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Chief executive officer's review

The 2007 financial year has been one of change, opportunity and growth for Implats:

- **Change** in that we have experienced leadership changes at both a corporate and operational level. We are fortunate to have significant depth of management and the ability to attract new talent to our group. Adapting to change is something that we at Implats are good at, and with change comes opportunity.
- **Opportunity**, for we have acquired a new mine-to-market operation in Afplats. This acquisition has significantly increased our South African asset base and has the potential to add significantly to our growth profile in this country; and
- **Growth** as we have given the go-ahead for smelter and refinery expansions to take our nameplate capacity to approximately 2.8Moz platinum per annum. New projects have continued to increase production and Impala Refining Services looks set to consolidate its pre-eminence in this sector and to reflect further growth as new contracts are signed.

Yet throughout this period of change we have retained our vision and continued to build on our strengths – our people, our assets and our core competencies. Our strategy for delivery, combined with excellent market conditions, has resulted in another year of record earnings.

This year for the first time we exceeded the production milestone of 2Moz of platinum; this despite a 6% decline in production at our flagship operation, Impala. The shortfall from Impala was more than made up by increased production at our other mine-to-market operations, especially at Marula, which is now beginning to reap the benefits of the change in mining plan and method implemented a couple of years ago and where production rose by 63%, and at IRS which reported a significant increase in refined platinum production of 35%.

In addition to the record levels of production, earnings this year were boosted by the continued surge in the prices of our metals. The combination of strong output and prices resulted in sales for the year rising to a record R31.5 billion. The overall margin increased to 46% in FY2007 from 42% in FY2006. Controlling increases in costs remained a challenge and the group unit cost per platinum ounce increased by 27.2% to R6,370 (or 21.1% if share-based payments are excluded). The net result was a 67% increase in profit to R7.3 billion and a 113% increase to R16.36 in normalised headline earnings per share.

Favourable markets continue

Turning to global markets, we remain optimistic concerning the outlook for our metals. In particular, the past year was noteworthy for the simultaneous strength in the prices for the entire suite of platinum group metals. In the platinum market, increasingly stringent emission legislation continues to underpin fundamental demand while jewellery remains resilient despite higher metal prices. The palladium price remained relatively firm despite a substantial surplus in that market while strong demand for rhodium was driven by ever stricter NOx emission legislation in gasoline engines. Continued vigorous demand from the stainless steel industry resulted in a trebling in the nickel price in the 17 months to May 2007.

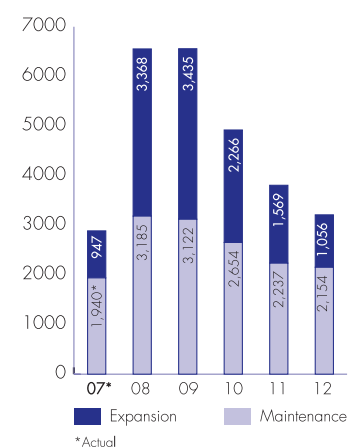
Our strategy

We remain committed to our core philosophy of being a primary platinum group metals producing company. These metals are the basis of our long-term strategy. Other metals produced, such as ruthenium and iridium, provide excellent support in bringing down the cost of producing our primary metals. This year, for the first time, we have provided information on these other metals in our Market Review section, providing insight into their growing contribution to our business. Rather than viewing this as a departure from our



David Brown, CEO

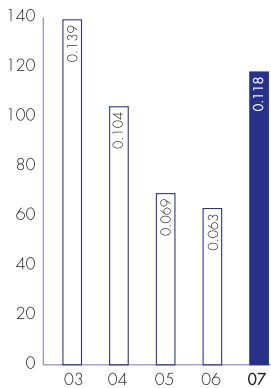
Implats – forecast capital expenditure to FY2012 (Rm)





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Implats – FIFR (per million manhours)



focus, shareholders should see these other metals as being complementary to our primary production and adding another income stream at no additional cost to production.

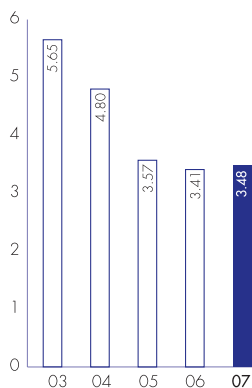
The group has embraced six key strategies:

1. Safety

Our safety performance in FY2007 has been disappointing, with the number of fatal accidents rising for the first time in five years. There were 13 fatal accidents at our operations during the year (FY2006: 7); nine of these were at our Impala Rustenburg mining operation, one at Marula and three at Mimosa in Zimbabwe. The board and management of the company join me in offering our condolences to the families and friends of these employees. The lost-time injury frequency rate (LTIFR) also rose marginally, from 3.41 in FY2006 to 3.48 per million manhours.

We take very seriously the reversal in some of the major gains in safety that had been made in recent years and have re-invigorated our fall of ground prevention campaign – falls of ground accounted for 62% of all fatal accidents in FY2007. We are also placing a great deal of emphasis on training, particularly of new employees, and on behaviour-based initiatives.

Implats – LTIFR (per million manhours)



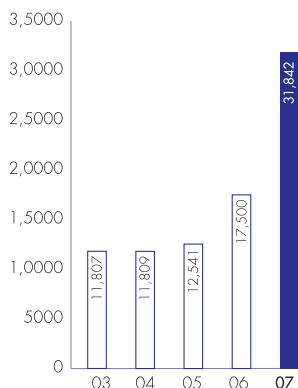
2. Growing the company

Growth is integral to our overall strategy for the company, not just in terms of ounces of production, but also in the realisation of value. We see three avenues of growth:

- Seeking opportunities for organic growth from our existing operations, namely Impala, Marula, Two Rivers, Mimosa and Zimplats.
- Seeking to increase our access to future sources of production. The acquisition of Afplats is one such example.
- Reinforcing our position in the recycling market as it grows significantly in coming years.

We are on track to achieve production of 2.3Moz of platinum (4.6Moz of PGMs) by FY2010. We are already putting in place the building blocks to grow to 2.8Moz of platinum annually (5.6Moz of PGMs) with capital expenditure to increase our smelting and refining capacity to 2.8Moz of platinum having been approved. A near-term target of 2.5Moz of platinum by FY2012 is being pursued. Currently, Implats produces about 25% of the global supply of platinum in a tightly balanced supply/demand regime. We plan to maintain and potentially expand that share.

Total revenue (R million)



Impala Refining Services remains a core part of our growth strategy and, apart from the recycling business, new contracts with junior mining companies have reinforced our strength in this area. We continue to support new entrants into the market. The value of the significant economies of scale that we can achieve and the technical expertise that goes hand-in-hand with our proprietary refining technology should not be underestimated.

Also, supporting our growth strategy is our greenfields exploration programme. In the current market we certainly believe that this is a more attractive level of entry into sources of additional supply for the group.

3. Costs

The group's track record on cost leadership is a fine one, but one which can be further improved. Areas being targeted going forward are increasing labour efficiency, improving the use of materials, leveraging our buying power to secure reasonable prices from suppliers, and supporting attempts to generate competition. The latter is particularly important when taking into account the recent increases in inflation which are likely to affect costs going forward.

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The latest round of wage negotiations were successfully concluded in August 2007 when agreement was reached with the National Union of Mineworkers (NUM) and the United Association of South Africa (UASA) for the two-year period from July 2007 to June 2009. This gives us some certainty regarding wage costs over the next two years.

4. Capital discipline

In an organisation the size of ours with a capital budget of billions of rands, we need to make sure that a programme reinforcing capital discipline is in place to ensure that capital projects yield a risk-adjusted rate of return that is greater than the weighted average cost of capital.

5. Developing a holistic contract with employees

The past year has not been without its problems and shareholders will note that the performance of Impala in particular was disappointing. Technical investigations and much soul-searching have not uncovered fundamental problems with the way we work, or the systems we have in place, or indeed with the people both managing and working at this operation. What they have indicated, however, is that we as a company had lost our way in engaging with and motivating our people. Inevitably, organisational change interventions do run out of steam and must be re-energised. The mining boom on the western and eastern limbs of the Bushveld Complex, and indeed elsewhere in southern and central Africa, has resulted in an unprecedented demand for skilled personnel. We have not been unaffected, with a high staff turnover particularly within the ranks of supervisory employees.

Now that we have a clear understanding of the issues, we are better placed to deal with them. We have addressed two such issues identified in our findings:

- First, we have implemented a much-improved compensation system comprising salary adjustments that are in line with market norms and an improved performance-related bonus system for all employees of the company. The former comes at an annual cost of some R100 million, while the latter could cost the company between R250 million and R400 million, depending on the production levels achieved, it could result in revenues in excess of R1 billion at current metal prices.
- The second key issue, employee housing and accommodation, concerns the changing dynamics associated with our workforce and the mining communities in which we operate. Our new housing strategy – to be rolled out at a cost of some R2 billion over the next five years – will, we believe, reinforce Impala's attraction as an employer of choice in a market that is experiencing a severe shortage of skills.





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Our approach to these issues has been guided by our determination to see the employer-employee relationship growing in a more holistic way to become a partnership, where the individual has a personal contribution to make and the organisation rewards the individual with personal recognition.

Another step in this process has been the roll-out of our Employee Share Ownership Programme which ensures that every employee who was not previously part of a share-based reward programme now has a material stake in the performance of the company in the market. I believe that the potential benefits of this programme have not yet been grasped by the recipients and that we will see marked benefits in time to come as employees reap tangible benefits from their efforts.

While we have spent considerable sums on revising remuneration, the value that we stand to gain will far outstrip this outlay. Although it is still early days in this process, we can report significant improvements in levels of productivity at Impala by year-end.

6. Balance sheet management

Our significant expansion programmes and recent acquisitions, combined with the revised dividend policy on cover of 1.7 compared to the previous cover of 1.9, will have an impact on group cash balances going forward. Our capital structure should be relevant to current market conditions and in taking on an acceptable level of debt, our balance sheet will be optimised.

Risk management

We remain confident of our ability to manage risk in the southern African mining environment and to create a competitive advantage by meeting or exceeding legislative requirements. For the first time, we have included a comprehensive risk assessment in our annual report because risk awareness and mitigation are vital in ensuring sustainable returns.

One area of perceived risk in our industry is the ability of mining companies to meet the requirements of amended South African minerals legislation and, related to that, our ability to obtain the conversion of our mining licences. We do not see this as a risk, however, as we have made substantial progress during the year. Regarding legislative compliance, the revised transaction that we concluded with RBH, the business arm of the RBN, in April 2007 represents a significant step towards ensuring the early achievement of the 10-year BEE ownership targets embodied in the South African Mining Charter. That this transaction is beneficial to the group, both strategically and operationally, is clearly evident. This simple, sustainable transaction aligns our interests with those of our partners – the RBH – while at the same time eliminating the uncertainty of ownership. In addition, the ESOP includes all of our employees and embraces broad-based involvement by previously disadvantaged South African into the bourses.

With respect to the conversion of mineral rights, we continue to discuss what we believe are resolvable issues with the Department of Minerals and Energy (DME). The process of meeting the DME's requirements and, indeed, in marrying our systems and structures with these requirements has been a complex one, and one that has been a learning curve for both parties. I am confident that we will be able to report the successful conclusion of our engagements in the not too distant future.

A second area of risk is that of our operations in Zimbabwe. While there is no doubt that operating in Zimbabwe can be challenging given the socio-political environment, we do

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continue to operate profitably there and every growth target that we have set for ourselves has been comfortably met. While these operations will never be fully factored into our share price until the socio-political situation is resolved, they should not be so easily discounted either. Our operations in Zimbabwe give us an established base on the world's second largest known PGM-bearing orebody and significant first-mover advantage.

Thanks

The efforts of many people have gone into the year under review. I wish to extend my thanks to our employees, to our management team and to the board for its support of our many exciting new endeavours. In particular, I wish to pay tribute to and thank Cathie Markus, who retired from the Implats board this year after serving the company for many years, joined the group in 1991 and the board in 1998.

At the same time I wish to acknowledge the contribution made by Keith Rumble who left the company at the end of 2006, and whose reins I assumed from September 2006.

I welcome Dawn Earp as Chief Financial Officer. Dawn brings with her a wealth of experience in the resources industry. I also welcome Steve Phiri and Fatima Jakoet as non-executive directors. Steve is the second RBH-nominated director to be appointed to the board and Fatima is an independent director. I also wish to thank John Roberts, an independent non-executive director since 1998, for his valuable contribution. He will retire from the board at the annual general meeting.

Prospects

Ongoing strong market conditions, coupled with our developing growth and resource profile and strategic acquisition policy will ensure continued strong performance from the group.

David Brown
Chief Executive Officer

