



Publication of *Gold Survey 2007*

Global Output Falters to 10-year Low; Rise Forecast in 2007

Annual global mine production posted a substantial 79 tonne, or 3%, decline last year, leaving global production at a 10-year low, according to leading precious metals consultancy GFMS at the launch of their Gold Survey 2007 at events in London, Johannesburg and Toronto.

Senior supply side analyst, Bruce Alway, outlined details of the headline drop in mine production at the launch in Toronto. Despite some isolated positive results in Asia, China measured a robust 8% increase in output year-on-year for example, the cut for the region was the deepest with output falling by a significant 46 tonnes, compared to the relatively modest losses in North America and Africa, where output contracted by 26 tonnes and 17 tonnes respectively. Elsewhere, Oceania registered a 21 tonne fall in output and lastly, in the CIS, production volumes declined by just less than six tonnes. Latin America was the only region to return a meaningful rise, having posted a 35 tonne, or 7% increase year-on-year.

More detail was offered in the way of changes in output at a country level to identify last year's winners and losers. In Africa, Mali and Ghana did much, but not quite enough, to undo the more than 20 tonnes of lost output reported in South Africa. In the CIS, meanwhile, new mines buoyed production in Kazakhstan, although once again, losses elsewhere, namely in Russia and a crash in production in Kyrgyzstan, offset the gains to leave output in the region lower. Results in Latin America broke the deadlock, however, with a list of production "winners", which included, Argentina, Mexico, Venezuela, Brazil, Bolivia, Colombia and Chile.

Alway stressed the role played by new mines in the growth posted in Latin America, with the continent's, and the world's largest mine in 2006, Yanacocha, actually registering a sharp 22% drop in output. Expanding on the success in Latin America, Alway cited "new mines such as Veladero, Amapari, Mulatos and Choco 10, located in Argentina, Brazil, Mexico and Venezuela, which generated over 20 tonnes of new gold in 2006".

There was no let up in cost pressures in 2006 with the rise reported in US dollar terms of \$45/oz to cash costs more than double the hike measured in the previous year. Despite the sharp increase, a large part of which was outside of the miners' control, for example, the hike in energy prices, producers' simple cash margins widened by a healthy 66% year-on-year.

The consultancy expects 2007 to be more positive with global output forecast to stage a moderate improvement of between 1% and 2%. Alway commented that "new mines, ramp-ups and less of a swing at some of the world's larger operations that dampened the impact of new production in 2006 should support our forecast production level to above 2,500 tonnes".

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Gold Survey 2007 contains over 120 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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