

NEWS RELEASE

Phenomenal year for Implats

Key Features

Financial performance

- Headline earnings double the previous record year
- Dividends more than doubled to R38 per share, plus special dividends of R30 per share
- Basket of metal prices (in dollars) up 47%
- Rand revenues boosted by 20% depreciation against the dollar

Operational performance

- Breaking free from growth constraints
- 2 million ounces of platinum by 2006
- Platinum production at a new high (up 8%)
- Major new projects announced
- Significant strategic acquisitions
- Steady production at the Impala operations, but disappointing cost and safety performance
- New CEO takes up the reins

Extracts from the annual report for the year ended 30 June 2001

Delivering shareholder value

Implats' mission is the delivery of real returns to shareholders, accomplished this year by:

- A substantial increase in the share price; and
- Remarkable returns in cash, accentuated by a special dividend of R30 per share paid in February.

Putting together the steady production from Impala, the new production from Crocodile River mine, the concentrate bought in from other miners, the buoyant market conditions, the sparkling performance of Lonplats and the 20% depreciation of the Rand we had a year where:

- Every measure of income, from operating level through to attributable income, is more than double last year's record.
- The attributable income this year was more than the sales revenue of two years ago – a year that was then described as "fantastic".
- The proposed dividend for the year (excluding the special dividend of R30 paid in February) is 11 times the dividend of three years ago.
- The dividends for the year, including the special dividend, exceed the share price of three years ago.

Group safety a priority

The group safety record produced a mixed result for the year. The number of fatalities increased unacceptably to 13 from the level of seven fatalities experienced in both 1999 and 2000. Our sincere condolences are extended to the families and friends of the deceased. The lost time injury rate per million man hours, however, improved by 32% to 8.5 from the rate of 12.6 reported in 2000. Fresh initiatives will clearly be required to return Impala's safety performance to match at least best international underground mining practice.

Phenomenal growth in earnings and profits

Attributable income and headline earnings for the year ended 30 June 2001 more than doubled to R4.65 billion (US\$611 million) or 7 024 cents per share (US923 cps). This was primarily due to an increase in sales revenue of 71% to R11.97 billion (US\$1,573 million) as a result of higher dollar metal prices and a further weakening in the rand.

Strong growth was experienced in all areas of Implats' business. Contribution to attributable income from Impala increased to R3 724 million from R1 905 million in 2000. IRS generated a contribution of R300 million, up 156% from R117 million in 2000. Attributable income from Lonplats increased to R647 million from R220 million in 2000.

Despite an almost five-fold increase in the total dividends to 6 800 cents per share, the anticipated level of earnings will ensure that the company remains in a sufficiently healthy cash position to realise its growth ambitions in the year ahead.

Capital expenditure was R2 090 million, mainly on mining decline projects and processing capacity increases and includes the acquisition expenditure for the mineral rights associated with the Winnaarshoek project.

The cash position net of short-term debt increased to R3,01 billion, slightly down on the cash position at the beginning of the period as a result of the conclusion of the Winnaarshoek transaction.

Record pgm market

The 2001 financial year was characterised by intense volatility in the prices of pgms, with record high palladium prices exceeding US\$1 000 per ounce. This resulted in a 47% increase in the price index (weighted average of Impala's basket of products) achieved to US\$1 254 per ounce, the highest ever recorded by Implats. While delivering record profits and cash flows to Implats, the high prices have, as expected, begun to take their toll on demand, particularly with regard to palladium.

Platinum demand remained firm despite the run up in prices. The metal used in jewellery exceeded other applications owing to strong growth in China which offset reduced demand in Japan. Platinum benefited from increased use in autocatalysts, particularly in diesel vehicles and growth in computer hard disc and LCD glass applications. Tightening emission control legislation should continue to boost platinum demand thereby ensuring a balanced market in the short to medium term, albeit at prices lower than those achieved during 2001.

The palladium market experienced strong demand particularly from the automotive and electronics sectors exacerbated by erratic supplies from Russian sources and demand quickly exceeded supply. As a result, palladium prices nearly doubled leading up to January 2001 before retreating as more product was released out of Russia towards the middle of 2001. The high prices have accelerated palladium substitution in dental and electronics applications as well as the conversion back to platinum/rhodium autocatalyst systems. Accordingly, Implats' business plan assumes further weakening of palladium demand and prices.

Operational review

Total platinum production, which includes metals sourced from concentrate purchased from third parties, rose by 8% to 1.29 million ounces.

Platinum production from the Impala lease area decreased by 1.7% to 1 million ounces of platinum. Tons mined from the Impala lease area increased by 3.3% on the previous year while tons milled grew by 1.2%. Late completion of the new UG2 concentrator circuit and subsequent problems experienced during commissioning had a negative impact on Impala's performance for the year. As a result, the ore stockpile grew by around 210 000 tons to 630 000 at year end.

The smelter upgrade comprising two new converters, the enhanced acid plant and new 38MW furnace was successfully completed. The furnace refractories developed cracks soon after commissioning and, although this did not affect smelter output in 2001, it may necessitate premature replacement of the refractory bricks. A claim for damages has been lodged with the supplier of the refractories.

The inherent difficulties attendant on commissioning any major project were compounded in the case of two significant projects during the year.

- The challenges of re-commissioning old equipment at Crocodile River mine were exacerbated by an orebody more heterogenous than sampling had led us to believe.
- In the case of the UG2 plant expansion, although the designed 30% increase in capacity has been achieved, recoveries remain disappointingly below those expected. This is primarily as a result of equipment unreliability in the milling circuit which has prevented the plant from achieving steady-state production. The solution will most likely involve some circuit re-design.

The financial disappointment of the year was the cost escalation at our Rustenburg operations. Although total Rand costs per ounce of platinum sold increased by a respectable 7% (just about equal to inflation), on-mine costs increased by 13% per ton milled and 16% per ounce of refined platinum. Most of this is rooted:

- In the need for more generous wage settlements in more successful years, (noting that labour accounts for more than 50% of our costs), and
- In the costs of meeting the new Basic Conditions of Employment Act, and
- In an alarming metallurgical performance as new plants have struggled through commissioning.

We are dismayed that counter-efforts and productivity improvements have not done more to contain the effects of the negative developments (as was the case over the preceding years). A complete review is underway.

Growth

Implats has previously stated its objective of growing production by 10% per annum. 2001 was the year of substantial delivery. During this year alone the company added almost 37 million attributable resource ounces of in situ platinum into its portfolio. Implats' growth strategy comprises three paths, namely:

- Mining projects and exploration;
- Strategic investments; and
- Processing concentrates to leverage processing and refining assets.

Growth from mining and exploration

The Winnaarshoek project, one of Implats' major new ventures, is a combination of the Platexco acquisition and mineral rights swaps with Anglo American Platinum Limited. Production is expected to commence as early as 2002 with full production of 175 000 ounces of platinum per annum by 2004. The agreement with Mmakau Mining (Pty) Limited and community-based empowerment participants in the Northern Province, is illustrative of Implats' ability to bring new projects on stream within the context of South Africa's proposed Minerals Development legislation.

Barplats Mines Limited's Crocodile River mine was brought into production during December 2000. The planned mining rate of 75 000 tons per month was achieved in March 2001. Recovery of precious metals during the first four months of operation has been below expectations, but has improved as operations extend into less weathered ores. A number of mining and metallurgical improvements are in hand in order to ensure that the planned production of 50 000 ounces of platinum per annum is achieved.

In its exploration strategy Implats continues to pursue projects and joint ventures both in South Africa and internationally, focussing on primary pgm projects which have the potential to generate quality deposits. To achieve this, Implats supports junior exploration companies, providing funding, expertise and access to smelting and refining infrastructure. In February 2001, Implats entered into an alliance with international group Falconbridge to explore jointly for pgm mineralisation on five continents. This alliance has already identified a number of prospects, with exploration beginning at Cana Brava in Brazil in mid-2001. Exploration continued at the Kennedy's Vale project in South Africa and the Birch Lake and River Valley projects in North America.

Growth from strategic investments

Delivery from Implats' 27% stake in Lonplats in terms of both production and contribution to earnings was well in excess of expectations. Lonplats is proceeding with expansions to become a one million ounce producer. Implats will benefit substantially from this company's profitability and growth.

Relationships with Aquarius (Implats 10.1%) remain strong. Good performance was once again achieved at Kroondal, with platinum production capacity now increased to an annual rate of 130 000 ounces. The Marikana project scheduled to begin production in late 2002 has the potential to yield 75 000 ounces of platinum per annum.

Implats will acquire an effective 40% stake in the Ngezi-Hartley assets of the Zimplats group. The first phase of production from the Ngezi open-cast mine is planned for January 2002, with full production of 180 000 tons per month from March yielding 40 000 ounces of platinum during 2002. The operation has huge growth potential.

The recently announced proposed acquisition of a 35% stake in Mimosa Platinum, a low cost producer on the Great Dyke, is another strategic investment in this region. Mimosa is proceeding with its expansion plans to increase platinum production by 50 000 ounces to 68 000 ounces by 2003.

Through its current and future effective stakes in Zimplats and Mimosa, Implats, together with its partners, has

access to about 85% of the primary pgm resource of the Great Dyke, which is the largest undeveloped pgm resource in the world, second only in importance to South Africa's Bushveld Complex.

The Two Rivers joint venture with Anglovaal Mining Limited should lead to the establishment of a 100 000 platinum ounces per annum mine in 2004. This follows the successful bid by the Implats/Avmin joint venture for the Dwars Rivier reserves. Avmin will operate the project, with technical and other input from Implats, while Implats – through subsidiary IRS – will benefit from a life-of-mine concentrate offtake agreement.

Processing concentrates

Impala Refining Services ("IRS"), which utilises surplus smelting and refining capacity to process third party concentrates, had another exceptional year. The incremental pgm ounces generated through IRS are produced at vastly reduced capital costs and associated operating risks. The benefit that accrues to Implats from its "bought-in" ounces represents an overall reduction in the unit costs of processing Implats' in-house concentrate production and in future the significant minority shareholdings will also contribute to earnings.

Production from IRS amounted to some 587 000 ounces of pgms and 9 534 tons of base metals, of which, 267 000 ounces pgm was purchased from third parties and 320 000 was toll refined.

Challenges and opportunities

A number of challenges and opportunities lie ahead for Implats.

Safety is an area of primary concern. Following several internal and external audits, a programme of behavioural motivation for both management and employees is being undertaken. New safety initiatives will be introduced in order to achieve a step-change reduction in the number of accidents.

Implats is proactively managing the impact of HIV/AIDS. A recent anonymous blood testing study conducted at Impala's 8 Shaft, confirmed an HIV prevalence of 16% which is significantly below the levels of 25 to 30% currently reported in the industry. An anonymous attitude survey also produced encouraging findings indicating high levels of understanding and education amongst employees regarding HIV/AIDS. During the year Implats commissioned an independent actuarial report to determine the potential financial impact of HIV/AIDS. The report indicates that costs for medical treatment, absenteeism, training and costs to maintain productivity, could amount to R86 million per year at a peak in 2011. However, if current education and intervention programmes are successful in only halving the rate of new infections amongst employees, there would be a dramatic reduction in HIV/AIDS costs to R46 million at the expected peak of the epidemic in 2011. This is a credible scenario if prevalence levels amongst Impala employees have indeed peaked as our research suggests.

Although Lonplats is expected to continue to deliver excellent returns to Implats during the year ahead, we recognise that the full value of this investment is poorly reflected in the Implats share price. Attention to this unfinished business continues.

The future of the Gencor shareholding is being constructively addressed by the Implats Board, in association with the Board of Gencor, to ensure a satisfactory outcome for the shareholders of both companies.

The year ahead

With both the platinum and palladium markets adjusting to structural shifts against a background of global economic uncertainty we can be fairly certain that these results will not be repeated next year. In all probability we will produce results quite a bit better than the previous year, which at that time was an all-time record high for Implats. This is impressive enough in itself.

Based on the performance reported and anticipated, and in line with the more generous end of the dividend policy the Board has declared a dividend for the year of 6 800 cents, including a final dividend of 2 380 cents, payable on 4 October 2001.