



ROYAL BAFOKENG
PLATINUM
MORE THAN MINING



AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

OUR BUSINESS

Who

We are a mid-tier PGM producer mining the Merensky and UG2 reefs.

Competitive position on the industry cost curve.

Following our acquisition of Anglo American Platinum's 33% participating interest in the BRPM Joint Venture, held through its wholly owned subsidiary Rustenburg Platinum Mines (RPM) **we became sole owner of our operations** consisting of the:

- Bafokeng Rasimone Platinum Mine (BRPM)
- Styldrift Mine
- BRPM and Maseve concentrators

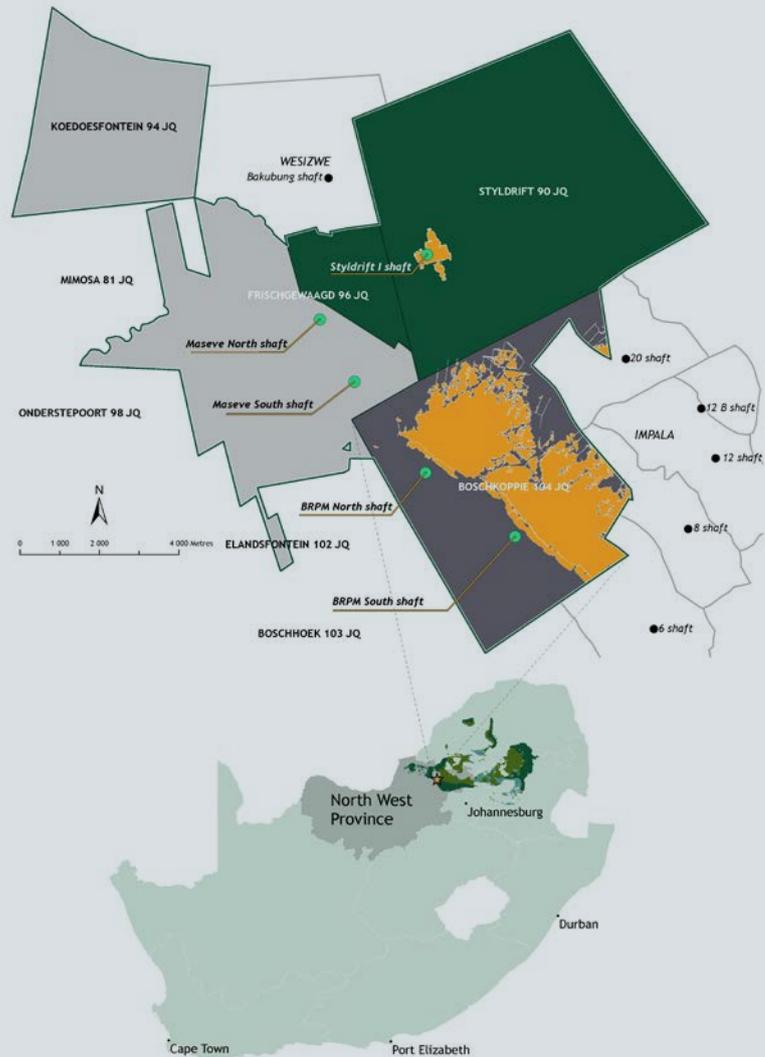
 (see our ownership structure at <http://www.bafokengplatinum.co.za/our-structure.php>)

Access to both the Merensky and UG2 reefs, twin concentrating and toll treatment facilities provide for **operational flexibility**.

Organic growth through the Styldrift Mine, a high-margin mechanised operation **increasing our 2018 production by approximately 40% by 2020**, depending on market conditions.

Agile, dynamic decision-makers with in-depth operational experience.

Where



OUR VISION

is to seek and deliver the good from mining

OUR MISSION

is to leave a lasting legacy of sustainable benefits for our stakeholders

OUR PURPOSE

is to create economic value for all our stakeholders

OUR PRODUCT

The resources that we exploit have the following prill split:

THE PRILL SPLIT FOR THE MERENSKY REEF

64.75% platinum	26.70% palladium	4.34% rhodium	4.21% gold
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THE PRILL SPLIT FOR THE UG2 REEF

59.15% platinum	29.29% palladium	11.00% rhodium	0.56% gold
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What

BRPM

Conventional and hybrid mining (conventional mining began in 1998)

- 84.9Mt resource accessed via twin decline shafts sunk to a depth of less than 500m
- Mining the Merensky and UG2 reefs on the Western Limb of the Bushveld Complex
- Recently established mining sections 11 to 15 in the mine's North shaft are suited to hybrid mining methods
- Average production of 200ktpm

Styldrift Mine

Mechanised mining (high margin, mechanised bord and pillar operation)

- 263.1Mt Merensky and UG2 resource (including Styldrift II) accessed via a Main shaft and a Services shaft sunk to a depth of 753m and 723m, respectively
- Mining the Merensky reef on the Western Limb of the Bushveld Complex
- 150ktpm ramp-up milestone achieved in October 2018
- Steady state production of 230ktpm by the third quarter of 2020

Beneficiation

BRPM concentrator

- Capacity of 250ktpm
- Traditional MF2 process, which includes three-stage crushing process prior to milling and flotation
- Continual operations
- Produces 2.7t of saleable concentrate from every 100t of virgin rock processed
- Ultra-fine grinding circuit (IsaMill™)

Maseve concentrator

- Capacity of 110ktpm (upgradeable to 160ktpm and 200ktpm)
- Traditional mill float (MF1) process
- Producing 2.6t of saleable concentrate from every 100t of virgin rock processed

Smelting and refining

Offtake agreement with Rustenburg Platinum Mines (RPM) for the refining and sale of our concentrate from both operations

Royalty agreements

Through our royalty agreements with Impala Platinum Limited (Implats), which give it the right to mine areas at the extremities of our ore bodies that are close to Implats' shafts, we are able to extract additional value



The revenue we earned from the sale of the concentrate we produced:

- Platinum (46.4%)
- Palladium (24.9%)
- Gold (3.3%)
- Rhodium (11.3%)
- Iridium (2.2%)
- Ruthenium (2.1%)
- Nickel (6.6%)
- Copper (2.1%)
- Cobalt (1.1%)

ESG

ENVIRONMENT



- RBPlat has adopted a precautionary approach to environmental management. Our voluntary disclosure to the CDP on water and climate change has earned us Management band B scores for both our disclosures, which is above the global mining industry average score of C and the regional average of B-.

OUR PEOPLE



Transformation

- We employed 9 508 permanent employees and contractors in 2018 (2017: 8 372)
- 58% of the employees we hired during 2018 are members of local communities
- 92.3% of our workforce are black Africans
- 54.6% of the members of our experienced senior management team are black
- Over 1 000 families have purchased homes in our Employee Home Ownership Scheme

OUR COMMUNITIES



- To achieve real change for our communities we need to build sustainable value, which is the most challenging part of local economic development. In line with our aspiration to achieve *More than mining* we continue to invest in community training and development, education support, basic infrastructure and health support
- 86.7% of our discretionary procurement in 2018 was from historically disadvantaged businesses, however, we need to make better progress with contribution to the development of sustainable local black businesses. This will be a major focus of our local economic development in the year ahead

GOVERNANCE AND LEADERSHIP



- Independent Board committed to leading ethically and effectively. Board membership:
 - 64% independent non-executive directors
 - 55% black
 - 36% black females
- Our management team has proven its ability to adapt rapidly to a changing environment and has the courage to make tough decisions
- We have robust risk management and internal controls in place

FIVE-YEAR SUMMARY OF OPERATING STATISTICS

	Unit	2018	2017	2016	2015	2014
Financial capital						
Revenue ¹	R (million)	3 627	3 499	3 342	3 045	3 768
Cash operating cost	R (million)	2 788	2 815	2 765	2 548	2 361
Headline earnings/(loss)	R (million)	50	109	167	(160)	441
Headline earnings/(loss) per share	cents	25	56.4	86.7	(83.2)	239.0
Average rand basket price ²	R/Pt oz	21 006	19 156	18 906	17 256	19 842
EBITDA ³	R (million)	504	572	490	298	1 189
Cash and cash equivalents	R (million)	884	1 333	836	918	1 864
Net cash generated by operating activities	R (million)	666	618	585	619	147
Manufactured capital						
Mining production						
Total tonnes delivered	kt	3 395	2 992	2 759	2 457	2 471
Concentrator production						
Total tonnes milled	kt	3 420	3 021	2 762	2 461	2 479
Built-up head grade (4E)	g/t	3.96	3.94	4.03	4.11	4.29
4E metals in concentrate	koz	368	328	304	278	294
Pt metal in concentrate	koz	239	212	196	180	190
Operating costs						
Cash operating cost per tonne milled	R/t	1 213	1 149	1 177	1 066	957
Cash operating cost per 4E ounce	R/4E oz	10 468	9 941	10 068	9 359	8 040
Cash operating cost per Pt ounce	R/Pt oz	16 145	15 414	15 639	14 504	12 463
Capital expenditure						
Expansion capital	R (million)	3 213	2 008	972	1 692	1 365
Replacement capital	R (million)	50	34	44	205	204
Stay-in-business (SIB) capital	R (million)	196	118	110	112	154
SIB % of operating costs (BRPM)	%	3.4	3.8	3.7	4.2	6.5
Impact of stoppages						
Section 54 stoppages	number	5	11	11	16	10
Safety stoppage losses	kt	59	72	102	275	79
Human capital						
Employees (as at 31 December) ⁴	number	9 508	8 372	7 400	7 281	8 900
Fatal injuries	number	2	—	1	5	2
LTIFR	/1 000 000 hours	2.475	2.808	1.902	2.045	2.665
SIFR	/1 000 000 hours	1.843	1.435	1.078	0.665	1.445
Working cost labour ⁵	number	5 843	5 691	6 271	6 256	6 272
Capital labour ⁵	number	3 636	2 659	1 103	999	2 601
Tonnes milled/TEC ⁵	t/employee	33.4	34.2	30.8	31.8	33.0
Social capital						
SLP investment (including human resource development)	R (million)	63.2	40.5	287.1 ⁷	74.6	133.0
Total discretionary procurement spend in HDSA companies	%	86.7	87.0	79.6	74.2	68.1
Natural capital						
GHG emissions (CO ₂ e Scope 1 and 2) ⁶	tCO ₂ e	341 746	333 596	318 220	304 674	326 606
Water efficiency	Ml/kt milled	1.154	1.256	1.069	1.653	1.425

¹ Excludes Styldrift Mine on-reef development revenue (incidental revenue)

² Net proceeds from total concentrate sales including revaluation of pipeline divided by total platinum ounces produced

³ The Company uses certain non-IFRS performance measures and ratios (e.g. EBITDA) in measuring the business and may provide users of the financial information with additional meaningful comparisons between current results and results in the prior periods. Non-IFRS financial measures should be viewed in addition to and not as an alternative for the reported operating results or cash flow from operations or any other measure of performance prepared in accordance with IFRS. In addition, the presentation of these measures may not be comparable to similarly titled measures used by other companies

⁴ The increase in employee numbers (which include corporate office employees) is due to a 38.2% increase in the Styldrift Mine workforce

⁵ These numbers exclude corporate office employees and capital labour

⁶ Our scope 1 GHG emissions began increasing in 2014 (14% increase year-on-year) as the activity of diesel-driven vehicles increased at Styldrift Mine

⁷ Includes R251.1 million housing contribution

PERFORMANCE



ACHIEVEMENTS

3 000 000

fatality-free shifts at RBPlat

1 000 000

fatality-free shifts at Styldrift Mine. Styldrift has remained fatality free since 2016

Achieving the Styldrift Mine milestone of **150ktpm**

Concluded the **Maseve** transaction and commissioned the concentrator

Acquisition of Amplats' **33% interest** in BRPM JV on 11 December 2018

12.2%

year-on-year increase in 4E metals in concentrate

4.7%

year-on-year increase in cash operating cost per platinum ounce in line with CPI



CHALLENGES

Achieving zero harm

IMPROVEMENTS

11.9% improvement in RBPlat's LTIFR year-on-year

13.5% increase in total tonnes delivered to the concentrators year-on-year

13.2% increase in total tonnes milled year-on-year

15.4% increase in Styldrift built-up head grade year-on-year to 3.45g/t

1.2% increase in BRPM built-up head grade year-on-year to 4.21g/t

1.0% reduction in cash operating costs year-on-year, in line with above CPI-related increases in labour and utility costs and lower BRPM volumes

7.7% increase in cash generated by operations to R665.9 million (2017: R618.4 million)

25.8% improvement in normalised headline earnings

56.0% improvement year-on-year in SLP expenditure

TRADE-OFFS FOR GROWTH

Net debt* position of

R832.4 million

(2017: R1.3 billion net cash)

Cash position of

R883.5 million

(2017: R1 333.1 million)

DISAPPOINTMENTS

Two fatalities

in our operations

28.4% increase in our serious injury frequency rate

* Calculated as bank debt less cash and cash equivalents

COMMENTARY

OVERVIEW

2018 was a transformative year for RBPlat during which we delivered on our strategic objectives of pursuing value-enhancing opportunities and organic growth when we:

- completed the acquisition of Maseve, which gave us an additional 110ktpm of concentrating capacity, which can be increased to 160ktpm-200ktpm
- became the sole owners of our operations when we acquired the 33% participating interest Anglo American Platinum Limited (Amplats) held in the BRPM Joint Venture (BRPM JV) through its wholly owned subsidiary Rustenburg Platinum Mines Limited (RPM). The transaction was effective from 11 December 2018.
- achieved the 150ktpm milestone at Styldrift Mine in October 2018.

While we achieved an improvement in our lost time injury frequency rate (LTIFR) and total injury frequency rate (TIFR) in 2018, the two fatal accidents we had in our operations during the year were a great disappointment. Mr Venizelos Alfeu was fatally injured on 24 July in a scraper winch-related accident at BRPM South shaft, while Mr Fallang Lenyatsa was fatally injured in a fall of ground accident on 11 September at BRPM North shaft. The Board of Directors, management as well as colleagues at RBPlat wish to extend their sincere condolences to the families and friends of Mr Alfeu and Mr Lenyatsa.

FINANCIAL CAPITAL

Our rapid response to tough market conditions in 2017 to protect value, and the improvement in market conditions from the second half of 2018, resulted in a 25.8% increase in our normalised headline earnings year-on-year to R166.5 million (2017: R132.4 million). Headline earnings, however, decreased 54.2% to R49.8 million in 2018 (2017: R108.8 million).

Earnings per share (EPS) were negatively impacted by:

- R25.9 million relating to the scrapping of feasibility study costs previously capitalised. These costs were in respect of the 100ktpm concentrator plant originally envisaged to handle the output from the Styldrift Mine as an addition to the BRPM concentrator
- R40.8 million in care and maintenance costs on the newly acquired Maseve concentrator and mine.

EPS for the year ended 31 December 2018 was 78.1 cents compared to a loss per share of 390.6 cents for the year ended 31 December 2017. Headline earnings per share amounted to 25.0 cents (2017: 56.4 cents), a 55.7% decline year-on-year. In line with 2017, our earnings only reflect BRPM's contribution to earnings. The earnings from Styldrift Mine, which achieved commercial production during the fourth quarter of 2018, will be included in our operating profit from 1 January 2019.

The main contributor to the 3.7% increase in our revenue to R3 627.1 million in 2018 (2017: R3 498.5 million) was a 9.7% higher realised average rand basket price per platinum ounce of R21 005.8 (2017: R19 155.7), offset by a 5.5% reduction in

BRPM's platinum production in 2018. Despite the reduction in BRPM's production, our overall platinum ounce production increased 12.7% year-on-year with the inclusion of Styldrift's on-reef development. Palladium and rhodium contributed 36.2% to the revenue we earned from our operations in 2018, an increase of 6.5% year-on-year and platinum contributed 46.4%.

The ramp up of Styldrift Mine to 150ktpm during October 2018 resulted in a 148.4% increase in Styldrift's on-reef revenue year-on-year to R1 420.3 million (2017: R571.8 million), which was credited against capital expenditure on the project.

Our total cost of sales increased by 4.1% year-on-year to R3 317.2 million (2017: R3 186.5 million), which is below inflation. The restructuring RBPlat undertook in 2017, together with other cost saving initiatives, has continued to deliver cost saving benefits, which resulted in a 2.2% reduction year-on-year in the fixed component of our cash costs to 69.6% (2017: 71.8%).

Other income decreased by R26.5 million, or 17.6% year-on-year. This was mainly as a result of the once-off inclusion of R19.5 million in 2017 relating to the fair value gain in the derivative liability from the date of issue of the convertible bond on 15 March 2017 to 8 May 2017 when shareholder approval was obtained. In addition, our environmental equity-linked deposit earned a variable loss of R2.1 million compared to a R7.8 million variable return in 2017. Income from our royalties from Implats increased 15.0% year-on-year to R98.8 million.

The R36.5 million reduction in our finance income was mainly due to the decrease in cash on hand. A reduction in finance costs from R52.3 million in 2017 to R26.8 million in 2018, resulting from the capitalisation of borrowing costs amounting to R186.7 million (2017: R58.7 million) in line with the provision of IAS 23 regarding borrowing costs, offset the reduction in finance income.

The RBPlat Group had cash and near cash investments of R883.5 million at year-end (2017: R1 333.1 million). This cash balance includes restricted cash of R67.6 million ring-fenced for our Employee Home Ownership Scheme and R84.0 million earmarked for the payment of the convertible bond coupon. Despite a 95.0% increase year-on-year in the Group's capital expenditure (including the Maseve acquisition) to R4 168.9 million (2017: R2 138.3 million) RBPlat was able to fund 37.3% (2017: 50.0%) of its capital expenditure from cash generated by its operations and Styldrift on-reef development revenue receipts.

In April 2018 we achieved financial closure of Phase I of the Maseve acquisition, which related to the acquisition of immovable property and the Maseve concentrator plant for US\$58 million (R691.4 million). We also reached financial closure on Phase II of the Maseve transaction, which related to the acquisition of 100% of the shares in Maseve and shareholder claims owing by Maseve, following the Department of Mineral Resources' (DMR) approval of the section 11 transfer to RBPlat, for the rand equivalent of US\$12 million (R167.1 million).

The Company announced terms for the acquisition of the remaining 33% in the BRPM JV from Amplats on 5 July 2018. The transaction is structured in two phases:

- Phase I – the acquisition of Amplats’ 33% participating interest in the BRPM JV for a consideration of R2 177.8 million
- Phase II – acquisition of the Amplats’ mining rights.

Phase I of the acquisition was funded through a combination of cash, equity and debt. RBPlat issued 9 791 823 RBPlat shares to investors to raise R239.9 million as part settlement of the acquisition. The R314.8 million refund of contributions made by Amplats to the joint venture during the interim period (from 5 July 2018 to the Phase I effective date) was settled from cash and facilities on hand. The remaining deferred consideration of R1 610.1 million is due to be paid to Amplats, either in cash or equity, in three annual instalments commencing 18 months from the closing of the transaction, being 11 December 2018. Phase II of the transaction remains subject to approval of the DMR in terms of section 11 of the Mineral and Petroleum Resources Development Act.

One of the conditions precedent to Phase I of the transaction was the increase in the Group’s debt facilities from R2 billion to R3 billion. The enlarged debt facilities comprise a seven-year term debt facility of R750 million (2017: R750 million), a five-year revolving credit facility of R1 750 million (2017: R750 million) and one-year general banking facilities of R508 million (2017: R508 million). As at 31 December 2018, RBPlat had drawn down R930 million of the revolving credit facility and R750 million of the term debt facility. As at 31 December 2018, R119.4 million of the general banking facilities had been used for guarantees and R65.9 million of this facility had been drawn down to finance working capital requirements.

MANUFACTURED CAPITAL

Despite a year-on-year increase in our average basket price, the continued depressed demand and surplus in the platinum market resulted in our 2018 operating environment remaining constrained. Our key challenges within the constraints of relatively low platinum market prices were ensuring that BRPM continued delivering margin-bearing ounces and that we achieved the ramp up of Styldrift to 150ktpm.

Our primary focus areas for the year were:

- improving our safety performance
- achieving below inflation increases in our unit costs
- completing the Styldrift Mine infrastructure development, construction and resourcing necessary to produce 150ktpm
- finalising the Maseve transaction and commissioning the Maseve concentrator to support the Styldrift ramp-up to 230ktpm.

While we were able to achieve improvements of 11.9% and 8.9% in our LTIFR and TIFR respectively, overall our safety performance in 2018 was disappointing.

The completion of the Maseve transaction, which supports our growth ambitions, resulted in a meaningful change in our operations. With the capacity of the BRPM concentrator fully

utilised, the commissioning of the Maseve concentrator in August 2018 has not only removed the constraint on Styldrift being able to ramp up to 230ktpm but has also allowed us to continue with mining operations on the Merensky reef at our BRPM South shaft to mid-2020.

We have made significant progress in developing the Styldrift mining and infrastructure footprint to support our ramp-up schedule and the achievement of the Phase I ramp-up milestone of 150ktpm in October, in line with the guidance for the year under review. Capital development at Styldrift, which amounted to 7km for the year, remains aligned with project infrastructure and ore reserve development requirements to meet our steady state ramp-up milestones. BRPM working cost development was reduced by 7.2% year-on-year, in line with the suspension of UG2 mining activities at South shaft and current Merensky ore reserve depletion. The BRPM IMS panel ratio of 1.92 remains above our target of 1.50.

The 10.4% decrease in BRPM stoping square metres year-on-year is also mainly attributable to the suspension of UG2 mining activities at South shaft. In 2018 Styldrift stoping square metres increased by 200%, in line with ramp-up requirements.

Total tonnes delivered to the concentrators increased by 13.5% to 3 395kt. The suspension of South shaft UG2 mining activities also impacted the tonnes delivered by BRPM, which decreased 6.7% year-on-year to 2 268kt. Styldrift tonnes delivered increased by 100.9% to 1 127kt, in line with ramp-up requirements. Total tonnes milled increased year-on-year by 13.2% to 3 420kt. Merensky tonnes milled increased by 21.6% to 2 997kt on the back of increased ramp-up volumes from Styldrift. UG2 tonnes milled decreased by 24.1% to 423kt.

Overall, our built-up head grade increased by 0.5%, in line with expectations and guidance. BRPM’s built-up head grade increased by 1.2% to 4.21g/t (4E) from 4.16g/t (4E) in 2017 and Styldrift’s built-up head grade increased by 15.4% from 2.99g/t (4E) to 3.45g/t (4E). There was a 1.5% reduction in overall recovery to 84.43%. This reduction is mainly attributable to lower recoveries from the Maseve MF1 circuit, however, recoveries remain in line with expected grade recovery thresholds. 4E metals in concentrate increased 12.2% to 368koz and platinum metal in concentrate increased 12.7% to 239koz.

While DMR-related visits increased by 26.3% compared to 2017, the increase in DMR visits can be attributed to the overall DMR strategy to enforce compliance and achieve sustainable improvements in industry safety statistics through increased visibility at mines. Section 54 stoppage-related losses reduced by 18.1% to 59kt milled tonnes or 6.7koz 4E compared to 2017. There were no operational disruptions due to employee or community unrest during 2018.

Operating costs

Year-on-year cash operating costs reduced by 1.0%, despite above CPI-related increases in labour (in accordance with our five-year wage agreement), utility costs, and lower BRPM volumes. Above CPI increases in our labour, contractor labour,

COMMENTARY continued

utilities and sundries combined with the 6.1% reduction in BRPM milled volumes, were key drivers of the unit cost increases. Cash operating cost per tonne milled increased by 5.6%. Cash operating cost per 4E and platinum ounce increased by 5.3% and 4.7% respectively, year-on-year.

Capital expenditure

Total capital expenditure increased by 60.1% to R3 459 million compared to 2017. Expansion capital expenditure increased in line with the Styldrift project construction programme and the delay in the commissioning of Silo No. 4 to R3 213 million from R2 008 million in 2017. Replacement capital increased by R16 million in line with BRPM North shaft Merensky Phase III construction requirements to R50 million. Stay-in-business (SIB) expenditure increased by R78 million to R196 million, which was offset by Styldrift on-reef development revenue of R1 420 million. The key contributor to the increase in our SIB expenditure was Styldrift SIB capital related to trackless fleet rebuilds, section belt extensions and shaft maintenance being incurred for the first time. BRPM SIB, as a percentage of operating cost, amounted to 3.4%.

PROJECTS

North shaft Phase III

The project is currently 98.8% complete, with its entire mining scope completed and only the engineering construction scope remaining on 15 level. The total project scope will be completed during the second half of 2019.

Project expenditure for the year was R50 million, bringing expenditure on the project to date to R1 120 million. Our cost estimate at completion remains at R1 200 million, which would indicate a saving of approximately R200 million against the budget of R1 409 million.

Styldrift

Establishing the infrastructure, stoping face length and operational resourcing required to reach 150ktpm was the primary focus at Styldrift during 2018. The key infrastructure commissioned during 2018 included:

- main Eskom power supply
- Services shaft
- overland belt to the BRPM concentrator
- ventilation shaft No. 3
- 18 trackless workshops
- Silo No. 4 and associated North decline ore handling infrastructure
- Phase I of the South decline ore handling infrastructure
- six strike conveyor sections.

The initial expectation was that Styldrift would reach commercially sustainable production by the end of the first half of 2018, and as such operating costs associated with on-reef development and stoping would be expensed during the second half of the year. However, the delays resulting from the complex Silo No. 4 rehabilitation process resulted in the conversion to a commercially sustainable operation only being achieved by year-end.

This delay has resulted in R1 012 million in operating costs related to on-reef development and stoping costs that accrued during the second half of the year being capitalised, effectively increasing the Styldrift capital expenditure required to reach 150ktpm from R10.8 billion to R11.8 billion. The net impact on an overall cash flow basis, however, remains neutral. Incidental revenue generated from on-reef production at Styldrift amounted to R1 420 million for the year and R2 410 million for the project to date.

Total project expansion capital expenditure for the reporting period was R3 213 million, bringing the total capital expenditure for the project to date to R11.8 billion.

HUMAN CAPITAL

One of the key factors that influence how we achieve our strategic objectives is our commitment to keeping our people safe and healthy. It was therefore disappointing to have not met our objective of zero harm at our operations. Sadly, two of our BRPM employees lost their lives in fatal accidents during 2018.

Through the statistical evaluation of historical key performance data that we use to track performance, we identified that an increase in total injuries is one of the six key metrics that represent the overall health of our business and any increase in serious injuries is an indication that we are at risk of a fatal accident occurring in our operations. We were, however, encouraged by RBPlat achieving 3 000 000 fatality-free shifts on 4 February 2018 and Styldrift Mine achieving 1 000 000 fatality-free shifts on 8 September 2018. It was also encouraging that we reduced our LTIFR by 11.9% year-on-year.

The development of safety leadership skills remains a key focus of our training. Our aim is to improve our people's skills in the areas that we have identified as being barriers to keeping our people safe, which are leadership, design, systems and behaviour.

We recognise that good health and wellness contributes to good performance at work. We have already met and exceeded the December 2024 milestones to screen all our employees (enrolled and contractors) for TB between 2016 and 2018 and our TB incidence rate reduced 17.5% year-on-year. During 2018, 657 people were placed on INH prophylaxis (2017: 455) with the aim of reducing the development of active TB in patients with latent TB. There was a 13.3% increase in the number of employees and contractors who agreed to be tested for HIV/Aids and our HIV prevalence rate remained relatively flat at 23.0%.

Labour stability

Labour stability continues to play an important role in our performance. We continue to maintain good employee relations. We maintain an ongoing dialogue between management, organised labour and our employees and contractors.

SOCIAL AND RELATIONSHIP CAPITAL

The communities in which we operate are key stakeholders for whom we wish to build sustainable value, through delivering on our SLP, enterprise and supplier development and our discretionary procurement from previously disadvantaged South Africans, including from local communities. The communities in which we operate face major socio-economic challenges as a result of the high rate of unemployment and the low economic growth in the country as a whole. During 2018 we increased our investment in our SLP by 56% year-on-year to R63.2 million.

Our education support programme, implemented in our doorstep Charora Secondary School, which addresses maths and science learning, governance, school management skills, infrastructure, safety and security, resulted in 46% of the matric maths learners achieving a 50% and above pass and 26% of the matric science learners achieving a 50% and above pass in 2018.

NATURAL CAPITAL

Reducing our energy consumption and the related costs is in the interest of the long-term environmental and economic sustainability of our business. We have efficiency-based reduction targets for both energy and water use in place for BRPM and the BRPM concentrator, which come to an end in 2019 and new targets will be set. We have also set targets for Styldrift Mine as part of our Board-approved water and energy strategies.

Both Styldrift Mine and the BRPM concentrator met their energy efficiency targets for 2018. Styldrift's energy efficiency was a commendable 22% below target and it was able to achieve 40.4kWh per tonne hoisted, which is below its 2018 target of 51.8kWh per tonne hoisted. The BRPM concentrator achieved 45.0kWh per tonne milled, which is also below its 2018 target of 50.0kWh per tonne milled. BRPM achieved an energy efficiency of 66.4kWh per tonne hoisted, which is higher than the 2018 target of 58.5kWh per tonne hoisted, but in line with the 2009 baseline of 68.0kWh per tonne hoisted.

As part of our ongoing efforts to reduce our carbon intensity and improve our energy security we commenced work on a bankable feasibility study on renewable energy. This study investigates the possibility of developing our own source of solar renewable energy and reducing our reliance on electricity produced using fossil fuels.

798.84ML of water was treated in our water treatment plant in 2018 resulting in RBPlat achieving a potable water cost saving of R8.9 million for 2018. Styldrift achieved 0.11kl per tonne hoisted, below its target of 0.29kl per tonne hoisted while BRPM and the BRPM concentrator did not meet their targets.

We achieved B scores for our voluntary disclosure for both our climate change and water submissions to the CDP in 2018, exceeding both the scores achieved by the global metals and mining sector and the Africa region as a whole.

MARKET REVIEW

Platinum

The platinum price in dollar terms fell by 15% to end 2018 at US\$791/oz, reflecting a softer platinum market. However, in rand terms prices held up relatively well, losing only 1% and finishing the year at R11 372/oz, aided by a weaker R:US\$ exchange rate. Increased platinum requirements for industrial applications helped to offset half of the combined loss of jewellery and automotive demand in 2018.

Global platinum supply was flat year-on-year at under 8Moz in 2018. Mine production is estimated to have fallen by 0.8% to 6.1Moz. South African supply increased marginally to 4.39Moz, but a decline in output from Zimbabwe and Russia, helped to reduce overall supply. Autocatalyst recycling grew by an estimated 5.9% to 1.4Moz owing to increased collection in Europe, while jewellery recycling fell 11.6% following weaker demand, leaving total recycling up 10koz at 1.9Moz.

Palladium

The palladium market was structurally tight in 2018 as evidenced by metal lease rates which peaked at over 30% towards the end of 2018. Dollar prices responded with a rise of 20% since the start of the year, ending at US\$1 267/oz. For South African mining companies, the palladium price rally was more pronounced as a weaker R:US\$ exchange rate increased the palladium price in local terms by 39% to R18 208/oz by year-end, helping to offset a weaker platinum market.

Rhodium

Rhodium prices increased by 43% during 2018 ending the year at US\$2 460/oz, while rand-denominated prices rose by 66% to R35 378/oz. Rhodium demand is more regionally spread than platinum, mirroring the sales of gasoline vehicles. Rhodium mine supply contracted by 2.4% to 765koz but was offset by increased recycling of spent autocatalysts.

OUTLOOK

Our focus for 2019 will be on achieving our strategic objectives through maintaining earnings growth and creating value for all our stakeholders in the short, medium and long term. In addition to normal ongoing operational challenges, our 2019 operating environment will include the complexities inherent in wage negotiations, as our current five-year wage agreement, which we signed with the National Union of Mineworkers (NUM) on 2 July 2014 comes to an end this year in June. There will also be elections for the NUM leadership positions at RBPlat, NUM regional elections and the country's general elections.

COMMENTARY continued

Establishing a resilient safety culture remains key to achieving meaningful and sustainable improvements in our key safety metrics and our pursuit of zero harm. In order to embed and secure the changes required to progress from our current compliant culture we will continue focusing on:

- behavioural and leadership training
- strengthening our safety management system with regards to its monitoring, control and design environments.

Following the successful recommissioning of the Maseve concentrator and the decision to proceed with the Phase II ramp-up to 230ktpm at Styldrift, completing the infrastructure required to support the increased production will be a key focus for both the operational and project teams during 2019. As part of the Maseve MF2 160ktpm upgrade, various chrome recovery circuit options are also being investigated to complement the concentrator's coprocessing capability. A technical study to evaluate the potential of increasing the Maseve MF2 upgrade volumes to 200ktpm has also been initiated. The study is expected to be completed by the second quarter of 2019.

Group production guidance for 2019, subject to any unforeseen operational disruptions, is forecast to increase to between 4.0Mt and 4.4Mt at a 4E built-up head grade of 3.91g/t to 4.02g/t, yielding 450koz to 480koz 4E metals in concentrate.

Group capital expenditure for 2019, including escalation contingencies, is forecast to be approximately R1.7 billion with the Styldrift mining and infrastructure for the 230ktpm ramp-up footprint (R0.9 billion), the Maseve plant upgrade (R0.2 billion) and tailings storage facility upgrades (R0.3 billion) being the main drivers. SIB expenditure is expected to be between 5% and 6% of operating expenditure.

Another challenging year is expected for platinum in 2019. Autocatalyst demand is forecast to continue to decline as European diesel sales contract. Meanwhile, jewellery demand is heavily dependent on China, where sales are projected to fall steadily.

Industrial demand remains the bright spot for platinum, which is set to grow again, lifted by capacity expansions at petroleum refineries, and higher chemical and agro-chemical production.

Platinum supply is unlikely to drop from current levels, unless it is disrupted, which should leave the market oversupplied.

Future tightening emissions standards impacting commercial diesel vehicles in China and India in 2020 should start to offset falling passenger car demand. In addition, there are many developments in the fuel cell market which uses platinum, including the roll out of fuel cell-powered buses, trains and cars. The fuel cell market, while still small, has the potential to be a major consumer of platinum in the future.

An ongoing tightness in the palladium market is expected in 2019. The palladium market will remain in structural deficit, therefore users will be reliant on stock releases and the lease market which may push prices higher. In addition, ETF sales, a key source of supply, might not be as forthcoming either.

Total rhodium autocatalyst demand is expected to continue growing in 2019, with China expected to lead growth after its move to higher loadings in gasoline three-way catalysts, while demand in other regions is likely to be essentially flat as emissions legislation is stable and vehicle sales growth is limited.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

		Group		
	Notes	2018 audited R (million)	2017 audited R (million)	% change
ASSETS				
Non-current assets				
		21 483.9	18 448.3	16,5
Property, plant and equipment		14 661.6	11 912.2	23.1
Mineral rights		5 647.7	5 686.5	(0.7)
Environmental trust deposits and guarantees investments		227.0	164.7	37.8
Employee housing loan receivable		611.4	439.5	39.1
Employee housing benefit		226.5	163.2	38.8
Housing insurance investment		39.9	35.7	11.8
Deferred tax asset		69.8	46.5	50.1
Current assets				
		4 026.7	3 697.1	8.9
Employee housing benefit		16.4	11.8	39.0
Employee housing assets		774.3	579.3	33.7
Inventories		130.2	105.6	23.3
Trade and other receivables		2 222.1	1 667.1	33.3
Current tax receivable		0.2	0.2	0.0
Cash and cash equivalents	4	883.5	1 333.1	(33.7)
Total assets				
		25 510.6	22 145.4	15.2
EQUITY AND LIABILITIES				
Total equity				
		15 729.0	14 423.9	9.0
Share capital		2.1	1.9	10.5
Share premium		10 061.0	9 643.2	4.3
Retained earnings		5 327.7	701.5	659.5
Share-based payment reserve		338.2	240.8	40.4
Non-distributable reserve		—	82.5	(100.0)
Non-controlling interest	5	—	3 754.0	(100.0)
Non-current liabilities				
		9 025.2	5 837.7	(54.6)
Deferred tax liability		3 195.9	3 774.3	15.3
Convertible bond liability	6	986.7	932.4	(5.8)
PIC housing facility	7	1 299.6	975.0	(33.3)
Interest-bearing borrowings	8	1 650.0	—	(100.0)
RPM deferred consideration	9	1 621.6	—	(100.0)
Restoration, rehabilitation and other provisions		271.4	156.0	(74.0)
Current liabilities				
		756.4	1 883.8	59.8
Trade and other payables		677.1	544.9	(24.2)
Current tax payable		13.4	5.0	(168.0)
Current portion of interest-bearing liabilities		65.9	—	(100.0)
RPM payable		—	1 333.9	100.0
Total equity and liabilities				
		25 510.6	22 145.4	15.2

The notes on pages 13 to 24 form an integral part of these consolidated annual financial statements.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

Group				
	Notes	2018 audited R (million)	2017 audited R (million)	% change
Revenue	13	3 627.1	3 498.5	3.7
Cost of sales	14	(3 317.2)	(3 186.5)	(4.1)
Cost of sales excluding depreciation, amortisation and movement in inventories		(2 922.0)	(2 845.7)	(2.7)
Depreciation and amortisation		(380.1)	(361.3)	(5.2)
Increase/(decrease) in inventories		(15.1)	20.5	(173.7)
Gross profit		309.9	312.0	(0.7)
Other income		124.0	150.5	(17.6)
Administration expenses		(284.0)	(256.2)	(10.9)
Corporate office		(264.5)	(189.4)	(39.7)
Housing project		21.3	(17.8)	219.7
Restructuring costs		–	(49.0)	100.0
Maseve care and maintenance		(40.8)	–	(100.0)
Gain on bargain purchase		118.3	–	100.0
Impairment of non-financial assets		(26.3)	(864.3)	97.0
Finance income		100.9	137.4	(26.6)
Finance cost		(26.8)	(52.3)	48.8
Profit/(loss) before tax		316.0	(572.9)	155.2
Income tax expense		(60.5)	(84.1)	28.1
Current tax expense		(35.3)	(31.5)	(12.1)
Deferred tax expense		(25.2)	(52.6)	52.1
Net profit/(loss) for the year		255.5	(657.0)	138.9
Other comprehensive income		–	–	–
Total comprehensive income/(loss) attributable to:		255.5	(657.0)	138.9
Attributable to owners of the Company		155.6	(752.7)	120.7
Attributable to non-controlling interest		99.9	95.7	4.4
Basic EPS/(LPS) (cents/share)		78.1	(390.6)	120.0
Diluted EPS/(LPS) (cents/share)		73.3	(390.6)	118.8
Basic HEPS/(HLPS) (cents/share)		25.0	56.4	(55.7)
Diluted HEPS (cents/share)		25.0	56.4	(55.7)

The notes on pages 13 to 24 form an integral part of these consolidated annual financial statements.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Number of shares	Ordinary shares R (million)	Share premium R (million)	Share- based payment reserve R (million)	Non- distributable reserves R (million)	Retained earnings R (million)	Attribu- table to owners of the Company R (million)	Non- con- trolling interest R (million)	Total R (million)
2018									
Balance at 31 December 2017	192 868 841	1.9	9 643.2	240.8	82.5	701.5	10 669.9	3 754.0	14 423.9
Share-based payment charge	–	–	–	123.9	–	–	123.9	–	123.9
2015 BSP shares vested in April 2018	467 587	–	26.5	(26.5)	–	–	–	–	–
Issue of shares	14 663 158 [^]	0.2	394.3	–	–	–	394.5	–	394.5
Costs relating to issue of shares capitalised	–	–	(3.0)	–	–	–	(3.0)	–	(3.0)
Total comprehensive profit	–	–	–	–	–	155.6	155.6	99.9	255.5
Transaction with non-controlling interest	–	–	–	–	–	4 388.1	4 388.1	(3 853.9)	534.2
Transfer from non-distributable reserve	–	–	–	–	(82.5)	82.5	–	–	–
Balance at 31 December 2018	207 999 586*	2.1	10 061.0	338.2	–	5 327.7	15 729.0	–	15 729.0
2017									
Balance at 31 December 2016	192 277 990	1.9	9 400.8	216.2	82.5	1 454.2	11 155.6	3 658.3	14 813.9
Share-based payment charge	–	–	–	64.6	–	–	64.6	–	64.6
Convertible bonds – equity portion	–	–	202.4	–	–	–	202.4	–	202.4
2014 BSP shares vested in April 2017	590 851	–	40.0	(40.0)	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	(752.7)	(752.7)	95.7	(657.0)
Balance at 31 December 2017	192 868 841	1.9	9 643.2	240.8	82.5	701.5	10 669.9	3 754.0	14 423.9

* The number of shares is net of 2 500 037 (2017: 2 967 624) treasury shares relating to the Company's management share incentive scheme and the Mahube Employee Share Trust as shares held by these special purpose vehicles are eliminated on consolidation

[^] 4 871 335 shares were issued for the Maseve acquisition and 9 791 823 shares were issued as part of the initial consideration for the acquisition of the remaining 33% in BRPM JV

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Group		
	2018 audited R (million)	2017 audited R (million)	% change
Cash flows from operating activities			
<i>Cash generated by operations</i>	581.1	569.5	2.0
Interest paid	(0.7)	(42.8)	98.4
Interest received	108.5	114.7	(5.4)
Dividend received	3.9	2.1	85.7
Tax refund	—	2.4	(100.0)
Tax paid	(26.9)	(27.5)	2.2
Net cash flow generated by operating activities	665.9	618.4	7.7
<i>Cash flows from investing activities</i>			
Acquisition of property, plant and equipment	(3 510.9)	(2 138.3)	(64.2)
Acquisition of Maseve net of cash	(658.0)	—	(100.0)
Styl drift on-reef development revenue receipt	973.4	451.1	115.8
Acquisition of employee housing assets	(343.4)	(493.9)	30.5
Acquisition of housing insurance investments	(3.0)	—	(100.0)
Deposit paid for the acquisition of Maseve	—	(41.4)	100.0
Employee housing loan receivable repayments	2.4	1.3	84.6
Increase in environmental trust deposits and investments	(61.0)	(9.8)	(522.4)
Net cash flow utilised by investing activities	(3 600.5)	(2 231.0)	(61.4)
<i>Cash flows from financing activities</i>			
Contributions from RPM	768.3	444.2	73.0
Drawdown of PIC housing facility	384.5	535.0	(28.1)
Repayment of PIC housing facility	(80.0)	(40.0)	(100.0)
Proceeds from interest-bearing borrowings	2 015.0	—	100.0
Transaction costs on interest-bearing borrowings	(15.0)	—	(100.0)
Repayment of interest-bearing borrowings	(270.0)	—	(100.0)
Proceeds from convertible bonds issued	—	1 200.0	(100.0)
Costs relating to issue of convertible bonds capitalised	—	(29.0)	100.0
Initial payment for acquisition of non-controlling interest	(554.7)	—	(100.0)
Proceeds from the issue of shares	239.9	—	100.0
Costs relating to the issue of shares	(3.0)	—	(100.0)
Net cash flow generated by financing activities	2 485.0	2 110.2	17.8
Net (decrease)/increase in cash and cash equivalents	(449.6)	497.6	(190.4)
Cash and cash equivalents at beginning of period	1 333.1	835.5	59.6
Cash and cash equivalents at end of period	883.5	1 333.1	(33.7)

The notes on pages 13 to 24 form an integral part of these consolidated annual financial statements.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. BASIS OF PREPARATION

The summary consolidated annual financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements (JSE Listings Requirements) for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated annual financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the previous consolidated annual financial statements.

The summary consolidated annual financial statements for the year ended 31 December 2018 were prepared under the supervision of the Financial Director, Hanre Rossouw.

2. ACCOUNTING POLICIES

The summary consolidated annual financial statements have been prepared under the historical cost convention. The principal accounting policies used by the Group are consistent with those of the previous period, except for the adoption of various revised and new standards. For the impact of adoption of new standards, refer to Note 1 of the annual financial statements.

3. AUDIT OPINION

These summary consolidated annual financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers Inc., who expressed an unqualified opinion thereon. The auditor also expressed an unqualified opinion on the consolidated annual financial statements from which these summary consolidated annual financial statements were derived. A copy of the auditor's report on the summary consolidated annual financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the registered office of Royal Bafokeng Platinum Limited, together with the annual financial statements identified in the respective auditor's report.

4. AVAILABLE FUNDS

RBPlat had cash and near cash investments on hand at 31 December 2018 of R883.5 million. Included in the R883.5 million cash balance is restricted cash of R67.6 million ring-fenced for the RBPlat housing project and R84 million earmarked for the payment of the convertible bond coupon. The Company concluded R2 billion in debt facilities in March 2017. During 2018, the facilities were increased to R3 billion. These facilities consist of a seven-year term debt facility of R750 million, a five-year revolving credit facility of R1 750 million and one-year general banking facilities of R508 million. R750 million of term-debt and R930 million of revolving credit facilities were drawn as at 31 December 2018. R119.4 million of the general banking facilities was utilised for guarantees and R65.9 million of the general banking facility was drawn at 31 December 2018.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

5. TRANSACTION WITH NON-CONTROLLING INTEREST (NCI)

At 11 December 2018, RBPlat acquired the remaining 33% participating interest in BRPM JV, from Rustenburg Platinum Mines (RPM). As RBPlat already controlled the BRPM JV via its 67% participating interest, this transaction has been accounted for within equity as a transaction with NCI.

The initially agreed purchase consideration was R1 863.0 million. This amount was increased by the cash calls of R314.8 million contributed by RPM to the BRPM JV from the date of determination of the initial consideration until the finalisation of the transaction. The total consideration for the transaction amounted to R2 177.8 million, R554.7 million of which was settled in cash and the remainder was deferred (refer to note 9 for terms of the deferred consideration). R239.9 million of the cash component was financed via the issue of 9 791 823 shares into the market.

The liability of R2 102.2 million owed to RPM was settled as part of this transaction (refer to note 27 of the annual financial statements). In addition a deferred tax asset of R609.8 million was recognised (refer to note 19 of the annual financial statements). As the BRPM JV was an unincorporated partnership, the partners (and not the partnership) were obligated to pay the tax in their personal capacity. Therefore, Royal Bafokeng Resources (RBR) was liable for 67% of the tax while RPM was liable for the other 33%. As RBPlat controlled the JV, 100% of the JV was consolidated including deferred tax. The acquisition of the 33% interest in the BRPM JV resulted in the increase in the base cost of the asset which had an impact on the deferred tax balance.

	2018 R (million)
Consideration	
Initial base consideration	1 863.0
Refund of cash calls	314.8
Total consideration	2 177.8
– Cash	554.7
– Deferred consideration	1 623.1
Balances acquired	(6 565.9)
Settlement of RPM payable	(2 102.2)
Deferred tax asset raised	(609.8)
Equity allocated to NCI	(3 853.9)
Increase in retained earnings	(4 388.1)
Less: Equity transferred from NCI	3 853.9
Net equity impact	(534.2)

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

6. CONVERTIBLE BOND LIABILITY

Convertible bonds

RBPlat issued 120 000 7% senior unsecured convertible bonds for R1.2 billion on 15 March 2017. Shareholders' approval for the conversion of the convertible bonds was obtained on 8 May 2017. The bonds are convertible into ordinary shares of RBPlat at the option of the holder at an initial conversion price of R42.9438. The conversion price is subject to customary adjustments for reconstructions of equity. These customary adjustments maintain the relative rights of the bondholders. Interest on the bonds is payable semi-annually in arrears on 16 March and 16 September of each year for five years ending 16 September 2022. The bonds are listed on the JSE Main Board under stock code number RBPCB.

The R1.2 billion convertible bond was initially recognised as a R300.6 million derivative liability and a R899.4 million liability.

	31 December 2018 R (million)	31 December 2017 R (million)
6.1 Derivative – initial recognition	–	300.6
Less: Fair value up to date of shareholder approval	–	(19.5)
Derivative fair value at date of shareholder approval (8 May 2017)	–	281.1
Less: Derivative derecognised	–	(281.1)
Derivative balance at 31 December	–	–
6.2 Convertible bond equity		
Opening balance at 1 January	202.4	–
Equity recognised on date of shareholder approval (8 May 2017)	–	281.1
Less: Deferred tax recognised on equity portion	–	(78.7)
Derivative balance at 31 December	202.4	202.4
6.3 Convertible bond liability		
Opening balance at 1 January	932.4	–
Liability – initial recognition	–	899.4
Less: Transaction cost capitalised	–	(29.0)
Plus: Fair value interest*	138.3	104.6
Less: Interest paid	(84.0)	(42.6)
Convertible bond liability at 31 December	986.7	932.4

* In 2018, R131.7 million (2017: R58.7 million) of the fair value interest was capitalised to Styldrift project at RBPlat group level.

The carrying amount of the liability portion at initial recognition was measured as the difference between the cash proceeds and the fair value of the embedded derivative. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds using the effective interest rate method.

The following covenants are applicable to existing facilities:

Bond repayment covenant:

RBR shall ensure that on the fourth anniversary of financial close:

- The DSCR exceeds 1.50 times
- The LLCR exceeds 2.00 times
- Net debt to EBITDA shall not exceed 1.25 times

7. PIC HOUSING FACILITY

The PIC facility was used to fund the construction of houses for Phase 2 of the RBPlat housing project as well as the insurance investment. The PIC facility is a R2.2 billion facility accruing interest at CPI plus a margin of 1%. Security for the PIC facility is ring-fenced to the RBPlat housing project assets with no recourse to the BRPM JV business.

The Group recognises the difference between the fair value of the PIC housing facility at initial recognition and the transaction price as a fair value adjustment to the loan. The initial difference is amortised over the term of the PIC housing facility.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. On this basis, the interest expense on the PIC housing facility is capitalised to employee housing assets.

	31 December 2018 R (million)	31 December 2017 R (million)
Opening balance at 1 January	975.0	434.0
Plus: Drawdowns	384.5	535.0
Less: Repayment	(80.0)	(40.0)
Plus: Contractual interest charges capitalised to loan	65.9	43.3
Plus: Fair value interest charges capitalised to loan	8.5	5.7
Less: Amortisation of fair value adjustment to loan	(54.3)	(3.0)
Closing balance at 31 December	1 299.6	975.0

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

8. INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are made up of drawdowns on existing facilities. RBR utilised R750 million of its term debt facility, R930 million of its revolving credit facility and R335 million of its general banking facility. At year-end, R270 million of the utilised general banking facility was repaid.

	31 December 2018 R (million)	31 December 2017 R (million)
Fair value at initial recognition	2 015.0	–
Plus: Transaction costs capitalised	(30.0)	–
Plus: Repayment	(270.0)	–
Interest capitalised	0.9	–
Closing balance at 31 December	1 715.9	–
Split between:		–
Non-current portion of interest-bearing borrowings	1 650.0	–
Current portion of interest-bearing borrowings	65.9	–
	1 715.9	–

The following covenants are applicable to the existing facilities:

Financial covenants

RBR shall ensure that the following financial covenants will be met:

- Cumulative debt service coverage ratio (DSCR) shall exceed 1.25 times for measurement periods ending between 2017 and 2020
- DSCR shall exceed 1.25 times for measurement periods ending between 2021 and 2023
- Cumulative loan life coverage ratio (LLCR) shall exceed 1.50 times for measurement periods ending between 2017 and 2020
- LLCR shall exceed 1.75 times for measurement periods ending between 2021 and 2023
- Net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) shall not exceed 2.00 times
- Net debt to equity shall not exceed 1.00 times
- Interest cover ratio is at least 4.00 times

9. RPM DEFERRED CONSIDERATION

RBPlat acquired the remaining 33% participating interest in the BRPM JV from RPM. The purchase consideration was funded by a combination of cash, proceeds from a capital raise and the remaining balance was deferred.

In total, 9 791 823 shares were issued raising gross proceeds of R239.9 million which was used for part payment of the purchase consideration. In total, R314.8 million cash was used to pay the refund of net cash calls payable to RPM. This resulted in a total of R554.7 million paid to Amplats as initial consideration.

The deferred consideration escalates at a rate equal to the interest rate charged by lenders to RBR, on the enlarged debt plus a premium of 2%. The deferred consideration is repayable in three annual payments, each equal to one-third of the deferred consideration balance owing as at that date, with the first payment due on the first business day following 18 months from the effective date, and the second and third payment are due on the first and second anniversary thereof, respectively. The transaction effective date was 11 December 2018.

At the Group's election, all or part of the deferred consideration may be settled through the issue of RBPlat shares to RPM.

	2018 R (million)	2017 R (million)
Total purchase consideration	2 177.8	–
Less: Initial payment	(554.7)	–
Proceeds from capital raised	(239.9)	–
Refund on net cash calls	(314.8)	–
Less: Cession and assignment of claims	(13.0)	–
Interest capitalised	11.5	–
Closing balance at 31 December	1 621.6	–
Split between:		–
Non-current portion of interest-bearing borrowings	1 621.6	–
Current portion of interest-bearing borrowings	–	–
	1 621.6	–

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

10. CAPITAL COMMITMENTS IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

	31 December 2018 R (million)	31 December 2017 R (million)
Capital commitments relate to the Styldrift I and BRPM Phase III projects		
Contracted commitments	861.1	969.8
Approved expenditure not yet contracted for	2 951.5	3 670.5
Total	3 812.6	4 640.3

11. GUARANTEES AND COMMITMENTS

	31 December 2018 R (million)	31 December 2017 R (million)
11.1 Guarantees		
Royal Bafokeng Resources Proprietary Limited, a wholly owned subsidiary of RBPlat, granted the following guarantees:		
Eskom to secure power supply for Styldrift I project (guarantee 30823102)	17.1	17.1
Eskom early termination guarantee for the Styldrift I project (guarantee 31160603)	17.5	17.5
Eskom connection charges guarantee for the Styldrift I project (guarantee 31173918)	40.0	40.0
Department of Mineral Resources for the rehabilitation of land disturbed by prospecting/mining (guarantee 32388608)	1.3	1.3
Eskom security guarantee for power supply to Styldrift I project (guarantee 34058907)	42.7	42.7
Royal Bafokeng Platinum Management Services Proprietary Limited, a wholly owned subsidiary of RBPlat, granted the following guarantees:		
Tsogo Sun guarantee arising from lease agreement (guarantee 34045600)	0.7	0.7
Tsogo Sun guarantee arising from lease agreement (guarantee 34045708)	0.1	0.1
Total bank guarantees issued at 31 December	119.4	119.4
Department of Mineral Resources guarantee for environmental rehabilitation liability	260.4	150.7
Department of Mineral Resources guarantee for Styldrift II project	45.7	45.7
Total insurance guarantees issued at 31 December	306.1	196.4
Guarantees received from Anglo American Platinum		
For Anglo American Platinum's 33% share of the Eskom guarantee to secure power supply for Styldrift I project (guarantee M523084)	—	(5.6)
For Anglo American Platinum's 33% share of the Eskom early termination guarantee for the Styldrift I project (guarantee M529349)	—	(5.8)
For Anglo American Platinum's 33% share of the Eskom connection charges guarantee for the Styldrift I project (guarantee M529350)	—	(13.2)
For Anglo American Platinum's 33% share of the Eskom security guarantee for power supply to the Styldrift I project	—	(14.1)
Total guarantees received at 31 December	—	(38.7)

11.2 Contingent liabilities – remediate groundwater and soil pollution

Royal Bafokeng Resources (RBR) has exposure to remediate groundwater and soil pollution where RBR operates. The groundwater pollution plume model was updated in 2017 and the updated model were used to simulate/predict future mining-related groundwater impacts. Based on the groundwater model update, a project was initiated in 2018 to monitor the groundwater movement on a continuous basis using borehole loggers. The purpose of the project is to accurately quantify the size and the rate of movement of the pollution plume. The project will be completed in Q1 2020. The ultimate outcome of the matter cannot presently be determined and no liability has been raised in the annual financial statements.

11.3 Contingent liability – Maseve acquisition

Post implementation of the Maseve transaction, Africa Wide Mineral Prospecting and Exploration Proprietary Limited (Africa Wide) which held 17.1% of the shares in Maseve prior to the implementation of the share transaction, instituted legal proceedings against PTM, RBPlat and Maseve, in terms of which it seeks to have the Maseve transaction declared unlawful and invalid, or alternatively to be paid an increased amount for its Maseve shares, which it argues were undervalued.

On 20 September 2018 we advised security holders that PTM's legal advisers and senior council were of the view that the claim of Africa Wide, was weak and that there are strong prospects of defending this matter.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

12. BUSINESS COMBINATION

On 5 April 2018, RBPlat announced that it had concluded the acquisition of the plant transaction (Phase I) while on 26 April 2018, RBPlat announced that it had concluded the acquisition of a 100% controlling interest of the share capital of Maseve Investments 11 Proprietary Limited (Maseve) (Phase II) from Platinum Group Metals (RSA) Proprietary Limited (PTM (RSA)) and Africa Wide Mineral Prospecting and Exploration Proprietary Limited. Immediately before the acquisition of the controlling interest, PTM (RSA) and Africa Wide held 82.9% and 17.1% respectively. Accordingly, RBPlat and PTM (RSA) implemented a scheme of arrangement under sections 114 and 115 of the Companies Act where RBPlat acquired 100% of the issued share capital of Maseve. The combined transaction was for a total consideration of US\$70 million (R858.5 million). The acquisition of the plant and shares was seen as a single transaction as they are considered to be linked and were classified as an acquisition of a business, in accordance with IFRS 3: *Business Combinations*. Determining whether a series of transactions is linked and whether they should be combined and viewed as a single arrangement is a matter of judgement and was determined based on the fact that the transactions were entered into in contemplation of one another and there was no economic need or substantive business purpose for structuring these transactions separately that could not also have been accomplished in a single transaction. The effective date of the transaction was therefore deemed to be 26 April 2018.

Maseve is a mining company incorporated in South Africa operating in the North West province. The mine is currently on care and maintenance. In addition to the mining rights and other assets, the company owns a concentrator complex designed to process PGMs.

The business combination benefits the Group in that it provides RBPlat with immediate access to a concentrator plant which will be used to treat ore from Styldrift as well as the strategic flexibility to extend the life of mine of BRPM South shaft. The mine business will be part of the head office segment while the concentrator complex will be part of the Styldrift mining segment.

The following table summarises the consideration paid for the acquisition of Maseve:

	2018 R (million)
Total consideration	691.4
Settlement in cash	649.7
Deposit paid*	41.7
Phase II	167.1
Settlement in shares**	154.6
Deposit paid	12.5
Total consideration	858.5

* Deposit paid in 2017.

** The fair value of equity is based on the share price on the effective date of transaction.

Details of identifiable assets acquired, liabilities assumed and goodwill are as follows:

	2018 R (million)
Purchase consideration	858.5
Fair value of net assets acquired	976.8
Non-current asset	999.7
Inventories	16.9
Trade and other receivables	33.0
Cash and cash equivalents*	4.2
Non-current liabilities	(78.5)
Current liabilities	(15.6)
Deferred tax	17.1
Gain on bargain purchase	118.3

* Acquired cash and cash equivalents is netted off against total consideration paid.

Gain on bargain purchase

The fair value of net assets acquired resulted in a gain on bargain purchase of R118.3 million which has been recognised in the statement of comprehensive income. The Maseve business was under care and maintenance and the shareholders were previously looking to dispose of the business resulting in a gain on bargain purchase.

Acquired property, plant and equipment

The fair value of the plant was obtained from an external valuer using a factor of comparable projects, and a due diligence was performed to identify all the assets acquired.

Acquisition-related costs

Acquisition-related costs of R4 million were charged to operating expenses in profit or loss and included in operating cash flows for the year ended 31 December 2018. Total acquisition-related costs since the inception of the transaction amount to R12.9 million.

Acquired trade and other receivables

The fair value of trade and other receivables is R33.0 million and does not include any trade receivables. The fair value of trade and other receivables represents the gross contractual amounts receivable. The full gross contractual amount of receivables is expected to be collectable.

The acquired business contributed revenue of Rnil with a net loss of R19.9 million to the Group for the period from 26 April 2018 to 31 December 2018. If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated profit after tax for the year ended 31 December 2018 would have been R3 627.1 million and R244.7 million respectively.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

13. REVENUE

	31 December 2018 R (million)	31 December 2017 R (million)
Revenue		
Revenue from concentrate sales – production from BRPM concentrator*	–	3 092.90
Revenue from UG2 toll concentrate*	–	401.7
Revaluation of revenue (prior year October, November and December deliveries prices finalised)	–	3.9
Revenue from contract with customers	3 500.3	–
Other revenue	126.8	–
Total	3 627.1	3 498.5

* Revenue for prior year was not restated as IFRS 15 was not applied retrospectively

Styltdrift on-reef development revenue not included above but credited against property, plant and equipment for the year ended 31 December 2018 amounted to R1 420.3 million (2017: R571.8 million).

14. COST OF SALES

	31 December 2018 R (million)	31 December 2017 R (million)
Included in the profit/(loss) before tax are the following items:		
On-mine costs:		
• Labour	1 095.0	1 077.5
• Utilities	303.5	264.9
• Contractor costs	831.1	791.8
• Movement in inventories	15.1	(20.5)
• Materials and other mining costs	519.3	636.0
Materials and other mining costs for BRPM JV	565.7	681.0
Elimination of intergroup management fee	(46.4)	(45.0)
State royalties	17.3	13.4
Depreciation – property, plant and equipment	341.3	318.5
Amortisation – mineral rights	38.8	42.8
Share-based payment expense	45.0	21.1
Social and labour plan expenditure	51.9	35.4
Plant readiness	29.3	–
Other	29.6	5.6
Total cost of sales	3 317.2	3 186.5

15. RELATED PARTY TRANSACTIONS

	31 December 2018 R (million)	31 December 2017 R (million)
BRPM JV balances at 31 December:		
Amount owing by RPM for concentrate sales*	2 015.9	1 500.9
Amount owing to RPM for contribution to BRPM JV*	–	1 495.2
BRPM JV transactions:		
Concentrate sales to RPM	5 047.4	4 070.3
Associate of holding company (RBH) balances at 31 December:		
Amount owing by Impala Platinum Limited for the fourth quarter royalty	31.4	24.5
Fellow subsidiary and associates of holding company (RBH) transactions:		
Fraser Alexander for rental of mining equipment, maintenance of tailings dam and operation of sewage plant (a subsidiary of RBH)	12.2	11.4
Impala Platinum Limited for royalties received (an associate of RBH)	98.8	85.9
Geoserve Exploration Drilling Company for exploration drilling on Boschkoppie and Styltdrift (a subsidiary of RBH)	7.0	9.5
Trident South Africa Proprietary Limited for steel supplies (a subsidiary of RBH)	6.7	1.1
Mtech Industrial for supply and installation of heat pumps (a subsidiary of RBH)	0.3	0.2
The MSA Group for consulting services	0.2	0.1
Royal Marang Hotel for accommodation and conferences (a subsidiary of RBH)	0.6	0.6
Praxima Holding for payroll administration fees (an associate of RBH)	0.1	0.1
Fees paid to non-executive directors (RBH/MOGS)	0.5	0.8

* RPM disposed of its 11.44% shareholding in RBPlat during the course of 2018

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

16. DIVIDENDS

No dividends have been declared or proposed in the current period (2017: nil)

17. FINANCIAL RISK MANAGEMENT

Fair value determination

The following table presents the financial assets that are measured at fair value as well as the financial assets and financial liabilities measured at amortised cost but for which fair value disclosure are provided at 31 December:

	Level 1 R (million)	Level 2 R (million)	Level 3 R (million)
2018			
At fair value			
Environmental trust deposits ¹	—	24.6	—
Housing insurance investment ²	—	—	39.9
RPM concentrate debtors ⁵	—	2 015.9	—
At amortised cost			
Employee housing receivable ³	—	—	611.4
Impala royalty receivables	31.4	—	—
Other receivables (excluding VAT)	—	115.3	—
Financial liabilities at amortised cost			
Convertible bond liability	—	—	986.7
PIC housing facility ⁴	—	—	1 299.6
2017			
At fair value			
Environmental trust deposits ¹	—	37.9	—
Housing insurance investment ²	—	—	35.7
RPM concentrate debtors ⁵	—	1 500.9	—
At amortised cost			
Employee housing receivable ³	—	—	439.5
Impala royalty receivables	24.5	—	—
Other receivables (excluding VAT)	—	99.4	—
Financial liabilities at amortised cost			
Convertible bond liability	—	—	932.4
PIC housing facility ⁴	—	—	975.0

¹ This was valued using the level 2 fair values which are directly derived from the Shareholders Weighted Top 40 Index (SWIX 40) on the JSE

² The fair value was determined using market prices for listed investments and discounted cash flow models for unlisted investments

³ The fair value was determined using a discounted cash flow model. Refer to Note 7 of the annual financial statements for inputs used to determine the fair value measurement

⁴ The fair value was determined using a discounted cash flow model. Refer to Note 21 of the annual financial statements for inputs used to determine the fair value measurement

⁵ The fair value was determined using the commodity prices and foreign exchange rates

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

18. SEGMENTAL REPORTING (continued)

18.2 Segmental statement of financial position

	For the year ended 31 December 2018						For the year ended 31 December 2017							
	BRPM mining segment (A) R (million)	Stydrift mining segment (B) R (million)	BRPM JV mining segment (A + B) R (million)	RBPlat housing segment R (million)	Corporate office R (million)	Consolidation adjustment R (million)	Total R (million)	BRPM mining segment (A) R (million)	Stydrift mining segment (B) R (million)	BRPM JV mining segment (A + B) R (million)	RBPlat housing segment R (million)	Corporate office R (million)	Consolidation adjustment R (million)	Total R (million)
Non-current assets	4 467.5	10 165.2	14 632.7	881.5	17 067.6	(11 097.9)	21 483.9	4 080.1	8 118.3*	12 198.4	642.5**	10 413.9	(4 806.5)	18 448.3
Allocation of mineral rights and segments	723.0	4 924.7	5 647.7	—	(5 647.7)	—	—	761.8	4 924.7 [^]	5 686.5	—	—	(5 686.5)	—
Non-current assets after allocation of mineral rights	5 190.5	15 089.9	20 280.4	881.5	11 419.9	(11 097.9)	21 483.9	4 841.9	13 043.0	17 884.9	642.5	10 413.9	(10 493.0)	18 448.3
Current assets	2 145.4	805.4	2 950.8	872.5	449.3	(245.9)	4 026.7	1 953.5	333.1	2 286.6	668.7	919.2	(177.4)	3 697.1
Employee housing current assets	—	—	—	790.7	—	—	790.7	—	—	—	591.1	—	—	591.1
Inventories	62.4	67.6	130.0	—	4.1	(3.9)	130.2	78.5	27.1	105.6	—	—	—	105.6
Trade and other receivables	1 444.0	737.8	2 181.8	14.2	268.1	(242.0)	2 222.1	1 303.8	306.0	1 609.8	12.2	222.5	(177.4)	1 667.1
Current tax receivable	—	—	—	—	0.2	—	0.2	—	—	—	—	0.2	—	0.2
Cash and cash equivalents	639.0	—	639.0	67.6	176.9	—	883.5	571.2	—	571.2	65.4	696.5	—	1 333.1
Total assets per statement of financial position	7 335.9	15 895.3	23 231.2	1 754.0	11 869.2	(11 343.8)	25 510.6	6 795.4	13 376.1	20 171.5	1 311.2	11 333.1	(10 670.4)	22 145.4
Non-current liabilities	92.3	18.6	110.9	1 381.6	7 524.6	8.1	9 025.2	93.6	13.6	107.2	1 023.8	4 706.7	—	5 837.7
Deferred tax liability**	—	—	—	—	3 266.3	(70.4)	3 195.9	—	—	—	—	3 774.3	—	3 774.3
Convertible bond- liability	—	—	—	—	986.7	—	986.7	—	—	—	—	932.4	—	932.4
Interest-bearing borrowings	—	—	—	—	1 650.0	—	1 650.0	—	—	—	—	—	—	—
RPM deferred consideration	—	—	—	—	1 621.6	—	1 621.6	—	—	—	—	—	—	—
PIC housing facility	—	—	—	—	1 299.6	—	1 299.6	—	—	—	—	—	—	—
Long-term provisions and other	92.3	18.6	110.9	82.0	—	78.5	271.4	93.6	13.6	107.2	48.8	—	—	156.0
Current liabilities	7 163.6	201.6	7 365.2	63.0	361.8	(7 033.6)	756.4	4 817.4	164.7	4 982.1	45.8	3 768.9	(6 913.0)	1 883.8
Trade and other payables	137.5	201.6	339.1	63.0	282.5	(7.5)	677.1	286.6	164.7	451.3	45.8	3 763.9	(3 716.1)	544.9
RBR payable	7 026.1	—	7 026.1	—	—	(7 026.1)	—	3 035.6	—	3 035.6	—	—	(3 035.6)	—
RPM payable	—	—	—	—	—	—	—	1 495.2	—	1 495.2	—	—	(161.3)	1 333.9
Current tax payable	—	—	—	—	13.4	—	13.4	—	—	—	—	5.0	—	5.0
Interest-bearing borrowings	—	—	—	—	65.9	—	65.9	—	—	—	—	—	—	—
Total liabilities per statement of financial position	7 255.9	220.2	7 476.1	1 444.6	7 886.4	(7 025.5)	9 781.6	4 911.0	178.3	5 089.3	1 069.6	8 475.6	(6 913.0)	7 771.5

* Includes Stydrift II exploration and evaluation costs

** Employee housing loan receivable is classified as non-current as repayment of the capital portion of these receivables is expected to commence after 12 months from date of the statement of financial position

*** R0.7 billion of the deferred tax liability is attributable to BRPM mining segment and R2.5 billion to Stydrift mining segment (Stydrift I and Stydrift II)

[^] During 2017, the cost and recoverable amounts of the 20 shaft royalty mineral rights were reallocated from the BRPM CGU to the Stydrift CGU as we reconsidered the way we will be mining these ounces and concluded it will be from Stydrift infrastructure and not BRPM

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

18. SEGMENTAL REPORTING continued

18.3 Segmental statement of cash flows

	For the year ended 31 December 2018					For the year ended 31 December 2017					
	BRPM mining segment (A)	Sty/drift mining segment (B)	BRPM JV mining segment (A + B)	RBPlat housing segment	Corporate office and consolidation adjustment	BRPM mining segment (A)	Sty/drift mining segment (B)	BRPM JV mining segment (A + B)	RBPlat housing segment	Corporate office and consolidation adjustment	Total
	R (million)	R (million)	R (million)	R (million)	R (million)	R (million)	R (million)	R (million)	R (million)	R (million)	R (million)
Net cash flow generated/(utilised) by operating activities	797.3	(8.5)	788.8	41.7	(164.6)	665.9					618.4
Acquisition of property, plant and equipment	(170.3)	(3 264.5)	(3 434.8)	—	(76.1)	(3 510.9)				22.5	(2 138.3)
Acquisition of Maseve	—	(720.8)	(720.8)	—	62.8	(658.0)				—	—
Sty/drift on-reef development revenue receipts	—	973.4	973.4	—	—	973.4		451.1	—	—	451.1
Acquisition of employee housing assets	—	—	—	(343.4)	—	(343.4)		—	(493.9)	—	(493.9)
Employee housing receivable loan repayments	—	—	—	2.4	—	2.4		—	1.3	—	1.3
Deposit paid for Maseve acquisition	—	—	—	(3.0)	—	(3.0)		—	—	(41.4)	(41.4)
Increase in insurance investment	—	—	—	—	—	—		—	—	—	—
Increase in environmental trust deposits and guarantees	(61.0)	—	(61.0)	—	—	(61.0)		(9.8)	—	—	(9.8)
Net cash flow (utilised)/generated by investing activities	(231.3)	(3 011.9)	(3 243.2)	(344.0)	(13.3)	(3 600.5)					(2 231.0)
Cash investments by/(distributions to) BRPM JV partners	(498.2)	3 020.4	2 522.2	—	(1 753.9)	768.3		1 346.0	—	(901.8)	444.2
Net drawdowns of PIC housing facility	—	—	—	304.5	—	304.5		—	495.0	—	495.0
Proceeds from interest-bearing liabilities	—	—	—	—	2 015.0	2 015.0		—	—	—	—
Transaction costs on interest-bearing borrowings	—	—	—	—	(15.0)	(15.0)		—	—	—	—
Repayment of interest-bearing borrowings	—	—	—	—	(270.0)	(270.0)		—	—	—	—
RPM initial consideration	—	—	—	—	(554.7)	(554.7)		—	—	—	—
Proceeds from issue of shares	—	—	—	—	239.9	239.9		—	—	—	—
Costs relating to share issue	—	—	—	—	(3.0)	(3.0)		—	—	—	—
Convertible bond proceeds net of cost	—	—	—	—	—	—		—	—	1 171.0	1 171.0
Net cash flow generated/(utilised) by financing activities	(498.2)	3 020.4	2 522.2	304.5	(341.7)	2 485.0					2 110.2
Net (decrease)/increase in cash and cash equivalents	67.8	—	67.8	2.2	(519.6)	(449.6)		200.7	26.4	270.5	497.6
Cash and cash equivalents at beginning of period	571.2	—	571.2	65.4	696.50	1 333.1		370.5	39.0	426.0	835.5
Cash and cash equivalents at end of period	639.0	—	639.0	67.6	176.9	883.5		571.2	65.4	696.5	1 333.1

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

19. EARNINGS/(LOSS) PER SHARE

The weighted average number of ordinary shares in issue outside the Group for purposes of basic earnings/(loss) per share and the weighted average number of ordinary shares for diluted earnings/(loss) per share are calculated as follows:

	Group	
	2018	2017
Number of shares issued	195 836 465	195 836 465
Management incentive schemes	(2 967 624)	(3 558 475)
Number of shares issued outside the Group	192 868 841	192 277 990
Adjusted for weighted shares issued during the year	6 291 033	445 163
Weighted average number of ordinary shares in issue for earnings per share	199 159 874	192 723 153
Dilutive potential ordinary shares relating to management incentive schemes	—	9 092
Dilutive potential ordinary shares relating to the convertible bond	27 943 498	27 808 219
Dilutive potential of RPM deferred consideration	3 523 385	—
Weighted average number of potential dilutive ordinary shares in issue	230 626 757	220 540 464
Profit/(loss) attributable to owners of the Company R (million)	155.6	(752.7)
Adjustments:		
Add: Net interest on convertible bond	7.1	45.9
Add: Interest on RPM deferred consideration	11.5	—
Less: Derivative fair value	—	(19.5)
Less: Tax on the above	(5.2)	(7.4)
Diluted profit/loss R (million)	169.0	(733.7)
Basic earnings/(loss) per share (cents/share)	78.1	(390.6)
Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company for the year by the weighted average number of ordinary shares in issue for earnings per share.		
Diluted earnings/(loss) per share (cents/share)	73.3	(390.6)#
Diluted earnings/(loss) per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares.		

Reconciliation of earnings to headline earnings

	Group			
	2018		2017	
	Gross	Net	Gross	Net
Headline earnings				
Profit/(loss) attributable to owners of the Company R (million)		155.6		(752.7)
Adjustments:				
Profit on disposal of property, plant and equipment and other assets R (million)	(0.3)	(0.3)	(1.8)	(1.8)
Scrapping of assets R (million)	26.3	12.8	863.3	863.3
Gain on bargain purchase	(118.3)	(118.3)	—	—
Headline earnings R (million)		49.8		108.8
Net interest on convertible bond	7.1	5.1	45.9	33.0
Interest on RPM deferred consideration	11.5	8.3	—	—
Derivative fair value	—	—	(19.5)	(14.0)
Diluted profit/(loss) R (million)#		63.2		127.8
Basic headline earnings per share (cents/share)		25.0		56.4
Diluted headline earnings per share (cents/share)		25.0		56.4

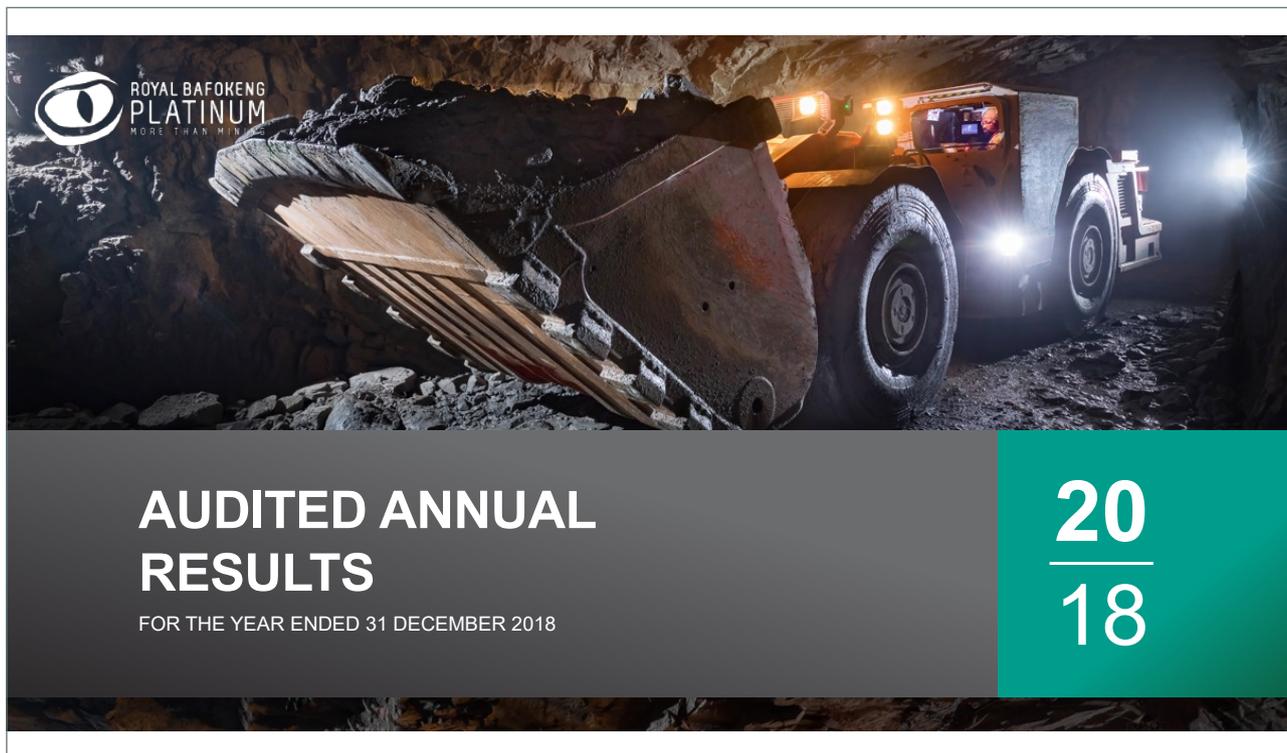
The effects of anti-dilutive potential ordinary shares are ignored in the calculation of diluted earnings/(loss) per share and diluted headline earnings per share.

20. SUBSEQUENT EVENTS

No subsequent event has been identified.

Audited results presentation





Notes:

DISCLAIMER

The information presented in this presentation is of a general nature and the forward-looking information, opinions and beliefs of the Company and its affiliates are based on various market related assumptions. Changes in market circumstances after the production of the information may impact on the accuracy thereof. No assurance can therefore be given as to the accuracy of any information after publication.

Before relying on the information, investors or potential investors should carefully evaluate the accuracy, completeness and relevance of the information and should preferably obtain professional relevant advice.

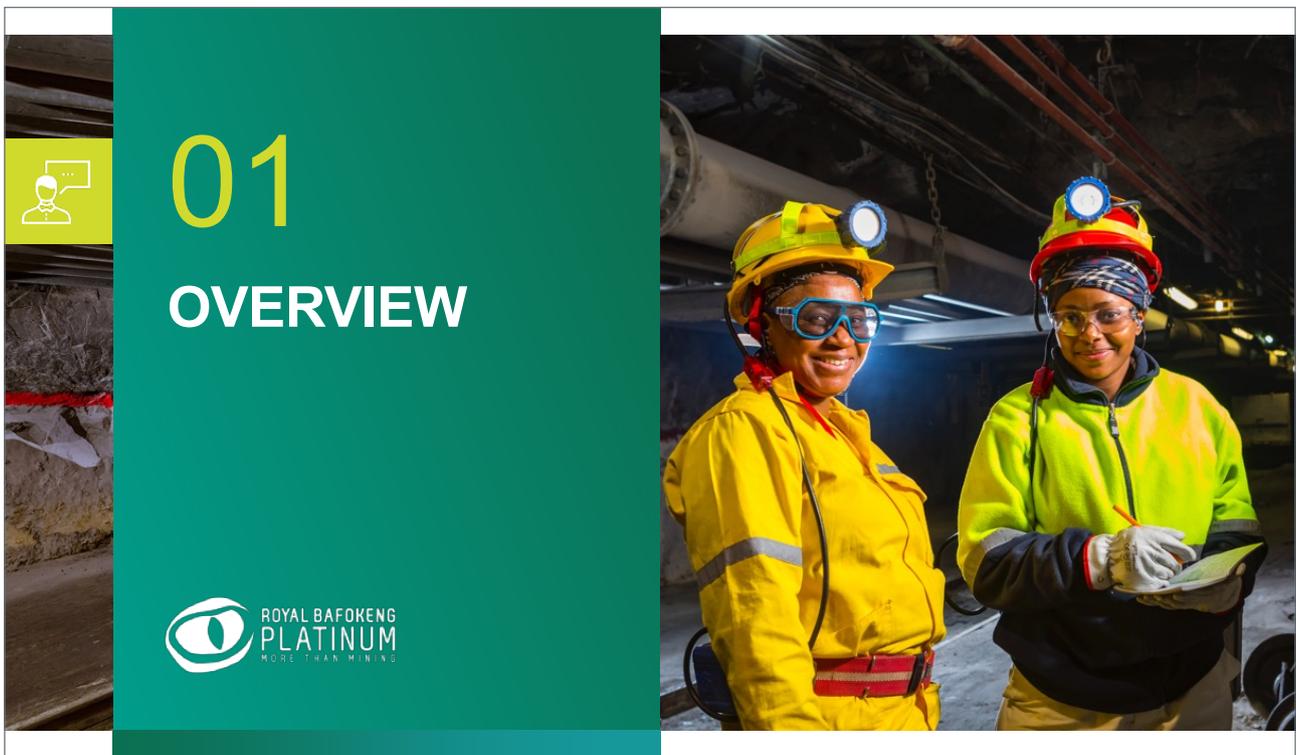
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Notes:



Notes:



Notes:

OUR PERFORMANCE



Safety

- > Regrettably two fatalities
- > **28.4%** increase in SIFR
- > **11.9%** improvement in LTIFR
- > Principle of zero harm remains



Financial

- > **25.8%** increase in normalised headline earnings
- > Cash position of **R883.5** million
- > Net debt position of **R832.4** million
- > Enlarged debt facilities of **R3** billion



Operations

- > **13.2%** increase in tonnes milled
- > **12.2%** increase in 4E ounces
- > **1.0%** reduction in cash operating costs
- > Capex of **R3 459** million
- > Cost per Pt ounce increase of **4.7%** year-on-year in line with guidance and below mining inflation



Social

- > **R63.2** million spent on SLP
- > **R3.2** billion procurement spend from HDSAs
- > Over **1 000** families are now living in our housing estate
- > Regular, constructive community engagement
- > Persistent focus on labour relations to ensure stability

Audited Annual Results for the year ended 31 December 2018 5

Notes:

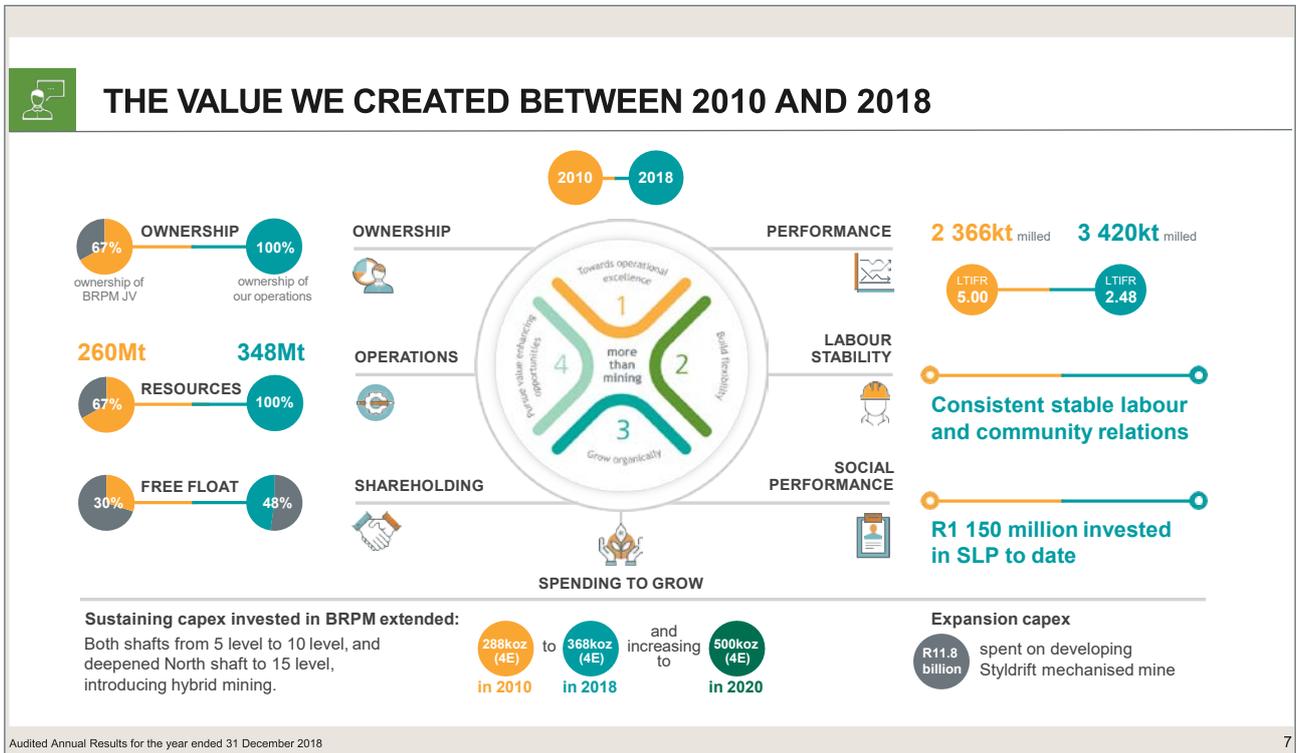
DELIVERING ON OUR STRATEGIC OBJECTIVES

- 01**
 - ✗ Achieve zero harm
 - ✓ Labour stability
 - ✓ Optimise volumes
 - ✓ Manage costs
- 02**
 - ✓ Maintaining our IMS panel ratio
 - ✓ Created flexibility in our processing through the Maseve acquisition
 - ✓ UG2 and chrome studies progressing
 - ✓ Resume UG2 mining at South shaft
- 03**
 - ✓ Styldrift achieved 150ktpm milestone
 - ✓ Continue to develop and construct 230ktpm footprint
- 04**
 - ✓ Acquisition of Amplats' 33% interest in BRPM JV
 - ✓ Successful accelerated book build in respect of Amplats transaction initial payment
 - ✓ Financial closure of Maseve acquisition
 - ✓ Implats royalties continue to generate income



Audited Annual Results for the year ended 31 December 2018 6

Notes:



Notes:



Notes:



STRONG PALLADIUM AND RHODIUM PRICES

Platinum weakness offset by palladium and rhodium

- > Platinum price in dollar terms fell by 15%
- > Weakness driven by Western Europe car market
- > Deficit in palladium market led price to rise by 20% in dollar terms
- > Rhodium prices increased by 43% in dollar terms
- > 9.7% increase in our basket price to R21 006/Pt oz
- > Strong pricing outlook for palladium and rhodium

Indexed price (2 January 2018=100)



Source: SFA (Oxford)

Notes:

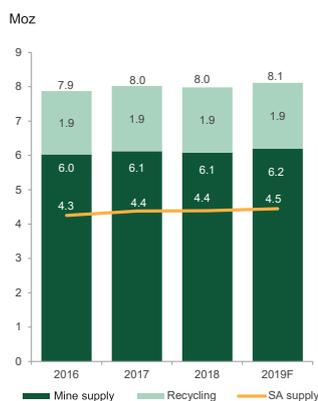


PLATINUM MARKET COULD REMAIN UNDER PRESSURE

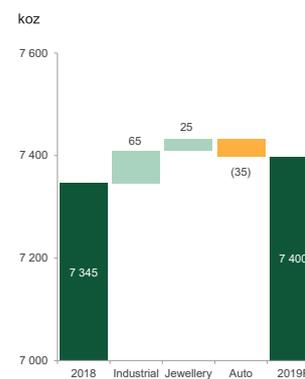
Another challenging year is expected for platinum in 2019

- > Total platinum supply (incl. recycling) forecast to increase by 1.7% to 8.1Moz
- > Global platinum production from mines expected to recover slightly to 6.2Moz
- > Autocatalyst demand to fall by 1.1%
- > Short-term demand remains pressured. Medium-term outlook stable with tighter emissions control and heavy duty diesel demand
- > Jewellery demand predicted to stabilise in 2019, but with further downside risks in China
- > Industrial demand to continue recovering
- > Substitution of palladium with platinum in gasoline autocats expected in the medium term

Global platinum supply forecast



Global platinum demand forecast



Source: SFA (Oxford)
Note: Excludes investment demand

Notes:

PALLADIUM STRUCTURAL DEFICIT TO CONTINUE

On-going tightness is expected in the palladium market in 2019

- > Total palladium supply estimated to increase 3.0% to 9.9Moz
- > Global production from mines forecast to increase by 3.0% to 7.3Moz
- > Autocatalyst demand expected to increase by 1.5%
- > Jewellery and industrial demand continues to fall in 2019
- > Continued robust pricing environment

Global palladium supply forecast

Year	Mine supply	Recycling	SA supply	Total
2016	6.8	2.2	2.4	9.0
2017	7.1	2.3	2.5	9.4
2018	7.0	2.6	2.5	9.6
2019F	7.3	2.6	2.5	9.9

Global palladium demand forecast

Year	Auto	Jewellery	Industrial	Total
2018	10,410	-	-	10,410
2019F	10,410	(5)	(65)	10,465

Source: SFA (Oxford)
Note: Excludes investment demand

Audited Annual Results for the year ended 31 December 2018
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Notes:

03

OPERATIONAL REVIEW

Notes:

ONGOING PURSUIT OF OPERATIONAL EXCELLENCE AND ORGANIC GROWTH

Achieving safe production remains key to **operational excellence**

Leading employee **health and wellness** programmes and initiatives

Organic growth underpinned by increased production from **Styldrift** and additional **concentrator** capacity

BRPM Mine Styldrift Mine

RBPlat Concentrators

Operational flexibility through ongoing **asset** optimisation and appropriate **technology**

Prudent cost management to mitigate inflation and maintain **competitive cost curve** position

Responsible **environmental** and **social** stewardship

Audited Annual Results for the year ended 31 December 2018 13

Notes:

THE KEY STEP TO ZERO HARM IS ZERO FATALITIES

Total recordable injury frequency rate

Year	TIFR (/1 000 000 hrs)	Number of fatalities
2016	7.229	1
2017	10.173	1
2018	9.267	2

Lost time injury frequency rate

Year	LTIFR (/1 000 000 hrs)
2016	1.902
2017	2.808
2018	2.475

Serious injury frequency rate

Year	SIFR (/1 000 000 hrs)
2016	1.078
2017	1.435
2018	1.843

KEY INITIATIVES

- > Increased focus on induction and orientation training
- > Improving compliance with fatal risk protocols
- > Continued introduction of systems and technology to achieve resilience
- > Focus on our care and growth model for leadership training

Audited Annual Results for the year ended 31 December 2018 14

Notes:



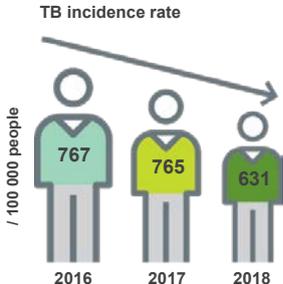
HEALTH AND WELLNESS – PROMOTING THE WELL BEING OF ALL



Health and wellness initiatives

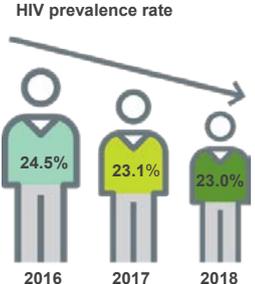
- > Rollout of personalised hearing protection
- > Our wellness programme equips our workforce and doorstep communities with information to manage and prevent communicable and non-communicable diseases:
 - Extensive TB treatment programme
 - HIV prevalence testing and anti-retroviral treatment programme

TB incidence rate



/ 100 000 people

HIV prevalence rate





55 083
TB screenings of employees and contractors

60 employees completed their TB treatment programmes

Audited Annual Results for the year ended 31 December 2018

15

Notes:



MANAGING OUR ENVIRONMENTAL FOOTPRINT



We have efficiency-based reduction targets for our steady state operations



BRPM and Styldrift retained ISO 14001 certification



B scores for climate change and water submissions to the CDP



We subscribe to SDG 13: Taking action to combat climate change



Investigating development of renewable energy sources



8.9% improvement in potable water consumption efficiency



9.8% reduction in carbon intensity per employee





Audited Annual Results for the year ended 31 December 2018

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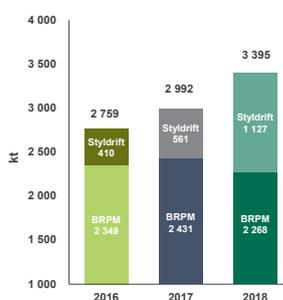
Notes:



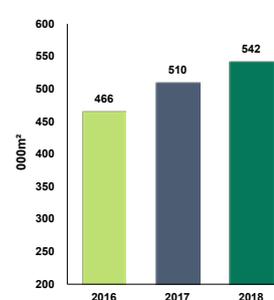
VOLUME INCREASE DRIVEN BY ORGANIC GROWTH

Description	Unit	2017	2018	% Var
Total development	km	36.1	35.0	(3.0)
Total stoping square metres	000m ²	510	542	6.3
BRPM	000m ²	469	420	(10.4)
Styldrift	000m ²	41	123	200.0
IMS panel ratio (BRPM)	ratio	1.68	1.92	14.3
Total tonnes delivered	kt	2 992	3 395	13.5
BRPM	kt	2 431	2 268	(6.7)
Styldrift	kt	561	1 127	100.9
Merensky	kt	2 437	2 969	21.8
UG2	kt	555	426	(23.2)
Built-up head grade (4E)	g/t	3.94	3.96	0.5
BRPM	g/t	4.16	4.21	1.2
Styldrift	g/t	2.99	3.45	15.4

Total tonnes delivered



Total stoping square metres



13.5% improvement
in delivered tonnes

6.3% improvement
in total stoping square metres

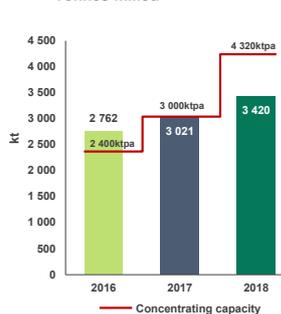
Notes:



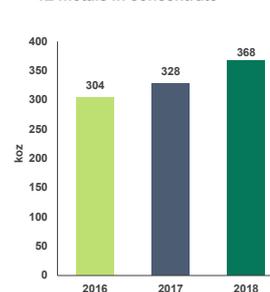
INCREASED CONCENTRATOR CAPACITY SUPPORTS MINING GROWTH

Description	Unit	2017	2018	% Var
Total tonnes milled	kt	3 021	3 420	13.2
BRPM	kt	2 449	2 299	(6.1)
Styldrift	kt	572	1 121	96.0
Merensky	kt	2 464	2 997	21.6
UG2	kt	557	423	(24.1)
UG% milled	%	18	12	33.3
BRPM concentrator tonnes milled	kt	2 701	2 847	5.4
Merensky	kt	2 464	2 657	7.8
UG2	kt	237	190	(19.8)
UG% milled	%	9	7	22.2
Maseve concentrator tonnes milled	kt	-	389	100
Merensky	kt	-	341	100
UG2	kt	-	48	100
UG% milled	%	-	12	100
Tonnes milled – UG2 Toll	kt	320	184	(42.5)
Recovery – 4E (total concentrating)	%	85.71	84.43	(1.5)
Recovery – 4E BRPM concentrator	%	86.28	85.18	(1.3)
4E in concentrate	koz	328	368	12.2
Pt in concentrate	koz	212	239	12.7

Tonnes milled



4E metals in concentrate

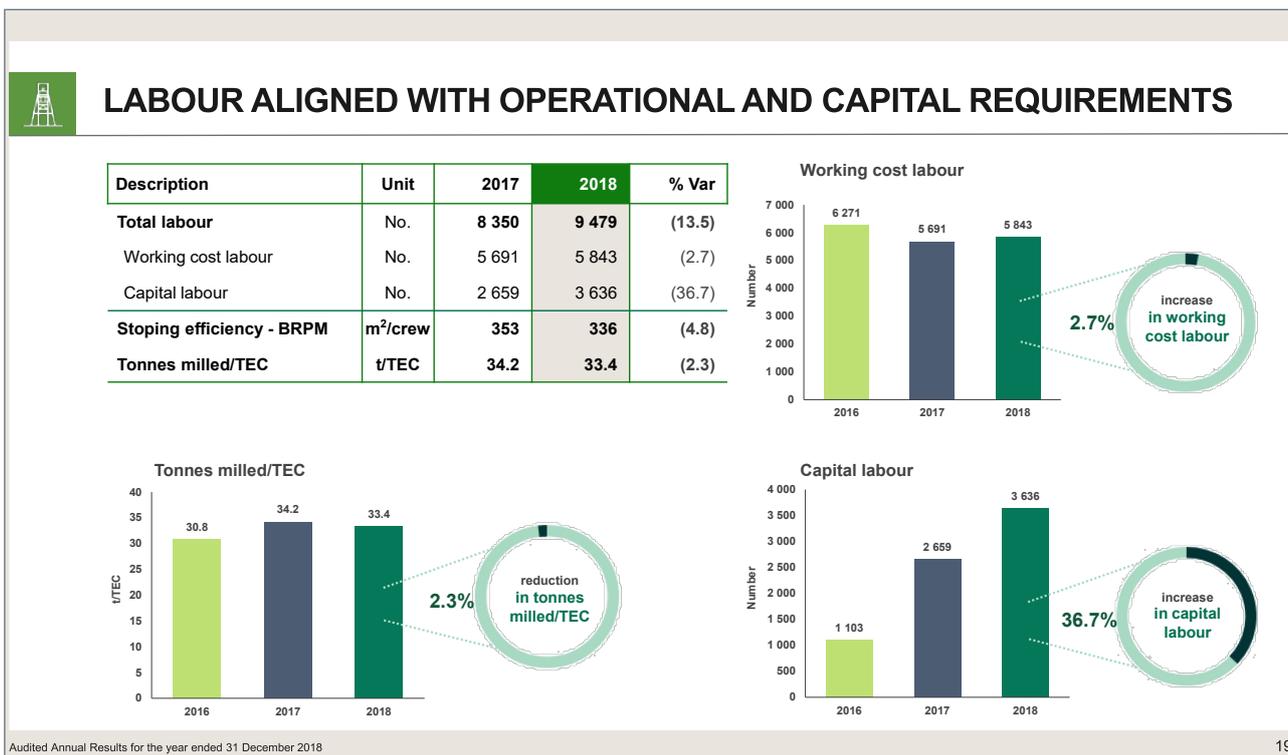


- > **13.2% increase** in tonnes milled
- > **80% increase** in available concentrating capacity from 2016

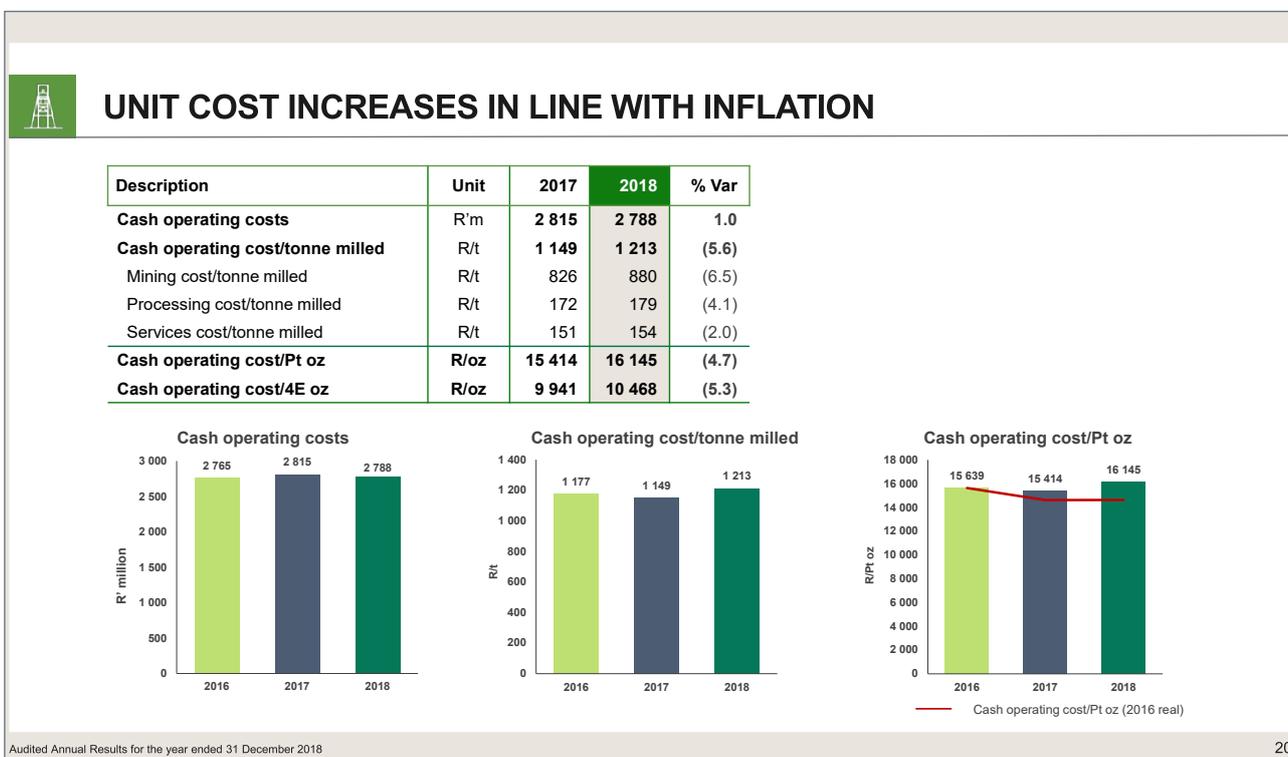
- > **12.2% increase** in 4E metals in concentrate
- > **12.7% increase** in Pt metal in concentrate

Maseve concentrator commissioned in August 2018

Notes:



Notes:



Notes:



CAPITAL EXPENDITURE PEAKS WITH STYLDRIFT DELIVERY

Description	Unit	2017	2018	% Var
Stay-in-business capital (SIB)	R'm	118	196	66.1
SIB % of BRPM operating cost	%	3.8	3.4	(9.4)
Replacement capital	R'm	34	50	47.1
Phase III	%	33	50	51.5
BRPM UG2	R'm	1	0	100.0
Expansion capital	R'm	2 008	3 213	60.0
Styldrift	R'm	2 005	3 213	60.2
Styldrift exploration drilling	R'm	3	-	(100.0)
Total capital expenditure	R'm	2 160	3 459	60.1%

R196 million for 2018
> 3.4% of BRPM operating cost



Stay-in-business capital

R50 million for 2018
> Phase III expenditure of R50 million

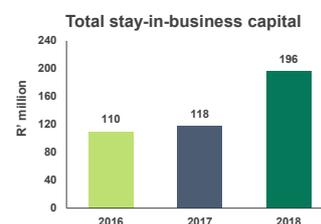
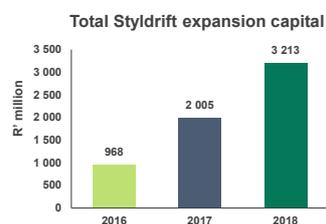
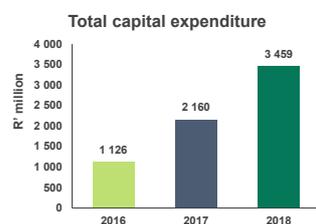


Replacement capital

R3 213 million – 60.0% increase
> Styldrift expenditure of R3 213 million – in line with 150ktpm project
> Accruing additional capitalised operating costs of R1 012 million



Expansion capital

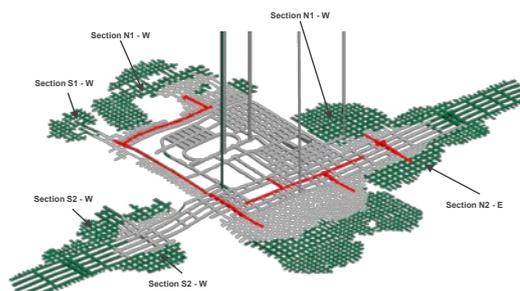


Notes:



STYLDRIFT PROJECT PROGRESS – Q4 2018 MILESTONE REACHED

Description	Unit	2017	2018	% Var
Capital expenditure				
Annual	R'bn	2.01	3.21	59.7
Project-to-date	R'bn	8.46	11.8	39.5
Project progress				
Development	m	6 834	7 011	2.6
Project-to-date development	m	17 800	24 811	39.4
ROM tonnes delivered	kt	561	1 127	100.9
Project-to-date ROM tonnes delivered	kt	1 055	2 182	106.8
Revenue generation				
Annual	R'm	572	1 420	148.3
Project-to-date	R'm	990	2 410	113.1

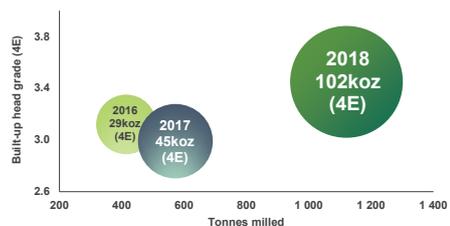


Key infrastructure commissioned during 2018

- > Main Eskom power supply
- > Overland belt
- > Ventilation shaft No. 3
- > 18 Trackless workshops
- > Silo No. 4

Key infrastructure in progress:

- > Settler No.1 and main pump station
- > Silo No. 3
- > Decline development related to establishing production sections
- > Ventilation shaft No.2
- > Underground fuel and lubrication infrastructure



Notes:

STYLDRIFT TRANSITION TO 230KTPM



Surface infrastructure

- > Main shaft
- > Services shaft
- > Surface silos and associated ore handling infrastructure
- > 6.8km overland conveyor belt to BRPM
- > Surface buildings
- > Surface water handling
- > Main Eskom power supply

Operational



Key LOM infrastructure

- > Silo 1, 2 and 4
- > Ventilation shafts 1 & 3
- > 18 Trackless workshops and ancillary bays
- > Underground stores and logistics
- > Electrical supply
- > Water handling

Operational



Production infrastructure

- > Primary and secondary fleet for 150ktpm footprint
- > Six strike belt conveyor sections
- > 642 level North and South ore handling infrastructure
- > On-reef dip belts, dump trucks and ore passes to decouple ore handling

Operational

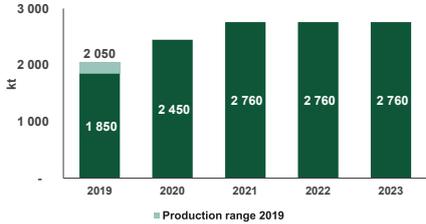
2009 ← → **2018**

2019 ← → **Q3 2020**

Key infrastructure required for 230ktpm

- > 642 level infrastructure to complement 230ktpm footprint
- > Production sections 4 North, 5 North and 4 South
- > Primary and secondary fleet
- > Silo 3
- > Ventilation shaft 2
- > Settler 1 and main pump station
- > Settler 2

Styl drift production



Year	Production (kt)
2019	1 850
2020	2 450
2021	2 760
2022	2 760
2023	2 760

Notes:

STRATEGIC FLEXIBILITY TO UNLOCK VALUE

Maseve concentrator upgrade

- > Full co-processing capability
- > Volume 160ktpm – 200ktpm
- > Recovery benefit



Chrome recovery

- > Maseve concentrator
- > Value add to UG2





UG2 optionalty

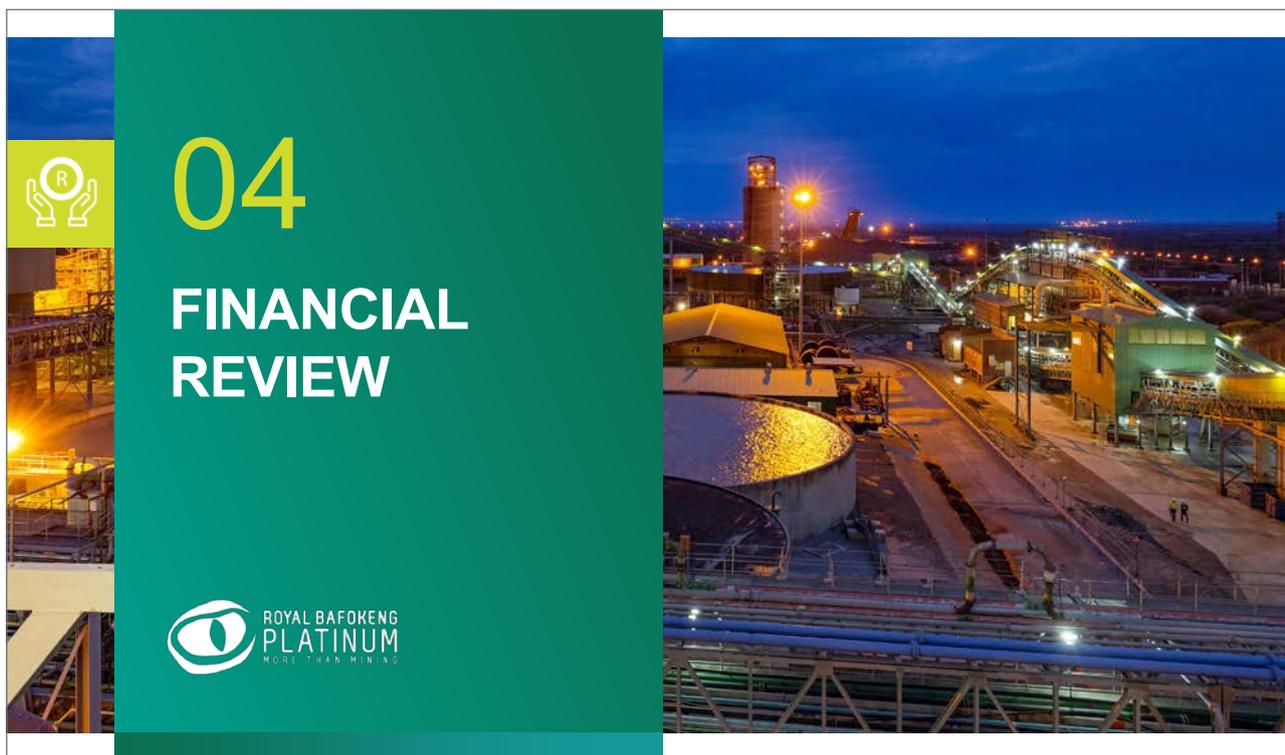
- > Improved UG2 revenue basket price
- > Re-introduce South shaft UG2
- > Increased UG2 volumes linked to processing capacity



Operational focus areas

- > IMS
- > Cost management
- > Capex and project controls
- > Adopt appropriate value adding technology
- > Styl drift ramp up

Notes:



Notes:

 PROFITABILITY MAINTAINED DESPITE COST PRESSURES				
Description	Unit	2018	2017	YoY % change
Average basket price	R/Pt oz	21 006	19 156	9.7
Average R:US\$ exchange rate	R:US\$	13.82	13.29	4.0
Revenue	R'm	3 627.1	3 498.5	3.7
Cost of sales	R'm	(3 317.2)	(3 186.5)	(4.1)
Gross profit	R'm	309.9	312.0	(0.7)
Administration expenses and other income	R'm	(160.0)	(56.7)	(182.2)
Restructuring costs	R'm	-	(49.0)	100.0
Gain on bargain purchase	R'm	118.3	-	100.0
Impairment and scrapping of assets	R'm	(26.3)	(864.3)	97.0
Net finance income	R'm	74.1	85.1	(12.9)
Profit/(loss) before tax	R'm	316.0	(572.9)	155.2
EBITDA	R'm	504.1	572.2	(11.9)
EBITDA margin	%	13.9	16.4	(15.2)
Gross profit margin	%	8.5	8.9	(4.5)

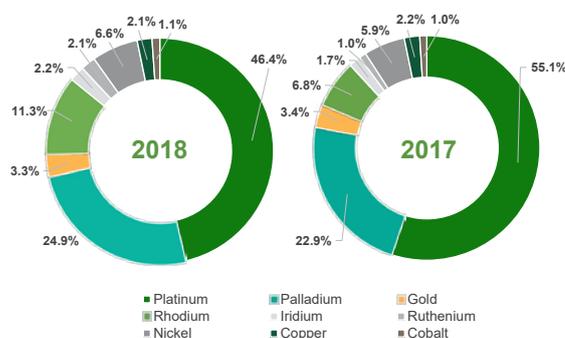
Notes:



IMPROVEMENT IN US\$ METAL PRICES EXCEPT PLATINUM

Description	Unit	2018		2017	
		Volume*	USD	Volume*	USD
Platinum	oz	172 648	833/oz	182 638	934/oz
Palladium	oz	70 620	1 095/oz	75 593	939/oz
Gold	oz	8 231	1 252/oz	8 220	1 273/oz
Rhodium	oz	14 658	2 395/oz	16 750	1 264/oz
Iridium	oz	4 823	1 406/oz	5 610	950/oz
Ruthenium	oz	25 404	258/oz	28 513	109/oz
Nickel	tonne	1 651	5.63/lb	1 687	4.88/lb
Copper	tonne	1 074	2.79/lb	1 070	2.86/lb

Revenue contribution



The table above illustrates the average prices received by RBPlat in terms of the disposal of concentrate agreement (excluding the pipeline revaluation) grossed up to 100%.
* Excludes Styldrift

Notes:



MARGINAL INCREASE IN COST OF SALES

Description	2018 R million	2018 % of total	YoY % change	2017 R million	2017 % of total
Labour	1 095.0	37.3	(1.6)	1 077.5	38.2
Utilities	303.5	10.3	(14.6)	264.9	9.3
Contractor costs	831.1	28.3	(5.0)	791.8	28.0
Materials and other mining costs	558.2	19.0	18.0	681.0	24.1
Total cash costs excl. once-off costs	2 787.8	94.9	10.0	2 815.2	99.6
Movements in inventories	15.1	0.5	(173.7)	(20.5)	(0.7)
Elimination of intergroup charge	(46.4)	(1.6)	(3.1)	(45.0)	(1.6)
Social and labour plan expense	51.9	1.8	(46.6)	35.4	1.3
Plant readiness	29.3	1.0	(100.0)	-	-
Other costs	99.4	3.4	(147.9)	40.1	1.4
Cost of sales (excl. depreciation and amortisation)	2 937.1	100.0	(4.0)	2 825.2	100.0

Notes:



CONTINUED GROWTH IN EARNINGS GENERATION ON LIKE-FOR-LIKE BASIS

Description	Unit	Group Year ended 31 December		
		2018	2017	YoY % change
Headline earnings	R'm	49.8	108.8	(54.2)
Weighted average shares outstanding	# million	199.2	192.7	3.4
Headline earnings per share	R/share	0.25	0.56	(55.7)
Restructuring costs	R/share	-	0.17	100.0
Housing receivable and PIC fair value adjustment	R/share	0.04	-	100.0
Maseve care and maintenance and plant readiness costs	R/share	0.54	-	100.0
Maseve acquisition costs	R/share	0.23	-	100.0
Tax impact of the above	R/share	(0.22)	(0.04)	450.0
"Normalised" headline earnings per share	R/share	0.84	0.69	21.7

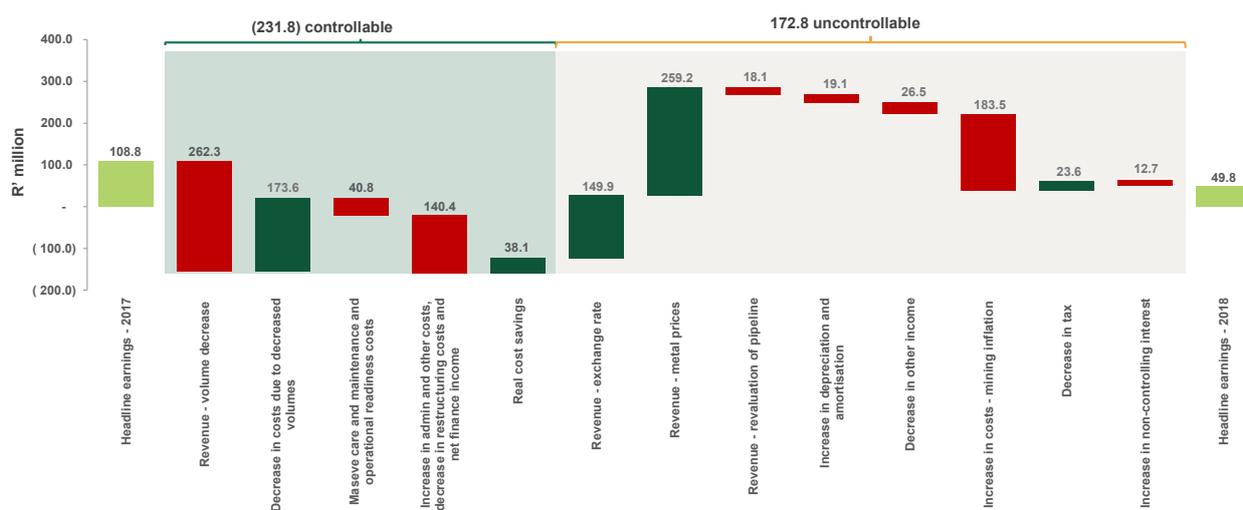
Audited Annual Results for the year ended 31 December 2018

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Notes:



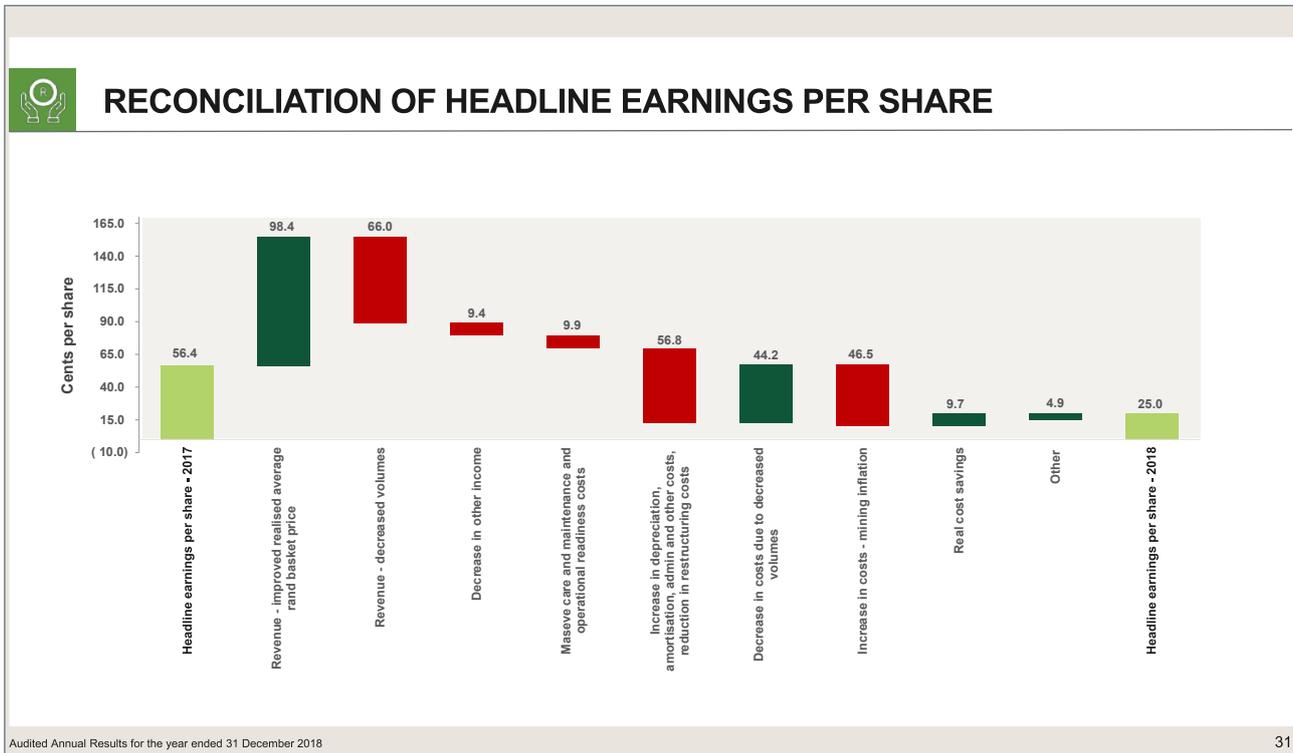
CONTINUED DELIVERY OF REAL COST SAVINGS TO ENHANCE THE BUSINESS



Audited Annual Results for the year ended 31 December 2018

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Notes:



Notes:

STRONG CASH GENERATION AND CONTINUED INVESTMENT IN STYLDRIFT GROWTH

Description	Unit	2018	2017	YoY % change
Cash generated by operating activities	R'm	665.9	618.4	7.7
Cash utilised in investing activities*	R'm	(3 600.5)	(2 231.0)	61.4
- Capital expenditure***	R'm	(3 510.9)	(2 138.3)	64.2
- Styl drift on-reef revenue receipts	R'm	973.4	451.1	115.8
- Maseve acquisition	R'm	(658.0)	(41.4)	14.9
Cash utilised in financing activities*	R'm	2 485.0	2 110.2	17.8
- Net proceeds from interest-bearing borrowings	R'm	2 015.0	-	100.0
- Net proceeds from the convertible bond issued	R'm	-	1 171.0	(100.0)
- Initial payment of non-controlling interest	R'm	(554.7)	-	(100.0)
Cash and cash equivalents	R'm	883.5	1 333.1	(33.7)
Net (debt)/cash**	R'm	(832.4)	1 333.1	(162.4)

Note: * Key items highlighted below and not a comprehensive list
 ** Net debt calculated as interest-bearing borrowings net of cash and cash equivalents
 ***BRPM JV capex: R3 459 million
 Less: Elimination of inter-group charges of (R45 million)
 Other Group capex R 97 million
 RBPlat Group capex: R3 511 million

Audited Annual Results for the year ended 31 December 2018 32

Notes:



IN SUMMARY



> Transformative year for Royal Bafokeng Platinum

- Styldrift achieving commercial production in fourth quarter 2018
- Acquisition of Maseve concentrator
- Acquisition of Amplats 33% share in the BRPM JV



> 7.7% improvement in cash generated by operating activities to **R665.9** million

> 37.3% of capital expenditure funded from cash generated by operating activities and Styldrift on-reef development revenue receipts



> Robust funding position

- Enlarged debt facilities with R1.14 billion in available funding*
- Cash and cash equivalents of R883.5 million



> Finance focus areas for 2019 and beyond

- Continued optimisation of head office and corporate functions
- Delivery of Styldrift to 230ktpm ramp-up
- UG2 and chrome opportunities

Note: * Excluding PIC housing facility

Audited Annual Results for the year ended 31 December 2018
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Notes:



05

OUTLOOK





Notes:

ADMINISTRATION

Shareholders' diary

Financial year-end:
31 December of each year

Interim period-end:
30 June of each year

Integrated report and annual financial statements

Mailed to shareholders
8 March 2019

Administration

Company registered office
Royal Bafokeng Platinum Limited
Registration number: 2008/015696/06
Share code: RBP
ISIN: ZAE000149936
Bond code: RBPCB
ISIN: ZAE000243853

The Pivot
No 1 Monte Casino Boulevard
Block C
4th Floor
Fourways
Johannesburg
2021
South Africa

PO Box 2283
Fourways
2055
South Africa

Company Secretary

Lester Jooste
Email: lester@bafokengplatinum.co.za
Telephone: +27 10 590 4519
Telefax: +27 086 572 8047

Investor relations

Lindiwe Montshiwagae
Email: lindiwe@bafokengplatinum.co.za
Telephone: +27 10 590 4510
Telefax: +27 086 219 5131

Public Officer

Reginald Haman
Email: Reginald@bafokengplatinum.co.za
Telephone: +27 10 590 4533
Telefax: +27 086 219 5131

Independent external auditors

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090
South Africa

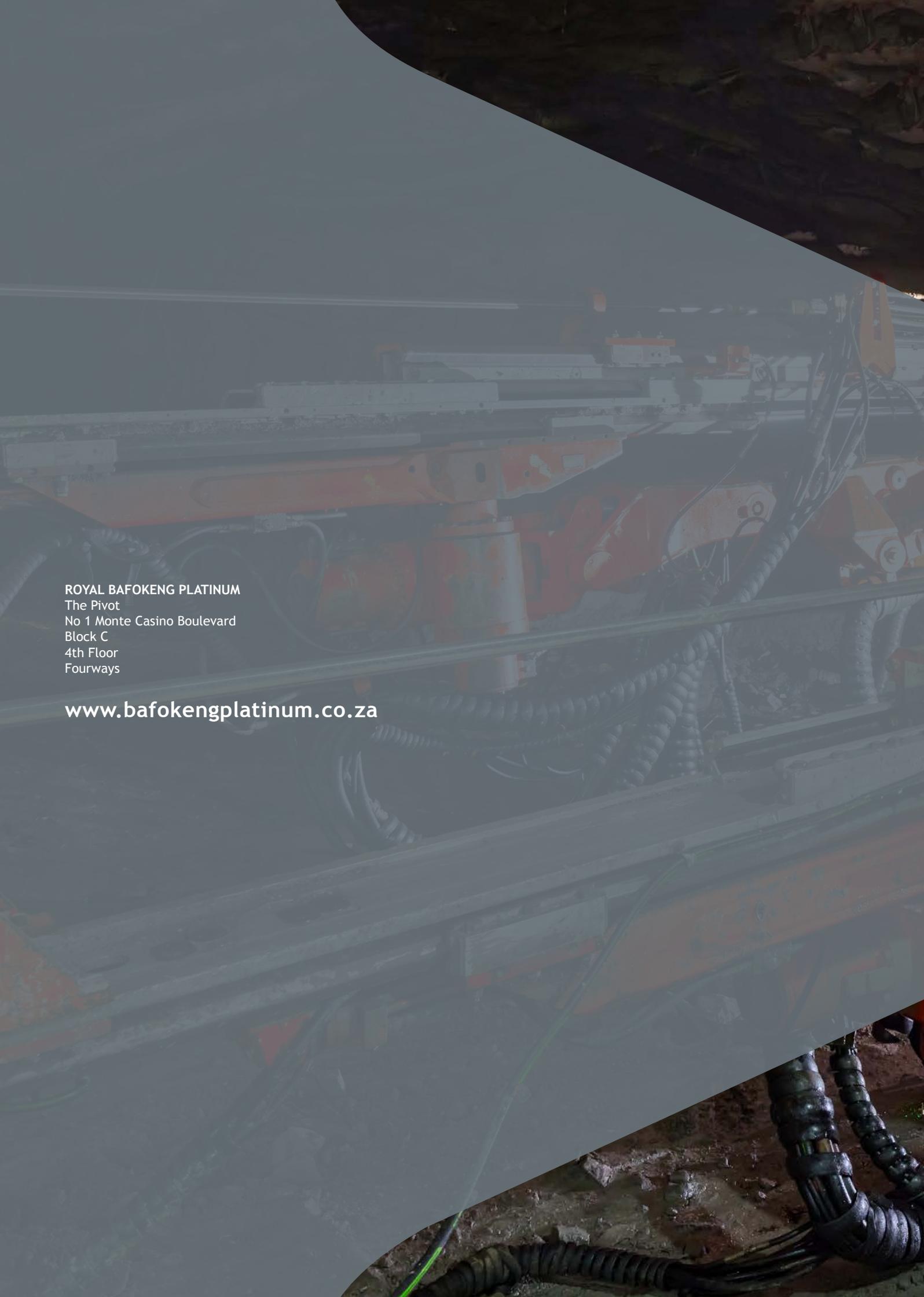
Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196

PO Box 61051
Marshalltown
2107
South Africa
Telephone: +27 11 370 5000
Telefax: + 27 11 688 5200

Sponsor

Merrill Lynch South Africa Proprietary Limited
1 Sandton Drive
Sandhurst
Johannesburg
2196
South Africa



ROYAL BAFOKENG PLATINUM
The Pivot
No 1 Monte Casino Boulevard
Block C
4th Floor
Fourways

www.bafokengplatinum.co.za