

# Quarterly review and production report for the period 1 July to 30 September 2012

23 October 2012

## Third quarter safety, production and financial highlights:

- 1 million fatality-free shifts
- Tonnes milled in line with Q2 at 621 353 tonnes
- Production hampered by labour unrest - 43 262 tonnes not broken
- Transport sector unrest prevented delivery of 560 tonnes of concentrate
- Section 54 safety stoppages significantly lower
- Expansion and replacement projects on track and within budget

Description	Unit	Q3 2012	Q3 2011	Q2 2012	% Change	
					Q3 2012 vs. Q3 2011	Q3 2012 vs. Q2 2012
<b>Safety</b>						
SIFR (/200,000 hrs)	rate	0.44	0.38	0.21	-16%	-110%
LTIFR (/200,000 hrs)	rate	0.61	0.61	0.67	0%	8%
<b>Production</b>						
Tonnes delivered to concentrators	kt	654	621	658	5%	-1%
<b>Total tonnes milled</b>						
Total tonnes milled	kt	621	624	626	0%	-1%
% UG2 of total tonnes milled	%	18.8%	10.4%	15.3%	-82%	-23%
<b>4E built-up head grade</b>						
4E built-up head grade	g/t	3.96	4.29	3.99	-8%	-1%
4E Merensky built-up head grade	g/t	4.10	4.38	4.09	-7%	0%
4E UG2 built-up head grade	g/t	3.38	3.51	3.45	-4%	-2%
<b>Metals in concentrate produced</b>						
4E	koz	68.7	75.2	69.6	-9%	-1%
Platinum	koz	44.5	48.9	45.0	-9%	-1%
Palladium	koz	18.3	19.8	18.6	-8%	-2%
Rhodium	koz	3.6	3.8	3.8	-5%	-6%
Gold	koz	2.3	2.7	2.2	-15%	4%
Nickel	t	470	568	476	-17%	-1%
Copper	t	299	353	296	-15%	1%
<b>Cash operating costs</b>						

Description	Unit	Q3 2012	Q3 2011	Q2 2012	% Change	
					Q3 2012	Q3 2012
					vs. Q3 2011	vs. Q2 2012
Operating cash cost / tonne milled	R/t	872	753	832	-16%	-5%
Operating cash cost / 4E oz M&C	R/oz	7 895	6 246	7 485	-26%	-5%
Operating cash cost / Pt oz M&C	R/oz	12 178	9 608	11 570	-27%	-5%

Capital expenditure						
Total capital	R'm	375.5	246.4	279.4	-52%	-34%
Expansion	R'm	231.2	132.0	127.5	-75%	-81%
Replacement	R'm	71.7	104.2	80.1	31%	10%
Stay-in-business (SIB)	R'm	72.5	10.2	71.8	-609%	-1%
SIB / operating cost %	%	13%	2%	14%	-514%	3%

## Safety

Against the backdrop of labour unrest the third quarter was a challenging period particularly with respect to keeping safety at the forefront of our employees' minds. This is evidenced by a 16% increase in our serious injury frequency rate year-on-year. Despite this BRPM achieved 1 million fatality-free shifts during August and our safety performance during September continued to improve. We are pleased that safety performance at Styldrift in particular has demonstrated on-going improvement recording just three injuries during the quarter, one of which was classified as a serious injury.

## Production

During August a group of employees gathered and presented a verbal demand that rock drill operators must be paid R12 500. This group of employees then embarked on an unprotected strike from the 22nd to the 24th of August but returned to work after an agreement was reached that discussions in respect of issues unrelated to the current wage agreement would continue within existing employee relations structures but that the wage agreement would not be reopened. On 12 September a small number of employees again embarked on an unprotected strike and actively prevented other employees from reporting to work. Decisive action by management assisted by the police brought the situation under control, albeit with continued sporadic incidents aimed at disrupting operations. In the process some employees who failed to heed numerous ultimatums to return to work have been dismissed.

Total tonnes delivered to concentrators were in line with the second quarter of 2012 notwithstanding the 43 262 tonnes lost as a result of labour unrest. We were able to augment tonnes delivered to the concentrator from vamping and sweeping operations. The impact of section 54 safety stoppages was also significantly reduced from the 25 812 tonnes lost in the second quarter to just 1 008 tonnes in the third quarter.

We continued to progress our on-going strategy to increase immediately stopeable reserves (IMS) and optimise production volumes. This has resulted in the underground operation delivering above the treatment plant capabilities and an increase of our surface stockpiles by 51% to 97 057 tonnes from 64 273 tonnes at the end of the second quarter. This stockpile provides a buffer against stoppages.

Tonnes milled remained consistent year-on-year but the UG2 ratio has increased by 82% resulting in a lower 4E built-up head grade being treated. An ore blending facility is currently being commissioned to improve the blending capabilities of the concentrator.

In total 4E ounces-in-concentrate declined by 9% during the period under review compared with the corresponding quarter in 2011. This was attributable to:

- 560 tonnes of concentrate (2.3 koz 4E) not dispatched as a result of the transport strike; and
- an 8% reduction in the 4E built-up head grade mainly due to the increase in UG2 contribution and stoping dilution. Continued remedial focus is being placed on reducing dilution.

## **Cash operating costs**

The cash operating cost per platinum ounce-in-concentrate produced increased by 5.3% to R12 178 compared with the second quarter of 2012 and 27% year-on-year.

Key contributing factors were:

- 2.3 koz 4E not dispatched as a result of the transport strike
- additional external security required as a result of the industrial action;
- Eskom tariff increases from April 2012 and higher winter power rates;
- above inflation annual salary and wage increases;
- increased water tariffs as of July 2012; and
- the built-up head grades which were 8% lower year-on-year as a result of the increasing UG2 ratio.

The primary cost reduction strategy continues to be the improvement of efficiencies and the optimisation of production volumes whilst bringing identified cost saving initiatives to fruition.

## **Capital**

Capital expenditure was 52% higher for the period under review. This is attributed to the Styldrift project being under full execution status including sinking operations, compared to 2011 when site preparation and establishment was the primary focus with shaft sinking ramping up. Replacement capital is 31% lower year-on-year as the Phase II project has reached completion. The increase in SIB capital continued to be largely attributable to the North shaft chairlift project, tailings line replacement for the concentrator and the IT migration project.

## **Projects**

### **Styldrift I Project (expansion)**

In August 2012 we reached an important milestone as we intersected Merensky Reef at the Main shaft with the shaft reaching 600m level. The station bulk excavation has been completed along with 27.5m of lateral development. The Service shaft progressed to a depth of 574.2m and a total of 252.2m was sunk during the quarter at both shafts.

Capital expenditure for the quarter was R223 million with a forecast expenditure for the 2012 year of R694 million. At the end of the quarter the project-to-date commitment was R2,21 billion and expenditure was R1,71 billion.

The project remains on schedule and is 34% complete.

### **BRPM Phase II Project (replacement)**

The Phase II replacement project being the extension of the decline system and associated infrastructure from level 6 down to level 10 at both North and South shafts has achieved physical completion with the final commissioning of the South shaft pump station due to take place by the end of October 2012.

Capital expenditure for the quarter was R28 million. The project-to-date commitment was R2,27 billion with expenditure of R2,24 billion.

### **BRPM Phase III Project (replacement)**

The Phase III replacement project which includes extending the decline system and associated infrastructure from 11 level to 15 level at North shaft, is progressing ahead of schedule and remains under budget. The total development for the project is 558m ahead of schedule at a total of 3 449m against a target of 2 891m.

Capital expenditure for the quarter was R43 million. The project-to-date commitment is R455 million with expenditure of R351 million to date. The overall project is 36% complete.

### **Note**

The financial information in this quarterly review and production report has not been reviewed or reported on by RBPlat's auditors.

23 October 2012

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