

28 August 2014

Implats News release

Impala Platinum Holdings Limited (Implats) has announced results for the twelve months ended 30 June 2014.

Implats' CEO, Terence Goodlace, said: *'It has been a challenging year for Implats. Lower than expected platinum group metal prices together with escalating cost pressures and the unprecedented five month industry strike at Impala Rustenburg severely impacted performance. Despite this, the operations outside the Rustenburg area, Zimplats, Mimoso, Marula and Two Rivers, all performed well and delivered good safety and operational results. Throughout the strike period, deliveries continued to key customers and, in particular, to the local South African market that remained adequately stocked during the strike.*

"Looking forward, medium to long term demand fundamentals remain strong for PGM's against the backdrop of increased automotive sales, tightening emissions legislation and constrained supply. Efforts to restart and rebuild Impala Rustenburg, increase the volumes at other operations, as well as successfully mitigate the effect of temporarily closing the Bimha mine at Zimplats are on-going. Furthermore, Implats continues to invest in its capital projects, which are essential to restore the production profile and relative cost position into the future."

Key features

- The fatal injury frequency rate improved by 34% for the year
- Market remains in fundamental deficit, but sufficient above-ground stocks continue to constrain upward US\$ platinum group metal price movements
- Gross refined platinum 25.5% lower at 1.18 million ounces
- Five month strike resulted in lost production at Impala Rustenburg of 312 000 platinum ounces during the period under review
- Group unit costs increased by 17.6%
- Headline earnings per share decreased by 74% to 86 cents
- No dividend declared for the year
- Impala Rustenburg start-up progressing well

Safety review

During the year, the Group's fatal injury frequency rate (FIFR) improved by 33.8% to 0.043 per million man-hours worked, a significant achievement given the 25.3% improvement reported in 2013. The lost-time injury frequency rate improved by 6.9% to 3.92 per million man-hours worked.

The Impala team delivered on its health and safety plans during the first half of the year, but unfortunately implementation was affected by the protracted strike in the second half of the year. Zimplats, Mimosa, Marula and Two Rivers all delivered commendable health and safety performance during the year.

Regrettably, four colleagues lost their lives on duty during the year and the board and management team have extended their sincere condolences to the families and friends of the deceased. We remember: Mr Osika Chidhakwa, Mr Lebogang Moiteri, Mr Khalepile Matama and Mr Shaun Pelsler.

Employee relations

Despite good progress made in the first half of the year, employee relationships were challenged in the Rustenburg area with the breakdown of the wage negotiations with the Association of Mineworkers and Construction Union (AMCU) and the subsequent five-month wage strike.

Recent developments at Marula point to the possibility of an AMCU majority at the mine and formal structures have been established for the necessary engagement.

The Group will be implementing a range of activities over the short- and medium-term aimed at building better relationships across the organisation. These will include, improving direct engagement with employees and unions, enhancing the people leadership skills of our supervisors and developing a culture of shared corporate values across the Group.

Market review

The platinum and palladium markets remained in deficit on a fundamental basis for a second year driven by reduced primary supplies from the South African producers. Demand growth, particularly in jewellery and investment, has outpaced supply. Despite this, available above-ground stocks continued to constrain any upward price movement.

The average price for platinum in 2013 was US\$1 487 per ounce, while the average price achieved during the first six months of 2014 was US\$50 per ounce lower at US\$1 437 per ounce. The palladium price, on the other hand, which averaged US\$725 per ounce in 2013, increased to US\$780 per ounce for the first six months of 2014 indicating improved supply/demand fundamentals for this metal. Rhodium averaged US\$1 045 per ounce in 2013, which increased to US\$1 069 per ounce in the first six months of 2014 reflecting a fundamentally balanced market. The rand depreciation that began in 2012 continued in 2013 and was supportive of rand prices for PGMs.

Financial review

Revenue per platinum ounce was 8.2% lower than the previous year at US\$2 299 (2013: US\$2 505) per ounce. The average rand dollar exchange rate achieved of R10.36 to the dollar was 17.6% weaker than the prior year. Consequently, although the dollar revenue per platinum ounce decreased by 8.2%, the rand revenue per platinum ounce increased by 7.9%.

Group production deteriorated from 1.582 million ounces of platinum to 1.178 million ounces primarily due to the industrial action at Impala Rustenburg. Group unit costs per platinum ounce rose by 18% to R19 430 per platinum ounce. On a normalised basis, unit costs would have been R17 308, an increase of 5% on the prior year.

Gross profit was down by R1.47 billion to R3.24 billion and the gross profit margin for the year declined to 11.2% (2013: 15.8%).

Headline earnings per share were 74% lower at 86 (2013: 329) cents per share. Basic earnings per share were one cent (2013: 167 cents).

Given the length of the industrial action, the board has resolved not to declare a final dividend for the year as part of its ongoing strategy to preserve cash.

Operational review

Gross refined platinum was 25.5% lower at 1.18 (2013: 1.58) million than the previous comparative period, largely as a result of the strike at Impala. Mine-to-market production decreased by 18.8% to 0.99 (2013: 1.21) million. At IRS, the ramp-up of the Phase 2 expansion project at Zimplats in conjunction with toll material from Northam and Platmin was more than offset by lower deliveries from other third party customers and production declined by 12% to 767 000 ounces of platinum.

Group unit costs increased by 17.6% to R19 430 (R16 526) per platinum ounce largely as a result of mining inflation of 10.8% and the significantly reduced production from Impala. Costs at Impala were reduced to approximately 30% of the normal operating expenditures during the strike and capital expenditure was also contained in line with the requirement to reduce cash outflows.

Managed mine-to-market operations

Impala

The strike severely interrupted a good operational start to the financial year. Ore milled decreased by 43.3% to 6.2 (2013: 10.9) million tonnes, while refined platinum decreased by 42.0% to 411 000 (2013: 709 200) ounces. Milled head grades (6E) were marginally higher at 4.34 (2013: 4.32) grams per tonne. Recoveries improved to 87.4% (2013: 85.3%) as a result of better efficiencies at the tails scavenging plant and lower opencast volumes milled.

Total development decreased to 61.3 (2013: 97.4) kilometres, while on-reef development declined by 28.9% to 21.1 (2013: 29.7) kilometres.

The impact of the strike, above inflation wage increases, lower productivity and above inflation power costs (in conjunction with lower volumes) all affected unit costs, which increased by 27.8% to R22 036 (2013: R17 241) per refined platinum ounce.

The protracted industrial action has also led to delays in project and development build-up profiles. The ramp-up to normal production rates will take approximately four months and current indications are that production at Impala will be approximately 575 000 ounces of platinum in FY2015. These factors, together with low metal prices, will result in margins at Impala being under pressure in the short- to medium-term.

A comprehensive strategic re-planning exercise has been initiated to assess the full impact of low PGM prices and the strike consequences, which is due for completion by December 2014.

Zimplats

Ore milled increased by 26.8% to 5.9 (2013: 4.7) million tonnes due to the increased mining cut and the ramp-up of the Mupfuti mine (Portal 3). Platinum in matte increased by 21% to 239 700 (2013: 198 100) ounces. Platinum unit costs in matte benefited from this increase, partly offset by US dollar inflation of 6.4% (2013: 6.2%), and decreased by 1.2% to US\$1 291 (2013: US\$1 307) per ounce. The weaker exchange rate impacted rand unit costs, which increased by 16% to R13 383 (2013: R11 524) per platinum ounce in matte.

A strategic decision was taken to refurbish the base metal refinery at Selous as an important first step in a multi-phased plan for local beneficiation. A pre-feasibility was initiated to establish cost estimates, which currently are estimated at approximately US\$100 million.

Post year-end, in July 2014, a collapse within a section of the underground working area of the Bimha Mine was triggered by the accelerated deterioration of ground conditions associated with a major fault, the Mutambara Shear, which transgresses through the mining area. As a result of the proactive response from the Zimplats management team and the timely evacuation of all personnel, no injuries or damage of mobile equipment were reported.

By 20 August 2014, ground conditions had continued to deteriorate and as a consequence, it was decided to withdraw all employees across the rest of the mine. A team of Company and independent advisors have been appointed to conduct detailed investigations to arrest the current mine stability concerns. Consequently, there is a possible production impact of up to 70 000 platinum ounces in FY2015.

Marula

Ore milled increased by 10.2% to 1.8 (2013: 1.6) million tonnes during the year. Platinum in concentrate increased by 9.5% to 78 500 (2013: 71 700) ounces in line with higher mill throughput. Marula's costs per platinum ounce in concentrate, increased marginally by 1% mainly due to mining inflation of 7.3%, offset by increased production. The optimisation of the existing infrastructure over the past few years has provided a solid foundation to reach 86 000 ounces of platinum in FY2015 and more than 90 000 ounces into the future.

Impala Refining Services (IRS)

Third party refining volumes declined by 48% as 174 800 less ounces were treated due to the termination of the auto-catalyst recycling contract and the suspension of deliveries from third party operations, which were placed on care and maintenance due to the prevailing market conditions. As a consequence, overall IRS platinum production (including mine-to-market operations offtakes) decreased by 12% to 767 000 (2013: 872 300) ounces.

Other mine-to-market operations

Mimosa

Tonnes milled increased by 3% to 2.45 (2013: 2.38) million for the year and platinum in concentrate increased by 9.9% to 110 200 ounces. Mimosa's unit costs decreased by 3.9% from US\$1 782 per platinum ounce in concentrate to US\$1 713 per platinum ounce in concentrate mainly due to the increased PGM production levels and cost reduction initiatives. In rand terms unit costs increased by 13% to R17 768 as a result of the weaker rand/dollar exchange rate.

Two Rivers

Tonnes milled were 3.4% higher at 3.3 (2013: 3.2) million for the year and platinum in concentrate increased by 8% to 175 100 (2013: 162 200) ounces. Costs per platinum ounce were 2.1% lower at R11 433 (2013: R11 683) per ounce on the back of higher volumes.

Capital expenditure and progress on major capital projects

Total capital expenditure for the year was significantly reduced as a result of the Impala Rustenburg strike and amounted to R4.4 (2013: R6.3) billion. Expenditure was focused on the Impala 20 Shaft (R585 million) and 16 Shaft build-up projects (R782 million), the Impala 17 Shaft sinking project (R555 million) and the Phase 2 mine and concentrator plant expansion at Zimplats (R668 million).

The new shafts (at Impala) and portal complex (at Zimplats) are essential to ensuring that the Group regains its competitive position and benefits from the long-term PGM market fundamentals. All the Impala capital projects will be subject to the re-planning and review process.

Zimbabwean Government engagement

Management continues to engage with the Government of Zimbabwe in respect of the indigenisation implementation plan, corporate taxation, royalty dispensation and the commitment to primary beneficiation within Zimbabwe. A commitment has been made to the Government for a first stage refurbishment of the existing Selous-based base metals refinery to treat Zimplats material.

Ends.

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