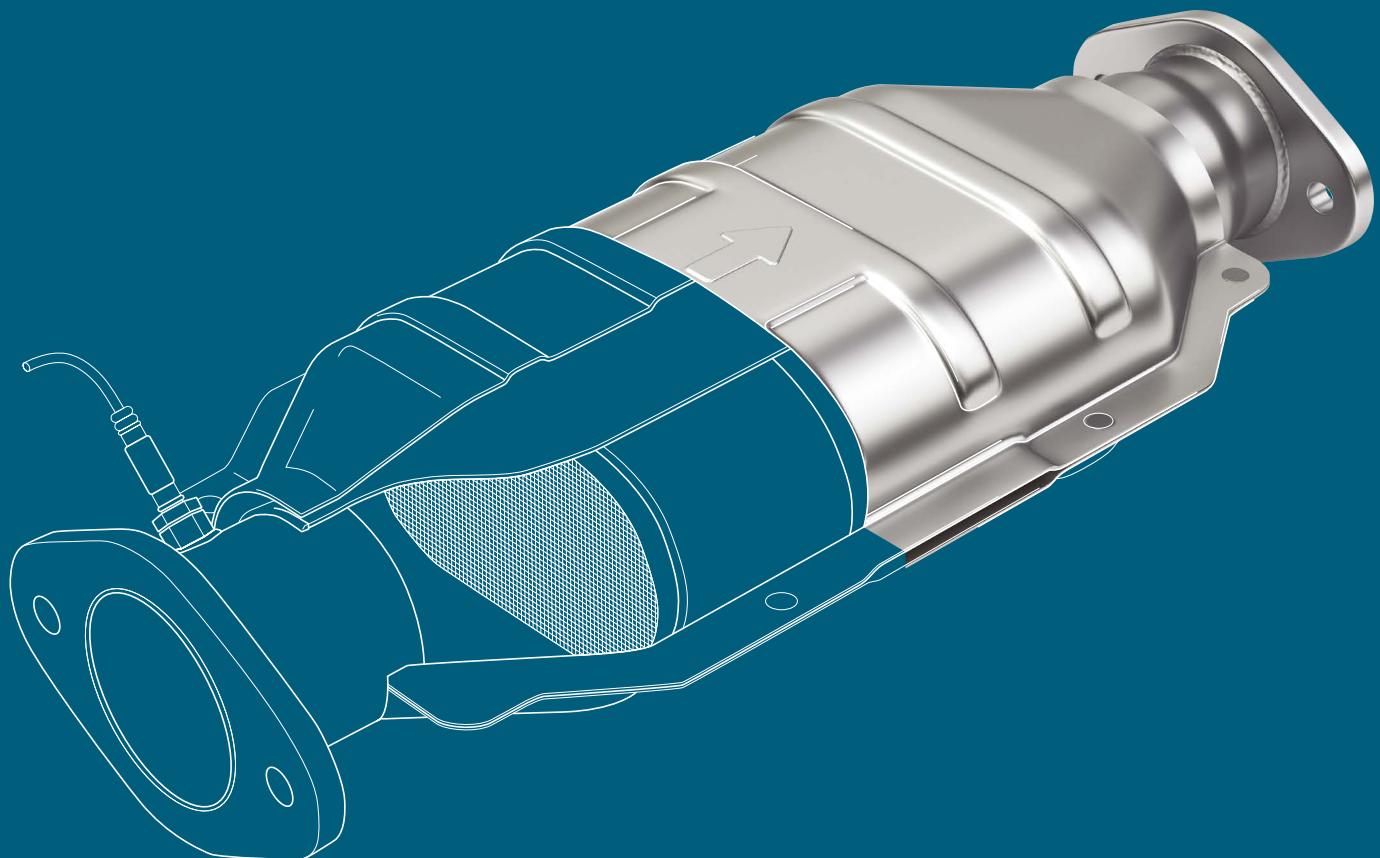


NORTHAM

PLATINUM LIMITED



SOLID SUSTAINABLE GROWTH

ANNUAL INTEGRATED REPORT
30 JUNE 2019

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**SOLID
SUSTAINABLE
GROWTH ...**



Natural platinum nugget

Platinum group metals (PGMs) are known for their denseness, hardness and resistance to tarnishing.

They are electrically and thermally conductive and have catalytic properties which promote chemical reactions.

They are among the rarest and most precious metals and have unique properties that make them essential in a number of industrial applications.

PGMs play an essential role in our day-to-day lives.

Growth for our investors ...

Returning value to investors through disciplined capital allocation.

Growth for our people ...

The growth of our business ensures meaningful employment for our people and creates opportunities for skills development and training for thousands of South Africans.

Growth for the future ...

We are growing our business safely and efficiently into a major producer of PGMs, while continuously moving down the cost curve, ensuring that Northam will be a long-life producer of PGMs.

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 (web-based)
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Growth for our investors

We are investing in our business in order to, safely and efficiently, grow all operations into long-life producers of PGMs while continuously moving down the cost curve. Our focus remains on disciplined capital allocation while returning value to investors by way of an ordinary share repurchase programme, the purchase of Zambezi Platinum (RF) Limited preference shares or a combination of the two.

Key features for the year ended 30 June 2019

Record operating profit	Normalised headline earnings	Solid operating performance from both operations. Record production
R2.4 bn	▲226.7%	▲7.4%
F2018: R823.3 m	F2019: R1.4 bn F2018: R421.5 m	F2019: 519 954 oz 4E F2018: 483 941 oz 4E
(P43)	(P40)	(P57)
Commendable safety performance (LTIIR)	Net debt	Capex to advance execution of growth strategy
0.93	R3.0 bn	R2.9 bn
F2018: 1.0	Net debt / EBITDA ratio at 1.1: F2018: 2.4:1	F2018: R3.8 bn
(P77)	(P47)	(P57)

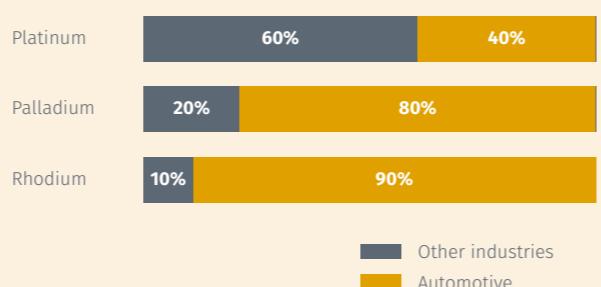
Return of value has commenced with the purchase of Zambezi Platinum (RF) Limited preference shares

Growth for the future

The increase in demand for PGMs, coupled with a projected decrease in supply from primary producers puts Northam in an ideal position to grow meaningfully in the future.

We are growing all operations into long-life producers of PGMs in order to reach our aspirational target of 1 million oz 4E per annum.

Percentage of PGMs used in industry



Growth for our people

The growth of our business ensures meaningful employment for our people and creates opportunities for skills development and training for thousands of South Africans.

Key stakeholders in our business include the communities within which we operate.

We recognise our responsibility to share the value we create at our mining operations, thus contributing to the socio-economic upliftment of our communities.



R76.3 million set aside for the benefit of the Northam Employees' Trust, the Northam Zondereinde Community Trust and the Northam Booyensdal Community Trust

READ MORE (P89)

2 100 new jobs created during the year

We employ 15 358 permanent employees and contractors (F2018: 13 258 employees and contractors)

READ MORE (P69)

56% of management are HDSA (F2018: 56%)

READ MORE (P69)

R3.4 billion spent on labour costs (F2018: R2.3 billion)*

READ MORE (P136)

*Labour costs in terms of the contracting mining at Booyensdal operation were previously included in contractor costs and not in labour cost

CHINA

The largest vehicle manufacturer and market*



The supply of PGMs from South Africa is under pressure, as underinvestment, motivated by several years of weak prices, will begin to impact production going forward.

The outlook for automotive PGM use is improving, due to stricter vehicle emission testing procedures and higher PGM loadings required.

Increased PGM loadings in China will be the new fundamental market driver as China rolls out tighter emissions standards from July 2020. The China VI standards will be more stringent than Euro VI.

* Based on the number of units produced

Our approach to reporting and scope of report

How it all fits together

Group at a glance
All operating mines and recycling operations are wholly owned by Northam Platinum Limited.

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We measure our performance on how the capitals create value for our stakeholders.

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How our strategy adds value
Our long-term strategic vision is to, safely and efficiently, grow the business into a long-life, major producer of PGMs.

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Five-year performance highlights
Our key performance indicators over the past five years are evidence of our sustainable growth strategy.

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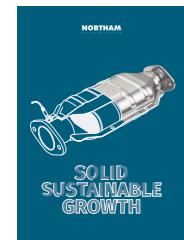
Performance against the capitals
We provide a holistic picture of our performance against the five capitals.

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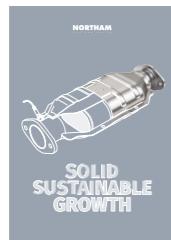
Governance
The board and management are committed to good corporate governance, underpinned by transparency and accountability.

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Our 2019 reporting suite



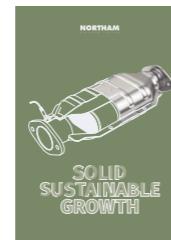
Annual integrated report 30 June 2019



Governance report



Annual financial statements 30 June 2019



Mineral Resources and Mineral Reserves statement
Condensed financial results and group statistical information for the year ended 30 June 2019



Notice of annual general meeting and abridged annual report

Compliance and reporting guidelines

Northam Platinum Limited (Northam or the group or the company) is listed on the securities exchange of the JSE Limited (JSE) in South Africa. This annual integrated report 30 June 2019, the company's notice of annual general meeting (AGM), and the audited annual financial statements are published in compliance with the JSE Listings Requirements and the provisions of the South African Companies Act, No 71 of 2008 (Companies Act).

Northam is committed to reporting in line with the King Report on Corporate Governance for South Africa 2016 (King IV™), published on 1 November 2016. The application of these guidelines is reviewed in the corporate governance section of this report.

In its financial disclosure, the group's consolidated and separate annual financial statements report in terms of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee, the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides, as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, the Companies Act and the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves 2016 (SAMREC 2016).

Northam's financial year runs from 1 July to 30 June. In this 2019 financial year (the F2019 reporting period), Northam has continued with its integrated approach to reporting, as first embarked upon in F2012. This approach seeks to present stakeholders with a holistic overview of the group's financial and non-financial performance, using the International Integrated Reporting Council (IIRC) Integrated Reporting Framework and the Global Reporting Initiative (GRI)

The primary purpose of our annual integrated report is to explain how we create value for all stakeholders over time, by providing a combination of quantitative and qualitative information.

independent appraisal. KPMG's chief task is to examine and evaluate the group's systems of internal control in the mitigation of business and financial risks.

The group's consolidated and separate annual financial statements have been audited by the external auditor Ernst & Young Incorporated. The independent auditor's report can be found in the annual financial statements.

Certain non-financial key performance indicators have been included as part of a limited assurance engagement undertaken by external assurance services provider Ernst & Young Incorporated. The independent assurance report can be found in the annual financial statements included on our website.

Reporting parameters and definitions
The financial statements include the group's subsidiaries, joint arrangements and associates. The non-financial disclosure is limited to the group's two wholly-owned operations, the Zondereinde and Boysendal mines.

Except where specifically stated otherwise, Northam reports on ore resources, reserves, production and grades in terms of platinum, palladium, rhodium and gold content. This is expressed as 4E. Production and grades are also reported in terms of 6E, which includes ruthenium and iridium.

Both ZAR and R signify rands, the South African currency. USD refers to the United States dollar and EUR or € to the euro.

Non-financial reporting indicators are defined in a glossary available on the Northam website at www.northam.co.za/downloads/send/92-2017/1119-glossary-of-terms-for-nonfinancial-reporting

Chairman's statement

The company's approach to modernisation is driven by the efficiencies it brings to mining operations, an acknowledgement that people remain a key element of our business, and that they need to be developed, trained and skilled in a safe and nurturing environment.

Dear shareholders

In my message to shareholders last year I pointed out in depth how Northam management had worked to increase the company's resilience, rendering it better equipped to deal with a number of risks, and creating a platform for sustainable growth.

The catalyst for Northam's growth story was the 2015 black economic empowerment transaction with Zambezi Platinum. Now, five years later, we can reflect on the journey of growing and developing the company.

In 2014, shortly after his appointment as chief executive, Paul Dunne initiated a series of strategic growth interventions. The unfolding of this strategic journey of solid, sustainable growth over the last five years has shaped the company and entailed the following:

- the 2015 Zambezi Platinum Black Economic Empowerment (BEE) transaction which secured compliance with the mining charter ownership requirements of South Africa's minerals legislation. It also resulted in a cash inflow injection of R4.6 billion;
- the acquisition of the Everest mine in 2015, which was the first step in developing the Booyensdal South mine, contiguous to the Booyensdal North operation;
- in 2016 an expansion programme for the Zondereinde smelter to increase capacity in order to treat material from the enlarged Booyensdal operation;
- also in 2016 the acquisition of the Tumela block from Anglo Platinum, which has since become the Zondereinde Western extension;
- in 2017, Northam's purchase of the shuttered Eland platinum mine; and

- the acquisition of the recycling assets in the United States, which will become strategically important in the future.

Empowerment and transformation are not about ticking the boxes. The fact that these developments were planned and rolled out against the background of prolonged market negativity, depressed metal prices and a period of investor cynicism with regard to PGMs is instructive; at board level there is a consciousness that, if South Africa is going to have a mining industry at all, it needs to transform in the broadest sense possible; and our management teams have translated the concept into visible and irrevocable change.

Northam's growth strategy relies on shallow, mechanisable orebodies, positioning the company for modern, successful and sustainable mining operations in the 21st century.

The company's approach to modernisation is driven by the efficiencies it brings to mining operations, an acknowledgement that people remain a key element of our business, and that they need to be developed, trained and skilled in a safe and nurturing environment. It is an indisputable fact that, in terms of safety, mechanisation is a key differentiator in the mining space, and apart from the personal tragedies of occupational injuries and fatalities, this industry can no longer afford the associated social cost and reputational damage that mining accidents cause.

Apart from skilling and developing the workforce, for a number of years, we have worked to move away from high-density hostel accommodation for our employees. An affordable home ownership scheme has been rolled out over a number of years. This provides employees and their families with financial assistance to access decent housing.

Similar success stories can be found throughout this company, with 56% of our management positions occupied by previously disadvantaged South Africans.

There are severe challenges that remain amongst our stakeholder communities. This is not unusual given the broader South African economic and infrastructural challenges and the expectations of frequently marginalised communities. We are hopeful that the educational and infrastructural initiatives of the community trusts will steadily generate positive results and goodwill. On behalf of the board I would like to acknowledge our general managers and their stakeholder relations teams for their relentless efforts in this regard. This work in particular, is an example of the company's acute awareness of its environmental, social and governance (ESG) responsibilities. There are many more examples of the group's performance in terms of ESG throughout the natural and social capital sections included in this integrated report.

With the resignation of Ayanda Khumalo as chief financial officer early in the financial year, we welcome Alet Coetze to the board. Ms Coetze's energy and her past experience in the auditing space is a refreshing addition. Two new independent non-executive directors, Mcebisi Jonas and Jean Nel were also appointed in the period under review. Mr Jonas's work as a presidential investment envoy and Mr Nel's experience in the platinum sector bring extensive additional experience and expertise to Northam. Both gentlemen already contribute significantly to the independence and experience of the board.

For the board to remain effective, directors are rotated so as to introduce new expertise and experience. This

I would like to thank, our loyal and long-standing shareholders who have continued to support the company's capital-intensive growth period.

We know that shareholders don't have limitless resources and I am pleased to be able to endorse management's plans to start returning value to shareholders in the short to medium term.

rotation however must be balanced with the need to maintain continuity, skills and experience. I am assured that the current board reflects this balance with three board members having tenures in excess of nine years and four new board appointments in the last two years.

Elsewhere in this report Paul Dunne refers to the long-term nature of realising value from mining and exploiting orebodies. I would like to thank, our loyal and long-standing shareholders who have continued to support the company's capital-intensive growth period. We know that shareholders don't have limitless resources and I am pleased to be able to endorse management's plans to start returning value to shareholders in the short to medium term.

To conclude, I must thank the executive management team and the employees of Northam who have worked tirelessly to transform our company in every way possible: a mining company positioned for the future.

Brian Mosehla
Chairman

20 August 2019



Brian Mosehla
Chairman

Chief executive officer, Paul Dunne's thoughts on the 2019 financial year



Paul Dunne
Chief executive officer

Q You embarked on a strategy with the funds generated through the Zambezi Platinum (RF) Limited transaction in 2015. In terms of executing this strategy, where are you in the process?

A We have a four phase strategy. In 2015 we raised money and we solved for empowerment simultaneously – that's what the Zambezi transaction represents. We applied some of the money through an M&A phase (i.e. the Western extension at Zondereinde, Everest, Eland, the US recycling business) which is complete. The third phase is project execution - we are busy. The fourth phase, which is yet to come but will start to materialize in the coming year, is returning value to shareholders. This is a very important phase. The way Zambezi is structured gives us a very obvious and powerful way to return value to shareholders through the purchase of the Zambezi preference shares.

Q You refer to returning value to shareholders, what does this entail?

A We believe an appropriate net debt position would be one times EBITDA and we're effectively approaching that level now. Any free cash over and above that point will be used to return value to shareholders and again, we will do that through a repurchase of the ordinary shares or purchase of the Zambezi preference shares or a combination of the two. The ratio of debt to EBITDA will be forward looking.

Q Northam talks about 'solid sustainable growth'. Please explain this within the context of the business performance over the last year.

A We have some strong views on what makes a good mining company. One of them is a very important one – the quality and quantity of the ore body and, how that translates into value. This is not a one-day game. It is a long, rigorous, disciplined approach to making value from the potential value which is the ore body. Northam has experience in how to do that. We own and operate very good quality ore bodies and long-life ore bodies - sustainable ore bodies. Sustainability is an extremely important word in the mining context. We want to create sustainable production platforms for very long periods of time and that is why the ore bodies we target, either through the ones we already own or the ones we purchase, must have the ability to produce a long-life production platform.

Q Three main highlights from the past year that are relevant at each of the three mines.

A 1. We transformed Zondereinde through the acquisition of the Western extension, but we also accessed the Western extension in the past year – quite substantially and successfully. The development rates are quite astounding. One of the important reasons why that is so, is the quality of the ground is top-class. It really is excellent. Not just from a grade or metal content point of view, but from a competence point of view and the development rates show this. Our teams can mine – if we present them with sufficient quality and quantity of ore body – our teams will deliver for us. That is what we are endeavoring to do and that is what we have done with respect to the Western extension, and so far, we've been successful.

2. What we have managed to do with Boysendal is a tremendous conversion of resources to reserves through the Boysendal South project. This was enabled through the purchase of the infrastructure at Everest and combining that with our own ore body unlocking incredible value. We now have a fully-fledged mine at Boysendal South and the project execution risk is reducing rapidly. The application of capital will also reduce now and the cash flow will follow. We're really proud of what we've achieved in a very short time.

3. The third thing is the recent approval of Eland which will obviously, from an execution point of view, start coming through next year. Eland has been a couple of years in planning and it's been very well thought through. Again, it's founded on a very attractive purchase price a couple of years ago when we secured a large ore body with a world class infrastructure already built. But the purchase wasn't for the infrastructure, it was for the ore body. It's a shallow, large relatively untouched piece of ground.

We are building long-life assets and diversifying our operational footprint which is risk mitigating in itself.

When it comes to safety, it goes without saying – it is non-negotiable. We develop things safely, that's inherently what we do – safe sustainable production.

Unfortunately we did have one serious accident during the year. We deeply regret the passing of Mr Stephen van Niekerk in October 2018. Mr van Niekerk was involved in a surface construction accident at the Zondereinde concentrator. Despite this set back, all operations have shown an improvement in the lost time injury frequency rate over the past year.

Q How is innovation playing a role in your project execution?

A I will point to the fact that historically, Northam has been an innovator. Why do I say that? Well, if you look at Zondereinde it's the only hydro-powered platinum mine that also applies backfill as primary support. These are very powerful innovations; the technology remains cutting edge even though it's been applied at Zondereinde for a long time. Again, inside the culture of the company there is a preparedness and the ability to take measured risk when it comes to the application of new technology. In recent times we've demonstrated this with the rope conveyor at Boysendal. We're going to apply hydro power at Eland and we're going to trial, with some degree of measured risk, the Mobile Tunnel Borer machine, MTB as it's called, which is much shorter than the classic tunnel boring machine and more flexible.

Q Please explain how Northam's approach to Environmental, Social and Governance (ESG) is a necessity for solid sustainable growth and long-term value creation.

A We don't operate in isolation. We're very conscious of the pressing issues with respect to ESG.

Governance: Northam is a very well-managed company and we're transparent in what we do. We have a strong board, they are aligned with the strategy, diverse and highly experienced. We have strong governance and controls in place through the CFO's office. The disclosure we provide on a six month and annual basis clearly demonstrates this and we will continue in that way. Therefore, I don't see too many issues from the governance element of ESG to be concerned about at this stage.

Environmental: The world is extremely conscious of global warming and health issues around the industrialisation that's happened over hundreds of years now. The suite of metals we produce are green metals. They are used in greening applications and have enormous environmental application.

We are a mining company and inherently we have an impact on the environment. We have two primary approaches we take to address our environmental impact: we minimize and we offset. We minimize our impact; we are conscious of the impact we make and where we cannot avoid an impact, we off-set and preserve. Offsetting

and preservation is an important leg of the strategy to mitigate unavoidable impacts.

This has been exemplified through the Buttonshope Conservancy Trust.

Social: Social issues in South Africa are becoming extreme, unfortunately. Particularly in the areas in which we operate. Small towns and rural areas are impoverished often with failed local government structures resulting in severe under delivery of services and a general lack of economic opportunity. The outcome of that is severe unemployment in particular amongst the youth. In our areas of operation, youth unemployment is in excess of 50%. When centres of economic activity are created, such as a mine in a rural area, we experience community protests because people want jobs. At Boysendal, there are 300 000 people within our recognized communities. We have just built a mine that will employ an additional 2100 people. The order of magnitude is over a hundred times greater. We are currently engaging with government as there are some unrest issues symptomatic of the problem. We will play our part but what we are demanding now is action from government to play their part, in particular in respect of the rule of law.

Northam is pulling its weight as a company. Where many peers are reducing employment, Northam is creating thousands of new sustainable jobs and that is something our country so dearly needs.

Q There has been a lot of price movement in the PGM market in the last couple of months, where do you see the market going and will Northam's operations benefit from this?

A We see a great future for these metals. They are fundamentally industrial metals. They do have a precious metal aspect through jewellery and investment but primarily the suite of metals is industrial.

Industrial demand is where we derive, in our view, most of our pricing signals and it looks to us that the industrial sector is returning to health.

We believe that dollar pricing will continue to be led by palladium in the immediate future. Rhodium will follow because the 6's legislation (Euro VI, China VI) focuses on CO₂ and NO_x however, it is biased towards the control of NO_x and the only true solution for that is rhodium. Rhodium has already been thrifited as much as it can be and if you want to control more of the NO_x you need to put more rhodium in. Rhodium is a thin market and most of the world's rhodium comes from

South Africa and specifically from the UG2 ore body. Most of our growth comes from UG2 ore bodies.

In the immediate future unfortunately, platinum will remain soft. If we see economic substitution of platinum for palladium then of course platinum could do very well.

Q What do you believe are the biggest challenges facing Northam and the industry over the next 12 months? How is Northam addressing these challenges?

A We've covered most of the issues under the social element of our ESG story. Management and heads of operations in the various areas need to be quite attuned to these issues alongside production and safety. We are a large user of energy and we are required to use two hard independent supplies to each shaft. There is only one company that can supply this - Eskom.

Zondereinde has two very large vertical shafts. We depend heavily on Eskom and our greatest fear is non-availability of power. We got to stage 4 load shedding earlier in the year. If we had gone one more stage up it would start to affect mining operations directly because of the risk to people underground. If you are in a situation where you may not have power, you cannot take the risk of putting a shift down. If we are in trouble, our supplier base is in trouble and that can affect the economy heavily.

Northam has a strong entrepreneurial culture. We are quick, we take good solid decisions pretty quickly and we follow through. This is the nature of the company – it's the way we do things.

the risk of putting a shift down. If we are in trouble, our supplier base is in trouble and that can affect the economy heavily.

Q What are your key focus areas for the coming year?

- 1.** Returning value to shareholders
- 2.** Project execution
- 3.** Boysendal wage negotiations
- 4.** Growing our margin and maintaining our relative cost position. Our best protection is in fact the stretch in the cost curve and we need to operate well into the lower half.

Q You've been with Northam for about 6 years – what makes the company unique to you?

A It is the people that make the business. Mining is not a one-man game and it's important we have the right teams in place. Northam is a very special company and it's got very special people; together we are a strong team.

Paul Dunne
Chief executive officer

20 August 2019



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Northam's shares are listed on the JSE Limited, under equity share code NHM. Northam further has debt instruments listed under the bond code NHMI. Refer to the financial capitals for further details on the financing structure of the group.

Group at a glance

A history of our key achievements

1986 Shaft sinking commenced at Zondereinde mine

1987 Northam Platinum Limited listed on the JSE Limited under share code NHM, with Zondereinde mine as a single conventional mine and metallurgical operation

1993 Zondereinde starts production



1998 Northam unbundled from Gold Fields of South Africa Limited

1999 Mvelaphanda Resources Limited invests in Northam as BEE partner

2000 Commissioning of UG2 expansion at Zondereinde mine

2008 Boysendal transaction concluded for R5.6 billion, with the acquisition of 103.3 million oz PGM resource



2010 Approval of R3.6 billion capital expenditure for the Boysendal UG2 North mine and concentrator

2013 Boysendal UG2 North mine starts production

2015 Zambezi Platinum (RF) Limited transaction concluded with R4.6 billion raised for future expansion, and the Everest mine and mineral resources purchased for R450.0 million

2016 Approval of Boysendal South project at a capital cost of R4.2 billion (2016 money terms)
Acquisition of the Western extension at Zondereinde for R1.0 billion, extending the Zondereinde life of mine to more than 30 years



2017 Acquisition of the Eland Platinum mine for R175.0 million

2018 Acquisition of US recycling assets, providing the group with assets outside the borders of South Africa. Commissioning of the second furnace at the Zondereinde metallurgical operations

2019 Commissioning of key infrastructure at Boysendal South expansion project together with the first production

FUTURE

Aspirational target of 1 million oz 4E

READ MORE

P12

Five-year highlights

R10.6 bn

spent on capital expenditure

to grow the business into a long-life producer of PGMs

R30.1 bn

market capitalisation

which equates to an annual growth of 10.0%

37.6%

production increase

increased production contributes to containing unit cash costs

Group at a glance

Our group and operations



Zondereinde mining operations

The Zondereinde mine is an established, conventional, long-life operation mining the UG2 and Merensky ore bodies.

350 000 oz 4E
production

Once the Western extension has been fully developed

>30 yrs
extended life of mine

The acquisition of the Western extension provides access to additional Merensky and UG2 resources, and increases the life of mine to more than 30 years

Location:
On the northern portion of the western limb of the Bushveld Complex near the town of Thabazimbi.

Reserves and resources:
Reserves: 13.6 Moz
Resources: 104.8 Moz

4%
of after tax profits

Toro Employee Empowerment Trust profit share scheme

Developments:
Western extension and deepening project are on track at Zondereinde, which will open up additional reserves.

Further brownfields expansion is possible.

Zondereinde metallurgical operations

up to 40%
of all metals may be supplied to Heraeus

35 MW
smelter complex after the commissioning of the additional 20MW furnace

Northam's activities are integrated, from the underground mining function through to concentrating, smelting and base metal removal.

Copper and nickel are extracted at the on-site base metal removal plant and sold on the domestic market.

Heraeus Deutschland GmbH & Co. KG
Toll refining through a long-term agreement with Heraeus Deutschland GmbH & Co. KG (Heraeus).

Heraeus is a registered member of the London Platinum and Palladium Market and has London-Zurich 'Good Delivery' status for metal production.

The refinery in Hanau is subject to strict European Union materials handling protocols. Product transportation is also strictly defined by international aviation regulations.



Northam is an independent, fully empowered, integrated PGM producer.

All operating mines and recycling operations are wholly owned.

Our aspirational target is to produce

1 million oz 4E p.a.



Booyensdal mining operations comprising of North and South mines

500 000 oz 4E
production

From Booyensdal North and South mines at steady state

>25 yrs
life of mine

Booyensdal's existing operations

R5.6 bn
project on track and on budget

Booyensdal South development

Location:
The shallow, mechanised, room and pillar Booyensdal mines are located near the town of Mashishing (formerly Lydenburg) on the eastern limb of the Bushveld Complex.

Developments:
The extensive orebody lends itself to brownfields expansion opportunities, which are currently being established. Further expansion is possible.

Reserves and resources:
Reserves: 13.8 Moz
Resources: 110.5 Moz

Other interests

Dwaalkop

50%

interest in the Dwaalkop Joint Venture with Sibanye-Stillwater Limited

Northam's attributable resources 8.9 Moz

SSG Holdings Proprietary Limited

30%

interest in SSG Holdings Proprietary Limited, which provides security and facility services to the group

Our business model

We measure our performance on how the capitals create value for our stakeholders.

Our assets and resources – what we focus on



Financial capital

- Working capital management
- Liquidity management (cash and cost management and the efficient use of capital)
- Funding mechanisms and facilities
- Returning value to shareholders



Manufactured capital

- Our three mining operations and US recycling facility, are all wholly owned and provide the group with geographical diversification
- Ongoing investment in our assets and infrastructure to sustain them for the future
- Project pipeline consisting of Boysendal South, the Western extension at Zondereinde and Eland mine



Human capital

- Our workforce, consisting of 15 358 (F2018: 13 258) permanent employees and contractors
- Experienced management team and board of directors



Social capital

- Longstanding relationships with key stakeholders which are essential to preserving our social licence to operate
- Track record of local community development and recruitment
- Preferential and local procurement procedures in place



Natural capital

- Mineral Resources and Mineral Reserves
- Energy management
- Water management
- Environmental management

Our achievements during the year

How our strategy adds value P16

Financial capital highlights P38

R1.4 bn
additional funding and facilities raised during the year

Shareholders and investors

- Destocking of excess inventory of 40 000 oz 4E
- R1.6 billion in domestic medium-term debt notes raised, and R1.2 billion of domestic medium-term notes settled during the year (net R400.0 million increase in DMTN funding)
- Additional R1.0 billion facilities raised with lenders
- Total equity return of 60.9% for the current financial year

R2.9 bn
spent mainly in the execution of the group's growth strategy

Infrastructure

- Group production from own operations up 7.4% to 519 954 oz 4E
- Unit cash cost well contained at R22 847/Pt oz
- Boysendal South well on track and within budget, with R1.5 billion capex spent during the year (R3.4 billion spent to date)

Manufactured capital highlights P54

585
number of employees assisted with home ownership

Employees

- LTIR of 0.93 per 200 000 hours worked
- R51.1 million spent on training and development of employees
- R118.8 million financial assistance provided to employees and contractors for home ownership

Human capital highlights P68

5%
ownership by communities in Northam Platinum Limited equity

Communities

- Ring-fenced cash of R42.9 million available for the benefit of the Northam Zondereinde Community Trust and the Northam Boysendal Community Trust
- Northam social and labour plans are aligned with the integrated development plans of local municipalities to address community needs effectively

Social capital highlights P82

243.5 Moz
Mineral Resources

Environment

- R16.8 million spent on the acquisition of conservation land for the Buttonshope Conservancy Trust
- 85.0% Water recycled
- 971 036 MWh Electricity usage
- 1 005 810 tonnes CO₂e Greenhouse gas emissions
- R120.0 million set aside in the Northam Platinum Restoration Trust Fund
- R401.4 million provided for rehabilitation through financial guarantees

Natural capital highlights P90

The board and management are committed to good corporate governance, underpinned by transparency and accountability

OUR ACTIVITIES

WHAT WE DO

The group contributes to sustainable socio-economic upliftment

Developing long-life low-cost assets

Responsible corporate citizen with regards to our impact on the environment

Developing and growing our people with a key focus on transformation

How our strategy adds value

Our long-term strategic vision is to, safely and efficiently, grow the business into a long-life, major producer of PGMs.

We believe in our country, our company, our people and our product.

Our strategic objectives



Continued growth

Increasing production from all operations and effectively executing growth projects

- Management pursues value-enhancing transactions

- In the last couple of years we have acquired the following assets: the Western extension at Zondereinde, Everest mine, Eland mine and the US recycling operations

- Increased output from all operations

- Production increased at all operations with 519 954 oz 4E produced from own operations, an increase of 7.4% year on year

- Significant amounts of capital expenditure incurred, mainly in the execution of the group's growth strategy

- Capital expenditure of R2.9 billion spent during the year to achieve targets (F2018: R3.8 billion)

- Expanding chrome operations

- Optimised chrome yield and chrome production at all operations, with 764 528 tonnes of chrome sold during the year (F2018: 650 091 tonnes)

- Long-term partnership with Heraeus Deutschland GmbH & Co. KG

- Refined metal increased by 20.7% to 571 028 oz 4E (F2018: 473 086 oz 4E)



Operational diversification

How we measure strategic success:

- Moving down the cost curve by geographical diversification

- Geographic expansion

- Operations now include Zondereinde, Booyensdal North and South, Eland mine and the US recycling operations

- Mining shallower resources and reserves

- Increasing production from Booyensdal, with 217 483 oz 4E of metal in concentrate (F2018: 189 880 oz 4E) produced in the current year

- Cost management

- Cost management is achieved through cost containment and benefiting from higher production volumes in relation to costs

- Mining both UG2 and Merensky at all operations

- Optimal output from both UG2 and Merensky at all operations



Internal optimisation

Improved unit cash cost and improved safety

- Converting resources to reserves

- Bringing available ore reserves to production

- Brownfields growth

- Commissioning of the Booyensdal South and Eland mine concentrators

- Strict cost control

- Unit cash costs well contained at R22 847/Pt oz, representing an increase of 7.4% year on year (F2018: R21 270/Pt oz)

- Booyensdal South project on track

- R3.4 billion spent on the project to date, representing approximately 60% of the total value of the project, RopeCon® and the concentrator were commissioned during the current year

- Mechanisable orebodies

- Booyensdal continues with its commendable safety performance. The mechanised mining method remains a significant safety differentiator

7.4%

increase in unit cash cost to R22 847/Pt oz

(F2018: R21 270/Pt oz)

0.93

LTIIR per 200,000 hours worked

(F2018: 1.0 LTIIR)

Our key enablers



Long-life assets

Reserves: 30.3 Moz 4E

Resources: 243.5 Moz 4E

Further expansion possible at all operations.

The life of the various operations of the group have significantly increased with the acquisition of:

- The Everest mine, adjacent to Booyensdal South
- The Western extension, adjacent to Zondereinde
- The Eland mine

The acquisition of stand-alone recycling operations in the US.



Major producer

Northam was previously a single mine operation with an output of 300 000 oz 4E.

Through expansion projects, the group aspires to be a 1 million oz 4E producer.

Current production from own operations is at 519 954 oz 4E.

Production increased by 37.6% in the last 5 years.



Safety

We remain committed to ensuring that our employees enjoy safe and healthy working conditions.

The Booyensdal mine continues with its world-class safety record, achieving a lost time injury incidence rate (LTIR) of 0.18 per 200 000 hours worked and 4.5 million fatality-free shifts.

Regrettably, there was 1 fatality at Zondereinde this year.

Despite this safety setback, Zondereinde's LTIR remained flat at 1.29.



Record operating profit of R2.4 billion.

Normalised headline earnings up 226.7% to R1.4 billion.

Solid operating performance from both operations. Record production up 7.4%.

Capex of R2.9 billion to advance the group's growth strategy.

Value creation for stakeholders

R3.4 bn
employee costs

(F2018: R2.3 billion)

Increase due to the conversion of owner-operator mining at Booyensdal

R733.8 m
direct and indirect taxes paid

(F2018: R463.8 million)

R393.1 m
finance costs

(F2018: R186.7 million)

2 100

new jobs created during the year

(F2018: 853)

R76.7 m
ringfenced cash available for the benefit of employees and communities

(F2018: R74.7 million)

R4.3 bn
empowered HDSA procurement spend

(F2018: R3.2 billion)

Material issues

Our material issues were determined as follows:

Material issue	Managing production and performance to ensure the successful execution of our business strategy	Continuing to improve the safety performance and the health and wellness of our workforce	Effective project execution
Description	<p>It is the role and responsibility of the executive management to set realistic strategic targets for the business. The success of this strategy affects shareholders and stakeholders alike</p> <p>See financial capital P38</p> <p>See manufactured and intellectual capital P54</p>	<p>It is our aim to improve the safety performance and the health and wellness of all employees. We do this by continuously seeking to reduce injuries, applying appropriate technologies, communication and training, and reinforcing operational standards and responsibility</p> <p>See human capital P68</p> <p>See manufactured and intellectual capital P54</p>	<p>The group has a large capital expansion programme in place to secure its future through the creation of long-life, low-cost operations. Successful project execution is key to creating a sustainable business for the long-term benefit of all stakeholders</p> <p>See financial capital P38</p> <p>See manufactured and intellectual capital P54</p>
Interested and affected stakeholders	<ul style="list-style-type: none"> Shareholders and investors Employees Customers Suppliers and contracting companies Communities and non-governmental organisations (NGOs) Government and regulatory authorities 	<ul style="list-style-type: none"> Employees Suppliers and contracting companies Communities and NGOs Government and regulatory authorities 	<ul style="list-style-type: none"> Shareholders and investors Employees Customers Suppliers and contracting companies Communities and NGOs Government and regulatory authorities
Associated risks	Operational underperformance and unreliable energy supply	Health and safety risk	Execution risk associated with growth projects and the development of new operations
Committee	Health, safety and environmental committee; management review committees; executive committee and the board of directors	Health, safety and environmental committee; social, ethics, human resources and transformation committee and the management review committees	Board of directors; executive committee; investment committee and the management review committees

Material issue	Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No 28 of 2002 (MPRDA) and the Mining Charter	Managing the environmental impact of our operations and conserving natural resources	Maintaining constructive communication channels with all our stakeholders	
Description	<p>We recognise that we do business within the legal framework of the various South African government departments and aim for full compliance with the laws of the land. Given its influence on our licence to operate, the most relevant aspects of legislation for Northam and its operations are the MPRDA and the associated Mining Charter</p> <p>See natural capital P90</p> <p>See human capital P68</p> <p>See social capital P82</p> <p>See manufactured and intellectual capital P54</p>	<p>We make every effort to minimise our environmental impact; we seek to comply strictly with all environmental legislation and where possible we conserve land. We make optimal use of and conserve our natural resources</p> <p>See natural capital P90</p> <p>See social capital P82</p> <p>See manufactured and intellectual capital P54</p>	<p>We recognise that stakeholders, be they shareholders, employees, communities or government, have certain expectations of the group, not all of which may be appropriate or possible to meet. We understand and manage these expectations through credible and effective stakeholder engagement</p> <p>See human capital P68</p> <p>See social capital P82</p> <p>See manufactured and intellectual capital P54</p>	
Interested and affected stakeholders	<ul style="list-style-type: none"> Shareholders and investors Employees Customers Suppliers and contracting companies Communities and NGOs Government and regulatory authorities 	<ul style="list-style-type: none"> Shareholders and investors Employees Customers Suppliers and contracting companies Communities and NGOs Government and regulatory authorities 	<ul style="list-style-type: none"> Shareholders and investors Employees Customers Suppliers and contracting companies Communities and NGOs Government and regulatory authorities 	<ul style="list-style-type: none"> Shareholders and investors Employees Customers Suppliers and contracting companies Media Communities and NGOs Government and regulatory authorities
Associated risks	Losing our social licence to operate in an ever-changing regulatory environment	<ul style="list-style-type: none"> Unreliable energy supply Water scarcity Losing our social licence to operate in an ever-changing regulatory environment 	<ul style="list-style-type: none"> Labour unrest Community unrest Losing our social licence to operate in an ever-changing regulatory environment 	
Committee	All	Health, safety and environmental committee	Audit and risk committee; social, ethics, human resources and transformation committee and the board of directors	

Managing risks

Sound management of risk enables Northam to anticipate and respond optimally to changes in our business environment.

An entity must take risks in order to take advantage of opportunities, which will lead to growth and an increase of value for all stakeholders.

Enterprise risk management is therefore important to influence decision-making, to ensure that risks are appropriately evaluated and mitigated, where possible.

Business and operational uncertainty carry both risks and opportunities, which require a fine balance based on the organisational objectives.

Northam's enterprise risk management framework provides management with a governance tool to make informed decisions and to deal with uncertainty and the associated opportunities and challenges in our business.

The identification of risks enables management to focus their efforts and activities on mitigating actions.

Risks identify exposure to uncertainty, which has the potential to erode shareholder value.

Opportunities are exposure to circumstances that have the potential to enhance shareholder value.

Introduction

Northam's enterprise risk management framework guides management's decision making and ensures that risks are identified timely, evaluated appropriately and mitigated, where possible. Business and operational uncertainty carry both risks and opportunities, the mitigation or pursuit of which require a fine balance based on the organisational objectives.

Northam's approach to risk may be defined as the amount of risk that we deem appropriate to take in the pursuit of value.

Risk management process

The board of directors (board) oversees the risk management process, which is aligned with the principles of King IV™ as issued by The Institute of Directors in Southern Africa, along with generally accepted good practice.

Risk management is a process which is embedded throughout the organisation. The responsibility and accountability for the design and implementation of risk management rests with management and employees. A two-tiered approach to risk management is followed: top down and bottom up.

The board retains accountability and responsibility for the oversight of risk management. Northam implements annual reviews of the nature and extent of identified risks, the development of our risk appetite, and the setting and monitoring of risk tolerances that we are willing to accept in pursuit of realising our business strategy. The risk appetite outlines the tolerance framework for the amount of risk Northam is willing to bear, providing management with a basis to evaluate the material impact of the risk. This ensures that Northam's strategic plans demonstrate sufficient risk-taking in order to achieve shareholder

expectations of risk versus reward. This framework ensures that the total risk profile remains within acceptable boundaries and that the risk appetite is not exceeded.

Based on our risk appetite and tolerance framework, the board is able to determine whether:

- The strategic plans for Northam demonstrate sufficient risk taking to achieve shareholder expectations, i.e. Northam is exploiting its appetite to take risks adequately and optimally; and
- The group's total risk profile remains within the boundaries of its risk appetite.

The audit and risk committee has oversight of the risk management process, while each board committee is responsible for evaluating the material risks in terms of its remit.

The risk and assurance steps involved in completing the risk management process are as follows:



Northam's risk management philosophy is underpinned by:

The group's ability to identify risks which may hamper its performance

The group's ability to tolerate and accept a certain amount of risk in order to achieve its strategic goals

The development of a risk register and the attachment of weightings and significance to the identified risks

Constant evaluation and re-rating of identified risks

Mitigation of identified risks

The heat map below reflects top risks rated in terms of inherent risk and residual risk exposure.

Group risk heat map – Consolidated

The top 13 risks rated in terms of inherent and residual risk exposure are shown below



The top risks facing our business are summarised on the following pages. These risks, which are regularly reviewed, were identified in terms of our enterprise risk management process. The risks that follow are in no particular order of significance.

Key

Risk within tolerance

Risk against capitals

Financial Manufactured

Human

Social

Natural

Losing our social licence to operate in an ever-changing regulatory environment



Identified risk

The Mineral Petroleum Resources Development Act (MPRDA), Mining Charter and environmental legislation in particular, are subject to frequent updates and amendments. This increases the risk of non-compliance with legislation. This is the risk, amongst others, associated with Northam's reputation as an employer, corporate citizen, and environmental custodian.

Potential impact

- Non-compliance with laws and regulations including the MPRDA, Mining Charter requirements and social and labour plans (SLP) commitments
- Penalties relating to non-compliance
- Withdrawal of mining related licenses
- Negative impact on reputation which is likely to affect Northam's rating as a sound investment opportunity
- Increased risk of protest action, boycotts and negative public exposure

Response

- Ongoing monitoring of legislative requirements and updates
- Membership of the Minerals Council, which represents the mining industry in a consolidated approach
- Compliance with relevant legislation
- Value-sharing and contribution to socio-economic upliftment
- Open, honest, continuous and effective stakeholder engagement

Committee responsible

Health, safety and environmental committee; social, ethics, human resources and transformation committee; audit and risk committee; management review committees; executive committee and the board of directors

The impact of a volatile exchange rate and commodity prices on our business



Identified risk

Platinum Group Metals (PGMs) are priced in US dollars while operating costs are denominated in ZAR. Exchange rate and commodity price volatility results in significant financial exposure for the group. Northam is a price taker, with no ability to influence the price of our commodities or the exchange rate offered – therefore impacting cash flows and profitability.

Potential impact

- Compromised profitability affecting cash flows
- Going concern and impairment risks

Response

- A pricing committee deals with price forecasts and hedging. Projected exchange rates and prices are included in the monthly cash flow forecasts
- Northam has adequate funding in place to support its operations in the short to medium term
- Should commodity prices stay lower for longer, specific projects could be postponed or halted to preserve cash
- Northam's growth strategy focuses on synergies, lower costs and shallow orebodies where it is possible to mechanise
- There is a continued focus on cost control by all operations within the group

Committee responsible

Audit and risk committee and the board of directors

Execution risk associated with growth projects and the development of new operations



Identified risk	Potential impact
The group's growth strategy is focused on growing production down the cost curve by developing new shallow mechanisable orebodies, or optimising existing operations. The risk exists that growth projects and new developments underperform and do not meet the cost of capital requirements.	<ul style="list-style-type: none"> Project risk could pose a serious threat to the group's sustainability Compromised profitability and cash generation Increased going concern and impairment risk Negative impact on the relative cost position of the group
Response	<ul style="list-style-type: none"> The Booyensdal South project provides the group with the opportunity of increased shallow, mechanisable production and lowering costs with a short ramp up period Zondereinde's Western extension provides rapid access to additional higher grade Merensky reef and extends the life of mine to beyond 30 years The Eland mine ramp up provides the group with the opportunity to access additional resources, increasing semi-mechanised production The successful commissioning of a second smelter furnace increasing processing capacity and flexibility These projects will provide the group with the opportunity to generate additional profitability
Committee responsible	Management review committees; executive committee and the board of directors

Health and safety risk



Identified risk	Potential impact
Mining is inherently hazardous and risky. Failure to ensure the health and safety of employees could result in occupational diseases, injuries, or even fatalities.	<ul style="list-style-type: none"> Accidents and incidents may result in injuries and fatalities Likely to affect morale, and ultimately result in reputational damage Associated downtime is costly and has an adverse impact on profitability
Response	<ul style="list-style-type: none"> Focus on full compliance with health and safety regulations, operating procedures and standards Compulsory, continuous safety training Compulsory use of personal protective equipment Disciplinary proceedings for any non-compliance Focus on developing mechanisable orebodies for increased safety Focus on employing technology for improved working conditions Effective on-site management and supervision Continuous health checks of employees with a strong focus on prevention
Committee responsible	Health, safety and environmental committee; management review committees; executive committee and the board of directors

Liquidity risk



Identified risk	Potential impact
Risk of insufficient financing to fund operational and expansionary aspirations and therefore impacting shareholder value.	<ul style="list-style-type: none"> Insufficient liquidity to meet liabilities as they become due and payable Inadequate free cash flow for capital or sustainability projects Breach of financial covenants Compromised profitability, jeopardising sustainability which poses a going concern risk
Response	<ul style="list-style-type: none"> Prudent liquidity risk management Regular reviews of capital allocations Regular forecast and cash flow updates prepared and reviewed Maintaining focus on continual cost and capital discipline Currently the group has substantial uncommitted credit facilities available
Committee responsible	Audit and risk committee and the board of directors

Labour unrest



Identified risk	Potential impact
Workforce strikes, due to labour-related issues, could result in work stoppages and a negative impact on employees and production.	<ul style="list-style-type: none"> Production stoppages Workplace injuries and potential loss of life due to violence Damage to infrastructure and equipment Reduced morale and reputational damage
Response	<ul style="list-style-type: none"> Open channels of communication with employees and unions Immediate management intervention on labour related issues Insurance policies in place in the event of damage or production losses
Committee responsible	Social, ethics, human resources and transformation committee; management review committees; executive committee and the board of directors

Community unrest

Identified risk	Potential impact
Breakdown in stakeholder engagement resulting in community unrest which could impact production.	<ul style="list-style-type: none"> Production stoppages and negative impact on profitability Damage to infrastructure and equipment
Response	
<ul style="list-style-type: none"> Continuous engagement and open channels of communication with stakeholders Community upliftment programmes in place, through the Northam Booyensdal Community Trust and the Northam Zondereinde Community Trust Continuous review of stakeholder requirements Immediate management intervention on community related issues Insurance policies in place in the event of damage or production losses 	
Committee responsible	
Social, ethics, human resources and transformation committee; management review committees; executive committee and the board of directors	

Operational underperformance

Identified risk	Potential impact
Underperformance of operational assets resulting in production targets not being met.	<ul style="list-style-type: none"> Compromised profitability, jeopardising sustainability which poses a going concern risk and negatively impacts cash flows Negative impact on relative cost position of the group
Response	
<ul style="list-style-type: none"> Focus on productivity and efficiencies Continuous cost containment/monitoring Ongoing internal optimisation initiatives Continuous production reviews and interventions where required 	
Committee responsible	
Management review committees; executive committee and the board of directors	

Fraud and corruption

Identified risk	Potential impact
The risk of bribery, misappropriation of funds, management dishonesty and general misuse of company assets for personal gain.	<ul style="list-style-type: none"> Reputational damage Non-compliance with laws and regulations Possibility of fines and penalties Risk of legal action against Northam
Response	
<ul style="list-style-type: none"> Internal controls reviewed continuously for weaknesses and possible improvements identified with strict adherence to policies and procedures Whistle blowing/ethics hotlines in place Incident reporting and investigation Segregation of duties Supervisory controls in place Regular review of approval framework Internal and external audits performed throughout the year 	
Committee responsible	
Audit and risk committee; management review committees; executive committee and the board of directors	

Cyber risk

Identified risk	Potential impact
Northam is dependent on information systems to ensure business continuity.	<ul style="list-style-type: none"> Unauthorised use of confidential/sensitive information Loss of critical information Reputational damage
The risk exists of financial loss, disruption or reputational damage from failure of the information technology (IT) systems of the group.	
Response	
<ul style="list-style-type: none"> Increased awareness campaigns of cyber threats for all IT users Regular verification of segregation of duties, access control and change management Regular reviews of firewalls and built in security alerts Disaster recovery and back-up plans in place 	
Committee responsible	
Audit and risk committee and the board of directors	

Unreliable energy supply (heightened risk)

Identified risk	Potential impact
Northam obtains the bulk of its energy from Eskom, the South African national electricity supplier. Recent developments have affected the sustainability and reliability of electricity supply.	<ul style="list-style-type: none"> Compromised safety of underground employees Increased cost of production Production downtime due to lack of available electricity supply Negative impact on profitability
If this situation continues without any meaningful improvement, it will be very difficult for Northam to replace this bulk supply of energy.	
Given the trebling of prices over the past decade, electricity is one of the key cost drivers.	
Response	
<ul style="list-style-type: none"> At an operational level there are effective processes and relationships in place to manage occasional shortfalls and supply interruptions Northam's long-term energy strategy is based on energy efficiency rather than energy reduction, given the group's expansion strategy Standby generators are in place on all operations to operate ventilation and people conveyance systems, allowing workers to exit the underground workings 	
Committee responsible	
Management review committees; executive committee and the board of directors	

Five-year performance highlights

Our key performance indicators over the past five years are evidence of our sustainable growth strategy.

Water scarcity (heightened risk)



Identified risk	Potential impact
Large volumes of water are used in the mining and processing of minerals. Constrained water supply could result in operational downtime and loss of production.	<ul style="list-style-type: none"> Increased cost of production Production downtime due to lack of available water supply Compromised profitability Negative effect on water related licenses
Response	<ul style="list-style-type: none"> Water conservation and demand management programme in place (water use license) Optimised water usage through recycling Water management included in sustainability strategy On-site water storage facilities
Committee responsible	Health, safety and environmental committee; management review committees; executive committee and the board of directors

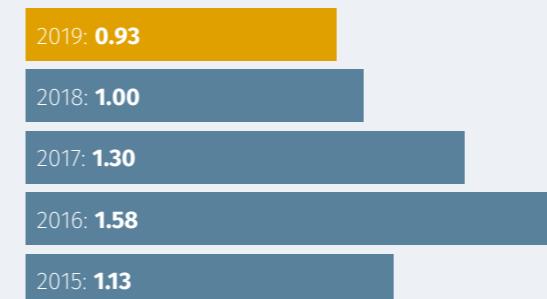
Tailings storage facility failure (risk review)



Identified risk	Potential impact
Overtopping of tailings storage facility, resulting in overflow or possible tailings dam wall failure.	<ul style="list-style-type: none"> Environmental risk of tailings breach Loss of life Reputational damage Production stoppages
Response	<ul style="list-style-type: none"> Ensuring legal compliance to dam safety Regular comprehensive risk assessments performed by competent engineers with updated associated emergency response plans in place Prescribed audit and review cycle in place and implemented Independent annual reviews performed Ensuring operational plan is executed as required Change management system in place during the lifecycle of dam
Committee responsible	Health, safety and environmental committee; management review committees; executive committee and the board of directors

Safety performance

Lost time injury incident rate (LTIR)
per 200 000 hours worked



	2019*	2018*	2017*	2016*	2015*
Lost time injury incident rate (LTIR) per 200 000 hours worked	0.93	1.0	1.3	1.6	1.1
Number of fatalities	1	2	1	0	0

*12 months ended 30 June

Operational performance

Equivalent refined metal from own operations

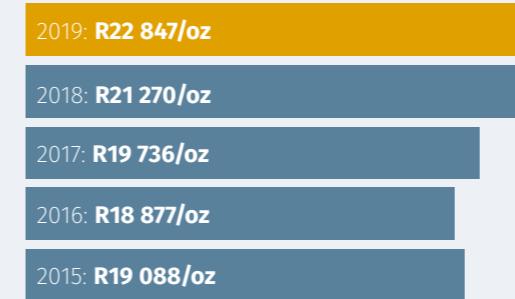


	2019*	2018*	2017*	2016*	2015*
Equivalent refined metal from own operations	oz 4E	519 954	483 941	474 007	436 960
Total refined metal produced	oz 4E	571 028	473 086	452 468	453 228

*12 months ended 30 June

Cash cost

Cash cost per equivalent refined platinum ounce



	2019*	2018*	2017*	2016*	2015*
Cash cost per equivalent refined Pt oz	R/oz	22 847	21 270	19 736	18 877
Cash profit per equivalent refined Pt oz	R/oz	6 793	4 833	5 314	3 689
Cash margin per equivalent refined Pt oz	%	22.9	18.5	21.2	16.3

*12 months ended 30 June

Operating profit



	2019*	2018*	2017*	2016*	2015*
Operating profit	R'000	2 410 025	823 314	613 985	383 348
Operating profit margin	%	22.6	10.9	8.9	6.3
EBITDA	R'000	2 638 513	1 107 770	967 228	843 446
EBITDA margin	%	24.8	14.7	14.1	13.8

*12 months ended 30 June

Operations and sales

Operational performance

		2019	2018	2017	2016	2015
Square metres mined	m ²	695 074	637 764	614 812	544 907	493 602
Tonnes mined	t	5 267 867	4 783 068	4 812 434	4 332 869	3 739 941
Tonnes milled	t	4 892 110	4 601 876	4 450 111	4 186 028	3 646 759
Equivalent refined metal from own operations	oz 4E	519 954	483 941	474 007	436 960	377 770
Equivalent refined metal from external parties	oz 4E	23 154	91 111	30 953	27 618	47 390
Total refined metal produced	oz 4E	571 028	473 086	452 468	453 228	422 074
Chrome concentrate produced	t	764 528	650 091	581 385	538 405	371 051
Cash cost per equivalent refined Pt oz	R/oz	22 847	21 270	19 736	18 877	19 088
Cash profit per equivalent refined Pt oz	R/oz	6 793	4 833	5 314	3 689	4 693
Cash margin per equivalent refined Pt oz	%	22.9	18.5	21.2	16.3	19.7

Capital expenditure

		2019	2018	2017	2016	2015
Zondereinde	R'000	673 981	1 530 132	806 380	554 115	303 221
Booysendal	R'000	1 813 863	1 953 236	773 831	616 448	798 827
Eland	R'000	371 201	190 759	–	–	–
Other	R'000	–	103 517	64 858	3 417	–
Total	R'000	2 859 045	3 777 644	1 645 069	1 173 980	1 102 048

Sales statistics

		2019	2018	2017	2016	2015
Sales revenue	R'000	10 649 506	7 552 181	6 865 185	6 097 070	6 035 535
Sales volumes						
Platinum	oz	351 916	289 327	274 062	270 194	253 798
Palladium	oz	162 217	137 584	131 962	134 101	124 584
Rhodium	oz	48 835	39 335	41 742	42 632	38 420
Gold	oz	7 965	6 638	5 815	5 466	5 851
Total metal sold	oz 4E	570 933	472 884	453 581	452 393	422 653
Revenue per Pt oz	R/oz	29 640	26 103	25 050	22 566	23 781

Average prices achieved

		2019	2018	2017	2016	2015
Platinum	USD/oz	824	934	988	964	1 248
Palladium	USD/oz	1 227	976	731	586	799
Rhodium	USD/oz	2 602	1 618	803	721	1 168
Gold	USD/oz	1 264	1 296	1 255	1 174	1 222
4E basket price	USD/oz	1 097	1 008	900	831	1 108
Average exchange rate	ZAR/USD	14.18	12.82	13.63	14.33	11.45

Financial information

Financial performance

		2019	2018	2017	2016	2015
Operating profit	R'000	2 410 025	823 314	613 985	383 348	595 813
Operating profit margin	%	22.6	10.9	8.9	6.3	9.9
EBITDA	R'000	2 638 513	1 107 770	967 228	843 446	(354 483)
EBITDA margin	%	24.8	14.7	14.1	13.8	(5.9)
Earnings per share	cents	17.2	(201.5)	(181.8)	(145.3)	(264.3)
Headline earnings per share	cents	15.8	(200.5)	(181.9)	(140.9)	(202.9)
Dividends per share	cents	–	–	–	–	–
Cash and cash equivalents	R'000	950 315	388 702	1 786 865	3 105 080	4 138 189
Bank overdraft	R'000	–	(95 535)	–	–	–
Domestic medium term notes	R'000	(1 814 884)	(1 417 728)	(421 081)	(419 287)	(1 370 000)
Revolving credit facility	R'000	(2 137 193)	(1 486 495)	–	–	–
Net (debt) / cash	R'000	(3 001 762)	(2 611 056)	1 365 784	2 685 793	2 768 189
Net (debt) / EBITDA ratio		(1.1)	(2.4)	1.4	3.2	7.8

Normalised headline earnings

		2019	2018	2017	2016	2015
Normalised headline earnings per share (headline earnings adjusted for the impact of the BEE transaction)						
Headline profit/(loss):	R'000	55 316	(701 610)	(636 371)	(492 837)	(794 963)
Add back:						
Net lock in fee	R'000	–	–	–	–	242 429
IFRS2 BEE share based payment charge	R'000	–	–	–	–	874 448
Amortisation of liquidity fees paid on preference shares	R'000	16 390	16 390	16 390	18 088	–
Preference share dividends	R'000	1 305 244	1 106 684	1 017 396	918 806	100 767
Loss on derecognition of preference share liability	R'000	–	8	901	–	–
Normalised headline earnings	R'000	1 376 950	421 472	398 316	444 057	422 681
Normalised headline earnings per share	cents	270.1	82.7	78.1	87.1	82.9

Market information and share statistics

		2019	2018	2017	2016	2015
Total number of shares in issue		509 781 212	509 781 212	509 781 212	509 781 212	509 781 212
Weighted average number of shares in issue		349 875 759	349 875 759	349 875 759	349 875 759	391 835 000
Treasury shares held		159 905 453	159 905 453	159 905 453	159 905 453	159 905 453
Market capitalisation	R'000	30 077 092	18 698 775	20 620 650	21 920 592	20 523 792
Closing share price	cents	5 900	3 668	4 045	4 300	4 026
Highest share price traded	cents	6 902	6 020	6 035	5 080	5 200
Lowest share price traded	cents	3 262	3 165	3 593	1 610	3 120
Number of shares traded		228 048 504	220 331 693	231 614 075	259 904 423	283 424 050
Value of transactions traded	R'000	10 924 772	9 517 061	11 221 478	9 204 577	11 622 619
Annual liquidity	%	44.7	43.2	45.4	51.0	72.3

Non-financial information

Safety

	2019	2018	2017	2016	2015
Fatal injury incidence rate (FIIR) per 200 000 hours worked	0.01	0.02	0.01	–	–
Total injury incidence rate (TIIR) per 200 000 hours worked	1.63	1.98	1.87	2.23	1.95
Lost time injury incidence rate (LTIIR) per 200 000 hours worked	0.93	1.00	1.30	1.58	1.13
Reportable injury incidence rate (RIIR) per 200 000 hours worked	0.65	0.66	0.88	0.93	0.82
Number of fatalities	1	2	1	–	–

Health

	2019	2018	2017	2016	2015
New cases of noise induced hearing loss	28	68	47	18	32
New cases of tuberculosis	61	61	56	83	115
Voluntary counselling and testing encounters	8 912	3 342	5 304	2 195	1 709

Employment

	2019	2018	2017	2016	2015
Permanent employees	8 981	8 260	6 257	6 274	6 625
Contractors	6 377	4 998	6 148	5 038	3 431
Total employees	15 358	13 258	12 405	11 312	10 056
Turnover rate	%	6	6	7	6
HDSAs in management	%	56	56	62	48
Women in mining	%	14	13	13	8
HDSAs at board level	%	62	55	60	50

Water usage

	2019	2018	2017	2016	2015
Potable water from external sources	000m ³	3 691	3 448	3 456	3 179
Fissure water used	000m ³	1 278	273	218	1 607
Borehole water used	000m ³	52	40	31	14
Water recycled in process	000m ³	28 979	28 577	29 483	29 932
Total water usage	000m ³	34 000	32 338	33 188	34 732
% water recycled	%	85	88	89	86

Electricity consumption

		2019	2018	2017	2016	2015
Energy from electricity purchased by shafts	MWh	665 021	592 488	563 700	543 045	532 565
Energy from electricity purchased by plant	MWh	306 015	298 958	241 739	236 530	212 905
Total electricity purchased	MWh	971 036	891 446	805 439	779 575	745 470

Greenhouse gas emissions (tonnes)

		2019	2018	2017	2016	2015
Scope 1 (direct) emissions	CO ₂ e	44 263	41 242	52 111	34 928	36 080
Scope 2 (indirect) emissions	CO ₂ e	961 326	882 531	829 601	802 962	767 835
Scope 3 (indirect) emissions	CO ₂ e	221	228	980	897	746
Total emissions	CO ₂ e	1 005 810	924 001	882 692	838 787	804 661

Land use

		2019	2018	2017	2016	2015
Land disturbed by mining related activities	ha	2 507	1 118	1 118	908	658
Land leased for farming purposes	ha	2 181	1 441	273	273	273
Land protected for conservation	ha	2 104	3 514	3 514	1 760	1 760
Other	ha	7 546	8 318	10 665	12 618	8 521
Total land under management (freehold)	ha	14 338	14 391	15 570	15 559	11 212

Mineral Resources and Mineral Reserves

Mineral Resources and Mineral Reserves are fundamental to the group's ability to operate.

Mineral Resources are the product of mineral assets and exploration processes.

243.49 Moz 4E

Group total Mineral Resources

F2018: 238.48 MOZ 4E

Mineral Reserves are the outcome of mine planning and scheduling, as well as the application of capital.

30.34 Moz 4E

Group total Mineral Reserves

F2018: 28.49 MOZ 4E

Core to the group's operational growth strategy has been the growth and strengthening of our mineral resource and mineral reserve base. This has been facilitated through the acquisition of quality resources in strategic locations, backed up by robust and exhaustive planning processes following best practice in line with the prescripts and principles of the SAMREC Code.

We consider the group's current mineral resources and mineral reserves positions to be of a sufficient quantum and quality to support a sustainable production profile in line with our strategic intent.

Summary Mineral Resources and Mineral Reserves Statement 2019

Total Mineral Resources attributable to Northam at 30 June 2019, expressed as metal content, comprise 243.49 Moz of 4E, an increase of 5.01 Moz from June 2018. The corresponding total Mineral Reserves comprise 30.34 Moz 4E, an increase of 1.85 Moz on the previous year.

Northam's Mineral Resources and Mineral Reserves estimates for its wholly owned Booyensdal, Eland and Zondereinde mines have been prepared by the company's competent persons using the guidelines of the South

African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2016), the SAMREC Code. Mineral Resources for the Dwaalkop joint venture were prepared by Lonmin plc, now Sibanye-Stillwater Limited. Mineral Resources are reported inclusive of Mineral Reserves. Mr. Damian Smith, Northam's group geologist takes full accountability for the reporting of the Mineral Resources and the Mineral Reserves, these being compliant with the SAMREC Code (2016).

Northam has commenced with an independent audit and review of its Mineral Resources and Mineral

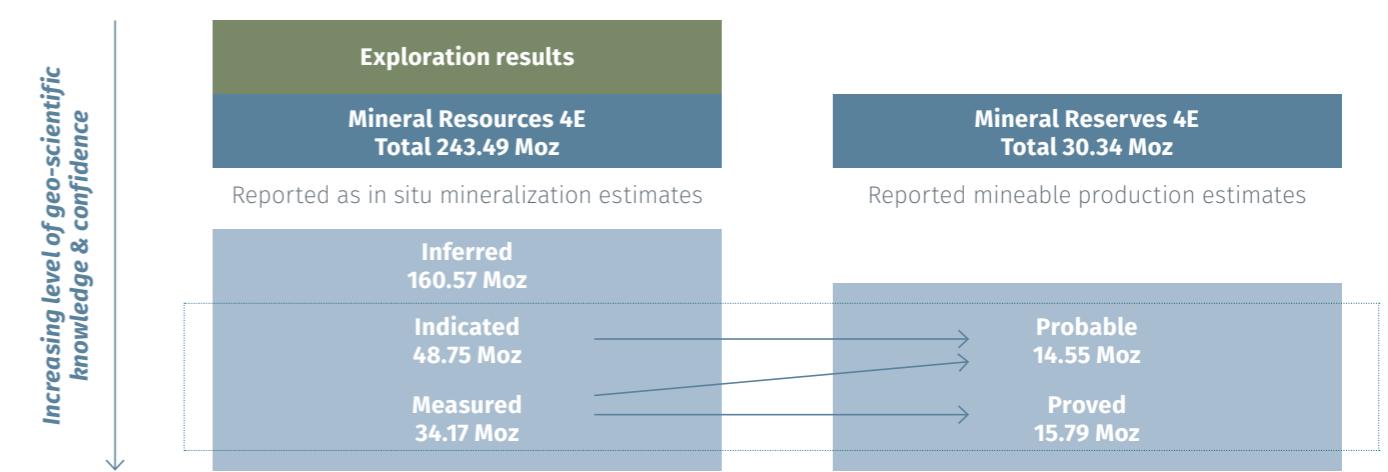
Reserves. A process and verification audit on the Booyensdal mine was conducted in 2019. No substantial findings were identified, and the auditors, Pivot Mining Consulting, have endorsed the Mineral Resources and Mineral Reserves estimates thereof. External audits on the Zondereinde and Eland mines are scheduled for the future years.

Further details can be found in the full Mineral Resources and Mineral Reserves Statement, which is available on the company's website, www.northam.co.za

Bushveld location indicating current Platinum Group Metals (PGM) mining operations and Northam's attributable 4E Mineral Resources and Mineral Reserves



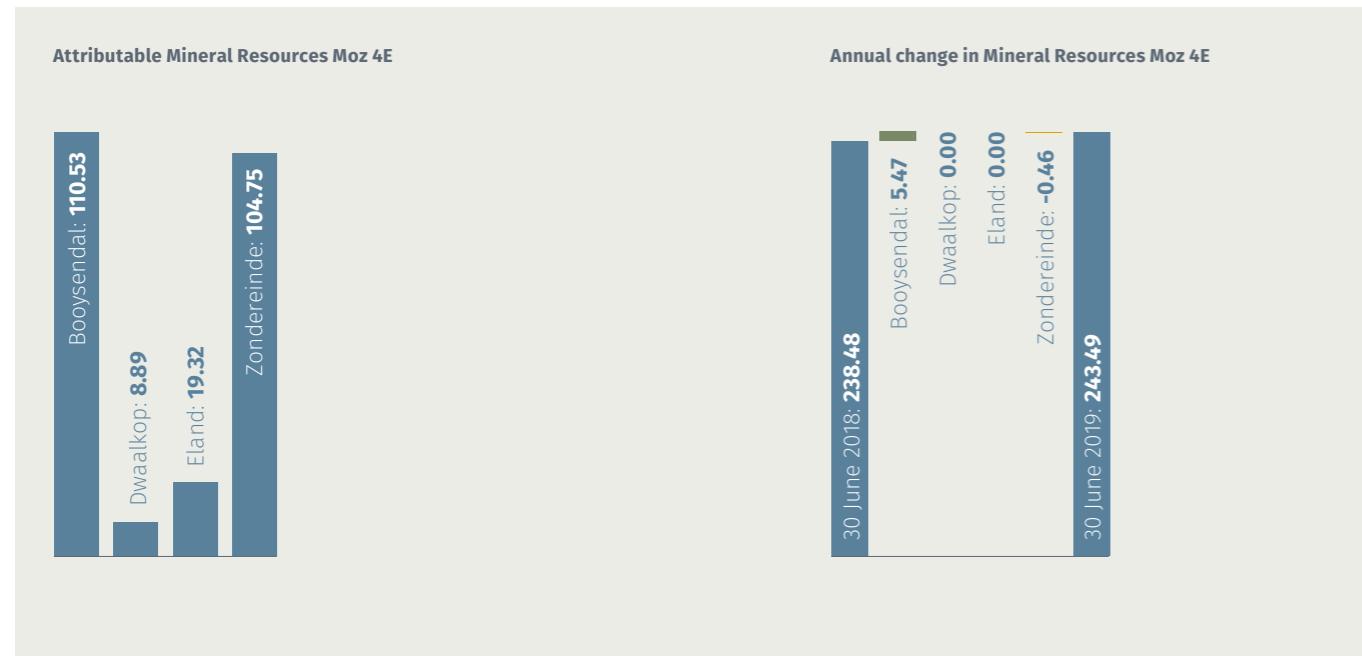
Northam's Mineral Resource and Mineral Reserve categorization



Consideration of mining, metallurgical processing, infrastructural, economic, marketing, legal, environmental and social factors (the modifying factors)

4E Mineral Resources estimate (combined measured, indicated and inferred)^{1,2,3,4,5}

Mine	2019			2018		
	Mt	g/t	Moz	Mt	g/t	Moz
Boysendal	889.78	3.86	110.53	863.63	3.78	105.06
Dwaalkop ⁶	75.61	3.66	8.89	75.61	3.66	8.89
Eland	152.25	3.95	19.32	152.25	3.95	19.32
Zondereinde	544.22	5.99	104.75	548.88	5.96	105.21
Total	1 661.86	4.56	243.49	1 640.37	4.52	238.48

Mineral Resources**Changes to the Mineral Resources as at 30 June 2019**

Northam's attributable total Mineral Resources as at 30 June 2019, expressed as metal content, comprise 243.49 Moz 4E, an increase of 5.01 Moz on the previous year. The changes were attributed mostly to Booyensdal mine; there being no changes to the Mineral Resources at the Eland mine and Dwaalkop Prospect in the current year.

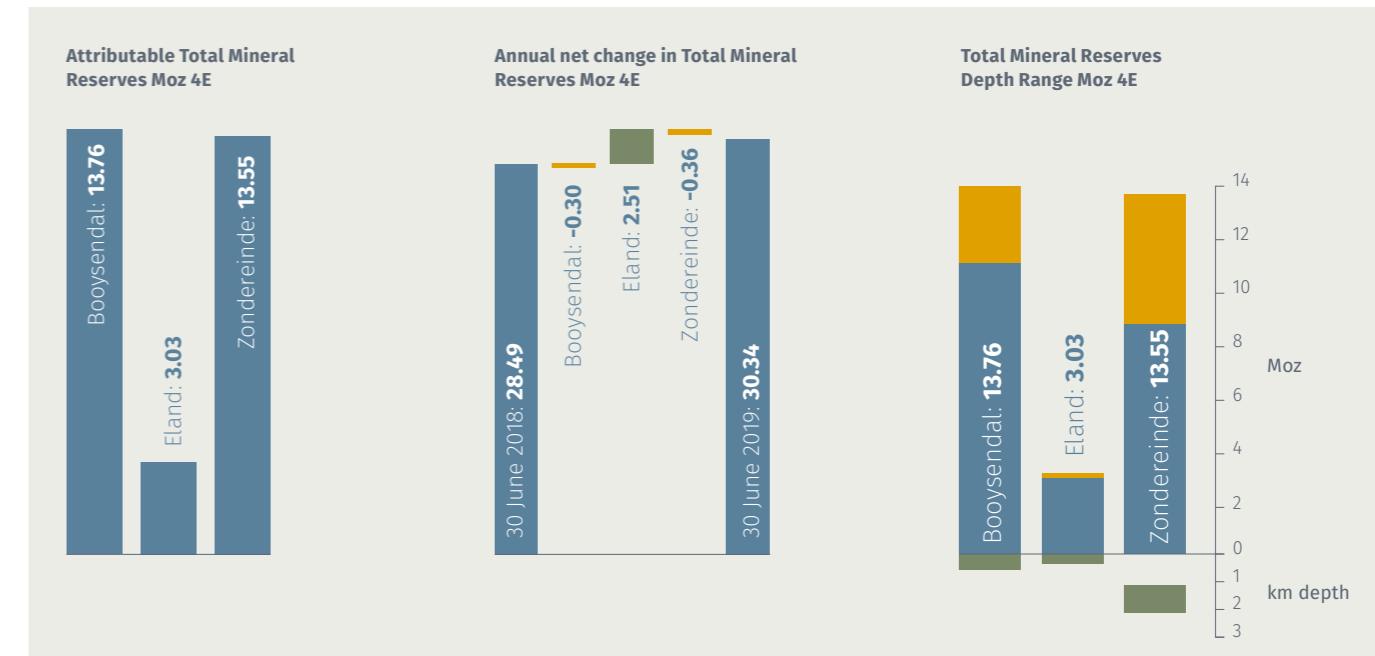
The total Mineral Resources at Booyensdal increased by 5.47 Moz in the current year. This is attributed to

the net effect of an increase in the UG2 Mineral Resources (9.48 Moz) and a decrease in the Merensky Mineral Resources (4.01 Moz), these all being subject to a review of the mining cut, estimation, classification and cut-off grade.

- The decreased total Merensky Mineral Resource is mostly due to a decrease in the Indicated confidence category (5.26 Moz) attributed to re-evaluation, classification and boundary changes. The Measured category increased by 1.88 Moz, whilst there was a minor decrease in the Inferred category (0.62 Moz).
- The increased total UG2 Mineral Resource is attributed to the Inferred confidence category (7.39 Moz), an increase in the Measured (2.68 Moz) and a decrease in the Indicated (0.59 Moz) categories.

4E Mineral Reserves estimate (combined proved and probable)^{1,2,3,4,5,6}

Mine	2019			2018		
	Mt	g/t	Moz	Mt	g/t	Moz
Booyensdal	135.47	3.16	13.76	158.22	2.76	14.06
Eland	30.54	3.09	3.03	8.81	2.52	0.52
Zondereinde	89.74	4.70	13.55	92.92	4.66	13.91
Total	255.75	3.69	30.34	259.95	3.41	28.49

Mineral Reserves**Changes to the Mineral Reserves as at 30 June 2019**

The Northam attributable Mineral Reserves as at 30 June 2019, expressed as metal content delivered to concentrators, comprise 30.34 Moz, an increase of 1.85 Moz. The increase is attributed to the net result of increased Mineral Reserves at Eland (2.51 Moz) being offset by mining depletion and re-evaluation at the Zondereinde and Booyensdal mines (0.66 Moz).

Notes:

- Mineral Resources and Mineral Reserves estimates are reported on a Northam Platinum Limited attributable basis. These include those which are either from properties wholly-owned by Northam or its wholly owned subsidiaries, Booyensdal Platinum Proprietary Limited and Eland Platinum Proprietary Limited, or from joint arrangements in which Northam holds an interest (this being Dwaalkop, in which Northam holds a 50% stake).

The notable changes on the previous year are:

- The Booyensdal Merensky Mineral Reserve increased from 2.57 Moz in F2018 to 2.93 Moz in F2019, the result of extending the South mine boundary towards the south. The UG2 Mineral Reserve decreased from 11.49 Moz in F2018 to 10.83 Moz in the current year. The decrease in the UG2 Mineral Reserve is the result of
- The Eland UG2 Mineral Reserve changed from 0.52 Moz in F2018 to 3.03 Moz in the current year. This increase is attributed to the extension of the Probable Mineral Reserve category arising from a mining feasibility assessment, for the kukama section.

5 Rounding of numbers in the tables may result in minor computational discrepancies. Where this occurs, it is deemed insignificant.

6 Current Mineral Resources for Dwaalkop are quoted at 30 September 2018 while those of the previous year are at 30 September 2017. There are no Mineral Reserves declared for Dwaalkop, these being removed in 2015 due to the prevailing economic viability at the time of assessment.

Chief financial officer's review (including financial capital)



The sustainable conduct of our business is dependent on the successful management and allocation of financial capital provided by shareholders, debt funders and generated from operational cash flows.

We allocate financial capital responsibly to fund and sustain our operations, fund environmental rehabilitation and mine closure, grow our business and return value to shareholders.

Relevant material issues

- Managing production and performance to ensure successful execution of our business strategy
- Effective project execution

Relevant identified risks

- The impact of a volatile exchange rate and commodity prices on our business
- Execution risk associated with growth projects and the development of new operations
- Liquidity risk
- Operational underperformance
- Fraud and corruption
- Cyber risk

Key financial statistics for the year ended 30 June 2019

Record operating profit

R2.4 bn

(F2018: loss of R705.0 million)

Normalised headline earnings

R1.4 bn

270.1 cents per share

Overview

We continue to deliver on our strategy of developing low-cost, long-life assets that will position the group to yield strong financial performance even in subdued market conditions going forward. Both operating mines performed well during a challenging financial year. We remain committed to creating long-term value for all stakeholders through production growth and sustainable cost control. Further details on the mine development and mining activities are available in the manufactured and intellectual capital section of this integrated annual report on page 54.

The benefits of our growth strategy, initiated in 2015, and underpinned to a large extent by the Zambezi Platinum (RF) Limited black economic empowerment (BEE) transaction, are starting to become evident in our June 2019 financial results. Key financial highlights include:

- A 41.0% increase in revenue to R10.6 billion, driven by an increase in both sales volumes and PGM prices
- A record operating profit of R2.4 billion, which equates to an

Profit after tax

R60.1 m

(F2018: loss of R705.0 million)

Capital expenditure mainly in the execution of the group's growth strategy

R2.9 bn

Net debt

R3.0 bn

with net debt to EBITDA ratio at (1:1:1)

Return of shareholder value has commenced with the purchase of an additional

1 477 639

Zambezi Platinum (RF)
Limited preference shares

The group is well positioned to commence our targeted strategy of returning value to shareholders. This will be a key area of focus in the near to medium term.

operating profit margin of 22.6%, which is double than that achieved during F2018

- A 138.2% increase in EBITDA to R2.6 billion (F2018: R1.1 billion)
- A significant reduction in capital expenditure following the completion of major project milestones
- A profit after tax of R60.1 million (F2018: loss of R705.0 million)
- Normalised headline earnings of R1.4 billion (F2018: R421.5 million) an increase of 226.7%

Northam adopts a prudent approach to managing its long-term funding facilities. The group's enlarged operational footprint and increased working capital requirements have necessitated an increase in available debt facilities. During the financial year we secured R1.4 billion of additional debt facilities whilst maintaining the group's net debt to EBITDA in line with our conservative target ratio of 1 to 1.

For a more comprehensive overview of the group's financial position and performance, please refer to the annual financial statements.

Normalised headline earnings

Normalised headline earnings have been calculated, taking into account headline profit adjusted for non-cash items relating to the 2015 Zambezi Platinum (RF) Limited BEE transaction. These include the preference share dividends associated with the BEE financing structure.

Stripping out these non-cash items resulted in normalised headline earnings increasing to R1.4 billion (F2018: R421.5 million), which equates to a normalised earnings per share of 270.1 cents (F2018: 82.7 cents) based on the total number of 509 781 212 issued shares. This represents an increase of 226.6%.

	2019 R000	2018 R000
Headline profit/(loss)	55 316	(701 610)
<i>Add back:</i>		
Amortisation of liquidity fees paid on preference shares	16 390	16 390
Preference share dividends	1 305 244	1 106 684
Loss on derecognition of preference share liability	–	8
Normalised headline earnings	1 376 950	421 472
Normalised headline earnings per share (cents)	270.1	82.7
Number of shares in issue including treasury shares	509 781 212	509 781 212
Profit/(loss) per share (cents)	17.2	(201.5)
Fully diluted profit/(loss) per share (cents)	17.2	(201.5)

Revenue

Sales revenue increased by 41.0% from R7.6 billion in F2018 to R10.6 billion in the current year. The increase is attributable to a 20.7% increase in the volume of PGMs sold, an 8.8% increase in the 4E basket price to USD1 097/oz and a 10.6% weaker average ZAR/USD exchange rate realised.

The average US dollar sales prices achieved during the financial year improved for most metals, except platinum which continued its downward trend to USD824/oz (F2018: USD934/oz). Palladium and rhodium both performed well, increasing by 25.7% and 60.8% respectively. The minor metals, iridium and ruthenium also performed well with increases of 42.4% and 77.8% respectively, to USD1 444/oz and USD256/oz.

Platinum makes up approximately 60% of the sales volume of our precious metals basket. So even with the favourable increase in palladium and rhodium, the 4E basket price in US dollars terms increased by only 8.8%.

Base metal prices were weaker during the financial year with the average nickel price down 9.8% to USD11 554/t (F2018: USD12 811/t) and the average price for copper decreasing by 12.3% to USD5 922/t (F2018: USD6 756/t).

The price of chrome concentrate decreased by 36.5% in US dollar terms and 30.1% in South African rand terms. This negatively impacted the aggregate rand value of chrome concentrate sales, which decreased by 17.8% from R802.6 million in F2018 to R660.0 million in the current year, despite a 17.6% increase in volumes sold to 764 528 tonnes (F2018: 650 091 tonnes).

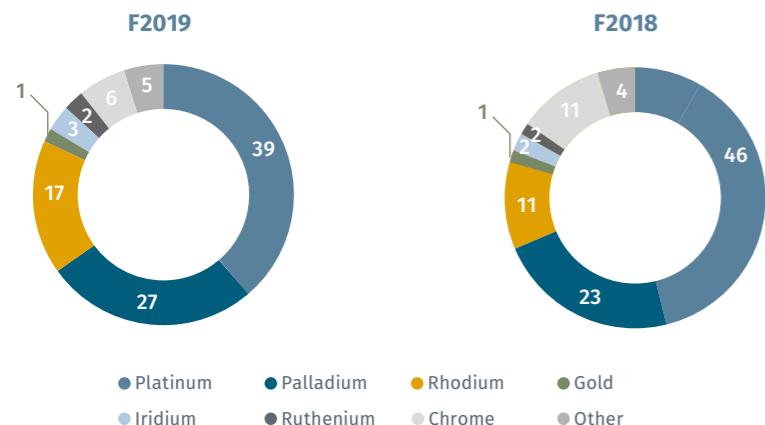
Total revenue per platinum ounce sold increased by 13.6% from R26 103/Pt oz to R29 640/Pt oz.

Summary of sales, revenue and volumes achieved:

	2019 R000	2018 R000	Variance %	
Sales revenue				
Platinum	4 111 344	3 466 598	18.6%	
Palladium	2 825 852	1 723 269	64.0%	
Rhodium	1 800 531	814 506	121.1%	
Gold	143 330	110 050	30.2%	
Iridium	363 794	182 978	98.8%	
Ruthenium	249 512	116 580	114.0%	
Silver	1 890	1 650	14.5%	
Nickel	256 077	257 760	(0.7%)	
Copper	67 100	65 547	2.4%	
Cobalt	7 781	10 691	(27.2%)	
Chrome	660 032	802 552	(17.8%)	
UG2 ore	162 263	–	100.0%	
	10 649 506	7 552 181	41.0%	
Sales volumes				
Platinum	oz	351 916	289 327	21.6%
Palladium	oz	162 217	137 584	17.9%
Rhodium	oz	48 835	39 335	24.2%
Gold	oz	7 965	6 638	20.0%
4E	oz	570 933	472 884	20.7%
Iridium	oz	17 746	13 929	27.4%
Ruthenium	oz	68 683	62 695	9.6%
6E	oz	657 362	549 508	19.6%
Silver	oz	8 877	7 726	14.9%
Nickel	t	1 563	1 569	(0.4%)
Copper	t	799	757	5.5%
Cobalt	t	10	10	–
Chrome concentrate	t	764 528	650 091	17.6%
UG2 ore sold				
Platinum	oz	7 377	–	100.0%
Palladium	oz	3 469	–	100.0%
Rhodium	oz	1 116	–	100.0%
Gold	oz	174	–	100.0%
4E	oz	12 136	–	100.0%
Iridium	oz	317	–	100.0%
Ruthenium	oz	1 054	–	100.0%
6E	oz	13 507	–	100.0%

The average price achieved for platinum decreased by 11.8 % year-on-year, with platinum now contributing 39% (F2018: 46%) of total revenue. The contribution to total revenue from palladium and rhodium increased to 27% and 17% respectively.

The graphs below summarise percentage revenue contributions by the various metals produced for the current and previous financial year:

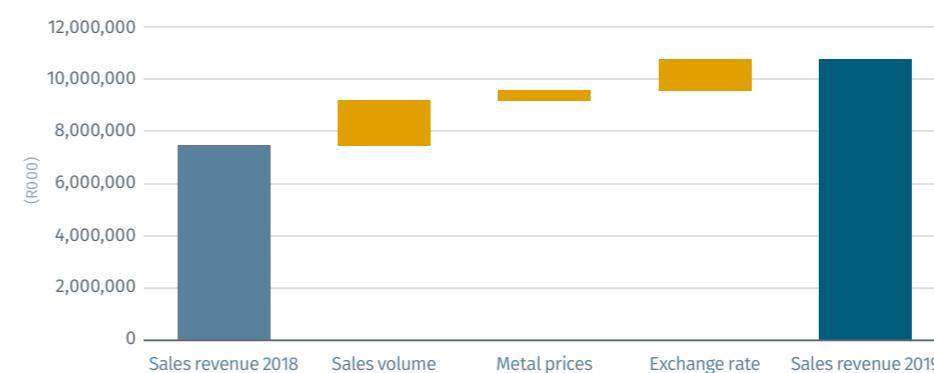


Summary of achieved revenue, revenue volumes and prices achieved:

	2019 R'000	2018 R'000	Variance %
Average market prices achieved			
Platinum	USD/oz	824	934 (11.8%)
Palladium	USD/oz	1 227	976 25.7%
Rhodium	USD/oz	2 602	1 618 60.8%
Gold	USD/oz	1 264	1 296 (2.5%)
4E basket price	USD/oz	1 097	1 008 8.8%
Iridium	USD/oz	1 444	1 014 42.4%
Ruthenium	USD/oz	256	144 77.8%
6E basket price	USD/oz	1 018	910 11.9%
Average nickel market price achieved	USD/t	11 554	12 811 (9.8%)
Average copper market price achieved	USD/t	5 922	6 756 (12.3%)
Average chrome price achieved net of costs	USD/t	61	96 (36.5%)
Average chrome price achieved net of costs	R/t	863	1 235 (30.1%)
Average exchange rate	ZAR/USD	14.18	12.82 10.6%
Total revenue per platinum oz sold	R/oz	29 640	26 103 13.6%
Total revenue per 4E oz sold	R/oz	18 265	15 970 14.4%
Total revenue per 6E oz sold	R/oz	15 874	13 744 15.5%

The graph below visually displays the movement in revenue over the year:

Sales revenue



Cost of sales, operating profit margin and earnings before interest, taxation, depreciation and amortisation (EBITDA)

Below is a breakdown of cost of sales:

	2019 R'000	2018 R'000	Variance %
Operating costs	(7 607 161)	(6 318 000)	(20.4%)
Mining operations	(5 434 933)	(4 792 698)	(13.4%)
Concentrator operations	(887 089)	(707 322)	(25.4%)
Smelting and base metal removal plant costs	(598 371)	(417 828)	(43.2%)
Chrome processing	(51 780)	(75 065)	31.0%
Selling and administration overheads	(264 674)	(188 742)	(40.2%)
Royalty charges	(91 551)	(26 914)	(240.2%)
Share-based payment expenses and profit share scheme	(224 094)	(107 344)	(108.8%)
Rehabilitation	(54 669)	(2 087)	(2 519.5%)
Concentrates and recycling material purchased	(327 572)	(1 410 506)	76.8%
Refining including sampling and handling charges	(135 104)	(123 840)	(9.1%)
Depreciation and write-offs	(487 165)	(441 865)	(10.3%)
Change in metal inventories	317 521	1 565 344	79.7%
Total cost of sales	(8 239 481)	(6 728 867)	(22.4%)
Operating profit	2 410 025	823 314	192.7%
Operating margin	22.6%	10.9%	107.3%
EBITDA	2 638 513	1 107 770	138.2%
EBITDA margin	24.8%	14.7%	68.7%

The 22.4% increase in cost of sales and 41.0% increase in revenue resulted in operating profit increasing from R823.3 million in F2018 to R2.4 billion for the current financial year, an all-time record for the group. This translates to an operating profit margin of 22.6% (F2018: 10.9%).

Movements of the individual elements making up cost of sales are discussed below:

- Mining costs increased by 13.4% attributable to wage increases, a net increase in the number of employees and higher production volumes
- Concentrating costs increased by 25.4% with the commissioning of the concentrator at Boysendal South
- Smelter and base metal removal plant costs increased significantly owing to additional power required for the second furnace and a 20.7% increase in refined metal production
- Chrome processing costs were impacted by a once off credit, due to a change in the amortisation period of the security of supply contribution
- Included in selling and administration overheads are costs incurred relating to the corporate office, the establishment of group services, which includes the cost associated with the implementation and support of our SAP IT infrastructure, as well as all marketing costs incurred by the group
- Royalty charges are based on a number of inputs, including the ratio between revenue generated from own operations and custom material, EBITDA and capital expenditure incurred. Zondereinde no longer pays royalties at the minimum royalty rate, however Boysendal still paid royalties at the minimum royalty rate of 0.5% based on revenue from own operations and the significant amounts of capital expenditure incurred. Overall, the royalty charge increased in line with the increase in revenue
- Share-based payment expenses and profit share scheme costs relate to expenses incurred in respect of the group's share plan and contributions made to the Toro Employee Empowerment Trust. The main inputs in calculating the share-based payment liability are the number of outstanding performance and retention shares, which has increased in line with the increase in the number of qualifying employees and the higher share price at year-end. The Toro Employee Empowerment Trust is an employee profit share scheme for Zondereinde employees based on 4% of after tax profit contributions from Zondereinde
- During the financial year under review, an independent assessment was again performed on the potential rehabilitation and decommissioning costs for the group based on a commercial closure cost assessment. The updated assessment resulted in changes in the estimated rehabilitation and closure costs which was charged to the income statement
- Concentrates purchased decreased by 76.8%, owing to the expiry of a contract with a third party concentrate supplier at the end of June 2018. Metal from external parties decreased by 74.6% to 23 154 oz 4E (F2018: 91 111 oz 4E)
- Refining, including sampling and handling charges, increased by 9.1%, despite the total refined metal production increasing by 20.7%. The reason for this is a change in the nickel sales agreement. Nickel refining charges are now offset against sales revenue and not charged separately as done previously
- Depreciation is based on the unit of production depreciation method. With the increased production and additional capital expenditure incurred by the group, depreciation increased
- The commencement of destocking was offset by the increase in the cost of production which is reflected in the change in metal inventories

Summary of the group unit cash costs:

		2019	2018	Variance %
On mine cash cost per tonne mined	R/t	1 200	1 150	(4.3%)
On mine cash cost per tonne milled	R/t	1 292	1 195	(8.1%)
Cash cost per equivalent refined platinum oz	R/oz	22 847	21 270	(7.4%)
Cash cost per equivalent refined 4E oz	R/oz	13 907	12 909	(7.7%)
Cash cost per equivalent refined 6E oz	R/oz	11 813	10 947	(7.9%)

With the increase in revenue, and unit cash costs being well contained, cash profit and margins have increased year-on-year.

Tax

Tax was made up as follows:

	2019 R'000	2018 R'000
Income tax		
Current non-mining income tax charge	37 457	10 235
Adjustment in respect of current income tax of previous years	9 606	(17 679)
Dividend withholding tax		
Current year withholding tax	543	855
Deferred tax		
Current and prior year deferred tax charge	594 248	238 562
Income tax expense reported in profit or loss	641 854	231 973

During the current year, the group only paid tax on non-mining income which comprises mainly interest and sundry income earned. With the higher average cash balances during 2019, non-mining tax increased to R37.5 million (F2018: R10.2 million).

Adjustments in respect of income tax in previous years relate to tax positions taken when tax assessments were submitted to the South African Revenue Service in 2015 with regards to the utilisation of assessed losses against mining or non-mining income. Any tax position taken by the group is supported by formal tax opinions from independent third parties.

Deferred tax increased owing to the significant amounts of capital expenditure still being incurred by the group.

The balance of unredeemed capital available for utilisation against future taxable mining profits for Northam Platinum Limited (Zondereinde) approximates R348.4 million (F2018: R865.1 million) and for Boysendal Platinum Proprietary Limited approximates R7.1 billion (F2018: R6.5 billion).

Our commitment remains to grow our production base down the cost curve thereby creating long-term value for our shareholders. This will be done whilst applying strict cost control measures through the cycle.

A reconciliation of the standard rate of South African tax compared with that charged in the statement of comprehensive income is set out below:

	2019 %	2018 %
South African normal tax rate	28.0	28.0
Adjustment in respect of current income tax of previous years	1.4	(3.7)
Exempt income received	(1.2)	0.4
Expenditure and contingencies incurred which are non-deductible	1.1	(8.3)
Contribution received for capital assets	–	(8.4)
Amortisation of liquidity fees paid on preference shares	0.7	(1.0)
Deferred tax asset not raised	9.3	9.5
Preference share dividends disallowed	52.1	(65.5)
Effective tax rate	91.4	(49.0)

The utilisation of a deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of taxable temporary differences. Therefore, no deferred tax asset relating to the temporary difference of R232.5 million (F2018: R172.7 million) has been raised relating to Eland Platinum Proprietary Limited and the US recycling operation.

Working capital

Working capital management remains a priority. Working capital is still impacted by high inventory levels. Below is a summary of the inventory, which includes stockpiles, in process metal as well as finished product levels at year-end in comparison with the previous corresponding period.

Metals inventory quantities on hand and in transit	2019 oz	2018 oz	oz Variance
Ore stockpile inventory	29 640	28 427	1 213
Concentrate in process	4 795	24 073	(19 278)
Concentrate before the smelter	35 335	74 922	(39 587)
Recycling material	4 605	–	4 605
Smelter inventory (including reverts)	81 688	83 207	(1 519)
Base metal removal plant inventory	23 093	9 179	13 914
Precious metal refinery inventory	41 806	40 432	1 374
Finished product inventory on hand	–	322	(322)
	220 962	260 562	(39 600)

During the year, the group destocked 39 600 oz 4E, with all inventory moving along through the process pipeline.

An ore sale agreement was entered into with a third party, and by year-end 12 136 oz 4E contained in 104 539 tonnes of UG2 ore was sold, leaving a closing UG2 ore stockpile balance of 234 283 tonnes. We expect a further 195 000 tonnes to be sold under this agreement during the coming financial year (representing roughly 23 300 oz 4E).

Concentrate in process decreased due to the commissioning of the concentrate dewatering plant at Zondereinde during the year.

It should also be noted that the Boysendal South concentrator was commissioned in April 2019. Concentrate from Boysendal South was delivered to the smelter in May and June, subsequent to the processing of the ore stockpile built up during the mine establishment phase.

A key priority for us in the coming year will be to decrease smelter inventory, which includes reverts. The treatment of reverts has been more challenging than anticipated. A long-term processing route has recently been established. It is expected that all reverts will be treated in the foreseeable future.

The normal pipeline inventory is considered to be approximately 150 000 oz 4E of metal going forward. All inventory over and above pipeline material is considered excess inventory.

Cash flow and net debt

The group's net debt position has been calculated as follows:

	2019 R'000	2018 R'000
Cash and cash equivalents	950 315	388 702
Bank overdraft	–	(95 535)
Domestic medium term notes	(1 814 884)	(1 417 728)
Revolving credit facility	(2 137 193)	(1 486 495)
	(3 001 762)	(2 611 056)
EBITDA	2 638 513	1 107 770
Net (debt)/EBITDA ratio	(1.1)	(2.4)

During the current year under review, R2.9 billion (F2018: R3.8 billion) of capital expenditure was incurred as Northam continues to sustainably grow the production base of the group. This was largely funded by R2.7 billion of cash flow generated from operating activities, which was adversely affected by the slower than expected destocking of the group's excess inventory (including reverts within the inventory pipeline). The group has also drawn down on R650.0 million (net) of the revolving credit facility (RCF). It was previously reported that domestic medium term notes (DMTN) to the value of R1.25 billion would mature during April, May and June 2019. The DMTNs were all refinanced and an additional R400.0 million of notes were issued in the market. The impact of these cash flows, together with R40.5 million of interest paid during the period in respect of the DMTNs and the RCF, increased net debt from R2.6 billion in F2018 to R3.0 billion in F2019.

Cash and cash equivalents increased from R293.2 million on 30 June 2018 to R950.3 million on 30 June 2019.

The group's future cash generation is vulnerable to exchange rate volatility and metal price fluctuations. The company has put adequate credit facilities in place, through the RCF and a general banking facility (GBF). In addition, further funding is accessible from the DMTN programme.

The RCF is subject to financial covenant compliance which is monitored on an ongoing basis.

The group has a policy of not hedging against currency or metal price fluctuations and any changes to this policy will be timeously communicated to the market.

Debt facilities

On 16 April 2019, Northam announced that it had completed a private placement of R1.65 billion of DMTN under its R2.0 billion DMTN programme, the proceeds of which were applied towards settling existing DMTNs to the value of R1.25 billion that matured between April, May and June 2019. The maturity dates on the new DMTNs vary between 1 and 3 years, with approximately 70% of the new DMTNs having a maturity date of 3 years. The result was a R400.0 million net increase in DMTNs in issue (R1.65 billion less R1.25 billion). Total DMTN in issue as at 30 June 2019 amounted to R1.8 billion.

In addition, Northam announced a R1.0 billion increase in funding facilities on 31 May 2019, comprising a R500.0 million increase in the RCF and a new R500.0 million GBF. The maturity date of the existing R1.0 billion RCF was also extended from 24 April 2020 to 29 November 2021 to align with the R2.0 billion facility. As at 30 June 2019, the total RCF and GBF amounted to R4.0 billion, comprising a R3.5 billion RCF and R500.0 million GBF. The net increase in the RCF drawdown during the period amounted to R650.0 million.

The rationale for the R400.0 million increase in DMTNs and the R1.0 billion increase in available debt facilities was to:

- right size Northam's available debt facilities to align with the group's expanded production base and working capital requirements
- maintain sufficient funding headroom to withstand adverse cash flow events which the group remains exposed to (e.g. a decrease in commodity prices, ZAR strengthening against the USD and unforeseen production stoppages)
- facilitate the company's strategy to return value to its shareholders, in due course, by way of a repurchase of ordinary shares and/or a purchase of Zambezi Platinum (RF) Limited preference shares

The group's total available debt facilities have increased by R1.4 billion, from R4.4 billion in June 2018 to R5.8 billion as at 30 June 2019. Notwithstanding this increase, the weighted average annual effective cost of debt has also decreased from 10.8% to 10.6%.

Below is an analysis of the maturity dates of the various funding arrangements at 30 June 2018 versus 30 June 2019:

	5 years	Open-ended	5 years	1 year	2 years	3 years
30 June 2019	R3.5 billion RCF	R0.5 billion GBF	NHM002	NHM008 and NHM010	NHM006	NHM007, NHM009, NHM011 and NHM012
Maturity date	November 2021	Open ended	May 2021	April/May 2020	April 2021	April/May/June 2022
Facility term	60 months	Open ended	60 months	12 months	24 months	36 months
Quantum	R3.5 billion	R500.0 million	R175.0 million	R250.0 million	R250.0 million	R1.15 billion
Interest rate	JIBAR plus 3.3%	Prime less 1.5%	13.5%	JIBAR plus 2.40%	JIBAR plus 3.25%	JIBAR plus 3.75%

	5 years	2 years	5 years	3 years	1 year	1 year
30 June 2018	R2.0 billion RCF	R1.0 billion RCF	NHM002	NHM003	NHM004	NHM005
Maturity date	November 2021	April 2020	May 2021	June 2019	April 2019	May 2019
Facility term	60 months	24 months	60 months	36 months	12 months	12 months
Quantum	R2.0 billion	R1.0 billion	R175.0 million	R250.0 million	R450.0 million	R550.0 million
Interest rate	JIBAR plus 3.3%	JIBAR plus 3.3%	13.5%	JIBAR plus 3.9%	11.0%	11.0%

For details with regards to draw downs on the RCF, refer to the annual financial statements.

Subsequent to 30 June 2019, Northam refinanced its R3.5 billion, 5 year RCF on more favourable terms, extending the maturity date from 29 November 2021 to August 2024. As detailed above, the interest rate on the old RCF was JIBAR plus 3.3% whereas the interest rate on the new R3.5 billion 5 year RCF is calculated as JIBAR plus 2.1%, plus a utilisation fee of between 0.1% per annum and 0.5% per annum, dependent on the amount of the RCF drawdown. The effective interest rate on the new RCF therefore ranges between JIBAR plus 2.2% and JIBAR plus 2.6%, dependent on the amount of the RCF drawdown. In addition, the interest rate on the GBF was reduced from prime less 1.5% (as detailed above) to prime less 1.75%. The interest rate on the new RCF and GBF will further reduce the company's weighted average cost of debt funding mentioned above.

The board has further approved an increase in the company's R2.0 billion DMTN Programme from R2.0 billion to R5.0 billion. This increase will facilitate a future refinance of existing DMTNs in issue, by way of a placement of new DMTNs (increasing the total in issue above R2.0 billion) and an immediate subsequent settlement of maturing DMTNs. The increase also enables the issue of new DMTNs to facilitate the strategy of returning value to shareholders, by way of a purchase of Zambezi Platinum (RF) Limited preference shares or a repurchase of Northam ordinary shares.

Capital allocation

Subsequent to year-end the group commenced with returning value to shareholders by purchasing 1 477 639 Zambezi Platinum (RF) Limited preference shares for R104.1 million.

Northam intends to direct surplus free cash flow to shareholders by way of an ordinary share repurchase programme, the purchase of Zambezi Platinum (RF) Limited preference shares or a combination thereof, depending on the respective pricing of these instruments.

Dividends

The company's dividend policy is to consider an interim and final dividend for each reporting period. At its discretion, the board of directors (board) may consider a special dividend, where appropriate and depending on the perceived need to retain funds for expansion or operating purposes.

The quantum of any dividend would ultimately be subject to expected future market and capital commitments at the time of consideration by the board.

The board has resolved not to declare a final dividend for the 2019 financial year (F2018: R Nil per share). Given the company's current capital structure, project commitments and economic operating environment, the board is of the view that the most efficient way to return value to investors precludes the payment of a cash dividend.

Key accounting estimates, assumptions and judgements

The preparation of the consolidated and separate annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date.

However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future.

These estimates and assumptions are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Comprehensive information relating to the individual estimates, assumptions and judgements made by management has been included in the annual financial statements.

Events after the reporting period

There have been no events subsequent to the current financial year-end, other than what has been disclosed, which require additional disclosure or adjustment to the annual financial statements.

Key focus areas impacting future financial results

The following key factors could impact future financial results:

- **Ensuring appropriate capital allocation** – The long-term success of the business depends on achieving an optimal balance between growth, sustainable operations and returning value to the providers of capital. Management carefully considers the appropriate allocation of capital in these areas to achieve the group's strategic objectives
- **Returning value to shareholders** – There are a number of ways that value can be returned to shareholders e.g. cash dividends, share buy-backs or the purchase of the Zambezi Platinum (RF) Limited preference shares. Management continuously assesses and evaluates the most appropriate mechanism to return value to shareholders, taking into consideration the group's capital structure, the economic operating environment and capital commitments
- **Effective cost control** – The platinum sector remains under pressure and hence cost containment is key to the group's sustainability. We continue to strive to maintain our relative position in the lower half of the industry cost curve
- **The impact of a volatile exchange rate and commodity prices on our business** – PGMs are priced in US dollars while operating costs are denominated in ZAR. Exchange rate and commodity price volatility results in significant financial exposure for the group. Northam is a price taker, with no ability to influence the price of our commodities or the exchange rate offered – therefore impacting cash flows and profitability

Alet Coetze
Chief financial officer

20 August 2019

Statement of financial position

For the year ended 30 June 2019

	2019 R'000	2018* R'000	
Assets			
Non-current assets	21 604 214	19 108 944	R2.9 billion has been incurred in capital expenditure during the year under review, mainly in the execution of the group's growth strategy. In addition, R294.8 million was capitalised in terms of IAS 23 Borrowing costs.
Property, plant and equipment	14 484 795	11 874 146	
Mining properties and mineral resources	6 722 551	6 765 390	
Investment held in escrow	16 841	–	
Interest in associate	46 299	35 146	The Dwaalkop joint venture, previously accounted for as part of interest in associates and joint ventures, was reclassified to mining properties and mineral resources.
Land and township development	71 414	65 680	
Long-term receivables	85 536	86 897	
Investments held by Northam Platinum Restoration Trust Fund	120 080	110 626	
Environmental Guarantee Investment	42 043	68 899	
Buttonshope Conservancy Trust	13 218	12 203	
Long-term prepayments	563	89 608	In terms of the aerial ropeway manufacturer agreement with Doppelmayr Transport Technology GmbH, prepayments for both the North and South aerial ropeway conveyor system had to be made in terms of the manufacturing costs. Most of these prepayments have now been capitalised to property, plant and equipment.
Deferred tax asset	874	349	
Current assets	5 340 449	4 715 090	
Inventories	3 762 675	3 386 795	
Trade and other receivables	621 938	924 085	
Cash and cash equivalents	950 315	388 702	
Tax receivable	5 521	15 508	
Total assets	26 944 663	23 824 034	
Equities and liabilities			
Stated capital	13 778 114	13 778 114	
Treasury shares	(6 556 123)	(6 556 123)	
Accumulated loss	(650 629)	(709 396)	
Equity-settled share-based payment reserve	874 448	874 448	
Foreign currency translation reserve	10 990	(364)	
Total equity	7 456 800	7 386 679	
Non-current liabilities	16 870 813	12 832 267	
Deferred tax liability	1 419 467	824 794	The deferred tax liability increased with the increase in capital expenditure by the group.
Long-term provisions	679 459	640 128	
Preference share liability	10 767 134	9 445 500	
Long-term loans	140 510	182 063	
Long-term share-based payment liability	160 746	78 999	
Domestic medium term notes	1 566 304	174 288	
Revolving credit facility	2 137 193	1 486 495	
Current liabilities	2 617 050	3 605 088	
Current portion of long-term loans	33 837	24 540	
Current portion of domestic medium term notes	248 580	1 243 440	
Short-term share-based payment liability	86 814	78 340	
Tax payable	24 910	117	
Trade and other payables	1 931 173	1 963 202	
Provisional pricing derivatives	26 206	2 773	
Bank overdraft	–	95 535	
Short-term provisions	265 530	197 141	
Total equity and liabilities	26 944 663	23 824 034	

*Restated after the adoption of IFRS 15 Revenue from Contracts with Customers, as well as the retrospective amendment of the mining properties and mineral resources relating to the Dwaalkop Joint Arrangement

Statement of cash flows

For the year ended 30 June 2019

	2019 R'000	2018 R'000	
Cash flows from/(utilised in) operating activities	2 711 918	(342 232)	During the year under review, R2.7 billion was generated from the operations. Operating profit amounted to R2.4 billion, an all-time record for the group.
Cash generated from operations	2 724 967	1 132 187	
Change in working capital	(47 856)	(1 547 247)	
Dividend income received	3 398	7 450	
Interest income received	49 969	53 608	
Movement relating to land and township development	(5 734)	(17 151)	
Tax (paid)/refund received	(12 826)	28 921	
Cash flows utilised in investing activities	(2 686 063)	(3 580 937)	During the year, expansionary capital totaling R605.6 million was incurred at Zondereinde. R1.5 billion was spent at Booyensdal South, R188.5 million was spent at Booyensdal North and R371.2 million was spent at Eland. In addition, R221.8 million was spent on sustaining capital for the group.
Property, plant and equipment, mining properties and mineral reserves			
Additions to maintain operations	(221 791)	(385 609)	
Additions to expand operations	(2 277 100)	(3 036 727)	
Disposal proceeds	26 099	5 133	
Investment held in escrow	(16 841)	–	
Amounts paid in respect of long-term prepayments	(212 817)	(202 691)	
Additional investments made in associate/cash call	–	(1 347)	
Increase in investments held by Northam Platinum Restoration Trust Fund	(9 454)	(8 393)	
Refunds received on the cancellation of the Environmental Guarantee investment policy	66 424	–	
Payments made and movements on the investments held by the Environmental Guarantee investment	(39 568)	(795)	
Increase in investment held by the Fund Buttonshope Conservancy Trust	(1 015)	(1 077)	
Proceeds received from the sale of the non-current asset held for sale	–	50 569	With the increased average debt balance during the course of the year, interest paid increased substantially. In addition, interest on NHM004 and NHM005 was only due on redemption.
Cash flows from financing activities	615 004	2 421 486	All other movements included in financing activities relate to the draw down, repayment and issue of debt during the year.
Interest paid	(410 455)	(158 170)	
Repayment of long-term loans	(9 400)	(9 400)	
Issue of long-term loans	–	100 000	
Draw down on revolving credit facility	850 000	2 000 000	
Repayment of revolving credit facility	(200 000)	(500 000)	
Issue of domestic medium term notes	1 650 000	1 000 000	
Repayment of domestic medium term notes	(1 250 000)	–	
Transaction fees paid	(15 141)	(9 267)	
Acquisition of Zambezi Platinum (RF)	–	(1 677)	
Limited preference shares	–	(1 677)	
Increase/(decrease) in cash and cash equivalents	640 859	(1 501 683)	
Net foreign exchange difference on cash and cash equivalents	16 289	7 985	
Cash and cash equivalents at the beginning of the year	293 167	1 786 865	
Cash and cash equivalents at the end of the year	950 315	293 167	

Manufactured and intellectual capital



Our manufactured capital inputs include the specialised plant, machinery, equipment and infrastructure necessary for us to conduct our business.

Operating our mines requires a range of particular skills and technologies, and this intellectual capital input is only made possible by the skills and competencies inherent in our human capital.

See human capital for details of how we develop our employees [P72](#)

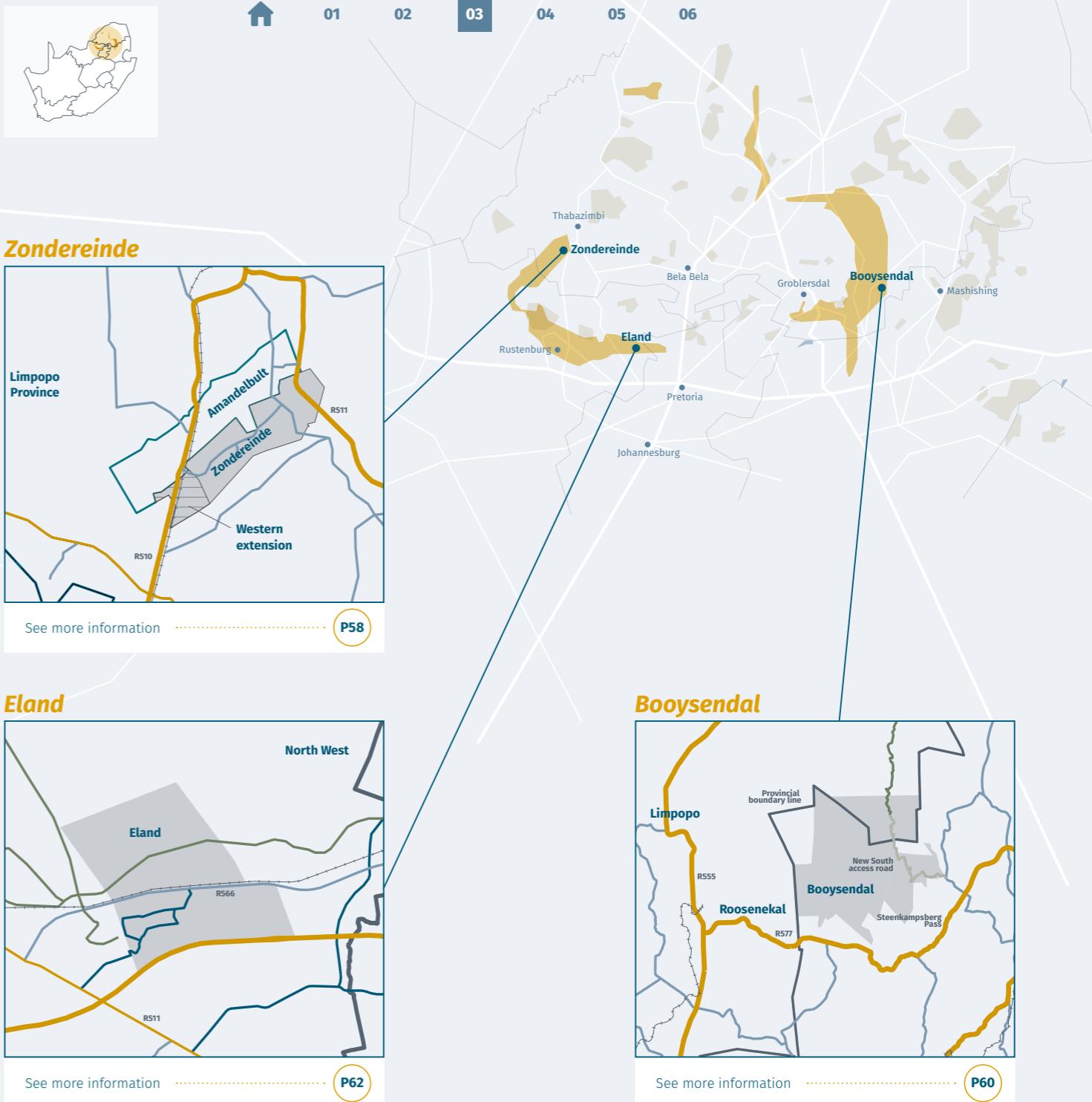
Both our manufactured and intellectual capital inputs focus on making mining safer and improving efficiencies.

Relevant material issues

- Managing production and performance to ensure the successful execution of our business strategy
- Continuing to improve the safety performance and the health and wellness of our workforce
- Effective project execution
- Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No 28 of 2002 (MPRDA) and the Mining Charter
- Managing the environmental impact of our operations and conserving natural resources
- Maintaining constructive communication channels with all our stakeholders

Relevant identified risks

- Losing our social licence to operate in an ever-changing regulatory environment
- Execution risk associated with growth projects and the development of new operations
- Health and safety
- Labour unrest
- Community unrest
- Operational underperformance
- Fraud and corruption
- Cyber risk
- Unreliable energy supply
- Water scarcity
- Tailings storage facility failure



Five year highlights relating to production, reserve base, costs and capex

Equivalent refined metal from own operations

▲37.6%

Chrome concentrate produced

▲106.0%

Increase in Mineral Reserves

▲58.4%

Unit cash cost per refined Pt oz well contained with an average annual increase of

▲4.6%

Capital expenditure

R10.6 bn



Booysendal mine

In-mine exploration drilling



01

02

03

04

05

06

Our growth strategy continues to yield positive results as we move towards our aspirational production target of 1 000 000 oz 4E.

Summary consolidated production and financial metrics for the group:

	2019 R000	2018 R000	Variance %
Square metres mined	m ²	695 074	637 764
Tonnes mined	t	5 267 867	4 783 068
Tonnes milled	t	4 892 110	4 601 876
Stockpile	t	262 415	265 393
Chrome concentrate produced	t	764 528	650 091
Equivalent refined metal from own operations	oz 4E	519 954	483 941
Equivalent refined metal from external parties	oz 4E	23 154	91 111
Total refined metal produced	oz 4E	571 028	473 086
On mine cash cost per tonne mined	R/t	1 200	1 150
On mine cash cost per tonne milled	R/t	1 292	1 195
Cash cost per equivalent refined Pt oz	R/oz	22 847	21 270
Cash cost per equivalent refined 4E oz	R/oz	13 907	12 909
Cash cost per equivalent refined 6E oz	R/oz	11 813	10 947
Cash profit per equivalent refined Pt oz	R/oz	6 793	4 833
Cash profit margin per equivalent refined Pt oz	%	22.9	18.5
Cash profit per equivalent refined 4E oz	R/oz	4 358	3 061
Cash profit margin per equivalent refined 4E oz	%	23.9	19.2
Cash profit per equivalent refined 6E oz	R/oz	4 061	2 797
Cash profit margin per equivalent refined 6E oz	%	25.6	20.4
Expansionary capex	R000	2 637 254	3 392 035
Sustaining capex	R000	221 791	385 609
Total capex	R000	2 859 045	3 777 644

Group operational overview

The group's equivalent refined metal from own operations rose by 7.4% to 519 954 oz 4E (F2018: 483 941 oz 4E) with increased contributions from both Booysendal and Zondereinde. Group chrome concentrate production increased by 17.6% to 764 528 tonnes on the back of growth at Booysendal and Zondereinde, as well as first production from Eland.

Group unit cash costs per equivalent refined platinum ounce increased by 7.4% to R22 847 / Pt oz. Zondereinde's costs increased by 9.2% to R24 124 / Pt oz, with a corresponding increase of 4.8% at Booysendal to R17 904 / Pt oz.

Total group capital expenditure reduced year on year to R2.9 billion as major project milestones were completed. R2.6 billion was spent on expansionary capex and R221.8 million on sustaining capex.

The group continues to deliver on its strategy of developing low-cost, long-life assets in order to position itself at the lower end of the industry cost curve. We believe that the development of our project pipeline which builds on our pre-existing and recently acquired asset base will position the group to deliver strong financial performance going forward, even in subdued market conditions.

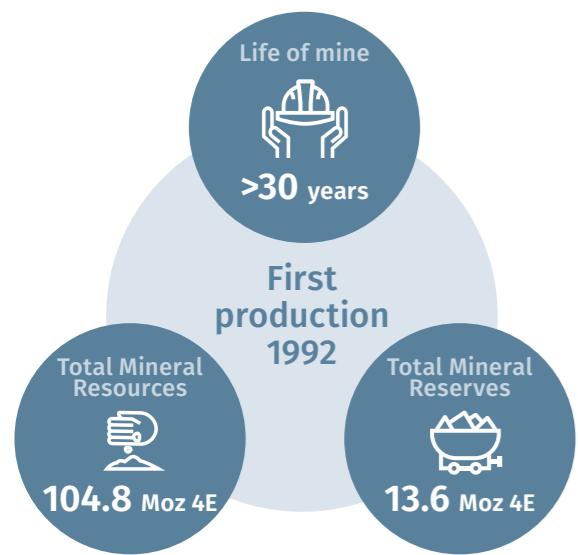
At Zondereinde, stoping has commenced within the Western extension section and further progress has been made on the deepening project. At the metallurgical facilities, the new smelter furnace and the concentrate dewatering plant are operating within design parameters and progress has been made on upgrades to the material handling infrastructure.

The development of Booysendal South is progressing on schedule and on budget, with surface infrastructure construction and underground development at the UG2 mine on track. Major milestones include the commissioning of the South aerial rope conveyor and the PGM circuit of the South concentrator.

At Eland recommissioning of the chrome spirals and the secondary PGM circuit was enabled by the commencement of hydro-mining of the tailings storage facility (TSF).

With recycling, we continue our measured approach, testing the market and developing our internal processes.

Zondereinde



Mining method and features:

Established conventional mine; traditional drill and blast narrow tabular reef mining on a standard breast layout. All mining performed by full suite of hydropowered equipment.

Major infrastructure:

Underground workings are accessed from a twin vertical shaft system. The shafts are 90m apart and are interconnected at an intermediate pump chamber and on another six levels.

Ore is transported to the main shaft ore-passes using battery-powered locomotives pulling hoppers. Broken ore is transported to a conventional shaft ore-pass system, with separate rock-handling facilities for Merensky reef, UG2 reef and waste.

Surface infrastructure comprises two concentrator plants for Merensky and UG2 ore, a recently expanded smelter which houses two furnaces and a base metals removal plant.

Summary production and financial metrics for Zondereinde:

	2019 R'000	2018 R'000	Variance %
Square metres mined	m ²	377 439	369 780
Tonnes mined	t	2 455 614	2 273 806
Tonnes milled	t	2 023 828	1 932 804
Stockpile	t	237 250	212 159
Chrome concentrate produced	t	361 154	341 412
Equivalent refined metal from own operations	oz 4E	308 466	299 295
Equivalent refined metal from external parties	oz 4E	11 338	85 696
On mine cash cost per tonne mined	R/t	1 661	1 587
On mine cash cost per tonne milled	R/t	2 015	1 867
Cash cost per equivalent refined Pt oz	R/oz	24 124	22 101
Cash cost per equivalent refined 4E oz	R/oz	14 735	13 425
Cash cost per equivalent refined 6E oz	R/oz	12 677	11 521
Cash profit per equivalent refined Pt oz	R/oz	4 488	2 587
Cash profit margin per equivalent refined Pt oz	%	15.7	10.5
Cash profit per equivalent refined 4E oz	R/oz	2 896	1 680
Cash profit margin per equivalent refined 4E oz	%	16.4	11.1
Cash profit per equivalent refined 6E oz	R/oz	2 647	1 478
Cash profit margin per equivalent refined 6E oz	%	17.3	11.4
Expansionary capex	R'000	605 556	1 583 771
Contribution received for capital assets	R'000	–	(303 106)
Sustaining capex	R'000	68 425	249 467
Total capex	R'000	673 981	1 530 132
			(56.0%)



There was one fatal accident at Zondereinde during the year. Mr Stepher van Niekerk lost his life in an engineering-related accident during construction of the concentrator dewatering plant. Zondereinde's lost time injury incident rate (LTIR) remained flat at 1.29 injuries per 200 000 hours worked. Improving the safety performance and health and wellness of our workforce remains an important focus area for the business.

The production of equivalent refined metal from own operations increased by 3.1% to 308 466 oz 4E (F2018: 299 295 oz 4E). This increase resulted from a combination of 4.7% higher combined milled tonnages and marginally (0.2%) higher combined mill head grade, offset by marginally lower (0.2%) concentrator recoveries. Merensky milled tonnages increased by 10.2%, underlining the positive impact of reserve build-up in both the deepening and Western extension sections of the mine. UG2 ore mined exceeded concentrator milling capacity by 129 383 tonnes. An ore sale agreement was entered into with a third party, and by year-end 104 539 tonnes had been removed, leaving a closing UG2 ore stockpile balance of 234 283 tonnes. We expect a further 195 000 tonnes will be sold under this agreement during F2020.

Development within the Western extension section has progressed well on 3 to 12 levels. Footwall strike drives have advanced past the second mining line. Stoping has commenced on the upper levels of the first mining line, and will be in progress on 3 to 12 levels before the end of the first half of F2020. 50 000 oz 4E will accrue to Zondereinde's production profile from this expansion project.

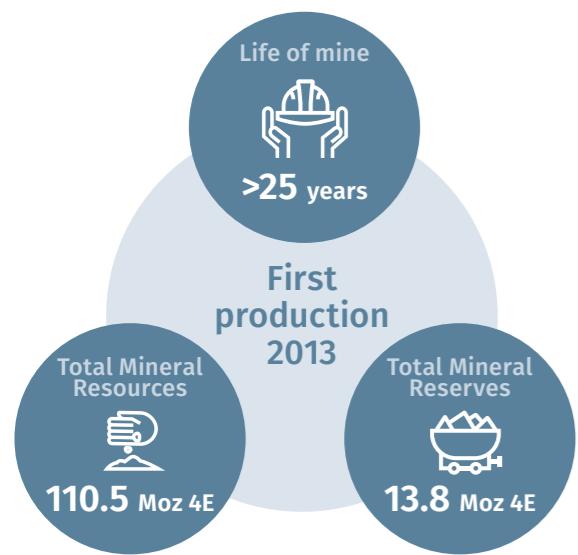
The new furnace and drying plant at the Zondereinde metallurgical complex are producing and work is ongoing on material handling and logistical infrastructure upgrades to support our planned concentrate profile. The

coming years will see work commence on capacity increases at both the original smelter furnace and the base metal removal plant.

Capital expenditure during the current year decreased to R674.0 million (F2018: R1.5 billion). This is the result of last year's once off payment for the acquisition of the Western extension. Expansionary project expenditure accounted for R605.6 million, while sustaining expenditure was R68.4 million. Expansionary expenditure related to the ongoing development of the deepening and Western extension sections, together with various improvements at the PGM concentrator and metallurgical complex. This included the dewatering plant and material handling upgrades. Total capital expenditure for F2020 is estimated at R595.0 million.

The total operating costs at Zondereinde for the period totalled R5.1 billion (F2018: R4.2 billion), a 19.6% increase. Labour and power costs, together with volume increases account for the majority of this. The combination of higher costs, offset by higher volumes translated into a 9.2% increase in unit cash costs per equivalent refined platinum ounce, to R24 124 / Pt oz (F2018: R22 101 / Pt oz).

Booysendal



Mining method and features:

Shallow, mechanised mining using bord and pillar mining method.

Major infrastructure:

The Booysendal North mine comprises a UG2 and Merensky module. A unique reverse decline at North UG2 mine connects the concentrator plant and other mine infrastructure situated on a plateau with the on-reef declines that access the underground mine and outcrop on the side of the valley. This design has helped to minimise the mine footprint.

There is one 200 000tpm PGM concentrator plant on surface at the North mine, along with a dense media separation plant and a chrome spiral plant.

The South mine has a 250 000tpm PGM concentrator, with a chrome spiral plant and associated tailings facilities, as well as normal mining infrastructure such as offices, workshops, stores and access to underground workings. An aerial rope conveyor system transports ore from the developing Booysendal Central UG2 mine over challenging topography, with minimal environmental impact. An additional rope conveyor will transport Merensky ore from the North and Central Merensky modules.

Summary production and financial metrics for Booysendal:

	2019 R000	2018 R000	Variance %
Square metres mined	m ² 317 635	267 984	18.5%
Tonnes mined	t 2 812 253	2 509 262	12.1%
Tonnes milled	t 2 868 282	2 669 072	7.5%
Stockpile	t 25 165	53 234	52.7%
Chrome concentrate produced	t 390 698	308 679	26.6%
Metal in concentrate produced from own operations	oz 4E 217 483	189 880	14.5%
Metal in concentrate purchased from external parties	oz 4E 6 365	5 568	14.3%
On mine cash cost per tonne mined	R/t 796	754	(5.6%)
On mine cash cost per tonne milled	R/t 780	709	(10.0%)
Cash cost per metal in concentrate produced Pt oz	R/oz 17 904	17 090	(4.8%)
Cash cost per metal in concentrate produced 4E oz	R/oz 10 818	10 332	(4.7%)
Cash cost per metal in concentrate produced 6E oz	R/oz 8 959	8 548	(4.8%)
Cash profit per metal in concentrate produced Pt oz	R/oz 10 732	7 772	38.1%
Cash profit margin per metal in concentrate produced Pt oz	% 37.5	31.3	19.8%
Cash profit per metal in concentrate produced 4E oz	R/oz 6 484	4 708	37.7%
Cash profit margin per metal in concentrate produced 4E oz	% 37.5	31.3	19.8%
Cash profit per metal in concentrate produced 6E oz	R/oz 5 463	3 969	37.6%
Cash profit margin per metal in concentrate produced 6E oz	% 37.9	31.7	19.6%
Expansionary capex	R000 188 467	326 146	(42.2%)
Expansionary capex relating to Booysendal South*	R000 1 472 030	1 490 948	(1.3%)
Sustaining capex	R000 153 366	136 142	12.7%
Total capex	R000 1 813 863	1 953 236	(7.1%)

*Expansionary capex does not include prepayments relating to the rope conveyance for ore transportation, amounting to R0.6 million (30 June 2018: R89.6 million)



The good safety performance at Booysendal continues, with the mine exceeding 4.5 million fatality free shifts during the year. The LTIR improved to 0.18 (F2018: 0.31), whilst the reportable injury incident rate (RIIR) remained flat at 0.18 injuries per 200 000 hours worked.

Production from Booysendal North UG2 mine improved 2.8% year-on-year to 2 243 924 tonnes (F2018: 2 182 592 tonnes) primarily owing to improved mining productivity following the bedding down of the owner mining model and employment of an amended shift regime. Production from the Merensky North mine increased by 18.3% to 386 476 tonnes (F2018: 326 670 tonnes), following the addition of a fourth stoping crew in the latter part of the year. First stoping production was achieved from the Booysendal Central UG2 mine, adding 181 853 tonnes to the existing stockpile of 71 000 tonnes derived from underground development up to the end of F2018.

Total tonnes milled increased by 7.5% to 2 868 282 tonnes. Merensky throughput decreased to 397 437 tonnes (F2018: 458 027 tonnes), aligned to mining production, whilst UG2 milling increased by 11.8% to 2 470 845 tonnes (F2018: 2 211 045 tonnes). Additional tonnes milled essentially came from Booysendal Central UG2 production. The dense media separation plant at the North concentrator is operating well within design parameters.

The total operating costs at Booysendal were R2.5 billion (F2018: R2.1 billion), a 20.7% increase. Volume increases, together with stores and power costs led to this increase. Higher production volumes resulted in the increase in cash cost per metal in concentrate produced being contained to 4.8% to R17 904/Pt oz (F2018: R 17 090/Pt oz).

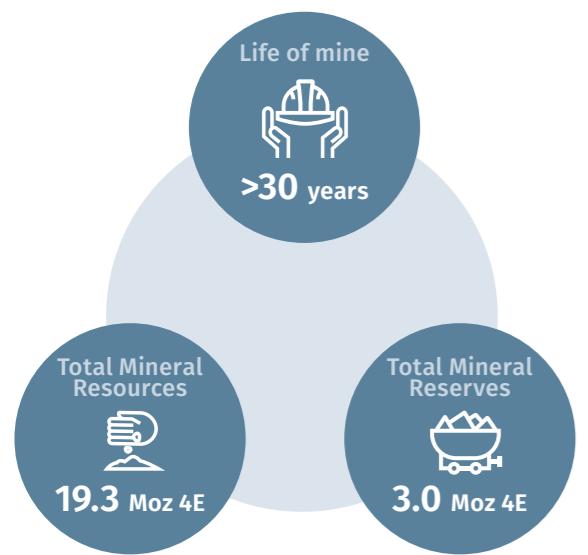
North mine capital expenditure of R341.8 million (F2018: R462.2 million), included R188.5 million expansionary

and R153.3 million sustaining capital. This year-on-year reduction reflects the close-out of the phase 1 Merensky North and UG2 North deepening projects.

South mine capital expenditure was entirely expansionary and totalled R1.5 billion (F2018: R1.5 billion) and reflects surface infrastructure construction ahead of schedule, together with North aerial rope conveyor pre-payments which partially de-risk the overall project work and cash flows.

The F2020 capital expenditure for North mine will be entirely sustaining and is estimated at R220.0 million. The South mine capital expenditure will be entirely expansionary and is estimated at R1.0 billion. Main workflows comprise ongoing surface infrastructure construction and underground mining and equipping at the Central UG2 complex, completion of the Central Merensky box cut, together with the commencement of underground development, and the construction of the North aerial rope conveyor system.

Eland



Mining method and features:

Shallow conventional mining with mechanised ore transport, using breast stoping and underground conveyors.

Major infrastructure:

Eland mine has existing surface infrastructure comprising; a 250 000 tonnes per month capacity concentrator with both PGM and chrome circuits, a large tailings storage facility (TSF), offices, change houses, medical station, training centre, laboratory and workshops. Two decline systems, Kukama and Nyala, have been pre-developed to lengths of 1 300 metres and 850 metres from surface access. These are equipped with underground dip and strike conveyors for ore transport, chairlifts for people transport, as well as electricity and water reticulation systems. The decline systems comprise two on-reef barrels and one approximately 25 metres below reef housing the dip conveyors.

The mine has been on care and maintenance since 2015. Hydro-mining and reprocessing of tailings from the TSF has commenced. Underground mining will recommence in F2020.

Summary production and financial metrics for Eland:

	2019 R'000	2018 R'000	Variance %
Metal in concentrate purchased from external parties	oz 4E	1 051	– 100.0%
Chrome concentrate produced	t	12 676	– 100.0%
Purchase consideration	R'000	–	175 000 (100.0%)
Expansionary capex and professional fees	R'000	371 201	15 759 2 255.5%
Total capex	R'000	371 201	190 759 94.6%

Eland's LTIIR and RIIR were 0.53 and 0.18 respectively.

Mining method and features:

Shallow conventional mining with mechanised ore transport, using breast stoping and underground conveyors.

Major infrastructure:

Eland mine has existing surface infrastructure comprising; a 250 000 tonnes per month capacity concentrator with both PGM and chrome circuits, a large tailings storage facility (TSF), offices, change houses, medical station, training centre, laboratory and workshops. Two decline systems, Kukama and Nyala, have been pre-developed to lengths of 1 300 metres and 850 metres from surface access. These are equipped with underground dip and strike conveyors for ore transport, chairlifts for people transport, as well as electricity and water reticulation systems. The decline systems comprise two on-reef barrels and one approximately 25 metres below reef housing the dip conveyors.

The mine has been on care and maintenance since 2015. Hydro-mining and reprocessing of tailings from the TSF has commenced. Underground mining will recommence in F2020.



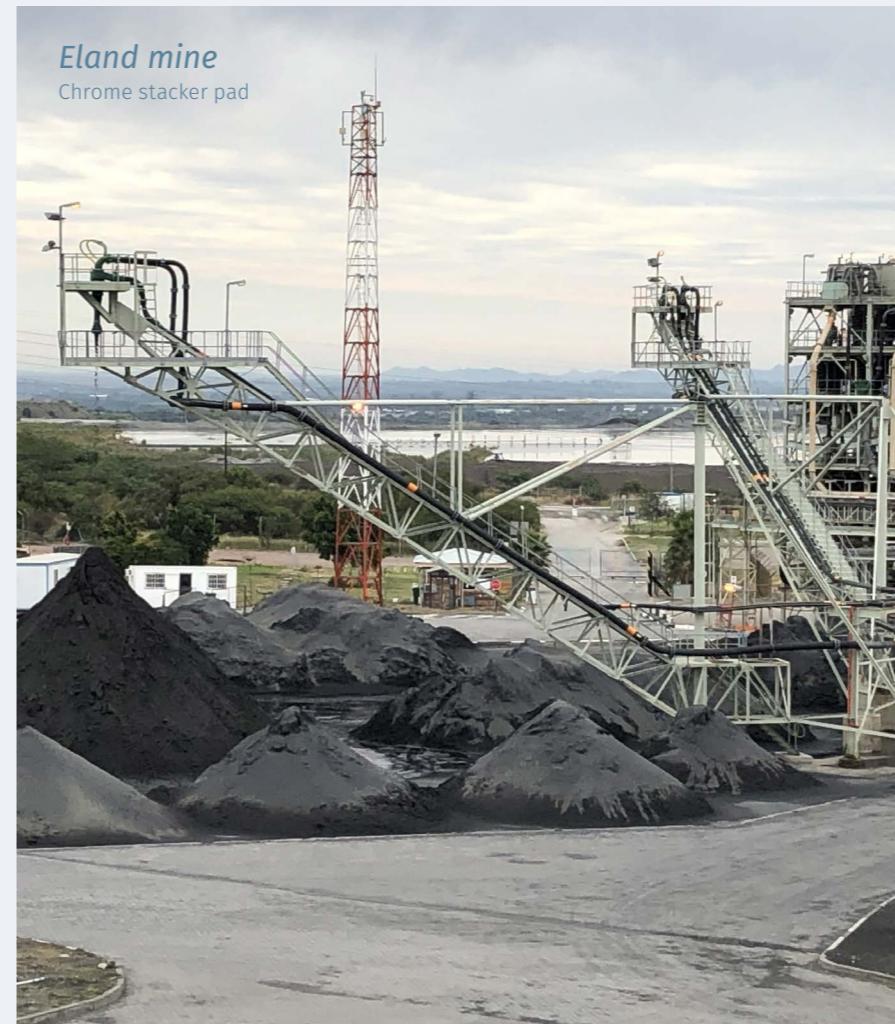
Total employees
in service



Capital
expenditure



Key safety
statistics



Work at Eland during the year focussed on recommissioning the chrome spirals and secondary PGM circuit in the concentrator to receive feedstock from the tailings dam for re-processing. A total of 12 676 tonnes of chrome concentrate was produced and sold. This operation will continue in the new financial year, together with the processing of purchased material to recover PGMs.

In parallel with the processing operations, a feasibility study to restart underground mining was completed together with the refurbishment and recommissioning of fixed and mobile underground equipment in anticipation of the restart. Development of a revised underground mining layout will start at the Kukama shaft in F2020. In addition, preparation for a mobile tunnel borer (MTB) trial, to test its suitability for advancing the decline system, was undertaken.

This, together with pre-production costs resulted in capital expenditure for the year of R371.2 million. Capital expenditure expected in F2020 is R400.0 million.

Eland continued

US recycling operation

During the year, small batches of salvaged catalytic converters were sourced from third parties and processed on a trial basis. The PGM material arising from these recycled converters will be treated at the Zondereinde metallurgical facilities. Once this trial process has been bedded down, options to re-establish the recycling operations will be considered taking into account the working capital requirements within the group capital allocations.

Progress of capital projects during the year

During F2019, the group invested R2.9 billion, mainly in the execution of its growth, diversification and optimisation strategy.

The table below summarises the capital expenditure of the group:

	2019 R'000	2018 R'000
Expansionary capital expenditure		
Zondereinde	605 556	1 583 771
Contribution received for capital assets	–	(303 106)
Boysendal North	188 467	326 146
Boysendal South	1 472 030	1 490 948
Eland	371 201	190 759
Other	–	103 517
	2 637 254	3 392 035
Sustaining capital expenditure		
Zondereinde	68 425	249 467
Boysendal	153 366	136 142
	221 791	385 609
Total capital expenditure	2 859 045	3 777 644

The following progress has been made in respect of the various ongoing capital projects:

Zondereinde

Underground work in the Western extension is progressing well. Stoping has commenced on the first mining line (11 line). Cross-cuts and raises are being developed on the second mining line and strike development has reached the third mining line. Ground conditions in stoping and development are good, and exploration drilling ahead of development indicates that these conditions will persist up to, at least, the forecast five year stoping limit.

Planning and early work on Western extension access (the 3 shaft project) is ongoing. Preparation for a raise bored access shaft is progressing well. Surface site clearance is complete, as is geotechnical drilling down the length of the proposed shaft which has revealed very good rock mass quality. Excavation of the raise bore pad is complete, and ground compaction, ahead of casting of a concrete drilling slab is in progress.

The deepening project has progressed on schedule. The conveyor decline is currently between 17 and 18 levels and lateral development is well progressed on 17 level. Stoping is continuing on 16 level, which is being serviced by both the material and chairlift declines, which are equipped and commissioned.

A dewatering plant at the Zondereinde concentrator was commissioned and is performing within design parameters. Upgrades to the material handling and logistics infrastructure at the metallurgical complex have progressed well. These upgrades are required to optimise downstream processing of our planned concentrate production.

Boysendal

The North UG2 mine deepening project, initiated in June 2015 was completed during the year, at a total capital cost of R269.5 million. The project has added two additional mining levels to the current operation, together with an ore silo that decouples production between the upper and lower levels of the mine. This significantly improves mining flexibility.

The phase 1 North Merensky mine is operating at design production levels of approximately 30 000 tonnes per month, at a total capital cost of R362.8 million. Phase 2 build up to approximately 50 000 tonnes per month will align with completion of the North aerial rope conveyor commissioning in F2021.

South mine comprises four mining modules; two UG2 (BS1 and BS2) and one Merensky (BCM) module in the Central complex, together with an additional UG2 module in the south (BS4). Project development commenced in June 2016 following the acquisition of the contiguous Everest mine from Aquarius Platinum (South Africa) Proprietary Limited for R450.0 million, which provided various supporting infrastructure including the South

concentrator with PGM and chrome circuits, as well as a TSF. The South concentrator has been fully commissioned and has, during the year, processed the first run of mine ore from the Central UG2 mining complex.

Other surface infrastructure to service the Central and South complexes has been constructed. This includes; a 12 kilometre long access road which connects North mine with the Central complex and South concentrator, and the South aerial rope conveyor which transports ore from the Central complex to the South concentrator, both having been completed in December 2018.

Construction of shaft head infrastructure at the Central UG2 complex is running ahead of schedule, with completion of the surface conveyors and crusher circuit, together with the pollution control dam, process water dam and workshops. Offices and change house construction is ongoing and will be completed during the coming year. Underground development and construction continues and production build-up to a steady state of approximately 220 000 tonnes per month is still on track for F2023.

Development of the Central Merensky box cut is on schedule and portal development for underground access will commence early in the second half of F2020. The Central Merensky module is planned to reach steady state production of 50 000 tonnes per month by F2024.

Access to the historical underground workings of the old Everest mine, of which the planned BS4 mining module is the western limit, was achieved during the year. A backfill plant was constructed and will commence underground tailings deposition into the excavations during the coming year.

Hydro-mining and reprocessing of tailings from the South TSF continues.

A total of 1 373 655 tonnes were processed during the year, yielding sales of 92 651 tonnes of chrome concentrate and 3 569 oz 4E in concentrate.

Construction of the North aerial rope conveyor, which will transport Merensky ore from the North and Central Merensky mining modules will commence in the coming year, following a delay in the receipt of the necessary environmental authorisation. During the year, payments amounting to R141.4 million were made for equipment for this conveyor.

The South mine project remains on schedule and the total capital forecast remains at R5.6 billion.

Eland

Hydro-mining of the Eland TSF commenced which enabled commissioning of the secondary mill, PGM flotation and chrome recovery circuits of the Eland concentrator. This produced chrome concentrates and will yield PGM concentrates in the coming year.

The primary milling circuit, required for treatment of run of mine UG2 ore from Kukuma shaft, will only be commissioned in F2021. UG2 ore from underground mining will be stockpiled ahead of this.

Project pipeline

The group's strategy of operational diversification and internal optimisation continues. This approach is fundamental to developing a suite of sustainable long-life mining assets that will deliver benefits to all its stakeholders.



Group capital expenditure for F2020 is forecast to amount to R2.3 billion.

Zondereinde

Planned expenditure for Zondereinde in F2020 is estimated to be R595.0 million.

Capital will be focused on the Western extension and deepening sections of the mine, as well as at the metallurgical complex.

In the Western extension section, strike development and establishment of additional Mineral Reserves will continue. In addition, the study and early works development of additional surface access to the section will be progressed. Development will advance to the underground reaming chamber position for a raise-bored shaft, whilst the corresponding collar site on surface will be prepared for establishment of the raise bore rig, which is scheduled for the first half of F2020.

The deepening project will continue, with the conveyor decline developing towards ore pass positions for 17 level. Whilst on 17 level itself, strike development to and preparation of the corresponding tips will progress ahead of raise bore development of the ore passes.

Upgrades to the material handling and logistics infrastructure at the metallurgical complex will continue into the second half of the coming year.

Booysendal

Planned expenditure for Booysendal South mine in F2020 is estimated to be R1.0 billion.

Work will focus on South mine. This will include continued surface infrastructure construction at the Central UG2 box cut, as well as mining and underground equipping of the BS1 and BS2 mining modules, in line with the planned production ramp up.

Construction of the North aerial rope conveyor will commence and is planned to be commissioned in F2021. This conveyor will run from the North Merensky mine, via the Central Merensky mine to the South aerial rope conveyor feed silo at the Central complex. This will enable the transport of ore from both the North and Central Merensky mines to the South concentrator, which has sufficient capacity to treat this, as well as ore from the Central UG2 mines.

This project forms part of the greater Booysendal strategy of best utilising infrastructure to service mining of the operation's significant Mineral Reserves.

The box cut for the Central Merensky mine will be completed in the coming year. This will allow the establishment of the portals and underground development of the decline system. Site preparation will commence for an ore silo and feed belt to tie into the North aerial rope conveyor.

Work will continue on underground equipping and access development into the BS4 mining block, with planned build up to a steady state of approximately 30 000 tonnes per month by F2023.

Eland

Planned expenditure for Eland in F2020 is estimated to be R400.0 million.

Planning for the restart of the Kukama shaft is complete. Focus over the coming 24 months will be on reserve build-up, through development of the decline system and strike drives. During the coming year, the on-reef and footwall declines will be aligned in the immediate reef footwall.

An early mining demonstration will be progressed in the Kukama west 1 section. This will include on-reef development of strike drives, together with limited reef stoping. It will be used to optimise elements of the planned mining process, including hydropowered rock-drilling, support installation and in-line conveyor loading.

In addition, performance verification of the MTB will be undertaken in the footwall decline. This will allow us to test and optimise both the efficacy of the machine as well as service functions that support the machine's operation. Outcomes from this process will enable a decision on whether we employ the MTB in primary development, but will also inform our broader mine planning parameters.

Re-mining of the TSF will continue, generating both chrome and PGM concentrates.

Zondereinde mine
No2 shaft headgear



Key focus areas for F2020

- **Management of production and performance targets** to ensure the successful execution of our business strategy. Management sets realistic strategic targets for the business. The success of the strategy will affect shareholders and stakeholders alike
- **Continuing to improve the safety performance and health and wellness of our workforce** – The group strives to improve the safety performance and health and wellness of all employees. By continuously seeking to reduce injuries, applying appropriate technologies, communication and training and reinforcing operational standards and responsibilities we can ensure that we improve the safety performance as well as health and wellness of our workforce
- **Effective project execution** – The group has a large capital expansion programme in place to secure its future through the creation of long-life, low-cost operations. Successful project execution is key to creating a sustainable business for the long-term benefit of all our stakeholders
- **Effective cost control** – Cost containment is key to the group's sustainability. We continue to strive to maintain our relative position in the lower half of the industry cost curve

Human capital



Northam is committed to upholding the United Nations Declaration of Human Rights and the International Labour Organisation's Declaration of Fundamental Principles and Rights at Work. Human capital management is an integral part of Northam's long-term business strategy, put in place to achieve the company's vision. We rely on a developed, skilled and productive workforce in order to optimise their performance and contributions to achieve our strategic objectives.

Our employee value proposition is the blueprint of our relationship with our employees. We provide our employees with both tangible and intangible benefits in return for their skills.

Relevant material issues

- Continuing to improve the safety performance and the health and wellness of our workforce
- Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No 28 of 2002 (MPRDA) and the Mining Charter
- Maintaining constructive communication channels with all our stakeholders

Relevant identified risks

- Losing our social licence to operate in an ever-changing regulatory environment
- Health and safety risk
- Labour unrest

An increase in women in mining is in line with the company's growth strategy

Key statistics for the year ended 30 June 2019:

New jobs created

2 100

F2018: 853

Women in mining

▲14%

F2018: 13%

P69

P70

Employment practices

Northam's employment practices and policies, governed by South African legislation and regulations, seek to provide and promote fair, equitable and progressive employment opportunities.

Relevant South African legislation and regulations:

- Basic Conditions of Employment Act, No 75 of 1997
- Labour Relations Act, No 66 of 1995
- Skills Development Act, No 97 of 1998
- Skills Development Levies Act, No 9 of 1999
- Employment Equity Act, No 55 of 1998
- Mine Health and Safety Act, No 29 of 1996
- MPRDA, No 28 of 2002

Our remuneration practices are benchmarked against those of our peers and are ratified by the social, ethics, human resources and transformation (SEHR&T) committee. Remuneration reviews take account of personal performance measured against the background of the broader economic climate and its impact on the mining sector.

Northam's approach to employment equity is underpinned by the moral, social, legal and economic imperatives of economic transformation in the workplace.

Our human resources development strategy is informed by our growth strategy and the skills required to execute the strategy.

We seek to retain current employees whilst we continuously strive to enhance Northam's ability to attract talented employees in a shrinking talent pool. Full-time employees receive the following benefits:



Membership of provident and pension funds



Disability and death benefits



Access to medical aid and on-mine clinic services



Housing, accommodation and living-out allowances



Study, maternity and paternity, special, sick and generous annual leave benefits



Study assistance for tertiary qualifications



Time off for approved and mine-supported development programmes

Key employee statistics for F2019

	2019	2018	2017	2016	2015
Permanent employees	8 981	8 260	6 257	6 274	6 625
Contractors	6 377	4 998	6 148	5 038	3 431
Total number of employees	15 358	13 258	12 405	11 312	10 056
% women employees	14	13	13	8	8
% HDSA in senior management	53.3	52.2	42.1	36.4	21.4
% HDSA in middle management	56.0	53.0	50.8	46.4	44.1
% HDSA in junior management	56.9	57.2	59.8	56.8	53.7

Employment equity and transformation

Northam's approach to employment equity is underpinned by the moral, social, legal and economic imperatives of economic transformation in the workplace. At our operations this has translated into the proactive recruitment and retention of women and black South Africans, and their meaningful participation in core business work streams.

The chief executive and executive: human resources are responsible for employment equity and transformation. General managers are appointed as the senior manager responsible for employment equity at the respective operations.

The SEHR&T committee has an oversight role. Key employment equity performance numbers are highlighted below.

Transformation in the workplace is driven primarily by employment equity committees, and workplace and future forums. An employment equity committee at Zondereinde focuses on consultation with HDSAs, women and people with disabilities in order to meet the requirements of the Mining Charter. The committee monitors the implementation of employment equity plans, identifies the barriers to equitable employment and specifies affirmative action measures to be implemented. At Boysendal, these structures are being reconstituted, given that the operation has converted to being owner-operated.

Diversity and employment equity training is provided for managers and employees alike. The aim is to raise awareness about matters pertaining to employment equity in the workplace and to empower management and employees to deal effectively with diversity, thereby embracing differences within the working environment.

The forums promote frank and two-way communication in order to reduce the potential for unfair discriminatory labour practices. A major challenge at Zondereinde is the reduction in the foreign national component of the workforce, as required by the Department of Labour. This concern has become an agenda item for the newly elected employment equity committee, which is tasked with finding a resolution to ensure that Zondereinde keeps focus of its transformation agenda.

Employment equity progress against the Mining Charter for F2019:

Occupational level	HDSA target %	Achieved %
Board	40	62
Top management	40	50
Senior management (exco level)	40	50
Middle management	40	56
Junior management	40	57
Core skills	60	72
Women in mining	10	14

Maintaining workforce stability

At Northam we value our employees and in so doing we create and maintain a workplace that fosters positive relationships amongst our employees and teams. It is important to give our supervisors as much training as possible, given that employees' primary relationships are with their supervisors. To retain the best employees, our corporate mission promotes a culture, value system and safe working environment supported by strong, reasonable and consistent operating policies and procedures. The group's total turnover rate for F2019 was 6.44% (F2018: 5.6%).

Group turnover rate (%)

	6.44	2019
5.59	2018	
7.26	2017	
6.26	2016	
7.09	2015	



Women in mining

Our aim is to afford women the appropriate training, development and attention to progress within the organisation across all job levels and with a future focus on managerial positions.

The women in mining committee was created for women at Zondereinde to share their experiences, identify challenges in the workplace and promote development opportunities. At Boysendal, the process of putting committees in place is underway. Boysendal only recently became an owner-miner; however, management and Association of Mineworkers and Construction Union (AMCU) representatives are engaged in finalising a "women in mining" policy.

Key statistics for woman in mining F2019

Interns

46%

Engineering participants

36%

Mining participants

29%

Bursars

42%

Absentee management

Zondereinde's absentee policy takes account of employees' constitutional rights to fair labour practices. The focus is on managing and improving employee attendance and workplace continuity in order to promote employee safety, alertness and diligence, ultimately improving performance.

Our human resources strategic theme
"engaged, empowered and energised"

Our human resources strategic theme "engaged, empowered and energised" is in place to enhance employee motivation and to reduce preventable workplace absence. In seeking to achieve this, our management teams are well trained and fully committed to:

Providing and promoting a healthy workplace

Holding employees accountable for attendance and reinforcement through visible felt leadership (VFL)

Performance management

Managing employees' overall performance

Direct communication practices

Making employees aware of their obligations and what is expected of them

Clear attendance expectations

Setting clear goals so that employees know what constitutes misconduct and the consequences of excessive unplanned absenteeism

An employee wellness programme

Supporting our employees through the EAP system and assisting them in dealing with personal and other issues that affect their wellbeing

Management consistently monitors and benchmarks absenteeism statistics in order to understand if the system is being abused or if there are real health concerns, both of which require employee counselling.



Training and development

Our employees provide human and intellectual capital and contribute their skills, abilities and knowledge to the economic value of the group.

As an employer, Northam provides employees with the support to improve their competencies, skills and personal development. By prioritising employee development, Northam is able to increase employee engagement, thereby boosting productivity, positive safety behaviours, employee satisfaction and loyalty. We focus our attention on the practical and theoretical aspects of learning, which enables continuous improvement, creativity and innovation.

Looking to the future

Our operations are shifting from a dependence on manual labour to developing a workforce that is ready to perform in a technological and mechanised work environment. Given the geography of our operations and the employment needs of the local communities, the threat of unemployment is potentially increased by these factors.

Our operations have introduced e-learning and learning management systems. This new infrastructure aims at delivering quality training and creating improved employee data and document management, improving efficiency of our processes and introducing self driven learning through the e-learning system.

Beneficiaries for F2019

Group training and development	2019 R'000	2018 R'000	Number of people/ interventions		
			% HDSA	% Women	
Scholarships and bursaries	3 808	3 200	38	82	42
Internships and learnerships	22 301	15 237	199	94	29
Adult education and training	1 725	2 827	174	67	31
Internal and external training	23 305	22 204	16 615	77	11
Total skills development expenditure	51 139	43 468	17 026	77	11

Bursaries

The objective of the group's bursary scheme is to ensure the recruitment, development and retention of high-quality human capital to meet our business priorities.

The emphasis is on the identification of high-potential young historically disadvantaged South Africans (HDSAs) within the local community schools as well as the development of our own professionals to fill the critical skills gaps now and in the future.

Bursaries are offered to learners who wish to study specific disciplines at recognised tertiary institutions.

Seven bursars have successfully completed their studies and some have been absorbed into the business. In addition, bursaries were also awarded to six full-time members of middle management studying towards Master's degrees. In line with the group's transformation agenda, black women and men from surrounding communities are given priority in terms of study assistance.

Adult education and training

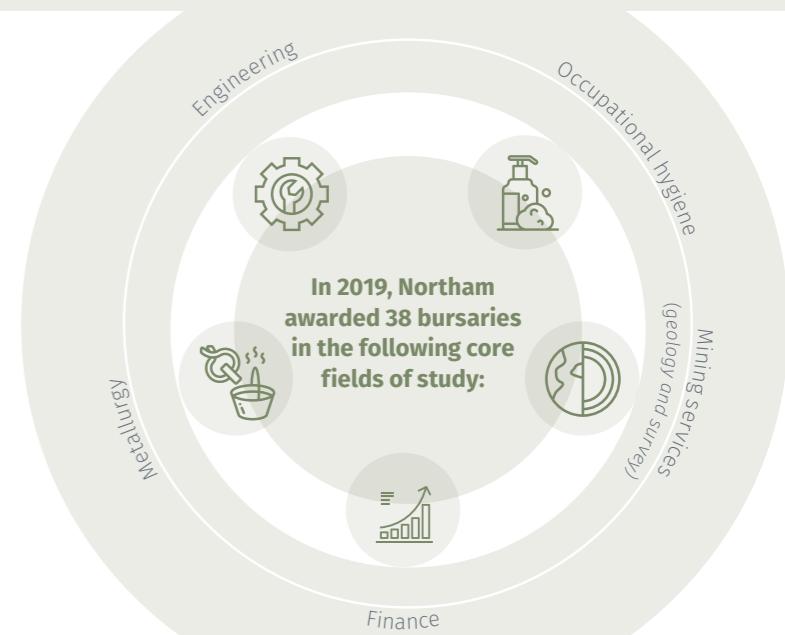
Illiteracy amongst black adults and youths in South Africa has reached levels that militate against economic development in the country. Illiteracy prevents adults from contributing effectively and meaningfully to a community's social, economic and political life. Adult education and training (AET) in the mining industry has been widely introduced over the years to help develop employees' literacy in English and numeracy to a level where skills and vocational training can make a difference to their employment prospects. The company is investigating the viability of offering AET on a full-time basis to employees and to extend an AET programme into identified surrounding communities.

New infrastructure and technology

During the past financial year, the Zondereinde learning and development facility was modernised and now includes an in-house artisan training centre. To date over R1 million has been spent in upgrading the underground training facilities at Booyensdal with an additional 10 classrooms fully equipped with computer hardware and the Internet. The new e-learning and learning management systems (LMS) have been introduced at both Zondereinde and Booyensdal. These new developments aim to deliver quality training, improve the employee learning experience and enhance employee mobility.

Communicating with our employees

Northam promotes clear, concise and open communication throughout the company. Our employees are key to our success and engaging them translates into a connected and well-informed workforce. During F2020 our communication efforts will be aimed at improving employee relations, increasing employees' safety consciousness, improving both individual and team performance and providing employees with regular



updates on company performance. Through performance and optimisation conversations focused on health, safety, collaboration and team objectives, we seek to contribute to employee performance. Our communication channels are firmly established and the communications function continuously explores innovative communication tools in order to promote and reinforce clear messaging across the workforce.

Outlook

In the next financial year we will be focusing on the effective resourcing of our operations, with a clear mandate of attracting and retaining committed people with the appropriate skills and capabilities to support our growth strategy as it continues to unfold. At the same time we will be aligning our operating structures with the business strategy and introducing an employee flexibility model where cross-operational talent management and deployment are facilitated effortlessly. Further efforts will include a focus on employee engagement, empowerment and commitment to the company.

Employee and labour relations



Employee and industrial relations

Northam recognises employees' rights in the workplace. All employees have the right to freedom of association and collective bargaining.

These rights are subject to the provisions contained in our substantive agreements and are governed by South African labour legislation. Northam management is committed to engaging in good faith to reach agreement on matters of importance to both management and employees.

Once validated, a registered labour union obtains organisational rights with 15% representivity and bargaining rights when a 33.3% threshold is achieved in any particular bargaining unit. Wages and conditions of service are negotiated at the operational level. Negotiation intervals are determined by the relevant agreements in place at the time.

The Zondereinde operation's industrial relations processes are well established. Based on the recognition threshold of 15%, the operation recognises three labour unions, the National Union of Mineworkers (NUM), UASA and Solidarity. NUM is the majority union, with recognition across all bargaining units. Since the previous financial year, NUM has grown its representation by almost 3 percentage points from 82.9% to 85.7%.

Recognised union representation at Zondereinde F2019 (permanent employees)

Union	Cat 2-8	Cat 09	Cat 10	Totals
NUM	4 899	90.97%	192	51.61%
Solidarity	4	0.10%	46	12.37%
UASA	26	0.48%	68	18.28%
Non-unionised	455	8.45%	66	17.74%
Grand total	5 384	100%	372	100%
			431	100%
			6 188	100%

In the previous financial year the Booyensdal operation transitioned from a contract mining model to an owner-operator model. Employees who were previously engaged by Minopex and Murray and Roberts Cementation (MRC) were re-engaged by Booyensdal with new employment contracts. The Association of Mine Workers and Construction Union (AMCU) emerged as the majority union at Booyensdal operations, with a representivity level of 78%. Both the recognition and bargaining agreement have been concluded with management.

Recognised union participation at Booyensdal 2019

Union	A & B Band		C Band		Totals	
	Number of employees	1 589	Number of employees	594	Total A – C Level employees	2 183
AMCU	1 390	88%	316	53%	1 706	78%
Total	1 390	88%	316	53%	1 706	78%

Industrial relations in review

Northam's long-standing employee relations systems and practices underpin collaborative engagement processes which facilitate and promote mutually beneficial and constructive outcomes.

Against this background, Zondereinde management was able to resolve an unprotected strike by 68 metallurgical employees in April 2019. The strike was related to perceived job grading anomalies. Northam was able to resolve the industrial action peacefully through an engagement process involving management and NUM. The industrial action was short-lived and had a negligible impact on production. Given these healthy relationships and established procedures, the labour relations climate at Zondereinde was relatively stable over the reporting period.

Booyensdal's operations continue to be peripherally affected by surrounding community protests and disruption. Production losses owing to these disturbances are equivalent to 8 days' losses in aggregate.

Negotiations relating to wages and conditions of service

Subsequent to the expiry of the 2015 three-year wage agreement with NUM, Zondereinde successfully concluded its next settlement on 1 October 2018. For the second consecutive period, the agreement delivered a three-year deal. Amongst others, the agreement makes provision for:

- A R1 000 wage increase in year 1 for all Category 2 to 8 employees
- In each of year 2 and 3 the R1 000 increase would be supplemented by an additional R100
- The living-out allowance, for the same bargaining unit, was increased by R200 annually
- Category 9 and 10 employees would receive a 7% annual increase in wages and 6% annual increase in living-out allowance

Following the successful transition from contractor mining to an owner-miner operating structure, Booyensdal will for the first time conduct wage negotiations with the recognised and majority union, AMCU. This process commenced in July 2019.

Human rights and code of ethics

Northam upholds the basic labour rights of the Fundamental Rights Convention of the International Labour Organization (ILO), through the implementation of fair employment practices.

In support of the foregoing, our policies and practices comply with South Africa's labour legislation and regulations, and provides for fair treatment of our employees, irrespective of their origin, race or gender. Furthermore, Northam's SEHR&T committee plays a vital role in monitoring support and respect for the protection of internationally proclaimed human rights to ensure the company is not complicit in any infringements thereof. Procedures are in place to deal with issues of discrimination and human rights transgressions.

Northam's code of ethics safeguards the rights of all employees to a working environment free of discrimination on the basis of race, gender, sexual orientation, religious belief, political affiliation, age or disability. Our code of ethics is available at: www.northam.co.za/governance/policies-and-procedures

All employees are required to adhere to the company's code of ethics. Managers are obliged to take reasonable steps to ensure that employees are aware of and uphold the guidelines set out in the code. The steps include the consistent demonstration of exemplary behaviour; activities to foster a culture in which employees understand their responsibilities and feel comfortable to raise concerns without fear of retaliation or victimisation; ensuring that mandatory policies, standards and procedures are accessible and understood; and responding promptly to legitimate concerns. The group has a whistle-blowing and ethics hotline that is accessible to all employees.

Safety, workplace health and wellness



Safety overview

Northam recognises employees' rights to a safe working environment. Northam is committed to zero fatalities and aspires to eliminate injuries in the workplace.

Our Boysendal operation continues to maintain its leading position in the industry. Since construction activities started in 2010, Boysendal has operated for nine years without any fatalities. Northam management continuously strives to identify opportunities that could potentially prevent injuries.

The safety and health of Northam employees is of paramount importance and takes precedence over all production objectives. We are guided by extensive legislation and regulations, notably the Mine Health and Safety Act, No 29 of 1996. The company seeks to comply fully with applicable safety and health legislation, and to ensure that all employees adhere to group and industry safety standards.

Structures and systems

Responsibilities	Policies, procedures and reporting	Training	Equipment
The health, safety and environmental (HS&E) committee, a subcommittee of the board, is responsible for overseeing compliance with health and safety laws and regulations that may have an impact on the group	The operations maintain policies and procedures, detailed records and reports on safety matters, accidents and their severity, transgressions and remediation work. This information is analysed and used to improve safety performance	All employees and indirect employees receive safety induction training on an annual basis, and intermittently during the year, for example, when they return from leave	Personal protective equipment (PPE) is supplied to employees and a comprehensive code of practice guides the allocation of PPE for occupational-specific requirements
Management review committees based at each operation meet on a monthly basis with executive committee members	Reports on safety and health are reviewed by the management review committees and submitted to the HS&E committee, which is tasked with safety and health matters for further review and oversight		
Operational health and safety is the responsibility of the general manager at each operation			
Day-to-day safety management is delegated to the operational managers, who are supported by the mine health and safety departments			
Operational and joint management and employee health and safety committees meet, at a minimum, on a monthly basis			

Our approach to managing safety at operations and keeping our people safe

Emanating from the strategic approach of continuous improvement of the workplace environment through hazard identification, elimination, mitigating, monitoring and management, operations are required to develop and implement procedures and systems that are in line with the group safety operating model. We strive to ensure that employees are safe, healthy and engaged to perform at their best. We are guided by legislation and regulations, such as the Mine Health and Safety Act, No 29 of 1996.

All our operations have risk-based safety management systems in place in order to support our approach of early detection and intervention.

Five-year safety performance

We have seen an overall improvement in our safety performance, resulting in fewer lost time injuries. We believe this trend is attributable to the implementation of various initiatives and safety campaigns that we introduce at our operations from time to time. These campaigns, such as "hlokomela tau" – beware the lion (danger) – are used to conscientise the workforce and to emphasise to everybody that safety should be everyone's primary concern.

In the past year, one person succumbed to injuries in a mine-related incident at our Zondereinde operation.

Group safety statistics

	2019	2018	2017	2016	2015
Fatal injury incidence rate (FIIR)	0,01	0,02	0,01	0	0
Total injury incidence rate (TIIR)	1,63	1,98	1,87	2,23	1,95
Lost time injury incidence rate (LTIIR)	0,93	1,00	1,30	1,58	1,13
Reportable injury incidence rate (RIIR)	0,65	0,66	0,88	0,93	0,82
Number of fatalities	1	2	1	0	0

Safety interventions

To ensure a sustainable safety performance, we have developed six key initiatives that focus on overall organisational safety, promote a safe culture and provide technical support. Our initiatives are:

- A redefined group safety operating model
- A revised safety organisation structure
- Leadership and supervisory development
- Enhanced communication
- The roll-out of health and awareness programmes
- Major unwanted events and associated critical control management

Health and wellness of our people

Health and wellness are the most important contributors to the company's goal of zero harm. The main focus is on identifying and treating primary occupational health risks such as tuberculosis (TB), noise-induced hearing loss (NIHL) and occupational lung disease. Primary healthcare is directed at promoting health, the early diagnosis and treatment of diseases that could lead to disability and, importantly, the prevention of diseases. On-mine employees have access to pharmacies, medical specialists, hospitals, radiology and pathology services.

Educational initiatives, community awareness and monitored employee wellness programmes also extend to the prevention and treatment of lifestyle illnesses, alcohol and drug abuse, and cancer. We aggressively target HIV/AIDS and TB by facilitating access to treatment such as the use of antiretroviral and specific TB medications.

Wellness screening campaigns also include the provision of voluntary testing for the main causes of serious illnesses such as abnormal cholesterol levels, HIV/AIDS, diabetes, hypertension and others.

An independent service provider has been engaged to treat employees who display symptoms of stress in the face of seemingly insurmountable challenges in life. The employee wellness programmes focus on counselling for trauma, stress, depression, substance abuse, work conflict, domestic relationship matters, and financial and debt management. The service also caters for management referrals.

Medical surveillance

All operational employees are required to undergo scheduled annual medical screenings, including the legislated occupationally based medical tests.

In the 2019 financial year, 11 767 employees, or 81.1%, were subjected to annual medical surveillance screening.

Employees and visitors to our operations are tested randomly for traces of drugs and alcohol before entering the premises/workplace. Corrective action is recommended to management when results indicate a positive identification.

Employee assistance programme

In collaboration with an external service provider, Zondereinde has designed an employee assistance programme in recognition of protecting employees' physical and mental health. Professional preventative care and counselling is provided to employees at no cost.

HIV/AIDS

The group's approach to HIV/AIDS is guided by a comprehensive policy that deals with employee care, awareness, education and confidentiality, and promotes non-discrimination. Ongoing awareness programmes, voluntary counselling and testing (VCT) focusing on early detection, and access to ART has largely destigmatised the condition, and rendered HIV/AIDS a manageable disease.

Group HIV/AIDS stats

HIV/AIDS	Unit	2019	2018	2017	2016	2015
New cases of HIV/AIDS reported	(number)	123	119	211	106	200
Voluntary counselling and testing (VCT) encounters	(number)	8 912	3 342	5 304	2 195	1 709
Employees on anti-retroviral treatment (ART)	(number)	1 246	1 186	1 150	1 081	1 045

TB is an opportunistic infection and is the leading cause of death for people living with HIV/AIDS. Northam runs a highly effective treatment system, which is aligned with the TB guidelines of the World Health Organization. The group had a 86.8% TB treatment success rate. The table below indicates the TB prevalence within the group.

Tuberculosis (TB)	Unit	2019	2018	2017	2016	2015
New cases of TB reported	(number)	61	61	56	83	115
Total number of TB cases	(number)	86	94	115	162	179
Employees on TB treatment	(number)	24	41	41	54	64

Noise-induced hearing loss

Excessive noise exposure is one of the most pervasive health hazards in mining. Prolonged exposure to hazardous noise causes a loss of hearing acuity, which occurs gradually and is known as noise-induced hearing loss (NIHL).

Northam group operations seek to enforce legal compliance with noise thresholds by ensuring that the noise associated with any machinery or underground equipment is contained to below 110dBA. All Northam employees are issued with PPE to ensure that exposure to noise levels above 85dBA over an extended period is limited.

The table below indicates that there has been a steady uptick in the compensable cases of noise-induced hearing loss. In order to counter this, training in the use of PPE has been reinforced at the operations to prevent further growth in this trend. This training forms part of the mine's hearing conservation programme that is overseen by a noise committee, which meets on a monthly basis. This committee has been recently constituted in response to what appears to be a concerning trend.

Cases of noise induced hearing loss

	28	2019
	68	2018
	47	2017
	18	2016
	32	2015

Occupational lung disease

Bushveld Complex rock does not contain quartz, thereby eliminating the threat of silicosis and occupational lung disease (OLD). In addition, the use of hydro-powered mining equipment at Zondereinde and mechanised mining at Booyensdal significantly reduces employee exposure to both noise and dust. However, Northam's operations continue to test for OLD given that there may be employees who have previously been exposed to this threat.

Key focus areas for F2020

- Maintain and monitor compliance with regulations, standards, codes, and best practices in the industry.
- Focus efforts on improving the relationship with the Department of Mineral Resources and Energy and the Department of Human Settlements Water and Sanitation to achieve mutual beneficial outcomes.
- Review HS&E related risks within the group to identify key focus areas that will have a major impact on our goal of zero harm thereafter develop and implement mitigation plans.
- Identify Major Unwanted Events and ensure Critical Control Monitoring/Management

Accommodation and housing



Northam's accommodation and housing strategy

Employee's living conditions remain a key priority for Northam. The company's accommodation and housing strategy promotes home ownership as the preferred sustainable tenure option while acknowledging that rental units and company accommodation will also be required.

Northam sees its role as that of a facilitator, creating opportunities for employees and using its financial and other resources to secure decent, safe and affordable accommodation.

Refurbishment of existing hostels at Zondereinde into single accommodation residences – completed upgrade of visiting quarters; and the improvement of social amenities around the residences – completed

Ongoing development of residential units near Zondereinde and Boysendal of:

- freehold home ownership units for Northam employees
- freehold home ownership units for public participation
- freehold rental units for Northam employees

Promote and facilitate home ownership with company financial assistance, empowering employees to purchase a home of their own

Housing projects

A professional in-house project management team manages all projects. Developments focus on family units of two and three bedroom houses, in safe environments with all necessary amenities such as schools and shops close by.

In F2019 Zondereinde successfully delivered a home ownership project in Northam Extension 10, called Lefika. The project comprises 69 units and was sold out by the end of June 2019. Lefika proved to be popular with employees confirming a healthy appetite for this type of development. The Lefika units are freestanding units each with an individual title deed. Host community SMME contractors constructed 20 of the 69 units.

Zondereinde started with the second home ownership development in Northam town, called Lesedi Village. Land has been secured and township establishment has been done at a total cost of R7.6 million. Future developments are planned in the town of Thabazimbi as well.

The Mogwase development, Phelabontle, has 24 family units of which 20 units have been registered to their new owners to date.

Boysendal has started their first home ownership project in Mashishing. To date R46 million has been incurred for the bulk and internal services of the development and construction of Phase 1 consisting of 68 family units.

To date, a total of R48.2 million in interest free loans has been granted by the company to assist first time homeowners to acquire units in company developments such as Lefika, Phelabontle, Mojuteng and Setaria as well as on the open market.

Financial assistance to employees: Home Owners Bond Cover & Interest Free Home Loans

Northam promotes home ownership by assisting qualifying employees and contractors to procure homes, through the provision of technical advice, administration services, bond originating services and financial assistance.

The company assists qualifying employees with Home Owner Bond Cover (HOBC). Northam further allows for a partial interest free home loan, based on the sales price and limited to prescribed ceiling prices. These loans are repayable over a maximum period of 20 years through payroll deductions and a second bond is registered over the property in favour of the lender.

This financial assistance has helped employees to comply with commercial banks affordability benchmarks. The same benefits are available to employees purchasing homes in the open market. By the end of June 2019, 241 employees had made use of this assistance to purchase primary homes in the open market in close proximity to the operations.

Northam strives to ensure that all employees have the opportunity to live in decent accommodation with access to amenities such as medical facilities, schools, transport and shopping centres. The company views this as essential to building sustainable communities and contributing to socio-economic development.

Zondereinde	Number of units/loans	R000
Conversion of hostels into single residence	2 852	Conversion concluded in F2017
Freehold home ownership units (Mojuteng)	409	404 units have been sold
Freehold home ownership units (Mogwase)	24	20 units have been sold
Company units available for rental or home ownership (Setaria)	601	7 units have been sold
Land acquisition in Northam town, Extension 10 - Lefika project	69	Proclaimed in F2017, services installation completed early F2018. Construction of 69 home ownership and rental units began early F2018 with all units completed, 54 sold and registered and 15 awaiting registration.
Land acquisition Koedoesdoorns		Land acquired in F2016, with planning underway for further development
Number of home loans relating to Mojuteng	344	Financing provided to employees and ex-employees to assist with home ownership
Number of interest free home loans	201	Interest free home loans provided to employees
Number of individuals receiving a living out allowance	2 906	An allowance is received of between R3 115 - R4 736 per employee per month

Boysendal	Number of units/loans	R000
Freehold rental units (company owned and leased units)	131	Currently being rented, with a commitment up to 2022
Land acquisition in Mashishing (Extension 78 & 79)	68	Proclaimed in F2018, services installation and construction of the first 68 units have commenced
Number of interest free home loans	37	Interest free home loans provided to employees
Number of individuals receiving a living out allowance	2 143	An allowance is received of between R3 115 - R4 736 per employee per month

Eland	Number of units/loans	R000
Number of interest free home loans	3	Interest free home loans provided to employees
Number of individuals receiving a living out allowance	180	An allowance is received of between R3 115 - R4 736 per employee per month

Social capital

S

In many ways Northam's reputation and its profile as a responsible corporate citizen are underpinned by the relationships it has with its stakeholders. Our engagement strategies provide for appropriate forums and channels for open, two-way communication with our stakeholders to understand their needs and manage the risk of potential conflict.

Our risk management processes are informed by the material issues we identify as we engage meaningfully with our stakeholders.

Relevant material issues

- Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No 28 of 2002 (MPRDA) and the Mining Charter
- Maintaining constructive communication channels with all our stakeholders

Relevant identified risks

- Losing our social licence to operate in an ever-changing regulatory environment
- Health and safety risk
- Labour unrest
- Community unrest
- Tailings storage facility failure

Enterprise and Supplier Development initiatives contributed to the increase of HDSA and local procurement spend.

Toro Employee Empowerment Trust

R73.4 m

paid during the year to beneficiaries

P89

**Key statistics
for the year ended
30 June 2019:**

HDSA procurement spend

▲34%

F2019: R4.3 bn
F2018: R3.2 bn

Local procurement spend

▲264%

F2019: R451.0 m
F2018: R124.0 m

P88

P88

Legislated social and labour plans (SLPs) commit Northam's operations to equitable human resource development, the provision of decent housing and living standards, local economic development (LED) and mine closure obligations, amongst others. The company seeks compliance with the targets required by the SLPs and addresses any challenges in collaboration with the Department of Mineral Resources.

Our mines' stakeholder relations departments are responsible for community engagement processes through stakeholder relations coordinators. Senior management oversees the implementation of SLP commitments, which are largely based on LED programmes.

Stakeholder engagement

The company values all stakeholders and considers engagement strategies that are tailored to their needs and expectations. Our stakeholder relationships are built on trust, rather than an approach based merely on compliance.

Our mines' stakeholder relations departments are responsible for community engagement processes through stakeholder relations coordinators.



Employees and unions

Major concerns	Interventions and resolutions
Wage negotiations at Booysendal	Joint management and union leadership intervention
Perceived inequity in opportunities, and racial diversity not acknowledged	Diversity training workshops focusing on gender and racial diversity; this matter also referred to workplace forums. Accessible dispute resolution processes in place
Ad hoc and isolated industrial action incidents	Collaboration and communication with organised labour; proactive engagement and ongoing direct employee communication

Investors/shareholders

Major concerns	Interventions and resolutions
Shareholders could be at risk of value leakage or dilution in the event that Northam is required to execute a guarantee for the redemption of Zambezi preference shares, which were issued and listed on the JSE in terms of the 2015 BEE transaction whereby Zambezi Platinum acquired a 31.4% stake in Northam. In terms of the 2015 transaction, Northam guarantees any shortfall below R25 billion on this settlement in 2025	Northam has consistently concentrated on a strong balance sheet, and continues to put funding flexibility in place in order to provide for the repurchase of ordinary shares or the Zambezi preference shares once its capital-intensive project execution phase is complete



Communities and NGOs

Major concerns	Interventions and resolutions
Unrealistic and misaligned expectations associated with community development projects	<ul style="list-style-type: none"> Empower community trust members to drive engagement with communities Engagement with councils and tribal authorities Communication campaigns to correct inaccurate information being peddled in communities Some needs addressed by community trusts; negotiations with local municipalities to review and align with next iteration of SLPs Operations agreed on special shorter payments for Tier 1 (local community) SMMEs Ongoing engagements with the Departments of Education, Health, and Human Settlements to determine interventions required
Zondereinde SLP housing projects hindered by dissent within local coalition government and compounded by financial constraints	<ul style="list-style-type: none"> Zondereinde management intervention to provide interim relief in terms of water services to employees and housing development residents whilst local authority works on long-term solution Investigations into feasibility of prepaid water meters with direct payment to water provider to reduce debt burden
Inadequate local procurement spend	<ul style="list-style-type: none"> Opportunities ring-fenced for local SMMEs Contracted enterprise and supplier development partners to contribute to development of local SMMEs
The high unemployment rate in the country frequently results in community protests and unrest	<ul style="list-style-type: none"> Regular engagement with unemployment forums, tribal authorities, municipalities and community forums to seek fair distribution of job opportunities Tribal councils and municipalities consulted during local recruitment to ensure fairness and avoid job-selling scams Contractors encouraged to use same platforms to recruit locally and maximise job opportunities SLP project implementation mostly ring-fenced for local SMMEs who hire 95% local labour

National Government

Major concerns	Interventions and resolutions
Department of Labour concerned about foreign national employee numbers	This is a consequence of an agreement with NUM to hire family members in the event of employees becoming incapacitated and hindered from working. The matter has been escalated to the employment equity forum for resolution

International industry associated bodies

Major concerns	Interventions and resolutions
Industry bodies concerned with sustainability of membership of platinum mining companies in view of costs	Frequent dialogue with leadership of global industry bodies; membership is subject to annual review

Case study: Positive community engagement

During the year, the Zondereinde mine became embroiled in accusations of corruption in the Ramokoka community, more specifically by the Batlase Community Trust, which is a shareholder in Zambezi Platinum (RF) Limited. Protest action in the Baphalane community was intense and extensive, spreading to Pretoria, with demands that the President of South Africa should hear the community's grievances. Following the establishment of a task team by the Premier of the North West province, the allegations against Zondereinde and other mines in the area were investigated, and Northam was cleared of allegations of job-selling. An administrator was appointed to run the community's affairs. The community, along with the administrator, have now become an important stakeholder and monthly meetings are held with them to discuss any matters of mutual concern and issues that may become contentious.

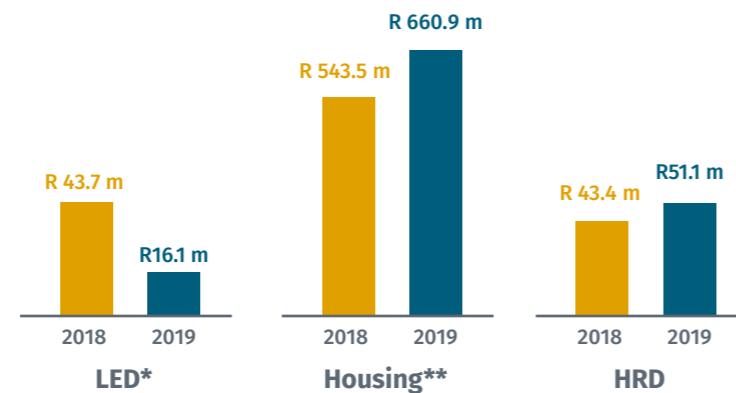


Zondereinde Community Trust sanitary towels handover

Social and labour plans

The group's operations have two approved SLPs in place for its mining activities at Zondereinde and Boysendal. Governed by the Mining Charter, the SLPs commit our operations to certain targets in terms of human resources development, decent housing and living standards, local economic development and mine closure obligations.

Community and social development impact



* Included in the prior year LED spend were amounts incurred relating to housing which are now disclosed as such

** Cumulative spend on housing



Zondereinde

Zondereinde's current community and social development focuses mainly on the integrated development plans (IDPs) of the local municipalities. The IDP priorities include unemployment, local economic development (LED), poor infrastructure and delivery of basic services (including water and sanitation, healthcare and education facilities).

Zondereinde's SLP successes include upgrades and restoration to a number of educational facilities, including the Spitzkop Special Needs School, the Mabogopedi Secondary and Chrome Primary schools restoration projects, the Northam youth recreation park and the installation of CCTV cameras in the Northam central business district. These projects were achieved in the face of seemingly insurmountable challenges in the form of regulations and other obstacles, and their success is largely the result of excellent examples of public-private partnerships.

A feature of the bulk of Zondereinde's community and social development projects is the fact that they are being implemented by contractors from the

same communities that also employ labour in those communities. Preferential payment terms appear to be incentivising SMMEs, which releases necessary monetary resources into the community.



Zondereinde Community Trust sanitary towels handover

Boysendal

Given the remote location of the communities around Boysendal, the mine's community and social development projects from 2015 to 2019 have focused largely on infrastructure, and includes an electrification and water reticulation project in the Matsosho village. Work on the water project is in progress and will further enhance the quality of life in the village, whereas the electrification project was completed during the year, changing the lives of 442 families. With this project came 20 jobs and business opportunities for the local community.

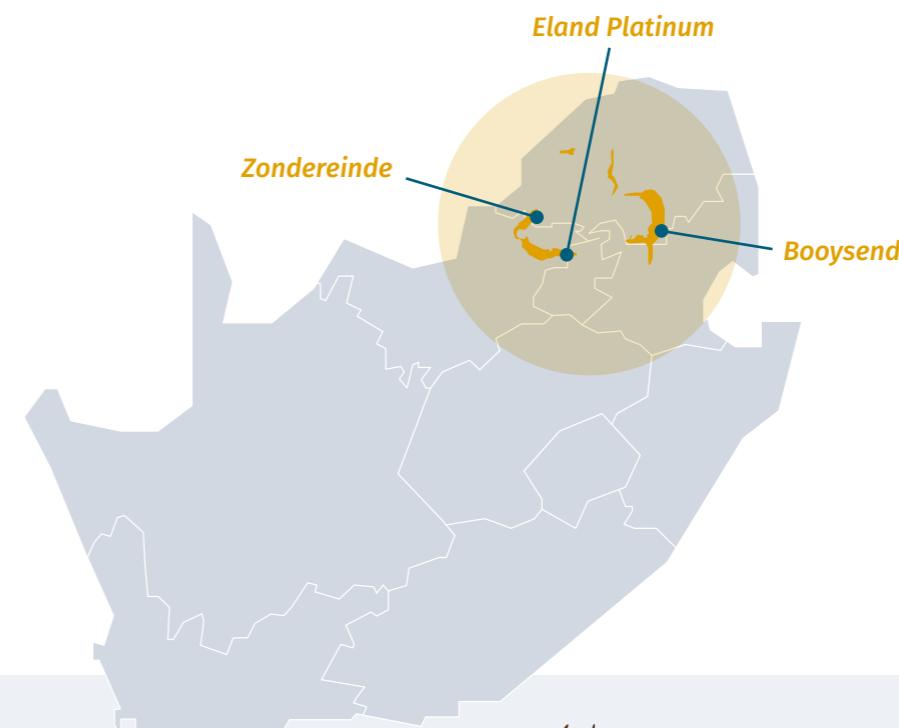
The science laboratory at the Ngwaabe Secondary School is almost complete, built almost entirely by local contractors.

Procurement matters are dealt with in the existing active stakeholder engagement forums at Boysendal North and South, which deal with recruitment, procurement, infrastructure and development issues. All suppliers are subject to Northam's procurement policies and large vendors are encouraged to use local labour.

Along with Boysendal's growing public profile comes intense community and



Boysendal SLP Matsosho village electrification project



Electrification of
Matsosho village helped

442
families

Female hygiene products
distributed by the Zondereinde
community trust

3 075



Eland Platinum

A stakeholder engagement forum has been established, and quarterly meetings are held with the leadership and representatives of adjacent communities. Local councillors and SMME delegate are included in the forum, as well as land claimants, the traditional council and the local municipality.

The Boysendal North and South stakeholder engagement forums have been established and staffed to adequate levels to inform communities about developments at the mine and to serve as channels for two-way communication and to defuse potential conflict.

The mine works with the Thaba Chweu and Fetakgomo Tubatse local municipalities in terms of SLP-IDP-LED project conceptualisation, alignment, implementation and monitoring.

The Fetakgomo Tubatse local municipality facilitates quarterly municipal mining forum meetings for all stakeholders, whilst Boysendal facilitates regular meetings with the Thaba Chweu local municipality to discuss socio-economic development projects.

Eland's community and social development projects have been identified in line with the IDP of the Madibeng local municipality, which meets with the mining forum on a quarterly basis. The plan is for these projects to be implemented once the SLPs have been approved by the DMR. Eland's application is currently in progress and is reaching the final stages.

Preferential procurement

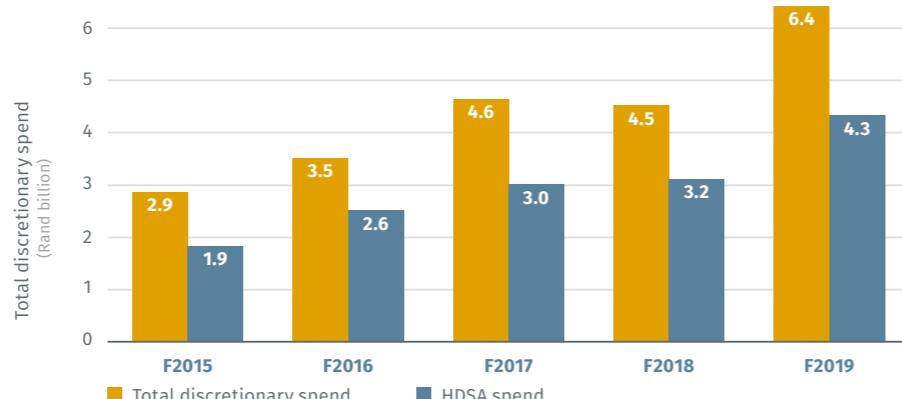
Northam's approach to procurement is underpinned by the notion of inclusivity and transformation, as stipulated by the country's Mining Charter. This approach extends to the group's procurement practices, which seek to support HDSA-compliant suppliers who meet the company's requirements in terms of its vendor governance systems.

Over the past five years, Northam has grown its HDSA procurement spend from R1.9 billion in F2015 to R4.3 billion in F2019.

By leveraging its enterprise and supplier development (ESD) initiatives, Northam has procured R703 million worth of goods and services from local, community based companies over the past five years. Over the same period, Northam has increased the number of local, community based companies registered in the company's vendor database, from 26 to 52. This has contributed to the growth in local procurement spend from a base of R26 million in F2015 to R451 million in F2019, as depicted in the graph below.

Notwithstanding the challenges associated with operating in rural

Northam consolidated discretionary procurement spend versus HDSA spend: five-year view



communities – such as poor infrastructure, limited employment and employability, limited resources and skills shortages – Northam strives to counter these difficulties with its ESD programme. The ESD programme comprises a number of initiatives that are sponsored by the company and are offered through ESD agents. These initiatives include:

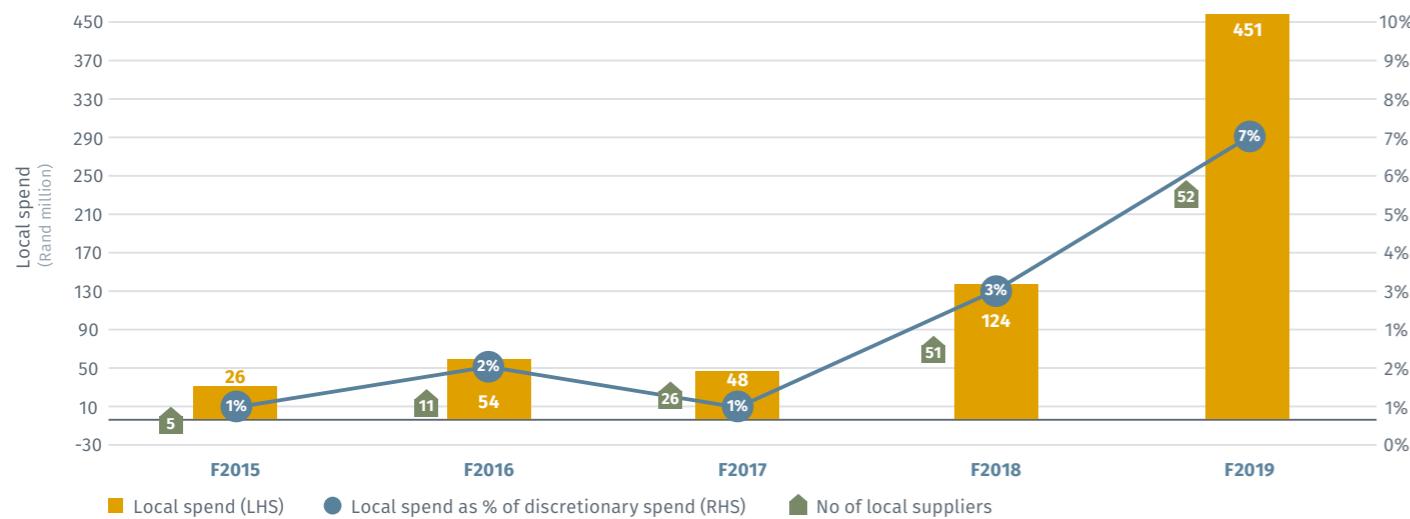
- Identifying procurement opportunities
- Hosting regular open days for suppliers, during which identified procurement opportunities are shared with the communities, and

details of the company's vendor administration and governance systems are shared and explained

- Entrepreneurs' skills development programmes, in which local SMMEs are coached on tendering, pricing, invoicing, branding and other business capacity building initiatives
- Mentoring of SMMEs
- Favourable invoice settlement terms for local SMMEs that are part of the ESD programme

Northam's operations are committed to increasing local community spend with SMMEs in line with the company's growth trajectory.

Northam consolidated local procurement spend: five-year view



Toro employee empowerment trust

The Toro employee empowerment trust was established in 2008 in terms of an agreement between organised labour and Northam's Zondereinde operation.

The agreement provides for Zondereinde to contribute to the Toro trust fund and the beneficiaries receive an investment payout after every five-year period.

In total, the trust's payouts (R54.9 million in 2013 and R73.4 million in 2018) have reached R127.9 million, and have benefited from novice to operator employees.

BEE trusts

Zambezi Platinum (RF) Limited was established in October 2014 as a special-purpose BEE vehicle as part of a R6.6 billion transaction with Northam. Zambezi comprises a range of HDSA

stakeholders including, amongst others, an employee trust and two community trusts. Each of the community trusts represents the interests of identified communities in the neighbourhoods of the Zondereinde and Boysendal mines. In combination, Zambezi's HDSA stakeholders hold a 31.4% interest in Northam.

Northam's 2015 transaction with Zambezi provides for a 10-year lock-in and restraint period, for which Northam paid a once-off amount of R400.0 million to Zambezi.

In May 2015, Zambezi distributed the lock-in and restraint payment, net of taxes, to its ordinary shareholders, the HDSA participants, as a dividend. The mandate of the trusts on the utilisation of their portion of the lock-in and restraint payment are:

- The Northam Employees' Trust is required to invest its portion of the lock-in funds in permanent capital goods and infrastructure, education or healthcare projects for the benefit of its beneficiaries

- Each of the Northam Zondereinde Community and the Northam Boysendal Community Trusts are required to invest their portion of the lock-in funds in community development activities for the benefit of their beneficiary communities

The table below indicates some of the trusts' activities and bequests in the past financial year.

Northam Zondereinde Community Trust activities during the year

Six university bursaries and four college bursaries granted

An MOU signed with the Department of Education and another private sponsor to effect renovations and build additional classrooms at the Jerome Secondary School in the Moses Kotane district municipality

Four primary schools within the Thabazimbi local municipality received female hygiene products for more than 1 000 pupils

The first annual general meeting was held on 19 January 2019

Boysendal Community Trust activities during the year

Six university bursaries were awarded to students from various communities for the duration of their studies

Eight cadetships and four learnerships were awarded to community members

Borehole projects provide potable water to eight communities

A wellness programme was provided to communities jointly with the Mpumalanga Provincial Department of Health

A partnership agreement was reached with the Mpumalanga Provincial Department of Health to build a local clinic

The annual general meeting was held on 28 November 2018

Northam employees' trust

The discussions are continuing with organised labour to implement the employees' trust.

When the BEE trusts were established as a result of the Zambezi transaction R74.7 million was ringfenced to cater for the objectives of the trust as stipulated in the trust deeds. Since the inception of the trusts R33.8 million has been spent to date on deserving projects in line with the mandate of the trust.

Natural capital



Northam is conscious of the impact of mining on the natural environment, along with the increasing concerns from investors about environmental threats resulting from mining. As a responsible and ethical corporate citizen, Northam is committed to playing an active role in the stewardship of the environment surrounding the mining and metallurgical operations at all its operations, and to achieve and maintain world-class environmental standards.

Relevant material issues

- Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No 28 of 2002 (MPRDA) and the Mining Charter Maintaining constructive communication channels with all our stakeholders

Relevant identified risks

- Losing our social licence to operate in an ever-changing regulatory environment
- Unreliable energy supply
- Water scarcity
- Tailings storage facility failure

Key statistics for the year ended 30 June 2019:

Water recycled in mining operations

85%

p98

Energy consumption

▲8.9%

p96

Greenhouse gas emissions

▲8.9%

p94

Total refined metal produced up 20.7%

Total refined metal produced up 20.7%

The group's approach to environmental management

Our operational and environmental management programmes place a great deal of emphasis on water and energy efficiency as well as the protection and management of biodiversity around our operations to ensure a balance between economic activity and the sustainability of natural resources.

We understand that our success depends on bringing mineral resources under our control to account safely, efficiently and profitably. Our activities should be executed whilst in parallel managing the impact on the environment, from disturbing land and consuming water to minimising greenhouse gas emissions (GHG) and preventing the pollution of water resources. In order to limit adverse environmental impacts of our activities on surrounding communities and their natural resources, Northam strives to achieve the following:

- Compliance with accepted environmental practices
- Meeting applicable legal requirements
- Striving for continual improvement in our environmental management and business systems
- Adopting appropriate technological and engineering responses to environmental concerns
- Raising an awareness of environmental concerns amongst the workforce and surrounding communities through appropriate training and communication
- Encouraging our suppliers and business partners to adopt similar principles

The chief executive, mining executives and general managers at the operational level have final accountability for environmental compliance and performance. The HS&E

committee is mandated with oversight for HS&E management and performance, and for reviewing HS&E policies and standards applied at Northam, as well as monitoring management's adherence to internal policies and procedures, external frameworks and legislation.

The HS&E committee's work is subject to legislative requirements, the combined assurance policy and framework and the Northam risk management policy and framework. In this way, environmental risks and impacts are identified, managed and monitored throughout the group. The group environmental and sustainability policies are available on the Northam website.

Environmental legislation and compliance

Overview

Northam seeks to comply with environmental legislation and strives to minimise its impact on the environment. Policies and procedures, supported by impact management and efficiency plans, are firmly established and govern the mitigation of environmental risk associated with mining and processing activities. Our environmental management systems at Zondereinde are based on the ISO 14001 standard. Group environmental management and reporting systems are aligned to ensure compliance with the requirements of relevant legislation, in particular the National Environmental Management Act, No 107 of 1998 (NEMA), the National Environment Management: Air Quality Act, No 39 of 2004 (NEM: AQA), the National Environmental Management: Waste Act, No 59 of 2008 (NEM: WA), the National Environmental Management: Biodiversity Act, No 10 of 2004 and the National Water Act, No 36 of 1998.

Northam seeks to comply with environmental legislation and strives to minimise its impact on the environment.



All Northam's operations (excluding Eland) have approved environmental management plans (EMPs) that have been approved by the DMR in terms of NEMA.

Environmental management and monitoring programmes have been developed and implemented to ensure compliance with these plans. In addition, all the relevant permits and licences are in place.

In line with the requirements of NEMA, new mining projects and proposed changes to existing mining operations require environmental assessments before construction may start. This process involves public participation and specialist studies to assess the potential environmental and social impacts the proposed project may have on the receiving environment and the compilation of an EMP. When the process is complete, an Environmental Authorisation (EA) is obtained from the regulatory authority, in this case the DMR. Zondereinde has applied for an Environmental Authorisation for the proposed Western block #3 shaft project. On approval, this authorisation and the submitted EMP will form part of the mine's approved environmental management plans (EMPs).

The Boysendal South phase 2 expansion environmental authorisation has been granted by the DMR and a letter from the Department of Environmental Affairs supporting the draft offset agreement has been sent to MTPA. It is expected that the agreement will be signed by both parties involved in due course.

Audits are conducted regularly in order to ensure compliance with approved EMPS, existing licences and permits.

Subsequent to the granting of Northam Zondereinde's Integrated Water Use Licence (IWUL) in 2012, Zondereinde continues to engage with the Department of Water and Sanitation (DWS), and has submitted a further application for the relaxation of certain standards.

Zondereinde has submitted an application in terms of Section 12(A) of the National Environmental Management: Air Quality Act, No 39 of 2004 (NEM: AQA) to the Department of Environmental Affairs (DEA) for an alternative point source emission standard for the main stack at the smelter in terms of the 2015 limit for SO₂ of 3 500 mg/m³ (dry).

The motivation for the new proposed standard is based on Zondereinde's current compliance with ground level concentration limits, and with monitoring results confirming the low impact on the surrounding environment. Future emissions based on the current business plan have been modelled and have indicated continued compliance.

Additionally, Zondereinde has committed to compliance with the 2020 point source emission limits on all other pollutants for the main stack as well as for all the pollutants for all the remaining stacks.

Zondereinde has also initiated a fugitive gas capture and stacking project in order to improve hygiene in the smelter plant, which has had further positive impacts on ground level limits.

Captured fugitive gases will be combined with primary off-gases before being emitted through a single main stack. By combining these two off-gas streams, Zondereinde will seek to ensure compliance with the new proposed point source emission standard of 3 500mg/Nm³ (dry).

The water use licence application process for the Boysendal South expansion project has been finalised and was submitted in June 2019.

Northam Zondereinde has adopted the ISO 14001 standard for environmental management and is certified according to the ISO 14001: 2015 standard. A recertification audit was conducted in December 2018 and Northam Zondereinde has maintained certification subsequent to the audit.

The Zondereinde processing plants have not yet been certified. Management, however, continues to be guided by the ISO 14001 standard until the processing plants are certified, which is currently scheduled for November 2019.

Environmental performance in 2019

Resource utilisation and waste management

The platinum metals group industry is heavily reliant on the efficient utilisation of resources in order to produce and be profitable. The bulk materials that are used by Northam comprise mined and processed rock, liquid fuels, coal, grease, steel, timber, and lubricating and hydraulic oils.

Northam uses the South African Waste Information System (SAWIS) that was

developed by the Department of Environmental Affairs as a reporting tool. Northam seeks to comply with the provisions of the National Environmental Management: Waste Act, No 59 of 2008 and our operations have processes in place to recycle materials such as plastics, steel, timber and other scrap. In addition, we monitor and manage our hazardous waste during its life cycle stages, i.e. recovery, recycling, treatment,

disposal and transportation. Our operations are encouraged to drive waste prevention or minimisation, and to recycle and reuse. All our waste is disposed of at licensed landfill sites which are subject to audits that are performed annually as per licence requirements.

The tables below indicate our performance in terms of materials used and materials recycled over the past five years.

Materials used

Group material consumption	Unit	2019	2018	2017	2016	2015
Rock mined	(000t)	5 268	4 975	4 738	4 383	3 739
Ore milled	(000t)	4 892	4 602	4 402	4 167	3 646
Timber use (bulk support)	(m ³)	2 505	2 189	2 576	1 842	2 748
Cartridge/emulsion explosives	(tonnes)	7 940	7 366	4 519	3 721	4 977
Oxygen	(tonnes)	3 455	2 831	2 224	2 143	2 227
Sulphuric acid	(tonnes)	688	758	687	814	876
Sulphur dioxide	(tonnes)	140	94	130	99	89
Grease	(tonnes)	47	48	40	40	40
Lubricating and hydraulics oil	(000 litres)	1 614	1 491	1 311	1 482	1 369
Diesel	(000 litres)	4 974	3 795	2 843	2 893	2 743
Petrol	(000 litres)	99	101	96	96	131
Coal	(tonnes)	12 085	12 128	17 655	10 552	11 205
Jet A-1 fuel	(000 litres)	46	42	37	38	30

Materials recycled	Unit	2019	2018	2017	2016	2015
Plastic	(tonnes)	37	20	20	23	61
Scrap metal	(tonnes)	3 217	2 021	1 659	2 031	1 628
Timber	(tonnes)	1 837	1 508	2 340	2 753	2 540
Rubber	(tonnes)	274	275	187	300	134
Total group	(tonnes)	5 365	3 824	4 206	5 107	4 363

Climate change and emissions

Northam's operations contribute both directly and indirectly to greenhouse gas emissions (GHGs). Northam's direct contribution to GHG emissions is through the use of coal in the smelter drying plants and fossil fuels in our mining and haulage vehicles. Northam relies on the South African national power utility, Eskom, for its energy supply, the supply of which is generated predominantly in coal-fired power stations.

Northam has for a number of years voluntarily participated in the global Carbon Disclosure Project (CDP), which collates companies' environmental impacts associated with climate change. Our report, which covers the previous financial year, may be accessed at www.cdp.net.

In March F2019, Northam submitted its first GHG emissions report to the DEA, as required by the South African GHG Reporting Regulations.

Greenhouse gas emissions

	Unit	2019	2018	2017	2016	2015
Total Scope 1 emissions (direct emissions)	(CO ₂ e tonnes)	44 263	41 242	52 111	34 928	36 080
Total Scope 2 emissions (indirect emissions)	(CO ₂ e tonnes)	961 326	882 531	829 601	802 962	767 835
Total Scope 3 emissions (indirect emissions)	(CO ₂ e tonnes)	221	228	980	897	746
Total group	(CO ₂ e tonnes)	1 005 810	924 001	882 692	838 787	804 661
SO ₂	(SO ₂ e tonnes)	8 649	8 118	6 747	6 987	5 734

Given the group's expansion strategies, our focus going forward will be on improving the efficiency of energy use as opposed to the overall reduction of our consumption and the associated contribution to GHG emissions.

This year, for the first time, Northam began monitoring and reporting GHG emission intensity in order to establish a baseline against which future performance targets and objectives may be measured. The GHG emissions intensity for F2019 was 0.21 CO₂ tonne(s) milled. The newer and modern Boysendal mine incorporates more energy efficient technologies, and will contribute significantly to the group achieving its GHG emissions intensity targets and objectives.

Air quality management

Primary and secondary sources, both point and fugitive sources, at the Zondereinde smelter and BMR operations, emit PM10, PM2.5, SO₂, NO₂, CO and NH₃. The smelter processes material from Zondereinde and Boysendal, and from time to time also treats third party material.

Dust emissions from Northam's operations are predominantly associated with tailings dams, stockpile management and entrainment during vehicle movements on unpaved roads.

Operational emissions, including SO₂

In F2019, the group's emissions totalled 8 649 tonnes SO₂ (F2018: 8 118 tonnes SO₂). This emanates from the smelter at the Zondereinde operation. The smelter processes material from Zondereinde and Boysendal, and from time to time also treats third party material.

The Zondereinde smelter complex holds an Atmospheric Emissions Licence (AEL) and is required to comply with the Minimum Emission Standards (MES) published in terms of Section 21 of the National Environment Management: Air Quality Act, No 39 of 2004 (NEM: AQA). The MES stipulates that the existing plant is required to have complied with the minimum emission standards by April 2015. The MES furthermore requires the existing plant to comply with the minimum emission standards set for new plants by April 2020. Northam has applied to the DEA for an alternative new plant emission limit for sulphur dioxide (SO₂) for only the smelter main stack at the Zondereinde smelter complex.

These disclosures will be used as the basis for the calculation of the new carbon tax that came into effect on 1 June 2019, with the promulgation of the Carbon Tax Act, No 15 of 2019.

Northam's potential carbon tax liability for the period is estimated at R 1.3 m.

The table below indicates a steady rise in GHG emissions in line with production growth.

Northam currently exceeds the minimum emission standard of 3 500 mg/Nm³ from its main stack. Improvements to the existing plant will be implemented in December 2020, which will contribute to the achievement of 3 500 mg/Nm³. However, in terms of legislation, compliance with the applicable limit of 1 200 mg/Nm³ alone (which will come into effect from April 2020), will not be adequate and, in order to capture additional off-gas, a new stack will be required in order to reduce occupational hygiene exposure levels. Northam has applied for a new plant limit of 3 500 mg/Nm³ instead of 1 200 mg/Nm³ for SO₂. All other pollutants and stack emissions are/will be in compliance with the relevant MES.

An independent consulting firm of air quality specialists was appointed to undertake an air pollution impact assessment and to compile an Atmospheric Impact Report (AIR) in support of the application for a new plant limit. The purpose of this investigation was to identify and quantify the effect of the Zondereinde operation's potential impact emanating from atmospheric emissions on the surrounding ambient air quality, which includes specific discrete (sensitive) receptors. This study confirms that the current ambient ground level concentrations are within the specified legal limits and that the planned improvements, which include the capturing and stacking of fugitive gases, will reduce stack emissions and further improve ground level concentrations.

Over the past few years, Northam has invested a significant amount of resources in investigating air pollution abatement alternatives, specifically for SO₂.

Ambient air monitoring

Ambient air monitoring by means of passive sampling has been ongoing at the Zondereinde operations and in surrounding locations for a number of years. The results are used to assess the impact of the operations on the surrounding ambient air quality. For the reporting period, all monitoring points were compliant with the annual average South African Ambient Air Quality Standards (AAQS) for the associated pollutants NO_x and SO₂.

In an effort to improve air quality monitoring, Zondereinde has invested R2.5 million towards acquiring a continuous ambient monitoring station and monitoring sensors, which will monitor nitrogen dioxide (NO₂), sulphur dioxide (SO₂), carbon monoxide (CO), ozone (O₃) and particulate matter (PM2.5 and PM10) in the ambient air. The station was commissioned in April 2019.

Point source isokinetic sampling is currently undertaken on a quarterly basis at the smelter and BMR stacks.

As part of Northam's commitment to comply with regulations like the NEM, the AQA and other relevant legal requirements, the Zondereinde operation completed a dispersion modelling exercise in March 2019 to establish the quantum of direct SO₂ stack emissions as well as atmospheric SO₂ concentrations in receptor communities.

The purpose of this study was to understand whether current feasible technologies would assist Northam in achieving the Department of Environment Affairs 2020 emissions limits and thereby inform the group's response going forward.

Dust management

Dust from Northam's operations is predominantly associated with unvegetated tailings dams, certain production activities, and entrainment during vehicle movements on unpaved roads. Dust monitoring is conducted at both the Zondereinde and Boysendal operations to ensure fallout does not exceed national limits. Mitigation of dust at the operations includes maintaining vegetation cover on the tailings dams and paving or tarring roads with heavy traffic. The enforcement of load covers by contractors transporting goods on public roads not only improves road safety but also contributes to reducing dust entrainment from these vehicles.

Our operations have an extensive network of dust monitoring points, located in strategic areas to monitor dust fall-out impacts from all production activities.



Energy management

Overview

Northam's long-term strategy is based on energy efficiency rather than energy reduction, taking into account the increased production profile of the group. The energy efficiency strategy is continuously reviewed in order to optimise its effectiveness. Energy management plans are in place at all the group's operational mines, and performance is reviewed in monthly management report meetings.

Since the inception of the mine, the use of hydropower to drive Zondereinde's underground mining equipment has, over the past three decades, reduced the operation's reliance on electricity supply from Eskom. The use of

hydropower, as opposed to compressed air which is used in many deep-level precious metal mines, helps to promote energy efficiency. The use of hydropower and backfill at Zondereinde continues to yield power savings of 240 800 MWh that translate into approximately R2.4 m financial savings. Although our overall energy consumption increased in F2019 by 8.9%, this is below our production output increase indicating improved energy efficiency.

Northam's electricity is supplied by Eskom, the national electricity supplier. Eskom has been faced with production challenges for a number of years. The situation once again became acute at the beginning of the current financial year, which resulted in load-shedding

throughout the country. Our major risk is the shortage of electricity supply. Our operational management has a good working relationship with Eskom and has, over a number of years, implemented electricity management programmes.

Energy consumption

Northam's operations utilise the energy management system that focuses on power factor correction* equipment. Power factor correction equipment is able to indicate exact power consumption levels and is used to identify areas with high utilisation that require intervention in order to manage the overall electricity charges. During periods of reduced energy availability, the focus is on shifting energy intensive operations to off-peak periods.

Electricity purchased	Unit	2019	2018	2017	2016	2015
Group	(MWh)	971 063	891 446	805 439	779 575	745 470
Total energy	Unit	2019	2018	2017	2016	2015
Group	GJ	3 994 143	3 665 677	3 463 460	3 188 943	3 078 418
Energy intensity	Unit	2019	2018	2017	2016	2015
Total group	(Energy GJ / t milled)	0,82	0,80	0,78	0,76	0,84

* Power factor is the ratio of true power (kW) to total apparent power (kVA) consumed by an electrical installation. It is a measure of how efficiently electrical power is converted into useful work output. The ideal power factor is unity, or one. A load with a power factor of 1.0 results in the most efficient loading of the supply. A comparatively small improvement in the power factor can bring about a significant reduction in losses.

Water management

Water scarcity

Mining operations use large volumes of water to mine and process minerals. Northam's water management strategies are informed by, *inter alia*, the scarcity of water and the continuing effects of climate change on the availability of water and on associated climate change events.

As a scarce and precious natural resource, water needs to be managed and used efficiently. Our operations have signed contracts with Magalies Water and the Lebalelo Water User Association for the supply of potable water and we are informed in advance about potential water availability risks. Access to water in a water-stressed environment is exacerbated by extreme climate events associated with climate change, and presents a real risk to Northam's operations. Water reservoirs built on operational sites are informed by the results of calculated risk assessments and are an integral part of our risk mitigation management process.

Flooding associated with high rainfall events has the potential to result in unplanned discharges from water storage dams at the operations. In support of an integrated water resource management hierarchy, issued by the Department of Water and Sanitation, our operations have integrated into their management plans and standards the prioritisation of maximising water reuse and reclamation, water treatment, pollution prevention, and responsible water discharge and disposal.

Northam has, for a number of years, voluntarily participated in the CDP's Water Disclosure Project. The most recent submission pertains to the previous financial year's data, and may be accessed at www.cdp.net.

The operations use a combination of potable and recycled water, with a focus on maximising the use of the latter.

Water usage

Water allocation and withdrawals at operations are governed by Integrated Water Use Licences, issued by the Department of Water and Sanitation and based on the National Water Act, No 36 of 1998.

The operations use a combination of potable and recycled water, with a focus on maximising the use of the latter. In F2019, recycled water comprised 85.2% (F2018: 88.3%) of Northam's total water use.

Any interruption to water supply could affect the group's ability to produce safely and efficiently. Zondereinde, given its reliance on hydropower, would be more vulnerable to such an eventuality. Apart from driving mining equipment, the water serves to lower underground temperatures and, used in combination with backfill, the potential for heat ingress from worked-out mining areas is restricted.

Monitoring and measuring water quality
No planned or unplanned discharges of water occurred in F2019 (F2018: none). Capturing and reusing water is essential to ensuring water supply security and to avoid any water pollution. Water bodies that are potentially at risk from Northam's operations are the Crocodile River and Bierspruit in the North West province (Zondereinde) and the Groot Dwarsrivier in the Limpopo province (Booysendal), where the Der Brochen Dam is operated by the Department of Water and Sanitation for irrigation purposes.

Surface and groundwater monitoring programmes are in place at Northam's operations to monitor water quality within these bodies in line with the requirements of the water use licences. Emergency preparedness plans are in place to ensure any uncontrolled discharges are contained and remediated to prevent the pollution of these water resources. Water quality is measured based on water management plans, and procedures and performance are reported to management on a monthly basis.

Management monitors surface and ground water and sampling is undertaken regularly, in line with the stipulations of the water use licences. Sampling is conducted by an external consulting company and the samples are analysed by an accredited laboratory.

Conserving and recycling water

Water use reduction is promoted at our operations and we strive for zero discharges into surrounding receiving water courses. No water was discharged during this financial year, although the Zondereinde operation's water use licence allows 1 million m³ of water to be discharged annually.

Water use at the Zondereinde operation contributed 92.0% of the group's total water use (F2018: 91.8%), a significant proportion of which was obtained through water recycling.

Total water consumed/withdrawn	Unit	2019	2018	2017	2016	2015
Potable water from external sources	(000 m³)	3 691	3 448	3 456	3 179	3 057
Fissure water used	(000 m³)	1 278	273	218	1 607	1 155
Borehole water used	(000 m³)	52	40	31	14	87
Water recycled in process	(000 m³)	28 979	28 577	29 483	29 932	27 143
Total water consumed/withdrawn	(000 m³)	34 000	32 338	33 188	34 732	31 442
Group percentage water recycled	%	85%	88%	89%	86%	86%

Zondereinde mine as part of the compliance with the Integrated Water Use Licence (IWUL), the mine reported two dam overflow incidents to the department of water and sanitation. The mine's water reticulation operates in a closed system therefore the overflow was contained within the mine premises and did not result in any overflow into the adjacent water bodies.

Land management and biodiversity

Northam is conscious of the impact of mining on the natural environment and biodiversity and increasing concerns from investors about environmental threats resulting from mining and processing activities.

At Boysendal, we operate in a unique area of biodiversity known as the Sekhukhune Centre of Plant Endemism. In order to minimise the impact of our activities in this area, our mining plans, at inception, were designed to minimise our environmental footprint.

At the time of Boysendal's inception, Northam, in consultation with the Mpumalanga Tourism and Parks Agency (MTPA), established an offset area of

some 960 hectares to compensate for the initial mining footprint.

The biodiversity offset seeks to protect and preserve areas specifically identified by the MTPA and complies with the draft guidelines for offsets issued by the national Department of Environmental Affairs. The Boysendal offsets will be managed independently of the mining operation in accordance with the National Environmental Management: Protected Areas Act, No 57 of 2004.

The Boysendal South expansion has necessitated a further biodiversity offset by the authorities. The extent of the additional offset area is 2 575 hectares.

In 2010 the Buttonshope Conservancy Trust was established by Northam specifically to manage the company's biodiversity conservation efforts in the Boysendal area, in line with the National Environmental Management: Biodiversity Act, No 10 of 2004 and the National Heritage Resources Act, No 25 of 1999.

The objective of the Trust is to oversee the management of Boysendal's biodiversity offsets, acquire new properties to expand the

company's conservation efforts and to promote academic research in the field of conservation.

During 2016 the funding model was adjusted to make provision for Boysendal Platinum Proprietary Limited to donate a fixed amount of R400 000 with a fixed increase of R25 000 per annum.

During the year under review, Boysendal donated an amount of R16.7 million to the Trust to fund the acquisition of land for biodiversity offset purposes. These funds have been made available for the acquisition of the new biodiversity offsets required. A portion of land to the value of R1.2 million has been donated to the Trust for conservation purposes.

The Zondereinde mine was established over 30 years ago in a different habitat that had already been disturbed by agricultural activities; there was therefore no significant impact on the natural environment. The mine has, however, allowed a large area of its freehold to return to its natural state and an area of 777 hectares is kept as an informal nature reserve.

Land usage	Unit	2019	2018	2017	2016	2015
Land disturbed by mining related activities	ha	2 507	1 118	1 118	908	658
Land leased for farming purposes	ha	2 181	1 441	273	273	273
Land protected for conservation	ha	2 104	3 514	3 514	1 760	1 760
Other	ha	7 546	8 318	10 665	12 618	8 521
Total land under management (freehold)	ha	14 338	14 391	15 570	15 559	11 212

Rehabilitation and closure

The National Environmental Management Act, No 107 of 1998 (NEMA) and the Mineral and Petroleum Resources Development, No Act 28 of 2002 (MPRDA) require that all mineral operations are carried out in accordance with generally accepted principles of sustainable development. In terms of NEMA, one such sustainable development principle requires that the costs of environmental remediation and rehabilitation must be borne by those responsible for impacting the environment.

In terms of the MPRDA and Mineral and Petroleum Resources Development Regulations (MPRDA Regulations), mineral rights holders were required to make financial provision for the rehabilitation of negative environmental impacts associated with the decommissioning and closure of operations and post-closure management.

As part of the one environmental system, financial provision is now regulated in terms of NEMA and the 2015 Financial Provisioning Regulations (2015 FP Regulations). As Northam's operating entities are holders of mineral rights granted prior to the 2015 FP Regulations, they may comply with the MPRDA FP requirements until 19 February 2020, at which point compliance with NEMA's FP regime will be required.

At present, the group therefore makes full provision for the future costs of decommissioning and final closure of operations, as well as post-closure management of residual and latent environmental impacts (collectively future rehabilitation costs), in accordance with the MPRDA and MPRDA Regulations. The provision is based on the current best estimates and determined with reference to commercial closure cost assessments, as opposed to the Department of Mineral Resources' (DMR) published rates.

Management believes that commercial closure cost assessments more accurately reflect potential future rehabilitation costs. The commercial closure cost assessment is significantly greater than what the liability of future rehabilitation costs would be, should the DMR's current published rates be applied.

The estimation of future rehabilitation costs is particularly complex and informed by assumptions regarding potential future events and various other factors, including environmental legislation, life-of-mine estimates and discount rates. Management is assisted by independent experts to derive the estimated total spend for future rehabilitation costs.

A revised set of draft FP regulations was published in May 2019 (2019 Draft FP Regulations), with a complete overhaul of the current FP regime anticipated to occur in the second half of 2019. Management is committed to complying with the 2015 FP Regulations by February 2020 and any new regulations that may be promulgated prior to this date. As such, management will continue to keep abreast of the latest developments and changes regarding implementation timelines and requirements.



River water sampling at Boysendal



04

Corporate governance

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Our governance philosophy and ethics

Our governance philosophy

The board of directors (board) and management of Northam Platinum Limited (Northam) are committed to good corporate governance, facilitated by ethics, transparency and accountability.

We believe that this approach underpins the effective management of our business, the execution and delivery of our strategy, the mitigation of the risks we face, the way we communicate with our stakeholders and ultimately the long-term sustainability of the group.

Northam's corporate governance philosophy, approach, standards, policies and practices support the achievement of each of the KING IV Report on Corporate Governance for South Africa, 2016 (KING IV™) principles and governance outcomes.

Our ethics

The board maintains that ethics and integrity are fundamental to an effective governance framework and the foundation for developing a culture that supports employee, customer and investor confidence.

The board accepts collective responsibility for defining how ethics and ethical behaviour are implemented and monitored throughout the group.

Our code of ethics applies to both directors and employees and governs the interaction between the group and our suppliers and clients. It furthermore covers the use of group assets and confidential information, the group's approach to gender and racial diversity, freedom of association, bribery and corruption, compliance and insider trading.

A copy of our code of ethics can be found on our website at www.northam.co.za/governance/policies-and-procedures.

Monitoring ethics



Ethics is monitored through various means, including an independent ethics & fraud hotline available on our website. Ethics and fraud hotline reports are a standard agenda item for the audit and risk committee, and management updates the committee members at each meeting of transgressions recorded.

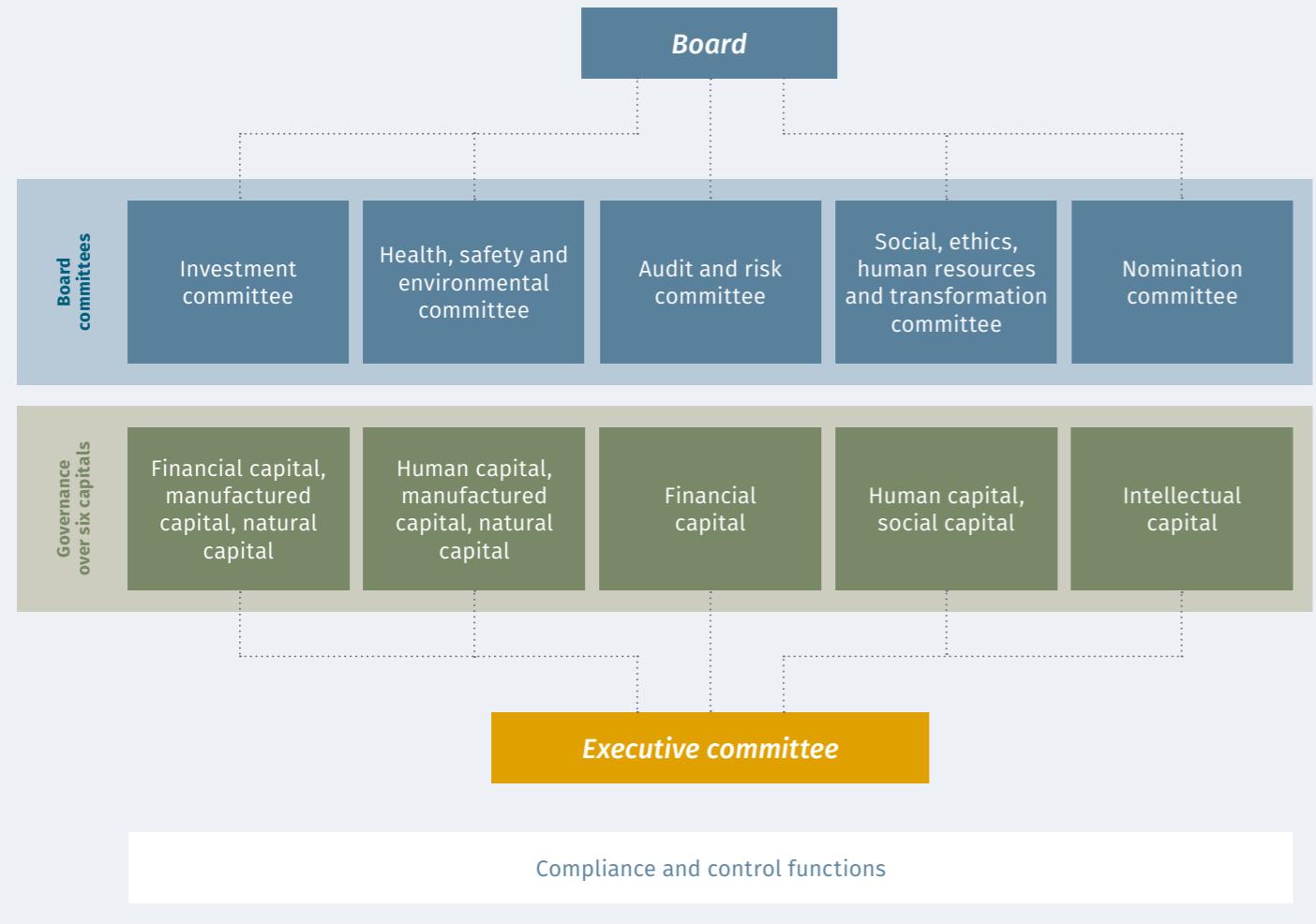


Employees are encouraged to report any approach made to them or of which they are aware, by any person or entity seeking favour or preference in terms of business dealings with the group.



Our independent ethics & fraud hotline is supported by strong investigative capabilities and rigorous disciplinary processes and sanctions.

Group governance framework



Northam's group governance framework (GGF) applies to all employees and directors of the group. The GGF enhances the organisational understanding of ethics and promotes the desired governance culture.



The board is satisfied that the GGF contributed to role clarity and made it possible for it to effectively exercise authority and its responsibilities.



Bottom of the 4 200 ton RopeCon® capacity silo at Booyensdal South RopCon loading station with two suspension ropes and steel core belt visible

A message from our lead independent director

In this section of our integrated report we introduce our board and executive management and set out our frameworks, policies and decision-making mechanisms.



R Havenstein
Lead independent director

I am delighted to be reporting on the governance of the group for the period ended 30 June 2019. In this section of our annual integrated report we introduce our board and executive management and set out our frameworks, policies and decision-making mechanisms that determine the way our people direct, administer and control all of our operations. We also provide an update on the key governance focus areas for the year under review.

Board changes

Mr MH Jonas and **Mr JJ Nel** were elected as independent non-executive directors at the annual general meeting held on 6 November 2018.

Ms AH Coetze was appointed as chief financial officer (CFO) with effect from 15 November 2018. Ms Coetze replaced Mr AZ Khumalo following his resignation, effective 1 November 2018.

The newly appointed directors bring extensive experience and expertise to Northam, and further strengthen the board's diversity and independence.

These changes, along with a review of the composition of the board committees, resulted in changes to the audit and risk committee members, where Dr NY Jekwa and Mr JJ Nel replaced long-serving directors Ms TE Kgosi and myself. Ms TE Kgosi and I have both continued to serve as independent non-executive directors on the board.

Board visits to operations

There were four board visits to our operations during the financial year. All new directors are invited to visit the operations (Booysendal, Eland and Zondereinde) as part of their induction process. *Ad hoc* visits are also set up for directors from time to time.

Governance

The board reviewed and updated the group's governance structures, policies and procedures in line with KING IV™ and the recommendations as per an external gap analysis conducted in 2017.

Governance areas that were enhanced and updated included the GGF, board and committee charters, the code of ethics and various internal policies and procedures, to both regulate and guide the group's conduct as a responsible corporate citizen.

Strategy

The execution of the group's strategy, as detailed on page 16 in our annual integrated report 2019, was challenged and monitored by the board on a continuous basis during the year.

The board is satisfied that the group's long-term strategy remains relevant, addresses the key risks, and leverages the key opportunities the group is facing.

Key risks

The board spent considerable time during the year under review analysing and challenging management on existing and newly identified risks.

The majority of the group's key risks, as expanded on from page 20 of our annual integrated report 2019, remained similar to the prior financial year. However, the security of energy and water supply and the potential lack of sufficient tailing storage facilities were identified as new risks for the group.

The board, and in particular the audit and risk committee, provided management with input and guidance on proposed measures to mitigate these risks as effectively as possible.

The board is satisfied that the group's risk management frameworks and processes effectively identify, manage and mitigate the risks we are facing.

Mining Charter

The Broad-Based Socio-Economic Empowerment Charter for the mining and minerals industry 2018 (Mining Charter) was published in September 2018.

Subsequent to collective engagement with our industry peers and the Department of Mineral Resources (DMR), the Minerals Council South Africa (formerly the Chamber of Mines of South Africa), of which Northam is a member, filed an application in March 2019 to take the Mining Charter on judicial review.

The Mining Charter is a material improvement on the 2017 Mining Charter draft. However, more work needs to be done to create a charter that promotes competitiveness, investment, growth and transformation in the South African mining industry.

Transformation

In November 2018, the social, ethics, human resources and transformation committee's charter was enhanced to include the monitoring of the group's transformation targets in terms of the Mining Charter.

This includes extending the committee's oversight responsibilities to human resource development, housing and living conditions, procurement, supplier and enterprise development and transformation, in terms of race and gender.

We are well positioned with respect to the targets of the Mining Charter, having 31.4% Black Economic Empowerment (BEE) ownership through Zambezi Platinum (RF) Limited's (Zambezi Platinum) holding in Northam. The group also exceeds the Mining Charter's targets for the representation of female and historically disadvantaged persons on the board.

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For further information on our transformation initiatives, please see the social, ethics, human resources and transformation report

Board evaluation

During the year under review, we conducted an externally facilitated self-review of the board and its committees.

I am pleased to report that the overall conclusion was that the board and its committees function well. Areas identified for improvement have been incorporated into the board's action plan for F2020.

Focus areas for F2020

Succession planning and board refreshment

We believe that board refreshment and succession planning is an imperative and that it should be done in a systematic and gradual manner, in order to maintain a balance of new insight, depth of experience, continuity and diversity of the board.

This mix is reflected in the board tenure spread, with three of the directors having tenures in excess of nine years, balanced with four new board appointments in the last 2 years.

We will continue to facilitate the transfer of knowledge from long-serving directors to the newer members on the board, to ensure the board comprises an appropriate balance of institutional knowledge going forward.

Returning value to shareholders

The board will continue to challenge executive management on the most effective mechanisms to generate shareholder return in the year ahead. This includes exploring a more efficient capital structure and deepening and broadening our shareholder base.

R Havenstein
Lead independent director

20 August 2019

The board



The Northam board is diverse, consisting of 13 members. A total of 23% of our board members hold engineering degrees, 38% are chartered accountants (SA) and the balance have relevant experience in corporate finance, mergers and acquisitions and other associated and requisite disciplines.

Six board members, including our chief executive officer (CEO), have extensive exposure and experience as CEOs.

KEY:
 ① Investment committee
 ② Nomination committee
 ③ Audit and risk committee
 ④ Social, ethics, human resources and transformation committee
 ⑤ Health, safety and environmental committee
 ⑥ Committee chair

1 KB Mosehla (47) ① ④ ⑤
Chairman, non-executive director
 CA (SA)

Appointed to the board in August 2015 (3.9 years)

Other directorships: Chief executive of Mosomo Investment Holdings Proprietary Limited, non-executive director of Malundi Resources (RF) Proprietary Limited, MC Mining Limited and Tembisa Provincial Tertiary Hospital. Mr Mosehla is chairman of Zambezi Platinum (RF) Limited (Zambezi Platinum) and has a 10% indirect interest in SMS Mining Holdings Proprietary Limited, a contractor to Northam.

Experience: Former executive director of Mvelaphanda Holdings Proprietary Limited and executive director of Mvelaphanda Resources Limited.

Expertise: Finance

2 R Havenstein (63) ① ④ ⑤
Lead independent non-executive director
 MSc (Chemical Engineering), BCom

Appointed to the board in July 2003 (16 years)

Other directorships: Independent non-executive director of Murray and Roberts Holdings Limited, chairman of Omnia Holdings Limited.

Experience: Former CEO of Anglo American Platinum Limited. Former executive director of Sasol Limited, responsible for Sasol Chemical Industries.

Expertise: Mining (with PGMs focus)

3 DH Brown (57) ① ④ ⑤
Independent non-executive director
 CA (SA)

Appointed to the board in November 2017 (1.6 years)

Other directorships: Chief executive officer of MC Mining Limited, independent non-executive director of Vodacom Group Limited, and Resilient Reit Limited.

Experience: Former non-executive director of Edcon Holdings Limited, CEO of Impala Platinum Holdings Limited (Implats) and was a member of the Accenture South Africa advisory board. Worked in the information technology sector for four years and for the Exxon Mobil Corporation in Europe for five.

Expertise: Mining (with PGMs focus), M&A and finance

4 CK Chabedi (51) ① ④ ⑤
Independent non-executive director
 MSc (Mining Engineering), Pr. Eng., MDP, MSAIMM
Appointed to the board in June 2009 (10 years)

Experience: Over 25 years' experience in mining and is currently a senior lecturer at the School of Mining Engineering at the University of the Witwatersrand. Mr Chabedi is a former non-executive director of Mvelaphanda Resources Limited. His mining experience includes over 12 years in both opencast and underground mines. He also has over 12 years' experience in academia.

Expertise: Mining

5 AH Coetzee (39) ④
Chief financial officer
 CA (SA)

Appointed to the board in November 2018 (0.7 years)

Other directorships: Non-executive director of Zambezi Platinum.

Experience: Former associate director at EY.

Expertise: Finance, audit and risk management

6 PA Dunne (56) ④ ⑤
Chief executive officer
 BSc (Hons), MBA

Appointed to the board in March 2014 (5.3 years)

Other directorships: Non-executive director of Zambezi Platinum.

Experience: Former executive director at Implats, responsible for all mining, concentrating and smelting operations at the group's Rustenburg and Marula mines.

Expertise: Mining (with PGMs focus)

7 HH Hickey (65) ④ ⑤
Independent non-executive director
 CA (SA)

Appointed to the board in January 2016 (3.5 years)

Other directorships: Independent non-executive director of African Dawn Capital Limited, Barloworld Limited, Cashbuild Limited and Pan African Resources Plc.

Expertise: Mining (with PGMs focus), M&A and finance

Meetings

4

93%

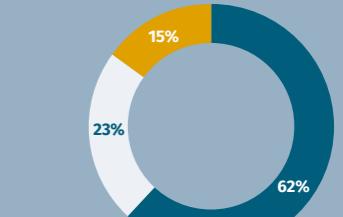
Board meetings held
Board and committee attendance

10
2
1

Independence

Independent non-executives (77%)
Executives (15%)
Non-executive (8%)

Board demographics



● Historically Disadvantaged People (HDP)
 (Northam internal target for HDP board representation: 50%)
 ● Non-HDP
 ○ Non-South African

Gender diversity



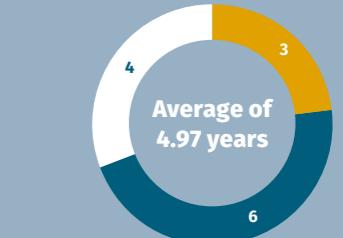
Northam target for female board representation: 20%

Age diversity



Average age of 56
 62% under the age of 60

Tenure



● 0-3 years
 ● 3-6 years
 ○ 6-16 years

The board's responsibility

The board is ultimately accountable for the performance and reputation of the group and ensuring that it continues to operate responsibly, ethically and sustainably.

The board operates in terms of a **board charter**, which defines its functions and responsibilities:



How the board is kept informed

Quarterly

The board holds quarterly board meetings, with detailed information packs distributed to directors well in advance. The chairman of the board may call additional meetings as and when required.

The majority of the board committees meet prior to each board meeting. The

chairman or chair of each committee reports to the board on matters discussed and the outcomes of committee meetings.

The investment and nomination committees meet as and when required and report to the board on an *ad hoc* basis.

Ad hoc

Management and the company secretary are mandated to keep the board informed of all developments relating to the group, our competitors, executive management and the wider operating environment.

Leadership roles

The responsibilities of the chairman and the chief executive officer (CEO) are clearly defined and separated, as set out in our board charter. While the board may delegate authority to the CEO, the separation of responsibilities is designed to ensure that no single person or group has unrestricted powers and that appropriate balances of power and authority exist on the board.

Lead independent director

The lead independent director, Mr R Havenstein, is responsible for ensuring the independence of the board. He guides the board where conflicts of interest arise and chairs the board in the absence of the chairman. The lead independent director deals with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact is inappropriate. He also leads the performance appraisal of the chairman.

Chief Executive Officer (CEO)

The CEO, Mr PA Dunne, is accountable for the formulation and execution of the group's strategy (which is approved by the board) and the management of the group's operations.

The CEO reports to the board and in terms of best practice, is not a member of the audit and risk, the investment, the social, ethics, human resources and transformation or the nomination committees. The CEO is a member of the health, safety and environmental committee.

The CEO has undertaken to hold no other listed company directorships, apart from Zambezi Platinum, Northam's BEE shareholder.

The CEO has an employment contract that can, subject to fair labour practices, be terminated upon 12 months' notice.

Chairman

Chairman

The non-executive chairman, Mr KB Mosehla, represents Zambezi Platinum's 31.4% Black Economic Empowerment (BEE) interest in Northam.

The chairman is responsible for providing leadership to the board, ensuring the board focuses on its key responsibilities and leading the board in assessing and improving its performance.

The chairman is also responsible for leading the board's challenge of senior management, monitoring the performance of the group's businesses and establishing and maintaining an effective system of governance and controls over the group's activities.

provides guidance to board members on the execution of their duties and keeps the board abreast of relevant changes in legislation and corporate governance best practice.

She also supports and coordinates the functioning of the board and its committee meetings.

The company secretary has unfettered access to the board, is not a board member and maintains an arm's-length relationship with the board and its members. She reports to the board via the chairman on all statutory duties and functions performed in connection with the board. Regarding other duties and administrative matters, she reports to the CEO.

The annual evaluation of the company secretary was led by the chairman and facilitated by an independent firm. The results of the evaluation confirmed that the company secretary continues to demonstrate the requisite level of competence, knowledge, qualifications and experience to carry out her duties. The board is also comfortable that she maintains an arm's-length relationship with individual directors, and confirms that she is not a director of the company or any of its subsidiaries.



The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Board composition, appointment of directors and board diversity policy

The selection and appointment of directors is effected through a formal and transparent process and is a matter for the consideration of the board as a whole, assisted by recommendations from the nomination committee.

The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

77%

of our board are independent non-executive directors

The board currently has Historically Disadvantaged People (HDP) representation of

62%

(Northam target: 50%)

All new board appointments are considered in terms of our diversity policy. This is also a key consideration in our succession planning.

All board appointments are made on merit, in the context of the skills, relevant business experience, independence and knowledge, which the board as a collective requires to be effective.

The ratification of board appointments are proposed to shareholders at the succeeding annual general meeting (AGM) following such board appointments. There may be exceptions to this process, as was the case with DH Brown, MH Jonas and JJ Nel, who were appointed at AGMs and not beforehand.

Directors' independence

Directors' independence is judged from the perspective of a reasonable and informed third party, based on the prevailing circumstances, the definition of independence in terms of the Companies Act, No. 71 of 2008 (Companies Act), the KING IV™ guidance in terms of the assessment of independence (substance over form), conflicts of interest (whether perceived or actual) and other relevant considerations.

In terms of the above, annual independence evaluations are conducted for all directors.

The board currently has female representation of

31%

(Northam target: 20%)

Shareholders therefore approved, as opposed to ratified, these appointments.

In order to ensure our directors are not overcommitted, we limit the number of listed directorships our directors may hold to five.

We recognise and embrace the benefits of having a diverse board and have approved and implemented a board diversity policy, which includes race and gender diversity targets.

For those directors who have served on the board for more than 9 years (Messrs. Chabedi and Havenstein, and Ms Kgosi), a more onerous assessment was performed. The board took into consideration the minority indirect beneficial interests held by Mr Chabedi and Ms Kgosi in Northam (0.04% and 0.125%, respectively) through Zambezi Platinum, which they acquired in terms of the Northam BEE transaction in May 2015.

For Mr Chabedi and Ms Kgosi, consideration was also given as to whether the holding is material to these directors personal wealth. In light of the fact that the Northam share price was not sufficient to cover the Zambezi Platinum preference share liability during the year

under review, it is considered that these directors are not entitled to financial benefit which is contingent on the performance of the company at this point in time. This situation will however be evaluated and monitored on a continuous basis.

Based on these assessments, the board is satisfied that all independent directors remain independent and that there are no relationships or circumstances that affect, or appear to affect, the independence of the aforementioned directors.

Conflicts of interest

Board members are required to inform the board of any conflicts or potential conflicts of interest they may have in relation to particular items of business, or the company as a whole, before every board meeting. The disclosure of personal financial interests in terms of section 75 of the Companies Act is a standing item on all board and committee agendas and the file containing the disclosures is available at all meetings.

Board members recuse themselves from discussions or decisions on matters in which they have an actual, perceived or potential conflict of interest.

We acknowledge that three of our directors are long-serving, having spent more than nine years each on the board. However, the invaluable institutional and industry knowledge these directors hold, along with the need for continuity in light of the relative short tenures of the other board members, make their presence on the board important.

Rotation, retirement and election of directors

In terms of the group's Memorandum of Incorporation (MOI), one third of the non-executive directors, being those longest serving on the board, shall retire from the board at each AGM. A retiring director who is eligible and available may offer himself or herself for re-election and appointment.

The following directors are retiring and, being eligible and available, are recommended for reappointment:

- Mr DH Brown
- Mr R Havenstein
- Mr JG Smithies
- Ms TE Kgosi

Limited Listings Requirements. The new directors also visit the mines to gain insight into the group's operations.

On-going training

On-going training ensures that our board members are kept abreast of any changes or developments in the regulatory, statutory and broader operating environment. This includes training by internal and external resources.

Board evaluations and effectiveness

We hold our board members accountable through formal external board evaluations at least every two years. Every alternate year, the board conducts an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. The actions from these reviews are agreed, and implementation thereof is tracked.

An independently facilitated self-assessment process on the performance of the board as a whole, the respective board committees and the company secretary were conducted during the financial year ended 30 June 2019.

Areas of improvement, highlighted by the assessment, include the need for technology and information governance to be strengthened at a board level and for continuing professional development programmes to be made available to board members from time to time. These areas of improvement were addressed at the February 2019 board meeting and form part of the board's work plan for F2020.

Pleasingly, the assessment indicated that the board committees are effectively run, appropriately supported and have robust engagements with the board and management.

The board is satisfied that the evaluation process is improving its performance and effectiveness.

The board and strategy

Strategy formulation

The CEO and management team are tasked with the formulation of the group strategy, business plan and four-year forecast, including key performance indicators (KPIs) and targets.

Key macro trends in our operating environment are identified, as part of the strategy setting process, by analysing political, macroeconomic, social, competitive, technological, regulatory and environmental drivers. The impact of these trends on Northam's strategic objectives is assessed. There is continued engagement with material internal and external stakeholders and their needs and expectations are considered.

Stakeholders include employees, clients, shareholders, regulators and communities. This process highlights any applicable material matters, which are ranked according to the greatest relevance and highest likelihood to have a significant impact on the viability of our business and relationships with stakeholders.

Risks and opportunities arising from the material matters are identified and their impact on both the short- and medium-term strategy is assessed.

The outcome of this analysis informs the strategic focus areas for the year, which are adjusted in line with changes in material matters.

Strategy approval

The board approves the group strategy, ensuring it is aligned with the purpose of Northam, the value drivers of our business and the interests and expectations of our stakeholders. The board also ensures that the group strategy takes cognisance of the inherent risks and opportunities that our business faces and the need to achieve sustainable outcomes.

Monitoring strategic execution

Quarterly: The board actively monitors strategic performance against the strategic KPIs and targets at quarterly board meetings, and challenges the management team accordingly.

Annually: The board is updated annually on the group strategy, which is embodied in the group business plan, four-year forecast, KPIs and targets.

Risk management

The board oversees the risk management process, which is aligned with the principles of KING IV™. Each of the board committees, in particular the audit and risk committee, is responsible for evaluating all material risks in terms of its mandate.

The audit and risk committee has implemented a process whereby risks to the sustainability of the company's business are identified and managed within acceptable parameters and defined risk appetite. It delegates the duty to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of our operating environment.

Mitigating controls are formulated to address the risks and the board is kept up to date on the progress of the risk management plan.

Enterprise risk management

Northam's well-defined enterprise risk management policy is a systematic approach to decision-making, based on the principles of cooperation, participation, mitigation and sustainability, adopted to achieve more effective risk management and support good governance practices.

Our risk management system includes:

- A clearly defined and documented risk strategy
- A risk governance model based on the three lines of assurance
- Defined accountabilities, roles and responsibilities for the board, management and employees
- Defined risk policies that set the requirements for managing material risks
- Standard processes, procedures and methodologies for identifying, assessing, monitoring, managing and reporting on material risks, including processes for risk-based decision-making
- A common risk categorisation model and metrics
- Stress testing and contingency and crisis planning
- A system of internal controls including risk, compliance and internal audit control functions

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Further information on the group's key risks can be found in our annual integrated report 2019

Compliance

The board is ultimately accountable for compliance and continually provides guidance on, and oversight of, the management of compliance risk.

The Northam compliance policy, together with the risk management policy and framework, assists the board and executives in meeting legal, regulatory and supervisory obligations and to promote and sustain a sound compliance culture. This includes ensuring that legal and regulatory compliance implications are integrated into material strategic, financial and operational decisions.

Compliance with all material laws, legislation and regulations applicable to the group are monitored and reported to the board and the relevant board committees responsible for oversight.



There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the year under review.

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See the reports of the social, ethics, human resources and transformation; health, safety and environmental; and the audit and risk committees

Information and technology governance

The board assumes overall responsibility for technology and information governance and has delegated authority to the audit and risk committee to assist the board in overseeing this function.

The audit and risk committee established the group information systems steering committee (ISSC), which is chaired by the CFO, Ms AH Coetze. The ISSC is responsible for the maintenance and protection of the group's technology and information resources. It meets at least four times per year and the CFO reports to the audit and risk committee on the ISSC's deliberations.

Over the past 36 months, measures have been implemented to ensure that various aspects of the group's information technology (IT) infrastructure and information management are enhanced from a security perspective and incorporated into the Northam IT security strategy.

In 2017, management implemented the SAP enterprise resource planning system throughout the group. The SAP system has significantly contributed to the safer and more effective management of information.

The ISSC receives periodic independent assurance on the effectiveness of the group's technology and information arrangements, including outsourced services.

The ISSC exercises oversight of the management of information to ensure the following:

- Information is leveraged group-wide to sustain and enhance the group's intellectual capital
- An information architecture that supports confidentiality, integrity and availability of information remains in place
- Protection of privacy of personal information
- Continuous monitoring of information security

The ISSC exercises oversight of the management of technology to ensure the following:

- Our technology architecture enables the achievement of our strategic and operational goals
- The risks pertaining to the sourcing of technology are managed and mitigated
- Appropriate responses to developments in technology, including the leveraging of potential opportunities and the management of disruptive effects on the organisation and our business model, are identified and implemented

See the ISSC's terms of reference at www.northam.co.za/governance/policies-and-procedures

Assurance

The board is accountable for combined assurance and sets the direction for the group assurance services and functions, by means of the combined assurance policy and framework. The board delegates to the audit and risk committee the responsibility for overseeing and ensuring that our combined assurance activities are effective in achieving its objectives.

Our combined assurance framework establishes integrated and coordinated assurance activities between the three lines of assurance, across all levels of the organisation. There is continued and

ongoing focus on increased collaboration and the sharing of information, as well as reducing the duplication of activities.

The internal audit function has been outsourced to KPMG Services Proprietary Limited (KPMG). The responsibilities normally associated with that of a chief audit executive have been allocated to the director in charge of the internal audit function.

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For more information, read the audit and risk committee report



The board is satisfied that our assurance activities result in an adequate, effective control environment and the integrity of reports relied upon for decision-making.

The board and our stakeholders

The board, assisted by the social, ethics, human resources and transformation committee, is responsible for ensuring that the group is a responsible corporate citizen, in compliance with the Constitution of South Africa and the Bill of Rights, and has delegated to management the responsibility for proactive stakeholder engagement, community development and environmental stewardship.

The board has approved and monitors the implementation of a stakeholder relations policy, which regulates the process of engaging and communicating with all defined stakeholders, including shareholders and employees.

Engaging investors

Over and above our biannual results presentations to the market in February and August of each year, management regularly hosts, briefs and presents to local and international shareholders, buy-and-sell side institutions and other stakeholders during the course of the year. Feedback is a critical element of these engagement processes and it is raised, through the executive committee, for discussion at board level.

At the Northam AGM held on 6 November 2018, the group's remuneration policy was approved by a majority of 89% of votes cast in favour of the said resolution. The group's remuneration implementation report was approved by a majority of 88% of votes cast in favour of the said resolution. Both votes were based on a 93.7% shareholder participation rate.

Fair and responsible remuneration

The board, through the social, ethics, human resources and transformation committee, is committed to ensuring that the remuneration of executive management is transparent, fair and responsible in the context of overall employee remuneration.

The social, ethics, human resources and transformation committee sets the requirements for policies relating to remuneration, and oversees the operational implementation of the applicable requirements by the executive officer: HR.

Access to management
There is a protocol for directors to gain access to line managers, external auditors and relevant company records through the CEO's office and/or the company secretary.

Trading in Northam and Zambezi Platinum shares
The group has a defined policy on dealing in Northam shares, which is in alignment with the JSE Limited Listings Requirements. It sets out provisions as to how trading is to be conducted by the company's directors, the company secretary, selected employees and their associates (directors' dealings) when

The CEO's and CFO's remuneration is benchmarked biannually by an independent service provider against a comparative group of companies in the South African mining industry.

The board is committed to maintaining regular, transparent and informative dialogue with our shareholders and is focused on building relationships based on trust and mutual understanding. In the event that 25% or more of the AGM votes exercised are against the resolution pertaining to our remuneration policy or implementation report or both, the board will take measures to engage proactively with shareholders and ascertain their reasons for the dissenting votes.

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See the remuneration report in our annual integrated report 2019 for more information

dealing with the company's shares, in order to prevent the misuse of inside information.

All directors' dealings require pre-approval from the CEO or CFO, and are communicated to the company secretary.

Sponsor

We understand the role and responsibilities of our JSE Limited sponsor, as stipulated in the JSE Limited Listings Requirements, and have cultivated a good working relationship with One Capital, who is both our equity and debt sponsor.



The board is satisfied that the JSE Limited sponsor has executed its mandate with due care and diligence for the year under review.

The executive committee



Our executive committee (exco) is a diverse and experienced management team that comprises eight members of the company's senior executives, broadly representing the disciplines within the company's organisational structure.

The exco meets once a month, or ad hoc as and when required, and the CEO and CFO report directly to the board on all matters deliberated by this committee.

The responsibilities of the exco include:

- Formulating and executing the group's strategy
- Managing business performance and reporting thereon to the board
- Implementing all policies of the group, including those relating to human capital, natural capital, risk management and capital management



1 AH Coetzee (39)
Chief financial officer
CA (SA)

Joined exco in November 2018

Experience: Former associate director at EY.
Expertise: Finance, and audit and risk management

2 PA Dunne (56)
Chief executive officer
BSc (Hons), MBA

Chairman of exco, joined in November 2014

Experience: Former executive director at Implats, responsible for all mining, concentrating and smelting operations at the group's Rustenburg and Marula mines.

Expertise: Mining (with PGMs focus)

3 MN Ndlala (51)
Mining executive
BTech Mining Engineering, MBL

Joined exco in July 2018

Experience: Former executive head of operations, responsible for all mining, concentrating and smelting operations at Implats' Rustenburg mines. Former director of Two Rivers Platinum.

Expertise: Mining

4 WJ Theron (41)
Mining executive
Pr. (cert) Eng. (Professional Engineer),
BSc (Hons) Mining, MBA

Joined exco in February 2019

Experience: Extensive experience in projects and operational management. Held various senior managerial roles at Anglo American Platinum Limited. Former general manager at Booyensdal mine.

Expertise: Mining

5 LC van Schalkwyk (54)
Executive commercial
Chartered management accountant (FCMA)

Joined exco in November 2014

Experience: More than 30 years' experience in the Platinum mining industry. Former executive for strategic finance at Implats.

Expertise: Finance

6 D Smith (51)
Group geologist
BSc (Hons), MSc

Joined exco in May 2019

Experience: Worked in the mining and mineral exploration sector since 1991 and joined Northam in 1995. Former principal of prospect geoservices at Northam. Independent non-executive director of Bauba Resources Limited

Expertise: Mining, projects and mineral resources

7 CA Smith (44)
Executive: Human resources
BSocSc (Hons)

Joined exco in November 2014

Experience: Extensive experience in the mining sector, holding senior human resources positions at AngloGold Ashanti Limited, Richards Bay Coal Terminal Proprietary Limited and Implats.

Expertise: Human resources

8 GD Duma (50)
Head: Sustainability
BTech (Quantity Surveying), MBA, Diploma in Project Management, Senior Management Development Programme

Joined exco in March 2017

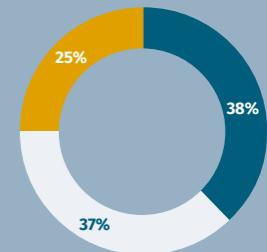
Experience: Held various positions at Implats, including general manager of shared services, project director of housing and socioeconomic development projects and group sustainable development manager. Also worked at the Medical Research Council, Eskom Holdings SOC Limited and South African National Parks.

Expertise: Mining and nature conservation

>175
years
Combined mining experience

>55
years
Combined tenure at Northam

Exco demographics



● Historically Disadvantaged People (HDP)
● Non-HDP
● Non-South African

Gender diversity



Age diversity



Average age: 49
88% under the age of 55

Social, ethics, human resources and transformation committee report



"The social, ethics, human resources and transformation committee is constituted as a statutory committee of the company in respect of the duties assigned to it in terms of section 72(4) of the Companies Act. This committee also fulfils the role of the group's remuneration committee. The committee's charter was enhanced in 2018 to include the monitoring of the group's broader transformation objectives."

5

Meetings

93%

Committee meeting attendance

Committee composition

TE Kgosi (Ms)
Chairperson
BCom (Hons)

14 June 2006
 Independent non-executive director

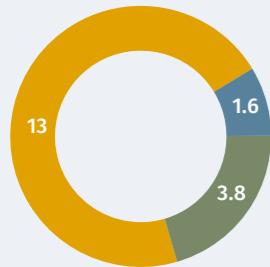
CK Chabedi
MSc (Mining Engineering)
Pr. Eng MDP, MSAIMM

9 September 2015
 Independent non-executive director

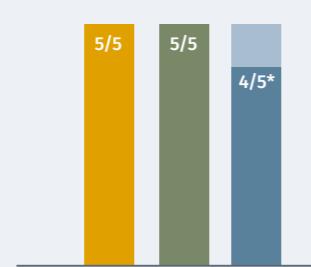
Dr NY Jekwa
MBA (Finance)
MBBCh (Bachelor of Medicine and Bachelor of Surgery), MlDSA

8 November 2017
 Independent non-executive director

Years on committee



Meeting attendance



Invited attendees

PA Dunne
CEO
AH Coetzee
CFO
CA Smith
Executive
(Human resources)

Mandate

Governance over human and social capital

This includes:

- Monitoring the group's standing in terms of the 10 United Nations Global Compact Principles
- Monitoring the promotion of equality and ethics management
- Monitoring the group's performance against the Mining Charter targets on employment equity, housing and living conditions, procurement, supplier and enterprise development and human resource development
- Providing oversight on the implementation of the company's remuneration policy, including reviewing remuneration for management and non-executive directors' fees*
- Succession planning for executive and senior management
- Overseeing corporate social investment and stakeholder engagement

Areas of focus during the year under review

Mining Charter

- Reviewed the potential impact of the Mining Charter on Northam
- Monitored compliance with policies and progress on human resource development, housing and living conditions, procurement, and supplier and enterprise development

Ethics

- Monitored and reviewed the application of ethics in the organisation through:
 - Disclosures in the gifts registers
 - Disclosure of personal financial interests in contracts

Compliance

- Monitored compliance with applicable laws, rules, codes and standards relating to the Mining Charter, the 10 principles set out in the United Nations Global Compact Principles and the recommendations of the Organisation for Economic Co-operation and Development (OECD) regarding corruption, corporate social responsibility and human resources in accordance with its statutory duty as a social and ethics committee

Succession planning

- Leveraged the group's succession plan, which enabled the appointment and smooth transition of Ms AH Coetzee into the key position of CFO
- Our succession planning process highlights immediate staffing risks and sets out succession plans over the medium and longer term for executive roles. The quality and depth of our talent pipeline are reviewed at regular intervals, with areas of development of our employees identified and addressed

Remuneration*

*See our remuneration report for more detail [P133](#)

Related material issues

Continuing to improve the safety performance and the health and wellness of our workforce

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

See our annual integrated report 2019 for more detail on material issues [P18](#)



The social, ethics, human resources and transformation committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Areas of focus for F2020



Transformation

Review updates from community trusts and monitor compliance of project commitments to be delivered by elected trustees.



Stakeholders

Review the adequacy and effectiveness of the group's stakeholder management policy and the code of ethics.



Social Labour Plans

Monitor progress in terms of the group's housing and accommodation strategy; local economic and human resources development.



Mining Charter

Monitor the implementation of the Mining Charter elements and associated targets.



Remuneration

Monitor the implementation of the malus and clawback policy approved in June 2019.

Nomination committee report



"At Northam we believe that the composition of the board and its committees underpins effective governance. Board refreshment and succession planning are ongoing initiatives and will be done gradually and in an orderly manner to maintain and preserve institutional knowledge, continuity and diversity."

3

Meetings

100%

Committee meeting attendance

Committee composition

R Havenstein
Chairman
MSc (Chemical Engineering), BCom

18 February 2015

Lead independent director

TE Kgosi (Ms)
BCom (Hons)

18 February 2015

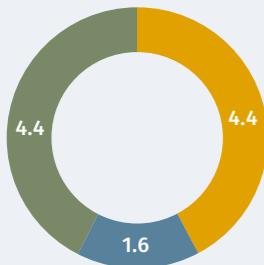
Independent non-executive director

KB Mosehla
CA (SA)

7 November 2017

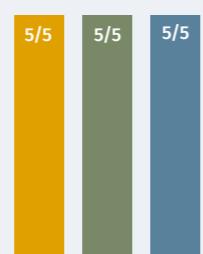
Non-executive chairman

Years on committee



● R Havenstein ● TE Kgosi ● KB Mosehla

Meeting attendance



Invited attendees

PA Dunne

CEO

AH Coetze

CFO

Mandate

Governance over intellectual capital

The mandate of the nomination committee includes:

- Providing oversight and make recommendations to the board in terms of board and board committee composition
- Facilitate rotation of directors
- Succession planning
- Directors' training and inductions
- Corporate governance and compliance matters

See the nomination committee's charter at www.northam.co.za/governance/policies-and-procedures

Areas of focus during the year under review

Appointments

- Reviewed, considered and recommended the appointment of Ms AH Coetze as successor to Mr AZ Khumalo as CFO, following a comprehensive process by the nomination committee to find a suitable replacement for Mr Khumalo
- Reviewed, considered and recommended the appointments of Mr MH Jonas and Mr JJ Nel as independent non-executive directors

Board performance

- In terms of clause 5.2 of the board charter, the committee reviewed the performance and attendance at meetings of the non-executive chairman and lead independent director and recommended re-election to the board for the next financial year (2020)
- Monitored the externally facilitated board and board committee self-assessment process
- Considered suggested actions emanating from the independently facilitated board and board committee self-assessments

Independence

- Monitored and reviewed the independence of the independent non-executive directors

Related material issues

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

See our integrated report 2019 for more detail on material issues P18



The nomination committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.



Board succession planning

Propose a successor for the lead independent director.



Board refreshment

Review and consider eligibility for re-election of directors retiring.



Board composition

Review the composition of the board to ensure it comprises the appropriate balance of knowledge, skills, experience, diversity and independence to fulfil its governance role and its responsibilities to oversee and ensure that the company meets its strategic objectives and remains a good corporate citizen.



Board performance

Continue to consider, review and implement the suggested actions from the independent board and board committee self-assessments conducted in F2019.

Audit and risk committee report



"This report has been prepared based on the requirements of the South African Companies Act, No. 71 of 2008, the KING IV Report on Corporate Governance for South Africa, 2016 and the JSE Limited Listings Requirements."

4

Meetings**94%****Committee meeting attendance**

The independent audit and risk committee (the committee) is pleased to present its report for the financial year ended 30 June 2019. This report has been prepared in terms of section 94(7) of the Companies Act, No. 71 of 2008, as amended (the Companies Act), the JSE Limited Listings Requirements (Listings Requirements), the KING IV Report on Corporate Governance for South Africa, 2016 (KING IV™) and other applicable regulatory requirements.

Role and mandate

The committee assists the board of directors (board) in fulfilling its oversight responsibilities relating to the safeguarding of assets, the operation of adequate risk management and internal control processes, compliance with laws and regulations and the preparation of financial statements in compliance with all applicable legislation and regulations.

In addition, the committee is responsible for assessing the effectiveness of the internal audit function, the chief financial officer, and the independence and effectiveness of the group's external auditor and the

designated individual audit partner.

The committee does not assume the functions of management, which remains the responsibility of the executive directors and senior management.

The committee does not provide relief to board members in terms of their joint and individual fiduciary duties.

See the committee's charter at www.northam.co.za/governance

Committee composition

The members of the committee, including the chairman of the committee, are independent non-executive board members, elected by shareholders on the recommendation of the nomination committee, and have fulfilled their duties as set out in section 94(7) of the Companies Act, the Listings Requirements and KING IV™.

The board elects the chairman of the committee and the chairman of the board is not eligible to be the chairman or a member of the committee.





A

Audit and risk committee report continued

Areas of focus during the year under review		
Area of focus	Response	Associated risks
Financial reporting with regards to both the reviewed interim results and the audited annual financial statements	<ul style="list-style-type: none"> Ensured that complex accounting areas comply with International Financial Reporting Standards (IFRS) Evaluated significant accounting judgements and estimates as disclosed in the annual financial statements Discussed the accounting treatment of significant accounting and auditing matters, including non-routine transactions with management and the external auditors Reviewed and assessed any adjusted and unadjusted audit differences reported by the external auditors Reviewed and assessed management's assessment of impairment indicators and management's assessment of the recoverable value of assets Reviewed the key audit matters communicated by the external auditors in their audit report in terms of International Standard on Auditing (ISA) 701 Reviewed the dividend proposal to the board Reviewed the representation letter that management signed Considered and approved management's assessment of the ability to continue as a going concern Considered the JSE Limited's most recent report back on pro-active monitoring and, if necessary, those of previous periods 	<p>P25</p> <ul style="list-style-type: none"> Liquidity risk Impact of a volatile exchange rate and commodity prices on our business Losing our social license to operate in an ever-changing regulatory environment
New accounting standards	<ul style="list-style-type: none"> Considered new standards, interpretations and amendments to standards in issue, which are not yet adopted but are likely to affect the financial reporting in future years and disclosure thereof in the annual financial statements Please refer to the annual financial statements for new accounting standards adopted; and standards, interpretations and amendments issued but not yet in effect 	<p>P23</p> <ul style="list-style-type: none"> Losing our social license to operate in an ever-changing regulatory environment
Tax exposure	<ul style="list-style-type: none"> Reviewed the tax exposures (including uncertain tax positions) with specific focus on the effective tax rates, and considered the impact that pending changes to the tax legislation will have and the accounting of any tax exposures 	<p>P23</p> <ul style="list-style-type: none"> Losing our social license to operate in an ever-changing regulatory environment
Corporate governance (including risk management and the internal control environment)	<ul style="list-style-type: none"> Reviewed and approved risk management policies and processes and received reports incorporating the key strategic and operational risks Monitored the progress of assessing the recommended practices underpinning the 16 Principles of KING IV™, ensuring that an ethical culture is created that supports the effective control of the organisation at all levels Assessed the combined assurance process to enable an effective integrated internal control environment that supports the integrity of information used for internal decision-making by management, the board and its committees as well as supporting the integrity of external reports Considered the feedback received regarding any significant litigation and assessed the possible impact thereof on the financial results 	<p>P26</p> <ul style="list-style-type: none"> Fraud and corruption Cyber risk
Compliance with laws and regulations	<ul style="list-style-type: none"> Considered and reviewed the group's compliance with laws and regulations 	<p>P23</p> <ul style="list-style-type: none"> Losing our social license to operate in an ever-changing regulatory environment



There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the year under review.

Related material issues

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

Maintaining constructive communication channels with all our stakeholders

See our annual integrated report 2019 for more detail on material issues

P18

Significant matters considered in relation to the annual financial statements

The following significant matters, including key audit matters, were considered in relation to the annual financial statements for the year ended 30 June 2019:

- Assessment of the recoverable values of the various assets in the group in terms of IAS 36 Impairment of Assets
- Going concern assessment
- Investments in associates and joint ventures, including the reallocation of the Dwaalkop joint venture
- Quantity and valuation of metal inventories
- IFRS 2 share based payment liability
- Capital expenditure incurred during the year under review
- Capitalisation of borrowing costs in terms of IAS 23
- Zambezi Platinum (RF) Limited preference share liability
- Investment in Zambezi Platinum (RF) Limited preference shares
- Rehabilitation and decommissioning liability provision
- Valuation of Toro Employee Empowerment Trust in terms of IAS 19 Employee Benefits
- Taxation
- Funding raised during the year under review
- Capital expenditure and financial performance of Eland Platinum Proprietary Limited
- Related party transactions
- Employee Labour Court judgement
- Dividend consideration for the year ended 30 June 2019

The audit and risk committee evaluated the consolidated and separate annual financial statements for the year ended 30 June 2019 and concluded that they comply in all material respects with the requirements of the Companies Act, IFRS and the Listings Requirements. The committee therefore recommended the approval of the annual financial statements to the board.

Assessment of the independence and qualifications of the external auditor, Ernst & Young Incorporated (EY) and designated individual audit partner

The committee is responsible for the appointment, compensation and oversight of the external auditor for the group.

EY has been the group's external auditor for more than 35 years. The designated individual audit partner rotates every five years – Ebrahim Dhorat was appointed as designated individual partner for the financial year ended 30 June 2018 and remains as the current designated individual audit partner. Internally, EY has a number of safeguards to ensure that all members of the audit team are independent.

EY has provided the committee with the information as required in paragraph 3.84(g)(iii), as read with paragraph 22.15(h) of the JSE Listings

Requirements. The following information was considered and reviewed by the committee:

- The most recent Independent Regulatory Board for Auditors (IRBA) inspection report for EY's most recent International Statement on Quality Control (ISQC 1) review, which includes the decision letter from the IRBA, the findings report and a copy of the proposed remedial action plan
- The most recent IRBA inspection report on the designated individual audit partner, Ebrahim Dhorat, which includes the decision letter from the IRBA, the detailed findings report and a copy of the proposed remedial action to address the findings
- The decision letter from the IRBA for all engagement file reviews on Ebrahim Dhorat for the past audit
- A summary document that provides context and explanations of the findings for EY and engagement level reports of the IRBA
- A copy of the 2018 Transparency Report, which EY South Africa prepares in line with the European Union's 8th Company Law Directive. This included the ISQC 1 information the JSE Limited requires EY to communicate to clients. The Transparency Report is also published on EY's website
- A summary of EY's results of the monitoring of its system of quality control, in terms of paragraph 53 of ISQC 1
- A summary, including the outcome, of any legal or disciplinary proceedings concluded within the past seven years, which were instituted in terms of any legislation or by any professional body of which EY and/or Ebrahim Dhorat are a member or regulator to whom they

Audit and risk committee report continued

are accountable, including where the matter is settled by consent order or payment of a fine.

The committee, after due assessment, is satisfied that the external auditor, EY, and the designated individual audit partner, Ebrahim Dorhat, are appropriately accredited and are suitable for reappointment for the 2020 financial year.

Rotating audit firms

The board is committed to mandatory audit firm rotation, which will become effective from 1 April 2023.

As a listed entity, we believe that the auditing services of an international “Big 4” auditing firm, with the necessary experience and expertise, is required to ensure that our financial results are reasonable and comply with IFRS. Furthermore, our growing business and ever-changing accounting standards make it imperative to appoint an auditing firm which has exposure to international best practice and knowledge.

Non-audit services

Deloitte & Touche Incorporated (Deloitte) is used for ongoing consulting services across a number of areas, including human resources, procurement and warehousing. Deloitte was also the implementation partner when the group implemented SAP software during the 2017 financial year.

PricewaterhouseCoopers Incorporated (PwC) was engaged during the 2017 financial year to perform a detailed review of the SAP implementation performed by Deloitte and to provide further recommendations with regards to the SAP implementation. The work that was performed by PwC is classified as maintenance of the company’s financial records.

During the current and previous financial years, PwC also assisted the group in reviewing the accounting policies in our financial statements. This, as per the

guidance on the provision of non-audit services by the auditors of a company, issued in March 2015 by the IRBA and the South African Institute of Chartered Accountants (SAICA), is not seen as preparing the financial statements.

The board and the committee are fully aware of the requirements of section 90 of the Companies Act.

Should the cooling-off period as currently stipulated by the IRBA be reduced from the current five-year period, the external auditor will be rotated at the earliest date possible.

A formal policy regarding the approval of all non-audit services has been implemented and the committee reviews all non-audit services to ensure that the various fees relating to these services are within the approved limits and that the external auditors’ independence is not jeopardised as a result of the non-audit services provided.

Total audit fees

During the financial year ended 30 June 2019, the external auditors charged the following fees:

	2019 R'000	2018 R'000
Audit services	5 620	4 852
Audit services Zambezi Platinum (RF) Limited	554	523
Assurance: Sustainable development report	1 215	297
Audit services: ISRE 2410 review	869	740
Audit services: ISRE 2410 review Zambezi Platinum (RF) Limited	74	69
Non-audit fees	174	133
Assurance reports relating to the issue of commercial paper (domestic medium-term notes)	1 000	500
	9 506	7 114

The committee has received the necessary representation from the external auditors confirming that:

- No other remuneration was received for work performed other than what has been disclosed
- Its independence was not impaired by any consultancy, advisory or other work performed during the period under review
- Its independence was not prejudiced by any previous appointment as auditor
- The criteria specified for independence by the IRBA and international regulatory bodies have been met

The audit and risk committee, based on their assessment of the independence and effectiveness of the external auditor, EY, did not note any significant findings or considerations to indicate that the external auditor has not been independent or that the services provided by them have not been effective and robust.

The committee, after due assessment, recommends that EY, with the designated individual audit partner being Ebrahim Dorhat, be reappointed as the independent external auditors of the group for the financial year ending 30 June 2020.

Internal audit

The internal audit function has been outsourced to KPMG Services Proprietary Limited (KPMG).

The responsibilities normally associated with that of a chief audit executive (CAE) has been allocated to the director in charge of the internal audit function.

The committee believes that the KPMG director, Thomas Gouws, has the necessary competence, gravitas and objectivity to fulfil these duties. He also

has unrestricted access to the chair of the committee.

The internal auditor reports to the chair of the committee with regards to the performance of the duties and functions that relate to an internal audit. On other administrative matters, the internal auditor reports to the CFO.

The following functions are performed by the internal auditor:

- Assessment of compliance with laws and regulations
- Evaluation of the effectiveness of internal controls over financial reporting and internal controls in general
- Reporting findings to management and the committee and monitoring the remediation of all significant deficiencies reported
- Assisting with the implementation of the Combined Assurance Framework

The committee has ensured that the internal auditor performed an independent assurance function and monitored its effectiveness in terms of the agreed assurance scope, the audit plans and the overall performance of the function.

The committee also monitored the audit findings, risk areas and, where appropriate, challenged management on actions taken.

The audit and risk committee is satisfied with the appropriateness of the expertise, experience and resources of the internal audit function.

Internal controls and risk management

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and for considering the findings of any major internal investigations into control weaknesses, fraud or misconduct, and management’s response thereto.

The internal audit function conducted a review of the group’s combined assurance model, internal controls and risk management processes, and issued a written assurance statement confirming that nothing has come to their attention indicating that the group’s system of internal financial controls is not effective and does not provide reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements.

Having considered, analysed, reviewed and discussed the information provided by management, other board committees, internal auditors and the external auditors, the audit and risk committee is of the opinion that the internal controls of the group have been effective in all material respects, that appropriate financial reporting procedures are in place and that these procedures and controls operated throughout the year under review.

Effectiveness of the CFO and the finance function

The committee annually reviews an internal assessment of the skills, expertise and resourcing of the finance function as well as the expertise and experience of the CFO, AH Coetze, and previously AZ Khumalo.

The audit and risk committee is satisfied with the appropriateness of the expertise and experience of the CFO, AH Coetze, and the effectiveness of the finance function overall as well as the adequacy of resources.

Combined assurance

The committee is responsible for overseeing combined assurance activities and ensuring that these are effective in achieving its objectives.

The group’s combined assurance framework establishes integrated and coordinated assurance activities between the three lines of assurance across all levels of the group. It avoids the duplication of efforts and rationalises collaboration among assurance providers.

The audit and risk committee is satisfied that the combined assurance model adequately addresses the risks and material matters through the aggregated efforts of the various assurance providers and result in an adequate, effective control environment and the integrity of reports relied upon for decision-making.

Areas of focus for F2020

- Continuous improvement of the internal control environment
- Cyber risk
- Maturity of the risk management process within the group
- Establishing an in-house internal audit department to supplement the work performed by KPMG, the group’s internal auditors

Conclusion

The audit and risk committee is satisfied that it has considered and discharged its responsibilities in line with its charter, statutory responsibilities, the Listings Requirements and KING IV™ during the year under review.

On behalf of the committee.

HH Hickey
Chairman

20 August 2019

Investment committee report



"The investment committee's activity follows the group's strategy as we expand and streamline our operations. Activity levels will vary from time to time as investment opportunities arise."

1

Meeting

75%

Committee meeting attendance

Committee composition

DH Brown
Chairman
CA (SA)

R Havenstein
MSc (Chemical Engineering),
BCom

KB Mosehla
CA (SA)

CK Chabedi
MSc (Mining Engineering),
Pr. Eng, MDP, MSAIMM

7 November 2017

Independent non-executive director

2 April 2012

Lead independent director

9 September 2015

Non-executive chairman

20 February 2013

Independent non-executive director

Years on committee



Meeting attendance



Invited attendees

PA Dunne
CEO

AH Coetze
CFO

The investment committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Areas of focus for F2020



Western extension

Provide oversight of the Western extension acquisition being unlocked.



Brownfields and recent acquisitions

Monitor effective project execution of brownfield projects and recent acquisitions.



Investment opportunities

Evaluate any potential acquisition opportunities as they arise.

Mandate

Governance over the investment in financial, manufactured and natural capital

The mandate of the investment committee is to:

- Oversee the analysis and evaluation of investment opportunities, governed by our internal approval framework
- Retain external specialists to assist management with the analysis and evaluation of investment opportunities
- Make recommendations to the board on acceptance (subject to regulatory and legislative requirements) of specific investment opportunities that have been analysed and evaluated under the supervision of the committee
- Provide oversight on the implementation and execution of specific investment opportunities that have been approved by the board

See the investment committee's charter at www.northam.co.za/governance

Areas of focus during the year under review

- Considered the suitability and compatibility of potential strategic investments and their returns (shallow, low-cost and mechanised)
- Provided oversight on the company's recent acquisitions

Related material issues

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

Effective project execution

See our annual integrated report 2019 for more detail on material issues

Health, safety and environmental committee report



"Our group remains committed to the health and safety of all our employees. We strive to ensure that employees are safe, healthy and engaged to perform at their best. Our Booyensdal operation remains a fatality free operation, with four million fatality free shifts. The Zondereinde operation has reached one million fatality free shifts, subsequent to the fatal incident that occurred in October 2018. This will, along with our responsibility to the environment, remain our focus."

4

Meetings

100%

Committee meeting attendance

Committee composition

R Havenstein
Chairman
MSc (Chemical Engineering),
BCom

CK Chabedi
MSc (Mining Engineering),
Pr. Eng, MDP, MSAIMM

PA Dunne
BSc (Hons), MBA

JG Smithies
BSc (Mining Engineering),
BSc (Chemistry)

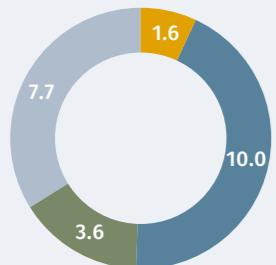
20 October 2011
Lead independent director

22 June 2009
Independent non-executive director

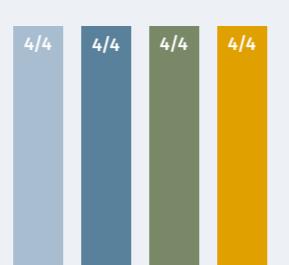
10 December 2015
Chief executive officer

7 November 2017
Independent non-executive director

Years on committee



Meeting attendance



Invited attendees

MN Ndlala
Mining executive

WJ Theron
Mining executive

Mandate

Governance over human, natural and manufactured capital

The mandate of the health, safety and environmental committee is to oversee the group's health, safety and environmental practices. This includes:

- Reviewing the health, safety and environmental policies applied at Northam
- Monitoring group compliance with recommendations of any investigation of health, safety and environmental incidents
- Monitor the administration and investment policies of the Northam restoration trust fund, as well as any necessary amendments to the trust deed under which the fund was established

See the health, safety and environmental committee's charter at www.northam.co.za/governance/policies-and-procedures

Areas of focus during the year under review

Safety

- Monitored the improvement of safety management systems at our operations
- Monitored a number of safety initiatives and campaigns at operations. These included annual safety day campaigns, critical season campaigns and mine-wide safety focused initiatives

Health

- Monitored the implementation and outcomes of employee wellness programmes and voluntary health screening campaigns

Water

- Monitored negotiations and agreements with the Department of Water Affairs and Sanitation
- Ensured that our operations recycle the majority of water used in the mining process
- Monitored the building of water reservoirs on selected sites, based on risk assessments performed

Related material issues

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

Managing production and performance to ensure the successful execution of our business strategy

Continuing to improve the safety performance and the health and wellness of our employees

Managing the environmental impact of our operations and conserving natural resources

See our annual integrated report 2019 for more detail on material issues



The health, safety and environmental committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Areas of focus for F2020



Systems

Monitor enhancement of safety, health and environmental information systems at our operations.



Safety

Continue to set and drive a culture of zero harm.

Focus on avoiding fatalities through the continued improvement of health and safety practices.



Environment

Monitor the environmental authorisation for recent acquisitions.

Monitor the implementation of environmental programmes and biodiversity management plans.

Monitor the authorisation for the amendment of the IWUL (Integrated Water Use License).

Monitor the authorisation for an alternative new plant

emission limit for sulphur dioxide (SO₂) for the Zondereinde smelter main stack.

Monitor the enhancement of power-saving initiatives and the development of a suitable energy use reduction plan.

Monitor the enhancement of a mine-wide water reticulation management system to ensure the correct accountability of the water in the system.



05 Remuneration report

Part 1: Background statement
Part 2: Overview of the main provisions
of the remuneration policy
Part 3: Implementation of remuneration policy for
the current financial year ended 30 June 2019

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KING IV™ status

"The social, ethics, human resources and transformation committee* (the committee) is pleased to present its remuneration report for the financial year ended 30 June 2019. The remuneration report sets out the activities of the committee and the outcomes of the application of the remuneration policy during the reporting year. It also details the main elements of the remuneration policy that will apply in F2020. This report is prepared in alignment with the requirements of the KING IV Report on Corporate Governance for South Africa, 2016 (KING IV™) and the relevant practice notes."

*For the committee composition, terms of reference and attendance register, refer to the social, ethics, human resources and transformation committee report on page 118 of the annual integrated report 2019.

PART 1

Background statement

Dear Shareholder,

As the chairperson of the committee, I am pleased to present the Northam Platinum Limited (Northam) remuneration report for the financial year ended 30 June 2019.

As members of this committee, it is our responsibility to ensure that Northam has the appropriate fixed and variable remuneration policies and practices in place to attract, motivate and retain the best talent at all levels of our organisation. The committee also ensures that these policies and practices provide the right incentives to ensure the delivery of Northam's strategic objectives over the short-, medium- and long-term. Variable remuneration in particular is based on clear measures and stretched targets, which, if met, will not only enhance shareholder value but ultimately result in value creation for all stakeholders.

We are furthermore committed to ensuring that executive remuneration is fair, responsible and appropriate in the context of general market conditions, company performance, industry pay levels, the economic outlook and overall employee remuneration.

Internal and external factors that influenced remuneration during the year under review

Internal factors

Talent retention and management succession planning



Our response

Invest in experienced talent and leverage their experience to upskill new talent, thereby facilitating the transfer of knowledge and succession planning.

Ensure that clear talent retention and development strategies are in place.

Through fixed and variable remuneration, the group aims to attract, retain, incentivise and reward talent at all levels, particularly those employees with scarce or critical skills.

Performance against our identified key performance indicators (KPIs) for incentive structures during F2019 and for the coming year F2020



Our response

See KPIs considered

See Part 2 of this report

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External factors

Income inequality in South Africa



Our response

Ensure the lowest-paid employees are remunerated well in excess of the minimum wage.

Ensure the highest salary increase percentages awarded to lower-paid employees.

Benchmark the group remuneration policies and practices with listed peers.

Gender pay gap



Our response

We are committed to gender equality and equal pay for equal work.

Key areas of focus and decisions taken during the year under review

Remuneration policy implementation

- Provided oversight of the implementation of the remuneration policy for all employees of the group. The committee not only considered the remuneration of executive management but also all levels of employees – ensuring that our people are remunerated fairly for their individual contributions to the group's overall performance
- Reviewed and approved the basic remuneration package ranges for all employees graded within the Paterson D band and above
- Reviewed and approved the mandate provided to management with regards to the negotiation of remuneration and benefits of all other employees. During the year under review, a three-year agreement was negotiated at Zondereinde mine with the representative union, the National Union of Mineworkers. Refer to Human capital for further details on the wage negotiations
- Reviewed and approved changes in the rules of medical and retirement schemes applicable to employees, where such rules require the approval of the employer, other than in terms of centralised bargaining arrangements
- Reviewed the remuneration report for board approval

Succession planning

- Ensured proper succession plans are in place, particularly at senior management level

Performance measures

- Determined and agreed on the key performance indicators (KPIs) used, the relative weighting of each KPI and the associated targets per KPI for both the short-term (STI) and long-term (LTI) performance incentives
- Reviewed the share incentive plan (SIP) performance targets, with regards to safety, and implemented a fatality penalty, which will impact the number of shares vesting to employees when there is a fatality at any of our operations

We are committed to ensuring that executive remuneration is fair, responsible and appropriate in the context of general market conditions, company performance, industry pay levels and the economic outlook in general.



Executive management

- Reviewed and approved exit arrangements for AZ Khumalo (former CFO) who left the group during the year
- Approved the remuneration of executive management member AH Coetze (CFO), who was appointed during the year
- Approved the annual increase for PA Dunne (7.5%) and AH Coetze (5.0%) for F2020

Malus and clawback

- Implemented a malus and clawback policy in keeping with emerging corporate governance best practice. This policy will adjust (malus) or recover (clawback) unvested "at risk" remuneration where there is reasonable evidence that an executive director has materially contributed to, or been materially responsible for, the need for the restatement of financial results for reasons including:
 - Personally acting fraudulently or dishonestly or in a manner that adversely affects the reputation of the group or which is characterised as a gross misconduct
 - Directing an employee, contractor or advisor to act fraudulently, dishonestly or to undertake other misconduct
 - Breaching fiduciary duties/obligations through error, omission or negligence
 - Receiving an LTI award as a result of an error in the calculation of a performance measure

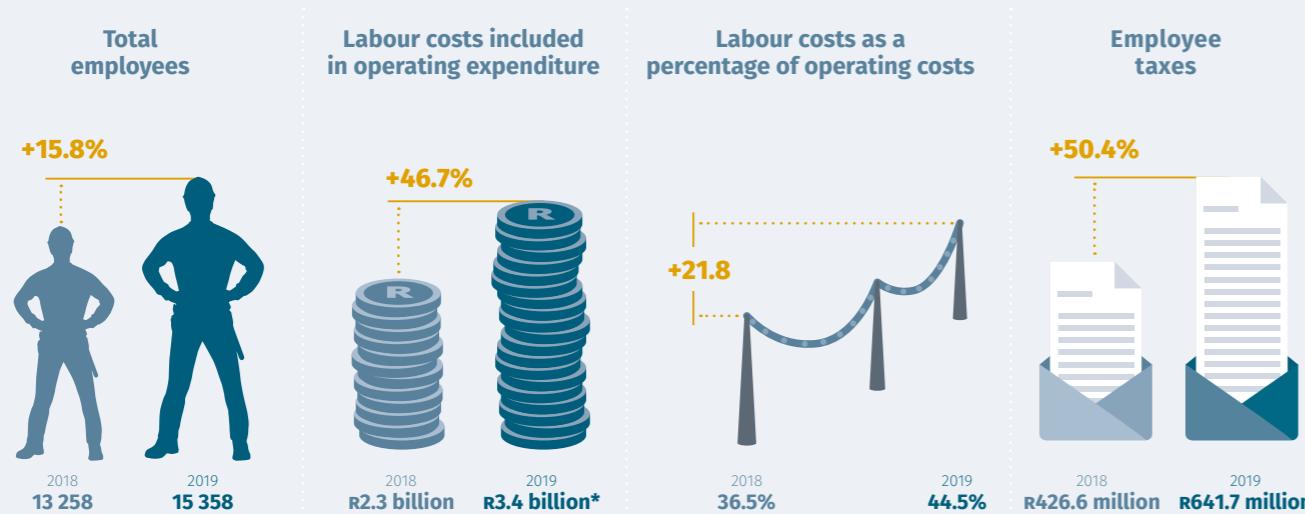
There are no other proposed remuneration policy changes for the F2020 financial year. However, the committee has the discretion to, in consultation with the board, change both the formula and targets prospectively of any of the variable remuneration elements.

Factors considered in determining salary increases, bonus payments and share allocations during the year under review.

	2019	2018	Variance %
Safety (LTIIR)	0.93	1.00	7.0%
Number of fatalities	1	2	50.0%
Equivalent refined metal from own operations (oz 4E)	519 954	483 941	7.4%
Cash cost per equivalent refined oz 4E (R/oz)	13 907	12 909	(7.7%)
Consumer price index (CPI)	4.6%	4.6%	-

The group delivered strong financial results, which were underpinned by:

- Record operating profit of R2.4 billion (F2018: R823.3 million)
- Normalised headline earnings of 270.1 cents per share, an increase of 226.6% over prior year (F2018: 82.7 cents per share)
- An increase of 7.4% in the groups production with equivalent refined metals increasing to 519 954 oz 4E (F2018: 483 941 oz 4E)
- EBITDA increasing by 138.2% to R2.6 billion (F2018: R1.1 billion) with the net debt to EBITDA ratio improving to 1.1:1 (F2018: 2.4:1)

Number of employees and labour costs

*Labour costs in terms of the contracting mining at Boaysendal operation were previously included in contractor costs and not in labour cost

Consultants used during the year under review

The group's auditors, Ernst & Young Incorporated, have not provided advice to the committee. However, at the request of the committee, they conducted certain verification procedures on performance and retention shares granted and vested during the year under review.

No further advice has been obtained, nor have any other independent advisors been used by the committee during the year under review.

..... Refer to the audit and risk committee report with regards to independence consideration of the group's auditors [P122](#)

Shareholder engagement and voting

Management has direct interaction with our major institutional shareholders at least twice a year, where any issues or concerns relating to remuneration can be raised and discussed. Representatives of Zambezi Platinum (RF) Limited, our 31.4% BEE shareholder, are also represented on the Northam board.

The F2018 remuneration policy and the implementation report were tabled for separate non-binding advisory votes by shareholders at the annual general meeting (AGM) held on Tuesday, 6 November 2018, and were endorsed by 89.2% and 88.3% of our shareholders respectively. The votes were based on a 93.7% shareholder participation rate.

In the event that 25% or more of the votes exercised are against either Part 2 or Part 3 of this report, the board and this committee will take measures to engage proactively with shareholders and ascertain the reasons for their dissenting votes. Legitimate and reasonable objections and concerns raised will be appropriately addressed. This may include amending the remuneration policy and/or adjusting the remuneration governance and/or processes.

At the aforementioned AGM, a special resolution with regards to financial assistance to executive directors and/or prescribed officers was put forward, which was endorsed by 88.4% of our shareholders, based on a 93.7% shareholder participation rate. However, we did receive negative feedback with regards to the proposed financial assistance in the form of loans, pursuant to the Northam 2020 accommodation strategy. In response thereto, no loans were granted to any executive director, and financial assistance will no longer be provided to executive directors and/or prescribed officers going forward.

We aim to continuously improve our remuneration practices and accordingly, we welcome any comments that you may have on our report.

Areas of focus for F2020**Wage negotiations**

F2020 will be the first year in which formal wage negotiations are entered into with the recognised union at our Boaysendal mine. Previously the mining contractor was responsible for wage negotiations with the workforce. These negotiations and their outcomes will be a focus for the committee.

**Remuneration benchmarking**

Remuneration benchmarking for executive and non-executive directors against industry peers. The group makes use of a remuneration expert when benchmarking remuneration.

**Value for stakeholders**

Continue to assess the key performance indicators underpinning management's remuneration, in order to ensure that value is created for all stakeholders.

**Malus and clawback**

Monitor the implementation of the malus and clawback policy approved in June 2019.

Conclusion

Overall, the committee is satisfied that the F2019 remuneration policy achieved its stated objectives for the year and that the committee has considered and discharged its responsibilities in line with its terms of reference, statutory responsibilities and KING IV™ during the year under review.

We aim to continuously improve our remuneration practices and accordingly, we welcome any comments that you may have on our report or any concerns regarding the remuneration policy or the implementation thereof. We look forward to receiving your support on the resolutions for both the remuneration policy and implementation report at the AGM on 7 November 2019.

On behalf of the committee.

TE Kgosi
Chairperson

20 August 2019

PART 2

Overview of the main provisions of the remuneration policy

The remuneration policy will be put forward for a non-binding advisory vote at the shareholders' annual general meeting on 7 November 2019.

The remuneration policy is designed to support the group's strategic goals, aligning the interests of employees and executives with those of shareholders and all other stakeholders.

It is not intended to be a "one-size-fits-all" set of rules and procedures, but rather to serve as the basis for a flexible approach to the variable and changing needs of a dynamic and competitive mining employment environment.

Guiding remuneration principles

- Attract, motivate and retain core skills such as artisans, engineers and management
- Offer remuneration packages that are competitive, fair and reasonable in all respects for all employees, regardless of job title and grading
- Conduct regular reviews of working conditions, salaries and wages throughout the group
- Ensure compliance with all statutory and regulatory requirements and commitment to applying best practice guidelines in all aspects of remuneration and benefits
- Link executive remuneration to the group's performance with appropriate performance targets, designed to facilitate the achievement of the strategic goals and objectives of the group
- Provide an appropriate mix of short- versus long-term and fixed versus variable remuneration
- Align remuneration with the interests of stakeholders

Measuring performance

Our vision is to grow the business into a long-life major producer of PGMs and to do this safely and efficiently while continuously moving down the cost curve.

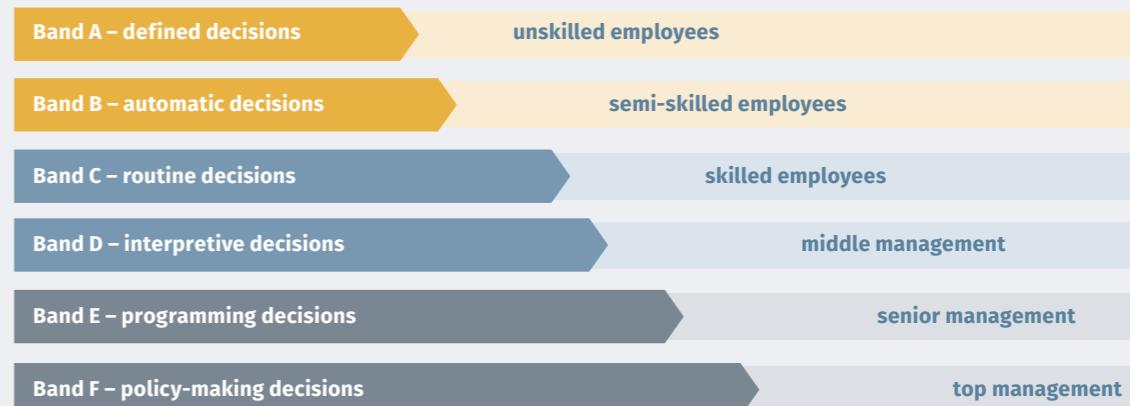
Our remuneration policy is therefore focused on the following performance elements:



Variable remuneration, which includes short- and long-term incentives, is based on these elements, thereby facilitating the achievement of our strategic goals and ultimately the creation of shareholder value.

Employee bands

The Paterson system grades roles according to the number of decisions an employee is required to make and is widely used in the mining and manufacturing industries.



Governance over remuneration

The board

Review and approve the remuneration of the CEO and CFO.

Together with management and the social, ethics, human resources and transformation committee, annually review the succession plans for senior management across operations.

Social, ethics, human resources and transformation committee

Provide oversight of the implementation of the group remuneration policy, including reviewing management remuneration.

Recommend and propose increases for non-executive directors' fees for shareholder approval.

Shareholders and other stakeholders

Provide feedback on executive remuneration and the governance thereof during periodic engagements with management.

This feedback is reviewed and discussed by the social, ethics, human resources and transformation committee. Any concerns or issues are followed up and, where required, are rectified.

Remuneration elements at a glance

Fixed				Variable					
	Annual salary	Medium-term incentive (MTI)	Short-term incentive (STI)		Variable long-term incentive (LTI) awarded under the share incentive plan (SIP)	Lock-in and incentive mechanism (LIM) relating to Zambezi Platinum (RF) Limited			
Who	All employees other than unionised employees*	All employees within the Paterson D upper band and above	All employees		25% retention shares	75% performance shares	Long-term BEE transaction incentive (BIP)	Short-term BEE transaction cash incentive bonus (CIBB)	
Format	Basic rate of pay (BRP) including a 12.5%* pension contribution benefit, which is referred to as the total guaranteed package (TGP)	Retention payment equal to 20% of the annual BRP accumulated monthly over 12 months and paid two years after the accumulated year	Annual bonus based on operational performance targets within the control of management		All employees within the Paterson D lower band and above	CEO, executive commercial (EC) (fomerly the CCO), CG, EHR, GMs at Booysendal and Zondereinde	Who	Format	
What	Cash	Cash	Cash		Annual retention shares with no performance targets	Annual performance shares with both operational and market performance targets	Aggregate of 5 million Northam shares conditionally awarded through the creation and awarding of 5 million BEE conditional shares under SIP	Participants will receive up to 30% of their cost to company remuneration, excluding performance bonuses, subject to the fulfilment of the CIBB performance conditions	
When	Monthly	Granted annually, vesting after two years	Biannually for employees graded Paterson D upper band and above, based on targets set by the committee Quarterly for all other employees, based on set production and safety targets		Northam share price used to determine cash payout	Upon vesting, BEE conditional shares may be settled through cash or shares at the election of the committee	Cash	What	
How	Market rate, individual performance, internal pay equity, experience and critical skills	No performance element associated with the retention bonus On retirement or retrenchment, all accumulated bonuses are payable to employees on a proportional basis, according to the number of months in service, in line with the same percentages as the SIP rules Any employee who is discharged or resigns before the MTI bonus becomes payable, forfeits the total amount accumulated	Targets set per operation by the committee and board. These include safety, unit costs, development metres and production volumes Corporate office (including executive directors) and group services bonuses are based on the combined performance of the operating mines If less than 90% of a target is achieved, no bonus is paid. From 90% achievement, 5% of the guaranteed salary is paid, with a maximum of 125% of the guaranteed salary paid for an achievement of 110% or more of target		Award subject to employees remaining in service for the duration of the three-year vesting period	Targets set per operation by the committee and board. These include safety, unit costs, development metres and production volumes Corporate office (including executive directors) and group services bonuses based on the combined performance of operating mines Maximum award largely depends on the operational performance of the group. If targets are met, the award can be up to 135% of BRP. If performance targets are not met, no performance shares will vest	Vesting subject to Zambezi Platinum (RF) Limited fully settling preference share liability together with all tax liabilities. Current Northam strike price required using prevailing prime rate = R202.02 per share Subsequent to year-end the prime interest rate changed and the strike price required changed to R199.28 per share	Participants will receive: <ul style="list-style-type: none">15% of BRP if 60-day volume weighted average price (VWAP) of share at the condition date is equal or greater than the redemption amount per preference share at year-end. Representing a strike-price of R69.79 per share at year-endAdditional 15% BRP if the total value of the shares held by Zambezi at the condition date (using the 60-day VWAP) is sufficient to fully settle the redemption amount and Zambezi's tax liabilities arising from the settlement of the redemption amount at year-end. Representing a strike price of R78.10 per share at year-end	How
Why	Competitive levels of fixed remuneration attract and retain talent	To attract and retain core skills	To retain and motivate employees		Creates alignment between management and shareholder interests by linking long-term remuneration to operational KPIs and the share price	Retention of key individuals in the group. Aligns participants' long-term interests with those of shareholders	Retention tool that financially penalises recipients who leave the group	Why	
PROPOSED CHANGES FOR F2020	None	None	None		A malus and clawback provision has been implemented in June 2019 for executive directors	None	None	PROPOSED CHANGES FOR F2020	

*Unionised employees' pension contributions is 13.95%, in line with agreements with unions

Fixed remuneration detail

Basic rate of pay (BRP) – guaranteed salary

Non-union-affiliated employees	Allowances and benefits
<p>Executive directors (executives) and members of the management team are employed in terms of their contracts of employment and the remuneration practices and benefit schemes applicable to their job grades.</p> <p>Employment contracts are entered into on a permanent basis as a general principle (ie for an indefinite period), except where fixed-term or short-term temporary contracts are required for specific projects.</p> <p>Guaranteed salaries are reviewed annually, with annual increases effective on 1 July of every year, except with the promotion of individuals, in which case increases may be implemented during the year.</p> <p>Annual increases are based on group performance, affordability and individual performance, and taking general inflation into account.</p> <p>Non-union-affiliated employees have job profiles that stipulate the key performance areas of their positions, which serve as the basis for performance assessment and the measurement of performance-linked salary increases and bonuses.</p>	<p>Executive directors and all employees on a Paterson E level and above receive death and disability cover insurance, with specific conditions attached.</p>
<p>For union-affiliated employees, guaranteed salary levels depend on the outcome of wage negotiations with the representative union.</p> <p>Refer to details of the wage agreements disclosed as part of the Human capital section of this report on page 75.</p>	<p>Various allowances and benefits are paid to union-affiliated employees depending on their position.</p> <p>Specific consideration is given to lower-paid workers.</p>



The social, ethics, human resources and transformation committee is satisfied that the group is compliant with all applicable remuneration regulations.

No provision is made for special retirement benefits for employees other than the standard benefits in terms of the group's recognised retirement funds, with the exception of certain employees who were in service with the group on 31 December 1998. In respect of these employees, a contribution is made to a post-retirement provident fund cover to post-retirement healthcare.

These contributions cease when the employee leaves the service of the group. All components of the group's remuneration policy and procedures are subject to regular internal and external audit, as well as routine monitoring by the South African Revenue Services.

Lock-in and incentive mechanism (LIM) detail

The implementation of the Zambezi Platinum (RF) Limited BEE transaction resulted in a number of significant benefits for the group, including compliance with the required empowerment criteria in terms of the Mineral Petroleum Resources Development Act, No 28 of 2002 and the Mining Charter, as well as a significant cash injection to fund both mergers, acquisitions and organic growth.

However, the guarantee provided by Northam to the holders of the preferences shares issued by Zambezi Platinum (RF) Limited may result in a dilution for Northam shareholders, eroding shareholder value as a result.

A number of our shareholders expressed concerns regarding this dilution risk that the guarantee holds and recommended that the group appropriately incentivise management to mitigate the specific risks associated with the guarantee provided.

In response, Northam shareholders approved a modification to the rules of the SIP, and the committee implemented the LIM in 2016. Of the 95.1% of shares that voted at the 2018 AGM, 77.7% of the shareholders approved the LIM at the time.

The LIM addresses both the short-term and long-term concerns of shareholders by incentivising management to consistently maintain the Northam share price above the related preference share liability over the 10-year lock-in period.

The LIM aligns the interests of management with those of the Northam shareholders and comprises short-term (CIBB) and long-term (BIP) elements.

Since the inception of the LIM incentives, no payment has been made to senior management or executive directors.

Long-term BEE transaction incentive plan (BIP)

The BIP aligns the long-term interests of the participants with those of Northam shareholders through equity participation. It forms part of the SIP and will reward management for the successful delivery and implementation of the group's BEE transaction.

Participation with the BIP is limited to key members of current and future executive management teams including the chief executive officer (CEO), executive commercial (EC), chief geologist (CG), chief technical officer (CTO), executive officer HR (EHR) and senior general managers (GMs) of Booysendal and Zondereinde mines (participants).

The position of the CTO has not been filled and remains subject to employing a suitable candidate. Should the position not be filled, no shares will be issued.

In terms of the BIP, a maximum aggregate of 5 (five) million BEE conditional shares could be awarded. The following number of shares has been issued to date to the individuals listed below:

	Number of shares	Number of shares
	2019	2018
CEO	1 500 000	1 500 000
CFO	–	700 000
EC	500 000	500 000
CG	500 000	500 000
EHR	500 000	500 000
GM Booysendal	200 000	200 000
GM Zondereinde	200 000	200 000
Total number of BEE conditional shares issued	3 400 000	4 100 000



During the year, the former CFO's BIP shares lapsed in relation to the terms and conditions of the rules, when he left the employment of Northam. See Part 3 of this report.

The aggregate number of shares issued represents less than 1% of the total issued share capital of the group, and may be settled in cash or shares at the election of the social, ethics, human resources and transformation committee or the committee responsible for administering the SIP at that time.

Vesting

Vesting will be subject to the satisfaction of the performance condition that Zambezi Platinum (RF) Limited:

- fully settles the preference share liability (requiring a Northam share price of R149.36 per share using the prevailing prime rate)
- fully settles all tax liabilities or makes adequate provision for all tax liabilities arising from the settlement of the redemption amount (requiring a Northam share price of R202.02 per share at the year-end, using the prevailing prime rate)
- (subsequent to year-end the prime interest changed and the share price required to settle the preference share liability now requires a Northam share price of R147.42 per share and a share price of R199.28 per share to fully settle all tax liabilities) on the basis that no guarantee liability will arise and no member of the group will be required to give any direct or indirect financial assistance for the purpose of, or in connection with, the settlement of the redemption amount

In the event that the share price is not at R199.28 per share at the redemption date, these shares will not vest, and no value will accrue to the participants.

In the event that the preference shares are redeemed before the expected redemption date (18 May 2025) and if the performance conditions are satisfied at that time, the shares will vest *pro rata* to the number of years of the performance period (commenced on 18 May 2015) that have been completed at that time.

In the event that Northam undergoes a change of control, all the shares that have not vested will vest in full at that time, irrespective of whether the performance conditions have been met or not.

Short-term cash incentive bonus in respect of the Zambezi Platinum (RF) Limited transaction (CIBB)

The CIBB is intended to comprise an incentive and a retention mechanism in the short- to medium-term, and further aligns management's interests with those of Northam's shareholders.

Participants in the CIBB will include the participants of the aforementioned BIP and may include, from time to time, other employees of the group deemed to be critical to the group's operations and strategy. Participants in the CIBB, other than BIP participants, must be recommended for participation to the scheme by management and is subject to approval by the committee.

Payments under the CIBB will be made annually, subject to the fulfilment of the CIBB performance conditions, as set out below, as at the 31st trading day following the publication of the company's financial results for each financial year (condition date).

Participants will receive, on an annual basis, 15% of their cost to company remuneration, excluding performance bonuses, if the value of a share (calculated as the 60-day volume weighted average price (VWAP)) at the

condition date, equal to or greater than the redemption amount per preference share.

Furthermore, participants will receive, on an annual basis, an additional 15% of their cost to company remuneration, excluding performance bonuses, if the aggregate value of the shares held by Zambezi Platinum (RF) Limited at the condition date (using the 60-day VWAP) is sufficient to, in addition to fully settling the redemption amount, fully settle or make adequate provision for all of Zambezi Platinum (RF) Limited's tax liabilities arising from settlement of the redemption amount, on the basis that no guarantee liability will arise and no member of the group will be required to give any direct or indirect financial assistance for the purposes of or in connection with the settlement of the redemption amount.

This will effectively incentivise the achievement of the CIBB performance conditions on an annual basis.

No CIBB payment will be made unless the CIBB performance conditions are achieved in that year.

The CIBB acts as a robust employee retention mechanism. In the event that a CIBB recipient leaves the employ of the group within the 12-month restraint period of receiving a CIBB payment for reason of a fault termination (resignation or dismissal), that person will be required to repay the company, before the deduction of PAYE, the pro rata amount of the CIBB received (calculated according to the number of months remaining in the restraint period) (CIBB refund). The CIBB refund dissuades CIBB participants from leaving the employ of the group by financially penalising them should they leave.

The CIBB will be terminated upon settlement or lapse of the BIP.

Employee participation schemes

Toro Employee Empowerment Trust

The Toro Employee Empowerment Trust is an employee profit scheme for eligible employees (Paterson C band employees and below) at the Zondereinde mine, in terms of which 4% of the mine's after-tax profits are contributed to the Toro Employee Empowerment Trust. Eligible employees receive payment at the end of a five-year cycle. The first and second payments were made in 2013 and 2018 respectively.

Contributions to the Toro Employee Empowerment Trust will be made for the life of mine and a minimum payout of R15 000 per Zondereinde mine employee has been guaranteed per five-year cycle.

BEE shareholding in Northam

Northam employees (Paterson C band employees and below) own 3% of the issued share capital of Northam via the shareholding of Zambezi Platinum (RF) Limited.

This is in addition to the 4% share of the Zondereinde mine after-tax profits that are contributed to the Toro Employee Empowerment Trust for the benefit of Zondereinde employees.

Service contracts of executive directors

Name	Notice period
PA Dunne (CEO)	12 months
AH Coetze (CFO)	6 months

Change of control and termination conditions:

Remuneration policy component	Change of control (as defined in the Companies Act, No 71 of 2008 and the Companies Regulations and any amendments thereto)	Fault termination (resignation or dismissal)	No-fault termination
TGP	Lump sum compensating payment equal to twice the then TGP	All amounts due and payable with regards to the employee's total cost package will be paid to them	All amounts due and payable with regards to the employee's total cost package will be paid to them
STI – annual bonus	The average of the short-term incentive bonuses paid by the group during the previous two years (ie two years of STI bonuses paid divided by two)	No amount will be paid to an employee on a fault termination	Generally, no payment is made with regards to STI (annual bonuses), but the committee may review this on a case-by-case basis
STI – CIBB	No further amounts will be paid to an employee and the CIBB refund will not be applicable	No amount will be paid to an employee on a fault termination	No amount will be paid to an employee on a no-fault termination
MTI	All accumulated amounts will become payable to employees	No amount will be paid to an employee on a fault termination	Generally, no payment is made with regards to MTI, but the committee may review this on a case-by-case basis
LTI – SIP retention shares	Full vesting	No amount will be paid to an employee on a fault termination	Full vesting
LTI – SIP performance shares	Full vesting, irrespective of whether the performance conditions have been met or not	No amount will be paid to an employee on a fault termination	Full vesting, irrespective of whether the performance conditions have been met or not
LTI – SIP BIP shares (BEE conditional shares)	Full vesting, irrespective of whether the BIP performance condition has been met or not	No amount will be paid to an employee on a fault termination	Vesting in terms of the rules of the SIP BIP at a % of the original number of SIP BIP shares awarded. The BIP award retained in these instances will remain subject to the performance conditions and will only vest and be settled on the vesting date, which is May 2025, together with BIP awards held by other participants

External appointments and directorships

Executive directors are not permitted to hold external directorships or office without the approval of the chairman of the board.

The CEO and CFO currently hold no other listed company directorships, apart from Zambezi Platinum (RF) Limited, Northam's BEE shareholder.

Non-executive directors' remuneration

Non-executive directors are appointed in terms of the company's Memorandum of Incorporation (MOI) and confirmed at the first AGM of shareholders after their appointment. Thereafter at each AGM directors comprising one third of the aggregate number of directors (excluding executive directors) or, if their number is not 3 (three) or a multiple thereof, then the number nearest is but not less than one third of the aggregate number of directors (excluding executive directors) shall retire from office in terms of clause 33.5.1 of the MOI.

Non-executive directors are paid on a quarterly basis, based on fees as approved by the shareholders at the AGM.

Fees paid relate to the directors' roles and committee membership. A fee applies for any additional meetings over and above the set number of meetings. Fees are reviewed by the committee annually.

Consideration is given to industry remuneration levels of non-executive directors, as well as the need to retain the experience and expertise that the current non-executive directors contribute to the Northam board.

During the F2020 year, a full benchmarking exercise will once again be performed to compare the non-executive directors' remuneration with that of other non-executives in the industry.

Shareholders are referred to the notice of the AGM for details of the proposed F2020 non-executive directors' fees, which will be submitted for approval by shareholders at the November 2019 AGM.

Non-executive directors do not participate in any other company benefits, whether short-, medium- or long-term and they are not employees of the company.

Non-executive directors fees paid during F2019 are disclosed in Part 3 of this report.

Below is an illustrative total reward composition for executive directors for the F2020 year for the following:

- Minimum guaranteed payment
- At threshold
- Maximum payment

These illustrative examples are again based on the single-figure basis as prescribed in KING IV™.

Guaranteed payment – at a minimum

	TGP					Total 30 June 2020
	Basic salary (BRP)	Benefits and allowance	STI performance bonus	MTI retention bonus	LTI reflected	
R000	R000	R000	R000	R000	R000	R000
PA Dunne (CEO)	8 290	1 036	–	1 658	1 969	–
AH Coetze (CFO)	3 905	488	–	781	820	–
						5 994

Guaranteed payment – at threshold

	TGP					Total 30 June 2020
	Basic salary (BRP)	Benefits and allowance	STI performance bonus	MTI retention bonus	LTI reflected	
R000	R000	R000	R000	R000	R000	R000
PA Dunne (CEO)	8 290	1 036	8 290	1 658	7 876	1 244
AH Coetze (CFO)	3 905	488	3 905	781	3 280	586
						12 945

Guaranteed payment – maximum payment

	TGP					Total 30 June 2020
	Basic salary (BRP)	Benefits and allowance	STI performance bonus	MTI retention bonus	LTI reflected	
R000	R000	R000	R000	R000	R000	R000
PA Dunne (CEO)	8 290	1 036	10 363	1 658	10 632	2 487
AH Coetze (CFO)	3 905	488	4 881	781	4 428	1 172
						34 466
						15 655



PART 3

Implementation of remuneration policy for the current financial year ended 30 June 2019

The implementation report will be put forward for a non-binding advisory vote at the annual general meeting on 7 November 2019.

The executive directors' remuneration for the year ended 30 June 2019, based on a single-figure basis (income statement impact) as recommended by KING IV™ is as follows:

Basis salary (BRP) plus 12.5% pension contribution classified as the total guaranteed package (TGP)							
Basic salary (BRP)	Benefits and allowance*	STI performance bonus**	MTI retention bonus***	LTI reflected	Separation payment	Total 30 June 2019	30 June 2018
R000	R000	R000	R000	R000	R000	R000	R000
PA Dunne (CEO)	7 712	964	7 272	1 542	6 345	–	23 835
AZ Khumalo (CFO#)	1 387	–	–	–	10 688	11 512	25 417
AH Coetzee (CFO, effective 1 November 2018)	2 479	310	2 338	496	2 073	–	23 587
	11 578	1 274	9 610	2 038	19 106	11 512	12 207
						55 118	37 624

*Consists of pension contributions calculated at 12.5% of basic salary

**STI Performance bonus, based on F2019 performance against set targets of which only a part was paid during F2019

***MTI retention bonus representing 20% of the basic salary accrued during the current year, only paid out after two years if the employee is still in service

#AZ Khumalo, the former CFO was only in office for 4 months from 1 July 2018 to 31 October 2018

During the year under review, AZ Khumalo stepped down as the CFO, effective 31 October 2018, and AH Coetzee was appointed, effective 1 November 2018, with an annual basic salary of R3.7 million and a guaranteed pension fund contribution of 12.5%. The basic salary disclosed above for AH Coetzee is based on a *pro rata* basis for a period of eight months.

AZ Khumalo received a payment as part of a voluntary separation agreement, as detailed below.

In accordance with the SIP rules, the 267 200 unvested performance and retention shares held by AZ Khumalo vested, as a result of his no-fault termination. A share price of R40.00 per share was used in the calculation to determine the payout.

AZ Khumalo's 700 000 shares relating to the BEE conditional shares however lapsed, due to him leaving the employment of the group before the vesting date, and therefore no benefits accrued to him thereunder.

..... See the requirements P156

	R000
A once-off cash payment, which included an amount in lieu of three months' termination notice, as per AZ Khumalo's contract of employment and all accrued outstanding leave balances, as well as a separation payment	9 767
MTI – all outstanding retention amounts due and payable	1 745
Separation payment	11 512
LTI – all outstanding performance and retention shares, consisting of 267 200 shares vested at R40.00 per share and settled in cash	10 688
BEE conditional shares issued in accordance with the LIM	–
	22 200

For remuneration actually paid (cash) in terms of the Companies Act, No 71 of 2008 as amended, please refer to the directors' report included in the annual financial statements, available at www.northam.co.za.

STI performance bonus (F2019)

The short-term bonus scheme is based on a weighted combination of key performance indicators with stretched targets, which are largely under the control of management. By offering bonuses, the committee intends to incentivise management in areas that they are able to influence.

The targets set are a weighted combination of safety performance, linear metres achieved, square metres mined, total tonnes milled, metal produced and unit cash costs. A personal performance rating is also incorporated. The personal performance rating incorporates transformation targets as per the Mining Charter.

The following key performance targets have been set for the STI bonus scheme for the current and next financial year:

Zondvereinde	Unit	F2020 weighting	F2019 weighting	Achievement actual vs target	Weighted score*
Safety	LTIIR	30	30	101.5	32.0
Linear metres (development metres)	m	15	10	109.0	11.9
Square metres	m ²	10	10	102.8	11.2
Tonnes milled	t	10	10	99.9	9.4
Equivalent refined metal from own operations	Pt oz	15	15	100.6	15.0
Cash cost per equivalent refined Pt oz	R/Pt oz	15	15	93.2	5.0
Personal performance	Rating	5	10	100.0	10.0
		100	100		94.5

Booysendal	Unit	F2020 weighting	F2019 weighting	Achievement actual vs target	Weighted score*
Safety	LTIIR	20	20	155.0	25.1
Linear metres (development metres)	m	15	25	98.0	20.0
Square metres	m ²	25	15	108.0	17.3
Tonnes milled	t	15	10	105.0	11.4
Equivalent refined metal from own operations	Pt oz	10	10	98.0	8.0
Cash cost per equivalent refined Pt oz	R/Pt oz	10	10	89.0	2.3
Personal performance	Rating	5	10	100.0	10.0
		100	100		94.1

*The weighted score is based on a sliding scale dependent upon achievement against the targets

Corporate office and group service staff (including executive directors) share 50/50 in the weighted score of Zondereinde and Boysendal and therefore the net equal weighting percentage achieved amounted to 94.3% of BRP.

Eland has been included in the performance targets for F2020, with the following weightings:

Eland	F2020 weighting	
	Unit	%
Safety	LTIIR	20
Tailings storage facility: chrome recovery at 8%	%	15
Tailings storage facility: PGM recovery at 15%	%	15
Linear metres (development metres – barrel development)	m	20
Total metals in concentrate produced from own operations	oz 4E	5
Absolute cash costs including capital and operational costs	R	20
Personal performance	Rating	5
		100

Going forward, corporate office and group service staff (including executive directors) will share 45/45/10 in a weighted score between Zondereinde (45%), Boysendal (45%) and Eland (10%). This split will be reviewed annually as Eland grows to production profile.

The annual STI bonuses accrued as a percentage of the basic salary (BRP) to executive directors were as follows for 30 June 2019:

	STI performance bonus	Basic salary (BRP)	STI performance bonus as a percentage of basic salary (BRP)
	R000	R000	%
PA Dunne (chief executive officer)	7 272	7 712	94.3
AH Coetze (chief financial officer)*	2 338	2 479	94.3

*AH Coetze was appointed on 1 November 2018 as an executive director, and the BRP disclosed is for a period of eight months. The annualised BRP amounts to R3.7 million.

STI performance bonuses paid are linked to company performance only to ensure that the employees focus their efforts on creating shareholder value.

MTI retention bonus (F2019)

The medium-term incentive retention bonus has a vesting period of two years and is offered annually. On joining, the first retention bonus paid to an employee is after two years' service and is calculated pro rata, depending on which month of the year the employee joined the group.

The annual MTI retention bonuses accrued to executive directors were as follows for the year ending 30 June 2019:

	MTI retention bonus	Basic salary (BRP)	MTI retention bonus as a percentage of basic salary (BRP)
	R000	R000	%
PA Dunne (CEO)	1 542	7 712	20.0
AH Coetze (CFO)*	496	2 479	20.0

*AH Coetze was appointed on 1 November 2018 as an executive director, and the BRP disclosed here is for a period of eight months. The annualised BRP amounts to R3.7 million.

The MTI retention bonus paid, as disclosed in the directors report, relates to the BRP of the executives during the F2017 year.

LTI

The LTI reflected as part of the single figure remuneration has been calculated as follows:

- The F2016 SIP Performance share awards with a performance period ending on 11 November 2018 has been calculated by taking the VWAP at 11 November 2018 (R41.03) multiplied by the actual vesting percentage (76.2%). Therefore the LTI calculated for performance shares are the actual number of performance shares vested in November 2018 multiplied by the VWAP at the vesting date
- The F2019 SIP retention share awards granted during the year has been calculated as the number of retention shares, multiplied by the 30-day VWAP as at 31 October 2018 (R39.66). For LTI calculated relating to retention shares, the number of retention shares granted during the year was used multiplied by the VWAP at grant date

PA Dunne	Award year	Number of awards	Value per award	Vesting %	LTI reflected
SIP: performance shares	F2016	144 500	R41.03	76.2%	4 517
SIP: retention shares	F2019	46 100	R39.66	100.0%	1 828
Total					6 345

AH Coetze	Award year	Number of awards	Value per award	Vesting %	LTI reflected
SIP: performance shares	F2016	41 200	R41.03	76.2%	1 288
SIP: retention shares	F2019	19 800	R39.66	100.0%	785
Total					2 073

The LTI annual share awards for the financial year 30 June 2019, and the performance outcomes for the F2016 share awards (the performance period of which ended on 11 November 2018) are set out on the following pages.

Performance and retention shares awarded in November 2018 (F2019), which will vest on 31 October 2021:

	Performance awards	Retention awards	Total awards	Value on award date*	% of BRP
	Number of shares	Number of shares	Number of shares	R000	%
PA Dunne (CEO)	138 400	46 100	184 500	7 317	95%
AH Coetze (CFO)	59 300	19 800	79 100	3 137	84%

*30-day VWAP as at 31 October 2018 (including that date) multiplied by the number of shares awarded, determined at R39.66 per share

The following performance criteria and targets have been approved to apply to the November 2018 awards, for the three-year rolling period F2019, F2020 and F2021:

Zondereinde	Factor	Targets/Criteria	% weighting
Safety (LTIIr)	An improvement of 10% on the previous financial year's safety record, which will be measured in F2021 compared to F2020	30%	
Equivalent refined metal from own operations (oz 4E)	Achieving the budgeted equivalent refined production over the three-year vesting period	30%	
Cash cost per equivalent refined oz 4E (R/oz)	Achieving the budgeted cash cost over the three-year vesting period	20%	
Absolute total shareholder returns (group)	Exceeding the weighted average cost of capital, determined as 18.5%	10%	
Relative shareholder returns (group)	Exceeding the platinum index return of the JSE on an absolute basis	10%	
		100%	

Booysendal	Factor	Targets/Criteria	% weighting
Safety (LTIIr)	An improvement of 10% on the previous financial year's safety record, which will be measured in F2021 compared to F2020	25%	
Metals in concentrate produced (oz 4E)	Achieving the budgeted concentrate production over the three-year vesting period	35%	
Cash cost per 4E in concentrate produced (R/oz)	Achieving the budgeted cash cost over the three-year vesting period	20%	
Absolute total shareholder returns (group)	Exceeding the weighted average cost of capital, determined as 18.5%	10%	
Relative shareholder returns (group)	Exceeding the platinum index return of the JSE on an absolute basis	10%	
		100%	

Exceeding the proposed performance criteria and targets requires considerable effort, and will have a direct impact on the group's profitability.

Corporate office and group service staff (including executive directors) share 50/50 in the weighted score of Zondereinde and Booysendal.

The measurement of the performance criteria will be calculated at the end of each three-year financial rolling period over which the shares vest, by applying the achievement percentages below in respect of the individual criteria against the performance shares awarded:

Achievement	% shares to vest
Achieve an aggregate score of less than 90%	Nil
Achieve between 90% and 100% of target	100%
Achieve between 100% and 105%	125%
Achieve in excess of 105%	135%

An achievement of less than 90% of target results in no shares being allocated (vested) at all.

LTI awards granted in November 2015 vested on 11 November 2018 (F2019)

The performance conditions used to determine performance conditions with regards to the LTI awards granted in November 2015 were as follows:

Zondereinde	Factor	Targets/Criteria	% weighting	Booysendal	% weighting
Safety LTIIr	An improvement of 10% on the previous financial year's safety record	25%	20%		
Estimated recoverable metals 4E	Achieving the budgeted metal production	25%	30%		
Unit cash costs	Achieving the budgeted unit cost	20%	20%		
Absolute total shareholder returns (group)	Weighted average cost of capital (14.7%) plus 1.3%	15%	15%		
Relative total shareholder returns (group)	Exceeding the platinum index return of the JSE on an absolute basis	15%	15%		
		100%	100%		

Performance LTI payments are linked to company performance as well as the share price performance to ensure that the employees focus their efforts on creating shareholder value.

Zondereinde	F2016 achievement	F2017 achievement	F2018 achievement	Total	Vesting allocation	Weighted vesting
Factor	% weighting	%	%	%	%	%
Safety LTIIr	25%		113%	113%	135%	33.75%
Fatality impact	50% deduction from the safety allocation due to 2 fatalities during F2018				(16.88%)	
Production	25%	97%	93%	104%	98%	100%
Unit cash costs	20%	105%	95%	97%	98%	100%
Absolute total shareholder returns (group)	15%				88%	0%
Relative total shareholder returns (group)	15%				117%	135%
	100%					20.25%
						82.12%

Booysendal	F2016 achievement	F2017 achievement	F2018 achievement	Total	Vesting allocation	Weighted vesting
Factor	% weighting	%	%	%	%	%
Safety LTIIr	20%		85%	85%	0%	0.00%
Production	30%	103%	108%	84%	97%	30.00%
Unit cash costs	20%	107%	103%	90%	99%	20.00%
Absolute total shareholder returns (group)	15%				88%	0%
Relative total shareholder returns (group)	15%				117%	135%
	100%					20.25%
						70.25%

During the year under review, the committee approved a penalty in recognition of a fatality, which impacts on the safety portion of participants' performance shares allocated. This is to be applied as follows going forward:

Number of fatalities	% impact on safety shares
1 (one)	25% less safety shares
2 (two)	50% less safety shares
3 (three) or more	No safety shares

Corporate office and group service staff (including executive directors) share 50/50 in the weighted score of Zondereinde and Booyensdal and therefore achieved an allocation of 76.2%.

The following amounts were paid out to executive directors relating to the November 2015 performance and retention shares that vested in November 2018:

	Performance awards	Performance awards	Performance awards	Retention awards	Total awards	Value of payment*
	Number of shares	% performance shares vesting	Total number of shares	Number of shares	Number of shares	R000
PA Dunne	144 500	76.2%	110 087	48 700	158 787	6 515
AH Coetzee	41 200	76.2%	31 388	13 900	45 288	1 858

*VWAP on 11 November 2018, last trading day preceding day of the 3 year anniversary of the award, determined as R41.03 per share, multiplied by the number of shares awarded.

Lock-in and incentive mechanism (LIM) – short-term annual incentive (CIBB)

The requirements for the short-term annual incentive relating to the BEE transaction was not met in F2018, and no payment was made to senior managers and executive directors in respect of the previous financial year.

	R per share	
60-day VWAP share price as at 30 June 2018		36.35
Share price at year-end		36.68
Required share price for CIBB payment of 15% of BRP		61.04
Required share price, including settlement of the tax liability, for CIBB payment of 30% of BRP		66.82

No payment will be made for the F2019 year, as the requirements for the CIBB were not met during the current financial year; see below:

	R per share	
60-day VWAP share price as at 30 June 2019		59.25
Share price at year-end		59.00
Required share price for CIBB payment of 15% of BRP		69.79
Required share price, including settlement of the tax liability, for CIBB payment of 30% of BRP		78.10

Comprehensive table of LTI – outstanding and unvested awards

In line with the requirements of KING IV™, an analysis of all long-term incentives held as at 30 June 2019 is set out below:

	Award year	Vesting date	Opening number of shares	Number of shares granted during the year	Number of shares forfeited during the year	Number of shares vested/exercised during the year	Closing number of shares	Value of receipts	Value of MTI/estimated closing fair value
1 July 2018									
30 June 2019									
PA Dunne									
MTI retention bonus	F2018	June 2020							1 422
MTI retention bonus	F2019	June 2021							1 542
LTI retention shares	F2016	November 2018	48 700	–	–	(48 700)	–	1 998	–
LTI retention shares	F2017	November 2019	42 900	–	–	–	42 900	–	2 455
LTI retention shares	F2018	November 2020	46 200	–	–	–	46 200	–	2 644
LTI retention shares	F2019	November 2021	–	46 100	–	–	46 100	–	2 638
LTI performance shares	F2016	November 2018	144 500	–	(34 413)	(110 087)	–	4 517	–
LTI performance shares	F2017	November 2019	127 200	–	–	–	127 200	–	7 278
LTI performance shares	F2018	November 2020	137 000	–	–	–	137 000	–	7 839
LTI performance shares	F2019	November 2021	–	138 400	–	–	138 400	–	7 919
BEE conditional shares issued in accordance with the LIM	F2017	May 2025	1 500 000	–	–	–	1 500 000	–	88 500
Total			2 046 500	184 500	(34 413)	(158 787)	2 037 800	6 515	122 237
AH Coetzee									
MTI retention bonus	F2018	June 2020							409
MTI retention bonus	F2019	June 2021							496
LTI retention shares	F2016	November 2018	13 900	–	–	(13 900)	–	570	–
LTI retention shares	F2017	November 2019	9 200	–	–	–	9 200	–	526
LTI retention shares	F2018	November 2020	10 400	–	–	–	10 400	–	595
LTI retention shares	F2019	November 2021	–	19 800	–	–	19 800	–	1 133
LTI performance shares	F2016	November 2018	41 200	–	(9 812)	(31 388)	–	1 288	–
LTI performance shares	F2017	November 2019	27 100	–	–	–	27 100	–	1 551
LTI performance shares	F2018	November 2020	30 900	–	–	–	30 900	–	1 768
LTI performance shares	F2019	November 2021	–	59 300	–	–	59 300	–	3 393
Total			132 700	79 100	(9 812)	(45 288)	156 700	1 858	9 871

- The MTI is calculated using the annual BRP for that particular year multiplied by 20%, which is only paid two years subsequent to the date when it accrues, with no performance conditions attached
- LTI retention shares' estimated fair value is determined using 100% of the number of retention shares outstanding multiplied by the 30-day VWAP of the share price at year-end, which amounted to R57.22 per share
- If the LTI performance shares vest within the next 12 months, an estimation is made of the percentage at which the performance shares will vest multiplied by the 30-day VWAP closing share price; if the LTI performance share vest after a period of 12 months the full number of performance shares will be multiplied by the 30-day VWAP closing share price
- The fair value of the LIM shares is calculated using the closing share price at year-end multiplied by the full value of the number of BIP shares outstanding. The mechanics of these 10-year BEE transaction incentive BIP shares are fully explained on page 143 of this report. The performance conditions for these shares is based on an "all or nothing" contingency. At the estimated target Northam share price of R202.02 per share in May 2025, this would save Northam shareholders a dilution of value, hence the incentive for management to perform by growing the business of Northam and thus its share price. In six years (May 2025), a once-off payout can only be made if the share price of Northam is at an estimated target price then of at least R202.02 (that is 10 years after the inception of the BEE transaction). Below that share price there will be no payment due, hence these shares had no value on the award date. The BIP was approved by shareholders in 2016. The closing share price of Northam as at 30 June 2019 was R59.00 per share
- Subsequent to year-end the prime interest rate changed and the Northam share price is now required to be R199.28 per share for the conditions of the LIM to become effective

Below are details of AZ Khumalo's separation payment relating to his LTI incentives:

								Number of shares granted during the year	Number of shares forfeited during the year	Number of shares vested/exercised during the year	Closing number of shares	Value of receipts	Estimated closing fair value (using the closing share price value)
	Award year	Vesting date		Opening number of shares									
				1 July 2018							30 June 2019	R000	R000
AZ Khumalo													
LTI retention shares	F2016	November 2018	24 350	–	–	(24 350)	–	974	–				
LTI retention shares	F2017	November 2019	20 900	–	–	(20 900)	–	836	–				
LTI retention shares	F2018	November 2020	22 100	–	–	(22 100)	–	884	–				
LTI performance shares	F2016	November 2018	72 250	–	–	(72 250)	–	2 890	–				
LTI performance shares	F2017	November 2019	62 000	–	–	(62 000)	–	2 480	–				
LTI performance shares	F2018	November 2020	65 600	–	–	(65 600)	–	2 624	–				
BEE conditional shares issued in accordance with the LIM	F2017	May 2025	700 000	–	(700 000)	–	–	–	–				
Total			967 200	–	(700 000)	(267 200)	–	10 688	–				

If a participant's employment with Northam is terminated prior to the vesting date by reason of a no-fault termination, then all retention and performance shares that have not vested shall, irrespective of the extent to which the performance conditions have been met, vest on the date of termination of employment.

In respect of the LIM shares (BEE conditional shares), if the date of termination of employment occurs prior to or on 18 May 2020, then all such BEE conditional shares that have not vested will lapse immediately on the date of termination of employment.

An analysis of all long-term incentives held as at 30 June 2018 follows:

	Award year	Vesting date	Opening number of shares	Number of shares granted during the year	Number of shares forfeited during the year	Number of shares vested/exercised during the year	Closing number of shares	Value of receipts	Estimated closing fair value (using the closing share price value)
							1 July 2017		30 June 2018 R000 R000
PA Dunne									
LTI retention shares	F2015	November 2017	37 900	–	–	(37 900)	–	1 986	–
LTI retention shares	F2016	November 2018	48 700	–	–	–	48 700	–	1 786
LTI retention shares	F2017	November 2019	42 900	–	–	–	42 900	–	1 574
LTI retention shares	F2018	November 2020	–	46 200	–	–	46 200	–	1 695
LTI performance shares	F2015	November 2017	112 400	–	(702)	(111 698)	–	5 853	–
LTI performance shares	F2016	November 2018	144 500	–	–	–	144 500	–	5 300
LTI performance shares	F2017	November 2019	127 200	–	–	–	127 200	–	4 666
LTI performance shares	F2018	November 2020	–	137 000	–	–	137 000	–	5 025
LIM shares	F2017	May 2025	1 500 000	–	–	–	1 500 000	–	55 020
Total			2 013 600	183 200	(702)	(149 598)	2 046 500	7 839	75 066
AZ Khumalo									
Options		12 October 2017	62 500	–	–	(62 500)	–	233	–
Clawback rights options		12 October 2017	2 450	–	–	(2 450)	–	25	–
LTI retention shares	F2015	November 2017	37 900	–	(18 950)	(18 950)	–	993	–
LTI retention shares	F2016	November 2018	48 700	–	(24 350)	–	24 350	–	893
LTI retention shares	F2017	November 2019	20 900	–	–	–	20 900	–	767
LTI retention shares	F2018	November 2020	–	22 100	–	–	22 100	–	811
LTI performance shares	F2015	November 2017	112 400	–	(56 670)	(55 730)	–	2 926	–
LTI performance shares	F2016	November 2018	144 500	–	(72 250)	–	72 250	–	2 650
LTI performance shares	F2017	November 2019	62 000	–	–	–	62 000	–	2 274
LTI performance shares	F2018	November 2020	–	65 600	–	–	65 600	–	2 406
LIM shares	F2017	May 2025	700 000	–	–	–	700 000	–	25 676
Total			1 191 350	87 700	(172 220)	(139 630)	967 200	4 177	35 477

Non-executive directors' fees

Below is an analysis of non-executive fees in respect of board and board committee services for the 2019 financial year.

Board	Audit and risk committee	Health, safety and environmental committee	Investment committee	Social, ethics, human resources and transformation committee	Nomination committee	Ad hoc fees	Additional meetings held during 2018 – approved at the November 2018 AGM	Total
	R000	R000	R000	R000	R000	R000		
KB Mosehla	435	–	–	88	–	90	–	47 660
R Havenstein	374	146	142	88	–	122	39	47 958
DH Brown	329	159	–	120	–	–	–	608
CK Chabedi	329	–	108	88	127	–	–	65 717
HH Hickey	329	202	–	–	–	–	47	578
NY Jekwa	329	13	–	–	107	–	–	– 449
MH Jonas*	219	–	–	–	–	–	–	– 219
TE Kgosi	329	146	–	–	164	90	56	18 803
TI Mvusi	329	–	–	–	–	–	–	– 329
JJ Nel*	219	13	–	–	–	–	–	– 232
JG Smithies	329	–	108	–	–	–	–	– 437
	3 550	679	358	384	398	302	95	224 5 990

*MH Jonas and JJ Nel were appointed as independent non-executive directors, with effect from 6 November 2018

Remuneration payable in terms of non-executive director's fees will be in proportion to the period during which the office of the non-executive director or such director's relevant role on the board or a committee thereof, has been held during the financial year, irrespective of the number of meetings held.

In terms of section 66(8) and (9) of the Companies Act, remuneration may only be paid to directors for their services as a director in accordance with a special resolution approved by the shareholders and if not prohibited in the company's Memorandum of Incorporation (MOI). The MOI does not prohibit the payment of such remuneration.

Shareholders are reminded that a request was made for the approval of payments to non-executive directors for the attendance of meetings during the 30 June 2018 financial year in excess of the anticipated number of meetings as listed below:

	Number of meetings anticipated for 2018	Actual number of meetings held during 2018	Proposed fee per additional meeting approved at the November 2018 AGM	R
Board meetings	5	6	46 900	
Social, ethics, human resources and transformation committee meetings	4	5	18 300	

Accordingly, at the forthcoming AGM, shareholders will be requested to consider a special resolution providing for the increase in the non-executive directors' fees for the year ending 30 June 2020, as set out in the notice of the AGM.

Shareholder engagement

We value our continued engagement with various stakeholders and we endeavour to maintain our relationships in order to continue to receive constructive feedback and input.

This remuneration report was approved by the board of directors of Northam Platinum Limited on 20 August 2019.

On behalf of the committee.

TE Kgosi
Chairperson

20 August 2019

KING IV™ status

The board is satisfied that, during the 2019 financial year, every effort was made to apply and explain all aspects of KING IV™, as appropriate.

The audit and risk committee, the health, safety and environmental committee, the investment committee, the nomination committee and the social, ethics, human resources and transformation committee are all satisfied that Northam has complied with the KING IV™ principles during the 2019 financial year and is taking steps to ensure continued adherence to the obligations placed upon the group in this regard.

Our KING IV™ apply and explain statement is available on our website at www.northam.co.za/governance

On behalf of the board.

KB Mosehla
Non-executive chairman

R Havenstein
Lead independent director

20 August 2019

Independent assurance report

Independent limited assurance report for selected key performance indicators reported in Northam Platinum's Limited's integrated annual report for the year ended on 30 june 2019.

To the management of Northam Platinum Limited

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected sustainability information and related disclosures identified in the subject matter paragraph below, as presented in Northam Platinum Limited (Northam)'s Integrated Annual Report for the year ended on 30 June 2019 (the Report) is not prepared, in all material respects, in accordance with Northam management's internally developed measurement and reporting criteria applied to prepare that information

Ernst & Young Inc. (EY) has undertaken a limited assurance engagement for the selected KPIs described below presented in Northam's Report.

This engagement was conducted by a multidisciplinary team including environmental, health & safety and social specialists with extensive experience in sustainability and carbon footprint reporting and assurance.

Subject matter

Our limited assurance engagement was performed for the selected KPIs and related disclosures listed below (selected sustainability information) as presented in the Report.

Selected KPIs	Coverage
Percentage of Historically Disadvantaged South Africans (HDSAs) in management	Northam's Zondereinde and Booyensdal operations
Percentage of women in core mining jobs	
Reportable Injury Incident Rate (RIIR) and Lost-time Injury Incident Rate (LTIIIR)	
New Cases of NIHL, New Cases of Tuberculosis, Voluntary counselling and testing encounters	
Average number of employees Number of direct employees Total number of employees Employee turnover rate percentage	
Percentage of employees covered by collective bargaining agreements Number of strikes and lock-outs exceeding one week's duration, by operation	
Energy usage (direct and indirect), GHG emissions (Scope 1 and 2) and SO2 emissions	
Energy intensity	
Percentage of water recycled at operations	
Significant environmental incidents	
Land disturbed by mining Land leased for farming purposes Land protected for conservation Total land under management	
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	
SLP expenditure Housing project Payments to government (including royalties and taxes)	

These selected KPIs, prepared and presented in accordance with management's internally defined measurement and reporting criteria (management's criteria), are marked with a 'LA' on the relevant pages of the Report where they appear.

Management's criteria for these selected KPIs are available at <http://www.northam.co.za/investors-and-media/sustainability>

The scope of our work was limited to the matters stated above in relation to the Report, and did not include coverage of data sets or information relating to areas other than the selected KPIs, information reported outside of the Report, comparisons against historical data, or management's forward-looking statements.

Director's responsibilities

You are responsible for determining the appropriateness of measurement and reporting criteria in view of the intended users of the selected KPIs disclosed in the Report (i.e. Northam's stakeholders) and for disclosing those criteria for the intended users.

You are also responsible for the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the selected KPIs and related disclosures, free from material misstatement, whether due to fraud or error.

Inherent limitations

Inherent limitations of assurance engagements include use of selective testing of the information being examined, which means that it is possible that fraud, error or non-compliance may occur and not be detected in the course of performing the engagement.

Carbon emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

There are additional inherent risks associated with assurance engagements performed for non-financial information given the characteristics of the subject matter and associated with the compilation of source data using definitions and methods for determining, calculating, and estimating such information that are developed internally by management. The absence of a significant body of established practice on which to draw, allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. In particular, where the information relies on factors derived by independent third parties, our assurance work has not included examination of the derivation of those factors and other third-party information.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants as well as the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our responsibility**

Our responsibility is to perform our limited assurance engagement to express our conclusion on whether anything has come to our attention that causes us to believe that the selected sustainability information as presented in the Report are not prepared, in all material respects, in accordance with management's internally developed measurement and reporting criteria for those KPIs.

We have performed our limited assurance engagement in accordance with the terms of reference for this engagement agreed with Northam, including performing the engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised), Assurance Engagements other than the Audits or Reviews of Historical Financial Information and ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. Those Standards require that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs as presented in the Report, are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of management's internally developed measurement and reporting criteria as the basis of preparation for reporting the selected KPIs, assessing the risks of material misstatement of those selected KPIs, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, the procedures we performed included the following (without limitation):

- Reviewed Northam's activities, processes and documents at group-level that support the assertions and claims made in the Report, including in respect of the reported selected sustainability information;
- Interviewed management and senior executives to obtain an understanding of the following matters as relevant to Northam's external reporting on its material environmental, social and governance issues:
 - Governance and accountability arrangements for reporting the selected sustainability information, including adoption of governance practices aligned to the King IV Code
 - Principles and recommended practices for ensuring the integrity of Northam's external report;
 - Governance oversight of management's process to identify Northam's material ESG issues, to establish performance targets for those issues and to monitor progress made to achieving those targets;
 - Management's processes for reporting progress on Northam's material ESG issues to the Northam Board and internal assurance applied, including for the selected sustainability information;
 - The basis of preparation used for reporting the selected sustainability information, including the Criteria and the reporting definitions applied; and
 - The control environment, information systems and relevant control activities applied to compiling information from relevant data sources for reporting the selected sustainability information, and for monitoring the integrity of the information presented in the Report (but not for the purpose of evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness).
- Inspected supporting documentation on a sample basis, to corroborate the statements of management and senior executives in our interviews.

- Performed analytical procedures to evaluate the relevant data generation and reporting processes against management's measurement and reporting criteria.
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the management in the preparation of the selected sustainability information.
- Evaluated whether the selected sustainability information as reported is consistent with our overall knowledge and experience of Northam's material issues and with our observations of Northam's processes and progress.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in our limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the selected sustainability information presented in the Report has been prepared, in all material respects, in accordance with management's internally developed measurement and reporting criteria for that information.

Other matters

Information relating to prior reporting periods has not been subject to assurance procedures. Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the Report.

The maintenance and integrity of Northam's website is the responsibility of Northam's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the selected sustainability information as reported in the Report, or our independent assurance report that may have occurred since the initial date of presentation on the Northam website.

Restriction on use and distribution of our report and on our liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the matters stated above in our report provided to the management of Northam in accordance with the terms of our engagement, and for no other purpose. Our report is intended solely for the directors of Northam and must not be used by any other parties.

To the fullest extent permitted by the law, we do not accept or assume liability to any party other than the management of Northam, for our work, for this report, or for the conclusion we have reached. We agree to the publication of this assurance report in Northam's Report provided it is clearly understood by recipients of the Report that they enjoy such receipt for information only and that we accept no duty of care to them whatsoever in respect of this report.

Ernst & Young Inc.
Partner: Ebrahim Dhorat
Registered Auditor
Chartered Accountant (SA)

Ernst & Young
102 Rivonia Road
Johannesburg
21 August 2019

Glossary

Performance measures not defined by the International Financial Reporting Standards (IFRS) (PMs) and which are disclosed in this report, are not uniformly defined or used by all entities, and may not be comparable with similar disclosures provided by other entities. To obtain an understanding of, inter alia, the purpose and computation of the PMs, shareholders are referred to the glossary set out below and on Northam's website: www.northam.co.za.

The responsibility of the PMs, and the financial reporting procedures relating to the PMs, remains with the board of directors of Northam.

4E	Northam reports ore resources, reserves, production and grades in terms of platinum, palladium, rhodium and gold, collectively expressed as 4E
6E	Northam reports ore resources, reserves, production and grades in terms of platinum, palladium, rhodium, gold, ruthenium and iridium, collectively expressed as 6E
Average exchange rate	The average exchange rate achieved by the group for the purpose of converting USD sales to ZAR over a period/year, amounting to the sum of the daily close ZAR/USD exchange rate over a period/year divided by the number of days in that period/year
Average market price achieved/realised (USD/oz)	Average market prices achieved/realised in USD/ounce over a specific period/year, calculated as total sales revenue per metal in ZAR divided by the total metal sold in ounces, divided by the average exchange rate
Capital expenditure or capex	ZAR value assigned for future additions to property, plant and equipment as well as mining properties and mineral resources
Cash costs per 4E oz in concentrate produced	Cash costs for each 4E ounce in concentrate produced over a specific period/year, calculated as mining operations costs in ZAR divided by 4E ounces in concentrate produced, plus concentrator operating costs together with selling and administration overhead costs in ZAR divided by 4E ounces produced both from concentrate produced as well as concentrates purchased
Cash costs per 6E oz in concentrate produced	Cash costs for each 6E ounce in concentrate produced over a specific period/year, calculated as mining operations costs in ZAR divided by 6E ounces in concentrate produced, plus concentrator operating costs together with selling and administration overhead costs in ZAR divided by 6E ounces produced both from concentrate produced as well as concentrates purchased
Cash costs per equivalent refined 4E oz	Cash costs for each equivalent refined 4E ounce produced over a specific period/year, calculated as mining costs in ZAR (mining operations and concentrator operations costs) divided by the equivalent 4E refined metal quantities in ounces produced from own operations, plus smelting and base metal removal plant cost, selling and administration overhead and refining including sampling and handling charges in ZAR divided by total 4E refined metal quantities in ounces produced
Cash costs per equivalent refined 6E oz	Cash costs for each equivalent refined 6E ounce production over a specific period/year, calculated as mining costs in ZAR (mining operations and concentrator operations costs) divided by the equivalent 6E refined metal quantities in ounces produced from own operations, plus smelting and base metal removal plant cost, selling and administration overhead and refining including sampling and handling charges in ZAR divided by total 6E refined metal quantities in ounces produced
Cash costs per equivalent refined Pt oz	Cash costs for each equivalent refined Platinum ounce produced over a specific period/year, calculated as mining costs in ZAR (mining operations and concentrator operations costs) divided by the equivalent platinum refined metal quantities in ounces produced from own operations, plus smelting and base metal removal plant cost, selling and administration overhead and refining including sampling and handling charges in ZAR divided by total platinum refined metal quantities in ounces produced
Cash costs per Pt oz in concentrate produced	Cash costs for each Platinum ounce in concentrate produced over a specific period/year, calculated as mining operations costs in ZAR divided by platinum ounces in concentrate produced, plus concentrator operating costs together with selling and administration overhead costs in ZAR divided by platinum ounces produced both from concentrate produced as well as concentrates purchased
Cash margin per 4E oz in concentrate produced	Cash profit per 4E ounce in concentrate produced as a percentage of the total revenue per 4E ounce sold, which ratio is utilised to assess the profitability of each 4E ounce in concentrate produced
Cash margin per 6E oz in concentrate produced	Cash profit per 6E ounce in concentrate produced as a percentage of the total revenue per 6E ounce sold, which ratio is utilised to assess the profitability of each 6E ounce in concentrate produced
Cash margin per equivalent refined 4E oz	Cash profit per equivalent refined 4E ounce as a percentage of the total revenue per 4E ounce sold, which ratio is utilised to assess the profitability of each equivalent refined 4E ounce produced
Cash margin per equivalent refined 6E oz	Cash profit per equivalent refined 6E ounce as a percentage of the total revenue per 6E ounce sold, which ratio is utilised to assess the profitability of each equivalent refined 6E ounce produced
Cash margin per equivalent refined Pt oz	Cash profit per equivalent refined Platinum ounce as a percentage of the total revenue per Platinum ounce sold, which ratio is utilised to assess the profitability of each equivalent refined Platinum ounce produced

Cash margin per Pt oz in concentrate produced	Cash profit per Platinum ounce in concentrate produced as a percentage of the total revenue per Platinum ounce sold, which ratio is utilised to assess the profitability of each Platinum ounce in concentrate produced
Cash profit per 4E oz in concentrate produced	Total revenue per 4E ounce sold less the cash cost per 4E ounce in concentrate produced, which ratio is utilised to assess the profitability of each 4E ounce in concentrate produced
Cash profit per 6E oz in concentrate produced	Total revenue per 6E ounce sold less the cash cost per 6E ounce in concentrate produced, which ratio is utilised to assess the profitability of each 6E ounce in concentrate produced
Cash profit per equivalent refined 4E oz	Total revenue per 4E ounce sold less the cash costs per equivalent refined 4E ounce, which ratio is utilised to assess the profitability of each equivalent refined 4E ounce produced
Cash profit per equivalent refined 6E oz	Total revenue per 6E ounce sold less the cash costs per equivalent refined 6E ounce, which ratio is utilised to assess the profitability of each equivalent refined 6E ounce produced
Cash profit per equivalent refined Pt oz	Total revenue per Platinum ounce sold less the cash costs per equivalent refined Platinum ounce, which ratio is utilised to assess the profitability of each equivalent refined Platinum ounce produced
Cash profit per Pt oz in concentrate produced	Total revenue per Platinum ounce sold less the cash costs per Platinum ounce in concentrate produced, which ratio is utilised to assess the profitability of each Platinum ounce in concentrate produced
EBITDA	Earnings before interest (investment income and finance charges excluding preference share dividends), tax, depreciation, amortisation and the impact of the 2015 BEE transaction relating to amortisation of liquidity fees paid on preference shares, the preference share dividends and loss on derecognition of the preference share liability. EBITDA is utilised for, inter alia, the assessment of covenants
EBITDA margin	EBITDA as a percentage of sales revenue in ZAR
Expansionary capex	Capital expenditure to increase or enhance property, plant and equipment or mining properties and mineral resources
Headline earnings	Headline earnings is governed by Circular 4/2018 as issued by the South African Institute of Chartered Accountants (SAICA)
Headline earnings per share	Headline earnings per share is governed by Circular 4/2018 as issued by the South African Institute of Chartered Accountants (SAICA). The JSE Listings Requirements require disclosure of headline earnings per share and an itemised reconciliation of earnings to headline earnings
Net debt	Cash and cash equivalents less bank overdraft, domestic medium term notes and revolving credit facility (both the current and non-current portion), all of which are in ZAR. Net debt is utilised for, inter alia, the assessment of covenants
Normalised headline earnings	Headline earnings adjusted for non-cash items relating to the 2015 BEE transaction, whereby headline earnings is adjusted to include amortisation of liquidity fees paid on preference shares, preference share dividends and the loss on derecognition of preference share liability. Normalised headline earnings is considered as management's main measure of performance
Normalised headline earnings per share	Headline earnings per share adjusted for the impact of the 2015 BEE transaction, being normalised headline earnings divided by the total number of shares in issue. Normalised headline earnings per share is considered as management's main measure of performance
On mine cash cost per tonne milled	Cash cost to mill a tonne of production over a specific period/year, calculated as total on mine costs consisting of mining operation's costs and concentrator operations costs in ZAR divided by the total tonnes milled
On mine cash cost per tonne mined	Cash cost to mine a tonne of production over a specific period/year, calculated as Total on mine costs consisting of mining operation's costs and concentrator operations costs in ZAR divided by the total tonnes mined
Operating profit	Sales revenue in ZAR less cost of sales in ZAR (gross profit)
Operating profit margin	Operating profit as a percentage of sales revenue in ZAR
Ounce or oz	Troy ounce consisting of 32.1507 grammes
Sustaining capex	Capital expenditure to maintain property, plant and equipment or mining properties and mineral resources
Sustaining capex per equivalent refined Pt oz from own operations	Sustaining capex divided by equivalent refined platinum ounces from own operations
Total revenue per 4E oz sold	Revenue generated for each 4E ounce sold over a specific period/year, calculated as total sales revenue in ZAR for all metals for a period/year divided by the number of 4E ounces sold during that period/year
Total revenue per 6E oz sold	Revenue generated for each 6E ounce sold over a specific period/year, calculated as total sales revenue in ZAR for all metals for a period/year divided by the number of 6E ounces sold during that period/year
Total revenue per Pt oz sold	Revenue generated for each Platinum ounce sold over a specific period/year, calculated as total sales revenue in ZAR for all metals for a period/year divided by the number of platinum ounces sold during that period/year

Analysis of shareholders

The analysis of shareholders as at 30 June 2019 was as follows:

Shareholding range	Number of shareholders 2019	Total of shareholding 2019	Percentage holding (%) 2019	
1 – 5 000	4 196	3 146 850	0.62	
5 001 – 10 000	219	1 630 714	0.32	
10 001 – 50 000	346	8 211 183	1.61	
50 001 – 100 000	99	7 152 829	1.40	
100 001 – 1 000 000	239	77 351 815	15.17	
1 000 001 and more	65	412 287 821	80.88	
	5 164	509 781 212	100.00	

Geographical analysis of shareholders	Total shareholding 2019	Percentage holding (%) 2019	
Australasia	76 905	0.01	
Europe and United Kingdom	7 988 139	1.57	
North America	36 041 387	7.07	
Far East	111 119	0.02	
South Africa	465 563 662	91.33	
	509 781 212	100.00	

Major shareholders	Number of shares 2019	Percentage holding (%) 2019	
Zambezi Platinum (RF) Proprietary Limited	159 905 453	31.37	
Coronation Asset Management	141 243 662	27.71	
Public Investment Corporation	49 133 979	9.64	
Fairtree Capital	20 187 523	3.96	
Kagiso Asset Management	16 182 779	3.17	

Shareholder spread	Number of shareholders 2019	Percentage holding (%) 2019	
Public	5 159	67.44	
Zambezi Platinum (RF) Limited	1	31.37	
Directors	4	1.19	
	5 164	100.00	

Administration and contact information

Platinum Limited

Incorporated in the Republic of South Africa
Registration number 1977/003282/06
Share code: NHM ISIN: ZAE000030912
Debt issuer code: NHMI
Bond code: NHM002
Bond ISIN: ZAG000129024
Bond code: NHM006
Bond ISIN: ZAG000158577
Bond code: NHM007
Bond ISIN: ZAG000158593
Bond code: NHM008
Bond ISIN: ZAG000158858
Bond code: NHM009
Bond ISIN: ZAG000158866
Bond code: NHM010
Bond ISIN: ZAG000159229
Bond code: NHM011
Bond ISIN: ZAG000159237
Bond code: NHM012
Bond ISIN: ZAG000160136

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NORTHAM
P L A T I N U M L I M I T E D