



## **Nkwe Platinum Limited**

**ARBN 105 979 646**

**and its controlled entities**

**Interim report for the half-year ended**

**30 June 2016**

# Corporate directory

## Board of Directors

Dr Tielong Tan	Managing Director & CEO
Dr Qixue Fang	Non-Executive Chairman
Mr Chao Wang (Robin)	Non-Executive Director
Mr Richard Jones	Non-Executive Director

## Company Secretary

Mr Keith Bowker

## South African Office

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Harrowdene Office Park  
128 Western Services Road  
Woodmead, Johannesburg 2191  
Republic of South Africa  
Tel: +27 10 591 3989  
Fax: +27 11 656 4409

## Australian Office

Level 1, 18 Kings Park Road  
West Perth, Western Australia 6005  
Tel: +61 8 9481 8858  
Fax: +61 8 9481 3813

## Registered Office (Bermuda)

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

## Share Registry (Australia)

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
Perth, Western Australia 6000  
Tel: +61 8 9323 2000  
Fax: +61 8 9323 2033

## Share Registry (Bermuda)

Codan Services Ltd  
Clarendon House, 2 Church Street  
Hamilton HM 11, Bermuda

## Auditors

Ernst & Young  
The Ernst & Young Building  
11 Mounts Bay Road  
Perth, Western Australia 6000

## Home Stock Exchange

ASX Limited  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth, Western Australia 6000

## ASX Code

NKP

# Half year report for the half-year ended 30 June 2016

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## Directors' report

The directors of Nkwe Platinum Limited ("Nkwe" or "the Company") submit herewith the interim financial report of Nkwe Platinum Limited and its subsidiaries ("the Group") for the half-year ended 30 June 2016.

### Names of Directors

The names of the company's directors in office during the half-year and until the date of this report are as follows.

Dr Tielong Tan (appointed 2 May 2016)  
Dr Qixue Fang  
Mr Chao Wang (Robin)  
Mr Richard Jones  
Mr Zhilin Li (Abraham) (resigned 2 May 2016)

### Review of operations

The loss of the Group for the half-year ended 30 June 2016, after providing for income tax, amounted to \$559,688 compared to a loss of \$538,104 for the half-year ended 30 June 2015. Further discussions on the Group's operations is provided below:

### Corporate

#### Board Changes

Dr Tielong Tan was appointed as Managing Director and Chief Executive Officer of Nkwe Platinum Limited, effective 2 May 2016. This followed the resignation of Mr Zhilin Li (Abraham) as Managing Director of the Company on the same day.

Dr Tan was previously appointed Deputy General Manager of Overseas Development Department of Zijin Mining Group in 2013. He was in charge of coordinating and supervising Zijin's overseas operations.

#### Settlement of Court Proceedings: International Petroleum Limited (IPL)

The court proceedings between Nkwe Platinum Limited and International Petroleum Limited (IPL) have been settled on the basis that each party has agreed to its claim against the other being dismissed, with no order as to costs. Under the settlement agreement, Nkwe Platinum paid \$280,000 to IPL being full and final settlement. In return Nkwe acquired IPL's 10% interest (including any beneficial interest) in the Mining Rights in Hoepakrantz 291KT. This means the company's beneficial ownership of the Hoepakrantz 291KT Mining Right has increased to 74% from 64% with the other 26% held by Genorah Resources (Pty) Limited SA.

### Garatau Project

The Garatau Project consists of three contiguous properties Garatouw 282KT, Hoepakrantz 291KT and De Kom 252KT, located in the Eastern Limb of the Bushveld Complex, approximately 20 kilometres to the northwest of Steelpoort town, in an established mining district with extensive existing infrastructure. Nkwe Platinum owns 74% of the Mining Right.

To date the project has an independently estimated total resource of 43.69 million ounces (Moz) of 3 PGE + Au (20.52 Moz from Hoepakrantz, 21.78 Moz from Garatouw and 1.40 Moz from De Kom). A summary of the Garatau Mineral Resource Statement is given in Table 1 below.

A technical feasibility and commercial viability of extracting these mineral resources has been demonstrated by the delivered definitive feasibility study. The critical mining regulatory authorisations such as the Mining Right and Environmental Authorisations are all in place.

There are no exploration or mining activities currently taking place.

### Permitting

The Company has a Mining Right over the Garatau Project area, executed in January 2014.

On 4th December 2015, the Department of Environmental Affairs granted the Environmental Authorisation for the Garatau Mine.

The record of decision on the water use licence by the Department of Water and Sanitation is pending.

Grid power for mine operation will be supplied by the national energy regulator, Eskom. Eskom was granted the Environmental Authorisation by the Department of Environmental Affairs for the Garatau grid power project on 18 May 2016. This now paves the way for lands and rights, and surveying processes to be completed before a budget quotation is finalised. The budget quotation which is expected in the fourth quarter of 2016. Grid power from ESKOM will not affect the start-up of the project. Construction power will be supplied by diesel generators with a capacity of 5MVA which would be more than sufficient.

**Table 1: Summary of Mineral Resource Estimates Reported according to JORC Category**

GARATOUW 282KT								
CATEGORY	TONNES (M)	REEF WIDTH (m)	Pt (g/t)	Pd (g/t)	Au (g/t)	Rh (g/t)	4E (g/t)	4E (Moz)**
<b>MERESNKY REEF</b>								
MEASURED	26.420	2.31	2.06	1.00	0.23	0.12	<b>3.41</b>	2.90
INDICATED	46.440	2.20	1.94	0.94	0.22	0.11	<b>3.20</b>	4.78
INFERRED	31.874	2.17	1.88	0.89	0.21	0.11	<b>3.10</b>	3.17
Sub-Total	104.734	2.22	1.95	0.94	0.22	0.11	<b>3.22</b>	10.85
<b>UG2</b>								
MEASURED	19.139	1.10	2.40	2.42	0.08	0.52	<b>5.42</b>	3.33
INDICATED	18.758	1.10	2.30	2.26	0.08	0.50	<b>5.14</b>	3.09
INFERRED	26.210	1.10	2.38	2.38	0.08	0.52	<b>5.36</b>	4.51
Sub-Total	64.107	1.10	2.36	2.36	0.08	0.51	<b>5.31</b>	10.93
Total	168.841							21.78

HOEPAKRANTZ 291KT								
CATEGORY	TONNES (M)	REEF WIDTH (m)	Pt (g/t)	Pd (g/t)	Au (g/t)	Rh (g/t)	4E (g/t)	4E (Moz)**
<b>MERESNKY REEF</b>								
INDICATED	72.787	2.31	1.54	0.72	0.18	0.09	<b>2.53</b>	5.92
INFERRED	42.138	2.31	1.60	0.77	0.20	0.09	<b>2.66</b>	3.60
Sub-Total	<b>114.925</b>	2.31	1.56	0.74	0.19	0.09	<b>2.57</b>	9.52
<b>UG2</b>								
MEASURED	21.666	1.10					<b>5.62</b>	3.91
INFERRED	39.258	1.10					<b>5.63</b>	7.09
Sub-Total	60.924	1.1						11.00
Total	175.849							20.52

*Note: No elemental splits for Hoepakrantz UG2.*

De KOM 252KT								
CATEGORY	TONNES (M)	REEF WIDTH (m)*	Pt (g/t)	Pd (g/t)	Au (g/t)	Rh (g/t)	4E (g/t)	4E (Moz)**
<b>MERESNKY REEF</b>								
INFERRED	4.834	1.20	2.01	0.97	0.25	0.10	<b>3.33</b>	0.52
Sub-Total	4.834	1.20	2.01	0.97	0.25	0.10	<b>3.33</b>	0.52
<b>UG2</b>								

INFERRED	5.449	1.20	2.19	2.27	0.07	0.48	<b>5.01</b>	0.88
Sub-Total	5.449	1.20	2.19	2.27	0.07	0.48	<b>5.01</b>	0.88
Total	10.283							1.40

\* The widths are intended mining widths, and the estimated resources are thus *mineable* resources, and not *in situ* resources.

\*\* Geological loss of between 17% and 20% applied to tonnages for recoverable ounces – loss estimates are based on the few disturbances observed in borehole intersections and on geophysical observations.

The information on above resource estimates was first reported by the Company in the December 2014 quarterly and subsequently in a market release dated 20<sup>th</sup> January 2016 to comply with ASX Listing Rule 5.21 and JORC 2012 requirements. The Company confirms that it is not aware of any new information or data that materially affects the information included in these original market announcements and that all material assumptions and technical parameters underpinning the ore resource estimate continue to apply and have not materially changed.

The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

### Subsequent events

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

On behalf of the Board



**Dr Tielong Tan**

**Managing Director**

13 September 2016  
Perth, Western Australia

**COMPETENT PERSONS STATEMENTS**

*The mineral resources have been prepared and compiled under the guidance of Competent Persons who are registered with the Natural Sciences Institute of South Africa (SACNASP), to comply with the South African Mineral Resources Code (SAMREC) and the Joint Ore Reserves Committee Code (JORC Code). Each of the consultants have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they undertook to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.'. The SACNASP is officially recognised on a reciprocal basis by the Australasian Institute of Mining and Metallurgy (AusIMM).*

*The following Competent Persons with the appropriate qualifications and experience have been involved in the reporting of the mineral resources and have given their consent to the inclusion in this report of the matters based on their information in the form and context in which it appears:*

*K Lomberg (Garatouw farm UG2, De Kom property)*

*D Subramani (Garatouw farm Merensky Reef)*

*C Lemmer (Hoepakrantz farm UG2)*

*D MacGregor and Theodore Pegram (Hoepakrantz farm Merensky Reef)*

*Desmond Subramani is employed by Caracal Creek International Consulting, a consultant to the Company and is a member of the South African Council for Natural Scientific Professions at the time of estimating these resources.*

*Dr Carina Lemmer is employed as a consultant of Geological and Geostatistical Services, a consultant to the Company and is a member of the South African Council for Natural Scientific Professions at the time of estimating these resources.*

*Duncan MacGregor is employed by Theo Pegram & Associates (Pty) Ltd as a consultant to the Company and is a member of the South African Council for Natural Scientific Professions and the Australasian Institute of Mining and Metallurgy.*

*Kenneth Lomberg is employed as a consultant of Coffey Mining, a consultant to the Company and is a member of the South African Council for Natural Scientific Professions at the time of estimating these resources.*

*Theodore Pegram is employed by Theo Pegram & Associates (Pty) Ltd, a founding member of the Company and is a member of the South African Council for Natural Scientific Professions, the Geological Society of South Africa and the Australasian Institute of mining and Metallurgy.*

The Company confirms that it is not aware of any new information or data that materially affects the information included in these original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

## To the members of Nkwe Platinum Limited

### Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Nkwe Platinum Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with International Financial Reporting Standards and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the accompanying financial report does not present fairly the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complies with International Accounting Standard 34 *Interim Financial Reporting*. As the auditor of NKWE Platinum Limited and the entities it controlled during the half-year, ASRE 2410 also requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the international professional ethical pronouncements.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of NKWE Platinum Limited and the entities it controlled during the half-year does not:

- a. present fairly the consolidated entity's financial position as at 30 June 2016 and its financial performance and cash flows for the half-year ended on that date; and
- b. comply with International Accounting Standard 34 *Interim Financial Reporting*.



Ernst & Young  
Perth  
13 September 2016

## Directors' declaration

In accordance with a resolution of the directors of Nkwe Platinum Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes, as set out on pages 8 to 17, are in accordance with the *Corporations Act 2001*, including:
  - i) give a true and fair view of the financial position as at 30 June 2016 and the performance of the Group for the half-year ended on that date; and
  - ii) complying with International Accounting Standard IAS 34: *Interim Financial Reporting*; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Dr Tielong Tan**

**Managing Director**

13 September 2016

Perth, Western Australia

# Consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2016

	Note	Consolidated	
		Half-year ended	
		30 June 2016	30 June 2015
		\$	\$
<b>Continuing operations</b>			
Other income		236,945	316,853
Administration and corporate expenses	3	(795,017)	(1,029,006)
Foreign currency exchange loss		(1,616)	(26)
Fair value gain on non-current assets classified as held for sale		-	174,225
<b>Loss before finance costs</b>		<b>(559,688)</b>	<b>(537,954)</b>
Finance costs		-	(150)
<b>Loss before income tax</b>		<b>(559,688)</b>	<b>(538,104)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(559,688)</b>	<b>(538,104)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Foreign currency translation – non-controlling interest		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation – owners of the parent		2,954,103	954,086
<b>Other comprehensive income for the period, net of tax</b>		<b>2,954,103</b>	<b>954,086</b>
<b>Total comprehensive income for the period</b>		<b>2,394,415</b>	<b>415,982</b>
<b>Loss for the period attributable to:</b>			
Owners of Nkwe Platinum Limited		(471,571)	(519,058)
Non-controlling interests		(88,117)	(19,046)
		<b>(559,688)</b>	<b>(538,104)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of Nkwe Platinum Limited		2,482,532	435,028
Non-controlling interests		(88,117)	(19,046)
		<b>2,394,415</b>	<b>415,982</b>
<b>Earnings per share attributable to the ordinary equity holders of the parent:</b>			
Basic and diluted (cents per share)		(0.05)	(0.06)

Notes to the consolidated financial statements are included on pages 12 to 17.

# Consolidated statement of financial position as at 30 June 2016

	Note	Consolidated	
		30 June 2016 \$	31 Dec 2015 \$
<b>Current assets</b>			
Cash and cash equivalents		6,494,112	7,848,474
Receivables		294,909	241,216
Prepayments		427	83,363
<b>Total current assets</b>		<b>6,789,448</b>	<b>8,173,053</b>
<b>Non-current assets</b>			
Prospects, rights and exploration assets	4	95,595,503	92,183,406
Property, plant and equipment		34,672	45,284
Other non-current assets		454,604	440,959
Available for sale financial asset		490,450	475,740
<b>Total non-current assets</b>		<b>96,575,229</b>	<b>93,145,389</b>
<b>Total assets</b>		<b>103,364,677</b>	<b>101,318,442</b>
<b>Current liabilities</b>			
Trade and other payables		607,638	801,932
Provisions		35,263	192,863
<b>Total current liabilities</b>		<b>642,901</b>	<b>994,795</b>
<b>Total liabilities</b>		<b>642,901</b>	<b>994,795</b>
<b>Net assets</b>		<b>102,721,776</b>	<b>100,323,647</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	6	77,492,393	77,488,679
Share premium		218,371,245	218,371,245
Equity reserve		36,255,917	36,255,917
Option reserve		4,814,623	4,814,623
Foreign currency translation reserve		(91,067,831)	(94,021,934)
Accumulated losses		(132,965,864)	(132,494,293)
Parent interests		112,900,483	110,414,237
Non-controlling interests		(10,178,707)	(10,090,590)
<b>Total equity</b>		<b>102,721,776</b>	<b>100,323,647</b>

Notes to the consolidated financial statements are included on pages 12 to 17.

## Consolidated statement of changes in equity for the half year ended 30 June 2016

	Share capital \$	Share Premium \$	Other reserves \$	Option reserves \$	Translation reserve \$	Accumulated losses \$	Attributable to equity holders of the Parent \$	Non-controlling interests \$	Total \$
<b>Balance at 1 January 2015</b>									
As previously stated	77,488,679	218,371,245	36,255,917	4,814,623	(51,816,667)	(107,745,491)	177,368,306	(29,317,682)	148,050,624
Restatement adjustment (Note 1)	-	-	-	-	(19,344,560)	-	(19,344,560)	19,344,560	-
As restated	77,488,679	218,371,245	36,255,917	4,814,623	(71,161,227)	(107,745,491)	158,023,746	(9,973,122)	148,050,624
Loss for the period	-	-	-	-	-	(519,058)	(519,058)	(19,046)	(538,104)
Other comprehensive loss	-	-	-	-	954,086	-	954,086	-	954,086
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	954,086	(519,058)	435,028	(19,046)	415,982
<b>Balance at 30 June 2015</b>	<b>77,488,679</b>	<b>218,371,245</b>	<b>36,255,917</b>	<b>4,814,623</b>	<b>(70,207,141)</b>	<b>(108,264,549)</b>	<b>158,458,774</b>	<b>(9,992,168)</b>	<b>148,466,606</b>
<b>Balance at 1 January 2016</b>	<b>77,488,679</b>	<b>218,371,245</b>	<b>36,255,917</b>	<b>4,814,623</b>	<b>(94,021,934)</b>	<b>(132,494,293)</b>	<b>110,414,237</b>	<b>(10,090,590)</b>	<b>100,323,647</b>
Loss for the period	-	-	-	-	-	(471,571)	(471,571)	(88,117)	(559,688)
Other comprehensive income	-	-	-	-	2,954,103	-	2,954,103	-	2,954,103
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	2,954,103	(471,571)	2,482,532	(88,117)	2,394,415
Issue of share on exercise of options	3,714	-	-	-	-	-	3,714	-	3,714
<b>Balance at 30 June 2016</b>	<b>77,492,393</b>	<b>218,371,245</b>	<b>36,255,917</b>	<b>4,814,623</b>	<b>(91,067,831)</b>	<b>(132,965,864)</b>	<b>112,900,483</b>	<b>(10,178,707)</b>	<b>102,721,776</b>

Notes to the consolidated financial statements are included on pages 12 to 17.

## Consolidated statement of cash flows for the half year ended 30 June 2016

	Note	Consolidated	
		Half-year ended	
		30 June 2016	30 June 2015
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(783,702)	(1,961,213)
Interest received		61,803	316,853
Interest and other costs of finance paid		-	(150)
Net cash used in operating activities		(721,899)	(1,644,510)
<b>Cash flows from investing activities</b>			
Payments for prospects, rights and exploration		(554,367)	(1,600,122)
Payments for property, plant and equipment		(12,300)	(1,807)
Net cash used provided by/(used in) investing activities		(566,667)	(1,601,929)
<b>Cash flows from financing activities</b>			
Proceeds from exercise of options		3,714	-
Net cash provided by financing activities		3,714	-
<b>Net increase in cash and cash equivalents</b>		<b>(1,284,852)</b>	<b>(3,246,439)</b>
Cash and cash equivalents at the beginning of the period		7,848,474	4,141,672
Effects of exchange rate fluctuations on cash and cash equivalents		(69,510)	(97,404)
<b>Cash and cash equivalents at the end of the period</b>		<b>6,494,112</b>	<b>797,829</b>

Notes to the consolidated financial statements are included on pages 12 to 17.

# Notes to the consolidated financial statements for the half year ended 30 June 2016

## 1. Basis of preparation and accounting policies

The consolidated interim financial statements of the Group, which comprises the Company, Nkwe Platinum Limited and its controlled entities at year end or from time to time during the half-year. The Company is listed on the Australian Securities Exchange (ASX). The Company was incorporated in Bermuda as an exempt company and it is subject to the Bermudian Companies Act 1981 as amended from time to time. The Company is domiciled in Bermuda.

### Statement of compliance

This general purpose condensed financial report for the half-year ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* (IAS 34).

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year condensed financial report should be read in conjunction with the audited financial report of Nkwe Platinum Limited for the period ended 31 December 2015. It is also recommended that the half-year financial report be considered together with any public announcements made by the company and its controlled entities during the half-year ended 30 June 2016 in accordance with the Group's continuous disclosure obligations.

The half-year financial report was authorised for issue by the directors on 13 September 2016.

### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, modified, where applicable by the measurement at fair value of selected financial assets and liabilities. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial period ended 31 December 2015, except for the impact of the Standards and Interpretations described below.

### Significant accounting judgements and key estimates

The preparation of these interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial report for the period ended 31 December 2015.

# Notes to the consolidated financial statements for the half year ended 30 June 2016

## 1. Basis of preparation and accounting policies (continued)

### Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the period ended 31 December 2015. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

All new and amended Accounting Standards and Interpretations effective from 1 January 2016 have been adopted. The adoption of these new standards and interpretations had no effect on the financial position or performance of the Group.

### Restatement of comparative information

The opening equity balance at 1 January 2015 in these financial statements have been restated to adjust for the misallocation of foreign currency translation difference between owners and non-controlling interest during the financial year ended 31 December 2014.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

All new and amended Accounting Standards and Interpretations effective from 1 January 2016 have been adopted. The adoption of these new standards and interpretations had no effect on the financial position or performance of the Group.

## 2. Segment information

For management purposes, the Group is organised into one main operating segment, which involves mining exploration for platinum. All of the Group's activities are interrelated and discrete financial information is reported to the board of directors (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the interim financial statements of the Group as a whole.



# Notes to the consolidated financial statements for the half year ended 30 June 2016

### 3. Administration and corporate expenses

	30 Jun 2016	30 Jun 2015
	\$	\$
Directors fees	182,000	424,496
Corporate management and administrative expenses	613,017	604,510
	<b>795,017</b>	<b>1,029,006</b>

### 4. Prospects, rights and exploration assets

	30 Jun 2016	31 Dec 2015
	\$	\$
Balance at beginning of the period	92,183,406	138,610,247
Exploration costs capitalised	554,365	353,992
Prospects and rights impaired	-	(23,458,072)
Effect of exchange rate variance	2,857,732	(23,322,761)
Balance at end of the period	<b>95,595,503</b>	<b>92,183,406</b>

#### Recoverability of the Garatau Project

As indicators of impairment were identified, the Group performed an impairment test to determine the recoverable amount of the Garatau Project. The recoverable amount of the Garatau Project was based on fair value less cost to dispose method.

The fair value less cost to dispose of the Garatau Project was determined based on present valuing future cash flows. The future recoverability of the Group's Garatau Project is dependent on a number of key factors including; platinum and palladium price, discount rates used in determining the estimated discounted cash flows of CGUs, foreign exchange rates, the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, and future legal changes (including changes to environmental restoration obligations). The costs to dispose have been estimated by management based on prevailing market conditions. Impairment is recognised when the carrying amount of the CGU exceeds its estimated recoverable amount.

# Notes to the consolidated financial statements for the half year ended 30 June 2016

## 4. Prospects, rights and exploration assets (continued)

Fair value is estimated based on discounted cash flows using market based commodity price and exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on the definitive feasibility studies completed in prior years updated for changes in macro-economic inputs since then. Consideration is also given to recent comparable transactions and the market value of the Company's securities. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy.

Significant judgements and assumptions are required in making estimates of fair value. This is particularly so in the assessment of long life assets. CGU valuations are subject to variability in key assumptions including, but not limited to, long-term platinum and palladium prices, currency exchange rates, discount rates, production assumptions and operating costs. A change in one or more of the assumptions used to estimate fair value could reduce or increase a CGU's fair value.

In determining the fair value of CGUs, future cash flows were discounted using rates based on the Group's estimated weighted average cost of capital. When it is considered appropriate to do so, an additional premium is applied with regard to the geographic location and nature of the CGU.

### Key Assumptions

The table below summarises the key assumptions used in the carrying value assessments:

	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>
Construction period	5 years	5 years
First production	2021	2021
Total expansion capital funding (including initial costs to develop the mine) (real)	Approximately \$693 million	Approximately \$686 million
Discount rate % (post tax real)	13.8%	13.60%
Mine life	30 years	30 years
Annual tonnes milled	3.6 million tonnes p.a.	3.6 million tonnes p.a.
Operating production cost (real)	ZAR 783/tonne	ZAR 783/tonne
Selling price - platinum (long term real)	US\$1,375/oz	US\$1,300/oz
Selling price - palladium (long term real)	US\$800/oz	US\$850/oz
Platinum recoveries	88.7%	88.70%
Palladium recoveries	85.1%	85.10%
Long term exchange rate between ZAR: US\$	ZAR13.84:US\$1	ZAR14.62:US\$1
Long term South Africa income tax rate	28%	28%

The recoverable amount of the Garatau Project was determined to be approximate to carrying value.

### Sensitivity Analysis

Any variation in the key assumptions used to determine fair value would result in a change of the assessed fair value. It is estimated that changes in the key assumptions would have the following approximate impact on the recoverable amount of the Garatau Project:

# Notes to the consolidated financial statements for the half year ended 30 June 2016

## 4. Prospects, rights and exploration assets (continued)

	Increase/(decrease) in recoverable amount	
	Increase	Decrease
	\$	\$
2.5% change in platinum and Palladium price or foreign exchange rates	18,030,000	(18,060,000)
1.0% change in discount rate	(38,480,000)	22,416,000

It must be noted that each of the sensitivities above assumes that the specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions is usually accompanied with a change in another assumption, which may have an offsetting impact. Action is also usually taken by management to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

### Ownership of exploration projects

Nkwe Platinum Limited has previously reported DMR sponsored negotiations with Anglo Platinum Ltd (“APL”) and African Rainbow Minerals (“ARM”) to resolve a long standing dispute as to tenure across 9 farms including the 3 farms subject to the Mining Right. The Company has maintained that the dispute was resolved by agreement between the parties in 2008 (as publicly announced by all parties) but has pursued negotiations in good faith and in addition to efforts by the DMR to negotiate a quick and equitable resolution. It is the intention of Nkwe Platinum Limited and Genorah to continue to negotiate in good faith and attempt to resolve the final settlement issues outstanding.

The PAJA (Administrative Justice Act) review proceedings instigated by Anglo Platinum Limited and the Modikwa Joint Venture are ongoing and will be defended in the event that a settlement cannot be reached.

Nkwe Platinum Limited maintains that the legal tenure of the 3 farms cannot be abrogated and has received legal advice confirming this view.

Recoverability of the carrying amount of prospects, rights and exploration assets is dependent on the successful development and commercial exploitation of areas of interest and the sale of minerals or the sale of the respective areas of interest.

# Notes to the consolidated financial statements for the half year ended 30 June 2016

## 5. Financial Instruments

### *Fair Value Measurement*

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. Due to the short term nature of the financial assets and financial liabilities, the carrying value is considered to approximate the fair value.

At 30 June 2016 and 31 December 2015 the Group has no material financial assets and liabilities that are measured at fair value on a recurring basis.

## 6. Share capital

	30 Jun 2016	31 Dec 2015
	\$	\$
896,371,120 (31 Dec 2015: 896,333,973) authorised and issued fully paid ordinary shares	77,492,393	77,488,679

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

## 7. Commitments and contingencies

Commitments and contingencies are of a similar nature as disclosed as at 31 December 2015. As at 30 June 2016, the Company has no significant commitments.

## 8. Subsequent events

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.