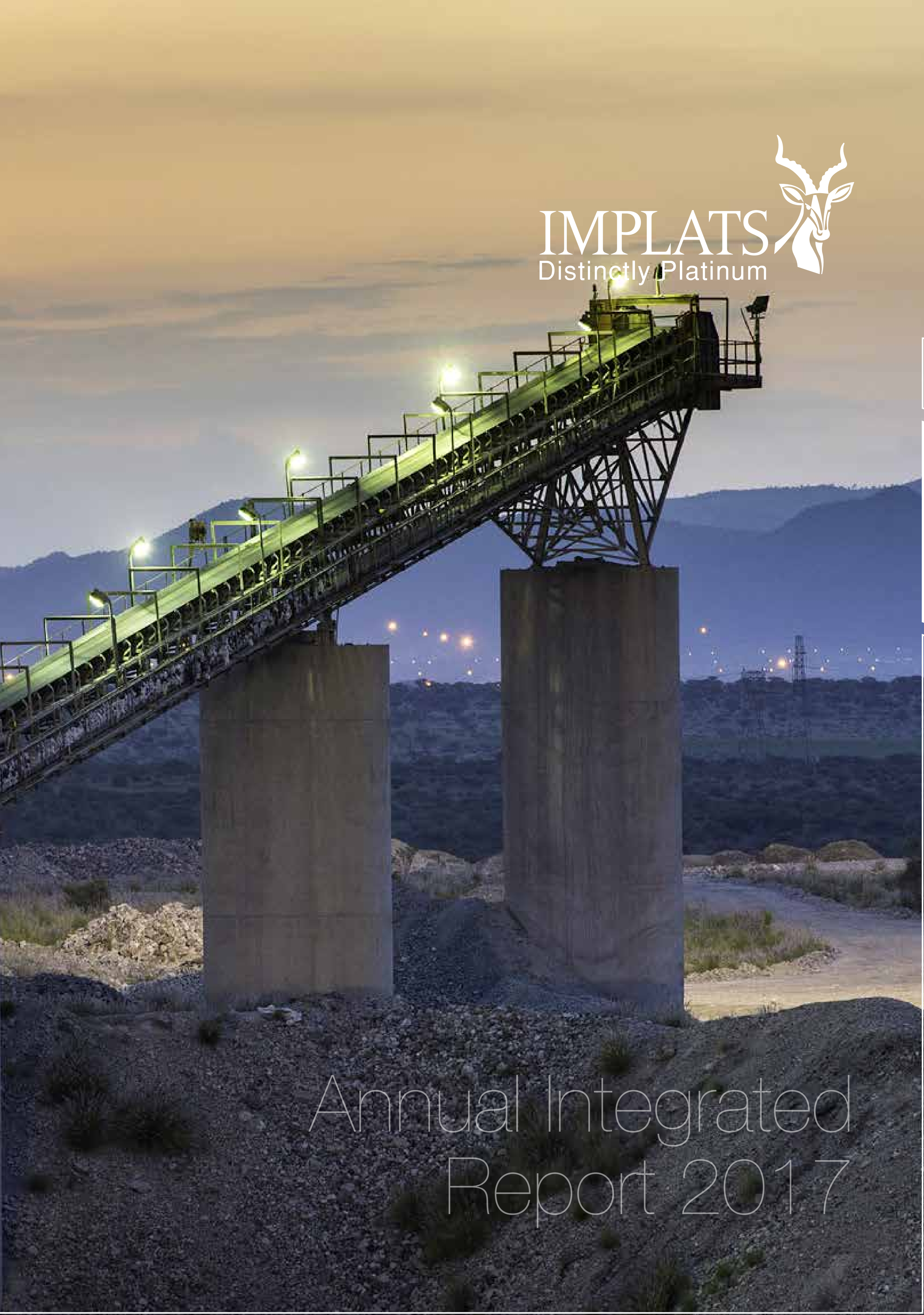


IMPLATS
Distinctly Platinum

Annual Integrated Report 2017

The platinum sector – our operating environment


No 16SHAFT

Chairman's report

The year in summary

While there has been Group-wide progress in terms of safety performance, it is with deep sadness and regret that Implats experienced nine work-related fatalities during the year. Management and the Board accept that safe production is vital to Implats' sustainability and recommit to achieving the goal of 'zero-harm' in all our operations.

During the 2017 financial year, the businesses' operating environment was more challenging than widely anticipated at the outset. However, Implats remained steadfast in implementing its strategic repositioning plan aimed at achieving operational sustainability and optimised stakeholder returns under 'the new normal' environment of lower for even longer metal prices.

In South Africa, the effects of global political and economic factors were compounded by recessionary trends, allegations of state capture and increasing political contestation, thus putting more pressure on the sustainability of the mining industry as a whole.

Platinum group metal prices

The implementation of the plan to reposition Implats for a "lower for longer" price environment, which was initiated in 2015, has stood the Group in good stead thus far given that the platinum prices have remained depressed until now. The key elements of the repositioning plan are cost cutting, capital expenditure reprioritising and rescheduling, balance sheet strengthening, production and productivity improvements at the Impala Lease Area (Impala) and preserving our social licence to operate. Good progress has been made on all these key elements except on the production element regarding the Impala Lease Area and the Marula operations.

There are some positive signals in the market, such as the depletion of above-ground stocks of platinum and a more robust demand outlook. However, it is evident that prices are being driven more by sentiment and less by the fundamentals. In addition, it seems platinum price movements continue to be primarily driven by the performance of gold. This disconnect between platinum's price and its fundamentals, makes forecasting difficult and susceptible to investor sentiment based on global risks. Therefore, the prognosis of prolonged, relatively flat platinum prices remains strong. This will result in the postponement of capital investment in the sector and will contribute to a further contraction over the short to medium term.

Consequently, management has initiated a process of close interaction with our customers to build a common understanding of medium- to longer-term pricing scenarios to ensure enhanced accuracy for planning purposes, as well as for strategic decision-making and optionality.

Implats shares the view of the World Platinum Investment Council, that there will be a supply shortfall in less than 10 years' time and that there are strong reasons supporting platinum as an investment asset. These include a projected supply and demand imbalance and the positive ETF holdings, despite price volatility.

Delivering on strategy

During the year under review, the Group made significant progress against all the key elements of our repositioning plan. The Group's mine-to-market output was slightly up at 1.28 (2016: 1.25) million platinum ounces; gross refined platinum production increased by 6.4% to 1.53 million ounces; unit costs increases were contained at 4.4%, in line with mining inflation, to R22 691 (2016: R21 731) per platinum ounce; overhead

The disconnect between platinum's price and its fundamentals, makes forecasting difficult and susceptible to investor sentiment based on global risks. Therefore, the prognosis of prolonged, relatively flat platinum prices remains strong.

"While Implats has delivered near-record production at several mining operations, as well as higher throughput at the refinery operation, the Rustenburg operations require attention to improve overall operating and financial performance. This has become a key priority for the next year."

Mandla Gantsho, Chairman

Chairman's report

cost savings initiatives yielded in excess of R1 billion over the last two years, including the effects of stricter capital allocation controls; capital expenditure of R3.43 (FY2016: R3.56 billion) was maintained at similar levels to the previous year due to the deferment of ongoing capital; and Importantly, Implats further strengthened its balance sheet through the successful conclusion of a R6.5 billion new convertible bond issue and retaining its R4 billion bank facilities until 2021.

Good progress was also made in many of our key safety indicators. Several operations reached significant safety milestones, resulting in a noteworthy decline in Section 54 stoppages.

While Implats has delivered near-record production at several mining operations, as well as higher throughput at the refinery operation, the Rustenburg operations require attention to improve overall operating and financial performance. This has become a key priority for the next year. The executive and senior management team at our Rustenburg operations are currently implementing a board-approved plan to transform Impala Rustenburg and ensure the delivery of better and more sustained operational and financial results.

There has been effective delivery in terms of the numerous social and labour plan commitments at our South African operations and the targeted corporate social investments in Zimbabwe. In addition to expanding industry-leading employee housing projects, Implats has focused on local skills development and recruitment, and increased spend on local procurement - which contributes to local economic development, and towards driving transformation in South Africa and indigenisation in Zimbabwe. One of the absolute imperatives over the next year is to enhance and extend these social and labour plan commitments to ensure communities and other stakeholders benefit fairly and equitably from our various operations.

Stakeholder universe

Implats recognises the need for effective stakeholder engagement to build new and maintain existing value-enhancing relations with all key stakeholders, to create sustainable shared value, and to secure a social licence to operate. Mining activities inevitably impact a broad range of stakeholder groups, often positively, but also in ways that can be perceived negatively by certain stakeholder groupings. This is a global issue, but within a southern African context, mining is further impacted by a range of historic social and environmental ills, the legacies of which persist today.

As a result, mining operations in South Africa and Zimbabwe face a major trust deficit with many key stakeholders. The current socio-political climate is unpredictable and the economies are not growing at the required rates to meaningfully arrest high levels of unemployment, poverty and inequality. A growing "crisis of expectation" has seen mining companies caught in the crossfire between frustrated communities, poorly-resourced local government structures, and traditional leaders whose authority is increasingly being challenged, especially by the youth. Demands to deliver economic benefits are being levelled at mines with increasing frequency and ferocity. This is no more evident than at the Marula operation, where Implats is acutely aware of the realities that exist, and where management had to focus its attention to bring a solution to bear on the untenable situation.

Implats continues to prioritise effective, proactive and consistent engagement across all stakeholder groups – including national, provincial and local governments, its employees and their union bodies, and its communities and the structures that support them.

Internally, we are aligning our teams through organisational effectiveness processes to ensure the Group is adequately resourced and trained to meet future demands and challenges. We have reviewed our internal management approaches and are aligning our teams for improved decisiveness, pragmatism, and accountability. This has necessitated a revision of the performance and reward system to achieve better alignment with returning value to shareholders, and sharing benefits with our overall stakeholder universe.

Regulatory changes

Productive two-way engagement with the governments of South Africa and Zimbabwe remain critically important to a predictable and sustainable business environment. The regulatory and policy uncertainty in both countries, which escalated during the year under review, is a source of serious concern for an industry involved in large-scale capital investment over long-term horizons.

The gazetting in South Africa of a controversial third version of the Mining Charter in June 2017, resulted in serious decreases in the market capitalisation of listed mining companies. This was followed by the gazetting of a notice to restrict the granting of new mining and prospecting rights and the transfer of mineral rights between companies, which represents the lifeblood of the mining sector.

As a member of the Chamber of Mines, Implats fully supports the chamber's view that ongoing policy and regulatory uncertainty in South Africa continues to impair the full economic and developmental potential of the mining industry. Implats remains confident that mining industry differences with the South African government can be resolved to secure a workable way forward.

In the same vein, Implats continues to engage the Zimbabwean government – directly, and through Zimplats' membership of the Chamber of Mines of Zimbabwe and its Platinum Producers' Association – on business-critical policies, such as beneficiation and land acquisition.

Conclusion and appreciation

In an environment of political and economic uncertainty, it behoves the private sector to keep a level head and a steady hand. I believe Implats has done just that during the year under review. Notwithstanding current challenges, the long-term fundamentals of the PGM market remain positive. The implementation of the response plan to the low metal price environment has resulted in a more resilient Implats. The Group has a strong balance sheet and is positioned for long-term sustainable stakeholder value creation.

Towards the end of the 2016 calendar year, we bade farewell to Mr Terence Goodlace who was a non-executive director for two years and led the Group for the past four and a half years as Group CEO. On behalf of the board, I thank Terence most sincerely for skillful and compassionate leadership of the Group. We wish him well in his future endeavours.

Succeeding Terence is our new CEO, Mr Nico Muller, whose appointment became effective on 1 April 2017. The board is confident that Nico's impressive track record in leadership and management will contribute towards placing the Group on a trajectory of safe operations and sustained profitability.

On behalf of the board, I extend our sincere appreciation to Mr Gerhard Potgieter for his outstanding contribution as acting Group CEO ahead of handing over to Nico.

To Ms Brenda Berlin, our CFO and executive director, as well as to the entire management team and staff, thank you for your hard work, loyalty and contribution to the ongoing viability of Implats.

I acknowledge and thank my fellow board members for their wise counsel and commitment to the Group over the past year. I value their support.

Finally, I express my sincere appreciation to Implats' many stakeholders for entrusting us with the leadership of the Company and for the continued support.

We look forward to a new year, and to meeting the challenges with renewed vigour.

Dr Mandla SV Gantsho
Chairman

Our operating context

Market review

A more favourable outlook for the global economy in 2017

According to the International Monetary Fund (IMF), in 2016 the global economy experienced the weakest growth since 2008, at 3.2%. This was due to a challenging first half marked by turmoil in global financial markets. The IMF raised its projection for 2017 global growth to 3.5%, up from their January forecast of 3.4%, largely as a result of a resilient China, rising commodity prices and sturdy financial markets that are offering a brighter outlook for the global economy.

The IMF does warn of risks to its optimistic forecast, which include the threat of deepening geopolitical tensions, the possibility of rising US interest rates which will squeeze economic growth, and the threat that protectionist measures may damage global trade.

The overall demand for PGMs from major sectors remained stable during 2016 and, thanks to the favourable outlook, continued to hold its ground during the first half of 2017. Demand for platinum came from the combination of rising vehicle sales and loadings in Western Europe and increased industrial requirements in both North America and China. Palladium demand remained healthy on the back of increasing vehicle sales in China and the US. The rhodium price performance was due to limited availability (from mines and secondary suppliers) and increased demand from automotive and chemical industries.

Secondary PGM supply was low for most of 2016, however, it recovered in the last few months of 2016 on the back of higher steel, palladium and rhodium prices. In the case of platinum, secondary supply saw an unusual hike as a consequence of the Chinese stocks being recycled as retailers returned pieces to manufacturers, looking for new designs and more gem-set.

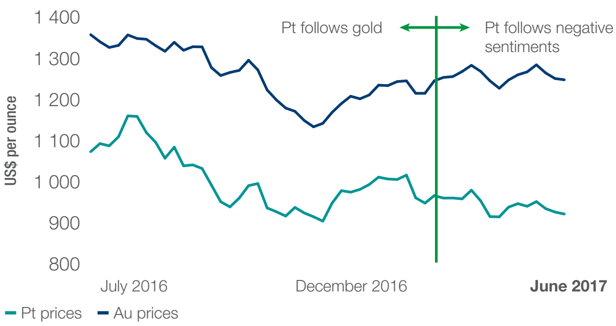
Even though there has been some dollar price increase for PGMs over the reporting period, the rand strength negatively affected the rand basket price, further challenging a supply environment under continued risk due to lack of capital investment. Together with challenges related to safety incidents as well as increasing production costs, the low rand basket prices continue to place shafts at closure risk.

Market performance

The platinum and palladium markets remained in fundamental deficit in 2016, while the rhodium market was in small surplus.

Even though the platinum price closed FY2017 11% lower at US$922 per ounce, compared to the start of the financial year (US$1 033 per ounce), the average price for the year was 4% higher at US$988 per ounce compared to the previous financial year.

Pt and Au prices



Platinum price movements during FY2017 continued to show a disconnect to its fundamentals, which made platinum pricing susceptible to investor sentiment around global risk. Additionally, anti-diesel sentiment in Europe/India and the fall in Chinese jewellery continue to weigh on platinum prices.

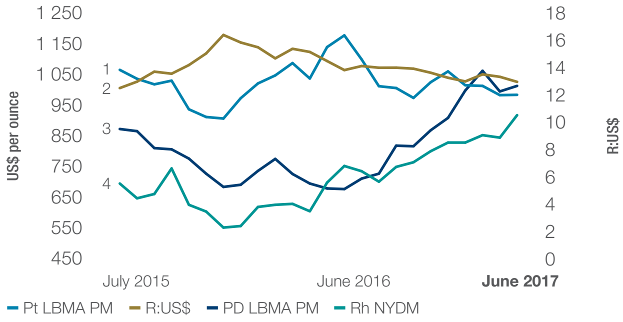
Negative sentiment towards the internal combustion engine, and diesel in particular, has increased over the last 12 months. Much is being made of battery electric vehicles as the solution to effective carbon dioxide and NO_x reduction. However, to be truly effective, these will require a significant increase in renewable energy generation, which is potentially decades away. It is interesting to note that the reduction in diesel vehicle share in the Western European market has been offset by an increase in sales of gasoline vehicles, not battery. Growth in the electric vehicle space has been via hybrid vehicle sales, which do provide a more immediate answer to emissions reductions. Given the introduction of Real Driving Emissions (RDE) testing, these will require higher loadings of PGM's to negotiate the more frequent 'stop-start' conditions.

In contrast, palladium prices closed FY2017 42% higher, at US$841 per ounce, compared to the start of the financial year (US$593 per ounce). Palladium prices reached a high of US$900 per ounce during June 2017 while the average price for the year was US$737 per ounce or 27% higher than the previous comparable period. Support for palladium was driven by robust demand from autocatalyst fabricators, positive sentiments towards the automobile sector and expectations of further palladium price gains.

Rhodium was a star performer in the PGM complex, with the largest rally during the financial year. Rhodium prices closed the financial year 60% higher at US$1 018 per ounce after opening the financial year at US$638 per ounce. The average price for the year, at US$803 per ounce, was 13% above the comparable period. This was on the back of the absence of liquidity and the increasing demand from both the automotive and industrial sectors.

The South African Rand strengthened against the US Dollar during FY2017, gaining on average 14% of its value and closing at R13.11. The strength of the rand eroded some of the gains made in US Dollar prices.

US$ per ounce



Automotive

2016 was another positive year for the automotive industry, with global light duty vehicle sales estimated to have reached 93 million units on the back of continued growth in the US, Western Europe and China, offsetting reduced sales in Japan, Eastern Europe and Latin America, relative to the previous year.

Platinum demand continued to benefit from both increased light and heavy-duty diesel vehicle sales, and higher vehicle loadings globally. For 2016, platinum usage amounted to 3.3 million ounces. Similar to platinum, palladium requirements benefited from increased loadings and vehicle sales and usage reached 7.8 million ounces. Rhodium usage in autocatalysts amounted to 0.825 million ounces during 2016, with most of the additional requirements seen during the last quarter.

In the first half of 2017, automotive sales in major markets have been mixed. After a record 2016, sales in the US were expected to decline by more than 2% in 2017, reaching 17.1 million units. In line with this forecast, US sales in the first half of 2017 were down by 2.3% at 8.4 million units. However, US consumers continued to favour heavily PGM-loaded pickup trucks, SUVs and crossovers.

In contrast, Chinese light duty vehicle sales were resilient in the first half of 2017, up 3.8% after recording a 14.9% year-on-year growth in 2016. This figure was impacted by the increased tax incentive for small-engine cars (from 5% in 2016 to 7.5% in January 2017). Full year sales are still estimated to increase by 5%.

After three years of declining sales in Japan, the recovery seen during the last two months of 2016 has continued in 2017. Japanese new car sales surged in the first half of 2017, increasing by 9.2% year-on-year to 2.8 million units. Full year sales are expected to reflect the first increase in three years.

Western Europe saw a decline in the light duty diesel market in 2016. However, a combination of growing vehicle sales and higher loadings saw platinum demand actually increase in this sector by close to 100koz for the year. This growth has continued in the first half of 2017 as sales increased by 3.7% to 7.8 million units. Increased anti-diesel sentiment in this market continues to pose a significant threat to platinum demand, however, consumers are not switching from diesel to battery or hybrid vehicles but to gasoline. This is compounding the CO_2 compliance issues for manufacturers, as gasoline engines emit around 20% more CO_2.

Infrastructure and, more importantly, consumer acceptance does not seem to be moving fast enough for penetration in the electric vehicle market to meet fleet compliance to CO_2 emissions regulations in 2020. This may yet provide the opportunity for manufacturers to promote available "clean" diesel vehicles, and initiatives such as the German Ministry of Transport's 'National Diesel Forum' provide platforms to do this.

Increasing vehicle sales in other regions are expected to offset the decline in the US market, with estimated global light duty vehicle sales in 2017 forecast to reach a new record of more than 94 million units.

Light-duty vehicle sales

Units: Millions	Forecast 2016	**Forecast 2017**
North America	17.51	**17.10**
Western Europe	13.95	**14.23**
China	24.38	**25.60**
Japan	4.97	**5.00**
Rest of the world	32.40	**32.30**
	93.2	**94.22**

Source: Reuters, CAAM, Nikkei, LMC

Jewellery

Although the 2016 Platinum Guild International (PGI) retail barometer showed that Chinese demand declined by 8.3% for the year on the back of changing consumer preferences, the Chinese market remained the major consumer of platinum jewellery in 2016 consuming 1.83 million ounces. In the past, jewellery purchases were mainly value-driven, however today, distinctive design, branding and emotional relevance are as important, with jewellery competing with other discretionary items, such as the latest smartphones, and experiential spending such as travel.

The Chinese decline was partially offset by growth in other regions. Even though India had a challenging 2016, as a result of floods, changes in legislation, a jewellery retailers' strike and demonetisation, the platinum jewellery market remained resilient and grew by 11.4% on the back of successful campaigns by the PGI. In the US, manufacturers and retailers alike attributed the 5.4% growth in their platinum business in 2016 to favourable pricing (relative to gold), an appealing sales story to the trade. Japanese growth of 2% was driven by Japanese society preference for platinum and high disposable income, making non-bridal jewellery the biggest demand driver. The combination of these factors meant global platinum jewellery demand declined by only 117koz, reaching 2.9 million ounces in 2016.

Our operating context

For the first half of 2017, Chinese retail sales decreased but at a slower rate than 2016. The Indian market has bounced back and all of PGI's retail partners report strong growth in the first half of 2017 when compared to 2016. The US and Japanese markets are recording similar growth to 2016.

Industrial

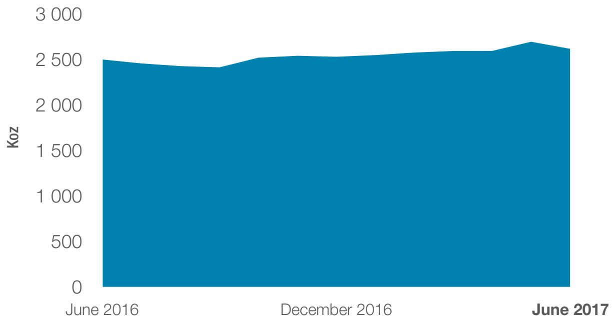
The low prices of palladium, and more so platinum and rhodium, generated some additional industrial interest in these metals in 2016. In the case of platinum, the main drivers for this growth were an increase in capacity expansions for paraxylene production and steady growth within the silicone industry, offsetting a global contraction in nitric acid production. Demand for platinum in the petroleum industry saw moderate gains in the first half of 2016, largely driven by growth in new plants and plant expansions in North America. Meanwhile, China continued with previously planned projects in the chemicals and glass sectors.

For the first half of 2017, demand for platinum and rhodium in the industrial sector saw moderate gains driven by the chemical and glass sectors. Palladium demand during the first half of the year declined slightly compared to first half 2016 as a result of higher prices.

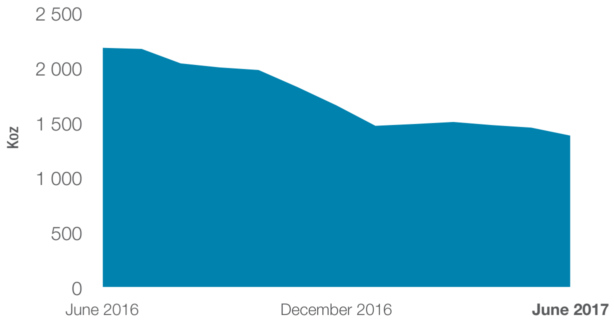
Investment

After a decline of 9koz in 2016, the global platinum exchange traded fund (ETF) holdings increased by 87koz to 2.62 million ounces during the first half of 2017. In contrast, palladium ETF holdings continued their decline, decreasing by 276koz in the first half of 2017, following a decline of 640koz in 2016. Palladium liquidations were driven by profit taking on the back of higher palladium prices.

Platinum ETF investment June 2016 – June 2017



Palladium ETF investment June 2016 – June 2017



Source: HSBC

Unlike the last two years' higher platinum investment inflows in Japan, the first half of 2017 has seen some profit taking by the Japanese market, with the net purchases amounting to only 68koz.

The World Platinum Investment Council (WPIC) market development programmes have continued with the launch of two significant new initiatives in the first quarter of 2017. In March, the WPIC announced the addition of platinum to the Bullion Vault online precious metals platform. The partnership means 65 000 private investors using this marketplace now have access to platinum. Also, the WPIC supported the launch of India's first non-jewellery platinum product with partner, Muthoot Exim. The launch of the Anantavarsham Platinum Series of deities is the first of a number of initiatives planned for India, a market that has enjoyed significant growth in the last two years. At this stage, the WPIC is ahead of its forecast of additional demand generated, with more than 60koz bought.

Platinum net long positions on NYMEX (-683koz) and TOCOM (+166koz) declined by an average 517koz in the first half of 2017, closing at 1.23 million ounces. The net change in NYMEX positioning was driven by a 934koz increase in gross shorts, partially offset by 251koz increase in long positions. The increase in shorts is largely as a result of the lack of confidence in diesel automotive demand, increasing discussions on battery electric vehicles and declining Chinese jewellery demand.

Changes in palladium positioning on NYMEX were largely positive during the first half of 2017. A 582koz increase in longs outweighed the 281koz increase in shorts, resulting in a 301koz increase in net length, highlighting a positive outlook by investors on palladium fundamentals.

2017 outlook

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. In our view, both the platinum and palladium markets will remain in a fundamental deficit in 2017, whilst rhodium is expected to remain in a small surplus.

We expect a slight decline in the use of platinum in the automotive industry in 2017, in favour of palladium and driven by an increasing share of gasoline vehicle sales. However, with increasing palladium prices, we expect that research into the back substitution of platinum in three-way catalysts will result in increased usage of platinum in gasoline engines in the coming years.

Platinum

Platinum supply/demand outlook

'000toz	SFA/WPIC 2016	SFA/WPIC 2017 (Forecast)	Impala 2016	Impala 2017 (Forecast)
DEMAND				
Automotive	3 435	**3 405**	3 300	**3 295**
Jewellery	2 565	**2 530**	2 905*	**2 865***
Industrial	1 775	**1 610**	1 970	**2 035**
Investment	505	**250**	420	**150**
Total demand	8 280	**7 795**	8 595	**8 345**
SUPPLY				
Primary supply	6 055	**5 970**	5 630	**5 830**
Recycling	1 865	**1 760**	2 225	**2 035**
Total supply	7 920	**7 730**	7 855	**7 865**
Movement in stocks	-360	**-65**	-740	**-480**

** PGI retail barometer estimates used for platinum jewellery demand*

Palladium

Palladium supply/demand outlook

'000toz	SFA/WPIC 2016	SFA/WPIC 2017 (Forecast)	Impala 2016	Impala 2017 (Forecast)
DEMAND				
Automotive	8 000	**8 110**	7 775	**7 905**
Industrial	2 050	**1 930**	1 940	**1 930**
Investment	-640		-640	**-275**
Jewellery	240	**215**	100	**100**
Total demand	9 650	**10 255**	9 175	**9 660**
SUPPLY				
Primary supply	6 800	**6 930**	6 180	**6 525**
Recycling	2 225	**2 230**	2 545	**2 735**
Total supply	9 025	**9 160**	8 725	**9 260**
Movement in stocks	-625	**-1 095**	-450	**-400**

Rhodium

Rhodium supply/demand outlook

'000toz	SFA/WPIC 2016	SFA/WPIC 2017 (Forecast)	Impala 2016	Impala 2017 (Forecast)
DEMAND				
Automotive	835	**830**	825	**840**
Industrial	185	**165**	155	**160**
Investment	5			
Total demand	1 025	**995**	980	**1 000**
SUPPLY				
Primary supply	765	**735**	770	**795**
Recycling	285	**295**	290	**320**
Total supply	1 050	**1 030**	1 060	**1 115**
Movement in stocks	25	**35**	80	**115**

Our operating context

The realisation of value is also dependent on successfully negotiating a challenging operating environment where various issues have important implications for our business model.

Macro-economic factors

Over the last year we have witnessed increasing political and economic uncertainty globally, evidenced by, amongst others, the Brexit vote in the UK; weaker-than-expected economic growth in the US and China; structural adjustments by commodity exporters to a long-term decline in their terms of trade; demographic and labour market adjustments; and a protracted slowdown in productivity, which in turn have fuelled protectionist policy positions and political discontent.

In South Africa, these factors were further compounded by recessionary trends, credit rating downgrades, allegations of state capture, growing unemployment, and increasing political and social tension.

Impact on value: A negative macro-economic outlook inevitably impacts GDP growth expectations and the demand for natural resources globally, including the demand for PGMs, which is closely linked to vehicle sales.

Our response: We remain sceptical of a near-term PGM price recovery in the face of lingering political and economic uncertainty. To this end, we:

- actively and continuously assess conditions in the countries where we sell our metals across all the key demand sectors
- tailor our market development activities to support key market segments and grow new areas of demand
- align and support key institutional partners (such as WPIC, PGI, IPA)
- grow and sustain relationships with key customers globally.

Prices

Despite continued strong PGM demand, metal prices have remained muted for some time with increased uncertainty on near-term price recovery and longer-term price expectations. Negative sentiment related to anticipated weaker supply/demand fundamentals has been largely informed by the recent Volkswagen diesel scandal, which has impacted diesel vehicle growth expectations and the projected rate with which the vehicle fleet could be electrified, slowing jewellery sales in China and the view that substantial above-ground metal stocks remain available to cap any near-term price recovery.

Impact on value: Low metal prices have a direct impact on profitability, the generation of shareholder returns and our ability to fund and grow the business into the future.

Our response: Implats began positioning itself for a "lower-for-longer" price environment in 2015 through targeted cost containment measures, focused productivity enhancement initiatives, rationalising and prioritising capital allocation, and maintaining a strong balance sheet.

We continue to critically review strategic cost containment and cash preservation measures. To this end, we successfully issued a new R6.5 billion five-year convertible bond in May 2017 to re-finance the bonds that were due for repayment in February 2018 and we maintain unutilised debt facilities of R4 billion available to 2021.

We are focused on fostering closer relations with key customers globally to build a common understanding of medium to longer-term pricing scenarios to enhance accuracy for planning purposes, strategic decision-making and optionality.

Supply/demand fundamentals

While sentiment towards platinum has weakened over the past five years, palladium fundamentals have strengthened significantly. Palladium is principally used to clean exhaust emissions in gasoline vehicles, which experienced strong sales growth over the period. Platinum, on the other hand, has lost market share to palladium in this key application, based on a lower palladium price and more diversified global supply. Platinum also experienced lower jewellery demand recently from the key Chinese market.

Impact on value: Supply/demand fundamentals have a direct impact on metal prices and market sentiment, which has resulted in platinum prices remaining relatively subdued over the past five years, with palladium prices growing strongly over the same period, particularly more recently. The potential for prolonged, relatively flat platinum prices remains strong, while palladium, already in an unsustainable deficit, should continue to receive strong price support, ultimately incentivising a switch back to platinum use in the auto sector.

Flat prices will result in further postponement of capital investment in the mining sector in the short term, ultimately impacting platinum and palladium primary supply globally. The socio-political environment in southern Africa is likely to further constrain primary supply growth. Allied to this, we have also seen secondary supply struggling to maintain projected growth, necessitating a drawdown from available above-ground inventories, which is anticipated to become even more pronounced in future.

Both platinum and palladium will continue to receive demand support from increasing emission regulations and growth in the global vehicle fleet in the short to medium term.

Our response: Implats will focus on:

- using conservative short to medium-term price forecasts, given muted platinum sentiment and global risk factors
- improving our market intelligence and market development initiatives
- maintaining focus on cash conservation and balance sheet strength
- continuing to invest through the cycle as prudently as possible, given positive longer-term fundamentals.

Above-ground inventories

Despite a lack of verifiable evidence, excessive liquid surface stocks of PGMs, whether in vaults or customer works or held by mining companies themselves, continue to limit market disruption and positive price reaction. We estimate that by the end of 2017, supply deficits experienced since 2012 will have consumed approximately four million ounces of platinum from above-ground stocks. However, significant liquidations in the ETF funds (approximately one million ounces of platinum and one and a half million ounces of palladium over the last 36 months) have supplemented available surface stocks.

Impact on value: Readily available spot metal adds to the negative sentiment on platinum in particular and is capping the price.

Our response: In our view, both the platinum and palladium markets have remained in fundamental deficits since 2012, a situation that will persist in the medium term, albeit at lower levels than in previous years. As surface stocks erode and near depletion, a positive price response is expected. We continue to support the World Platinum Investment Council (WPIC) and its work to prioritise and incentivise future sustained investment demand.

Diesel demonisation and looming BEVs

There is an increasing call from civil society to reduce emissions and limit public exposure to harmful gases. Cheating scandals have done little to encourage public confidence in internal combustion engines and, together with the increasing cost of compliance with emission standards, pure battery electric vehicles (BEVs) will soon be economically attractive, despite issues with cost, range anxiety, battery disposal and fast-charging infrastructure

Impact on value: A wholesale change to other technologies will impact on the demand for our metals with consequent metal price impacts (BEV will have a larger impact, while electrification with internal combustion engines will be less significant).

Our response: In our view, BEVs will have their place but they are not a panacea. Over the next five years they will have little impact on the demand for PGMs. We expect more electrification of the powertrain with increased market share for hybrids, which require PGMs to control emissions. Beyond five years, we expect a growing hydrogen economy and the increasing adoption and advancement of fuel cell vehicles.

Diesel technology remains essential to reducing global vehicle fleet greenhouse gas emissions. Euro 6c rules will be successful in reducing real world emissions while retaining the fuel efficiency benefits. Also, heavy duty diesel will continue to be an attractive technology with large growth potential, while we are more likely to see hybrid and BEV substitution in small and urban applications over time.

We continue to support the International Platinum Association (IPA) in their engagement with and lobbying of policymakers and local and national governments in this regard.

Contracting Chinese jewellery market

The continued decline in the Chinese platinum jewellery market is an ongoing concern. In the past, jewellery purchases were mainly value-driven. However, today distinctive design, branding and emotional relevance are as important, with jewellery competing with other discretionary items.

Impact on value: This is another driver of negative sentiment around platinum, affecting price and investment decisions.

Our response: We have increased our visibility and marketing spend in China through the Platinum Guild International (PGI) focusing on platinum bridal jewellery at bridal fairs in Tier 1 cities.

Meeting stakeholder expectations

Platinum miners are facing heightened stakeholder expectations on a range of fronts: neighbouring communities are making increasingly vocal demands for economic opportunities and improved local service delivery; governments continue to push for rapid transformation and employment creation; labour unions exert pressure for higher wages and jostle for power; while a cautious investment community maintains its call for enhanced cost efficiencies, capital management and dividends.

Our operating context

Impact on value: Stakeholder expectations and our response to these can have a significant impact on our legal and social licence to operate, which in turn could impact on investment decisions and the Company's bottom line.

Our response: We are developing and implementing an effective stakeholder engagement strategy, aimed at building and maintaining value-enhancing relations with all key stakeholders, to create sustainable shared value and to secure a social licence to operate. To give effect to this strategic imperative, the organisation has developed supporting systems, processes, policies, and targeted engagement and communication plans.

Uncertain regulatory environment

Ongoing policy uncertainty and regulatory challenges exist in both South Africa and Zimbabwe, where these resource-dependent countries seek to extract greater value from resource companies in an effort to deliver on the social expectations of an increasingly frustrated electorate.

Impact on value: The uncertainty faced by the industry continues to impair the full economic potential of the mining industry and, in some instances, has had a negative impact on Company valuations.

Our response: We fully support the aspirations of both countries to grow and transform their mining industries. However, meaningful value-creation and transformation requires financial security and sustained capital investment. We continue to engage and partner with industry organisations and government representatives in countries where we operate to find mutually acceptable and sustainable solutions.

Security and cost of resources

We operate in a region afflicted by power and water shortages and an ever-increasing cost for their supply.

Impact on value: Scarcity of water and power impacts directly on our ability to operate effectively and the increasing cost of resources have a negative impact on profitability. There is also an indirect impact on our social licence to operate as these are resources we share with local communities where we operate.

Our response: As a large consumer of water and power, we accept our responsibility to work with all stakeholders to conserve these limited resources. We have instituted targeted initiatives to continuously improve our energy and water efficiencies and have increased the use of alternative sources of supply.

Value added statement

for the year ended 30 June

As can be seen from the group value added statement depicted below in the current environment, R34.7 billion value has been distributed to various stakeholders but there was a diminution of value of R983 million to shareholders.

(prepared on a headline earnings basis)	2017 Rm
Revenue	36 841
Other net income	305
Gross value	37 146
Depreciation	(3 702)
Deferred tax	1 282
Total value added	34 726
Distribution of value:	
Consumables and services	(10 228)
Metals purchased	(10 030)
Labour and other	(12 495)
Direct state taxes	(1 506)
Finance costs	(713)
Royalty recipients	(561)
Non-controlling interest	(122)
Dividends	(54)
Diminution in shareholders' value	983
	–

The environment

Our activities associated with the exploration, extraction and processing of Mineral Resources result in the unavoidable disturbance of land, the consumption of resources and the generation of waste and atmospheric and water pollutants. Growing regulatory and social pressure, increasing demands for limited natural resources and the changing costs of energy and water all highlight the business imperative of responsible environmental management, particularly as our underground operations become deeper and consume more energy and water. This involves taking measures to address security of resource supply (for example through efficiency, recycling and fuel-switching) and to actively minimise our impacts on natural resources and on the communities around our operations. These measures have direct benefits in terms of reduced costs and liabilities, enhanced resource security and the improved security of our licence to operate.

Implats has an environmental policy that commits the Company to conducting its exploration, mining, processing and refining operations in an environmentally responsible manner and to ensure the well-being of its stakeholders. The policy also commits to integrating environmental management into all aspects of the business with the aim of achieving world-class environmental performance in a sustainable manner.

Our management of the environmental impacts of our operations and processes involves the following focus areas:

- Ensuring full compliance with regulatory requirements
- Promoting responsible water stewardship by minimising water use and water pollution
- Minimising our negative impacts on air quality
- Responding to climate change risks and opportunities and promoting responsible energy management
- Managing our waste streams
- Promoting responsible land management and biodiversity practices.

All our operations have environmental management systems that are ISO 14001 certified and we are committed to retaining certification. In line with our environmental management system expectations, all operations are required to identify and report on environmental incidents. Systems are in place to investigate and determine the direct and root causes of incidents and to address and close out these incidents.

Further details relating to the materiality of environmental aspects, management processes, performance and commitments are reported in the 2017 Sustainable Development report. Rehabilitation provision is further discussed in the 2017 Implats Annual Financial Statements (refer in particular to notes 1.3.13 and 18). These reports will be published at **www.implats.co.za** in September 2017.

The financial provisions for the rehabilitation can be summarised as follows:

Name	Current cost estimates R million*	Financial provision R million**
Impala Rustenburg	931	497
Impala Springs	245	186
Marula	111	44
Afplats	18	8
Zimplats	627	364
Totals	**1 932**	**1 099**

* *The current expected cost to restore the environmental disturbances as estimated by third-party experts for purposes regulatory compliance is R2 282 million for the Group. The amounts in the table above for accounting purposes exclude VAT, P's & G's and contingencies. The Zimplats estimate includes P's & G's and contingencies.*

** *Future value of the current cost estimates discounted to current balance sheet date as provided in the Annual Financial Statements of the Group.*

In compliance with the DMR, the South African liabilities are secured through trust funds, insurance policies and bank guarantees.

Environmental survey at Impala

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