Record half year refined platinum production of 1.03 million ounces

14 February 2008

Impala Platinum Holdings Limited (Implats) today (14 February 2008)
announced results for the six months ended 31 December 2007.

Key features

Group safety performance still unsatisfactory
Sales revenue up 10% to R16.3 billion
Record refined platinum production of 1.03 million ounces
Costs well contained with a 12.7% increase in a difficult operating environment
Gross margin at 47%
Record half year earnings of R4.7 billion
Interim dividend of R3.00 per share

Implats CEO David Brown says "Operationally the group delivered an excellent performance with overall refined platinum production up to a record 1.03 million ounces for the period on the back of improved results from Impala Rustenburg and the on-going ramp-ups at our other operations. This is particularly noteworthy in the light of reduced ounces received from third parties.

Safety is still of paramount importance to the group and despite the lost time injury frequency rate (LTIFR) having improved by 13% compared to the year ended 30 June 2007, there were regrettably eight fatal incidents throughout the group. There is a need to drive continuous improvement in this area and we welcome the initiatives by government to ensure safer work environments."

Operating and financial performance

Results for the half year were once again underpinned by the strength of the market for platinum group metals. Revenues per platinum ounce were up 12% in rand terms and 17% in dollar terms compared to the first half of the previous year resulting in total sales revenue of R16.3 billion or $2.4 billion.

Group unit costs were well contained to an increase of 12.7% to R6 340 per platinum ounce (excluding share based payments) on the back of volume growth from Impala Platinum.

Platinum production was up 5.6% at Impala Platinum to 575 700 ounces on the back of improved grade and efficiencies which relate directly to the people and production initiatives put in place last year. The unit cost per platinum ounce was 10.7% higher at R5 919 (exclusive of share based payments) as a result of the higher platinum production off-set by costs associated with the retention of skills and revised incentive schemes.

Development at 16 and 20 shafts is progressing well. A feasibility study on 17 shaft was completed and approved by the board. The upgrades to the smelter, BMR and PMR are on schedule.

Despite an improved production performance from Marula, this is behind plan due to labour related issues. Unit costs excluding share based payments increased to 9.4% to R9 008 per platinum ounce (excluding share based payments) period on period. Plans remain on schedule to achieve full production of 136 000 ounces of platinum in concentrate per annum during the 2010 financial year. The feasibility study of the Merensky project is nearing completion.

The Marula conversion was executed in January 2008 and the Section 11 transfer required for the completion of the empowerment transaction is expected to be granted by the end of the March quarter.

At Zimplats production of platinum in matte was down 11.5% to 40 800 ounces due to the planned closure of the furnace for maintenance. The subsequent build-up will be delivered in the third quarter of the financial year. Unit cost per platinum ounce in matte increased by 28.7% in rand terms (34.3% in US$ terms) mainly due to the decreased production. The expansion project to 160,000 ounces of platinum is well underway and work on the two new underground mines is progressing satisfactorily with Portal 1 already in production.

Mimosa produced 39 600 ounces of platinum in concentrate a 3.1% improvement. Unit costs per platinum ounce in concentrate increased by 13.9% in rand terms (19.0% in US$ terms). The concentrator capacity project is currently being commissioned and will result in a production increase to 100 000 ounces of platinum in concentrate per annum by early FY2009.

Two Rivers, the joint venture between Implats and African Rainbow Minerals, is currently in ramp-up phase and contributed R116 million to group profits. Full production of 120,000 ounces of platinum in concentrate has been delayed due to labour issues and localised geological conditions and is only expected to be reached by FY2009. Development of the North decline is ahead of schedule.

The commencement of development on the Leeuwkop project is still awaiting approval of the mining permit from the DME. The final feasibility study will be completed during the course of this year. Early indications are that the orebody is more suited to a conventional rather than a mechanised mining method.

Production at IRS was 3.5% lower at 455 000 ounces of platinum resulting in a net profit of R427 million, a 9% contribution to group net profit. Margins improved to 12.6% compared to the 10.8% during the comparable period mainly due to the purchase of Lonmin material in that period.

Market review

The platinum market registered a considerable deficit during 2007 due to a combination of falling South African supply and strong demand underpinned by another increase in diesel vehicle penetration within the automotive industry. The price moved up by 35% during the course of calendar year 2007 as a result of tight market conditions. The palladium market was characterised once again by a significant surplus due to Russian de-stocking. The automotive sector remains the main driver for growth. The rhodium market registered a second year of deficit as strong demand from the automotive industry, supported by ongoing demand from the glass industry outpaced supply. The impact of this on the market was a surge in the price, almost reaching $7 000 in the last quarter.

Prospects

CEO David Brown comments that “South African supply constraints due to power and people issues coupled with stable to firm automotive demand will result in very tight market conditions in 2008 for platinum and rhodium. While the outlook for palladium continues to improve, significant above ground stock sales have the potential to be price disruptive.”

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