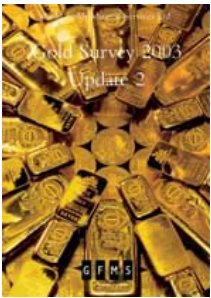




## **Publication of Gold Survey 2003 - Update 2**

***Global hedge book contracts 13% year-on-year reaching levels last reported in 1996: De-hedging slows but still generates a significant 310 tonnes of physical gold demand.***



GFMS released *Gold Survey 2003 - Update 2* today, their latest report on the gold market. Bruce Alway, an analyst with the London-based precious metals consultancy, gave a summary of the report's findings at a conference in Toronto.

Following record reductions in the producer hedge book during 2002, Alway noted that de-hedging slowed last year to generate an estimated 310 tonnes of demand. The drop represented the fourth consecutive annual fall in the GFMS delta-adjusted hedge book and was the second largest decrease since gold producers started to unwind protective hedge positions in 2000.

Alway pointed out that the slow down in de-hedging did not represent "a change in attitudes, but more a reflection of the rising gold price". He cited that in the second half of the year (over 80% of de-hedging was completed in the first half) higher prices encouraged producers to roll over forward contracts and to deliver mined output into (higher) spot prices, whilst the higher end-year gold valuation price resulted in a net increase in the delta against the vanilla options portion of the book and this offset a part of the significant decline in nominal terms. Lastly, he added that there had been some further offset from Newcrest's addition of roughly 90 tonnes of forwards resulting from the completion of its hedging for the Telfer project in Australia.

Going forward, Alway expects de-hedging to continue in 2004 with a further 110 tonne reduction in the global hedge book forecast for the first six months of the year. He cautioned, however, that the base case reduction did not assume wide scale contract deferral. If this were the case, (and that is a possibility considering that the average contract price calculated by GFMS for forwards scheduled to mature in 2004 is only \$343/oz) the contribution that de-hedging would provide to physical gold demand would be somewhat reduced.

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*Gold Survey 2003 – Update 2* provides an initial review of the gold market in 2003 and a forecast for the first half of 2004 with 30 pages of statistics, commentary and analysis on all aspects of world gold supply/demand and on gold prices in various currencies. The publication can be ordered from GFMS for £195 or US\$295 / €290 per copy. For orders and to receive further product information please contact Ms L Perrard on: Tel: +44 (0)20 7478 1777, Fax: +44 (0)20 7478 1779, Email: [sales@gfms.co.uk](mailto:sales@gfms.co.uk), Web Site: [www.gfms.co.uk](http://www.gfms.co.uk)

### **About GFMS Limited**

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

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