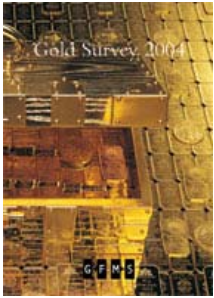




## Publication of Gold Survey 2004

### Rising spot market encourages further reductions in global hedge book which retreats to levels last measured in 1996



The global outstanding producer hedge book contracted by a significant 310 tonnes in 2003, the fourth consecutive year that producers have contributed to gold demand through their hedging activities. The cut left the total book, on a delta-adjusted basis, at 2,166 tonnes, or back to levels last measured in 1996. In terms of instruments, the decline was driven by a reduction in forward sales, which contracted by 13%, or 237 tonnes, accounting for 76% of the total fall.

This is the key finding outlined in *Gold Survey 2004*, the report released today by the precious metals consultancy GFMS at events in London and Johannesburg. The report highlights the reduction in the producer hedge book (so called de-hedging) as one of two main factors explaining the rising gold price last year (the other main factor being an increase in gold investment demand).

As regards timing, the report states that 83% of total de-hedging was completed in the first half of the year and was, therefore, arguably the dominant factor supporting higher prices in the six months to June. In the second half, the focus shifted to gold investment demand as de-hedging slowed. The change did not, however, reflect a reversal in sentiment by the producer community. It was, in fact, largely a result of the higher price used to value the options which had the effect of increasing the net delta against the options positions and this partly offset the ongoing reduction in positions in nominal terms. In addition, a handful of producers deferred delivery of contracts to take advantage of the (higher) spot price.

On a company basis, 70% of the reduction in the hedge book was generated by four producers, namely, Newmont (who accounted for 26% of the overall decline), Barrick (18%), AngloGold (16%) and lastly, Placer Dome (11%). Concerning fresh hedging, the bulk of hedges added to the global book last year were part of the financing requirements for project development. GFMS estimate that new hedging from this source generated roughly 112 tonnes of supply in 2003.

Based on a detailed analysis of producer's hedge positions as reported at the end of last year, and taking into account corporate developments and fresh hedging, GFMS' base case assumption for de-hedging in 2004 would be between 340 and 400 tonnes.

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*Gold Survey 2004* 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 £265 or US\$495 / €395 per copy. For orders and to receive further product information please contact Ms L. Perrard on:

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#### **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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