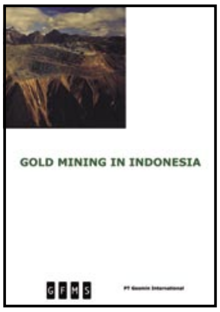
GFMS

PRESS RELEASE
London, 24th February 2005

For immediate distribution

New GFMS Report Examines the Key Drivers Behind the Slump in Mining Investments into Indonesia

A must-read for producers, explorers, equity brokers and project finance houses



Gold Mining in Indonesia is the fifth in a new series of in-depth country mining reports produced by GFMS in collaboration with local industry experts. The latest report offers readers an up-to-date and independent view of the mining industry in Indonesia, the largest island complex in the world, stretching for more than 5,000 kilometres east to west across an archipelago of 17,508 islands. The 40-page report describes both historic mine production (formal and informal) and future production levels expected in the country. It also lists the top domestic and international mining companies active in the region. Lastly, the report outlines the legal environment and tax regime and in particular explains the process of Mining Authorisation including Kuasa Pertambangan (a “KP” or “Mining Right”) and Contracts of Works. The report has been produced by London-based metals and mining consultants GFMS and locally based industry consultants, **PT Geomin International**.

Main Highlights

Declining levels of mine production

Indonesian mine supply totalled an estimated 112 tonnes in 2004, ranking the country as the world’s eighth largest producer. At its peak in 2001, production exceeded 180 tonnes and in that year displaced China as the world’s fourth biggest producer. The dramatic 70 tonne decline in output implied from the statistics above was firstly, and most importantly, a result of last year’s slump in production at Grasberg, the country’s and the world’s biggest gold producing mine. A pit wall failure at the end of 2003 restricted access to high-grade areas of the open pit and output was essentially halved at the 100 tonne per annum mine. Secondly, investment levels over the last five years have been in sharp decline - since 1998 only three new mines have opened (Newmont’s Batu Hijau mine and Newcrest’s Gosowong and Toguraci) – and during the same period no less than five operating mines have closed due to the exhaustion of reserves.

Potential for new discoveries is significant

The country’s shrinking population of gold mines is not, however, a reflection of its resource potential. Indeed, Indonesia has some of the best geological prospectivitiy in the world and offers great potential for future exploration and development work. In a recent survey Indonesia’s potential mineral index, in terms of geological prospectivity, was equal to that of Russia, Peru, Chile and Nevada.

Concerning the noted slump in investment levels into the country, the decline in the gold price itself no doubt played an important role. In nominal terms, prices suffered five successive years of decline before bottoming out at $255.95/oz in April 2001. Nevertheless, the sheer scale of the exodus from the country suggests that there were other contributory factors.

Asian financial crisis and Bre-X set back minerals industry

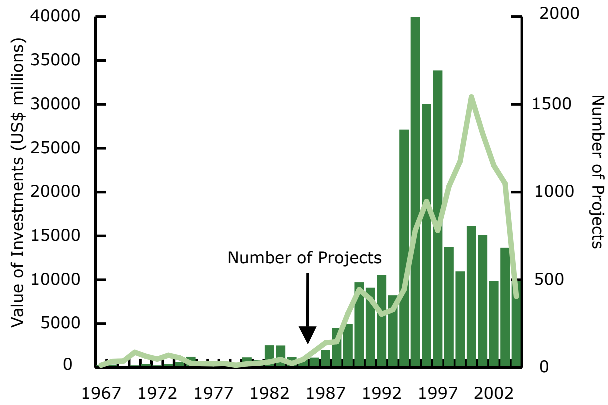
Clearly, one of these additional factors was the Asian financial crisis that triggered a period of political instability. In the aftermath, the inconsistent and uncertain legal environment, coupled with unfavourable government policies, did little to attract new money. Earlier, the Bre-X minerals scandal, exposed in March 1997, had a similarly negative effect.

In the years that followed the financial crisis the Indonesian government was forced to prioritise its legislative efforts, in part motivated by the increasing demand for energy (growing at 10% annually) and a lack of infrastructure development. Consequently, the much discussed mining bill and the next generation of the Contract of Work (CoW) was pushed to the back of the legislative queue. Notwithstanding these delays and despite criticism that the government has done little to tackle the major issues concerning foreign mining investment, in the last twelve months some progress has been made. In particular the government is attempting to address industry issues such as regional autonomy, the roles of the various Ministries and regulatory bodies and, importantly, conflicting regulations and contract sanctity issues (i.e. the Forestry Law versus the CoW mechanism and the Mining Law).

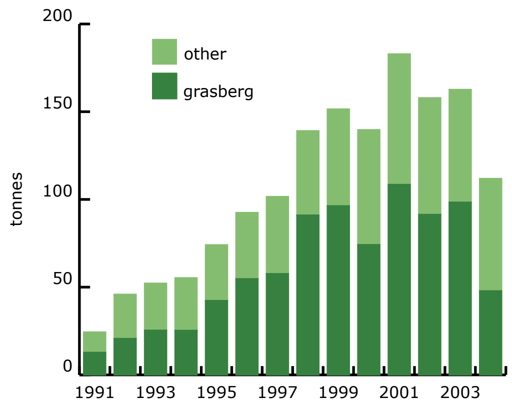
New investment likely

Looking ahead, favourable government policies and foreign investment incentives will be crucial in attracting a second wave of investment in Indonesia's rich mineral resources on the scale of those achieved in the 1980s and early 1990s. Whilst progress along this path has been set back by the fall-out from the Asian financial crisis and the Bre-X scandal, the recent improvement in the gold price and signs that 'mining issues' are now back on the political agenda are important changes that should generate renewed interest in the country.

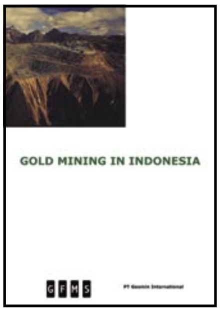
Foreign Direct Investment in Indonesia



Indonesian Gold Production 1991-2004



WHAT IT CONTAINS



Charts include:

Indonesian Gold Production 1991-2004
Indonesian Gold Production Forecast
Gold Projects in Indonesia (map)
Formal Gold Production & Real Gold Price
CoW Application Process Flowchart

Tables include:

Indonesian Gold Production
Gold Production Costs
Contract of Work Stages and Terms
List of Gold Prospects

Price
40-page country report
Price: £1,145 - US$1,950 - €1,635

Existing and Forthcoming reports:
Gold Mining in Russia (January 2004)
Gold Mining in Mongolia (August 2004)
Gold Mining in Brazil (September 2004)
Gold Mining in China (November 2004)
Gold Mining in Indonesia (February 2005)
Gold Mining in the Former Soviet Union (March 2005)

London, 24th February 2005

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.

GFMS is credited with producing the most authoritative surveys of the gold and silver markets, the annual Gold Survey and World Silver Survey, and produces a range of other publications dealing with all aspects of the precious metals markets. GFMS also provides consultancy services in the form of tailor-made research into selected areas of the precious metals markets. GFMS' research team of eight full-time analysts comprise qualified and experienced economists and a geologist.

About PT Geomin

PT Geomin International is a locally based consultancy providing professional services to the mining industry. Headed by Greg Parham their offices are located in Darmawangsa Square, Jakarta Selatan. 12160, Indonesia, Tel: +62 621 7280 1145, Fax: +62 621 7280 1145, Mobile: +62 812 195 3022, E-mail: greg@visualland.com

Press Contacts: Bruce Alway, GFMS Limited, Hedges House, 153-155 Regent Street, London, W1B 4JE, UK, tel:+44 (0)20 7478 1777, fax: +44 (0)20 7478 1779, email: gold@gfms.co.uk, web site: www.gfms.co.uk