



Publication of Gold Survey 2004 - Update 2

Producer de-hedging surges by over 50% to new record in 2004

Gold producers cut an estimated 424 tonnes from their outstanding hedge positions in 2004. This is one of the key findings of GFMS' latest report on the gold market, *Gold Survey 2004 - Update 2*, released today. Bruce Alway, senior analyst with the London-based precious metals consultancy, gave a summary of the report's findings at a conference in Toronto.

Commenting at the event, Alway noted, "in its fifth consecutive year, producer de-hedging reached a new peak with a provisional 424 tonne reduction in the global delta adjusted hedge book in 2004". Two-thirds of the decrease was concentrated in the six months from April to September when gold prices were generally lower.

Addressing the question of the mechanics of the process, Alway remarked that an estimated 70% of de-hedging was achieved through scheduled deliveries whilst buy-backs accounted for the balance. Buy-backs were motivated by a number of factors. The high profile financial collapse of Australian miner, Sons of Gwalia, led to a "forced" buy-back, whilst Thistle Mining and OceanaGold respectively cited underperformance and administrative difficulties as part of the reason for the closure of their hedge programmes.

Corporate activity was also an important driver in last year's record level of de-hedging. Two major deals in 2004 saw hedge books exchange hands and, in one case, substantially cut and, in the other, completely closed out. On a company basis (in all instances on a nine month basis to September), Sons of Gwalia led the de-hedging table, having contributed 66 tonnes to the decline. AngloGold Ashanti's combined hedge book was reduced by 60 tonnes from their respective positions reported at end-December 2003. Barrick reduced its outstanding position by 56 tonnes, whilst compatriots Placer Dome registered a 36 tonne drop. Other noteworthy contributors to the decline in the producer book were Newcrest (32 tonnes), Oceanagold (30 tonnes), Avgold (18 tonnes) and Cambior (17 tonnes).

De-hedging is forecast to be scaled back in the first half of 2005 to around 143 tonnes. Higher prices and the smaller size of the global hedge book explain much of the slow down.

© Copyright GFMS Limited - January 2005.

Whilst every effort has been made to ensure the accuracy of the information in this document, GFMS Ltd cannot guarantee such accuracy. Furthermore, the material contained herewith has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient or organisation. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any commodities, securities or related financial instruments. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. GFMS Ltd does not accept responsibility for any losses or damages arising directly, or indirectly, from the use of this document.

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.

Press Contacts: Philip Klapwijk or Paul Walker, GFMS Limited, Hedges House, 153-155 Regent Street, London, W1B 4JE, UK, tel: +44 (0)20 7478 1777, fax: +44 (0)20 7478 1779, email: gold@gfms.co.uk, web site: www.gfms.co.uk

