

Review of operations and investments

Impala Refining Services

Highlights

- Refined production of 971,000oz of platinum, 2Moz of PGMs
- Gross profit of R1.8 billion, double that of FY2006
- Contracts concluded with Leeuwkop and Ridge Mining
- Impala's investment in additional smelting and refining capacity continues to open up opportunities for growth

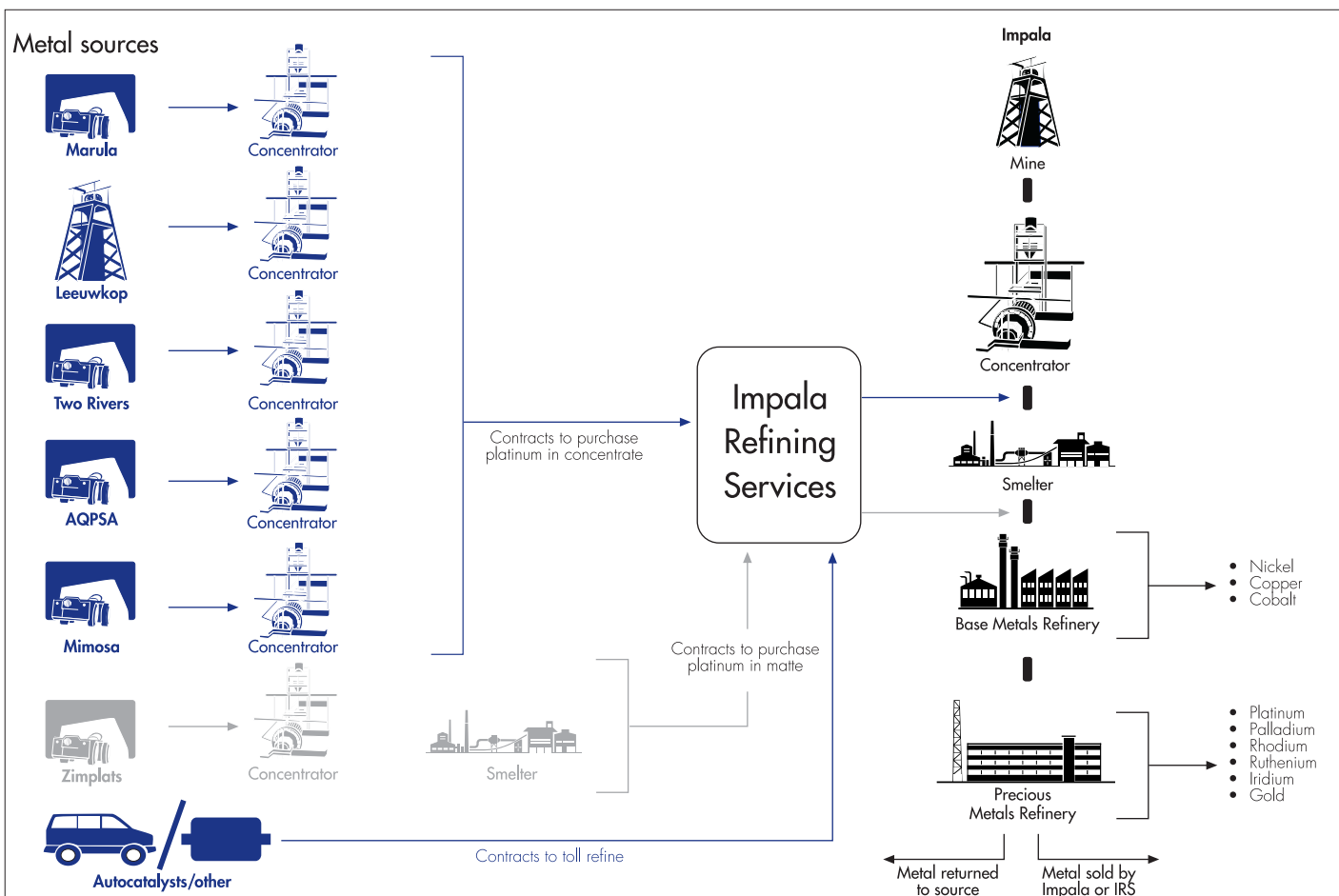
Impala's refining capacity is used to smelt and refine the concentrate and matte produced at the group's other mine-to-market operations, material purchased from other companies as well as toll-refining on behalf of other companies. In the case of the former two business streams, Implats acquires the PGM-bearing material and markets the final product, while in the case of the latter, the final product is returned to the company from which it was acquired.

Performance

FY2007 was another record year in both operating and financial terms for IRS. Refined platinum production rose by 35% to 971,000oz of platinum (2Moz of PGMs). This increase was attributable in part to the continued ramp-up in production at Marula, Two Rivers, AQPSA's Everest mine, increased production from Crocodile River Mine, and favourable contributions from Implats' partner, A1 Specialised Services and Supplies Inc., with the ongoing supply of spent autocatalyst material for recycling, and from fellow producer Lonmin, which delivered material during that company's recent smelter shutdown.

Gross profit increased by 102% from R885 million in FY2006 to R1.79 billion in FY2007 as a result of both the significant increase in production and the continued rise in PGM prices. Operating margins remained under pressure and, despite the record earnings, declined from 14.2% to 13.1% as a result of the greater volume of refined production from metal purchase contracts.

IRS – schematic of metals flow



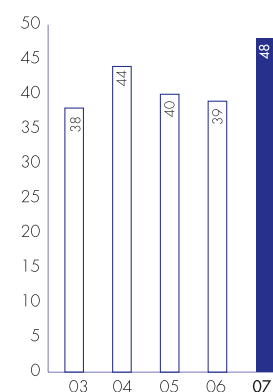
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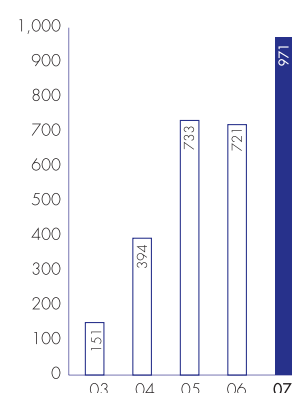
IRS key statistics

		FY2007	FY2006	% change
Sales	(Rm)	13,649.3	6,221.6	119.4
Platinum		5,863.0	3,319.6	76.6
Palladium		1,050.7	556.5	88.8
Rhodium		3,530.5	1,350.0	161.5
Nickel		2,056.5	578.8	255.3
Other		1,148.6	416.7	175.6
Cost of sales		(11,862.1)	(5,336.5)	(122.3)
Metals purchased		(12,683.3)	(6,137.7)	(106.6)
Smelting and refining costs		(322.9)	(238.6)	(35.3)
Increase in inventories		1,144.1	1,039.8	10.0
Gross profit		1,787.2	885.1	101.9
Gross margin	(%)	13.1	14.2	(7.7)
Other operating costs		(34.2)	(13.1)	(161.1)
Sales		13,649.3	6,221.6	119.4
Direct sales to customers		1,050.6	384.7	173.1
Sales to Impala		12,226.0	5,662.5	115.9
Toll income		372.7	174.4	113.7
Total sales volume				
Platinum	(000oz)	686.9	527.1	30.3
Palladium	(000oz)	439.2	335.7	30.8
Rhodium	(000oz)	94.6	71.2	32.9
Nickel	(000t)	8.3	6.1	36.1
Prices achieved				
Platinum	(\$/oz)	1,189	987	20.5
Palladium	(\$/oz)	333	260	28.1
Rhodium	(\$/oz)	5,201	2,975	74.8
Nickel	(\$/t)	34,642	14,986	131.2
Exchange rate achieved	(R/\$)	7.18	6.37	12.7
Refined production				
Platinum	(000oz)	970.9	721.0	34.7
Palladium	(000oz)	641.6	496.5	29.2
Rhodium	(000oz)	144.4	113.2	27.6
Nickel	(000t)	9.2	7.7	19.5
Total PGM	(000oz)	1,985.9	1,487.1	33.5
Metal returned				
Platinum	(000oz)	261.9	246.3	6.3
Palladium	(000oz)	190.5	189.9	0.3
Rhodium	(000oz)	46.5	41.5	12.0
Nickel	(000t)	0.9	2.2	(59.1)

IRS – contribution to group platinum production (%)



IRS – platinum production (000 oz)





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Refined platinum production			
000oz	FY2007	FY2006	% change
Marula	61.3	37.0	65.7
Two Rivers	67.8	–	–
Zimplats	91.1	89.0	2.4
Mimosa	68.9	66.4	3.8
AQPSA	281.3	214.9	30.9
Lonplats	162.0	22.2	613.7
Other	238.5	291.5	(18.1)
Total	970.9	721.0	34.7

Outlook

A continued increase in mine-to-market production is expected in FY2008, particularly from Everest, Marula and Two Rivers, as well as from an anticipated rise in volumes from autocatalyst recycling in line with improved market collection efficiencies of spent autocatalysts prompted by higher metal prices. In addition, the conclusion of life-of-mine offtake agreements with Leeuwkop and Ridge Mining will bolster production from about 2009 and 2010 respectively. Metal deliveries from AQPSA's Kroondal mine will cease during FY2008 as the contractual agreement with Implats will have been completed.

Discussions with a number of junior players in the industry are continuing with a view to securing additional long-term contracts – in particular those with a limited mine life for whom extensive capital investment in processing capacity could not be easily justified. Implats is confident that the services it offers in terms of smelting and refining will remain much in demand and that with continued investment in its facilities, economies of scale and certainty of contract delivery, it will continue to serve the interests of new entrants.

