

Impala Refining Services

- ▶ Refined platinum production of 721,000 ounces
- ▶ Refined PGM production of 1.5 million ounces
- ▶ Contribution of 18% to group headline profit
- ▶ Sales volumes up by 18.4% to 527,100 ounces of platinum

Introduction

Impala Refining Services (IRS) houses Implats' toll refining activities by capitalising on the capacity within the group, specifically processing and refining capacity and the group's marketing expertise. In addition to its toll refining activities, IRS also purchases concentrate from independent companies.

Operational review

Refined platinum production by IRS in FY2006 amounted to 721,000 ounces, a decline of 1.7% on the 733,300 ounces refined the previous year. Refined PGM production totalled 1.487 million ounces. The decline in production was due largely to movements in pipeline stock which resulted in an increase in inventories for the year.

Refined production was underpinned by increased volumes from long-standing partner A-1 Specialised Services and Supplies Inc. Increased metal deliveries were received from Zimplats, Mimosa and Marula, and from Barplats' operation, Crocodile River. Higher-than-expected volumes were received from Everest, which began deliveries of concentrate ahead of schedule.

The off-take contract with Messina came to an end in FY2006 while Kroondal's off-take contract with IRS will come to end in FY2008.

IRS – contribution to group platinum production (%)

FY	Contribution (%)
FY02	26
FY03	38
FY04	44
FY05	40
FY06	39

IRS key statistics

		FY2006	FY2005	% change
Sales	(Rm)	6,221.6	4,072.3	52.8
Platinum		3,319.6	2,285.5	45.2
Palladium		556.5	426.0	30.6
Rhodium		1,350.0	468.1	188.4
Nickel		578.8	536.5	7.9
Other		416.7	356.2	17.0
Cost of sales	(Rm)	(5,336.5)	(3,460.5)	(54.2)
Metals purchased		(6,137.7)	(3,635.6)	(68.8)
Smelting and refining costs		(238.6)	(188.8)	(26.4)
Increase in inventories		1,039.8	363.9	185.7
Gross profit		885.1	611.8	44.7
Gross margin	(%)	14.2	15.0	(5.3)
Other operating costs	(Rm)	(13.1)	(29.2)	55.1
Sales	(Rm)	6,221.6	4,072.3	52.8
Direct sales to customers		384.7	261.5	47.1
Sales to Impala		5,662.5	3,630.7	56.0
Toll income		174.4	180.1	(3.2)
Total sales volume				
Platinum	(000 oz)	527.1	445.2	18.4
Palladium	(000 oz)	335.7	313.3	7.1
Rhodium	(000 oz)	71.2	61.0	16.7
Nickel	(000 t)	6.1	5.9	3.4
Prices achieved				
Platinum	(\$/oz)	987	828	19.2
Palladium	(\$/oz)	260	219	18.7
Rhodium	(\$/oz)	2,975	1,240	139.9
Nickel	(\$/t)	14,986	14,540	3.1
Exchange rate achieved	(R/\$)	6.37	6.20	2.7
Refined production				
Platinum	(000 oz)	721.0	733.3	(1.7)
Palladium	(000 oz)	496.5	513.9	(3.4)
Rhodium	(000 oz)	113.2	103.8	9.1
Nickel	(000 t)	7.7	8.1	(4.9)
Total PGM	(000 oz)	1,487.1	1,486.8	0.0
Metal returned				
Platinum	(000 oz)	246.3	246.2	(0.0)
Palladium	(000 oz)	189.9	159.5	19.1
Rhodium	(000 oz)	41.5	53.8	(22.9)
Nickel	(000 t)	2.2	1.9	15.8

IRS – headline profit and contribution to group

	Profit (Rm)	% contribution to group
2002	416	9.0
2003	151	4.4
2004	394	13.4
2005	466	16.3
2006	715	18.1

Refined platinum production (000 oz)

	FY2006	FY2005	% change
Zimplats	89.0	82.4	8.0
Marula	37.0	30.9	19.7
Mimosa	66.4	60.8	9.2
Aquarius Platinum SA	214.9	215.5	(0.3)
Lonplats (excluding Messina)	22.2	32.5	(31.7)
Other	291.5	311.2	(6.3)
Total	721.0	733.3	(1.7)

Financial review

IRS' gross profit increased by 45% to R885 million in FY2006 from R612 million in FY2005. This increase was largely a result of the substantial increase in PGM prices, and in particular the prices of platinum and rhodium during the latter half of the year. Operating margins declined to 14.2% from 15% in the previous year owing to reduced tolling volumes. While the rand maintained its strength for most of the year, the decline in its value in June, when it fell by 10% against the dollar, resulted in the realisation of translation gains.

Outlook

The outlook for FY2007 is encouraging and a substantial increase in refined ounces is forecast. Increased metal deliveries are expected from A-1, Marula Platinum, Mimosa, Two Rivers and Aquarius Platinum's Everest mine. In addition, in the longer term, there will be increased metal deliveries from Zimplats, Blue Ridge mine, with which a life-of-mine off-take agreement has recently been concluded, and other potential entrants into the sector. This forecast is in line with the group strategy of increasing refined platinum production to 2.3 million ounces by 2010.

