

J.P. Morgan Cazenove Platinum Week

News, Earnings & Valuation Metrics and Commodity trends

Company News:

- **Norilsk Nickel** produced 5% higher Pd (804koz in Jun-10 vs 765koz in Jun-09) and 14% higher Pt (198koz in Jun-10 vs 174koz in Jun-09) in the June 2010 quarter. (*Bloomberg Aug 02, 2010*)
- **Zimplats** announced production of 93koz 4E (Mar10: 93koz 4E, +0%) and sales of 90koz (Mar10: 94koz, -4%). (*Zimplats report Aug 02, 2010*)
- **Anglo Platinum** announced that it has signed a tripartite agreement with the Department of Science and Technology and US firm Altery Systems for the manufacture of fuel cells in South Africa (*Bloomberg Aug 03, 2010*)
- **Xstrata** reported a 2% increase in PGM volumes to 108koz 3E (105koz), due to the production build-up at Mototolo (+8% tonnes milled) partially offset by a 4% decrease in production at Eland due to lower quality stockpile material being milled. (*Company report Aug 03, 2010*)
- **Wesizwe Platinum** announced that it has appointed Arthur Mashiatshidi as the new CEO from Oct. 1, replacing Michael Solomon. The board accepted a report from Deloitte & Touche and Deneys Reitz Attorneys which found no evidence of fraud, material financial loss, theft or a material breach of fiduciary duty by Michael Solomon following an investigation. (*Bloomberg Aug 04, 2010*)
- **Anooraq Resources** reported 2Q10 loss of C\$0.03/sh (1Q10: C\$0.02/sh) and production of 30koz 4E (1Q10: 27koz, +12%) at cash costs of R8,916/oz 4E (1Q10: R8,516/oz 4E, +5%). (*SENS Aug 05, 2010*)

Gold & Precious Metals

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Table 1: Key Forecasts

ZAR	Share price	JPM Cazenove Recommendation	JPM Cazenove EPS Estimates		JPM Cazenove Target price	Upside to Target price
			FY2010	FY2011		
Anglo Platinum	703.00	Overweight	36.10	48.20	975.00	39%
Anooraq	8.26	Overweight	-0.55	0.49	16.60	101%
Aquarius	31.67	Underweight	1.63	4.52	45.00	42%
EastPlats	8.12	Overweight	0.62	1.13	15.60	92%
Impala	198.00	Neutral	8.76	15.66	220.00	11%
Lonmin	181.30	Overweight	4.84	13.22	250.00	38%
Northam	43.73	Neutral	1.39	2.28	54.00	23%

Source: J.P. Morgan Cazenove estimates, Bloomberg. Share prices as on cob Aug 06, 2010

See page 15 for analyst certification and important disclosures, including non-US analyst disclosures.

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- **The Department of Mineral Resources (DMR) directed Lonmin** to stop selling nickel, copper, cobalt and chrome produced at its Marikana mine from Wednesday afternoon. (*SENS Aug 05, 2010*)
- **Lonmin** announced that the DMR had granted prospecting rights for base metals and chrome on a small portion of its Marikana mine to a Holgoun group company. One of the promoters of the Holgoun group is Dr. Sivi Gounden, an ex-non executive director of Lonmin. (*SENS Aug 05, 2010*)
- **Anglo Platinum** has offered to convert all of its preference shares that expired last year into common shares at the rate of 0.2271 ordinary shares for each preference share. Up to 190k new AMS shares may be added on 30 Aug. (*SENS Aug 06, 2010*)
- The National Union of Mineworkers (NUM) members at four out of six branches at **Implats** voted in favour of a strike. The results of voting for the remaining two branches, which represent 75% of IMP's workforce, have not yet been disclosed. (*Bloomberg Aug 06, 2010*)
- **Northam** announced that the group's headline earnings for FY10 are expected to be between SAc170/sh and SAc190/sh due to 18% higher metal sales and marginally higher rand basket prices (*SENS Aug 10, 2010*)

Commodity News:

- Overall, the **spot rand basket price decreased by 1.3%** to end the week at R295,227/kg, led by a 0.3% decrease in the dollar basket price to \$1,271/oz and a 1.0% strengthening of the exchange rate to R7.225:\$1.

Valuation metrics and share price performance

Table 2: Spot valuation metrics

ZAR/sh

	Share price	JPM Cazenove Recommendation	Spot DCF	Spot P/DCF	Spot EPS		JPM Cazenove EPS Estimates		Consensus EPS		Spot P/E		JPM Cazenove Forecast P/E		Consensus P/E	
					FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011
Anglo																
Platinum	703.00	Overweight	557.66	1.26	23.68	27.38	36.10	48.20	25.04	44.08	29.68	25.68	19.47	14.59	28.07	15.95
Anooraq	8.26	Overweight	21.01	0.39	-0.66	0.23	-0.55	0.49	-0.55	0.21	Neg	35.30	Neg	16.86	Neg	38.60
Aquarius	31.67	Underweight	20.15	1.57	1.06	2.19	1.63	4.52	1.22	2.23	29.98	14.44	19.43	7.01	25.92	14.21
EastPlats	8.12	Overweight	10.35	0.78	0.21	0.47	0.62	1.13	0.17	0.36	39.01	17.24	13.10	7.19	48.62	22.87
Impala	198.00	Neutral	127.33	1.55	8.35	10.32	8.76	15.66	7.57	14.79	23.71	19.19	22.60	12.64	26.17	13.38
Lonmin	181.30	Overweight	109.00	1.66	3.02	4.91	4.84	13.22	4.53	9.42	60.03	36.92	37.46	13.71	40.04	19.25
Northam	43.73	Neutral	21.01	2.08	1.22	1.87	1.39	2.28	1.41	2.67	35.81	23.43	31.46	19.18	31.10	16.38
Average				1.33							36.37	24.60	23.92	13.02	33.32	20.09

Source: Bloomberg, J.P. Morgan Cazenove estimates. Share prices as on cob Aug 06, 2010. Consensus EPS from Bloomberg as on cob Aug 06, 2010. Spot prices used Pt: \$1,570/oz, Pd: \$490/oz, Rh: \$2,175/oz, Ni: \$22,035/t, R/S: 7.23

Table 3: Relative share price performance

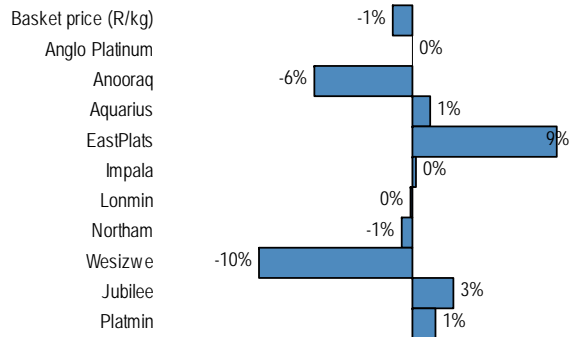
ZAR/sh

	Share price	12-month low	12-month high	1 Week return	1 Month return	3 Month return	6 Month return	12 Month return
Anglo Platinum	703.00	593.93	830.99	0%	-5%	-3%	5%	16%
Anooraq	8.26	6.00	13.20	-6%	10%	-22%	-5%	9%
Aquarius	31.67	21.00	54.40	1%	-17%	-29%	-27%	-16%
EastPlats	8.12	3.38	12.28	9%	17%	-16%	-7%	87%
Impala	198.00	158.01	228.70	0%	6%	2%	9%	3%
Lonmin	181.30	158.20	260.14	0%	10%	-9%	-13%	-9%
Northam	43.73	30.07	57.72	-1%	-2%	-7%	-7%	19%
Wesizwe	1.60	1.55	2.64	-10%	-11%	-16%	-34%	-33%
Jubilee	3.28	3.00	5.05	3%	3%	-18%	-20%	-33%
Platmin	7.30	6.70	19.11	1%	-14%	-17%	-28%	-1%

Source: Bloomberg. Share prices as on cob Aug 06, 2010

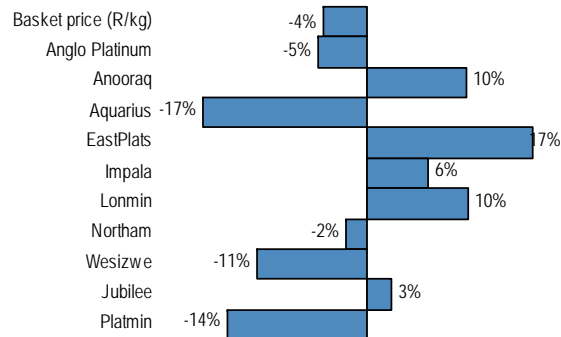
Share price performance (to cob 06 Aug 2010)

Figure 1: SA Platinum shares 1-week returns



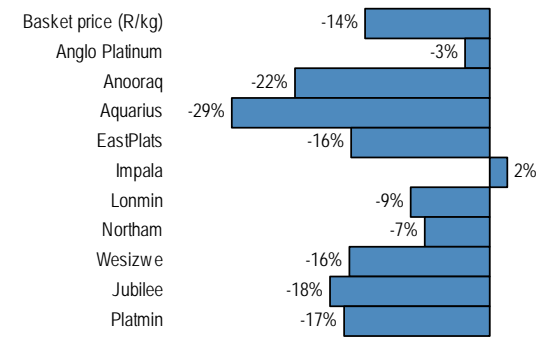
Source: Bloomberg.

Figure 2: SA Platinum shares 1-month returns



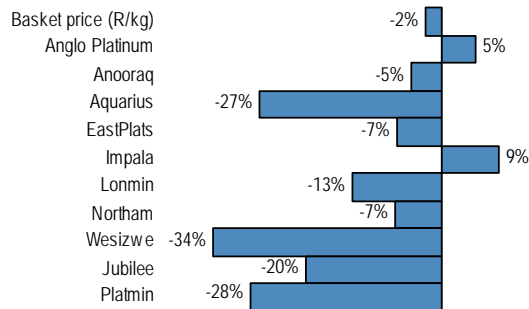
Source: Bloomberg

Figure 3: SA Platinum shares 3-month returns



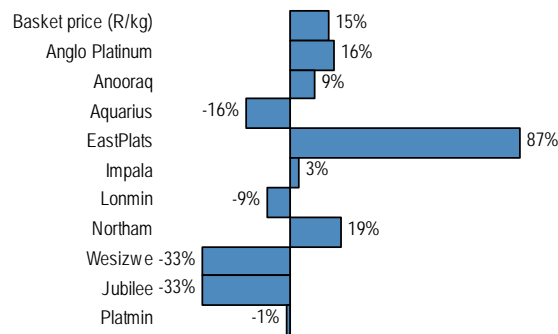
Source: Bloomberg

Figure 4: SA Platinum shares 6-month returns



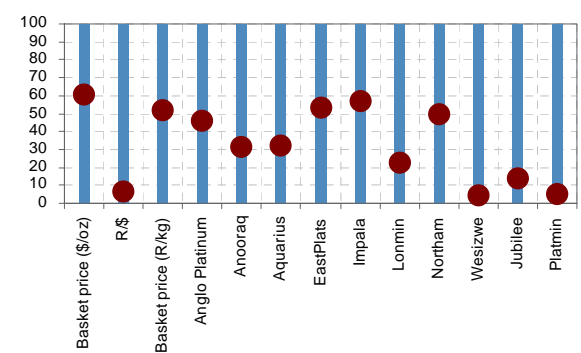
Source: Bloomberg.

Figure 5: SA Platinum shares 12-month returns



Source: Bloomberg.

Figure 6: Share price vs 52-week range



Source: Bloomberg

Platinum Valuations at a glance (Spotter Bloomberg Version) *(click to open)*

SA Platinum & Gold Sensitivity Spotter 25 June 2010

Enter your own metal price and exchange rate assumptions

	Spot values	Your assumptions	Difference	
<u>Allowed Range¹</u>	<u>Bloomberg</u>	<u>Enter values</u>		% ch
Rand: R7.00/\$ - R14.00/\$	R 7.23/\$	R 7.70/\$	+ 0.48	+ 7%
Platinum: \$/oz	\$ 1,570/oz	\$ 1,600/oz	+ 30	+ 2%
Palladium: \$/oz	\$ 490/oz	\$ 700/oz	+ 210	+ 43%
Rhodium: \$/oz	\$ 2,175/oz	\$ 3,500/oz	+ 1,325	+ 61%
Nickel: \$/ton	\$ 22,035/ton	\$ 16,000/ton	- 6,035	- 27%
Basket price (R/kg 6E) ⁴ (=>R135,033/kg - R1,125,275/kg)	R 295,227/kg 6E	R 348,503/kg 6E	+ 53,276	+ 18%

Valuation guide

Click to open

[Spotter I-Net Version](#)

[Spotter Reuters Version](#)

Rand output of NPV and EPS							
Price: NPV ratios	Price (R) ³	NPV (R)	P:NPV	NPV (R)	P:NPV	NPV ch.	% ch
AngloPlatinum	703.00	557.66	1.26	768.08	0.92	210.41	+ 38%
Aquarius	31.67	20.15	1.57	31.77	1.00	11.63	+ 58%
Impala	198.00	127.33	1.55	174.64	1.13	47.31	+ 37%
Lonmin	181.30	109.00	1.66	177.00	1.02	68.00	+ 62%
Eastern Platinum	8.12	10.35	0.78	12.92	0.63	2.57	+ 25%
Anooraq Resources	8.26	21.01	0.39	23.43	0.35	2.42	+ 11%
Northam	43.73	43.95	0.99	54.09	0.81	10.14	+ 23%

Tempting	Toppish
when P:NPV is below:	when P:NPV is above :
1.00x	1.50x
1.00x	1.50x
1.00x	1.50x
1.00x	1.50x
1.00x	1.50x
1.00x	1.50x
No-man's-land between	

P/E ratios	EPS ⁴ (SAcps)	P/E	EPS ⁴ (SAcps)	P/E	EPS ch.	% ch
AngloPlatinum	703.00	2,368	29.7	3,721	18.9	1,353 + 57%
Aquarius	31.67	106	30.0	136	23.3	30 + 29%
Implats	198.00	835	23.7	955	20.7	120 + 14%
Lonmin	181.30	302	60.0	585	31.0	283 + 94%
Eastern Platinum	8.12	21	39.0	43	19.0	22 + 105%
Anooraq Resources	8.26	(66)	N/A	(55)	N/A	10 N/A
Northam	43.73	122	35.8	139	31.5	17 + 14%

Consensus	
EPS ⁵ (SAcps)	P/E
2,504	28.1
122	25.9
757	26.2
453	40.0
17	48.6
(55)	N/A
141	31.1

Source: J.P. Morgan Cazenove estimates

- These are rand, gold and PGM prices in real terms (mid FY2010), with nominal metal prices increasing by 2.5% pa and rand weakening by 5% pa against the US dollar.
- Basket price is calculated as total revenue from (5PGE+Au+Ni+Cu) divided by the total (5PGE+Au) kg produced. Other metal prices used are Au: \$1,240/oz and Cu: \$6,500/ton based on spot prices on the publish date
- Share prices as on cob Aug 06, 2010
- EPS are for FY 2010.
- Consensus EPS are Bloomberg consensus EPS as on Aug 06, 2010

Platinum industry competitive positioning in CY2010 in numbers (Platinum Break-Even Analyser) *(click to open)*

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J.P. Morgan Cazenove Platinum Industry Break-even Analyser

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CY10E	Cash Cost \$m	Royalty \$m	Revenue from		Minimum Pt revenue required to break-even \$m	Pt Produced koz	Pt price to break- even \$/oz	Maintenance Capex \$m	Minimum Pt Revenue required to maintain production at current levels \$m		Pt price to break- even and maintain current production \$/oz	Expansion Capex \$m	Minimum Pt Revenue required to meet capex plans \$m		Pt price to break- even and fund all capex \$/oz
			metals other than Pt \$m	Pt \$m					to maintain production at current levels \$m	to meet capex plans \$m					
CTRP	3	0	3	0	4	33	-	0	33	-	0	33	-	0	33
Mogalakwena (PPRust)	503	29	580	-	302	37	86	37	124	89	124	89	124	89	418
Mimosa	138	9	124	23	99	265	21	44	506	11	55	630	11	55	630
Zimplats	195	16	178	33	176	200	53	87	517	64	150	898	64	150	898
Tumela	404	17	237	184	303	607	35	219	722	111	330	1,090	111	330	1,090
Platinum Mile	14	1	8	7	12	669	1	8	754	0	8	764	0	8	764
Union	419	27	242	205	306	668	29	234	763	18	252	823	18	252	823
Rustenburg Tailings	49	2	25	26	36	741	2	28	788	-	28	788	-	28	788
Mototolo	141	9	83	67	123	657	20	86	852	-	86	852	-	86	852
Dishaba	220	9	116	112	152	736	19	131	862	31	162	1,063	31	162	1,063
Siphumelele	153	6	74	85	97	877	10	95	975	-	95	975	-	95	975
Two Rivers	184	7	102	89	145	746	28	117	978	-	117	978	-	117	978
Bathopele	201	8	128	81	131	617	51	132	1,002	-	132	1,002	-	132	1,002
BRPM	241	3	106	138	173	971	15	154	1,079	83	236	1,660	83	236	1,660
Modikwa	223	9	123	109	138	962	13	123	1,079	-	123	1,079	-	123	1,079
Pandora JV	57	4	30	31	47	820	10	40	1,080	-	40	1,080	-	40	1,080
Kroondal	351	16	172	195	246	955	33	228	1,115	-	228	1,115	-	228	1,115
Marikana	149	7	64	91	105	1,025	11	103	1,152	-	103	1,152	-	103	1,152
Eland Platinum	167	1	64	103	114	1,103	8	111	1,183	42	152	1,626	42	152	1,626
Impala Lease Area	1,292	42	695	640	897	713	459	1,099	1,225	-	1,099	1,225	-	1,099	1,225
Old Northam	314	6	138	182	178	1,023	38	220	1,238	-	220	1,238	-	220	1,238
Khomanani	192	5	81	116	105	1,100	16	131	1,248	-	131	1,248	-	131	1,248
Marula	147	8	83	72	86	921	30	102	1,305	4	106	1,363	4	106	1,363
Blue Ridge	86	2	35	52	56	1,119	9	61	1,320	11	72	1,561	11	72	1,561
Crocodile River	115	6	52	69	88	924	33	102	1,374	8	110	1,478	8	110	1,478
Marikana (Lonmin)	1,143	18	510	651	668	975	298	950	1,421	-	950	1,421	-	950	1,421
Khuseleka	257	5	113	148	134	1,102	44	192	1,429	-	192	1,429	-	192	1,429
Smokey Hills	43	0	20	24	20	1,401	4	20	1,655	12	40	2,397	12	40	2,397
Everest	65	1	24	42	35	1,457	8	50	1,727	17	67	2,317	17	67	2,317
Bokoni (Lebowa)	164	1	64	100	79	1,543	25	125	1,921	12	137	2,109	12	137	2,109
Thembelani	160	1	70	91	81	1,126	82	172	2,139	-	172	2,139	-	172	2,139
Twickenham	23	0	6	17	6	2,736	3	19	3,153	49	68	11,084	49	68	11,084
Total	7,810	274	4,349	3,783	5,141	772	1,491	5,226	1,065	562	5,788	1,176	562	5,788	1,176
Rustenburg	962	24	466	521	548	949	201	722	1,316	-	722	1,316	-	722	1,316
Amandelbult	623	26	353	296	455	650	54	350	769	142	492	1,081	142	492	1,081

Assumptions	Pt \$/oz	Pd \$/oz	Rh \$/oz	Ni \$/ton	Exchange Rate R/\$
		1570	490	2175	22035

Source: J.P. Morgan estimates, Bloomberg

[Platinum industry competitive positioning in CY2010 at a glance \(Platinum Break-Even Analyser\)](#) *(click to open)*



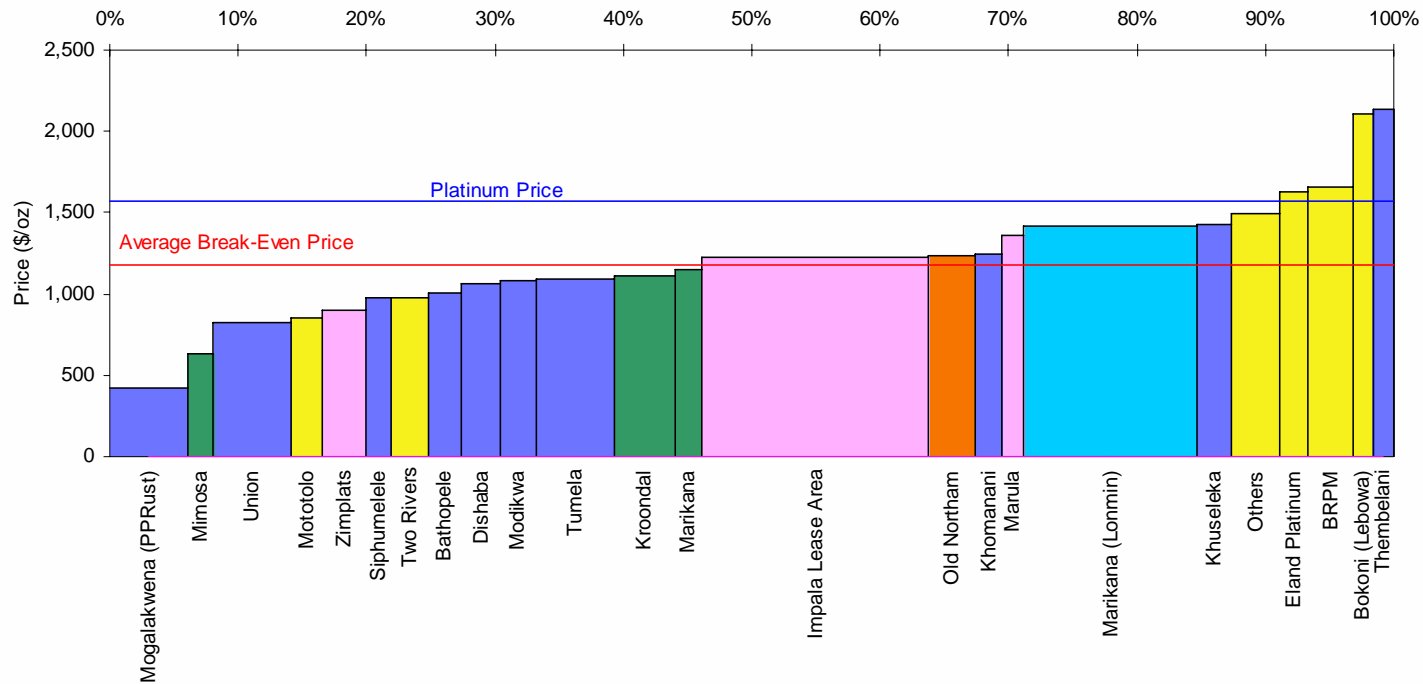
J.P. Morgan Cazenove Platinum Industry Break-even Analyser

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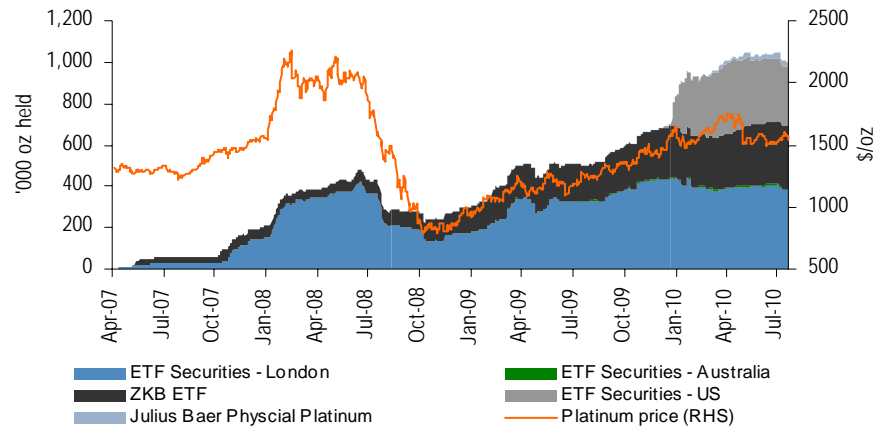
CY10 Break Even Platinum Price (Cash Cost + Total Capex)



Source: J.P. Morgan estimates, Bloomberg

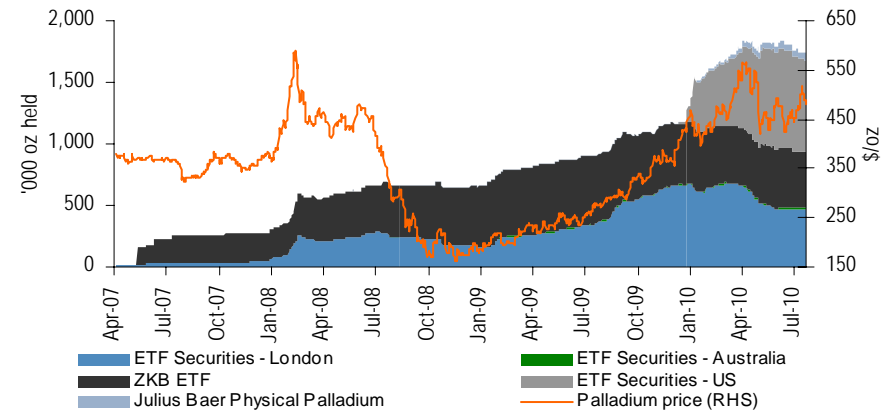
ETFs and Comex net positions

Figure 7: Platinum ETF holdings



Source: ETFSecurities, ZKB, SwissGlobal

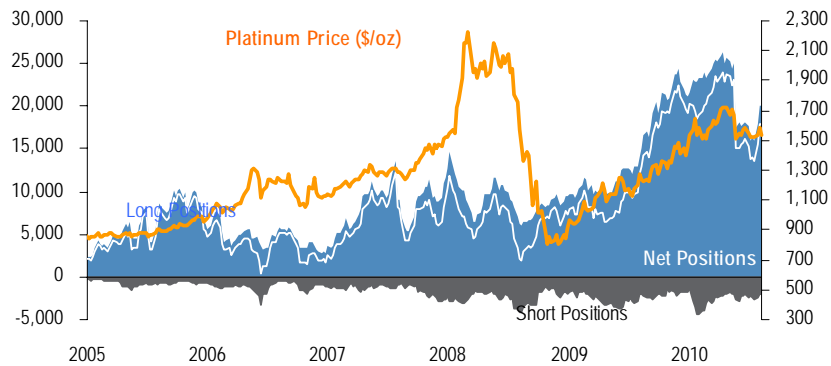
Figure 8: Palladium ETF holdings



Source: ETFSecurities, ZKB, SwissGlobal

Figure 9: Platinum open non-commercial positions on Comex

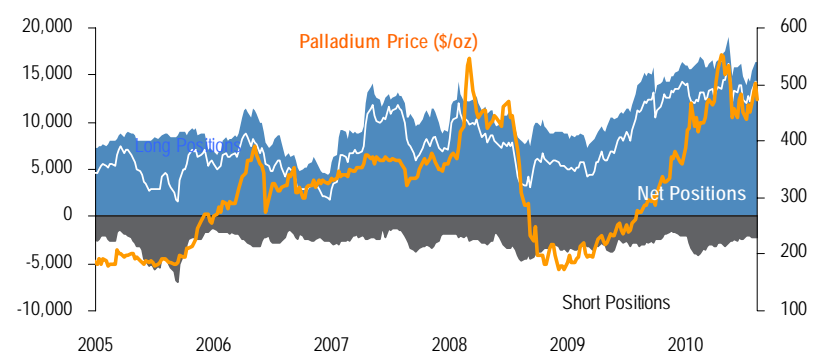
Number of contracts



Source: Bloomberg

Figure 10: Palladium open non-commercial positions on Comex

Number of contracts

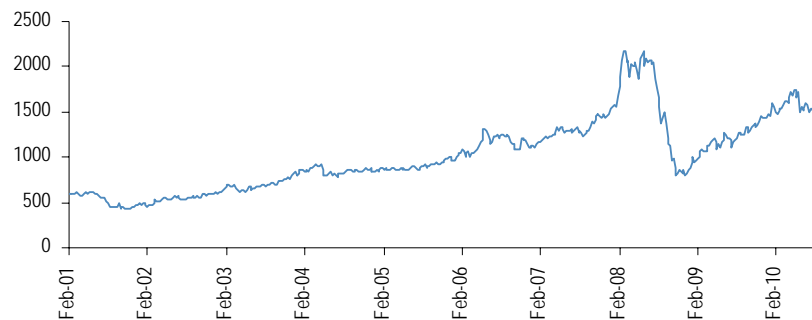


Source: Bloomberg

Key metal prices

Figure 11: Platinum price

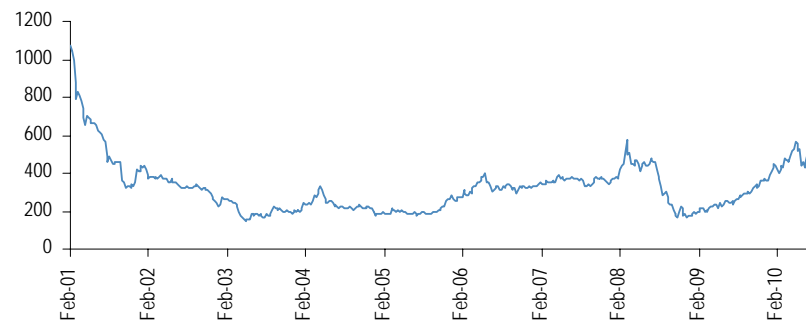
\$/oz



Source: Bloomberg.

Figure 12: Palladium price

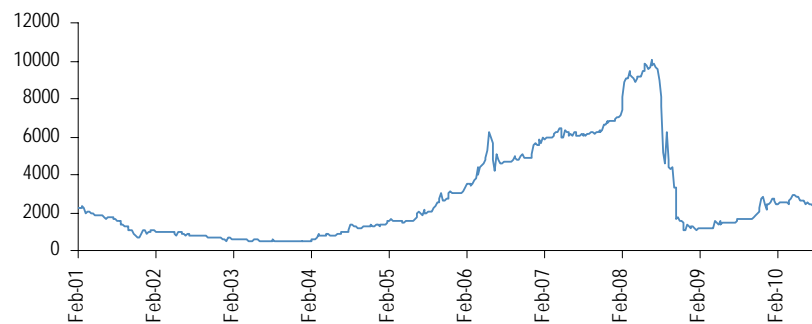
\$/oz



Source: Bloomberg

Figure 13: Rhodium price

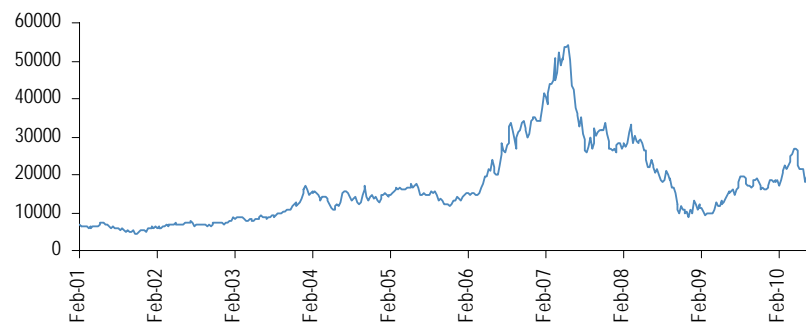
\$/oz



Source: Bloomberg

Figure 14: Nickel price

\$/ton

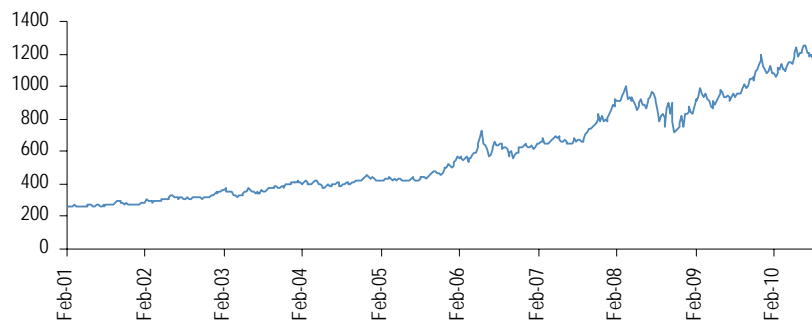


Source: Bloomberg

Minor metal prices

Figure 15: Gold price

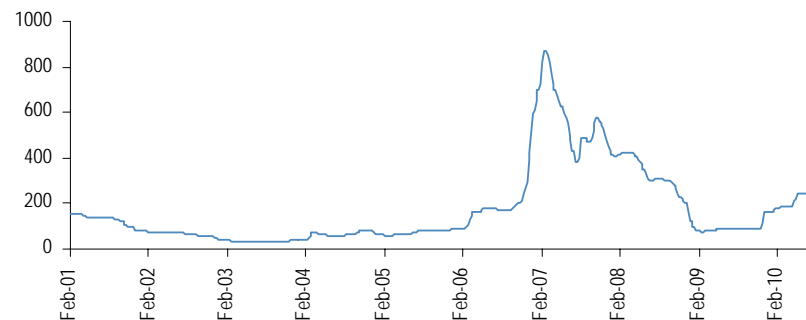
\$/oz



Source: Bloomberg

Figure 16: Ruthenium price

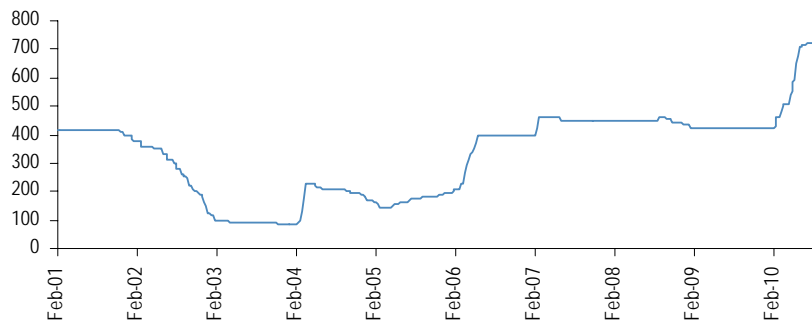
\$/oz



Source: Bloomberg

Figure 17: Iridium price

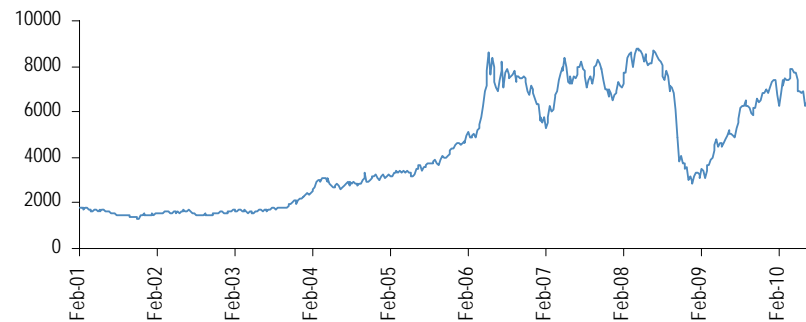
\$/oz



Source: Bloomberg

Figure 18: Copper price

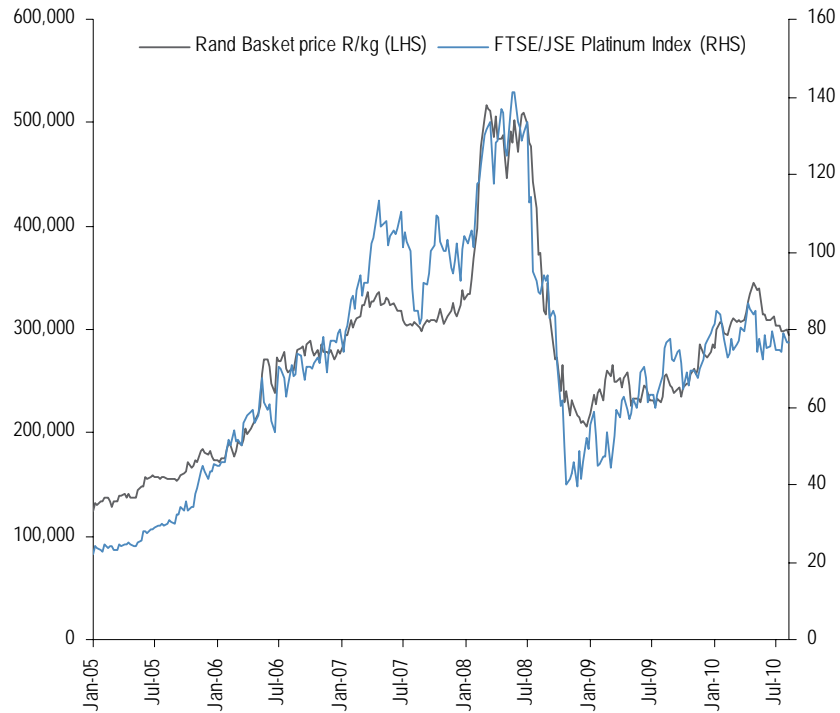
\$/ton



Source: Bloomberg

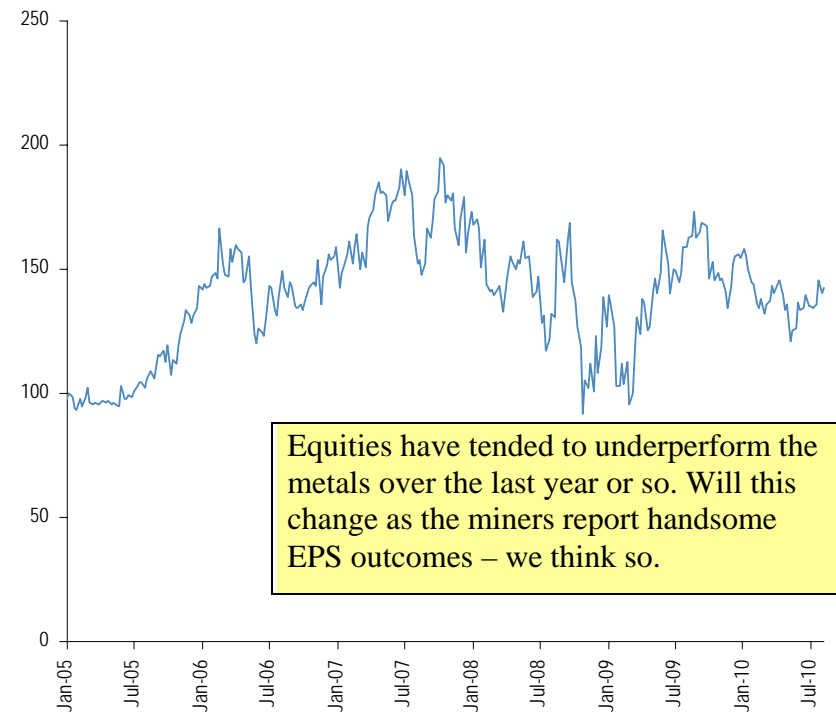
Basket price vs Sector performance

Figure 19: Rand basket price vs JSE Platinum Index



Source: Bloomberg

Figure 20: JSE Platinum Index/Rand basket price (Indexed to 100 as on Jan-05)



Source: Bloomberg

Platinum Equities 12m share price performance relative to FTSE/JSE Platinum Index (Indexed to 100 on Aug-09)

Figure 21: Anglo Platinum

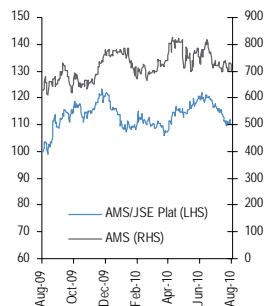


Figure 22: Implats

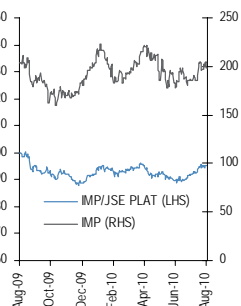


Figure 23: Lonmin

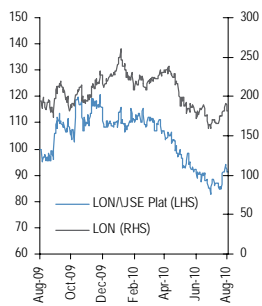


Figure 24: Northam

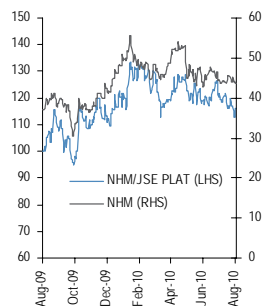


Figure 25: Aquarius

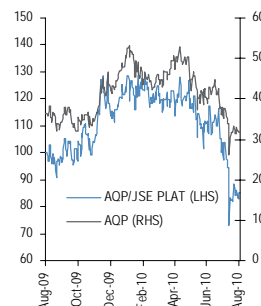


Figure 26: Eastern Platinum

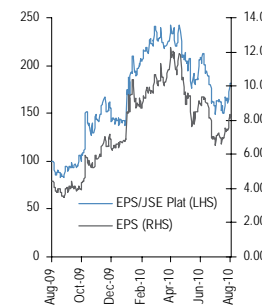


Figure 27: Anoroaq

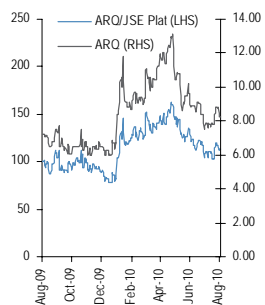


Figure 28: Wesizwe

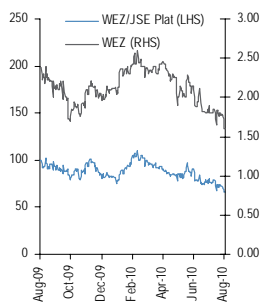


Figure 29: Jubilee Platinum

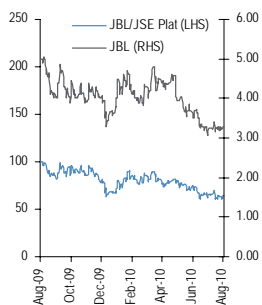


Figure 30: Platmin

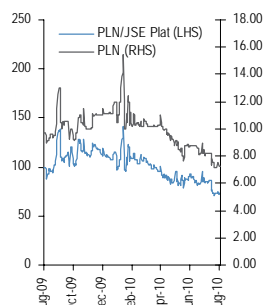


Figure 31: Stillwater

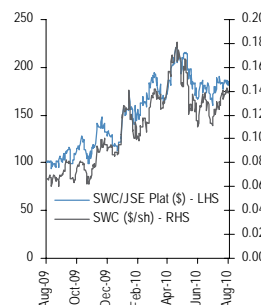
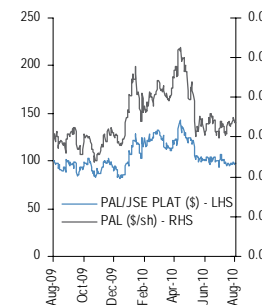


Figure 32: North American Palladium



Source: Bloomberg. Stillwater & North American Palladium are compared against dollar FTSE/JSE Platinum Index

Our top picks: AngloPlat, Lonmin, Stillwater* and Eastplats

*Stillwater is covered by our US analyst John Bridges. Stillwater share price \$13.96 as on cob Aug 09, 2010. Recommendation: OW, TP: \$21.00, TP end date: Dec-10.

Glossary of published research *(Click on the name to read)*

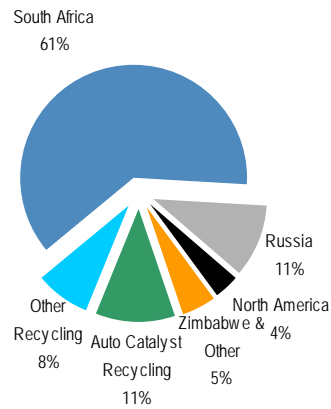
1. [Anooraq Resources Corp: 2Q10 loss at C\\$0.03/sh \(C\\$0.01/sh\). Signs of operational improvement evident.](#) Aug 06, 2010
2. [Lonmin plc \(LONJ.J\): DMR orders Lonmin to stop selling its nickel, copper, chrome and gold. Another "prospecting right" issue for SA or just a "storm in a teacup"?](#) Aug 05, 2010
3. [Aquarius Platinum Limited \(SA\): 4Q10 production report. Lower production, higher costs outlook for FY11](#) Jul 29, 2010
4. [Lonmin plc \(LONJ.J\): Turnaround gathering steam.](#) Jul 27, 2010
5. [Anglo Platinum: 1H10 HEPS at 1028c on higher metal prices, restructuring benefits. Mining rights conversion proceeds.](#) Jul 26, 2010
6. [SA Platinum & Gold Sensitivity Spotter : Bloomberg version](#) Jun 22, 2010
7. [Anooraq Resources Corp: An elephant in the room. Significant potential comes with high risk...Initiate with Overweight](#) Jun 22, 2010
8. [Eastern Platinum Ltd.: 1Q10 EPS at \\$0.00. Group broke even in a tough quarter](#) May 13, 2010
9. [Lonmin plc \(LONJ.J\): 1H10 Underlying EPS of USc22. Group finances new BEE shareholder in Incwala](#) May 10, 2010
10. [Aquarius Platinum Limited \(SA\) : 3Q10 EPS at USc5/sh. Higher metal prices help offset slow start-up in South Africa](#) Apr 29, 2010

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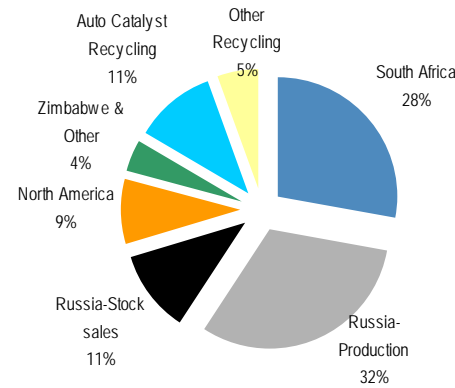
PGM Supply & Demand

Figure 33: Platinum supply 2009
 Total supply: 7,325koz



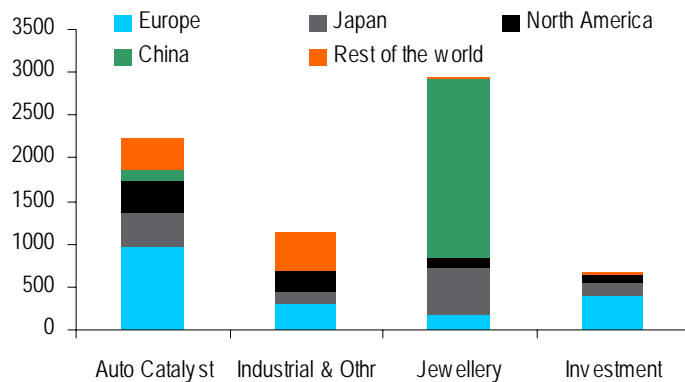
Source: Johnson Matthey 2010 Platinum Review

Figure 34: Palladium supply 2009
 Total supply: 8,530koz



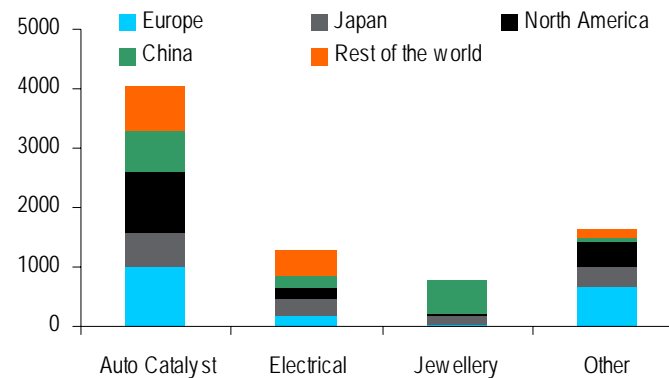
Source: Johnson Matthey 2010 Platinum Review

Figure 35: Platinum demand 2009 (by application and region)
 koz



Source: Johnson Matthey 2010 Platinum Review

Figure 36: Palladium demand 2009 (by application and region)
 koz



Source: Johnson Matthey 2010 Platinum Review

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