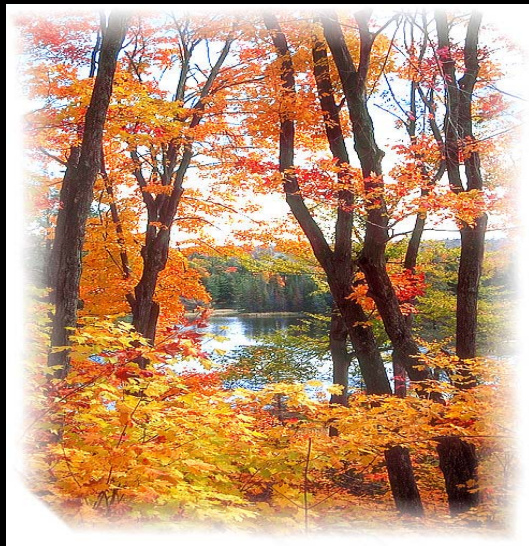


# FROM GIANT MAPLES TO BONSAI THE DECLINE IN PRODUCER HEDGING

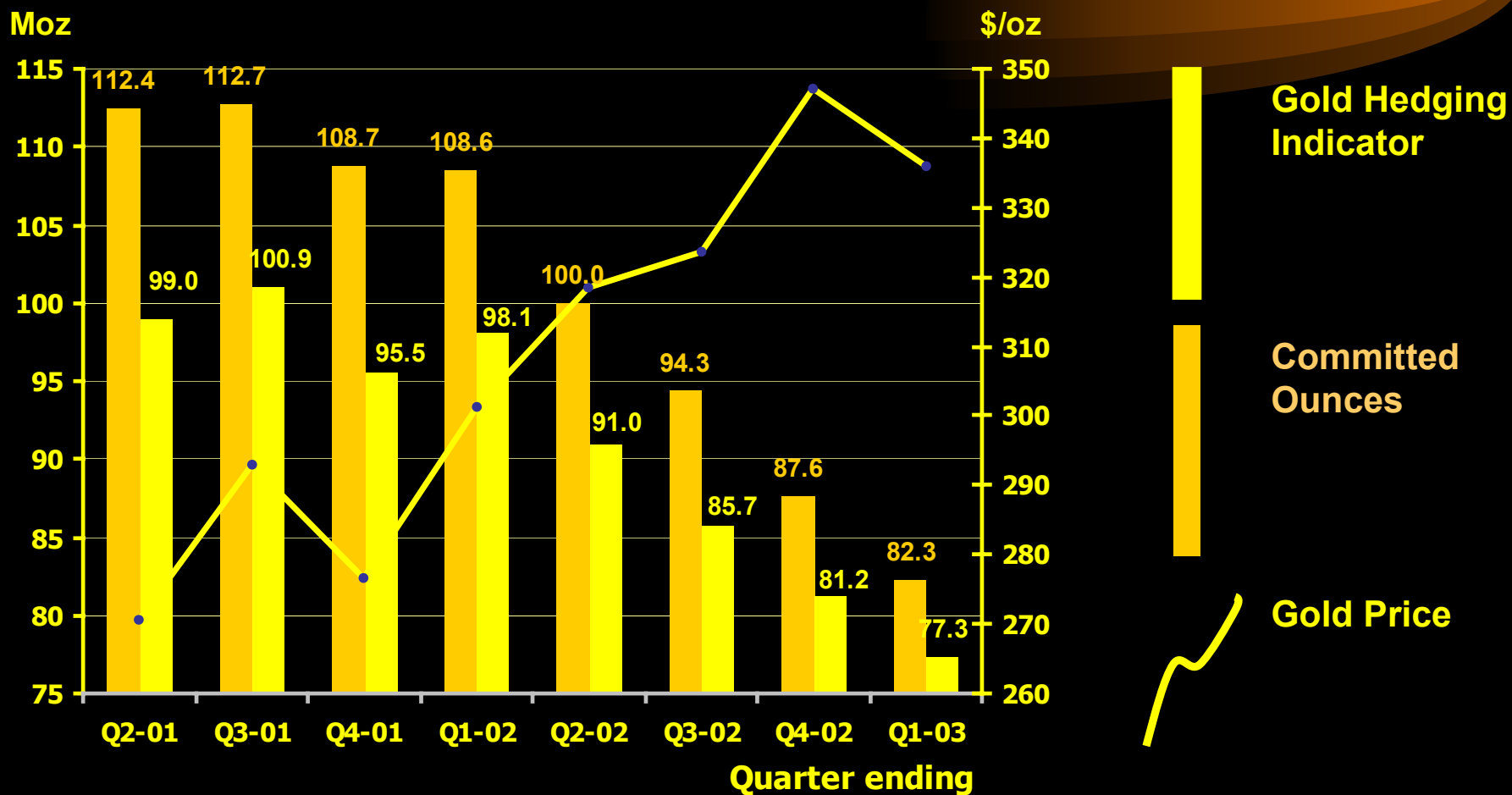
JESSICA CROSS, VIRTUAL METALS

LBMA CONFERENCE LISBON

JUNE 2003



# THE LATEST HEDGE DATA

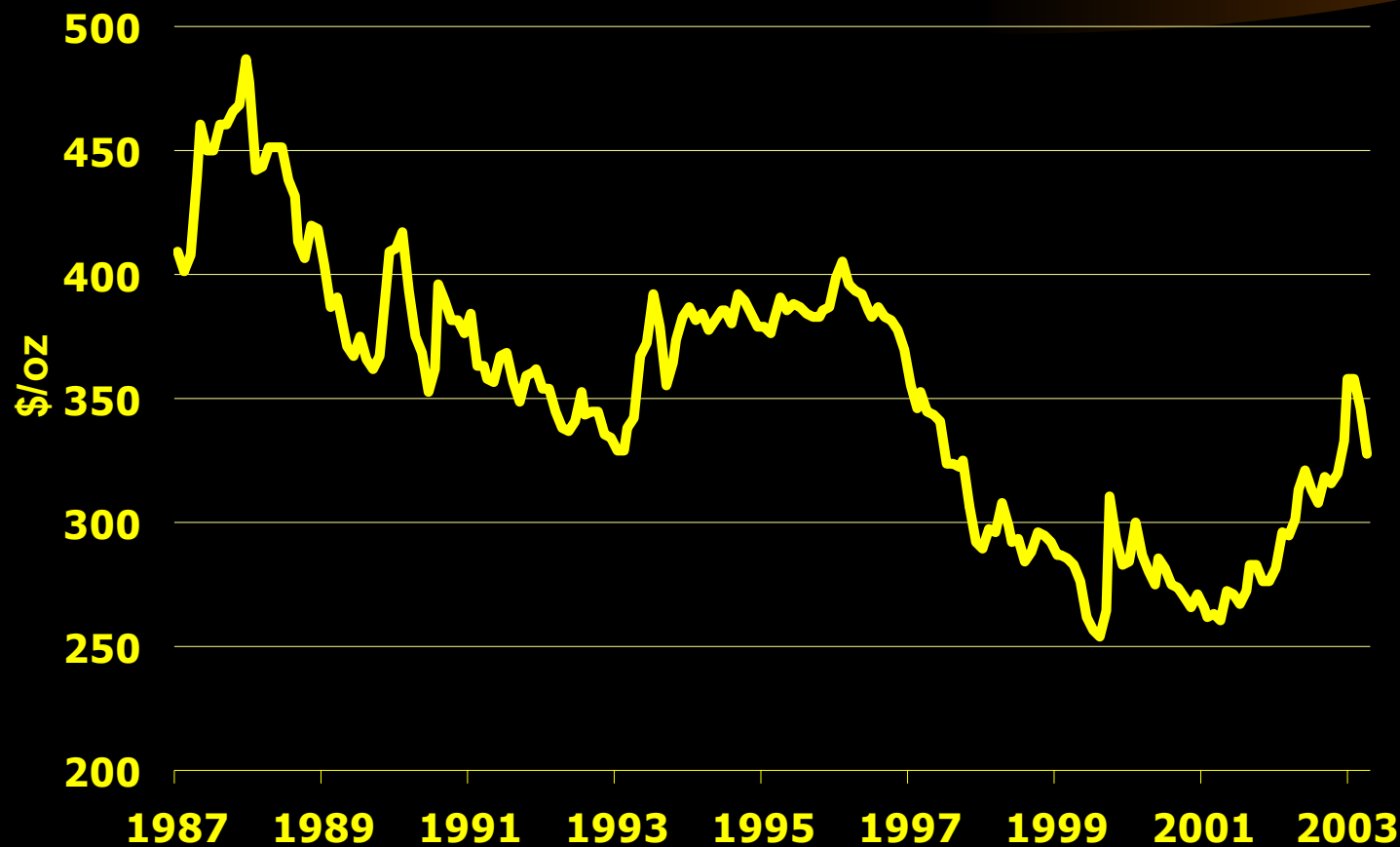


# WHY THE DECLINE?



- **INCREASED GOLD PRICE**
- INTEREST RATES, LEASE RATES AND THE CONTANGO
- SHAREHOLDER PERCEPTION
- FAS133

# GOLD PRICE HISTORY

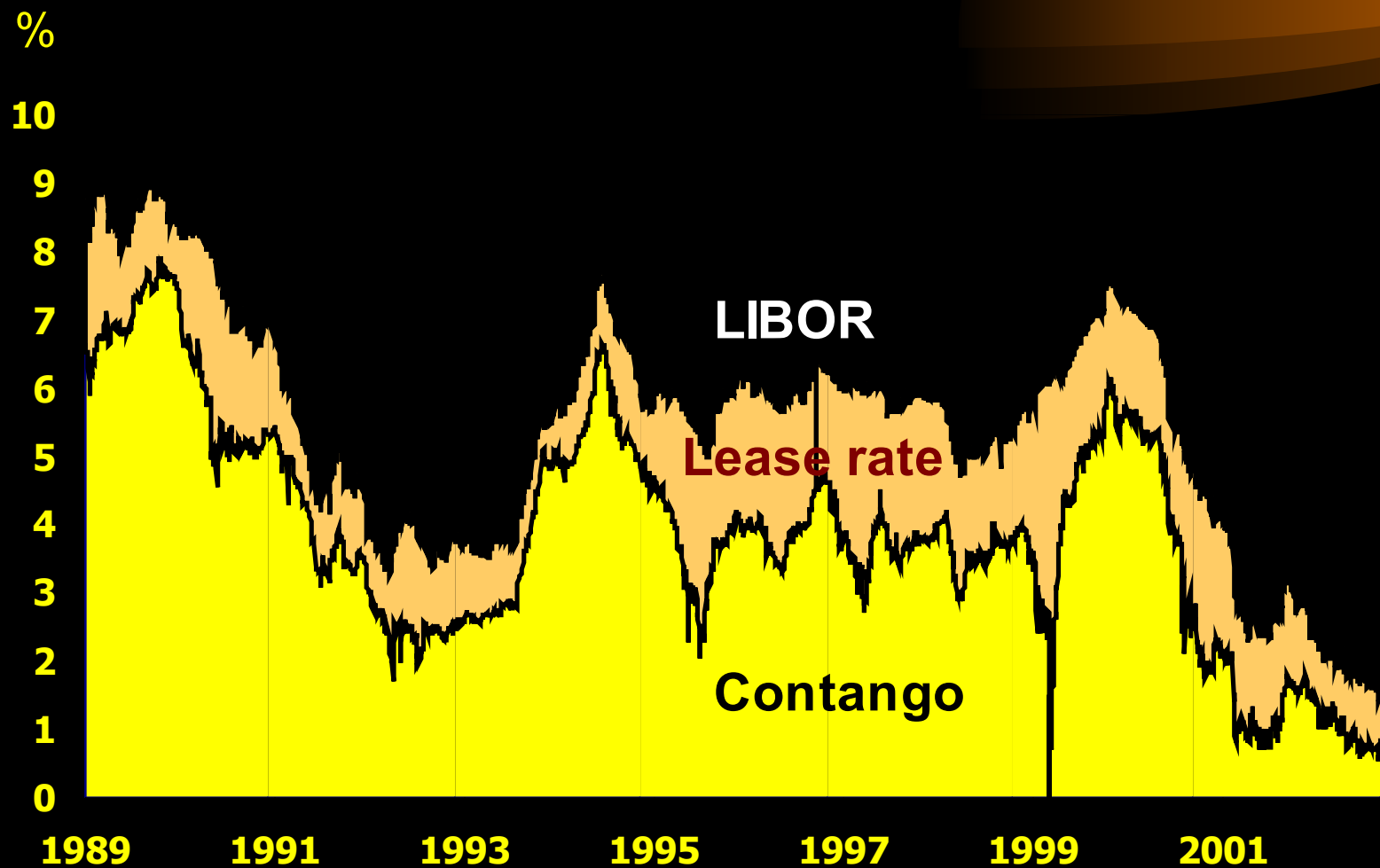


# WHY THE DECLINE?

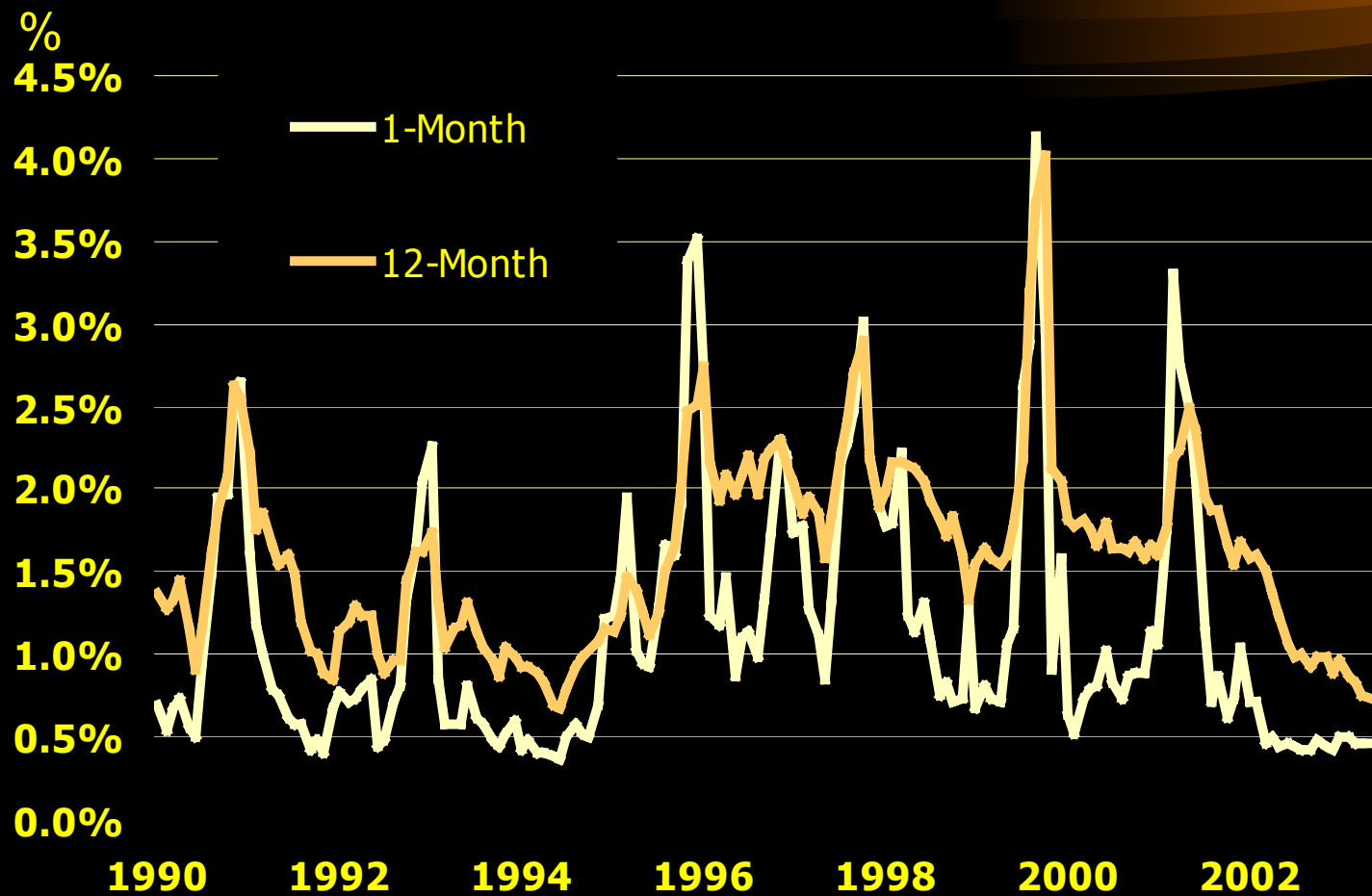


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# CONTANGOS



# LEASE RATES



# WHY THE DECLINE?



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# THREE EVENTS



- EUROPEAN GOLD AGREEMENT SEPT 1999
- FAS133
- GOLD PRICE INCREASE SINCE MAY 2000

# WHY THE DECLINE?



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# THE LOOMING CONCERNS



“The introduction of the new FAS133...accounting system is certainly going to influence future hedging decisions, primarily with respect to the choice of product and the degree of expected disclosure which will render the intricacies of the hedge book substantially more visible.”

# FAS IN A VASE

- **10 YEARS WORTH OF COMMITTEES**
- **GLOBAL IMPACT NOT JUST USA**
- **SIMPLICITY NOT A STRENGTH**
- **FALLS SHORT OF FAIR VALUE ACCOUNTING – THE ULTIMATE AIM**
- **FOCUSSES ON DERIVATIVES RATHER THAN COMMODITY OR CURRENCY**



# THE IMPACT OF FAS 133



- **DEFINITIONAL PROBLEMS HAVE INFLUENCED PROJECT CHOICE**
- **ENCOURAGES THE PREOCCUPATION WITH LATEST RESULTS RATHER THAN LONG TERM RISK MANAGEMENT**
- **INTRODUCES VOLATILITY IN THE EARNINGS STATEMENTS**
- **LIMITS FLEXIBILITY TO RESTRUCTURE**
- **DIFFICULT TO LEVEL COMPARABLE PLAYING FIELDS**

# THE REAL IMPACT OF THE DECLINE IN HEDGING



- DOWN 21.6 MILL OZ OR 673 TONNES BETWEEN JUNE 2001 AND END MARCH 2003
- EQUIVALENT TO ALMOST TWICE SOUTH AFRICAN'S VIRGIN PRODUCTION AT 2002 LEVELS
- IF AND WHEN THE RATE OF DECLINE SLOWS, WHAT IS GOING TO PICK UP THE SLACK?