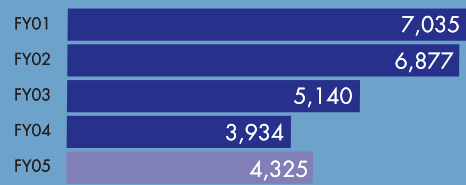


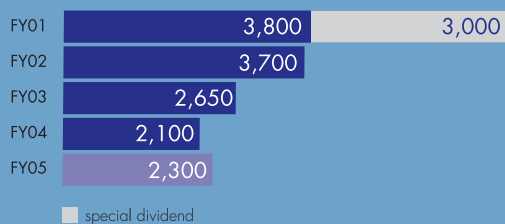
gross platinum production (000 oz)



headline earnings per share (SA cents)



dividend per share (cps)

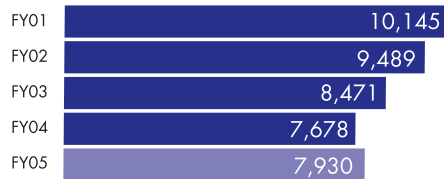


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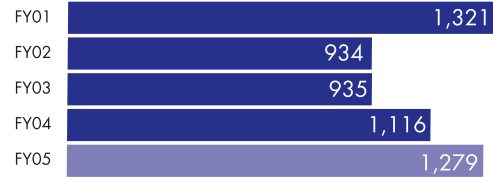
The 2005 financial year was characterised by an excellent safety and operational performance, particularly at Impala Platinum. While we have moved forward in some aspects of our PGM growth strategy, particularly at Impala Platinum and Two Rivers, our progress in Zimbabwe has been somewhat frustrating. The Ambatovy nickel project in Madagascar has the potential to assist in reducing costs at our core operations and deliver handsome returns in its own right.

# chief executive's review

revenue per platinum ounce sold (R/oz Pt)



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



During the year, gross platinum production decreased by 6% from 1.96 million ounces to 1.85 million ounces. This was expected as the FY2004 figures included the processing of 232,000 ounces of platinum during the Lonplats smelter refurbishment. Excluding this once-off Lonmin production, headline production actually increased by 5%. The star performer was Impala Platinum, which achieved record platinum production of 1.115 million ounces.

Comparisons between FY2004 and FY2005 reflect the underlying market which included the continued strength of the rand for most of the year under review:

- **sales revenues** rose by 6% to R12.541 billion;
- PGM sales **volumes** were up 6% which went some way towards mitigating the effects of the 10% decline in the average rand/dollar **exchange rate** achieved for the year of R6.2/\$. Consequently, while dollar revenue per platinum ounce sold increased by 15% on the previous year, rand revenues per platinum ounce increased by only 3.3%;
- **cost of sales** rose by 10% to R8.318 billion. The gross operating margin for the group as a whole was 34% and the gross operating margin for Impala was maintained at 42% for the year;
- **unit costs per refined platinum ounce** were well controlled at Impala and only increased by 5.3% to R4,251. The Zimbabwean operations were negatively affected by local inflation and a managed exchange rate and thus contributed disproportionately to the significant increase in group unit cost of 9.7% to R4,548 per refined platinum ounce;
- **capital expenditure** for the group rose by 9.3% to R1.992 billion;

- **net profit at the headline level** increased by 9% to R2.86 billion. Including profit on the sale of Lonplats (of R3.2 billion) and the impairment of Marula (R850 million after tax) net profit rose by 78% to R5.2 billion;
- the Board has declared a **final dividend** of R18 per share, resulting in a total dividend payout for the year of R23 per share. In dollar terms, this represents a dividend of \$3.72 per share.

## CORPORATE ACTIVITY

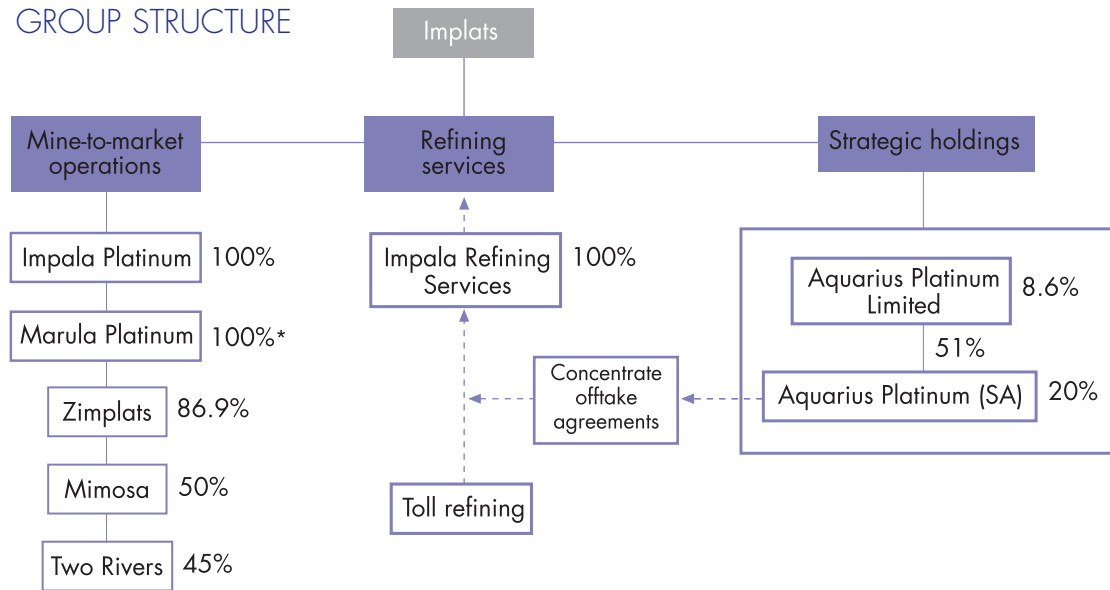
The year saw the conclusion of the Lonplats transaction on which we had embarked in the previous year. Implats' 27.1% stake in this company was sold for a consideration of R4.9 billion, resulting in profit on the sale of R3.2 billion. The proceeds were partially applied to a shareholder-approved share buy-back scheme in which 1.2 million shares (1.8% of the outstanding share capital) were purchased on the JSE Limited for R613 million, and partially towards capital expenditure, mainly at Impala.

Implats' shareholding in **Zimplats** increased to 86.9% with the rationalisation of the structure of Zimplats and Makwiro and the acquisition of 1% on the open market. Implats previously held both a direct stake of 83% in Zimplats and 30% in Makwiro. It remains Implats' intention to rationalise this structure still further in the future and, at the appropriate time, to apply for the delisting of Zimplats.

Subsequent to Aquarius Platinum Limited's BEE transaction being concluded in October 2004, Implats acquired an additional stake in **Aquarius Platinum South Africa**



## GROUP STRUCTURE



\* 20% to be allocated to BEE ownership

(AQP(SA)) for R71.5 million to maintain its stake in this company at 20% as Implats' 25% stake in AQP(SA) had been diluted as a result of the BEE transaction. The proceeds received by AQP(SA) from the BEE transaction enabled it to fund the Everest project.

In June 2005, Implats and African Rainbow Minerals (ARM) announced that they would proceed with their joint venture, the **Two Rivers Platinum project**. Implats holds a 45% stake in this project and will process and refine the metals through Impala Refining Services (IRS). This exciting new venture is expected to produce 120,000 ounces platinum (220,000 ounces PGMs) at steady state, which should be reached in FY2008.

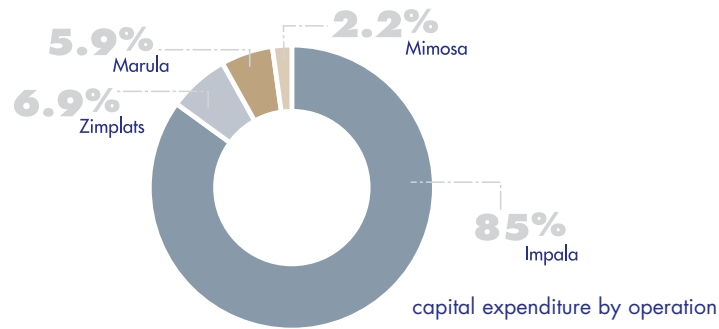
In April 2005, Implats signed an agreement with Dynatec Corporation of Canada regarding the joint progression of the **Ambatovy nickel project** in Madagascar. This project has the potential to develop into a significant nickel producer and Implats' initial investment will fund a detailed technical feasibility study

that is to be concluded in the first half of FY2006. Post year-end, in August 2005, Implats and Dynatec entered into partnership with Sumitomo Corporation of Japan which has acquired a 25% interest in the project. Implats and Dynatec will each have an interest of 37.5%. The project will be jointly managed by Dynatec and Implats. Dynatec will contribute its expertise in pressure acid-leaching technology and Implats its experience in base metals refining.

The inclusion of Sumitomo in the venture reduces both the risk to be taken on by Implats and the amount of capital required by this project, and it increases the project's security by securing a purchaser for a significant portion of the nickel to be produced.

Further organisational changes that can be anticipated at Implats during the coming year include the finalisation of the sale of the 20% BEE stake in Marula Platinum and the potential sale of a stake in Impala Platinum to an HDSA partner.





## STEADY GROWTH AT OPERATIONS

Increasing production at Impala continued to underpin Implats' mine-to-market growth during the year, although it is anticipated that there will be a steady increase in the contribution from the other operations during the years ahead. The group's **mine-to-market** operations comprise Impala Platinum, Marula Platinum, Zimplats, Mimosa and the new Two Rivers project. Collectively, these operations grew production of platinum by 2.5% and contributed 77% of headline profit, with a margin of 38%.

Contributions from **IRS** continue to be significant, amounting to 16% of headline profit, with a margin of 15%.

Contributions from equity accounted investments arose from the investments in Lonplats and Aquarius Platinum. The last contribution from our investment in Lonplats accrued this year. Total contributions from associated investments decreased by R125 million as a consequence of the sale of the stake in Lonplats. Strategic alliances contributed 7% to headline profit during FY2005.

## THE MARKET

Market volatility continued during the financial year, despite the fact that the market was supported by continued fundamental demand. Implats achieved revenue per platinum ounce of \$1,279 per ounce, an increase of 15% on the previous year. These prices were tempered in rand terms, however, by the continued strength of the South African currency which resulted in an increase of only 3.3% to R7,930 per ounce.

After recording a supply deficit for five consecutive years, the platinum market moved back into balance in calendar year 2004 and is expected to remain so in calendar year 2005. Demand was supported by growth in the automotive sector, but was insufficient to counter the growth in supply from South Africa. Although increased South African output reached a record 5 million ounces in calendar year 2004, the strong rand

has continued to fuel uncertainty about a number of South Africa expansion targets being met.

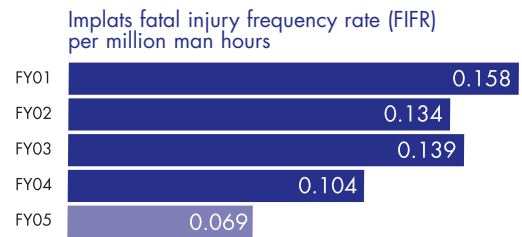
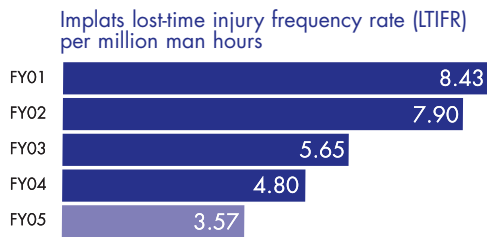
On the free market, **platinum** traded between \$776 per ounce and \$897 per ounce during the financial year. Implats' average price received for platinum was \$840 per ounce, which is an increase of 9% on the average price achieved the previous year.

The average free market **palladium** price for the year was 15% lower at \$208 per ounce than in calendar year 2003, with the metal trading between \$184 and \$230 per ounce. Even these prices seem at odds with the underlying fundamentals of the palladium market, which remains significantly in surplus with extensive stockpiles still being held by manufacturers, banks and speculators.

The current price of palladium relative to platinum provides an incentive to substitute the metal for platinum in both jewellery and autocatalysts. Just over 700,000 ounces of palladium were imported into China for use in jewellery in calendar year 2004.

**Rhodium** free market prices ranged between \$930 per ounce and \$2,040 per ounce. The average price received by Implats was \$1,217 per ounce, an increase of 122% on the previous year. This rise was caused by strong industrial demand, principally from the automotive and glass industries, and the sharp increase in rhodium lease rates which forced consumers to purchase rather than lease their requirements.

**Nickel** prices were firm for most of calendar year 2004 and remained at close to record levels as demand from the stainless steel industry continued to pressure supplies from the major producers. Stainless steel production slowed somewhat in recent months easing the tightness in the nickel market. Free market prices ranged from \$12,050 per tonne to \$17,750 per tonne in FY2005. Implats received an average price of \$14,592 per tonne, an increase of 23% on FY2004.



## SAFETY

Our focus on safety continues to yield positive results, with the best-ever performance having been achieved by the group and at the major operating subsidiary, Impala Platinum. I am pleased to report that our safety performance is finally in the same league as that of major international metal producers and that we are at the forefront of safety performance within South African hard-rock underground mining.

In spite of our continued improvements in workplace safety, it is with deep regret that we must report the death of seven employees in work-related accidents during the year – four people at Impala’s mining operations, one person at Zimplats and two people at Marula. On behalf of the Board and management of the company, we extend our condolences to the families and colleagues of those who have died.

In terms of performance, the group fatal injury frequency rate (FIFR) improved by 34% year-on-year and has more than halved over the past four years, which is when we began our new safety initiative. The lost-time injury frequency rate (LTIFR) improved by 26% year-on-year and has also more than halved over the past four years. The fall of ground safety campaign and ground control districts programme continue to play a significant role in these improvements as does the continued roll-out of behaviour-based safety systems.

Although we have achieved significant improvements, our target remains a zero fatality rate across our group and we will continue to focus our efforts on achieving this goal.

Alongside this annual report, Implats has produced a **Corporate Responsibility Report** for some years now. This year, this report is being published simultaneously with the annual report and includes detailed feedback on safety and health, HIV/AIDS, environmental performance and corporate social investment. The Corporate Responsibility Report may be downloaded from the company’s website or a printed copy may be requested on the form on page 181 of this report.

## OPERATIONAL PERFORMANCE

### Impala Platinum

**Impala Platinum** turned in a record performance, increasing platinum production by 2% to 1.115 million ounces, despite the industrial action experienced during the year, which resulted in a loss of production of 44,000 ounces of platinum. The processing and refining operations continued to excel, with concentrator recoveries in particular rising to a record level of 84.3%.

A key element in our planning going forward is ensuring the continued good performance from Impala’s mining operations. Impala’s 13 shafts and five declines together represent the single largest platinum-producing entity in the world. In addition to our sustained focus on safety, we have concentrated on optimising this operation so that we are now confident of being able to maintain production at 1.1 million ounces for some years to come. We have done this by:

- optimising the use of our infrastructure and resources:** Mining of previously abandoned areas (so-called white areas) has continued and the tails scavenging plant is meeting expectations. Most declines are now in production and will – within two to three years – reach peak performance. We are now looking at optimising plant capacity at 16.65 million tonnes per annum, improving headgrade and further increasing recoveries at the UG2 plant;
- improving productivity:** We have successfully reversed the negative trend in productivity experienced from FY2003 to FY2004, with a 2% improvement – from 39 to 40m<sup>2</sup> per panel employee – achieved in FY2005. Going forward we are targeting a 2 to 3% improvement year-on-year over the next five years. Through natural attrition, employee numbers at Impala declined by 600 to 26,900 during the year;
- maintaining costs:** The unit cost increase at Impala of 5.3% is most creditable considering the volumes lost as a result of industrial action, the 8% wage increase implemented in July 2004, and double-digit cost increases in steel products and water;



- **the roll-out of technology:** The roll-out of drill jigs and roof bolters was agreed with the major unions in September 2004. By year-end, 113 panels had roof bolters installed and 48 panels had implemented drill jigs, with consequent improvements in safety and productivity having been achieved. The plan is to roll out roof bolters and drill jigs to some 300 panels in total;
- **investment in new shafts:** In September 2004, the Implats Board approved capital expenditure of R6.8 billion (in nominal terms) for the development of 16 and 20 shafts, the first of the new fourth generation shafts. At full production, these two shafts will together produce 355,000 ounces of platinum annually; 20 shaft is scheduled to come into production in 2009 and 16 shaft in 2012. Construction work on the two shafts began in October 2004. A pre-feasibility study on 17 shaft will begin this year; and
- **implementing Mineral Reserve Management and SAP operating systems:** The new Mineral Reserve Management system will focus on optimising the mineral resource and reserve base at Impala Platinum. SAP is being implemented throughout the group and will result in streamlined systems and improved cost-efficiencies.

### Marula Platinum

At **Marula Platinum**, platinum production of 30,900 ounces was significantly lower than planned as a result of the inappropriate mining method and industrial action. A revised mining plan has been implemented which has seen the adoption of an interim hybrid mining method (a combination of mechanised and conventional mining), with full adoption of conventional mining by FY2008. There

has been a steady improvement in performance following the switch to hybrid mining and the simultaneous introduction of owner-mining, following the departure of the mining contractor in January 2005. The development of the appropriate footwall infrastructure is now underway,

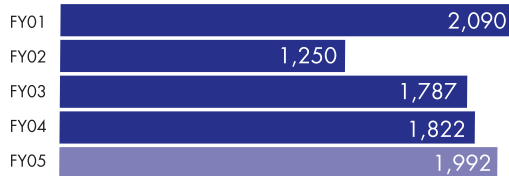
The slower-than-expected build-up at Marula and the continued strength of the rand led to revised financial and operating assumptions and the Board acted decisively in adopting a R1.0 billion (pre-tax) impairment of the asset. The Board approved additional capital expenditure of R830 million of which R66 million was spent during the year. It is expected that the mine will reach break-even in the second quarter of FY2006.

### Zimplats

Production at **Zimplats** remains on track, with 82,400 ounces of platinum produced, a decrease of 2%, as a result of the difficult operating environment in Zimbabwe. Total costs increased by 25% and unit costs by 23% as a result of higher opencast mining costs, inflation and the fixed exchange rate. Including the export credit, the increase in costs per platinum ounce in matte amounted to 11%.

To mitigate the opencast mining cost issue, in June 2005, the Zimplats and Implats Boards approved capital expenditure of \$46 million to extend the existing underground mine at Ngezi as part of a planned transition from opencast mining to underground operations. This change will also position the company for a rapid start-up to the expansion should the conditions precedent for investment be met

group capex (R million)



(see below). The transition has been accelerated in view of the significant cost differential between the two mining methods and the successful operation of the underground trial mine at Ngezi.

While some infrastructural capital was approved by the Board in anticipation of an expansion at Implats, the Board has set the following four pre-conditions before it will approve further investment to expand operations:

- security of tenure and the granting of the so-called Special Mining Leases over identified company claims. The latter will govern the contractual arrangements between the company and the state. One such mining lease has been received;
- clarity in respect of indigenisation targets. Current indications are that the targets will not be dissimilar to those set in South African minerals legislation, with which Implats is both familiar and comfortable;
- execution of the bilateral accord between South Africa and Zimbabwe. It appears as if there is broad agreement on this and that only administrative details remain in the way of signing; and
- formalisation of the agreement governing the operation of foreign currency accounts.

Discussions on these issues with the government and the Reserve Bank of Zimbabwe continue.

### Mimosa

With production of 60,800 ounces of platinum in the year under review, **Mimosa** delivered an outstanding performance, once again under difficult circumstances. As at Implats, costs are under pressure as a result of the fixed exchange rate. Nonetheless, this operation has maintained a margin of 30%.

Expansion to 80,000 platinum ounces per annum has been approved with our joint venture partners Aquarius Platinum, subject to the debt funding of \$10 million being sourced and project status being granted by the Reserve Bank of Zimbabwe.

### Two Rivers

A decision to proceed with the **Two Rivers** project was taken by the joint venture partners, ARM and Implats, in June 2005. Capital expenditure on this project is expected to be in the region of R1.2 billion with the partners contributing 50% and the balance being raised in the form of debt finance. Implats' additional share of equity investment is estimated at R270 million. The life-of-mine is forecast at 20 years.

### Refined platinum production by operation (000 oz)

	FY2005	FY2004	FY2003	FY2002	FY2001
Impala Platinum	1,114.6	1,090.3	1,040.1	1,025.3	1,002.4
Marula Platinum	30.9	5.4	–	–	–
Zimplats	82.4	84.3	60.0	–	–
Mimosa (50%)	30.4	26.4	11.8	–	–
Barplats	–	21.6	25.4	36.3	8
Mine-to-market	1,258.3	1,228.0	1,137.3	1,061.6	1,010.4
Other IRS	589.6	733.3	535.9	325.7	281.3
Gross production	1,847.9	1,961.3	1,673.2	1,387.3	1,291.7

Group capital (R million)

	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Impala	1,862	1,693	1,197	1,079	1,009	978
Marula	333	118	505	545	172	979
Zimplats	365	138	76	87	–	–
Mimosa (50%)	77	43	40	25	–	–
Barplats	–	–	4	51	69	133
<b>Total</b>	<b>2,637</b>	<b>1,992</b>	<b>1,822</b>	<b>1,787</b>	<b>1,250</b>	<b>2,090</b>

## IRS

Production at **IRS** declined year-on-year to 733,300 platinum ounces (1.487 million ounces of PGMs). If the once-off processing of Lonplats ounces in FY2004 is excluded, then platinum production rose by 10%. The continued increase in the autocatalyst recycling business continues to underpin IRS and this growth trend is expected to continue, with a further 10% increase anticipated in FY2006. Margins in this sector of the business declined to the more normal level of around 15% as a consequence of the cessation of the once-off toll revenue from processing the Lonplats concentrates which enhanced the margin in the prior year.

## INVESTMENTS

Implats has an 8.6% stake in **Aquarius Platinum Limited** and a 20% stake in that company's primary operating subsidiary **AGP(SA)**, which is the operator of the Kroondal and Marikana mines and the developer of the Everest project. Kroondal achieved record output during the year, although the Marikana mine has yet to meet targeted production levels. Construction at Everest began on conclusion of the BEE transaction in October 2004. To date, 50% of the surface construction has been completed, with the project currently on track and within the R819 million budgeted capital expenditure.

## STRATEGY

Looking ahead, Implats' strategy to remain a platinum-based resources company remains unchanged. The company has reviewed its growth plans and is confident of its ability to continue to grow beyond the near-term target of 2 million ounces of platinum per year.

An important part of the group's strategy is to focus attention on those assets and operations where we:

- can add value;
- have a key competitive advantage; and
- have strategic influence.

The recently announced **Ambatovy nickel project** should be seen in this context. Implats has developed significant expertise, experience and vested infrastructure in nickel processing and refining over the past 30 years. In fact, nickel is a significant contributor to revenue – 11% in FY2005. The appeal of the Ambatovy project to the group is two-fold:

- As part of a partnership with Dynatec and Sumitomo in a highly prospective area of the world, the project (should it proceed) is expected to deliver handsome returns over the life-of-mine.
- The proposed increase in nickel production will enable Implats to benefit from economies of scale at the Refineries that are in line with those of other major nickel producers.





## BLACK ECONOMIC EMPOWERMENT AND TRANSFORMATION

The Minerals Resources and Petroleum Development Act (MRPDA) came into effect on 1 May 2004. The Act, and its associated Broad-Based Socio-Economic Charter for the Mining Industry and its attendant Scorecard, will play a significant role in the transformation of the mining industry.

Implats has embraced the principles of transformation as a strategic imperative to reinforce its position as a leading southern African company making the best possible use of available resources. Nonetheless, plans are in place to enable the South Africa operations to comply with legislation and to monitor this compliance. (A table indicating Implats' performance regarding the Mining Charter may be found in the Corporate Responsibility Report 2005.)

A transformation initiative, Project Phambili, has been launched under the auspices of the Transformation Advisory Committee to ensure that Implats meets the goals set by the Mining Charter in terms of employment and training, development of historically disadvantaged South Africans (HDSAs), hostel conversion and home ownership, beneficiation, affirmative procurement, as well as the employment and development of women. Currently, detailed implementation plans are being developed to address the challenging targets that have been set.

### HDSA ownership at Impala

Implats has been investigating ways of addressing the equity ownership targets set out in the legislation which aims to see:

- 15% of South African mining operations owned by HDSAs by 2009; and
- 26% HDSA ownership by 2014.

Currently, Implats estimates its HDSA holding to be 9% (subject of course to verification by the Department of Minerals and Energy).

One of the company's major shareholders is the Royal Bafokeng Nation (RBN) with a 1.5% stake in the holding company, Implats. As at 30 June 2005, this stake was worth some R600 million. A significant royalty agreement also exists in terms of which Impala has paid R2.6 billion in royalties to the RBN over the past five years.

The sale of Implats' stake in Lonplats led directly to the creation of Incwala Resources Limited, which intends becoming a leading resources company. Through consultation with the DME, Implats estimates that when the "credits" gained as a result of this transaction are attributed to Impala, this will be equivalent to a 7.5% stake in Impala. Thus, it is clear that Impala needs to sell or issue shares equivalent to a further 6% of Impala by 2009 to comply with legislation. The company is currently pursuing a number of options in this regard. The preferred route for the company involves the RBN, but further discussions remain subject to, among other issues, clarity relating to the proposed Royalty Bill.

Implats submitted its applications for mineral conversions as well as for a number of prospecting permits for both Impala and Marula during the year.

### HDSA ownership at Marula

Initial HDSA ownership at Marula has been planned at a level of 20% since the inception of the project. Arrangements are in place for this stake to be acquired by Mmakau Mining (10%), a black-owned mining company, local HDSA business interests (5%) and members of the local community (5%).



### Indigenisation in Zimbabwe

The requirements in terms of indigenisation (the ownership of at least a portion of the country's assets by indigenous Zimbabweans) are still unclear. Discussions between the government and the Zimbabwe Chamber of Mines have centred on indigenous equity levels of around 30%, with a ramp-up process similar to that provided for in South Africa's recently introduced legislation. While we at Implats believe that this is a level with which we are comfortable, only in a supportive fiscal environment, and subject to the ability of the purchasers to raise the necessary level of funding, will it be achievable. Furthermore, Zimplats in particular will be extremely capital hungry as it positions itself as a world-class player.

### COMMITMENT TO SHAREHOLDER RETURNS

Implats is intent on being the preferred global platinum investment. While the rand/dollar exchange rate plays a significant role in the financial performance of the group, we are pleased to have seen that we have out-performed our major competitors during the year under review. By our calculation, our total return to shareholders (TSR) has been 25% over the past five years.

Going forward we will endeavour to improve our rating still further by:

- wherever possible, increasing our mine-to-market volumes as it is here that we achieve the greatest margins;
- finalising our BEE and transformation issues and ensuring the conversion of our mining licences;
- obtaining unequivocal and irrevocable clarity and support from the Zimbabwean authorities for our expansions in that country; and
- further development of an integrated risk management

process and ensuring that our corporate governance is in line with best practice internationally.

Shareholders should also be familiar with our philosophy on excess cash: if we believe that we cannot put it to better use within the company, we will distribute this cash to shareholders. Our cash balance at year-end stood at a healthy R3.984 billion. This was after we spent some R613 million on our share buy-back programme and R1.992 billion on capital expenditure

While our cash position is substantial, we anticipate significant capital expenditure over the next few years on both replacement infrastructure and new developments. In FY2006 and FY2007, capital expenditure is expected to be around R2.6 billion per year. Should we proceed with the expansion at Zimplats, we envisage significant investment over 10 years to turn Zimplats into a 450,000 platinum ounce per annum operation. In addition, our 37.5% interest in the Ambatovy project will entail significant expenditure over the next five years (should we decide to proceed once the bankable feasibility study has been completed in February 2006).

Shareholders will recall that one of our aims has been to increase both our shareholder base and the tradeability of our shares. In terms of the former, we have made good progress in recent years, but this does seem to have settled at non-South African ownership of approximately 40%.

The level 1 sponsored ADR program in the USA that we embarked upon two years ago has resulted in an increase in ADR holders to the point where some 5.2% of the outstanding share capital is currently held through ADRs as compared to 2.2% in 2003. We

