



Publication of *Gold Survey 2006 - Update 1*

De-hedging Surges on Barrick Buy Back

At a seminar organised by GFMS in London today, the precious metals consultancy launched their interim review of the gold market, *Gold Survey – Update 1* with figures for producer hedging in the six months to June showing a three-fold increase in levels compared to the corresponding period in 2005.

Despite broad agreement among the producers on the future direction of the gold price, a sentiment that has contributed to the significant reduction in the global hedge book over the last six and a half years, the report notes that the cut in the six months to June was largely as a result of a single player. Commenting on the figures released today senior analyst Bruce Alway noted that, "a one-off, Barrick's buy back, accounted for the vast bulk of de-hedging in the first half". Barrick inherited the Placer Dome hedge book in a merger deal concluded in March 2006.

Other contributions to the decline came from Newcrest and AngloGold Ashanti with more modest reductions from Kinross and Croesus Mining. The latter, in circumstances reminiscent of the collapse of Sons of Gwalia in August 2004, revealed in March that its current production levels were insufficient to meet the company's full hedging commitments and on 23rd June the miner entered into administration. Assessing the impact of new hedging the report stated that project hedging accounted for the majority of the period's fresh hedging with contracts put in place against future output at, among others, Tasiast (Mauritania), Kupol (Russia) and Casa Berardi (Canada).

Surprisingly, the delta hedge vanilla options position as at end-June was reported to have registered a 24% increase year-on-year. This "anomaly" was partly explained by the impact of a handful of opportunistic positions put in place at the end of 2005 when the gold price rallied strongly in the fourth quarter.

With the Placer buy back completed ahead of schedule, GFMS expect the pace of de-hedging to slow in the six months to December. And assuming producers continue to deliver into positions as they mature, the consultancy have forecast a further 83 tonne cut in the global hedge book. The reduction would leave the outstanding position at end-2006 at 1,355 tonnes, or back to levels last measured in 1994.

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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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