NORTHAM
PLATINUM LIMITED

ANNUAL INTEGRATED REPORT 2018

smart platinum mining

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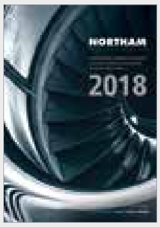
NORTHAM
PLATINUM LIMITED

WE BELIEVE IN OUR COUNTRY, OUR COMPANY, OUR PEOPLE AND OUR PRODUCT

REPORTING SUITE 2018

Annual integrated report 2018

Notice of AGM and abridged annual report 2018



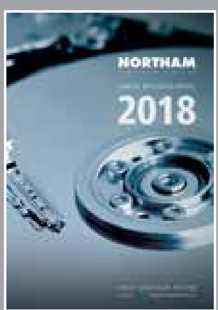
Summarised financial results and group statistical information for the year ended 30 June 2018

smart platinum mining

KEY FEATURES

- Normalised headline earnings of R421.5 million
- Execution of growth strategy on track
- Tough market conditions persist
- New 20MW furnace commissioned
- Record group capital expenditure at R3.8 billion
- Good operating performance

NORTHAM PLATINUM LIMITED
KEY FEATURES



ABOUT THE COVER

Computer hard disks contain platinum and ruthenium in a complex structure of layered materials. Use of platinum group metals has helped reduce disk size and has led to improved data-storing capacity.

SCOPE

THE PRIMARY PURPOSE OF OUR INTEGRATED REPORT IS TO EXPLAIN HOW **WE CREATE VALUE** FOR ALL STAKEHOLDERS OVER TIME

COMPLIANCE AND REPORTING GUIDELINES

Northam Platinum Limited (Northam or Northam Platinum or the group or the company) is listed on the Securities Exchange of the JSE Limited (JSE) in South Africa. This integrated report, the company's notice of annual general meeting (AGM), and the audited annual financial statements are published in compliance with the JSE's 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 on page 119.

In its financial disclosure, the group and company reports 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 2018 financial year (the F2018 reporting period), Northam has continued with its integrated approach to reporting, first embarked upon in F2012. This approach seeks to present to stakeholders a holistic overview of the group's financial and non-financial performance for the reporting period and incorporates the recommendations of the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI) fourth generation (G4) guidelines. This holistic overview provides a summary of the business, its performance and the value it creates for stakeholders and an assessment of the group's governance, economic, social and environmental impacts and performance during the reporting period. From F2019, Northam will compile its sustainability reporting criteria in accordance with GRI's Sustainability Reporting Standards.

REPORTING UNDER THE CAPITALS

The primary purpose of our integrated report is to explain how we create value for all stakeholders over time, by providing a combination of quantitative and qualitative information. We use the capitals concept to convey this information. The International Integrated Reporting Framework defines capitals as stocks of value that are affected or transformed by the activities and outputs of an organisation. In our report, we have focused on financial, human, social, natural and combined manufactured and intellectual capital.

MATERIAL ISSUES

In formulating our strategy and determining our strategic priorities, we continue to consider those issues that are most material to the business and stakeholders, influence the sustainability of our business and the social, economic and physical environments in which we operate and which fundamentally influence the assessments and decisions of stakeholders.

AUDITING AND ASSURANCE

Northam's internal and external auditing functions are critical areas of governance. The internal audit function is outsourced to KPMG Services Proprietary Limited (KPMG) for 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 Inc. The independent auditor's report may be found in the annual financial statements starting on page 166.

Certain non-financial key performance indicators have been included as part of a limited assurance engagement undertaken by external assurance services provider Ernst & Young Inc. The reporting process has also been underpinned by the AA1000 AccountAbility Principles Standards 2008, which include Inclusivity, Materiality and Responsiveness. The independent assurance report can be found on page 158 of this report.

REPORTING PARAMETERS AND DEFINITIONS

The financial statements include the group's subsidiaries, joint ventures and associates. The non-financial disclosure is limited to the group's two wholly-owned operations, the Zondereinde and Booysendal mines.

Except where specifically stated otherwise, Northam reports 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.

Employees are those people directly employed by Northam. Indirect employees are those people employed by contracting companies i.e. providers of specialised and/or technical services to the operations.

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

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-non-financial-reporting

COMPANY SNAPSHOT 2018

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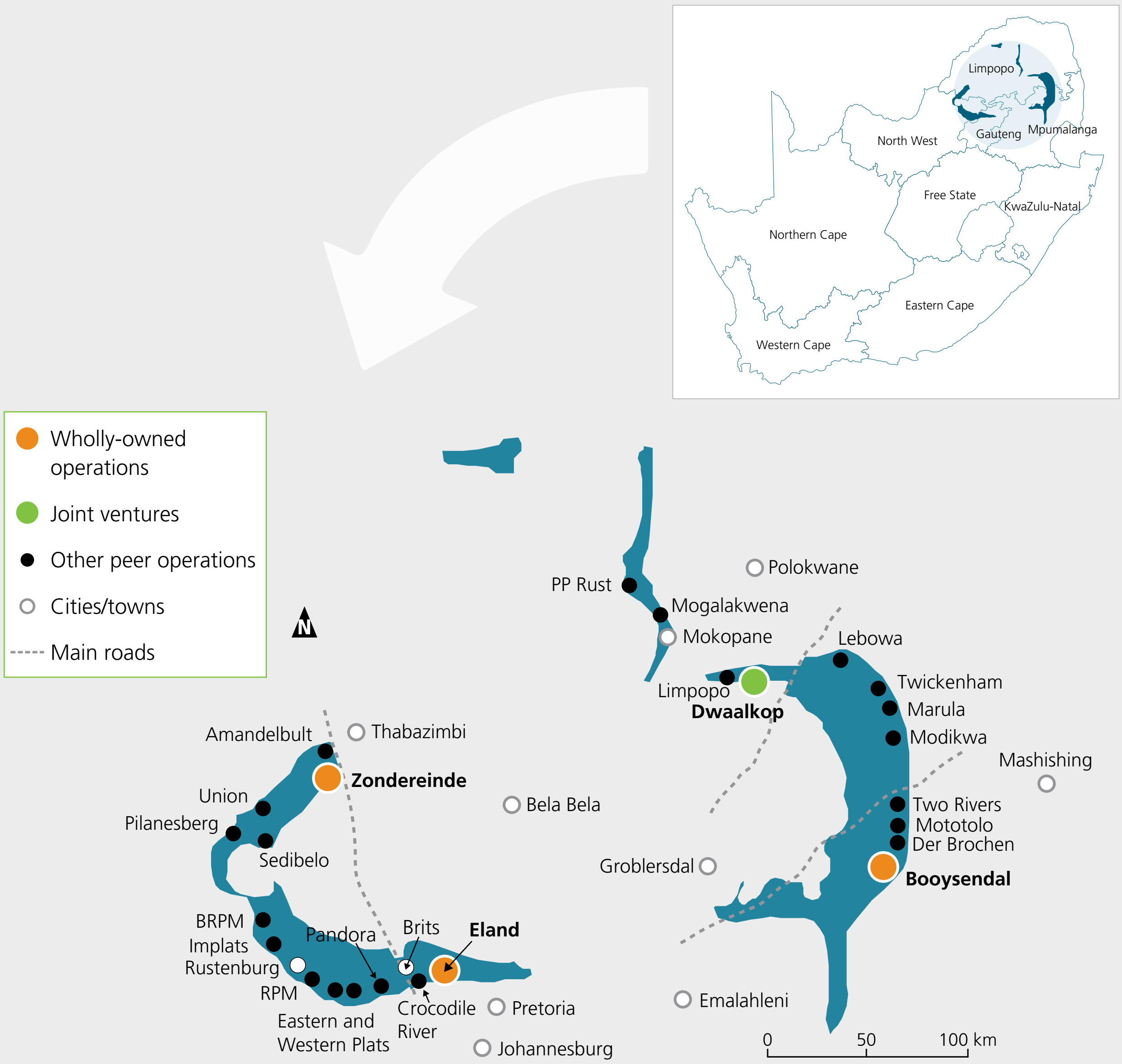
FOCUS ON THE NORTHAM GROUP

NORTHAM OPERATIONS IN THE BUSHVELD COMPLEX



NORTHAM ZONDEREINDE

300 000oz

of refined 4E PGMs produced

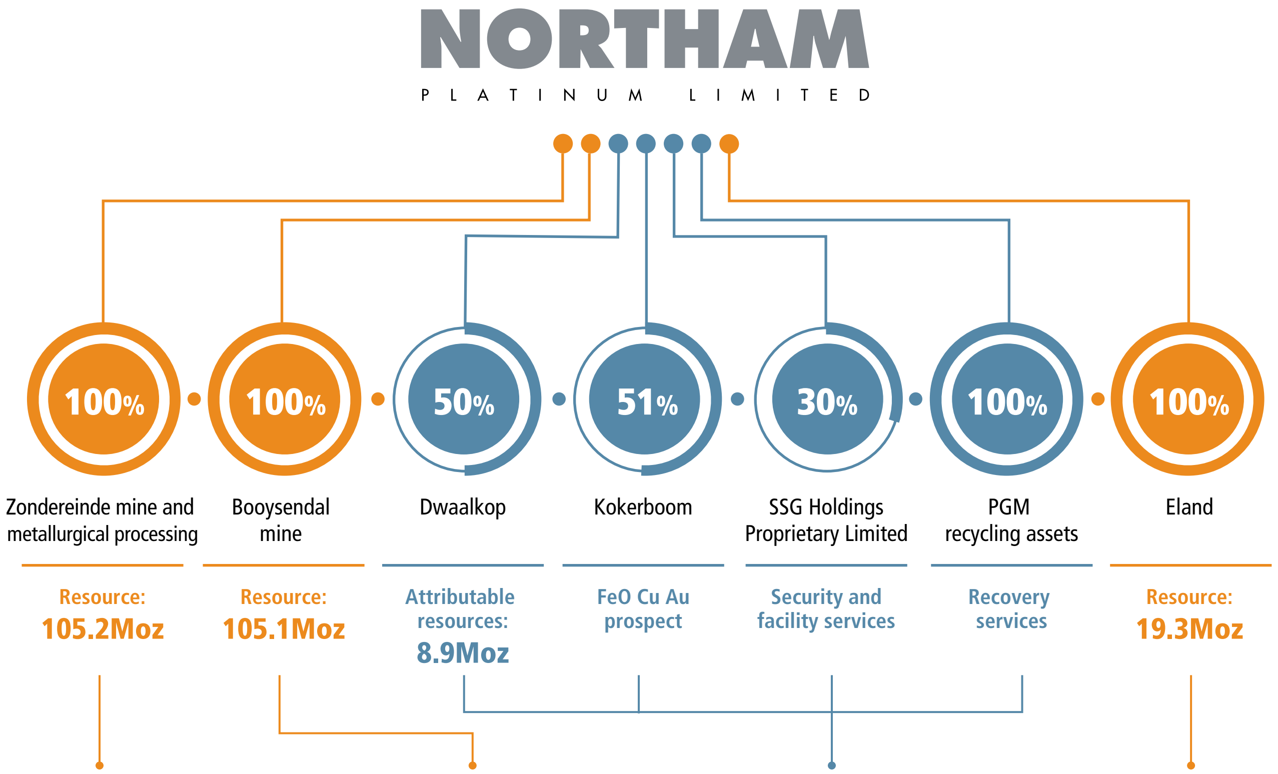
NORTHAM BOOYSENDAL

190 000oz

4E produced

FOCUS ON THE NORTHAM GROUP CONTINUED

AT A GLANCE



NORTHAM ZONDEREINDE

The **Zondereinde mine** is an established, conventional, long-life operation which mines UG2 and Merensky ore and produces approximately 300 000oz of refined 4E PGMs from own operations annually. The mine is located on the northern end of the western limb of the Bushveld Complex near the town of Thabazimbi.

In December 2017, Northam acquired the ground adjacent to Zondereinde's western boundary from Anglo American Platinum Limited. The **Western extension** acquisition provides access to additional Merensky and UG2 reef and extends the life of mine (LoM) to beyond 30 years.

NORTHAM BOOYSENDAL

The shallower, mechanised, room and pillar **Booysendal UG2 North mine** is located near the town of Mashishing (formerly Lydenburg) on the eastern limb of the Bushveld Complex. Booysendal North mine has a LoM of some 25 years.

The 105.1Moz orebody at Booysendal lends itself to brownfields expansion opportunities, which are currently being established on the property. These include a **deepening project** at the existing UG2 North mine, the **Booysendal Merensky North mine** and the new **Booysendal South mine**.

OTHER INTERESTS

- 50% interest in the **Dwaalkop JV** (Limpopo)
- 51% initial participatory interest in the **Kokerboom JV exploration project** (Northern Cape)
- 30% interest in **SSG Holdings Proprietary Limited**, a company providing security and facility services to the group
- **PGM recycling assets** in Pennsylvania, United States of America, currently on care and maintenance

NORTHAM ELAND

In January 2018, Northam acquired **Eland Platinum**. Eland is located on the south-eastern limit of the western limb of the Bushveld Complex.

The acquisition includes two mining rights with a resource estimated at 19.3Moz 4E and a fully-developed, world-class surface infrastructure.

Northam is an independent, fully empowered, mid-tier, integrated PGM producer with two primary operating assets, the **Zondereinde** and **Booysendal** mines in the South African Bushveld Complex.

The Zondereinde lease area is also the location for Northam's **metallurgical operations**, which include concentrators, a smelter and base metals recovery plant.

At 30 June 2018, Northam held a combined resource base of **238.5 million** ounces (Moz) 4E and **28.5Moz** 4E was in the reserve category.

The group milled a total of **4.60Mt** (Zondereinde: **1.93Mt**, Booysendal North: **2.67Mt**) in the year under review to produce **483 941oz** of 4E metal, which has been processed to realise sales revenue of **R7.6 billion** (F2017: R6.9 billion) – an increase of **10.0%** year on year.

INTEGRATED ACTIVITIES

Northam's activities are integrated; from the underground mining, through to the concentrating, smelting and base metal recovery processes.

Concentrating: Merensky and UG2 plants

- In the crushing/screening circuit, the ore is crushed to reduce its size before it goes to the mill
- Merensky ore feeds into a fully autogenous mill. In the UG2 plant, the ore feeds into a high pressure grinding roll crusher and then into a primary ball mill
- The flotation circuit includes rougher cells, scavenger cells and cleaner columns. External sparger column cells act as a cleaner and this helps to produce a final UG2 concentrate with significantly lower chrome content while maintaining PGM recoveries

Smelting

In December 2017, Northam commissioned a new 20MW furnace, significantly expanding the Zondereinde smelter complex. Heraeus Deutschland GmbH & Co KG and Heraeus South Africa Proprietary Limited (Heraeus) – Northam's refining partner since the start of the mine some 30 years ago – contributed €20.0 million towards the new furnace construction. The additional capacity adds significant mining flexibility allowing for higher volumes of UG2 to be treated. The total cost of the expansion project was R1.0 billion.

Key processes include drying and smelting the concentrate and converting the furnace matte. Concentrate brought in is blended and dried concentrate is pulverised and then stored in silos. Concentrate and flue dust is mixed with lime and then fed into the furnace where electrodes provide heat via resistance to the current through the material in the bath. The lighter oxides float to the top as slag and the more dense sulphides, which contain the PGMs, sink to the hearth as furnace matte.

Base metal recovery

By-product metals, copper and nickel sulphate, are extracted at the on-site base metals removal plant and sold in the domestic market.

Chrome

Chrome is produced at both Zondereinde and Booysendal from the UG2 reef.

Refining

Final precious metal concentrate is transported from the Zondereinde metallurgical complex for refining to the Heraeus facilities in Hanau, Germany and Port Elizabeth.

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 and materials handling protocols. Product transportation is also strictly defined by international aviation regulations.

FOCUS ON THE NORTHAM GROUP CONTINUED

PRIMARY PRODUCTS AND END USES

Northam's primary products are the three main PGMs: platinum, palladium and rhodium. The primary consumers of these PGMs are the motor-manufacturing and jewellery industries. Other industrial uses range from chemical and electrical applications to glass manufacture. In the automotive sector, PGMs are used in exhaust systems, specifically autocatalysts, helping to reduce noxious and greenhouse gases (GHGs) released into the atmosphere. Platinum jewellery is popular in Asia.

PGMs are traded on international markets where the metal prices are determined by global supply and demand, and are US dollar-denominated. This means that South African PGMs realise prices in US dollars, which are then converted and reported in South African rands. Northam has no influence on the sales price of its metal and is essentially a price taker. The metal is sold in sponge or ingot form to customers in the US, Europe and the Far East.

Northam's in-house marketing department is responsible for marketing and sales of products domestically and to major global markets in Asia, Europe and North America.

LISTING

Northam's shares are listed on the JSE. Its equity share code is NHM and its debt instruments are listed under the symbol NHMI. Northam's shareholders are predominantly South African institutional investors who hold 90.0% of the equity. The remainder is held in North America (5.7%), Europe and the United Kingdom (2.4%) and the rest of the world (1.9%).

FTSE4Good

Northam Platinum has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Northam is also a constituent of the FTSE/JSE Responsible Investment Index.

BEE STRUCTURE

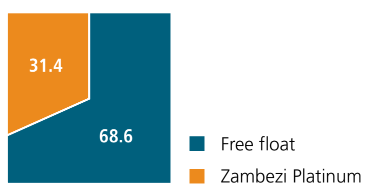
Northam is a fully empowered PGM producer. Historically disadvantaged South African (HDSA) ownership levels in the company stand at 31.4% following the conclusion of a R6.6 billion black economic empowerment (BEE) transaction, which included the successful raising of R4.6 billion. The transaction was announced in October 2014 and approved by shareholders in March 2015. In terms of the deal, Northam issued 112 195 122 new shares (equivalent to 22% of Northam's issued share capital) to a special purpose BEE vehicle known as Zambezi Platinum (RF) Limited (Zambezi or Zambezi Platinum). These shares were supplemented by 47 710 331 shares (equivalent to 9.4% of Northam's issued share capital), sold to Zambezi Platinum by the Public Investment Corporation SOC Limited (PIC), a long-standing Northam shareholder.

Zambezi Platinum comprises a range of HDSA stakeholders including an employee trust, two community trusts, a women's group and a core of strategic partners. Together they hold a 31.4% stake in Northam, with a 10-year lock-in period for the participants from May 2015.

Zambezi Platinum financed the acquisition of shares in Northam through a preference share arrangement. Zambezi Platinum's preference shares were listed on the JSE on 11 May 2015.

Northam's issued stated capital at 30 June 2018 remained unchanged at 509 781 212 shares (F2017: 509 781 212 shares) and the company's market capitalisation was R18.7 billion (F2017: R20.6 billion).

Strategic BEE interests and free float (%)



31.4%

HDSA ownership levels in Northam stand at 31.4%

FOCUS ON THE BUSINESS

OUR BUSINESS MODEL

How we create value*

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 business

ASSESSING, DEVELOPING AND ECONOMICALLY MINING PGM-BEARING OREBODIES

- Zondereinde – conventional deep-level, mining UG2 and Merensky ore
- Booysendal – shallow, fully mechanised UG2 and Merensky mining operation

MINERALS PROCESSING

- Merensky and UG2 concentrator plants – crushing, milling, flotation
- Chrome concentrator plants
- Zondereinde incorporates a metallurgical complex – smelter and base-metal removal plant
- Eland processing plant to treat platinum-rich material from the Jubilee Metals Group's PlatCro project

REFINING

Northam's production refined at:

- Heraeus refinery, near Frankfurt, Germany
- Heraeus plant, Port Elizabeth, South Africa

MARKETING

In-house department responsible for marketing and sales of metals in sponge or ingot form:

- Domestically
- To major global markets in Asia, Europe, North America

Our strategy

EMPOWERMENT

26% HDSA equity holding imperative

- Empowerment shareholding level 31.4%
- Toro Employee Empowerment Trust for Zondereinde employees – contributing 4.0% of the mine's after-tax profit annually for life of mine

INTERNAL OPTIMISATION

Ensuring appropriate Merensky/UG2 ore mix at Zondereinde

Bringing available ore reserves to production

Expanded smelter facilities

Brownfields growth

Strict cost control

Deepening project on track at Zondereinde

Additional new 20MW furnace commissioned in December 2017, with Heraeus contributing €20.0 million

Acquisition of Western extension to support an increase in Merensky ratio at Zondereinde

Booysendal South project on track

DIVERSIFICATION

Geographic expansion

Mining shallower resources and reserves

Mechanisable orebodies

Reducing one mine and one furnace risk

Moving down the cost curve

Seeking appropriate acquisition opportunities

Booysendal establishes firm presence on eastern limb

Mining both UG2 and Merensky at all operations

Expanding chrome operations

New shallow mechanised shaft development at Booysendal South reducing operational risk

Eland Platinum acquisition concluded

Acquisition of PGM recycling assets in the US

Inputs

F FINANCIAL

- Capital expenditure: **R3.8 billion**, plus prepayment of **R89.6 million** on aerial rope conveyor system
- Cash balance: **R293.2 million**

M MANUFACTURED AND INTELLECTUAL

- Plant, machinery, equipment and infrastructure: **R11.9 billion**
- Investment into research and development in terms of time, people and effort to improve safety, efficiencies and mining methods

H HUMAN

- **13 258 employees** (including indirect employees**)
- Training and development spend:

  R36.6 million spent at Zondereinde

  R6.8 million spent at Booysendal

N NATURAL

- Mineral reserve: **28.5Moz**
- Mineral resource: **238.5Moz**

Outputs

M MANUFACTURED

- **4.6Mt** milled – 1.9Mt at Zondereinde; 2.7Mt at Booysendal North
- **483 941oz 4E** equivalent refined metal produced from own operations
- Total metal sales of **R7.6 billion** totalling **472 884oz 4E**

Outcomes

F FINANCIAL

- **R37.1 million** to taxes and royalties
- **R247.6 million** to providers of capital, excluding Zambezi preference shares

H HUMAN

- **R2.3 billion** to salaries and wages

S SOCIAL

- **R74.7 million** ringfenced for the various BEE trusts
- **R3.2 billion** to BEE suppliers

Impacts

H HUMAN

Accommodation:

- **420** housing units sold to employees (to date)
- A total of **2 852** single units created
- Employee accommodation and upgrades:

  R526.0 million spent at Zondereinde

  R17.4 million spent at Booysendal

Safety:

- 2 fatalities at Zondereinde
- Zero fatalities at Booysendal
- **1.29 LTIIR** at Zondereinde
- **0.31 LTIIR** at Booysendal

Health:

- **R91.4 million** contributed to health care funds
- **3 342** employees received VCT
- **68** new cases of NIHL

N NATURAL

- Water recycled decreased to **88%** from 89%
- Electricity consumption at Zondereinde increased by **10.1%** to **729 652MWh (2 973 887 GJ)**
- Electricity consumption at Booysendal increased by **13.4%** to **161 794MWh (691 720 GJ)**
- CO_2 emissions **924 001 tonnes**, an increase of 4.7%
- SO_2 emissions **8 118 tonnes**, an increase of 20.3%

* *Data included in business model is at 30 June 2018*

** *Indirect employees are those people employed by contracting companies i.e. providers of specialised and/or technical services to the operations*

FOCUS ON STRATEGY

OUR STRATEGY

The company has both a corporate (external) business strategy and an operational (internal) strategy. Our strategy is based on **growth, diversification** and **optimisation**. 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.

Corporate strategy

We maintain a **strong statement of financial position and significant empowerment credentials**. Management actively pursues **value enhancing transactions**, targeting large, shallow, mechanisable, contiguous assets. Any step outside of those guidelines would have to constitute a very compelling value proposition for Northam shareholders.

Strategic delivery:

- Northam's acquisition of the ground adjacent to Zondereinde's western boundary from Anglo American Platinum Limited became unconditional during F2018, with the transfer of the mining right executed in December 2017. This is a brownfields expansion for the Zondereinde mine, with the Western extension being a contiguous resource, accessible from Zondereinde infrastructure.
- In January 2018, Northam's acquisition of the **Eland mine** from Glencore Operations South Africa Proprietary Limited (Glencore Operations) was finalised and became unconditional. In conjunction with this deal, a long-term **marketing agreement for chrome** ore sales with Glencore International AG was established. Eland mine represents a low-cost option for the future.
- Northam concluded the **disposal of its 7.5% interest in the Pandora joint venture** in December 2017, illustrating its focus on core, wholly-owned and managed operations.
- In July 2017, a suite of **PGM recycling equipment** and associated premises were acquired in the United States of America – an asset of strategic future importance. A trial shipment of recycled PGMs arrived in South Africa in April 2018 to be processed at Zondereinde's smelting complex, in order to conduct metallurgical test work and to perform a logistics trial run.

Operational strategy

Zondereinde

Merensky and UG2 reefs are mined concurrently from the same infrastructure. Measured and indicated resources are 50.05Moz and 55.16Moz for the Merensky and UG2 reefs, respectively. Current LoM stands at more than 30 years, post the acquisition of the Western extension resource.

- The Merensky reef has been largely depleted on the upper levels of the mine and future production will come from the **deepening project** extending from 13 level to 18 level. Development of the decline system has progressed beyond the 17 level elevation. Lateral development has started on 17 level. The service decline and chairlift have been commissioned to 16 level. Stoping has started on 16 level. The project remains on schedule for completion by 2020. The acquisition of the Western extension resource has obviated the immediate need to deepen to 18 level.
- The **Western extension acquisition** will support an increase in the ratio of Merensky reef mined. Development into this block from 3-12 levels has progressed to the first crosscut on all 10 levels.
- We are improving our position on the cost curve through an **increase in production** and strong cost control.
- Production is expected to rise to **350 000oz 4E of refined PGMs by 2022**.

Booysendal

Both the UG2 and Merensky reefs are present and mineable. Total resource is in excess of 105.21Moz over a strike length of 14.5 km which will support multiple long-life mining modules.

It is important that we extract further value from the Booysendal North resource through growth initiatives. The following growth options have been identified, which will lift the nameplate capacity from 160 000oz to 215 000oz 4E of refined PGMs per annum:

- A **deepening project** adding two more operational levels at the existing UG2 North mine, with a completion date of November 2018.
- **Developing the Booysendal Merensky North mine**. The Merensky orebody is currently producing at 25 000oz 4E per annum.

Booysendal South mine will sustain production at 250 000 to 300 000oz of refined 4E PGMs for more than 25 years. Given Booysendal's favourable cost profile, this will enable Northam to grow down the cost curve. This project is our **primary internal growth option** and development here is on track.

Eland

Northam's acquisition of the **Eland mine** was finalised in January 2018. A full capital application to the board is planned in F2020 for the **re-establishment of Eland** as a 150 000oz PGM production mine. Eland provides the group with **additional mining footprint, increasing flexibility and reducing overall operational risk.**

Eland is currently on care and maintenance but rather than keep the processing plant idle, in June 2018 the board approved three initiatives for Eland in F2019:

- Recommissioning of the Kukama shaft and trial mining on One Level West.

- Recommissioning of the metallurgical plant by February 2019 to process the tailings dam for PGMs and chrome.
- Processing PGM-bearing metal from Jubilee Metals Group Plc.

Processing and refining

Northam's processing and refining capability is a strategic advantage that will be further developed. The following initiatives are intended to improve throughput, increase recovery and reduce risk:

- An **additional new 20MW furnace** was commissioned in December 2017, enabling an increased UG2 mining ratio. Capital cost of this project was R1.0 billion, an amount offset by €20 million from Heraeus.
- **Gas cleaning equipment** for SO_2 abatement will be required by 2020.

OUR MATERIAL ISSUES: THOSE WIDER ISSUES THAT MAY INFLUENCE STRATEGIC PERFORMANCE

Material issues are those issues that are most material to the business and stakeholders, and which fundamentally influence the assessments and decisions of stakeholders.

Our material issues are identified through analysis of our internal and external environments, from information contained in the group's risk register and from stakeholder feedback. These issues are reviewed by management on an ongoing basis. We see this materiality determination process as an opportunity to assess whether we are focusing our energy and resources in the correct areas.

In the *Business performance* section of this report, we report on our financial and non-financial performance under the capitals (pages 36 to 117). Our material issues, along with associated risks, have been linked to each capital.

FOCUS ON STRATEGY

Our material issues for F2018 were determined as follows:

Material issue	Description	
Managing production and performance to ensure successful execution of our business strategy	It is the role and responsibility of executive management to set realistic strategic targets for the business. The success of this strategy affects shareholders and stakeholders alike. See *Financial capital* (page 36 to 45) and *Manufactured and intellectual capital* (page 46 to 53).	
Continuing to improve the safety performance and the health and wellness of our workforce	It is our aim to further 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. See *Human capital* (page 54 to 73).	
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 stakeholders. See *Manufactured* and *intellectual capital* (page 46 to 53) and *Financial capital* (page 36 to 45).	
Maintaining our legislative and regulatory compliance, focusing on the MPRDA and the 2010 Mining Charter	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 Mineral and Petroleum Resources Development Act (MPRDA) and the associated Mining Charter. See *Human capital* (page 54 to 73) and *Social capital* (page 74 to 87).	
Managing the environmental impact of our operations and conserving natural resources	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 (our focus is on water and energy, areas where we are most exposed). See *Natural capital* (page 88 to 117).	
Maintaining constructive communication channels with all our stakeholders	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. See *Social capital* (page 74 to 87) and *Human capital* (page 54 to 73).	

Interested and affected stakeholders	Value driver	Committee
• Shareholders and investors • Employees • Customers • Suppliers and contracting companies • Communities and non-governmental organisations (NGOs) • Government and regulatory authorities	• Safe operating conditions and compliance with legislation • Healthy workforce • Motivated workforce • Profitability and liquidity goals	Health, safety and environmental committee (HSE), mine management review committees (MMRCs), exco, main board
• Shareholders and investors • Employees • Customers • Suppliers and contracting companies • Communities and NGOs • Government and regulatory authorities	• Safe operating conditions and compliance with legislation • Healthy workforce • Motivated workforce • Sound reputation and ethics • Social mandate to operate • Effective use of technology	HSE, social, ethics and human resources committee (SE&HR), MMRCs
• Shareholders and investors • Employees • Customers • Suppliers and contracting companies • Communities and NGOs • Government and regulatory authorities	• Profitability and liquidity goals • Safe operating conditions and compliance with legislation • Motivated workforce	Main board, exco, MMRCs
• Shareholders and investors • Employees • Customers • Suppliers and contracting companies • Communities and NGOs • Government and regulatory authorities	• Compliance with legislation and contractual terms • Accurate and timely reporting	All
• Shareholders and investors • Communities and NGOs • Government and regulatory authorities	• Social mandate to operate • Compliance • Effective stakeholder relations • Reputation and ethics	HSE, SE&HR
• Shareholders and investors • Employees • Customers • Suppliers and contracting companies • Media • Communities and NGOs • Government and regulatory authorities	• Accurate and timely reporting • Reputation and ethics	Audit and risk committee, SE&HR, main board

FOCUS ON STRATEGY CONTINUED

MANAGING RISKS AND OPPORTUNITIES:

KEY VARIABLES WHICH MAY IMPEDE OR IMPROVE DELIVERY OF OUR STRATEGY

The realisation of Northam's business strategy depends on management's ability to balance the reduction and mitigation of risk with the prudent exploitation and management of arising opportunities. Sound management of risk enables Northam to anticipate and respond optimally to changes in our business environment and to assist with the achievement of organisational objectives.

The board of directors oversees the risk management process which is aligned with ISO 31000:2009, the principles of the King IV Report on Corporate Governance for South Africa 2016 (King IV) as issued by The Institute of Directors in Southern Africa, along with generally accepted good practice.

During the year, the risk management function was reviewed and overhauled. The company has developed and adopted an enterprise-wide approach to risk management. In terms of the renewed process, every identified material risk and opportunity is included in a structured and systematic process of risk management. These are managed within a unitary framework aligned with Northam's governance framework.

Business and operational uncertainty presents both risk and opportunity which has the potential to erode or enhance stakeholder value. Enterprise risk management enables management to make informed decisions and deal with uncertainty and its associated positive and negative effects.

Northam's philosophy and culture of risk management seeks to ensure a safer, healthier environment for employees, the protection and preservation of assets, earnings and natural resources for the benefit of all stakeholders.

Risk management is a process which is embedded throughout the organisation. The responsibility and accountability for implementation of risk management rests with management and staff. 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.

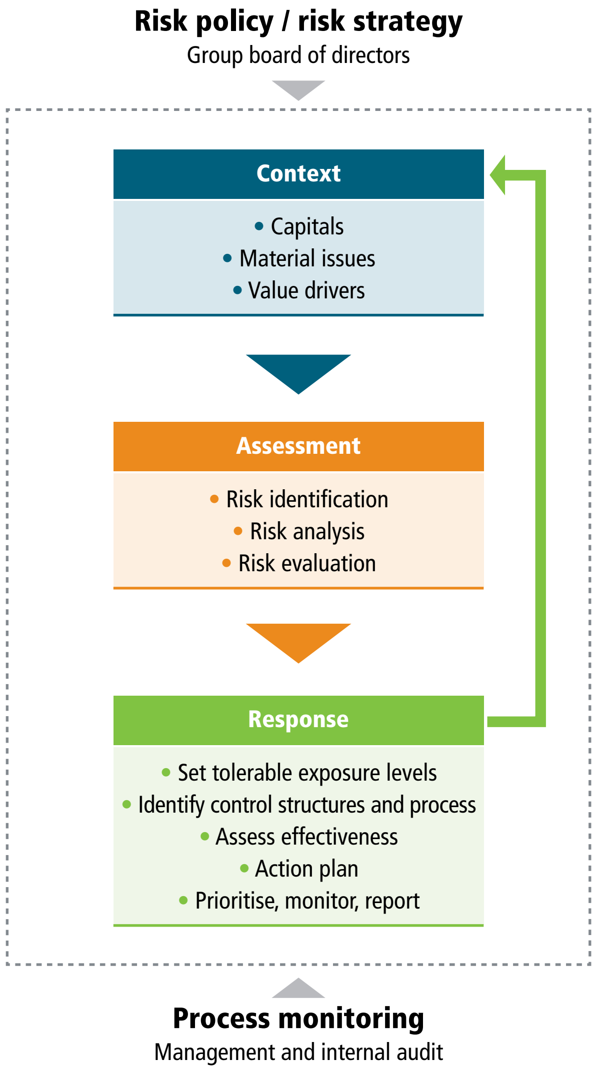
Northam implements annual reviews of the nature and extent of the risks, the development of its risk appetite, and setting and monitoring risk tolerances that it is willing to accept in pursuit of realising its business strategy.

Based on its risk appetite and tolerances framework, the board is able to determine whether:

- The strategic plans of Northam demonstrate sufficient risk taking being pursued to achieve shareholder expectations, i.e. Northam is exploiting its appetite to take risks adequately and optimally;
- The total risk profile remains within the boundaries of its risk appetite, i.e. the entity is not exceeding its risk appetite; and
- Northam's risk profile is managed within acceptable levels of tolerance.

Risk management process

The graphic below reflects the risk and assurance process steps involved in completing the risk management process.



Value drivers

In terms of the King IV triple context (combined context of economy, society and environment) and the capitals approach to integrated thinking and reporting, Northam focuses on financial, human, social, natural and combined manufactured and intellectual capital for value creation.

Accordingly, the risk management process incorporates 14 value drivers that have been identified through an internal workshopping process.

The value drivers also support the determination of the group's material issues, a critical area in the development and realisation of strategy. See page 12.

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

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

FOCUS ON STRATEGY CONTINUED

Risk appetite and tolerance

Northam's approach to risk may be defined as the amount of risk that it deems appropriate to take in the pursuit of value. Each of the value drivers is assessed by setting an appropriate risk appetite level, which reflects the group's propensity to take risk in the pursuit of its strategic objectives.

Tolerance reflects whether the perceived residual risk exposure is lower, equal to or higher than the tolerable residual risk exposure and the risk appetite level.

The top risks facing our business are summarised on the following pages. These risks, which are regularly reviewed, were identified in terms of the new enterprise risk management process in the past financial year. However, Northam management acknowledges that climate change risks, particularly as they pertain to access to water in a water-stressed environment, and the risks to a sustainable supply of power (which is also threatened by other eventualities) are growing in significance and are likely to receive more attention in future risk assessment and reviews. The risks listed below are in no particular order of significance.

Risk	
Social licence to operate and the ever-changing regulatory environment This is the risk associated with the company's reputation as an employer, corporate citizen, and environmental custodian amongst others. In the South African legislative environment the MPRDA, the Mining Charter and environmental legislation in particular, are subject to frequent updates and amendments, making it difficult for companies to set and achieve realistic goals.	
Exchange rate and commodity price volatility PGMs are priced in US dollars while operating costs are denominated in ZAR. Revenues and therefore earnings are dependent, *inter alia*, on prevailing exchange rates and commodity prices which are largely determined by the global economic climate. Movements in exchange rates and commodity prices materially impact revenue and the profitability of the group. Northam is a price taker, with no ability to influence the price of our commodities or to impact the exchange rate offered.	
Execution of growth projects and the development of new operations The group's growth strategy is focused on growing production down the cost curve by mining shallow mechanisable orebodies. In terms of the group's investment criteria the returns from growth projects are required at least to meet the cost of capital. Northam's growth strategy is on track and additional opportunities for growth are constantly assessed and reviewed.	

	Impact	Mitigating actions	Risk appetite	Control effectiveness	Risk tolerance
	Without buy-in from community stakeholders and investment bodies with clear sustainability targets, the company's reputation may be at risk, through penalties and other punitive measures, protest action, boycotts and other public exposure. This could affect its profile as a good employer and corporate citizen, and is likely to affect its rating as a sound investment opportunity.	• Open, honest, continuous and effective stakeholder engagement. • Value-share and contributing to socio-economic upliftment. • Compliance with Mining Charter requirements, and continuous monitoring of SLP targets.	Low	Satisfactory	Within tolerance
	In the event of compromised profitability, the company's sustainability could be jeopardised, which, in a worst case scenario could result in the closure of the business, job losses and the associated effects on communities.	Northam has adequate funding in place to support its operations in the short to medium term. A pricing committee deals with price forecasts and hedging, if necessary. These projected exchange rates and prices are included in the monthly cash flow forecasts to determine the cash requirements of the group. Should commodity prices stay lower for longer, specific projects could be postponed or stopped to preserve cash. The group'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 and cash generation by all operations within the group.	Moderate	Satisfactory	Within tolerance
	Given Northam's expansion drive and project pipeline, project risk could pose a serious threat to the group's sustainability. It will have an impact on revenues, cash generation and profitability, and on its reputation as a whole. These projects are critical to the group's growth strategy, to ensure we increase production outputs down the cost curve.	Northam has a track record of delivering major growth projects within budget and on time. Project teams are experienced and competent. A comprehensive project approval process is in place and governs every stage, from approval to commissioning, and includes future scenario planning. This ensures that material risks are comprehensively assessed and, where possible, mitigated before the project proceeds to its next phase. Early warning systems are also in place to ensure that projects are on track. Cost control is the key to successful project development.	Moderate	Satisfactory	Within tolerance

FOCUS ON STRATEGY **CONTINUED**

Risk	
Accountability for health and safety Mining is inherently hazardous and risky. Management is committed to ensure the health and safety of all employees and contractors.	
Liquidity risk (cash and cost management and the efficient use of capital) The risk of insufficient cash/financing facilities to fund the operations and growth aspirations of the group, could impact shareholder value in the future.	
Labour and community unrest Labour and community unrest could result in work stoppages occasioned by strikes or even based on the danger that it presents.	

Impact	Mitigating actions	Risk appetite	Control effectiveness	Risk tolerance
Accidents and incidents may result in injuries and fatalities, which are likely to affect morale, and ultimately result in reputational damage. Associated downtime is costly and has an adverse impact on profitability.	Full compliance with health and safety legislation and regulations, compulsory continuous safety training and the compulsory use of personal protective equipment are standard procedures; non-compliance may result in disciplinary proceedings. The group's growth strategy involves acquiring and/or developing shallow, mechanisable orebodies. Given that mechanised mines are less labour intensive, they are also safer. The group also employs technology which improves working conditions from a health, safety and environment point of view. At Zondereinde, the use of hydropower cools and largely eliminates the presence of dust in the work environment thereby partly mitigating some of the effects of harsh underground mining conditions. HIV/AIDS and TB have been aggressively targeted with a strong focus on prevention.	Conservative	Satisfactory	Accidents or incidents which result in injuries or a fatality exceed both appetite and tolerance
Inadequate free cash flow/liquidity could impact the ability of the group to meet its growth targets. Increased debt will negatively impact earnings and margins. Without sufficient liquidity the ability to invest in strategic growth projects will be restricted. This will result in the need to recapitalise the group at potentially distressed equity prices and potentially poor market conditions. Possibility of breaching financial covenants. Should commodity prices stay lower for longer this may adversely affect the group's ability to commence new projects and will impact long-term strategic decisions.	The group maintains a focus on continuous cost and capital discipline. Prudent liquidity risk management involves maintaining sufficient cash and cash equivalents, as well as the availability of funding through an adequate amount of committed credit facilities. Accurate cash flow forecasts are gaining importance in ensuring the required financial strength for the implementation of projects for long-term growth and profitability. Currently the group has a substantial uncommitted credit facility available should commodity prices stay lower for longer. Monthly cash flow forecasts are prepared and reviewed by appropriate levels of management to ensure appropriate liquidity risk management. Cash requirements, available facilities and forecasts are continually assessed to ensure that management acts on liquidity risk well in advance. Please refer to the annual financial statements for details of the various facilities.	Moderate	Satisfactory	Within tolerance
Labour-related stoppages may adversely impact metal output, which in severe circumstances could result in profitability and cash flow challenges. Ultimately the group's market capitalisation could be adversely affected, which would render it vulnerable to corporate activity.	Management maintains open channels of communication with its employees both through formal and informal communication structures. Management seeks to deal with any potentially damaging issues swiftly and effectively. The group has appropriate insurance cover in place in the event of damages.	Moderate	Satisfactory	Within tolerance

FOCUS ON STRATEGY CONTINUED

Risk	
Not meeting production targets (operational underperformance) Given that fixed costs make up a significant portion of total production costs (especially at the deeper conventional Zondereinde mine) production needs to be sustained above certain levels to ensure that revenues cover fixed working costs.	
Fraud and corruption Fraud and corruption in business involves misappropriation of funds, bribery, misuse of office by company officials and dishonesty in financial matters.	
Cyber risk The group is dependent on information systems to ensure business continuity through IT enhancements and the implementation of appropriate systems to support business growth and sustainability.	
Excess inventory levels With the increased production profile of the group, excess levels of inventory have built up.	

Impact	Mitigating actions	Risk appetite	Control effectiveness	Risk tolerance
Production shortfalls would adversely affect revenue generation, and profitability. Lower profitability would result in lower earnings or even losses. This would have a knock-on effect on the share price, investor confidence, and market capitalisation.	Management has clear and effective processes in place to deal with factors which could affect production. These include stakeholder engagement programmes, employee and community forums, and an unrelenting focus on safety behaviour and standards.	Moderate	Satisfactory	Within tolerance
Fraud and corruption jeopardises the efficiency of an organisation and could result in spiralling costs, incompetent consultants and contractors and would ultimately affect the organisation's financial well-being. Reports of corruption may result in a loss of confidence in the business and in reputational damage.	Continuous audits (internal and external) and review of controls are performed. The group has a whistle-blowing/ethics hotline. All hotline calls are rigorously investigated and appropriately followed up. Management continuously reinforces the current controls which include: • Strict adherence to policies and procedures • Segregation of duties • Supervisory controls • Theft, fraud and corruption hotline in place and advertised • Fraud awareness campaigns • Incident reporting and investigation • Updating of approval framework • Internal and external audits	Conservative	Satisfactory	Within tolerance
Cyber risk is a new risk which has emerged along with increased digital transformation and the convergence of information technology and operational technology. This renders Northam more vulnerable to cyber-crime. Companies are experiencing an unprecedented number of cyber-attacks every year, and the mining sector is not immune to data breaches and lost revenue as a result.	The recently implemented SAP system is supported by a security policy and procedures. Integrated into the system are adequate firewalls with built-in security alerts, disaster recovery and back-up plans. The SAP system has significantly contributed to safer and more effective management of information.	Moderate	Satisfactory	Within tolerance
High levels of pipeline inventory can result in the lock-up of working capital, thereby constraining cash flow.	An additional 20MW furnace was commissioned during the current financial year to reduce the pressure on the single processing stream. In addition, a review of current logistics should point to an improvement in the processing capacity.	Moderate	Satisfactory	Within tolerance

FOCUS ON DELIVERY

GROUP DATA

FIVE-YEAR OPERATING AND FINANCIAL REVIEW

Statement of comprehensive income – group (R000)

	2018	2017	2016	2015	2014
Sales revenue	7 552 181	6 865 185	6 097 070	6 035 535	5 339 397
Cost of sales	(6 728 867)	(6 251 200)	(5 713 722)	(5 439 722)	(5 277 915)
Operating costs	(6 318 000)	(5 676 017)	(5 007 233)	(4 342 571)	(3 536 002)
Concentrates purchased	(1 410 506)	(404 093)	(350 514)	(602 395)	(918 605)
Refining and other costs	(123 840)	(120 633)	(133 186)	(199 470)	(267 117)
Depreciation and write-offs	(441 865)	(452 584)	(403 545)	(339 949)	(445 875)
Change in metal inventories	1 565 344	402 127	180 756	44 663	(110 316)
Operating profit	823 314	613 985	383 348	595 813	61 482
Share of (losses)/earnings from associate	4 162	4 870	(32 253)	28 769	3 464
Investment revenue	52 633	167 306	265 258	72 043	59 963
Finance charges	(68 481)	(71 185)	(39 634)	(145 170)	(176 124)
Net foreign exchange transaction gains/(losses)	2 368	(46 729)	26 163	6 151	32 107
Sundry income	217 005	73 361	154 765	262 099	91 628
Sundry expenditure	(380 944)	(130 843)	(92 122)	(1 587 264)	(26 724)
Profit/(loss) before preference share dividends	650 057	610 765	665 525	(767 559)	45 796
Amortisation of liquidity fees paid on preference shares	(16 390)	(16 390)	(18 088)	–	–
Preference shares	(1 106 684)	(1 017 396)	(918 806)	(100 767)	–
Loss on derecognition of preference share liability	(8)	(901)	–	–	–
(Loss)/profit before tax	(473 025)	(423 922)	(271 369)	(868 326)	45 796
Taxation	(231 973)	(212 021)	(236 894)	(165 619)	(26 199)
(Loss)/profit for the year	(704 998)	(635 943)	(508 263)	(1 033 945)	19 597
Other comprehensive income					
Share of other comprehensive income from associate/exchange differences on translation of foreign operations	(364)	–	19 822	(4 482)	(1 327)
Total comprehensive income for the year	(705 362)	(635 943)	(488 441)	(1 038 427)	18 270
Headline (loss)/earnings	(701 610)	(636 371)	(492 837)	(794 963)	8 601
Normalised headline earnings	421 472	398 316	444 057	422 681	–

FOCUS ON DELIVERY CONTINUED

Statement of financial position – group (R000)

	2018	2017	2016	2015	2014
Non-current assets	19 108 944	15 483 553	14 110 084	13 367 048	12 745 424
Property, plant and equipment including mining properties and mineral resources	18 503 306	14 658 602	13 468 087	12 701 830	11 940 390
Investment in associate	171 376	167 214	192 164	275 847	496 509
Other non-current assets	434 262	657 737	449 833	389 371	308 525
Current assets	4 715 090	4 103 337	4 867 779	5 784 288	1 995 572
Inventories	3 386 795	1 729 102	1 330 270	1 126 550	1 076 853
Trade and other receivables	924 085	548 997	375 204	498 854	244 672
Cash and cash equivalents	388 702	1 786 865	3 105 080	4 138 189	666 174
Receiver of revenue	15 508	38 373	57 225	20 695	7 873
Non-current assets held for sale	–	49 222	–	–	–
Total assets	**23 824 034**	**19 636 112**	**18 977 863**	**19 151 336**	**14 740 996**
Shareholders' equity	7 386 679	8 092 041	8 727 984	9 216 425	11 391 872
Non-current liabilities	12 832 267	9 929 685	9 072 179	7 310 753	2 157 462
Deferred tax	824 794	585 883	590 637	521 452	502 097
Domestic medium term notes	174 288	421 081	419 287	–	1 370 000
Revolving credit facility	1 486 495	–	–	–	–
Preference share liability	9 445 500	8 279 825	7 429 549	6 492 655	–
Other non-current liabilities and provisions	901 190	642 896	632 706	296 646	285 365
Current liabilities	3 605 088	1 614 386	1 177 700	2 624 158	1 191 662
Total equity and liabilities	**23 824 034**	**19 636 112**	**18 977 863**	**19 151 336**	**14 740 996**

Statement of cash flows – group (R000)

	2018	2017	2016	2015	2014
Operating cash flow	(342 232)	981 497	839 081	340 950	885 379
Cash generated from operations	1 132 187	1 055 139	951 650	745 187	693 774
Interest received	61 058	167 306	265 258	72 043	52 583
Transaction fees paid	–	(8 594)	–	–	–
Movement in land and township development	(17 151)	2 812	(41 341)	–	–
Change in working capital	(1 547 247)	(182 388)	(162 131)	(221 248)	270 414
Tax received/(paid)	28 921	(52 778)	(175 355)	(255 032)	(131 392)
Investing cash flow	(3 580 937)	(1 990 754)	(1 126 793)	(1 101 462)	(765 945)
Financing cash flow	2 421 486	(250 130)	(745 397)	4 232 645	248 042
Dividends paid	–	–	–	(3 908)	(11 066)
Issue of preference share liability	–	–	–	4 599 426	–
Acquisition of non-controlling interest	–	–	–	(50 000)	(10 000)
Proceeds from issue of shares	–	–	–	–	579 033
Finance charges	(158 170)	(29 694)	(39 634)	(145 170)	(176 124)
Revolving credit facilities draw down/repayment	1 500 000	–	–	–	(250 000)
Domestic medium term notes (issued)/repaid	1 000 000	–	(950 713)	–	120 000
Acquisition of Zambezi preference shares	(1 677)	(208 672)	–	–	–
Liquidity fees paid	–	–	–	(163 903)	–
Other financing cash flows	81 333	(11 764)	244 950	(3 800)	(3 801)
Net cash flow	(1 501 683)	(1 259 387)	(1 033 109)	3 472 133	367 476
Net foreign exchange difference on cash and cash equivalents	7 985	(58 828)	–	–	–
Cash and cash equivalents at beginning of year	1 786 865	3 105 080	4 138 189	666 056	298 580
Cash and cash equivalents at end of year	293 167	1 786 865	3 105 080	4 138 189	666 056

Operating performance

	2018	2017	2016	2015	2014
ZONDEREINDE					
Merensky					
Tonnes milled	739 439	814 639	815 167	795 885	803 736
Head grade – g/tonne (4E)	6.0	5.8	5.9	5.7	5.8
UG2					
Tonnes milled	1 193 365	1 147 878	1 205 258	1 064 499	920 420
Head grade – g/tonne (4E)	4.3	4.2	4.2	4.3	4.3
Combined – Zondereinde					
Tonnes milled	1 932 804	1 962 517	2 020 425	1 860 384	1 724 156
Head grade – g/tonne (4E)	5.0	4.8	4.9	4.9	5.0
Precious metals in concentrates produced – 4E oz	299 295	280 172	282 765	255 595	235 693
Precious metals in concentrates purchased from third parties – 4E oz	85 696	30 953	27 618	47 390	45 429
Precious metals sold – 4E oz	472 884	453 581	452 393	309 801	315 941

FOCUS ON DELIVERY CONTINUED

Operating performance

	2018	2017	2016	2015	2014
BOOYSENDAL					
Merensky					
Tonnes milled	458 027	161 134	92 645	–	–
Head grade – g/tonne (4E)	2.1	2.0	1.9	–	–
UG2					
Tonnes milled	2 211 045	2 326 460	2 072 958	1 786 375	1 517 109
Head grade – g/tonne (4E)	2.8	2.8	2.7	2.6	2.6
Combined					
Tonnes milled	2 669 072	2 487 594	2 165 603	1 786 375	1 517 109
Head grade – g/tonne (4E)	2.7	2.7	2.7	2.6	2.6
Precious metals in concentrates produced – 4E oz	189 880	199 330	161 300	122 475	92 668
Precious metals purchased from third parties – 4E oz	5 568	–	–	–	–
Precious metals sold – 4E oz*	201 791	189 115	164 579	112 829	80 476

** With effect from 1 June 2015, Booysendal's metal is sold to Zondereinde at 88% of the market value.*

Group sales

	2018	2017	2016	2015	2014
Group sales per metal – oz					
Platinum	289 327	274 062	270 194	253 784	241 831
Palladium	137 584	131 962	134 101	124 580	117 305
Rhodium	39 335	41 742	42 632	38 430	31 007
Gold	6 638	5 815	5 466	5 837	6 275
4E	472 884	453 581	452 393	422 631	396 417
Group prices realised – USD/oz					
Platinum	934	988	964	1 248	1 433
Palladium	976	731	586	799	756
Rhodium	1 618	803	721	1 168	1 010
Gold	1 296	1 255	1 174	1 222	1 289
4E	1 008	900	831	1 108	1 198

Financial performance – group

	2018	2017	2016	2015	2014
Operating margin – %	10.9	8.9	6.3	9.9	1.2
Effective tax rate – %	(49.0)	(50.0)	(87.3)	(19.1)	57.2
Current ratio	1.3	2.5	4.1	2.2	1.7
Acid ratio	0.4	1.5	3.0	1.8	0.6
US dollar/rand exchange rate					
– average	12.82	13.63	14.33	11.45	10.35
– at year end	13.73	13.06	14.71	12.16	10.61

Share performance

	2018	2017	2016	2015	2014
Weighted average number of shares in issue – 000	349 876	349 876	349 876	391 835	390 970
Number of shares at year end – 000	509 781	509 781	509 781	509 781	397 586
Treasury shares at year end – 000	(159 905)	(159 905)	(159 905)	(159 905)	–
Shares after adjusting for treasury shares	349 876	349 876	349 876	349 876	397 586
(Loss)/earnings per share – cents	(201.5)	(181.8)	(145.3)	(264.3)	2.4
Headline (loss)/earnings per share – cents	(200.5)	(181.9)	(140.9)	(202.9)	2.2
Normalised headline earnings – cents	82.7	78.1	87.1	82.9	–
Dividends per share – cents	–	–	–	–	–
Dividend cover	–	–	–	–	–
Net assets value per share – cents	1 449.0	1 587.4	1 712.1	1 808.0	2 865.0
Share price (cents)					
– high	6 020	6 035	5 080	5 200	4 790
– low	3 165	3 593	1 610	3 120	3 186
– at year end	3 668	4 045	4 300	4 026	4 550
Platinum sector index at year end	15.0	18.1	24.0	26.8	46.8
Compound return over 5 years – %	2.0	11.7	0.3	(2.3)	9.0
Average monthly volume of shares traded – 000	18 361	19 301	21 659	23 619	14 793
Annual liquidity (%)	43.2	45.4	51.0	72.3	45.4

FOCUS ON DELIVERY CONTINUED

FIVE-YEAR SUSTAINABILITY REVIEW

Zondereinde

	2018	2017	2016	2015	2014
SOCIAL PERFORMANCE					
Safety					
Fatal injury incidence rate (FIIR)	0.02	0.01	0.00	0.00	0.00
Lost time injury incidence rate (LTIIR)	LA 1.29	1.65	1.92	1.31	1.70
Reportable injury incidence rate (RIIR)	LA 0.87	1.13	1.11	0.94	0.86
Number of fatalities	2	1	–	–	–
Health					
New cases of noise induced hearing loss (NIHL)	61	46	16	27	20
New cases of tuberculosis (TB)	48	46	75	111	97
Voluntary counselling and testing (VCT) encounters	2 502	4 571	1 876	1 250	1 049
Employment and human rights					
Number of employees (including indirect employees)	9 107	8 799	8 392	8 548	8 788
Turnover rate (%)	7	12	6	7	4
HDSAs in management (%)	LA 57	53	48	45	38
Women in mining (%)	LA 12	10	8	8	7
ENVIRONMENTAL PERFORMANCE					
Rock mined (000t)	2 274	2 150	2 226	2 070	1 907
Ore milled (000t)	1 933	1 963	2 020	1 860	1 724
Water usage (000m^3)					
Potable water from external sources	2 765	2 836	2 803	2 488	2 335
Fissure water used	211	126	1 607	1 155	1 084
Borehole water used	20	–	–	–	–
Water recycled in process	26 703	27 126	27 413	25 664	25 524
% water recycled*	LA 90	90	86	91	89
Electricity consumption (MWh)					
Energy from electricity purchased by shafts	532 101	512 190	498 993	489 203	470 117
Energy from electricity purchased by plant	197 551	150 552	147 792	140 882	108 600
Total electricity purchased	729 652	662 742	646 785	630 085	578 717
Greenhouse gas emissions (CO_2e tonnes):					
Scope 1 (direct) emissions	LA 32 425	45 361	27 830	29 743	23 451
Scope 2 (indirect) emissions	LA 722 355	682 624	666 189	648 988	596 079
Scope 3 (indirect) emissions	228	942	798	746	580
Total emissions	755 008	782 927	694 817	679 477	620 110
Land use (hectares)					
Land disturbed by mining-related activities	137	137	137	137	137
Land leased for farming purposes	1 441	273	273	273	273
Land protected for conservation	800	800	800	800	800
Total land under management (freehold)	3 271	4 450	4 439	4 439	4 439

** From F2016, figures reflect a more accurate methodology adopted by Northam to calculate recycled water.*

FOUR-YEAR SUSTAINABILITY REVIEW

Booysendal

	2018	2017	2016	2015
SOCIAL PERFORMANCE				
Safety				
Fatal injury incidence rate (FIIR)	0.00	0.00	0.00	0.00
Lost time injury incidence rate (LTIIR)	LA 0.31	0.30	0.44	0.54
Reportable injury incidence rate (RIIR)	LA 0.18	0.20	0.32	0.41
Number of fatalities	–	–	–	–
Health				
New cases of noise induced hearing loss (NIHL)	7	1	2	5
New cases of tuberculosis (TB)	13	10	8	4
Voluntary counselling and testing (VCT) encounters	840	733	319	459
Employment and human rights				
Number of employees (including indirect employees)	4 151	3 780	2 920	1 508
Turnover rate (%)	1	5	8	11
HDSAs in management (%)	LA 52	66	50	68
Women in mining (%)	LA 15	20	23	17
ENVIRONMENTAL PERFORMANCE				
Rock mined (000t)	2 773	2 662	2 138	1 670
Ore milled (000t)	2 669	2 488	2 166	1 786
Water usage (000m^3)				
Potable water from external sources	683	620	376	569
Fissure water used	62	92	–	–
Borehole water used	20	31	–	–
Water recycled in process	1 874	2 357	2 519	1 479
% water recycled*	LA 71	76	87	72
Electricity consumption (MWh)				
Energy from electricity purchased by shafts	60 387	45 270	44 052	43 362
Energy from electricity purchased by plant	101 407	91 187	88 738	72 023
Total electricity purchased	161 794	142 697	132 790	115 385
Greenhouse gas emissions (CO_2e tonnes):				
Scope 1 (direct) emissions	LA 8 817	6 750	7 098	6 337
Scope 2 (indirect) emissions	LA 160 176	146 977	136 773	118 847
Scope 3 (indirect) emissions	–	38	98	N/A
Total emissions	168 993	153 765	143 969	125 184
Land use (hectares)				
Land disturbed by mining-related activities	982	982	771	521
Land leased for farming purposes	–	–	–	–
Land protected for conservation	2 714	2 714	960	960
Total land under management (freehold)	11 120	11 120	11 120	6 773

** From F2016, figures reflect a more accurate methodology adopted by Northam to calculate recycled water.*

BUSINESS PERFORMANCE

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CHAIRMAN'S STATEMENT

"Northam is in a better position than ever before to withstand the threats and pressures that PGM businesses are exposed to."

It gives me great pleasure to present to you my first report as chairman of the board, even though I have quite a few years of exposure to Northam under my belt.

The past year has been one of ongoing challenges for the platinum business. These have taken the form of relentless mining input cost increases; a volatile political environment which saw a change of incumbent in the office of the country's president; the publication of a further draft of the Mining Charter and, perhaps most significantly for our company, a disappointing global economic environment. Furthermore, the moribund markets were compounded by the negative publicity around diesel engines and the growth in battery electric vehicles, which potentially pose further long-term negative consequences for the industrial demand for platinum and palladium.

All of the issues I have listed above are serious and should be occupying the minds of shareholders and stakeholders alike. However, it is my view that Northam is in a better position than ever before to withstand the threats and pressures that we, and indeed all other PGM businesses, are exposed to. I say this for the following reasons:

- In a relatively short space of time, the company has grown from operating a single, mature, deep-level platinum mine into a group with a diverse asset portfolio straddling both the eastern and western limbs of the highly prospective Bushveld Complex. Elsewhere in this report you will find detail on the various aspects of the group's business activities.
- Northam has for many years been perceived as one of the highest-cost producers in the sector. The advent of PGM production from the long-life, shallower, low-cost and mechanised Booysendal operation has contributed to a welcome progression down the industry cost curve. This is the result of Northam management's intense focus on costs throughout the group, including improvements in efficiency. The acquisition of additional resources contiguous to Zondereinde from Anglo Platinum will prove transformational to the future of Zondereinde.
- The empowerment transaction executed in 2015 with Zambezi Platinum, in parallel with the successful raising of R4.6 billion in cash, provided the balance sheet strength for the expansion opportunities that management is now bedding down. Along with a track record which secures for Northam further access to capital at reasonable rates, the group's balance sheet strength persists, with management keeping a watching brief on developments and opportunities in the sector.
- There has been very real and visible progress in the establishment and workings of the community empowerment trusts which were integral to the 2015 BEE transaction. This will be a critical area of focus as the new Mining Charter comes into effect.

None of these developments would have been possible without the exceptional leadership provided by the management team. The strategic vision for the group was both timely and well executed. On behalf of the board I must commend and thank the CEO and his senior executives for both the positioning and the performance of the group in these difficult times.

Of course, the group's operational and growth strategy cannot be executed without considering the social and environmental impacts of developments. Northam is very conscious of its environmental, social and governance (ESG) responsibilities and details of the group's performance in this regard are disclosed throughout this integrated report. Northam is a constituent of the FTSE4Good Index Series in recognition of the group demonstrating strong ESG practices. (See page 6 for more details.)

Finally, it has been a privilege and an honour to step into the shoes of previous chairman Lazarus Zim. Lazarus has a long and rich association with Northam and will always be credited with the company's forays into the eastern Bushveld. And to my fellow board members, I am grateful for your support and counsel.

KB Mosehla
Chairman
30 August 2018

CHIEF EXECUTIVE'S REVIEW

PA Dunne
Chief executive

"The best defence for Northam in this difficult market remains our relative position on the cost curve."

The year under review has been among the busiest in the company's history as we have progressed our strategy of growing and diversifying our operations. This has been achieved during a period with significant challenges for South Africa's PGM-mining sector. A period of consolidation will follow in F2019 characterised by project execution, operational delivery and stock reduction. Post the commissioning and ramp up of the Booysendal expansion project, the company is expected to become a strong cash generator, enabling Northam to purchase further Zambezi preference shares. The best defence for Northam in this difficult market remains our relative position on the cost curve, ensuring that all production is cash generative.

PGM MARKETS

In nominal terms, the rand basket price for PGMs is unchanged from its level of a decade ago, a decade in which inflationary cost pressures have continued to erode operating margins. However, while our confidence in the markets for PGMs in the medium to long term remains undiminished, the past 12 months have underscored the fact that short-term challenges persist and that our strategy of managing the business to ensure that Northam is positioned in the bottom half of the industry cost curve is correct.

Immediate challenges were highlighted by the soft price of platinum, the principal contributor to our basket of metals. For most of the financial year, the platinum price fluctuated between USD850/oz and USD1 020/oz. Post year-end the price has fallen below USD800/oz. It is fair to say that the 'dieselgate' issue at certain major auto manufacturers combined with the potential future penetration of battery electric vehicles created significant negative sentiment towards platinum during the course of this year.

Average annual prices (USD/oz)

	F2018	F2017	
Platinum	934	988	5.5%
Palladium	976	731	33.5%
Rhodium	1 618	803	101.5%

In contrast, the spot price of palladium rose steadily from USD838/oz in July to a high of USD1 139/oz in January 2018. That was followed by a period of price consolidation even as there were concerns over the possible effects of US sanctions on Russian deliveries into the global supply chain. The palladium price, which exceeded that of platinum, ended the year at USD954/oz, having declined in tandem with the platinum price.

Palladium's relative price strength, together with that of rhodium which rose 128% over the year, provided Northam with some relief from platinum's weakness. Palladium's principal use is as a catalyst for petrol-driven motor vehicles where demand growth is likely to persist for several decades even with the advent of battery-driven vehicles. Platinum, on the other hand, finds its automotive use as a catalyst for diesel-powered vehicles whose sales have been affected by negative sentiment following the 'dieselgate' scandal.

Northam and other PGM producers remain price takers to a large extent, and our continuing success is determined by our ability to contain the cost of production.

HEALTH AND SAFETY

Our commitment to ensuring that our employees enjoy safe and healthy working conditions remains our primary concern.

Sadly, there were two fatal accidents at Zondereinde this year. Mr Feliciano Sebastiao Massingue, a diamond drill operator, lost his life in an underground rail accident in July 2017. Mr Daniel du Plessis, an underground fitter, was fatally injured in an engineering-related accident in June 2018. Management's thoughts remain with the families and friends of Mr Massingue and Mr du Plessis.

Despite this safety setback, Zondereinde achieved a 22% improvement in its lost time injury incidence rate (LTIIR).

The Booysendal mine continues with its world class safety record, achieving an LTIIR of 0.31 per 200 000 hours worked and 3 000 000 fatality free shifts.

STRATEGIC PROGRESS

While our aspirational target of producing 1Moz or more of PGMs remains, we will not chase production for the sake of size alone. All our ounces are and must remain profitable.

During the year's first half we acquired the ground adjacent to Zondereinde's western boundary from Anglo American Platinum. This Western extension, acquired for a cash consideration of R1 billion, provides Zondereinde with additional Merensky and UG2 resources that can be developed cost-effectively by leveraging Zondereinde's existing underground and surface infrastructure. As a consequence, Zondereinde's life expectancy has been extended to more than 30 years.

A further strategic development was the acquisition of the mothballed Eland mining assets from Glencore at a price of R175 million. It is not envisaged that full-scale mining will be resumed at Eland until the global PGM market recovers or until we anticipate a sustainable recovery. However, in a move to take advantage of the synergy that our new acquisition makes possible, we have initiated the restoration of concentrator operations following an agreement to process PGM-bearing material from Jubilee Metals, beginning February 2019. The concentrator's production will be processed further at Zondereinde's smelter, where a second furnace was brought into operation in February this year. The Eland tailings dam will be reprocessed for chrome and PGMs and Kukama shaft will be recommissioned for trial mining on 1 level west.

The commissioning of the second furnace was a vital development in our longer-term strategy of positioning Northam as a major integrated mine-to-market player. The R1.0 billion smelter expansion and furnace were built with the help of a €20 million contribution by our long-term refining partner, Heraeus Deutschland GmbH &Co. KG (Heraeus), a partnership that has successfully endured for the past 30 years. Significant de-stocking of excess concentrate is expected during the course of F2019.

Full technical details of our operations at our Zondereinde and Booysendal mines are provided elsewhere in this report. In summary, however, Zondereinde has had a very solid year. Merensky grades of over 6g/t were instrumental in boosting production to 349 000 6E oz.

At Booysendal, a few teething problems with the start-up of the dense media separation plant were mastered and overcome in the second half of the year. Work was completed on deepening the existing UG2 North mine while, simultaneously, developing the Booysendal Merensky North and Booysendal South operations. The aerial rope conveyor system which will link Booysendal Central mine to the Booysendal South Concentrator is scheduled to be commissioned by April 2019 and may come in ahead of schedule.

In addition, Booysendal has successfully transitioned to full owner-operator status. Since its inception in 2013, Booysendal's mining operations were carried out on a contract basis by Murray & Roberts Cementation (MRC). As that contract approached its conclusion, however, it was decided that the mine's management and operation should revert to Northam. The process included the permanent employment of the contractor workforce by Northam, no jobs were lost and our new employees now enjoy the full benefits of permanent employment. Our contractual arrangement with Minopex South Africa also ended in December, and the concentrator moved to an owner-operator model.

While maintaining our focus on mining, we recognised and acted upon a low-risk opportunity to diversify into recycling. In July, we entered into an agreement with the liquidators of A-1 Specialized Services to acquire that company's mothballed autocatalyst recycling assets and property in Pennsylvania, USA for a cash purchase price of $10.8 million. The acquisition has given us a

CHIEF EXECUTIVE'S REVIEW CONTINUED

low-cost entrée into the recycling sector and is underpinned to a high degree by the value of the building and land. The first trial shipments of recycled material landed in South Africa in April this year for processing at our Zondereinde smelter. Development of this segment within Northam will be done slowly and carefully over time.

During the course of the year we disposed of our 7.5% participation interest in the Pandora joint venture on 1 December 2017, which we considered to be non-core.

INDUSTRIAL RELATIONS

We are conducting wage negotiations at our Zondereinde mine after the financial year end. We expect negotiations to be tough but to be completed with mutual understanding and respect.

Negotiations at Booysendal are scheduled for June 2019. Despite the unprotected work stoppage that was carried out by the former MRC employees in late March to early April, which did impact production somewhat, Booysendal has had a satisfactory year.

THE FUTURE

With regard to the draft Mining Charter of 2018, Northam's position remains aligned with that of the Minerals Council South Africa, of which Northam is a member. The Mining Charter 2018 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 South Africa. Northam remains well positioned with respect to ownership credentials through the Zambezi Platinum participation.

In the second half of the year, management concluded that it would be prudent to increase available funding going forward mainly as insurance against cash flow requirements for Northam's business during this period of low rand basket prices. And so, with effect from 18 May, additional notes to the value of R1 billion were issued in terms of the domestic medium term note programme. Northam also secured a new R1 billion two-year revolving credit facility, increasing total revolving credit facilities to R3 billion until April 2020. The additional R2 billion funding flexibility strengthens Northam's balance sheet capability in support of the group's key strategic initiatives, including the development of the Booysendal expansion. Together with existing cash reserves, the new facility provides Northam with increased financial flexibility, ensuring that the group's growth initiatives remain fully funded in the medium term.

Our focus remains to keep our operations lean and well positioned to take full advantage of a recovery in metal prices, while ensuring we are profitable and cash-flow positive after sustaining capital expenditure.

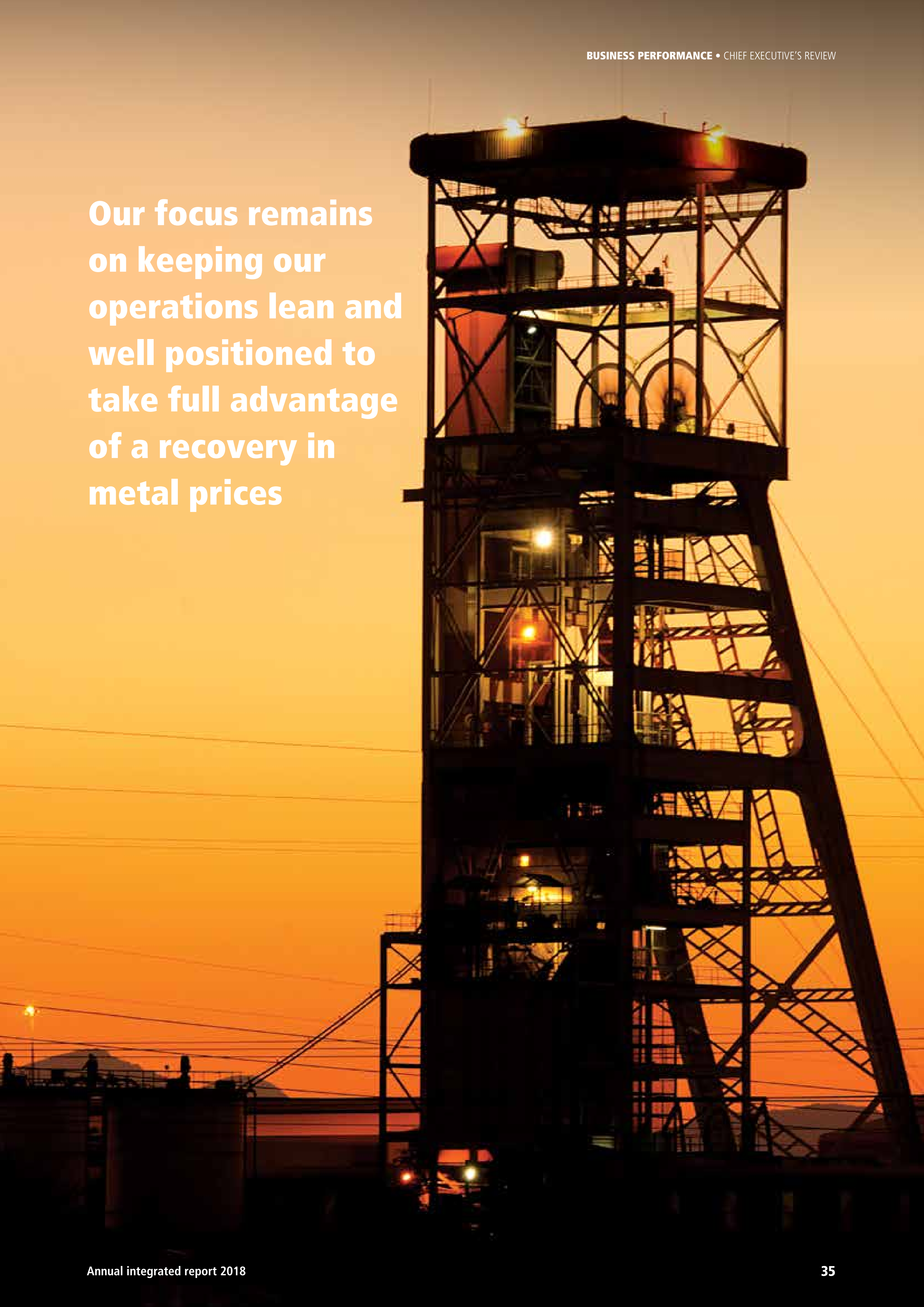
APPRECIATION

It would be remiss of me not to mention the role which our former chairman Lazarus Zim played in Northam's development. His wise counsel was invaluable over his 10-year tenure. Lazarus retired in November and was succeeded by Brian Mosehla, the chairman of our BEE partner Zambezi Platinum.

The proposed appointments of Mr Mcebisi Jonas and Mr Jean Nel at our AGM in November will further strengthen an already diverse and very experienced board.

The past year has been a period in which unstinting teamwork was essential, and I must commend my colleagues throughout the company for their efforts, which are so essential to our success. My thanks and appreciation go to all of them.

Paul Dunne
Chief executive
30 August 2018



Our focus remains on keeping our operations lean and well positioned to take full advantage of a recovery in metal prices

F

CHIEF FINANCIAL OFFICER'S REVIEW INCLUDING FINANCIAL CAPITAL

AZ Khumalo
Chief financial officer

Financial capital is necessary to conduct our business. We allocate financial capital appropriately and responsibly to pay our people, fund our operations, sustain our business, invest in the future and to fund rehabilitation and closure.

We do this through investment by shareholders, borrowings, and cash flow management.

RELEVANT MATERIAL ISSUE/S

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

RELEVANT IDENTIFIED RISKS

- Exchange rate and commodity price volatility
- Execution of growth projects and the development of new operations
- Liquidity risk (cash and cost management and the efficient use of capital)
- Not meeting production targets (operational underperformance)
- Fraud and corruption
- Cyber risk
- Excess inventory levels

OPERATIONAL DIVERSIFICATION AND INTERNAL OPTIMISATION

The group is in the process of executing its growth strategy of operational diversification and internal optimisation. This approach is fundamental to developing a suite of sustainable long-life mining assets that will deliver benefits to all its stakeholders.

Normalised headline earnings 5.8% higher at R421.5 million (2017: R398.3 million)	Record group capital expenditure at R3.8 billion	Execution of growth strategy on track	Operating profit increased by 34.1%	Solid operating performance from both Zondereinde and Booysendal

OVERVIEW

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 through a number of key acquisitions made during the year, which include the acquisition of the Western extension adjacent to the Zondereinde mine, Eland Platinum and strategic recycling assets in the USA, we are positioning the Northam group to deliver strong financial performance even in subdued market conditions going forward.

The development of Booysendal South is progressing on schedule and on budget with infrastructure establishment on track, including the completion of access roads, and the overland rope conveyor, which is due for commissioning in the first half of F2019. Further details on the development and mining activities are available in the manufactured capital section of this integrated report on page 46.

At Zondereinde, the new 20MW furnace was commissioned. The new furnace will support the increased production profile of the group.

The sale of the 7.5% interest in the Pandora joint venture was also concluded in F2018, a decision taken not because of any question regarding Pandora's fundamental worth but, rather, because such a small interest in an operation that we did not manage did not fit our strategy.

A new R1.0 billion two-year unsecured revolving credit facility was secured, maturing in April 2020. This facility is in addition to Northam's existing R2.0 billion unsecured revolving credit facility, which matures in November 2021, and increases the total revolving credit availability to R3.0 billion up until April 2020. The same terms and conditions apply to both facilities.

Interest accrues at the rate of JIBAR plus a margin of 330 basis points. The additional R1.0 billion facility is intended to optimise Northam's standby facilities during a capital intensive development period at the Booysendal South mine and to provide a buffer while the excess inventory at the Zondereinde smelter is unlocked and released. Following that, we intend to maintain a prudent level of standby credit, taking into account Northam's significantly enlarged operational footprint.

Two tranches of one-year senior unsecured fixed rate notes were issued on 20 April 2018 (R450.0 million) and 18 May 2018 (R550.0 million). The cumulative R1.0 billion was issued under Northam's R2.0 billion domestic medium term note programme and attracts a fixed coupon of 11.0% per annum. Interest on these notes will be payable on redemption. A portion of the proceeds from the notes has been used to repay previous drawdowns under the R2.0 billion revolving credit facility. The new R1.0 billion revolving credit facility remains undrawn. In view of the successful commissioning of the furnace and the ongoing working capital release of excess inventory, Northam opted to place the notes for a one-year term only.

Both operating mines performed well during a challenging year. Our focus remains on sustainable cost control and creating long-term value for all stakeholders.

For a more comprehensive overview of the group's financial position and performance, please refer to the annual financial statements included in pages 204 to 310.

CHIEF FINANCIAL OFFICER'S REVIEW (INCLUDING FINANCIAL CAPITAL)

CONTINUED

NORMALISED HEADLINE EARNINGS

Normalised headline earnings, our main measure of performance, have been calculated taking into account the headline loss per share adjusted for non-cash items relating to the 2015 black economic empowerment (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 R421.5 million (2017: R398.3 million), which equates to a normalised earnings per share of 82.7 cents (2017: 78.1 cents) based on the total number of 509 781 212 issued shares.

	2018	2017
	R000	**R000**
Headline loss	(701 610)	(636 371)
Add back:		
Amortisation of liquidity fees paid on preference shares	16 390	16 390
Preference share dividends	1 106 684	1 017 396
Loss on derecogniton of preference share liability	8	901
Normalised headline earnings	**421 472**	**398 316**
Normalised headline earnings per share (cents)	82.7	78.1
Number of shares in issue including treasury shares	509 781 212	509 781 212

REVENUE

Sales revenue increased by 10.0% from R6.9 billion in F2017 to R7.6 billion in the current year. The increase is attributable to a modest increase in the volumes of PGMs sold, an increase of 12.0% in the 4E basket price to USD1 008/4E oz offset by a 5.9% stronger ZAR/USD exchange rate realised. The average US dollar sales price achieved on all metals improved, except platinum which averaged USD934 per ounce compared to USD988 per ounce in F2017. The price of palladium increased 33.5%, rhodium increased by 101.5% and iridium and ruthenium increased by 45.3% and 242.9% respectively.

With regards to base metals, year-on-year increases in the average nickel and copper prices were 28.6% and 38.7% respectively. The price of chrome in US dollar terms decreased by 18.6% and in South African rand terms decreased by 22.1%, which negatively impacted the rand value of chrome sales from R925.3 million in F2017 to R802.6 million in the current year, a decrease of 13.3%.

Overall total revenue per platinum ounce sold increased by 4.2% from R25 050/Pt ounce to R26 103/Pt ounce.

F

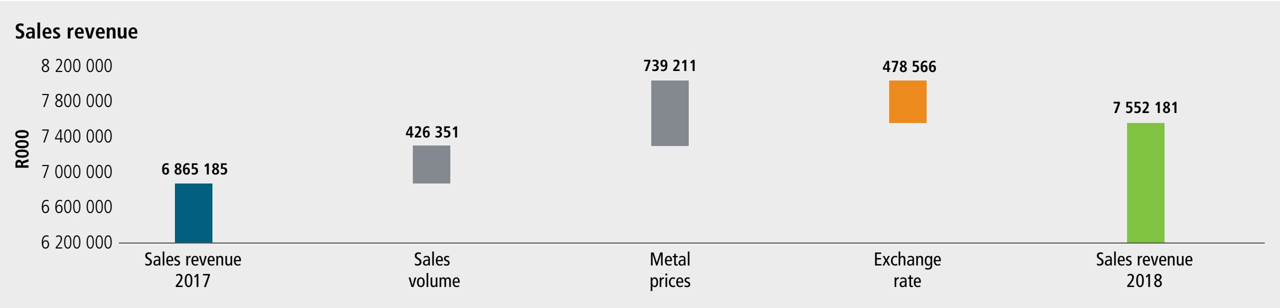
Summary of total revenue, sales volumes and prices achieved

		2018	2017	
		R000	R000	% variance
Sales revenue				
Platinum		3 466 598	3 692 945	(6.1)
Palladium		1 723 269	1 316 374	30.9
Rhodium		814 506	453 084	79.8
Gold		110 050	99 322	10.8
Iridium		182 978	126 340	44.8
Ruthenium		116 580	32 276	261.2
Silver		1 650	1 681	(1.8)
Nickel		257 760	171 766	50.1
Copper		65 547	42 303	54.9
Cobalt		10 691	3 800	181.3
Chrome		802 552	925 294	(13.3)
		7 552 181	6 865 185	10.0
Sales volumes				
Platinum	oz	289 327	274 062	5.6
Palladium	oz	137 584	131 962	4.3
Rhodium	oz	39 335	41 742	(5.8)
Gold	oz	6 638	5 815	14.2
4E	oz	472 884	453 581	4.3
Iridium	oz	13 929	13 289	4.8
Ruthenium	oz	62 695	56 300	11.4
6E	oz	549 508	523 170	5.0
Silver	oz	7 726	7 038	9.8
Nickel	t	1 569	1 260	24.5
Copper	t	757	637	18.8
Cobalt	t	10	7	42.9
Chrome	t	650 091	581 385	11.8
Average market prices achieved				
Platinum	USD/oz	934	988	(5.5)
Palladium	USD/oz	976	731	33.5
Rhodium	USD/oz	1 618	803	101.5
Gold	USD/oz	1 296	1 255	3.3
4E	USD/oz	1 008	900	12.0
Iridium	USD/oz	1 014	698	45.3
Ruthenium	USD/oz	144	42	242.9
6E	USD/oz	910	802	13.5
Nickel	USD/t	12 811	9 962	28.6
Copper	USD/t	6 756	4 872	38.7
Chrome	USD/t	96	118	(18.6)
Average exchange rate	R/USD	12.82	13.63	(5.9)
Total revenue per platinum oz sold	R/oz	26 103	25 050	4.2
Total revenue per 4E oz sold	R/oz	15 970	15 136	5.5
Total revenue per 6E oz sold	R/oz	13 744	13 122	4.7

CHIEF FINANCIAL OFFICER'S REVIEW (INCLUDING FINANCIAL CAPITAL)

CONTINUED

The graph below shows the movement in revenue year on year:



Cost of sales and operating margin

	2018 R000	2017 R000	% variance
Cost of sales			
Operating costs	(6 318 000)	(5 676 017)	(11.3)
Mining operations	(4 792 698)	(4 385 731)	(9.3)
Concentrator operations	(707 322)	(630 773)	(12.1)
Smelting and base metal removal plant costs	(417 828)	(318 807)	(31.1)
Chrome processing	(75 065)	(36 883)	(103.5)
Selling and administration overheads	(188 742)	(162 387)	(16.2)
Royalty charges	(26 914)	(45 041)	40.2
Share based payment expenses and profit share scheme	(107 344)	(96 395)	(11.4)
Rehabilitation	(2 087)	–	(100.0)
Concentrates purchased	(1 410 506)	(404 093)	(249.1)
Refining including sampling and handling charges	(123 840)	(120 633)	(2.7)
Depreciation and write offs	(441 865)	(452 584)	2.4
Change in metal inventories	1 565 344	402 127	(289.3)
	(6 728 867)	(6 251 200)	(7.6)
Operating profit	**823 314**	**613 985**	**34.1**
Operating margin	**10.9%**	**8.9%**	**22.5**
EBITDA*	**1 107 770**	**967 228**	**14.5**
EBITDA margin*	**14.7%**	**14.1%**	**4.3**

** Earnings before interest, taxation, depreciation and amortisation*

Cost of sales increased by 7.6%, in comparison with the 10.0% increase in revenue which resulted in operating profit increasing from R614.0 million in F2017 to R823.3 million in the current year. This equates to an operating margin of 10.9% (2017: 8.9%).

The reasons for the movements of the individual elements making up cost of sales are discussed below:

- Mining costs increased by 9.3%, which was attributable to 242 additional people employed in mining teams at Zondereinde together with an increase in square metres mined of 3.7% for the group.
- Concentrating costs rose by 12.1% due to necessary maintenance incurred during the year of R26.1 million.
- Smelter and base metal removal plant costs increased significantly owing to the start-up of the second furnace resulting in additional power costs of R46.0 million and an increase of 23.4% in concentrate tonnes smelted, which is evident from the increase in base metals production, with nickel and copper tonnes sold 24.5% and 18.8% higher respectively.
- Chrome processing costs increased due to the start-up of the chrome circuit at the Booysendal South concentrator. Hydro-mining costs included in these costs amounted to R24.3 million and R4.7 million was included for plant start-up costs.
- Included in selling and administration overheads was an additional contribution made for the marketing and promotion of platinum jewellery, to the Platinum Guild International.

- Royalty charges are based on a number of inputs, including the ratio between revenues generated from own operations and custom material, EBITDA and the significant capital expenditure incurred during the year which all contributed to the decrease in royalty charges incurred.
- Share-based payment expenses and profit share scheme costs relate to expenses incurred with regards to the group's share plan and contributions made to the Toro Employee Empowerment Trust. During the year an agreement was reached between the National Union of Mineworkers and Northam Platinum Limited, in terms of which contributions to the Toro Employee Empowerment Trust will recommence in accordance with the original provision of the Toro Employee Empowerment Trust and will continue for the life of mine. In addition, payments made to each Zondereinde employee will be either R15 000 or the amount determined by the Toro Employee Empowerment Trust, whichever is the greater. The next payment to employees is expected before the end of calendar year 2018.
- The change in metal inventories reflect the significant build-up of excess inventory which is expected to be released during the next financial year.

Summary of group unit cash costs:

		2018	2017	
		R000	R000	% variance
On mine cash cost per tonne mined	R/t	1 150	1 042	(10.4)
On mine cash cost per tonne milled	R/t	1 195	1 127	(6.0)
Cash cost per equivalent refined platinum oz*	R/oz	21 270	19 736	(7.8)
Cash cost per equivalent refined 4E oz*	R/oz	12 909	11 913	(8.4)
Cash cost per equivalent refined 6E oz*	R/oz	10 947	10 324	(6.0)

** Cash cost per unit is calculated using the mining costs (mining and concentrator costs) divided by the equivalent refined metal quantities produced from own operations plus smelting, refining and selling and administration overhead costs divided by total refined metal quantities produced.*

In the current depressed price environment, our main focus is on cost control, while increasing production and thereby creating long-term value for all stakeholders.

TAXATION

Taxation was made up of the following items:

	2018	2017
	R000	R000
Income tax		
Current income tax charge	10 235	70 327
Adjustment in respect of income tax of previous years	(17 679)	(219)
Dividend withholding tax		
Current year withholding tax	855	–
Deferred tax		
Current and prior year deferred tax charge	238 562	141 913
	231 973	212 021

During the current year, group companies only paid tax on non-mining income as taxable mining income was reduced to zero through the utilisation of unredeemed capital expenditure. Non-mining taxable income consists mainly of taxable interest received, toll refining fees and other sundry income. Lower average cash balances during F2018, combined with excess cash being invested in non-taxable dividend yielding products, resulted in non-mining tax declining to R10.2 million (2017: R70.3 million).

Adjustments in respect of income tax in previous years relate to conservative tax positions taken at year end reversed on assessment. Any tax position taken by the group is supported by formal tax opinions received from independent third parties.

Deferred tax liabilities increased owing to the higher capital expenditure during the year under review.

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

CHIEF FINANCIAL OFFICER'S REVIEW (INCLUDING FINANCIAL CAPITAL)

CONTINUED

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

	2018	2017
	%	%
South African normal tax rate	28.0	28.0
Adjustment in respect of prior periods deferred tax	–	(7.8)
Adjustment in respect of current income tax of previous years	(3.7)	–
Exempt income received	0.4	5.2
Expenditure and contingencies incurred which is non-deductible	(8.3)	(7.0)
Contribution received for capital assets	(8.4)	–
Amortisation of liquidity fees paid on preference shares	(1.0)	(1.2)
Deferred tax asset not raised	9.5	–
Preference share dividends disallowed	(65.5)	(67.2)
	(49.0)	(50.0)

The contribution received for capital assets relates to amounts received from Heraeus for the construction of the second smelter which were taxable, but are not included in the income statement.

CAPITAL EXPENDITURE

In F2018, the group incurred its largest ever total capital investment of R3.8 billion in the execution of its growth, diversification and optimisation strategy.

The following significant amounts have been spent on expansionary capex:

- R1.5 billion was spent on the development of Booysendal South in the year under review. In total, R1.9 billion has now been spent on the project and an amount of R89.6 million was prepaid for the construction of the aerial rope conveyor system. The Booysendal South mine will sustain production at 250 000 to 300 000oz of 4E refined ounces for more than 25 years. Given Booysendal's favourable cost profile, this will enable the group to grow production volumes down the cost curve.
- It is important that value is extracted from the massive Booysendal resource through various growth initiatives. Both the UG2 North deepening project and the development of the Booysendal Merensky North mine will add substantial additional capacity to the current North mine nameplate capacity of 160 000oz. During the year, R78.6 million and R96.3 million has respectively been spent on these projects.
- The acquisition of the Western extension block that adds significant resources to Zondereinde was finalised for a purchase consideration of R1.0 billion. A two-year development programme to establish mining face in this area has commenced and production for Zondereinde is expected to rise to 350 000oz of refined 4E PGMs by 2022.
- The Merensky reef relating to the current mine (excluding the Western extension) has been largely depleted on the upper levels of the mine and future production will come from the deepening project extending from 13 level to 17 level. Development of the decline system has progressed beyond the 17 level elevation while stoping commenced on 16 level. The project remains on schedule for completion by 2020.
- Among the more important surface developments that underpin the long-term production profile was the commissioning of the new 20MW furnace in December 2017, which incurred capital spend of R1.0 billion.
- In January 2018, the acquisition of the Eland Platinum Mine from Glencore Operations South Africa Proprietary Limited was finalised. The R175.0 million transaction secures full ownership of the mine and infrastructure. The acquisition of Eland further diversifies the group's footprint and significantly enhances the long-term optionality and flexibility of the group's asset portfolio.
- The group also concluded the acquisition of PGM recycling assets in the USA for a purchase consideration of R140.8 million (USD10.8 million).

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In addition, R249.5 million (2017: R187.2 million) and R136.1 million (R111.9 million) was spent on sustaining capital expenditure at Zondereinde and Booysendal, respectively.

The forecast capital expenditure for the ensuing financial year is as follows:

	E2019	2018	2017
	R000	R000	R000
Expansionary capital expenditure			
Zondereinde	453 490	1 583 771	619 190
Contribution received for capital assets	–	(303 106)	–
Booysendal North	195 816	326 145	336 345
Booysendal South	935 158	1 490 948	325 625
Eland	200 000	175 000	–
Other (including intercompany eliminations)	–	119 277	64 858
	1 784 464	3 392 035	1 346 018
Sustaining capital expenditure			
Zondereinde	96 510	249 467	187 190
Booysendal	169 026	136 142	111 861
	265 536	385 609	299 051
Total capital expenditure	2 050 000	3 777 644	1 645 069

WORKING CAPITAL

Cash locked up in working capital is a continuous focus area. The increase in working capital is as a result of the high inventory levels. Below is a summary of the inventory, which includes ore stockpiles, in process metal as well as finished product levels at year end in comparison with the previous corresponding period.

	2018	2017
	oz	oz
Metals on hand and in transit		
Ore stockpile inventory	28 427	23 377
Concentrate in process	24 073	8 928
Concentrate before the smelter	74 922	55 867
Smelter inventory (including reverts)	83 207	28 705
Base metal removal plant inventory	9 179	4 581
Precious metal refiner inventory	40 432	37 138
Finished product inventory on hand	322	126
	260 562	158 722

Significant surplus concentrate was built up at Zondereinde in anticipation of commissioning the second furnace. This stockpile is currently being processed and the working capital lock-up is expected to be released during F2019.

The normal pipeline inventory is considered to be between 80 000 and 90 000 ounces of metal at any given time. All inventory over and above pipeline material (approximately 170 000 ounces) is considered excess or surplus inventory.

The book value of excess inventory at year end amounted to R2.1 billion, with a sales value of approximately R2.5 billion.

CHIEF FINANCIAL OFFICER'S REVIEW (INCLUDING FINANCIAL CAPITAL)

CONTINUED

CASH FLOW AND NET DEBT

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

	2018	2017
	R000	R000
Cash and cash equivalents	388 702	1 786 865
Bank overdraft	(95 535)	–
Domestic medium term notes	(1 417 728)	(421 081)
Revolving credit facility	(1 486 495)	–
	(2 611 056)	1 365 784

During the year R3.8 billion of capital expenditure was incurred, which is an all-time record for the group. In addition, R1.4 billion worth of inventory was purchased from third parties. The contract with one of the third parties has come to an end, and purchased volumes from third parties are expected to decrease substantially going forward.

These factors have all put pressure on the group's net cash position, which is expected to be alleviated by the processing of excess inventory during the forthcoming financial year.

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 should the low metal price environment persist.

It is the policy of the group not to hedge currency or metal. Should changes be required to this policy, these changes will be communicated to the market.

To ensure sufficient cash flow availability for both working capital and projects, the group has issued domestic medium term notes to the value of R1.0 billion during the year under review and has negotiated an increased revolving credit facility for the next two years.

For details with regards to the terms and conditions of the domestic medium term notes and the revolving credit facility, refer to note 25 and note 28 respectively in the financial statements.

The revolving credit facility contains covenant requirements which are monitored on an ongoing basis.

SHARE PRICE PERFORMANCE

Below is a summary of the share price performance:

	2018	2017
	R000	R000
Total number of shares in issue	509 781 212	509 781 212
Weighted average number of shares in issue	349 875 759	349 875 759
Treasury shares held	159 905 453	159 905 453
Market capitalisation	18 698 775	20 620 650
Closing share price (in cents)	3 668	4 045
Highest share price traded (in cents)	6 020	6 035
Lowest share price traded (in cents)	3 165	3 593
Number of shares traded	220 331 693	231 614 075
Value of transactions traded (R000)	9 517 061	11 221 478

F

The Northam share price has been impacted by a general negative market sentiment towards the platinum industry resulting from lacklustre global demand and weak metal prices, particularly for platinum.

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. Depending on the perceived need to retain funds for expansion or operating purposes, the board may pass the payment of dividends.

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

Given the continuing difficult conditions in the platinum mining industry, and taking into consideration the cash requirements to fund the development of the group's project pipeline and growth strategy, the board has resolved not to declare a final dividend for the 2018 financial year (2017: R Nil per share).

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the company and group's 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 financial statements.

EVENTS AFTER THE REPORTING PERIOD

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

OUTLOOK AND KEY FACTORS IMPACTING FUTURE FINANCIAL RESULTS

The following key factors will impact future financial results:

- **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** – The platinum sector remains under pressure from low metal prices 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 global economic outlook remains uncertain resulting in volatile metal markets and exchange rates. The group's financial performance will depend on achieving higher metal sales prices and a stable operating performance. Management is confident that the group's strong financial position, prudent financial controls and the development of shallow, mechanisable operations at Booysendal and Eland will place the group in a position to take advantage of improved market conditions going forward.

Cost control will continue to remain a key focus area and management is confident that, through various initiatives and increasing the production base, the unit cost per platinum ounce will be well contained going forward.

Ayanda Khumalo
Chief financial officer

30 August 2018

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 on page 54 for details of how we develop our employees.) Both our manufactured and intellectual capital inputs have as a focus the drive to make mining safer and to improve efficiencies.

RELEVANT MATERIAL ISSUE/S

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

RELEVANT IDENTIFIED RISKS

- Execution of growth projects and the development of new operations
- Liquidity risk (cash and cost management and the efficient use of capital)
- Industrial action (labour-related stoppages)
- Not meeting production targets (operational underperformance)
- Fraud and corruption

OPERATIONAL BUSINESS UNITS

Our established, producing operations, their infrastructure, equipment and associated activities are considered to be the major components of the group's manufactured capital stock. In line with the group's growth strategy, record capital expenditure of R3.8 billion was allocated to the expansion of this capital stock. This investment contributes to growing sustainable output and ultimately the value it creates.

Core activities are conducted at the following of the group's long-life, low cost business units:

The established, mature, deep-level Zondereinde mine

The processing and smelting facilities at the Zondereinde mine

The shallower, long-life, modern and mechanised Booysendal North mine

Group operational statistics

		F2018	F2017	% change
Total tonnage milled	t	4 601 876	4 450 111	3.4
Equivalent refined metal – own production	6E oz	571 843	546 984	4.5
Equivalent refined metal – purchased	6E oz	105 562	35 936	193.8
Total refined metal production	6E oz	549 500	522 129	5.2
Total refined Pt produced	oz	289 962	273 432	6.0
Chrome concentrate produced	t	650 091	581 385	11.8
PGMs sold	6E oz	549 508	523 170	5.0
Total revenue per Pt oz sold	R/oz	26 103	25 050	4.2
Cash costs per equivalent refined Pt oz	R/oz	21 270	19 736	(7.8)
Cash profit per equivalent refined Pt oz	R/oz	4 833	5 314	(9.1)
Cash margin per equivalent refined Pt oz	%	18.5	21.2	(12.7)

Northam's equivalent refined metal production from its own operations rose by 4.5% to 571 843oz 6E (F2017: 546 984oz) for the year. The 7.0% growth in production volumes at Zondereinde more than compensated for a decline in Booysendal output, occasioned by a work stoppage in May 2018.

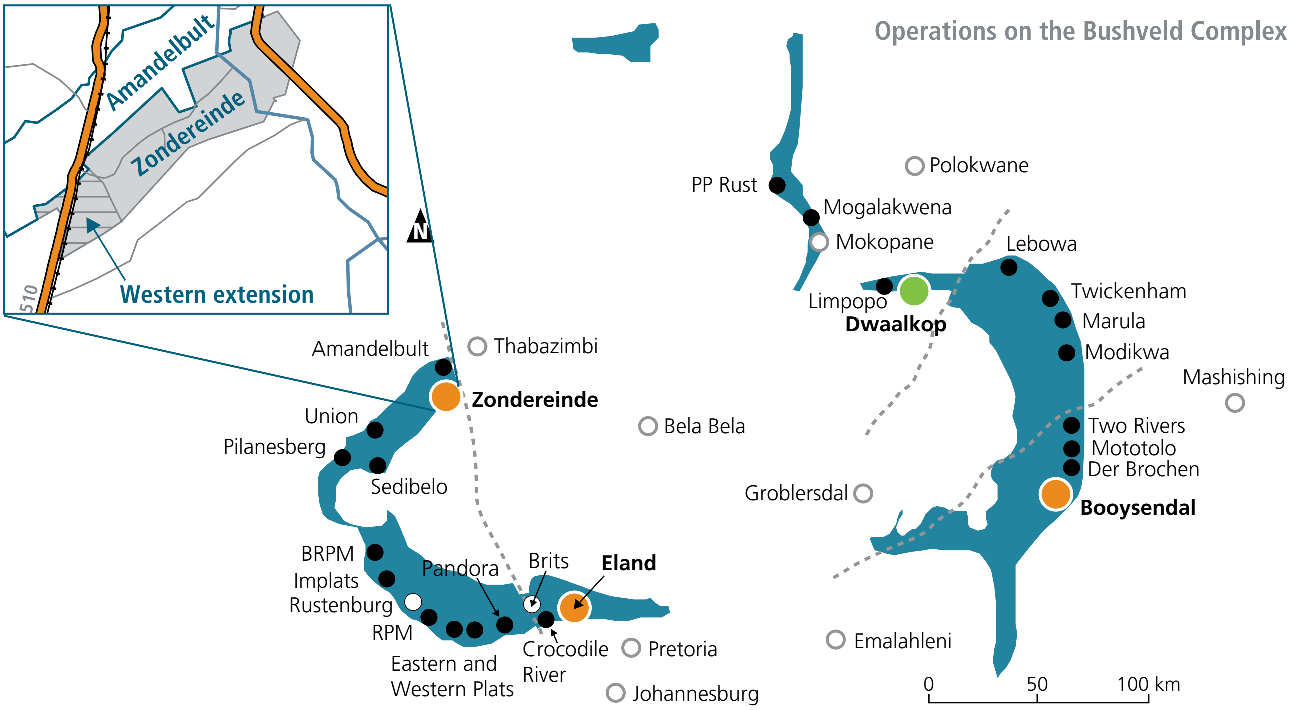
Despite higher sales revenues, the increase in total revenue per platinum ounce was limited to 4.2%. Unit costs rose 7.8%, resulting in the group's cash margin declining by 9.1% to R4 833 per platinum ounce.

During the year, the group paid R1.0 billion for the Western extension (formerly the Tumela block) and R175.0 million for Eland Platinum mine. The assets of a PGM recycling business were acquired in Pennsylvania, United States of America for USD10.8 million and the non-core 7.5% share in the Pandora joint venture was disposed of for R45.6 million.

Brownfields expansion into the Booysendal South property continued during the year. On-reef development is already contributing to an ore stockpile which will be processed when the Booysendal South concentrator is commissioned in April 2019. Steady-state production is expected in 2022. In line with the growth in mining output, the group's processing capacity was significantly supplemented during the year with the commissioning of a second furnace in the smelter at the Zondereinde mine's metallurgical complex.

MANUFACTURED AND INTELLECTUAL CAPITAL CONTINUED

ZONDEREINDE SNAPSHOT



First production 1992

Total resource	Total reserve	Life of mine
105.2Moz	**13.9Moz**	**30 years**

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 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.

Total employees in service	Key safety statistics	Equivalent refined production (6E)	Capital expenditure	Cash costs per equivalent refined Pt oz
9 107	FIIR 0.02, LTIIR 1.29, RIIR 0.87	348 888	R1.5 billion	R22 101/oz

2018 PERFORMANCE

There were two fatal accidents at Zondereinde during the year. Mr Sebastio Massingue was fatally injured in an underground rail accident and Mr Daniel du Plessis lost his life in an engineering-related accident. Despite this safety setback, Zondereinde's lost time injury incident rate (LTIIR) improved 21.8% to 1.29 injuries per 200 000 hours worked (F2017: 1.65). Continuing to improve the safety performance and the health and wellness of our workforce is a material issue for the business.

The 6E production of equivalent refined metal increased by 7.0% to 348 888oz (F2017: 325 981oz). The higher output was achieved in spite of a marginal drop in tonnages milled. The lower tonnages milled reflect a marginally weaker Merensky mining performance owing to depletion of Merensky reef on the upper levels of the mine. Higher UG2 production more than made up for the lower Merensky tonnages but not all the additional UG2 reef was able to be milled as the production exceeded the concentrator capacity. Consequently the UG2 stockpile increased significantly to 210 379 tonnes by year end.

Purchases of concentrate from third parties reached 97 974oz 6E (F2017: 35 936oz 6E).

Good progress has been made with the deepening project, which will open up additional Merensky reserves. The conveyor decline has progressed beyond the 17 level elevation on the way to 18 level and lateral development has started on 17 level. The service decline for material transport and chairlift for personnel transport have both been commissioned to 16 level. Stoping operations have started in the first reef raises to be completed on 16 level.

During the year, additional permanent employees were signed on in order to access the Western extension area. Development into the extension area has progressed on levels 3 to 12. Each footwall drive has reached the first reef crosscut position. By the end of the first half of the 2019 financial year, the majority of levels should have intersected reef, and stoping is expected to start in mid-2019. Production from this expansion project will add some 50 000oz 4E to Zondereinde's profile in the next two years.

The new 20MW furnace at the Zondereinde metallurgical complex was commissioned in December 2017, constituting a major milestone in Northam's strategic growth initiatives, and underpinning the renewal of the company's long-term strategic partnership with Heraeus. First matte was tapped in January 2018. In terms of an agreement, Heraeus contributed an amount of €20 million to the Northam smelter expansion programme, and the parties committed to the following:

- an extension of the existing 30-year partnership between the companies;
- Heraeus to continue to refine Northam's PGM concentrates at competitive terms; and
- Northam to make up to 40% of its refined precious metals available for sale to Heraeus.

The furnace will provide the additional capacity required to treat the growing volumes from Zondereinde, Booysendal and those of Eland when it starts producing. It has been designed to be used as a pure UG2 furnace to accommodate higher group UG2 production or as a combined Merensky/UG2 furnace. The new furnace incorporates a number of advances in the area of PGM smelting. These include extended refractory lining life expectancy, metal containment and cooling, along with best practice in terms of monitoring, tapping and furnace control functions.

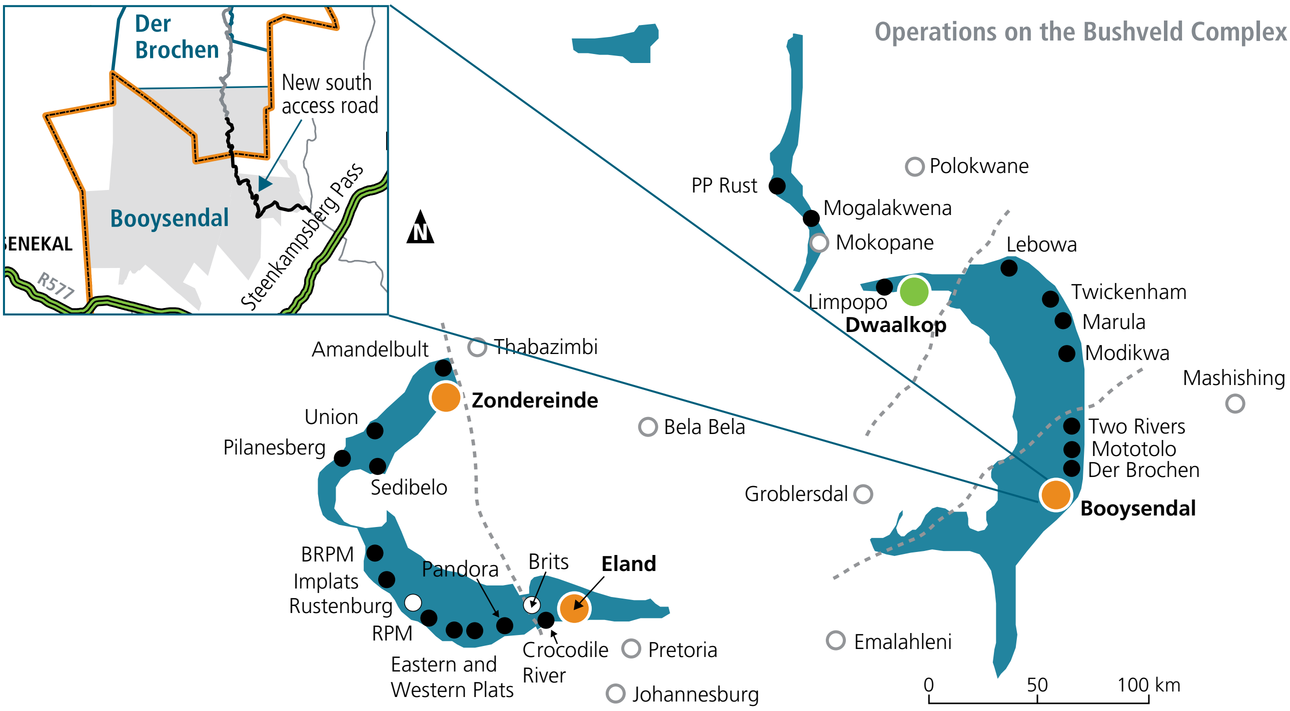
Capital expenditure during the current period reached R1.5 billion (F2017: R806.4 million). Expansionary project expenditure accounted for R1.3 billion while sustaining expenditure was R249.5 million. The project expenditure pertained primarily to the acquisition of the Western extension resource and the completion of the new furnace at Zondereinde's smelter complex. Expansion and sustaining capital expenditure for F2019 is estimated at R453.5 million and R96.5 million, respectively.

Total operating costs at Zondereinde for the period were R4.2 billion (F2017: R3.7 billion), a 14.1% increase. Labour costs represent a significant portion of this increase, partly owing to the hiring of new employees required to exploit the Western extension. The combination of higher costs and higher production translated into a 5.8% increase in unit cash costs per equivalent refined platinum ounce to R22 101/oz (F2017: R20 890/oz).

Zondereinde's current total resource estimate increased to 105.2 million oz (Moz) (F2017: 84.0Moz), due to the inclusion of the Western extension.

MANUFACTURED AND INTELLECTUAL CAPITAL CONTINUED

BOOYSENDAL SNAPSHOT



First production 2013

Total resource	Total reserve	Life of mine
105.1Moz	**14.1Moz**	**30 years**

Mining method and features:

Shallow, mechanised mining using bord and pillar mining methodology.

Major infrastructure:

Unique reverse decline at Booysendal North 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 210 000tpm PGM concentrator plant on surface at the North mine, along with a dense media separation plant and chrome spirals plants. 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 the Booysendal South underground workings. An aerial rope conveyor system is being constructed to transport ore over challenging topography with minimal environmental impact.

Total employees in service	Key safety statistics	Concentrate produced and ore stockpile (6E)	Capital expenditure	Cash cost per Pt oz in concentrate produced
4 151	FIIR 0.00, LTIIR 0.31, RIIR 0.18	229 275	R2.0 billion	R17 090/oz

M

2018 PERFORMANCE

The good safety performance at Booysendal continues. At the beginning of the financial year, in July 2017, a total of 3 million fatality-free shifts was recorded. The LTIIR marginally deteriorated to LA 0.31 for the year (F2017: 0.30) with an improvement in the reportable injury incident rate (RIIR) to LA 0.18 (F2017: 0.20).

Production from the Booysendal North UG2 mine declined by 9.0% year-on-year to 2 182 592 tonnes (F2017: 2 399 204 tonnes) primarily owing to a seven-day work stoppage at the end of March 2018 relating to the change over from a contract mining model to owner mining as well as the introduction of a narrower mining cut in the lower levels of the mine. Production from the Merensky North mine increased by 24.1% to 326 670 tonnes (F2017: 263 152 tonnes).

Total tonnage milled increased by 7.3% to 2 669 072 tonnes. The Merensky throughput increased significantly to 458 027 tonnes (F2017: 161 134 tonnes) displacing some of the UG2 throughput which was 5.0% lower at 2 211 045 tonnes (F2017: 2 326 460). The additional tonnage milled came from stockpiled ore. The operation of the dense media separation plant has stabilised following difficulties experienced during commissioning in the first half of the year and is operating within design parameters.

The North mine capital expenditure of R462.3 million for the year (F2017: R448.2 million), included R326.1 million being spent on projects and R136.1 million spent on sustaining capital. The North mine capital projects comprise the Merensky North project, the UG2 North deepening project as well as capital spent on housing and township development.

The F2019 capital expenditure for the North mine is estimated at R364.8 million, R169.0 million in sustaining capital expenditure and R195.8 million on expansion capital.

Total operating costs at Booysendal were R2.1 billion (F2017: R2.0 billion), an increase of 5.8%. The increase in the unit cash cost per platinum oz was contained to 8.5% from R15 747/oz to R17 090/oz for the current period, in the face of lower production volumes. Post the transition to an owner operating model, good mining results are anticipated.

PROJECT PIPELINE

Booysendal North UG2 deepening project

This project was initiated in June 2015 and has absorbed a total of R207.7 million to date. It extends the down-dip limit of the North UG2 mine to 2.8km. Two additional levels have been established, one of which is equipped. At steady state, this project will add 30 000oz (4E) per annum to the North mine.

Project capex for the year was R78.6 million. Forecast capex to completion in F2019 is R106.6 million.

South mine

Development of the South mine, the group's largest mining project, was started in June 2016 after the acquisition of the contiguous Everest mine from Aquarius, at a cost of R450.0 million. Establishment of infrastructure has been progressing apace, with the completion of a 12km access road, a bridge over the Dwarsrivier and equipment installation both on surface and underground. The central boxcut and earthworks are complete and work on the shaft head infrastructure is on track. All seven adits have intersected reef. The development for Phase 1 has been completed, and by year-end, a surface stockpile of 71 000 UG2 tonnes had been accumulated. This stockpile needs to reach the critical mass level of 150 000 tonnes ahead of the rope conveyor commissioning.

The PGM circuit at the South mine concentrator is currently being commissioned, the chrome spiral circuit is operational and the pollution controls are in place for separating clean and dirty water while the upgrade of the dirty water system is complete.

The installation of the South aerial rope conveyor system, linking the central UG2 complex with the South concentrator, is progressing well. By the end of 2017, all the towers had been erected and all ropes installed and tensioned. Commissioning is expected in December 2018, ahead of schedule.

MANUFACTURED AND INTELLECTUAL CAPITAL CONTINUED

During the financial year under review, the design of two additional Merensky declines was finalised and it is envisaged that development of these two declines will start in F2019 and F2020, respectively. The ore from these two declines will be transported via the South aerial rope conveyor system to the South mine concentrator for processing.

The South mine is likely to reach steady-state production of 215 000 ounces (4E) per year by the 2022 financial year. Ore will be milled at the South mine concentrator once the PGM circuit has been commissioned, currently scheduled for April 2019. The plan is to stockpile ore at the South mine concentrator from December 2019 after commissioning of the rope conveyor.

In a further development, a new aerial rope conveyor system has been approved to transport excess production at the North mine to the South concentrator. The construction of the North aerial rope conveyor system is expected to start early in F2019, after environmental approval is obtained. This item will absorb capital expenditure of R80.4 million, currently accounted for as a prepayment.

Total capital expenditure for the South mine to date has absorbed R1.9 billion, with R1.5 billion spent in the 2018 financial year. Capex for F2019 is likely to reach R935.2 million. The total capital forecast for the South mine is R5.6 billion.

Booysendal South tailings retreatment plant

This project was initiated in the first half of the financial year. It entails the hydro-mining and reprocessing of the Booysendal South tailings storage facility (TSF), which contains 8.7Mt of chrome and low-grade PGM-bearing tailings. By the end of the financial year, 824 000 tonnes had been processed and 61 500 tonnes of chrome concentrate had been produced.

The entire plant commissioning, along with the processing for PGMs is planned for the end of the first quarter of the year. Construction has started on the backfill plant, while the process design is being finalised ahead of commissioning in September 2018. Tailings arising from the reprocessing will be placed underground as backfill in order to reduce the environmental impact. Total capex for the project is expected to be R163.5 million.

Eland Platinum

The Eland transaction was finalised in January 2018. The total cost to Northam was R175.0 million in cash. The transaction includes Eland's two mining rights, a resource of 19.3Moz (4E), surface and underground assets and equipment, concentrator with capacity of 250 000tpm, and a mining fleet of more than 100 vehicles. Three initiatives are currently in progress at Eland:

- Recommissioning the Kukama shaft, with trial mining on One Level West
- Recommissioning the metallurgical plant to reprocess tailings for PGMs and chrome; commissioning is expected in February 2019
- Processing PGM-bearing metal from Jubilee Metals Group

Eland capex forecast for F2019 is R200.0 million.

RECYCLING BUSINESS

The US recycling business was acquired in September 2017. The assets remain on care and maintenance for the time being. Northam is in receipt of recycling material from various parties for testing purposes, which includes metallurgical test work as well as the logistics chain.

M

8.7Mt

Booysendal South tailings storage facility contains 8.7Mt of chrome and PGM-bearing tailings

H

HUMAN

CAPITAL

People are vital to our business and a skilled, engaged and productive workforce is essential for the achievement of our strategic objectives.

Programmes are in place to train and develop the skills and capabilities of our employees and to ensure a safe and healthy workforce. We take cognisance of our need to maintain our legislative and regulatory compliance and we strive to meet or exceed the 2010 Mining Charter targets.

RELEVANT MATERIAL ISSUE/S

- Continuing to improve the safety performance and the health and wellness of our workforce
- Maintaining our legislative and regulatory compliance, focusing on the MPRDA and the 2010 Mining Charter
- Maintaining constructive communication channels with all our stakeholders

RELEVANT IDENTIFIED RISKS

- Accountability for health and safety
- Industrial action (labour-related stoppages)

H

EMPLOYMENT PRACTICES

Northam is committed to fair and progressive employment practices where long-term employment opportunities are provided to employees to develop their potential. Remuneration practices take account of the demanding skills required in the mining industry, as well as the difficulty of attracting skilled HDSAs to work in remote locations.

Formal grievance policies and procedures are in place, providing for both individual and group grievances.

Northam's employment practices and policies are governed by South African legislation and regulations, including the following:

- Mine Health and Safety Act
- Employment Equity Act No 55 of 1998
- Skills Development Act No 97 of 1998
- Skills Development Levies Act No 9 of 1999
- Basic Conditions of Employment Act No 75 of 1997
- Labour Relations Act No 66 of 1995 (Labour Relations Act)
- MPRDA
- Collective bargaining and recognition agreements with organised labour

Full-time Northam employees receive the following benefits:

- Membership of pension and provident funds
- Death benefits
- Access to medical care
- Housing and living-out allowances
- Study assistance
- Maternity and paternity leave

HUMAN CAPITAL CONTINUED

ZONDEREINDE

In F2018, Zondereinde employed 6 323 full-time employees and 2 784 indirect employees (F2017: 6 059 full-time employees and 2 667 indirect employees). The operation's total employee turnover was 436 (7%). Zondereinde aims to meet its employment needs from within the local community.

Zondereinde's migrant labour contingent comprises 29% of its permanent workforce (excluding indirect employees) meaning that they are sourced from South African provinces other than Limpopo and the North West. The operation's foreign labour workforce, drawn from beyond South Africa's borders, comprises 28% of employees.

Number of employees and indirect employees – Zondereinde

F2018	F2017	F2016	F2015	F2014
9 107	8 726	8 392	8 548	8 788

Employee turnover rate (%) – Zondereinde

F2018	F2017	F2016	F2015	F2014
7	11	6	7	4

BOOYSENDAL

At the close of F2018, Booysendal employed 1 937 full-time employees and 2 214 indirect employees (F2017: 198 full-time employees and 3 481 indirect employees). The operation's total employee turnover rate was 26 (1%). During the year, the company moved from a contract operating model to an owner-operater model. By the end of May 2018, all mining and concentrating personnel had been absorbed into Booysendal's permanent workforce.

Booysendal's employment policies and those of its contracting companies give preference to local employees and South African citizens as part of its commitment outlined in its social and labour plan (SLP). Since inception, Booysendal has recruited an average of 60% of its workforce from local communities. In F2018, the operation's local labour contingent comprised 91% of its permanent workforce.

All contracting companies on site are obliged to commit to the group's local recruitment targets, and are required to submit a monthly report detailing the number of local employees, resignations and terminations. The group takes local employment very seriously, given the depressed economic conditions in the area and its potential impact on the group's operations.

Number of employees and indirect employees – Booysendal

F2018	F2017	F2016	F2015	F2014
4 151	3 679	2 920	1 508	1 421

Employee turnover rate (%) – Booysendal

F2018	F2017	F2016	F2015	F2014
1	5	8	11	Project phase

EMPLOYEE REMUNERATION

Northam's remuneration model takes account of the demanding skills required in the industry. Benchmarking studies have demonstrated that entry-level mineworker wages in general, and those of Northam employees in particular, compare favourably with other sectors.

Wages and conditions of service are negotiated through engagement with employee representative bodies. (See *Freedom of association and collective bargaining* on page 65 for more information.)

EMPLOYMENT EQUITY AND TRANSFORMATION

South African employment equity legislation is aimed at redressing the imbalances of the past. To rectify these imbalances, Northam focuses on the participation of black South Africans and women at its operations.

Northam's employment equity plan is compliant with the requirements of the 2010 Mining Charter and the Employment Equity Act. The group submits its employment equity plans and progress reports to the Department of Labour annually.

The 2010 Mining Charter required 40% of management to comprise HDSA employees by 2014, and for 10% of those to be women. Northam achieved a LA 56% HDSA (F2017:62%) level of management in F2018 with LA 57% at Zondereinde (F2017: 53%) and LA 52% at Booysendal (F2017: 66%).

A Future Forum was established at Booysendal in 2015. The Forum comprises representatives of management, organised labour, the Booysendal Women in Mining committee and the health and safety committee to assist with amendments to the workplace skills plan and employment equity plan and the monitoring of their implementation on a quarterly basis.

Northam's chief executive and the executive: human resources are responsible for employment equity and transformation. The implementation of these practices is a line management function, while the SE&HR committee has an oversight role. Our mine general managers have been appointed employment equity managers for their respective operations.

% HDSAs in group management

F2018	F2017	F2016	F2015	F2014
LA 56	62	48	51	45

% HDSAs represented at board level

F2018	F2017	F2016	F2015	F2014
55	60	60	50	44

HDSAs and women in operational management in F2018

	Occupational levels	Total in workforce (number)	Target (%)		Actual (%)	
			HDSAs	Women in mining	HDSAs	Women in mining
Zondereinde	Senior management	18	40	10	50	22
	Middle management	80	40	10	59	23
	Junior management	208	40	10	58	15
Booysendal	Senior management	5	40	10	60	0
	Middle management	52	40	10	44	10
	Junior management	105	40	10	55	9

WOMEN IN MINING

Northam's engagement and consultation with women is undertaken by the employment equity and training committee at Zondereinde and the Future Forum at Booysendal, and is informed by consultation with local branch structures of organised labour.

Barriers and challenges for women in mining identified by Northam and NUM (Zondereinde)

Barriers and challenges	Interventions implemented by Northam
Scarcity of skills in the management category	Active sourcing of women for bursaries and learnerships A talent pipeline aimed at developing women for positions in which they are under-represented
The suitability of protective equipment for the needs of women	Sourcing suppliers able to provide suitable protective equipment for female employees
Perceptions about women in mining	Changing perceptions using training programmes for a diverse workforce
Underground facilities for women in the workplace	Identifying and discussing women's requirements and establishing appropriate arrangements and facilities

HUMAN CAPITAL CONTINUED

At Zondereinde there was increased focus on the development of women in mining during F2017, with more women being absorbed into learnerships and other programmes than before. Four artisan learnerships, 12 mining learnerships and 8 additional bursaries were awarded to women during F2017. Women continue to be overrepresented in clerical and service occupations and underrepresented in professional and trade and craft-related occupations. Steps are being taken to address this challenge and the company is determined to maintain or increase the women in mining talent pools for 2016 to 2020, the period covered by Zondereinde's latest SLP.

Steps taken include promoting women in mining via various media, such as in the mine's newsletter, women's month posters, and on banners and billboards. An annual women in mining event is hosted by Zondereinde during which the company addresses barriers and challenges for women in the industry, while focusing on the achievements, development and safety and health of women in mining.

The challenge at Booysendal is to meet the 10% target for women in senior management positions, but this is given priority when vacancies occur and in succession planning.

In F2018, Northam employed a total of 1 062 women (F2017: 831), 60% (F2017: 61%) of whom were working in the core disciplines of mining, metallurgy and engineering. Women made up 12% of the workforce at Zondereinde (F2017: 10%) and 15% at Booysendal (F2017: 20%).

Women in mining (%) – Zondereinde

F2018	F2017	F2016	F2015	F2014
12	10	8	8	7

Women in mining (%) – Booysendal

F2018	F2017	F2016	F2015	F2014
15	20	23	17	20

TRAINING AND DEVELOPMENT

Northam's training and development programmes provide the support employees need to improve their competence and knowledge in the workplace and to grow as individuals. The programme includes:

- Legislative training (skills, health and safety)
- Learnerships
- External specialised training
- Bursaries and study assistance
- Adult education and training (AET)
- Mentorship
- Succession planning
- Job specific and refresher training

Northam's training and development policy stipulates that emphasis be placed on the competence and competitiveness of employees as well as their personal development. The impact of training and development interventions is assessed in order to ensure that these interventions positively influence workplace behaviour. In F2018, the average hours of training per employee totalled 30.9 at Zondereinde and 8.9 at Booysendal.

In F2018, the group spent a total of LA R36.6 million on training and development at Zondereinde (F2017: R18.5 million) and LA R6.8 million at Booysendal (F2017: R2.4 million). This is equivalent to 2.3% of the total wage bill (F2017: 1.1%). The Zondereinde expenditure increase can be attributed to the roll out of their full HRD programme for internal and external training programmes, as well as bursary and learnership programmes in line with the SLP which was approved in July 2017.

ZONDEREINDE

Zondereinde is in the process of implementing an integrated training solution that will reduce administration and improve reporting. The associated E-learning was rolled out in February 2018, with the launch to take place once final work has been completed on the necessary infrastructure. The operation is also busy with the establishment of an underground training centre to be launched in the first quarter of F2019. The venue is being refurbished and the training centre mock-up being constructed. The centre will help improve the quality of assessment and practical training.

In F2018, 61 Zondereinde employees (F2017: 5) participated in learnership programmes. Northam offers electrical, plater/boilermaker, rigging, underground mining and rock-breaking learnerships to qualifying employees.

Zondereinde's bursary programme offers bursaries to second-year students in the fields of mining, electrical, mechanical and metallurgical engineering. Successful bursars are subsequently entered into a two-year graduate internship programme before they are appointed to the Northam workforce.

In F2018, 20 students received support to the value of R2.1 million for mining-related engineering degrees (F2017: five students supported at a cost of R340 141). The current bursary programme includes 13 black females in line with the group's strategy to increase female participation in professional occupations.

Literacy is important to Northam as it improves employees' ability to communicate effectively and clearly. AET is available to all employees on a part-time basis and the company is accredited to offer AET up to General Education and Training Certificate (GETC) level or National Qualifications Framework (NQF) Level 1. In F2018, 186 employees (F2017: 320) attended the AET programme at Zondereinde.

BOOYSENDAL

The Booysendal training centre is fully accredited with the Mining Qualifications Authority (MQA) and the International Standards Organisation (ISO) 9001:2008 system. The centre's structure and processes have been amended to accommodate training that was formerly carried out at the MRC human resources training facility prior to moving to the owner-operator model.

In F2018 a total of 53 employees (F2017: 5) participated in learnerships in the fields of electrical, instrumentation, rigging, fitting, welding and mining. This increase in the number of learnerships compared to F2017 was due to the operation's SLP approval having taken place in November 2016.

Booysendal's bursary programme offers bursaries to first year students in the fields of mining, electrical, geology, mechanical and rock engineering and mine survey, areas of study that support the group's SLPs. These bursaries place emphasis on assisting students from Booysendal's surrounding communities.

In F2018, 12 students received R1.1 million in support for mining-related degrees. In line with the group's strategy to increase female participation in professional occupations, the F2018 bursary programme includes six black females.

A study of the literacy levels among our indirect employees has revealed that they have an average minimum AET level 4 or Grade 9 qualification, thereby obviating the need for AET for employees. Northam has therefore prioritised the facilitation of AET classes for local community members in order to improve their access to employment opportunities in the future. An independent service provider from the local community provides these classes. Booysendal's adjusted SLP was approved in November 2016 which made it possible to start AET classes in July 2017, when 20 candidates were enrolled.

Zondereinde - learning assistance breakdown F2018

	Expenditure (R000)	Number of people	HDSAs %	Women %
AET	1 989	186	60	15
Learnerships	11 498	61	56	26
Bursaries	2 095	20	100	65
Internal and external training and skills development	21 044	1 038	67	12
Total	LA **36 626**	**1 305**	**66**	**14**

Booysendal - learning assistance breakdown F2018

	Expenditure (R000)	Number of people	HDSAs %	Women %
AET	838	20	100	80
Learnerships	3 739	53	100	36
Bursaries	1 105	12	91	50
Internal and external training and skills development	1 160	543	84	21
Total	LA **6 842**	628	89	22

HUMAN CAPITAL CONTINUED

NORTHAM'S ACCOMMODATION AND HOUSING STRATEGY

Employees' living conditions are a key concern for Northam and the group embarked on a five-year roll-out of sustainable accommodation solutions. The MPRDA and the 2010 Mining Charter provide the group with direction in respect of the provision of employee accommodation and housing.

At the beginning of F2016, the board of directors approved a comprehensive strategy to provide further accommodation opportunities to all employees. The strategy will shape the group's future employee accommodation efforts.

Northam accommodation strategy

The strategy promotes home ownership as the preferred sustainable tenure option while acknowledging that rental, residence units and company accommodation will be required. Northam cannot provide any one accommodation type in isolation, something that is further necessitated by the geographic diversity of our mines.

The role of Northam is that of a facilitator, creating an opportunity for employees and using its financial and other resources to secure best prices and quality. Employees are encouraged to choose the option that best suits their circumstances and requirements.

Accommodation provided to staff must be secure, decent and affordable. An employee must be confident that his or her tenure is legally secure, that it is affordable on his/her salary and that it is well designed and a good quality product.

Building programmes will be demand driven within the constraints of the group's financial position as well as the availability of serviced land. The strategy takes account of the economic conditions prevailing in the industry and represents a commercially and financially prudent use of group resources.

Elements of the strategy

Elements of the strategy include:

- the refurbishment of existing hostels at Zondereinde into residences thereby providing single accommodation; the upgrade of visiting quarters; and the improvement of social amenities around the residences
- the building at Zondereinde and Booysendal of:
  - freehold home ownership units for Northam employees
  - freehold home ownership units for public participation
  - freehold rental units for Northam employees
- various financing options.

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ZONDEREINDE

Type of home ownership	No of units available/ loans provided	Status	Cumulative spend to date/ loan balance outstanding at 30 June 2018 (R000)
Conversion of hostels into single residences	2 852	Conversion concluded in F2017	102 304
Freehold home ownership units (Mojuteng)	409	402 units have been sold	134 741
Freehold home ownership units (Mogwase)	24	13 units have been sold	11 553
Company units available for rental or home ownership (Setaria)	601	Four units have been sold with one in the process of being registered	139 368
Land acquisition in Northam town, Extension 10 – the Lefika project	69	Proclaimed in F2017, services installation completed early F2018. Construction of 69 home ownership and rental units began early F2018 with 49 housing units completed by financial year end. One unit has been sold, with 37 awaiting registration.	34 692
Number of home loans relating to Mojuteng	358	Financing provided to employees and ex-employees to assist with home ownership	82 887
Number of interest free home loans	118	Interest free home loans provided to employees	20 490
Number of individuals receiving a living out allowance	2 596	An allowance is received of between R3 115 and R4 736 per individual	–

BOOYSENDAL

Freehold rental units (company owned and leased units)	131	N/A	–
Land acquisition in Mashishing (Extension 79)	N/A	Proclaimed in F2018, services installation taking place. First phase will deliver 68 units, with construction beginning August 2018 and first units ready for occupation by November 2018. In total 318 units will be constructed in various phases.	12 085
Number of interest free loans	15	Interest free loans provided to employees	5 360
Number of individuals receiving a living out allowance	1 720	An allowance is received of between R3 115 and R4 736 per individual	–

HUMAN CAPITAL CONTINUED

NORTHAM'S ACCOMMODATION AND HOUSING STRATEGY CONTINUED

PROGRESS TO DATE

Zondereinde

A total of 2 596 employees are provided with a living-out allowance while another 2 852 live in residences provided by Northam. The living-out allowance for each employee category forms part of wage negotiations between Northam and organised labour.

Booysendal

Booysendal employees and indirect employees live predominantly in the towns and villages surrounding the operation, including Mashishing (formerly Lydenburg), Steelpoort, Burgersfort, Ngwaabe and Jane Furse. The majority of employees and indirect employees have elected to receive living-out allowances. Booysendal has a housing portfolio of 131 units, of which 78 units are company owned and 53 are leased units.

Residences

The residence de-intensification programme was completed in F2017 and the density target of one person per room was achieved. In total, 2 852 rooms were converted to single accommodation.

Employees in residence accommodation are provided with meals, which are overseen by a dietician who draws up meal plans and monitors energy, macro and micro nutrient content.

Home ownership

Home ownership solutions are directed at permanent staff and indirect employees, taking into account that the Booysendal operations will ramp up towards the end of the decade requiring additional employees.

Mojuteng

Northam introduced the Mojuteng home ownership scheme to promote home ownership among its Zondereinde employees. The site is in Northam town, approximately 22km from Zondereinde. Employees are offered a home loan, a debt consolidation facility and a structured housing subsidy, which helps employees to increase disposable income levels and results in higher home loan approval rates.

The number of units built is 409.

Mogwase

To meet demand and provide more options, 24 free-standing units were procured at Mogwase. A total of 13 units has been sold.

Open market

Northam also promotes home ownership by assisting qualifying employees and indirect employees to procure houses on the open market by way of a partial interest free loan amount. A total of 47 houses have been purchased on the open market.

New projects underway

Northam acquired land in Mashishing and in Northam town in F2016.

In Mashishing, Extension 79 has been proclaimed and services are being installed. The first phase of the project will deliver 68 units, with construction beginning in July 2018 and the first units ready for occupation by November 2018.

The Lefika home ownership project was initiated in F2017 when Northam town's Extension 10 was proclaimed. Services installation was completed early in F2018. The construction of 69 home ownership units also began early in F2018 with 49 housing units completed by financial year end. The units consist of two, three and four bedroom units that are marketed to Zondereinde employees, while 10% are targeted at the open market.

End goals

The successful development of the accommodation strategy, combined with its execution to date, mean that the majority of the workforce will have access to decent accommodation opportunities in the future. The strategy will ensure that the group exceeds the 2010 Mining Charter obligations and should enhance Northam's standing as an employer of preference.

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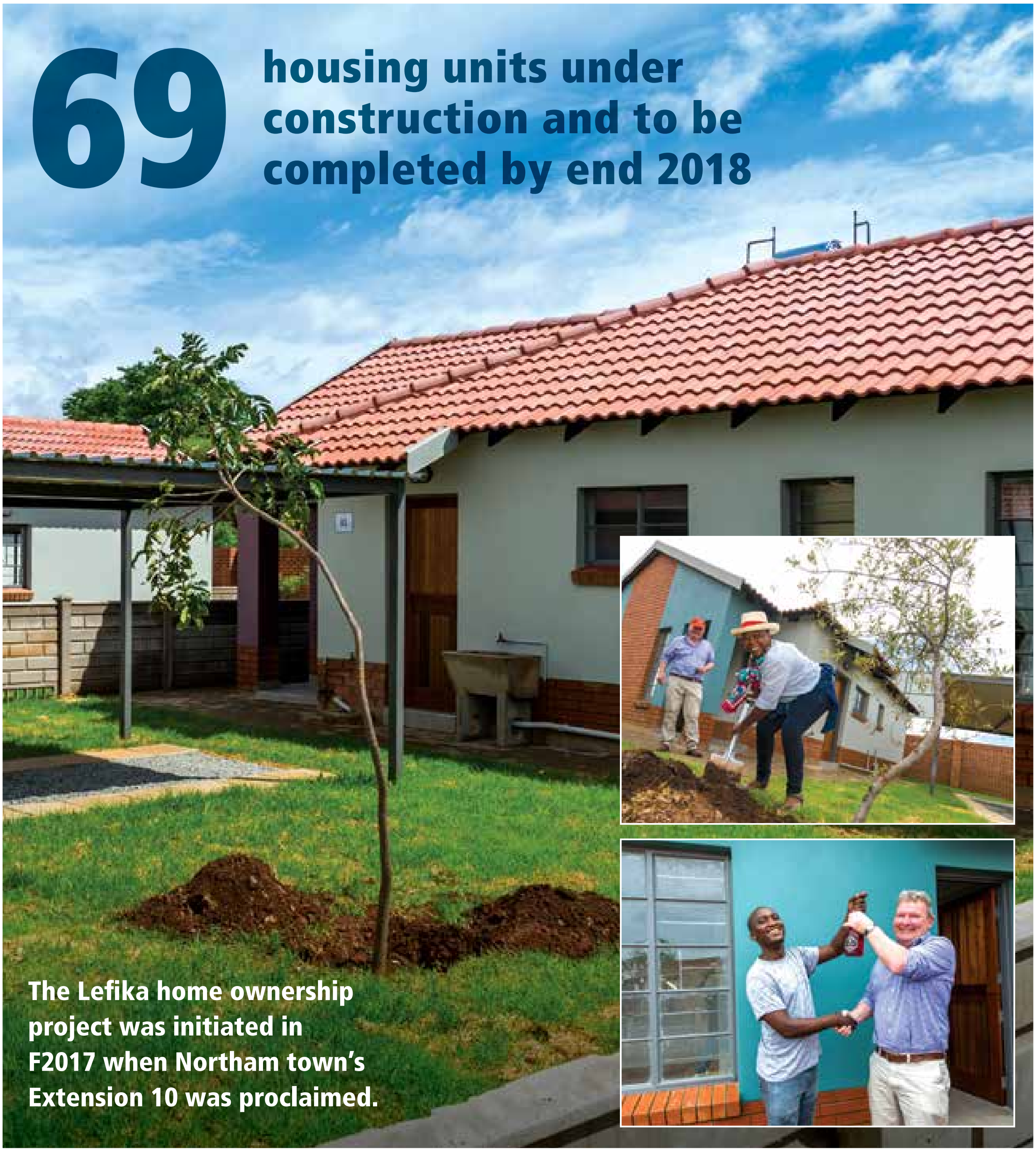

69 **housing units under construction and to be completed by end 2018**

The Lefika home ownership project was initiated in F2017 when Northam town's Extension 10 was proclaimed.

HUMAN CAPITAL CONTINUED

COMMUNICATING WITH OUR EMPLOYEES

Northam encourages open communication. Employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including through human resources structures, line management and union structures. Relations with employees and organised labour are governed by recognition agreements and legislated conditions of employment.

In F2016 Zondereinde completed a comprehensive communications review and made a decision to put in place the structure and staff to support an invigorated communications drive. In May 2017, a full-time communications specialist was appointed. The specialist has introduced a quarterly Zondereinde newsletter, *ZonderDitaba*, for all employees and their families, and *ZondeTimes* newsflashes to communicate key messages to all employees. The communication office, among other communication methods, produces and manages content that appears on television screens positioned in high traffic areas at the mine and manages events and campaigns, particularly on environment, health and safety matters. The office is also investigating an improved intranet and social media as ways of enhancing mine communication.

At Booysendal, an SMS portal system was established to communicate with all employees about the transition to an owner-operator mine in May 2018.

HUMAN RESOURCES STRUCTURES

A senior manager, tasked with overseeing the human resources function, is in place at each operation and reports to the general manager. The general managers and chief executive are ultimately responsible for the management of human capital while the SE&HR committee assumes board level oversight of the management of human capital.

The SE&HR committee, which complies with the Companies Act in terms of its social and ethical obligations, is also responsible for ensuring that employees are equitably and fairly rewarded in alignment with company standards and industry peers. It is further responsible for governance of employment contracts and the remuneration packages of senior management, ratifying their appointments, setting mandates, approving short-term incentive schemes and bonuses, and overseeing the award of shares in terms of the Northam share incentive plan (SIP).

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

All employees, indirect employees and suppliers have the right to freedom of association and to exercise this freedom within the bounds of the law, collective agreements and the rights of others. Employees and their elected representatives must shoulder the duties and responsibilities that pertain to this right.

Wages and other conditions of service are negotiated on an annual basis, or less frequently, as determined by the wage agreement in place. At Northam operations, unions registered with the Department of Labour, which represent at least 15% in any particular bargaining unit, receive organisational rights including:

- access to the workplace, allowing qualifying unions to recruit members and host meetings on mine property outside of working hours
- access to payroll deduction facilities
- the opportunity to elect employee representatives for internal disciplinary processes
- paid leave for representatives to allow them to carry out union-related duties

When a registered union reaches a representative threshold of 33.3% within a bargaining unit, it acquires the right to bargain for that particular unit, and to reach agreement on wages and other conditions of service.

The group aims to engage in good faith to reach agreement on matters such as wages, conditions of service and other matters of mutual interest.

ZONDEREINDE

At Zondereinde, employees are divided into four bargaining units. Category 2 to 8 comprises operator level employees; Category 9, miners and artisans; Category 10, officials; and category 11 to 15, middle management. A total of LA 88% (F2017: 87%) of the workforce in these bargaining units is covered by collective bargaining agreements.

Recognised union representation at Zondereinde F2018 (permanent employees)

	Category 2 to 8		Category 9		Category 10		Category 11 to 15		Total	
Complement	**5 436**	%	**360**	%	**401**	%	**126**	%	**6 323**	%
NUM	4 880	89.8	180	50.0	177	44.1	3	2.4	**5 240**	**82.9**
Solidarity	6	0.1	46	12.8	81	20.2	6	4.8	**139**	**2.2**
UASA	20	0.4	67	18.6	64	16.0	14	11.1	**165**	**2.6**
AMCU	–	0.0	–	0.0	–	0.0	–	0.0	**–**	**0.0**
Total	**4 906**	**90.3**	**293**	**81.4**	**322**	**80.3**	**23**	**18.3**	**5 544**	**87.7**

Organised labour consultation structures at Zondereinde

Employee equity and training committee

- consulted on issues relating to employment equity and human resource development
- reviews the company's employment equity, recruitment, and training and development policies
- ensures procedural equity and transparency

Six-a-side committee

- comprises management and organised labour
- tasked with the smooth progress of hostel de-intensification programme

Corporate social investment (CSI) committee

- oversees all mine community and rural development initiatives
- reviews and approves all applications regarding CSI, local economic development (LED) and socio-economic development

Joint health and safety structure

- statutory component of the Mine Health and Safety Act No 29 of 1996
- organised labour participates in this process to ensure the group adheres to safe operating practices
- (For more information see *Safety and health* section on page 67)

HUMAN CAPITAL CONTINUED

BOOYSENDAL

During F2018 Booysendal changed its operating model from contract mining and metallurgical operations to an owner operator model. Former contract employees of MRC and Minopex were terminated in terms of section 189 of the Labour Relations Act and re-engaged by Booysendal on new employment contracts. LA As a consequence of this, union recognition agreements also terminated.

The former representative union at Booysendal, AMCU, has approached the company for recognition. The company is in the process of engaging with AMCU to verify union membership prior to granting recognition and organisational rights.

Permanent employees now comprise 47% of the workforce, from a previous 10%.

WAGE AND CONDITIONS OF SERVICE NEGOTIATIONS

Northam management continually seeks to build constructive relationships, and to avoid unnecessary work stoppages, which would inevitably have a negative impact on the group's performance and the welfare of employees. The group has an established protocol and communication strategy in place to deal with industrial action, which includes maintaining open channels of communication with unions, employees, shareholders and investors, labour relations experts, mediators and facilitators, security services and the media.

The group also acts in compliance with the Labour Relations Act No 66 of 1995 and may use established processes, inclusive of legal relief when necessary, to bring any form of industrial action to a swift resolution. The group is committed to engage and negotiate with any union that achieves the necessary representation levels.

LABOUR RELATIONS IN F2018

Labour relations remains a challenging area for the mining industry as a whole. Northam management seeks to increase and intensify the engagement process with unions and to deal swiftly with any issues arising.

ZONDEREINDE

After the reorganisation of mining teams at Zondereinde, the operation is now once again at full employment capacity. LA There were no strikes at Zondereinde during the year.

Wage negotiations are being conducted at Zondereinde with the representative union, the National Union of Mineworkers (NUM), after the financial year end.

On 8 March 2018, community members held a two-hour protest on the R510 which runs past the mine. A memorandum of grievances was handed over and accepted by Northam. Grievances included issues related to employment, procurement, recognition of political parties and the operation's SLP. Zondereinde subsequently delivered a written response to the issues raised by the protesters. Mine production continued as normal, but some minor absenteeism was experienced.

BOOYSENDAL

From 26 March to 4 April 2018, during Booysendal's transition to owner-operator model, an unprotected work stoppage took place among the former MRC employees who were demanding end-of-contract termination packages. This stoppage was concluded with relative ease, though not without a loss of six days of production. Labour is now happy with their new status as permanent employees of Northam.

As part of the transition to the owner-operator model, all former Minopex and MRC employees were given contracts which allow for the review of salaries and wages on 1 July 2019, giving an opportunity for alignment with Northam employment terms and conditions.

To alleviate any insecurity or inconvenience for our employees travelling to work, especially during any community unrest, our security department patrols our routes on an ad hoc basis and a reaction unit is deployed as and when necessary. Booysendal has constructed an additional access road to mine operations which should minimise interruptions caused by protests.

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. Our policies and practices comply with South Africa's labour legislation and regulations. All employees are treated fairly, irrespective of origin, race or gender.

Northam's SE&HR committee monitors support and respect for the protection of internationally-proclaimed human rights, ensuring that Northam is not complicit in human rights abuses. Systems are in place to deal with issues of discrimination and human rights breaches. Northam has a formal human rights policy.

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

All Northam employees are expected to adhere to our code of ethics. Supervisors and managers are required to take all reasonable steps to ensure that the people for whom they are responsible are aware of and uphold the guidelines set out in the code. These steps include 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 mandatory policies, standards and procedures are accessible and understood, and responding promptly to legitimate concerns.

The group has a whistle-blowing and ethics hotline run by an independent, third-party consultancy.

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SAFETY AND HEALTH

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

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.

Management review committees based at each operation meet on a monthly basis with executive committee members.

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.

POLICIES, PROCEDURES, REPORTING

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.

Reports on safety and health are reviewed by the management review committees then submitted to the HS&E committee, which is tasked with safety and health matters for further review and oversight.

TRAINING

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.

EQUIPMENT

Personal protective equipment (PPE) is supplied to employees and a comprehensive code of practice guides the allocation of PPE for occupational-specific requirements.

HUMAN CAPITAL CONTINUED

PARTICIPATORY APPROACH

Northam encourages the participation of employees and management in all safety and health matters. Employees may also participate in the union's safety and health committees through their elected officials.

Safety and health structures at Zondereinde and Booysendal

ZONDEREINDE	BOOYSENDAL	ZONDEREINDE AND BOOYSENDAL
A joint management and employee-represented health and safety committee meets on a monthly basis or more frequently if required. The committee's main focus is on empowering employees to take responsibility for their own health and safety, and the health and safety of others, by identifying and reporting safety and health concerns. The committee is responsible for: • identification of critical issues that may affect the safety and health of employees and the environment • inspections, audits and accident investigations • identification of areas for training and development • providing PPE	Three health and safety committees are in place, one for the plant and one each for the North and South mining operations, which meet monthly and quarterly respectively. Issues of concern are discussed and incidents and accidents are reviewed, and common risks and their remedies are discussed and implemented, respectively.	• Operational HS&E committees are chaired by general managers, meet monthly and are attended by two full-time safety and health representatives elected by employees and by safety and health representatives nominated by recognised labour structures. • Safety representatives attend mine production meetings and receive safety training. • 226 health and safety representatives were trained at Zondereinde's training centre in F2018. • 22 safety representatives were trained at Booysendal's training centre in F2018.

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SAFETY PERFORMANCE IN F2018

All safety-related incidents are of paramount importance to Northam, and continuous efforts are made to reinforce operational standards and responsibility. The group will continue to focus on reinforcing and encouraging the correct behaviour of individuals. This will be achieved by continuous, internal and external behaviour change interventions. Measures are in place to support, encourage and coach employees to continuously conduct thorough and proper workplace hazard identification and risk assessment in order to institute remedial action and withdraw when required.

Analysis of safety incidents indicates that most injuries are associated with the following activities:

- Material handling
- Falls of ground
- Trucks and tramming

Focused training and disciplinary measures are used to manage the prevalence of behaviour-based safety transgressions. Disciplinary measures include counselling; verbal and written warnings; suspension; and dismissal. The Du Pont safety management programme and the Minerals Council's Cultural Transformation Framework are in place at both operations.

Regrettably, two fatalities were reported during the year under review (F2017: one fatality).

Northam's safety statistic definitions

Dressing case (DC)	Lost time injury (LTI)	Reportable injury (RI)	Total injuries (TIs)
An injury where the injured person is able to return to performing their normal duties on their next scheduled shift	An injury which incapacitates the injured person and prevents them from performing their normal duties on their next scheduled shift. This includes fatalities and injuries defined as reportable injuries	An injury which either incapacitates the injured employee and prevents them from performing that person's normal occupation (or similar) for a period totalling 14 days or more, or which causes the injured person to suffer the loss of a joint, or a part of a joint, or sustain a permanent disability	Includes DCs, LTIs and fatalities

The DC, LTI, RI and TI incidence rates are based on 200 000 hours worked.

HUMAN CAPITAL CONTINUED

ZONDEREINDE

There were two fatal accidents at Zondereinde this year. Mr Feliciano Sebastiao Massingue, a diamond drill operator, lost his life in an underground rail accident in July 2017. Mr Daniel du Plessis, an underground fitter, was fatally injured in an engineering-related accident in June 2018. The investigation into the causes of these accidents have provided invaluable safety lessons.

Despite this safety setback, Zondereinde achieved a 22% improvement in its lost time injury incidence rate (LTIIR).

The total number of hours worked in F2018 was 17 928 795. The total number of injuries recorded was 147 and the total injury incidence rate (TIIR) was 1.64.

In F2018, 31 DCs were recorded. A total of 116 LTIs were recorded, of which 78 were reportable. The primary causes of LTIs in F2018 were related to the manual handling of material and minerals, falls of ground, slips and falls, and transportation.

Overall the operation's lost time injury incidence rate (LTIIR) was 1.29 per 200,000 hours worked (F2017: 1.65) and the reportable injury incidence rate (RIIR) was 0.87 (F2017: 1.13).

The DMR imposed five Section 54 safety-related work stoppages at Zondereinde during the year under review, three relating to underground and two to surface operations.

To date, Zondereinde has applied the following Mining Industry Occupational Safety and Health (MOSH) preventative measures:

- Hearing-protection devices
- Netting with bolting
- Entry examinations and making safe
- Proximity detection system
- Falls of ground hazard identification system (FOGHIS) – equivalent to the Trigger Action Response Plan (TARP) system

A Safety Turnaround Strategy was put in place at Zondereinde in F2017 and implemented mine-wide in order to improve communication with employees. As part of the strategy, training on the new ISO45001 Safety Standards was given to line supervisors in F2018, resulting in a reduction in the LTIIR and the RIIR for the year. Refresher training is routinely given to line supervisors to coach employees on proper hazard identification and work place risk assessment. Regular visible felt leadership visits from senior supervisors are conducted to support working to standard as a condition of employment.

A new safety, health, environment and risk (SHER) department was established at the mine in F2017, reporting to the SHER manager. The department is functioning well in a coordinated manner across separate functions and the reporting and resolution of SHE matters has become easier.

Fatalities – Zondereinde

F2018	F2017	F2016	F2015	F2014
2	1	0	0	0

Lost time injury incidence rate per 200 000 hours worked – Zondereinde

F2018	F2017	F2016	F2015	F2014
LA 1.29	1.65	1.92	1.31	1.70

Reportable injury incidence rate per 200 000 hours worked – Zondereinde

F2018	F2017	F2016	F2015	F2014
LA 0.87	1.13	1.11	0.94	0.86

Fatal injury incidence rate per 200 000 hours worked – Zondereinde

F2018	F2017	F2016	F2015	F2014
0.02	0.01	0.00	0.00	0.00

BOOYSENDAL

The recent insourcing of Minopex, and MRC employees has created a challenge in terms of safety. The insourcing necessitated a drive to maintain the focus on safety-related matters during a perceived insecure period. It also necessitated a restructuring of the SHEQ department in order to provide adequate cover across all operations and expansion projects on the mine by Booysendal employed safety professionals.

The methodology used to identify significant hazards and associated risks in the work place has been changed to align with industry norms. A full risk-based approach will be followed by dividing the operation into geographical areas followed by occupation and related tasks with each task risk assessed. The baseline risk assessment is currently under review to close the gaps in high-risk areas not identified in the initial assessment. Mandatory codes of practice (COPs) are in place with new standards and procedures being prepared as required.

Booysendal's objective is always to strive towards a culture of zero harm for all employees, contractors and third party individuals. For F2019, the aim will be to finalise the B'SMART Safety Management System, a site-specific safety management system being developed internally. This is expected to be finalised by the end of June 2019, however, this is a dynamic process and changes and enhancements will be made as the project progresses.

Compliance with standards and procedures remains a challenge. In order to mitigate this, the mine employs a high visibility of safety staff who work irregular shifts. We also conduct extensive coaching as part of our *Hlokomela Tau! – Watch out for the Lion (danger)!* – campaign. A new campaign highlighting the leading indicators for incidents is launched every quarter. Leading indicators are identified based on the B'SMART risk tracking system and the basic causes of incidents across the industry.

The *Think falls of ground* initiative continued to be one of the key focus areas during F2018 and resulted in significant improvements in examination techniques. Interventions that have become a way of life at Booysendal take place every Monday and Friday, involving management at all levels, to ensure that employees are entering their worksites safely. Any deviations are rectified immediately and superior performance rewarded. This initiative will be implemented at the new expansion projects.

The total number of hours worked in F2018 was 7 639 002. The total number of injuries recorded was 106 and the TIIR was 2.78.

No fatalities have been recorded since inception of the mine in 2010. Booysendal achieved three million fatality-free shifts in July 2018.

In F2018, 94 DCs were recorded. A total of 12 LTIs were recorded of which seven were reportable. The primary causes of LTIs for F2018 were related to the manual handling of material and equipment, and slips and falls.

Booysendal's LTIIR was 0.31 (F2017 0.30) and the RIIR was 0.18 (F2017 0.20).

The DMR imposed two Section 54 safety-related work stoppage/s at Booysendal during the year under review, related to surface operations.

Lost time injury incidence rate per 200 000 hours worked – Booysendal

F2018	F2017	F2016	F2015	F2014
LA 0.31	0.30	0.44	0.54	0.27

Reportable injury incidence rate per 200 000 hours worked – Booysendal

F2018	F2017	F2016	F2015	F2014
LA 0.18	0.20	0.32	0.41	0.21

Fatal injury incidence rate per 200 000 hours worked – Booysendal

F2018	F2017	F2016	F2015	F2014
0.00	0.00	0.00	0.00	0.00

HEALTH PERFORMANCE IN F2018

The primary occupational health risks identified at Northam in F2018 were tuberculosis (TB), noise induced hearing loss (NIHL) and occupational lung disease. We aggressively target HIV/AIDS and TB with emphasis on prevention, through educational initiatives and community involvement, as well as a monitored employee wellness programme, which includes the provision of antiretroviral treatment (ART). We also focus on drug and alcohol abuse, and their effects on employee performance.

NORTHAM HEALTH CARE SERVICES

We provide employees and indirect employees with an integrated and holistic health care service, for primary and occupational health, through the Platinum Health medical aid scheme.

Health care services are offered to all employees and indirect employees who belong to the scheme, and to their families. A network of doctors, specialists and dentists is contracted to the scheme. As well as localised health care, scheme members also have access to the Netcare® and Life® networks countrywide.

Programmes designed specifically for occupational health include:

- Wellness
- Medical surveillance
- Injury-on-duty management
- Occupational and chronic disease management
- Rehabilitation and back-to-work programmes
- Emergency care

Healthcare services at Zondereinde and Booysendal

NORTHAM ZONDEREINDE

ZONDEREINDE

- Healthcare services provided on site and at a network of medical facilities where employees live
- Five hospitals available to employees in the area
- On-site paramedics with emergency response vehicles, social workers and physiotherapists
- Comprehensive TB and HIV/AIDS management programme administered by Platinum Health at the operation

NORTHAM BOOYSENDAL

BOOYSENDAL

- Medical facilities located in Mashishing, Middelburg and Nelspruit
- On-site emergency facility with four 24/7 paramedics available for the treatment of accidents, injuries and minor health issues
- On-site Platinum Health professional nurse
- Two on-site ambulances on permanent standby with backup facility at Dwarsrivier and Thorncliffe, approximately 15 and 12.5 kilometres respectively from Booysendal mine
- Access to helicopter services
- Two additional ambulances and a trauma centre for use at Booysendal South, with four 24/7 paramedics available for treatment of accidents, injuries and minor health issues

HUMAN CAPITAL CONTINUED

HIV/AIDS

Northam has a comprehensive HIV/AIDS policy in place which includes employee care and education programmes, respects information confidentiality and promotes non-discrimination. All Northam employees have access to professional counselling and support including voluntary counselling and testing (VCT) and ART.

The Northam HIV/AIDS programme focuses on the following:

- Encouraging employees who are HIV-negative not to participate in high-risk behaviour through the mass distribution of condoms, the treatment of sexually transmitted infections (STIs) and a peer education programme
- Early detection and identification of HIV to limit high-risk behaviour among those infected and to start them on a treatment regime that can prolong healthy living (the VCT programme underpins this objective and provides the necessary counselling)
- Encouraging infected employees to participate in the wellness programme, which includes the provision of ART. Comprehensive counselling is provided to ensure that employees understand and accept the long-term implications of participating in the ART programme.

Zondereinde

Zondereinde's HIV/AIDS programme comprises:

- Health education

- Clinical management (VCT, pre- and post-test counselling, adherence testing and counselling, prevention of mother-to-child transmission, and HIV treatment)
- Laboratory investigations
- Peer educators

Zondereinde's peer educator programme includes 14 employees who form part of the support structure that provides counselling and training for employees infected and affected by HIV/AIDS.

In F2018, 2 502 employees were registered on the VCT programme (F2017: 4 571). Of these, 347 (F2017: 427) tested positive for HIV.

Employees registered for VCT – Zondereinde

F2018	F2017	F2016	F2015	F2014
2 502	4 571	1 834	1 250	1 049

Booysendal

Booysendal continued with its wellness and disease management policy and programme, an effective method to promote health and wellness among our employees and indirect employees.

Our programme:

- promotes a healthy lifestyle
- addresses chronic or life-threatening diseases such as HIV/AIDS and TB
- covers injuries which may result in a medical disability or occupational incapacity such as STIs, cancer, heart disease, chronic obstructive airways diseases, diabetes, asthma and hepatitis
- consists of a variety of activities including health education, medical screening, health coaching, weight management programmes, wellness newsletters and fitness educational information

Booysendal's HIV/AIDS peer education group is now managed internally by the company. Training of peer educators for employees has taken place and 33 peer educators have so far been trained. The aim is to educate employees about chronic illness, the spread of contagious diseases and prevention measures. Employees are encouraged to undergo VCT and Booysendal ensures that effective intervention, assistance and referral systems are in place.

VCT is done under the auspices of the wellness programme. In F2018, 840 employees were registered on the VCT programme (F2017: 733). Of these, 35 (F2017: 33) tested positive for HIV. Employees requiring treatment are referred to the relevant medical practitioner.

Employees registered for VCT – Booysendal

F2018	F2017	F2016	F2015
840	733	319	459

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TUBERCULOSIS

TB is a serious opportunistic infection and is the leading cause of death for people living with HIV. Northam runs a highly effective, directly-observed treatment regime, which is aligned with the TB guidelines of the World Health Organization.

Zondereinde

In F2018, 48 new cases of TB (F2017: 46) were identified at Zondereinde. A total of 31 employees remained on TB treatment at the end of F2018 (F2017: 44).

New cases of TB – Zondereinde

F2018	F2017	F2016	F2015	F2014
48	46	75	111	97

Booysendal

In F2018, 13 new cases of TB (F2017: 10) were identified at Booysendal. All 13 employees (F2017: 6) are receiving TB treatment.

New cases of TB – Booysendal

F2018	F2017	F2016	F2015	F2014
13	10	8	4	6

NOISE INDUCED HEARING LOSS

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

Northam ensures that it is legally compliant; noise associated with 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.

Training in the use of PPE and prevention of NIHL is ongoing and forms part of the mines' hearing conservation programme overseen by a hearing conservation committee, which meets quarterly.

Zondereinde

In F2018, 61 incidences of NIHL were reported to be investigated for compensation (F2017: 109), of which 59 were eligible for compensation (F2017: 46). Due to the high incidence of NIHL at Zondereinde, a programme has been launched to identify high noise areas and reduce exposure to high noise levels as well as reduce noise levels in these areas.

New cases of NIHL – Zondereinde

F2018	F2017	F2016	F2015	F2014
61	109	69	27	20

Booysendal

In F2018, seven new cases of NIHL were reported to be investigated (F2017: 4). Two of these were eligible for compensation (F2017: one).

New cases of NIHL – Booysendal

F2018	F2017	F2016	F2015	F2014
7	4	31	18	41

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 hydropowered mining equipment at Zondereinde reduces employee exposure to both noise and dust. Neither Zondereinde nor Booysendal reported any cases of silicosis or OLD in F2018.

DRUG AND ALCOHOL TESTING

Drugs and alcohol are not tolerated in the workplace. Tests are conducted on a daily basis, and particularly after any safety incident. Employees who test positive are subject to disciplinary procedures with assistance and rehabilitation offered to overcome dependency.

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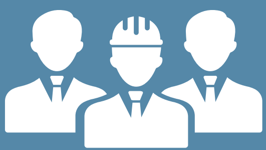
SOCIAL
CAPITAL



Key stakeholders in our business include the communities within which we operate, as well as shareholders, suppliers, customers and government, among others.

Open, honest and respectful engagement is essential to earning and preserving our social licence to operate – as well as our legal right to do so. These in turn are essential to the sustainability of our business. We recognise our responsibility to share the value we create at our mining operations, thus contributing to the socio-economic upliftment of our communities. We take cognisance of our need to maintain our legislative and regulatory compliance and we strive to meet or exceed 2010 Mining Charter targets.

RELEVANT MATERIAL ISSUE/S

- Maintaining constructive communication channels with all our stakeholders
- Maintaining our legislative and regulatory compliance, focusing on the MPRDA and the 2010 Mining Charter

RELEVANT IDENTIFIED RISKS

- Social licence to operate and the ever-changing regulatory environment
- Accountability for health and safety
- Industrial action (labour-related stoppages)
- Fraud and corruption

STAKEHOLDER ENGAGEMENT

We define our stakeholders as those individuals, groups and entities directly affected, both positively and negatively, by our business activities.

External stakeholder engagement is the responsibility of Northam's chief executive and chief financial officer, while internal stakeholder engagement is undertaken by the general managers at each operating mine, together with the head: sustainability and the executive: human resources. Northam's social, ethics and human resources committee takes responsibility for stakeholder relations.

Major impacts in the area of stakeholder relations are felt at operational level. For this reason, operational management is empowered to deal with concerns raised by stakeholders. Management is committed to reacting timeously to stakeholder concerns, and engages both formally and informally. External stakeholder concerns may be escalated to the chief financial and chief executive officers.

The group conducts a sustained programme of communication directed at its stakeholders, including shareholders and their advisors, employees, unions, communities, government and regulators and NGOs.

Northam is a member of the Minerals Council South Africa and actively participates in this organisation's industry initiatives.

Engaging with our stakeholders

Shareholders, providers of capital, research analysts, fund managers, media

Northam provides information on operating, financial and other performance in a timely manner, using clear and plain English.

Channels of communication include:

- regulatory channels such as the JSE Stock Exchange News Service (SENS)
- website postings
- electronic communiques to a database of registered stakeholders including the investment community and media
- regular briefings to apprise the investment community of company developments and performance
- formal one-one-one meetings with significant shareholders

Shareholders are encouraged to participate in the AGM of the company and to raise issues of concern or interest directly. The notice of meeting is a regulated issue and shareholders are notified accordingly.

Employees and unions

Relations with employees and organised labour are governed by recognition agreements and conditions of employment by legislation.

Northam supports the rights of all employees to freedom of association and acts in accordance with the South African Constitution, prescribed legislation, industry compacts and recognition agreements with unions.

The company encourages open communication, and employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including through the human resources department, line management and union structures.

Communities

Northam engages on a formal and regular basis with local authorities, including the Moses Kotane and Thabazimbi municipalities in respect of Zondereinde, and the Greater Tubatse and Thaba Chweu municipalities in respect of Booysendal. Community forums are in place to address community concerns, such as local employment, training and development, and procurement.

Community development is undertaken according to the commitments made in our SLPs. In line with the requirements of the SLP, Northam ensures that its community development policies and practices are aligned with those of the local municipalities' integrated development plans (IDPs) as far as is reasonably possible.

Customers

Northam has long-standing relationships with its customer base. The company's marketing department maintains regular weekly contact with its domestic and international customers, and hosts customer meetings and visits customer facilities. Customer representatives, in turn, visit Northam's mining and metallurgical operations.

Any issues relating to customer satisfaction are taken up directly with the marketing department.

SOCIAL CAPITAL CONTINUED

Stakeholder engagement summary

Key stakeholders	Topics and concerns	Communication channels
Shareholders and investors	Operating and financial performance Share price performance and dividends Issues related to the sustainability of the company: • risk mitigation • legislation • safety • labour relations	Announcements on SENS Website Interim and annual results presentations One-on-one investor meetings Investor site visits Roadshows AGMs and special shareholder meetings Annual integrated report CDP climate change submissions CDP water submissions
Employees	Wage negotiations Job security Training and development Health and safety Company performance	Group policies Collective bargaining practices Team briefings Two-way manager-employee communication Let's Talk campaigns: • recruitment • HIV/AIDS • education • performance
Customers	Continued availability of supply Quality of supply Impact of any industrial action on supply	Announcements on SENS Group reports Website Formal presentations Roadshows Site visits CDP climate change submissions CDP water submissions

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Stakeholder engagement summary **continued**

Key stakeholders	Topics and concerns	Communication channels
Suppliers and contracting companies	Sustainability of the company Financial performance Employment practices Local procurement practices Preferential procurement practices Quality control Impact of any industrial action on suppliers	Announcements on SENS Company practices and policies Preferential procurement policies Open days Dialogue
Media	Operating and financial performance Corporate activity Environmental issues Community-related topics Impact of any industrial action on the group, employees, the industry and the South African economy	Announcements on SENS Website Online presentations Media site visits Group reports and results Interviews
Communities and NGOs	Local economic development Corporate social investment Job opportunities and employment Skills development Health related issues Environmental impact Impact of any industrial action on local business	Community forums Stakeholder forums Industry partnerships Community engagement programmes Wellness campaigns Dialogue Annual integrated report
Government and regulatory authorities	Labour relations Licence to operate Employment Education and training Environmental impact and rehabilitation BEE empowerment and ownership Compliance with legislation Taxation	Formal processes Participation in industry associations Social and labour plans Dialogue Group reports Site visits South African Revenue Services Department of Mineral Resources

SOCIAL CAPITAL CONTINUED

SOCIAL AND LABOUR PLANS

The MPRDA of 2002 requires the submission and approval of SLPs as a prerequisite for the granting of mining or production rights. SLPs require the development and implementation of comprehensive human resources development programmes, a mine community development plan, housing and living conditions plan, employment equity plan and processes to save jobs and manage downscaling and/or closure.

Northam believes that these programmes are aimed at promoting employment and the advancement of the socio-economic welfare of all South Africans while helping ensure economic growth. In particular, we acknowledge the important role of the 2010 Mining Charter, provision for which was made in section 100(2)(a) of the MPRDA, as an instrument of transformation in the industry based on set targets.

By our adherence to the MPRDA and the Mining Charter, we share the value we create at our mining operations with stakeholders, as we strive to meet or exceed set targets.

Zondereinde lodged its SLP for the period 2016 to 2020 with the DMR in July 2017. Booysendal's SLP was lodged in 2015 and runs until 2019.

MINE COMMUNITY DEVELOPMENT

APPROACH AND STRUCTURE

Northam recognises its responsibility to contribute to local communities and to major labour-sending areas, providing project and infrastructural support in pursuit of sustainable socio-economic upliftment. We maintain open and proactive communication channels with community structures and other stakeholders in order to deal with community concerns, expectations and developments. The group seeks to mitigate any negative impact of our mining operations on local communities.

In compliance with the requirements of the MPRDA and the 2010 Mining Charter, Northam's operations focus on contributing to mine, community and rural development. The operations, therefore, pay significant attention to the establishment of local economic development (LED) projects identified in SLPs.

Northam's SLPs are aligned with the integrated development plans (IDPs) of local municipalities to address community needs effectively. In addition to LED, the group also supports several projects that are not necessarily in the ambit of its SLPs but are considered worthy causes. These are referred to as corporate social investment (CSI).

Compliance with aspects of the 2010 Mining Charter relating to LED and associated issues is the responsibility of the executive: HR under the guidance of the SE&HR committee. The committee updates the board on a quarterly basis on compliance with the Charter.

Operational CSI committees comprise three members of management and one representative from each of the organised employee representative bodies. They meet on a monthly basis to identify, prioritise and allocate resources to sustainable projects. Key interventions are planned with local municipalities.

A community and rural development strategy is applied in identifying and implementing community projects. The strategy includes stakeholder mapping, an analysis of expectations and immediate risks, as well as protocol for constructive engagement with government and related stakeholders to ensure a co-ordinated approach to community development.

COMMUNITY DEVELOPMENT PERFORMANCE IN F2018

ZONDEREINDE

In F2018, R4 610 482 was spent on CSI and R28 510 667 on LED.

The identification of suitable LED projects and CSI activities in the areas surrounding the mine is guided by the Zondereinde SLP and the operation's CSI committee. Responsibility for the operation's SLP falls under the human resources department.

Zondereinde engages with traditional leaders, the Zondereinde Community Trust and with three municipalities:

- Thabazimbi Local Municipality in Limpopo
- Moses Kotane Local Municipality in North West Province, a labour-sending municipality
- OR Tambo District Municipality in the Eastern Cape, also a labour-sending municipality

A mining forum was established in F2016 in order to improve communication and coordination between the mines and municipal representatives on large-scale projects to improve infrastructure and delivery in the area. The forum was reconfigured in March 2018 to include government administrators, the DMR and the Department of Co-operative Governance and Traditional Affairs in order to ensure projects are aligned. A lack of service delivery and poor follow-up and support from local municipalities remain significant challenges, with the group sometimes having to contribute to service delivery instead of focusing on economic growth.

After prolonged engagement, in F2017 Zondereinde's updated SLP was aligned with the Thabazimbi Local Municipality's IDP and work on several projects was able to commence. Projects include road and school infrastructure and support services at the Spitskop Special Needs School. See table on page 80 for details.

A major challenge in making progress with the Zondereinde SLP's community projects is the management of political differences as Thabazimbi Local Municipality is coalition led. Continuous engagement is key to managing these relationships. A further challenge is the lack of local companies able to undertake large-scale projects.

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Zondereinde – corporate social investment spend in F2018

Name of project	Focus/objective	Project details	Ongoing/once-off	Spend (R000)
CSI Life Centre	Income generation in the agriculture sector	The centre is focusing primarily on agriculture which includes the planting of vegetables to provide a sustainable income for beneficiaries.	Once-off	1 359
Women in Mining event	Women's development, safety and health	A Women in Mining day took place at Zondereinde, focusing on women's success stories and women's safety and health.	Once-off	171
Setaria nursery school	Early childhood development	Seven teachers and a head teacher are responsible for early childhood development in the Zondereinde mining community. Zondereinde mine subsidises the teachers' salaries, provides infrastructure and office supplies and is involved in the management of the facility.	Once-off	133
Heavy duty printer	To increase efficiency and income at the Thabazimbi Local Municipality	A heavy duty printer was supplied to the municipality to make possible the in-house printing of municipal statements.	Once-off	914
Donations	Education, sport and other projects	Projects included contributions made towards Rhodes University and the African Editors' Forum. Sport donations included the purchase of sport trophies, and contributions to the Lesotho High Altitude Cycle Challenge and Rustenburg Bowling Club.	Once-off	1 792
School shoes	Poverty alleviation	Donations to organisations that fight poverty.	Once-off	218
School lunch packs	Poverty alleviation	The provision of food parcels to needy children in the community.	Once-off	24
Total spend in F2018				**4 611**

SOCIAL CAPITAL CONTINUED

Zondereinde social and labour plan – local economic development spend F2018

Name of project	Focus/objective	Project details	Spend (R000)
Rebuild of Koedoeskop road	Infrastructure development - upgrade and resurfacing of 17.2km of road, with completion planned for March 2020	Northam entered into a memorandum of agreement with Roads Agency Limpopo to upgrade the road, with Northam contributing R22.5 million towards the R110 million project. Consulting engineers have been appointed and designs have been finalised. The expected start date is October 2018.	Not yet commenced
Development of Northam community park	Community development and local employment	The community of Northam requested Northam Platinum to develop a community park. Completion is planned for mid-2019, at a cost of R1million. Local SMME construction contractor(s) will be appointed to carry out the work.	Not yet commenced
Upgrade of Mabogopedi Secondary and Leeupoort schools	Education	Northam Platinum will enter into a memorandum of agreement with Limpopo's Department of Basic Education to upgrade the Mabogopedi Secondary and Leeupoort schools. Northam will be contributing R5 million to the project. Completion is planned for the end of 2019.	25
Spitskop Special Needs School	Education	Northam was requested to assist with the development of a new kitchen as well as the heating, ventilation and air-conditioning of classrooms. Cost of the project is R1.3 million. Construction started in February 2018 and the project was completed in July 2018.	849
Chromite Primary School	Education	This R1 million project is in two phases. Phase 1 - supplying and installing two pre-fabricated classrooms with furniture and electrical supply – was completed and handed over in November 2017. Phase 2 includes a water investigation and possible water infrastructure provision for a sewerage system, planned to be completed mid-2019.	48
Lerome Secondary School	Education	Northam is in talks with North West Department of Education to investigate the feasibility of this project, which will involve the supply and installation of two furnished pre-fabricated classrooms as well as a container to be used as a safe storage facility. The first site meeting has been conducted.	Not yet commenced
Lefika housing project	To provide employees and community members with access to housing	The project consisted of the services installation and construction of 69 housing units in Northam town, extension 10.	27 589
Total spend in F2018			**28 511**

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BOOYSENDAL

In F2018, R506 749 was spent on CSI and R10 119 395 on LED.

Booysendal's LED and CSI activities are coordinated by the divisional human resources manager, who is also responsible for oversight of community engagement in the area. The operation's management team under the leadership of the general manager have oversight of both the SLP process and CSI.

Booysendal mine is located in a remote region of the Limpopo province where there are limited economic opportunities. Agriculture, forestry, mining and tourism are the region's primary activities. A further major challenge is the low level of literacy and education in the area, which is rated among the lowest in South Africa.

The key areas to be developed in the Booysendal area as articulated in the Greater Tubatse and Sekhukhune District Municipalities IDPs are:

- Water and sanitation
- Electricity
- Roads
- Education, especially mathematics and science
- Income generation and job-creation projects, with the primary focus on women and people with disabilities

Stakeholder identification and engagement at Booysendal has been ongoing since the mine's inception, which is complicated by the scale, proximity and needs of local communities, and by historic interests in landholdings. Booysendal has sound working relationships with its identified stakeholders and engages with them mainly through the following structures:

Sekhukhune District Municipality (SDM)

- Executive mayor's office
- Socio-Economic Development Managers' Forum

Greater Tubatse Local Municipality

- LED Forum
- Greater Tubatse Mining Forum
- Southern Cluster Mining Community Development Committee

Thaba Chweu Local Municipality

- Executive mayor's office

Several forums have been set up in the area where Booysendal operates. These provide channels for Booysendal to facilitate the flow of meaningful benefits to communities, help the mine to keep abreast of concerns among community members and to address any issues raised. We also have a community complaints register in place.

SOCIAL CAPITAL CONTINUED

Forums in the Booysendal area

Forum	Structure and composition	Role
Booysendal North		
Booysendal Community	Comprises 15 families who have historical connections with the mine surface footprint Meets monthly with management representatives	Promotes economic growth, employment and advances socio-economic welfare of identified core communities Expands social development opportunities for HDSAs and women Facilitates consultation within the spirit of the MPRDA and the Broad-Based Black Economic Empowerment Amendment Act No 53 of 2003
Stakeholder Engagement	For all interested and affected stakeholders, including local municipalities, DMR, provincial government and other community forums Meets monthly	Discusses issues related to employment, skills development, procurement, infrastructure development and Booysendal Trust initiatives
Traditional Leadership	For communities within a 50km radius of the mine Meets quarterly	Focuses on: • local recruitment • supply chain business opportunities and supporting local entrepreneurs • training opportunities including bursaries and learnerships • infrastructure development
Booysendal Community Trust	Established as a result of Northam's BEE deal, with its own mandate and areas of focus for community development directed by its trustees. (See page 87 for more details.)	
Booysendal South		
Stakeholder Engagement	Established in F2017 to engage with a broad group of stakeholders	
Traditional Leadership	Established in F2017 to engage with local traditional leaders to discuss recruitment, procurement and community development	

Booysendal's updated SLP was approved in F2017 and progress with LED projects is reported on page 84. Last year we reported on further projects expected to progress in F2018 but which encountered some delays:

- **PPE workshop.** Consultation with beneficiaries was completed and a business model developed in F2017. Booysendal is engaging with various authorities and individuals in order to obtain appropriate land for the project.
- **Water and sanitation project.** The project's EIA and authorisations are underway and construction can begin once these are received. A local school will be upgraded in this R4.0 million project.
- **Ngwaabe Combined School science laboratory.** Consultation with the Department of Education has been completed and building plans have been approved. Site establishment was conducted in July 2018 and the project will get underway in F2019.

Future SLP projects include:

- **Tarring of Potgieter Road in Mashishing.** To be implemented in F2020.
- **Tarring of road in Matsosho village.** To be implemented in F2020.

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Booysendal – corporate social investment spend in F2018

Name of project	Focus/objective	Project details	Ongoing/once-off	Spend (R000)
Mashishing High School	Development of science education	In July 2017 learning support was provided to learners in the science field	Once-off	55
Mandela Day	Poverty alleviation	Provision of foodstuffs to most vulnerable and poor in local communities in July 2017	Once-off	20
Clean up and recycling campaign	Environmental awareness	An environmental awareness campaign in September 2017	Once-off	48
Dinalane Early Childhood Centre	Education	A graduation ceremony to encourage learners in November 2017	Once-off	7
Masha Gosebo	Heritage	A historical celebration in December 2017	Once-off	5
Thaba Chweu Local Municipality top matric learners' function	Education	Fourteen laptops were awarded to the top matric achievers of 2017	Once-off	17
Farewell for General MJ Maepa of Burgersfort Police Station	Stakeholder engagement	Booysendal, along with other mines in the area, contributed towards the catering for this SAPS farewell function	Once-off	11
Enkeldooring Primary School – concrete slab	Education	Donation of container classroom for foundation phase learners	Once-off	18
SAPS Limpopo provincial commissioners' awareness campaign	Crime awareness	The provision of tracksuits for use in a crime awareness campaign	Once-off	16
Community forum stipends	Stakeholder engagement	Stipends are paid to members of community forums	Once-off	157
Community forum meetings expenditure	Stakeholder engagement	Transport costs incurred during forum meetings with Booysendal North and South, and associated refreshments, are paid for by the company	Once-off	143
Total spend in F2018				**507**

SOCIAL CAPITAL CONTINUED

Booysendal social and labour plan – local economic development spend F2018

Name of project	Focus/objective	Project details	Spend (R000)
Matsosho electrification project	Electrification of the village	This project ran from November 2017 and has benefitted 442 households. The project has been completed and formal handover will take place early in F2019. The project has also created 20 jobs for community members and provided training for three. The project will also facilitate the establishment of more local businesses by villagers.	7 418
Matsosho water reticulation project	Provision of water infrastructure	Expenditure so far is related to licensing and permitting processes. The project's EIA and authorisations are underway and construction can begin once these are received.	351
SMME screening, workshops and mentorship	Empowerment of local SMMEs	This R5.5 million project began in July 2017 and will conclude November 2018. The first batch of nine entrepreneurs completed Phase 1 of the programme in June 2018.	2 326
Gobetse science laboratory	Education	To provide support for learners who are studying science subjects. R1.8 million project began in February 2018 and will continue until F2019. The procurement process has been completed.	24
Total spend in F2018			**10 119**

LOCAL COMMUNITY RELATIONSHIPS

Northam enjoys a reasonably healthy relationship with the communities where it operates, which is maintained by ongoing professional and sustainable engagement. However, these relationships play out in areas of very low economic activity, among community members often with low education and skills levels and this inevitably brings challenges to bear on those relationships.

Both operations have developed databases of local skills to assist in recruitment requirements.

ZONDEREINDE

At Zondereinde, councillors and traditional leaders collaborate with the mine in respect of key interventions such as local recruitment, CSI and LED projects.

Over the past year Zondereinde has stepped up its stakeholder engagement activities. There have been some significant improvements in the relationship between mine personnel and the local mayor's office. Spin-offs have included more constructive public participation with the collection of community members' CVs in order to upgrade our recruitment database, while community projects are being prioritised. The CVs were also collected with the aim of setting up a cadetship programme, which, once approved, is anticipated to be implemented in November 2018.

Zondereinde continues to engage closely with the local authority and with other structures in the area in order be perceived as a credible, trustworthy and responsible corporate citizen. There is also a strong focus on:

- Establishment of forums in order to manage the cascading of information, and to protect the Northam/Zondereinde brand
- Using the Zondereinde Trust council to improve communications and act as a brand ambassador
- Improving the turnaround time of projects to satisfy expectations speedily
- Enhancing the branding of existing projects to gain greater traction in the community

As described earlier, in March 2018, community members held a two-hour protest on the R510 which runs past the mine. A memorandum of grievances was handed over and accepted by Northam. Grievances included issues related to employment, procurement, recognition of political parties and the operation's SLP. Zondereinde subsequently delivered a written response to the issues raised by the protesters. Mine management is in the process of considering the list of demands in an effort to find solutions where possible in collaboration with community representatives.

In addition, on 30 May 2018, approximately 50 members of the Ramokokastad community, some 50 kilometres south of Zondereinde, marched to Northam corporate office to hand over a memorandum demanding jobs and procurement opportunities.

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BOOYSENDAL

Several incidents of civil unrest took place around Booysendal in F2018, prompted in the main by the lack of job opportunities in the area. In these incidents, and on six separate occasions, the Kiwi, Shaga, Kalkfontein, Draaikraal and Rosenekal communities blocked roads leading to Booysendal North and South mines, demanding jobs. On one occasion, the Ngwaabe Development Forum blocked the access road to Booysendal North demanding employment opportunities and on another, the Steelpoort Business Development Forum blocked the gate to Booysendal North complaining about the lack of community development.

In an effort to help address the employment issues raised by these communities, Booysendal escalated the upgrading and utilisation of its employment skills database and shared job opportunity information on the company's engagement platforms. Cadetships, bursaries, internships, learnerships and AET are used to increase skills within local communities and thus improve employability.

LOCAL EMPLOYMENT AND PREFERENTIAL PROCUREMENT

As previously indicated, Northam's mines are in areas of low economic activity where there are limited employment opportunities, resources and infrastructure. Northam is unable to meet all local employment and other requirements and also recognises the need to think beyond the operational lives of its mines. Northam works closely with municipal officials to manage community expectations and has assisted in identifying economic targets which could be developed by way of small, medium and micro enterprises (SMMEs) in collaboration with local entrepreneurs.

ZONDEREINDE

In F2018, 22% of permanent employees came from the Limpopo province, and 21% originated from the North West province.

In order to limit the dependence of communities on the mining industry for jobs, Zondereinde has prioritised key economic areas to be developed through the contributions of small businesses and local entrepreneurs. These areas include:

- Environment and waste management
- Agriculture
- Construction

Ongoing engagements are held with local community structures and with municipal council representatives during which specific issues relating to sustainable small business development and establishment of local economies are considered.

The incubation and training process of local SMMEs takes time before they are compliant for the mine to procure their services. Zondereinde has identified all local SMMEs and interviews are being conducted to assess any gaps which are addressed via training and business support interventions such as workshops and mentorship programmes. The incubation programme is divided into three groups made up of 31 entrepreneurs. All three groups began the programme in October to November 2017.

Mine management has established a database of local suppliers with the skills and experience required by the operation, which provides a sound resource for the recruitment of local labour. New SMMEs are added to the company's suppliers list on a monthly basis. Five local SMMEs were allocated to Zondereinde's housing project in F2018.

BOOYSENDAL

As at the end of June 2018 an average of 91% of the total workforce of Booysendal mine came from the local community, from the Limpopo and Mpumalanga provinces. Booysendal is committed to hiring people from host communities at all levels of the workforce, in support of local development.

The mine strives to provide meaningful support to small and medium-sized businesses in nearby communities as well as those who are already providing services to the mine so that they can contribute to the development of the local economic base.

Booysendal supports some 21 local SMMEs who provide a range of services including transport, change house maintenance, landscaping, and printing. Two consulting services have been sourced to facilitate enterprise and supplier development for these local businesses. Twelve SMMEs have been screened, trained and included in an enterprise development programme. An additional nine local suppliers are now on a supplier development programme.

In collaboration with the local municipalities around Booysendal, mine management has established a dynamic database of local suppliers with the skills and experience required by the operation, particularly in the fields of engineering, trackless mining and plant operations. This database provides a sound resource for the recruitment of local labour. Local employment statistics are presented to community forums.

GROUP PREFERENTIAL PROCUREMENT

In compliance with the 2010 Mining Charter, Northam is committed to giving preference to local businesses in the communities surrounding its operations. Northam's procurement policy accordingly gives local BEE companies preferred supplier status. Northam accords preferred-supplier status to HDSA suppliers subject to commercial competitiveness. Northam spent R4.5 billion in F2018 (F2017: R4.6 billion) on procurement, of which 69% or R3.1 billion was allocated to BEE suppliers.

SOCIAL CAPITAL CONTINUED

Consolidated report on HDSA expenditure – F2018

	Capital	Services and contracting companies	Consumables	Total	
Mining Charter targets	**40**	**50**	**70**		
HDSA spend as % of total discretionary spend	**63**	**79**	**42**	**69**	
	R000	**R000**	**R000**	**R000**	**% spend**
HDSA owned*	479 987	1 762 047	148 331	2 390 365	52
HDSA empowered**	464 973	214 367	81 219	760 559	17
Empowered HDSA spend	**944 960**	**1 976 414**	**229 550**	**3 150 924**	**69**
Without HDSA	530 142	480 881	285 501	1 296 523	29
HDSA influenced***	19 388	45 354	34 873	99 616	2
Non-empowered spend	**549 530**	**526 235**	**320 374**	**1 396 139**	**31**
Total discretionary spend	**1 494 490**	**2 502 649**	**549 924**	**4 547 063**	**100**

* *>50% BEE equity*
** *>25% BEE equity*
*** *>5% - <25% BEE equity*

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BEE TRUSTS

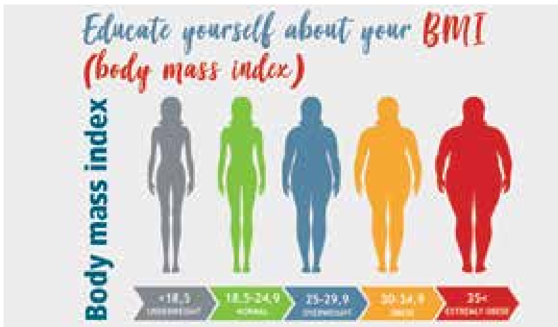
The two community beneficiary groups which are part of the Zambezi Platinum consortium are located in the neighbourhoods of the Zondereinde and Booysendal mines.

Northam has made progress in putting in place the Trusts to regulate the disbursements which will be spent in the communities in the future. The community trusts have already benefitted in the amount of R25.9 million each (a percentage of the R400 million lock-in fee paid to the BEE consortium at the time of the transaction), and like all other shareholders, will benefit further financially when Northam resumes dividend payments. Northam has not paid dividends in recent years owing to weak PGM prices and its large capital expansion programme.

The Booysendal Community Trust is operational. All trustee appointments were registered with the Master of the High Court; participated in a trustee orientation session and held meetings. After consultation with their constituencies, the community trustees forwarded project proposals to the Trust for consideration. The following projects were approved by the board of trustees:

Education and training
Learnerships Four learnerships have been awarded
Bursaries Six bursaries have been awarded
Cadets Eight cadets have been recruited
E-learning Engagement to take place with relevant stakeholders (Vodacom and Department of Education)

Health and welfare
Building of clinic Approved for F2020 (Department of Health has been consulted)
Provision of community wellness programme In process (Department of Health has been consulted)
Provision of potable water Processes are in place to ensure implementation in F2019



Following both extensive and intensive consultations with local communities, the Zondereinde Community Trust is fully established and operational, with a trustee complement of 10 independent members, along with representation from the local Zondereinde community.

The trust's introductory meeting was held on 12 October 2017. A further two meetings were held in November 2017 and February 2018. Projects currently in the planning phase are:

- school renovations in partnership with the Department of Education. A draft memorandum of understanding has been sent to the North West Department of Basic Education and Sports Development and awaits finalisation
- bursary shortlisting
- career guidance and learnerships

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NATURAL
CAPITAL

The success of our business is ultimately dependent on bringing our mineral resources under management to account safely, efficiently and profitably, while serving as a responsible steward of natural resources and the environment in which we operate.

Mining activities have an impact on the natural environment: land is disturbed; water is consumed and its quality potentially affected; dust is generated; and greenhouse gases are emitted as a result of the consumption of fossil-based power.

The application and management of water and power are arguably the most strategic of Northam's natural inputs, given the nature and depth of mining operations and the metallurgical processing infrastructure at Zondereinde. Booysendal is a more modern, mechanised operation and its environmental footprint was taken into consideration in its design.

Northam minimises its impact on the environment and mitigates the environmental risks of our mining and processing activities by having in place policies and procedures which are strictly followed. We seek to comply with all environmental legislation.

RELEVANT MATERIAL ISSUE/S

- Managing the environmental impact of our operations and conserving natural resources

RELEVANT IDENTIFIED RISKS

- Social licence to operate and the ever-changing regulatory environment

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MINERAL RESOURCE AND RESERVE STATEMENT

Resources and reserves reflected in this statement are reported on a Northam attributable basis, and include those which are either from properties that are wholly owned by Northam or its wholly-owned subsidiaries, or joint venture properties in which Northam or its subsidiaries hold a stake.

Mineral resources are reported inclusive of mineral reserves.

SCOPE OF REPORTING

Resources and reserves are reported for the following properties:

ZONDEREINDE:

the company's wholly-owned PGM mine, located in the Thabazimbi area of the Limpopo province and within the northern portion of the western limb of the Bushveld Complex. This includes the Zondereinde and Middeldrift portions, as well as the Western extension (formerly the Tumela block).

BOOYSENDAL:

wholly owned by Booysendal Platinum Proprietary Limited (Booysendal), a wholly-owned subsidiary of Northam and situated in the southern portion of the eastern limb of the Bushveld Complex, which includes the resources of the former Everest mine which were transferred to Booysendal in October 2015.

ELAND:

wholly owned by Northam's subsidiary, Elandsfontein Platinum Proprietary Limited (Eland Platinum) and situated in the Brits area of North West province and within the south eastern portion of the western limb of the Bushveld Complex.

DWAALKOP:

located in the northern portion of the eastern limb of the Bushveld Complex, in which Northam holds a 50% stake through its wholly-owned subsidiary Mvelaphanda Resources. Dwaalkop is managed by Lonmin Plc (Lonmin).

KEY POINTS AND SIGNIFICANT REVISIONS FROM LAST YEAR

- Northam finalised an agreement with Rustenburg Platinum Mines Limited to purchase a portion of the Amandelbult mine (Western extension), which is contiguous to Zondereinde mine. A resource and reserve estimate for this portion has been prepared and is included in the Zondereinde estimate in this statement.
- Northam further finalised an agreement with Glencore Operations South Africa Proprietary Limited to purchase the Eland Platinum mine. A resource and reserve estimate for this property has been prepared and is included in this statement.
- In addition, Northam disposed of its participatory interest in the Pandora Joint Venture to Lonmin's Eastern Platinum Proprietary Limited. The resource and reserve estimates for this property have thus been removed from this statement.
- There has been a reallocation of UG2 resources from Booysendal North to Booysendal North mine, following the deepening of the mine boundary limit. There has been a consequent increase in the UG2 reserve estimate.

REGULATORY COMPLIANCE

The mineral resource and mineral reserve statements for Northam have been prepared under the guidance of the company's lead competent persons who are duly registered with: The Engineering Council of South Africa (ECSA; Private Bag X691, Bruma, 2026, South Africa; www.ecsa.co.za); and/or, with the South African Council for Natural Scientific Professions (SACNASP; Private Bag X540, Silverton, 0127, South Africa; www.sacnasp.org.za); and/or, with the Institute of Mine Surveyors of Southern Africa (IMSSA; P.O. Box 62339, Marshalltown, 2107, South Africa; www.ims.org.za). This provides assurance that the competent persons are registered and comply with the requirements for the reporting of mineral resources and mineral reserves as provided by the South African Code for Reporting of Mineral Resources and Mineral Reserves of 2016 (SAMREC 2016). The company's competent persons have taken cognisance of definitions included in the code. The mineral resource and mineral reserve quantities reported here are considered to be compliant in all material respects to the requirements of SAMREC 2016, together with section 12 of the listings requirements of the JSE. The lead competent persons have given written confirmation of such, together with permission to publish these estimates.

Definitions of the various mineral resource and mineral reserve categories as well as the requirements for reporting of exploration results may be found at www.samcode.co.za

STATUS OF MINERAL RIGHTS

Resources reflected in this statement include those of the Zondereinde, Booysendal and Eland Platinum mines which are wholly owned by Northam or its wholly-owned subsidiaries. In addition, Northam holds a 50% stake in the Dwaalkop joint venture, which is managed by Lonmin, through its subsidiary, Western Platinum Proprietary Limited.

Northam holds, either directly or through its subsidiaries, new order mining rights over the Zondereinde, Booysendal and Eland Platinum mines. In terms of Section 11 of the Mineral and Petroleum Resources Development Act, No. 28 of 2002; the Eland Platinum new order mining right was ceded to Elandsfontein Platinum Proprietary Limited in July 2017. In terms of Section 102 of the Mineral and Petroleum Resources Development Act, No. 28 of 2002; a new order mining right for the Tumela portion of Amandelbult mine (Zondereinde Western extension) was transferred to Northam Platinum Limited in December 2017.

The Dwaalkop joint venture holds a new order prospecting right over the Dwaalkop prospect. This right is subject to a renewal application. An application for a new order mining right was submitted in 2009 and is still in process.

NATURAL CAPITAL CONTINUED

Northam further holds eight new order prospecting rights over the Kokerboom prospect, granted in 2009. Kokerboom is an iron oxide copper gold and massive sulphide copper zinc exploration prospect covering some 1 000 000 hectares of the Northern Cape province of the Republic of South Africa. A prospecting work programme is currently in progress and no resource or reserve has been estimated. Exploration at Kokerboom is in its early stages, and only limited exploration costs have been incurred to date. As such, Kokerboom is not material to Northam's operations.

Summary of mineral rights held and managed by Northam:

Property	Type of right	Status
Zondereinde mine	New order mining right	Converted mining right
Booysendal mine	New order mining rights	Converted mining rights
Eland Platinum	New order mining rights	Converted mining rights
Dwaalkop prospect	New order prospecting right	Application for a new order mining right in process
Kokerboom prospect	New order prospecting right	Eight new order prospecting rights granted

Prospecting and mining rights are held in good order, and Northam perceives no risk to its rights to continue prospecting for and mining of minerals over any of its properties.

CONTINUING OPERATIONS

The company confirms that it is not aware of any legal or arbitration proceedings, either pending or threatened, which may have or have had a material effect on the financial position of the company and its subsidiaries.

Further to this, the risk management section on page 14 of this report analyses potential risks which may impact the company's ability to continue its activities.

ENVIRONMENTAL LIABILITIES

The company's environmental obligations are managed in terms of approved environmental management plans. Compliance with the plans is audited by independent external parties on a regular basis. Details of the environmental liabilities are contained in note 24 to the 2018 annual financial statements and details of the funding of the environmental liabilities are contained in notes 11 and 12 to the 2018 annual financial statements.

GROUP RESOURCES AND RESERVES

The following tables summarise the mineral resources and reserves attributable to Northam for both the current and previous year. Notes on the reporting criteria are pertinent, together with specific notes to this section.

Breakdowns of the mineral resources and reserves into their respective confidence categories may be found in the sections specific to each mining concession.

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Northam group resource estimate (combined measured, indicated and inferred)

		as at 30 June 2018 4E PGE			as at 30 June 2017 4E PGE		
Reef	Mine	Mt	g/t	Moz	Mt	g/t	Moz
Merensky	Booysendal North	86.12	5.06	14.00	86.12	5.06	14.00
	Booysendal South	187.55	3.55	21.41	187.55	3.55	21.41
	Booysendal North mine	21.71	3.19	2.23	22.12	3.17	2.25
	Booysendal South mine	11.98	2.78	1.07	11.98	2.77	1.07
	Dwaalkop[1]	38.05	2.98	3.64	38.05	2.98	3.64
	Eland	4.82	1.03	0.16	0.00	0.00	0.00
	Pandora[2]	0.00	0.00	0.00	0.00	0.00	0.00
	Zondereinde[3]	208.88	7.45	50.05	165.27	7.38	39.20
	Total	**559.11**	**5.15**	**92.56**	**511.09**	**4.96**	**81.57**
UG2	Booysendal North	145.43	4.86	22.73	152.65	4.86	23.87
	Booysendal South	235.67	3.20	24.26	235.66	3.20	24.26
	Booysendal North mine	46.12	4.53	6.72	40.26	4.46	5.77
	Booysendal South mine	129.05	3.05	12.64	129.07	3.05	12.65
	Dwaalkop[1]	37.56	4.35	5.25	37.56	4.35	5.25
	Eland	147.43	4.04	19.16	0.00	0.00	0.00
	Pandora[2]	0.00	0.00	0.00	14.18	4.65	2.12
	Zondereinde[3]	340.00	5.05	55.16	275.20	5.06	44.78
	Total	**1 081.26**	**4.20**	**145.92**	**884.58**	**4.17**	**118.70**
Combined	Booysendal North	231.55	4.93	36.73	238.77	4.93	37.87
	Booysendal South	423.22	3.36	45.67	423.22	3.36	45.67
	Booysendal North mine	67.83	4.10	8.95	62.38	4.00	8.02
	Booysendal South mine	141.03	3.02	13.71	141.05	3.02	13.72
	Dwaalkop[1]	75.61	3.66	8.89	75.61	3.66	8.89
	Eland	152.25	3.95	19.32	0.00	0.00	0.00
	Pandora[2]	0.00	0.00	0.00	14.18	4.65	2.12
	Zondereinde[3]	548.88	5.96	105.21	440.47	5.93	83.98
	Total	**1 640.37**	**4.52**	**238.48**	**1 395.68**	**4.46**	**200.27**

[1] *Current resources for Dwaalkop are quoted as at 30 September 2017 while those of the previous year are at 30 September 2016.*

[2] *Resources for Pandora were disposed of in the financial year.*

[3] *A portion of Anglo American Platinum's Tumela mining right was added to the Zondereinde mining right on 6 December 2017, and is therefore included in the above disclosure.*

NATURAL CAPITAL CONTINUED

Northam group reserve estimate (combined proved and probable)

		as at 30 June 2018 4E PGE			as at 30 June 2017 4E PGE		
Reef	**Mine**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Booysendal North	0.00	0.00	0.00	0.00	0.00	0.00
	Booysendal South	0.00	0.00	0.00	0.00	0.00	0.00
	Booysendal North mine	18.99	2.87	1.75	19.34	2.87	1.78
	Booysendal South mine	9.84	2.59	0.82	9.84	2.58	0.82
	Dwaalkop[1]	0.00	0.00	0.00	0.00	0.00	0.00
	Eland	5.04	0.86	0.14	0.00	0.00	0.00
	Pandora[2]	0.00	0.00	0.00	0.00	0.00	0.00
	Zondereinde[3]	28.38	5.57	5.08	21.86	5.53	3.89
	Total	**62.25**	**3.89**	**7.79**	**51.04**	**3.95**	**6.49**
UG2	Booysendal North	0.00	0.00	0.00	0.00	0.00	0.00
	Booysendal South	0.00	0.00	0.00	0.00	0.00	0.00
	Booysendal North mine	51.85	2.95	4.92	43.84	3.00	4.23
	Booysendal South mine	77.54	2.64	6.57	77.57	2.64	6.58
	Dwaalkop[1]	0.00	0.00	0.00	0.00	0.00	0.00
	Eland	3.77	3.14	0.38	0.00	0.00	0.00
	Pandora[2]	0.00	0.00	0.00	1.12	4.20	0.15
	Zondereinde[3]	64.54	4.26	8.83	56.84	4.14	7.56
	Total	**197.70**	**3.26**	**20.70**	**179.37**	**3.21**	**18.52**
Combined	Booysendal North	0.00	0.00	0.00	0.00	0.00	0.00
	Booysendal South	0.00	0.00	0.00	0.00	0.00	0.00
	Booysendal North mine	70.84	2.93	6.67	63.18	2.96	6.01
	Booysendal South mine	87.38	2.63	7.39	87.41	2.63	7.40
	Dwaalkop[1]	0.00	0.00	0.00	0.00	0.00	0.00
	Eland	8.81	1.84	0.52	0.00	0.00	0.00
	Pandora[2]	0.00	0.00	0.00	1.12	4.20	0.15
	Zondereinde[3]	92.92	4.66	13.91	78.70	4.53	11.45
	Total	**259.95**	**3.41**	**28.49**	**230.41**	**3.38**	**25.01**

[1] *Current reserves for Dwaalkop are quoted as at 30 September 2017 while those of the previous year are at 30 September 2016.*

[2] *Reserves for Pandora were disposed of in the financial year.*

[3] *A portion of Anglo American Platinum's Tumela mining right was added to the Zondereinde mining right on 6 December 2017, and is therefore included in the above disclosure.*

COMPETENT PERSONS

The resource and reserve statement for the Zondereinde mine was compiled by Charl van Jaarsveld, BSc (Hons) Geology, PrSciNat. (400268/05); manager: mining services at Zondereinde mine, with 15 years' experience relevant to Bushveld-related resource and reserve estimation.

The Booysendal resource statement was compiled by Meshack Mqadi, BSc (Hons) Geology, PrSciNat. (400703/15); chief geologist at Booysendal mine, with 10 years' experience relevant to precious metal-related resource estimation.

The Booysendal reserve statement was compiled by Willie Theron, BSc (Hons) Mining, PrCertEng, ECSA (200790030); general manager at Booysendal mine with 21 years' experience of Bushveld-related underground mining and reserve estimation.

The Eland resource statement was compiled by Paula Preston, BSc (Hons) Geology, MSc, PrSciNat. (400429/04); senior geologist at Eland Platinum mine, with 17 years' experience in mining and exploration geology, 10 years of which are relevant to Bushveld-related resource estimation.

The Eland reserve statement was compiled by Coenie Roux, BSc Mining and Mineral Resource Management, IMSSA (2438); manager: mining services at Eland Platinum with 24 years' experience of Bushveld-related underground mining and reserve estimation.

Resource and reserve estimates for Zondereinde, Booysendal and Eland were reviewed by Damian Smith, BSc (Hons) Geology, MSc, PrSciNat. (400323/04); Northam Platinum's group geologist, with 28 years' experience in mining and

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exploration geology, 23 years of which are relevant to Bushveld-related resource and reserve estimation.

The resource and reserve estimates for the Dwaalkop joint venture were prepared by a team from Snowden Mining Industry Consultants (Resources) and from AMC Consulting (Pty) Limited (Reserves).

The Dwaalkop resources were reviewed and signed-off by Dennis Hoffmann (Lonmin).

Contact details for Northam's lead competent persons authorising publication of the resource and reserves estimates are contained within the notes on reporting criteria within this report.

GEOLOGICAL SETTING – THE BUSHVELD COMPLEX

The two-billion-year-old Bushveld Complex is the largest layered igneous complex in the world, and is the repository for around 85% of known global PGM resources. Extending over an area of some 67 000km^2 within the north-eastern portion of the Republic of South Africa, it contains the intrusive, mafic-ultramafic Rustenburg Layered Suite (RLS), which outcrops as three main acicular limbs, namely the western, eastern and northern limbs (see figure below), and ranges in thickness from 7km to 12km.

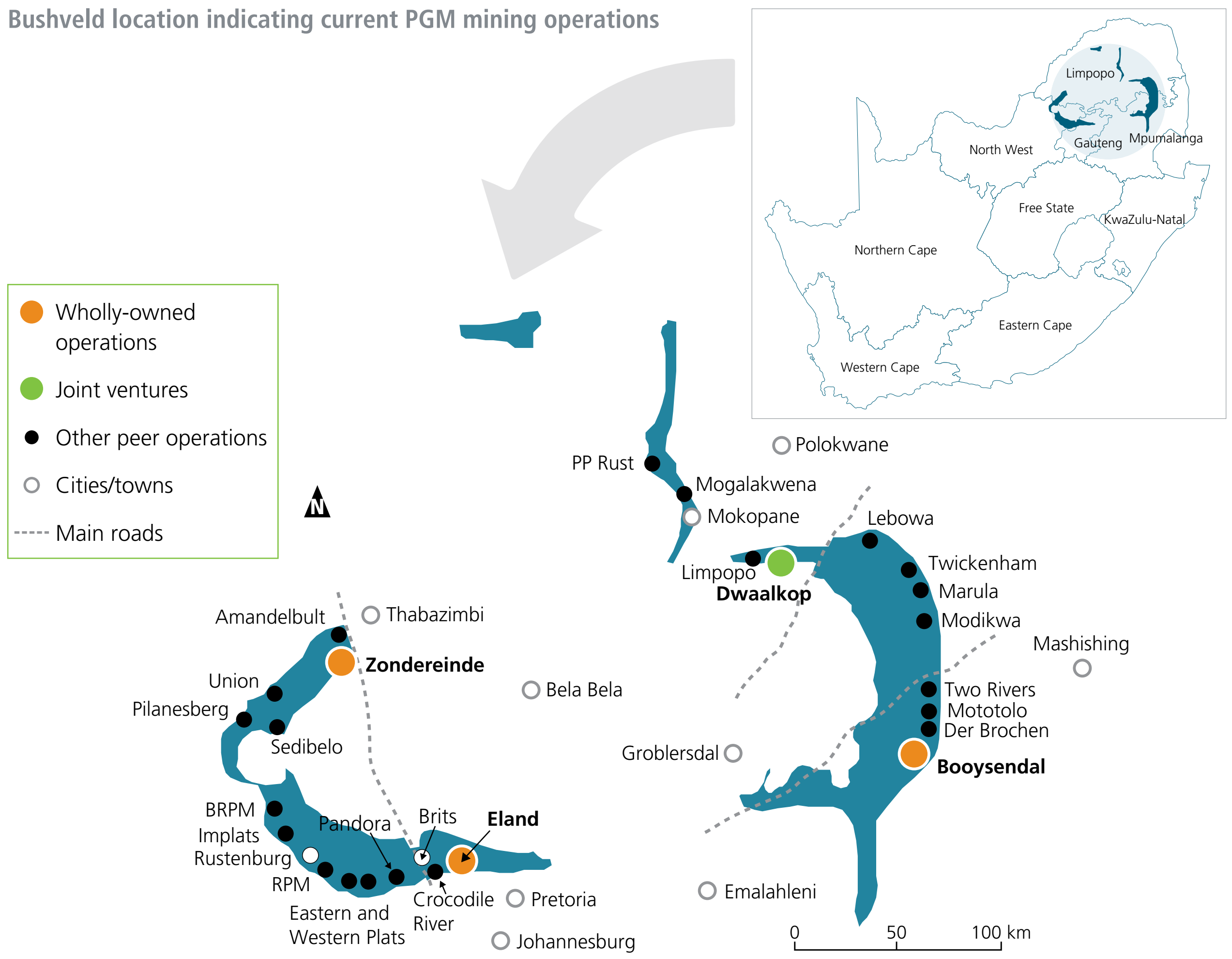
The magmatic layering in the RLS is laterally persistent and can be correlated throughout most of the complex. Layering is generally shallow dipping towards the centre of the complex. The RLS stratigraphy is sub-divided into five zones, which are, from lowest to highest, the marginal zone, the lower zone, the critical zone (which is further subdivided into a lower and upper unit), the main zone and the upper zone.

PGM and associated precious and base metal mineralisation is hosted in or adjacent to chromitite seams located within the upper critical zone of the RLS. There are two significant orebodies from which around 70% of global primary PGM production is derived, these being the UG2 and Merensky reefs. The vertical separation between the UG2 and Merensky reefs is variable across the Bushveld Complex, ranging from 20m to 200m on the western limb and between 170m and 400m on the eastern limb.

Historically, PGM production was concentrated on the western limb but, in recent years, the eastern limb has been the focus of new mine development.

The three wholly-owned Northam properties, the Zondereinde, Booysendal and Eland Platinum mines, contain resources of both the UG2 and Merensky reefs.

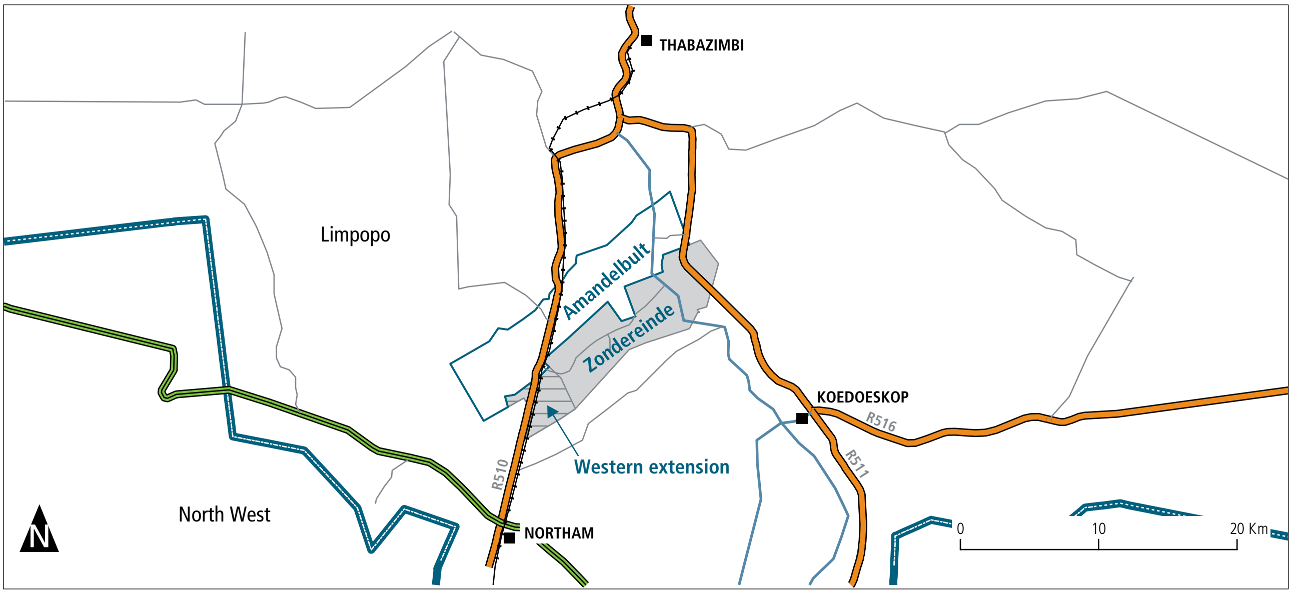
Bushveld location indicating current PGM mining operations



NATURAL CAPITAL CONTINUED

ZONDEREINDE MINE

Zondereinde location and access routes



Zondereinde mine is situated in the northern portion of the western limb of the Bushveld Complex, approximately 30km south of the town of Thabazimbi in the Limpopo province of the Republic of South Africa. The mining concession covers some 9 257 ha underlain by both the Merensky and UG2 orebodies, which dip at approximately 20˚ and extend from a depth of 1 100m to 2 900m below surface.

The company exploits both the Merensky and UG2 reefs of the upper critical zone of the Bushveld Complex. While there is lateral continuity of both reefs across the mine property, the Merensky reef displays a variety of reef sub-types. The distribution of these is determined by a combination of surface exploration boreholes, ongoing prospect drilling from underground development and reef mapping in development and stoping. In contrast to the Merensky reef, the UG2 displays little variation in reef characteristics.

The Bushveld sequence at Zondereinde is typical of the northern portion of the western limb. The critical zone stratigraphy is telescoped and dominated by mafic lithologies. Vertical separation between the UG2 and Merensky reefs is in the range of 20m to 40m.

The resource estimate is informed by significant exploration data, including; 56 boreholes drilled from surface, 7 945 boreholes drilled from underground, 100 382 Merensky and 28 559 UG2 channel samples cut on a 15m grid in on-reef development and stoping.

Combined geological and extraction losses were discounted from the resources for both reefs. These comprised pothole and structural losses as well as other pillar losses. Discount losses vary per reef type and resource category, but average at 31% for Merensky reef. Discount losses for UG2 average 36% and are largely contained in regional support pillars designed to counter stress concentration resulting from mining in proximity to previously-mined Merensky reef.

Measured resources are defined in the areas accessible from holed on-reef development within three months of the estimation run and/or bounded by haulage borehole intersections and the nearest stope exposures. Indicated resources are defined in all other areas, down to a depth of 2350mbc (18 level elevation). This is the depth to which the Zondereinde mine has a feasible mine plan which is currently being implemented via a deepening extension project.

Inferred resources extend from 18 Level to the down dip mine boundary.

HISTORY AND MINING ACTIVITIES

Development of Zondereinde mine started in 1986, following a five-year exploration programme. Mining of ore, commissioning of a PGM concentrator, smelter and base metal removal plant and the sale of first PGMs came in 1993. The mine originally exploited only the Merensky reef resource but the commissioning of a UG2 concentrator in 2000, together with the necessary underground ore handling systems, allowed mining and processing of UG2 from this time onwards. The mine produces approximately 2 000 000 tonnes of ore per annum, generating in the order of 300 000oz of 4E in final concentrate together with associated precious and base metal by-products. The commissioning of a second smelter furnace in December 2017 has added additional processing capacity, specifically for chromite bearing, UG2 concentrates.

Underground mining focuses on the exploitation of PGM ores by means of traditional narrow tabular reef drill and blast mining methods. A standard breast mining layout is used at Northam. The vertical interval (distance) between levels is 63m. With the orebody dipping at 20°, this provides a raise length of 180m allowing for six panels of 30m each, either side of the raise. Strike gullies are aligned at 10° above the strike direction. A dip gully handles the ore transported via the strike gullies to three ore passes situated in the original raise, all of which are fitted with radial-door control chutes. Ore is transported to the main shaft ore passes, via strike drives located below the two reefs, by battery powered, rail bound, locomotives (locos) pulling spans of eight hoppers. Broken ore is tipped into a conventional shaft ore pass system, with separate rock-handling facilities for Merensky reef, UG2 reef and waste rock and hoisted to surface in skips. At surface, the ore is transported by conveyor belts to the separate Merensky and UG2 concentrators, whilst waste rock is transported to a waste rock pile.

Mining is successfully conducted using hydropowered equipment such as rock drills and high-pressure water jets in conjunction with electric scraper winches.

The underground workings are accessed from a twin vertical shaft system. No 1 shaft extends to 13 level (2 039m below surface) and No 2 shaft serves workings down to 8 level (1 724m below surface). The shafts are 90m apart and are interconnected at an intermediate pump chamber (IPC) at 1 019m below surface, and also on levels 2, 4, 6, 7, 8 and 9. Workings below 13 level are serviced by decline access ways, designed to accommodate both people and materials, and equipped with a conveyor belt system that transports the broken rock. The relatively narrow vertical separation between the two orebodies allows for both to be accessed via the same primary tunnel development.

MERENSKY REEF

The Merensky reef is a zone of mineralisation which straddles the base of the Merensky cyclic unit. In the area of Zondereinde mine, the Merensky reef consists of two sub-facies of the Zwartklip facies of the RLS, namely the normal and regional pothole sub-facies. The latter may be further subdivided into three reef types, each of which occurs at a specific stratigraphic level below that of the normal reef sub-facies. These being NP2 and P2, which constitute the main sources of ore, and FWP2 which, while not considered a primary mining target due to the undulating nature of this reef type, is successfully exploited in the south-western quadrant of the current mining area where it displays lesser disruption.

The stoping cut on the Merensky reef is dependent upon the reef type mined and the geozone in which it is located. In all stoping cuts, the Merensky chromitite is exposed with a minimum of 10cm of the overlying mineralised Merensky pyroxenite as hanging wall.

The Merensky measured resource has decreased from 3.56Mt (0.87Moz) in June 2017 to 2.92Mt (0.71Moz) in June 2018 as a result of mining depletion. The Merensky indicated and inferred resources have increased significantly as a result of the inclusion of the Western extension which was acquired from Rustenburg Platinum Mines Limited during the year.

Merensky reserves have changed in line with resources with the inclusion of reserves from the Western extension; and within the existing operation, the net result of reserves from new mining development offset by mining depletion.

UG2 REEF

The UG2 reef at Zondereinde mine is remarkably conformable when compared with the Merensky reef. Disruption, in the form of potholes and reef rolls, is extremely limited and localised. The reef consists of three chromitite seams separated by narrow pyroxenite partings. The lower seam, termed the main member, is generally in the order of 85cm thick, and is overlain by two leader seams, each in the order of 15cm thick. Total reef thickness, inclusive of a portion of mineralised reef footwall, is in the order of 150cm to 160cm. There is no basis for subdividing the UG2 reef into facies types.

Historically, UG2 mining has been limited to de-stressed areas underlying previously-mined Merensky reef. Furthermore, a full reef cut is mined, which enhances metal output, hanging wall stability and safe working practices. UG2 operations are migrating to areas where there has been no previous Merensky mining. In these areas; support regimes and layouts similar to those employed on the Merensky reef are adopted.

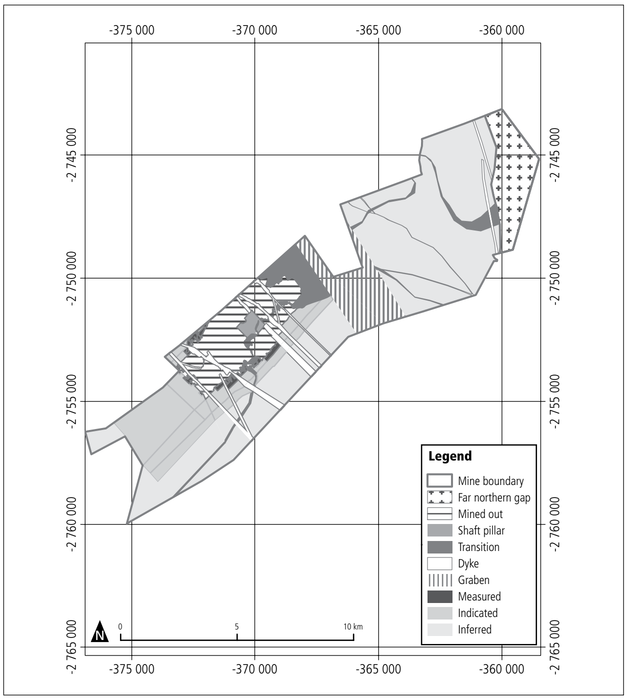
The UG2 measured resource has decreased from 10.55Mt (1.69Moz) in June 2017 to 10.30Mt (1. 65Moz) in June 2018. This is the combined result of mining depletion and conversion from the indicated category. As with the Merensky reef, the UG2 indicated and inferred resources have increased significantly as a result of the inclusion of the Western extension.

UG2 reserves have changed in line with resources, with the inclusion of reserves from the Western extension; and within the existing operation, the net result of reserves from new mining development offset by mining depletion.

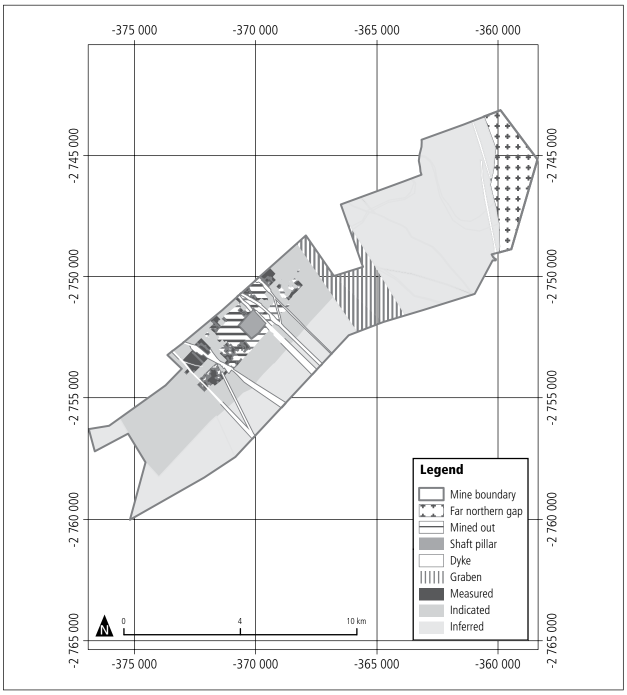
NATURAL CAPITAL CONTINUED

ZONDEREINDE RESOURCES AND RESERVES

Zondereinde Merensky resource classification 2018



Zondereinde UG2 resource classification 2018



Zondereinde resource estimate

		as at 30 June 2018 4E PGE			as at 30 June 2017 4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Measured	2.92	7.57	0.71	3.56	7.61	0.87
	Indicated	40.44	7.71	10.02	15.11	7.07	3.43
	Inferred	165.52	7.39	39.32	146.60	7.39	34.90
	Total	**208.88**	**7.45**	**50.05**	**165.27**	**7.38**	**39.20**
UG2	Measured	10.30	4.98	1.65	10.55	4.99	1.69
	Indicated	80.26	4.98	12.86	44.88	4.99	7.19
	Inferred	249.45	5.07	40.65	219.77	5.08	35.90
	Total	**340.00**	**5.05**	**55.16**	**275.20**	**5.06**	**44.78**
Combined	Measured	13.21	5.56	2.36	14.11	5.65	2.56
	Indicated	120.70	5.90	22.88	59.99	5.51	10.62
	Inferred	414.97	5.99	79.97	366.37	6.00	70.80
	Total	**548.88**	**5.96**	**105.21**	**440.47**	**5.93**	**83.98**

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Zondereinde reserve estimate

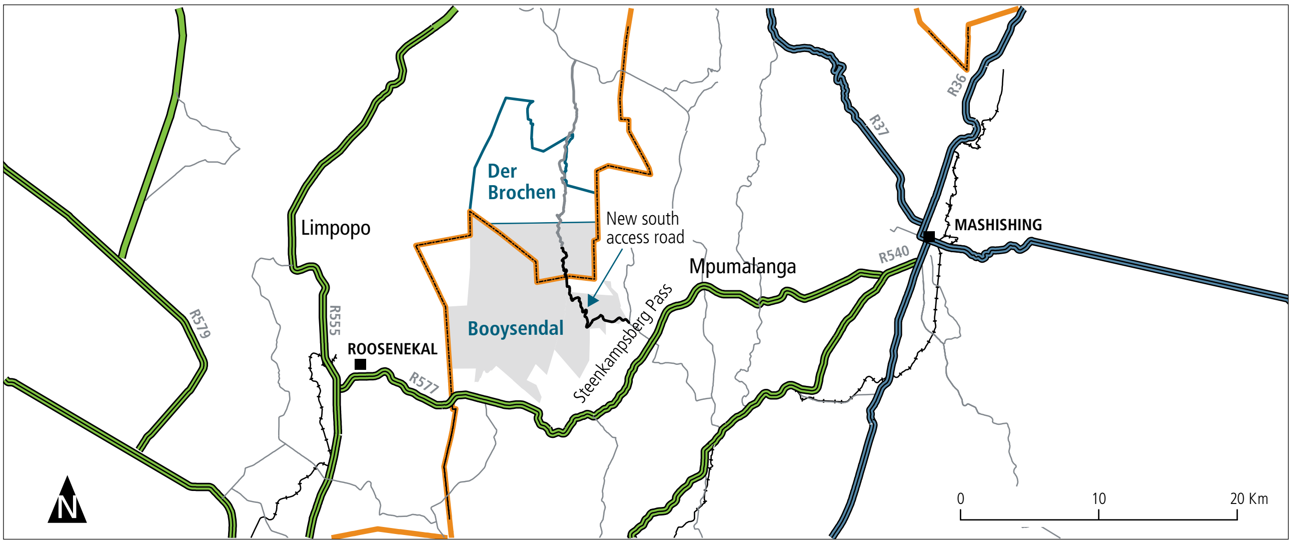
		as at 30 June 2018 4E PGE			as at 30 June 2017 4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Proved	3.51	5.76	0.65	4.31	5.77	0.80
	Probable	24.87	5.54	4.43	17.55	5.44	3.09
	Total	**28.38**	**5.57**	**5.08**	**21.86**	**5.53**	**3.89**
UG2	Proved	10.63	4.27	1.46	11.00	4.14	1.46
	Probable	53.91	4.25	7.37	45.84	4.14	6.10
	Total	**64.54**	**4.26**	**8.83**	**56.84**	**4.14**	**7.56**
Combined	Proved	14.14	4.64	2.11	15.31	4.60	2.26
	Probable	78.78	4.66	11.80	63.39	4.50	9.19
	Total	**92.92**	**4.66**	**13.91**	**78.70**	**4.53**	**11.45**

Prill splits %	**Pt**	**Pd**	**Rh**	**Au**	**Cr_2O_3%**	**Cu%**	**Ni%**
UG2	57.8	30.9	10.3	1.0	27.6	0.021	0.123
Merensky	63.0	29.2	5.2	2.6	0.80	0.072	0.164

NATURAL CAPITAL CONTINUED

BOOYSENDAL MINE

Booysendal location and access routes



The Booysendal mining concession is located in the southern compartment of the eastern limb of the Bushveld Complex, approximately 35km west of the town of Mashishing (formerly Lydenburg), straddling the border of Limpopo and Mpumalanga provinces in the Republic of South Africa.

The concession covers some 17 979 hectares and hosts both the Merensky and UG2 orebodies, which outcrop over a strike length of 14.5km and dip at approximately 10˚ to the west.

The resource estimate is informed by exploration data, including 628 boreholes, together with 2 647 UG2 channel samples from on-reef development and stoping within the UG2 sections of the Booysendal North and South mines. A further 316 channel samples from on-reef development and stoping within the Merensky section of the Booysendal North mine have been analysed. At total of 90% of the exploration drilling has been conducted within 2.5km down-dip of outcrop. Drill hole spacing in this near outcrop area ranges from 130m to 300m. Channel samples are located at 15m intervals within on-reef development and stoping.

The resource estimate for the Booysendal concession is subdivided into four sections, these being; the combined UG2 and Merensky North mines (North mine); the remainder of the northern section of the concession (Booysendal North); combined UG2 and Merensky South mines (South mine); and the remainder of the southern section (Booysendal South). Mineral reserve estimates are presented for the North and South mines.

The Bushveld sequence at Booysendal is similar to that found across the southern compartment of the eastern limb. The critical zone stratigraphy is fully developed, and middling between the UG2 and Merensky reefs is in the order of 175m in the northern and central portions of Booysendal. The sequence is, however, subject to thinning in the far southern portion, which is linked to the Bushveld rocks abutting basement highs. The impact of this ‘abutment’ is further manifested in localised zones of disruption to surface morphology and internal structure of the two reefs. This has led to the characterisation of three geozones within the Booysendal concession, these being the normal, slump and abutment geozones. Despite this progressive disruption to the south, the continuity of the reef surfaces is robust across the property.

The internal structure of the UG2 reef is similar to that found on the Bushveld’s western limb, while the Merensky reef is typical of the northern portion of the Bushveld’s eastern limb.

The UG2 reef consists of an upper leader chromitite and a lower main chromitite with a combined thickness of some 140cm. These seams are generally juxtaposed or merged, but can display variable internal silicate partings.

The Merensky reef is the upper mineralised portion of the Merensky pyroxenite, generally extending over 110cm. The Merensky reef is immediately overlain by a sequence of competent norites.

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RESOURCE ESTIMATION

Resources were estimated over the mineable reef channels. For the UG2 reef, the reef channel extends from the top of the leader chromitite to the base of the main chromitite seam. For the Merensky reef outside of the North mine area, the reef channel extends from the top of the Merensky pyroxenite to a sample grade cut off of 1g/t, with a minimum mining channel width of 80cm applied. The Merensky reef channel of the Booysendal North and South mines is 210cm in thickness, extending from 20cm above the top of the Merensky Pyroxenite – this is the envisaged mining channel.

Geological losses were discounted from the resources for both reefs. These, for the Booysendal North and South sections, comprised known pothole and structural losses, together with assumed pothole losses benchmarked to mean eastern limb losses. They amounted to 23% for the Merensky reef and 24% and 30% for the UG2 in the North and South sections, respectively. In the UG2 mining sections, ongoing mining and exploration drilling has improved confidence in known geological losses, leading to the application of 12.5% total geological loss for the UG2 reef of North mine and 15.0% total geological loss for the UG2 reef of South mine. Furthermore, a channel cut-off 4E grade of 2.5g/t was applied to estimated blocks in all three sections. In addition, a 30m thick surface oxidised zone was discounted along the lines of outcrop of both reefs.

Resource categorisation was based upon a combination of quantitative geostatistical parameters, together with a qualitative appreciation of orebody continuity informed by the resource database together with data from surrounding properties.

HISTORY AND MINING ACTIVITIES

A study to determine the feasibility of mining UG2 reef within the northernmost 8km of the Booysendal strike, over a dip extent from outcrop of approximately 2km, was completed in September 2009. Development of a UG2 mine (UG2 section of the Booysendal North mine) in the northernmost 4km of strike started in May 2010 and reached its steady-state production rate of 187 000 tonnes per month in October 2015. A mine expansion programme was initiated during the latter part of 2015. This is on track to grow production to 210 000 tonnes per month from October 2018.

A study to determine the feasibility of mining Merensky reef over a similar footprint to the UG2 section of the Booysendal North mine was completed in December 2015. Development of the Phase 1 Merensky section of the Booysendal North mine commenced immediately following this. Steady-state production of 26 000 tonnes per month was achieved in April 2017. A Phase 2 extension is planned which would grow production to 75 000 tonnes per month.

A further study to determine the feasibility of mining both UG2 and Merensky reef from four mining modules in the central and southern portions of Booysendal was completed in June 2016. Development of three modules has commenced and they are expected to reach a steady-state production rate in June 2021.

The relatively large vertical reef separation leads to separate districts for the UG2 and Merensky mining, accessed via separate development tunnels.

The UG2 sections of Booysendal North and South mines are underground, mechanised bord and pillar mines, accessed from surface via ramp decline systems. The North mine decline system comprises three declines on the plane of reef and one decline situated 20m into the footwall of the reef, containing a belt for ore handling. This footwall belt decline extends to 1 300m down dip of outcrop, after which all decline development is on the plane of reef. Decline systems for the South UG2 mines comprise four declines on the plane of reef.

Mining sections extend over a dip length of 144m, equating to a vertical interval of 25m. Strike drives are inclined at 5° above the line of strike. Strike belts within the drives transport ore to the central decline dip belt system for transport to a UG2 concentrator plant on surface. Mechanised boom rigs and load haul dump (LHD) machines are employed in mining and development.

North UG2 mine is planned, with a remaining life of 18 years, to produce 2 400 000 tonnes of ore per annum at steady state, generating in the order of 190 000oz of metals in concentrate (4E), together with associated precious and base metal by-products.

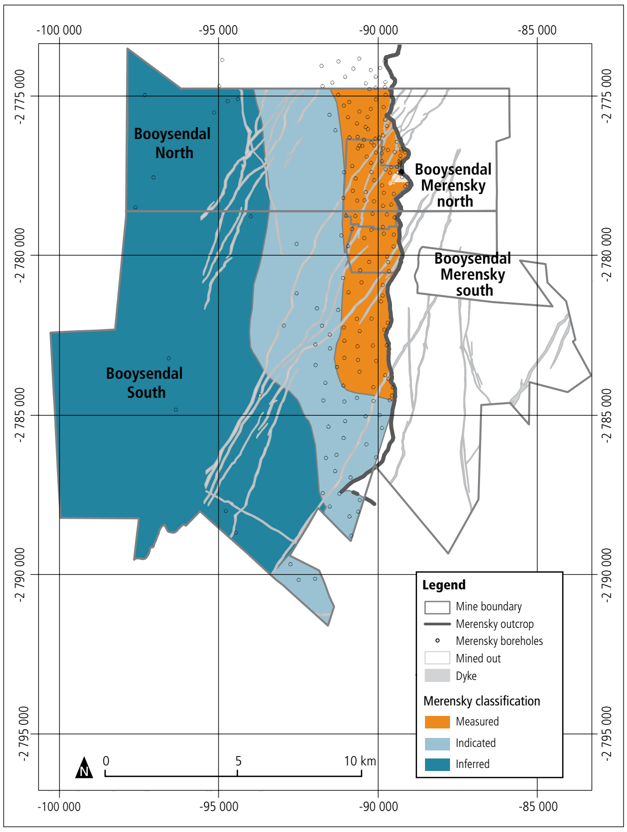
The initial two modules of South mine have estimated lives of greater than 20 years at a combined steady-state production rate of 2 640 000 tonnes of ore per year, generating 215 000oz of metals in concentrate (4E), together with associated precious and base metal by-products.

The North Merensky mine is essentially an analog of the UG2 South mines with all development on reef. Dependent upon prevailing market conditions, the phase 1 mine is planned to produce at 300 000 tonnes of ore per annum at steady state, generating in the order of 25 000oz of metals in concentrate (4E), together with associated precious and base metal by-products.

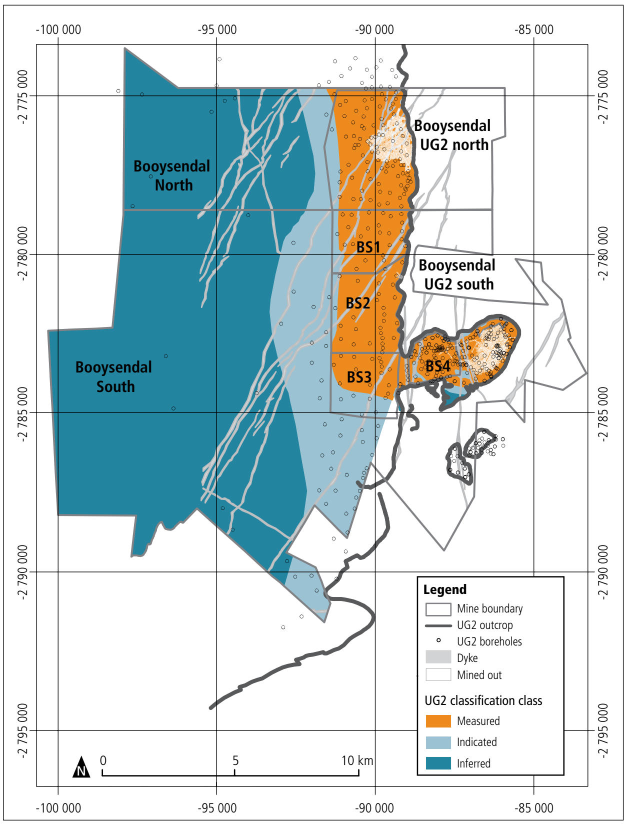
NATURAL CAPITAL CONTINUED

BOOYSENDAL RESOURCES AND RESERVES

Booysendal Merensky resource classification 2018



Booysendal UG2 resource classification 2018



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NORTH MINE

UG2 reef

The UG2 measured resource for the Booysendal North mine has increased from 40.26Mt (5.77Moz) in June 2017 to 41.56Mt (5.96Moz) in June 2018 as a result of the deepening of the mine boundary limit and consequent reallocation of resources from the neighbouring Booysendal North block offset by mining depletion. This re-planning followed the successful commissioning of an underground ore silo allowing extension of the originally planned mine decline system.

The UG2 proved reserve has consequently increased from 43.84Mt (4.23Moz) in June 2017 to 45.77Mt (4.34Moz) in June 2018.

Merensky reef

The Merensky measured resource for the Booysendal North mine has decreased from 22.12Mt (2.25Moz) in June 2017 to 21.71Mt (2.23Moz) in June 2018 as a result of mining depletion.

The Merensky proved reserve has consequently decreased from 19.34Mt (1.78Moz) in June 2017 to 18.99Mt (1.75Moz) in June 2018.

Booysendal North mine resource estimate

		as at 30 June 2018 4E PGE			as at 30 June 2017 4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Measured	21.71	3.19	2.23	22.12	3.17	2.25
	Indicated	0.00	0.00	0.00	0.00	0.00	0.00
	Inferred	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**21.71**	**3.19**	**2.23**	**22.12**	**3.17**	**2.25**
UG2	Measured	41.56	4.46	5.96	40.26	4.46	5.77
	Indicated	4.56	5.15	0.76	0.00	0.00	0.00
	Inferred	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**46.12**	**4.53**	**6.72**	**40.26**	**4.46**	**5.77**
Combined	Measured	63.27	4.03	8.19	62.38	4.00	8.02
	Indicated	4.56	5.15	0.76	0.00	0.00	0.00
	Inferred	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**67.83**	**4.10**	**8.95**	**62.38**	**4.00**	**8.02**

Booysendal North mine reserve estimate

		as at 30 June 2018 4E PGE			as at 30 June 2017 4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Proved	18.99	2.87	1.75	19.34	2.87	1.78
	Probable	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**18.99**	**2.87**	**1.75**	**19.34**	**2.87**	**1.78**
UG2	Proved	45.77	2.95	4.34	43.84	3.00	4.23
	Probable	6.08	2.96	0.58	0.00	0.00	0.00
	Total	**51.85**	**2.95**	**4.92**	**43.84**	**3.00**	**4.23**
Combined	Proved	64.76	2.92	6.09	63.18	2.96	6.01
	Probable	6.08	2.96	0.58	0.00	0.00	0.00
	Total	**70.84**	**2.93**	**6.67**	**63.18**	**2.96**	**6.01**

Prill splits %	**Pt**	**Pd**	**Rh**	**Au**	**Cr_2O_3%**	**Cu%**	**Ni%**
UG2	58.20	31.45	9.57	0.80	24.6	0.009	0.089
Merensky	57.99	30.72	2.51	8.78	0.2	0.095	0.206

NATURAL CAPITAL CONTINUED

SOUTH MINE

UG2 reef

The UG2 measured resource for the Booysendal South mine has decreased marginally from 107.75Mt (10.42Moz) in June 2017 to 107.73Mt (10.41Moz) in June 2018 as a result of mining depletion.

The UG2 proved reserve has decreased, in line with the measured resource, from 69.95Mt (5.94Moz) in June 2017 to 69.92Mt (5.93Moz) in June 2018.

Merensky reef

The measured resource for the single Merensky module of Booysendal South mine remains unchanged at 11.98Mt (1.07Moz) in June 2018.

The Merensky proved reserve is unchanged at 9.84Mt (0.82Moz).

Booysendal South mine resource estimate

		as at 30 June 2018 4E PGE			as at 30 June 2017 4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Measured	11.98	2.78	1.07	11.98	2.77	1.07
	Indicated	0.00	0.00	0.00	0.00	0.00	0.00
	Inferred	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**11.98**	**2.78**	**1.07**	**11.98**	**2.77**	**1.07**
UG2	Measured	107.73	3.01	10.41	107.75	3.01	10.42
	Indicated	20.20	3.24	2.10	20.20	3.24	2.10
	Inferred	1.12	3.53	0.13	1.12	3.53	0.13
	Total	**129.05**	**3.05**	**12.64**	**129.07**	**3.05**	**12.65**
Combined	Measured	119.68	2.98	11.47	119.73	2.98	11.49
	Indicated	20.20	3.24	2.10	20.20	3.24	2.10
	Inferred	1.12	3.53	0.13	1.12	3.53	0.13
	Total	**141.03**	**3.02**	**13.71**	**141.05**	**3.02**	**13.72**

Booysendal South mine reserve estimate

		as at 30 June 2018 4E PGE			as at 30 June 2017 4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Proved	9.84	2.59	0.82	9.84	2.58	0.82
	Probable	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**9.84**	**2.59**	**0.82**	**9.84**	**2.58**	**0.82**
UG2	Proved	69.92	2.64	5.93	69.95	2.64	5.94
	Probable	7.62	2.61	0.64	7.62	2.61	0.64
	Total	**77.54**	**2.64**	**6.57**	**77.57**	**2.64**	**6.58**
Combined	Proved	79.76	2.63	6.75	79.79	2.63	6.76
	Probable	7.62	2.61	0.64	7.62	2.61	0.64
	Total	**87.38**	**2.63**	**7.39**	**87.41**	**2.63**	**7.40**

Prill splits %	**Pt**	**Pd**	**Rh**	**Au**	**Cr_2O_3%**	**Cu%**	**Ni%**
UG2	59.6	29.8	9.6	1.0	19.3	0.009	0.077
Merensky	57.9	30.9	2.3	8.9	0.1	0.083	0.186

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BOOYSENDAL NORTH AND SOUTH

The UG2 measured and indicated resources for Booysendal North have decreased as a result of reallocation to the North UG2 mine, following extension of the down dip mine boundary.

All categories of the Merensky resource for Booysendal North and of the Merensky and UG2 resources for Booysendal South are unchanged from the previous reporting period.

Booysendal North resource estimate

		as at 30 June 2018			as at 30 June 2017		
		4E PGE			4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Measured	8.20	5.36	1.42	8.20	5.36	1.42
	Indicated	25.32	5.12	4.17	25.32	5.12	4.17
	Inferred	52.60	4.97	8.41	52.60	4.97	8.41
	Total	**86.12**	**5.06**	**14.00**	**86.12**	**5.06**	**14.00**
UG2	Measured	3.69	5.36	0.64	7.05	4.95	1.12
	Indicated	9.09	5.11	1.49	12.95	5.15	2.15
	Inferred	132.65	4.83	20.60	132.65	4.83	20.60
	Total	**145.43**	**4.86**	**22.73**	**152.65**	**4.86**	**23.87**
Combined	Measured	11.89	5.38	2.06	15.25	5.17	2.54
	Indicated	34.41	5.12	5.66	38.27	5.13	6.32
	Inferred	185.25	4.87	29.01	185.25	4.87	29.01
	Total	**231.55**	**4.93**	**36.73**	**238.77**	**4.93**	**37.87**

Prill splits %	**Pt**	**Pd**	**Rh**	**Au**	**Cr_2O_3%**	**Cu%**	**Ni%**
UG2	56.8	33.8	8.6	0.7	25.8	0.006	0.085
Merensky	59.7	30.5	2.2	7.6	0.17	0.134	0.292

Booysendal South resource estimate

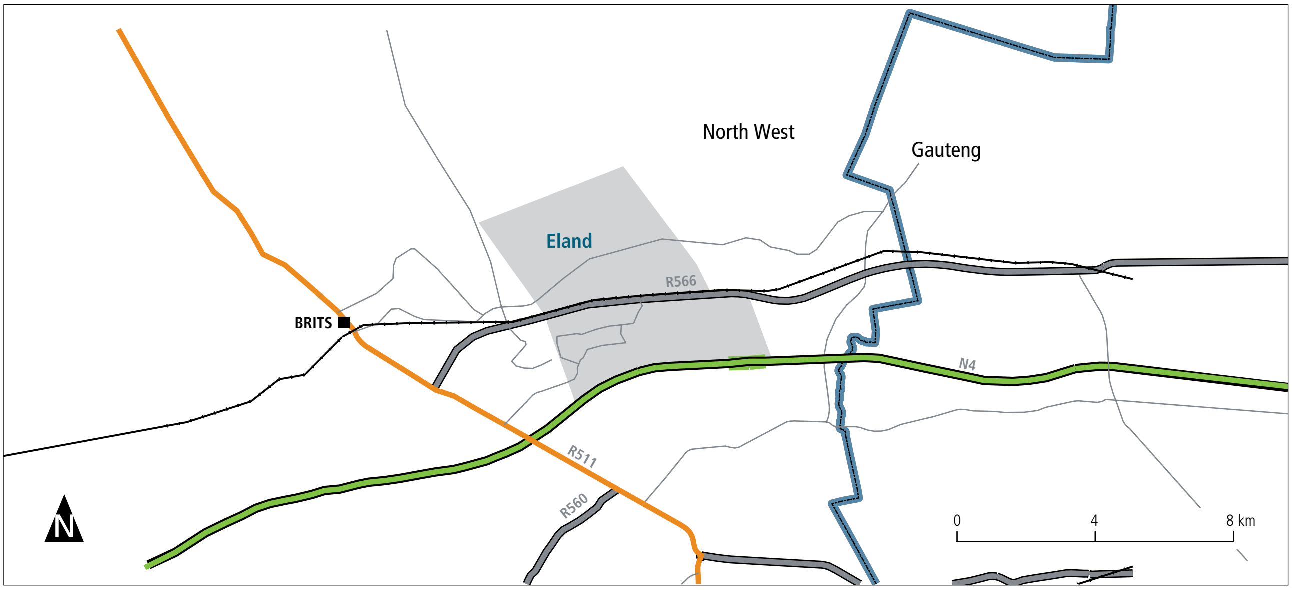
		as at 30 June 2018			as at 30 June 2017		
		4E PGE			4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Measured	15.92	2.94	1.51	15.92	2.94	1.51
	Indicated	51.94	3.31	5.53	51.95	3.31	5.53
	Inferred	119.68	3.74	14.38	119.68	3.74	14.37
	Total	**187.55**	**3.55**	**21.41**	**187.55**	**3.55**	**21.41**
UG2	Measured	0.00	0.00	0.00	0.00	0.00	0.00
	Indicated	85.08	3.58	9.80	85.08	3.58	9.80
	Inferred	150.58	2.99	14.46	150.58	2.99	14.46
	Total	**235.67**	**3.20**	**24.26**	**235.66**	**3.20**	**24.26**
Combined	Measured	15.92	2.94	1.51	15.92	2.94	1.51
	Indicated	137.03	3.48	15.33	137.03	3.48	15.33
	Inferred	270.27	3.32	28.84	270.27	3.32	28.83
	Total	**423.22**	**3.36**	**45.67**	**423.22**	**3.36**	**45.67**

Prill splits %	**Pt**	**Pd**	**Rh**	**Au**	**Cr_2O_3%**	**Cu%**	**Ni%**
UG2	60.6	28.6	9.5	1.2	26.0	0.010	0.071
Merensky	57.8	32.2	2.5	7.5	0.56	0.120	0.268

NATURAL CAPITAL CONTINUED

ELAND PLATINUM MINE

Eland Platinum location and access routes



Eland Platinum mine is located in the south eastern portion of the western limb of the Bushveld Complex, some 70km north of Johannesburg and 12km east of Brits, in the North-West Province of South Africa.

The concession covers some 3 670 hectares and hosts both the Merensky and UG2 orebodies, which sub-outcrop over the entire 6.7km east west strike of the property, dipping at approximately 19° to the north. The vertical separation between Merensky and UG2 reefs is approximately 200m.

Historical mining has been limited to the UG2 reef, exploiting the resource with open pit and underground, mechanised bord and pillar mining methods. Underground access to the UG2 reef is via two decline shafts, namely Kukama (West) and Nyala (East) which have exposed mineral resources to depths of 250m and 170m, respectively. Mining operations are currently suspended and a study to determine the feasibility of recommencing ore extraction from the UG2 and starting open-cast Merensky mining is ongoing.

The geological model and resource estimate is informed by exploration data including 201 boreholes intersecting the Merensky reef and 551 intersecting the UG2; together with an interpreted aeromagnetic survey and geological mapping of the underground and surface mining excavations.

The Bushveld sequence at Eland is similar to that within the broader south eastern portion of the western limb, but shows variation from west to east. The Critical Zone sequence, being fully developed in the west, thins in the far eastern portion of the property. This is similar to the southern portions of Booysendal, and is also related to the Bushveld sequence abutting onto basement highs. The impact of this abutment manifests itself in the disruption to the morphology and internal structure of the two reefs. Despite this, both reefs are continuous across the property. This has led to the characterisation of three UG2 reef sub-types or facies transitioning from west to east into Normal, Split and Zilkaatsnek sub-type domains.

The internal structure of the UG2 reef is similar to that found in the remainder of the Bushveld western limb, albeit thicker and lacking chromitite stringers or leaders in the immediate hanging wall. The Merensky Reef is typical of the southern portion of the western limb, being 2-3m of mineralisation in the upper portion of a pyroxenite unit of up to 20m thickness.

The UG2 Normal and Split facies consist of massive, upper leader and lower main seam chromitites with an average combined thickness of 160cm. In the case of the Normal facies, these seams are vertically juxtaposed or merged. In the Split facies, the seams are separated by a metal-barren, silicate parting. The Zilkaatsnek facies is defined where a massive leader seam with mean thickness of 95cm overlies a lower, main seam that comprises either a multitude of chromitite stringers or disseminated chromite within a variable interval of silicate rocks. This renders the lower seam sub-economic.

The Merensky reef is the upper mineralised portion of the Merensky pyroxenite, generally extending over 2-3m. The Merensky reef is immediately overlain by a sequence of competent norites. No facies have been defined, but surface morphology disruption is prominent in the far east of the property.

RESOURCE ESTIMATION

Resources were estimated over the mineable reef channels (mineral resource channels), considering practical mining requirements.

The UG2 mineral resource channel is dependent upon facies type. In the case of Normal and Split facies, this extends from the top of the leader chromitite to 15cm below the base of the main chromitite seam, up to a maximum thickness of 2m. The Zilkaatsnek facies resource channel extends from the top to 10cm below the base of the leader chromitite, with a minimum channel width of 95cm applied.

The Merensky reef resource is currently limited to four open pit mining blocks, extending over a combined strike length of 3.4km, and a dip extent of 170m, representing a high-wall limit of 50m. The Merensky resource channel is 3m in thickness, extending below the top of the Merensky pyroxenite.

An average of 12% unknown geological loss was applied to the Merensky Reef and 22% for the UG2 Reef. Geological losses include those from dykes, fault loss and potholes and are applied to resource block areas in addition to other areas removed as a result of known major geological structures in which no mineral resources are believed to be developed.

Resource categorisation was based upon a combination of quantitative parameters, including; borehole spacing, data quality, UG2 facies and structural complexity, together with a qualitative appreciation of orebody continuity informed by the resource database together with data from surrounding properties.

HISTORY AND MINING ACTIVITIES

Mining at Eland commenced in 2007, with initial open pit mining of UG2 from sub-crop to a maximum depth of 80m. This continued until mid-2009, when sinking of the Kukama decline (Kukama) was started from the pit high-wall, followed a year later by the Nyala decline. Underground mining continued until 2015 when the then owners, Glencore, placed the mine on care and maintenance. Northam purchased the mine in late 2017 and is currently studying the feasibility of restarting operations.

Mechanised bord and pillar mining was the underground mining method employed at Eland up until 2015. Both the Kukama and Nyala sections are accessed via a three decline system on the plane of reef and one decline situated approximately 20m into the footwall of the reef, containing a belt for ore handling. These footwall belt declines extend to 1 400m and 850m respectively, down dip of outcrop. Mining sections extend over a dip length of 225m, equating to a vertical interval of 70m. Strike drives are inclined at 5° above the line of strike. Strike belts within the drives transport ore to the central decline dip belt system for transport to a UG2 concentrator plant on surface. Mechanised boom drill rigs and LHDs were employed in mining and development.

This method proved unsuccessful, due in the main to the excessive regional dip. The current feasibility study adopts a conventional hybrid mining method, in which ore generated from conventional breast stoping feeds on to strike belts in the existing on-reef strike drives, which then transfer to the dip belt system for transport to the UG2 concentrator.

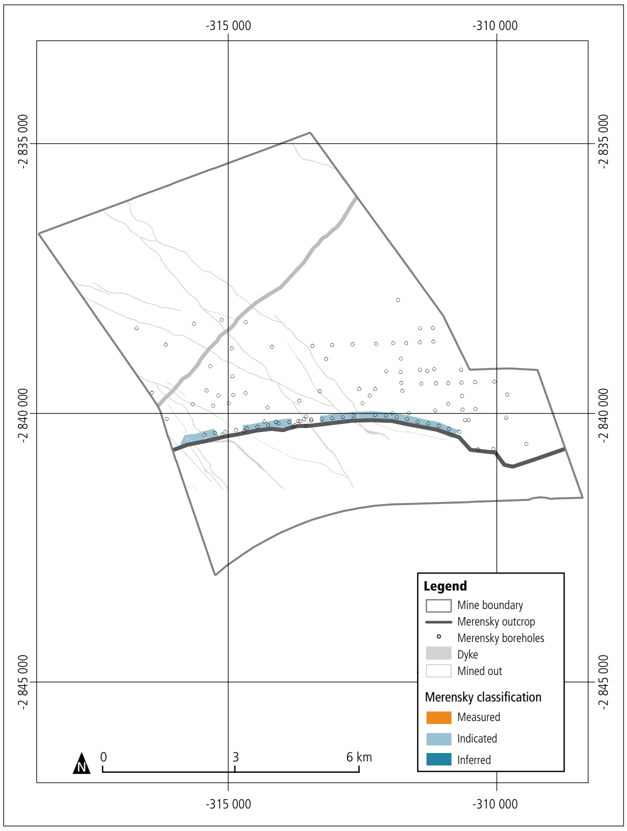
The planned breast stoping layout allows for nine panels per raise of 24m each, including grid pillars. Raises will be spaced at 120m strike intervals, with single-sided stoping planned. In-stope strike gullies are inclined at 5° above strike. Hydropowered rock drilling will be employed. Ore is moved by scrapers, from the mining panel, via the strike gullies, to a dip gully, which feeds a vibrating grizzly feeder loading the strike belt.

The strike development is planned with twin drives, one for the strike conveyor and personnel, the other for trackless machinery. The strike drives will be developed with hand-held hydropowered rock drills and cleaned with LHDs onto the tail end of the strike conveyors.

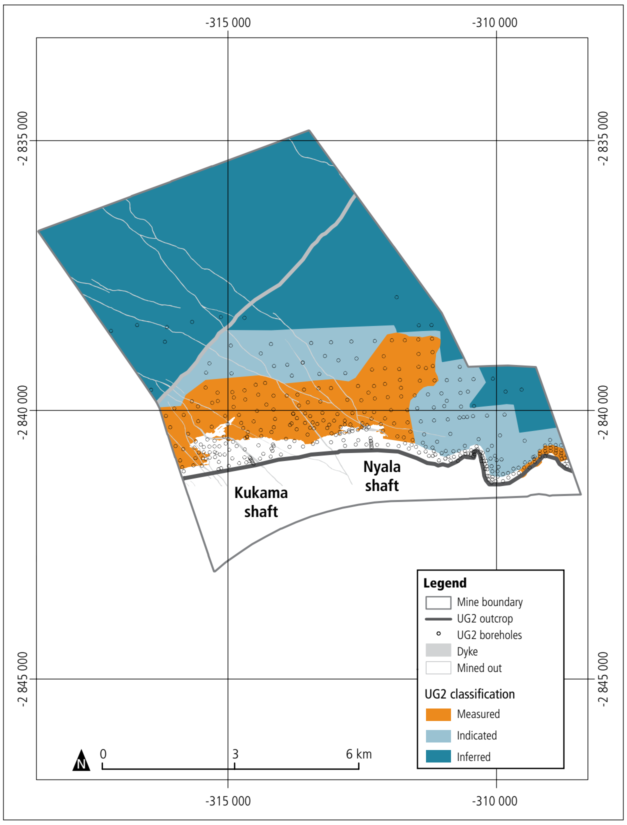
NATURAL CAPITAL CONTINUED

ELAND RESOURCES AND RESERVES

Eland Merensky resource classification 2018



Eland UG2 resource classification 2018



UG2 reef

A total UG2 mineral resource of 147.33Mt (19.15Moz) for Eland is reported by Northam for the first time. Measured mineral resources of 32.33Mt (4.11Moz) occur within the central part of Eland at a maximum depth of 500m below surface. A mining study to date has resulted in a probable mineral reserve of 3.77Mt (0.38Moz), with the establishment of proved mineral reserves being evaluated further through trial mining during the coming financial years.

Merensky reef

No measured resource or proved reserve is reported for the Merensky reef. The Merensky indicated resource for Eland is reported for the first time by Northam as 4.82Mt (0.16Moz) in June 2018, whilst the probable reserve is 5.04Mt (0.14Moz).

Eland resource estimate

		as at 30 June 2018 4E PGE			as at 30 June 2017 4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Measured	0.00	0.00	0.00	0.00	0.00	0.00
	Indicated	4.82	1.05	0.16	0.00	0.00	0.00
	Inferred	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**4.82**	**1.03**	**0.16**	**0.00**	**0.00**	**0.00**
UG2	Measured	32.33	3.95	4.11	0.00	0.00	0.00
	Indicated	26.37	3.75	3.18	0.00	0.00	0.00
	Inferred	88.73	4.16	11.87	0.00	0.00	0.00
	Total	**147.43**	**4.04**	**19.16**	**0.00**	**0.00**	**0.00**
Combined	Measured	32.33	3.95	4.11	0.00	0.00	0.00
	Indicated	31.19	3.33	3.34	0.00	0.00	0.00
	Inferred	88.73	4.16	11.87	0.00	0.00	0.00
	Total	**152.25**	**3.95**	**19.32**	**0.00**	**0.00**	**0.00**

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Eland reserve estimate

		as at 30 June 2018			as at 30 June 2017		
		4E PGE			4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Proved	0.00	0.00	0.00	0.00	0.00	0.00
	Probable	5.04	0.86	0.14	0.00	0.00	0.00
	Total	**5.04**	**0.86**	**0.14**	**0.00**	**0.00**	**0.00**
UG2	Proved	0.00	0.00	0.00	0.00	0.00	0.00
	Probable	3.77	3.14	0.38	0.00	0.00	0.00
	Total	**3.77**	**3.14**	**0.38**	**0.00**	**0.00**	**0.00**
Combined	Proved	0.00	0.00	0.00	0.00	0.00	0.00
	Probable	8.81	1.84	0.52	0.00	0.00	0.00
	Total	**8.81**	**1.84**	**0.52**	**0.00**	**0.00**	**0.00**

Prill splits %	**Pt**	**Pd**	**Rh**	**Au**	**Cr_2O_3%**	**Cu%**	**Ni%**
UG2	59.5	29.3	10.2	0.9	29.8	0.009	0.097
Merensky	55.3	30.9	3.2	10.6	0.0	0.042	0.104

DWAALKOP RESOURCES AND RESERVES

All categories of the Merensky and UG2 resources are unchanged from the previous reporting period. All reserves have been removed from the estimate. The Lonmin competent person attributes this to depressed economic conditions and no progress having been made in a mining viability study.

Dwaalkop resource estimate

		as at 30 June 2018			as at 30 June 2017		
		4E PGE			4E PGE		
Reef	**Category**	**Mt**	**g/t**	**Moz**	**Mt**	**g/t**	**Moz**
Merensky	Measured	0.00	0.00	0.00	0.00	0.00	0.00
	Indicated	21.83	2.89	2.03	21.83	2.89	2.03
	Inferred	16.22	3.10	1.62	16.22	3.10	1.61
	Total	**38.05**	**2.98**	**3.64**	**38.05**	**2.98**	**3.64**
UG2	Measured	0.00	0.00	0.00	0.00	0.00	0.00
	Indicated	20.85	4.35	2.92	20.85	4.35	2.91
	Inferred	16.71	4.35	2.34	16.71	4.35	2.34
	Total	**37.56**	**4.35**	**5.25**	**37.56**	**4.35**	**5.25**
Combined	Measured	0.00	0.00	0.00	0.00	0.00	0.00
	Indicated	42.68	3.60	4.94	42.68	3.60	4.94
	Inferred	32.93	3.73	3.95	32.93	3.73	3.95
	Total	**75.61**	**3.66**	**8.89**	**75.61**	**3.66**	**8.89**

Prill splits %	**Pt**	**Pd**	**Rh**	**Au**	**Cr_2O_3%**	**Cu%**	**Ni%**
UG2	47.1	42.8	7.9	2.2	no data	0.090	0.140
Merensky	56.8	31.9	4.2	7.2	no data	0.110	0.170

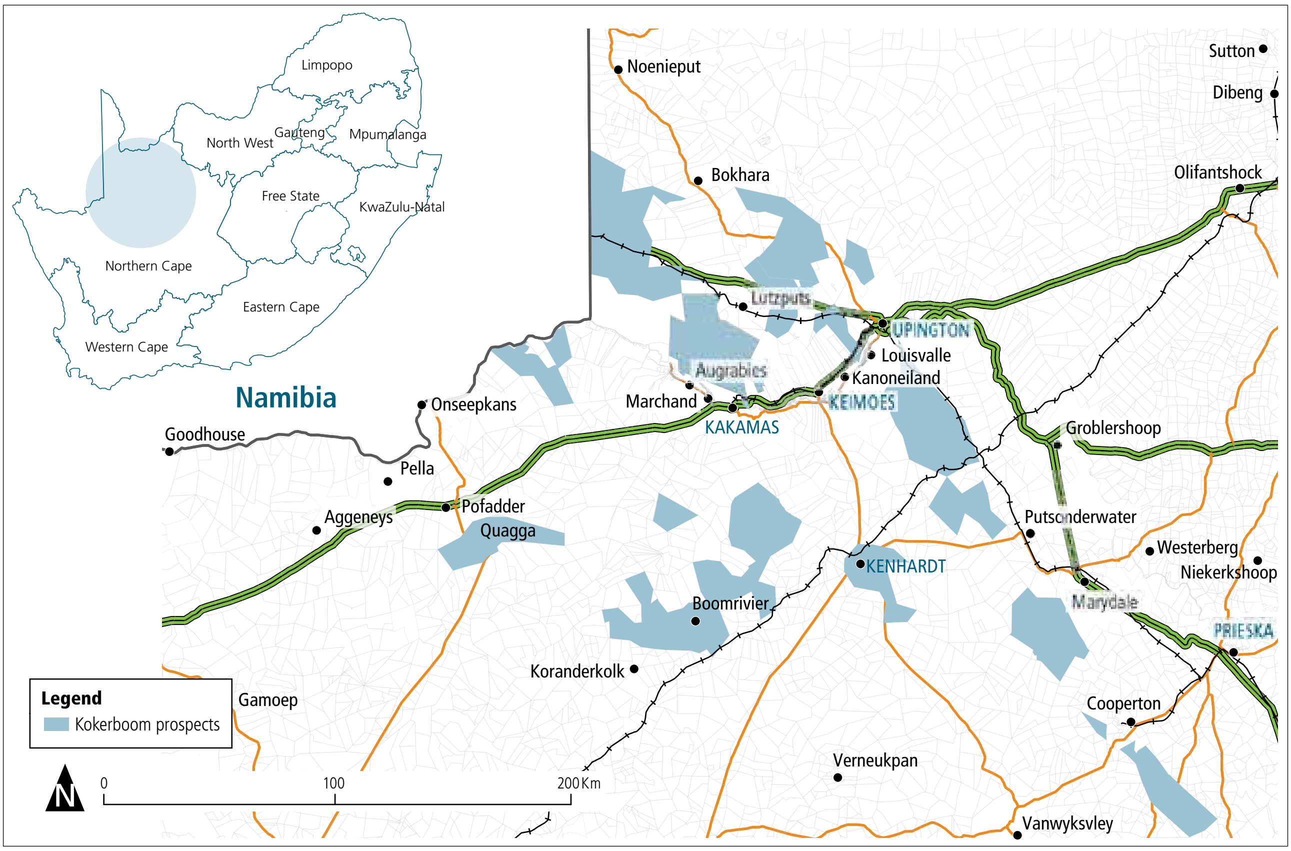
NATURAL CAPITAL CONTINUED

KOKERBOOM EXPLORATION PROSPECT

Kokerboom is an iron oxide copper gold and massive sulphide copper zinc exploration prospect covering some 1 000 000 hectares of the Northern Cape province of the Republic of South Africa.

A prospecting work programme is currently in progress and no resource or reserve has yet been estimated. Exploration conducted to date includes; airborne magnetic and radiometric surveys, compilation and reviews of existing geochemical and surface mapping data, together with some limited surface mapping. Broad terrain delineation has been undertaken, but as yet, no distinct targets have been defined for follow up work.

Kokerboom location plan



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NOTES ON REPORTING CRITERIA

- Mineral resource tonnages and grades for Zondereinde are reported as estimates discounted for geological and mining pillar losses. All other mineral resources are reported as estimates discounted for geological losses.
- Mineral resource tonnages and grades are *in situ* estimates inclusive of internal waste dilution but exclusive of external waste dilution necessary for mining, unless otherwise stated.
- PGM grade is expressed as 4E (combined platinum, palladium, rhodium and gold) grade; this being synonymous with 3PGE+Au and 4E PGE.
- PGM metal prill splits (platinum, palladium, rhodium and gold) are expressed as percentages of the combined 4E value.
- Base metal contents (chromite, copper and nickel) are expressed as average grades in weight percentage. These grades represent acid soluble proportions. Acid soluble percentages of nickel and copper are closely correlated to the metals present as sulphide minerals.
- Structural losses, due to faults, dykes and joints, include the volumes of expected bracket pillars required to be placed on such features.
- Kriging parameters are applied to discrete mining areas in order to estimate tonnage and metal content and are derived from the interrogation of extensive sampling databases.
- Rounding of numbers in the tables may result in minor computational discrepancies. Where this occurs, it is deemed insignificant.
- The most reasonable mining widths are assumed, based on practical mining conditions. 4E grade, together with specific gravity, are calculated for these widths.
- Total mineral resources and reserves attributable to Northam Platinum Limited are listed in the summary tables.
- Mineral resources for Dwaalkop, reflecting Northam's 50.0% attributable interests, are quoted as at the end of September 2017 and are provided by Lonmin.
- Measured and indicated mineral resources are reported separately and include those mineral resources modified to produce proved and probable mineral reserves.
- While mineral resources are quoted as *in situ* resources, all reserves provided by Northam are quoted at run-of-mine (ROM) grades and tonnages as delivered to the concentrator plants on site and are therefore, fully diluted.
- Modification of mineral resources to reserves is based on parameters derived from historical operating performance, current conditions and future planning criteria.
- Mineral reserves for Zondereinde mine are quoted to 18 level (2 350m below surface).
- Mineral reserves for Booysendal relate to the current and planned mining modules, the Booysendal North and South mines.
- Mineral reserves for Eland relate to planned mining modules; Kukama UG2 and Merensky open pits.
- In compliance with SAMREC 2016, inferred mineral resources are not included in the mineral reserves.
- For economic studies and the determination of pay limits, consideration was made of both short- and long-term revenue drivers. The following long-term real global assumptions were used:
- Base metals (USD per metric tonne):
  - Ni 12 912
  - Cu 6 248
  - Chromite 179
- Average exchange rate:
  - USD : ZAR 12.35
- PGE prices in USD per troy ounce:
  - Pt 1 298
  - Pd 1 298
  - Rh 2 678
  - Au 1 205
  - Ru 292
  - Ir 893

All references to tonnages are to the metric unit.

All references to ounces are troy with a conversion factor of 31.103475 used to convert from metric grams to ounces.

Contact details for lead competent persons are:

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Charl van Jaarsveld, chief geologist at Zondereinde mine

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Damian Smith, Northam Platinum group geologist

PO Box 412694, Craighall 2024

NATURAL CAPITAL CONTINUED

ENVIRONMENTAL LEGISLATION AND COMPLIANCE

South Africa has a strict environmental legislative framework, governed by the following:

- Constitution of the Republic of South Africa No. 108 of 1996
- Mineral and Petroleum Resources Development Act No. 28 of 2002 (MPRDA)
- National Environmental Management Act No. 107 of 1998 (NEMA)
- National Environmental Management: Waste Act No. 59 of 2008
- National Environmental Management: Biodiversity Act No. 10 of 2004
- National Heritage Resources Act No. 25 of 1999
- National Environmental Management: Air Quality Act No. 39 of 2004
- National Water Act No. 36 of 1998

We take great care to uphold Northam's compliance with this framework. The group is committed to prudent practices and usage of natural resources, in accordance with NEMA, and this is outlined in its environmental policy, which may be found at www.northam.co.za/governance/policies-and-procedures

At both Zondereinde and Booysendal, a precautionary environmental approach has been taken – aligned with NEMA and Northam's own environmental management systems (EMSs).

Management at both operations engage regularly with regulatory authorities including the DMR and the Department of Water Affairs (DWA) and other relevant departments. New mining projects are subject to environmental impact assessments (EIAs) which involve comprehensive public participation and many specialist studies to assess environmental aspects such as air, water, land, flora and fauna. These EIAs become part of the mines' approved environmental management plans or EMPs. EMPs provide guidance in monitoring, addressing and mitigating environmental impacts. Routine audits are undertaken to ensure compliance with the EIAs and EMPs. Northam has the requisite permits for Zondereinde and Booysendal in terms of new order mining rights and integrated water use licences.

The promulgation of the Declaration of Greenhouse Gases as Priority Air Pollutants and National Pollution Plans Regulations will require disclosure of GHG emissions to the Department of the Environment (DEA) by March 2019. Northam is implementing the appropriate collation and reporting processes to achieve compliance in this regard.

LA Northam received one administrative fine for non-compliance with environmental laws and regulations during the year. No grievances regarding environmental impacts were received in F2018.

ZONDEREINDE

Subsequent to the granting of Zondereinde's integrated water licence in 2012, the mine applied for a relaxation of certain standards and requirements. In 2013, the DWA conducted a compliance audit on Zondereinde's water use licence and the mine submitted an annual water management report to the DWA. Correspondence between the DWA and Northam continues.

At the Zondereinde smelter and base metals recovery plant, complex air quality management is one of the main focus areas, specifically, sulphur dioxide (SO_2) and particulate matter (PM) emissions. In this regard, the operations are regulated by an air emissions licence, issued in terms of the NEM: Air Quality Act. This licence was amended in December 2017 to incorporate the recently completed smelter expansion.

Monthly and quarterly dust fall-out and SO_2 monitoring is undertaken in line with the air emissions licence. Air dispersion modelling is carried out on an *ad hoc* basis.

Recent air dispersion modelling results indicated that ground level concentrations for SO_2 and PMs are within the legal requirements specified in terms of the National Ambient Air Quality Standards. This has been confirmed by the monthly monitoring results. Northam is in the process of purchasing continuous ambient air quality equipment which will enhance the current monitoring programme.

The smelter complex is in the process of developing a sulphur emission reduction plan, which will be presented to the authorities as a way forward towards compliance with the listed activities and associated minimum emissions standards for 2020 published in terms of the NEM: Air Quality Act.

Several additional dust minimisation projects are currently underway to improve occupational exposure of employees which will also impact positively on ambient dust fall-out levels.

Northam has amended Zondereinde's EMP to take into account the expansion of the smelter, and the final basic assessment report was submitted to the DMR in April 2018 for authorisation. The Environmental Authorisation for the recently-acquired Western extension was received in December 2017 and notification of this was sent to interested and affected parties in February 2018.

BOOYSENDAL EXPANSION PROJECTS

We are in the process of acquiring all the necessary environmental permitting for the Booysendal expansion projects – the Merensky North mine and the South mine.

Merensky North

In May 2015, an application was submitted to the DWA for the amendment of the Booysendal North water use licence (WUL) to include the Merensky North mine. The final WUL was sent to the DWA in December 2017 and is awaiting sign off.

Also in May 2015, an application was submitted to the DMR for an MPRDA S102 amendment to the Booysendal North mining right, in order to mine Merensky reef at the Booysendal North Merensky bulk sample area. This application was approved in November 2017.

Booysendal South

The environmental process for the Booysendal South mine began in F2016. An environmental consulting company was appointed

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and the following specialist studies have been completed for the Phase 2 expansion project:

- Hydrology
- Social impact and management
- Wetland
- Groundwater
- Traffic impact assessment
- Aquatics assessment
- Air quality assessment
- Noise and vibration
- Heritage
- Soil, land capability and land use
- Visual impact assessment
- Terrestrial fauna and flora assessment

Booysendal had commenced with activities to initiate the Booysendal South expansion project when the operation was advised by its specialists that the project triggers the need for an environmental authorisation (EA) under NEMA and a waste management licence (WML) under the National Environmental Management: Waste Act 59 of 2008. The company took legal advice and was informed that they had to submit a Section 24G Application to rectify the premature commencement of the Booysendal South expansion project activities without the necessary EA and WML. The Section 24G was submitted for review and LA Booysendal received an administrative fine of R4 000 000 which was paid in August 2017. The Section 24G EA was subsequently received in January 2018.

The EA contained certain conditions which included *inter alia* the requirement to establish and manage a biodiversity offset to compensate for the land disturbed by the project development. The Buttonshope Convervancy Trust, which was established specifically to manage the company's biodiversity conservation efforts, in consultation with the Mpumalanga Tourism and Parks agency and other specialists is in the process of identifying and acquiring conservation-worthy land that will satisfy the offset requirements. This is expected to be completed in the first half of F2019.

Phase 2 of the expansion project has begun, with the final scoping report being submitted in April 2018. The EIA and EMP are currently being compiled.

ISO14001

Northam has adopted the ISO14001 standard as the basis for its EMSs. Zondereinde has been ISO14001-certified since 2011. Recertification was conducted during December 2016 according to the new ISO14001:2015 standard, and certification was awarded with one non-conformance.

At the Zondereinde metallurgical complex, the ISO standard has also been converted to ISO14001:2015. The metallurgical plants have not yet transitioned to the ISO14001: 2015 standard. However, a GAP analysis audit took place in May 2018 and implementation and certification is scheduled for April 2019.

While the ISO14001 standard is taken into account in managing environmental issues at Booysendal, a formal ISO14001-compliant EMS is not yet in place at this operation.

OUR ENVIRONMENTAL STRUCTURES

The HS&E committee is responsible for overseeing environmental matters at board level. Environmental management issues are reported to the operational general managers and the chief executive on a monthly basis, and on a quarterly basis to the board's HS&E committee. The chief executive and general managers of Zondereinde and Booysendal have final accountability for environmental compliance and performance.

At Zondereinde and Booysendal, environmental issues are dealt with by a specific management team. At Zondereinde, the environmental management function falls under the SHER department, headed by the SHER manager, and supported by environmental officers. At Booysendal, the HS&E manager heads this process, supported by environmental staff.

At Booysendal, the mine management team is responsible for looking after only approximately 8% of the mine's freehold area. The balance of the land (approximately 6 200 hectares) is managed by a dedicated land manager and, of this, 960ha is under the custodianship of the Buttonshope Conservancy Trust.

ENVIRONMENTAL PERFORMANCE IN F2018

Water and energy consumption are the most pressing environmental management concerns at both Zondereinde and Booysendal. Efforts to reduce consumption are implemented and monitored continuously.

At Zondereinde, EMP, waste, emissions and ISO14001 audits were conducted during the year. Performance assessments and water use licence and compliance audits were conducted during F2018 for Booysendal North.

LA Both Zondereinde and Booysendal recorded zero reportable environmental incidents in F2018.

RESOURCE UTILISATION

As a mining company, Northam is reliant on natural resources – water, energy and bulk materials. The conservation and optimal use of these resources are of paramount importance to Northam as the group strives to maintain the sustainability of the business while minimising its environmental impact.

Bulk materials comprise mined and processed rock, liquid fuels, coal, grease, steel, timber, and lubricating and hydraulic oils. Zondereinde and Booysendal take pride in utilising resources efficiently and recycling materials such as plastics, steel, timber and scrap.

Northam is a member of the South African Waste Information System (SAWIS) developed by the DEAT, and both Zondereinde and Booysendal are registered with SAWIS. The company complies with the monitoring and management processes of hazardous waste in terms of recovery, recycling, treatment, disposal and exportation.

A waste separation and recycling campaign was launched at Zondereinde in February 2018.

NATURAL CAPITAL CONTINUED

Materials used at Zondereinde

	Unit	F2018	F2017	F2016	F2015	F2014
Rock mined	000t	2 274	2 150	2 245	2 069	1 907
Ore milled	000t	1 933	1 963	2 001	1 860	1 724
Timber use (bulk support)	m^3	2 189	2 576	1 842	2 748	2 412
Cartridge/emulsion explosives	tonne	2 694	2 357	2 242	2 465	2 076
Oxygen	tonne	2 831	2 224	2 143	2 227	1 722
Sulphuric acid	tonne	758	687	814	876	586
Sulphur dioxide	tonne	94	130	99	89	61
Grease	tonne	48	38	40	40	34
Lubricating and hydraulics oil	litre	165 015	176 480	81 695	128 985	130 618
Diesel	litre	806 122	570 765	563 752	662 319	648 709
Petrol	litre	100 791	96 413	95 891	131 455	145 102
Coal	tonne	12 128	17 655	10 552	11 205	8 725
Jet A-1 fuel	litre	41 928	37 251	38 296	30 428	41 628

Materials used at Booysendal

	Unit	F2018	F2017	F2016	F2015	F2014
Rock mined	000t	2 701	2 588	2 138	1 670	1 233
Ore milled	000t	2 669	2 439	2 166	1 786	1 517
Cartridge/emulsion explosives	tonne	4 672	2 162	1 479	2 512	960
Grease	tonne	–	2	–	–	–
Lubricating and hydraulics oil	litre	1 326 242	1 134 854	1 399 915	1 240 100	640 192
Diesel	litre	2 989 371	2 272 523	2 329 655	2 080 968	1 830 066

Materials recycled at Zondereinde

	Unit	F2018	F2017	F2016	F2015	F2014
Plastic	tonne	20	20	23	61	53
Scrap metal	tonne	2 021	1 659	2 031	1 628	2 182
Timber	tonne	1 508	2 340	2 753	2 540	2 015
Rubber	tonne	275	187	300	134	197

Materials recycled at Booysendal

	Unit	F2018	F2017	F2016	F2015	F2014
Timber	kg	89	92	57	62	–
Scrap metal	kg	450	342	297	271	–

Waste disposal at Zondereinde

	Unit	F2018	F2017	F2016	F2015	F2014
Non-hazardous waste*	kg	17 280	24 407	20 362	14 226	12 117
Hazardous waste**	kg	23 100	12 579	35 131	13 220	5 520

* *Non-hazardous waste includes turf that is used to compact the landfill site on a daily basis.*

** *Hazardous waste is collected by a third party and disposal slips are submitted to Zondereinde.*

Waste disposal at Booysendal

	Unit	F2018	F2017	F2016	F2015	F2014
Non-hazardous waste	kg	689	554	438	491	552
Hazardous waste	kg	335	491	364	198	204

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Water usage (000m³)

	Zondereinde					Booysendal				
	F2018	F2017	F2016	F2015	F2014	F2018	F2017	F2016	F2015	F2014
Potable water from external sources	2 765	2 836	2 803	2 488	2 335	683	620	376	569	513
Fissure water used	211	126	1 607	1 155	1 084	62	92	–	–	–
Borehole water used	20	–	–	–	–	20	31	14	87	–
Water recycled in process	26 703	27 126	27 413	25 664	25 524	1 874	2 357	2 519	1 479	–
% water recycled*	LA 90	90	86	91	89	71	76	87	72	–

** From F2016, figures reflect a more accurate methodology adopted by Northam to calculate recycled water.*

WATER USE

A large volume of water is used for the mining and processing of minerals, therefore water allocation is of critical importance to both Zondereinde and Booysendal. Integrated water use licence requirements guide water management processes, especially in terms of water allocation. Licences are reviewed every five years from the date of issue.

Zondereinde and Booysendal use both industrial and potable water. Zondereinde's source of potable water is from Magalies Water and Booysendal receives its water from the Lebalelo Water User Association. Northam has contracts with both companies.

Northam recognises the importance of optimising its water usage through reuse and recycling processes. The vital role water plays is highlighted in regular water awareness campaigns.

Northam considers the risks and opportunities relating to water use, including the financial implications, in its voluntary submission to the Carbon Disclosure Project (CDP), which covers the previous financial year, and may be found at www.cdp.net

ZONDEREINDE

Water is operationally critical for Zondereinde. The mine uses water as its primary source of energy for its underground mining operations through a shaft-based hydropower system. These technical innovations were pioneered at Northam and refined over time. Hydropowered equipment has the advantage of reducing temperatures in working areas. This technology, used in conjunction with the strategic application of backfill, helps to lower underground temperatures by reducing heat ingress from worked-out areas while also reducing the size of the area to be cooled by 65%.

Zondereinde endeavours to run a zero discharge operation. The mine closely monitors any potential impact of its operations on surface and groundwater sources. The water bodies that could be affected by surface water discharges are the Crocodile and Bierspruit Rivers. A comprehensive groundwater model, developed and maintained by a third party consultant, has been in place since 2006. This consultant also monitors and advises on surface and groundwater quality control.

Water use reduction was promoted at Zondereinde during National Water Week 2018, with water saving tips placed in all toilets and change houses.

There was no water discharge during the year. In terms of the mine's water use licence, 1 000 000m³ of water is allowed to be discharged annually.

LA No environmental penalties or fines were incurred in F2018 nor were there any reportable environmental incidents relating to water.

NATURAL CAPITAL CONTINUED

BOOYSENDAL

Water quality at Booysendal is monitored on a continuous basis and compared with the original base line study information.

The Lebalelo pipeline is the main source of potable water at Booysendal, while this is supplemented with on-site boreholes. The mine currently holds a 20-year licence to extract water from boreholes should additional water be required. The Groot Dwarsrivier is the only water source that could potentially be affected by the withdrawal of borehole water. However, as a limited volume of water is currently being drawn from this source, there is no risk.

Management is vigilant about the potential for any contamination risk, and closely monitors conservation processes and water reduction practices, along with checking water levels in the pollution control dams, which could result in discharges or run-off.

The Groot Dwarsrivier and Der Brochen Dam are the 'at risk' water bodies. Management has an emergency preparedness programme in place to address any run-off or spillages, which includes a stakeholder schedule along with emergency remediation measures. Three water evaporators are installed at the pollution control dams to mitigate the effects of excessive rainfall during the rainy season.

Industrial water at Booysendal is maintained within a closed circuit and recycled on an ongoing basis. No water is allowed to be discharged into the environment.

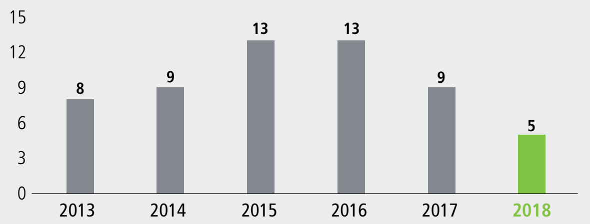
No environmental penalties or fines were incurred in F2018 nor were there any reportable environmental incidents relating to water.

ENERGY CONSUMPTION

Northam's long-term strategy is based on energy efficiency rather than energy reduction as the mines continuously strive to replace ore reserves and require more energy for production. The energy efficiency strategy is continuously reviewed in order to optimise its effectiveness.

Northam's electricity is supplied by Eskom, the national electricity supplier. Current risks connected with electricity in South Africa are those related more to cost than supply. In recent years, Eskom's tariffs have increased steadily. For F2018, Northam's electricity spend totalled R947.7 million.

Increase in Eskom electricity tariffs (%)



We have a good working relationship with Eskom and have an electricity management programme in place to proactively assist the utility.

ZONDEREINDE

At current capacity at Zondereinde, Eskom's supply is sufficient. However, our power requirements will not remain static, given the deepening project, the smelting of additional material from Booysendal and our new 20MW furnace commissioned at the end of 2017. For this reason, a number of energy efficiency initiatives have been implemented. These include an underground refrigeration plant obviating the need for water to be pumped to surface; turning down fans when they are not required; and solar hot water systems in residences, resulting in savings of 760 838kW or 40% per year.

The company's use of hydropower has reduced its reliance on Eskom as the primary energy source. Less electricity is required for production when compared to other platinum mines which rely on compressed air to power underground equipment. The use of hydropowered equipment and backfill has led to annual power savings of 31 506MWh.

In F2018, total indirect non-renewable energy consumption of electricity sourced from the national grid at Zondereinde increased by 10% to 729 652MWh (F2017: 662 742MWh).

BOOYSENDAL

Energy efficiency has and will continue to be a priority at Booysendal. The mine currently has sufficient power to continue operating, with one incoming Eskom line and transformers capable of sustaining 80MVA. The maximum nominated demand at the moment is 29MVA.

The mine will be expanding through the construction of Booysendal Central. A new 132kV powerline will be constructed from Booysendal North to Booysendal South to supply Central and South with electricity. Construction is expected to be completed in F2019. A temporary 11kV line is currently in use.

An energy management system which assists with the protection and annual testing of the medium voltage network, and fault analysis has been fully implemented and operational since 2014. A monthly report on the findings is presented by the engineering department. This system reflects how Booysendal manages electricity in the mine, such as identifying off peak, peak and standard times.

A solar-aided water heating system at the mine's change house is in place to conserve energy.

In F2018, total indirect non-renewable energy consumption from electricity sourced from the national grid increased by 13% to 161 794MWh (F2017: 142 697MWh).

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POWER FACTOR CORRECTION EQUIPMENT

Power factor correction equipment is in place at Zondereinde and Booysendal. This equipment reflects the exact power consumption and helps reduce the overall electricity bill.

Note: *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 power factor can bring about a significant reduction in losses.*

Electricity consumption (MWh)

	Zondereinde					Booysendal				
	F2018	F2017	F2016	F2015	F2014	F2018	F2017	F2016	F2015	F2014
Energy from electricity purchased by shafts	532 101	512 190	498 993	489 203	470 117	49 239	45 270	44 051	43 362	35 251
Energy from electricity purchased by plants	197 551	150 552	147 792	140 882	108 600	101 407	96 187	88 738	72 023	57 515
Energy from electricity purchased for Booysendal South	N/A	N/A	N/A	N/A	N/A	11 148	1 240	–	–	–
Total electricity purchased	**729 652**	**662 742**	**646 785**	**630 085**	**578 717**	**161 794**	**142 697**	**132 790**	**115 385**	**92 766**

CLIMATE CHANGE AND EMISSIONS

At Northam, delivering on our strategy requires that we consider the risks and opportunities associated with climate change. Climate change risk is managed primarily through the group's energy conservation – energy consumption and energy efficiency – initiatives. In addition, PGMs are used in the production of technologies to reduce emissions thus helping mitigate climate change risk.

Northam has considered the risks and opportunities relating to climate change, including the financial implications, in its 9th consecutive voluntary submission to the Carbon Disclosure Project (CDP), which covers the previous financial year, and may be found at www.cdp.net

Northam reports on direct and indirect emissions of carbon dioxide (CO_2) and on sulfur dioxide (SO_2), which are the most significant of its emissions. See *Environmental legislation and compliance* on page 110 for more information about Northam's alignment to the government's new GHG reporting regulations.

ZONDEREINDE

In F2018, LA 8 118 tonnes of SO_2 were emitted by the Zondereinde operations attributed to direct emissions from the smelter. Gas cleaning equipment for SO_2 abatement will be required by 2020.

See *Environmental legislation and compliance* on page 110 for more information about Zondereinde and SO_2.

Zondereinde's energy efficiency programmes have reduced the mine's GHG emissions.

BOOYSENDAL

Booysendal does not produce any SO_2 emissions as it does not have a smelter.

At the newer Booysendal mine, the layout of the mining infrastructure was optimally constructed to be energy-efficient, which has had a positive impact on the operation's GHG emissions.

Northam's absolute emissions are expected to increase over the next few years as a result of the development of the greater Booysendal orebody, including Booysendal South. Although emissions targets have not yet been set at corporate level, we aim to set objectives going forward to assist in our efforts to reduce the emission of GHGs. While we are in a build-up phase, in both production and the operation of a new furnace, and until operations have stabilised, it would be difficult to set a reliable benchmark against which to measure our performance. We will continue to implement energy saving initiatives such that emissions intensity can be reduced over time.

NATURAL CAPITAL CONTINUED

Greenhouse gas emissions (CO_2e tonnes)

	Zondereinde					Booysendal				
	F2018	F2017	F2016	F2015	F2014	F2018	F2017	F2016	F2015	F2014
Total Scope 1 emissions (direct emissions)	LA 32 425	45 361	27 830	29 743	23 451	LA 8 817	6 750	7 098	6 337	4 912
Total Scope 2 emissions (indirect emissions)	LA 722 355	682 624	666 189	648 988	596 079	LA 160 176	146 977	136 773	118 847	95 549
Total Scope 3 emissions (indirect emissions	228	942	799	746	580	–	38	98	–	–
Total emissions	**755 008**	**782 927**	**694 818**	**679 477**	**620 110**	**168 993**	**153 765**	**143 969**	**125 184**	**100 565**

DUST MANAGEMENT

ZONDEREINDE

Zondereinde monitors dust fall-out and has an effective stakeholder engagement programme in place to deal with any incidents and complaints logged. However, since inception, Zondereinde has had no such complaints.

Dust buckets are installed to monitor dust according to the National Dust Control Regulations 2013. The tailings dam is continuously revegetated to reduce dust entrainment, and to minimise wind and water erosion.

BOOYSENDAL

The mine's location in a valley surrounded by mountains means that dust dispersion into the surrounding communities is limited. No community or stakeholder complaints were received regarding dust emissions during the year.

Continuous dust fall-out monitoring at Booysendal is conducted at potential receptor sites around the operation. The dust fall-out relating to Booysendal South increased above residential limits with two incidents during February and March reading above industrial limits. An investigation was launched and it was determined that the buckets were less than a metre from current construction activities. Recommendations were made to move these buckets approximately 10m away from construction so that they provide a true reflection of dust fall-out and not direct impact from construction.

Previously exposed areas at Booysendal have been paved, tarred or grassed, and the few areas where dust could be produced, are monitored and dust suppression is conducted as needed.

LAND MANAGEMENT AND BIODIVERSITY

Northam acknowledges that mining processes and operations with their potential for adverse environmental impacts require careful land management. And it is only with careful land management that biodiversity can be maintained. Careful planning of new mining projects, extensive engagement with stakeholders and the surrounding community, and compliance with legislation, all contribute towards sound land management and add value to the mining process. Please refer to the rehabilitation and funding provision in the 2018 annual financial statements.

ZONDEREINDE

Northam's land ownership at Zondereinde is larger than the actual mining infrastructure footprint, with a surface freehold of 3 271 hectares. Land management and conservation policies and practices are well established at Zondereinde.

No animals or plants in the area are listed on the IUCN's Red List of Threatened Species nor the Red Data list. Alien vegetation is removed when and where possible.

Final rehabilitation of Zondereinde's tailings storage facility will only take place after closure. However, ongoing rehabilitation takes place for the purposes of dust management as well as aesthetic reasons.

BOOYSENDAL

Booysendal's host area, the Dwarsrivier Valley, is situated within the Sekhukhuneland Centre of Plant Endemism (SCPE) and the Roossenekal Subcentre of Endemism. The Booysendal property encompasses several landscape types, which are critically important for conservation action and are prioritised by Mpumalanga's conservation authorities.

The Dwarsrivier Valley landscape includes forests, small wetlands, seepages and grasslands. Certain protected mammals and species of fish have also been recognised as endemic to this habitat. Research has also indicated that the threatened SCPE is not formally protected, and that more land needs to be incorporated within reserves to protect the province's biodiversity.

With the aim of preserving the biodiversity of the area, Northam has set aside an offset area specifically for conservation and

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biodiversity purposes. A creative approach was adopted to generate long-term funding to support the protection of the environment surrounding Booysendal. A key result was the Buttonshope Conservancy Trust, which funds Booysendal's conservation, offset management and expansion.

Alien vegetation inspections are conducted on a monthly basis, and the vegetation monitored and removed as required.

Northam is taking particular care to minimise its environmental impact from the outset in regard to its Booysendal expansion projects – the Merensky North mine and the South mine. Northam is actively working around the topography of the area.

An aerial ore conveyor system, which has a lower construction and operational environmental impact than a conventional land conveyor system, will link Booysendal South to Booysendal North. The first phase, consisting of 12 tower structures which support the conveyor, was constructed in F2018. The construction of the second phase, consisting of seven tower support structures, is expected to commence in February 2019 once authorisation has been obtained.

Land use (hectares)

	Zondereinde				Booysendal North				Booysendal South		
	F2018	F2017	F2016	F2015	F2018	F2017	F2016	F2015	F2018	F2017	F2016
Land disturbed by mining and related activities	137	137	137	137	521	521	521	521	461	461	250
Land leased for farming purposes	1 441	273	273	273	–	–	–	–	–	–	–
Land protected for conservation	800	800	800	800	960	960	960	960	1 754	1 754	–
Total land under management (freehold)	3 271	4 439	4 439	4 439	6 773	6773	6 773	6 773	4 347	4 347	4 347

GOVERNANCE

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CORPORATE GOVERNANCE REPORT

OVERVIEW

The board and management are committed to good corporate governance, underpinned by transparency and accountability. We believe that this approach is fundamental to the management of our business risks, to the way we communicate with our stakeholders, to the delivery of our strategy, and ultimately to the long-term sustainability of the group.

With the introduction of the King IV Report on Corporate Governance for South Africa, 2016 (King IV), released in November 2016, the board set about assessing the effectiveness of the company's current processes, practices and structures which are in place to assist with the direction and management of the company's business and operations.

In February 2017, an independent third party was approached to conduct a gap analysis on Northam's governance structures and processes. A number of documentation gaps were identified. These have since been addressed through the group governance framework, in accordance with the MOI, which serves as evidence of Northam's commitment to proper governance and governance best practice in terms of King IV.

The group governance framework includes the following:

- approval framework
- board and board committee charters
- board diversity policy
- code of ethics
- combined assurance policy and framework
- compliance policy
- group structure
- governance model
- group information systems policy
- human rights policy
- internal audit policy
- privacy policy
- reporting framework
- risk management policy and framework

Critical areas of compliance:

- Mine, Health and Safety Act No.29 of 1996 (MHSA)
- Occupational Health and Safety Act No.85 of 1993 (OHSA)
- Labour Relations Amendment Act No.6 of 2014 (LRA)
- Companies Act No. 71 of 2008 (Companies Act)
- JSE Limited Listings Requirements (JSE Listings Requirements)
- Mineral Petroleum Resources Development Act (MPRDA) and the associated Mining Charter
- South African Code for Reporting of Mineral Resources and Mineral Reserves of 2007, as revised in 2016

CORPORATE GOVERNANCE REPORT CONTINUED

The group relies on competent, skilled and experienced professionals to provide effective and relevant leadership. Board members act with due care and diligence and take steps to become informed about matters for decision. They also continuously develop their competence to lead effectively. The majority of the group's directors have extensive and hands-on experience in the mining industry. Other board members have relevant experience in associated fields of expertise. Site visits to operations are provided for new directors in order to expand their exposure and knowledge. Board members are subject to evaluation and reviews in order to test their performance and suitability.

The board and board sub-committee charters, the code of ethics, and various internal policies and procedures are in place to both regulate and guide the group's conduct as a responsible corporate citizen.

The board has been updated on the recommendations of King IV.

Application and explanation of the King IV principles at Northam:

King IV principles	Application and explanation
LEADERSHIP, ETHICS AND CITIZENSHIP	
Leadership	
Principle 1: The board should lead ethically and effectively.	King IV's primary focus is on the ethics of leadership and citizenship. At Northam, the board accepts collective responsibility for defining ethics and ethical behaviour, and its implementation in the business. The board has put in place a governance framework with appropriate structures and processes to ensure that the group conducts its business in an ethical and effective manner, taking into account its impact on the economy, society and the environment, whilst balancing the interest of its diverse stakeholders.
Organisational ethics	
Principle 2: The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Responsibility for ethical, responsible leadership lies with the board and the social, ethics and human resources (SE&HR) committee, while the board and board sub-committee charters, the code of ethics, and various internal policies and procedures are in place to both regulate and guide the group's conduct as a corporate citizen. A code of conduct will be adopted in due course, as recommended in terms of King IV. The code of ethics is reviewed by the executive committee and any changes required must be approved by the board. The code of ethics applies to both directors and employees and governs the interaction between the group and its suppliers, contracting companies and customers respectively. It also covers the use of group assets and confidential information. A breach of the code of ethics could result in disciplinary action and/or civil or criminal action being taken against a perpetrator. The code of ethics is available on the Northam website at www.northam.co.za/governance/policies-and-procedures The code of ethics was most recently updated in February 2018. It articulates the group's approach to gender and racial diversity, freedom of association, bribery and corruption, compliance, insider trading, amongst others. It also encourages a culture of whistle-blowing. Various mechanisms have been put in place to protect whistle-blowers. The fraud hotline reports are a standard audit and risk committee agenda item. Management updates the audit and risk committee members on transgressions recorded. The group's approval framework is an internal document which governs the delegation of authority and value limits within the group and is necessary to ensure that all transactions are approved appropriately. This enables management to avoid unauthorised expenditure and to limit the potential effects of corruption on the group. The approval framework is reviewed by the executive committee and any changes required must be approved by the board.

Application and explanation of the King IV principles at Northam: continued

King IV principles	Application and explanation
LEADERSHIP, ETHICS AND CITIZENSHIP continued	
Responsible corporate citizenship	
Principle 3: The board should ensure that the organisation is and is seen to be a responsible corporate citizen.	The board and the SE&HR committee seek to ensure that the company is a responsible corporate citizen, in compliance with the Constitution of South Africa including the Bill of Rights, and has delegated to management the responsibility for proactive stakeholder engagement, community development and environmental stewardship. Management updates the board and the SE&HR committee on a quarterly basis on Northam's performance against the Mining Charter targets, together with progress on the accommodation and housing strategy. For further disclosure on responsible corporate citizenship, see Northam's accommodation and housing strategy on page 60. The board is ultimately accountable for determining the group's tax philosophy and approach and, through the audit and risk committee, provides oversight of the group's tax governance and affairs as a responsible corporate citizen.
STRATEGY, PERFORMANCE AND REPORTING	
Strategy and performance	
Principle 4: The board should appreciate that the organisation's core purposes, its risks and opportunities and sustainable development are all inseparable elements of the value creation process.	The board approves the strategy, which is aligned with the purpose of Northam, the value drivers of its business and the interests and expectations of its stakeholders. The strategy also takes cognisance of inherent risks and opportunities and the need to achieve sustainable outcomes. Management is tasked with the formulation of the business plan and a four-year forecast, including key performance measures and targets, which are then approved by the board on an annual basis. The board actively monitors performance against the targets to ensure the outcomes for the capitals are linked to the value creation of the group. The board is aware of the general viability, reliance and effect of its activities on its capitals, solvency, liquidity and its going concern status.
Reporting	
Principle 5: The board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance on short, medium and long-term prospects.	In line with the JSE Listings Requirements and the Companies Act, Northam reports to stakeholders on both its financial and non-financial performance twice a year. The company seeks to provide information to its stakeholders which is timeous, intelligible, accurate and concise. This annual integrated report forms part of a suite of reports (see outside flap of this document which provides an illustration of this report in its context). The reporting process and the reports themselves are subject to internal scrutiny and review at board level, with approval required from both the audit and risk committee and the board. Financial and non-financial disclosure in the group's reports to stakeholders is also subject to review and approval by external audit and assurance providers (see pages 158 and 166 for their approval statements), whose appointment is delegated to management by the board. The board assesses and approves management's basis for determining materiality for the purposes of information to be disclosed in the company's reports. The board delegates to management the publication of, amongst other external reports, the annual integrated report, annual financial statements and King IV disclosures on the company's website.

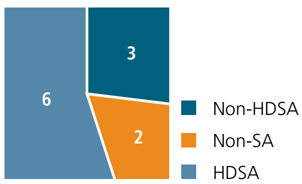
CORPORATE GOVERNANCE REPORT CONTINUED

Application and explanation of the King IV principles at Northam: continued

King IV principles	Application and explanation
GOVERNING STRUCTURES AND DELEGATION	
Primary role and responsibilities of the board	
Principle 6: The board should serve as the focal point and custodian of corporate governance in the organisation.	The board assumes ultimate accountability and responsibility for the performance and affairs of the company, thereby effectively representing and promoting the best interests of the company and its stakeholders in a manner that is legal, ethical and sustainable. Attendance at board and board committee meetings is recorded and disclosed on page 132. In terms of the board charter, members are entitled to seek independent professional advice at the expense of the company on any matter related to the company's business. The board is satisfied that it has fulfilled its responsibilities in accordance with its board charter for the year ended June 2018. The board's leadership, integrity and judgement is required to direct the company's affairs and to achieve sustainability. Overall the board should have oversight of the company's compliance with all relevant legislation, regulations and policy. For further information on the board's responsibilities see the board charter on the website at www.northam.co.za/governance/policies-and-procedures
Board composition	
Principle 7: The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The board has delegated to the nomination committee the nomination, election and appointment process for the selection of candidates to serve on the board. The roles of chairman and CEO are separate. The chairman is responsible for leading the board, while the CEO is responsible for executing group strategy and operational management. The board is chaired by Mr KB Mosehla, who represents Zambezi Platinum. Given that Mr Mosehla is not considered to be an independent director, the board has a lead independent director. The functions of the lead independent director are to: • Lead in the absence of the chairman; • Serve as a sounding board for the chairman; • Act as an intermediary between the chairperson and other board members if necessary; • Deal with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact is inappropriate; • Strengthen independence on the board if the chairman is not an independent non-executive; • Chair discussions and decision-making by the board on matters where the chairman has a conflict of interest; and • Lead the performance appraisal of the chairman. The board diversity policy, approved in February 2018, serves to promote an inclusive culture on the board. In terms of the diversity policy 50% of board members are required to be HDSAs and 20% should be women. Women currently make up 27% of the board, while HDSA members represent 55%.

Gender

Race



Independent

Application and explanation of the King IV principles at Northam: continued

King IV principles	Application and explanation
GOVERNING STRUCTURES AND DELEGATION continued	
Board composition continued	
Principle 7: The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	All new directors are subject to background checks. Four of the 11 board members, including the CEO and the lead independent director, have extensive exposure and experience in the PGM mining industry. Other board members have relevant experience in corporate finance, mergers and acquisitions and other associated disciplines. The chairman, together with the board, determine the number of outside listed company directorships a non-executive board member may hold. The maximum number of directorships is 5 (five) listed companies, including Northam. The board has a succession plan in place which includes identification, mentorship and training of future candidates. The board is provided, from time to time, with briefings on legal and corporate governance developments, risks and changes in the external environment of Northam.
Board committees	
Principle 8: The board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	The board determines delegation to individual members, groups of members, standing or *ad hoc* committees. Through the nomination committee, the board ensures that the structures of the board are well resourced with a balance of skills and expertise. The board and board committees operate in terms of formal charters. The chairperson of each committee reports to the board at each board meeting and the minutes of all committee meetings are circulated in the board packs. The composition of each committee, as well as a description of its charter, appear on page 127 to 134.
Evaluations of the performance of the board	
Principle 9: The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.	The board monitors and appraises its own performance, those of its board committees and from time to time, the individual board members to monitor performance and identify areas for improvement. The board further evaluates the independence of its independent directors, which evaluation is rigorously applied also in respect of the independent directors who have served on the board for an aggregate term exceeding nine years. The board also evaluates the performance of the company secretary in terms of her competence, qualification, experience and arm's length relationship with the board.
Appointment and delegation to management	
Principle 10: The board should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.	The board has appointed the CEO of Northam, as well as key members of the senior management team, who function in terms of the approval framework wherein the board defines levels of materiality and delegates functions to the executive committee appropriately. The board is satisfied that the approval framework is effective. The CEO of Northam has undertaken to hold no other listed company directorship, apart from Zambezi Platinum, Northam's BEE shareholder. The executive committee has the role of defining strategic guidelines and frameworks; the management review committees, based at each operation, are responsible for converting strategic guidelines into well-established processes and systems.

CORPORATE GOVERNANCE REPORT CONTINUED

Application and explanation of the King IV principles at Northam: continued

King IV principles	Application and explanation
FUNCTIONAL AREAS OF GOVERNANCE	
Risk governance	
Principle 11: The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The board assumes overall responsibility for risk within the group, in terms of the risk management policy and framework. It has delegated this authority to the audit and risk committee. The audit and risk committee reviews Northam's risk register, which includes legislation and regulatory compliance, to ensure that risks and opportunities are identified and mitigated or acted upon by management, and that laws and regulations are complied with accordingly. Information on the risk management process and policies can be found on page 14.
Technology and information governance	
Principle 12: The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	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 information systems steering committee's (ISSC) terms of reference was approved by the audit and risk committee in 2014 and is being updated in terms of King IV. The ISSC's responsibility is to implement and execute effective technology and information utilisation throughout the Northam group. The audit and risk committee, through the ISSC exercises oversight of technology and information management and in particular, oversees that it results in the following: • Integration of people, technologies, information and processes across the group • Integration of technology and information risks into organisation-wide risk management • Arrangements to provide for business resilience • Proactive monitoring of intelligence to identify and respond to incidents, including cyber attacks and adverse social media events • Management of the performance of and the risks pertaining to third-party and outsourced service providers • The assessment of value delivered to the organisation through investments in technology and information, including the evaluation of projects throughout their life cycles and operational expenditure • The responsible disposal of obsolete technology and information in a way that has regard for environmental impact and information security • Ethical and responsible use of technology and information • Compliance with relevant laws The committee exercises oversight of the management of information and in particular oversees that it results in the following: • The leveraging of information to sustain and enhance the group's intellectual capital • An information architecture that supports confidentiality, integrity and availability of information • The protection of privacy of personal information • The continuous monitoring of information security The committee exercises oversight of the management of technology and in particular oversees that it results in the following: • A technology architecture that enables the achievement of strategic and operational objects • The management of the risks pertaining to the sourcing of technology • Monitoring and appropriate responses to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the organisation and its business model

Application and explanation of the King IV principles at Northam: **continued**

King IV principles	Application and explanation
FUNCTIONAL AREAS OF GOVERNANCE continued	
Technology and information governance continued	
Principle 12: The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The committee considers the need to receive periodic independent assurance on the effectiveness of the group's technology and information arrangements, including outsourced services. Over the past 24 months, measures have been implemented to ensure that various aspects of the group's IT infrastructure and information management are enhanced from a security perspective and incorporated in the Northam IT security strategy. In 2017, management implemented the SAP enterprise resource planning system throughout the Northam group. The SAP system has significantly contributed to safer and more effective management of information. Campaigns targeting the group's user community have been launched to ensure awareness regarding IT security from both a company and private perspective. Other actions taken include continuous engagements with Northam's internal and external auditors ensuring that effective and sufficient controls are in place. The CFO chairs the ISSC meetings and reports to the audit and risk committee on the committee's deliberations, as referred to on page 128. The ISSC meets on a quarterly basis and is responsible for the maintenance and protection of the group's technology and information resources, in terms of the information systems policy.
Compliance governance	
Principle 13: The governing body should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Northam compliance policy together with the risk management policy and framework are the foundational reference points that assist the group to operate as an ethical and good corporate citizen. Compliance with all material laws, legislation and regulations applicable to the group are monitored and reported to the board and to each board committee for their area of responsibility. The health, safety and environmental committee monitors compliance with its health, safety and environmental policies and further disclosure on this can be found in *Human capital* from page 69. As a listed entity, Northam is required to comply with the JSE's Listings Requirements and certification of this is submitted to the JSE. Northam's submissions are currently up to date.
Remuneration governance	
Principle 14: The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term.	The board has delegated this authority to the SE&HR committee. The committee assists the board in overseeing all aspects of remuneration practices for the organisation to ensure employees are remunerated fairly, responsibly and transparently. Details of the executive directors' service contracts can be found on page 139. Fair and competitive reward processes are embedded in the group. These processes seek to encourage the achievement of the group's strategic objectives and positive outcomes in the short, medium, and long term. The group's remuneration policy and implementation report can be found on pages 135 to 157, and are tabled annually for separate non-binding advisory votes at the annual general meeting (AGM).

CORPORATE GOVERNANCE REPORT CONTINUED

Application and explanation of the King IV principles at Northam: continued

King IV principles	Application and explanation
FUNCTIONAL AREAS OF GOVERNANCE continued	
Assurance	
Principle 15: The board should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The combined assurance policy and framework for the group provides an analysis of all the assurance activities within the group. It is the responsibility of the board, through the audit and risk committee, executive and senior management, to identify additional areas that may require assurance on an ongoing basis. The audit and risk committee has ensured that internal audit performed an independent assurance function and monitored the effectiveness of the internal audit function in terms of its assurance scope, executing its plan, independence and overall performance of the function. The audit and risk committee has ensured coverage of the audit universe by approving the audit plans and budgets for internal audit and has confirmed the competence of the internal audit function as a whole. A chief audit executive (CAE) position has not been provided for in the arrangements relating to internal audit. The internal audit function has been outsourced to KPMG Services Proprietary Limited (KPMG). The responsibilities normally associated with that of a CAE have been allocated to the director in charge of the internal audit function.
Stakeholder relations	
Principle 16: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Northam's stakeholder policy regulates the process of engaging and communicating with all defined stakeholders who include, amongst others, both shareholders and employees. For further information on stakeholder engagement see page 75 in *Social capital*. Along with the print and electronic publication and dissemination of results on a half-yearly basis, the company regularly hosts visits, presentations, briefings and meetings with interested shareholders, institutions and other stakeholders. Feedback is a critical element of such engagement processes and is communicated through the executive committee for discussion at board level.

GROUP GOVERNANCE STRUCTURE

Board of directors

Non-executive	Executive	Independent non-executive
KB Mosehla – chairman	**PA Dunne** – chief executive officer (CEO)	**R Havenstein** – lead independent
	AZ Khumalo – chief financial officer (CFO)	**DH Brown**
		CK Chabedi
		HH Hickey (Ms)
		Dr NY Jekwa
		TE Kgosi (Ms)
		TI Mvusi
		JG Smithies

Board committees

Audit and risk committee	Health, safety and environmental committee (HS&E)	Investment committee	Nomination committee	Social, ethics and human resources committee (SE&HR)
HH Hickey (Ms) – chairman	**R Havenstein** – chairman	**DH Brown** – chairman	**R Havenstein** – chairman	**TE Kgosi** (Ms) – chairperson
DH Brown	**CK Chabedi**	**CK Chabedi**	**TE Kgosi** (Ms)	**CK Chabedi**
R Havenstein	**PA Dunne**	**R Havenstein**	**KB Mosehla**	**Dr NY Jekwa**
TE Kgosi (Ms)	**JG Smithies**	**KB Mosehla**		
By invitation	**By invitation**	**By invitation**	**By invitation**	**By invitation**
Management	Management	Management	Management	Management
Internal audit				
External audit				

CORPORATE GOVERNANCE REPORT CONTINUED

OTHER COMMITTEES

Executive committee

The Northam executive committee comprises seven members of the company's senior executives, broadly representing the disciplines within the company's organisational structure.

Members:

Chief executive officer	Mr PA Dunne (chair)
Chief financial officer	Mr AZ Khumalo
Chief commercial officer	Mr LC van Schalkwyk
Executive: human resources	Mr CA Smith
Executive: health, safety and environment (HS&E)	Mr MN Ndlala*
Head: sustainability	Mr GD Duma
Company secretary	Ms PB Beale

** Mr MN Ndlala was appointed after the year ended 30 June 2018.*

Purpose and objectives:

The executive committee is responsible for the execution of the company's strategy. The CEO and CFO report to the board on the committee's deliberations. The members meet on a monthly basis to discuss and deal with stakeholder relationships, operational matters, to recommend strategy and monitor implementation of capital projects.

Management review committees – Booysendal, Eland and Zondereinde mines

In addition to the executive committee, three management review committees are in place for Zondereinde, Booysendal and Eland mines. Each committee is chaired by the general manager of the relevant operation (Zondereinde: Mr DJ Gonsalves; Booysendal: Mr WJ Theron; and Eland: Mr JW Pretorius). Heads of department of the relevant operation are the other members of these committees.

Members:

General manager (chair)	Mr DJ Gonsalves, Mr WJ Theron or Mr JW Pretorius
Chief executive officer	Mr PA Dunne
Chief financial officer	Mr AZ Khumalo
Chief commercial officer	Mr LC van Schalkwyk
Executive: human resources	Mr CA Smith
Executive: HS&E*	Mr MN Ndlala*
Group geologist	Mr D Smith
Head: sustainability	Mr GD Duma
Head of departments (HODs)	Various

** Appointment effective post 2018 year end.*

Purpose and objectives:

The company's executive committee members meet with mine management on a monthly basis to review operating and financial results.

The objective is to monitor technical and financial performance against budgets and to formulate and propose remedial action if necessary.

Group information systems steering committee

Members:

Chief financial officer (chair)	Mr AZ Khumalo
Chief commercial officer	Mr LC van Schalkwyk
Group services manager	Mr FS Schoeman
Group financial controller	Ms AH Coetzee
Chief information officer, Group Services	Mr M van Zyl
Group IT infrastructure manager	Mr J Keyser
Financial heads of departments	Various

Purpose and objectives:

ISSC is responsible for the maintenance and protection of the group's technology and information resources. The CFO reports to the audit and risk committee on the committee's deliberations. The members meet on a quarterly basis.

Board charter

The board of directors' charter articulates the objectives and responsibilities of the board which include:

- Oversight of the group's strategic direction
- Reviewing and evaluating the group's risks
- Ensuring appropriate governance structures; policies and procedures are in place
- Approving major capital projects and acquisitions
- Approving the annual group business plan and budget
- Approving annual and interim financial results
- Reviewing the group's performance against the targets of the Mining Charter
- Technology and information governance
- Stakeholder relationship management

The board's key areas of focus during F2018

- Approved the acquisition of PGM recycling equipment and associated premises from A-1 Specialized Services Inc., a recycler of PGMs located in Pennsylvania, United States of America for a cash consideration of USD10.7 million, announced on 28 July 2017.
- Reviewed the group's risk management reports.
- Approved the appointment of the new board chairman, the re-election of the lead independent director and the re-composition of the board committees in November 2017.

- Approved the application for an increase in the revolving credit facility with Nedbank Limited.
- Noted the issue of additional notes under the already registered domestic medium term note (DMTN) programme.
- Reviewed the group's strategy, together with the F2019 business plan and four-year forecast in June 2018. The group's strategy may be found on page 10.
- Approved the annual integrated report and the audited annual and interim financial results.

Board changes

Directors are appointed in terms of a formal process. The nomination committee assists the board in identifying suitable candidates and evaluating them. The nomination committee ensures that the board has adequate diversity in respect of race, gender, business, geographic and academic backgrounds which is in accordance with the company's diversity policy. The changes to the board during the year were as follows:

- Mr KB Mosehla was appointed as non-executive chairman of the board following Mr PL Zim's retirement at the conclusion of the AGM on 7 November 2017. He was also appointed as a member of the nomination committee following Mr Zim's retirement and resigned as a member of the SE&HR committee.
- Mr DH Brown was appointed as an independent non-executive director at the AGM on 7 November 2017. He was also appointed as a member of the audit and risk committee and chairman of the investment committee.
- Mr R Havenstein resigned as chairman of the investment committee but remained as a member.
- Mr JG Smithies was appointed as a member of the HS&E committee on 7 November 2017.
- Dr NY Jekwa was appointed as an independent non-executive director and as a member of the SE&HR committee on 8 November 2017.

King IV independence evaluation and tenure of directors

Independence generally means the exercise of objective, unfettered and autonomous judgement. When using the word to apply the quality of independence to a director it seeks to convey the absence of an interest, position, association or relationship, which, when judged from the perspective of a reasonable and informed third party, is unlikely to influence unduly or cause bias in decision making.

In terms of the above, annual independence evaluations were conducted for the independent non-executive directors Messrs DH Brown, CK Chabedi, R Havenstein, TI Mvusi, JG Smithies, Ms HH Hickey, Dr NY Jekwa and Ms TE Kgosi. The board took account of the minority beneficial interests held by Mr CK Chabedi and Ms TE Kgosi in Zambezi Platinum, which they acquired in terms of the Northam black economic empowerment transaction in May 2015.

The board also considered the tenure of those independent non-executive directors, who, with more than nine years' board service, had built up institutional memory.

The majority of the remaining independent non-executive directors have tenure of fewer than three years on the board. The board is satisfied that there are no relationships or circumstances which affect, or appear to affect the independence of the abovementioned directors.

Retirement, re-election and election of directors

In terms of clause 33.5.1 of the MOI, one third of the non-executive directors, being those longest in office, shall retire from office at each AGM. A retiring director who is eligible and available may offer himself or herself for re-election and appointment.

As envisaged in clause 33.6 of the MOI, the board recommends, after taking into account the directors' past performance and contribution, that the persons referred to below, be re-elected or elected, as the case may be, as directors at the forthcoming AGM.

Mr CK Chabedi, Ms HH Hickey and Mr TI Mvusi retire from office in terms of clause 33.5.1 and, being eligible and available, have offered themselves for re-election and appointment at the AGM on 6 November 2018.

In terms of the company's MOI, directors appointed to the board during the year shall hold office until the next AGM and shall then retire and be eligible for re-election.

Dr NY Jekwa was appointed as a director on 8 November 2017 and in accordance with the provisions of clause 33.5.4, she retires from office and, being eligible and available, has offered herself for election and appointment at the AGM on 6 November 2018.

In terms of clause 33.5.7 of the MOI, the board recommends the appointment of Messrs MH Jonas and JJ Nel as independent non-executive directors.

Mr JJ Nel's appointment as an independent non-executive director will be on condition of special resolution number 1 being approved to increase the maximum number of directors from 12 (twelve) to 13 (thirteen), effective from the date on which the amendment of the MOI envisaged in special resolution number 1 becomes effective. The full text of the ordinary and special resolutions are contained in the notice of AGM and abridged annual report 2018, available on the Northam website at www.northam.co.za/investors-and-media/publications/annual-reports or can be obtained from the company's registered office on written request to the company.

At the AGM on 6 November 2018 members will be requested to consider resolutions providing for the election and re-appointment of Mr CK Chabedi, Ms HH Hickey, Mr TI Mvusi, Dr NY Jekwa, Mr MH Jonas and Mr JJ Nel as directors.

Brief summaries of their *curricula vitae* appear on pages 130 and 131.

CORPORATE GOVERNANCE REPORT CONTINUED

DIRECTORATE

1	2
3	4
5	6






1 KB Mosehla (46)

CA (SA)

Non-executive chairman

Joined the board in August 2015

Mr Mosehla is the chief executive of Mosomo Investment Holdings Proprietary Limited, a director of Malundi Resources (RF) Proprietary Limited and MC Mining Limited. He is also chairman of Zambezi Platinum (RF) Limited (Zambezi Platinum) and chairman of Tembisa Provincial Tertiary Hospital.

Member of the investment committee and the nomination committee.

2 R Havenstein (62)

MSc (Chemical Engineering); BCom

Lead independent director

Joined the board in July 2003

Mr Havenstein serves on the board of Murray and Roberts Holdings Limited and Omnia Holdings Limited. He was previously chief executive officer of Anglo American Platinum Limited, prior to which he was an executive director of Sasol Limited, responsible for Sasol Chemical Industries.

Member of the audit and risk committee and the investment committee.

Chairman of the HS&E committee and the nomination committee.

3 DH Brown (56)

CA (SA)

Independent non-executive director

Joined the board in November 2017

Mr Brown is currently the chief executive officer of MC Mining Limited, where he previously held the position of chairman. He was appointed to the Vodacom Group board in 2012, where he is chairman of the audit, risk and compliance committee and a member of the renumeration committee. Mr Brown is also on the advisory board of Accenture South Africa. He is the former chief executive officer of Impala Platinum Holdings Limited (Implats).

Member of the audit and risk committee and chairman of the investment committee.

4 CK Chabedi (50)

MSc (Mining Engineering); MDP; Pr. Eng; MSAIMM

Independent non-executive director

Joined the board in June 2009

Mr Chabedi has 24 years' mining experience and over 12 years' operational and management experience. He is currently a senior lecturer in the School of Mining Engineering at the University of the Witwatersrand.

Member of the HS&E committee, the investment committee and the SE&HR committee.

5 PA Dunne (55) (British)

BSc (Hons); MBA

Chief executive officer

Joined the board in March 2014

Prior to joining Northam, Mr Dunne was employed by Implats as executive director responsible for all mining, concentrating and smelting operations at the group's Rustenburg and Marula mines. Mr Dunne is also a director of Zambezi Platinum.

Member of the HS&E committee.

6 HH Hickey (64)

CA (SA)

Independent non-executive director

Joined the board in January 2016

Ms Hickey currently serves as an independent non-executive director on the boards of African Dawn Capital Limited, Barloworld Limited, Cashbuild Limited and Pan African Resources Plc. She has over 35 years' experience in auditing, risk management and governance and is a past chair of the South African Institute of Chartered Accountants.

Chairman of the audit and risk committee.





7 8
9 10
11

7 Dr NY Jekwa (43)

MBA (Finance); MBBCh (Bachelor of Medicine and Bachelor of Surgery); MIoDSA

Independent non-executive director

Joined the board in November 2017

Dr Jekwa is a director of Coast2Coast Capital Proprietary Limited. She has held senior positions in corporate finance and M&A activity at both Nedbank Corporate and Investment Bank and at Rand Merchant Bank.

Before working in corporate finance she held a number of senior medical positions in South Africa and the United Kingdom. She serves on the Rhodes Scholarship Selection committee and is proactively involved in community upliftment programmes.

Member of the SE&HR committee.

8 TE Kgosi (64)

BCom (Hons)

Independent non-executive director

Joined the board in November 2004

Ms Kgosi is the cluster manager, materials management, responsible for Gauteng and North West operating units in supply chain operations, Eskom Group Commercial. She has extensive experience in the banking sector mainly in a treasury operations environment, having held positions at a number of South Africa's main banking groups as well as Credit Suisse First Boston (NY).

Member of the audit and risk committee and the nomination committee.

Chairperson of the SE&HR committee.

9 AZ Khumalo (53)

CA (SA)

Chief financial officer

Joined the board in July 2010

Mr Khumalo has extensive mining and corporate finance experience. From September 2008 he was the group finance executive of Coal of Africa Limited. Prior to that, from 2004 to 2008, he was director: finance of Aquarius Platinum (South Africa) Proprietary Limited. Mr Khumalo is also a director of Zambezi Platinum.

10 TI Mvusi (62)

BA; ELP, MAP and PDP

Independent non-executive director

Joined the board in January 2016

Mr Mvusi currently holds the position of chief executive: group market development at Sanlam Limited (Sanlam). He has served on the board of Sanlam since 2009, and holds a number of Sanlam group directorships and is also the chairman of Iemas Financial Services (Co-operative) Limited. Prior to joining Sanlam, he was the general manager of Gensec Property Services Limited and was a marketing manager at Franklin Asset Management.

11 JG Smithies (73) (British)

BSc (Mining Engineering); BSc (Chemistry)

Independent non-executive director

Joined the board in January 2017

Mr Smithies spent the major part of his career at Implats, where he held a number of senior management positions including that of director of operations and chief executive officer, before retiring from Implats.

Member of the HS&E committee.

12 MH Jonas (58)

BA (History and Sociology)

Mr Jonas' appointment as an independent non-executive director is subject to shareholder approval at the AGM on 6 November 2018

Mr Jonas is an independent non-executive director of the MTN Group Limited and is one of four independent presidential investment envoys, appointed by President Cyril Ramaphosa to attract investors to South Africa.

Mr Jonas served as deputy finance minister of the government of South Africa from 2014 to 2017 and was a member of the National Assembly until April 2017. Before his appointment to national government, Mr Jonas played a key leadership role in the Eastern Cape. He served as MEC for finance, economic development and environmental affairs and tourism in that province. He has also served as CEO of the Eastern Cape Development Corporation and of the Centre for Investment and Marketing. Mr Jonas is a former chairperson and non-executive director of the Public Investment Corporation.

13 JJ Nel (46)

CA (SA); CFA (AIMR); AMP (INSEAD)

Mr Nel's appointment as an independent non-executive director is subject to shareholder approval at the AGM on 6 November 2018

Mr Nel is currently a non-executive director of Mimosa Holdings (Pvt) Limited and Mimosa Investment Limited, which entities own and manage the Mimosa Platinum mine in Zimbabwe. Mr Nel held the position of divisional CEO for Sibanye-Stillwater Limited (Sibanye-Stillwater), where he headed the PGM division of Sibanye-Stillwater following that company's acquisition of Aquarius Platinum Limited (Aquarius) in 2016. Prior to this, Mr Nel served as CEO of Aquarius from 2012 to 2016. Mr Nel has more than 18 years' experience in mining and mining finance.

CORPORATE GOVERNANCE REPORT CONTINUED

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

The board, the audit and risk committee, the HS&E committee and the SE&HR committee, meet at least once a quarter. *Ad hoc* meetings are convened when required. The investment committee and the nomination committee meet as and when required.

The table below records the attendance of members at board and committee meetings from 1 July 2017 to 30 June 2018:

	Board	Audit & risk committee	HS&E committee	Investment committee	Nomination committee	SE&HR committee
Number of meetings held	**6**	**5**	**4**	**2**	**1**	**5**
KB Mosehla (chairman)[1]	6	–	–	2	1	2
R Havenstein (lead independent)[2]	6	5	4	2	1	–
PA Dunne (CEO)	6	–	4	–	–	–
AZ Khumalo (CFO)	6	–	–	–	–	–
DH Brown[3]	4	2	–	1	–	–
CK Chabedi	6	-	4	2	–	5
HH Hickey	6	5	–	–	–	–
NY Jekwa[4]	3	–	–	–	–	2
TE Kgosi	5	5	–	–	1	5
TI Mvusi	4	–	–	–	–	–
JG Smithies[5]	4	–	2	–	–	–
PL Zim[6]	2	–	–	–	–	–

Key:

– Not applicable.

1 Appointed as chairman of the board and as a member of the nomination committee on 7 November 2017. He also resigned as a member of the SE&HR committee on the same date.

2 Resigned as chairman of the investment committee on 7 November 2017 but remained as a member.

3 Appointed as an independent non-executive director, member of the audit & risk committee and as a member and chairman of the investment committee on 7 November 2017.

4 Appointed as an independent non-executive director and as a member of the SE&HR committee on 8 November 2017.

5 Appointed as a member of the HS&E committee on 7 November 2017.

6 Retired as chairman and director and as a member of the nomination committee on 7 November 2017.

BOARD COMMITTEES

Audit and risk committee

The composition of the committee, which comprises four independent non-executive directors, is available on page 127 of this report. Mr DH Brown was appointed as a member on 7 November 2017. The members of the committee are elected at each AGM in line with the Companies Act. To this end, shareholders will be required at the forthcoming AGM to approve the necessary resolutions appointing Ms HH Hickey, Messrs. DH Brown, R Havenstein and Ms TE Kgosi as members.

The board is satisfied that the members of the committee have the appropriate mix of qualifications and experience in order to fulfil their duties adequately. Such qualifications and skills include expertise and/or experience in the following fields; financial, legal, risk management, sustainability issues and reporting, internal financial control, external and internal audit processes, technology and information governance, corporate governance, ethics and integrated reporting. Members of the committee are required to ensure they are fully apprised of latest developments in the mining industry and in commerce generally.

Important attributes of the members are an independent and enquiring mind-set, a reasonable understanding of the complexities involved and an appreciation of the business and the mining industry.

Charter

The audit and risk committee's charter articulates the objectives and responsibilities of the committee which include:

- Consideration of the external auditor's terms of engagement and fees.
- Ensuring that the appointment of the external auditor complies with the provisions of the Companies Act, the JSE Listings Requirements and any other legislation relating to the appointment of auditors, including confirming the independence and suitability for reappointment of the external auditors.
- Determining the nature and extent of any non-audit services that the external auditor may provide to the company.
- Delegating oversight for combined assurance.
- Preparing a report, to be included in the annual financial statements of the company for the relevant financial year,

that describes how the committee carries out its functions, comments on the financial statements, the accounting practices and the internal controls of the company.

- Ensuring that the company has established appropriate financial reporting procedures and that those procedures are operating.
- Receiving and dealing appropriately with any concerns or complaints relating to the accounting practices and internal audit of the company, the content or auditing of the company's financial statements, or the internal controls of the company.
- Making submission to the board on any matter concerning the company's accounting policies, financial controls, records and reporting procedures.

Key areas of focus during F2018

- Recommended approval to the board of the interim report, annual integrated report and notice of AGM.
- Approved the combined assurance, and risk management policies and frameworks in line with King IV.
- Reviewed the group's risk management reports.
- Monitored the relationship between the company and external assurance providers of the company.

The report of the audit and risk committee may be found on page 193 of this annual integrated report.

For attendance at meetings refer to page 132.

HS&E committee

The composition of the committee, which comprises four directors, is available on page 127 of this report. Mr JG Smithies was appointed as a member on 7 November 2017.

Charter

The HS&E committee's charter articulates the objectives and responsibilities of the committee which include:

- Reviewing the group's performance on sustainability issues such as safety, health and the environment at the mines, especially as they affect employees and communities in the areas in which the group operates.
- Satisfying itself with regard to the group's compliance with its health, safety and environmental policies and standards as well as laws, regulations and external standards.
- Monitoring compliance by Northam with recommendations made by management pursuant to any investigation of health, safety and environmental incidents.

Key areas of focus during F2018

- Investigated the fatalities during the financial year and reviewed action plans to mitigate similar risks.
- Approved the group's strategic safety review and implementation plan.
- Reviewed the quarterly operational reports for health and safety, environmental and medical.

For attendance at meetings refer to page 132.

Investment committee

The composition of the committee, which comprises four directors, is available on page 127 of this report. Mr H Havenstein resigned as chair and Mr DH Brown was appointed as a member and chair on 7 November 2017.

Charter

The investment committee charter articulates the objectives and responsibilities of the committee which include:

- Evaluating and advising the board on all acquisitions and investment-related opportunities.
- Considering the suitability and compatibility of potential investments and their returns, weighed against the interests of shareholders.

Key areas of focus during F2018

- Recommended approval to the board for the acquisition of PGM recycling equipment and associated premises from A-1 Specialized Services Inc., a recycler of PGMs located in Pennsylvania, United States of America for a cash consideration of USD10.7 million, announced on 28 July 2017.

For attendance at meetings refer to page 132.

Nomination committee

The composition of the committee, which comprises three directors, is available on page 127 of this report. Mr KB Mosehla was appointed as a member following Mr PL Zim's retirement on 7 November 2017. Given that the chairman of the board is not independent, in terms of the recommendations of King IV, the lead independent director, Mr R Havenstein, has been tasked with chairing the committee.

Charter

The nomination committee charter articulates the objectives and responsibilities of the committee which include:

- Reviewing the structure, composition and size of the board and how this relates to effectiveness.
- Considering the rotation of directors and making appropriate recommendations.
- Identifying and evaluating nominees and recommending them for election.
- Developing and facilitating an induction programme for new board members.

Key areas of focus during F2018

- A structured process was followed for the appointment of the new board chairman.
- Identified, evaluated and inducted the new board members and recommended them for appointment in terms of the board's succession plan.

CORPORATE GOVERNANCE REPORT CONTINUED

- Reviewed the retirement and re-election of non-executive board members.
- Reviewed the composition of the board and board committees.
- Considered the tenure and independence of the non-executive board members.

For attendance at meetings refer to page 132.

SE&HR committee

The composition of this committee, which comprises three independent non-executive directors, is available on page 127 of this report. Mr KB Mosehla resigned as a member and Dr NY Jekwa was appointed as a member on 8 November 2017.

Charter

The SE&HR committee charter articulates the objectives and responsibilities of the committee which include:

- Reviewing the group's remuneration matters, remuneration policy and implementation report.
- Reviewing non-executive directors' fees.
- Assisting the board with transformation and labour matters associated with the Mining Charter, in terms of the MPRDA.
- Monitoring the group's performance in accordance with the social and ethics requirements, as set out in the Companies Act.

Key areas of focus during F2018

- Recommended the non-executive directors' fees for approval by shareholders.
- Determined the company's general policy on remuneration for the CEO, CFO and senior officials.
- Monitored the company's compliance with Mining Charter targets in terms of the MPRDA.
- Monitored the group's performance with regard to the social and ethics committee requirements as set out in the Companies Act.

Further details of the committee may be found in the remuneration report (which incorporates the remuneration policy and implementation report) on page 135 and in the *Human capital* section beginning on page 54 of this annual integrated report.

For attendance at meetings refer to page 132.

Performance evaluations

- **Board and company secretary evaluations**

  An independent firm has been appointed to conduct independent board and board committee evaluations, together with an evaluation of the company secretary. In the meantime, the board is satisfied that the company secretary is competent, suitably qualified, experienced and that she keeps an arm's length relationship with the board, in compliance with paragraph 3.84(h) of the JSE Listings Requirements. These performance evaluations are to monitor performance and identify areas for improvement. The results of the evaluations will be disclosed in the annual integrated report for the year ending 30 June 2019.

- **CEO and CFO evaluations**

  In June 2018 the board evaluated the performance of the CEO, Mr PA Dunne, and the CFO, Mr AZ Khumalo, and was satisfied with the outcome of its evaluations.

- **CFO and the financial management team evaluation**

  In August 2018 the audit and risk committee considered and agreed that the level of expertise and experience of Mr Khumalo was satisfactory during the 2018 financial year. The audit and risk committee was of the opinion that Mr Khumalo, together with other members of his financial management team, had managed the group's financial affairs effectively during the 2018 financial year.

Directors' dealings in Northam and Zambezi Platinum shares

Northam board members and employees are informed of closed and prohibited periods for share dealings. Closed and prohibited periods remain in force until final annual and interim results are published. Similar closed periods are adhered to when the company trades under a cautionary announcement. All directors' dealings require the pre-approval of the CEO or CFO and are to be communicated to the company secretary.

Disclosure of personal financial interests

Disclosure of personal financial interests is a standing board and committee agenda item and a register of all directors' company shareholdings, other directorships and information regarding any potential conflict of interest is updated by directors at each meeting. Directors recuse themselves from discussion on any matters in which they may have a conflict of interest.

REMUNERATION REPORT

REMUNERATION REPORT OF THE SOCIAL ETHICS AND HUMAN RESOURCES COMMITTEE

This report is published in compliance with the King IV Report on Corporate Governance for South Africa 2016 (King IV) which recommends a three-part remuneration report comprising the following sections:

- background statement (committee members, philosophy or principles of remuneration);
- remuneration policy (specific policies of remuneration including illustrations of potential consequences of these policies); and
- implementation report (remuneration paid and payable).

GLOSSARY OF TERMS IN THE REMUNERATION REPORT

AGM	annual general meeting
Allocation (of shares)	shares that finally vest
AMCU	Association of Mineworkers and Construction Union
Award (of shares)	shares that are initially granted
BEE CPS	the BIP long-term conditional performance shares of the black economic empowerment transaction – measured once off in May 2025
BIP	black economic empowerment transaction incentive plan of the LIM
BRP	basic remuneration package (TGP less company pension contribution)
CEO	chief executive officer
CFO	chief financial officer
CIBB	cash incentive bonus of the black economic empowerment transaction of the LIM – measured annually until May 2025
LIM	lock-in incentive mechanism incorporating the BIP and the CIBB
KPI	key performance indicator
LTI	long-term incentive scheme, namely the SIP
MPRDA	Mineral and Petroleum Resources Development Act
MTI	medium-term incentive (retention) bonus
NED	non-executive directors
NUM	National Union of Mineworkers
PGM	platinum group metal
SE&HR	social ethics and human resources committee
SIP	share incentive plan
STI	short-term incentive bonus
VWAP	volume weighted average price
TGP	total guaranteed pay (cost to company)

REMUNERATION REPORT CONTINUED

BACKGROUND STATEMENT

Message from the chairperson of the SE&HR

The social ethics and human resources committee (SE&HR committee or the committee) is pleased to present the Northam Platinum Limited F2018 remuneration report to the company's shareholders.

We have achieved the following during F2018:

- Approved the SE&HR charter;
- Completed a peer survey of executive remuneration;
- Finalised both executive and non-executive directors' remuneration for F2019;
- Set both STI (bonus) and LTI (SIP) targets for F2019 and beyond (in the case of the LTI);
- Awarded LTI to eligible management level employees;
- Approved new executive appointments;
- Adopted King IV remuneration principles;
- Deliberated on the F2019 wage negotiations;
- Approved wage and salary increases for non-unionised employees and management for F2019.

Through the SE&HR committee, the board is ultimately responsible for establishing an organisation-wide remuneration policy and for overseeing its implementation fairly, reasonably and transparently. The committee is responsible for appointing competent individuals as executives, and ensuring that the group's leadership delivers on its strategic targets for fair remuneration.

Social ethics and human resources committee membership

TE Kgosi (chairperson)	CK Chabedi	Dr NY Jekwa
Status:		
Independent non-executive director	Independent non-executive director	Independent non-executive director
By invitation:		
The CEO, CFO, executive: HR, and external consultants may be invited to join the committee meetings to contribute or perform certain duties but may not take part or make decisions concerning their own remuneration. Details of meetings held by the committee and meeting attendance of members may be found on page 132 of this integrated report.		

Remuneration policy and practices are intended to align Northam's business and reward strategy with the interests of shareholders and other stakeholders. The committee seeks to balance the interests of investors and all other stakeholders (employees, communities and governments) to ensure remuneration outcomes that are balanced, fair and responsible. There were no substantial policy changes during the year.

Management is conscious of the issues concerning income inequality in South Africa and of the needs of lower-paid employees, ensuring that wages are well above the minimum wage and wage increases are usually above CPI. Northam endeavours to reduce income disparity by implementing the highest wage increase percentages to lower-paid employees, and decreasing the percentages as they apply to more senior staff levels. There can be exceptions, for example, if the pay of any management position is out of line with the risk and responsibility of that position or with industry peers. Northam's Gini coefficient is 0.37, which favourably compares with the country's Gini coefficient of 0.68*. Northam's lowest monthly pay (TGP) is R15 161, which is substantially higher than the proposed national minimum wage of R3 500 per month.

** information sourced from Stats SA*

The Northam group is also sensitive to gender issues such as the gender pay gap. The group is committed to gender equality and its policy is to pay men and women equally for the same roles.

Remuneration context – F2018

The difficult market conditions of the preceding year persisted into the year under review. Northam's performance was characterised by growing production and sales volumes, a higher operating profit and record capital expenditure (including acquisitions of prime assets) as the Northam group executed its strategy of growing production over the long term but down the cost curve. The relative position of the two operating mines, Zondereinde and Booysendal, on the PGM industry cost curve, are expected to improve as management seeks to control unit costs as the most appropriate strategy in a low metal price environment.

Management performance is measured using factors that are largely under its control, such as safety, linear and square metres mined, tonnes milled, production volumes, cash costs and personal KPI achievements. Rate of return-related matrices are also included amongst the factors used to measure performance.

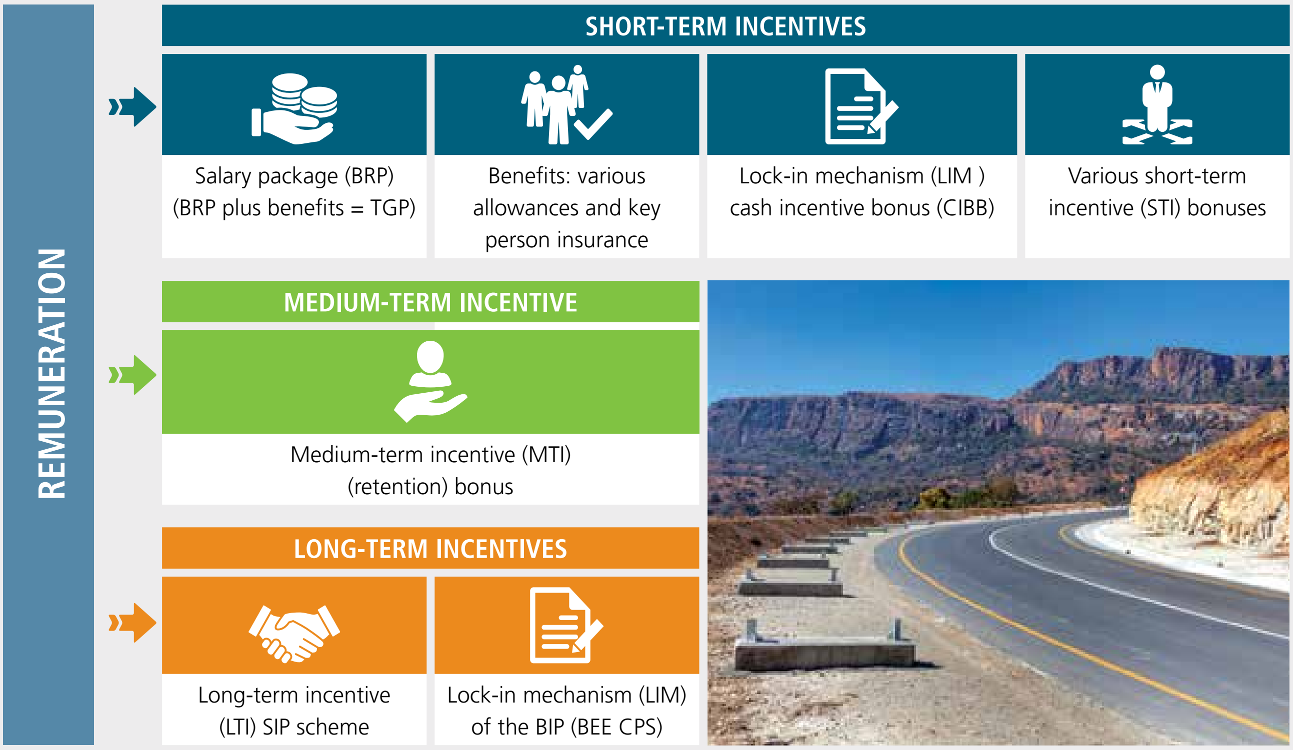
During the year PwC was engaged to conduct a total remuneration benchmarking exercise for executive directors. The committee is satisfied that they acted independently and objectively.

Overview of the elements of remuneration

Remuneration in the group takes the form of:

1. fixed pay (including those of the executive directors) which incorporates basic remuneration pay (BRP) including death, disability, medical aid, pension contribution benefits and key persons' insurance, which in total is referred to as the total guaranteed package (TGP);

2. in addition, various allowances and benefits are paid;
3. various short-term incentive bonus (STI) schemes depending on the grade of the employee;
4. a medium-term incentive (MIT) retention bonus to retain key staff;
5. a long-term incentive (LTI), which is the share incentive plan (SIP), comprising annual awards of performance shares and retention shares vesting after a three-year rolling period, that are offered to senior employees annually;
6. a lock-in and incentive mechanism (LIM) consisting of two elements: the long-term BEE transaction incentive (BIP) and its once-off BEE conditional performance shares (BEE CPS), which is incorporated in the SIP, and the short-term annually-measured cash incentive of the BEE transaction (CIBB). The BIP is a once-off reward, payable in 10 years from the inception of the LIM (i.e. in May 2015) contingent on the BIP performance condition being met, whilst the CIBB is an annual payout, measured annually until 2025, also contingent on certain conditions being met. The said conditions are explained in this report under the LIM section;
7. employee (worker) participation schemes and bonuses.



Shareholder feedback

At least twice a year, the management of Northam has direct interactions with the major institutional shareholders of the group when any issues of concern can be raised. Representatives of the BEE investor Zambezi Platinum (RF) Ltd also sit on the board of Northam.

The remuneration policy resolution was approved at the Northam AGM held in November 2017 with a majority of 84.6% of votes cast in favour. A majority 86.8% voted in favour of the group's remuneration implementation report. Both votes were based on an 88.4% shareholder participation rate.

It is the view of the SE&HR that the remuneration policy of the group achieved its stated objectives. The committee seeks to ensure that the remuneration policy of the group supports the strategy of the group and that it is fair and transparent with responsible rewards for employees. In preparing this report the committee considered the provisions of King IV and the JSE Listings Requirements and has enhanced disclosure accordingly.

Ms TE Kgosi
Chairperson
30 August 2018

REMUNERATION REPORT CONTINUED

REMUNERATION POLICY

Fair and responsible remuneration

The objective of the remuneration policy is to reward all employees transparently, fairly and responsibly according to their duties and roles and in line with their individual contributions to the group's performance. The committee has undertaken all its duties throughout the financial year with a view to align strategy and performance measures to achieve the objectives of the group. The committee is satisfied that the group's remuneration pay structure discourages inappropriate risk-taking behaviour. The SE&HR committee is also responsible for guiding management on appropriate wage increase thresholds for union negotiations and for advice on the scale of fees to be paid to non-executive directors, which is submitted to shareholders for approval.

Wage and salary levels are determined in terms of the group's remuneration policy. Through fixed and variable remuneration, the group aims to attract, retain, incentivise and reward quality staff at all levels, particularly where scarce or critical skills are involved.

Pay must be linked to the group's performance generally and the TGP set in line with the level of mining industry remuneration, benchmarked every two years. A benchmark update was performed for executive salaries during the current financial year against Northam's peer group.

The remuneration policy is designed to support the group's strategic goals in a way that aligns the interests of employees, managers and executives with those of shareholders and all other stakeholders.

The remuneration policy 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. The policy is underpinned by the following key principles:

A regular review of working conditions, salaries and wages throughout the group	Compliance with all statutory and regulatory requirements and a commitment to applying best practice guidelines in all aspects of remuneration and benefits	Attracting and retaining core skills, such as artisans, engineers and management	Offering remuneration packages that are competitive, fair, and reasonable in all respects and at all levels	Appropriate performance targets designed to achieve the strategy and objectives of the group

Employees covered by collective bargaining arrangements

Going forward, Northam will negotiate wages per mine site with the recognised union or unions on that site. More than 90% of Zondereinde employees are contributing members of the NUM – primarily in the category 2 to 10 bargaining units. Their wage or salary levels, annual increases, allowances and benefit packages are therefore negotiated on a collective basis.

At Booysendal, which was formerly a contractor-operated mine and is now owner-operated (see page 66 of this report), the former representative union at Booysendal, AMCU, has approached the company for recognition. The company is in the process of engaging with AMCU to verify union membership prior to granting recognition and organisational rights.

Permanent employees at Booysendal now comprise 47% of the workforce, from a previous 5%.

When called upon, Northam also engages with other unions or leaders of a section of employees representing smaller groups of employees. The group's labour relations policies provide for organisational rights to any union which meets a 15% representation threshold within a bargaining unit. When a registered union reaches a representative threshold of 33.3% within a bargaining unit, it acquires the right to bargain for that particular unit. Northam's objective is to engage in good faith in order to reach agreement on matters such as wages, substantive conditions of service and other matters of mutual interest. The group strives for a fair living wage for all employees.

In addition to their wages, employees earn various forms of safety and production bonuses to incentivise performance. A support and wellness programme is also in place and an active, affordable housing programme, subsidised by Northam, exists to assist employees to purchase their own homes. Debt reduction assistance is rendered especially to employees who want to buy houses. Northam also provides free antiretroviral medication to HIV-infected employees.

Executive directors and non-unionised staff

Executive directors (executives) and members of management staff are employed in terms of their contracts of employment and the remuneration and benefit schemes and practices applicable to their job grades. Employment contracts are concluded on a permanent basis as a general principle (i.e. for an indefinite period), except where fixed-term or short-term temporary contracts are required for specific projects. Salaries are reviewed annually, effective 1 July, except on promotion of individuals in which case they may be implemented during the year. Salary increases are determined individually, according to individual performance, retention and market-matching criteria.

All non-unionised staff, managers and executives have detailed job profiles which stipulate the key performance areas of their positions. These serve as the basis for performance assessment and measurement and performance-linked salary increases and bonuses.

Executive directors' service contracts

The chief executive, Mr PA Dunne, has a service contract with the company which is subject to a notice period of one year. The chief financial officer, Mr AZ Khumalo has a service contract with the company which is subject to a notice period of three months. See change of control and termination conditions below.

Change of control and termination conditions

In the event of a change of control of the business (as defined in the Companies Act 71 of 2008 and the Companies Regulations and any amendments thereto) executive directors will receive payouts due to them within 12 months of the effective date of such change of control. In terms of their contracts they shall be entitled to the following:

- lump sum compensating payment equal to twice the then TGP;
- the average of the short-term incentive bonuses paid by the group during the previous two years (i.e. two years of STI bonuses paid divided by two);
- a *pro rata* portion of the bonus incentive earned in respect of the prevailing financial year; and
- any other contractual benefits due. See termination of employment conditions applicable to the BEE transaction incentive below.

In the event that Northam undergoes a change of control, all the BEE CPS shares that have not vested will be treated in the same manner as other SIP conditional shares and vest in full at that time irrespective of whether the BIP performance condition has been met or not. This is consistent with the existing SIP rules.

On resignation or termination of employment, the leave pay benefit is paid in accordance with the leave pay policy. On retirement, at age 60, all due benefits such as pension, leave pay, booked bonuses and share awards are paid out according to the rules within three months of retirement. On early retirement, as with retirement, all due benefits are paid out, apart from the bonus and shares awarded which are apportioned based on the number of years left until normal retirement.

Termination of employment notice periods are typically one month but for critical positions this may be extended by mutual agreement to a maximum period of 12 months.

In the case of retrenchment, the group's policy at all job levels is to pay the contractual notice period (if not worked) and severance pay in line with legislation (the Basic Conditions of Employment Act), being one week's remuneration per completed year of service with the group. Severance payments upon termination of service are governed by legislation, agreements with unions, individual contract and/or group policy and practice.

No provision is made for special retirement benefits for group employees other than the standard benefits in terms of the group's recognised retirement funds, with the exception of employees in Category 9 and above, who were in service with the group on 31 December 1998. In respect of these employees, a contribution

REMUNERATION REPORT CONTINUED

is made to a post-retirement provident fund to cover post-retirement health care. These contributions cease when the employee leaves the service of the group. All components of the group's remuneration system are subject to regular internal and external audits, as well as routine monitoring by the South African Revenue Services. The committee is satisfied that the group is compliant with all pertinent regulations.

Termination of employment conditions applicable to the BIP (BEE CPS) shares

In order to retain key management, BEE CPS will lapse if a participant leaves the employ of the group before the vesting date unless his/her employment is terminated by reason of a no fault termination or early retirement.

No fault termination includes, *inter alia*, termination of employment by reason of a participant's death, retrenchment, retirement, ill health, injury, disability or any reason that is not a fault termination. A fault termination comprises termination of employment by reason of, *inter alia*, resignation or dismissal.

In the event that a participant leaves the employ of the group by reason of no fault termination or early retirement before the vesting date, and such date is:

- prior to 18 May 2020, the BEE CPS which have not vested will lapse immediately; or
- after 18 May 2020, the participants will retain a proportionate amount of their BEE CPS which have not vested, calculated by reference to what proportion of the period from 18 May 2020 to 18 May 2025 has elapsed prior to the termination of employment.

This provision is further illustrated in the table below:

Termination of employment between years:	% of BEE CPS retained
0 – 6	0
6 – 7	20
7 – 8	40
8 – 9	60
9 -10	80
10 (Full service period during lock-in period)	100

BEE CPS retained in these instances will remain subject to the BIP performance condition and will only vest and be settled on the vesting date, together with BEE CPS held by other participants. In the event that a participant's employment is terminated as a result of death, injury or ill-health, and if the committee is of the reasonable opinion that the BIP performance condition is likely to be fulfilled, it may, in exceptional circumstances, allow that participant's BEE CPS to vest and be settled immediately.

The rationale for retention by a participant of a portion of their BEE CPS after year 6 is that the key strategic decisions and actions affecting the value of a share over the BIP performance period are likely to be made during the first five years of this 10-year period. Thereafter, value delivery will depend upon, amongst other factors, the successful execution of such decisions as planned. Accordingly, it is deemed appropriate to allow for continued participation post year 5, notwithstanding termination of employment.

In the event that a participant leaves the employ of the group before the vesting date by reason of fault termination, that participant's BEE CPS that have not vested will lapse.

External directorships

Directors of the group are required to consult with the chairman of the board and the chief executive should they wish to hold external directorships in other companies.

Details of pay increases in F2019

In F2019, senior management including executive directors, have been offered a basic increase rate of 4% per annum, with an additional performance merit element of up to a maximum of 1%. The low increase is in recognition of the difficult times that the PGM mining industry is in.

At Zondereinde, a new wage agreement is being negotiated for pay increases from 1 July 2018 for F2019 and beyond. For the period 1 July 2018 to 30 June 2019, Booysendal employees were granted an average wage increase of 8% in May 2018, when their status changed in line with the transition to an owner-operated mine model.

TOTAL REWARD COMPOSITION – F2019

Fixed remuneration: total guaranteed pay (TGP) and basic remuneration package (BRP)

Features of remuneration practices

Northam's objective is to provide a market-competitive basic salary. This includes a compulsory medical aid and retirement fund contribution. Various fixed and variable allowances are paid at certain job/grade levels or job categories. The Paterson job grading system is used to determine employee grades. The committee is entitled to consult independent and objective remuneration experts as circumstances dictate. In F2018, a third party consultancy was engaged to update and conduct a total remuneration benchmarking exercise on executive salaries.

Salary scales and employee benefits are benchmarked against mining industry standards and are reviewed annually. The mid-points of the group's salary scales are compared with industry percentiles and adjusted annually, in line with the changing size, structure, financial performance and general circumstances of the group over time.

The group's salary scales have a range which allows for an overlap on scales between grade ranges to allow for the appropriate positioning of individuals according to qualifications, experience, performance, growth, development and market imperatives. However, in a competitive market where skills are scarce, market comparisons may result in pay amounts above the range being considered and paid.

Employees are paid market-related salary packages on a cost to company basis which represents their TGP. The more common measure of pay which is used within the group is the basic remuneration package (BRP) basic pay and allowances. When the BRP is added together with benefits such as the company's pension contribution on behalf of the employee, the result is the TGP. Increases in pay take account of the group's economic performance, the prevailing inflation rate and may include a merit component which was no more than 1% over and above the basic increase.

VARIABLE REMUNERATION

Short-term incentives (STI)

Employee annual bonus schemes

The group has a variety of bonus schemes for employees. Bonuses are not guaranteed and are based on formulae, which are approved by management and are designed to incentivise employees in line with the group's strategic objectives. Executive directors and senior management may earn a bonus based on the extent to which they have achieved the targets and objectives set for them by the committee and/or the board of directors. Bonuses are payable twice a year.

Senior officials' annual performance bonus scheme

The SE&HR committee determines the performance targets and objectives of the chief executive and the chief financial officer, conducts their performance assessments and these determine the quantum of their performance bonus. The chief executive has input into the evaluation of the chief financial officer.

The chief executive and the SE&HR committee determine the performance targets and objectives of other senior managers. Together with their performance assessments, these determine the quantum of performance bonuses.

Bonuses are paid subject to the achievement of targets, and an individual's performance rating assessed by the person they report to, based on certain key performance indicators or areas. Bonus amounts vary as they are also based on the relative grades and BRPs of executive directors and senior officials.

Further details of the executive directors' and senior officials' bonus scheme

Committee approved formula	Achievement (excess or shortfall of actual over target), rated in terms of achievement factors (i.e. below 90% achievement = zero achievement factor and above 110% = 125% achievement factor) by (x) weighting of key performance area (scoring) x BRP x weighting per mine Zondereinde and Booysendal, (both mines carrying a weighting of 50% for the executive directors). This is calculated half yearly and per annum.
Payment frequency	Bonuses are paid twice annually based on the actual results achieved for each of the six-month periods ending December and June. 75% of the calculated six-months period bonus is paid (for the first six-month period) with the final 25% being calculated on the results of the full year.
Performance area factors	These are set during the financial year by the committee and the board. These are all factors within the control of management such as safety, costs and production volumes. Corporate office (including executive directors) and group services' bonuses are paid based on the average performance of the two operating mines, Zondereinde and Booysendal.
Minimum and maximum possible bonus opportunity	Minimum can be zero and the maximum 125% of BRP. As follows:
Proposed changes for F2019	For the Booysendal mine only, the weighting of targets has changed compared to F2018 in line with the continued development of Booysendal South. There are no changes in the weighting of Zondereinde targets.
SE&HR committee discretion	In consultation with the board and the chief executive, the committee may vary both the formula and targets prospectively.

Percentage of target achieved	Percentage of BRP paid
Less than 90	Nil
90	5
91 – 100	10 – 100
101 – 109	105 – 124
110 and over	125

REMUNERATION REPORT CONTINUED

Short-term cash incentive bonus in respect of the BEE transaction (CIBB)

Details are provided under the section below dealing with the BEE transaction.

Medium-term incentives (MTI)

Retention bonus

The bonus is designed to retain skills within the group. Accordingly, any employee who is discharged or resigns before such bonus becomes payable, forfeits the total amount accumulated.

An amount equal to 20% of the annual BRP is accumulated monthly over 12 months and paid two years after the accumulation year in terms of this scheme. On retirement or retrenchment all accumulated bonuses are payable to employees. Employees taking early retirement or employees who are retrenched will receive this bonus on a proportional basis (*pro rata*), according to the number of months in service, in line with the same percentages as the SIP rules.

All officials within the D upper Paterson grading and higher, including executive directors, are eligible to participate in the scheme.

Long-term incentives (LTI)

Overview

The group operates the Northam share incentive plan (SIP or plan), which is the main long-term scheme currently, designed to motivate senior staff for best performance. In addition to the usual SIP annual awards, the plan also incorporates a long-term BEE transaction incentive plan (BIP), further details of which are set out in the 'lock-in and incentive mechanism' (LIM) section of this report below. The Northam share option scheme has been discontinued owing to its dilutive nature and share options issued before its discontinuance were allowed to run their course until October 2017. Details of the shares issued under the SIP and option scheme are disclosed in the table of outstanding and unvested awards on page 155.

Further details of the SIP

Introduced in 2011, the SIP was designed to attract, incentivise and retain skilled senior managers. The target employee group for the SIP includes all senior officials and executives in job grades D lower and above. The SE&HR committee is responsible for the approval of the number of annual awards based on an approved formula and the final allocation (vesting) of shares, as well as any changes to the SIP rules. Inputs of the formula include the group's share price and the vesting period of the shares. Both conditional retention shares (without performance conditions) and performance shares (with performance conditions) are awarded. Participants do not have to pay for any awards received under the SIP. Details of the shares issued under the SIP are more fully disclosed in the annual financial statements and directors' report but also in the table of outstanding and unvested awards on page 155.

Instruments used	• Conditional rights to shares awarded as : • Retention shares subject to continued employment only with no performance vesting conditions, vesting after a three-year period – no more than 25% of the total award comprises of retention shares. • Performance shares subject to continued employment and performance vesting conditions, vesting after a three-year period – at least 75% of the total award comprises performance shares. • Forfeitable shares (none issued to date).
Eligibility levels	Executive directors and all employees in Paterson D lower grade and above.
Performance area/factors and performance measurement	See tables on page 148 for typical factors and weightings combination of performance conditions, each factor weighted accordingly.
Vesting period	Three years for all instruments.
Company and individual limits of the SIP	Total company limit of approximately 19.9 million shares (which includes the 5 million shares available in terms of the BIP) and approximately 2.0 million shares per cycle for individuals. (Shares available for the SIP may not exceed 5% of the issued share capital of the company).
Minimum and maximum possible share payout (determined by ranking 1 to 4)	At minimum performance, the retention shares will still vest (as they have no performance conditions attached) and the maximum largely depends on operational performance of the company when targets are measured against the actual performance conditions set. The performance outcomes will determine the number of shares which will eventually be allocated (i.e. vest), (which are usually lower than those initially awarded because of the performance conditions test), as well as the share price when shares vest. On measurement of the achievement of these factors, each factor's achievement rank depends on the extent of achievement for each factor over the three-year rolling period, ranging from a ranking of 1 which represents a below 90% achievement of target, resulting in a zero allocation of shares to a ranking of 4, representing an achievement of over 105% of target, which equates to a share allocation of up to 135% of the original award. Each performance condition can achieve a ranking of 1 to 4 and the respective rankings together with the vesting percentages are as follows:

Achievement of target (%)	Ranking	Vesting allocation (%)
Below 90	1	0
Between 90 and 100	2	100
Between 100 and 105	3	125
Above 105	4	135

REMUNERATION REPORT CONTINUED

Lock-in and incentive mechanism (LIM) – incorporating the long-term 10-year once-off BIP (BEE CPS) and the short-term annual (CIBB) incentive

Salient features of the LIM

The implementation of the BEE transaction with Zambezi Platinum (RF) Limited (Zambezi Platinum) resulted in a variety of benefits for the group including compliance with required empowerment criteria in terms of the MPRDA and the Mining Charter. However, the guarantee provided by Northam to the holders of preference shares issued by Zambezi Platinum, may result in a decline in shareholder value through dilution for Northam shareholders. A number of shareholders expressed concerns regarding the risk that the guarantee holds for Northam and its shareholders, and recommended that the group appropriately incentivise management to mitigate this specific (guarantee liability) risk.

In response to the above, shareholders approved, and the SE&HR committee implemented, the LIM in 2016. The LIM appropriately addresses the long-term and short-term incentivisation of key management to consistently maintain the Northam share price above the related preference share liability value over the term of the BEE transaction. The performance conditions attached to benefits under the LIM are directly related to the terms of the BEE transaction and are intended to align the interest of the LIM participants directly with those of the company's shareholders.

Two separate mechanisms of the LIM are structured with specific reference to the terms of the BEE transaction and, more specifically, the potential guarantee liability. The BIP combination of the BEE CPS and CIBB provides the company with an effective mechanism for addressing the guarantee liability risk, motivating shareholder value creation over the long term and retaining essential skills in a competitive market.

Long-term BEE transaction incentive plan (BIP) incorporated into the SIP

The BIP is an incentive to be measured once off in May 2025, 10 years after the inception of the BEE transaction. The BIP was effected through the issue of the BEE CPS which were incorporated into the SIP, and it addresses the long-term incentivisation and retention of its participants by aligning their interests with shareholders regarding the BEE transaction, through equity participation.

Terms and conditions

The BIP (BEE CPS) is effected through the SIP as stated above. Subject to certain exceptions (stated under the vesting of the BIP shares below), and apart from the performance conditions, vesting period and termination of employment provisions, shares awarded in terms of the BIP (BEE conditional performance shares (BEE CPS)) are subject to the same terms and conditions as the 'conditional shares' under the current SIP rules.

Participants

The group limits participants in the BIP to the key members of Northam's current and future executive management team including the chief executive officer and the chief financial officer.

Number of shares allocated

In terms of the BIP, an aggregate of 4.1 million BEE CPS have been conditionally awarded to senior members of the management team, as follows:

LIM – BIP conditional rights to shares awarded to:	Number of BEE CPS awarded
Chief executive officer	1 500 000
Chief financial officer	700 000
Other participants (in aggregate)	1 900 000
Total	4 100 000
Number of Northam Platinum Limited shares in issue	509 781 212
% representation of issued stated capital shares	0.80

The aggregate number of BEE conditional awards represents less than 1% of Northam's current issued stated capital and may be settled in cash or shares at the election of the SE&HR committee which is responsible for administering the SIP.

Vesting of the long-term (10-year) once-off BIP (BEE CPS) shares

Vesting will be subject to the satisfaction of the performance condition that Zambezi Platinum:

- fully settles the redemption amount (preference share liability); and
- fully settles or makes adequate provision for all its 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 (BIP performance condition).

Vesting of BEE CPS will occur 30 business days after the date on which the BIP performance condition is fulfilled (which is expected to be 18 May 2025) or, in the event that vesting of the BEE CPS is accelerated in certain exceptional instances, as set out in the current rules in relation to conditional shares, including a change of control of Northam or an earlier date determined in accordance with the rules.

In the event that the BIP performance condition is not satisfied, the BEE CPS will not vest. If BEE CPS do not vest, they will not be settled and no value will accrue to participants.

Upon vesting, BEE CPS may be settled either through the issue of no more than the 5 million new shares or in cash at the election of the committee. If cash settlement is elected, the settlement amount will be established using the 60-day VWAP of a share calculated on the day preceding settlement.

In the event that the preference shares are redeemed before the expected redemption date (i.e. 18 May 2025) and if the BIP performance condition is satisfied at that time, the BEE CPS will vest on a *pro rata* basis relative to the number of years of the performance period that has been completed at that time. Those BEE CPS that do not vest in such circumstances will lapse.

Payout of the BEE CPS is contingent on a specific Northam share price, estimated at R199.00 per share at current prime interest rates, being reached by 25 May 2025 (when payout would be due), which would enable Zambezi Platinum to pay its full preference share related liabilities (the redemption amount). If the share price on 18 May 2025 is below that share price, there will be no payout in terms of the BIP. The Northam share price at 30 June 2018 was R36.68 per share.

The consequence of the estimated target share price of R199.00 not being reached in May 2025, is that shareholders of Northam would suffer dilution in value because Northam guarantees Zambezi Platinum's full preference shares liability.

These conditional rights to shares were issued at the request of shareholders specifically to encourage management to mitigate the possibility of shareholders suffering dilution in Northam.

Short-term cash incentive bonus in respect of the BEE transaction (CIBB)

Due to the exceptionally long term of the BEE CPS incentive (i.e. 10 years), the CIBB is a short-term incentivisation plan for management to continuously maintain the long-term objectives of the BIP. Importantly, the CIBB also acts as a strong retention tool by financially penalising CIBB recipients that leave the employ of the group.

The objective of the CIBB is intended to be both an incentive mechanism and a retention mechanism and further aligns management remuneration with the interests of Northam's shareholders in shorter-term annual intervals designed to keep the long-term goals of the BIP within reach.

Participants of the CIBB will include the participants of the BEE CPS and may include other employees of the group deemed to be critical to the group's operations and strategy from time to time. Management will be required to recommend additional participants, whose participation will be subject to approval by the SE&HR committee.

In terms of the CIBB, payments 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 group's financial results for each financial year (condition date).

Participants will receive, on an annual basis, 15% of their TGP remuneration excluding performance bonuses, if the value of a Northam share at the condition date (calculated as the 60 day VWAP of a share) is equal to or greater than the redemption amount of the preference share.

Furthermore, participants will receive, on an annual basis, an additional 15% of their TGP remuneration excluding performance bonuses, if the aggregate value of the shares held by Zambezi Platinum at the condition date (using the 60 day VWAP of a share) is sufficient to:

- fully settle the redemption amount; and
- fully settle or make adequate provision for all Zambezi Platinum's tax liabilities arising from settlement of the redemption amount, on the basis that no guarantee liability would arise and no member of the group will be required to provide any direct or indirect financial assistance for the purposes of or in connection with the settlement of the redemption amount.

This will effectively incentivise achievement of the CIBB performance conditions on an annual basis.

For the avoidance of doubt, no CIBB payment will be made unless the CIBB performance conditions are achieved in that year.

The CIBB will also act as a robust employee retention mechanism. In the event that a CIBB recipient leaves the employ of the group within 12 months of receiving a CIBB (restraint period) for reason of a fault termination, that person will be required to repay to 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 penalty intends to dissuade CIBB participants from leaving the employ of the group by financially penalising them if they leave.

The CIBB will be terminated upon settlement (or lapse) of the BIP shares (BEE CPS) which is expected to be in May 2025.

Illustrating the total reward composition

The total reward composition under three different performance scenarios and the mix thereof for executive directors, comprising the elements listed below, are as follows:

Fixed remuneration (TGP)

- Basic remuneration package (BRP) (salary)
- Allowances and benefits

REMUNERATION REPORT CONTINUED

The Northam share price at 30 June 2018 was

R36.68 per share

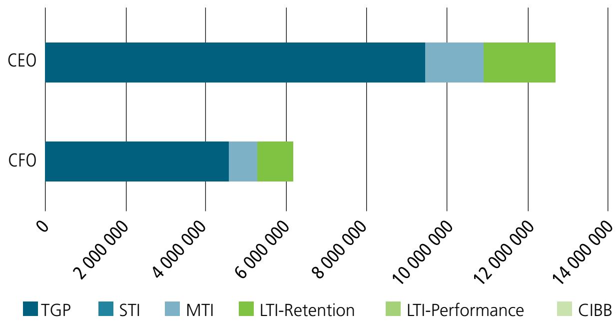
Variable remuneration

- STI performance bonus
- MTI retention bonus
- LTI SIP retention award
- LTI SIP performance award
- LIM CIBB payment

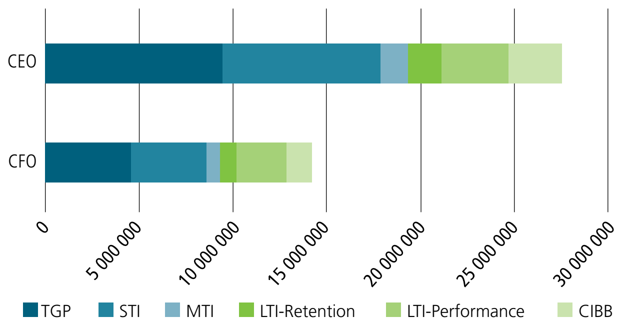
The BIP (BEE CPS) element is not annual remuneration but a once off 10-year instrument due in May 2025 and therefore it has been excluded from the graphs below.

Illustrative total reward composition or mix for executive directors

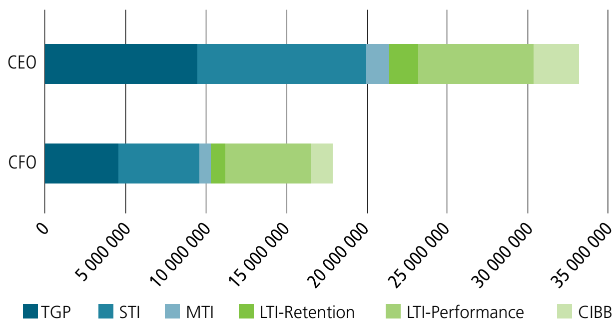
Threshold



Target



Maximum



Threshold – means minimum payment
Target – means if all the set targets are met
Maximum – means if all the set targets are exceeded

KEY PERFORMANCE TARGETS – SET FOR F2019

STI

Typically, the bonus scheme is based on a weighted combination of key performance areas and targets which are largely under the control of management. By offering bonuses, the committee intends to incentivise management in areas/targets that they are able to influence. In this way, management is encouraged to manage the group to achieve best performance for the benefit of stakeholders. These targets are usually a weighted combination of safety performance, linear metres achieved, square metres achieved, total tonnes milled, recoverable metals produced, unit cash or total costs, and personal performance which includes transformation (referring to social employment quotas/criteria that must be met in terms of employment legislation in South Africa).

The following key performance targets have been set for the STI bonus scheme for the F2019 year:

Zondereinde	Unit	F2018 weighting	F2019 weighting
		%	%
Safety	LTIIR	30	30
Linear metres	m	10	10
Square metres	m^2	10	10
Total tonnes milled	tonnes	10	10
Recoverable metals	kg	15	15
Total cash costs	R000	15	15
Personal performance	rating	10	10
Net weighting percentage		100	100

Booysendal	Unit	F2018 weighting	F2019 weighting
		%	%
Safety	LTIIR	20	20
Square metres	m^2	30	25
Capital development: Booysendal South	m	10	15
Total tonnes milled	tonnes	10	10
Total concentrator metals produced	tonnes	10	10
Total cash costs	R000	10	10
Personal performance	rating	10	10
Net weighting percentage		100	100

The reason for the change in the weightings of the Booysendal key performance targets relates to the development of Booysendal South. Project execution will be key and it is therefore important that management is assessed based on the development at Booysendal South. Executive directors' performance is assessed on the basis of the results of equal weighting from the performance of each mine.

REMUNERATION REPORT CONTINUED

LTI SIP

The following performance conditions (targets) have been approved to apply to the LTI SIP scheme for the three-year rolling period F2018, F2019 and F2020, set in November 2017.

Zondereinde

Factor	Target/criteria	Weighting %
Safety	An improvement of 10% on the previous financial year's safety record. (Only safety is measured over one year)	30
Estimated recoverable metals	Achieving the budgeted metal production	30
Unit cash costs	Achieving the budgeted unit costs	20
Absolute total shareholder return	Exceed the weighted average cost of capital of the platinum industry	10
Relative shareholder return	Exceeding the platinum index return on the JSE on an absolute basis	10
Total		100

Booysendal

Factor	Target/criteria	Weighting %
Safety	An improvement of 10% on the previous financial year's safety record. (Only safety is measured over one year)	25
Estimated recoverable metals	Achieving the budgeted metal production	35
Unit cash costs	Achieving the budgeted unit costs	20
Absolute total shareholder return	Exceed the weighted average cost of capital of the platinum industry	10
Relative shareholder return	Exceeding the platinum index return on the JSE on an absolute basis	10
Total		100

Exceeding the proposed performance criteria requires considerable effort, and has a direct impact on the profitability of the group.

Measurement of 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	% share to be awarded
Achieve an aggregate score of less than 90%	Nil
Achieve between 90% – 100% of target	100
Achieve between 100% – 105%	125
Achieve in excess of 105%	135

An achievement of less than 90% of target results in no shares being allocated (i.e. vesting) at all. Every year the committee, with the assistance of management, assesses the allocation of conditional performance shares per employee. Executive directors' performance is assessed on the basis of results of equal weighting from the performance of each mine.

EMPLOYEE PARTICIPATION SCHEMES

Toro Employee Empowerment Trust

The group operates an employee profit share scheme for eligible employees at the Zondereinde mine in terms of which 4% of the Zondereinde after-tax profits are contributed to a registered trust fund (The Toro Employee Empowerment Fund (Toro Trust)). Eligible employees receive payment at the end of each five-year cycle, the first payments were made in F2013 and the next is expected before the end of calendar year 2018.

A new agreement was concluded in May 2018 between the National Union of Mineworkers and Northam regarding the Toro Trust contributions. Under the new agreement, contributions to the Toro Trust by Northam have been extended for the life of mine and a minimum of R15 000 payout guaranteed per Zondereinde mine employee every five years.

BEE shareholding in Northam

Employees and communities are participants in the BEE transaction approved in F2015 in terms of which communities hold 5% of Northam shares and eligible group employees (excluding management) own 3% of Northam (this is in addition to the 4% share of Zondereinde after-tax profits for Zondereinde employees, contributed to the Toro Trust).

NON-EXECUTIVE DIRECTORS (NEDs) FEES

The group seeks NEDs that have the necessary experience and skill to enable it to deliver the objectives of the group strategy. South African mining experience and corporate and financial skills and experience are especially sought. NED remuneration therefore seeks to attract and retain directors with such experience and expertise that can add value to the group's strategic direction and business activity.

The committee seeks to align NED fees with the median of an appropriate peer group and reviews its fee structure bi-annually. NEDs do not participate in any of the STI, MTI or LTI plans of the group. Some of the NEDs are shareholders of the group through Zambezi Platinum. There is no loss of office payments policy in place and NEDs are expected to comply with all King IV and Company's Act 71 of 2008 as amended requirements.

A performance review of the board is undertaken with the assistance of an appropriate third party once every three years. NEDs are paid quarterly based on annual fees which are determined by the number of meetings held by the board and its sub-committees.

Shareholders are referred to the notice of AGM for details of the proposed F2019 NED fees which will be submitted for approval by shareholders at the November 2018 AGM.

Non-binding advisory vote

The remuneration policy will be put forward for a non-binding advisory vote at the shareholders' AGM dated 6 November 2018.

IMPLEMENTATION REPORT – DETAILS OF F2018 REMUNERATION

The objective of the implementation report is to state the actual remuneration outcomes of the directors and employees. In line with the requirements of King IV, we have adopted the single figure of remuneration disclosure as well as the new format for the disclosure of long-term incentives. The directors' remuneration disclosure as required by the Companies Act 71 of 2008, is included in the directors' report, on page 180 of the annual financial statements.

Details of general pay increases and STIs in F2018 follow below:

- Zondereinde employees represented in collective bargaining structures received an average 9.2% annual wage increase implemented on 1 July 2017. This increase represents the last annual wage adjustment in terms of a three-year agreement signed with the National Union of Mineworkers (NUM) in 2015.
- The then contractor, Murray and Roberts had struck a three-year wage agreement that ended in April 2018 at Booysendal for what were then contractor employees.

The salary adjustments for executive directors and senior management for the F2018 financial year were implemented on 1 July 2017 with increases of 6% with an additional merit percentage of up to 2%.

REMUNERATION REPORT CONTINUED

Executive directors' remuneration context F2018

The average increase for the D-upper and above senior management levels, including the executive directors, was 7.1% per annum on TGP, effective 1 July 2017. Pay increases to executives and senior management took into account Northam's market capitalisation out-performance compared to its peers, which was driven by the acquisition of quality assets. The group's improved operating profit and positive normalised headline earnings, which is management's main measure of performance in a low-price environment, as well as personal performance, were also taken into account in determining the increases. The findings of the benchmark assessment, performed by remuneration consultants during the year, indicated that Northam executives were paid at a level between the median and upper quartile levels of the industry comparator group.

The STI performance bonus remuneration outcomes of F2018 were influenced by a combination of lower than expected (targeted) performance of the group businesses on linear metres mined, tonnes milled and cash costs, but on-target or better than expected performance on square metres, production volumes and personal performance. STI performance is assessed on the factors that are largely in management's control. MTI retention bonus payout awards were higher than the previous year due to the higher TGPs on which they are based; these can be expected to increase annually as TGP rises.

LTI payment outcomes, which are measured over a three-year rolling period, were characterised by lower than expected performance on safety, absolute total shareholder returns, but on-target or better performance on production, cash costs and relative shareholder returns. Payments were also higher for the executive directors largely on the basis of a higher share price of the Northam group. The share price was positively influenced by the quality acquisitions of the group which have the prospect of moving group unit costs down the PGM industry cost curve.

As in previous years there were no payments under the CIBB as share price thresholds were not met and the BIP (BEE CPS) is contingent on success in 10 years and therefore not annually measured or paid.

Directors' remuneration

The executive directors' remuneration for the year ended 30 June 2018 on a single figure basis (accrued) as recommended by King IV is as follows:

	BRP	Benefits*	STI performance bonus**	MTI retention bonus#	LTI reflected***	Single figure remuneration 30 June 2018	Single figure remuneration 30 June 2017
	R000	R000	R000	R000	R000	R000	R000
Executive							
PA Dunne	8 000	1 000	5 915	1 600	8 902	25 417	23 884
AZ Khumalo	3 830	518	2 832	766	4 261	12 207	11 719
	11 830	1 518	8 747	2 366	13 163	37 624	35 603

* *Mainly company pension contributions*

\# *MTI retention bonus accrued in F2018*

** *STI bonus in relation to F2018, part of it paid in F2019*

*** *Represents the quantity of LTI (SIP) shares awarded in November 2017, assuming 100% of the performance shares vest, multiplied by the closing share price at 30 June 2018*

No other individuals in the group are considered to be prescribed officers.

For remuneration actually paid (cash) in terms of the Companies Act 71 of 2008 as amended, see the directors' report on page 180.

Below is an analysis of non-executive fees in respect of board and board committee services for the 2018 financial year. Fees are determined on an annual basis and based on meetings attended.

	Board	Audit and risk committee	Health, safety and environ-mental committee	Investment committee	Social, ethics and human resources committee	Nominations committee	*Ad hoc* fees	30 June 2018 Total fees	30 June 2017
	R000	R000	R000	R000	R000	R000	R000	R000	
KB Mosehla	369	–	–	82	36	31	–	518	515
R Havenstein	350	148	135	93	–	77	–	803	825
DH Brown	198	96	–	73	–	–	–	367	–
CK Chabedi	307	–	101	82	101	–	–	591	624
HH Hickey	307	189	–	–	–	–	–	496	418
NY Jekwa	198	–	–	–	65	–	–	263	–
TE Kgosi	307	148	–	–	135	48	38	676	732
AR Martin	–	–	–	–	–	–	–	–	245
TI Mvusi	307	–	–	–	–	–	–	307	284
JG Smithies	307	–	65	–	–	–	–	372	164
PL Zim	142	–	–	–	–	17	–	159	409
	2 792	581	301	330	337	173	38	4 552	4 216

Details of the targets or factors used for the determination of the STI, MTI and LTI in F2018 are included below.

STI: executive directors' including senior management performance bonuses – F2018

The elements used to determine the bonus paid to senior management including executive directors were as follows for the year ended 30 June 2018:

Zondereinde	Unit	Weighting	Achievement actual vs target	Scoring of achievement	Weighted score
		%	%	%	%
Safety	LTIIR	30	111.6	125.0	37.5
Linear metres	m	10	71.2	0.0	0.00
Square metres	m^2	10	101.9	100.5	10.1
Total tonnes milled	tonnes	10	91.7	10.0	1.0
Recoverable metals	kg	15	103.6	113.5	17.0
Total cash costs	R000	15	94.3	36.3	5.4
Personal performance	rating	10	101.0	105.0	10.5
Net weighting percentage of BRP paid		100			81.5

REMUNERATION REPORT CONTINUED

Booysendal	Unit	Weighting	Achievement actual vs target	Scoring of achievement	Weighted score
		%	%	%	%
Safety	LTIIR	20	92.0	7.5	1.5
Total equivalent square metres	m^2	30	106.0	88.8	26.6
Capital development (Booysendal South)	m^2	10	74.0	51.9	5.2
Total tonnes milled	tonnes	10	102.0	113.5	11.4
Total concentrator metals produced	tonnes	10	97.0	96.3	9.6
Total cash costs	R000	10	94.0	15.0	1.5
Personal performance	rating	10	101.0	105.0	10.5
Net weighting percentage of BRP paid		100			66.3

Corporate office and group services staff (including executive directors)	%
Net equal weighting percentage (of Zondereinde and Booysendal) of BRP paid	73.9

The annual STI bonuses accrued as a percentage of the basic remuneration plus benefits to executive directors were as follows for 30 June 2018:

Directors	Bonus	BRP	Basic pay plus benefits	Bonus as % of BRP plus benefits (TGP)
	R000	R000	R000	%
PA Dunne	5 915	8 000	9 000	73.9
AZ Khumalo	2 832	3 830	4 348	73.9

MTI – retention bonus accruing to executive directors F2018

Designation	TGP	MTI retention bonus	% of BRP	% of TGP
	R000	R000	%	%
CEO	9 000	1 600	20	17.8
CFO	4 348	766	20	17.6
Total	13 348	2 366	20	17.7

The 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 pro-rated depending on which month the employee joined. However, in later years, the cycles are all uniform, starting on 1 July and ending 30 June for all employees, including executive directors. The calculation of the MTI retention bonus is described on page 142 of this remuneration report.

LTI SIP: awards granted November 2014 allocation, vesting November 2017 – F2018

The performance conditions used to determine the long-term incentive payout were as follows for the year ended 30 June 2018:

Zondereinde

Factor	Target/criteria	Weighting %
Safety	An improvement of 10% on the previous financial years safety record	25
Estimated recoverable metals	Achieving the budgeted metal production	25
Unit cash costs	Achieving the budgeted unit cost	20
Absolute total shareholder returns (group)	Cost of capital (15%) plus 2%	15
Relative total shareholder returns (group)	Exceeding the Platinum Index return on the JSE	15
Total		100

Booysendal

Factor	Target/criteria	Weighting %
Safety	An improvement of 10% on the previous financial year's safety record	20
Estimated recoverable metals	Achieving the budgeted metal production	30
Unit cash costs	Achieving the budgeted unit cost	20
Relative total shareholder returns (group)	Cost of capital (15%) plus 2%	15
Absolute total shareholder returns (group)	Exceeding the Platinum Index return on the JSE	15
Total		100

Actual achievements for the financial year F2018 are indicated below for both Zondereinde and Booysendal:

Zondereinde

Factor and year		Safety	Recoverable metals	Unit cash cost	Absolute returns	Relative return	Total
		%	%	%	%	%	%
Weighting		**25**	**25**	**20**	**15**	**15**	**100**
Achievement per factor F2015	Score	n/a	88	106	(12)	(43)	
Achievement per factor F2016	Score	n/a	97	91	7	(10)	
Achievement per factor F2017	Score	Yes	93	106	(6)	(25)	
Three year net results (excluding safety which is one year)		>105	93	101	(11)	62	
Ranking factor percentage (%)		135	100	125	–	135	
Percentage of shares to be paid/total (%)		33.8	25	25	–	20.3	104.1

REMUNERATION REPORT CONTINUED

Booysendal

Factor and year		Safety	Recoverable metals	Unit cash cost	Absolute return	Relative return*	Total
		%	%	%	%	%	%
Weighting		**20**	**30**	**20**	**15**	**15**	**100**
Achievement per factor F2015	Score	n/a	92	92	(12)	(43)	
Achievement per factor F2016	Score	n/a	103	93	7	10	
Achievement per factor F2017	Score	yes	108	98	(6)	(25)	
Three year net result (excluding safety which is one year)		>105	101	44	(11)	62	
Ranking factor percentage (%)		135	125	100	–	135	
Percentage of shares to be paid/total (%)		27	37.5	20	–	20.3	104.8

** This is the JSE platinum index's return which was a negative 62.2%, compared to Northam's negative 11.6%. Thus, Northam's performance beat the index.*

Corporate office and group services staff, including executive directors, are incentivised based on the average of the combined performance of Zondereinde and Booysendal. The percentage of shares to be paid was 104.4. Based on a decision taken by the SE&HR committee, however, 10% was deducted from this for the fatality the group suffered towards the end of F2017.

LTI SIP: awards granted to executive directors in November 2017 – F2018 (vesting in November 2020)

Every year in Northam LTI SIP shares are awarded to all employees at D lower grade and above. The awards (number of shares) made to the directors were as follows (and the performance conditions are set out on page 148 of this report).

Designation	Performance awards	Retention awards	Total awards	Value on award date*	% of TGP
	Shares	Shares	Shares	R000	%
CEO	137 000	46 200	183 200	8 902	98.9
CFO	65 600	22 100	87 700	4 261	98.0
Total	202 600	68 300	270 900	13 163	98.4

** Share price on award date multiplied by number of shares granted*

LIM short-term annual cash incentive linked to the BEE transaction – CIBB F2018

The requirements for the CIBB awards have not been met in F2018 and no payment was made to senior managers and executive directors in respect of F2018, as was the case for F2017.

Year	2018	2017
	R	R
60 day VWAP share price as at 30 June	36.35	46.47
Share price at year end	36.68	40.45
Preference share price at year end	59.00	54.85
Required share price for CIBB payment	61.40	54.01

Comprehensive table of long-term incentives - outstanding and unvested awards

In line with the requirements of King IV, full details of the shares granted, vested and realised regarding the executive directors during the financial year are set out below.

Analysis of long-term incentives held as at 30 June 2018:

PA Dunne	Value on award date	Vesting date	Opening number of shares	Granted during the year	Forfeited during the year	Vested/ exercised during the year	Closing number of shares	Value of receipts	Estimated closing fair value (using closing share price)#	Estimated closing fair value (using closing share price)
			1 July 17				30 June 18	30 June 18	30 June 18	30 June 17
	R000							R000	R000	R000
LTI retention shares										
4-Nov-14	1 305	4-Nov-15	37 900	–	–	(37 900)	–	1 986	–	1 537
11-Nov-15	1 452	11-Nov-18	48 700	–	–	–	48 700	–	1 786	1 970
8-Nov-16	2 060	8-Nov-19	42 900	–	–	–	42 900	–	1 574	1 735
2-Nov-17	2 245	2-Nov-20	–	46 200	–	–	46 200	–	1 695	–
	7 062		129 500	46 200	–	(37 900)	137 800	1 986	5 055	5 242
LTI performance shares										
4-Nov-14	3 870	4-Nov-15	112 400	–	(702)	(111 698)	–	5 853	–	4 547
11-Nov-15	4 309	11-Nov-18	144 500	–	–	–	144 500	–	5 300	5 845
8-Nov-16	6 108	8-Nov-19	127 200	–	–	–	127 200	–	4 666	5 145
2-Nov-17	6 657	2-Nov-20	–	137 000	–	–	137 000	–	5 025	–
	20 944		384 100	137 000	(702)	(111 698)	408 700	5 853	14 991	15 537
BIP (BEE CPS)*	–	25-May-25	1 500 000	–	–	–	1 500 000	–	55 020	60 675
	28 006		2 013 600	183 200	(702)	(149 598)	2 046 500	7 839	75 066	81 454

Accrued MTI retention bonuses amount to R1.5 million at year end (2017: R1.3 million) with an amount of R0.6 million paid during the current year.

Based on the closing number of shares multiplied by the closing share price of Northam at 30 June 2018, and assuming all performance shares will vest.

* *The mechanics of these 10-year BEE transaction incentive BIP (BEE CPS) shares are fully explained on page 144 of this report. The performance condition for these shares is based on an all or nothing contingency. At the estimated target Northam share price of R199.00 in May 2025, Zambezi Platinum would sell its shares in Northam and cover the full liability of its preference shares (the redemption amount). This would save Northam shareholders dilution of value, hence the incentive for management to perform by growing the business of Northam and thus its share price. In seven 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 R199.00 (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 award date. The BIP was approved by shareholders in 2016. The closing share price of Northam at 30 June 2018 was R36.68 per share.*

REMUNERATION REPORT CONTINUED

AZ Khumalo	Value on award date	Vesting date	Opening number of shares	Granted during the year	Forfeited during the year	Vested/ exercised during the year	Closing number of shares	Value of receipts	Estimated closing fair value (using closing share price)#	Estimated closing fair value (using closing share price)
			1 July 17				30 June 18	30 June 18	30 June 18	30 June 17
	R000							R000	R000	R000
Options										
12-Oct-10	2 911	12-Oct-17	62 500	–	–	(62 500)	–	233	–	142
Claw back rights options	98	12-Oct-17	2 450	–	–	(2 450)	–	25	–	12
	3 004		64 950	–	–	(64 950)	–	258	–	154
LTI retention shares										
4-Nov-14	1 305	4-Nov-15	37 900	–	(18 950)	(18 950)	–	993	–	1 533
11-Nov-15	1 452	11-Nov-18	48 700	–	(24 350)	–	24 350	–	893	1 970
8-Nov-16	1 004	8-Nov-19	20 900	–	–	–	20 900	–	767	845
2-Nov-17	1 074	2-Nov-20	–	22 100	–	–	22 100	–	811	–
	4 835		107 500	22 100	(43 300)	(18 950)	67 350	993	2 471	4 348
LTI performance shares										
4-Nov-14	3 870	4-Nov-15	112 400	–	(56 670)	(55 730)	–	2 926	–	4 547
11-Nov-15	4 309	11-Nov-18	144 500	–	(72 250)	–	72 250	–	2 650	5 845
8-Nov-16	2 977	8-Nov-19	62 000	–	–	–	62 000	–	2 274	2 508
2-Nov-17	3 187	2-Nov-20	–	65 600	–	–	65 600	–	2 406	–
	14 343		318 900	65 600	(128 920)	(55 730)	199 850	2 926	7 330	12 900
BIP (BEE CPS)*	–	25-May-25	700 000	–	–	–	700 000	–	25 676	28 315
	22 187		1 191 350	87 700	(172 220)	(139 630)	967 200	4 177	35 477	45 717

Accrued MTI retention bonuses amount to R1.5 million at year end (2017: R1.3 million) with an amount of R0.6 million paid during the current year.

Based on the closing number of shares multiplied by the closing share price of Northam at 30 June 2018, and assuming all performance shares will vest.

* *The mechanics of these 10-year BEE transaction incentive BIP (BEE CPS) shares are fully explained on page 144 of this report. The performance condition for these shares is based on an all or nothing contingency. At the estimated target Northam share price of R199.00 in May 2025, Zambezi Platinum would sell its shares in Northam and cover the full liability of its preference shares (the redemption amount). This would save Northam shareholders dilution of value, hence the incentive for management to perform by growing the business of Northam and thus its share price. In seven 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 R199.00 (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 award date. The BIP was approved by shareholders in 2016. The closing share price of Northam at 30 June 2018 was R36.68 per share.*

Non-binding advisory vote

The implementation report will be put forward for a non-binding advisory vote at the Shareholders' AGM dated 6 November 2018.

Approval

This remuneration report was approved by the board of directors of Northam on 30 August 2018.

INDEPENDENT ASSURANCE REPORT

Independent limited assurance report for selected key performance indicators in Northam Platinum Limited's annual integrated report for the year ended 30 June 2018

TO THE DIRECTORS 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 identified in the subject matter paragraph below, as presented in Northam Platinum Limited's (Northam) annual integrated report for the year ended 30 June 2018 (the report) is not prepared, in all material respects, in accordance with Northam's internally developed measurement and reporting criteria applied to prepare that information.*

** These criteria are available to report users on Northam's website www.northam.co.za*

Ernst & Young Inc. (EY) has undertaken a limited assurance engagement for the selected key performance indicators (KPIs) described below as presented in Northam's annual integrated report for the year ended 30 June 2018 (the report).

This engagement was conducted by a multidisciplinary team including environmental 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 listed below as presented in the report.

These selected KPIs, prepared and presented in accordance with Northam's internally defined measurement and reporting criteria (the measurement and reporting criteria), are marked with an 'LA' on the pages of the report where they appear.

The measurement and reporting criteria for these selected KPIs are available on the Northam website www.northam.co.za

Selected KPIs	Coverage
Percentage of historically disadvantaged South Africans (HDSAs) in management	Northam's wholly-owned operations
Percentage of women in core mining jobs	
Reportable injury incidence rate (RIIR)	
Lost-time injury incidence rate (LTIIR)	
Percentage of employees covered by collective bargaining agreements	
Number of strikes and lock-outs exceeding one week's duration, by operation	
GHG emissions (Scope 1 and 2)	
Percentage of water recycled at operations	
Significant environmental incidents	
SO_2 emissions	
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	

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.

Directors' responsibilities

You are responsible for the selection, preparation and presentation of the selected KPIs and related management disclosures in the report in accordance with the measurement and reporting criteria.

You are also responsible for determining the appropriateness of those 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.

Furthermore, you are responsible for the identification of Northam's stakeholders and stakeholder requirements, Northam's material issues, for commitments with respect to sustainability performance and also for the design, implementation and maintenance of adequate internal controls relevant to the preparation and presentation of the selected KPIs and related disclosures in the report, to ensure this information is reported 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 KPIs and related disclosures 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.

INDEPENDENT ASSURANCE REPORT CONTINUED

We have performed our 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 subject matter of our engagement as presented in the report, is 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 the 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 in the report.

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 engagement circumstances our procedures performed included:

- Reviewing Northam's activities, processes and documents at group-level that support the assertions and claims made in the report.
- Interviewing management and senior executives to obtain an understanding of the following matters relevant to the sustainability reporting process:
  - Governance and accountability of sustainability issues.
  - The process for determining materiality of sustainability issues.
  - Objectives and priorities for embedding and managing sustainability expectations and the progress against these.
  - The processes for reporting progress and providing internal assurance to management on sustainability issues.
  - The control environment and information systems relevant to preparing and presenting the selected KPIs and related disclosures in the report (but not for purposes of evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness).
- Performed analytical procedures to evaluate the relevant data generation and reporting processes against the measurement and reporting criteria.
- Inspecting supporting documentation on a sample basis, to corroborate the statements of management and senior executives in our interviews.
- Evaluating the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation and presentation the selected KPIs and related disclosures in the report.
- Evaluating whether the selected KPIs and related disclosures as presented in the report are consistent with our overall knowledge and experience of sustainability and carbon footprint performance management at Northam. This included challenging and reviewing the report to assess its content for coverage of material issues and consistency with observations made of processes and progress. As part of this, we sought supporting documentation for a sample of claims made in the report.

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 on whether the selected KPIs as presented in the report are prepared, in all material respects, in accordance with the measurement and reporting criteria.

Other matters

Information relating to prior reporting periods is not included in our engagement scope. 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 either to the selected KPIs and related disclosures contained in the report, or to our independent assurance report, which may occur subsequent to their initial date of presentation on the Northam website.

Restriction on use 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 directors 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 directors 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 annual integrated report for the year ending 30 June 2018, 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

5 September 2018

2018 KPIS IDENTIFIED FOR LIMITED ASSURANCE

Area of materiality	Key performance indicator	Relevant capital input, page reference and definition of KPI	Reporting criteria (GRI's G4 and other)
Maintaining legislative and regulatory compliance	Percentage of historically disadvantaged South Africans (HDSAs) in management	**H HUMAN CAPITAL – page 56** The total number of HDSA employees in management, including women (from junior management to top management), expressed as a percentage of the total number of employees (including indirect employees)	G4-LA12 and internally developed criteria
	Percentage of women in core mining jobs	**H HUMAN CAPITAL – page 57** The total number of women in mining as a percentage relative to the total number of employees	G4-LA12 and internally developed criteria
Continuing to improve the safety performance and the health and wellness of our workforce	Reportable injury incident rate (RIIR) and lost-time injury incident rate (LTIIR)	**H HUMAN CAPITAL – page 70** *Reportable injury or RI:* An injury which incapacitates the injured employee for a 14-day period, or an injury which results in the loss of a limb or part thereof or in a permanent disability. *RIIR:* The number of injuries multiplied by 200 000 and divided by the total number of hours worked. *Lost time injury or LTI:* An injury that prevents an employee from performing normal duties on the next scheduled shift. This includes reportable injuries. *LTIIR:* The number of LTIs multiplied by 200 000 and divided by the total number of hours worked.	G4-LA6 and internally developed criteria
Maintaining constructive communication channels with all our stakeholders	Percentage of employees covered by collective bargaining agreements	**H HUMAN CAPITAL – page 65** Proportion of employees at the operations covered by collective bargaining agreements as at the end of the reporting period, expressed as a percentage of the entire workforce	G4-LA4 and internally developed criteria
	Number of strikes and lock-outs exceeding one week's duration, by operation	**H HUMAN CAPITAL – page 66**	G4-MM4 and internally developed criteria

Area of materiality	Key performance indicator	Relevant capital input, page reference and definition of KPI	Reporting criteria (GRI's G4 and other)
Managing our environmental impact and conserving natural resources	Energy usage (direct and indirect) and GHG emissions (scope 1 and 2)	**N NATURAL CAPITAL – page 115** The sum of all energy inputs, self-generated and purchased. GHG emissions are the main cause of climate change and include carbon dioxide (CO_2), methane (CH4), nitrous oxide (N_2O), CFCs, HFCs and sulphur hexaflouride (SF6). GHG emissions are broken into direct and indirect emissions: **Direct emissions** Emissions from sources that are owned or controlled by Northam. **Indirect emissions** Emissions that result from the activities of Northam but are generated at sources owned or controlled by another organisation. In the context of this indicator, indirect emissions refer to GHG emissions from the generation of electricity, imported and consumed by Northam.	G4-EN3, EN4, EN15 and EN16 and internally developed criteria
	Percentage of water recycled at operations	**N NATURAL CAPITAL – page 113** The amount of water that is used for a second or more time in an operation, process or activity	G4-EN10 and internally developed criteria
	Significant environmental incidents	**N NATURAL CAPITAL – page 111** An incident which is a breach in legislation and causes serious medium-term environmental effects and adverse media attention	G4-EN10 and internally developed criteria
	SO_2 emissions	**N NATURAL CAPITAL – page 115**	G4-EN24 and internally developed criteria
	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	**N NATURAL CAPITAL – page 111**	G4-EN29 and internally developed criteria
Ensuring stakeholders benefit from the value generated by the company	SLP expenditure	**S SOCIAL CAPITAL – page 78 to 84** Expenditure associated with projects identified in the mines' social and labour plans	G4-EC1 and internally developed criteria
	Housing project	**H HUMAN CAPITAL – page 60** Total number of houses built and sold/handed over to employees, excluding those repurchased	G4-EC1 and internally developed criteria
	Payments to government (including royalties and taxes)	**F FINANCIAL CAPITAL – page 40 to 41**	G4-EC1 and internally developed criteria

REPORTING IN LINE WITH GRI

The GRI's G4 reporting guidelines were used in the preparation of this report.

GRI G4 places emphasis on the importance of materiality and improves the level of harmonisation with other reporting standards.

From F2019, Northam will compile its sustainability reporting criteria in accordance with GRI's G4 Sustainability Reporting Standards.

Ernst & Young Inc. was engaged to perform limited assurance services for selected sustainability reporting indicators (KPIs). These data indicators were selected for assurance on the basis of the company's assessment of the material issues and indicators that are most significant to the sustainability performance of the business.

Ernst & Young Inc.'s sustainability assurance statement can be found on page 158 of this report.

Data included within the assurance scope has been indicated in the GRI content index. The GRI content index may be found at http://northam.integrated-report.com/2018/governance/gri-reporting

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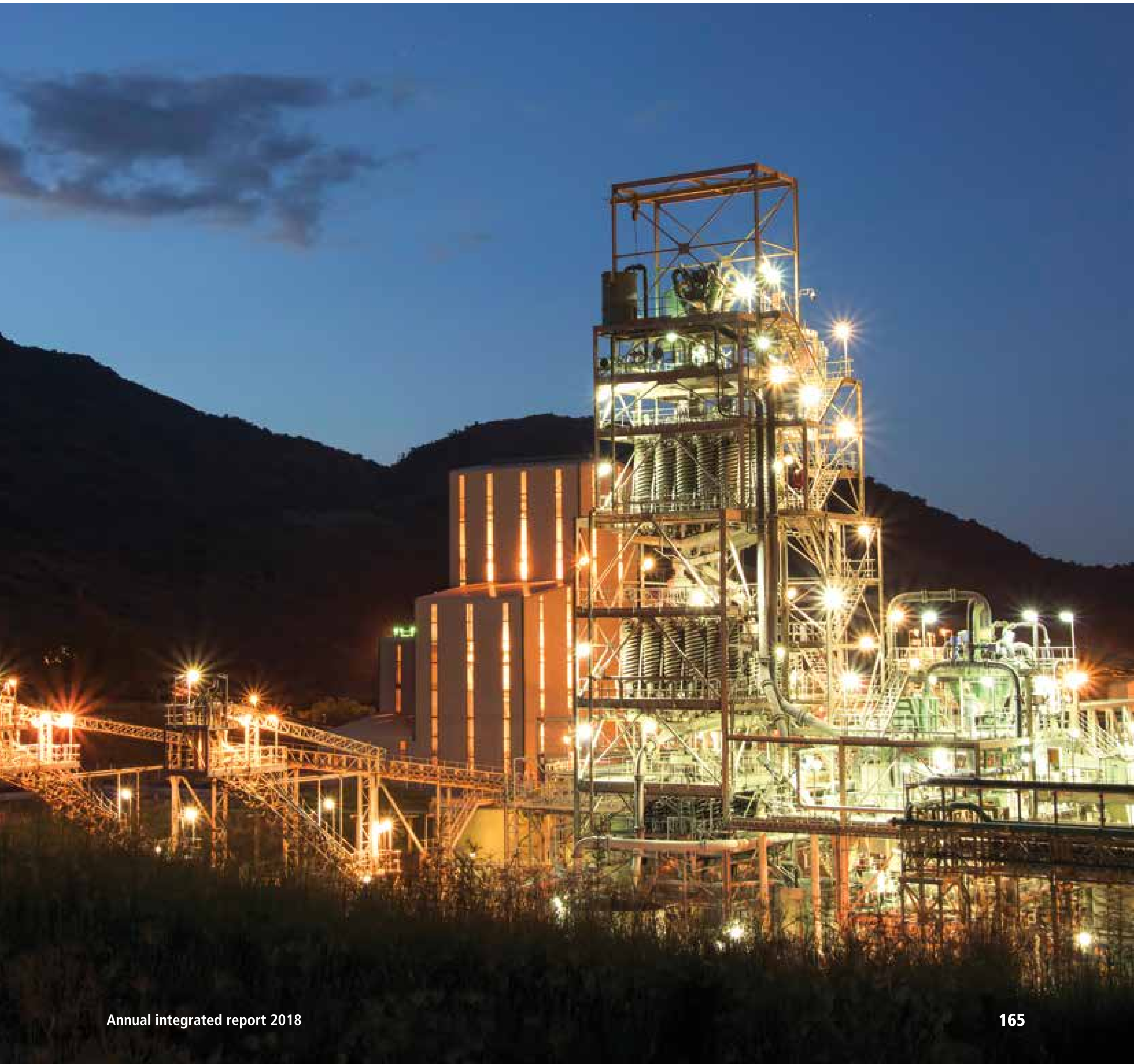

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Northam Platinum Limited

Report on the audit of the consolidated and separate financial statements for the year ended 30 June 2018

Opinion

We have audited the consolidated and separate financial statements of Northam Platinum Limited (the company) and its subsidiaries (the group) set out on pages 204 to 310, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing audits of Northam Platinum Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Northam Platinum Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The key audit matters apply equally to the audit of the consolidated and separate financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of non-financial assets</td></tr>
<tr><td>In the current financial year, a continued challenging market, low platinum basket price increases and a business imperative around cost containment necessitates an impairment assessment on long-lived assets. As part of this assessment there is continuous focus on the appropriateness of the assumptions used in life of mine planning.

The group determines the recoverable amount of non-financial assets at the higher of fair value less cost of disposal and value in use as follows:

• For reserves included in the life of mine plan – a discounted cash flow model approach is used; and
• For in-situ resources not included in the life of mine plan - using the comparable transaction approach and listed entity market capitalisation per platinum ounce for early stage platinum companies.

As detailed in note 4 of the annual financial statements, the assessment of the group's life of mine plans and any related impairment to the carrying value of mining assets requires significant estimation by management on key assumptions, which include future metal prices, exchange rates, ore reserves and production volumes, production cost, capital expenditure, inflation rates and discount rates.

The assessment of the recoverable amount of the Cash Generating Unit (CGU) required significant audit effort in the current year as it involves the evaluation of significant judgements about the future mine planning, capital expenditure and costs of mining for the CGU as well as various other assumptions that impact future cash flow forecasts.</td><td>Our procedures included, amongst others, the following:
• We performed procedures to update our understanding of the process which management follows to identify impairment indicators, as well as the conclusions reached.
• We evaluated management's assumptions used in the life of mine plans by comparing the assumptions made to historical data as well as data available in the market.
• We engaged with valuation experts to assess the assumptions with attention to the discount rate used, future metal prices, future exchange rates and expected inflation.
• We considered the reasonableness of management's ability to forecast by considering the historical accuracy of forecasts made.
• We recalculated the valuations made using sensitivity analysis, and assessed the accuracy of the valuation by agreeing inputs to underlying data sources and confirming that the formulas used in the valuation are correct.
• We inspected the disclosures made in the annual financial statements of the key assumptions made in performing the impairment assessment and compared it with the required disclosure requirements of IAS 36.
• We assessed the reasonableness of the CGUs determined by management in terms of IAS 36 through the identification of the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.</td></tr>
</table>

Physical quantities of inventory	
As discussed in note 16 in the annual financial statements, the group and company account for the four main platinum group metals - being platinum, palladium, rhodium and gold (4E) – as joint products. Metal inventory is held in a wide variety of forms across the mining and refining processes, and is only physically separated at the very end of the refining process. Therefore physical quantities of metal inventory are determined by: • sampling and assays of the material in process; • the historical head grade achieved per mine; • various recovery factors at different stages in the process; and • determination of the split of metals in such material. The volume of material can vary significantly in different measuring points in the pipeline and the impact of head grade changes can be material - as such the quantum of metal inventory requires significant estimation in its determination. There is an increased volume of inventory held largely as a result of the commissioning of a new smelter during the course of this financial year. As a result, this was a key area of audit focus in the current year.	Our procedures included, amongst others, the following: • We performed procedures to update our understanding of the process which management follows to quantify inventory held. • Observation of physical inventory counts by both management specialists and management. • We obtained external reports from management specialists, including metallurgists and surveyors, and agreed the quantities reported at 30 June 2018 to the accounting records, and recalculated the calculations for accuracy. • We evaluated the competence, capabilities and objectivity of management's specialists. • We assessed the conversion factors used to estimate the material measured to contained metal in relation to historical achievements.

Other information

The directors are responsible for the other information. The other information comprises additional information included in the annual integrated report, which includes, but is not limited to the directors' report, the audit and risk committee's report and the approval and company secretary's confirmation as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the annual integrated report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual integrated report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc., has been the auditor of Northam Platinum Limited for 34 years.

Ernst & Young Inc.
Director: Ebrahim Dhorat
Chartered accountant (CA)
Registered auditor
30 August 2018
102 Rivonia, Sandton,
Johannesburg, South Africa

DIRECTORS' REPORT

The directors have pleasure in presenting the annual financial statements of Northam Platinum Limited and the group for the year ended 30 June 2018. In the context of the financial statements, the term group refers to the company, its subsidiaries, associates and joint ventures.

Financial results

The company and group financial results are included in this report. These annual financial statements have been prepared using appropriate accounting policies, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act 71 of 2008 (the Companies Act) and the JSE Limited (JSE) listings requirements and include amounts based on judgements and estimates made by management.

The statements of financial position, statements of profit or loss and other comprehensive income, statements of cash flow, statements of changes in equity and notes to the annual financial statements reflect the financial results and position of the company and the group as at 30 June 2018.

These financial results are available on our website, www.northam.co.za.

Nature of business

Northam Platinum Limited (Northam), is a public company incorporated in South Africa, and a leading producer of platinum group metals (PGMs). Northam is listed on the JSE, trading under the equity issuer share code NHM, ISIN code ZAE000030912 and in respect of the domestic medium term note (DMTN) programme, under the debt issuer code NHMI with the bond codes NHM002 ISIN code ZAG000129024, NHM003 ISIN code ZAG000129032, NHM004 ISIN code ZAG000150764 and NHM005 ISIN code ZAG000151242.

Northam is an independent, fully-empowered, integrated PGM producer with two primary operating assets, Zondereinde and Booysendal mines in the South African Bushveld Complex. During the year, a third operation, Eland Platinum mine, was acquired and all associated conditions precedent were finalised together with the acquisition of recycling assets in Pennsylvania, United States of America, both of which are currently on care and maintenance.

In addition, the purchase of the Western extension (formerly the Tumela block) from Anglo American Platinum Limited was also finalised which has increased the life of mine of the Zondereinde mine considerably.

Also refer to the mineral resources and mineral reserve statement included in the annual integrated report detailing the impact of these additions on the groups mineral resources and mineral reserves.

Mining licences

Below are details of the various mining licences held by the group. Please also refer to the mineral resource and mineral reserve statement included in the annual integrated report for further details:

Booysendal mine

Booysendal Platinum Proprietary Limited is a wholly-owned subsidiary of Northam, and holds two new order mining rights for the Booysendal mine which covers an area of approximately 18 035 hectares on the farms Booysendal 43 JT, Buttonshope 51 JT, Der Brochen 7 JT, Draaikraal 48 JT, Hebron 5 JT, Hermansdal 3 JT, Kliprivier 73 JT, Pietersburg 44 JT, Uysedoorns 47 JT, Johannesberg 45 JT, Sheeprun 50 JT, Sheeprun 179 JT, Sterkfontein 52 JT, De Kafferskraal 53 JT, Hoogland 38 JT and Sterkfontein 749 JT.

The Buttonshope property is currently being transferred to the Buttonshope Conservancy Trust.

Zondereinde mine

Northam holds two new order mining rights in respect of the Zondereinde mine covering an area of approximately 9 263 hectares on the farms Aapieskraal 377 KQ, Amandelbult 383 KQ, Elandsfontein 386 KQ, Gouvernements Plaats 417 KQ, Grootkuil 376 KQ, Kopje Alleen 422 KQ, Middeldrift 379 KQ, Moddergat 389 KQ, Savannah Rose 826 KQ, Vrugbaar 381 KQ, Vrugbaar 387 KQ, Witvley 423 KQ and Zondereinde 384 KQ.

Eland mine

Eland Platinum Proprietary Limited holds two mining rights over three properties covering an area of approximately 3 563 hectares on the farms Elandsfontein 440 JQ, Schietfontein 437 JQ and Zilkaatsnek 439 JQ.

Associates and joint ventures

The group has an interest in the following associates and joint ventures:

Dwaalkop joint venture

The Dwaalkop joint venture is a joint venture between Mvelaphanda Resources Proprietary Limited, a wholly-owned subsidiary of Northam owning 50% and Western Platinum Proprietary Limited, a subsidiary of Lonmin plc (Lonmin), owning the other 50% with the joint venture being managed by Lonmin. The Dwaalkop asset is currently not being mined; however exploration is conducted on the property by Lonmin.

Pandora joint venture

Northam entered into an agreement to sell its 7.5% stake in the Pandora joint venture to Lonmin's Eastern Platinum Limited for a cash consideration of R45.6 million on 13 May 2017.

The investment in the Pandora joint venture was classified as a non-current asset held for sale effective 1 July 2016.

IAS 28 requires that an entity applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operation to an investment in an associate or joint venture that meets the criteria to be classified as held for sale. Per the requirements included in IFRS 5, an investor discontinues the use of the equity method from the date that the investment is classified as held for sale, and instead, the associate or joint venture is then measured at the lower of its carrying amount and fair value less cost to sell.

As part of the agreement with Lonmin's Eastern Platinum Limited, the amount of any cash calls paid by Northam to the Pandora joint venture during the period 1 January 2017 to completion of the transaction, had to be refunded, provided that such cash calls did not exceed an amount of R50.0 million.

The transaction became unconditional on 30 November 2017 and the cash consideration and cash calls amounting to R5.0 million were received from Lonmin.

SSG Holdings Proprietary Limited

SSG Holdings Proprietary Limited provides security services to all of the group's operations.

Northam holds 30% of the issued share capital of SSG Holdings Proprietary Limited through a wholly-owned subsidiary, Mining Technical Services Proprietary Limited.

Refer to the note 5 of the financial statements for details of these investments.

Subsidiary companies

Details regarding the related parties are provided in the annual financial statements, refer to note 45.

Stated capital

There were no changes during the current financial year to the authorised or issued stated capital of the company. The authorised stated capital of the company as at 30 June 2018 amounted to 2 000 000 000 shares (2017: 2 000 000 000 shares) at no par value. The issued stated capital of the company remained unchanged at 509 781 212 shares.

In terms of the Northam black economic empowerment transaction (BEE transaction) 112 195 122 shares, equivalent to 22.0% of Northam's issued stated capital, were allotted and issued to Zambezi Platinum (RF) Limited in May 2015. Zambezi Platinum (RF) Limited holds 159 905 453 Northam shares in total representing 31.4% of the total issued shares. As Zambezi Platinum (RF) Limited is consolidated in Northam's results in terms of International Financial Reporting Standards, these shares are treated as treasury shares for accounting purposes.

Repurchase of issued shares

At the annual general meeting (AGM) held on 7 November 2017 shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the company (or any one of its wholly-owned subsidiaries), subject to the JSE listings requirements and the provisions of the Companies Act. No shares were repurchased in the current or prior year. This general authority is valid until the company's next AGM or for 15 months from the date of the aforementioned resolution (being 7 February 2019) whichever period is the shorter. Approval to renew this general authority will be sought at the AGM to be held on Tuesday, 6 November 2018.

The reason for this special resolution is to grant a general authority for the acquisition of the company's ordinary shares by the company, or by a subsidiary or subsidiaries of the company. The effect of such a special resolution, if passed, will be to authorise the company or any of its subsidiaries to acquire ordinary shares issued by the company on the JSE subject to the provisions of the company's Memorandum of Incorporation (MOI), Companies Act and the JSE listings requirements.

The directors believe that the company should retain the flexibility to take action if future acquisitions of its shares were considered desirable and in the best interests of the company and its shareholders.

Ordinary dividends

The company's dividend policy is to consider an interim and final dividend for each financial year. At its discretion, the board may consider a special dividend, where appropriate. Depending on the need to retain funds for expansion or operating purposes, the board of directors (board) may approve the payment of dividends.

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

Given the continuing difficult conditions in the platinum mining industry, and taking into consideration the cash requirements to fund the development of the group's project pipeline and growth strategy, the board has resolved not to declare a final dividend for the 2018 financial year (2017: R Nil).

Borrowing powers

The borrowing powers of the company, and the powers of the company to encumber its undertakings and properties or any part thereof and to issue debt instruments (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the company or of any third party, shall be unlimited (subject to the requirements of the Companies Act) and shall be exercised by the directors. In terms of the MOI the directors may borrow for purposes of the company, such sums as they deem fit.

Details of all outstanding borrowings are included in the annual financial statements, refer to note 25 and 28 included in the annual financial statements.

Financial assistance

Under the Companies Act, inter-group loans; guarantees and other financial assistance require approval of shareholders by way of special resolution.

Section 45 of the Companies Act applies to financial assistance provided by a company to any related or interrelated company or corporation, a member of a related or interrelated corporation, and to a person related to any such company, corporation or member.

Further, section 44 of the Companies Act may also apply to the financial assistance provided by a company to any related or interrelated company or corporation, a member of a related or interrelated corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company.

Both sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board is satisfied that: (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

As part of the normal conduct of the business of the company and its subsidiaries or associates the company, where necessary, usually provides guarantees and other support undertakings to third parties on behalf of its local and foreign subsidiaries in which the company or members of the group have an interest. The company would like the ability to provide financial assistance, if necessary, in accordance with sections 44 and 45 of the Companies Act. Furthermore, it may be necessary for the company to provide financial assistance to any of its present or future subsidiaries. It is difficult to foresee the exact details of financial assistance that the company may be required to provide in the future. It is essential, however, that the company is able to effectively organise its internal financial administration.

Below is an estimate of the financial assistance which is expected to be required for the F2019 year. Shareholders should, however, bear in mind that not all unforeseen circumstances can be anticipated and that the financial assistance as noted below could be underestimated due to unforeseen circumstances.

Financial assistance to subsidiary companies

At the date of this report Northam had granted the following financial assistance to its subsidiaries as at 30 June 2018 and proposes the following loan facilities to be granted for the F2019 year:

	Approved facility	Estimated changes in the coming year	New estimated loan facility to be granted	Balance
	2018	F2019	F2019	2018
	R000	R000	R000	R000
Booysendal Platinum Proprietary Limited	–	1 000 000	1 000 000	–
Eland Platinum Proprietary Limited	–	500 000	500 000	–
Mining Technical Services Proprietary Limited	70 000	50 000	120 000	22 909
Mvelaphanda Resources Proprietary Limited	66 680	13 320	80 000	–
Norplats Properties Proprietary Limited	138 300	11 700	150 000	66 596
Total loan facilities	274 980	1 575 020	1 850 000	89 505

	Approved facility	Changes in the coming year	New loan facility to be granted	Balance
	2018	F2019	F2019	2018
	USD000	USD000	USD000	R000
Northam Platinum Investments (US) Inc. and subsidiaries	25 000	25 000	50 000	9 720
Total loan facilities	25 000	25 000	50 000	9 720

Below are the various guarantees in issue as at 30 June 2018, together with the additional guarantees which will be tabled at the forthcoming AGM:

	Current guarantee	Additional amount to be guaranteed in the coming year	Total guarantee to be granted
	2018	F2019	F2019
	R000	R000	R000
Northam Platinum Limited guarantee to Zambezi Platinum (RF) Limited	7 535 944	–	7 535 944
Booysendal Platinum Proprietary Limited guarantees to providers of capital	3 500 000	1 500 000	5 000 000
Eland Platinum Proprietary Limited guarantees to providers of capital	–	3 000 000	3 000 000
Northam Platinum Limited subordination agreement to Mvelaphanda Resources Proprietary Limited	71 680	8 320	80 000
Total guarantee	11 107 624	4 508 320	15 615 944

Booysendal Platinum Proprietary Limited as well as Eland Platinum Proprietary Limited have guaranteed any amounts due but not paid by Northam Platinum Limited in terms of the Nedbank revolving credit facility. In addition, Booysendal Platinum Proprietary Limited has also guaranteed any amount due but not paid by Northam Platinum Limited in terms of the domestic medium term note programme.

The redemption of the preference shares is secured by a financial guarantee from Northam Platinum Limited. In terms of the financial guarantee, Northam Platinum Limited will be responsible for the payment of all amounts which Zambezi Platinum (RF) Limited has contracted but failed to pay in terms of the preference share terms – either by means of a cash payment or the issue of a determinable number of Northam Platinum Limited shares to the preference shareholders, or a cash and Northam Platinum Limited share combination.

Zambezi Platinum (RF) Limited

Zambezi Platinum (RF) Limited was established as a special purpose vehicle by Northam, with the principal objective of ensuring BEE compliance.

Zambezi was incorporated on 2 June 2014. The company was created for the purpose of assisting Northam to comply with the historically disadvantaged South African (HDSA) ownership requirements set by the Mining Charter at the time.

Zambezi holds 159 905 453 Northam shares which amounts to approximately 31.4% of the total issued ordinary stated capital of Northam.

Zambezi is a ring-fenced entity created for the specific purpose of raising funds and holding Northam shares. As such, Zambezi will not be conducting any other business activities until the expiry of the lock-in period (which is 10 years from May 2015). At the end of the 10-year period, Zambezi is required to redeem the preference shares with cash or Northam shares. All amounts payable to the holders of the preference shares are guaranteed by Northam in terms of the transactional agreements. Further, Northam is required to settle the operational expenses of Zambezi, subject to certain limitations.

Zambezi's prospects are therefore limited in nature in that they are dependent on the prospects of Northam and the returns attributable to the preference shares are constant and fluctuate only in accordance with prevailing interest rates. Various characteristics of the preference shares, such as the Northam guarantee and redemption payment structure, provide the holders with additional certainty regarding the recoverability of their dividends and capital.

However, the preference shares retain equity risk as a result of their redemption being ultimately supported by the value of Northam shares and/or Northam's ability to continue as a going concern. The preference shares therefore present their holders with a combination of the risks and rewards associated with equity and debt instruments.

Northam's prospects for growth and continued profitability are subject to various external and internal factors which cannot be accurately predicted, forecasted or controlled by Zambezi as an investor in Northam.

The redemption of the preference shares is planned to occur through cash accumulation from dividends received from Northam, and after the lock-in, the possible sell-off of Northam shares into the market to realise the capital value, to redeem the preference shares. In the event that this is not sufficient to settle the liability, it will be secured by Northam in terms of a financial guarantee (Northam guarantee).

Should a liability arise under the Northam guarantee, Northam may settle this liability by capitalising Zambezi with cash and/or Northam shares before the redemption amount becomes due or making payment directly to the preference shareholders. The manner of settlement is not contractually specified. Therefore, should the Northam share price not increase in value from the 10-year lock in period there could be a significant dilution in value for all Northam shareholders, should additional shares be issued to the preference shareholders.

Included in the financial statements of Northam is a guarantee of R7.5 billion, based on the initial recognition fair value that was issued based on the above.

Northam owns 4 230 819 (2017: 4 202 454) Zambezi Platinum (RF) Limited preference shares which were purchased in the open market. See note 8 of the financial statements for more details.

Booysendal Platinum Proprietary Limited

Northam currently has finance facilities available in the form of a revolving credit facility of R3.0 billion (2017: R1.0 billion) with Nedbank Limited, and has issued R1.4 billion (2017: R425.0 million) on the debt capital market. Booysendal Platinum Proprietary Limited has signed a letter of guarantee with regards to both these facilities.

During the next financial year (F2019), substantial amounts of capital expenditure will be incurred with regards to the development of Booysendal South and additional funding might be required from Northam should metal prices remain lower for longer.

Any loan provided will accrue no interest and will be repayable on demand.

All other outstanding balances between Booysendal Platinum Proprietary Limited and Northam relates to normal trade receivable and trade payable balances incurred in the normal course of business.

Eland Platinum Proprietary Limited

Northam currently has finance facilities available in the form of a revolving credit facility of R3.0 billion (2017: R1.0 billion) with Nedbank Limited as mentioned above. Eland Platinum Proprietary Limited has signed a letter of guarantee with regards to this facility.

Financial assistance will be required from Northam to restart operations in the next financial year.

Any loan provided will accrue no interest and will be repayable on demand.

Norplats Properties Proprietary Limited

Norplats Properties Proprietary Limited is a company which holds and operates one of Zondereinde mine's employee home ownership projects (Mojuteng project) in the town of Northam, assisting Northam Platinum Limited to comply with its homeowner strategy designed to meet legislative requirements.

The loan accrues no interest and is repayable on demand.

Mvelaphanda Resources Proprietary Limited

On 25 September 2014, Northam confirmed that they will ensure that Mvelaphanda Resources Proprietary Limited would meet its financial obligations as and when they fall due as the company's liabilities exceeded its assets. The guarantee will remain in full force and effect as long as the liabilities (including contingent liabilities) exceed its assets, fairly valued, and will lapse forthwith upon the date that the assets, so valued, exceed its liabilities.

Mvelaphanda Resources Proprietary Limited currently has negative equity to the value of R52.3 million (2017: R43.8 million).

Mining Technical Services Proprietary Limited

Mining Technical Services Proprietary Limited (MTS) provides services to the group. These services are charged out to the various operations. Northam previously provided a loan to MTS for the investment in SSG Holdings Proprietary Limited.

The loan is interest free and has no fixed terms of repayment.

Financial assistance to executive directors and/or prescribed officers of the company

At the board meeting held in February 2015, the board approved the Northam 2020 accommodation strategy (accommodation strategy).

One of the funding mechanisms of the accommodation strategy is the provision of a 10-year interest free loan repayable over a maximum period of 20 years to employees. The loan value is linked to seniority and is expressed as a percentage of a permissible bonded amount. Repayments are made through payroll deductions.

In order to enable the executive directors and/or prescribed officers to benefit from the accommodation strategy, it will be necessary to comply with the financial assistance provisions of the Companies Act. Approval will therefore be sought at the upcoming AGM, to authorise the company to make loans to executive directors and/or prescribed officers and persons related or interrelated to them in terms of the accommodation strategy, up to a maximum of R600 000 per executive director and/or prescribed officers.

Solvency and liquidity test

Taking into account the 12-month cash flow forecasts (including the letter of support/guarantees issued), the board has assessed that the various statutory entities will continue as going concerns for the foreseeable future.

The company therefore believes that it has satisfied the solvency and liquidity test, as contemplated in section 45 of the Companies Act and detailed in section 4 of the Companies Act, and determined that post such assistance the company was solvent and liquid and the terms under which this assistance was provided were fair and reasonable to the company and its subsidiaries.

Dematerialisation of shares (share transactions totally electronic) STRATE

Shareholders who have not already dematerialised their shares (certificated shareholders) are once again urged to do so as soon as possible (unless it is their explicit intention not to do so) in order to enable them to trade in such shares. It is most important for certificated shareholders to note that their shares may not be traded on the JSE unless the shares have been dematerialised.

Directorate

During the year the following changes to the board occurred:

Mr PL (Lazarus) Zim, chairman of the board, retired at the conclusion of the AGM on 7 November 2017 and as a member of the nomination committee.

Mr KB (Brian) Mosehla, a non-executive director of the board was appointed as chairman on 7 November 2017, and as a member of the nomination committee, following the retirement of Mr PL Zim. Mr Mosehla also resigned as a member of the social, ethics and human resources (SE&HR) committee on 8 November 2017.

Mr DH (David) Brown was appointed as an independent non-executive director on 7 November 2017. He was also appointed as a member of the audit and risk committee and chairman of the investment committee.

Mr R Havenstein resigned as chairman of the investment committee but remained as a member.

Mr JG Smithies was appointed as a member of the health, safety & environmental (HS&E) committee on 7 November 2018.

Dr NY (Yoza) Jekwa was appointed as an independent non-executive director on 8 November 2017 and as a member of the SE&HR committee.

At the date of this report the board comprised the following directors:

Director	Position	Nationality	First appointed	Standing for re-election or elected	Elected or re-elected at the last AGM
KB Mosehla	Non-executive chairman	South African	19 August 2015	N/A	√
R Havenstein	Lead independent director	South African	1 July 2003	N/A	√
PA Dunne	Chief executive officer	British	1 March 2014	N/A	N/A
AZ Khumalo	Chief financial officer	South African	1 July 2010	N/A	N/A
DH Brown	Independent non-executive director	South African	7 November 2017	N/A	√
CK Chabedi	Independent non-executive director	South African	22 June 2009	√	N/A
HH Hickey	Independent non-executive director	South African	1 January 2016	√	N/A
Dr NY Jekwa	Independent non-executive director	South African	8 November 2017	√	N/A
TE Kgosi	Independent non-executive director	South African	1 November 2004	N/A	√
TI Mvusi	Independent non-executive director	South African	1 January 2016	√	N/A
JG Smithies	Independent non-executive director	British	1 January 2017	N/A	√

There were no changes to the office of the company secretary during the 30 June 2018 financial year. Ms PB Beale continues to be the company secretary.

Board diversity

Below is a summary of the board diversity based on gender, nationality and independence quoted in the number of board members represented:

Gender	2018	2017
Male	8	8
Female	3	2
	11	10

Nationality	2018	2017
Black South African	6	6
Coloured South African	–	–
Indian South African	–	–
White South African	3	2
Non-South African	2	2
	11	10

Independence	2018	2017
Executive	2	2
Non-executive	1	2
Independent non-executive	8	6
	11	10

Independence generally means the exercise of objective, unfettered and autonomous judgements. When using the word to apply the quality of independence to a director it seeks to convey the absence of an interest, position, association or relationship, which, when judged from the perspective of a reasonable and informed third party, is unlikely to influence unduly or cause bias in decision making.

In terms of the above, annual independence evaluations are conducted relating to the independent non-executive directors. Minority beneficial interest held in Zambezi Platinum (RF) Limited, were acquired in terms of the Northam black economic empowerment transaction in May 2015 are taken into account.

The board also consider the tenure of independent non-executive directors and believes that there are no relationships or circumstances that affect, or appear to affect the independence of the abovementioned directors.

Remuneration of non-executive directors

In terms of section 66(8) and (9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders and if not prohibited in the company's MOI. The MOI does not prohibit the payment of such remuneration. The proposed remuneration, set out below if approved by shareholders, will be paid to the non-executive directors, as they are not remunerated as employees, as is in the case of executive directors. At the forthcoming annual general meeting, shareholders will accordingly be requested to consider a special resolution providing for the increase in the non-executive directors fees for the year ending 30 June 2019 as set out below. All amounts are quoted excluding Value Added Taxation.

It is proposed to increase the remuneration payable to non-executive directors by an average of 7.0% per annum in line with market norms, and for the chairman of the board by 8.0% per annum.

All non-executive directors remuneration will be payable quarterly in arrears. Remuneration payable in terms of non-executive director 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.

	Proposed fee for F2019 (per annum)	Approved F2018 fee at the previous AGM (per annum)
	R	R
Board		
Board chairperson	435 000	402 800
Lead independent director	374 200	349 700
Board members	328 500	307 000
The above fees are based on 5 (five) board meetings per financial year. Should additional board meetings be held, the following will be paid for each additional meeting attended	50 200	N/A
Audit and risk committee		
Committee chairperson	202 200	189 000
Committee members	158 800	148 400
The above fees are based on 5 (five) audit and risk committee meetings per financial year. Should additional audit and risk committee meetings be held, the following will be paid for each additional meeting attended	19 600	N/A
Health, safety and environmental committee		
Committee chairperson	142 500	133 160
Committee members	107 600	100 600
The above fees are based on 4 (four) health, safety and environmental committee meetings per financial year. Should additional health, safety and environmental committee meetings be held, the following will be paid for each additional meeting attended	19 600	N/A
Social, ethics and human resources committee (SE&HR)		
Committee chairperson	144 100	134 640
Committee members	107 600	100 600
The above fees are based on 4 (four) social, ethics and human resources committee meetings per financial year. Should additional social, ethics and human resources committee meetings be held, the following will be paid for each additional meeting attended	19 600	N/A
Nomination committee		
Committee chairperson	82 800	77 400
Committee members	50 800	47 500
The above fees are based on a single meeting during the year. Should additional nomination committee meetings be held, the following will be paid for each additional meeting attended	19 600	N/A

	Proposed fee for F2019 (per annum)	Approved F2018 fee at the previous AGM (per annum)
	R	R
Other board appointed committees		
Committee chairperson	120 200	112 310
Committee members	88 100	82 300
The above fees are based on 3 (three) other board appointed committee meetings per financial year. Should additional other board appointed committee meetings be held the following will be paid for each additional meeting attended	19 600	N/A
Ad hoc fees - per hour	3 920	3 630

Shareholders will further be requested to approve the payment 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 F2018	Actual number of meetings held during F2018	Proposed fee per additional meeting
			R
Board meetings	5	6	46 900
Social, ethics and human resources committee meetings	4	5	18 300

Directors' remuneration

The directors' remuneration for the year ended 30 June 2018 is as follows:

	Fees	Re-muneration package	Performance bonus and retention payouts	Benefits	Gain on share-based payments	Total
	R000	R000	R000	R000	R000	R000
Executive						
PA Dunne	–	8 000	7 868	1 000	7 839	24 707
AZ Khumalo	–	3 830	3 816	518	4 178	12 342
Non-executive						
KB Mosehla	518	–	–	–	–	518
R Havenstein	803	–	–	–	–	803
DH Brown*	367	–	–	–	–	367
CK Chabedi	591	–	–	–	–	591
HH Hickey	496	–	–	–	–	496
NY Jekwa**	263	–	–	–	–	263
TE Kgosi	676	–	–	–	–	676
TI Mvusi	307	–	–	–	–	307
JG Smithies	372	–	–	–	–	372
PL Zim***	159	–	–	–	–	159
	4 552	11 830	11 684	1 518	12 017	41 601

* *Mr Brown was appointed as an independent non-executive director on 7 November 2017 and as a member of the audit and risk committee*

** *Dr Jekwa was appointed as an independent non-executive director on 8 November 2017 and as a member of the social, ethics and human resources committee*

*** *Mr Zim retired at the conclusion of the AGM on 7 November 2017*

DIRECTORS' REPORT continued

The directors' remuneration for the year ended 30 June 2017 was as follows:

	Fees	Re-muneration package	Performance bonus	Benefits	Gain on share-based payments	Total
	R000	R000	R000	R000	R000	R000
Executive						
PA Dunne	–	7 291	6 217	191	–	13 699
AZ Khumalo	–	3 555	3 018	168	3 158	9 899
Non-executive						
PL Zim	409	–	–	–	–	409
R Havenstein	825	–	–	–	–	825
CK Chabedi	624	–	–	–	–	624
HH Hickey	418	–	–	–	–	418
TE Kgosi	732	–	–	–	–	732
AR Martin*	245	–	–	–	–	245
KB Mosehla	515	–	–	–	–	515
TI Mvusi	284	–	–	–	–	284
JG Smithies**	164	–	–	–	–	164
	4 216	10 846	9 235	359	3 158	27 814

* *Mr Martin retired from the board of directors at the conclusion of the AGM on 9 November 2016*

** *Mr Smithies was appointed as an independent non-executive director on 1 January 2017*

An analysis of the non-executive fees in respect of the board and board committee services for the 30 June 2018 financial year is as follows:

	Board	Audit and risk committee	Health, safety and environ-mental committee	Investment committee	Social, ethics and human resources committee	Nominations committee	*Ad hoc* fees	Total
	R000	R000	R000	R000	R000	R000	R000	R000
KB Mosehla	369	–	–	82	36	31	–	518
R Havenstein	350	148	135	93	–	77	–	803
DH Brown	198	96	–	73	–	–	–	367
CK Chabedi	307	–	101	82	101	–	–	591
HH Hickey	307	189	–	–	–	–	–	496
NY Jekwa	198	–	–	–	65	–	–	263
TE Kgosi	307	148	–	–	135	48	38	676
TI Mvusi	307	–	–	–	–	–	–	307
JG Smithies	307	–	65	–	–	–	–	372
PL Zim	142	–	–	–	–	17	–	159
	2 792	581	301	330	337	173	38	4 552

An analysis of the non-executive fees in respect of the board and board committee services for the 30 June 2017 financial year was as follows:

	Board	Audit and risk committee	Health, safety and environ-mental committee	Investment committee	Social, ethics and human resources committee	Nominations committee	*Ad hoc* fees	Total
	R000	R000	R000	R000	R000	R000	R000	R000
PL Zim	366	–	–	–	–	43	–	409
R Havenstein	367	137	121	86	–	87	27	825
CK Chabedi	327	–	93	76	128	–	–	624
HH Hickey	284	134	–	–	–	–	–	418
TE Kgosi	327	138	–	–	157	60	50	732
AR Martin	115	91	–	11	–	28	–	245
KB Mosehla	327	–	–	60	128	–	–	515
TI Mvusi	284	–	–	–	–	–	–	284
JG Smithies	164	–	–	–	–	–	–	164
	2 561	500	214	233	413	218	77	4 216

Service contracts

Mr PA Dunne, the chief executive officer, has a service contract with the company, which is subject to a notice period of one year. Mr AZ Khumalo, the chief financial officer, has a service contract with the company, which is subject to a notice period of three months.

DIRECTORS' REPORT continued

Directors' interest

According to information available to the company after reasonable enquiry, the interests of the directors and their families in the shares of Northam Platinum Limited at 30 June 2018 were as follows. All direct beneficial holdings were acquired in the open market.

	Direct beneficial holding	Indirect beneficial holding	Total
PA Dunne	41 050	–	41 050
AZ Khumalo	15 780	–	15 780
KB Mosehla	–	64 000	64 000
KB Mosehla*	–	5 116 974	5 116 974
CK Chabedi*	–	204 000	204 000
TE Kgosi*	–	635 000	635 000
	56 830	6 019 974	6 076 804

* *Pursuant to the Northam BEE transaction, Mr Chabedi, Ms Kgosi and Mr Mosehla acquired beneficial interests in the ordinary share capital of Zambezi Platinum (RF) Limited. This resulted in them and their associates acquiring an effective interest in Northam shares.*

The following directors held preferences shares in Zambezi Platinum (RF) Limited as at 30 June 2018, purchased in the open market:

	Direct beneficial holding	Indirect beneficial holding	Total
AZ Khumalo	500	–	500
KB Mosehla	–	17 200	17 200
	500	17 200	17 700

There have been no changes in these holdings from 30 June 2018 to the date of the annual financial statements.

The interests of the directors and their families in the shares of Northam Platinum Limited at 30 June 2017 were as follows:

	Direct beneficial holding	Indirect beneficial holding	Total
PA Dunne	26 050	–	26 050
AZ Khumalo	12 500	–	12 500
KB Mosehla	–	64 000	64 000
KB Mosehla*	–	5 116 974	5 116 974
CK Chabedi*	–	204 000	204 000
TE Kgosi*	–	635 000	635 000
PL Zim*	–	17 547 097	17 547 097
	38 550	23 567 071	23 605 621

* *Pursuant to the Northam BEE transaction, Mr Chabedi, Ms Kgosi, Mr Mosehla and Mr Zim acquired beneficial interests in the ordinary share capital of Zambezi Platinum (RF) Limited. This resulted in them and their associates acquiring an effective interest in Northam shares.*

The following director held preferences shares in Zambezi Platinum (RF) Limited as at 30 June 2017, purchased in the open market:

	Direct beneficial holding	Indirect beneficial holding	Total
AZ Khumalo	500	–	500
	500	–	500

Analysis of shareholders

The analysis of shareholders as at 30 June 2018 was as follows:

Shareholding range	Number of shareholders 2018	Total of shareholding 2018	Percentage holding (%) 2018
1 – 5 000	4 096	3 104 667	0.61
5 001 – 10 000	191	1 416 902	0.28
10 001 – 50 000	343	7 967 697	1.56
50 001 – 100 000	107	7 738 760	1.52
100 001 – 1 000 000	275	88 184 196	17.30
1 000 001 and more	60	401 368 990	78.73
	5 072	509 781 212	100.00

Geographical analysis of shareholders	Total shareholding 2018	Percentage holding (%) 2018
Australasia	101 956	0.02
Europe and United Kingdom	12 132 793	2.38
North America	29 057 529	5.70
Far East	101 956	0.02
South Africa	458 599 178	89.96
Other	9 787 800	1.92
	509 781 212	100.00

Major shareholders	Number of shares 2018	Percentage holding (%) 2018
Zambezi Platinum (RF) Limited	159 905 453	31.37
Coronation Asset Management	151 201 407	29.66
Public Investment Corporation	53 142 202	10.42
Clients of Allan Gray	23 407 185	4.59
Foord Asset Management	17 398 265	3.41

Shareholder spread	Number of shareholders 2018	Percentage holding (%) 2018
Public	5 066	99.88
Zambezi Platinum (RF) Limited	1	0.02
Directors	5	0.10
	5 072	100.00

DIRECTORS' REPORT continued

Analysis of shareholders

The analysis of shareholders as at 30 June 2017 was as follows:

Shareholding range	Number of shareholders	Total of shareholding	Percentage holding (%)
	2017	2017	2017
1 – 5 000	4 293	3 298 030	0.65
5 001 – 10 100	228	1 692 532	0.33
10 001 – 50 000	331	7 755 452	1.52
50 001 – 100 000	104	7 689 199	1.51
100 001 – 1 000 000	248	78 404 892	15.38
1 000 001 and more	66	410 941 107	80.61
	5 270	509 781 212	100.00

Geographical analysis of shareholders	Total shareholding	Percentage holding (%)
	2017	2017
Australasia	96 927	0.02
Europe and United Kingdom	5 640 752	1.11
North America	29 971 495	5.88
Far East	61 676	0.01
South Africa	467 262 948	91.66
Other	6 747 414	1.32
	509 781 212	100.00

Major shareholders	Number of shares	Percentage holding (%)
	2017	2017
Zambezi Platinum (RF) Limited	159 905 453	31.37
Coronation Asset Management	144 189 262	28.28
Public Investment Corporation	51 392 191	10.08
Foord Asset Management	22 912 956	4.49
Kagiso Asset Management	21 123 736	4.14
Clients of Allan Gray	16 868 031	3.31

Shareholder spread	Number of shareholders	Percentage holding (%)
	2017	2017
Public	5 263	99.87
Zambezi Platinum (RF) Limited	1	0.02
Directors	6	0.11
	5 270	100.0

Northam share option scheme (the scheme)

The scheme was established on 4 January 1995 with the objective of attracting and retaining employees with appropriate levels of ability and expertise who make a significant contribution to the operations of the group.

The scheme was discontinued in 2011 owing to its dilutionary nature, although share options issued before its discontinuance were allowed to run their course until October 2017.

Options were offered at the volume weighted average price at which Northam shares traded on the JSE on the trading day immediately preceding the offer date. Options not exercised within seven years of the offer date shall lapse.

In March 2013 the JSE approved a change to the rules of the scheme in terms of which option holders may elect, at the time of exercising their option, to receive either the shares over which an option has been granted or a cash payment equivalent to the difference between the volume weighted average price at which Northam shares traded on the day preceding the exercise date and the exercise price.

A summary of the options held at 30 June 2018 is as follows:

Earliest and latest exercise date	Price per share R	Total number of options
12 October 2012 and 11 October 2017	46.57	202 500
Claw back rights options	40.00	7 938
Number of options held at 30 June 2017		210 438
Number of options exercised during the year – cash settled options		(210 438)
Number of options held at 30 June 2018		–

The scheme has run its course and there are therefore no further outstanding options.

These options were paid out during the financial year for an amount of R0.7 million.

A summary of the options held at 30 June 2017 was as follows:

Earliest and latest exercise date	Price per share R	Total number of options
5 November 2011 and 4 November 2016	36.95	265 000
12 October 2012 and 11 October 2017	46.57	1 795 000
Claw back rights options	40.00	80 767
Number of options held at 30 June 2016		2 140 767
Number of options forfeited during the year		(12 997)
Number of options exercised during the year – cash settled options		(1 917 332)
Number of options held at 30 June 2017		210 438

The cash settled options exercised during the 30 June 2017 financial year are set out in the annual financial statements and are summarised as follows:

Grant date	Number of options exercised including claw back shares	Exercise price R	Total gain paid to participants R000
5 November 2011 and 4 November 2016	262 399	49.94	3 409
12 October 2012 and 11 October 2017	1 654 933	53.59	11 624
	1 917 332		15 033

Northam share incentive plan (SIP)

The SIP was approved in 2011 when shareholders approved that the Northam share option scheme be discontinued and replaced by the SIP, as the scheme no longer served the primary purpose of attracting and retaining employees.

The SIP is a full share-type plan which incorporates a combination of a conditional share plan (CSP) and a forfeitable share plan (FSP).

The key features that are common to both the CSP and the FSP are as follows:

- All senior officials and executives, including executive directors, in job grade D lower and above are eligible
- Non-executive directors are not eligible to participate
- Employees will not be required to pay for shares granted to them
- In the event of a change of control of the company, all awards will vest
- In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, consolidation of shares, liquidation etc, employees will continue to participate in the SIP. The committee may make such adjustment to awards or take such other action to place employees in no worse a position than they were prior to the happening of the relevant event, and to ensure that the fair value of awards immediately after the event is materially the same as the fair value thereof immediately before the event
- The issue of shares as consideration for an acquisition or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to awards
- Any adjustments made will be reported in the annual financial statements in the year during which the adjustment is made.

In order to avoid any future dilution, all shares will either be cash settled or equity settled through purchases in the open market. Currently all shares are treated as cash settled.

Key features of the CSP and FSP are as follows:

CSP

- Shares will be awarded or granted to employees once a year
- The number of conditional shares awarded, and the extent to which they will be subject to performance conditions, will primarily be based on the employee's annual salary, grade, performance, retention requirements and market benchmarks or some combination thereof
- Both the retention shares and the performance shares will vest after three years
- Performance conditions will be set by the social, ethics and human resources (SE&HR) committee before an award is made, and will be based on appropriate company performance measures at the time.

FSP

- Shares, which have no performance conditions attached, can only be awarded or granted in exceptional circumstances, approved by the SE&HR committee, for purposes of attracting key new employees
- The number of forfeitable shares to be made to an employee will primarily be based on the employee's annual salary, grade, performance and retention or attraction requirements
- The forfeitable shares will be delivered to the employees, free of charge, subsequent to the award date, with them enjoying all shareholder rights from inception
- Awards will, however, be subject to restrictions that will prevent the forfeitable shares from being disposed of, ceded, transferred or otherwise encumbered before vesting
- Vesting of the forfeitable shares will only be subject to the particular employee remaining in the employment of a group company for a predetermined vesting period. No company performance conditions will apply.

The SE&HR committee shall be entitled to determine that a participant shall receive the settlement amount in lieu of receiving the conditional shares (including BEE transaction conditional shares) on settlement.

The SE&HR committee, which is charged with overseeing the group's remuneration policy, reviews the performance criteria annually and revises them as economic and operational circumstances dictate.

No shares were allocated under the FSP during the year under review, whilst the details of the shares allocated under the CSP are set out below.

Grant date	Details	Total number of shares	Retention shares	Performance shares
Balance at 1 July 2017		6 912 100	1 745 700	5 166 400
2 November 2017	Shares awarded	2 804 200	709 000	2 095 200
	Shares forfeited	(360 950)	(90 900)	(270 050)
	Shares cash settled	(2 131 850)	(538 850)	(1 593 000)
Balance as at 30 June 2018		7 223 500	1 824 950	5 398 550

At 30 June 2018 the following awards were outstanding:

Grant date	Details	Total number of shares	Shares to be settled in F2019	Shares to be settled thereafter
11 November 2015	Retention shares	649 950	649 950	–
11 November 2015	Performance shares	1 925 350	1 925 350	–
8 November 2016	Retention shares	488 500	–	488 500
8 November 2016	Performance shares	1 444 100	–	1 444 100
2 November 2017	Retention shares	686 500	–	686 500
2 November 2017	Performance shares	2 029 100	–	2 029 100
Balance as at 30 June 2018		7 223 500	2 575 300	4 648 200

Below is the details of the shares allocated under the CSP for the 30 June 2017 financial year:

Grant date	Details	Total number of shares	Retention shares	Performance shares
Balance at 1 July 2016		6 489 400	1 412 000	5 077 400
8 November 2016	Shares awarded	2 177 000	550 400	1 626 600
	Shares forfeited	(296 800)	(75 100)	(221 700)
	Shares cash settled	(1 457 500)	(141 600)	(1 315 900)
Balance as at 30 June 2017		6 912 100	1 745 700	5 166 400

At 30 June 2017 the following awards were outstanding:

Grant date	Details	Total number of shares	Shares to be settled in F2018	Shares to be settled thereafter
4 November 2014	Retention shares	527 700	527 700	–
4 November 2014	Performance shares	1 561 100	1 561 100	–
11 November 2015	Retention shares	709 100	–	709 100
11 November 2015	Performance shares	2 100 700	–	2 100 700
8 November 2016	Retention shares	508 900	–	508 900
8 November 2016	Performance shares	1 504 600	–	1 504 600
Balance as at 30 June 2017		6 912 100	2 088 800	4 823 300

Full details of the shares granted during the year are set out in note 27 of the annual financial statements.

Lock-in and incentive mechanism (LIM)

At the AGM on 9 November 2016 shareholders approved amendments, including a modification to the rules of the Northam share incentive plan for the introduction of the new incentive mechanism, comprising the BEE incentive plan (BIP) and the cash incentive bonus (CIBB) in respect of the BEE transaction (collectively the LIM). In terms of the modification, any allocation or award under the new long-term BEE transaction incentive plan will be subject to a maximum allocation of 5 000 000 shares, which number is included in the existing total SIP allocation limit of 19 879 000 shares and not in addition thereto. The LIM was designed to incentivise the performance of the company's key executives, so as to, *inter alia*, mitigate certain financial risks arising from the BEE transaction and retain the skills and expertise of the key management team.

Northam was requested by certain of its key institutional shareholders to consider the creation of a mechanism which would appropriately incentivise Northam's senior management to address the financial risks associated with the guarantee provided by Northam in favour of the Zambezi preference shareholders (guarantee). A lock-in and incentive mechanism (LIM) which is specifically structured to incentivise the mitigation of those risks introduced by and unique to the guarantee, as well as, retaining key members of Northam's senior management as employees until the redemption of the Zambezi Platinum (RF) Limited preference shares (preference shares) in May 2025 was approved.

During the course of F2015, the company concluded a BEE transaction in terms of which Northam provided the guarantee to the holders of the preference shares issued by Zambezi for purposes of funding the BEE transaction.

The preference shares will, subject to early redemption in certain instances, be redeemed on 18 May 2025 and Zambezi will therefore be required to redeem the preference shares and settle any dividends accumulated in respect of the preference shares that remain unpaid after making adequate provision for or paying any taxes arising in relation to the redemption of the preference shares.

Subject to certain exceptions, Zambezi may settle the redemption amount by distributing, disposing of and/or raising external funding encumbering the Northam ordinary shares held by it. Zambezi's ability to settle the redemption amount is therefore highly dependent upon the share price on or about the preference share redemption date (redemption date) and, therefore, the share price growth over the period preceding the redemption date.

To the extent that the value of the shares held by Zambezi amounts to less than the preference share liability and Zambezi is unable to raise external funding to settle the redemption amount, Northam will be required to settle the balance of the redemption amount on behalf of Zambezi by either: (i) capitalising Zambezi by way of a subscription for shares in Zambezi; or (ii) making payment and/or issuing new shares to the preference shareholders (guarantee liability).

The guarantee liability may be settled in cash or, subject to certain exceptions, by the issue of new shares. Accordingly, if a guarantee liability arises, the value of shares may be diluted by a further issue of new shares or reduced by the related payment of cash to settle the guarantee liability.

The SIP incentivises Northam's management over the short to medium term (three years) and is primarily focused on motivating the achievement by management of various technical and financial targets. Although these measures are appropriate and essential to the viability of the group, the SIP does not allow for performance measures relating to the guarantee liability. This requires a long-term incentive mechanism premised on the exact variables which will determine the guarantee liability.

It is further recognised that Northam's market position relative to its peers has altered significantly with Northam having become a sizable and respected market participant. This success increases the risk of Northam losing members of its senior management, making it a strategic imperative for the company to retain management and prevent the loss of critical skills before the redemption date.

In the circumstances, Northam and the relevant committees of its board of directors have resolved to amend the rules to incorporate the LIM, with a view to appropriately incentivising the management team in order to prevent the guarantee liability from materialising and simultaneously lock-in their skill-set until the redemption date. This objective is consistent with the interests of Northam's shareholders.

The LIM comprises two separate mechanisms structured with specific reference to the terms of the BEE transaction and, more specifically, the potential guarantee liability:

Long-term BEE transaction incentive plan (BIP)

The BIP (BEE conditional performance shares (BEE CPS)) addresses the long-term incentivisation and retention of its participants by aligning their interests with shareholders through equity participation. The BIP was implemented through the SIP, which has been amended to incorporate the specific elements of the BIP. The BIP was implemented in addition to the SIP and was not a replacement nor did it affect the SIP.

Short-term cash incentive bonus in respect of the BEE transaction (CIBB)

In light of the exceptionally long term of the BIP incentive (i.e. 10 years) and the benefit of compounded growth in the share price over this period, the CIBB considers the short-term incentivisation of management to continuously maintain the long-term objectives introduced by the BIP. Importantly, the CIBB also acts as a strong retention tool by financially penalising CIBB recipients that leave the employ of the group.

The combination of the BIP and CIBB provide the company with an effective mechanism for addressing the guarantee liability risk, motivating shareholder value creation over the long term and retaining essential skills in a competitive market.

The company will limit participants in the BIP to the key members of Northam's current and future key executive management team including, the chief executive officer (CEO), chief financial officer (CFO), chief commercial officer (CCO), chief geologist (CG), chief technical officer (CTO), executive officer HR (EHR) and the senior general managers of Booysendal and Zondereinde mines (GMs) (participants). The position of the CTO has not been filled and remains subject to the employment of suitable candidates by the group and the BEE CPS allocated to this position will not be issued in the event that it is not filled.

The CEO has been allocated 1 500 000 BEE CPS, the CFO has been allocated 700 000 BEE CPS, each of the CCO, CG and the EHR have been allocated 500 000 BEE CPS and each GM has been allocated 200 000 BEE CPS. At 30 June 2018, a total of 4 100 000 (2017: 3 600 000) BEE CPS were issued.

The aggregate number of BEE CPS issued represents less than 1% of Northam's current issued share capital and may be settled in cash or shares at the election of the independent committee of the board responsible for administering the SIP at that time.

Vesting will be subject to the satisfaction of the performance condition that Zambezi (i) fully settles the redemption amount; and (ii) fully settles or makes adequate provision for all its 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.

Vesting of BEE CPS will occur 30 business days after the date on which the BIP performance condition is fulfilled (which is expected to be 18 May 2025) or, in the event that vesting of the BEE CPS is accelerated in certain exceptional instances, as set out in the current rules in relation to conditional shares, including a change of control of Northam or an earlier date determined in accordance with the rules.

In the event that the BIP performance condition is not satisfied, the BEE CPS will, subject to certain exceptions, not vest. If BEE CPS do not vest, they will not be settled and no value will accrue to participants.

Upon vesting, BEE CPS may be settled either through the issue of no more than the 5 million shares or in cash at the election of the committee. If cash settlement is elected the settlement amount will be established using the 60-day volume weighted average price (VWAP) of a share calculated on the day preceding settlement.

In the event that the preference shares are redeemed before the expected redemption date (i.e. 18 May 2025) and if the BIP performance condition is satisfied at that time, the BEE CPS will vest *pro rata* to the number of years of the performance period that has been completed at that time. Those BEE CPS that do not vest in such circumstances will lapse.

In the event that Northam undergoes a change of control, all the BEE CPS that have not vested will be treated in the same manner as other conditional shares and vest in full at that time irrespective of whether the BIP performance condition has been met or not. This is consistent with the existing rules.

In order to retain key management, BEE CPS will lapse if a participant leaves the employ of the group before the vesting date unless their employment is terminated by reason of a no fault termination or early retirement.

No fault termination includes, *inter alia*, termination of employment by reason of a participant's death, retrenchment, retirement, ill health, injury, disability or any reason that is not a fault termination. A fault termination comprises termination of employment by reason of, *inter alia*, resignation or dismissal.

In the event that a participant leaves the employ of the group by reason of no fault termination or early retirement before the vesting date, and such date is (i) prior to 18 May 2020, then the BEE CPS which have not vested will lapse immediately; or (ii) after 18 May 2020, the participant will retain a proportionate amount of their BEE CPS which have not vested, calculated by reference to what proportion of the period from 18 May 2020 to 18 May 2025 has elapsed prior to the termination of employment.

This provision is further illustrated in the table below:

Termination of employment between years:	Percentage of BEE CPS retained
0 – 6	0
6 – 7	20
7 – 8	40
8 – 9	60
9 - 10	80

BEE CPS retained in these instances will remain subject to the BIP performance condition and will only vest and be settled on the vesting date, together with BEE CPS held by other participants. In the event that a participant's employment is terminated as a result of death, injury or ill-health, and the committee is of the reasonable opinion that the BIP performance condition is likely to be fulfilled, it may, in exceptional circumstances, allow that participant's BEE CPS to vest and be settled immediately.

The rationale for retention by a participant of a portion of their BEE CPS after year 6 is that the key strategic decisions and actions affecting the value of a share over the BIP performance period are likely to be made during the first 5 years of this period. Thereafter, value delivery will depend upon, amongst other factors, the successful execution of such decisions as planned. Accordingly, it is deemed appropriate to allow for continued participation post year 5 notwithstanding termination of employment.

In the event that a participant leaves the employ of the group before the vesting date by reason of fault termination, that participant's BEE CPS that have not vested will lapse.

The CIBB is intended to comprise an incentive mechanism and a retention mechanism and further aligns management with the interests of Northam's shareholders.

Participants in the CIBB will include the participants noted previously 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 participants, will be required to be recommended for participation by management 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.

Participants will receive, on an annual basis, 15% of their cost to company remuneration excluding performance bonuses, if the value of a share at the condition date (calculated as the 60 day VWAP of a share) is 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 at the condition date (using the 60-day VWAP of a share) is sufficient to, in addition to fully settle the redemption amount, fully settle or make adequate provision for all of Zambezi'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 achievement of the CIBB performance conditions on an annual basis.

For the avoidance of doubt, no CIBB payment will be made unless the CIBB performance conditions are achieved in that year.

The CIBB will also act as a robust employee retention mechanism. In the event that a CIBB recipient leaves the employ of the group within 12 months of receiving a CIBB (restraint period) for reason of a fault termination, that person will be required to repay to 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). The CIBB refund penalty will dissuade CIBB participants from leaving the employ of the group by financially penalising them if they leave.

The CIBB will be terminated upon settlement or lapse of the BEE CPS.

Special resolutions

The following special resolutions were passed by the shareholders at the AGM in November 2017:

- Approval of amendments to the existing MOI to increase the maximum number of directors
- Approval of non-executive directors' remuneration for the year ending 30 June 2018
- Approval of financial assistance
- Approval for general authority to repurchase issued shares.

Notice of the 2018 annual general meeting (AGM)

Notice is given in terms of section 62(1) of the Companies Act that the AGM of shareholders of Northam Platinum Limited will be held at Glenhove Conferencing, 52 Glenhove Road, Melrose Estate, Johannesburg, South Africa on Tuesday, 6 November 2018 at 10:00 for the following purpose:

Considering and, if deemed fit, adopting, with or without modification, the ordinary and special resolutions set out below:

Ordinary resolutions

- Receiving, considering and adopting the audited group annual financial statements for the year ended 30 June 2018
- Re-electing and election directors
- Re-appointing the independent external auditors
- Re-electing the audit and risk committee members
- Endorsing the group's remuneration policy and implementation report

Special resolutions

- Approval of amendment to the existing memorandum of incorporation (MOI) to increase the maximum number of directors
- Approval of non-executive directors' fees
- Approval of financial assistance
- Approval for general authority to repurchase issued shares

As well as transacting any other business as may be conducted at an AGM.

Record dates

In terms of section 59(1)(a) and (b) of the Companies Act respectively, the board of directors of the company has set the record date for the purpose of determining which shareholders are entitled to:

- receive the notice as Friday 31 August 2018 (being the date on which a shareholder must be registered in the company's securities register)
- participate in and vote at the AGM as Friday, 26 October 2018 (being the date on which a shareholder must be registered in the company's securities register in order to participate in and vote at the AGM).

Going concern

The board believes that the company and group have adequate financial resources to continue operating for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

The board is not aware of any material changes that may adversely impact the company and group or any material non-compliance with statutory or regulatory requirements.

Events after the reporting date

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

AUDIT AND RISK COMMITTEE REPORT

The independent audit and risk committee (the committee) is pleased to present its report for the financial year ended 30 June 2018. The committee is constituted as a statutory committee of the company in respect of its statutory duties in terms of section 94(7) of the Companies Act 71 of 2008 (the Companies Act) and a sub-committee of the board in respect of all other duties assigned to it by the board. In terms of the company's listing on the JSE Limited (JSE), the company is also required to adhere to the King Report on Corporate Governance of South Africa 2016 (King IV).

The committee assists the board in carrying out its functions relating to the safeguarding of assets, the operation of adequate risk management and control processes and the preparation of financial statements in compliance with all applicable legislation and regulations, and the oversight of the external and internal audit appointments and function.

The role of this committee is an independent one with accountability to the board and to shareholders. It is also an overseer and makes recommendations to the board for final approval. The committee cannot assume the functions of management, which remains the responsibility of the executive directors, officers and senior management.

The committee does not provide relief to board members for their joint and several responsibilities regarding their fiduciary duties and they must continue to exercise due care and judgement in accordance with their legal obligations.

Role and associated responsibilities and function of the committee

The committee is responsible for overseeing the risk management process and internal control structure including financial controls, accounting systems and reporting, operational controls and compliance with laws and regulations. The committee has the following responsibilities:

Integrated reporting

In terms of good corporate governance and King IV, companies should produce an integrated report, which the committee must oversee. The committee must review the integrity of the integrated report including all the necessary reporting requirements in terms of King IV.

Combined assurance

The committee must ensure that the combined assurance policy and framework is applied and provides a co-ordinated approach to all assurance activities, and in particular, the committee shall:

- ensure that the combined assurance policy and framework is appropriate to address all the significant risks facing the company, and
- monitor the relationship between the external assurance providers of the company.

Chief financial officer (CFO) and the finance function

The committee must:

- on an annual basis, confirm that the CFO is suitably qualified and experienced, and must confirm this by reporting to shareholders in its annual report that the committee has executed this responsibility, and
- confirm that the finance department of the company has adequate resources and experience to manage the company's financial function. This must be reported in the integrated report.

AUDIT AND RISK COMMITTEE REPORT continued

Internal audit

The committee is responsible for overseeing the internal audit function and in so doing, it must do the following:

- Recommend the appointment or termination of the internal audit function to the board
- Where the internal audit function is outsourced to a firm, the committee may recognise the outsourced internal audit director or partner of the firm as the chief audit executive (CAE) if the committee chooses to appoint a CAE
- If a CAE has been appointed, the CAE should report to the chair of the committee on the performance of duties and functions that relate to internal audit. On other duties and administrative matters, the CAE should report to the member of executive management (CFO) designated for this purpose as appropriate for the organisation
- Approve the internal audit plan, mandate and budget with particular emphasis on risk areas
- Ensure that the internal audit function is independent and adequately qualified and resourced on a continuous basis and assess its performance
- Approve deviations from the approved internal audit plan or any changes in the audit scope or approach
- Review the extent to which the internal audit function has co-ordinated with other internal and external assurance providers in providing proper coverage
- Review the internal audit results and significant audit findings together with the relative management comments and action plans
- Consider and review any difficulties encountered in the course of the audits, including any restrictions on the scope of internal audit's work or access to required information.

Risk management

The committee is also responsible for the management of risk and its mitigation within the company and its subsidiaries, including the responsibility to:

- promote and enforce the highest degree of ethical standards in business practices within the organisation and in external relationships
- oversee the development and annual review of the company's risk management policy and framework and recommend the policy and framework for approval by the board
- monitor implementation of the risk management policy and framework
- make recommendations to the board concerning the levels of risk tolerance and appetite and monitor that risks are managed within the levels of tolerance and appetite as approved by the board
- ensure that risk management assessments are performed by management on a continuous basis
- ensure that the risk management policy and framework is widely disseminated throughout the company and integrated in the day-to-day activities of the company
- oversee internal financial controls, information technology (IT) risks, fraud risk and all risks associated with financial reporting
- ensure that management continuously monitors risk and its mitigation
- ensure that adequate insurance cover remains in place
- ensure that there is an adequate framework and methodology for both implementation and recommended changes in anticipation of 'black swan' (extraordinary/unexpected) events
- ensure that management considers and implements appropriate risk responses
- review the risk register and ensure that it is adequately updated and is complete, timely and relevant
- express the committee's formal opinion to the board regarding the effectiveness of the system and process of risk management
- review reporting concerning risk management which is to be included in the integrated report which should be done timely, comprehensively and should be relevant
- oversee and monitor the adequacy of internal controls within the company. Specifically related to financial reporting risks and fraud risks (and any incidents of fraud)
- the other board committees, namely the health, safety and environmental committee, investment committee, nomination committee and social, ethics and human resources committee, oversee potential risks pertaining to their mandates and the chairperson of each committee reports back to the board at each board meeting.

External audit

The committee's responsibilities are to recommend the appointment of the external auditor and to monitor the external audit process. To do this, the committee must:

- nominate an independent external auditor for appointment and approval by shareholders
- ensure that mandatory rotations of both the external auditor (once every 10 years) and the individual audit partner (once every five years) are conducted in accordance with the South African Institute of Chartered Accountants (SAICA), Independent Regulatory Board for Auditors (IRBA) and the Companies Act
- approve the engagement terms and remuneration of external auditors
- report and monitor the independence of the external auditor
- pre-approve non-audit services to be rendered
- define a policy for non-audit services to be provided by external auditors
- ensure that there is a process, in terms of which the committee is informed of any 'reportable irregularities', as identified in the Audit Profession Act No. 26 of 2005, identified and reported by the external auditor
- ascertain the effectiveness of the external audit process
- ensure that the audit firm and where appropriate, the individual auditor responsible for the audit function is accredited on the JSE list of auditors and their advisors as required by the JSE listings requirements.

Other responsibilities

- The committee shall have direct and unobstructed lines of communication to the board, external and internal auditors
- The committee shall have the right of access to records containing information needed to properly perform its duties and execute its powers.

Authority

- In terms of the audit function, the committee has decision-making authority with regard to its statutory duties; in this respect, it is accountable to both the board and shareholders. The chairperson of the committee must therefore be present at all AGMs
- In terms of its risk function responsibility, the committee acts in terms of the delegated authority of the board
- In fulfilling its duties, the committee may call upon the chairpersons of other board committees, any executive directors, company officers, company secretary, assurance providers or any other professional or person to provide it with information
- The committee may also have reasonable access to the company's records, facilities, employees and any other resources that may be necessary to discharge its duties and responsibilities
- The committee also has a right to obtain independent external professional advice in executing its duties if deemed appropriate
- The committee may form, delegate authority to, and direct sub-committees or members of the committee
- The committee makes recommendations to the board in any area of its ambit as it deems appropriate.

Composition of the committee, including each member's qualifications and experience

The committee shall comprise of at least 3 (three) non-executive board members elected by shareholders on the recommendation of the nomination committee. All members of the committee must be independent, non-executive board members, meet all applicable independence requirements, and be appropriately qualified as required by King IV.

The chairperson of the board is not eligible to be chairperson or a member of this committee and the chairperson of this committee must be an independent, non-executive director.

Collectively, members of this committee must have the appropriate mix of qualifications and experience in order to fulfil their duties. Such qualifications and skills will include expertise and/or experience in the following fields: financial, legal, risk management, sustainability issues and reporting, internal financial control, external and internal audit processes, IT governance, corporate governance, ethics and integrated reporting.

Members of the committee are required to ensure that they are fully apprised of the latest developments in the mining industry and in commerce generally.

Important attributes of the members are an independent and enquiring mind-set, a reasonable understanding of the complexities involved and an appreciation of the business and mining industry as a whole.

The board must elect the chairperson of this committee and any vacancy of this chairpersonship must be filled within 40 (forty) business days of it arising.

The tenure of committee members shall be reviewed in terms of the nomination charter.

Below is a summary of the audit and risk committee members:

Member	Qualification	Committee member since	Board status
HH Hickey (chairperson)	CA(SA)	1 January 2016	Independent non-executive director
R Havenstein	MSc (Chemical Engineering); BCom	22 June 2009	Lead independent director
TE Kgosi	BCom (Hons)	2 February 2005	Independent non-executive director
DH Brown	CA(SA)	7 November 2017	Independent non-executive director

Number of meetings held during the reporting period and attendance at those meetings

At least 2 (two) meetings must be held per annum, however, the committee and management may agree on appropriate scheduled meetings. At least once a year the committee must meet with the internal and external auditors without the presence of management.

Audit and risk committee member	16 August 2017	18 September 2017	6 November 2017	14 February 2018	18 June 2018
HH Hickey	√	√	√	√	√
R Havenstein	√	√	√	√	√
TE Kgosi	√	√	√	√	√
DH Brown*	N/A	N/A	N/A	√	√

* *DH Brown was appointed as a director and audit and risk committee member on 7 November 2017*

The committee met with the internal and external auditors without the presence of management at the meeting held on 16 August 2017 and 14 February 2018.

External advisers or invitees who regularly attend committee meetings

The committee may invite the chief executive officer (CEO), CFO, other senior management representatives, external auditors, internal auditors, other assurance providers, professional advisers and board members to attend its meetings should it so require. These parties will have no voting power.

Committee members must attend all scheduled meetings including ad-hoc meetings unless prior apology with reasons has been submitted to the chairperson or company secretary. If the nominated chairperson is unavailable, members may elect one of the members present to act as chairperson. The company secretary is the secretary of this committee unless she is unavailable, in which case the committee may appoint a person to take minutes.

The CFO, head of internal audit and external audit shall have unrestricted access to the chairperson or any other member of the committee as is required in relation to any matter falling within the remit of the committee.

The following external advisers or invitees attended the various audit and risk committee meetings during the year:

External adviser/invitee	16 August 2017	18 September 2017	6 November 2017	14 February 2018	18 June 2018
CEO: PA Dunne	√	√	√	√	√
CFO: AZ Khumalo	√	√	√	√	√
Chairman of the board: KB Mosehla	N/A	N/A	N/A	√	N/A
Group financial controller: AH Coetzee	√	√	√	√	√
EY external audit partner: M Herbst (30 June 2017)	√	√	N/A	N/A	N/A
EY external audit partner: E Dhorat (30 June 2018)	√	√	√	√	√
EY external audit manager: V Tu	√	√	√	√	√
EY external audit manager: P Matlala	N/A	N/A	N/A	N/A	√
KPMG internal audit partner: T Gouws	√	√	√	√	√
KPMG internal audit manager: V Singh	√	Apology	Apology	√	N/A
KPMG internal audit manager: A Mahado	N/A	N/A	N/A	N/A	√

Key areas of focus during the reporting period

In addition to the execution of the committee's statutory duties, below are a number of key areas of focus during the 30 June 2018 financial year:

Financial reporting with regards to both the reviewed interim results and the audited annual financial statements

- 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.

New accounting standards

The committee considered new standards, interpretations and amendments to standards in issue that are not yet adopted but are likely to affect the financial reporting in future years and disclosure thereof in the annual financial statements.

Tax exposure

The committee 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.

Corporate governance

The committee reviewed and approved risk management policies and processes and received reports incorporating the key strategic and operational risks.

The committee also 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.

The committee also 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.

The committee also monitored compliance with laws and regulations.

The committee also received feedback regarding any significant litigation and assessed the possible impact thereof on the financial results.

Key audit matters

The committee reviewed the key audit matters, that the auditors in their professional judgement considered to be the most significant in their audit of the consolidated and separate financial statements for the current year. The key audit mattes highlighted in the independent auditors report were the following:

- Impairment of non-financial assets
- Physical quantities of inventory

The committee has considered the work performed by the auditors and believe that these key audit matters have appropriately been addressed by the auditors as well as management.

AUDIT AND RISK COMMITTEE REPORT continued

Assessment of the independence and quality of the external auditor, Ernst & Young Incorporated (EY)

The following factors were considered in evaluating the independence and quality of the external auditors:

- Tenure of service
- Quality of planning, delivery and execution of the audit
- Experience and knowledge of the audit team, specifically the senior management team, including the engagement partner
- Results of the most recent Independent Regulatory Board for Auditors (IRBA) regulatory reviews and the responses of the firm on observations raised in these reports
- Robustness of the audit, including the audit team's ability to challenge management, and demonstrate professional scepticism and independence

EY has been the group's external auditor for more than 34 years. However the audit partner, rotates every five (5) years with Mr E Dhorat taking over from Mr M Herbst effective for the financial year ended 30 June 2018. Internally EY has a number of safeguards to ensure that all members of the audit team are independent.

A formal policy regarding the approval of all non-audit services has been implemented. The committee receives updates on tax and non-audit fees as a percentage of the total audit and audit related fees at each committee meeting confirming that fees were within the approved limits and that the external auditors independence has not been jeopardised.

During the 30 June 2018, the following fees were charged by the external auditors:

	2018	2017
	R000	R000
Audit services	4 852	4 642
Audit services | Zambezi Platinum (RF) Limited	523	493
Assurance : sustainable development report	297	295
Audit services: ISRE 2410 review	740	663
Audit services: ISRE 2410 review | Zambezi Platinum (RF) Limited	69	64
Non-audit fees	133	139
Non-audit fees for tax related services	–	–
Assurance reports	500	–
	7 114	6 296

The committee has received the necessary representation from the auditors confirming:

- that no other remuneration was received for work performed other than what has been disclosed
- their independence was not impaired by any consultancy, advisory or other work performed during the period under review
- their independence was further not prejudiced by any previous appointment as auditor
- the criteria specified for independence by the IRBA and international regulatory bodies have been met.

The committee, based on their assessment of the independence and effectiveness of the external auditor, did not note any significant findings or considerations to indicate that the external auditor has not been independent or that the services provided by the external auditor have not been effective and robust.

The committee also assessed the suitability of the external auditors and the designated individual partner, in terms of the JSE listings requirements, prior to recommending their re-appointment and recommends that Ernst & Young Incorporated, with the designated registered auditor being Mr E Dhorat, be reappointed for the financial year ending 30 June 2019.

Significant matters that the committee has considered in relation to the annual financial statements

The following significant matters were considered in relation to the annual financial statements for the year ended 30 June 2018:

- Assessment of the recoverable values in terms of IAS 36 Impairment of assets
- Going concern assessment
- Investment in associates and joint ventures
- Inventories
- IFRS 2 Share based payment liability
- Property, plant and equipment
- Capitalisation of borrowing costs
- Zambezi Platinum (RF) Limited preference share liability
- Investment in Zambezi Platinum (RF) Limited preference shares (in Northam Platinum Limited company accounts)
- Environmental liabilities
- Taxation
- Toro Employee Empowerment Trust
- Dividend consideration

The committee has deliberated on these matters and is comfortable that they have been correctly accounted for in terms of the requirements of IFRS and are fairly represented in the annual financial statements.

In addition, the committee received a detailed report relating to the group's tax position, including uncertain tax positions, tax provisions, status of the group's tax compliance and relevant developments impacting the group.

The committee evaluated the consolidated and separate annual financial statements for the year ended 30 June 2018 and concluded that they comply, in all material aspects with the requirements of the Companies Act, IFRS, and the JSE listings requirements. The committee therefore recommended the approval of the annual financial statements to the board.

Effectiveness of the CAE and the arrangements for internal audit

A CAE position has not been provided for in the arrangements relating to internal audit. The internal audit function has been outsourced to KPMG Services Proprietary Limited (KPMG). The responsibilities normally associated with that of a CAE have been allocated to the director in charge of the internal audit function.

The committee believes that the KPMG director, Mr T Gouws, has the necessary competence, gravitas and objectivity to fulfil these duties. He also has unrestricted access to the chair of the committee.

Internal audit reports to the chair of the committee with regards to the performance of duties and functions. On other duties and administrative matters they report to the CFO.

The following functions are performed by internal audit:

- 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
- Assistance with the implementation of the Combined Assurance Framework.

The committee has ensured that internal audit performed an independent assurance function and monitored the effectiveness of the internal audit function in terms of its assurance scope, executing its plan, independence and overall performance of the function.

The committee also monitored the audit findings, risk areas and, where appropriate, challenged management on actions taken.

The committee has ensured coverage of the audit universe by approving the audit plans and budgets for internal audit and has confirmed the competence of the internal audit function as a whole.

The committee has considered the written assurance statement provided by KPMG, 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.

Recent negative publicity about the company's internal auditors, KPMG, resulted in an internal review of their suitability to continue providing internal audit services to Northam. The Audit and Risk Committee has, after due consideration and assessment of their independence, qualifications and performance of the internal audit team providing services to Northam, decided to retain the services of KPMG as the group's internal auditors. This decision will be reviewed on a continuous basis, taking into account the outcome of pending investigations.

Effectiveness of the design and implementation of internal financial controls

Based on the assessment of the formal documented review conducted by the group's internal audit in terms of the combined assurance model of the system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls and considering information and explanations given by management and discussions with both the internal and external auditors on the results of their audits, nothing has come to the attention of the committee that has indicated that the system of internal controls and risk management is not effective and the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

The committee assessed the systems of internal control including financial controls, business risk management and maintaining effective internal control systems. Based on the assessment, the committee concluded that there were no material breakdowns in internal controls during the year under review.

Effectiveness of the CFO and the finance function

The committee reviews an internal assessment of the skills, expertise and resourcing of the finance function as well as the expertise and experience of the CFO, Mr AZ Khumalo. The committee is satisfied with the appropriateness of the expertise and experience of the CFO and the effectiveness of the finance function overall as well as the adequacy of resources.

Based on the processes and assurance obtained, the committee believes that the accounting practices are effective.

Arrangements in place for combined assurance and the effectiveness of combined assurance

Optimising the combined assurance model avoids duplication of efforts, rationalises collaboration efforts amongst assurance providers, as well as effectively managing assurance costs. The activities are co-ordinated to maximise the depth and reach of assurance achieved by each of the assurance providers. Enabling an effective control environment and ensuring the integrity of information used for reporting and decision-making.

The committee reviewed the combined assurance framework that categorises each assurance provider into the various lines of defence. The committee also reviewed the level of assurance provided through the combined assurance framework and concluded that the assurance provided was appropriate to address the various financial risks.

The committee believes that the combined assurance model adequately addresses the risks and material matters through the aggregated efforts of the various assurance providers.

Conclusion

The committee is satisfied that it has considered and discharged its responsibilities in line with its terms of reference, statutory responsibilities and King IV during the year under review.

On behalf of the committee.

HH Hickey
Chairman

Johannesburg
28 August 2018

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

In approving the annual financial statements, the directors hereby confirm:

- That they are responsible for the preparation, integrity and fair presentation of the annual financial statements of Northam Platinum Limited and its subsidiaries. The auditors are responsible for auditing and reporting on whether the financial statements are fairly presented.
- The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can only provide reasonable and not absolute, assurance against material misstatement or loss.
- The annual financial statements have been prepared in accordance with International Financial Reporting Standards. They conform and adhere to applicable accounting standards and are presented after applying accounting policies supported by reasonable and prudent judgements and estimates made by management, which have been consistently applied.
- Adequate accounting records and an effective system of internal controls and risk management have been maintained during the entire financial year.
- They have reviewed the additional information included in the annual report and are responsible for both the accuracy and consistency with the annual financial statements.
- The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the group.
- The annual financial statements have been audited by the independent auditors, Ernst & Young Inc. who were given unrestricted access to all financial records and related data including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The unmodified audit report of Ernst & Young Inc. is included in these annual financial statements.

The annual financial statements were approved by the board of directors on 30 August 2018 and are signed on its behalf by:

KB Mosehla
Chairman

PA Dunne
Chief executive

HH Hickey
Chairman – audit and risk committee

Johannesburg
30 August 2018

COMPANY SECRETARY'S CONFIRMATION

I, PB Beale, in my capacity as company secretary of Northam Platinum Limited, hereby certify in terms of section 88(2) of the Companies Act that all returns and notices required of a public company in terms of the Companies Act have, in respect of the year under review, been lodged with the Companies and Intellectual Property Commission and that all such returns are true, correct and up to date.

PB Beale
Company secretary

Johannesburg
30 August 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

		Group		Company	
		2018	2017	2018	2017
	Note	R000	R000	R000	R000
Sales revenue	32	7 552 181	6 865 185	7 142 893	6 395 036
Cost of sales		(6 728 867)	(6 251 200)	(6 787 469)	(6 162 574)
Operating costs	33	(6 318 000)	(5 676 017)	(4 240 251)	(3 717 601)
Concentrates purchased		(1 410 506)	(404 093)	(3 963 939)	(2 508 386)
Refining and other costs		(123 840)	(120 633)	(123 840)	(120 633)
Depreciation and write-offs		(441 865)	(452 584)	(152 041)	(182 650)
Change in metal inventories		1 565 344	402 127	1 692 602	366 696
Gross profit		823 314	613 985	355 424	232 462
Share of earnings from associates and joint ventures	5	4 162	4 870	–	–
Investment revenue	34	52 633	167 306	63 761	126 043
Finance costs excluding preference share dividends	35	(68 481)	(71 185)	(210 428)	(72 512)
Net foreign exchange gains/(losses)		2 368	(46 729)	4 135	(32 564)
Sundry income	36	217 005	73 361	86 685	64 233
Sundry expenditure	37	(380 944)	(130 843)	(70 341)	(60 587)
Profit before preference share dividends		650 057	610 765	229 236	257 075
Amortisation of liquidity fees paid on preference shares		(16 390)	(16 390)	–	–
Preference share dividends net of amounts capitalised		(1 106 684)	(1 017 396)	–	–
Loss on derecognition of preference share liability		(8)	(901)	–	–
(Loss)/profit before tax		(473 025)	(423 922)	229 236	257 075
Taxation	38	(231 973)	(212 021)	(86 624)	(73 065)
(Loss)/profit for the year		(704 998)	(635 943)	142 612	184 010
Other comprehensive income					
Items that will be subsequently reclassified to profit or loss		(364)	–	(2 039)	2 039
Fair value adjustment on the investment in Zambezi Platinum (RF) Limited preference shares classified as available for sale net of deferred tax	8	–	–	–	2 039
Reclassification to profit and loss (relating to an impairment)	8	–	–	(2 039)	–
Exchange differences on translation of foreign operations		(364)	–	–	–
Total comprehensive income for the year		(705 362)	(635 943)	140 573	186 049

		Cents	Cents
Loss per share	39	(201.5)	(181.8)
Fully diluted loss per share	39	(201.5)	(181.8)
Headline loss per share	39	(200.5)	(181.9)
Fully diluted headline loss per share	39	(200.5)	(181.9)

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2018

		Group		Company	
		2018	2017	2018	2017
	Note	R000	R000	R000	R000
Assets					
Non-current assets		19 108 944	15 483 553	17 554 936	14 019 436
Property, plant and equipment	3	11 874 146	9 022 260	3 658 338	3 323 252
Mining properties and mineral resources	4	6 629 160	5 636 342	1 130 284	116 558
Interest in associates and joint ventures	5	171 376	167 214	–	–
Investment in subsidiaries	6	–	–	12 351 835	10 216 000
Unlisted investment	7	–	–	–	–
Other investments	8	–	–	249 618	230 505
Land and township development	9	65 680	48 529	45 444	22 749
Long-term receivables	10	86 897	83 745	8 451	–
Investments held by Northam Platinum Restoration Trust Fund	11	110 626	102 233	55 333	48 274
Environmental Guarantee Investment	12	68 899	68 104	55 633	54 507
Buttonshope Conservancy Trust	13	12 203	11 126	–	–
Long-term prepayments	14	89 608	336 409	–	–
Other assets	28	–	7 591	–	7 591
Deferred tax asset	21	349	–	–	–
Current assets		4 715 090	4 103 337	4 765 438	5 433 769
Short-term subsidiary loan	15	–	–	99 225	1 838 213
Inventories	16	3 386 795	1 729 102	3 381 744	1 673 000
Trade and other receivables	17	924 085	548 997	993 403	487 956
Cash and cash equivalents	18	388 702	1 786 865	280 916	1 396 677
Tax receivable		15 508	38 373	10 150	37 923
Non-current assets held for sale	5	–	49 222	–	49 222
Total assets		23 824 034	19 636 112	22 320 374	19 502 427
Equities and liabilities					
Stated capital	19	13 778 114	13 778 114	13 778 114	13 778 114
Treasury shares	19	(6 556 123)	(6 556 123)	–	–
Accumulated loss		(709 396)	(4 398)	(5 774 362)	(5 916 974)
Equity-settled share-based payment reserve	20	874 448	874 448	1 173 756	1 173 756
Available for sale reserve		–	–	–	2 039
Foreign currency translation reserve		(364)	–	–	–
Total equity		7 386 679	8 092 041	9 177 508	9 036 935
Non-current liabilities		12 832 267	9 929 685	10 197 831	9 005 235
Deferred tax liability	21	824 794	585 883	700 878	605 265
Long-term provisions	22	640 128	304 829	131 793	141 284
Long-term loans	23	182 063	249 428	123 176	249 428
Long-term share-based payment liability	27	78 999	88 639	45 257	52 233
Financial guarantee liability	24	–	–	7 535 944	7 535 944
Domestic medium term notes	25	174 288	421 081	174 288	421 081
Preference share liability	26	9 445 500	8 279 825	–	–
Revolving credit facility	28	1 486 495	–	1 486 495	–
Current liabilities		3 605 088	1 614 386	2 945 035	1 460 257
Current portion of long-term loans	23	24 540	13 434	16 896	13 434
Current portion of domestic medium term notes	25	1 243 440	–	1 243 440	–
Short-term share-based payment liability	27	78 340	75 026	44 604	45 988
Tax payable		117	102 550	–	–
Trade and other payables	29	1 965 975	1 268 172	1 368 964	1 254 863
Bank overdraft	18	95 535	–	95 228	–
Short-term provisions	30	197 141	155 204	175 903	145 972
Total equity and liabilities		23 824 034	19 636 112	22 320 374	19 502 427

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

Group	Stated capital	Equity-settled share-based payment reserve	(Accumulated loss)/retained earnings	Foreign currency translation reserve*	Total equity
	R000	R000	R000	R000	R000
Balance as at 1 July 2016	7 221 991	874 448	631 545	–	8 727 984
Loss and total comprehensive income for the year	–	–	(635 943)	–	(635 943)
Balance as at 30 June 2017	7 221 991	874 448	(4 398)	–	8 092 041
Total comprehensive income for the year	–	–	(704 998)	(364)	(705 362)
Loss for the year	–	–	(704 998)	–	(704 998)
Other comprehensive income for the year	–	–	–	(364)	(364)
Balance as at 30 June 2018	7 221 991	874 448	(709 396)	(364)	7 386 679
Note	19	20			

* *The foreign currency translation reserve has been created to account for the foreign exchange gain or loss on translation of a foreign operation*

Company	Stated capital	Equity-settled share-based payment reserve	Accumulated loss	Available for sale reserve	Total equity
	R000	R000	R000	R000	R000
Balance as at 1 July 2016	13 778 114	1 173 756	(6 077 117)	–	8 874 753
Pooling of interest reserve	–	–	(23 867)	–	(23 867)
Total comprehensive income for the year	–	–	184 010	2 039	186 049
Profit for the year	–	–	184 010	–	184 010
Other comprehensive income for the year	–	–	–	2 039	2 039
Balance as at 30 June 2017	13 778 114	1 173 756	(5 916 974)	2 039	9 036 935
Total comprehensive income for the year	–	–	142 612	(2 039)	140 573
Profit for the year	–	–	142 612	–	142 612
Other comprehensive income for the year	–	–	–	(2 039)	(2 039)
Balance as at 30 June 2018	13 778 114	1 173 756	(5 774 362)	–	9 177 508
Note	19	20			

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

		Group		Company	
		2018	2017	2018	2017
	Note	R000	R000	R000	R000
Cash flows from operating activities		(342 232)	981 497	(1 552 723)	262 584
Cash generated from operations	40	1 132 187	1 055 139	532 632	433 124
Change in working capital	41	(1 547 247)	(182 388)	(2 139 959)	(208 842)
Investment revenue received		61 058	167 306	39 948	106 838
Transaction fees paid		–	(8 594)	–	(8 594)
Movement relating to land and township development		(17 151)	2 812	(22 695)	(4 531)
Taxation refund received/(paid)	42	28 921	(52 778)	37 351	(55 411)
Cash flows utilised in investing activities		(3 580 937)	(1 990 754)	(2 035 132)	(229 516)
Property, plant and equipment and mining properties and mineral reserves					
Additions to maintain operations		(385 609)	(299 051)	(249 467)	(187 190)
Additions to expand operations		(3 036 727)	(1 321 757)	(1 444 250)	(595 565)
Disposal proceeds		5 133	3 732	14 395	3 732
Amounts paid in respect of long-term prepayments	14	(202 691)	(336 409)	–	–
Additional investment made in associate	5	–	(20 243)	–	(4 498)
Cash calls paid to associate	5	(1 347)	–	(1 347)	–
Repayment of the Booysendal Platinum Proprietary Limited loan		–	–	–	639 700
Movement in the Norplats Properties Proprietary Limited loan		–	–	15 297	(19 713)
Movement in the Mining Technical Services Proprietary Limited loan		–	–	3 634	(11 541)
Various smaller subsidiary loan repayments		–	–	(31)	5 949
Increase in investments held by Northam Platinum Restoration Trust Fund		(8 393)	(8 586)	(7 059)	(5 070)
Increase in investments held by Environmental Guarantee Investments		(795)	(7 759)	(1 126)	(5 320)
Increase in investment held in Buttonshope Conservancy Trust		(1 077)	(681)	–	–
Investment made in Eland Platinum Proprietary Limited	6	–	–	(275 000)	(50 000)
Investment made in the US subsidiaries	6	–	–	(140 747)	–
Proceeds received from the sale of the non-current asset held for sale	5	50 569	–	50 569	–
Cash flows generated/(utilised) from financing activities		2 421 486	(250 130)	2 368 881	(231 980)
Interest paid		(158 170)	(29 694)	(150 175)	(51 508)
Repayment of long-term loan		(9 400)	(50 756)	–	(10 792)
Issue of long-term loans		100 000	38 992	30 000	38 992
Draw down on revolving credit facility	28	2 000 000	–	2 000 000	–
Repayment of revolving credit facility	28	(500 000)	–	(500 000)	–
Issue of domestic medium term notes	25	1 000 000	–	1 000 000	–
Transaction fees paid		(9 267)	–	(9 267)	–
Acquisition of Zambezi Platinum (RF) Limited preference shares	8	(1 677)	(208 672)	(1 677)	(208 672)
Decrease in cash and cash equivalents		(1 501 683)	(1 259 387)	(1 218 974)	(198 912)
Net foreign exchange difference on cash and cash equivalents		7 985	(58 828)	7 985	(58 828)
Cash and cash equivalents at the beginning of the year		1 786 865	3 105 080	1 396 677	1 654 417
Cash and cash equivalents at the end of the year	18	293 167	1 786 865	185 688	1 396 677

ACCOUNTING POLICIES

For the year ended 30 June 2018

1. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments and liabilities that are stated at fair value. Details of the accounting policies are set out below and are consistent with those applied in the previous year, except where otherwise indicated.

The financial statements are in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the JSE Limited listings requirements and the Companies Act of South Africa.

The annual financial statements are presented in South African rand, which is the presentation currency.

The preparation of financial statements in conformity with IFRS requires that management and the board exercises their judgement in the process of applying the company's group accounting policies. It also requires the use of certain critical economic and other estimates. The areas requiring a high degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in notes to the financial statements.

1.1 New accounting policies adopted

The following standards, amendments or interpretations impacting the group which became effective for the year beginning 1 July 2017 were adopted in the group's year-end results

- IAS 7 Disclosure Initiative – Amendments to IAS 7 (refer note 43)

  The IASB's Disclosure Initiative helps users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- Annual Improvement Project (AIP) IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12

The adoption of these standards, amendments and interpretations resulted in changes only in additional disclosures in the financial statements. They did not impact any amounts recognised in the statement of profit or loss and other comprehensive income or statement of financial position.

1.2 Standards, interpretations and amendments issued, but not yet effective

At the date of authorisation of these financial statements, the following standards, amendments and interpretations were in issue but not yet effective. The effective date refers to periods beginning on or after, unless otherwise indicated.

Standard or interpretation	Impact	Effective date
IFRS 9 Financial Instruments	IFRS 9 Financial Instruments is the International Accounting Standards Board (IASB)'s replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting of financial instruments. The new standard contains substantial changes from the current financial instruments standard (IAS 39) with regards to the classification, measurement, impairment and hedge accounting requirements. These changes include: • *Classification and measurement*: The new classification requirements are based on both the entity's business model for managing the financial assets and the contractual cash flow characteristics of a financial asset. The more principles-based approach of IFRS 9 requires the careful use of judgement in its application. • *Impairment*: The IASB has sought to address a key concern that arose as a result of the financial crisis, that the incurred loss model in IAS 39 contributed to the delayed recognition of credit losses. As such, it has introduced a forward-looking expected credit loss model. • *Hedge accounting*: The aim of the new hedge accounting model is to provide useful information about risk management activities that an entity undertakes using financial instruments, with the effect that financial reporting will reflect more accurately how an entity manages its risk and the extent to which hedging mitigates those risks. IFRS 9 establishes a new model for recognition and measurement of impairments in loans and receivables that are measured at amortised cost or fair value through other comprehensive income (FVOCI), the so-called expected credit loss model. This is the only impairment model that applies in IFRS 9 because all other assets are classified and measured at fair value through profit or loss (FVPL) or, in the case of qualifying equity investments, FVOCI with no recycling to profit or loss. Expected credit losses are calculated by: identifying scenarios in which a loan or receivable defaults; estimating the cash shortfall that would be incurred in each scenario if a default were to happen; multiplying that loss by the probability of the default happening; and summing the results of all such possible default events. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it from the moment of its origination or acquisition. IFRS 9 does not require an entity to restate prior periods. Restatement is permitted, if and only if, it is possible without the use of hindsight and the restated financial statements reflect all of the requirements of IFRS 9. If the entity does not restate prior periods, any difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application should be included in the current year opening retained earnings (or other equivalent component of equity). IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 9 will be adopted on the required effective date and comparatives will not be restated. An impact assessment has been performed on the aspects of IFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supporting information being made available during the	1 January 2018

Standard or interpretation	Impact	Effective date
	F2019 financial year when IFRS 9 will be adopted. Below is a brief summary of the expected impact that IFRS 9 will have on the statement of financial position: *Classification and measurement* In terms of IFRS 9 a debt instrument can only be classified as amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As the investment in preference shares carries exposure over and above payments of principal and interest, IFRS 9 would require classification as fair value through profit or loss. The IAS 39 classification as available for sale will therefore change to fair value through profit or loss. Loans as well as trade receivables, excluding receivables with provisional pricing arrangements, are held to collect contractual cash flows and are expected to give rise to cash flows representing payments of principal and interest. The contractual cash flow characteristics of these instruments were analysed and it was concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments will not be required. Other than the items noted above, Northam does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. *Impairment* IFRS 9 requires an entity to record expected credit losses on all of its loans and trade receivables. The group will apply the simplified approach and record lifetime expected losses on all trade receivables, excluding receivables with provisional pricing arrangements. There are no expected impairment losses that will arise due to the short-term nature of the group`s trade receivables cycle and history of recovery. There could however be expected impairment losses that arises from long-term receivables and loans to employees that comprise balances due in respect of Northam's home ownership scheme. The group will apply the general approach on these balances. The general approach involves determining whether the credit risk of a loan or receivable has increased significantly relative to the credit risk at the date of initial recognition. *Hedge accounting* The group currently does not apply hedge accounting and these changes are therefore not expected to impact the group.	
IFRS 15 Revenue from Contracts with Customers	The IASB has published IFRS 15 Revenue from Contracts with Customers. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The core principle is that an entity recognises revenue based on a five-step model to reflect the transfer to goods or services, measured at the amount to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018, with earlier application permitted. Entities can choose to apply the standard fully retrospectively or use a modified retrospective approach in the year of application. Northam plans to adopt the new standard on the required effective date using the full retrospective method making use of some of the practical expedients. An assessment was performed with regards to the impact which IFRS 15 will have on the results of the group. The key issues identified, are set out below. These are based on the current interpretation of IFRS 15 and may be subject to changes as interpretations evolve. Furthermore, the group is considering and will continue to monitor any further developments.	1 January 2018

Standard or interpretation	Impact	Effective date
	Contract terms for the group’s sale of base metals allow for a price adjustment based on final assay results to determine the final metal content. These are referred to as provisional pricing arrangements, and are such that the selling price is based on prevailing spot prices on a specified future date after shipment to the customer (the quotational period (QP)). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one to four months. Under IAS 18, sales contracts that have provisional pricing features are considered to contain an embedded derivative, which is required to be separated from the contract for accounting purposes. The contract is the sale of base metals and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. Recognition of sales revenue for these commodities is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the spot price at the date of shipment. The embedded derivative is initially recognised at fair value, with subsequent changes in the fair value recognised in profit or loss each period until final settlement, and presented as part of revenue. Revenue is recognised at the estimated fair value of the total consideration received or receivable when the concentrate is delivered, which is either when it passes to the buyers trucks or delivered to the customers premises. The initial estimate of the fair value of the embedded derivative and subsequent changes in fair value over, and to the end of, the QP, are also estimated by reference to forward market prices. The subsequent changes in fair value are recognised in the statement of profit or loss and other comprehensive income each period until final settlement and presented as part of revenue. Any subsequent changes arising due to differences between the initial and final assay results are not considered part of the embedded derivative and are adjusted against revenue. IFRS 15 states that if a contract is partially within scope of this standard and partially in the scope of another standard, an entity will first apply the separation and measurement requirements of the other standard(s). Therefore, to the extent that provisional pricing features are considered to be in the scope of another standard, they will be outside the scope of IFRS 15 and entities will be required to account for these in accordance with IFRS 9. Any subsequent changes that arise due to differences between initial and final assay will still be considered within the scope of IFRS 15 and since it constitutes variable consideration, it will be subject to the constraint on estimates of variable consideration. Revenue in respect of the contract will be recognised when control passes to the customer (which has been determined to be the same point in time) and will be measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the QP, i.e., using the most recently determined estimate of the metal content (based on initial assay results) and the estimated forward price (which is consistent with current practice). When considering the initial assay estimate, the group has considered the requirements of IFRS 15 in relation to the constraint on estimates of variable consideration. It will only include amounts in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur when the uncertainty relating to final assay/quality is subsequently resolved, i.e., at the end of the QP. As disclosed above, the assay differences are not usually material, hence, no change is expected when compared to the current approach. Consequently, at the time the concentrate passes the buyer’s trucks or delivered to the buyer, the group will recognise a receivable because from that time it considers it has an unconditional right to consideration. This receivable will then be accounted for in accordance with IFRS 9. The embedded derivative will no longer be separated from the contract, i.e., the concentrate receivable. This is because the existence of the provisional pricing features will mean the concentrate receivable will fail	

Standard or interpretation	Impact	Effective date
	to meet the requirements to be measured at amortised cost. Instead, the entire receivable will be measured at fair value, with subsequent movements being recognised in profit or loss. The requirement to measure the entire receivable at fair value is different from current practice in that the current embedded derivative represents changes in the commodity price, whereas under IFRS 9 the fair value of the receivable will include the impact of changes in the commodity price, interest rate risk and credit risk. Given the nature of the group's provisionally priced sales in that they are no more than four months long and are with customers who have a strong credit rating, the group does not expect this change to have a material impact. With respect to the presentation of amounts arising from such provisionally priced contracts, IFRS 15 requires "revenue from contracts with customers" to be disclosed separately from other types of revenue. This means that revenue recognised from the initial sale must be separately disclosed in the financial statements from any subsequent movements in the fair value of the related receivable. This requirement will have an impact on disclosure as the group currently recognises fair value movements in revenue. However, the quantum of the fair value movement may be different as a result of the adoption of IFRS 9. Consistent with current practice, any subsequent changes that arise due to differences between initial and final assay related to volume/quantity and quality will be recognised as an adjustment to revenue from contracts with customers. In addition to the presentation and disclosure requirements for provisionally priced sales discussed above, IFRS 15 contains other presentation and disclosure requirements which are more detailed than the current IFRS. The presentation requirements represent a significant change from current practice and will increase the volume of disclosures required in the group's financial statements. Many of the disclosure requirements in IFRS 15 are new.	
IFRS 16 Leases	The new standard provides a comprehensive model to identify lease-arrangements and the treatment thereof in the financial statements of both lessees and lessors. IFRS 16 requires lessees to recognise most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. Lessees will apply a single model for most leases (with certain exemptions). Generally, the profit or loss recognition pattern will change as interest and depreciation expenses are recognised separately in profit or loss (similar to current finance lease accounting). However, lessees can make accounting policy elections to apply accounting similar to operating lease accounting under IAS 17 Leases to short-term leases and leases of low-value assets. Lessor accounting is substantially unchanged from the current lease statement. As with IAS 17, IFRS 16 requires lessors to classify their leases into two types: finance leases and operating leases. Lease classification determines how and when a lessor recognises lease revenue and what assets a lessor records. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided that the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been, or is, applied at the same date as IFRS 16. Lessees must apply IFRS 16 using either a full retrospective or a modified retrospective approach. The group has limited lease arrangements and the impact is therefore expected to be minimal, but is still in the process of being assessed.	1 January 2019
IFRIC 22 Foreign Currency Transaction and Advance Consideration	The IFRS Interpretations Committee issued an Interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. The issue arises because IAS 21 requires an entity to use the exchange rate at the 'date of the transaction', which is defined	1 January 2018

Standard or interpretation	Impact	Effective date
	as the date when the transaction first qualifies for recognition. The 'date of the transaction' for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. In case there are multiple payments or receipts in advance, the entity should determine a date of transaction for each payment or receipt of advance consideration. The Interpretation provides guidance for when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The amendment is effective for annual periods beginning on or after 1 January 2018. The group already follows the principles included in IFRIC 22, relating to non-current prepayments made and therefore believes that the impact will be minimal.	
IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	The IASB has issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice in three main areas. The effects of vesting conditions on the measurement of a cash-settled share based payment transaction. The classification of a share-based payment transaction with net settlement features for withholding tax obligations. The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective for accounting periods beginning on or after 1 January 2018, but earlier application is permitted provided it is disclosed. On adoption, prior periods will not be restated. The amendment is believed to have a minimal impact on the results of the group as the clarifications is consistent with current practices applied by the group.	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatment	The IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the Interpretation). The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The interpretation is effective for periods beginning on or after 1 January 2019. This interpretation is not considered to have a material impact on the group results, but is still being assessed.	1 January 2019
Amendments to IAS 23 Borrowing costs	The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. This amendment will be taken into account when determining general borrowing costs which can be capitalised to qualifying assets, in accordance with the transition provisions.	1 January 2019

<table>
<tr><th>Standard or interpretation</th><th>Impact</th><th>Effective date</th></tr>
<tr><td>Conceptual Framework</td><td>The IASB has revised its Conceptual Framework. The primary purpose of the Framework is to assist the IASB (and the Interpretations Committee) by identifying concepts that it will use when setting standards.

Key changes include:
• increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions
• reinstating prudence, defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality
• defining a reporting entity, which might be a legal entity or a portion of a legal entity
• revising the definition of an asset as a present economic resource controlled by the entity as a result of past events
• revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events
• removing the probability threshold for recognition, and adding guidance on derecognition
• adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis
• stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced.

The Board and Interpretations Committee will immediately begin using the revised Framework, and the group will consider it when needed in terms of the IAS 8 hierarchy dealing with selecting accounting policies not covered by an IFRS standard.</td><td>1 January 2020</td></tr>
</table>

Northam notes the new standards, amendments and interpretations which have been issued but not yet effective and does not plan to early adopt any of the standards, amendments and interpretations.

1.3 Consolidation

The consolidated financial statements include the results and financial position of the company, its subsidiaries, joint ventures and associates. Subsidiaries are entities in respect of which the group has power over and is exposed, or has rights, to variable returns from its involvement with these entities and has the ability to affect those returns through its power over those entities.

Control would generally exist where the group owns more than 50% of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred. They are de-consolidated from the date on which control ceases. Control is reassessed if facts and circumstances indicated that there are changes to one or more of the elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as Northam Platinum Limited, using consistent accounting policies.

Investments in subsidiaries are recognised at cost less accumulated impairment losses in the accounts of the company.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies, including any resulting tax effect are eliminated.

Investment in subsidiaries are assessed for impairment at each reporting period as part of the group's impairment assessment, and detailed impairment testing is performed if there are any indications that an investment in a subsidiary could potentially be impaired.

1.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the date of acquisition. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) that is expected to benefit from the combination. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is tested for impairment annually or more frequently if events or circumstances indicates that it might be impaired.

Business combination of entities under common control

Business combinations between entities under common control are accounted for using the pooling of interests method. Under this method the assets, liabilities and reserves of the acquired entity are recorded by the purchasing entity at their existing carrying values as recorded in the consolidated financial statements. As required by the pooling of interests method, the transfer is accounted for as if it occurred at the beginning of the financial year. The comparative amounts are not restated.

1.5 Associates and joint arrangements

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Associates are accounted for at cost and are adjusted for impairments where appropriate in the company financial statements.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities.

Investments in associates are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the associates carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an associates fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The group also has interests in a joint arrangement which is classified as joint ventures in terms of IFRS 11 Joint arrangements. The group's investment in the joint ventures are accounted for using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Dividends received from associates and joint ventures are included in investing activities in the statement of cash flow.

Where there is an additional investment in the associates or joint ventures, the purchase price paid for the additional interest is added to the existing carrying amount of the associate or joint venture and the existing interest is not re-measured.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an impairment loss on the group's investment in its associates or joint venture. The group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

Any losses of equity accounted investments are brought to account in the financial statements until the investment in such investments is written down to zero. Thereafter, losses are accounted for only insofar as the group is committed to providing financial support to such investees.

Upon loss of significant influence over the associates or joint control over the joint ventures, the group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

1.6 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation/amortisation and accumulated impairments/reversal. Cost includes pre-production expenditure incurred during the development of a mine and the present value of related future decommissioning costs.

Interest on borrowings relating to the financing of major capital projects under construction is capitalised during the construction phase as part of the cost of the project. Such borrowings costs are capitalised over the period during which the asset is being constructed and borrowings have been incurred. Capitalisation ceases when construction is interrupted for an extended period or when the asset is substantially complete. Other borrowing costs are expensed as incurred.

Mining and general infrastructure assets including metallurgical and refining plants

Mine development and infrastructure costs are capitalised to assets under construction and transferred when the mining venture reaches commercial production.

Items that are withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

Depreciation is first charged from the date on which the mining assets reaches commercial production levels. When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Mining assets are depreciated on a units of production basis based on reserves which are revised annually.

Where items of plant and equipment comprise separate, identifiable components that have differing useful lives, such components are depreciated according to their individual useful lives.

Decommissioning asset

The decommissioning asset is depreciated on the units of production basis, based on reserves, which are revised annually.

The decommissioning asset is recognised and subsequent changes in the assumptions which impact the asset is reflected in the asset as set out in the decommissioning provision accounting policy. The decommissioning asset is included as part of the mining plant and equipment when considering depreciation, impairment and derecognition.

Foreign currency prepayment

Prepayment relating to the manufacturing costs in terms of the aerial ropeway manufacturer agreement is currently incurred with a foreign supplier. The prepayment was initially accounted for at cost using the spot rate at transaction date. The construction of the ropeway will take place over a period of time. These prepayments will be capitalised to property, plant and equipment as and when construction of the aerial ropeway is finalised.

Other assets including buildings

Office equipment, furniture and vehicles are depreciated using varying rates, ranging between 10% and 20% on a straight-line basis over their expected useful lives.

Buildings are depreciated on a straight-line basis over the estimated useful life, which is generally the life of mine

Land and assets under construction

Land and assets under construction are recorded at cost of acquisition less accumulated impairment losses and are not depreciated.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant, equipment and mining properties is added to the carrying value of the asset when it is probable that future economic benefits will flow to the group. All other subsequent expenditure is recognised as an expense and included in profit or loss.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Impairment

An impairment review of property, plant and equipment is carried out when there is an indication that these may be impaired by comparing the carrying amount thereof to its recoverable amount.

The group assesses, at each reporting date, whether there are indications that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Where the recoverable amount is less than the carrying amount, the impairment charge is included in other net expenditure in order to reduce the carrying amount of property, plant and equipment to its recoverable amount. The adjusted carrying amount is depreciated on a straight-line basis over the remaining useful life of property, plant and equipment.

Annual review of residual values, depreciation method and useful lives

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted prospectively, if appropriate, at each financial year end.

Non-current assets held for sale

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale and the sale is expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Exploration expenditure

Exploration and evaluation expenditure on greenfields sites, being those where the group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a feasibility study has been completed, after which the expenditure is capitalised if the feasibility study demonstrates that future economic benefits are probable.

Exploration and evaluation expenditure on brownfields sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until management is able to demonstrate that future economic benefits are probable through the completion of a pre-feasibility study. Costs relating to development activities as well as mineral resources bought are capitalised to mine development asset.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost as and when incurred.

1.7 Mining properties and mineral resources

Mining properties and mineral resources comprising mineral rights are recorded at cost of acquisition. Depreciation is first charged on new mining properties from the date on which the mining in respect of the mining property reaches commercial production levels. Mining properties are depreciated on a units of production basis based on reserves which are revised annually.

Mining properties and mineral resources acquired separately are measured on initial recognition at cost. Following initial recognition, these mining properties and mineral resources are carried at cost less any accumulated amortisation and any accumulated impairment losses.

1.8 Land and township development

The assets are recognised on the statement of financial position in accordance with IAS 2. We are comfortable that a buyer will always be found due to the housing requirements around our mines. Because these assets are normally held for a period of longer than 12 months, they are however deemed to be non-current assets. These assets are held at the lower of cost and net realisable value.

Net realisable value tests are performed at each reporting date and represent the current sales price of the houses, less estimated costs to complete production and bring the houses to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Land and township development, which is an initiative in order to assist the group's employees to acquire their own affordable housing, is initially recognised at cost. Cost is determined on the basis of land acquisition, development and housing construction cost. Land and township development is derecognised when the risks and rewards of ownership of the property transfers to the employees.

Northam's main business is not the development of properties but is obligated under South African mining legislation to offer certain of its employees house ownership as part of their benefits. To that end, it constructs houses which are sold to employees. The houses are mainly for employees but third parties can also acquire these properties. Therefore, the main aim of the disclosure of the land and township development activities provided is qualitative by nature, i.e. social and community advancement and employee benefits. The main business of the group is mining platinum group metals.

1.9 Financial instruments

Financial instruments recognised on the statement of financial position include investments, cash and cash equivalents, long-term receivables, trade receivables, trade payables, loans and borrowings. These are recognised when the group becomes party to the contractual agreements. All financial instruments are initially recorded at fair value and in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs are amortised based on the effective interest rate method.

Fair value

Where financial instruments are recognised at fair value, the instruments are measured at the amount for which an asset could be sold, or an amount paid to transfer a liability, in an orderly transaction in the principal or most advantageous market, at the measurement date under current market conditions regardless of whether this price is directly observable or estimated using a valuation technique. Fair values have been determined as follows: (i) where market prices are available, these have been used and (ii) where there are no market prices available, fair values have been determined using valuation techniques incorporating observable market inputs or discounting expected cash flows at market rates.

The fair value of the trade receivables, cash and cash equivalents, and trade payables approximates their carrying amount due to the short maturity period of these instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the period of the instrument.

Effectively, this method determines the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

Financial assets

Financial assets are classified as available for sale or loans and receivables.

The classification of the financial assets is dependent on the purpose and characteristics of the particular financial assets and is determined at the date of initial recognition.

Investments classified as available for sale

Preference shares held are classified as available for sale investments.

After initial recognition, investments, which are classified as available for sale, are re-measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired when it is recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables, long-term receivables and cash and cash equivalents. After initial recognition, receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired as well as through the amortisation process.

Impairment of financial instruments

The group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in estimated future cash flows. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

Impaired debts are derecognised when they are assessed as uncollectible.

Available for sale financial assets

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Equity instruments

An equity instrument represents a contract that evidences a residual interest in the net assets of an entity. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are recorded initially at the fair value of the consideration received, which is cost net of any issue costs associated with the borrowings.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on issue.

Borrowings, trade and other payables and the preference share liability have been classified as financial liabilities.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Accrued dividends on preference shares are recognised as finance charges.

Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired; the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either: (a) the group has transferred substantially all the risks and rewards of the asset or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. Amortisation is based on the total value of underlying liability still outstanding, as this better reflects the pattern of how the company provides the guarantee.

1.10 Inventories

Consumable stores

Consumable stores consist of consumable and maintenance stores and are valued at the lower of cost or net realisable value. Cost is determined on the weighted average cost basis. Consumable stores are under continual review and are written down in regard to age, condition and utility.

Metal on hand

Stocks of the three major platinum group elements and gold (4E), either in refined or in process form, are valued at the lower of cost of production (including the value of any purchased concentrate) or net realisable value. Production costs include an appropriate portion of overhead expenses. Cost is determined on the six month weighted average basis.

The average cost of normal production includes total costs incurred on mining and refining, including depreciation, less net revenue from the sale of by-products, including chrome, allocated to main products based on units produced under normal production.

Costs incurred in the production process, are appropriately accumulated as stockpiles, metal in process and product inventories. Platinum, palladium, rhodium and gold (4E) are treated as main products and other platinum group and base metals produced as by-products, including chrome, which are not classified as inventory.

Stockpiles are measured by estimating the stockpiled tonnes, the number of contained 4E ounces based on assay data, and the estimated recovery percentage based on the expected processing method, but only if the stockpiles are considered material. Stockpile tonnages are verified by periodic surveys.

In process and final inventories are carried at the lowest of average cost of normal production and net realisable value.

Net realisable value tests are performed, on a monthly basis and represent the expected sales price of the product based on prevailing spot metal prices at the reporting date, less estimated costs to complete production and bring the product to sale.

1.11 Provisions

Provisions are recognised when the group has a present obligation, whether legal or constructive, because of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when the reimbursement is virtually certain. The amount to be reimbursed is recognised as a separate asset.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning provision

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on an independent assessment of the future commercial closure costs in compliance with current technology, environmental and regulatory requirements.

Provision is made for the present value of the estimated future decommissioning costs at the end of the mine's life. A decommissioning asset is recognised as part of the underlying property, plant and equipment.

With regards to the provision, the estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the decommissioning provision due to the passage of time is recognised as a finance cost in profit or loss. Other changes in the carrying value of the provision subsequent to initial recognition are adjusted in the determination of the carrying value of the decommissioning asset as opposed to being recognised in profit or loss. If the adjustment results in an addition to the decommissioning asset, consideration is given as to whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the asset is tested for impairment by estimating its recoverable amount in accordance with the respective accounting policies.

Decommissioning liabilities are discounted over the period of the various mining rights.

Provision for restoration costs

Provision is made for the estimated cost to be incurred on long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the mine.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money. The increase in the restoration provision due to the passage of time is recognised as a finance cost in profit or loss. In assessing the future liability, no account is taken of the potential proceeds from the sale of assets and metals from the plant clean-up.

The future liability is reviewed regularly and adjusted as appropriate for new facts and changes in legislation. The cost of ongoing programmes to prevent and control pollution and rehabilitate the environment is recognised as an expense when incurred.

Restoration liabilities are discounted over the period of the mining right.

Expenditure on ongoing rehabilitation costs is recognised as an expense when incurred.

Environmental rehabilitation fund

The group may contribute to a dedicated trust fund, the Northam Platinum Restoration Trust Fund (the fund), to fund the expenditure on future decommissioning and restoration. Income earned by the fund is credited to the group's profit or loss in the period to which it relates.

The group controls the trust and therefore consolidates it.

The assets of the fund are separately administered and the group's right of access to these funds is restricted.

1.12 Foreign currencies

The South African rand is the functional currency of all the operations, except for the US recycling operations which has a US dollar functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Profits or losses arising on the translation of foreign currencies, whether realised or unrealised, are credited or charged to profit or loss.

US entities

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities included in the statement of financial position are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

1.13 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits associated with the transaction will flow to the group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the amounts received or receivable net of value added tax, cash discounts and rebates.

Metal sales

Revenue from the sale of metal is accounted for when the risks and rewards of ownership have passed and is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date relating to metals where final assays are not yet available. Adjustments, in respect of final assayed quantities and/ or prices, arising between the date of recognition of the revenue and the date of settlement are adjusted against revenue in the period in which the adjustment arises.

Sundry income (including treatment charges in respect of concentrate purchased)

Sundry income is recognised when the right to receive payment has been established.

Investment revenue

Interest (including preference share dividends) is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

1.14 Borrowing costs

Borrowing costs are charged to finance charges.

Borrowing costs that are directly attributable to the acquisition, construction or development of qualifying assets that require a substantial period of time to prepare for their intended use are capitalised. Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its intended use are complete. Other borrowing costs are recognised as an expense when incurred.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of the borrowing costs applicable to the borrowings of the group that are outstanding during the period.

1.15 Employee benefits

Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period. Accruals are made for accumulated leave and are measured at the amount that the group expects to pay when the leave is used.

Share incentive plan (including the lock-in mechanism shares)

Awards granted to employees in terms of the rules of the Northam share incentive plan (the plan) are measured at fair value based on market prices at the date of grant (measurement date).

The shares awarded in terms of the rules of the plan comprise: retention shares, which vest after three years with no performance criteria, and performance shares, which also vest after three years. The final number of performance shares that the relevant employee will receive will be subject to certain performance criteria being met.

The group initially measures the cost of cash-settled transactions with employees using a market value model to determine the fair value of the liability incurred.

For cash-settled share-based payment transactions, the liability needs to be re-measured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in the financial statements. Refer to note 27.

Retirement benefits

Eligible employees are members of various defined contribution schemes. Employer contributions are recognised as an expense during the period in which the employees' services are rendered.

Medical benefits

Employer contributions in respect of current medical benefits are recognised as an expense during the period in which the employees' services are rendered.

Post-retirement medical costs

Eligible employees are members of a defined contribution scheme established to assist those employees to meet post-retirement medical costs.

Employer contributions are recognised as an expense during the period in which the employees' services are rendered. These contributions cease when the employees' services terminate.

Toro Employee Empowerment Trust

The Toro Employee Empowerment Trust ("the Trust") was established for the benefit of eligible Zondereinde employees. Northam contributes 4% of its after tax profits to the Trust where after eligible employees will receive payment at the end of each five-year cycle. The amount of this cash to be distributed is based on the valuation of the fund and Northam does not guarantee any values over and above what is included in the Trust and managed accordingly by the investment manager.

Since the cash distribution is payable to employees after the end of the period in which the related services are rendered and it is not a post-employment benefit or a termination benefit, the Trust is accounted for as an "Other long-term employee benefit" in terms of IAS 19. The benefits payable to employees are therefore measured using the Projected Unit Credit Method.

Independent actuarial valuations are conducted annually. Re-measurements, comprising actuarial gains and losses arising as a result of experience adjustments and/or the effects of changes in actuarial assumptions, the effect of changes to the asset ceiling and the return on plan assets (excluding interest) are recognised immediately in profit or loss when they occur. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating profit. Net interest is determined by applying the discount rate at the beginning of the year to the net defined liability or asset.

Past-service cost is recognised immediately in profit or loss in the period to the extent that benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The asset or liability comprises the present value of the obligation less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets (cash) that are held by the Trust and are not available to the creditors of the group.

1.16 Leases

Group as lessee

Leases in respect of which the lessor retains substantially all the risks and rewards of ownership of an asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the period of the lease.

Group as lessor

Leases in respect of which the group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Operating lease payments for rental income received relating to mining properties are recognised as other income in profit or loss on a straight-line basis over the period of the lease.

1.17 Taxation

Current tax

The charge for current tax is based on the results for the year, as adjusted for by items that are exempt or disallowed, and is calculated using the enacted tax rates, at the reporting date.

Where items are credited or charged directly to equity or other comprehensive income the tax effect is also recognised within equity or other comprehensive income as appropriate.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except where the 'initial recognition exception' applies; and in respect of 'outside' temporary differences relating to subsidiaries, associates and joint ventures.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available, against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised in the foreseeable future except where the 'initial recognition exception' applies; and in respect of 'outside' temporary differences relating to subsidiaries, associates and joint ventures.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income as appropriate and not in profit or loss.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority and taxable entity.

Dividends withholding tax

The group withholds dividends tax on behalf of its shareholders on dividends declared at the enacted withholding tax rate. Amounts withheld are not recognised as part of the group's tax charge but rather as part of the dividend paid recognised directly in equity.

Uncertain tax positions

Judgements are required in respect of the application of existing tax laws in each jurisdiction and the therefore the determination of the provision for income taxes.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The various statutory entities within the group recognise liabilities for anticipated tax uncertainties based on the best estimate of whether additional taxes will be due.

Where the final tax outcome of any tax matters are different from the amounts that were initially reported, such differences will impact the income and deferred tax provisions in the period in which such determination is made.

In addition, future changes in tax laws in the jurisdictions in which the group operates could limit the ability of the group to obtain tax deductions in future periods.

2. Segmental analysis

Two reportable segments have been identified, being the Zondereinde mine and Booysendal mine. Both of these mines engage in business activities where they earn revenue and incur expenses, the operating results of these two segments are also regularly reviewed by the chief operating decision maker at Northam Platinum Limited, which is the executive committee, and their performance assessed separately. Furthermore, discrete financial information is available for both segments.

The Zondereinde mine includes the results of the chrome operations, previously housed in Northam Chrome Proprietary Limited. Northam Chrome Proprietary Limited was transferred to Northam Platinum Limited through a Section 47 of the Income Tax Act transfer during the prior year.

Zambezi Platinum (RF) Limited has been included in the table below in order to reconcile the amounts to the reported statement of financial position and statement of profit or loss and other comprehensive income. Zambezi Platinum (RF) Limited is not a separate operating segment as it does not engage in business activities from which it earns revenue and/or incurs expenses. In addition to this, its operating results are not regularly reviewed by the chief operating decision makers in assessing the performance of the entity.

Eland Platinum Proprietary Limited and the US recycling operations have been included in other as none of these operations currently fulfil the criteria to be separately disclosed as an operating segment. Other also includes various subsidiaries, consolidation adjustments made as well as the capitalisation of borrowing costs. No segments were aggregated.

All assets of the group are South African based assets, except for the land and buildings as well as equipment held by the US subsidiaries amounting to R137.5 million.

Segmental statement of profit or loss and other comprehensive income 30 June 2018

	Zondereinde operating segment	Booysendal operating segment	Intercompany eliminations	Zambezi Platinum (RF) Limited and the BEE transaction	Other	Total
	R000	R000	R000	R000	R000	R000
Sales revenue	7 142 893	3 034 874	(2 625 586)	–	–	7 552 181
Cost of sales	(6 787 469)	(2 509 516)	2 568 118	–	–	(6 728 867)
Operating costs	(4 240 251)	(2 077 749)	–	–	–	(6 318 000)
On mine operations	(3 254 293)	(1 538 405)	–	–	–	(4 792 698)
Concentrator operations	(353 861)	(353 461)	–	–	–	(707 322)
Smelting and base metal removal plant costs	(417 828)	–	–	–	–	(417 828)
Chrome processing	(21 344)	(53 721)	–	–	–	(75 065)
Selling and administration	(106 331)	(82 411)	–	–	–	(188 742)
Royalty charges	(12 119)	(14 795)	–	–	–	(26 914)
Share-based payment expenses and profit share scheme	(76 980)	(30 364)	–	–	–	(107 344)
Rehabilitation	2 505	(4 592)	–	–	–	(2 087)
Concentrates purchased	(3 963 939)	(72 153)	2 625 586	–	–	(1 410 506)
Refining and other costs	(123 840)	–	–	–	–	(123 840)
Depreciation and write-offs	(152 041)	(291 556)	1 732	–	–	(441 865)
Change in metal inventories	1 692 602	(68 058)	(59 200)	–	–	1 565 344
Operating profit	355 424	525 358	(57 468)	–	–	823 314
Share of earnings from associate and joint venture	–	–	–	–	4 162	4 162
Investment revenue	63 761	4 550	–	35	(15 713)	52 633
Finance costs excluding preference share dividends	(210 428)	(18 603)	–	–	160 550	(68 481)
Net foreign exchange transaction gains/(losses)	4 135	(1 767)	–	–	–	2 368
Sundry income	86 685	9 096	–	–	121 224	217 005
Sundry expenditure	(70 341)	(131 861)	11 074	(1)	(189 815)	(380 944)
Profit/(loss) before preference share dividends	229 236	386 773	(46 394)	34	80 408	650 057
Amortisation of liquidity fees paid on preference shares	–	–	–	(16 390)	–	(16 390)
Preference share dividends net of amounts capitalised	–	–	–	(1 106 684)	–	(1 106 684)
Loss on derecognition of preference share liability	–	–	–	(8)	–	(8)
Profit/(loss) before tax	229 236	386 773	(46 394)	(1 123 048)	80 408	(473 025)
Taxation	(86 624)	(109 287)	13 611	(10)	(49 663)	(231 973)
Profit/(loss) for the year	142 612	277 486	(32 783)	(1 123 058)	30 745	(704 998)

Segmental statement of profit or loss and other comprehensive income 30 June 2017

	Zondereinde operating segment	Booysendal operating segment	Intercompany eliminations	Zambezi Platinum (RF) Limited and the BEE transaction	Other	Total
	R000	R000	R000	R000	R000	R000
Sales revenue	6 395 036	2 574 442	(2 104 293)	–	–	6 865 185
Cost of sales	(6 162 574)	(2 137 031)	2 048 405	–	–	(6 251 200)
Operating costs	(3 717 601)	(1 964 416)	6 000	–	–	(5 676 017)
On mine operations	(2 909 091)	(1 482 640)	6 000	–	–	(4 385 731)
Concentrator operations	(290 863)	(339 910)	–	–	–	(630 773)
Smelting and base metal removal plant costs	(318 807)	–	–	–	–	(318 807)
Chrome processing	(20 468)	(16 415)	–	–	–	(36 883)
Selling and administration	(82 082)	(80 305)	–	–	–	(162 387)
Royalty charges	(32 169)	(12 872)	–	–	–	(45 041)
Share-based payment expenses and profit share scheme	(64 121)	(32 274)	–	–	–	(96 395)
Concentrates purchased	(2 508 386)	–	2 104 293	–	–	(404 093)
Refining and other costs	(120 633)	–	–	–	–	(120 633)
Depreciation and write-offs	(182 650)	(271 666)	1 732	–	–	(452 584)
Change in metal inventories	366 696	99 051	(63 620)	–	–	402 127
Operating profit	232 462	437 411	(55 888)	–	–	613 985
Share of earnings from associate and joint venture	–	–	–	–	4 870	4 870
Investment revenue	126 043	48 196	(2 689)	(19 204)	14 960	167 306
Finance costs excluding preference share dividends	(72 512)	(21 542)	2 689	–	20 180	(71 185)
Net foreign exchange transaction losses	(32 564)	(14 165)	–	–	–	(46 729)
Sundry income	64 233	6 815	(7 000)	–	9 313	73 361
Sundry expenditure	(60 587)	(32 402)	1 000	–	(38 854)	(130 843)
Profit/(loss) before preference share dividends	257 075	424 313	(61 888)	(19 204)	10 469	610 765
Amortisation of liquidity fees paid on preference shares	–	–	–	(16 390)	–	(16 390)
Preference share dividends net of amounts capitalised	–	–	–	(1 017 396)	–	(1 017 396)
Loss on derecognition of preference share liability	–	–	–	(901)	–	(901)
Profit/(loss) before tax	257 075	424 313	(61 888)	(1 053 891)	10 469	(423 922)
Taxation	(73 065)	(146 986)	–	–	8 030	(212 021)
Profit/(loss) for the year	184 010	277 327	(61 888)	(1 053 891)	18 499	(635 943)

Segmental statement of financial position as at 30 June 2018

	Zondereinde operating segment	Booysendal operating segment	Intercompany eliminations	Zambezi Platinum (RF) Limited and the BEE transaction	Other	Total
	R000	R000	R000	R000	R000	R000
Assets						
Non-current assets	17 554 936	13 944 299	(19 421 368)	5 865 332	1 165 745	19 108 944
Property, plant and equipment	3 658 338	7 325 181	–	–	890 627	11 874 146
Mining properties and mineral resources	1 130 284	6 450 459	(954 583)	–	3 000	6 629 160
Interest in associates and joint ventures	–	–	–	–	171 376	171 376
Investment in subsidiaries	12 351 835	–	(12 351 835)	–	–	–
Investments in Northam Platinum Limited	–	–	(5 865 332)	5 865 332	–	–
Other investments	249 618	–	(249 618)	–	–	–
Land and township development	45 444	12 085	–	–	8 151	65 680
Long-term receivables	8 451	2 581	–	–	75 865	86 897
Investments held by Northam Platinum Restoration Trust Fund	55 333	55 293	–	–	–	110 626
Environmental Guarantee Investment	55 633	9 092	–	–	4 174	68 899
Buttonshope Conservancy Trust	–	–	–	–	12 203	12 203
Long-term prepayments	–	89 608	–	–	–	89 608
Deferred tax asset	–	–	–	–	349	349
Current assets	4 765 438	334 314	(511 596)	474	126 460	4 715 090
Short-term subsidiary loan	99 225	–	(99 225)	–	–	–
Inventories	3 381 744	170 494	(165 443)	–	–	3 386 795
Trade and other receivables	993 403	160 088	(246 928)	6	17 516	924 085
Cash and cash equivalents	280 916	372	–	468	106 946	388 702
Tax receivable	10 150	3 360	–	–	1 998	15 508
Total assets	22 320 374	14 278 613	(19 932 964)	5 865 806	1 292 205	23 824 034
Equities and liabilities						
Total equity	9 177 508	11 475 312	(9 970 890)	(3 952 855)	657 604	7 386 679
Stated capital	13 778 114	8 675 932	(9 141 679)	–	465 747	13 778 114
Treasury shares	–	–	(6 556 123)	–	–	(6 556 123)
(Accumulated loss)/retained earnings	(5 774 362)	297 625	8 527 975	(3 952 855)	192 221	(709 396)
Foreign currency translation reserve	–	–	–	–	(364)	(364)
Non-distributable reserves	–	2 501 755	(2 501 755)	–	–	–
Equity-settled share-based payment reserve	1 173 756	–	(299 308)	–	–	874 448
Non-current liabilities	10 197 831	2 041 603	(9 615 921)	9 818 650	390 104	12 832 267
Deferred tax liability	700 878	1 781 431	(1 706 827)	–	49 312	824 794
Long-term provisions	131 793	167 543	–	–	340 792	640 128
Long-term loans	123 176	58 887	–	–	–	182 063
Long-term share-based payment liability	45 257	33 742	–	–	–	78 999
Financial guarantee liability	7 535 944	–	(7 535 944)	–	–	–
Domestic medium term notes	174 288	–	–	–	–	174 288
Preference share liability	–	–	(373 150)	9 818 650	–	9 445 500
Revolving credit facility	1 486 495	–	–	–	–	1 486 495
Current liabilities	2 945 035	761 698	(346 153)	11	244 497	3 605 088
Current portion of long-term loans	16 896	7 644	–	–	–	24 540
Current portion of domestic medium term notes	1 243 440	–	–	–	–	1 243 440
Short-term share-based payment liability	44 604	33 736	–	–	–	78 340
Tax payable	–	–	–	11	106	117
Subsidiary loans	–	198 978	(346 153)	–	147 175	–
Trade and other payables	1 368 964	500 573	–	–	96 438	1 965 975
Bank overdraft	95 228	–	–	–	307	95 535
Short-term provisions	175 903	20 767	–	–	471	197 141
Total equity and liabilities	22 320 374	14 278 613	(19 932 964)	5 865 806	1 292 205	23 824 034

Segmental statement of financial position as at 30 June 2017

	Zondereinde operating segment	Booysendal operating segment	Intercompany eliminations	Zambezi Platinum (RF) Limited and the BEE transaction	Other	Total
	R000	R000	R000	R000	R000	R000
Assets						
Non-current assets	14 019 436	12 563 189	(17 869 263)	6 468 175	302 016	15 483 553
Property, plant and equipment	3 323 250	5 672 774	–	–	26 236	9 022 260
Mining properties and mineral resources	116 560	6 474 365	(954 583)	–	–	5 636 342
Interest in associates and joint ventures	–	–	–	–	167 214	167 214
Investment in subsidiaries	10 216 000	–	(10 216 000)	–	–	–
Investments in Northam Platinum Limited	–	–	(6 468 175)	6 468 175	–	–
Other investments	230 505	–	(230 505)	–	–	–
Land and township development	22 749	12 085	–	–	13 695	48 529
Long-term receivables	–	–	–	–	83 745	83 745
Investments held by Northam Platinum Restoration Trust Fund	48 274	53 959	–	–	–	102 233
Environmental Guarantee Investment	54 507	13 597	–	–	–	68 104
Buttonshope Conservancy Trust	–	–	–	–	11 126	11 126
Long-term prepayments	–	336 409	–	–	–	336 409
Other assets	7 591	–	–	–	–	7 591
Current assets	5 433 769	969 737	(2 442 183)	445	141 569	4 103 337
Short-term subsidiary loan	1 838 213	476 691	(2 314 904)	–	–	–
Inventories	1 673 000	162 345	(106 243)	–	–	1 729 102
Trade and other receivables	487 956	70 140	(21 036)	7	11 930	548 997
Cash and cash equivalents	1 396 677	260 561	–	438	129 189	1 786 865
Tax receivable	37 923	–	–	–	450	38 373
Non-current assets held for sale	49 222	–	–	–	–	49 222
Total assets	19 502 427	13 532 926	(20 311 446)	6 468 620	443 585	19 636 112
Equities and liabilities						
Total equity	9 036 935	9 477 739	(8 386 346)	(2 167 943)	131 656	8 092 041
Stated capital	13 778 114	6 955 843	(14 061 967)	–	7 106 124	13 778 114
Treasury shares	–	–	(6 556 123)	–	–	(6 556 123)
(Accumulated loss)/retained earnings	(5 916 974)	20 141	15 034 846	(2 167 943)	(6 974 468)	(4 398)
Non-distributable reserves	–	2 501 755	(2 501 755)	–	–	–
Other comprehensive income	2 039	–	(2 039)	–	–	–
Equity-settled share-based payment reserve	1 173 756	–	(299 308)	–	–	874 448
Non-current liabilities	9 005 235	1 871 467	(9 589 159)	8 636 557	5 585	9 929 685
Deferred tax liability	605 265	1 671 516	(1 696 483)	–	5 585	585 883
Long-term provisions	141 284	163 545	–	–	–	304 829
Long-term loans	249 428	–	–	–	–	249 428
Long-term share-based payment liability	52 233	36 406	–	–	–	88 639
Financial guarantee liability	7 535 944	–	(7 535 944)	–	–	–
Domestic medium term notes	421 081	–	–	–	–	421 081
Preference share liability	–	–	(356 732)	8 636 557	–	8 279 825
Current liabilities	1 460 257	2 183 720	(2 335 941)	6	306 344	1 614 386
Current portion of long-term loans	13 434	–	–	–	–	13 434
Short-term share-based payment liability	45 988	29 038	–	–	–	75 026
Tax payable	–	438	–	6	102 106	102 550
Subsidiary loans	476 547	1 720 088	(2 335 941)	–	139 306	–
Trade and other payables	778 316	424 924	–	–	64 932	1 268 172
Short-term provisions	145 972	9 232	–	–	–	155 204
Total equity and liabilities	19 502 427	13 532 926	(20 311 446)	6 468 620	443 585	19 636 112

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

For the year ended 30 June 2018

3. Property, plant and equipment

Property, plant and equipment balances for the group are made up as follows:

Group	Shafts, mining development and infrastructure R000	Metallurgical and refining plants R000	Land and buildings R000	Other assets R000	Decommissioning asset R000	Assets under construction R000	Total R000
Cost opening balance as at 1 July 2016	6 412 648	2 539 458	445 511	250 962	168 496	558 633	10 375 708
Transfer to mining properties and mineral resources	(19 038)	–	–	–	–	–	(19 038)
Additions	11 837	1 901	398	251	–	1 528 255	1 542 642
Transfer from assets under construction	654 158	49 813	72 331	39 047	–	(815 349)	–
Disposals and write-offs	(6 572)	–	(337)	(3 315)	–	–	(10 224)
Present value of decommissioning asset capitalised	–	–	–	–	4 530	–	4 530
Borrowing costs capitalised	–	–	–	–	–	76 058	76 058
Closing cost as at 30 June 2017	7 053 033	2 591 172	517 903	286 945	173 026	1 347 597	11 969 676
Transfer between asset classes	(20 803)	26 465	15 385	(21 047)	–	–	–
Amounts reclassified from non-current prepayments (note 14)	–	–	–	–	–	449 492	449 492
Additions	3 938	167 657	166 145	20 745	–	2 251 906	2 610 391
Contribution received for capital assets	–	–	–	–	–	(303 106)	(303 106)
Transfer from assets under construction	481 909	789 493	46 777	224 645	–	(1 542 824)	–
Disposals and write-offs	–	(47 682)	(453)	(114 823)	–	–	(162 958)
Present value of decommissioning asset capitalised (note 22)	–	–	–	–	295 362	–	295 362
Borrowing costs capitalised	–	–	–	–	–	223 402	223 402
Closing cost as at 30 June 2018	7 518 077	3 527 105	745 757	396 465	468 388	2 426 467	15 082 259

Group	Shafts, mining development and infrastructure R000	Metallurgical and refining plants R000	Land and buildings R000	Other assets R000	Decommissioning asset R000	Assets under construction R000	Total R000
Accumulated depreciation opening balance as at 1 July 2016	(1 653 419)	(560 922)	(153 008)	(125 563)	(28 803)	–	(2 521 715)
Transfer to mining properties and mineral resources	(7 420)	–	–	–	–	–	(7 420)
Depreciation	(281 742)	(92 249)	(9 794)	(38 788)	(3 962)	–	(426 535)
Disposals and write-offs	4 893	–	236	3 125	–	–	8 254
Accumulated depreciation balance as at 30 June 2017	(1 937 688)	(653 171)	(162 566)	(161 226)	(32 765)	–	(2 947 416)
Transfer between asset classes	84 455	9 190	(9 898)	(83 747)	–	–	–
Depreciation	(270 548)	(93 982)	(15 141)	(29 351)	(4 794)	–	(413 816)
Disposals and write-offs	–	43 942	454	108 723	–	–	153 119
Accumulated depreciation balance as at 30 June 2018	(2 123 781)	(694 021)	(187 151)	(165 601)	(37 559)	–	(3 208 113)
Net book value as at 30 June 2017	5 115 345	1 938 001	355 337	125 719	140 261	1 347 597	9 022 260
Net book value as at 30 June 2018	5 394 296	2 833 084	558 606	230 864	430 829	2 426 467	11 874 146

Property, plant and equipment balances for the company are made up as follows:

Company	Shafts, mining development and infrastructure R000	Metallurgical and refining plants R000	Land and buildings R000	Other assets R000	Decommis-sioning asset R000	Assets under construction R000	Total R000
Cost opening balance as at 1 July 2016	2 912 445	705 814	423 528	156 463	70 509	487 582	4 756 341
Transfers from mining properties and mineral resources	10 119	–	–	–	–	–	10 119
Additions	–	1 802	–	250	–	764 685	766 737
Assets acquired as part of the pooling of interest	–	42 433	–	–	–	–	42 433
Land and buildings transferred to Booysendal Platinum Proprietary Limited	–	–	(97 625)	–	–	–	(97 625)
Transfer from assets under construction	196 279	47 263	70 895	30 347	–	(344 784)	–
Disposals and write-offs	(3 408)	–	(337)	(980)	–	–	(4 725)
Present value of decommissioning asset capitalised	–	–	–	–	(5 821)	–	(5 821)
Borrowing costs capitalised	–	–	–	–	–	23 625	23 625
Cost closing cost as at 30 June 2017	3 115 435	797 312	396 461	186 080	64 688	931 108	5 491 084
Transfer between asset classes	(20 803)	26 465	15 385	(21 047)	–	–	–
Additions	–	–	5 227	33 179	–	776 965	815 371
Contribution received for capital assets	–	–	–	–	–	(303 106)	(303 106)
Transfer from assets under construction	255 297	772 393	19 518	193 785	–	(1 240 993)	–
Disposals and write-offs	–	(44 505)	(453)	(126 656)	–	–	(171 614)
Present value of decommissioning asset capitalised (note 22)	–	–	–	–	(21 991)	–	(21 991)
Borrowing costs capitalised	–	–	–	–	–	11 813	11 813
Closing cost as at 30 June 2018	3 349 929	1 551 665	436 138	265 341	42 697	175 787	5 821 557

Company	Shafts, mining development and infrastructure R000	Metallurgical and refining plants R000	Land and buildings R000	Other assets R000	Decommis-sioning asset R000	Assets under construction R000	Total R000
Accumulated depreciation opening balance as at 1 July 2016	(1 310 543)	(377 932)	(152 699)	(101 951)	(22 938)	–	(1 966 063)
Transfers from mining properties and mineral resources	(7 110)	–	–	–	–	–	(7 110)
Assets acquired as part of the pooling of interest	–	(18 554)	–	–	–	–	(18 554)
Depreciation	(105 463)	(36 242)	(7 624)	(27 648)	(1 883)	–	(178 860)
Disposals and write-offs	1 729	–	236	790	–	–	2 755
Accumulated depreciation balance as at 30 June 2017	(1 421 387)	(432 728)	(160 087)	(128 809)	(24 821)	–	(2 167 832)
Transfer between asset classes	84 456	9 190	(9 898)	(83 748)	–	–	–
Depreciation	(73 626)	(45 919)	(10 562)	(16 302)	(1 491)	–	(147 900)
Disposals and write-offs	–	43 939	453	108 121	–	–	152 513
Accumulated depreciation balance as at 30 June 2018	(1 410 557)	(425 518)	(180 094)	(120 738)	(26 312)	–	(2 163 219)
Net book value as at 30 June 2017	1 694 048	364 584	236 374	57 271	39 867	931 108	3 323 252
Net book value as at 30 June 2018	1 939 372	1 126 147	256 044	144 603	16 385	175 787	3 658 338

A register containing the information required by regulation 25(3) of the Companies Regulations 2011 is available for inspection at the registered office of the company.

Significant judgements and estimates: Capitalisation of borrowing costs in terms of IAS 23

IAS 23 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset (whether or not the funds have been borrowed specifically). These borrowing costs are included in the cost of the asset; all other borrowing costs are recognised as an expense in the period in which they occur.

IAS 23 defines a qualifying asset as an asset that necessarily takes a substantial period of time to get ready for its intended use. IAS 23 does not define substantial period of time and this will therefore require the exercise of judgement after considering the specific facts and circumstances. Northam regards an asset that normally takes 12 months or more to be ready for its intended use to be a qualifying asset.

During the current year two projects have been designated as qualifying assets, being the furnace construction of the new 20MW furnace at Zondereinde and the development of Booysendal South.

With the commissioning of the new 20MW furnace in December at Zondereinde capitalisation of borrowing costs in the company accounts were ceased. However the development of Booysendal South is still continuing and hence borrowing costs have been capitalised on consolidation at the average cost of borrowings, taking into account the cost of borrowings for the revolving credit facility, the various domestic medium term notes issued and the Zambezi Platinum (RF) Limited preference shares.

Borrowing costs were capitalised at the weighted average cost of borrowing of 13.3% (2017: 14.0%)

An amount of R223.4 million (2017: R76.1 million) was capitalised during the year.

Significant judgements and estimates: Contribution received for capital assets

Northam agreed terms to extend its co-operation agreement with Heraeus Deutschland GmbH & Co. KG (Heraeus) and Heraeus South Africa Proprietary Limited (HSA).

In terms of the agreement, Heraeus contributed €20.0 million (R303.1 million) to expand the capacity of Northam's existing smelter, through the construction of a 20MW furnace at the Zondereinde metallurgical complex.

Heraeus' capital contribution was fixed according to a progress schedule, and paid in two tranches of €10.0 million each, the first of which was received during June 2016 and the second on commissioning of the furnace, which was December 2017.

Previously the first €10.0 million received from Heraeus was recognised as a liability, as Northam was obligated to refund the amount to Heraeus if Northam did not commission the furnace on time. Refer note 23.

On commissioning of the furnace, the second €10.0 million was received, and the full €20.0 million (R303.1 million) was deducted from the cost of the smelter as the value contributed by Heraeus is effectively considered as a 'rebate' in terms of IAS 16.

4. Mining properties and mineral resources

Group	Current production mineral reserves and resources R000	Project mineral reserves and resources R000	Total R000
Cost opening balance as at 1 July 2016	967 065	4 888 826	5 855 891
Transfer from property, plant and equipment	19 038	–	19 038
Additions	21 839	–	21 839
Cost closing balance as at 30 June 2017	1 007 942	4 888 826	5 896 768
Additions	1 017 867	3 000	1 020 867
Cost closing balance as at 30 June 2018	2 025 809	4 891 826	6 917 635
Opening accumulated depreciation balance as at 1 July 2016	(241 797)	–	(241 797)
Transfer to property, plant and equipment	7 420	–	7 420
Depreciation	(26 049)	–	(26 049)
Accumulated depreciation closing balance as at 30 June 2017	(260 426)	–	(260 426)
Depreciation	(28 049)	–	(28 049)
Accumulated depreciation closing balance as at 30 June 2018	(288 475)	–	(288 475)
Net book value as at 30 June 2017	747 516	4 888 826	5 636 342
Net book value as at 30 June 2018	1 737 334	4 891 826	6 629 160

Company	Current production mineral reserves and resources R000	Project mineral reserves and resources R000	Total R000
Cost opening balance as at 1 July 2016	258 891	–	258 891
Transfer to property, plant and equipment	(10 119)	–	(10 119)
Additions	21 839	–	21 839
Cost closing balance as at 30 June 2017	270 611	–	270 611
Additions	1 017 867	–	1 017 867
Cost closing balance as at 30 June 2018	1 288 478	–	1 288 478
Opening accumulated depreciation balance as at 1 July 2016	(157 373)	–	(157 373)
Transfer to property, plant and equipment	7 110	–	7 110
Depreciation	(3 790)	–	(3 790)
Accumulated depreciation closing balance as at 30 June 2017	(154 053)	–	(154 053)
Depreciation	(4 141)	–	(4 141)
Accumulated depreciation closing balance as at 30 June 2018	(158 194)	–	(158 194)
Net book value as at 30 June 2017	116 558	–	116 558
Net book value as at 30 June 2018	1 130 284	–	1 130 284

Significant judgements and estimates: Impairment of assets and assessment of cash generating units

The group assesses, at each reporting date, whether there are indications that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets then the recoverable amount is determined for the CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment testing requires management to make significant judgements concerning the existence of impairment indicators, identification of CGUs and estimates of projected cash flows. Management's analysis of CGUs involves an assessment of a group of assets' ability to independently generate cash inflows and involves analysing the extent to which different products make use of the same assets. Management's judgement is also required when assessing whether a previously-recognised impairment loss should be reversed.

In assessing recoverable values, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining recoverable values, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded companies or other available fair value indicators.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value.

The group bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

The determined value of the recoverable value is most sensitive to commodity prices, the US dollar exchange rate and the discount rate. Other judgements made by management include: total capital expenditure, operating costs, production levels and inflation factors.

The following key assumptions were made by management, which are based on management interpretation of market forecast for the future.

		Group		Company	
		2018	**2017**	**2018**	**2017**
Long-term real platinum price	USD/oz	1 298	1 417	1 298	1 417
Long-term real palladium price	USD/oz	1 298	1 127	1 298	1 127
Long-term real rhodium price	USD/oz	2 678	1 058	2 678	1 058
Long-term real gold price	USD/oz	1 205	1 213	1 205	1 213
Long-term ruthenium prices	USD/oz	292	45	292	45
Long-term iridium prices	USD/oz	893	719	893	719
Long-term real nickel prices	USD/t	12 912	10 579	12 912	10 579
Long-term copper prices	USD/t	6 248	5 841	6 248	5 841
Long-term chrome prices	USD/t	179	42	179	42
Long-term real exchange rate USD	USD/ZAR	R12.35	R13.88	R12.35	R13.88
Long-term real discount rate	%	12.30	12.20	12.30	12.20

All the above estimates are subject to risks and uncertainties including the achievement of mine plans, future metal prices and exchange rates.

Management also estimated the recoverable amount of mineral resources (based on the *in situ* 4E available ounces) outside the approved mine plans.

For those assets, the recoverable amount is calculated on a fair value less cost of disposal basis taking into account earlier binding sales agreements between market participants as well as the market capitalisation of platinum exploration companies relative to their resources base. Below is the value that has been attributable to the recoverable value of mineral resources (based on the *in situ* 4E available ounces):

		Group		Company	
		2018	2017	2018	2017
4E *in situ* available ounces value	USD/oz	2.00	3.84	2.00	3.84

Based on the impairment assessment performed by management, the recoverable values of all CGU's are higher than the carrying value and therefore no impairment required.

Significant judgements and estimates: ore reserve and mineral resource estimates (life of mine)

The estimation of reserves impacts depreciation and recoverable value of assets.

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the group's mining properties. The group estimates its ore reserves and mineral resources, based on information compiled by appropriately-qualified persons, relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the orebody. Changes in the reserve estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, recognition of deferred tax assets (if any), and depreciation and amortisation charges. The group estimates and reports ore reserves in line with the principles contained in the South African Code for Reporting of Mineral Resources and Mineral Reserves of 2007, revised in 2016 (SAMREC 2016).

Factors impacting the determination of proven and probable reserves are:

- the grade of mineral reserves may vary between estimations made and actual grade achieved
- commodity prices estimations will be different to those actually achieved
- changes in discount rates and foreign exchange rate assumptions
- unforeseen changes in operating, mining, processing and refining costs.

Cognisance is also given to the mining licence tenure of the operations when the life of mine calculation is performed.

5. Interest in associates and joint ventures

Interest in associates and joint ventures comprises a 50% interest in the Dwaalkop platinum project (joint venture) and a 30% interest in SSG Holdings Proprietary Limited. The interest in the Dwaalkop joint venture is accounted for as a joint venture. The investment in SSG Holdings Proprietary Limited is accounted for as an associate.

The investment in the Pandora joint venture was classified as a non-current asset held for sale held for sale effective 1 July 2016, after conclusion of a sales transaction with Lonmin plc. The transaction was concluded during the current year.

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Dwaalkop joint venture	136 230	136 230	–	–
Pandora joint venture*	–	–	–	–
SSG Holdings Proprietary Limited	35 146	30 984	–	–
	171 376	167 214	–	–

* *The investment in the Pandora joint venture was disclosed as a non-current asset held for sale from 1 July 2016*

Below is a reconciliation of the group's interest in associates and joint ventures as at 30 June 2018:

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000	R000
Opening balance as at 1 July 2016	45 565	136 230	10 369	192 164
Additional investment	–	–	10 745	10 745
Conversion of loan to equity investment	–	–	5 000	5 000
Share of earnings from associate	–	–	4 870	4 870
Reclassification to non-current assets held for sale	(45 565)	–	–	(45 565)
Closing balance as at 30 June 2017	–	136 230	30 984	167 214
Share of earnings from associate	–	–	4 162	4 162
Closing balance as at 30 June 2018	–	136 230	35 146	171 376

Below is a reconciliation of the company's interest in associates and joint ventures as at 30 June 2017

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000	R000
Opening balance as at 1 July 2016	36 845	–	–	36 845
Reclassification to non-current assets held for sale	(36 845)	–	–	(36 845)
Closing balance as at 30 June 2017	–	–	–	–

Below is a summary of the amounts classified as non-current assets held for sale:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Opening balance	49 222	–	49 222	–
Transfer from interest in associates and joint ventures	–	45 565	–	36 845
Cash calls	1 347	4 498	1 347	4 498
IFRS 5 adjustment to fair value less costs to sell	–	(841)	–	7 879
Amounts received at the transaction date	(50 569)	–	(50 569)	–
Total non-current assets held for sale	–	49 222	–	49 222

Northam Platinum Limited was still responsible for contributing to cash calls from the Pandora joint venture in terms of the sales agreement concluded.

Contributions made from 1 January 2017 to the transaction date, being 30 November 2017, were refunded by Eastern Platinum Limited, a subsidiary of Lonmin plc, in terms of the sales agreement.

All other cash calls had to be written off during the prior year.

Below is a summary of the statement of profit or loss and other comprehensive income of the associates and joint ventures, as detailed in their respective accounting records and therefore disclosed at 100%.

Statement of profit or loss and other comprehensive income as at 30 June 2018

	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000
Revenue	–	584 953	584 953
Cost of sales	–	(51 666)	(51 666)
Gross profit	–	533 287	533 287
Other income	–	964	964
Operating expense	–	(514 939)	(514 939)
Investment revenue	–	85	85
Finance costs	–	(2 443)	(2 443)
Profit before taxation	–	16 954	16 954
Taxation	–	(3 081)	(3 081)
Total comprehensive income for the year	–	13 873	13 873

Statement of profit or loss and other comprehensive income as at 30 June 2017

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000	R000
Revenue	–	–	503 783	503 783
Cost of sales	–	–	(32 978)	(32 978)
Gross profit	–	–	470 805	470 805
Other income	–	–	1 027	1 027
Operating expense	–	–	(444 468)	(444 468)
Investment revenue	–	–	1 054	1 054
Finance costs	–	–	(5 129)	(5 129)
Profit before taxation	–	–	23 289	23 289
Taxation	–	–	(7 054)	(7 054)
Total comprehensive income for the year	–	–	16 235	16 235

Below is a summary of the statement of financial position of the associates and joint ventures:

Statement of financial position as at 30 June 2018

	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000
Non-current assets	–	78 948	78 948
Property, plant and equipment	–	71 479	71 479
Goodwill	–	4 000	4 000
Deferred tax asset	–	3 469	3 469
Current assets	–	117 711	117 711
Inventory	–	2 765	2 765
Trade and other receivables	–	99 367	99 367
Current tax receivable	–	2 647	2 647
Cash and cash equivalents	–	12 932	12 932
Total assets	–	196 659	196 659
Equity	–	46 265	46 265
Non-current liabilities	–	49 324	49 324
Finance lease liabilities	–	49 324	49 324
Current liabilities	–	101 070	101 070
Trade and other payables	–	52 732	52 732
Finance lease liabilities	–	1 241	1 241
Current tax payable	–	116	116
Provisions	–	9 577	9 577
Bank overdraft	–	37 404	37 404
Total equity and liabilities	–	196 659	196 659

Statement of financial position as at 30 June 2017

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000	R000
Non-current assets	–	–	47 279	47 279
Property, plant and equipment	–	–	38 122	38 122
Goodwill	–	–	4 500	4 500
Deferred tax asset	–	–	4 657	4 657
Current assets	–	–	80 209	80 209
Inventory	–	–	1 625	1 625
Trade and other receivables	–	–	63 103	63 103
Cash and cash equivalents	–	–	15 481	15 481
Total assets	–	–	127 488	127 488
Equity	–	–	32 393	32 393
Non-current liabilities	–	–	22 337	22 337
Finance lease liabilities	–	–	22 337	22 337
Current liabilities	–	–	72 758	72 758
Trade and other payables	–	–	32 015	32 015
Finance lease liabilities	–	–	745	745
Current tax payable	–	–	3 557	3 557
Provisions	–	–	9 219	9 219
Bank overdraft	–	–	27 222	27 222
Total equity and liabilities	–	–	127 488	127 488

Below is a reconciliation of the value in the investment in associate based on the equity method to the carrying value of the investment:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Net asset value of SSG Holdings Proprietary Limited	46 265	32 393	–	–
Northam Platinum Limited's 30% share of net asset value	13 880	9 718	–	–
At acquisition fair value adjustment	10 717	10 717	–	–
Subsequent fair value adjustment with the increase in shareholding from 20% to 30% and the conversion of a loan to an equity investment	10 549	10 549	–	–
Value of investment in associate based on the equity method of accounting	35 146	30 984	–	–

All investments in associates and joint ventures are considered significant.

6. Investment in subsidiaries

Below is a list of the various subsidiaries included in the Northam Platinum Limited group of companies:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Khumama Platinum Proprietary Limited	–	–	–	10 166 000
Booysendal Platinum Proprietary Limited	–	–	11 886 088	–
Eland Platinum Proprietary Limited	–	–	325 000	50 000
Northam Platinum Investments (US) Incorporated	–	–	140 747	–
Mining Technical Services Proprietary Limited	–	–	*	*
Mvelaphanda Resources Proprietary Limited	–	–	–	–
Norplats Properties Proprietary Limited	–	–	*	*
Northam Chrome Proprietary Limited	–	–	–	–
Windfall 38 Properties Proprietary Limited	–	–	–	–
Zambezi Platinum (RF) Limited	–	–	*	*
	–	–	12 351 835	10 216 000

* *Represents an investment of less than R1 000*

All companies, except for the investment in Zambezi Platinum (RF) Limited, are wholly owned.

All companies, except for the investment in Northam Platinum Investment (US) Incorporated, is incorporated in South Africa. Northam Platinum Investments (US) Incorporated is incorporated in Delaware in the United States of America.

The following investments are held by Northam Platinum Limited:

Khumama Platinum Proprietary Limited previously held 100% of the share capital of Booysendal Platinum Proprietary Limited. Management simplified the group and therefore, Khumama Platinum Proprietary Limited was collapsed. The investment in Booysendal Platinum Proprietary Limited is now held directly by Northam Platinum Limited. In addition the intercompany loan account as at 30 June 2017 was capitalised to the investment in Booysendal Platinum Proprietary Limited.

6 150 (2017: 6 000) ordinary shares are held in Eland Platinum Proprietary Limited representing a 100% equity interest to the value of R325.0 million (2017: R50.0 million).

Northam Platinum Limited holds 10 shares in Northam Platinum Investments (US) Incorporated with a value of USD1.00 per share.

120 (2017: 120) ordinary shares are held in Mining Technical Services Proprietary Limited representing a 100% equity interest and was acquired for R120, and therefore less than R1 000.

Northam Platinum Limited holds 217 881 101 (2017: 217 881 101) ordinary shares representing a 100% equity interest in Mvelaphanda Resources Proprietary Limited. The investment was fully impaired during previous financial years and is valued at R Nil.

100 (2017: 100) ordinary shares are held in Norplats Properties Proprietary Limited and was acquired for R100, and therefore less than R1 000.

During the prior year both the investment in Northam Chrome Proprietary Limited and Windfall 38 Properties Proprietary Limited, representing a 100% equity interest were restructured in terms of the corporate restructuring provisions contained in sections 41 to 47 of the Income Tax Act No. 58 of 1962 (the Act) (which have become known as the "corporate rules") which provide for a deferral of tax where certain specified transactions are undertaken by taxpayers. Such transactions include: Liquidation, winding up and deregistration (section 47): a company distributes all of its assets to another company that is part of the same "group of companies" for tax purposes or that holds at least 95% of its ordinary share capital, in anticipation of its liquidation, winding up or deregistration. The corporate rules were introduced as a tax relief measure for transactions within groups of companies. Broadly speaking, provided that the requirements of the applicable section are met, the abovementioned transactions can be undertaken with no immediate capital gains tax or income tax implications for either party.

Northam Chrome Proprietary Limited’s operations and assets were incorporated in the results of Northam Platinum Limited and is no longer a separate statutory entity. Similarly the operations and assets of Windfall 38 Properties Proprietary Limited was incorporated in the results of Booysendal Platinum Proprietary Limited and therefore no longer a separate statutory entity.

The transfers of assets as part of the simplification process was accounted for in terms of the pooling of interest method of accounting, in the previous financial year.

Both Northam Chrome Proprietary Limited as well as Windfall 38 Properties Proprietary Limited is in the process of being deregistered.

Northam Platinum Limited holds a single N share in Zambezi Platinum (RF) Limited as a protective right. Zambezi Platinum (RF) Limited was created and designed for the sole purpose of providing Northam Platinum Limited with BEE credentials and as a structure to hold the listed BEE preference shares. If Northam does not comply with the HDSA requirements in the Mining Charter they will not be able to retain their mining rights. Northam is able to direct the strategic direction of Zambezi and as per the subscription and relationship agreement between the two companies, Zambezi’s MOI may not be amended or replaced without Northam’s prior written consent.

Northam assumes full responsibility for the administration of Zambezi as well as any costs incurred by Zambezi up to a certain limit. Furthermore, Northam provides a guarantee for Zambezi’s obligation in respect of the preference shares. All these points indicate that Northam has been involved from the inception of the transaction, to ensure that the design and operation of Zambezi achieves the purpose for which it was created.

In terms of the transaction, an ‘N’ share was issued to Northam, which gave them the right to implement mitigating action should Zambezi not comply with certain undertakings as per the transaction’s agreements and in other limited instances aimed at maintaining the integrity of the transaction at all times. Zambezi can also not dispose of the Northam ordinary shares without the prior consent of Northam. Northam has significant exposure to the variable returns of Zambezi, through the creation and maintenance of the BEE credentials during the 10-year lock-in period as well as through the guarantee provided by Northam. The decision-making power of Zambezi’s board of directors is restricted to maintaining Northam’s BEE credentials and funding arrangements.

Therefore even though Northam does not have the majority of the voting rights in Zambezi, Northam still effectively controls the entity.

Details of the subsidiaries are included in the related party note 45, which forms part of these notes.

7. Unlisted investment

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Investment in Rand Mutual Assurance Company Limited	–	–	–	–
	–	–	–	–

The unlisted investment represented an equity investment in a mining industry service organisation, Rand Mutual Assurance Company Limited. This investment was acquired a number of years ago to assist with the administration of occupational injuries and diseases. The shares were disclosed at cost as the fair value was not available as the shares are not traded in an active market.

During the prior year, the unlisted investment was impaired in full, and included in sundry expenditure (refer note 37).

8. Other investments

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Investment in Zambezi Platinum (RF) Limited preference shares at fair value	–	–	230 505	–
Preference shares acquired during the year at cost	–	–	1 677	208 672
Accrued dividends from Zambezi Platinum (RF) Limited (note 34)	–	–	31 139	19 205
Mark to market fair value adjustment	–	–	(2 628)	2 628
Impairment (refer note 37)	–	–	(11 075)	–
	–	–	249 618	230 505

Northam Platinum Limited owns 4 230 819 (2017: 4 202 454) Zambezi Platinum (RF) Limited preference shares which were purchased in the open market. These shares are classified as available for sale and revalued to the closing market value with movements accounted for in other comprehensive income or profit or loss (if it relates to an impairment). Accrued dividends are accounted for in profit or loss.

The investment in the Zambezi Platinum (RF) Limited preference shares are considered as available for sale financial assets. These shares have been acquired by Northam Platinum Limited not to speculate with and therefore not to make a profit or loss in the short term but rather to keep for the longer term. Potentially these shares could be sold back into the market should cash be required. Otherwise, these preference shares will be held to maturity. However, when looking at the considerations for classifying an investment as held to maturity one considers the following: the intention to hold the investments for only an undefined period; the holder stands ready to sell the financial asset in response to changes in market interest rates or risks, liquidity needs, changes in the availability of and the yield on alternative investments, changes in financial sources and terms or changes in any other risk factors; and or the right to settle the financial asset at an amount significantly below its amortised cost.

Therefore, due to the uncertainty regarding the intention and ability to hold the preference shares to maturity one cannot classify the investment in the Zambezi preference shares as held to maturity in the accounts of Northam Platinum Limited.

Below is the closing market value of the preference shares as at 30 June:

	Group		Company	
	2018	2017	2018	2017
	R	R	R	R
Average purchase price of Zambezi Platinum (RF) Limited preference shares	–	–	57.94	49.65
Closing market value of Zambezi Platinum (RF) Limited preference shares	–	–	59.00	54.85

The amounts recognised in other comprehensive income has been made up as follows:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Fair value adjustment/Iimpairment) accounted through other comprehensive income	–	–	(2 628)	2 628
Deferred tax	–	–	589	(589)
Amounts recognised in other comprehensive income	–	–	(2 039)	2 039

The current year fair value adjustment relates to a reclassification to profit or loss due to an impairment.

9. Land and township development

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Balance at the beginning of the year	48 529	51 341	22 749	18 218
Acquisitions				
Portion 22 of the farm Leeukopje (Lefika)	–	6 764	–	6 764
Portion 4 & 9 of the farm Koedoesdoorns	–	297	–	297
Phelobontle Mogwase	–	370	–	370
Lydenburg extension 78 – Booysendal Platinum Proprietary Limited	–	66	–	–
Lydenburg extension 79 – Booysendal Platinum Proprietary Limited	–	65	–	–
Norplats Properties Proprietary Limited	–	804	–	–
Disposals				
Portion 22 of the farm Leeukopje, Northam extension 10	(462)	–	(462)	–
Phelobontle, Mogwase units	(2 900)	(2 900)	(2 900)	(2 900)
Norplats Properties Proprietary Limited units	(5 371)	(8 278)	–	–
Development				
Construction of 69 units on portion 22 of the farm Leeukopje, Northam extension 10	26 020	–	26 020	–
Town planning portion 4 & 9 of the farm Koedoesdoorns	22	–	22	–
Refurbishments of Phelobontle Mogwase	15	–	15	–
Refurbishments of Norplats Properties Proprietary Limited's units	342	–	–	–
Write off of damaged units relating to Norplats Properties Proprietary Limited	(515)	–	–	–
Balance at the end of the year	65 680	48 529	45 444	22 749

These properties have been acquired in order to assist the group's employees to acquire affordable housing.

10. Long-term receivables

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Long-term receivables with regards to instalment sale agreements	82 887	91 079	–	–
Interest free home loans	13 514	–	9 443	–
	96 401	91 079	9 443	–
Current portion of long-term receivables included in trade and other receivables (refer note 17)	(8 022)	(7 334)	–	–
Current portion of interest free home loans (refer note 17)	(1 482)	–	(992)	–
	86 897	83 745	8 451	–

Long-term receivables comprise balances due by employees in respect of Northam's employee home ownership scheme under suspensive sale agreements and interest free home loans provided to qualifying employees.

The suspensive sale agreement loans to the employees bear interest at prime and are repayable over 15 years. In terms of the agreements, employees enjoy the full benefits of home ownership, and at such time as the loan is paid off, the title to the houses will be transferred to the employees.

The interest free home loans are non-interest bearing loans provided to qualifying employees. These loans are repayable over a maximum of 20 years from grant date. The average remaining repayment period is between 10 and 20 years. These loans are secured by a second bond over the residential properties.

As at 30 June 2018 there was R1.7 million (2017: R Nil) worth of instalment sale agreements which were impaired and fully provided for.

The table below summarises the payment terms of the company and group's long-term receivables:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Current portion	9 504	7 334	992	–
Due within 1 – 5 years	35 251	33 304	3 512	–
Due within 5 – 10 years	46 072	43 529	2 209	–
More than 10 years	5 574	6 912	2 730	–
	96 401	91 079	9 443	–

The interest free home loans are neither past due nor impaired. With regards to the instalment sale agreements the table below summarises the age analysis of these instalment sale agreements:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Neither past due nor impaired	82 587	89 990	–	–
30 to 60 days	13	33	–	–
60 to 90 days	25	61	–	–
More than 90 days	252	995	–	–
	82 887	91 079	–	–

11. Investments held by Northam Platinum Restoration Trust Fund

The group contributed to a dedicated environmental restoration trust fund to provide for the estimated decommissioning and environmental restoration cost at the end of the various operations' lives.

The balance of the fund comprises:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Balance at the beginning of the year	102 233	93 647	48 274	43 204
Income earned during the year (note 34)	8 393	8 586	7 059	5 070
Balance at the end of the year	110 626	102 233	55 333	48 274

The assets of the fund, which mainly consist of cash, are separately administered and the group's right of access to these funds is restricted. The investment is managed by Stanlib Collective Investments (RF) Limited, and is made up of a fixed number of units which trades at specific values as noted below.

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Stanlib Balanced Fund R	1 766	1 634	883	772
Stanlib Income Fund B2	67 596	59 097	33 798	27 905
Stanlib Institutional Money Market Fund B3	41 224	41 502	20 612	19 597
Cash and cash equivalents	40	–	40	–
Balance at the end of the year	110 626	102 233	55 333	48 274

The Northam Platinum Restoration Trust Fund was established in 1996 to assist the group in making financial provision for the environmental rehabilitation of the mine, in terms of the Minerals and Petroleum Resources Development Act No 28 of 2002, upon cessation of its mining operations.

Contributions relating to rehabilitation will no longer be limited to contributions to the Northam Platinum Restoration Trust Fund. The group may make use of any approved financial vehicles in terms of regulations and legislation, also see note 12.

For details with regards to the rehabilitation and decommissioning liability provision, please refer to note 22.

12. Environmental guarantee investment

The investment held with regards to the environmental guarantee investment was issued in terms of guarantees relating to the group's environmental liability. The investment as noted below has been provided as security for guarantees issued.

The balance of the fund comprises:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Balance at the beginning of the year	68 104	60 345	54 507	49 187
Contributions made during the year	6 142	–	937	–
Income earned during the year (refer note 36)	189	7 759	189	5 320
Guarantee fees (refer note 37)	(5 536)	–	–	–
Balance at the end of the year	68 899	68 104	55 633	54 507

The assets, which mainly consist of cash, are separately administered and the group's right of access to these funds is restricted.

This investments are managed by Guardrisk Insurance Company Limited and Centriq Insurance Company Limited.

Below is a summary of the various guarantees issued:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Northam Platinum Limited (Zondereinde)				
GR/G/20396/0312/0031	31 000	31 000	31 000	31 000
GR/G/20396/0314/165	18 000	18 000	18 000	18 000
GR/G/20396/0315/0231	18 000	18 000	18 000	18 000
GR/G/20396/0617/0454	35 000	35 000	35 000	35 000
CQ/G/30381/1217/003	28 807	–	28 807	–
GR/G/20396/0618/0544	11 543	–	11 543	–
Booysendal Platinum Proprietary Limited				
GR/G/20396/0311/0011	65 900	65 900	–	–
GR/G/20396/0315/0232	25 000	25 000	–	–
GR/G/20396/0317/0433	–	50 000	–	–
GR/G/20396/0417/0434	1 908	1 908	–	–
GR/G/20396/0517/0459	2 085	–	–	–
GR/G/02396/0618/0535	2 267	–	–	–
GR/G/02396/0618/0536	1 267	–	–	–
Eland Platinum Proprietary Limited			–	
CQ/G/3038/01181/004	129 545	–	–	–
CQ/G/30381/0118/005	31 096	–	–	–
	401 418	244 808	142 350	102 000

13. Buttonshope Conservancy Trust

The balance of the fund comprises:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Balance at the beginning of the year	11 126	10 445	–	–
Contributions received from Booysendal Platinum Proprietary Limited	450	425	–	–
Interest received during the year	759	795	–	–
Fair value adjustments	63	(16)	–	–
Funds utilised to acquire a property	–	(398)	–	–
Less expenditure paid during the year	(195)	(125)	–	–
Balance at the end of the year	12 203	11 126	–	–

The trust was established as a conservancy trust by Northam Platinum Limited, with the principal objective of engaging in the conservation, rehabilitation and/or protection of the natural environment, including flora, fauna and the biosphere as well as promoting the establishment of, and education and training programmes relating to, environmental awareness, greening, clean-up and/or sustainable development projects in respect of Portion 1 of the Farm Buttonshope 51, Registration Division JT, Mpumalanga Province, and which may involve the participation by local communities. The aforementioned property is owned by Booysendal Platinum Proprietary Limited, an indirect subsidiary of Northam Platinum Limited. An initial contribution of R10.0 million was made by Booysendal Platinum Proprietary Limited in terms of the trust agreement.

Funds of R4.0 million (2017: R2.9 million) are invested with Standard Bank Limited in a call account and R8.2 million (2017: R8.2 million) is held in an extra income fund with Stanlib Collective Investments (RF) Limited.

This investment is managed by Stanlib Collective Investments (RF) Limited, and is made up of a fixed number of units which trades at specific values. The assets of the trust which mainly consist of cash, are separately administered and the group's right of access to these funds is restricted.

On an annual basis, Booysendal Platinum Proprietary Limited will donate a fixed amount of R400 000 per annum from F2016 regardless of the operational performance with a fixed increase of R25 000 per annum. During the current year an amount of R450 000 was donated (2017: R425 000).

In addition all land management costs are carried by Booysendal Platinum Proprietary Limited.

The Buttonshope Conservancy Trust also owns Portion 1 of Sheeprun 50, property measuring 256.9596 hectares held under Title deed T4813/2017.

14. Long-term prepayments

In terms of the agreement with Doppelmayr Transport Technology GmbH, the aerial ropeway manufacturer, prepayments for both the North and South aerial conveyor system had to be made in terms of the manufacturing costs.

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Opening balance	336 409	–	–	–
Amounts paid to Doppelmayr Transport Technology GmbH	202 691	336 409	–	–
Amounts transferred to property, plant and equipment (refer note 3)	(449 492)	–	–	–
	89 608	336 409	–	–

15. Subsidiary loans

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Booysendal Platinum Proprietary Limited	–	–	–	1 720 088
Norplats Properties Proprietary Limited	–	–	66 596	81 893
Windfall 38 Properties Proprietary Limited	–	–	–	9 689
Mining Technical Services Proprietary Limited	–	–	22 909	26 543
Northam Platinum Investments (US) Incorporated	–	–	1 667	–
Northam Recovery Services LLC	–	–	6 780	–
Northam Property Company LLC	–	–	1 273	–
	–	–	99 225	1 838 213

All loans are interest free, denominated in South African rand, unsecured and repayable on demand.

The loan between Booysendal Platinum Proprietary Limited and Northam Platinum Limited was capitalised to the investment during the year under review.

Details of the subsidiaries are set out in the related party note (note 45), which forms part of these notes.

16. Inventories

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Metals on hand and in transit				
Platinum	1 611 709	982 568	1 672 670	976 504
Palladium	851 336	424 903	882 958	422 172
Rhodium	674 197	197 320	696 200	196 268
Gold	61 056	28 163	63 776	28 058
Total metal inventories	3 198 298	1 632 954	3 315 604	1 623 002
Consumable stores at cost	188 497	96 148	66 140	49 998
Total inventories at the lower of cost and net realisable value	3 386 795	1 729 102	3 381 744	1 673 000

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Ore stockpile inventory	348 930	240 506	325 627	230 554
Concentrate in process	295 487	91 853	280 822	91 853
Concentrate before the smelter	919 639	574 767	975 552	574 767
Smelter inventory	1 021 334	295 321	1 083 430	295 321
Base metal removal plant inventory	112 669	47 130	119 519	47 130
Precious metal refiner inventory	496 287	382 081	526 461	382 081
Finished product inventory on hand	3 952	1 296	4 193	1 296
Total metal inventories	3 198 298	1 632 954	3 315 604	1 623 002

	oz	oz	oz	oz
Metals on hand and in transit				
Platinum	152 590	92 646	148 974	85 139
Palladium	74 768	45 641	73 076	42 047
Rhodium	29 171	18 485	28 664	17 272
Gold	4 033	1 950	3 923	1 850
	260 562	158 722	254 637	146 308

The metals above include ore stockpiles, in process metal as well as finished goods. Metal inventory is allocated as follows in the process:

	oz	oz	oz	oz
Metals on hand and in transit				
Ore stockpile inventory	28 427	23 377	25 008	10 963
Concentrate in process	24 073	8 928	21 567	8 928
Concentrate before the smelter	74 922	55 867	74 922	55 867
Smelter inventory	83 207	28 705	83 207	28 705
Base metal removal plant inventory	9 179	4 581	9 179	4 581
Precious metal refiner inventory	40 432	37 138	40 432	37 138
Finished product inventory on hand	322	126	322	126
	260 562	158 722	254 637	146 308

The cost of sales figure disclosed in the statement of profit or loss and other comprehensive income approximates the cost of inventory expensed.

Included in cost of sales are metals on hand that were written down by R156.5 million (2017: R444.3 million) to net realisable value. Inventory to the value of R535.8 million (2017: R478.4 million) is disclosed at net realisable value.

Inventory in the pipeline is considered to be between 80 000 and 90 000 ounces of metal at any given time. All inventory over and above pipeline material is considered excess inventory.

No inventories are encumbered.

Significant judgements and estimates: Net realisable value and measurement of inventory

Work in progress metal inventory is valued at the lower of net realisable value and the average cost of production or purchase less net revenue from sales of other metals in the ratio of the contribution of these metals to gross sales revenue. Production costs are allocated to platinum, palladium, rhodium and gold (joint products) by dividing the mine output into total mine production costs, determined on a six-month rolling average basis except for concentrates purchased which is recognised in the month in which it is purchased and not on a six-month rolling average. The quantity of ounces of joint products in work in progress is calculated based on the following factors. The theoretical inventory at that point in time which is calculated by adding the inputs to the previous physical inventory and then deducting the outputs for the inventory period. The inputs and outputs include estimates due to the delay in finalising analytical values. The estimates are subsequently trued up to the final metal accounting quantities when available. The theoretical inventory is then converted to a refined equivalent inventory by applying appropriate recoveries depending on where the material is within the production pipeline. The recoveries are based on actual results as determined by the inventory count and are in line with industry standards.

The nature of the production process inherently limits the ability to precisely measure recoverability levels. As a result, the metallurgical balancing process is constantly monitored and the variables used in the process are refined based on actual results over time.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained 4E ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method.

Stockpile tonnages are verified by independent third party surveyors.

Net realisable value tests are performed on a monthly basis and represent the current sales price of the product, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Below is a summary of the commodity prices and exchange rate used to determine the net realisable value of inventories:

		Group		Company	
		2018	2017	2018	2017
Platinum price	USD/oz	865	921	865	921
Palladium price	USD/oz	959	867	959	867
Rhodium price	USD/oz	2 250	1 001	2 250	1 001
Gold price	USD/oz	1 265	1 247	1 265	1 247
Exchange rate	USD/ZAR	13.73	13.06	13.73	13.06

17. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Trade receivables	539 133	283 146	441 506	231 195
Accrued interest	3 564	11 989	2 386	9 712
Prepayments	47 022	44 797	43 929	40 067
Deposits	4 233	2 889	300	164
South African Revenue Service – Value Added Tax	234 270	143 775	182 342	117 740
South African Revenue Service – mineral royalties	1 174	17 258	1 441	17 226
Current portion of long-term receivables (refer note 10)	8 022	7 334	–	–
Current portion of interest-free home loans (refer note 10)	1 482	6 367	992	4 764
Receivable from Booysendal Platinum Proprietary Limited	–	–	213 478	–
Receivable from Eland Platinum Proprietary Limited	–	–	33 450	13 616
Receivable from Northam Zondereinde Community Trust	–	–	–	2 351
Receivable from Northam Booysendal Community Trust	–	–	–	2 351
Receivable from Northam Employee Trust	–	–	–	2 352
Other	85 185	31 442	73 579	46 418
	924 085	548 997	993 403	487 956

The exposure to foreign currency denominated balances included in trade receivables as at 30 June was as follows:

	Group		Company	
	2018	2017	2018	2017
	USD000	USD000	USD000	USD000
US dollars	17 220	13 279	17 220	13 279

Trade receivables are unsecured, non-interest bearing and are generally on either 30 or 60-day payment terms. Platinum group metal debtors have payment terms of between 2 to 5 days.

At 30 June 2018, R Nil was impaired (2017: R Nil). The table below summarises the maturity profile of the company and group's trade and other receivables:

Neither past due nor impaired	630 904	452 542	782 141	400 766
30 to 60 days	210 116	48 565	155 137	45 579
60 to 90 days	53 726	21 885	53 672	17 921
More than 90 days*	29 339	26 005	2 453	23 690
	924 085	548 997	993 403	487 956

** Management considers these amounts to be fully recoverable*

Trade receivables and advances by country are as follows:

South Africa	687 688	372 347	757 006	311 306
United Kingdom	67 062	40 510	67 062	40 510
Australia	–	3 749	–	3 749
Germany	68 300	63 232	68 300	63 232
France	2 562	–	2 562	–
Japan	10 981	3 288	10 981	3 288
United States of America	87 492	65 871	87 492	65 871
	924 085	548 997	993 403	487 956

Prepayments relates to amounts prepaid on insurance as well as machinery and equipment.

Refer to note 44 for fair value and financial risk disclosure.

18. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Cash at bank and on hand	9 310	478 974	1 981	468 213
Restricted cash	97 708	103 949	23 000	23 000
Short-term deposits	281 684	1 203 942	255 935	905 464
Cash and cash equivalent	388 702	1 786 865	280 916	1 396 677
Less bank overdraft	(95 535)	–	(95 228)	–
Cash and cash equivalents as per the statement of cash flows	293 167	1 786 865	185 688	1 396 677

The exposure to foreign currency denominated balances as at 30 June were as follows:

	Group		Company	
	2018	2017	2018	2017
	USD000	USD000	USD000	USD000
US dollars	40	35 655	10	35 655

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the group and earn interest at the respective short-term deposit rates.

The weighted average effective interest rate on short-term deposits was 6.9% (2017: 8.2%) and these deposits are all immediately available (2017: have a maximum maturity of 90 days).

At 30 June 2018 the group had R1.5 billion (2017: R1.0 billion) of undrawn committed borrowing facilities, of which R250.0 million was drawn down on subsequent to year end.

Restricted cash includes a guarantee of R23.0 million (2017: R23.0 million) relating to an electricity supply agreement between Northam Platinum Limited and Eskom Holdings SOC Limited. Restricted cash also includes money ring-fenced for the benefit of the Northam Employee Trust, the Northam Zondereinde Community Trust, the Northam Booysendal Community Trust and Zambezi Platinum (RF) Limited which may only be spent in terms of the various Trust Deeds and Memorandum of Incorporation.

For the purposes of the statement of cash flows, cash and cash equivalents comprise both the cash and cash equivalents balance as well as the overdraft.

Also refer to note 44 for fair value and financial risk disclosure.

19. Stated capital

	Group		Company	
	2018	2017	2018	2017
	Number of shares	Number of shares	Number of share	Number of shares
Authorised share capital				
2 000 000 000 share capital at no par value				
Issued share capital				
Issued share capital	509 781 212	509 781 212	509 781 212	509 781 212
Treasury shares	(159 905 453)	(159 905 453)	–	–
	349 875 759	349 875 759	509 781 212	509 781 212

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Issued share capital	13 778 114	13 778 114	13 778 114	13 778 114
Treasury shares	(6 556 123)	(6 556 123)	–	–
	7 221 991	7 221 991	13 778 114	13 778 114

Details of share capital and shares held by the directors are contained in the directors' report.

Treasury shares relates to the shares owned by Zambezi Platinum (RF) Limited.

20. Equity-settled share-based payment reserve

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Equity-settled share-based payment reserve	874 448	874 448	1 173 756	1 173 756
	874 448	874 448	1 173 756	1 173 756

The Northam Platinum Limited Black Economic Empowerment (BEE) transaction via Zambezi Platinum (RF) Limited constitutes a share-based payment as defined which is classified as an equity-settled share-based payment to be delivered after the 10-year lock-in period. IFRS 2 requires equity-settled transactions to be accounted for at the fair value at grant date, defined as the date at which the entity and other party agree to a share-based payment arrangement, being the date when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

There are no vesting conditions attached to the BEE equity that are held by the BEE participants. This resulted in the full share-based payment in respect of the BEE transaction being incurred on day one of the BEE transaction.

There were no new equity-settled share-based payment transactions during the current or previous year and therefore no changes to the above reserve.

21. Deferred tax asset and liability

The principal components of the deferred tax asset and liability are as follows:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Deferred tax assets				
Employee benefits relating to leave pay and bonus provisions	85 950	70 513	74 022	61 624
Decommissioning and environmental restoration provisions	83 814	85 352	36 902	39 560
Share-based payment liability	44 055	45 826	25 161	27 502
Metal inventory	30 165	11 096	–	–
Deferred income	36 736	39 200	18 107	19 600
Calculated capital and tax losses	349	–	2 480	–
	281 069	251 987	156 672	148 286
Deferred tax liabilities				
Property, plant and equipment	(1 069 400)	(803 660)	(825 898)	(725 865)
Metal inventory	–	–	(16 159)	(13 580)
Restoration Trust Fund	(30 975)	(28 625)	(15 493)	(13 517)
Items accounted for directly through other comprehensive income	–	–	–	(589)
Section 24C allowances in respect of long-term receivables	(5 139)	(5 585)	–	–
	(1 105 514)	(837 870)	(857 550)	(753 551)
Net deferred tax liability	(824 445)	(585 883)	(700 878)	(605 265)
The charge in the deferred tax balance is reconciled as follows:				
Net deferred tax liability at the beginning of the year	(585 883)	(446 305)	(605 265)	(594 935)
Items accounted for directly through other comprehensive income	–	–	589	(589)
Charge for the year	(238 562)	(139 578)	(96 202)	(9 741)
Employee benefits	15 437	10 945	12 398	9 281
Decommissioning and environmental restoration provisions	(1 538)	12 885	(2 658)	4 251
Share-based payment liabilities	(1 771)	6 324	(2 341)	387
Deferred income	(2 464)	39 200	(1 493)	19 600
Calculated capital and tax losses	349	(965)	2 480	–
Property, plant and equipment	(265 740)	(219 851)	(100 033)	(42 244)
Depreciation component included in metals on hand and in transit	19 069	13 482	(2 579)	404
Restoration Trust Fund	(2 350)	(2 404)	(1 976)	(1 420)
Section 24C allowance in respect of long-term receivables	446	806	–	–
Net deferred tax liability	(824 445)	(585 883)	(700 878)	(605 265)
The net deferred tax liability is made up as follows:				
Deferred tax asset	349	–	–	–
Deferred tax liability	(824 794)	(585 883)	(700 878)	(605 265)
Net deferred tax liability	(824 445)	(585 883)	(700 878)	(605 265)

Significant judgements and estimates: utilisation of a deferred tax asset

The group offsets deferred tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Estimation is required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the group to assess the likelihood that the group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

The utilisation of a deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. In light of Eland Platinum Proprietary Limited financial performance and the uncertainty of future taxable profits to account against its deferred tax asset, management concluded, following due assessment, that it was prudent not to raise a deferred tax asset amounting to R177.9 million (2017: R29.3 million). This position will continuously be assessed going forward.

Similarly for the various US entities no deferred tax asset was raised for tax losses amounting to R12.2 million.

22. Long-term provisions

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Rehabilitation provision opening balance	304 829	258 808	141 284	126 101
Recognition of a decommissioning liability	335 323	12 937	–	1 791
Change in estimate relating to the decommissioning costs	(39 961)	(8 407)	(21 991)	(7 612)
Change in estimate relating to restoration costs	2 087	–	(2 505)	–
Recognition of a restoration liability	5 469	–	–	–
Unwinding of discount (refer note 35)	32 381	41 491	15 005	21 004
Total rehabilitation and decommissioning liability provision	640 128	304 829	131 793	141 284
Below is a breakdown of the rehabilitation and decommission liability provision				
Provision for decommissioning costs				
Balance at the beginning of the year	248 047	208 279	110 385	98 169
Recognition of a decommissioning liability	335 323	12 937	–	1 791
Change in estimate relating to the decommissioning costs	(39 961)	(8 407)	(21 991)	(7 612)
Unwinding of discount (refer note 35)	26 352	35 238	11 725	18 037
	569 761	248 047	100 119	110 385
Provision for restoration costs				
Balance at the beginning of the year	56 782	50 529	30 899	27 932
Recognition of a restoration liability	5 469	–	–	–
Change in estimate	2 087	–	(2 505)	–
Unwinding of discount (refer note 35)	6 029	6 253	3 280	2 967
	70 367	56 782	31 674	30 899
Total rehabilitation and decommissioning liability provision	640 128	304 829	131 793	141 284
The rehabilitation provision is made up of the provision relating to:				
Northam Platinum Limited (Zondereinde)	131 793	141 284	131 793	141 284
Booysendal Platinum Proprietary Limited	167 543	163 545	–	–
Eland Platinum Proprietary Limited	340 792	–	–	–
	640 128	304 829	131 793	141 284

The South African National Environmental Management Act 107 of 1998, as well as the Mineral and Petroleum Resources Development Act no 28 of 2002 (MPRDA), which applies to all prospecting and mining operations, requires that operations are carried out in accordance with generally accepted principles of sustainable development. It is a MPRDA requirement that an applicant for a mining right must make prescribed financial provision for the rehabilitation or management of negative environmental impacts, which must be reviewed annually.

In terms of, *inter alia*, the MPRDA, mining operations are required to make financial provision for its decommissioning and restoration costs that will be incurred upon the cessation of mining activities.

Northam Platinum Limited makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis. The provision is based on the current best estimate for rehabilitation and decommissioning costs and is determined using commercial closure cost assessments and not the Department of Mineral Resources published rates. Management believes using commercial closure cost assessments more accurately reflect the potential future costs. The commercial closure costs assessment is significantly more than what the liability would have been should the current published Department of Mineral Resources rates have been used.

Financial provision is not however required to be made for the decommissioning of certain structures, such as housing, which may have an alternative use.

Significant judgements and estimates: assessment of decommissioning and restoration provision

The estimation of future costs of environmental obligations relating to decommissioning and rehabilitation is particularly complex and requires management to make estimates, assumptions and judgements relating to the future. These estimates are dependent on a number of factors including assumptions around environmental legislation, life-of-mine estimates and discount rates.

The group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Management estimates, with the assistance of independent experts, the expected total spend for the rehabilitation, management and remediation of negative environmental impact of closure at the end of the live of the mines and processing operations.

The group makes full provision for the future commercial cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites.

Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically-viable rates. This, in turn, will depend upon future commodity prices, which are inherently uncertain.

The net present value of current decommissioning and restoration costs are based on the following assumptions:

		Group		Company	
		2018	2017	2018	2017
Long-term South African inflation rate	%	7.2	8.71	7.2	8.71
Long-term real discount rate	%	9.8	10.62	9.8	10.62
Discounting period					
Zondereinde	years	23	24	23	24
Booysendal	years	21	22	–	–
Eland	years	18	–	–	–
Value of the undiscounted commercial closure rehabilitation costs					
Zondereinde	R000	228 699	197 626	228 699	197 626
Booysendal	R000	277 117	222 044	–	–
Eland	R000	530 920	–	–	–

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Cash flows relating to rehabilitation costs will occur at the end of the life of the operations which is currently determined as the expiry date of the mining licences.

As part of the one environmental system, regulations governing financial provisions for the Rehabilitation, Closure and Post Closure of Prospecting, Exploration, Mining or Production Operations were published under the National Environmental Management Act, No. 107 of 1998 in November 2015 (FP Regulations). Fairly significant increases in financial provision are anticipated as a result of the FP Regulations.

The FP Regulations were amended in October 2016 and existing right holders (which would include Northam and its subsidiaries) now have until February 2019 to comply with the FP Regulations; submit an assessment of the financial provision required for their mining operations under the FP Regulations to the Department of Mineral Resources; and increase the financial provision in accordance with such assessment, when requested by the Department of Mineral Resources

However, whilst the intention of the 2016 amendments was to provide much needed clarity for the sector, there is still a substantial amount of regulatory uncertainty and an overhaul of the financial provision regime has been proposed with the publication of a new set of Proposed Regulations by the Environmental Minister on 10 November 2017. The FP Regulations are also the subject of High Court proceedings, with several provisions being challenged.

There is therefore still significant uncertainty as to when the FP Regulations will apply to Northam and its subsidiaries and the impact of the FP Regulations on them.

On 20 November 2015, the National Environmental Management Act No. 107 of 1998 (NEMA) Financial Provisioning Regulations, 2015 were promulgated, resulting in significant changes from the requirements contained in the Mineral and Petroleum Resources Development Act (MPRDA) Regulations, 2004.

The 2015 Regulations were immediately applicable to applicants for a prospecting right, mining permit, mining right, exploration right or production right (i.e. new applicants). Holders and holders of a right and permit were allowed to choose the transitional period, being either within three months of their financial year end or 15 months from promulgation of the 2015 Regulations. Due to an outcry from the minerals industry around the practical implications of complying within such a limited time frame, holders and holders of a right and permit were granted an extended transitional period of 39 months from date of promulgation and now have until 19 February 2019 to comply.

The group is evaluating the implications of the release of the financial provision regulations under NEMA and intends to comply with the new financial provision regulations.

The rehabilitation provision represents the present value of rehabilitation and decommissioning costs relating to mine sites, which is expected to be incurred in subsequent years. These provisions have been based on assessments prepared by a third party independent expert, SRK Consulting (South Africa) Proprietary Limited.

The present value of the environmental restoration obligation was determined by applying a pre-tax discount rate of 9.8% (2017: 10.62%) and a long-term inflation rate of 7.2% (2017: 8.71%) over the remaining life of the various mines.

However, actual rehabilitation and decommissioning costs will ultimately depend upon future market prices for necessary rehabilitation works which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation will likely depend on when the various operations cease to produce at economically-viable rates which will, in turn, depend on future commodity prices and exchange rates, which are inherently uncertain.

Northam Platinum Limited’s mining activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. Northam has incurred, and expects to incur in future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such expenditures. Estimated future rehabilitation costs are based on current legal and regulatory requirements.

Below is a breakdown of the rehabilitation and decommissioning labilities of the various operations:

	Zondereinde (Northam Platinum Limited) 2018 R000	Booysendal (Booysendal Platinum Proprietary Limited) 2018 R000	Eland (Eland Platinum Proprietary Limited) 2018 R000	Total 2018 R000
Provision for decommissioning costs				
Balance at the beginning of the year	110 385	137 662	–	248 047
Recognition of a decommissioning liability	–	–	335 323	335 323
Change in estimate relating to the decommissioning costs	(21 991)	(17 970)	–	(39 961)
Unwinding of discount	11 725	14 627	–	26 352
	100 119	134 319	335 323	569 761
Provision for restoration costs				
Balance at the beginning of the year	30 899	25 883	–	56 782
Recognition of a restoration liability	–	–	5 469	5 469
Change in estimate	(2 505)	4 592	–	2 087
Unwinding of discount	3 280	2 749	–	6 029
	31 674	33 224	5 469	70 367
Total rehabilitation and decommissioning liability provision	131 793	167 543	340 792	640 128

	Zondereinde (Northam Platinum Limited) 2017 R000	Booysendal (Booysendal Platinum Proprietary Limited) 2017 R000	Eland (Eland Platinum Proprietary Limited) 2017 R000	Total 2017 R000
Provision for decommissioning costs				
Balance at the beginning of the year	98 169	110 110	–	208 279
Recognition of a decommissioning liability	1 791	11 146	–	12 937
Change in estimate relating to the decommissioning costs	(7 612)	(795)	–	(8 407)
Unwinding of discount	18 037	17 201	–	35 238
	110 385	137 662	–	248 047
Provision for restoration costs				
Balance at the beginning of the year	27 932	22 597	–	50 529
Unwinding of discount	2 967	3 286	–	6 253
	30 899	25 883	–	56 782
Total rehabilitation and decommissioning liability provision	141 284	163 545	–	304 829

At the reporting date the net unfunded future obligations were as follows, based on the current Department of Mineral Resources requirements:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Undiscounted decommissioning and restoration obligation based on the Department of Mineral Resources' rates	475 211	269 338	168 177	152 978
Less funds held by Northam Platinum Restoration Trust Fund (note 11)	(110 626)	(102 233)	(55 333)	(48 274)
Less environmental guarantees (note 12)	(401 418)	(244 808)	(142 350)	(102 000)
Total (overfunded)/unfunded current rehabilitation obligation	(36 833)	(77 703)	(29 506)	2 704

The future value of the environmental obligation could either be paid over to the Northam Platinum Restoration Trust Fund over the remaining life of the various operations, or through other financial provisions, insurance or financial products as approved by the Department of Mineral Resources in terms of legislation.

Going forward the environmental obligation will be financed either by way of guarantees or other insurance products and not through cash contributions to the Northam Platinum Restoration Trust Fund, due to the uncertainty created by changes in legislation.

The group has procured the issue of guarantees in respect of the unfunded decommissioning and restoration costs, not covered by the investment held through the Northam Platinum Restoration Trust Fund.

Refer to note 11 and 12 for further details on the Northam Platinum Restoration Trust Fund as well as the various guarantees taken out.

23. Long-term loans

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Security of supply contribution	131 200	38 992	64 669	38 992
Heraeus Deutschland GmbH & Co. KG	75 403	223 870	75 403	223 870
Total long-term loans	206 603	262 862	140 072	262 862
Current portion of security of supply contribution	(15 140)	(4 034)	(7 496)	(4 034)
Current portion of Heraeus Deutschland GmbH & Co. KG	(9 400)	(9 400)	(9 400)	(9 400)
	182 063	249 428	123 176	249 428

The exposure to foreign currency denominated balances as at 30 June was as follows:

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Amounts denominated in € included in long-term loans	–	10 000	–	10 000

The security of supply contribution relates to advances for the supply of future product for a period of 10 years. These advances will be recognised over the 10-year supply period.

Heraeus Deutschland GmbH & Co. KG contributed the first €10.0 million to the new 20MW furnace during the F2016 financial year. The contribution received was recognised as a liability in the previous periods, as the company was obligated to refund the amount to Heraeus Deutschland GmbH & Co. KG if, and only if the furnace was not commissioned on time. On commissioning, the second €10.0 million was received, and the €20.0 million (R303.1 million) was deducted from the cost of the smelter as the value contributed is effectively considered a rebate in terms of IAS 16. The contribution was previously included in the balances above.

In terms of an agreement entered into by the company and Heraeus Deutschland GmbH & Co. KG an annual payment of R9.4 million is made for development and research costs for a period of 20 years. A liability was recognised at contract inception, being 16 April 2016. The liability is measured at the present value of the R9.4 million payments over 20 years using the prevailing South African prime interest rate. The contra side of the entry was included as cost to the furnace.

The present value of these annual payments amounted to R75.4 million (2017: R74.7 million) and is included in the table above.

24. Financial guarantee liability

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Zambezi Platinum (RF) Limited financial guarantee liability	–	–	7 535 944	7 535 944
	–	–	7 535 944	7 535 944

A financial guarantee contract was issued by Northam Platinum Limited to Zambezi Platinum (RF) Limited to guarantee the preference shares that were issued by Zambezi Platinum (RF) Limited as part of the BEE transaction.

The redemption of the BEE preference shares is planned to occur through cash accumulation from dividends received from Northam Platinum Limited, and after the lock-in the possible sell-off of Northam Platinum Limited shares into the market to realise the capital value, to redeem the preference shares. In the event that this is not sufficient to settle the liability, it will be secured by the company in terms of a financial guarantee (Northam guarantee), in terms of which Northam Platinum Limited will be responsible for the payment of all amounts which Zambezi Platinum (RF) Limited has contracted but failed to pay. Northam may settle the debt by ways of a cash payment or the issue of a determinable number of Northam Platinum Limited shares or a cash and Northam Platinum Limited share combination.

The financial guarantee liability is amortised based on the total value of preference shares still outstanding, as this better reflects the pattern of how Northam Platinum Limited provides the guarantee, and is therefore unchanged from the prior year.

Even though the company currently holds a number of the Zambezi Platinum (RF) Limited preference shares (refer note 8), these preference shares are still outstanding and therefore no change will be accounted for relating to the guarantee liability.

25. Domestic medium term notes

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Non-current domestic medium term notes				
Domestic medium term notes (NHM002)	175 000	175 000	175 000	175 000
Transaction costs relating to the NHM002 issue	(1 256)	(1 256)	(1 256)	(1 256)
Amortisation of transaction costs over 60 months	544	292	544	292
	174 288	174 036	174 288	174 036
Domestic medium term notes (NHM003)	250 000	250 000	250 000	250 000
Transaction costs relating to the NHM003 issue	(4 627)	(4 627)	(4 627)	(4 627)
Amortisation of transaction costs over 36 months	3 213	1 672	3 213	1 672
Transfer to current domestic medium term notes	(248 586)	–	(248 586)	–
	–	247 045	–	247 045
Total non-current domestic medium term notes	174 288	421 081	174 288	421 081
Current domestic medium term notes				
Transferred from non-current assets (NHM003)	248 586	–	248 586	–
Domestic medium term notes issued (NHM004)	450 000	–	450 000	–
Transaction costs relating to the NHM004 issue	(2 778)	–	(2 778)	–
Amortisation of transaction costs over 12 months	538	–	538	–
	447 760	–	447 760	–
Domestic medium term notes issued (NHM005)	550 000	–	550 000	–
Transaction costs relating to the NHM005 issue	(3 304)	–	(3 304)	–
Amortisation of transaction costs over 12 months	398	–	398	–
	547 094	–	547 094	–
Total current domestic medium term notes	1 243 440	–	1 243 440	–
Total domestic medium term notes	1 417 728	421 081	1 417 728	421 081

On 13 May 2016, Northam issued NHM002, which is R175.0 million's worth of five-year senior unsecured fixed rate notes (NHM002) under the DMTN programme. The notes bear a fixed coupon of 13.50% per annum, payable semi-annually in May and November of every year, and will be redeemed on 12 May 2021 and are therefore disclosed as non-current. The funds were used for general corporate purposes.

The Industrial Development Corporation of South Africa Limited subscribed to NHM003 for R250.0 million, three-year senior unsecured floating rate notes (NHM003) under the DMTN programme on 10 June 2016. The notes attract a floating coupon rate of 3-month JIBAR plus 390 basis points, payable on a quarterly basis in August, November, February and May of every year for a three-year period and will mature on 9 June 2019. These notes are therefore stated as current. The proceeds were applied for the development of the Booysendal expansion project.

During the current year, Northam issued NHM004 (20 April 2018) for R450.0 million and NHM005 (18 May 2018) for R550.0 million, one-year senior unsecured fixed rate notes. The notes bear a fixed coupon of 11.0% per annum, payable on the redemption date. These notes are therefore stated as current.

Transation costs are amortised over the period of the financial liability.

These notes were issued under the R2.0 billion DMTN programme dated 3 August 2012.

26. Preference share liability

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Opening balance	8 636 558	7 575 697	–	–
Accrued preference share dividends	1 182 093	1 060 861	–	–
Preference shares liability relating to Zambezi Platinum (RF) Limited	9 818 651	8 636 558	–	–
Derecognition of Zambezi Platinum (RF) Limited preference shares through the investment in the preference shares together with the accrued dividends	(259 784)	(226 976)	–	–
Liquidity fees amortised over the 10-year lock-in period relating to the black economic empowerment transaction	(163 903)	(163 903)	–	–
Amortisation of liquidity fees	50 536	34 146	–	–
	9 445 500	8 279 825	–	–

On 18 May 2015, 159 905 453 cumulative redeemable preference shares were issued by Zambezi Platinum (RF) Limited at an issue price of R41 per share. The preference shares are redeemable in 10 years' time at R41 plus the cumulative preference dividends, which will be May 2025. The preference shareholders are entitled to receive a dividend equal to the issue price multiplied by the dividend rate of the South African prime interest rate plus 3.5% calculated on a daily basis based on a 365-day year compounded annually and capitalised at the end of December of every year.

The preference rights, limitations and other terms associated with the Zambezi Platinum (RF) Limited preference shares are set out in the Zambezi Platinum (RF) Limited Memorandum of Incorporation.

The redeemable preference shares do not carry the right to vote.

Subscription undertakings for the full value of the preference shares were secured at a 2.5% liquidity fee.

The liquidity fees are amortised over the 10-year lock-in period.

Below is a reconciliation of the accrued dividends as per the preference share liability relating to Zambezi Platinum (RF) Limited and the amounts recognised in profit or loss:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Accrued dividends	1 182 093	1 060 861	–	–
Less interest capitalised to property, plant and equipment in terms of IAS 23 Borrowing costs	(44 270)	(24 261)	–	–
Less dividends accrued to Northam Platinum Limited with regards to the Zambezi Platinum (RF) Limited preference shares owned (refer note 34)	(31 139)	(19 204)	–	–
	1 106 684	1 017 396	–	–

In terms of the Northam BEE transaction, Zambezi Platinum (RF) Limited holds a combined 31.4% interest in Northam's issued share capital.

The transaction was financed by way of 159 905 453 new Zambezi listed preference shares, redeemable at the end of a 10-year period. These BEE preference shares are guaranteed by Northam and as a result of the guarantee consolidated into the Northam group results.

The redemption of the preference share liability will occur in part through 90% of the dividends received from Northam Platinum Limited. There is however no obligation to settle the preference share liability during the 10-year lock in period should no dividends be received from Northam Platinum Limited. After the lock-in period of 10 years, the preference share liability will be redeemed in a bullet payment through the possible sell-off of the Northam shares owned by Zambezi into the market to realise the capital value. In the event that this is not sufficient to settle the liability, the preference share liability will be secured in terms of a financial guarantee issued by Northam. Should a liability arise under the Northam guarantee, Northam may settle this liability by capitalising Zambezi with cash and/or Northam shares before the redemption amount becomes due or making payment directly to the preference shareholders. The manner of settlement is a choice and is not contractually specified between the two ways mentioned above.

Significant judgements and estimates: consolidation of Zambezi Platinum (RF) Limited

In terms of the preference share agreement between Zambezi Platinum (RF) Limited and its preference shareholders, the preference shareholders will be entitled to receive dividends equal to the South African prime interest rate plus 3.5% over the 10-year period. The preference shares will be compulsorily redeemable on the day immediately preceding the 10th anniversary of the implementation date. The preference shares can only be redeemable before this date upon the occurrence of an early redemption event which is defined in the agreement. The redemption price will be equal to the preference shares' issue price. In terms of the preference shares agreement, the preference dividends will accumulate (compounded) at the rate mentioned above for the 10-year period if not paid by Zambezi. On the redemption date, Zambezi has to settle any outstanding dividends accumulated, together with the redemption price. Zambezi does not have any discretion to avoid the payment of cumulative preference dividends or the payment of the redemption price, and is therefore obliged to settle this amount by delivering cash, a variable number of Northam shares or a combination of the two. The preference shares as well as any accumulated and unpaid preference dividends meet the definition of a financial liability, and are accounted for as such in the statement of financial position of Zambezi, and consolidated in the financials of Northam in terms of International Financial Reporting Standards. This means that the Northam group reflects the BEE equity issued shares as treasury shares (for accounting purposes) and the BEE preference shares are reflected as a liability.

Zambezi was created and designed for the sole purpose of providing Northam with BEE credentials and as a structure to hold the listed BEE preference shares. If Northam does not comply with the HDSA requirements in the Mining Charter they will not be able to retain their mining rights. Northam is able to direct the strategic direction of Zambezi and as per the subscription and relationship agreement between the two companies, Zambezi's memorandum of incorporation may not be amended or replaced without Northam's prior written consent. Northam assumes full responsibility for the administration of Zambezi as well as any costs incurred by Zambezi up to a certain limit. Furthermore, Northam provides a guarantee for Zambezi's obligation in respect of the preference shares. All these points indicate that Northam has been involved from the inception of the transaction, to ensure that the design and operation of Zambezi achieves the purpose for which it was created.

In terms of the transaction, an 'N' share was issued to Northam, which gave them the right to implement mitigating action should Zambezi not comply with certain undertakings as per the transaction's agreements and in other limited instances aimed at maintaining the integrity of the transaction at all times. Zambezi also cannot dispose of the Northam ordinary shares without the prior consent of Northam. Northam has significant exposure to the variable returns of Zambezi, through the creation and maintenance of the BEE credentials during the 10-year lock-in period as well as through the guarantee provided by Northam. The decision-making power of Zambezi's board of directors is restricted to maintaining Northam's BEE credentials and funding arrangements.

All of these factors have been considered in determining that even though Northam Platinum Limited does not have majority of the voting rights in Zambezi Platinum (RF) Limited it still has control over the entity.

27. Share-based payment liability

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Performance and retention share-based payment liability	129 129	153 277	75 756	93 027
Lock-in and incentive mechanism share-based payment liability	28 210	10 388	14 105	5 194
Total share-based payment liability	157 339	163 665	89 861	98 221
Short-term portion of share-based payment liability	(78 340)	(75 026)	(44 604)	(45 988)
Long-term share-based payment liability	78 999	88 639	45 257	52 233
The movement in the share-based payment liability is made up as follows:				
Opening balance	163 665	141 077	98 221	96 838
Share-based payment expense during the year (note 33)	107 344	96 083	76 980	63 809
Options/incentive shares cash settled during the year	(113 670)	(73 495)	(85 340)	(62 426)
Total share-based payment liability	157 339	163 665	89 861	98 221

The short-term portion is based on the options/shares which will be settled or expire in the next 12 months, all other share-based payment liabilities are disclosed as non-current due to the contractual payment terms as per the share incentive plan.

Share option scheme (the scheme)

As at 30 June 2018 there were no share options outstanding. Below is a reconciliation of the options exercised during the year:

Grant date	**12 Oct 2010**		
Expiry date	**11 Oct 2017**	**Claw back**	
Exercise price in ZAR	**46.57**	**40.00**	**Total**
Opening balance 1 July 2017	202 500	7 938	210 438
Options exercised during the year	(202 500)	(7 938)	(210 438)
July	–	–	–
August	–	–	–
September	(107 500)	(4 214)	(111 714)
October	(95 000)	(3 724)	(98 724)
November	–	–	–
December	–	–	–
January	–	–	–
February	–	–	–
March	–	–	–
April	–	–	–
May	–	–	–
June	–	–	–
Balance as at 30 June 2018	–	–	–

Grant date	**5 Nov 2009**	**1 July 2010**	**12 Oct 2010**		
Expiry date	**4 Nov 2016**	**30 June 2017**	**11 Oct 2017**	**Claw back**	
Exercise price in ZAR	**36.95**	**45.59**	**46.57**	**40.00**	**Total**
Opening balance 1 July 2016	265 000	–	1 795 000	80 767	2 140 767
Options forfeited during the year	(12 500)	–	–	(497)	(12 997)
Options exercised during the year	(252 500)	–	(1 592 500)	(72 332)	(1 917 332)
July	–	–	(90 000)	(3 534)	(93 534)
August	(45 000)	–	(25 000)	(2 746)	(72 746)
September	(182 500)	–	(370 000)	(21 684)	(574 184)
October	–	–	(347 500)	(13 544)	(361 044)
November	(25 000)	–	–	(980)	(25 980)
December	–	–	(45 000)	(1 767)	(46 767)
January	–	–	(471 500)	(18 515)	(490 015)
February	–	–	(243 500)	(9 562)	(253 062)
March	–	–	–	–	–
April	–	–	–	–	–
May	–	–	–	–	–
June	–	–	–	–	–
Balance as at 30 June 2017	–	–	202 500	7 938	210 438

On 6 December 2013, qualifying shareholders were granted the right to subscribe for 3.92086 claw-back shares for every 100 existing shares held on the record date. The claw-back shares were issued at a discount of 2% to the 30-day VWAP and a premium of 5% to the 60-day VWAP, both calculated as at 18 September 2013 which amounted to R40.00. The vesting conditions were the same as the outstanding options to which the claw back options related to.

Therefore, all outstanding share options held as at the record date were awarded claw back rights options at an exercise price of R40.00 which expires on the same date as the original option expiry date.

The following table lists the inputs to the model used for the share option scheme for the year ended 30 June 2017:

Grant date	12 Oct 2010
Dividend yield (%)	–
Expected volatility (%)	46.60
Risk-free interest rate (%)	7.51
Expected life of share options (years)	0.25
Spot price (ZAR)	40.45
Model used*	Market value

* *Given that the value of the shares will be paid out, and not just the growth in the price, an option valuation model is not appropriate, but the share price at year end adjusted for dividends forfeited during the vesting period was used.*

Share incentive plan (the SIP)

Below is an analysis of share incentives held as at 30 June 2018:

Retention shares	4 Nov 2014 Share award	11 Nov 2015 Share award	8 Nov 2016 Share award	2 Nov 2017 Share award	Total
Balance 1 July 2017	527 700	709 100	508 900	–	1 745 700
Shares awarded during the year	–	–	–	709 000	709 000
Shares forfeited	(38 350)	(32 950)	(5 800)	(13 800)	(90 900)
Shares cash settled during the year	(489 350)	(26 200)	(14 600)	(8 700)	(538 850)
Balance at 30 June 2018	–	649 950	488 500	686 500	1 824 950
Balance 1 July 2016	600 200	811 800	–	–	1 412 000
Shares awarded during the year	–	–	550 400	–	550 400
Shares forfeited	(16 340)	(36 660)	(22 100)	–	(75 100)
Shares cash settled during the year	(56 160)	(66 040)	(19 400)	–	(141 600)
Balance at 30 June 2017	527 700	709 100	508 900	–	1 745 700

Performance shares	15 Nov 2013 Share award	4 Nov 2014 Share award	11 Nov 2015 Share award	8 Nov 2016 Share award	2 Nov 2017 Share award	Total
Balance 1 July 2017		1 561 100	2 100 700	1 504 600	–	5 166 400
Shares awarded during the year		–	–	–	2 095 200	2 095 200
Shares forfeited/adjusted for performance conditions met during the year		(114 000)	(97 850)	(17 600)	(40 600)	(270 050)
Shares cash settled during the year		(1 447 100)	(77 500)	(42 900)	(25 500)	(1 593 000)
Balance at 30 June 2018		–	1 925 350	1 444 100	2 029 100	5 398 550
Balance 1 July 2016	897 000	1 775 100	2 405 300	–	–	5 077 400
Shares awarded during the year	–	–	–	1 626 600	–	1 626 600
Shares forfeited/adjusted for performance conditions met during the year	(415 800)	(47 840)	(108 860)	(65 000)	–	(637 500)
Shares cash settled during the year	(481 200)	(166 160)	(195 740)	(57 000)	–	(900 100)
Balance at 30 June 2017	–	1 561 100	2 100 700	1 504 600	–	5 166 400

The shares awarded in terms of the rules of the share incentive plan (SIP) comprise: retention shares, which vest after three years from grant date with no performance criteria, and performance shares, which vest after three years from grant date. The final number of performance shares that an employee will receive will be subject to certain performance criteria being met.

The social, ethics and human resources (SE&HR) committee elects the settlement of all SIP awards of conditional shares in cash or with shares. Forfeitable share awards will only be settled through the issue of shares, in order to ensure that a participant's interests remain aligned with those of shareholders. It allows the SE&HR committee to more effectively manage cash commitments and shareholder dilution arising pursuant to the settlement of awards under the SIP on the group's behalf.

Before the changes approved at the AGM in November 2016, the SIP provided for the settlement amount using the volume weighted average price (VWAP) of a share calculated on the day preceding settlement. The rules were amended to provide for the settlement amount using the 30-day VWAP of a share calculated on the day preceding settlement.

The rules of the SIP relating to the issue, acceptance and settlement of awards during prohibited periods have been amended to allow for deferred issue, acceptance and settlement of awards as a result of a prohibited period preventing these actions. Furthermore, if settlement of an award is deferred, the values to be used when settlement actually occurs will be the same values that would have been used if settlement had not been deferred and rather taken place on the last date allowed under the rules (i.e. the 30th day following vesting).

Previously, if a participant retired before the age of 60, a portion of their awards would lapse. This resulted in employees that were required (for financial reasons related to the rules governing their retirement funds) to retire early, potentially being penalised despite only retiring a few days or weeks before their retirement date. Although arguably the current rules cater for these exceptional circumstances, the relevant provisions were ambiguous. The rules were therefore amended to clearly provide that, in the event a participant retires within one year of their prescribed retirement date, the committee may resolve to deem this to be retirement as opposed to early retirement. This amendment more clearly allows for the penalties attached to early retirement to be avoided in instances where they would unfairly prejudice a participant.

The updated rules were amended to allow the SE&HR committee to delay the making, of an award and/or settlement or vesting of conditional shares or forfeitable shares as a result of labour unrest, strikes or similar events affecting the group.

All awards that had not yet vested but were cash-settled during the year relate to employees who retired or passed away.

The following table lists the inputs to the model used for the share incentive plan for the year ended 30 June 2018:

	11 Nov 2015 Retention shares	11 Nov 2015 Performance shares	8 Nov 2016 Retention shares	8 Nov 2016 Performance shares	2 Nov 2017 Retention shares	2 Nov 2017 Performance shares
Dividend yield (%)	–	–	–	–	–	–
Forfeiture rate (%)	10.0	10.0	10.0	10.0	10.0	10.0
Expected life of share awards (years)	0.37	0.37	1.36	1.36	2.35	2.35
Spot price (ZAR)	36.68	36.68	36.68	36.68	36.68	36.68
Model used*	Market value	Market value	Market value	Market value	Market value	Market value

* *Given that the value of the shares will be paid out, and not just the growth in the price, an option valuation model is not appropriate, but the share price at year end adjusted for dividends forfeited during the vesting period was used.*

The following table lists the inputs to the model used for the share incentive plan for the year ended 30 June 2017:

	4 Nov 2014 Retention shares	4 Nov 2014 Performance shares	11 Nov 2015 Retention shares	11 Nov 2015 Performance shares	8 Nov 2016 Retention shares	8 Nov 2016 Performance shares
Dividend yield (%)	–	–	–	–	–	–
Forfeiture rate (%)	9.0	9.0	9.0	9.0	9.0	9.0
Expected life of share awards (years)	0.25	0.35	1.37	1.37	2.36	2.36
Spot price (ZAR)	40.45	40.45	40.45	40.45	40.45	40.45
Model used*	Market value	Market value	Market value	Market value	Market value	Market value

* *Given that the value of the shares will be paid out, and not just the growth in the price, an option valuation model is not appropriate, but the share price at year end adjusted for dividends forfeited during the vesting period was used.*

The expected life is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options/incentive shares is indicative of future trends, which may not necessarily be the actual outcome.

Lock-in and incentive mechanism (LIM)

Northam was requested by certain of its key institutional shareholders to consider the creation of a mechanism which would appropriately incentivise Northam's senior management to address the financial risks associated with the guarantee provided by Northam in favour of the Zambezi preference shareholders. A lock-in and incentive mechanism (LIM) which is specifically structured to incentivise the mitigation of those risks introduced by and unique to the guarantee, as well as, retaining key members of Northam's senior management as employees until the redemption of the Zambezi Platinum (RF) Limited preference shares (preference shares) in May 2025 was approved.

The SIP incentivises Northam's management over the short to medium term (three years) and is primarily focused on motivating the achievement by management of various technical and financial targets. Although these measures are appropriate and essential to the viability of the group, the SIP did not allow for performance measures relating to the guarantee liability. This required a long-term incentive mechanism premised on the exact variables which will determine the guarantee liability.

It is further recognised that Northam's market position relative to its peers has altered significantly with Northam having become a sizable and respected market participant. This success increases the risk of Northam losing members of its senior management, making it a strategic imperative for the company to retain management and prevent the loss of critical skills before the redemption date. In the circumstances, Northam and the relevant committees of its board of directors resolved to amend the rules to incorporate the LIM, with a view to appropriately incentivising the management team in order to prevent the guarantee liability from materialising and simultaneously lock in their skill-set until the redemption date. This objective is consistent with the interests of Northam's shareholders.

The LIM comprises two separate mechanisms structured with specific reference to the terms of the BEE transaction and, more specifically, the potential guarantee liability.

Long-term BEE transaction incentive plan (BIP)

The BIP addresses the long-term incentivisation and retention of its participants by aligning their interests with shareholders through equity participation. The BIP is to be implemented through the SIP, which was amended to incorporate the specific elements of the BIP. The BIP is implemented in addition to the SIP and does not replace or affect the SIP.

The company limits participants in the BIP to the key members of Northam's current and future key executive management team including, the chief executive officer (CEO), chief financial officer (CFO), chief commercial officer (CCO), chief geologist (CG), chief technical officer (CTO), executive officer HR (EHR) and the senior general managers of Booysendal and Zondereinde mines (GM) (participants). The position of the CTO has not been filled and remains subject to the employment of a suitable candidate by the group and the BEE CPS allocated to this positions will not be issued in the event that it is not filled.

In terms of the BIP an aggregate of 5 million shares will be conditionally awarded to the participants through the creation and award of 5 000 000 BEE CPS under the SIP.

Below is details of the BEE CPS awarded:

	2018	2017
	Number of BEE CPS shares	Number of BEE CPS shares
Chief executive officer	1 500 000	1 500 000
Chief financial officer	700 000	700 000
Chief commercial officer	500 000	500 000
Chief geologist	500 000	–
Executive officer HR	500 000	500 000
General manager Zondereinde mine	200 000	200 000
General manager Booysendal mine	200 000	200 000
	4 100 000	3 600 000

The aggregate number of BEE CPS issued represents less than 1% of Northam's current issued share capital and may be settled in cash or shares at the election of the independent committee of the board responsible for administering the SIP at that time.

Vesting will be subject to the satisfaction of the performance condition that Zambezi Platinum (RF) Limited fully settles the redemption amount; and fully settles or makes adequate provision for all its 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.

Vesting of BEE CPS will occur 30 business days after the date on which the BIP performance condition is fulfilled (which is expected to be 18 May 2025) or, in the event that vesting of the BEE CPS is accelerated in certain exceptional instances, as set out in the current rules in relation to conditional shares, including a change of control of Northam or an earlier date determined in accordance with the rules.

	2018	2017
	Number of BEE CPS shares	Number of BEE CPS shares
Opening balance	3 600 000	–
Shares awarded during the year	500 000	3 600 000
Balance as at 30 June 2018	4 100 000	3 600 000

The following table lists the inputs to the model used for the long-term BEE transaction incentive plan for the year ended 30 June 2018:

	BEE CPS shares
Dividend yield (%)	–
Forfeiture rate (%)	–
Expected life of share awards (years)	6.91
Spot price (ZAR)	36.68
Model used*	Market value

* *Given that the value of the shares will be paid out, and not just the growth in the price, an option valuation model is not appropriate, but the share price at year end adjusted for dividends forfeited during the vesting period was used.*

The following table lists the inputs to the model used for the long-term BEE transaction incentive plan for the year ended 30 June 2017:

	BEE CPS shares
Dividend yield (%)	–
Forfeiture rate (%)	–
Expected life of share awards (years)	7.92
Spot price (ZAR)	40.45
Model used*	Market value

* *Given that the value of the shares will be paid out, and not just the growth in the price, an option valuation model is not appropriate, but the share price at year end adjusted for dividends forfeited during the vesting period was used.*

28. Revolving credit facility/other assets

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Opening balance	–	–	–	–
Amounts drawn down on the revolving credit facility	2 000 000	–	2 000 000	–
Amounts repaid during the year	(500 000)	–	(500 000)	–
Total facility utilised	1 500 000	–	1 500 000	–
Transaction costs incurred	(17 055)	(8 593)	(17 055)	(8 593)
Amortisation of transaction cost over the facility period	3 550	1 002	3 550	1 002
	1 486 495	(7 591)	1 486 495	(7 591)

The group has a revolving credit facility with Nedbank Limited. The facility was effective from November 2016 for a period of 60 months to the value of R2.0 billion. Commitment fees are payable on the revolving credit facility amounting to 0.99% per annum on the unutilised portion of the facility.

During the year, an additional R1.0 billion facility was negotiated for period of 24 months effective 18 April 2018 with all other terms and conditions remaining the same as the original facility.

Subsequent to year end an amount of R250.0 million was drawn down.

Interest accrues at JIBAR plus 3.30% on any outstanding loan balance.

The revolving credit facility is disclosed as non-current as Northam Platinum Limited has the discretion, to refinance or roll over the outstanding facility for at least 12 months after the year end under the existing loan facility.

29. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Trade payables	590 045	503 007	246 042	199 797
Accruals	875 656	337 386	833 437	304 954
Capital accruals	84 978	29 977	15 577	29 977
South African Revenue Service – Value Added Tax	15 920	11 024	–	–
Accrued interest and commitment fees	52 684	5 741	52 684	5 741
Amounts payable to Booysendal Platinum Proprietary Limited	–	–	–	476 547
Employee related accruals	248 645	193 690	196 401	157 242
Provisional pricing payables	30 740	122 802	18 220	73 251
Other	67 307	64 545	6 603	7 354
	1 965 975	1 268 172	1 368 964	1 254 863

Trade payable balances are unsecured, non-interest bearing and normally settled on 30-day terms. Amounts payable to Booysendal Platinum Proprietary Limited are mainly attributable to the purchase of concentrate.

The carrying value of trade and other payables approximate their fair value, due to the their short term nature.

Below are the uncovered foreign currency denominated balances as at 30 June included in trade and other payables above:

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Amounts denominated in € included in trade and other payables	3 360	288	1 474	–

30. Short-term provisions

Short-term provisions consist of the provision for leave pay:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Balance at the beginning of the year	155 204	125 788	145 972	131 015
Additional amounts raised	246 539	197 246	224 775	173 831
Provision for leave pay utilised	(204 602)	(167 830)	(194 844)	(158 874)
	197 141	155 204	175 903	145 972

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the financial reporting date based on the basic cost of employment and available leave entitlement at that date.

31. Other long-term employee benefits

The company entered into an agreement with the representative unions at the Zondereinde mine in terms of which the company has undertaken to contribute 4% of its after tax profits to the Toro Employee Empowerment Trust, providing Northam's Zondereinde mine's unskilled and semi-skilled employees an opportunity to participate in the profits of the company. Eligible employees will receive payment at the end of each five-year cycle, starting from September 2013.

The asset or liability comprises the present value of the obligation less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets (cash) that are held by the trust and are not available to the creditors of the group.

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Assets as at 1 July	114 181	112 427	114 181	112 427
Interest income	8 768	8 702	8 768	8 702
Employer contributions	8 191	312	8 191	312
Benefits paid	(2 286)	(1 687)	(2 286)	(1 687)
Actuarial loss	(8 057)	(5 234)	(8 057)	(5 234)
Administration costs	(467)	(339)	(467)	(339)
Assets as at 30 June	120 330	114 181	120 330	114 181
Unrecognised due to asset ceiling limit*	50 009	76 172	50 009	76 172
Below is a breakdown of other long-term employee benefits:				
Other long-term employee benefit as at 1 July	38 009	29 616	38 009	29 616
Service costs	12 761	12 167	12 761	12 167
Interest cost	3 687	3 167	3 687	3 167
Actuarial loss/(gain)	18 617	(4 915)	18 617	(4 915)
Benefits	(2 286)	(1 687)	(2 286)	(1 687)
Administration costs	(467)	(339)	(467)	(339)
Other long-term employee benefit as at 30 June	70 321	38 009	70 321	38 009
Asset/(liability) recognised on the statement of financial position	–	–	–	–

* *The 'asset ceiling limit' ensures the asset to be recognised on the company's statement of financial position is subject to the present value of any economic benefits available to the company in the form of refunds or reductions in future contributions.*

Since the cash distribution is payable to employees after the end of the period in which the related services are rendered and it is not a post-employment benefit or a termination benefit, the trust is accounted for as an 'other long-term employee benefit' in terms of IAS 19. The benefits payable to employees are therefore measured using the projected unit credit method.

Significant judgements and estimates: determining other long-term employee benefits

In applying the projected unit credit method, the following estimates were used:

	Group		Company	
	2018	2017	2018	2017
Discount rate	7.80%	7.50%	7.80%	7.50%
Expected rate of return on assets	10.40%	8.20%	10.40%	8.20%

The rate used to discount pre-retirement benefit obligations should be determined by reference to market yields at the reporting date on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds should be used. There is however no deep market in corporate bonds in South Africa and as such reference to the nominal bond curve, as compiled by the JSE has been used. In terms of the accounting standards, historical yields are less important and we consequently consider it appropriate to use the discount rate as noted above per annum.

32. Sales revenue

Sales revenue comprises revenue from the following metals:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Platinum	3 466 598	3 692 945	3 466 598	3 692 945
Palladium	1 723 269	1 316 374	1 723 269	1 316 374
Rhodium	814 506	453 084	814 506	453 084
Gold	110 050	99 322	110 050	99 322
Iridium	182 978	126 340	182 978	126 340
Ruthenium	116 580	32 276	116 580	32 276
Silver	1 650	1 681	1 650	1 681
Nickel	257 760	171 766	257 760	171 766
Copper	65 547	42 303	65 547	42 303
Cobalt	10 691	3 800	10 691	3 800
Chrome	802 552	925 294	393 264	455 145
	7 552 181	6 865 185	7 142 893	6 395 036

Revenue per metal and per segment:

	Zondereinde segment	Booysendal segment	Intercompany elimination	Total
	2018	2018	2018	2018
	R000	R000	R000	R000
Platinum	3 466 598	1 286 051	(1 286 051)	3 466 598
Palladium	1 723 269	666 754	(666 754)	1 723 269
Rhodium	814 506	399 885	(399 885)	814 506
Gold	110 050	37 821	(37 821)	110 050
Iridium	182 978	66 740	(66 740)	182 978
Ruthenium	116 580	69 374	(69 374)	116 580
Silver	1 650	–	–	1 650
Nickel	257 760	83 664	(83 664)	257 760
Copper	65 547	15 297	(15 297)	65 547
Cobalt	10 691	–	–	10 691
Chrome	393 264	409 288	–	802 552
	7 142 893	3 034 874	(2 625 586)	7 552 181

	Zondereinde segment	Booysendal segment	Intercompany elimination	Total
	2017	2017	2017	2017
	R000	R000	R000	R000
Platinum	3 692 945	1 284 164	(1 284 164)	3 692 945
Palladium	1 316 374	500 433	(500 433)	1 316 374
Rhodium	453 084	189 076	(189 076)	453 084
Gold	99 322	19 328	(19 328)	99 322
Iridium	126 340	52 319	(52 319)	126 340
Ruthenium	32 276	15 709	(15 709)	32 276
Silver	1 681	–	–	1 681
Nickel	171 766	35 789	(35 789)	171 766
Copper	42 303	7 475	(7 475)	42 303
Cobalt	3 800	–	–	3 800
Chrome	455 145	470 149	–	925 294
	6 395 036	2 574 442	(2 104 293)	6 865 185

Below is a summary of the revenue per region and per segment:

	Zondereinde segment	Booysendal segment	Total
	2018	2018	2018
	R000	R000	R000
Europe	2 967 616	–	2 967 616
Japan	1 306 910	–	1 306 910
Asia	393 264	409 288	802 552
North America	1 584 056	–	1 584 056
South Africa	891 047	–	891 047
	7 142 893	409 288	7 552 181

	Zondereinde segment	Booysendal segment	Total
	2017	2017	2017
	R000	R000	R000
Europe	2 896 100	–	2 896 100
Japan	1 079 020	–	1 079 020
North America	1 088 496	–	1 088 496
Australia	42 303	–	42 303
South Africa	1 289 117	470 149	1 759 266
	6 395 036	470 149	6 865 185

The following customers each account for more than 10% of the total sales revenue of the group, either in the current or prior year:

	2018	2017
	R000	R000
Customer 1	629 388	658 404
Customer 2	1 231 214	1 079 020
Customer 3	664 546	660 461
Customer 4	461 326	784 459
Customer 5	906 269	634 894
Customer 6	1 769 405	1 391 378
Customer 7	802 552	925 294
Other	1 087 481	731 275
	7 552 181	6 865 185

33. Operating costs

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Labour	2 306 559	1 906 518	2 034 063	1 733 561
Stores	1 355 946	1 072 836	1 122 180	923 642
Utilities	785 861	703 898	642 276	564 702
Sundries and contractors	1 869 634	1 992 765	441 732	495 696
	6 318 000	5 676 017	4 240 251	3 717 601

The various components of operating costs as a percentage of the total operating costs:

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Labour	36.5	33.6	48.0	46.6
Stores	21.5	18.9	26.5	24.9
Utilities	12.4	12.4	15.1	15.2
Sundries and contractors	29.6	35.1	10.4	13.3
	100.0	100.0	100.0	100.0

Below are the operating costs per segment.

	Zondereinde segment	Booysendal segment	Intercompany	Total
	2018	2018	2018	2018
	R000	R000	R000	R000
Labour	2 034 063	272 496	–	2 306 559
Stores	1 122 180	233 766	–	1 355 946
Utilities	642 276	143 585	–	785 861
Sundries and contractors	441 732	1 427 902	–	1 869 634
	4 240 251	2 077 749	–	6 318 000

The various components of operating costs as a percentage of the total operating costs:

	Zondereinde segment	Booysendal segment	Intercompany	Total
	2018	2018	2018	2018
	%	%	%	%
Labour	48.0	13.1	–	36.5
Stores	26.5	11.3	–	21.5
Utilities	15.1	6.9	–	12.4
Sundries and contractors	10.4	68.7	–	29.6
	100.0	100.0	–	100.0

Labour costs in terms of the contracting mining at the Booysendal operations were included in sundries and contractors costs and not in labour costs. With the changeover to owner operator mining, all labour costs will be disclosed as such in future years.

	Zondereinde segment	Booysendal segment	Intercompany	Total
	2017	2017	2017	2017
	R000	R000	R000	R000
Labour	1 733 561	172 957	–	1 906 518
Stores	923 642	149 194	–	1 072 836
Utilities	564 702	139 196	–	703 898
Sundries and contractors	495 696	1 503 069	(6 000)	1 992 765
	3 717 601	1 964 416	(6 000)	5 676 017

The various components of operating costs as a percentage of the total operating costs:

	Zondereinde segment	Booysendal segment	Intercompany	Total
	2017	2017	2017	2017
	%	%	%	%
Labour	46.6	8.8	–	33.6
Stores	24.9	7.6	–	18.9
Utilities	15.2	7.1	–	12.4
Sundries and contractors	13.3	76.5	100.0	35.1
	100.0	100.0	100.0	100.0

Labour costs included in operating costs

The aggregate earnings and benefits to employees, including directors, amounted to:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Salaries, wages and other benefits	1 952 070	1 608 649	1 732 667	1 478 292
Contributions to retirement benefit funds	155 700	128 674	139 160	120 002
Contributions to health care funds	91 445	73 112	85 256	71 458
Share-based payment expense (refer note 27)	107 344	96 083	76 980	63 809
	2 306 559	1 906 518	2 034 063	1 733 561
Fees paid to non-executive directors	4 552	4 216	4 552	4 216
	2 311 111	1 910 734	2 038 615	1 737 777

Key management compensation is disclosed in the related party note (note 45).

34. Investment revenue

Investment revenue consists of the following:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Interest received on cash and cash equivalents	21 536	96 847	15 710	77 277
Dividend income received from short-term investments	7 450	47 942	4 711	18 094
Interest and liquidation dividends received from subsidiaries	–	–	–	3 891
Interest received on instalment sales agreements	8 940	9 768	–	–
Interest received relating to the Northam Platinum Restoration Trust Fund (note 11)	8 393	8 586	7 059	5 070
Interest received relating to the Buttonshope Conservancy Trust	822	686	–	–
Accrued dividends from Zambezi Platinum (RF) Limited	–	–	31 139	19 205
Deemed interest on the interest free home loans	943	456	715	370
Interest received from the South African Revenue Service	4 549	3 017	4 427	2 134
Other financial assets	–	4	–	2
	52 633	167 306	63 761	126 043

35. Finance costs excluding preference share dividends

Finance costs consists of the following:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Finance costs relating to the domestic medium term notes	(68 264)	(51 797)	(68 263)	(51 797)
Finance costs relating to the revolving credit facility	(110 868)	–	(110 868)	–
Amounts capitalised in terms of IAS 23 Borrowing costs	179 132	51 797	11 813	23 625
Commitment fees and borrowing facilities	(7 535)	(7 435)	(7 535)	(7 435)
Interest on the loan from the *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV*	–	(3 402)	–	–
Amortisation of the transaction costs relating to the domestic medium term notes (refer note 25)	(2 729)	(1 794)	(2 729)	(1 794)
Amortisation of the transaction costs relating to the revolving credit facility (refer note 28)	(2 548)	(1 003)	(2 548)	(1 003)
Unwinding of rehabilitation liability (refer note 22)	(32 381)	(41 491)	(15 005)	(21 004)
Unwinding of research and development liability (refer note 23)	(10 118)	(7 990)	(10 118)	(7 990)
Other financial liabilities	(13 170)	(8 070)	(5 175)	(5 114)
	(68 481)	(71 185)	(210 428)	(72 512)

36. Sundry income

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Treatment charges in respect of concentrate purchased	45 174	18 846	45 174	18 846
Rent received	8 093	6 647	1 763	4 516
Sale of scrap	14 751	5 652	2 986	3 407
Profit on sale of property, plant and equipment	–	1 762	–	1 762
Accommodation and housing income	8 794	11 286	3 420	2 895
Business rescue proceeds from Valditime Proprietary Limited settlement	–	7 654	–	7 654
Write back of impairment of Pandora joint venture	–	–	–	7 879
Environmental guarantee investment income (refer note 12)	189	7 759	189	5 320
Management fees received from associate	4 698	2 644	–	–
Corporate action once-off income	134 816	–	32 916	–
Other	490	11 111	237	11 954
	217 005	73 361	86 685	64 233

37. Sundry expenditure

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Corporate action costs and once-off project costs	(96 474)	(56 541)	(46 474)	(55 570)
Booysendal land management	(5 218)	(5 452)	–	–
Booysendal South care and maintenance	(31 139)	(23 983)	–	–
Eland care and maintenance	(106 565)	(11 982)	–	–
Accommodation and housing expenses	(13 467)	(14 551)	(3 362)	(2 900)
Black Economic Empowerment Trust operating costs	(3 222)	(8 546)	–	–
Administrative costs relating to Zambezi Platinum (RF) Limited	(1 655)	(552)	(1 655)	(552)
Loss on sale of property, plant and equipment	(4 706)	–	(4 706)	–
Recycling operation care and maintenance	(12 176)	–	–	–
Transition costs	(86 405)	–	–	–
Environmental guarantee costs (refer note 12)	(5 536)	–	–	–
Donation to the Northam Employee Trust	–	–	(1 000)	(1 000)
Impairment of available for sale investment	–	–	(11 075)	–
Other expenditure	(14 381)	(9 236)	(2 069)	(565)
	(380 944)	(130 843)	(70 341)	(60 587)

In terms of the Trust Deed of the Northam Employee Trust, Northam Platinum Limited has committed to contribute R1.0 million per annum for the duration of the lock-in period.

38. Taxation

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Current income tax				
Current income tax charge – non-mining tax	10 235	70 327	6 449	63 204
Adjustment in respect of current income tax of previous years	(17 679)	(219)	(16 027)	–
	(7 444)	70 108	(9 578)	63 204
Dividend withholding tax				
Current year withholding tax	855	–	–	–
Deferred tax				
Relating to origination and reversal of temporary differences for the current and previous financial year (refer note 21)	238 562	139 578	96 202	9 741
Other	–	2 335	–	120
	238 562	141 913	96 202	9 861
Income tax expense reported in profit or loss	231 973	212 021	86 624	73 065
A reconciliation of the standard rate of South African tax compared with that charged in the statement of profit or loss and other comprehensive income is set out below:	%	%	%	%
South African normal tax	28.0	28.0	28.0	28.0
Adjustment in respect of prior period deferred tax	–	(7.8)	–	3.8
Adjustment in respect of current income tax of previous years	(3.7)	–	(7.0)	–
Exempt income received	0.4	5.2	(4.4)	(7.1)
Expenditure incurred which is not deductible	(8.3)	(7.0)	3.8	3.7
Contribution received for capital assets	(8.4)	–	17.4	–
Amortisation of liquidity fees paid on preference shares	(1.0)	(1.2)	–	–
Deferred tax asset not raised	9.5	–	–	–
Preference share dividends disallowable	(65.5)	(67.2)	–	–
Effective tax rate	(49.0)	(50.0)	37.8	28.4

The current rate of mining tax applicable to the company is 28% (2017: 28%). Non-mining income is subject to a rate of 28% (2017: 28%). Deferred tax is provided at the statutory rate of 28% for all temporary differences. Dividend withholding tax is levied at 20% (2017: 20%) for local shareholders, who are not companies.

Capital gains tax at an effective rate of 22.4% (2017: 22.4%) is payable on any gains realised on the disposal of investments or mining properties.

39. Loss and dividend per share

Basic loss per share amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Headline loss per share is based on the headline loss and is reconciled to loss attributable to shareholders as follows:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Loss attributable to shareholders	(704 998)	(635 943)		
Loss/(profit) on the sale of property, plant and equipment	4 706	(1 762)		
Taxation impact	(1 318)	493		
IFRS 5 adjustment to fair value less cost to sell	–	841		
Taxation impact	–	–		
Headline loss	(701 610)	(636 371)		

Fully diluted earnings per share amounts are calculated by dividing the loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Fully diluted headline loss per share are based on the headline loss and the average number of potential diluted shares in issue.

Dividends per share (cents)	–	–	–	–

The weighted average number of ordinary shares in issue outside the group for the purpose of calculating the loss per share and the weighted average number of ordinary shares for diluted earnings per share are calculated as the number of shares in issue less the treasury shares held:

Average number of ordinary shares in issue during the year	349 875 759	349 875 759
Average number of potentially diluted ordinary shares in issue	349 875 759	349 875 759
Number of shares in issue	509 781 212	509 781 212
Treasury shares in issue	159 905 453	159 905 453
Shares in issue adjusted for treasury shares	349 875 759	349 875 759
Loss per share in cents	(201.5)	(181.8)
Fully diluted loss per share in cents	(201.5)	(181.8)
Headline loss per share in cents	(200.5)	(181.9)
Fully diluted headline loss per share in cents	(200.5)	(181.9)

40. Cash generated from operations

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
(Loss)/profit before taxation	(473 025)	(423 922)	229 236	257 075
Adjusted for non-cash items:				
Loss/(profit) on sale of property, plant and equipment	4 706	(1 762)	4 706	(1 762)
Depreciation and write-offs	441 865	452 584	152 041	182 650
Changes in long-term provisions	7 556	4 530	(2 505)	(5 821)
Changes in long-term receivables	(3 152)	5 972	(8 451)	–
Changes in short-term provisions	41 937	15 404	29 931	14 957
Share of earnings from associates	(4 162)	(4 870)	–	–
Finance charges on preference shares	1 106 684	1 017 396	–	–
Liquidity fees on the preference shares	16 390	16 390	–	–
Loss on derecognition of preference share liability	8	901	–	–
IFRS 5 adjustment to fair value less costs to sell	–	841	–	(7 879)
Net foreign exchange movement	(2 368)	46 729	4 135	32 564
Other	(13 774)	(1 521)	(14 768)	(5 717)
Movement in share-based payment liability	(6 326)	22 588	(8 360)	1 383
Finance charges excluding preference share dividends	68 481	71 185	210 428	72 512
Investment revenue	(52 633)	(167 306)	(63 761)	(106 838)
	1 132 187	1 055 139	532 632	433 124

41. Change in working capital

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Inventories	(1 657 693)	(398 832)	(1 708 744)	(364 744)
Trade and other receivables	(383 513)	(173 793)	(512 773)	(213 603)
Trade and other payables	493 959	390 237	81 558	369 505
	(1 547 247)	(182 388)	(2 139 959)	(208 842)

42. Taxation refund received/(paid)

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Balance owing at the beginning of the year	64 177	46 847	(37 923)	(45 716)
Amounts recognised in profit or loss	(108 489)	70 108	(9 578)	63 204
Balance owing at the end of the year	15 391	(64 177)	10 150	37 923
	(28 921)	52 778	(37 351)	55 411

43. Changes in liabilities arising from financing activities

Below is a reconciliation of the changes in liabilities arising from financing activities:

	Opening balance	Changes from financing cash inflows	Changes from financing cash outflows	Interest	Other	Closing balance
	2018	2018	2018	2018	2018	2018
Group	**R000**	**R000**	**R000**	**R000**	**R000**	**R000**
Security of supply contribution	38 992	100 000	–	–	(7 792)	131 200
Heraeus Deutschland GmbH & Co. KG	223 870	–	(9 400)	10 118	(149 185)	75 403
Domestic medium term notes	421 081	1 000 000	(57 498)	68 263	(14 118)	1 417 728
Preference shares liability	8 279 825	–	(1 677)	1 182 093	(14 741)	9 445 500
Revolving credit facility	(7 591)	2 000 000	(590 646)	110 868	(26 136)	1 486 495

	Opening balance	Changes from financing cash inflows	Changes from financing cash outflows	Interest	Other	Closing balance
	2018	2018	2018	2018	2018	2018
Company	**R000**	**R000**	**R000**	**R000**	**R000**	**R000**
Security of supply contribution	38 992	30 000	–	–	(4 323)	64 669
Heraeus Deutschland GmbH & Co. KG	223 870	–	(9 400)	10 118	(149 185)	75 403
Domestic medium term notes	421 081	1 000 000	(57 498)	68 263	(14 118)	1 417 728
Financial guarantee liability	7 535 944	–	–	–	–	7 535 944
Revolving credit facility	(7 591)	2 000 000	(590 646)	110 868	(26 136)	1 486 495

44. Financial risk management objectives and policies

The group’s activities are exposed to a variety of financial risks, market risk (including currency risk, interest rate risk and price risks), credit risk and liquidity risks. The group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group’s financial performance.

Financial risk management is carried out by the finance department. Policies are approved by the board of directors, which sets guidelines to identify, evaluate and manage financial risks in cooperation with the operating units.

The group’s principal financial liabilities comprise loans and borrowings including preference shares, trade and other payables, and a financial guarantee contract (in the case of company only). The main purpose of these financial liabilities is to finance the group’s operations and to provide guarantees to support its operations. The group has various financial assets such as trade receivables, investments, long-term receivables and cash and cash equivalents, which arise directly from its operations.

The group may enter into derivative transactions, being forward currency contracts or metal hedging contracts. The purpose is to manage the currency risks arising from the group’s operations and its sources of finance. The main risks arising from the group’s financial instruments are interest rate risk, liquidity risk, foreign currency risk, commodity price risk and credit risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following types of risk: interest rate risk, foreign currency risk, commodity price risk and other price risk, such as equity risk.

Foreign currency risk

The group operates on international commodity markets and is therefore exposed to foreign exchange risk primarily with respect to the US dollar. Foreign exchange risks arises from future commercial transactions and are recognised both in financial assets and liabilities. To manage foreign exchange risks arising from future commercial transactions, the group, from time to time, may use forward exchange contracts within board-approval limits.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The group has transactional currency exposures. Such exposure arises from sales in currencies other than the functional currency. The majority of the group’s sales are denominated in currencies other than functional currency of the operating unit making the sale, whilst most of the costs are denominated in the functional currency, the South African rand.

The following table demonstrates the sensitivity to a possible change in exchange rates with all other variables held constant, of the group's profit before tax due to changes in the fair value of monetary assets and liabilities, with a debit to profit or loss being disclosed in brackets.

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
ZAR weakening by 10% to the USD	23 694	63 884	23 652	63 884
ZAR strengthening by 10% to the USD	(23 694)	(63 884)	(23 652)	(63 884)
ZAR weakening by 10% to the €	(5 389)	(15 350)	(2 364)	(14 920)
ZAR strengthening by 10% to the €	5 389	15 350	2 364	14 920
At year end the foreign currency value of items under their respective statement of financial position classifications were as follows:				
Accounts receivable: USD	17 220	13 279	17 220	13 279
Cash and cash equivalents: USD	40	35 655	10	35 655
Accounts payable: €	(3 360)	(288)	(1 474)	–
Long-term loans: €	–	(10 000)	–	(10 000)
Exchange rates at year end				
ZAR/USD	13.73	13.06	13.73	13.06
ZAR/€	16.04	14.92	16.04	14.92

Commodity price risk

The group is subject to commodity price risks as a result of the prices at which it sells its products being determined by reference to international commodity exchanges. PGMs are sold to third party clients, with prices being fixed based on contractual terms relating to the month in which the product was sold. Trade receivables relating to PGM debtors settle the outstanding receivable balance between 2 – 5 days.

For nickel, copper and chrome receivables, there is a commodity price risk that is retained. The following is an indication of the effect that changes in the nickel, copper and chrome prices would have on the profit before tax, based on the outstanding accounts receivable balance at year end:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Weakening by 10% of the respective commodity prices	21 510	516	15 351	3 472
Strengthening by 10% of the respective commodity prices	(21 510)	(516)	(15 351)	(3 472)
At year end the balances outstanding relating to provisional prices receivables amounted to:				
Nickel receivable	75 777	30 398	75 777	30 398
Copper receivable	2 668	3 749	2 668	3 749
Chrome receivable	139 425	35 593	75 062	15 595
Chrome payable	(2 773)	(64 576)	–	(15 025)

The group did not enter into any commodity hedging contracts during the year.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities with banks and financial institutions. The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the group, which comprise cash and cash equivalents, investments and loans, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no material concentration of credit risk in cash and cash equivalents, trade and other receivables and loans. The group has policies that limit the amount of credit exposure related to cash and cash equivalents to any single financial institution by only dealing with well-established financial institutions of high credit quality standing. The credit exposure to any one of the counterparties is managed by setting exposure limits which are approved by the board.

With regard to trade and other receivables, the group has policies in place to ensure that sales are only made to customers with an appropriate credit history. Trade debtors comprise a number of customers, dispersed across different geographical areas. Credit evaluations are performed on the financial conditions of these and other receivables from time to time. Trade receivables are presented in the statement of financial position net of any provision for impairment.

Credit risk relating to loans mainly consists of employee housing loans (note 10). These loans are secured by a second bond over residential properties. The maximum credit risk relating to the long-term receivables amount to R96.4 million.

The maximum credit risk relating to the financial guarantee liability amounts to R23.5 billion (refer note 24).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. The group's exposure to risk of changes in market interest rates relates primarily to the group's cash balances, preference shares and DMTNs with floating interest rates and the long-term loan.

As part of the process of managing the group's interest rate risk, all borrowing and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact on floating rate borrowings and cash and cash equivalents). There is no impact on the group's equity.

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Cash and cash equivalents				
Increase of 1%	2 932	17 867	1 857	13 967
Decrease of 1%	(2 932)	(17 867)	(1 857)	(13 967)
Floating rate borrowings (including domestic medium term notes and revolving credit facility)				
Increase of 1%	(29 250)	(4 211)	(29 250)	(4 211)
Decrease of 1%	29 250	4 211	29 250	4 211
Preference share liability				
Increase of 1%	(98 187)	(82 798)	–	–
Decrease of 1%	98 187	82 798	–	–

The group monitors its exposure to fluctuating interest rates. Cash and cash equivalents are primarily invested with short-term maturity dates, which exposes the group to cash flow interest rate risks.

Fair value

The fair value of financial instruments is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using other valuation techniques.

The fair values have been determined using available market information and appropriate valuation methodologies.

Management applies the established fair value hierarchy that categorises the inputs into valuation techniques used to measure fair value into three levels:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – a technique where all inputs that have an impact on the value are observable, either directly or indirectly.

Level 3 – a technique where all inputs that have an impact on the value are not observable.

The following assets and liabilities are measured at fair value:

	Carrying amount	Fair value	Carrying amount	Fair value
	2018	2018	2017	2017
	R000	R000	R000	R000
Non-current assets held for sale	–	–	49 222	49 222

The non-current asset held for sale is classified within level 3 of the fair value hierarchy. For further information on this classification, refer to note 5. The fair value was determined based on the sales value as per the signed agreement plus the arrangement to reimburse all cash calls.

With regards to financial instruments, the carrying amount of financial assets and financial liabilities approximate their fair value with the exception of the following:

	Carrying amount	Fair value	Carrying amount	Fair value
	2018	2018	2017	2017
	R000	R000	R000	R000
Financial guarantee (company results)	(7 535 944)	(3 693 070)	(7 535 944)	(1 941 405)
Preference share liability (group results)	(9 445 500)	(9 184 803)	(8 279 825)	(8 540 309)

The preference share liability is classified as level 2. Previously it was classified as level 1 but due to the low level of activity in the South African debt market, the preference share liability has now been classified as a level 2 financial liability.

The fair value of the financial guarantee has been determined as level 3. Measuring the guarantee contract liability required the use of estimates, at the grant date, which included a dividend yield rate of 0.30%, a 30.0% volatility and a risk free rate of 8.42%. These assumptions have not changed.

The fair value of the preference share liability has been determined by reference to the closing price of the preference shares on the debt market at year-end:

	2018	2017
Zambezi Platinum (RF) Limited (preference share code ZPLP) closing preference share price	R59.00	R54.85
Number of preference shares outstanding	155 674 634	155 702 999

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The group has undrawn general banking facilities of R1.5 billion, of which R250.0 million was drawn subsequent to year end (2017: R1.0 billion of undrawn facilities).

The group's treasury operations are managed by a reputable treasury management institution.

They assist the group in monitoring its risk to a shortage of funds by only depositing its surplus cash funds with major banks of high credit standing. They consider and monitor the maturity and returns of all financial investments. Management performs regular projected cash flow forecasts for the group.

The group has the following secured loans at the financial reporting date:

Revolving credit facility (RCF)

During the year, the Nedbank Limited five year R1.5 billion revolving credit facility was renegotiated, increasing the five (5) year facility by R500.0 million to R2.0 billion. In addition, a new facility of R1.0 billion was negotiated for a period of two (2) years.

The new facility strengthens Northam's balance sheet capability in support of the group's key strategic initiatives, including the development of the Booysendal expansion projects. Together with existing cash reserves, the new facility provides Northam with increased financial flexibility, ensuring that the group's growth initiatives remain fully funded in the medium term.

Under the revolving credit facility, Northam, without the prior written approval of Nedbank Limited, may not create or permit any security over any of its assets or enter into any financial indebtedness.

As at 30 June 2018, R1.5 billion was drawn from this facility (2017: R Nil), with an additional amount of R250.0 million drawn subsequent to year end.

Domestic medium term note (DMTN) programme

On 13 May 2016, Northam issued R175.0 million's worth of five-year senior unsecured fixed rate notes (NHM002) under the DMTN programme. The notes bear a fixed coupon of 13.50% per annum, payable semi-annually, and will be redeemed on 12 May 2021.

The Industrial Development Corporation of South Africa Limited subscribed for R250.0 million, three-year senior unsecured floating rate notes (NHM003) under the DMTN programme on 10 June 2016. The notes attract a floating coupon rate of 3-month JIBAR plus 390 basis points and will mature on 9 June 2019. The proceeds were applied for the development of the Booysendal expansion project.

During the current year, Northam issued NHM004 (20 April 2018) of R450.0 million and NHM005 (18 May 2018) of R550.0 million, one-year senior unsecured fixed rate notes. The notes bear a fixed coupon of 11.0% per annum, payable on the redemption date.

The above notes were issued under the R2.0 billion DMTN programme dated 3 August 2012.

Zambezi Platinum (RF) Limited preference share liability

Zambezi Platinum (RF) Limited issued 159 905 453 preference shares at R41 per share on 18 May 2015 in terms of the BEE transaction. These preference shares are repayable in 10 years' time, and accrue cumulative variable dividends at 3.5% over the prime overdraft rate in South Africa.

Management regularly monitors rolling forecasts of the liquidity reserve comprising undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows.

The maturity profile of the group's financial liabilities for the year ended 30 June 2018 is set out below, into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date representing the undiscounted contractual cash flows:

	Payable on demand	1 – 6 months	More than 6 months	More than a year	Total
	2018	2018	2018	2018	2018
Group	**R000**	**R000**	**R000**	**R000**	**R000**
Trade payables	590 045	–	–	–	590 045
Accruals	–	875 656	–	–	875 656
Capital accruals	–	84 978	–	–	84 978
Accrued interest and commitment fees	–	52 684	–	–	52 684
Employee-related accruals	–	248 645	–	–	248 645
Provisional pricing payables	–	30 740	–	–	30 740
Other	60 704	6 603	–	–	67 307
Long-term loans	–	–	9 400	150 400	159 800
Domestic medium term notes	–	–	1 250 000	175 000	1 425 000
Preference share liability*	–	–	–	23 541 674	23 541 674
Revolving credit facility	–	–	–	1 500 000	1 500 000

* *The undiscounted cash flows relating to the preference share liability is also the maximum exposure to credit risk regarding the guarantee issued by Northam company.*

	Payable on demand	1 – 6 months	More than 6 months	More than a year	Total
	2018	2018	2018	2018	2018
Company	**R000**	**R000**	**R000**	**R000**	**R000**
Trade payables	246 042	–	–	–	246 042
Accruals	–	833 437	–	–	833 437
Capital accruals	–	15 577	–	–	15 577
Accrued interest and commitment fees	–	52 684	–	–	52 684
Employee related accruals	–	196 401	–	–	196 401
Provisional pricing payables	–	18 220	–	–	18 220
Other	–	6 603	–	–	6 603
Long-term loans	–	–	9 400	150 400	159 800
Domestic medium term notes	–	–	1 250 000	175 000	1 425 000
Financial guarantee liability*	–	–	–	23 541 674	23 541 674
Revolving credit facility	–	–	–	1 500 000	1 500 000

* *The undiscounted cash flows relating to the preference share liability is also the maximum exposure to credit risk regarding the guarantee issued by Northam company.*

The maturity profile of the group's financial liabilities for the year ended 30 June 2017 is set out below, into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date representing the undiscounted contractual cash flows:

	Payable on demand	1 – 6 months	More than 6 months	More than a year	Total
	2017	2017	2017	2017	2017
Group	**R000**	**R000**	**R000**	**R000**	**R000**
Trade payables	503 007	–	–	–	503 007
Accrued interest on the domestic medium term notes	–	5 741	–	–	5 741
Accruals	–	367 363	–	–	367 363
Employee-related accruals	–	193 690	–	–	193 690
Provisional pricing payables	–	122 802	–	–	122 802
Other	–	–	–	64 545	64 545
Long-term loans	–	149 168	9 400	159 800	318 368
Domestic medium term notes	–	25 825	25 825	523 900	575 550
Preference share liability*	–	–	–	23 951 323	23 951 323

* *The undiscounted cash flows relating to the preference share liability is also the maximum exposure to credit risk regarding the guarantee issued by Northam company.*

	Payable on demand	1 – 6 months	More than 6 months	More than a year	Total
	2017	2017	2017	2017	2017
Company	**R000**	**R000**	**R000**	**R000**	**R000**
Trade payables	199 797	–	–	–	199 797
Accrued interest on the domestic medium term notes	–	5 741	–	–	5 741
Accruals	–	334 931	–	–	334 931
Amounts payable to Booysendal Platinum Proprietary Limited	–	476 547	–	–	476 547
Employee-related accruals	–	157 242	–	–	157 242
Provisional pricing payables	–	73 251	–	–	73 251
Other	–	7 354	–	–	7 354
Long-term loans	–	149 168	9 400	159 800	318 368
Domestic medium term notes	–	25 825	25 825	523 900	575 550
Financial guarantee liability*	–	–	–	23 951 323	23 951 323

* *The undiscounted cash flows relating to the preference share liability is also the maximum exposure to credit risk regarding the guarantee issued by Northam company.*

Capital management (including equity risk)

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. In addition, capital management objectives include the group's ability to continue as a going concern, in order to provide returns for shareholders and benefits to other stakeholders while maintaining an optimal capital structure to reduce the cost of capital.

The group manages its capital structure (which consists of equity) and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

It is important to note that the groups BEE partner, Zambezi Platinum (RF) Limited, own 31.4% of the issued capital of Northam Platinum Limited. Zambezi Platinum (RF) Limited's prospects are however limited in nature in that they are dependent on the prospects of the Northam Platinum Limited share price and the returns attributable to the preference shares are constant and fluctuate only in accordance with prevailing interest rates. Various characteristics of the preference shares, such as the Northam guarantee and redemption payment structure, provide the holders of the Zambezi preference shares with additional security regarding the recoverability of their dividends and capital.

The preference shareholders retain equity risk as a result of the redemption being ultimately underpinned by the value of Northam Platinum Limited share performance and/or Northam Platinum Limited's ability to continue as a going concern. The preference shares therefore present their holders with a combination of the risks and rewards associated with equity and debt instruments.

Northam Platinum Limited's prospects for growth and continued profitability are subject to various external and internal factors which cannot be accurately predicted, forecasted or controlled by Zambezi Platinum (RF) Limited as an investor in Northam Platinum Limited.

The redemption of the preference shares is planned to occur through cash accumulation from dividends received from Northam Platinum Limited, and after the lock-in the possible sell-off of Northam Platinum Limited shares into the market to realise the capital value, to redeem the preference shares. In the event that this is not sufficient to settle the liability, it will be secured by the company in terms of a financial guarantee (Northam guarantee).

Should a liability arise under the Northam guarantee, Northam Platinum Limited may settle this liability by capitalising Zambezi Platinum (RF) Limited with cash and/or Northam Platinum Limited shares before the redemption amount becomes due or making payment directly to the preference shareholders. The manner of settlement is not contractually specified and is at the discretion of Northam Platinum Limited.

Therefore, should the Northam Platinum Limited share price not increase in value over the next 10 years there could be a significant dilution in value for all Northam Platinum Limited shareholders, should additional shares be issued to the preference shareholders.

No changes were made in the objectives, policies or processes during the years ended 30 June 2018 and 30 June 2017.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

For the year ended 30 June 2018

Categories of financial instruments

The following table summarises the classification of financial instruments for the group and company for the year ended 30 June 2018:

	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non- financial instruments	Total
	2018	2018	2018	2018	2018
Group	**R000**	**R000**	**R000**	**R000**	**R000**
Long-term receivables	–	86 897	–	–	86 897
Investment in the Northam Platinum Restoration Trust Fund	–	110 626	–	–	110 626
Environmental Guarantee Investment	–	68 899	–	–	68 899
Buttonshope Conservancy Trust	–	12 203	–	–	12 203
Trade and other receivables	–	637 455	–	286 630	924 085
Cash and cash equivalents	–	388 702	–	–	388 702
Long-term loans	–	–	(182 063)	–	(182 063)
Domestic medium term notes	–	–	(1 417 728)	–	(1 417 728)
Preference share liability	–	–	(9 445 500)	–	(9 445 500)
Revolving credit facility	–	–	(1 486 495)	–	(1 486 495)
Current portion of long-term loans	–	–	(24 540)	–	(24 540)
Trade and other payables	–	(1 950 055)	–	(15 920)	(1 965 975)
Bank overdraft	–	(95 535)	–	–	(95 535)

	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non- financial instruments	Total
	2018	2018	2018	2018	2018
Company	**R000**	**R000**	**R000**	**R000**	**R000**
Other investments	249 618	–	–	–	249 618
Long-term receivables	–	8 451	–	–	8 451
Investment in the Northam Platinum Restoration Trust Fund	–	55 333	–	–	55 333
Environmental Guarantee Investment	–	55 633	–	–	55 633
Subsidiary loans receivable	–	99 225	–	–	99 225
Trade and other receivables	–	765 391	–	228 012	993 403
Cash and cash equivalents	–	280 916	–	–	280 916
Long-term loans	–	–	(123 176)	–	(123 176)
Financial guarantee liability	–	–	(7 535 944)	–	(7 535 944)
Domestic medium term notes	–	–	(1 417 728)	–	(1 417 728)
Revolving credit facility	–	–	(1 486 495)	–	(1 486 495)
Current portion of long-term loans	–	–	(16 896)	–	(16 896)
Trade and other payables	–	–	(1 368 964)	–	(1 368 964)
Bank overdraft	–	–	(95 228)	–	(95 228)

Categories of financial instruments

The following table summarises the classification of financial instruments for the group and company for the year ended 30 June 2017:

	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non- financial instruments	Total
	2017	2017	2017	2017	2017
Group	**R000**	**R000**	**R000**	**R000**	**R000**
Long-term receivables	–	83 745	–	–	83 745
Investment in the Northam Platinum Restoration Trust Fund	–	102 233	–	–	102 233
Environmental Guarantee Investment	–	68 104	–	–	68 104
Buttonshope Conservancy Trust	–	11 126	–	–	11 126
Other assets	–	–	–	7 591	7 591
Trade and other receivables	–	340 278	–	208 719	548 997
Cash and cash equivalents	–	1 786 865	–	–	1 786 865
Long-term loans	–	–	(249 428)	–	(249 428)
Domestic medium term notes	–	–	(421 081)	–	(421 081)
Preference share liability	–	–	(8 279 825)	–	(8 279 825)
Current portion of long-term loans	–	–	(13 434)	–	(13 434)
Trade and other payables	–	–	(1 257 148)	(11 024)	(1 268 172)

	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non- financial instruments	Total
	2017	2017	2017	2017	2017
Company	**R000**	**R000**	**R000**	**R000**	**R000**
Other investments	230 505	–	–	–	230 505
Investment in the Northam Platinum Restoration Trust Fund	–	48 274	–	–	48 274
Environmental Guarantee Investment	–	54 507	–	–	54 507
Other assets	–	–	–	7 591	7 591
Subsidiary loans receivable	–	1 838 213	–	–	1 838 213
Trade and other receivables	–	312 759	–	175 197	487 956
Cash and cash equivalents	–	1 396 677	–	–	1 396 677
Long-term loans	–	–	(249 428)	–	(249 428)
Financial guarantee liability	–	–	(7 535 944)	–	(7 535 944)
Domestic medium term notes	–	–	(421 081)	–	(421 081)
Current portion of long-term loans	–	–	(13 434)	–	(13 434)
Trade and other payables	–	–	(1 254 864)	–	(1 254 864)

45. Related parties

Related party relationships exist between the company and subsidiaries within the Northam Platinum Limited group of companies. Below is a summary of the various subsidiaries and trusts included in the group:

	Effective holding	Share capital and premium	Investment	Indebtedness
	2018	2018	2018	2018
Company	**%**	**R000**	**R000**	**R000**
Mining Technical Services Proprietary Limited	100.0	**	*	22 909
Booysendal Platinum Proprietary Limited	100.0	8 675 932	11 886 088	–
Eland Platinum Proprietary Limited	100.0	325 000	325 000	–
Mvelaphanda Resources Proprietary Limited	100.0	4 358	–	–
Norplats Properties Proprietary Limited	100.0	**	*	66 596
Northam Platinum Investments (US) Incorporated	100.0	*	140 747	1 667
Northam Recovery Services LLC	Indirect holding	–	–	6 780
Northam Platinum Company LLC	Indirect holding	–	–	1 273
Zambezi Platinum (RF) Limited	N/A	–	***	–
Northam Zondereinde Community Trust	–	–	–	–
Northam Booysendal Community Trust	–	–	–	–
Northam Employee Trust	–	–	–	–
Buttonshope Conservancy Trust	–	–	–	–
Northam Restoration Trust Fund	–	–	–	–
			12 351 835	99 225

*** *Investment held in Zambezi Platinum (RF) Limited preference shares*
** *Issued capital is less than R1 000*
* *Investment less than R1 000*

As part of the simplification of the group, the assets in Windfall 38 Properties Proprietary Limited was transferred to Booysendal Platinum Proprietary Limited. Windfall 38 Properties Proprietary Limited is currently in the process of being deregistered.

The deregistration process relating to Northam Chrome Proprietary Limited is still in process.

	Effective holding	Share capital and premium	Investment	Indebtedness
	2017	2017	2017	2017
Company	**%**	**R000**	**R000**	**R000**
Mining Technical Services Proprietary Limited	100.0	***	*	26 543
Khumama Platinum Proprietary Limited#	100.0	7 106 126	10 166 000	–
Booysendal Platinum Proprietary Limited#	100.0	6 955 843	**	1 720 088
Eland Platinum Proprietary Limited	100.0	50 000	50 000	–
Mvelaphanda Resources Proprietary Limited	100.0	4 358	–	–
Northam Chrome Proprietary Limited	–	–	–	–
Windfall 38 Properties Proprietary Limited	–	***	*	9 689
Norplats Properties Proprietary Limited	100.0	***	*	81 893
Zambezi Platinum (RF) Limited	N/A	–	****	–
Northam Zondereinde Community Trust	–	–	–	–
Northam Booysendal Community Trust	–	–	–	–
Northam Employee Trust	–	–	–	–
Buttonshope Conservancy Trust	–	–	–	–
Northam Restoration Trust Fund	–	–	–	–
			10 216 000	1 838 213

**** *Investment held in Zambezi Platinum (RF) Limited preference shares*
*** *Issued capital is less than R1 000*
** *Indirectly held subsidiary through Khumama Platinum Proprietary Limited*
* *Investment less than R1 000*

These loans will no longer be required, as these loans have either been capitalised or are in the process of being capitalised as part of the restructuring of the Northam group.

Northam Chrome Proprietary Limited and Windfall 38 Properties Proprietary Limited are both in members' voluntary liquidation.

Below is a summary of the various transactions and other balances outstanding from group companies, which was eliminated on consolidation:

	Revenue interest and dividends received	Concentrate purchased	Operating as well as sundry costs	Trade and other receivables	Trade and other payables
	2018	2018	2018	2018	2018
Company	**R000**	**R000**	**R000**	**R000**	**R000**
Mining Technical Services Proprietary Limited	–	–	(25 460)	–	–
Booysendal Platinum Proprietary Limited	–	(2 625 586)	–	213 478	–
Eland Platinum Proprietary Limited	–	–	–	33 450	–
Norplats Properties Proprietary Limited	–	–	–	–	–
Northam Platinum Investments (US) Incorporated	–	–	–	–	–
Northam Recovery Services LLC	–	–	–	–	–
Northam Platinum Company LLC	–	–	–	–	–
Zambezi Platinum (RF) Limited	–	–	(1 655)	–	–
Northam Zondereinde Community Trust	–	–	–	–	–
Northam Booysendal Community Trust	–	–	–	–	–
Northam Employee Trust	–	–	(1 000)	–	–

	Revenue interest and dividends received	Concentrate purchased	Operating as well as sundry costs	Trade and other receivables	Trade and other payables
	2017	2017	2017	2017	2017
Company	**R000**	**R000**	**R000**	**R000**	**R000**
Mining Technical Services Proprietary Limited	–	–	(3 000)	–	–
Khumama Platinum Proprietary Limited	–	–	(1)	–	–
Booysendal Platinum Proprietary Limited	–	(2 104 293)	–	–	(476 547)
Eland Platinum Proprietary Limited	–	–	–	13 616	–
Windfall 38 Properties Proprietary Limited	2 329	–	–	–	–
Norplats Properties Proprietary Limited	1 560	–	–	–	–
Zambezi Platinum (RF) Limited	–	–	(552)	–	–
Northam Zondereinde Community Trust	–	–	–	2 351	–
Northam Booysendal Community Trust	–	–	–	2 351	–
Northam Employee Trust	–	–	(1 000)	2 352	–

In terms of the Trust Deed of the Northam Employee Trust, Northam Platinum Limited has committed to contribute R1.0 million per annum for the duration of the lock-in period.

Guarantees, subordination agreements and letters of support

Northam Platinum Limited currently has finance facilities available in the form of a revolving credit facility of R3.0 billion (2017: R1.0 billion) with Nedbank Limited, and has issued R1.4 billion (2017: R425.0 million) on the debt capital market.

Booysendal Platinum Proprietary Limited has signed a letter of guarantee concerning both these facilities and Eland Platinum Proprietary Limited has signed a letter of guarantee concerning the revolving credit facility.

Previously Northam Platinum Limited confirmed that they will ensure that Mvelaphanda Resources Proprietary Limited would meet its financial obligations as and when they fall due as Mvelaphanda Resources Proprietary Limited's liabilities exceeded its assets in previous financial years. The guarantee only remained in force and effect as long as the liabilities (including contingent liabilities) exceeded its assets, fairly valued, and lapsed forthwith upon the date that the assets, so valued, exceeded its liabilities.

Zambezi Platinum (RF) Limited consolidated in the Northam group

Zambezi Platinum (RF) Limited was created and designed for the sole purpose of providing Northam with BEE credentials and as a structure to hold the listed BEE preference shares. If Northam does not comply with the HDSA requirements in the Mining Charter, it will not be able to retain its mining rights. Northam is able to direct the strategic direction of Zambezi Platinum (RF) Limited and as per the subscription and relationship agreement between the two companies, Zambezi's MOI may not be amended or replaced without Northam's prior written consent.

Northam Platinum Limited assumes full responsibility for the administration of Zambezi as well as any costs incurred by Zambezi up to a certain limit. Furthermore, Northam provides a guarantee for Zambezi's obligation in respect of the preference shares. All these points indicate that Northam has been involved from the inception of the transaction, to ensure that the design and operation of Zambezi achieves the purpose for which it was created. In terms of the transaction, an 'N' share was issued to Northam, which gave them the right to implement mitigating action should Zambezi not comply with certain undertakings as per the transaction's agreements and in other limited instances aimed at maintaining the integrity of the transaction at all times. Zambezi also cannot dispose of the Northam ordinary shares without the prior consent of Northam. Northam has significant exposure to the variable returns of Zambezi, through the creation and maintenance of the BEE credentials during the 10-year lock-in period as well as through the guarantee provided by Northam. The decision-making power of Zambezi's board of directors is restricted to maintaining Northam's BEE credentials and funding arrangements.

All of these factors have been considered in determining that even though Northam Platinum Limited does not have majority of the voting rights in Zambezi Platinum (RF) Limited, it still has control over the entity.

BEE Community and ESOP Trusts

The manner in which the Northam Zondereinde Community Trust, the Northam Booysendal Community Trust and the Northam Employees' Trust were set up and the contracts governing the relationships between Northam Platinum Limited and these trusts, shows that their relevant activities had already been determined when these trusts were created and will continue to be carried out until such time as the 10-year lock-in period is over or the BEE credentials are no longer required by Northam Platinum Limited. There is no scope for any other commercial activity outside of the maintenance of the BEE credentials, the allocation of returns on the Northam Platinum Limited share to the beneficiaries of these trusts and the facilitation and maintenance of the external BEE preference share funding.

These trusts are therefore under the control of Northam Platinum Limited and are therefore consolidated into the group.

Key management remuneration

The table below summarises the executive as well as the non-executive directors' remuneration for the year under review:

	Fees	Remuneration package	Performance bonus and retention bonus payments	Benefits	Gain on share-based payments	Total
	2018	2018	2018	2018	2018	2018
	R000	R000	R000	R000	R000	R000
Executive						
PA Dunne	–	8 000	7 868	1 000	7 839	24 707
AZ Khumalo	–	3 830	3 816	518	4 178	12 342
	–	11 830	11 684	1 518	12 017	37 049
Non-executive						
KB Mosehla	518	–	–	–	–	518
R Havenstein	803	–	–	–	–	803
DH Brown*	367	–	–	–	–	367
CK Chabedi	591	–	–	–	–	591
HH Hickey	496	–	–	–	–	496
NY Jekwa**	263	–	–	–	–	263
TE Kgosi	676	–	–	–	–	676
TI Mvusi	307	–	–	–	–	307
JG Smithies	372	–	–	–	–	372
PL Zim***	159	–	–	–	–	159
	4 552	–	–	–	–	4 552

The directors' remuneration for the year ended 30 June 2017 was as follows:

	Fees	Remuneration package	Performance bonus	Benefits	Gain on share-based payments	Total
	2017	2017	2017	2017	2017	2017
	R000	R000	R000	R000	R000	R000
Executive						
PA Dunne	–	7 291	6 217	191	–	13 699
AZ Khumalo	–	3 555	3 018	168	3 158	9 899
	–	10 846	9 235	359	3 158	23 598
Non-executive						
PL Zim	409	–	–	–	–	409
R Havenstein	825	–	–	–	–	825
CK Chabedi	624	–	–	–	–	624
HH Hickey	418	–	–	–	–	418
TE Kgosi	732	–	–	–	–	732
AR Martin	245	–	–	–	–	245
KB Mosehla	515	–	–	–	–	515
TI Mvusi	284	–	–	–	–	284
JG Smithies	164	–	–	–	–	164
	4 216	–	–	–	–	4 216

No individuals other than executive directors are considered to be prescribed officers. Details of the non-executive fees are disclosed in the directors' report.

Details of share options granted to directors

During the 2018 financial year, all options expired and there are therefore no further open share options granted to directors as at 30 June 2018.

A summary of the options still held by executive directors at 30 June 2017 is as follows:

Earliest and latest exercise date	Price per share R	Total number of options
PA Dunne	–	–
AZ Khumalo		
12 October 2012 and 11 October 2017	46.57	62 500
Claw back rights options	40.00	2 450
Number of options held at 30 June 2017		64 950

These options were all exercised by AZ Khumalo during the 2018 financial year on which he made a profit of R0.3 million.

Details of share incentives granted to directors

Below is an analysis of share incentives held as at 30 June 2018:

	4 Nov 2014 Share award	11 Nov 2015 Share award	8 Nov 2016 Share award	2 Nov 2017 Share award	Total
Retention shares and performance shares					
PA Dunne					
Balance at 1 July 2017	150 300	193 200	170 100	–	513 600
Retention shares awarded during the year	–	–	–	46 200	46 200
Performance shares awarded during the year	–	–	–	137 000	137 000
Shares adjusted for performance conditions met during the year	(702)	–	–	–	(702)
Shares cash settled during the year	(149 598)	–	–	–	(149 598)
Balance at 30 June 2018	–	193 200	170 100	183 200	546 500
Balance at 1 July 2016	150 300	193 200	–	–	343 500
Retention shares awarded during the year	–	–	42 900	–	42 900
Performance shares awarded during the year	–	–	127 200	–	127 200
Shares cash settled during the year	–	–	–	–	–
Balance at 30 June 2017	150 300	193 200	170 100	–	513 600

Below is an analysis of share incentives held as at 30 June 2018:

	15 Nov 2013 Share award	4 Nov 2014 Share award	11 Nov 2015 Share award	8 Nov 2016 Share award	2 Nov 2017 Share award	Total
Retention shares and performance shares						
AZ Khumalo						
Balance at 1 July 2017	–	150 300	193 200	82 900	–	426 400
Retention shares awarded during the year	–	–	–	–	22 100	22 100
Performance shares awarded during the year	–	–	–	–	65 600	65 600
Shares adjusted for performance conditions	–	(75 620)	(96 600)	–	–	(172 220)
Shares cash settled during the year	–	(74 680)	–	–	–	(74 680)
Balance at 30 June 2018	–	–	96 600	82 900	87 700	267 200
Balance at 1 July 2016	78 000	150 300	193 200	–	–	421 500
Retention shares awarded during the year	–	–	–	20 900	–	20 900
Performance shares awarded during the year	–	–	–	62 000	–	62 000
Shares adjusted for performance conditions met during the year	(20 280)	–	–	–	–	(20 280)
Shares cash settled during the year	(57 720)	–	–	–	–	(57 720)
Balance at 30 June 2017	–	150 300	193 200	82 900	–	426 400

Details of lock-in and incentive mechanism (LIM) shares granted to directors

Summary of the LIM shares held by executive directors at 30 June 2018 are as follows, which is unchanged from the previous year:

	PA Dunne	AZ Khumalo
Balance at 1 July 2017	1 500 000	700 000
Shares awarded during the year	–	–
Balance at 30 June 2018	1 500 000	700 000

Also refer to the remuneration report included in the annual integrated report for further details on key management remuneration.

46. Commitments

At year end, the group and company had the following commitments arising in the ordinary course of business:

	Group		Company	
	2018	2017	2018	2017
	R000	R000	R000	R000
Capital expenditure – Booysendal mine				
Authorised but not contracted	981 666	273 288	–	–
Contracted	318 334	1 076 712	–	–
	1 300 000	1 350 000	–	–
Capital expenditure – Zondereinde mine				
Authorised but not contracted	430 424	313 436	577 690	313 436
Contracted	119 576	1 385 807	119 576	1 385 807
	550 000	1 699 243	697 266	1 699 243
Capital expenditure – Eland mine				
Authorised but not contracted	200 000	–	–	–
Contracted	–	–	–	–
	200 000	–	–	–
Information Technology – outsource service provider				
Due within one year	18 370	24 104	6 317	15 536
Due within two to five years	–	4 055	–	2 408
	18 370	28 159	6 317	17 944
Operating lease rentals – office equipment				
Due within one year	3 884	2 615	2 276	1 774
Due within two to five years	3 939	2 657	2 370	1 431
	7 823	5 272	4 646	3 205
Operating lease rentals – premises as lessee				
Due within one year	12 790	5 414	2 746	5 414
Due within two to five years	39 505	15 772	3 982	15 772
	52 295	21 186	6 728	21 186
The lease rental for the corporate office contains an option to renew the lease for an additional five years				
Bank guarantees				
Eskom Holdings SOC Limited	73 895	73 895	48 505	48 505
Department of Mineral Resources (relating to the Pandora joint venture)	–	1 477	–	1 477
Other	398	598	398	598
	74 293	75 970	48 903	50 580
Guarantees - Department of Mineral Resources (refer note 12)	401 418	244 808	142 350	102 000

These commitments will be funded from a combination of internal retentions and debt.

Guarantees to the Department of Mineral Resources were in respect of future environmental rehabilitation relating to the Pandora joint venture. With the sale of Northam Platinum Limited’s 7.5% share in the Pandora joint venture, these guarantees were no longer required.

47. Contingent liability

Northam Platinum Limited is currently awaiting judgement on a labour court case in which employees claim they were unfairly dismissed when they did not return to work after an unprotected work stoppage in 2016. The company believes that it followed due process and acted in accordance with the requirements of the Labour Relations Act and our internal disciplinary policy and procedure. Due to the uncertainty of the outcome of the case, no provision has been raised.

Should the judgement go against Northam, the company will apply for leave to appeal.

48. Events after the reporting period

There has been no events subsequent to the year-end, which require additional disclosure or adjustment to these financial results, other than what was disclosed in note 28.

ADMINISTRATION AND CONTACT INFORMATION

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Incorporated in the Republic of South Africa
(Registration number 1977/003282/06)
JSE share code: NHM ISIN code: ZAE000030912
Debt issuer code: NHMI
Bond code: NHM002 Bond ISIN: ZAG000129024
Bond code: NHM003 Bond ISIN: ZAG000129032
Bond code: NHM004 Bond ISIN: ZAG000150764
Bond code: NHM005 Bond ISIN: ZAG000151242

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