wesizwe

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2019

Highlights

The BPM mine development continues as per the recently announced new business plan of commissioning a smaller mine with a process plant to produce and treat 1 million tonnes per annum by the third quarter of 2020. The company's 2019 performance measured against the company scorecard as of June 2019 are as follows:

1. SHE Management

a) The actual Lost Time Injury Frequency Rate (LTIFR) of 0.00 vs a planned threshold of 0.59 for the year.
b) There is however a surge in our Serious Injury Frequency Rate (SIFR) of 1.09 vs a planned threshold of 0.34.
c) In order to improve safety efficiencies, the company has increased risk assessments and continuously reviews standards.
d) In order to prevent safety incidents recurrences, the Company continues to investigate all incidents and intervene through training were necessary, consequence management is applied and responsible persons are made to account for any transgressions.

2. Human Resources

a) 155 Community members received accredited certificates for completing portable skills program of Bricklaying; Painting; Tiling; Plumbing and Welding.
b) 2019 – 2021 Wage agreement signed between the company and the Majority Union.
c) Sound labour relations due to training of Shop stewards and Line Managers on roles and responsibilities.

3. Stakeholder Relations and Regulatory Compliance

a) Obtained Community and Local Government support for the 2019 – 2023 Social and Labour Plan which awaits approval by the Department of Mineral Resources.
b) All environmental permits and licenses in order, no pending fines or penalties.
c) Successfully re-negotiated contract for over R200m grant from the Social Housing Regulatory Authority for the Employees Housing Development Project to be implemented from 2019 to 2023.
d) Maintained good relations with our diverse stakeholders.

4. Engineering and Construction Management

a) The mine infrastructure commissioning is continuing and remains on schedule against milestones set, the mine logistics and hoisting system, provision of services (power, water and compressed air to underground) are the main focus area.
b) The snag listing and closing out is ongoing, fine tuning the system to prepare it to support production rates of up to 90 000 tonnes per month from end of 2020. A large portion of procurement spend is in this area to acquire equipment and material for commissioning of these scopes.
c) The construction of the Merensky ore pass is underway with access on all levels 69, 72 and 77-levels already achieved.

5. Mine Production

a) The Company achieved 2296m of capital footprint development metres vs a planned target of 1 625m showing an over achievement of 671m or 41% ahead of target.
b) The increased output on a steady upwards trend since January allows the mine to lower the unit cost of mining and indications are that we will achieve the target cost at end of the year. This is because the cost is inclusive of some mine development and construction costs allocated in this period.
c) In April 2019, the mine intersected the Merensky reef on the twin ends on 72Level South East block of the mine. This was achieved a month earlier than planned date of May 2019 and to date 17 000 tons of reef development tons have been hoisted.

6. Process Plant Construction

a) The revision of the Process Plant Design Criteria-PDC has been completed and the company is at a stage of finalizing price and contract negotiations with the preferred EPC for the Process plant to install a smaller 1 mtpa module.
b) The plan is to commission the smaller processing module within 14 – 18 months from November 2019.
c) The application process for necessary permits IWULA has commenced and engagements with authorities ongoing.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Six months ended 30 June 2019 Reviewed R'000	Six months ended 30 June 2018 Reviewed R'000	Year ended December 2018 Audited R'000
ASSETS				
Non-current assets		**9 402 663**	8 130 889	8 913 260
Property, plant and equipment	6	**9 344 986**	8 046 342	8 858 102
Intangible asset		**840**	1 139	1 139
Other financial asset	7	**12 009**	10 564	9 191
Restricted cash	8	**44 828**	72 844	44 828
Current assets		**1 868 335**	927 835	706 637
Other receivables		**90 145**	94 424	87 689
Inventories		**18 276**	9 338	–
Taxation receivable		**–**	344	280
Restricted cash	8	**36 200**	–	36 200
Cash and cash equivalents		**1 723 714**	823 730	582 468
Total assets		**11 270 998**	9 058 725	9 619 897
EQUITY AND LIABILITIES				
Capital and reserves		**3 037 626**	2 997 940	2 925 096
Stated capital	9	**3 425 544**	3 425 544	3 425 544
Accumulated loss		**(387 918)**	(427 604)	(500 448)
Non-current liabilities		**8 129 897**	6 002 751	6 597 593
Deferred tax liability		**402 434**	206 400	359 939
Interest-bearing borrowings		**7 651 376**	5 733 976	6 193 998
Mine closure and environmental rehabilitation obligation	14	**57 116**	60 313	40 472
Lease liability	3	**14 355**	–	–
Cash-settled share-based payment		**4 616**	2 062	3 184
Current liabilities		**103 475**	58 034	97 208
Trade and other payables		**93 994**	58 034	97 208
Interest-bearing borrowings		**7 031**	–	–
Taxation payable		**971**	–	–
Lease liability	3	**1 479**	–	–
Total equity and liabilities		**11 270 998**	9 058 725	9 619 897

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2019 Reviewed R'000	Six months ended 30 June 2018 Reviewed R'000	Year ended December 2018 Audited R'000
Operations				
Administration expenses		**(14 989)**	(10 294)	(20 359)
		(14 989)	(10 294)	(20 359)
Loss on disposal of financial asset		**–**	–	(2 234)
Net operating costs		**(14 989)**	(10 294)	(22 593)
Other income and other expenses				
Finance income from financial institutions		**27 109**	10 256	27 373
Finance expense		**(226 192)**	(127 604)	(301 829)
Net foreign exchange gain/(loss)		**182 125**	(496 464)	(811 032)
Finance costs capitalised		**185 406**	435 655	999 528
Net finance income/(loss)		**168 448**	(178 156)	(85 960)
Profit/(loss) before tax		**153 459**	(188 450)	(108 553)
Income tax (expense)/income	10	**(43 747)**	173 467	19 865
Profit/(loss) for the period		**109 712**	(14 983)	(88 688)
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Gain on fair value movements of equity instrument at FVOCI	7	**2 818**	–	861
Total other comprehensive income		**2 818**	–	861
Total comprehensive income/(loss) for the period		**112 530**	(14 983)	(87 827)
Basic and diluted (loss)/earnings per share (cents)	17	**6.74**	(0.92)	(5.40)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated/share capital R'000	Reserves R'000	Accumulated loss R'000	Total R'000
Balance at 1 January 2018	3 425 544	–	(412 621)	3 012 923
Loss for the period	–	–	(14 983)	(14 983)
	–	–	(14 983)	(14 983)
Balance at 30 June 2018	3 425 544	–	(427 604)	2 997 940
Loss for the period	–	–	(73 705)	(73 705)
Other comprehensive income	–	861	–	861
Transfers	–	(861)	861	–
	–	–	(72 844)	(72 844)
Balance at 31 December 2018	3 425 544	–	(500 448)	2 925 096
Profit for the period	**–**	**–**	**109 712**	**109 712**
Other comprehensive income	**–**	**2 818**	**–**	**2 818**
Transfers	**–**	**(2 818)**	**2 818**	**–**
	–	**–**	**112 530**	**112 530**
Balance at 30 June 2019	**3 425 544**	**–**	**(387 918)**	**3 037 626**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2019 Reviewed R'000	Six months ended 30 June 2018 Reviewed R'000	Year ended December 2018 Audited R'000
Cash flows from operating activities			
Cash paid to suppliers and employees	**(74 770)**	(99 609)	(51 312)
Cash (utilised in) operations	**(74 770)**	(99 609)	(51 312)
Finance income received	**6 354**	11 191	20 057
Finance cost paid	**(676)**	(1)	–
Taxation paid	**–**	(53)	(53)
Cash (utilised in) operating activities	**(69 092)**	(88 472)	(31 308)
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(449 854)**	(315 323)	(767 748)
Net cash outflow from investing activities	**(449 854)**	(315 323)	(767 748)
Cash flows from financing activities			
Interest-bearing borrowings raised	**1 661 584**	840 290	1 001 959
Repayment of lease liability	**(1 479)**	–	–
Net cash inflow from financing activities	**1 660 105**	840 290	1 001 959
Net increase in cash and cash equivalents	**1 141 159**	436 495	202 903
Cash at beginning of the period	**662 982**	460 079	460 079
Cash at end of the period	**1 804 141**	896 574	662 982
Cash at end of year comprises:			
Cash balances	**1 723 714**	823 730	582 468
Less: Interest accrued	**(601)**	–	(514)
Cash and cash equivalents	**1 723 113**	823 730	581 954
Restricted cash	**81 028**	72 844	81 028
Cash at end of the period	**1 804 141**	896 574	662 982

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Reporting entity

Wesizwe Platinum Limited ("the Company") is a company domiciled in the Republic of South Africa. The condensed consolidated interim financial information of the Company as at 30 June 2019 comprises the Company and its subsidiaries (together referred to as the "Group"). The consolidated financial statements of the Group for the year ended 31 December 2018 are available at www.wesizwe.com.

2. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard ("IFRS"), IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements except as described in Note 3 below.

3. New Standards adopted as at 1 January 2019

The group has adopted IFRS 16 *Leases* (IFRS 16) with effect from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the group's interim financial statements.

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 January 2019.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 8.09%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

In relation to leases under IFRS 16, the group has recognised depreciation and interest costs, instead of operating lease expenses of R0.8 million that would have been recognised under IAS 17. During the six months ended 30 June 2019, the group recognised R0.3 million of depreciation charges and R0.7 million of interest costs from these leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	R'000
Operating lease commitments disclosed at 31 December 2018	103 885*
Discounted using the incremental borrowing rate at 1 January 2019	16 638
Lease liability recognised as at 1 January 2019	16 638

* *The operating lease commitments are included as part of capital commitments in the December 2018 Financial Statements as the mine is currently in Development stage.*

4. Estimates

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 2019 Reviewed	Year ended December 2018 Audited
US$ exchange rate (ZAR) up to 2021/2025	**14.43 – 15.78**	14.43 – 15.78
US$ exchange rate (ZAR) long-term	**16.48**	16.48
Pt price (US$/oz) up to 2021/2025	**883 – 963**	999 – 1 075
Pt price (US$/oz) long-term	**1 000**	1 125
Pd price (US$/oz) up to 2021/2025	**1 111 – 1 265**	1 030 – 1 159
Pd price (US$/oz) long-term	**1 080**	1 084
Rh price (US$/oz) up to 2021/2025	**1 896 – 2 222**	2 372 – 3 234
Rh price (US$/oz) long-term	**1 881**	2 384
Au price (US$/oz) up to 2021/2025	**1 275 – 1 321**	1 211 – 1 273
Au price (US$/oz) long-term	**1 269**	1 242
Weighted Average Cost of Capital (%) (Real)	**10.17**	10.17

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 2018.

If all assumptions remain unchanged, a 10% decrease in the basket price of commodities would result in an impairment loss of approximately R627 million.

If all assumptions remain unchanged, a 10% decrease in the United States Dollar to the South African Rand would result in an impairment loss of approximately R728 million.

5. Going concern

The Group's cash resources at the reporting date is R1 724 million (June 2018: R824 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") for the following year. The ability of the Company to continue as a going concern is dependent on a number of factors. The most significant of these is the support of the majority shareholder. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern

6. Property, plant and equipment

During the period under review an amount of R474 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	Mining Rights R'000	Total R'000
Opening balance	60 591	7 739 782	1 057 729	**8 858 102**
Acquisitions during the period	1 478	472 666	–	**474 144**
Adjustment on transition to IFRS 16	16 991	–	–	**16 991**
Disposals	–	–	–	**–**
Depreciation	(4 211)	(40)	–	**(4 251)**
Closing balance	**74 849**	**8 212 408**	**1 057 729**	**9 344 986**

No additions have been made in respect of mineral rights during the period under review. The fair value of the Mine Development Asset is based on the discounted cash flows method. The valuation model considers the present value of estimated future cash flows, discounted using a risk-adjusted discount rate. The present value of the discounted cash flows is greater than the carrying amount of the Mine Development Asset, which means that the asset is not impaired.

7. Other financial asset

	Six months ended 30 June 2019 Reviewed R'000	Six months ended 30 June 2018 Reviewed R'000	Year ended December 2018 Audited R'000
Opening Balance	**9 191**	10 564	10 564
Disposal of financial asset	**–**	–	(8 330)
Loss on disposal of financial asset	**–**	–	(2 234)
Acquisition of financial asset	**–**	–	8 330
Gain on fair value adjustments	**2 818**	–	861
Closing balance	**12 009**	10 564	9 191

Investment in listed equities during the period were designated at FVOCI as management view this investment as outside of their core operations and therefore management's perspective is that the fair value gains and losses should not be reported within profit or loss for these listed instruments.

Investment in listed equity is measured at fair value in the statements of financial position. Fair values of these shares have been calculated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy.

8. Restricted cash

Restricted cash covers the following guarantees:
Non-current:
- R44.8 million (December 2018: R44.8 million) in favour of Eskom for phase 1 and phase 2 bulk power supply to the BPM; and

Current:
- R36.2 million (December 2018: R36.2 million current) in favour of the Department of Mineral Resources for environmental obligation.

9. Stated capital

	Six months ended 30 June 2019 Reviewed R'000	Six months ended 30 June 2018 Reviewed R'000	Year ended December 2018 Audited R'000
Authorised			
2 000 000 000 no par value ordinary shares (2018: 2 000 000 000 no par value ordinary shares)	**–**	–	–
Issued			
1 627 827 058 no par value ordinary shares (2018: 1 627 827 058 no par value ordinary shares)	**3 425 544**	3 425 544	3 425 544

10. Taxation

	Six months ended 30 June 2019 Reviewed R'000	Six months ended 30 June 2018 Reviewed R'000	Year ended December 2018 Audited R'000
Current year - normal taxation	**(1 252)**	–	(63)
Current year - deferred taxation	**(42 495)**	173 467	19 928
Total	**(43 747)**	173 467	19 865
Reconciliation of effective tax rate	**%**	%	%
Standard tax rate	**(28.0)**	28.0	28.0
Non-deductible expenses	**(1,0)**	–	(2.6)
Deferred tax asset not raised	**(27,0)**	–	(25.5)
Deferred tax asset utilised	**27,0**	–	18.4
Fair value gain/loss on financial asset at CGT rate in the subsidiary	**0,5**	–	–
Change in CGT inclusion rate in the subsidiary	**–**	64.0	–
Effective rate	**(28.5)**	92.0	18.3

11. Report of the Independent Auditor

The condensed consolidated interim financial statements for the six months ended 30 June 2019 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.

12. Segment reporting

No segment reporting has been produced as the Group is conducting construction activities in one geological location which represents its 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.

13. Mineral resources

There were no changes to the mineral resources for the six months ended 30 June 2019.

14. Mine closure and environmental rehabilitation obligation

The change in the obligation of R16.6 million is due to the time value of money and inflation adjustment for the period being recognised.

15. 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.

16. Commitments

At 30 June 2019 the Group had commitments to the value of R1 092 million (December 2018: R1 152 million). This amount includes capital commitments amounting to R1 091 million.

17. (Loss)/earnings per share

	Six months ended 30 June 2019 Reviewed R'000	Six months ended 30 June 2018 Reviewed R'000	Year ended December 2018 Audited R'000
The basis of calculation of basic earnings/(loss) per share is:			
Attributable earnings/(loss) to ordinary shareholders (Rand)	**109 711 928**	(14 983 004)	(87 826 703)
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)	**6.74**	(0.92)	(5.40)
The basis of calculation of diluted earnings/(loss) per share is:			
Attributable earnings/(loss) to ordinary shareholders (Rand)	**109 711 928**	(14 983 004)	(87 826 703)
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)	**6.74**	(0.92)	(5.40)
The basis of calculation of headline earnings/(loss) per share is:			
Attributable earnings/(loss) to ordinary shareholders (Rand)	**109 711 928**	(14 983 004)	(87 826 703)
Adjustments:	**2 818 314**	–	1 372 861
Loss on disposal of financial asset	**–**	–	2 233 627
Gain on adjustment of value in interest in equity financial asset	**2 818 314**	–	(860 766)
Headline earnings/(loss) (Rand)	**112 530 242**	(14 983 004)	(86 453 842)
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)	**6.91**	(0.92)	(5.31)

COMMENTARY

1. Financial overview

As the Group is currently in development phase of the BPM.

The total comprehensive income for the six months under review is R112 530 million (compared to a loss of R14 983 million for the same period in 2018) as set out in the condensed consolidated statement of profit or loss and other comprehensive income.

Total administration expenses are made up of Admin expenses of R170.7 million (June 2018: R132.7 million) less capitalised cost of R155.7 million (June 2018: R122.3 million). Administration expenses of R170.7 million (June 2018: R132.7 million) include the following:
- Depreciation and amortisation – R4.5 million (June 2018: R4.8 million);
- Professional fees – R41 million (June 2018: R23.9 million);
- Directors' expenses – R6.1 million (June 2018: R5.7 million);
- Salaries and payroll related expenses – R79.9 million (June 2018: R71.5 million);
- Marketing expenses and investor relations – R0.6 million (June 2018: R0.3 million);
- Electricity and water – R15 million (June 2018: R21.4 million);
- Consumables utilised – R12 million (June 2018: R1.4 million);
- Other administrative overheads – R11.6 million (June 2018: R3.7 million); and
- Lease expenses relating to low value assets and short term leases is R5 million (2018: R0.8 million).

During the six months under review, the administration expenses (before deducting capitalised costs) increased by 28.6% compared to the corresponding period in 2018 as a result of increased activity in getting the mine to completion and production starting to take place.

The basic earnings per share for the period was 6.74 cents per share (2018: 0.92 cents loss per share for the same period). The headline earnings per share was 6.91 cents per share (2018: 0.92 cents loss per share for the same period).

1.1 These condensed interim financial statements were prepared by Sibongile Madlodlo (Financial Manager) under the supervision of 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 2019, drawdowns amounting to $557.348 million have occurred.

3. Dividends

No dividends were declared in the current period.

4. Board changes

Mr Fugui Qiao has resigned from his position as non-executive director on 19 March 2019. Mr Huigao Guo has been appointed as non-executive director on 20 March 2019.

As published on:
30 September 2019

Sponsor
PSG Capital

By order of the board on 25 September 2019:

Dawn Mokhobo *(Chairman)* Zhimin Li *(Chief Executive Officer)*

Wesizwe Platinum Limited
(Incorporated in the Republic of South Africa)
(Registration number 2003/020161/06)
JSE code: WEZ ISIN: ZAE000075859
(the "Company" or "Wesizwe" or the "Group")

Directors: DNM Mokhobo *(Chairman)**, Z Li *(Chief Executive Officer)*#, F Tao (Finance Director)#, LV Ngculu*, TV Mabuza*, S Pingan*#, L Pengfei*#, H Guo*#

*(*Non-executive, #Chinese)*

Company Secretary: V Mhlongo

Transfer Secretaries: 4 Africa Exchange, First Floor, Cedarwood House, Ballywoods Office Park 33 Ballyclare Drive, Bryanston, 2191

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