



The Gold Company

An Introduction To The Gold Market

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GOLD FACTS



Source: Bloomberg

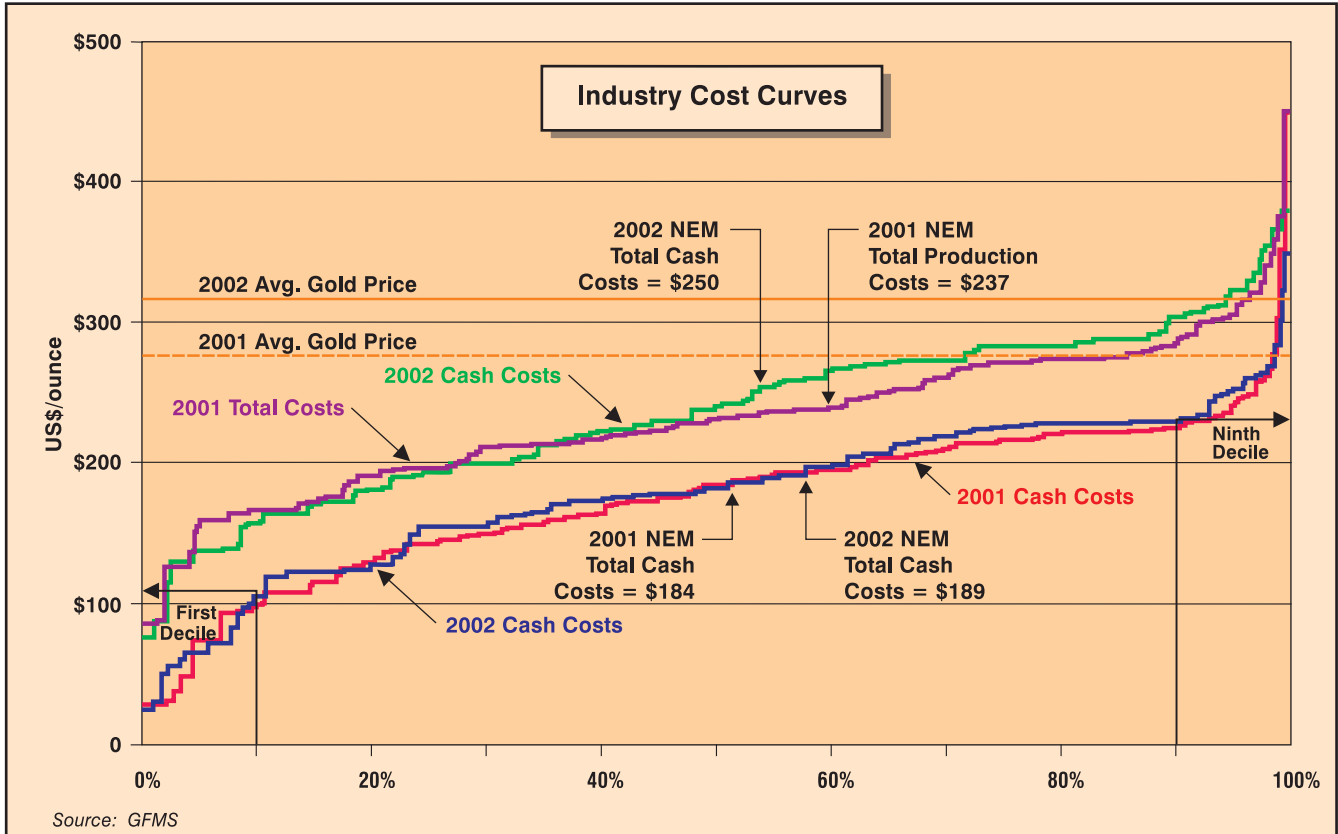
Supply and Demand Statistics

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1Q03	2Q03
Supply (tonnes)												
Mine production	2,291	2,285	2,291	2,375	2,493	2,542	2,574	2,591	2,623	2,587	602	650
Official sector sales	468	130	167	279	326	363	477	479	529	556	163	116
Old gold scrap	577	621	631	644	626	1,099	608	609	707	832	253	226
Net producer hedging	142	105	475	142	504	97	506	-	-	-	-	17
Implied net disinvestment	203	92	102	275	-	-	357	53	-	-	-	-
Total Supply	3,478	3,344	3,657	3,541	4,223	4,102	4,165	4,036	3,912	3,975	1,018	1,010
Demand (tonnes)												
Fabrication												
Jewelry	2,559	2,640	2,812	2,856	3,311	3,182	3,154	3,232	3,038	2,689	577	657
Other	491	455	502	485	562	566	591	560	475	486	140	134
Total Fabrication	3,050	3,095	3,314	3,341	3,873	3,749	3,745	3,792	3,513	3,174	716	792
Bar hoarding	182	249	343	200	350	163	266	230	248	252	25	48
Net producer hedging	-	-	-	-	-	-	-	15	151	423	159	170
Implied net investment	246	-	-	-	-	191	154	-	-	126	118	-
Total Demand	3,478	3,344	3,657	3,541	4,223	4,102	4,165	4,036	3,912	3,975	1,018	1,010
London PM fix (\$/oz)	\$360	\$384	\$384	\$388	\$331	\$294	\$279	\$279	\$271	\$310	\$352	\$347

Totals may not add due to independent rounding. Net producer hedging is the change in the physical market impact of mining companies' gold loans, forwards and options positions. Implied net investment is the residual from combining all other GFMS data on gold supply/demand as shown in the table. As such, it captures the net physical impact of all transactions not covered by the other supply/demand variables.

Source: GFMS

GOLD FACTS

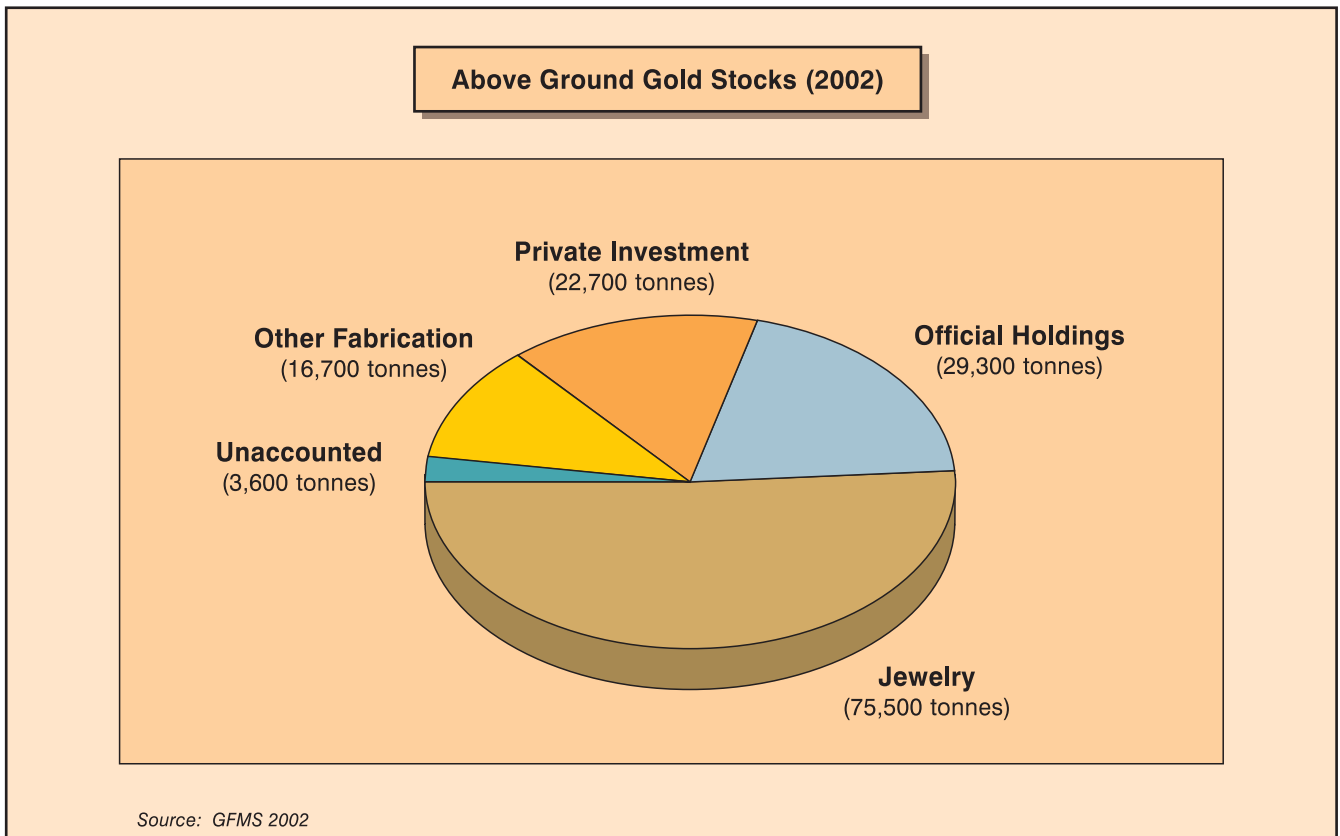
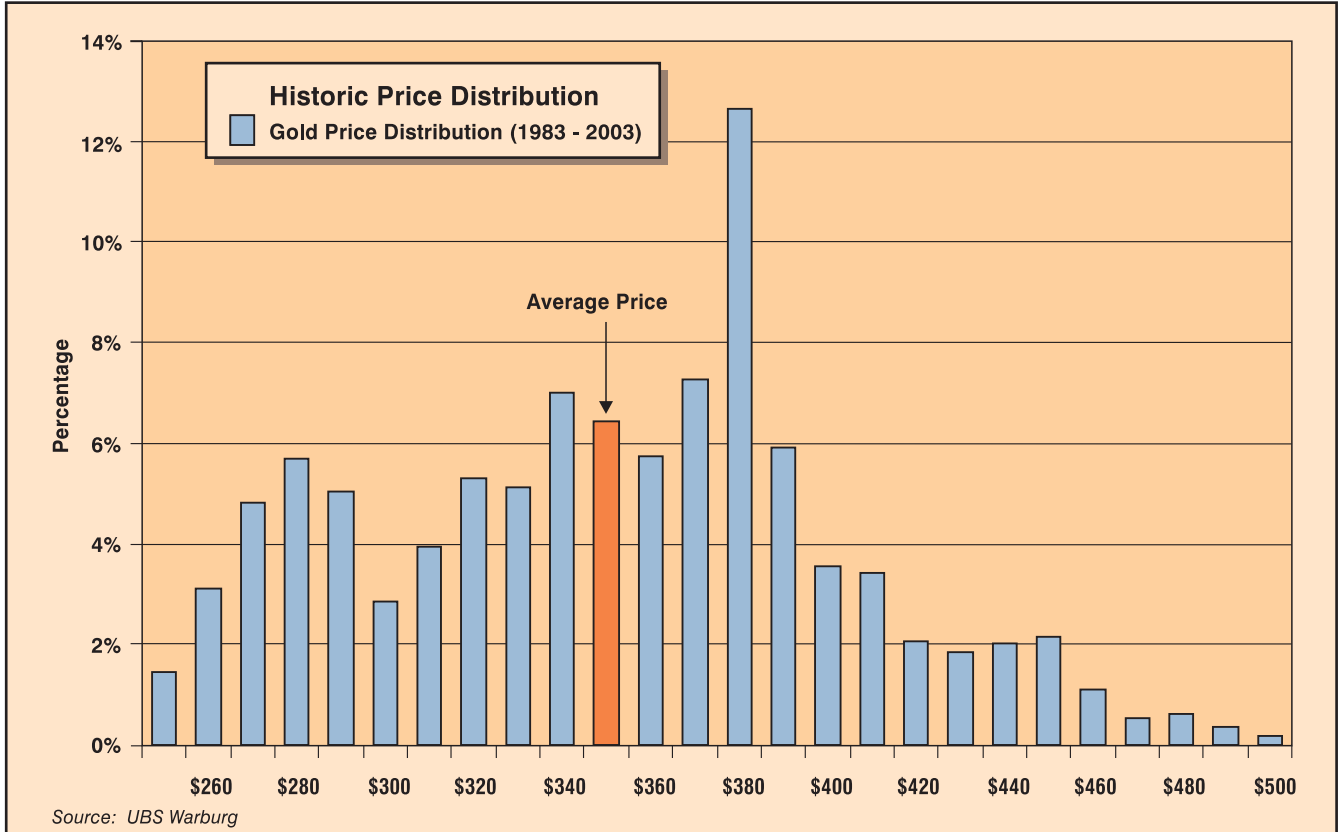


Industry Marketing Initiatives

• **World Gold Council**

- An organization funded by the world’s leading gold companies dedicated to maximizing demand for gold and working to lower regulatory barriers to widespread ownership of gold
- Headed by James Burton, former CEO for CALPERS
- “Glow with Gold” advertising campaign
- World Gold Council website: www.gold.org
- Proposed Exchange Traded Fund (ETF) for the Equity Gold Trust on NYSE
 - 100,000-share baskets, each backed by 10,000 ounces of gold
 - Not a derivative product
 - Would allow pension fund managers to invest in gold as an asset class through a listed security, rather than as a commodity

GOLD FACTS



DRIVERS

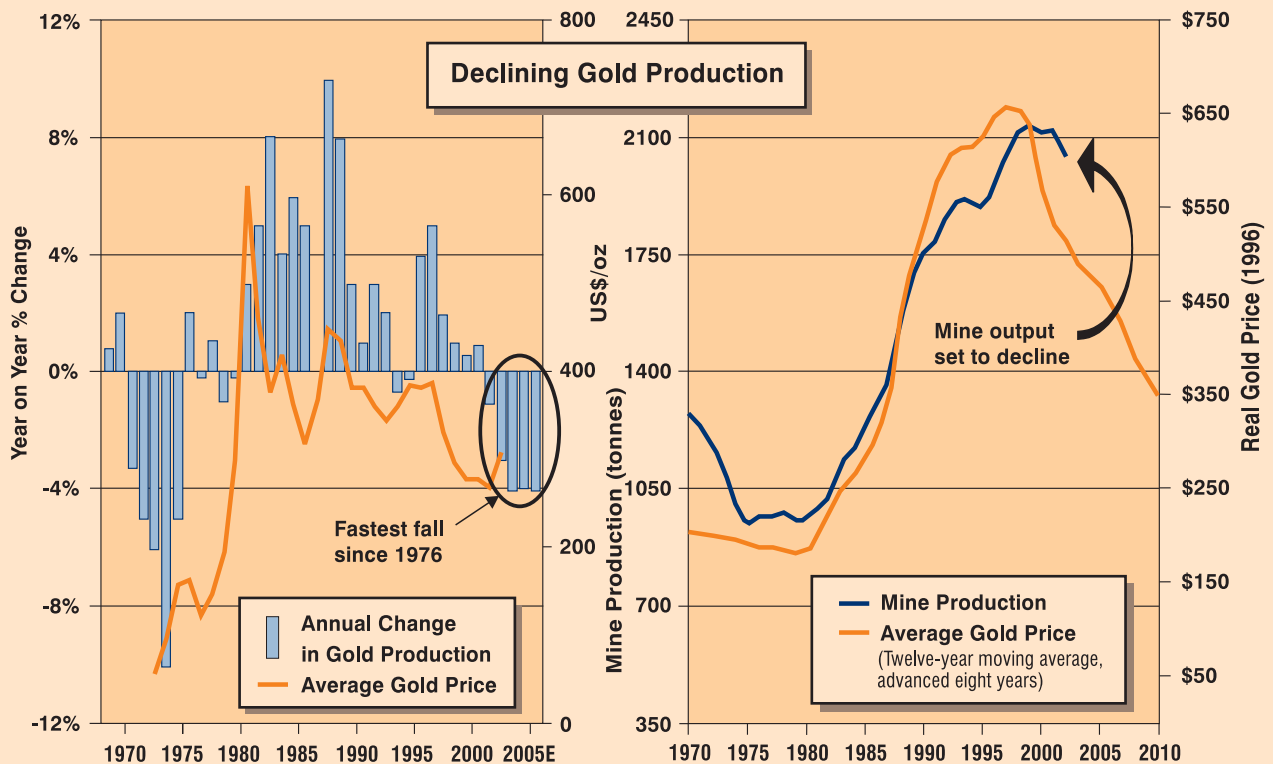
Gold Market Fundamentals

• **Industry Drivers**

- Declining Gold Production
- Washington Agreement on Gold (WAG)
- Central Banks
- Producer Dehedging

• **Economic Drivers**

- US Dollar Weakness
- Paper vs. Hard Assets
- Rising Debt
- Reflation and Increased Liquidity
- Investors Net Long on Comex
- Demand Growth in China



Source: UBS Warburg

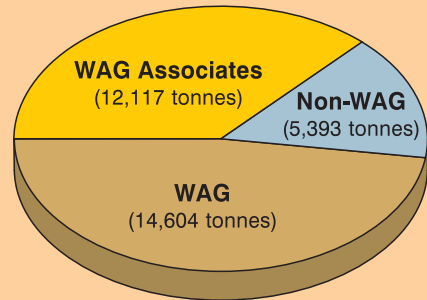
Source: Murenbeeld

INDUSTRY DRIVERS

Washington Agreement on Gold (WAG)

- **Central Bank Agreement**
 - WAG signed in September 1999
 - 15 European Central Banks
 - Limit sales to 400 tonnes annually through September 2004
 - Agreement has worked
 - Renewal likely in 2004

Central Bank Gold Holdings
Total Gold = 32,114 tonnes



Source: World Gold Council, 2003

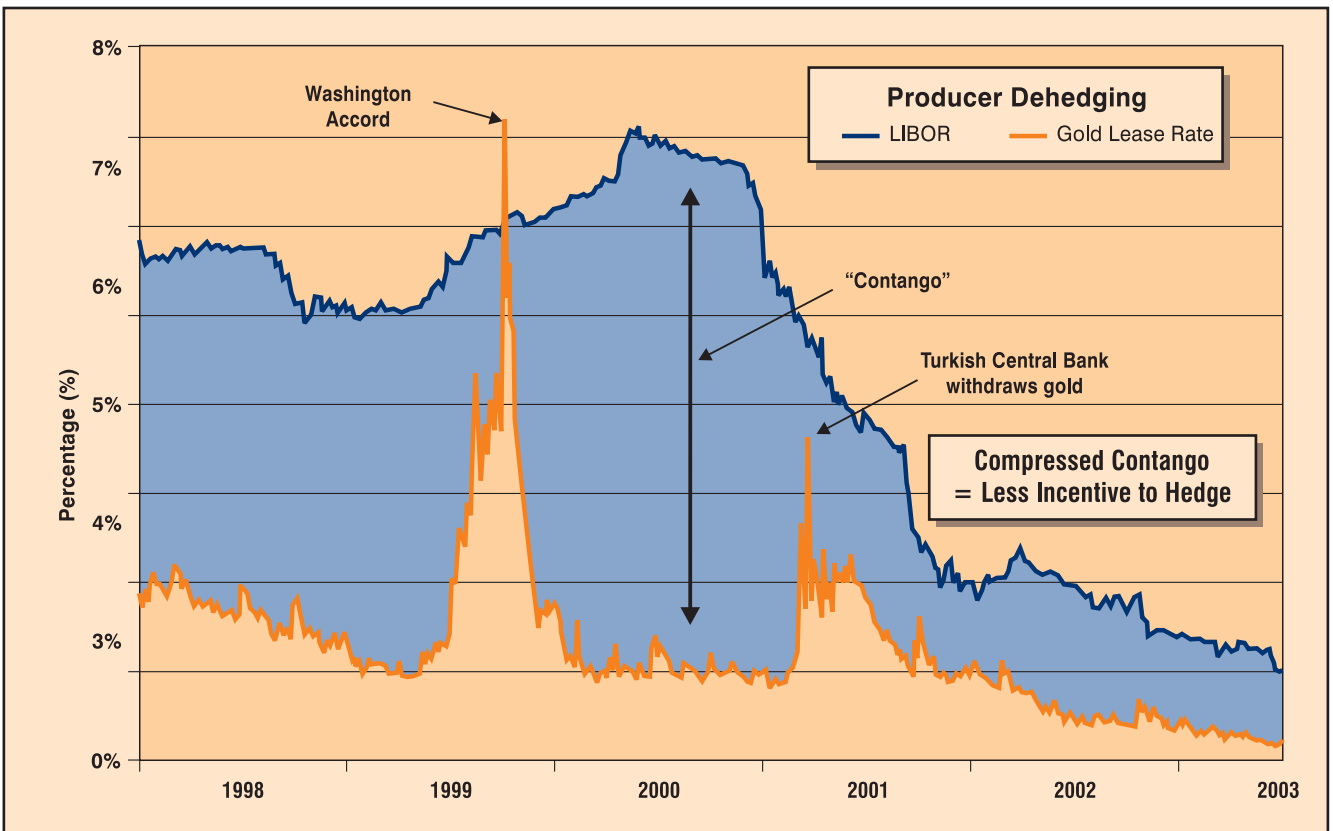
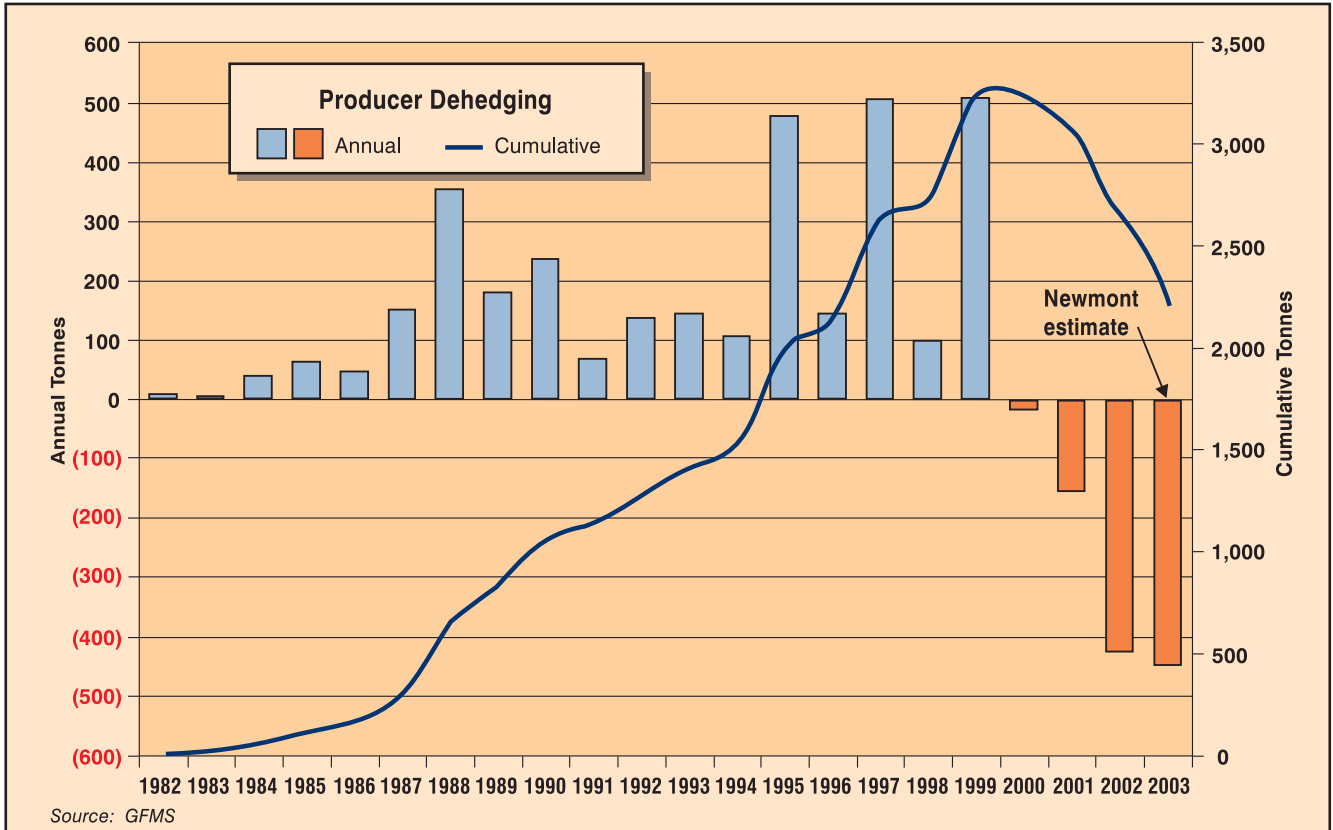
Central Banks

Top 10 Central Bank Gold Reserves (July 2003)

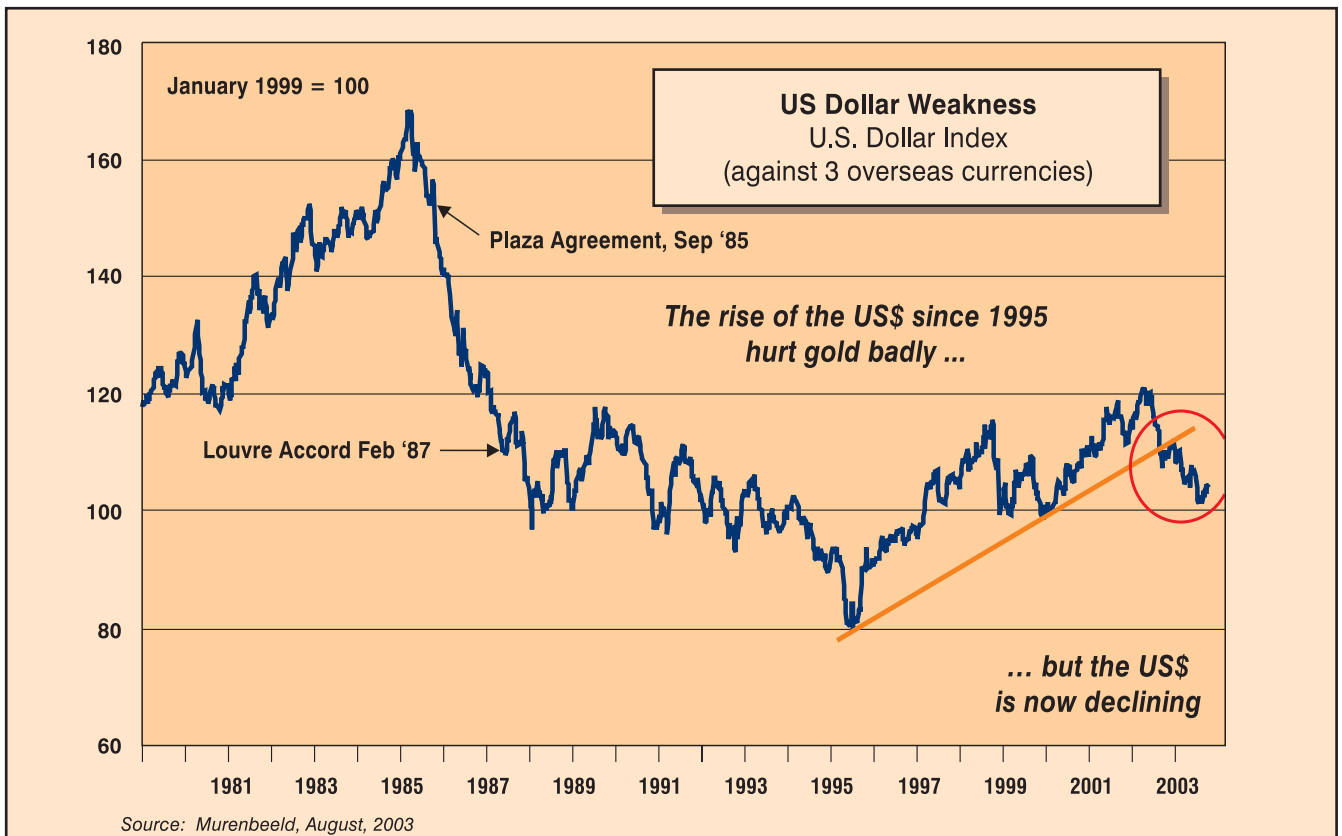
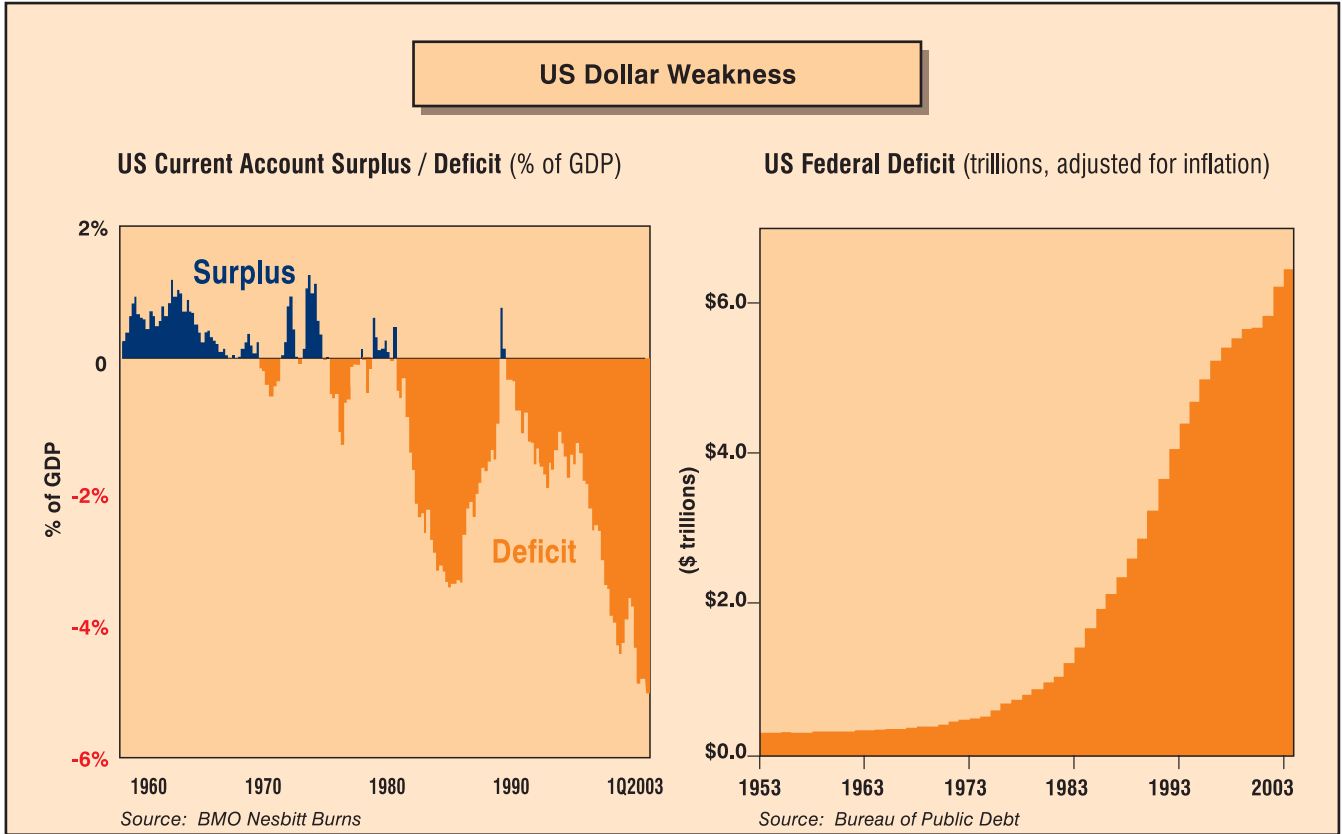
Country/Institution	2003 Tonnes	% of Central Bank Reserves
United States	8,135	25.3%
Germany	3,443	10.7%
IMF	3,217	10.0%
France	3,025	9.4%
Italy	2,452	7.6%
Switzerland	1,781	5.5%
Netherlands	843	2.6%
ECB	767	2.4%
Japan	765	2.4%
China	600	1.9%

Source: World Gold Council, 2003

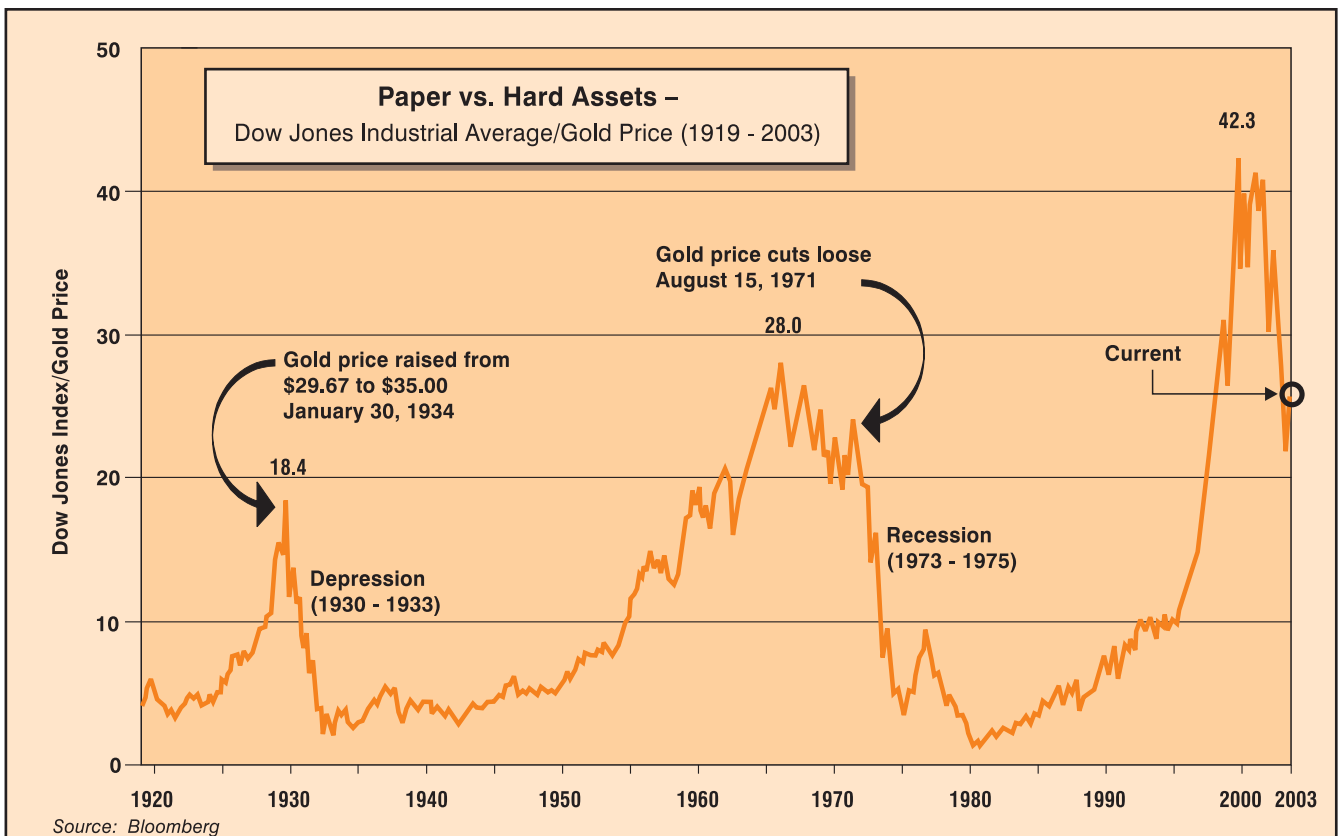
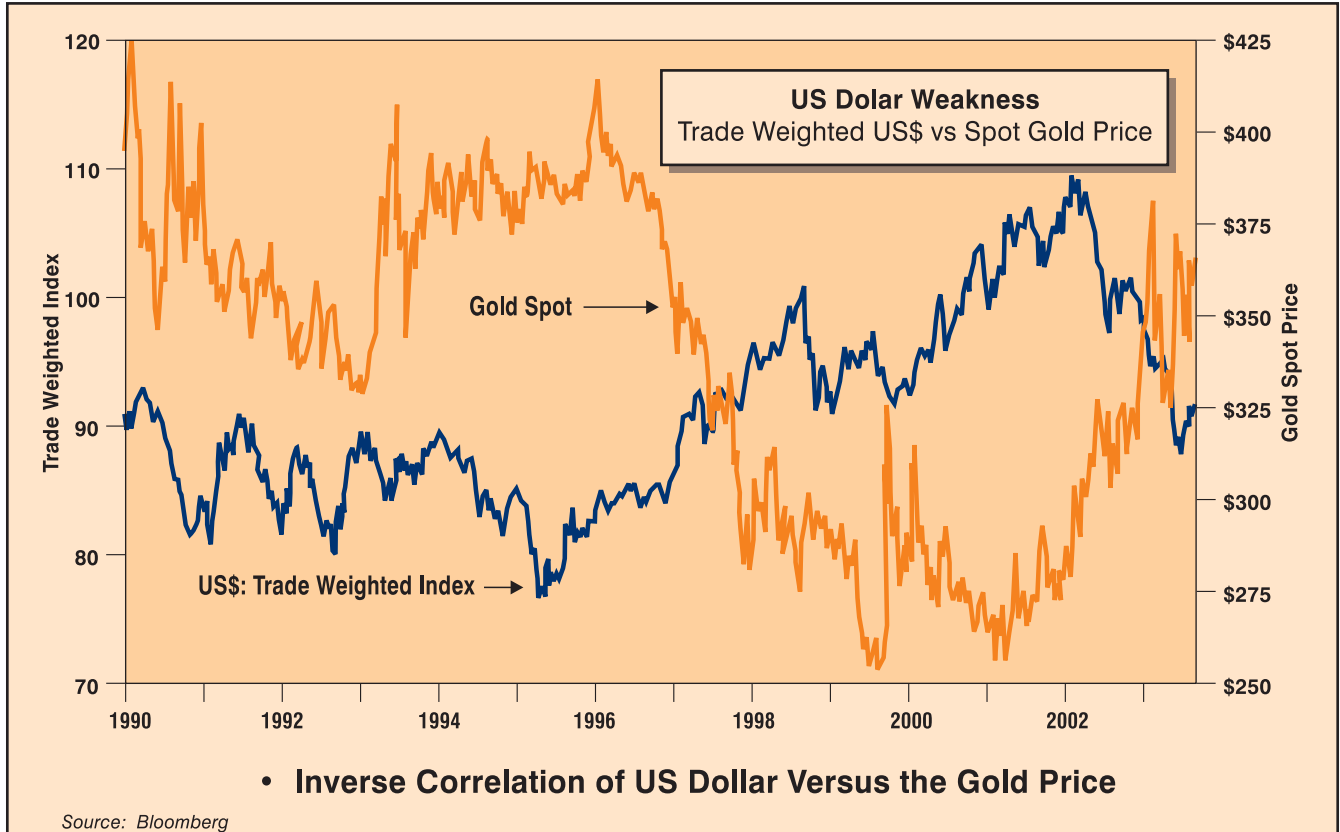
INDUSTRY DRIVERS



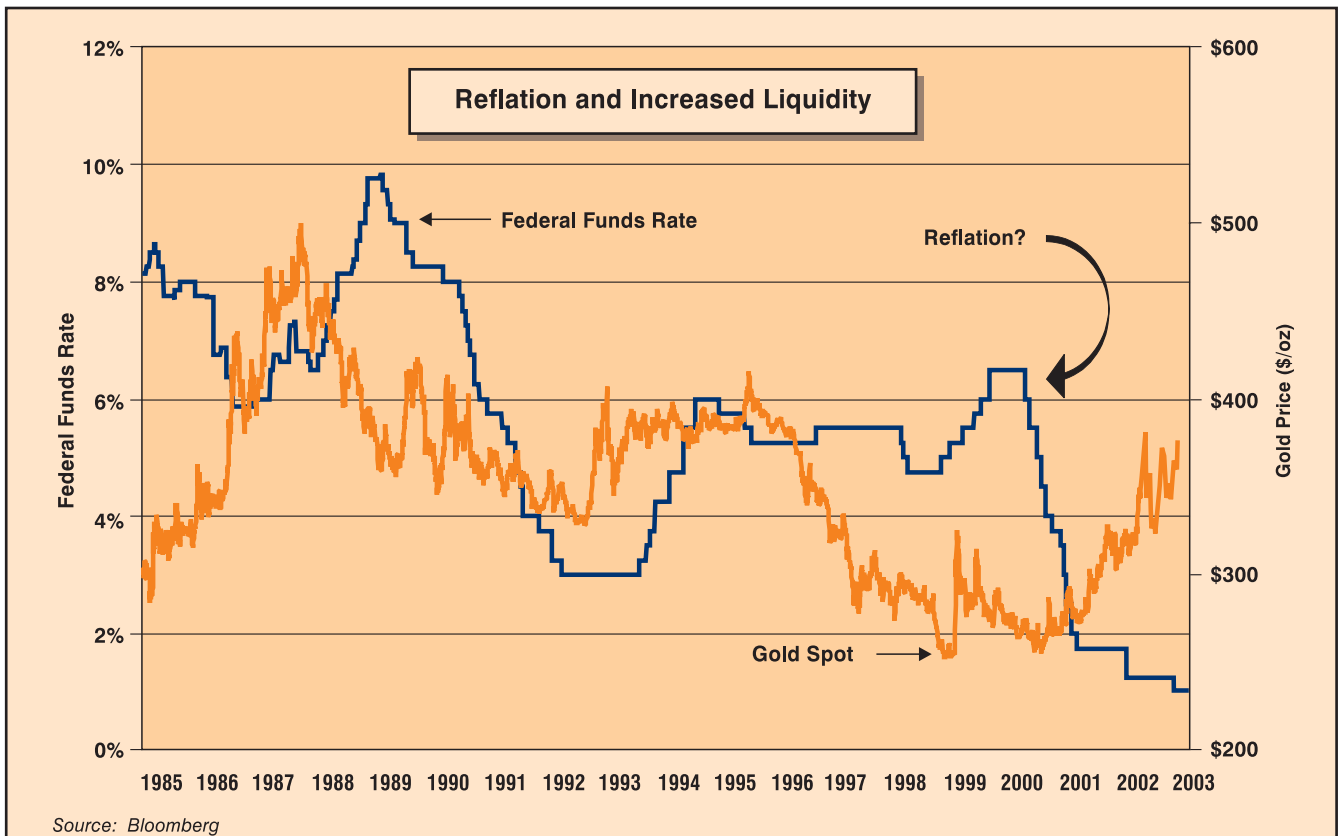
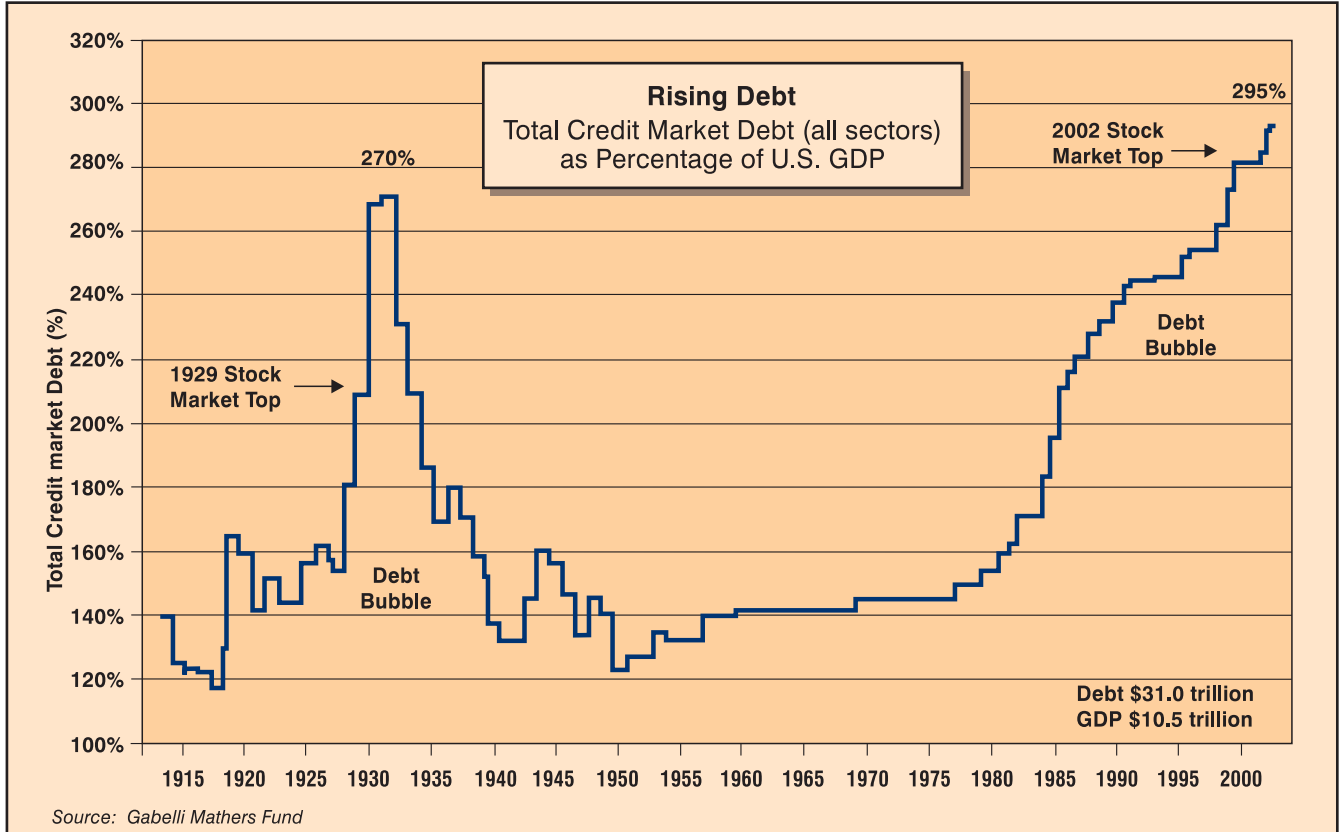
ECONOMIC DRIVERS



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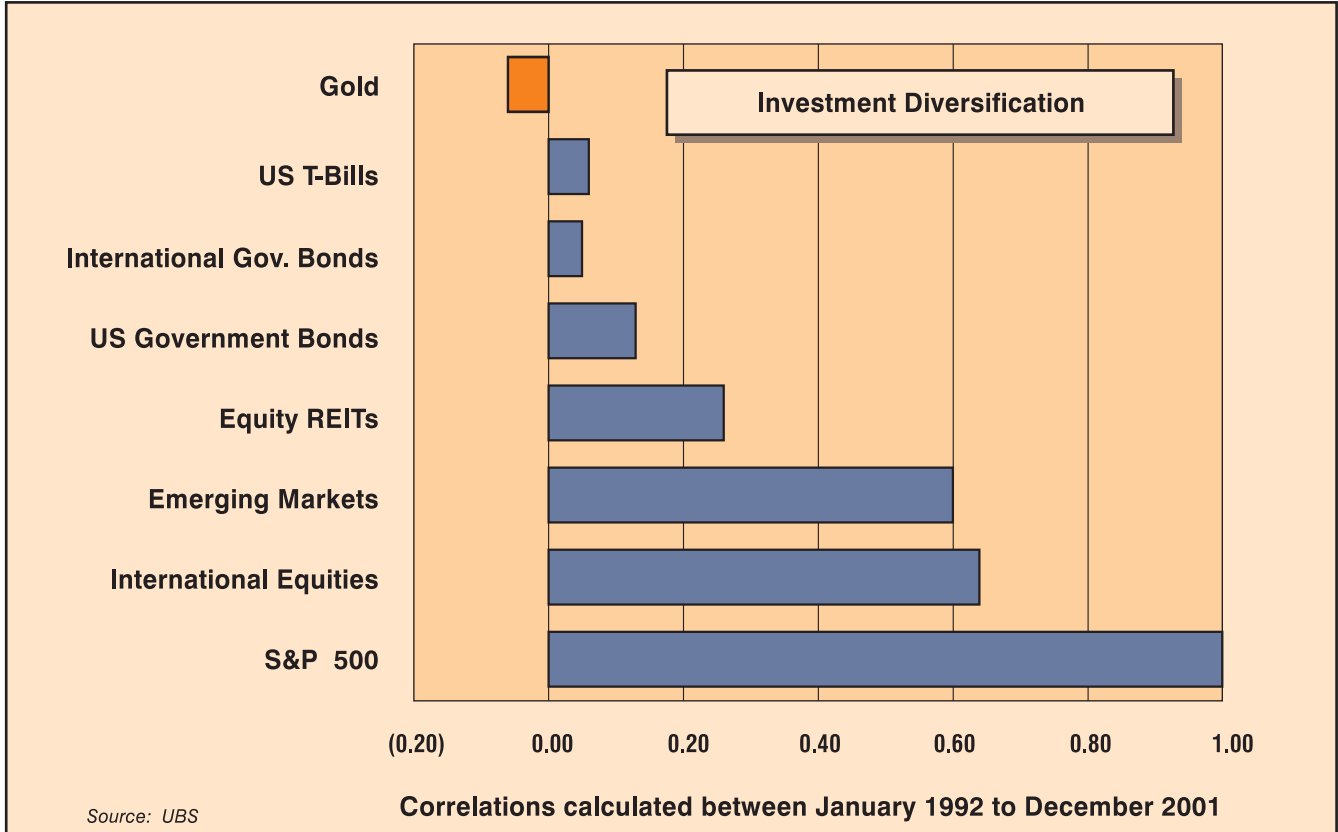


Demand Growth in China

- **Cultural affinity for gold**
- **China deregulated the buying and selling of gold**
 - Established the Shanghai Gold Exchange (2002)
 - Abolished licensing of gold jewelry and retail businesses
- **To maintain gold holdings at ~2%, People’s Bank of China would need to add ~120 tonnes of gold to reserves annually⁽¹⁾**
 - Trade surplus with the US
- **3rd largest consumer of gold (~200 tonnes in 2002)**
 - Lowest gold consumption per capita in Asia⁽¹⁾
 - 0.16 gram per capita
 - 1/3 of Indian demand
 - 1/5 of Taiwanese demand

(1) Merrill Lynch estimate, August 7, 2003

INVESTMENT DIVERSIFICATION



MARKET FUNDAMENTALS

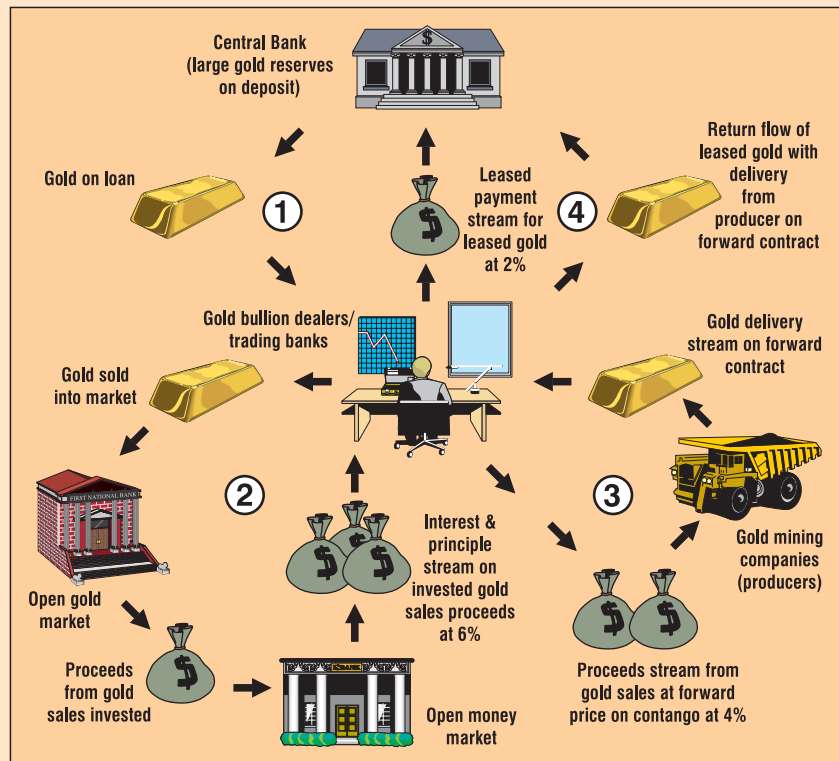
Improving Market Fundamentals

- **Gold Poised for Further Upside Appreciation**
 - Mine output set to decline
 - Industry marketing initiative holds significant potential
 - Hedging market fundamentals deteriorating
 - Central bank sales stabilizing
 - US dollar weakness
 - Reflation with uncertain world economic & political environment

REFERENCES

Hedging Dynamics

- **Central Banks**
 - Facilitates lending for short selling
- **Bullion Banks & Speculative Investors**
 - Borrow gold & sell short
 - Require future gold flow to repay borrowed gold
- **Hedged Gold Producers**
 - Sell gold forward
 - Provides source of liquidity for short sales



Useful Gold References

- **Central Bank Reserves and Trading, Gold Applications, Investment Information, etc.**
 - www.gold.org
- **Third-party Research and Statistics**
 - www.gfms.co.uk
 - www.murenbeeld.com
- **Current and Historical Prices and Lease Rates**
 - www.kitco.com
- **Precious Metals Trading**
 - www.lbma.org.uk
 - www.nymex.com (New York Mercantile Exchange Comex division)
- **Gold Mining News & Articles**
 - www.mineweb.com
 - www.thebulliondesk.com
 - www.gold-eagle.com