NEWS RELEASE

For immediate release

Implats delivers improved first half performance

Salient Features:

Safety

- Safe production remains a challenge at Impala and Marula
- Six fatal incidents reported during the period

Operational

- Overall mining performances improved
- Gross platinum in concentrate production, including toll refining receipts, increased 13.3%
- Mine-to-market platinum in concentrate production increased 3.0%
- Furnace maintenance resulted in an Impala pipeline increase of 75 000 platinum ounces
- Gross refined platinum production decreased 6.7%
- Stock-adjusted Group unit cost increased by 5.5% to R24 055 per platinum ounce

Financial

- Gross profit of R733 million, compared to a gross loss in the prior period of R139 million
- Profit before tax of R193 million, compared to a pre-tax loss in the prior period of R238 million
- R250 million higher "additional profits tax" provision by Zimplats contributed to the loss after tax of R164 million (December 2016: R328 million - loss after tax)
- Headline loss per share of 21 cents: an improvement of 70.4%
- Gross cash at the end of the period amounted to R4.2 billion
- Committed (unutilised) banking facilities of R4.0 billion available

Market

- Market fundamentals for platinum remain muted
- Market fundamentals for palladium and rhodium remain robust
- Rand revenue per platinum ounce sold was 4.2% higher and averaged R25 968 per ounce

Strategic response

- Strategic review underway at Impala to assess optimal future positioning
- Section 189 restructuring process finalised at Impala (1 400 reduction in own employees)
- Strong turnaround effected at Marula
- 15% interest acquired in Waterberg project with an option to increase to 50.01%

"Returning Impala Rustenburg to profitability in a low PGM price environment remains our most pressing priority."

Nico Muller, Chief Executive Officer, Implats

Johannesburg, 1 March 2018 – The Implats Group has delivered an improved performance at most operations for the half year ended 31 December 2017, reporting a gross profit of R733 million for the period, compared to a gross loss of R139 million for the prior comparable period.

However, a significantly higher "additional profits tax" provision by Zimplats increased the tax charge period-on-period by R250 million, which was largely responsible for the Group recording a loss after tax of R164 million (H1 FY2017: R238 million loss).

The improved operating performance, resulting primarily from efficiencies at Impala Rustenburg, a strong operational turnaround at Marula, and a sustained performance from Zimplats, resulted in an improved headline loss per share of 21 cents, which is a 70.4% improvement over the previous period.

Group tonnes milled increased by 7.4% from 9.3-million tonnes to 9.9-million tonnes. Increased production volumes from operations were supported by higher deliveries from third-party toll refining customers yielding a 13.3% increase in platinum in concentrate from 766 200 ounces to 867 800 ounces. After toll material was returned to third-party customers, concentrate production for the period was unchanged.

Very pleasing, in particular, was a 9.4% increase in platinum in concentrate contribution from Impala Rustenburg, but refined final metal production was impacted by extensive maintenance to the number 5 furnace at the smelting complex. As a result, gross refined platinum production decreased by 6.7% to 726 700 ounces. This reduction in refined platinum ounces produced, combined with metal returns to third-party toll refining customers, resulted in a decline of 11.2% in refined platinum ounces sold to 648 800 ounces, compared with 730 700 ounces.

The Group's milled unit costs were well controlled increasing only 3.6% to R961 per tonne. The refined unit cost was higher by 23.7% as a result of the temporary stock build-up, related to the furnace repair. On a stock adjusted basis, the unit cost rose 5.5% to R24 055 per platinum ounce.

Cash generated from operations before changes in working capital improved from R2.0 billion to R2.9 billion for the period under review. Net cash decreased by some R3.5 billion during the period under review, largely due to R1.9 billion used in investing activities and a R3.5 billion inventory cash outflow.

Gross cash at the end of the period amounted to R4.2 billion, and the Group has committed (unutilised) banking facilities of R4.0 billion available until June 2021.

Capital expenditure amounted to R1.9 billion, of which R345 million was spent on 16 and 20 Shafts, and some R408 million was invested during the period to acquire a 15% stake in the Waterberg project.

Given the continued cash conservation strategy, the board has resolved not to declare an interim dividend for the six months to 31 December 2017.

Safety

Regrettably, five employees at Impala Rustenburg and one at Marula suffered fatal injuries at operations during the period under review. Management, in collaboration with officials from the representative union (AMCU) and the Department of Mineral Resources (DMR), has instituted independent assessments of each incident to determine the root causes in an effort to prevent similar incidents in future.

Many individual business units across the Group continue to deliver exceptional safety performance, setting new records. Currently, Implats has nine "safety millionaire" shafts and units (units which have operated more than a million shifts without a fatality). Seven have operated for more than two years without a fatal incident, five have achieved more than four years, and two have worked for more than 15 years without a fatal incident.

Strategic response

The first half of the year was characterised by an ongoing focus on the Group's strategic response to the persistently low Platinum Group Metals (PGM) prices with a view to improving business performance, and with a particular emphasis on Impala Rustenburg. A strategic review of the operation was announced at the Group's full-year results in September 2017, which is actively advancing measures to refocus or close unprofitable areas and rebase the overhead cost structure as soon as practically possible. Through this process, the Group aims to return Impala Rustenburg to profitability in a sustained low PGM price environment.

The Implats strategy is aimed at improving the Group's competitive position and profitability in a continued and sustained low metal price environment. Key focus areas include:

- Improved operational performance at Impala Rustenburg and an ongoing strategic review to assess optimal future positioning in a low price environment.
- Ensuring profitability of the Marula mine or the suspension of operations.
- Enhancing the relative industry cost curve position of the Group's conventional operations.
- Optimised performance and profitability at low-cost Group assets.
- Leveraging Impala Refining Services capacity and its contribution to the Group.
- Developing a long-term portfolio of lower-cost, shallow, mechanisable assets.

Actions taken at Impala Rustenburg in the period under review include:

- 4 Shaft suspended from January 2018.
- 1 Shaft, 9 Shaft and 12 Shaft being harvested with effect from January 2018.
- 10, 11 and 14 Shaft optimisation projects initiated during the review period.
- Section 189 restructuring process announced in September 2017.

As a result of these actions, it is estimated the operation will improve cash flow by more than R1 billion over the next two years. However, the production outlook for 2018 will be negatively impacted by both early closure and harvesting of some shafts, as well as the slower ramp up of 20 Shaft. Full-year guidance has reduced from approximately 700 000 platinum ounces to between 650 000 and 670 000 platinum ounces for the financial year.

At Marula, restructuring processes implemented prior to the start of the financial year have already delivered an improved cost and operational performance. Further work over the next few months will prioritise: measures to bed down improvements; securing operational continuity; and acquiring additional tailings deposition capacity (required from 2020).

Longer term, the acquisition of a minority interest in the Waterberg development project, with the option to acquire majority ownership on completion of the feasibility study, has advanced the Group's stated strategy to diversify the asset portfolio from deep, labour-intensive conventional operations.

Market overview

Market fundamentals for platinum remain muted. An industrial market deficit of some 230 000 platinum ounces recorded in calendar year 2017 is expected to revert in the short-term to a balanced market due to lower requirements from the automotive, jewellery and investment sectors. However, fundamentals for both palladium and rhodium are robust with significant demand growth expected over the next few years from the automotive sector.

The rand revenue per platinum ounce sold for the six-month period under review benefited from the improved palladium and rhodium fundamentals, recording a 4.2% increase from the prior corresponding period to average R25 968 per platinum ounce.

Operational overview

Impala

Improved operational efficiencies achieved during the first quarter of the financial year were negatively impacted by mine stoppages emanating from five fatal incidents recorded at the operation during September and October 2017. Notwithstanding, mill throughput increased by 12.4% to 5.7 million tonnes from the previous comparable period (H1 FY2017: 5.0 million), which was impacted by the temporary closure of the 14 Shaft decline section due to an underground fire and a reduction in some UG2 panel lengths following a fall-of-ground incident at 1 Shaft.

The higher milled production is largely as a result of 14 Shaft ramping up after the fire (+480 000 tonnes), the 16 Shaft ramp-up (+255 000 tonnes), and performance improvements at 11, 12 and 1 Shafts (+191 000 tonnes). This was offset to some extent by declining production from old shafts (-392 000 tonnes) and weaker performances at 10 and 20 Shafts following safety incidents (-19 000 tonnes).

During the period, a major unscheduled furnace rebuild was undertaken on one of the three operating furnaces at the smelting complex, which was necessitated by excessive wear. The build-up of inventory at Impala, amounting to some 75 000 ounces of platinum, was directly as a result of the furnace maintenance and resulted in refined platinum production declining 14.7% to 271 900 ounces (H1 FY2017: 318 700 ounces).

Impala is focused on returning the business to profitability in a sustained low PGM price environment. To this end a number of initiatives have been implemented to improve productivity and lower costs, including a Section 189 labour restructuring process as announced in September 2017. The labour restructuring resulted in a reduction of 1 400 employees by the end of the reporting period and will realise an annual saving of R350 million. In addition, a strategic review of all the business units and overhead structures at Impala was initiated and is interrogating the investment case and sustainability of individual shafts across the operation. The review includes a specific focus on optimising the cost base, which may lead to further responses, such as harvesting and/or closing certain shafts.

The leadership team has been strengthened with the appointment of Mark Munroe as Chief Executive of this operational unit. He has been specifically tasked to lead the strategic review at Impala Rustenburg and drive performance improvements in safety, efficiencies, cost and capital project execution at the operation.

Impala Refining Services (IRS)
IRS once again contributed significantly to the Group's bottom line, despite persistently low PGM prices. Refined platinum production was maintained at 454 800 ounces (H1 FY2017: 459 800 ounces).

Zimplats
Tonnes milled remained consistent with the prior comparable period at 3.3-million tonnes (H1 FY2017: 3.3-million tonnes) with all mining units sustaining exceptional operational performances. Platinum in matte production, inclusive of concentrates sold to IRS, was similarly in line with the prior performance at 136 200 ounces (H1 FY2017: 137 100 ounces).

The redevelopment of the Bimha Mine remains on schedule to reach full production in April 2018, while development of the 2.2-million tonnes per annum Mupani Mine is progressing according to plan and is targeting ore contact by May 2020, and full production from August 2025.

Marula
Marula delivered a strong operational turnaround following a restructuring process implemented prior to the start of the financial year. The operational recovery was impacted by safety stoppages following a fatal incident at the main underground operation during the second quarter of the financial year. Tonnes milled increased by 3.5% to 941 000 tonnes (H1 FY2017: 909 000 tonnes), while the PGE head grade deteriorated marginally to 4.36 g/t (H1 FY2017: 4.42 g/t). As a consequence, platinum in concentrate production was maintained at 43 200 ounces (H1 FY2017: 43 100 ounces), despite a reduction in total employees of some 800 people following the restructuring process.

Although the overall improvement in production and financial performance at Marula is encouraging, continued uninterrupted and profitable production is necessary to secure the future of the operation.

Mimosa
Mimosa delivered another strong operational performance. Tonnes milled improved by 2.9% to 1.41-million tonnes (H1 FY2017: 1.37-million tonnes), and the PGE head grade was maintained at 3.85 g/t. This resulted in platinum in concentrate production increasing by 3.4% to 63 000 ounces (H1 FY2017: 60 900 ounces).

Two Rivers
The operational performance at Two Rivers was impacted by the planned mining of low-grade split-reef areas during the period under review. Tonnes milled during the first half of the financial year decreased by 1.9% to 1.71-million tonnes, compared to 1.75-million tonnes milled during the prior comparable period, which included 58 700 tonnes milled at a neighbouring mine.

Prospects

With the rand basket price expected to remain low, Implats will continue to prioritise measures to achieve safe production, lower operating costs, preserve cash, enhance productivity, and restore profitability at all operations. The new 2022 convertible bond, listed in late July 2017, will enable the redemption of the old 2018 bond and will provide approximately R2 billion in additional liquidity.

Full-year production estimates are revised as follows:

- Rustenburg 650 000 - 670 000 platinum ounces in concentrate
- Zimplats 255 000 - 265 000 platinum ounces in concentrate
- Two Rivers 165 000 - 175 000 platinum ounces in concentrate
- Mimosa 115 000 - 120 000 platinum ounces in concentrate
- Marula 80 000 - 90 000 platinum ounces in concentrate
- IRS (third party) 250 000 - 260 000 platinum ounces in concentrate

The full-year refined production for the Group is estimated at 1.5-million platinum ounces, subject to the rate at which the pipeline can be reduced.

The Group's operating cost is expected to be between R23 600 and R24 200 per platinum ounce on a stock-adjusted basis for the full financial year, with Group capital expenditure forecast at R4.7 billion.

Ends

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