

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: NHM006	Bond ISIN: ZAG000158577
Bond code: NHM007	Bond ISIN: ZAG000158593
Bond code: NHM009	Bond ISIN: ZAG000158866
Bond code: NHM011	Bond ISIN: ZAG000159237
Bond code: NHM012	Bond ISIN: ZAG000160136
Bond code: NHM014	Bond ISIN: ZAG000163650
Bond code: NHM015	Bond ISIN: ZAG000164922
Bond code: NHM016	Bond ISIN: ZAG000167750
Bond code: NHM017	Bond ISIN: ZAG000167891
Bond code: NHM018	Bond ISIN: ZAG000168097
Bond code: NHM019	Bond ISIN: ZAG000168105
Bond code: NHM020	Bond ISIN: ZAG000172594

("Northam" or the "company" or the "group")

TRADING STATEMENT AND TRADING UPDATE

In terms of paragraph 3.4(b) of the JSE Limited Listings Requirements, companies are required to publish a trading statement as soon as they are satisfied, with a reasonable degree of certainty, that the financial results for the current reporting period will differ by at least 20% from the financial results of the previous corresponding period.

Northam will report an increase in operating profit for the six months ended 31 December 2020 ("H1 F2021"), underpinned by a satisfactory performance from all operations, against the backdrop of the ongoing global COVID-19 pandemic ("COVID-19").

Production and unit cash costs

A key feature of H1 F2021 has been the positive operational response to the ongoing challenges of COVID-19, whilst maintaining the health and safety of our employees. The strong performance from all the operations has led to the group producing equivalent refined metal comparable to pre-COVID-19 production schedules and at production levels higher than the previous corresponding period.

The group achieved a 15.0% increase in production from own operations at 352 741 oz 4E, compared to 306 738 oz 4E for the period ended 31 December 2019 ("H1 F2020"), notwithstanding the ongoing phased restart of operations, particularly impacting the conventional Zondereinde mine, where only 90% of mining crews have returned to work.

Purchased material decreased by 3.2% to 18 772 oz 4E (H1 F2020: 19 398 oz 4E). The cost of purchased material is determined by ruling commodity prices, resulting in a cost increase of 34.9%.

Group unit cash costs per equivalent refined platinum ounce increased above inflation, primarily due to Eland mine's production currently being derived from surface sources and purchased at prevailing metal prices.

The table below sets out the unit cash cost for the group and per operation for H1 F2021 compared to H1 F2020:

	Unit cash cost	Unit cash cost	
	H1 F2021	H1 F2020	
	R/Pt oz	R/Pt oz	% variance
Group cash cost per equivalent refined platinum ounce	27 660	24 780	(11.6%)
Zondereinde cash cost per equivalent refined platinum ounce	28 473	25 890	(10.0%)
Booyssendal cash cost per platinum ounce in concentrate produced	20 288	18 714	(8.4%)
Eland cash cost per platinum ounce in concentrate produced	39 476	29 227	(35.1%)

The key production measures for H1 F2021 compared to H1 F2020 are summarised in the table below:

	Equivalent refined production	Equivalent refined production	
	H1 F2021	H1 F2020	
	oz 4E	oz 4E	% variance
Production from Zondereinde	166 773	162 380	2.7%
Production from Booyssendal	165 864	128 876	28.7%
Production from Eland	20 104	15 482	29.9%
Total production from own operations	352 741	306 738	15.0%
Purchased material	18 772	19 398	(3.2%)
Total production	371 513	326 136	13.9%

Sales

Sales volumes during the period under review were adversely affected by the impact of factors arising as a result of COVID-19, in particular the negative effect on metal transport logistics during the last quarter of the previous financial year. Previously reported production losses, together with logistical hurdles, including border closures, resulted in reduced metal volumes sent to Northam's refiner in Germany which created a refining backlog. This in turn impacted available metal for sale during the period under review, due to the restocking of the inventory pipeline. As a result of the varying refining lead times affecting individual platinum group metals, the impact was predominantly experienced in respect of rhodium.

The resultant lower contribution of rhodium to overall sales during the period, distorted the average realised basket price achieved during H1 F2021 and consequently reduced cash inflows reported during the period. Excess rhodium in the pipeline will be released in the ordinary course of business and the relative contribution of rhodium to sales is expected to normalise during the course of the remainder of the current financial year.

Despite the adverse COVID-19 related impact on sales volumes, sales revenue increased by 51.9% from R7.8 billion in H1 F2020 to R11.9 billion for the period under review. This increase is attributable to a 49.7% increase in the average 4E basket price to USD2 160/oz (H1 F2020: USD1 443/oz), a 9.0% weaker ZAR/USD exchange rate realised and a 4.4% decrease in refined 4E ounces sold, for the reasons stated above.

Total revenue per platinum ounce sold increased by 53.8% to R61 307/Pt oz (H1 F2020: R39 864/Pt oz), resulting in a cash profit margin per platinum ounce in excess of 50%.

Total refined volumes remained marginally unchanged at 322 170 oz 4E (H1 F2020: 319 264 oz 4E).

The table below details the despatched metal volumes to Northam's precious metal refiner, compared to the refined metal volumes and sales volumes, in respect of the period under review:

	Despatched	Refined	Sales	Average sales prices achieved
	oz	oz	oz	USD/oz
Platinum	202 000	197 896	193 859	934
Palladium	100 500	98 843	96 854	2 296
Rhodium	30 000	21 097	20 268	13 296
Gold	4 200	4 334	4 339	1 895
Total oz 4E	336 700	322 170	315 320	2 160

Total refined metal sold in H1 F2020 amounted to 307 312 oz 4E.

Financial results

The group's financial results were impacted by lower sales volumes relative to actual production, which in turn impacted operating profit, the cash position of the group and therefore the net debt position as at 31 December 2020.

The combination of lower refined sales volumes and increased production resulted in a 25.5% increase in inventory on hand, to 276 235 oz 4E (F2020: 220 172 oz 4E on hand).

During the period under review, the group generated R1.9 billion in free cash flow, which was applied towards further purchases of Zambezi Platinum (RF) Limited ("**Zambezi**") preference shares. 74 974 739 Zambezi preference shares were acquired during H1 F2021 at a premium to face value (being the difference between the face value of the Zambezi preference shares and the price that Northam paid, together with transaction costs incurred on the purchases of these Zambezi preference shares), which resulted in a once off loss on derecognition of the Zambezi preference share liability of R0.9 billion.

The table below provides the key financial features of H1 F2021, compared to H1 F2020:

	H1 F2021	H1 F2020	% variance
Basic earnings per share (cents)	583.5 – 616.3	328.0	77.9% - 87.9%
Headline earnings per share (cents)	583.5 – 616.3	328.3	77.7% - 87.7%
Normalised headline earnings per share (cents)	623.0 – 660.0	369.6	68.6% - 78.6%
Number of shares in issue including treasury shares	509 781 212	509 781 212	–
Weighted average number of shares*	349 875 759	349 875 759	–

**Used to determine the basic and headline earnings per share, calculated as 509 781 212 shares in issue less 159 905 453 shares held by Zambezi. Zambezi is Northam's major empowerment shareholder and Zambezi's financial results are consolidated into the group's financial results.*

Capital expenditure

Capital expenditure reduced to R1.3 billion (H1 F2020: R1.4 billion). This is the combined result of capital trimming following the onset of COVID-19, together with capital projects having either been completed, or nearing completion at Booyssendal mine. R918.1 million (H1 F2020: R1.2 billion) was spent on expansionary capital expenditure and R380.5 million (H1 F2020: R200.5 million) on sustaining capital expenditure.

Projects that were temporarily scaled back include - the Central Merensky module at Booyssendal mine; aspects of the number 3 shaft project at Zondereinde mine; and the stoping build-up at Eland mine. Following greater market certainty developing during the second half of 2020, all curtailed growth projects were re-initiated in October 2020 and the majority of stoppage impacts have been clawed back. As such, the overall impact on the group's growth strategy will be minimal.

Group capital expenditure for F2021 is forecast to amount to R3.0 billion. However, the potential for further disruption to operations and the metal markets as a result of COVID-19 remains. We continue to monitor the market and will amend our capital program where and when prudent.

The group continues to execute on its strategy of developing low-cost, long-life assets in order to position itself at the lower end of the industry cost curve. We believe that the development of our project pipeline which builds on our pre-existing and acquired asset base is bearing fruit and will continue to position Northam to deliver a strong operational and financial performance.

Acquisition of Zambezi preference shares

Northam's strategy of returning value to shareholders remains unchanged and Northam believes that, to date, the most efficient mechanism to return value to Northam's shareholders has been through the purchase of Zambezi preference shares.

The acquisition of the Zambezi preference shares reduces the preference share dividend expense and liability included in Northam's consolidated financial results, as well as Northam's potential financial exposure under the guarantee provided to holders of Zambezi preference shares, should the guarantee be called upon. Furthermore, in the event that Zambezi elects to redeem the Zambezi preference shares through a distribution of Northam ordinary shares held by Zambezi, then the redemption of the Zambezi preference shares held by Northam at such time will result in a distribution of Northam shares to Northam, thereby reducing the number of Northam shares in issue.

During H1 F2021, Northam continued to purchase Zambezi preference shares and held 128 569 993 Zambezi preference shares at 31 December 2020, representing c.80.4% of all Zambezi preference shares in issue. During the period under review Northam acquired 74 974 739 Zambezi preference shares for a consideration of R6.9 billion, which was financed by means of internally generated cash, the issue of R1.5 billion worth of Domestic Medium-Term Notes and draw downs on the revolving credit facility, increasing the net debt position of the group to R8.8 billion as at 31 December 2020 (F2020: R3.3 billion).

To date, purchases of Zambezi preference shares have amounted to R10.9 billion. The average premium paid on these purchases amounts to 8.4% (expressed as a percentage to face value, being the capital amount and all accrued Zambezi preference share dividends, calculated on the date of each acquisition).

Northam achieving more than 80% ownership of the Zambezi preference shares represents a significant step in the pursuit of the company's previously stated intention to accelerate the maturity of the empowerment transaction concluded between Northam and Zambezi in May 2015, as announced on 2 November 2020.

Conclusion

In summary, whilst the COVID-19 pandemic and its wide-ranging knock-on effects adversely impacted sales and the metal in pipeline during the period under review, the underlying operations have performed well.

The financial information contained in this announcement has not been reviewed or reported on by Northam's auditors. The reviewed results for the six months ended 31 December 2020 are expected to be published on or about 19 March 2021.

Johannesburg
16 February 2021

Sponsor and Debt Sponsor
One Capital