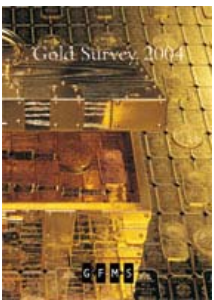




Publication of *Gold Survey 2004*

\$450 Gold a Possibility as Economic and Political Insecurities Keep Stoking Investor Interest



GFMS launched *Gold Survey 2004* today, the 36th edition of their authoritative annual survey of the world gold market, at an event in London. (The report is also to be launched in Toronto on the 16th and Johannesburg on 20th April.) The following details some of the highlights of the *Gold Survey* from the briefing given at the London launch by Philip Klapwijk, chairman of the independent precious metals research consultancy.

GFMS forecast that future gold prices have a strong bias to the upside, seeing \$450 as a good possibility should the conditions remain right for attracting further investor interest. The consultancy believes that perhaps the greatest driver of investment over the next year or so will be economic developments in the United States.

Philip Klapwijk commented, "the US fiscal and current account deficits, on top of eye-watering levels of consumer debt, create huge risks of another hefty slide in the dollar, plus eventual recession and a slump in equity markets. Throw in instability in Iraq and you've got pretty good conditions for a further surge in investment. And don't forget that the financial inflows into gold last year - which we estimate at a little over \$10 billion, on a net basis - were still tiny compared to the potential sums available."

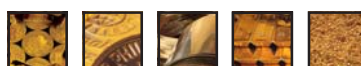
The consultancy certainly believes that this inflow of investor money in 2003 was the key driver of last year's dramatic price rally.

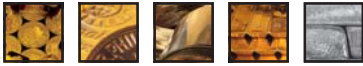
The report, however, still sees de-hedging by producers as having played an important role. Klapwijk continued, "we may have seen de-hedging drop by not far off a third but that still left it at over 300 tonnes, its second highest ever. Also timing was critical - prices in the second quarter last year were being hit hard by investors bailing out as the Iraq war premium imploded, yet that's precisely when we saw some of the heaviest de-hedging". Furthermore, GFMS have forecast that de-hedging should rise in 2004 to somewhere between 340 and 400 tonnes.

Fabrication is also expected to rise in 2004, following the 4% fall GFMS estimate for 2003. Klapwijk added, "weak physical offtake acted as a major drag on prices for much of the year. But when we saw the price sensitive markets get used to higher gold prices towards the end of the year, that certainly helped take the brakes off the rally".

The consultancy sees the supply side as having played a lesser role in shaping prices last year. Both scrap and central bank sales grew by over 10% but these gains, the report states, were largely just in response to the rally. GFMS also do not expect to see a supply shock this year undermining the anticipated rally. Scrap might slip due to price ennui whilst official sector sales could also fall. The latter change is based on a belief that sales under the new European Central Bank Agreement may fail to reach their annual limit whilst purchases by others in 2004 are a possibility.

The statistical highlights of the report are outlined overleaf:





Supply Highlights:

- Global **mine production** edged up 3 tonnes on 2002's level to reach 2,593 tonnes last year though this figure fell just short of the record 2,621 tonnes reported in 2001. On a regional basis, losses recorded in the United States, Canada and South Africa were offset by growth in such countries as Peru, Australia and China.
- Weighted average **cash costs** rose a sharp \$42/oz, or 23%, to \$222/oz, largely thanks to currency movements.
- **Official sector sales** continued on recent years' growth, increasing by 11% to 606 tonnes, a level last surpassed in 1992. The price rally, especially in the second half of 2003, was a factor behind this rise, most of which came from outside Europe. Further falls in leasing rates were the main reason for the 315 tonne cut in estimated official lending.
- **Scrap** supply in 2003 rose by almost 13% to a five-year high of 943 tonnes. This increase (making scrap almost 23% of total supply) was mainly due to large gains in India and East Asia that stemmed chiefly from the price rally.

Demand Highlights:

- **Total fabrication** fell 4% to 3,049 tonnes in 2003, largely due to the 6% drop in jewellery demand. **Other industrial and decorative** demand also saw a fall, a modest 2%, and **dental** offtake slipped a fraction. In contrast, **electronics** was up 14% whilst **coin** fabrication rose by nine tonnes.
- The 6% slip for **jewellery** might sound modest but this took offtake to a 12 year low of 2,533 tonnes and fabrication **excluding scrap** fell a weightier 12%. The prime causes of the drop were the Iraq war, SARS, the gold rally, pockets of slack economic growth and the secular shift from plain gold to other forms of jewellery.
- **De-hedging** fell 29% to 310 tonnes though this was the second highest level ever. The decline was largely a result of a positive price outlook, shareholder pressure and buy backs of positions inherited through merger activity. Fresh project hedging, for example for Newcrest's Telfer, partly offset the drop.
- **Implied net investment** rose a hefty 478 tonnes, chiefly through strong buying from hedge funds of over-the-counter paper products and on Comex. Purchasing by other institutions, high net worth individuals and retail investors was, in contrast, patchy. **Bar hoarding** fell 27%, mainly due to a drop for East Asia. This left **World Investment** (the sum of the implied, bar hoarding and coins) at 888 tonnes, up sharply on 2002's 468 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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