

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2018

Highlights

- SizweNtsalubaGobodo Grant Thornton Inc. have been appointed as external auditors of the Wesizwe Platinum Limited group, replacing KPMG.
- The BPM project remains viable, an impairment assessment was done and the project continues to yield promising future prospects.
- The flat development and construction contractor for 69 and 72 levels commenced with preparations for production and construction. The first blast was achieved on the 10th of August 2018.
- Tender proposals for the 77 and 81 levels flat development and construction are currently being adjudicated.
- The commissioning of the hoisting system as well as conveyor belts CV 002 on 77 level and CV001 on surface has been completed.
- The Company continues to review the life of mine plan. Revision 6.2 is currently applicable after approval by the Board. Approval was essential due to operational as well as strategic delays in the full implementation of Rev 6.1. The new revision is a response to deferred works in line with cash preservation measures that were implemented. Focus was placed on critical Phase 1 work in order to preserve cash. Under revision 6.2, plan peak production date shifts from June 2022 to April 2023.
- The Company completed the construction of civil and electrical services for the Gabonewe Housing Estate, an integrated community and employee future residential estate.
- The Company continues to deliver of its current SLP program, with the focus on its community water delivery project.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Six months ended 30 June 2018 Reviewed R'000	Six months ended 30 June 2017 Reviewed R'000	Year ended 31 December 2017 Audited R'000
ASSETS	Note			
Non-current assets		8 130 889	7 413 248	7 512 870
Property, plant and equipment	5	8 046 342	6 974 025	7 454 753
Intangible assets		1 139	2 466	1 709
Available-for-sale financial asset	6	10 564	331 100	10 564
Restricted cash	7	72 844	105 657	45 844
Current assets		927 835	758 233	466 707
Other receivables		94 424	69 051	51 244
Inventories		9 338	10 258	-
Taxation receivable		344	-	293
Restricted cash	7	-	57 000	27 000
Cash and cash equivalents		823 730	621 924	388 170
TOTAL ASSETS		9 058 725	8 171 481	7 979 577
EQUITY AND LIABILITIES				
Capital and reserves		2 997 940	3 126 168	3 012 923
Stated capital	8	3 425 544	3 425 544	3 425 544
Accumulated loss		(427 604)	(299 376)	(412 621)
Non-current liabilities		6 002 751	4 936 346	4 868 607
Deferred tax liability		206 400	322 612	379 867
Interest-bearing borrowings		5 733 976	4 550 522	4 426 426
Mine closure and environmental rehabilitation obligation	13	60 313	56 239	58 691
Deferred bonus plan provision		2 062	6 973	3 623
Current liabilities		58 034	108 967	98 047
Trade and other payables		58 034	108 668	98 047
Taxation		-	299	-
TOTAL EQUITY AND LIABILITIES		9 058 725	8 171 481	7 979 577

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June 2018 Reviewed R'000	Six months ended 30 June 2017 Reviewed R'000	Year ended 31 December 2017 Audited R'000
Administration expenditure		(132 661)	(174 440)	(346 192)
Project related expenses capitalised		122 367	168 525	335 974
Profit on sale of property, plant and equipment		-	-	1 803
Loss on scrapping of property, plant and equipment		-	(5)	(5)
Net operating costs		(10 294)	(5 920)	(8 420)
Impairment of available-for-sale financial asset reclassified from other comprehensive income		-	(179 800)	(500 336)
Finance income		10 256	29 754	48 859
Finance expense		(127 604)	(120 443)	(249 127)
Net foreign exchange (loss)/gain		(496 464)	210 736	460 990
Finance costs capitalised		435 655	106 937	232 955
Net finance (loss)/income		(178 156)	226 984	493 677
Profit/(loss) before tax		(188 450)	41 264	(15 079)
Income tax	9	173 467	(22 221)	(79 123)
Profit/(loss) for the period		(14 983)	19 043	(94 202)
Other comprehensive income items that are or may be reclassified subsequently to profit or loss				
Loss on fair value movements of available-for-sale financial asset	6	-	(179 800)	(500 336)
Tax on other comprehensive income		-	40 275	56 613
Reclassification of available-for-sale financial asset to profit or loss		-	179 800	500 336
Related tax		-	(40 275)	(56 613)
Total other comprehensive income		-	-	-
Total comprehensive income/(loss) for the period		(14 983)	19 043	(94 202)
Basic and diluted earnings/(loss) per share (cents)	16	(0.92)	1.17	(5.79)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated/ share capital R'000	(Accumulated loss) R'000	Total R'000
Balance at 1 January 2017	3 425 544	(318 419)	3 107 125
Profit for the period	-	19 043	19 043
Loss for the period	-	(19 043)	(19 043)
Balance at 30 June 2017	3 425 544	(299 376)	3 126 168
Loss for the period	-	(113 245)	(113 245)
Loss for the period	-	(113 245)	(113 245)
Balance at 31 December 2017	3 425 544	(412 621)	3 102 923
Loss for the period	-	(14 983)	(14 983)
Loss for the period	-	(14 983)	(14 983)
Balance at 30 June 2018	3 425 544	(427 604)	2 997 940

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2018 Reviewed R'000	Six months ended 30 June 2017 Reviewed R'000	Year ended 31 December 2017 Audited R'000
Cash flows (utilised)/generated by operating activities	(99 609)	(54 124)	19 143
Finance income	11 191	17 235	39 300
Finance expense	(1)	(2)	(377)
Taxation paid	(53)	(3 003)	(3 245)
Taxation received	-	-	3
Cash (utilised)/generated in operations	(88 472)	(39 894)	54 824
Cash flows utilised by investing activities			
Acquisition of property, plant and equipment	(315 323)	(576 032)	(1 101 882)
Net cash outflow from investing activities	(315 323)	(576 032)	(1 101 882)
Cash flows from financing activities			
Interest-bearing borrowings raised	840 290	781 034	891 769
Net cash inflow from financing activities	840 290	781 034	891 769
Net increase/(decrease) in cash and cash equivalents	436 495	165 108	(155 289)
Cash and cash equivalents at the beginning of the period	460 079	615 368	615 368
Cash and cash equivalents at the end of the period	896 574	780 476	460 079
Cash at end of the period comprises:			
Cash balances	823 730	621 924	388 170
Less: Interest accrued	-	(4 105)	(935)
Cash and cash equivalents	823 730	617 819	387 235
Restricted cash	72 844	162 657	72 844
Cash at the end of the period	896 574	780 476	460 079

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

- The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, as well as income and expense. Actual results may differ from these estimates.
- The significant unobservable inputs are:
- | | Six months ended 30 June 2018 Reviewed | Year ended 31 December 2017 Audited |
|---|--|-------------------------------------|
| US\$ exchange rate (ZAR) up to 2025/2021 | 13.23 - 14.97 | 13.64 - 14.21 |
| US\$ exchange rate (ZAR) long-term | 15.87 | 14.64 |
| Pt price (US\$/oz) up to 2025/2021 | 1 059 - 1 191 | 1 011 - 1 048 |
| Pt price (US\$/oz) long-term | 1 353 | 1 383 |
| Pd price (US\$/oz) up to 2025/2021 | 1 097 - 1 340 | 923 - 925 |
| Pd price (US\$/oz) long-term | 1 138 | 925 |
| Rh price (US\$/oz) up to 2025/2021 | 1 931 - 1 995 | 1 030 - 1 054 |
| Rh price (US\$/oz) long-term | 1 584 | 1 030 |
| Au price (US\$/oz) up to 2025/2021 | 1 138 - 1 302 | 1 200 - 1 268 |
| Au price (US\$/oz) long-term | 1 296 | 1 200 |
| Weighted Average Cost of Capital (%) (Real) | 11.11 | 11.22 |

Except as described below, in preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation are consistent with those that applied to the consolidated financial statements for the year ended 31 December 2017.

4. **Going concern**
The Group's cash resources at the reporting date of R824 million (June 2017: R622 million) together with the available drawdown facility from the loan funding secured from China Development Bank ("CDB") are sufficient, based on current budgets, to conduct operations and develop the Bakubung Platinum Mine Project ("BPM") up to the fourth quarter of 2019.

5. **Property, plant and equipment**
During the period under review an amount of R596 million was capitalised to property, plant and equipment as part of the activities to develop the mine and related construction activities.

At the reporting date, property, plant and equipment consisted of the following categories of assets:

	Property, plant and equipment R'000	Construction Work-in-progress R'000	Mineral Rights R'000	Total R'000
Opening balance	68 099	6 328 925	1 057 729	7 454 753
Acquisitions during the period	658	595 136	-	595 794
Disposals	-	-	-	-
Depreciation	(4 199)	(6)	-	(4 205)
Closing balance	64 558	6 924 055	1 057 729	8 046 342

No additions have been made in respect of mineral rights during the period under review.

6. **Available-for-sale financial asset**

	Six months ended 30 June 2018 Reviewed R'000	Six months ended 30 June 2017 Reviewed R'000	Year ended 31 December 2017 Audited R'000
Opening balance	10 564	510 900	510 900
Impairment/fair value adjustment	-	(179 800)	(500 336)
Closing balance	10 564	331 100	10 564

7. **Restricted cash**
Restricted cash covers the following guarantees:
Non-current:
• R44.8 million (December 2017: R44.8 million) in favour of Eskom for phase 1 and phase 2 bulk power supply to the BPM; and
• R28 million (December 2017: R1 million non-current and R27 million current) in favour of the Department of Mineral Resources for environmental obligation.

8. **Stated capital**

	Six months ended 30 June 2018 Reviewed R'000	Six months ended 30 June 2017 Reviewed R'000	Year ended 31 December 2017 Audited R'000
Authorised	2 000 000 000 no par value ordinary shares	-	-
(2017: 2 000 000 000 no par value ordinary shares)	-	-	-
Issued	1 627 827 058 no par value ordinary shares	1 627 827 058 no par value ordinary shares	1 627 827 058 no par value ordinary shares
	3 425 544	3 425 544	3 425 544

9. **Taxation**

	Six months ended 30 June 2018 Reviewed R'000	Six months ended 30 June 2017 Reviewed R'000	Year ended 31 December 2017 Audited R'000
Current year - normal taxation	-	(1 745)	(1 391)
Current year - deferred taxation	173 467	(20 476)	(77 732)
Total	173 467	(22 221)	(79 123)
Reconciliation of effective tax rate	%	%	%
Standard tax rate	28.0	28.0	28.0
Non-deductible expenses	-	1.1	(8.2)
Deferred tax asset not raised	-	0.4	(450.6)
Fair value gain/loss on available-for-sale financial asset at CGT rate in the subsidiary	-	24.4	(93.9)
Change in CGT inclusion rate in the subsidiary	64.0	-	-
Effective rate	92.0	53.9	(524.7)

10. **Report of the Independent Auditor**
The condensed consolidated interim financial statements for the six months ended 30 June 2018 have been reviewed by SizweNtsalubaGobodo Grant Thornton Inc., who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

11. Segment reporting

No segment reporting has been produced as the group is conducting construction activities in one geological location which represents it's only business activity with no revenue yet.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results for the Group as a whole are reviewed regularly by the Group's CEO to make decisions about resources to be allocated and to assess its performance.

12. Mineral resources

There were no changes to the mineral resources for the six months ended 30 June 2018.

13. Mine closure and environmental rehabilitation obligation

The change in the obligation is due to the time value of money adjustment for the period of R1.6 million being recognised.

14. Subsequent events

No material events have occurred after the reporting period and up to the date of this report that required further disclosure in these financial results.

15. Commitments

At 30 June 2018 the Group had commitments to the value of R385 million (December 2017: R356.5 million). This amount includes capital commitments amounting to R382 million.

16. Earnings/(loss) per share

	Six months ended 30 June 2018 Reviewed	Six months ended 30 June 2017 Reviewed	Year ended 31 December 2017 Audited
The basis of calculation of basic earnings/(loss) per share is:			
Attributable earnings/(loss) to ordinary shareholders (Rand)	(14 983 004)	19 043 281	(94 202 401)
Weighted average number of ordinary shares in issue (shares)	1 627 827 058	1 627 827 058	1 627 827 058
Basic earnings/(loss) share (cents)	(0.92)	1.17	(5.79)
The basis of calculation of diluted earnings/(loss) per share is:			
Attributable earnings/(loss) to ordinary shareholders (Rand)	(14 983 004)	19 043 281	(94 202 401)
Weighted average number of ordinary shares in issue (shares)	1 627 827 058	1 627 827 058	1 627 827 058
Diluted earnings/(loss) per share (cents)	(0.92)	1.17	(5.79)
The basis of calculation of headline earnings/(loss) per share is:			
Attributable earnings/(loss) to ordinary shareholders (Rand)	(14 983 004)	19 043 281	(94 202 401)
Adjustments:			
Loss on scrapping of property, plant and equipment	-	139 528 148	442 299 125
Loss on fair value adjustment of available-for-sale financial asset net of tax	-	3 348	3 348
	-	(139 524 800)	443 723 625
Headline earnings/(loss) (Rand)	(14 983 004)	158 571 429	348 226 724
Weighted average number of ordinary shares in issue (shares)	1 627 827 058	1 627 827 058	1 627 827 058
Headline and diluted headline earnings per share (cents)	(0.92)	9.74	21.39

Commentary

1. **Financial overview**
As the Group is currently in development phase of the BPM.
- The loss for the six months under review is R14.983 million (compared to a profit of R19.0 million for the same period in 2017) as set out in the condensed consolidated statement of profit and loss and other comprehensive income.
- Administration expenses of R132.7 million (June 2017: R174.4 million) include the following:
 • Depreciation and amortisation – R4.8 million (June 2017: R6.0 million);
 • Professional fees – R23.9 million (June 2017: R57.5 million);
 • Directors' expenses – R5.7 million (June 2017: R4.8 million);
 • Salaries and payroll related expenses – R71.5 million (June 2017: R67.2 million);
 • Marketing expenses and investor relations – R0.3 million (June 2017: R0.8 million);
 • Electricity and water – R21.4 million (June 2017: R13.6 million);
 • Consumables utilised – R1.4 million (June 2017: R13.3 million); and
 • Other administrative overheads – R3.7 million (June 2017: R11.2 million).
- During the six months under review, the administration expenses decreased by 23.9% compared to the corresponding period in 2017 as a result of cost measures put in place.
- The basic loss per share for the period was 0.92 cents per share (2017: 1.17 cents earnings per share for the same period). The headline loss per share was 0.92 cents per share (2017: 9.74 earnings cents per share for the same period).

1.1 These interim financial statements were prepared by Titus Khiba (Financial Accountant) and the preparation was supervised by Mr Feng Tao (Financial Director).

1.2 The directors take full responsibility for the preparation of the report and that the financial information has been correctly extracted from the underlying interim financial statements.

2. Project funding

As previously reported, Wesizwe concluded and signed all Project Financing Agreements for the US\$650 million loan facility with CDB. As at the 30th of June 2018, drawdowns amounting to \$428.8 million have occurred.

3. Project update – Bakubung Platinum Mine

3.1 **Concentrator plant**
Delivery of the concentrator plant conveyors commenced and construction of the plant is expected to commence in the first quarter of 2019.

3.2. Services