



MARKET SPOTLIGHT - NEWS FLASH

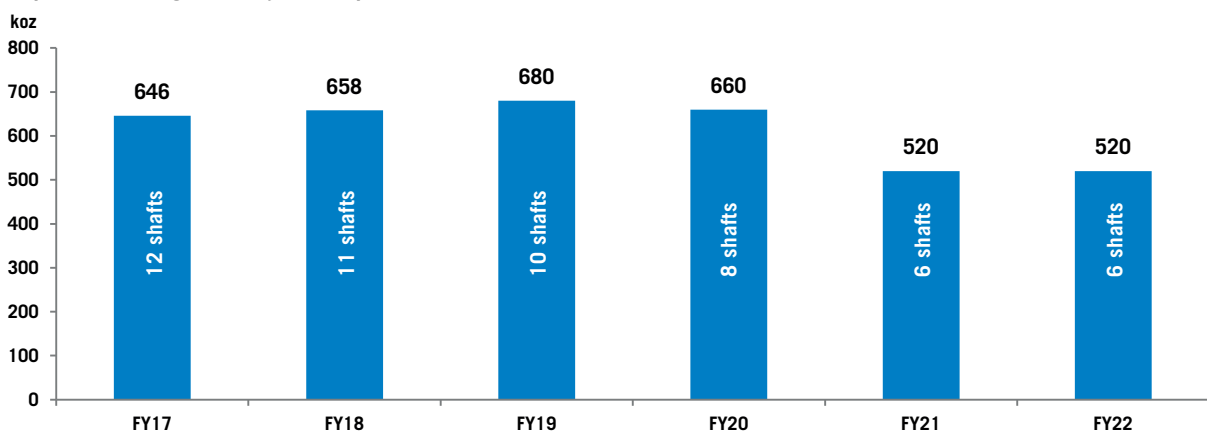
Impala cuts its production profile to restore profitability

Reduced production announced today by Impala Platinum. Impala is making a number of structural changes to the Impala Rustenburg mine plan in order to restore profitability in this period of low platinum prices. The highlights of the plan include the closure of five uneconomical shafts, which Impala says will reduce production from 750 koz/ly Pt – including 16 and 20 shaft at design capacity, but these shafts are currently producing at approx. 40% and 50% of capacity respectively – to 520 koz/ly by 2022.

This should reduce real operating costs from R25,100/Pt oz to R22,000/Pt oz over the next four years, and the resulting infrastructure efficiency improvements will reduce stay-in-business capital requirements from R2,800/Pt oz to less than R2,000/Pt oz in real terms. Impala will incur once-off restructuring costs of approximately R2.7 billion during FY19 and FY20.

Impala Rustenburg produced 655 koz Pt in FY17 (or 646 koz ‘stock-adjusted’), and just 343 koz in the first nine months of FY18 because of a pipeline lock-up of around 75 koz Pt in the July to December 2017 period. Some of this inventory build was to be processed in the second half of FY18. The full year production guidance for Impala Rustenburg was 560 koz for FY18 (taking into account this lock-up and current production levels from 16 and 20 shaft) and is now quoted as a ‘stock-adjusted’ 658 koz. Impala’s revised plan therefore results in a reduction of between 40 koz and 140 koz/ly from current output by 2022 (depending on pipeline stock movements), and a 230 koz/ly reduction from expected output (i.e. 16/20 shafts completed). This supply reduction could put the platinum market into fundamental deficit in 2023, one year earlier than forecast.

Impala Rustenburg stock-adjusted Pt production



Source: Impala Platinum

Reduced platinum supply will be price-supportive for palladium and rhodium. Impala’s revised plan will reduce palladium supply by 20-65 koz/ly from current levels and by 110 koz from expected output by 2022. The palladium market is in a deep fundamental deficit, and this supply reduction widens this deficit to over 1.1 moz by 2021 (previously 2023). Rhodium supply could decrease by 15-25 koz from current levels, or 30-35 koz from expected levels by 2022. This could place the market into deficit in 2022, one year earlier than forecast.

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