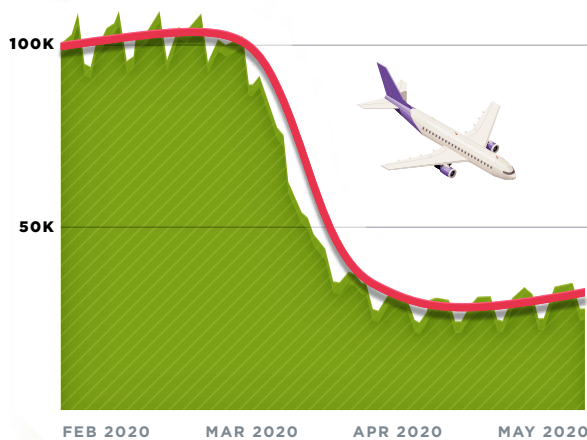
- Established routes
- Large/medium volumes
- Space subject to cost

#### [\$\$\$\$\$\$\$] CHARTERED AIRLINES

- Not limited to major airport hubs
- Tailored to customer demand
- Dedicated space for shipping

Once gold has landed, it is shipped in armored trucks by security personnel to vaults and customers.

#### NUMBER OF COMMERCIAL FLIGHTS



Strict travel restrictions, border closures, and a reduction in commercial flights impeded the flow of gold along the supply chain, forcing more expensive delivery.

But the diverse geography of gold mining helped to shield the primary supply of gold from a complete stall, as some countries did not halt gold production.

For the few airlines that still operated, gold was a low-priority cargo as any space was dedicated to personal protective equipment and medical devices.

Mine and airline closures created a risk for the delivery of gold, real or perceived.

**The Covid-19 pandemic created the perfect storm for gold by disrupting the global supply chain at a time when investor demand exploded.**

Despite the disruption to every part of the supply chain, the gold market managed to continue operating.

**Sprott** | Physical Gold Trust

Raising the Bar  
in precious metals investing  
[SprottPhysicalBullion.com](https://SprottPhysicalBullion.com)

The Sprott Physical Gold Trust is generally exposed to the following risks. See the prospectus of the Trust for a description of these risks: fluctuation in gold price, fund expense risk, cash redemption risk, risk of losing London good delivery status, future gold price may be lower, risk of asset sale to pay expenses, uninsured losses, invalid insurance claim, inadequate insurance held by service providers, currency risk for non-US unitholders, limited insurance recovery, losses relating to physical redemption, speculative investment, liquidity risk, limited recourse against bullion custodian, investment risk, redemption risk, bullion custodian risk, trust termination, premium/discount of trading price, suspension of redemption, regulatory risk, competition from other gold buyers, market risk, forced asset sales, regulatory status of the trust, official sector sale of gold, reliance on the manager, obligation to reimburse certain liabilities, no management of the trust by unitholders, limited unitholder rights, changes in investment objective and restrictions, substantial redemption risk, currency risk, taxation risks, unitholder may be liable for the trust's obligations, unenforceable actions or judgments.

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