



REVIEWED  
**INTERIM RESULTS**

for the six months ended  
31 December 2017

**EMPOWERING  
A NEW ERA IN MINING**

## WHO WE ARE



**Zambezi**  
Platinum (RF) Limited

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

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

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 22.0% 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.

# CONTENTS

Financial commentary	2
<b>FINANCIAL RESULTS</b>	
Interim consolidated statement of financial position	6
Interim statement of financial position	7
Interim consolidated statement of comprehensive income	8
Interim statement of comprehensive income	8
Interim consolidated statement of changes in equity	9
Interim statement of changes in equity	9
Interim consolidated statement of cash flows	10
Interim statement of cash flows	10
Notes to the interim results	11
Administration and contact information	IBC

## 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 in the long-term fundamentals of platinum*

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

## DIRECTORS

**KB Mosehla** (non-executive chairman), **PA Dunne** (non-executive director) (British), **AZ Khumalo** (non-executive director), **N Mazwai** (non-executive director), **ME Motseki-Zim** (non-executive director), **GS Mseleku** (non-executive director), **LC van Schalkwyk** (non-executive director)

## 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 [www.northam.co.za/zambezi/](http://www.northam.co.za/zambezi/) on Friday, 23 February 2018.

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 the 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 Public Investment Corporation (SOC) Limited (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 profit of R1.9 billion (31 December 2016: loss of R399.8 million and 30 June 2017: loss of R407.8 million).

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 prime interest rate (prime rate) in South Africa 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 share agreement, the cumulative preference shares will accumulate dividends for the 10-year period if not paid by Zambezi.

On the redemption date, Zambezi is required 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 are 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 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; and the last calculation period in respect of each preference share shall end on the actual redemption date of the 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 six months ended 31 December 2017 amounted to R560.9 million (31 December 2016: R500.2 million and 30 June 2017: R1.1 billion) with the prime rate being 10.25% (31 December 2016 and 30 June 2017: 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 rate has a substantial impact on the results of Zambezi. The results published in these interim financial statements should therefore be seen and considered as a snapshot in time.

# FINANCIAL COMMENTARY

## CHANGES TO THE BOARD OF DIRECTORS

Mr KB (Brian) Mosehla, a non-executive director of the board was appointed as chairman on 7 November 2017, following the retirement of Mr PL Zim. Advocate E (Emily) Motseki-Zim was appointed as a non-executive director on 7 November 2017.

Subsequent to the period end, Mr Mosehla resigned as a member and chairman of the audit committee and Mr GS Mseleku, a member of the committee was appointed as chairman on 14 February 2018. To ensure compliance with the Companies Act and the Memorandum of Incorporation of Zambezi, the appointment of a further member of the audit committee will be made in due course.

## CORPORATE GOVERNANCE

The board of directors (the board) is committed to the principles of fairness, accountability, responsibility and transparency as advocated in the fourth King Report on Corporate Governance for South Africa 2016 (King IV), as well as other applicable legislation.

The majority of King IV 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;
- being a special purpose vehicle for the Northam black economic empowerment (BEE) transaction;
- being listed on the exchange operated by the JSE Limited (JSE) in terms of the JSE Debt Listings Requirements (which are less onerous than the JSE Listing 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 Zambezi results are mainly impacted by the results of its associate, Northam Platinum Limited. The board is however satisfied that, where relevant, there is adequate compliance with King IV.

On behalf of the board.

**KB Mosehla**

Chairman

**GS Mseleku**

Chairman audit committee

**PA Dunne**

Director

22 February 2018

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

Group				
		Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	Note	R000	R000	R000
<b>ASSETS</b>				
Non-current assets		6 735 056	6 640 315	6 679 620
Investment in associate	2	6 735 056	6 640 315	6 679 620
Current assets		462	428	445
Trade and other receivables	3	25	–	7
Cash and cash equivalents	4	437	428	438
<b>Total assets</b>		<b>6 735 518</b>	<b>6 640 743</b>	<b>6 680 065</b>
<b>EQUITY</b>				
Total equity		(2 502 017)	(1 454 008)	(1 984 161)
Stated capital	5	–	–	–
Accumulated loss		(2 501 936)	(1 454 008)	(1 984 161)
Share of other comprehensive income from associate		(81)	–	–
Non-current liabilities		9 237 524	8 094 750	8 664 220
Deferred tax liability	6	40 080	18 859	27 663
Preference share liability	7	9 197 444	8 075 891	8 636 557
Current liabilities		11	1	6
South African Revenue Services		11	1	6
<b>Total equity and liabilities</b>		<b>6 735 518</b>	<b>6 640 743</b>	<b>6 680 065</b>



# INTERIM STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

Company				
		Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
		R000	R000	R000
	Note			
<b>ASSETS</b>				
Non-current assets		8 358 258	6 476 171	6 468 176
Investment in associate	2	8 358 258	6 476 171	6 468 176
Current assets		462	428	445
Trade and other receivables	3	25	–	7
Cash and cash equivalents	4	437	428	438
<b>Total assets</b>		<b>8 358 720</b>	<b>6 476 599</b>	<b>6 468 621</b>
<b>EQUITY</b>				
Total equity		(1 242 413)	(1 599 293)	(2 167 942)
Stated capital	5	–	–	–
Accumulated loss		(1 242 413)	(1 599 293)	(2 167 942)
Non-current liabilities		9 601 122	8 075 891	8 636 557
Deferred tax liability	6	403 678	–	–
Preference share liability	7	9 197 444	8 075 891	8 636 557
Current liabilities		11	1	6
South African Revenue Services		11	1	6
<b>Total equity and liabilities</b>		<b>8 358 720</b>	<b>6 476 599</b>	<b>6 468 621</b>

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2017

Group				
		Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	Note	R000	R000	R000
Investment revenue	8	18	4	22
Bank charges		(1)	–	(1)
Share of earnings from associate	2	55 517	80 630	119 935
Preference share dividends	9	(560 887)	(500 194)	(1 060 860)
Loss before tax		(505 353)	(419 560)	(940 904)
Taxation	10	(12 422)	(18 062)	(26 871)
Loss for the period/year		(517 775)	(437 622)	(967 775)
<i>Other comprehensive income</i>				
Other comprehensive income to be reclassified to profit or loss in subsequent period				
Share of associate's exchange difference on translation of foreign operations				
	2	(81)	–	–
<b>Total comprehensive income for the period/year</b>		<b>(517 856)</b>	<b>(437 622)</b>	<b>(967 775)</b>

# INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2017

Company				
		Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	Note	R000	R000	R000
Investment revenue	8	18	4	22
Bank charges		(1)	–	(1)
Mark to market adjustment	2	1 890 082	(399 764)	(407 759)
Preference share dividends	9	(560 887)	(500 194)	(1 060 860)
Profit/(loss) before tax		1 329 212	(899 954)	(1 468 598)
Taxation	10	(403 683)	71 637	71 632
<b>Profit/(loss) and total comprehensive income for the period/year</b>		<b>925 529</b>	<b>(828 317)</b>	<b>(1 396 966)</b>

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2017

Group				
	Stated capital	Accumulated loss	Share of other comprehensive income from associate	Total
	R000	R000	R000	R000
Balance as at 1 July 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)
Loss and total comprehensive income for the period	–	(530 153)	–	(530 153)
Balance as at 30 June 2017	*	(1 984 161)	–	(1 984 161)
Total comprehensive income for the period	–	(517 775)	(81)	(517 856)
Loss for the period	–	(517 775)	–	(517 775)
Other comprehensive income for the period	–	–	(81)	(81)
<b>Balance as at 31 December 2017</b>	<b>*</b>	<b>(2 501 936)</b>	<b>(81)</b>	<b>(2 502 017)</b>

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

# INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2017

Company			
	Stated capital	Accumulated loss	Total
	R000	R000	R000
Balance as at 1 July 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)
Loss and total comprehensive income for the period	–	(568 649)	(568 649)
Balance as at 30 June 2017	*	(2 167 942)	(2 167 942)
Profit and total comprehensive income for the period	–	925 529	925 529
<b>Balance as at 31 December 2017</b>	<b>*</b>	<b>(1 242 413)</b>	<b>(1 242 413)</b>

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

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2017

Group				
		Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	Note	R000	R000	R000
Cash flows from operating activities		(1)	4	14
Cash generated from operations	11	17	4	21
Change in working capital	12	(18)	–	(7)
Taxation paid	13	–	–	–
Movement in cash and cash equivalents		(1)	4	14
Cash and cash equivalents at beginning of period/year		438	424	424
<b>Cash and cash equivalents at the end of the period/year</b>	<b>4</b>	<b>437</b>	<b>428</b>	<b>438</b>

# INTERIM STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2017

Company				
		Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	Note	R000	R000	R000
Cash flows from operating activities		(1)	4	14
Cash generated from operations	11	17	4	21
Change in working capital	12	(18)	–	(7)
Taxation paid	13	–	–	–
Movement in cash and cash equivalents		(1)	4	14
Cash and cash equivalents at beginning of period/year		438	424	424
<b>Cash and cash equivalents at the end of the period/year</b>	<b>4</b>	<b>437</b>	<b>428</b>	<b>438</b>

# NOTES TO THE INTERIM RESULTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

## 1. ACCOUNTING POLICIES: BASIS OF PREPARATION

The interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are stated at fair value. The interim consolidated financial statements incorporate the accounting policies which are in terms of the International Financial Reporting Standards (IFRS) and 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.

The interim consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, presentation and disclosure as required by IAS 34 Interim Financial Reporting, the JSE Debt Listing 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 2017:

- IAS 7 Disclosure Initiative – Amendments to IAS 7
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- AIP IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12

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

### **New and revised IFRSs not adopted**

The following new standards and amendments to standards are not effective and have not been early adopted, but will be adopted once these new standards become effective:

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments is the International Accounting Standards Board (IASB)'s replacement of IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The new standard contains substantial changes from the current financial instruments standard (IAS 39) with regards to the classification, measurement, impairment and hedge accounting requirements which will impact many entities across various industries. These changes include:

# NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

## 1. ACCOUNTING POLICIES: BASIS OF PREPARATION continued

**Classification and measurement:** The new classification requirements are based on both the entity's business model for managing the financial assets and the contractual cash flow characteristics of a financial asset. The more principles-based approach of IFRS 9 requires the careful use of judgment in its application.

**Impairment:** The IASB has sought to address a key concern that arose as a result of the financial crisis that the incurred loss model in IAS 39 contributed to the delayed recognition of credit losses. As such, it has introduced a forward-looking expected credit loss model.

**Hedge accounting:** The aim of the new hedge accounting model is to provide useful information about risk management activities that an entity undertakes using financial instruments, with the effect that financial reporting will reflect more accurately how an entity manages its risk and the extent to which hedging mitigates those risks.

IFRS 9 establishes a new model for recognition and measurement of impairments in loans and receivables that are measured at amortised cost or fair value through other comprehensive income (FVOCI), the so-called expected credit loss model. This is the only impairment model that applies in IFRS 9 because all other assets are classified and measured at fair value through profit or loss (FVPL) or, in the case of qualifying equity investments, FVOCI with no recycling to profit and loss.

Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it from the moment of its origination or acquisition.

IFRS 9 does not require an entity to restate prior periods. Restatement is permitted, if and only if, it is possible without the use of hindsight and the restated financial statements reflect all of the requirements of IFRS 9. If the entity does not restate prior periods, any difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application should be included in the current year opening retained earnings (or other equivalent component of equity).

The standard is effective for period ends beginning on or after 1 January 2018.

#### IFRS 15 Revenue from Contracts with Customers

The new standard deals with revenue transactions. An entity would be required to disclose information about its contracts with customers, disaggregating information about recognised revenue and information about its performance obligations at the end of the reporting period.

IFRS 15 is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to their current accounting systems and processes.

The standard has no impact on the entity because Zambezi Platinum (RF) Limited is not trading with customers.

The standard is effective for period ends beginning on or after 1 January 2018.

#### IFRS 16 Leases

The new standard provides a comprehensive model to identify lease-arrangements and the treatment thereof in the financial statements of both lessees and lessors.

Zambezi Platinum (RF) Limited has no operating leases which will have to be brought onto the statement of financial position in terms of the new standard and no additional disclosure will be required.

The standard is effective for periods beginning on or after 1 January 2019.

#### IFRIC 23 Uncertainty over Income Tax Treatment

This new interpretation standard sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The impact of the interpretation will be applied to uncertain tax positions in future. The interpretation is effective for periods beginning on or after 1 January 2019.

The standard currently has no impact on the entity because Zambezi Platinum (RF) Limited does not have any uncertain tax positions.

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### 2. INVESTMENT IN ASSOCIATE

Group			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Opening balance	6 679 620	6 559 685	6 559 685
Share of earnings from associate	55 517	80 630	119 935
Share of other comprehensive income from associate	(81)	–	–
	6 735 056	6 640 315	6 679 620

Company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Opening balance	6 468 176	6 875 935	6 875 935
Mark to market fair value adjustment	1 890 082	(399 764)	(407 759)
	8 358 258	6 476 171	6 468 176

The investment in associate represents Zambezi Platinum (RF) Limited's 31.4% investment in Northam Platinum Limited, a company listed on the exchange operated by the JSE Limited (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 their Northam Platinum Limited shares during the 10 year lock-in period.

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

The mark to market fair value adjustment, in the company accounts, represents the movement in the share price between reporting periods. Below is the closing share price of Northam Platinum Limited at the period/year end.

	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R	R	R
Northam Platinum Limited closing share price	52.27	40.50	40.45



Below is a summary of the statement of profit or loss and other comprehensive income of the company's associate, Northam Platinum Limited:

### Statement of profit or loss and other comprehensive income

	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Sales revenue	3 353 270	3 458 827	6 865 185
Cost of sales	(3 014 497)	(3 106 871)	(6 251 200)
Operating costs	(3 129 727)	(2 771 920)	(5 676 017)
Concentrates purchased	(430 052)	(178 221)	(404 093)
Refining and other costs	(56 563)	(66 223)	(120 633)
Depreciation and write-offs	(218 117)	(226 835)	(452 584)
Change in metal inventories	819 962	136 328	402 127
Operating profit	338 773	351 956	613 985
Share of earnings from associate and joint venture	6 428	1 851	4 870
Investment revenue	28 860	107 442	167 306
Finance charges excluding preference share dividends	(25 532)	(50 146)	(71 185)
Net foreign exchange transaction losses	(8 203)	(22 176)	(46 729)
Sundry income	161 421	40 821	73 361
Sundry expenditure	(183 741)	(59 933)	(130 843)
Profit before preference share dividends	318 006	369 815	610 765
Amortisation of liquidity fees paid on preference shares	(8 195)	(8 195)	(16 390)
Preference share dividends	(460 762)	(482 753)	(1 017 396)
Loss on derecognition of preference share liability	–	(902)	(901)
Loss before taxation	(150 951)	(122 035)	(423 922)
Taxation	(132 822)	(104 569)	(212 021)
Loss for the period/year	(283 773)	(226 604)	(635 943)
<i>Other comprehensive income</i>			
Exchange differences on translation of foreign operation	(258)	–	–
Total comprehensive income for the period/year	(284 031)	(226 604)	(635 943)
Total comprehensive income for the six month period/year ended*	176 989	257 051	382 354
<b>Zambezi Platinum (RF) Limited's 31.4% share of earnings</b>	<b>55 517</b>	<b>80 630</b>	<b>119 935</b>

\* 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 2017

### 2. INVESTMENT IN ASSOCIATE continued

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

#### Statement of financial position

	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
<b>ASSETS</b>			
Non-current assets	17 633 764	14 579 701	15 483 553
Property, plant and equipment	10 345 224	8 392 953	9 022 260
Mining properties and mineral resources	6 641 393	5 621 172	5 636 342
Interest in associates and joint ventures	173 642	164 195	167 214
Unlisted investments	–	649	–
Land and township development	57 638	46 154	48 529
Long-term receivables	79 405	87 011	83 745
Investment held by Northam Platinum Restoration Trust Fund	106 224	97 832	102 233
Environmental Guarantee Investment	72 697	62 219	68 104
Buttonshope Conservancy Trust	11 857	10 545	11 126
Long-term prepayments	140 229	–	336 409
Other financial assets	–	8 450	7 591
Deferred tax asset	5 455	88 521	–
Current assets	3 686 960	4 376 131	4 103 337
Inventories	2 564 747	1 482 974	1 729 102
Trade and other receivables	742 131	617 792	548 997
Cash and cash equivalents	379 233	2 227 909	1 786 865
Tax receivables	849	47 456	38 373
Non-current assets held for sale	–	45 565	49 222
<b>Total assets</b>	<b>21 320 724</b>	<b>19 001 397</b>	<b>19 636 112</b>

## Statement of financial position continued

	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
<b>EQUITY</b>			
Total equity	7 808 010	8 501 380	8 092 041
Stated capital	13 778 114	13 778 114	13 778 114
Treasury shares	(6 556 123)	(6 556 123)	(6 556 123)
(Accumulated loss)/retained earnings	(288 171)	404 941	(4 398)
Foreign currency translation reserve	(258)	–	–
Equity-settled share-based payment reserve	874 448	874 448	874 448
Non-current liabilities	11 981 770	9 285 653	9 929 685
Deferred tax liabilities	718 741	566 410	585 883
Long-term provisions	320 607	272 205	304 829
Preference share liability	8 834 124	7 725 705	8 279 825
Long-term loans	132 915	248 717	249 428
Long-term share-based payment liability	63 061	52 432	88 639
Domestic medium term notes	421 978	420 184	421 081
Revolving credit facility	1 490 344	–	–
Current liabilities	1 530 944	1 214 364	1 614 386
Current portion of long-term loans	17 682	13 202	13 434
Short-term share-based payment liability	92 005	71 099	75 026
Tax payable	7 159	105 447	102 550
Trade and other payables	1 232 065	868 788	1 268 172
Other financial liabilities	–	10 508	–
Short-term provisions	182 033	145 320	155 204
<b>Total equity and liabilities</b>	<b>21 320 724</b>	<b>19 001 397</b>	<b>19 636 112</b>

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### 3. TRADE AND OTHER RECEIVABLES

Group and company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Accrued interest	25	–	7
	25	–	7

Accrued interest relates to interest earned on positive bank balances.

### 4. CASH AND CASH EQUIVALENTS

Group and company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Cash at bank and on hand	437	428	438
	437	428	438

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

## 5. STATED CAPITAL

Group and company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
<i>Authorised stated capital</i>			
11 000 ordinary shares at no par value			
159 905 453 Zambezi Platinum (RF) Limited preference shares (refer note 7)			
1 N share			
<i>Issued and fully paid stated capital</i>			
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

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### 6. DEFERRED TAX

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

	Group		
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Deferred tax at the beginning of the period/year	27 663	798	798
<i>Charge for the period/year</i>			
Temporary difference in respect of investment in associate	12 417	18 061	26 865
	40 080	18 859	27 663

A deferred tax liability was raised on the equity uplift of the investment in associate between the current value and the original purchase value, at the capital gains tax rate.

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

	Company		
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Deferred tax at the beginning of the period/year	–	71 638	71 638
<i>Charge for the period/year</i>			
Temporary difference in respect of investment in associate	403 678	(89 547)	(91 338)
Non-recognition of a deferred tax asset	–	17 909	19 700
	403 678	–	–

The temporary difference in respect of investment in associate, has been calculated as the difference between the fair value through profit and loss and the original purchase price of the Northam Platinum Limited investment at the capital gains tax rate. For the current period this has led to the recognition of a deferred tax liability, where previously this has resulted in a deferred tax asset which was not recognised.

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 are available against which a deferred tax asset could be utilised. In the previous financial period/year, management concluded, following due assessment, that it was prudent not to raise a deferred tax asset.

As a result of the above judgement made by management, in the previous year and period no deferred tax asset relating to the temporary difference on the mark to market adjustment of 31 December 2016: R80.0 million and 30 June 2017: R87.9 million was raised.

## 7. PREFERENCE SHARE LIABILITY

Group and company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Opening balance	8 636 557	7 575 697	7 575 697
Accrued dividends for the period/year	560 887	500 194	1 060 860
	9 197 444	8 075 891	8 636 557

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 2016: R Nil and 30 June 2017: R Nil).

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

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### 8. INVESTMENT REVENUE

Group and company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Interest earned on call accounts	18	4	22
	18	4	22

### 9. PREFERENCE SHARE DIVIDENDS

Group and company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Accrued dividends on preference shares – finance charges	560 887	500 194	1 060 860
	560 887	500 194	1 060 860

Preference shareholders are entitled to receive a dividend equal to the issue price multiplied by the dividend rate of the prime rate 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 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 immediately and the remaining 90% will be paid to its preference shareholders to settle outstanding accrued dividends.



## 10. TAXATION

	Group		
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
<i>Normal tax</i>			
Current period/year tax	5	1	6
<i>Deferred tax</i>			
Deferred tax as a result of current period/year temporary differences relating to capital gains tax in respect of the fair value uplift on the investment in associate	12 417	18 061	26 865
Charge for the period/year	12 422	18 062	26 871

Deferred tax was raised on the difference between the original purchase price of the investment in associate and the carrying value of the investment accounted for at the equity method at the capital gains tax rate.

A reconciliation of the standard rate of South African tax compared with that charged in the statement of comprehensive income is set out below:

	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	%	%	%
South African companies tax	28.0	28.0	28.0
Share of earning from associate	3.1	5.4	3.6
Capital gains liability raised on difference between carrying value and original purchase price	(2.5)	(4.3)	(2.9)
Preference share dividends not deductible for tax	(31.1)	(33.4)	(31.6)
	(2.5)	(4.3)	(2.9)

# NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

## 10. TAXATION continued

	Company		
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
<i>Normal tax</i>			
Current period/year tax	5	1	6
<i>Deferred tax</i>			
Deferred tax as a result of current period/year temporary differences relating to capital gains tax in respect of the mark to market adjustment	403 678	(89 547)	(91 338)
Non-recognition of deferred tax asset	–	17 909	19 700
Charge for the period/year	403 683	(71 637)	(71 632)

Deferred tax was raised on the mark to market adjustment at the capital gains tax rate, calculated as the difference between the original purchase price and the fair value of the investment at the period/year end.

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. Therefore, during the previous period/year no deferred tax asset relating to the temporary difference on the mark to market adjustment of 31 December 2016: R80.0 million and June 2017: R87.9 million was raised.

Due to the company's financial performance and the uncertainty of future taxable profits to account against its deferred tax asset, management concluded, following due assessment, that it was prudent not to raise a deferred tax asset.

A reconciliation of the standard rate of South African tax compared with that charged in the statement of comprehensive income is set out below:

	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	%	%	%
South African companies tax	28.0	28.0	28.0
Deferred tax asset not raised	–	(8.0)	(4.9)
Mark to market adjustment raised/(not raised) at the capital gains tax rate	(9.4)	(12.4)	(7.8)
Preference share dividends not deductible for tax	11.8	(15.6)	(20.2)
	30.4	(8.0)	(4.9)

## 11. CASH GENERATED FROM OPERATIONS

Group			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Loss before tax	(505 353)	(419 560)	(940 904)
<i>Adjusted for non-cash items:</i>			
Share of earnings from associate	(55 517)	(80 630)	(119 935)
Preference share dividends	560 887	500 194	1 060 860
	17	4	21

Company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Profit/(loss) before tax	1 329 212	(899 954)	(1 468 598)
<i>Adjusted for non-cash items:</i>			
Mark to market adjustment	(1 890 082)	399 764	407 759
Preference share dividends	560 887	500 194	1 060 860
	17	4	21

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### 12. CHANGE IN WORKING CAPITAL

Group and company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Movement in trade and other receivables	(18)	–	(7)
	(18)	–	(7)

### 13. TAXATION PAID

Group and company			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
<i>Taxation paid consists of the following:</i>			
Provisional tax payment	–	–	–
	–	–	–

#### 14. 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.

#### Segmental statement of comprehensive income

	Zambezi Platinum (RF) Limited	Total group	Zambezi Platinum (RF) Limited	Total group	Zambezi Platinum (RF) Limited	Total group
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016	Audited 30 June 2017	Audited 30 June 2017
	R000	R000	R000	R000	R000	R000
Investment revenue	18	18	4	4	22	22
Bank charges	(1)	(1)	–	–	(1)	(1)
Share of earnings from associate	55 517	55 517	80 630	80 630	119 935	119 935
Preference share dividends	(560 887)	(560 887)	(500 194)	(500 194)	(1 060 860)	(1 060 860)
Loss before tax	(505 353)	(505 353)	(419 560)	(419 560)	(940 904)	(940 904)
Taxation	(12 422)	(12 422)	(18 062)	(18 062)	(26 871)	(26 871)
Loss for the period/year	(517 775)	(517 775)	(437 622)	(437 622)	(967 775)	(967 775)
<i>Other comprehensive income</i>						
Share of associate's exchange differences on translation of foreign operations	(81)	(81)	–	–	–	–
<b>Total comprehensive income for the period/year</b>	<b>(517 856)</b>	<b>(517 856)</b>	<b>(437 622)</b>	<b>(437 622)</b>	<b>(967 775)</b>	<b>(967 775)</b>

# NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

## 14. SEGMENTAL ANALYSIS continued

### Segmental analysis of the statement of financial position

	Zambezi Platinum (RF) Limited	Total group	Zambezi Platinum (RF) Limited	Total group	Zambezi Platinum (RF) Limited	Total group
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016	Audited 30 June 2017	Audited 30 June 2017
	R000	R000	R000	R000	R000	R000
<b>ASSETS</b>						
Non-current assets	6 735 056	6 735 056	6 640 315	6 640 315	6 679 620	6 679 620
Investment in associate	6 735 056	6 735 056	6 640 315	6 640 315	6 679 620	6 679 620
Current assets	462	462	428	428	445	445
Trade and other receivables	25	25	–	–	7	7
Cash and cash equivalents	437	437	428	428	438	438
<b>Total assets</b>	<b>6 735 518</b>	<b>6 735 518</b>	<b>6 640 743</b>	<b>6 640 743</b>	<b>6 680 065</b>	<b>6 680 065</b>
<b>EQUITY</b>						
Total equity	(2 502 017)	(2 502 017)	(1 454 008)	(1 454 008)	(1 984 161)	(1 984 161)
Stated capital	–	–	–	–	–	–
Accumulated loss	(2 501 936)	(2 501 936)	(1 454 008)	(1 454 008)	(1 984 161)	(1 984 161)
Share of other comprehensive income from associate	(81)	(81)	–	–	–	–
Non-current liabilities	9 237 524	9 237 524	8 094 750	8 094 750	8 664 220	8 664 220
Deferred tax liability	40 080	40 080	18 859	18 859	27 663	27 663
Preference share liability	9 197 444	9 197 444	8 075 891	8 075 891	8 636 557	8 636 557
Current liabilities	11	11	1	1	6	6
South African Revenue Service	11	11	1	1	6	6
<b>Total equity and liabilities</b>	<b>6 735 518</b>	<b>6 735 518</b>	<b>6 640 743</b>	<b>6 640 743</b>	<b>6 680 065</b>	<b>6 680 065</b>

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.

## 15. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The group's only financial liability related to the preference share liability. Financial assets consist of trade and other receivables as well as cash and cash equivalents.

The group is exposed to market, credit and liquidity risk.

It is the group's policy that no trading in derivatives shall be undertaken.

The directors of the entity oversee the management of these risks and reviews and agree policies for managing each of these risks which are summarised below.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group is exposed to interest rate fluctuations in respect of the preference share liability and cash held at banks.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact on floating rate borrowings and cash and cash equivalents).

	Group and company		
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 30 June 2017
	R000	R000	R000
Cash and cash equivalents			
Increase of 1%	4	4	4
Decrease of 1%	(4)	(4)	(4)
Preference share liability			
Increase of 1%	(91 974)	(80 759)	(86 366)
Decrease of 1%	91 974	80 759	86 366

The group does not use interest rate swaps to convert floating rate exposures to fixed rate exposures in order to minimise interest rate risk.

# NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

## 15. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT continued

### Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily cash balances). The group mitigates the risk by ensuring that its counterparties are credit worthy financial institutions.

The group only places funds with recognised financial institutions with a strong credit rating and does not consider the credit risk exposure to be significant.

### Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment. In order to mitigate any liquidity risk, Northam Platinum Limited has issued a guarantee. 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 preference share terms – either by means of a cash payment or the issue of a determinable number of Northam Platinum Limited shares to the preference shareholders, or a cash and Northam Platinum Limited share combination.

At maturity of the cumulative preference share liability, the contracted undiscounted value of the payment will be the following assuming prime rate stays unchanged.

Group and company			
Due at the end of the 10 year lock-in period			
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Audited 31 Dec 2017
	R000	R000	R000
Preference share liability	(23 917 435)	(24 575 615)	(23 917 435)

The preference share liability is due at the end of the 10 year lock-in period.



## Classification of financial instruments

Group			
	Loans and receivables	Financial liabilities at amortised cost	Total
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2017	Reviewed 31 Dec 2017
	R000	R000	R000
Trade and other receivables	25	–	25
Cash and cash equivalents	437	–	437
Preference share liability	–	(9 197 444)	(9 197 444)

Group			
	Loans and receivables	Financial liabilities at amortised cost	Total
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016
	R000	R000	R000
Cash and cash equivalents	428	–	428
Preference share liability	–	(8 075 891)	(8 075 891)

Group			
	Loans and receivables	Financial liabilities at amortised cost	Total
	Audited 30 Jun 2017	Audited 30 Jun 2017	Audited 30 Jun 2017
	R000	R000	R000
Trade and other receivables	7	–	7
Cash and cash equivalents	438	–	438
Preference share liability	–	(8 636 557)	(8 636 557)

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### 15. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT continued

Classification of financial instruments continued

Company				
	Financial instruments through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2017	Reviewed 31 Dec 2017	Reviewed 31 Dec 2017
	R000	R000	R000	R000
Investment in associate	8 358 258	–	–	8 358 258
Trade and other receivables	–	25	–	25
Cash and cash equivalents	–	437	–	437
Preference share liability	–	–	(9 197 444)	(9 197 444)

Company				
	Financial instruments through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total
	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016
	R000	R000	R000	R000
Investment in associate	6 476 171	–	–	6 476 171
Cash and cash equivalents	–	428	–	428
Preference share liability	–	–	(8 075 891)	(8 075 891)

Company				
	Financial instruments through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total
	Audited 30 Jun 2017	Audited 30 Jun 2017	Audited 30 Jun 2017	Audited 30 Jun 2017
	R000	R000	R000	R000
Investment in associate	6 468 176	–	–	6 468 176
Trade and other receivables	–	7	–	7
Cash and cash equivalents	–	438	–	438
Preference share liability	–	–	(8 636 557)	(8 636 557)

#### Fair value of financial assets and liabilities

The fair values 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 group basis.

The preference share liability is classified as level 2. Previously it was classified as level 1 but due to the low level of activity in the South African debt market, the preference share liability has now been classified as a level 2 financial liability.

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### 15. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT continued

Fair value of financial assets and liabilities continued

The fair value has been determined with reference to the closing trading price of the Zambezi Platinum (RF) Limited preference share price (JSE preference share code: ZPLP) as at the period/year end date:

	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Reviewed 30 June 2017
	R	R	R
Zambezi Platinum (RF) Limited preference share trading price	63.80	50.30	54.85

The table below discloses the carrying values of the financial assets and liabilities compared to the fair value:

	Group					
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016	Audited 30 June 2017	Audited 30 June 2017
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	R000	R000	R000	R000	R000	R000
<i>Financial assets</i>						
Trade and other receivables	25	25	–	–	7	7
Cash and cash equivalents	437	437	428	428	438	438
<i>Financial liabilities</i>						
Preference share liability	(9 197 444)	(10 201 968)	(8 075 891)	(8 043 244)	(8 636 557)	(8 770 814)

	Company					
	Reviewed 31 Dec 2017	Reviewed 31 Dec 2017	Reviewed 31 Dec 2016	Reviewed 31 Dec 2016	Audited 30 June 2017	Audited 30 June 2017
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	R000	R000	R000	R000	R000	R000
<i>Financial assets</i>						
Investment in associate	8 358 258	8 358 258	6 476 171	6 476 171	6 468 176	6 468 176
Trade and other receivables	25	25	–	–	7	7
Cash and cash equivalents	437	437	428	428	438	438
<i>Financial liabilities</i>						
Preference share liability	(9 197 444)	(10 201 968)	(8 075 891)	(8 043 244)	(8 636 557)	(8 770 814)

#### Capital management

The primary objective of the group's capital management is to ensure that it has sufficient capital to meet its preference share obligations. The redemption of the preference shares is secured by Northam Platinum Limited in terms of a financial guarantee, in terms of which 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 preference share terms by means of a cash payment or the issue of a determinable number of Northam Platinum Limited shares to the preference shareholders, or a cash and Northam Platinum Limited share combination.

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### 16. 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 black economic empowerment (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, 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 (BEE 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 will 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 its 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 preference share terms – either by means of a cash payment or the issue of a determinable number of Northam Platinum Limited shares to the 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.

Furthermore, Zambezi Platinum (RF) Limited has, pursuant to the subscription agreement, and the HDSA participants have, pursuant to their 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.

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### 16. RELATED PARTIES continued

#### 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 CPI from the 1st (first) anniversary of the implementation date. During the current period expenses to the value of R1.0 million (31 December 2016: R0.5 million and 30 June 2017: R0.6 million) were incurred.



## 17. GOING CONCERN

Zambezi Platinum (RF) Limited generated a net profit of R925.5 million (31 December 2016: loss of R828.3 million and 30 June 2017: loss of R1.4 billion) for the period ended and, as of that date, the company's total liabilities exceed its total assets by R1.2 billion (31 December 2016: R1.6 billion and 30 June 2017: R2.2 billion).

Northam Platinum Limited has guaranteed that it will enable Zambezi Platinum (RF) Limited to settle any preference share capital and dividend liability 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 interim 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 interim 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.

## NOTES TO THE INTERIM RESULTS continued

FOR THE PERIOD ENDED 31 DECEMBER 2017

### **18. 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 require adjustment to the financial results or the notes to the financial results.

## 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

Building 4

1st Floor

Maxwell Office Park

Magwa Crescent West

Waterfall City

Jukskei View 2090

South Africa

PO Box 412694

Craighall 2024

South Africa

Telephone: +27 11 759 6000

Fax: +27 11 325 4795

### WEBSITE

[www.northam.co.za/zambezi/](http://www.northam.co.za/zambezi/)

### SECRETARIES

Northam Platinum Limited

Per PB Beale – company  
secretary

Building 4

1st Floor

Maxwell Office Park

Magwa Crescent West

Waterfall City

Jukskei View 2090

South Africa

PO Box 412694

Craighall 2024

South Africa

Email: [trish.beale@norplats.co.za](mailto:trish.beale@norplats.co.za)

### BANKERS

Standard Bank of South Africa  
Limited

30 Baker Street

Rosebank

Johannesburg 2196

PO Box 61029

Marshalltown 2107

South Africa

### AUDITORS

Ernst and Young Inc

102 Rivonia Road

Sandton 2146

Johannesburg

South Africa

Private Bag X14

Sandton 2146

South Africa

### TRANSFER SECRETARIES

Computershare Investor Services

Proprietary Limited

Rosebank Towers

15 Biermann Avenue

Rosebank 2196

South Africa

PO Box 61051

Marshalltown 2107

South Africa

Telephone: +27 11 370 5000

Fax: +27 11 688 5238

### DEBT SPONSOR

One Capital

17 Fricker Road

Illovo 2196

Johannesburg

South Africa

PO Box 784573

Sandton 2146

South Africa

### INVESTOR RELATIONS

R&A Strategic Communications

PO Box 1457

Parklands 2121

South Africa

Telephone: +27 11 880 3924

Email: [marion@rasc.co.za](mailto:marion@rasc.co.za)

# Zambezi

Platinum (RF) Limited

[www.northam.co.za/zambezi](http://www.northam.co.za/zambezi)



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](http://www.northam.co.za)