



Publication of Gold Survey 2007 - Update 1

Producer buybacks in the first-half push de-hedging to unprecedented levels

GFMS today presented their interim report on the gold market, Gold Survey 2007 – Update 1. A key finding of the London-based consultancy's report was its identification of a six-month reduction to the delta-adjusted hedge book amounting to over 300 tonnes for the first half.

Central to the cut in the hedge book were weighty book reductions involving all of the world's top four gold producers, amounting to 205 tonnes between them. Barrick led the assault on the global hedge book, eliminating 78 tonnes of contracts to leave the company's production unhedged until 2010. Newmont, Lihir and Gold Fields completely cleared their outstanding commitments, together totaling 129 tonnes, while other significant contributions came from world number two, AngloGold Ashanti, and Buenaventura, which reported net reductions of 44 and 31 tonnes respectively.

Limited fresh hedging was observed – the most prominent being a forward sales position established by Western Goldfields for the Mesquite rehabilitation project.

The delta-adjusted hedge book at end-June consisted of 69% forward sales and loans, and the remaining 31% as options and totaled 1,064 tonnes. This stands in stark contrast to the heyday of producer hedging in the late nineties, when the book volume was around three times that of end-June levels.

Looking ahead to second half activity, GFMS' delivery profile at end-June pointed to scheduled de-hedging of less than 50 tonnes, although looking to account for an anticipated continuation of unscheduled buybacks the total was forecast at almost 80 tonnes.

Earlier this week an announcement that Newcrest had undertaken the pre-purchase of 71 tonnes of contracts for the purpose of eliminating near-dated forwards and loans, with plans to eradicate their remaining 53 tonnes within the next 12 months (with some offset through the purchase of put options) significantly changes the landscape. In light of this news, second half de-hedging is expected to comfortably exceed 100 tonnes. Taking into account Newcrest's remaining hedges (which could feasibly be eliminated opportunistically before year-end), an upper limit for the second half could be in the region of 180 tonnes.

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About Gold Survey 2007 - Update 1: In just 40 pages, *Update 1* identifies the most important economic, sociopolitical 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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