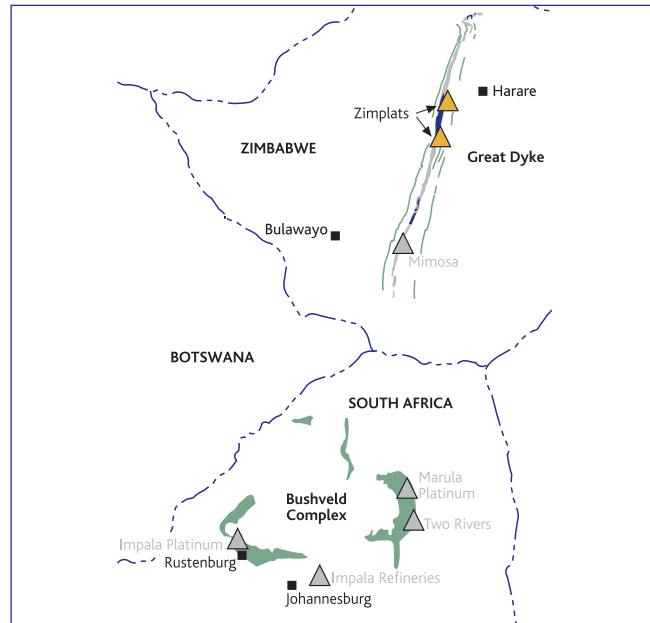


# Zimplats

- ▶ 4% increase in production to 90,300 ounces of platinum-in-matte
- ▶ Development of underground mine on track
- ▶ Annual production to be increased to 160,000 ounces by FY2010
- ▶ Agreement reached with Zimbabwe government on empowerment credits



## Location

Zimplats, in which Implats has a holding of 86.9%, is situated on the Hartley Geological Complex, in the northern half of the Great Dyke, south-west of Harare, Zimbabwe. The operation includes an opencast and an underground mine at Ngezi and the Selous Metallurgical Complex (SMC), 77 kilometres to the north. Ore mined at Ngezi is transported by road trains to the SMC where it is concentrated and smelted prior to despatch to Impala Platinum's Mineral Processes in terms of a life-of mine agreement with IRS.

## Safety

Although there was a deterioration in safety at Zimplats during the year, this operation was still the best performer in terms of safety within the Implats group. LTIFR rose to 0.90, a deterioration of 13%. The increase in the incidence of injuries was a result of the presence of inexperienced contractor

employees on site during the build-up phase of underground operations. Contractors were involved in the construction of the dam, staff housing and development related to the ramp-up in underground production at Ngezi's Portal 2. Contractors are required to apply the same safety standards and procedures which are in force at the Zimplats' operations. Zimplats enjoyed a fatality-free year.

At Zimplats, the emphasis is on a management-driven culture of safety with the focus on behaviour-based safety programmes.

## Operational review

### Mining

The volumes of ore milled decreased by 1.9% to 2 million tonnes and yielding 90,300 ounces of platinum-in-matte, which in turn was 4% higher than production in the previous financial year.

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

FY03	82
FY04	85
FY05	87
FY06	90

Zimplats – operating costs  
(R/platinum ounce)

FY03	5,223
FY04	5,074
FY05	6,249
FY06	6,458

Zimplats – capital expenditure  
(R million)

FY03	27
FY04	76
FY05	138
FY06	253

Underground production rose to 697,000 tonnes (34% of total output) while opencast production declined to 1.3 million tonnes (66% of total output) from 1.8 million tonnes in FY2005 as planned. This compares with an underground/opencast production ratio of 1:6 in FY2005.

Yield from head grade improved to 3.37 g/t (3E + Au), a result of the increased contribution to overall output of higher grade underground ore.

At the underground operation, three fully functional fleets of load-haul dumpers (LHDs) were in operation during FY2006. Training of the personnel for a fourth fleet was completed and this fleet went into production in June 2006. The ramp-up to full production at Portal 2, the underground mine, was completed as scheduled by the end of June 2006 so that half of the operation's future production will come from underground.

The decline in opencast volumes mined is as planned, although production here was hampered by the heavy summer rains experienced in the three months to March 2006. In terms of the current mine plan, the opencast operation is scheduled to be wound down by February 2008. The board has approved capital expenditure of \$69.2 million for the development of Portal 1 to replace the opencast tonnes.

### Zimplats key statistics

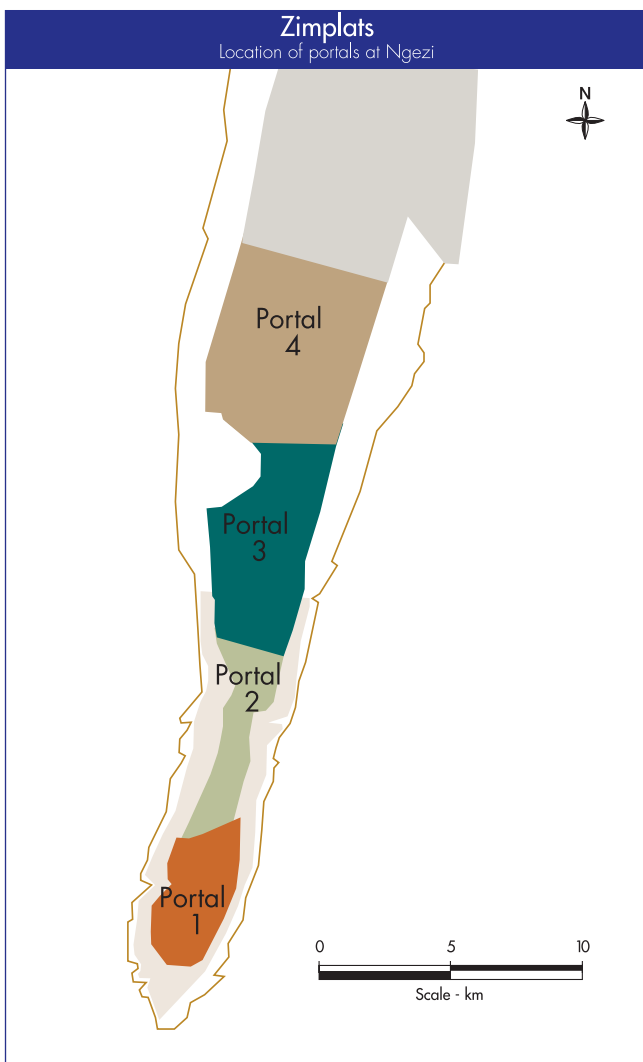
		FY2006	FY2005	% change
<b>Sales</b>	(Rm)	<b>1,037.9</b>	696.1	49.1
Platinum		555.1	401.9	38.1
Palladium		120.4	74.8	61.0
Rhodium		165.5	68.6	141.3
Nickel		117.2	109.3	7.2
Other		79.7	41.5	92.0
<b>Cost of sales</b>		<b>(606.2)</b>	(557.3)	(8.8)
Mining operations		(465.1)	(409.7)	(13.5)
Concentrating and smelting operations		(92.8)	(104.3)	11.0
Amortisation of mining assets		(55.8)	(53.5)	(4.3)
Increase in metal inventories		7.5	10.2	(26.5)
<b>Gross profit</b>		<b>431.7</b>	138.8	211.0
Inter-company adjustment*		(116.0)	(27.9)	(315.8)
<b>Gross profit in Implats group</b>		<b>315.7</b>	110.9	184.7
* The adjustment relates to sales by Zimplats to the Implats group which at yearend were still in the pipeline.				
<b>Gross margin</b>	(%)	<b>41.6</b>	19.9	109.0
<b>Other operating expenses</b>	(Rm)	<b>(25.3)</b>	(28.4)	10.9
Royalty expense	(Rm)	(19.7)	(13.0)	(51.5)
<b>Sales volumes in matte</b>				
Platinum	(000 oz)	90.4	85.8	5.4
Palladium	(000 oz)	76.5	71.5	7.0
Rhodium	(000 oz)	8.1	7.8	3.8
Nickel	(t)	1,511	1,493	1.2
<b>Prices achieved in matte</b>				
Platinum	(\$/oz)	937	757	23.8
Palladium	(\$/oz)	251	169	48.5
Rhodium	(\$/oz)	3,531	1,424	148.0
Nickel	(\$/t)	12,946	11,828	9.5
<b>Exchange rate achieved</b>	(R/\$)	<b>6.39</b>	6.19	3.3
<b>Production</b>				
Tonnes milled ex-mine	(000 t)	2,019	2,058	(1.9)
Platinum in matte	(000 oz)	90.3	86.8	4.0
Palladium in matte	(000 oz)	76.5	72.0	6.3
Rhodium in matte	(000 oz)	8.1	8.0	1.3
Nickel in matte	(t)	1,510	1,496	0.9
PGM in matte	(000 oz)	195.6	187.0	4.6
<b>Total cost</b>		<b>583.2</b>	542.4	(7.5)
per tonne milled	(R/t)	289	264	(9.5)
	(\$/t)	45	43	(4.7)
per PGM ounce	(R/oz)	2,982	2,901	(2.8)
in matte	(\$/oz)	467	469	(0.4)
per platinum ounce	(R/oz)	6,458	6,249	(3.3)
in matte	(\$/oz)	1,011	1,010	(0.1)
<b>Capital expenditure</b>				
	(Rm)	252.5	137.7	(83.4)
	(\$m)	39.5	22.3	(77.1)



## Processing

The run-of-mine stockpile remained at manageable proportions. Currently, mill throughput capacity is proving to be a constraint and investigations are being conducted into various possible modifications to the mill so as to increase capacity. A new ore crusher and conveyor have been commissioned to accommodate planned increases in underground volumes.

Recoveries improved to 84.4% for the year (FY2005: 82.8%) and were the primary contributor to increased metal production. Variations in open-pit ore feed size distribution continued to have a negative impact on the milling rate and recommendations from consultants on how to deal with this are now being implemented. The milling consultants recommended the installation of a pebble crusher in the SAG milling circuit in order to increase throughput by at least 5%. A new pebble crusher is scheduled to be commissioned in October 2006.



## Costs

Operating costs were well controlled at \$45 per tonne of ore milled. An effective cost management programme kept increases to a minimum. This in turn helped to minimise the increase in unit costs which also benefited from higher by-product revenues. In rand terms, the cost per ounce of platinum in matte rose by 3% to R6,458 per ounce while in dollar terms unit costs were similar at \$1,011 per ounce of platinum-in-matte. The export incentive scheme was abolished with effect from July 2005 and had no bearing on earnings this year.

## Indigenisation/empowerment

Following extensive discussions regarding empowerment and indigenisation, it was announced on 31 May 2006 that Zimplats had entered into an agreement with the government of Zimbabwe on the release of a portion of its property to the government which accounted for 36% of its Mineral Resource base in exchange for a combination of empowerment credits of 19.5% and \$51 million in cash or equity in a joint venture. The agreement also allows for the ground Zimplats requires for long-term expansion to be secured in terms of the special mining lease. The portion of land to be released contains an estimated 51 million ounces of platinum or 99 million ounces (3E + Au) and does not affect Zimplats long-term expansion programme to produce at least 1 million ounces of platinum annually over the 50 year life of mine.

In terms of the agreement with the government, the market value of the claims of \$153 million was taken into account. The credit which Zimplats is to receive was calculated as a function of the number of Zimplats' shares in issue and the weighted average share over the 30 days prior to the signing of the agreement. In addition, all remaining claims for the long-term expansion will be incorporated into the special mining lease that applies to Zimplats' operations at present. This will enable any proposed expansions in these areas to be fast tracked.

The land to be released is in the north of the property held by Zimplats and excludes the land on which the Selous Metallurgical Complex and the old Hartley mine are located.



### Capital expenditure

The major area of capital expenditure in FY2006 was the completion of the basic infrastructure at the new Portal 2 underground mine at Ngezi at a total cost of \$57 million, which was \$9 million less than budgeted. This infrastructure included a 132KV powerline, a dam weir, surface infrastructure and conveyors. Staff housing has been completed and all mining fleets are in place. Portal 2 will achieve its design capacity of 80,000 tonnes per month by August 2006 and will represent the completion of the first phase of the conversion from opencast to underground mining.

### Outlook

Full production of 960,000 tonnes is scheduled from Portal 2 in FY2007 with opencast production of 1.2 million tonnes for the year. Following an agreement reached with the government of Zimbabwe (see Indigenisation/empowerment), the boards of

both Implats and Zimplats have approved capital expenditure of \$258 million to complete the conversion to underground mining, as well as to begin the first phase of the long-term expansion plan. This project will involve the commissioning of two underground portals at Ngezi (Portal 1 and Portal 4) as well as the construction of a new 1.5-million-tonne concentrator at Ngezi. Production is planned to increase to 3.6 million tonnes to yield 160,000 ounces of platinum-in-matte per annum by FY2010.

Increases in costs are expected to be kept to a minimum, given the cost management programme that is in place.

Planned capital expenditure includes the construction of 715 new staff houses near Ngezi. The project will lead to the creation of 1,200 new direct jobs and an estimated 3,000 additional contractor jobs during the three-year construction phase.