



Publication of *Gold Survey 2005 - Update 1*

**Scheduled deliveries chip away 102 tonnes from the global hedge book.
Appetite for buy backs suppressed.**

Today in London GFMS launched their interim review of the gold market, *Gold Survey 2005 – Update 1* with figures for producer hedging in the first half showing a slowdown from the record levels witnessed in 2004 to a much reduced, but nevertheless robust, 102 tonnes. The net decline in the open forward and options contracts left the delta-adjusted hedge book as measured at end-June 2005 at a provisional 1,702 tonnes, equivalent to 69% of 2004 mine production.

Placer Dome headed the league table of top de-hedgers closely followed by Newcrest who reported an 18 tonne cut in their hedge book. Thereafter, declines were limited to single figures with Newmont, Lihir, AngloGold Ashanti and Xstrata all down by no more than six tonnes apiece.

As for the potential significance of the slow down, Senior Analyst Bruce Alway did not see the result as a reflection of a shift in attitudes towards hedging. He added, "now in its sixth year of decline, the first half cut in the book actually represented a more sustainable level of de-hedging from the record highs seen in 2004". According to the report, the elevated level of de-hedging in 2004, was largely a product of "special events" such as the fallout from corporate merger activity, decisive moves against large positions and, in the second half of 2004, the result of the collapse of Sons of Gwalia. Alway added, "expectations for the second half of 2005, providing producers continue to deliver into positions as they mature, is for a further 135-160 tonne reduction in the global hedge book".

The GFMS base case forecast for de-hedging is based on the maturity profile of the delta-adjusted global hedge book. At the end of June-2005, roughly 160 tonnes of outstanding contracts were due to be delivered during the six months to December. Looking slightly further out, 280 tonnes were due in 2006 with a roughly equal volume scheduled in 2007.

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Gold Survey 2005 - Update 1 provides a thorough and comprehensive interim analysis of the most recent developments in the global gold market. In just 40 pages, *Update 1* identifies the most important economic, socio-political and market-specific issues facing the gold market.

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

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