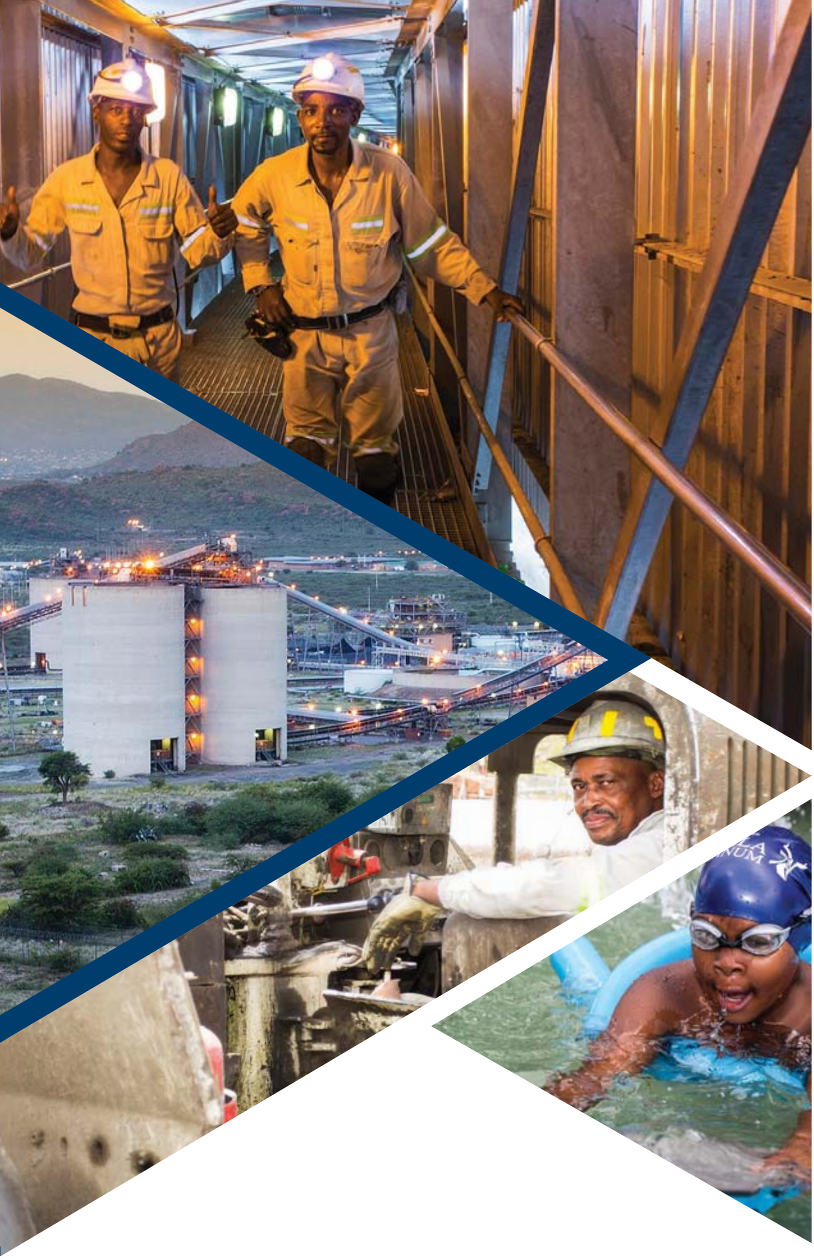

IMPLATS
Distinctly Platinum

Consolidated Annual Results 2018

Our vision and mission

OUR VISION
is to be the world's best platinum-producing company, delivering superior value to stakeholders relative to our peers

OUR MISSION
is to safely mine, process, refine and market our products at the best possible cost, ensuring sustainable value creation for all our stakeholders

FORWARD LOOKING AND CAUTIONARY STATEMENT

Certain statements contained in this disclosure, other than the statements of historical fact, contain forward looking statements regarding Implats' operations, economic performance or financial condition, including, without limitation, those concerning the economic outlook for the platinum industry, expectations regarding metal prices, production, cash costs and other operating results, growth prospects and the outlook of Implats' operations, including the completion and commencement of commercial operations of certain of Implats' exploration and production projects, its liquidity and capital resources and expenditure and the outcome and consequences of any pending litigation, regulatory approvals and/or legislative frameworks currently in the process of amendment, or any enforcement proceedings. Although Implats believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results may differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metal prices, levels of global demand and exchange rates and business and operational risk management. For a discussion on such factors, refer to the risk management section of the Company's integrated annual report. Implats is not obliged to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the dates of the integrated annual report or to reflect the occurrence of unanticipated events.

September 2018
Johannesburg

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Deutsche Securities (SA) Proprietary Limited

Key features for the year

IMPALA PLATINUM HOLDINGS LIMITED (IMPLATS) IS ONE OF THE WORLD'S FOREMOST PRODUCERS OF PLATINUM AND ASSOCIATED PLATINUM GROUP METALS (PGMS). IMPLATS IS CURRENTLY STRUCTURED AROUND FIVE MAIN OPERATIONS WITH A TOTAL OF 20 UNDERGROUND SHAFTS. OUR OPERATIONS ARE LOCATED WITHIN THE BUSHVELD COMPLEX IN SOUTH AFRICA AND THE GREAT DYKE IN ZIMBABWE, THE TWO MOST SIGNIFICANT PGM-BEARING ORE BODIES IN THE WORLD.

Key features for the year

Financial

Gross profit improved by R2.1 billion to R1.6 billion. Earnings were impacted by impairments of R13.6 billion, mainly due to the restructuring of Impala Rustenburg. The Group's funding strategy is supported by the forward sale of up to R2 billion of the pipeline stock, which provides sufficient liquidity during the two year restructuring period.

Operational

Tonnes milled rose 5.6% and platinum in concentrate ounces were 1% higher following strong operational performances across the Group. Refined platinum ounces declined by 4% and were impacted by the 77 000 platinum ounce build-up in pipeline stocks, following the rebuild and fire at Impala Rustenburg's No. 5 furnace.

Market

The platinum market remains over-supplied, with good demand for palladium and rhodium.

Prices achieved

A 4% decline in the US dollar platinum price and a stronger ZAR:US$ exchange rate was offset by a 35% increase in the US dollar palladium price and a 90% increase in the rhodium price, yielding a net 5% increase in the rand basket price per platinum ounce.

Safety

Seven fatalities in the earlier part of the year were regrettable and unacceptable. Corrective measures taken contributed to a seven-month fatality-free record for Implats.

Strategic response

Strong advances were made towards the stated policy of eliminating loss-making production, demonstrated by the dramatic turnaround of Marula and the restructuring decision at Impala Rustenburg. The Group strategy to rebalance its portfolio toward lower-cost, shallow, mechanisable assets was progressed through the acquisition of a 15% interest in the Waterberg project.

Group performance

		Year ended 30 June 2018	Year ended 30 June 2017	Var %	Year ended 30 June 2016	Var %
OPERATING STATISTICS						
Gross refined production						
Platinum	(000oz)	**1 468.1**	1 529.8	(4.0)	1 438.3	6.4
Palladium	(000oz)	**849.3**	931.6	(8.8)	885.4	5.2
Rhodium	(000oz)	**198.5**	203.5	(2.5)	185.1	9.9
Nickel	(t)	**16 226**	17 464	(7.1)	17 001	2.7
IRS metal returned (toll refined)						
Platinum	(000oz)	**140.2**	14.5	–	0.1	
Palladium	(000oz)	**67.0**	8.9	652.8	1.5	
Rhodium	(000oz)	**23.4**	2.4	–	0.0	
Nickel	(t)	**3 558**	2 569	38.5	3 508	(26.8)
Sales volumes						
Platinum	(000oz)	**1 354.7**	1 468.9	(7.8)	1 511.6	(2.8)
Palladium	(000oz)	**769.9**	903.7	(14.8)	905.5	(0.2)
Rhodium	(000oz)	**196.1**	202.6	(3.2)	197.1	2.8
Nickel	(t)	**12 648**	14 403	(12.2)	14 184	1.5
Prices achieved						
Platinum	($/oz)	**943**	984	(4.2)	961	2.4
Palladium	($/oz)	**975**	723	34.9	586	23.4
Rhodium	($/oz)	**1 501**	788	90.5	735	7.2
Nickel	($/t)	**11 488**	9 992	15.0	9 483	5.4
CONSOLIDATED STATISTICS						
Average rate achieved	(R/$)	**12.82**	13.66	(6.1)	14.39	(5.1)
Closing rate for period	(R/$)	**13.73**	13.07	5.0	14.69	(11.0)
Revenue per platinum ounce sold	($/oz)	**2 023**	1 806	12.0	1 627	11.0
	(R/oz)	**25 935**	24 670	5.1	23 413	5.4
Tonnes milled ex mine	(000t)	**19 355**	18 332	5.6	18 426	(0.5)
PGM refined production	(000oz)	**2 924.6**	3 099.5	(5.6)	2 907.5	6.6
Capital expenditure	(Rm)	**4 606**	3 430	(34.3)	3 560	3.7
Group unit cost per platinum ounce refined	($/oz)	**1 919**	1 661	(15.5)	1 507	(10.2)
	(R/oz)	**24 660**	22 657	(8.8)	21 731	(4.3)
Group unit cost per platinum ounce stock adjusted	($/oz)	**1 785**	1 675	(6.6)		
	(R/oz)	**22 931**	22 838	(0.4)		

Commentary

Introduction

The past year was pivotal for Implats as it embraced and advanced key strategies to align with the Group's evolving geopolitical and macro-economic landscape. Both jurisdictions in which the company operates have witnessed encouraging political changes, which will positively influence the industry and the Group's business interests in the future.

In Zimbabwe, Zimplats successfully concluded the release of ground north of portal 10, which does not form part of its 30-year mine plans. In addition, the special mining lease (SML) was successfully converted into two new mining leases, which, combined with partial relief on export levies, will enable the Zimbabwean assets to sustain and grow future financial returns.

Uncertainty in the South African policy and regulatory framework remains. However, a more collaborative and trusting environment is being established, which enhances the likelihood of constructive outcomes that will attract investors back to the mining sector. The Group remains committed to collaboration with all stakeholders to ensure an attractive and sustainable industry.

While platinum group metal (PGM) rand basket pricing has remained depressed, the increase in US dollar palladium and rhodium prices during the past year has been encouraging.

Implats remains confident in the long-term fundamentals for PGM demand with future opportunities for palladium back-substitution with platinum in the manufacture of catalytic converters. However, platinum price support is not expected in the near term and the Group has aligned company strategies accordingly.

Current market fundamentals require much improved industry discipline, particularly in discontinuing unprofitable production. Implats cannot, and will not, support loss-making production and the remarkable return to positive Group contributions from Marula, as well as the restructuring decisions announced at Impala Rustenburg are therefore very pleasing. In addition, the acquisition of a 15% interest in the Waterberg development project is a significant step in advancing the Group strategy towards lower-cost, shallow, mechanisable assets.

Internally, the Group is reprioritising and rescheduling capital allocation decisions and focusing on effective cash management to protect the balance sheet. Key business focus

While platinum group metal (PGM) rand basket pricing has remained depressed, the increase in US$ palladium and rhodium prices during the past year has been encouraging.

Internally, the Group is reprioritising and rescheduling capital allocation decisions and focusing on effective cash management to protect the balance sheet.

areas include improved organisational effectiveness through enhanced accountability, performance management and effective strategic decision making. Social responsibility, elimination of harm to the health and safety of employees and preventing negative impact on the environment underpins the Group's operating philosophy and remain key imperatives.

In addition, other initiatives have been progressed this past year, including:

> A much improved safety performance during the second half of FY2018
> Higher output at most operations
> A pleasing operational and financial turnaround at Marula
> Securing profitable third-party PGM toll treatment through Impala Refining Services (IRS) by positioning the business within Impala where the processing assets are housed

The most significant step in the transformation of the Group, however, was announced after year-end when the findings and recommendations of the Impala Rustenburg strategic review were released. Taking account of the current operating environment and macro-economic realities, the outcome concluded that a radical and urgent transition into a leaner, more concentrated and profitable operation is critical to support the future success of the Group.

The implementation of the Impala Rustenburg plan will be phased in over the next two years to ensure the transition occurs in a socially responsible manner. The key outcomes of the restructuring, which is expected to be concluded by the end of the 2021 financial year, include:

> A reduced mining 'footprint' from 11 to six operating shafts as operations are stopped at end-of-life and uneconomical shafts
> Production reducing from the previously guided 750 000 platinum ounces to 520 000 platinum ounces a year
> The total labour complement (employees and contractors) reducing from approximately 40 000 to 27 000 from 2021

This plan is expected to deliver a safer and profitable Impala Rustenburg centred on its best assets with higher quality, long-life orebodies, lower operating costs and capital intensity. Importantly, it secures employment for 27 000 employees and surrounding communities can continue to participate in Implats' procurement, training and local economic development activities.

To initiate the restructuring process, Impala Rustenburg commenced a formal Section 189 labour reduction process in early August 2018 that could affect 1 500 jobs. Of this, approximately 300 employees have already exited the organisation due to natural attrition. It is expected that the total number of employees affected by the Section 189 will reduce further as the normal and ongoing process of natural attrition continues. Despite this, and throughout the implementation, there will be an overriding imperative to ensure that forced job losses are minimised through various avoidance measures. These include the transfer of workers to vacant positions at the 16 and 20 growth shafts, reskilling, voluntary separation, business improvement initiatives and exploring commercial options to exit shafts that do not fit the long-term portfolio.

In addition to the structural changes, Impala Rustenburg will continue to look at ways to improve safety, productivity and cost efficiency. Any material changes in the operating and business performance, or the pricing environment, will be considered as management seeks alternatives to further optimise the business. The phased approach to the implementation of the Impala Rustenburg restructuring plan will allow for further options to be explored and afford each shaft the opportunity to improve profitability, while allowing time to consult with government, unions and other stakeholders before any final decision is made to close or exit an unprofitable shaft.

Safety and sustainability

The safety and health of employees remains a priority and it is with deep sadness and regret that the Group reported seven work-related fatalities during the year – six of the fatalities occurred at Impala Rustenburg and one at Marula. The Implats Board and management team extend their sincere condolences to families and friends. The Group will continue to provide support to the dependants of the deceased.

Over the year, safety measures were tested, enhanced and altered, where necessary. Safety communication to employees has been improved and the emphasis remains on ensuring effective leadership, responsible behaviour, and driving a culture of personal accountability and interdependence. Ongoing collaboration with key stakeholders and a shared vision of zero harm will continue to drive further improvements through awareness, education, and the implementation of appropriate systems and best practice.

This renewed level of focus on safety resulted in a better performance during the second

The implementation of the Impala Rustenburg plan will be phased in over the next two years to ensure the transition occurs in a socially responsible manner.

The continued effort and focus on improving safety conditions has resulted in a 6.3% improvement in the Group lost-time injury frequency rate (LTIFR) and 9.2% improvement in the Group total injury frequency rate (TIFR).

half of the year and the Group operated for seven months without a fatal accident, which is an Implats record. Regrettably, a fatal accident occurred at the Impala Rustenburg 16 Shaft in September 2018, which remains the subject of an investigation.

The continued effort and focus on improving safety conditions has resulted in a 6.3% improvement in the Group lost-time injury frequency rate (LTIFR) and 9.2% improvement in the Group total injury frequency rate (TIFR). At year end, 11 of the 17 operations had achieved 'millionaire' fatality-free shifts status.

The operating philosophy at Implats is underpinned by a value system centred on long-term sustainability. Interventions to reduce the impact of TB and HIV/Aids on our employees have had positive results, with a 43% reduction in new pulmonary TB cases recorded over the past five years and a 51% decline in Aids-related deaths since 2014. No major environmental incidents were recorded during the past year and minor incidents reduced by 13% from 35 to 31 incidents. Water recycling exceeded Group targets and ended the year on a record high of 45% of total consumption.

Host communities remain vital stakeholders and social investment expenditure has escalated by nearly 30% year on year at the South African operations, despite the challenging financial conditions. Implats' focus remains on housing, education, health and training. The Group is cognisant of the economic challenges faced in most of the platinum producing areas and recognise the importance of a continued contribution during these times.

The Implats Board and management team are also aware that shareholders, who own and have invested in the Company, have received scant reward over the past five years. Decisive action has been taken in this financial year to reposition the organisation, return it to profitability in a low-price environment and better reward all stakeholders.

Operational review

The Group achieved encouraging operational improvements over the year. Platinum ounces in concentrate were 1% higher at 1.57 million platinum ounces (FY2017: 1.56 million). This was mainly due to improved operational performances from Impala, Marula, Mimosa and IRS, while Zimplats and Two Rivers reported lower contributions.

Refined platinum production was impacted by a temporary stock build up of some 77 000 platinum ounces at Impala Rustenburg, which remains available for sale in the next financial year. This inventory was built up following furnace maintenance undertaken during the first half of the financial year and an electrical failure at No. 5 furnace in February 2018.

Costs were well contained and, on a stock-adjusted basis, were largely unchanged at R22 931 per platinum ounce. The Group spent R4.6 billion (FY2017: R3.4 billion) on capital projects during the year, which is 34% higher than last year. This was largely due to higher spend on 16 and 20 Shafts and Zimplats' Mupani mine.

Impala Refining Services (IRS) maintained its significant cash generation to the Group, delivering more than R1 billion.

Impala Rustenburg

Operational performance was negatively impacted in the first half of the year by mine stoppages following five fatal incidents during September and October 2017. Mill throughput increased by 8% to 10.95 million tonnes (FY2017: 10.12 million) from the previous year largely due to the 14 Shaft recovery after the 2016 fire (+725 000 tonnes), the 16 Shaft ramp-up (+455 000 tonnes) and performance improvements at 1, 11 and 12 Shafts (+200 000 tonnes). This was offset to some extent by lower volumes from 9 and 10 Shafts and the closure of 4, 7 and 7A Shafts (-670 000 tonnes).

The PGE milled head grade improved marginally due to an increase in the stoping to development ratio, offset to some extent by the ore pass rehabilitation at 16 Shaft that resulted in some waste dilution. The higher tonnage and grade resulted in a 3% improvement in platinum in concentrate production to 669 000 ounces (FY2017: 651 000).

A major furnace rebuild was undertaken on one of the three operating furnaces at the smelting complex in the first half of the year. In February 2018, an electrical failure triggered a fire at the No. 5 furnace transformers. Owing to these events, a stock build-up of approximately 77 000 platinum ounces occurred at the smelter, and refined platinum production for the year decreased by 11% to 581 000 ounces (FY2017: 654 600).

Cash costs increased by 2.4% to R15.8 billion (FY2017: R15.4 billion). However, the build-up of in-process stock and consequent lower refined metal output resulted in refined unit costs increasing by 15% to R27 183 per platinum ounce (FY2017: R23 543). On a stock-adjusted basis, unit costs

Tonnes milled rose 5.6% to 19.4 million compared to last year's 18.3 million tonnes.

The 16 and 20 Shaft projects are critical to returning Impala Rustenburg to profitability.

increased by only 1% to R24 005 per platinum ounce (FY2017: R23 856) on the back of higher production and a strong focus on cost management.

Capital expenditure increased by 12% to R2.77 billion (FY2017: R2.47 billion) mainly due to increased spend at 16 and 20 Shafts, as well as refurbishment and repair work at the No. 5 furnace. The cash outflow of R4 billion, before financing and working capital movements, was 19% higher than the previous year and included employee separation costs of R525 million, finance charges that were higher by R159 million and increased capital spend of R295 million. Impala made a gross loss of R2.79 billion in FY2018, a 4% improvement from the R2.91 billion loss for FY2017.

The 16 and 20 Shaft projects are critical to returning Impala Rustenburg to profitability. Both projects were assessed as part of the strategic review process. As a result, some duplicate shaft ore pass systems at 16 Shaft, as well as the upper 2 levels at 20 Shaft, were removed from the respective projects, without materially impacting the build-up of these shafts to full production. The capital cost profile for 20 Shaft has been optimised and will reduce by R445 million.

In assessing production readiness, the rehabilitation of the C-pass and construction of the lower section of D-pass at 16 Shaft still need to be completed to achieve full production. Some construction work at 20 Shaft remains outstanding and the project is now approaching completion in terms of the redefined project scope. Production at 16 Shaft has ramped up significantly during the year as increased face becomes available. Although the initial ramp-up was limited to the Merensky Reef, development access to the UG2 has now made concurrent mining on most horizons possible. As previously reported, the 20 Shaft ramp-up is still being hampered by challenging geological conditions, which impacts face availability. The mining plan is limited to the Merensky horizon and opening sufficient pit room to provide mining flexibility is taking longer than anticipated. This has resulted in an increased focus on development at the shaft. The future profitability and strategic optionality of the shaft will be further evaluated and optimised in FY2019.

IRS

Impala Refining Services (IRS) continues to deliver a significant financial contribution to the Group. During the year, IRS received a total of 889 000 platinum ounces in concentrate (FY2017: 890 000) from Implats Group operations and third-party sources. Treatment and final production were constrained due to the Impala Rustenburg smelter maintenance programme and transformer fire during the year. However, refined platinum output was maintained at similar levels to the previous year at 887 000 ounces (FY2017: 875 000). Cash flow of R1.23 billion (FY2017: R1.18 billion) was higher but was impacted by an increased taxation charge and lower finance income received. Gross profit at IRS improved by 2% to R1.55 billion (FY2017: R1.52 billion) benefiting from a once-off toll contract – 140 000 ounces of platinum (FY2017: 14 500) was returned to third-party customers during the year under review.

Post the end of the reporting period, and following Impala's acquisition of the metal purchase and toll refining operations of IRS, it became a fully integrated division of Impala, which already processes all the material acquired by IRS and conducts most of its regulatory and administrative duties. This secures IRS's business tenure through the precious metals refining licence held by Impala and simplifies the corporate structure and ongoing toll refining business model, with no adverse tax consequences for either IRS or Impala. IRS, as a division of Impala, is likely to benefit from the net value-added tax and income tax position of Impala.

Marula

The year under review saw a significant decline in community protests and disruptions. Continued engagement processes by the Marula team, and an intervention with the assistance of the Department of Mineral Resources to resolve the community chrome dispute, have been successful in mitigating protest action. Discussions with the various stakeholders are ongoing to secure a sustainable long-term resolution.

Consequently, Marula delivered an excellent operational performance. Tonnes milled increased by a significant 23% to 1.84 million tonnes, while PGE head grade improved marginally to 4.33g/t. Platinum production in concentrate rose 25% to 85 000 ounces (FY2017: 68 000), the highest annual production level achieved to date at this operation. The higher volumes, together with well contained costs, resulted in a 15% improvement in unit costs to R24 877 per platinum ounce (FY2017: R29 278). On the back of this strong performance, and further supported by a higher PGM price basket due to improved palladium and rhodium prices, Marula realised a substantial turnaround in cash

IRS continues to deliver a significant financial contribution to the Group.

The re-establishment of Bimha Mine was completed and the operation returned to full production in April 2018.

flow before financing and working capital movements, delivering a R77 million cash contribution, reversing the outflow of R839 million in the previous year. Marula reported a R47 million gross profit in FY2018, significantly up from a gross loss of R586 million in the previous year.

Zimplats

Zimplats sustained its excellent safety and production performance. Tonnes milled and PGE head grade were maintained at 6.6 million tonnes (FY2017: 6.7 million) and 3.48g/t (FY2017: 3.49g/t). Platinum production was down 4% to 271 000 platinum ounces in matte (FY2017: 281 000), impacted by a small lock-up in the smelter. Costs were well contained, increasing only 5% to US$1 313 per platinum ounce in matte (FY2017: US$1 249), affected by lower volumes, an increase in labour costs and the impact of a stronger rand on goods and services procured from South Africa.

The re-establishment of Bimha Mine was completed and the operation returned to full production in April 2018. The Mupani decline development remains ahead of schedule and is targeting ore contact by April 2019. Capital expenditure rose significantly to US$135 million (FY2017: US$63 million) as the Bimha and Mupani developments advanced. Cash flows were lower due to the higher capital expenditure, but the operating entity remains cash generative. Gross profit improved on the back of higher US dollar metal prices and increased from R1.29 billion (US$95 million) in the previous year to R2.05 billion (US$160 million) in FY2018. Zimplats declared a dividend of US$65 million (R820 million), post the financial year-end.

In June 2018, Zimplats agreed to release to the government of Zimbabwe land measuring 23 903 hectares within Zimplats' mining lease area. Following this release of ground, Zimplats now holds two separate and non-contiguous pieces of land measuring in aggregate 24 632 hectares. As part of this agreement, Zimplats' SML was converted into two new mining leases with effect from 31 May 2018, which are valid for the life of mine of Zimplats' mining operations. As a result, Zimplats' corporate tax rate changes from 15.45% to 25.75%. However, additional profits tax associated with the SML is no longer applicable. This secures the operating subsidiary's mining tenure, positioning it to sustain and grow future financial returns.

Mimosa

Mimosa remains a steady performer and once again delivered a strong operating result. Tonnes milled were 3% higher at 2.80 million (FY2017: 2.73 million), while PGE head grade was maintained at 3.84g/t (FY2017: 3.83g/t). Record production was achieved, and platinum production increased by 3% to 125 000 ounces in concentrate (FY2017: 122 000). Costs were flat at US$1 521 per platinum ounce in concentrate (FY2017: US$1 511). Capital expenditure increased significantly to US$44 million (FY2017: US$33 million) largely due to increased capital development and the extension of the conveyor belt system. Cash flows before financing and working capital were maintained at US$28 million. Gross profit of R751 million (US$60 million) (FY2017: R183 million) (US$14 million) was underpinned by the increase in US dollar metal prices.

The envisaged export levy on unbeneficiated platinum has been lowered to 5% for exported concentrates and deferred by the government of Zimbabwe to 1 January 2019. Two expansion studies are being progressed as a potential alternative to the development of a smelter and Mimosa continues to consult with the government to secure a mutually beneficial outcome.

Two Rivers

The planned mining of low-grade split-reef areas and consequential lower recoveries impacted Two Rivers' operational performance during the year. Tonnes milled were maintained at similar levels to the previous year at 3.46 million tonnes (FY2017: 3.50 million), given that 59 000 tonnes were toll-treated at a neighbouring mine during the previous financial year. The PGE head grade reflected split-reef mining and decreased by 7% to 3.63g/t (FY2017: 3.90g/t). As a result, platinum in concentrate declined by 11% from the previous year to 163 000 ounces (FY2017: 182 000). The lower production impacted operating costs, which rose by 12% to R14 517 per platinum ounce (FY2017: R12 925).

The deepening of the main decline led to capital expenditure being 55% higher at R454 million (FY2017: R293 million). This, together with the lower volumes, affected cash flows, which were 6% lower at R529 million. The lower volumes also affected gross profit, which was 9% lower at R989 million (FY2017: R1 081 million).

Waterberg

Waterberg represents a large scale PGM resource with an attractive risk profile, given its shallow nature and high palladium content. This facilitates fully

Mimosa remains a steady performer and once again delivered a strong operating result.

Group unit costs on a stock-adjusted basis were well managed, as approximately R1.0 billion was realised from various cost saving initiatives at Impala.

mechanised production with the potential for the project to have among the lowest operating costs in the PGM sector. The definitive feasibility study (DFS) is progressing satisfactorily and is expected to be completed towards the end of this financial year. Implats will have 90 business days following approval of the DFS to determine whether it wishes to exercise its option to acquire control of the project, and a further 90 business days to confirm acceptable financing arrangements.

Financial review

Revenue for the year declined by 3% to R35.9 billion (FY2017: R36.8 billion), despite higher rand basket prices, impacted by lower sales volumes. The lower sales volumes resulted in a negative variance of R3.4 billion as approximately 77 000 additional platinum ounces were built up in process stock in the year. Overall, dollar metal prices were 12% higher year on year resulting in a positive variance of R4.7 billion, but was partially offset by a negative variance of R2.3 billion arising on a 6% stronger rand.

Cost of sales were well contained and reduced by 8% to R34.3 billion as costs were deferred due to the stock build-up. Gross profit improved by R2.1 billion to R1.6 billion (FY2017: loss of R529 million).

Group unit costs on a stock-adjusted basis were well managed, increasing marginally from R22 838 to R22 931 per platinum ounce as approximately R1.0 billion was realised from various cost saving initiatives at Impala.

Despite the increase in gross profit, earnings for the year were adversely impacted by impairments of R13.6 billion, of which R13 billion relates to the impairments of assets at Impala Rustenburg following the outcome of the strategic review and R611 million relates to the Afplats assets. Earnings were further impacted by a once-off, non-cash, deferred taxation charge of R1.2 billion arising from a change in the Zimplats tax rate from 15.45% to 25.75% (following the conclusion of the conversion of the SML into new mining leases), separation costs of R525 million, increased net finance costs as a result of higher costs on the 2022 convertible bonds, as well as a reduction in the cash balances at Group level. Consequently, the loss after tax increased by 33% to a loss of R10.8 billion from a loss of R8.1 billion in the previous year.

Free cash outflow for the year was R4.2 billion, as an additional R3.2 billion was locked up in working capital, largely due to the inventory build-up, while capital expenditure increased by

R1.2 billion. Capital expenditure at Impala increased by R295 million, while at Zimplats it increased by R875 million, which was mainly spent on the development of Mupani and Bimha. Impala Rustenburg used R6.6 billion of cash after funding the additional inventory build-up of R3.1 billion, separation costs and R2.8 billion of capital expenditure, of which R1.4 billion was in respect of 16 and 20 Shafts.

At year-end, the Group had adequate headroom of R6.2 billion comprising gross cash on hand of R3.7 billion (FY2017: R7.8 billion) and R2.5 billion in unutilised bank debt facilities. The R4 billion revolving credit facilities and the convertible bonds mature in 2021 and 2022, respectively. The Group remains well within all its debt covenants.

Market review

Since the global financial crisis, the platinum market has been fundamentally over-supplied for the most part, with only the period of the industry-wide strike of 2014 and subsequent recovery being the exception. The Volkswagen scandal that broke in September 2015 has accelerated the erosion of diesel passenger car demand in Western Europe and there has been rapid contraction of the Chinese jewellery market since 2015, leaving demand off its peak and still falling. Combined with steady increases in recycling, these developments have driven the platinum price down over the past three years. There is market consensus for softer platinum demand for at least the next three years.

Lower prices have triggered shaft and mine closures across South Africa's Bushveld region, removing almost 1.5 million ounces of annual capacity to date. It is widely acknowledged that at least one million ounces of platinum have been produced at a loss in South Africa every year since 2012.

Producers have been adapting to a sustained low-price environment through significant restructuring and streamlining of portfolios to the lowest-cost, most efficient assets. Implats' peers have shed high-cost assets, diversified regionally and sought to become more vertically integrated. Similarly, this necessitated Implats taking the bold action to address inefficiencies and limit cash burn and a rising cost base at Impala Rustenburg, all aimed at reinstating profitability to secure longevity in this increasingly competitive industry.

The fundamentals for both palladium and rhodium remain strong, premised on forecast growth of the global automotive sector, coupled with tighter

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The fundamentals for both palladium and rhodium remain strong, premised on forecast growth of the global automotive sector, coupled with tighter emissions.

emissionss with palladium, forecasts for the rhodium market are for strengthening fundamentals. In what is currently a close-to-balanced market, forecasts now see this moving into relatively deep deficits sooner than previously anticipated.

Implats' rand basket PGM pricing forecast has consequently been revised further downwards. The updated price forecasts are, however, conservative when benchmarked against the latest consensus data, with real prices in the updated forecast appreciating at a compound annual growth rate of 2.5% over a six-year forecast period.

Mineral Resources and Mineral Reserves

There have been material changes in the attributable Group Mineral Resource estimate, which reduced by 57.8 million platinum ounces. The change is dominated by the release of land at Zimplats. The strategic decision to exit certain prospecting rights at Imbasa and Inkosi and the Impala/Royal Bafokeng Resources Platinum (Pty) Ltd Unincorporated Joint Venture also contributed notably to the reduction. The estimate as at 30 June 2018 is dominated by Zimplats and Impala Rustenburg, which together contribute some 74% of the total attributable Group Mineral Resources.

Overall the attributable Group Mineral Reserve estimate did not change significantly and decreased by 1.2 million platinum ounces to 21.2 million platinum ounces. The resultant estimate as at 30 June 2018 is based on a material reduction at Impala Rustenburg following the detailed strategic review, and a material increase at Zimplats due to the conversion of some Upper Ores (>11-degree slope) to Mineral Reserves. Furthermore, the addition of the RE portion of Kalkfontein at Two Rivers had a positive impact on the combined Group Mineral Reserves. Some 47% of the attributable Group Mineral Reserves (platinum) is located at Zimplats and a further 36% at Impala.

Prospects and outlook

The South African PGM industry continues to face unprecedented challenges and uncertainties. Consensus forecasts remain for softer platinum demand for at least the next three years, with the introduction of stricter heavy-duty diesel emission regulations and a recovering global economy presenting upside for platinum, but only over the longer term. The immediate fundamentals for both palladium and rhodium remain strong, largely due to expected growth in the global internal combustion engine automotive market and tighter emissions regulations.

Sustained lower metal prices and a weak rand have had a significant impact on the PGM industry. It is imperative that Implats becomes a viable concern at current PGM prices and it has, therefore, been bold in its actions to create and share value sustainably with all stakeholders in a lower platinum pricing environment.

Implats' focus in the short to medium term is to continue its strategic journey to transform into a PGM producer mining mechanised, low-cost orebodies with more appropriate metal mixes. This includes the determined and necessary repositioning of Impala Rustenburg to ensure the operation can contribute to the long-term success of the Group and its local communities. Prudent management of Implats' financial and cash resources during the two-year restructuring process remains a key priority. The implementation of the strategic review will not only strengthen Impala Rustenburg's position in the prevailing price environment but will also significantly improve the strategic position of the Implats Group to sustainably deliver improved returns to all stakeholders in the medium to long term.

Both South Africa and Zimbabwe have seen positive changes in political leadership, which have resulted in meaningful dialogue with the regulators. Signals of greater policy consistency have provided confidence in decision making, and opportunities for capital growth and expenditure plans.

In South Africa, the most recent revision of the Mining Charter has been released for public comment. In our view, the principles outlined in the charter are, in the main, conducive to the growth and development of the minerals industry and we will continue to engage constructively to contribute towards a satisfactory outcome of the process.

Longer-term, the minority interest we acquired in the Waterberg project, with the option to acquire majority ownership, provides additional geographic and commodity diversity for the Group – away from deep, labour-intensive conventional operations.

For the next financial year, platinum production estimates are as follows:

- Group refined platinum production – between 1.50 and 1.60 million ounces
- Impala – between 650 000 and 690 000 ounces
- Zimplats – between 270 000 and 280 000 ounces
- Two Rivers – between 160 000 and 170 000 ounces

Implats' focus in the short to medium term is to continue its strategic journey to transform into a PGM producer mining mechanised, low-cost orebodies with more appropriate metal mixes.

Implats will continue to deliver effectively on the social and labour plan commitments in South Africa and the targeted corporate social investments in Zimbabwe.

> Mimosa – between 115 000 and 125 000 ounces
> Marula – between 85 000 and 95 000 ounces
> IRS third-party toll refining – between 170 000 and 180 000 ounces

The Group's operating cost, excluding the cost of retrenchment, is expected to be between R23 900 and R24 800 per platinum ounce. Capital expenditure is planned at between R4.1 billion and R4.3 billion.

Our approach to maintaining a social licence to operate will remain underpinned by the Group's belief that sustainable businesses operate in a harmonious, supportive and beneficial manner for all key stakeholders. Implats will continue to deliver effectively on the social and labour plan commitments in South Africa and the targeted corporate social investments in Zimbabwe.

The financial information on which this outlook is based has not been reviewed and reported on by Implats' external auditors.

Directorate and management

During the year under review, independent non-executive director Mr Hugh Cameron passed away after a short illness. Mr Cameron served as a non-executive director and chairman of the audit committee. Dr Nkosana Moyo and Ms Albertinah Kekana, both non-executive directors, and Ms Brenda Berlin, executive director and chief financial officer, all resigned from the Board during the year under review. The Board extends its sincere appreciation for their dedicated contribution.

Several new appointments were made during the year and in the period immediately after year-end: Mr Udo Lucht was appointed as a non-executive director, Ms Lee-Ann Samuel joined Implats as an executive director responsible for human resources, Ms Dawn Earp was appointed as an independent non-executive director and chairman of the audit committee, Mr Preston Speckmann was appointed as an independent non-executive director and member of the audit committee, and Ms Meroonisha Kerber joined Implats as chief financial officer and executive director.

Approval of the financial statements

The summarised financial statements is extracted from the audited information, but is not itself audited. The directors of the Company take full responsibility for the preparation of the summarised financial statements for the period ended 30 June 2018 and that the financial information has been correctly extracted from the underlying consolidated financial statements.

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation of the consolidated financial statements and related information in a manner that fairly presents the state of the affairs of the Company. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and responsible disclosure in line with the accounting policies of the Group which are supported by prudent judgements and estimates.

The consolidated financial statements have been prepared under the supervision of the acting chief financial officer Mr B Jager, CA(SA).

The directors are also responsible for the maintenance of effective systems of internal control which are based on established organisational structure and procedures. These systems are designed to provide reasonable assurance as to the reliability of the consolidated financial statements, and to prevent and detect material misstatement and loss.

The consolidated financial statements have been prepared on a going-concern basis as the directors believe that the Company and the Group will continue to be in operation in the foreseeable future.

The consolidated financial statements have been approved by the board of directors and are signed on their behalf by:

MSV Gantsho
Chairman

NJ Muller
Chief executive officer

Johannesburg
13 September 2018

Consolidated statement of financial position

for the year ended 30 June 2018

	Notes	2018 Rm	2017 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	6	**36 045**	47 798
Exploration and evaluation assets		**–**	385
Investment property		**90**	89
Investment in equity-accounted entities	7	**4 317**	3 316
Deferred tax		**4 757**	389
Available-for-sale financial assets		**198**	179
Other financial assets		**175**	148
		45 582	52 304
Current assets			
Inventories	8	**11 745**	8 307
Trade and other receivables		**4 409**	3 736
Other financial assets		**3**	2
Prepayments		**724**	1 293
Cash and cash equivalents		**3 705**	7 839
		20 586	21 177
Total assets		**66 168**	73 481
EQUITY AND LIABILITIES			
Equity			
Share capital		**20 491**	20 000
Retained earnings		**12 302**	22 982
Foreign currency translation reserve		**4 324**	3 746
Other components of equity		**96**	79
Equity attributable to owners of the Company		**37 213**	46 807
Non-controlling interest		**2 380**	2 425
Total equity		**39 593**	49 232
LIABILITIES			
Non-current liabilities			
Provision for environmental rehabilitation		**1 225**	1 099
Deferred tax		**5 485**	4 390
Borrowings	9	**7 925**	8 373
Derivative financial instruments	10	**50**	1 233
Sundry liabilities		**285**	356
		14 970	15 451
Current liabilities			
Trade and other payables		**8 086**	6 902
Current tax payable		**992**	702
Borrowings	9	**2 427**	1 088
Sundry liabilities		**100**	106
		11 605	8 798
Total liabilities		**26 575**	24 249
Total equity and liabilities		**66 168**	73 481

The notes on pages 23 to 32 are an integral part of these summarised financial statements.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2018

	Notes	2018 Rm	2017 Rm
Revenue		**35 854**	36 841
Cost of sales	11	**(34 277)**	(37 370)
Gross profit/(loss)		**1 577**	(529)
Other operating income		**180**	1 191
Other operating expenses		**(944)**	(325)
Impairment	12	**(13 629)**	(10 229)
Royalty expense		**(350)**	(561)
Loss from operations		**(13 166)**	(10 453)
Finance income		**350**	411
Finance cost		**(1 051)**	(811)
Net foreign exchange transaction (losses)/gains		**(662)**	154
Other income		**1 404**	398
Other expenses		**(300)**	(883)
Share of profit of equity-accounted entities		**383**	496
Loss before tax		**(13 042)**	(10 688)
Income tax credit		**2 249**	2 590
Loss for the year		**(10 793)**	(8 098)
Other comprehensive income/(loss), comprising items that may subsequently be reclassified to profit or loss:			
Available-for-sale financial assets		**19**	14
Deferred tax thereon		**(3)**	(3)
Share of other comprehensive income/(loss) of equity-accounted entities		**108**	(219)
Deferred tax thereon		**(11)**	22
Exchange differences on translating foreign operations		**650**	(1 555)
Deferred tax thereon		**(84)**	203
Other comprehensive income/(loss), comprising items that will not be subsequently reclassified to profit or loss:			
Actuarial (loss)/gain on post-employment medical benefit		**(1)**	2
Deferred tax thereon		**–**	–
Total comprehensive loss		**(10 115)**	(9 634)
(Loss)/profit attributable to:			
Owners of the Company		**(10 679)**	(8 220)
Non-controlling interest		**(114)**	122
		(10 793)	(8 098)
Total comprehensive loss attributable to:			
Owners of the Company		**(10 070)**	(9 554)
Non-controlling interest		**(45)**	(80)
		(10 115)	(9 634)
Loss per share (cents per share)			
Basic		**(1 486)**	(1 145)
Diluted		**(1 486)**	(1 145)

The notes on pages 23 to 32 are an integral part of these summarised financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2018

	Ordinary shares Rm	Share premium Rm	Share-based payment reserve Rm
Balance at 30 June 2017	**18**	**17 614**	**2 368**
Bond conversion option (note16.6)	**–**	**450**	**–**
Shares purchased – Long-Term Incentive Plan (note 13)	**–**	**(78)**	**–**
Share-based compensation expense	**–**	**–**	**119**
Total comprehensive (loss)/income	**–**	**–**	**–**
Loss for the year	**–**	**–**	**–**
Other comprehensive income/(loss)	**–**	**–**	**–**
Dividends	**–**	**–**	**–**
Balance at 30 June 2018	**18**	**17 986**	**2 487**
Balance at 30 June 2016	18	17 252	2 277
Shares issued (note 13)			
– Employee Share Ownership Programme	–	479	–
Conversion option settlement (note16.4)	–	(79)	–
Shares purchased – Long-Term Incentive Plan (note 13)	–	(38)	–
Share-based compensation expense	–	–	91
Total comprehensive income/(loss)	–	–	–
(Loss)/profit for the year	–	–	–
Other comprehensive income/(loss)	–	–	–
Transaction with non-controlling interest	–	–	–
Dividends	–	–	–
Balance at 30 June 2017	18	17 614	2 368

The table above excludes the treasury shares.

The notes on pages 23 to 32 are an integral part of these summarised financial statements.

	Total share capital Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Other components of equity Rm	Attributable to: Owners of the Company Rm	Attributable to: Non-controlling interest Rm	Total equity Rm
	20 000	22 982	3 745	80	46 807	2 425	49 232
	450	–	–	–	450	–	450
	(78)	–	–	–	(78)	–	(78)
	119	–	–	–	119	–	119
	–	(10 680)	579	16	(10 085)	(30)	(10 115)
	–	(10 679)	–	–	(10 679)	(114)	(10 793)
	–	(1)	579	16	594	84	678
	–	–	–	–	–	(15)	(15)
	20 491	12 302	4 324	96	37 213	2 380	39 593
	19 547	31 200	5 092	69	55 908	2 548	58 456
	479	–	–	–	479	–	479
	(79)	–	–	–	(79)	–	(79)
	(38)	–	–	–	(38)	–	(38)
	91	–	–	–	91	–	91
	–	(8 218)	(1 347)	11	(9 554)	(80)	(9 634)
	–	(8 220)	–	–	(8 220)	122	(8 098)
	–	2	(1 347)	11	(1 334)	(202)	(1 536)
	–	–	–	–	–	11	11
	–	–	–	–	–	(54)	(54)
	20 000	22 982	3 745	80	46 807	2 425	49 232

Consolidated statement of cash flows

for the year ended 30 June 2018

	Notes	2018 Rm	2017 Rm
Cash flows from operating activities			
Cash generated from operations	13	**2 364**	3 049
Exploration costs		**(4)**	(8)
Finance cost		**(1 025)**	(716)
Income tax paid		**(1 336)**	(1 312)
Net cash (used in)/from operating activities		**(1)**	1 013
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4 667)**	(3 432)
Proceeds from sale of property, plant and equipment		**26**	49
Purchase of investment property		**(1)**	–
Acquisition of interest in associate – Waterberg	7	**(425)**	–
Purchase of available-for-sale financial assets		**–**	(7)
Interest received from held-to-maturity financial assets		**3**	7
Loans granted		**–**	(1)
Loan repayments received		**–**	15
Finance income		**182**	426
Dividends received from equity-accounted investments		**253**	279
Net cash used in investing activities		**(4 629)**	(2 664)
Cash flows from financing activities			
Issue of ordinary shares, net of transaction cost		**–**	479
Shares purchased – Long-Term Incentive Plan		**(78)**	(38)
Repayments of borrowings		**(999)**	(4 593)
Cash from CCIRS		**–**	728
Proceeds from borrowings net of transaction costs		**1 500**	6 278
Dividends paid to non-controlling interest		**(15)**	(54)
Net cash from financing activities		**408**	2 800
Net (decrease)/increase in cash and cash equivalents		**(4 222)**	1 149
Cash and cash equivalents at the beginning of the year		**7 839**	6 788
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		**88**	(98)
Cash and cash equivalents at the end of the year		**3 705**	7 839

The notes on pages 23 to 32 are an integral part of these summarised financial statements

Notes to the consolidated financial information

for the year ended 30 June 2018

1. General information

Impala Platinum Holdings Limited (Implats, Group or Company) is one of the world's foremost producer of platinum and associated Platinum Group Metals (PGMs). Implats is currently structured around five main operations with a total of 20 underground shafts. The operations are located within the Bushveld Complex in South Africa and the Great Dyke in Zimbabwe, the two most significant PGM-bearing ore bodies in the world.

The Company has its listing on the securities exchange operated by JSE Limited in South Africa, the Frankfurt Stock Exchange (2022 US$ convertible bonds) and a level 1 American Depository Receipt programme in the United States of America.

The summarised consolidated financial information was approved for issue on 13 September 2018 by the board of directors.

2. Audit opinion

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office and on the Company's website.

The directors take full responsibility for the preparation of the summarised consolidated financial statements and that the financial information has been correctly extracted from the underlying annual financial statements.

3. Basis of preparation

The summarised consolidated financial statements for the year ended 30 June 2018 have been prepared in accordance with the JSE Limited Listings Requirements (Listings Requirements) and the requirements of the Companies Act, Act 71 of 2008 applicable to summarised financial statements. The Listings Requirements require financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and contain the information required by IAS 34 Interim Financial Reporting.

The summarised consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 30 June 2018, which have been prepared in accordance with IFRS.

The summarised consolidated financial information has been prepared under the historical cost convention except for certain financial assets, financial liabilities and derivative financial instruments which are measured at fair value and liabilities for cash-settled share-based payment arrangements which are measured using a binomial option model.

The summarised consolidated financial information is presented in South African rand, which is the Company's functional currency.

4. Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with those of the previous annual financial statements. The following new standards and amendments to standards have become effective or have been early adopted by the Group as from 1 July 2017 without any significant impact:

- IAS 19 – Employee benefits
- Improvements to IFRS Standards 2015-2017 Cycle
- IAS 28 – Investments in Associates and Joint Ventures

5. Segment information

The Group distinguishes its segments between the different mining operations, refining services, chrome processing and an 'all other segment'.

Management has determined the operating segments based on the business activities and management structure within the Group.

Capital expenditure comprises additions to property, plant and equipment (note 6).

The reportable segments' measure of profit or loss is profit after tax. This is reconciled to the entities consolidated profit after tax.

Impala mining segment's two largest sales customers amounted to 11% and 8% of total sales (June 2017: 12% and 10%).

	2018		2017	
	Revenue Rm	Profit/(loss) after tax Rm	Revenue Rm	Profit/(loss) after tax Rm
Mining				
– Impala	**13 255**	**(12 332)**	14 604	(9 860)
– Zimplats	**7 485**	**40**	7 038	576
– Marula	**2 357**	**(30)**	1 616	(732)
Impala Refining Services	**22 044**	**1 210**	21 711	1 292
Impala Chrome	**226**	**47**	432	127
All other segments	**–**	**(117)**	–	29
Inter-segment revenue	**(9 513)**	**–**	(8 560)	–
Total segmental revenue/loss after tax	**35 854**	**(11 182)**	36 841	(8 568)
Reconciliation:				
Share of profit of equity-accounted entities		**383**		496
Unrealised profit in stock consolidation adjustment		**(211)**		(51)
IRS pre-production realised on Group		**217**		42
Net realisable value adjustment made on consolidation		**–**		(17)
Total consolidated loss after tax		**(10 793)**		(8 098)

5. Segment information

	2018		2017	
	Capital expenditure Rm	Total assets Rm	Capital expenditure Rm	Total assets Rm
Mining				
– Impala	**2 766**	**29 936**	2 472	35 696
– Zimplats	**1 739**	**20 612**	864	18 353
– Marula	**101**	**3 796**	113	3 393
Impala Refining Services	**–**	**8 334**	–	8 402
Impala Chrome	**–**	**150**	1	161
All other segments	**–**	**34 778**	(16)	32 257
Total	**4 606**	**97 606**	3 434	98 262
Inter-company accounts eliminated		**(34 869)**		(26 279)
Investments in equity-accounted entities		**4 317**		3 316
Unrealised profit in stock, NRV and other adjustments to inventory		**(886)**		(736)
Impala segment bank overdraft taken to cash		**–**		(1 091)
Other		**–**		9
Total consolidated assets		**66 168**		73 481

6. Property, plant and equipment

	2018 Rm	2017 Rm
Opening net book amount	**47 798**	49 722
Capital expenditure	**4 606**	3 434
Interest capitalised	**61**	–
Disposals	**(26)**	(22)
Depreciation (note 10)	**(3 838)**	(3 702)
Impairment	**(13 244)**	–
Rehabilitation adjustment	**(34)**	16
Exchange adjustment on translation	**722**	(1 650)
Closing net book amount	**36 045**	47 798
Capital commitment		
Commitments contracted for	**1 703**	1 636
Approved expenditure not yet contracted	**8 071**	5 364
	9 774	7 000
Less than one year	**4 017**	4 338
Between one and five years	**5 757**	2 662
	9 774	7 000

This expenditure will be funded internally and, if necessary, from borrowings.

7. Investment in equity-accounted investments

	2018 Rm	2017 Rm
Summary balances		
Joint ventures		
Mimosa	**2 268**	1 961
Associates		
Two Rivers	**1 528**	1 260
Makgomo Chrome	**78**	70
Friedshelf	**33**	25
Waterberg	**410**	–
Total investment in equity-accounted entities	**4 317**	3 316
Summary movement		
Beginning of the period	**3 316**	3 342
Acquisition of interest in associate – Waterberg	**425**	–
Share of profit	**473**	472
Gain – Two Rivers change of interest	**248**	–
Share of other comprehensive income/(loss)	**108**	(219)
Dividends received	**(253)**	(279)
End of the period	**4 317**	3 316
Share of equity-accounted entities is made up as follows:		
Share of profit	**473**	472
Movement in unrealised profit in stock	**(90)**	24
Total share of profit of equity-accounted entities	**383**	496

8. Inventories

	2018 Rm	2017 Rm
Mining metal		
Refined metal	**1 381**	350
In-process metal	**4 585**	2 977
	5 966	3 327
Non-mining metal		
Refined metal	**776**	993
In-process metal	**4 120**	3 252
	4 896	4 245
Stores and materials inventories	**883**	735
Total carrying amount	**11 745**	8 307

The write-down to net realisable value comprises R250 million (2017: R78 million) for refined mining metal and R1 268 million (2017: R948 million) for in-process mining metal.

Included in refined metal is ruthenium on lease to third parties of 45 000 (2017: 36 000) ounces.

Changes in engineering estimates of metal contained in-process resulted in an increase of in-process metal of R435 (2017: R376) million.

Non-mining metal consists of inventory held by Impala Refining Services. No inventories are encumbered.

9. Borrowings

	Notes	2018 Rm	2017 Rm
Standard Bank Limited – BEE partners Marula		**887**	889
Standard Bank Limited – Zimplats term loan		**1 167**	1 111
Standard Bank Limited – Zimplats revolving credit facility		**–**	314
Convertible bonds – ZAR (2018)	9.1	**–**	303
Convertible bonds – US$ (2018)	9.2	**–**	380
Convertible bonds – ZAR (2022)	9.3	**2 631**	2 516
Convertible bonds – US$ (2022)	9.4	**2 858**	2 609
Revolving credit facility	9.5	**1 510**	–
Finance leases		**1 299**	1 339
		10 352	9 461
Current		**2 427**	1 088
Non-current		**7 925**	8 373
Beginning of the year		**9 461**	9 279
Proceeds		**1 500**	6 278
Interest accrued		**928**	664
Interest repayments		**(689)**	(533)
Capital repayments		**(999)**	(4 593)
Conversion option on 2022 Bonds		**–**	(1 156)
Loss on settlement of 2018 Bonds		**–**	8
Exchange adjustment		**151**	(486)
End of the year		**10 352**	9 461

9.1 Convertible bonds – ZAR (2018)

The remaining balance of the ZAR denominated bonds was repaid on 21 February 2018. The effective interest rate was 8.5% (2017: 8.5%).

9.2 Convertible bonds – US$ (2018)

The remaining balance of the US$ denominated bonds was repaid on 21 February 2018. The effective interest rate was 3.1% (2017: 3.1%).

9.3 Convertible bonds – ZAR (2022) (note 10.3)

The ZAR denominated bonds have a par value of R3 250 million and carry a coupon of 6.375% (R207.2 million) per annum. The coupon is payable semi-annually for a period of five years ending 7 June 2022. The bond holder has the option to convert the bonds to Implats' shares at a price of R50.01. The value of this conversion option derivative was R676 million on issue. At the general meeting held by shareholders, shareholders' approval to settle this option by means of Implats' shares was obtained, which has resulted in the bond being accounted for as a compound instrument and resulted in the derivative being transferred into equity. Implats has the option to call the bonds at par plus accrued interest at any time if the aggregate value of the underlying shares per bond for a specified period of time is 130% or more of the principal amount of that bond. The effective interest rate of the bond is 12.8%.

9.4 Convertible bonds – US$ (2022) (note 10.2)

The US$ denominated bonds have a par value of US$250 million and carry a coupon of 3.25% (US$8.1 million) per annum. The coupon is payable semi-annually for a period of five years ending 7 June 2022. The bond holder has the option to convert the bonds to Implats' shares at a price of US$3.89. The value of this conversion option derivative was R559 million at initial recognition. Implats has the option to call the bonds at par plus accrued interest at any time if the aggregate value of the underlying shares per bond for a specified period of time is 130% or more of the principal amount of that bond. The effective interest rate is 8.38%. (Refer note 10 for additional information regarding the conversion option and the CCIRS entered into to hedge foreign exchange risk on this bond.)

9.5 Revolving credit facility

During the current year, Implats drew down R1 500 million on the Standard bank facility. The facility bears interest at 10.2%. The facility expires end of 2021.

10. Derivative financial instrument

Liability	Notes	2018 Rm	2017 Rm
Cross-Currency Interest Rate Swap (CCIRS) (2022)	10.1	–	49
Conversion option – US$ convertible bond (2022)	10.2	**50**	547
Conversion option – ZAR convertible bond (2022)	10.3	–	637
		50	1 233

10.1 Cross-Currency Interest Rate Swap (CCIRS) (2022)

Implats entered into a CCIRS amounting to US$250 million to hedge the foreign exchange risk on the US$ convertible bond, being: exchange rate risk on the dollar interest payments and the risk of a future cash settlement of the bonds at a rand-dollar exchange rate weaker than R13.025/US$. US$250 million was swapped for R3 256 million on which Implats pays a fixed interest rate to Standard Bank of 9.8%. Implats receives the 3.25% coupon on the US$250 million on the same date which Implats pays-on externally to the bond holders and the interest thereon. In June 2022, Implats will receive US$250 million for a payment of R3 256 million.

The CCIRS is carried at its fair value of R21 million asset (2017: R49 million liability). No hedge accounting has been applied.

10.2 Conversion option – US$ convertible bond (2022) (note 9.4)

The US$ bond holders have the option to convert the bonds to Implats shares at a price of US$3.89. The conversion option was valued at its fair value of R50 (June 2017: R547) million at year end, resulting in a R497 million profit for the period in other income.

10.3 Conversion option – ZAR convertible bond (2022) (note 9.3)

The ZAR bond holders have the option to convert the bonds to Implats shares at a price of R50.01. The conversion option was accounted for in equity, upon receipt of shareholders approval to settle this option by means of Implats shares, at a fair value of R625 million, resulting in a R12 million profit for the period in other income.

11. Cost of sales

	2018 Rm	2017 Rm
On-mine operations	**16 392**	16 341
Processing operations	**5 340**	5 055
Refining and selling	**1 522**	1 378
Corporate costs	**710**	736
Share-based compensation	**82**	88
Chrome operation – cost of sales	**146**	186
Depreciation of operating assets	**3 838**	3 702
Metals purchased	**9 651**	10 030
Change in metal inventories	**(3 404)**	(146)
	34 277	37 370

12. Impairment

	2018 Rm	2017 Rm
Impairment of non-financial assets was made up of the following:		
Prepaid royalty	**–**	10 149
Property, plant and equipment	**13 244**	–
Exploration and evaluation assets	**385**	–
Investment property	**–**	80
	13 629	10 229

Refer to commentary on pages 3 to 16 as well as the annual financial statements notes 3 and 4 for more detail regarding the impairments.

13. Cash generated from operations

	2018 Rm	2017 Rm
Profit/(loss) before tax	**(13 042)**	(10 688)
Adjustments for:		
Depreciation	**3 838**	3 702
Finance cost	**1 051**	811
Impairment	**13 629**	10 229
Other	**(51)**	(283)
	5 425	3 771
Cash movements from changes in working capital:		
Inventory	**(4 247)**	(593)
Receivables/payables	**1 186**	(129)
Cash generated from operations	**2 364**	3 049

14. Headline earnings

	2018 Rm	2017 Rm
Headline earnings attributable to equity holders of the Company arise from operations as follows:		
Loss attributable to owners of the Company	**(10 679)**	(8 220)
Remeasurement adjustments:		
Profit on disposal of property, plant and equipment	**–**	(24)
Impairment	**13 629**	10 229
Gain – Two Rivers change in interest	**(248)**	–
Insurance compensation relating to scrapping of property, plant and equipment	**–**	(154)
Total non-controlling interest effects of adjustments	**(159)**	–
Total tax effects of adjustments	**(3 771)**	(2 814)
Headline loss	**(1 228)**	(983)
Weighted average number of ordinary shares in issue for basic earnings per share (millions)	**718.55**	718.04
Weighted average number of ordinary shares for diluted earnings per share (millions)	**722.11**	721.79
Headline loss per share (cents)		
Basic	**(171)**	(137)
Diluted	**(171)**	(137)

15. Contingent liabilities and guarantees

As at the end of June 2018 the Group had contingent liabilities in respect of guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. The Group has issued guarantees of R109 (2017: R118) million. Guarantees of R1 477 (2017: R1 396) million have been issued by third parties and financial institutions on behalf of the Group consisting mainly of guarantees to the Department of Mineral Resources for R1 355 (2017: R 1 277) million.

16. Related party transactions

The Group entered into PGM purchase transactions of R3 749 (June 2017: R3 745) million with Two Rivers Platinum, an associate company, resulting in a payable of R1 145 (June 2017: R1 034) million at year end. It received refining fees to the value of R33 (June 2017: R32) million.

The Group previously entered into sale and leaseback transactions with Friedshelf, an associate company. At the end of the period, an amount of R1 192 (June 2017: R1 215) million was outstanding in terms of the lease liability. During the period, interest of R125 (June 2017: R130) million was charged and a R148 (June 2017: R147) million repayment was made. The finance leases have an effective interest rate of 10.2%.

The Group entered into PGM purchase transactions of R3 372 (June 2017: R3 199) million with Mimosa, a joint venture, resulting in a payable of R965 (June 2017: R844) million at year end. It received refining fees to the value of R285 (June 2017: R317) million.

These transactions are entered into on an arm's-length basis at prevailing market rates.

Fixed and variable key management compensation was R67 (June 2017: R60) million.

17. Financial Instruments

	2018 Rm	2017 Rm
Financial assets – carrying amount		
Loans and receivables	**6 295**	9 943
Financial instruments at fair value through profit and loss[2]	**21**	–
Held-to-maturity financial assets	**73**	70
Available-for-sale financial assets[1]	**198**	179
Total financial assets	**6 587**	10 192
Financial liabilities – carrying amount		
Financial liabilities at amortised cost	**16 967**	14 832
Borrowings	**10 352**	9 461
Other financial liabilities	**69**	74
Trade payables	**6 535**	5 289
Other payables	**11**	8
Financial instruments at fair value through profit and loss[2]	**50**	1 233
Total financial liabilities	**17 017**	16 065

The carrying amount of financial assets and liabilities approximate their fair values.

[1] *Level 1 of the fair value hierarchy – Quoted prices in active markets for the same instrument.*
[2] *Level 2 of the fair value hierarchy – Valuation techniques for which significant inputs are based on observable market data.*

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