Chief executive officer's review

In a year typified by macro-economic headwinds and several local challenges, I am pleased to report that Implats strengthened its organisational flexibility, advanced a suite of ambitious growth projects, bedded down an historic wage agreement for the benefit of our employees, contributed to the socio-economic improvement of our mine-host communities and shared significant value with our stakeholders.

Mimosa processing plant

Creating a better future through **sustaining industry-leading operational, business and financial performance through the commodity cycle**

Our continued strong performance is a testament to the Group's agile strategy and our resilient and innovative people.

Nico Muller
CEO

Implats delivered strong EBITDA, earnings and free cash flow in the year ended 30 June 2022, despite lower received rand PGM pricing and sales volumes. This was achieved while navigating the numerous operational challenges of FY2022, including escalating geopolitical conflict and fragmentation, rising inflation, higher input costs, constrained supply chains and labour market tightness at Impala Canada and the impacts of which were compounded by extended safety stoppages, intermittent power supply and periods of community unrest at South African operations.

The progress made on our strategic journey has resulted in a stronger Implats, able to withstand numerous headwinds. The Group ended the period debt free, with a robust balance sheet and well-positioned to explore a range of exciting strategic options to further enhance value delivery for all stakeholders and ensure long-term sustainability for Implats.

Safety

The safety of our employees and contractor workers is our foremost priority. Safe production is non-negotiable and the cornerstone of achieving Implats' commitment to zero harm. The period saw an industry-wide regression in safety performances, a disappointing trend which was mirrored at our own operations.

It is with deep regret that we experienced five fatal incidents which resulted in seven fatalities at our managed operations during the first nine months of the period. The board of directors and management team extend their sincere condolences to the families and friends of our colleagues. Following investigations in each case, we renewed our focus on visible leadership and mining discipline. Heightened safety measures, which were shared across the Group and industry, resulted in a fatality-free final quarter.

Encouragingly, the lost-time injury and all injury frequency rates improved 14% to 4.21, and 1% to 9.76 per million man hours worked following the introduction of more stringent oversight and other targeted safety interventions. By year end, 12 of the Group's 17 operations had achieved millionaire or multi-millionaire status in terms of fatality-free shifts.

The Group is focused on reclaiming the excellent safety performance we demonstrated in the prior year, which saw several historic records reached and earned Implats the MineSafe 2021 Best Safety Performance in the PGM Sector award.

LTIFR (pmmhw)
4.21
14% improvement
2021: 4.92

6E refined
3.09Moz
6% reduction
Challenging operational environment
2021: 3.27Moz

Free cash flow
R28.8bn
Healthy cash flows
2021: R38.3bn

Competitive asset portfolio, underpinned by financial discipline

Implats' purpose is to create a better future. To achieve this, our six strategic focus areas target our actions to create and share value with all our stakeholders over the long term, through the metals we produce, the way we do business and through delivering a superior performance. I am pleased to report that excellent progress was delivered on advancing our stated strategy.

Having a competitive asset portfolio is a strategic advantage we have sought to bolster though operational exposure to shallow, mechanisable, orebodies and developing integrated processing facilities.

We are committed to a five-year, R50 billion capital investment programme to increase beneficiation capacity and extend life-of mine development at several of our operations, and during the year we launched the proposed acquisition of Royal Bafokeng Platinum (RBPlat) to fundamentally transform our remaining exposure to high-cost, labour intensive mining at Impala Rustenburg.

Of this capital investment, R9 billion is earmarked to expand our South African and Zimbabwean smelting and refining facilities. An initial US$521 million will be invested to expand the existing Zimbabwean smelting capacity and construct an SO_2 abatement plant to mitigate air quality impacts. Zimplats has access to hydropower and has also secured a power generation licence for 185MW, with the first phase of a 35MW solar photovoltaic project underway. This will result in an industry-leading environmental footprint for the Zimbabwean smelting facilities. This expansion will accommodate an additional 600 000 6E PGM ounces per annum, which post-smelting will be transported to our South African processing facilities for further refining.

Zimplats' Bimha and Mupani projects are progressing well and remain on schedule to replace the Ngwarati, Rukodzi and Mupfuti mines, on depletion.

Implats will invest another R3.9 billion over five years into improving our South African processing facilities. The bulk of the projects have been approved, including around R500 million to expand treatment capacity by 10% in the medium term at the base metal refinery in Springs. Feasibility studies into further capacity expansions at the South African base and precious metals refineries are well advanced.

These developments will benefit the southern African region's production, reduce the environmental footprint of the Groups' beneficiation capacity and directly increase local beneficiation, positioning the region more competitively as a global mine-to-market PGM producer. In addition, around R8 billion will be invested across our managed and joint venture South African mining operations over the next few years to extend life-of-mine at producing mines, secure meaningful employment and entrench South Africa's status as a stable and sustainable global PGM producer, to support enduring benefits for all our stakeholders.

The R5.1 billion investment at our Marula operation will increase its life-of-mine by some 17 years and expand capacity by approximately 40 000 6E PGM ounces a year.

In partnership with African Rainbow Minerals, Implats has committed R5.7 billion to construct a new Merensky mine and plant at the Two Rivers operation to expand production. Implats has a 46% stake in Two Rivers, but 100% of the 180 000 ounces of 6E PGM project production will be treated through our smelting and refining facilities.

Together, these projects will increase local beneficiation by approximately 220 000 6E PGM ounces per annum from 2028 onwards. Added to several other life-of-mine extension projects at the Impala Rustenburg operation, we are confident we will sustain and grow total refined supply of 6E PGMs from our southern African assets over the next decade.

The Group also launched the proposed acquisition of RBPlat during the year, with an attractive offer of R90.00 in cash and 0.3 Implats shares per RBPlat share.

At year end the Group held 37.83% in RBPlat and the transaction was still subject to regulatory approval. We believe the proposed transaction is highly compelling – creating sustainable socio-economic benefits for the Rustenburg region and its communities, securing employment, unlocking significant value from the neighbouring operations and contiguous orebodies of Impala Rustenburg and RBPlat, and securing a Western Limb production base to entrench the region's position as the most significant source of global primary PGM production.

The considerable organic and acquisitive growth ambitions outlined above, were made possible by a relentless focus in recent years on an **optimal capital structure**, resulting in our strong and debt-free financial position, and **operational excellence**, which facilitated an industry leading recovery from Covid-related production setbacks.

Our efforts to improve **organisational effectiveness** saw improved stakeholder engagement, and strengthened technical capacity. Successfully securing a historic five-year wage agreement at our Marula and Impala Rustenburg operations at year-end was a welcome development and a testament to our maturing relationships with organised labour and improved engagement processes. The agreement assures employees of increases to all major components of remuneration over the next five years, is in line with mining inflation, and considers inflationary pressures. Importantly, the agreement secures a long period of stability as we progress our growth projects.

Group performance

Implats navigated several operating challenges during the year. Extended safety stoppages, intermittent industrial action and power supply interruptions at Impala Rustenburg had a notable impact on production, while a provincial power outage, ongoing supply-chain and labour availability constraints hampered operational continuity at Impala Canada.

Marula delivered record production in the period and Zimplats sustained production levels despite a complex operating environment and increased project activity.

Tonnes milled and 6E in concentrate production from the Group's managed operations both decreased by 4% with lower reported volumes at Impala Rustenburg and Impala Canada offsetting improved throughput at Marula and Zimplats.

Production volumes at the JV Two Rivers operation were impacted by extended safety stoppages while the JV at Mimosa continued to grapple with a drop in process recoveries. 6E concentrate production from JV operations declined by 2%. Third-party 6E concentrate receipts were lower as the ramp-up of deliveries from new contracts was slower than expected as third-party customers faced a series of operational challenges. In aggregate, total 6E concentrate production of 3.17 million ounces was 4% lower than the previous period.

Group refined 6E production was impacted by the lower concentrate production, compounded by the extended maintenance required on the Number 3 furnace at Impala Rustenburg, and was 6% lower. Refined volumes in the comparative period benefited from increased availability of processing capacity due to the timing of annual processing maintenance.

Inflationary pressures from energy and consumables were compounded by the planned increase in headcount across the Group and the payment of the previously signalled discretionary employee bonus in recognition of the strong financial performance in FY2021. Total cash operating costs increased by 12%, with the impact of lower mined and refined volumes resulting in a 17% increase in unit costs to R17 364 per 6E ounce on a stock-adjusted basis.

Capital expenditure increased by 41% to R9.1 billion as investment accelerated across the mining and processing operations at Impala Rustenburg and several Group replacement and expansion projects were initiated during the period.

Please refer to our COO review on page 104 for a full review of our project pipeline and the individual performances of our operations.

Implats continued to deliver robust financial results and free cash flow despite lower rand PGM pricing, and ended the period with a strong and flexible balance sheet. Revenue of R118.3 billion decreased 9%, largely due to the decline in sales volumes and lower dollar metal prices. The cost of sales increased 1% to R77.0 billion primarily because of the lower volumes purchased from JVs and third parties and softer rand metal pricing, which were offset by mining inflation of 8.3%. The combination of lower revenue and higher cost of sales reduced gross profit by 23% to R41.3 billion from R53.5 billion in FY2021, and the Group recorded EBITDA of R53.4 billion at an EBITDA margin of 45%.

Mining personnel at Impala Rustenburg

Chief executive officer's review (continued)

Headline earnings of R32.0 billion or 3 853 cents per share were 12% and 17% lower, respectively. The Implats board approved the declaration of a final dividend of R8.9 billion or 1 050 cents per ordinary share, bringing the total dividend for FY2022 to R13.9 billion or 1 575 cents per ordinary share. Total dividends declared for the financial year amount to circa 48% of free cash flow, which is above the Group's minimum of 30% policy and reflects the robust cash generation during the period – after considering the Group's cash and liquidity obligations under the RBPlat mandatory offer. Please read the full account of our financial performance in the CFO review on page 88.

Market outlook

All three major PGM markets – platinum, palladium, and rhodium – recorded fundamental surpluses in 2021. The combination of accelerated destocking of producer inventories, coupled with the shortfall in expected auto demand due to the worsening semi-conductor chip shortage, resulted in a year characterised by extreme volatility with tight physical markets and price support in the first half of the year countered by increased primary and secondary refined supplies and erratic auto purchasing in the latter months.

2022 has seen several revisions to forecast global PGM demand and supply. The Group's primary supply outlook for 2022 has been downgraded due to the need for extensive processing maintenance at key South African processing facilities and further logistical challenges in North America. The pattern of Russian supply and growth is also clouded by uncertainty, given the geopolitical headwinds and the potential impact of restrictions on routes to market.

From a demand perspective, auto volumes have been downgraded by the lingering impact of supply-chain challenges, the lockdown in China in the first six months of the year and the deteriorating outlook for global growth, in Europe in particular. Industrial demand is expected to soften off the high base of 2021 and a weaker Chinese jewellery market will offset growth elsewhere.

Our supply and demand models reflect updated supply guidance provided with the release of peer group reporting and rolling auto demand revisions. We have lowered our estimates of recycling flows in the medium-term and adjusted for lower growth expectations on industrial demand. Our forecasts indicate tight rhodium and palladium markets and continued surpluses in the platinum market in 2022. Implats' base case remains for muted investor activity in 2022, given the macro-economic headwinds to platinum sentiment and previously accumulated ETF holdings.

In the medium term, supply is expected to drop sharply from the elevated base in 2021 and lag pre-Covid levels, before processing facility maintenance and debottlenecking facilitates a modest recovery in volumes. In 2022, rising interest rates, the rapid escalation in transport costs and weaker-than-expected new-vehicle sales outlooks are likely to dampen recycling volumes once again, delaying the expected growth in secondary supplies into 2023.

Implats benefits from a series of long-term customer relationships and its reputation as a consistent, sustainable and reputable producer of its key products. Conversations with our core customer base continue to reflect increased requests for metal on long-term supply contracts and support our view of robust medium-term demand for platinum, palladium and rhodium. Customer requests reflect growing industrial and automotive uses for platinum while discussions on long-term availability for iridium and ruthenium continue to rise in importance.

Focused on future generations

Our aspiration is to become an industry leader in ESG, producing metals that sustain livelihoods beyond mining and create a better future. The Groups' achievements in **sustainable development** were anchored by a sound environmental and social performance. We prioritise safe, responsible, competitive and consistent operational delivery, while applying industry-leading ESG practices. The period saw us receive several pleasing external rankings by leading global and regional agencies in recognition of our strong ESG management. Read about these in the Chairperson's review on page 12 of this report.

We continued to prioritise stakeholder engagement efforts against the backdrop of high youth unemployment in many of our mine-host communities, union contestation and industrial action among our South African contractor workforce, high expectations leading to acrimonious competition for procurement opportunities from local business groupings and, in Canada, an ongoing critical skills shortage.

During the year, R779 million was spent on sustainable development initiatives in local communities across the Group. In South Africa, R14 million was invested in developing local enterprises and R2.0 billion (or 16% of discretionary spend) was spent with local-tiered suppliers with >25% black ownership. We continued our proactive approach to Covid-19 prevention and treatment, which ensured lower mortality rates relative to those in the regions in which we operate. We have seen a shift from the pandemic phase of the outbreak to an endemic phase, where the virus is managed seasonally.

There were no new cases of noise induced hearing loss, and pulmonary TB and HIV levels were well controlled, with pulmonary TB cases among employees decreasing slightly to 109. At the South African operations, the annualised TB incidence rate of 222 per 100 000 employees remains well below the estimated national average of 615 per 100 000 citizens. The Group's estimated HIV prevalence rate remained level at 23%, with high adherence to HIV treatment at over 95%. Implats' aims to increase uptake of the antiretroviral treatment to eliminate Aids-related deaths among in-service employees by 2025.

The Group's environmental and decarbonisation strategies were implemented, targeting carbon neutrality by 2050. We will also publish our first supplementary report on climate-related risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).The installation of SO_2 abatement at Zimplats, together with several renewable energy projects, will contribute significantly to a progressive decline in carbon emissions over time.

We invested R1.3 billion in environment-related projects. Implats recorded no major (level 5) or significant (level 4) environmental incidents, achieved a 43% reduction in limited-impact (level 3) environmental incidents to four. Recycled and reused water consumption of 53% exceeding the 48% target, and the Group water policy was finalised. Our total carbon emissions and our energy intensity both decreased by 8%, while 62% of non-mineral waste generated was recycled against a target of 60%. I invite you to read more about our sustainable development strategy, initiatives and progress in our accompanying ESG Report.

Implats' future focused strategy seeks to sustain and grow value by supporting present and future PGM demand, aligning our production to evolving demand, and creating and sustaining strong customer relationships. Along with our investment in AP Ventures, which supports market development for evolving end-uses for PGMs — such as hydrogen technologies, fuel cells and other energy storage — we promote research and development and play a leading role in the industry bodies supporting the PGM investment and jewellery markets.

Outlook and appreciation

We face an immediate future which the International Monetary Fund characterises as gloomy and more uncertain from the macro-economic perspective. This will intensify the socio-economic pressures we face on the ground in our operating jurisdictions. I am, however, encouraged by the progress we have made over the past few years in strengthening the Group, and am confident Implats has a long-term, sustainable future to look forward to. The operational focus in the near-term will be on advancing our exciting organic and acquisitive growth projects across our mine-to-market operations, improving operational stability at Impala Canada, and leveraging enhanced mining flexibility at Impala Rustenburg to deliver further growth.

Implats' current strong positioning is a credit to every employee in the Implats Group and the result of commitment, discipline, a singular focus and clear management. Together, we have created a robust Company, which is at the forefront of integrated PGM production, and is resilient for the long-term. I thank the Implats board for its guidance during the year, and our management team for your leadership. I look forward to building an even stronger Implats in the year ahead.

Nico Muller
Chief executive officer