NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2017

2. Key accounting estimates, assumptions and judgements

The preparation of the company and group's financial statements 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.

2.1 Impairment of assets

The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Due to the vertically integrated operations of the group and the fact that there is no active market for the group's intermediate products, the group's operations as a whole constitute the smallest CGU.

In assessing fair value less cost of disposal, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value.

The group bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Management uses a fair value less cost of disposal model to determine the recoverable value of any CGU.

Impairment testing requires management to make significant judgements concerning the existence of impairment indicators, identification of CGUs, remaining useful lives of assets and estimates of projected cash flows and fair value less costs of disposal. Management's analysis of CGUs involves an assessment of a group of assets' ability to independently generate cash inflows and involves analysing the extent to which different products make use of the same assets. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

The determined value in use of the CGU is most sensitive to the platinum price, the US dollar exchange rate and the discount rate. Other judgements made by management include, total capital expenditure, operating costs, production levels and inflation factors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

The following key assumptions were made by management, which are based on management interpretation of market forecast and the future.

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Long-term real platinum price USD per ounce	1 417	1 433	1 417	1 433
Long-term real palladium price USD per ounce	1 127	896	1 127	896
Long-term real rhodium price USD per ounce	1 058	1 254	1 058	1 254
Long-term real gold price USD per ounce	1 213	1 209	1 213	1 209
Long-term real exchange rate USD	R13.88	R14.16	R13.88	R14.16
Long-term real post tax discount rate	12.20%	10.50%	12.20%	10.50%

Management also estimated the recoverable amount of mineral assets that the group is not currently developing. For those assets, the recoverable amount is calculated on a fair value less cost of disposal basis taking into account earlier binding sales agreements between market participants as well as the market capitalisation of platinum exploration companies relative to their resources base.

2.2 Mine rehabilitation provision

The group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Management estimates, with the assistance of independent experts, the expected total spend for the rehabilitation, management and remediation of negative environmental impacts at closure at the end of the lives of the mines and processing operations. Estimated long-term mine rehabilitation costs are based on the group's environmental policy, taking into account current technological, environmental and regulatory requirements.

The estimation of future costs of environmental obligations relating to decommissioning and rehabilitation is particularly complex and requires management to make estimates, assumptions and judgements relating to the future. These estimates are dependent on a number of factors including assumptions around environmental legislation, life-of-mine estimates and discount rates.

The group makes full provision for the future commercial cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites.

Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future platinum group metal prices, which are inherently uncertain.

The net present value of current decommissioning and restoration costs are based on the following assumptions:

	Group		Company	
	2017	2016	2017	2016
Long-term South African inflation rate	8.71%	8.71%	8.71%	8.71%
Long-term real discount rate	10.62%	10.62%	10.62%	10.62%

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Cash flows relating to rehabilitation costs will occur at the end of the life of the operations which is currently determined as the expiry date of the mining licenses.

Refer to note 24 relating to the provision for the rehabilitation and decommission liability of the group.

2.3 Useful lives and residual values of property, plant and equipment

Residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively, if appropriate.

The group's assets, excluding mining development and infrastructure assets, are depreciated over their expected useful lives which are reviewed annually to ensure that the useful lives continue to be appropriate. In assessing useful lives, technological innovation, product life cycles, physical condition of the assets and maintenance programmes are taken into consideration.

Mining development and infrastructure assets are depreciated on a unit-of-production basis. The calculation of the unit-of-production depreciation is based on forecasted production which is calculated using numerous assumptions. Any changes in these assumptions may have an impact on the calculation.

Refer to note 4 relating to property, plant and equipment and note 5 for mining properties and mineral resources.

2.4 Ore reserve and mineral resource estimates (life of mine)

The estimation of reserves impacts the depreciation of property, plant and equipment, the recoverable amount of property, plant and equipment and the timing of rehabilitation expenditure.

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the group's mining properties. The group estimates its ore reserves and mineral resources, based on information compiled by appropriately qualified persons, relating to the geological data on the size, depth and shape of the orebody, and require complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the orebody. Changes in the reserve or resources estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets (if any), and depreciation and amortisation charges. The group estimates and reports ore reserves in line with the principles contained in the South African Code for Reporting of Mineral Resources and Mineral Reserves of 2007, revised in 2016 (SAMREC 2016).

Cognisance is also given to the mining licence tenure of the operations when the life of mine calculation is performed.

The above impacts both the provision for rehabilitation and decommission as detailed in note 24 as well as the depreciation calculation for property, plant and equipment items (note 4) as well as mining properties and mineral resources included in note 5.

2.5 Production start date for mine developments

The group assesses the stage of a mine under construction to determine when the mine moves into the production phase. This being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of that mine's construction project, such as the complexity of the project and its location. The group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'pre-production development expenditure' to 'property, plant and equipment'. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared to the original construction cost estimate
- Ability to produce metal in saleable form (within specification)
- Ability to sustain ongoing production of metal

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation commences.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

2.6 Capitalisation of borrowing costs

IAS 23 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset (whether or not the funds have been borrowed specifically). These borrowing costs are included in the cost of the asset; all other borrowing costs are recognised as an expense in the period in which they occur.

Recognising that it may not always be easy to identify a direct relationship between particular borrowings and a qualifying asset and to determine the borrowings that could otherwise have been avoided, the standard includes separate requirements for specific borrowings and general borrowings.

IAS 23 defines a qualifying asset as an asset that necessarily takes a substantial period of time to get ready for its intended use. IAS 23 does not define substantial period of time and this will therefore require the exercise of judgement after considering the specific facts and circumstances. Northam regards an asset that normally takes twelve months or more to be ready for its intended use to be a qualifying asset.

On a consolidated basis, Northam has funding which was obtained through the issue of preference shares through Zambezi Platinum (RF) Limited. Publicly Northam has committed that this funding will be used to either grow the group through internal projects or through acquisition of shallow, long-life assets. The preference shares accrue dividends at the South African prime interest rate plus 350 basis points (currently 14%).

Domestic medium term debt notes were also issued. The first tranche was issued on 11 May 2016 for a period of 5 years to the value of R175.0 million at a fixed coupon rate of 13.5%. Interest is payable on a bi-annual basis in May and November of every year. Per the application pricing supplement, the funds are used for general corporate purposes. The interest relating to these notes were capitalised to qualifying assets relating to the Zondereinde operations.

In addition, on 9 June 2016 a second tranche of R250.0 million was issued at a floating rate of the 3-month JIBAR plus 390 basis points. Interest is payable on a quarterly basis in August, November, February and May of every year for a three year period. These notes were issued to the IDC. The funds per the application pricing supplement are to be used towards partially financing the development of existing and future mines and related infrastructure at the Booysendal operations. Interest on the R250.0 million DMTN will be capitalised on the Booysendal assets on consolidation as these funds were specifically provided for expansion on the Booysendal project.

The weighted average cost of borrowings is capitalised to the monthly capital costs incurred on qualifying assets, with regards to general borrowings.

With regards to what Northam classifies as qualifying assets, any asset that takes more than 12 months to be ready for its intended use will be classified as a qualifying assets. Currently this will include the deepening project at both operations, the smelter complex at Zondereinde and the development of the Booysendal South project.

No finance costs were capitalised in the previous year.

2.7 Transaction with Northam's precious metal refiner

Northam agreed terms to extend its co-operation agreement with Heraeus Deutschland GmbH & Co. KG (Heraeus) and Heraeus South Africa Proprietary Limited (HSA).

In terms of the agreement Heraeus will contribute €20.0 million to expand the capacity of Northam's existing smelter, through the construction of a 20MW second furnace at the Zondereinde metallurgical complex. The total cost of the expansion is estimated at R750.0 million.

The agreement also provides for the renewal of the current offtake and toll refining agreements with Heraeus.

Heraeus' capital contribution is fixed according to a progress schedule, and paid in two tranches of €10.0 million each, the first of which was received during June 2016. The furnace is planned for commissioning by the end of the 2017 calendar year. In return, Northam has renewed its toll-refining agreement with Heraeus and HSA for a period of 20 years on competitive terms. Northam also undertakes to sell up to 40% of its production to Heraeus or HSA at market prices.

The first €10.0 million received from Heraeus was recognised as a liability, as Northam is obligated to refund the amount to Heraeus if Northam does not commission the furnace on time. Once the furnace is commissioned and the second €10.0 million is received, the €20.0 million will be deducted from the cost of the smelter as the value contributed by Heraeus is effectively considered a 'rebate' in terms of IAS 16.16(a). The €10.0 million was revalued to the closing euro exchange rate at year-end.

R9.4 million will be paid annually by Northam for product development on 1 July of every year, commencing on 1 July 2016 for 20 years. A liability was recognised at contract inception, being 16 April 2016. The liability was measured at the present value of the R9.4 million payments over 20 years using the prevailing prime interest rate. The contra side of the entry was included as an addition cost to the furnace. The reason for this is that the contract will be entered into for the construction of the smelter and thus the liability is viewed as a cost incurred in the construction of the smelter. By adding the amount to the cost of the smelter, depreciation will be higher each year, thereby increasing the cost of goods produced.

Refer to note 4 Property, plant and equipment as well as note 25 which details the amounts payable to Heraeus.

2.8 Zambezi Platinum (RF) Limited

Zambezi Platinum (RF) Limited (Zambezi) was created and designed for the sole purpose of providing Northam with BEE credentials and as a structure to hold the listed BEE preference shares. If Northam does not comply with the HDSA requirements in the Mining Charter they will not be able to retain their mining rights. Northam is able to direct the strategic direction of Zambezi and as per the subscription and relationship agreement between the two companies, Zambezi's memorandum of incorporation may not be amended or replaced without Northam's prior written consent. Northam assumes full responsibility for the administration of Zambezi as well as any costs incurred by Zambezi up to a certain limit. Furthermore, Northam provides a guarantee for Zambezi's obligation in respect of the preference shares. All these points indicate that Northam has been involved from the inception of the transaction, to ensure that the design and operation of Zambezi achieves the purpose for which it was created.

In terms of the transaction, an 'N' share was issued to Northam, which gave them the right to implement mitigating action should Zambezi not comply with certain undertakings as per the transaction's agreements and in other limited instances aimed at maintaining the integrity of the transaction at all times. Zambezi can also not dispose of the Northam ordinary shares without the prior consent of Northam. Northam has significant exposure to the variable returns of Zambezi, through the creation and maintenance of the BEE credentials during the 10-year lock-in period as well as through the guarantee provided by Northam. The decision making power of Zambezi's board of directors is restricted to maintaining Northam's BEE credentials and funding arrangements.

All of these factors have been considered in determining that even though Northam Platinum Limited does not have majority of the voting rights in Zambezi Platinum (RF) Limited it still has control over the entity.

Refer to note 28 detailing the preference share liability consolidated into the Northam group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

2.9 Toro Employee Empowerment Trust

The company entered into an agreement with the representative unions at the Northam's Zondereinde mine in terms of which the company has undertaken to contribute 4% of Northam company's after tax profits to the Toro Employee Empowerment Trust, providing Northam's Zondereinde mine unskilled and semi-skilled employees an opportunity to participate in the profits of the company. In the event of the company making a loss, no contributions are made to the Trust. Eligible employees will receive payment at the end of each five-year cycle, starting from September 2013. The amount of the cash to be distributed is based on the valuation of the fund and Northam Platinum Limited does not guarantee any values over and above what is included in the Trust and managed accordingly by the investment manager.

The Toro Trust is accounted for as an 'other long-term employee benefits' in terms of IAS 19.

In applying the projected unit credit method, the following estimates were used:

	Group		Company	
	2017	2016	2017	2016
Discount rate	7.50%	7.80%	7.50%	7.80%
Interest rate	7.70%	8.20%	7.70%	8.20%

The rate used to discount pre-retirement benefit obligations should be determined by reference to market yields at the reporting date on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds should be used. There is however no deep market in corporate bonds in South Africa and as such reference to the nominal bond curve, as compiled by the JSE has been used. In terms of the accounting standards historical yields are less important and we consequently consider it appropriate to use the discount rate as noted above per annum.

Refer to note 33 detailing the movements included in the Toro Trust in the current year.

2.10 Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Estimation is required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the group to assess the likelihood that the group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Judgements are also required in respect of the application of existing tax laws in each jurisdiction. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Judgement is required to determine the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The various statutory entities within the group recognises liabilities for anticipated tax uncertainties based on the best estimate of whether additional taxes will be due.

Where the final tax outcome of any tax matters are different from the amounts that were initially reported, such differences will impact the income and deferred tax provisions in the period in which such determination is made.

In addition, future changes in tax laws in the jurisdictions in which the group operates could limit the ability of the group to obtain tax deductions in future periods.

Refer to note 41 and note 23 detailing the breakdown of both normal and deferred taxes for the current year.

2.11 Inventories

Work in progress metal inventory is valued at the lower of net realisable value and the average cost of production or purchase less net revenue from sales of other metals in the ratio of the contribution of these metals to gross sales revenue. Production costs are allocated to platinum, palladium, rhodium and gold (joint products) by dividing the mine output into total mine production costs, determined on a 3 month rolling average basis except for concentrates purchased which is recognised in the month in which it is purchased and not on a 3 month rolling average. The quantity of ounces of joint products in work in progress is calculated based on the following factors: the theoretical inventory at that point in time which is calculated by adding the inputs to the previous physical inventory and then deducting the outputs for the inventory period. The inputs and outputs include estimates due to the delay in finalising analytical values. The estimates are subsequently trued up to the final metal accounting quantities when available. The theoretical inventory is then converted to a refined equivalent inventory by applying appropriate recoveries depending on where the material is within the production pipeline. The recoveries are based on actual results as determined by the inventory count and are in line with industry standards.

The nature of the production process inherently limits the ability to precisely measure recoverability levels. As a result, the metallurgical balancing process is constantly monitored and the variables used in the process are refined based on actual results over time.

Net realisable value tests are performed at each reporting date and represent the current sales price of the product, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained PGM ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method.

Stockpile tonnages are verified by periodic surveys.

Refer to note 18 detailing the breakdown of inventories at year-end.

2.12 Exploration and evaluation expenditure

The application of the group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether economic benefits are likely to arise from the group's exploration assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the group has to apply a number of estimates and assumptions.

If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in a period when the new information becomes available.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

2.13 Fair value measurement

The group measures financial instruments at fair value at initial recognition, and subsequently as described in the accounting policies. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash generating unit at fair value less costs of disposal.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable information.

2.14 Guarantee to Zambezi Platinum (RF) Limited

A financial guarantee contract was issued by Northam Platinum Limited to Zambezi Platinum (RF) Limited to guarantee the preference shares that were issued by Zambezi Platinum (RF) Limited as part of the BEE transaction.

The redemption of the BEE preference shares is planned to occur through cash accumulation from dividends received from Northam Platinum Limited, and after the lock-in the possible sell-off of Northam Platinum Limited shares into the market to realise the capital value, to redeem the preference shares. In the event that this is not sufficient to settle the liability, it will be secured by the company in terms of a financial guarantee (Northam guarantee), in terms of which Northam Platinum Limited will be responsible for the payment of all amounts which Zambezi Platinum (RF) Limited has contracted but failed to pay. Northam may settle the debt by ways of a cash payment or the issue of a determinable number of Northam Platinum Limited shares or a cash and Northam Platinum Limited share combination.

In the Northam Platinum Limited separate financial statements, the financial guarantee was recognised as a financial guarantee liability at inception. Measuring the guarantee contract liability required the use of estimates, at the grant date, which included a dividend yield rate of 0.30%, a 30.0% volatility and a risk free rate of 8.42%. These assumptions have not been updated or changed.

The financial guarantee liability is amortised based on the total value of preference shares still outstanding, as this better reflects the pattern of how Northam Platinum Limited provides the guarantee, and is therefore unchanged from the prior year.

Even though the company currently holds a number of the Zambezi Platinum (RF) Limited preference shares, these preference shares are still outstanding and therefore no change will be accounted for relating to the guarantee liability as at 30 June 2017, in the separate financial statements.

Refer to note 26 included in the annual financial statements.

2.15 Pandora joint venture

Northam Platinum Limited has agreed to sell its 7.5% participation interest in the Pandora joint venture to Lonmin Plc.

In terms of the agreement Northam, through its subsidiary Mvelaphanda Resources Proprietary Limited (Mvelaphanda), will dispose of its 7.5% interest in the Pandora joint venture (Pandora JV) to Eastern Platinum Limited, for a cash consideration of R45.6 million. In the event that Northam has to contribute any cash calls to the Pandora JV during the period 1 January 2017 to completion of the transaction, the value of the cash calls will be reimbursed to Northam, capped at a maximum value of R50.0 million.

The purchase consideration and the reimbursement of any cash calls will be settled on fulfilment of the transaction.

The Pandora JV is managed by Lonmin and is currently held 50% by Lonmin, through Eastern Platinum Limited, 42.5% by Anglo American Platinum Limited, through Rustenburg Platinum Limited and 7.5% by Northam, through Mvelaphanda. Northam does not consider its minority interest in the Pandora JV as being core to its business.

The transaction is subject to, *inter alia*, all necessary regulatory approvals being obtained, including consent from the Minister of Mineral Resources in terms of section 11 of the Mineral and Petroleum Resources Development Act, No. 28 of 2002, and approval from Lonmin's lending banks.

The group's interest in the Pandora JV was previously classified as an investment in an associate due to the existence of significant influence as opposed to joint control. The entity is called the Pandora JV because there are three parties that have an interest in the entity and the two main parties hold 92.50% interest. Joint control only exists for the two majority parties and the minority interest holder only has significant influence due to board representation. Thus the investment has been accounted for as an investment in associate.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations requires a non-current asset to be classified as held for sale if its carrying amount will be recovered principally through a sales transaction rather than through continued use. To qualify for classification as held for sale, a non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. This is taken to mean that an entity currently has the intention and ability to transfer the asset to a buyer in its present condition.

IFRS 5 contains an exception to the one-year rule. It states that events or circumstances may extend the period to complete the sale beyond one year. Such an extension would not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and therefore is sufficient evidence that the entity remains committed to its plan to sell the asset.

IAS 28 requires that an entity applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operations to an investment, or a portion of an investment, in an associate that meets the criteria to be classified as held for sale. However, the investor discontinues the use of the equity method from the date that the investment is classified as held for sale. Instead, the associate is then measured at the lower of its carrying amount and fair value less cost to sell. The investment in the Pandora joint venture was classified as a non-current asset held for sale from 1 July 2016, and subsequent signing of the sales agreement.

In terms of the agreement cash calls will have to be contributed by Northam but will however be refunded on the effective date to the maximum value of R50.0 million. All cash calls will therefore be recognised as part of the non-current asset held for sale.

Management has also assessed the recoverability of the balance disclosed as non-current assets held for sale, and believe that the amount is recoverable.

Refer to note 6, which discloses the investment in the Pandora joint venture.

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For the year ended 30 June 2017

2.16 Operating segments

Two reportable segments have been identified, being the Zondereinde mine and Booysendal mine. Both of these mines engage in business activities from where they earn revenue and incur expenses, the operating results of these two segments are also regularly reviewed by the chief operating decision maker at Northam Platinum Limited, which is the executive committee, and their performance assessed separately. Furthermore, discrete financial information is available for both segments.

The Zondereinde mine includes the results of the chrome operations, previously housed in Northam Chrome Proprietary Limited. Northam Chrome Proprietary Limited was transferred to Northam Platinum Limited through a Section 47 of the Income Tax Act transfer during the current year.

No segments were aggregated.

Zambezi Platinum (RF) Limited has been included in the annual financial statements, in order to reconcile the amounts to the reported statement of financial position and statement of profit or loss and comprehensive income. Zambezi Platinum (RF) Limited is not a separate operating segment as it does not engage in business activities from which it earns revenue and incurs expenses and in addition to this their operating results are not regularly reviewed by the chief operating decision maker in assessing the performance of the company.

Refer to note 3 for the segmental disclosure.

2.17 Equity-settled share-based payment

Northam Platinum Limited will effectively be paying for BEE credentials by distributing Northam Platinum Limited ordinary shares to the various participant special purpose vehicles. This constitutes a share-based payment as defined which is classified as an equity-settled share-based payment to be delivered after the 10-year lock-in period. There are no vesting conditions attached to the BEE equity that are held by the BEE participants. The valuation of the share-based expense therefore takes into account the restrictions on the participants' ability to dispose of the shares as well as the fact that they will only receive 10% of actual dividends declared during the 10-year lock-in period. The fair value at grant date is therefore not the same as the listed share price. IFRS 2 requires equity-settled transactions to be accounted for at the fair value at grant date, defined as the date at which the entity and other party agree to a share-based payment arrangement, being the date when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. This results in the full share-based payment in respect of the BEE transaction being incurred on day one of the BEE transaction in the prior year.

Refer to note 22 for the equity-settled share-based payment accounted for in the prior year as part of the BEE transaction.

2.18 Investment in the Zambezi Platinum (RF) Limited preference shares

During the current year, Northam Platinum Limited started to acquire Zambezi Platinum (RF) Limited preference shares in the open market. Under IAS 39 Financial Instruments: Recognition and Measurement the accounting treatment of a particular financial instrument will depend on some or all of the following factors: the purpose for which it is held, Its contractual characteristics, whether the instrument is listed on an exchange, the industry in which the reporting entity operates and an accounting policy or similar choice of the reporting entity.

The investment in the Zambezi Platinum (RF) Limited preference shares are considered as available for sale financial assets. These shares have been acquired by Northam Platinum Limited not to speculate with and therefore not to make a profit or loss in the short term but rather to keep for the longer term. Potentially these shares will be sold back into the market should cash be required in the longer term. Otherwise, these preference shares will be held to maturity. However, when looking at the considerations for classifying and investment as held to maturity one considers the following: intention to hold the investments for only an undefined period; the holder stands ready to sell the financial asset in response to changes in market interest rates or risks, liquidity needs, changes in the availability of and the yield on alternative investments, changes in financial sources and terms or changes in any other risk factors; and or the right to settle the financial asset at an amount significantly below its amortised cost.

Therefore, due to the uncertainty regarding the intention and ability to hold the preference shares to maturity one cannot classify the investment in the Zambezi preference shares as held to maturity in the accounts of Northam Platinum Limited.