

Publication of Quarterly Hedge Book Analysis

Global gold producer hedge book reduced for seventh successive quarter

The sustained decline in the global gold hedge book that has occurred over the last 18 months continued into the second quarter of 2003. The third Quarterly Gold Hedge Book Analysis, released today by precious metals consultancy Gold Fields Mineral Services (GFMS) in association with Investec, the international specialist banking group, states that perhaps against expectations, the scale-back that occurred in the three months ending June 2003 exceeded that of the first quarter of 2003.

According to the report, the global delta-adjusted hedge book was cut by 5.2 Moz or 7%, taking the total to 69.7 Moz or 84% of 2002 mine production. This fall was due to a continued reduction in outstanding forward sales agreements as well as a strong decline in the delta-adjusted vanilla options hedge book. The GFMS evaluation is carried out using the Brady TrinityTM Risk Management and Trading System, with a detailed trade-by-trade analysis of gold mining companies hedging activity. The results of this research show that the Q2 decline in the vanilla options book was largely due to a sharp fall in the nominal options position - North American producers, in particular, reduced the nominal volume of their sold call options by some 25%.

Outlining the impact of de-hedging on the gold market, GFMS state that although the market rally that occurred in April and May 2003, taking the price up to and beyond \$370/oz, was closely related to dollar weakness and fund buying in response to geo-political concerns, the continued and substantial level of producer de-hedging has provided an important and solid support to gold prices.

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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.

Press Contact:

Paul Walker
Tel: (+44) 20 7478 1755

Goodwins House
153-155 Regent Street
London W1B 4JE
Email: gold@gfms.co.uk
Fax: (+44) 20 7478 1779