JM&B Monthly Gold & Silver Report
February 2008

http://www.johnson-matthey.ch/

Introduction

The purpose of this report is to comment on developments in the gold and silver markets on a monthly basis. For more information about this report, please consult the Appendix. Johnson Matthey plc issues reports on platinum group metals:

http://www.platinum.matthey.com/publications/price_reports.html

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1. Commentary

As in January, gold and silver gained significantly in price once again in February.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 13th February 2008, (World Gold Council) – A steady annual increase in overall identifiable gold tonnage demand, coupled with a gold price racing towards the long held $850 oz record, combined to make dollar demand for gold hit a record US $79bn in 2007. According to World Gold Council's ("WGC") Gold Demand Trends, identifiable gold demand was 4% higher in 2007 than in 2006 at 3,547 tonnes.

There were very positive stories in three key gold markets. In China total consumer demand reached 326 tonnes, 26% above 2006 levels. China has now overtaken the US as the second largest volume retail market for gold jewellery after India, with demand for jewellery reaching 302 tonnes and surpassing 300 tonnes for the first time since 1997. In Turkey, 2007 brought record overall demand for gold. Jewellery demand was, at 188 tonnes, the second highest annual figure ever, up 14% on 2006. Net retail investment demand was up 2% on 2006 at 61 tonnes. Strong growth continued in Russia with jewellery demand rising 11% to set a further annual record. Growth remained vibrant throughout the year with demand in Q4 nearly 25% higher than a year earlier – making Russia the fastest growing country for the quarter.

High and volatile gold prices had a major impact on the fourth quarter, however, with identifiable demand falling by 17% in tonnage terms from year-earlier levels. The figures, compiled independently for WGC by GFMS Limited, show this trend was most keenly felt in India, the world's largest and also most price sensitive gold market, where demand fell 64% on year earlier levels following 40% growth in the first three quarters. The US was also negatively impacted with a combination of a weak economy, poor retail environment and record prices denting jewellery demand, which stood 14% down on 2006 figures. It would appear that an "affordability" mark has been reached in certain lower value segments of the market, although time will tell whether this will be overcome.

In the investment sector, Q4 2007 saw record levels of inflows at US$8 billion, the highest quarterly level in recent years. This was characterised by strong buying in the "inferred investment" category. This sector includes over the counter transactions in spot gold and changes in stocks backing futures and other derivative transactions. Net retail investment, in the form of bars and coins was up 2% year on year in 2007, but the last quarter was heavily impacted, by price movements, as investors took profits. Net retail investment in Q4 at 67 tonnes was 39% lower than Q4 2006. After record inflows into gold exchange traded funds in the third quarter of 2007(139 tonnes), demand fell back to 78 tonnes for the last quarter. Total ETF demand was 251 tonnes for the year, 4% lower than 2006 levels. Overall identifiable dollar investment demand was up 15% on 2006 levels.

Industrial demand reached a record 465 tonnes in 2007, up 2% on 2006. Demand for the fourth quarter meanwhile, was up 2% year-on-year at 77.4 tonnes. Demand was driven by rising sales of electrical goods such as flat panel displays and MP3 players. High gold prices do not seem to have taken a toll on this sector.

James Burton, CEO of the World Gold Council, said:
"On a yearly basis we have a seen a four per cent tonnage rise in identifiable demand for gold and record levels of demand in dollar terms, which is pleasing. However high and volatile gold prices in recent months have meant we have now entered a period of challenging trading conditions in the gold market, which have heavily impacted consumer demand for gold especially in the jewellery and retail investment sectors."

Gold supply remained tight throughout 2007, falling back 3% in tonnage terms. Supply from the official sector rose due to higher Central Bank Gold Agreement sales, but this was offset by increased de-hedging by gold mining companies and lower scrap supplies.

James Burton added:
"Jewellery and retail investment demand is unlikely to be strong in the first quarter of 2008, however gold's desirability to consumers and investors alike remains very strong and once prices stabilise we believe buyers will come back to the market.
"Investment demand is likely to remain robust in the early part of 2008 as long as the current financial and economic worries and dollar weakness continue. A growing awareness among

investors of the long-term benefits that a small strategic allocation can bring to a balanced portfolio should also contribute to rising investment demand."

Washington, 25th February 2008, (Thomson Financial) – The US Treasury, in a significant policy shift, has decided it will support gold sales from the International Monetary Fund's reserves if they are part of a package of cost-cutting and other reforms of the way the international financial organization operates.

Under Secretary for International Affairs David McCormick will lay out the details in a Washington speech later today. In a pre-address briefing for reporters, he said the Bush administration -- which had until now opposed selling IMF gold reserves -- would support a sale of the scale of roughly 8 pct of the IMF reserves or 12.9 mln ounces as part of a package of reforms which also included significant cost-cutting in IMF operations.

The proceeds would be used to create an endowment from which the income would be used to finance the IMF operations.

McCormick said also that the IMF needs to refocus its mission toward international exchange rate surveillance and global financial stability and away from its traditional lending to emerging market countries.

Those economies are now increasingly able to borrow in the private international financial markets, and the loss of their interest payment revenue is a key source of the IMF's current financial problems.

2.2 Technical Comments

Long Term Technical Comments

Yet another all time price high in USD/oz for gold in February 2008.

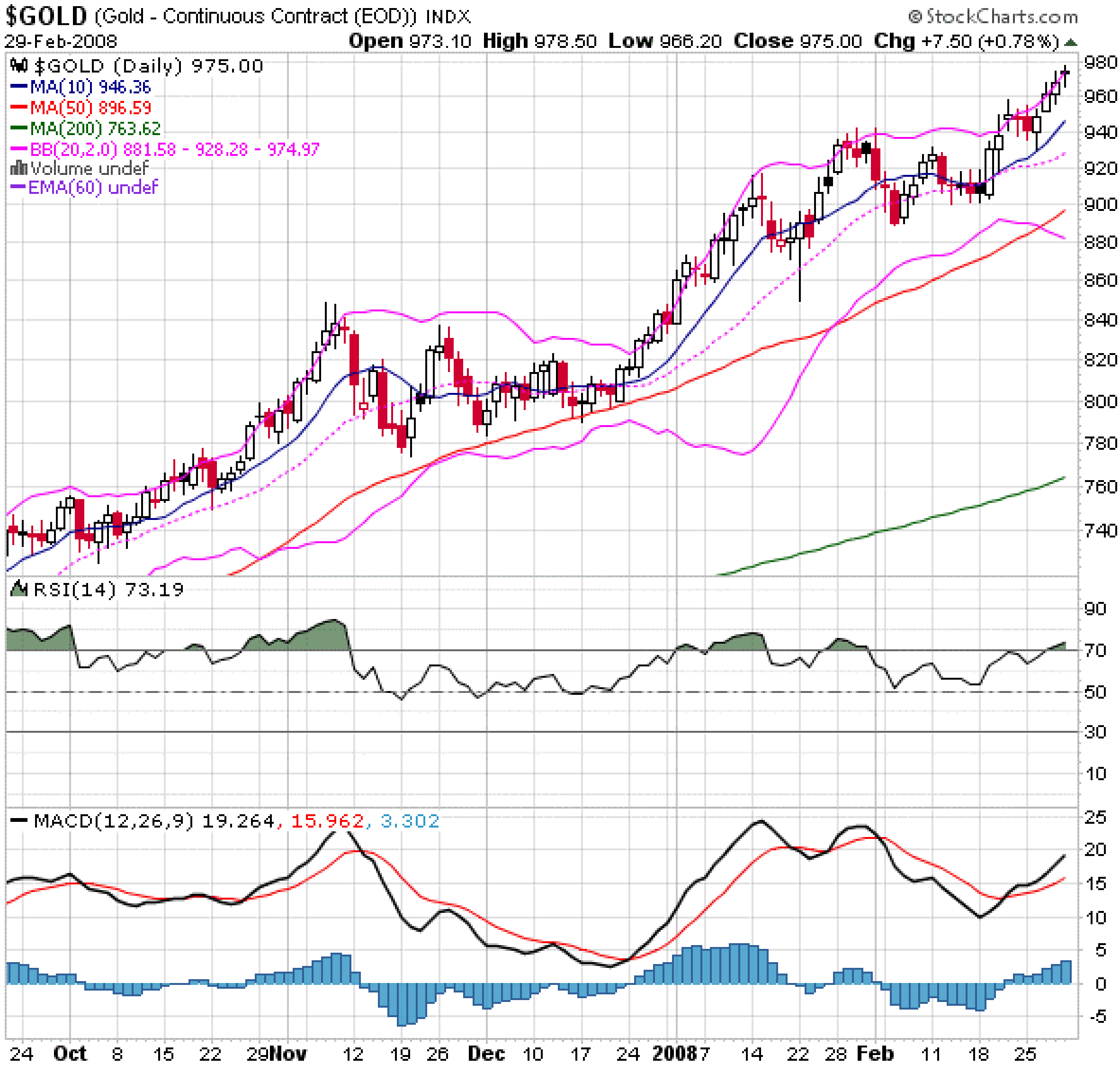
Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
1st February	29th February	5th February	29th February
914.8	971.5	887.5	971.5

London afternoon fix in €/oz:

Open	High	Low	Close
1st February	29th February	4th February	29th February
617.0	640.1	603.2	640.1



Gold endured a small correction at the start of February, only to move up to new price highs by the end of the month. Gold prices could move higher still before the next price correction takes place.

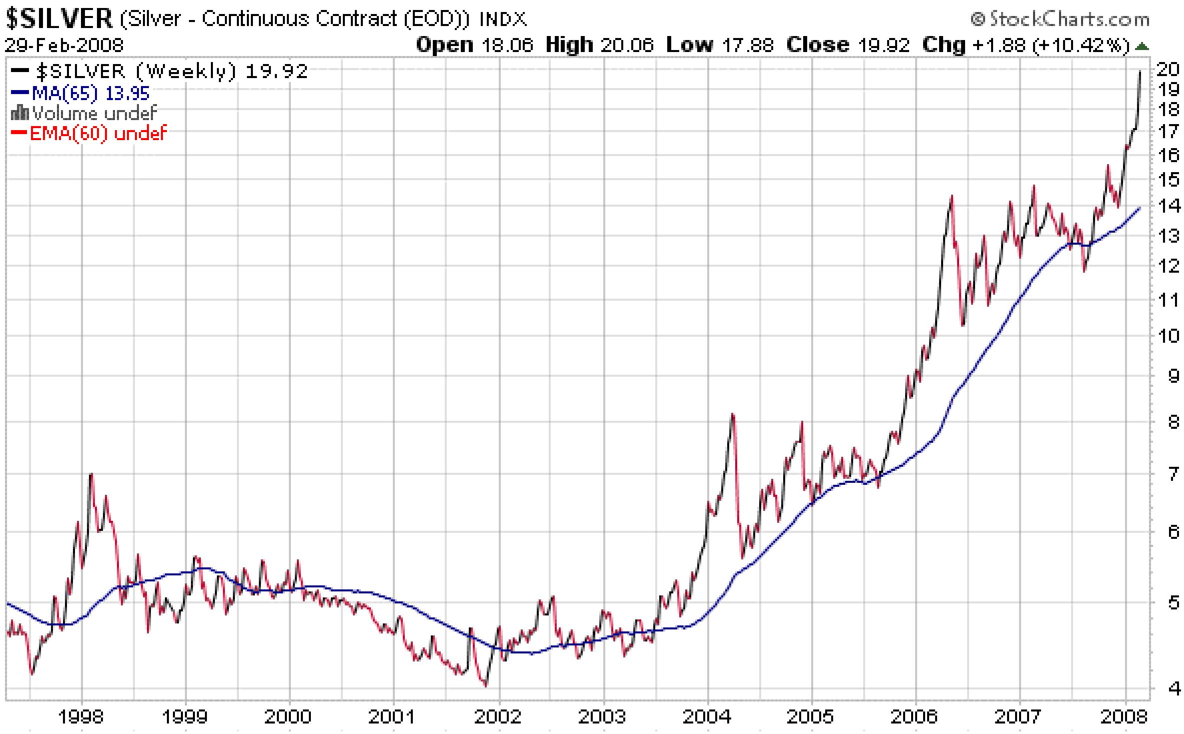
3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

February 2008 saw one of the largest monthly price-moves in silver:



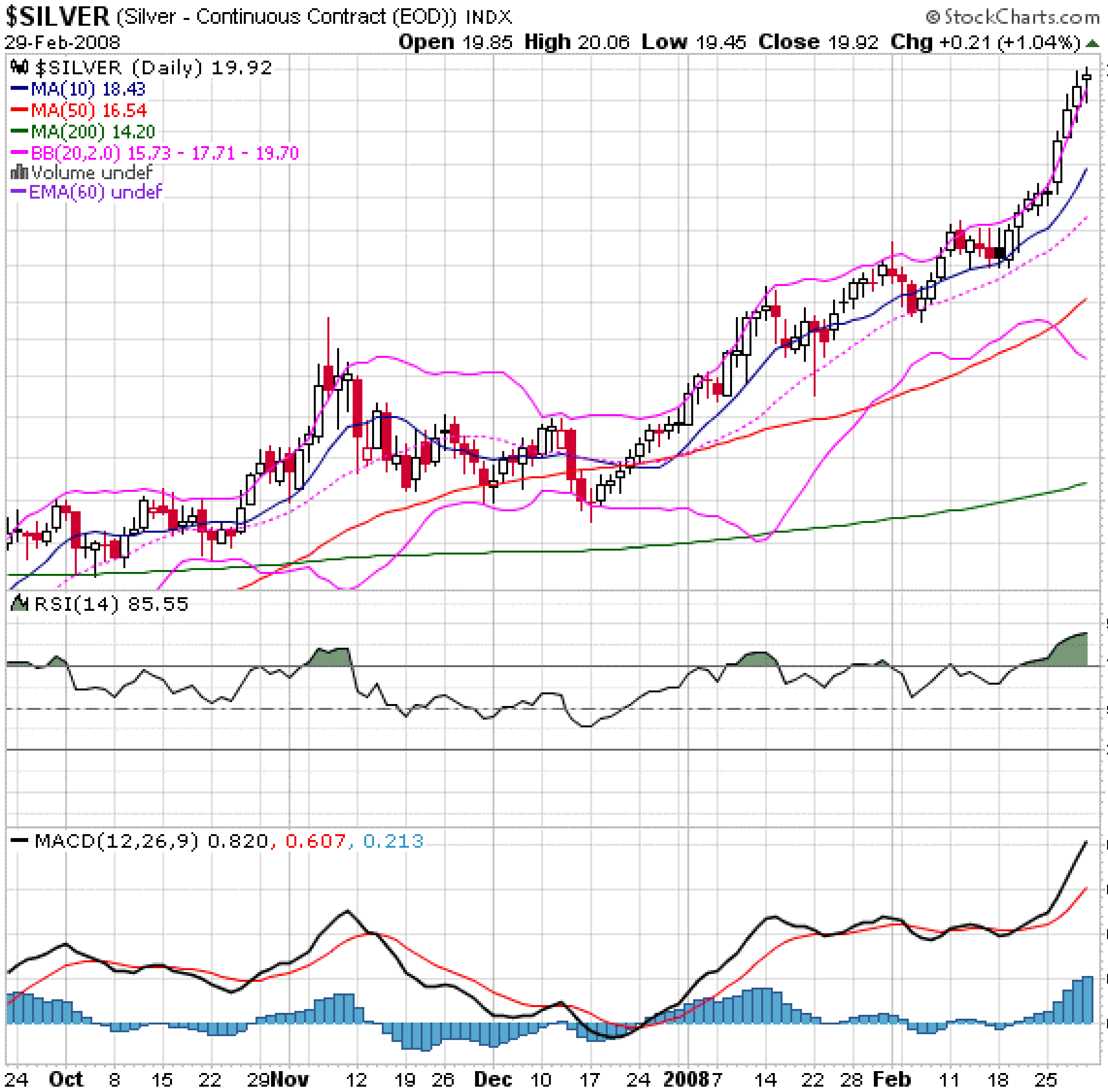
Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
1st February	29th February	6th February	29th February
17.19	19.62	16.48	19.62

London fix in €/oz:

Open	High	Low	Close
1st February	29th February	5th February	29th February
11.54	12.92	11.25	12.92



As indicated last month, silvers price breakout did indeed lead to significantly higher prices. Although silver is overdue for a price correction, we would not be surprised to see even higher prices before the correction takes place.

John Fineron, 3rd March 2008

Appendix: More about this report

Purpose of the Report
The purpose of this report is to comment on developments in the gold and silver markets on a monthly basis. Johnson Matthey plc issues reports on the platinum group metals:

http://www.platinum.matthey.com/publications/price_reports.html

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http://www.adobe.com/products/acrobat/readstep.html

This report is prepared in the English language, as are the vast majority of contributions on precious metal markets.

Structure of Report
The report comprises two sections:

Fundamental Considerations
This section addresses aspects of supply and demand in gold and silver, which typically affect the market over periods of several years. Over the long term, the price of a commodity will rise or fall until natural supply and demand reach equilibrium. Completion of this process, can take many years and is significantly influenced by hoarding and dis-hoarding. For example, dis-hoarding of stockpiles to compensate for supply shortages can proceed over decades and thereby delay movement to a true equilibrium price.

Technical Comments
This section describes aspects of technical analysis in gold and silver, which can be used to assist in buy and sell decisions over periods of weeks to months. Traders often use technical analysis to trade or profit from price movements up or down. Because large traders, e.g. hedge funds, often use the same signals, price-movements are often amplified and technical signals become self-fulfilling prophecies due to the herd-mentality.

Learn more about technical analysis:

http://stockcharts.com/education

and the terms used:

http://stockcharts.com/education/GlossaryA.html

Learn more about candle charts:

http://www.litwick.com/about.html

All charts used are courtesy of Stockcharts.com unless otherwise stated.

Find out more about the Elliot wave principle:

http://www.prognosis.nl/principle/index.html

Please note that our technical comments will be purely technical in nature and will not attempt to rationalise or second-guess the reasons for price movements.

Advice on buying and selling precious metals

It is not the policy of Johnson Matthey & Brandenberger AG, to advise customers on specific buy or sell points. We are however prepared to assist customers in formulating views on precious metal markets and preparing strategies suited to their individual buying and selling needs.

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