



Publication of *Gold Survey 2005 - Update 1*

H105 Output unchanged as South Africa stamps down growth elsewhere

Today in London, GFMS launched Gold Survey Update 1 at their Precious and Base Metals Seminar. The publication identified that a number of large new projects coming on-stream in Australia and South America and a considerable year-on-year improvement at Grasberg would have been key drivers for the upside of mine production in the first half of 2005. However, despite these developments, mine production remained essentially flat, with any gains eliminated by, among other factors, a substantial 15% year-on-year decline in South African output during the first six months. The decrease was primarily a result of the ongoing restructuring designed to deal with the low rand gold price, a process that has resulted in the downscaling and in some cases mothballing of a number of shafts.

Weighted global cash costs in the second quarter of 2005 rose by 10% year-on-year in US dollar-denominated terms. Marked increases in the price of diesel, electricity, steel and reagents such as cyanide have detrimentally affected mine operating costs and currently there are no signs of a reprieve. New projects are also suffering, with contractor delays due to a shortage of equipment and experienced personnel exacerbating the problems of higher commodity prices. Projects entering production are, in many cases, doing so under the burden of higher capital costs, in some instances increasing by as much as 15-20% above budgeted levels.

GFMS forecast the second half to be slightly brighter, with an estimated mine production increase of 3% year-on-year. Senior Analyst Bruce Alway added: "Recently opened mines such as Telfer will continue to ramp up as well as new operations, for example, Lagunas Norte adding to the tally. South Africa is expected to continue to inhibit the global picture and the national strike in August will not have helped matters, but with many of the restructures now complete, the losses are expected to be less pronounced."

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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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