

# REVIEWED INTERIM CONDENSED RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

*Zambezi Platinum (RF) Limited's (Zambezi 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.*

The mighty Zambezi River, one of Africa's largest, sustains the livelihood of millions of people in a number of sub-Saharan countries.

Much like this invaluable watercourse, Zambezi Platinum (RF) Limited (Zambezi or the company or the group) has been established to deliver benefits for all its stakeholders.

Zambezi is a special purpose black economic empowerment (BEE) vehicle established in October 2014 as a result of a R6.6 billion BEE transaction with Northam Platinum Limited (Northam). The transaction included the successful raising of R4.6 billion and was approved by Northam shareholders on 19 March 2015.

Zambezi comprises a range of Historically Disadvantaged South African (HDSA) stakeholders including an Employee Trust, two Community Trusts, a Women's Consortium and a core of Strategic Partners. These stakeholders hold a combined 31.4% stake in Northam.

Zambezi financed the acquisition of shares in Northam through a preference share arrangement. Zambezi's preference shares were listed on the exchange operated by the JSE Limited (JSE) on 11 May 2015.

Apart from its function as an empowerment vehicle, Zambezi does not and will not conduct any operational business.

## Market information and preference share statistics

	6 months ended 31 December 2020	6 months ended 31 December 2019	12 months ended 30 June 2020
Total number of Zambezi Platinum (RF) Limited preference shares (ZPLPs) in issue	159 905 453	159 905 453	159 905 453
Closing preference share price (cents)	9 325	8 450	8 100
Highest preference share price traded (cents)	9 537	8 450	9 000
Lowest preference share price traded (cents)	7 600	7 100	6 200
Number of preference shares traded	76 861 813	41 870 503	69 095 778
Value of transactions traded (R000)	6 969 854	3 098 612	5 207 400
Number of ZPLPs held by Northam Platinum Limited	128 569 993	36 688 840	53 595 254
Percentage holding	80.4%	22.9%	33.5%

Subsequent to the period ended 31 December 2020, Northam Platinum Limited acquired an additional 11 402 503 ZPLPs in the open market, increasing Northam's percentage holding to 87.5%.

Northam attends to the day-to-day management of Zambezi and the interim condensed financial results have been prepared under the supervision of the chief financial officer of Northam.

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## KEY FEATURES

The increase in the Northam share price has realised value for Zambezi's shareholders



Zambezi's ring-fencing provides Northam with BEE credentials

We continue to believe in the long-term fundamentals of Platinum Group Metals (PGMs)



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

### DIRECTORS

<b>KB Mosehla</b>	(non-executive chairman)
<b>PA Dunne</b>	(non-executive director) ( <i>British</i> )
<b>AH Coetzee</b>	(non-executive director)
<b>N Mazwai</b>	(non-executive director)
<b>ME Motseki-Zim</b>	(non-executive director)
<b>GS Mseleku</b>	(non-executive director)
<b>BB Nene</b>	(non-executive director)
<b>ZP Ntshalintshali</b>	(independent non-executive director)
<b>CM Ntuta</b>	(independent non-executive director)
<b>KH Sekhokho</b>	(independent non-executive director)
<b>LC van Schalkwyk</b>	(non-executive director)

# ABOUT ZAMBEZI PLATINUM (RF) LIMITED

## History and nature of the business

Zambezi was incorporated as a private company on 2 June 2014, creating a special purpose vehicle to facilitate the Northam BEE transaction as detailed in the Northam transaction circular dated 17 February 2015, the Northam offer circular dated 21 April 2015 (offer circular) (collectively, the circulars) and the Zambezi prospectus to Northam shareholders dated 21 April 2015 (prospectus). The circulars and prospectus are available on the company's website [www.northam.co.za/zambezi/](http://www.northam.co.za/zambezi/).

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

On the implementation date of the Northam BEE transaction, described in the offer circular and prospectus, being 18 May 2015, Zambezi allotted and issued 159 905 453 Zambezi preference shares to offer participants, 10 000 Zambezi ordinary shares to HDSA participants and 1 N share to Northam. The Zambezi ordinary shares and the N share are not listed on the JSE.

As part of the Northam BEE transaction, the company received 112 195 122 Northam ordinary shares (Northam shares) and acquired a further 47 710 331 Northam shares from the Public Investment Corporation SOC Limited (PIC), totaling 159 905 453 Northam shares (BEE shares). The company has undertaken not to dispose of or encumber the BEE shares for the duration of the 10-year lock-in period, up until May 2025, other than in accordance with the preference share terms and the Zambezi pledge and cession agreement.

The Northam shares held by Zambezi represent a 31.4% HDSA holding in Northam's issued share capital.

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 issued Northam 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 approximately R2.0 billion.

The investment in Northam shares will be used to settle the preference share liability of Zambezi. The performance of these Northam shares will be evaluated on a fair value basis. The market price is used to determine the fair value, at each reporting date, and a mark to market fair value adjustment is accounted for through profit or loss in the company accounts.

In terms of the preference share agreement between Zambezi and its preference shareholders, the preference shareholders are entitled to receive dividends equal to the issue price, multiplied by the rate of the South African prime interest 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 over the 10-year lock-in period, which ends in May 2025.

The preference shares will be compulsorily redeemable on the day immediately preceding the 10<sup>th</sup> anniversary of the issue date. The preference shares may only be redeemed before this date upon the occurrence of an early/voluntary 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 lock-in period if not paid by Zambezi. On the redemption date, Zambezi is required to settle any outstanding dividends accumulated and redeem all preference shares at 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.

Should the preference share liability be redeemed (in full or in part) through Northam shares held by Zambezi, a 10% liquidity discount on the Northam share price will apply as stipulated in the preference share terms.

The Zambezi structure has been set up for the 10-year lock-in 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 should therefore be seen as a snapshot in time and should be considered as such.

Full details of the financial results of the group and company are set out in the interim condensed financial results.

## Dividends

Dividends on the preference shares equals the issue price multiplied by the rate of the South African prime interest 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 over the 10-year lock-in period, which ends in May 2025.

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. 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 redemption of the preference share liability will occur in part through 90% of the dividends received from Northam. There is however no obligation to settle the preference share liability during the 10-year lock-in period should no dividends be received from Northam. After the lock-in period of 10 years, the preference share liability will be redeemed in a bullet payment through the possible sell-off of the Northam shares held by Zambezi into the market to realise the capital value, and/or the transfer of Northam shares at a 10% liquidity discount to the preference shareholders. In the event that this is not sufficient to settle the liability, the preference share liability will be secured in terms of a financial guarantee issued by Northam. Should a liability arise under the Northam guarantee, Northam may settle this liability by capitalising Zambezi with cash and/or Northam shares before the redemption amount becomes due or by making payment directly to the preference shareholders. The manner of settlement is not contractually specified and is at the discretion of Northam.

Dividends accumulate if no dividends have been received from Northam.

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.

## Lock-in and restraint payment

In terms of the Northam BEE transaction, Zambezi 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 referred to as the HDSA participants have, in turn, undertaken not to dispose of or encumber their Zambezi ordinary shares for the duration of the lock-in period. Furthermore, Zambezi has, pursuant to the subscription agreement, and the HDSA participants have, pursuant to their respective relationship agreements, undertaken in favour of Northam not to be engaged, directly or indirectly, or in any way to be interested, in any PGM exploration, PGM prospecting or PGM mining activities or in any competitor of the Northam group for the duration of the lock-in period, save to the extent specifically permitted under such relationship agreements.

As consideration for entering into the lock-in arrangement, and in recognition of the benefit that Northam and the Northam shareholders will derive from the lock-in arrangement, a lock-in and restraint payment was made to Zambezi, being a once-off gross amount of R400.0 million at inception of the arrangement.

Zambezi distributed the lock-in and restraint payment, net of taxes, to its ordinary shareholders, as a dividend. The HDSA participants has, in turn, utilised their portion of the lock-in and restraint payment (lock-in funds) as follows:

- each of the Strategic Partners and the Women's Consortium have distributed their portion of the lock-in funds to their shareholders;
- the Northam Employees' Trust has become operational. The Northam Employees' Trust's portion of the lock-in funds will be invested in permanent capital goods, infrastructure, education or healthcare projects for the benefit of its beneficiaries, as approved by Northam. Employees have now been given the opportunity to apply for bursaries for their dependents. Bursaries will be awarded to successful candidates for the 2021 academic year, for studies at South African academic institutions; and
- the Northam Zondereinde Community Trust and the Northam Booyensdal Community Trust (the Community Trusts) are investing their portion of the lock-in funds in community development activities for the benefit of their beneficiary communities as approved by Northam.

# RESULTS COMMENTARY

## Financial results

The interim condensed financial results have been prepared under the supervision of the chief financial officer of Northam, AH Coetzee CA (SA), in accordance with the dispensation granted by the JSE in respect of compliance with paragraph 7.3(d)(i) of the Listings Requirements.

The interim condensed financial results have been reviewed by the group's auditors, Ernst & Young Inc., under the supervision of E Dhorat CA (SA), a registered auditor. A copy of the unmodified review report is available for inspection at the company's registered address.

The interim condensed statements of financial position, interim condensed statements of profit or loss and other comprehensive income, interim condensed statements of cash flows and interim condensed statements of changes in equity and the accompanying notes reflect the company's results for the period ended 31 December 2020 and the financial position at that date.

The financial results are also available on the company's website at [www.northam.co.za/zambezi/](http://www.northam.co.za/zambezi/)

## Stated capital

There have been no changes in the stated capital or ownership thereof during the period under review.

The authorised stated capital remains as 11 000 ordinary shares at no par value and 1 N share. The issued stated capital remains at 10 000 ordinary shares at an issue price of R0.01 per ordinary share and 1 N share at an issue price of R0.01 per share. The authorised and issued preference share capital remains at 159 905 453 issued at a price of R41.00 per share.

## Board of directors (board)

At 31 December 2020, the board comprised eight directors, all of whom are non-executive directors, 37.5% of whom are women and 75.0% of whom are HDSA individuals.

## Changes to the board of directors

Subsequent to the period ended 31 December 2020, in compliance with paragraph 6.39(a) of the JSE Debt Listings Requirements, the following independent non-executive directors were appointed to the board on 24 February 2021: Mr ZP Ntshalintshali, Mr CM Ntuta and Ms KH Sekhokho.



## Board members representing ordinary shareholders

		31 December 2020	31 December 2019	30 June 2020
Name of director	Representation	% held in the ordinary share capital of the company	% held in the ordinary share capital of the company	% held in the ordinary share capital of the company
Mr KB Mosehla	Malundi Resources (RF) Proprietary Limited	12.80	12.80	12.80
Mr PA Dunne	Northam Platinum Limited (1 N share)	Provides a protective right to Northam	Provides a protective right to Northam	Provides a protective right to Northam
Ms AH Coetzee	The Northam Employees' Trust	9.60	9.60	9.60
Ms N Mazwai	Zambezi Platinum Women's SPV (RF) Proprietary Limited	19.10	19.10	19.10
Advocate ME Motseki-Zim	Atisa Platinum (RF) Proprietary Limited*	12.80	12.80	12.80
Mr GS Mseleku	Mpilo Platinum (RF) Proprietary Limited*	29.80	29.80	29.80
Mr BB Nene	The Northam Zondereinde Community Trust	7.95	7.95	7.95
Mr LC van Schalkwyk	The Northam Booyensdal Community Trust	7.95	7.95	7.95
		100.00	100.00	100.00

\* Zim Group Proprietary Limited has an indirect interest in both Atisa Platinum (RF) Proprietary Limited and Mpilo Platinum (RF) Proprietary Limited

## Appointment of a debt officer

During the period under review, Zambezi appointed Ms AH Coetzee, a director of the company and chief financial officer and debt officer of Northam, as the company's debt officer.

## Corporate governance

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

Northam is the appointed company secretaries, technical and administrative advisors of Zambezi (the secretaries), attending to the day-to-day management and business affairs of the company. The majority of the King IV™ recommendations are not applicable to Zambezi due to, *inter alia*, the company:

- having no employees, as its business affairs are managed and administered by the secretaries;
- having no subsidiary companies;
- having no operational mines;
- having restricted trading activities;
- being ring-fenced in terms of the Companies Act; and
- being a special purpose vehicle for the Northam BEE transaction.

As a result of the above and in accordance with the dispensation granted by the JSE in respect of compliance with paragraph 5.7(b) of the Listings Requirements, Zambezi applies and implements the applicable principles of King IV™ to the extent that Northam does.

The board is therefore satisfied that, where applicable, there is adequate compliance with King IV™.

The corporate governance principles, adopted by Northam, are available on the Northam website: [www.northam.co.za/downloads/send/145-2020/1302-northam-application-of-the-king-iv-principles](http://www.northam.co.za/downloads/send/145-2020/1302-northam-application-of-the-king-iv-principles)

## Board charter and board committee terms of reference

The board charter articulates the objectives and responsibilities of the board. Each of the board committees operates in accordance with written terms of reference. The board charter, the audit committee's terms of reference and the social and ethics committee's terms of reference are available on the Zambezi website at [www.northam.co.za/zambezi/](http://www.northam.co.za/zambezi/)

## Shareholders

Below is a list of the ordinary shareholders of Zambezi, which is unchanged from the prior period/year:

Name of ordinary shareholder	Number of Zambezi Platinum (RF) Limited ordinary shares	% of Zambezi Platinum (RF) Limited	% of Northam Platinum Limited
Atisa Platinum (RF) Proprietary Limited*	1 280	12.80	4.0
Malundi Resources (RF) Proprietary Limited*	1 280	12.80	4.0
Mpilo Platinum (RF) Proprietary Limited*	2 980	29.80	9.4
Zambezi Platinum Women's SPV (RF) Proprietary Limited**	1 910	19.10	6.0
The Northam Employees' Trust	960	9.60	3.0
The Northam Booyensdal Community Trust	795	7.95	2.5
The Northam Zondereinde Community Trust	795	7.95	2.5
	10 000	100.00	31.4

\*Shareholders defined as the Strategic Partners

\*\*Shareholder defined as the Women's Consortium

All shareholders are HDSA participants

Zambezi issued the N share to Northam, the purpose of which is to allow Northam to take certain mitigating actions in the event of the occurrence of an early redemption event under the preference share terms and/or the unwinding of the Northam BEE transaction prior to the expiry of the lock-in period which is stipulated in the agreement.

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

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

Name of N shareholder	Number of N shares	%
Northam Platinum Limited	1	100.0

## RESULTS COMMENTARY CONTINUED

The following directors (together with their associates) have a beneficial interest in the company in accordance with the table below, which is unchanged from the prior period/year:

Name of director	Consortia in which the director has an interest	31 December 2020	31 December 2019	30 June 2020
		Effective interest in Zambezi ordinary shares (%)	Effective interest in Zambezi ordinary shares (%)	Effective interest in Zambezi ordinary shares (%)
KB Mosehla	Malundi Resources (RF) Proprietary Limited	3.2	3.2	3.2
N Mazwai	Zambezi Platinum Women's SPV (RF) Proprietary Limited	6.6	6.6	6.6
ME Motseki-Zim	Atisa Platinum (RF) Proprietary Limited and Mpilo Platinum (RF) Proprietary Limited	11.0	11.0	11.0
GS Mseleku	Mpilo Platinum (RF) Proprietary Limited	9.8	9.8	9.8
		30.6	30.6	30.6

In terms of the subscription agreement, the shareholders have undertaken not to dispose of or encumber their shares for the duration of the lock-in period, being 10 years from May 2015. The Zambezi preference shares were listed on the exchange operated by the JSE on 11 May 2015 and allotted and issued to shareholders in terms of the offer circular on 18 May 2015.

### Disclosure of interests and directors' dealings in shares

Disclosure of personal financial interests is a standing board and committee meeting agenda item. In terms of directors' dealings in shares, all board members are required to obtain prior approval from the chairperson, or in his absence, Northam as secretaries, for dealings in Zambezi preference shares and/or Northam ordinary shares, either directly or indirectly. Such approval will not be unreasonably withheld but will not be granted during any embargo or closed period in terms of the Listings Requirements.

The following directors hold Zambezi preference shares, which were acquired on the open market:

Name of director	31 December 2020	31 December 2019	30 June 2020
	Number of shares	Number of shares	Number of shares
AH Coetzee	15 800	15 800	15 800
LC van Schalkwyk	236 277	236 277	236 277

There have been no changes in these holdings from 31 December 2020, to the date of this report.

## **Embargo on dealings in Zambezi Platinum (RF) Limited preference shares (ZPLPs)**

Northam Platinum Limited has publicly stated that it intends to direct surplus free cash flow to shareholders by way of the purchase of ZPLPs (ZPLP Acquisition Programme). Northam has acquired substantial volumes of ZPLPs in the open market.

The ZPLP Acquisition Programme is ongoing and it is not possible to predict when and from whom Northam may be acquiring ZPLPs. It is therefore possible that Northam may engage in on-market trading, i.e. by acquiring ZPLPs through the JSE's order book system.

In order to avoid a potential conflict of interest, such as a Northam employee also bidding for the same ZPLPs which Northam is seeking to acquire, inadvertently selling shares to Northam or affecting the market value at which these instruments trade and/or reputational and other potential legal risks arising, an embargo has been placed on all transactions in ZPLPs by all Northam employees. Any and all dealings/trading in ZPLPs by Northam employees and/or members of its board of directors is therefore prohibited.

This was done in order to avoid any potential conflicts of interest of the group, as part of its stated strategy is to acquire ZPLPs in the open market.

## **Cautionary announcement**

Northam and Zambezi have entered into discussions regarding a potential transaction to accelerate the maturity of the empowerment transaction concluded between Northam and Zambezi in May 2015.

Northam has therefore taken the initiative to enter into pro-active discussions with Zambezi with a view to secure a successful and sustainable outcome.

More information will be provided to the market in due course.

## **Events after the reporting date**

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

# APPROVAL OF THE INTERIM CONDENSED FINANCIAL RESULTS

The directors are required by the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the interim condensed financial results. It is their responsibility to ensure that the interim condensed financial results fairly represent the state of affairs of the company as at the reporting period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS).

The interim condensed financial results are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the systems of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards of internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and the directors are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by Northam, as administrators and secretaries of the company, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the interim condensed financial results. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Northam has guaranteed that they will enable the company to settle any preference shares, dividends and repurchases as required by the BEE transaction, as well as any other expenses incurred by the company.

The audit committee has confirmed to the directors of the company that (i) the audit committee functions in terms of the Companies Act and the Listings Requirements, (ii) the audit committee has performed its duties without any exceptions noted in relation to the interim condensed financial results and (iii) the audit committee is satisfied that the external auditors are independent of the company.

The external auditors are responsible for independently reviewing and reporting on the company's interim condensed financial results. The interim condensed financial results have been examined by the company's external auditors and an unmodified review report has been issued.

The interim condensed financial results for the period ended 31 December 2020 have been approved by the board.

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**KB Mosehla**  
Chairman

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**PA Dunne**  
Director

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**GS Mseleku**  
Chairman – audit committee

16 March 2021

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Group		
		Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
		R000	R000	R000
<b>Assets</b>				
Non-current assets		9 340 075	7 825 409	8 321 812
Investment in associate	2	9 340 075	7 825 409	8 321 812
Current assets		506	503	502
Trade and other receivables	4	1	6	1
Cash and cash equivalents	5	505	497	501
<b>Total assets</b>		<b>9 340 581</b>	<b>7 825 912</b>	<b>8 322 314</b>
<b>Equity and liabilities</b>				
Total equity		(4 505 495)	(4 330 040)	(4 665 418)
Stated capital	6	–	–	–
Accumulated loss		(4 511 642)	(4 333 498)	(4 676 497)
Share of other comprehensive income from associate		6 147	3 458	11 079
Non-current liabilities		13 846 076	12 155 942	12 987 732
Deferred tax liability	7	623 605	284 315	395 514
Preference share liability	8	13 222 471	11 871 627	12 592 218
Current liabilities		–	10	–
South African Revenue Service		–	10	–
<b>Total equity and liabilities</b>		<b>9 340 581</b>	<b>7 825 912</b>	<b>8 322 314</b>

*The group financial results represent the results of Zambezi Platinum (RF) Limited. The investment held in Northam Platinum Limited is recognised as an associate which is equity accounted for in the group financial results, and valued at fair value in the separate financial results of Zambezi Platinum (RF) Limited. The fair value is represented by the market value at the reporting date.*

*These are not consolidated financial results as defined by IFRS 10. They are however referred to as group results to indicate that they are not the separate financial results of Zambezi Platinum (RF) Limited.*

# INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Company				
		Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	Notes	R000	R000	R000
<b>Assets</b>				
Non-current assets		33 504 990	19 767 512	18 581 014
Investment in associate	2	33 504 990	19 767 512	18 581 014
Current assets		506	503	502
Trade and other receivables	4	1	6	1
Cash and cash equivalents	5	505	497	501
<b>Total assets</b>		<b>33 505 496</b>	<b>19 768 015</b>	<b>18 581 516</b>
<b>Equity and liabilities</b>				
Total equity		14 246 479	4 937 027	3 295 723
Stated capital	6	–	–	–
Retained earnings		14 246 479	4 937 027	3 295 723
Non-current liabilities		19 259 017	14 830 978	15 285 793
Deferred tax liability	7	6 036 546	2 959 351	2 693 575
Preference share liability	8	13 222 471	11 871 627	12 592 218
Current liabilities		–	10	–
South African Revenue Service		–	10	–
<b>Total equity and liabilities</b>		<b>33 505 496</b>	<b>19 768 015</b>	<b>18 581 516</b>



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		
		Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
		R000	R000	R000
Share of earnings from associate	2	1 023 195	588 058	1 076 840
Preference share dividends	8	(630 253)	(712 259)	(1 432 850)
Interest received	9	8	16	29
Bank charges		(2)	(1)	(1)
Profit/(loss) before tax		392 948	(124 186)	(355 982)
Tax	10	(228 093)	(131 727)	(242 930)
Profit/(loss) for the period/year		164 855	(255 913)	(598 912)
Other comprehensive income items that may be subsequently reclassified to profit or loss		(4 932)	11	7 632
Share of associate's exchange differences on translating foreign operations and foreign currency translation	2	(4 932)	11	7 632
<b>Profit/(loss) and total comprehensive income for the period/year</b>		<b>159 923</b>	<b>(255 902)</b>	<b>(591 280)</b>

# INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Company				
		Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	Notes	R000	R000	R000
Mark to market fair value adjustment	2	14 923 976	10 333 090	9 146 592
Preference share dividends	8	(630 253)	(712 259)	(1 432 850)
Interest received	9	8	16	29
Bank charges		(2)	(1)	(1)
Profit before tax		14 293 729	9 620 846	7 713 770
Tax	10	(3 342 973)	(2 314 616)	(2 048 844)
<b>Profit and total comprehensive income for the period/year</b>		<b>10 950 756</b>	<b>7 306 230</b>	<b>5 664 926</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Group			
	Stated capital	Accumulated loss	Share of other comprehensive income from associate	Total
	R000	R000	R000	R000
Balance as at 1 July 2019	*	(4 077 585)	3 447	(4 074 138)
Total comprehensive income for the period	–	(255 913)	11	(255 902)
Loss for the period	–	(255 913)	–	(255 913)
Other comprehensive income for the period	–	–	11	11
Balance as at 31 December 2019	*	(4 333 498)	3 458	(4 330 040)
Total comprehensive income for the period	–	(342 999)	7 621	(335 378)
Loss for the period	–	(342 999)	–	(342 999)
Other comprehensive income for the period	–	–	7 621	7 621
Balance as at 30 June 2020	*	(4 676 497)	11 079	(4 665 418)
Total comprehensive income for the period	–	164 855	(4 932)	159 923
Profit for the period	–	164 855	–	164 855
Other comprehensive income for the period	–	–	(4 932)	(4 932)
<b>Balance as at 31 December 2020</b>	<b>*</b>	<b>(4 511 642)</b>	<b>6 147</b>	<b>(4 505 495)</b>

\*The stated capital amounts to R100.01, therefore less than R1 000, refer to note 6 for further details.

# INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	Company		
	Stated capital	(Accumulated loss)/retained earnings	Total
	R000	R000	R000
Balance as at 1 July 2019	*	(2 369 203)	(2 369 203)
Profit and total comprehensive income for the period	–	7 306 230	7 306 230
Balance as at 31 December 2019	*	4 937 027	4 937 027
Loss and total comprehensive income for the period	–	(1 641 304)	(1 641 304)
Balance as at 30 June 2020	*	3 295 723	3 295 723
Profit and total comprehensive income for the period	–	10 950 756	10 950 756
<b>Balance as at 31 December 2020</b>	<b>*</b>	<b>14 246 479</b>	<b>14 246 479</b>

\*The stated capital amounts to R100.01, therefore less than R1 000, refer to note 6 for further details.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Group				
		Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	Notes	R000	R000	R000
Cash flows from operating activities		4	11	15
Cash utilised in operations	11	(2)	(1)	(1)
Change in working capital	12	-	-	5
Interest received	9	8	16	29
Tax paid	13	(2)	(4)	(18)
Movement in cash and cash equivalents*		4	11	15
Cash and cash equivalents at beginning of period/year		501	486	486
<b>Cash and cash equivalents at the end of the period/year</b>	<b>5</b>	<b>505</b>	<b>497</b>	<b>501</b>

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

Company				
		Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	Notes	R000	R000	R000
Cash flows from operating activities		4	11	15
Cash utilised in operations	11	(2)	(1)	(1)
Change in working capital	12	-	-	5
Interest received	9	8	16	29
Tax paid	13	(2)	(4)	(18)
Movement in cash and cash equivalents*		4	11	15
Cash and cash equivalents at beginning of period/year		501	486	486
<b>Cash and cash equivalents at the end of the period/year</b>	<b>5</b>	<b>505</b>	<b>497</b>	<b>501</b>

\*No cash flow movements relating to investing and financing activities were recorded for the current or previous period/year.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS

The interim condensed financial results of Zambezi Platinum (RF) Limited for the period ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 16 March 2021. Zambezi Platinum (RF) Limited (Zambezi or the company or the group) is a limited company incorporated and domiciled in South Africa and whose preference shares are publicly traded.

The group and separate financial results of Zambezi are presented in South African Rand, which is the company's functional currency and all values are rounded to the nearest thousand (R000), except when otherwise indicated.

## 1. Accounting policies: Basis of preparation and statement of compliance

These interim condensed consolidated and separate condensed financial results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Debt Listings Requirements and the requirements of the Companies Act No. 71 of 2008 of South Africa.

The interim condensed consolidated and separate condensed financial results are prepared under the historical cost convention, except for the investment in associate which is carried at fair value through profit or loss in the separate company financial results. The accounting policies adopted are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied for the previous annual financial statements, unless specifically indicated otherwise.

The preparation of the interim condensed consolidated and separate condensed financial results is in conformity with IAS 34: Interim Financial Reporting. IFRS requires that management and the board exercise their judgment in the process of applying the company's accounting policies. It also requires the use of certain critical economic and other estimates.

The group financial results represent the results of Zambezi. The investment held in Northam Platinum Limited is recognised as an associate which is equity accounted for in the group financial results, and valued at fair value through profit or loss in the separate financial results of Zambezi. The fair value is represented by the market value at the reporting date.

These are not consolidated financial results as anticipated by IFRS 10: Consolidated Financial Statements, however they are referred to as group results to indicate that they are not the separate financial results of Zambezi.

The following amendments, standards or interpretations were adopted with effect from 1 July 2020:

The adoption of all standards, amendments or interpretations had no impact on the interim condensed financial results.

#### *Conceptual Framework for Financial Reporting*

The International Accounting Standards Board (IASB) has revised its Conceptual Framework for Financial Reporting. The primary purpose of the Framework is to assist the IASB (and the Interpretations Committee) by identifying concepts that it will use when setting standards.

Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions.
- Reinstating prudence, defined as the exercise of caution when making judgments under conditions of uncertainty, as a component of neutrality.
- Defining a reporting entity, which might be a legal entity or a portion of a legal entity.
- Revising the definition of an asset as a present economic resource controlled by the entity as a result of past events.
- Revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events.
- Removing the probability threshold for recognition, and adding guidance on derecognition.
- Adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis.
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced.

The revised Conceptual Framework is effective for periods beginning on or after 1 January 2020.

This revision did not have a material impact on Zambezi.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## *Definition of Material – Amendments to IAS 1 and IAS 8*

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of material across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The definition of material in the Conceptual Framework for Financial Reporting and IFRS Practice Statement 2: Making Materiality Judgments were amended to align with the revised definition of material in IAS 1 and IAS 8.

The amendments must be applied prospectively. The amendments are effective for annual periods beginning on or after 1 January 2020.

Although the amendments to the definition of material did not have a significant impact on Zambezi, the introduction of the term obscuring information in the definition could potentially impact how materiality judgments are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.



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

Due to Zambezi Platinum (RF) Limited's ring-fenced nature, only the following standards, amendments and interpretations which were in issue but not yet effective are relevant:

#### *Classification of Liabilities as Current or Non-current - Amendments to IAS 1*

On 23 January 2020, the IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 Presentation of Financial Statements.

The amendments affect requirements in IAS 1 for the presentation of liabilities. Specifically, they clarify a criterion for classifying a liability as non-current.

As a result of the COVID-19 pandemic, the IASB has tentatively decided to publish an exposure draft proposing to delay the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2023.

Zambezi does not intend to early adopt the above amendment.

There are no other standards which are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## 2. Investment in associate

	Group		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Opening balance	8 321 812	7 237 340	7 237 340
Share of earnings from associate	1 023 195	588 058	1 076 840
Share of other comprehensive income from associate	(4 932)	11	7 632
	9 340 075	7 825 409	8 321 812

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. The initial fair value of the investment was determined with reference to the share price at acquisition date, being 18 May 2015. 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 and distributed to Zambezi Platinum (RF) Limited's shareholders. Zambezi Platinum (RF) Limited is therefore not allowed to trade their Northam Platinum Limited shares during this period.

The 31.4% investment in Northam Platinum Limited is a strategic investment to protect the black economic empowerment (BEE) credentials of Northam Platinum Limited for a period of 10 years.

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

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

	Company		
	Reviewed	Reviewed	Audited
	6 months ended 31 December 2020	6 months ended 31 December 2019	12 months ended 30 June 2020
	R000	R000	R000
Opening balance	18 581 014	9 434 422	9 434 422
Mark to market fair value adjustment	14 923 976	10 333 090	9 146 592
	33 504 990	19 767 512	18 581 014

Below is the closing share price of Northam Platinum Limited at the period/year-end, together with the number of shares held:

	Company		
	Reviewed	Reviewed	Audited
	6 months ended 31 December 2020	6 months ended 31 December 2019	12 months ended 30 June 2020
Northam Platinum Limited closing share price (trading under share code NHM)	R209.53	R123.62	R116.20
Number of shares	159 905 453	159 905 453	159 905 453
Fair value of investment in Northam Platinum Limited (R000)	33 504 990	19 767 512	18 581 014

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

Below is 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 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Sales revenue	11 884 898	7 824 901	17 811 971
Cost of sales	(6 693 239)	(4 865 358)	(12 510 983)
Operating costs	(6 779 434)	(5 196 329)	(9 931 934)
Concentrates purchased	(801 329)	(593 836)	(2 460 302)
Refining and other costs	(108 560)	(86 552)	(178 718)
Depreciation and write-offs	(414 105)	(337 379)	(626 152)
Change in metal inventory	1 410 189	1 348 738	686 123
Gross profit	5 191 659	2 959 543	5 300 988
Share of earnings from associate	1 305	4 362	16 358
Investment income	28 682	39 671	119 220
Finance charges excluding preference share dividends	(331 434)	(191 544)	(602 595)
Net foreign exchange transaction (losses)/gains	(85 935)	(12 969)	84 765
Sundry income	57 876	62 945	238 903
Sundry expenditure	(167 432)	(158 711)	(243 787)
Profit before preference share dividends	4 694 721	2 703 297	4 913 852
Amortisation of liquidity fees paid on preference shares	(8 195)	(8 195)	(16 390)
Preference share dividends	(274 446)	(618 992)	(1 133 172)
Loss on derecognition of preference share liability	(888 484)	(108 148)	(130 628)
Profit before tax	3 523 596	1 967 962	3 633 662
Tax	(1 424 565)	(820 362)	(1 464 478)
Profit for the period/year	2 099 031	1 147 600	2 169 184
Other comprehensive income	(15 724)	36	24 331
Total comprehensive income for the period/year	2 083 307	1 147 636	2 193 515

Below is a reconciliation of Zambezi Platinum (RF) Limited's 31.4% share of earnings:

	Reviewed 6 months ended 31 December 2020 R000	Reviewed 6 months ended 31 December 2019 R000	Audited 12 months ended 30 June 2020 R000
Profit for the period/year	2 099 031	1 147 600	2 169 184
<i>Eliminating the preference share dividends and loss on derecognition of the preference share liability:</i>			
Preference share dividends	274 446	618 992	1 133 172
Loss on derecognition of preference share liability*	888 484	108 148	130 628
Profit for the period/year ended taking into account intergroup eliminations	3 261 961	1 874 740	3 432 984
<b>Zambezi Platinum (RF) Limited's 31.4% share of earnings</b>	<b>1 023 195</b>	<b>588 058</b>	<b>1 076 840</b>
Other comprehensive income	(15 724)	36	24 331
<b>Zambezi Platinum (RF) Limited's 31.4% share of other comprehensive income</b>	<b>(4 932)</b>	<b>11</b>	<b>7 632</b>

\*The loss on derecognition of the preference share liability relates to the difference between the amortised cost value per Zambezi Platinum (RF) Limited preference shares and the price paid by Northam Platinum Limited together with transaction costs incurred on the purchases of these Zambezi Platinum (RF) Limited preference shares.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

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

## Statement of financial position

	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
<b>Assets</b>			
Non-current assets	25 656 545	22 874 019	24 299 715
Property, plant and equipment	17 459 187	15 756 250	16 522 533
Mining properties and Mineral Resources	6 620 147	6 687 677	6 663 425
Investment held in escrow	-	16 841	-
Interest in associate	63 356	50 661	62 657
Land and township development	71 729	86 834	75 967
Long-term receivables	83 550	84 067	82 232
Investments held by Northam Platinum Restoration Trust Fund	133 230	125 014	128 732
Environmental Guarantee Investment	62 125	52 381	62 953
Buttonshepe Conservancy Trust	16 416	14 180	15 850
Long-term prepayments	-	114	-
Other financial assets	-	-	23 084
Non-current inventories	1 146 805	-	662 282
Current assets	5 953 739	6 694 356	6 367 790
Inventories	4 701 372	5 142 961	3 744 313
Trade and other receivables	721 232	669 227	456 494
Cash and cash equivalents	445 552	874 705	2 160 966
Tax receivable	85 583	7 463	6 027
<b>Total assets</b>	<b>31 610 284</b>	<b>29 568 375</b>	<b>30 667 505</b>
<b>Equity and liabilities</b>			
Total equity	11 733 622	8 604 436	9 650 315
Stated capital	13 778 114	13 778 114	13 778 114
Treasury shares	(6 556 123)	(6 556 123)	(6 556 123)
Retained earnings	3 617 586	496 971	1 518 555
Foreign currency translation reserve	19 597	11 026	35 321
Equity-settled share-based payment reserve	874 448	874 448	874 448
Non-current liabilities	14 102 065	17 292 246	16 639 103
Deferred tax liability	2 953 249	1 884 501	2 177 317
Long-term provisions	760 041	711 965	729 327
Preference share liability	2 518 715	9 059 009	8 291 117
Long-term loans	122 815	133 050	130 533
Lease liability	71 871	67 863	64 361
Long-term share-based payment liability	464 139	272 904	354 363
Domestic Medium-Term Notes	4 931 576	3 388 808	4 892 085
Revolving credit facility	2 279 659	1 774 146	-
Current liabilities	5 774 597	3 671 693	4 378 087
Current portion of long-term loans	28 472	33 837	28 472
Current portion of lease liability	13 888	17 293	16 261
Current portion of Domestic Medium-Term Notes	2 043 946	747 341	616 327
Short-term share-based payment liability	356 868	179 347	183 029
Tax payable	162 991	201 829	229 628
Trade and other payables	2 730 492	2 175 997	2 939 251
Provisional pricing derivatives	5 615	5 703	-
Short-term provisions	432 325	310 346	365 119
<b>Total equity and liabilities</b>	<b>31 610 284</b>	<b>29 568 375</b>	<b>30 667 505</b>

*Significant estimates: Impairment assessment*

At each reporting date, an assessment is made as to whether there are indications that the investment in Northam Platinum Limited may be impaired. If any indication exists, the investment's recoverable amount is assessed. The recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use, the higher of which has been determined as fair value less costs of disposal.

When the carrying amount of the investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy as per IFRS 13 has three different levels and gives the highest priority to quoted (unadjusted) prices in active markets and the lowest priority to unobservable inputs. An active market is one in which transactions for the asset and liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The frequency and volume of Northam Platinum Limited (trading under share code NHM) share trades on the JSE indicate an active market and the share price of the investment in Northam Platinum Limited was therefore considered to be the best assessment of fair value. Below is the closing share price as at period/year end:

	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
Northam Platinum Limited closing share price (trading under share code NHM)	R209.53	R123.62	R116.20
Number of shares held by Zambezi Platinum (RF) Limited in Northam Platinum Limited	159 905 453	159 905 453	159 905 453
Fair value of investment in Northam Platinum Limited (R000)	33 504 990	19 767 512	18 581 014

The investment in the associate, Northam Platinum Limited, is considered to be the only CGU as well as the only segment of Zambezi Platinum (RF) Limited.

Based on the calculation of the fair value of the investment in Northam Platinum Limited above, no indicator of impairment is identified at the reporting date and therefore no assessment of the recoverable amount of the investment is required.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## ***Impact of COVID-19 on the impairment assessment***

COVID-19 has created a lot of uncertainty in the financial markets. This uncertainty flows through to commodity prices, exchange rates and the demand for PGMs.

Zambezi Platinum (RF) Limited is impacted by the COVID-19 pandemic indirectly through the performance of Northam Platinum Limited.

As part of the impairment assessment, the impact of COVID-19 was considered as a possible indication of impairment, and therefore a potential impairment of the investment in associate, Northam Platinum Limited.

The performance of Northam Platinum Limited was considered during the period under review, together with the movement in the share price.

As a result of the increase in the market value of the investment in Northam Platinum Limited, the impact of COVID-19 on the performance of Northam Platinum Limited does not indicate any impairment.



Below is a reconciliation of the value of the investment in associate to the net asset value of the investment based on the statement of financial position of Northam Platinum Limited:

	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Net asset value of Northam Platinum Limited	11 733 622	8 604 436	9 650 315
Zambezi Platinum (RF) Limited's 31.4% share of net asset value of Northam Platinum Limited	3 680 540	2 698 994	3 027 059
At acquisition fair value adjustment	3 539 949	3 539 949	3 539 949
Impact of the preference share dividends and loss on derecognition of the preference share liability in Northam Platinum Limited*	2 119 170	1 586 050	1 754 388
Impact of the adoption of IFRS 9 Financial Instruments recognised directly in retained earnings	416	416	416
Value of investment in associate in the group accounts of Zambezi Platinum (RF) Limited	9 340 075	7 825 409	8 321 812

\*The loss on derecognition of the preference share liability relates to the difference between the amortised cost value per Zambezi Platinum (RF) Limited preference shares and the price paid by Northam Platinum Limited together with transaction costs incurred on the purchases of these Zambezi Platinum (RF) Limited preference shares.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

### 3. Nature of Zambezi Platinum (RF) Limited and the relationship with Northam Platinum Limited

The company 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 for the purpose of facilitating a transaction in which the company acquired shares in Northam Platinum Limited, and in turn Zambezi Platinum (RF) Limited issued preference shares to relevant qualifying shareholders to fund the purchase of 31.4% of Northam Platinum Limited shares (BEE transaction).

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 with the sole 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 lock-in 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 (Northam guarantee), in terms of the transaction agreement. Furthermore, Northam Platinum Limited is required to settle the operational expenses of Zambezi Platinum (RF) Limited, subject to certain limitations.

In terms of the preference share agreement between Zambezi and its preference shareholders, the preference shareholders are entitled to receive dividends equal to the issue price, multiplied by the rate of the South African prime interest 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 over the 10-year lock-in period, which ends in May 2025.

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. 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 (as defined below) 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, first and foremost, through any cash received from dividends distributed by Northam Platinum Limited during the 10-year lock-in period, and at the end of the 10-year 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 by the 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 by 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 10-year lock-in period 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 Zambezi Platinum (RF) Limited 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, 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 engage, 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 CONDENSED FINANCIAL RESULTS 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 Platinum (RF) Limited 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 (CPI) from the 1<sup>st</sup> (first) anniversary of the implementation date of the BEE transaction.

Refer to note 17 for more details.

#### 4. Trade and other receivables

Group and company			
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Accrued interest	1	6	1
	1	6	1

Accrued interest relates to interest earned on short-term deposits.

#### 5. Cash and cash equivalents

Group and company			
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Cash at bank and on hand	505	497	501
	505	497	501

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

The weighted average effective interest rate on short-term deposits was 3.15% for the current period (31 December 2019: 6.83% and 30 June 2020: 5.86%) and these deposits are immediately available.

For the purposes of the statement of cash flows, cash and cash equivalents comprise of the above balance as the company and group currently have no overdraft facilities.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## 6. Stated capital

	Group and company		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000

### *Authorised stated capital*

11 000 ordinary shares at no par value

159 905 453 Zambezi Platinum (RF) Limited  
preference shares (refer note 8)

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

## 7. Deferred tax

The charge in the deferred tax balance at a group level is reconciled as follows:

	Group		
	Reviewed 6 months ended 31 December 2020 R000	Reviewed 6 months ended 31 December 2019 R000	Audited 12 months ended 30 June 2020 R000
Deferred tax at the beginning of the period/year	395 514	152 592	152 592
<i>Charge for the period/year</i>			
Temporary difference in respect of investment in associate	228 091	131 723	242 922
	<b>623 605</b>	<b>284 315</b>	<b>395 514</b>

On a group basis, the temporary difference in respect of the investment in associate, has been calculated as the difference between the carrying value at the end of the current period/year and the original purchase price of the Northam Platinum Limited investment at the capital gains tax rate.

The charge in the deferred tax balance at a company level is reconciled as follows:

	Company		
	Reviewed 6 months ended 31 December 2020 R000	Reviewed 6 months ended 31 December 2019 R000	Audited 12 months ended 30 June 2020 R000
Deferred tax at the beginning of the period/year	2 693 575	644 739	644 739
<i>Charge for the period/year</i>			
Temporary difference in respect of investment in associate	3 342 971	2 314 612	2 048 836
	<b>6 036 546</b>	<b>2 959 351</b>	<b>2 693 575</b>

On a company basis, the temporary difference in respect of the investment in associate, has been calculated as the difference between the fair value of the investment at the end of the period/year and the original purchase price of the Northam Platinum Limited investment at the capital gains tax rate.

*Significant judgments and estimates: Deferred tax liability raised on group basis*

A deferred tax liability is raised on a group basis on the investment in associate based on 'outside' basis difference at the capital gains tax rate. The deferred tax liability is recognised as it will be realised upon the unwinding of the structure in May 2025.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## 8. Preference share liability

	Group and company		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Opening balance	12 592 218	11 159 368	11 159 368
Accrued dividends for the period/year	630 253	712 259	1 432 850
	13 222 471	11 871 627	12 592 218

In May 2015, 159 905 453 cumulative redeemable preference shares were issued by Zambezi Platinum (RF) Limited at an issue price of R41 per share. The preference shares are redeemable in 10 years from date of issue, being 17 May 2025, at R41 per share 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 the South African prime interest 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.

No dividends were received from Northam Platinum Limited during the period under review (31 December 2019 and 30 June 2020: R Nil). 90% of all dividends received from Northam Platinum Limited must be used to settle the preference share liability. The remaining 10% of the dividends to be received from Northam Platinum Limited will be distributed to Zambezi Platinum (RF) Limited's shareholders as a dividend.

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

The 159 905 453 cumulative redeemable preference shares issued by Zambezi Platinum (RF) Limited have been listed on the JSE debt market and trades under share code ZPLP.

### **Impact of COVID-19 on the preference share liability**

The interest rate at which the South African Reserve Bank (SARB) lends to commercial banks, known as the repo rate, was cut by 275 basis points since March 2020 to date in an attempt by the South African government to support and relieve some of the mounting pressure on individuals and businesses alike, effectively reducing the cost of borrowings.

Consequently, the prime interest rate has dropped in line with the repo rate. This has resulted in a reduction of the preference share dividend accounted for in the statement of profit or loss and effectively the preference share liability accounted for in the statement of financial position is therefore less.



## 9. Interest received

	Group and company		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Interest earned on cash and cash equivalents	8	16	29
	8	16	29

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## 10. Tax

	Group		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
<i>Normal tax</i>			
Current period/year tax	2	4	8
<i>Deferred tax</i>			
Capital gains liability raised on difference between carrying value and original purchase price in respect of 'outside' basis differences	228 091	131 723	242 922
Charge for the period/year	228 093	131 727	242 930

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

	Group		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	%	%	%
South African companies tax	28.0	28.0	28.0
Share of earnings from associate	(72.9)	132.6	84.7
Capital gains liability raised on difference between carrying value and original purchase price in respect of 'outside' temporary differences	58.0	(106.1)	(68.2)
Preference share dividends	44.9	(160.6)	(112.7)
	58.0	(106.1)	(68.2)

	Company		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
<i>Normal tax</i>			
Current period/year tax	2	4	8
<i>Deferred tax</i>			
Current period/year temporary difference relating to capital gains tax on the mark to market adjustment	3 342 971	2 314 612	2 048 836
Charge for the period/year	3 342 973	2 314 616	2 048 844

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

	Company		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	%	%	%
South African companies tax	28.0	28.0	28.0
Mark to market adjustment raised at the capital gains tax rate	(5.8)	(6.0)	(6.6)
Preference share dividends	1.2	2.1	5.2
	23.4	24.1	26.6

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## 11. Cash utilised in operations

	Group		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Profit/(loss) before tax	392 948	(124 186)	(355 982)
<i>Adjustment for non-cash items:</i>			
Share of earnings from associate	(1 023 195)	(588 058)	(1 076 840)
Preference share dividends	630 253	712 259	1 432 850
Interest received	(8)	(16)	(29)
	(2)	(1)	(1)

	Company		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Profit before tax	14 293 729	9 620 846	7 713 770
<i>Adjustment for non-cash items:</i>			
Preference share dividends	630 253	712 259	1 432 850
Mark to market fair value adjustment	(14 923 976)	(10 333 090)	(9 146 592)
Interest received	(8)	(16)	(29)
	(2)	(1)	(1)

## 12. Change in working capital

Group and company			
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Movement in trade and other receivables	-	-	5
	-	-	5

## 13. Tax paid

Tax paid consist of the following:

Group and company			
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Balance owing at the beginning of the period/year	-	(10)	(10)
Amounts recognised in profit or loss	(2)	(4)	(8)
Balance owing at the end of the period/year	-	10	-
	(2)	(4)	(18)

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## 14. Changes in liabilities arising from financing activities

Below is a reconciliation of the changes in liabilities arising from financing activities:

Group and company						
	1 July 2020	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair values	Interest accrued	31 December 2020
	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed
	R000	R000	R000	R000	R000	R000
Preference share liability	12 592 218	–	–	–	630 253	13 222 471

Group and company						
	1 July 2019	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair values	Interest accrued	31 December 2019
	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed
	R000	R000	R000	R000	R000	R000
Preference share liability	11 159 368	–	–	–	712 259	11 871 627

Group and company						
	1 July 2019	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair values	Interest accrued	30 June 2020
	Audited	Audited	Audited	Audited	Audited	Audited
	R000	R000	R000	R000	R000	R000
Preference share liability	11 159 368	–	–	–	1 432 850	12 592 218

## 15. Segmental analysis

Zambezi Platinum (RF) Limited was created solely to hold 31.4% of the issued share capital of Northam Platinum Limited, in order for Northam Platinum Limited to comply with the requirements of the Mining Charter and the Minerals and Petroleum Resources Development Act, No. 28 of 2002. As a result, the activities of Zambezi Platinum (RF) Limited are restricted. Due to the structure and ring-fenced nature of Zambezi, the investment held in Northam Platinum Limited is considered significant.

Northam Platinum Limited is therefore the only operating segment of Zambezi Platinum (RF) Limited, as there are no other components which engage in different business activities and whose results are reviewed and assessed separately.

All assets relate to South African-based assets.

All income is earned from sources in South Africa.

The majority of income earned relates to the investment in associate, Northam Platinum Limited.

Refer to note 2 Investment in associate, for details with regards to the investment in Northam Platinum Limited.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## 16. Financial risk management

The group's only financial liability is 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, equity, credit and liquidity risk.

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

Northam Platinum Limited oversees the management of these risks and reviews agreed 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 comprises interest rate risk and equity 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 relation to 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 and equity (through the impact on floating rate preference shares and cash and cash equivalents).

	Group and company		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Cash and cash equivalents			
Increase of 1%	5	5	5
Decrease of 1%	(5)	(5)	(5)
Preference share liability			
Increase of 1%	(132 225)	(118 716)	(125 922)
Decrease of 1%	132 225	118 716	125 922

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



### Equity risk

The preference shares retain equity risk as a result of their 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.

Zambezi'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 which are 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.

The following table demonstrates the sensitivity to a reasonable possible change in the share price of Northam, with all other variables held constant, of the company's profit before tax and equity:

	Company		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	R000	R000	R000
Investment in associate – mark to market fair value adjustment			
Increase of 10%	3 350 499	1 976 751	1 858 101
Decrease of 10%	(3 350 499)	(1 976 751)	(1 858 101)

### 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 as a result of cash balances held. The group mitigates the risk by ensuring that its counter parties are credit worthy financial institutions.

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

The maximum credit risk relating to trade and other receivables and cash and cash equivalents are the balances disclosed on the statement of financial position.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## 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, the group has limited access to funds from Northam Platinum Limited.

The preference share liability is due at the end of the 10-year lock-in period, which is 17 May 2025. The reason for the change in the contracted undiscounted value at maturity is a result of the changes made by Treasury to the South African prime interest rate during the period.

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

	Group and company		
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
	Due at the end of the 10-year lock- in period	Due at the end of the 10-year lock- in period	Due at the end of the 10-year lock- in period
	R000	R000	R000
Value per Zambezi Platinum (RF) Limited preference share*	R128.17	R147.02	R129.58
Number of Zambezi Platinum (RF) Limited preference shares in issue	159 905 453	159 905 453	159 905 453
Preference share liability due at the end of the 10-year lock-in period (R000)	20 495 669	23 509 283	20 721 062
Prime interest rate assumption on which the preference share liability is calculated	7.00%	10.00%	7.25%

\*Rounded to the closest cent

The redemption of the preference shares will occur, first and foremost, through any cash received from dividends distributed by Northam Platinum Limited during the 10-year lock-in 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 from Northam Platinum Limited (refer to note 3).

The following table summarises the classification of financial instruments for the group:

Group			
	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2020
	R000	R000	R000
Trade and other receivables	1	-	1
Cash and cash equivalents	505	-	505
Preference share liability	-	(13 222 471)	(13 222 471)

Group			
	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	Reviewed 6 months ended 31 December 2019	Reviewed 6 months ended 31 December 2019	Reviewed 6 months ended 31 December 2019
	R000	R000	R000
Trade and other receivables	6	-	6
Cash and cash equivalents	497	-	497
Preference share liability	-	(11 871 627)	(11 871 627)

Group			
	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2020
	R000	R000	R000
Trade and other receivables	1	-	1
Cash and cash equivalents	501	-	501
Preference share liability	-	(12 592 218)	(12 592 218)

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

The following table summarises the classification of financial instruments for the company:

Company				
	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2020
	R000	R000	R000	R000
Investment in associate	33 504 990	–	–	33 504 990
Trade and other receivables	–	1	–	1
Cash and cash equivalents	–	505	–	505
Preference share liability	–	–	(13 222 471)	(13 222 471)

Company				
	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	Reviewed 6 months ended 31 December 2019	Reviewed 6 months ended 31 December 2019	Reviewed 6 months ended 31 December 2019	Reviewed 6 months ended 31 December 2019
	R000	R000	R000	R000
Investment in associate	19 767 512	–	–	19 767 512
Trade and other receivables	–	6	–	6
Cash and cash equivalents	–	497	–	497
Preference share liability	–	–	(11 871 627)	(11 871 627)

Company				
	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2020
	R000	R000	R000	R000
Investment in associate	18 581 014	–	–	18 581 014
Trade and other receivables	–	1	–	1
Cash and cash equivalents	–	501	–	501
Preference share liability	–	–	(12 592 218)	(12 592 218)

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## *Fair value of financial assets and liabilities*

The fair value of financial instruments, other than the preference share liability, 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 investment held in Northam Platinum Limited in the separate stand-alone financial results is classified as level 1.

The fair value of the preference share liability has been determined with reference to the closing trading price of the Zambezi preference share price (JSE preference share code: ZPLP) as at the reporting date:

Group and company			
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
Zambezi Platinum (RF) Limited preference share price* (trading under preference share code ZPLP)	R93.25	R84.50	R81.00
Number of Zambezi preference shares in issue	159 905 453	159 905 453	159 905 453
Fair value (R000)	14 911 183	13 512 011	12 952 342

*\*Rounded to the closest cent*

The preference share liability is classified as level 2, due to the low level of activity in the South African debt market.

The carrying value of the preference share liability has been determined with reference to the carrying value of the Zambezi preference shares at the reporting date:

Group and company			
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020
Value per Zambezi Platinum (RF) Limited preference share*	R82.69	R74.24	R78.75
Number of Zambezi Platinum (RF) Limited preference shares in issue	159 905 453	159 905 453	159 905 453
Carrying value (R000)	13 222 471	11 871 627	12 592 218

*\*Rounded to the closest cent*

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

Group						
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2020
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	R000	R000	R000	R000	R000	R000
<i>Financial liabilities</i>						
Preference share liability	(13 222 471)	(14 911 183)	(11 871 627)	(13 512 011)	(12 592 218)	(12 952 342)

Company						
	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2020	Reviewed 6 months ended 31 December 2019	Reviewed 6 months ended 31 December 2019	Audited 12 months ended 30 June 2020	Audited 12 months ended 30 June 2020
	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	33 504 990	33 504 990	19 767 512	19 767 512	18 581 014	18 581 014
<i>Financial liabilities</i>						
Preference share liability	(13 222 471)	(14 911 183)	(11 871 627)	(13 512 011)	(12 592 218)	(12 952 342)

All other financial instruments' carrying values approximate their fair value.

#### 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 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 issue combination.

# NOTES TO THE INTERIM CONDENSED FINANCIAL RESULTS CONTINUED

## 17. Related parties

Zambezi Platinum (RF) Limited 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.

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

The redemption of the preference shares will occur, first and foremost, through any cash received from dividends distributed by Northam during the 10-year lock-in period, and after the end of the lock-in period the possible sell-off of Northam 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 the Northam guarantee.

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

### *Northam guarantee*

The redemption of the preference shares is secured by a financial guarantee from Northam Platinum Limited.

### *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.

### *Administration of Zambezi Platinum (RF) Limited*

For purposes of ensuring that Zambezi does not incur any liabilities or indebtedness, other than pursuant to the transaction agreements, and that it remains ring-fenced, Zambezi and Northam entered into an administration services agreement in terms of which Zambezi has appointed Northam to attend to the day-to-day management of Zambezi's business and the administration of Zambezi's affairs at Northam's sole cost and expense and with no recourse to Zambezi subject to maximum costs and expenses of up to R2.0 million per annum, escalating annually at CPI from the 1<sup>st</sup> (first) anniversary of the implementation date of the BEE transaction. During the current period expenses to the value of R0.4 million (31 December 2019: R0.3 million and 30 June 2020: R1.4 million) were incurred.

The current limit relating to expenses paid on behalf of Zambezi amounts to R2.5 million (31 December 2019: R2.4 million and 30 June 2020: R2.5 million).



## **18. Going concern**

Northam Platinum Limited has guaranteed that it will enable Zambezi Platinum (RF) Limited to settle any preference share capital and dividends required by the BEE 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 guaranteed the payment of all amounts which Zambezi has contracted to pay (but failed to pay on the due date thereof) in respect of the preference shares by means of, at Northam's election, a cash payment and/or the issue of a determinable number of Northam shares to the holders.

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

## **19. Directors' remuneration**

In terms of the Zambezi Platinum (RF) Limited Memorandum of Incorporation, no remuneration shall be paid to any director in his/her capacity as a director.

## **20. Events after the reporting period**

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

# GLOSSARY

Performance measures (PMs) not defined by the International Financial Reporting Standards (IFRS) and which are disclosed in this report, are not uniformly defined or used by all entities, and may not be comparable with similar disclosures provided by other entities. To obtain an understanding of, *inter alia*, the purpose and computation of the PMs, shareholders are referred to the glossary set out below. The responsibility of the PMs, and the financial reporting procedures relating to the PMs, remains with the board of directors of Zambezi Platinum (RF) Limited.

AGM	Annual General Meeting
BEE	Broad-Based Black Economic Empowerment as defined in the Broad-Based Black Economic Empowerment Act (Act 53 of 2003). Also termed B-BBEE
HDSA	Historically Disadvantaged South Africans - South African citizens, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) came into operation which should be representative of the demographics of the country
JSE	The Johannesburg Securities Exchange or JSE Limited
King IV™	The King IV Report on Corporate Governance for South Africa, 2016
Lock-in period	In terms of the Northam BEE transaction, Zambezi 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. The lock-in period is from 18 May 2015 to 17 May 2025
NHM	Northam Platinum Limited, synonymous with Northam, a company listed on the exchange operated by the JSE, using the ticker code: NHM
Northam	Northam Platinum Limited, a company listed on the JSE Limited with share code: NHM and debt issuer code: NHMI
PGM	Platinum Group Metals
Prime	South African prime interest rate
SENS	Stock Exchange News Service of the JSE
VWAP	Volume Weighted Average Price, is a trading benchmark used by traders that gives the average price a security has traded over a specific period, based on both volume and price
Zambezi, or the company, or the group	Zambezi Platinum (RF) Limited
ZPLP	Zambezi Platinum (RF) Limited preference share, trading under JSE preference share code: ZPLP

# 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  
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Telephone +27 11 759 6000

### **Website**

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### **Debt officer**

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e-mail: [alet.coetzee@norplats.co.za](mailto:alet.coetzee@norplats.co.za)

## **Secretaries**

Northam Platinum Limited  
Per PB Beale – company secretary  
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## **Transfer secretaries**

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# Zambezi

Platinum (RF) Limited

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



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