

# NORTHAM

PLATINUM HOLDINGS LIMITED

## NORTHAM PLATINUM HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number: 2020/905346/06

Share code: NPH ISIN: ZAE000298253

(“**Northam Holdings**” or, together with its subsidiaries,  
“**Northam**” or the “**group**”)

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PLATINUM LIMITED

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Incorporated in the Republic of South Africa

Registration number: 1977/003282/06

Debt issuer code: NHMI

Bond code: NHM015 Bond ISIN: ZAG000164922

Bond code: NHM016 Bond ISIN: ZAG000167750

Bond code: NHM018 Bond ISIN: ZAG000168097

Bond code: NHM019 Bond ISIN: ZAG000168105

Bond code: NHM020 Bond ISIN: ZAG000172594

Bond code: NHM021 Bond ISIN: ZAG000181496

(“**Northam Platinum**”)

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## VOLUNTARY TRADING STATEMENT AND TRADING UPDATE

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*Highlights for the year under review, 30 June 2022 (F2022)*

- Significant value creation, value unlock and value return for shareholders associated with the successful acceleration of the Zambezi BEE transaction
- Acquisition of a strategic shareholding in RBPlat, aligned with our growth strategy, also yielding dividend income
- Continued progress with our organic growth projects, which remain on track
- Solid operational performance, considering the specific challenges encountered
- Satisfactory financial performance, notwithstanding margin pressures associated with the prevailing global above-inflationary cost environment and lower 4E metal prices
- Net debt to EBITDA of 0.97, within our self-imposed target ratio of 1:1 during the pursuance of the group’s growth strategy

### *Introduction*

As published on SENS on 20 September 2021, Northam Holdings was introduced as the new holding company for the group by way of a share exchange implemented on a one for one basis, in terms of which Northam Platinum shareholders (excluding Zambezi Platinum (RF) Proprietary Limited (previously Zambezi Platinum (RF) Limited), (“**Zambezi**”) exchanged their ordinary shares in Northam Platinum (“**Northam Platinum shares**”) for ordinary shares in Northam Holdings (“**Northam Holdings shares**”). Consequently, Northam Platinum became a subsidiary of Northam Holdings and all Northam Platinum shares in issue were delisted from the Main Board of the securities exchange operated by the JSE Limited (“**JSE**”) and all Northam Holdings shares in issue were listed on the Main Board of the JSE, thereby ensuring the seamless continuation of the group’s listing.

In light of the above, the consolidated financial results of Northam Holdings for the year ended 30 June 2022 (“**F2022**”) are reflected as a continuation and comparison of the group’s financial results. Northam Platinum is therefore effectively the comparative predecessor for financial reporting purposes.

Northam Holdings expects to deliver satisfactory financial results for F2022, despite significant inflationary pressures and a decrease in the average 4E dollar price achieved.

The table below provides key financial features for F2022 (Northam Holdings), compared to those for the year ended 30 June 2021 (“**F2021**”) (Northam Platinum) as follows:

Metric	F2022	F2021	% variance
Basic earnings per share (cents)	2 480.8 – 2 749.0	2 681.8	(7.5%) – 2.5%
Headline earnings per share (cents)	2 476.7 – 2 745.5	2 687.9	(7.9%) – 2.1%
Normalised headline earnings per share (cents)	2 467.2 – 2 680.4	2 131.9	15.7% – 25.7%
Number of shares in issue including treasury shares <sup>1</sup>	396 615 878	509 781 212	(22.2%)
Weighted average number of shares in issue <sup>1 &amp; 2</sup>	376 533 113	349 875 759	7.6%

1. Since the consolidated financial results of Northam Holdings are in substance a continuation of the group, the shares used in calculating the number of issued shares and weighted average number of issued shares are based on the issued stated capital of the entity listed on the JSE at the relevant stage (i.e. Northam Platinum for F2021 and Northam Holdings for F2022), used to determine normalised headline earnings per share.

2. Used to determine the basic and headline earnings per share.

The total number of shares in issue reduced by approximately 22.2% as a result of, *inter alia*:

- a reduction in Northam Platinum shares pursuant to the early maturity of the broad-based black economic empowerment (“**B-BBEE**”) transaction with Zambezi (“**Zambezi BEE transaction**”) (shareholders are referred to the combined circular dated Monday, 31 May 2021 (“**Circular**”) for further details); and
- a subsequent issue of 34 399 725 Northam Holdings shares to Royal Bafokeng Investment Holding Company Proprietary Limited (“**RBH**”) in settlement of a portion of the purchase consideration for the acquisition of Royal Bafokeng Platinum Limited (“**RBPlat**”) shares (“**RBPlat shares**”) from RBH (shareholders are referred to the announcements published by Northam on SENS on 9 and 19 November 2021 for further details).

#### *Production and unit cash costs*

Notwithstanding the array of challenges faced in F2022, our operations collectively achieved a steady increase in production and our growth projects remain on track.

A key feature has been the difficult operational environments at the Zondereinde and Booyensdal mines. During the first half of F2022, Zondereinde tragically suffered two mining-related fatalities, together with increased medical absences relating to the COVID-19 pandemic. Booyensdal was affected by regional community unrest, which impacted the entire eastern Bushveld region, throughout the financial year, which resulted in lost production shifts, and was also affected by the intersection of a lower grade reef package in the upper southern portion of the North UG2 mine, which led to a decrease in concentrator feed grade. These challenges and external events negatively impacted the group’s metal production and unit cash costs during the period.

Despite the aforementioned challenges, the group’s equivalent refined metal from own operations increased to 716 488 oz 4E (F2021: 690 867 oz 4E). Zondereinde recorded improved production during the second half of F2022, whilst production growth from Booyensdal was lower than forecast as a result of lower grade mined at Booyensdal North.

In respect of our current expansionary projects, development of the Western extension at Zondereinde has progressed well; Booyssendal has made good progress on South mine, whilst recording 7 million fatality-free shifts and remaining fatality free since inception; and Eland continues its ramp-up, with the addition of the recently acquired Maroelabult section adding considerable synergistic benefits.

Group unit cash costs per equivalent refined platinum ounce increased by 18.9% to R34 069/Pt oz (F2021: R28 662/Pt oz) on the back of cost increases at all of the operations. Cash costs per equivalent refined platinum ounce increased by 14.8% at Zondereinde to R34 828/Pt oz (F2021: R30 350/Pt oz), 21.9% at Booyssendal to R25 321/Pt oz (F2021: R20 780/Pt oz), and 29.5% at Eland to R55 594/Pt oz (F2021: R42 928/Pt oz). These increases were primarily driven by (i) above-inflationary increases in chemicals, steel components, emulsions and fuel, (ii) an increase in the number of employees in service as the group continues to grow the labour complement to enable the planned expanded production profile together with the negotiated wage increase for our employees and (iii) lower concentrator feed grades from the Booyssendal North UG2 mine.

A large portion of Eland mine's production is currently being derived from surface sources in order to ensure appropriate start-up volume throughput levels and purchased at prevailing metal prices. This impacted the unit cash cost for Eland, as well as that of the group.

Unit cash costs for the group and per operation for F2022 compared to F2021 were as follows:

	Unit cash cost		% variance
	R/Pt oz		
	F2022	F2021	
Group cash cost per equivalent refined platinum ounce	34 069	28 662	(18.9%)
Zondereinde cash cost per equivalent refined platinum ounce	34 828	30 350	(14.8%)
Booyssendal cash cost per platinum ounce in concentrate produced	25 321	20 780	(21.9%)
Eland cash cost per platinum ounce in concentrate produced	55 594	42 928	(29.5%)

Key production metrics for F2022 compared to F2021 were as follows:

	Equivalent refined production		% variance
	oz 4E		
	F2022	F2021	
Own production from Zondereinde	321 962	312 302	3.1%
Own production from Booyssendal	362 352	346 790	4.5%
Own production from Eland	32 174	31 775	1.3%
Total production from own operations	716 488	690 867	3.7%
Purchased material	61 961	55 707	11.2%
Total production including purchased material	778 449	746 574	4.3%

The cost of purchased concentrates and recycling material decreased by 9.4%, despite 4E volumes purchased increasing by 11.2%. This was a result of changes in the ruling commodity prices as well as the prill split of the purchased material, which contained more platinum and rhodium and less palladium in the year under review, compared to the previous corresponding period.

## Sales

Sales volumes for the current financial year were impacted by the planned rebuild and upgrade of smelter furnace 1 at the Zondereinde metallurgical complex ("**smelter furnace 1**"), which commenced during May 2021 and was successfully completed at the end of October 2021.

Sales revenue for F2022 amounted to R34.1 billion, an increase of 4.4% year on year (F2021: R32.6 billion). The increase in sales revenue was the combined result of:

- a 12.8% increase in 4E sales volumes;
- a 13.4% decrease in the average 4E US dollar (USD) basket price, from USD3 049/4E oz during F2021 to USD2 640/4E oz achieved for F2022; and
- a 1.7% weakening in the Rand against the USD, from R15.00 to R15.26.

The minor metals, iridium and ruthenium, continue to perform well, with average USD metal prices per ounce increasing by 10.8% and 58.2% respectively. It is expected that iridium and ruthenium, which are critical to the growing hydrogen economy, will become increasingly significant contributors to revenue. Base metals also performed well with the USD price of nickel and chrome increasing on average by 44.8% and 54.2%, respectively, and the average USD price for copper increasing by 19.1%, on a per tonne basis.

Total revenue per platinum ounce sold decreased by 11.3% to R73 828/Pt oz, from R83 277/Pt oz in F2021. This resulted in a cash profit margin per platinum ounce of 53.9% (F2021: 65.6%).

The table below summarises dispatched metal volumes to the group's precious metal refiners, compared to metal volumes refined and sold, together with the average achieved USD sales prices per metal. The table does not include attributable ounces relating to Northam's investment in RBPlat.

Metal	Dispatched	Refined	Total metal sold (including the sale of concentrate)	Average sales prices achieved
	oz	oz	oz	USD/oz
Platinum	466 681	448 133	461 403	996
Palladium	213 592	202 184	204 593	2 179
Rhodium	66 694	61 174	63 592	16 160
Gold	8 617	8 089	8 335	1 851
Total 4E	755 584	719 580	737 923	2 640

Despite the planned rebuild and upgrade of smelter furnace 1 during the first half of F2022 total refined volumes increased by 9.7% to 719 580 oz 4E (F2021: 655 741 oz 4E).

Concentrate sold to a third party to honour legacy offtake agreements relating to the Everest and Maroelabult operations contained 36 305 oz 4E (F2021: nil). Refined metal sold to the group's customers totalled 701 618 oz 4E (F2021: 654 057 oz 4E).

The services of a second precious metal refiner were engaged during F2022, to cater for the group's medium to long-term production growth profile.

## Financial results

Despite the 12.8% growth in sales volumes, lower average metal prices and an above-inflationary cost environment negatively impacted the annual financial results. Cost of sales increased by 16.1% which, combined with the 4.4% increase in sales revenue, resulted in operating profit decreasing by 7.6% to R14.9 billion for the year under review (F2021: R16.1 billion).

We operate a largely fixed cost business and consider the best defence against current global inflationary pressures to be increasing production and doing so efficiently. Our capital allocation and treasury decisions have been guided by our growth strategy and we have been consistent in our approach of growing our production base down the industry cost curve.

Earnings before interest, taxation, depreciation and amortisation (“**EBITDA**”) was marginally lower at R16.5 billion (F2021: R16.7 billion).

As at 30 June 2022, inventory on hand amounted to approximately 353 000 oz 4E, which was valued at c. R18.8 billion when applying the 4E basket price and exchange rate at year end.

The group generated cash flows from operating activities of R11.4 billion during F2022 (F2021: R12.1 billion). Northam invested R8.4 billion towards the Composite Transaction (as contemplated in the Circular) and a further R8.4 billion towards the investment in RBPlat. This, together with, *inter alia*, our ongoing investment in expansionary capital expenditure resulted in net debt increasing to R16.0 billion, including the deferred portion of the purchase consideration relating to the acquisition of the RBPlat shares, amounting to R1.7 billion as at 30 June 2022.

As previously communicated to shareholders, Northam is comfortable with a self-imposed long-term net debt to EBITDA ratio (“**debt ratio**”) of 1 to 1 in the pursuance of the group’s growth strategy. As at 30 June 2022, the debt ratio was 0.97, falling within the group’s self-imposed target.

The following additional factors contextualises the net debt position of the group:

- Net debt approximates the value of our 34.52% investment in RBPlat, which is a liquid asset represented by 100 219 552 RBPlat shares listed on the JSE.
- The value of our 4E inventory at year-end (market value of c. R18.8 billion) exceeds net debt.

For the year under review, the group’s share of earnings from RBPlat amounted to R777.0 million (included in EBITDA and calculated for the period from 19 November 2021 until 30 June 2022, adjusted for additional RBPlat shares purchased on-market by Northam during December 2021, as announced on SENS on 7 December 2021). A dividend of R536.2 million was declared and received in respect of Northam’s shareholding in RBPlat. In addition, subsequent to the year end a further dividend of R245.5 million was declared in respect of Northam’s shareholding in RBPlat. As at 30 June 2022, RBPlat reported net cash on hand (after taking into account the RBPlat dividend declaration in respect of this period) of R4.2 billion. This equates to c. R14.37 of cash per RBPlat share currently in issue.

## Investment in RBPlat

During the first half of F2022, Northam made a strategic investment by acquiring a significant shareholding in RBPlat, as published on SENS on 9 and 19 November 2021. Further acquisitions by Northam of RBPlat shares were announced on SENS on 7 December 2021. Shareholders are referred to the relevant announcements for details regarding the RBPlat investment.

As at 30 June 2022, Northam held 100 219 552 RBPlat shares. As set out in more detail in the 7 December 2021 SENS announcement, Northam has the option to increase its shareholding in RBPlat by purchasing up to a further 6 145 798 RBPlat shares (“**option shares**”) at R137.38 per share (calculated as at 30 June 2022, including escalation and after taking

into account the dividends declared), as well as a right of first refusal to acquire a further 3 367 673 RBPlat shares (“**ROFR shares**”). The total RBPlat shares held, as well as the option shares and ROFR shares, represent 37.8% of RBPlat’s total issued shares.

For illustrative purposes, if Northam were to acquire all the option shares as at 30 June 2022 at R137.38 per option share, Northam’s weighted average cost per RBPlat share, in respect of its RBPlat shares, would amount to R164.63 (net of dividends declared). Taking into account the net cash on hand (after taking into account the RBPlat dividend declaration in respect of their interim period), the illustrative weighted average cost decreases to R150.26 per RBPlat share.

Northam believes that its investment in RBPlat holds the potential for substantial long-term value creation. It provides inherent optionality and its complementary metal mix, with a higher relative platinum contribution, fits well within the broader Northam basket. The RBPlat assets are young, shallow, large, well-capitalised and occupy a strategically important position in the Western Bushveld.

### *Capital expenditure*

Capital expenditure increased to R4.6 billion (F2021: R3.3 billion). This is in line with our capital schedule and is the combined result of increased expansionary capital of R3.1 billion (F2021: R1.8 billion), together with a marginal decrease in sustaining capital expenditure to R1.4 billion (F2021: R1.5 billion).

Expansionary capital expenditure increased as a result of significant development on the Western extension project at Zondereinde, together with the ongoing ramp-up at Eland. Sustaining capital expenditure at Booyendal increased due to a number of extensions to strike belts and the first significant fleet replacements, whilst sustaining capital requirements at our metallurgical operations decreased following the commissioning of the rebuilt smelter furnace 1 at Zondereinde.

Significant ongoing expansion is planned for the Western extension at Zondereinde, as well as at Eland, over the next two years. Consequently, group capital expenditure for the current financial year is estimated to amount to R5.4 billion. We continue to monitor the market and the societal landscape and our capital program will be amended, when and where prudent, to cater for adverse developments including, *inter alia*, (i) global geopolitical issues which hold the potential for further disruption to the metal markets, (ii) the ongoing regional community unrest in the eastern Bushveld and (iii) the lingering effects of COVID-19 on our workforce.

At Zondereinde mine, stoping is ramping-up within the Western extension and further progress has been made on the deepening project. Reaming of number 3 shaft was completed during April 2022 and equipping is in progress. Pilot drilling of 3a ventilation shaft commenced during the second half of the year and has reached a depth of 650 metres. Both shafts are scheduled to be commissioned during the 2024 financial year. At the metallurgical facilities, upgrades to the material handling infrastructure, together with the planned rebuild of smelter furnace 1, were completed. Capacity upgrades at the base metal removal plant have commenced, in line with our growth profile.

The development of an 11 MW solar power farm to provide electricity to the metallurgical complex commenced. The design and permitting phases for this installation have been concluded and earthworks are in progress. The project was temporarily suspended as a result of global supply chain disruptions resulting from COVID-19, but the project is progressing. In addition, preliminary work on a larger solar facility has commenced.

The development of Booyendal South is progressing well despite work stoppages due to community unrest in the region. Underground development and stoping ramp-up at the Central UG2 modules is progressing, and the steady state complement of stoping crews is in place. Decline development at the South Merensky module is on track. Underground stoping has commenced at the BS4 UG2 module and will ramp-up during the coming 12 months. The North aerial rope conveyor was commissioned in December 2021 and is operating within design parameters.

At Eland mine, processing of ore from surface sources continues, whilst underground and open pit feed are being batch treated. Development of the Kukama decline system has progressed well, as has strike development to connect with Maroelabult mine, which was purchased from Barplats Mines Proprietary Limited, a subsidiary of Eastern Platinum Limited. Underground stoping ramp-up is in progress. In addition, open-pit mining of UG2 commenced in the eastern portion of the Eland mining right during the first quarter of the financial year. First ore was delivered to the concentrator during the second quarter of the financial year.

## *Conclusion*

In summary, whilst the operating environment has been particularly challenging, the group expects to deliver a solid set of results whilst achieving significant strategic advancements, including:

- continued progress in respect of the group's organic growth projects, which remain on track;
- significant value creation, value unlock and value return for our shareholders, arising from the successful acceleration of the maturity of the Zambezi BEE transaction;
- a significant reduction in issued share capital structured into the acceleration of the maturity of the Zambezi BEE transaction;
- the incorporation of Northam Holdings, which optimises the structure of the group for Northam's future growth; and
- the significant strategic investment in RBPlat, structured to include RBH as a strategic empowerment shareholder in Northam, representing the interests of the Royal Bafokeng Nation, home to RBPlat employees and communities.

The financial information contained in this announcement is the responsibility of the board of directors of Northam Holdings and has not been reviewed or reported on by Northam Holdings' auditors. The audited results for Northam Holdings for F2022 are expected to be published on or about 26 August 2022.

Johannesburg

17 August 2022

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**Corporate Advisor and Sponsor to Northam Holdings**   **Attorneys to Northam Holdings and Northam Platinum**

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