THE PLATINUM METALS REPORT

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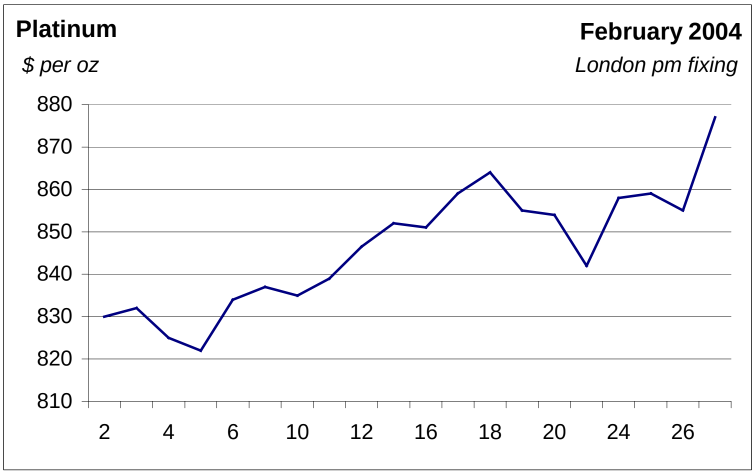
February 2004 **Johnson Matthey**

PLATINUM

Weakening US dollar and speculative buying propel price to $877



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Speculative trading on the futures markets in reaction to changes in the value of the dollar and the yen largely controlled the platinum price in February. During the first half of the month a weakening dollar encouraged fund buying of most hard commodities including platinum, which climbed from under $830 to $864 on the 18th. When the dollar then turned around and strengthened somewhat, long liquidation produced a brief dip in the platinum price. Heavy buying of platinum futures on TOCOM as the yen fell versus the dollar (and subsequent squeezing of short positions) then drove another surge in the price, the metal ending February with a fixing of $877.

The platinum price subsided gently during the first few days of February as the fund long liquidation seen at the end of January came to a close. Selling on both TOCOM and NYMEX took the price down from an opening fixing of $832 on the 2nd to $823 by the morning of the 6th. Reasonable levels of physical trade, however, underpinned the market. On the afternoon of the 6th, however, the platinum price turned sharply upwards: disappointing US employment data accelerated the slide in the value of the dollar and spurred a buying spree in the gold and silver markets. This was followed by fund buying of platinum on NYMEX and the resulting short-covering contributed to an afternoon fixing of $834.

Platinum remained firm on the 9th, fixing at $841 in the morning and then held steady just below $840 through to the 11th. The influence of the currency markets then took hold again; comments by the US Federal Reserve chairman, Alan Greenspan, were interpreted as being negative for the dollar, which began to weaken once more against major currencies. Gold, silver, platinum and other hard, dollar-denominated commodities consequently moved upwards as fund buying increased. On the 12th the platinum price jumped to $849 and then climbed over $850 on the 13th. Demand for physical metal from jewellery fabricators and industrial users, however, became increasingly subdued as the price rose.

Trading was quieter on the 16th, the US market being closed, but platinum climbed higher again on the 17th and 18th (in common with gold, silver, palladium and most base metals) reaching $864 as the dollar posted a new lifetime low against the euro (down to almost $0.77). By then the net speculative long positions in platinum on NYMEX had reached

243,000 oz, up from 185,000 oz at the start of February. Meanwhile, intervention by the Bank of Japan began to weaken the yen significantly versus the dollar, stimulating strong demand for dollar-denominated futures on TOCOM, including platinum Meanwhile, the solid fundamentals of the platinum market had been underlined by both Anglo Platinum and Impala Platinum as they released their annual and interim results respectively.

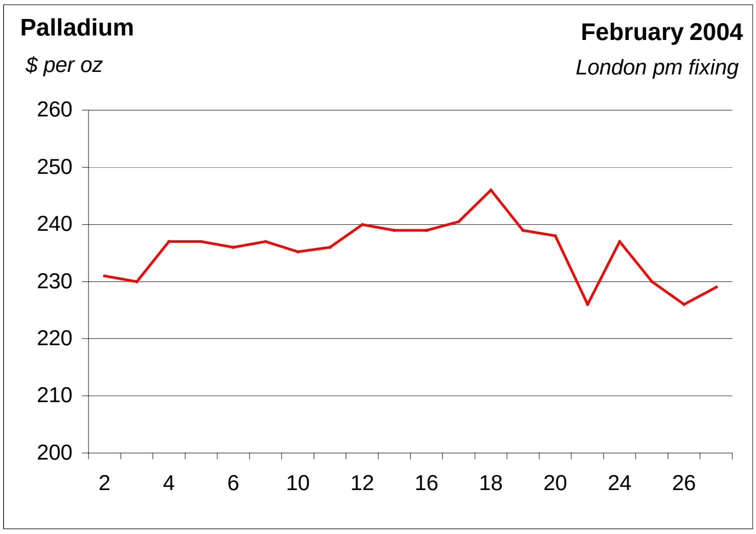
Platinum fixing prices – February 2004			
	High	*Low*	*Average*
$ per oz	877.00	822.00	846.21
£ per oz	473.40	446.50	452.98
€ per oz	705.99	647.70	669.60

The dollar then staged a recovery against the euro, triggering a round of profit taking in the USA. The impact on the platinum spot price was mitigated initially by continued strong buying of the furthest dated (December 2004) contract on TOCOM. Japanese investors, taking more notice of strong economic data at home and the sustained yen weakness, drove the December 2004 contract on TOCOM above the psychologically significant ¥2,800 level on the morning of the 20th and the metal fixed at $857 in London. The dollar, however, continued to gain ground against the euro and the selling pressure in platinum came to the fore later in the day. The spot price eased to $854 on the afternoon fixing then slid to $842 on the afternoon fixing on the 23rd.

The dip down towards $840 proved to be a tempting buying opportunity for end-users, and as the yen continued to fall versus the dollar, speculative buying in Japan also gained further momentum. On the 24th the platinum price jumped back up to $858 and reached $861 the following morning as short positions in the expiring February contract on TOCOM were covered. After pausing between $855 and $860 on the 26th, the final day of February saw another determined squeeze of short positions in the near contracts on TOCOM and strong fund buying of the far months. The morning fixing in London responded by soaring to $873 and follow-through buying in the USA pushed platinum up to end February at $877.

PALLADIUM

Fund buying continues but physical sales keep the price in-check



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Funds added further to what were already very large net long positions in palladium during February. The speculative buying, however, was matched by sales of metal on the spot market, much of which was believed to have been of Russian origin. As a result, the price of palladium remained subdued, in stark contrast to the rising platinum price. A slow climb up from $230 to $246 was followed by a rapid retreat back to $230.

The palladium market entered February in a quiet frame of mind, the price holding steady around $230 with some minor long liquidation on NYMEX the only notable feature. However, US-based funds returned as net buyers of palladium futures on the afternoon of the 3rd, the price moving up to $235 in New York trading. The following day, further moderate fund buying and good demand for physical metal combined to raise the afternoon fixing to $237.

From the 5th through to the 11th the palladium price moved little, trading between $234 and $237 as speculative buying was met by good volumes of spot sales. On the 12th the market gained a muted reaction to the weaker US dollar and higher platinum and gold prices, palladium fixing at $240 in the afternoon.

Offers of metal kept pace with increasing find buying through to the 17th, holding the palladium price in check around $240. From the start of the month through to the 17th, funds added almost 70,000 oz to their net long positions on NYMEX, taking the total to a huge 943,000 oz, and yet the price gained just $10.

Palladium fixing prices – February 2004

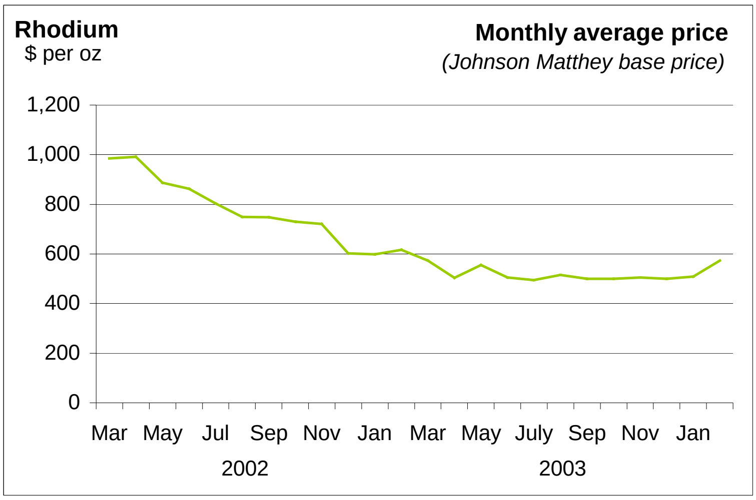
	High	*Low*	*Average*
$ per oz	246.00	223.00	235.04
£ per oz	129.25	120.00	125.81
€ per oz	191.88	177.51	185.96

On the 18th, the palladium price followed the rest of the precious and base metals sector upwards as the dollar slipped to a new low against the euro. Again, however, the response was limited, the afternoon fixing nudging up to $246. The palladium market then mirrored moves in platinum and gold over the next few days as the dollar recovered and funds started taking profits on a proportion of their long positions. The palladium price dropped quickly, hitting $223 on the morning of the 23rd.

As with platinum, industrial buyers and funds took advantage of the dip and the price rebounded to $237 the following day. The palladium market, though, could not sustain a rally and the price eased back once more, slipping to $226 on the 26th. The price of palladium ended the month where it had started, trading either side of $230.

OTHER PGM

Minor metals come to life as speculators spread cash around



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Following almost a year of near stability for minor pgm prices, the markets for rhodium, ruthenium and iridium were stirred into action in February. The primary cause was, unsurprisingly, speculative interest in the metals. The Johnson Matthey base price of rhodium climbed by almost $200 to reach $700, ruthenium gained $32 to reach $73, whilst iridium moved up by $43 to $130.

After spending the best part of a year trading at or fairly close to $500, the price of rhodium began to move higher in February. The Johnson Matthey base price started the month at $515 and climbed to $560 on the 4th. Speculative buying initiated the move and was joined by industrial demand as buyers reacted quickly to the rising price. Larger offers of metal however, came into the market and stability was restored for the next two weeks, rhodium trading between $540 and $550 through to the 17th.

From the 18th onwards further speculative bids for metal and a tightening of physical availability combined to produce a strong rally. The JM base price jumped to $580 on the 18th, hit $600 on the 23rd, then surged over the final three days of the month to end February at $700.

A similar pattern was seen in the small, illiquid ruthenium and iridium markets as sudden speculative interest caught suppliers by surprise. The JM base price for ruthenium edged up from an opening quote of $43 to $45 on the 13th, then ran up to $62 between the 18th and the 25th, and hit $75 on the 27th. The price of iridium followed suit, stepping up from $87 at the start of the month to $90 on the 10th, and then accelerating from the 18th onwards to reach $130 by the end February.

MARKET NEWS

3rd February	Inco expects to produce in the order of 400,000 oz of pgm in 2004, up from 207,000 oz in 2003, following last summer's strike
5th February	Lonmin announced the appointment of Brad Mills as its chief executive. Mills was formerly chief executive of BHP Billiton's base metals customer group. The company's chairman, Sir John Craven, said "One of the priorities of Brad Mills on his arrival will be to conduct a full review of our corporate strategy." Analysts suggested that diversification by Lonmin into operations other than platinum was now increasingly likely.
10th February	Aquarius Platinum's net profits for the six months to 31 December 2003 increased to $14.48 million, up 183 per cent from $5.1 million in the second half of 2002 as its output of pgm continued to expand. Production attributable to Aquarius rose by 49 per cent to 180,291 oz of pgm, of which 100,200 oz came from the Kroondal mine, 49,110 oz from Marikana, and 30,981 oz from its 50 per cent share in the Mimosa mine in Zimbabwe.
10th February	General Motors Corp. and Dow Chemical Co. activated the first 75-kilowatt capacity fuel cell at their commercial hydrogen fuel cell project at Dow's 30-square-mile manufacturing site in Texas. The fuel cell, which is powered by excess hydrogen produced at the site, will be joined by another 12 units later this year.
12th February	Mvelaphanda Resources acquired the rights to a 50 per cent interest in the Booysendal Platinum joint venture with Anglo American Platinum. The stake is to be aquired from the black empowerment entity, Khumama, for R313 million in cash and shares. Mvela's half share in the project will then immediately be sold on to Northam Platinum for R90 million in cash and 40.8 million Northam shares, taking Mvela's stake in the former to 34 per cent.
12th February	Impala Platinum reported an expected 47 per cent fall in half-year net profits to Rand1.6 billion, the drop being largely attributed to the strength of the rand. Total refined platinum output surged 39 percent to a record 1.075 million oz. The large increase was mostly due to a one-off contract to refine concentrate from Lonmin whilst its damaged smelter was rebuilt. Platinum output from Impala's own mines during the half year edged up to 546,000 oz.

16th February	Anglo Platinum announced an expected 63 percent fall in headline earnings for 2003, hit by the strength of the rand, and rising costs. Total refined platinum production in 2003 rose by 2.5 per cent to 2.31 million oz. The company launched a R4 billion ($612 million) rights issue to help finance its ongoing expansion programme. Platinum output in 2004 is planned to rise to 2.45 million oz.
17th February	Norilsk Nickel said it expected the disclosure of data on its pgm output to be delayed for at least a month, and possibly by up to six months. The law allowing the disclosure of data on private pgm stocks, production and trade was officially published on November 18 and was due to enter into effect three months after that date. However, according to the company, President Vladimir Putin also has to sign a separate decree amending the list of state secrets, following which the economy, natural resources and finance ministries have to amend their own lists of classified data and authorise the disclosure.
18th February	Anooraq Resources commenced a 16,000 metre drilling programme at the Drenthe pgm, gold and nickel deposit in South Africa. The Drenthe deposit occurs on the Northern Limb of the Bushveld Complex, about 13 kilometres north of Anglo Platinum's Sandsloot open pit mine.
27th February	Stillwater Mining's chairman and CEO, Francis McAllister, announced that the company had entered into contracts or had reached understandings for the sale of the 877,000 oz of palladium that the company received from Norilsk Nickel, as part payment for the latter's initial 51 per cent shareholding. According to McAllister, the metal "is expected to be sold, at close to market prices, over a period of two years, primarily for use in automobile catalytic converters". At its Montana mines Stillwater produced a total of 113,000 oz of palladium and 34,000 oz of platinum in the fourth quarter of 2003. For the full year the company produced a total of 450,000 oz of palladium and 134,000 oz of platinum, down from 476,000 oz of palladium and 141,000 oz of platinum in 2002. The company's average realized combined price of palladium and platinum was $408 per oz for 2003, whilst total consolidated production costs increased to $354 per oz.