MORE THAN> MINING

CONDENSED CONSOLIDATED
INTERIM RESULTS
FOR THE SIX MONTHS ENDED
30 JUNE 2014

ROYAL BAFOKENG
PLATINUM
MORE THAN MINING

AN OVERVIEW OF OUR BUSINESS

OUR STRATEGY

The four pillars of our strategy are designed to deliver earnings and growth for all our stakeholders through responsible safe mining. We measure our progress against these strategies by continually monitoring our performance against our key financial and non-financial performance indicators.

Our strategies are underpinned by our aspiration of achieving *More than mining.*

OUR VISION AND MISSION

> To seek and deliver the good from mining
> To leave a lasting legacy of sustainable benefits for our stakeholders

OUR PURPOSE

> To create economic value for all our stakeholders

OUR VALUE CHAIN

> Exploration
> Project development
> Mining
> Concentrate production
> People development
> Suppliers
> Refiners of our PGM concentrate and marketers of the end product
> Purchasers of PGMs in the form of ETFs, the automotive, jewellery, electronic, chemical, dental and medical industries

PERFORMANCE

ACHIEVEMENTS

SIGNING OF LONG-TERM WAGE AGREEMENT ON 16 JULY 2014
WITHOUT INDUSTRIAL ACTION

3% INCREASE
IN PRODUCTION TO 134 229 PGM OUNCES (4E)

18% INCREASE
IN REVENUE TO R1.8 BILLION

33% INCREASE
IN HEADLINE EARNINGS PER SHARE TO 116 CENTS

CASH ON HAND OF R2.2 BILLION

CHALLENGES

7.2% INCREASE
IN CASH OPERATING COST PER TONNE TO R983

8.5% INCREASE
IN CASH OPERATING COST PER 4E OUNCE TO R8 288

DISAPPOINTMENTS

6.3% INCREASE
IN SERIOUS INJURY FREQUENCY RATE TO 0.34

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

R (million)	Notes	30 June 2014 Reviewed	30 June 2013 Reviewed	31 December 2013 Audited
Assets				
Non-current assets		19 150.4	18 204.6	18 558.4
Property, plant and equipment		10 185.4	9 188.0	9 567.9
Mining rights		6 553.9	6 617.2	6 583.7
Goodwill		2 275.1	2 275.1	2 275.1
Environmental trust deposit		111.5	99.7	106.8
Deferred tax asset		24.5	24.6	24.9
Current assets		3 797.6	2 223.3	2 259.1
Employee housing assets	4	93.4	–	46.5
Inventories		62.1	46.4	35.5
Trade and other receivables		1 427.3	1 184.3	1 404.2
Held-to-maturity investments		–	253.8	–
Current tax receivable		4.9	0.5	–
Cash and cash equivalents		2 209.9	738.3	772.9
Total assets		22 948.0	20 427.9	20 817.5
Equity and liabilities				
Share capital		1.9	1.7	1.7
Share premium		9 317.9	7 801.2	7 808.9
Retained earnings		4 096.9	3 749.2	3 889.8
Other reserves		158.2	139.0	157.7
Non-controlling interest		4 243.4	4 049.7	4 128.2
Total equity		17 818.3	15 740.8	15 986.3
Non-current liabilities		4 475.2	4 257.5	4 331.6
Deferred tax liability		4 390.0	4 192.5	4 262.0
Employee housing facility		12.9	–	–
Long-term provisions		72.3	65.0	69.6
Current liabilities		654.5	429.6	499.6
Trade and other payables		654.5	429.1	499.4
Current income tax		–	0.5	0.2
Total equity and liabilities		22 948.0	20 427.9	20 817.5

The notes on pages 8 to 10 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2014

		For the six months ended			Year ended
R (million)	Notes	30 June 2014 Reviewed	30 June 2013 Reviewed	% change	31 December 2013 Audited
Revenue	9	1 826.5	1 548.0	18.0	3 251.1
Cost of sales	10	(1 337.6)	(1 222.8)	(9.4)	(2 650.1)
Cost of sales excluding depreciation and amortisation		(1 158.5)	(1 051.9)	(10.1)	(2 223.2)
Depreciation and amortisation		(200.9)	(186.2)	(7.9)	(433.5)
Increase in inventories		21.8	15.3	42.5	6.6
Gross profit		488.9	325.2	50.3	601.0
Other income		8.2	31.7	(74.1)	77.5
Administration expenses		(77.9)	(61.4)	(26.9)	(105.0)
Finance income		41.2	22.3	84.8	42.7
Finance cost		(3.0)	(1.8)	(66.7)	(3.7)
Profit before tax		457.4	316.0	44.7	612.5
Income tax expense		(135.1)	(87.3)	(54.8)	(164.7)
Income tax		(6.7)	(7.4)	9.5	(15.6)
Deferred tax		(128.4)	(79.9)	(60.7)	(149.1)
Net profit for the period		322.3	228.7	40.9	447.8
Other comprehensive income		–	–	–	–
Total comprehensive income		322.3	228.7	40.9	447.8
Attributable to owners of the Company		207.1	143.6	44.2	284.2
Attributable to non-controlling interest		115.2	85.1	35.4	163.6
Basic EPS (cents/share)	8	116.0	87.4	32.7	172.9
Diluted EPS (cents/share)	8	115.8	87.3	32.6	172.8
HEPS (cents/share)	8	116.0	87.2	33.0	172.7

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2014

	Number of ordinary shares	Ordinary shares R (million)	Share premium R (million)	Share-based payment reserve R (million)	Retained earnings R (million)	Attributable to owners of the Company R (million)	Non-controlling interest R (million)	Total R (million)
Balance at 1 January 2013	164 150 804	1.7	7 789.0	119.7	3 605.6	11 516.0	3 964.6	15 480.2
Mahube ordinary shares vested 31 March 2013	187 971	–	12.2	(12.2)	–	–	–	–
Share-based payment charge for the six months	–	–	–	31.5	–	31.5	–	31.5
Total comprehensive income	–	–	–	–	143.6	143.6	85.1	228.7
Balance at 30 June 2013 (reviewed)	164 338 775	1.7	7 801.2	139.0	3 749.2	11 691.1	4 049.7	15 740.8
Share-based payment charge for the six months	–	–	–	26.4	–	26.4	–	26.4
2013 retrenchments (BSP early vesting)	43 044	–	2.6	(2.6)	–	–	–	–
2010 BSP shares vested in December 2013	77 843	–	5.1	(5.1)	–	–	–	–
Total comprehensive income	–	–	–	–	140.6	140.6	78.5	219.1
Balance at 31 December 2013 (audited)	164 459 662	1.7	7 808.9	157.7	3 889.8	11 858.1	4 128.2	15 986.3
Share-based payment charge for the six months	–	–	–	29.8	–	29.8	–	29.8
Mahube ordinary shares vested 31 March 2014	187 971	–	12.2	(12.2)	–	–	–	–
2011 BSP shares vested in March/April 2014	263 029	–	17.1	(17.1)	–	–	–	–
Issue of shares – book build	11 290 323	0.1	699.9	–	–	700.0	–	700.0
Issue of shares – rights offer	14 545 455	0.1	799.9	–	–	800.0	–	800.0
Costs relating to issue of shares capitalised	–	–	(21.5)	–	–	(21.5)	–	(21.5)
Rights followed on treasury shares	–	–	(6.5)	–	–	(6.5)	–	(6.5)
Share options exercised	–	–	7.9	–	–	7.9	–	7.9
Total comprehensive income	–	–	–	–	207.1	207.1	115.2	322.3
Balance at 30 June 2014 (reviewed)	**190 746 440**	**1.9**	**9 317.9**	**158.2**	**4 096.9**	**13 574.9**	**4 243.4**	**17 818.3**

The notes on pages 8 to 10 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2014

R (million)	For the six months ended 30 June 2014 Reviewed	30 June 2013 Reviewed	% change	Year ended 31 December 2013 Audited
Cash generated by operations	**747.4**	515.7	44.9	875.8
Interest paid	**(0.8)**	–	(100.0)	–
Interest received	**35.2**	16.4	114.6	31.1
Dividend received	**5.7**	12.7	(55.1)	18.3
Tax paid	**(11.0)**	(9.4)	17.0	(17.4)
Net cash flow generated by operating activities	**776.5**	535.4	45.0	907.8
Proceeds from disposal of PPE	**–**	0.4	(100.0)	0.3
Acquisition of PPE	**(784.0)**	(445.9)	(75.8)	(1 036.6)
Acquisition of employee housing assets	**(46.9)**	–	(100.0)	–
Decrease in held-to-maturity investments	**–**	–	–	253.9
Increase in environmental trust deposit	**–**	(1.5)	100.0	(2.4)
Net cash flow utilised by investing activities	**(830.9)**	(447.0)	(85.9)	(784.8)
Issued ordinary shares net of costs	**1 478.5**	–	–	–
Increase in employee housing facility	**12.9**	–	–	–
Net cash flow generated by financing activities	**1 491.4**	–	100	–
Net increase in cash and cash equivalents	**1 437.0**	88.4	1 525.6	123.0
Cash and cash equivalents at beginning of period	**772.9**	649.9	18.9	649.9
Cash and cash equivalents at end of period	**2 209.9**	738.3	199.3	772.9

The notes on pages 8 to 10 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six months ended 30 June 2014

1. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

2. Accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention. The principal accounting policies used by the Group are consistent with those of the previous period, except for the adoption of various revised and new standards. The adoption of these standards had no material impact on the financial results for this review period.

3. Independent review by the auditors

These condensed consolidated interim financial statements have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified conclusion thereon. A copy of the auditor's report on the condensed consolidated interim financial statements is available for inspection at the company's registered office, together with the financial statements identified in the auditor's report. The preparation of these interim financial statements was supervised by the Finance Director, Mr MJL Prinsloo, CA(SA).

4. Employee housing assets

A non-cash acquisition of R46.5 million (excluding VAT) relating to the first 106 houses of Phase 1 of the RBPlat housing project that RBPlat took ownership of in 2013 was classified as non-current assets included in property, plant and equipment in the 2013 Integrated Annual Report ("IAR"). The intention of when these houses will be sold to employees was not clear at the time of finalisation of the 2013 IAR and has since been clarified. As the intention is to sell these houses to employees within a 12-month period, employee housing assets have been reclassified as current assets.

5. Capital commitments

Capital commitments relate to the Styldrift I and BRPM Phase III projects (2013 included BRPM Phase II).

For the period ended R (million)	**Reviewed 30 June 2014**	Reviewed 30 June 2013
Contracted commitments	**1 012.5**	729.4
Approved expenditure not yet contracted for	**5 648.0**	7 647.5
	6 660.5	8 376.9

The capital commitments reflect 100% of the BRPM JV project commitments. Effectively RBPlat must fund 67% thereof and Rustenburg Platinum Mines Ltd (RPM) the remaining 33%.

Should either party elect not to fund their share, their interest will be diluted according to the terms of the BRPM JV agreement.

6. Contingencies

6.1 Guarantees

For the period ended R (million)	**Reviewed 30 June 2014**	Reviewed 30 June 2013
Eskom guarantee to secure power supply for the Styldrift I Project	**17.1**	17.1
Eskom early termination guarantee for the Styldrift I Project	**17.5**	17.5
Eskom connection charges guarantee for the Styldrift I Project	**40.0**	40.0
Anglo American Platinum guarantee for environmental rehabilitation liability	**77.5**	77.5
Rental guarantee	**0.4**	0.4
Employee housing guarantee	**93.5**	200.0
	246.0	352.5

6.2 Tax contingency

On 19 February 2014 Royal Bafokeng Resources (Pty) Ltd (RBR) received revised assessments from the South African Revenue Services (SARS) for the 2008, 2009 and 2010 years relating primarily to SARS not allowing the deduction of interest on shareholders' loans amounting to R586 million previously deducted by RBR and allowed by SARS in the 2008 and 2009 income tax assessments. These revised assessments amounted to R437.5 million comprising income tax of R106 million, penalties of R246.4 million and interest of R85.1 million payable within seven days from 19 February 2014. RBR lodged an objection against these assessments and submitted an application to suspend payment of taxes in terms of section 164(2) of the Tax Administration Act. Based upon independent advice and consultation to date, RBR remains confident that it has a reasonable prospect of successfully defending this matter.

7. Available funds

RBPlat had cash and near cash investments on hand at 30 June 2014 of R2 209.9 million. The Group has an intra-month funding working capital requirement which is met through a R458 million working capital facility of which R246 million had been utilised for guarantees at 30 June 2014. At 30 June 2014, the R1 billion revolving credit facility was undrawn.

At 30 June 2014, 213 houses of Phase 1 of the RBPlat housing project were handed over to RBPlat and paid for. This amounted to a cost of R106.5 million of which R12.9 million was funded from the employee housing facility and R93.6 million from RBPlat cash resources in order to minimise the interest cost on the employee housing facility.

8. Basic and headline earnings

The reconciliation between basic and headline earnings is shown below:

For the period ended	**Reviewed 30 June 2014**	Reviewed 30 June 2013
Basic earnings – profit attributable to owners of the Company R (million)	**207.1**	143.6
Adjustments net of tax:		
Profit on disposal of property, plant and equipment R (million)	**–**	(0.4)
Headline earnings R (million)	**207.1**	143.2
Weighted average number of ordinary shares in issue for basic and headline earnings per share	**178 530 999**	164 291 783
Basic earnings per share (cents/share)	**116.0**	87.4
Diluted earnings per share (cents/share)	**115.8**	87.3
Headline earnings per share (cents/share)	**116.0**	87.2
Diluted headline earnings per share (cents/share)	**115.8**	87.1

9. Revenue

R (million)		
Concentrate sales – production from BRPM concentrator	**1 619.3**	1 449.7
UG2 toll concentrate sales	**207.2**	98.3
	1 826.5	1 548.0

10. Cost of sales

R (million)		
Labour	**408.9**	371.4
Utilities	**90.3**	82.9
Contractor costs	**256.0**	231.0
Materials and other mining costs	**331.3**	280.4
Materials and other mining costs – BRPM JV	**353.9**	302.8
Elimination of intergroup charges	**(22.6)**	(22.4)
Movement in inventories	**(21.8)**	(15.3)
Depreciation	**171.1**	158.5
Amortisation	**29.8**	27.7
Share-based payment expense	**15.2**	20.0
Social and labour plan expenditure	**45.3**	44.0
State royalties	**6.1**	5.2
Retrenchments	**–**	12.4
Other	**5.4**	4.6
	1 337.6	1 222.8

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2014

11. Related party transactions

R (million)		
Amount owing by RPM for concentrate sales	1 298.5	1 050.5
Amount owing to RPM for contribution to BRPM JV	267.6	200.7
Amount owing by Impala Platinum Limited to BRPM JV	–	18.9
Transactions during the six months:		
Concentrate sales to RPM	1 826.5	1 548.0
Impala Platinum Limited royalty income	2.2	36.4
Transactions with Fraser Alexander	2.9	7.7
Royal Marang Hotel	0.3	0.2
Geoserve Exploration Drilling Company	6.2	1.0
Trident South Africa (Pty) Ltd	0.8	0.3
Tarsus Technologies	1.4	1.1

12. Dividends

No dividends have been declared or proposed in the current period (2013: nil).

13. Financial risk management

Financial risk factors: Fair value determination

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The only financial asset carried at fair value is the equity linked component of the BRPM Environmental Trust deposit. This was valued using the level 2 fair values which are directly derived from the Shareholders Weighted Top 40 Index (SWIX 40) on the JSE and the Bettabeta CIS BGreen portfolio exchange traded fund.

	Level 1 R (million)	Level 2 R (million)	Level 3 R (million)
Financial assets at fair value through profit or loss			
Environmental trust deposits			
2014	–	106.9	–
2013	–	97.5	–

14. Segmental reporting

The Group is currently operating one mine with two decline shafts and the Styldrift I Project. The BRPM JV is treated as one operating segment. The Executive Committee of the Company is regarded as the Chief Operating Decision Maker.

For the period ended R (million)	Reviewed 30 June 2014	Reviewed 30 June 2013
Concentrate sales	1 826.5	1 548.0
Cash cost of sales	(1 109.1)	(988.1)
Movement in inventories	21.8	15.3
Depreciation	(121.1)	(107.1)
Other operating income	8.2	31.7
Other operating expenditure	(65.9)	(81.1)
Net finance income	3.4	4.6
Segmental profit before tax	563.8	423.3
Additional depreciation on purchase price adjustment and amortisation	(79.8)	(79.1)
Consolidation adjustments	22.6	22.5
Overheads of corporate office included in administration expenses	(74.3)	(61.4)
Employee housing project costs included in administration expenses	(3.6)	–
Royalties included in cost of sales	(6.1)	(5.2)
Other income and net finance income	34.8	15.9
Profit before tax per the statement of comprehensive income	457.4	316.0

OPERATING AND FINANCIAL STATISTICS

Description	Unit	30 June 2014	30 June 2013	% change**
Safety				
LTIFR	Rate	0.68	0.61	(11.5)
SIFR	Rate	0.34	0.32	(6.3)
Injury-free days	Days	113	130	(13.1)
Production				
Tonnes delivered – Total	kt	1 159	1 128	2.7
Merensky (MER)	kt	908	926	(1.9)
UG2	kt	251	202	24.3
IMS ore reserve	km	6.06	6.08	(0.3)
IMS panel ratio	ratio	1.57	1.52	3.3
Tonnes milled – Total	kt	1 140	1 095	4.1
Tonnes milled – MER	kt	890	896	(0.7)
Tonnes milled – UG2	kt	250	199	25.6
UG2% milled	%	22	18	22.2
Built-up head grade (4E) – Total	g/t	4.25	4.28	(0.7)
Built-up head grade (4E) – MER	g/t	4.40	4.41	(0.2)
Built-up head grade (4E) – UG2	g/t	3.72	3.70	0.5
Metals in concentrate				
4E	koz	134	130	3.0
Platinum	koz	86.4	84.6	2.1
Nickel	t	854	847	0.8
Labour				
Total working cost labour	No	6 213	5 984	(3.8)
Stoping crew efficiencies	m²/crew	325	311	4.5
Enrolled	m²/crew	304	311	(2.3)
Contractor	m²/crew	329	311	5.8
Tonnes milled/TEC	t/emp	31	30	3.3
Financial				
Cash operating cost	R'm	1 109	988	(12.2)
Cash operating cost/t*	R/t	983	917	(7.2)
Cash operating cost/4E oz*	R/oz	8 288	7 637	(8.5)
Cash operating cost/Pt oz*	R/oz	12 881	11 756	(9.6)
Total capital expenditure	R'm	806***	446	(80.7)
Stay-in-business capital (SIB)	R'm	77	49	(57.1)
SIB% of operating cost	%	7	5	(40.0)
Replacement capital	R'm	82	85	3.5
Expansion capital	R'm	647	312	(107.1)
Gross profit margin	%	26.8	21.0	27.6
EBITDA	%	34.0	31.2	9.0
Average basket price	R/Pt oz	21 148	18 294	15.6
Average R:US$	R/US$	10.70	9.3	15.1

** Unit cash costs are calculated excluding the incidental tonnages and ounces and costs generated by Styldrift on-reef development*
*** Please note that any difference in various percentages in this table and in the commentary are due to rounding*
**** The R806 million capital expenditure for the BRPM JV excludes the elimination of inter-group charges of R22 million resulting in RBPlat Group's capital expenditure of R784 million*

COMMENTARY

Overview

Against the background of the widespread and protracted industry strikes, a hallmark of the RBPlat performance during the first six months of 2014 was operational stability. Business continuity contributed to a relatively steady production environment and ounce output compared to the corresponding period in the previous year. A 15.6% improvement in the basket price further contributed to a 33% increase in earnings per share.

Operating cost escalation remains a critical challenge for RBPlat and the industry and in this regard our target of managing cost increases to below 10% was successfully achieved. Capital expenditure for the period under review has increased in line with increased Styldrift project activities.

Overall progress of the mining and construction portion of the Styldrift I project ended the reporting period at 46.6% which is 0.4% behind the planned progress. Constraints associated with the principal shaft sinking and development contractor and delays related to the loading box cutting below 708 level at the Main shaft impacted negatively on the project critical path which ended the reporting period 26 days behind schedule. Expenditure remains well below budget.

A key highlight was the conclusion of a long-term wage agreement with our employees, represented by the National Union of Mineworkers (NUM), without any industrial action.

Safety

Following a sustained period of consistent safety improvement in 2013, BRPM started the year with an unusually high safety incident rate, recording seven serious injuries in January. The corrective action that followed achieved a significant improvement and a return to 2013 levels for the remainder of the period under review. Styldrift had no serious injuries during the six months and has been fatality-free for the past three and half years.

Zero harm remains RBPlat's primary and most important goal and is key to the achievement of our strategic objective of operational excellence.

Operational performance

Production

At BRPM operational flexibility was maintained with immediately stopable ore reserves (IMS) being maintained at just over 6km resulting in an IMS panel ratio of 1.57 panels per stoping team. Improved operational flexibility supports increased productivity, grade management and improved safety performance.

The impact of direct safety stoppages on operations reduced by 20% compared to the corresponding period in 2013 and amounted to a loss of 35kt milled or 4.1koz (4E), highlighting the importance of the continued improvements in safety performance.

Total tonnes milled increased by 4.1% mainly as a result of a 51kt (25.6%) increase in UG2 production. Merensky reef contribution remained similar to the corresponding period in the previous year. Built-up head grade of 4.25g/t (4E) was maintained at similar levels to those in the first half of 2013, which combined with the 4.1% increase in tonnes milled yielded a 3% increase in 4E ounce output to 134koz and a 2.1% increase in platinum ounce output over the reporting period.

The increase in UG2 mining resulted in an increase in toll concentrating volumes from 89.9kt to 170.3kt. The BRPM concentrator recovery of 86.97% was in line with expectations and previous performance of 86.98%. Surface stocks have increased by 26.8kt tonnes or 3.2koz (4E) since the start of the year.

The successful mining of the UG2 general facies remains a strategic element of the long-term mining plan at BRPM. Trial mining of the UG2 at our South shaft progressed well and delivered steadily improving results with delivered grades peaking at 3.65g/t (4E) in June of this year. RBPlat's strategy at BRPM remains to maximise Merensky production and supplement this production with the UG2 reef to increase operational flexibility.

Operating costs

Total cash operating costs increased by 12.2% from R988 million in the first half of 2013 to R1 109 million due to inflation and volume related increases. The cash operating cost per tonne milled increase was limited to below mining inflation, increasing by 7.2% from R917 to R983 per tonne, with the higher cash operating costs being offset by the additional milled volumes. The cash operating cost per platinum ounce ended 9.6% higher at R12 881 for the first six months of 2014 compared to R11 756 in the first half of 2013.

Capital expenditure

BRPM JV capital expenditure increased by R360 million or 80.7% from R446 million in the first half of 2013 to R806 million as a result of higher stay-in-business (SIB) expenditure (R28 million), lower expenditure on replacement projects (R3 million) and higher expenditure on expansion projects (R335 million).

SIB expenditure increased from R49 million during the first half of 2013 to R77 million for the period under review, primarily due to mill liner replacements, a crusher overhaul and the commencement of the installation of the water treatment plant. SIB expenditure was at 7% of operating costs and remains within our target range of between 6% and 8%.

The reduction in our expenditure on replacement capital is attributed to a R7 million reduction in BRPM Merensky Phase II expenditure due to project completion which is offset by a R4 million increase in BRPM Merensky Phase III expenditure.

Expansion capital increased by R335 million (107.1%) in line with the Styldrift I project execution schedule due to expenditure on the major primary mining equipment fleet, mechanical and structural equipment for shaft equipping and underground infrastructure orders being placed for manufacture. The Styldrift II project expenditure increased due to progression to the pre-feasibility phase during 2014.

BRPM project review

BRPM Phase III Merensky replacement project

Phase III involves the extension of the North shaft Merensky decline system and associated infrastructure from 10 level down to the mining boundary at 15 level. At the end of June 2014 the project was 66% complete against a planned completion of 59%. Development is 1 237 metres ahead of schedule with 7 182 metres completed against a plan of 5 945 metres. Overall project completion is forecast to be two months ahead of schedule in 2017. Project expenditure to date is at R667 million against a budget of R781 million. The project remains well below budget with an estimated cost at completion of R1.29 billion.

North shaft chairlift project

The North shaft chairlift project which involves the development and installation of a chairlift from surface to 5 level ended the reporting period at 95% complete, with all development, surface bulk excavation and civil work having been completed. Project expenditure for the first half of 2014 amounted to R12.7 million, bringing total project expenditure to date to R83.6 million. Project activities now focussed on physical underground construction of the chairlift which includes all civil, mechanical, electrical and instrumentation work related to drive stations, landings and walkways. Current project forecast indicates that the project will be completed on schedule at an estimated cost at completion of R116.5 million.

Styldrift I expansion project

Progress for the mining and infrastructure portion of the project progressed to 46.6% complete against a planned completion of 47% which is 0.4% behind planned progress. The concentrator portion of the project, the first phase of which was approved by RBPlat's board of directors in June 2014 commenced during July 2014 with completion planned for the second half of 2015. This entails upgrading the current BRPM concentrator from 200ktpm to 250ktpm.

The key project activities during the first half included sinking of the Main and Services shafts to shaft bottom, raise boring of ore handling infrastructure and No 1 Ventilation shaft as well as the development of life of mine infrastructure on 600, 642 and 708 levels. Due to the combination of its publicised international litigation process and the impact of the five-month strike in the platinum sector on projects with other key clients, our appointed shaft sinking and development contractor's operating position was compromised. This impacted negatively on progress, contributing to critical path activities ending the reporting period 26 days behind schedule. RBPlat has engaged with the contractor and has developed and implemented contingency plans to mitigate further risk associated with the contractor's remaining portion of the Styldrift project.

The Main shaft equipping commenced in July 2014 and will conclude in the first quarter of 2015. During this period the Services shaft will provide all logistical support for underground development and construction work including rock hoisting, transportation of men and material and all services. The Services shaft capacity has been identified as a critical constraint as its total capacity is below the level of mining and construction work planned. A number of optimisation measures are being investigated and implemented and the potential impact on the project schedule assessed.

Surface construction continues to progress well with the construction of silos, change houses, lamp room and office infrastructure among the key areas of progress.

Total project capital expenditure increased to R3 138 million of which R627 million was spent during the period under review, in line with project progress. Cumulative financial commitments have increased to R3 991 million. The project remains below budget mainly as a result of under-utilisation of escalations and the non-use of contingencies. The earned value for the project to date amounts to R3 442 million against a capital expenditure of R3 138 million. The full year capital expenditure for 2014 is forecast at R1 578 million.

COMMENTARY (continued)

Financial review

RBPlat's attributable share of the Group's earnings increased by R63.5 million from R143.6 million for the six months ended 30 June 2013 to R207.1 million for the six months ended 30 June 2014 mainly as a result of the improved average PGM Rand basket price ("the basket price"). Earnings per share increased by 33% from 87 cents per share to 116 cents per share notwithstanding the impact of the increased weighted average number of shares issued in respect of the book build and rights offer from the dates that these shares were listed on the stock exchange managed by JSE Limited.

The improved basket price resulted in normalised earnings increasing by R54.4 million from R182.5 million for the six months ended 30 June 2013 to R236.9 million for the period under review. Normalised earnings per share increased by 20% from 111 cents per share to 133 cents per share. Normalised earnings is calculated as earnings adjusted for an additional after tax effect of amortisation and depreciation charges related to a fair value adjustment.

Revenue increased by 18% mainly due to a 15.6% increase in the basket price to R21 148 per platinum ounce in the first half of 2014 compared to R18 294 in 2013 and a 2.1% increase in platinum ounces produced. Revenue from the production through the BRPM concentrator increased by 11.7% from R1 449.7 million to R1 619.3 million. This was due to a 3.9% decrease in platinum ounces produced and the 15.6% increase in the basket price. This includes R5.6 million from Styldrift ounces treated and sold. Revenue from toll concentrating of the UG2 increased by 110.8% from R98.3 million for the first six months in 2013 to R207.2 million for the period under review as a result of a 89.9% increase in toll concentrating platinum ounces as well as the increase in the basket price.

Gross profit margin improved by 27.6% from 21.0% to 26.8% for the period ended 30 June 2014. This was due to the 18% increase in revenue offset by a 9.4% increase in cost of sales for the six months ended 30 June 2014.

Depreciation charges increased from R158.5 million to R171.1 million primarily due to the ongoing capitalisation of Phase III until final completion in 2018.

Earnings before interest, tax and depreciation and amortisation (EBITDA) increased from R482.2 million to R620.6 million and as a percentage of revenue increased from 31.2% to 34.0% in the first half of 2014 largely as a result of the increase in the basket price adjusted by an increase in cash operating costs and administration costs.

Other income reduced by R23.5 million from R31.7 million in the first half of 2013 to R8.2 million for the period under review. The decrease is due to the reduction in the Impala royalties from R36.4 million in the first half of 2013 to R2.2 million for the six months ended 30 June 2014 as a result of industrial action at Impala during the period under review. In addition, other income for the six months ended 30 June 2013 included a negative fair value adjustment of the equity linked deposits for the Environmental trust of R4.9 million compared to a positive adjustment of R4.7 million during the first half of 2014.

Finance income increased by R18.9 million to R41.2 million due to the increased cash on hand as a result of the book build and rights offer completed in March 2014.

Finance cost increased from R1.8 million to R3.0 million due to R0.8 million interest paid on the RBPlat housing facility during the six months ended 30 June 2014.

Administration expenses increased by R16.5 million to R77.9 million compared to the same period last year. The main reasons for the increase relate to the inclusion of R3.6 million relating to the RBPlat housing project, an increase of R1.6 million in the revolving credit facility commitment fees, an increase in legal fees of R2.2 million mainly due to the Royal Bafokeng Resources tax contingency and an increase of R4.3 million in gross bonuses paid in 2014 compared to 2013 as a result of improved profitability.

The current income tax charge reduced to R6.7 million primarily due to the reduction in the Impala royalty income. Deferred tax increased by R48.5 million from R79.9 million for the six months ended 30 June 2013 to R128.4 million in 2014 due to higher BRPM JV profits.

Employee housing assets, classified as current assets, increased to R93.4 million at 30 June 2014.

During the six months ended 30 June 2014 the Group increased its cash and cash equivalents by R1 437 million. This increase is mainly due to R1 478.5 million (net of costs) raised by the book build and rights offer completed during the first half of 2014. At 30 June 2014 the RBPlat Group had cash and near cash investments of R2 209.9 million and utilised R12.9 million of the housing facility for the RBPlat employee housing project with the remainder of the housing project costs funded from RBPlat cash resources in order to minimise the interest cost on the Group.

The housing facility forms part of the RBPlat Group's R458 million working capital facility. At 30 June 2014, the R1 billion revolving credit facility was undrawn and the guarantees issued in respect of the housing facility reduced to R93.5 million compared to R200 million at 30 June 2013.

Business sustainability

We believe that our commitment to engagement has played a key role in the achievement of labour stability at RBPlat. To enhance and support our efforts in this regard we began implementing our Sustainability and Stakeholder Engagement Framework during the first half of this year through awareness and information sharing workshops. The Framework is also intended to ensure the continual integration of matters key to the sustainability of our business in the day-to-day management of our operations.

Our board approved in principle an employee home ownership scheme to the value of R2.8 billion following the completion of the initial pilot housing project consisting of 422 housing units. The scheme will ensure that all RBPlat's enrolled employees will have the opportunity to become home owners over the next five years as part of our overall commitment to our philosophy of *More than mining.* We are in the process of finalising funding of at least R2.2 billion for the housing development with a developmental institution, in addition to our own contribution.

Execution of our Social and Labour Plan (SLP) responsibilities continues. Our current SLPs will be completed at the end of 2014. We have successfully completed a range of SLP projects which have been handed over to our door step communities. The stakeholder engagement process for the drafting of our new SLPs began in the first half of this year, with completion and submission planned for the fourth quarter of 2014.

As part of our commitment to environmental management, we have completed and submitted the Water Disclosure Project and Climate Change Programme to CDP, an international, not-for-profit organisation providing the global system for companies and cities to measure, disclose, manage and share vital environmental information.

We are in the process of constructing a water treatment plant in order to reduce our reliance on potable water from Magalies Water. The plant is designed to treat four million litres a day.

Market review

The five-month strike in the platinum industry had a limited impact on the platinum price resulting in the platinum price increasing by 9% over the first six months of the year, compared to 19% for palladium and 14% for rhodium. However, platinum Exchange Traded Fund (ETF) holdings accumulated a further 334koz, to total approximately 2.87Moz at the end of June with the Absa and Standard Bank funds said to have accumulated 298koz over the period. Palladium ETF holdings grew by approximately 811koz to 2.85Moz, with the Standard Bank ETF accounting for the majority of this growth, which assisted in driving palladium prices to above $800/oz in April.

The strike resulted in production losses of almost 1.2Moz of platinum which is likely to result in South African production dropping to below 3Moz for the year, from the 4.17Moz recorded in 2013. Primary supply in the rest of the world is forecast to increase in 2014, but this growth will not be sufficient to offset losses in local platinum production.

The Rand averaged R10.70:$1 during the first half of the year, weakening to over R11:$1 in late January as the strike commenced. However, the South African PGM basket price has risen 11% to R12 632/4E PGM ounce in the first half of 2014 compared to the same period last year.

Demand growth in 2014 will be driven primarily by the automotive sector. Vehicle sales data has been positive for the first half of the year. European sales grew for the tenth month in a row with rebates and discounts lifting sales in Southern Europe. Improved sales data, combined with higher PGM catalytic converter loadings associated with Euro 6 emissions legislation promulgated this year, should lead to higher platinum demand in 2014. Meanwhile, US car sales look set to return to pre-financial crisis levels this year of over 16 million units having achieved a seasonal average annual selling rate of over 16 million units for the last four months. Sales into China continue to be positive and sales in Japan returned to growth after falling for three months following a tax increase in April. However, PGM loadings are still relatively low in these regions and so will have a limited impact on the bottom line for platinum demand.

Catalytic converter recycling of platinum is forecast to continue to grow in 2014 as more platinum-rich diesel catalysts are scrapped in Europe owing to the ongoing change in the fuel mix of end of life vehicles being recycled. Nonetheless, the fundamental market balance for platinum is forecast to move into deficit in 2014, with demand rising and the five-month strike leading to lower supply. Platinum prices are unlikely to accelerate from current levels in 2014 as industrial demand pull is diluted by price sensitive jewellery, which makes up a larger share of end use at approximately 37% than it did in 2008 when prices rose to $2,000/oz. The palladium market remains in structural deficit and combined with the sharp rise in ETF holdings and the contraction in local supply suggests that prices will continue to rise steadily from current levels and outperform other PGMs.

Changes to the board of directors

RBPlat welcomed Mr David Wilson as a non-executive director to its board of directors with effect from 29 May 2014 as contained in the announcement made on 30 May 2014. Mr Wilson is a Chartered Accountant and is currently an Investment Manager for strategic investments at Royal Bafokeng Holdings.

Outlook

The long-term wage agreement we concluded on 16 July 2014 provides RBPlat and its various stakeholders with a critical measure that will be a major contributor to our stability over the next five years. We also believe that the implementation of our employee home ownership scheme by contributing to the safety and wellbeing of our employees and their families will also help us achieve a safer workplace.

We remain committed to keeping our employees safe from any harm and plan to build on the much improved safety record that we achieved in 2013.

Full year production of between 2.3 and 2.4 million tonnes milled is anticipated in 2014 with a UG2 contribution of between 20 and 22%, subject to no material impact from strike action in the industrial sector. The upgrading of the BRPM concentrator plant to 250ktpm is not expected to impact on concentrator throughput during 2014.

Cost containment at BRPM and improving on the Styldrift I critical path schedule are the core focus areas for management for the remainder of the year.

The platinum market is forecast to continue to destock and this should lead to higher prices in future. However, for now there are stocks available and this may limit meaningful price increases in the near term.

Steve Phiri
Chief Executive Officer

Kgomotso Moroka
Chairman

31 July 2014