



IMPALA PLATINUM HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1957/001979/06)
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("Implats" or "the Group")

First quarter production report for the period 1 July 2019 to 30 September 2019

Key highlights

- Despite an improvement in safety performance, the Group regrettably reported two employee fatalities at managed operations during the reporting period. Implats remains resolute in its commitment to achieving our vision of zero harm.
- Production at Impala, Marula and Zimplats was delivered to plan. Production from JV operations was negatively impacted by a mill failure at Mimosa and scheduled maintenance and metallurgical challenges at Two Rivers.
- Scheduled maintenance at the Zimplats smelter and at Impala Rustenburg's acid plant impacted refined production, resulting in a build-up in concentrate stocks as expected.
- Implats accelerated the repositioning of its portfolio with an offer to acquire North American Palladium, a shallow, mechanised, palladium-rich, and cash-generative asset in Canada.

Implats' Chief Executive Officer, Nico Muller, commented: "We knew our first quarter would be characterised by an increase in working capital due to our stringent maintenance schedule at key processing assets. The unforeseen challenges at Mimosa and Two Rivers were addressed by the respective management teams, with plans in place to mitigate the impact of the slow-start on full-year production targets at these operations. The markets for our primary products remain buoyant and we have taken bold steps to advance our stated strategy of repositioning the Group through the induced conversion of the dollar convertible bond, and more recently, the announcement of our offer to acquire North American Palladium. Our leadership remains committed to securing a fair and equitable wage agreement at our South African operations and we continue to monitor developments in Zimbabwe, with close interaction and communication with the Zimbabwean government to counter the challenges presented by the uncertain macro-economic outlook. We remain confident in our ability to deliver to plan in FY2020."

Operational information		Unaudited Quarter ended 30 September 2019	Unaudited Quarter ended 30 September 2018
Gross production:			
Tonnes milled (excluding associates)	000t	5 214	5 340
Grade (6E)	g/t	3.81	3.87
Platinum in concentrate (mine-to-market)	000oz	334	349
Platinum in concentrate (third-party and toll)	000oz	54	49
Platinum refined	000oz	281	369
Impala platinum refined	000oz	83	180
IRS platinum refined	000oz	197	189
Palladium refined	000oz	161	207
Rhodium refined	000oz	33	47
Nickel refined	t	3 720	3 775
Managed operations production:			
Impala			
Tonnes milled	000t	3 020	3 152
Grade (6E)	g/t	3.88	4.03
Platinum in concentrate	000oz	186	186
Platinum refined	000oz	83	180
Zimplats			
Tonnes milled	000t	1 706	1 677
Grade (6E)	g/t	3.49	3.48
Platinum in concentrate	000oz	70	71
Platinum in matte	000oz	70	70
Marula			
Tonnes milled	000t	488	511
Grade (6E)	g/t	4.43	4.23
Platinum in concentrate	000oz	24	23
JV operations production:			
Mimosa			
Tonnes milled	000t	589	702
Grade (6E)	g/t	3.85	3.80
Platinum in concentrate	000oz	25	30
Two Rivers			
Tonnes milled	000t	798	825
Grade (6E)	g/t	3.40	3.51
Platinum in concentrate	000oz	29	38
Group and third-party production:			
IRS			
Platinum refined	000oz	197	189
Mine-to-market platinum refined	000oz	149	154
Third-party and toll platinum refined	000oz	48	35

SAFETY

Safety remains a key business imperative for the Group. The regression in safety performances during the last quarter of the previous financial year was extremely disappointing following a period of unprecedented improvements. This has necessitated increased leadership focus and collaboration with all stakeholders to arrest the decline and prioritise safe production across all operations.

During the quarter under review, the lost time injury frequency rate of 5.27 per million man hours worked improved by 7.7% from the 5.71 recorded in the fourth quarter of FY2019 and by 0.6% on the 5.30 reported for FY2019.

Despite this improvement in safety performance, Impala Rustenburg regrettably recorded two employee fatalities during the reporting period, the first in a tramping incident at 1 Shaft and the second in a scraper winch incident at 11 Shaft. In addition, Two Rivers, a non-managed joint venture operation, recorded a fatal incident during the period, its first in seven years. The board of directors and management team have extended their sincere sympathies to the families and friends of these colleagues. Implats provides ongoing support to their families, recognising the severe impact of their loss. Each incident was subject to a rigorous independent investigation and remedial action was taken to prevent reoccurrence.

Implats' safety strategy is premised on providing an inherently safe work environment, maintaining leading safety practices and inculcating safe behaviour at all times. Management remains resolute in its commitment to working with all stakeholders to prioritise safe production and achieve our vision of zero harm.

PRODUCTION

Gross tonnes milled at managed operations decreased by 2.4% to 5.21 million tonnes during the quarter, compared to 5.34 million tonnes achieved in the prior comparable period. This was largely due to lower production from Impala Rustenburg's 1 Shaft, as plans were progressed to outsource mining operations, and at Marula where the successful narrowing of the stoping width resulted in improved ore quality.

Platinum in concentrate of 280 000 ounces produced at managed operations was unchanged from the prior comparable quarter. Across all mining operations (managed and joint venture) platinum in concentrate production declined by 4.2% to 334 000 ounces (FY2019 Q1: 349 000 ounces) largely as a result of milling constraints experienced during the reporting period at Two Rivers and Mimosa.

At IRS, lower receipts from the JV operations at Mimosa and Two Rivers, were offset to some extent by higher receipts from third-parties. As a result, receipts decreased by 9.5% to 187 000 ounces of platinum in concentrate.

Gross refined platinum produced during the quarter was significantly impacted by planned maintenance at Zimplats' furnace and Impala Rustenburg's acid plant, which constrained processing capacity. As a result, refined platinum production declined by 24.0% to 281 000 ounces (FY2019 Q1: 369 000 ounces). In-process inventory consequently increased during the quarter and is expected to be released over the remainder of the financial year. Forecast refined platinum production for the full year is maintained at between 1.45 and 1.55 million ounces.

Impala

Milled production at Impala Rustenburg was impacted by lower ore volumes from 1 Shaft (173 000 tonnes) as plans to potentially extend production from this shaft through an outsourced contractor mining arrangement were progressed. As a result, tonnes milled decreased by 4.2% to 3.02 million tonnes, compared to 3.15 million tonnes in the previous comparable quarter. The mill grade (6E) deteriorated by 3.6% to 3.88 g/t (FY2019 Q1: 4.03 g/t) primarily as a result of increased off-reef mining at 11 and 20 shafts and higher stoping widths associated with rolling UG2 reef at 10, 11 and 14 shafts. Platinum in concentrate production was stable at 186 000 ounces supported by good performances across all mining operations and improved processing recoveries. Refined platinum production, however, was impacted by constrained Group smelting capacity due to the previously mentioned planned maintenance at Zimplats' smelter and Impala Rustenburg's acid plant. Consequently, refined platinum production was 83 000 ounces, compared to 180 000 ounces in the prior comparable quarter.

Zimplats

After a disappointing safety performance in the final quarter of FY2019, Zimplats' safety performance has stabilised with only one lost-time injury reported during the quarter. Zimplats sustained its operational performance with mill throughput and grade largely unchanged at 1.71-million tonnes and 3.49 g/t (6E) respectively. As a result, platinum in concentrate produced at the operation during the quarter was maintained at 70 000 ounces. Some concentrates were sent to Impala Refining Services (IRS) for processing during the quarter under review as the Zimplats smelter underwent routine maintenance. The refurbishment has since been completed with the smelter being commissioned from October 2019.

Marula

Marula continues to deliver an improved operational performance. While tonnes milled decreased by 4.5% to 488 000 tonnes, focused mining resulted in a reduced stoping width and delivered a 4.8% increased grade of 4.43 g/t. As a result, platinum in concentrate production improved by 2.6% to 24 000 ounces during the period under review. Management continues to focus on securing a lasting resolution to intermittent community disruptions at the operation.

Mimosa

Mining production at Mimosa was maintained during the quarter. However, concentrate production was impacted by extended repairs to one of the milling circuits. Consequently, mined volumes were stockpiled during the period and only 589 000 tonnes were milled, 16.1% down on the previous comparable quarter. Despite the improvement in grade to 3.85 g/t (FY2019 Q1: 3.80 g/t), platinum in concentrate production decreased by 16.4% to 25 000 ounces (FY2019 Q1: 30 000 ounces) due to lower milled tonnage.

Two Rivers

Challenging operating conditions continue to impact Two Rivers. Tonnes milled decreased 3.3% to 798 000 tonnes (FY2019 Q1: 825 000 tonnes). Accelerated deepening into the neighbouring Kalkfontein block impacted mill grade which declined by 2.9% to 3.40 g/t. Extended maintenance and metallurgical challenges at the concentrator during the quarter impacted platinum in concentrate production, which decreased by 23.4% to 29 000 ounces.

Impala Refining Services (“IRS”)

IRS's refined platinum production increased by 4.1% to 197 000 ounces (FY2019 Q1: 189 000 ounces) as higher deliveries from third-party customers were received during the period under review. Mine-to-market production decreased by 3.2% to 149 000 ounces, reflecting lower receipts from the Group's joint venture operations. Third-party volumes increased by 36.4% to 48 000 ounces (FY2019 Q1: 35 000 ounces).

GROUP STRATEGY

At Impala Rustenburg, plans are being progressed to outsource mining operations at 1 Shaft and complete the closure of 9 Shaft. As previously announced, a “contracted out” mining model was found to provide the best protection of employment at 1 Shaft during the planned ramp-down of the shaft in the context of higher than expected rand PGM pricing. A Section 189 (Labour Relations Act) notice was issued in July 2019 to initiate this phase of the restructuring plan. The original Section 52 notices covering 1, 9, 12 and 14 shafts, which were issued in August 2018, remain in place.

As reported previously, Implats launched a successful conversion invitation to holders of its 2022 US\$250 million bond in July 2019. Together with the cancellation of the Groups' cross-currency interest rate swap (CCIRS), the conversion reduced the carrying value of Group debt by some R3.0 billion, while removing the associated annual interest liability of R319 million. A total of 64.3 million new Implats shares were issued in August 2019 with a total cost of the offer of R524 million, representing an incentive premium of R510 million and accrued interest of R14 million settled from existing cash balances.

ACQUISITION OF NORTH AMERICAN PALLADIUM

Post the end of the quarter, Implats entered into a definitive agreement to acquire 100% of the outstanding shares in Canadian PGM miner, North American Palladium Limited (NAP). Brookfield Business Partners LP, NAP's majority shareholder with 81.0%, was offered C\$16.00 per share in cash, while the minority shareholders will receive C\$19.74 per share, in a deal worth C\$1 008 million (US\$758 million), resulting in an average total offer price of C\$16.77 per share. The deal enterprise value is estimated at US\$708 million (R10.4 billion at US\$1:R14.66). The offer will be settled via a combination of existing cash of US\$288 million, cash raised through a metal prepayment of excess inventory of US\$120 million and a loan of US\$350 million.

NAP is a Canadian-based primary PGM producer listed on the Toronto Stock Exchange (TSX), the US OTC market and the Börse Frankfurt. NAP wholly owns and operates the Lac des Iles Mine northwest of Thunder Bay, Ontario, and has a shareholding in two exploration properties, the Sunday Lake project and the Shebandowan Joint Venture. In the 12 months to end June 2019, NAP produced 262 000 ounces of 6E PGM at a cash cost of R8 550 per ounce and achieved a revenue basket of R18 272 per ounce.

The above information has not been reviewed and reported on by the Group's external auditors.

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