

# NORTHAM

PLATINUM LIMITED

REVIEWED PRELIMINARY RESULTS  
FOR THE YEAR ENDED 30 JUNE 2015



## KEY FEATURES OF THE YEAR

- Empowerment status secured
- Successful capital raising of R4.6 billion
- Acquisition of Everest signals strategic growth on track
- Three year wage settlement concluded after year-end
- Satisfactory performance from operations
- Booyensal ramp-up on track
- Market conditions continue to disappoint

**Directors**

PL Zim (non-executive chairman), PA Dunne (chief executive officer) (British), AZ Khumalo (chief financial officer), ME Beckett (British), CK Chabedi, R Havenstein, Ms TE Kgosi, and AR Martin

**Registered office**

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**Company secretary**

Ms PB Beale

**Transfer secretaries**

Computershare Investor Services Proprietary Limited  
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**Sponsor and debt sponsor**

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17 Fricker Road, Illovo, 2196  
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These results are available at the Northam website at [www.northam.co.za](http://www.northam.co.za)  
(Incorporated in the Republic of South Africa)  
(Registration number 1977/003282/06)  
Share code: NHM, ISIN: ZAE 000030912, Debt issuer code: NHMI, ISIN: ZAG000099524  
("Northam" or "the group")

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed year ended 30 June 2015 R'000	Audited year ended 30 June 2014 R'000
<b>Sales revenue</b>	<b>6 035 535</b>	<b>5 339 397</b>
<b>Cost of sales</b>	<b>5 439 722</b>	<b>5 277 915</b>
Operating costs	4 342 571	3 536 002
Concentrates purchased	602 395	918 605
Refining and other costs	199 470	267 117
Depreciation and write-offs	339 949	445 875
Change in metal inventories	(44 663)	110 316
<b>Operating profit</b>	<b>595 813</b>	<b>61 482</b>
Share of earnings from associates and joint venture	28 769	3 464
Investment revenue	72 043	59 963
Finance charges	(245 937)	(176 124)
Sundry expenditure	(1 587 264)	(26 724)
IFRS 2 share based payment charge	(874 448)	–
Impairment of non-core assets	(261 488)	–
Net BEE lock-in fee	(242 429)	–
Corporate action transactional costs	(172 640)	–
Other	(36 259)	(26 724)
Sundry income	268 250	123 735
<b>(Loss)/profit before tax</b>	<b>(868 326)</b>	<b>45 796</b>
Taxation	165 619	26 199
<b>(Loss)/profit for the year</b>	<b>(1 033 945)</b>	<b>19 597</b>
<b>Other comprehensive income</b>	<b>(4 482)</b>	<b>(1 327)</b>
Items that will not be subsequently reclassified to profit and loss	–	<b>418</b>
Share of associate's remeasurements of post-employment benefit obligations	–	418
Items that may be subsequently reclassified to profit or loss	<b>(4 482)</b>	<b>(1 745)</b>
Share of associate's exchange differences on translating foreign operations and foreign currency transactions	(4 482)	(1 738)
Share of associate's fair value adjustment on available-for-sale financial assets	–	(7)
<b>Total comprehensive income for the year</b>	<b>(1 038 427)</b>	<b>18 270</b>
<i>(Loss)/profit attributable to:</i>		
Owners of the parent	(1 035 649)	9 486
Non-controlling interests	1 704	10 111
<b>(Loss)/profit for the year</b>	<b>(1 033 945)</b>	<b>19 597</b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME CONTINUED

	Reviewed year ended 30 June 2015 R'000	Audited year ended 30 June 2014 R'000
<i>Total comprehensive income attributable to:</i>		
Owners of the parent	(1 040 131)	8 159
Non-controlling interests	1 704	10 111
<b>Total comprehensive income for the year</b>	<b>(1 038 427)</b>	<b>18 270</b>
<b>Reconciliation of headline (loss)/ earnings and per share information</b>		
(Loss)/profit attributable to shareholders	(1 035 649)	9 486
(Profit)/loss on sale of property, plant and equipment	(892)	1 118
Profit on sale of associate's investment	(7 105)	(2 347)
Impairment of associate's assets	17 493	–
Negative goodwill on assets acquired by associate's associate	(26 804)	–
Foreign currency differences on repayment of long term receivables from associates foreign operations reclassified to profit or loss	(922)	–
Impairment of property, plant and equipment	2 525	–
Impairment of non-core assets	261 488	–
Tax effect on above	(5 097)	344
<b>Headline (loss)/earnings</b>	<b>(794 963)</b>	<b>8 601</b>
(Loss)/earnings per share – cents	(264,3)	2,4
Fully diluted (loss)/earnings per share – cents	(264,3)	2,4
Headline (loss)/earnings per share – cents	(202,9)	2,2
Fully diluted headline (loss)/earnings per share – cents	(202,9)	2,2
Dividends per share – cents	–	–
Weighted average number of shares in issue	391 834 708	390 969 652
Fully diluted number of shares in issue	391 834 708	390 969 652
Total number of shares in issue	509 781 212	397 586 090
Treasury shares in issue	159 905 453	–
Shares in issue adjusted for treasury shares	349 875 759	–

# CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Reviewed 30 June 2015 R'000</b>	<b>Audited 30 June 2014 R'000</b>
<b>Cash flows from operating activities</b>	<b>341 585</b>	<b>885 379</b>
(Loss)/profit before taxation	(868 326)	45 796
Depreciation and write-offs	339 949	445 875
Impairment of associates and receivable balances	261 488	–
Change in short term provisions	8 315	14 285
Equity settled share-based expense	874 448	–
Finances charges	245 937	176 124
Equity accounted earnings	(28 769)	(3 464)
Cash settled share-based payment	(38 350)	61 228
Other	23 173	6 513
Change in working capital	(221 248)	270 414
Taxation paid	(255 032)	(131 392)
<b>Cash flows utilised in investing activities</b>	<b>(1 102 096)</b>	<b>(765 945)</b>
Property, plant, equipment and mining properties and mineral reserves		
Additions to maintain operations	(322 980)	(358 200)
Additions to expand operations	(779 068)	(539 645)
Proceeds from sale of development ounces	–	137 687
Disposal proceeds	4 212	3 508
Investment in associate – cash distributed	–	69
Land and township development		
Additions	(1 088)	(2 825)
Disposals proceeds	885	8 174
Increase in investments held by Northam Platinum Restoration Trust Fund	(2 624)	(5 520)
Increase in investments held by Environmental Contingency Fund	(1 098)	(8 617)
Increase in investment held in Buttonshope Conservancy Trust	(335)	(576)
<b>Cash flows generated from financing activities</b>	<b>4 232 644</b>	<b>248 042</b>
Proceeds from issue of shares	–	579 033
Issue of preference share liability	4 599 426	–
Acquisition of non-controlling interest	(50 000)	(10 000)
Liquidity fees paid	(163 903)	–
Interest paid	(145 170)	(176 124)
Dividends paid	(3 908)	(11 066)
Decrease in long-term loans	(3 801)	(3 801)
Revolving credit facilities repaid	–	(250 000)
Domestic medium-term notes issued	–	120 000
<b>Increase in cash and cash equivalents</b>	<b>3 472 133</b>	<b>367 476</b>
Cash and cash equivalents at beginning of the year	666 056	298 580
<b>Cash and cash equivalents at end of the year</b>	<b>4 138 189</b>	<b>666 056</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 30 June 2015 R'000	Audited 30 June 2014 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	13 367 048	12 745 424
Property, plant and equipment	7 065 352	6 287 062
Mining properties and mineral resources	5 636 478	5 653 328
Interest in associates and joint venture	275 847	496 509
Unlisted investment	6	6
Land and township development	10 000	10 204
Long-term receivables	94 503	94 047
Investments held by Northam Platinum Restoration Trust Fund	49 092	46 468
Environmental Guarantee Investment	52 122	51 024
Buttonshope Conservancy Trust	11 037	10 702
Deferred tax asset	172 611	96 074
<b>Current assets</b>	5 784 288	1 995 572
Inventories	1 126 550	1 076 853
Trade and other receivables	498 854	244 672
Cash and cash equivalents	4 138 189	666 174
Tax receivable	20 695	7 873
<b>Total assets</b>	19 151 336	14 740 996

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

	Reviewed 30 June 2015 R'000	Audited 30 June 2014 R'000
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	9 216 425	11 386 483
Stated capital	13 778 114	9 178 688
Treasury shares	(6 556 123)	–
Retained earnings	1 139 808	2 223 135
Equity settled share based payment reserve	874 448	–
Other comprehensive income from associate	(19 822)	(15 340)
Equity attributable to owners of the parent	9 216 425	11 386 483
Non-controlling interests	–	5 389
<b>Total equity</b>	9 216 425	11 391 872
<b>Non-current liabilities</b>	7 310 753	2 157 462
Deferred tax liability	521 452	502 097
Long-term provisions	187 217	142 709
Preference share liability	6 492 655	–
Long-term loans	39 963	43 763
Long-term share-based payment liability	69 466	98 893
Domestic medium term notes	–	1 370 000
<b>Current liabilities</b>	2 624 158	1 191 662
Current portion of long-term loans	3 801	3 801
Short-term share-based payment liability	61 019	69 942
Domestic medium term notes	1 370 000	–
Bank overdraft	–	118
Tax payable	102 072	121 481
Trade and other payables	959 996	877 365
Short-term provisions	127 270	118 955
<b>Total equity and liabilities</b>	19 151 336	14 740 996
<b>Net asset value – cents per share</b>	2 634	2 864

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Equity settled share based payment reserve	Retained earnings	Other comprehensive income from associate	Non-controlling interests	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Balance at 1 July 2013</b>	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 year	–	–	9 486	(1 327)	10 111	18 270
Profit for the year	–	–	9 486	–	10 111	19 597
Other comprehensive income for the year	–	–	–	(1 327)	–	(1 327)
Dividends declared #	–	–	–	–	(11 066)	(11 066)
Issue of new shares	579 033	–	–	–	–	579 033
<b>Balance at 1 July 2014</b>	9 178 688	–	2 223 135	(15 340)	5 389	11 391 872
Acquisition of non-controlling interest	–	–	(46 815)	–	(3 185)	(50 000)
Total comprehensive income for the year	–	–	(1 033 945)	(4 482)	1 704	(1 036 723)
Loss for the year	–	–	(1 033 945)	–	1 704	(1 032 241)
Other comprehensive income for the year	–	–	–	(4 482)	–	(4 482)
Dividends declared #	–	–	(2 567)	–	(3 908)	(6 475)
Issue of new shares	4 599 426	–	–	–	–	4 599 426
Treasury shares	(6 556 123)	–	–	–	–	(6 556 123)
Share based payment reserve	–	874 448	–	–	–	874 448
<b>Balance at 30 June 2015</b>	7 221 991	874 448	1 139 808	(19 822)	–	9 216 425

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



## SEGMENTAL INFORMATION

	Total sales revenue	
	Reviewed	Audited
	30 June 2015	30 June 2014
	R'000	R'000
Zondereinde operations	4 418 070	4 383 194
Booyensdal operations	1 978 081	956 203
Intersegmental sales	(360 616)	–
<b>Total</b>	<b>6 035 535</b>	<b>5 339 397</b>

Revenue relates to external customers of the group's metal production and includes purchased metals.

	Operating profit	
	Reviewed	Audited
	30 June 2015	30 June 2014
	R'000	R'000
Zondereinde operations	398 849	189 878
Booyensdal operations	196 964	(128 396)
<b>Total</b>	<b>595 813</b>	<b>61 482</b>

	Net (loss)/profit	
	Reviewed	Audited
	30 June 2015	30 June 2014
	R'000	R'000
Zondereinde operations	32 367	233 937
Booyensdal operations	(16 929)	(214 340)
<b>Total operating segments</b>	<b>15 438</b>	<b>19 597</b>
Zambezi Platinum	(1 049 383)	–
<b>Total</b>	<b>(1 033 945)</b>	<b>19 597</b>

## SEGMENTAL INFORMATION CONTINUED

	Segment assets	
	Reviewed	Audited
	30 June 2015	30 June 2014
	R'000	R'000
Zondereinde operations	5 108 644	4 652 033
Booyseindal operations	14 042 267	10 088 963
<b>Total operating segment</b>	<b>19 150 911</b>	<b>14 740 996</b>
Zambezi Platinum	425	–
<b>Total</b>	<b>19 151 336</b>	<b>14 740 996</b>

	Segment liabilities	
	Reviewed	Audited
	30 June 2015	30 June 2014
	R'000	R'000
Zondereinde operations	3 135 000	3 220 530
Booyseindal operations	307 256	128 594
<b>Total operating segment</b>	<b>3 442 256</b>	<b>3 349 124</b>
Zambezi Platinum	6 492 655	–
<b>Total</b>	<b>9 934 911</b>	<b>3 349 124</b>

	Capital expenditure	
	Reviewed	Audited
	30 June 2015	30 June 2014
	R'000	R'000
Zondereinde operations	303 222	358 200
Booyseindal operations	798 826	539 645
<b>Total</b>	<b>1 102 048</b>	<b>897 845</b>

## CAPITAL COMMITMENTS

	Reviewed 30 June 2015 R'000	Audited 30 June 2014 R'000
<b>Booyesdal mine</b>		
Authorised but not contracted	367 584	338 204
Contracted	74 506	145 186
Total	442 090	483 390
<b>Zondereinde mine</b>		
Authorised but not contracted	795 628	172 316
Contracted	42 376	154 060
Total	838 004	326 376

## OTHER COMMITMENTS

Information Technology – outsource service provider		
Due within one year	26 676	10 293
Due within two to five years	18 403	21 460
Operating lease rentals – office equipment		
Due within one year	2 136	1 947
Due within two to five years	1 684	1 004
Operating lease rentals – premises		
Due within one year	5 599	4 585
Due within two to five years	27 324	13 588
More than five years	–	5 959
Employee housing development		
Authorised	4 800	4 800
Bank guarantees issued	73 266	78 736

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

## ZONDEREINDE MINE – OPERATING AND FINANCIAL STATISTICS

		Change %	30 June 2015	30 June 2014
<b>Operating statistics*</b>				
<b>Merensky</b>				
Development metres		0.8	6 507	6 454
Square metres mined		2.2	155 815	152 479
Tonnes milled		(1.0)	795 885	803 736
Head grade – g/ton (3PGEs + Au)		(1.7)	5.7	5.8
Available ore reserves – months		–	20	20
<b>UG2</b>				
Development metres		18.8	1 461	1 230
Square metres mined		24.8	186 415	149 400
Tonnes milled		15.7	1 064 499	920 420
Head grade – g/ton (3PGEs + Au)		–	4.3	4.3
Available ore reserves – months		–	24	24
<b>Combined</b>				
Development metres		3.7	7 968	7 684
Square metres mined		13.4	342 230	301 879
Tonnes milled		7.9	1 860 384	1 724 156
Head grade – g/ton (3PGEs + Au)		(2.0)	4.9	5.0
<b>Financial statistics*</b>				
Precious metals in concentrates produced	kg	8.4	7 950	7 331
Precious metals in concentrates purchased	kg	18.4	2 338	1 975
Precious metals sold	kg	(1.9)	9 636	9 827
Average price realised	R/kg	2.2	409 025	400 381
Operating costs	R/kg	3.3	408 599	395 629
Cash costs	R/kg	7.6	386 117	358 891
Precious metals in concentrates produced	oz	8.4	255 595	235 693
Precious metals in concentrates purchased	oz	18.4	75 168	63 488
Precious metals sold	oz	(1.9)	309 801	315 941
Average price realised	US\$/oz	(7.5)	1 108	1 198
Operating costs	US\$/oz	(6.6)	1 110	1 189
Cash costs	US\$/oz	(2.7)	1 049	1 078
Average exchange rate realised	US\$ 1.00 = R	10.6	11.45	10.35
Operating costs per tonne milled	R/tonne	3.8	1 746	1 682
Cash costs per tonne milled	R/tonne	8.1	1 650	1 526

\* Not audited or reviewed

## BOOYSENDAL MINE – OPERATING AND FINANCIAL STATISTICS

		Change %	30 June 2015	30 June 2014
<b>Operating statistics*</b>				
<b>UG2</b>				
Tonnes mined		35.5	1 670 437	1 233 089
Tonnes milled		17.7	1 786 375	1 517 109
Head grade – g/ton (3PGEs + Au)		–	2.6	2.6
<b>Financial statistics*</b>				
Precious metals in concentrates produced	kg	32.2	3 809	2 882
Precious metals sold	kg	40.2	3 509	2 503
Average price realised	R/kg	0.9	402 461	398 710
Operating costs	R/kg	(0.9)	358 554	361 902
Cash costs	R/kg	11.3	308 719	277 308
Precious metals in concentrates produced	oz	32.2	122 475	92 668
Precious metals sold	oz	40.2	112 829	80 476
Average price realised	US\$/oz	(8.6)	1 084	1 186
Operating costs	US\$/oz	(10.4)	974	1 087
Cash costs	US\$/oz	0.7	839	833
Average exchange rate realised	US\$1.00 = R	10.6	11.45	10.35
Operating costs per tonne milled	R/tonne	11.2	765	688
Cash costs per tonne milled	R/tonne	24.9	658	527

\* Not audited or reviewed

# COMMENTARY ON THE RESULTS

The year under review has been a memorable one, characterised by the R6.6 billion Black Economic Empowerment (BEE) equity transaction with Zambezi Platinum (RF) Limited (Zambezi Platinum), which is secured for a period of ten years. Zambezi Platinum has underscored our BEE ownership credentials; Northam is now 35.4% BEE-owned, which includes the existing Toro Trust's 4% interest. The conclusion of this transaction has secured our growth path, with the R450 million acquisition of the Everest mine assets and mineral reserves from Aquarius Platinum South Africa Proprietary Limited (AQPSA). This asset will be integrated into our Booyensdal South operation which has a large unmined resource.

Developing the Booyensdal South property is expected to continue over the next five years.

As the year progressed we were faced with the challenge of an oversupplied platinum market in which dollar-denominated prices have progressively declined. The simultaneous weakening of the South African (SA) rand has not fully compensated for this decline.

With the pressure on our revenue line from a declining basket price, our focus has been and continues to be on containing the unit costs of producing each platinum group metal (PGM\*) ounce.

Our operating performance has been encouraging as we have continued with the ramp-up of production at Booyensdal. At Zondereinde, despite a shaft incident that put the No.1 shaft out of commission for six weeks, and a one-week work stoppage in January this year, production losses were mitigated by prompt remedial action and, for the year as a whole, overall production was satisfactory.

## FINANCIAL OVERVIEW

The results for the year were largely determined by the steadily declining dollar PGM prices over which we have no control and by increases in costs over which we have only minimal control. Some unit mining costs increased at a rate greater than the rise in the overall consumer price index. While this could well continue as higher input costs such as wages and electricity tariffs kick in, management's vigilant approach to costs is set to continue.

Group sales revenues grew by 13.0% to R6 035.5 million (F2014: R5 339.4 million). This is due to a combination of an increase in PGM sales volumes of 6.6% to 422 630 oz (F2014: 396 417 oz), and a 10.6% weaker ZAR/US\$ exchange rate, averaging R11.45/US\$ during the year (F2014: R10.35/US\$). To a degree the weaker SA currency served to offset the lower US dollar PGM prices. The average price realised in US dollars fell 7.5% to US\$ 1 108/oz (F2014: US\$1 198/oz) at Zondereinde and 8.6% to US\$ 1 084/oz (F2014: US\$ 1 186/oz) at Booyensdal.

The higher sales volumes achieved are on the back of higher production volumes for the group (including purchased concentrates) which were up 15.7% to 453 238 oz (14 097 kg) compared to 391 849 oz (12 188 kg) in F2014. Further, the average rand basket price realised for both mines was marginally higher in F2015 than in F2014 on account of the weaker exchange rate. Zondereinde realised an average basket price of R409 025/oz (F2014: R400 381/oz), a 2.2% improvement, whilst Booyensdal's realised price improved 0.9% to R402 461/oz from R398 710/oz in F2014.

\* Northam reports its resources, reserves, grade, production and sales in terms of platinum, palladium, rhodium and gold.

Operating costs were up 22.8% largely resulting from Booyensdal's new production as it ramped up during the year, and higher wage and power costs. The higher operating costs largely overshadowed the effect of the 25.3% drop in refining and related costs, and resulted in the 3.1% rise in cost of sales to R5 439.7 million. The lower refining and related costs at R199.5 million reflect more normalised levels after the smelter shutdown and rebuild, along with outsourced smelting costs incurred in the prior year. Depreciation and write-offs were lower in F2015 owing to a change in the depreciation methodology (which was a change in accounting estimate). This is evident primarily at Booyensdal whereby most assets are now depreciated on a unit of production basis rather than the straight line method. This method better matches the depreciation charge to the rate of depletion of reserves at Booyensdal.

The group has achieved an operating profit of R595.8 million, higher than the F2014 operating profit of R61.5 million. Both the higher operating profit and higher operating profit margin of the group, at 9.9% (F2014: 1.2%), are due to the combination of higher production volumes from both mines, higher average rand basket prices realised, lower refining and related costs and lower depreciation and write-off charges as stated above.

The share of earnings from associates and joint ventures of R28.8 million (F2014: R3.5 million), is attributed to higher earnings from Trans Hex Group Limited. Investment revenues of R72.0 million (F2014: R60.0 million) mainly comprise interest earned on the group's invested funds.

Finance charges which amounted to R245.9 million (F2014: R176.1 million) are higher owing to the interest of R145.1 million incurred mainly on the domestic medium term notes and on the use of the revolving credit facility, and R100.8 million for the preference dividends payable to preference shareholders of Zambezi Platinum (which is consolidated in the results) in terms of the BEE transaction.

Sundry expenditure amounted to R1 587.3 million (F2014: R26.7 million) reflecting accounting charges and costs associated with the two major corporate deals undertaken in the current year, the BEE transaction and the acquisition of the Everest mine from AQPSA. Included in costs associated with the BEE transaction are the "share-based payment" charge of R874.4 million which is a once-off charge and the R242.4 million net lock-in fee (being the gross R400.0 million lock-in fee paid to the BEE participants (collectively the ESOP Trust, the Booyensdal Community Trust, the Zondereinde Community Trust, the Strategic Partners and the Women's Consortium as defined in the circular dated 17 February 2015) less taxes paid and less the portion of the lock-in fee relating to the three Trusts which are eliminated on consolidation). Shareholders are referred to the *pro forma* financial effects of the said BEE transaction circular for the mechanics of the transaction. Also included in sundry expenditure are the non-core asset impairment charges of R261.5 million for the Pandora joint venture, Trans Hex Group Limited and Dwaalkop investments and corporate action costs related mainly to the said two corporate transactions of R172.6 million.

The sundry income of R268.3 million (F2014: R123.7 million) incorporates the once-off proceeds of R183.8 million received in terms of the No.1 shaft incident insurance claim.

## COMMENTARY ON THE RESULTS CONTINUED

The taxation charge of R165.6 million (F2014: R26.2 million) is higher than in the comparative period due to the higher taxable profits earned by the group in F2015 relative to F2014 as well as capital gains taxes paid by the group due to the lock-in fee received in Zambezi Platinum, and a number of BEE costs not being tax deductible.

The group reported a net loss of R1 033.9 million (F2014: profit of R19.6 million), and a loss per share of 264.3 cents (F2014: profit of 2.4 cents per share) reflecting the year's loss and the effect of the increase in the weighted average number of shares in issue of 391 834 708 shares (F2014: 390 969 652).

The group's total number of shares in issue at 30 June 2015 was 509 781 212 (F2014: 397 586 090) following the issue of 112 195 122 shares to Zambezi Platinum, which is Northam's 31.4% BEE shareholder. The group has 159 905 453 treasury shares (F2014: no treasury shares held) which are not accounted for in the calculation of the abovementioned loss per share. Zambezi Platinum's results are consolidated with Northam's group results.

Cash flows from operating activities were lower in F2015 at R341.6 million (F2014: R885.4 million) mainly due to the higher working capital requirements and tax paid. Higher working capital requirements emanate from higher sales and debtors balances and an increase in inventory values which rose based on the higher production volumes of the group. Cash flows utilised in investing activities were higher at R1 102.1 million (F2014: R765.9 million) due to both stay in business and project capital expenditure which includes the acquisition of Everest mine assets, accounted for as an asset acquisition.

Cash flows generated from financing activities amounting to R4 232.6 million (F2014: R248.0 million) are largely accounted for by the proceeds of R4 599.4 million received by Northam from the issue of 112 195 122 million shares to Zambezi Platinum. The cash balance of the group at year end was therefore a healthy balance of R4 138.2 million, most of which was received in May 2015 from the BEE transaction.

## OPERATIONS

### Zondereinde

The Zondereinde mine is operating at steady state, and its performance during the year under review reflects this stability and our confidence in its sustainability. Despite the No.1 shaft incident early in the financial year, and the one-week work stoppage in January, Zondereinde delivered 795 885 tonnes (F2014: 803 736 tonnes) of Merensky reef to its processing plant at a head grade of 5.7g/t (F2014: 5.8g/t). UG2 tonnages came in at 1 064 499 tonnes (F2014: 920 420 tonnes) to the processing plant at a head grade of 4.3g/t (F2014: 4.3g/t).

This blend of reef resulted in the overall head grade falling to 4.9g/t (F2014: 5.0g/t). Metals produced from underground increased to 7 950kg (F2014: 7 331). Concentrates purchased were 2 338kg (F2014: 1 975kg). At the year's end available ore reserves on the Merensky reef were sufficient for 20 months' production and on the UG2 reef for 24 months'.

Overall the Zondereinde mine operated well during the year. However, mining flexibility on the Merensky reef horizon remains constrained owing to challenging geological conditions, particularly in the north-west quadrant of the mine. Production from the UG2 horizon is relatively easier. With planned modifications to the processing plant, the smelter will be in a position to accommodate a higher proportion of UG2 reef. Future production from Zondereinde is consequently planned at a 65:35 UG2: Merensky ratio for 21 years.



Construction of the decline section has progressed satisfactorily with the conveyor decline on the 16 level elevation and good progress being made in developing the barrels of the material incline between 14 and 16 levels. An underground refrigeration plant was commissioned during the year on 13 level which has improved environmental conditions in the deepening section of the mine markedly. The completion of this suite of infrastructure will provide access to good quality Merensky reef and increase the life of Zondereinde to more than 20 years.

Wage negotiations got underway in May 2015 and were successfully concluded after the year end when a three-year agreement was signed with the National Union of Mineworkers.

### ***Health and safety***

At Zondereinde, three million fatality free shifts were recorded during March this year for the first time. The management team and all employees are to be congratulated on this milestone achievement. The total number of injuries recorded declined year on year resulting in an improved lost time injury incidence rate (LTIIR). Overall the operation's LTIIR was 1.31 (F2014: 1.70) per 200,000 hours worked and the reportable injury incidence rate (RIIR) was 0.94 (F2014: 0.86).

Shaft steelwork was damaged during a rope-change exercise at Zondereinde's No.1 shaft in July last year. The incident put the shaft out of commission for six weeks. Repairs were carried out successfully and safely.

### ***Costs and capital expenditure***

Zondereinde's total operating costs were R3 114.8 million against R2 690.9 million in F2014. Although the value of purchased concentrates decreased by 34.4%, to R602.4 million, the quantum purchased rose by 18.4% to 75 168 oz (2 338 kg) (F2014: 63 488 oz (1 975kg)), illustrating lower purchase prices of concentrates as PGM prices fell during the year.

Unit operating and cash costs at Zondereinde were 3.3% and 7.6% higher at R408 599/kg (F2014: R395 629/kg) and R386 117/kg (F2014: R358 891/kg) respectively, reflecting higher operating costs as mentioned above and the impact of six-week interruption of production associated with the No.1 shaft incident in July 2014, and the one-week work stoppage in January 2015.

In the light of the current weakness of platinum prices, we have adopted a cautious approach to capital spending. While we had planned to spend more in the year under review, certain expenditure was deferred resulting in total spend of R303.2 million, including the deepening project.

We cannot, however, defer capital projects indefinitely and we shall persist with projects that are of strategic importance to the business.

This will include the construction of a new furnace, an upgrade to the UG2 concentrator to increase throughput and continuing the development of mining infrastructure to 18 level to extend the life of the mine. The annual cost of this five-year deepening project is expected to run at R130 million and is included in Zondereinde's F2016 stay in business capital estimate of R303.0 million.

## COMMENTARY ON THE RESULTS CONTINUED

### ***Processing and refining***

The group's processing and refining capability is a strategic advantage. The review we embarked on last year highlighted a number of options which we have pursued in the intervening period.

- Production of UG2 at Zondereinde is planned to increase over time. Therefore the decision has been made to increase the throughput of the UG2 concentrator from the current 90 000 tonnes per month. The mine is carrying out certain test work before finalising the design parameters for the upgrade. This project is expected to cost R60 million.
- Whilst the board has approved capital expenditure for the installation of an additional 20MW furnace as part of the smelter expansion and de-risking programme a sum of R10.0 million has been committed to date for design and drawing work for the new furnace. This project, estimated at R750.0 million, is expected to be completed over the next three years, market conditions allowing. The additional capacity will add significant mining flexibility, allowing for higher volumes of UG2 ore to be mined and treated. The additional capacity will support the growth in production from Booyensdal.
- A new autoclave with sufficient capacity to match the potential throughput from the expanded smelter facility was installed and commissioned at the base metal removal plant earlier this year at a cost of R31.0 million.

### **Booyensdal**

Booyensdal continued the ramp-up to its annual steady-state PGMs production target of 160 000 oz planned to be reached in the first half of F2016.

Operationally good progress is being made with the equipping of the last two production sections, scheduled for October 2015, to complete the original capital footprint. The concentrator performed well above its nameplate capacity in the last three months of the year, achieving an average recovery of 86%. The plan to exploit the Merensky reef from the existing footprint advanced well with the box cut completed and the development of the declines in progress to extract a bulk sample for metallurgical test work. This work is expected to be complete in the second half of F2016 following which a decision will be made on developing a Merensky mining module.

During the new financial year conceptual design work on exploiting the Booyensdal South orebody (including the former Everest mine infrastructure) will be progressed to a feasibility study. The decision to begin construction of new mining modules will be taken against the background of current and expected PGM market conditions and the potential return on investment. The feasibility is expected to cost R22.0 million and will be completed by May 2016.

For the year as a whole Booyensdal's run-of-mine production totalled 1 670 437 tonnes (F2014: 1 233 089 tonnes) with the tonnage milled increasing to 1 786 375 tonnes (F2014: 1 517 109 tonnes) at a head grade of 2.6g/t (F2014: 2.6g/t).

### ***Health and safety***

As underground production ramped up, safety statistics regressed compared to the preceding year. The LTIIR rose to 0.54 (F2014: 0.27) per 200 000 hours worked while the RIIR was also higher at 0.41 (F2014: 0.21). Safety awareness remains a key focus area for management at Booyensdal. The mine continues to deliver a good safety performance with a key differentiator being the mechanised mining method.

### **Costs and capital expenditure**

As the mine has progressed towards steady state, costs have approached the sort of levels we might expect when underground operations are delivering fully to the mill. Less material will be drawn from the surface stockpile to augment underground material. Booyensdal's total operating costs were R1 192.2 million against R806.8 million in F2014 with unit operating costs 0.9% lower at R358 554/kg (F2014: R361 902/kg) and cash costs 11.3% higher at R308 719/kg (F2014: R277 308/kg).

The 0.9% drop in unit operating cost in F2015 at Booyensdal results from the lower depreciation charge incurred by the mine following the change in depreciation methodology mentioned above.

The higher rand per tonne milled operating cost of R765/ton (F2014: R688/ton) and cash cost of R658/ton (F2014: R527/ton) at Booyensdal is attributable to the fact that in the prior year a higher proportion of milled tonnage was sourced from the pre-production stockpile.

As Booyensdal reaches its design capacity capital expenditure levels have declined accordingly. Total expenditure excluding the Everest mine asset acquisition for the year came in at R398.8 million, below the planned level of R483.4million (F2014: R539.6 million). Booyensdal's F2016 stay in business capital is estimated at R112.5 million, with project capital estimated at R250.0 million. Project capital will be spent on the continued development of the Merensky decline to extract a bulk sample and the completion of the current UG2 decline. Total capital expenditure since the start of the phase 1 Booyensdal mine development is expected to close out at R4.5 billion.

## **CORPORATE ACTIVITY**

- On 22 October 2014 shareholders were advised that the group had concluded a fully funded R6.6 billion BEE transaction, in parallel with a successful equity raise of R4.6 billion. The transaction, which secures a sustainable 35.4% BEE interest in Northam, was approved by shareholders on 19 March 2015. In terms of the transaction Northam issued 112 195 122 shares (22% of Northam's new number of issued shares) to Zambezi Platinum. Zambezi Platinum, a special purpose vehicle for the BEE transaction, acquired a further 47 710 331 Northam shares, equal to 9.4% from the Public Investment Corporation SOC Limited. Zambezi Platinum then listed its preference shares on the JSE Limited on 11 May 2015. Zambezi Platinum's ordinary unlisted shareholders are the BEE participants, who collectively hold 31.4% interest in Northam through Zambezi Platinum. Along with a further 4% BEE credit recognised through the participation in profits by the employees' Toro Trust, the BEE holding of the group now stands at 35.4%, in excess of the 26% required by the South African Mining Charter.
- On 10 February 2015 the company entered into a sale of assets agreement with AQPSA. In terms of the transaction Northam acquired the Everest mining assets on 26 June 2015 for a total cash purchase consideration of R400 million (excluding VAT) and, the payment of R50 million (excluding VAT) for the Everest mining right, will be paid to AQPSA once the Section 11 consent has been granted by the Minister of Mineral Resources to transfer the mining licence to Booyensdal Platinum Proprietary Limited.
- On 10 March 2015 we advised shareholders that the 13.5% stake in the company held by Eurasian Natural Resources Corporation since 2011, had been placed with a number of institutional investors, following a bookbuild exercise.
- During the year 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 Northam's total holding in the subsidiary to 100%. NCP produces chrome from Zondereinde's UG2 tailings.

## COMMENTARY ON THE RESULTS CONTINUED

### **MINERAL RESOURCES AND RESERVES**

The process to estimate the group's mineral resource and reserve is conducted on an annual basis. The latest mineral resource and reserve estimation will be published in the 2015 integrated annual report, due for publication in early October 2015.

### **CHANGES TO THE BOARD OF DIRECTORS**

Mr Jim Cochrane resigned as a director on 15 April 2015. Mr Ralph Havenstein has taken over from Mr Alwyn Martin as lead independent director on 18 August 2015. Mr Brian Mosehla's appointment as a non-executive director was approved by the board on 18 August 2015. His appointment is effective from 19 August 2015. Mr Martin has stepped down as lead independent and will remain on the board.

### **PROSPECTS\***

Whilst the outlook for PGMs in the short to medium term is likely to remain subdued the economic and social factors affecting the country have resulted in a precarious economic situation. Higher costs, mainly from labour and power inputs have eroded operating margins. However, Northam is well placed to take advantage of opportunities that may arise from the current adverse economic conditions.

The recent three-year wage agreement with the recognised union at the Zondereinde mine provides stability going forward and allows management to focus on operational matters. On the eastern limb social unrest poses a risk to normal operations at Booysendal.

The group's financial performance depends largely on better metal prices, and a stable working environment. Management is confident that the group's strong balance sheet and prudent financial controls will provide support until such time that metal prices rise sustainably.

\* Information in this section has not been reviewed by the group's auditors

### **AUDITOR'S REVIEW**

The preliminary financial statements of the group for the year ended 30 June 2015 (financial statements) have been reviewed under the supervision of Mr M Herbst CA (SA), a registered auditor of Ernst & Young Inc., who are the group's auditors. A copy of their unmodified reviewed report is available for inspection at Northam's registered office. The auditor's report does not necessarily report on all the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

### **ACCOUNTING POLICIES – BASIS OF PREPARATION**

The condensed financial statement has been prepared on the historical cost basis, except for certain financial instruments that are stated at fair value. These group preliminary 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 of South Africa, and incorporate the accounting policies which are consistent with those adopted in the financial year ended 30 June 2014 with the exception of the adoption of the following amendments, standards or interpretations with effect from 1 July 2014:

<b>Standard</b>	<b>Subject</b>
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
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 financial results statements are presented, as well as additional disclosures in the annual financial statements. They did not impact any amounts recognised in the preliminary consolidated statement of comprehensive income or preliminary consolidated statement of financial position.

## **RELATED PARTIES**

From time to time 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 covered in these results are concluded on an arm's length basis.

# COMMENTARY ON THE RESULTS CONTINUED

## GOING CONCERN

Mining operations have a finite life and are also dependent amongst other things on geological, technical as well as economic factors such as commodity prices and exchange rates. The global economic outlook and low US dollar metal prices are a concern as Northam is an exporter of PGMs to global markets. Operations continue to be under pressure due to increasing input costs (mainly power and labour) and lower metal prices.

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

Management has implemented thorough cost-cutting initiatives. This effort, along with the group's strong balance sheet and current operational cash flows has informed the opinion of management that the group remains a going concern.

## PREPARATION

These preliminary results have been prepared under the supervision of the Chief Financial Officer, Mr A Z Khumalo CA (SA). The annual results of the group will be published on the group's website on Thursday, 20 August 2015.

## EVENTS AFTER THE REPORTING PERIOD

Shareholders were advised on 30 July 2015 that the management of Zondereinde had signed a three-year wage agreement with the recognised union at the mine.

## DIVIDEND

Given the current difficult conditions in the industry, and the potential cash requirements of the group's operations and for the continued development of its assets, the board has resolved not to declare a dividend for the F2015 year (F2014: nil cents per share).

## ON BEHALF OF THE BOARD

**PL Zim**  
Chairman

**PA Dunne**  
Chief executive officer

Johannesburg  
18 August 2015



**NORTHAM**  
P L A T I N U M L I M I T E D

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