

IMPLATS
Distinctly Platinum



Annual Integrated
Report 2017

How we react to this





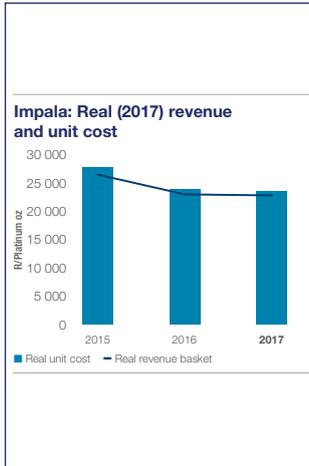
Business case

REVENUE

- Produce suite of metals (non-controllable)
- Limited ability to stimulate demand (Jewellery 35%)
- Price taker

Platinum and palladium to remain in fundamental deficit in CY2017 but Implats' view is that metal prices could remain lower for even longer (the new normal in the short to medium term)

ISSUES / RISKS



- Productivity targets at Rustenburg
- Safety
- Communities
- Legislative uncertainty

STAKEHOLDER / SHAREHOLDER RETURNS

Maintain asset for future (off reef development)
R1.2 to R1.5 billion per annum

Impala

- Shaft categorisation
- Harvest (old men)
 - Mature (1, 10, 11, 12) Shafts
 - Growth (14, 16, 20) Shafts
- Rebalance labour complement
 - Review harvest/mature shafts
 - Complete 16 and 20 Shafts only
 - Keep 17 Shaft on care and maintenance
 - Research and development
 - Modernisation

IRS

- Cash generative
- Leverage refining intellectual capital



Marula

- Keep producing well
- Cash positive or close
- Engage communities

Mimosa

- Steady state low cost producer
- Dividend paying



Zimplats

- Build Portal 6
- Next portal in 2028
- Return cash to shareholders

Two Rivers

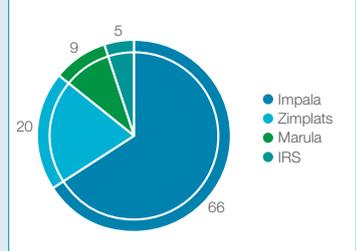
- Steady state low cost producer
- Dividend paying

COST

STRONG BALANCE SHEET

STRICT CAPITAL

FY2017 cost by Company (%)



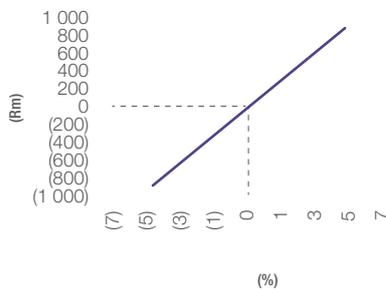
The gradual recovery of the global economy, with the anticipated revival in industrial production and consumer demand, is expected to be the biggest driver of increased PGM demand in the medium to long term.

Portfolio

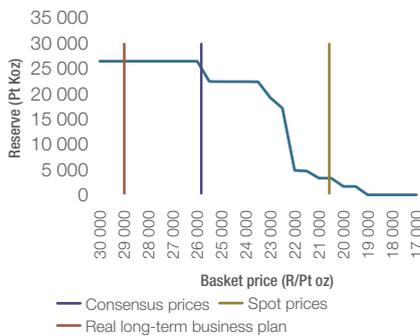
Portfolio review favours optionality on:

- Cheap
- Shallow
- Mechanised

Group cash sensitivity to changes in price, cost and production



Implats Mineral Reserves vs real basket price



STRATEGIC OBJECTIVES



● Improve efficiencies/ safe production



● Cash conservation



● Maintain social licence to operate



● Investment through the cycle



● Maintain optionality and position for the future



Refer CEO priority areas on page 44

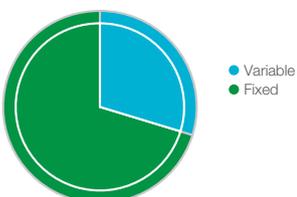


See remuneration report on pages 114 to 117

ALLOCATION

- Unit cost very sensitive to volume. This is the average production cost per unit differentiator in the industry

FY2017 Impala variable and fixed cost (%)



MAINTAIN SOCIAL LICENCE TO OPERATE

CEO's review – Nico Muller

One of my first tasks since joining was to engage with many of our key stakeholders. I have gained a significantly better understanding through these deliberations and I am very appreciative of the time unselfishly given by many people who shared their various views and experiences.

Implats has always been revered and respected as a leading mining company. Historically, it outperformed the industry and its peer group in many key metrics and was highly profitable. Many of our current leaders and staff were here at that time and know and understand exactly what it takes to excel.

In recent years, however, Implats has seen a steady decline in operational performance from the Impala Rustenburg. This, together with a persistently low metal price environment and challenging operating conditions, has impacted overall profitability. I am a firm believer that long-term sustainable success is best achieved through strong teams who share a common purpose and conduct their business through a collaborative approach. It is clear to me that Implats has an impressive repository of experienced employees, who as a team, largely have the capacity to propel us through this tough period.

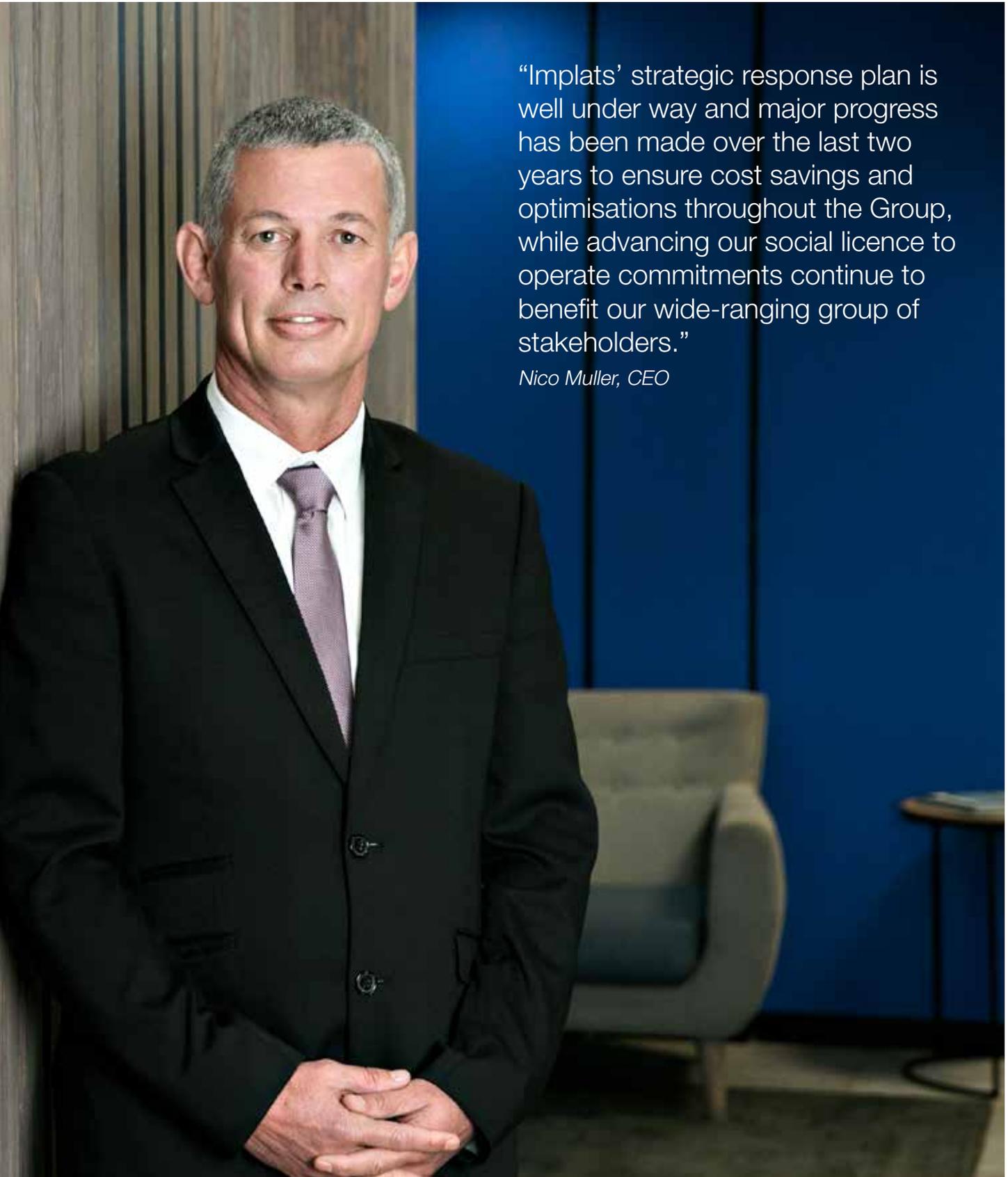
The mining industry in both the jurisdictions in which we operate – South Africa and Zimbabwe – is characterised by rapidly increasing uncertainty. This is evidenced by the latest

gazetting of the new Mining Charter in South Africa and the increased call for beneficiation as well as a potential 15% export levy on unbeneficiated platinum in Zimbabwe. In addition, community activism continues to escalate and poses a material risk to sustainable mining operations. These are areas that require considerable attention at executive level and to bolster our existing ability, I have advanced the work required to develop strength in, and across, our teams.

Implats' strategic response plan is well under way and major progress has been made over the last two years to ensure cost savings and optimisations throughout the Group, while advancing our social licence to operate, commitments continue to benefit our wide-ranging group of stakeholders. While Impala produced 654 600 ounces of platinum for the year (as guided at the half year), it nonetheless incurred a headline loss after tax of R2.68 billion. This was largely a result of sustained low rand basket prices, a cost base that is structured for a higher level of production and persistently low operational efficiencies. It is clear that we cannot accept it being business as usual for Impala. A comprehensive strategic review of this operation is planned to ensure that it will operate at a cash neutral level in what is perceived to be the new normal pricing environment. The review will be focused on returning the mine to profitability by prioritising profitability and value, over volume.



It is a tremendous honour for me to join Implats as its CEO. Implats has been a Group that I have admired and it's certainly a career highlight for me to be given the opportunity to work alongside the existing team.



“Implats’ strategic response plan is well under way and major progress has been made over the last two years to ensure cost savings and optimisations throughout the Group, while advancing our social licence to operate commitments continue to benefit our wide-ranging group of stakeholders.”

Nico Muller, CEO

CEO's outlook – Nico Muller

Key priorities

To ensure the successful delivery of our strategy, and following an internal assessment of the current Company performance, the material changes to the environment in which Implats conducts its business, as well as observations by key stakeholders, we have identified key priority areas to support this obligation.

We recognise that our immediate short-term priority is ensuring the profitability and prosperity of our Company and its key stakeholders, while longer-term objectives will be informed by the board's stated ambitions for growth.

My executive team's six key objectives for the next two years are as follows:



I fully understand the importance of a turnaround at Impala Rustenburg. We are focusing on right-sizing and optimising this operation's operating model. Strengthening and realigning the management team to ensure effective and confident leadership is imperative to drive an improved performance orientation and increased accountability to enhance safe production volumes and overall efficiencies and productivities. The importance of the expected delivery of production and cost from the two growth shafts – 20 Shaft and 16 Shaft – is recognised and plans have been re-focused to ensure their ramp ups are prioritised and achieved timeously.



I have also started working with our team to ensure a more decisive strategy for the Marula operation. It is critical that we address operational disruptions and improve productivity. While this situation stems largely from community unrest and external interferences, I have made it clear that the operation must become cash generative within the immediate short term, or we will have no option but to suspend operations.



To ensure shareholder returns and the delivery of cost effective ounces we need to increase organisational effectiveness. Senior leadership changes have, and will continue, to be made across the Group, and we will improve role clarity and accountability. I have found that inter-divisional relationships and collaboration require improvement, and systems are being introduced to make these more effective and value-adding. Implats' well-known and regarded lean operating structure has led to an inadequate human resources function at the centre. We are in the process of securing the services of a human resources professional who will be tasked with driving organisational change and effectiveness, and ensuring the prioritisation of this function throughout the organisation.



One of the core pillars of our strategy has been to strengthen the balance sheet and this has necessitated an enhanced focus on capital allocation and cash management. The finance team, led by Brenda Berlin, has done an exceptional job ensuring that Implats has one of the best-in-sector balance sheets and this focus will be maintained. This strength is, and will be, a critical element of our ambition to develop strategic agility,

and will be equally important as we re-examine the Impala Rustenburg investment case, and continue to drive the enforcement of strict capital allocation. The flexibility that will be required can't be overemphasised as it will become the catalyst to enable us to prioritise profitability.



It is imperative we develop the Group's strategic agility. To initiate this, we are re-examining market dynamics, specifically our long-term price forecasts. We need to rebalance our portfolio of assets and are currently completing an assessment aimed at enhancing our strategic optionality within and beyond the current portfolio. The assessment is reviewing all operations and will result in the elimination of loss-making production, while questioning the future dependence on high-cost deep, conventional mining operations.



Companies can no longer be successful without earning a social licence to operate. A tremendous amount of excellent work has been done to facilitate acceptance within our host communities and to secure our relationship with government and other authorities. This will remain a key focus area as commitments to responsible environmental stewardship and the well-being of employees are unwavering. Cost management necessitated that we hold back on appointing an experienced stakeholder relations executive, after the previous incumbent departed. The need to enhance and expand this area, however, has become a key requirement and we are in the process of securing this necessary skill for our executive team.

Conclusion and appreciation

I look forward to working with a team who take ownership and accountability of their respective business areas, develop strength around and below them, who reflect deeply, and who have the courage of their convictions to implement bold and decisive action.

We have access to diverse PGM ore bodies, we have brownfield growth potential, a world-class refinery and a robust balance sheet. The building blocks are in place, and I am certainly looking forward to making a meaningful and positive contribution to the growth of Implats.

I thank Gerhard Potgieter for his role as acting CEO from December 2016 to April this year, which gave me the time to do the important work of engaging with all key stakeholders, and from which to develop an honest and bold assessment of the requirements going forward.

Nico Muller
CEO

Our strategies



Relentlessly drive the safety of our people

Consistently deliver production targets

Improve efficiencies through operational excellence

Cash conservation

Maintain our licence to operate

Our targets

2018 target

<ul style="list-style-type: none"> Zero fatalities LTIFR<5 	<ul style="list-style-type: none"> Platinum range >1.57 – 1.61 million oz 	<ul style="list-style-type: none"> Costs per Pt oz <R23 100 	<ul style="list-style-type: none"> Costs <R25.3bn Capital <R4.7 billion 	<ul style="list-style-type: none"> Rustenburg SO₂ at <16 tpd Marula disruptions <10 days Build/sell >230 employee houses
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2022 target

<ul style="list-style-type: none"> Zero fatalities LTIFR<2 	<ul style="list-style-type: none"> Platinum >1.5 million oz 	<ul style="list-style-type: none"> Costs per Pt oz <R27 000 	<ul style="list-style-type: none"> Costs <R33bn Capital <R7.6 bn 5 year capital < R28.2 billion maintain 	<ul style="list-style-type: none"> 100% environmental compliance Increase recycled water by 20% to 55% Increase local procurement by 30% Build/sell >1 400 additional houses over 5 years
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Key actions

<ul style="list-style-type: none"> Embed three pillars of HSE strategy: people and behaviour environment, practices Embed and drive critical behaviour programme Implement critical controls for major hazards and events Attain OHSAS 18001 (ISO 45001) compliance at all operations in two years 	<ul style="list-style-type: none"> Rustenburg: 750 000 platinum ounces by 2022 Marula: maintain 85 000 platinum ounces in concentrate Zimplats: maintain 260 000 platinum ounces Two Rivers: maintain in excess of 175 000 platinum ounces in concentrate Mimosa: maintain at between 115 000 and 120 000 platinum ounces in concentrate 	<ul style="list-style-type: none"> Optimise mining efficiencies through productivity programmes Continue with cost optimisation at all operations Ramp up growth shafts at Impala; optimise mature shafts; close old shafts Implement the revised bonus scheme for D and E levels with an elevated focus on production 	<ul style="list-style-type: none"> 17 Shaft to remain on care and maintenance in the near future Leeuwkop project to remain on care and maintenance Prioritise the ramp up of 16 and 20 Shafts at Rustenburg Develop Mupani Mine to get to ore contact by May 2020 Rationalise and prioritise capital allocation across the Group 	<ul style="list-style-type: none"> Deliver on Social and Labour Plans (SLP) commitments Resolve Marula community disruptions Sustain and improve relations with all key stakeholders Effective CSI programme Position toward new Mining Charter obligations Secure tenure in Zimbabwe (indigenisation, beneficiation and SML renewal) Structure remuneration to retain (and attract) key personnel
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Impala Platinum Holdings Limited

Tel: +27 11 731-9000

Fax: +27 11 731-9254

investor@implats.co.za

2 Fricker Road, Illovo, 2196

Private Bag X18, Northlands, 2116

www.implats.co.za