NEWS RELEASE

For immediate release

SUMMARISED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

Key features

Safety

- Fatal accidents remain a concern at Impala Rustenburg
- Improved safety performances at Zimplats, Marula, Mimosa and Two Rivers

Operational

- Gross refined platinum production increased by 6.4% to 1.53 million ounces
- Disappointing production at Impala Rustenburg with output below original targets
  - Restructuring review underway for a return to profitability in low price environment
- Production volumes at Marula below target due to community disruptions
- Outstanding operational performances from Zimplats, Two Rivers, Mimosa and IRS

Financial

- Group unit cost increase contained at 4.4%
- Basic headline loss of 137 cents per share
- Earnings impacted by impairment of R10.2 billion
- Balance sheet strengthened with gross cash of R7.8 billion, and unutilised facilities of R4 billion available until 2021

Market

- Overall PGM demand stable, while supply remains constrained
- Current platinum price disconnected to market fundamentals

Mineral Resources and Mineral Reserves

- No material change in Mineral Resources totalling 191.6 million platinum ounces and Mineral Reserves of 22.4 million platinum ounces

Johannesburg, 14 September 2017: Implats has today announced that the Group's total platinum output rose 6.4% to 1.530 million platinum ounces in 2017, from 1.438 million platinum ounces last year. This included a 2.2% increase in mine-to-market output, and a 35% increase in third-party production.

However, low platinum group metals (PGM) basket prices, combined with higher than inflation wage and electricity cost increases, as well as a deterioration in productivity levels at certain operations, eroded profitability.

Group headline earnings were lower by R1.07 billion to a loss of R983 million. The Group headline earnings per share decreased from 12 cents per share to a loss of 137 cents per share.

Excluded from the headline loss is an impairment charge of R10.2 billion related to the 2007 prepayment (by Impala) of the estimated, contractual, Royal Bafokeng royalty.

Revenue was assisted by a marginally improved rand basket and rose to R36.8 billion from R35.9 billion. There has been good progress in some areas with excellent operational performances from many operations. Overall, production from the Group's operations increased year on year, but this benefit was more than offset by planned higher levels of refined stock at year end.

Increases in Group unit costs, year on year, were contained at 4.4% and cost of sales increased by 4.0%.

"Implats' focus during the 2017 financial year has remained firmly on the continued implementation of our strategic response plan to succeed in a low-price environment," said Implats CEO, Nico Muller. "Our view is that the current metal price environment could conceivably stay lower for even longer, and should be viewed as 'the new normal'. Notwithstanding our continued confidence in long-term market fundamentals, our short- to medium-term focus will be heavily biased toward cash preservation."

The response plan encapsulates overall cost optimisation, reprioritising and rescheduling capital expenditure, productivity improvements at Impala Rustenburg, strengthening the Group's balance sheet and retaining the Company's social licence to operate.

Implats further strengthened its balance sheet over the past year through the conclusion of the R6.5 billion new convertible bond issue. Cash generated from operations reduced to R1 billion, and at year end, the Group had gross cash of R7.8 billion on hand and R4 billion in unutilised bank debt facilities, which remain available until 2021.

Nico Muller added, "Our focus is on restoring operational excellence, particularly at Impala Rustenburg and Marula, and we are concluding a strategic review of our current assets. The potential of a restructuring is not excluded."

Safe production is vital to Implats' sustainability and remains a priority for the Group. It is with deep sadness and regret that Implats reports nine work-related fatalities during the year, with seven at Impala Rustenburg where safety continues to present a significant challenge. The Board and management express their sincere condolences to the families, friends and colleagues of the deceased.

"Human behaviour continues to contribute to many safety incidents and our emphasis is on ensuring effective leadership, responsible behaviour, and driving a culture of personal accountability and interdependence," said Nico Muller.

There has been some progress across the Group in terms of its safety performance. The LTIFR improved by 8.8% to 5.92 per million man-hours worked (including contractors) compared to 6.49 per million man-hours last year. During the year, Zimplats completed a consecutive 365 days without a single lost-time injury and several other operations also reached significant safety achievements.

Year in review

While Impala Rustenburg produced 654 600 ounces of platinum for the 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.

“Clearly, this trend,” said Nico Muller, “can’t continue and a comprehensive review of this operation is underway to ensure that it will operate at a cash neutral level in the new normal pricing environment. The review will focus on prioritising profitability and value over volume.”

Similarly, Marula made a headline loss after tax of R737 million, largely due to disruptions to operations by surrounding communities. In addition, the mine undertook a Section 189 retrenchment process to restructure its cost base. Marula’s target is to be at least cash positive at Group level in 2018 and performance against this objective will be strictly monitored each quarter.

The Group’s mine-to-market output was 1.28 (2016: 1.25) million platinum ounces. Lower deliveries from Marula and Two Rivers were offset by higher volumes from Impala and Zimplats. Third-party platinum production increased by 35% to 246 700 ounces. Consequently, gross refined platinum production increased by 6.4% to 1.53 million ounces.

Capital expenditure of R3.43 billion was maintained at similar levels to the previous year (FY2016: R3.56 billion). Over the last year, R1.14 billion was spent on the two development shafts, 16 and 20, at Impala Rustenburg. In other areas, additional capital was deferred in response to the ongoing low-price environment. Cost containment has also been successful in the Group, with cost savings in excess of R1 billion over the last two years.

Operational review

Impala Rustenburg: Impala Rustenburg was impacted by two extraordinary events that reduced output during the year. The first was the fire at 14 Shaft in January 2016 which resulted in the temporary closure of the decline section at this shaft to effect repairs. The second event was the collapse of ground incident at 1 Shaft in May 2016, resulting in the introduction of reduced UG2 panel lengths in certain areas. The required work at both shafts has progressed well, with rehabilitation at 14 Shaft completed ahead of schedule in April 2017. Production from 1 Shaft has been back at steady state from July 2017.

The Rustenburg operations were significantly impacted by Section 54 safety stoppages in the first half of the year. “Targeted engagement between management, employees and government has resulted in a reduction in stoppages but further reductions in Section 54s and internal stoppages will only be achieved through relentless pursuit of compliance with safety policies,” said Nico Muller.

Following a review of the ability of 16 and 20 Shafts to deliver 310 000 ounces sustainably, there has been a change to the project scope. Collectively a total of R2.2 billion remains to be spent on these projects over the next five years. Given the R1.5 billion remaining from the equity raise for the construction of the shafts, there is a shortfall of R700 million to complete the projects. The change of scope has also reduced the project completion percentages to 86% and 88% on 16 and 20 Shafts respectively.

A mining optimisation project was initiated in January 2017 at Impala Rustenburg, one of several initiatives being implemented to ensure that Impala returns to profitability. An assessment of each shaft and production area is likely to result in a mining complex that is somewhat different to the large and intricate operation we have now. This may lead to disposals, suspensions and asset harvesting of marginal and loss-making shafts. Such decisions will be made in the best interests of all stakeholders, the sustainability of the Group and for the restoration of shareholder returns.

The Rustenburg team's immediate priority is to achieve a position in 2019 of being cash neutral in the current platinum price environment.

Marula: Marula produced only 67 900 ounces of platinum in concentrate as mining activities were severely disrupted by community protests. Community members are dissatisfied with the way their 50% interest in the Makgomo Chrome project is being managed by the community's appointed leaders, leading to the suspension of all chrome operations from February 2017 to date. Ongoing engagement with stakeholders to address community concerns and avoid further disruptions is showing pleasing progress.

Towards the end of the year, an organisational restructuring was completed to better position the mine for profitability in the prevailing low-price environment. Overall staff complement has reduced by some 980 people, which included 268 employees who were retrenched through the closure of the unprofitable hybrid section at Clapham. Operations are now focused on the low-cost footwall section at Clapham.

"Production levels at Marula have improved in recent months and the focus is on retaining this momentum," said Nico Muller. "However, if the operation does not meet the objective of being cash neutral at Group level for whatever reason, there will be no other option but to suspend operations."

Zimplats: The redevelopment of Bimha Mine has progressed as planned and the mine is successfully ramping up to reach full production in April 2018. By using additional material mined from the temporary opencast section, platinum production was maintained at 281 100 ounces in matte for the year. The development of the US$264 million Mupani Mine was approved in November 2016 and the new underground mining complex, with a design capacity of 2.2 million tonnes per annum, is targeted to reach full production in 2025. Mupani, a replacement for the Rukodzi and Ngwarati Mines, will sustain the mining operation well into the future.

Mimosa: Mimosa produced 121 600 ounces of platinum in concentrate, its highest production level ever. To align with the Zimbabwean Government's beneficiation ambitions, the feasibility study for the construction of a smelter at Mimosa has been completed. Furthermore, the operation continues to consult Government with regard to the proposed implementation of a 15% export levy on un-beneficiated platinum. It has been communicated that neither the smelter nor the export levy is affordable and could result in mine closure.

Two Rivers: Two Rivers posted another outstanding year in terms of safety and production. This operation has been fatality free for more than five years and produced 181 900 ounces of platinum in concentrate. Two Rivers is Implats' lowest-cost producer and has now secured optionality to maintain and potentially increase its production levels through access to the Tamboti mineral rights. When these rights are transferred into Two Rivers, Implats' interest in Two Rivers will decrease from 49% to 46%.

IRS: IRS remains an important Group asset. Over the last year, the unit delivered platinum production of 875 200 (2016: 811 500) ounces from a combination of mine-to-market operations, third-party purchases and toll volumes. IRS presents a major opportunity for the Group because its spare smelting and refining capacity ensures the processing of planned production from other operations, contracted third-party material, as well as additional material from new customers.

Market

Overall demand for PGMs from major sectors remained stable during 2016 and into the first half of 2017. The platinum and palladium markets remained in fundamental deficit for most of the year, and there was a small surplus in the rhodium market.

The platinum price ended 11% lower at US$922 per ounce, compared to US$1 033 per ounce at the start of the year. The average price for the year was 4% higher at US$988 per ounce. Platinum price movements during the year continued to show a disconnect to market 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 demand continue to weigh on platinum prices.

In contrast, palladium prices were 42% higher at US$841 per ounce, compared to the start of the 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. Support for palladium was driven by robust demand from autocatalyst fabricators, positive sentiment towards the automobile sector and expectations of further palladium price gains.

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.

"Implats remains committed to the strategic nature and future fundamentals of the PGM market. While short-term volatility in the demand and pricing of these rare and unique metals is recognised, they remain critical to the ever-growing needs and requirements of a global economy, with increasing demands for cleaner air," added Nico Muller.

On the other hand, primary supply of PGMs remained constrained and secondary supply was muted, recovering only in the last months of the 2016 calendar year on the back of higher steel and palladium/rhodium prices. The secondary supply of platinum however, experienced an unusual hike as Chinese jewellery stocks were recycled.

The supply environment remains under risk due to a lack of capital investment. The low rand prices continue to place unprofitable shafts at risk, along with challenges related to safety incidents and associated operational stoppages, as well as increasing production costs.

Prospects and outlook

One of the core pillars of Implats' strategy has been to strengthen the balance sheet and this has necessitated an enhanced focus on capital allocation and cash management. This is continuing as a focused priority.

"Implats has one of the best-in-sector balance sheets and this strength is critical to our ambition to develop strategic optionality," said Nico Muller.

It is imperative to continue developing the Group's strategic agility. Market dynamics, specifically long-term price forecasts, are being re-examined and an assessment aimed at enhancing strategic optionality is being completed. The assessment is reviewing all operations and will result in the elimination of loss-making production while interrogating future dependence on high-cost, deep, conventional mining operations. Implats is intent on securing assets that provide optionality for cheaper, shallower and mechanised resources.

The transition to a more concentrated, low-cost operation at Impala Rustenburg continues. However, a slower build-up at 16 and 20 Shafts, lower production levels at the mature shafts and earlier closure of the end-of-life shafts will impact on the production profile over the next five years. For the next financial year, production estimates are as follows:

- **Rustenburg -** between 680 000 and 720 000 ounces;
- **Marula -** 85 000 platinum ounces in concentrate;
- **Zimplats -** 260 000 platinum ounces in matte;
- **Two Rivers -** 175 000 platinum ounces in concentrate; and
- **Mimosa –** 115 000-120 000 platinum ounces in concentrate.

The Group's operating cost is expected to be around R23 100 per platinum ounce for the next financial year.

"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 sustained growth of Implats," concluded Nico Muller.

Ends

Queries:

Johan Theron
E-mail: johan.theron@implats.co.za
T: +27 (0) 11 731 9013/43
M: +27 (0) 82 809 0166

Alice Lourens
E-mail: alice.lourens@implats.co.za
T: +27 (0) 11 731 9033/43
M: +27 (0) 82 498 3608