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Publication of Gold Survey 2004 - Update 2

Gold production in 2004 declined by 114 tonnes, the greatest annual fall in tonnage terms since World War II

In its latest report on the global gold market, GFMS estimated full year mine production in 2004 at 2,478 tonnes, a 114 tonne or 4% year-on-year decline. The decline – which is the greatest since the early 1940s – was mainly due to temporary factors. Bruce Alway, senior analyst with the precious metals consultancy commented, “gold production was affected by development activities at several mines, the impact of the Grasberg pit wall failure and by poor weather in the first quarter of the year.”

Production in six of the world’s top eight producing countries fell during the year, with only China’s output increasing (up 7 tonnes), whilst production in Peru remained steady at 172 tonnes. The greatest single fall was in Indonesia (down 51 tonnes), where output fell as a result of the impact of the 2003 pit wall failure at the Grasberg mine. Elsewhere the effect of the strong rand has caused South African producers to cut back production in marginal areas with production falling by 32 tonnes as a result. Meanwhile in North America, output fell in both Canada and the United States (down 11 tonnes and 14 tonnes respectively). The fall in US production was primarily due to poor weather conditions in the first quarter, and also by development work at several mines. Canadian production was hit by mine closures including Miramar’s Con and Giant mines. In addition maintenance work and lower grades contributed to the fall.

Commenting on the outlook for 2005, Alway said, “the non weather temporary factors which affected gold output in 2004 are expected to cease in 2005, and this combined with output from new mines will see production rise to a forecast 2,558 tonnes in 2005.” Several mines that started operations in 2004 will ramp up to full production during 2005, including Newcrest’s Telfer mine (opened in Q4 2004) which will contribute almost 25 tonnes per annum at full production. This output will be complemented by production from projects such as Barrick’s Alto Chicama operation in Peru and other mines which will start in 2005.

World cash costs rose 12% year-on-year to $250/oz, due to higher energy costs and the weakness of the US dollar. South Africa remained the most expensive place to produce gold with average cash costs rising 16% to $349/oz. Canada bucked the trend, seeing cash costs fall 1% mainly due to its mines benefiting from higher credits generated from the production of by-product metals.

Gold Survey 2004 - Update 2 provides a review of the gold market in the first half of 2004 and a forecast for the full year with 40 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 £205 or US$375 / €315 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, Web Site: www.gfms.co.uk

Note to Editors about GFMS Limited: GFMS Limited is 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, China, India and Russia, and a vast range of contacts and associates across the world.

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