



Coming Soon ... The New GFMS Platinum & Palladium Survey

► *To be published 6 May 2004*

GFMS is pleased to announce that it is expanding its range of products with the launch of its first Platinum & Palladium Survey. Designed in the same vein as the gold and silver surveys, the Platinum & Palladium Survey will be an independent fundamental assessment of both markets.

We will be producing full supply-demand analyses on a regional and sectoral basis from mine supply through to end-uses and scrap

recycling, and looking both at the history, status quo and prognosis for each metal. The complex interplay between the physical, forwards and futures markets will be reviewed, while the competition between platinum and gold of all colours in the jewellery market will be an interesting issue.

We look forward to producing an in-depth and illuminating study into two of the most fascinating metals markets.

Launch events

The inaugural issue of the *Platinum & Palladium Survey* will be launched at events in London and Johannesburg on 6 May 2004. For information on how to register, please refer to page 2.

To pre-order your copy of the *Platinum & Palladium Survey*, please fill in the order form on page 10 or order online at www.gfms.co.uk.

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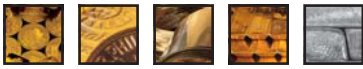
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GFMS Diary of Events

Gold Survey Launches

London

15 April 2004

Grocers' Hall, Princes Street, EC2

Registration & Lunch: 12:00

Presentation & Questions : 13:00

To register, please contact

Ms Laurette Perrard, GFMS

Tel: +44 (0) 20 7478 1750

email: laurette.perrard@gfms.co.uk

or register on line at

www.gfms.co.uk

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Toronto

16 April 2004

The Ontario Club, Commerce Court S

Registration & Lunch: 12:00

Presentation & Questions : 13:00

To register, please contact

Ms Shenaz Gilani, TSFA

Tel: +1 416 366 5755 (extn. 21)

email: shenaz@tsfa.ca

In association with the Toronto
Society of Financial Analysts

Johannesburg

20 April 2004

Venue to be confirmed

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www.gfms.co.uk

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Platinum & Palladium Survey Launches

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Venue to be confirmed

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email: WilkinsonN@scmb.co.za

or register on line at

www.gfms.co.uk

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and Merchant Bank

World Silver Survey Launches

New York: 13 May 2004

The Marriott Hotel, East Side, 525

Lexington Avenue

Mexico City: 14 May 2004

To register, please contact

Ms Malissa Freese, The Silver

Institute

Tel: +1 202-835 0185

email: mfreese@silverinstitute.org

In Association with The Silver
Institute

Other GFMS Events

Gold Survey 2004 - Update 1

15 September 2004

London Precious Metals Seminar

15 September 2004

New York Precious Metals Seminar

9 November 2004

Latest Releases

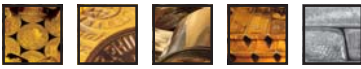


Precious Metals Quarterly Q4-2003

Released January
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The New Central Bank Gold Agreement

► *By Philip Klapwijk and Nikos Kavalis*

On Monday 8th March, the European Central Bank and 14 other central banks announced the renewal of the Central Bank Gold Agreement (CBGA). The new agreement's terms are similar to the one due to expire in September. For instance, the new agreement even maintains the cap on lending and derivatives activity at levels lower or equal to the ones "prevailing at the date of the signature of the previous agreement".

Indeed, the only substantive change to the existing CBGA is that the maximum level of sales has been increased from 400 to up to 500 tonnes per year, with an overall total of no more than 2,500 tonnes permitted during the five-year life of the new agreement. Although a little towards the upper end of expectations, the increase in the sales quota is no great surprise given the far stronger market today than was the case in the third quarter of 1999.

Since September 1999 gold has risen by a massive 50% in US dollar terms and, perhaps more significantly, is over 25% higher in euros. It is probable that policymakers would have drawn the conclusion – correctly in our view – that the market could absorb an additional quantity of central bank gold. The relative lack of price response to news of the CBGA's

renewal and its terms would also seem to confirm this supposition. What is a good deal less clear, is precisely which countries will dispose of sufficient gold in order for 2,500 tonnes to be sold by the signatories over the five year period from September 2004.

Prior to the first CBGA, Switzerland and the United Kingdom had already announced their intentions to sell large shares of their respective gold reserves. This time round, the Swiss will have a residual 130 tonnes to sell and the United Kingdom is out of the picture altogether (indeed the UK Treasury in not signing up to the second CBGA has explicitly ruled out any further sales). Germany is Europe's largest single holder of gold reserves and the Bundesbank has announced its intention to sell 600 tonnes over the life of the new agreement – a relatively small quantity in the light of its more than 3,400 tonnes of reserves.

According to a statement made by the Netherlands central bank in February, it will have 65 tonnes left over to sell from September 2004 onwards from its original 300 tonne target announced in December 1999. At this point, the Netherlands would still hold around 712 tonnes and we suspect that some of this could be released for sale under the second CBGA. Similarly, Austria, which sold 90 tonnes over the first

three years of the current CBGA, indicated on 20th February this year that they would consider further reducing their gold holdings, which currently stand at 318 tonnes.

The total level of sales by Germany, Switzerland and, probably Austria and the Netherlands, are however, not going to be sufficient to reach the 2,500 tonne five-year limit that has just been established under the second CBGA. It would seem for that to occur France (3,025 tonnes) and/or Italy (2,452 tonnes) would have to change policy and initiate gold sales programmes. This is because excluding these two countries' holdings and those of Germany, Switzerland and the ECB itself, the other ten signatories' aggregate gold reserves amount to only some 2,800 tonnes. Although arithmetically possible, it is highly improbable that, in practice, close to two-thirds of this quantity would be mobilised for sale in the five years from September 2004.

Of course, the other intriguing and alternative possibility is that sales will fall short of the 2,500 tonnes limit. This would seem to us an unlikely but not impossible outcome given the still to be clarified policies (in public at least) of the Banque de France and the Banca d'Italia and what may be a 600 tonnes "benchmark" established by the Bundesbank.



Silver Jewellery's Move Upmarket

► *By Neil Meader*

One key feature that was apparent during recent GFMS field trips to Europe was the ongoing resilience of silver jewellery consumption in the face of uncertain economic conditions. It is reported that consumption in France rose a fraction last year, for example, whilst even the hard pressed German market looks to have managed to hold steady. This has done much to sustain fabrication, not only within Europe, but also amongst the top exporters to Europe, many of whom are in south east Asia.

Much in recent years has been made about the benefit that silver is deriving from its popularity at the youth end of the market but another trend is also coming to the fore, namely the push upmarket by silver jewellery. Several of the top end fashion brands have moved into this area at the same time as new jewellery brands have emerged that specialise in large, expensive pieces,

often with cutting edge designs. There even appear to be spin-off benefits for rhodium here as it is the norm that the more expensive pieces are rhodium-plated.

This trend appears strongest in Italy, an unsurprising development given the country's reputation for leading jewellery design, but signs of its diffusion elsewhere, if still mainly in Europe, are apparent. Part reason for this shift is fabricator led; recent weakness in the gold jewellery market, particularly in Italy, has forced some producers to try their hand at silver, a metal not considered previously by some as a constituent of fine jewellery.

It is probably fairer therefore to regard this trend as a symptom of problems in gold jewellery rather than a cause. However, if the new wave of silver jewellery does manage to successfully colonise certain sections of the market

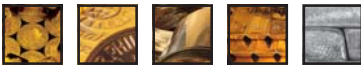
previously occupied by gold, then this trend will become a factor behind the stagnation of gold jewellery sales.

One final point to consider is that this move upmarket will see a divergence in the performance of silver jewellery sales by weight and by value - it is quite possible, in some markets, that the tonnage could decline but sales value increase.



Neil Meader holds the position of Metals Analyst and is responsible for most of Europe, having previously covered the Arabian Gulf countries.

Prior to GFMS, Neil worked as an analyst in the energy industry and in soft commodity trading. He holds a degree in economic history from Exeter University.



Back in the CIS

► *By Bruce Alway*

Supply Side Analyst Bruce Alway recently returned from a 2-week research trip to former Soviet States Uzbekistan and Kazakhstan.

Whilst Kazakhstan and Uzbekistan both have an abundance of geological data compiled during the Soviet era, the two neighbouring countries are a world apart when it comes to the approach of developing this mineral wealth. Of course, as regards to gold output, Uzbekistan at over 80 tonnes a year dwarfs Kazakhstan's production at just over 20 tonnes.

In a new development, and in a move that paves the way for full privatisation of the mining industry in Kazakhstan, in September 2003 a major auction process was initiated

by the state. The published list of 149 properties included precious and base metal prospects, both under exploration, and mining and exploration licences. Results of the process are anticipated towards the end of March 2004.

In sharp contrast, and a problem that highlights some of the issues that have stalled development in Uzbekistan, results from their latest tender process, (Newmont and Oxus are both in contention for a licence to develop the Dzhamsansay deposit) were expected in October 2003, but at the time of writing a final decision had still not been reached.

Full details of the research findings from this trip, including details of the tender process, will make up part of

a detailed country mining report, which is timetabled for release in May 2004. The planned release of the report follows the publication of "Gold Mining in Russia" in December 2003, produced in association with local industry experts NBL Gold.



Bruce Alway holds the position of Metals Analyst and is responsible for research into global mine production and producer hedging. He has a degree in geology from Manchester University and a Master's degree from the Royal School of Mines, Imperial College.

Mining Reports

Now available:



Gold Mining in Russia

Released 12th December 2003.

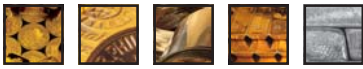
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- Kazakhstan & Uzbekistan
- China

For further information, please contact GFMS.



New Additions to the GFMS Research Team

Peter Ryan



Having spent almost 30 years in the precious metals industry with Johnson

Matthey, I was very pleased to have the recent opportunity of joining Paul Walker, Philip Klapwijk and the rest

of the GFMS team here in London. Since my arrival in January my focus has been the compilation of GFMS first survey of the Platinum and Palladium markets. This challenging and exciting project is now well underway and will soon result in what I believe will be a well

researched and thought provoking insight into these fascinating markets.

Rhona O'Connell



Rhona O'Connell has joined GFMS Ltd as a consultant. She arrived at the start of February and

her first assignment is assisting in the preparation of GFMS' first Platinum & Palladium Survey, which is due to be launched on May 6th. Rhona comes to GFMS with over 20 years' experience as an analyst in the metals markets, during which time she has continually specialised

in the precious metals. After graduating from Cambridge with a degree in Natural Sciences and Law, she cut her teeth in the industry as a junior analyst on the Gold Survey, when it was under the auspices of Consolidated Gold Fields, so this association with GFMS feels like coming home! From Gold Fields she moved into the City as a metals markets analyst with commodity brokers Rudolf Wolff and was then the precious metals analyst for investment bank Shearson Lehman

Brothers. This was followed by ten years as a metals analyst in the stock broking sector. She was most recently the manager of markets analysis for the World Gold Council and comes to GFMS full of enthusiasm for once again covering silver and the PGMs as well as gold.

Andrew Leyland



Andrew holds a degree in Philosophy, Politics and Economics from Oxford University. He

joins GFMS and GFMS Metals Consulting as a Metals Analyst, previously having worked in the Department of Trade and Industry.

With GFMS he is helping to cover the expanding supply side research commitment for precious metals brought about by the new Platinum and Palladium survey. For GFMS Metals Consulting Andrew works with Neil Buxton to research and produce the Base Metals Market Briefing, along with other base metals sector research. Forthcoming

projects include a detailed look at the nickel and cobalt market out to 2010, and a new monthly steel publication.



GFMS Mining & Exploration Unveils GFMS Minerva - Early Stage Project Valuation/Evaluation Technology

► *By Richard Napier*

Soaring metal prices have rejuvenated exploration and investment opportunities across the mining sector. But how do you pick out early stage, higher risk projects that will pay-off in the long run? As expenditure progresses and increases on an early stage exploration project and it edges towards prefeasibility and feasibility, risks decrease, but so does the potential for big gains. So how do you choose the right projects at a stage when those gains can still be made?

GFMS Mining & Exploration Consulting has been working on this problem with some of the world's

most experienced resource/reserve and exploration specialists. The result of this is GFMS Minerva, a new valuation/evaluation technique for green- and brownfields projects. As well as being an early stage valuation tool, it can also assist with project planning based on precious and base metal commodity price forecasts- the speciality of GFMS Ltd and GFMS Metals Consulting.

GFMS Minerva is for investors, miners, and explorers interested in maximising value from early stage exploration opportunities. For more details please contact GFMS Mining & Exploration Consulting by email info@gfmsmining.com.



Richard Napier has a PhD in Economic Geology and fifteen years experience in a broad variety of projects and positions across the globe in the mining and

exploration sector. This includes advisory services to investment banks, research services, investment promotion, target evaluation & generation, exploration model research and project management. email: richard.napier@gfmsmining.com

GFMS Mining & Exploration's Permanent Presence in Russia

► *By Richard Napier*

GFMS Mining and Exploration Consulting now has a permanent presence in Russia. Dr Jeffrey Aucott will be responsible for GFMS Mining & Exploration's business development from his offices in Moscow. Jeff has global experience as an exploration and resource/reserve evaluation geologist, focusing particularly in the last few years on projects in Russia and the FSU. Jeff Aucott may be contacted through info@gfmsmining.com.

Jeff's presence in Russia furthers GFMS' capabilities, expertise and

links with the region, which is widely regarded as the next major global exploration opportunity.

With its annual Gold Survey published in Russian, the recent publication of GFMS' Russian Mining Report (also available in Russian), and permanent representation in Moscow, GFMS is positioning itself to be at the forefront of mining and exploration research and consulting in Russia.

► **GFMS Mining and Exploration Consulting** is the mining and exploration company research division of GFMS. Using teams of metals and mining analysts, geologists, mining engineers, and economists we undertake tailored investigations of companies and projects for investors, minors and explorers. Visit us at www.gfmsmining.com.



Base Metals: The Club of Rome - The limits to Growth (part 2)

► *By Neil Buxton*

It is not often that a book about commodities is a best seller. However "The Limits to Growth" published by the Club of Rome in 1972 sold over 12million copies. Although the book looked at many issues facing the global economy in the early 1970s, one theme was that the simple extrapolation of commodity consumption trends experienced in the 1950s and 1960s could lead to shortages that would place limits to economic growth. Almost immediately after the publication of the report came the first of the oil shocks, which somewhat altered the dynamics of commodity markets! The rest, as the saying goes, is history.

The current situation in the base metals sector might encourage some to revisit the issues raised in "The limits to Growth" as for the first time in possibly thirty years, acute shortages of industrial metals are emerging. Some analysts have suggested that prices are close to their peaks and that current prices are unsustainable. At GFMS Metals Consulting, we believe that that the

bull run may last longer than conventional wisdom suggests, although prices are, of course, well above long term averages.

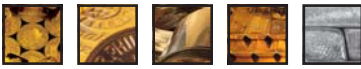
Prices of many commodities are now back at levels seen in the last true bull market for base metals - the late 1980s. The key difference is that in 1987/88 the sharp increase in prices came at the end of an economic cycle. This time around many key regions - Japan, the USA and the Euro-zone - are still experiencing accelerating economic growth. In addition, the non-OECD economies are enjoying growth rates reminiscent of those recorded by the now mature economies in the 1950s and 1960s. Although China tends to dominate the headlines, one should not ignore the metal-intensive growth that is underway in India, the CIS and the ASEAN countries.

The surge in base metal demand growth comes against a backdrop of a decline in exploration expenditure. Not only did exploration expenditure fall in the late 1990s/early 2000s but also it remained heavily skewed

towards gold. In our regular research, we have identified structural raw material shortages for most of the base metals, which have seen treatment charges sky-rocket. In addition, existing capacity is running flat out, which increases the risk of technical problems developing, while high prices tend to encourage a more militant stance from unions eager to share in the benefits of the bull market.

The tightness in the base metals is economic in origin. The fundamental shortages put forward in the "Limits to Growth" are unlikely to eventuate. However, what may occur is a temporary reversal of the long term decline in real commodity prices as high prices are required to encourage investment in new projects.

► *In order to receive a free copy of [The Base Metals Market Briefing](#) which gives supply-demand balance and price forecasts for all the base metals plus cobalt out to 2005 contact: neil.buxton@gfms-metalsconsulting.com.*



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Gold Survey - Update 2	205	375	315	365	675	565	<input type="text"/>	<input type="text"/>
Platinum & Palladium Survey 2004 <small>NEW</small>	265	495	395	475	895	715	<input type="text"/>	<input type="text"/>
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