



Publication of *Gold Survey 2008 - Update 1*

De-hedging Surpassed Expectations as Producers Continued Unscheduled Buy-backs.

GFMS released *Gold Survey 2008 - Update 1* today, their latest research on the gold market. A summary of the findings of the report was given by Philip Klapwijk, Executive Chairman of GFMS, at a seminar in London organised by the precious metals consultancy.

Klapwijk noted that producer de-hedging in the first half of the year exceeded last year's projections of a significant slow down in the rate, as producers collectively removed 255 tonnes from the global gold hedge book. Pivotal to the large scale cut were large unscheduled book reductions, most importantly that undertaken by AngloGold Ashanti, following a rights issue first announced in May, while the world's largest gold producer, Barrick Gold effectively repurchased some 1.4 million ounces, by way of additional conversions from fixed price to floating price forward gold sales during the first half of the year, a trend established in 2007.

During the first six months, two producers, Buenaventura and Newcrest freed themselves from forward commitments as current anti-hedging sentiment persisted (although Newcrest has retained a portfolio of put options). Only limited volumes of fresh producer hedging was noted during the first six months. Much of this activity was linked to project development, such as the contracts put in place by Wega Mining.

As detailed in an earlier publication released last month, GFMS and Société Générale's *Global Hedge Book Analysis*, the value of the global producer hedge book marked to market at end-June was negative \$9.8 billion, although the consultancy flagged that in view of the recent correction to prices, this was likely to be substantially lower at the present time.

The consultancy's analysis of the producer hedge book, which utilises Brady Plc's *Trinity*TM risk management system, noted that the sensitivity of the gold options book has decreased significantly in recent years, in part due to the substantial increase in the gold price since many contracts were put in place, and also due to the overall reduction in options relative to forward sales.

Looking ahead to the remainder of the year, the run-down of the producer hedge book (which creates physical demand) is expected to slow markedly, notwithstanding significant unscheduled hedge eliminations in the light of the current dip in the gold price, which would make any buy-backs significantly cheaper.

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Gold Survey 2008 - 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 £250 or US\$460 / €350 per copy. For orders and to receive further product information please contact Elena Patimova - Tel: +44 (0)20 7478 1750, 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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Press Contacts: Philip Klapwijk or Paul Walker, GFMS Limited, Hedges House, 153-155 Regent Street, London, W1B 4JE, UK, tel: +44 (0)20 7478 1777, fax: +44 (0)20 7478 1779, email: gold@gfms.co.uk, web site: www.gfms.co.uk

