

CHAIRMAN'S STATEMENT

It is again a privilege to address this message to all of Northam's stakeholders. You will appreciate that the past financial year presented us with a number of direct and indirect challenges, to which my colleagues rose, and which they handled admirably. But these were challenges that pointed to the rapidly changing South African platinum mining environment – an environment of uncertain demand for PGMs and one in which labour issues are fast evolving.

Northam's Zondereinde operations were interrupted by an, until then unprecedentedly long, eleven-week wage strike by National Union of Mineworker (NUM) members during the year's first half. This was immediately followed at three other companies' mines by a five-month stoppage by members of the Association of Mineworkers and Construction Union (AMCU), the union that is challenging NUM's position in the platinum belt.

The industry is threatened by possible turmoil as the two major unions fight turf wars, frequently accompanied by deaths, significant levels of violence and intimidation.

Our approach to this situation is that it is our employees who must choose their representative unions, while Northam itself will not intervene in that decision. However my colleagues and I believe that minority unions which, nevertheless, represent significant numbers of workers in specific occupations are entitled to some level of union representation.

My colleague and new chief executive, Paul Dunne, deals with the fall-out of the strikes in his review and I do not propose to belabour the issue. However, the fact was that the removal from the market of a significant portion of South Africa's PGM output for several months did not lead to any upward movements in the metals' prices. Throughout the strikes PGM prices remained restrained as metals became available from other sources. South Africa's platinum mines have much less influence in the PGMs market than might have been the case only a few years ago. The platinum market has moved into a new phase – one in which recycling is playing an increasingly significant role, one in which thrifting of metal wherever technically possible will continue to take place and one in which investors are becoming more cautious over the opportunity costs of investing in physical metal.

As things stand, we believe there is little prospect of platinum prices recovering appreciably until 2016 or later. In this respect, the use of platinum in exhaust catalysts loaded into the diesel-powered vehicles popular in Europe will be a major demand-side factor. The EU economy has yet to set out on the sort of consumer-led economic recovery similar to what is being seen in the US, and vehicle sales are likely to remain constrained until it does.

We at Northam are prepared for this weak demand factor to persist and, at the same time, understand

that we and the other platinum producers are price takers, not price setters. We cannot influence the market with supply-side interventions. Our future success lies in ensuring that our mines remain profitable and cash generative no matter what the platinum price does. In addition, I believe that, with the recovery of Zondereinde from the effects of the past year's strike and with the steady ramp-up at Booyensdal, we have proved our capabilities and set our future course.

Booyensdal's profile as a shallower, mechanised operation is likely to shift it into the lower half of the platinum cost curve. Our task now is to contain operating cost inflation, occasioned by the costs of wage agreements reached, and the accelerating costs of inputs.

We are aware that the matter of empowerment is a concern for our shareholders. I am pleased to be in a position to reassure shareholders that this is an issue which the board and executive management are working to remedy and that an inordinate amount of good work has already been done. We will keep shareholders apprised at the appropriate time.

Paul Dunne has spoken at length about our expansion plans. It goes without saying that the experienced and competent management will incorporate our expectations for the platinum market into our production planning, given that we are not in the business of producing for the sake of producing.

It is better to be restrained and more profitable than unrestrained and less.

In conclusion it remains for me to welcome Paul as Northam's new chief executive and to thank his predecessor Glyn Lewis for his stalwart contribution over the years. Paul has already made his mark, consolidating the company's direction during something of a baptism of fire.

The other individual whose contribution has been invaluable is Bernard van Rooyen, who has been part of Northam for more than a quarter of a century, latterly as a consultant, and who has now retired. We thank Bernard most sincerely for his contribution to this company's successes.

My thanks, too, go to all of my colleagues throughout the company. Their efforts have been noteworthy. I am sure that, with their commitment, Northam will continue go from strength to strength.

Lazarus Zim

Chairman

25 September 2014