

## THE FIVE FORCES DRIVING THE GOLD GAP

## FORCE 1

## Margin Expansion

*Why a \$3,300 gross margin reshapes everything downstream*

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*This brief draws on Signal 1 of The Last Stage series, published on The Gold Grid — gilbertanalytics.substack.com. It is a focused brief for advisors who want the analytical backing without the noise.*

Gold near \$4,500 USD per ounce. All-in sustaining costs at the industry average of \$1,700 USD. The gross operating margin on every ounce produced today is more than five times what it was three years ago. Senior gold producers have returned roughly 101% over the trailing twelve months. Mid-tier producers, roughly 115%. Below \$200 million in market cap — where the bulk of pre-production gold ounces actually sit — almost nothing has moved.

**That gap is not a delay. It is a sequence. And the sequence is driven by one variable: gross operating margin.**

**\$3,300**

GROSS MARGIN PER OZ USD

**6.6×**

VS Q2 2022 BASELINE

**+101%**

GDx TRAILING 12 MONTHS

**1.1 THE MARGIN THAT CHANGED EVERYTHING**

In Q2 2022, gold averaged roughly \$1,800 USD per ounce. Industry all-in sustaining costs averaged \$1,300 USD. The gross operating margin per ounce was approximately \$500 USD. That number anchored every M&A valuation, every project economic study, every reserve cutoff calculation in the sector.

At \$5,000 USD gold and \$1,700 USD AISC, that gross margin is now \$3,300 USD per ounce — 6.6 times the Q2 2022 baseline. The same ounce of gold in the ground generates multiples of the gross margin it generated three years ago. Even at the current spot price near \$4,500 USD, the gross margin is \$2,800 USD — still 5.6 times the 2022 baseline.

Gross operating margin is the single most important variable in gold mining economics. M&A pricing, valuation multiples, project NPVs, exploration budgets, reserve cutoff grades — every one of these flows directly from gross margin per ounce. When gross margin expands this dramatically, the entire sector re-prices. But not all at once, and not at the same speed. That is the sequence.

**1.2 WHY THE SECTOR DOESN'T REPRICE ALL AT ONCE**

Capital follows liquidity. The cascade follows a gravitational path that has repeated in every modern gold bull market:

- › Stage 1 — Bullion. Gold itself moved first. ETFs, futures, central bank reserves. The metal more than doubled from \$2,000 USD in early 2024 to above \$4,500 USD today.

- › Stage 2 — Senior producers. Newmont, Barrick, Agnico Eagle. The GDX ETF broke out of a 15-year consolidation in late February 2026 and has returned approximately 101% trailing twelve months. This stage is largely complete.
- › Stage 3 — Mid-tier producers and developers. Companies between \$200 million and \$2 billion in market cap. GDXJ has returned approximately 115% — outperforming the seniors. This stage is underway but not complete.
- › Stage 4 — Micro-cap explorers. Sub-\$200 million companies sitting on early-stage ounces in Tier-1 jurisdictions. These are below the GDXJ floor entirely. They are priced as though gold is still at \$1,500 USD. This stage has not started.

The gap between Stage 3 and Stage 4 is the pattern, not an anomaly. Institutional capital is structurally excluded from micro-caps: fund mandates require minimum market caps, liquidity rules require tradable exit positions, and proportionality kills the incentive for large funds to research \$30 million companies. The capital that ultimately reprices Stage 4 is different in kind — specialist mining funds, high-net-worth allocators, and corporate acquirers replacing depleted reserves.

### 1.3 WHY MARGIN EXPANSION MATTERS FOR THE PHYSICAL GOLD THESIS

Margin expansion is the engine that compresses the Gold Gap from above. The chain is direct: record producer margins generate record free cash flow; that cash funds acquisition; acquisition is the only short-term solution to reserve depletion (Force 3); and competitive bidding for a shrinking pool of quality targets eventually reprices what acquirers pay per ounce in the ground.

The Gold Gap measures that pricing in real time. The current Core Median across pre-production gold M&A in Tier-1 jurisdictions is \$93 USD per ounce. The margin-implied benchmark — 22.1% of the \$3,300 USD gross operating margin — is \$729 USD per ounce. That is 87.2% compression. It is the structural anomaly that record margins make unsustainable.

**WHY THIS MATTERS FOR PHYSICAL GOLD:** Above-ground gold is the only category that does not face supply-side or balance-sheet pressure. As margin expansion drives M&A pricing higher and forces the cascade down to micro-caps, the equity side of the gold thesis re-rates while the physical metal continues to be bid by the same forces driving the equity move — central bank demand, reserve depletion, and the discovery collapse.

**THE GRID:** Gilbert Analytics scores junior gold explorers across these forces using a 100-point system. Active Coverage and Catalyst Watch tiers are available to subscribers. The paid tier launches August 3, 2026 — [gilbertanalytics.substack.com](https://gilbertanalytics.substack.com).

## 1.4 SOURCES & METHODOLOGY

All figures USD-denominated. Gross operating margin is defined as gold price minus all-in sustaining cost (AISC) per the World Gold Council standard. AISC includes mine-site royalties and taxes; below-AISC frictions (corporate taxes, sustaining capex variability, IBA participation) are project-specific and addressed downstream in company-level scoring rather than at the macro margin level. The \$5,000 USD gold price is the screening parameter used across Gilbert Analytics published research and is held constant for cross-company comparability; the \$4,500 USD spot reference reflects current market conditions as of publication.

ETF performance figures cite VanEck Gold Miners ETF (GDX) and VanEck Junior Gold Miners ETF (GDXJ), trailing twelve months as of Q2 2026. “Mid-tier” refers to GDXJ’s actual constituent profile (companies between roughly \$200 million and \$2 billion in market cap), not micro-cap explorers.

### Sources:

1. Gilbert Analytics, MTH022 Current Parameters v1.4 (April 2026) — gold price, AISC, gross margin, benchmark, and Core Median definitions.
2. VanEck Gold Miners ETF (GDX) and VanEck Junior Gold Miners ETF (GDXJ), trailing twelve-month total return data — [vaneck.com](https://vaneck.com).
3. World Gold Council, AISC methodology and quarterly cost commentary — [gold.org](https://gold.org).
4. Gilbert Analytics, M&A Database v8.9, 14 Tier-1 pre-production transactions, 2021–2026 — source for \$93/oz Core Median.
5. Originally published as Signal 1 of The Last Stage — “The Rotation Within Gold” — The Gold Grid, April 2026 — [gilbertanalytics.substack.com](https://gilbertanalytics.substack.com).