



Publication of Platinum & Palladium Survey 2004 **Mine Production highlights**

PGM producers' margins slashed as production costs soar



GFMS today released its inaugural Platinum and Palladium Survey 2004. A summary of the findings of the survey was given in London and in Johannesburg this afternoon. According to the report, the average cost of refined production of PGM in 2003 soared by 51% or \$108/ounce against 2002, a result of the strengthening rand and a range of operational problems. Mine production of platinum grew by just under 1% while palladium production fell by almost 2% as a result of grade declines and operational problems.

South Africa accounted for 78% of the world's platinum mine production and 39% of palladium mine production, while Russian producers accounted for almost 14% of platinum and 42% of palladium mine production. South African production costs rose by 17% in rand terms in 2003, but the rand's strength against the dollar hiked cash costs by all of 62%. The average rand rate against the dollar was 28% higher in 2003 than in 2002, while the rand gained 29% against the dollar on an intra-year basis. This meant that the South African "basket PGM price" (calculated on a weighted basis according to production of each metal), while 11% higher in dollar terms, was down by 20% locally and contributed to a squeeze on margins. While this is an historical development, it will have a lingering effect on the market, illustrated by the fact that when Anglo Platinum announced its revised expansion plans in December, the company cited the 50% rally in the rand from its low point in December 2001 as one of the key aspects in the decision to reduce the scope of the expansion. Nonetheless, the South African mining industry has been the driving force behind the noteworthy increase in global mine production, sustaining an average 5% annual increase in platinum and palladium output between 1999 and 2003.

North American producers, who accounted for 5% and 15% of platinum and palladium mine production respectively, saw their margins slashed by 73%. Their received "basket price" dropped substantially as a result of the slide in dollar palladium prices. Palladium averaged \$337.07/ounce in 2002 and \$200.52/ounce in 2003, a fall of 41%, which more than offset the \$151.26/ounce or 28% increase in the average dollar platinum price because of the palladium:platinum ratio in the orebodies.

The combined delta-adjusted global hedge book for platinum and palladium, which accounts for 17% of annual mine production, contracted marginally during 2003, dropping to just under 2.0M ounces or 61 tonnes, and is a fraction of the gold hedge book, which stands at 84% of annual mine supply.

© **Copyright GFMS Limited - May 2004.** Whilst every effort has been made to ensure the accuracy of the information in this document, GFMS Ltd cannot guarantee such accuracy. Furthermore, the material contained herewith has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient or organisation. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any commodities, securities or related financial instruments. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. GFMS Ltd does not accept responsibility for any losses or damages arising directly, or indirectly, from the use of this document.

Platinum & Palladium Survey 2004 contains 80 pages of statistics, commentary and analysis on all aspects of world platinum & palladium supply/demand and on PGM prices in various currencies. The publication can be ordered from GFMS for £265 or US\$495 / €395 per copy. For orders and to receive further product information please contact Ms L. Perrard on: Tel: +44 (0)20 7478 1777, Fax: +44 (0)20 7478 1779, Email: sales@gfms.co.uk, Web Site: www.gfms.co.uk

Note to Editors about GFMS Limited:

GFMS Limited is the world's foremost precious metals consultancy, specialising in research into the global gold, silver, platinum and palladium markets. GFMS is based in London, UK, but has representation in Australia, China, India and Russia, and a vast range of contacts and associates across the world.

Press Contacts: Peter Ryan, Rhona O'Connell or Paul Walker, GFMS Limited, Hedges House, 153-155 Regent Street, London, W1B 4JE, UK, tel: +44 (0)20 7478 1777, fax: +44 (0)20 7478 1779, email: info@gfms.co.uk, web site: www.gfms.co.uk

