



Zambezi
Platinum (RF) Limited

REVIEWED INTERIM RESULTS
for the six months ended
31 December 2016

EMPOWERING
A NEW ERA IN MINING

WHO WE ARE

Zambezi Platinum (RF) Limited's (Zambezi or Zambezi Platinum or the company) strategic stake in Northam Platinum Limited (Northam) provides a solid foundation to fuel new mining opportunities for Northam, and to expand the company's business into a significant, long-life integrated platinum group metals (PGMs) producer, delivering benefits for all its stakeholders for many years to come.

Zambezi is a special purpose black economic empowerment (BEE) vehicle established in 2014 as a result of a R6.6 billion transaction (BEE transaction) with Northam Platinum Limited (Northam or the Northam group). The transaction included the successful raising of R4.6 billion and was approved by Northam shareholders in March 2015.

In terms of the transaction, Northam issued 112 195 122 new shares, (equivalent to 22% of Northam's issued share capital) to Zambezi. These shares were supplemented with 47 710 331 Northam shares (equivalent to 9.4% of Northam's issued share capital), sold to Zambezi by the Public Investment Corporation SOC Limited (PIC), 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 financed the acquisition of shares in Northam through a preference share scheme. Apart from this function, Zambezi will not conduct any operational business. Zambezi's preference shares were listed on the JSE Limited (JSE) in May 2015.



**EMPOWERING
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IN MINING**

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KEY FEATURES

- 1 There is no risk of the shareholding in Northam being sold or compromised for a 10-year period.
- 2 Zambezi's ring-fencing will protect Northam's BEE credentials.
- 3 We remain confident of the long-term fundamentals of platinum.
- 4 Our board members contribute a valuable range of business and technical skills.

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)*



Scan the QR code with your smart device to download the Zambezi Interim Results. Alternatively go to the Northam website at www.northam.co.za

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

The interim results of the group and company will be published on the company's website on Friday, 24 February 2017.

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 by Zambezi consisted of two parts. Firstly, Northam issued 112 195 122 new ordinary shares on 18 May 2015 to Zambezi, representing 22.0% of Northam's issued share capital at a subscription price of R41 per share, for a consideration of R4.6 billion. Secondly, Zambezi acquired 47 710 331 existing Northam ordinary shares, representing 9.4% of the issued share capital of Northam from the PIC also at an acquisition price of R41 per share, amounting to a consideration of R2.0 billion.

This investment in the Northam shares will be used to settle the preference share liability of 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 in the company accounts. 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 loss of R399.8 million (31 December 2015: loss of R2.2 billion).

In terms of the preference share agreement between Zambezi and its preference shareholders, the preference shareholders are entitled to receive dividends equal to the variable rate calculated on a daily basis of 3.5% plus the publicly quoted South African prime interest rate (prime interest rate) over the 10-year period, which ends in May 2025. 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 cumulative preference shares will accumulate dividends 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, or 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 is accounted for as such in the statement of financial position.

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 to the preference shareholders.

Dividends are calculated for the calculation period. A calculation period means each period which commences on the day after a calculation date, being 31 December of each year, and which ends on the

next calculation date, being 31 December of the following year, provided that the first calculation period in respect of each preference share shall commence on the issue date, being 18 May 2015, and end on the first calculation date that occurs immediately thereafter (being 31 December 2015) and the last calculation period in respect of each preference share shall end on the actual redemption date of that preference share, or in other specific circumstances as noted in the Memorandum of Incorporation of Zambezi.

The preference share dividend which has not been paid but accumulated for the period ended 31 December 2016 amounted to R500.2 million with the prime interest rate being 10.5% during the period under review.

The Zambezi structure has been set up for a 10-year period and any change going forward in the Northam share price and the South African prime interest rate has 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 to Zambezi due to, *inter alia*, the company:

- having restricted trading activities;
- being ring-fenced in terms of the Companies Act No 71 of 2008 of South Africa (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 listing requirements for equity issues); 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 Zambezi results are only impacted by the results of its associate, Northam. The board is however satisfied that, where relevant, there is adequate compliance with King III.

Northam and Zambezi are in the process of evaluating their compliance in terms of King IV and will update the checklist available on the Northam website www.northam.co.za in due course.

On behalf of the board

PL Zim
Chairman

KB Mosehla
Chairman: Audit Committee

PA Dunne
Director

21 February 2017

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED 31 DECEMBER 2016

Group				
		Reviewed	Reviewed	Audited
		31 Dec 2016	31 Dec 2015	30 June 2016
	Note	R'000	R'000	R'000
ASSETS				
Non-current assets				
Investment in associate	2	6 640 315	5 380 010	6 559 685
Current assets				
Cash and cash equivalents	3	428	425	424
Total assets		6 640 743	5 380 435	6 560 109
EQUITY AND LIABILITIES				
Total equity				
Stated capital	4	–	–	–
Accumulated loss		(1 454 008)	(1 706 871)	(1 016 386)
Non-current liabilities				
Deferred tax liability	5	18 859	–	798
Preference share liabilities	6	8 075 891	7 087 305	7 575 697
Current liabilities				
South African Revenue Services		1	1	–
Total equity and liabilities		6 640 743	5 380 435	6 560 109

INTERIM STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED 31 DECEMBER 2016

Company				
		Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	Note	R'000	R'000	R'000
ASSETS				
Non-current assets				
Investment in associate	2	6 476 171	4 219 905	6 875 935
Current assets				
Cash and cash equivalents	3	428	425	424
Total assets		6 476 599	4 220 330	6 876 359
EQUITY AND LIABILITIES				
Total equity				
Stated capital	4	–	–	–
Accumulated loss		(1 599 293)	(2 866 976)	(770 976)
Non-current liabilities				
Deferred tax liability	5	–	–	71 638
Preference share liabilities	6	8 075 891	7 087 305	7 575 697
Current liabilities				
South African Revenue Services		1	1	–
Total equity and liabilities		6 476 599	4 220 330	6 876 359

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2016

Group				
		Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	Note	R'000	R'000	R'000
Investment revenue	7	4	–	–
Share of earnings from associate	2	80 630	49 387	128 777
Impairment	2	–	(1 100 285)	–
Preference share dividends	8	(500 194)	(430 414)	(918 806)
Loss before tax		(419 560)	(1 481 312)	(790 029)
Taxation	9	(18 062)	–	(798)
Loss for the period		(437 622)	(1 481 312)	(790 827)
Other comprehensive income items that may be subsequently reclassified to profit or loss		–	–	–
Share of associate's associate exchange differences on translating foreign operations and foreign currency translation		–	–	(1 238)
Reclassification of other comprehensive income from associate's associate to profit or loss		–	–	1 238
Loss and total comprehensive income for the period		(437 622)	(1 481 312)	(790 827)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2016

Company				
		Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	Note	R'000	R'000	R'000
Investment revenue	7	4	–	–
Mark to market adjustment	2	(399 764)	(2 217 889)	438 141
Preference share dividends	8	(500 194)	(430 414)	(918 806)
Loss before tax		(899 954)	(2 648 303)	(480 665)
Taxation	9	71 637	–	(71 638)
Loss and total comprehensive income for the period		(828 317)	(2 648 303)	(552 303)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2016

Group			
	Stated capital	Accumulated loss	Total
	R'000	R'000	R'000
Opening balance as at 1 July 2015	*	(225 559)	(225 559)
Loss and total comprehensive income for the period	–	(1 481 312)	(1 481 312)
Balance as at 31 December 2015	*	(1 706 871)	(1 706 871)
Profit and total comprehensive income for the period	–	690 485	690 485
Balance as at 30 June 2016	*	(1 016 386)	(1 016 386)
Loss and total comprehensive income for the period	–	(437 622)	(437 622)
Balance as at 31 December 2016	*	(1 454 008)	(1 454 008)

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

INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2016

Company			
	Stated capital	Accumulated loss	Total
	R'000	R'000	R'000
Opening balance as at 1 July 2015	*	(218 673)	(218 673)
Loss and total comprehensive income for the period	–	(2 648 303)	(2 648 303)
Balance as at 31 December 2015	*	(2 866 976)	(2 866 976)
Profit and total comprehensive income for the period	–	2 096 000	2 096 000
Balance as at 30 June 2016	*	(770 976)	(770 976)
Loss and total comprehensive income for the period	–	(828 317)	(828 317)
Balance as at 31 December 2016	*	(1 599 293)	(1 599 293)

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2016

Group				
		Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	Note	R'000	R'000	R'000
Cash flows from operating activities		4	–	(1)
Cash generated from operations	10	4	–	–
Taxation paid	11	–	–	(1)
Movement in cash and cash equivalents		4	–	(1)
Cash and cash equivalents at beginning of period		424	425	425
Cash and cash equivalents at the end of the period	3	428	425	424

INTERIM STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2016

Company				
		Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	Note	R'000	R'000	R'000
Cash flows from operating activities		4	–	(1)
Cash generated from operations	10	4	–	–
Taxation paid	11	–	–	(1)
Movement in cash and cash equivalents		4	–	(1)
Cash and cash equivalents at beginning of period		424	425	425
Cash and cash equivalents at the end of the period	3	428	425	424

NOTES TO THE INTERIM RESULTS

FOR THE PERIOD ENDED 31 DECEMBER 2016

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. The interim financial statements incorporate the accounting policies which have been applied on a basis consistent with the previous year, with the exception of the policies adopted during the period as more fully set out below.

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 Limited (JSE) Listings Requirements and the requirements of the Companies Act No 71 of 2008 of South Africa, with the exception of the adoption of the following amendments, standards or interpretations with effect from 1 July 2016:

- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28
- IFRS 11 Accounting for Acquisitions of Interest in Joint Operations – Amendments to IFRS 11
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 Disclosure Initiative – Amendments to IAS 1
- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38
- IAS 16 and IAS 41 Agriculture – Bearer Plants – Amendments to IAS 16 and IAS 41
- IAS 27 – Equity Method in Separate Financial Statements – Amendments to IAS 27
- AIP IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal
- AIP IFRS 7 Financial instruments: Disclosures – Servicing contacts
- AIP IFRS 7 Financial instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements
- AIP IAS 19 Employee Benefits – Discount rate: regional market issue
- AIP IAS 34 Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report'

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 recognised in the interim consolidated statement of comprehensive income or interim consolidated statement of financial position.

NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2016

2. INVESTMENT IN ASSOCIATE

	Group		
	Reviewed	Reviewed	Audited
	31 Dec 2016	31 Dec 2015	30 June 2016
	R'000	R'000	R'000
Opening balance	6 559 685	6 430 908	6 430 908
Share of earnings from associate	80 630	49 387	128 777
Impairment	–	(1 100 285)	–
	6 640 315	5 380 010	6 559 685

	Company		
	Reviewed	Reviewed	Audited
	31 Dec 2016	31 Dec 2015	30 June 2016
	R'000	R'000	R'000
Opening balance	6 875 935	6 437 794	6 437 794
Mark to market fair value adjustment	(399 764)	(2 217 889)	438 141
	6 476 171	4 219 905	6 875 935

The 'Investment in associate' represents Zambezi's 31.4% investment in Northam Platinum Limited, a company listed on the JSE. The initial fair value of the investment was determined with reference to the share price as at acquisition date, being 18 May 2015, and the share price at year end/period end. The sale or trade of the Northam Platinum Limited shares is restricted for the lock-in period of 10 years, as a lock-in fee was paid to the company and distributed to Zambezi's shareholders. Zambezi Platinum (RF) Limited is therefore not allowed to trade its Northam Platinum Limited shares during this period.

The mark to market fair value adjustment on company level represents the movement in the share price between reporting periods.

The share of earnings from associate represents Zambezi Platinum (RF) Limited's 31.4% share in the profits made by Northam Platinum Limited for the period/year ended.

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

Statement of comprehensive income

	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Sales revenue	3 458 827	3 205 358	6 097 070
Cost of sales	(3 106 871)	(3 111 953)	(5 713 722)
Operating costs	(2 771 920)	(2 373 038)	(5 007 233)
Concentrates purchased	(178 221)	(238 977)	(350 514)
Refining and other costs	(66 223)	(69 954)	(133 186)
Depreciation and write-offs	(226 835)	(203 146)	(403 545)
Change in metal inventories	136 328	(226 838)	180 756
Operating profit	351 956	93 405	383 348
Share of earnings/(losses) from associate and joint venture	1 851	(11 615)	(32 253)
Investment revenue	107 442	163 564	265 258
Finance charges excluding preference share dividends	(50 146)	(29 258)	(39 634)
Sundry income	40 821	127 001	180 928
Sundry expenditure	(82 109)	(69 278)	(92 122)
Profit before preference share dividends	369 815	273 819	665 525
Amortisation of liquidity fees paid on preference shares	(8 195)	(8 527)	(18 088)
Preference share dividends	(482 753)	(430 414)	(918 806)
Loss on derecognition of preference share liability	(902)	–	–
Loss before taxation	(122 035)	(165 122)	(271 369)
Taxation	(104 569)	(107 847)	(236 894)
Loss for the period/year	(226 604)	(272 969)	(508 263)
Other comprehensive income	–	–	19 822
Total loss and comprehensive income for the period/year	(226 604)	(272 969)	(488 441)
Attributable profit and comprehensive income for the six month period/year ended*	257 051	157 445	410 543
Zambezi Platinum (RF) Limited's 31.4% share of earnings	80 630	49 387	128 777

* Excludes the preference share dividends and loss on derecognition of the preference share liability

NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2016

2. INVESTMENT IN ASSOCIATE continued

Statement of financial position

	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
ASSETS			
Non-current assets	14 579 701	13 660 222	14 110 084
Property, plant and equipment	8 392 953	7 317 097	7 853 993
Mining properties and mineral resources	5 621 172	5 664 180	5 614 094
Interest in associates and joint ventures	164 195	231 138	192 164
Unlisted investments	649	6	6
Land and township development	46 154	18 400	51 341
Long-term receivables	87 011	92 557	89 717
Investment held by Northam Platinum Restoration Trust Fund	97 832	89 990	93 647
Environmental Guarantee Investment	62 219	59 522	60 345
Buttonshope Conservancy Trust	10 545	11 018	10 445
Other financial assets	8 450	–	–
Deferred tax asset	88 521	176 314	144 332
Current assets	4 376 131	4 153 965	4 867 779
Inventories	1 482 974	905 379	1 330 270
Trade and other receivables	617 792	341 416	375 204
Cash and cash equivalents	2 227 909	2 906 354	3 105 080
Tax receivables	47 456	816	57 225
Non-current assets held for sale	45 565	–	–
Total assets	19 001 397	17 814 187	18 977 863

Statement of financial position *continued*

	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
EQUITY AND LIABILITIES			
Total equity	8 501 380	8 943 456	8 727 984
Stated capital	13 778 114	13 778 114	13 778 114
Treasury shares	(6 556 123)	(6 556 123)	(6 556 123)
Retained earnings	404 941	866 839	631 545
Equity settled share based payment reserve	874 448	874 448	874 448
Other comprehensive income	–	(19 822)	–
Non-current liabilities	9 285 653	7 772 836	9 072 179
Deferred tax liabilities	566 410	543 398	590 637
Long-term provisions	272 205	215 920	272 820
Preference share liability	7 725 705	6 931 596	7 429 549
Long-term loans	248 717	38 063	275 513
Long-term share based payment liability	52 432	43 859	84 373
Domestic medium term notes	420 184	–	419 287
Current liabilities	1 214 364	1 097 895	1 177 700
Current portion of long-term loans	13 202	3 801	13 201
Short-term share-based payment liability	71 099	20 049	56 704
Tax payable	105 447	117 497	104 072
Trade and other payable	868 788	817 886	877 935
Other financial liabilities	10 508	–	–
Short-term provisions	145 320	138 662	125 788
Total equity and liabilities	19 001 397	17 814 187	18 977 863

NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2016

3. CASH AND CASH EQUIVALENTS

Group and company			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Cash at bank and on hand	428	425	424
	428	425	424

Cash at bank earns interest at floating rates based on daily bank deposit rates.

4. STATED CAPITAL

Group and company			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Authorised stated capital			
11 000 ordinary shares at no par value			
159 905 453 Zambezi Platinum (RF) Limited preference shares			
1 N share			
Issued and fully paid stated capital			
10 000 ordinary shares at an issue price of R0.01 per ordinary share	*	*	*
1 N share at an issue price of R0.01 per N share	*	*	*

*Less than R1 000

5. DEFERRED TAX

Group			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Investment in associate	(18 859)	–	(798)
	(18 859)	–	(798)

The charge in the deferred tax balance is reconciled as follows:

Group			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Deferred tax at the beginning of the period	(798)	–	–
Charge for the period/year			
Temporary difference in respect of investment in associate	(18 061)	–	(798)
	(18 859)	–	(798)

Company			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Investment in associate	–	–	(71 638)
	–	–	(71 638)

NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2016

5. DEFERRED TAX continued

The charge in the deferred tax balance is reconciled as follows:

	Company		
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Deferred tax at the beginning of the period	(71 638)	–	–
Charge for the period/year			
Temporary difference in respect of investment in associate	89 547	–	(71 638)
Non-recognition of a deferred tax asset	(17 909)	–	–
	–	–	(71 638)

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 group and company's structure, there is an inherent uncertainty if future taxable profits will be available against which a deferred tax asset can be utilised.

No deferred tax asset relating to the temporary difference on the mark to market adjustment of R80.0 million (31 December 2015: R2.3 billion) was therefore raised during the current period in the company accounts.

6. PREFERENCE SHARE LIABILITY

	Group and company		
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Opening balance	7 575 697	6 656 891	6 656 891
Accrued dividends for the period	500 194	430 414	918 806
	8 075 891	7 087 305	7 575 697

In May 2015, 159 905 453 cumulative redeemable preference shares were issued by Zambezi Platinum (RF) Limited at an issue price of R41. The preference shares are redeemable in 10 years from date of issue being

May 2025, 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.

No dividends were received from Northam Platinum Limited during the period under review (31 December 2015: R Nil).

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

7. INVESTMENT REVENUE

Group and company			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Interest earned on call accounts	4	–	–
	4	–	–

8. PREFERENCE SHARE DIVIDENDS

Group and company			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Accrued dividends on preference shares – finance charges	500 194	430 414	918 806
	500 194	430 414	918 806

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.

Any dividends received by Zambezi Platinum (RF) Limited from its investment in Northam Platinum Limited will be paid out immediately to shareholders of Zambezi Platinum (RF) Limited.

In terms of the shareholders agreement, 10% of all dividends received will be paid out to Zambezi Platinum (RF) Limited's ordinary shareholders and the remaining 90% will be paid to its preference shareholders to settle outstanding accrued dividends.

NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2016

9. TAXATION

	Group		
	Reviewed	Reviewed	Audited
	31 Dec 2016	31 Dec 2015	30 June 2016
	R'000	R'000	R'000
Normal tax			
Current period/year tax	(1)	–	–
Deferred tax			
Current period/year temporary differences relating to capital gains tax on fair value uplift relating to the investment in associate	(18 061)	–	(798)
Charge for the period/year	(18 062)	–	(798)

Deferred tax was raised on the mark to market adjustment at the capital gains tax rate.

	Company		
	Reviewed	Reviewed	Audited
	31 Dec 2016	31 Dec 2015	30 June 2016
	R'000	R'000	R'000
Normal tax			
Current tax	(1)	–	–
Deferred tax			
Current period/year temporary differences relating to capital gains tax on the mark to market adjustment	89 547	–	(71 638)
Non-recognition of deferred tax asset	(17 909)	–	–
Charge for the period/year	71 637	–	(71 638)

The utilisation of a deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Due to the company's financial performance and the uncertainty of future taxable profits to account against any deferred tax asset, management concluded, following due assessment, that it was prudent not to raise a deferred tax asset. No deferred tax asset relating to the temporary difference on the mark to market adjustment of R80.0 million (31 December 2015: R2.3 billion) was therefore raised during the current period in the company accounts.

In the prior year, deferred tax was raised on the mark to market adjustment at the capital gains tax rate.

10. CASH GENERATED FROM OPERATIONS

Group			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Loss before tax	(419 560)	(1 481 312)	(790 029)
Adjusted for non-cash items:			
Share of earnings from associate	(80 630)	(49 387)	(128 777)
Preference share dividends	500 194	430 414	918 806
Impairment	–	1 100 285	–
	4	–	–

Company			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Loss before tax	(899 954)	(2 648 303)	(480 665)
Adjusted for non-cash items:			
Preference share dividends	500 194	430 414	918 806
Mark to market adjustment	399 764	2 217 889	(438 141)
	4	–	–

11. TAXATION PAID

Group and company			
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Audited 30 June 2016
	R'000	R'000	R'000
Tax paid consists of the following:			
Provisional tax payment	–	–	(1)
	–	–	(1)

NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2016

12. SEGMENTAL ANALYSIS

There is only one operating segment relating to Zambezi Platinum (RF) Limited, as there are no components which engage in different business activities and whose results are reviewed and assessed separately.

	Group		
	Reviewed	Reviewed	Audited
	31 Dec 2016	31 Dec 2015	30 June 2016
	R'000	R'000	R'000
Revenue	4	–	–
Loss and total comprehensive income for the period	(437 622)	(1 481 312)	(790 827)
Total assets	6 640 743	5 380 435	6 560 109
Total liabilities	(8 094 751)	(7 087 306)	(7 576 495)

All assets relate to South African based assets.

All income is earned from sources in South Africa.

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

13. FAIR VALUE

The fair value of financial instruments are substantially identical to the carrying values reflected in the statement of financial position.

The fair values have been determined using available market information and appropriate valuation methodologies.

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – a technique where all inputs that have an impact on the value are observable, either directly or indirectly

Level 3 – a technique where all inputs that have an impact on the value are not observable

The fair value hierarchy of all the financial instruments are determined as level 2 except for the investment held in Northam Platinum Limited on a company basis which is classified as a level 1 investment as well as the preference share liability.

Group						
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Reviewed 31 Dec 2015	Audited 30 June 2016	Audited 30 June 2016
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	R'000	R'000	R'000	R'000	R'000	R'000
Financial assets						
Cash and cash equivalents	428	428	425	425	424	424
Financial liabilities						
Preference share liability	(8 075 891)	(8 043 244)	(7 087 305)	(6 236 313)	(7 575 697)	(7 035 840)

Company						
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016	Reviewed 31 Dec 2015	Reviewed 31 Dec 2015	Audited 30 June 2016	Audited 30 June 2016
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	R'000	R'000	R'000	R'000	R'000	R'000
Financial assets						
Investment in associate	6 476 171	6 476 171	4 219 905	4 219 905	6 875 935	6 875 935
Cash and cash equivalents	428	428	425	425	424	424
Financial liabilities						
Preference share liability	(8 075 891)	(8 043 244)	(7 087 305)	(6 236 313)	(7 575 697)	(7 035 840)

NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2016

14. RELATED PARTIES

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

Zambezi Platinum (RF) Limited was incorporated on 2 June 2014. The company was created for the purpose of assisting Northam Platinum Limited to comply with the historically disadvantaged South African (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 Platinum Limited as a new issue, and in turn issued preference shares to relevant qualifying shareholders to fund the purchase of 31.4% of Northam Platinum Limited shares.

Zambezi Platinum (RF) Limited therefore holds 159 905 453 Northam Platinum Limited shares which amounts to approximately 31.4% of the total issued ordinary share capital of Northam Platinum Limited, which is accounted for as an associate of Zambezi Platinum (RF) Limited.

Zambezi Platinum (RF) Limited is a ring-fenced entity created for the specific purpose of raising funds to subscribe for the BEE shares. As such, Zambezi Platinum (RF) Limited will not be conducting any other business activities until the expiry of the lock-in period (which is 10 years from May 2015).

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

The preference share dividend rate is calculated with reference to the prime rate and is not dependent on the financial performance of either Northam Platinum Limited or Zambezi Platinum (RF) Limited.

Zambezi Platinum (RF) Limited's prospects are therefore limited in nature in that they are dependent on the prospects of the Northam Platinum Limited share price, 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 redemption being ultimately supported by the value of Northam Platinum Limited shares and/or Northam Platinum Limited'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 Platinum Limited's prospects for growth and continued profitability are subject to various external and internal factors which cannot be accurately predicted, projected or controlled by Zambezi Platinum (RF) Limited as an investor in Northam Platinum Limited.

The redemption of the preference shares will occur, firstly and foremost, through any cash received from dividends received from Northam Platinum Limited during the 10-year period, and after the end of the lock-in period the possible sell-off of Northam Platinum Limited shares into the market, to redeem the preference shares. In the event that this is not sufficient to settle the liability, it will be secured in terms of a financial guarantee (Northam guarantee).

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

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

Northam guarantee

The redemption of the preference shares is secured by a financial guarantee from Northam Platinum Limited. In terms of the financial guarantee, Northam Platinum Limited will be responsible for the payment of all amounts which Zambezi Platinum (RF) Limited has contracted but failed to pay in terms of the BEE preference share terms – either by means of a cash payment or the issue of a determinable number of Northam Platinum Limited shares to the BEE preference shareholders, or a cash and Northam Platinum Limited share combination.

Lock-in and restraint payment

In terms of the Northam BEE transaction, Zambezi Platinum (RF) Limited has undertaken not to dispose of or encumber the BEE shares for the duration of the 10-year lock-in period, other than in accordance with the preference share terms and the Zambezi pledge and cession agreement. In terms of the relationship agreements, the ordinary shareholders have, in turn, undertaken not to dispose of or encumber their Zambezi Platinum (RF) Limited ordinary shares for the duration of the lock-in period.

NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2016

14. RELATED PARTIES continued

Furthermore, Zambezi Platinum (RF) Limited has, pursuant to the subscription agreement, and the HDSA participants as well as the respective relationship agreements, undertaken in favour of Northam Platinum Limited not to be engaged, directly or indirectly, or in any way to be interested, in any platinum group metal (PGM) exploration, PGM prospecting or PGM mining activities or in any competitor of the Northam Platinum Limited group for the duration of the lock-in period, save to the extent specifically permitted under such relationship agreements.

N share

Zambezi Platinum (RF) Limited issued the N share to Northam Platinum Limited, the purpose of which is to allow Northam Platinum Limited 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 ranks ahead of the distribution rights of the holders of the Zambezi ordinary shares and is 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 does not entitle Northam Platinum Limited to any voting rights.

Administration of Zambezi Platinum (RF) Limited

For purposes of ensuring that Zambezi Platinum (RF) Limited does not incur any liabilities or indebtedness, other than pursuant to the transaction agreements, and that it remains ring-fenced, Zambezi Platinum (RF) Limited and Northam Platinum Limited entered into an administration services agreement in terms of which Zambezi Platinum (RF) Limited has appointed Northam Platinum Limited to attend to the day-to-day management of Zambezi Platinum (RF) Limited's business and the administration of Zambezi Platinum (RF) Limited's affairs at Northam Platinum Limited's sole cost and expense and with no recourse to Zambezi Platinum (RF) Limited subject to maximum costs and expenses of up to R2.0 million per annum, escalating annually at consumer price index from the 1st (first) anniversary of the implementation date. During the current period, expenses to the value of R0.5 million (31 December 2015 R2.4 million and 30 June 2016: R3.1 million) were incurred.

15. GOING CONCERN

Zambezi Platinum (RF) Limited incurred a net loss of R828.3 million (31 December 2015: loss of R2.6 billion) for the period ended and, as of that date, the company's total liabilities exceed its total assets by R1.6 billion (31 December 2015: R2.9 billion).

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

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

16. 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.

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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

REGISTERED OFFICE

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Per PB Beale – company
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The logo for Zambezi Platinum (RF) Limited features the word "Zambezi" in a bold, black, sans-serif font. Above the letters "i" and "z" are stylized, overlapping waves in shades of blue and green. Below "Zambezi" is the text "Platinum (RF) Limited" in a smaller, black, sans-serif font.

Zambezi
Platinum (RF) Limited

www.northam.co.za/zambezi

A large, decorative graphic consisting of several thick, white, curved bands that sweep across the right side of the page, creating a sense of movement and depth against the light gray background.