

Presentation transcript

10 October 2016

Q4 & F2016 PRODUCTION REPORT

Operator

Good morning ladies and gentlemen and welcome to the Tharisa Minerals fourth quarter and financial 2016 production report. All participants will be in listen-only mode. There will be an opportunity for you to ask questions at the end of today's conference. If you should need assistance during the conference please signal an operator by pressing star and then zero. Please note that this conference is being recorded. I would now like to turn over to the Investor Relations Manager, Sherilee Lakmidas. Please go ahead, ma'am.

Sherilee Lakmidas

Morning everyone and thank you so much for joining our call. In the room with us today we have Phoevos Pouroulis, our CEO, Michael Jones, our CFO, Michelle Taylor, our COO, David Malunga, the Mine Manager at Tharisa Minerals, and Alston Smith, the Metallurgical Manager at Tharisa Minerals. Thank you. I am handing over to Phoevos Pouroulis now to take us through the highlights.

Phoevos Pouroulis

Good morning ladies and gentlemen and thank you for joining us for the production update and financial year end 2016 highlights. I think as can be evidenced by our SENS announcement this morning we had an exceptionally good Q4 production update with excellent record milling at 1.27 million tonnes, record PGM production at 39,100 ounces for the quarter and exceptional PGM recoveries at 80.6%. Really what this demonstrates is a momentum that we've created and the ability to produce over and above our target for the financial year 2016.

Moving on to the financial highlights for the year, I think most importantly safety is and will always remain a priority of ours. We have had a fatality-free year with the lost-time injury frequency rate of 0.36 per 200,000 man-hours worked. And this has been evidenced by an award that was given to us for best in safety performance at the Mine Safe 2016 Awards earlier this year. PGM production again for the year exceeds our guidance at 132,600 ounces, up 12.4% from the prior year. Chrome concentrate we met our guidance at 1.24 million tonnes, but ultimately up 10.8% on the prior year.

And as discussed prior to this call, we have a renewed focus and strategic initiative to increase our speciality chrome concentrate production, and we have achieved that by more than doubling our production year on year to 269,400 tonnes. And really that was our drive during depressed metallurgical grade prices to attract best prices, globally diversify distributed product as well as achieve a premium.

Again for the year we achieved a record run of mine at 4.837 million tonnes mined, and milling for the quarter at 1.267 million tonnes. We have seen at the end of the fourth quarter PGM prices were stable and in Rand terms, looking fairly decent. But I suppose the real stand-out over this quarter and going into the new year, are metallurgical chrome prices rebounding. And for the year prices were above \$165 per ton for the quarter and we're seeing November deliveries at above \$200 a ton. So very encouraging. And Michael will talk to the fundamentals as to why we're seeing those prices improving as we are at the moment.

I would like to hand over now to David Malunga who will talk us through the production update and in particular mining.

David Malunga

Thank you. Tharisa mining operations performed particularly well in quarter four of 2016 with 1.24 million tonnes of reef mined in the quarter. The focus however remains to improve the plant feed grade particularly for chrome. Reef mining met the required rates and to ensure access to the correct reef horizons the waste stripping has increased in line with the life of mine strip coverage ratio of 8.9. With throughput into the plant exceeding name plate capacity into the quarter the current run of mine stockpile is 165,000 tonnes of ore. Tharisa aims to maintain a 200,000 ton run of mine stockpile at its processing to ensure optimal feed grade consistency into the plant. For the year 2016 Tharisa mined 4.837 million tonnes of reef which is 15.6% higher than the reef mined in the full year 2015.

Phoevos Pouroulis

I will hand over to Alston now to talk us through processing.

Alston Smith

Good morning everyone. It was an exceptional quarter for Tharisa with tonnes milled reaching an all-time high of 1.267 million tonnes for the fourth quarter. Records were also achieved for the PGM production at 39,100 ounces and PGM recoveries of 80.6% which is well above the targeted recovery of 70%. Total chrome concentrate production was 332,200 tonnes, an 8.2% increase from quarter three. And the recovery rate was 63.5%. Of that production 82,100 tonnes was specialty-grade material which typically fetches a pricing premium for metallurgical grade product. The plant processing circuit was modified in the first half of FY2016 to facilitate an increase in the production of higher-value speciality-grade chrome products on the back of the depressed metallurgical grade concentrate prices.

While metallurgical grade chrome prices have more than doubled since, the diversification has enabled our production to be distributed to more globally diversified markets. A total of 4.656 million tonnes of reef was milled in FY2016 representing a 5.8% increase year on year. PGM production was 12.4% higher at 132,600 ounces at an average recovery rate of 69.9%. Chrome production at 1.244 million tons was up 10.8% despite marginally lower feed grams. Chrome recovery averaged 62.7% in FY2016. Optimisation initiatives planned should ensure that we reach our targeted 65% recovery for chrome concentrates.

Phoevos Pouroulis

Thank you. Could I ask Michael Jones to take us through the market update?

Michael Jones

Thank you and good morning. The average PGM basket price for the quarter was \$804 an ounce. In Rand terms this is R11,289. This is a \$59 improvement on the previous quarter's \$745 an ounce or in Rand terms R11,162 an ounce which was achieved in the previous quarter. The relatively flat Rand price takes into account the volatility of the Rand over that period. As Phoevos previously mentioned there has been recovery in the metallurgical grade chrome prices. These had risen approximately 50% over the quarter with the average contracted selling price of \$157 per ton and this is on a CIF to China basis for the quarter.

This is a marked improvement on the previous quarter's \$105 per ton. This is attributed to a number of factors. One of those is the rebuilding of the stockpiles by the Chinese ferrochrome producers. And this is driven by the strong steel demand growth in China which resulted in increased demand for South African ore. The contracts delivering in November 2016 continue to show a strengthening trend and are being concluded at selling prices

exceeding \$200 per ton for delivery in November. I would like to hand back to Phoevos to talk about the outlook.

Phoevos Pouroulis

Thank you Michael. As previously stated and as contained in our CPR we give production guidance for the financial year 2017 for PGM production of 147,400 ounces and 1.3 million tonnes of chrome concentrate of which 300,000 tonnes will be specialty-grade concentrate. We continually look at improvement in particular with run of mine feed grades into the plant both on a chrome content and a PGM content basis. And there is a number of stay in business optimisation initiatives that we have initiated during this year that should see both PGM and chrome concentrate recoveries improve. I think that ends the production update and I would like to hand over to the facilitator to handle the Q&A. Thank you.

Operator

Thank you very much. Ladies and gentlemen, at this time if you want to ask a question you're welcome to press star then one. That will place you in the question queue. If you however decide to withdraw the question you're welcome to press star then two to remove yourself from the question queue. The first question comes from Noluthando Zulu of Vunani Securities. Please go ahead.

Noluthando Zulu

Good morning everyone. Congratulations on your results. I see that your PGM recoveries are doing quite well there. For the future it looks like things are looking up for you guys. I would like to know, you spoke about the fact that your specialty chrome production has increased. Can you please give us some clarity as regards to the premium that you receive on that speciality chrome?

Phoevos Pouroulis

Yes. Thank you for the question and thanks for the message. Traditionally we have worked on a premium of approximately, on a blended basis of \$30 per ton. When metallurgical price was depressed in the first quarter of this year that margin spread considerably. So it is not a consistent premium and it has different market drivers. But I think on average we could look at a \$30 premium on a blended basis.

Noluthando Zulu

Thank you very much. Thank you.

Operator

The next question comes from Andrew Snowdowne of Investec.

Andrew Snowdowne

Hi. Thank you very much. I was wondering whether you could give us any indication on the level of sales versus production given in the first six months in March sales percentage of production for chrome was around 80% of the total. I was wondering, you have given us production numbers, if you could give us any indication of where the sales number is relative to that. And then the second question is if you could give us any guidance in terms of how logistics costs have progressed. We have been hearing about some issues with Transnet. Obviously that is more on the bulk products. If you could just talk to what you see in terms of freight rates, in terms of exports and also domestic logistics costs at this point in time. Thank you.

Phoevos Pouroulis

I think if I may answer that question if we start looking first of all at the percentage of sales and production I think in one of our previous quarters we mentioned that we held out on the market on the sales due to the low

commodity prices. We took a conscious strategic decision not to sell at those prices. Those tonnes have been substantially moved through the market. So we really just have our normal pipeline or work pipeline in process at the financial year end. So the stocks have returned to normalised levels from a sales perspective. That's on the chrome side. On the chemical grade all the production is sold in the same month that it is produced. So there is very little stock on that side. And on the platinum group metals, there again everything that is produced is sold in the month it is produced. So I think the stock levels have now normalised and it is just the normal pipeline that we have on hand. If you look at normal pipeline stock you're looking at about half a month worth of stock. That is the period it takes to get from the mine to be loaded onto the ship in port. So I think that answers that particular question.

If we then turn to the freight rates there will be a lot more detail around the freight rates going forward. I think we have seen an improvement in freight rates over the course of the financial year, an overall reduction. I think there are some signs of it moving upward. There are more increases going through at the moment. You did mention some issues with Transnet. Other than the normal rail occupation state of affairs we have not really had any issues with Transnet. And we continue to move the majority of our stock through to Richards Bay Dry Bulk Terminal as scheduled. I think that we have a good relationship with Transnet and continue to move the bulk of our goods. I think that answers your question. There were a number of aspects to it. Does that cover all of them?

Andrew Snowdowne

Yes it does. Thank you. Maybe just one final one. The guidance on normalised earnings for FY17 it is going to be you've now reached steady state. I think you have done well in terms of actually making the facilities deliver. I was wondering if you have got any sense at this point in terms of seasonality. Can we expect lower volumes through the December period and then a bit of a ramp-up in the January quarter? Just give us some sort of sense given that we've got little to base on for the seasonality that we can expect from you going forward.

Phoevos Pouroulis

I can answer that. Typically we haven't noticed material seasonality in our production and throughput. Obviously the December period you refer to as an industry absenteeism is an issue. But I think by virtue of the fact we are an open pit mechanised mine we haven't noticed as much impact as your deep level miners. We also have the buffer of the run of mine stockpiles ahead of the processing plant which gives us that flexibility if we were to see any reduction in productivity from the mining side, which is the more labour-intensive component of our business. So I think we have a natural mitigants against seasonality and the Q4 forecast is in line with the rest of the year's quarterly production.

Andrew Snowdowne

That's very helpful. Thank you.

Operator

Ladies and gentlemen, just a reminder, if you would like to ask a question you're welcome to press star then one. Ladies and gentlemen, we don't have any further questions on the lines.

Phoevos Pouroulis

Thank you all for attending this call. we are scheduled to release our financial results on 29th November at which stage we will arrange a results presentation and you will be given due notice of that. Thank you all for your attendance. Have a good day.

Operator

On behalf of Tharisa Minerals that concludes this morning's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT