ROYAL BAFOKENG PLATINUM

MORE THAN MINING

# 2019 Audited Annual Results for the year ended 31 December

# Our purpose

To **create economic value**
for all our stakeholders **by delivering**
***More than mining.***

**Our *More than mining* philosophy, which commits RBPlat to creating value for society, underpins our ability to create the social, human, intellectual and natural capital we need to be sustainable and perform well in the future**

## Our mission

To leave a lasting legacy of sustainable benefits for our stakeholders

## Our values

### Safety and people first

Mining is a high-risk business and cannot succeed without total trust, respect, teamwork and an uncompromising commitment to safety and people first

### Promises delivered

We do what we say we will do

### Mutual interest and mutual rewards

We have mutual goals and mutual interest and we depend on each other to realise our vision and mission. We operate in good faith, openly and transparently

# Our strategic objectives

## Strategy 2020

### What we offer
Our strategy is to be a South African mining company producing PGMs and offering a clear value proposition to outperform the market. We aspire to achieve *More than mining* and are proud of our positive social impact as a transformation leader.

### The market we operate in
We sell all our product to one major client who we rely on to process and market our product.

### The way we work
Our performance-driven culture and our aspiration to achieve zero harm results in operational excellence. We manage our assets with high optionality and flexibility, which allows us to react quickly to changing market conditions. We grow organically through internal expansion and value enhancements. Within the industry we proudly contribute in leading industry roles both locally and internationally.

### What we own
Our ore bodies are highly competitive and our processing plants are very efficient. We take pride in our people and our ability to use appropriate, proven technologies to our advantage. Our financial standing is very sound and we proudly represent the RBPlat brand.

***More than mining***

**Strategic pillar 1:**
Towards operational excellence

**Strategic pillar 2:**
Build flexibility to ensure sustainability

**Strategic pillar 3:**
Grow organically — positioning RBPlat to compete over the long term

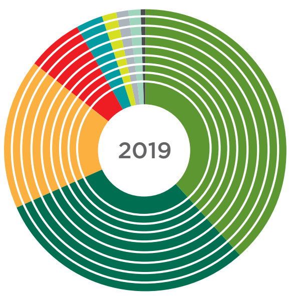
**Strategic pillar 4:**
Pursue value enhancing opportunities

# Our business in 2019

Average basket price:

**R28 743.0**
Pt oz

Metal contribution to revenue




- Platinum (38.4%)
- Palladium (30.0%)
- Rhodium (17.2%)
- Nickel (6.5%)
- Gold (2.9%)
- Iridium (1.7%)
- Copper (1.6%)
- Ruthenium (1.4%)
- Cobalt (0.3%)

**Royalty agreements with Impala Platinum Limited (Implats), give it the right to mine areas at the extremities of our ore bodies that are close to its shafts. These agreements have made it possible to bring forward cash flows from this Resource**

## What we own

> Competitive ore bodies in the form of shallow, long life Merensky and UG2 resources
> Efficient processing plants that provide us with operational flexibility
> Maseve Mine, with a resource of 4.15Mt, which is on care and maintenance

| Our mines | BRPM | Styldrift |
|---|---|---|
| **Type of operation** | Conventional and hybrid mining with access via twin decline shafts (depth of less than 500m) | Mechanised bord and pillar mining, accessed via a vertical Main shaft (753m) and a vertical Services shaft (723m) |
| **Resource** | 82.8Mt | 262.4Mt (including Styldrift II) |
| **Construction** | Commenced in 1997 with steady state reached in 2001 | Commenced in 2009, ramp up to 230ktpm milestone in third quarter 2020 and steady state in 2021 |
| **Shaft complexes** | Twin decline shaft complexes:<br>> **North shaft** – conventional mining Phases I and II, hybrid mining Phase III<br>> **South shaft** – conventional mining Phases I and II | Twin vertical shaft system:<br>> **Main shaft** of 10.5m diameter<br>> **Services shaft** of 6.5m diameter |
| **Average mining depth** | 450m | 680m |
| **Life of mine (LOM)** | Current Merensky and UG2 Reserves support a remaining LOM of approximately 30 years | Current Reserves and Resources support a LOM in excess of 40 years |

| Our concentrators | BRPM concentrator | Maseve concentrator |
|---|---|---|
| **Type of operation** | 250ktpm capacity, traditional MF2 process with ultra-fine grinding circuit (IsaMill™) producing 2.7t of saleable concentrate per 100 tonnes of virgin rock processed | 110ktpm capacity (upgradeable to 160ktpm), traditional mill float (MF1) process upgradeable to MF2 producing 2.6t of saleable concentrate per 100 tonnes of virgin rock processed |
| **Treatment** | Ore from BRPM North and South shafts and Styldrift | Ore from Styldrift and BRPM UG2 ore |

## Our product: PGM concentrate

| Merensky reef prill split | | | |
|---|---|---|---|
| 64.68%<br>platinum | 26.74%<br>palladium | 4.34%<br>rhodium | 4.24%<br>gold |

| UG2 reef prill split | | | |
|---|---|---|---|
| 59.16%<br>platinum | 29.28%<br>palladium | 11.00%<br>rhodium | 0.56%<br>gold |

# Five-year summary of our performance

| | Unit | **2019** | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| **Financial capital** | | | | | | |
| Revenue | R (million) | **7 492** | 3 627 | 3 499 | 3 342 | 3 045 |
| Cash operating costs | R (million) | **5 675** | 2 788 | 2 815 | 2 765 | 2 548 |
| Headline earnings/(loss) | R (million) | **123** | 50 | 109 | 167 | (160) |
| Headline earnings/(loss) per share | cents | **50.4** | 25.0 | 56.4 | 86.7 | (83.2) |
| Average rand basket price[1] | R/Pt oz | **28 743** | 21 006 | 19 156 | 18 906 | 17 256 |
| EBITDA[2] | R (million) | **1 756** | 504 | 572 | 490 | 298 |
| Cash and cash equivalents | R (million) | **814** | 884 | 1 333 | 836 | 918 |
| Net (debt)/cash | R (million) | **(491)** | (832) | 1 333 | 836 | 918 |
| Net cash generated by operating activities | R (million) | **1 028** | 666 | 618 | 585 | 619 |
| **Manufactured capital** | | | | | | |
| **Mining production** | | | | | | |
| Total tonnes delivered | kt | **3 829** | 3 395 | 2 992 | 2 759 | 2 457 |
| **Concentrator production** | | | | | | |
| Total tonnes milled | kt | **3 847** | 3 420 | 3 021 | 2 762 | 2 461 |
| Built-up head grade (4E) | g/t | **3.91** | 3.96 | 3.94 | 4.03 | 4.11 |
| 4E metals in concentrate | koz | **401** | 368 | 328 | 304 | 278 |
| Pt metal in concentrate | koz | **261** | 239 | 212 | 196 | 180 |
| **Operating costs** | | | | | | |
| Cash operating cost per tonne milled | R/t | **1 475** | 1 213 | 1 149 | 1 177 | 1 066 |
| Cash operating cost per 4E ounce | R/4E oz | **14 139** | 10 468 | 9 941 | 10 068 | 9 359 |
| Cash operating cost per Pt ounce | R/Pt oz | **21 770** | 16 145 | 15 414 | 15 639 | 14 504 |
| **Capital expenditure** | R (million) | **1 661** | 3 459 | 2 160 | 1 126 | 2 009 |
| **Human capital** | | | | | | |
| Employees (as at 31 December)[3] | Number | **10 087** | 9 508 | 8 372 | 7 400 | 7 281 |
| Fatal injuries | Number | **2** | 2 | 0 | 1 | 5 |
| LTIFR | /1 000 000 hours | **1.900** | 2.475 | 2.808 | 1.902 | 2.045 |
| SIFR | /1 000 000 hours | **1.140** | 1.843 | 1.435 | 1.078 | 0.665 |
| Working cost labour[4] | Number | **8 899** | 5 843 | 5 691 | 6 271 | 6 256 |
| Capital labour | Number | **1 160** | 3 636 | 2 659 | 1 103 | 999 |
| Number of new NIHL cases diagnosed with greater than 10% loss of hearing | Number | **10** | 13 | 10 | 9 | 13 |
| Number of employees who stayed on ART | Number | **785** | 627 | 622 | 658 | 572 |
| TB incidence rate | /100 000 | **416** | 631 | 765 | 767 | 937 |
| **Social capital** | | | | | | |
| SLP investment (including human resource development) | R (million) | **65.8** | 63.2 | 40.5 | 287.1[5] | 74.6 |
| Total discretionary procurement spend in HDSA companies | % | **86.6** | 86.7 | 87.0 | 79.6 | 74.2 |
| **Natural capital** | | | | | | |
| GHG emissions ($CO_2e$ Scope 1 and 2)[6] | $tCO_2e$ | **427 633** | 341 746 | 333 596 | 318 220 | 304 674 |
| Water use efficiency | Ml/kt milled | **1.233** | 1.154 | 1.256 | 1.069 | 1.653 |

1 *Net proceeds from total concentrate sales including revaluation of pipeline divided by total platinum ounces produced*

2 *The Company uses certain non-IFRS performance measures and ratios (e.g. EBITDA) in measuring the business and may provide users of the financial information with additional meaningful comparisons between current results and results in the prior periods. Non-IFRS financial measures should be viewed in addition to and not as an alternative for the reported operating results or cash flow from operations or any other measure of performance prepared in accordance with IFRS. In addition, the presentation of these measures may not be comparable to similarly titled measures used by other companies*

3 *The employee numbers (which include corporate office employees) include a 12.7% increase in the Styldrift workforce offset to some extent by a reduction in numbers at BRPM, corporate office and Maseve Mine*

4 *These numbers exclude corporate office employees*

5 *Includes R251.1 million housing contribution*

6 *Our Scope 1 GHG emissions began increasing in 2014 as the activity of diesel-driven vehicles increased at Styldrift*

# Key features of our performance in 2019

## Financial capital

**Balance sheet optimisation**
through rights offer and gold streaming agreement

Net debt[1] position of
**R491.3 million**
(2018: R832.4 million)

Headline earnings per share of
**50.4 cents**
(2018: 25.0 cents)

**68.1%**
of capital expenditure funded from cash generated by operations
(2018: 37.3%)

Cash position[2] of
**R814.2 million**
(2018: R883.5 million)

[1] *Calculated as interest-bearing borrowings less cash and cash equivalents*
[2] *Includes restricted cash and housing*

## Manufactured capital

**12.8%**
increase in tonnes delivered to 3 829kt (2018: 3 395kt)

**12.5%**
increase in tonnes milled to 3 847kt (2018: 3 420kt)

**12.2%**
year-on-year increase in BRPM cost per tonne milled to R1 361 (2018: R1 213)

**9.3%**
increase in Styldrift built-up head grade to 3.77g/t (4E) (2018: 3.45g/t (4E))

**9.0%**
increase in 4E metals in concentrate to 401koz (2018: 368koz)

## Human capital

**Two fatalities**

**38.1%**
improvement in RBPlat's SIFR year-on-year

**23.2%**
improvement in RBPlat's LTIFR year-on-year

**14.9%**
improvement year-on-year in total training and development costs

## Social capital

**11.8%**
increase year-on-year in local HDSA procurement spend to **R1.7 billion**

**R65.8 million**
investment in our social and labour plan (2018: R63.2 million)

## Natural capital

Awarded
**CDP B scores**
for our voluntary disclosure in the CDP water and climate change 2019

**R7.3 million**
cost savings in potable water using our water treatment plant

Disappointing **25.3%** increase in GHG emissions due to inclusion of Maseve data and increased production at Styldrift

# Commentary

## OVERVIEW

RBPlat witnessed a recovery and strengthening of the macro-PGM market fundamentals, resulting in a healthy basket price. However, the domestic environment remained challenging given the general elections in May 2019; the local union leadership elections; wage negotiations; an unpredictable Eskom power grid; a dearth of trackless competence and skills; and the expectations of our doorstep communities. From an operational perspective, the year represented a continued transitional phase across the Group as Styldrift moved from a project environment to commercial operating status, and BRPM was required to maintain steady results despite a rapidly depleting South shaft Merensky reserve.

Given this context our key focus for the year was on:
- achieving meaningful and sustainable improvements in our key safety performance in our pursuit of zero harm
- continuing to ramp up Styldrift with the aim of achieving a 230ktpm run rate in the third quarter of 2020
- on-boarding of artisans and skills training initiatives
- recommencing UG2 mining at our South shaft operation and ramping it up to 20ktpm by the fourth quarter of 2019
- initiating long lead concentrator projects that will allow us to optimise recovery and sustain production in the longer term. These include the Maseve 160ktpm MF2 expansion as well as the BRPM and Maseve tailings storage facility expansions
- initiating a review of corporate costs
- optimising the balance sheet through a rights offer and a gold streaming agreement.

Our lost time injury frequency rate (LTIFR) decreased by 23.2% and total injury frequency rate (TIFR) decreased by 6.7%. Regrettably, despite all our efforts to keep our people safe, we did not achieve our goal of zero harm. There were two fatalities in our operations in 2019. On 24 June Mr Joao Antonio Machava sadly lost his life in a scraper-related accident at BRPM's South shaft. On 22 November Ms Bontle Sitoe passed away from a pulmonary embolism. The Board of Directors, management as well as colleagues at RBPlat extend their sincere condolences to the families and friends of Mr Machava and Ms Sitoe.

While we achieved significant production and construction milestones at our operations, the overall volume and cost performance did not meet expectations, largely driven by the operational complexity we have faced this year. Over 2019, we witnessed a 12.5% and 9.0% increase in tonnes milled and 4E metals in concentrate, respectively. 4E metals in concentrate amounted to 401koz (6.7% below the lower end of our guidance) and the unit cost per 4E ounce exceeded guidance by 6.3% at R14 139.

## FINANCIAL CAPITAL

In accounting for the transaction with non-controlling interest in the 2018 annual financial statements, deferred tax was incorrectly recognised on the full consideration paid for the acquisition of minority interest instead of accounting for the deferred tax on the change in the previously recognised tax base.

In preparation of the 2019 annual financial statements, we have restated our 2018 comparative financial results as a result of this error. This change affected deferred tax and equity in the statement of financial position.

The transformation of our business, assisted by improving macro market conditions, resulted in a 147.2% improvement in our headline earnings to R123.1 million in 2019 (2018: R49.8 million).

Our headline earnings per share improved year-on-year to 50.4 cents (2018: 25.0 cents) while our basic earnings per share was 26.3 cents compared to 78.1 cents for the year ended 31 December 2018.

During 2019 our earnings per share (EPS) were impacted by:
- a decrease in non-controlling interest following the acquisition of the remaining 33% share in our business from Rustenburg Platinum Mines Limited ("RPM"), a wholly owned subsidiary of Anglo American Platinum Limited
- interest charges relating to the RPM deferred consideration
- borrowing costs previously capitalised, which were expensed during the period
- scrapping and impairment of non-financial assets relating to our housing development
- high cash costs and high levels of depreciation due to the Styldrift ramp-up.

The addition of Styldrift's revenue and an improved macro-environment, resulted in a 106.6% increase in revenue to R7 491.9 million for the period, compared to R3 627.1 million in 2018. Following the ramp-up of Styldrift, 4E and platinum ounce production increased by 9.0% and 9.2%, respectively. Platinum contributed 38.4% (2018: 46.4%) to the revenue of our operations in the reporting period, while palladium and rhodium contributed 47.2% (2018: 36.2%). The basket price per platinum ounce increased by 36.8% to R28 743.0 (2018: R21 005.8) assisted by an increase in palladium and rhodium prices and a weaker rand, with our average exchange rate received for the period improving by 5.3% to R14.55 per US dollar.

The inclusion of Styldrift was also the main contributor to the 105.3% increase in cost of sales to R6 810.6 million (2018: R3 317.2 million). Styldrift's contribution to cost of sales was R3 252.4 million, with an average cash operating cost per 4E ounce of R16 504. Although Styldrift's cost of sales during 2019 was higher than expected, we expect the operation to deliver a significant improvement in unit costs as it ramps up to full capacity.

BRPM's contribution to total cost of sales increased by 4.5% year-on-year to R3 432.3 million (2018: R3 285.0 million). The contributors to the 20.0% increase year-on-year in BRPM's average cash operating cost per 4E ounce to R12 562 includes the ramp-up of UG2 ore mining at South shaft, Eskom power curtailment and lower production.

Our focus in delivering cost optimisation and the ramp up of Styldrift has resulted in a further reduction in the fixed cost component of our cash costs, having achieved a 0.5% improvement in the period under review to 69.1% (2018: 69.6%).

During the second half of 2019, RBPlat initiated a review of corporate costs and a new optimisation programme. This process, which will continue in 2020, has already delivered a more streamlined executive team with improved reporting lines and accountabilities. Our corporate office charges decreased by 24.4% year-on-year to R187.3 million.

Other income increased by R143.9 million, or 116.0% compared to 2018. This was partly as a result of the R70.5 million foreign exchange gain on the currency hedge for the expected proceeds of the gold streaming transaction, R13.7 million net realised gains on the fair value of foreign exchange contracts and an increase in Impala royalties of 48.6% to R146.8 million.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased 248.4% from R504.1 million to R1 756.4 million, with our EBITDA margin increasing to 23.4%

# Commentary continued

from 13.9% in the previous comparative period. RBPlat's consolidated gross profit increased by 119.8% to R681.3 million from R309.9 million in the comparative period.

Supported by a strong pricing environment, BRPM reported a 217.5% growth in gross profit to R1 086.2 million. In its first year of commercial production, Styldrift reported a gross loss of R279.0 million due to high cash costs and high levels of depreciation as a result of the ramp-up.

In 2019, there was no scrapping of non-financial assets compared to the R25.9 million in 2018 relating to the feasibility study cost previously capitalised in respect of the possible addition to the BRPM concentrator plant to mill ore from Styldrift. The plant addition was set aside after the acquisition of Maseve, which included a concentrator plant with capacity to treat ore from Styldrift. In 2019, impairment of R58.9 million relating to employee housing assets was recognised as a result of suspension of construction of houses for Phase II.

Finance costs increased from R26.8 million in 2018 to R553.6 million in 2019, mainly as a result of the interest on the RPM deferred consideration of R211.8 million (2018: R11.5 million), interest on our credit facilities including the convertible bond, expensed of R231.5 million (2018: R6.5 million). Within our RBPlat housing segment, the R89.7 million increase in expensed interest on the PIC housing facility, which was previously capitalised, was offset by R43.8 million increase in interest received mainly from additional house sales.

The growth in our business and improving market conditions contributed to a 54.3% increase in cash inflow from operating activities to R1 027.6 million. We invested a total of R327.0 million in stay-in-business and replacement capital expenditure, to deliver free cash flow before expansionary capital expenditure of R700.6 million. Expansionary capital expenditure for 2019 including borrowing costs capitalised and elimination of intercompany management fee amounted to R1 368.3 million, with net cash flow from investing activities totalling R1 751.8 million, a 51.3% reduction from 2018. Net cash inflow from financing activities of R654.9 million was supported by R1 029.1 million proceeds from the rights offer in March 2019. Overall, 46 777 694 shares were issued at a price of R22.0. The rights offer was oversubscribed and resulted in our free float increasing to 58.8%.

As at 31 December 2019, the Group had cash and cash investments of R814.2 million (2018: R883.5 million). This includes restricted cash of R129.5 million ringfenced for our employee home ownership scheme and R84 million earmarked for the payment of the convertible bond coupon. In 2019, RBPlat was able to fund 68.1% (2018: 37.3%) of its capital expenditure from cash generated by its operations. Net debt, calculated as interest-bearing borrowings less cash and cash equivalents, ended the period at R491.3 million presenting a 41.0% decrease from 2018.

In December 2018, we completed the acquisition of the remaining 33% participating interest in the BRPM Joint Venture (BRPM JV) from Anglo American Platinum's wholly owned subsidiary Rustenburg Platinum Mines Limited (RPM) for a consideration of R2 177.8 million. Phase I of the acquisition was funded by means of a combination of cash, equity and debt. We issued 9 791 823 RBPlat shares to investors to raise R239.9 million as part-settlement of the acquisition. The R314.8 million refund of contributions from RPM to the joint venture during the interim period (from 5 July 2018 to the Phase I effective date) was settled from cash and available facilities. The remaining deferred consideration was due to be paid to RPM, either in cash or equity over a three-year period, commencing 18 months from the closing of the transaction on 11 December 2018. In July 2019, as part of Phase II of the transaction, the Department of Mineral Resources approved the section 11 transfer of RPM's undivided interest in the mining rights attributable to the BRPM JV. In addition to Phase I of the transaction having been completed, the conditions precedent to Phase II of the transaction have now been met. On 30 January 2020, RBPlat settled in full the balance of the deferred consideration outstanding at that date, amounting to R1 851.0 million. The balance was settled in cash from proceeds of the gold streaming agreement.

In October 2019, we announced a gold streaming agreement through our wholly owned subsidiary, Royal Bafokeng Resources Proprietary Limited, with Triple Flag Mining Finance Bermuda Limited (Triple Flag). In terms of this agreement, the Company will receive an upfront cash payment of US$145 million (equating to approximately R2.1 billion) in exchange for the future delivery of gold from the RBPlat mining operations (excluding Styldrift II and the Impala royalty areas), payable over the life of mine (LOM). RBPlat will deliver 70% of its payable gold production to Triple Flag until 261 000 ounces are delivered under the Stream, and 42% of payable gold production thereafter. For every ounce delivered as part of the Stream, Triple Flag will pay 5% of the spot gold price to RBPlat. The transaction closed in January 2020.

## MANUFACTURED CAPITAL

At the end of 2019, the bulk of the LOM infrastructure required to support the ongoing ramp up of Styldrift to 230ktpm by the third quarter of 2020 was in place. Styldrift had delivered 1 600kt of ore; BRPM's South shaft had met and exceeded its UG2 production target of 20ktpm; Maseve concentrator's 160ktpm MF2 expansion progressed to detail design phase with long-lead items ordered; and construction on both tailings storage facilities had commenced.

Our total development increased by 11.7% to 39.1km. BRPM's total development increased 15.4% to 32.3km mainly attributable to increased working cost development in line with the ramping up of UG2 production at BRPM South shaft. There was a 2.9% decrease in total development at Styldrift to 6.8km in line with infrastructure requirements as the project footprint nears completion. BRPM's IMS panel ratio of 1.87 exceeded its target of 1.5, Styldrift is expected to achieve its 1.3 target by the first quarter of 2021.

Total tonnes delivered to concentrators increased by 12.8% to 3 829kt from 3 395kt in 2018. BRPM tonnes delivered decreased by 1.7% to 2 229kt, with Merensky tonnes delivered decreasing by 11.0% to 1 640kt. The reduction in Merensky tonnes at BRPM is directly attributable to the depletion of Merensky reserves at South shaft. UG2 tonnes delivered increased by 38.3% to 589kt in line with the recommencing of UG2 mining operations at South shaft. Styldrift tonnes delivered increased 42.0% to 1 600kt, in line with ramp-up progress. Total tonnes milled increased year-on-year by 12.5% to 3 847kt from 3 420kt in 2018. Merensky tonnes milled increased by 9.0% to 3 266kt in line with increased production volumes from Styldrift. UG2 milled tonnes increased by 37.4% to 581kt in line with recommencing of UG2 mining at BRPM South shaft.

Overall built-up head grade reduced by 1.3% to 3.91g/t (4E) from 3.96g/t (4E) in 2018. Styldrift's built-up head grade increased 9.3% to 3.77g/t (4E) from 3.45g/t (4E) in 2018 and BRPM's reduced by 4.8% to 4.01g/t (4E) from 4.21g/t (4E) in 2018. The reduction in BRPM's head grade is attributable to higher off-reef dilution at North shaft Phase III Merensky, due to geological complexity experienced in current mining areas and the increased contribution of lower grade South shaft UG2 to the overall ore mix. The 1.3% reduction in built-up head grade, lower recovery potential of the Maseve MF1 circuit and the lack of availability of the BRPM plant secondary mill in the second quarter of 2019 contributed to a 1.6% reduction in overall recovery (4E) to 83.07% from 84.43% in 2018. There was a 9.0% and 9.2% increase in 4E metals and platinum metal in concentrate to 401koz and 261koz, respectively. A total of 6.5koz (4E) was lost as a result of safety and load shedding-related disruptions, with 5.9koz (4E) or 51kt milled lost to section 54-related stoppages.

There was a R2 887 million year-on-year increase in cash operating costs for the business to R5 675 million. This increase was a direct result of Styldrift reaching commercial operating status as of 1 January 2019. BRPM's cash operating cost increased by 8.5% to R3 024 million compared to 2018. The increase is attributable to on-mine inflation and additional costs associated with the re-establishment of UG2 production at South shaft. Cash operating cost per 4E and platinum ounce for the business increased by 35.1% and 34.8% to R14 139 and R21 770, respectively.

Total capital expenditure decreased 52.0% year-on-year to R1 661 million from R3 459 million in 2018. Expansion capital expenditure decreased by 58.5% to R1 334 million in line with Styldrift capital footprint construction schedule requirements as the project enters its final phase. Replacement capital expenditure increased by R51 million to R101 million. This increase is related to extending the North and South declines at Styldrift beyond the current 230ktpm capital footprint in order to establish the ore reserves required to sustain production in the longer term. Phase III Merensky replacement expenditure at BRPM amounted to R21 million for the year. Stay-in-business (SIB) capital expenditure for the year amounted to R226 million, equating to 4.0% of operating cost.

## PROJECTS

### North shaft Phase III (replacement project)

This project extends the shaft decline system and ancillary infrastructure from 10 level down to the mine boundary at 15 level. The completion of two belt extensions in the fourth quarter of 2019 and the purchase of two additional LHDs to improve machine availability has allowed the project to reach steady-state production of 2 500 tonnes a day. By year-end the project, which started in 2010, was completed with a R254 million saving against a budget of R1 409 million. We initiated the project close-out process in the first quarter of 2020.

### Styldrift ramp-up (expansion project)

Ore reserve development, commissioning of infrastructure, onboarding of skilled employees, and the optimisation of the operational systems required to achieve the third quarter 2020 230ktpm ramp-up milestone, remained the primary objectives of the project during the reporting period. Styldrift's ramp-up continued to progress steadily during 2019, however, as is to be expected in a new operation in ramp-up, planned progress was impacted by several technical and operational challenges.

The slower than planned performance was underpinned by challenges stemming from:

- the termination of the mining contractor during the first quarter of 2019
- the implementation of full calendar operations (Fulco)
- late commissioning of strike belts and associated ore handling infrastructure
- the difficulty experienced in the recruitment and onboarding of competent trackless engineering and mining skills resulting in maintenance backlogs and an overall decrease in trackless fleet availability and, ultimately, utilisation
- delays in commissioning of logistics and engineering support infrastructure (stores, workshops etc.)
- timeous extension of section strike belt forward moves.

This was exacerbated by geology and geotechnical requirements due to the temporary lack of IMS flexibility within the operation as the mine ramps up. Spare IMS section ore reserves play a pivotal role in establishing the operational flexibility necessary to effectively mitigate the impact of geology and geotechnical requirements on a mining operation. However, given that this flexibility will only be fully attained on completion of the project footprint, Styldrift remains exposed to production risks because of geology on the mineable face length and associated mining efficiencies. The intersection of known fault systems in the north, north-eastern and western mining sections, combined with a footwall shear zone in the south west, were no exception, further contributing to lower than planned crew performance in these areas during the reporting period.

By year-end we had achieved significant improvements in trackless fleet availability and tip-to-face tramming distances, as we had guided in our interim results, and are confident that our operating platform for 2020 is well established, equipped and staffed to deliver on our goal of achieving a 230ktpm run rate in the third quarter of 2020. Total capital expenditure for the project to date amounts to R12.87 billion. Capital cost at completion is estimated at R13.8 billion.

## HUMAN CAPITAL

The safety and health of our employees is key in creating a stable and productive working environment and as such we continue to focus on achieving a resilient operating culture that will lead us to our aspiration of zero harm. Notwithstanding our LTIFR and TIFR improving by 23.2% and 6.7% respectively, sadly, we did not achieve our goal of zero harm in 2019 and deeply regret that Mr Machava and Ms Sitoe lost their lives. To achieve our aspirational goal of zero harm we have defined our focus areas for safety as:

- strengthening our safety leadership to support our progress towards an agile safety culture
- addressing risk taking behaviour
- gaining a better understanding of what can make our workplace safer
- employing technology to gather, analyse and use safety inspection data to avoid safety incidents.

We have made good progress with the transformation of our workforce with HDSAs making up over 92%. While we have some way to go to achieve the management transformation targets set in Mining Charter III, we have always exceeded the targets set for Mining Charter II and are committed to achieving the new targets. We work to eliminate inequalities and ensure our workforce is fairly and competitively rewarded.

We concluded another five-year wage agreement with our enrolled employees, effective 1 July 2019. In terms of the agreement employees will receive an increase in their annual salary of 7% in year one of the agreement (2019), 6% in year two, 6% in year three, 7% in year four and 7% in year five. We have also ensured parity between our employees and their industry peers for any employees whose remuneration falls below the entry-level minimum wage after application of these increases. Medical aid and housing allowances will also increase in line with repayments for the homes in our employee home ownership scheme in Waterkloof Hills Estate. We will negotiate a new wage agreement with our contractors, who are also represented by NUM, in 2020.

# Commentary continued

## SOCIAL AND RELATIONSHIP CAPITAL

Our efforts to achieve *More than mining*, which has been our ambition since the formation of RBPlat, are governed by our incorporation of the UNGC principles in our policies and procedures and our commitment to make a meaningful contribution towards mine community development by not only meeting our own social objectives, but by also meeting the requirements of our Mining Charter III social and labour plan (SLP).

The communities in which we operate have been adversely affected by the reduction in the number of jobs available in the mining industry, the poorly performing South African economy and the lack of development of industries in the area. It is therefore more important than ever that we invest some of our social capital to address immediate short-term needs and that most of our investment goes to help the young people of these communities equip themselves for a sustainable future through education and skills development. We have invested R65.8 million on our SLP commitments and invested R5.3 million on community infrastructure during 2019. Over a period of 10 years we have invested R944.5 million in SLP and R51 million in community infrastructure.

We achieved a pleasing 11.8% increase in our procurement from local HDSA businesses in 2019. We were also able to increase our procurement from our doorstep HDSA businesses by 82.6%, following our focus on enterprise and supplier development in our doorstep communities during 2019. Following our CEO's engagement with doorstep companies in 2018, RBPlat developed a strategy aimed at providing the support these businesses need to grow and become sustainable. This included engaging two consulting companies who specialise in business development and funding assistance, establishing the RBPlat business hub at which these consultants are based and providing access to vendor registration and computer and printing facilities.

## NATURAL CAPITAL

RBPlat's commitment to addressing the impact of climate change includes: endorsing the Caring for Climate initiative, being a signatory to the Carbon Disclosure Standard Board's (CDSB) fiduciary duty and climate change disclosure and joining the We Mean Business Campaign as members of the National Business Initiative (NBI). Our environmental management is based on best practice, legal compliance and maintaining our environmental and social licence to operate guided by our Board-approved sustainability and stakeholder engagement framework and policy. Both our Styldrift and BRPM mine and concentrator operate under the ISO 14001 (2015) certified Environmental Management Systems (EMS) with the Maseve concentrator planned to go for certification in 2020.

Our voluntary participation in the Carbon Disclosure Project (CDP) allows RBPlat to measure its progress towards environmental stewardship and to benchmark and compare our progress against our peers. We achieved a B score for both our water and climate change disclosures in 2019. We exceeded the global average, metals and mining sector as well as the Africa regional average scores of C in our climate change disclosures. We will, be working to improve our score in our future voluntary disclosures to the CDP.

Our energy efficiency targets assess how efficiently we are using our electricity supply from Eskom. These targets were set for 10 years using the 2009 performance as a baseline, for our steady state operations. In 2019 BRPM did not achieve its target whereas Styldrift and the BRPM concentrator did. Since its targets were set in 2015 the BRPM concentrator has consistently achieved an energy efficiency level below its target. The nature of our conventional mining at BRPM and the key infrastructure required in 2019 for mining has made it very challenging to continue achieving improvements in our baseload. As this 10-year period has come to an end we are setting new targets for the next five years, which will include the Maseve concentrator.

We are investigating the introduction of renewable energy into our total energy mix with the aim of reducing our reliance on electricity produced using fossil fuels. We are busy with a bankable feasibility study with the aim of building a modular solar plant. The first phase will service the initial load of the mine, with the aim of adding additional capacity in the future. The feasibility study will be completed by the end of the second quarter of 2020.

We have efficiency-based water consumption targets in place for our operations. Styldrift achieved its water efficiency target in 2019 whereas BRPM and the BRPM concentrator did not. The decrease in our BRPM concentrator water use efficiency is predominantly due to the 5.4% reduction in recycled water and 3.3% reduction in tonnes treated in 2019. The BRPM concentrator relied more on potable water in 2019 during the replacement of the recycling water pipeline. As these water targets came to an end in 2019, we are setting new efficiency targets that will include the Maseve concentrator and the ramping up of Styldrift.

As part of our plans to ensure water security and reduce our overall consumption of potable water by reusing process water, we invested in a water treatment plant in 2015. The plant adjoins the BRPM concentrator, which is the largest consumer of water at our operations. In 2019 we reduced our potable water cost by R7.3 million by using water from our water treatment plant, however, the use of treated water in BRPM's concentrator decreased to 682.39Ml from 798.84Ml in 2018.

## CHANGES TO THE BOARD

There were changes to the Board during the period. RPM nominees Mr Gordon Leslie Smith and Mr Avischen Moodley were appointed to the Board on 2 January 2019 as non-executive directors. In accordance with our agreement with RPM, Mr Smith and Mr Moodley will step down at the next AGM of the Company following the full payment of the deferred consideration to RPM. We thank them dearly for their meaningful contribution. Mr Udo Lucht was appointed as a non-executive director on 1 September 2019. Mr David Wilson who served on the Board as a non-executive director for five years and was a member of the Social and Ethics Committee resigned on 28 June 2019. The Chair of the Board as well as the Board express their gratitude to Mr Wilson for his valuable contribution to the Board and the Company during his tenure with RBPlat and wish him every success in his new endeavours. Ms Louisa Stephens, who chairs the Audit and Risk Committee of the Company, was appointed as a member of the Remuneration and Nominations Committee with effect from 1 September 2019.

## MARKET REVIEW

2019 was characterised by a higher rand PGM basket price driven by palladium (up 54%) and rhodium (up 145%) as a result of strong fundamentals. Platinum (up 21%), was supported by higher gold and palladium prices.

The use of PGMs in autocatalysts still account for most of its annual demand. Global vehicle sales are estimated to have fallen in 2019 on the back of an uncertain global economic environment and this trend is expected to continue in 2020. Platinum automotive demand fell in 2019 on the back of the continued decline in diesel's light duty vehicles market share in Western Europe. The decline was, however, at a slower rate, with its market share estimated to have settled around the 32% level.

While diesel's share in light duty vehicles wanes it still dominates in heavy duty vehicles, but this market is expected to be under pressure as a result of the global economic slowdown. Palladium and rhodium automotive demand continued to increase driven by stricter emissions standards in Europe and China.

Jewellery demand for platinum has continued to decrease, driven by the ongoing slowdown in China, its largest consumer, where demand has fallen by more than half since its 2013 peak. This slowdown is as a result of a shift in consumer preferences. In other regions such as the USA and Japan, demand is estimated to have remained flat, while demand in India grew steadily. Industrial demand for platinum is estimated to have remained flat in 2019, supported by strong demand in the chemicals sector. Industrial demand for palladium and rhodium decreased in 2019. Palladium industrial consumption is relatively price elastic and there was some thrifting in some sectors due to the higher metal prices. Industrial demand for rhodium also fell primarily driven by a reduction in use in the glass sector. Investment demand for platinum in 2019 was over 1 million ounces, driven by strong ETF flows which exceeded the previous record of 906koz in 2013. Investment demand for palladium continued to decrease during 2019 but at a lower rate than recent years.

Primary supply from South Africa and Russia declined in 2019. South Africa's production was also negatively affected by load shedding in the country with stage 6 load shedding (which halted production) being implemented for the first time in December. The successful conclusion of wage negotiations in the sector meant there were no strikes which were a major risk to production going into the year. The decrease in primary supply was offset by the increase in secondary supply. All three PGMs (platinum, palladium and rhodium) are estimated to have been in a deficit in 2019 when including investment demand, particularly for platinum.

## MARKET OUTLOOK

Although vehicle sales are declining, PGM demand is expected to be bolstered by the increased PGM loadings in vehicles on the back of more stringent emissions legislation globally. The relevant emissions legislation includes Real Driving Emissions standards in Europe, China 6 (light duty), China VI (heavy duty) and Bharat Stage VI in India, which require the increased use of PGMs in more efficient autocatalysts as automakers seek to meet the tighter emissions legislation and avoid penalties related to non-compliance. While electric vehicles have garnered a huge amount of attention, they are not expected to significantly impact the use of the internal combustion engine in the first half of this decade. Instead, the sale of hybrid electric vehicles, which contain PGMs, is expected to grow. Using platinum in some diesel hybrid vehicles may help automakers meet the new $CO_2$ emissions standards which have come into effect in Europe.

We expect overall jewellery demand to remain subdued in 2020. Chinese demand is forecast to remain weak notwithstanding an increased focus on market development by the Platinum Guild International (PGI). Growth from other markets will not be enough to offset this decline. Industrial demand for platinum is expected to grow in 2020, driven by the chemical and petroleum sectors. Higher palladium and rhodium prices may continue to drive thrifting and substitution in some industrial sectors as end-users look for cheaper non-PGM alternatives. Investment demand for platinum is expected to be positive in 2020, however, ETF flows are unlikely to match 2019's volumes.

Previous years of underinvestment will ultimately lead to a reduction in platinum primary production from South Africa, while output from Russia is also expected to decline. Load shedding remains a risk to South Africa's production as Eskom has indicated that load shedding will continue in the coming year. Palladium supply is more geographically diverse than platinum and rhodium, with higher production from North America expected to offset the lower supply from South Africa and Russia to some extent. Secondary supply from recycling is expected to increase driven by automotive recycling.

Vehicle manufacturers are currently focused on meeting the tighter emissions legislation and avoiding possible fines. The cost of PGMs as a percentage of the overall cost of a car is still relatively small, therefore substitution may not be driven by the large price differential between platinum and palladium. It will rather be driven by supply security challenges and the potential for increased price volatility.

Palladium and rhodium are expected to remain in deficit in 2020 while platinum is forecast to be in a slight surplus.

## 2020 COMPANY GUIDANCE

Our key focus area for 2020 is the effective resourcing and ongoing alignment of our operations in line with the growing contribution of Styldrift, at the same time as the mining mix at BRPM extracts more lower grade UG2. The contribution of UG2 mining at BRPM will increase to approximately 35% of our overall production during 2020. Operational flexibility at BRPM remains a key challenge as South shaft Merensky reserves are depleted and the shaft transitions to mining the more complex UG2 ore body. Productivity and mining efficiencies on the UG2 reef are lower than the Merensky reef. The lower grades of the UG2 will create upward unit cost pressures at BRPM, which during 2020 will only partially be offset by the increasing scale of the business as well as operational reorganisation. We therefore expect BRPM cost inflation to be consistent with mining inflation of 8% in 2020 as we opportunistically extract UG2.

Group production guidance for 2020, subject to any unforeseen operational disruptions and market conditions, is forecast to increase to between 4.2Mt and 4.5Mt at a 4E built-up head grade of 3.90g/t to 4.00g/t, yielding 450koz to 485koz 4E metals in concentrate. Unit cost guidance for the Group is forecast to be between R13 300 and R14 400 per 4E ounce.

Group capital expenditure for 2020, including escalation contingencies, is forecast to be approximately R2.2 billion. Styldrift mining and infrastructure for the 230ktpm ramp-up footprint (R0.8 billion), the Maseve overland conveyor belt (R0.1 billion), the Maseve plant expansion (R0.3 billion) and tailings storage facility upgrades (R0.3 billion) will be the main drivers. SIB expenditure for the Group is expected to be between 6% and 7% of total operating costs.

## DIVIDEND POLICY

Shareholder returns are an important expression of capital allocation, with our preference being to return excess cash to shareholders through sustainable dividend payments. While the development of Styldrift has presented a significant investment phase for RBPlat, the successful ramp up of Styldrift together with the ongoing cash generation from BRPM and the Impala royalties, is expected to underpin strong cash flow generation that will support sustainable dividends. As such, the Board has approved a policy of distributing a minimum of 10% of free cash flow, before growth capital, while maintaining discretion to consider balance sheet flexibility, and prevailing market conditions. This will be done through an annual dividend each financial year, with consideration also given to special dividends, where appropriate.

# Summary consolidated statement of financial position

as at 31 December 2019

| | Notes | Group 2019 audited R (million) | 2018 audited Restated R (million) | % change | 2017 audited R (million) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | **22 160.7** | 21 483.9 | 3.2 | 18 448.3 |
| Property, plant and equipment | | **15 367.4** | 14 661.6 | 4.8 | 11 912.2 |
| Right-of-use assets | 5 | **25.6** | – | 100.0 | – |
| Mining rights | | **5 502.7** | 5 647.7 | (2.6) | 5 686.5 |
| Environmental trust deposit and guarantees investments | | **245.9** | 227.0 | 8.3 | 164.7 |
| Employee housing loan receivable | | **681.8** | 611.4 | 11.5 | 439.5 |
| Employee housing benefit | | **235.2** | 226.5 | 3.8 | 163.2 |
| Housing insurance investment | | **43.9** | 39.9 | 10.0 | 35.7 |
| Deferred tax asset | 8 | **58.2** | 69.8 | (16.6) | 46.5 |
| **Current assets** | | **4 790.0** | 4 026.7 | 19.0 | 3 697.1 |
| Employee housing benefit | | **17.5** | 16.4 | 6.7 | 11.8 |
| Employee housing assets | 6 | **702.6** | 774.3 | (9.3) | 579.3 |
| Inventories | | **196.1** | 130.2 | 50.6 | 105.6 |
| Trade and other receivables | | **2 984.9** | 2 222.1 | 34.3 | 1 667.1 |
| Current tax receivable | | **4.2** | 0.2 | 2 000.0 | 0.2 |
| Derivative financial asset | 7 | **70.5** | – | 100.0 | – |
| Cash and cash equivalents | | **814.2** | 883.5 | (7.8) | 1 333.1 |
| **Total assets** | | **26 950.7** | 25 510.6 | 5.6 | 22 145.4 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Total equity** | | **16 186.6** | 15 158.3^ | 6.8 | 14 423.9 |
| Stated capital* | | **11 125.1** | 10 063.1 | 10.6 | 9 645.1 |
| Retained earnings | | **4 739.4** | 4 757.0^ | (0.4) | 701.5 |
| Share-based payment reserve | | **322.1** | 338.2 | (4.8) | 240.8 |
| Non-distributable reserve | | **–** | – | – | 82.5 |
| Non-controlling interest | | **–** | – | – | 3 754.0 |
| **Non-current liabilities** | | **9 024.5** | 9 595.9^ | 6.0 | 5 837.7 |
| Deferred tax liability | 8 | **3 846.5** | 3 766.6^ | (2.1) | 3 774.3 |
| Convertible bond liability | 9 | **1 049.5** | 986.7 | (6.4) | 932.4 |
| PIC housing facility | 10 | **1 440.9** | 1 299.6 | (10.9) | 975.0 |
| Interest-bearing borrowings | 11 | **1 305.5** | 1 650.0 | 20.9 | – |
| RPM deferred consideration | 12 | **1 073.4** | 1 621.6 | 33.8 | – |
| Lease liabilities | 5 | **16.2** | – | (100.0) | – |
| Restoration, rehabilitation and other provision | | **292.5** | 271.4 | (7.8) | 156.0 |
| **Current liabilities** | | **1 739.6** | 756.4 | (130.0) | 1 883.8 |
| Trade and other payables | | **923.1** | 677.1 | (36.3) | 544.9 |
| Current tax payable | | **1.3** | 13.4 | 90.3 | 5.0 |
| Current portion of PIC housing facility | 10 | **42.2** | – | (100.0) | – |
| Current portion of interest-bearing borrowings | 11 | **–** | 65.9 | 100.0 | – |
| Current portion of RPM deferred consideration | 12 | **760.0** | – | (100.0) | – |
| Current portion of lease liabilities | 5 | **13.0** | – | (100.0) | – |
| RPM payable | | **–** | – | – | 1 333.9 |
| **Total equity and liabilities** | | **26 950.7** | 25 510.6 | (5.6) | 22 145.4 |

** Refer to Note 16 of the consolidated annual financial statements for the details relating to the reallocation of share capital and share premium to stated capital*
*^ Refer to Note 14 for the details of restatement relating to correction of error*

The notes on pages 14 to 30 form an integral part of these consolidated annual financial statements.

# Summary consolidated statement of comprehensive income

## for the year ended 31 December 2019

| | Notes | Group 2019 audited R (million) | 2018 audited R (million) | % change |
|---|---|---|---|---|
| Revenue | 17 | **7 491.9** | 3 627.1 | 106.6 |
| Cost of sales | 18 | **(6 810.6)** | (3 317.2) | (105.3) |
| Cost of sales excluding depreciation, amortisation and movement in inventories | | **(5 726.0)** | (2 921.7) | (96.0) |
| Depreciation and amortisation | | **(1 095.7)** | (380.4) | (188.0) |
| Increase/(decrease) in inventories | | **11.1** | (15.1) | 173.5 |
| Gross profit | | **681.3** | 309.9 | 119.8 |
| Other income | | **267.9** | 124.0 | 116.0 |
| Administrative expenses | | **(337.2)** | (284.0) | (18.7) |
| Corporate office | | **(187.3)** | (247.8)* | 24.4 |
| Housing project | | **(53.5)** | 21.3 | (351.2) |
| Industry membership and market development | | **(16.6)** | (16.7)* | 0.6 |
| Maseve care and maintenance | | **(69.2)** | (40.8) | (69.6) |
| Restructuring costs | | **(10.6)** | – | (100.0) |
| Gain on bargain purchase | | **–** | 118.3 | (100.0) |
| Scrapping and impairment of non-financial assets | | **(58.9)** | (26.3) | (124.0) |
| Finance income | 20.1 | **124.1** | 100.9 | 23.0 |
| Finance cost | 20.2 | **(553.6)** | (26.8) | (1 965.7) |
| Profit before tax | | **123.6** | 316.0 | (60.9) |
| Income tax expense | | **(59.5)** | (60.5) | 1.7 |
| Current tax expense | | **(47.2)** | (35.3) | (33.7) |
| Deferred tax expense | | **(12.3)** | (25.2) | 51.2 |
| Net profit for the period | | **64.1** | 255.5 | (74.9) |
| Other comprehensive income | | **–** | – | – |
| Total comprehensive income attributable to: | | **64.1** | 255.5 | (74.9) |
| Owners of the company | | **64.1** | 155.6 | (58.8) |
| Non-controlling interest | | **–** | 99.9 | (100.0) |
| **Earnings per share for profit attributable to the ordinary equity holders of the company:** | | | | |
| **Basic EPS (cents/share)** | 24 | **26.3** | 78.1 | (66.3) |
| **Diluted EPS (cents/share)** | 24 | **26.3** | 73.3 | (64.1) |

* *R16.7 million of corporate office cost has been reallocated and disclosed separately as industry membership and market development costs*

The notes on pages 14 to 30 form an integral part of these consolidated annual financial statements.

# Summary consolidated statement of changes in equity

for the year ended 31 December 2019

| | Number of shares | Stated* capital Restated R (million) | Share-based payment reserve R (million) | Non-distributable reserves R (million) | Retained earnings Restated^ R (million) | Attributable to owners of the Company Restated^ R (million) | Non-controlling interest R (million) | Total Restated^ R (million) |
|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | |
| **Restated balance at 31 December 2018** | **207 999 586** | **10 063.1** | **338.2** | **–** | **4 757.0** | **15 158.3** | **–** | **15 158.3** |
| IFRS 16 adjustment^^ | – | – | – | – | (3.3) | (3.3) | – | (3.3) |
| **Restated balance at 1 January 2019** | **207 999 586** | **10 063.1** | **338.2** | **–** | **4 753.7** | **15 155.0** | **–** | **15 155.0** |
| Share-based payment charge | – | – | 40.1 | – | – | 40.1 | – | 40.1 |
| 2016 BSP shares vested in April 2019 | 1 449 783 | 56.2 | (56.2) | – | – | – | – | – |
| Share options exercised | 321 107 | 6.3 | – | – | – | 6.3 | – | 6.3 |
| Issue of shares | 46 777 694## | 1 029.1 | – | – | – | 1 029.1 | – | 1 029.1 |
| Costs relating to issue of shares capitalised | – | (29.6) | – | – | – | (29.6) | – | (29.6) |
| Deferred tax on final valuation of the acquisition of non-controlling interest | – | – | – | – | (78.4) | (78.4) | – | (78.4) |
| Total comprehensive income | – | – | – | – | 64.1 | 64.1 | – | 64.1 |
| **Balance at 31 December 2019** | **256 548 170**** | **11 125.1** | **322.1** | **–** | **4 739.4** | **16 186.6** | **–** | **16 186.6** |
| **2018** | | | | | | | | |
| **Balance at 31 December 2017** | 192 868 841 | 9 645.1 | 240.8 | 82.5 | 701.5 | 10 669.9 | 3 754.0 | 14 423.9 |
| Share-based payment charge | – | – | 123.9 | – | – | 123.9 | – | 123.9 |
| 2015 BSP shares vested in April 2018 | 467 587 | 26.5 | (26.5) | – | – | – | – | – |
| Issue of shares | 14 663 158# | 394.5 | – | – | – | 394.5 | – | 394.5 |
| Costs relating to issue of shares capitalised | – | (3.0) | – | – | – | (3.0) | – | (3.0) |
| Total comprehensive income | – | – | – | – | 155.6 | 155.6 | 99.9 | 255.5 |
| Transaction with non-controlling interest | – | – | – | – | 3 817.4^ | 3 817.4^ | (3 853.9) | (36.5)^ |
| Transfer from non-distributable reserve | – | – | – | (82.5) | 82.5 | – | – | – |
| **Restated balance at 31 December 2018** | 207 999 586** | 10 063.1 | 338.2 | – | 4 757.0^ | 15 158.3^ | – | 15 158.3^ |

* *Refer to Note 16 of the consolidated annual financial statements for the details relating to the reallocation of share capital and share premium to stated capital*
^ *Refer to Note 14 for details of restatement relating to correction of error*
^^ *Refer to Note 13 for details relating to change in accounting policy*
\# *4 871 335 shares were issued for the Maseve acquisition and 9 791 823 shares were issued as part of the initial consideration for the acquisition of the remaining 33% in BRPM JV*
** *The number of shares is net of 1 685 766 (2018: 2 500 037) treasury shares relating to the Company's management share incentive scheme and the Mahube Employee Share Trust as shares held by these special purpose vehicles are eliminated on consolidation*
\## *46 777 694 shares were issued under the rights offer*

The notes on pages 14 to 30 form an integral part of these consolidated annual financial statements.

# Summary consolidated statement of cash flows

for the year ended 31 December 2019

| | Notes | 2019 audited R (million) | 2018 audited R (million) | % change |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| *Cash generated from operations* | | **1 154.5** | 581.1 | 98.7 |
| Interest paid | | **(173.0)** | (0.7) | (24 614.3) |
| Interest received | | **109.2** | 108.5 | 0.6 |
| Dividend received | | **0.2** | 3.9 | (94.9) |
| Tax refund received | | **0.2** | – | 100.0 |
| Income tax paid | | **(63.5)** | (26.9) | (136.1) |
| **Net cash inflow from operating activities** | | **1 027.6** | 665.9 | 54.3 |
| *Cash flows from investing activities* | | | | |
| Proceeds from disposal of property, plant and equipment | | **0.9** | – | 100.0 |
| Acquisition of property, plant and equipment | | **(1 695.3)** | (3 510.9) | 51.7 |
| Acquisition of Maseve net of cash | | **–** | (658.0) | 100.0 |
| Styldrift on-reef development revenue receipt | | **–** | 973.4 | (100.0) |
| Acquisition of employee housing assets | 6 | **(48.4)** | (343.4) | 85.9 |
| Employee housing loan receivable repayments | | **2.8** | 2.4 | 16.7 |
| Acquisition of housing insurance investment | | **–** | (3.0) | 100.0 |
| Increase in environmental trust deposits and investments | | **(11.8)** | (61.0) | 80.7 |
| **Net cash (outflow) from investing activities** | | **(1 751.8)** | (3 600.5) | 51.3 |
| *Cash flows from financing activities* | | | | |
| Contributions from RPM | | **–** | 768.3 | (100.0) |
| Drawdown of PIC housing facility | 10 | **85.0** | 384.5 | (77.9) |
| Repayment of PIC housing facility | 10 | **–** | (80.0) | 100.0 |
| Proceeds from interest-bearing borrowings | 11 | **841.0** | 2 015.0 | (58.3) |
| Transaction costs on interest-bearing borrowings | | **–** | (15.0) | 100.0 |
| Repayment of interest-bearing borrowings | 11 | **(1 264.3)** | (270.0) | (368.3) |
| Initial payment for acquisition of non-controlling interest | | **–** | (554.7) | 100.0 |
| Principal elements of lease payments | | **(12.6)** | – | (100.0) |
| Proceeds from issue of shares | | **1 029.1** | 239.9 | 329.0 |
| Costs relating to share issue | | **(29.6)** | (3.0) | (886.7) |
| Proceeds for share options exercised | | **6.3** | – | 100.0 |
| **Net cash inflow from financing activities** | | **654.9** | 2 485.0 | (73.6) |
| Net decrease in cash and cash equivalents | | **(69.3)** | (449.6) | 84.6 |
| Cash and cash equivalents at beginning of period | | **883.5** | 1 333.1 | (33.7) |
| **Cash and cash equivalents at end of period** | | **814.2** | 883.5 | (7.8) |

The notes on pages 14 to 30 form an integral part of these consolidated annual financial statements.

# Notes to the summary consolidated annual financial statements

for the year ended 31 December 2019

## 1. BASIS OF PREPARATION

The summary consolidated annual financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements (JSE Listings Requirements) for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated annual financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the previous consolidated annual financial statements.

The summary consolidated annual financial statements for the year ended 31 December 2019 were prepared under the supervision of the Financial Director, Hanré Rossouw.

## 2. ACCOUNTING POLICIES

The summary consolidated annual financial statements have been prepared under the historical cost convention. The principal accounting policies used by the Group are consistent with those of the previous period, except for the adoption of various revised and new standards. For the impact of adoption of new standards, refer to Note 1 of the annual financial statements.

## 3. AUDIT OPINION

These summary consolidated annual financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which these summary consolidated annual financial statements were derived. A copy of the auditor's report on the summary consolidated annual financial statements and of the auditor's report on the consolidated annual financial statements are available for inspection at the registered office of Royal Bafokeng Platinum Limited, together with the annual financial statements identified in the respective auditor's report.

## 4. AVAILABLE FUNDS

RBPlat had cash and near cash investments on hand at 31 December 2019 of R814.2 million. Included in the R814.2 million cash balance is restricted cash of R129.5 million ring-fenced for the RBPlat housing project and R84 million earmarked for the payment of the convertible bond coupon. The Group has R3 008 million debt facilities (excluding PIC housing facility) comprising a seven-year term-debt facility of R750 million, five-year revolving credit facility (RCF) of R1 750 million and a one-year general banking facility (GBF) of R508 million. R750 million of term-debt and R572.3 million of RCF were drawn as at 31 December 2019. R119.4 million of the general banking facility was utilised for guarantees at 31 December 2019.

## 5. LEASES

The Group leases various mining equipment and office building. Rental contracts are typically made for fixed periods of one to six years but may have extension options.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Effective 1 January 2019, assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made on or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less, while leases of low value assets relate to printer rentals.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

## 5. LEASES continued

### 5.1 Amount recognised in the statement of financial position

The statement of financial position shows the following amount relating to leases:

| | Group | |
|---|---|---|
| | 2019 R (million) | 1 January 2019* R (million) |
| **Right-of-use assets** | | |
| Buildings | 3.9 | 6.3 |
| Equipment | 21.7 | 32.3 |
| | 25.6 | 38.6 |
| **Lease liabilities** | | |
| Current | (13.0) | (16.5) |
| Non-current | (16.2) | (25.4) |
| | (29.2) | (41.9) |

** In the previous year, the Group did not recognise lease assets and lease liabilities as all leases were classified as operating leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to Note 13.*

Additions to the right-of-use assets during the 2019 financial year were R0.5 million. The lease commitments of low-value and short-term leases were lower than R1 million.

### 5.2 Amounts recognised in the statement of comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

| | Group | |
|---|---|---|
| | 2019 R (million) | 2018 R (million) |
| **Depreciation charge of right-of-use assets** | | |
| Buildings | 3.4 | – |
| Equipment | 10.2 | – |
| | 13.6 | – |
| **Other** | | |
| Interest expense (included in finance cost — refer Note 20.2) | (3.7) | – |
| Expense relating to short-term leases (included in cost of goods sold and administrative expenses) | – | – |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) | – | – |
| Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses) | – | – |

The total cash outflow for leases in 2019 was R16.3 million.

Refer Note 13 for additional disclosure relating to the adoption of IFRS 16.

# Notes to the summary consolidated annual financial statements continued

for the year ended 31 December 2019

## 6. EMPLOYEE HOUSING ASSETS

Employee housing assets are classified as current assets. Revenue earned from the sale of employee housing is not in the ordinary activities of RBR or the Group's ordinary activities. Consequently, employee housing assets are not classified as inventory. The Group made a policy choice in terms of IAS 8: *Accounting Policies, Change in Accounting Estimates and Errors* to classify employee housing assets as other current assets.

Employee housing assets are recognised at cost which consists of the cost of the land, the cost to construct the houses and borrowing costs capitalised. No depreciation is recognised on the employee houses as the intention is to sell the houses within a short period of time after their construction.

An impairment assessment is carried out when there is an indicator of impairment. The recoverable amount is determined by reference to the selling price of the houses. Any resulting impairment is recognised in the statement of comprehensive income.

### Critical estimates and assumptions

Significant judgement is required in the impairment assessment of employee housing assets. There are many assumptions made in determining the recoverability of the value of employee housing assets for which the final outcome is uncertain.

### Key assumptions

The following assumptions were used in the employee housing asset impairment assessment:

- Selling prices of $80m^2$ and $140m^2$ houses amounting to R0.7 million and R1.3 million respectively
- Suspension of construction impacted the way the value of land will be recovered
- Independent valuation of undeveloped land of R700 per $m^2$

Impairment assessment of the employee housing assets resulted in an impairment of R58.9 million

When the employee housing assets are sold to employees, the carrying amount of the house is derecognised. The difference between the proceeds received and the carrying amount of the house is recognised in profit or loss as a gain or loss on disposal of employee housing.

The employee housing assets are held for the purpose of trading and are classified as current assets.

| | Group | |
|---|---|---|
| | **2019 R (million)** | 2018 R (million) |
| Opening balance at 1 January | **774.3** | 579.3 |
| Additions of houses for the year (includes cancellation of sale agreements) | **36.2** | 7.3 |
| Additions due to construction of houses for Phase 2 of the housing project | **48.4** | 343.4 |
| Houses sold to employees during the year (exclusive of VAT) | **(105.3)** | (230.1) |
| Interest on PIC housing facility | **7.9** | 74.4 |
| Impairment of employee housing assets | **(58.9)** | – |
| **Closing balance at 31 December** | **702.6** | 774.3 |

## 7. DERIVATIVE FINANCIAL ASSET

The Group entered into a currency option contract with a zero cost collar of a floor of R14.500 and a cap of R15.515 to hedge US$140 million against fluctuations in the rand to US$ exchange rate for the gold streaming transaction which is expected to close at the end of January 2020 (refer to Note 25). This contract is classified as a derivative.

Derivatives are only used for economic hedging purposes and not as speculative investments. The derivative was not designated as hedging instruments in a hedge, and was classified as 'held for trading' for accounting purposes and accounted for at fair value through profit or loss. The hedge was presented as current assets as it was expected to be settled within 12 months after the end of the reporting period.

Amounts disclosed in the financial statements are as follows:

| | Group | |
|---|---|---|
| | **2019 R (million)** | 2018 R (million) |
| **Statement of financial position** | | |
| Derivative financial asset | **70.5** | – |
| **Statement of comprehensive income** | | |
| Net fair value gain on derivative held for trading | **70.5** | – |

## 8. DEFERRED TAX

Deferred tax assets and liabilities are determined using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted before the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Deferred tax assets and liabilities are only offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

| | Group | |
|---|---|---|
| | **2019 R (million)** | 2018 Restated R (million) |
| *Deferred tax comprises:* | | |
| Deferred tax asset | **(58.2)** | (69.8) |
| Deferred tax liability | **3 846.5** | 3 766.6^ |
| **Closing balance at 31 December** | **3 788.3** | 3 696.8^ |

| | Mineral rights R (million) | Property, plant and equipment R (million) | Unredeemed capital balance R (million) | Provisions R (million) | Other R (million) | Total R (million) |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| At 31 December 2018 | **1 581.4** | **3 525.5** | **(1 355.6)** | **(100.9)** | **46.4** | **3 696.8** |
| Adjustment on adoption of IFRS 16 (Refer Note 13) | **—** | **—** | **—** | **—** | **0.6** | **0.6** |
| At 1 January 2019 | **1 581.4** | **3 525.5** | **(1 355.6)** | **(100.9)** | **47.0** | **3 697.4** |
| Charged to equity | **—** | **—** | **(76.7)** | **—** | **—** | **(76.7)** |
| Charged to statement of comprehensive income | **(40.6)** | **833.0** | **(564.2)** | **(4.6)** | **(56.0)** | **167.6** |
| **At 31 December 2019** | **1 540.8** | **4 358.5** | **(1 996.5)** | **(105.5)** | **(9.0)** | **3 788.3** |
| **2018** | | | | | | |
| At 1 January 2018 | 1 592.2 | 3 309.9 | (1 293.4) | (76.6) | 195.7 | 3 727.8 |
| Acquired through business combination | — | — | — | — | (17.1) | (17.1) |
| Charged to equity* | — | — | (39.1)^ | — | — | (39.1)^ |
| Charged to statement of comprehensive income | (10.8) | 215.6 | (23.1) | (24.3) | (132.2) | 25.2 |
| **At 31 December 2018** | 1 581.4 | 3 525.5 | (1 355.6)^ | (100.9) | 46.4 | 3 696.8^ |

* *Deferred tax arising from acquisition of non-controlling interest. The related tax liability arose in the hands of the former BRPM JV partner, RPM*
^ *Refer to Note 14 for details of the restatement*

Tax losses included in RBP MS and RBRP, which are not recognised as deferred tax assets, amount to R294 million (2018: R294 million) and R129 million (2018: R97 million) respectively. RBR has an unredeemed capital allowance of R6 513 million (2018: R6 880 million) which will be carried forward to 2020. Of the deferred tax liability, approximately R2 510 million (2018: R2 339 million) will realise after 12 months.

# Notes to the summary consolidated annual financial statements continued

for the year ended 31 December 2019

## 9. CONVERTIBLE BOND LIABILITY

RBPlat issued 120 000 7% senior unsecured convertible bonds for R1.2 billion on 15 March 2017. Shareholders' approval for the conversion of the convertible bonds was obtained on 8 May 2017. The bonds are convertible into ordinary shares of RBPlat at the option of the holder at a conversion price of R40.7896 (initial conversion price of R42.9438), which changed as a result of the rights issue. The conversion price is subject to customary adjustments for reconstructions of equity. These customary adjustments maintain the relative rights of the bondholders. Interest on the bonds is payable semi-annually in arrears on 16 March and 16 September of each year for five years ending 16 March 2022. The bonds are listed on the JSE Main Board under stock code number RBPCB.

| | | 2019 R (million) | 2018 R (million) |
|---|---|---|---|
| 9.1 | Convertible bond equity | | |
| | Opening balance at 1 January | **202.4** | 202.4 |
| | Net equity recognised as per statement of changes in equity | **202.4** | 202.4 |
| 9.2 | Convertible bond liability | | |
| | Opening balance at 1 January | **986.7** | 932.4 |
| | *Plus:* Interest* | **146.8** | 138.3 |
| | *Less:* Interest paid | **(84.0)** | (84.0) |
| | Closing balance at 31 December | **1 049.5** | 986.7 |

** R3.4 million (2018: R131.7 million) of the fair value interest was capitalised to the Styldrift project at RBPlat Group level.*

## 10. PIC HOUSING FACILITY

The PIC facility was used to fund the construction of houses for Phase 2 of the RBPlat housing project as well as the insurance investment. The PIC facility is a R2.2 billion facility accruing interest at CPI plus a margin of 1%. Security for the PIC facility is ring-fenced to the RBPlat housing project assets with no recourse to the RBR operations business.

The Group recognises the difference between the fair value of the PIC housing facility at initial recognition and the transaction price as a fair value adjustment to the loan. The initial difference is amortised over the term of the PIC housing facility.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. On this basis, the interest expense on the PIC housing facility is capitalised to employee housing assets.

| | Group | |
|---|---|---|
| | 2019 R (million) | 2018 R (million) |
| Opening balance at 1 January | **1 299.6** | 975.0 |
| *Plus:* Drawdowns | **85.0** | 384.5 |
| *Less:* Repayment | **–** | (80.0) |
| *Plus:* Contractual interest charges capitalised to loan* | **78.2** | 65.9 |
| *Plus:* Fair value interest charges capitalised to loan | **19.4** | 8.5 |
| *Plus/less:* Amortisation of fair value adjustment to loan | **0.9** | (54.3) |
| Closing balance at 31 December | **1 483.1** | 1 299.6 |
| Split between: | | |
| Non-current portion of PIC housing facility | **1 440.9** | 1 299.6 |
| Current portion of PIC housing facility | **42.2** | – |
| | **1 483.1** | 1 299.6 |

** R7.9 million (2018: R74.4 million) of the interest on PIC housing facility was capitalised to employee housing assets.*

## 11. INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are made up of drawdowns on existing facilities. RBR utilised R750 million of its term debt facility, R572.3 million of its revolving credit facility and Rnil of its general banking facility.

**The following covenants are applicable to the existing facilities:**
**Financial covenants**
RBR shall ensure that the following financial covenants will be met:
- Cumulative debt service coverage ratio (DSCR) shall exceed 1.25 times for measurement periods ending between 2017 and 2020
- DSCR shall exceed 1.25 times for measurement periods ending between 2021 and 2023
- Cumulative loan life coverage ratio (LLCR) shall exceed 1.50 times for measurement periods ending between 2017 and 2020
- LLCR shall exceed 1.75 times for measurement periods ending between 2021 and 2023
- Net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) shall not exceed 2.00 times
- Net debt to equity shall not exceed 1.00 times
- Interest cover ratio is at least 4.00 times

**Bond repayment covenant:**
- The DSCR exceeds 1.50 times
- The LLCR exceeds 2.00 times
- Net debt to EBITDA shall not exceed 1.25 times

As at 31 December 2019, none of the covenants were breached

| | Group | |
|---|---|---|
| | **2019 R (million)** | 2018 R (million) |
| Opening balance at 1 January | **1 715.9** | – |
| Fair value at initial recognition/drawdown | **841.0** | 2 015.0 |
| *Less:* Transaction costs capitalised | **–** | (30.0) |
| *Less:* Repayment | **(1 264.3)** | (270.0) |
| Interest capitalised | **–** | 0.9 |
| Unwinding of transaction costs capitalised | **12.9** | – |
| Closing balance at 31 December | **1 305.5** | 1 715.9 |
| Split between: | | |
| Non-current portion of interest-bearing borrowings | **1 305.5** | 1 650.0 |
| Current portion of interest-bearing borrowings | **–** | 65.9 |
| | **1 305.5** | 1 715.9 |

Interest amounting to R137.4 million (2018: R55.0 million) was incurred and paid.

## 12. RPM DEFERRED CONSIDERATION

In 2018, RBPlat acquired the remaining 33% participating interest in the BRPM JV from RPM. The purchase consideration was funded by a combination of cash, proceeds from a capital raise and the remaining balance was deferred.

The deferred consideration escalates at a rate equal to the interest rate charged by lenders to RBR, on the enlarged debt plus a premium of 2%. The deferred consideration is repayable in three annual payments, each equal to one-third of the deferred consideration plus interest accrued up to payment date, with the first payment due on the first business day following 18 months from the effective date, and the second and third payment are due on the first and second anniversary thereof, respectively. The transaction effective date was 11 December 2018.

At the Group's election, all or part of the deferred consideration may be settled through the issue of a variable number of RBPlat shares to RPM.

| | Group | |
|---|---|---|
| | **2019 R (million)** | 2018 R (million) |
| Opening balance at 1 January | **1 621.6** | – |
| Total purchase consideration | **–** | 2 177.8 |
| *Less:* Initial payment | **–** | (554.7) |
| Proceeds from capital raised | **–** | (239.9) |
| Refund on net cash calls | **–** | (314.8) |
| *Less:* Cession and assignment of claims | **–** | (13.0) |
| Interest capitalised | **211.8** | 11.5 |
| Closing balance at 31 December | **1 833.4** | 1 621.6 |
| Split between: | | |
| Non-current portion of interest-bearing borrowings | **1 073.4** | 1 621.6 |
| Current portion of interest-bearing borrowings | **760.0** | – |
| | **1 833.4** | 1 621.6 |

# Notes to the summary consolidated annual financial statements continued

for the year ended 31 December 2019

## 13. CHANGE IN ACCOUNTING POLICIES

### 13.1 Leases

This note explains the impact of the adoption of IFRS 16: *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

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 new leasing rules are therefore recognised in the opening balance on 1 January 2019.

#### Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17: *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.65%)

The Group did not have leases previously classified as finance leases.

| | Group<br>1 January 2019<br>R (million) |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | **10.7** |
| Impact of discounting | **(1.2)** |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | **9.5** |
| *(Less):* Short-term leases recognised on a straight-line basis as expense | **–** |
| *(Less):* Low-value leases recognised on a straight-line basis as expense | **–** |
| *Add/(less):* Adjustments as a result of a different treatment of extension and termination options | **32.4** |
| Lease liability recognised as at 1 January 2019 | **41.9** |
| Of which are: | |
| Current lease liabilities | **16.5** |
| Non-current lease liabilities | **25.4** |
| | **41.9** |

The lease commitments for low value and short-term leases were lower than R1 million.

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

| | Group<br>1 January 2019<br>R (million) |
|---|---|
| Right-of-use assets | **38.6** |
| Lease liabilities | **(41.9)** |
| Lease straight-lining reserve | **0.5** |
| Retained earnings | **3.3** |
| Deferred tax | **(0.6)** |

The net impact on retained earnings at 1 January 2019 was a decrease of R3.3 million.

#### Impact on segment disclosures and earnings per share

Adjusted comprehensive income/loss, segment assets and segment liabilities for December 2019 all increased as a result of the change in accounting policy. Right-of-use assets and lease liabilities are now included in segment assets and liabilities. The following segments were affected by the change in policy:

| | For the year ended 31 December 2019 | | |
|---|---|---|---|
| | BRPM mining segment R (million) | Styldrift mining segment R (million) | RBPlat corporate R (million) |
| Right-of-use assets | **14.1** | **8.2** | **3.3** |
| Lease liabilities | **(15.5)** | **(9.3)** | **(4.4)** |
| Lease straight-lining reserve (previously in other payables) | **–** | **–** | **0.6** |
| Deferred tax | **–** | **–** | **(0.6)** |
| Comprehensive income | **0.3** | **0.2** | **1.5** |

## 13. CHANGE IN ACCOUNTING POLICIES continued

### 13.1 Leases continued

#### Practical expedients applied

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- The accounting for leases with an aggregate amount of less than R1 million as low-value leases

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4: *Determining whether an Arrangement Contains a Lease*.

#### The Group's leasing activities and how these are accounted for

The Group leases various mining equipment and office building. Rental contracts are typically made for fixed periods of one to six years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made on or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less, while leases of low value assets relate to printer rentals.

#### Variable lease payments

The lease agreements that the Group entered into did not contain variable lease payments.

#### Extension and termination options

Extension and termination options are included in a number of equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

#### Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

#### Residual value guarantees

The lease agreements that the Group entered into do not include residual value guarantee.

# Notes to the summary consolidated annual financial statements continued

for the year ended 31 December 2019

## 14. CORRECTION OF ERROR

### Acquisition of non-controlling interest (NCI)

Up until December 2018, RBPlat (through its wholly owned subsidiary, RBR) held a controlling 67% interest in the BRPM JV, and accordingly consolidated 100% of the assets, liabilities, income and expenses of the BRPM JV. RPM's 33% participation interest was disclosed within equity as a non-controlling interest. As the BRPM JV was an unincorporated partnership, the partners (not the partnership) were obliged to pay tax in their personal capacity, therefore RBR was liable for 67% of the tax while RPM was liable for the other 33%. When consolidating the BRPM JV in order to bring on 100% of the deferred tax balance of the BRPM JV onto the consolidated statement of financial position, RBR needed to make an adjustment to the tax base to include the tax deductions allowed under RPM on the capital expenditure incurred.

During December 2018, RBPlat acquired the remaining 33% participation interest in the BRPM JV. Due to no change in control being effected, this transaction was appropriately accounted for within equity as a transaction with NCI. Upon the acquisition of the remaining 33% interest, RBPlat becomes liable for 100% of the BRPM JV's tax. The purchase consideration paid/payable of R2 177.8 million for the 33% interest acquired is considered to be capital expenditure, and as such RBPlat can utilise the purchase price as a deduction against any future income earned from mining operations. RBPlat incorrectly accounted for this additional tax deduction (R2 177.8 million x 28% = R609.8 million) by increasing the tax base of the unredeemed capital balance by the purchase price paid, instead of taking into account the fact that the tax base already included an adjustment of R2 038 million in order to consolidate 100% of the deferred tax balance.

The adjustment that should have therefore been made to the tax base of the unredeemed capital balance upon the acquisition of the remaining 33%, was for any difference between the R2 177.8 million purchase price paid and the R2 038 million consolidation adjustment already accounted for. Consequently, the transaction with NCI should have resulted in an increase in the deferred tax asset related to the unredeemed capex of R39.1 million instead of R609.8 million previously accounted for. This error resulted in an understatement of the net deferred tax liability balance by R570.7 million. As this was an error in accounting for a transaction with NCI, there was no impact on profit or loss. The error was corrected in the prior year against the net deferred tax liability and equity in the consolidated statement of financial position.

### Consolidated statement of financial position as at 31 December 2018

| | 2018 Restated | (Decrease)/ increase | 2018 | 2017 |
|---|---|---|---|---|
| **Total equity** | 15 158.3 | (570.7) | 15 729.0 | 14 423.9 |
| Retained earnings | 4 757.0 | (570.7) | 5 327.7 | 701.5 |
| **Non-current liabilities** | 9 595.9 | 570.7 | 9 025.2 | 5 837.7 |
| Deferred tax liability | 3 766.6 | 570.7 | 3 195.9 | 3 774.3 |

The following note, disclosed in the 2018 annual financial statements was impacted and the numbers have been restated as follows:

### 14.1 Transaction with non-controlling interest

| | Group 2018 R (million) |
|---|---|
| **Consideration** | |
| Initial base consideration | 1 863.0 |
| Refund of cash calls | 314.8 |
| **Total consideration** | 2 177.8 |
| – Cash | 554.7 |
| – Deferred consideration | 1 623.1 |
| **Balances acquired** | (5 995.2) |
| Settlement of RPM payable | (2 102.2) |
| Deferred tax asset raised | (39.1) |
| Equity allocated to NCI | (3 853.9) |
| **Increase in retained earnings** | (3 817.4) |
| *Less:* Equity transferred from NCI | 3 853.9 |
| **Net equity impact** | 36.5 |

## 15. CAPITAL COMMITMENTS IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

| | Group | |
|---|---|---|
| | **2019 R (million)** | 2018 R (million) |
| Capital commitments relate to the Styldrift I and BRPM Phase III projects | | |
| Contracted commitments | **922.8** | 861.1 |
| Approved expenditure not yet contracted for | **1 394.4** | 2 951.5 |
| **Total** | **2 317.2** | 3 812.6 |

## 16. CONTINGENCIES AND COMMITMENTS

| | Group | |
|---|---|---|
| | **2019 R (million)** | 2018 R (million) |
| Guarantees and commitments | | |
| **16.1 Guarantees issued** | | |
| *Royal Bafokeng Resources Proprietary Limited, a wholly owned subsidiary of RBPlat, granted the following guarantees:* | | |
| Eskom to secure power supply for Styldrift project (guarantee 30823102) | **17.1** | 17.1 |
| Eskom early termination guarantee for the Styldrift project (guarantee 31160603) | **17.5** | 17.5 |
| Eskom connection charges guarantee for the Styldrift project (guarantee 31173918) | **40.0** | 40.0 |
| Department of Mineral Resources and Energy for the rehabilitation of land disturbed by prospecting/mining (guarantee 32388608) | **1.3** | 1.3 |
| Eskom security guarantee for power supply to Styldrift project (guarantee 34058907) | **42.7** | 42.7 |
| Tsogo Sun guarantee arising from lease agreement (guarantee 34045600) | **0.7** | 0.7 |
| Tsogo Sun guarantee arising from lease agreement (guarantee 34045708) | **0.1** | 0.1 |
| **Total bank guarantees issued at 31 December** | **119.4** | 119.4 |
| Department of Mineral Resources and Energy guarantee for environmental rehabilitation liability | **318.1** | 260.4 |
| Department of Mineral Resources and Energy guarantee for Styldrift project | **47.9** | 45.7 |
| **Total insurance guarantees issued at 31 December** | **366.0** | 306.1 |
| *Maseve Investments II Proprietary Limited, a wholly owned subsidiary of RBPlat, granted the following guarantees:* | | |
| Eskom to secure power supply for Maseve | **28.4** | 28.4 |
| **Total cash-backed bank guarantees issued at 31 December** | **28.4** | 28.4 |
| **16.2 Operating lease commitments** | | |
| The future aggregate lease payments under our operating leases are as follows: | | |
| No later than one year | **–** | 4.7 |
| Later than one year and no later than five years | **–** | 6.0 |
| **Total** | **–** | 10.7 |

### 16.3 Contingent liability — remediate groundwater and soil pollution

RBR is committed to remediating groundwater and soil pollution where RBR operates. The 2017 groundwater flow model simulations indicates that the pollution does not extend into or affect nearby township areas/groundwater users until 2075 if no intervention is put in place. Based on the groundwater model update, a project was initiated in 2018 to monitor the groundwater movement on a continuous basis using borehole loggers, to accurately quantify the size and the rate of movement of the pollution plume. The outcome of this project highlighted that the groundwater levels decreased gradually showing that the aquifer is in a steady state and there is no evidence of artificial recharge.

The rate of pollution plume movement could not be accurately monitored due to limited pumping of water from the open-cast pit. This is mainly due to the closed loop system in our operations. RBPlat will continue to conduct groundwater monitoring through existing boreholes and close the monitoring network gaps by constructing additional boreholes as per the project recommendations to enable the groundwater database to be fully updated and comprehensive. Other methods of containing the plume such as pump testing of the boreholes around the BRPM tailings storage facility to assess the likely success of localised abstraction are also considered.

### 16.4 Contingent liability — Maseve acquisition

Post-implementation of the Maseve transaction, Africa Wide Mineral Prospecting Land Exploration Proprietary Limited (Africa Wide), which held 17.1% of the shares in Maseve prior to the implementation of the share transaction, instituted legal proceedings against PTM, RBPlat and Maseve, in terms of which it seeks to have the Maseve transaction declared unlawful and invalid, or alternatively to be paid an increased amount for its Maseve shares, which it argues were undervalued. On 20 September 2018 we advised security holders that PTM legal advisers and senior counsel were of the view that the claim of Africa Wide, was weak and that there are strong prospects of success on this matter. The matter is ongoing.

# Notes to the summary consolidated annual financial statements continued

for the year ended 31 December 2019

## 17. REVENUE

| | Group 2019 R (million) | Group 2018 R (million) |
|---|---|---|
| Revenue from contract with customers | **6 943.4** | 3 500.3 |
| Other revenue | **548.5** | 126.8 |
| **Total** | **7 491.9** | 3 627.1 |

| | Group 2019 R (million) | Group 2018 R (million) |
|---|---|---|
| **Revenue per metal** | | |
| Platinum | **2 876.3** | 1 682.9 |
| Palladium | **2 244.4** | 904.7 |
| Rhodium | **1 288.9** | 410.7 |
| Gold | **217.7** | 120.6 |
| Nickel | **486.1** | 239.5 |
| Other | **378.5** | 268.7 |
| **Total revenue** | **7 491.9** | 3 627.1 |

## 18. COST OF SALES

| | Group 2019 R (million) | Group 2018 R (million) |
|---|---|---|
| **Included in the profit before tax are the following items:** | | |
| On-mine costs: | | |
| – Labour | **2 171.2** | 1 095.0 |
| – Utilities | **456.9** | 303.5 |
| – Contractor costs | **1 110.1** | 831.1 |
| – Movement in inventories | **(11.1)** | 15.1 |
| – Materials and other mining costs | **1 858.1** | 519.3 |
| Materials and other mining costs for RBR operations | **1 937.0** | 565.7 |
| Elimination of intergroup management fee | **(78.9)** | (46.4) |
| State royalties | **37.5** | 17.3 |
| Depreciation – property, plant and equipment | **950.7** | 341.3 |
| Amortisation – mineral rights | **145.0** | 38.8 |
| Share-based payment expense | **23.4** | 45.0 |
| Social and labour plan expenditure | **65.8** | 51.9 |
| Plant readiness | **2.0** | 29.3 |
| Other | **1.0** | 29.6 |
| **Total cost of sales** | **6 810.6** | 3 317.2 |

## 19. RELATED PARTY TRANSACTIONS

| | Group | |
|---|---|---|
| | **2019 R (million)** | 2018 R (million) |
| **RBR balances at 31 December:** | | |
| Amount owing to Royal Marang Hotel for accommodation and conferences (a subsidiary of RBH) | **0.2** | – |
| **Fellow subsidiary of holding company (RBH) transactions:** | | |
| Royal Marang Hotel for accommodation and conferences | **0.6** | 0.6 |
| **RBH transactions** | | |
| Fees paid for non-executive directors | **0.4** | 0.5 |

## 20. NET FINANCE (COST)/INCOME

| | Group | |
|---|---|---|
| | **2019 R (million)** | 2018 R (million) |
| **20.1 Finance income consists of the following:** | | |
| Interest received on environmental trust deposits | **10.2** | 8.7 |
| Interest received on investments | **34.7** | 50.9 |
| Interest received on employee housing loan receivable | **79.0** | 37.4 |
| Dividend income on investments | **0.2** | 3.9 |
| **Total finance income** | **124.1** | 100.9 |
| **20.2 Finance cost consists of the following:** | | |
| Interest expense – Short-term borrowings | **(0.6)** | (1.7) |
| Interest expense – Lease liability | **(3.7)** | – |
| Interest expense – RPM deferred consideration | **(211.8)** | (11.5) |
| Interest expense – PIC | **(97.6)** | (74.4) |
| Interest expense – Convertible bond* | **(146.8)** | (138.3) |
| Interest expense – Long-term borrowings** | **(136.8)** | (54.9) |
| Unwinding of discount on decommissioning and restoration provision | **(16.3)** | (7.1) |
| *Less:* Capitalisation of interest expense – convertible bond and interest-bearing borrowings** | **52.1** | 186.7 |
| *Less:* Capitalisation of interest expense – PIC | **7.9** | 74.4 |
| **Total finance cost** | **(553.6)** | (26.8) |
| **Net finance (cost)/income** | **(429.5)** | 74.1 |

** R84.0 million of the convertible bond interest was paid in 2019 (2018: R84.0 million)*
*** R3.4 million (2018: R131.7 million) of the convertible bond interest was capitalised while R48.7 million (2018: R55.0 million) of interest incurred on long-term borrowings was capitalised in 2019*

## 21. DIVIDENDS

No dividends have been declared or proposed in the current period (2018: nil)

# Notes to the summary consolidated annual financial statements continued

for the year ended 31 December 2019

## 22. FINANCIAL RISK MANAGEMENT

### Fair value determination

The following table presents the financial assets that are measured at fair value as well as the financial assets and financial liabilities measured at amortised cost but for which fair value disclosure are provided at 31 December:

| | Level 1 R (million) | Level 2 R (million) | Level 3 R (million) |
|---|---|---|---|
| **2019** | | | |
| **At fair value** | | | |
| Environmental trust deposits[1] | – | **10.3** | – |
| Environmental guarantee investment[1] | – | **85.2** | – |
| Housing insurance investment[2] | – | – | **43.9** |
| RPM concentrate debtors[4] | – | **2 840.4** | – |
| Derivative financial asset[5] | – | **70.5** | – |
| **At amortised cost** | | | |
| Employee housing receivable[3] | – | – | **681.8** |
| Impala royalty receivables | – | **51.9** | – |
| Other receivables (excluding VAT) | – | **63.5** | – |
| Environmental trust deposit | – | – | **150.4** |
| **Financial liabilities at amortised cost** | | | |
| Convertible bond liability[3] | – | – | **1 049.5** |
| PIC housing facility[3] | – | – | **1 483.1** |
| Interest-bearing borrowings[3] | – | – | **1 305.5** |
| RPM deferred consideration[3] | – | – | **1 833.4** |
| Lease liabilities[3] | – | – | **29.2** |
| **2018** | | | |
| **At fair value** | | | |
| Environmental trust deposits[1] | – | 24.6 | – |
| Housing insurance investment[2] | – | – | 39.9 |
| RPM concentrate debtors[4] | – | 2 015.9 | – |
| **At amortised cost** | | | |
| Employee housing receivable[3] | – | – | 611.4 |
| Impala royalty receivables | – | 31.4 | – |
| Other receivables (excluding VAT) | – | 115.3 | – |
| Environmental trust deposit | – | – | 124.6 |
| **Financial liabilities at amortised cost** | | | |
| Convertible bond liability[3] | – | – | 986.7 |
| PIC housing facility[3] | – | – | 1 299.6 |
| Interest-bearing borrowings[3] | – | – | 1 715.9 |
| RPM deferred consideration[3] | – | – | 1 621.6 |

[1] *This was valued using the level 2 fair values which are directly derived from the Shareholders Weighted Top 40 Index (SWIX 40) on the JSE*
[2] *The fair value was determined using market prices for listed investments and reliance on an external valuer per discounted cash flow models for unlisted investments*
[3] *The fair value was determined using a discounted cash flow model*
[4] *The fair value was determined using the commodity prices and foreign exchange rates*
[5] *Fair value was determined using a valuation made based on observable exchange rates*

## 23. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Company that makes strategic decisions.

The Group is currently operating two mines, namely BRPM and Styldrift. These operations are located in the North West province of South Africa, 120 kilometres from Johannesburg, 30 kilometres from Rustenburg and 17 kilometres from Phokeng. BRPM and Styldrift (Styldrift I and II) are shown as separate segments. In addition, due to the different nature and significance of the employee home ownership scheme, it was decided to show housing as a separate segment. Currently Styldrift I and II are aggregated into a single reportable segment as it is one mining right. The Styldrift II pre-feasibility study has been completed. Once the feasibility study is completed it will move into development phase and may then be reported on as a separate segment.

### 23.1 Segmental statement of comprehensive income

| | For the year ended 31 December 2019 | | | | | | | For the year ended 31 December 2018 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BRPM mining segment (A) R (million) | Styldrift mining segment (B) R (million) | RBR operations segment (A + B) R (million) | RBPlat housing segment R (million) | Corporate office segment R (million) | Consoli-dation adjustments R (million) | Total R (million) | BRPM mining segment (A) R (million) | Styldrift mining segment (B) R (million) | RBR operations segment (A + B) R (million) | RBPlat housing segment R (million) | Corporate office segment R (million) | Consoli-dation adjustments R (million) | Total R (million) |
| Revenue | 4 518.5 | 2 973.4 | 7 491.9 | 105.3 | 2 296.9 | (2 402.2) | 7 491.9 | 3 627.1 | – | 3 627.1 | 230.7 | 96.8 | (327.5) | 3 627.1 |
| Cost of sales | (3 432.3) | (3 252.4) | (6 684.7) | (105.3) | (2 365.1) | 2 344.5 | (6 810.6) | (3 285.0) | (14.7) | (3 299.7) | (230.3) | (56.9) | 269.7 | (3 317.2) |
| Cash cost of sales excluding depreciation and amortisation | (3 090.7) | (2 681.0) | (5 771.7) | (105.3) | (2 214.4) | 2 365.4 | (5 726.0) | (2 938.6) | (13.8) | (2 952.4) | (230.3) | (18.1) | 278.8 | (2 922.0) |
| Depreciation | (349.9) | (574.2) | (924.1) | – | (5.7) | (20.9) | (950.7) | (331.3) | (0.9) | (332.2) | – | – | (9.1) | (341.3) |
| Amortisation | – | – | – | – | (145.0) | – | (145.0) | – | – | – | – | (38.8) | – | (38.8) |
| Movement in inventories | 8.3 | 2.8 | 11.1 | – | – | – | 11.1 | (15.1) | – | (15.1) | – | – | – | (15.1) |
| Gross profit/(loss) per segment and total | 1 086.2 | (279.0) | 807.2 | – | (68.2) | (57.7) | 681.3 | 342.1 | (14.7) | 327.4 | 0.4 | 39.9 | (57.8) | 309.9 |
| Other income | 180.9 | 3.2 | 184.1 | 9.5 | 79.3 | (5.0) | 267.9 | 116.7 | (0.3) | 116.4 | 5.5 | 3.7 | (1.6) | 124.0 |
| Total administration expenditure | (6.6) | – | (6.6) | (53.5) | (279.8) | 2.7 | (337.2) | – | – | – | 21.3 | (245.7) | (59.6) | (284.0) |
| Administration expenditure | – | – | – | (33.9) | (189.1) | 2.7 | (220.3) | – | – | – | (19.6) | (204.7)* | (42.4) | (266.7)* |
| Depreciation | – | – | – | (0.4) | (0.9) | – | (1.3) | – | – | – | (0.4) | (0.7) | – | (1.1) |
| Maseve care and maintenance | – | – | – | – | (69.2) | – | (69.2) | – | – | – | – | (23.6) | (17.2) | (40.8) |
| Amortisation of employee housing benefit and fair value adjustment to loan | – | – | – | (19.2) | – | – | (19.2) | – | – | – | 41.3 | – | – | 41.3 |
| Industry memberships and market development | – | – | – | – | (16.6) | – | (16.6) | – | – | – | – | (16.7)* | – | (16.7)* |
| Restructuring costs | (6.6) | – | (6.6) | – | (4.0) | – | (10.6) | – | – | – | – | – | – | – |
| Scrapping and impairment of non-financial assets | – | – | – | – | – | (58.9) | (58.9) | – | (25.9) | (25.9) | – | (0.4) | – | (26.3) |
| Gain on bargain purchase | – | – | – | – | – | – | – | – | – | – | – | – | 118.3 | 118.3 |
| Net finance income/(expense) | 4.3 | 2.0 | 6.3 | (13.3) | (434.5) | 12.0 | (429.5) | 18.1 | 5.3 | 23.4 | 40.5 | (49.3) | 59.5 | 74.1 |
| Finance income | 17.9 | 8.0 | 25.9 | 84.3 | 13.9 | – | 124.1 | 23.8 | 6.7 | 30.5 | 40.5 | 102.0 | (72.1) | 100.9 |
| Finance cost | (13.6) | (6.0) | (19.6) | (97.6) | (448.4) | 12.0 | (553.6) | (5.7) | (1.4) | (7.1) | – | (151.3) | 131.6 | (26.8) |
| Profit/(loss) before tax per segment and total | 1 264.8 | (273.8) | 991.0 | (57.3) | (703.2) | (106.9) | 123.6 | 476.9 | (35.6) | 441.3 | 67.7 | (251.8) | 58.8 | 316.0 |
| Taxation | | | | | | | (59.5) | | | | | | | (60.5) |
| Profit after tax | | | | | | | 64.1 | | | | | | | 255.5 |
| Attributable to owners of the Company | | | | | | | 64.1 | | | | | | | 155.6 |
| Attributable to non-controlling interest | | | | | | | – | | | | | | | 99.9 |

* *R16.7 million of corporate office costs has been reallocated and disclosed separately as industry membership and market development costs*

# Notes to the summary consolidated annual financial statements continued

for the year ended 31 December 2019

## 23. SEGMENTAL REPORTING continued

### 23.2 Segmental statement of financial position

| | For the year ended 31 December 2019 | | | | | | | For the year ended 31 December 2018 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BRPM mining segment (A) R (million) | Styldrift mining segment (B) R (million) | RBR operations segment (A + B) R (million) | RBPlat housing segment R (million) | Corporate office R (million) | Consoli-dation adjustment R (million) | Total R (million) | BRPM mining segment (A) R (million) | Styldrift mining segment (B) R (million) | RBR operations segment (A + B) R (million) | RBPlat housing segment R (million) | Corporate office Restated R (million) | Consoli-dation adjustment R (million) | Total Restated R (million) |
| Non-current assets | 4 522.9 | 10 899.0* | 15 421.9 | 964.1 | 21 107.0 | (15 332.3) | 22 160.7 | 4 467.5 | 10 165.2* | 14 632.7 | 881.5 | 17 067.6 | (11 097.9) | 21 483.9 |
| Allocation of mineral rights | 669.3 | 4 833.4 | 5 502.7 | – | (5 502.7) | – | – | 723.0 | 4 924.7 | 5 647.7 | – | (5 647.7) | – | – |
| Non-current assets after allocation of mineral rights | 5 192.2 | 15 732.4 | 20 924.6 | 964.1 | 15 604.3 | (15 332.3) | 22 160.7 | 5 190.5 | 15 089.9 | 20 280.4 | 881.5 | 11 419.9 | (11 097.9) | 21 483.9 |
| Current assets | 2 410.9 | 1 350.8 | 3 761.7 | 751.0 | 210.7 | 66.6 | 4 790.0 | 2 145.4 | 805.4 | 2 950.8 | 872.5 | 449.3 | (245.9) | 4 026.7 |
| Employee housing current assets | – | – | – | 619.1 | – | 101.0 | 720.1 | – | – | – | 790.7 | – | – | 790.7 |
| Inventories | 65.9 | 134.0 | 199.9 | – | – | (3.8) | 196.1 | 62.4 | 67.6 | 130.0 | – | 4.1 | (3.9) | 130.2 |
| Trade and other receivables | 1 750.2 | 1 216.8 | 2 967.0 | 2.4 | 46.1 | (30.6) | 2 984.9 | 1 444.0 | 737.8 | 2 181.8 | 14.2 | 268.1 | (242.0) | 2 222.1 |
| Current tax receivable | – | – | – | – | 4.2 | – | 4.2 | – | – | – | – | 0.2 | – | 0.2 |
| Derivative financial asset | – | – | – | – | 70.5 | – | 70.5 | – | – | – | – | – | – | – |
| Cash and cash equivalents | 594.8 | – | 594.8 | 129.5 | 89.9 | – | 814.2 | 639.0 | – | 639.0 | 67.6 | 176.9 | – | 883.5 |
| Total assets per statement of financial position | 7 603.1 | 17 083.2 | 24 686.3 | 1 715.1 | 15 815.0 | (15 265.7) | 26 950.7 | 7 335.9 | 15 895.3 | 23 231.2 | 1 754.0 | 11 869.2 | (11 343.8) | 25 510.6 |
| Non-current liabilities | 103.2 | 25.3 | 128.5 | 1 533.6 | 7 391.6 | (29.2) | 9 024.5 | 92.3 | 18.6 | 110.9 | 1 381.6 | 8 095.3^ | 8.1 | 9 595.9^ |
| Deferred tax liability | – | – | – | – | 3 950.1 | (103.6) | 3 846.5 | – | – | – | – | 3 837.0^ | (70.4) | 3 766.6^ |
| Convertible bond liability | – | – | – | – | 1 049.5 | – | 1 049.5 | – | – | – | – | 986.7 | – | 986.7 |
| Interest-bearing borrowings | – | – | – | – | 1 305.5 | – | 1 305.5 | – | – | – | – | 1 650.0 | – | 1 650.0 |
| RPM deferred consideration | – | – | – | – | 1 073.4 | – | 1 073.4 | – | – | – | – | 1 621.6 | – | 1 621.6 |
| PIC housing facility | – | – | – | 1 440.9 | – | – | 1 440.9 | – | – | – | 1 299.6 | – | – | 1 299.6 |
| Lease liabilities | 7.2 | 4.6 | 11.8 | – | 8.6 | (4.2) | 16.2 | – | – | – | – | – | – | – |
| Long-term provisions and other | 96.0 | 20.7 | 116.7 | 92.7 | 4.5 | 78.6# | 292.5 | 92.3 | 18.6 | 110.9 | 82.0 | – | 78.5# | 271.4 |
| Current liabilities | 7 642.5 | 590.1 | 8 232.6 | 81.6 | 1 552.7 | (8 127.3) | 1 739.6 | 7 163.6 | 201.6 | 7 365.2 | 63.0 | 361.8 | (7 033.6) | 756.4 |
| Trade and other payables | 219.7 | 375.3 | 595.0 | 33.2 | 313.8 | (18.9) | 923.1 | 137.5 | 201.6 | 339.1 | 63.0 | 282.5 | (7.5) | 677.1 |
| RBR payable | 7 414.5 | 210.1 | 7 624.6 | 6.2 | 476.5 | (8 107.3) | – | 7 026.1 | – | 7 026.1 | – | – | (7 026.1) | – |
| Current portion of PIC housing facility | – | – | – | 42.2 | – | – | 42.2 | – | – | – | – | – | – | – |
| Current tax payable | – | – | – | – | 1.3 | – | 1.3 | – | – | – | – | 13.4 | – | 13.4 |
| Current portion of interest-bearing borrowings | – | – | – | – | – | – | – | – | – | – | – | 65.9 | – | 65.9 |
| RPM deferred consideration | – | – | – | – | 760.0 | – | 760.0 | – | – | – | – | – | – | – |
| Current portion of lease liabilities | 8.3 | 4.7 | 13.0 | – | 1.1 | (1.1) | 13.0 | – | – | – | – | – | – | – |
| Total liabilities per statement of financial position | 7 745.7 | 615.4 | 8 361.1 | 1 615.2 | 8 944.3 | (8 156.5) | 10 764.1 | 7 255.9 | 220.2 | 7 476.1 | 1 444.6 | 8 457.1^ | (7 025.5) | 10 352.3^ |

* *Includes Styldrift II exploration and evaluation costs*

\# *Included in consolidation adjustments is R78.6 million (2018: R78.5 million) restoration and rehabilitation provision for Maseve*

^ *Refer to Note 14 for details of restatement relating to correction of error*

# 23. SEGMENTAL REPORTING continued

## 23.3 Segmental statement of cash flows

| | For the year ended 31 December 2019 | | | | | | For the year ended 31 December 2018 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BRPM mining segment (A) R (million) | Styldrift mining segment (B) R (million) | RBR operations segment (A + B) R (million) | RBPlat housing segment R (million) | Corporate office and consolida-tion adjustment R (million) | Total R (million) | BRPM mining segment (A) R (million) | Styldrift mining segment (B) R (million) | RBR operations segment (A + B) R (million) | RBPlat housing segment R (million) | Corporate office and consolida-tion adjustment R (million) | Total R (million) |
| Net cash inflow/(outflow) from operating activities | 1 456.8 | (167.0) | 1 289.8 | 22.5 | (284.7) | 1 027.6 | 797.3 | (8.5) | 788.8 | 41.7 | (164.6) | 665.9 |
| Proceeds from disposal of property, plant and equipment | – | – | – | – | 0.9 | 0.9 | – | – | – | – | – | – |
| Acquisition of property, plant and equipment | (359.9) | (1 299.3) | (1 659.2) | – | (36.1) | (1 695.3) | (170.3) | (3 264.5) | (3 434.8) | – | (76.1) | (3 510.9) |
| Acquisition of Maseve | – | – | – | – | – | – | – | (720.8) | (720.8) | – | 62.8 | (658.0) |
| Styldrift on-reef development revenue receipts | – | – | – | – | – | – | – | 973.4 | 973.4 | – | – | 973.4 |
| Acquisition of employee housing assets | – | – | – | (48.4) | – | (48.4) | – | – | – | (343.4) | – | (343.4) |
| Employee housing receivable loan repayments | – | – | – | 2.8 | – | 2.8 | – | – | – | 2.4 | – | 2.4 |
| Increase in insurance investment | – | – | – | – | – | – | – | – | – | (3.0) | – | (3.0) |
| Increase in environmental trust deposits | (11.8) | – | (11.8) | – | – | (11.8) | (61.0) | – | (61.0) | – | – | (61.0) |
| Net cash (outflow) from investing activities | (371.7) | (1 299.3) | (1 671.0) | (45.6) | (35.2) | (1 751.8) | (231.3) | (3 011.9) | (3 243.2) | (344.0) | (13.3) | (3 600.5) |
| Cash investments by/(distributions to) RPM and RBR | (1 122.2) | 1 469.8 | 347.6 | – | (347.6) | – | (498.2) | 3 020.4 | 2 522.2 | – | (1 753.9) | 768.3 |
| Net drawdowns of PIC housing facility | – | – | – | 85.0 | – | 85.0 | – | – | – | 304.5 | – | 304.5 |
| Proceeds from interest-bearing liabilities | – | – | – | – | 841.0 | 841.0 | – | – | – | – | 2 015.0 | 2 015.0 |
| Transaction costs on interest-bearing borrowings | – | – | – | – | – | – | – | – | – | – | (15.0) | (15.0) |
| Repayment of interest-bearing borrowings | – | – | – | – | (1 264.3) | (1 264.3) | – | – | – | – | (270.0) | (270.0) |
| Principal elements of lease payments | (7.1) | (3.5) | (10.6) | – | (2.0) | (12.6) | – | – | – | – | – | – |
| RPM initial consideration | – | – | – | – | – | – | – | – | – | – | (554.7) | (554.7) |
| Proceeds from issue of shares | – | – | – | – | 1 029.1 | 1 029.1 | – | – | – | – | 239.9 | 239.9 |
| Proceeds from share options exercised | – | – | – | – | 6.3 | 6.3 | – | – | – | – | – | – |
| Costs relating to share issue | – | – | – | – | (29.6) | (29.6) | – | – | – | – | (3.0) | (3.0) |
| Net cash inflow/(outflow) from financing activities | (1 129.3) | 1 466.3 | 337.0 | 85.0 | 232.9 | 654.9 | (498.2) | 3 020.4 | 2 522.2 | 304.5 | (341.7) | 2 485.0 |
| Net (decrease)/increase in cash and cash equivalents | (44.2) | – | (44.2) | 61.9 | (87.0) | (69.3) | 67.8 | – | 67.8 | 2.2 | (519.6) | (449.6) |
| Cash and cash equivalents at beginning of period | 639.0 | – | 639.0 | 67.6 | 176.9 | 883.5 | 571.2 | – | 571.2 | 65.4 | 696.5 | 1 333.1 |
| Cash and cash equivalents at end of period | 594.8 | – | 594.8 | 129.5 | 89.9 | 814.2 | 639.0 | – | 639.0 | 67.6 | 176.9 | 883.5 |

# Notes to the summary consolidated annual financial statements continued

for the year ended 31 December 2019

## 24. EARNINGS PER SHARE

The weighted average number of ordinary shares in issue outside the Group for purposes of basic earnings per share and the weighted average number of ordinary shares for diluted earnings per share are calculated as follows:

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| Number of shares issued | **210 499 623** | 195 836 465 |
| Management incentive schemes | **(2 500 037)** | (2 967 624) |
| **Number of shares issued outside the Group** | **207 999 586** | 192 868 841 |
| Adjusted for weighted shares issued during the year | **36 335 770** | 6 291 033 |
| **Weighted average number of ordinary shares in issue for earnings per share** | **244 335 356** | 199 159 874 |
| Dilutive potential ordinary shares relating to management incentive schemes | **413 360** | – |
| Dilutive potential ordinary shares relating to the convertible bond | **29 419 264** | 27 943 498 |
| Dilutive potential ordinary shares of RPM deferred consideration | **36 948 017** | 3 523 385 |
| **Weighted average number of potential dilutive ordinary shares in issue** | **311 115 997** | 230 626 757 |
| Profit attributable to owners of the Company R (million) | **64.1** | 155.6 |
| Adjustments: | | |
| *Add*: Net interest on convertible bond R (million) (refer to Note 20) | **143.4** | 7.1 |
| *Add*: Interest on RPM deferred consideration R (million) (refer to Note 20) | **211.8** | 11.5 |
| *Less*: Tax on the above R (million) | **(99.5)** | (5.2) |
| Diluted profit R (million) | **319.9** | 169.0 |
| **Basic earnings per share (cents/share)** | **26.3** | 78.1 |
| Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the year by the weighted average number of ordinary shares in issue for earnings per share. | | |
| **Diluted earnings per share (cents/share)** | **26.3** | 73.3 |
| Diluted earnings per share is calculated by adjusting the weighted average* number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares. | | |

| | Group | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **Gross** | **Net** | Gross | Net |
| **Headline earnings** | | | | |
| Profit attributable to owners of the Company R (million) | | **64.1** | | 155.6 |
| Adjustments: | | | | |
| *Add*: Profit/(loss) on disposal of property, plant and equipment and other assets R (million) | **0.1** | **0.1** | (0.3) | (0.3) |
| *Add*: Scrapping and impairment of non-financial assets R (million) | **58.9** | **58.9** | 26.3 | 12.8 |
| *Less*: Gain on bargain purchase R (million) | **–** | **–** | (118.3) | (118.3) |
| **Headline earnings R (million)** | | **123.1** | | 49.8 |
| *Add:* Net interest on convertible bond R (million) (refer to Note 20) | **143.4** | **103.2** | 7.1 | 5.1 |
| *Add:* Interest on RPM deferred consideration R (million) (refer to Note 20) | **211.8** | **152.5** | 11.5 | 8.3 |
| **Diluted profit R (million)*** | | **378.8** | | 63.2 |
| Basic headline earnings per share (cents/share) | | **50.4** | | 25.0 |
| Diluted headline earnings per share (cents/share)* | | **50.4** | | 25.0 |

** The effects of anti-dilutive potential ordinary shares are ignored in the calculation of diluted earnings per share and diluted headline earnings per share*

## 25. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

### Gold streaming

In January 2020 RBPlat received an upfront cash payment of US$145 million (equating to approximately R2.1 billion) from Triple Flag Mining Finance Bermuda Limited (Triple Flag) for the future delivery of gold from the RBPlat mining operations.

This is in terms of the gold streaming agreement whereby RBPlat will deliver 70% of its payable gold production to Triple Flag until 261 000 ounces are delivered under the stream, and 42% of payable gold production thereafter.

### Settlement of the RPM deferred consideration

On 11 December 2018, RBPlat acquired the remaining 33% participation interest in the BRPM JV from Rustenburg Platinum Mines Limited which was settled by means of a combination of cash, equity and deferred consideration. The deferred consideration was due to be paid to RPM, either in cash or equity over a three-year period, commencing 18 months from the closing of the transaction.

On 30 January 2020, RBPlat settled the balance of the deferred consideration outstanding on that date, amounting to R1 851.0 million. The balance was settled in cash from proceeds of the gold streaming transaction.

# Corporate information

### SHAREHOLDERS' DIARY

#### Financial year-end:

31 December of each year

#### Interim period-end:

30 June of each year

### INTEGRATED REPORT

Mailed to shareholders 6 March 2020

### ADMINISTRATION

Company registered office
Royal Bafokeng Platinum Limited
Registration number: 2008/015696/06
JSE Share code: RBP
ISIN: ZAE000149936
JSE Bond code: RBPCB
ISIN: ZAE000243853

The Pivot
No 1 Monte Casino Boulevard
Block C
4th Floor
Fourways
Johannesburg
2021
South Africa

PO Box 2283
Fourways
2055
South Africa

### COMPANY SECRETARY

Lester Jooste
Email: lester@bafokengplatinum.co.za
Telephone: +27 10 590 4519
Telefax: +27 086 572 8047

### INVESTOR RELATIONS

Lindiwe Montshiwagae
Email: lindiwe@bafokengplatinum.co.za
Telephone: +27 10 590 4517
Telefax: +27 086 219 5131

### PUBLIC OFFICER

Hanré Rossouw
Email: HanreR@bafokengplatinum.co.za
Telephone: +27 10 590 4513
Telefax: +27 086 219 5131

### INDEPENDENT EXTERNAL AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090
South Africa

### TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196

PO Box 61051
Marshalltown
2107
South Africa
Telephone: +27 11 370 5000
Telefax: + 27 11 688 5200

### SPONSOR

Merrill Lynch South Africa Proprietary Limited
1 Sandton Drive
Sandhurst
Johannesburg
2196
South Africa

ROYAL BAFOKENG PLATINUM
The Pivot
No 1 Monte Casino Boulevard
Block C
4th floor
Fourways

**www.bafokengplatinum.co.za**