

News release: 26 February 2014

IMPLATS DEFINES ITS STRATEGIC INTENT

Impala Platinum Holdings Limited (Implats) has announced results for the six months ended 31 December 2014 as well as key components of the Group's strategic review.

Implats' CEO, Terence Goodlace, *"Implats performance in the first six months of FY2015 was impacted by the ramp-up of the Rustenburg operations following industrial action across the platinum industry in early 2014 and safety stoppages at this operation. The suspension of operations at Zimplats' Bimha mine as a result of a major ground collapse, as well as depressed PGM prices and industrial action at Marula, also impacted performance. Encouragingly, pre-strike production rates have been restored at Impala Rustenburg and the operation delivered planned production for the six months."*

"Looking forward, we believe PGM market fundamentals are sound over the longer-term but, US\$ PGM prices are likely to remain 'lower for longer'. Within this context, we will position the Group to conserve cash while we restore and optimise operational performance and profitability. In doing this, Implats will maintain strategic optionality to safeguard the long-term value potential of our assets and plans to invest R30 billion across our operations over the next five years."

Key features

- Interim performance
 - Zero fatalities in the second quarter
 - LTIFR improved by 11% in the first half of FY2015
 - Operational performance and unit costs improving as Impala Rustenburg ramps-up
 - Full production rates achieved in November 2014

- Strategic review
 - Reposition and modernise Impala Rustenburg to deliver 850 000 platinum ounces per annum from 2019:
 - Deliver on new 16 and 20 shaft complexes
 - Optimise the mid-life shafts
 - Mine out and close all the mature shafts
 - Improve mining efficiencies and cost at all the operations
 - Slow the 17 Shaft project to preserve cash
 - Restore Zimplats to 260 000 platinum ounces per annum
 - Maintain steady-state production at Mimosa
 - Defer the Afplats project for four years
 - Optimise performance at Marula and also seek to realise value through a disposal of the asset
 - Build on the cash positive Impala Refining Services (IRS) business model to grow profits
 - Maintain and position the Group balance sheet

Interim results for the six months ended 31 December 2014

Safety review

Regrettably, five colleagues lost their lives on duty in August and September 2014 and the board and management team have extended sincere condolences to the families and friends of the deceased.

Following these tragic incidents, all affected shaft and production units at Impala Rustenburg were stopped in September 2014 for an extended period while full investigations were completed. In addition, all mining operations were suspended for a period of four days as management actively consulted all key stakeholders in a collaborative effort to improve safety at this operation. Impala Rustenburg has implemented a critical safe behaviours initiative and we are pleased to report an 11% improvement in the Lost Time Injury Frequency Rate over the period.

Financial review

Revenues at R15.9 billion were 3.6% lower than those achieved in the six months to December 2013, largely as a result of a reduction in sales volumes of platinum, palladium and nickel due to the lower Impala production. Group unit costs increased by 40.7% from R16 310 per platinum ounce to R22 952 per ounce due to group inflation of 10.4%, comprising mining inflation for the South African operations of 10.5% and Zimplats inflation of 10.3%. Headline earnings, which excludes the after-tax impact of R158 million for the partial asset write-down as a result of the Mutambara shear collapse at Bimha, decreased by R460 million or 53.5% to R400 million (or 66 cents per share).

Cash utilised on capital expenditure amounted to R2.1 billion (December 2013: R2.7 billion) mainly on 20, 16 and 17 Shafts at Impala Rustenburg. Cash (net of overdraft) decreased to R2.7 billion at December 2014. Net debt at 31 December 2014 amounted to R5.4 billion (June 2014: R3.5 billion). Given the continued cash conservation strategy, the board has resolved not to declare an interim dividend for the six months to 31 December 2014.

Operational review

Mine-to-market output decreased by 20.4% to 539 200 ounces of platinum from the previous comparable period, primarily due to lower production from Impala Rustenburg, Zimplats' Bimha Mine and Marula. Third party production decreased by 16.3% to 91 400 ounces due to one-off material treated in the previous comparable period. Gross refined platinum production decreased by 19.8% to 630 600 ounces.

Key elements of the strategic review

Market context

Implats expects long-term PGM prices to improve as metal inventories are eroded and longer term supportive market fundamentals start to dominate, but near-term US\$ PGM prices are likely to remain 'lower for longer'.

These fundamentals are underpinned by:

- The increase in PGM demand supported by on-going urbanisation and rising consumer spend in China and India, particularly regarding automobiles and jewellery; and
- Primary supply constraints in Southern Africa, principally as a result of policy uncertainty, power constraints, under investment in new/replacement projects and safety/labour work stoppages in South Africa.

The five key strategic outcomes include:

1. Maintaining prudent capital investment through the cycle
 - Long-term sustainable stakeholder value can only be achieved in the platinum industry with prudent capital investment through the cycle. A total of R30 billion will be spent across the Group over five years (2015 – 2019).
2. Maintaining strategic optionality and position the Group for the future
 - Re-position and modernise Impala Rustenburg into a more concentrated mining footprint/operation producing 850 000 ounces platinum per annum from 2019. This involves:
 - Completion and ramp-up of 16 and 20 Shaft complexes and further ore reserve development;
 - Consolidating the mature shafts (E/F, 4, 6, 7, 7A, 8 & 9 Shaft) under one overhead structure to optimise costs and improve synergies;
 - Mine out the mature shafts as fast as possible as these are amongst the lowest cost operations within the lease area due to their relatively shallower mining depth and low capital requirements;
 - Improve mining flexibility and efficiencies at the mid-life shafts (1, 10, 11, 12 & 14 Shaft) to optimise shaft capacities, underpinned by a targeted operational excellence programme;
 - The collective benefit of all these initiatives will be to enhance mining flexibility and efficiency, while improving volume throughput without an increase in labour; and
 - Slowing the 17 Shaft capital expenditure programme to conserve cash, prioritising the completion of the main shaft sinking programme with the optionality to review the Group financial position on an on-going basis.
 - Restore mining flexibility at Zimplats and grow output to 6 million tonnes per annum (260 000 platinum ounces per annum) by initiating opencast mining, re-deploying Bimha's mining crews at the other operations, while re-developing the mine.
 - Maintain the successful IRS business model and leverage spare capacity when opportunities arise.
3. Improving profitability through operational excellence and safe production. Key initiatives include:
 - A range of new health and safety initiatives, specifically aimed to achieve the Zero Harm target;
 - Introducing new technology to modernise our mining operations over time to improve safety performance, mining efficiencies and profitability, closely supported by the implementation of state-of-the-art-mine planning technology;
 - An in-house team mobilisation programme to equip each production team with the required knowledge, skill and motivational support to achieve safe production targets; and
 - A set of short cycle management controls under a new Fixco initiative to manage all critical mining parameters at an individual team level. This initiative aims to improve ore reserve flexibility, team efficiencies, quality of mining and contain overhead costs.
4. Conserving cash
 - The 'lower for longer' risk mitigation price assumptions necessitate a range of strategic responses, aiming to conserve cash in the near-term, without impacting the long-term value generation capacity. For 2016, the strategic target is to reduce the Group's planned capital spend by R2.2 billion to R4.5 billion.

5. Maintaining the social licence to operate
 - o The Group is cognisant of the shifting socio-political environment facing mining companies today and prioritised a range of strategic employee and community responses to build a shared vision and social compact.

-ends-

Queries:

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