



Chairman's letter

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Dear Shareholder

It has been a remarkable year for producers of PGMs as reflected in the record dollar metal price levels achieved on world markets and record share prices that have ensued.

Amidst this euphoric situation for shareholders, I must sadly report that Implats has had seven fatal accidents within the group during the year, all at the Impala Platinum lease area. The board and management of the company extend their sincere condolences to the families and colleagues of the deceased. Over the past five years, the group has made significant strides in improving the safety performance at its operations and has an impressive safety record in relation to its peers not only in the platinum industry but also in the mining industry worldwide. However, much remains to be done if the group is to attain its objective of zero harm to employees and our efforts have been renewed accordingly. We will strive vigorously to achieve this objective.

Demand for platinum during calendar year 2005 continued to increase to a record level of 7.2 million ounces and increased further in the first half of 2006 as strong autocatalyst demand – mainly from the European light-duty diesel market – countered reduced demand in the jewellery sector caused by the higher prices. World new mine supply of platinum of 6.5 million ounces in 2005 was lower than expected but picked up in the first half of 2006 as some new production came on stream, although more slowly than anticipated. This relatively tight market situation, combined with speculative activity, resulted in the platinum price reaching an all-time high of \$1,335 per ounce in May this year. The prices of other noteworthy PGMs, and of base metals, also increased significantly in relation to those that prevailed in the previous reporting period.

Given these market circumstances, the gross margin of 42% for the group – 53% at Impala Platinum – was at its highest level in three years. Impressive as these figures are, it must be pointed out that they were almost completely the result of the increase in the metal prices received. Gross production of platinum was much the same as in the previous year and production cost per ounce of platinum increased by 8.7%. Volume growth by the group has

in recent years helped contain unit cost increases to levels reflective of inflation conditions in South Africa. Indeed, it was these concerted efforts at all operating units to contain cost increases that established the group's position as the lowest cost producer of PGMs in southern Africa.

I refer to this cost increase because shareholders should be aware that it is becoming increasingly difficult to neutralise the cost pressures that are associated with mining at greater depths in the Impala lease area notwithstanding that new initiatives are continually being sought to improve operating efficiencies. This lease area in the Western Bushveld remains fundamental to the company's successful performance and will continue to be key for many years. However, despite new generation shafts being sunk, this area will only sustain production at the present level of around 1.1 to 1.2 million ounces of platinum and will not contribute in any meaningful way to growth in platinum production.

A crucial area of the group's growth strategy is the operation at Marula Platinum in the Eastern Bushveld where production continues to improve, albeit at a slower rate than anticipated. During the past year, 37,000 ounces of refined platinum were produced and full production of 136,000 ounces of platinum per year is now expected by financial year 2009. In keeping with the group's quest for growth in platinum production, the feasibility of increased production from this area by mining the Merensky Reef is presently being assessed.

Also in the Eastern Bushveld, excellent progress has been made at Two Rivers Platinum, a project approved by the boards of African Rainbow Minerals (holding 55%) and Implats (45%). The managers of the project, ARM Platinum, are to be congratulated on their implementation of this project which is proceeding on time and within budget.

Zimbabwe represents potentially the largest growth opportunity for the group. Production from our Zimbabwean operations continues to increase with a target of approximately 245,000 ounces of platinum expected from these operations by financial year 2010, 85,000 ounces from Mimoso and 160,000 ounces from Zimplats.

Shareholders will be aware that the company has not been comfortable with the security of tenure of the extensive mineral rights that it believes Implats has the right to mine. These mineral rights – hosted in the Great Dyke of Zimbabwe – represent an extremely valuable asset that can be turned to account not only for the benefit of Implats and Implats shareholders, but also for the benefit of the people of Zimbabwe.

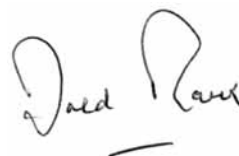
It is gratifying therefore that the recent mineral rights arrangement concluded with the government of Zimbabwe has provided comfort regarding these mineral rights in that it has provided de facto recognition that Implats has claim to these rights. In the light of this development, the Implats board has revisited and deliberated the issue of investing in Zimbabwe. I wish to share with shareholders salient points from this discussion. Firstly, we are presently operating in that environment and have been doing so successfully for a number of years. These operations are complicated by the social and business problems associated with hyperinflation but these are being managed. Secondly, in assessing the risk associated with these mining operations, it is important to note that the operating risk from a technical point of view is negligible when compared with the risk associated with operating at relatively deep levels in the Western Bushveld. In addition, from an operating point of view the high level of education of the workforce in Zimbabwe contributes significantly to the efficiency and safety of operations. It is against this background that the board has decided that continued further investment in Zimbabwe is warranted.

The Implats board remains committed to the meaningful transformation towards the black empowerment of the group, at an equity participation level and through a comprehensive talent management programme as well as through procurement, enterprise development and social investment. To further our equity participation levels, Implats recently announced black economic empowerment deals which will result in Royal Bafokeng Resources ultimately holding a 9% equity stake in Implats and employees acquiring 3% equity participation through the introduction of an Employee Share Ownership Programme. In Marula, the Marula Community Trust, Tubatse Platinum and Mmakau Mining have each acquired a 7.5% equity stake. These

initiatives have moved the group significantly towards fulfilment of the equity ownership requirements of the Mining Charter. In addition, the careful nurturing of skills and the identification of suitable individuals for key positions together with our response to other elements of the Mining Charter have, we believe, laid the groundwork for the conversion of Implats' old order mining rights into new order mining rights. Implats' applications have been submitted to the Department of Minerals and Energy and, following close liaison with the regional departments, we are now engaged in comprehensive discussions with the national department in order to achieve the requisite conversions in the near future.

I take great pleasure in welcoming Shadwick Bessit to the Implats' board with effect from November 2005. Shadwick heads up the operations at the Impala lease area and brings valuable technical skills to the board. Regrettably, Keith Rumble, who has been Chief Executive Officer of Implats since 2001 has decided to pursue other interests. Keith's contribution to Implats has been immense as reflected in the improved safety performance of the group during this period and the fact that market capitalisation during his tenure has increased from R26.8 billion (\$3.3 billion) to R87.0 billion (\$12.2 billion). The board thanks Keith for his efforts over the past five years and wishes him much success on his new journey. David Brown succeeds Keith as Chief Executive Officer of Implats, having been Chief Financial Officer since 1999. The board looks forward to the contribution that David can make to the affairs of the company.

I wish to thank the more than 31,500 Implats employees – who make up the heart and soul of Implats – for their loyalty and hard work during the past year. Without them, nothing is possible. Thanks also to my fellow board members for their support and diligence during the year and to the management of the company for the leadership displayed.



Fred Roux
Chairman