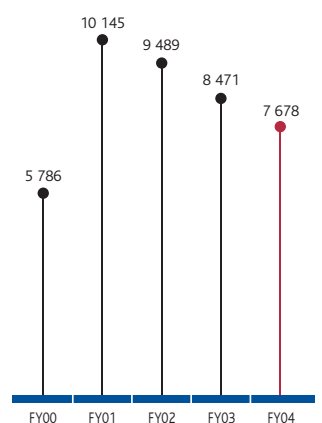




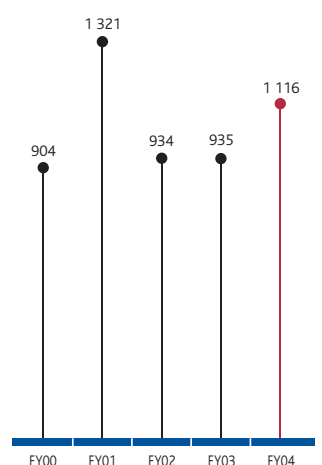
When we say that **people are our greatest asset**, we really mean it. Because we have not always had the Mineral Resources that our competitors have, we have had to tap into the resourcefulness of our people – and in so doing we have ensured that ours are among the most efficient operations in the world. Shadwick Bessitt, General Manager: Mining at Impala Platinum, has as one of his most important tasks the motivation and leadership of the people who make things happen on the ground.



Keith Rumble, Chief Executive Officer



Revenue per platinum ounce sold (R/oz Pt)



Revenue per platinum ounce sold (\$/oz Pt)

## Chief Executive's Review

### Introduction

A highlight of the year was undoubtedly the 17% increase in platinum production to a record level of 1.961 Moz, reflecting Implats' continued delivery against the targets that we have set ourselves. This included 232 000 oz platinum that was refined by Impala Refining Services (IRS) as a once-off during the refurbishment of Lonplats' smelter.

Comparative year-on-year results were influenced by a number of factors, dominated by the strengthening of the local currency against the Dollar. Positive contributions from higher sales volumes (R1 014 million) and Dollar metal prices (R2 582 million) were effectively negated by the stronger local currency (negative R3 594 million). Unit costs increased in line with South African inflation – a creditable performance. Cost of sales increased by R1 026 million, of which R700 million related to the increased volumes and the balance related to inflationary increases. The cumulative impact of these factors is that gross profit declined by 19%.

	R million
Gross profit FY2003	5 284
Positive volume growth	1 014
Increase in metal prices	2 582
Total	8 880
Cost of sales increases	(1 026)
– Volume increases	(700)
– Inflation	(326)
Exchange rate impact	(3 594)
Gross profit FY2004	4 260

Contributions from investments in associated business (mainly Lonplats) were similarly affected by currency movements, and equity earnings from associates were R397 million (55%) lower year-on-year. The profit on disposal from the sale of Barplats (R322 million) represents a positive contribution to earnings. After providing for tax, royalties and amortisation etc, profit declined by 13% to R2 963 million, compared to the previous year. In Dollar terms this represents a 15% increase to \$428 million. Capital expenditure increased by 2% to R1 822 million (\$265 million). As a result, the board has declared a

final dividend of R16 per share which will result in a total dividend payout of some R1 399 million (\$204 million), equivalent to R21 per share (\$3.06 per share).

### The market

A number of factors supported the platinum price during the period with the metal trading between a low of \$655/oz and a high of \$937/oz in April 2004. These included weak Dollar and equity markets, strong demand in commodities in general, a significant increase in global speculative activity and the perception that supply may not keep up with growing demand as a number of expansion plans have been cut back. Implats' average price received for platinum was \$773/oz, being an increase of 30% on the previous year's average received price of \$597/oz.

The palladium market was not as fortunate, as a combination of growing supply and static demand – which followed the runaway prices of the late 1990s/early 2000s – saw the metal trading between \$160/oz and \$333/oz. The thin market for rhodium, the price of which has spiked in recent months, belies the underlying poor fundamentals for the metal. This will keep prices under pressure.

Nickel, on the other hand, enjoyed a far healthier year with supply lagging demand as the metal benefited not only from a strike at a major producer, but also a significant increase in demand from a burgeoning Chinese economy.

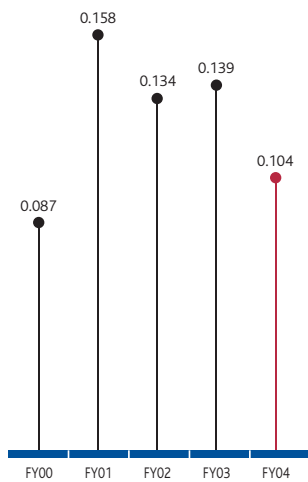
Given that we produce a range of metals, we use a basket price based on weighted prices to monitor price performance. Implats achieved an average basket price of \$1 116 for the year. Although this is an increase of 19% on the previous year in Dollar terms, the average basket price in Rand terms was R7 678/oz, a decrease of 9.4% on the previous year.

### Contribution to profit

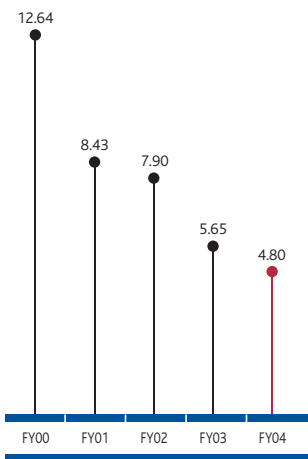
The strategy to focus on mine-to-market operations continued and this was reflected in a simplification of the group's structure.

### Mine-to-market operations contributed 66% of profit

- During the year, the group's mine-to-market operations (Impala Platinum, Marula Platinum, Zimplats and Mimosa) contributed about 66% of profit. These operations together reported a margin of 41%.
- IRS, which processes third party concentrates and undertakes toll-refining, contributed 13% to profit. Although IRS's margins are in the region of 15%, this operation is undertaken at very little risk to the group and uses spare processing and refining capacity, thereby reducing the unit costs associated with the mine-to-market operations.
- Contributions from strategic alliances remained satisfactory – at 11%. Lonplats was still accounted for during the year.
- The net impact of the consolidated loss for Barplats and the profit on disposal contributed 10% to profit for the year.



Implats – Fatal injury frequency rate (FIFR) per million man hours



Implats – Lost time injury frequency rate (LTIFR) per million man hours

### Safety and health

Regrettably, 10 people lost their lives as a result of occupational accidents during the year and we extend our condolences to the families, friends and communities of those who died. More positively, the lost time injury frequency rate (LTIFR) reached an all-time low for the group of 4.80 per million man hours worked, while the reportable injury frequency rate (RIFR) was 2.75 per million man hours worked – another record.

The fall of ground safety campaign and the ground control districts programme at Impala Platinum have played an important part in this achievement, and – with the programmes that we have in place across the group – we are committed to achieving further significant improvements in the year ahead. Indeed, we have set ourselves a target of improving all our safety statistics by 50% year-on-year.

### Sustainable development

Issues relating to safety and health, and sustainable development are dealt with briefly in the Review of operations and interests that follows on pages 45 to 63 of this report. In addition, a report produced in line with the Global Reporting Initiative

– the international guidelines for sustainable development reporting – will be published by Implats during October 2004.

We have endeavoured to integrate the principles of sustainable development into the fundamentals of our business. Line management is responsible for safety and health, environmental, community and social issues, although specialist personnel are on hand as a resource to provide guidance and support when necessary. This is as true at board and executive levels, as it is for all employees. During the year, the values of the group (as set out on page 5) were reviewed and updated by a team representing all the operations to ensure that the principles embodied in these values are still valid. (The initial values were developed 10 years ago through a process of employee consultation). The challenge remains one of integrating responsibility and accountability for factors that have an economic, social and environmental impact with the traditional financial and operational indicators against which both investors and management are so used to gauging performance.

### Operational overview

Implats had an excellent year from an operational perspective. The year was characterized by record performance from our mining operations in Rustenburg and Zimbabwe, ably supported by improved metallurgical performance at our concentrators and refineries. In addition, Impala Refining Services (IRS) delivered spectacular results although this did include the significant contribution from the processing of Lonplats concentrate (which has now ceased).

The single operating lowlight was the slower mining ramp-up at our new mine on the Eastern Bushveld, Marula Platinum. This issue is dealt with further in a Review of operations and interests on pages 45 to 66.

Specific operating achievements worth highlighting are:

- Ex-mine platinum production for the Impala lease area (1.09 Moz), the highest level in a decade, Zimplats (84 300 oz) and Mimosa (52 800 oz).

## Implats' focus is to remain a platinum-based resources company

### Platinum production

(000 oz)	FY2004 Platinum	FY2003 Platinum	FY2004 PGMs	FY2003 PGMs
Impala Platinum	1 090	1 040	1 976	1 924
Barplats	22	25	34	51
Marula	5		11	
Zimplats	84	60	179	131
Mimosa (50%)	27	12	51	24
Mine-to-market	1 228	1 137	2 251	2 130
Lonplats	232	159	492	277
Other IRS	501	377	982	755
<b>Gross production</b>	<b>1 961</b>	<b>1 673</b>	<b>3 725</b>	<b>3 162</b>

- An improvement of 1.3% in metallurgical recoveries to 83.2% at Impala operations.
- A world-class performance at our Precious Metals Refinery, with no deterioration in cost performance, metal recoveries and pipeline inventories, despite operating well above nameplate capacity, and simultaneously undertaking a major expansion.
- Industrial relations issues remain challenging with a number of work stoppages having taken place during the year at Impala and Zimplats.

### Strategy

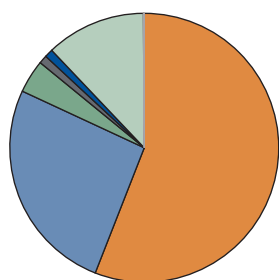
Implats' focus is to remain a platinum-based resources company. A key objective is to provide superior returns to shareholders, relative to our peers.

- Group unit costs were well contained with resultant unit costs per platinum ounce only increasing by 4.1% compared to an increase of 5.0% in the South African inflation rate (CPIX) over the same period. The bulk of group costs relate to wages at Impala where total headcount was reduced by 900 employees (3.2%). In spite of this, mining efficiencies disappointingly decreased to 39m<sup>2</sup>/panel employee due to a combination of shorter panel widths (for safety reasons) and the slower than expected roll-out of the programme to improve drilling rates, primarily as a result of resistance by some employees to new work methods.

An important part of our strategy is to focus our attention on those assets and operations where we can add value, where we have a competitive advantage and where we have a strategic influence. We are committed to ensuring that what we do can be fully analysed and valued by our investors.

During the past year, two major transactions were announced: the sale of Implats' 27.1% holding in Western Platinum Limited and Eastern Platinum Limited (collectively Lonplats), and the sale of Barplats.

The Minister of Minerals and Energy, Ms Phumzile Mlambo-Ngcuka has indicated that, as presented, the Lonplats transaction is in line with the requirements of the new mining law. Although the Department of Minerals and Energy (DME) will only evaluate compliance with the legislation when the parties formally apply for conversion to new order mining rights, the Minister has acknowledged that, having both facilitated this transaction, Implats and Lonmin will be allocated credits proportional to the percentages and ounces they have sold to their BEE partners. We anticipate that in Impala Platinum's hands this will equate to credits of 9%.



Impala Platinum	56%
Other IRS	26%
Zimplats	4%
Mimosa	1%
Barplats	1%
Lonplats	12%
Marula	0.1%

Percentage contribution to gross platinum production

**Cash flowing from the Lonplats transaction will fund capital expenditure in SA and Zimbabwe. Any excess cash will be distributed to shareholders**

The board is satisfied that this transaction is in the group's best strategic interest and that it has been concluded to the benefit of shareholders. In addition to the empowerment credits, the purchase price of \$800 million represents a premium of 8% on the implied market valuation of Lonplats at the time of the first announcement. This transaction enables Implats to meet some of its obligations in terms of the Mining Charter at a discount amounting to 1% of the purchase price. The cash flowing through to Implats from this transaction will be used to fund Implats' capital expenditure requirements, both here and in Zimbabwe. Any excess cash will be returned to shareholders.

The Barplats transaction follows a decision by the board to cease mining operations at the Crocodile River mine when this operation defied all efforts towards profitability (reported on fully in last year's Annual Report), and subsequently, to sell the operation for R389 million to the Salene Platinum Consortium. The transaction received the approval of the South African competitions authorities in June 2004 and the new owners took over from the beginning of July.

IRS has a long-term agreement in place with the Crocodile River mine to process any concentrate that may be produced when this mine comes back into operation. The new owners have announced their intention to re-open the mine.

**Sustaining operations**

Implats' primary operation, Impala Platinum, continues to be the mainstay of the group not only in a production sense, but also as a resource in terms of skills and expertise and as a leader in terms of research and development. Sustaining operations at Impala at a level of 1.0 to 1.1 Moz of platinum over the next 30 years and beyond is an important element of the Implats strategy. The decline development programme is now coming to fruition, with all five new declines scheduled to be in production within the next few years.

A R5.3 billion mining capital expenditure programme is underway at Impala Platinum. Of this, R3.5 billion had been spent by the

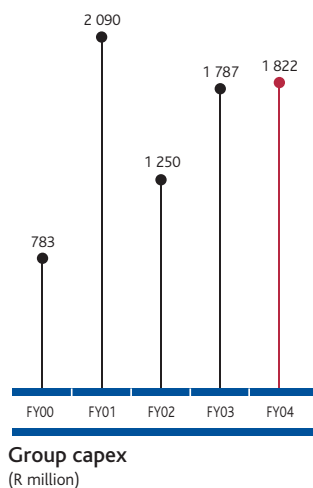
end of FY2004, mostly on the development of the decline projects. As part of the 30-year production plan, plans for 16 shaft and 20 shaft have been optimized and will be presented for approval to the Implats board in September 2004. These shafts are considerably deeper than those currently in operation, and will contribute a significant proportion of Impala's mine tonnage (+/- 30%) when they come on stream early in the next decade.

**Growth**

Part of Implats' capital expenditure for the year was dedicated to developing the newer projects at Marula (R505 million), Mimosa (R40 million) and Zimplats (R76 million).

Starting up new projects requires financial strength and a long-term view of the market, as well as the ability to adapt to circumstances and new information as this arises. The Marula Platinum mine, which is one of the first projects to have come into production on the Eastern Limb of the Bushveld Complex is a case in point. While the surface infrastructure and processing facilities have been brought smoothly into production, the geology of the orebody presented a number of mining challenges which has resulted in the project being significantly behind schedule. The steeper, more variable dips have resulted in slower development rates and have hindered the viability of the mechanized mining techniques initially chosen for the mine. Using the skills gained elsewhere within our group, we have reviewed the mining plan and implemented revisions incorporating mechanized development combined with conventional stoping. The new hybrid plan has already resulted in significant improvements in mining rates and, indeed, will deliver additional platinum ounces per annum over the life of the mine. With hindsight, more trial mining should have been conducted prior to implementation of the mining plan. Turning the mine into a profit generator is expected but remains a challenge.

In Zimbabwe, we have progressed cautiously with our investment. The Mimosa mine – which continues to be one of the most efficient, low-cost operations in the world – has successfully concluded its expansion



## Mining companies must go where the orebodies are

programme this year, and still further expansion is now being considered by the joint venture partners. The current plan at Zimplats is to expand in stages thereby minimising the risk, while maximizing the benefits to be gained through our pre-eminent position on the Great Dyke.

Operating in Zimbabwe can be difficult given both the socio-political dynamics and hyper-inflationary economic circumstances. Recent government moves on introducing additional indigenization quotas without due consultation are of great concern to us. Nonetheless, both Mimosasa and Zimplats have continued to operate and grow in line with our expectations, and our relationship with the government has been amicable, driven by issues of mutual concern. We await clarity on the impending changes to the mining law in that country as a prerequisite to any further significant investments.

### Positioning the group at home and abroad

Ensuring that we not only comply with local empowerment or indigenization legislation, but that we are positioned to take advantage of the opportunities that present themselves, is an important element in our strategy.

In South Africa, this entails grappling with issues such as transformation in such a way that we not only comply with legislation that has been set, but that we also address the issues so as to provide the group with a competitive advantage. Implats has a history of a participative approach, and using the full capacity of the people within the organization – be they female or male, black or white – makes business sense. To drive this process, the board has appointed a transformation committee, to develop strategy, set targets and monitor progress and I look forward to reporting on this in years to come.

In line with government's increased focus on beneficiation, Implats recognizes the importance of developing a local beneficiation industry and to this end has entered into a platinum jewellery beneficiation venture, Silplat, with Silmar S.p.A., a leading Italian

jewellery manufacturer, South African jewellery producer, SA Link, specialist corporate finance house Micofin Corporate Services and Swedish-UK consortium, Saab-BAE Systems. Silplat, which is based in Cape Town, was officially opened by the Minister of Minerals and Energy in April 2004.

Implats' contribution to the venture is in two parts; firstly, a direct equity investment of \$2 million for a stake in Silplat of 17.5%. (Investment, both foreign and local, in Silplat totals \$25 million.) Secondly, Implats will facilitate the supply of metal through a platinum loan of up to 1 000 kg, of which 171 kg has already been taken up. Silplat will only pay Implats for the metal once it has despatched the platinum jewellery from its premises and will pay a commercial lease rate on the outstanding portion of the platinum loan.

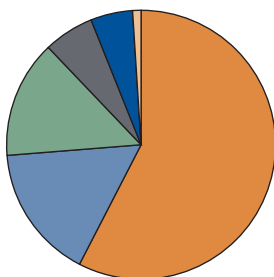
I have touched briefly on the issues relating to mining in Zimbabwe. The ultimate truth for mining companies is that we must go where the orebodies are, and we must ensure that we can develop those assets with a long-term vision. Who would have thought 10 years ago that, today, resources companies from all over the globe would be investing in Russia or China.

In this context, it is incumbent on management to mitigate the risks of investing in this region to an acceptable level. This will require ongoing dialogue with the governments of Zimbabwe and South Africa to ensure that our business investments can be secured, and our aspirations for those businesses realised, while working within the socio-political frameworks required by these governments.

### Shareholder returns

Our primary driver is the delivery of shareholder returns. Among the issues currently being considered by the group are the optimization of the balance sheet, the distribution of excess cash, the broadening of our shareholder base and increasing liquidity.

We anticipate that, in the absence of any acquisition opportunities, just more than half the net inflow from the Lonplats transaction in FY2005 (of \$668 million) could be



South Africa	58%
USA	16%
England and Wales	14%
Other Europe	6%
Other countries	5%
Below threshold	1%

Share ownership  
(FY2004)

**Whereas profit should be significantly enhanced by the proceeds from the sale of the interest in Lonplats, headline earnings are expected to decrease modestly, but this will depend to a substantial extent on the prevailing exchange rate**

available for distribution to shareholders in some form after allowing for our substantial capital requirements for our growth projects. Having consulted broadly with shareholders, we are considering a number of avenues including a share buy-back or a special dividend.

For some years now we have been engaged in an active investor relations programme to both broaden our investment base and to interact with shareholders. Having embarked on a sponsored level 1 ADR programme in January 2003, a further ADR split and a Dividend Reinvestment Plan for ADR holders was implemented in early 2004. We are currently considering upgrading this programme to a Level 2 and applying to list on a major US stock exchange. This will be initiated once we have concluded the corporate activity with which we are currently involved.

#### Prospects

The market fundamentals for platinum are forecast to remain sound. Automotive demand will be the key driver for platinum, with a recovery in jewellery providing a more supportive role. However, palladium and rhodium may fall victim to growing supply and above ground inventories whilst nickel should remain firm on the back of strong demand and very little growth in supply.

Implats' consistent growth in production is set to continue over the next four years, with production potentially rising to about 2.3 Moz in FY2008. Production for FY2005 will grow from Implats' managed production and from its traditional IRS production, but the once-off windfall of platinum processed on behalf of Lonplats will not be repeated. Consequently, refined platinum production is expected to decline to about 1.8 Moz in FY2005. At the same time, unit cost increases are expected to be in line with inflation.

Whereas profit should be significantly enhanced by the proceeds from the sale of the interest in Lonplats, headline earnings are expected to decrease modestly, but this will depend to a substantial extent on the prevailing exchange rate.

#### Thanks

A group the size of ours owes thanks to many. Five new members have joined our board in anticipation of a number of retirements and in embracing transformation and best practices in corporate governance at the board level.

Sadly, we bid farewell to Peter Joubert (our Chairman for the past two years and board member for nine). We thank him for the significant contributions he has made to Implats and for his leadership during a period of growth and change at Implats.

We look forward to working with Dr Fred Roux, our new Chairman, and to the contribution he will make to the board.

Our management team has remained intentionally small and lean, despite the fact that we have significantly grown our asset base and interests, has continued to be multi-disciplinary and innovative, and our performance in meeting our objectives is – in large part – a result of its efforts.

And our thanks too are extended to our loyal employees who have continued to make the difference at an operational level, delivering a sterling performance, under sometimes adverse circumstances.



**Keith Rumble**  
*Chief Executive*  
27 August 2004