

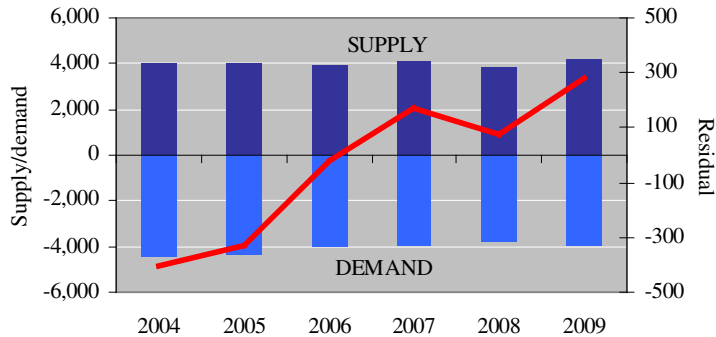


PRESS RELEASE

FOR IMMEDIATE RELEASE

20th November 2009: THE BNP PARIBAS FORTIS/VM Group YELLOW BOOK

Gold supply and demand, 2004-2009, tonnes



Decline in jewellery offtake and rise of scrap supply widens gold residual surplus to an estimated 282t in 2009, from 75t in 2008.

Source: VM Group

VM Group today makes public the ninth issue of *The Yellow Book*, the BNP Paribas Fortis/VM Group bi-annual analysis of the global fundamentals of the international gold market. The report was released to clients earlier this month.

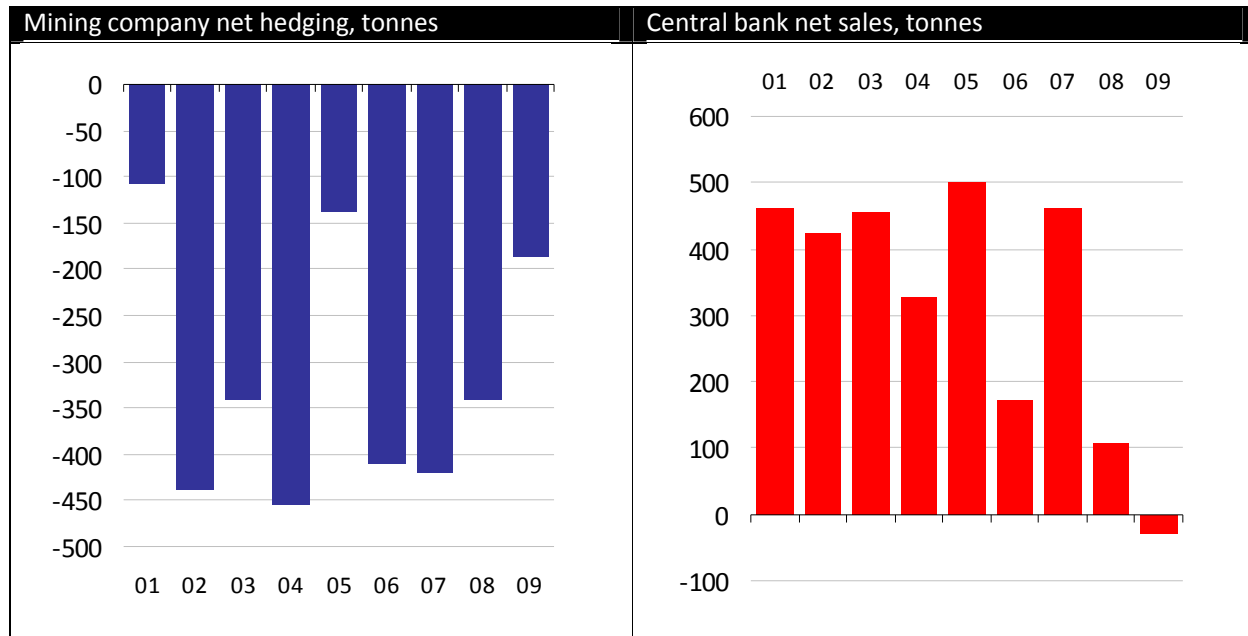
The rise in the gold price during 2009, to a new nominal record of above **\$1,100/oz**, is the result of a combination of factors which include: an onrush of speculative investment interest, fuelled by a weak dollar; an effectively zero interest-rate environment in the US; an apparent change of heart by central banks towards gold as an asset; and uncertainty about how governments will set about cutting unprecedented levels of debt.

Gold's status as a hedge against risk has been a dominant theme since the end of Q4 2008, as evidenced by an expected **near doubling in gold ETF offtake in 2009, which we estimate will total 610t**, compared with 320t in 2008, and a **resurgence in Comex speculation, with net longs in gold futures and options (as of early November 2009) at more than 319,000 contracts (992t)**.

Despite, or more likely because of, this reinvigorated speculative investment enthusiasm for gold, we estimate that the physical gold market will be in **surplus by at least 282t in 2009. Jewellery demand has been hit badly**. We forecast total offtake from this sector (both investment and adornment) in 2009 will be 1,885t and **given further substantial price gains in November 2009, the risks here for the remainder of the year are to the downside**.

Supply this year has also risen – in particular a year-on-year **19% rise in scrap**, as the high price has encouraged more physical holders to trade in their gold for cash, **while there has also been higher mine production**, as miners have been encouraged to take advantage of the high price. **China remains the world's largest gold producer in 2009, while Australia has overtaken the US to become the second largest producer**. **South African mine supply has extended its steady decline in production, falling below Russia, to fifth place**.

A major change in the supply/demand balance is that the official sector is likely to be a net buyer of gold in 2009 to the tune of about 30t. Both central bank sales and purchases were higher in 2009 than 2008 because of the IMF's sale of 202t of gold to the Reserve Bank of India (200t) and Mauritius (2t), but the net position was aided by Russian purchases and very weak European sales. Mining company dehedging has also surpassed expectations, with aggressive programmes by the companies with the largest remaining hedge books, **Barrick** and **AngloGold Ashanti**.



We anticipate the surplus of 2009 may be repeated in 2010, as a recovery in jewellery demand is offset by a decline in dehedging and a further increase in mine supply. This is however to be expected when investor interest is so strong, and indeed price direction will **again depend heavily on investors' willingness** to add to their holdings. Therefore the biggest threat to the gold price in 2010 will come from macroeconomic factors, such as a concerted effort by the US government to rein-in the money supply and support the dollar. The possibility is however remote in our view, as the US is likely to keep interest rates at rock-bottom until very late in 2010, for the government's fiscal priorities will remain favourable to easy credit until well after the end of the recession has been formally acknowledged.

The Yellow Book is published twice a year and is open-access, available directly from the VM Group at www.virtualmetals.co.uk.

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