

NEWS RELEASE

For immediate release

IMPALA RUSTENBURG STRATEGIC REVIEW – ANNOUNCEMENT

KEY FEATURES

- Implats committed to a value-focused strategy
- Impala Rustenburg strategic review completed, and outcomes being implemented
- Optimisation efforts alone not able to secure economic viability in low-price environment
- Drastic restructuring required to transition the operation to a sustainable future position
- Restructuring will be implemented over a two-year period:
 - Moving from 11 to six operating shafts
 - Reducing future production from 750 000 platinum ounces per annum to 520 000
 - Reducing the all-in unit cost from R29 016 per platinum ounce estimated for FY2018, to less than R24 500 per ounce for FY2021 (in 2018 real terms)
 - Reducing the labour complement (employees plus contractors) from approximately 40 000 at the end of FY2018, to 27 000 over the two-year implementation period
- Financial resources in place to ensure that Implats remains fully funded
- In its new form, the operation will remain a key Group asset with two new shafts in ramp-up and the strategic processing asset supporting the profitable toll refining business
- Staged implementation over a two-year period mitigates implementation risks and socio-economic impacts
- Implats will execute the transition in a socially responsible manner and engage with all key stakeholders in an effort to preserve jobs as far as possible, including considering potential commercial transactions
- The Impala Rustenburg transition, as well as numerous initiatives throughout the Group, will position Implats exceptionally well for profitability and improved returns for all stakeholders

Johannesburg, 2 August 2018: The Board of Directors of Implats has approved the next phase of the implementation of Impala Rustenburg's strategic transformation. This follows the recent completion of a strategic review aimed at restoring the Impala Rustenburg operation to long-term sustainability and profitability.

The Implats Group is committed to a value-focused strategy across all operations to sustainably improve its competitive position, profitability and financial returns. This will result in the Group reducing its exposure to higher-cost, less flexible, labour-intensive operations to improve flexibility and capacity, as well as sustainably generate attractive returns in a changing market and operating environment. This strategic orientation has been informed by a significant decline in the US\$ platinum price and sustained high mining cost inflation. Cost pressure is particularly acute in older, deeper, labour-intensive conventional Platinum Group Metals (PGM) mines located on the Western Limb of the Bushveld Complex.

Over the past few years, Impala Rustenburg has initiated various measures to return the operation to profitability. While there have been many improvements, these optimisation measures alone have not been sufficient to secure the economic viability of the operation in the prevailing low platinum price environment.

The Impala Rustenburg strategic review considered a range of measures to optimise and reposition the business. Taking account of the current operating environment and macro-economic realities, the review found that a fundamental business restructuring was the only viable option to secure a long-term future for the operation.

In a phased approach, operations will therefore cease at Impala Rustenburg's end-of-life and uneconomic shafts, with future mining activity focused on profitable, lower-cost, high-value, and longer-life assets. The strategic transformation will be implemented over a two-year period and key components of the change programme include:

- Impala Rustenburg's mining 'footprint' reducing from 11 to six operating shafts as operations conclude at end-of-life and uneconomical shafts
- The Platinum Group Elements (PGE) mill grade is expected to increase through this transition phase from 4.09 g/t in FY2018 to 4.25 g/t in FY2021 and the Merensky:UG2 ratio will increase from 42% to 50%
- Impala Rustenburg's production is planned to reduce from the current 750 000 to 520 000 ounces platinum per annum, removing non-profitable platinum production from an over-supplied market
- The total labour complement (employees and contractors) will reduce from a team of around 42 000 in FY2017 to 27 000 people
- Real operating costs will reduce from R25 100 per platinum ounce in the 2017 financial year to less than R22 000 per ounce in the 2021 financial year (2018 terms)

- Real stay-in-business (SIB) capital expenditure to reduce from R2 800 per platinum ounce in FY2017 to less than R2 000 per platinum ounce (2018 terms) in FY2021, due to infrastructure efficiency improvements
- Replacement capital to reduce from R820 million per annum in the current 2018 financial year to R120 million in the 2021 financial year, and thereafter to zero in the 2023 financial year, which is in line with the completion of the 16 and 20 Shafts replacement projects
- There is a once-off restructuring cost of approximately R2.7 billion planned for this transition programme, which will be incurred during the 2019 and 2020 financial years
- The restructuring plan will be funded from internal facilities and the monetisation of some inventory stocks.

Implats CEO, Nico Muller, said: “The only option for conventional producers today is to fundamentally restructure loss-making operations to address cash-burn and create lower-cost, profitable businesses that are able to sustain operations and employment in a lower metal price environment.

While employee rationalisation is inevitable in a restructuring process of this nature, due care will be taken to ensure that job losses are minimised as far as possible through a range of job loss avoidance measures. This major transformation will be phased over a two year period to ensure that we are able to mitigate the various implementation risks and socio-economic impacts. Our Board and management team is committed to ensuring that this transition is implemented in a socially responsible manner and will explore commercial options to dispose of shafts that do not fit the long-term portfolio. Where job losses are unavoidable, Impala Rustenburg is committed to implementing the required changes in consultation with all its social partners.”

Negative cash flows recorded at the operation in recent years, and the capital investment to develop 16 and 20 Shafts, have been funded from cash flows from other Group operations as well as external sources, including an equity raise and convertible bond issue totalling more than R10 billion.

The Group’s cash position at the end of the 2018 financial year has been further eroded by ongoing losses and the impact of a once-off pipeline stock build-up this year. Implats has reviewed its existing financial resources to ensure that it remains fully funded throughout the implementation of the strategic review.

Additional liquidity and headroom have been addressed through three components:

- *Forward sale:* Liquidity has recently been reduced by a build-up of approximately R3.8 billion in excess pipeline stocks following the Number 5 furnace fire. To address this, excess pipeline stock from the 2020 financial year will be monetised early by means of a forward sale to release approximately R2.0 billion in cash in financial year 2019, without impacting on contractual deliveries to customers.

- *Revolving credit facilities:* Implats has revolving credit facilities (RCFs) totalling R4.0 billion, which are available until the 2021 financial year with its lender group. Implats has engaged with its lender group, who are supportive of the strategic review implementation plan, and discussions are underway to convert the existing bilateral facilities into a single R4.0 billion RCF to further enhance headroom and flexibility.
- *Group cash:* The Group is expected to have a positive cash balance in the current and next financial years, which is supported by cash flow from other Group operations. The cash position considers the payment of all debt obligations during this period, including the repayment of the Marula BEE debt. Remaining Group debt is either serviced by operational cash flow at subsidiary level or is long-dated beyond the strategic review implementation period.

The combination of the forward sale, R4.0 billion RCFs and Implats' existing cash-on-hand of approximately R2.2 billion will be sufficient to fund the implementation of the strategic review. Following the implementation of Impala Rustenburg's strategic transformation, all Group operations are anticipated to be profitable within the prevailing platinum price environment.

The Implats Group has made good progress on numerous strategic initiatives, notably:

- Delivering a much-improved safety performance during the second half of the 2018 financial year
- Effecting an operational and financial turnaround at Marula
- Converting the Special Mining Lease at Zimplats into two new mining leases, placing the assets in a stronger position to sustain and grow financial returns in future
- Securing the profitable third-party PGM toll treatment business and seeking new opportunities to grow the business by leveraging the Group's available processing capacity
- Acquiring a 15% interest, with an option to move to a control position, in the potential low-cost, mechanised, palladium-focused Waterberg project, which could provide additional geographic and commodity diversity for the Group
- Issuing new 2022 convertible bonds to maintain a strong liquidity position.

Muller concluded: "Our recent strategic change initiatives, together with the implementation of the Impala Rustenburg transformation, positions the Group's portfolio exceptionally well for future profitability, even at current metal prices. It will significantly improve the position of the Group to sustainably deliver improved returns to all stakeholders in the medium- to long-term."

ends

Queries:

Johan Theron

E-mail: johan.theron@implats.co.za

T: +27 (0) 11 731 9013/43

M: +27 (0) 82 809 0166

Alice Lourens

E-mail: alice.lourens@implats.co.za

T: +27 (0) 11 731 9033/43

M: +27 (0) 82 498 3608