



among its membership of 108 miners, bankers and jewellers are in effect now completely free, closely follow the world price and are running at around a tonne per day. Gold smuggling into and out of China, although not eradicated, is no longer at annual levels in excess of total national production and, in the first half of 2004, a large part of the estimated 96 tonnes of mine production (an increase of 6% year-on-year) was sold through the exchange.

Gold production in **Indonesia** tumbled 43 tonnes year-on-year to an estimated 46 tonnes. The expected drop in output was largely due to a reported slippage and later debris flow in October and December 2003 in the massive Grasberg open pit where first half production fell by 40.9 tonnes. During the past few months, activities have been centred on removing the waste material from the affected areas in order to allow mining access to higher grade sections of the pit. In April, mining was initiated in the high grade areas and in June normal milling operations resumed.

First half output in **Peru** recorded an increase of 9%, or 7.2 tonnes, year-on-year to total 88 tonnes. Combined production at the Yanacocha joint venture (Newmont/Buenaventura) and Barrick's Pierina, which account for roughly two-thirds of the country's total, increased by a modest 0.7 tonnes year-on-year. Losses at the latter (down 2.2 tonnes in the six months to June due to lower grades resulting from expected mine sequencing changes) were offset by a reported growth of 2.9 tonnes at Yanacocha. The bulk of the gains were generated in the medium scale mining sector. Higher throughput at Inversiones Mineras del Sur (following the completion of an expansion at the plant), increases at Aruntani (due to the start up of operations at Florencia in January) and additional output at San

Composition of the Delta Adjusted Hedge Book

(tonnes, end period)	03.H1	03.H2	04.H1	change y-o-y
Forwards	1,689	1,631	1,582	-6%
Options	453	463	372	-18%
Non-Vanilla Products	108	113	43	-60%
Total	2,249	2,207	1,997	-11%

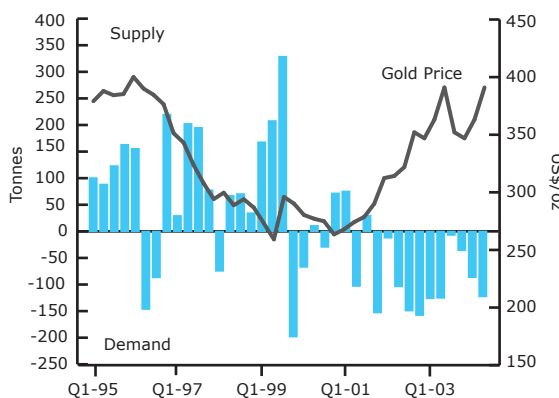
Simón (which started activities in September 2003) all contributed to the reported increase.

In **Russia**, good production growth in the Khabarovsk and Krasnoyarsk regions and the Amurskaya oblast were offset by decreases in the Magadan oblast and the Republic of Yakutia (respectively ranked as the largest and third largest gold producing districts in 2003). Consequently, first half output in the country was moderately reduced by 0.7 tonnes, or by 1%, year-on-year. On the corporate front, in March, Norilsk Nickel purchased a 20% stake in South African based Gold Fields from Anglo American. Gold Fields have already undertaken a technical visit to Norilsk's assets with the view to explore the potential for co-operation between the two majors. Elsewhere, London listed Peter Hambro Mining announced on 17th June that it had entered into an agreement to acquire the company that holds the Ametistovoye deposit in Kamchatka located in Russia's Far East region. Construction is hoped to commence soon after completion of the deal with first production during 2006.

Producer Hedging

The delta adjusted hedge book at the end of June 2004 stood at a measured 1,997 tonnes, equivalent to 77% of 2003 annual mine production. The position represented a substantial 11% decline from its level at the end of June 2003 of 2,249 tonnes (87% of annual

Net Impact of Producer Hedging



Delta Adjusted Global Hedge Book & Spot Gold

