

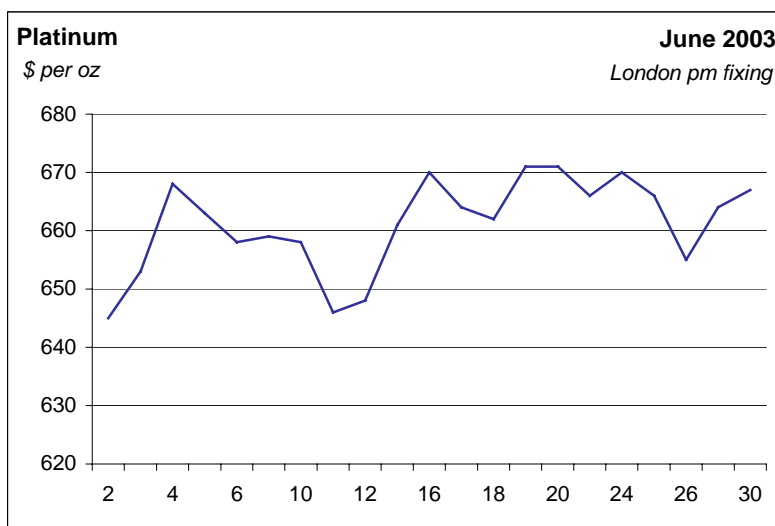
THE PLATINUM METALS REPORT

www.platinum.matthey.com

June 2003

Johnson Matthey

PLATINUM Fund flows and lending move market, core demand remains firm



[view Johnson Matthey base price data](#)

[click for other chart options](#)

The dealer selling of platinum and long liquidation of futures positions that marked the end of May were reversed in early June: the price jumped from under \$640 to almost \$670 during the first week of the month. The volatile market then turned around again as increased lending pushed short-term lease rates lower, and the spot price subsided to \$646 on the 11th. Good support from physical demand was found at this level, and platinum traded between \$660 and \$670 for much of the remainder of the month.

Platinum started June in bullish fashion, rising from an opening fixing of \$639 on the 2nd to \$669 on the 4th. The move was initiated by dealers and funds opening new long positions on NYMEX, following a spate of long liquidation at the end of May. The buying in the US market was joined on the 4th by heavy trade on TOCOM, lots equivalent to over 1 million oz being traded as the April 2004 contract moved from the previous day's close of ¥2,261 per gram to hit a high of ¥2,334. The morning fix in London was set at \$669, up \$16 from the previous afternoon but the rally halted as little follow-through buying was seen in New York.

The Japanese futures buying continued during another round of heavy trade on TOCOM on the 5th, but trade in London was quiet, platinum fixing at \$669 then \$663. With the dollar weakening, selling came to the fore on NYMEX later in the day.

On the 6th, fresh lending and selling of metal from a single source came into the market, taking short-term lease rates down from close to 15 per cent to less than 12 per cent. As a result, the spot price slipped to \$658 in London. With improved liquidity, forward rates eased over the next few days and by the 11th the price had dropped under \$650.

Platinum fixing prices – June 2003			
	High	Low	Average
\$ per oz	674.00	638.00	661.75
£ per oz	409.55	387.15	398.50
€ per oz	581.56	544.21	567.18



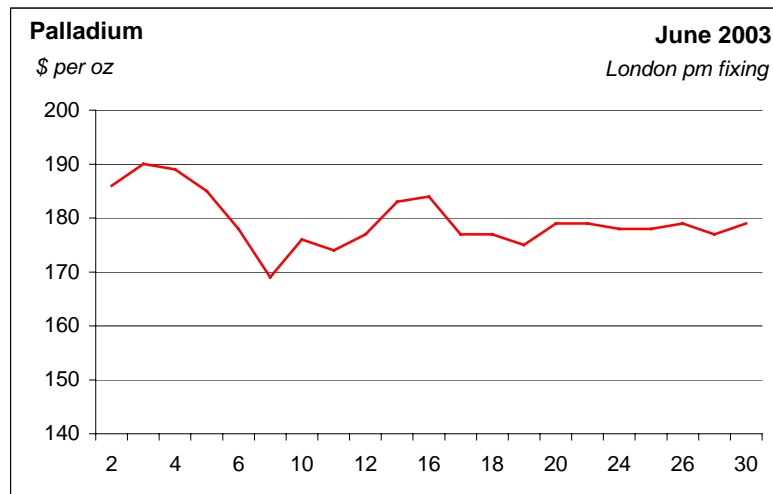
The market moved higher again on the 13th, fixing at \$661 in the morning. Physical demand from Chinese sources was reported but the fresh upward impetus was due more to dearth of offers of metal, rather than any particular increase in buying. The firm tone was maintained later by dealer short-covering ahead of the weekend.

On the 16th the Japanese market opened sharply higher as investors caught short by the strength of platinum at the end of the previous week closed out positions. The weakening dollar also boosted Asian buying of gold and platinum futures. Turnover of platinum on TOCOM was again heavy, 33.4 tonnes (1.07 million oz) being traded via the April 2004 contract as the price set a high of ¥2,367 per gram. Spot trade in London, however, was steady, platinum being set at \$670 on both fixings.

For much of the remainder of the month, platinum traded between \$660 and \$670, fluctuations within this range being driven both by the ebb and flow of metal onto the spot markets, and investor activity on the futures markets. Solid physical demand from industrial users provided good support around the lower end of the range.

From \$670 on the 16th, the price slipped to \$662 on the 18th as buyers held back but then rebounded to \$671 and \$674 on the 19th and 20th respectively as higher than average bid volumes were seen on the fixings and fund buying increased on NYMEX. The market settled down until the 26th, when investors on TOCOM sold out stale long positions ahead of the launch of the June 2004 contract, and platinum dropped to \$662 on the morning fixing in London. In the USA, funds also closed out long positions as the dollar strengthened and gold weakened. Spot platinum fell to \$655 on the afternoon fixing. However, the dip under \$660 was brief and platinum bounced back the following day to \$664. The metal ended the first half of 2003 at \$667 – up 11 per cent from the year's opening fixing of \$600.

PALLADIUM
Speculative
buying holds
price above
\$170 in thinly
traded market



[view Johnson Matthey base price data](#)

[click for other chart options](#)

The palladium market appeared to be keen to enter the summer doldrums in June. Light selling pressure took the spot price down from \$190 to just under \$170 during the early part of the month, before fund buying of palladium on NYMEX provided sufficient stimulus to push it back up to \$186. Thereafter, however, the price settled down into a narrow trading range, fixing between \$174 and \$179 through to the end of the month. Although physical demand remained muted, a steadily building long position on NYMEX provided support.

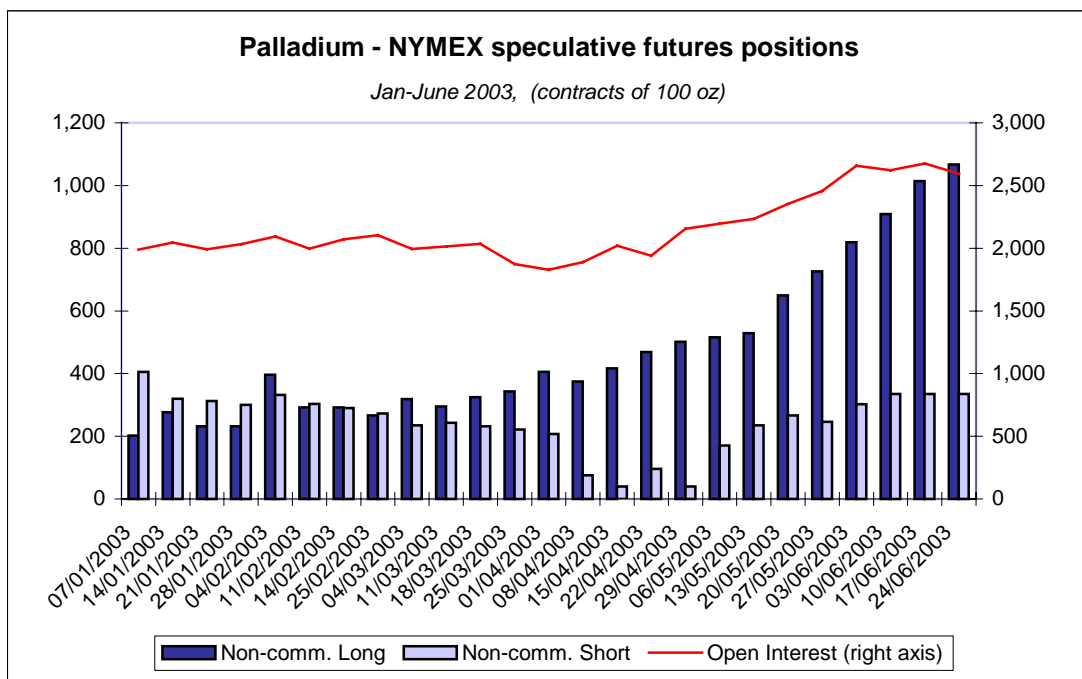
Palladium initially followed platinum upwards in June, rising from an opening fix of \$181 on the 2nd to \$190 on the 3rd, with higher than average volumes trading through the London fixing sessions. Buying from a single source appeared keep the price firm the following day at \$188 and \$189 but when the level of bids was scaled back on the 5th the price began to fall, dropping from \$187 to \$169 over the course of the next three days.

Palladium fixing prices – June 2003			
	High	Low	Average
\$ per oz	190.00	169.00	179.49
£ per oz	116.30	102.15	108.10
€ per oz	162.26	143.65	153.82

Stability was found around \$175 from the 10th to the 12th but this was followed by a run up to \$186 on the 16th on further reported fund buying on NYMEX. Later that day, the news that a majority of Stillwater Mining's shareholders and the US Federal Trade Commission had both approved the acquisition of a controlling stake in the company by Norilsk Nickel coincided with the brief rally coming to a close.

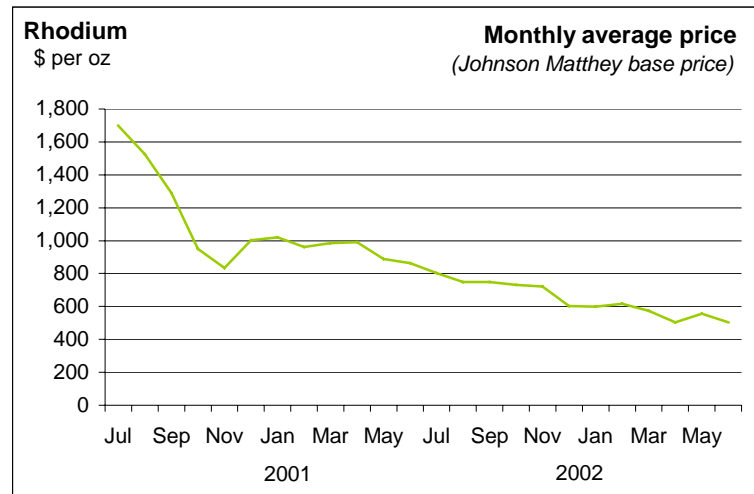
By the morning of the 18th, the palladium price was back below \$175 as offers of metal pushed the fixings lower. A moderate improvement in physical demand lifted the afternoon fix on the 18th to \$177, and, after dipping to \$174.50 on the 19th, palladium traded quietly between \$175 and \$179 through to the end of the month. The palladium price therefore ended the first half of 2003 some 24 per cent lower than it where it started the year.

The fund purchasing of palladium futures during June, while not large, was sufficient to provide support for the price against a backdrop of weak industrial demand and surplus supply. Data from the US Commodity Futures Trading Commission show that the total non-commercial (speculative) long position in palladium on NYMEX increased from 726 contracts (of 100 oz) as of 27th May to 1,067 on the 24th June. With the total non-commercial short position little changed, the net speculative long position grew from 480 to 732 contracts over the same period. In contrast, at the start of the year, non-commercials held a net short position of around 200 contracts (see graph below). With palladium futures so thinly traded, small volumes of activity (representing tiny investments by most hedge funds' standards) can influence the price.



OTHER PGM

Rhodium finds floor at \$500; minor pgm moribund



[view Johnson Matthey base price data](#)

[click for other chart options](#)

The Johnson Matthey rhodium base price continued its late April decline into May, falling from \$530 to \$500 under the pressure of abundant offers of metal. Rhodium then stabilised at \$500 for the rest of the month. Ruthenium was unchanged at \$33, while iridium was also unmoved at \$90.

The rhodium price started May still under the pressure of significant offers of metal that had begun appearing in the market from the middle of May onwards. With the selling momentum outweighing purchasing interest from the auto industry, the JM rhodium base price slipped from \$530 on the 2nd to \$500 on the 6th. Some traders attributed the increased flow of metal to Russian sales but secondary supplies also contributed to the weak price environment.

As in April, the move down to around \$500 found the market move more into balance – offers were scaled back and improved buying support emerged. Consequently, the rhodium price stabilised at \$500 for the remainder of the month.

Both the ruthenium and iridium markets were quiet during June. Ruthenium has bottomed out at \$33 following its decline from \$170 in mid 2000. The iridium price was also static, holding at \$90 as the market continued to await an upturn in electronics demand for iridium crucibles.

MARKET NEWS

1st June

Workers at Inco Ltd's nickel operations in Sudbury, Ontario began striking after rejecting the company's proposed new contract offer. The main issue dividing the two parties is that of pensions. The United Steelworkers Union reportedly began picketing all of Inco's Ontario operations.

2nd June

German retail jewellery earnings fell by about eight per cent in the first four months of 2003 versus the same period last year, with no sign of recovery in sight, according to Bodo Jonda, chief executive of the German jewellery and watch industry association ZUSZ. "There is a serious lack of buyers of high-value jewellery" he said.



3rd June	US auto makers reported mixed sales for May: General Motor's light vehicle sales rose 4 per cent to 435,495 units from 403,036 in May 2002; Ford's sales fell 4.4 per cent to 327,666 units, while Chrysler reported a 3 per cent fall in its sales to 217,411 vehicles. Both GM and Ford plan to reduce production during the third quarter in light of high vehicle inventories at dealerships.
3rd June	The Belgian base and precious metals refining group Umicore announced that it was to acquire the precious metals business of US-based OM Group for €643 million (\$752.2 million) in cash. The OMG unit had sales of €550 million in 2002, excluding the value of contained precious metals that amounted to €4.1 billion.
9th June	Anglo Platinum and Aquarius Platinum (SA) announced an agreement to mine contiguous properties on their respective Rustenburg and Kroondal lease areas. Anglo Platinum will provide access to a portion of the UG2 ore body on Rustenburg Platinum Mines' (RPM) lease area and Aquarius Platinum will provide access to its existing Kroondal Platinum Mine (KPM) lease area and infrastructure. The two companies will pool these assets whilst retaining ownership. Production at KPM will be expanded from approximately 140,000 oz of platinum per annum to approximately 280,000 oz of platinum per annum during 2006.
13th June	Aquarius Platinum said that the South African Department of Minerals and Energy had approved the Mining Licence and Environmental Management Programme Report for the company's Everest South Mine. The project is expected to go into production in late 2005. In its first full year of full production in 2006, output should reach 225,000oz pgm.
16th June	Stillwater Mining Co. said a majority of its shareholders had voted to approve the sale of a controlling stake in the company to Russia's Norilsk Nickel for \$100 million in cash and approximately 877,000 oz of palladium. The deal was also granted the go-ahead by the US Federal Trade Commission.
17th June	Norilsk Nickel reported that the Russian central bank had approved its purchase of a 51 per cent stake in Stillwater Mining and would allow the company to transfer funds abroad to complete the transaction.
20th June	Norilsk Nickel completed the acquisition of a 51 per cent shareholding in Stillwater Mining via its London-based trading arm, Norimet. The deal was valued at approximately \$257 million. Norimet is required to start a cash tender offer within 30 days to acquire up to a further 4,350,000 shares in Stillwater, which could increase Norilsk's stake in the company to around 56 per cent.
24th June	Japan's automobile exports fell 5.8% year on year in May to 339,492 units, according to the Japan Automobile Manufacturers Association, as shipments to the USA slowed. Automobile output totalled 786,343 units, down 2.1%.
27th June	Stillwater Mining announced the resignation of Robert M. Taylor, the company's vice president of operations. Stillwater is in the process of identifying a chief operating officer and hopes to make an announcement shortly.
30th June	Impala Platinum announced that it will make an offer to minority shareholders in Zimbabwe Platinum Mines (Zimplats) to acquire all their shares for A\$4.08 per share. Impala also said it intended to acquire ABSA Bank's almost 15 per cent indirect interest in Zimplats. Impala currently owns an effective 30 per cent interest in Zimplats. Zimplats owns 70 per cent of the Ngezi open cast mine and the Selous Metallurgical Complex in Zimbabwe, with Impala holding the other 30 per cent. Feasibility studies on expanding Ngezi through underground mining are currently in progress and results to date have been promising.