



**IMPLATS**  
Distinctly Platinum

IMPALA PLATINUM HOLDINGS LIMITED  
(Incorporated in the Republic of South Africa)  
Registration No. 1957/001979/06  
Share code: IMP/IMPO ISIN: ZAE 000003554  
LSE: IPLA ADR's IMPUY  
("Implats")



**Royal Bafokeng Holdings  
(Proprietary) Limited**  
(Incorporated in the Republic of South Africa)  
(Registration number 2006/006906/07)  
("RBH")



**Royal Bafokeng Nation  
(“RBN”)**

## Joint announcement regarding a revised black economic empowerment transaction in respect of Implats

### 1. Introduction

On 4 July 2006 shareholders of Implats approved a broad-based black economic empowerment (“BEE”) transaction between Implats and its anchor empowerment partner, the RBN. In terms of that transaction, a corporate member of the RBH group would acquire a 49% undivided interest in the business of Impala Refining Services Limited (“IRS”) and would have the right to convert this interest into a direct shareholding of up to 7,44% in Implats (“the IRS Transaction”). Implats shareholders also approved the creation of an Employee Share Ownership Programme (“ESOP”). The ESOP has since been implemented, and the Morokotso Trust established in terms of the ESOP holds 2 054 072 shares in Implats.

Following Implats’ shareholder approval of the IRS Transaction, further discussions with National Treasury (“NT”) made it apparent that Impala Platinum Limited (“Impala”) will probably not be able to offset any existing royalties payable to the RBN against royalties payable to the State under the revised draft Royalty Bill. As a result of this and other considerations, Implats and RBH (the “Parties”) agreed to review the IRS Transaction and examine ways in which the Parties’ interests could be better aligned through a mutually beneficial revised transaction.

Implats and RBH are pleased to announce that they have reached agreement in principal in terms of which:

- the agreements relating to the IRS Transaction will be allowed to lapse;
- Impala will pay all royalties due and payable to the RBN for the 32-year period from 1 July 2007 to the last day of the lease period (“the Royalty Payment”); and
- the RBN, through RBH or one of its subsidiaries, will subscribe for 9 389 400 ordinary shares in Implats.

The effect of the above steps (collectively “the Royalty Transaction”) will be that, subject to the approval of Implats shareholders, Impala will have discharged its obligation to periodically pay royalties to the RBN from 1 July 2007, and the RBN will, in aggregate, hold 13,4% of the fully diluted issued ordinary share capital of Implats.

The Royalty Transaction is based *inter alia* on the understanding from NT that, should the Royalty Bill allow for an offset, Impala will receive such offset credits.

### 2. Rationale

Implats has embraced the principles of transformation as a strategic imperative to reinforce its position as a leading southern African mining company. The choice of the RBN as Implats’ anchor partner will be reinforced by the Royalty Transaction, through which RBH will become the single largest shareholder in Implats. The RBN continues to recognise Implats as its primary strategic relationship within the platinum industry.

Implats and the RBN believe that the Royalty Transaction is attractive to both Parties, and is more efficient than the IRS Transaction from an Implats shareholder perspective for *inter alia* the following reasons:

- Implats will retain 100% of the value in and cashflow from IRS;
- Implats’ cashflow will increase due to the fact that royalties will no longer be paid periodically to the RBN; and
- Implats shareholders’ and the RBN’s interests are aligned, with immediate effect.

RBH will have direct management involvement in Impala, focusing particularly on skills transfer and employment equity.

The Parties have committed to continue to support the community of the greater Bojanala area and particularly the women of that area, through the creation of a local economic development trust. The Parties will contribute an amount of R340 million over a ten year period from 2006 and at least 50% of the total amount (representing the equivalent of R170 million) will be specifically for the benefit of the women of the area.

The Royalty Transaction will result in a 33,6% empowerment credit (including the Incwala transaction) at Impala, which exceeds the empowerment objectives of the Mining Charter.

### 3. The Royalty Transaction

#### 3.1 The IRS Transaction

Implats, the RBN and RBH have agreed to allow the IRS Transaction to lapse, while recognising the BEE facilitation provided to the RBN under this transaction. It was further agreed that the rights, obligations and benefits of each of Implats and the RBN, under the IRS Transaction should, as far as is appropriate and practicable, be preserved under the Royalty Transaction.

#### 3.2 Terms of the Royalty Transaction

##### 3.2.1 The Royalty Payment

Impala will pay all royalties due under Notarial Mineral Lease K 5966/03LM to the RBN in respect of the period between 1 July 2007 and the last day of the lease period. Such Royalty Payment will amount to R10,6 billion.

##### 3.2.2 The Subscription

The RBN, through RBH or one or more of its subsidiaries will subscribe for 9 389 400 shares in Implats (12,1% of the fully diluted issued ordinary share capital of Implats) (“the Subscription”). Based on an Implats closing price of R1 290 per share as of 22 September 2006, the value of the shares subscribed for by the RBN is R12,1 billion. The difference between R12,1 billion and R10,6 billion is a discount of R1,5 billion or 12,6% and will be reflected in Implats’ income statement as a BEE charge. This amount approximates the BEE charge that would have been incurred in the IRS Transaction. The actual BEE charge will be determined by the share price on the effective date, as defined in paragraph 3.5.

RBH currently holds 1 000 000 Implats ordinary shares (1,3% of the fully diluted issued ordinary share capital of Implats) and, after the Subscription, will hold 10 389 400 shares, representing a 13,4% shareholding in Implats on a fully diluted basis.

#### 3.3 Lock-in

RBH will not be entitled to dispose of, in whole or in part, the 9 389 400 Implats ordinary shares subscribed for in terms of the Royalty Transaction until 31 May 2014, to ensure that Impala’s empowerment credentials are retained for the period required in terms of the Mining Charter and Mining Scorecard, unless the Department of Minerals and Energy indicates in writing that a disposal by RBH will not adversely affect Impala’s empowerment credentials.

In the event of a change of control of Implats, RBH will be entitled to dispose of these 9 389 400 ordinary shares in Implats subject to certain conditions.

#### 3.4 Board representation

RBH currently has the right to nominate one director to the Implats board and RBH, for so long as it holds no fewer than the 9 389 400 Implats ordinary shares to be issued in terms of the Subscription, shall have the right to nominate an additional director to the Implats board. RBH shall also have the right to nominate three out of the ten Impala board members, at least one of whom shall be a black woman and one of whom shall be nominated as the Deputy Chairman of Impala.

#### 3.5 Effective date

The effective date of the Royalty Transaction shall be five business days after the fulfillment or waiver, as the case may be, of the conditions precedent set out in paragraph 3.6 below. The Royalty Payment is payable on the effective date, which is also the date on which the Implats ordinary shares will be issued in terms of the Subscription.

#### 3.6 Conditions precedent

The Royalty Transaction is subject to the fulfillment of the following conditions precedent by not later than 31 December 2006, or such later date as the Parties may agree in writing:

- signing of the requisite agreements;
- the obtaining of all necessary regulatory approvals, including the JSE Limited;
- approval of the requisite change to tax legislation to permit the tax deduction of any payment in advance of royalties due to the RBN;
- the obtaining by Implats of a fair and reasonable opinion in respect of the Royalty Transaction;
- the obtaining of such shareholder approvals as may be required from the shareholders of Implats;
- ratification by the Kgotha Kgothe of the RBN; and
- the obtaining by the RBN, on terms and conditions (if any), acceptable to Implats, of any necessary approvals, consents, permissions or other authorisations to the Notarial Royalty Payment Agreement and to the exercise of rights in terms thereof, in terms of the Bophuthatswana Land Control Act, 1979.

#### 3.7 Voting at the general meeting

The RBN is an existing shareholder in Implats and, because it has an interest in the Royalty Transaction, will not vote on any resolutions at the general meeting relating to the Royalty Transaction.

### 4. Impact of the Royalty Transaction

#### 4.1 BEE shareholding in Implats

The BEE shareholding in Implats after the implementation of the Royalty Transaction will be:

RBH shares (pursuant to the Royalty Transaction)	9 389 400
RBH shares currently held	1 000 000
ESOP	2 054 072
<b>Total shares in issue (excluding treasury shares)</b>	<b>77 393 393</b>
RBH shareholding (after the Royalty Transaction)	13,4%

#### 4.2 Compliance with the Mining Charter

Based on the gross platinum production of Implats in 2006, the empowerment credit in Impala will be:

RBH holding (pursuant to the Royalty Transaction)	20,0%
RBH (existing)	2,1%
ESOP	4,4%
Incwala credits	7,1%
<b>Total empowerment credit</b>	<b>33,6%</b>

Implats believes that it is on target to meet all the other elements of the Mining Charter and the Mining Scorecard including employment equity, procurement and skills development.

### 5. Discussions with National Treasury

Because of the uncertainty in relation to the draft Royalty Bill, which is due to be published in October 2006 for comment, the Parties have met with the NT and have entered into the Royalty Transaction based on:

- NT having recommended to the Minister of Finance that legislation to permit the normal life-of-mine tax deduction of any payment in advance of royalties due to communities be tabled in Parliament; and
  - the understanding that should the Royalty Bill allow for an offset of any State royalty against the royalty paid by mining companies to communities, Impala will receive such offset credits notwithstanding the fact that the RBN royalty will have been prepaid.
- Based on the above, the Parties have treated the Royalty Payment as tax deductible on a life-of-mine basis in determining the terms of the Royalty Transaction.

### 6. Financial effects of the Royalty Transaction

The unaudited *pro-forma* financial effects of the Royalty Transaction for the financial year ended 30 June 2006 are set out in the table below to assist Implats’ ordinary shareholders to assess the impact of the Royalty Transaction on Implats’ basic earnings per share, headline earnings per share, fully diluted earnings and headline earnings per share, net asset value per share and tangible net asset value per share, based on the audited results for the year ended 30 June 2006.

These unaudited *pro-forma* financial effects have been presented for illustrative purposes only and may not give a fair reflection of Implats’ financial position nor the effect on future earnings post the implementation of the Royalty Transaction. The directors of Implats are responsible for the preparation of the unaudited *pro-forma* financial effects.

	Before <sup>(1)</sup>	After <sup>(2)</sup>	% change
Basic EPS (cents)	6 607	4 084	(38%)
Diluted EPS (cents)	6 589	4 075	(38%)
Basic HEPS (cents)	6 006	3 558	(41%)
Diluted HPS (cents)	5 989	3 550	(41%)
NAV per share (cents)	21 001	32 314	54%
NTAV per share (cents)	20 911	18 186	(13%)

- Extracted from the audited Implats financial statements for the year ended 30 June 2006.
- Earnings and headline earnings per share after the Royalty Transaction have been determined assuming that the Royalty Transaction was implemented on 1 July 2005, as follows:

- Eliminating the annual royalty charge under the Notarial Mineral Lease between the RBN and Impala amounting to R858,1 million before tax and R604,8 million after tax at 29%;
- Amortising the Royalty Payment of R10,6 billion using the units of production basis (assuming a straight line charge over 30 years for the purposes of the *pro-forma* financial effects), amounting to R352,8 million before tax and R254,3 million after tax at 29%. This amortisation will commence in financial year 2008 being the first year covered by the Royalty Payment. The transaction assumes that Implats will get a tax deduction for the Royalty Payment in line with the accounting treatment;
- Charging an amount of R1,5 billion, being the difference between the value of the new ordinary shares issued (R12,1 billion) and the value of the Royalty Payment (R10,6 billion), as a BEE compensation charge;
- Creating an expense of R83,6 million (the present value of the estimated future payments at a discount rate of 13,35%) for the liability relating to the commitment to contribute up to R170 million up to 30 June 2016 to the Bafokeng Impala Development Trust;
- Charging R11,2 million, representing the impact of unwinding the discounted community development liability noted above;
- Charging R6 million, representing the estimated transaction costs before tax (assumed that these costs will be tax deductible); and
- Issuing an additional 9 389 400 new ordinary shares, increasing the weighted average number of shares in issue during the year to 75,157 million for basic earnings and headline earnings per share and to 75,338 million for diluted earnings and headline earnings per share.

Net asset and tangible net asset value per share after the Royalty Transaction have been determined assuming that the Royalty Transaction was implemented on 30 June 2006, as follows:

- Raising a royalty asset of R10,6 billion, being the agreed value of the Royalty Payment;
- Raising additional share capital at R12,1 billion, being the issue of 9 389 400 new ordinary shares at a price of R1 290 per share;
- Charging an amount of R1,5 billion to retained income, being the difference between the value of the new ordinary shares issued (R12,1 billion) and the value of the royalty payment (R10,6 billion), as a BEE compensation charge;
- Raising a R83,6 million community development liability relating to the commitment with regards to the Bafokeng Impala Development Trust (present value of estimated future payments at a discount rate of 13,35%) with a corresponding “community development expense” to retained earnings;
- Reducing “cash and equivalents” by R6 million and charging retained earnings with this amount, representing the estimated transaction costs;
- Issuing an additional 9 389 400 new ordinary shares, increasing the total number of ordinary shares in issue to 75,339 million; and
- Treating the royalty asset of R10,6 million as an intangible asset for the purposes of calculating the tangible net asset value per share.

### 7. Circular to shareholders

A circular setting out full details of the Royalty Transaction, including a notice of general meeting, will be posted to shareholders by the end of October 2006. The general meeting is expected to be held by no later than end November 2006.

Johannesburg  
28 September 2006

Financial adviser and transaction sponsor to Implats

**Morgan Stanley**

Sponsor to Implats

**Deutsche Securities**  
Member of the Deutsche Bank Group  
Deutsche Securities (SA) (Proprietary) Limited  
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