THE PLATINUM METALS REPORT

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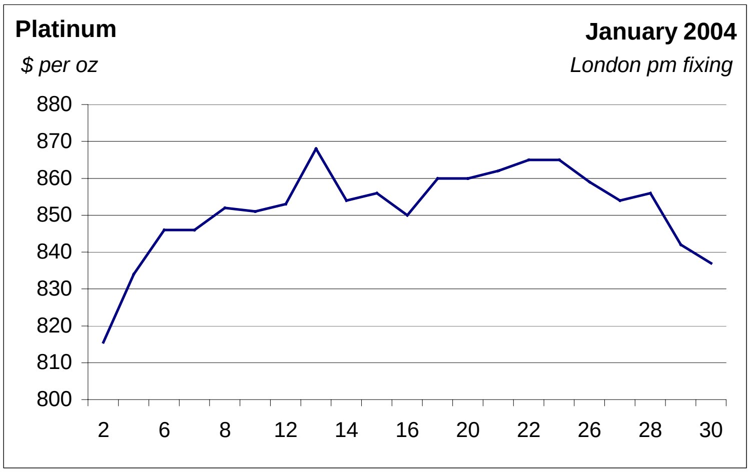
January 2004 **Johnson Matthey**

PLATINUM

Physical demand from China and fund buying fuel rally to $868



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The first few days of 2004 saw substantial volumes of platinum purchased by Chinese jewellery fabricators in advance of the lunar New Year – a key time for jewellery sales in China. Funds also began rebuilding long positions following a period of profit-taking at the end of 2003. As a result, the platinum price climbed from $815 on the 2nd to pass $850 on the 8th. Chinese buying then tailed off rapidly as the holiday period approached but despite this further speculative activity carried the price up to a peak of $868. Platinum remained supported around $850 until fund long liquidation over the final two days of the month pushed the market below $840.

The platinum market began 2004 steadily, the price fixing at $815 and $815.50 on the 2nd in quiet trade. Activity picked up on the 5th when TOCOM re-opened, and Chinese buyers returned to the market in earnest. Buying in the Far East boosted the morning fixing to $826 and, as the dollar weakened against major currencies, fund buying of precious metals accelerated. Gold passed $420, silver climbed above $6.00, and platinum fixed at $834 in the afternoon.

Strong demand for physical metal from China and heavy investor buying of futures on TOCOM continued on the 6th. With gold also continuing to rise, nearing $430 in Asia, and physical availability tightening, platinum was propelled to a morning fixing of $850. Light profit-taking took the pressure off later in the day, platinum easing to $846, but by the afternoon of the 8th the price had been driven back over $850 by further good demand from China and additional fund buying.

Platinum fixing prices – January 2004			
	High	*Low*	*Average*
$ per oz	868.00	815.00	851.32
£ per oz	482.50	455.55	467.14
€ per oz	696.50	647.27	674.48

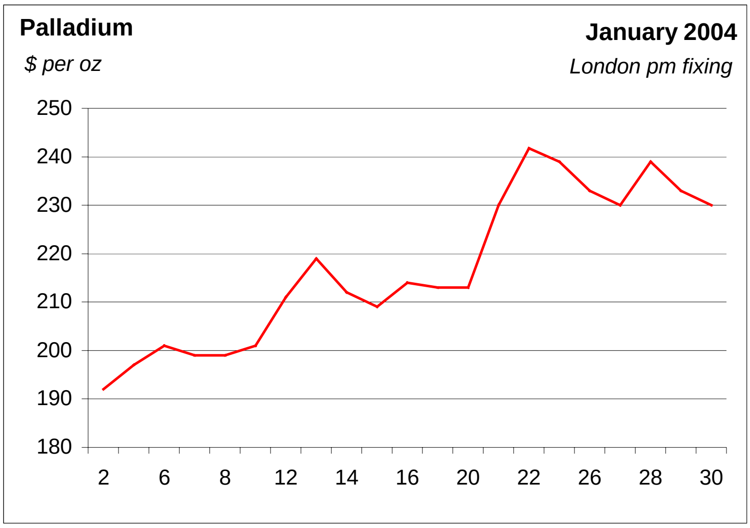
Trade was quieter on the 9th and 12th, Chinese demand drying up as jewellery manufacturers completed their purchasing ahead of the lunar New Year holiday. Nevertheless, TOCOM futures activity remained firm and a burst of speculative buying on the 13th drove the spot price up to $868 in London. Platinum slipped to $854 on the 15th as dealer selling came to the fore, then dipped to $849 the following day as the dollar strengthened. Industrial demand then came into the market and provided support (in contrast to the gold market), and over the following week the platinum price resumed its rise, reaching $866 on the 23rd.

The final week of January opened with a moderate round of selling on TOCOM on the 26th, platinum subsequently easing to $857 at the morning fixing in London. Trading was quiet over the following two days, platinum fixing uneventfully between $854 and $858. The calm was broken on the 29th as strong fund selling was seen in all the major precious metals markets; the trigger appeared to be a moderate recovery in the dollar against major currencies. Gold slumped by almost $15, dropping below $400; silver lost nearly 40 cents; platinum traded limit down on TOCOM, slumped from $852 to $842 between the fixings, and closed around $830 in New York; whilst palladium slid from $239 in the morning to finish the day below $230.

The long liquidation initially continued in Asia on the 30th but the platinum market steadied once European trading began. The metal fixed at $829 in the morning before recovering somewhat to end the month with a fixing of $837.

PALLADIUM

Speculative buying forces price up by $50 but rally falters below $250



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After a weak end to 2003, heavy buying of palladium by funds in January managed to force the price up from close to $190 on the 2nd to almost $250 by the 23rd. The speculative buying, however, was not matched by any substantive upturn in end user demand; consequently when the rate of fund buying slowed the price dropped back, ending the month under $230.

The palladium market began the New Year steadily, a moderate rate of buying by funds on NYMEX lifting the price from an opening fixing of $194 to $201 on the 6th. The price then held close to $200 in dull trade through to the 9th, unmoved by the rapid rally in platinum.

The fund buying of palladium accelerated quickly the following week, with a substantial number of new long positions opened on NYMEX and relatively large volumes traded on the fixings in London. The price jumped from around $200 when European trading began on the morning of the 12th to over $220 offered by the close of trading in New York on the 13th.

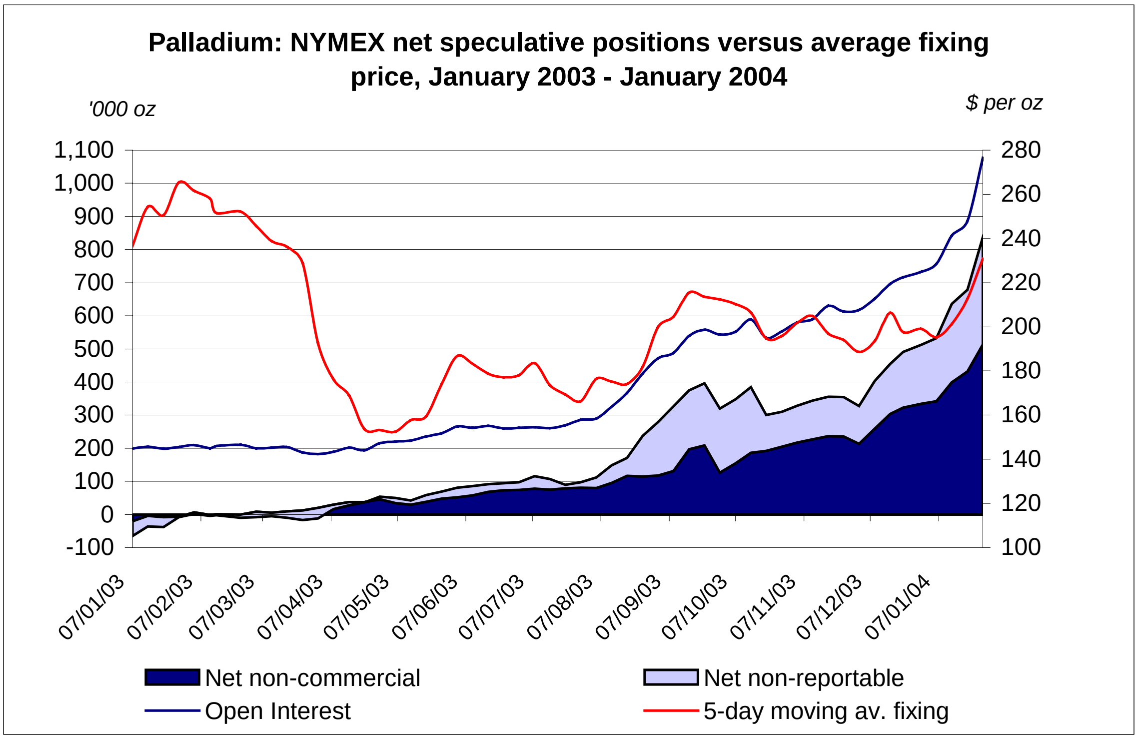
The speculative purchasing continued the next day but was met by sufficient offers of metal (believed to have been largely of Russian origin) to restrain the price, and palladium dropped back to $210 at the afternoon fixing. The pattern of substantial fund buying matched by strong selling continued to hold the price in check between $210 and $214 until the 20th, when a robust session on NYMEX resulted in the palladium price starting to climb once more. Determined buying was seen in the spot market the following day, both prior to and on the fixings, some of which may have been related to covering of options ahead of expiry. The speculative activity succeeded in powering the price up to $230 on the afternoon fixing. Another strong session on NYMEX on the 22nd drove the rally to $242, with technically based buying contributing much of the momentum.

Palladium fixing prices – January 2004			
	High	*Low*	*Average*
$ per oz	246.00	192.00	216.27
£ per oz	132.90	107.40	118.63
€ per oz	193.85	152.49	171.39

After a morning fixing of $246 on the 23rd, the market turned. Dealers seeking to take profits ahead of the weekend started selling and the palladium price slipped below $240 in the afternoon. With funds less active, and little in the way of support from industrial buying, the fall in the price continued into the following week, palladium slipping to $233 on the 26th. Trading on the 27th demonstrated the lack of liquidity and erratic nature of the palladium market – heavy selling on the morning fixing resulted in the price lurching down to $223, before a resumption of brisk fund buying drove it back up towards $240 by the market close in New York.

Palladium traded between $235 and $240 on the 28th before succumbing to the pressure of long liquidation that affected the entire precious metals sector on the 29th. The scale of the selling in palladium, however, was relatively limited, with most long positions retained by funds. The price slipped back to $233 at the afternoon fixing, edged down to $227 on the morning of the 30th, but then found sufficient support to end the month with a fixing of $230.

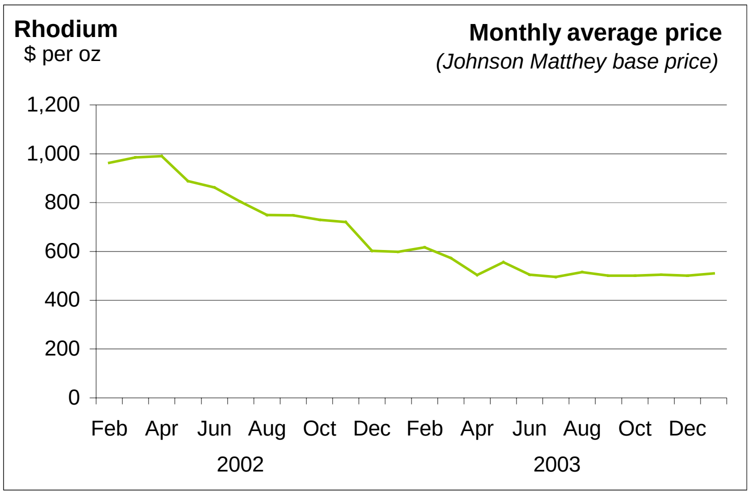
Over the course of the month the net speculative position in palladium on NYMEX soared from around 515,000 oz to approximately 840,000 oz *(see chart below)*. Total open interest had exceeded 1 million oz by the end of the month, more than two-and-half times the open interest in platinum. The fund buying of palladium was almost wholly responsible for the rally in the price in January, continuing the trend of the second half of 2003. The fundamental outlook for the metal remains relatively weak, with a moderate recovery in demand forecast to be outweighed by rising supply.



source: Commodity Futures Trading Commission, Johnson Matthey data

OTHER PGM

Rhodium and ruthenium markets slightly firmer, iridium unchanged



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The New Year brought a moderate up-turn in industrial purchases of rhodium and the Johnson Matthey base price climbed by $20 to $520 in mid-January as a result. However, with the physical availability good, the price soon slipped back to $510. The ruthenium market also improved somewhat, the JM base price moving up from $41 to $43. The price of iridium, however, remained unchanged at $87, reflecting soft demand and ample supply.

MARKET NEWS

5th January Volkswagen AG and General Motors Corp. both increased their sales of cars in China by more than 40 per cent in 2003. Volkswagen's two manufacturing ventures, in Shanghai and Changchun, recorded sales of 694,000 vehicles, whilst GM sold almost 387,000 units. Total car sales in China are expected to have almost doubled to just less than two million in 2003.

6th January North American Palladium Ltd produced 94,114 oz of palladium in the fourth quarter of 2003, substantially higher than the preceding quarter as operation of the company's new primary crusher continued to be optimised, and grades and recoveries increased. Production of pgm for the whole of 2003 reached 288,703 oz of palladium and 23,742 oz of platinum.

19th January According to the Automotive Industry Data Ltd research group, European sales of diesel powered cars hit a new high of 6.2 million vehicles in 2003, accounting for 44 per cent of all new cars sold in the region.

20th January Contract talks between workers and management at Falconbridge's nickel operations in Sudbury, Ontario failed to resolve a number of key issues. The Canadian Auto Workers union balloted its members on possible strike action.

21st January Anooraq Resources Corp. announced an agreement to merge its current suite of South African pgm prospects, located on the Northern limb of the Bushveld Complex, with Pelawan Investments' 50 per cent participation rights in the Paschaskraal joint venture on the Eastern limb. Pelawan comprises a consortium of Black Economic Empowerment investors. Anglo Platinum holds the other 50 per cent of the project, now renamed "Ga-Phasha". Anooraq will make a cash payment to Pelawan and issue shares to the group such that Pelawan's interest in Anooraq is not less than 52 per cent, consequently giving Pelawan a Toronto Stock Exchange listing.

29th January	Aquarius Platinum reported that production at the Kroondal mine hit a new quarterly record of 59,962 oz pgm plus gold in the three months to 31st December 2003. Production attributable to Aquarius totalled 42,398 oz, the Pool and Share Agreement with Anglo Platinum having become effective on 1st November. Output at Aquarius's Marikana mine climbed by 5.6 per cent to 25,229 oz as recoveries improved but production at Mimosa in Zimbabwe (50 per cent Aquarius) slipped by 3 per cent to 30,473 oz pgm due to a mill breakdown.
30th January	Zimbabwe Platinum Mines produced 52,677 oz of platinum, palladium, rhodium and gold during the fourth quarter of 2003. The processing of concentrate, which had been stockpiled at the Selous metallurgical complex the previous quarter during smelter repairs, contributed to higher output. Metal sales, however, were significantly lower than production at 44,549 oz due to two matte hijacking incidents. Increased metal production, stronger product prices and better cost control resulted in total production costs falling to $267 per pgm oz.
30th January	Domestic production of passenger cars in 2003 by Japanese automakers dipped by 1.6 per cent year-on-year to 8.47 million, according to the Japan Automobile Manufacturers Association. Truck production rose by 11 per cent as a result of the stricter diesel emission standards imposed by the Tokyo metropolitan government.