REPORT OF THE AUDIT AND RISK COMMITTEE

The independent audit and risk committee (the committee) is pleased to present its report for the financial year ended 30 June 2016.

The committee has discharged its responsibilities mandated by the board, which also allows it to execute its statutory duties in compliance with the Companies Act 71 of 2008, as well as the King III principles applicable to audit committees. The committee's terms of reference, which can be found on the company's website www.northam.co.za are aligned with the above legislation, regulations and principles.

The committee comprised four independent non-executive directors during the year under review namely, Mr AR Martin (chairman), Mr R Havenstein, Mrs TE Kgosi and Ms HH Hickey who replaced Mr ME Beckett, who retired on 11 November 2015.

The committee met on five occasions during the year under review and all members were present at each of these scheduled meetings. Key members of management attend meetings of the committee by invitation. During the year, closed sessions were also held for committee members only, as well as with internal audit, external audit and management.

The committee and its chairman's performance are assessed internally on an annual basis.

REPONSIBILITIES OF THE COMMITTEE

The areas of responsibilities of the committee include the following:

- The appointment and evaluation of external auditors and their terms of engagement;
- The appointment and evaluation of the internal auditors and their mandate;
- The approval of remuneration of external and internal auditors;
- Ensuring the independence of external and internal auditors;
- Ensuring that the appointment of both the external and internal auditors is made in compliance with the provisions of the Companies Act;
- The approval of non-audit work which may be performed by the external auditors which includes tax compliance services, assurance related work in respect of any corporate actions and opinions not related to any prohibited services;
- Approving the internal audit plan;
- Approving the external audit plan without infringing on the auditors' independence;
- Reviewing interim and preliminary results of the company;
- Reviewing and recommendation to the board for approval the interim report and preliminary announcement of results, the annual financial statements and the annual integrated report;
- Ensuring that the risks of the company are adequately assessed and monitored by management through a risk register, and ensuring that such risks are properly mitigated;
- Ensuring that internal controls of the company are implemented, effective and monitored;
- Ensuring a cordial working relationship between management and internal auditors; and
- To deal appropriately with any concerns or complaints raised by any of the company's stakeholders relating to accounting policies or practices and internal audit, content or auditing of the company's financial statements, internal financial controls or any related matter.

ANNUAL CONFIRMATIONS

Appropriateness of the expertise and experience of the chief financial officer

In terms of the JSE listings requirements, the audit and risk committee has satisfied itself as to the appropriateness of the expertise and experience of the chief financial officer.

Independence and reappointment of external auditors

The committee confirms the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and that it recommends their re-appointment for the financial year ending 30 June 2017.

Going concern statement including solvency and liquidity

Based on the solvency and liquidity tests performed the committee report that it has a reasonable expectation that the company/group has adequate resources to continue in operational existence for the foreseeable future, and that the company/group is therefore a going concern.

Effectiveness of internal controls

Using the company's combined assurance model and the related assurance obtained from the various assurance providers in the three lines of defence as basis, the committee recommended to the board that it issues a statement as to the adequacy of the company's internal control environment.

REPORT OF THE AUDIT AND RISK COMMITTEE **CONTINUED**

Annual financial statements and the integrated report

The committee has:

- Reviewed and discussed the audited annual financial statements included in the annual integrated report with the external auditors, the chief executive officer and the chief financial officer;
- Reviewed the external auditor's management letter and management's response thereto; and
- Reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences; and received and considered reports from the internal auditors.

The committee concurs with and accepts the external auditor's conclusions on the annual financial statements and has recommended the approval thereof to the board. The committee recommended the annual financial statements as well as the 2016 integrated report to the board for approval. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming AGM.

AR Martin
Chairman – audit and risk committee

Johannesburg
23 September 2016