

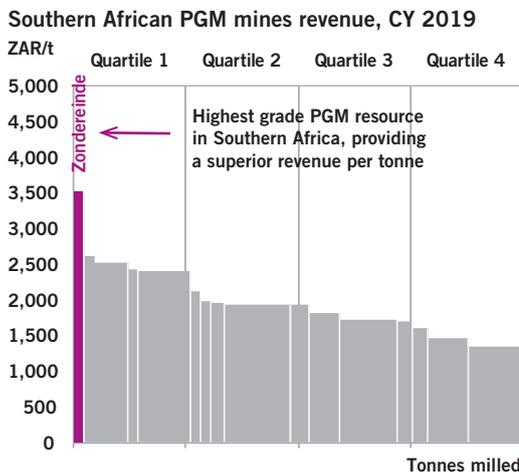


## MARKET SPOTLIGHT

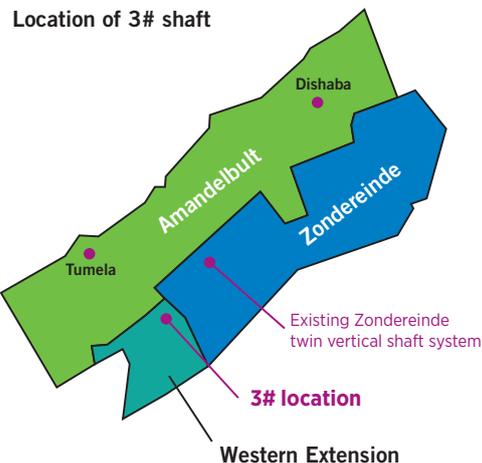
### Northam removes technical risk from its South African platinum projects

Northam Platinum has announced the successful completion of the raise-bore pilot hole for the planned 3# shaft at the Zondereinde Western extension in South Africa. The Western extension was acquired from Anglo American's neighbouring Amandelbult mine for ZAR1.0 bn in December 2017. The additional resource has allowed Northam to continue mining high-grade Merensky ore for a longer period with relatively low capital expenditure.

Zondereinde's 3# shaft significantly reduces the risk associated with developing the Western extension. Zondereinde already provides a superior revenue per tonne compared to other South African PGM mines owing to its high grade, so a third shaft will further enhance its operational footprint. The new shaft will provide additional access from the surface for mineworkers, materials and services, increasing hoist capacity and providing enhanced mining flexibility. Drilling was completed in July at a depth of 1,382 metres, which was a new record (see images on back page). With proven competent ground, reaming of the hole is expected to be completed over the next 14 months.



Source: SFA (Oxford), Northam Platinum



The Western extension block will extend the life of the Zondereinde mine to more than 30 years. Operational since 1993, Zondereinde is the world's deepest platinum mine and currently yields around 195 koz of platinum, 90 koz of palladium and 25 koz of rhodium p.a. Once the Western extension has been fully developed, Zondereinde's production is estimated to increase to around 350 koz 4E annually, at a time when ore reserve depletion is impacting many other mature PGM mines in South Africa. Northam is aiming to achieve output of 50 koz 4E from the Western extension by FY2025. Combined with its growth project at Booyensdal South and the restart of operations at Eland, Northam is bucking the trend in South Africa by investing in expanding output.

Depleting platinum mine supply, combined with growing demand, is expected to push the market into deficit by the late 2020s. While the development of platinum projects in the near term seems illogical given the fundamental market surplus the market is currently experiencing, strategic investments are required now to secure platinum supply over the longer term to coincide with the depletion curve, as well as for palladium and rhodium in the near term.



# PRECIOUS METALS REVIEW

## 79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,973	3.82%	1,983	31/07/2020	1,907	28/07/2020
€/oz	1,668	2.13%	1,683	28/07/2020	1,628	28/07/2020

**Gold demand declined in H1'20 despite record flows into gold ETFs.** Inflows into gold-backed ETFs were offset by weak consumer demand in the first six months of the year, with total gold demand falling 6% year-on-year to 2,076 t. Jewellery demand, which accounts for 48% of gold consumption, slumped by 46% year-on-year to 572 t as several key markets remained in lockdown and the weak economic outlook tightened purse strings. As expected, demand in India in Q2 (-74% year-on-year to 44 t) was much worse than in Q1 (-41% year-on-year) owing to the timing of the country's lockdown, which spanned most of Q2 and encompassed the auspicious festival of Akshaya Tritiya. Even once lockdown ended in June, consumers' limited disposable income impacted discretionary spending. However, a good monsoon season could motivate demand despite gold's high price. Year-

on-year sales are still likely to fall by double-digits in 2020. Gold jewellery demand in H1'20 is around half the 10-year average of 1,106 t (source: World Gold Council). Looking at supply, mine output fell 5% year-on-year in the first half to 1,604 t owing to disruption caused by Covid-19 and recycling fell a similar percentage to 590 t.

**The gold price stalled short of \$2,000/oz last week after a strong rally.** The Federal Reserve voted to maintain interest rates at near zero until it is confident that the economic fallout from Covid-19 has passed. Also, it was announced that the US economy's contraction in Q2 was the worst on record as GDP shrank by an annual rate of 32.9%. Despite these prompts, gold failed to push higher. Gold is overbought so a pullback is possible in the near term.

## 47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	24.09	6.40%	26.20	28/07/2020	22.32	28/07/2020
€/oz	20.37	4.72%	22.28	28/07/2020	19.06	28/07/2020

**The silver price extended beyond \$24/oz last week and managed to hold it.** The gold:silver ratio has fallen to 81, and silver outperformed gold again. Retail investors

are maintaining their interest as silver ETFs continue to climb. Global holdings now stand at a record 1,014 moz (+ 41% in the year to date).

## 78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	912	-0.87%	968	28/07/2020	885	30/07/2020
€/oz	771	-2.46%	825	28/07/2020	751	30/07/2020

**Covid-19 and Brexit together are the 'perfect storm' for the UK's auto industry.** Car production in the UK slumped 43% year-on-year to 381,357 units in the first half of the year (source: SMMT), to the lowest level since 1954. Despite the easing of lockdown and the reopening of factories, car manufacturing in June fell by 48% year-on-year owing to weak demand across global markets. In the UK itself, sales fell by 49% year-on-year in H1'20, and other key European markets posted similar declines. Compounding the impact of Covid-19 on Europe's

platinum demand is the shrinking market share of diesel cars. In the UK, diesel's share has shrunk to just 18.2% in the year to date, compared to 26.7% last year.

The platinum price broke through \$950/oz last week but sold off and closed the week slightly down. Platinum has been carried higher by other precious metals recently. With price gains inconsistent with its weak fundamentals, lower prices are to be expected.



# PRECIOUS METALS REVIEW

## <sup>46</sup> Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,105	-5.09%	2,347	28/07/2020	2,027	30/07/2020
€/oz	1,780	-6.54%	1,995	28/07/2020	1,727	30/07/2020

**Norilsk Nickel's palladium output fell 5% year-on-year in Q2'20 to 722 koz** and declined overall in H1 owing to the high base effect of H1'19 when a high volume of work-in-progress stock was processed. Palladium output in the first half of the year was 1,270 koz (-17% year-on-year). However, Norinickel maintains its production guidance for FY2020 of 2,648-2,777 koz of palladium, which is in line with previous years. Norinickel is the world's largest producer of palladium, accounting for 39% of primary supply last year. The company is expected to extend its

share of the market this year (to an estimated 42%), as producers in South Africa are likely to be adversely affected by the impact of Covid-19.

The palladium price gave back its gains from the past two weeks as it pulled back close to \$2,100/oz. The fundamentals indicate that it is still over-priced, so with the rally now losing momentum, palladium could slip lower.

## <sup>45</sup> Rh <sup>44</sup> Ru <sup>77</sup> Ir **Rhodium, Ruthenium, Iridium**

	Rhodium	Ruthenium	Iridium
Reporting week	\$9,150/oz	\$295/oz	\$1,650/oz
Previous week	\$8,950/oz	\$295/oz	\$1,650/oz

**Western Digital has launched the world's first hard disk drives (HDDs) using ruthenium-based, energy-assisted magnetic recording (EAMR) technology**, which also happens to include the highest capacity HDD ever released at 20 terabytes (TB). The company has stolen a march on its rival Seagate which is aiming to release similarly sized HDDs based on its ruthenium-less, heat-assisted magnetic recording (HAMR) technology this year. However, HAMR technology has been beset by problems and delays and it is unclear when it will be commercialised, giving ruthenium-based EAMR a head

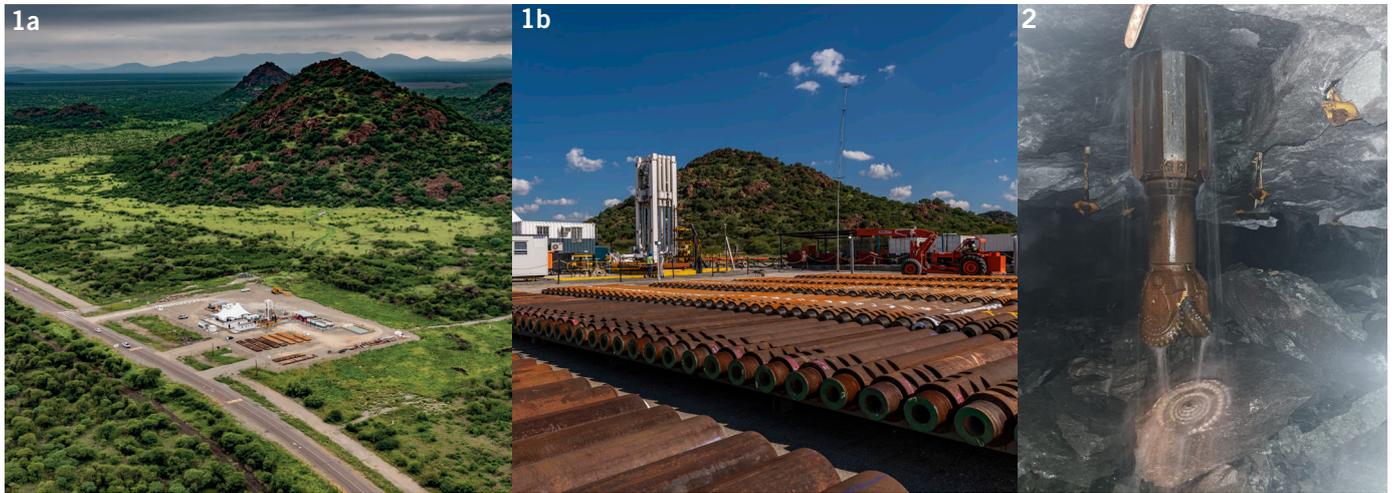
start. This should prolong ruthenium's use in HDDs (and could possibly gain market share), while also minimising the threat of substitution to other non-PGM technologies such as solid-state drives (SSDs), which should support the price. HDDs accounted for 7% of ruthenium demand last year.

The rhodium price edged slightly higher last week (+2.2%) but the ruthenium and iridium prices were unchanged.



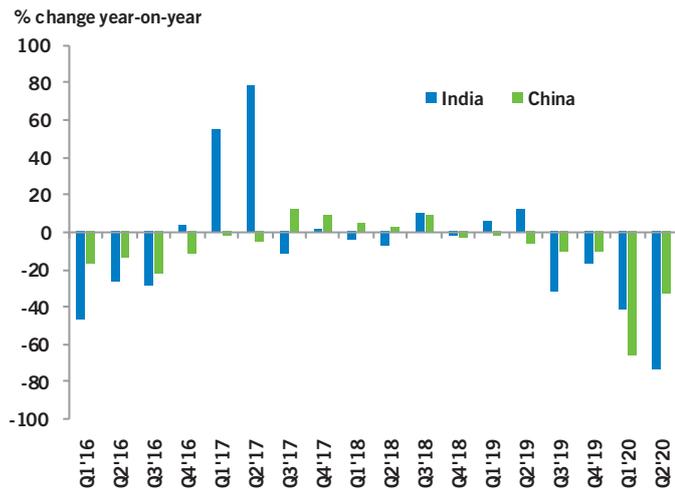
# TRENDS AND INVESTMENTS

## Northam Platinum's raise-bore pilot hole



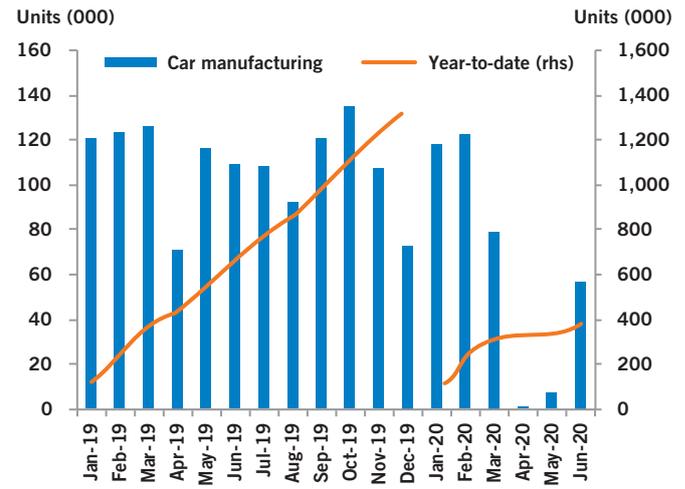
Images 1a-b: Master Drilling rig on surface at Northam's Zondereinde mine in South Africa; Image 2: Raise-bore pilot head for the planned 3# shaft reaching the receiving chamber at a record depth of 1,382 m. Source: Northam Platinum

## Gold jewellery demand



Source: World Gold Council

## UK car manufacturing YTD



Source: SMMT

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