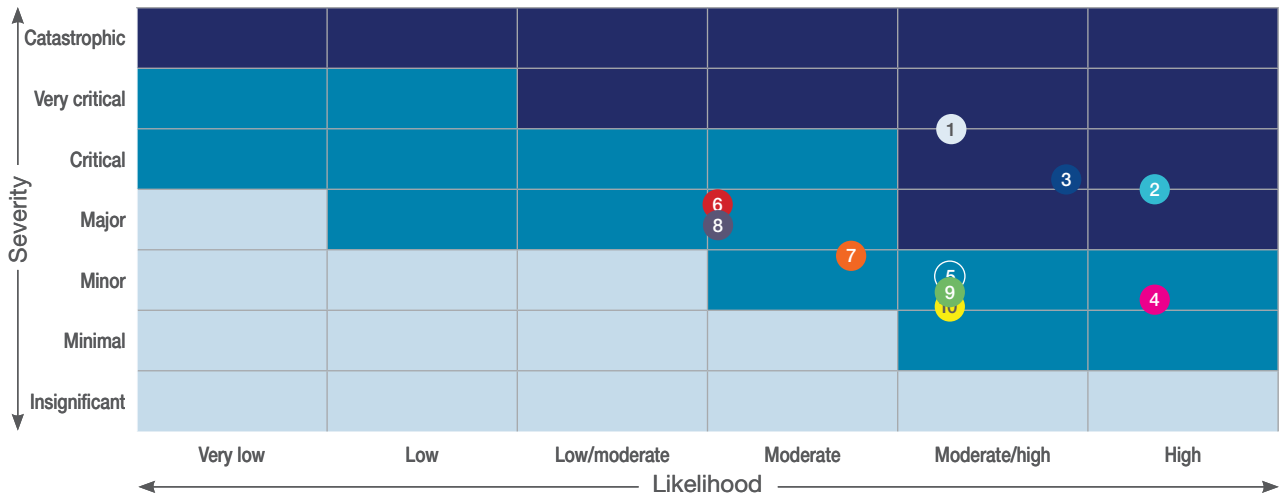


Key risks and opportunities

Top residual risk	Group	Impala	Zimplats	Marula	Mimosa	Two Rivers	IRS
1 Sustained depressed PGM basket prices	1	1	1	1	1	1	1
2 Non-delivery of production and productivity targets at Impala	2	2					
3 A significant deterioration in safety performance	3	3			3		
4 Disruption to operations due to community unrest at Marula	4			4			
5 Policy risk arising from change in legislation in South Africa	5	5		5		5	5
6 Excessive taxation and levies in Zimbabwe	6		6		6		
7 Failure to progress beneficiation in Zimbabwe	7		7		7		7
8 Unavailability of secure and reliable power in Zimbabwe	8		8		8		8
9 Capital constraints affecting project delivery/opportunities	9	9					
10 Impact of UG2 support changes	10	10					

No.	Description of risk	Value impact
1	<p>Sustained depressed PGM basket prices The rand:US dollar exchange rate materially impacts revenues for the basket of PGMs and base metals produced and the volatility of the exchange rate is a risk. The current weakness in the dollar PGM basket price remains a concern and is unsustainable in the medium to long term.</p>	<p>A sustained depression of the rand PGM prices adversely impacts our revenue and cash position. This, in turn, contains capital allocation, which may, in turn, affect future performance.</p>
2	<p>Non-delivery of production and productivity targets at Impala Rustenburg The achievement of production targets is a critical success factor in the return to profitability and creation of sustainable value. This directly impacts investor confidence. Short-term challenges include: ramping up to full production; achieving completion of the mining cycle; optimising the establishment of face length in new mining areas; and ensuring increased productivity.</p>	<p>Non-delivery of production targets have an adverse effect on revenue and unit cost due to the relatively small variable cost component. Non-delivery at Impala Rustenburg severely impacts total Group performance due to the size of this operation.</p>
3	<p>A significant deterioration in safety performance Safety is a priority for Implats' leadership as there are material inherent safety risks associated with the mining industry.</p>	<p>The tragedy of the loss of life, an injury at work or any safety-related incident is unacceptable to Implats. Moreover, the subsequent business interruption and loss of morale and production further impacts the sustainable value creation and licence to operate.</p>
4	<p>Disruption of operations due to community unrest at Marula Operational performance has been severely disrupted by community protest action for much of the recent financial year. This is directly related to community dissatisfaction with the management of the Magkomo Chrome project by the selected community representatives.</p>	<p>Marula is a marginal operation at current rand PGM prices and any disruption to operations has a material impact on its profitability and therefore sustainability.</p>



Mitigating actions	Outlook	Strategic objective	Strategies	KPI
<ul style="list-style-type: none"> In depth and continuous research to enhance understanding of the future demand and the corresponding industry supply-side profile for PGMs. Scanning the environment for technological advances that will materially affect demand as this may present an added risk or opportunity. Targeting marketing and investment initiatives to grow PGM demand. Cash conservation. 	<p>The outlook for rand revenue from PGMs remains uncertain. Industrial production and consumer demand is expected to be the biggest driver of PGM demand.</p>			<p>For KPI targets refer to individual operations' performance from page 62 to 107</p>
<ul style="list-style-type: none"> Undertaking of an assisted operational optimisation and productivity enhancement programme concentrating on constraint removal and root cause analysis to improve mining efficiencies The use of new technology to reduce the time taken to open up the Mineral Reserve in a timeous fashion. Development of a specialist mining services contractor strategy to improve the provision of face length. Supervisor and management capability assessment and coaching programme. 	<p>The Impala Rustenburg operation has been reviewed extensively. This operation will be a focus item during the 2018 year as discussed in the CEO's outlook section of this report (refer to pages 44 to 47).</p>			
<ul style="list-style-type: none"> Strong commitment to improve the safety culture, driven through initiatives relating to people behaviour. The innovative use of technology to improve safety in the workplace. Identification and focus on critical controls. 	<p>Various strategies are pursued to ensure employee safety. These initiatives focus on people and behaviour by improving self-assessment and reporting. Key initiatives are also in place to ensure a safe environment like warning devices, equipment and safety systems.</p>			
<ul style="list-style-type: none"> Constant engagement with community forums, including eliciting the support of the regional offices of the DMR with a view to enhancing transparency of the distribution of the Chrome profits into the communities. Restructuring of the business through a section 189 process. Enhanced security strategy and associated tactical plans. A decision to place Marula on a strict watch list to ensure it remains cash positive at a Group level or is placed on care and maintenance. 	<p>Barring production interruptions, Marula is operating well.</p>			

Strategic objectives





























- Improve efficiencies through operational excellence and safe production
- Cash conservation
- Maintain our social licence to operate
- Investment through the cycle
- Maintain optionality and position for the future

Strategies

- Relentlessly drive the safety of our people
- Consistently deliver production targets
- Improve efficiencies through operational excellence
- Cash conservation
- Maintain our licence to operate

Key risks and opportunities

No.	Description of risk	Value impact
5	<p>Policy risk arising from change in legislation in South Africa The heightened uncertainty in the regulatory environment has a material impact on all our South African operations.</p>	<p>Capital allocation decisions are negatively impacted by the uncertainty, which have an impact on the medium to long term production profiles. In addition, the policies may have an impact on cost, which affects sustainability.</p>
6	<p>Excessive taxation and levies at Zimbabwean operations Implats is exposed to high taxes by virtue of its special mining lease, which has not been aligned with legislative taxes. Mimosa is exposed to export levies on unbeneficiated exports.</p>	<p>There are multiple and sometimes conflicting interpretations of the tax regime applicable to Implats resulting in tax risk. Moreover, the imposition of additional profits tax (APT) results in a penal effective tax rate. In addition, the 15% export levy on unbeneficiated platinum (applicable to Mimosa) has only been deferred to 1 January 2018.</p>
7	<p>Failure to progress beneficiation in Zimbabwe The imposition of the 15% export levy on the value of platinum contained in Mimosa's concentrate will threaten the sustainability of the operation. Equally, building a new smelter at the operation in the current economic environment is not affordable.</p>	<p>The impact on value would result from the potential for the Government of Zimbabwe to dictate that Mimosa refine its concentrates with third parties, other than IRS, who have committed to build refining assets in Zimbabwe or from the imposition of the export levy of 15%.</p>
8	<p>Unavailability of secure and reliable power in Zimbabwe Unavailability of reliable and secure power from Zimbabwe Electricity Supply Authority (ZESA) to meet the Zimbabwean operational requirements, or alternatively failure to ensure a stable power supply to operations, both on a short-term and long-term basis, compounded by seasonal low water levels and insecurity of Kariba Dam wall.</p>	<p>Lack of reliable power from ZESA would undoubtedly impact the Zimbabwean operations' ability to produce.</p>
9	<p>Capital constraints affecting project delivery/opportunities At the moment, Implats has limited available capital resources. The current situation highlights the criticality of effective capital deployment and project prioritisation. In the current environment, future capital generation is seen to be fully reliant on the ability of the operations to return to a cash flow positive situation.</p>	<p>Deferring or electing not to spend capital impacts the value of areas in which the projects are delayed or cancelled. Life-of-mine plans for the Group are affected.</p>
10	<p>Impact of UG2 support changes A major fall of ground occurred at 1 Shaft in May 2016 and tragically resulted in the loss of two lives. The fall was extensive and prompted a comprehensive investigation which was conducted by internal and external specialists. Support philosophy and design was altered for all UG2 areas at Impala Rustenburg, which has had a negative impact on the efficiencies in these areas.</p>	<p>The viability of certain UG2 areas are at risk</p>

Mitigating actions	Outlook	Strategic objective	Strategies	KPI
<ul style="list-style-type: none"> Comprehensive engagement strategy with key stakeholders Maintaining sound relations with the regulator Ensuring compliance to social and labour plans Active involvement in the Chamber of Mines 	<p>The Group remains committed at the highest level to transformation at all levels and all of its operations currently meet or exceed the current mining charter targets. We remain optimistic that through constructive engagement, any new targets will be such that the industry will remain sustainable.</p>			<p style="writing-mode: vertical-rl; transform: rotate(180deg);">For KPI targets refer to individual operations' performance from page 62 to 107</p>
<ul style="list-style-type: none"> Ensuring compliance through external tax audits and the use of specialist tax advisory services. Strong commitment to tax training and awareness, resolution of historical tax matters and the tax risk management framework. Lobbying the government of Zimbabwe on the impact on the mining operations of increased taxes. 	<p>Implats remains committed to engage with relevant government structures re future legislation and policy affecting the sustainability of its mining operations in Zimbabwe.</p>	 	 	
<ul style="list-style-type: none"> Engage with the government of Zimbabwe to enhance the understanding of the negative impact on the operations and the country of building new capacity when capacity exists elsewhere. Keep abreast of third party refinery development activities and initiate appropriate responses to the Government; regular engagement with the Government and third parties on the technical merits of alternative refining processes. 	<p>Beneficiation in Zimbabwe is not value accretive for the Group, given its investment in IRS to create sufficient refining capacity in the Group.</p>	 	 	
<ul style="list-style-type: none"> Maintaining regular contact with ZESA. Secure status as preferential customer through advance payments. Ensuring appropriate contingency plans are in place. Implementing initiatives to reduce energy consumption. 	<p>Substations have been upgraded to ensure reliability and agreements are in place with the Cahora Basa power utility to ensure reliable supply.</p>	 	 	
<ul style="list-style-type: none"> Comprehensive and rigorous review of all projects with a fully inclusive project prioritisation process. This is fully integrated into the business planning process. 	<p>Capital allocation decisions are evaluated on an ongoing basis. Future prices will impact the commercially available Mineral Reserves and consequently the capital decisions taken at that time.</p>	   	   	
<ul style="list-style-type: none"> Rigorous review of design philosophy and support requirements, combined with heightened strata control awareness. Optimisation of the current team complement and composition to achieve productivity targets. 	<p>Lessons learnt from these investigations are taken into account in future design and support.</p>	  	  	

Strategic objectives

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