



Publication of *Gold Survey 2006*

De-hedging Slows but Sentiment Unchanged

Producer de-hedging slowed last year, dropping from its record 427 tonnes in 2004 to register a relatively modest reduction of 131 tonnes. The cut left producers total outstanding delta-adjusted position at end-2005 at 1,673 tonnes, equivalent to two thirds of annual mine production.

This is a key finding outlined in *Gold Survey 2006*, the report released today by the precious metals consultancy GFMS at events in London, Johannesburg and Toronto. Last year's figure was the smallest decline since 2000, when a modest 15 tonnes was shaved from the global book, in the wake of the hedging crisis in September 1999. Despite this fact, GFMS maintain that going forward, higher levels of de-hedging can be expected.

The consultants explain last year's slow-down to four main factors: firstly, they point to the boost that de-hedging received in 2004 by the buy back of the hedge against failed miner Sons of Gwalia, which itself generated over 50 tonnes of accelerated demand. Secondly, owners of the world's largest book, Barrick, reduced the pace of their delivery, and thirdly, the industry's second largest book, held by AngloGold Ashanti, having been substantially scaled back in 2004, actually saw a modest increase year-on-year. Finally, fresh hedging further impacted the net decline with a number of new project-related positions being established.

Looking ahead, contract deliveries scheduled in 2006 suggest a base level of de-hedging (assuming no buy backs, deferrals or book restructures) at around 260 tonnes. However, given the announcement by Barrick that it had reduced and simplified the hedge book acquired with its acquisition of Placer Dome, with all outstanding sold calls eliminated, GFMS consider that this could represent a lower level for de-hedging in the current year. On the other hand, at the Toronto launch, senior analyst Bruce Alway cautioned "Although the base level for 2006 stands at 260 tonnes, the high gold price may tempt producers to defer scheduled deliveries." He added that fresh project hedging would further offset the ongoing decline in the producer hedge book. As a consequence GFMS forecast de-hedging in 2006 in the 200 to 300 tonne range.

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Gold Survey 2006 contains over 100 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 £275 or US\$495 / €395 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, Online Shop: <http://shop.gfms.co.uk>

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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

