

Implats' holding in Zimplats had increased to 83.44% by year-end

Zimplats

Key features of the year

- LTIFR improved by 77%
- Tonnes milled rose by 3.6% to 2.0 Mt
- Refined platinum production of 84 300 oz, up 17.2%
- Unit costs decreased by 3% to R5 074/oz
- Furnace off-line for seven weeks due to smelter breakout
- Contractor strike at opencast operations affected mining production
- Potential for significant expansion – Phase 1 on track

Zimplats mining operations, the opencast and underground trial mine, are located 77 km south of Selous. Zimplats' mining operation, Makwiro Platinum, is situated in the Hartley Complex in the northern reaches of the Great Dyke, Zimbabwe. Makwiro comprises the Ngezi opencast mine, underground trial mine as well as the Selous Metallurgical Complex (SMC). The convertor matte produced is sold to IRS in South Africa and processed in terms of a long-term off-take agreement.

Health: Tests have been conducted in respect of exhaust emissions and respirable dust sampling. All employees are screened for pneumoconiosis prior to employment, as is legally required in all dust-prone occupations in Zimbabwe.

Personal protective equipment is provided to all employees to minimize the level of noise, dust, noxious gases, heat and exposure to lead and nickel.

HIV/AIDS: An HIV/AIDS awareness information programme is in place and a survey conducted during the year indicated that the workforce has a sound understanding of HIV/AIDS. A workplace HIV/AIDS policy is being developed.

Environment: Air quality requires the monitoring of dust fall-out and greenhouse gas emissions from the use of heavy mobile equipment at the opencast operations and emissions from the smelter at the SMC. As part of this initiative, the smelter has stopped using limestone, thus reducing CO₂ emissions. Some \$52 000 will be spent on upgrading air quality monitoring at the smelter during the year ahead.

Efforts to reduce water consumption have been increased with some benefits already being felt. Decreased consumption has become imperative, not only as part of the environmental effort, but also because raw water prices increased almost eightfold in the past year.

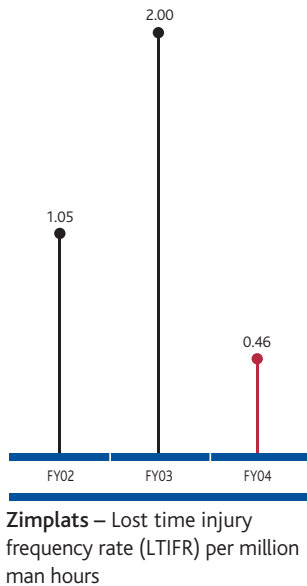
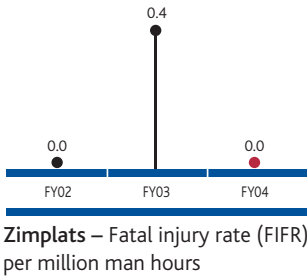
A new National Environmental Policy is currently being developed by the Ministry of

By the end of the 2004 financial year, Implats had increased its holding in Zimplats, which is listed on the Australian Stock Exchange, to 83.44%. Implats and Zimplats hold 30% and 70% respectively in Makwiro Platinum (Pvt) Ltd, giving Implats an effective holding of 88.4% in Makwiro.

Safety and health

Safety: The safety performance at Zimplats improved significantly during the year. The LTIFR for Makwiro was 0.46 per million man hours, an improvement of 77% on the previous year. The mine recorded no fatal injuries.

Much effort has been focused on safety as the expansion continued and additional employees, new to the mining discipline, were recruited. Safety action plans that have been put in place include hazard identification, the development of a safety management plan, behavioural-based training for management, and the formulation of and training on procedures and standards.



Key statistics

Ore Reserves	340.8 Mt MSZ
Mineral Resource	2 492 Mt MSZ
Current refined production	84 300 Pt oz
Life-of-mine (Phase 1)	20 years
Capital expenditure	\$11 million in FY2004 \$20 million planned in FY2005
No. of employees	1 500, including contractor employees

Environment and Tourism in Zimbabwe in consultation with all stakeholders. In terms of legislation, an Environmental Impact Assessment (EIA) and subsequent approval thereof is required by government prior to the development of the Ngezi Expansion Project.

Mining

In FY2004, volumes mined amounted to 2.1 Mt, 4% more than in FY2003. This was made up of 1.9 Mt from the opencast mine and 185 000 t from the underground trial mine. Ore sizing presented a problem in the mills, constraining the volumes milled and a study is presently underway to seek solutions to this problem.

A go-slow by employees of the opencast contractor, arising from a dispute over wages and shift cycles began on 4 June. This resulted in opencast operations being halted for three weeks. The operation used this time to conduct scheduled maintenance work on all equipment. The processing facility continued milling as it was able to draw from the 120 000 t run-of-mine stockpile and oxide ore. This stockpile has now been severely depleted, and consequently, the first three months of FY2005 will be critical for the opencast operation. A schedule is in place to expose ore at a maximum rate to keep mined ore at the required volumes. During this period a third shift will be recruited for the opencast operation to ensure that mining volumes are maintained at levels sufficient to build up depleted stock levels.

Bench drilling underperformed by 12% this year, largely as a result of breakdowns on the drill rigs and lower-than-expected penetration rates which was caused by the hardness of the rock. Two extra drill rigs are on order and due for delivery within months.

Plans are in place to restrict dilution in the underground mine and opencast operation to achieve target head grades of 3.29 g/t and 3.23 g/t respectively.

The underground mine is achieving the required 20 000 t/month per suite of equipment and is scheduled to ramp up to 55 500 t/month by year-end. The challenge will be to do this efficiently and on time.

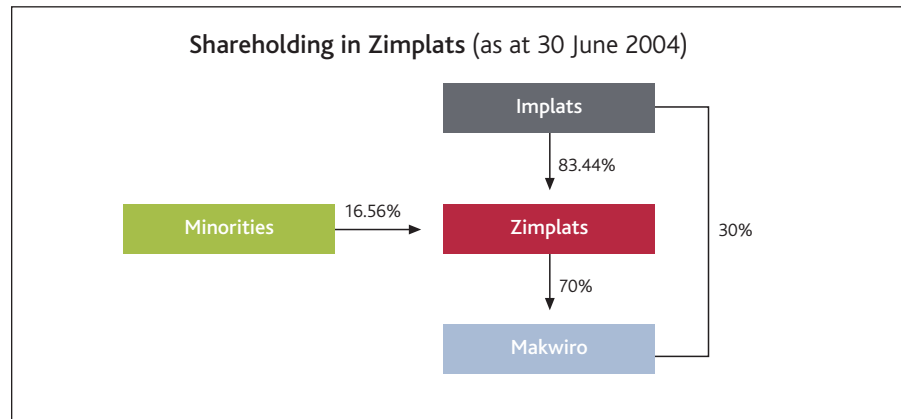
The support system for the underground mine must still be finalised and tests are currently being conducted on various types of roof bolts. The current mechanized support drill rig, although performing to specification, is unable to drill the number of holes required per shift because of the dense support pattern and the hardness of the rock. Tests are being done with a more powerful drill rig, and if not successful, more machines will be required.

Whereas total costs were higher than budgeted, due mainly to increased mining costs, Rand costs per tonne milled and per ounce produced were around 3% lower than FY2003.

Processing

Recoveries improved to 83% (up by 1% over the previous year) despite the patches of oxidised material encountered from the opencast operation which had a negative effect on recoveries. The understanding of the relationship of the oxidized ore to sulphide ore is improving and, consequently, steps are being taken to minimise recovery losses when treating the oxidised material.

Although a major break-out at the smelter in July 2003 resulted in the furnace being out of operation for seven weeks, the concentrate stockpiled during this period was successfully processed during the financial year. Platinum in concentrate



produced for the year totalled 85 200 oz, an increase of 6% on the previous financial year. This amounted to 84 300 oz of refined platinum, which exceeded expectations.

Indigenization programme

Implats requires clarity on the Zimbabwe government's indigenization requirements and in particular confirmation that a sale of 15% of Zimplats meets those requirements. We understand that the current expected level of indigenization is 15% and that recent statements citing levels of up to 50% have been withdrawn.

Outlook

A major area of concern in the coming year is opencast contractor mining costs which could rise significantly as a result of inflationary pressures. The opencast contract has been put out to tender to test the market and to enable Makwiro management to make an informed decision as to whether to continue with a contractor or to change to owner mining.

Zimplats is currently operating at close to current production capacity. There is the potential for significant expansion and this will be done in a modular fashion, given the political risks and geological challenges of developing on a new orebody.

The feasibility study and trial mine to develop an underground mine have been successfully completed. The first phase of the planned expansion, which will increase production to 141 000 oz of platinum by FY2007 has been approved in principle, subject to certain conditions precedent being met, such as security of tenure and a special mining lease. The implementation of Phase 1 will begin once these conditions have been met. This first phase will involve capital expenditure of \$109 million.

A study team has been commissioned to investigate subsequent phases of the expansion.

Zimplats key statistics

		FY2004	FY2003
Sales	(Rm)	689.2	649.8
Platinum		425.6	355.4
Palladium		92.3	137.6
Rhodium		23.6	34.9
Nickel		109.4	70.1
Other		38.3	51.8
Cost of sales		(443.3)	(476.7)
Mining operations		(297.7)	(318.1)
Concentrating operations		(114.6)	(106.6)
Amortisation of mining assets		(46.9)	(58.0)
Increase in metal inventories		15.9	6.0
Gross profit		245.9	173.1
Intercompany adjustment*		(13.6)	
Gross profit in Implats group		232.3	
Gross margin	(%)	35.7	26.6
Other operating expenses		(20.5)	(5.7)
* Adjustment note: The adjustment relates to sales from Zimplats to the Implats group which at year-end were still in the pipeline.			
Sales volumes in concentrate			
Platinum	(000 oz)	85.2	80.2
Palladium	(000 oz)	73.2	70.0
Rhodium	(000 oz)	7.8	7.5
Nickel	(t)	1 627	1 349
Prices achieved in concentrate			
Platinum	(\$/oz)	724	500
Palladium	(\$/oz)	183	222
Rhodium	(\$/oz)	438	526
Nickel	(\$/t)	9 738	5 858
Exchange rate achieved ex-mine	(R/\$)	6.90	9.09
Production			
Tonnes milled ex-mine	(000 t)	2 006	1 937
Platinum in matte	(000 oz)	85.3	82.4
Palladium in matte	(000 oz)	73.1	70.5
Rhodium in matte	(000 oz)	7.8	7.6
Nickel in matte	(t)	1 627	1 381
PGM in matte	(000 oz)	186.7	185.2
Total cost			
per tonne milled	(R/t)	216	222
	(\$/t)	31	24
per PGM ounce in concentrate	(R/oz)	2 318	2 324
	(\$/oz)	336	256
per platinum ounce in concentrate	(R/oz)	5 074	5 223
	(\$/oz)	735	574
Capital expenditure	(Rm)	76.3	27.3
	(\$m)	11.1	3.0

Only 10 months of FY2003 were attributable to Implats