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# Fortis Metals Monthly March 2006

Gold, Silver, Platinum, Palladium,  
Aluminium, Copper, Nickel,  
Lead & Zinc, Tin, Plastics.

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Fortis Metals Monthly is an exclusive precious and base metals research joint venture between Fortis Bank SA/NV and Virtual Metals Research and Consulting.



## Metals and Plastics – Strategic View

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**Introduction**

Sell-off in base metals in mid-February creates uncertainty which lingers into early March.

**Gold**

Struggling to get and stay far beyond \$550/oz.

**Silver**

Marking time, awaiting firm news on the planned exchange traded fund in the USA.

**Platinum**

Riding high on strong fundamental prospects.

**Palladium**

Norilsk's vast reserves surprise the market – China and automotive markets still the key.

**Aluminium**

Fresh record price but short-lived – China's smelter capacity growth held back by high alumina prices.

**Copper**

A little pop rather than a big bang – fundamentals still strong.

**Nickel**

Inco and Falconbridge merger proves trickier than expected.

**Lead & Zinc**

Zinc still buoyant, lead loses ground.

**Tin**

Recovery of last year's lost ground.

**Plastics**

Lower feedstock costs bear down on prices.

## Forecasts

### Price forecasts

		End-February	1-month	3-month	2 years
Gold	\$ per oz	556	530-570	500	400
Silver	c per oz	969.5	>10	> 10	8
Platinum	\$ per oz	1051	1,000-1,090	950	900
Palladium	\$ per oz	286	275-310	290	230
Aluminium (3-month)	\$ per tonne	2,400	2,300-2,700	2,900	2,000
Copper (3-month)	\$ per tonne	4,760	4,500-4,900	4,000	3,500
Nickel (3-month)	\$ per tonne	15,000	14,800-15,200	14,000	13,000
Lead (3-month)	\$ per tonne	1,181	1,000-1,200	900	700
Zinc (3-month)	\$ per tonne	2,321	2,200-2,350	2,700	2,000
Tin (3-month)	\$ per tonne	7,900	7,700-8,000	8,000	7,000
Plastic: LL (September)	\$ per tonne	1,160	1,100-1,200	1,500	1,400
Plastic: PP (September)	\$ per tonne	1,055	1,000-1,150	1,400	1,300

Source: Virtual Metals

## Analysis

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### Copper's Twilight Zone?

The hunt is on (in some quarters anyway) for signs that metals' prices have peaked. Maybe the mere fact that more people are posing the question, "have metal prices peaked?" is in itself an indicator that the peak has already passed. The latest snappy metaphor to enter the vocabulary of metals' commentary came from John Gross, director of metals management at Scott Brass, a Rhode Island mill. On the back of a presentation to the American Copper Council on 17<sup>th</sup> February Gross told Reuters that "the (copper) market has moved into the 'Twilight Zone', we're in uncharted territory." For the uninitiated, 'The Twilight Zone' (which ran from 1959-1964 on the US TV network CBS) used sci-fi parables to explore human hopes and fears.

Gross may well have been thinking of the Zone's second episode, 'One For The Angels', in which a meek salesman named Bookman is told by Mr Death that his time on Earth is almost over. Bookman thereupon persuades Mr Death into letting him make one really big pitch ("one for the angels") before he dies. Gross is not a lone voice in the wilderness in airing the view that we might see one final "big pitch" by copper before it begins a headlong nosedive. Of course, the more people talk like Gross, the greater the chance it becomes a self-fulfilling prophecy. Gross elaborated his view by adding: "The public is getting into commodities and that's going to have an impact on the price. You have new index funds coming into commodities, they don't know supply-demand from anything, they know what their broker tells them ... when the market turns it's going to be a very hard turn." Regrettably (but sensibly) he declined to give a view as to when the turn might happen.

### "Visions of ingots danced before their eyes"

The classic account of bubble markets is still Charles MacKay's 1841 text "Extraordinary Popular Delusions and the Madness of Crowds", but, like Gross, MacKay did not give any real insight into what turns dreams of ingots into nightmares of loss. The common factor in all the excessive liquidity-driven bubbles described by MacKay is rather mundane – sentiment suddenly and apparently unmotivated by anything other than panic, turns from expectations of endless price rises to a desperate rush to get out. The February price drop on LME copper futures – 4% alone on the 27<sup>th</sup> after touching \$5,100/t earlier in the month – could retrospectively be seen as one stage in the pattern which MacKay implicitly detected in his examples of bubbles, i.e. a brief retreat from established highs, before a further surge higher, followed by a later and much deeper collapse. But this pattern could take a couple of years to play itself out. Meanwhile, investors are beset by contradictory news.

Basing his calculations on International Copper Study Group data, Gross forecast a 260,000t net surplus of refined copper production over consumption for 2006, against net deficits of 410,000t in 2003, 855,000t in 2004, and 65,000t in 2005. On the other hand, Bloomsbury Mineral Economics forecast, again in February, that the global refined copper market will have a net *deficit* in 2006 of 207,000t. Even those with a vital vested interest in anticipating the copper price have been caught out. Juan Villarrú, CEO of Codelco, the biggest Chilean state-owned copper producer, told Bloomberg in February that he thought copper's record rally was close to ending. He said: "Prices will move into what I would say is a more normal situation". Yet he also acknowledged: "I said the same six months ago, but I do expect prices to reach their peak (this year)." Yet this sits uncomfortably with his projection that Codelco's production, more than 10% of global output, will drop 240,000t in 2006 and another 40,000t in 2007 before beginning to rise again in 2008. Unexpected production disruptions could easily catch expectations of slowly rising surpluses by surprise. Chile's National Statistics Institute said at the end of the month that the country's copper

production was down 2.9% in January, year-on-year, to 418,929t. This was not a great surprise as producers have been flagging-up a temporarily lowered output, but it complicates the immediate outlook. So while everyone knows a peak will be reached, no-one knows when that might be – or might already have been.

## Focus

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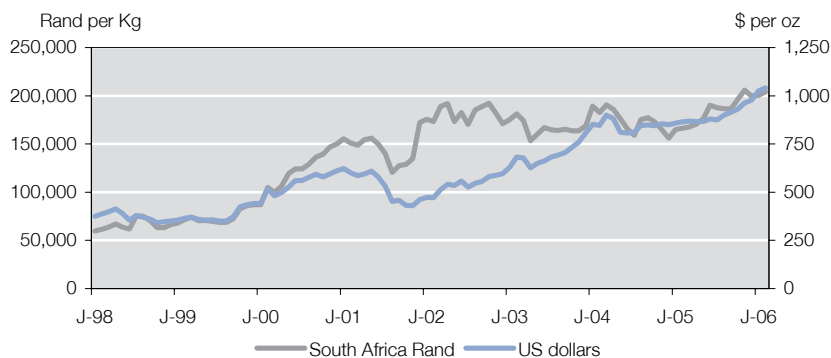
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### Platinum: a wave of money heading for a wall of metal?

*The high price of platinum has spurred interest in exploring deposits which until now have been left aside because of unprofitably low grades. A number of mining majors have recently resurrected old projects and some are dipping their toes into PGMs exploration for the first time. Meanwhile, in South Africa, still the world's biggest producer, 18 (at the last count) platinum group metals junior companies, some very recently formed, are trying to raise sufficient finance to begin serious work on deposits. Other minnows in other geographical regions are also trying to get off the ground. Will they find the longer-term demand fundamentals supportive?*

The big beasts of the platinum group metals' (PGM) jungle are feeling very confident right now. Many new projects are now undergoing feasibility analysis, both in South Africa and elsewhere. The strength of the rand, which in late 2004 began to threaten the planned new projects of South African PGM producers, has shown no signs of weakening, but the big change since then (and which has revitalised mothballed projects) is that while platinum averaged around \$845/oz in 2004 and \$896/oz in 2005, it is beginning to look as though it could average much higher than that in 2006. Equally important for those producers whose new projects involved mining a substantial amount of palladium as a by-product is that, while palladium averaged around \$230/oz in 2004 and some \$201/oz in 2005, it too has recovered by almost \$60/oz this year so far, assisted by continued strength in industrial demand, strong investment community support, and Chinese jewellery buying. This recovery in PGM-basket prices is giving South African producers much greater room for manoeuvre when it comes to rolling out projects, particularly when demand for both metals appears to be well-supported even at these higher prices.

### Platinum price since 1998



Source: Virtual Metals

In February, Keith Rumble, Implats' CEO, anticipated that platinum this year faces its second successive year of a global deficit and that palladium would be in deficit for the first time since 2000. These deficits, he pointedly added, are occurring in the context of historic high prices for platinum: "The price of platinum has gone well beyond our wildest expectations." The big question is, how much is this due to the general wave of speculative investment which has swept across all metals in the past six months, and how much is it to do with the fundamental supply-demand outlook?

Certainly PGM producers are increasingly taking a more positive view of the supply-demand prospects for their metals, firm in the belief that automotive and industrial applications will continue to drive demand for the rest of the decade, while slower than originally anticipated mine supply will help maintain a firm

(and high) floor to prices. Record prices have translated into booming profits, too. Angloplats reported in February full year net profits to the end of 2005 equivalent to more than \$727m, against more than \$403m year-on-year. Ralph Havenstein, Angloplats' CEO, was just as bullish about prospects as Rumble, saying: "Angloplats remains confident of the robustness of current and future demand for platinum and is continuing with its expansion programme." Average production growth from Angloplats of around 5% a year for the next few years is now likely, and board approval of its Potgietersrus North project – which if it goes ahead could produce another 230,000 oz of platinum annually, at a capital cost of almost \$650m – looks increasingly likely. Implats' own target currently is to be producing 2.3 Moz of platinum annually by 2010.

Barrick, the world's number one gold producer following its acquisition of Placer Dome, is considering a rapid development of the Bakgetla Ba Kgafela mine in South Africa, acquired in the takeover of Placer Dome. Alex Davidson, executive vice president with Barrick, said at the start of February that Barrick is "looking forward to aggressively developing" the mine by first defining a reserve in the region of 16 Moz of PGMs. Last December Placer Dome reported (before the Barrick takeover) that its Sedibelo project on the western limb of the Bushveld Igneous Complex in South Africa, the largest known layered intrusion in the world with some 80% of the world's known platinum group element (PGE) mineral resources, had increased inferred deposits by 175% to 15.9 Moz. African Platinum (Afplats), one of the bigger South African juniors, said it hopes to begin mining in less than three years, with full production in five years from now. Its new feasibility study shows proven reserves of 6.9 Moz, which will translate into annual production of 310,000 oz of three PGMs and gold in a mine life of 20 years, with platinum comprising 60% of output. Afplats has declared resources (metal in the ground which is currently not commercially viable) of 53m PGM ounces, which the company said recently might be updated to 100 Moz later this year. Ridge Mining, another South African junior, has two projects in advanced stages: its 100% owned Blue Ridge project with reserves of 2.62 Moz and its 65% owned Sheba's Ridge project (a joint venture with Angloplat) with resources of 19 Moz of PGM. Northam Platinum said at the start of February that plans to build a PGM mine at Booyensdal, in which Angloplats has a 50% share, also on the Bushveld complex, had been taken off the shelf and dusted down, and that a feasibility study for the mine, with an estimated 100 Moz PGM resource, would now be completed.

### Changed context, new explorers

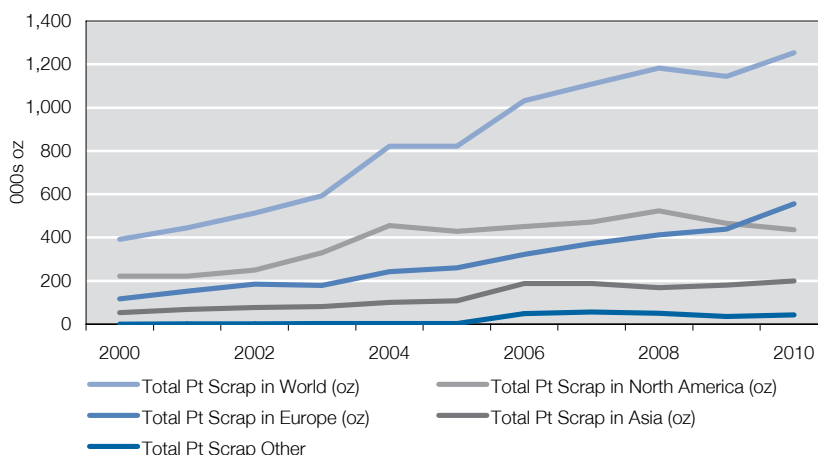
This kind of deficit has attracted the attention of the investment community, which, in turn, has helped push prices higher creating more positive conditions for raising previously shelved mining plans to commercial viability. It has also created an environment in which completely new exploration in previously unproved ground is more attractive than for many years. In Canada, Northern Shield Resources, a former shell company which the current management took over in May 2003, now believes it has discovered a significant resource in an inaccessible part of north-western Ontario. Ian Bliss, Northern Shield's president and CEO, by training a geologist, began his search for Canadian platinum in 2003 by digging out some old geophysical mapping compiled by the Canadian government in the 1960s. He reinterpreted the regional aero-magnetic signature from those old maps as a possible layered intrusion, a reconsideration that was subsequently confirmed by the magmatic layering in the only known outcrop, and through initial exploratory drilling. A high-resolution airborne magnetic survey revealed a strongly banded sequence of rocks indicating the existence of a layered intrusion under the overburden. Layered intrusions are the Holy Grail for PGM explorers; nearly all of the world's pgms deposits are contained in layered intrusions, including the Bushveld Igneous Complex in South Africa and the Great Dyke in Zimbabwe.

In early 2004, Northern Shield announced the discovery of a previously unknown layered intrusion at Highbank Lake in north-western Ontario. Since then, soil sampling at Highbank Lake has identified several zones with PGE (platinum group element) deposits. Of 2000 different soil samples, 24% have been found by the company to contain significant grades of platinum and palladium, a success rate sufficient to encourage Impala in July 2005 to pay a relatively small sum – C\$5m – to take a 60% interest in the proposed mine site, which covers an area of some 500 square kilometres, roughly the size of the Isle of Man off the north-west coast of England. The zone which has been charted so far has similar platinum grades to the Bushveld complex, according to Bliss. The financial backing of Impala is now assisting the company to begin larger scale drilling in mid-2006. This is a real long-term project; even if this year’s intensive drilling proves Bliss and his colleagues right in their belief that they have alighted upon a major PGM deposit, it will still be another decade before the first ore is commercially produced. Northern Shield also has access to plentiful supplies of water, the lack of which has to some extent hindered mining operations in some parts of the Bushveld.

**Supply looks like it will further lag demand**

While Canadian platinum may eventually come to market, at the moment the world is still almost entirely dependent on South African and Zimbabwean production, which by 2010, if all currently highly probable projects come to fruition, will still be significantly less than 7 Moz/year, according to our most recent projections. Broad statistics suggest that South African production last year lagged behind demand growth. According to the country’s official agency, Stats SA, South Africa’s pgms production fell 13% year-on-year during the three months to November 2005. According to Johnson Matthey, the global platinum market will probably have been in deficit in 2005 for the seventh successive year, with demand reaching an estimated 6.71 Moz while new mine supply was probably 6.59 Moz, the gap being made up by stocks. Demand in 2006 will almost certainly break through 7 Moz, exacerbating the supply deficit still further. The one black cloud on the horizon as far as junior miners are concerned is the extent to which secondary supply of platinum will increase. Already there clearly is an efficient recycling network in North America, and European and Japanese firms are expanding quickly. With legislation being tightened around the world on the scrapping of cars and electronics, supply of such recycled metal is likely to increase, whilst becoming less price sensitive. Virtual Metals projects that scrap recovery rates from autocatalysts and the oil refining sector will rise to above 1 Moz and steadily grow from 2007, but the market is nevertheless depending on new projects coming to fruition, to avoid a real crunch before 2010.

**World Platinum scrap**



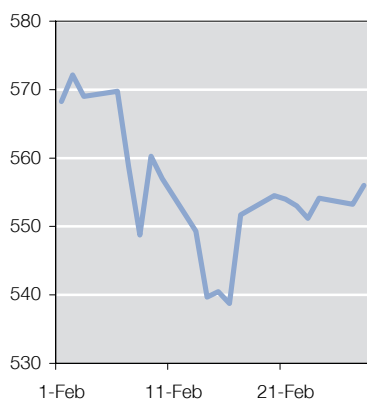
Source: Virtual Metals, after 2005 forecast.

At the moment therefore, the global platinum market faces a period of demand significantly growing in advance of potential supply increases. A plethora of new projects are arising but even the most advanced will take several years to come to market. This could induce a short-term price spike far beyond that seen so far, to the further detriment of the two large demand sectors, jewellery and autocatalysts. While it is too early to tell if the recent price surge has further soured the Chinese appetite for platinum jewellery, palladium substitution in this market has certainly dented platinum's offtake levels. The light diesel automotive sector, a key demand driver for platinum autocatalysts is growing strongly in Europe and to a lesser extent in the USA, where new, ultra low sulphur diesel regulations in place from September this year may temporarily depress new diesel car sales. The trend towards diesel and bio-diesel cars is, however, likely to be strong for the foreseeable future, with concerns about fuel costs, efficiency and CO<sub>2</sub> emissions underpinning the growth of diesel vs. petrol fuelled vehicles. And on the horizon (but not too distant) are completely novel demand sources, particularly the fuel-cell, a platinum-dependent technology which might actually start to live-up to its long-established promise.

In February, the innovative Japanese car manufacturer Honda said its hydrogen-powered fuel-cell vehicle could be ready for mass production in three to four years, way ahead of the 10-year estimates of its competitors. Honda said a new hydrogen absorption material in the fuel tank will double storage capacity to 5kg of hydrogen at 5000 PSI, extending cruising range to 350 miles, equivalent to that of a gasoline-engine car, without the need for a large storage unit. If Honda succeeds in bringing a fuel-cell vehicle to the mass market, then it can only be a matter of time before the next radical revolution in personal transportation arrives, giving an even bigger boost to platinum demand. At the same time, conventional combustion engine manufacturers are unlikely to remain faithful to platinum in autocatalysts when a potential substitute or part-substitute – palladium – is less than a third of the price. Last December a GM spokesman told Platts: "Once one metal becomes too expensive then we substitute." So while today's high platinum price has provided a comfortable context for accelerated exploration and production, the platinum miners are currently walking a tightrope – on one side the risk of tumbling prices might again hit expansion plans, while on the other they need to ensure prices don't rise so high as to destroy existing demand sources and encourage future potential demand sources (such as fuel-cell technology) to look for platinum substitutes.

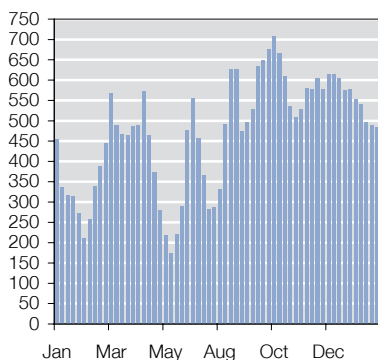
# Gold

Gold price (\$/oz)



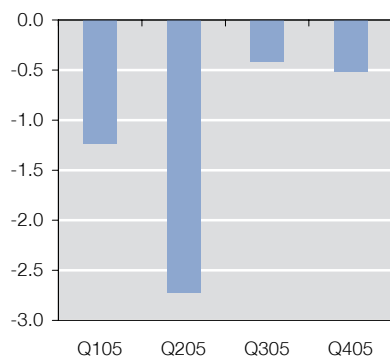
Source: London Bullion Market Association

Comex: Non-commercial net position (tonnes)



Source: Virtual Metals

Global gold dehedging, Moz



Source: "The Hedge Book", Virtual Metals, Mitsui Global Precious Metals, Haliburton Mineral Services

Market data (February unless stated)

Prices	US\$/oz	Euro/oz	Rand/kg	ETF investment	Ounces	Lease rates	1m	3m	6m	12m	Option volatility (end month)	
Average	555	465	108,872	US	379,973	Average	0.09	0.13	0.15	0.18	1-month	18.30
High	572	476	112,004	UK	90,869	High	0.11	0.17	0.19	0.20	3-month	19.10
Low	539	453	104,752	Aus	5,994	Low	0.07	0.10	0.14	0.16	6-month	19.56
				S.Africa	27,776						12-month	19.60

Source: Prices: London Bullion Market Association, Others: Virtual Metals

## News

- Feb 27<sup>th</sup>: Newmont reported Q4 2005 profits of \$62m, vs. \$190m year-on-year, and full-year profits of \$322m against \$443m for 2004.
- Feb 24<sup>th</sup>: China's National Development and Reform Commission said it expects the country's gold production to rise 7.12% in 2006 to 240t. The China Gold Association said 2005 production rose 5.51% year-on-year to more than 224t.
- Feb 22<sup>nd</sup>: Newcrest, Australia's biggest gold producer, reported net profits of A\$74.2m for its current 1H (ended 31<sup>st</sup> Dec.), A\$22.6m up year-on-year.
- Feb 22<sup>nd</sup> Barrick reported 2005 full year net income of \$401m, 62% up year-on-year on production of 5.46 Moz, in line with its targets.
- Feb 20<sup>th</sup>: Cambior reported Q4 net income of \$19.8m vs. losses of \$76.7m year-on-year. It produced 141,600 oz in Q4, down from 175,100 ounces a year ago. Its 2006 production target is 529,000 ozs, vs. 638,400 ozs in 2005.
- Feb 13<sup>th</sup>: Harmony Gold returned to the black for the first time in more than two years, reporting net profits equivalent to more than \$3.57m for its Q2 to the end of December 2005.
- Feb 10<sup>th</sup>: AngloGold Ashanti reported Q4 net losses of \$227m against net profits of \$35m year-on-year. It also reported reserves about 20% lower at 63.3 Moz.

## Analysis

- Gold sticks around \$550/oz

There was some confusion in February as to what the German government and Bundesbank might have in mind for the country's 3,400t of gold reserves. Peer Steinbrück, Finance Minister, told the Frankfurt Allgemeine Zeitung he was "pretty sure" he could reach agreement over "the reinvestment of profits from gold sales with the Bundesbank", only to be followed shortly by Axel Weber, the Bank's president, warning the government that "there can be no outside influence on the portfolio decisions" of the Bank. Our view is that, while the Bank fights a rearguard action against the gradual predations of the new government, which is seeking to cut the Bank's staff costs as well as encourage gold sales, this may delay but will not kill-off any such sales.

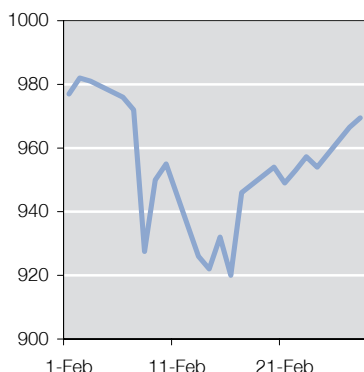
China's Gold Association said it plans to launch the country's first gold investment fund in 2006, with an initial public offering of up to Yuan 1bn (about \$125m). The fund would be managed by a new company established by the Association, Chinese commercial banks and some gold producers in the country.

## Outlook

Gold tried to shift higher at the start of February, the London pm fix on the 2<sup>nd</sup> at \$572.15/oz, but fell below \$540/oz by mid-month before recovering to marginally above \$550/oz for the rest of the month. While gold owes much to the recent investment feeding frenzy, new signs of collapsed physical demand in India at the end of 2005, and reports of massive scrap recycling in the Middle East in the first two months of 2006, left the market feeling rather suspended in mid-air. Short-term: \$530/oz-\$570/oz.

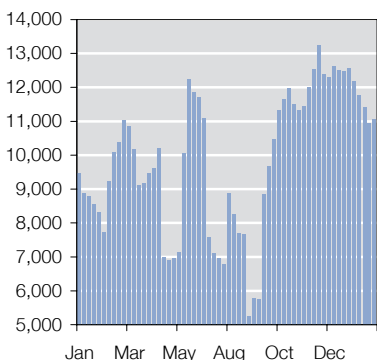
# Silver

Silver price (cents/oz)



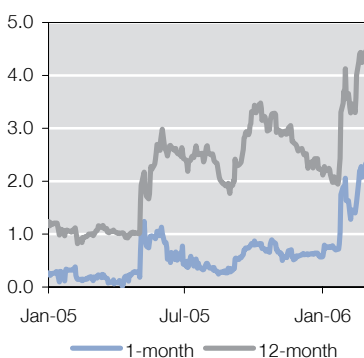
Source: London Bullion Market Association

Comex: Non-commercial net position (tonnes)



Source: Comex

Silver Lease Rates, %



Source: LBMA

## News

- Mar 1<sup>st</sup>: Codelco, Chile’s state-owned copper producer, said it was considering spinning-off its silver assets; its main silver project, the Puren mine, is expected to start production in 2006 with initial output of 30 Moz over its initial two-year life plan.
- Feb 24<sup>th</sup>: Penoles, the world’s biggest silver producer, based in Mexico, reported Q4 2005 net profits equivalent to \$53m, 37% up year-on-year, with total production for the year of 91.3 Moz.
- Feb 23<sup>rd</sup>: Silver Wheaton agreed to buy 4.75 Moz annually from Glencore International, the silver coming from Glencore’s Yauliyacu operations in Peru.
- Feb 23<sup>rd</sup>: Pan American Silver reported net earnings for 2005 of \$1.1m, with production up 12% to 12.5 Moz year-on-year.
- Feb 6<sup>th</sup>: Hecla Mining reported updated figures for proven and probable reserves at its Lucky Friday mine in Idaho in 2005; reserves doubled, to 17.2 Moz, equal to all silver output from the mine during the past 33 years of production.

## Analysis

- Awaiting the ETF

Glamis Gold, which has mines and projects in Nevada, Mexico and central America, is buying Vancouver-based Western Silver Corporation for C\$1.2bn. The move will help Glamis to achieve its aim of increasing its gold production to more than 700,000 oz by 2007 from 434,000 oz in 2005, but it will also mean that Glamis becomes a significant silver producer. The deal, expected to be concluded in May, adds the Penasquito silver project in central Mexico to Glamis’s portfolio. Western Silver’s feasibility study estimates that Penasquito will mine 220 Moz of silver, 3.38 Moz of gold, 1.26 Mt of zinc and 631,000t of lead over its commercially viable life, put at 17 years.

February ended without conclusive news on the Securities and Exchange Commission’s consideration of Barclays Global Investors’ (BGI) application to launch its proposed silver exchange traded fund (ETF). John Heine, the SEC’s deputy director of public affairs, said there was no timetable for a final decision. The overwhelming majority of comments concerning the ETF lodged with the SEC (as posted on its website) have so far been positive and it is looking increasingly likely that the ETF will eventually get the go-ahead, despite continued lobbying against it by the Silver Users Association (SUA). We believe BGI’s silver ETF will get approval and could prove as popular with investors as the various gold ETFs.

## Outlook

**\$9/oz proved a solid base for silver on the London fix throughout February, with investors anticipating further rises, firm in the belief that the ETF will soon be approved. Physical liquidity concerns also began to attract traders’ attentions. If the ETF gets approved in March, \$10/oz (breached in early March) could become a new firm floor. Short-term: >\$10/oz.**

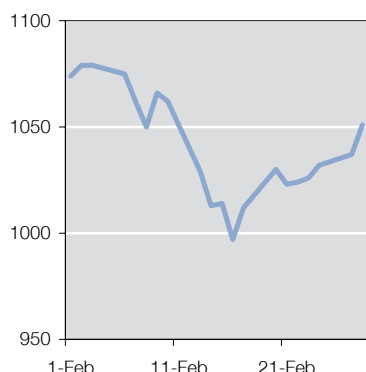
Market data (February unless stated)

Prices	c/oz	e/oz	p/oz	Imports	kg	Lease rates	1m	3m	6m	12m	Option volatility (end month)	
Average	953.5	798.6	545.5	USA (Dec)	418,120	Average	1.76	2.35	2.97	3.84	1-month	33.50
High	982.0	818.3	557.6	Japan (Dec)	294,889	High	2.28	3.00	3.67	4.44	3-month	34.00
Low	920.0	774.9	530.5			Low	1.28	1.85	2.36	3.29	6-month	34.00
											12-month	34.50

Source: Prices: London Bullion Market Association, Others: Virtual Metals

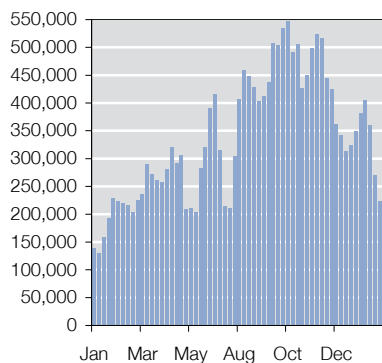
# Platinum

Platinum price (\$/oz)



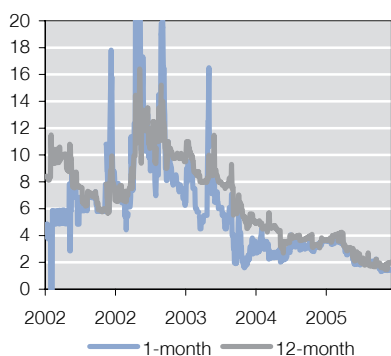
Source: London Platinum & Palladium Market

Nymex: Non-commercial net position (ounces)



Source: Nymex

Platinum lease rates, % per year



Source: Ecwin

## News

- Feb 24<sup>th</sup>: Lonmin quashed talk of a bid approach, reported by the Financial Times earlier in the month to have been considered by Gold Fields. In the year to 30<sup>th</sup> September 2005 Lonmin produced 916,420 oz of platinum, with a target for 2006 of 1 Moz.
- Feb 16<sup>th</sup>: Impala Platinum reported net profits of Rand 1.81bn (more than \$295m) for the 1H of its current year (to the end of December 2005) vs Rand 3.01bn (\$491m) for the same period a year ago; the almost 40% fall year-on-year was attributed to the company's sale of its interest in Lonrho Platinum in late 2004. Production rose to 938,000 oz from 880,000 oz, year-on-year.
- Feb 2<sup>nd</sup>: Northam Platinum reported net profits for its 1H (ended 31<sup>st</sup> December) at more than \$49m, up from almost \$10m year-on-year.

## Analysis

- \$1,000/oz remains firm base

Ralph Havenstein, CEO of Anglo Platinum, said in the company's latest annual report that world platinum demand in 2006 will outpace projected supply increases. Global production of refined platinum is expected to rise as high as 7.4 Moz this year from 6.7 Moz in 2005. Impala's CEO, Keith Rumble, concurred in expecting the market to remain robust this year and said Impala plans to grow production by 5% to 2010, by which date the company aims to be producing 2.3 Moz annually.

Two automotive experts in the USA forecast growing demand for diesel vehicles this year and going forward. Al Bedwell of J D Power told Business Week: "Total sales of diesel vehicles last year in the USA was 549,000, versus only 250,000 for hybrids. Diesel needs to win in the light-truck and passenger-car sector. That's the battleground." Elsewhere, Thomas R. Hinman, vice president and general manager at Corning Diesel Technologies, said Corning also expects a surge in interest in its diesel emissions control products during 2006, as demand for diesel engines grows. He said: "By 2007, emissions from buses and trucks sold in the US must be up to 90% cleaner than 2002 models. On a more global front, regulations impacting on both diesel passenger cars and heavy-duty vehicles continue to be enacted, representing a greater than 90% reduction in allowable emissions by 2010." From September US legislation will impose ultra low sulphur diesel regulations, producing fewer CO<sub>2</sub> emissions.

## Outlook

**Platinum stayed comfortably above \$1,000/oz in February, only briefly falling lower (to \$997/oz on the London pm fix of the 16<sup>th</sup>). However, the fact it did not make a serious effort to challenge \$1,100/oz suggests that, with so much bullish news already in the market, the trend might be sideways for some time to come. Short-term: \$1,000/oz-\$1,090/oz.**

Market data (February unless stated)

Prices	US\$/oz	Lease rates	1m	3m	6m	12m	Trade (kg)	Imports	Exports	Option volatility (end month)	
Average	1,042	Average	1.4	1.6	1.8	1.9	US (Dec)	6,281	34,747	1-month	16
High	1,079	High	1.5	1.7	1.9	2.0	Japan (Dec)	4,862	892	3-month	17
Low	997	Low	1.4	1.5	1.5	1.5	China (Jan)	4,078	0	6-month	19
							Hong Kong (Nov)	513	301	12-month	21

Source Price: London Platinum and Palladium Market, Others: Virtual Metals

# Palladium

## News

- Feb 26<sup>th</sup>: Stillwater Mining reported a net loss of \$13.9m for its full year during 2005, vs. net income of \$29.8m for 2004. The Q4 2005 loss was \$2.9m. Production for the whole of 2005 was 554,000 oz of palladium and platinum, 15,000 oz lower year-on-year but in line with the company's production target.
- Feb 14<sup>th</sup>: North American Palladium reported its Lac des Iles mine had resumed operations after the 10 day suspension due to a tailings leak.

## Analysis

- Range-bound at higher level

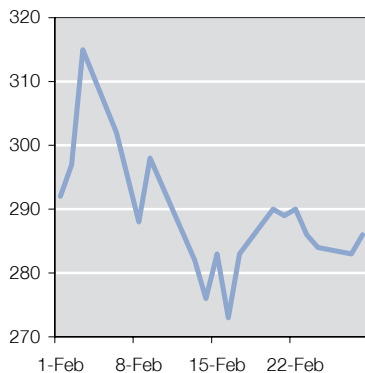
On 15<sup>th</sup> February, Norilsk published previously confidential information showing proved and probable ore reserves of 62 Moz of palladium and 16 Moz of platinum at its main Polar division, while combined head grades for major underground operations varied from 5.5 grams/t to 11.1 grams/t. Measured and indicated mineral resources of the division located on the Taimyr Peninsula indicated an additional 141 Moz of palladium and 40 Moz of platinum. These figures were substantially higher than the market anticipated. Reserves and Resources for Norilsk's various platinum deposits amount to 56 Moz and some 203 Moz for palladium. No mention was made of above-ground palladium inventories, key data which Norilsk's management said last year it would publish before the end of 2005. Norilsk plans to produce 2.90-2.95 Moz of palladium in 2006, down from 3.133 Moz in 2005, and 690,000-700,000 oz of platinum, compared with 751,000 oz in 2005.

Investors on Nymex and TOCOM marked time in February, with the last available data (to 21<sup>st</sup> February) showing a small 8,400 oz decline in the net speculators' position to 1,033,400 oz, while on TOCOM investors added 13,632 oz to 196,619 oz.

## Outlook

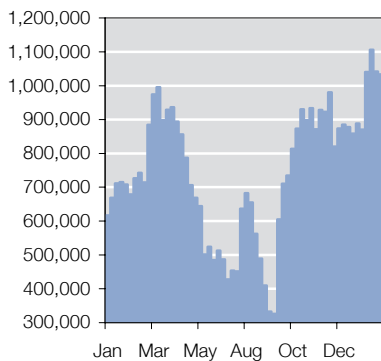
Reports from the USA and Europe concerning likely new car sales this year have been hesitant so far, with mildly bearish indicators in the US market. It's also too soon to tell if the Chinese jewellery market's recent foray into palladium has endured into 2006. In the absence of market-moving headline news, palladium's investment fans stayed the course, although the London pm fix showed no interest in sustaining an early-month move above \$300/oz. Equally, the dips below \$280/oz (\$276/oz on the 14<sup>th</sup> and \$273/oz on the 16<sup>th</sup>) were largely prompted by an across-the-board sell-off in most metals. Good news on car sales and from urban China's jewellery buyers in Q2 could well spark further upside. Short-term: \$275/oz-\$310/oz.

Palladium price (\$/oz)



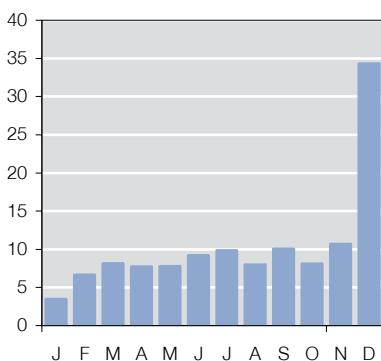
Source: London Platinum & Palladium Market

Nymex: Non-commercial net position (ounces)



Source: Nymex

US imports of palladium, 2005, tonnes



Source: TradeStats

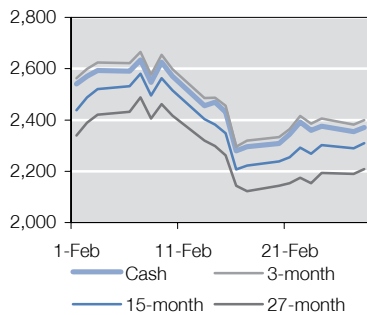
Market data (February unless stated)

Prices	US\$/oz	Lease rates	1m	3m	6m	12m	Trades (kg)	Imports	Exports	Option volatility (end month)	
Average	289.3	Average	0.30	0.39	0.44	0.52	US (Dec)	37,931	4,549	1-month	43
High	315.0	High	0.47	0.53	0.58	0.65	Japan (Dec)	339	1,310	3-month	43
Low	273.0	Low	0.07	0.21	0.33	0.39	China (Jan)	773	0	6-month	45
							Hong Kong (Nov)	2,066	138	12-month	47
										24-month	47

Source: London Platinum and Palladium Market, Others: Virtual Metals

# Aluminium

Aluminium price (\$/tonne)



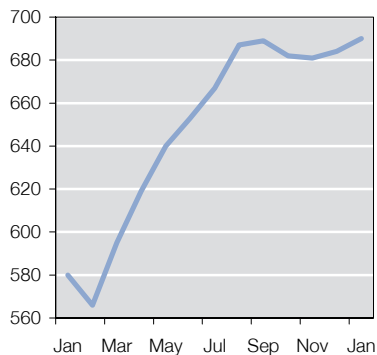
Source: London Metal Exchange

Aluminium stocks (tonnes)



Source: London Metal Exchange

Chinese primary aluminium production, 2005, (000's tonnes)



Source: Chinese Nonferrous Metals Industry Association

## News

- Feb 22<sup>nd</sup>: RUSAL, the Russian aluminium producer (and the world's third biggest), is considering construction of a smelter in Azerbaijan, with annual capacity of 300,000t. RUSAL plans to raise its output of primary aluminium to 5 Mt from the 2.76 Mt expected in 2006 by building or buying new smelting capacity. In February RUSAL also signed a deal to buy a controlling stake in the Nigerian aluminium smelter ALSCON, which has capacity of 193,000t a year.
- Feb 20<sup>th</sup>: The Khakassky aluminium smelter, which is being built by Russian Aluminum (RAL.YY), or Rusal, will produce its first aluminium in November, Rusal's press office. The smelter will reach its project capacity of 300,000t/year in November, 2007. The cost of the project is put at \$750m. In 2005 Rusal increased its primary aluminum output by 1.6% year-on-year to 2.714 Mt.
- Feb 19<sup>th</sup>: Alcoa, the world's largest aluminum producer, is moving forward on plans to build a \$1.5bn smelter in Trinidad, with a capacity of 341,000t.

## Analysis

- New high proves unsustainable

LME three-month aluminium fell from a 17-year high of \$2,678/t on 7<sup>th</sup> February to a low of \$2,260/t by the 16<sup>th</sup>, as rising LME stocks, up to 748,200t by mid-month, weighed on sentiment, together with growing evidence that only the high price of its alumina imports is holding back China's rapid growth towards becoming self-dependent for its primary aluminium needs. China's smelters facing costs of \$600/t for imported alumina means a group of 23 Chinese smelters said they plan to cut 2006 aluminium production by 10%, or 335,000t, with the start-up of around 340,000t of new metal capacity put on hold, although its alumina imports in January were up 78% year-on-year to 780,000t. China's Jilin Aluminium is expected to resume production in April or May this year. The company's capacity would be 60,000t/year, unchanged from the level before the shutdown.

Norsk Hydro's Neuss 223,000t/year capacity primary aluminium plant in Germany now looks as though it has escaped closure, at least before 2009, having secured sufficient long-term power contracts for the period 2006-2008. Norsk said it has sold forward 330,000t of primary aluminium on the LME at an average price of \$2,250t for 2007 and 2008, about 10% of its total expected production for the period. The Norwegian daily Dagens Næringsliv quoted Norsk's CEO, Eivind Reiten, as saying the company is open to selling some or all its downstream aluminium operations.

## Outlook

**The sell-off in copper plus rising LME inventories helped pull aluminium down at the end of February below \$2,400/t (3-month LME). Alcoa expects China's demand will double in 15 years and that its consumption in 2006 will be 8.3 Mt, 19% higher year-on-year. Physical demand may continue to be strong but investors are jittery right now. Short-term: \$2,300/t-\$2,700/t.**

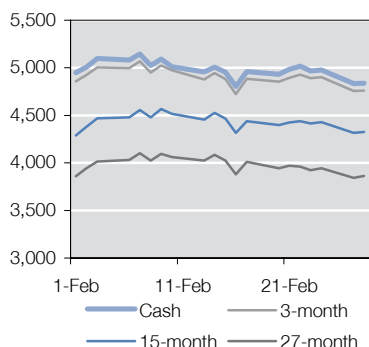
Market data (February unless stated)

Prices (\$/t)	Cash	3-month	15-month	27-month	LME stocks	Tonnes	Prod (kt)	December	January	LME Open	Interest (contracts)
Average	2,455	2,482	2,382	2,286	Jan-06	710150	Europe	720	717	Aluminium	814,012
High	2,634	2,665	2,580	2,488	Feb-06	769475	Americas	675	664		
Low	2,278	2,296	2,207	2,122			Asia	277	287		
							Other	349	347		
							Total	2,021	2,015		

Source: London Metal Exchange, except Production: International Aluminium Association

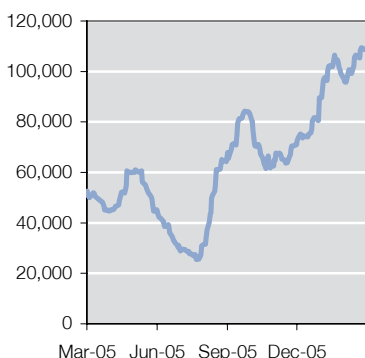
# Copper

Copper price (\$/tonne)



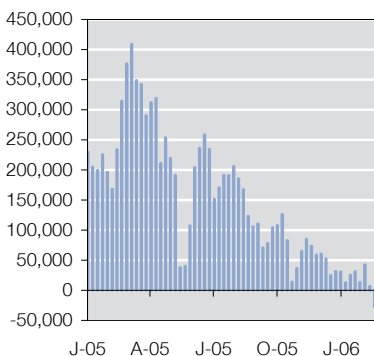
Source: London Metal Exchange

Copper stocks (tonnes)



Source: London Metal Exchange

Comex, large speculators' non-commercial net position (tonnes)



Source: CFTC

## News

- Feb 21<sup>st</sup>: Production was suspended for three days at Freeport-McMoRan's Grasberg copper and gold mine in Indonesia following demonstrations by illegal miners; the company reported shipments were unaffected.
- Feb 21<sup>st</sup>: China's Minmetals and Chile's Codelco announced the establishment of a joint venture valued at \$2bn to develop Chile's copper resources. This follows a letter of intent on the project signed by the two companies in May 2005. Under the deal Codelco will provide 836,250t of copper over 15 years to China Minmetals Non-Ferrous Metals, which is controlled by Minmetals.
- Feb 21<sup>st</sup>: The Kazakh zinc and copper producer, Kazzinc, will build a new copper smelter in the city of Ust-Kamenogorsk, which will be commissioned in three years' time. The smelter will have an annual capacity of 70,000t of cathode copper, Kazzinc said. The cost of the project is \$178m.
- Feb 19<sup>th</sup>: The world refined copper market was in surplus by 59,000t in November 2005, the International Copper Study Group said in a preliminary report.

## Analysis

- China's imports plunge in January

The Belgian copper producer, Cumerio, has postponed a smelter maintenance shutdown in Bulgaria planned for September 2006 to April 2007 in order to take advantage of positive market conditions. The plant is the Cumerio Med smelter in Pirdop, Bulgaria, with capacity of around 240,000t/year of copper anode.

The refined copper market will be in a 207,000t deficit in 2006, according to Bloomsbury Mineral Economics (BME), with a deficit of 249,000t in 2007, and a move into surplus expected only in 2008. BME estimated refined consumption in 2005 at 16.8 Mt, unchanged from 2004. BME further estimated that there were consumption falls of more than 10% in the UK, Sweden and Greece, and falls of over 5% in Finland, France, Italy, Japan, South Korea, Taiwan, Canada and the USA during 2005. There were increases in refined consumption of over 5% in China, Vietnam, Malaysia, The Philippines, Egypt, Turkey and Mexico, BME said. "In 2006 we expect to see global consumption growth rebound to 5.9%, followed by 4.4% in 2007," BME reported. According to Chile's state-owned copper statistics body, Cochilco, Chile will expand production 26% to 6.72 Mt by 2012 (from 5.31 Mt in 2005, a 1.9% drop year-on-year) as Codelco and BHP Billiton start new mines and improve existing ones.

## Outlook

News that China's cathode imports fell 37.7% in January year-on-year, to 70,443t, while its scrap imports fell 11.1% and copper concentrate imports rose 0.1% (to 304,036t), rippled through the market at the end of February. LME stocks also rose to almost 110,000t. Firm support was said by traders to exist at \$4,600/t for the LME's 3-month contract, but sentiment is fragile. Short-term: \$4,500/t-\$4,900/t.

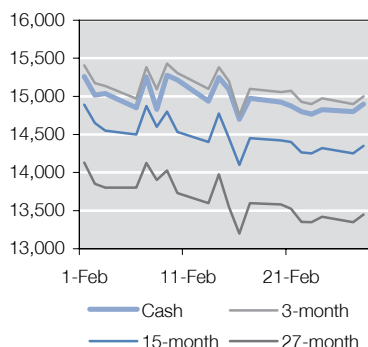
Market data (February unless stated)

Prices (\$/t)	Cash	3-month	15-month	27-month	LME stocks	Tonnes	LME Open Interest (contracts)
Average	4,982	4,903	4,434	3,981	Jan-06	97,600	Copper 374,460
High	5,146	5,067	4,565	4,100	Feb-06	108,900	
Low	4,804	4,724	4,290	3,845			

Source: London Metal Exchange

# Nickel

Nickel price (\$/tonne)



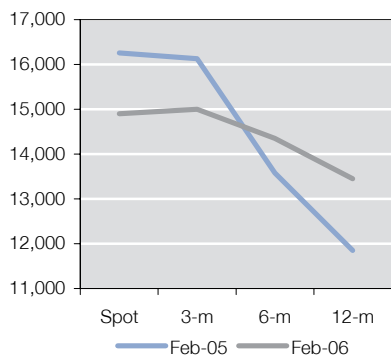
Source: London Metal Exchange

Nickel stocks (tonnes)



Source: London Metal Exchange

Nickel price by maturity, \$/tonne



Source: Virtual Metals from LME

## News

- Feb 24<sup>th</sup>: Arcelor, the French steel producer, said it had bought a 38% share of the Chinese steelmaker Laiwu Steel Group for \$260m.
- Feb 19<sup>th</sup>: Australia’s Bluescope Steel said that Asian steel prices may have bottomed and are expected to gain in Q2 2006. Bluescope’s 1H (2005-2006) profit fell 38% to A\$312 million as excess Chinese steel production drove down prices.
- Feb 19<sup>th</sup>: Shipments of steel for Japanese manufacturers are expected to top 50 Mt in fiscal 2006, marking a 16-year high, thanks to strong demand for high-grade steel materials from automakers and shipbuilders, according to projections by major steelmakers, the Nihon Keizai Shimbun reported.
- Feb 14<sup>th</sup>: Inco reported Q4 2005 net income of \$235m, 4% higher year-on-year.

## Analysis

- Inco/Falconbridge merger further delayed

The planned friendly takeover by Inco of Falconbridge ran into difficulties at the end of the month when the European Commission said it had started an in-depth investigation on the basis that an initial analysis had “found that the proposed transaction gives rise to competition concerns on certain nickel and cobalt markets.” The move by the EC follows a decision by the US Justice Department in November 2005 that it too would study the deal more intensively. The EC’s move to an in-depth consideration will inevitably delay any prospect of the takeover happening until mid-2006 at least. The EC said: “The merger would eliminate the main alternative supplier on these [EU] markets. This would risk significantly reducing customer choice and is likely to lead to price increases.” The merged company would command almost 25% of global nickel production.

The core problem of the planned \$10.8bn takeover appears to be anxieties of defence contractors and other nickel producers that the merged company would have a commanding position in production of the high-grade nickel used to make super-alloys for jet aircraft engines. Dow Jones reported that the US Defence Department is lobbying hard against approval of the deal. Inco and Falconbridge have offered to divest any newly merged company of Falconbridge’s Nikkelverk refinery in Norway, which is the world’s biggest refiner of nickel used in super-alloys, but as 100% of the ore used by the refiner is supplied by Inco and Falconbridge, this may not be enough to overcome regulatory concerns. Some 5% of the 1.3 Mt of nickel ore produced in 2005 went into super-alloys. It is still conceivable that Xstrata, which bought 20% of Falconbridge in August 2005, might step into the arena.

## Outlook

**Nickel prices on the LME marked time in February, the 3-month contract trading in a narrow \$455/t range and ending the month uncertainly at \$14,970/t. Short-term: \$14,800-\$15,200/t.**

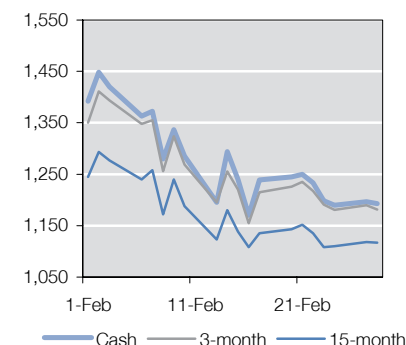
### Market data (February unless stated)

Prices (\$/t)	Cash	3-month	15-month	27-month	LME stocks	Tonnes	LME Open Interest (contracts)
Average	14,979	15,102	14,492	13,666	Jan-06	37,020	Nickel 78,088
High	15,275	15,425	14,890	14,130	Feb-06	34,686	
Low	14,700	14,725	14,100	13,200			

Source: London Metal Exchange except Option volatility: Virtual Metals

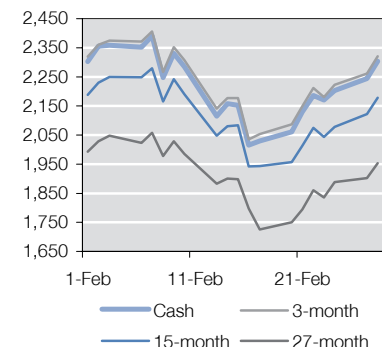
## Lead & Zinc

Lead price (\$/tonne)



Source: London Metal Exchange

Zinc price (\$/tonne)



Source: London Metal Exchange

Stocks on LME (Jan. 1<sup>st</sup> 2004 = 100)



Source: Virtual Metals from LME

### News

- Feb 27<sup>th</sup>: China's Yunnan Lanping Nonferrous plans to increase production of refined zinc by 140% to 120,000t in 2006, year-on-year, with 200,000t/year capacity its ultimate target.
- Feb 26<sup>th</sup>: Urals Metals and Mining, Russia's second-biggest refined zinc producer, plans to more than double zinc smelting capacity to 140,000t/year "in the near" future according to the company.
- Feb 24<sup>th</sup>: Strong zinc prices helped Zinifex record net profits up by 160% in 1H of its current financial year, to A\$227.6m.
- Feb 21<sup>st</sup>: China's Shenzhen Zhongjin Lingnan Nonferrous Metals said it had resumed operations at its Shaoguan Zinc smelter, closed since December due to a spillage of toxic water.
- Feb 17<sup>th</sup>: HudBay Minerals said it plans to start up its Balmat zinc mine (near the St. Lawrence river in New York state) in April. HudBay expects Balmat to produce 30,000t of zinc concentrate in 2006 and 50,000t in 2007, with an expected 9-year mine life.
- Feb 16<sup>th</sup>: Higher zinc prices helped Lundin Mining, owner of Sweden's biggest zinc mine, to return Q4 2005 profits up by more than 600% to \$14m year-on-year; net income for the full year was \$30m against \$4.8m year-on-year.

### Analysis

- Zinc likely to gain further, lead retreats

World refined lead production was 7.566 Mt in 2005, up from 6.833 Mt in 2004, according to the latest report from the International Lead and Zinc Study Group (ILZSG). Refined zinc consumption was 10.694 Mt in 2005, up from 10.457 Mt in 2004, implying a market deficit of 432,000t. Global refined zinc output for 2005 was 10.262 Mt, against 10.158 Mt in 2004. Refined lead consumption rose to 7.652 Mt in 2005, up from 7.141 Mt in 2004, giving a market deficit of 86,000t.

The Belgian metals producer, Umicore, is considering separating its zinc smelting operations into a stand-alone unit preparatory for an eventual sale of the business. Umicore spun-off its copper division into a separate company, Cumerio, last year. Hindustan Zinc, part of Vedanta Resources, will increase by 50,000t/year (to 85,000t/year) its lead production facility in Chanderiya, Rajasthan, by mid-2006. The lead concentrates required for the expanded smelter would continue to be sourced from the company's captive mines. Vedanta said it plans to invest \$3bn to expand zinc, aluminum and copper production in India by 2010.

### Outlook

**The Australian lead and zinc producer, Zinifex, expects zinc markets to remain in deficit for at least two more years, and concentrate supplies remain tight. Lead however is likely to weaken still further if the metal's fundamental prospects are considered. Short-term: Zinc \$2,200/t-\$2,350/t; Lead \$1,000/t-\$1,200/t.**

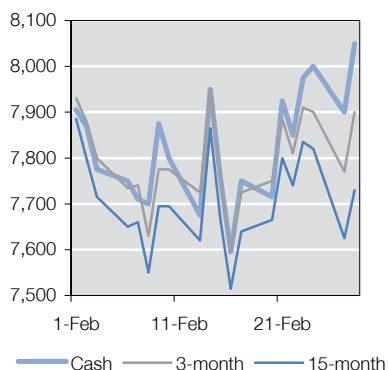
Market data (February unless stated)

Prices (\$/t)	Cash	Cash	3-month	3-month	LME stocks	LME Open Interest (contracts)			
	Lead	Zinc	Lead	Zinc		Lead	Zinc		
Average	1,258	2,219	1,258	2,239	Jan-06	59,750	372,850	Lead	85,477
High	1,411	2,391	1,411	2,406	Feb-06	77,375	329,675	Zinc	241,019
Low	1,155	2,015	1,155	2,035					

Source: London Metal Exchange except Option volatility: Virtual Metals

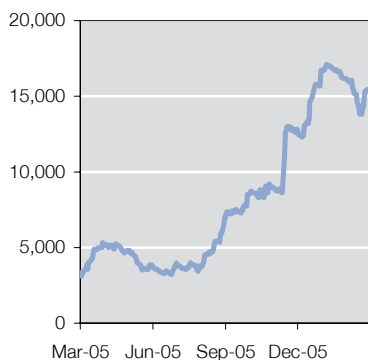
# Tin

Tin price (\$/tonne)



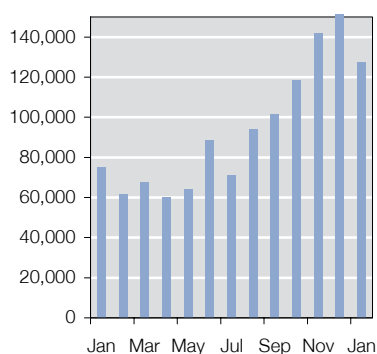
Source: London Metal Exchange

Tin stocks (tonnes)



Source: London Metal Exchange

Tin futures trading volume (monthly)



Source: LME

## News

- Feb 21<sup>st</sup>: Mittal Steel, currently involved in a hostile bid for the French steel producer Arcelor, said it will focus on tinplate production at the Weirton, West Virginia USA steel mill, as part of its plans to re-focus the plant as a finishing mill. Mittal took control of Weirton in April 2005.
- Feb 20<sup>th</sup>: Peru’s tin production for 2005 was 42,145t, 1.3% up year-on-year.

## Analysis

- LME 3-month contract regains strength

ITRI, the association for tin producers, published results of a survey of tin end-users which reported strong growth in the use of tin for solder purposes in Asian markets. The report concluded that the solder market “is now more than twice the size of the tinplate business” and that refined tin usage in solders in 2004 was some 141,000t or 45% of world consumption, while tinplate usage was some 63,000t, 20% of the world market. The third biggest application is now in inorganic and organic chemicals, about 48,000t of tin, 15% of the world market. Asian markets were found to be big users of tin in lead-free solders but Europe and North America were lagging behind; average lead-free share of electronics solder production rose from 7% to 17% between 2003-2004. The study concluded that “the stimulus provided by EU regulations banning the use of lead in electronics from the middle of 2006 is still expected to result in further market growth.” In Asia, the use of tin in lead-free soldering now accounts for more than 60% of total Asian end-use.

The US Geological Survey (USGS) estimated in its most recent update on the global tin production industry that world production was some 280,000t in 2005, with strong growth in China (up 5,000t year-on-year to 115,000t) and Indonesia (up 14,000t year-on-year to 80,000t). Peru’s production however was estimated to be flat last year, with the world’s third-biggest tin producer having an estimated output of 42,000t.

## Outlook

The LME’s 3-month contract was powerfully supported in February, settling at \$7,900/t on the 28<sup>th</sup> after having fallen as low as \$7,600/t on the 16<sup>th</sup>. While tin has benefited (along with other base metals) from a resurgence in speculative investment, the demand picture is also looking very healthy, given the strides being made towards tin substitution for lead in electronic soldering, a trend which will continue to be an important factor for the next two years. Short-term: \$7,700/t-\$8,000/t.

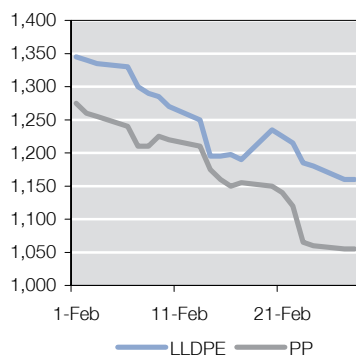
### Market data (February unless stated)

Prices (\$/t)	Cash	3-month	15-month	LME stocks	Tonnes	LME Open Interest (contracts)
Average	7,826	7,797	7,709	End-Sep	16,165	Tin 25,655
High	8,050	7,950	7,885	End-Oct	15,470	
Low	7,595	7,600	7,515			

Source: London Metal Exchange except Option volatility: Virtual Metals

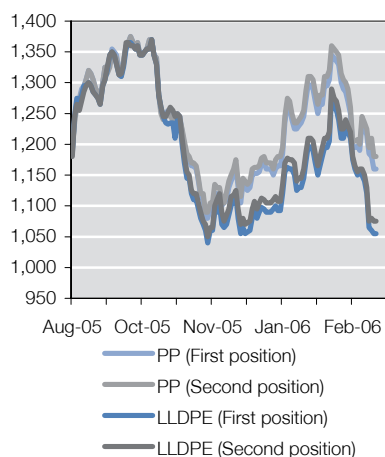
## Plastics

Plastics prices, 3-month contract, LME  
(\$/tonne)



Source: Virtual Metals from LME

Volume traded, 3-month contract, LME  
(contracts/day)



Source: London Metal Exchange

### News

- Feb 21<sup>st</sup>: BASF, currently seeking to take over the autocatalyst specialist Engelhard, reported Q4 2005 net profits of €560m, almost 40% higher year-on-year, with earnings from its plastics division up 37.1%.
- Feb 17<sup>th</sup>: Malaysia's Plastic Manufacturers Association said it expects its exports of plastics-based products to grow by 20% in 2006, to a total value of RM8bn (more than \$3.7bn) on the basis of strong global demand for plastic components and packaging. Malaysia exports almost half its total production of plastics-based products.
- Feb 8<sup>th</sup>: Basell said it would close its 260,000t/year PP plant at Pernis in the Netherlands by the middle of 2007; its 285,000t/year PP operation at Tarragona, Spain, has returned to full production.

### Analysis

- Prices drift lower on cheaper feedstocks

Envosmart, the Dutch environmental technology company, said it plans to build 15 plants producing diesel fuel from plastics waste in 14 EU countries, licensing the relevant technology from the Australian company Ozmotech. Envosmart's chairman, John Bouterse, told Reuters the plants will be built in the next five years with a total investment of €200m. "We will start building the first plant in Germany after the summer and then build plants in Sweden, Poland and the Netherlands next year," he said. The German plant will produce 38m litres of diesel annually from processing 42,000t of plastics waste.

The number of injection moulders operating in western Europe could drop by 10% by 2010, according to AMI, the UK research group, following a 9% decline between 1999 and 2005. Injection moulding is an 8.6 Mt polymer market in Europe, worth more than €45bn, but moulders face weak demand, rising costs, price pressures and increased competition from overseas, said AMI, which projects continued growth in the market by 2% per year in volume terms, but some sectors will see relocation to lower cost countries in Asia. The British Plastics Federation (BPF) warned that high energy costs could lead to 7,000 job losses (about 3% of the industry's total workforce) in the UK's plastics manufacturing industry, valued at £12.4bn annually.

The London Metal Exchange will launch a third plastics contract, probably in PET or PVC, in the first half of 2006, according to its director of corporate affairs, Anna Campopiano. PET, or polyethylene terephthalate, is most commonly used to make containers for beverages, food and other liquids while PVC, or polyvinyl chloride, is widely used as a building material by the construction industry.

### Outlook

**Both spot and LME futures prices drifted gradually lower in February, weighed down by weaker natural gas and crude oil prices, and blunting producers' efforts to push for higher prices from converters. Short-term: LLDPE \$ 1,100/t-\$1,200/t, PP \$1,000/t-\$1,150/t.**

#### Market Data (February unless stated)

Contract	Average prices		Volumes (January)		Open Interest (contracts)		
	LLDPE	PP	LLDPE	PP	LLDPE	PP	
First position	1,248.64	1,156.02	Daily average	86	83	956	991

Source: London Metal Exchange

## Indices

### Precious and base metal prices

(1999 Avg.=base 100) 28 <sup>th</sup> February 2006	Current	Change from					
		1 M	1 Yr	5 Yr			
Gold (spot)	199	-2% ↓	204	28% ↑	156	112% ↑	94
Silver (spot)	186	-2% ↓	190	32% ↑	141	113% ↑	87
Platinum (spot)	278	-2% ↓	283	22% ↑	228	74% ↑	160
Palladium (spot)	79	-1% ↓	80	57% ↑	50	-71% ↓	274
Aluminium (cash)	174	-5% ↓	183	23% ↑	142	48% ↑	118
Aluminium (3m)	173	-5% ↓	181	25% ↑	138	52% ↑	114
Aluminium (15m)	161	-4% ↓	167	30% ↑	124	49% ↑	108
Aluminium (27m)	151	-4% ↓	157	28% ↑	118	44% ↑	105
Copper (cash)	308	-2% ↓	313	42% ↑	216	174% ↑	112
Copper (3m)	297	-2% ↓	302	47% ↑	202	167% ↑	111
Copper (15m)	258	0%	257	51% ↑	171	141% ↑	107
Copper (27m)	225	0%	224	44% ↑	156	116% ↑	104
Nickel (cash)	248	-2% ↓	253	-9% ↓	272	128% ↑	109
Nickel (3m)	247	-2% ↓	252	-7% ↓	266	137% ↑	104
Nickel (15m)	242	-3% ↓	249	4% ↑	233	137% ↑	102
Nickel (27m)	231	-3% ↓	238	11% ↑	208	124% ↑	103
Zinc (cash)	214	-1% ↓	215	66% ↑	129	126% ↑	95
Zinc (3m)	212	0%	213	66% ↑	128	126% ↑	94
Zinc (15m)	199	-1% ↓	202	63% ↑	122	106% ↑	97
Zinc (27m)	178	-2% ↓	183	53% ↑	116	83% ↑	97
Lead (cash)	237	-15% ↓	281	22% ↑	195	138% ↑	100
Lead (3m)	232	-12% ↓	265	24% ↑	186	136% ↑	98
Lead (15m)	212	-10% ↓	235	29% ↑	164	121% ↑	96
Tin (cash)	149	5% ↑	142	-5% ↓	157	57% ↑	95
Tin (3m)	146	3% ↑	142	-6% ↓	155	52% ↑	96
Tin (15m)	143	2% ↑	140	-6% ↓	151	46% ↑	98

### LME base metals stocks

(1999 Avg.=base 100) 28 <sup>th</sup> February 2006	Current	Change from					
		1 M	1 Yr	5 Yr			
Aluminium	98	8% ↑	91	28% ↑	77	59% ↑	62
Copper	14	12% ↑	13	102% ↑	7	-67% ↓	43
Lead	57	29% ↑	44	130% ↑	25	-46% ↓	106
Nickel	64	-6% ↓	68	247% ↑	18	259% ↑	18
Tin	166	-4% ↓	174	329% ↑	39	18% ↑	141
Zinc	112	-12% ↓	126	-45% ↓	205	39% ↑	80

### USD exchange rates

(1999 Avg.=base 100) 28 <sup>th</sup> February 2006	Current	Change from					
		1 M	1 Yr	5 Yr			
European euro	90	2% ↑	89	12% ↑	80	-22% ↓	116
Canadian dollar	76	0%	76	-8% ↓	83	-26% ↓	102
Great British pound	93	1% ↑	92	10% ↑	84	-17% ↓	111
Japanese yen	102	-1% ↓	103	11% ↑	92	0% ↓	102
South African rand	103	1% ↑	102	9% ↑	95	-19% ↓	128
Australian dollar	88	2% ↑	87	8% ↑	81	-27% ↓	121

Source: Virtual Metals & London Metal Exchange

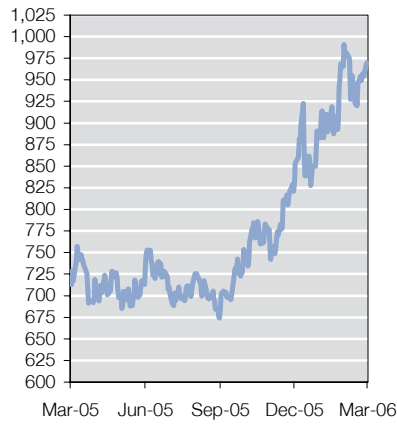
# Prices

**Gold (\$/oz)**



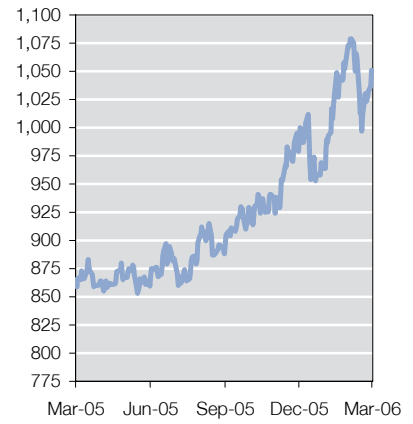
Source: London Bullion Market Association

**Silver (cents/oz)**



Source: London Bullion Market Association

**Platinum (\$/oz)**



Source: London Platinum & Palladium Market

**Palladium (\$/oz)**



Source: London Platinum & Palladium Market

**Aluminium (\$/tonne)**



Source: London Metal Exchange

**Copper (\$/tonne)**



Source: London Metal Exchange

**Nickel (\$/tonne)**



Source: London Metal Exchange

**Lead & zinc (\$/tonne)**



Source: London Metal Exchange

**Tin (\$/tonne)**



Source: London Metal Exchange

# Notes

# Notes

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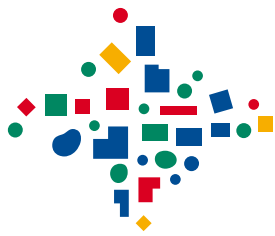
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Solid partners, flexible solutions

## Fortis

Fortis is an integrated financial services provider active in the fields of banking and insurance. With a market capitalisation of EUR 26.9 billion (31/01/2005) and over 52,000 employees, Fortis ranks in the top 20 of European financial institutions.

In its home market, the Benelux countries, Fortis occupies a leading position which it aims to develop and bolster. Fortis is drawing on the expertise it has acquired in its home market to realise its European ambitions via growth platforms. Fortis also operates successfully worldwide in selected activities. In specific countries in Europe and Asia it effectively exploits its know-how and experience in bancassurance.

Sustainable economic growth and social responsibility are important considerations for the way in which Fortis operates.

Fortis' commitment to the welfare of its millions of customers means the company is deeply rooted in the local community.

Fortis is listed on the exchanges of Amsterdam, Brussels and Luxembourg and has a sponsored ADR programme in the United States.

## Fortis Bank

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