

NORTHAM
PLATINUM LIMITED



REVIEWED INTERIM RESULTS

Report for the six months
ended 31 December 2014

KEY FEATURES



Booyensdal
ramp-up on track



Solid performance
from Zondereinde

35%

Empowerment
post BEE
transaction



Parallel capital
raising to
strengthen
financial position



Expansion strategy
crystallized



Unsettled labour
climate

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(Incorporated in the Republic of South Africa)
(Registration number 1977/003282/06)
Share code: NHM ISIN: ZAE000030912
Debt issuer code: NHMI
("Northam Platinum" or "the group")

		Reviewed Six months ended 31 December 2014	Reviewed Six months ended 31 December 2013	Audited Year ended 30 June 2014
	% Change	R000	R000	R000

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Sales revenue	32.7	3 040 539	2 291 183	5 339 397
Cost of sales	10.5	2 641 519	2 390 727	5 277 915
Operating costs	19.1	2 081 641	1 747 778	3 536 002
Concentrates purchased	9.6	265 783	242 478	918 605
Refining and other costs	(37.8)	100 920	162 163	267 117
Depreciation and write-offs	(6.3)	210 028	224 037	445 875
Change in metal inventories	(218.1)	(16 853)	14 271	110 316
Operating profit/(loss)	500.9	399 020	(99 544)	61 482
Share of earnings from associate and joint venture	326.7	13 459	3 154	3 464
Investment revenue	(34.0)	18 335	27 762	59 963
Finance charges	22.8	(77 723)	(100 639)	(176 124)
Sundry expenditure	(332.5)	(44 489)	(10 287)	(26 724)
Sundry income	248.0	191 518	55 035	123 735
Profit/(loss) before tax	501.6	500 120	(124 519)	45 796
Taxation		143 808	(32 845)	26 199
Profit/(loss) for the period	488.7	356 312	(91 674)	19 597
Other comprehensive income		(2 168)	(996)	(1 327)
Items that will not be subsequently reclassified to profit or loss				
Share of associate's remeasurements of post-employment benefit obligations		–	–	418
Items that will be reclassified subsequently to profit and loss				
Share of associate's exchange differences on translating foreign operations		(2 168)	(996)	(1 745)
Share of associate's fair value adjustment on available-for-sale financial assets		–	(7)	(7)
Total comprehensive income for the period		354 144	(92 670)	18 270
Profit/(loss) attributable to:				
Owners of the parent		354 608	(96 252)	9 486
Non-controlling interests		1 704	4 578	10 111
Profit/(loss) for the period		356 312	(91 674)	19 597
Total comprehensive income attributable to:				
Owners of the parent		352 440	(97 248)	8 159
Non-controlling interests		1 704	4 578	10 111
Total comprehensive income for the period		354 144	(92 670)	18 270

	Reviewed Six months ended 31 December 2014	Reviewed Six months ended 31 December 2013	Audited Year ended 30 June 2014
% Change	R000	R000	R000

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME continued

Reconciliation of headline earnings/(loss) and per share information				
Profit/(loss) attributable to shareholders		354 608	(96 252)	9 486
(Profit)/loss on sale of property, plant and equipment		(643)	349	1 118
Profit on sale of associate's property, plant and equipment		(7 105)	(13)	(2 347)
Loss on impairment of investment in associate		8 644	–	–
Tax effect on above		(251)	(94)	344
Headline earnings/(loss)	470.0	355 253	(96 010)	8 601
Earnings/(loss) per share - cents	456.8	89.2	(25.0)	2.4
Fully diluted earnings/(loss) per share - cents	458.2	89.2	(24.9)	2.4
Headline earnings/(loss) per share - cents	457.6	89.4	(25.0)	2.2
Fully diluted headline earnings/(loss) per share - cents	460.5	89.4	(24.8)	2.2
Dividends per share - cents		–	–	–
Weighted average number of shares in issue		397 586 090	384 461 090	390 969 652
Fully diluted number of shares in issue		397 586 090	387 026 914	390 969 652
Number of shares in issue		397 586 090	397 586 090	397 586 090

	Reviewed 31 December 2014	Reviewed 31 December 2013	Audited 30 June 2014
	R000	R000	R000

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from operating activities	55 451	271 468	885 379
Profit/(loss) before taxation	500 120	(124 519)	45 796
Adjusted for the following non cash items:			
Depreciation and write-offs	210 028	224 037	445 875
Change in provisions	15 226	14 217	14 285
Change in long-term receivables	2 355	–	–
Interest paid	77 723	100 639	176 124
Movement in share based payment liability	(29 000)	–	–
Other	(3 669)	(3 840)	3 049
Change in working capital	(529 972)	54 965	270 414
Share-based payment expense	(52 895)	65 125	61 228
Taxation paid	(134 465)	(59 156)	(131 392)
Cash flows utilised in investing activities	(352 196)	(373 752)	(765 945)
Property, plant, equipment, mining properties and mineral reserves			
Additions to maintain operations	(160 484)	(243 563)	(358 200)
Additions to expand operations	(191 899)	(270 100)	(539 645)
Proceeds relating to pre-production expenditure	–	137 005	137 687
Disposal proceeds	2 451	1 716	3 508
Investment in associate - cash distributed	–	34	69
Land and township development			
Additions	(1 407)	(1 539)	(2 825)
Disposals proceeds	2 089	5 867	8 174
Increase in investments held by Northam Platinum Restoration Trust Fund	(929)	(1 251)	(5 520)
Increase in investments held by Environmental Contingency Fund	(1 860)	(1 866)	(8 617)
Increase in investment held in Buttonshope Conservancy Trust	(157)	(179)	(576)
Dividends received	–	124	–
Cash flows generated from financing activities	(133 527)	979 992	248 042
Proceeds from issue of shares	–	579 033	579 033
Acquisition of non-controlling interest	(50 000)	(10 000)	(10 000)
Finance charges	(77 723)	(100 639)	(176 124)
Dividends paid	(3 908)	(6 501)	(11 066)
Decrease in long-term loans	(1 896)	(1 901)	(3 801)
Revolving credit facilities utilised/(repaid)	–	400 000	(250 000)
Domestic medium-term notes issued	–	120 000	120 000
(Decrease)/increase in cash and cash equivalents	(430 272)	877 708	367 476
Cash and cash equivalents at beginning of period	666 056	298 580	298 580
Cash and cash equivalents at end of period	235 784	1 176 288	666 056

	Reviewed 31 December 2014	Reviewed 31 December 2013	Audited 30 June 2014
	R000	R000	R000

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS			
Non-current assets			
Property, plant and equipment	6 440 526	6 084 829	6 287 062
Mining properties and mineral resources	5 642 503	5 704 490	5 653 328
Interest in associate and joint ventures	495 275	496 538	496 509
Unlisted investment	6	6	6
Land and township development	9 522	11 225	10 204
Long-term receivables	91 692	93 456	94 047
Investments held by Northam Platinum Restoration Trust Fund	47 397	42 197	46 468
Environmental Guarantee Investment	52 884	44 273	51 024
Buttonshope Conservancy Trust	10 859	10 305	10 702
Deferred tax asset	102 162	–	96 074
	12 892 826	12 487 319	12 745 424
Current assets	1 915 014	2 639 037	1 995 572
Inventories	1 107 533	1 170 897	1 076 853
Trade and other receivables	557 609	283 992	244 672
Cash and cash equivalents	241 991	1 176 288	666 174
South African Revenue Services	7 881	7 860	7 873
Total assets	14 807 840	15 126 356	14 740 996

	Reviewed 31 December 2014	Reviewed 31 December 2013	Audited 30 June 2014
	R000	R000	R000

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

EQUITY AND LIABILITIES			
Equity			
Stated capital	9 178 688	9 178 688	9 178 688
Retained earnings	2 530 928	2 117 397	2 223 135
Share of other comprehensive income from associate	(17 508)	(15 009)	(15 340)
Equity attributable to owners of the parent	11 692 108	11 281 076	11 386 483
Non-controlling interests	–	4 421	5 389
Total equity	11 692 108	11 285 497	11 391 872
Non-current liabilities			
Deferred tax liability	528 529	412 749	502 097
Long-term provisions	148 747	137 380	142 709
Long-term loans	41 867	45 663	43 763
Long-term share-based payment liability	41 333	94 929	98 893
Domestic medium-term notes	1 370 000	1 370 000	1 370 000
Current liabilities	985 256	1 780 138	1 191 662
Current portion of long-term loans	3 801	3 801	3 801
Short-term share-based payment liability	45 607	77 803	69 942
Revolving credit facilities	–	650 000	–
Bank overdraft	6 207	–	118
South African Revenue Service	110 488	126 480	121 481
Trade and other payables	691 010	803 167	877 365
Short-term provisions	128 143	118 887	118 955
Total equity and liabilities	14 807 840	15 126 356	14 740 996
Net asset value per share - cents	2 941	2 837	2 865

	Stated capital	Retained earnings	Other comprehensive income from associate	Non- controlling interests	Total
	R000	R000	R000	R000	R000

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Balance at 1 July 2013	8 599 655	2 220 477	(14 013)	9 516	10 815 635
Acquisition of non-controlling interest	–	(6 828)	–	(3 172)	(10 000)
Total comprehensive income for the period	–	(96 252)	(996)	4 578	(92 670)
(Loss)/profit for the period	–	(96 252)	–	4 578	(91 674)
Other comprehensive income for the period	–	–	(996)	–	(996)
Dividends declared #	–	–	–	(6 501)	(6 501)
Issue of new shares	579 033	–	–	–	579 033
Balance at 31 December 2013	9 178 688	2 117 397	(15 009)	4 421	11 285 497
Total comprehensive income for the period	–	105 738	(331)	5 533	110 940
Profit for the period	–	105 738	–	5 533	111 271
Other comprehensive income for the period	–	–	(331)	–	(331)
Dividends declared #	–	–	–	(4 565)	(4 565)
Balance at 30 June 2014	9 178 688	2 223 135	(15 340)	5 389	11 391 872
Total comprehensive income for the period	–	354 608	(2 168)	1 704	354 144
Profit for the period	–	354 608	–	1 704	356 312
Other comprehensive income for the period	–	–	(2 168)	–	(2 168)
Dividends declared #	–	–	–	(3 908)	(3 908)
Acquisition of non-controlling interest	–	(46 815)	–	(3 185)	(50 000)
Balance at 31 December 2014	9 178 688	2 530 928	(17 508)	–	11 692 108

Non-controlling interest's portion of dividends declared by entities within the Northam group.

	Reviewed 31 December 2014	Reviewed 31 December 2013	Audited 30 June 2014
	R000	R000	R000

SEGMENTAL INFORMATION

Total sales revenue			
Zondereinde operations	2 193 641	1 954 107	4 383 194
Booysendal operations	846 898	337 076	956 203
Total	3 040 539	2 291 183	5 339 397
Total contribution			
Zondereinde operations	279 583	159	189 878
Booysendal operations	119 437	(99 703)	(128 396)
Total	399 020	(99 544)	61 482
Net profit contribution			
Zondereinde operations	315 726	75 499	233 937
Booysendal operations	40 586	(167 173)	(214 340)
Total	356 312	(91 674)	19 597
Segment assets			
Zondereinde operations	4 551 697	5 184 691	4 626 017
Booysendal operations	10 256 143	9 941 665	10 114 979
Total	14 807 840	15 126 356	14 740 996
Segment liabilities			
Zondereinde operations	1 619 522	1 637 387	1 850 757
Booysendal operations	1 496 210	2 203 472	1 498 367
Total	3 115 732	3 840 859	3 349 124
Capital expenditure			
Zondereinde operations	160 484	243 563	358 200
Booysendal operations	191 900	270 100	539 645
Total	352 384	513 663	897 845

FAIR VALUE DISCLOSURES

The following is an analysis of the financial instruments that are measured subsequent to initial recognition at fair value. There were no transfers between the levels during the six months ended 31 December 2014. The financial assets are all measured at Level 2.

	Reviewed 31 December 2014	Reviewed 31 December 2013	Audited 30 June 2014
	R000	R000	R000
Description			
Financial assets through profit and loss			
Investments held by Northam Platinum Restoration Trust Fund	47 397	42 197	46 468
Environmental Guarantee Investment	52 884	44 273	51 024
Buttonshope Conservancy Trust	10 859	10 305	10 702

Valuation techniques used to derive Level 2 fair values

The estimated net fair values of financial instruments through profit and loss have been determined using available market information and appropriate valuation methodologies. This fair value is not necessarily indicative of the amounts that the group could realise in the normal course of business. The significant inputs include market interest rates of between 5 and 10% and have been determined using the discounted cash flow valuation technique.

	Reviewed 31 December 2014	Reviewed 31 December 2013	Audited 30 June 2014
	R000	R000	R000

CAPITAL COMMITMENTS

Booyseindal Mine			
Authorised but not contracted	135 935	80 488	338 204
Contracted	83 749	234 132	145 186
Total	219 684	314 620	483 390
Zondereinde Mine			
Authorised but not contracted	90 822	107 765	172 316
Contracted	64 608	87 711	154 060
Total	155 430	195 476	326 376

OTHER COMMITMENTS

Information Technology - outsource service provider			
Due within one year	16 588	10 000	10 293
Due within two to five years	25 087	26 632	21 460
Operating lease rentals - office equipment			
Due within one year	2 321	514	1 947
Due within two to five years	2 244	915	1 004
Operating lease rentals - premises			
Due within one year	4 303	3 209	4 585
Due within two to five years	13 310	13 972	13 588
More than five years	4 293	4 293	5 959
Employee housing development			
Contracted	9 762	–	4 800
Bank guarantees issued	73 266	78 680	78 736

These commitments will be funded from a combination of internal retentions and debt.

			Reviewed 31 December 2014	Reviewed 31 December 2013	Audited 30 June 2014
			% Change		
ZONDEREINDE MINE					
OPERATING STATISTICS*					
Merensky					
Development metres		1.2	3 259	3 219	6 454
Tonnes mined		7.8	514 433	477 137	960 513
Tonnes milled		11.4	431 714	387 597	803 736
Head grade - g/t (3 PGEs + Au)		(3.4)	5.7	5.9	5.8
Available ore reserves - months		–	20	20	20
UG2					
Development metres		60.6	737	459	1 230
Tonnes mined		19.9	530 497	442 513	946 498
Tonnes milled		27.7	556 399	435 637	920 420
Head grade - g/t (3 PGEs + Au)		7.3	4.4	4.1	4.3
Available ore reserves - months		–	24	24	24
Combined					
Development metres		8.6	3 995	3 678	7 684
Tonnes mined		13.6	1 044 930	919 650	1 907 011
Tonnes milled		20.0	988 113	823 234	1 724 156
Head grade - g/t (3 PGEs + Au)		–	5.0	5.0	5.0
FINANCIAL STATISTICS*					
Precious metals in concentrates produced	kg	20.2	4 179	3 477	7 331
Precious metals in concentrates purchased	kg	12.2	661	589	1 975
Precious metals sold	kg	0.6	4 647	4 620	9 827
Average price realised	R/kg	8.1	414 359	383 258	400 381
Operating costs	R/kg	(4.0)	388 547	404 674	395 269
Cash costs	R/kg	(3.0)	362 007	373 266	358 891
Precious metals in concentrates produced	oz	20.2	134 345	111 789	235 693
Precious metals in concentrates purchased	oz	12.2	21 247	18 946	63 488
Precious metals sold	oz	0.6	149 415	148 551	315 941
Average price realised	US\$/oz	0.1	1 180	1 179	1 198
Operating costs	US\$/oz	(12.4)	1 100	1 255	1 189
Cash costs	US\$/oz	(11.5)	1 025	1 158	1 078
Average exchange rate realised	US\$1.00=R	9.5	10.98	10.03	10.35
Operating costs per tonne milled	R/tonne	(3.1)	1 656	1 709	1 682
Cash costs per tonne milled	R/tonne	(2.9)	1 531	1 577	1 526

* Not audited or reviewed

		Reviewed 31 December 2014	Reviewed 31 December 2013	Audited 30 June 2014
% Change				

BOOYSENDAL MINE

OPERATING STATISTICS*

UG2

Tonnes mined		37.4	846 116	615 676	1 233 089
Tonnes milled		6.8	929 262	870 072	1 517 109
Head grade - g/t (3 PGEs + Au)		–	2.6	2.6	2.6
Available ore reserves - months**			–	–	–

FINANCIAL STATISTICS*

Precious metals in concentrates produced	kg	15.8	2 041	1 763	2 882
Precious metals sold	kg	59.9	1 820	1 138	2 503
Average price realised	R/kg	10.7	419 531	379 118	398 710
Operating costs	R/kg	4.1	310 998	298 684	361 902
Cash costs	R/kg	10.7	255 613	230 911	277 308
Precious metals in concentrates produced	oz	15.8	65 630	56 696	92 668
Precious metals sold	oz	59.9	58 513	36 589	80 476
Average price realised	US\$/oz	2.4	1 193	1 165	1 186
Operating costs	US\$/oz	(4.9)	881	926	1 087
Cash costs	US\$/oz	1.1	724	716	833
Average exchange rate realised	US\$1.00=R	9.5	10.98	10.03	10.35
Operating costs per tonne milled	R/tonne	12.9	683	605	688
Cash costs per tonne milled	R/tonne	20.1	562	468	527

* Not audited or reviewed

** Booyesendal mine is still in build-up phase

COMMENTARY ON RESULTS

INTRODUCTION

The first half of the 2015 financial year started with a shaft incident at Zondereinde, which rendered the No. 1 shaft out of commission for a period of six weeks. Nevertheless Zondereinde management did well to mitigate the losses from this interruption and the business unit put in a commendable performance for the half-year.

At Booyensdal there has been good progress with the ramp-up, with steady state production on track for October 2015.

Work continues on the implementation of the Black Economic Empowerment transaction (BEE transaction), announced to shareholders on 22 October 2014, to secure the company's empowerment equity credentials. As indicated in our recent SENS announcement on 17 February 2015, shareholders will be required to approve the transaction at a general meeting to be held on 19 March 2015. The parallel capital raising associated with this transaction will add strength to our financial position, which we intend to employ prudently to secure future growth and create value.

The commodity markets have been marked by lower US dollar metal prices, as the European economy remains depressed and the Chinese economy continues to slow down. The ZAR/US\$ exchange rate has however weakened over the current period, somewhat cushioning the impact of lower US dollar metal prices.

The week-long unprotected work stoppage at Zondereinde at the beginning of H2 F2015 is indicative of the complex labour and operating climate which has persisted for a few years now.

MARKET OVERVIEW

During 2014 the PGM markets remained subdued and prices generally lacklustre. Markets have been characterized by a surplus of above-ground metal stocks, and dogged by poor macroeconomic conditions in several of the world's key economies. Global PGM supplies declined during 2014 reflecting the impact of the five-month strike in South Africa, and whilst demand for metal has been variable across the principal sectors of consumption, the current market deficits for each of platinum, palladium and rhodium have, as yet, failed to impose any significant impact on metal prices. The ZAR/US\$ exchange rate weakened during the reporting period, and provided some export revenue relief against the uninspiring US dollar price performance of Northam's basket of metals.

The current reporting period (H1 F2015) was marked by a decrease in the group US dollar basket prices (3PGE+Au) compared to the previous comparative period H1 F2014. The prices of palladium and rhodium increased by 10% and 25% respectively. In contrast, the price of platinum declined by 8.7% resulting in the basket price realised falling by 3.1% for the period.

The group rand basket price increased by 8.7% to R415 814/kg (H1 F2014: R382 442/kg) largely as a result of the 9.5% weakening of the rand against the US dollar over the reporting period from R10.03/US\$ to R10.98/US\$.

FINANCIAL OVERVIEW

The higher earnings (total comprehensive profit) of R354.1 million for the current reporting period (H1 2014: loss R92.7 million) is attributable to two main factors:

- Increased group production volumes which had a positive influence on unit cash costs. The comparative period in the previous financial year was marked by protracted industrial action at Zondereinde;

- a generally higher ZAR basket price for platinum group metals (3PGE + Au) due to a weaker ZAR/US\$ exchange rate.

The incident at Zondereinde's No. 1 shaft in July 2014 resulted in six weeks of lost production estimated at 615kg. Revenue losses from this incident are estimated at R255.0 million which was partially recovered by an insurance claim of some R150.0 million included in sundry revenue.

Metal sales revenues for the group reached R3.0 billion for the period (H1 F2014: R2.3 billion) reflecting the effect of the higher volumes combined with the rand weakening by 9.5% year on year against the US dollar. Noteworthy is the contribution from Booyensdal where metal sales ramped up to 1 820kg (H1 F2014: 1 138kg), an increase of 59.9% year on year.

The 10.5% increase in group cost of sales to R2.6 billion (H1 F2014: R2.4 billion) mainly emanates from higher operating costs associated with the improved volumes, higher power costs and the higher price of labour, as well as higher purchases of concentrates from third parties which were up 9.6% to R265.8 million (H1 F2014: R242.5 million).

Positively affecting group cost of sales were lower charges for refining costs, at R100.9 million, resuming normal levels after having used outsourced smelting services in the previous comparable period.

The 6.3% drop in the depreciation charge to R210.0 million (H1 F2014 R224.0 million) reflects the effect of the change in the group's depreciation calculation methodology to better match the rate of consumption of reserves (a change in accounting estimate), especially at the Booyensdal mine.

The cost of sales also incorporates a change in metal stocks which was a negative R16.9 million in the current period compared to a positive R14.3 million in H1 F2014.

With the increase in sales and the drop in certain components of operating costs, the loss of R92.7 million in the previous H1 was turned around into a profit of R354.1 million. Investment revenues declined by 34.0% to R18.3 million (H1 2014: R27.8 million) mainly owing to the lower cash balances that the group had invested, compared to the previous period when it had raised a gross R600.0 million from shareholders. The lower net debt position during the period reflected positively also on finance charges, which were 22.8% lower at R77.7 million. In addition, the R1.4 billion revolving credit facility has not been drawn down during the current period. Sundry income is higher at R191.5 million (H1 F2014: R55.0 million) largely due to the R150.0 million insurance claim for the shaft incident mentioned above.

Due to the higher profitability of the group, the tax charge increased to R143.8 million (H1 F2014: R32.8 million). Consequently profit after tax for the group has increased to R356.3 million (H1 F2014 loss R91.7 million).

Cash flows from operating activities fell by 79.6% to R55.5 million (H1 F2014: R271.5 million) due mainly to higher working capital requirements and higher taxes paid. The No. 1 shaft incident resulted in lower than expected sales and an insurance claim of R150 million which had not been settled by the end of the current period. In addition, a sale amounting to R70 million of metal stock was temporarily delayed in December 2014 and only processed in January 2015.

Cash flows utilised in investing activities have declined compared to the previous period owing to lower development costs (capital expenditure) at Booyensdal mine which is nearing completion.

Cash flows generated from financing activities are lower mainly owing to the absence of any fundraising during the current period compared to the previous period when proceeds were raised through the claw back rights offer (H1 F2014: net R579.1 million). In addition, there were no borrowings or usage of credit facilities during the current period (H1 2014: R520.0 million).

CORPORATE ACTIVITY

On 22 October 2014 Northam announced a R6.6 billion BEE transaction in terms of which the company intends to raise R4.6 billion in cash by issuing new shares. The effect of the transaction would be to increase Northam's BEE shareholding from the current 4% (represented by the employees' Toro Trust) to 35.4% post the conclusion of the deal whilst injecting approximately R4 billion in cash to fund Northam's growth strategy.

The transaction has been facilitated by current shareholders, the Public Investment Corporation SOC Limited and Coronation Asset Management Proprietary Limited and secures a 10-year Historically Disadvantaged South African (HDSA) ownership status for Northam in terms of the South African Mining Charter and mining legislation.

The BEE transaction will involve the immediate transfer of economic value to a representative grouping of broad-based HDSA participants, including employees, communities as well as a women's group and a range of strategic HDSA partners. All Northam shareholders will have the right to participate in the transaction funding on a pro rata basis and funds are expected to flow in the last quarter of F2015. Full details of the transaction are contained in a circular which was posted to shareholders on 17 February 2015.

The receipt of the above-mentioned funds will strengthen Northam's financial position, and along with currently available borrowing facilities should enable the group to exploit value-accretive growth opportunities that present themselves.

During the current period the group purchased an additional 20% of Northam Chrome Producers Proprietary Limited (NCP) for R50.0 million with effect from 1 August 2014. This brings the total holding in this subsidiary to 100%. NCP produces chrome from Zondereinde's UG2 tailings.

OPERATIONS REVIEW

Zondereinde

Safety

No fatalities were recorded. The lost time injury incident rate (LTIR) for the period was 1.23 per 200 000 hours worked (H1 F2014: 1.70) and the reportable injury incident rate was 0.84 (H1 2014: 0.86).

Considerable effort continues to be applied by both management and employees in order to ensure the safety of all the group's employees. Five production days were lost to a safety stoppage in the deepening section of the mine.

On 28 July, the No 1 shaft's steelwork was damaged following an incident during a rope change exercise. This put the shaft out of commission for six weeks resulting in the mine losing an estimated 615kg.

Operating performance

Total tonnages milled increased by 20.0% to 988 113 tonnes (H1 F2014: 823 234 tonnes), despite the six-week production interruption at No. 1 shaft. Merensky reef tonnes milled were 431 714 tonnes (H1 F2014: 387 597 tonnes) at a head grade of 5.7g/t (3PGE+Au) and the UG2 reef contributed 556 399 tonnes (H1 F2014: 435 637) tonnes at a head grade of 4.4g/t. The combined head grade was unchanged at 5.0g/t (H1 2014: 5.0g/t). The available ore reserves of the two reefs Merensky and UG2 are 20 months and 24 months respectively.

The total operating cost at Zondereinde was R1.5 billion (H1 F2014: R1.3 billion) which represents a 16.3% increase. Metals in concentrate production rose by 20.2% to 4 179kg (H1 F2014: 3 477kg). Purchased material increased to 661kg compared to H1 F2014's 589kg, a 12.2% increase. The higher production volumes resulted in lower unit operating costs of R388 547/kg (H1 F2014: R404 674/kg) whilst unit cash costs fell by 3.0% to R362 007/kg (H1 2014: R373 266/kg).

Steady progress continues to be made with extending the decline section of the mine. The completion of this infrastructure to 18 level will ultimately result in an extension of the mine's life to greater than 20 years.

Employee relations

During the period under review there were no labour-related disruptions. Whilst the National Union of Mineworkers (NUM) is the dominant union at Zondereinde representing some 70% of the workforce, the Association of Mine and Construction workers Union (AMCU), has gained sufficient membership which entitles it to organisational rights at Zondereinde.

Capital expenditure

The total capital expenditure for current period was R156.4 million (H1 F2014: R270.1million). A further R163.9 million is expected to be spent for the rest of the financial year.

Operational optimisation

Preparatory work to optimise the extraction of the Merensky and UG2 orebodies and extend the life of mine at Zondereinde continues. This entails re-configuring the concentrator plants and increasing smelter and base metal removal capacity as well as completing the establishment of mining infrastructure to the 18 level horizon, some 2 300 metres below surface. The completion of the decline system is expected to cost R150 million per annum for the next five years.

Booyensdal

Safety

Booyensdal again delivered a commendable safety performance during the reporting period despite a slight regression in the safety statistics. The LTIIR was 0.46 per 200 000 man hours (H1 F2014: 0.35) the RIIR was 0.28 per 200 000 man hours worked (H1 F2014: 0.23).

Operating performance

The production ramp-up at the Booyensdal mine continues as planned. Run of mine production increased by 37.4% to 846 116 tonnes (H1 2014: 615 676 tonnes) whilst the tonnage milled increased by 6.8% to 929 262 tonnes (H1 F2014: 870 072 tonnes). The head grade remained constant at 2.6g/t owing to the inclusion of lower grade development tonnage in the mill feed. The production of metals in concentrate increased by 15.8% to 2 041kg (H1 2014: 1 763kg) as a result of significantly improved concentrator recoveries.

The total operating cost of the mine for the current period was R531.6 million (H1 F2014: R410.5 million). Unit operating and cash costs increased by 4.1% to R310 998/kg (H1 F2014: R298 684 /kg) and R255 613/kg (H1 F2014: R230 911/kg) respectively.

The H1 F2015 unit costs have been positively influenced by the supplementation of mill feed by tonnage from the surface stockpile and are therefore not necessarily representative of the costs at steady state.

Employee relations

There were no labour relations disruptions at Booyssendal during the reporting period.

Capital expenditure

A total of R191.9 million was spent in the current period and R239.9 million is expected to be spent in the remainder of the financial year. R30.0 million has been committed for the investigation into the feasibility of mining Merensky ore at Booyssendal.

The total capital expenditure for the Booyssendal mine is expected to be R4.9 billion by the end of calendar 2015.

Operational optimisation

The feasibility of mining Merensky ore at Booyssendal mine is being investigated. Site work has commenced on a box-cut to extract a bulk sample of Merensky ore to conduct metallurgical test work and to also examine the feasibility of mining the Merensky reef using mechanised methods.

STRATEGIC UPDATE

The strategic review announced in August 2014 remains ongoing with some clear opportunities emerging:

- Northam can grow its production in a capital efficient manner at the lower end of the platinum industry cost curve by developing its >100 million 4E ounce resource at Booyssendal. A step in progressing this growth has been taken post the period under review in terms of the announced acquisition from Aquarius Platinum (South Africa) Proprietary Limited (AQPSA) of its Everest assets.
- Northam can reduce its operating risk, by diversifying its production assets. In the past, the group had considerable "single site" operating risk.
- Northam can reduce, over time, its risk exposure by focusing future growth on mechanised bord and pillar mining methods. This approach is neither labour nor capital intensive and, history shows that it delivers materially better safety statistics.
- At Zondereinde, Northam has the opportunity to become more competitive, optimising its operations by focusing on less geologically complex reserves of Merensky Reef and UG2. The Zondereinde mine is relatively well placed by virtue of having pre-developed, de-stressed, relatively high grade UG2 Reef and under-exploited, more conformable Merensky Reef accessible from its developing sub-decline shaft system. Management estimates that the Zondereinde operation should be able to deliver around 300 000oz 4E per annum over the next 20 years.
- Northam will continue to assess opportunities which may arise from restructuring in the sector and which fits its objective of growing down the industry cost curve.
- Northam is well positioned to deliver powerful cash flow for its shareholders when the next commodity price upcycle begins. This said, management firmly believes it prudent to position the group for positive free cash flow at the current commodity prices.

MINERAL RESOURCES AND RESERVES

The mineral resource and reserve estimation is an annual process. Management is not aware of any material changes to the inputs to the resource and reserve estimation process.

PROSPECTS*

The outlook for metal prices remains subdued with some relief for South African producers coming from a weakening exchange rate. The unstable supply of electricity by Eskom is also a major concern for maintaining production momentum.

The company's two year wage agreement with the NUM expires at the end of June 2015 and negotiations for a new wage agreement are expected to start before the end of the financial year.

The financial strength of the group is therefore dependent on stable labour relations and achieving production targets as well as realising metal prices which comfortably exceed the cost of production.

Despite the difficult operating conditions, the company remains well positioned for the future.

** Information in the paragraph has not been reviewed by the company's auditors.*

AUDITOR'S REVIEW

The financial results of the group have been reviewed under the supervision of Mr M Herbst CA(SA) a registered auditor of Ernst & Young Inc., the group's auditors. A copy of their unmodified reviewed report is available for inspection at Northam's registered office.

Accounting Policies – basis of preparation

The financial statements have been prepared on the historical cost basis, except for financial instruments that are stated at fair value. These group interim financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, presentation and disclosure as required by IAS 34 – Interim Financial Reporting, the JSE Listing Requirements and the requirements of the Companies Act No. 71 of 2008 (Companies Act), with the exception of the adoption of the following amendments, standards or interpretations with effect from 1 July 2014:

Standard	Subject
IFRS 10, IFRS 12 & IAS 27	Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27
IAS 32	Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39
IFRIC 21	Levies
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards - Meaning of 'effective IFRSs'
AIP IFRS 13	Fair Value Measurement - Short-term receivables and payables
IAS 19	Defined Benefit Plans: Employee Contributions - Amendments to IAS 19
AIP IFRS 2	Share-based Payment - Definitions of vesting conditions

Standard	Subject
AIP IFRS 3	Business Combinations - Accounting for contingent consideration in a business combination
AIP IFRS 8	Operating Segments - Aggregation of operating segments
AIP IFRS 8	Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
AIP IAS 16	Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation/amortisation
AIP IAS 24	Related Party Disclosures - Key management personnel
AIP IFRS 3	Business Combinations - Scope exceptions for joint ventures
AIP IFRS 13	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
AIP IAS 40	Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of these amendments resulted in changes only in the way in which the interim financial results statements are presented, as well as additional disclosures in the annual financial statements. They did not impact any amounts disclosed in the interim consolidated statement of comprehensive income or interim consolidated statement of financial position.

RELATED PARTIES

The group enters into various sale, purchase and lease transactions in the ordinary course of business with a large number of entities, some of whom are related parties. All transactions are concluded on an arm's length basis.

GOING CONCERN

By their very nature mining operations have a finite life and are also very dependent amongst other things on geological, technical as well as economic factors such as commodity prices and exchange rates. The global economics outlook is uncertain, even though the United States appears to be out of recession, Europe remains mired in a stagnating economy, which may even slip into deflation, whilst the Chinese economy's growth is slowing. Northam is an exporter of platinum group metals to these three regions of the world and metal prices have remained subdued due to lower demand. Locally Northam is subject to the social, economic and labour instability which can pose a threat to its operations.

The ZAR/US\$ exchange rate however continues to weaken and to a certain extent cushions the effects of lower US dollar metal prices.

Notwithstanding the above mentioned factors management is of the opinion that the group remains a going concern taking into account the availability of its current operational cash flows, available borrowing facilities and assuming uninterrupted production in the foreseeable future.

PREPARATION

These reviewed interim results have been prepared under the supervision of the Chief Financial Officer, Mr AZ Khumalo CA(SA). The interim results of the group will be published on the company's website on Friday, 20 February 2015.

EVENTS AFTER THE REPORTING PERIOD

The attention of shareholders is drawn to the following:

- A. The work stoppage that began on the nightshift of Tuesday, 13 January 2015 and ended on 20 January 2015.
- B. Notice pursuant to section 45(5) of the Companies Act.
1. On 5 November 2014, Northam's shareholders approved a special resolution pursuant to section 45 of the Companies Act authorising the board of directors to provide financial assistance to a corporation which is related or inter-related to Northam.
 2. On 10 February 2015 shareholders were advised by way of a SENS announcement that Northam had entered into an agreement with AQPSA in terms of which Northam will acquire the Everest Mining Assets and Everest Mining Right, for a total cash purchase consideration of R450 million (Transaction).
 - 2.1 In terms of the Transaction, Northam will provide financial assistance to Micawber 278 Proprietary Limited (Micawber, a wholly-owned subsidiary of Northam) to acquire the Everest Mining Assets and Everest Mining Right;
 - 2.2 Section 45(5) of the Companies Act, requires a company to provide written notice to its shareholders, amongst others, of the adoption of a board resolution to provide financial assistance if the total value of all loans, debts, obligations or assistance contemplated in that resolution, together with any previous such resolution during the same financial year, exceeds one-tenth of 1% of the company's net worth at the time of the resolution;
 - 2.3 This notice is provided because the value of the financial assistance referred to in paragraph 2 exceeds the threshold stated in paragraph 2.2.

DIVIDEND

The board has resolved not to declare an interim dividend but will review the dividend policy at financial year-end.

ON BEHALF OF THE BOARD

PL Zim
Chairman

PA Dunne
Chief executive officer

Johannesburg
18 February 2015

NORTHAM

PLATINUM LIMITED



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