



Publication of *Gold Survey 2007*

Strong Appetite for Buy Backs with Four-Fold Rise in De-hedging

Following 2005's modest decline in the global hedge book (a revised figure of some 86 tonnes), activity accelerated in 2006, with a cut of some 373 tonnes from producer's outstanding commitments. The elevated levels of de-hedging in 2006 and the string of announcements towards the end of last year and the first quarter of the current year, put paid to any thoughts that the slow down witnessed in 2005 was a sign that the six year cycle of de-hedging had finally run out of steam. Indeed, the rhetoric has, if anything increased over the past 12 months, with many producers reaffirming their belief that the rally in the gold price still has some way to go.

This is a key finding outlined in *Gold Survey 2007*, the report released today by the precious metals consultancy GFMS at events in London, Johannesburg and Toronto. The surge in producer de-hedging was skewed to the first half, which accounted for 76% of the full year decline. The net decline left total outstanding forward sales, loans and the delta hedge against options positions at end-2006 at 1,364 tonnes, back to levels last recorded in 1994.

Barrick Gold, was responsible for more than a half of gross de-hedging, with much accounted for by the elimination of the legacy Placer Dome hedge book which had been removed by mid-year. Other contributions came from cuts by Newcrest, AngloGold Ashanti and Kinross, and by a long position accumulated by Gold Fields during the last two weeks of the year, in preparation for the buy back of the hedge against the company's recently acquired South Deep mine.

Commenting on the outlook for de-hedging at the Toronto launch, senior supply side analyst, Bruce Alway, highlighted the recent completion of the South Deep buy back in January, Barrick's announcement of its elimination of fixed price corporate sale contracts and in March, Peruvian-listed Buenaventura's announcement that it had bought back 25% of its outstanding book. He went on stating that "another top heavy year with higher levels of de-hedging in the first half is expected to put the full year figure at between 210 and 260 tonnes", he warned however that with producers' bullish price expectations, it would be unwise to rule out further buy backs that could potentially push de-hedging in 2007 above the 300 tonne mark.

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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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