

investments

key features for the year

- Implats' stake in Lonplats sold for R4.9 billion to yield a profit of R3.2 billion and BEE credits
- Aquarius Platinum achieves its best production
- R71.5 million spent on maintaining Implats' stake in Aquarius Platinum (South Africa) at 20%
- Interest in Ambatovy nickel project acquired for \$50 million – detailed feasibility study underway

The development of relationships with other industry players so as to provide a positive cash flow, additional resources and new and ongoing business for IRS remains an integral part of Implats' growth strategy. Implats continually reviews its strategic holdings and rationalises them as and when appropriate. In line with this strategy, the decision was taken to sell Implats' 27.1% stake in Lonplats as the company focusses on mine-to-market production.

LONPLATS

On conclusion of the transaction for the sale of the stake in Lonplats in September 2004, Implats received R4.9 billion (\$762.8 million) to give it a net profit of R3.2 billion. The proceeds received from the sale have been used to date in part to fund a shareholder-approved share buyback and will in part be used to fund capital expenditure at Impala's mining operations.

The stake in Lonplats was sold directly to a grouping of black empowerment consortia (9%) and to Lonmin (18.1%), thus enabling Implats to play a key role in the establishment of Incwala Resources (Pty) Ltd and its subsidiary Incwala Platinum (Pty) Ltd. In this way, Implats has been able to meet in part some of the requirements of the Mining Charter. The Department of Minerals and Energy (DME) indicated that, as presented, this transaction is in line with the requirements of the new mining law. The DME will only evaluate compliance with the legislation when considering Implats' formal application for conversion to new order mining rights, but it has acknowledged that, having facilitated this transaction, Implats will be allocated credits proportional to the percentages and ounces sold to the BEE partners (9%). Application for these credits has been made to the DME and it is anticipated that in Impala Platinum's hands these credits will equate to ownership credits of 7.5%, based on an ounce-for-ounce comparison.

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AQUARIUS PLATINUM

Implats holds an 8.6% stake in holding company Aquarius Platinum Limited, which is listed on the Australian and London stock exchanges and which listed on the JSE in November 2004. Implats also has a 20% direct stake in Aquarius Platinum's subsidiary Aquarius Platinum (South Africa) (AQP(SA)), the owner and manager of the Kroondal and Marikana mines and the Everest project. In addition to its equity stakes in Aquarius Platinum and AQP(SA), Implats' subsidiary,

Effective contribution of Implats' 27.1% share in Lonplats

		FY2005*	FY2004	% change
Financial				
Sales revenue	(Rm)	1,038	1,725	(40)
Profit before tax		295	460	(36)
Net profit		208	290	(28)
Dividends received		35	285	(88)
Refined production				
Platinum	(000 oz)	139	269	(48)
Palladium		60	119	(50)
Rhodium		18	37	(51)
PGM production		267	505	(47)

* March 2004 – September 2004

Attributable contribution of Implats' interest in AQP(SA)

Rm	FY2005	FY2004	% change
Profit before tax	7	40	(82.5)
Change in unearned profit	(6)	8	(175.0)
Share of taxation	(5)	(9)	44.4
Profit	(4)	39	(102.6)
Refined production (000 oz)			
Platinum	216	188	14.9
PGMs	412	349	18.1

IRS, has concentrate offtake agreements with both Kroondal and Marikana regarding portions of their production. Implats has a 50% stake in the Mimosa mine in Zimbabwe in partnership with Aquarius Platinum.

AQP(SA) finalised its BEE transaction with a consortium led by Savannah Resources (Pty) Ltd in October 2004. The consortium subscribed for a 29.5% shareholding in the company's increased share capital for a consideration of R860 million, R819 million of which has been earmarked for the development of the Everest project. At the time of this transaction and to avoid dilution, Implats acquired an additional holding in AQP(SA) at a cost of R71.5 million to maintain its holding at 20%.

Production at AQP(SA) rose overall by 15% to 216,000 ounces of platinum (412,000 ounces PGMs), a record level in FY2005, owing largely to the improved performance at Kroondal. The Kroondal operation is being expanded as part of a pool and share arrangement (P&SA) with Anglo Platinum to give the mine both increased output (more than 500,000 ounces of PGMs) and a longer life. The Marikana mine has continued to under-perform although a recently announced P&SA here could result in additional throughput, longer life and lower costs over the life of mine.

Construction at the Everest project began in November 2004. Everest, which is located on the eastern limb of the Bushveld Complex, outside Lydenburg in Mpumalanga, is scheduled to produce 145,000 ounces of platinum (288,000 ounces of PGMs) annually from FY2007. The forecast life-of-mine is 12 years. Construction and underground development are on schedule and small-scale opencast mining has begun. The ore mined is presently being stockpiled.

AMBATOVY

At the end of May 2005, Implats announced that it would purchase a stake in a nickel project in Madagascar, in a joint venture with a Canadian company, Dynatec Corporation for a consideration of \$60 million. The Ambatovy nickel project has, according to a feasibility study released by Dynatec, the potential to produce 60,000 tons of nickel and 5,600 tons of cobalt per annum. The parties are funding a detailed, technical feasibility study, which includes expanding the existing BMR at Implats' Refineries in Springs, South Africa.

The project is a large-scale nickel and cobalt mining and extraction operation with a front-end process producing mixed sulphides in Madagascar and a back-end refinery based in Springs, South Africa. The new refinery will have the capacity to treat 80,000 tonnes of nickel annually to allow for Implats' current nickel production. The project will be jointly managed by Dynatec, which will contribute its expertise in pressure acid-leaching technology, and by Implats which will contribute its expertise and experience in base metals refining.

In terms of the agreement with Dynatec, senior debt funding will be sought for at least 50% of the funding requirements. Also agreed were the following:

- i. Implats will contribute \$50 million towards Dynatec's share of equity contributions, whereafter all parties will be required to contribute their proportionate share of equity and provide their share of any guarantees sought by the financiers; and
- ii. Subject to regulatory approvals, Implats will provide a project-completion cross-guarantee of \$170 million for Dynatec's portion of the financing guarantees

Ambatovy – key statistics

Mineral Reserves	1.25 million tonnes with a grade of 1.04% nickel and 0.1% cobalt
Planned production	60,000 tonnes nickel and 5,600 tonnes cobalt annually at full production
Project life	27 years
Capital cost (estimate)	\$2.25 billion
Operating cost	\$1.66/lb and \$0.64/lb after by-products credits
Internal rate of return	15-20% (nickel at \$3.5/lb and cobalt at \$10/lb)

It was announced after year-end that a third party, Sumitomo Corporation of Japan, is to take up a 25% stake in the project, thus diluting the partnership and resulting in Implats and Dynatec each having an equity stake of 37.5% in the project. The transaction remains subject to regulatory approvals.

Dynatec will receive the entire benefit of any payment or financial support received from Sumitomo as consideration for acquiring its 25% interest. Sumitomo will ensure that for the first 15 years of production a minimum of 30,000 tonnes of the nickel produced will be acquired by off-takers annually. This is a significant development and step forward for the project.

Madagascar, an island country in the Indian Ocean, off the coast of Africa, has a relatively low-country risk, offers legal stability for the duration of the mining permit and the country's legislature recognises the process of international dispute arbitration. It also has a favourable tax regime with a relatively controlled rate of inflation. The homogenous orebody is shallow and therefore relatively easy to mine. The project will be one of the lowest cost nickel producers globally and indications are that there will be appropriate levels of capital efficiency.

The nickel laterite deposit is at a shallow depth and mining consists of excavation only, whereafter the pulped ore is transferred via a 195-kilometre pipeline to the east coast of Madagascar, close to the port of Toamasina

where the extraction plant is located. The nickel and cobalt mixed sulphides will be bagged for transportation to South Africa for refining.

Implats has been involved in nickel processing for the last 30 years and has extensive experience and technology to treat the large nickel tonnage.

Initial capital cost estimates for this project were \$2.25 billion, but this is currently under review to assess the impact of relocating the refinery to Springs rather than constructing a new refinery in Madagascar. Cash operating costs are estimated to be in the lower quartile of the global cost curve.

Implats and Dynatec will jointly undertake the detailed engineering for the project. Modifications to the feasibility study and detailed engineering work are both expected to be completed by February 2006 and to cost no more than US\$80 million. Once this additional work has been completed, the decision will be made as to whether or not to proceed with the project.

While the project will in itself deliver favourable returns on investment, a secondary attraction for Implats is that, through the substantial increase in the volumes of nickel to be processed, the project will leverage Implats' base metal refining competencies, expertise and infrastructure, achieving significant economies of scale, thereby reducing Implats' existing cost structure.

