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# Presentation Outline

- Gold Prices - Review
- Supply
- Demand
- Price Outlook



## US Dollar Gold Price Weekly Averages





# Supply

Mine Production

Above-Ground Stocks

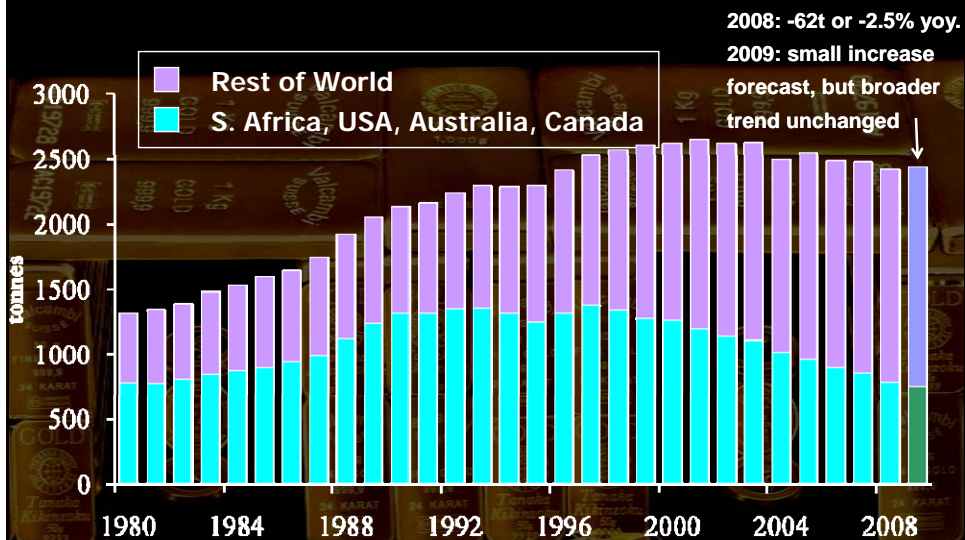
- Official Sector Sales
- Scrap Recycling

## Gold Supply in 2008

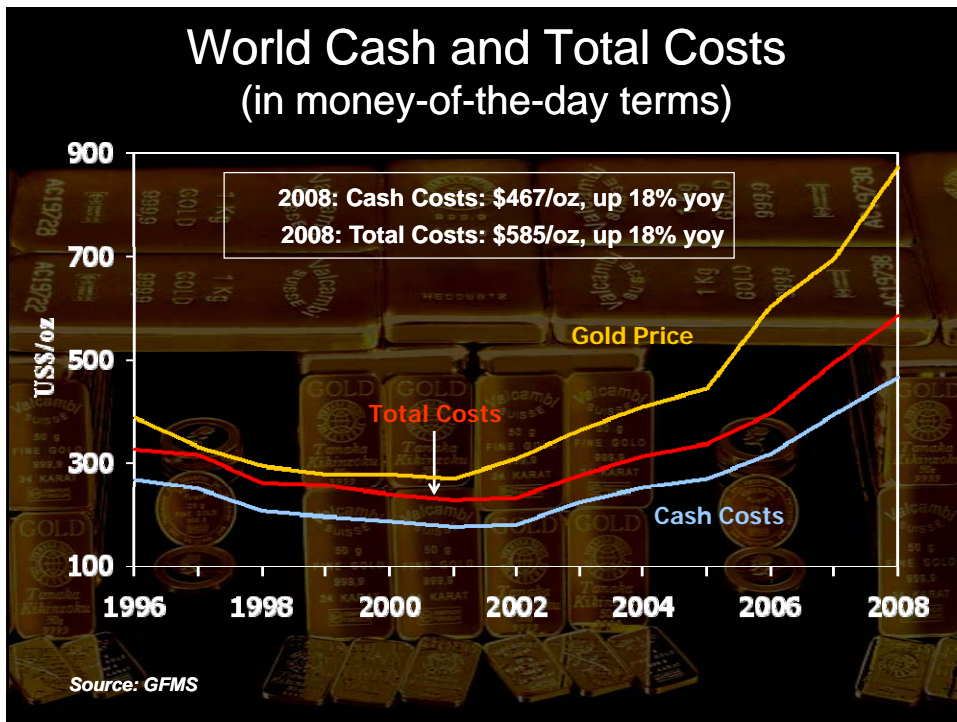
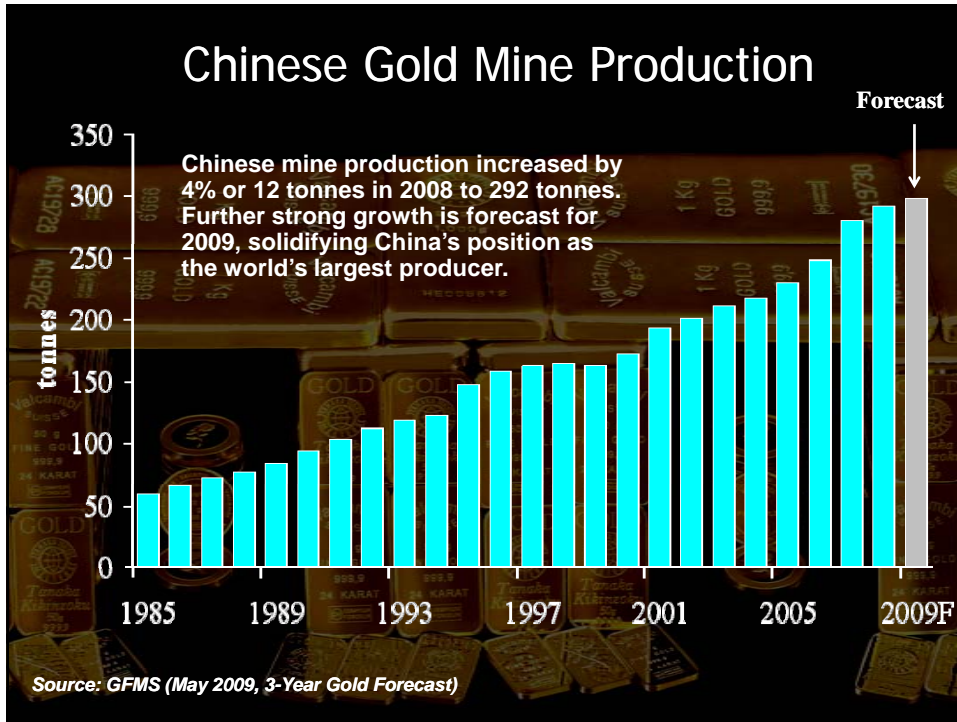
	2007	2008	y-o-y
Mine production	2,478	2,416	-2.5%
Official sector sales	484	246	-49.1%
Old scrap supply	958	1,218	27.1%
<b>TOTAL SUPPLY</b>	<b>3,920</b>	<b>3,880</b>	<b>-1.0%</b>

Source: GFMS

## World Gold Mine Production

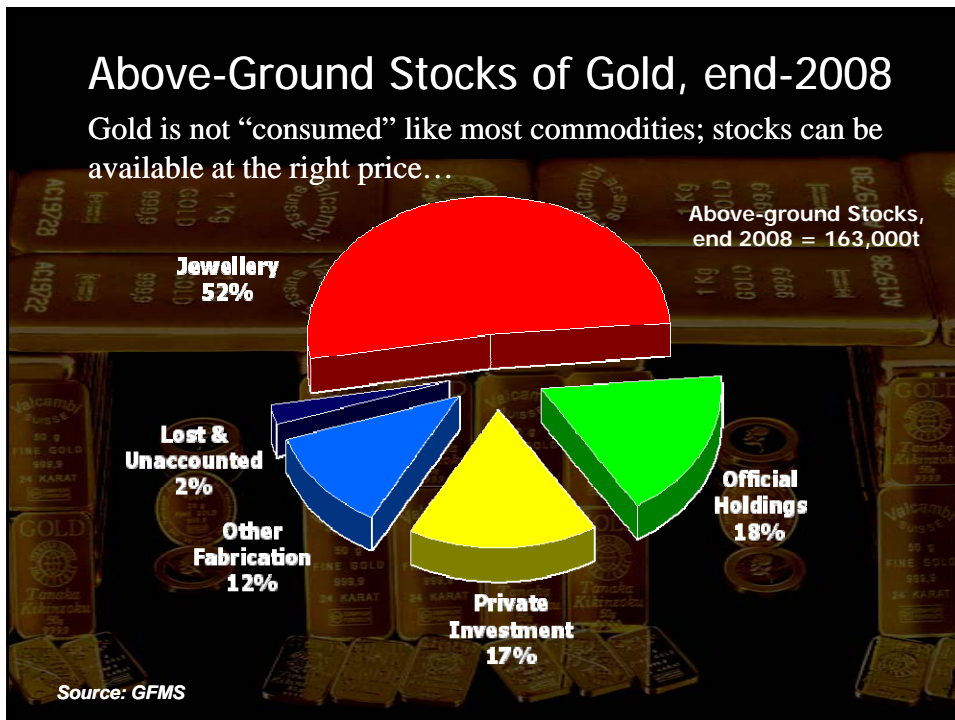


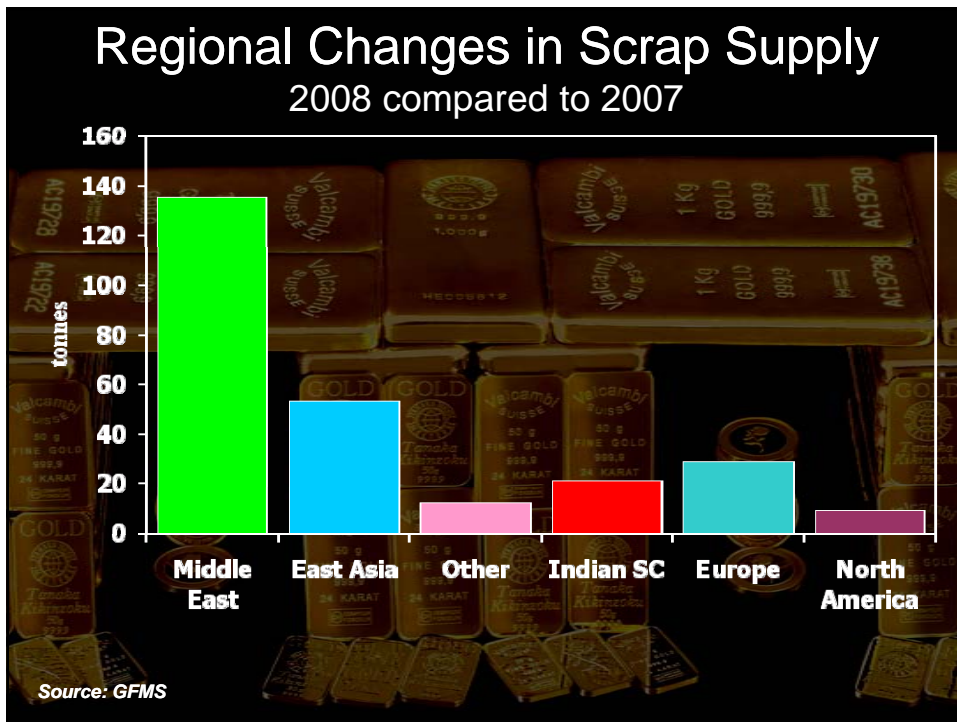
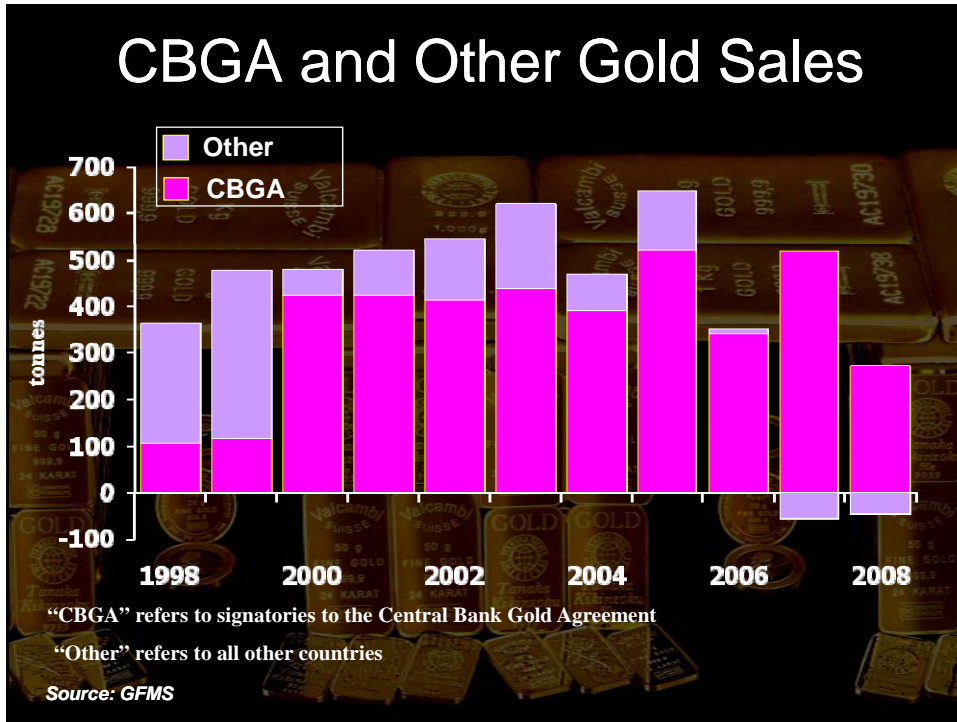
Source: GFMS (May 2009, 3-Year Gold Forecast)



## Mine Production

- Global 62 tonne drop equal to 2.5% y-o-y in 2008; at 2,416 tonnes the lowest level since 1996.
- Asian volumes posted the greatest decline, falling 38 tonnes, despite China recording a 12 tonne, or 4%, y-o-y gain.
- African output fell by 30 tonnes - led lower by a 37 tonne drop in South Africa.
- US dollar denominated total cash costs expanded by an average 18%, or \$72/oz, to \$467/oz.
- Average total production costs rose 18% y-o-y to average \$585/oz.
- GFMS currently forecast global mine production to increase by around 20 tonnes in 2009.





## Supply in 2009

- Mine Production in 2009 expected to increase by around 20 tonnes over 2008 levels: A rise in output from Asia, Australia, and west Africa providing the growth.
- Net official sales will be low in 2009, with CBGA sales well below quota and countries outside the Agreement remaining small scale buyers on a net basis. (Any IMF sales only expected in 2010.)
- Scrap has increased substantially this year-to-date. Full year figure will be well up year-on-year; in Q1 2009 scrap supply surpassed jewellery fabrication volumes.
- Total supply in 2009 currently forecast by GFMS to rise by some 4% year-on-year.

## Demand

### Fabrication Demand

- Jewellery Fabrication
- Other (electronics, dentistry, coins etc)

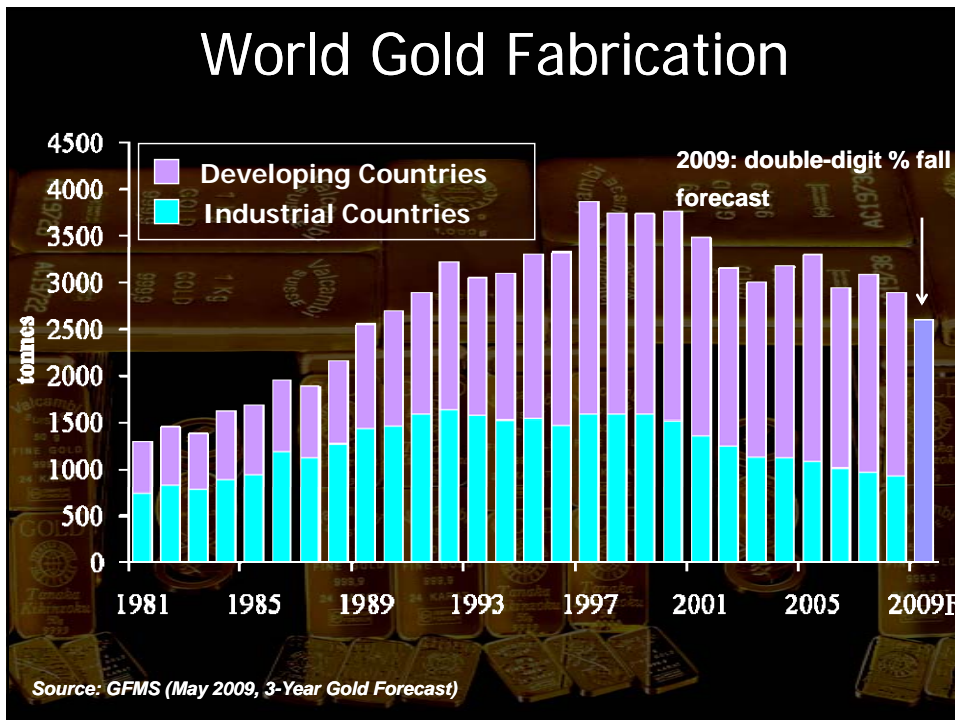
### Mining Company De-Hedging

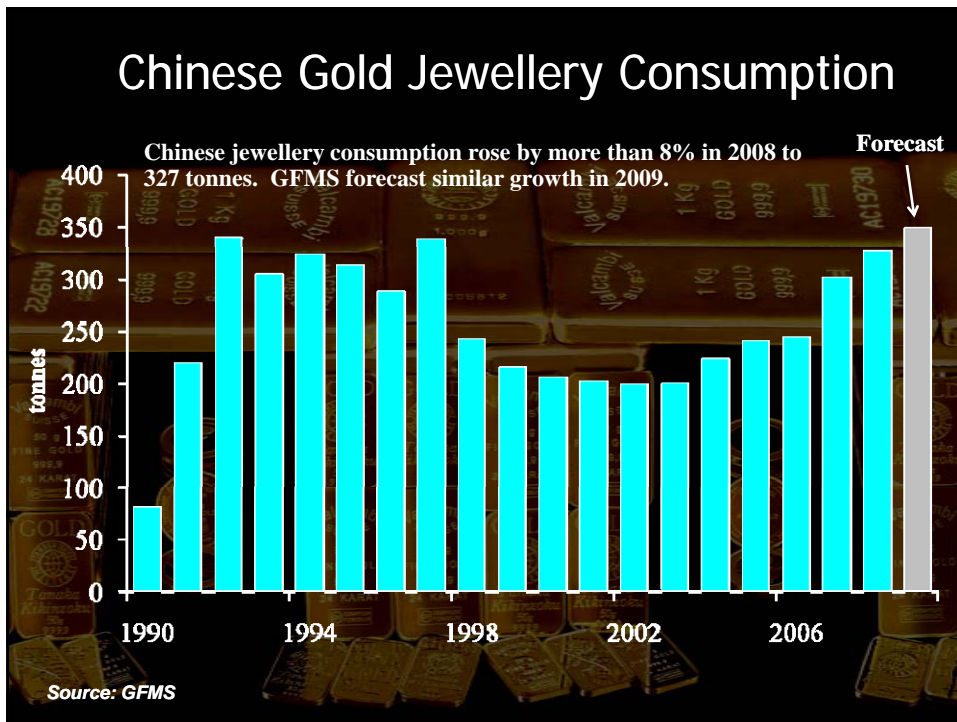
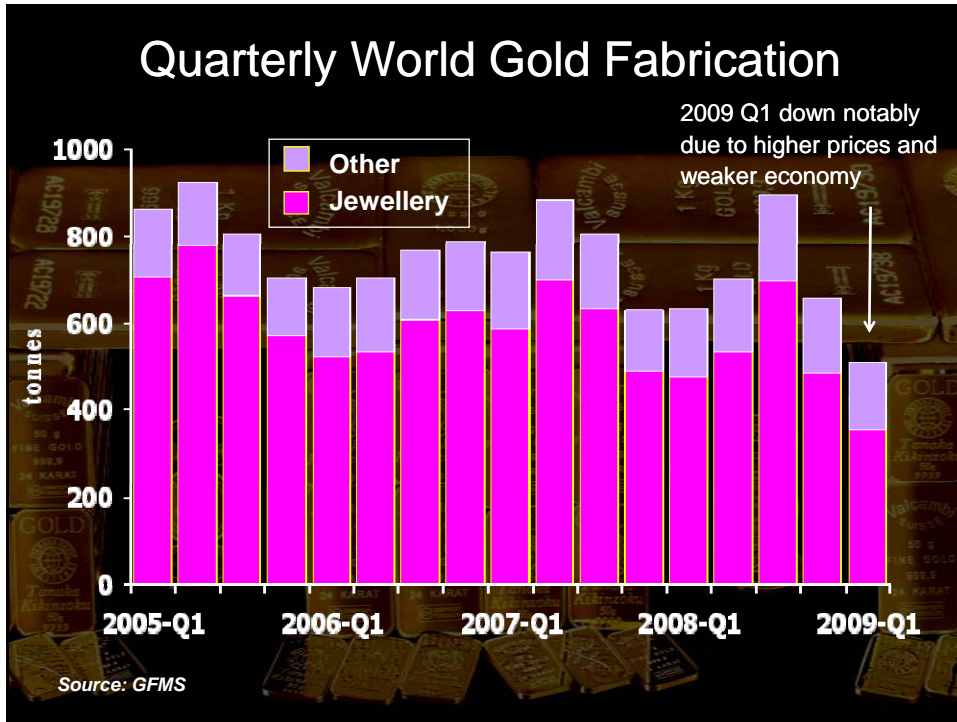
### Investment Demand

### Gold Demand in 2008

	2007	2008	y-o-y
Fabrication			
Jewellery	2,404	2,159	-10.2%
Other	671	691	3.0%
Total Fabrication	3,076	2,850	-7.3%
Bar hoarding	236	384	62.3%
Net producer de-hedging	444	358	-19.3%
Implied net investment	164	288	75.5%
<b>TOTAL DEMAND</b>	<b>3,920</b>	<b>3,880</b>	<b>-1.0%</b>

Source: GFMS

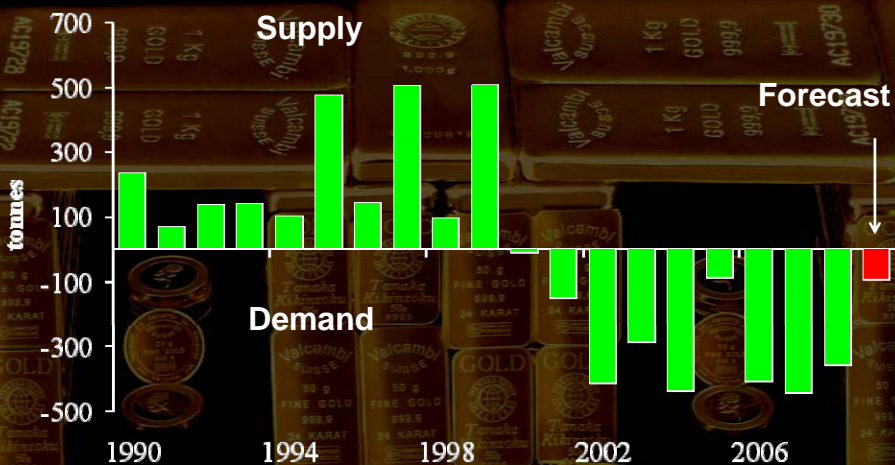




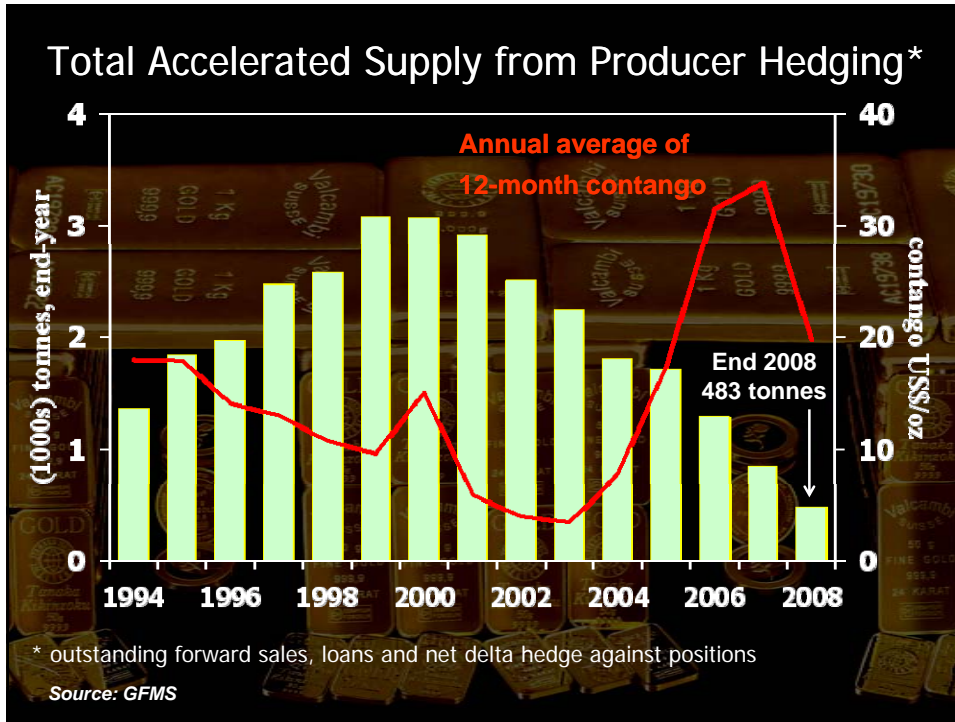
## Fabrication Demand

- A sharp decline in jewellery demand was the principal driver of the 7% or 225t fall in fabrication demand to 2,850t in 2008.
- 2008 jewellery fabrication dropped by 10% or 246 tonnes, with higher gold prices, a marked increase in price volatility, and the economic downturn the primary reasons for the fall.
- Other fabrication rose 3% y-o-y, boosted by 40% growth in official coin demand.
- Electronics demand fell 6%, due largely to the rapid deterioration of the global economic environment.
- GFMS currently forecast fabrication demand to drop by around 10% in 2009.

## Net Market Impact of Producer Hedging



Source: GFMS (May 2009, 3-Year Gold Forecast)

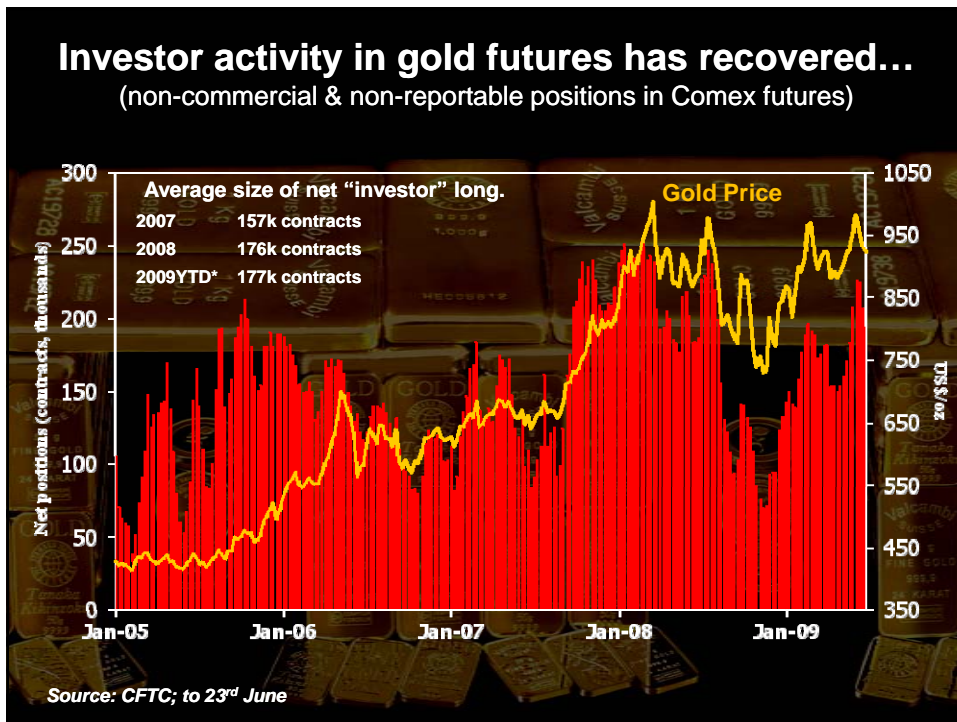
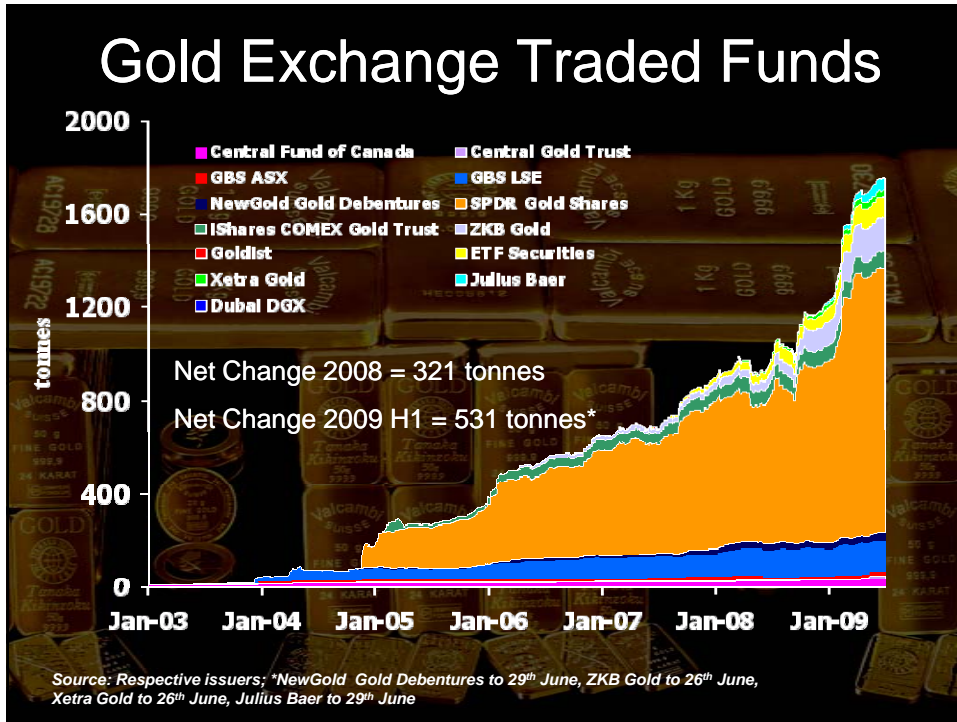


### World Investment

(in tonnes)	2006	2007	2008
Official Bullion Coins	129	137	191
Medals & Imitation Coins	59	73	70
Implied Net (Dis)Investment	398	164	245
Bar Hoarding	235	236	392
<b>World Investment</b>	<b>822</b>	<b>610</b>	<b>897</b>
Approximate Value*	\$16 bn	\$14 bn	\$25 bn

\*Approximate value of World Investment based upon volume multiplied by annual average price.

Source: GFMS

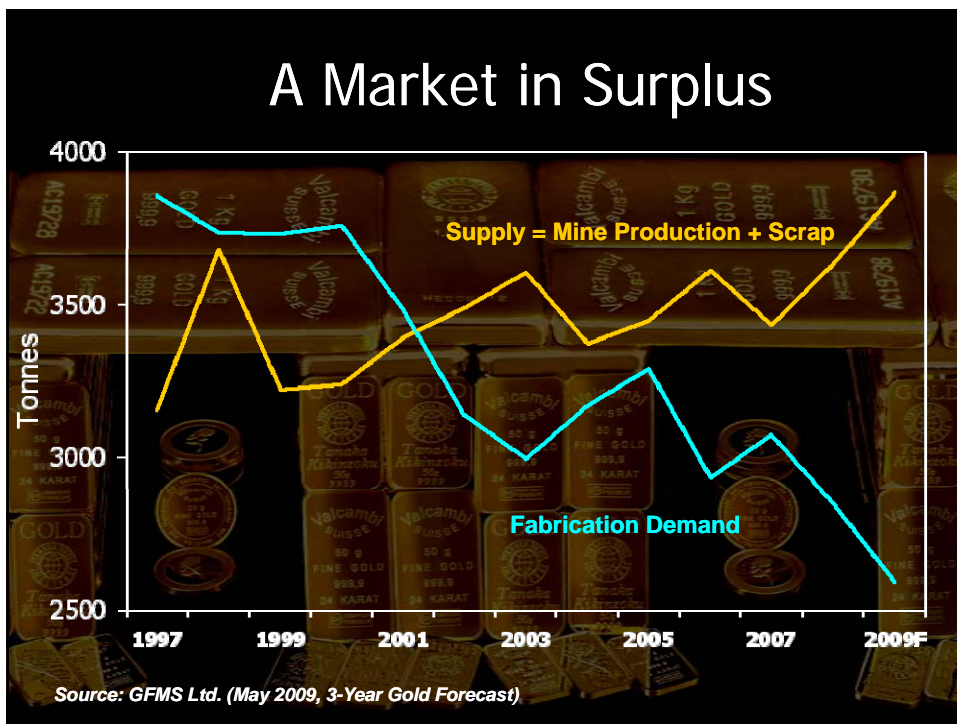
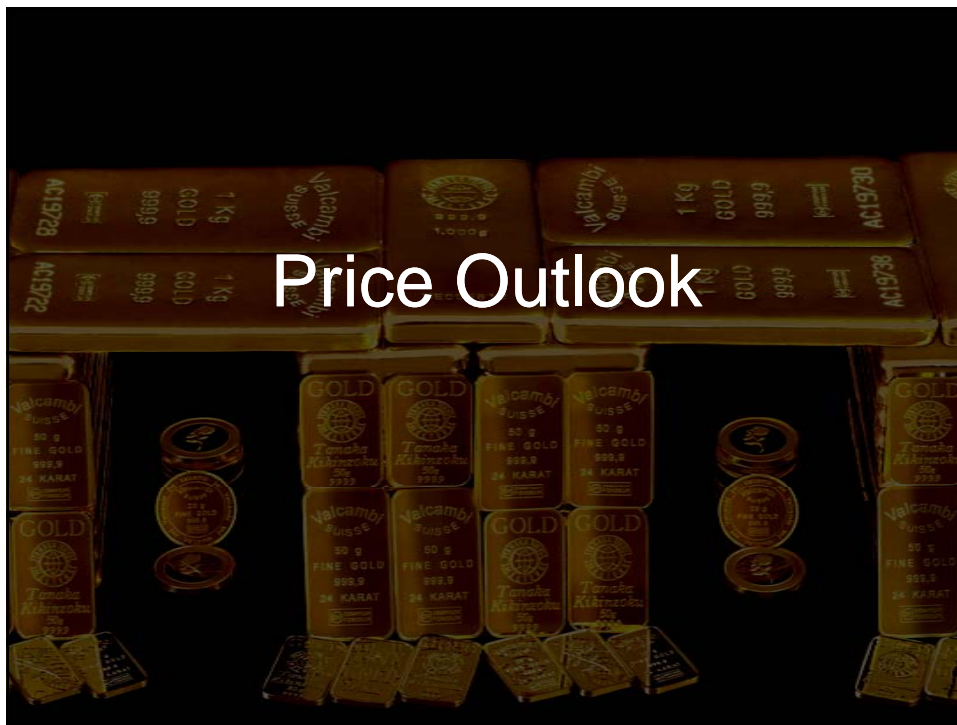


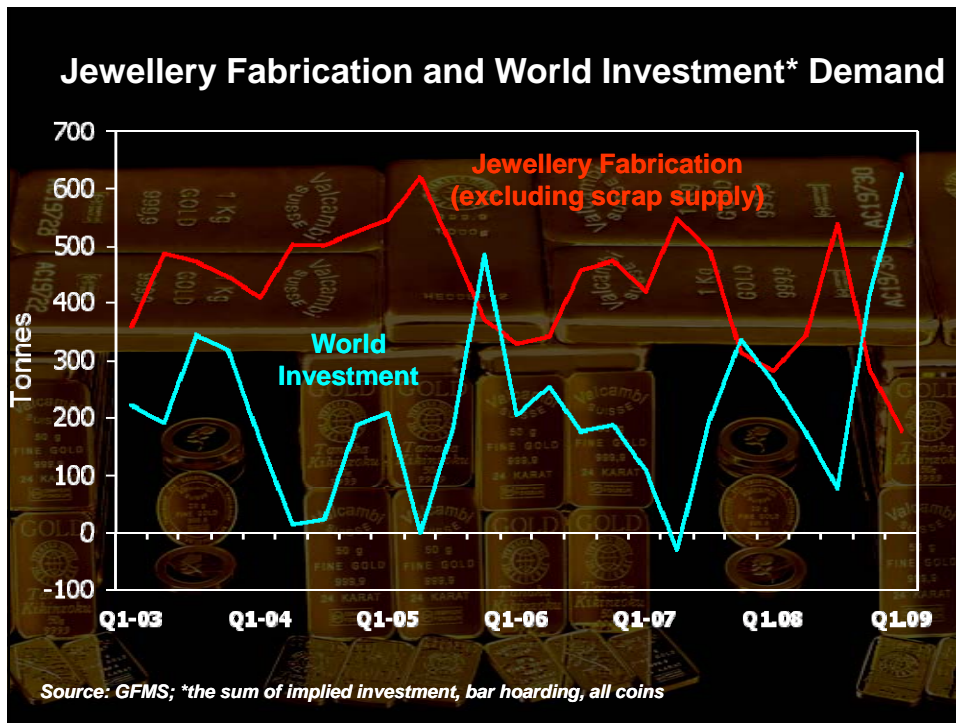
## Investment in 2008-09

- January-July 2008 generally saw net buying by “western” investors:
  - Growth in investment led to surge above \$1,000.
  - US dollar decline substantial, due in part to falling short term US interest rates and downturn in US housing.
  - Commodities saw large inflows, partly because of rising inflation.
  - Financial market turmoil led to safe haven buying of gold.
- After mid-July, however, the gold market experienced a massive sell off, driven primarily by a major rebound in the dollar and liquidation in the overall commodities complex, particularly crude oil.
- From September onwards a huge “deleveraging” by funds in futures and OTC markets took place. In contrast, purchases of physical gold both directly and via ETFs grew strongly.
- 2009-to date has seen continued strong demand for physical gold and ETFs. Investors’ chief focus shifting to potential long-term results of ultra-loose monetary and fiscal policies in many countries.

## Demand in 2009

- Historically high prices, increased price volatility and economic downturn having a negative impact on global jewellery demand. But, concentrated buying expected on major price dips, especially on any potential excursion to \$800-\$850.
- Other fabrication (excluding coins) hit by slow-down in global economic growth.
  - Total fabrication demand set to decline by 10% plus year-on-year.
  - Support from de-hedging is declining.
  - Investor interest in gold growing further this year.





## Investment Issues

- Investors are the key to higher prices: Without investment demand the gold price would be closer to \$700 than \$900.
- 2009-to date has seen a renewed wave of demand. Investors' focus shifting from concerns over financial stability and security of bank deposits to potential inflationary consequences of governments' and central banks' fiscal and monetary policies.
- But, how long will this last? Economic recovery with low or moderate inflation and rising short term interest rates could eventually undermine the case for investment demand and result in a major drop in the gold price, especially if existing 'longs' sell-off aggressively.

## Gold Price Outlook

### Positive

- Mine production trend is still flat in spite of massive price gains
- Central bank sales diminishing; some buyers emerging
- Short-term interest rates at record low levels in all major currencies
- Government budget deficits are exploding
- Money supply growth rapid
- Debt will be monetised
- Inflation could well pick-up strongly in future

### Negative

- Jewellery demand slumping and scrap supply surging
- “Fear” has peaked and investors’ risk appetite is returning
- Disinflation currently the problem; little sign of inflation at present
- US dollar has ‘bottomed’ and set to appreciate against most other currencies?

**Conclusion:** Over the next year economic conditions will continue on balance to be good for gold. Government and central bank policy responses to recession and exploding debt obligations could well prolong the gold bull market and result in far higher prices than those seen over the rally to-date.

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