

# zimplats

## key features for the year

- Platinum-in-matte production up by 2% to 86,800 ounces
- Ore milled increased by 3% to 2.1 million tonnes
- Plans to increase tonnes mined underground
- Total costs rise by 25% and unit costs by 23%
- Margin of 20%
- Discussions with authorities regarding indigenisation continue

## MINING

In FY2005, volumes milled rose by 51,900 tonnes (3%) to 2.1 million tonnes – of this 311,000 tonnes were from underground and 1.747 million tonnes from the opencast operation. Headgrade remained constant at 3.22g/t (3PGE+Au) while concentrator recoveries were up fractionally to 82.8% despite the semi-oxidised material processed during the first six months. Recoveries improved to an all-time high of 84% in the second half of the year.

Platinum-in-matte production increased to 86,800 ounces. Notwithstanding the problems experienced at the start of the year (a consequence of industrial action by contractor employees), most production targets have been met. The major challenge facing the company at present is the managed exchange rate and local inflation.

Zimplats has introduced a seven-day working week, which has helped contribute to increased production. In the second half of the year, the volume of opencast tonnes produced increased significantly, exceeding expectations. The underground mine is operating satisfactorily with ore production towards the end of the year being boosted by the delivery of a second fleet of trackless mining machinery. The run-of-mine ore stockpile was below acceptable levels throughout the year due to the strike by the mining contractor employees at the end of the previous year, and the low availability of drill rigs during the first half of the year.

Total costs increased by 25% to R542 million and unit costs by 23% to R6,249 (\$1,010) per platinum ounce. This rise was as a result of the increase in opencast contractor rates, the fixed exchange rate of

## SAFETY

The total injury frequency rate improved by 56%, year-on-year, to 14.67. Although Zimplats' LTIFR rate rose to 0.80 from 0.46 in FY2004, this rate remains the best within the Implats group and is largely attributable to the behaviour-based safety programme. Sadly, there was one fatality during the year and this contributed to an FIFR of 0.13. It should be noted that this safety performance occurred during a period of increased activity which presented additional safety challenges.

Several safety initiatives have been adopted and improved on during the year. These included, Chengeta, a behavioural intervention programme and safety rules specific to each section of the operation. Of concern is the high incidence of injuries and fatalities among the employees of contractors. The strategy to manage the safety performance of contractors has thus been intensified.



Transition from open cast to underground mining is underway.

## Zimplats key statistics

### Zimplats – platinum-in-matte production (000 oz)

Fiscal Year	Production (000 oz)
FY03	82
FY04	85
FY05	87

### Zimplats – cost (R/platinum ounce)

Fiscal Year	Cost (R/ounce)
FY03	5,223
FY04	5,074
FY05	6,249

### Zimplats – capital expenditure (R million)

Fiscal Year	Capital Expenditure (R million)
FY03	27.30
FY04	76.30
FY05	137.7

		FY2005	FY2004	% change
<b>Sales</b>	(Rm)	696.1	689.2	1.0
Platinum		401.9	425.6	(5.6)
Palladium		74.8	92.3	(19.0)
Rhodium		68.6	23.6	190.7
Nickel		109.3	109.4	(0.1)
Other		41.5	38.3	8.4
<b>Cost of sales</b>		(557.3)	(443.3)	(25.7)
Mining operations		(409.7)	(297.7)	(37.6)
Concentrating and smelting operations		(104.3)	(114.6)	9.0
Amortisation of mining assets		(53.5)	(46.9)	(14.1)
Increase in metal inventories		10.2	15.9	(35.8)
<b>Gross profit</b>		138.8	245.9	(43.6)
Intercompany adjustment*		(27.9)	(13.6)	(105.1)
<b>Gross profit in Implats group</b>		110.9	232.3	(52.3)
* The adjustment relates to sales from Zimplats to the Implats group which at year-end were still in the pipeline.				
Gross margin	(%)	19.9	35.7	(44.3)
Other operating expenses	(Rm)	(28.4)	(20.5)	(38.5)
Export incentive		54.0		
<b>Sales volumes in matte</b>				
Platinum	(000 oz)	85.8	85.2	0.7
Palladium	(000 oz)	71.5	73.2	(2.3)
Rhodium	(000 oz)	7.8	7.8	0.0
Nickel	(t)	1,493	1,627	(8.2)
<b>Prices achieved in matte</b>				
Platinum	(\$/oz)	757	724	4.6
Palladium	(\$/oz)	169	183	(7.7)
Rhodium	(\$/oz)	1,424	438	225.1
Nickel	(\$/t)	11,828	9,738	21.5
<b>Exchange rate achieved</b>	(R/\$)	6.19	6.90	(10.3)
<b>Production</b>				
Tonnes milled ex-mine	(000 t)	2,058	2,006	2.6
Platinum in matte	(000 oz)	86.8	85.3	1.8
Palladium in matte	(000 oz)	72.0	73.1	(1.5)
Rhodium in matte	(000 oz)	8.0	7.8	2.6
Nickel in matte	(t)	1,496	1,627	(8.1)
PGM in matte	(000 oz)	187.0	186.7	0.2
<b>Total cost</b>		542.4	432.8	(25.3)
per tonne milled	(R/t)	264	216	(22.2)
	(\$/t)	43	31	(38.7)
per PGM ounce	(R/oz)	2,901	2,318	(25.2)
in matte	(\$/oz)	469	336	(39.6)
per platinum ounce	(R/oz)	6,249	5,074	(23.2)
in matte	(\$/oz)	1,010	735	(37.4)
<b>Capital expenditure</b>	(Rm)	137.7	76.3	(80.5)
	(\$m)	22.3	11.1	(100.9)

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### Key statistics

Ore reserves	266.6 million tonnes
Mineral resources*	2,504.8 million tonnes
Current production – platinum-in-matte	86,800 ounces
Life-of-mine (Phase 1)	20 years
Capital expenditure	\$22 million in FY2005
	\$56 million planned in FY2006
No. of employees	1,700, including contractor employees

\* Inclusive of Ore Reserves.



the Zimbabwean dollar versus the US dollar and the excessive rate of local inflation. A 45% devaluation in the local currency was announced in the second half of the financial year, however, this has only provided temporary relief. An additional devaluation of 94% was announced post year-end.

On the positive side, the company received payment of an export incentive totalling \$8.7 million from the Reserve Bank of Zimbabwe which influenced net profit. (This incentive has subsequently been withdrawn).

The economic and political environment in Zimbabwe remains difficult. Although the inflation rate has come off recent record highs, it remains a concern. This, together with the managed exchange rate, is adversely affecting costs and profitability.

The contract with the opencast operator was renewed during the first half of the year, resulting in an increase in contractor costs of 31%. It was decided to substitute opencast tonnes for lower-cost, slightly higher-grade, underground tonnes, particularly given the success of

the underground mining trials. An added advantage of this is that it will be owner-operated. The Implats and Implats Boards subsequently approved a proposal to expand underground production from the trial mine (portal 2) from 240,000 tonnes per annum to 1 million tonnes annually over the next two years at a capital cost of \$46 million. The initial plan is to increase the tonnes mined from underground to around 780,000 tonnes in the coming financial year. This will help reduce overall costs. The shift to underground production will favourably position the company for future expansions.

The Implats' Board had previously approved an expansion of the operation to 145,000 platinum ounces with the proviso that certain conditions precedent be met. These include resolution regarding security of tenure over claims, clarity on indigenisation requirements, special mining licences, foreign currency accounts and the signing of the bilateral accord between South Africa and Zimbabwe. Discussions with various government officials and departments continue.

To prepare for the proposed expansion, Zimplats has proceeded with certain infrastructural requirements such as the provision of power (electricity reticulation is in progress) and water (a pick-up weir has been built). Plant site preparation and the management village have been completed. Of the \$20.2 million budgeted for this infrastructure, \$15.5 million had been spent by the end of June 2005 and \$4.7 million has been budgeted for the completion of this development in FY2006.

A feasibility study is currently being conducted on Portal 4 underground mine, situated approximately 7 kilometres north of Portal 2, for the proposed expansion to the underground operation. The study is scheduled to be completed by the end of 2005.

## PROCESSING

At the Selous Metallurgical Complex, both the semi-autogenous mill and the ball mill were relined during the year. Liners of a different design were installed in the semi-autogenous mill in an attempt to improve mill throughput and the efficacy of this is still being assessed. Mill feed was hampered by a one-day national industrial action in November and a breakdown on the primary crusher (a total of 163 hours were lost) at Ngezi. The crusher was taken off-line for repairs at the beginning of July 2005.

Overall concentrator recoveries were hampered by the increase in partially oxidised ore milled in the first half of the year as industrial action by the opencast contractors at the end of the previous financial year disrupted the mining sequence in the opencast mine. Concentrator recoveries improved in the second half of the year with finer grind being achieved and a reduction in the volume of oxidised material processed. Record average recovery levels were reported during the third quarter of the year.

## CORPORATE ISSUES

In FY2005, Zimplats shareholders approved a scheme that involved the sale by Implats of its direct 30% stake in Makwiro Platinum Mines (Private) Limited to Zimplats. In return, Implats received 14.9 million newly issued ordinary Zimplats shares which, together with the programme to buy up minority shareholders on the Australian Stock Exchange, brings Implats' holding in Zimplats to 86.9% as at 30 June 2005. This revised

structure is aimed at improving the group's ability to borrow funds. Implats strategy remains to buy up the minority shareholders and delist Zimplats from the Australian Stock Exchange. To eliminate confusion regarding the identities of Zimplats and Makwiro, the names of the two companies were changed to Zimplats Holdings Limited and Zimbabwe Platinum Mines (Private) Limited respectively, with effect from 1 July 2005.

In October 2004, the Reserve Bank of Zimbabwe announced that, given the importance of the PGM and platinum mining sector to that country's economic recovery programme, platinum was to be accorded special status, meaning that the metal would fall under the direct control of the Reserve Bank in terms of the 'enhanced platinum sector regime'. This was followed by the promulgation of two statutory announcements which effectively overrode provisions made in the Mining Agreement with the government of Zimbabwe regarding offshore bank accounts. Both Zimplats and its holding company Implats have held extensive discussions with the Reserve Bank of Zimbabwe on finalising a workable arrangement for the management of foreign currency, both for investment funding and for ongoing operational requirements. Additional administrative work is still required and management at Zimplats are currently attending to this and finalising outstanding issues.

## INDIGENISATION

Discussions on the empowerment transaction continue with Nkululeko-Rusununguko Mining Company of Zimbabwe Limited. Delays in securing funding for the transaction have in turn led to delays in its conclusion. However, government policy on the indigenisation targets is still to be finalised. Zimplats has been involved in discussions with government and participated in representations from the Zimbabwean Chamber of Mines to government.

## OUTLOOK

Discussions with various government departments continue and clarity is being sought on outstanding issues. Operationally, the plan is to reach full production at the underground mine (Portal 2) at Ngezi and to continue to reduce production at the opencast mine so as to position the company for expansion once the situation in Zimbabwe is clarified.