

COMMODITY NEWS (CONTINUED)

Gold II*GFMS provides summary of 2007 gold market*

GFMS has released a summary of its *Gold Survey 2008*. Overall gold production in 2007 dropped 0.4% year-over-year, to an eleven year low, driven in large part to a significant decrease in production from South Africa (a result mainly to lower grade ore mined, along with other general operational issues in the area), along with lower production from the US and Peru. Of significance, China's gold production grew 33 tonnes year-over-year in 2007, to become the number one gold producer in the world. Further growth in gold production occurred in Indonesia, Papua New Guinea, and the Philippines.

Not surprisingly, total cash costs showed a considerable increase of 25% in 2007. Australia was singled out in the report, as showing a US\$91/oz increase in total cash costs year-over-year. However, despite the growing cash costs, the rise in the price of gold in 2007 provided expanding margins for gold producers, which provided some fuel for inflating costs as many mining companies undertook further development projects and waste stripping work.

In its forecast for 2008 production, the GFMS expects production to be broadly in line with 2007.

Net official sales grew by 30% in 2007, to 481 tonnes, driven by a 50% increase in gold sales from the Central Bank Gold Agreement signatories; however this was slightly offset by central bank demand outside of the CBGA as the remaining central banks became net purchasers for the first time in more than 10 years.

The demand for gold jewellery fabrication saw a 5% increase in 2007, year-over-year, to slightly over 2,400 tonnes. Over the first half of the year, fabrication increased 22% year-over-year; however, the pronounced increase in the price of gold during the latter parts of 2007 had a considerable impact on the demand for gold jewellery fabrication. The second half reported a drop in fabrication of 9% year-over-year, with Q4 of 2007 the weakest, alone reporting a decrease of more than 20%, year-over-year.

In his outlook for 2008, the Executive Chairman of GFMS, Philip Klapwijk, declared, "Another break above \$1,000 is a real possibility but even if gold does not reach four figures again in 2008, we still expect to see a fall of in excess of 200 tonnes in global jewellery demand this year."

Analyst Coverage: Haytham Hodaly and Rodney Stevens