Northam Platinum Limited
Incorporated in the Republic of South Africa
Registration number 1977/003282/06
Share code: NHM ISIN: ZAE000030912
Debt issuer code: NHMI
Bond code: NHM002
Bond ISIN: ZAG000129024
Bond code: NHM003
Bond ISIN: ZAG000129032
Bond code: NHM004
Bond ISIN: ZAG000150764
Bond code: NHM005
Bond ISIN: ZAG000151242

CONDENSED REVIEWED INTERIM FINANCIAL RESULTS
These condensed reviewed interim financial results have been prepared under the supervision of the chief financial officer, AH Coetzee CA(SA).

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

The condensed reviewed interim financial results of the group will be available on the company's website at www.northam.co.za on Friday, 22 February 2019.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Reviewed 6 months ended 31 December 2018 R000	Reviewed 6 months ended 31 December 2017 R000	Audited 12 months ended 30 June 2018 R000
Sales revenue	4 982 761	3 353 270	7 552 181
Cost of sales	(3 951 981)	(3 014 497)	(6 728 867)
Operating costs	(3 543 074)	(3 129 727)	(6 318 000)
Concentrates purchased	(94 062)	(430 052)	(1 410 506)
Refining and other costs	(71 902)	(56 563)	(123 840)
Depreciation and write-offs	(251 762)	(218 117)	(441 865)
Change in metal inventories	8 819	819 962	1 565 344
Gross profit	1 030 780	338 773	823 314
Share of earnings from associate	6 174	6 428	4 162
Investment income	23 992	28 860	52 633
Finance charges excluding preference share dividends	(101 149)	(25 532)	(68 481)
Net foreign exchange transaction gains/(losses)	6 649	(8 203)	2 368
Sundry income	39 235	161 421	217 005
Sundry expenditure	(210 060)	(183 741)	(380 944)
Profit before preference share dividends	795 621	318 006	650 057
Amortisation of liquidity fees paid on preference shares	(8 195)	(8 195)	(16 390)
Preference share dividends	(611 761)	(460 762)	(1 106 684)
Loss on derecognition of preference share liability	-	-	(8)
Profit/(loss) before tax	175 665	(150 951)	(473 025)
Tax	(239 502)	(132 822)	(231 973)
Loss for the period/year	(63 837)	(283 773)	(704 998)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations	8 211	(258)	(364)
Total comprehensive income for the period/year	(55 626)	(284 031)	(705 362)

	Reviewed 6 months ended 31 December 2018	Reviewed 6 months ended 31 December 2017	Audited 12 months ended 30 June 2018
Loss per share - R cents	(18.2)	(81.1)	(201.5)
Fully diluted loss per share - R cents	(18.2)	(81.1)	(201.5)

Interim condensed consolidated statement of financial position

	Reviewed 6 months ended 31 December 2018 R000	Restated* 6 months ended 31 December 2017 R000	Restated* 12 months ended 30 June 2018 R000	Restated* 1 July 2017 R000
Assets				
Non-current assets	20 436 302	17 633 764	19 108 944	15 483 553

Property, plant and equipment	13 276 555	10 345 224	11 874 146	9 022 260
Mining properties and mineral resources	6 751 030	6 777 623	6 765 390	5 772 572
Investment held in escrow	18 974	-	-	-
Interest in associate	41 320	37 412	35 146	30 984
Land and township development	64 749	57 638	65 680	48 529
Long-term receivables	86 570	79 405	86 897	83 745
Investments held by Northam Platinum Restoration Trust Fund	115 073	106 224	110 626	102 233
Environmental Guarantee investment	33 556	72 697	68 899	68 104
Buttonshope Conservancy Trust	12 460	11 857	12 203	11 126
Long-term prepayments	36 015	140 229	89 608	336 409
Other financial assets	-	-	-	7 591
Deferred tax asset	-	5 455	349	-
Current assets	4 484 398	3 701 949	4 715 090	4 103 337
Inventories	3 426 562	2 564 747	3 386 795	1 729 102
Trade and other receivables	410 129	757 120	924 085	548 997
Cash and cash equivalents	639 660	379 233	388 702	1 786 865
Tax receivables	8 047	849	15 508	38 373
Non-current assets held for sale	-	-	-	49 222
Total assets	24 920 700	21 335 713	23 824 034	19 636 112

* Restated after the adoption of IFRS 15 Revenue from Contracts with Customers, as well as the retrospective amendment of the mining properties and mineral resources relating to the Dwaalkop Joint Arrangement.

	Reviewed 6 months ended 31 December 2018 R000	Restated* 6 months ended 31 December 2017 R000	Restated* 12 months ended 30 June 2018 R000	Restated* 1 July 2017 R000
Equity and liabilities				
Total equity	7 329 727	7 808 010	7 386 679	8 092 041
Stated capital	13 778 114	13 778 114	13 778 114	13 778 114
Treasury shares	(6 556 123)	(6 556 123)	(6 556 123)	(6 556 123)
Accumulated loss	(774 559)	(288 171)	(709 396)	(4 398)
Foreign currency translation reserve	7 847	(258)	(364)	-
Equity settled share-based payment reserve	874 448	874 448	874 448	874 448
Non-current liabilities	14 365 462	11 981 770	12 832 267	9 929 685
Deferred tax liability	1 060 634	718 741	824 794	585 883
Long-term provisions	670 752	320 607	640 128	304 829
Preference share liability	10 065 456	8 834 124	9 445 500	8 279 825
Long-term loans	177 722	132 915	182 063	249 428
Long-term share-based payment liability	77 743	63 061	78 999	88 639
Domestic medium term notes	174 414	421 978	174 288	421 081
Revolving credit facility	2 138 741	1 490 344	1 486 495	-
Current liabilities	3 225 511	1 545 933	3 605 088	1 614 386
Current portion of long-term loans	24 540	17 682	24 540	13 434
Current portion of domestic medium term notes	1 247 288	-	1 243 440	-
Short-term share-based payment liability	50 652	92 005	78 340	75 026
Tax payable	86	7 159	117	102 550
Trade and other payables	1 652 796	1 234 862	1 963 202	1 203 596
Provisional pricing derivatives	8 106	12 192	2 773	64 576
Bank overdraft	-	-	95 535	-
Short-term provisions	242 043	182 033	197 141	155 204
Total equity and liabilities	24 920 700	21 335 713	23 824 034	19 636 112

* Restated after the adoption of IFRS 15 Revenue from Contracts with Customers, as well as the retrospective amendment of the mining properties and mineral resources relating to the Dwaalkop Joint Arrangement.

Interim condensed consolidated statement of changes in equity

	Stated capital R000	Accumulated loss R000	Equity settled share-based payment reserve R000	Foreign currency translation reserve** R000	Total R000
Closing balance as at 30 June 2017	7 221 991	(4 398)	874 448	-	8 092 041
Restatement*	-	-	-	-	-
Restated opening balance as at 1 July 2017	7 221 991	(4 398)	874 448	-	8 092 041
Total comprehensive income for the period	-	(283 773)	-	(258)	(284 031)
Loss for the period	-	(283 773)	-	-	(283 773)
Other comprehensive income for the period	-	-	-	(258)	(258)
Restated balance as at 31 December 2017	7 221 991	(288 171)	874 448	(258)	7 808 010
Total comprehensive income for the period	-	(421 225)	-	(106)	(421 331)
Loss for the period	-	(421 225)	-	-	(421 225)
Other comprehensive income for the period	-	-	-	(106)	(106)
Restated balance as at 30 June 2018	7 221 991	(709 396)	874 448	(364)	7 386 679
Impact of the adoption of IFRS 9	-	(1 326)	-	-	(1 326)
Restated opening balance as at 1 July 2018	7 221 991	(710 722)	874 448	(364)	7 385 353

Total comprehensive income for the period	-	(63 837)	-	8 211	(55 626)
Loss for the period	-	(63 837)	-	-	(63 837)
Other comprehensive income for the period	-	-	-	8 211	8 211
Balance as at 31 December 2018	7 221 991	(774 559)	874 448	7 847	7 329 727

* Restated after the adoption of IFRS 15 Revenue from Contracts with Customers.
** The foreign currency translation reserve has been created to account for the foreign exchange gain or loss on translation of a foreign operation.

Interim condensed consolidated statement of cash flows

	Reviewed 6 months ended 31 December 2018 R000	Reviewed 6 months ended 31 December 2017 R000	Audited 12 months ended 30 June 2018 R000
Cash flows from/(utilised in) operating activities	1 297 758	(562 729)	(342 232)
Profit/(loss) before tax	175 665	(150 951)	(473 025)
Adjusted for the following non-cash items as well as disclosable items			
Depreciation and write-offs	255 117	218 117	441 865
Changes in provisions	44 902	(75 071)	49 493
Changes in long-term receivables	327	4 340	(3 152)
Investment income	(23 992)	(28 860)	(52 633)
Finance charges excluding preference share dividends	101 149	25 532	68 481
Preference share dividends	611 761	460 762	1 106 684
Loss on derecognition of preference share liability	-	-	8
Amortisation of liquidity fees paid on preference shares	8 195	8 195	16 390
Movement in share-based payment liability	(28 944)	(8 599)	(6 326)
Share of earnings from associate	(6 174)	(6 428)	(4 162)
(Profit)/loss on sale of property, plant and equipment	(3 898)	5 471	4 706
Net foreign exchange difference	(6 649)	(8 458)	(2 368)
Other	(2 614)	(258)	(13 774)
Change in working capital	145 283	(1 064 886)	(1 547 247)
Movement relating to land and township development	931	(9 109)	(17 151)
Investment income received	22 582	28 860	61 058
Tax refund received	4 117	38 614	28 921

	Reviewed 6 months ended 31 December 2018 R000	Reviewed 6 months ended 31 December 2017 R000	Audited 12 months ended 30 June 2018 R000
Cash flows utilised in investing activities	(1 450 510)	(2 190 721)	(3 580 937)
Property, plant, equipment, mining properties and mineral reserves			
Additions to maintain operations	(61 906)	(118 928)	(385 609)
Additions to expand operations	(1 245 447)	(2 307 921)	(3 036 727)
Disposal proceeds	21 169	41	5 133
Investment held in escrow	(18 974)	-	-
Amounts paid in terms of long-term prepayments	(175 991)	-	(202 691)
Movement in long-term prepayments	-	196 180	-
Additional investment made in associate/cash calls	-	(1 347)	(1 347)
Refunds received on the cancellation of the Environmental Guarantee investment policy	66 406	-	-
Payments made and movements on the investments held by the Environmental Guarantee investment	(31 063)	(4 593)	(795)
Movement in investment held by the Northam Platinum Restoration Trust Fund	(4 447)	(3 991)	(8 393)
Movement in investments held by the Buttonshope Conservancy Trust Fund	(257)	(731)	(1 077)
Proceeds received from the sale of the non-current asset held for sale	-	50 569	50 569
Cash flows from financing activities	499 245	1 337 360	2 421 486
Interest paid	(150 344)	(49 166)	(158 170)
Draw down on revolving credit facility	650 000	1 497 935	2 000 000
Repayment of revolving credit facility	-	-	(500 000)
Issue of domestic medium term notes	-	-	1 000 000
Issue of long-term loans	-	-	100 000
Repayment of long-term loans	-	(111 368)	(9 400)
Transaction fees paid	(411)	-	(9 267)
Acquisition of Zambezi Platinum (RF) Limited preference shares	-	(41)	(1 677)
Increase/(decrease) in cash and cash equivalents	346 493	(1 416 090)	(1 501 683)
Net foreign exchange difference on cash and cash equivalents	-	8 458	7 985
Cash and cash equivalents at the beginning of the period/year	293 167	1 786 865	1 786 865
Cash and cash equivalents at the end of the period/year	639 660	379 233	293 167

NOTES TO THE CONDENSED REVIEWED INTERIM FINANCIAL RESILTS

1. Accounting policies and the basis of preparation
The interim condensed financial statements have been prepared on the historical cost basis, except for the financial instruments to the extent required or permitted under International Financial Reporting Standards (IFRS) and as set out in the relevant accounting policies detailed in Northam's Annual Integrated Report, which includes the annual financial statements for the year ended 30 June 2018. These condensed interim financial statements incorporate the accounting policies which are in terms of IFRS and have been applied on a basis consistent with the previous year, with the exception of the policies adopted

during the period as more fully set out below.

The condensed interim financial statements have been prepared in accordance with and containing the information required by the framework concepts and the measurement and recognition requirements of IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, presentation and disclosures as required by Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and were reviewed in accordance with the requirements of the Companies Act No. 71 of South Africa (Companies Act) including the adoption of the following standards, amendments or interpretations with effect from 1 July 2018:

- IFRS 9 Financial Instruments

- IFRS 15 Revenue from Contracts with Customers

- Amendments to IFRS 2 Share-based Payment - Classification and Measurement of Share-Based Payment Transactions

- IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The group has adopted IFRS 15 and IFRS 9 for the first time with a date of initial application of 1 July 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

The adoption of all other standards, amendments or interpretations, other than IFRS 15 and IFRS 9 had no impact on the interim condensed consolidated results.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is the International Accounting Standards Board (IASB)'s replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting of financial instruments.

The new Standard contains substantial changes from the previous financial instruments Standard (IAS 39) with regards to the classification, measurement, impairment and hedge accounting requirements.

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

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

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

IFRS 9 has been applied for the current period presented and comparatives have not been restated.

Below is a summary of the impact that IFRS 9 has had on the statement of financial position:

Classification

The group completed a detailed assessment of its financial assets and liabilities. The following table represents the original classification according to IAS 39 and the new classification according to IFRS 9:

	Original classification per IAS 39	New classification per IFRS 9
Financial assets		
Long-term receivables	Amortised cost	Amortised cost
Investments held by Northam Platinum Restoration Trust Fund	Amortised cost	Fair value through profit or loss
Environmental Guarantee Investment	Amortised cost	Fair value through profit or loss
Buttonshope Conservancy Trust	Amortised cost	Fair value through profit or loss
Trade and other receivables (excluding Provisional pricing receivable)	Amortised cost	Amortised cost
Provisional pricing receivable included in trade and other receivables (previously included in trade and other receivables and not disclosed separately)	Fair value through profit or loss	Fair value through profit or loss
Cash and cash equivalents	Amortised cost	Amortised cost
Financial liabilities		
Long-term loans	Amortised cost	Amortised cost
Domestic medium term notes	Amortised cost	Amortised cost
Preference share liability	Amortised cost	Amortised cost
Revolving credit facility	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost
Provisional pricing derivatives (previously included in trade and other payables, but now disclosed as a separate	Fair value through	Fair value through

line item on the statement of financial position)	profit or loss	profit or loss
Bank overdraft	Amortised cost	Amortised cost

Financial assets
The characteristics of Long-term receivables, Trade and other receivables and Cash and cash equivalents were reassessed based on the requirements of IFRS 9 and it was concluded that they meet the criteria for amortised cost measurement. Therefore reclassification of these instruments was not required.

The characteristics of the Investments held by Northam Platinum Restoration Trust Fund, Environmental Guarantee Investment and the Buttonshope Conservancy Trust were reassessed based on the requirements of IFRS 9. These financial assets are not considered to derive contractual cash flows which are solely principal and interest on the principal amount, they therefore are not classified as at amortised cost, and default into the fair value through profit or loss measurement category.

Provisional pricing receivables measured at fair value through profit or loss relate to financial assets recognised as a result of satisfaction of performance obligations relating to revenue from contracts with customers. The group therefore has an unconditional right to the consideration that is due. The value of the receivable fluctuates in line with market factors, resulting in this class of financial asset being measured at fair value through profit or loss. The balance of this financial asset was previously recognised within Trade and other receivables but has been separated out for better disclosure. The balance of the financial asset was previously recognised within trade and other receivables, but has now been separately disclosed for improved disclosure.

Financial liabilities

There were no changes to the recognition and measurement criteria of financial liabilities. Therefore all existing financial liabilities remain at their original classification and measurement.

A Provisional pricing derivative is recognised when payment by the customer made on provisionally priced goods results in an effective overpayment due to fluctuations in market factors until final pricing is confirmed. Provisional pricing derivatives measured at fair value through profit or loss relate to financial liabilities recognised as a result of the satisfaction of performance obligations relating to revenue from contracts with customers.

The value of the payable fluctuates in line with market factors, resulting in this class of financial liability being measured at fair value through profit or loss. The balance of this financial liability was previously recognised within Trade and other payables but has been separated out for better disclosure.

Once pricing on goods are finalised and no further market fluctuations affect the value of consideration refundable to the customer, the balance of Provisional pricing derivatives is transferred to Trade and other payables.

Impairment

Previously under IAS 39, impairment or credit losses are only recognised when a credit loss event occurs (incurred loss model). Under IFRS 9, the new impairment requirements are based on expected credit losses (expected credit loss model). Expected credit losses (ECLs) are an estimate of credit losses over the life of a financial instrument, and are recognised as a loss allowance or provision. The amount of ECLs to be recognised depends on the extent of credit deterioration since initial recognition.

IFRS 9 requires an entity to apply the expected credit loss model to all debt instruments classified as measured at amortised cost, or at fair value through other comprehensive income, including lease receivables and contract assets.

In applying the IFRS 9 requirement of assessment of impairment, the group considers both approaches: the general approach and the simplified approach. For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The general approach requires the assessment of financial assets to be split into 3 stages:

Stage 1: no significant deterioration in credit quality. This identifies financial assets as having a low credit risk, and the asset is considered to be performing as anticipated. At this stage, a 12 month expected credit loss assessment is required.

Stage 2: significant deterioration in credit quality of the financial asset but no indication of a credit loss event. This stage identifies assets as under-performing. Lifetime expected credit losses are required to be assessed.

Stage 3: clear and objective evidence of impairment is present. This stage identifies assets as non-performing financial instruments. Lifetime expected credit losses are required to be assessed.

Once a default has occurred, it is considered a deterioration of credit risk and therefore an increase in the credit risk.

The group considers a wide variety of indicators when assessing the increase in credit risk as well as the probability of the default happening for impairment purposes. Some indicators considered include: Significant changes in the expected performance and behaviour of the debtor; past due information; significant changes in external market indicators including market information related to the debtor, existing or forecast adverse changes in business, financial or economic conditions; an actual or expected significant adverse change in the regulatory, economic, or technological environment; actual or expected significant internal credit rating downgrade or decrease; actual or expected significant change in the operating results of the debtor.

The expected credit loss value is determined as the estimated cash shortfall that would be incurred, multiplied by the probability of the default occurring.

The group has assessed the expected credit losses on the following financial assets as at 30 June 2018 as follows, which is over and above any previous impairments provided for in prior years:

	Additional impairment value R000
Long term receivables (net of tax)	1 326

All other financial assets have been assessed for expected credit losses, and the effect is considered to be negligible due to the group's history of recovery of these balances; as well as the credit rating of the various financial institutions that some of the balances are held with.

The probability of a shortfall being incurred is considered remote in the current economic environment, and the group therefore does not account for any credit losses relating to the other financial assets.

Impact of adopting IFRS 9

In adopting IFRS 9 in the current period, the group's carrying value of financial instruments was only impacted with the impairment disclosed above. Minor amendments were accounted for on the disclosure requirements on adoption of IFRS 9.

For financial instruments where the classification under IFRS 9 changed from the previous classification under IAS 39, the values were approximately the same.

The group applies the following policies in line with the adoption of IFRS 9.

Measurement

Amortised cost

Financial instruments accounted for at amortised cost will remain at amortised cost with no adjustments required. The group continues to utilise the effective interest method for financial instruments designated at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the period of the instrument. Effectively, this method determines the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

All movements relating to financial instruments measured at amortised cost are accounted for in profit or loss. Interest is accounted for in line with the effective interest method and impairment gains and losses are accounted for in line with the policy for impairment.

Fair value through profit or loss

Financial assets with provisional pricing arrangements (provisional pricing receivables) are recognised as a separate category of trade and other receivables.

These instruments represent all movements after the date of sale, which are determined to be fair value gains or losses on provisionally priced sales throughout the quotational period until the sale value is finalised. The balance represents amounts owing to the group.

The movements are therefore not considered to be contractual cash flows of principal and interest on the principle. Therefore this financial asset is required to be classified and measured as at fair value through profit or loss.

Financial liabilities with provisional pricing arrangements (provisional pricing derivatives) are recognised as a separate category of financial liability.

These instruments represent all movements after the date of sale, which are determined to be fair value gains or losses on provisionally priced sales throughout the quotational period until the sale value is finalised. The balance represents amounts owing by the group.

This financial liability is classified and measured at fair value through profit or loss.

These financial instruments are subsequently measure at fair value with all gains or losses recognised directly in profit or loss in line with the requirements of IFRS 9.

The measurement principles applied by the group in line with IFRS 9 disclosed above are relatively consistent with the IAS 39 measurement principles which were previously applied.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired; the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either: (a) the group has transferred substantially all the risks and rewards of the asset or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment

Impairment policy relating to financial instruments are considered in line with the expected credit loss model utilising the general approach.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The core principle is that an entity recognises revenue based on a five-step model to reflect the transfer of goods or services, measured at the amount to which the entity expects to be entitled in exchange for those goods or services.

The application of the five-step model in IFRS 15 has required the exercise of judgement, considering all facts and circumstances relative to each contract. Judgements and estimates relating to IFRS 15 have been disclosed in the notes to the condensed interim financial statements. The standard also provides guidance on the accounting treatment of costs attributable to fulfilling the contract, as well as the incremental costs of obtaining the contract.

In terms of IFRS 15, the group identifies each separate performance obligation contained in the contract and allocates a portion of the contract revenue to each performance obligation. Revenue is then only recognised on the satisfaction of each of the relevant performance obligations. Revenue from contracts with customers is recognised when control is transferred to the customer.

IFRS 15 Revenue from Contracts with Customers has been adopted using the full retrospective method, making use of some of the practical expedients, and therefore comparative information has been restated in line with the new accounting standard. IFRS 15 replaces IAS 18 Revenue and all related amendments and interpretations.

Below is a summary of the impact of the adoption of IFRS 15:

The group undertook a detailed assessment of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to identify differences in the timing and amount of revenue recognised under IFRS 15. For all of the revenue streams, the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognised under IFRS 15, is the same as that under IAS 18.

There were however some disclosure reclassifications required as a result of the adoption of IFRS 15 (in conjunction with IFRS 9) and additional impact on presentation requirements. The adoption of IFRS 15 did not have an impact on the opening retained earnings balance.

The following 2 practical expedients which are available in IFRS 15 have been utilised in the preparation of the financial information:

- Significant financing components

  Sales terms are for payment from the customer to be made shortly after delivery. IFRS 15 contains a practical expedient where the promised amount of consideration (the transaction price) need not be adjusted for the effects of the time value of money and a significant financing component if the entity expects, at contract inception, that the period between transfer of the goods and receipt of payment for those goods will be one year or less. This would therefore not result in the recognition of any significant financing component contained within the sales agreement due to the short-term nature of the time between delivery of the metal and receipt of cash as all contracts are finalised within one to four months.

- Future performance obligations

  IFRS 15 requires entities to disclose information relating to remaining performance obligations on current open contracts. Disclosures relating to the nature, timing and amount, as well as any specific terms contained in the open contract, are required. IFRS 15 provides a practical expedient when the performance obligations on contracts are expected to be completed within one year from inception of the contract. The group's contracts are all finalised within one to four months of inception and therefore are considered to be short-term.

  The practical expedient has therefore been applied to this disclosure as any future performance obligations on open contracts are expected to be finalised shortly after the reporting period. This is in line with the contractual terms, standard business operations, as well as historical information on open contracts.

Most contracts' performance obligations are satisfied at a point in time when product is delivered. The INCO terms utilised in most contracts within the group are DAP and Ex-works. Delivery takes place, either at the determined location, or at the customer's premises. This is also the point at which control transfers to the customer.

Precious metal sales

Revenue from platinum group metal (PGM) sales are recognised based on contractual terms specific to each transaction. The contractual terms stipulate a fixed price relating to the commodity as well as exchange rates in the month in which the product is purchased. Platinum and palladium sales are recorded at the daily London Metal Exchange: LBMA price. Rhodium, iridium and ruthenium sales are recorded at the weekly Platts New York Dealer price.

No adjustments are accounted for relating to volume of product or price on PGM sales as all these inputs are finalised on delivery date, which is the date on which revenue is recognised. Therefore there were no changes identified relating to the timing or amount of revenue recognition.

Base metal sales

Revenue from base metal sales are recognised based on the initial assayed quantity of product; prevailing market prices and exchange rates. Revenue is accounted for when control has transferred to the customer on delivery. Revenue accounted for, is the estimation of the amount of consideration to which the group will be entitled at the date of sale. Revenue is estimated at contract inception (when control transfers) and is based on initial assays, prevailing metal prices and current exchange rates. Movement in assay amounts were assessed in detail and were found to be immaterial and are therefore included in the disclosure of all other movements relating to fair value adjustments which are separately disclosed in Revenue.

Payment on base metal sales is only made once provisional pricing has been finalised. Adjustments to the provisional pricing value occurs at the reporting date and on finalisation of the sales transaction. A Provisional pricing receivable is recognised, in line with IFRS 9, to account for the fluctuations in market factors until final pricing is confirmed. All fair value movements after the date of sale relating to provisionally priced amounts are recognised separately within revenue as Revenue from fair value adjustments. There were no changes identified relating to the timing or amount of revenue recognition.

Chrome sales

Revenue from chrome sales are recognised based on the initial assayed quantity of product; prevailing market prices and exchange rates. Revenue is accounted for when control has transferred to the customer on delivery and is based on the provisional pricing value which is the amount that reflects the best estimate of the consideration to which the group expects to be entitled in terms of the calculation of revenue in line with IFRS 15 to the end of the quotational period.

Payment on chrome sales is made based on the initial assayed quantity of product and related market inputs. Adjustments to the provisional pricing value occurs at the reporting date and on finalisation of the sales transaction. A Provisional pricing derivative is recognised, in line with IFRS 9, when payment by the customer made on provisionally priced goods results in an effective overpayment due to fluctuations in market factors until final pricing is confirmed. A provisional pricing receivable is recognised when the initial payment by the customer on the provisionally priced goods resulted in an underpayment due to the fluctuations in market factors until final pricing is confirmed.

All fair value movements after the date of sale relating to provisionally priced amounts are recognised separately within revenue as Revenue from fair value adjustments. There were no changes identified relating to the timing or amount of revenue recognition.

Contract balances

Provisional pricing receivables are recognised in line with IFRS 9, when the group has satisfied its performance obligation relating to delivery of the product and has an unconditional right to the consideration that is due. This will be recognised when only the passage of time is required before payment is made by the customer. All fair value adjustments relating to the movements in this balance are recognised within revenue from fair value adjustments.

A Provisional pricing derivative is recognised in line with IFRS 9, when payment by the customer made on provisionally priced goods results in an effective overpayment due to fluctuations in market factors until final pricing is confirmed. All fair value adjustments relating to the movements in this balance are recognised within revenue from fair value adjustments.

Provisional pricing receivables are reallocated to trade and other receivables at the end of the quotational period once the consideration relating to the sale is no longer variable. The finalised consideration receivable is therefore no longer subject to fair value fluctuations.

Provisional pricing derivatives are reallocated to trade and other payables at the end of the quotational period once the consideration relating to the sale is no longer variable. The finalised consideration refundable is therefore no longer subject to fair value fluctuations.

Impact of adopting IFRS 15

The groups' base metal and chrome sale agreements contain terms which allow for price adjustments based on the market price at the end of a relevant quotational period stipulated in the contract, referred to as provisionally priced sales agreements.

Under previous accounting standards (IAS 18 and IAS 39), provisionally priced sales were considered to contain an embedded derivative, which was required to be separated from the host contract for accounting purposes from the date of delivery. Revenue was initially recognised for these arrangements at the date of delivery (which was when risks and rewards passed) and was based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated price which was expected to receive at the end of the quotational period, determined at the date of delivery. Subsequent changes in the fair value of the embedded derivative were recognised in profit or loss each period until the end of the quotational period, and were presented as part of revenue.

Under IFRS 15, the accounting for revenue will remain unchanged in that revenue will be recognised when control passes to the customer (which will continue to be the date of delivery) and will be measured at the amount to which the group expects to be entitled. This will be the estimate of the price expected to be received at the end of the quotational period. It will be the impact of the requirements of IFRS 9 that will lead to a changes in the disclosure of the results of the group.

While the group will continue to present such movements as part of revenue on the face of the statement of profit or loss and other comprehensive income, presentation and disclosure changes are required. This is because the movements throughout the quotational period are not within the scope of IFRS 15, and therefore required to be disclosed separately from revenue from contracts with customers within the scope of IFRS 15.

In adopting IFRS 15 in the current period, the only impact affecting the group is the disclosure requirements of revenue from contracts with customers being separately presented from other revenue items in the notes to the financial statements, as well as the expanded disclosures on disaggregated revenue in the notes to the financial statements. IFRS 15 did not impact profit or loss for the period, there was no impact on the statement of cash flows, or EPS, and there was no required adjustment to the opening balance of retained earnings.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the group must determine a date of the transaction for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in a foreign currency.

This interpretation did not have an impact on the condensed reviewed interim financial results.

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

IFRS 16 Leases

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

IFRS 16 requires lessees to recognise most leases on their statement of financial position as lease liabilities with corresponding right-of-use assets. Lessees will apply a single model for most leases (with certain exemptions). Generally, the profit or loss recognition pattern will change as interest and depreciation expenses are recognised separately in profit or loss (similar to current finance lease accounting). However, lessees can make accounting policy elections to apply accounting similar to operating lease accounting under IAS 17 Leases to short-term leases and leases of low-value assets.

Lessor accounting is substantially unchanged from the current lease statement. As with IAS 17, IFRS 16 requires lessors to classify their leases into two types: finance leases and operating leases. Lease classification determines how and when a lessor recognises lease revenue and what assets a lessor records.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Lessees must apply IFRS 16 using either a full retrospective or a modified retrospective approach.

The group has limited lease arrangements and the impact is therefore expected to be minimal, however this is still in the process of being assessed.

IFRIC 23 Uncertainty over Income Tax Treatment

The IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the Interpretation). The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

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

This interpretation is currently not considered to have a material impact on the group results, however this will be assessed on a continuous basis.

Amendments to IAS 23 Borrowing costs

The amendments clarify that an entity treats, as part of general borrowings, any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019.

This amendment will be taken into account when determining general borrowing costs which can be capitalised to qualifying assets, in accordance with the transitional provisions.

Definition of a Business - Amendments to IFRS 3

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Early application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the group will be affected by these amendments on transition.

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 and IFRS Practice Statement 2: Making Materiality Judgements were amended to align with the revised definition of material in IAS 1 and IAS 8.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

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

The amendment is effective for annual periods beginning on or after 1 January 2020.

Conceptual Framework

The IASB has revised its Conceptual Framework. 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 judgements 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 Board and Interpretations Committee will immediately begin using the revised Framework, and the group will consider it when needed in terms of the IAS 8 hierarchy dealing with selecting accounting policies not covered by an IFRS standard.

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

RESULTS COMMENTARY

Northam's growth strategy of developing low-cost, long-life operations remains firmly in place. Project execution is on track and we are confident that the group is in a position to deliver a strong financial performance even in subdued market conditions going forward.

We maintain a strong statement of financial position and significant empowerment credentials.

Both operating mines performed well during a challenging year. Our focus remains on project execution, sustainable cost control and creating long-term value for all stakeholders.

Zondereinde

The lost time injury incidence rate improved to 1.27 per 200 000 hours worked (H1 F2018: 1.31). Regrettably on 25 October 2018, Mr Stepher van Niekerk, a site manager for a contracting company, lost his life in an engineering related accident at the concentrator dewatering plant. We extend our sincere condolences to Mr van Niekerk's family, friends and colleagues.

Zondereinde produced a solid operating performance with increased production from both the Merensky and UG2 reefs. Merensky tonnage milled increased by 5.7% to 400 686 tonnes while UG2 increased by 2.8% to 606 450 tonnes for the period. The Merensky head grade was 6.02 g/t 4E and the UG2 head grade increased marginally to 4.28 g/t 4E.

The UG2 stockpile increased to 290 969 tonnes.

Chrome concentrate tonnes increased by 4.9% due to the higher UG2 tonnage milled and improved yields.

Equivalent refined metal produced from own operations was similar to the corresponding prior period at 154 078 4E oz. Equivalent refined metal from external parties was significantly lower as a third party concentrate purchase agreement expired.

Total refined metal produced increased by 41.1% to 299 323 4E oz, as a result of the strong operational delivery and commencement of destocking of excess inventory.

Cash cost per equivalent refined platinum ounce for Zondereinde increased by 8.4% to R23 614 Pt/oz (H1 F2018: R21 775 Pt/oz).

During the period under review a three year wage agreement was concluded, effective 1 July 2018.

Ore reserve development in the western extension is making good progress. On the first raise line, two reef raises have holed with the balance between three and twelve levels expected to be holed by the end of the financial year. Ground conditions are generally very good and the predominant reef is the higher grade P2 sub-facies.

The deepening project continues with the conveyor decline halfway between 17 and 18 levels. Lateral development has started on 17 level while stoping is in progress on 16 level.

Booysendal North UG2 and Merensky mine

Booysendal achieved 4 million fatality free shifts on 31 October 2018 and during the six month period under review only two lost time injuries were recorded. The lost time injury incidence rate was 0.10 per 200 000 hours worked. (H1 F2018: 0.31), a commendable 67.7% improvement.

The square metres mined for both Merensky and UG2 production increased by 42.3% and 7.3% respectively. At the Merensky North mine a third crew was employed to increase stoping production.

An increased focus on stoping width control had a positive impact on head grade.

During the period under review metal in concentrate produced from own operations and ore stockpiles increased by 8.9% to 105 285 4E oz (H1 F2018: 96 650 4E oz). Metal in concentrate purchased from third parties increased from 2 272 4E oz to 3 576 4E oz during the period under review.

Production of chrome concentrate increased by 33.9% to 193 360 tonnes mainly due to the contribution from the South Tailings Storage Facility (TSF) Retreatment project as well as the improved yields at the North mine.

The cash cost per platinum ounce in concentrate produced increased by 1.9% to R16 772 Pt/oz (H1 F2018: R16 459 Pt/oz).

Booysendal South

Construction of Booysendal South's central mining complex and ancillary infrastructure is well advanced and on track to reach steady state in F2022.

Key project milestones during the reporting period include:

- Commissioning of the aerial rope conveyor and the first ore transported from the central complex to the South concentrator stockpile.
- Re-commissioning the PGM circuit of the South concentrator and ramping up the rate of tailings re-treatment from the south TSF to produce chrome concentrate and PGMs.
- Ongoing development of the BS1 and BS2 mining modules which are currently producing 20 000 tonnes per month of UG2 ore.
- Re-establishment of underground access to the BS4 module for future tailings deposition.

Eland

At Eland the re-commissioning of the concentrator is well advanced. Mining of the tailings dam is expected to start in March 2019 along with the recovery of chrome. Recovery of PGMs is expected to start in May 2019. Trial mining at the Kukama shaft to test stoping and ore transport methodologies is expected to start before the end of the financial year. In addition, we are pursuing other opportunities including the treatment of third party ore.

US recycling assets

The US recycling assets are still on care and maintenance. However during the period under review small batches of salvaged catalytic convertors were sourced from third parties and processed on a trial basis. The PGM bearing material arising from these recycled convertors will be processed at the Zondereinde metallurgical operations. Once this trial process has been bedded down, options to re-establish the recycling operations will be considered, taking into account the working capital requirements and capital allocation for the group.

Normalised headline earnings
Normalised headline earnings increased by 192.6% to R553.3 million (H1 F2018: R189.1 million), which equates to a normalised earnings per share of 108.5 cents (H1 F2018: 37.1 cents) based on the total number of 509 781 212 issued shares.

Normalised headline earnings, our main measure of performance have been calculated taking into account the headline loss per share adjusted for non-cash items relating to the 2015 black economic empowerment (BEE) transaction. These include the preference share dividends associated with the BEE financing structure.

Revenue
Sales revenue increased by 48.6% from R3.4 billion in H1 F2018 to R5.0 billion in the period under review. The increase is attributable to a combination of a 40.5% increase in the volumes of 4E oz sold, an increase of 4.2% in the basket price to USD1 013 per 4E oz and a 5.7% weaker ZAR/USD exchange rate realised. The average US dollar sales price achieved improved on all metals, except platinum and gold which averaged USD820/oz (H1 F2018 USD937/oz) and USD1 222/oz (H1 F2018 USD1 280/oz) respectively. The price of palladium increased by 13.0%, and the price of rhodium was 95.7% higher.

Base metal prices were generally lower with the exception of nickel which was 4.0% higher. The average copper price achieved decreased by 12.2%. The price of chrome in US dollar terms decreased by 37.1% and in South African rand terms decreased by 32.6%, which negatively impacted the rand value of chrome sales from R368.2 million in H1 F2018 to R293.8 million in the current period under review.

Overall total revenue per platinum ounce sold increased by 3.8% from R26 516/Pt oz to R27 524/Pt oz. Due to the festive season, not all available refined metal was sold at the period end.

Adoption of IFRS 15 Revenue from Contracts with Customers
The group's base metal and chrome sale agreements contain terms which allow for price adjustments based on the market price at the end of a relevant quotational period stipulated in the contract, referred to as provisionally priced sales agreements.

There was no impact on the net profit or loss arising from the adoption of IFRS 15, with the only impact being presentation and disclosure requirements for provisionally priced sales agreements.

Cost of sales and operating margin
Cost of sales increased by 31.1%, in comparison with the 48.6% increase in revenue which resulted in operating profit increasing from R338.8 million in H1 F2018 to R1.0 billion in the period under review, an all-time record for the group for an interim period. This translates to an operating margin of 20.7% (H1 2017: 10.1%).

Movements of the individual elements making up cost of sales are discussed below:

- Mining costs increased by 9.4%, which is attributable to the increase in labour costs together with an increase in total square metres mined.
- Concentrating costs increased by 20.2% with the start-up of the concentrator at Booysendal South which resulted in additional working cost of R55.0 million spent during the period under review.
- Smelter and base metal removal plant costs increased significantly owing to additional power consumed as a result of the second furnace, and reflecting the 41.1% increase in refined metal produced.
- Higher chrome processing costs are associated with the growth in the group's chrome output, which was 18.4% higher. The bulk of the higher production emanates from the chrome circuit at the Booysendal South TSF.
- Included in sales and administration overheads are costs incurred relating to the corporate office and group services as well as all marketing costs incurred by the group.
- Royalty charges are based on a number of inputs, including the ratio between revenues generated from own operations and custom material, EBITDA and capital expenditure incurred. Zondereinde and Booysendal paid royalties at the minimum royalty rate of 0.5% based on revenue from own operations due to the significant amounts of capital expenditure incurred during the period under review. The royalty charge increased in line with the increase in revenue.
- Share-based payment expenses and profit share scheme costs relate to expenses incurred in respect of the group's share plan and contributions made to the Toro Employee Empowerment Trust. The main inputs in calculating the share-based payment liability is the number of outstanding performance, retention and LIM shares as well as the share price at the reporting date. The Toro Employee Empowerment Trust is an employee profit share scheme for Zondereinde employees based on 4% of after tax profit contributions from Zondereinde.
- Concentrates purchased decreased by 78.1%, owing to a contract with a third party concentrate supplier expiring at the end of June 2018. Ounces from external parties decreased by 73.3% to 7 962 4E oz (H1 F2018: 29 770 4E oz).
- Refining including sampling and handling charges increased by 27.1%, even though the total refined metal production increased by 35.7%, this is because of a change in the nickel sales agreement. Going forward the nickel refining charges will be offset against sales revenue and not charged separately as done previously.
- Depreciation is based on the unit of production depreciation method. With the increased production and additional capital expenditure incurred by the group, depreciation increased.
- The commencement of destocking was offset by the increase in the cost of production which is reflected in the change in metal inventories.

In the current price environment, our main focus is on cost control, and growing our production base, thereby creating long-term value for our stakeholders.

Taxation
During the period under review, the group paid tax on non-mining income which comprises mainly interest and sundry income earned. During the period, tax receivable balances and interest to the value of R4.3 million was received from the South African Revenue Services.

Higher capital expenditure results in increased deferred tax. The balance of unredeemed capital available for utilisation against future taxable mining profits for Northam Platinum Limited (Zondereinde) approximates R885.2 million and for Booysendal Platinum Proprietary Limited approximates R6.9 billion.

Capital expenditure
During the period under review the group incurred R1.5 billion in the execution of its growth strategy. Projects are generally ahead of

schedule. The following significant amounts were spent on expansionary capex:

- R877.3 million was spent on the development of Booysendal South. In total, R2.8 billion has now been spent on the project and an amount of R36.0 million was prepaid for the construction of the North aerial rope conveyor system. During December 2018, commissioning of the South rope conveyor commenced, with the first ore being transported to the stacker pad at South mine. The crusher feed conveyor and crusher are scheduled for completion by the end of February 2019. A surface stockpile in excess of 120 000 tonnes has accumulated. Capital development at the Central mine is progressing well with 1 133 metres being achieved against a plan of 1 121 metres at the end of December 2018. The Booysendal South mine should sustain annual production up to 300 000 oz of refined 4E oz for more than 25 years. Given Booysendal's favourable cost profile, this will enable the group to grow down the cost curve.
- It is important that value is extracted from the massive Booysendal resource through various growth initiatives. Both the UG2 North deepening project and the development of the Booysendal Merensky North mine will add substantial additional capacity from the original nameplate capacity of 160 000 oz. The development of the capital footprint relating to the Merensky North mine is nearing completion, with R11.4 million spent (H1 F2018: R75.0 million). Construction relating to the installation of strike 3 belt, the construction of dip belt 2, dirty water dam 1 and the underground sub-station is planned to be completed by June 2019.
- The Booysendal UG2 deepening project is also nearing completion with R26.5 million spent (H1 F2018: R48.6 million) and the construction of reef dam 1 and strike belts nine North and South is scheduled for completion in June and August 2019 respectively. On completion, two half levels will be added to the two already operational namely eight North and eight South.
- An amount of R48.7 million (H1 F2018: R73.6 million) was also spent on the South TSF Retreatment project.
- The Zondereinde western extension project is advancing well. Two of the ten planned raise lines in the 11 line holed. The remainder of the raise lines will hole during the next six months. Six of the levels are busy with the development of crosscuts on the 10 line, which is the second stoping line. During the period R69.6 million was spent.
- The Merensky reef relating to the current mine (excluding the western extension) has been largely depleted on the upper levels of the mine and future production will come from the deepening project extending from 13 level to 18 level. Development of the decline system has progressed beyond the 17 level while stoping commenced on 16 level. The belt decline is currently being developed to 18 level. For the period under review R52.9 million has been spent and the project remains on schedule for completion by 2020.
- During the reporting period R50.1 million was spent on the concentrator storage and dewatering optimisation project at the Zondereinde metallurgical facility. The project entails the installation of three solid bowl decanter units and ancillary equipment to replace the current concentrate thickeners and the Delkor vacuum belt filter at the smelter. The project will allow a once-off reduction in stock at the concentrator and will result in increased dryer capacity, flexibility, efficiency and decoupling of the concentrator and smelter.

In addition, R25.3 million (H1 F2018: R93.7 million) and R36.6 million (H1 F2018: R25.2 million) was spent on sustaining capital expenditure at Zondereinde and Booysendal respectively.

Capital expenditure for the current financial year is forecasted to amount to R550.0 million for Zondereinde, R1.5 billion for Booysendal and R300.0 million for Eland, which include amounts spent to date.

Working capital
The working capital lock up is mainly as a result of the high inventory levels. During the reporting period ore stockpile inventory increased due to the mill capacity being limited at Zondereinde. Management is currently looking at various options to monetise the value of the UG2 stockpile.

As previously reported, significant surplus concentrate was built up at Zondereinde in anticipation of commissioning the second furnace. The concentrate stockpile was processed and the working capital lock-up was released during the period under review, with all other inventory moving on in the pipeline.

There are still large amounts of reverts which require reprocessing. Reverts are an intermediate high value product that require a significant degree of material handling effort.

The normal pipeline inventory is considered to be between 80 000 and 90 000 4E oz of metal at any given time. All inventory over and above pipeline material (140 000 oz) is considered excess inventory.

The value of excess inventory at the period end amounted to R1.9 billion at cost, with a potential sales value in excess of R2.3 billion, using the sales prices and exchange rate at 31 December 2018, only taking into account 4E oz.

Cash flow and net debt
The group's net debt position has been calculated as follows:

	Reviewed 6 months ended 31 December 2018 R000	Reviewed 6 months ended 31 December 2017 R000	Audited 12 months ended 30 June 2018 R000
Cash and cash equivalents	639 660	379 233	388 702
Bank overdraft	-	-	(95 535)
Domestic medium term notes	(1 421 702)	(421 978)	(1 417 728)
Revolving credit facility	(2 138 741)	(1 490 344)	(1 486 495)
	(2 920 783)	(1 533 089)	(2 611 056)

During the period under review cash to the value of R1.3 billion was generated from operating activities (H1 F2018: utilisation of R562.7 million). R1.5 billion of capital expenditure was paid for in cash, R650.0 million was drawn down on the revolving credit facility and R150.3 million was paid relating to interest on the domestic medium term notes and the revolving credit facility, resulting in an increase in cash and cash equivalents of R346.5 million, to R639.7 million.

The group's net debt position is expected to be alleviated with the processing of the excess inventory, whilst taking into account the forecast capital expenditure of the group.

The group's future cash generation is vulnerable to exchange rate volatility and metal price fluctuations. It is the policy of the group not to hedge currency or metal. Should changes be required to this policy, these will be timeously communicated to the market.

During the next six months, domestic medium term notes to the value of R1.25 billion become repayable. The payments are scheduled as follows: R450.0 million in April 2019, R550.0 million in May 2019 and R250.0 million in June 2019. The group intends to refinance the domestic medium term notes and to continuously review and optimise the quantum of its available debt facilities in view of the group's increasing production profile and the impact thereof on working capital requirements and exposure to metal price fluctuations.

Booysendal is on track to achieve steady state production in F2022. Northam intends to direct surplus free cash flow associated with this production increase and completion of the capital expenditure programme to shareholders by way of an ordinary share repurchase programme, the purchase of Zambezi preference shares or a combination of both, dependent on the respective pricing of these instruments.

Key accounting estimates, assumptions and judgements
The preparation of the condensed reviewed interim financial results requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date.

However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future.

These estimates and assumptions are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Information relating to the individual estimates, assumptions and judgements made by management have been included in the notes to the condensed reviewed interim financial results.

Market review
The average platinum price realised during the reporting period was USD820/oz, 12.5% lower than the USD937/oz achieved in the previous corresponding period. This lacklustre performance is attributable to declining demand from light duty diesel vehicles, particularly in Western Europe following the 'dieselgate' scandal and lower Chinese jewellery demand.

Platinum demand in the autocatalyst sector is expected to increase as tighter emissions legislation is introduced in China and India. Real driving emissions legislation (RDE) will become more onerous for original equipment manufacturers as emissions limits will need to be maintained over the lifecycle of a vehicle and is likely to lead to increased loadings per vehicle. Industrial demand is also expected to grow in the petrochemicals sector and as support for fuel cell development increases.

On the supply side, underinvestment in the South African industry over the past decade and rationalisation of the industry going forward is likely to lead to lower production.

The deficit in the palladium market continued during the reporting period resulting in the average price received gaining 13.0% to USD1 071/oz (H1 2018: USD948/oz).

Autocatalyst demand for palladium is expected to increase, particularly in China with the introduction of China VI legislation, and in Western Europe loadings in gasoline vehicles are expected to increase significantly owing to the strict application of RDE standards.

The palladium market remains in meaningful deficit estimated at 1 million oz due to the increasing demand for autocatalysts. It is fair to conclude that at some point in the future, platinum will substitute palladium.

The price received for rhodium averaged USD2 427/oz during the period under review, an increase of 95.7% from the previous corresponding period (H1 2018: USD1 240/oz).

The increased deficit expected in rhodium will continue as supplies contract and demand in the autocatalyst sector follows a similar trajectory as palladium with the exception that in the case of rhodium, there is no real substitute.

The ruthenium price increased by 226.9% during the period under review to USD255/oz (H1 2018: USD78/oz).

The increased demand for ruthenium in specifically the chemical and communication sectors will add to the substantial deficit envisaged for this metal in the near future.

The iridium price received increased 49.8% to USD1 432/oz (H1 2018: USD956/oz).

The processing of ballast water in the shipping industry accounts for large increase in the demand for iridium, creating a deficit in a relatively small market.

Mineral resources and reserves
The mineral resources and mineral reserves statements comply with the provisions of the South African Code for Reporting of Mineral Resources and Mineral Reserves of 2016.

Mineral resources and reserves for the wholly owned Northam assets have been prepared under the guidance of the group's competent persons who have reviewed and approved the information contained in this document, as it relates to mineral resources and mineral reserves. Contact details for Northam's competent persons are available in the Northam Platinum Limited annual integrated report for the year ended 30 June 2018, which is available on the group's website www.northam.co.za/investors-and-media/publication/annual-reports.

In addition to the existing internal review process, Northam has scheduled independent external audits on the mineral resources and mineral reserves, the outcome of the first review from the Booysendal mine is to be reported at year-end.

Mineral resources for Dwaalkop have been prepared by Lonmin plc and are reported as at the end of September 2017, there being no change during the current period.

The various competent persons are:

Company	Operation	Function	Competent person
Northam Platinum Limited	Zondereinde (inclusive of Middeldrift and Tumela portions)	Mineral Resources & Mineral Reserves	Charl van Jaarsveld
	Booysendal	Mineral Resources	Meshack Mqadi
		Mineral Reserves	Willie Theron
	Eland	Mineral Resources	Paula Preston
		Mineral Reserves	Coenie Roux
	Northam Platinum Limited group	Mineral Resources & Mineral Reserves	Damian Smith
Lonmin plc	Dwaalkop	Mineral Resources	Snowden Mining Industry Consultants

The total mineral resources and mineral reserves are as at 31 December 2018, these being derived from the depletion of six months' production from the annual assessment in June 2018. The mineral resources (total measured, indicated and inferred) are reported inclusive of the mineral reserves (proved and probable) for 4E. The individual element ratios for Pt, Pd, Rh and Au are indicative of the Northam group global proportions for the total mineral resource in the Merensky and UG2 reefs.

The following tables summarise the mineral resources and reserves attributable to the group for both the current period and previous year.

Mineral resources are reported inclusive of mineral reserves.

Northam group reserves estimate (combined proven and probable)*

		31 December 2018			30 June 2018		
			4E			4E	
Reef	Operation	Mt	g/t	Moz	Mt	g/t	Moz
Merensky	Booysendal North mine	18.76	2.88	1.74	18.99	2.87	1.75
	Booysendal South mine	9.84	2.59	0.82	9.84	2.59	0.82
	Eland	5.04	0.86	0.14	5.04	0.86	0.14
	Zondereinde	27.98	5.56	5.00	28.38	5.57	5.08
	Total	61.62	3.89	7.70	62.25	3.89	7.79
UG2	Booysendal North mine	50.33	2.97	4.81	51.85	2.95	4.92
	Booysendal South mine	77.54	2.64	6.57	77.54	2.64	6.57
	Eland	3.77	3.14	0.38	3.77	3.14	0.38
	Zondereinde	63.93	4.26	8.75	64.54	4.26	8.83
	Total	195.57	3.26	20.51	197.70	3.26	20.70
Combined	Booysendal North mine	69.09	2.95	6.55	70.84	2.93	6.67
	Booysendal South mine	87.38	2.63	7.39	87.38	2.63	7.39
	Eland	8.81	1.84	0.52	8.81	1.84	0.52
	Zondereinde	91.91	4.65	13.75	92.92	4.66	13.91
	Total	257.19	3.41	28.21	259.95	3.41	28.49

* Quantities and grades have been rounded to two decimal places and therefore minor computational errors may occur.

Northam group resources estimate (combined measured, indicated and inferred)*

		As at 31 December 2018			As at 30 June 2018		
			4E			4E	
Reef	Operation	Mt	g/t	Moz	Mt	g/t	Moz
Merensky	Booysendal North	86.12	5.06	14.00	86.12	5.06	14.00
	Booysendal South	187.55	3.55	21.41	187.55	3.55	21.41
	Booysendal North mine	21.47	3.20	2.21	21.71	3.19	2.23
	Booysendal South mine	11.98	2.78	1.07	11.98	2.78	1.07
	Dwaalkop**	38.05	2.98	3.64	38.05	2.98	3.64
	Eland	4.82	1.03	0.16	4.82	1.03	0.16
	Zondereinde	208.29	7.46	49.94	208.88	7.45	50.05
	Total	558.28	5.15	92.43	559.11	5.15	92.56
UG2	Booysendal North	145.43	4.86	22.73	145.43	4.86	22.73
	Booysendal South	235.67	3.20	24.26	235.67	3.20	24.26
	Booysendal North mine	44.60	4.59	6.58	46.12	4.53	6.72

	Booysendal South mine	129.05	3.05	12.64	129.05	3.05	12.65
	Dwaalkop**	37.56	4.35	5.25	37.56	4.35	5.25
	Eland	147.43	4.04	19.16	147.43	4.04	19.16
	Zondereinde	339.05	5.05	55.03	340.00	5.05	55.16
	Total	1 078.79	4.20	145.65	1 081.26	4.20	145.92
Combined	Booysendal North	231.55	4.93	36.73	231.55	4.93	36.73
	Booysendal South	423.22	3.36	45.67	423.22	3.36	45.67
	Booysendal North mine	66.07	4.14	8.79	67.83	4.10	8.95
	Booysendal South mine	141.03	3.02	13.71	141.03	3.02	13.71
	Dwaalkop**	75.61	3.66	8.89	75.61	3.66	8.89
	Eland	152.25	3.95	19.32	152.25	3.95	19.32
	Zondereinde	547.34	5.97	104.97	548.88	5.96	105.21
	Total	1637.07	4.52	238.08	1 640.37	4.52	238.48

* Quantities and grades have been rounded to two decimal places and therefore minor computational errors may occur.
** Current and previous year's resources and reserves for Dwaalkop are quoted as at 30 September 2017.

Prill splits %	Pt	Pd	Rh	Au	Cr2O3%	Cu%	Ni%
Merensky	60.9	30.3	4.0	4.9	0.6	0.095	0.209
UG2	59.5	29.6	9.5	1.4	25.6	0.016	0.100

Changes to the board of directors
During the period under review the following changes to the board occurred:

Mr MH Jonas and Mr JJ Nel were appointed as independent non-executive directors, with effect from 6 November 2018.

Ms AH Coetzee was appointed as the chief financial officer and an executive director, with effect from 15 November 2018. Ms Coetzee replaced Mr AZ Khumalo following his resignation effective 1 November 2018.

Corporate governance
The group has adopted the King IV Report on Corporate Governance for South Africa, 2016 (King IV). The board and board sub-committee charters, code of ethics and various internal policies and procedures are in place to both regulate and guide the group's conduct as a responsible corporate citizen. Northam's application and explanation of the King IV principles is available on the Northam website at www.northam.co.za/downloads/send/92-2017/1162-king-iv.

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

The group manages its capital to ensure that it will be able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with. The capital structure of the group consists of debt, which includes borrowings disclosed in these condensed reviewed interim results, issued capital, reserves and retained earnings.

The condensed reviewed interim results have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The board of directors believes that the group will continue to have adequate financial resources and access to capital to continue operating for the foreseeable future and, accordingly, the condensed reviewed interim results have been prepared on a going concern basis.

Dividends
The company's dividend policy is to consider an interim and final dividend for each reporting period. At its discretion, the board of directors (board) may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board may pass a resolution for the payment of a dividend.

The quantum of any dividend would ultimately be subject to expected future market and capital commitments at the time of consideration by the board.

Given the continuing difficult conditions in the platinum mining industry, and taking into consideration the cash requirements to fund the development of the group's project pipeline and growth strategy, the board has resolved not to declare an interim dividend (H1 F2018: R Nil per share).

Outlook and key factors impacting future financial results
The following key factors will impact future financial results:

- Management of production and performance targets to ensure the successful execution of our business strategy - Management sets realistic strategic targets for the business. The success of the strategy will affect shareholders and stakeholders alike.
- Continuing to improve the safety performance and health and wellness of our workforce - The group strives to improve the safety performance and health and wellness of all employees. By continuously seeking to reduce injuries, applying appropriate technologies, communication and training and reinforcing operational standards and responsibilities we seek to improve the safety performance and health and wellness of our workforce.
- Effective project execution - The group has a large capital expansion programme in place to secure its future through the creation of long-life, low-cost operations. Successful project execution is key to creating a sustainable business for the long-term benefit of all our stakeholders.
- Effective cost control - The platinum sector remains under pressure from low metal prices and hence cost containment is key to the group's sustainability. We continue to strive to maintain our relative position in the lower half of the industry cost curve.

The global economic outlook remains uncertain resulting in volatile metal markets and exchange rates. The group's financial performance will depend on achieving higher metal sales prices and a stable operating performance. Management is confident that the group's strong financial position, prudent financial controls and the development of shallow, mechanisable operations at Booysendal and Eland will place the group in a position to take advantage of improved market conditions going forward.

Cost control will continue to remain a key focus area and management is confident that through various initiatives and increasing the production base that the unit cost will be well contained going forward.

On behalf of the board

KB Mosehla
Chairman

PA Dunne
Chief executive

Johannesburg
19 February 2019

Directors

KB Mosehla
(non-executive chairman)

R Havenstein
(lead independent director)

PA Dunne
(chief executive officer)#

AH Coetzee
(chief financial officer)

DH Brown*

CK Chabedi*

HH Hickey*

Dr NY Jekwa*

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Johannesburg
22 February 2019

Sponsor and Debt Sponsor
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