Mining opportunities following the new political dispensation in Zimbabwe

Nico Muller, CEO, Implats
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Agenda

INTRODUCTION AND INVESTMENT OVERVIEW

Nico Muller
CEO, Implats

OPERATIONAL OVERVIEW
AND MINING OPPORTUNITIES IN ZIMBABWE

Alex Mhembere
CEO, Zimplats
Investment overview

Nico Muller
CEO, Implats
Implats is one of the world’s foremost producers of platinum and associated metals (PGMs)

Our operations are located on the Bushveld Complex in South Africa and the Great Dyke in Zimbabwe, the two most significant PGM-bearing ore bodies in the world

Our Mission
To safely mine, process, refine and market our products at the best possible cost, ensuring sustainable value creation for all our stakeholders
Implats production profile

**Mine-to-Market Production**
- IMPALA: 700k Pt oz
- MARULA: 85k Pt oz
- TWO RIVERS: 165k Pt oz
- ZIMPLATS: 270k Pt oz
- MIMOSA: 120k Pt oz

**Third Party**
- 160k Pt oz

**IMPALA REFINERY**

**Group Final Refined Production**

1.5 million Pt oz
Implats production profile

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**Group Final Refined Production**

- **1.5 million Pt oz**

26% of Implats refined production
85% of Zimbabwean production
The shift north – Zimbabwe is outperforming historical RSA PGM mine economics

<table>
<thead>
<tr>
<th></th>
<th>Western Limb</th>
<th>Zimbabwe</th>
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</thead>
<tbody>
<tr>
<td><strong>Depth</strong></td>
<td>+ 1 500 metres</td>
<td>- 800 metres</td>
</tr>
<tr>
<td><strong>Time to bring a new underground mine into production</strong></td>
<td>15 years</td>
<td>6 years</td>
</tr>
<tr>
<td><strong>Expected capital investment (mine only)</strong></td>
<td>R12 billion</td>
<td>US$350 million</td>
</tr>
<tr>
<td><strong>Mining</strong></td>
<td>Conventional</td>
<td>Mechanised</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>6 000</td>
<td>1 000</td>
</tr>
<tr>
<td><strong>Expected production per annum</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Throughput</td>
<td>2.7mtpa</td>
<td>2.0mtpa</td>
</tr>
<tr>
<td>Platinum</td>
<td>180 000ozpa</td>
<td>90 000ozpa</td>
</tr>
<tr>
<td>Nickel</td>
<td>1 300tpa</td>
<td>1 700tpa</td>
</tr>
<tr>
<td>Copper</td>
<td>750tpa</td>
<td>1 300tpa</td>
</tr>
<tr>
<td><strong>Current operating margin</strong></td>
<td>(- 8%)</td>
<td>10%</td>
</tr>
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Historical investment into Zimbabwe and potential to grow production

From a mineral deposit point of view, production from Zimbabwe has the potential to grow and replace historical high-cost RSA supply, currently being starved from further capital investment.

However, it will take time to grow and historical investments will require ongoing maintenance capital to sustain production.

Historical production from Zimbabwe

- Source: SFA (Oxford), company reports, Mineralogical Association of Canada
The new political dawn and the economic realities

Security of tenure
- Political stability (elections in 2018)
- Mining legislation
- Fiscal policy
- New entrants (release of ground)

Infrastructure availability
- Power
- Water
- Housing

Investment returns
- Tax
- Indigenisation
- Beneficiation

We are encouraged by recent political changes, however, future investments into new supply will only materialise when economic returns become supportive of the large investments required and legislation/policy changes are affirmed to provide the required security of tenure
Investment Opportunities

Alex Mhembere
CEO, Zimplats
Zimplats assets

Map showing the locations of various mining complexes:
- Hartley Platinum Mine SMC
- Ngezi Platinum Mine
- Hartley Geological Complex
- Uki (Anglo American)
- Selukwe Complex
- Wedza Complex
- Musengezi Complex
- Great Dyke
- Bulawayo

Kilometres scale from 0 to 200.
1980 Zimbabwe Independence

1986 Delta Gold obtains an Exclusive Prospecting Order from the Zimbabwe Government

1994 BHP Invests
- SML1 and Mining Agreement
- Delta-BHP JV starts to develop Hartley Mine

1996 The Hartley concentrator started operation

1999 BHP closed Hartley Mine for failing to meet targets

2000 Zimplats took over BHP's share of Hartley

2001
- Implats - 87% shareholding (FoA & Ministerial letters of undertaking)
- Zimplats built open pit strip mine at Ngezi (2.2Mtpa)

2002 Zimplats' first converter matte exported

2006
- 36% ground released to GoZ
- Zimplats embarked on Phase 1 US$340m expansion increasing mining and concentrator capacity to 4.2Mtpa

2009
- Phase 1 expansion to 4.2Mtpa successfully commissioned

2010 Zimplats embarked on Phase 2 expansion US$453m, development of 4th underground mine at Ngezi, to increase production to 6.2Mtpa

2013 Phase 2 Commissioning

2015 Commencement of BMR refurbishment project

2016 Commencement of Portal 6 project
Zimplats milling and production profile

- **Phase 1** Commissioning: July 2009 (180k Pt)
- **Phase 2** Commissioning: April 2013 (270k Pt)
Zimplats Mupani mine box cut (November 2017)
Zimplats cash utilisation, local procurement and supplier development


- Procurement costs: 43%
- Capital expenditure: 27%
- Payments to government: 12%
- Local procurement: 9%
- Loan repayments: 8%
- Employment costs: 1%

US$5.3bn

Zimplats local procurement and supplier development

- Local Spend

EXPENDITURE (US$M)

0 50 100 150 200 250 300
FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16

Source: SFA (Oxford) and company reports
New mining opportunities in Zimbabwe

- Zimbabwe saw a change of government on 24 November 2017 for the first time since 1980, marking the dawn of a new dispensation.
- The change of government altered the political landscape of a country which had known only one ruler since independence from Britain in 1980.
- Zimbabwe’s country risk profile is positively changing following this change.
- Like many economic sectors, mining has been a beneficiary of the political change and new opportunities are emerging.
Over the years, the old regime saw Zimbabwe’s country risk profile increasing

Consequently, Zimbabwe ranks:

- 124th on the WEF Global Competitiveness Index out of 137 countries surveyed
- 159th in the World Bank Ease-of-Doing-Business Index out of 189 countries surveyed
Compared to other SSA countries, Zimbabwe experienced accelerated steep economic decline since 2000.

Source: SFA Oxford Ltd
Zimbabwe - dawn of a new era

- On 24 November 2017 President ED Mnangagwa took the oath of office following the resignation of former President RG Mugabe, after a military intervention code-named “OPERATION RESTORE LEGACY”

- There is now renewed optimism around the economic fortunes of the country as the mantra of the new dispensation is “ZIMBABWE IS OPEN FOR BUSINESS”

- The new government appears to be saying the right things

New dispensation

- Focus on ECONOMICS over POLITICS
- Amended indigenisation policy
- Anti-corruption drive
- Commitment to free, fair and credible elections
- Commitment to respect property rights
- Aggressive international re-engagement effort (from DAVOS to CHOGM).
- Promise of investment protection
Zimbabwe’s mineral resources

Zimbabwe is host to more than 40 valuable mineral resources

Many cities and towns owe their origin to mining.
The case for PGMs in Zimbabwe

Source: SFA Oxford Ltd
The case for PGMs in Zimbabwe

Scope to push Zimbabwe Pt Global supply contribution to 25% by 2030s

Key factors for PGM growth in Zimbabwe

- Policy certainty and leadership will be key to PGM production growth.
- Bringing finality to indigenisation to shape future stability in the PGM sector. Negative political rhetoric of the past discouraged greenfield project development and restricted brownfield expansion projects.
- Free, fair and credible elections have the potential to unlock investment in the PGM sector and mining sector in general in Zimbabwe.
- The promotion of economic development, foreign direct investment and clear legislative guidelines that support investment in mining.
- Zimbabwe PGM-bearing MSZ boasts a particular favourable mix of PGMs that is closely aligned to the ideal consumption mix of the 2030s and beyond.
Opportunities for beneficiation

**Diamond**
- Cutting and polishing
- Jewellery manufacturing

**Gold**
- Jewellery manufacturing

**Black granite**
- Construction industry (kitchens)
- Dimensional stone polishing

**Platinum**
- Jewellery
- Auto-catalysts

**Lithium**
- Battery manufacturing
- Chemical industry

**Limestone**
- Cement production

Opportunities in mining linkages*

**UPSTREAM LINKAGES**

**Supplier Industries**
- Manufacturing
- Chemicals
- Consumables
- Infrastructure (rail, road, communication)
- Ports
- Energy / electricity
- Utilities / water supply

**Capital Goods**
- Mining Equipment
- Mining Machinery

**MINING**
- Exploration
- Mine Development
- Treatment
- Refining

**SIDESTREAM LINKAGES**

**Direct Services**
- Geological
- Engineering & construction
- SHE
- HRD
- R&D

**Related Services**
- Financial services
- Banking
- Stock Exchange
- Auditing consultants

**DOWNSTREAM LINKAGES**

**Manufacturing**
- Auto catalysts, steel, chemicals, jewellery, cement

End consumer market

* Source: Paul Jourdan
Conclusion

- Implats was the first platinum mining company to commit to and ensure operational sustainability in Zimbabwe. Even in challenging times, Zimplats has proven to be the lowest cost producer in the Implats portfolio with the highest free cash flow.

- Zimplats has demonstrated operational profitability
  - Access to quality orebodies
  - A committed and skilled workforce

- Zimplats contributes significantly to local economic development
  - Commitments to local suppliers, skills development and community upliftment
  - Community and employee trusts in place for long-term sustainability.

- Zimbabwe is open for business and there is a renewed optimism about the country
Mining opportunities following the new political dispensation in Zimbabwe

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