



Zambezi
Platinum (RF) Limited

Reviewed interim results
for the six months ended 31 December 2015



EMPOWERMENT
AT WORK

WHO WE ARE

Zambezi Platinum (RF) Limited (Zambezi) is a special purpose black economic empowerment (BEE) vehicle established in October 2014 as a result of a BEE transaction with Northam Platinum Limited (Northam). The transaction was approved by Northam shareholders on 19 March 2015 and concluded during May 2015.

In terms of the transaction, Northam issued 112 195 122 new shares, which were supplemented by 47 710 331 shares, sold to Zambezi by the Public Investment Corporation SOC Limited, a long-standing Northam shareholder.

Zambezi comprises a range of historically disadvantaged South African (HDSA) stakeholders including an employee trust, two community trusts, a women's group and a core of strategic partners. Together they hold a 31.4% stake in Northam.

Zambezi has financed the acquisition of shares in Northam through a preference share arrangement. Apart from its investment in Northam and the issue of the preference shares, Zambezi will not conduct any operational business.

The redemption of the preference shares is planned to occur through cash accumulation from dividends received from Northam, and after the lock-in period of 10 years (from 18 May 2015), the possible sell off of the Northam shares into the market to realise the capital value. In the event that this is not sufficient to settle the liability, the preference share liability is secured in terms of a financial guarantee issued by Northam.

Should a liability arise under the Northam guarantee, Northam may settle this liability by capitalising Zambezi with cash and/or Northam shares before the redemption amount becomes due or making payment directly to the preference shareholders. The manner of settlement is not contractually specified.

EMPOWERMENT AT WORK



KEY FEATURES

There is no risk of the shareholding in Northam being sold or compromised for a 10-year period.

Zambezi's ring-fencing will protect Northam's BEE credentials.

We remain confident of the long-term fundamentals of platinum.

Our board members contribute a valuable range of business and technical skills.

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DIRECTORS

PL Zim (non-executive chairman)

PA Dunne (non-executive director) (British)

AZ Khumalo (non-executive director)

N Mazwai (non-executive director)

KB Mosehla (non-executive director)

GS Mseleku (non-executive director)

LC van Schalkwyk (non-executive director)

(Incorporated in the Republic of South Africa)

(Registration number 2014/106927/06)

JSE preference share code: ZPLP

ISIN code: ZAE000202552

(Zambezi Platinum or the group)



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Zambezi
Platinum (RF) Limited

FINANCIAL COMMENTARY

These reviewed interim results have been prepared under the supervision of the Chief Financial Officer of Northam Platinum Limited, Mr AZ Khumalo CA (SA).

The interim results of the group will be published on the company's website on Friday 26 February 2016.

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

Zambezi Platinum (RF) Limited (Zambezi) holds 159 905 453 Northam Platinum Limited (Northam) shares, representing a 31.4% shareholding in Northam.

The acquisition of the Northam shares consisted of two parts. In the first part, Northam issued 112 195 122 new ordinary shares on 18 May 2015 to Zambezi, representing 22.0% of the Northam's issued share capital at a subscription price of R41 per share, for a consideration of R4 600 000 000. In the second part, Zambezi acquired 47 710 331 existing Northam ordinary shares representing 9.4% of the issued share capital of Northam from the Public Investment Corporation (PIC), also at an acquisition price of R41 per share, amounting to a consideration of R1 956 123 571.

The investment in Northam shares will be used to settle the preference share liability in Zambezi and the performance of these shares will be evaluated on a fair value basis and therefore designated at fair value through profit or loss on a company level. The market price is used to determine the fair value, at each period end and a mark-to-market fair value adjustment is accounted for. For the current period, the mark-to-market fair value adjustment amounted to a R2 217 888 633 loss.

In terms of the preference share agreement between Zambezi and its preference shareholders, the preference shareholders will be entitled to receive dividends equal to the variable rate calculated on a daily basis of 3.5% plus the publicly quoted prime interest rate in South Africa over the 10 year period. The preference shares will be compulsorily redeemable on the day immediately preceding the 10th anniversary of the issue date. The preference shares will only be redeemable before this date upon the occurrence of an early redemption event which is defined in the agreement. The redemption price will be equal to the preference shares' issue price. In terms of the preference shares agreement, the dividends will accumulate for the 10 year period if not paid by Zambezi. On the redemption date, Zambezi has to settle any outstanding dividends accumulated, together with the redemption price. Zambezi does not have any discretion to avoid the payment of dividends or the payment of the redemption price, and is therefore obliged to settle this amount by delivering cash, a variable number of Northam shares or a combination of the two. The preference shares as well as any accumulated and unpaid dividends meet the definition of a financial liability, and will be accounted for as such in the statement of financial position.

It is important to note that the dividends will not be deductible for tax purposes, in the accounts of Zambezi. These dividends will be taxed by way of a withholding tax once paid out to the preference shareholders.

Dividends are calculated for the calculation period which is the date between the issue date, being 18 May 2015 and the calculation date, which means 31 December of every year. The first calculation period in respect of each preference share shall commence on the issue date and end on the first calculation date that occurs immediately thereafter.

Therefore, the first calculation period was calculated from 18 May 2015 to 31 December 2015. One should also bear in mind that there have been various prime interest rate movements during this period, the first occurred on 24 July and the second on 20 November. The dividend for the six months ended 31 December 2015 therefore amounts to R430 414 003 in comparison to the R100 766 721 for the period between 18 May 2015 and 30 June 2015 during which the prime rate was 9.25% compared to the prime rate as at 31 December 2015 which was 9.75%.

One should however remember that the Zambezi structure is a structure set up for a 10-year period and any change going forward in the Northam share price and the South African prime interest rate will have a substantial impact on the results of Zambezi. The results published in these interim results should therefore be seen as a snapshot in time and should be considered as such.

CORPORATE GOVERNANCE

The board of directors (the board) is committed to the principles of fairness, accountability, responsibility and transparency as advocated in the third King Report on Corporate Governance for South Africa 2009 (King III), as well as other applicable legislation.

The majority of King III corporate governance principles are not applicable for Zambezi due to, *inter alia*, the company:

- having restricted trading activities;
- being ring-fenced in terms of the Companies Act;
- being a special purpose vehicle for the Northam BEE transaction;
- being listed on the JSE in terms of the debt listings requirements (which are less onerous than the JSE listings requirements for equity issuers); and
- having its day-to-day management and business affairs managed and administered by Northam.

Furthermore, the company has no employees, subsidiary companies, operational mines or independent directors (each director represents a shareholder of the company). The board is therefore satisfied that, where relevant, there is adequate compliance with King III. The corporate governance principles adopted by Northam are available on the Northam website: www.northam.co.za.

INTERIM STATEMENTS OF FINANCIAL POSITION

at 31 December 2015

	Note	Group		Company	
		Reviewed 31-Dec-15	Audited 30-Jun-15	Reviewed 31-Dec-15	Audited 30-Jun-15
		R'000	R'000	R'000	R'000
ASSETS					
Non-current assets					
Investment in associate	2	5 380 010	6 430 908	4 219 905	6 437 794
Current assets					
Cash and cash equivalents		425	425	425	425
Total assets		5 380 435	6 431 333	4 220 330	6 438 219
EQUITY					
Stated capital		–	–	–	–
Accumulated loss		(1 706 871)	(225 559)	(2 866 976)	(218 673)
Total equity		(1 706 871)	(225 559)	(2 866 976)	(218 673)
Non-current liabilities					
Preference share liability	4	7 087 305	6 656 891	7 087 305	6 656 891
Current liabilities					
South African Revenue Service		1	1	1	1
Total equity and liabilities		5 380 435	6 431 333	4 220 330	6 438 219

INTERIM STATEMENTS OF COMPREHENSIVE INCOME

for the period ended 31 December 2015

	Group	Company		
		Reviewed 31-Dec-15	Audited* 30-Jun-15	Reviewed 31-Dec-15
Note	R'000	R'000	R'000	R'000
Investment revenue	–	589	–	589
Lock-in payment received	–	400 000	–	400 000
Share of earnings/(losses) from associate	2	49 387	(125 216)	–
Initial recognition gain	2	–	–	999 409
Mark-to-market adjustment	2	–	–	(2 217 889)
Impairment	2	(1 100 285)	–	–
Finance charges	4	(430 414)	(100 767)	(430 414)
(Loss)/profit before tax		(1 481 312)	174 606	(2 648 303)
Taxation		–	(74 757)	(74 757)
(Loss)/profit and total comprehensive income for the period		(1 481 312)	99 849	(2 648 303)

* Zambezi (formerly Business Venture Investments No. 1834 Proprietary Limited) was incorporated as a private company on 2 June 2014, as a special purpose vehicle to facilitate the Northam BEE transaction as detailed in the Northam transaction circular dated 17 February 2015 (transaction circular), the Zambezi prospectus to Northam shareholders dated 21 April 2015 (prospectus) and the Northam offer circular dated 21 April 2015 (offer circular) (collectively the circulars). These circulars are available on the Northam website at: www.northam.co.za.

On 16 February 2015, the company converted to a public company, changed its name to Zambezi Platinum (RF) Limited and became a ring-fenced company in terms of the Companies Act, No.71 of 2008, as amended from time to time (Companies Act) with restrictions in terms of its conduct of business activities. On 11 May 2015, Zambezi listed on the main board of the JSE in terms of the JSE debt listings requirements (debt listings requirements), with the preference share code ZPLP, to facilitate the Northam BEE transaction. Prior to the company's conversion to a public company and listing on the JSE, Zambezi did not conduct any business operations or activities.

INTERIM STATEMENTS OF CASH FLOWS

for the period ended 31 December 2015

	Group		Company	
	Reviewed 31-Dec-15	Audited* 30-Jun-15	Reviewed 31-Dec-15	Audited* 30-Jun-15
	R'000	R'000	R'000	R'000
Cash flows from operating activities	–	325 833	–	325 833
Cash generated from operations	–	400 588	–	400 588
Tax paid	–	(74 755)	–	(74 755)
Cash flows from investing activities	–	(4 600 000)	–	(4 600 000)
Purchase of investment	–	(4 600 000)	–	(4 600 000)
Cash flows from financing activities	–	4 274 592	–	4 274 592
Issue of stated capital	–	–	–	–
Issue of preference shares for cash	–	4 600 000	–	4 600 000
Dividends paid	–	(325 408)	–	(325 408)
Increase in cash and cash equivalents	–	425	–	425
Cash and cash equivalents at the beginning of the period	425	–	425	–
Cash and cash equivalent at the end of the period	425	425	425	425

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INTERIM STATEMENTS OF CHANGES IN EQUITY

for the period ended 31 December 2015

	Stated capital	Accumulated loss	Total
	R'000	R'000	R'000
GROUP			
Balance at 1 July 2014*	–	–	–
Capital issued as part of the incorporation of the entity	**	–	–
Profit and total comprehensive income for the year	–	99 849	99 849
Dividends paid	–	(325 408)	(325 408)
Balance at 30 June 2015	–	(225 559)	(225 559)
Loss and total comprehensive income for the period	–	(1 481 312)	(1 481 312)
Balance at 31 December 2015	–	(1 706 871)	(1 706 871)

COMPANY

Balance at 1 July 2014*	–	–	–
Capital issued as part of the incorporation of the entity	**	–	–
Profit and total comprehensive income for the year	–	106 735	106 735
Dividends paid	–	(325 408)	(325 408)
Balance at 30 June 2015	–	(218 673)	(218 673)
Loss and total comprehensive income for the period	–	(2 648 303)	(2 648 303)
Balance at 31 December 2015	–	(2 866 976)	(2 866 976)

* *Zambezi (formerly Business Venture Investments No. 1834 Proprietary Limited) was incorporated as a private company on 2 June 2014, as a special purpose vehicle to facilitate the Northam BEE transaction as detailed in the Northam transaction circular dated 17 February 2015 (transaction circular), the Zambezi prospectus to Northam shareholders dated 21 April 2015 (prospectus) and the Northam offer circular dated 21 April 2015 (offer circular) (collectively the circulars). These circulars are available on the Northam website at: www.northam.co.za.*

On 16 February 2015, the company converted to a public company, changed its name to Zambezi Platinum (RF) Limited and became a ring-fenced company in terms of the Companies Act, No.71 of 2008, as amended from time to time (Companies Act) with restrictions in terms of its conduct of business activities. On 11 May 2015, Zambezi listed on the main board of the JSE in terms of the JSE debt listings requirements (debt listings requirements), with the preference share code ZPLP, to facilitate the Northam BEE transaction. Prior to the company's conversion to a public company and listing on the JSE, Zambezi did not conduct any business operations or activities.

** *The stated capital amounts to R101, therefore less than R1 000.*

During the previous period ended 30 June 2015, a dividend per share of R3 254 080 was declared and paid.

NOTES TO THE INTERIM RESULTS

for the period ended 31 December 2015

1. ACCOUNTING POLICIES – BASIS OF PREPARATION

The interim financial statements have been prepared on the historical cost basis, except for certain 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 of South Africa, and incorporate the accounting policies which are consistent with those adopted in the financial year ended 30 June 2015.

There have been no amendments, standards or interpretations impacting Zambezi which became effective for the year beginning 1 July 2015.

2. INVESTMENT IN ASSOCIATE

	Group		Company	
	Reviewed 31-Dec-15	Audited 30-Jun-15	Reviewed 31-Dec-15	Audited 30-Jun-15
	R'000	R'000	R'000	R'000
112 195 122 Northam Platinum Limited shares acquired for cash at R41 a share		4 600 000		4 600 000
47 710 331 Northam Platinum Limited shares swapped for preference shares		1 956 124		1 956 124
Total initial consideration for the investment in Northam Platinum Limited		6 556 124		6 556 124
Initial recognition gain		–		999 409
Share of losses from associate		(125 216)		
Mark-to-market fair value adjustment		–		(1 117 739)
Balance as at 30 June 2015		6 430 908		6 437 794
Opening balance 1 July 2015	6 430 908		6 437 794	
Share of earnings from associate	49 387		–	
Impairment	(1 100 285)		–	
Mark-to-market fair value adjustment	–		(2 217 889)	
	5 380 010		4 219 905	

The investment in associate represents a 31.4% investment in Northam Platinum Limited, a company listed on the JSE. The fair value of the investment is determined with reference to the share price at the acquisition date, being 18 May 2015 and the share price at the year end, 30 June 2015 and half year 31 December 2015.

The trading of the Northam Platinum Limited shares are restricted for the lock-in period of 10 years, due to the lock in fee paid of R400 000 000. Zambezi is therefore not allowed to trade their Northam shares during this period.

The share of earnings/(losses) from associate represents Zambezi's 31.4% share in the profit/(losses) made by Northam for the period ended 31 December 2015 (30 June 2015: 18 May 2015 to 30 June 2015).

On a consolidated basis, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition)

Due to the downturn in the platinum market and the decrease in the value of the Northam Platinum Limited shares since 30 June 2015, impairment testing was performed to determine the recoverable amount. The recoverable amount is the higher of the value in use or the fair value less cost of disposal.

A value in use valuation method was used to calculate the recoverable amount as at 31 December 2015 and an impairment of R1 100 285 000 (30 June 2015: R nil) was recognised in profit or loss.

NOTES TO THE INTERIM RESULTS continued

for the period ended 31 December 2015

2. INVESTMENT IN ASSOCIATE continued

Below is a summary of the statement of comprehensive income of the company's associate, Northam Platinum Limited:

	Reviewed 31-Dec-15	Audited 30-Jun-15
Statement of comprehensive income	R'000	R'000
Sales revenue	3 205 358	6 035 535
Cost of sales	(3 111 953)	(5 439 722)
Operating profit	93 405	595 813
Share of (losses)/earnings from associate and joint venture	(11 615)	28 769
Investment revenue	163 564	72 043
Finance charges	(459 672)	(245 937)
Sundry income	127 001	268 250
Sundry expenditure	(77 805)	(1 587 264)
Loss before tax	(165 122)	(868 326)
Taxation	(107 847)	(165 619)
Loss for the period	(272 969)	(1 033 945)
Other comprehensive income	–	(4 482)
Total comprehensive income for the period	(272 969)	(1 038 427)
Total comprehensive income for the period 18 May 2015 to 30 June 2015 attributable to Zambezi taking into account intergroup eliminations	–	(398 777)
Total comprehensive income for the six month period ended 31 December 2015 attributable to Zambezi taking into account intergroup eliminations	157 445	–
Zambezi's 31.4% share of earnings/(losses)	49 387	(125 216)

Below is a summary of the statement of financial position of the company's associate, Northam Platinum Limited:

	Reviewed 31-Dec-15	Audited 30-Jun-15
Statement of financial position	R'000	R'000
ASSETS		
Non-current assets	13 660 222	13 367 048
Property, plant and equipment	7 317 097	7 065 352
Mining properties and mineral resources	5 664 180	5 636 478
Interest in associates and joint ventures	231 138	275 847
Unlisted investment	6	6
Land and township development	18 400	10 000
Long-term receivables	92 557	94 503
Investments held by Northam Platinum Restoration Trust Fund	89 990	49 092
Environmental Guarantee Investment	59 522	52 122
Buttonshope Conservancy Trust	11 018	11 037
Deferred tax asset	176 314	172 611
Current assets	4 153 965	5 784 288
Inventories	905 379	1 126 550
Trade and other receivables	341 416	498 854
Cash and cash equivalents	2 906 354	4 138 189
Tax receivables	816	20 695
Total assets	17 814 187	19 151 336

NOTES TO THE INTERIM RESULTS continued
for the period ended 31 December 2015

2. INVESTMENT IN ASSOCIATE continued

	Reviewed 31-Dec-15	Audited 30-Jun-15
Statement of financial position	R'000	R'000
EQUITY AND LIABILITIES		
Total equity	8 943 456	9 216 425
Stated capital	13 778 114	13 778 114
Treasury shares	(6 556 123)	(6 556 123)
Retained earnings	866 839	1 139 808
Equity settled share based payment reserve	874 448	874 448
Share of other comprehensive income from associate	(19 822)	(19 822)
Non-current liabilities	7 772 836	7 310 753
Deferred tax liability	543 398	521 452
Long-term provisions	215 920	187 217
Preference share liability	6 931 596	6 492 655
Long-term loans	38 063	39 963
Long-term share based payment liability	43 859	69 466
Current liabilities	1 097 895	2 624 158
Current portion of long-term loans	3 801	3 801
Short-term share based payment liability	20 049	61 019
Domestic medium-term notes	–	1 370 000
Tax payable	117 497	102 072
Trade and other payables	817 886	959 996
Short-term provisions	138 662	127 270
Total equity and liabilities	17 814 187	19 151 336

3. DEFERRED TAX

The utilisation of a deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of taxable temporary differences. In light of the company's structure, there is inherent uncertainty if future taxable profits will be available against which the deferred tax asset can be utilised.

No deferred tax asset relating to the temporary differences on the mark-to-market adjustments of R2 217 888 633 (30 June 2015: R118 330 035) was therefore raised.

This will be assessed on an ongoing basis.

4. PREFERENCE SHARE LIABILITY

	Group		Company	
	Reviewed 31-Dec-15	Audited 30-Jun-15	Reviewed 31-Dec-15	Audited 30-Jun-15
	R'000	R'000	R'000	R'000
Opening balance	6 656 891	–	6 656 891	–
Proceeds from the issue of redeemable shares	–	6 556 124	–	6 556 124
Accrued dividends	430 414	100 767	430 414	100 767
	7 087 305	6 656 891	7 087 305	6 656 891

In May 2015, 159 905 453 cumulative redeemable preference shares were issued by Zambezi at an issue price of R41 per share. The preference shares are redeemable in 10 years' time at R41 plus the cumulative preference dividends. The preference shareholders are entitled to receive a dividend equal to the issue price multiplied by the dividend rate of prime plus 3.5% calculated on a daily basis based on a 365 day year compounded annually and capitalised at the end of December of every year.

The redeemable preference shares do not carry the right to vote.

The accrued dividend is recognised as finance charges in profit or loss.

5. SEGMENTAL ANALYSIS

There is only one operating segment in Zambezi, as there are no components which engage in different business activities and whose results are reviewed and assessed separately:

	Zambezi Reviewed 31-Dec-15	Total group Reviewed 31-Dec-15	Zambezi Audited 30-Jun-15	Total group Audited 30-Jun-15
	R'000	R'000	R'000	R'000
(Loss)/profit and total comprehensive income for the period	(1 481 312)	(1 481 312)	99 849	99 849
Total assets	5 380 435	5 380 435	6 431 333	6 431 333
Total liabilities	7 087 306	7 087 306	6 656 892	6 656 892

All assets relate to South African based assets.

All income is earned from sources in South Africa.

The majority of income/(losses generated) is earned from the investment in associate, Northam Platinum Limited.

NOTES TO THE INTERIM RESULTS continued

for the period ended 31 December 2015

6. FAIR VALUE

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 2015. The financial asset is measured at Level 1.

	Group		Company	
	Reviewed 31-Dec-15	Audited 30-Jun-15	Reviewed 31-Dec-15	Audited 30-Jun-15
	R'000	R'000	R'000	R'000
Financial instruments at fair value through profit or loss				
Investment in associate	–	–	4 219 905	6 437 794

On a group basis the investment in associate is equity accounted.

7. RELATED PARTIES

The group was established as a special purpose vehicle by Northam Platinum Limited, with the principal objective of ensuring BEE compliance.

Zambezi was incorporated on 2 June 2014. The company was created for the purpose of assisting Northam to comply with the HDSA ownership requirements set by the Mining Charter. The company was set up as a special purpose vehicle for the purpose of facilitating a transaction in which it holds shares in Northam as a new issue. In turn Zambezi issued preference shares to relevant qualifying shareholders to fund the purchase of Northam shares.

Zambezi therefore holds 159 905 453 Northam shares which amounts to approximately 31.4% of the total issued ordinary share capital of Northam.

Zambezi is a ring-fenced entity created for the specific purpose of raising funds to subscribe for the BEE shares. As such, Zambezi will not be conducting any other business activities until the expiry of the lock-in period (which is 10 years).

At the end of the 10-year period, Zambezi is required to redeem the preference shares with cash or Northam shares. All amounts payable to the holders of the preference shares are guaranteed by Northam in terms of the transaction agreement. Further, Northam is required to settle the operational expenses of Zambezi, subject to certain limitations.

The preference shares' dividend rate is calculated with reference to the prime rate and is not dependent on the financial performance of either Northam or Zambezi.

Zambezi's prospects are therefore limited in nature in that they are dependent on the prospects of Northam and the returns attributable to the preference shares are constant and fluctuate only in accordance with prevailing interest rates. Various characteristics of the preference shares, such as the Northam guarantee and redemption payment structure, provide the holders with additional certainty regarding the recoverability of their dividends and capital.

However, the preference shares retain equity risk as a result of their redemption being ultimately supported by the value of Northam shares and/or Northam's ability to continue as a going concern. The preference shares therefore present their holders with a combination of the risks and rewards associated with equity and debt instruments. Northam's prospects for growth and continued profitability are subject to various external and internal factors which cannot be accurately predicted, forecasted or controlled by Zambezi as an investor in Northam.

The redemption of the preference shares is planned to occur through cash accumulation from dividends received from Northam, and after the lock-in the possible sell-off of Northam shares into the market to realise the capital value, to redeem the preference shares. In the event that this is not sufficient to settle the liability, it will be secured by the company in terms of a financial guarantee (Northam guarantee).

Should a liability arise under the Northam guarantee, Northam may settle this liability by capitalising Zambezi with cash and/or Northam shares before the redemption amount becomes due or making payment directly to the preference shareholders. The manner of settlement is not contractually specified.

Therefore should the Northam share price not increase in value over the next 10 years there could be a significant dilution in value for all Northam shareholders, should additional shares be issued to the preference shareholders.

Northam guarantee

The redemption of the preference shares is secured by Northam in terms of a financial guarantee. Northam will be responsible for the payment of all amounts which Zambezi has contracted but failed to pay at the end of the 10 year period, in terms of the BEE preference share terms by means of a cash payment or the issue of a determinable number of Northam shares to the BEE preference shareholders, or a cash and Northam share combination.

Lock-in and restraint payment

As consideration for entering into the lock-in arrangement, and in recognition of the benefit that Northam and the Northam shareholders will derive from the lock-in arrangement, on 18 May 2015 Northam paid a lock-in and restraint payment to Zambezi Platinum, being a once-off gross amount of R400 000 000.

N share

Northam holds one N share in Zambezi as a protective right, the purpose of which is to allow Northam to take certain mitigating action in the event of the occurrence of an early redemption event under the preference share terms and/or the unwinding of the transaction prior to the expiry of the lock-in period.

The N share shall rank ahead of the distribution rights of the holders of the Zambezi ordinary shares and shall be equal to the amount of the lock-in and restraint payment plus interest accrued thereon from the date on which the lock-in and restraint payment was made until the date of payment of the N share distribution, at the dividend rate compounded annually.

Other than as required in terms of the Companies Act, the N share will not entitle Northam to any voting rights.

NOTES TO THE INTERIM RESULTS continued

for the period ended 31 December 2015

7. RELATED PARTIES continued

Administration of Zambezi

For purposes of ensuring that Zambezi does not incur any liabilities or indebtedness, other than pursuant to the transaction agreements, and that it remains ring-fenced, Zambezi and Northam entered into an administration services agreement in terms of which Zambezi will appoint Northam to attend to the day-to-day management of Zambezi's business and the administration of Zambezi's affairs at Northam's sole cost and expense and with no recourse to Zambezi subject to maximum costs and expenses of up to R2 000 000 per annum, escalating annually at CPI from the 1st (first) anniversary of the implementation date.

8. GOING CONCERN

Zambezi incurred a net loss of R2 648 303 000 (30 June 2015: net profit of R106 734 775) for the six month period ended 31 December 2015 and, as of that date, the company's total liabilities exceed its total assets by R2 866 976 000 (30 June 2015: R218 673 124).

Northam has guaranteed that it will enable Zambezi to settle any preference share capital and dividends required by the transaction, as well as any other expenses incurred by the company.

Payment of the redemption price in respect of the preference shares and the preference dividends will be guaranteed by Northam by way of the Northam guarantee. Northam will guarantee the payment of all amounts which Zambezi Platinum has contracted to pay (but failed to pay on the due date thereof) in respect of the preference shares by means of, at Northam's election, a cash payment and/or the issue of a determinable number of Northam shares to the holders.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the company will continue to receive the support of Northam Platinum Limited and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

The financial statements have been prepared on a going concern basis, which assumes that the group will be able to meet the repayment terms of the preference shares.

9. EVENTS AFTER THE REPORTING PERIOD

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report, which requires adjustment to the financial results or the notes to the financial results.

On behalf of the board

PL Zim
Chairman

PA Dunne
Director

KB Mosehla
Chairman Audit Committee

17 February 2016

ADMINISTRATION AND CONTACT INFORMATION

ZAMBEZI PLATINUM (RF) LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2014/106927/06)
JSE preference share code: ZPLP
ISIN code: ZAE000202552

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Craighall 2024
South Africa

e-mail: trish.beale@norplats.co.za

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The logo for Zambezi Platinum (RF) Limited features the word "Zambezi" in a bold, black, sans-serif font. Above the letter "i" in "Zambezi" are three stylized, wavy lines in shades of blue and green, representing water or a river. Below "Zambezi" is the text "Platinum (RF) Limited" in a smaller, black, sans-serif font.

Zambezi
Platinum (RF) Limited

www.northam.co.za/zambezi

