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Impala Platinum

Zimbabwe – A Positive Surprise
NEUTRAL
Reason for Report: Company Update

**Volatility Risk:
HIGH**
Price - Local / ADR: ZAR468 / \$59.28

Estimates (Jun)	2002A	2003E	2004E	2005E
Headline Income	4555.5	3489.7	2960.9	3064.8
EPS - Adjusted Basic	68.63	52.40	44.46	46.02
P/E	6.8	8.9	10.5	10.2
EPS Growth %	(2.3)	(23.7)	(15.2)	3.5
CFPS	61.83	58.65	49.08	53.24
Price/Cash Flow	7.6	8.0	9.5	8.8
EV/EBITDA	3.8	4.6	6.5	6.5
DPS	37.00	26.20	22.23	23.01
Gross Yield %	7.9	5.6	4.7	4.9
ADR EPS - Adjusted Basic	\$6.61	\$6.99	\$5.94	\$6.15
ADR CFPS	\$5.95	\$7.83	\$6.56	\$7.11
ADR DPS	\$3.56	\$3.50	\$2.97	\$3.07

Opinion & Financial Data

Investment Opinion – Local:	C-2-8
Investment Opinion – ADR:	C-2-8
Mkt. Value (ZAR mn)/ Shares Outstanding (mn):	31147 / 66.55
Price/Book Ratio:	3.98
ROE 2003E Average:	46.9%
Net Debt/Net Equity:	-57.4%
Est. 5 Year EPS Growth:	15.9%
2003E P/E Rel. to Home Mkt:	74%

Stock Data

52-Week Range – Local:	632.50-360.00
52-Week Range – ADR:	\$68.3-\$42.4
Symbol / Exchange – Local:	IMPAF / Johannesburg
Symbol / Exchange – ADR:	IMPAY / New York
Bloomberg / Reuters:	IMP SJ / IMPJ.J
Shares/ADR:	1.00
Exchange Rate:	ZAR7.48/USD
Free Float:	100%

All figures are in South African Rand except where otherwise noted.
Note: Due to currency factors, the investment opinion of the ADR may differ from the underlying share.

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**Refer to important disclosures at the end of this report.
Analyst Certification on page 3.**

Merrill Lynch Global Securities Research & Economics Group
Global Fundamental Equity Research Department

Highlights:

- **Earlier this week we attended a site visit to the Mimosa Platinum mine (50:50 JV between Impala and Aquarius) as well as the Makwiro (Zimplats) held Ngezi opencast mine and Selous Metallurgical Complex.**
- **We were positively surprised by what we saw and conclude that profitable mining appears to be possible in Zimbabwe, even under the current circumstances.**
- **We are also of the opinion that the proposed Implats purchase of the Zimplats minorities is positive for Implats.**
- **We were particularly impressed by the strength of the local management at the Zimbabwean operations.**
- **Should the Zimbabwean operations develop according to plan, they could contribute 500,000 Pt Oz to Implats in 10 years. This is half the production of the Impala Lease Area.**
- **The Zimbabwean operations offer Impala resource, operational and country diversity.**
- **The current Zimbabwean operations, although small scale, currently producing at 112,000 Pt Oz, are low cost operations, currently producing at U\$152/Oz PGM at Mimosa and U\$212/Oz 4E at Makwiro (Zimplats).**
- **The success of the mining operations is made possible by special fiscal dispensation to the mines in which they can maintain offshore USD bank accounts, import capital goods duty free and import consumables such as fuel directly from South Africa.**
- **For now we maintain our Neutral recommendation on Impala, but note that the potential future success of the Zimbabwean expansion could result in meaningful additional value to Impala.**

What Has Changed?

We highlight that profitable mining in Zimbabwe appears to be possible under the current circumstances, and that the Zimplats acquisition is positive for Impala. Some have even said the acquisition is 'company transforming'.

We highlight the following reasons why mining in Zimbabwe is possible under current circumstances:

- Both Zimplats and Mimosa have special dispensation from government to maintain offshore bank accounts. As such they maintain working capital and cash resources in USD.
- Capital imports can be made duty free.
- Approximately 60% of costs are for items purchased from South Africa, linked either to the ZAR or the USD.
- Purchases of fuel are made directly from South Africa, as such the mines do not suffer from the fuel shortages in Zimbabwe.
- Electricity is purchased based on USD linked contracts and the supply has proven to be fairly reliable. Negotiations have been entered into with Eskom for the provision of power in the event that there are supply problems in Zimbabwe.
- Both operations have strong management, largely comprised of local people. (few expatriates).
- The companies appear to have good relationships with both the current government and the opposition. Government seems to recognise that in a shrinking economy, platinum is the one bright spot and is the 'hope for Zimbabwe'. As such the government is keen to see the mines succeed.
- The mines are a source of foreign exchange for Zimbabwe.
- Management indicated that the companies have a policy of not paying bribes.

More Detail Regarding the Current Mining Operations in Zimbabwe

- 2003 production from Mimosa and Zimplats is 112,000 oz Pt.
- 2004 target is 160,000 oz Pt.
- Within 10 years production is expected to reach 500,000 oz Pt. This would be half the production from the Impala lease area.
- People we spoke to indicated that the Zimplats resource of 165 million oz Pt is reasonable and could even be conservative. Impala has acquired access to this resource for a cost of ZAR10/oz or approximately US\$1.35/oz.

- Total resource at Mimosa is 11.83m oz Pt. Impala paid ZAR31/oz or US\$4.10/oz for access to this resource.
- Both these acquisitions include existing infrastructure and processing equipment.
- The acquisition prices are inexpensive. Impala trades at US\$27/oz and Anglo Platinum at US\$30/oz.
- One of the first questions asked by everybody is:
 - BHP failed at Heartley Platinum, what is different? Two of the major reasons for BHP failure were problems with the hanging wall 'roof' collapsing and excessive waste mining as the reef identification is difficult.
 - From what we saw and from the people we spoke to, it appears as if the problems with the hanging wall collapsing have been sorted out, by putting the necessary roof bolts in place and the mines are in different areas, where the rock characteristic is slightly different.
 - Most importantly, judging from the grade recoveries, it appears that both Mimosa and Zimplats are able to identify and mine the reef without excessive waste mining. (This however remains one of the critical success factors to monitor going forward.)
- Mimosa indicated a cost per oz of PGM of US\$188/oz for the year to Sept 02, improving to US\$152/oz for the nine months to March 2003. The feed grade being 3.747g/ton 4PGE.
- Zimplats indicated a net cash cost per oz of 4E of US\$281/oz budget for 2002/03 and actual to March 2003 of US\$213/oz 4E. This includes costs for mining, haulage, contracting and smelting. They are getting yields of 3.2g/t 4PGE currently from the opencast mine and are expecting that to increase to 3.4g/ton + as the underground mine develops and they go deeper.
- Note that costs to March have been positively impacted by the sharp devaluation of the Zim \$.

Why Zimbabwe is Positive for Impala:

- Zimbabwean resources are potentially larger than SA resources for Impala.
- Operations are low cost.
- Zimbabwe offers Impala diversity of resources, operations and country risk.
- Zimbabwe has a favorable tax structure – currently 25% tax rate, will probably change to 15% plus a royalty of 2-3%.
- Acquisition of resources at low price – high risk for now, with potentially high reward.

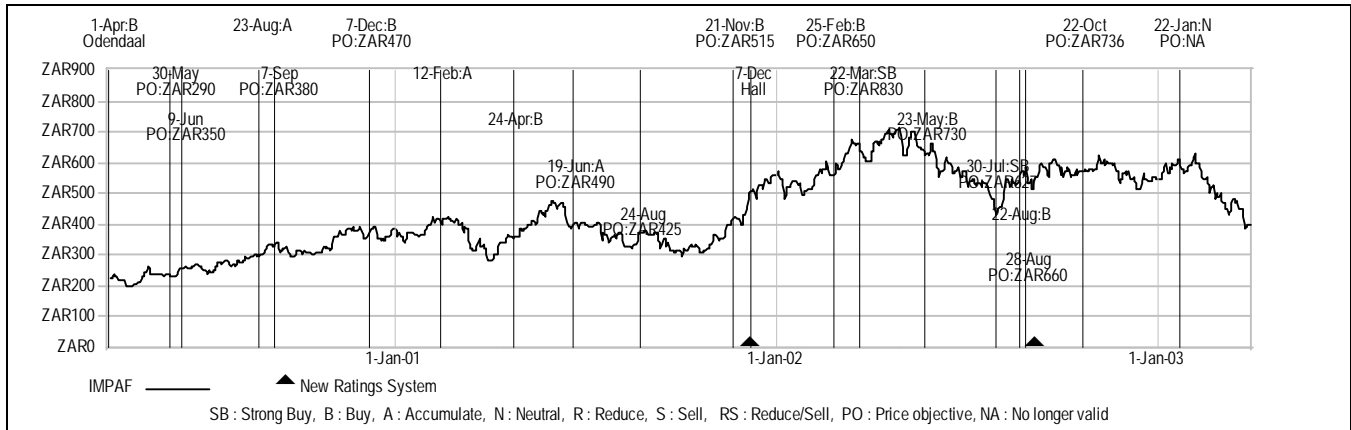
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- The current Zimbabwe operations are working well, generating positive cash flow.
- The Zimbabwean operations will benefit from Impalas financial resources, technical expertise and economies of scale (eg group purchasing power).

Analyst Certification

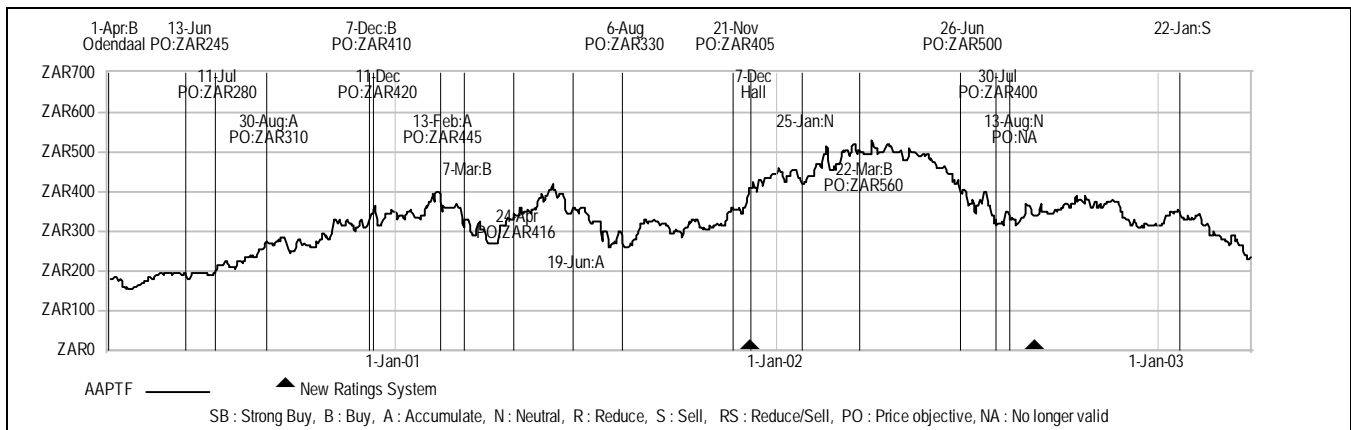
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IMPAF Price Chart



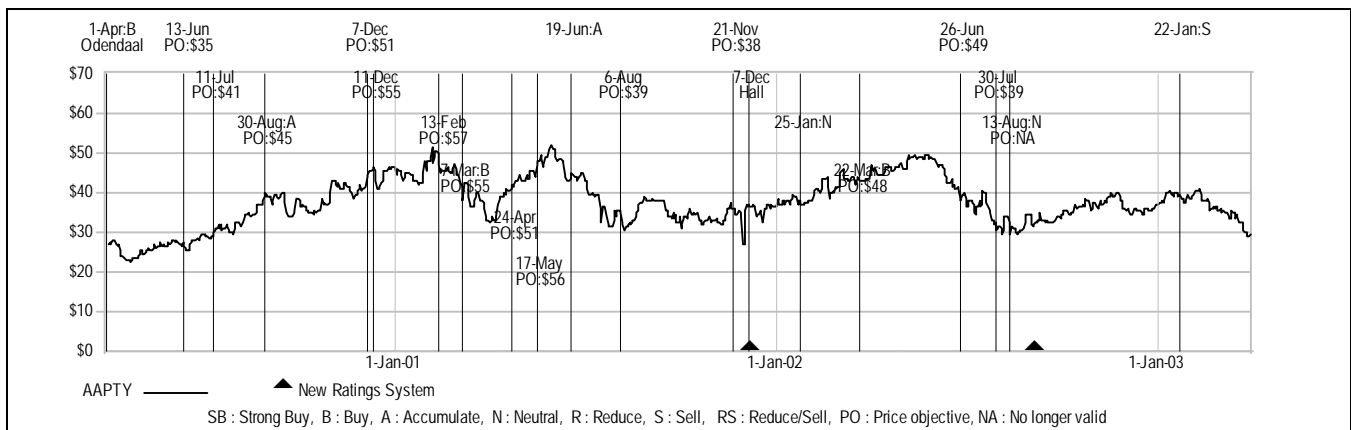
Prior to 8 Dec. 2001, the Investment Opinion System included: Buy, Accumulate, Neutral, Reduce and Sell. From 8 Dec. 2001 to 6 Sep. 2002, the Investment Opinion System included: Strong Buy, Buy, Neutral, and Reduce/Sell. On 8 Dec. 2001 Buy ratings became Strong Buy, Accumulate became Buy, and Reduce and Sell became Reduce/Sell. On 6 Sep. 2002, Strong Buy and Buy ratings became Buy, and Reduce/Sell became Sell. Any exceptions to these rating revisions are reflected in the chart. All price objectives for Neutral and Sell rated securities established before 6 Sep. 2002 were eliminated as of that date. The current Investment Opinion System is contained at the end of the report. Dark Grey shading indicates security is restricted with the opinion suspended. Light Grey shading indicates security is under review with the opinion withdrawn.

AAPTF Price Chart

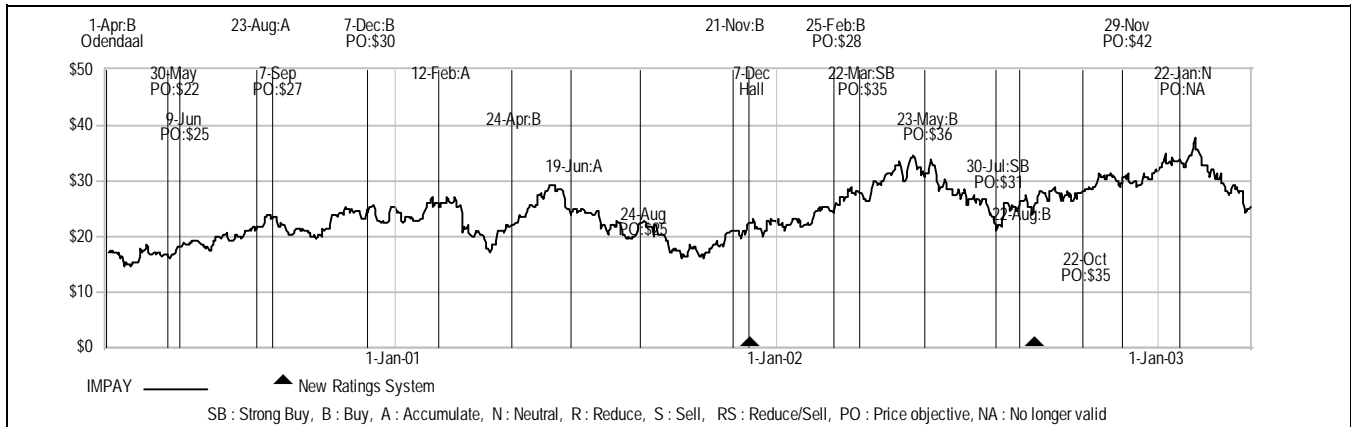


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AAPTY Price Chart



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IMPAY Price Chart


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Investment Rating Distribution: Non-Ferrous Metals, Mining & Minerals Group (as of 30 June 2003)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	28	48.28%	Buy	11	39.29%
Neutral	23	39.66%	Neutral	3	13.04%
Sell	7	12.07%	Sell	1	14.29%

Investment Rating Distribution: Global Group (as of 30 June 2003)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	884	38.20%	Buy	314	35.52%
Neutral	1229	53.11%	Neutral	335	27.26%
Sell	201	8.69%	Sell	42	20.90%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

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Activities

Impalats is in the business of mining, beneficiation and marketing of platinum-group metals, nickel and copper. Impala owns its own mine (+1moz platinum/yr), it also owns 83% of Barplats and 100% of Marula. In addition it owns smaller stakes in Lonplats (27%), Acquarius (25%), Two Rivers (45%), Zimplats (40%) and Mimosa (35%). Impala Refinery Services (IRS) refines metal from all these sources plus Messina and some Toll material.

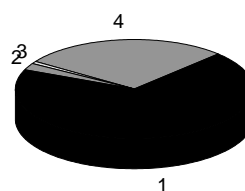
Income Statement

Y/E 30 Jun	2002A	2003E	2004E	2005E
Revenue	11901.5	12567.0	13418.3	15480.0
Operating Costs	(5448.2)	(6955.9)	(9508.6)	(11579.6)
Profit on Mining	6453.3	5611.1	3909.7	3900.4
Corporate Admin	(63.7)	(40.0)	(42.0)	(44.1)
Marketing Costs	(87.9)	(63.1)	(54.0)	(62.7)
Other Costs	(52.3)	(180.6)	(80.0)	(84.0)
Change in Inventory	136.0	(44.9)	0.0	0.0
EBITDA	6418.2	4899.9	3709.5	3775.5
Amortisation	(248.8)	(351.1)	(295.3)	(313.8)
Gross Profit on Metals	6136.6	4931.3	3438.3	3395.8
Currency Gains	130.8	(312.3)	49.5	143.3
Exploration	(51.2)	(25.0)	(26.3)	(27.6)
Other Income	(46.8)	(45.2)	(47.5)	(49.8)
EBIT	6169.4	4548.8	3414.2	3461.7
Interest Income	276.1	298.7	200.0	210.0
Dividends Received	8.0	0.0	0.0	0.0
Interest Paid	(15.7)	0.0	0.0	0.0
Rehab Provision	(2.9)	0.0	0.0	0.0
Associate Income	1102.9	1206.9	1268.0	1339.0
Royalty	(804.4)	(650.9)	(438.4)	(409.3)
Profit before Tax	6733.4	5403.5	4443.7	4601.4
Taxation	(2142.0)	(1853.7)	(1404.2)	(1454.0)
Profit After Tax	4591.4	3549.7	3039.5	3147.4
Minorities	(9.9)	(74.9)	(78.6)	(82.6)
Attributable Income	4581.5	3474.8	2960.9	3064.8
Headline Income	4555.5	3489.7	2960.9	3064.8
No of Shares (m)	66.4	66.6	66.6	66.6
Attributable EPS (ZAR)	69.02	52.17	44.46	46.02
EPS - Adjusted Basic	68.63	52.40	44.46	46.02
EPS Growth %	(2.3)	(23.7)	(15.2)	3.5
DPS	37.00	26.20	22.23	23.01
Dividend Cover x	1.9	2.0	2.0	2.0
Headline Earnings (USDm)	448.4	386.9	383.5	359.1
Headline EPS (USD)	6.75	5.81	5.76	5.39

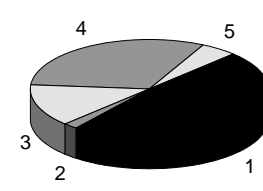
Ratios

Y/E 30 Jun	2002A	2003E	2004E	2005E
Turnover Growth %	(0.6)	5.6	6.8	15.4
EBITDA Margin %	53.9	39.0	27.6	24.4
Effective Tax Rate %	31.8	34.3	31.6	31.6
Net Debt/Equity %	n/a	n/a	n/a	n/a
ROE %	58.9	35.8	26.2	23.9
ROA %	39.5	28.1	22.3	21.5

F/cast Revenue Split



F/cast Revenue Breakdown



Cash Flow Statement

Y/E 30 Jun	2002A	2003E	2004E	2005E
Profit before Tax	6733.4	5403.5	4443.7	4601.4
Total Dep & Amort. CF	248.8	351.1	295.3	313.8
Chg. in Inventories	(136.0)	44.9	0.0	0.0
Change in Working Cap	(1145.0)	(55.1)	(105.0)	(110.3)
Tax Paid	(1733.3)	(1793.6)	(1365.1)	(1259.1)
Dividends Paid	(2309.3)	(1778.5)	(1567.7)	(1515.2)
Proceeds: Fixed/Other	(1256.0)	(1853.0)	(2200.0)	(1700.0)
Fixed Asset Sales	10.0	0.0	0.0	0.0
Change in Debt	611.2	0.0	0.0	0.0
Change in Provisions	(11.2)	0.0	0.0	0.0
Shares Issued	26.8	0.0	0.0	0.0
Other	80.4	0.0	0.0	0.0
Change in Net Cash/(Debt)	(141.8)	(274.3)	498.8	(330.6)
Net Cash/(Debt) at Start	2264.9	2406.7	2681.0	2182.2
Net Cash/(Debt) at End	2406.7	2681.0	2182.2	2512.8
CFPS	61.83	58.65	49.08	53.24

Balance Sheet

Y/E 30 Jun	1999A	2000A	2001A	2002A
Share Capital	13.1	13.2	13.3	13.3
Non Distributable Reserves	518.9	537.4	847.9	1135.3
Distributable Reserves	2989.7	5075.0	5854.4	8135.4
Ordinary Shareholder Equity	3521.7	5625.6	6715.6	9284.0
Outside Shareholders	46.9	13.8	19.2	61.6
Total Equity	3568.6	5639.4	6734.8	9345.6
Borrowings	162.3	137.6	113.1	86.3
Deferred Tax	745.0	889.7	1156.1	1389.6
Provision for Pensions/PRO	66.0	66.0	66.0	66.9
Environmental Provisions	69.1	101.8	130.0	140.6
Capital Employed	4611.0	6834.5	8200.0	11029.0
Fixed Assets	2707.8	3357.3	5230.6	6218.4
Subsidiaries & Associates	629.1	694.0	791.6	2502.8
Other Investments	37.2	95.5	499.4	487.2
Receivables	0.0	0.0	233.2	42.0
Prepayments	88.4	83.5	78.6	73.7
Current Assets	3168.3	4504.3	5162.3	5448.3
Current Liabilities	2019.8	1900.1	3795.7	3743.4
Employment of Capital	4611.0	6834.5	8200.0	11029.0