

Fire Sale on the Rich Man's Gold. What Makes Platinum Precious Enough to be Called Rich Man's Gold.

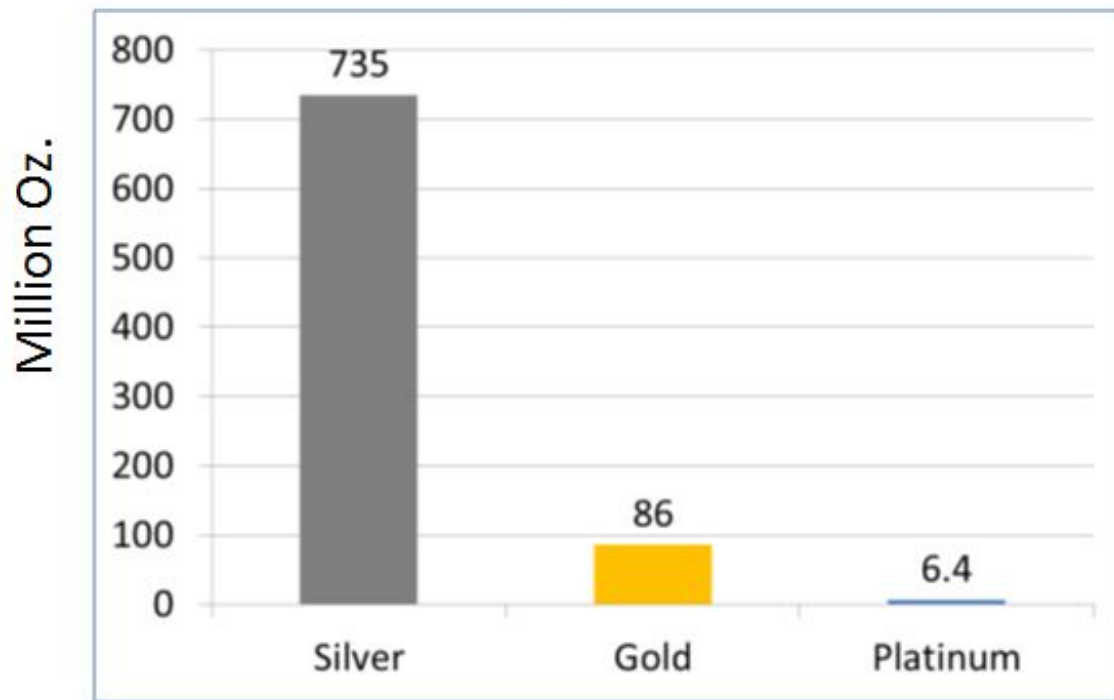
Platinum: Fire Sale on the Rich Man's Gold. What Makes Platinum Precious Enough to be Called Rich Man's Gold.

About 2000 years ago, Aristotle explained why gold remained the ideal choice of money throughout major nations and civilizations. In words that are just as relevant today, he said "Gold is durable, not like wheat, divisible, not like diamonds, convenient, not like lead, constant, not like real estate, and best of all, as jewelry, it has intrinsic value".

Among the most rare, valuable and sought after metals on Earth, platinum shares these same characteristics with gold. Platinum Guild International names platinum as the "most precious" of the precious metals based on its relative scarcity as well as for the following reasons:

(1) The annual supply of platinum is only about 6.4 million oz. - which is equivalent to only 7.4% of the annual gold production and 0.87% of silver's annual mine production.





(2) Platinum is exceedingly difficult to mine and extract. For example, rock face temperatures at Northam Platinum's Zondereinde mine in South Africa get as high as 162 degrees Fahrenheit and its shafts extend as far as 1.4 miles below the surface. Overall, the platinum recovery process is very complex and lengthy, in some cases taking as long as six months.

(3) There are over 5 billion oz. of above ground gold (\$8 trillion), whereas only an estimated 200 million oz. (\$0.3 trillion) of platinum has ever mined....just 3.75% that of gold \$ wise.

(4) In addition to its high-conductivity, resistance to corrosion and inertness, platinum is an extraordinarily dense metal. 10% more dense than gold and 20 times the density of water, one cubic foot of platinum weighs more than 1,330 pounds (523 kilograms). As Vronsky notes, "that means a six-inch cube of the white metal weighs about as much as an average man!" This density, along with its other unique chemical properties, makes platinum an invaluable component in a myriad of industrial applications.

(5) Platinum has many more utilities than gold. Unlike gold, more than 50% of the annual production of platinum is consumed (read destroyed) by industrial uses (40% alone go to catalytic converters).

(6) Unlike gold, there are no large stockpiles of platinum (less than 4 million oz.). Therefore, any disruption in supply from the two major sources (South Africa at 80%, Russia at 10%) could propel platinum on a similar trajectory palladium experienced in 2001, when it moved sharply from \$350/oz. to \$1,100/oz.



Very Limited Supply

While virtually all other metals can be found in deposit the world over, platinum is anomalous in that important deposits are essentially found to occur in just two areas of the world (apart from a small handful of smaller deposits in North America and Zimbabwe), South Africa and Russia. Platinum does get produced as a by-product in some regions, but only in insignificant volumes.

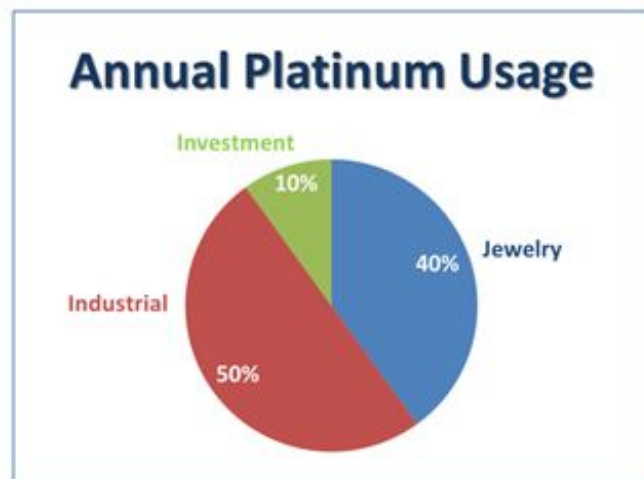
Roughly 80% of the total world's annual mine production comes from South Africa and, with 88% of the world's reserves, it is far and away the most important national player in the platinum market. Another 10% of platinum supply comes from Russia, with bit players responsible for the remainder. As South African politicians have tabled mining nationalization policies in the last 2 years, any further escalating political instability and/or labor turmoil in South Africa could have a dramatic impact upon platinum prices - and the same holds true for Russia, albeit it to a lesser extent .

Other Regional Platinum Producers

There are but a few publicly-traded mining companies that produce platinum, and, in most of these cases, only as a by-product. An example is the giant nickel producer Vale-Inco in Canada. Total platinum production in North America is estimated to be less than 400,000 oz. per year (5% of world production) according to the British Geological Survey.

Global Platinum Consumption

Platinum consumption is typically divided into three categories: 50% industrial uses (auto catalysts account for majority), 40% jewelry manufacturing and 10% for investment purposes. With a rapidly emerging middle class, and dramatic economic growth, China is expected to increase both automobile and luxury jewelry purchases as citizens continue to accumulate wealth. China has eclipsed the United States as the largest consumers of cars and is projected by the IMF to be the world's largest economy by 2016. In 2011, about 3.82 million ounces of platinum will go into auto catalysts, 17 percent more than this year and the most since 2007.



Investment Prospects for the Rich Man's Gold

Since 1970, platinum has on average commanded a 30% premium over gold. As the following chart from www.infomine.com demonstrates, from 2000 to 2008, platinum spent much time trading over 1.8 times gold price.

GOLD - PLATINUM
10 YEARS (Dec 21, 2001 - Dec 20, 2011)



Historically, the price of platinum runs in tandem with the precious metals group (gold, silver, platinum and palladium). However, as platinum is less liquid and has a smaller investor set, it is much more volatile both on the upside and downside compared to gold.

Platinum price appreciation has outpaced gold since 2001, right up until the US financial crisis in 2008. While gold has recovered from losses and is trading within 15% of its all-time high, platinum price is trading at 2 year low and has yet to recover.



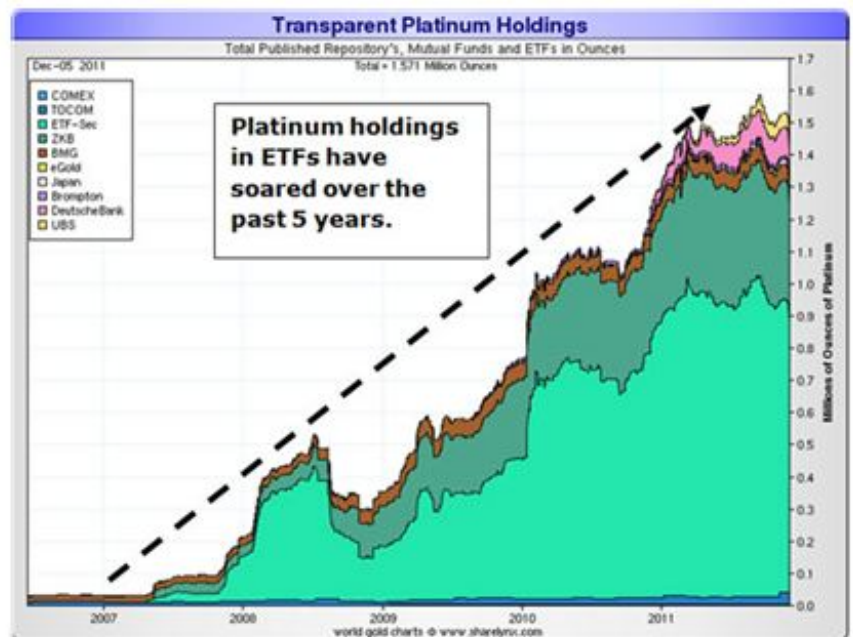
While there is mounting concern about global economic growth, automakers are still expected to sell a record 79.5 million cars and light commercial vehicles in 2012, according to LMC Automotive Ltd., a research company based in Oxford, England.

Demand for platinum is also coming from investors, as holdings in exchange-traded products collectively surpassed 1.5 million oz in 2011 since the first platinum ETF was launched in 2007. Therefore, going forward, investment demand could be a significant surprise factor in driving platinum prices higher.

In 2012, we can expect to see:

- Persistent high gold price
- Global recovery of auto sector
- Platinum investment demand through ETF and physical possession
- Ongoing limitations and potential disruptions to supply

All in all, the current situation bodes well for platinum. Look for it to trade substantially higher and back at a premium over gold, once the bull market in precious metals begins its cycle anew. With the current crisis in the Euro currency and run-away US deficits, platinum might just regain its reign as the rich man's gold in 2012.



John Lee, CFA
 jlee@prophecyplat.com

John Lee is a private investor in metals and mining stocks. He has authored numerous articles and been a featured speaker at international conferences on precious metals and global economies. Currently Mr. Lee is the Chairman of Prophecy Platinum (TSX-V: NKL), an explorer with a significant platinum resource in Canada's Yukon Territory.

[Click here to download full article in Word format.](#)

Disclaimer: The views expressed in this article are those of the author and may not reflect those of Prophecy Platinum Corp. Neither Prophecy Platinum Corp. nor the author can guarantee accuracy of all information provided. This article is strictly for informational purposes only. It is not a solicitation to make any exchange in precious metal products, commodities, securities or other financial instruments. Prophecy Platinum Corp.

and the author of this article do not accept culpability for losses and/ or damages arising from the use of this publication.