GOLD FIELDS MINERAL SERVICES LTD

First Quarter 2003 Gold Supply & Demand Balance

Note: The gold supply and demand balance and other demand data in this document have been compiled by Gold Fields Mineral Services (GFMS) for the World Gold Council (WGC). GFMS is publishing the data for the first quarter.

Tonnes	2001	2002	yoy % change	Q102	Q202	Q302	Q402	Q103*	yoy % change
Supply									
Mine production	2,623	2,587	-1.4	570	637	727	653	572	0.3
Official sector sales	529	556	5.0	163	118	83	191	151	-7.4
Old gold scrap	708	835	17.9	198	205	198	234	248	25.3
Implied net disinvestment	52	-	na	-	-	-	-	-	na
Total Supply	**3,912**	**3,978**	**1.7**	**931**	**960**	**1,008**	**1,078**	**970**	**4.2**
Demand									
Fabrication:									
- jewellery	3,037	2,688	-11.5	655	638	657	738	586	-10.5
- other	476	485	1.9	125	117	117	126	141	12.8
Total fabrication	3,513	3,173	-9.7	780	755	774	864	727	-6.8
Bar hoarding	248	252	1.6	80	53	61	58	35	-56.5
Net producer hedging	151	423	180.1	31	104	149	139	145	367.7
Implied net investment	-	130	na	40	48	24	17	64	59.6
Total Demand	**3,912**	**3,978**	**1.7**	**931**	**960**	**1,008**	**1,078**	**970**	**4.2**
London PM fix (US$/oz)	271.04	309.68	14.3	290.07	312.40	314.20	321.87	352.09	21.4

Totals may not add due to independent rounding. Net producer hedging figures are exclusive of any delta hedging of central bank options. Implied net (dis)investment is the residual from combining all of the other GFMS data on gold supply/demand as shown in the Summary Table. As such, it captures the net physical impact of all transactions not covered by the other supply/demand variables. * Provisional.

Summary

It is estimated that supply rose by just over 4% year-on-year in the first quarter. The change was mainly the result of a sharp increase in scrap supply. In contrast, mine production was essentially flat whilst official sector sales fell slightly.

The modest rise in total demand was chiefly the result of a sharply higher rate of producer de-hedging. Other elements rising included implied net investment and the combined demand from non-jewellery fabrication. Jewellery fabrication, however, fell by a hefty 10.5%, a fall sufficient to cut total fabrication on a year-on-year basis, whilst bar hoarding also fell sharply.

Supply

Provisional estimates for **mine production** suggest that Q103 output was broadly flat year-on-year. This occurred despite Indonesia's Grasberg, the largest gold producing mine in the world, seeing a far stronger start to the year than in 2002.

In sharp contrast to the above, the supply of old gold **scrap** surged dramatically in the first quarter as the strong gold price triggered heavy re-selling in price sensitive markets such as India and the Middle East. This on occasions was reinforced by domestic currency weakness in some key countries such as Egypt.

Net **official sector sales** declined a little to just over 150 tonnes. This figure includes the 15 tonnes sold under the Central Bank Gold Agreement (CBGA) by Portugal in February but not the 45 tonnes sold in March and April, which are reported in April in the official statistics. CBGA countries once again dominated sales during the quarter.

Demand

The greatest year-on-year change to demand was in the pace of **producer de-hedging** which, in the first quarter of 2003, continued at a similar rate to that seen in the second half of 2002 despite the gold price having peaked at $382/oz in early February (basis the p.m. fix). This was the sixth consecutive quarter that producers added to gold demand through their hedging activity. These Q103 active buy-backs, scheduled deliveries and book restructuring cut the delta-adjusted hedge book at end-March to 2,347 tonnes or 91% of 2002 mine production.

(Over the course of 2002, GFMS have extensively deepened and improved the analysis of the global producer hedge book. Specifically, each options trade by instrument and year of expiry is now meticulously entered into not only a hedging database but also into the *Brady Trinity*™ integrated trading and risk management software. The use of *Brady Trinity*™ enables accurate deltas for all trades to be calculated, whilst also allowing for sophisticated sensitivity and scenario analyses.)

The other key change on the demand side was the 10.5% fall in **jewellery** fabrication to 586 tonnes. This drop was attributable to a wide range of countries, such as India, others in Asia (especially Indonesia) and many in the Middle East (for example Saudi Arabia). However, falls were also seen in the industrialised world, with fabrication down in the United States, essentially all the EU countries and Japan.

Despite the geographical spread of weakness, the reasons for the decline were quite limited. The price rally in January and early February undermined offtake in the developing world's price sensitive markets, most obviously India and the Middle East, whilst the latter and the industrialised world were affected strongly by the Iraqi crisis. Macro-economic concerns were also important for Europe and North America.

Industrial and **dental** fabrication in contrast rose significantly. A partial recovery in the electronics sector and a slow down or on occasions a reversal of 2002's damaging de-stocking largely explain this turnaround. There was also a jump in **coin** fabrication, which was mainly the result of a sharp rise in Turkish offtake.

Bar hoarding fell sharply, chiefly as a result of a steep decline in Japan, whose Q102 figure had been abnormally high due to concerns over the stability of that country's domestic banking system and the imminent approach of the imposition of limits on insurance for some bank deposit accounts. Nonetheless, sharp falls were also recorded elsewhere, in particular Indonesia, Thailand and Vietnam.

Implied net investment, however, rose substantially. This was in part due to the strong growth in retail investment seen in Europe and, to a lesser extent, the United States.

Consumer Demand

Tonnes	2001	2002	yoy % change	Q102	Q202	Q302	Q402	Q103	yoy % change
Total	3,382.1	3,016.8	-10.8	713.8	653.2	687.7	962.0	639.9	-10.4
- jewellery	3,037.0	2,688.0	-11.5	625.9	592.1	596.4	873.7	572.0	-8.6
- retail investment	345.1	328.8	-4.7	88.0	61.2	91.3	88.3	67.9	-22.8

Jewellery (and retail investment) is measured here on a consumption basis whereas in the table on page 1 it is measured on a fabrication basis. As a reminder to the reader, fabrication is measured at the point where pure gold is first transformed into another product. Consumption is measured at the point of purchase by the final user or customer. The latter therefore in practice represents domestic fabrication plus imports less exports adjusted for retail stock movements.

Consumer demand in key countries

Tonnes	2001	2002	Q102	Q103			yoy % change		
			Total	Total	Jewellery	NRI*	Total	Jewellery	NRI*
India	709.7	547.3	118.8	103.5	89.0	14.5	-12.9	-12.6	-14.7
Greater China	271.5	239.7	67.8	63.4	63.5	-0.1	-6.5	-5.1	…
China	205.6	203.9	56.5	57.7	55.6	2.1	2.0	-0.1	132.9
Japan	113.9	141.6	56.5	23.3	11.3	12.0	-58.8	-9.8	-72.7
South-East Asia	264.4	256.0	68.7	39.6	40.1	-0.5	-42.3	-24.0	…
Indonesia	106.3	102.9	26.0	13.7	17.0	-3.3	-47.4	-27.7	…
Vietnam	57.6	59.6	15.8	12.5	5.6	6.9	-20.9	-20.0	-21.6
Middle East	440.6	370.6	102.4	97.8	92.0	5.8	-4.5	-7.1	72.2
Saudi Arabia	165.8	143.0	41.3	39.7	38.2	1.5	-4.0	-5.4	59.6
Egypt	117.4	82.0	19.3	18.6	17.8	0.8	-3.6	-7.8	…
UAE	99.6	93.4	28.4	27.5	25.5	2.0	-3.0	-5.6	48.1
Turkey	119.1	128.4	28.8	42.4	25.6	16.7	47.3	42.9	54.6
USA	413.1	408.8	82.1	85.6	75.3	10.3	4.3	-6.1	456.8
Europe	275.4	235.2	28.9	43.2	37.3	5.9	49.6	-6.9	…
Italy (jewellery only)	91.7	87.8	14.3	13.6	13.6	na	-4.4	-4.4	na

**Net Retail Investment*

The reasons for the widespread falls in jewellery consumption were essentially the same as for fabrication, namely the rise in the gold price, consumers holding back during the Iraqi crisis and the ongoing weakness of world GDP growth. Nevertheless, there are some subtle differences. The decline in European consumption, for example, was noticeably smaller than for its fabrication, mainly as domestic manufacturers lost further market share to imports. The chief exception in the table above is Turkey, which enjoyed a substantial gain. This was largely a result of a continuation of the 'normalisation' of its economy following its 2001 crisis.

(Fuller demand figures for Q103 will appear on the GFMS website, www.gfms.co.uk, within a couple of weeks.)

For further information on GFMS and its products, please contact Laurette Perrard on gold@gfms.co.uk.

GFMS' next major publication will be *Gold Survey 2003 Update 1*. This report provides a 30 page review of the gold market in the first half of 2003 and a forecast for the full year. It contains detailed analysis of the main developments in mine production, costs, hedging, fabrication, investment and central bank activity. It also gives commentary on price movements and indications on what to expect looking forward.

The publication can be ordered from GFMS at the above e-mail address for £195, US$295 or €290 per copy.