

CHAIRMAN'S STATEMENT



Performance

In previous letters to shareholders I have alluded to the growing resilience of the Northam operation, demonstrating its ability to withstand the vagaries of global markets and economic conditions. This year has been no different, with the buoyancy of the South African economy translating into a sustained strong local currency, which has largely offset the potential gains associated with higher US dollar metal prices. In rand terms the prices realized for our precious metals were lower, with the exception of rhodium, which recently traded at levels above US\$2 000/oz and for which we realized a spectacular 118% increase in price. The net effect of these factors resulted in a modest 5.1% increase in the total precious metal basket price achieved at R137 517/kg.

On the operational front management has demonstrated a remarkable comeback in the second half of the year, recovering from the September 2004 fire reported last year, and the effective loss of some six weeks' production associated with the extended shutdown of all mining activities imposed by the authorities. This excellent performance was largely responsible for containing the year on year decline in PGM production to 4.5% at 325 214 oz. Good cost control in the second half of the year contributed to the maintained net income of R249 million for the year.

The final dividend declared of 45 cents per share (cps) brings the total dividend for the year to 70 cps, 22% lower than the 90 cps declared in 2004. The lower dividend is in line with our previously stated policy of paying excess cash to shareholders after making provision for operational requirements and funding new business – as we have done with the retention of R90 million to pay for the cash consideration of our stake in Booyssendal from Mvelaphanda Resources Limited (Mvelaphanda Resources).

Business environment

The strength of the South African economy, reflecting the authorities' fiscal discipline and monetary control, has resulted in reduced inflation levels, with CPIX over the year averaging 3.5%, the lowest level in many years, and contributing to the aforementioned strength in the currency. The government has been rewarded for this prudence by improved rankings from global ratings agencies.

Given the US dollar-denominated prices for our metals, there is little doubt that a softer local currency would provide a more comfortable environment for us to do business in. It would be foolish however to discount the effects of a weak currency on costs, against the spectre particularly of seemingly ever-spiralling oil prices. For the labour movement this vastly different economic climate presents its own challenges, as witnessed in the recent broad-ranging industrial action in the gold mining and other sectors of the South African economy.

President Mbeki's appointment of Ms Phumzile Mlambo-Ngcuka, the Minister of Minerals and Energy for the past six years, as deputy president of the country, is a fitting

acknowledgement of her enormous contribution to the transformation of the South African mining sector. On behalf of the board, we wish her well in her new position. We welcome also the new minister, Ms Lindiwe Hendricks, who has built up an enviable reputation within the Department of Trade and Industry, and we look forward to maintaining a constructive and cooperative relationship with the Department of Minerals and Energy (DME).

New business

In February last year we announced that we had reached agreement with Mvelaphanda Resources on the terms of acquiring their interest in the Booyssendal project, a JV with Anglo Platinum. Progress in concluding the transaction has been slower than we would have liked, which has been frustrating for us, and we appreciate that shareholders may also feel justified in their concern with the delay. It remains for me to assure shareholders that there are no insurmountable problems, and that we hope to provide further detail on what promises to be a value-accretive development in the near future.

Senior appointments

In March this year we appointed Mr Glyn Lewis, general manager for the past three years, to the board as chief executive officer. Glyn's track record and his understanding of the technical aspects of our operation, combined with a clear vision of growing the business, will be critical as we emerge from our single-operation status.

In July this year, and succeeding Glyn as general manager, we welcomed Mr Matthews Nzimande who joins us from the Mponeng mine in the AngloGold Ashanti group. Matthews' deep-level mining experience adds considerable strength to the management team's ability to achieve further successes in mining what we have now all come to accept is a difficult orebody.

In further pursuit of improved corporate governance, Dr Judy Dlamini and Ms Emily Kgosi were appointed to the board as independent non-executive directors in November 2004. In a very short space of time their commitment, competence and insight have added considerable capacity to the board of your company.

Mr Pine Pienaar, chief executive of Mvelaphanda Resources was appointed an alternate director to Mr Bernard van Rooyen in February this year.

Outlook

With the ongoing build-up of production to steady-state levels of around 340 000 oz, we expect that metals production in F2006 could be modestly higher than that reported in the current year. Earnings will be dependent on the performance of the local currency and metal prices going forward. Should the rand basket price remain at current levels, a commensurate increase in earnings may be expected.

In conclusion

On behalf of the board I would like to pay tribute to the sterling efforts of the chief executive, the management team and all our staff in achieving what has been a more than satisfactory result in challenging operating conditions. To the board itself – it is good to know that your wisdom continues to be a positive mainstay to Northam. I thank you.

A handwritten signature in dark ink, appearing to read 'Tokyo Sexwale', written over a light background.

Tokyo Sexwale
Chairman
9 September 2005