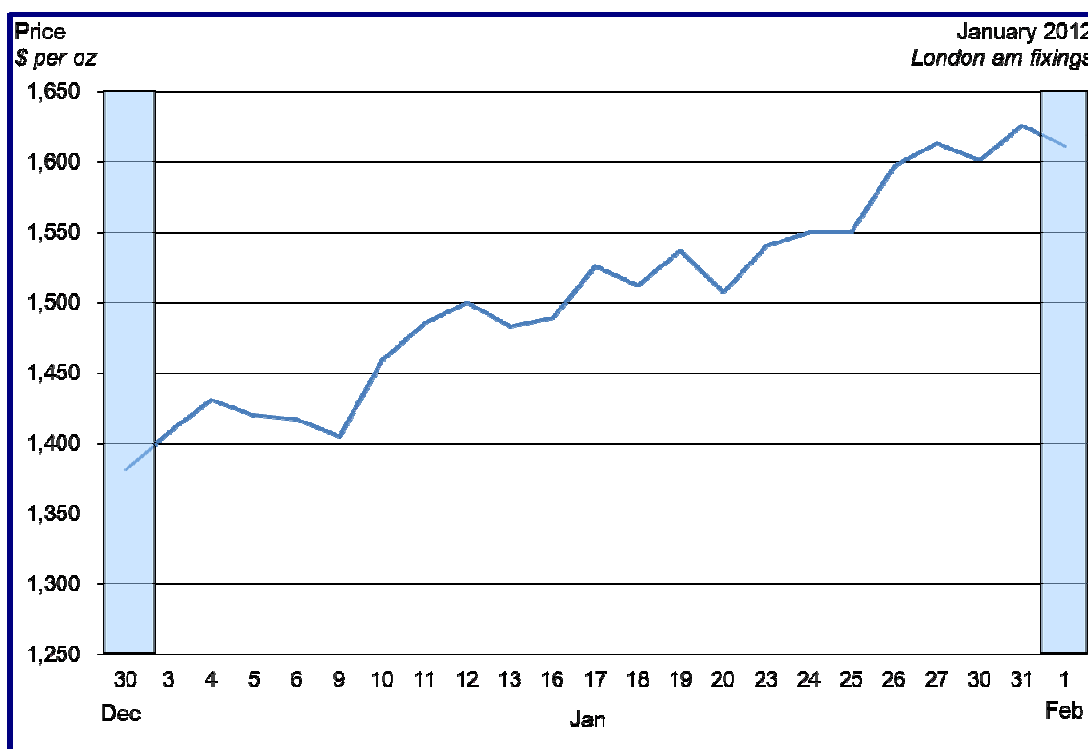


The Platinum Metals Report – January 2012

The New Year saw a slight lifting of the gloom that had engulfed the pgm markets in the latter part of 2011. Positive economic news, including improved manufacturing data from Europe, an expansion of China's purchasing managers' index, and higher US jobs numbers led to a risk-on mentality that had mostly been lacking in the previous quarter. On the demand side, news of higher vehicle output in Germany and the US in 2011 also benefitted platinum and palladium. PGM prices were given some upward momentum by perceived supply constraints in 2012 as several miners reported disappointing results, and unofficial strike action in South Africa gave further cause for concern.

PLATINUM

Platinum opened 2012 at \$1,415 in the morning fix, the lowest January price since 2009, having recovered some of the ground lost in the previous week. Reports of a rise in German new car registrations of 6.1% in December gave some much-needed positive news although, emphasising the two-speed nature of the eurozone economy, Italy reported that new car sales shrank by 15.3% in the same period. A strengthening dollar and a slide in the price of gold saw platinum reverse some of its gains, but maintain the \$1,400 level.



The following week platinum gained almost \$100, the biggest rise in three months, as South African electricity utility Eskom warned of possible power shortages. Eskom supplies around 95% of power to South Africa – with just under 15% of generating capacity down for maintenance, the market was understandably nervous of possible disruption of power supplies to mines. As the price tracked upwards, investors scrambled to cover short positions. The price also benefitted from speculative and technical buying.

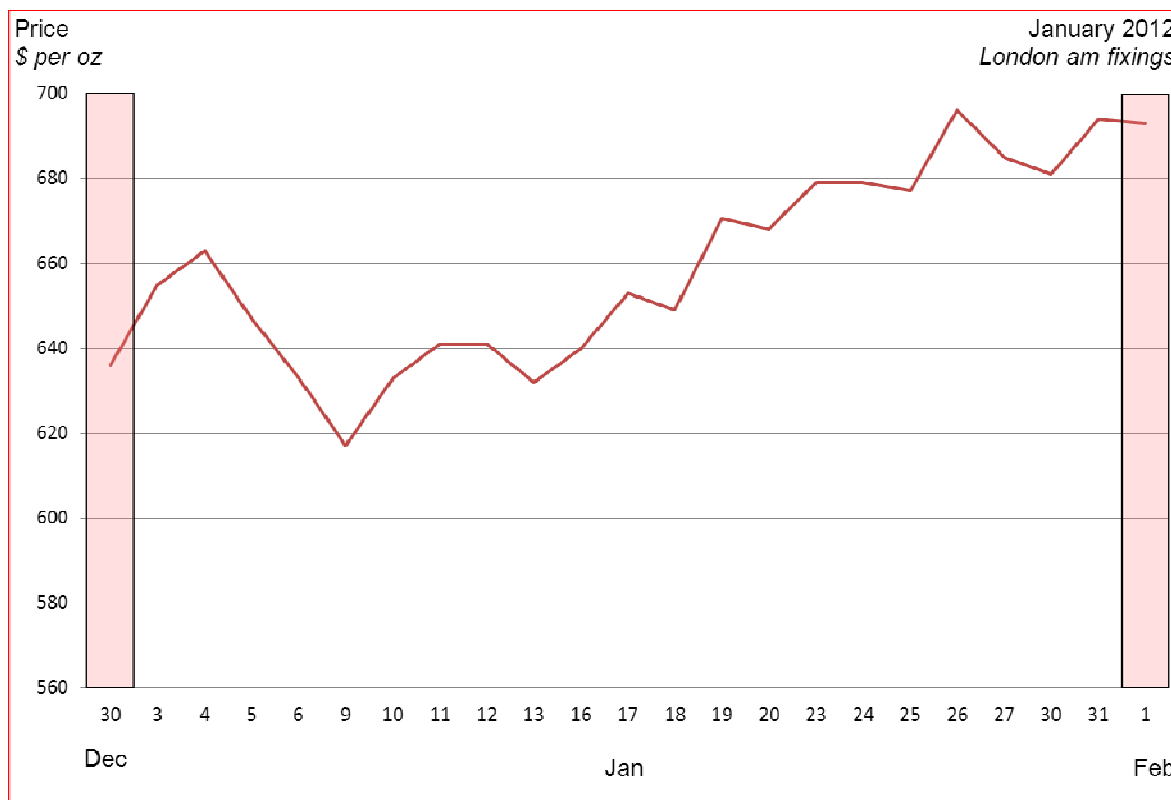
Physical buying was relatively subdued mid-month in the run-up to the Chinese New Year holiday, and prices drifted around the \$1,500 level. With Chinese buyers absent from the market in the week of 23rd January, the price was driven less by physical buying and more by investor sentiment. A surprise announcement by the US Federal Reserve that interest rates will be kept on hold until late 2014 saw the dollar sink and commodities gain some ground. Concerns over an illegal strike of 5,000 workers at Impala Platinum's Rustenburg operations added to the upward price momentum and platinum reached a ten-week high of \$1,606 on 27th. A worsening strike situation and reports of lower production elsewhere saw the price make further gains, ending January up \$230 (17%) on the close of December.

| Platinum am Fixing Prices – January 2012 | | | |
|--|----------|----------|----------|
| | High | Low | Average |
| \$ per oz | 1,626.00 | 1,405.00 | 1,507.43 |
| £ per oz | 1,032.10 | 904.00 | 971.08 |
| € per oz | 1,232.45 | 1,083.10 | 1,167.07 |

Mirroring the rising price, net long speculative positions increased in January. That platinum net longs rose faster than gold net longs helped explain a narrowing gold-platinum spread. ETF holdings also increased in January, reflecting improved investor sentiment.

PALLADIUM

Palladium followed a similar course to platinum, although its gains were more modest, appreciating by \$58. Palladium fixed at \$660 on the morning fix of the 4th, 4% higher than the close of 2011. An estimated 10% rise in US car and light truck sales in 2011, the fastest since the 1980s, with particularly strong growth in sales of larger vehicles helped give some momentum to the price, although like platinum it was later dragged down by an appreciating dollar.



Concerns on the supply side in South Africa helped support the palladium price throughout much of January. Investor sentiment towards palladium, which was lacking in 2011, improved when the CEO of

Norilsk Nickel, the world's biggest palladium miner, was reported to have said that he expects the company to reduce production this year due to a slight fall in global metal demand. Norilsk's quarterly results, released on 30th, showed that platinum output rose in 2011 but palladium decreased slightly. The company expects pgm output to be flat or slightly down this year.

| Palladium am Fixing Prices – January 2012 | | | |
|--|-------------|------------|----------------|
| | <i>High</i> | <i>Low</i> | <i>Average</i> |
| <i>\$ per oz</i> | 696.00 | 617.00 | 658.74 |
| <i>£ per oz</i> | 443.15 | 399.60 | 424.54 |
| <i>€ per oz</i> | 529.10 | 482.95 | 509.99 |

Net long speculative positioning for palladium increased in January as the price appreciated, a pattern that was also seen in the ETF market.

OTHER PLATINUM GROUP METALS

Rhodium staged something of a recovery in January. Beginning the year at \$1,400, it soon softened under light selling pressure to a new JM Base Price of \$1,375 – the lowest level since May 2009. At this price, it attracted steady buying interest in Europe and Asia, which helped the price to reach \$1,450 by the month-end. Ruthenium appreciated by \$10 to \$120 while iridium remained unchanged at \$1,085.

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