



## **Publication of *Gold Survey 2006 - Update 1***

### ***Mine Supply Falters in First Half***

GFMS today presented their half year findings of the gold market at the industry consultants' launch of *Gold Survey 2006 - Update 1* in London. In a presentation by the group's Executive Chairman, Philip Klapwijk, it was identified that global gold mine production in the six months to June registered a modest decline of less than 2% year-on-year.

Central to the first half hiatus to production growth were declines from several major gold producing nations, most notably a significant drop in output from Indonesia, which was largely associated with substantially lower levels from the giant Grasberg mine. A severe incidence of cyclones impacted operations in Australia, particularly at the start of the year, whilst weaker performances were also seen in South Africa, Canada and the United States.

Although insufficient to undo the losses discussed above, several regions recorded notable improvements. Latin American growth amounted to an impressive 20%, more than 40 tonnes higher than the first half of 2005. This was brought about by near 'across the board' improvements, including better results at all of the region's top five producing nations, headed by a 16 tonne gain in Peru.

Producers' cash costs were seen to rise by just more than 10% year-on-year, driven most strongly by higher global energy prices and further compounded by increases in the cost of mining consumables. The elevated price of other metals helped alleviate costs for some producers: as by-products to gold mining, metals including silver, copper and zinc, whose sales revenue can be offset against operating expenses, helped counter the global cash cost escalation. Importantly, in spite of the year-on-year cash cost rise, the higher gold price saw producers' simple cash margin (cash costs less spot gold price) almost double over the same period.

Looking ahead, mine supply in the second half is expected to increase moderately year-on-year, resulting in full year production levels essentially flat against 2005. Perhaps surprisingly, the impact of four years of rising gold prices have yet to significantly flow through to a supply increase, although according to GFMS' projects database, an abundance of mines under construction should, over the medium term, provide the impetus required for a global supply boost.

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***Gold Survey 2006 - Update 1*** provides a thorough and comprehensive interim analysis of the most recent developments in the global gold market. In just 40 pages, *Update 1* identifies the most important economic, socio-political and market-specific issues facing the gold market. The publication can be ordered from GFMS for £215 or US\$395 / €325 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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