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Publication of *Gold Survey 2003*

Outstanding Gold Producer Hedge Book Massively Scaled Back in 2002

The global outstanding producer hedge book contracted by a phenomenal 423 tonnes in 2003, the third consecutive year that producers have contributed to gold demand through their hedging activities. The 423 tonne decline last year dwarfed the 151 and 15 tonne reductions in 2001 and 2000 respectively, and provided a crucial basis for the strong gold price performance of 2002.

This is a key finding outlined in *Gold Survey 2003*, the report released today by the precious metals consultancy GFMS (Gold Fields Mineral Services) at events in London, Toronto and Johannesburg. The report highlights the reduction in the producer hedge book (so called de-hedging) as one of two main factors explaining the rising gold price last year (the other main factor being an increase in gold investment demand).

GFMS explained "the scale-back was largely achieved through scheduled delivery into outstanding contracts (with no fresh hedging carried out), although hedge book restructuring and producer buy-backs were also important".

The switch in mining companies' sentiment away from a hedging philosophy gathered pace in 2001 and further consolidated in 2002. GFMS highlight four factors that have underpinned this change. First has been the gold price itself (which increased in 2002 by 14% year-on-year and 25% intra-year), and a perception that the price rally still had a way to go. On top of this has been the low gold price contango or forward premium – a phenomenon that is the result of the current low interest rate environment. Thirdly, investors in mining stocks, many of whom are seeking a leveraged play on the gold price, have shunned heavily-hedged companies in favour of those with exposure to the gold price. Finally, industry consolidation in 2002 resulted in a degree of hedge book restructuring that further reduced the outstanding position.

GFMS predict de-hedging will continue to be a characteristic of the gold market this year, largely as a low contango will remain, providing little incentive to lock in a narrow forward premium. GFMS state "de-hedging is expected to continue in the current year, perhaps contributing as much as 325 tonnes to physical demand".

The GFMS hedge book data was obtained through a new analysis using the Brady TrinityTM integrated trading and risk management software. GFMS have entered into the system the quarterly hedging activity of 93 mining companies by instrument, currency and year of expiry.

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Gold Survey 2003 contains over 100 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 £255/US\$395/€390 per copy.

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Note to Editors: GFMS (Gold Fields Mineral Services) is an independent London-based commodity research and consulting company, specialising in the analysis of the precious metals markets.

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