CPM Group

Precious Metals Advisory

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A Time to Sell

The coming year is likely to see a continuation of the problems that have plagued the world's economic, financial, and political systems over the past several years. There are signs that some things might get worse, while there are other indications that conditions are not as bad as the financial market consensus seemed to think at times in late 2011.

The U.S. Presidential election, for example, promises to be very worrisome to anyone who seeks rational, fiscally sound, intelligent government. Other factors may be less problematic in 2012 than they were in 2011. The European debt crisis will continue, but there could be more visible movement toward a sensible long-term program to resolve the deficit and debt issues plaguing the Eurozone. The view that the euro system will collapse may be supplanted with a view that the governments will manage to hold everything together in a protracted tough financial environment as the most likely outcome. It must be noted that this is a risky supposition, given the fact that many of the political pronouncements from European leaders continue to suggest both an unwillingness to deal with the deficit and debt issues in a forthright manner, and also demonstrate a tendency to turn to the same austerity measures that turned the Great Depression into a decade long catastrophe that was only resolved by world war. In addition, the quality of analysis and commentary on the European sovereign debt crisis and other financial and economic problems continues to deteriorate, both in the mainstream financial press as well as on television and the internet. Sensible discourse has gone the way of governmental fiscal responsibility.

On balance, it is possible that the volatility seen in markets is likely to continue, but that it could moderate to some degree in 2012 compared to the wild ride of the past year.

Past reports have discussed the layers of uncertainty facing the precious metals markets. First, there is the decreased predictability in actual economic trends and financial market stability. Second, there is the uncertainty over the attitudes toward these real developments that circulate in global financial markets. This second layer of uncertainty, how markets perceive economic reality, is far more important to asset pricing, including precious

Market Data

(Data as of 5 January 2012; changes from 8 December 2011)

Nymex/Comex Nearby Active Prices			% Δ	$Δ
Gold	1,620.10	↓	-5.4%	-93.30
Silver	29.30	↓	-7.1%	-2.24
Platinum	1,418.00	↓	-5.1%	-76.40
Palladium	644.40	↓	-4.6%	-30.90
Rhodium*	1,375.00	↓	-11.3%	-175.00

*Rhodium price is BASF daily settlement price.

Nymex/Comex Inventories	oz		Δ	oz
Gold				
Eligible	8,931,361	↑	978,620	7,952,741
Registered	2,530,913	↓	-814,826	3,345,739
Total	11,462,274	↑	163,794	11,298,480
Silver				
Eligible	86,293,450	↑	10,532,160	75,761,290
Registered	34,832,060	↑	620,030	34,212,030
Total	121,125,510	↑	11,152,190	109,973,320
Platinum - Total	180,500	↓	-500	181,000
Palladium - Total	603,300	↑	59,300	544,000

Open Interest[1]	oz		Δ	oz
Gold				
February	22,476,300	↓	-3,753,400	26,229,700
April	22,476,300	↓	-3,753,400	26,229,700
Total	42,122,100	↓	-87,100	42,209,200
Silver				
March	286,100,000	↑	17,685,000	268,415,000
Total	528,440,000	↑	53,445,000	474,995,000
Platinum				
April	45,950	↓	-421,250	467,200
Total	2,122,250	↑	900	2,121,350
Palladium				
March	1,695,400	↓	-77,300	1,772,700
Total	1,761,500	↓	-129,600	1,891,100

[1]Data as of 5 January 2012; changes from 7 December 2011.

Indicators			%Δ	$Δ
DJIA	12,408.1	↑	3.4%	410
FT World Stock Index	348.5	↑	1.5%	5.25
FT Gold Mines Index	3,454.5	↓	-7.0%	-258.03
CRB Index	308.5	↑	0.2%	0.59
T-Bills	0.01%	↑	333.3%	0.01%
ICE Dollar Index	79.61	↑	1.0%	0.78
$ / Euro	1.28	↓	-4.1%	-$0.054

Report Contents

A Time to Sell (Con't)

metals, than the actual underlying economic and financial market conditions. On top of these layers of reduced certainty are questions related to how financial market participants will interpret their attitudes into actual transactions.

There is a parallel set of questions related to the underlying trends in individual precious metals markets, how the financial markets' consensus will choose to view these uncertainties, and how they will act on their opinions.

It may well be that 2012 continues to present worrisome economic, financial, and political developments, but that financial market participants could react less dramatically to them. In other words, markets could be less volatile in the coming year, at least by some small amount, as investors have become inured to extreme views of financial destruction. Economic conditions may continue to plod along, but more investors may come to realize that continued economic growth at a slower rate might be a good development, as Europe, Japan, and the United States slowly pay down the long-term debts they have incurred. Financial markets seem likely to continue to be roiled by regulatory moves that are counter-productive. Some recent regulations proposed to be instituted in early 2012 in Europe and the United States actually could inadvertantly shut down portions of the debt market if they are imposed as currently worded.

Precious Metals Complex during 2012

Precious metals prices are expected to decline over the course of 2012. Despite this decline they are expected to remain at historically high levels. This year could be the turning point in the price of gold. The annual average price of gold in 2012 may rise from levels seen in 2011 but the price of the metal is expected to slip lower over the course of the year and move more decidedly into negative territory over the next couple of years. Based on these expectations, investors may either stop making purchases of gold at this time or sell at least a part of their holdings on a move higher in prices.

Gold prices and, to some extent, silver prices are expected to slip lower as investors stop purchasing these metals as aggressively as they have been, for their safe haven attributes, and chasing their prices higher. Investors are expected to become more sensitive to the high price of these metals as they grow increasingly accustomed to the fact that there are several unresolved global economic and political problems that are likely to take several years to be resolved.

Issues related to large U.S. and European debts and deficits, poor political management of these issues by the governments of these countries, and currency market volatility, are all factors that are positive for gold prices. These problems are well known to market participants, however, and their positive effects on the price of gold are more than likely already factored into the price of the metal. These factors should remain supportive of gold prices keeping them at historically high levels, but it is unlikely that these issues will push gold prices higher from present levels on a sustainable basis.

There is a high probability of a recession in Europe during 2012, driven by a lack of bank lending to business and consumers coupled with reduced government spend-

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ing. A recession is Europe should slow economic growth globally. This slowdown is expected because of the heavy reliance of many major economies such as China, Russia, India, Brazil, Japan, and the United States on European demand for their exports. A slowing in global economic growth should help cool the prices of energy commodities and industrial metals, which should spill over into gold. Precious metals like silver, platinum, and palladium, which have several industrial uses are also expected to suffer because of any slowdown in economic growth resulting from a recession in Europe.

A loose monetary policy would need to be adopted around the world to offset fiscal austerity measures in developed countries and an overall slowdown in global economic growth. Such monetary policy is typically supportive of gold prices because of its potential inflationary impact. Investors could demand more gold in such an environment, but they also have other options such as equities and real estate, which may seem like better investments at present levels than gold whose prices are near historically high levels. Furthermore, assets like equities and real estate also provide an option for earning income in the form of dividends and rent, in addition to capital appreciation. Gold only provides capital appreciation.

There also has been a rush toward the U.S. dollar because of its safe haven characteristics and high liquidity. This is expected to adversely affect not only gold but the entire commodity complex. Commodity prices and the dollar typically trade inversely because it becomes more expensive to buy dollar denominated assets like gold in other currencies, when the dollar rises. This inverse relation is further exaggerated by traders who trade the dollar against various commodities.

The fundamentals of the U.S. dollar are weak, but there are virtually no other options available to replace the dollar's position as a safe haven. Some investors believe that gold is the answer, but the metal does not have the same level of liquidity and depth as the dollar. For that matter, at present there is no asset that has the level of liquidity as the U.S. dollar. Investors are expected to reduce their dollar holdings over the longer term and the value of the dollar is expected to resume its declining trend. In the near-term however, it is the preferred safe haven in times of crisis, which would weigh on gold and other precious metals prices.

Economic growth is expected to improve in 2013. In anticipation of this improvement, investors are likely to purchase precious metal with more industrial uses, such as silver, platinum, and palladium, driving their prices higher during the fourth quarter of 2012. An anticipated increase in economic activity and the likely increase in inflation associated with economic growth are also likely to be supportive of gold prices during the fourth quarter of this year. Central banks will do all they can to sop up additional liquidity to reduce inflation, once they are confident about growth. This could issue another blow to gold prices in the short term.

The Riskiness of Safe Haven Investments

Gold often trades higher during periods of elevated safe haven demand. When investors seek to protect their wealth, particularly during times of broad negative investor sentiment toward currencies or other periods of severe economic or financial uncertainty, they often flock toward gold as perhaps the most common safe haven. The U.S. dollar probably is the chief rival to gold as a safe haven or portfolio diversifier. Just because gold is regarded as a safe haven does not mean it is not accompanied by risk, however. Many investors wildly underappreciate the risks inherent in investing in gold, as they do in investing in equities, bonds, currencies, and virtually every other asset. As one observer noted this week: Even putting your money in your mattress carries risks, whether you realize they exist or not.

Depending on how you measure risk, you could say that gold is the least risky precious metal. One of the best ways to measure risk is the volatility of prices. Measured this way, gold is the least risky precious metal, and also one of the least risky of the entire commodities complex. Between 2005 and 2011 the monthly volatility of gold prices averaged 19.5%. This compares to 22.4% for platinum, 33.1% for palladium, and 34.9% for silver. Further, it is less risky than most other commodities, especially the traditionally hyper-volatile natural gas, which clocked at 47.2% over that seven year period. Gold generally is less risky than other commodities because it is the largest commodities market in terms of the volumes of gold trading in futures, forwards, options, physical, and other forms, containing the largest pool of market participants ranging from investors to users, producers, refiners and others. Gold is by no means the least risky investment relative to other asset classes, however.

A Time to Sell (Con't)

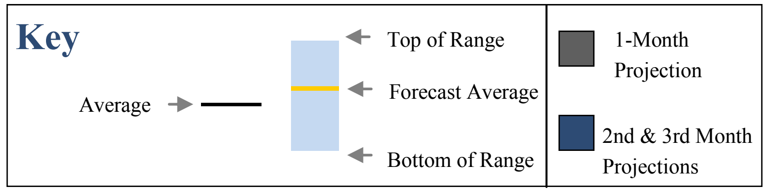
The most typical, if not logical, method for investing in gold has been to allocate a small portion of one's portfolio, between 2% and 10%, to gold, depending on the economic and political environment at any given time. Gold's performance as a portfolio diversifier both theoretically and empirically is stellar. Oftentimes it reduces the risk of a diversified portfolio. In this manner, its safe haven properties are most effective. Gold has weak negative correlations to equities, debt, and the U.S. dollar. Weak correlations often are preferred when seeking to diversify a portfolio. From a long-term perspective, a good portfolio diversifier moves independently of the values of other assets in a portfolio, and not strictly in a high negative correlation.

Different investments react quite differently to market developments. For instance, and as has been seen in recent years, gold prices sometimes fall during periods of heightened financial stress. Typically, gold prices would benefit from rising uncertainty or financial market problems, as investors seek safe havens. Sometimes this is not the case however, when huge losses are incurred in other asset classes and investors seek cash to cover margins and other liquidity requirements they may have. This drives home the point that gold not always is perceived as a safe haven or, to put it more accurately, the preferred safe haven. In this way it is risky and the understanding of this reality is validated.

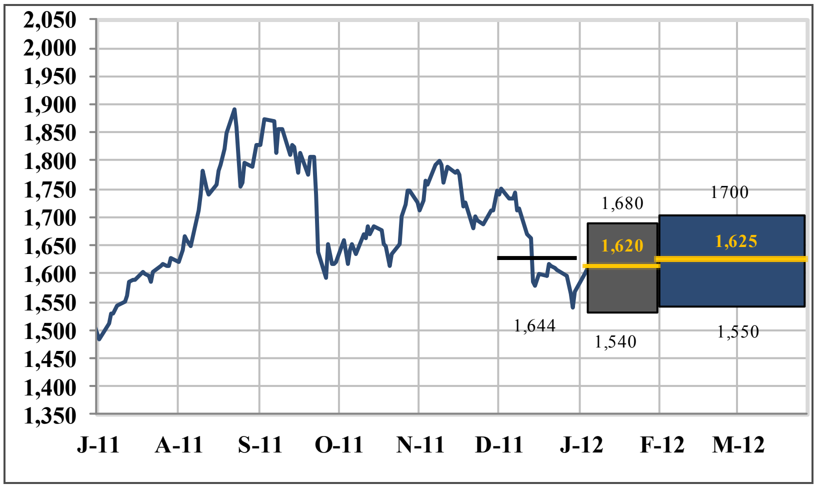
The point to drive home here is that all investments are risky. This does not exclude gold. While gold's function as a safe haven often prevails during periods of heightened financial stress, political theater, and economic weakness, it is not always the case.

Price Targets

Nearby active Comex/Nymex prices. Rhodium prices are daily BASF prices. All prices are US$/ounce.

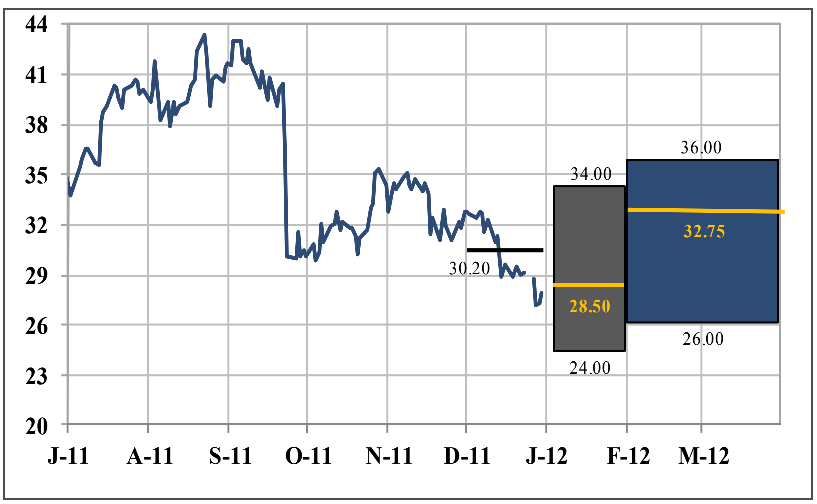


GOLD



Near Term Outlook — Gold prices are forecast to move in range a between $1,540 and $1,680 during January, averaging $1,620 for the month. Gold prices are expected to rise during January from strong Chinese demand ahead of their Lunar New Year, which begins on 23 January. Prices are also likely to get a boost from the roll of the nearby active February Comex contract at the end of January, when the roll of the contract intensifies. Meanwhile, weak demand from India coupled with strength in the U.S. dollar is expected to weigh on prices. February and March are the seasonally strongest months of the year, largely due to strong fabrication demand, which could provide some support to prices.

SILVER



Near Term Outlook — Silver is forecast to trade between $24 and $34 in January and move to a higher range, between $26 and $36, in February and March. Investment demand remains weak, which will continue to weigh on prices this month. Slower growth in activity across major industrial users of silver also will limit price gains. The roll of the Comex March contract into forward months combined with seasonal strength in prices in February is expected to push prices higher after January. February is the seasonally strongest month for silver prices, according to historical trends since 1975. Seasonal strength persists through May.

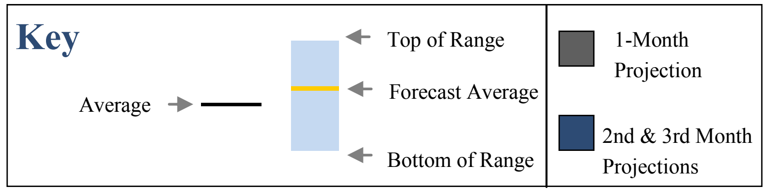
PLATINUM

Near Term Outlook — Platinum prices are expected to move between $1,300 and $1,620 in January. Weak investment demand for platinum is expected to push prices lower, as has been the case since September. Declines are expected to be met by bargain buying. Prices are expected to move in a higher range in February and March, likely between $1,350 and $1,720, due to seasonal strength in prices during the first half of the year. If industrial activity continues to strengthen, as was seen in December, investors may seek to purchase the metal in anticipation of capital appreciation. A reversal of the downward trend in investment demand would have a significant positive impact on prices going forward.

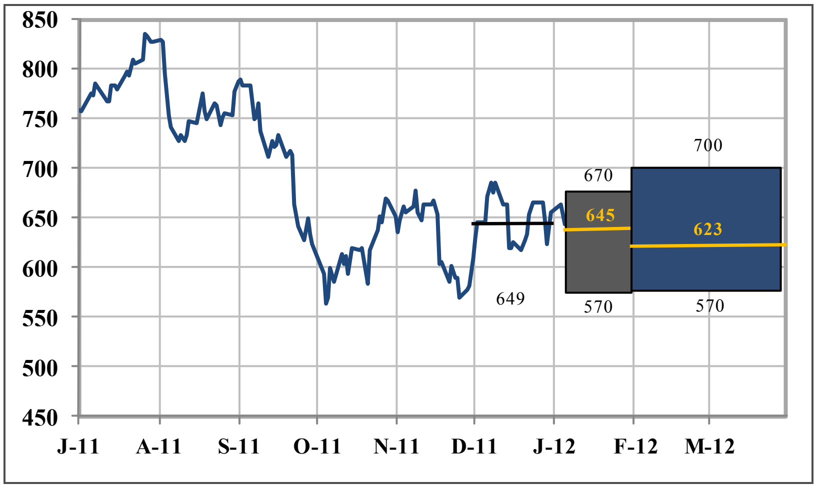
Continued

Price Targets

Nearby active Comex/Nymex prices. Rhodium prices are daily BASF prices. All prices are US$/ounce.

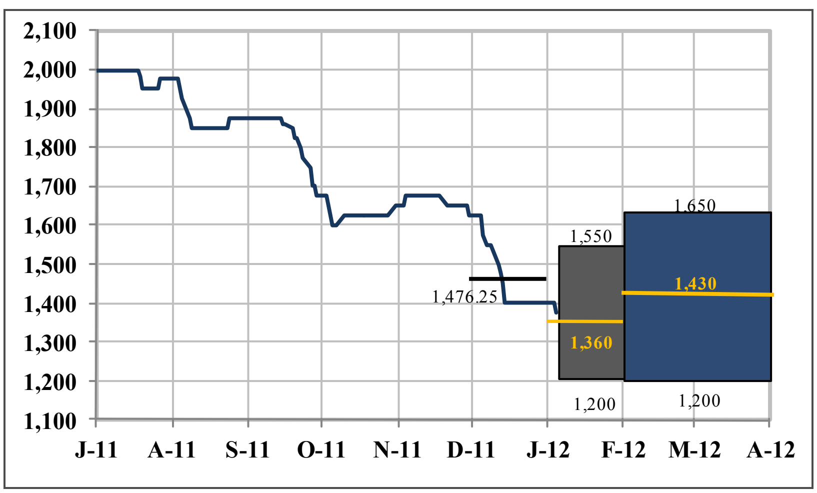


PALLADIUM



Near Term Outlook — Over the next three months palladium prices are expected to decline with strong support for prices positioned at $570. The weakness in prices is expected to result from weak investment demand, as investors exit palladium on expectations of slower economic growth during 2012. The roll of the nearby active March contract could help lift palladium prices toward the end of February, but prices should be expected to quickly decline from any such increase as investors use the rise in prices as a selling opportunity. Palladium prices are expected to get some support from potential disruptions in South African and Russian supplies.

RHODIUM



Near Term Outlook — Rhodium prices dropped further in December, averaging $1,456.25 for the month or 11.2% lower than $1,662.50 in November. Prices are forecast to move between $1,200 and $1,550 in January and $1,200 and $1,650 in February and March, boosted by seasonal strength. Prices fell below $1,400 on 5 January. This decline could be viewed as a bargain opportunity, lifting prices temporarily over the coming weeks. Further declines are expected as fabrication demand growth is expected to continue to slow. Rhodium use in auto catalysts accounts for over 80% of total fabrication demand. While auto use of rhodium continues to increase, there has been a slowing down in the rate of increases in demand. This slowing down in the growth rate may continue in 2012, reflecting weak European auto markets. Europe makes up a little over 30% of rhodium fabrication demand from the auto sector.

Gold Outlook

Gold is expected to trade in a volatile fashion in 2012, but in a more moderate fashion compared with the third quarter of 2011. The nominal annual average gold price is forecast to rise 2.7% on a year-on-year basis during 2012. This is a relatively low rate of growth compared with the double-digit growth during the past few years. Strength in the U.S. dollar, increased sensitivity among investors toward the high price of the metal, and the fact that the growth in gold prices in 2012 is from a record high annual average price are all factors responsible for the relatively weak growth in gold prices projected for the coming year. The average price of gold may rise in 2012 from 2011 even as gold prices fall over the course of the year.

Even as investors remain concerned about the state of the global economy and are therefore likely to remain interested in gold, to some extent, they are expected to back away from their fears of an imminent collapse in the global financial system coming to terms with the fact that global economic growth is expected to remain constrained over the next few years. This should make investors more sensitive to the high price of gold, which should result in them purchasing less gold.

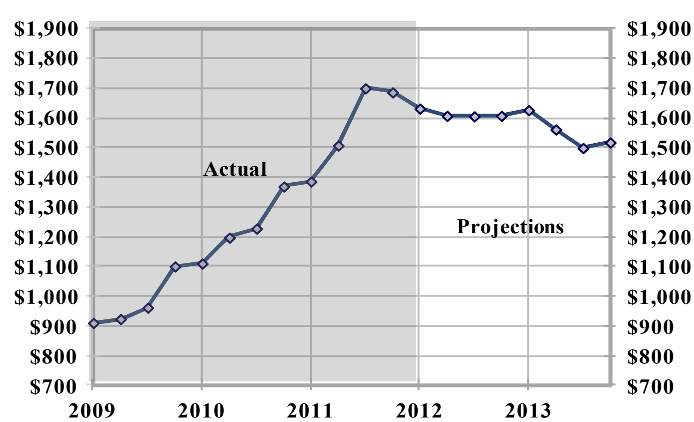
It is also likely that in the near future many investors will purchase the U.S. dollar instead of gold. Like gold, the U.S. dollar is considered a safe haven asset. Despite talk of a collapse of the U.S. dollar by at least some commentators, due to the ever-increasing U.S. government debt and deficit, investors have flocked to this currency in times of distress. This has been seen since September 2011. This increased demand for the U.S. dollar is in part because of the weak fundamentals of other major currencies, like the euro, British pound, yen, Swiss franc, but also because it is a significantly more liquid asset than gold or any other currency, a preferred characteristic in times of economic distress. The dollar exchange rate is less volatile than gold prices because the dollar market is far more liquid, a broader and deeper market. Strength in the U.S. dollar also affects demand for gold from major importing countries like India, where domestic demand has slumped, at least in part, because of the weakness in the Indian rupee to the U.S. dollar. A stronger dollar against the domestic currency makes imports more expensive. This typically hurts demand for the imported product. In the case of gold, its own price has also risen increasing the negative impact of a stronger dollar on imports. Many institutional investors also are seen trading gold against the U.S. dollar, making the value of the dollar increasingly important to the value of gold. It should

Gold Prices: 1 January 2009 to 4 January 2012

$ / Oz

Gold Quarterly Average Price Projections to Q4 2013

$ / Ounce



Year	Quarter	Quarterly AVG	Change	Annual AVG	Change
2012	I	$1,632	-3.2%		
	II	$1,607	-1.5%		
	III	$1,606	-0.1%		
	IV	$1,607	0.1%	$1,613	2.7%
2013	I	$1,626	1.2%		
	II	$1,561	-4.0%		
	III	$1,499	-4.0%		
	IV	$1,518	1.3%	$1,551	-3.8%

be noted that this relation is not always inverse, with market participants sometimes purchasing both assets simultaneously for their safe haven attributes, as was seen during the recession of 2008-2009.

During 2012 investors are also likely to direct an increased amount of their investible funds toward the stock market, in part because of the weakness in these markets during 2011 and in part because many of these companies are sitting on large amounts of cash. Strong corporate profits and relatively low investment in capacity have helped to increase the cash on company balance sheets. These companies would be good investments because of the potential for dividends, an income stream not available to investors in gold, and the availability of funds to make future investments at the opportune time.

There are several reasons why investors will remain interested in gold during 2012, which should provide support to prices and keep them at historically high levels.

Fiscal austerity measures in developed countries and slowing global economic growth, driven by a potential recession in Europe during 2012, are both factors expected to result in a low interest rate environment during the year. Real interest rates are forecast to be negative in most major economies of the world during 2012. This is positive for gold investment demand as it reduces the opportunity cost of holding the non-interest bearing asset. However, this does not mean that investors will pile into gold. The negative real interest rate environment could also be another reason why investors would divert an increased amount of their funds toward dividend paying equities or other assets.

Fiscal austerity measures are expected to be offset by loose monetary policy, to sustain economic growth. In addition to low interest rates, loose monetary policy could come in the form of funds being directly injected in to the financial system by way of bond and other asset purchases. This loose monetary policy is expected to last at least for all of 2012 and potentially through all of 2013; it may keep investors concerned about inflation, a factor that is supportive of gold prices.

This year is also an election year in the United States, and given the state of U.S. politics no firm resolution on any of the problems that the country is facing are likely to be reached this year. Furthermore there would be an increased amount of volatility expected across U.S. markets due to political uncertainty and dysfunction, which should be supportive of gold prices. The elections are to be held in the first week of November.

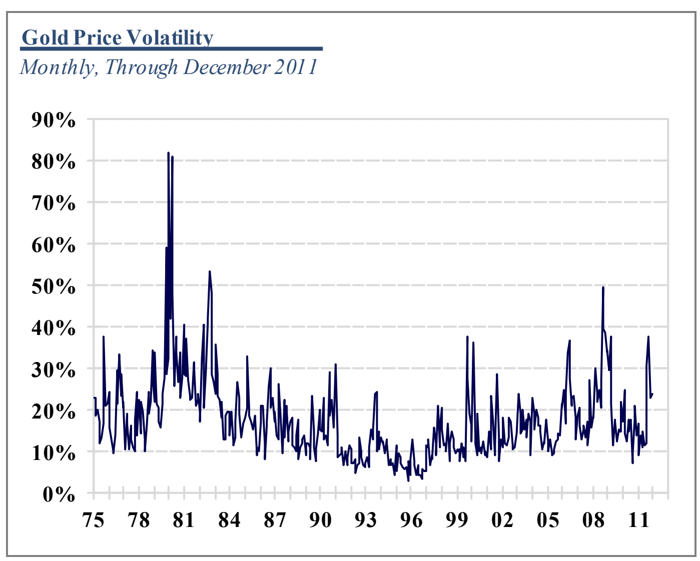
Even though the global economy is faced with several problems that remain unresolved at this time, these issues have been well know to the investment community for an extended period of time now. As a result, many of these concerns are already factored into prices and barring an unexpected event, gold prices may remain at high levels, but may not rise as fast as in recent years.

In the month of January, gold prices could rise from depressed levels seen during the last few days of 2011, in response to increased demand from China ahead of the Lunar New Year at the end of the month, the roll of the nearby active February Comex contract, and bargain buying due to the decline in prices at the end of 2011.

Prices

- Gold prices declined during December, ending the month at $1,571. This was a decline of 10% from the end of November, but was an increase of 11% from the end of 2010. Much of the decline in prices occurred during the first half of the month. Gold slipped from a settlement price of $1,744.80 on 7 December to a settlement price of $1,577.20 on 15 December. Prices made a brief comeback from these levels but declined once again reaching a settlement price of $1,540.90 on 29 December. On that day prices touched an intraday low of $1,523.90, which was the lowest level prices had reached since early July 2011. The decline in prices was a combination of stale bull liquidation, technically based long liquidation, and short selling in the futures and options markets. The

Gold Price Volatility



decline in gold prices during December was part of a broader market sell-off.

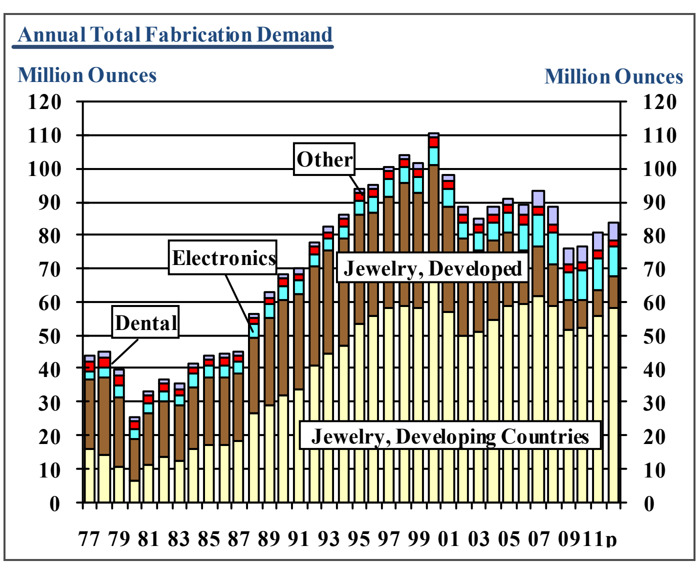
Fabrication Demand

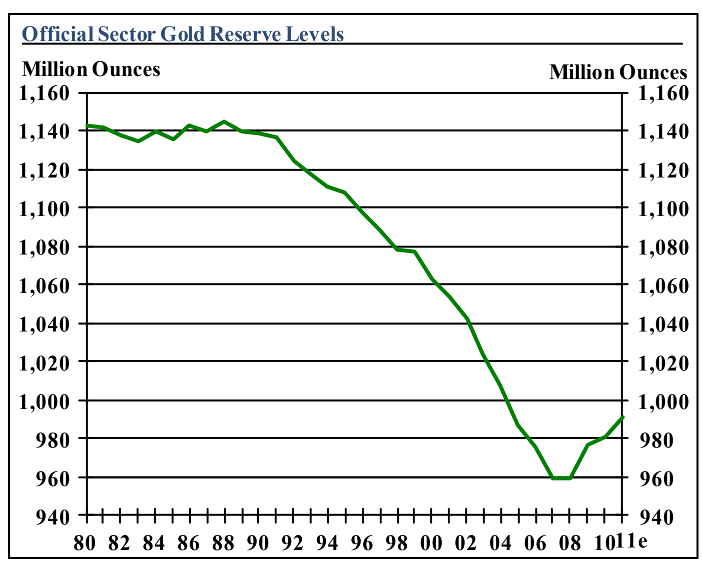
- Gold import demand in India is estimated to have declined during the fourth quarter of 2011, according to the Bombay Bullion Association. The association estimates that imports during the period stood at 125 mt, down 56% from the corresponding period in 2010. The sharp decline in import demand during the fourth quarter is expected to offset gains in imports during the remainder of the year. India is estimated to have imported 880 mt of gold during 2011, down from 958 mt of imports during 2010. The sharp decline in gold imports can be attributed to high gold prices and a decline in the value of the Indian rupee against the dollar. Even though the price of gold declined during the fourth quarter of 2011 from the highs reached in early September 2011, fourth quarter 2011 prices still averaged 23% over the average price of the metal during the fourth quarter of 2010. This factor was compounded by the fact that over the course of 2011 the Indian rupee lost 15.6% of its value against the U.S. dollar and was down 11.7% on a quarterly average basis during the fourth quarter of 2011 compared with the fourth quarter of 2010. Collectively these two factors made imported gold very expensive for the Indian consumer. As a result of this a lot of the demand in India during the fourth quarter, a seasonally strong period, was met by domestic (secondary) supply.
- According to the latest data from the National Bureau of Statistics, Chinese gold and silver jewelry sales in November declined 11.8% to $2.2 billion dollars from the seasonally elevated level in October, which is the wedding season. Sales during November were up 22.9% year-on-year, however. During the first eleven months of this year Chinese gold and silver jewelry sales increased 45.6% year-on-year to $25.6 billion dollars. Gold jewelry sales are estimated to have picked up strongly in December, due to heavy consumer buying ahead of the Chinese lunar New Year holidays. The Chinese New Year occurs on 23 January. Some of the sales that typically occur during the Chinese New Year holidays were reportedly brought forward because of the decline in gold prices during December. Strong demand for gold jewelry in China is expected to extend into January.

Official Transactions

- Net additions to official sector gold holdings stood at 1.65 million ounces in November, up from 1.33 million ounces in net additions during October. Net additions in November were the largest since March, when the official sector added 3.43 million ounces. Net additions to the first eleven months of 2011 stood at 10.45 million ounces, with gross additions during this period standing at 11.67 million ounces and gross reductions standing at 1.22 million ounces. The three largest buyers of gold during this period were Mexico, Russia, and Turkey, in that order. Mexico made most of its purchases of 2011 during the first half of the year. Meanwhile, the central bank of Turkey made all of its reported purchases for 2011 during October and November 2011. The Turkish central bank added around 700,000 ounces of gold to its holdings in October and around 1.3 million ounces during November for a total of 2.03 million ounces

Gold Fabrication Demand and Official Transactions





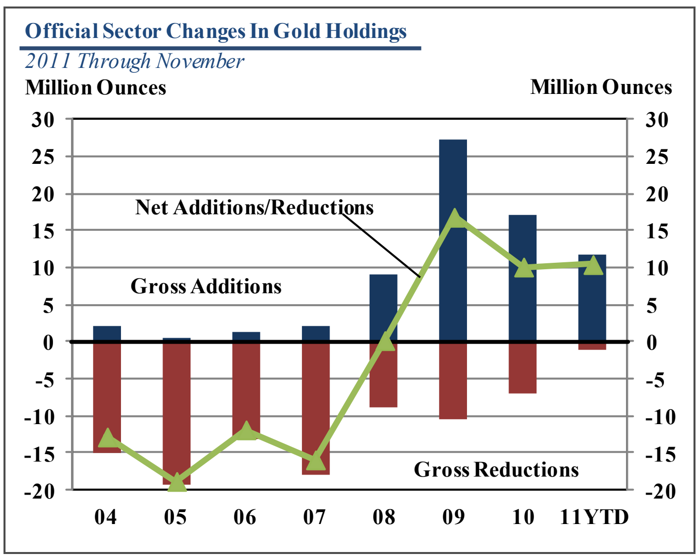
during 2011. The central bank of Russia has been a consistent buyer of the metal from domestic supplies, as part of a long-term program of gold accumulation.

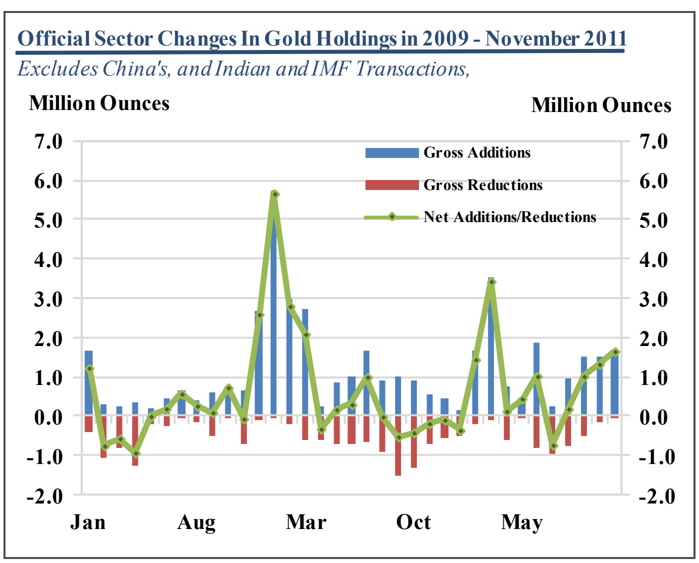
- Gross additions to the official sector gold reserves stood at 1.66 million ounces during November, with around 87% of this being accounted by purchases made by Turkey, Russia, Sri Lanka, and Serbia. The central banks of each of these countries added 1.33, 0.08, 0.02, and 0.01 million ounces of gold to their holdings in November, respectively.

Mine Production

- Peruvian gold mine production during the first eleven months of 2011 reached 4.8 million ounces, down 12.2% from the corresponding period in 2010. Month-on-month Peruvian gold mine production rose 0.4 million ounces.
- Canadian gold output during the first ten months of 2011 reached 2.6 million ounces, up 7.8% over the same period in 2010.
- Gold production in the United States during the first ten months of 2011 stood at 6.4 million ounces. This was a decline of around 14% from the corresponding period in 2010.
- Chinese gold mine production during the first ten months of 2011 stood at 9.3 million ounces, this was an increase of 441,526 ounces or 5.0% from the corresponding period in 2010.

Official Transactions





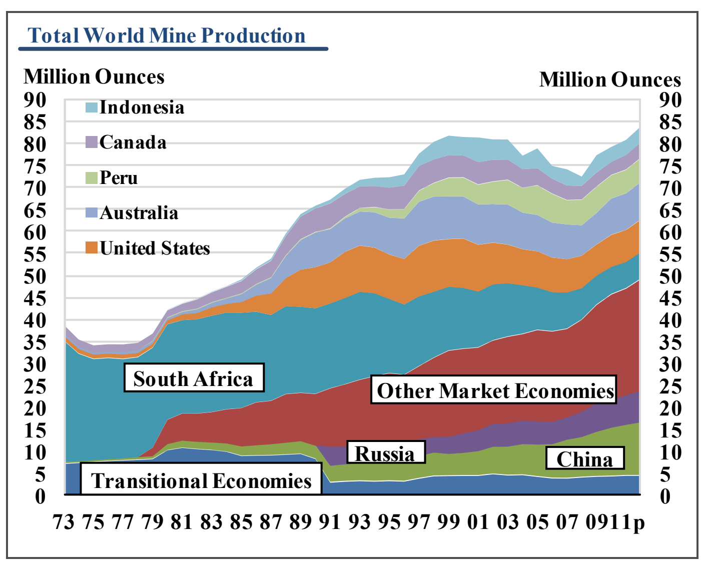
Mine Production

Gold Production in 2010 and 2011

Ounces

	YTD 2010	YTD 2011	Change	% Δ	Period
China	8,906,336	9,347,862	441,526	5.0%	*Jan-Oct*
United States	7,426,822	6,365,848	-1,060,975	-14.3%	*Jan-Oct*
Australia	1,896,897	2,025,500	128,603	6.8%	*Jan-Mar*
South Africa	3,001,986	2,965,786	-36,200	-1.2%	*Jan-Jun*
Russia	3,152,904	3,338,925	186,021	5.9%	*Jan-Jul*
Peru	4,862,045	4,805,243	-56,802	-1.2%	*Jan-Nov*
Canada	2,389,179	2,575,830	186,650	7.8%	*Jan-Oct*
Subtotal	31,636,169	31,424,993	-211,176	-0.7%	

Source: CPM Group
4 January 2012



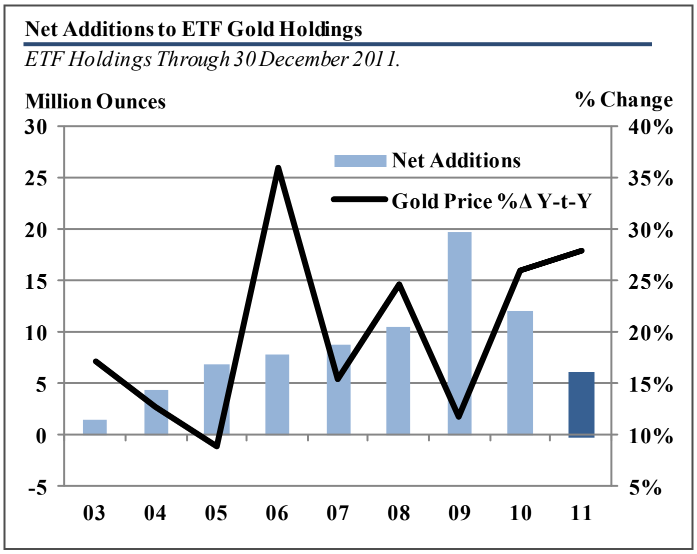
Investment Demand

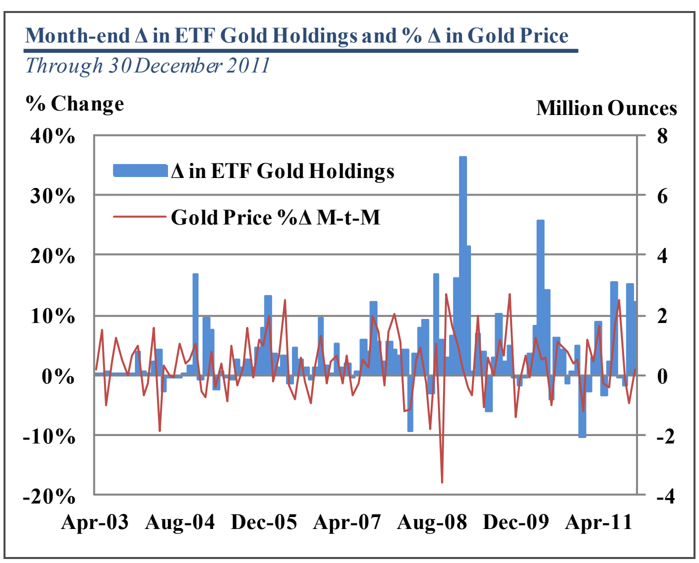
- Combined gold exchange traded product holdings (ETPs) stood at 77.3 million ounces at the end of 2011. This was a decline of 1.5 million ounces from the end of November 2011, but was an increase of 6.1 million ounces from the end of 2010. This contrasts with silver ETP holdings, which declined 27.5 million ounces during 2011. Silver also is considered a safe haven asset similar to gold, but the metal also has several industrial uses and holdings in ETPs were negatively affected by expectations of reduced fabrication demand for the metal due to slowing economic activity.
- The rate of net additions to gold exchange traded products has slowed substantially from levels seen over the past few years and net additions to ETPs during 2011 were responsible for only 8% of the total gold held by these products. Going forward, net additions to gold ETPs are more likely to resemble 2011. This expectation is based on investors becoming increasingly sensitive the high price of gold.

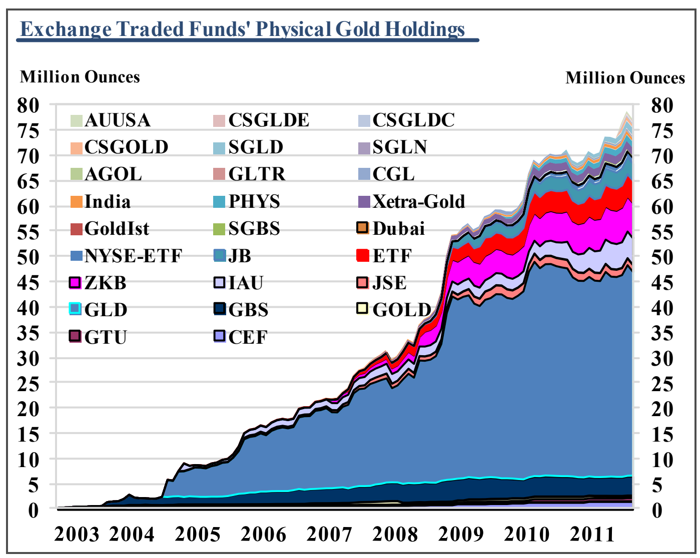
Markets and Inventories

- Total open interest in Comex gold contracts has been in a declining trend during 2011. Total open interest stood at 58.5 million ounces at the end of 2010 and was down to 41.9 million ounces at the end of 2011. The decline in open interest suggests a relative decline in investor interest in the metal. That said, total open interest even at these reduced levels is higher than most of the period prior to September 2009, which essentially tells us that the present decline is from historically high levels of total open interest. Total open interest should be expected to revert back to its historic levels as investors back away from making ever larger purchases despite high and rising gold prices.
- Open interest in the nearby active February Comex gold contract slipped lower in December standing at 23.5 million ounces on 30 December, down from

Investment Demand







Note: CEF-Central Fund of Canada traded on the Toronto Stock Exchange. GOLD-Gold Bullion Securities traded on the Australian Stock Exchange, GBS-Gold Bullion Securities traded on the London Stock Exchange, GLD-Streettracks Gold Shares traded on the New York Stock Exchange, GLD (JSE)-Gold Bullion Debentures traded on the Johannesburg Securities Exchange, IAU-IShares Comex Gold Trust traded on the American Stock Exchange, ZKB-Zurich Cantonal traded on the Swiss Exchange. JB-Julius Baer traded on the Swiss Exchange. ETF-ETF Securities traded on the London Stock Exchange. GOLD Dubai traded on NASDAQ Dubai. NYSE ETF-ETF Securities traded on the New York Stock Exchange. SGBS - ETF Securities' Swiss Gold traded on the London Stock Exchange. GTU-Central Gold Trust traded on the Toronto Stock Exchange. GOLDIST-Takasbank's ETF traded on the Istanbul Stock Exchange. Xetra Gold-traded on the Frankfurt Stock Exchange. PHYS-Sprott Gold Trust traded on the New York Stock Exchange. India-Indian exchange traded funds' gold holdings in this data series includes Gold Bees, UTI Gold, Kotak Gold, Reliance, Quantum, SBI GETS, and Religare. GLTR - ETF Securities' precious metals basket ETF traded on the New York Stock Exchange ARCA. Note: Closed end funds are included in this table since they hold physical gold. Data as of 30 December 2011.

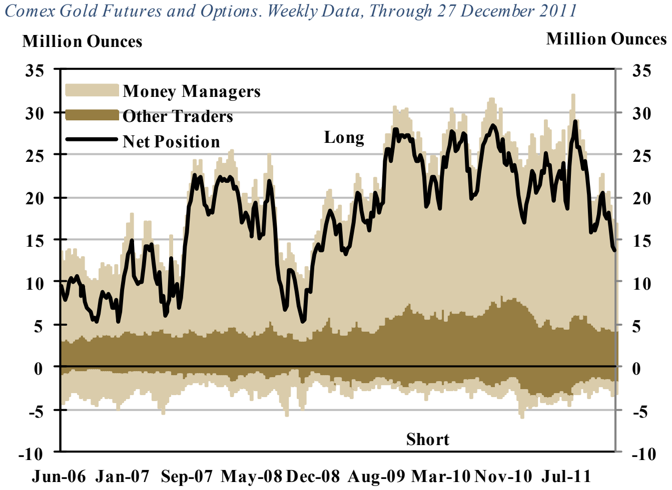
26.2 million ounces at the beginning of the month. The roll of this contract into the forward active contract at the end of January 2012 should help provide some support to prices.

- Gold delivered via the December Comex contract reached 2.21 million ounces in December 2011, twice the level of metal delivered via this contract during December 2010. Total registered inventories declined to 2.5 million ounces 30 December, from 3.3 million ounces at the end of November 2011. Total inventories meanwhile rose 54,723 ounces to 11.4 million over the same period of time.
- On 27 December 2011, net long positions held by large non-commercial market participants declined to 13.6 million ounces, the lowest level that net long positions have been at since April 2009. The weakness was the combined effect of a reduction in gross long positions and an increase in gross short positions. Despite the weakening in net long positions, these positions are still very high relative to levels seen historically.
- Clearing activity by member banks of the London Bullion Market Association (LBMA) rose slightly to 21.4 million ounces on average per day in November, from 21.3 million ounces in October. The average value traded per day in November was $37.3 billion, up from the prior month by around 4.8%, but up around 50.4% year-on-year. The average number of transfers slipped for a third consecutive month to 2,338 from 2,412 in October, but was up 20.3% on a year-to-year basis.

Markets and Inventories

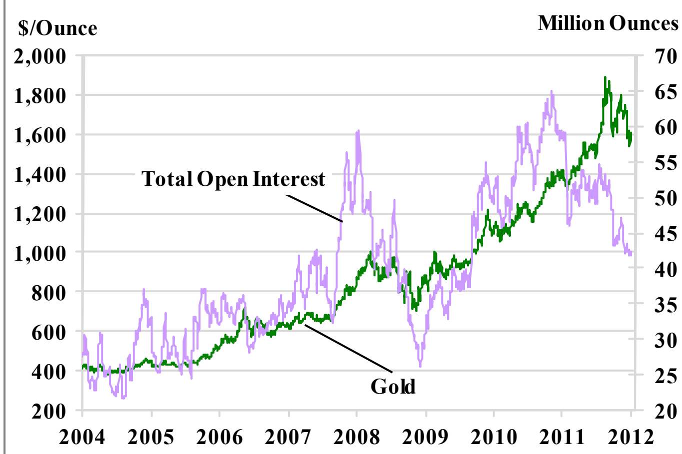
Gross Long and Short Positions of Comex Disaggragated Non-Commercial Positions

Comex Gold Futures and Options. Weekly Data, Through 27 December 2011



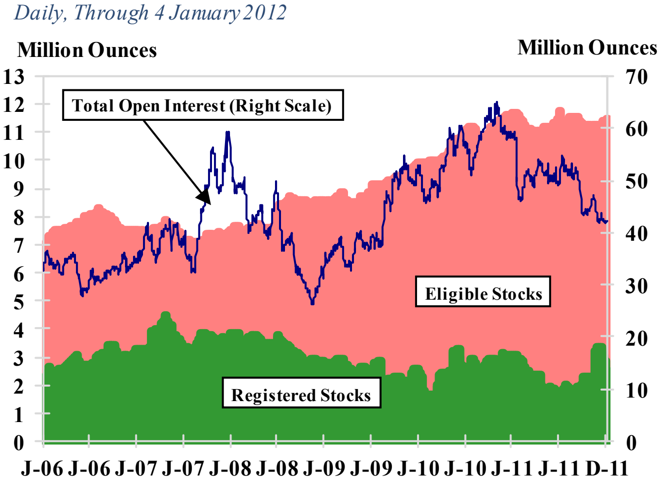
Gold Price and Total Open Interest

Daily, Through 4 January 2012



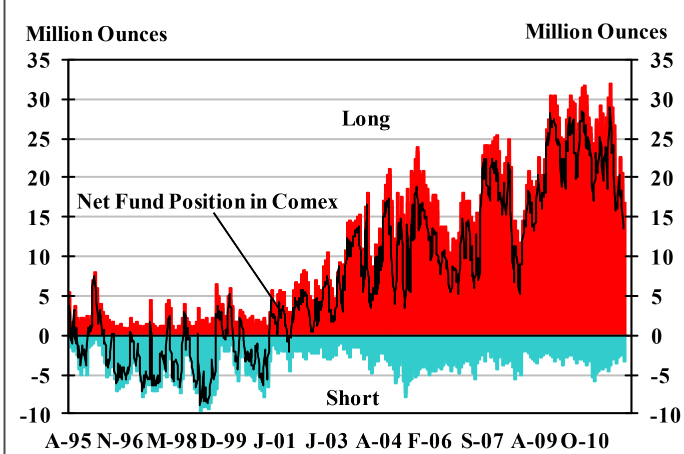
Comex Gold Inventories & Total Open Interest

Daily, Through 4 January 2012



Gross Long and Short Positions of Non-Commercial Positions

Comex Gold Futures & Options. Weekly Data, Through 27 December 2011

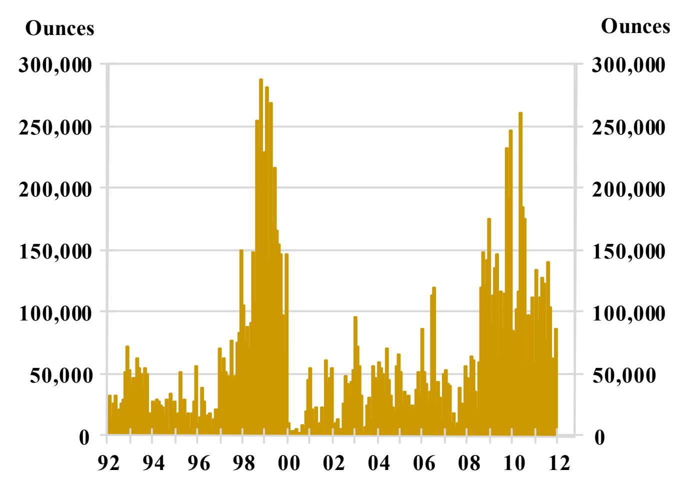


Bullion Coins

- Demand from dealers for U.S. Mint gold coins rose sharply in December, from depressed sales during November. Sales to dealers stood at 86,500 ounces in December, up from 49,500 ounces in November. Weakness in gold prices during December, expectations of future demand for these coins, and year-end purchases made to reduce income for tax benefits were all factors that helped boost sales during December. Sales for the full year 2011 stood at 1.2 million ounces, down 17.8% from 1.4 million ounces in 2010. The softness in demand can be largely attributed to the high price of the metal, which touched a nominal record in 2011. Buyers of U.S. Mint gold coins typically are individual investors that tend to be more price sensitive compared to institutional investors. The sharp declines in gold prices during the last quarter of 2011 may also have resulted in these investors standing on the sidelines, until a more clear direction for prices is in place.
- Dealers were seen purchasing large volumes of coins during the first two days of January 2012, with Gold Eagle coin sales during this period, standing at 45,500 ounces or 34% of total sales of 133,500 ounces for the full month of January 2011. Gold Buffalo coin sales stood at 2,500 ounces over the same

Bullion Coins

U.S. Mint Gold Coin Sales

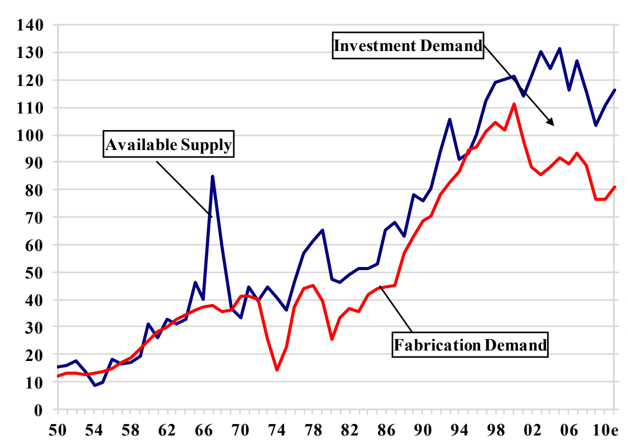


Monthly U.S. Eagle and Buffalo Gold Coin Sales by the U.S. Mint

Month	2009	2010	2011
January	92,000	85,000	133,500
February	113,500	84,000	92,500
March	136,500	102,000	111,500
April	147,500	117,000	128,500
May	65,000	260,500	122,500
June	116,000	185,000	67,000
July	86,000	175,000	76,500
August	82,000	57,000	140,000
September	115,500	98,000	104,000
October	232,000	94,000	62,500
November	191,500	112,000	49,500
December	247,500	60,000	86,500
YTD Total December 2011)	**1,625,000**	**1,429,500**	**1,174,500**
% Change YOY	*57.5%*	*-12.0%*	*-17.8%*
Annual Total	**1,625,000**	**1,429,500**	**1,174,500**
% Change Previous Year	*57.5%*	*-12.0%*	*-17.8%*

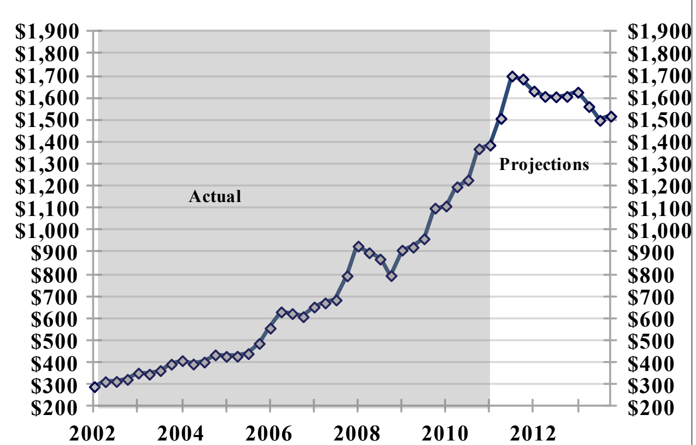
World Gold Supply and Demand

Million Ounces



Gold Quarterly Average Price Projections

$/Ounce, through Q4 2013



period in January 2012. There were no sales of these coins made during January 2011.

- U.S. Mint Gold Eagle coin sales stood at 65,500 ounces in December, up 59.8% from November. Full year Gold Eagle coin sales stood at one million ounces for 2011, down 4.6% from 2010 levels. Sales in 2011 were the seventh highest level of annual sales on record since the inception of the program in 1986.
- Gold Buffalo coin sales reached 21,000 ounces in December, up 147% or 12,500 ounces from November. Gold Buffalo sales in 2011 reached 174,500 ounces, off 16.5% from total 2010 Buffalo coin sales.

Gold Statistical Position

Million Ounces

Supply	2006	2007	2008	2009	2010	2011e	2012p
Mine Production							
China	7.7	8.7	9.1	10.1	11.0	11.5	12.1
Australia	8.0	7.9	6.9	7.2	8.3	8.3	8.5
United States	8.0	7.7	7.5	7.2	7.4	7.4	7.5
South Africa	8.8	8.2	7.1	6.6	6.2	6.0	6.1
Peru	6.5	5.5	5.8	5.9	5.3	5.3	5.4
Indonesia	2.9	3.7	2.1	4.0	3.4	3.5	3.6
Canada	3.4	3.3	3.1	3.1	2.9	3.3	3.5
Other Market Economies	20.6	20.2	21.0	22.4	24.0	24.3	25.8
Total	**65.8**	**65.1**	**62.5**	**66.5**	**68.4**	**69.5**	**72.5**
% Change Year Ago	*-5.0%*	*-1.1%*	*-3.9%*	*6.3%*	*2.9%*	*1.5%*	*4.3%*
Secondary Supply	**27.1**	**33.2**	**39.6**	**41.2**	**40.2**	**39.5**	**40.1**
% Change Year Ago	*-5.7%*	*22.6%*	*19.0%*	*4.0%*	*-2.3%*	*-1.7%*	*1.6%*
Transitional Economy							
Sales	**10.3**	**11.3**	**12.0**	**10.5**	**9.7**	**9.0**	**8.5**
% Change Year Ago	-	*9.7%*	*6.2%*	-	***-7.6%***	-	-
Total Supply	**103.2**	**109.6**	**114.1**	**118.1**	**118.3**	**118.0**	**121.1**
% Change Year Ago	*-5.2%*	*6.2%*	*4.1%*	*3.6%*	*0.2%*	*-0.3%*	*2.6%*
Fabrication Demand							
Industrial Demand							
Electronics	8.2	9.8	9.8	8.5	9.1	9.3	9.1
Dental/Medical	2.5	2.5	2.4	2.2	2.2	2.1	1.9
Other	3.1	4.6	5.4	4.9	5.0	5.1	5.3
Total	**13.8**	**16.9**	**17.6**	**15.6**	**16.2**	**16.5**	**16.3**
% Change Year Ago	*31.4%*	*22.2%*	*4.3%*	*-11.5%*	*4.3%*	*1.4%*	*-1.0%*
Jewelry							
Developed Countries	16.2	14.9	12.4	9.3	8.7	8.6	9.7
Developing Countries	59.4	61.4	58.9	51.8	53.0	55.8	59.2
Total	**75.6**	**76.3**	**71.3**	**61.0**	**61.7**	**64.4**	**68.9**
% Change Year Ago	*-6.7%*	*0.9%*	*-6.5%*	*-14.4%*	*1.0%*	*4.4%*	*7.1%*
Total Fabrication Demand	**89.4**	**93.2**	**88.9**	**76.6**	**77.9**	**80.8**	**85.2**
% Change Year Ago	*-2.3%*	*4.2%*	*-4.6%*	*-13.8%*	*1.7%*	*3.7%*	*5.4%*
Stock Demand							
Total Official Transactions	**-11.7**	**-15.9**	**0.2**	**16.8**	**10.1**	**9.0**	**8.0**
% Change Year Ago	*-45.3%*	*36.1%*	*NM*	*NM*	*-39.9%*	*-11.0%*	*-11.1%*
Net Private Investment							
Official Coins	4.5	4.4	5.0	5.2	6.3	3.5	3.2
Bullion	-1.3	9.7	-0.5	1.3	1.2	8.7	9.1
Medallions	3.0	2.8	4.5	4.5	5.0	4.0	3.6
Indian Demand	19.3	15.4	16.0	13.7	17.7	11.9	12.0
Total	**25.5**	**32.4**	**25.0**	**24.7**	**30.3**	**28.1**	**27.9**
% Change Year Ago	*-34.1%*	*27.0%*	*-22.8%*	*-1.2%*	*22.7%*	*-7.1%*	*-1.0%*
Total Stock Demand	**13.8**	**16.4**	**25.2**	**41.5**	**40.4**	**37.1**	**35.9**
% Change Year Ago	*-20.3%*	*19.3%*	*53.0%*	*64.9%*	*-2.7%*	*-8.1%*	*-3.4%*
Total Demand							
(Fabrication Plus Stock Change)	**103.2**	**109.6**	**114.1**	**118.1**	**118.3**	**118.0**	**121.1**
Price Per Ounce						**YTD**	
High	$721.50	$842.70	$1,004.30	$1,218.30	$1,421.40	$1,889.70	
Low	527.80	606.90	705.00	807.30	1,052.80	1,318.40	
Average	606.67	700.11	872.82	974.70	1,228.63	1,572.00	

*Million Ounces; Source: CPM Group; Notes: There may be discrepancies in totals and percent changes due to rounding; Net official sales are indicated by negative numbers; The price is the Comex nearby active settlement, 2011 through September Longer term projections are available in CPM Group's Gold Supply, Demand, and Price: 10-Year Projections report; e -- estimates; p -- projections; NM -- Not meaningful; January 4, 2012

Silver Outlook

Investor interest in silver waned over the course of 2011, particularly after prices peaked on 29 April. Trading volumes of Comex silver futures declined significantly, silver exchange traded product (ETP) holdings declined on an annual basis for the first time since they were launched in 2006, and prices suffered from the broad investor disenchantment that emerged after April. Higher prices triggered significant thrifting across various industrial applications as well, reducing investor interest in the metal for its capital appreciation potential. While some factors may boost prices over the next three months due to short-term factors, silver prices are not expected to test new highs in 2012. Rather, silver prices are forecast to average $29.90 in 2012, which is a 15.1% decrease from $35.22 in 2011.

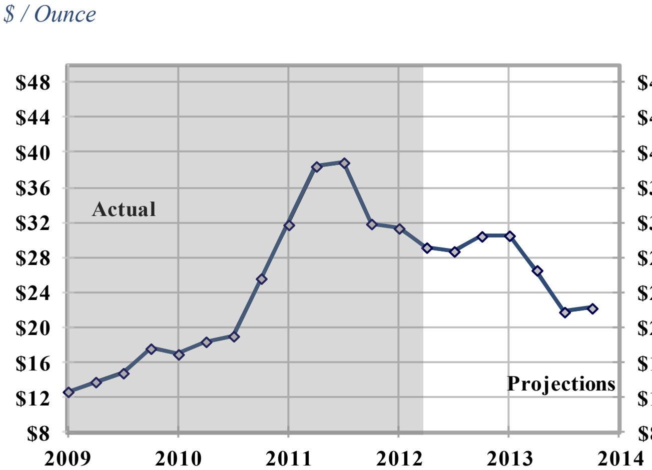
While prices are expected to be weak in January, possibly touching $24, prices could move to as high as $36 in February and March. The roll of the March contract into forward months during February typically pushes prices higher due to congestion in the silver futures market in New York. February historically has been the strongest month for prices, based on seasonal trends. Continued weakness in investment demand for silver however is expected to limit price gains over the next few months.

Silver coin demand was strong in 2011, with major mints boasting significant year-on-year gains in sales. In the first few days of January, the U.S. Mint sold over three million ounces of silver coins, surpassing the two million ounces sold in December. In January 2011, the U.S. Mint sold over six million coins, which was a record. Higher sales in January typically are a function of stock building among dealers. Fabrication demand for silver from the electronics sector grew in 2011 and is expected to rise more modestly in 2012. Jewelry demand is expected to benefit from lower prices relative to last year as well as the high price of gold this year, which can divert some consumers toward the cheaper precious metal. Silver mine supply in major silver producing countries declined in 2011 relative to 2010 levels. Secondary supply of silver in 2011 was robust as large volumes of the metal were released during the first half of the year when prices were at near record highs. Scrap flows are expected to be lower this year relative to 2011, as much silver scrap is very price-sensitive.

Overall, silver prices are expected to remain above $20 in 2011, with seasonal strength in prices expected in the first few months of the year. An expected boost in solar panel demand beyond April also may be positive for silver prices.

Silver Prices: 1 January 2009 to 4 January 2011

Silver Quarterly Average Price Projections to Q4 2013

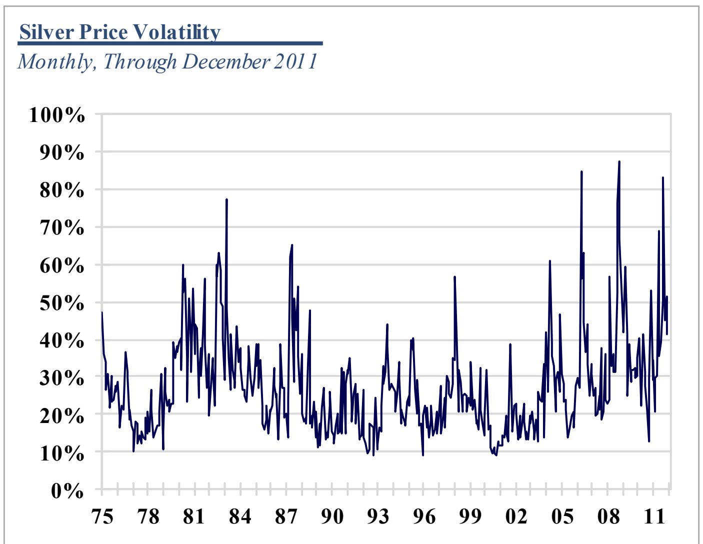


Year	Quarter	Quarterly AVG	Change	Annual AVG	Change
	I	$31.33	-1.6%		
2012	II	$29.14	-7.0%		
	III	$28.70	-1.5%		
	IV	$30.43	6.0%	$29.90	-15.1%
	I	$30.50	0.3%		
2013	II	$26.54	-13.0%		
	III	$21.76	-18.0%		
	IV	$22.19	2.0%	$25.25	-15.6%

Prices

- Silver traded lower throughout December. Silver prices moved between $31 and $34 at the beginning of the month, up until 12 December. Prices fell toward $30 during intraday trading over the next few days. On 14 December the nearby active settlement price broke out of this range, with silver settling at $28.94 that day, down 7.4% from the previous day. Silver traded mostly between $28 and $30 from 14 December to 27 December. Prices fell to settle at $27.23 on 28 December from $28.74 the previous day and settled below $28 for the remainder of the month. Silver settled at $27.92 on the last trading day of the year, down 14.7% from $32.73 on 30 November. This was 42.5% lower than the near record peak of $48.58 on 29 April and 9.8% lower than the end of 2010.

Silver Prices



- The monthly silver price volatility rate declined to 41.4% in December from 51.7% in November. This was the lowest monthly rate since July. The quarterly price volatility rate was 46.3%, which was lower than the previous two quarters of the year. The annual volatility rate was 48.4% in 2011, up from 31.6% in 2010 and the highest since 2008 when volatility was 51.9%.

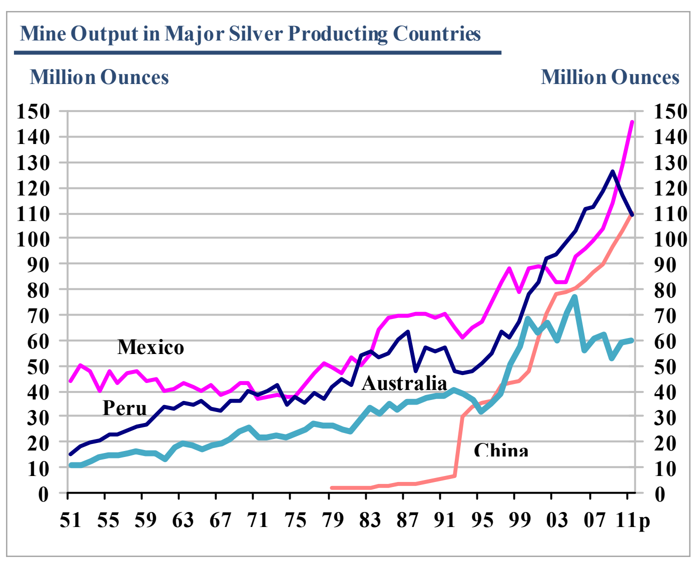
Supply

- Peruvian silver mine production during the first eleven months of 2011 stood at 100.0 million ounces, which was a decline of 6.9 million ounces, or 6.5%, from the corresponding period in 2010. On an annualized basis, Peruvian silver mine production is expected to reach 109.0 million ounces in 2011, which would be around 7% lower than output during 2010. There is a possibility that Chinese silver mine output will exceed Peruvian silver production in 2011. This would make China the third largest producer in the world.
- Canadian silver mine production stood at 14.5 million ounces during the first ten months of 2011, down 3.5% from the corresponding period in 2010.
- Silver mine production in the United States stood at 29.7 million ounces during the first ten months of 2011, down around 13% from the corresponding period in 2010.

Fabrication Demand

- Global solar panel installations reached 23.8 gigawatts in 2011, up about 34% from the previous year according to iSuppli, a research firm. This was much

Silver Supply



lower than the over 150% growth seen in 2010. Reduced demand in Europe for solar power was the leading cause of slower growth, amid weaker economic conditions. iSuppli expects demand to pick up in the second quarter of 2012, backed by renewed demand in Europe and the onset of new solar programs in China. Solar module prices declined throughout 2011, which has been an ongoing trend. Strong competition among manufacturers and technological innovation pushed prices lower and for some, closer toward grid parity. Reaching grid parity is a key goal in the solar industry as this would propel demand forward, reducing the reliance on government subsidies to the industry. Silver is used in the semiconductors contained in thick-film solar panels, which make up roughly 80% of the photovoltaic market.

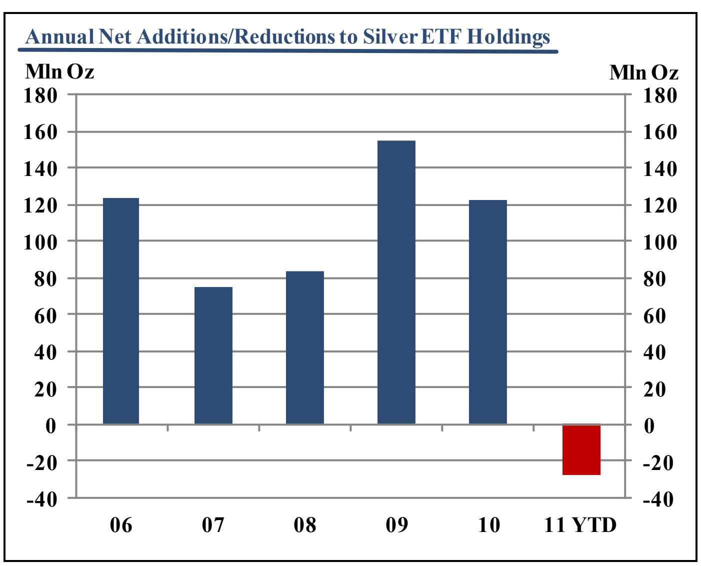
- Silver use in the smaller decorative applications such as silver leaf, mirrors, and threading has suffered in recent years amid rising and high prices. Silver leaf is used in consumables, particularly in India. These uses are more highly price sensitive and oftentimes can easily be thrifted.
- Silver demand from the photography sector continued to decline in 2011. This can be demonstrated by Kodak's sale of its gelatin factory in Peabody, Massachussetts to Rousselot, a gelatin producer. Gelatin is used in the preparation of silver emulsions, which

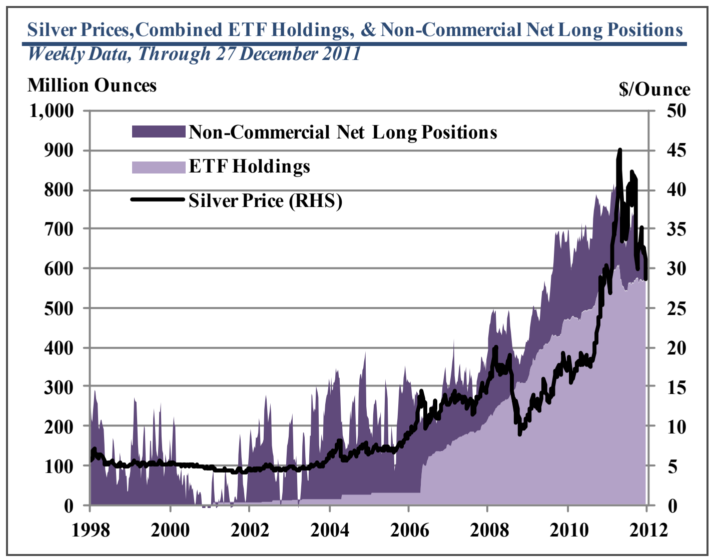
Silver Investment Demand

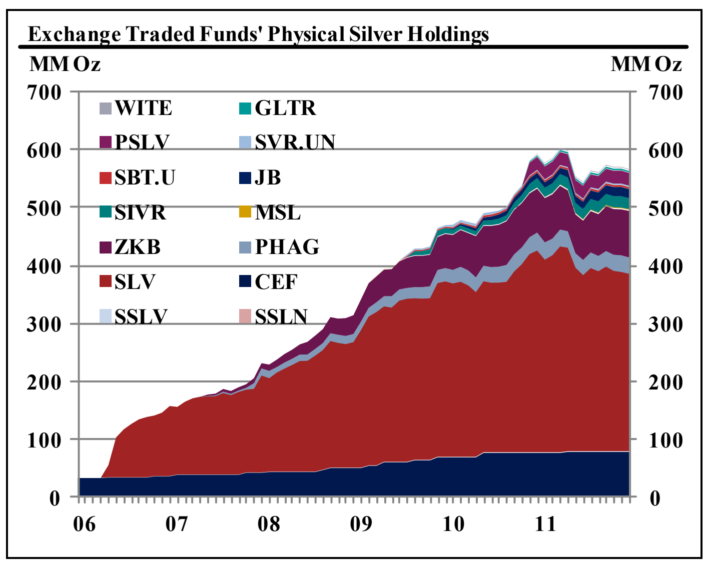
Silver ETF Holdings

Data as of 31 December, Changes from 30 November

	Month-end Holdings		% Δ	Ounce Δ
CEF	76,964,103	-	-	0
SLV iShares	308,833,296	↓	-1.0%	-3,239,186
ETF - ETFS	28,688,455	↓	-1.3%	-369,405
ZKB Silver	81,034,328	-	1.3%	1,016,920
Silver MSL	2,131,727	↓	0.0%	-982
SIVR - ETFS	19,262,730	↓	-2.5%	-501,481
Julius Baer Silver	15,528,983	↓	-3.4%	-541,876
GLTR - ETFS	3,143,830	-	-	0
WITE - ETFS	3,613,357	↓	-1.5%	-55,000
PSLV	22,298,540	-	-	0
SVR	2,403,669	↓	-12.1%	-329,377
SBT	844,837	-	-10.5%	-99,444
SSLN -iShares	459,674	↓	-0.03%	-151
SSLV	150,000	↑	25.0%	30,000
Total	565,357,528	↓	-0.7%	(4,089,983)
YTD Net Additions to Total ETF Holdings				(26,491,972)







Note: CEF-Central Fund of Canada traded on the Toronto Stock Exchange. SLV-iShares Silver Trust traded on the American Stock Exchange. ZKB-Zurich Cantonal traded on the Swiss Exchange. ETF-ETF Securities traded on the London Stock Exchange and Australian Securities Exchange, and New York Stock Exchange. Julius Baer traded on the Swiss Exchange. SIVR-ETF Securities traded on the New York Stock Exchange. MSL-ETF Securities traded on the Australian Stock Exchange. GLTR—ETF Securities traded on NYSE. WITE—ETF Securities traded on NYSE. SSLN—iShares ETP traded on the London Stock Exchange. SSLV—Source ETP traded on the London Stock Exchange. Data as of 31 December 2011.

are a component of photographic papers. The sale of this business suggests further winding down of the photographic papers industry, in light of continued deteriorating demand. Kodak had been the largest player in the photographic film industry for much of the 20th century and currently faces the threat of bankruptcy.

- The electronics sector expanded more rapidly than anticipated in 2011, despite weak economic conditions globally, due to technological innovation. The continued rapid growth of smartphone and eReader sales as well as tablet computers drove shipments of consumer electronics products in the United States higher last year, according to the Consumer Electronics Association (CEA). The CEA estimates that shipment revenues reached over $190 billion in 2011, up 5.6% from 2010 and higher than initial forecasts for 3.5% growth. Silver is used in a host of electronic components contained in virtually all consumer electronics, making this positive for silver demand. Revenues are forecast to rise toward $197 billion in 2012, according to the CEA.

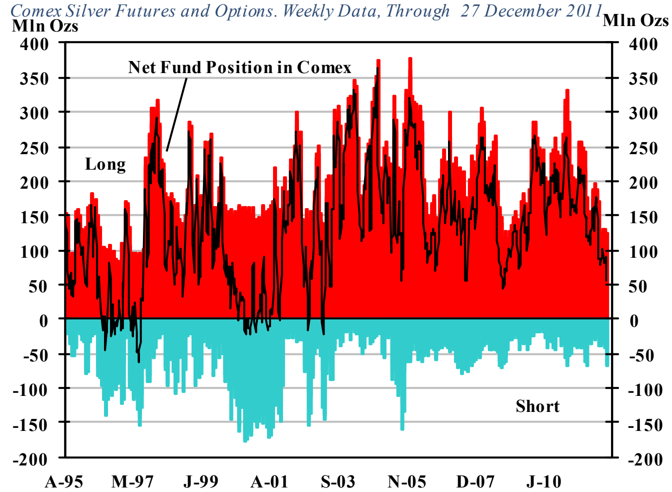
Investment Demand

- Investor interest in silver exchange traded products (ETPs) weakened in December. Investors sold a net of 4,089,983 ounces of silver from their ETP holdings during the month. Much of the decline occurred during the second half of the month and came mostly from iShares' silver trust (SLV) traded on NYSE Arca, whose holdings fell 3,239,186 ounces in December. Silver ETP holdings initially rose during the first half of the month, touching a monthly high of

Silver Markets

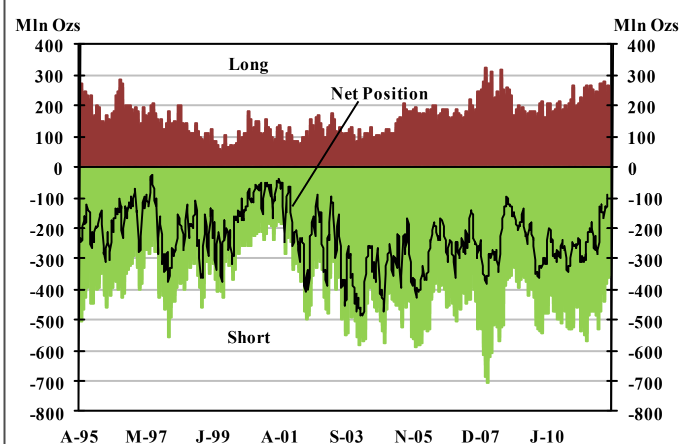
Gross Long and Short Positions of Non-Commercial Positions

Comex Silver Futures and Options. Weekly Data, Through 27 December 2011



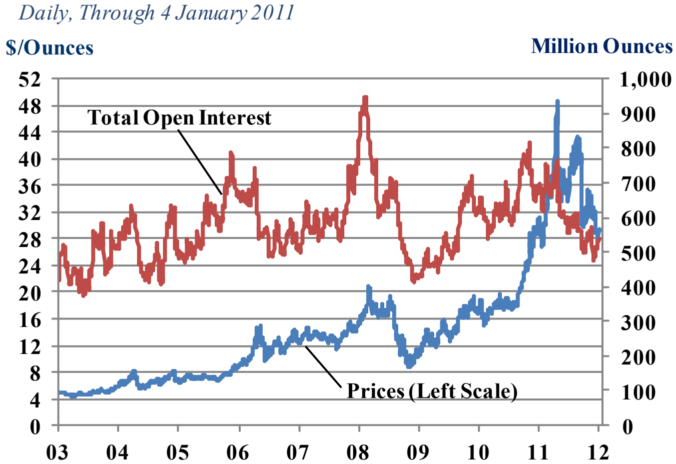
Gross Long and Short Positions of Commercial Positions

Comex Silver Futures and Options. Weekly Data, Through 27 December 2011



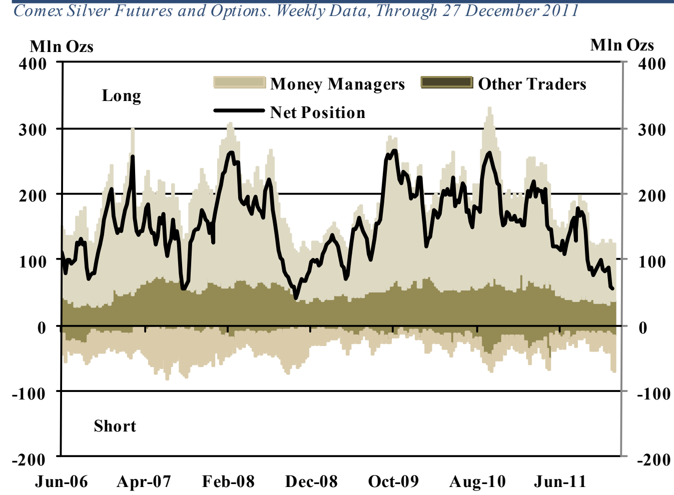
Silver Prices and Open Interest

Daily, Through 4 January 2011



Gross Long and Short Positions of Comex Disaggragated Non-Commercial Positions

Comex Silver Futures and Options. Weekly Data, Through 27 December 2011



570,720,431 ounces on 17 December, up from 569,447,511 ounces on the last day of November. Holdings then fell, reaching 565,357,533 ounces on 29 December, down 0.9% from 18 December. Holdings remained at that level through the end of the year.

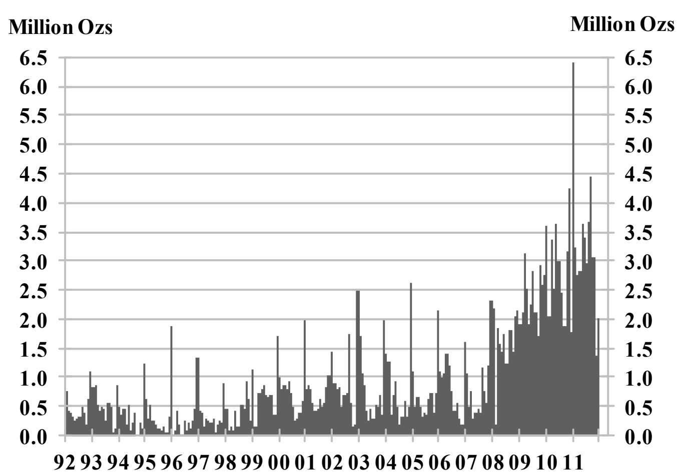
- Silver ETP holdings fell 26,491,972 ounces by 31 December from the end of 2010. This marks the first annual net decline in holdings since the introduction of the first ETP in 2006.

Markets

- Open interest in the Comex 5,000-ounce silver futures contract has been trending lower since peaking at 818.5 million ounces on 4 November 2010. It continued to decline during the first few days of December, from 490.3 million ounces on 30 November to a low of 475.0 million ounces on 7 December, a 3.1% decline. This was the lowest level reached since May 2009 and is 42% lower than the 4 November 2010 peak. Open interest began to rise thereafter, touching 517.3 million ounces on 15 December, up 8.9% from the multi-year low on 7 December. Open interest came off the following day and mostly moved between 505 million ounces and 510 million ounces between 16 December and 21 December. Open interest began rising more forcefully once again, touching a monthly peak of 529.9 million ounces on 29 December and ending the year at 528.3 million ounces on 30 December. Open interest on the last trading

Bullion Coins

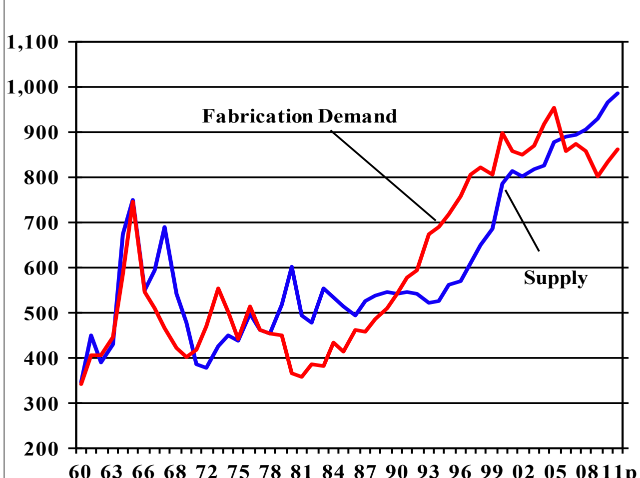
U.S. Mint Silver Coin Sales



Month	2009	2010	2011
January	1,900,000	3,592,500	6,422,000
February	2,125,000	2,050,000	3,240,000
March	3,132,000	3,381,000	2,767,000
April	2,518,000	2,507,500	2,819,000
May	1,904,500	3,636,500	3,653,500
June	2,245,000	3,001,000	3,402,000
July	2,810,000	2,981,000	2,968,000
August	2,130,000	2,451,000	3,679,500
September	1,703,000	1,880,000	4,460,500
October	2,939,000	3,150,000	3,064,000
November	2,586,500	4,260,000	1,384,000
December	2,773,500	1,772,000	2,009,000
YTD Total December 2011)	28,766,500	34,662,500	39,868,500
% Change YOY	*65.8%*	*20.5%*	*15.0%*
Annual Total	28,766,500	34,662,500	39,868,500
% Change Previous Year	*47.4%*	*20.5%*	*15.0%*

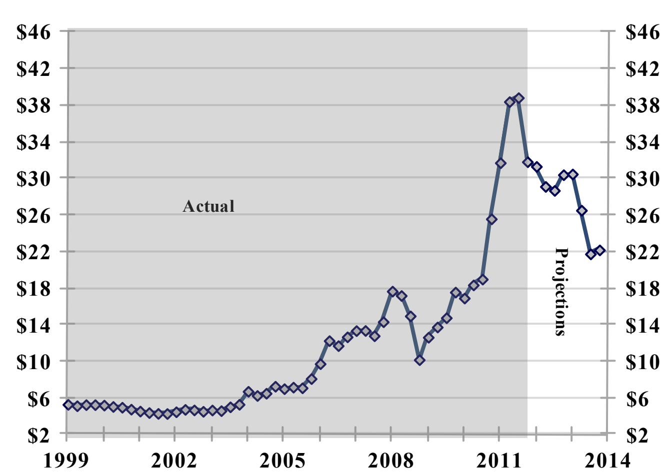
World Silver Supply and Demand

Million Ounces



Silver Quarterly Average Price Projections

$/Ounce, through Q4 2013



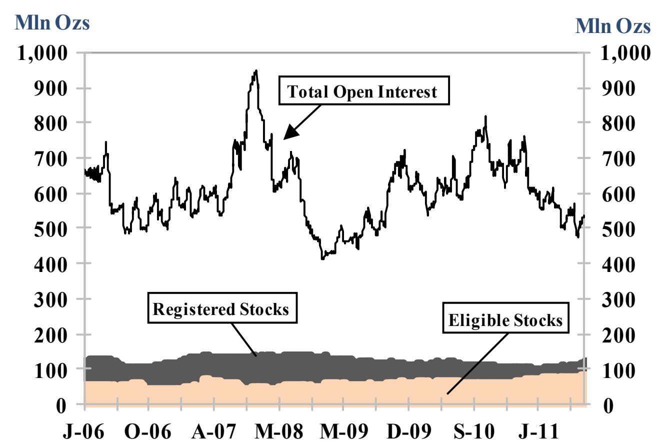
day of the year was 22.3% lower than at the end of 2010.

- Trading volumes of Comex 5,000-ounce silver futures were 3.8 billion ounces on December, or nearly half the amount traded in November. Trading volumes in December 2010 were 6.3 billion ounces.
- Open interest in the nearby active March contract rose to 296.3 million ounces on 30 December, up 5.6% from 280.7 million ounces on 30 November. This was 2.5 times the amount of silver stored at Comex warehouses on that day. Open interest rose in a choppy fashion throughout the month. Open interest touched a monthly low of 262.9 million ounces on 9 December, then rose 10.4% to reach 290.3 million ounces on 15 December. After a brief decline from this level, to below 280 million ounces, open interest rose for the remainder of the month.
- Comex silver inventories rose in December. Silver inventories were 117.3 million ounces on 30 December, up 8.5% from 108.1 million ounces on 30 November. Eligible inventories rose by 8.7 million ounces in December while registered inventories rose by 449,850 ounces.
- Large non-commercial market participants reduced their exposure to Comex silver futures and options in December. Net long positions held by money managers and traders declined to 55.1 million ounces on 27 December, which was 33.3% lower than 82.6 million ounces on 29 November. Net long positions have been trending lower since September of last year, when net longs were around 250 million ounces. Much of the decline in the net long position last month came from an increase in gross short positions, which rose from 41.4 million ounces on 29 November to 69.0 million ounces on 27 December, a 66.5% increase.
- The daily average amount of silver transferred among LBMA members in the silver bullion market trended higher in 2011 and the daily average number of transfers as well as the daily average value of silver transferred reached record levels in 2011. In November, an average of 164.8 million ounces of silver was transferred on a daily basis, up 51.7% from levels in November 2010. The daily average value of silver transferred was $5.45 billion and the number of transfers averaged 718. Clearing activity was lower in November relative to the previous month.

Bullion Coins

- Silver coin demand overall was higher in 2011 than in 2010. Many of the largest mints worldwide have reported higher sales figures of their silver coins.
- The U.S. Mint sold 2,009,000 ounces of Silver Eagle coins in December, up from 1,384,000 ounces sold in November and up from 1,772,000 ounces sold in December 2010. Total sales for the year were 39,868,500 ounces in 2011, up 15.0% from 34,662,500 ounces in 2010. This growth in annual sales was slower than the rate of growth of 97.4% in 2008, 47.4% in 2009, and 20.5% in 2010. As of 4 January, the U.S. Mint already has sold over three million ounces of Silver Eagle coins. Last year, 6,422,000 ounces of silver Eagle coins were sold in January.
- The Royal Canadian Mint sold 17.5 million ounces of Silver Maple Leafs in the first three quarters of 2011 and could sell around 23 million ounces for the full year. This would be up from 10.5 million ounces in 2010.
- The Perth Mint in Australia sold around 10.6 million ounces of silver in coin, medallion, and bar form during its fiscal year ended September, up from 7.0 million ounces sold in the same period a year ago.

Comex Silver Inventories & Total Open Interest
Daily, Through 4 January 2011



Silver Statistical Position

Million Ounces

Supply	2006	2007	2008	2009	2010	2011e	2012p
Mine Production							
Mexico	96.1	99.5	104.1	114.3	128.6	145.5	156.6
United States	36.7	39.0	40.2	39.9	41.2	35.6	36.0
Peru	111.6	112.3	118.5	126.1	116.9	109.0	111.4
Canada	32.0	27.7	24.3	20.3	19.2	17.4	18.3
Australia	56.0	60.5	61.9	52.5	59.1	60.0	64.2
China	83.6	86.8	90.0	96.5	103.4	110.1	117.0
Other	177.3	192.5	190.4	203.4	202.3	201.3	208.1
Total	**593.2**	**618.3**	**629.4**	**652.9**	**670.6**	**678.9**	**711.6**
% Change Year Ago	*-0.1%*	*4.2%*	*1.8%*	*3.7%*	*2.7%*	*1.2%*	*4.8%*
Secondary Supply							
Old Scrap	234.0	242.2	251.5	249.9	260.8	273.6	269.9
Coin Melt	7.0	5.0	4.0	4.0	3.0	3.0	2.0
Other Supply	5.0	5.0	3.0	1.0	2.0	2.0	2.0
Indian Scrap	22.5	16.1	17.5	22.0	29.0	28.0	15.0
Total	**268.5**	**268.3**	**276.0**	**276.9**	**294.8**	**306.6**	**288.9**
% Change Year Ago	*8.4%*	*-0.1%*	*2.9%*	*0.3%*	*6.5%*	*4.0%*	*-5.8%*
Other Supply							
Government Disposals	26	8	0	0	0	0	0
Net Exports from Transitional Economies	—	—	—	—	—	—	—
Total	**26**	**8**	**0**	**0**	**0**	**0**	**0**
% Change Year Ago	*-25.7%*	*-69.2%*	*-100.0%*	—	—	—	—
Total Supply	**887.7**	**894.6**	**905.4**	**929.8**	**965.4**	**985.5**	**1,000.5**
% Change Year Ago	*1.9%*	*0.8%*	*1.2%*	*2.7%*	*3.8%*	*2.1%*	*1.5%*
Fabrication Demand							
Photography	174.1	161.5	133.5	119.4	110.9	102.6	96.8
Jewelry & Silverware	258.9	284.7	278.9	276.7	283.4	288.7	296.5
Electronics and Batteries	185.0	195.9	204.3	201.1	212.8	223.2	235.7
Solar Panels	6.0	9.4	17.3	21.9	43.3	48.6	61.6
Other Uses	227.7	212.3	213.5	176.4	178.3	189.3	183.2
Other Countries	7.6	8.2	9.7	7.5	6.5	8.0	9.7
Net Imports into the Transitional Economies							
Total Fabrication Demand	**859.4**	**872.1**	**857.1**	**803.0**	**835.2**	**860.5**	**883.4**
% Change Year Ago	*-10.0%*	*1.5%*	*-1.7%*	*-6.3%*	*4.0%*	*3.0%*	*2.7%*
Net Surplus or Deficit	**28.3**	**22.5**	**48.3**	**126.8**	**130.3**	**125.0**	**117.1**
Addenda							
Coinage	27.3	30.1	55.1	66.9	74.5	91.2	74.8
Price Per Ounce							
High	$14.94	$15.55	$20.79	$19.33	$30.94	$49.82	
Low	8.87	11.50	8.79	10.44	14.83	26.15	
Average	11.61	13.45	14.97	14.67	20.31	35.29	
% Change Year Ago	*58.0%*	*15.9%*	*11.3%*	*-2.0%*	*38.4%*	*73.8%*	

***Million Ounces; Notes: Totals may not equal the sum of categories due to rounding. Mine production in Poland, Bulgaria, Romania, Hungary, the Czech Republic, and Slovakia is included in "other" mine production; Photography, jewelry and silverware, electronics, and 'other' industrial use reflects demand in Europe, the United States, and Japan.; These sectors include Canada from 1979, Mexico from 1982, Hong Kong from 1985, Thailand from 1986, India from 1987, Australia, Brazil, Peru, Colombia, Argentina, Chile, Korea, Pakistan, and Bangladesh from 1989, and Taiwan from 1990; Demand excludes the transitional economies, except for imports.; The price is the Comex nearby active settlement, percent change from year earlier period. 2012 through 4 January. There may be discrepancies due to rounding; p - projections; NM - Not meaningful; Source: CPM Group 5 January 2012.**

Platinum Outlook

Platinum prices ended 2011 at yearly lows, validating the overall negative sentiment toward platinum group metals last year. Platinum prices settled at $1,363.40 on 29 December, which was the lowest price since November 2009. Prices had been falling since August, after settling at a peak of $1,905.70 on 22 August.

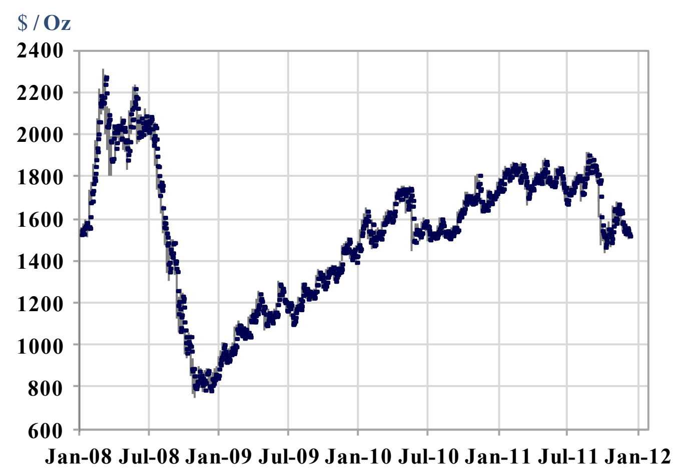
There is scope for further price declines in January. Prices could fall to as low as $1,300 if investment demand continues to weaken, a trend that began in September. At the same token, prices could begin to edge higher, as was seen on the first trading day of 2012, should prices at current levels broadly be viewed as a bargain. That said, prices could re-inflate, possibly touching $1,620 or $1,720 over the next three months. Additionally, on a seasonal basis, platinum prices are expected to strengthen over the course of the first six months of the year. This largely is due to stocking trends among industrial users of the metal.

Developments in the Nymex platinum futures and options markets highlight the overarching bearish sentiment toward platinum in the second half of 2011. Gross short positions held by large non-commercial market participants touched record highs in the last few weeks of last year. In February 2011, large non-commercial net long positions touched record highs. This stark contrast was brought on by deteriorating growth in demand for platinum from the industrial sector throughout the year coupled with a sharp reversal of investor interest in the metal after the price plunged below gold prices in August and was unable to reclaim its premium over gold thereafter. Trends in the platinum exchange traded product (ETP) market further underpin this trend. Holdings have declined since peaking at 1,487,351 ounces on 13 September. Holdings were 1,308,909 on 31 December, down 12.0% from this peak.

Weak economic conditions in Europe point toward further weakness in fabrication demand from the auto sector. European auto sales could fall to around 19 million vehicles in 2012, down slightly from 19.2 million vehicles, according to R.L. Polk, an auto industry research firm. Europe is the largest user of platinum in auto catalysts. This expected trend will be exacerbated by the continued decline in platinum use in diesel auto catalysts, as manufacturers reduce the platinum content and increase the palladium content.

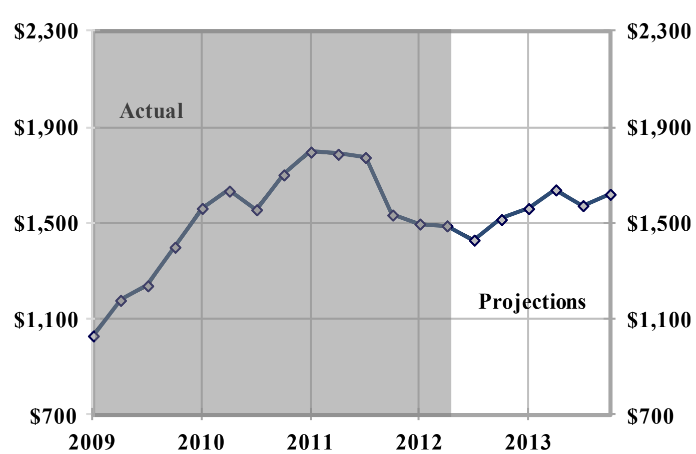
The weakness in fabrication demand and investment demand is expected to have a limited downside impact on

Platinum Prices: 1 January 2008 to 7 December 2011



Platinum Quarterly Average Price Projections to Q4 2013

$ / Ounce



Year	Quarter	Quarterly AVG	Change	Annual AVG	Change
	I	$1,497	-2.4%		
2012	II	$1,489	-0.5%		
	III	$1,430	-4.0%		
	IV	$1,515	6.0%	$1,483	-14.0%
	I	$1,561	3.0%		
2013	II	$1,639	5.0%		
	III	$1,573	-4.0%		
	IV	$1,621	3.0%	$1,598	7.8%

prices over the next few months. Supply problems in South Africa, slower growth in secondary supply amid lower prices, and higher fabrication demand from the price-sensitive jewelry sector amid lower prices all are factors that are expected to support the prices of platinum.

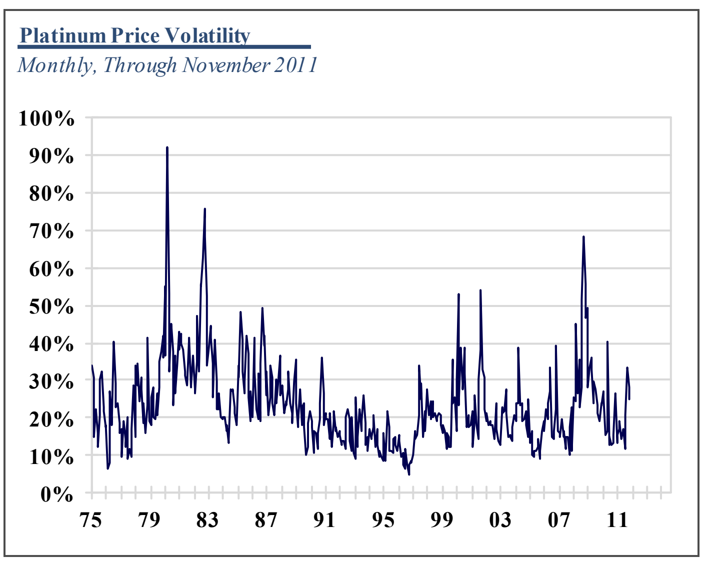
Prices

- Platinum prices have been declining since 8 November, when prices touched a recent peak of $1,673.10. Platinum traded lower in December, with the most rapid decline occurring in the first half of the month. Prices fell from $1,560.80 on 30 November to $1,407.00 on 15 December, a 9.9% decline. Prices trended marginally higher over the subsequent days, settling at $1,433.90 on 27 December. Prices fell to a low for the year of $1,363.40 on 29 December, which instantly triggered bargain buying activity. Platinum settled at $1,399.70 on 30 December, down 16.3% from 8 November, down 26.6% from this year's high of $1905.70 on 22 August, and down 21.1% from $1,773.30 on the last day of 2010.
- The monthly platinum price volatility rate rose slightly to 25.5% in December from 24.9% in November. The monthly volatility rate has remained elevated, above 20%, since August.

Supply

- Scrap flows of platinum are expected to have suffered in December amid falling prices. Secondary platinum supply comes primarily from spent auto catalysts. These auto catalysts typically are collected by individuals, and then shipped to a recycler or refiner when collectors have gathered a significant number of catalysts. These collectors typically strive to sell at higher prices. It is likely that these collectors may hold off from selling their inventories until prices move higher.
- The Zimbabwean government announced it would like PGM mining companies in the country to build out refining capacity domestically rather than ship unprocessed metals to other countries for refining. The government may introduce laws preventing the export of unprocessed minerals in an effort to boost domestic jobs and revenues, but has not formally announced when it would embark on drafting this legislation. Zimbabwe's role in the PGM market has steadily been increasing as it contributes a greater percentage of mine supply. In 2010, Zimbabwe made up 3.2% of palladium mine supply, up from less than 1.0% in 2001.

Platinum Price Volatility



Fabrication Demand

- Platinum jewelry demand may have improved in December, following a continued decline in the price of the metal from recent highs in November. Monthly trading volumes of platinum futures on the Shanghai Gold Exchange were 176,250 ounces in December, up from 163,004 ounces in November. China is the largest user of platinum in jewelry and trading activity of platinum on the Shanghai Gold Exchange is mostly among jewelry manufacturers.
- The commercial vehicle market in China continued to slump in November. Commercial vehicle sales were 312,290 vehicles that month, down 12.6% from a year ago. This was the largest year-on-year decline in total monthly sales since May 2011. Sales in 2011 through November were 3,714,663 vehicles, down 5.6% from the same period in 2010. The Chinese government may issue government incentives in the coming months to boost domestic demand of household appliances and cars in an effort to offset the slowing demand for Chinese exports. This could help reduce weakness in commercial vehicle demand.
- Commercial vehicle demand in Japan was very weak in 2011. Truck and bus sales last year through November totaled 626,048 vehicles, down 10.0% from 695,674 vehicles in the same period last year. The Japanese tsunami disaster severely dampened production of and demand for vehicles in 2011.
- Commercial vehicle sales in the United States and Europe grew 15.4% and 10.8%, respectively, between January and November 2011 from a year ago. The commercial vehicle market accounted for 33.7%

of auto sales in 2010. It is the largest commercial vehicle consumer of the major auto markets. Commercial vehicle sales in Europe accounted for 11.9% of auto sales in 2010.

- New car registrations in Germany were 244,501 vehicles in December, up 6.1% from a year ago. Total passenger car sales in the country were 3.2 million vehicles, up 8.8% from 2.9 million vehicles in 2010.
- The passenger car market in Europe continued to contract in 2011, as auto sales in large markets such as France, Italy, and the United Kingdom decreased from year ago levels. New car registrations were 12.2 million vehicles the European Union in 2011 through November, down 1.2% from 12.3 million vehicles registered in the same period in 2010. Auto sales in France fell 2.0% year-on-year, a more rapid decline than the 0.9% contraction during the same period in 2010. Auto sales in Italy also declined more rapidly in 2011, by 11.3%, relative to the decline in 2010. Auto sales in the United Kingdom fell 4.5% last year through November, down from a 3.4% increase in sales in 2010 through November from year ago levels.

Investment Demand

- The Perth Mint released for sale its 2012 Australian Platinum Platypus bullion coin on 5 December. The one-ounce coin was first issued in March 2011 and the mint sold its entire lot of 30,000 coins that year. It will produce no more than 30,000 coins this year. The Perth Mint used to produce Platinum Koala bullion coins, up until 2000. Last year marked the first series of platinum coins produced by the Mint since that year.
- Investment demand for platinum continued to weaken in December. Combined exchange traded product (ETP) holdings declined by a net of 63,325 ounces in December, marking the fourth consecutive monthly decline in holdings. This was the largest amount of metal sold by platinum ETP investors since August 2008, when investors sold 144,253 ounces from their holdings. Net additions made to platinum ETP holdings were 77,226 ounces in 2011. This was the smallest amount added on an annual basis. In 2010 investors added a record 550,922 ounces to their holdings.

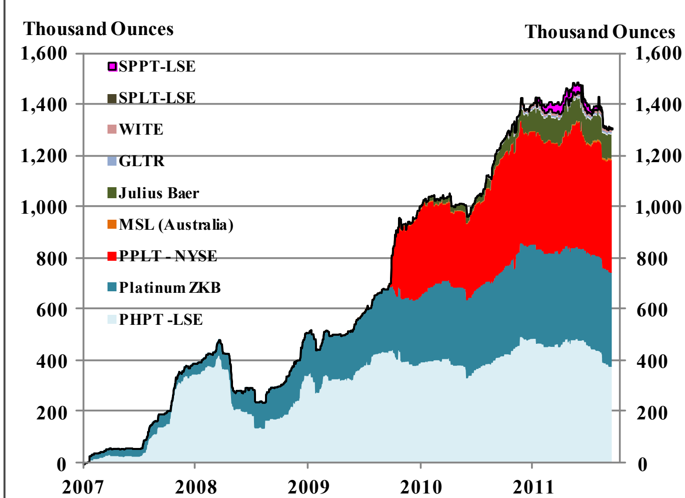
Platinum Investment Demand

Platinum ETF Holdings

Data as of 31 December, Changes from 30 November 2011

	Month-end Holdings		% Δ	Ounce Δ
PPLT ETF Securities	439,813	↓	-1.2%	-5,188
Platinum ZKB	366,981	↓	-0.5%	-1,874
Platinum Julius Baer	93,690	↓	-2.8%	-2,700
PHPT ETFS	375,302	↓	-11.5%	-48,776
GLTR - ETFS	8,675	↓	-12.5%	-1,239
WITE - ETFS	8,369	↓	-11.1%	-1,049
Platinum MSL	7,440	↑	0.0%	3
SPLT iShares	3,291	↓	0.0%	-1
SPPT Source	5,348	↓	-31.9%	-2,500
Total	1,308,909	↓	-4.6%	-63,325
YTD Net Additions to Total ETF Holdings				***77,226***

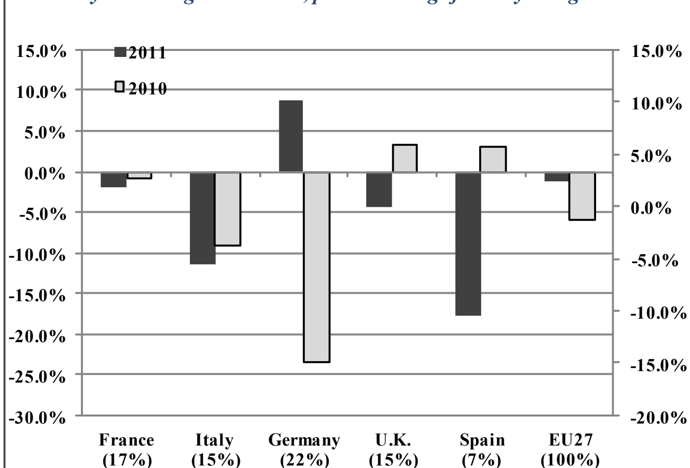
Exchange Traded Funds' Physical Platinum Holdings



Note: PHPT-ETF Securities' platinum ETF traded on the London Stock Exchange. ZKB-Zurich Cantonal's platinum ETF traded. PPLT-ETF Securities' platinum ETF traded on the New York Stock Exchange. Julius Baer's platinum ETF traded on the Swiss Exchange. MSL-Metals Securities Australia platinum ETF. GLTR-ETF Securities' Precious Metals Basket ETF traded on the New York Stock Exchange. WITE-ETF Securities' white metals basket ETF traded on the New York Stock Exchange. SPLT-iShares platinum ETC traded on the London Stock Exchange. SPPT-Source's platinum ETP traded on the London Stock Exchange. Data as of 5 December 2011.

Platinum Fabrication Demand

Growth in New Passenger Car Registrations in the European Union
Data is year through December, percent change from a year ago



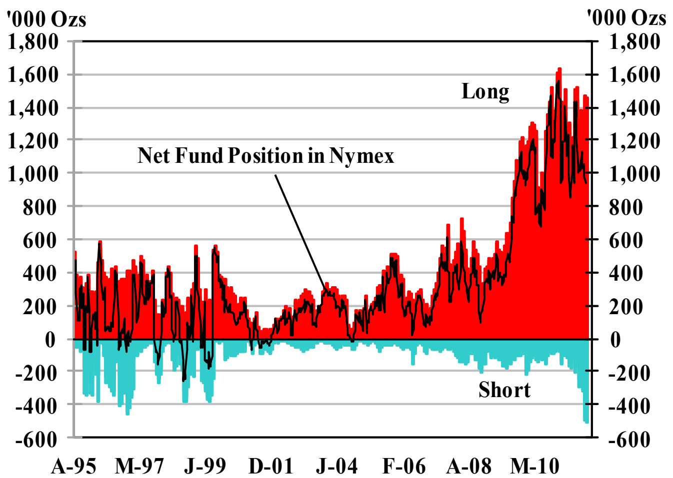
Note: EU 27 U.K. is year through November.

Markets

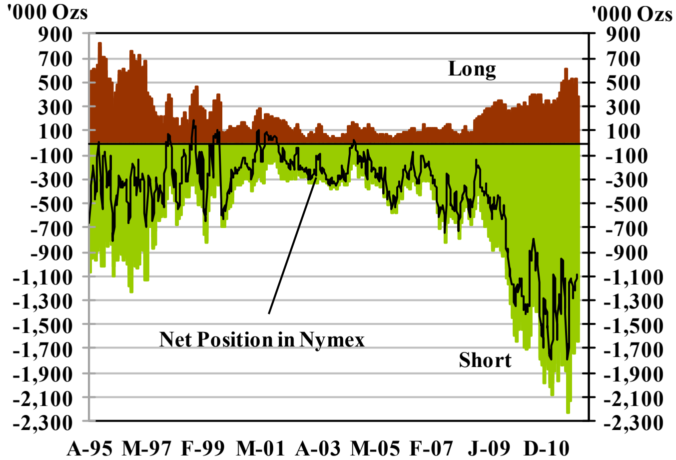
- Open interest in Nymex platinum futures rose in December. Open interest increased rapidly to touch a monthly peak of 2,180,000 ounces on 13 December. Open interest moved around 2,150,000 ounces for the remainder of the month, until the last two trading days of the year when open interest fell to around 2,100,000 ounces. Open interest was 2,097,750 ounces on 30 December, up 2.9% from 2,038,750 ounces on 30 November.
- Open interest the April contract rose during the month as market participants rolled their January contract positions into forward months. Open interest in the January contract declined by 1,725,350 ounces between 30 November and 30 December. Meanwhile, open interest in the April contract increased by 1,761,150 ounces during the same period. On 4 January, open interest in the April contract was 2,062,400 ounces or 11.4 times the amount of metal stored in Nymex warehouses.
- Nymex platinum inventories increased to 180,500 ounces on 30 December, up from 179,500 ounces on 30 November. Inventories briefly rose to 181,000 ounces in the second week of December. Inventories have been steadily increasing since the middle of September, when the amount of platinum stored in Nymex warehouses touched a low of 115,350 ounces.
- Only 20,550 ounces of platinum were delivered to market participants from Nymex depositories during the January contract delivery period, as of 4 January.
- Large non-commercial market participants reduced their exposure to Nymex platinum futures and options in December. Net longs held by money managers and traders rose in the first week of December, to 1,053,550 ounces on 6 December from 1,030,150 ounces on 29 November. Net longs declined over the following three weeks. Net longs fell back below one million ounces, a level not seen since August 2011. Net longs were 941,400 ounces on 27 December, down 10.6% from 6 December. Gross long positions increased by 108,600 ounces between 29 November and 27 December, but this was completely offset by the 197,350 ounce increase in gross short positions during the period. Gross short positions reached 517,150 ounces on 27 December, which was a record high. Money managers sharply increased both their gross long and gross short positions in December. Gross longs rose to 1,024,550 ounces by 27 December, up 138,250 ounces from 29 November. Gross shorts rose to 455,600 ounces by 27 December, up 216,900 ounces from 29 November. This was a record high, since data first was published in January 2010.

Platinum Markets

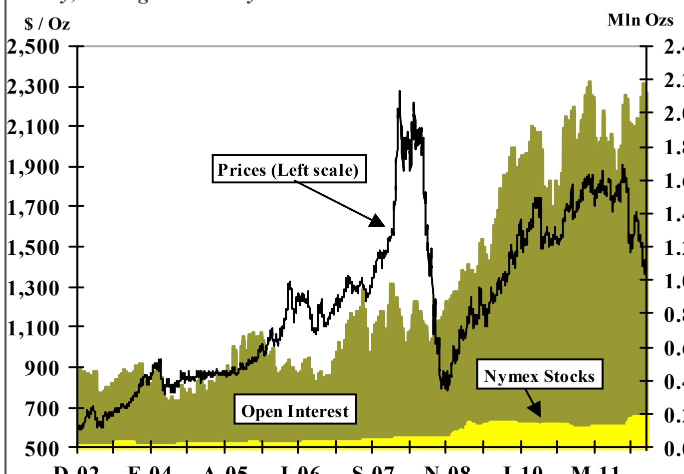
Gross Long and Short Positions of Non-Commercial Positions
Platinum Futures & Options. Weekly Data, Through 27 December 2011



Gross Long and Short Positions of Commercial Positions
Platinum Futures & Options. Weekly Data, Through 27 December 2011



Platinum Prices, Total Open Interest, and Nymex Inventories
Daily, Through 4 January 2011



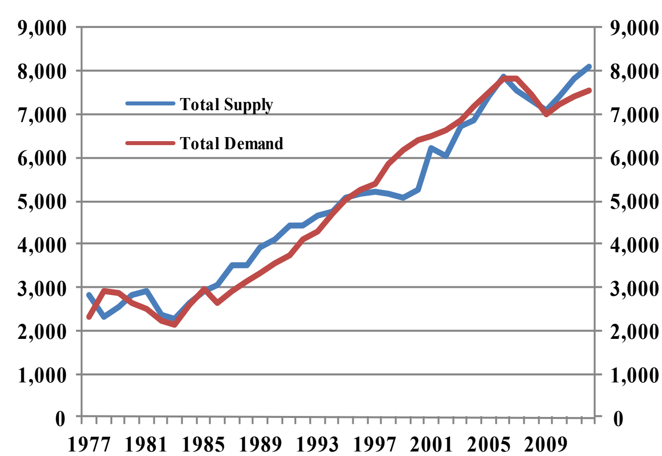
Platinum Statistical Position

Supply	2007	2008	2009	2010e	2011p	2012p
Mine Production						
South Africa	5,039	4,814	4,897	5,039	5,194	5,436
Russia	935	800	804	836	815	835
Canada	206	235	154	95	260	272
United States	128	119	126	113	127	130
Other	343	359	365	374	421	430
Total	**6,652**	**6,325**	**6,347**	**6,458**	**6,817**	**7,103**
% Change Year Ago	*-6.0%*	*-4.9%*	*0.3%*	*1.7%*	*5.6%*	*4.2%*
Secondary Supply						
Total	**920**	**1,000**	**750**	**964**	**1,002**	**1,012**
% Change Year Ago	*13.6%*	*8.7%*	*-25.0%*	*28.5%*	*4.0%*	*1.0%*
Total Supply	**7,572**	**7,325**	**7,097**	**7,421**	**7,819**	**8,116**
% Change Year Ago	*-4.0%*	*-3.3%*	*-3.1%*	*4.6%*	*5.4%*	*3.8%*
Fabrication Demand						
Auto	4,195	3,785	2,740	3,096	3,279	3,342
Jewelry	1,772	1,698	2,283	1,926	1,948	1,982
Other	1,877	1,975	1,959	2,196	2,190	2,233
Total Demand	**7,844**	**7,457**	**6,982**	**7,217**	**7,417**	**7,558**
% Change Year Ago	*0.3%*	*-4.9%*	*-6.4%*	*3.4%*	*2.8%*	*1.9%*
Net Surplus or Deficit	**-272**	**-132**	**115**	**204**	**402**	**558**
Price Per Ounce						
High	$1,549.30	$2,276.10	$1,506.30	$1,809.60	$1,905.70	
Low	$1,112.00	$787.20	$922.20	$1,460.00	$1,363.40	
Average	$1,314.46	$1,579.31	$1,214.50	$1,614.22	$1,722.37	
% Change Year Ago	*14.6%*	*20.1%*	*-23.1%*	*32.9%*	*6.7%*	

*Thousand Troy Ounces; Notes: Excludes transitional economies, except as noted. Secondary production statistics exclude toll-refined material; Prices are settlement prices for the nearby active contract on the New York Mercantile Exchange. 2012 through 5 January. Changes in market inventories are year-end. *Changes in 1997 market inventories exclude U.S. Industry stocks since the U.S. Bureau of Mines ceased publication of U.S. Industry stock level data in the third quarter of 1997; As of 2006 Inventories includes changes in ETF holdings; There may be discrepancies due to rounding; NA -- not available; e -- estimates; p -- projections; Sources: U.S. Bureau of Mines, Statistics Canada, trade sources, CPM Group; 8 December 2011.

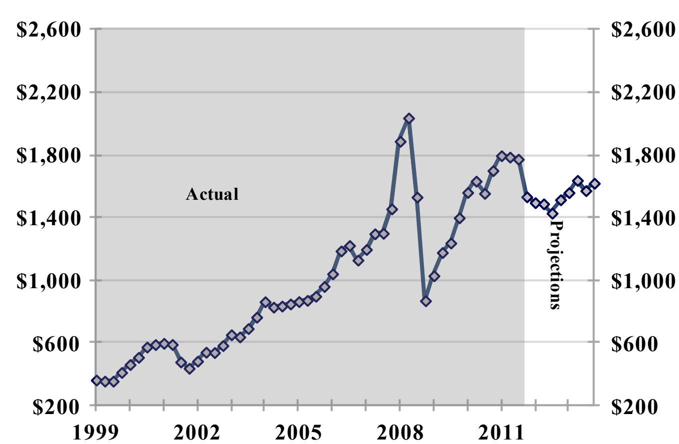
World Platinum Supply and Demand Balance

Thou. Ounces



Platinum Quarterly Average Price Projections

$/Ounce, through Q4 2013



Palladium Outlook

Weakness in palladium prices over the past several quarters is expected to continue into the first three quarters of this year. Palladium prices are forecast to decline to an average of $631 during the first quarter of 2012, down 0.1% from the fourth quarter of 2011. Weakness in palladium prices during the first quarter of the year is atypical based on seasonality, with palladium prices typically strengthening during this period. Prices are expected to soften because of expectations of slower global economic growth during 2012. This decline in global economic growth is expected based on a likely recession in Europe. Palladium prices are significantly influenced by fabrication demand, which would be adversely affected by slowing economic growth. The largest use of palladium is in auto catalysts. Two of the largest auto markets in the world, China and the United States, are major users of palladium in auto catalysts. This is because the passenger cars in both these markets are primarily gasoline powered engines, which use palladium intensive auto catalysts. Auto demand is forecast to rise in both these markets during 2012, but at a slow rate. Demand in China is expected to be driven primarily by consumers in second and third tier cities, meanwhile demand in the United States is expected to grow but remain below levels seen prior to the 2008 – 2009 recession.

Demand for palladium from the electronics sector, another major user of the metal, is also expected to slow during 2012, as a result of reduced demand for end products.

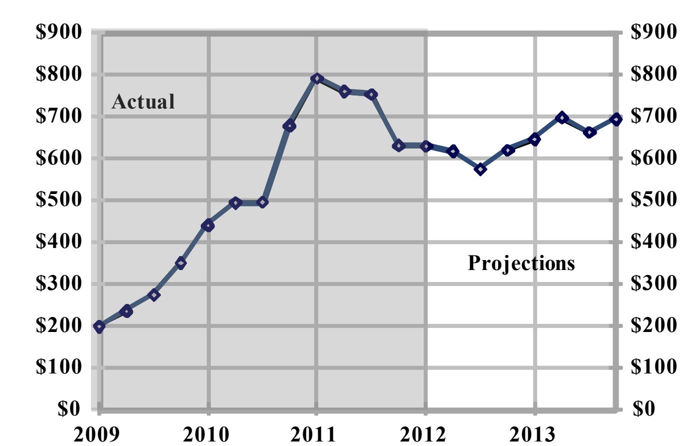
Global economic growth is expected to rise more strongly in 2013. In anticipation of this increase in economic activity, investors are likely to purchase the metal pushing up its prices toward the end of 2012. Investment demand also plays an important role in influencing the price of the metal, given the relatively small size of the market. The recent decline in palladium prices has largely been driven by a decline in investment demand, as investors have liquidated their positions in anticipation of slower economic growth during 2012.

Concerns regarding supply from both South Africa and Russia are expected to help provide support to palladium prices. South Africa, which is presently the largest producer of the metal is expected to continue battling with

Palladium Prices

Palladium Quarterly Average Price Projections to Q4 2013

$ / Ounce



Year	Quarter	Quarterly AVG	Change	Annual AVG	Change
2012	I	$631	-0.1%		
	II	$618	-2.0%		
	III	$575	-7.0%		
	IV	$621	8.0%	$611	-16.8%
2013	I	$646	4.1%		
	II	$698	8.0%		
	III	$663	-5.0%		
	IV	$695	4.8%	$676	10.5%

issues related to mine closures due to safety issues and rising labor costs.

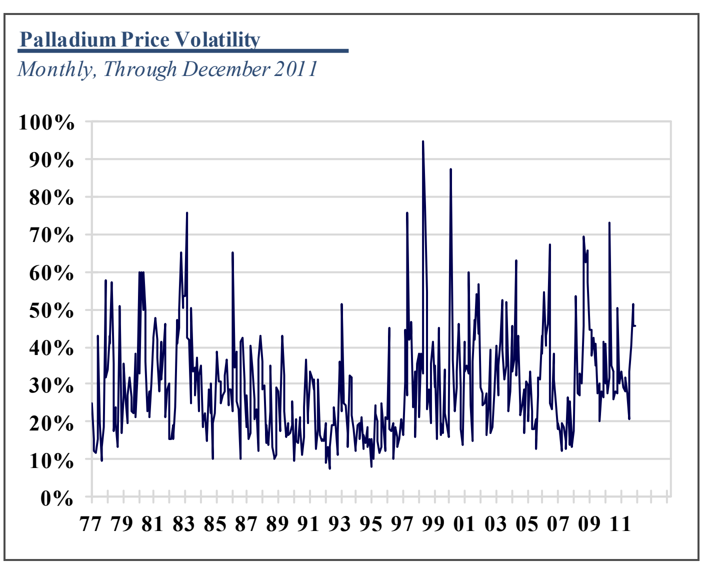
Prices

- Palladium prices were whipsawed during December. Average monthly price volatility remained at high levels as a result. The average price volatility during December stood at 45.7%, significantly higher than the same period in December 2010, when it stood at 30%. The price of palladium rose during the first ten days of December reaching $690 on an intraday basis. Prices then slipped sharply lower, in a broad market selloff reaching as low as $600 on an intraday basis on 13 December and then rose back to $669 on an intraday basis on 27 December. Prices finished the year at $656.15, higher than the $610.0 that prices settled at on 30 November but significantly lower than the $800.04 prices had settled at the end of December 2010.

Supply

- Concerns regarding the shipment of Russian palladium state stocks boosted prices in late November and December. Investors continue to regard news about the supposed future depletion of Russian government palladium stockpiles as a significant factor in the market. Russia's government does not report palladium export figures. Switzerland, a major trade partner, imported roughly 470,000 ounces of palladium form Russia in 2011 through November, down from 500,000 ounces imported in the same period in 2010. The United States imported 1.2 million ounces from Russia between January and October of last year, up sharply from 440,000 ounces imported during the same period in 2010.

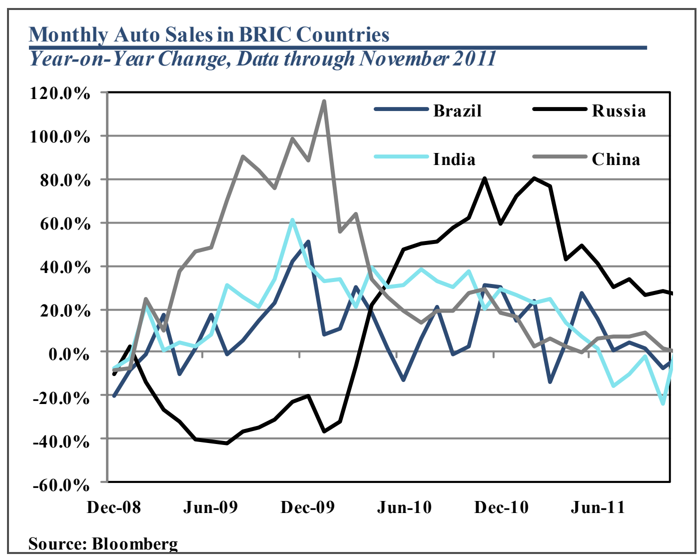
Palladium Price Volatility



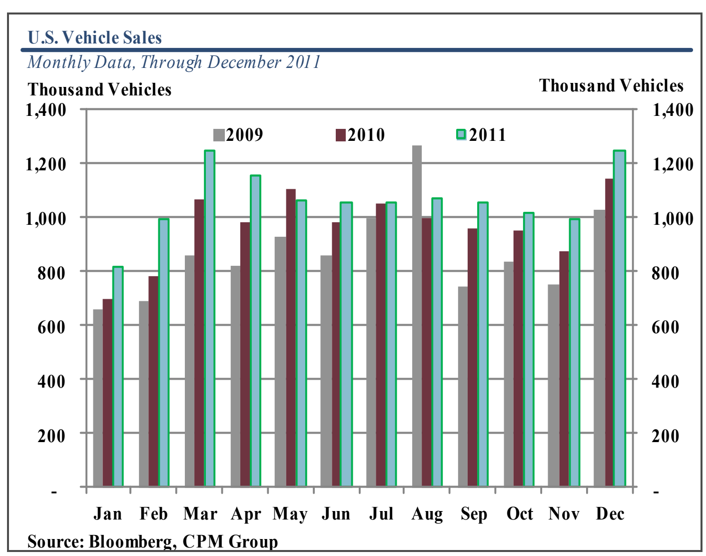
Fabrication Demand

- U.S. light duty vehicle sales stood at 1.24 million during December 2011, this was an increase of 8.5% on a year-on-year basis. U.S. vehicle sales for the full year 2011 stood at 12.7 million, up 10% from 2010 levels. U.S. auto sales are expected to strengthen in 2012 from levels seen in 2011. Light vehicle sales are estimated to reach between 13.0 million and 13.2 million during 2012. This would still be around four million vehicles short of annual light duty vehicle

Palladium Fabrication Demand



Note: Brazil data through November 2011.



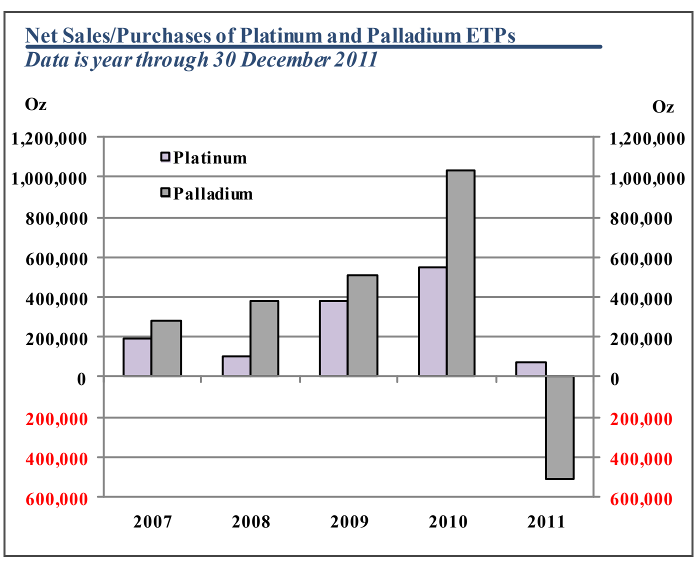
sales seen prior to the 2008 – 2009 recession.

- Chinese vehicle sales stood at 1.65 million during November, a decline of 2.4% on a year-on-year basis. It was an improvement over sales during October, however, which stood at 1.52 million. Vehicle sales in China stood at 16.8 million during the first 11 months of 2011, up 2.9% from the corresponding period in 2010. The slowing growth has been a concern among market participants. It should be acknowledged that this growth is from a very high base. Chinese sales grew by 45% in 2009 and 32% in 2010 taking total sales in 2010 to 18 million.
- Semiconductor sales are forecast to reach $309 billion in 2012, according to Gartner. This would be an increase of 2.2% from estimated 2011 sales. Growth is expected to be hurt by the potential fallout from a possible recession in Europe during 2012. Media tablets and smartphones are expected to show strong growth in 2012. This is positive for fabrication demand of palladium as more technologically advanced gadgets have more semiconductors. Demand for mobile phones, an important user of semiconductors, is expected to grow by 7.5% during 2012.

Investment Demand

- Combined palladium exchange traded product holdings fell to 1.7 million ounces at the end of 2011. This was a net reduction of 513,671 ounces in palladium held by exchange traded products from the end of 2010. The net reduction in 2011 accounted for 23% of combined exchange traded product holdings at the end of 2010 and 30% of the total holdings at the end of 2011. This was a significant loss in holdings and was at least partially responsible for the softness in palladium prices during 2011. The palladium market is extremely small, with total palladium supply in 2011 estimated at 9.1 million ounces. This combined with the importance of investment demand in driving prices higher, a loss in ETP holdings of this magnitude can have a significant impact on prices. The net reduction in 2011 was the first year in which combined palladium holdings declined on an annual basis. This decline in holdings follows four consecutive years of increases in net additions to ETPs holdings. The net additions to palladium ETPs reached a record 1.03 million ounces during 2010.

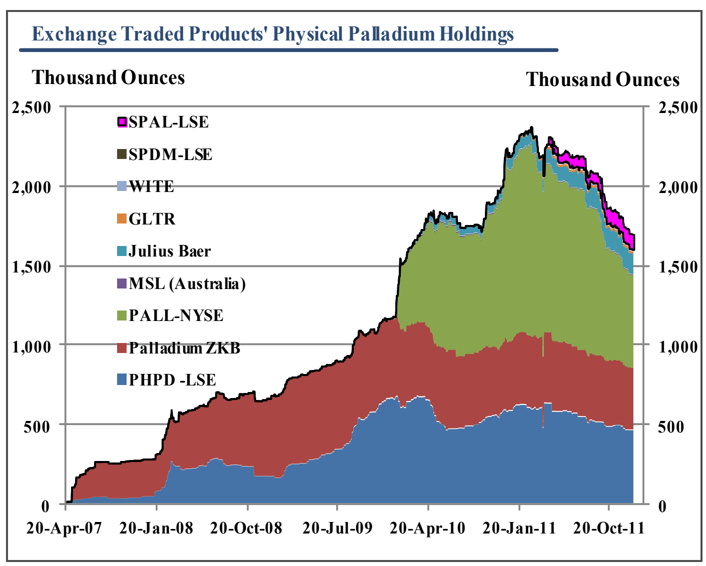
Palladium Investment Demand



Palladium ETF Holdings

Data as of 31 December, Changes from 30 November 2011

	Month-end Holdings		% Δ	Ounce Δ
PALL ETF Securities -	588,123	↓	-4.1%	-25,100
Palladium ZKB - SIX	386,967	↓	-3.9%	-15,870
Palladium Julius Baer -	128,243	↓	-2.0%	-2,650
PHPD ETF Securities -	464,077	↓	-4.8%	-23,407
GLTR - ETFS	12,977	↓	-12.4%	-1,844
WITE - ETFS	6,728	↓	-10.1%	-755
Palladium MSL - ASX	4,330	↑	0.1%	3
SPDM iShares	6,372	↓	0.0%	-2
SPAL Source	94,759	–	0.0%	0
Total	1,692,576	↓	-4.0%	(69,624)
YTD Net Additions to Total ETF Holdings				***(513,671)***

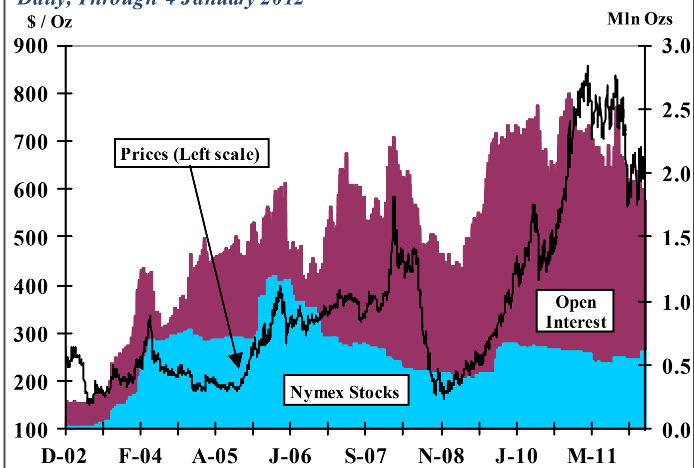


Note: PHPD-ETF Palladium traded on the London Stock Exchange. ZKB-Zurich Cantonal's palladium ETF traded. PALL—ETFS Palladium traded on the New York Stock Exchange . Metals Securities Australia . Julius Baer's palladium ETF traded on the Swiss Exchange. Precious Metals Basket ETF traded on the New York Stock Exchange. WITE-ETF Securities' white metals basket ETF traded on the New York Stock Exchange. SPDM-iShares' palladium ETC traded on the London Stock Exchange. SPAL-Source's palladium ETC traded on the London Stock Exchange. Data as of 2 January 2012.

Markets

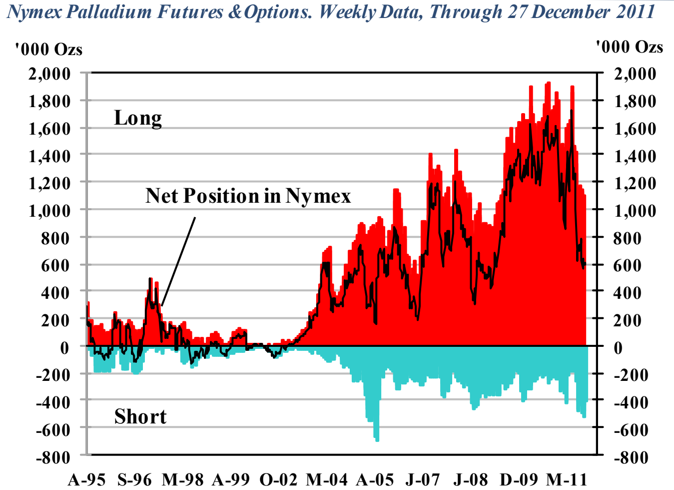
- Total open interest in the Nymex palladium contract continued on its declining trajectory, in pace since late 2010, during December. Total open interest reached 1.78 million ounces at the end of 2011. This was down from 2.3 million ounces at the beginning of 2011 and was the lowest level on record since the middle of 2009.
- Open interest in the nearby active March Nymex palladium contract, which accounts for around 95% of total open interest, declined in December, reaching 1.71 million ounces on 30 December, down from 1.87 million ounces at the beginning of the month.
- Palladium delivered via the December Nymex contract reached 940,000 ounces in December 2011. Palladium stored in Nymex warehouses rose during the month to 603,000 ounces on 30 December from 545,100 ounces at the end of November.
- Net long positions held by large non-commercial market participants declined to 603,100 ounces on 27 December, the lowest level that net long positions have reached since early April 2009. A decrease in gross long positions coupled with an increase in gross short positions resulted in a decline in net long positions. Gross short positions are presently at the higher end of their historical range, which suggests a buildup of bearish sentiment among market participants. Net long positions held by non-commercials could sink further, before reversing their present trend.

Palladium Prices, Total Open Interest, and Nymex Inventories
Daily, Through 4 January 2012

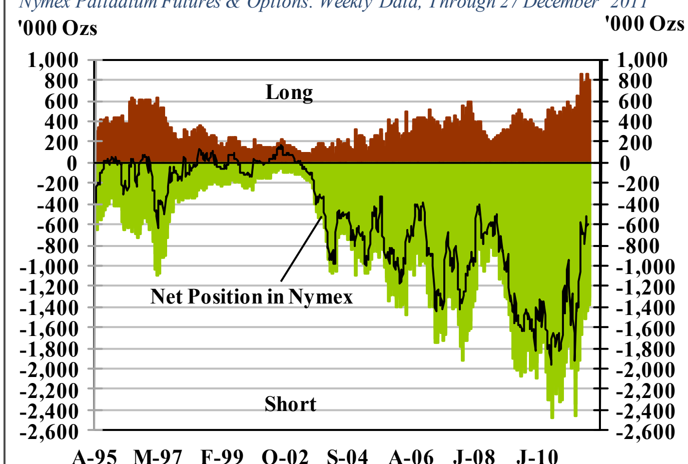


Palladium Markets

Gross Long and Short Positions of Non-Commercial Positions
Nymex Palladium Futures & Options. Weekly Data, Through 27 December 2011



Gross Long and Short Positions of Commercial Positions
Nymex Palladium Futures & Options. Weekly Data, Through 27 December 2011



Palladium Statistical Position

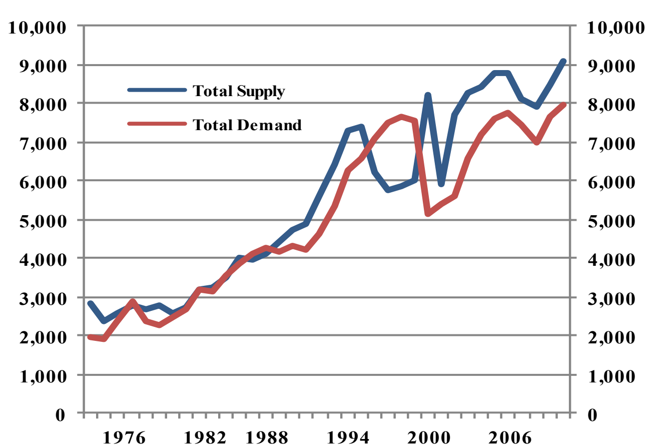
Supply	2007	2008	2009	2010e	2011p	2012p
Mine Production						
Russia	3,120	2,737	2,686	2,732	2,736	2,763
South Africa	2,630	2,447	2,681	2,916	3,066	3,264
Canada	550	513	236	247	506	578
United States	423	394	418	380	410	422
Others	539	442	550	562	627	642
Total	**7,262**	**6,533**	**6,572**	**6,837**	**7,344**	**7,670**
% Change Year Ago	*-2.0%*	*-10.0%*	*0.6%*	*4.0%*	*7.4%*	*4.4%*
Secondary Supply						
Total	**1,508**	**1,585**	**1,347**	**1,664**	**1,764**	**1,813**
% Change Year Ago	*7.2%*	*5.1%*	*-15.0%*	*23.5%*	*6.0%*	*2.8%*
Total Supply	**8,770**	**8,118**	**7,919**	**8,501**	**9,107**	**9,483**
% Change Year Ago	*-0.5%*	*-7.4%*	*-2.4%*	*7.3%*	*7.1%*	*4.1%*
Fabrication Demand						
Electronics	1,200	1,125	1,095	1,179	1,220	1,228
Automotive	4,545	4,252	3,910	4,543	4,777	5,056
Dental	776	775	782	784	782	807
Other	1,241	1,285	1,206	1,152	1,180	1,210
Total Demand	**7,762**	**7,437**	**6,993**	**7,657**	**7,960**	**8,301**
% Change Year Ago	*2.1%*	*-4.2%*	*-6.0%*	*9.5%*	*3.9%*	*4.3%*
Net Surplus or Deficit	**1,007**	**681**	**926**	**843**	**1,148**	**1,182**

Price Per Ounce					**YTD**
High	$389.50	$600.00	$410.00	$804.90	$857.70
Low	$315.20	$160.30	$176.10	$380.05	$564.15
Average	$358.28	$352.98	$266.75	$529.11	$733.85
% Change Year Ago	*10.8%*	*-1.5%*	*-24.4%*	*98.4%*	*38.7%*

*Thousand Troy Ounces; Notes: Excludes transitional economies, except as noted. Secondary production statistics exclude toll-refined material. Prices are settlement prices for the active nearby contract on the New York Mercantile Exchange. 2011 through November. Changes in market inventories are year-end. *Changes in 1997 market inventories exclude U.S. Industry stocks since the U.S. Bureau of Mines ceased publication of U.S. Industry stock level data in the third quarter of 1997. As of 2006 Inventories includes changes in ETF holdings. There may be discrepancies due to rounding. NA -- not available. e -- estimates. p -- projections. Sources: U.S. Bureau of Mines, Statistics Canada, trade sources, CPM Group, 8 December 2011.

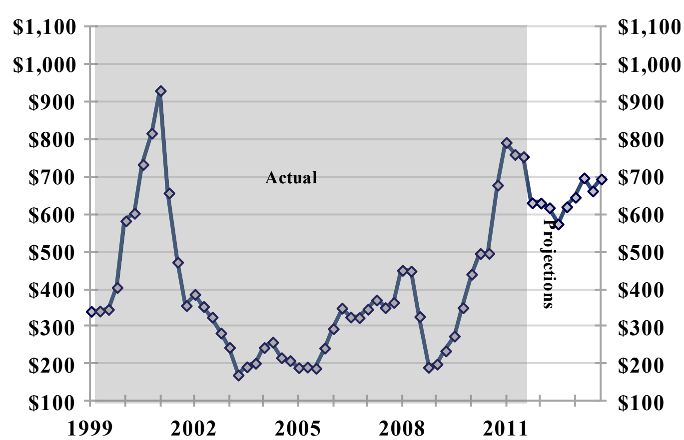
World Palladium Supply and Demand Balance

Thou. Ounces

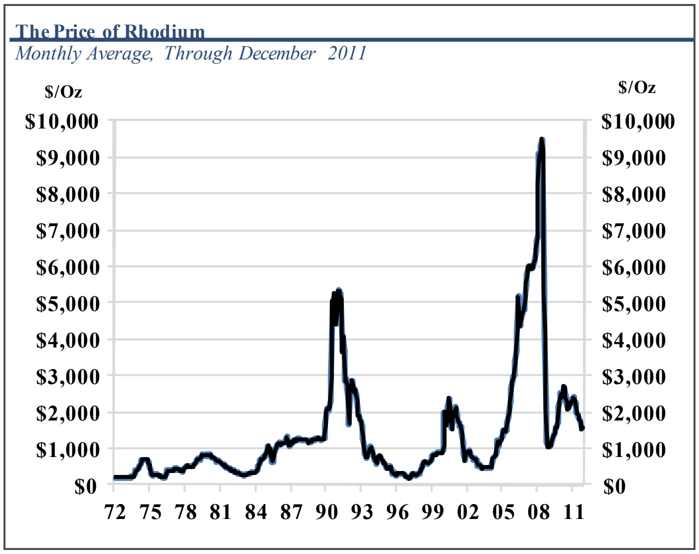


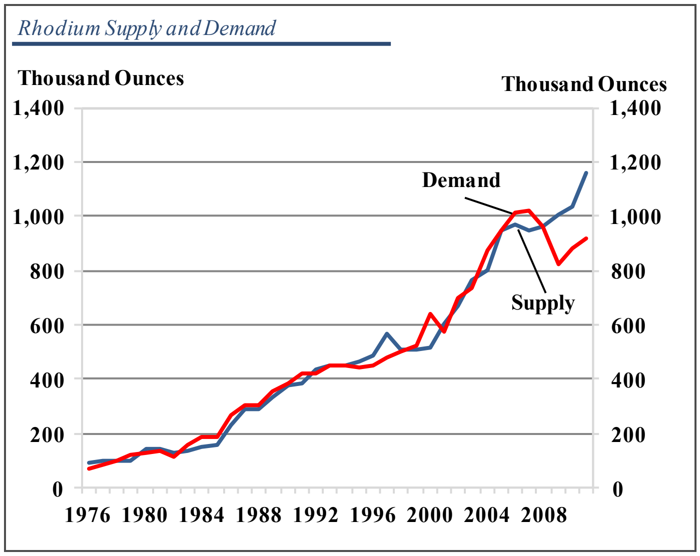
Palladium Quarterly Average Price Projections

$/Ounce, through Q4 2013



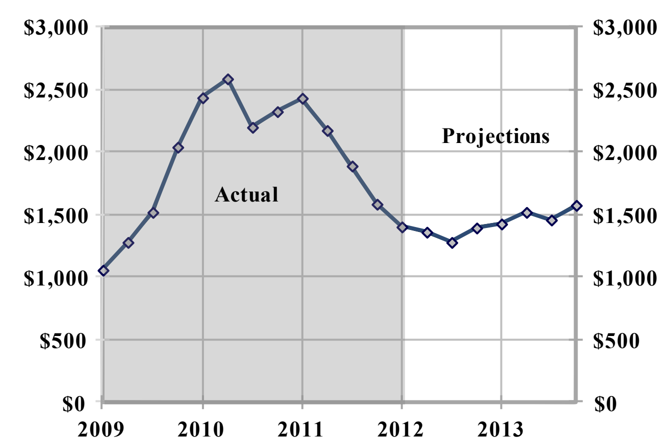
Rhodium





Rhodium Quarterly Average Price Projections to Q4 2013

$ / Ounce



Year	Quarter	Quarterly AVG	Change	Annual AVG	Change
	I	$1,407	-11.4%		
2012	II	$1,364	-3.0%		
	III	$1,283	-6.0%		
	IV	$1,398	9.0%	$1,363	-32.7%
	I	$1,430	2.3%		
2013	II	$1,523	6.5%		
	III	$1,462	-4.0%		
	IV	$1,579	8.0%	$1,499	10.0%

Precious Metal Price Table

Yr	Q	Gold Price	Gold Quarterly % Change	Silver Price	Silver Quarterly % Change	Platinum Price	Platinum Quarterly % Change	Palladium Price	Palladium Quarterly % Change	Rhodium Price	Rhodium Quarterly % Change
2003	I	$353	8.8%	$4.67	3.1%	$654	11.8%	$245	-13.6%	$608	-11.4%
	II	$348	-1.4%	$4.60	-1.5%	$640	-2.1%	$171	-30.1%	$509	-16.4%
	III	$364	4.7%	$5.02	9.1%	$693	8.3%	$193	12.8%	$497	-2.4%
	IV	$393	8.0%	$5.30	5.5%	$766	10.5%	$203	5.0%	$476	-4.2%
2004	I	$409	4.1%	$6.72	26.8%	$864	12.9%	$245	20.6%	$598	25.7%
	II	$394	-3.8%	$6.26	-6.8%	$830	-4.0%	$259	5.9%	$773	29.2%
	III	$403	2.3%	$6.51	4.0%	$837	0.8%	$218	-16.1%	$1,030	33.3%
	IV	$435	8.1%	$7.27	11.8%	$850	1.6%	$210	-3.5%	$1,210	17.5%
2005	I	$428	-1.6%	$7.00	-3.7%	$865	1.8%	$191	-9.0%	$1,448	19.7%
	II	$429	0.2%	$7.17	2.4%	$873	0.9%	$193	0.9%	$1,567	8.2%
	III	$441	2.8%	$7.10	-1.0%	$899	3.0%	$189	-1.8%	$2,058	31.3%
	IV	$487	10.5%	$8.11	14.2%	$962	6.9%	$243	28.6%	$2,795	35.8%
2006	I	$556	14.3%	$9.74	20.1%	$1,042	8.4%	$295	21.2%	$3,355	20.0%
	II	$630	13.2%	$12.26	25.9%	$1,189	14.0%	$350	18.6%	$4,655	38.7%
	III	$623	-1.2%	$11.72	-4.5%	$1,223	2.9%	$326	-6.7%	$4,531	-2.7%
	IV	$608	-2.3%	$12.68	8.2%	$1,130	-7.6%	$325	-0.5%	$4,896	8.1%
2007	I	$652	7.2%	$13.36	5.4%	$1,198	6.0%	$347	6.9%	$5,762	17.7%
	II	$671	2.8%	$13.37	0.1%	$1,298	8.4%	$372	7.1%	$5,990	4.0%
	III	$684	2.0%	$12.80	-4.3%	$1,301	0.2%	$352	-5.5%	$6,006	0.3%
	IV	$794	16.0%	$14.33	12.0%	$1,457	12.0%	$365	3.9%	$6,463	7.6%
2008	I	$928	17.0%	$17.68	23.4%	$1,889	29.6%	$451	23.5%	$8,069	24.9%
	II	$898	-3.2%	$17.20	-2.7%	$2,037	7.9%	$449	-0.5%	$9,275	14.9%
	III	$870	-3.2%	$14.97	-13.0%	$1,532	-24.8%	$328	-27.0%	$6,277	-32.3%
	IV	$795	-8.6%	$10.18	-32.0%	$871	-43.2%	$192	-41.4%	$1,424	-77.3%
2009	I	$910	14.5%	$12.64	24.1%	$1,030	18.3%	$201	4.4%	$1,060	-25.6%
	II	$924	1.5%	$13.75	8.9%	$1,179	14.4%	$236	17.6%	$1,283	21.0%
	III	$962	4.1%	$14.77	0.4%	$1,239	5.2%	$276	16.8%	$1,523	18.7%
	IV	$1,101	14.4%	$17.58	19.0%	$1,400	13.0%	$351	27.5%	$2,045	34.3%
2010	I	$1,110	0.9%	$16.92	-3.7%	$1,562	11.6%	$441	25.4%	$2,440	19.3%
	II	$1,197	7.9%	$18.36	8.5%	$1,634	4.6%	$496	12.5%	$2,592	6.2%
	III	$1,228	2.5%	$19.00	3.5%	$1,556	-4.8%	$496	0.1%	$2,204	-15.0%
	IV	$1,369	11.5%	$25.59	34.7%	$1,701	9.3%	$679	36.8%	$2,329	5.7%
2011	I	$1,386	1.2%	$31.74	24.0%	$1,797	5.6%	$793	16.8%	$2,436	4.6%
	II	$1,507	8.7%	$38.42	21.1%	$1,788	-0.5%	$761	-4.0%	$2,179	-10.6%
	III	$1,700	12.8%	$38.86	1.1%	$1,774	-0.7%	$755	-0.8%	$1,894	-13.1%
	IV	$1,686	-0.8%	$31.84	-18.0%	$1,534	-13.5%	$631	-16.3%	$1,588	-16.1%
2012p	I	$1,632	-3.2%	$31.33	-1.6%	$1,497	-2.4%	$631	-0.1%	$1,407	-11.4%
	II	$1,607	-1.5%	$29.14	-7.0%	$1,489	-0.5%	$618	-2.0%	$1,364	-3.0%
	III	$1,606	-0.1%	$28.70	-1.5%	$1,430	-4.0%	$575	-7.0%	$1,283	-6.0%
	IV	$1,607	0.1%	$30.43	6.0%	$1,515	6.0%	$621	8.0%	$1,398	9.0%
2013p	I	$1,626	1.2%	$30.50	0.3%	$1,561	3.0%	$646	4.1%	$1,430	2.3%
	II	$1,561	-4.0%	$26.54	-13.0%	$1,639	5.0%	$698	8.0%	$1,523	6.5%
	III	$1,499	-4.0%	$21.76	-18.0%	$1,573	-4.0%	$663	-5.0%	$1,462	-4.0%
	IV	$1,518	1.3%	$22.19	2.0%	$1,621	3.0%	$695	4.8%	$1,579	8.0%

Precious Metals Equities

Financial Performance January 5, 2011	Price	One Month % Change	One Year % Change	52 Week Range	P/E	Dividend	Yield %
South African Gold Finance Houses	**US$**						
AngloGold Ashanti	43.34	-8.0%	-7.2%	391.82/273.33	17.40	0.22	0.5%
Gold Fields	15.38	-8.4%	-10.9%	145.43/95.05	25.19	0.21	1.4%
Harmony Gold Mining Co. Ltd.	11.81	-17.0%	-0.6%	116.09/74.00	42.62	0.07	0.5%
Randgold & Exploration Co.	107.80	2.3%	36.7%	75.65/43.20	35.06	0.20	0.2%
North American Gold Mining Companies	**US$**						
Agnico-Eagle	37.96	-11.1%	-47.0%	77.38/34.50	54.17	0.64	1.0%
Barrick Gold	48.02	-4.5%	-3.8%	55.95/42.50	11.62	0.48	1.0%
Goldcorp	45.16	-11.5%	2.4%	56.31/39.04	19.86	0.41	0.8%
Kinross Gold	12.16	-10.7%	-31.7%	19.26/10.80	21.27	0.10	0.6%
Yamana Gold	15.24	-5.1%	26.2%	17.39/10.87	19.68	0.18	1.4%
International Multi-Metal Companies	**US$**						
BHP	36.61	-4.6%	-18.6%	49.81/33.68	9.00	0.92	1.9%
Rio Tinto PLC	51.44	-3.1%	-25.8%	47.18/9.05	6.53	1.26	1.8%
Australian Gold Mining Companies	**US$**						
Newcrest Mining Ltd.	31.10	-14.6%	-21.9%	42.92/29.51	24.17	0.27	0.7%
Silver Mining Companies	**US$**						
Coeur d'Alene Mines Corp.	25.84	-9.0%	0.0%	37.59/19.30	29.86	0.00	0.0%
Compania de Minas Buenaventura S.A.	39.19	4.5%	-15.4%	56.13/35.33	11.71	0.49	1.3%
Industrias Peñoles S.A. de C.V.	44.29	-4.4%	21.4%	648.02/377.00	18.68	1.58	4.2%
Pan American Silver Corp.	22.56	-8.2%	-41.0%	41.77/20.44	6.85	0.10	0.3%
Silver Standard Resources Inc.	14.86	7.5%	-41.8%	34.17/12.70	2.63	0.00	0.0%
Platinum Mining Companies	**US$**						
Adriana Resources	0.96	12.0%	-11.5%	1.94/0.50	NM	0.00	0.0%
Anglo American Platinum Corp.	66.17	-4.8%	-36.0%	762.00/510.50	14.12	1.01	1.1%
Aquarius Platinum (A$)	2.57	-12.7%	-51.1%	6.81/2.28	NM	0.08	1.6%
Eurasia Mining plc. (£)	0.01	5.4%	-57.8%	0.02/0.01	NM	0.00	0.0%
Jubilee Platinum (£)	0.19	-7.6%	-59.8%	0.36/0.03	NM	0.00	0.0%
Impala Platinum	20.89	-4.0%	-38.2%	243.65/152.50	15.44	0.62	2.3%
Mustang Minerals (C$)	0.09	-10.0%	-25.9%	0.52/0.10	NM	0.00	0.0%
North American Palladium	2.93	-7.4%	-55.8%	7.92/2.10	NM	0.00	0.0%
Pacific North West Capital (C$)	0.13	12.4%	-2.5%	0.40/0.10	NM	0.00	0.0%
Stillwater Mining Company	11.05	-2.6%	-46.8%	25.90/7.31	8.59	0.00	0.0%
Trend Mining Company	0.00	-3.3%	-3.3%	0.03/0.00	NM	0.00	0.0%
Zimplats (A$)	11.39	-0.3%	-23.5%	16.74/8.35	7.19	0.00	0.0%

Notes: NM-Not Meaningful. NE-No earnings; Source Capital IQ, Bloomberg.

Market Metrics

Metals Markets

	December	November	December '10	% ▲1-Year
Gold	$1,566.80	$1,745.50	$1,421.40	10.2%
Silver	$27.37	$32.41	$30.94	-11.5%
Platinum	$1,399.70	$1,560.80	$1,773.30	-21.1%
Palladium	$656.15	$610.00	$803.30	-18.3%
Rhodium	$1,400.00	$1,625.00	$2,425.00	-42.3%
Iridium	N/A	$1,085.00	$780.00	N/A
Ruthenium	N/A	$120.00	$180.00	N/A
Osmium	N/A	$350.00	$350.00	N/A

Currencies

	December	November	December '10	% ▲1-Year
$/Euro	1.30	1.35	1.34	-3.1%
Japanese Yen/$	76.99	77.60	81.13	-5.1%
$/British Pound	1.55	1.57	1.56	-0.40%
U.S. TW$	100.64	99.77	99.17	1.5%

Indices

	December	November	December '10	% ▲1-Year
Nasdaq	2,605	2,620	2,653	-1.8%
DJIA	12,218	12,046	11,578	5.5%
S&P 510	1,258	1,247	1,258	0.0%
FT World Stock	344	345	578	-40.5%
U.S. T-bills	0.00%	0.01%	0.12%	-100.0%
U.S. 10 Yr Notes	1.87%	2.07%	3.31%	-43.5%
$-Euro Interest Rate Differential	-1.36%	-1.46%	-0.89%	53.0%
CRB Commodity Index	305.3	313.8	300.7	1.5%
Economist Commodity*				
Dollar Index	179.0	178.2	219.1	-18.3%
Euro Index	170.7	166.2	207.5	-17.7%
FT Gold Mines Index	3,336	3,898	3,965	-15.9%
XAU Gold & Silver Equity	180.6	208.3	226.6	-20.3%
Tremont Man. Futures Account Index, Return	0.0%	0.5%	5.42%	N/A
Oil (Nymex CL)	$98.83	$92.51	$81.43	21.4%

***Base year was adjusted to 2005 from 2000**

	Real GDP		Consumer Prices		Interest Rates	Money Supply	Monetary Reserves ($BN)		Industrial Prod.
	2011	2010	2011	2010	2011	2011	2011	2010	2011
	3Q	3Q	November	November	Latest	Latest	September	September	Latest
United States	1.8%	2.5%	-0.1%	0.1%	0.03%	18.3%	$52.8	$45.4	3.7%
Eurozone	0.2%	0.4%	0.3%	0.1%	0.38%	1.7%	$204.5	$206.5	1.3%
United Kingdom	0.5%	0.6%	0.1%	0.4%	0.43%	6.0%	$56.6	$48.1	-1.7%
Japan	1.4%	0.5%	0.1%	-0.3%	0.04%	5.0%	$1,123.4	$1,051.9	-4.0%
China	9.4%	10.6%	0.1%	1.1%	6.56%	7.8%	$3,201.7	$2,648.3	14.0%
India	7.6%	8.4%	9.4%	8.3%	7.50%	4.1%	$275.7	$265.2	-5.1%

*Notes: Gold, silver, platinum, palladium, and copper nearby active Comex or Nymex. Minor PGMs are **Metals Week** dealer prices; Interest rates are 3-month money market rates for the U.S., Euro,U.K.,and Japan; Interest rates are one-year rates for China & India; $-Euro interest rate differential is the spread between rates available on the 90-day government notes of each; Money supply is percent change from previous year; Money supply is M1, UK is M0; Monetary reserves excluding gold; NA - Not Available.*