

2007 ANNUAL REPORT

Review of operations and investments

Zimplats



Introduction

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

Safety

Zimplats reported an excellent year in FY2007 with respect to its safety performance which was the best in the Implats group. There were only three lost-time injuries and no fatalities. This is particularly commendable given the expansion that is currently under way at the mine and the presence on site of contractors. Much effort is put into safety training of both employees and contractors. Safety standards are enforced and contractors are penalised for non-compliance. The workforce is disciplined and the operation by its nature is relatively safe compared with deep-level mines. More information on safety may be found in the section a Corporate Responsibility on pages 106 and 107 of this report.

Operational review

During FY2007, Zimplats' production broke all records. Tonnes milled rose by 6% to 2.13Mt and there was a corresponding increase in metal production to 206,000oz of PGM of which platinum accounted for 47%. Recoveries were maintained at 84.4% and costs were below budget. Plant availability rose by 2% as a result of improved maintenance.

At the concentrator, the milling circuit was optimised with the installation of a pebble crusher, the performance of which exceeded expectations and resolved the problem of feed size distribution experienced the previous year. The crusher helped to increase milling crushing capacity by 10%.

Given improved industrial relations and better management of issues, particularly wages, no strikes were experienced during the year. As a result of the hyperinflation prevailing in the country, employees are paid every two weeks and salaries are adjusted regularly, which has helped to reduce industrial conflict with employees.

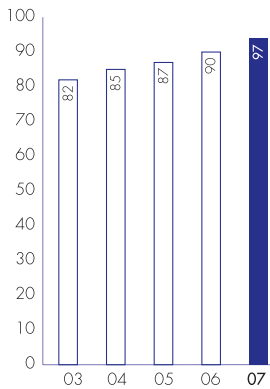
Highlights

- Production increases to 96,500oz of platinum-in-matte
- Development of underground mine on schedule
- Phase 1 expansion to 160,000oz of platinum per annum by FY2010 on track

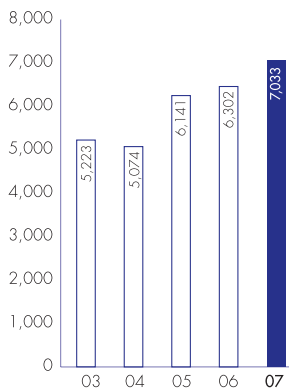
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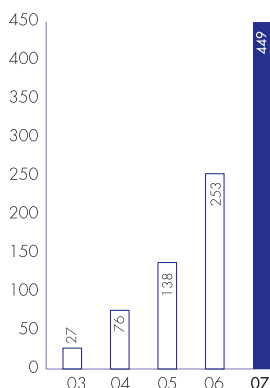
Zimplats – platinum-in-matte production (000 oz)



Zimplats – operating costs (R/platinum ounce)



Zimplats – capital expenditure (R million)



Zimplats key statistics

		FY2007	FY2006	% change
Sales	(Rm)	1,697.3	1,037.9	63.5
Platinum		734.1	555.1	32.2
Palladium		173.4	120.4	44.0
Rhodium		323.0	165.5	95.2
Nickel		408.1	117.2	248.2
Other		58.7	79.7	(26.3)
Cost of sales		(768.7)	(604.3)	(27.2)
Mining operations		(495.7)	(451.0)	(9.9)
Concentrating operations		(153.5)	(92.8)	(65.4)
Amortisation		(162.2)	(68.0)	(138.5)
Increase in inventory		42.7	7.5	469.3
Gross profit		928.6	433.6	114.2
Inter-company adjustment *		(74.0)	(116.0)	36.2
Gross profit in Implats group		854.6	317.6	169.1
* Adjustment note: The adjustment relates to sales from Zimplats to the Implats group which at year-end was still in the pipeline.				
Gross margin %	(%)	54.7	41.8	30.9
Other operating costs		(29.5)	(25.3)	(16.6)
Royalty expense		(30.8)	(19.7)	(56.3)
Sales volumes in matte				
Platinum	(000oz)	96.6	90.4	6.9
Palladium	(000oz)	78.5	76.5	2.6
Rhodium	(000oz)	8.5	8.1	4.9
Nickel	(t)	1,687	1,511	11.6
Prices achieved in matte				
Platinum	(\$/oz)	1,058	937	12.9
Palladium	(\$/oz)	303	251	20.7
Rhodium	(\$/oz)	5,008	3,531	41.8
Nickel	(\$/t)	31,204	12,946	141.0
Exchange rate achieved	(R/US\$)	7.19	6.39	12.5
Production				
Tonnes milled ex-mine	(000t)	2,133	2,019	5.7
Platinum in matte	(000oz)	96.5	90.3	6.9
Palladium in matte	(000oz)	78.4	76.5	2.5
Rhodium in matte	(000oz)	8.5	8.1	4.9
Nickel in matte	(t)	1,668	1,510	10.5
PGMs in matte	(000oz)	205.7	195.6	5.2
Total cost		678.7	569.1	(19.3)
per tonne milled	(R/t)	318	282	(12.8)
	(\$/t)	44	44	-
per PGM ounce in matte	(R/oz)	3,299	2,910	(13.4)
	(\$/oz)	459	455	(0.9)
per platinum ounce in matte	(R/oz)	7,033	6,302	(11.6)
	(\$/oz)	978	986	0.8
Capital expenditure	(Rm)	448.7	252.5	(77.7)
	(US\$m)	62.4	39.5	(58.0)



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The conversion from opencast to underground mining continues. The original underground trial mine (portal 2) is now fully operational. As planned, opencast production for the year was down to 1.1Mt and underground production up to 1Mt, a ratio of 51:49 respectively. Closure of the opencast operation is scheduled for the end of FY2008 by which time stockpile of around 500,000t will have been built up that will last until the first half of FY2009, when the tonnes from underground (Phase 1 expansion – see below) are scheduled to come on stream.

The Phase 1 expansion has commenced. This expansion, which will roll out over two years, involves the development of portals 1 and 4 together with the simultaneous construction of a new concentrator, 700 houses and associated infrastructure. The expansion, which is on schedule and on budget, will create 1,200 permanent jobs while 3,000 contractors will be employed during the construction and development period. At portal 1, the box cut is almost complete and the declines are being prepared. Full production from this portal is expected by October 2008. At portal 4, the box cut has also been completed and underground development of the declines has begun. Full production from portal 4 is scheduled for FY2010. Combined full production of 4Mt, to yield 160,000oz of platinum, is expected from both these portals by FY2011.

On completion of Phase 1, total concentrator capacity will be around 4.5Mt. However, smelter capacity will be a constraint. Efforts are being made to optimise the 'mass pull' which effectively eliminates more of the waste from the material being supplied to the smelter, enabling more, higher-grade material to be processed. The trucking of concentrate to South Africa for smelting is also being considered as an option as smelter capacity at Impala Platinum is being increased.

The supply of power poses a risk on the technical side. Zimplats pays for its power in US dollars which has helped to limit interruptions to supply but the company is investigating the possibility of importing its own power directly as well as the construction of a local sub-station at the nearby town of Norton which would be linked to the national grid.

There were savings during the year, especially as a consequence of the increase in lower-cost tonnes mined from underground – opencast tonnes are about twice as expensive to produce. Increases in steel prices worldwide have rendered opencast mining equipment even more costly while fuel prices have remained high. To counter the cost of steel, a cheaper supplier of steel balls has been found in China. The cost of explosive material has also risen. Currently, costs are being driven by the plummeting Zimbabwean exchange rate.

The current socio-economic and political climate in Zimbabwe has had an effect on employees and morale. This in turn has aggravated staff turnover levels, making staff attraction and retention challenging. The expansion, however, has resulted in a gratifying improvement in staff morale and increased excitement among the team.

Capital expenditure

Work on the \$340 million Phase 1 expansion is progressing and is scheduled for completion in June 2009. Capital expenditure for FY2007 totalled \$62 million of which \$40 million was spent on the Phase 1 expansion project.

In FY2008, planned capital expenditure is budgeted at \$264 million (approximately R2 billion) of which \$185 million is for the Phase 1 expansion. \$24 million is for the proposed sub-station which is being planned so as to safeguard power supplies to the mine.



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Name	Expansion project
Location	Ngezi, Zimbabwe
Description	The project allows for the development of mining portals 1 and 4 as well as expansion to the concentrator which is under way to increase production to 160,000oz of platinum annually. Includes the construction of 700 houses and associated project infrastructure.
Key information	
Start date	Phase 1: second half of FY2006
Completion date	Phase 1: FY2010
Annual capacity	<ul style="list-style-type: none"> • Increase to 3.8Mt • 160,000 ounces of platinum annually
Average grade	3.52g/t (3PGE+Au)
Capital expenditure	Phase 1: \$340 million Expenditure to date: \$41 million
Life of mine	Portal 1: 18 years Portal 4: 30 years
Key project milestones achieved in FY2007	Box cuts for both portals 1 and 4 completed and declines at both portals being prepared. Investigations into phase 2 began
Key project milestones planned for FY2008	Completion of portal 1 planned for FY2009
Key project milestones planned for FY2008	Completion of portal 4 planned for FY2010 Commissioning of concentrator scheduled for FY2010

Outlook

Investigations are in progress to take production to 300,000oz (6.5Mt) of platinum annually within five years. The results of the feasibility study on Phase 2 are scheduled to be presented to the boards in November 2007.

