

Market review

- ▶ Platinum price hits an all-time high
- ▶ Automotive demand for PGMs remains strong
- ▶ Jewellery demand for platinum falls in response to rising prices

In previous years, the markets for the group's major metals have experienced tremendous volatility. Calendar year 2005 and the first half of 2006 could hardly have been more different as the prices of PGM products all started at "lows", but were propelled to a succession of highs throughout the period. This progression was only interrupted during mid-May as world equity and commodity markets corrected for a much needed period of consolidation.

Positive fundamentals for the metals were supported by a willing investment community; mother nature wreaking havoc in the Gulf of Mexico, pushing oil prices to new highs; South African supply disruptions; and geo-political tensions in the Middle East. In summary, an enviable cocktail of events from a supplier's point of view, but quite the opposite for price-sensitive end-use sectors.

Platinum

The platinum market remained in balance for calendar year 2005 as demand, mainly from the automotive sector, offset a further decline in jewellery demand, whilst South African supply

failed to meet expectations. Prices started 2005 at \$840 per ounce and finally penetrated an all-time high (\$1,025 per ounce) in January 2006, then moved to a new record high of \$1,335 per ounce in May before succumbing to the correction mentioned above. Prices settled in June just north of \$1,220 per ounce, a healthy 45% above where they started in 2005.

Automotive demand

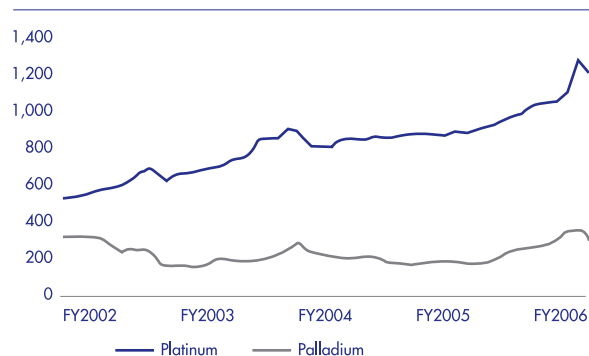
A combination of tighter emission legislation, growth in new vehicle sales, particularly in Asia, and high gasoline prices, which continued to favour a switch to more economical diesel vehicles, were the main drivers behind further growth in PGM consumption. Once again, diesel vehicles, both light and heavy duty, were the foundation for increased platinum demand, as the voluntary fitment of diesel particulate filters ensured early compliance of soon-to-be-enacted legislation.

Jewellery demand

The high prices of platinum precipitated a fall in jewellery demand to 10-year lows. China again was the main casualty as fabricator margins continued to be pressurised, while the introduction of palladium jewellery eroded the lower end of the platinum market.

Whilst there were further declines in other regions, developments in newer markets such as India, where platinum may finally be recognised as a mainstream jewellery metal, may provide partial support in these high price environments.

Platinum and palladium free-market prices (\$/oz)





Platinum supply and demand (000 oz)

Calendar years	2006*	2005	2004	2003	2002
Demand					
Automotive	3,895	3,500	3,210	2,995	2,615
Jewellery	1,905	2,005	2,190	2,505	2,840
Industrial (including investment)	1,790	1,725	1,620	1,460	1,625
Total	7,590	7,230	7,020	6,960	7,080
Supply					
South Africa	5,390	5,030	4,910	4,655	4,450
Russia	800	800	800	1,000	950
Other	630	615	645	510	635
Recycling	855	775	710	665	630
Total	7,675	7,220	7,065	6,830	6,665
Surplus/(deficit)	85	(10)	45	(130)	(415)

* Estimate

Palladium

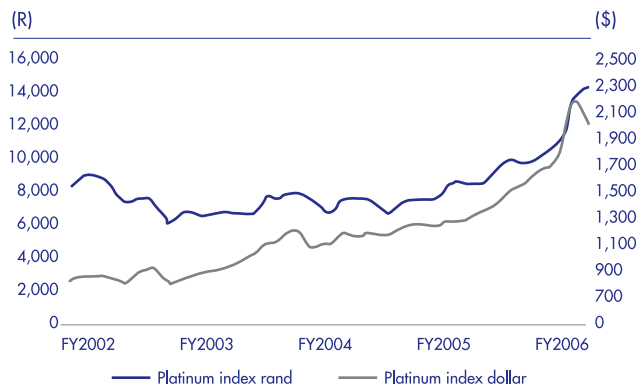
Despite a modest increase in demand, primarily due to another surge in jewellery usage and a decline in supply, the palladium market registered a fifth consecutive year of substantial surplus in 2005.

The automotive industry continues to be the major source of demand with the rest of the world and Asia in particular, continuing to drive usage due to a combination of rising car sales and the adoption of emission legislation.

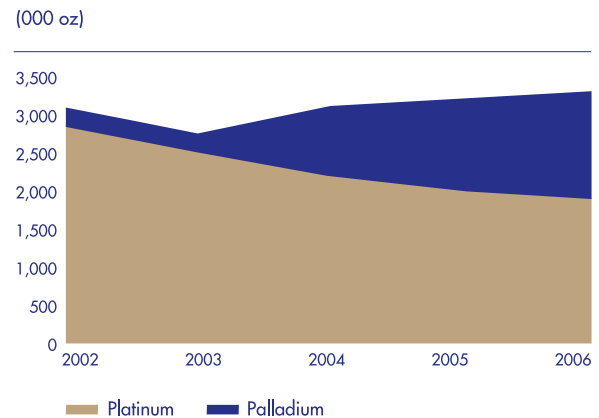
Jewellery continued its rapid growth with the majority of this demand coming from China. The bulk of this metal has been used to stock the pipeline and the jury remains out as to whether this will ultimately translate into sales.

On the supply side, Russian metal in excess of annual production, continued to find its way into the market, capping any runaway rise in price. Notwithstanding that it did firm throughout the year, reaching a high of \$360 per ounce in May 2006 before declining to \$320 per ounce by the end of June 2006.

Platinum index



Jewellery demand by metal





Palladium supply and demand (000 oz)

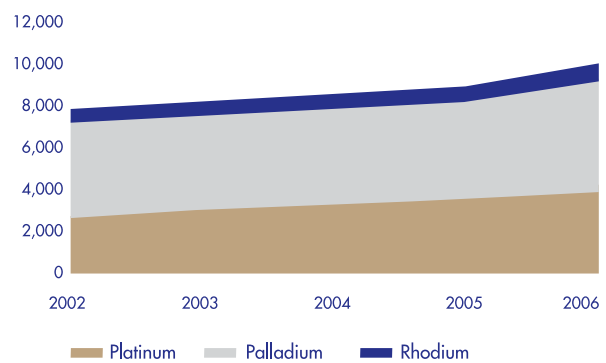
Calendar year	2006*	2005	2004	2003	2002
Demand					
Automotive	5,095	4,605	4,515	4,465	4,530
Jewellery	1,410	1,200	920	250	260
Industrial	3,790	3,570	3,245	2,330	2,370
Total	8,885	8,175	7,760	6,795	6,900
Supply					
South Africa	2,740	2,535	2,430	2,255	2,170
Russia†	4,000	4,100	4,000	3,400	1,900
Other	1,520	1,645	2,270	1,285	2,680
Recycling	785	650	555	475	410
Total	9,045	8,930	9,255	7,415	7,160
Surplus	160	755	1,495	620	260

* Estimate

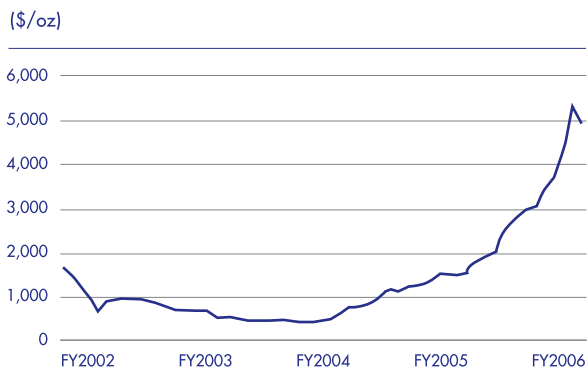
Rhodium

Rhodium is perhaps the star of the show this year! Prices moved from a low of \$1,400 per ounce in January 2005 to exceed \$6,000 per ounce in May 2006 and settled in the mid-\$4,000s by financial year end. Increased usage in the automotive industry due to higher loadings on gasoline vehicles due to phasing in of new NOx standards in 2007 was complemented by another year of strong performance by the glass sector in an effort to meet a growing global appetite for the LCD glass screens used in a variety of high-tech applications from i-Pods to large flat-screen televisions.

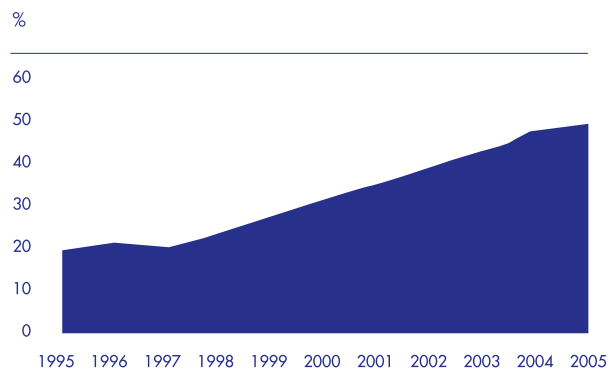
Automotive demand by metal
(000 oz)



Rhodium price – monthly average



European diesel market share



Rhodium supply and demand (000 oz)

Calendar year	2006*	2005	2004	2003	2002
Demand					
Automotive	827	744	685	620	632
Industrial	133	132	117	106	92
Total	960	876	802	726	724
Supply					
South Africa	638	580	556	539	501
Russia	70	70	80	130	90
Recycling	184	162	142	127	114
Other	34	33	29	35	27
Total	926	845	807	831	732
(Deficit)/surplus	(34)	(31)	5	105	8

* Estimate

Nickel

Stainless steel demand remained reasonably firm during the period, notwithstanding a short correction in inventories during the last quarter of 2005 and this has kept prices above \$15,000 per tonne for most of the period.

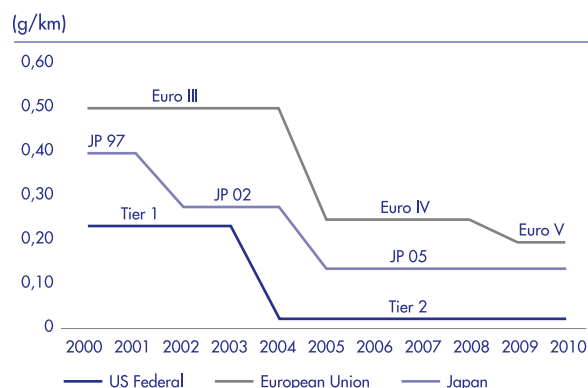
Market prospects

Once again, the prospects for Implats' major metals look healthy. Strong worldwide growth in vehicle sales combined with stricter clean air rules around the world should provide solid fundamentals for PGMs for the balance of the decade. Platinum

jewellery will continue to be pressured by high prices, and palladium's inroads into this industry look set to become more permanent.

New investments in nickel output should start reaching fruition this year and take some of the pressure off already high prices – although demand should remain healthy. On the slightly negative side, the continuing rise in oil prices and the fear of a rise in global inflation that it brings, may cause economies to cool in the coming year.

Emission standards (gasoline) – NO_x limits



Emission standards (diesel) – Particulate matter limits

