



## **NEWS RELEASE**

*For immediate release*

### **Development of new mine at Zimplats and Rustenburg's 17 Shaft to be restarted in two years**

#### **Salient features:**

##### **Safety**

- Regrettably four employees suffered fatal injuries at Impala Rustenburg
- Over the last five years, the Group has invested significantly in safety initiatives
- Implats has 13 safety "millionaire" sites, three of which have operated for over 15 years without a fatal incident

##### **Market**

- Overall demand for platinum group metals (PGMs) remained strong, while supply constraints continue
- On a fundamental basis, the platinum market experienced a fifth consecutive deficit year

##### **Prices**

- Platinum and palladium showed positive gains
- Rand revenue per platinum ounce rose 14.1% to R24 921

##### **Strategic response**

- Continued focus on cash preservation and profitability in a low metal price environment
- Ongoing capital expenditure remains a focus area

##### **Operational performance**

- Gross refined platinum production increased by 12.5% to 778 500 ounces
- Zimplats, Two Rivers, Mimosa and Impala Refining Services (IRS) delivered good operational performances
- Difficult operating environments continued to challenge the operational performance of Impala Rustenburg and Marula

##### **Liquidity**

- Generated R1.8 billion in cash from operations before changes in working capital
- Gross cash of R5.4 billion
- Net debt of R1.1 billion
- R4.0 billion of unutilised facilities available until 2021

**Johannesburg, 23 February 2017:** In reporting its financial and operating results for the six months ended 31 December, 2016, Implats today announced increased overall refined production of 12.5% at 778 500 (692 100) platinum ounces for the Group, good cost management, and Impala Refining Services again delivering robust cash flows.

Gerhard Potgieter, Acting CEO, commented, “The first half of our financial year 2017 has been characterised by an ongoing focus on our strategic response to the challenging operating conditions (specifically at Impala Rustenburg) and the persistently low price environment. Our aim is to ensure Implats can sustain optimal levels of safe production at best possible cost, with significant strategic optionality so positioning the Group advantageously for stronger future PGM prices.”

Zimplats, Two Rivers, Mimoso and Impala Refining Services (IRS) all delivered good operational performances, while difficult operating environments challenged the performance at both Impala Rustenburg and Marula. The higher gross refined platinum production was largely due to a lock-up of platinum to accommodate planned furnace maintenance at the Rustenburg smelters in the previous comparable period.

Group revenue of R18.2 billion was R1.4 billion or 8.3% higher, and cost of sales at R18.5 billion increased by R1.7 billion. The Group generated a gross loss for the period of R318 million (H1 FY2016: R40 million gross loss), while the headline loss per share declined to 71 cents.

The improved platinum price performance resulted in revenue per ounce increasing 9.3% to US\$1 775, and the 4.5% depreciation in the South African Rand benefited the rand revenue per platinum ounce, which rose 14.1% to R24 921.

Cash generated from operations (before changes to working capital) was R1.8 billion, and the balance sheet remains strong - gross cash of R5.4 billion, and unutilised facilities of R4.75 billion, R4.0 billion of which is available until 2021.

Given the continued cash conservation strategy, it has been resolved not to declare an interim dividend for the six months to 31 December 2016.

### **Safety**

Gerhard Potgieter added, “Safety will always remain our first priority and given the difficult 12 months experienced by Impala Rustenburg, significant efforts are continuing to improve the safety culture at this operation.”

Over the past five years, the Group has invested significantly in safety initiatives, resulting in improvements in safety performance across all operational units – with many setting new safety records. Currently, out of 20 operations Implats has 13 safety “millionaire” sites, three of which have operated for more than 15 years without a fatal incident.

Despite a keen focus on safe operational performance, safety remains a significant challenge for some of the Rustenburg mining operations. In particular, multiple fatalities at 14 Shaft and 1 Shaft during the past 12 months had a significant impact on the Group’s safe production

efforts. While no fatal incidents were recorded across other Group operations, regrettably four employees suffered fatal injuries at Impala Rustenburg during the six months ended 31 December 2016 (three in the first quarter and one in the second). The board of directors and the management team express their sincere condolences to the friends, families and colleagues of the deceased.

### **Strategic response**

Several initiatives were announced in February 2015 in terms of Implats' strategic response to persistently low US dollar metal prices. Key strategic objectives included cost optimisation, reprioritising and rescheduling capital expenditure, implementing the Impala lease area strategy, which aims to transform Rustenburg into a more concentrated mining operation, and strengthening the Group balance sheet.

The reduction in operating costs realised a saving of about R1.4 billion in 2016. Further initiatives are being pursued to contain costs below inflation. Despite the impact on production as a result of the 14 Shaft fire and other safety-related incidents, Group unit costs benefited from increased production volumes, as well as cost containment in response to low dollar metal prices, increasing by only 1.9% to R22 797 per platinum ounce in the period under review from R22 380 in the prior comparable period.

Capital expenditure remains a focus area and the estimated spend for financial year 2017 is R4.0 billion. In the first six months R1.6 billion was spent, a 15.9% reduction from the previous comparable period. The majority of the capex was spent at Impala (R1.2 billion) – mainly on the completion of 16 and 20 shafts in Rustenburg – and projects at Zimplats (R353 million). The new shafts at the Rustenburg operations still require R2.0 billion to complete, of which some R1.2 billion is expected to be spent in 2017.

### **Market**

Platinum, palladium and rhodium all showed positive price gains in 2016, closing 3.3%, 23.5% and 16.6% higher at US\$907, US\$676 and US\$770 per ounce, respectively. This is in stark contrast to 2015, where platinum, palladium and rhodium traded 28%, 31% and 41% lower respectively. The average price per ounce for platinum for the period under review was 7.1% higher than the previous comparable period at US\$1 015, while palladium increased by 11.4% to US\$680 per ounce. Support for platinum came from a combination of rising vehicle sales in Western Europe, which grew for the third consecutive year in 2016, investment demand in Japan and constrained PGM output from South Africa.

The platinum market experienced a fifth consecutive fundamental deficit in 2016. The deficit this year was an approximate 700 000 ounces and a further deficit of around 450 000 ounces is expected in 2017 provided investment demand is maintained. The reduced deficit in 2017 is largely due to a modest decrease in industrial demand and declining platinum jewellery demand in China, moderated by primary supply constraints from South Africa.

Implats 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. Sustained demand in key market sectors, together with a more muted supply outlook from the South African producers should support improved market fundamentals into the future.

Palladium performed well, on the back of increasing vehicle sales in China and the US. The rhodium price traded 16.3% lower during the period under review averaging US\$672 per ounces, despite increased demand from the automotive and chemical industries.

## **Operational reviews**

### **Managed operations**

#### **IMPALA PLATINUM**

Mill throughput decreased by 14.4% to 5.0 million tonnes largely due to the temporary closure of the decline section at 14 Shaft to effect repairs after the January 2016 fire, a delay in operations at 1 Shaft following the fall-of-ground incident in May 2016, reduced UG2 panel lengths and ongoing regulatory safety stoppages. Re-establishing the decline section at 14 Shaft has progressed well and full infrastructure capacity is expected by March 2017.

Refined platinum production decreased by 2.2% to 318 700 ounces, due to a higher build-up of processed material in the previous comparable period. Cash costs were well contained increasing by only 2.1% to R7.43 billion compared to expected mining inflation of 7.2%.

16 and 20 Shafts are still scheduled to deliver a combined annual production of 310 000 platinum ounces.

#### **IMPALA REFINING SERVICES (IRS)**

IRS remains a strategic competitive advantage for Implats and it once again contributed significantly to the Group's bottom line, despite low PGM prices. Over the six months to 31 December 2016, production increased 25.6% to 459 800 ounces of platinum. Mine-to-market production rose on the back of higher deliveries from Zimplats and Two Rivers, while third-party purchases and toll volumes increased as a result of a build-up in the prior period and a partial release of in-process metal in the period under review.

#### **ZIMPLATS**

Tonnes milled increased by 6% to 3.3 million tonnes as all mining units sustained outstanding operational performances, while benefiting from increased production from the Mupfuti and Bimha mines. Platinum in matte production (including concentrate sales to IRS) increased 5.2% to 137 100 ounces. Unit costs increased 2.0% in dollar terms to US\$1 233 per platinum ounce in matte.

The redevelopment of the Bimha Mine is progressing well, with on-reef development offsetting re-establishment costs, and full production, which will replace all current open pit operations, is expected from April 2018. The development of the Mupani mine was approved by the Zimplats and Implats Boards in November 2016. This 2.2 million tonnes per annum replacement portal for the Rukodzi and Ngwarati mines will access 4.65 million 4E ounces of reserves through high-productivity, modern, mechanised mining methods at a total capital cost of US\$260 million.

## **MARULA**

The operational performance at Marula was disrupted by members of the Winnaarshoek/Driekop community, who are dissatisfied with the way in which their 50% interest in the Makgomo Chrome project was being managed by its appointed/elected leaders. Members from the community applied to the DMR to intervene and, subsequent to the period under review, the chrome operation was suspended.

Despite these disruptions, which resulted in a loss of 5 600 ounces of platinum in concentrate, Marula's tonnes milled increased 2.5% to 909 000 tonnes, while the head grade improved marginally to 4.42 g/t. Consequently, platinum in concentrate production increased 3.1% to 43 100 ounces. Unit costs increased 7.3% to R24 060 per platinum ounce in concentrate.

## **Non-managed operations**

### **MIMOSA**

Mimosa delivered another excellent operational performance. Tonnes milled improved 4.3% to 1.37 million tonnes, while the head grade declined 2.4% to 3.83 g/t. This resulted in platinum in concentrate production increasing to 60 900 ounces. Unit costs increased 5.0% in dollar terms to US\$1 539 per platinum ounce in concentrate due to higher mined tonnage that was not milled.

### **TWO RIVERS**

Two Rivers had a first-rate six months. Tonnes milled increased 2.8% to 1.75 million tonnes, of which 58 700 tonnes was toll-treated by a third-party. The head grade was marginally lower at 4.03 g/t. Platinum in concentrate production increased by 5.3% to 96 700 ounces. Unit costs increased 6.6% to R12 172 per platinum ounce in concentrate.

## **Prospects**

Aligned with the forecasts for strong global demand for PGMs – supported by growing vehicle sales, tightening emission standards and growing unsustainable use of palladium in automotive catalytic systems – the Group expects fundamental market deficits to persist. This, coupled with reduced above-ground stock liquidity, bodes well for much healthier future supply/demand fundamentals.

Against this positive outlook, the board recently approved the construction of the Mupani replacement mine at Zimplats, as well as modernisation and detailed re-scheduling studies to restart the 17 Shaft replacement project at Impala Rustenburg in two years' time.

Despite a positive market outlook, the operating environment in southern Africa remains fluid and challenging, particularly at the more labour-intensive South African mines where safety challenges and community disruptions continue to impede optimum performance.

Given the severe impact of safety stoppages at Impala Rustenburg and the community disruptions at Marula in the first half of the financial year, the full-year production estimates for these operations have been revised to 650 000 refined platinum ounces and 80 000 platinum ounces in concentrate, respectively. The guidance for Zimplats, Two Rivers and Mimosa remains unchanged at 260 000 ounces platinum in matte, and 175 000 and 115 000 ounces of platinum in concentrate, respectively.

Gross refined platinum ounces for the Group is expected to reach 1.5 million ounces of platinum for the full financial year. Unit costs are expected to be approximately R22 200 per platinum ounce with Group capital expenditure forecast at about R4 billion.

Gerhard Potgieter concluded, “We will continue to prioritise measures to achieve our safe production goals, preserve cash, enhance productivity and increase profitability. To this end, Implats will continue implementing its strategic response plan, which has already yielded significant improvements, realised material cost savings and secured the Group’s balance sheet. Further measures to bed down improvements and strengthen the response to the challenging operating environment have been introduced, specifically at Impala Rustenburg where external technical capacity has been secured to regain lost momentum after the recent safety incidents. The intervention targets safe production and mining efficiencies to ensure the transition to a more concentrated, low-cost operation producing at least 800 000 platinum ounces a year from 2020.”

**-ENDS-**

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