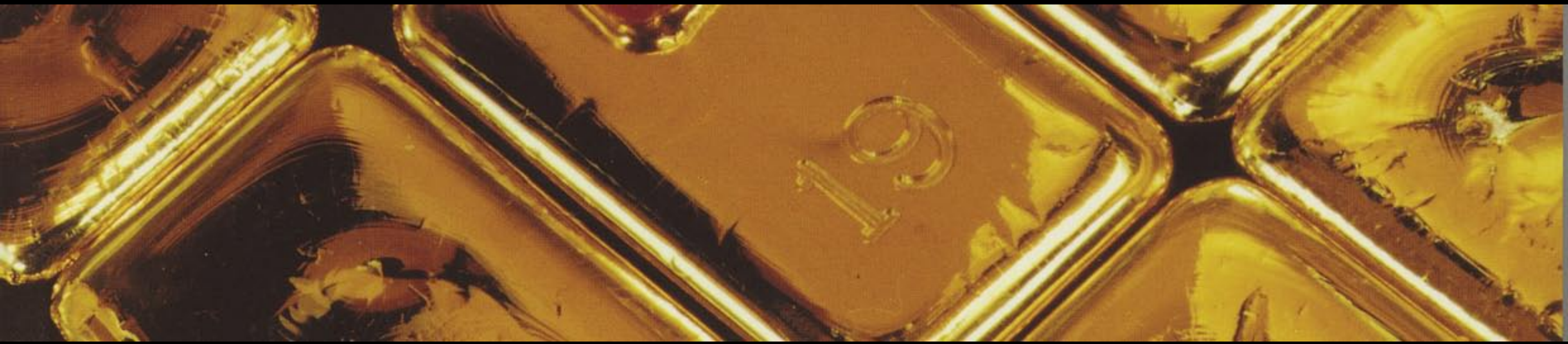

GLOBAL HEDGE BOOK ANALYSIS
Q4-2005

GFMS

Investec

BRADY

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Contents

Key Points

- ***De-hedging dropped back to its lowest figure for more than two years.***

- ***The slow-down was chiefly explained by the impact of fresh project hedging.***

- ***In gross terms de-hedging in Q4 was not unusually low being only slightly less than in Q3 and actually higher than that measured in Q1. Fresh hedging and the higher valuation price however left net de-hedging in Q4 at an estimated 0.49 Moz (15.2 t).***

- ***Total outstanding producer positions at end-December stood at a provisional 53.55 Moz (1,666 t).***

Composition of the Delta-Adjusted Global Hedge Book

(Moz)	05Q3	05Q4	qoq
Forwards/Loans	42.53	42.04	-1%
Vanilla Options	10.97	11.00	0%
Non-Vanilla Products	0.54	0.51	-4%
Total	**54.04**	**53.55**	**-1%**

Note: Totals may not add due to independent rounding. Numbers are provisional and may be revised. At the time of going to press some companies had not reported their hedge positions. In these cases GFMS have made estimates.

Source: GFMS

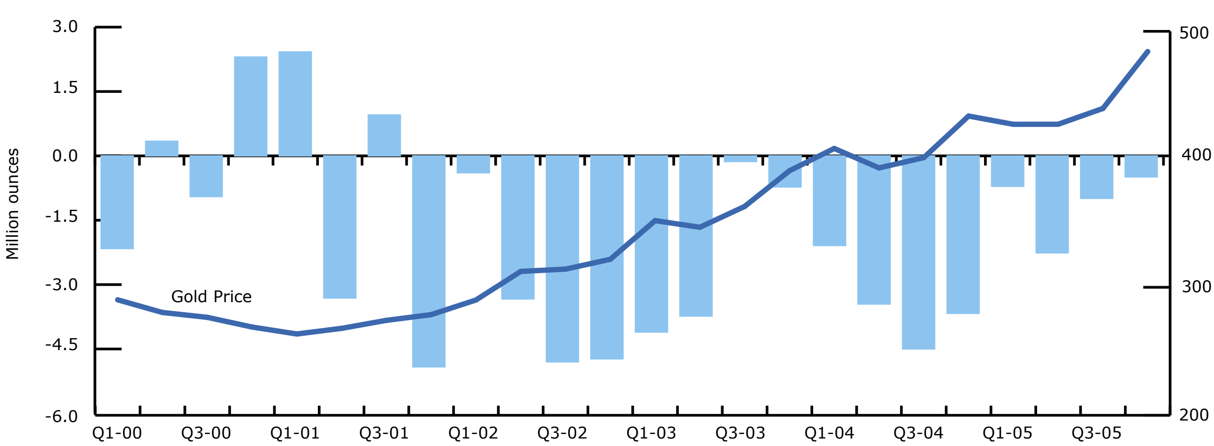
Summary and Overview

Quarterly de-hedging fell to its lowest level for more than two years with a modest 0.49 Moz (15.2 t) cut in the delta-adjusted hedge book in the three months to December 2005. Combined with the 3.96 Moz (123.0 t) reduction in the nine months to September, the full year reduction in the hedge book amounted to a provisional 4.44 Moz (138.2 t). Excluding the modest 0.47 Moz (14.5 t) cut recorded in 2000, last year's figure represented the smallest decline in the book since the de-hedging cycle began.

The slow down in de-hedging does not necessarily suggest, however, that there has been a change in producer sentiment towards hedging. It is important to remember that two thirds of the global hedge book is controlled by four players (three since the conclusion of the Barrick-Placer deal), and these majors appear resigned to reducing their level of hedge cover and not to commit to any fresh hedging. The only observation worth appending to this statement is that the pace of the majors' reduction in cover declined in 2005 as strategies to increase exposure to spot gold favoured deferrals and book restructures over scheduled deliveries. In contrast, during 2004, aggressive buybacks and accelerated deliveries assisted de-hedging to reach an all time high of 13.71 Moz (426.5 t) for the year.

The majors, of course, are only part of the story and the December quarter witnessed an unusually high level of fresh hedging, most of which was related to new mines and development projects. The more significant hedges included additions from European Minerals, Equigold, Oceana Gold, Resolute Mining, Sino Gold and St. Barbara. In total this group added a significant 1.09 Moz (33.8 t) of forward contracts, 0.20 Moz (6.3 t) nominal net puts and 0.26 Moz (8.0

Net Impact of Producer Hedging



t) nominal net calls. It is not anticipated, however, that project hedging can be sustained at these levels in 2006 (an annualised rate of over 4.0 Moz (124.4 t) of forward sales). In part this view reflects the current timetable of projects due to come on stream, but more importantly, the ownership of these projects. New mines under development by the likes of Harmony, Newmont, Glamis and Goldcorp, after all, are unlikely to hedge future mine production.

Lastly, it is worth mentioning the effect of the gold price itself on the delta-adjusted hedge book. As detailed on page six of this report, the delta hedge options position, which in nominal terms currently represents roughly 30% of the global book, responds to, among other variables, shifts in the gold price. To quantify this (and assuming constant nominal volumes) the impact of the $39.75/oz increase in the valuation price from end-September to end-December equates to an approximate 0.49 Moz (15.2 t) rise in the delta hedge options position. In reality of course a like-for-like comparison is not possible because nominal volumes between periods are not constant. Indeed, in the December quarter fresh hedging at higher strike prices than the contracts they effectively replaced (as existing positions expired), actually resulted in an quarter-on-quarter increase in the delta hedge net put volume.

In summary, the reduced pace of de-hedging by the majors, fresh project hedging, the increase in the valuation price and the modest rise in the net put position combined to leave de-hedging at much reduced levels in the December quarter. As alluded to above however, de-hedging in 2006 should recover somewhat from last year's near record low, with initial estimates at 7.66 Moz (238 t). This figure could, however, be significantly altered if Barrick were to undertake a major restructure/buyback following the integration of Placer Dome's hedge book into a combined company position.

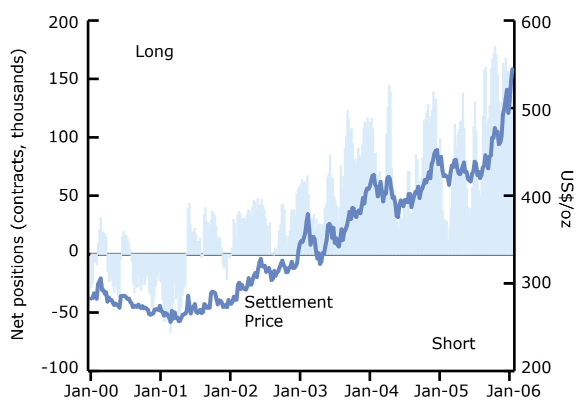
Prices

	05Q3	05Q4	% Change qoq
US$/oz spot	439.72	484.20	10%
US$ 12-mth	461.63	506.37	11%
Rand/kg	91,947	101,787	11%
Euro/kg	11,593	13,099	13%
A$/oz	578.45	650.56	12%
Yen/g	1,572	1,827	16%
Rps/10g	6,285	7,209	15%
Rph/g	141,291	155,499	10%

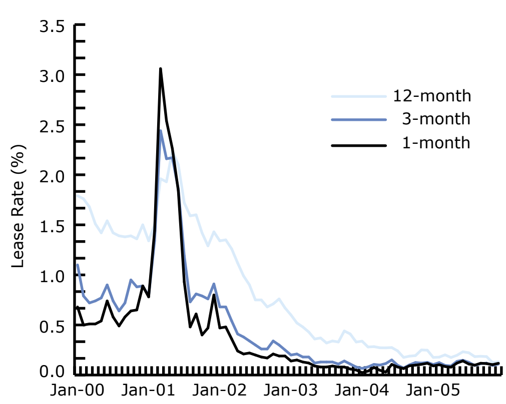
Market Commentary

Gold rallied strongly in the fourth quarter with the price gaining $80 from a low for the quarter in early November of $456.50 to a 24-year high of $536.50 on 12th December (prices quoted are basis the p.m. fix). A correction dragged gold back below $500/oz by the 21st of the month, although prices firmed towards the end of the year and gold ended the period at $513.00/oz. The higher gold price used to value the options contracts ($39.75/oz higher compared to the figure at the end of the September quarter) contributed to the lower than anticipated Q4 figure for de-hedging, although as discussed in detail in the *Company Activity* section, the most significant factor behind the low level of de-hedging during the period was the offset provided by fresh hedging.

Comex/Nymex: Non-commericial Net Positions



Leasing Rates (monthly average)



The prime driver of the price rally in the December quarter was the increase in speculative demand. This was largely centred on a rise in activity on the Tocom fuelled by a strengthening dollar against the Japanese currency, which encouraged investors to enter positions in yen-denominated gold. Further support came from a more positive climate for investment in commodities and the alternative investments complex in general and by rumours that some central banks could possibly become net buyers of gold in the future, in an effort to diversity their reserves away from an overweight position in US dollars.

With activity on the Tocom driving the metal to fresh highs, investors were attracted from further afield, for instance, in the Over-The-Counter market. This predictably resulted in a substantial speculative long overhang and a liquidation that was trigged on 12th December on Tocom spread across all arenas of gold investment and the price lost $30/oz in three days. With gold falling below $500/oz, however, physical demand started to kick in and this, coupled with fresh investment, helped the price recover in the closing stages of the year.

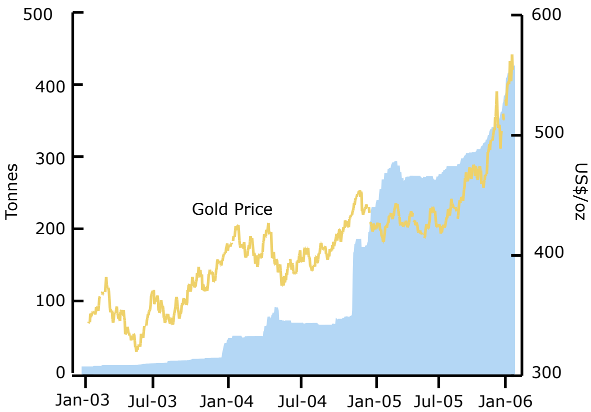
In contrast to retail investment demand, which for another quarter disappointed, gold holdings of the five active ETFs in the December quarter grew by 27% or 83 tonnes. The biggest gains were reported, once again, at the New York Stock Exchange listed streetTRACKS gold shares, whose holdings grew by 56 tonnes to reach 263 tonnes.

Net official sector sales in Q4 were estimated at 161 tonnes, down by 25% on the very high corresponding figure in the previous year. The decline was entirely a result of lower sales outside the Central Bank Gold Agreement (CBGA) – disposals from within the group were, in fact marginally higher year-on-year. The biggest sellers over the period were France, with sales of 48 tonnes up to end-November, Spain, which, over the same period disposed of 32 tonnes and lastly the Netherlands where reserves of the Nederlandsche Bank fell by roughly 21 tonnes. Outside of the CBGA signatories the only seller of note was the Philippines with a documented disposal of nine tonnes. Gross purchases, meanwhile, totalled less than three tonnes with marginal increases to holdings identified at a handful of central banks, including those of Kazakhstan, Ukraine, Macedonia and Greece.

The declining trend in central bank lending is thought to have continued in Q4 although the reduction in liquidity failed to make an impact on leasing rates, which remained at very low levels. The 6-month rate averaged 0.12%, down from 0.14% in Q3, while the average 12-month rate stood at 0.15%, down from 0.2% in the previous quarter.

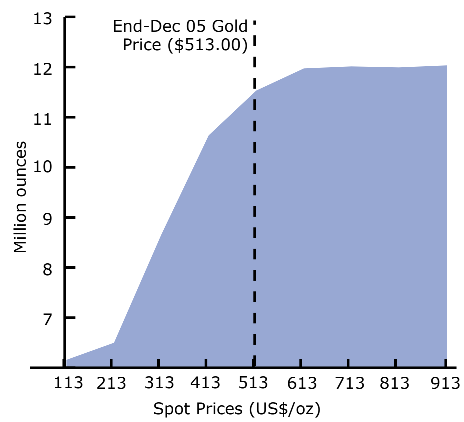
Considering the sharp rise in the gold price it was not surprising that Q4 fabrication, particularly net of scrap, demonstrated marked weakness. The most important example of this faltering physical offtake concerns India. Bullion imports in the September quarter fell by over 40% quarter-on-quarter and provisional figures for the fourth quarter show a stronger drop, equating to a loss of around 100 tonnes. Elsewhere there was more bad news with lower levels of bullion imports into the Middle East, while in Egypt surging scrap and slumping jewellery offtake pushed the local price to a discount versus the international price. China was one of the few bright spots with demand shrugging off the sharp price rise.

Gold ETFs & Other Similar Products



Source: GBS; CFC; CGT; Absa; State Street; BGI

Q4 Options Delta Adjusted Position



Mine production in the fourth quarter staged a modest recovery with production up some 2% against the corresponding period in 2004 at a provisional 80.17 Moz (657.9 tonnes). New mines partly explained the increase with new production in Peru and Brazil providing the bulk of the growth. Elsewhere a return to normal operations at Grasberg in Indonesia bolstered the rise. Offsetting these gains South Africa, Australia, Kyrgyzstan and Russia all suffered year-on-year production losses.

Composition and Sensitivity of the Global Hedge Book

The delta-adjusted hedge book declined by a provisional 0.49 Moz (15.2 t) in the three months to December. The net decrease in outstanding commitments was chiefly explained by a 0.48 Moz (15.1 t) drop in forwards (including gold loans). Concerning the options book, the net impact was essentially neutral, with vanilla contracts registering a 22,000 oz (0.7 t) increase quarter-on-quarter against a 24,000 oz (0.8 t) decline posted by the non-vanilla products.

The composition of the nominal book was unchanged quarter-on-quarter and only showed modest variance when compared to the corresponding period in 2004. At end-December 2005 (the end-December 2004 figures shown in brackets) the book was composed of 68.6% (69.1%) forwards, 1.5% (0.7%) gold loans, 27.4% (27.6%) vanilla options and lastly 2.5% (2.6%) non-vanilla products.

On a product basis the drop in the forwards and loan contracts represented a marked slow down in the rate of decline, which since its last lull, in the second quarter 2004, has on average seen the position contract by around 2.0 Moz (62.2 t) per quarter. The slow down in Q4 and as described in detail in the next section was due chiefly due to fresh hedging, most of which was related to financing requirements for development projects.

As for the vanilla option contracts, the net call position declined in nominal terms by 0.49 Moz (15.3 t) and in delta-adjusted terms by 158,000 oz (4.9 t). The net put position, in contrast, declined by 175,000 oz (5.5 t) in nominal terms but the delta-adjusted volume actually increased by 180,000 oz (5.6 t). The net effect left the delta-adjusted vanilla options position some 22,000 oz (0.7 t) higher quarter-on-quarter.

Sensitivity of Q4 Options Book

Move in Volatility (%)	Move in Gold Price				
	-200	**-100**	**0**	**100**	**200**
4	-8.90	-10.49	-11.35	-11.81	-11.93
2	-8.78	-10.55	-11.43	-11.88	-11.97
1	-8.72	-10.59	-11.47	-11.92	-11.98
0	-8.65	-10.63	**-11.51**	-11.96	-12.00
-1	-8.58	-10.69	-11.56	-11.99	-12.01
-2	-8.51	-10.75	-11.61	-12.02	-12.03
-4	-8.34	-10.90	-11.70	-12.07	-12.04

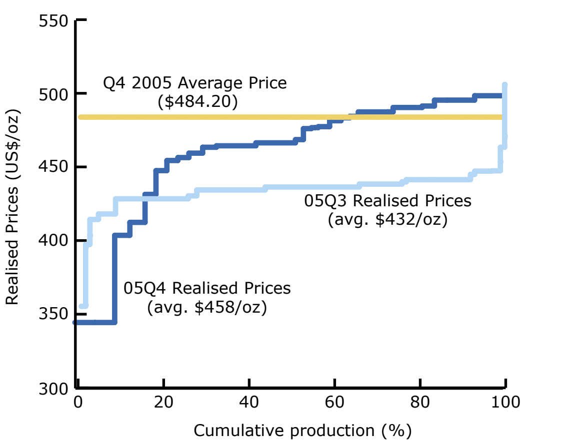
Source: GFMS

Note: the delta-adjusted options book at end-Q4 was calculated at 11.51 Moz. The matrix above shows changes in the delta-adjusted volume under different gold prices and volatilities.

The increase in the net put position, despite the decline in nominal volume, was partly explained by the shift in the strike price against the purchased puts contracts (as fresh options hedging with higher strike prices replaced maturing positions with lower strikes). This was reflected in the rise in the implied delta against the bought puts that increased quarter-on-quarter 16% (albeit from a very low level). The higher delta against the contracts resulted in an increase in the associated delta hedge position.

The sensitivity of the Q4 options book to changes in the spot price is illustrated by the table and the accompanying chart below. At the end of the quarter and using a valuation price of $513/oz, the delta hedge options position amounts at 11.51 Moz (358 t). An increase of $100/oz sees the position increase by 4% or 0.44 Moz (13.6 t). Thereafter, the profile demonstrates a fairly muted response to changes in the spot price. This is largely due to the fact that the implied delta against the volume of sold calls contracts (by far

Received Prices in Q4



the largest component of the options book) at end-December is close to its maximum. Concerning the responsiveness of the position to declining prices, the delta hedge volume drops off sharply at prices below $313/oz, the decline chiefly relating to a decrease in the delta against the sold call options.

Company Activity

At 1.04 Moz (32 t) the nominal reduction in the global hedge book, or 0.49 Moz (15.2 t) in delta-adjusted terms, was substantially lower than had been anticipated. The chief explanation behind the muted level of de-hedging in Q4 was the volume and number of producers that committed to fresh hedging contracts (gross de-hedging in Q4 was only slightly lower than in Q3 and actually higher than the level recorded in the three months to March). Interestingly, of the producers that entered into new contracts, in nominal terms over 65% of new hedges were put in place by ASX-listed companies.

At the time of writing, of the four largest hedge books in the industry, comprising AngloGold Ashanti, Barrick, Newcrest and Placer Dome, only AngloGold Ashanti and Newcrest had published their Q4 hedge books. As a result estimates have been made for de-hedging levels for both Barrick and Placer Dome. Because of this assumption, it should be stressed that totals disclosed are provisional and an updated end-year position will be covered in GFMS' *Gold Survey 2006*, published in April.

The single largest new hedge during the quarter was a 0.44 Moz (13.8 t) position announced by European Minerals in December. The flat forward contracts, which were secured at a strike price of $574.25/oz, were put in place to facilitate the development of their Varvarinskoye project near Kustanai, Kazakhstan, and are due for delivery from 2007 over eight years. Additional project-related hedging was announced by China-focused Sino Gold, who during the quarter implemented 0.13Moz (4.0 t) of fixed forward sales and spot deferreds in accordance with the financing of their Jinfeng project.

Also increasing their forward sales position, Oceana Gold added a further 0.25 Moz (8.0 t) to their portfolio, now priced at an average of NZ$698 ($476 at end-December). The company operates the Frasers open pit and are looking to develop an underground mine in the same part of the Macraes Goldfield, as well as the Globe Progress project in the Reefton Goldfield. Resolute mining continues to prudently manage its "gold price risk" and have in recent years actively hedged to secure a profitable margin for long-term production from their Ravenswood and Syama mines. In the fourth quarter the company continued to build their position by adding a further 0.21 Moz (6.4 t) of forwards and 0.06 Moz (2.0 t) of bought puts. Additional smaller fresh forward hedging was undertaken by, in descending volumes, Equigold, Croesus, Inmet and Troy Resources.

Top De-hedgers in Q4

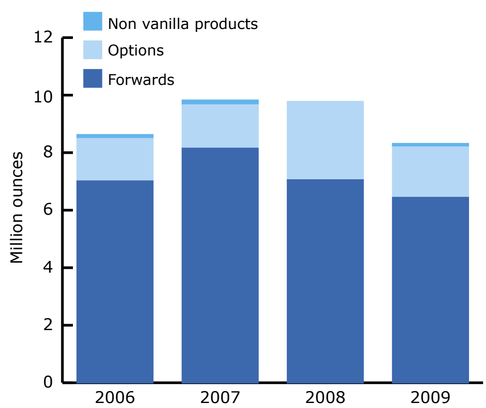
(delta-adjusted, spot basis)

Company	% of gross decline	decline in Moz
Placer Dome	30%	-0.58
Newcrest	18%	-0.35
Barrick Gold	14%	-0.27
Newmont	5%	-0.10
Buenaventura	5%	-0.10
Lafayette Mining	5%	-0.10
Xstrata	3%	-0.06
Bema Gold	2%	-0.04
Semafo	2%	-0.03
Kingsgate Consolidated	1%	-0.03

Note: Delta-adjusted volumes are calculated on the basis of published company data. As such disclosures are not exhaustive, the GFMS calculated position may not exactly correspond to the delta position reported by the company. In addition, GFMS values the contracts on a spot delta basis, whereas some companies report positions on a forward delta basis. This can lead to minor discrepancies between the calculated and reported delta-adjusted volumes. Where published data was unavailable, an estimate based on the expiry of 2005 contracts has been made.

Nevertheless, de-hedging remained an underlying theme, and Newcrest's gold book, which consists entirely of loans and forward sales, was scaled back by 0.35 Moz (10.9 t) through the delivery of Australian and US dollar forwards. At end-December, the company's outstanding commitments, including

Delivery Profile End Q4* (base case)



*potential de-hedging based on contract year of delivery/expiry gold loans stood 5.82 Moz (181.2 t). Further de-hedging was undertaken by, among others, Emperor, Kingsgate Consolidated and Crystallex, the latter having announced in December that all outstanding forward and call positions had been closed out.

Turning to the options book, St Barbara reported the largest new hedge having purchased 0.18 Moz (5.5t) put options at A$700/oz ($525) at no cost by selling 0.18 Moz (5.5 t) call options at A$770/oz ($578). The contracts represent roughly 60% of planned production over the next 18 months and are to be exercised over the corresponding time frame. Additional fresh hedging was reported by Equigold who declared that they had sold 0.15 Moz (4.7 t) of put options at a price of A$700/oz.

In nominal terms AngloGold Ashanti's net outstanding hedge position declined by 0.14 Moz (4.3 t). The fall was made up of a 0.74 Moz (23.1 t) drop in its forward book offset by a rise of 0.61 Moz (18.9 t) in the options position. The increase in the options book was principally driven by a 0.68 Moz (20.7 t) increase in the company's net call position. On a delta adjusted basis, and due entirely to a higher delta against the options position (in response to the higher end valuation price), the company's net delta hedge position increased by some 0.16 Moz (5.0 t) to a reported 10.84 Moz (337 t) compared to 10.68 Moz (332 t) as at end-September.

On a different note, the Philippine mining company, Lepanto disclosed in September that they were in dispute with one of their counterparties over the delivery of 0.10 Moz (3.0 t) of outstanding transactions. Lepanto reported that their counterparty had given notice of an event of default with regards to a 4,873 oz volume of hedged gold and that consequently an early termination date had been declared on the outstanding 0.1 Moz of contracts. Lepanto, who have been troubled by extensive strike action during 2003 and 2005, have contended the claim on the assertion that the contracts are not legitimate under Philippine law.

Total Nominal Positions, Percentage Change qoq

Region	Forwards & Gold Loans	Calls Sold	Puts Bought	Net Vanilla Options
North America	-3%	-12%	-13%	-12%
Australia	0%	47%	16%	26%
South Africa	-11%	5%	-5%	6%
Other	11%	-13%	-10%	-11%
Total	**-2%**	**2%**	**-5%**	**1%**

Source: GFMS

Technical Annex

The GFMS analysis utilises the Brady Trinity™ Risk Management and Trading system. Each mining company's individual trades have been input into the Brady Trinity system.

The use of the Brady Trinity system is particularly relevant for the analysis of mining companies' options positions. We have entered each option trade by mid-year of expiry. Moreover, non-vanilla products such as convertible forwards have been broken down into their constituent options. This analysis enables us to accurately obtain key parameters and valuations for each instrument used by each company and subsequently for the global hedge book as a whole. This methodology also allows us to model the delivery profile of the hedge book.

All forward contracts, including spot deferred, floating rate forwards and fixed rate forwards, are input as forward sales. Options contracts, including cap and floor agreements, are entered as their constituent vanilla put and call contracts. Convertible and contingent options are unbundled into their constituent barrier options contracts. Trigger levels for barrier options are taken as the mid-point of published ranges, where available. Convertible forward contracts are modelled as a barrier call option combined with a vanilla put option.

In terms of the GFMS analysis, the key parameter of interest is the **delta-adjusted** position. As explained in the glossary, the delta of an option (or indeed of a forward) is the rate of change in the value of the derivative for a change in the price of the underlying. In the case of a gold forward sale (or purchase), the forward delta is 1, whilst in the case of an option, this delta is derived from the Black-Scholes option pricing formula.

The counterparties to mining companies' hedging activity (typically banks) will dynamically hedge their exposure through delta hedging. For example, suppose a mining company purchases a put option. The writer of the option (a bank) will be long the delta volume. In other words, if the delta of the option is +0.5 and the nominal volume of the trade is 100,000 ounces, the delta volume will be 50,000 ounces (of which the bank will be long). To hedge this exposure, the bank must therefore undertake a transaction that yields an equal and opposite position (i.e. short). This will typically be achieved by the bank borrowing gold (normally from a central bank) and selling this into the spot market. Through this mechanism, mining companies' hedging activities impact directly on the spot gold market.

It should be borne in mind that the value of an option, as well as the delta, will change in response to movements in key parameters, particularly the spot gold price, but also market volatility, interest rates and time to expiry. In response to this, banks will continuously or dynamically adjust their delta hedge position.

Glossary

Option - An option contract gives the holder the right, but not the obligation, to buy or sell gold at a predetermined price on or by an agreed date.

European Option - An option that can only be exercised at the expiry date.

American Option - An option that can be exercised at any time prior to the expiry date.

Put Option - An option contract which gives the buyer the right, but not the obligation, to sell a specified amount of gold (or other asset) at a predetermined price (the strike price) on or before a specified date (expiry date).

Call Option - An option contract which gives the buyer the right but not the obligation to buy a specified amount of gold (or other asset) at a predetermined price on or before the expiry date.

Barrier Option - An option whose outcome depends on the performance of the price of the underlying during the life of the option and whether that price breeches a predetermined barrier.

Forward - A transaction in which two parties agree to the purchase and sale of gold at a future date.

Gold Lease Rate - The cost of borrowing or return form lending gold, the daily level of which reflects the supply and demand for metal in the lending market.

Writer - The writer or grantor is the party who sells the option and receives that premium income.

Long - A position in an asset (e.g. gold) for which the value will rise should the price of that asset rise.

Short - A position in an asset (e.g. gold) for which the value will fall should the price of that asset rise.

Delta - The rate of change of the price of a derivative with the price of the underlying asset.

Gamma - The rate of change of delta with respect to the asset price.

Theta - The rate of change of the price of a derivative with the passage of time.

Vega - The rate of change of the price of a derivative with volatility.

Rho - The rate of change of the price of a derivative with the interest rate.

Greeks - The basket term for the above hedge parameters (delta, theta, vega, gamma, rho).

Underlying - Shortened term for the underlying commodity on which forwards and options are traded (i.e. in this case gold).

Delta Hedging - A hedging scheme that is designed to make the value of a derivatives portfolio insensitive to small changes in the price of the underlying.

Black-Scholes Model - A model for pricing European options. Developed by Fischer Black, Myron Scholes and Robert Merton. See F. Black and M. Scholes "The Pricing of Options and Corporate Liabilities" *Journal of Political Economy* 81, 1973 and R.C. Merton "Theory of Rational Pricing" *Bell Journal of Economics and Management Science* 4, 1973.

Vanilla/Non-Vanilla - Vanilla options are simple put and call options, whilst non-vanilla options are more complex, with pay-offs dependant on a variety of market factors, such as price paths or the price of alternative assets.

Volatility - A measure of the uncertainty or rate of change of an asset price.

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Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base, primarily in the United Kingdom and South Africa, as well as other countries including Australia, the United States and Israel. Investec has four principal business divisions, namely Treasury and Specialised Finance, Investment Banking, Private Client Activities and Asset Management.

Investec Commodities trades in precious and base metals and provides hedging and structured trades for clients in both the physical and derivatives markets. Based in both the UK and South Africa, they are members of the London Metals Exchange, the London Bullion Market Association and the London Platinum and Palladium Market. They also operate an energy business focussing on structured transactions.

About GFMS

www.gfms.co.uk

GFMS Ltd, the world's foremost precious metals consultancy, specialising in research into the global gold, silver, platinum and palladium markets. GFMS is based in London, UK, but has representation in Australia, India, Russia, Germany, Spain and China, and a vast range of contacts and associates across the world.

GFMS is credited with producing the most authoritative surveys of the gold and silver markets, the annual Gold Survey and World Silver Survey, and produces a range of other publications dealing with all aspects of the precious metals markets. GFMS also provides consultancy services in the form of tailor-made research into selected areas of the precious metals markets. GFMS' research team of fifteen full-time analysts comprise experienced economists and three geologists.

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