



NORTHAM

P L A T I N U M L I M I T E D

Sustainable development report 2012



Contents

Report scope and boundary	1
Location of operations.....	3
Company profile and structure	4
Sustainable development performance F2012	6
Our products and markets	8
Five year sustainability review	14
Chief executive's review	16
Engaging with our stakeholders	20
Corporate governance	25
Economic performance	31
Safety, health and employee wellbeing	35
Employment and human rights	40
Northam in the community.....	52
Environmental performance	58
Product responsibility	69
Reporting in line with GRI	72
Mining Charter compliance.....	81
Independent assurance report to the management and stakeholders of Northam Platinum Limited	83
Glossary of terms and acronyms	86
Administration and contact information	IBC

Report scope and boundary

This sustainable development report addresses Northam's performance in the areas of economic performance, governance, safety, health, employment, community development, the environment and stakeholder engagement for the period 1 July 2011 to 30 June 2012.

It forms part of a suite reports prepared for stakeholders listed on page 20 of this report. Other reports include:

- the abridged financial statements and the notice of meeting F2012;
- the annual integrated report F2012, which addresses the financial and non-financial performance of the company in a holistic way.

These reports are all available on our website – www.northam.co.za and in printed format on request.

The data which is used to populate this document is collated on a monthly basis and reviewed by management. Data for previous years is provided in certain instances for comparative purposes. Northam's previous sustainable development was published in October 2011.

Unless otherwise specified, Northam uses the unit of three platinum group metal elements and gold (3PGE+Au) to report its production, reserves and resources.

This report is based primarily on the group's Zondereinde mine and metallurgical complex. Certain information relating to the new Booysendal mine, which is due to be commissioned in H2 of F2013 is provided. This operation will be more fully incorporated into the group's sustainability reporting after the start of production, when reporting will become more meaningful.

Northam's primary listing is on the JSE Limited in South Africa, and the company reports in line with the JSE's listings requirements, the International Financial Reporting Standards (IFRS), the new South African Companies Act (No 71 of 2008), and SAMREC's guidance in respect of the reporting of mineral reserves and mineral resources.

Northam's structure and reporting is also guided by the King Report on Governance for South Africa (King III) and, in line with this, the company has produced its second annual integrated report and reported on the application of these guidelines in the corporate governance section of the this report.

The company's sustainable development report has been compiled in line with the G3 guidelines of the Global Reporting Initiative (G3.1) and the Broad-based Socio-economic Empowerment Charter for the South African Mining Industry (the Mining Charter). Northam has declared a B+ level of reporting (see page 72 of this report).

Report scope and boundary **continued**

Northam has a significant level of internal and external controls in place. The internal audit function is undertaken by KPMG Services (Propriety) Limited (KPMG) on an outsourced basis, to provide an independent appraisal function with specific responsibility for examining and evaluating the group's systems of internal control in the mitigations of business risks, and to assist members of management to effectively discharge their duties. The group's consolidated annual financial statements have been audited by external auditor, Ernst & Young Inc. (E&Y).

Certain non-financial key performance indicators (KPIs) have been assured by independent assurance provider, Environmental Resources

Management Limited (ERM) in respect of Northam's application of the GRI, alignment with AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and selected KPIs. ERM's statement of assurance may be found on page 83 of this report.

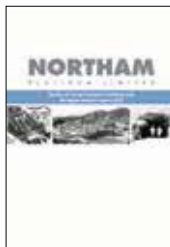
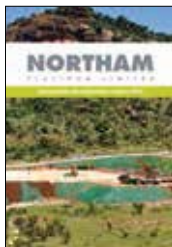
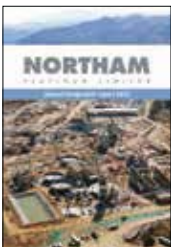
For more information on sustainability reporting at Northam, please contact:

Derek Wolstenholme

Tel: +27 11 759 6000

Fax: +27 11 759 6013

Email: Derek.Wolstenholme@norplats.co.za



From left to right

1. Integrated report 2012
2. Sustainable development report 2012
3. Notice of AGM and abridged annual report 2012

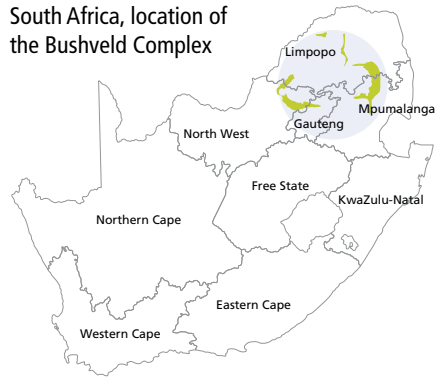
Downloadable from www.northam.co.za

Location of operations

LOCATION OF OPERATIONS

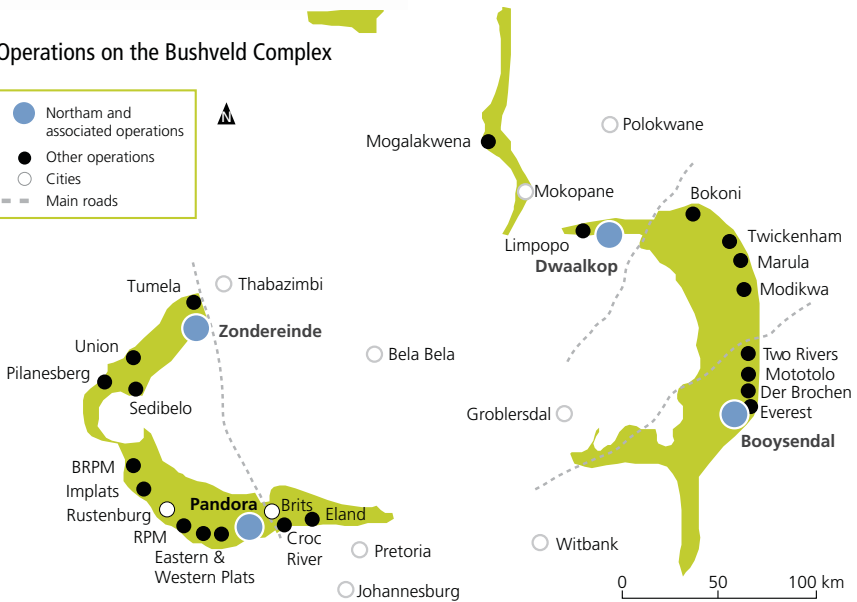


South Africa, location of the Bushveld Complex



Operations on the Bushveld Complex

- Northam and associated operations
- Other operations
- Cities
- Main roads



Company profile and structure

Northam is an independent, mid-tier, integrated platinum group metals (PGMs) producer.

The company is domiciled in South Africa and has its corporate office in Johannesburg. As an independent, fully integrated PGM producer Northam has full control over the entire beneficiation stream of its metals to market. The company has a combined resource base of 195.5Moz (13.9Moz in the reserve category), with a mining life of more than 50 years.

During F2012, Northam produced 288 675oz of PGMs and spent some R2 billion on capital projects. At the end of June 2012, the company employed 11 631 people (F2011: 10 096), 6 861 employees, 1 940 long-term contractors and 362 short-term contractors at Zondereinde and 2 468 people, mostly construction contractors at Booyensdal. It is expected that the permanent employment at Booyensdal will increase to 1 200 once the mine reaches steady-state production in F2015.

Northam is listed on the JSE Limited (JSE), trading under the symbol NHM. Northam

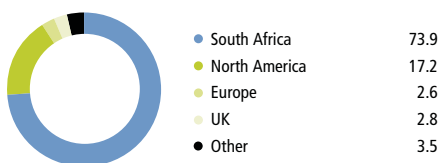
is a member of the JSE's Socially Responsible Investment Index (SRI). The company also runs a sponsored level 1 American Depository Receipt (ADR) facility. The shares trade with the ticker code NMPNY on the over-the-counter market in the United States.

At the end of June 2012, the company had 382 496 990 shares in issue and a market capitalisation of R8.9 billion.

The majority of Northam's shareholders (73.9%) reside in South Africa, followed by North America (17.2%), the UK and Europe (5.4%).

There were no significant changes to the company profile and structure during the year.

Shareholders (%)



Surface development at Booyensdal

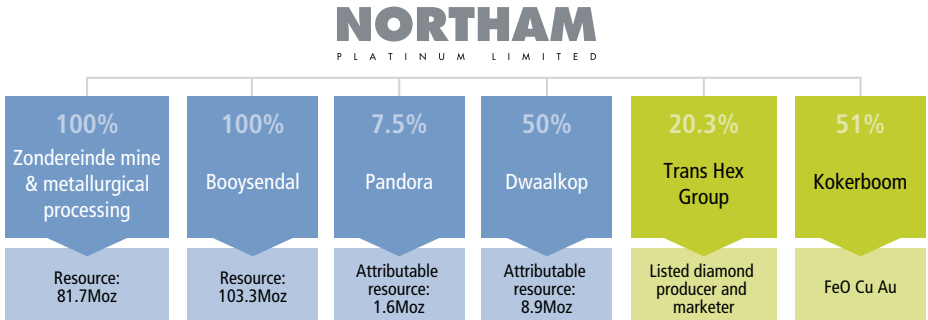
Structure

Northam wholly owns and operates the Zondereinde platinum mine and metallurgical complex on the upper end of the western limb of the South African Bushveld Complex near the town of Thabazimbi in Limpopo province. Zondereinde produces some 300 000oz annually. Northam is currently developing the shallower Booyensdal platinum project, located near the town of Mashishing in Mpumalanga on the eastern limb of the Bushveld Complex. Booyensdal is due to start producing in H2 F2013, and at full production should produce approximately 160 000oz of platinum group metals annually.

Following the acquisition by Northam of Mvelaphanda Resources Limited in June 2011, Northam now owns a 50% interest in the Dwaalkop PGM joint venture, a 51% initial participatory interest in the Kokerboom joint venture exploration project and a 20.3% interest in listed diamond miner, Trans Hex Group Limited (Trans Hex).

In addition, the company holds a 7.5% interest in the Pandora joint venture, a PGM mining operation at the lower end of the western limb of the Bushveld Complex, in partnership with Anglo American Platinum Limited (Amplats), the Bapo Ba Mogale community and Lonmin plc (Lonmin).

GROUP STRUCTURE



Sustainable development performance F2012

Economic performance

- Taxes paid to national, provincial and local government of R322.6 million (F2011: R343 million)
- Township and land development amounted to R11.5 million (F2011: R8.8 million)
- Dividends of R57.3 million paid to shareholders (F2011: R90 million)

Safety, health and employee well-being

- One million fatality free shifts achieved at Zondereinde in December 2011
- 28 shifts lost as a result of section 54 stoppages
- 1 659 VCT encounters

Employment and human rights

- Two-year wage agreement effective 1 July 2011
- R10.8 million contributed to the Toro Employee Empowerment Trust
- R15.4 million spent on training and development

Community development

- R2.8 million spent on community upliftment and development
- Revision of Zondereinde's SLP
- Land invasion at Booyensdal

Environmental performance

- Zondereinde granted water use licence
- Continued roll-out of ISO14001 to surface infrastructure
- ISO14001 principles incorporated in Booyensdal EMP



Skills development project at Zondereinde Life centre

Our products and markets

Our products – how the world uses PGMs

PGMs are the platinum group metals platinum, palladium, rhodium, ruthenium, iridium and osmium. They are particularly rare and share a set of unusual chemical properties which have made them indispensable to many critical sectors of the global economy. These characteristics include electrical stability and conductivity, ductility, durability, resistance to corrosion, resistance to oxidation and high melting points, which allow them to remain stable and strong even in environments of extreme heat.

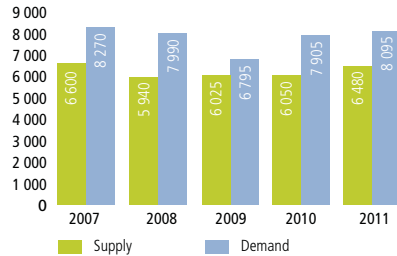
Our markets

The past year has been a difficult period for the PGM markets. The broad growth in metal demand during 2011 receded into 2012 as markets suffered from the effects of widespread economic recession, particularly in the troubled Eurozone. The weaker demand has caused PGM prices to decline, a trend made worse by the oversupply of new metal to market, and in some cases by an increase in the volumes of recycled metal.

The peak price for platinum at US\$1 729/oz in F2012 was reached in February. Palladium reached US\$722/oz and rhodium was trading above US\$1 500/oz. By the end of June 2012, these prices had dropped to US\$1 400/oz for platinum, US\$560/oz for palladium and rhodium fell to its lowest since April 2009 to US\$1200/oz.

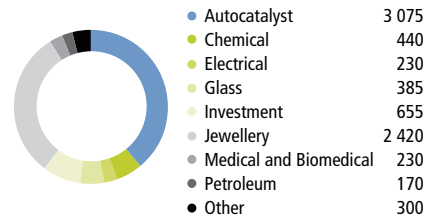
Supply and demand

*Platinum supply and demand (000oz)



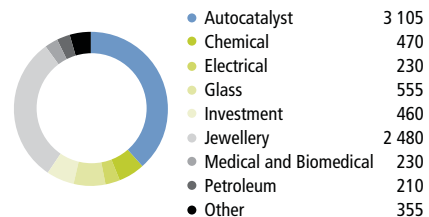
Gross demand by application 2010

*Gross demand for platinum by application (000oz) – 2010



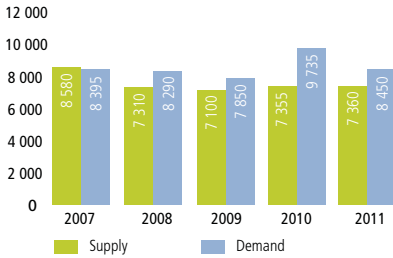
Gross demand by application 2011

*Gross demand for platinum by application (000oz) – 2011

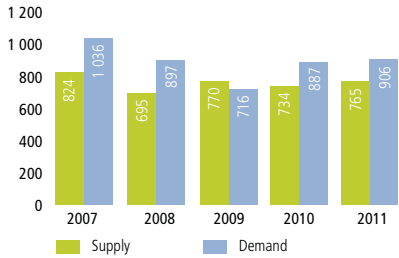


* Data sourced from *Platinum 2012*, Johnson Matthey

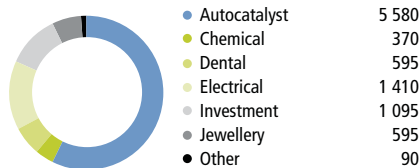
*Palladium supply and demand (000oz)



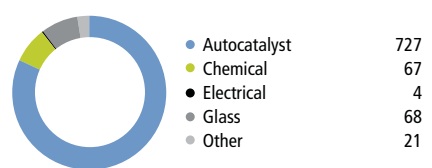
*Rhodium supply and demand (000oz)



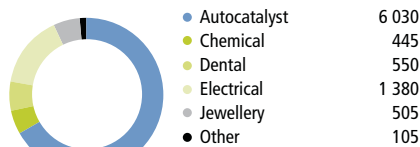
*Gross demand for palladium by application (000oz) – 2010



*Gross demand for rhodium by application (000oz) – 2010

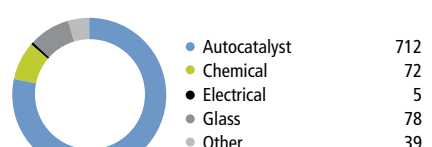


*Gross demand for palladium by application (000oz) – 2011



* Demand for investment purposes amounted to (565) in 2011

*Gross demand for rhodium by application (000oz) – 2011



Our products and markets **continued**

Here is a look at a few more common applications of PGMs, particularly platinum, palladium and rhodium and how they performed in the main PGMs markets – autocatalyst, jewellery and investment – during 2011 and the first half of the 2012 calendar year.



Autocatalysts

Autocatalysts are small devices installed in the exhaust systems of motor vehicles, designed to chemically control the environmentally harmful emissions that are part of exhaust fumes. Autocatalysts, coated with platinum or palladium, convert over 90% of hydrocarbons, carbon monoxide and oxides of nitrogen into less harmful carbon dioxide, nitrogen and water vapour.

As emissions control legislation continues to tighten in the fight against climate change, the importance of PGMs in the global automotive sector can only rise. The demand for platinum and palladium is therefore strongly tied to this pivotal industry, which was and continues to be affected by the global financial crisis.

MARKET PERFORMANCE

In the autocatalyst sector, the weakness in the Eurozone has been reflected in a significant decline in sales of motor vehicles.

European car sales in the first half of 2012 were 8% lower year-on-year than in 2011, and the European car market is now the single most worrying aspect of demand for PGMs.

The situation in the Japanese and United States (US) markets has been more positive. The Japanese car market has continued to recover from the combined effects of last year's earthquake, tsunami and floods. Around 1.9 million vehicles were sold in the first half of 2012 – an increase of around 55% from 2011. In the US, more than 7.25 million cars and light-duty trucks were sold in the first six months of 2012 – a year-on-year increase of 15% while heavy-duty vehicle sales increased by around 25%.

Growth in the autocatalyst sector in China has remained positive, with increased demand for both Platinum and Palladium. Around 7.6 million vehicles were sold in the first half of 2012, almost 7% higher than in 2011.



Jewellery

In addition to its high resistance to tarnishing and its attractive lustre, platinum is also one of the densest metals in nature, giving it a strength ideal for jewellery. It can be heated and cooled again and again without losing its ductility, and even the most delicate pieces retain their shape, giving designers more creative freedom than they would have using other metals. Some rings made of platinum for example, are so strong that no fitting is required to secure the gemstones; they are held in place by the sheer tensile strength of the platinum alone.

Platinum jewellery is particularly sought after in the markets of the Far East, which accounts for more than half of global demand.

MARKET PERFORMANCE

In 2011, demand for platinum from jewellery manufacturers increased by around 2% to 2.5Moz and increased even more during 2012 supported by the recent downtrend in the platinum price.

China is the dominant market for platinum jewellery sales. In 2011, gross metal demand was almost 1.7Moz and manufacturers are reporting that demand increased during the first half of 2012.

Despite the earthquake in Japan during 2011, overall demand decreased only slightly and annual platinum consumption still exceeds 300 000oz.

Sales in the US have benefited from the increase amongst consumers of internet marketing and purchasing. In India, where the market continues to be dominated by a preference for gold jewellery, platinum sales during the first six months of 2012 are estimated to be around 80 000oz – making India the fourth largest market for Platinum jewellery after the US.

Overall jewellery sales in Europe have fallen.

Our products and markets **continued**



Investment

Like gold, platinum is considered a long-term store of value and global investment markets offer a range of platinum-backed exchange traded funds. While supply and demand were quite finely balanced in 2010, there remains a conviction among global investors that the ever increasing demand for platinum will soon outweigh its supply, limited by its natural scarcity. This dynamic seems to be primarily responsible for the growing increase in platinum investment.

MARKET PERFORMANCE

In 2011, around 450 000oz of the platinum produced went into the investment market, which is a 30% decrease from 655 000oz the previous year.

Net investment in Palladium declined sharply during 2011 as elevated palladium prices prompted investors to redeem their holdings at profit. The same trend was experienced in the investment market for coins and small bars. Total investment was negative (565 000oz) as investors returned more than half a million ounces to the market during the year.



Chemical and manufacturing applications

PGM-based catalysts are used in many other areas of industry and manufacturing for their chemical resistance to corrosion and high heat thresholds. Manufacturers of glass, nitric acid, silicones, petroleum and plastics all use PGMs, either to achieve the right properties in the products themselves, or to enhance the efficiency or longevity of the equipment used in the manufacturing process.



Electronics

Because of their conductivity, durability, high temperature stability and oxidation resistance, platinum and palladium are used to build and coat many of the tiny electronic circuit components used in all types of digital devices from computers and mobile phones to specialist industrial equipment. The growing need for computers to store large amounts of information has also created a role for platinum, along with ruthenium, to improve their data storage capacity. As the world surges forward into the digital age, this is becoming an increasingly important area of PGM application.

Fuel cells

Fuel cells are electrochemical cells that convert chemical energy into electrical energy, in a similar way to batteries. Unlike batteries, however, fuel cells do not need to be recharged; the flow of electricity is continuous as long as the supply of fuel is maintained. Their only emission, apart from the electricity they generate, is water, making them one of the most promising developments of green technology.

Research is currently focused on the development of fuel cell technology for use in vehicles, as fuel cell vehicles have virtually zero emissions, but the possibilities extend much further than the road. Fuel cells will also be used as power sources in homes, offices and industry as an uninterrupted supplement to electricity supplied by national grids. They can be used on a smaller scale too, in hand-held electronic devices. As the research into fuel cells accelerates, the potential applications continue to multiply.

The most common source of fuel for fuel cells is a combination of hydrogen and oxygen, reacted in the presence of a catalyst, which is usually platinum. Platinum, sometimes enhanced with small amounts of ruthenium, is the best available material to speed up the oxidation and reduction reactions involved in the chemical process. Its durability also means that it consistently outlasts other possible catalyst candidates, making it certain that platinum will remain a permanent feature of fuel cells as they are further developed and commercialised.

Five year sustainability review

Five year sustainability review – Zondereinde

	2012	2011	2010	2009	2008
Social performance					
Safety					
Number of fatalities	2	5	1	4	4
Fatal injury incidence rate (FIIR)	0.02	0.06	0.01	0.05	0.06
Lost time injury incidence rate (LTIIR)	1.91	1.34	0.83	1.02	2.30
Reportable injury incidence rate (RIIR)	0.88	0.74	0.52	0.63	1.01
Health					
New cases of noise induced hearing loss (NIHL)	44	18	9	8	4
New cases of tuberculosis (TB)	85	93	127	128	120
Voluntary counselling and testing (VCT) encounters	1 659	271	1 840	388	698
Employees on anti-retroviral therapy (ART)	743	577	434	355	325
Employment and human rights					
Average number of employees (including contractors)	9 163	8 927	8 724	8 562	8 794
Turnover rate (%)	7	7	8	11	9
HDSAs in management (%)	35	45	33	34	35
Women in mining (%)	7	7	7	4	4
HDSAs at board level (%)	64	62	62	60	38
Community development					
Total CSI and LED expenditure (Rm)	2.8	4.1	12.1	9.6	5.3

Five year sustainability review – Zondereinde continued

	2012	2011	2010	2009	2008
Environmental performance					
Rock mined (000t)	2 154	1 802	2 281	2 337	2 336
Ore milled (000t)	1 934	1 592	2 038	2 105	2 023
Water usage (000m³):					
Potable water from external sources	2 540	2 441	2 601	2 250	2 716
Fissure water used	1 273	2 392	1 385	1 445	2 817
Water recycled in process	24 390	24 308	23 439	24 292	23 303
% water recycled	91	91	90	92	90
Electricity consumption (MWh):					
Energy from electricity purchased by shafts	467 893	461 484	483 541	473 181	473 700
Energy from electricity purchased by plant	125 548	140 406	156 199	127 831	119 900
Total electricity purchased	593 441	601 890	639 740	601 012	593 600
Greenhouse gas emissions (CO₂e tonnes):					
Scope 1 (direct) emissions	15 401	14 365	16 796	14 755	Not measured
Scope 2 (indirect) emissions	611 244	619 947	658 932	65 718	Not measured
Scope 3 (indirect) emissions	815	1 089	1 388	Not measured	Not measured
Total emissions	627 460	635 401	677 166	756 140	671 939
Land use (hectares)					
Land disturbed by mining-related activities	137	137	137	137	137
Land leased for farming purposes	273	273	273	273	273
Land protected for conservation	800	800	800	800	800
Total land under management (freehold)	4 439	4 439	4 439	4 439	4 439

Chief executive's review



Glyn Lewis, chief executive

The reporting landscape has changed substantially in recent years as companies move towards integrated reporting to all stakeholders, and seek greater levels of compliance and assurance on a plethora of parameters. Additional guidelines and indices have certainly added a significant reporting burden and, in some cases, have resulted in improved reporting.

Our 2012 Sustainability Report is deliberately focussed and brief. At the heart of our sustainability thesis is the need for our business to survive, thrive and grow. Without that, there would be no impacts and benefits to report on, there would be no mitigating measures and, above all, there would be no value added.

Reporting on compliance for the sake of it does not add value in our view. Reporting on material issues does – and this is what we have attempted to do in this report.

Integrated reporting and assurance

In the previous reporting period, for financial year 2011, I believe we made some fundamental strides in broadening our data-gathering base and getting to grips with our material issues. These

are something we regularly interrogate and revise as necessary. In F2011 this culminated in the publication of our first annual integrated report. In F2012, in this report and in the accompanying annual integrated report, we hope to have made some modest gains in terms of this reporting framework, even though the focus in this past year was the very sustainability of the business, in what is becoming an increasingly hostile operating environment.

For the fifth consecutive year we have produced a stand-alone sustainable development report, which is available to all our stakeholders both in printed and electronic format. We continue to be guided by the GRI third generation G3.1 guidelines, and have identified certain key indicators to be assured by our external assurers, Environmental Resources Management Limited (ERM). Their independent assurance report is available on page 83.

Once again this year, at the Zondereinde sustainable development workshop, held in July this year, we took the time with a number of discipline heads, to assess the material issues we had identified in the past, and to re-evaluate them in the context of more recent business developments and the constantly evolving operating environment.

Material issues

Operating safely and efficiently to protect the lives and livelihoods of employees, and – in so doing – to ensure the sustainable profitability of the company.

Against the background of flat metal prices and revenues and relentless cost increases on almost all fronts, the safe and efficient operation of our mines has never been more critical.

On our mines we have to focus on avoiding safety stoppages – not only because working safely and caring for the safety of our people is the right thing to do, but also because the loss of

production days has a profoundly negative impact on our profitability, and hence on the sustainability of the business. For this reason we have, in the past year, also relied on the courts to scrutinise orders by the authorities to close our operations. We believe that the summary closure of operations can be avoided by a more collaborative relationship between us as business and the authorities – in this case the DMR – certainly one of our most significant stakeholders. The meaningful discussions and collaborative approach which have ensued from this have signified real and significant strides in this relationship.

Tragically two employees lost their lives in mining related accidents during the financial year. Once again, in a document of record such as this, it is appropriate to mark the deaths of Messrs Sydney Thou Kampare and Alfred Hanisi, who died at Zondereinde during the year, the former in a loco accident in July 2011 and Mr Hanisi in a fall of ground some 10 months later in May this year.

While the total injury incident rates have continued to fall over an extended period, we have seen a worrying increase in the severity of injuries and accidents since 2010. The majority of the accidents this year have been associated with material and equipment handling and falls of ground, the latter being of greater concern and which points to a worrying drop-off in skills levels and competencies along with a disregard of compliance to standards amongst supervisory staff. These have occurred predominantly on the reef or stope horizon. We continue to apply punitive measures where we find contraventions. However, we would prefer to focus primarily on preventative measures, and so to foster a safety culture amongst all players.

Establishing and maintaining constructive relations with employee and community stakeholders.

The recent violent conflict in the platinum sector has highlighted for us the volatility in the sector

We are conscious that we are not immune to any such developments. Nevertheless, with vigilant management we are keeping a close watch on any irregular activity in order to avoid the unbridled violence and lawlessness characteristic of these events.

At the Zondereinde mine the National Union of Mineworkers (NUM) has traditionally been the dominant employee union and we continue to focus our engagement efforts with this employee body. Our managers in human resources are in constant communication with union representatives to discuss matters of concern. We recognise too, that it is also appropriate to engage with any registered employee body which meets our thresholds.

During the year we believe that good progress was made with the NUM, given the absence of the annual negotiations around wages and basic conditions of employment. This has provided the space required for us to really focus on cementing structures such as the employment equity and training forum, the housing and living conditions forum and the CSI/LED forum. These structures have evolved into more effective platforms for dialogue between management and the employee community.

In general, the industrial relations climate in South Africa continues to be dominated and flavoured by political developments. Specifically at Zondereinde the previous financial year had been dominated by protracted and acrimonious industrial action. Wage negotiations to determine agreements for the F2012 year were resolved in October/November last year, and settlement was reached on a two-year deal.

On the eastern limb our progress at Booyensdal has been hampered by illegal land invasions during the last few months of the financial year. Eskom, with the assistance of Northam, are currently engaging with the community, who has laid claim to the farm

Chief executive's review **continued**

to expedite the delivery of power to the Booyssendal mine site, while in tandem, helping the communities to ascertain and protect any heritage sites. The goal remains for us to commission the plant at Booyssendal in H2 of F2013.

Achieving and maintaining legislative and regulatory compliance, including our social licence to operate, and ensuring the underlying systems and processes are in place to achieve this.

All permitting and other records of regulatory compliance are in place at both our operations, following the granting of a Water Use Licence at Zondereinde in May 2012. Engagement with the DMR in terms of the SLP at Zondereinde, has led to a review of the Life Community Centre and the model on which it is based. A revised and more sustainable model for the project is being finalised and will be submitted to the DMR by 30 September 2012. We are committed to engaging more proactively with the DMR to develop a model that will be more appropriate and sustainable in the longer term.

On an equity level, we remain subject to the commitment of our major BEE shareholders to maintain their equity in the group. We have advised shareholders of the potential risk that the slide in these empowerment equity levels holds for the group, and hence for their investment. We are currently in discussions with the DMR to forge a way forward, while we are also working at putting a structure in place which would be resistant to the vagaries of the market and its inevitable repercussions. As a responsible listed entity, we also need to guard against the erosion of the interests of the balance of our shareholders to ensure that they are not prejudiced in our quest to comply with existing empowerment requirements. I am confident that there are adequate checks and balances in the corporate legislative environment to protect shareholders in this regard.

Successfully delivering the Booyssendal project on time and within budget.

Booyssendal remains the company's primary vehicle for growth. Progress on site has been more than satisfactory, and we remain on track to commission this mine in H2 of F2013. Critical to its delivery, as well as for any prospects of expanding on phase 1 of the Booyssendal UG2 North mine, is our ability to fund it adequately – something which has become more and more uncertain given the state of the world economy and the PGM sector. This has, for a while, been something management has monitored closely, particularly during this time of diminishing cash margins at Zondereinde, and the potential risk attached to the conclusion of the sale of Booyssendal South within our own capex timeline requirements.

Nevertheless, I am pleased to report that, with the prudent application of capital at Booyssendal, we have only recently started drawing down against the R1 billion debt facility we raised in November last year. This facility and the additional domestic medium term note programme (DMTN) facility of R1.25 billion raised post the year end will be adequate to cover the completion of Booyssendal phase 1, the deepening project at the Zondereinde mine, as well as other operational and working capital requirements of the group.

Elsewhere in this report we review the extensive stakeholder engagement exercise that is ongoing at Booyssendal. From the company's point of view it has therefore been disappointing to have had to approach the courts to provide us access and space for Eksom and its contractors to complete the line which feeds electrical power to Booyssendal. We have always said that the development of the second phase of the Booyssendal north mine will depend on the success of phase 1, and the issue of infrastructure availability. It would be a pity to take phase 2 off the planning table.

Ensuring access to and optimising the use of resources, particularly energy and water, and to mitigate emissions, particularly CO₂ and SO₂.

This aspect of our business remains inextricable from engineering design and management, and oversight of environmental performance continues to be monitored by this department. We are pleased to have made progress on a number of environmental fronts, with the allocation of an integrated water use licence (IWUL) at Zondereinde, continued implementation of the ISO14001 standard for environmental management at the metallurgical facilities, a reduction in electricity purchases from Eskom, and, in terms of air quality control, we have made provision for a feasibility study into effecting material reductions in SO₂ emissions.

To maximise cash flows and optimise capex, so as to maintain and grow the value of the company, and to be able to raise capital cost-effectively to fund further growth.

In our business review we have dealt comprehensively with the performance of our operations, our growth prospects and value-enhancement initiatives. The market's response to our fund-raising activities (as mentioned above) has been encouraging and positive. Booyensdal will start contributing to output in the next financial year and should reach steady state production in F2015.

To attract, retain and develop human capital in the face of general and localised skills shortages and to meet Mining Charter commitments.

Our approach to transformation has been driven by the achievement and maintenance of legal compliance on the one hand, and on the other by what we consider to be the constant improvement of relationships between organised labour and management. This has been a challenge on both counts.

The essence of legal compliance remains greater participation of black South Africans and more specifically of women in the economy, and in the traditionally male-dominated fields such as mining. As management we have embraced this intent, and we are proactively supporting candidates at secondary and tertiary educational institutions in an effort to assist in building a pool of skilled, competent and qualified black professionals in relevant core fields in this sector. This is not an easy journey, given the sector's vulnerability to fluctuations in the global economy and the resultant uncertainty in the workplace.

A word to conclude

At the end of what has been a challenging year I must thank the management at both Zondereinde and Booyensdal for their focus and commitment. In the current climate in the PGM sector the adage of sticking to one's knitting, and focussing on those aspects of the business environment which we can control, will stand us in good stead into the future. With the aim of continuing to create wealth for all our stakeholders, we intend to be in good shape as a company to be able to deliver PGMs into a rising price environment when the global economy starts recovering.

Glyn Lewis, chief executive
Johannesburg

28 September 2012

Engaging with our stakeholders

Northam ensures that the principles of openness, integrity and accountability are adopted at every level of engagement with identified stakeholders. The company defines its stakeholders as those individuals, groups and entities that are directly affected, both positively and negatively, by its activities. Northam believes that its ability to conduct its day-to-day business is influenced by its capacity to develop and maintain longstanding relationships with its stakeholders.

The company has identified those individuals/groups with whom the company engages who have an interest in the company and its operations, and on whom the company has an impact by way of a formal stakeholder engagement process.

Northam timeously reports information that is relevant and meaningful and to this end, the company implements a sustained programme of communication directed at its stakeholders, including shareholders and their advisors, employees, unions, communities, government and regulators and non-governmental organisations (NGOs).

Former executive director, Bernard van Rooyen, is a member of the executive of the Chamber of Mines of South Africa, and continues to represent Northam's interests in the Chamber's representation to and deliberations with government.

Stakeholder concerns are raised in various ways, including formal concerns or queries lodged in writing with the company, concerns raised during stakeholder forums or informal discussion. Northam responds to these concerns appropriately and timeously.

Although the board and its sub-committees are kept informed of stakeholder concerns, issues raised by stakeholders of the company's operations are dealt with directly at the operational level.

The company regularly consults with regulatory authorities at local, provincial and national level, including the Department of Mineral Resources (DMR), the Department of Water Affairs (DWA), the Department of Environmental Affairs (DEA) and the Department of Labour (DoL).

Northam engages on a formal and regular basis with local authorities, including the Moses Kotane and Thabazimbi Municipalities in respect of Zondereinde and the Thaba Chweu Municipality in respect of Booyendal.

Northam also engages in public participation processes with interested and affected parties before any project which may affect stakeholders is conducted.

Northam identifies and engages with external and internal stakeholders at a number of different levels. Extensive and ongoing engagement, both formal and informal, is undertaken by various disciplines and in various ways.

The table below illustrates some of these interactions.

Stakeholder group	Comment	Reference
Shareholders (providers of capital), research analysts and fund managers	<p>Northam knows that a key concern of any shareholder is to maximise investment returns in a sustainable manner.</p> <p>Shareholders are encouraged to participate in the annual general meeting of the company and to directly raise issues of concern or interest.</p> <p>Northam provides information on operating, financial and other performance in a timely and equitable manner. This done by making announcements on the JSE Stock Exchange News Service (SENS), accompanied by almost simultaneous website postings, web alerts to a database of registered users; and the distribution of an explanatory media release to a second database of analysts, investors and media.</p>	See the economic performance section of this report on page 31.
Employees, unions	<p>Relations with employees and organised labour are governed by recognition agreements and conditions of employment by legislation.</p> <p>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.</p> <p>The company encourages open communication and consultation and employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including through the human resources discipline, line management and union structures.</p>	For more information on how the company manages and engages with employees, see the employment and human rights section of this report on page 40.

Engaging with our stakeholders

continued

Stakeholder group	Comment	Reference
Communities	<p>Northam understands that the company needs to play a responsible and co-operative role in the area where its operations are located. This takes the form of meaningful and relevant contributions to the sustainability of the surrounding community and environment.</p> <p>Community development is prescribed by the commitments made in the company's social and labour plans (SLPs). In line with the requirements of the Mining Charter, Northam ensures that its policies and practices are aligned with those of the local municipalities' integrated and development plans (IDPs).</p> <p>Northam engages on a formal and regular basis with local authorities, including the Moses Kotane and Thabazimbi Municipalities in respect of Zondereinde and the Thaba Chweu Municipality in respect of Booyesendal.</p> <p>Community forums are in place to address community concerns, in particular issues such as local employment, training and development and procurement.</p>	See Northam in the community section on page 51 of this report.
Customers	<p>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.</p> <p>Any issues relating to customer satisfaction are directly taken up with the marketing department.</p>	See the product responsibility section of this report on page 69 for more information on how Northam engages with its customers.

In identifying its stakeholders, Northam developed a matrix of those groups/individuals directly and indirectly associated with the company. Listed below are the main stakeholders identified by Northam and their key concerns and the process Northam follows when engaging with these.

Stakeholder group	Key topics concerns	Engagement process
Shareholders and investors	Operating and financial performance, share price performance and dividends, and issues relating to the overall sustainability of the company, in particular, risk mitigation, nationalisation and safety	<ul style="list-style-type: none"> • Annual general meetings • Road shows • One-on-one investor meetings • Preliminary and annual results presentations • Investor site visits • Company announcements • Company website • Annual reports • Sustainable development reports • CDP submissions • CDP water submissions
Customers	Consistency in supply, quality of supply	<ul style="list-style-type: none"> • Formal presentations • Website • Road shows • Company announcements • Company reports • Site visits • CDP submissions • CDP water submissions
Employees	Job security, training and development, remuneration, health and safety	<ul style="list-style-type: none"> • Company policies • Collective bargaining practices • Team briefings • Two-way manager-employee communication • Let's talk campaigns: <ul style="list-style-type: none"> • recruitment • HIV/AIDS • education • performance

Engaging with our stakeholders

continued

Stakeholder group	Key topics concerns	Engagement process
Suppliers and contractors	Sustainability of company, company's financial performance, employment practices, local procurement practices, business training and support, quality control, preferential procurement practices	<ul style="list-style-type: none"> • Company practices and policies • Preferential procurement programmes • Open days • Dialogue
Media	Financial results, corporate activity, environmental issues, marketing, community-related topics	<ul style="list-style-type: none"> • Company announcements • Company website • Online presentations • Media site visits • Company reports • Interviews • Articles in local publications
Communities and NGOs	Local economic development, employment and local job creation, corporate social investment practices, health related issues, in particular HIV/AIDS, environmental impact and rehabilitation, skills development programmes	<ul style="list-style-type: none"> • Community forums • Stakeholder forums • Industry partnerships • Community engagement programmes • Wellness campaigns, in particular HIV/AIDS awareness • Dialogue • Company announcements • Advertising in local newspapers
Government and regulating authorities	Licence to operate, employment, education and training, local economic development programmes, environmental impact and rehabilitation	<ul style="list-style-type: none"> • Formal processes • Participation in industry associations • Social and labour plans • Dialogue • Company reports • Open days • Site visits

Corporate governance

Approach

Northam is committed to upholding and implementing principles of good corporate governance at all levels of the company. The board of directors ensures that all deliberations, decisions and actions of the company's business and operational structures are based on good corporate governance and fundamentally sound values including but not limited to integrity, responsibility, accountability, fairness and transparency.

The pursuit of good corporate governance is guided by the company's memorandum of incorporated (formerly the memorandum of articles of association), the board charter, the listings requirements of the JSE Limited, the new South African Companies Act (Act No 71 of 2008) which came into full effect on 1 May 2011, the third King report on Corporate Governance for South Africa (King III), the Global Reporting Initiative (GRI) and any other applicable laws and regulations.

Compliance

The following laws, regulations and compliance codes guide corporate governance at Northam:

- Mineral and Petroleum Resources Development Amendment Act, No 49 of 2008 (MPRDA)
- Mining Charter
- Companies Act, No 71 of 2008
- Employment Equity Act, No 55 of 1998
- Labour Relations Act, No 66 of 1995
- Mine Health and Safety Act, No 29 of 1996
- Basic Conditions of Employment Act, No 75 of 1997
- King III Report and Code on Governance for South Africa 2009

- JSE Listing Requirements (listings requirements)
- Social Responsibility Index
- Global Reporting Initiative

INTEGRATED REPORTING AND KING III

King III adopts an "apply or explain" approach to corporate governance, a change from the "comply or explain" approach that was adopted by King II. The "apply or explain" approach implies that the board of directors, in its collective decision-making, may conclude that to follow a practice recommended in King III would not, in the particular circumstances, be in the best interests of the company. In the circumstances the board could decide to apply the recommendation differently or apply another practice and still achieve the objective of the overarching corporate governance principles of fairness, accountability, responsibility and transparency.

In F2011, the board commissioned a King III gap analysis by Ernst & Young Inc (E&Y) to ensure that the board and senior management fully understand the implications of King III on the company's business and operations and in order to be properly guided on how best to implement the corporate governance recommendations contained therein.

During the year, the board charter and terms of reference for the board committees, audit and risk committee, health, safety and environmental committee, investment committee and social, ethics and human resources committee were updated to be in line with the Companies Act and King III.

Corporate governance **continued**

THE NEW SOUTH AFRICAN COMPANIES ACT, ACT NO 71 OF 2008

The board seeks to ensure that the group operates within the legislative and regulatory environment of the country and has established structures and processes with appropriate checks and balances that enable directors to discharge their legal duties and responsibilities.

On 1 May 2011 a new Companies Act was introduced to regulate the corporate business landscape in South Africa. Companies were given a two year window period to implement most of the provisions of the Act. Northam is in the process of implementing and effecting these changes and intends completing them by 30 April 2013. Major changes are expected to be approved by shareholders at the upcoming annual general meeting of the company on 7 November 2012.

Northam has in place a memorandum of incorporation and has established a Social and Ethics Committee, two significant requirements of the Companies Act.

At the general meeting of 18 August 2011, shareholders approved a special resolution, in terms of section 45 of the new Companies Act, No 71 of 2008, which resolution approved the granting of financial assistance by Northam to its subsidiaries, an immediate change which was brought about by the then new Companies Act.

Leadership and oversight by the board

Northam's board has a unitary structure, and comprises 11 members (and one alternate). In compliance with King III, the board directs the group within a corporate governance framework.

Board of directors

Non-executive directors:

Mr JAK Cochrane
Mr MSMM Xayiya (alternate)
Mr MJ Willcox
Mr PL Zim

Independent non-executive directors:

Mr ME Beckett
Mr CK Chabedi
Ms NJ Dlamini (Dr)
Mr R Havenstein
Ms ET Kgosi
Mr AR Martin

Chairman:

Mr PL Zim (non-executive director)

Lead independent director:

Mr AR Martin

Executive directors:

Chief executive officer

Mr GT Lewis

Financial director

Mr AZ Khumalo

It is at board level that strategy, risk, performance and sustainability are fused to satisfy the various stakeholder interests of the group.

The board is guided by the board charter, and is supported in its role by a number of board committees, namely:

- the audit and risk committee;
- the health, safety and environmental committee;
- investment committee; and
- the social, ethics and human resources committee.

The board comprises two executive and nine non-executive directors, six (55%) of whom are regarded as being independent for the following reasons:

- they are not representative of a share owner who has the ability to control or significantly influence management;

- they have not been employed by the company or the group in any executive capacity for the preceding three financial years;
- they are not members of the immediate family of any individual who is, or has been in any of the past three financial years, employed by the company or group in an executive capacity;
- they are not professional advisors to the company or the group, other than in a director capacity;
- they are not a significant supplier to, or customer of the company or group;
- they have no significant contractual relationship with the company or group; and
- they are free from any business or other relationship that could be seen to materially interfere with their capacity to act in an independent manner.

Board committees			
Audit and risk committee	Health, safety and environmental committee	Investment committee	Social, ethics and human resources committee
Mr AR Martin (Chairman) Mr ME Beckett Mr R Havenstein Ms ET Kgosi	Mr R Havenstein (Chairman) Mr CK Chabedi Ms NJ Dlamini (Dr)	Mr R Havenstein (Chairman) Mr JAK Cochrane Ms NJ Dlamini (Dr) Mr AR Martin Mr MSMM Xayiya (alternate Mr MJ Willcox)	Ms ET Kgosi (Chairman) Mr ME Beckett Ms NJ Dlamini (Dr) Mr R Havenstein
By invitation	By invitation	By invitation	By invitation
Management Internal audit External audit	Management	Management	Management

Corporate governance **continued**

The chairman of the board, Mr Lazarus Zim, who was appointed in 2007, although non-executive, is not independent in terms of the King III recommendations. A non-executive lead independent director, Mr Alwyn Martin, was therefore appointed on 28 June 2010.

In terms of the company's memorandum of incorporation, no fewer than 50% of the directors are required to be historically disadvantaged South Africans (HDSAs) as defined in the MPRDA. The board has seven HDSA directors.

BOARD AND PERFORMANCE EVALUATION

An evaluation of the directors and the board is conducted regularly, the last having been undertaken in August 2011. Results of the evaluation are used by the board to determine future performance improvements. An internal evaluation process was undertaken to facilitate the evaluation of the board and each director.

Specific areas covered in the board's evaluation are:

- composition of the board and board committees;
- effectiveness of each board member;
- effectiveness of board meetings;
- relationship between senior management and the board;
- board transparency and accountability; and
- performance criteria and succession.

The executive directors and company secretary were assessed by the social, ethics and human resources committee in August 2012. (In terms of King III, the company secretary's performance is also evaluated by the board and that of the financial director by the audit and risk committee.)

Business and risk management

Northam's risk management function is based on an inclusive, team-based approach to effective application across the company. The board is responsible for the oversight of risk management within the group and continuously reviews its risk management structures, systems, processes and procedures to ensure that these are aligned to the principles contained in King III.

Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company.

Extensive systems of internal control are in place to identify and manage significant risks. These systems support the board in discharging its responsibility of ensuring that the range of risks associated with the group's operations are managed effectively and that the interests of stakeholders are safeguarded. Northam has developed an integrated risk management framework which identifies the significant risks facing the group, as well as factors in mitigation thereof including:

- all activities carried out in the various processes;
- the assessment of the impact of the inherent risks with those activities; and/or
- processes and measures taken or to be taken to mitigate such risks.

The following specific major risks have been identified by Northam and are discussed in further detail on page 63 of the Northam integrated annual report:

- country risk;
- market, financial and financing risk;
- geological and ore reserve risk; and
- health, safety and environmental risk

A risk matrix is subject to quarterly review by management in conjunction with the group's internal auditors.

While the operating risks cannot be fully eliminated, the company has put in place appropriate infrastructure, controls and systems applied throughout the group to manage such risks.

Northam engages with underwriters and assurers on an ongoing basis and a significant portion of the company's operational risk is underwritten.

Sustainability leadership

Policies, practices and performance relating to sustainable development form an integral part of the management of the company. While overall responsibility for sustainability lies with the board, specific oversight of various areas of sustainability issues have been delegated to the audit and risk committee, the health, safety and environmental committee and the social, ethics and human resources committee.

These committees function in accordance with established terms of reference approved by the board and material matters, particularly issues related to safety, are escalated to board level for consideration. Transformation and compliance with the MPRDA and the Mining Charter are considered by the board as a whole and are a standard agenda item.

The audit and risk committee, which is chaired by lead independent director Mr Alwyn Martin, comprises four independent non-executive directors. The health, safety and environmental committee, under the chairmanship of Mr Ralph Havenstein, comprises three non-executive directors. The social, ethics and human resources

committee comprises four independent non-executive directors and is chaired by Ms Emily Kgosi.

Code of ethics

The group has a code of ethics which has been approved by the board and is updated from time to time. This code applies to both directors and employees and governs the interaction between these groups and the company's, suppliers, contractors, and customers and covers the use of company 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.

Conflicts of interest

Members of the board and its committees are required to declare their interests in any matters to be discussed at every board and committee meeting. All board and committee members are required to report any conflicts of interest that may arise in the course of their duties in order to avoid corruption.

Insider trading

The company has clear rules and guidelines in place which seek to ensure that employees do not contravene the JSE's rules on insider trading. Neither directors nor employees are allowed to deal in the company's shares if they are in possession of non-public information or during closed periods. These rules extend to also to close relatives of directors and employees. Directors and employees are required to obtain prior approval for dealing in the company's shares. Employees are routinely advised of the company's closed periods.

Corporate governance **continued**

Donations

The company has a long-standing policy which prohibits party-political donations. Furthermore, employees may not accept gifts, hospitality or favours from suppliers or contractors of more than a nominal value. All gifts and entertainment details are recorded in a gift register for record purposes.

Ethics 24-hour whistle-blowing hotline

Northam's ethics hotline number 0800 15 25 39 became effective in 2011 and is monitored by an external party (KPMG), 24 hours a day in all the official languages of South Africa. Anyone (whistle-blower) can anonymously report corruption, fraudulent activity or other problems for investigation. All whistle-blowers are protected against any form of victimisation provided disclosures are made in accordance with the provisions of the Protected Disclosures Act, No 26 of 2000.

Significant legal issues or fines

Northam did not incur any fines during the year under review in respect of non-compliance with laws or regulations, and was not involved in any legal action relating to anti-competitive behaviour, anti-trust or monopoly practices. The company has obtained a high court interdict against the community interfering with the construction of the

permanent power line to Booyssendal. The company also went to court to appeal a Section 54 notice issued by the DMR. The notice was subsequently withdrawn by the DMR. The company has not engaged in any other legal actions.

Awards and recognition

The company was admitted to the JSE's Socially Responsible Investment Index (SRI) for the fifth consecutive year.

Approval of the annual integrated report and the sustainable development report

In response to the recommendations of King III, Northam produced its first integrated annual report for the financial year in 2011. This second annual integrated report seeks to continue to provide stakeholders with a broader view of the group's performance in terms of both financial and non-financial results. Integrated reporting provides greater context for performance data, clarifies how sustainability fits into the company's operations and helps to demonstrate that sustainability is included in the decision-making structures of the group.

Both the annual integrated report and the sustainable development report are reviewed by the audit and risk committee and thereafter recommended to the board for approval.

Economic performance

Key developments

- 28 production days lost at Zondereinde owing to DMR-related safety stoppage resulting in production losses of approximately 28 000oz 3PGE+Au.
- Average rand price received for basket of metals increased from R323 899/kg to R335 325/kg while operating cost were R311 645/kg – resulting in an operating margin of 9.2%.
- Dividends of R57.3 million were paid to shareholders (F2011: R90 million).
- R10.8 million contributed toward the Toro Employee Empowerment Trust.
- Taxes paid to national, provincial and local government of R322.6 million (F2011: R343 million).
- Township and land development amounted to R11.5 million (F2011: R8.8 million).

Approach and structure

Based on market capitalisation, Northam is considered to be a mid-tier PGM company. However, unlike many of its peers and smaller producers, Northam is unique in that it has full ownership of its production stream, from mining to processing to marketing.

At Zondereinde, Northam's smelter complex produces final precious metal concentrate which is processed in terms of a long-term toll-refining contract with

Heraeus GmbH (Heraeus). The precious metals emanating from the Heraeus refinery are shipped to Northam's customers in Europe, Japan and North America. The by-product base metals, copper and nickel sulphate, are extracted at the on-site base metals removal plant and are sold in the domestic market.

Performance F2012

The company's performance in terms of economic contributions is dealt with comprehensively in Northam's integrated annual report for F2012.

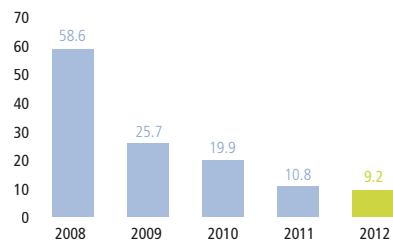
The key features are listed below.

- 28 production days (870kg) were lost at Zondereinde owing to safety stoppage interventions by the DMR. This translated into revenue losses of approximately R300 million.
- A run-out at the Zondereinde smelter resulted in the planned rebuild of the furnace being rescheduled to an earlier date. The cost of the rebuild is estimated at R41.5 million.
- Northam continued to invest in capital expenditure at both Zondereinde (R328.3 million) and Booyendal (R1.7 billion).
- Metals in concentrate produced by Zondereinde were 15.4% higher than in F2011.
- The average rand price received for Northam's PGM basket was 3.5% higher at R335 325/kg; while operating costs increased by 1.4% to R311 645/kg.
- No significant financial assistance received from government.

Value distribution F2012



Operating margin (%)



Economic performance continued

VALUE ADDED STATEMENT

	2012		2011	
	%	R000	%	R000
Sales revenue		3 684 000		3 571 048
Less: Purchase of goods and services in order to operate mine and produce refined metals		(1 910 986)		(1 984 975)
Value added by operations	94.4	1 773 014	91.6	1 586 073
Add: Share of earnings from associate	0.4	6 734	0.4	7 248
Investment income	2.9	53 951	4.9	85 520
Sundry expenditure/income	2.3	43 343	3.1	53 148
Total value added	100.0	1 877 042	100.0	1 731 989
Value distributed				
Employees	56.2	1 055 805	51.1	883 444
Salaries and wages	56.4	1 057 780	49.9	863 719
Contributions to retirement benefit funds	4.5	84 212	4.3	74 096
Contributions to health funds	3.0	55 627	3.2	54 606
Pay-as-you-earn deducted	(7.6)	(141 814)	(6.3)	(108 977)
Government	17.2	322 617	19.8	342 972
Mining and non-mining tax including capital gains tax	5.9	110 767	8.3	143 048
Deferred tax	1.5	27 482	1.7	29 933
State's share of profits	–	–	–	–
Secondary tax on companies	0.2	3 824	0.5	9 020
Royalties	2.1	38 730	3.0	51 994
Pay-as-you-earn deducted from employees	7.6	141 814	6.3	108 977
Providers of capital				
Dividends	3.1	57 364	5.2	90 202
Broader community				
Corporate social investment	0.1	2 782	0.2	4 116
Total value distributed	76.6	1 438 568	76.3	1 320 734
Retained by company	23.4	438 474	23.7	411 255
Depreciation	10.1	190 287	8.4	147 838
Decommissioning provision to meet statutory obligations	0.3	4 907	0.3	(4 110)
Retained income	13.0	243 280	15.0	259 007
	100.0	1 877 042	100.0	1 731 989

Direct and indirect economic impacts

- R10.8 million contributed toward the Toro Employee Empowerment Trust.
- Continued engagement of 6 916 permanent and 4 757 contractor employees at both Booyensdal and Zondereinde.
- Dividends of R57.4 million were paid to shareholders (F2011: R90 million).
- Taxes paid to national, provincial and local government amounted to R322.6 million (F2011: R343 million).
- 140 housing units were sold to employees in terms of the affordable home ownership scheme. This brings the total to 240 houses. Township and land development amounted to R6.5 million (F2011: R8.8 million).
- Expenditure on social investment and local economic development declined to R2.8 million.

Black economic empowerment

Over the past year the company's black empowerment status was compromised when the BEE shareholders were required, by their lending institutions, to address certain breaches of covenants contained in the financing agreements concluded for the purposes of initially acquiring their Northam shares. The lending banks have since exercised claims over these pledged shares and have indicated that they have disposed of a number of shares to restore the debt cover ratios of Afripalm and Mvela Holdings.

Northam's empowerment holdings have dropped to below the 26% level required by the MPRDA. In mitigation of this risk, the board has proposed that Northam develop a scheme to increase its BEE shareholding percentage to the level required by the Mining Charter in 2014, and has furthermore established the following key principles around which the BEE Transaction should be structured:

- The BEE Transaction should ensure compliance by Northam and the relevant participants with the provisions and principles of the Mining Charter and the requirements of the Mineral and Petroleum Resources Development Act (MPRDA).

- The BEE Transaction should be sustainable and be beneficial for all stakeholders, including existing shareholders.
- The BEE Transaction should ensure that Northam's BEE shareholding is secured at the requisite level for an extended period so as not to threaten its BEE status in the future.
- The cost of the BEE Transaction to Shareholders should be minimised.
- Participation in the BEE Transaction should be as broad-based as possible.
- Northam's HDSA employees should also participate in the proposed BEE Transaction scheme.

With the above principles in mind, and subject to approval by the DMR, Northam proposes to proceed with the creation of one or more empowerment trusts, the beneficiaries of which are expected to comprise Northam's employees, relevant communities and other broad based BEE entities.

Empowering local communities through procurement

Northam's procurement policy gives BEE suppliers preferred status, provided they are commercially competitive. Both Booyensdal and Zondereinde mines have well-developed systems in place to monitor and promote expenditure with these identified suppliers.

In F2012 total procurement spend at Northam (both Zondereinde and Booyensdal) amounted to R3.6 billion (F2011: R2.4 billion). The BEE component of this amounted to R2.3 million (F2011: R1.6 billion) or 66% of the total.

In line with the requirements of the Mining Charter, Northam reports BEE/HDSA expenditure at 26.5% (F2011: 18.4%) for capital goods, 32.0% (F2011: 35.6%) for consumables/custom purchases and 7.5% (F2011: 10.7%) for services.

Beneficiation

Northam's commitment to local beneficiation is demonstrated in the role it has played in facilitating

Economic performance continued

the development of Heraeus' PGM refinery facility refining by in Port Elizabeth.

As part of the process, Northam continues to supply a percentage of its metal to Heraeus locally for industrial use. Both Northam and Heraeus have expressed their commitment to building local intellectual capital and to this end, these entities continue to engage with a number of scientific, research and educational institutions.

Local economic development and transformation

At the Zondereinde division the Life Centre Project (a community skills-training project started by the

mine in 2004) is being realigned to meet the Mining Charter's local economic development criteria. The emphasis in this realignment is to create a business support hub which can exist independently from the Zondereinde mine and to be managed by a section 21 company.

In addition a number of options are being considered in partnership with the local authorities in support of poverty alleviation, infrastructure and other local economic development. An important consideration in this regard is to avoid mere survivalist businesses but to focus on portable skills, supported by accredited training initiatives.

Breakdown of expenditure – F2012

	Capital	Services	Consumables	Custom purchases and toll smelting	Total	% spend
	Capital	Services & contractors	Consumables	Custom purchases and toll smelting	Including custom purchases and toll smelting	Percentage including custom purchases
Discretionary spend						
HDSA owned (BEE equity >50%)	307 125 840	42 172 069	45 319 390	0	394 617 299	11.1
HDSA empowered (BEE equity 25.1% to 50%)	600 844 288	148 253 242	253 932 755	813 619 637	1 816 649 922	51.1
HDSA influenced (BEE equity 5.0% to 25%)	0	56 345 629	0	0	56 345 629	1.6
Multi national enterprises	36 278 362	18 110 297	24 098 790	0	78 487 450	2.2
Measured HDSA spend	944 248 490	264 881 237	323 350 936	813 619 637	2 346 100 301	66.0
Without HDSA	694 950 679	137 913 587	378 472 006	0	1 211 336 272	34.0
Total discretionary spend	1 639 199 170	402 794 825	701 822 942	813 619 637	3 557 436 573	100.0
Non-discretionary spend						
– Electricity		292 230 745.9			292 230 746	
– Water		14 113 910.13			14 113 910	
– Municipal Services		1 589 110.25			1 589 110	
– Royalties		5 224 846.00			5 224 846	
Total non-discretionary spend		313 586.97			3 131 586.97	
Total expenditure	1 639 199 170	715 953 437	701 822 942	813 619 637	3 870 595 185	
Percentage HDSA spend	26.5%	7.5%	32.0%		66.0%	

Safety, health and employee well-being

Key developments

- FIIR of 0.02 per 200 000 hours worked, a significant reduction from 0.06.
- 12 Section 54 instructions closing certain mining areas were issued by the DMR (F2011: 5).
- one million fatality free shifts achieved at Zondereinde in December 2011.
- 28 shifts lost as a result of section 54 stoppages.

Safety

APPROACH AND STRUCTURE

Ensuring the safety and health of employees is a primary strategic imperative for Northam and a key performance area for all levels of management and supervisors which takes precedence over production objectives.

Extensive legislation and regulation guide safety and health practices and processes in the workplace, the most significant being the Mine Health and Safety Act. A safety and health policy is in place at Zondereinde and recognition agreements with organised labour provide the context for its implementation.

At board level, the health, safety and environmental (HSE) committee is responsible for overseeing the various health and safety laws and regulations that affect the group.

The general managers hold ultimate responsibility for safety and health at both Zondereinde and Booyssendal. At Zondereinde day-to-day management of safety is delegated to operational management, who are in turn supported by mine-based safety and health departments.

JOINT APPROACH

Northam encourages the participation of employees and management at all levels to participate in safety and health matters. As required by the Act, a joint management/employee representative health and safety committee meets on a monthly basis, or more frequently when required. The committee is responsible for:

- identifying critical issues that hamper safety and health performance;
- providing personal protective equipment;
- participating in inspections, audits and accident investigation; and
- identifying areas for training and education.

A particular role of the committee is to empower employees to take responsibility for safety and health, to identify potentially hazardous situations and to encourage employees to exercise their right to refuse to work when conditions are not safe.

Around 83% of the company's workforce is affiliated to a representative union and, through the union structures, employees participate in planning for and management of safety and health issues through their elected health and safety committees. Further, employees and management are encouraged to participate in safety matters at all levels.

While employees of Northam at Booyssendal are currently not affiliated to a union, a safety, health and environment (SHE) committee, consisting of contractor representatives guides and monitors SHE performance. All employees, including those employed by contractors, receive safety standards and safety induction training.

Safety, health and employee well-being **continued**

PERFORMANCE F2012

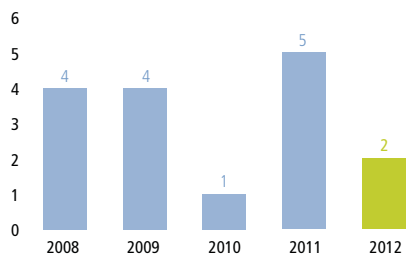
It is with deep regret that the company reports the death of two employees in mining-related accidents at Zondereinde mine in F2012 (F2011: 5).

- Mr Sydney Tlou Komape (32) who died on 20 July 2011 in an underground locomotive-related accident. Mr Komape was from Polokwane and is survived by his wife and child; and

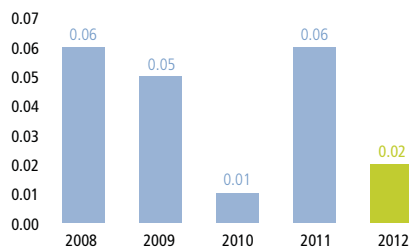
- Mr Alfred Nkosivumile Hanisi (28) who died on 22 May 2012 in a fall of ground accident. Mr Hanisi was from the Eastern Cape and is survived by his wife and two children.

Zondereinde mine's fatal injury incidence rate (FIIR) was 0.02 per 200 000 hours worked (F2011: 0.06). The lost time injury incidence rate (LTIIR) was 1.91 per 200 000 hours worked (F2011: 1.34) and

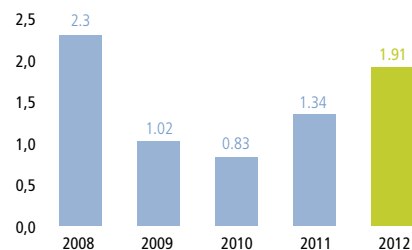
Fatalities



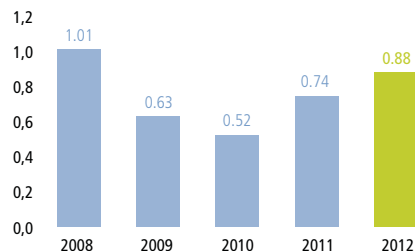
Fatal injury incidence rate (FIIR)



Lost time injury incidence rate (LTIIR)



Reportable injury incidence rate (RIIR)



the reportable injury incidence rate (RIIR) was 0.88 per 200 000 hours worked (F2011: 0.74).

There has also been an initiative to improve skills and competency levels among supervisory staff.

The majority of the accidents this year have been related to material and equipment handling, followed by falls of ground. These have occurred predominantly on the reef or stope horizon. Remediation measures comprise retraining in support standards and in other regular procedural measures.

Although punitive measures are in place, this does little to cultivate a safety culture. The key to improved performance is achieving a balance between discipline and instilling a will to work to standard.

The higher trending safety indicators continue to reflect an increase in the severity of injuries, with the primary causes of lost time injuries occurring as a result of materials handling incidents (29%), fall of grounds (22%) slip and fall (12%). These statistics indicate that at-risk behaviour remains very high. In F2012, 5 910 shifts were lost due to occupational injury (F2011: 4 234).

In total, 12 Section 54 instructions were issued by the DMR to close certain mining areas so that investigations could be carried out into the cause of each accident or safety infringement and to establish remedial actions to prevent similar incidents in future. On each occasion, management presented the findings of the investigations and remedial actions to the DMR. In total, 28 production days were lost across the mine as a result of

DMR-imposed safety stoppages, resulting in the loss of approximately 28 000 ounces. In addition, Zondereinde mine instigated 345 internal safety stoppages. Employees are actively encouraged to exercise their right to refuse to work if conditions are not safe.

Safety remains a key focus area and management works closely with employees and unions to reduce mine-related accidents and injuries. Zondereinde achieved one million fatality free shifts on 12 December 2011.

Zondereinde continued to implement the 'Stop and Fix' programme during the year with regular inspections of working areas having been carried out by team leaders and management. If irregularities were identified during these inspections, employees were instructed to stop mining activities and fix the problem before continuing work. In all instances, employees were required to investigate the cause of the incident and present remedial action plans to rectify the situation, to the safety committee.

No fatalities occurred at Booyensdal during the year. The LTIIR was 0.19 per 200 000 hours worked and the RIIR was 0.00 per 200 000 hours worked. No shifts were lost as a result of DMR-imposed safety stoppages.

Health

APPROACH AND STRUCTURE

At Zondereinde, Northam offers an integrated and comprehensive health care service to all employees through the medical service provider, Platinum Health, which operates facilities on site at the mine and in the nearby employee

Safety, health and employee well-being **continued**

village. All services are offered free of charge to all employees who contribute to the Platinum Health Scheme. Occupational health and medical emergency facilities are available to all employees and contractors.

In addition to medical services offered, Zondereinde has a comprehensive TB and HIV/AIDS management programme in place, which is also administered by Platinum Health. A mine-based HIV co-ordinator is responsible for the information and awareness aspects of the TB and HIV/AIDS programme.

Health care services at Booyensdal are also offered to Northam employees, contractors and their dependants through the Platinum Health subsidised scheme. Facilities are located in Mashishing and at the Lion medical station near Steelpoort.

EMPLOYEE WELL-BEING PERFORMANCE F2012

Zondereinde's integrated and ongoing medical surveillance programme is well-established. In addition to general health screening and as a preventative measure, the programme identifies and monitors the incidence of noise-induced hearing loss (NIHL), pulmonary tuberculosis (TB) and occupational lung disease (OLD).

During the year, 10 740 (1 407 entry, 1 073 exit and 8 260 annual) medical surveillance examinations were performed at Zondereinde and 6 156 (4 160 entry, 1 496 exit and 500 annual) at Booyensdal.

The use of hydropower for underground mining activities, particularly for powering rockdrills,

significantly reduces the level to which Zondereinde employees are exposed to noise and also helps reduce dust generation. The rock mass at Zondereinde does not contain quartz, thereby eliminating the threat of silicosis.

Noise levels associated with underground equipment is contained below 110dBA. In addition, all employees are issued with personal protective equipment (PPE) to ensure that any exposure to noise levels above 85dBA over an extended period of time is limited. In F2012, 44 new cases of NIHL were identified (F2011:18) and 23 cases were found to be compensable. The significant increase in new cases of NIHL is due to late submission following the roll-out of new legislation.

TB presents a significant health care burden in South Africa. Northam runs a highly-effective Directly Observed Treatment (DOT) regime for the treatment of TB at Zondereinde. This regime is also aligned to the World Health Organization (WHO) guidelines. The symbiotic relationship between TB and HIV exacerbates the incidence of both illnesses. At year end, 644 employees received treatment for TB and 85 new cases were detected (F2011: 93) with 183 people having participated in the company's wellness programme.

Owing to the high virgin rock temperature (VRT) at Zondereinde (ranging between 51.4°C and 69.8°C), all employees are required to undergo heat tolerance testing on an annual basis.

Northam's HIV/AIDS policy provides for the care of employees, education programmes, confidentiality of information and non-discrimination. All employees have access to voluntary counselling and testing (VCT) programmes and anti-retroviral

therapy (ART), as well as professional counselling and support. The Northam HIV/AIDS programme is focused on the following priorities:

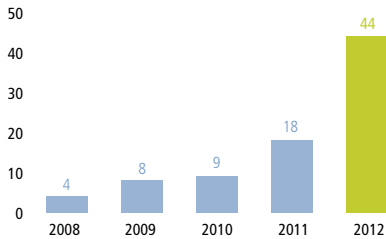
- persuading employees who are HIV negative not to participate in high-risk behaviour, through education and awareness programmes, mass distribution of condoms, treatment of sexually transmitted infections (STIs) and a peer education programme;
- early detection and identification of HIV to limit high-risk behaviour amongst those infected and to start them on a treatment regimen that can

prolong their healthy lives. The VCT programme underpins this objective and provides the necessary counselling; and

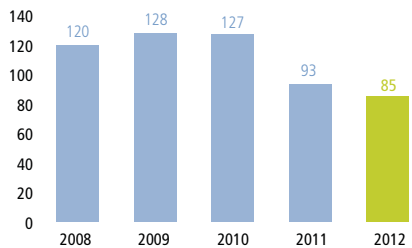
- persuading infected employees to participate in the wellness programme, that includes the provision of ART. Comprehensive counselling is in place to ensure that employees understand and accept the long-term implications of moving onto the ART programme.

At year end, 1 659 employees had undergone VCT and 743 people were receiving ART.

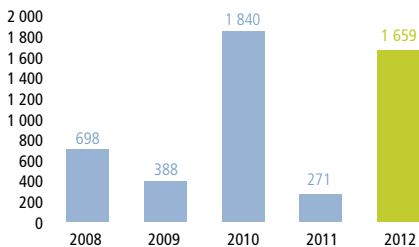
New cases of noise induced hearing loss (NIHL)



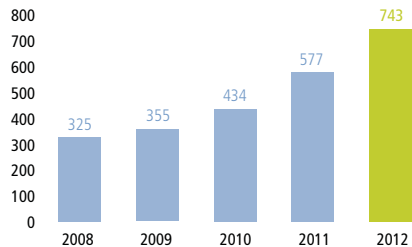
New cases of tuberculosis (TB)



Voluntary counselling and testing (VCT) encounters



Employees on anti-retroviral therapy (ART)



Employment and human rights

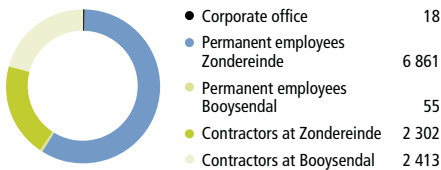
Key developments

- Two-year wage agreement effective 1 July 2011.
- R10.8 million contributed to the Toro Employee Empowerment Trust.
- Total company labour turnover increased to 7%.
- 7% women in mining.
- 35% HDSAs in management.
- R15.4 million spent on training and development.

Approach and structure

The majority of Northam's employees are located at the Zondereinde mine, which is currently the company's primary revenue-generating asset. Each operation has a senior manager with oversight of human capital issues and report to their respective general managers. The general managers and the chief executive officer are ultimately responsible for the people management function.

Company employee profile – F2012



Board level oversight of this function rests with the social, ethics and human resources committee of

the board which is responsible for overseeing that employees are equitably and fairly rewarded, also relative to their peers in the industry.

More specifically the committee has oversight of the employment contracts and remuneration packages of senior management, ratifies their appointments and approves any short-term incentive schemes and bonuses, and the granting of shares in terms of the rules of the Northam Share Incentive Plan.

The committee is also responsible for setting mandates with regard to negotiations with trade unions and oversees implementation of and compliance with the requirements of the Employment Equity Act and the administration of the group's share incentive scheme.

The information presented below relates to the Zondereinde mine. The Zondereinde mine-based human resources department is responsible for driving the implementation and achievement of human resources strategy including all aspects of the Mining Charter.

Other areas of focus are:

- training and development including mentorship and talent management;
- recruitment and retention, including succession planning and implementing career paths;
- implementing employment equity programmes, including affirmative action measures;
- labour relations, including collective bargaining;
- human resource development with specific emphasis on performance; and
- stakeholder and compliance management.

LEGISLATION GOVERNING EMPLOYEE RELATIONSHIPS

Employment practices and policies are governed by legislation and regulations which have evolved over many years in South Africa's sophisticated labour relations environment. These include:

- the Mine Health and Safety Act;
- the Employment Equity Act;
- the National Skills Development and Skills Development Levies Act;
- the Basic Conditions of Employment Act;
- the Labour Relations Act;
- the Mineral and Petroleum Resources Development Act; and
- collective bargaining and recognition agreements with organised labour.

COLLECTIVE BARGAINING

Northam upholds the basic labour rights enshrined in the Fundamental Rights Convention of the International Labour Organization (ILO) relating to collective bargaining and ensures the implementation of fair employment practices. The company prohibits forced, compulsory and under-age labour, including any form of discrimination based on, inter alia race, religion, age, disability

or political affiliation, against the background however, of seeking to ensure that it remains in compliance with South African affirmative action and black empowerment legislation.

During the year no incidents of discrimination were identified.

The rights to freedom of association and collective bargaining are entrenched within South Africa's legislation and the country's constitution. Northam supports employees' rights and acts in accordance with the South African constitution, prescribed legislation, industry compacts and recognition agreements with unions. Minimum notice periods in respect of operational changes and rates of pay for men and women are prescribed by legislation. A sexual harassment policy is in place which prohibits harassment. An issue of particular concern in the recruitment and retention of female employees in order to comply with the requirements of the mining charter.

As a minimum, wages and other conditions of service are negotiated on an annual basis. Recognition agreements with unions also regulate aspects such as participation in safety and health structures and disciplinary and grievance procedures.



Converter operation at the Zondereinde smelter

Employment and human rights

continued

Unions, registered with the Department of Labour (DoL), that represent 15% in the category 2-10 bargaining unit receive organisational rights which include:

- access to the workplace allowing unions who qualify to recruit members, host meetings on mine property outside of working hours;
- access to payroll deduction facilities;
- permission to elect 12 representatives per 1 000 employees; and
- representatives are allowed to take paid leave to carry out union-related duties.

Once a registered union reaches a representivity threshold of 33.3% within a bargaining unit, it is allowed/required to bargain for that particular unit. Collective bargaining is carried out between the company and registered unions that meet the required threshold and parties are required to

engage with each other in the utmost good faith for the purpose of concluding a satisfying agreement on matters such as wages, substantive conditions of service and other matters of mutual interest.

The company recognises that it is appropriate to engage with any registered employee body which meets these thresholds.

The trade union Solidarity was given notice of termination of its recognition agreement in terms of prescripts contained in the recognition agreement in October 2011. The NUM is currently the representative union at Zondereinde as they represent the majority of employees in the category 2-10 bargaining units. An agreement was reached which allowed Solidarity to form part of the wage negotiation processes for the category 9 and 10 bargaining units in F2012.

Union representation at the end of F2012

Union	Cat 2-8		Cat 9		Cat 10		Total	
Complement	5 968		398		387		6 753	
NUM	4 981	83.46%	129	31.16%	119	30.75%	5 224	77.36%
Solidarity	32	0.54%	152	38.19%	154	39.79%	338	5.01%
UASA	5	0.08%	22	5.53%	26	6.72%	53	0.78%
Total	5 018	84.08%	298	74.87%	299	77.26%	5 615	83.15%

* This table only represents employees in collective bargaining units

Northam upholds the right to exercise freedom of association and collective bargaining by employees, contractors and suppliers through compliance by the company, its contractors and suppliers with South African legislation and the company's own policies.

Booyensdal is currently still in the construction phase and does not yet have a permanent full-time workforce – for this reason it does not have any agreements in place with organised labour.

The management of Northam is deeply concerned about the recent violent conflict in the platinum sector and keeps a watching brief on developments at its operations. Naturally the company recognises that this conflict could spread and that it is not immune to any such activities and remains vigilant to any new developments.

While Northam will engage with any registered union which meets its thresholds, NUM is currently the representative union at Zondereinde.

ESTABLISHING AND MAINTAINING CONSTRUCTIVE RELATIONS WITH UNIONS

While 37 days, R380 million in revenue and R65.1 million in wages overall were lost during F2011 as a result of industrial action following a dispute related to wages, no days were lost as a result of industrial action in F2012.

However, the industrial relations climate in South Africa continues to be dominated and flavoured by political developments. While F2011 was dominated by protracted and acrimonious

industrial action, wage negotiations for F2012 resulted in the conclusion of a two-year agreement in November 2011. The agreement is valid until 30 June 2013.

In the absence of the annual negotiations around wages and basic conditions of employment, Zondereinde focussed on cementing the structures of our employment equity and training forums, the housing and living conditions forum and the CSI/LED forum. During the year, these structures evolved into more effective platforms for dialogue between management and the employee community. On the recommendation of an external, independent, third-party mediator, Zondereinde management and the NUM entered into an engagement charter to strengthen the relationship between management and recognised labour unions.

EMPLOYMENT PRACTICES

Northam is committed to fair and progressive employment practices, providing long-term employment opportunities with the scope for employees to develop their potential. Competitive remuneration practices take into account the nature of the operation, the innovative mining practices as well as the remote location of its operations.

Benefits provided to full-time employees include:

- membership of pension and provident funds;
- death benefits;
- access to medical care;
- housing and living-out allowances;
- study assistance; and
- maternity and paternity leave.

Employment and human rights

continued

The Toro Employee Empowerment Trust, which was established in August 2008, represents the interests of some 98.7% of the company's Zondereinde employees. During F2012 the company contributed R10.8 million (F2011: R13.6 million). In F2012, the net income of the trust was R3.7 million (F2011: R3.4 million). The net interest of the beneficiaries at 30 June 2012 was R95.4 million (F2011: R81.4 million), with the first payouts to employees planned for F2013.

Performance F2012

EMPLOYMENT

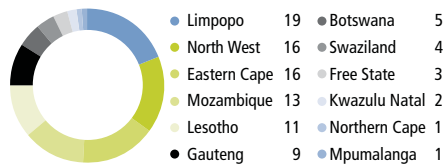
At the end of June F2012, Northam employed 11 631 people. At Zondereinde the company employed 6 861 full-time, permanent employees and 1 940 long-term, permanent contractors and 362 short-term contractors at Zondereinde. At Booyensdal, the company employed 55 full-time, and 2 413 contractors. It is expected that the permanent employment at Booyensdal will increase to 1 200 once the mine reaches steady-state production in F2015.

At the end of June 2012, 19% of permanent employees at Zondereinde were drawn from the

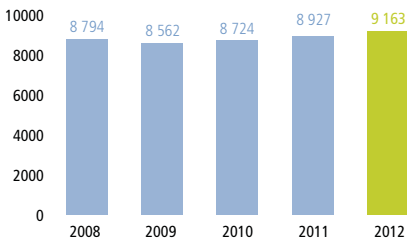
Limpopo province (F2011: 19%), while a further 49% (F2011: 47%) were from other provinces in South Africa, and 32% (F2011: 34%) from neighbouring countries. While the company does not discriminate against foreign labour, Northam remains committed to increase the local labour representation at both Zondereinde and Booyensdal to facilitate the allocation of wealth and skills to those most affected by its operations.

Labour turnover at Zondereinde was 7% (F2011: 7%) with a total of 461 (F2011: 487) people leaving the employ of the company during period. These 461 departures may be ascribed to resignation (198), misconduct (147), incapacity (59) and death in service (57).

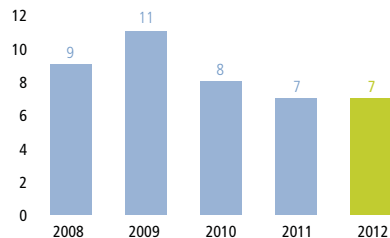
Origin of permanent employees at Zondereinde (%) – F2012



Average number of employees (including contractors) at Zondereinde



Turnover rate at Zondereinde (%)



LOCAL EMPLOYMENT AT BOOYSENDAL

Located in a region of little economic activity, a particular issue of concern at Booysendal is the allocation of jobs. As a new business in the area, the company endeavours to engage with local community structures, including the Greater Tubatse and Greater Sekhukhune district municipalities on an ongoing basis.

As part of Northam's commitment to the Mining Charter and the Booysendal social and labour plan, the company is fully committed to developing skills and promoting economic activity amongst the communities in which their operations are located. Although there are limited vacancies currently at Booysendal mine, going forward, the mine will require employees with the necessary skills and experience particularly in the fields of engineering, trackless mining and plant operation.

In order to establish the level of required skills in the nearby communities and to identify individuals who possess these skills, Booysendal has developed a dynamic skills database. This skills database was compiled by way of hosting several open days to give community members from the surrounding Greater Tubatse and Taba Chweu local municipal areas the opportunity to fill in an individual profile summary and submit their details for inclusion in the database. The skills database is, and will continue to be used by contractors and the mine as a reference to source employees from the local communities.

Certain community members who attended these open days were interviewed to establish if they possessed the necessary skills and qualifications for employment at Booysendal. Those who qualified were asked to undergo psychometric tests and medical examinations and received training in

preparation for job opportunities during the construction phase. All these individuals have been, and will continue to be employed by the main contractor upon completion of their training.

Northam started employing people at Booysendal in July 2010. It is envisaged that a total number of 1 200 people will be employed once the mine reaches steady-state production in F2015.

EMPLOYMENT EQUITY AND TRANSFORMATION

Employment equity legislation in South Africa promotes equal opportunity and fair treatment through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the imbalances of the past. Greater participation of black South Africans and women in the economy is needed and the Mining Charter requires that HDSA employees make up 40% of management by 2014.

In line with legislative requirements, specifically the Mining Charter and the Employment Equity Act, the company has an employment equity programme in place. Equity plans and progress at the company's operations are submitted to the Department of Labour (DoL) every year.

The attraction and retention of HDSAs and women in management continues to be a significant challenge for the mining sector. Incentive schemes such as retention bonuses amongst others are implemented across the sector resulting in smaller companies often not being able to compete with the packages offered by larger companies.

In addition, the remote location of the operations are a significant deterrent for younger generations of women and HDSAs, and it remains a challenge to fill core positions with the necessary skill sets from

Employment and human rights

continued

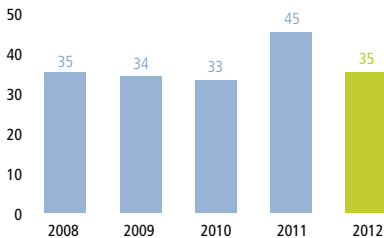
these groupings. This is exacerbated also by the fact that HDSA and women university graduates appear to be absorbed by companies in locations closer to urban centres.

At Northam, transformation has taken the form of legal compliance and maintenance as well as constant improvement of relationships between organised labour and management. Structures have been defined and managed closely to ensure efficiency and focus in the implementation of key initiatives.

The employment equity and training committee, established in F2011, consistently monitors the company's employment equity plan and workplace skills plan. Key successes have been achieved in areas relating to communication, transparency in reporting and monitoring legal compliance targets.

At the end of F2012, the representation of HDSAs in management for the group was 35% (F2011: 45%).

HDSAs in management (%)



WOMEN IN MINING

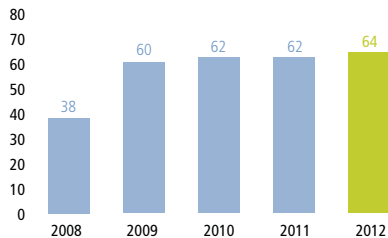
In line with the requirements of the Mining Charter, priority is given to the attraction, retention and development of HDSAs and women. Engagement and consultation with female employees at Zondereinde are driven by the employment equity and training committee as well as by way of consultation with local branch structures of the NUM. The major barriers and challenges identified through these structures are:

- the suitability of personal protective equipment (PPE) that suits the needs of women;
- suitable arrangements for the unique needs of women underground; and
- perceptions surrounding women in mining.

To address these challenges, Northam continues to implement the following interventions:

- sourcing suppliers that are able to provide suitable PPE for female employees;
- identification and discussion of the unique needs of women in the workplace by the employment

HDSAs at board level (%)



equity and training committee to identify and implement suitable arrangements; and

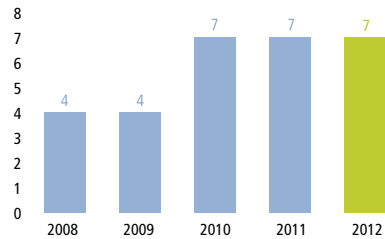
- inclusion of issues around perceptions and attitudes of both male and female employees in a diverse workforce.

As at 30 June 2012, 473 women were employed of which 257 were working in the core disciplines of the mining, metallurgy and engineering. During the year, women made up 7% of the workforce at Zondereinde.

It is Northam's policy to ensure that remuneration is based on skills, expertise and experience, and not on race or gender. There were no material differences in the range of minimum wages of men

to women during the year. The standard entry level and minimum wage entry rates include a service increment of 0.5% for each year of relevant, proved experience.

Women in mining at Zondereinde (%)



Women in mining at Booyensdal

Employment and human rights

continued

Training and development

Northam has distinguished between training and development to ensure that individuals are supported to improve their competence and knowledge in the workplace and also to grow as individuals. Training includes:

- legislative training (skills, health and safety);
- learnerships;
- portable skills; and
- external specialised training.

Development includes:

- bursaries and study assistance;
- Adult Basic Education and Training (ABET)
- mentorship
- succession planning
- management development programmes

In F2012, the company spent a total of R15.4 million on training and development at Zondereinde.

Breakdown of training expenditure (F2012)	
Training	Expenditure
ABET	R362 290
Library	R109 625
Learnerships	R571 818
Bursaries	R265 469
Study assistance	R29 731
Skills development	R1 279 053
Safety training	R59 707
Legal training	R1 045 160
Seminars	R75 628
Cat 9-13 trainer labour	R5 981 481
Category 2-8 trainer labour	R5 162 594
Stores (training centre and systems)	R493 342
Total:	R15 435 898

ZONDEREINDE SKILLS AUDIT AND PERFORMANCE MANAGEMENT

As reported in F2011, Zondereinde conducted a skills audit in July 2010. The audit included the review and verification of all qualifications of Zondereinde employees. It further required employees to declare any disabilities, if these are applicable, and provide necessary supporting documents to confirm such.

The results of this audit assisted the company to develop an accurate workplace skills plan where critical, core and scarce skills within the business need to be represented. This skills plan includes the development plans and training priorities within each department and section, where applicable, in the business.

Workplace skills development plans and training reports, which identify Northam's future skills needs and training requirements, are submitted to the Mine Qualifications Authority (MQA) each year as required by legislation.

The workplace skills plan is used to target specific training and development interventions for particularly HDSA and women employees to assist with the achievement of the targets in the Mining Charter scorecard as well as internal company targets set in the SLP.

Zondereinde's performance management system includes all aspects of performance, including legal compliance. As of July 2012, the system is aligned to annual salary increases of employees. Employees participate in crafting the job-related aspects of their contract to ensure that realistic targets are set. Performance coaching and feedback is done quarterly to measure which objectives have been met successfully and to highlight challenges which hinder performance as well as to identify development requirements.

During the year 238 employees underwent behaviour-based performance management training as part of their performance and development. At the time of writing, 226 of these reviews were finalised.

Skills development plans for individuals are based on the skills requirements of the company and the development objectives for targeted individuals. Emphasis is placed on historically disadvantaged South African (HDSA) employees to assist the company with maintaining a pool of relevant and effective skills amongst HDSA employees.

LITERACY

The literacy level at Zondereinde is estimated to be 75.5% with 5 180 employees having completed seven or more years of formal and structured schooling. A total of 226 (3.29%) of employees have never had any form of schooling, 3 238 (47.19%) have been educated to ABET levels 1-4 (Grade 4 – 9), 3 089 (45.02%) have been educated to Grade 10 – 12, 263 (3.83%) of employees have obtained certificates or diplomas with 45 (0.66%) having obtained post graduate degrees.

ABET is available to all employees on a part-time voluntary basis. The ABET facilitation group consists of six full-time facilitators. In total, 800 employees per semester can be accommodated at the ABET facility on a part-time basis. The current ABET facility comprises three computer rooms with 100 computers, two facilitation rooms and a new library, built during the previous financial year and is equipped with four computers with internet access so participants have access to research resources. The library is fully equipped with reading material which includes books, subscribed mining and engineering magazines and newspapers.

The ABET programme is marketed on a regular basis to encourage employees to participate in ABET at Zondereinde. ABET facilitators are required to develop campaigns that make use of various communication systems including the Zondereinde radio station - Radio Vuka - and printed materials such as posters and brochures.

The Zondereinde ABET facility received full Mining Qualifications Authority (MQA) accreditation following an audit by the MQA in September 2010. The entire ABET syllabus, all learning materials as well as the competency of the ABET facilitators were evaluated as part of the audit. Recommendations made by the MQA regarding minor modifications to the syllabus to include mining industry-related subjects to create a platform for further career-specific development and the further integration of career paths following the completion of ABET were taken on board by the company.

The new ABET syllabus at Zondereinde comprises:

- language, literacy and communication;
- mathematical literacy, mathematics and mathematical sciences;
- natural science;
- occupational health and safety;
- overview of mining; and
- mining/metallurgy skills.

A total of 752 learners were registered to attend ABET during the year (F2011: 952) with 301 completing the curriculum and participating in examinations (F2011: 462) – 179 in the first half of the financial year and 122 in the second half. The overall pass rate was 48% with 90 (50%) employees successfully obtaining ABET qualifications in the first half of the financial year and 53 (43%) in the second half. A total of 41 employees received their General Education and Training Certificates (GETC) in F2012.

Employment and human rights

continued

LEARNERSHIPS

At Zondereinde, Northam offers learnership programmes to provide employees with the opportunity to improve their skills through a combination of studying and practical, on-the-job training. Learnerships play an important part in progressing employees' careers as they lead to qualifications recognised by the Sector Education Training Authority (SETA) and are registered with the Mining Qualifications Authority (MQA). In F2012, the company spent R572 000 on learnerships. In total, 58 employees participated in learnerships in various fields during the year.

BURSARY AND STUDY ASSISTANCE PROGRAMMES

A bursary and study assistance programme (assistance to employees who are employed by the company, including in-service bursars) is based on the skills required by each department and is therefore department-driven. In F2012, Zondereinde provided bursaries to seven people, at a cost of R229 000, in the fields of mining engineering, electrical engineering, chemical engineering, analytical chemistry and financial management.

At Zondereinde, Northam has in place the 'Dinaledi Stars' scholarship programme which provides assistance to local school girls in Grade 10 to 12.

The top three students in Maths and Science in each grade are selected and bursaries to tertiary institutions of their choice are awarded to scholars once they matriculate. Each year, three new Grade 10 pupils are selected to feed the programme.

In addition, four bursaries are awarded to promising second year students from universities across South Africa until they complete their qualification. Northam is currently supporting four students in the fields of mining engineering, chemical engineering, electrical engineering and mechanical engineering.

Housing and living conditions

The requirements set out in the MPRDA underpin the overall intent and direction taken by Northam in respect of provision of housing and accommodation for employees and contractors

A housing forum, comprising representatives of organised labour and management, has been established at Zondereinde to actively direct the housing and living conditions objective of the company.

The majority of Northam's workforce come from labour-sending areas and have indicated a clear preference not to be permanently housed in

the area and will return home. In F2012, 3 501 full-time employees (59% of employees who form part of category 2 - 8) were accommodated in hostels provided by the company, while some 2 221 employees in this category opted to receive living-out allowances. Many employees have their primary homes and families in other countries, other provinces or other regions of Limpopo province. To deal with the continued need for hostels, the company is in the process of converting portions of the hostels into lower density accommodation. Renovations are nearing completion which will provide 992 employees with single accommodation.

Meals served at company-provided accommodation are prepared according to a meal plan drawn up by a clinical dietician with the energy, macro and micro nutrient content rigorously monitored. On average 9 000 meals are served to employees per day.

Northam's accommodation and housing strategy is largely aimed at promoting affordable housing and home ownership. As part of its approach, the company has in place the Mojuteng housing project to help employees to own their own homes. In total, 308 housing units have been completed to date with 200 units currently in use.

Supervisory and management employees are largely accommodated in company-provided housing, which is a significant draw-card for employment in a country and region where there are housing shortages.

At Booysendal, full-time employees receive living-out allowances. Accommodation and meals are provided to contractor employees by the relevant contractors.

MOJUTENG HOME OWNERSHIP SCHEME

The Mojuteng home ownership scheme focuses on making home ownership affordable for employees. It does this by offering employees a home loan, a debt consolidation facility and a structured housing subsidy. This helps free up disposable income and results in higher home loan approval rates of around 70%.

During the year, around 140 housing units in Mojuteng were sold to employees, bringing the total to 240 since inception of the housing scheme. In F2012, Northam spent R44 million on this project (F2011: R56 million).

Northam in the community

Key developments

- R2.8 million spent on community upliftment and development.
- Revision of Zondereinde's SLP.
- Land invasion at Booyensdal.

Approach and structure

Northam understands that the company needs to play a responsible and co-operative role in the area where its operations are located. This takes the form of meaningful and relevant contributions to the sustainability of the surrounding community and environment. A stakeholder engagement policy has been finalised for board approval, while an overarching community and rural development strategy has been developed at group-level which provides governance and strategic direction in respect of the identification and implementation of community project. This strategy includes stakeholder mapping, a review of expectations and immediate risks, and constructive engagement with government and related stakeholders to ensure a coordinated approach to community development.

At the Zondereinde mine, Northam has longstanding relationships with, amongst others, the temporary mine-related community, neighbouring farmers, informal settlements (such as the Smashblock community) and the towns of Northam and Thabazimbi, as well as other mining company communities.

The situation is more complex at Booyensdal, with a number of communities vying for position in the area. However, at the inception of the project management embarked on a proactive stakeholder engagement programme which identified 12 recognised families/communities, which are now represented in a community forum.

The constituents of this forum (which includes members of management) have regular access to the site, and are provided the opportunity to discuss training and job opportunities with management. The original constituency of the forum needs to agree on any new members to the forum.

Northam recognises that there may be communities in the area who have some historical affiliation with the land it has under management. For this reason the company has undertaken extensive surveys to identify any historical artifacts or archeological and grave sites which may have significance for certain communities. Such sites are fenced off and carefully preserved.

To ensure alignment with the MPRDA, the Mining Charter requirements related to mine, community and rural development and to ensure a focused approach to the company's contribution to its local communities, Northam has paid a great deal of attention to local economic development (LED) projects identified in its SLPs. These SLPs have aligned with local municipalities' integrated development plans (IDPs) so as to avoid duplication of effort and to address real, identified community needs.

Zondereinde's SLP is in the process of being revised following a feasibility study which indicated converting the Life community centre to a co-operative before transferring it to the community will not be sustainable. A request was made to the DMR to allow the mine to review this model and to replace it with a more suitable, sustainable model. Revisions are currently being finalised and will be submitted to the DMR by 30 September 2012. The Life community centre will no longer be transferred to the community, but will be re-launched as an entrepreneurial support centre.

The SLP for the Booyensdal project has been developed and local economic development projects have been identified.

Local economic development issues and compliance with these aspects of the Mining Charter are the responsibility of senior management and are reviewed by the board.

In addition to local economic development, Northam supports a number of projects that do not necessarily fall within the SLP parameters but are considered by the company to be worthy causes.

Addressing community needs

Northam's community development programme has as its focus the contribution to the social upliftment of communities directly surrounding its operations and communities within major labour-

sending areas. The primary objectives of Northam's programme are the sustainable upliftment and development, and the economic empowerment of stakeholders.

The main issues identified by communities during F2012 were related to:

- local employment of individuals from surrounding areas
- procurement;
- skills development;
- infrastructure and social development;
- environmental and waste management;
- access to water; and
- investment in the growth of the agriculture sector.

During F2012, R2.8 million (F2011: R4.1 million) was spent on corporate social investment and local economic development across the group.



Skills training at the Zondereinde Life centre

Northam in the community **continued**

CSI/ LED projects

Name	Description
Zondereinde	
Deo Gloria Primary School	<ul style="list-style-type: none"> • Building of three classrooms • Building of computer centre • Building of a library • Salaries of 11 people
Life community centre	<ul style="list-style-type: none"> • Training and facilitation of: <ul style="list-style-type: none"> • agricultural farming • chicken farming • livestock farming • alien plant control
Thabang Children's Place of Safety	<ul style="list-style-type: none"> • Provision of food on a monthly basis
Computer centre services:	<ul style="list-style-type: none"> • Servicing of internet connection
<ul style="list-style-type: none"> • Northam Primary School • Northam Comprehensive School • Krause Primary School • Koedoeskop Primary School • Naletsana Combined School 	
Economic development facilitation in the Eastern Cape	<ul style="list-style-type: none"> • Establishing small, medium and micro enterprises
Dinaledi Schools	<ul style="list-style-type: none"> • Provision of bursaries to nine girls in Grade 10 to 12
<ul style="list-style-type: none"> • Girl-child bursary scheme • Holy Family Combined School • JM Ntsime High School • Kgamanyane High School 	<ul style="list-style-type: none"> • Upgrade of computers • Conversion of library to media centre • Provision of computers
Boysendal	
Uzenzela wena orphanage	<ul style="list-style-type: none"> • Donation to the orphanage for the December festive season
Greater Sekhukhune disaster management	<ul style="list-style-type: none"> • Provision of food parcels to families in Kalkfontein who were affected by a storm
Rooidraai power station	<ul style="list-style-type: none"> • Assisting the Thaba Chweu local municipality in developing an electrical sub-station to supply electricity to the town of Mashishing
Greater Tubatse landfill site boreholes	<ul style="list-style-type: none"> • Regional monitoring of waste facilities, fountains, dams, pans, streams and rivers

At Zondereinde:

Zondereinde mine is located in a region that is relatively sparsely populated, in a province with low levels of economic activity. Agriculture, mining and tourism are the primary economic activities in the province and region. Disbursement priorities have been guided by the Zondereinde SLP and the corporate social investment (CSI) committee, tasked with identifying development priorities in the area.

The committee, comprising three members of management together with one representative from each of the organised employee representative bodies, convenes on a monthly basis to identify, prioritise and allocate resources towards sustainable projects. Priorities for F2012 included:

- the re-evaluation of the Life community centre;
- the analysis of business activities on the mine
- the identification of key priorities aligned to the IDPs of local municipalities for the next three years; and
- the finalisation of a governance framework to align CSI and LED projects.

LOCAL EMPLOYMENT

To address the need for employment in the area, Zondereinde works in close collaboration with the Thabazimbi and Moses Kotane municipalities which supply the mine with a database of unemployed individuals in the area. Zondereinde uses this database to recruit local candidates. Monthly meetings are held between municipal officials and Zondereinde mine's recruitment team to manage this process and the expectations of local individuals.

INFRASTRUCTURE DEVELOPMENT

As part of Northam's commitment to infrastructure development within the areas that surround its

operations, Zondereinde mine, together with Anglo Platinum and the Thabazimbi municipality, Waterberg district municipality, embarked on a project to build and develop a new sewerage system in the town of Northam.

Northam and Anglo American Platinum are planning to develop around 9 000 houses in total in Northam town of which about 3 207 units will be in the De Put development within the next years. The sewerage system currently in place does not have the capacity to service the Northam community and the new housing development has therefore necessitated the construction of a new sewerage system to ensure that all the residents of Northam receive sewerage services.

Northam has committed R10 million towards this project and contributed R5 million during F2012.

At Booysendal:

Booysendal is located in a region with little existing economic activity. Agriculture and forestry, mining and tourism are the primary economic activities in the region. Stakeholder identification and engagement at Booysendal is a far more complex undertaking than at Zondereinde, complicated by the scale, proximity and needs of local communities, and historic interests in landholdings.

Community engagement falls under the human resources discipline headed by the human resources manager. A stakeholder engagement strategy is currently being developed and various forums have been set up to facilitate the flow of meaningful benefits to communities and to address their concerns. This is in addition to the needs identified in local municipal IDPs. There appears to be a widespread expectation amongst community members that mining operations will create jobs for all. Given the nature of the

Northam in the community **continued**

orebodies and the type of mining (trackless mining) to be undertaken in the area, these operations are not very labour-intensive and will never be able to meet the direct expectations and needs of everyone in the local communities.

Communities have become more vocal and have staged protests against mining companies in the area. These protests are specifically related to the creation of jobs.

The key priorities of Booyseendal's community activities include:

- local employment;
- education;
- infrastructure development;
- health;
- environmental management;
- poverty alleviation;
- enterprise development; and
- capacity building.

LOCAL EMPLOYMENT

A particular issue of concern at Booyseendal has been, and in the short term will continue to be, the allocation of jobs in an area where employment levels are low. This issue is expected to intensify.

Booyseendal's SLP seeks to address some of the needs in this area, but it will be difficult for a single mining company to have a significant impact. Booyseendal management has developed a dynamic database to be used for future sourcing and recruitment of employees with the skills and qualifications appropriate for Booyseendal. For more information on employment practices at Booyseendal, see the employment and human rights section of this report.

Local procurement

In line with the company's commitment to the Mining Charter, Booyseendal is fully committed to distributing wealth and skills to the communities which surround its operations. Northam's procurement policy therefore gives local BEE companies preferred supplier status.

During F2011, Booyseendal hosted open days to inform local suppliers about Northam's requirements, policies and the opportunities offered. These open days were held in Mashishing, Roossenekal and Steelpoort and were advertised in local newspapers. Companies which comply with the necessary criteria are placed on the vendor list, provided they are commercially competitive.

Community engagement at Booysendal

The eastern limb of the Bushveld Complex has often been the scene of conflict between mines and communities. The southern section located within the Greater Sekhukhune region, is a poor rural area which contributes only 0.2% to the South African economy. A socio-economic study commissioned by Northam prior to the construction of the Booysendal mine indicated that up to 65% of the population was not economically active.

This study was one of many which Northam embarked upon prior to the establishment of the company's new PGM mine, located near the now closed Everest operation and the Mototolo mine. These studies underpin an extensive and thoroughgoing stakeholder engagement programme run by the mine's HR department, headed by Mr Paul Makaba the Booysendal stakeholder human resources manager.

Arising from this programme is a fully functional stakeholder forum. The forum provides a useful and accessible platform where local community members, other stakeholders, and mine management can discuss any matters of mutual concern. The Booysendal stakeholder forum meets on a quarterly basis. The management at Booysendal has been cautious not to exclude any communities from gaining representation on the forum.

Nevertheless, the company's efforts to bring a permanent Eskom power supply to the mine site has been challenging to date. The contractors responsible for erecting power installations on an Eskom-registered servitude have had to suspend these activities upon encountering threatening and intimidating behaviour from a number of community members who had recently moved on to this company-owned land. These community members had been invited to join the forum, where they would be given the space to air any concerns they may have had about the electrical installations.

Citing land claims and disturbance of ancestral gravesites, disaffected community members persisted with threatening conduct. In an attempt to gain access to company-owned property and to avoid any further delays to securing a permanent power supply to Booysendal, the company resorted to the high court and obtained an interdict to secure safe access for the contractors on site. Post the interdict, an agreement was reached to navigate a way forward which would be beneficial for the company as well as the community. This agreement has since also been ratified by the court.

Northam and Eskom have also since reported the alleged heritage site disturbances to the South African Heritage Resources Agency (SAHRA). SAHRA has issued a permit to carry out test excavations on the alleged gravesites. An archeologists has been appointed by Eskom to conduct this investigation to accurately establish the siting of any possible heritage sites, which will be clearly marked for protection and preservation.

Environmental performance

Key developments

- Zondereinde granted water use licence.
- Continued roll-out of ISO14001 to surface infrastructure.
- ISO14001 principles incorporated in Booyensdal EMP.

Approach and structure

The health, safety and environmental (HSE) committee has been tasked by the Northam board to oversee environmental matters at a group level.

At Zondereinde environmental issues are managed as an integral part of the production process. Owing to the technical nature of so many of the environmental issues and challenges, this portfolio vests with the engineering department and, specifically, the engineering manager who is supported by an environmental officer. Ultimate responsibility for environmental compliance and performance lies with the general manager of Zondereinde and the chief executive of Northam.

At Booyensdal, oversight for environmental issues within the designated mining area (the Booyensdal UG2 North mine which accounts for 1.3% of land under management) is the responsibility of the mine manager, supported by environmental personnel. The balance of the land under management is the responsibility of a designated land manager with a background in conservation rather than mining.

All required permits and licences have been awarded at Booyensdal following baseline assessments and planning to minimise the operation's impacts on the natural environment.

Environmental management systems are in place to meet regulatory requirements.

Key environmental issues and parameters for both operations are formally reported on a monthly basis to the mine and company executive and on a quarterly basis to the HSE committee of the board.

The company regularly undertakes audits and assessments of compliance with environmental management plans (EMPs) and environmental impact assessments (EIAs).

Northam's environmental policy commits the company to manage the environment in which it operates responsibly by adopting and implementing environmental practices as outlined in the National Environmental Management Act (NEMA), 1998.

As a PGM development, mining and beneficiation company, Northam's activities do have an impact on the land, water, air and natural resources, including fauna and flora, in the areas which surround its operations. Conserving and optimising the use of resources such as land, water, energy, and fuel are among the most significant challenges faced by Northam.

Legislation and compliance

Rigorous environmental and mining legislation governs environmental impacts and permitting in South Africa, including:

- NEMA;
- the MPRDA;
- the Constitution of the Republic of South Africa,
- the Air Quality Control Act;
- the National Water Act;
- the National Waste Act;

- the National Heritage Resources Act; and
- the National Environmental Biodiversity Act.

According to South Africa’s environmental legislation, all new mining projects are subject to environmental impact assessments (EIAs) which include a high degree of public participation as well as numerous specialist studies which cover all aspects of the environment including fauna, flora, archaeology as well as water and air quality.

Northam manages its operations in line with the environmental legislation and regulations of, in particular, the Department of Mineral Resources (DMR) and the Department of Water Affairs (DWA). Consultation is also held with the regulatory authorities. The company did not receive any environmental fines or legal sanctions during the year under review.

The company has adopted a precautionary approach as this is implicit within the regulations

of NEMA and the company’s own environmental management systems (EMSS).

Both Zondereinde mine and the Booyensdal UG2 North mine have new order mining rights and both operations now have integrated water use licences (IWUL) in place following the allocation of Zondereinde’s IWUL in May 2012.

Approved environmental management plans (EMPs) are in place at both the Zondereinde and Booyensdal UG2 North mines and serve as management tools to address the impacts and potential impacts on the environment by the operations as well as the measures to manage, monitor and mitigate these impacts. These EMPs are subject to regular annual audits.

During the year, Zondereinde mine hosted a public open day to discuss its integrated water and waste management plan with affected stakeholders. Some of the issues raised included the possibility



The Pycna Sylvia cicada at Booyensdal

Environmental performance **continued**

of creating community jobs by way of a waste recycling programme. This suggestion is currently being considered by management.

ISO14001

Northam has adopted the ISO14001 standard as the basis for its environmental management systems. The Zondereinde mine has been ISO14001 certified since February 2011. An ISO14001 audit conducted during the year raised a number of areas targeted for attention, including:

- improving the environmental management system (EMS);
- improving understanding of the EMS amongst employees;
- setting objectives and targets throughout the mine;
- aligning the EMP with mine-wide objectives and targets;
- implementing emergency plans and testing at sewer plant and salvage yard; and
- re-evaluation of internal audits.

The implementation of ISO14001 at the metallurgical complex is continuing and the company is aiming to have obtained certification by 2014. A training model for employees is in place and has been implemented at the Zondereinde training centre.

The principles underlying ISO14001 have been incorporated into Booyensdal's EMP to ensure that an ISO14001-aligned EMS is in place once the mine reaches steady-state production after which ISO14001 certification will be sought.

While a smelter run-out occurred at Zondereinde, the matte spill was contained within the building footprint and the matte will be recycled. There were therefore no significant environmental incidents or water spillages at Zondereinde during the year.

Performance 2012

Northam's environmental impacts at Zondereinde and Booyensdal are different given the stage of operation (development versus steady-state), nature of operation (deep-level versus shallow mining) and location. Generally, however, these impacts may be categorised as:

- the use of resources, including rock mined, water and energy use as well as the consumption of other materials;
- emissions and discharges to water and air;
- management of land, including rehabilitation and biodiversity management; and
- planning for and funding of eventual rehabilitation and closure.

During the year, Northam spent R2.3 million on environmental management at Zondereinde.

Resource utilisation

The primary resources used by Northam are water, energy and bulk materials such as rock (mined and processed), liquid fuels, coal, grease, steel, timber and lubricating and hydraulic oils. Zondereinde actively optimises its resource usage and recycling programmes are in place for plastics, steel, timber and scrap.

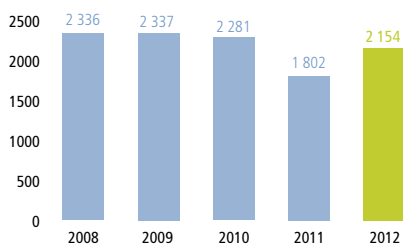
Materials used

	Unit	F2012	F2011	F2010
Rock mined	000t	2 154	1 801	2 281
Ore milled	000t	1 934	1 591	2 105
Timber (bulk support)	m ³	827	754	3 528
Cartridge explosives	t	2 552	2 010	2 650
Oxygen	t	2 018	2 461	3 131
Sulphuric acid	t	769	747	1 064
Sulphur dioxide	t	82	90	122
Grease	t	47	41	61
Lubricating and hydraulics oils	l	135 155	112 311	125 034

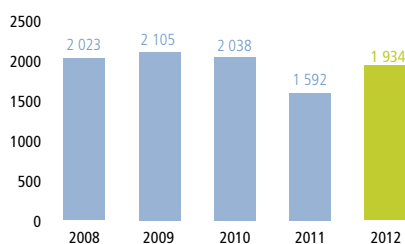
Materials recycled

	Unit	F2012	F2011	F2010
Plastic	t	108	62	14
Steel	t	2 053	1 759	1 508
Timber	m ³	4 601	5 874	6 402
Scrap metal	m ³	1 955	2 526	2 557
Rubber	t	134	156	168

Rock mined (000t)



Ore milled (000t)



Environmental performance **continued**

Water

Northam recognises that water is a scarce resource and optimises the use of water by recycling and re-using water in various circuits. Furthermore, these circuits are linked at Zondereinde to optimise water consumption from any source.

On 2 May 2012 the Zondereinde mine was allocated its IWUL. There are however a few requirements which the mine will continue to address, these include:

- monitoring the stringent water quality requirements for industrial water circuits;
- frequency of groundwater monitoring;
- construction and operation of dirty water infrastructure;
- calibration of flow metres every two years;
- additional groundwater monitoring; and
- timeframes for the submission of initial reports.

Zondereinde mine engages with the DWA and the Department of Environmental Affairs and Tourism (DEAT) regarding these water use issues on a regular basis.

Northam continues to consider the risks and opportunities related to water availability in its voluntary submission to the Carbon Disclosure Project (CDP) Water Disclosure for the third consecutive year. This submission may be downloaded from <http://www.greenbiz.com/sites/default/files/CDP-2012-Water-Disclosure-Global-Report.pdf>.

Water is fundamentally important for Zondereinde mine, not just from an environmental and permitting perspective, but also because the mine uses water as its primary source of energy for

underground operations through a shaft-based hydropower system. Water management and water quality are therefore an integral part of the engineering management system. Employees are also made aware of the need to conserve water through campaigns and other forms of communication.

Zondereinde endeavours to run a zero discharge operation and closely monitors any potential impact on its operations on surface and groundwater sources. Extensive monitoring is undertaken and a comprehensive groundwater model, developed and maintained by a third party consultant, has been in place for seven years. This consultant also monitors and advises on surface and groundwater quality control.

In F2012, Northam compiled a storm water management report and upgraded a number of stormwater channels to comply with the requirements of GN704. In addition, Zondereinde also improved the pumping capacity of the return water dam to ensure that no discharge from the tailings dam can access the nearby Crocodile River.

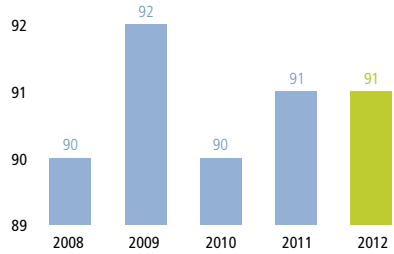
Water allocation is of critical importance at Booyensdal too and Northam continues to manage water use at this operation according to the requirements of its water use licence.

Sampling of underground and surface water at Booyensdal was finalised during F2010 and the data provided base line information on the original water quality – before mining operations started – in the area. Water quality at Booyensdal is monitored on a continuous basis and the findings compared with base line information.

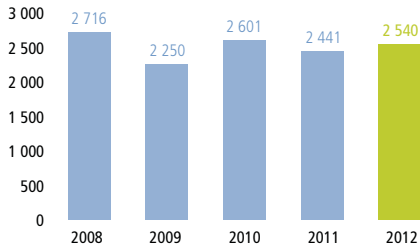
Water usage (000m³)

	F2012	F2011	F2010
Potable water from external sources	2 540	2 441	2 601
Fissure water used	1 273	2 392	1 385
Water recycled in process	24 390	24 308	23 439
% water recycled	91	91	90

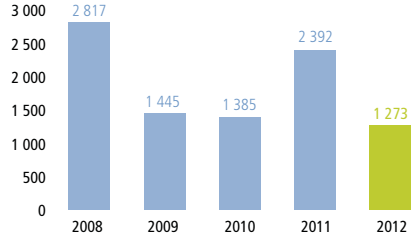
% water recycled (000m³)



Potable water from external sources (000m³)



Fissure water used (000m³)



Ongoing rehabilitation at Booyensdal

Environmental performance **continued**

Primary water sources at Zondereinde

At Zondereinde, two primary water sources contribute to the mine's total water consumption namely, industrial water and potable water. These water sources are discussed in further detail below.

Industrial water

Industrial water is used for all mining and processing operations and constitutes around 90% of total water usage on an annual basis. This water is maintained within a closed circuit and recycled on an ongoing basis.

Evaporation rates are high given the geography and climate of the region, where surface temperatures may reach 40°C in summer. The water is exposed to evaporation while it is contained within the processing facilities, on the tailings dams and storage facilities, and needs to be supplemented by approximately 15% (10% potable and 5% fissure) on an annual basis.

There has not been a significant change in the rate of water flow as a result of mining operations over the past 20 years – since mining first started at Zondereinde.

The fissure water flow is not seasonal which is a clear indication that this water is distinct from rechargeable groundwater.

Zondereinde does not source water from riverine systems, surface sources or from perched aquifers (in other words, groundwater). The balance of surface water make-up comes from rainfall onto the property which is captured in the dams, and which by definition becomes grey water.

Potable water

Around 10% of the total water usage at Zondereinde is potable water purchased from the Magalies Water Board on an annual basis.

As the company's operations are located in an area where water is considered a scarce resource, Northam recognises that water availability may in future be constrained as a result of increasing industrial pressure on water supply and as a result of climate change, and therefore needs to be conserved.

Zondereinde does not consume water from local sources nor does it impact on them. However the mine remains an active participant in matters relating to water management in the area by way of, amongst other approaches, discussing water issues with local community members and surrounding farmers.

On an annual basis, Zondereinde hosts an open day for interested and affected parties to discuss matters of concern. Zondereinde is a participant within the Crocodile River and Groot Marico Catchment Authorities.

When overflow is inevitable owing to heavy and sudden rainfall, discharge conditions are monitored and water is discharged from the treated sewerage effluent dam and evaporation dam into the Bierspruit. However, monitoring indicates that the quality of the water discharged into the Bierspruit is significantly better than that encountered in the Bierspruit above the discharge point, as other mining and small farming activities also take place next to the spruit.

Energy

Energy supply in South Africa, specifically electricity, revolves around both supply and price. Northam sources electricity from South Africa's power utility, Eskom. As electricity is a critical component of costs –R295.3 million (11.6%) of total cash costs in F2012 – the company places a great deal of emphasis on its conservation.

However, owing to the extensive use of hydropower at Zondereinde, Northam continues to be presented with an economic advantage due to the fact that the company uses less electricity per unit run of mine production than its peers that utilise compressed air to power underground equipment.

Mining activities at Zondereinde are carried out by hydropowered equipment, a technical innovation pioneered and refined over time by Northam. Hydropowered equipment is used for direct mining operations and provides the added advantage of positional cooling where work is performed. A second technological innovation is the use of backfill to support mined underground areas. Backfill lowers the underground temperatures by reducing heat ingress from worked-out areas, while also reducing the size of the area to be cooled by 65%.

The application of hydropowered equipment and backfill, has effected power savings of

190 399MWh and 50 400MWh respectively. These savings have been enormously beneficial, given the continued increases in power tariffs (25.8% increase with effect from 1 April 2011; 16% increase on 1 April 2012; and a further increase planned for 2013).

As Zondereinde's mining operations go inevitably deeper, its energy requirements will increase. Similarly, Booyendal's ramp-up will add to the group's energy consumption, resulting in little potential for reducing energy consumption in the short to medium term. Going forward, the company will be focusing on efficiency rather than the amount of electricity purchased.

Nevertheless, the development of efficient power technologies at Zondereinde since its inception has spawned a culture of innovation and research into alternative energy sources. This mind-set will stand the company in good stead as it expands its production base in the future.

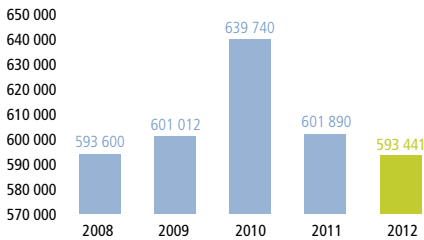
Total indirect non-renewable energy consumption from electricity sourced from Eskom at Zondereinde decreased by 0.4% to 599 679MWh (F2011: 601 890MWh) in F2012 with around 78% of electricity used by mining operations and 22% by processing and smelting activities.

Electricity consumption (MWh)

	F2012	F2011	F2010
Energy from electricity purchased by shafts	467 893	461 484	483 541
Energy from electricity purchased by plant	125 548	140 406	156 199
Total electricity purchased	593 441	601 890	639 740

Environmental performance **continued**

Total electricity purchase (MWh)



Management continues to review all energy-intensive processes to improve efficiencies. Improvements are also being effected to the electricity consumption monitoring system so as to allow for the automated use of equipment.

Zondereinde also works closely with Eskom in respect of its Demand Side Management programme, so as to reduce its energy requirements at the refrigeration plant and underground pumps during peak consumption periods. In addition, the mine also makes use of power factor correction equipment to reduce apparent power consumption which leads to electricity bill savings.

Northam continues to implement and benefit from renewable energy and energy conservation programmes at Zondereinde. The following programmes were implemented during the year:

- reduced consumption of main ventilation fans by around 0.8MW for four hours per day during the working week and 24 hours over the weekend;
- reducing the quantity of water that needs to be chilled and pumped, thereby improving

the efficiency of spot coolers in underground workings which has resulted in a continual saving of around 2.5MW; and

- moving 3.2MW of electrical consumption from Eskom during peak periods to off-peak periods by controlling the operating time of refrigeration plants.

The availability of electricity at Booyensdal has been a significant challenge to date. The contractors responsible for erecting power installations on an Eskom-registered servitude have had to suspend these activities upon encountering threatening and intimidation behaviour from community members who had recently moved on to company owned land previously earmarked for the power supply installations. Northam and Eskom are working to resolve the situation. For more information on the Eskom servitude see page 56 of the community section of this report.

The Booyensdal mine design makes provision for an energy management system and the introduction of energy recovery strategies once the mine is fully operational. The orepass capacity minimises the need for decline conveyors to run during peak shift times; with cycle efficiencies and the selection of optimised equipment each section is expected to maximise output while at the same time reducing the number of sections required to operate. This should have a beneficial effect on energy requirements.

Climate change

Climate change continues to present a moderate risk for Northam on a physical and regulatory front. It also presents an opportunity as PGMs are used in technologies that bring about reduction in noxious gases.

Northam has considered the risks and opportunities relating to climate change, including its financial implications in its voluntary submission to the Carbon Disclosure Project (CDP) for the fourth consecutive year which may be found at: www.cdproject.net. Both physical and regulatory risks have been identified and the company continues to manage these primarily through its energy conservation initiatives.

The most significant emissions or potential discharges from Zondereinde are SO₂ emissions (directly from the smelting operations) CO₂ emissions (direct and indirect), potential discharges to water courses and dust generation from tailings dams.

The new Air Quality Control Act came into full effect in April 2010 and has ramifications for emissions, particularly for the reporting of industrial greenhouse gas (GHG) emissions data and mitigation plans. Government is developing additional legislation on the actual reduction of GHG emissions (34% below the business as usual baseline by 2020 and 42% below the business as usual baseline by 2025).

Greenhouse gas emissions (CO₂e tonnes)

	F2012	F2011	F2010
Total global Scope 1 emissions (direct emissions)	15 401	14 432	16 796
Total global Scope 2 emissions (indirect emissions)	611 244	619 947	658 932
Total global Scope 3 emissions (indirect emissions)	815	1 089	1 388
Total emissions	627 460	635 468	677 116

CO₂ EMISSIONS

Progress towards the development of a company climate change mitigation strategy has been made, with Northam already reaping the benefits of a number of energy saving and efficiency projects to reduce electricity consumption and therefore the amount of greenhouse gases (GHGs) admitted into the atmosphere (as the bulk of Zondereinde's CO₂ emissions are largely attributable to indirect emissions from electricity purchased from Eskom).

Dust management

At Zondereinde, dust is monitored on a regular basis and interested and affected parties are encouraged to lodge any complaints relating to dust emissions. Since Zondereinde started operations, no complaints related to dust emissions have been received.

At Booyensdal, monthly dust deposition monitoring conducted during F2010 has provided baseline information on the dust levels in the area before mining had commenced. Northam continues to monitor dust deposition in the areas adjacent to the Booyensdal project to determine the level of impact of mining activities on the area and to develop dust mitigation procedures to reduce its impact on the area.

Environmental performance **continued**

Land management and biodiversity

Northam recognises that it has an important role as custodian of the land where its operations are based. By its nature, and the fact that it is long-established, the management of land and the conservation of biodiversity at Zondereinde mine and metallurgical complex is far simpler than at Booyensdal.

None of Northam’s activities are situated in areas protected by the World Conservation Union, heritage sites or biosphere reserves and no Red Data species have been identified on or adjacent to either mine properties. It is recognised, however, that Booyensdal is located in a more remote and pristine environment that needs to be safeguarded for future generations.

LAND MANAGEMENT AT ZONDEREINDE

Zondereinde’s landholding is far greater than the actual surface footprint of the complex, with surface freehold covering some 4 439 hectares.

Of the land under management, only 137 hectares (3%) has been disturbed by mining, processing, deposition and related activities, including the mine village. The tailings dam and waste rock dump account for around 281 hectares – or 6.3% of the Zondereinde landholding. Land leased to farmers covers 273 hectares (6%) of the total area, while Northam maintains 800 (18%) hectares for conservation and biodiversity purposes. The balance of the land (73%) remains in its natural state.

Zondereinde’s tailings storage facility (TSF) will be rehabilitated as deposition continues to reduce dust levels and for aesthetic reasons with final rehabilitation only occurring after closure.

Land use at Zondereinde (hectares)

Land disturbed by mining and related activities	137
Land leased for farming purposes	273
Land protected for conservation	800
Total land under management (freehold)	4 439

LAND MANAGEMENT AT BOOYENSDAL

Given that Booyensdal is located in a biodiversity-sensitive region – the Dwarsrivier valley – the company has developed a unique and progressive structure that will see oversight of land under management as a distinct role to that of the management of the mine.

At Booyensdal, Northam’s mining right covers an area of 15 151 hectares over which the company owns freehold of 7 423 hectares. Of the land under management, around 100 hectares has been disturbed by mining related activities with around 800 hectares of the landholding having been set aside for conservation and biodiversity purposes.

Booyensdal has established a trust to be funded during the life of mine for the active promotion of conservation in a offset area.

Product responsibility

Approach and structure

PGMs are used in a wide range of applications which contribute to human health and wellbeing. They also provide various environmental health benefits.

Northam's strategic intent in terms of refining, distributing and selling its product is to maintain its positioning in the global marketplace as a reliable independent and competitive supplier of high-quality refined PGMs.

The company has long-standing relationships with its customer base and values mutually beneficial interaction with its customers and endeavours to nurture and maintain its lasting relationships.

Our products

Some of the most well-known applications of PGMs include its use in autocatalysts, which are fitted in the exhaust systems of motor vehicles to reduce the amount of carbon monoxide, hydrocarbons and nitrous fumes in their emissions. Apart from being used in the manufacture of jewellery and electric goods, PGMs are also used in various medical and dental applications.

The use of PGM products to enhance and improve quality of life is a widespread practice throughout the industrialised world. Nonetheless some potential exists for some of the processes and intermediate compounds, to have an adverse effect on people and the environment. Northam and its refining and logistics partners have measures in place to mitigate any harmful consequences arising from processing, refining and transportation of its products.

Metallurgical operations

At Zondereinde mine, Merensky and UG2 ores are processed separately in two concentrator plants, with the concentrate from both blended in slurry

form ahead of the filtration and drying in preparation for smelting. From the smelter granulated converter matte is fed to the base metals removal (BMR) plant. In the BMR plant, nickel and copper metals are removed as crystalline nickel sulphate and copper cathode which are transported directly to local consumers for further beneficiation. Nickel sulphate is handled and transported as a scheduled material; vehicles and containers are accompanied by the appropriate safety data sheets for the information of transporters, handlers and customers.

The remaining PGM solutions are filtered and dried to produce a final concentrate, which is weighed and drummed and prepared for shipment to the Heraeus refinery in Hanau, Germany. At Hanau, the platinum and palladium are partially refined and transported back to Heraeus SA for final refining. The product produced in South Africa is guaranteed to be of London-Zurich 'Good Delivery' status at a minimum purity level of 99.95%, the other PGMs are refined in Hanau. Northam then sells its high purity refined metal including platinum, palladium, rhodium, ruthenium, iridium, gold and silver to contractual customers in the major economic centres of the world, Europe, North America and Japan. A proportion of Northam's refined metal is sold within South Africa.

Precious metals refining

Since 1992, in terms of a long-standing partnership, all of Zondereinde's PGM concentrate has been toll-refined under contract with Heraeus of Germany. The concentrate is delivered on a weekly basis to the Heraeus refinery in Hanau. Heraeus is a registered member of the London Platinum and Palladium Market (LPPM) and is therefore required to produce metal of London-Zurich 'Good Delivery' status.

Product responsibility **continued**

More recently, in conjunction with Northam and in order to facilitate downstream beneficiation opportunities, Heraeus and Northam jointly initiated a three-phase refinery construction and expansion programme in Port Elizabeth, South Africa. The first phase of the Heraeus Refinery South Africa (HRSA), commissioned in February 2007, treats all of Zondereinde's platinum and palladium production.

In terms of Northam's precious metals refining arrangements, final PGM concentrate is transported from the Zondereinde metallurgical complex to Johannesburg, from where it is flown on commercial airlines to Germany and then delivered to the Heraeus refinery.

Strict guidelines set out by the international aviation authorities regulate the conditions and terms of product transportation. At the same time, the Hanau refinery is subject to strict European Union and materials handling protocols.

Platinum and palladium are partially refined in Hanau and then air freighted as intermediate products to the fine metal refinery (FMR) in Port Elizabeth for final refining. Northam then sells the product to its global customers. Rhodium, gold, silver, ruthenium and iridium are toll-refined at Hanau, and returned to Northam's account for international sale and distribution.

The final refined products, which are transported to customers around the world, take the form of refined metal sponge, ingots and powders. These are packaged and transported in accordance with international standards and each numbered lot of metal to consumers is accompanied by a unique Certificate of Assay as issued by the Heraeus refinery, with material safety data sheets made available to customers and transporters when appropriate.

Our customers

Northam's marketing department maintains regular weekly contact with its domestic and international customers, and hosts customer meetings and undertakes visits to customer facilities. Customer representatives undertake reciprocal visits to Northam's mining and metallurgical operations. Any issues relating to customer satisfaction are directly taken up with the marketing department and proactively addressed. In this way, problems arising can be timeously and satisfactorily resolved and customer feedback can be addressed immediately.

Due to the nature of Northam's long-standing relationships, frequent face-to-face interaction with its customers and proactive redress of any issues arising, additional customer satisfaction surveys are not required.

As the sale of Northam's products is largely conducted on a business-to-business basis for industrial applications, no definitive codes are followed for the purposes of marketing communications, promotions and sponsorships. As a result, no incidents of non-compliance with regulations or voluntary codes concerning marketing communication, advertising or promotion on sponsorship were reported during F2012.

Health and safety impacts

All health and safety impacts of the final product in the various stages of the life cycle have been assessed and efforts are made on a continual basis to address health and safety issues which relate to final product.

In terms of customer health and safety, there are no material health and safety complications related to the final products produced and sold by Northam, with the exception of nickel sulphate which is

managed as a hazardous material and is accompanied by relevant safety and health documentation.

There were no incidents of non-compliance with voluntary codes concerning the health and safety of products and services in F2012.

Product and service information and labelling

There are currently no safety, health or environmental labelling requirements for pure PGM metals. Labelling requirements do exist for the base metal by-products which enter Northam's marketing and sales stream. In particular, strict requirements exist for the transportation and distribution of nickel sulphate (NiSO_4). This substance is transported as hazardous material and is accompanied by the appropriate coding and labelling along with the relevant safety data sheets for the information of transporters, handlers and customers.

Northam is a regulated agent, compliant with the South African Civil Aviation Authority's regulations which legislate the terms under which the

company's products are exported. All containers which hold the company's product during the exportation process from mine-to-market, are accompanied by documentation which validates the contents of each shipment.

No incidents were reported in respect of non-compliance with regulations and voluntary codes concerning product and service information and labelling.

Customer privacy and confidentiality

Northam respects the privacy of its customers and to this end, confidentiality agreements and non-disclosure undertakings are standard in its customer contracts. No complaints, substantiated or otherwise, regarding breaches of customer privacy and losses of customer data occurred during the year under review.

During F2012, no fines were received in respect of non-compliance in the process of the provision and use of Northam's product.



Since 1992, all of Zondereinde's PGM concentrate has been toll-refined under contract with Heraeus

Reporting in line with the GRI

Northam has provided an index below of compliance with the Global Reporting Initiative's (GRI) G3.1 reporting guidelines and core performance indicators.

Northam has self-declared a B+ level of reporting and has engaged external auditors ERM to assure certain key parameters and the group's compliance with its stated application level. In addition, GRI has verified that this report fully complies with the G3.1 reporting guidelines and core performance indicators for a B+ level of reporting (see page 83).

G3 Indicator	Description	Page	Level of reporting
Profile			
1.	STRATEGY AND ANALYSIS		
1.1	Statement from senior decision maker	16	Fully
1.2	Description of key impacts, risks, and opportunities	16	Fully
2.	ORGANISATIONAL PROFILE		
2.1	Organisation's name	4	Fully
2.2	Major products	8	Fully
2.3	Operational structure and major divisions	5	Fully
2.4	Location of headquarters	4	Fully
2.5	Countries of operation	3	Fully
2.6	Nature of ownership	4	Fully
2.7	Markets served including geographic breakdown/sectors served/customers	8-13	Fully
2.8	Scale of organisation including number of employees, net sales/revenues, total capitalisation	4-5, 31-32	Fully
2.9	Significant changes during reporting period	5	Fully
2.10	Awards received	30	Fully
3.	REPORT PARAMETERS		
3.1	Reporting period	1	Fully
3.2	Date of previous report	1	Fully
3.3	Reporting cycle	1	Fully
3.4	Contact point	2	Fully
	REPORT SCOPE AND BOUNDARY		
3.5	Process for defining report content	1-2, 16-20	Fully
3.6	Boundary of the report	1	Fully

G3 Indicator	Description	Page	Level of reporting
3.7	Limitations on the scope or boundary of the report	1	Fully
3.8	Basis for reporting on joint ventures, etc.	1	Fully
3.9	Data measurement techniques and bases of calculations including assumptions	1	Partially
3.10	Restatements of information	None	Fully
3.11	Significant changes from previous reporting periods	None	Fully
GRI CONTENT INDEX			
3.12	Table identifying the location of the disclosures in the report	72-80	Fully
ASSURANCE			
3.13	Policy and practice for seeking independent assurance for report	2, 83	Fully
4. GOVERNANCE, COMMUNITIES AND ENGAGEMENT			
	Management approach		Fully
4.1	Governance structure including committees	26-27	Fully
4.2	Indicate whether chair of highest governance body is also an executive officer	27	Fully
4.3	Number and gender of independent directors	26	Fully
4.4	Mechanisms for shareholders and employees to provide recommendations/ direction to highest governance body	26-27, 20-22	Fully
4.5	Linkage between compensation and organisation's performance for members of highest governance body/senior executives	28, 63 of the Annual integrated report 2012	Fully
4.6	Process for the board to ensure conflicts of interest are avoided	29	Fully
4.7	Processes for determining qualifications and expertise for guiding strategy	28	Fully
4.8	Mission and values statements, codes of conduct, principles relevant to economic, environmental and social performance, and status of implementation	26-30 www.northam.co.za/sd/policies.asp	Fully

Reporting in line with the GRI continued

G3 Indicator	Description	Page	Level of reporting
4.9	Procedures of highest governance body for overseeing economic, environmental and social performance including compliance and codes of conduct	29	Fully
4.10	Processes for evaluating performance of governance body with respect to economic, environmental and social performance	28	Fully
COMMITMENTS TO EXTERNAL INITIATIVES			
4.11	Explanation of how precautionary approach/principle is addressed by organisation	28, 59	Fully
4.12	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives	www.cdproject.net 1, 25-26, 33, 41-42	Fully
4.13	Significant memberships in associations and/or advocacy organisations	20	Fully
STAKEHOLDER ENGAGEMENT			
	Management approach	20	Fully
4.14	List of stakeholder groups	21-24	Fully
4.15	Basis for identification and selection of stakeholders with whom to engage	20	Fully
4.16	Approaches to stakeholder engagement, including frequency and type	21-24	Fully
4.17	Key issues raised through stakeholder engagement and how organisation has responded	21-24 and through out this report	Fully
Economic performance indicators			
	Management approach	31	Fully
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital provider and governments	31-32	Fully
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	66-67 www.cdproject.net	Fully
EC4	Significant financial assistance received from government	31	Fully

G3 Indicator	Description	Page	Level of reporting
MARKET PRESENCE			
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	33-34, 56	Fully
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	46, 56	Partially
INDIRECT ECONOMIC IMPACT			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement	54-56	Fully
Environmental performance indicators			
	Management approach	58	Fully
MATERIALS			
EN1	Materials used by weight or volume	61	Fully
EN2	Percentage of materials used that are recycled input materials	61	Fully
ENERGY			
EN4	Indirect energy consumption by primary source	65-66	Fully
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	65-66	Fully
EC7	Initiatives to reduce indirect energy consumption and reductions achieved	65-66	Fully
WATER			
EN8	Total water withdrawal by source	63	Fully
EN9	Water sources significantly affected by withdrawal of water	64	Fully
EN10	Percentage and total volume of water recycled and reused	63	Fully
BIODIVERSITY			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	68	Fully

Reporting in line with the GRI **continued**

G3 Indicator	Description	Page	Level of reporting
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	68	Fully
EN13	Habitats protected or restored	68	Fully
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	68	Fully
EN15	Number of Red List species with habitats in areas affected by operations	68	Fully
EMISSIONS, EFFLUENTS AND WASTE			
EN16	Total direct and indirect greenhouse gas emissions by weight	67	Fully
EN17	Other relevant indirect greenhouse gas emissions by weight	67	Fully
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	66-67	Fully
EN21	Total water discharge by quality and destination	62-64	Fully
PRODUCTS AND SERVICES			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	8, 58-68 69-71	Fully
COMPLIANCE			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	30, 59	Fully
Social performance: Labour practices and decent work performance indicators			
	Management approach	40	Fully
EMPLOYMENT			
LA1	Total workforce by employment type, employment contract and region; broken down by gender	40, 44, 47	Fully

G3 Indicator	Description	Page	Level of reporting
LA2	Total number and rate employee turnover by age group, gender and region	44	Partially
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	43	Fully
LABOUR/MANAGEMENT RELATIONS			
LA4	Percentage of employees covered by collective bargaining agreements	42	Fully
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	41	Fully
OCCUPATIONAL HEALTH AND SAFETY			
	Management approach	35	Fully
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	35	Fully
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	36, 39	Fully
LA9	Health and safety topics covered in formal agreements with trade unions	35	Fully
TRAINING AND EDUCATION			
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	48-50	Fully
DIVERSITY AND OPPORTUNITY			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	45-47	Partially

Reporting in line with the GRI **continued**

G3 Indicator	Description	Page	Level of reporting
Human Rights performance indicators			
	Management approach NON-DISCRIMINATION	41	Partially
HR4	Total number of incidents of discrimination and corrective actions taken	41	Fully
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	41-43	Fully
CHILD LABOUR			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	41	Fully
FORCED AND COMPULSORY LABOUR			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	41	Fully
Society performance indicators			
	Management approach LOCAL COMMUNITIES	52	Partially
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	52-56	Fully
SO9	Operations with significant potential or actual negative impacts on local communities	52-57	Fully
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	52-57	Fully
PUBLIC POLICY			
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	29-30	Fully

G3 Indicator	Description	Page	Level of reporting
ANTI-COMPETITIVE BEHAVIOUR			
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes	30	Fully
COMPLIANCE			
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	30	Fully
Product responsibility performance indicators			
Management approach		69	Fully
CUSTOMER HEALTH AND SAFETY			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	70-71	Fully
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	71	Fully
PRODUCTS AND SERVICES			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	71	Fully
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	71	Fully
MARKETING COMMUNICATION			
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	70	Fully

Reporting in line with the GRI continued

G3 Indicator	Description	Page	Level of reporting
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	70	Fully
CUSTOMER PRIVACY			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	71	Fully
COMPLIANCE			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	71	Fully

Report application level		C	C+	B	B+	A	A+
Standard disclosures	Profile disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report externally assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report externally assured	Same as requirement for Level B	Report externally assured
	Management approach disclosures	Not required		Management approach disclosures for each indicator category		Management approach disclosed for each indicator category	
	Performance indicators and sector supplement performance indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.**		Report on a minimum of 20 performance indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and sector supplement* indicator with due regard to the materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

* Sector supplement in final version
 ** Performance indicators may be selected from any sector supplement, but 7 of the 10 must be from the original GRI guidelines
 *** Performance indicators may be selected from any finalised sector supplement, but 14 of the 20 must be from the original GRI guidelines

Mining Charter compliance

Description	Compliance	Page
1. HUMAN RESOURCE DEVELOPMENT		
Has the company offered every employee the opportunity to be functionally literate and numerate by the year 2009 and are employees being trained?	Yes	49
Has the company implemented career paths for HDSA employees including skills development plans?	Yes	48-49
Has the company developed a system through which empowerment groups can be mentored?	Yes	48-50
2. EMPLOYMENT EQUITY		
Has the company published its employment equity plan and reported on its annual progress in meeting that plan?	Yes	45-46
Has the company established a plan to achieve a target for HDSA participation in management of 40% within five years and is it implementing the plan?	Yes	45-47
Has the company identified a talent pool and is this being fast tracked?	Yes	48-50
Has the company established a plan to achieve the target for the participation of women in mining of 10% within five years and is it implementing the plan?	Yes	47
3. MIGRANT LABOUR		
Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?	Yes	44
4. MINE COMMUNITY AND RURAL DEVELOPMENT		
Has the company co-operated in the formulation of integrated development plans and is the company co-operating with government in the implementation of these plans for communities where mining takes place?	Yes	52-57

Mining Charter compliance **continued**

Description	Compliance	Page
5. HOUSING AND LIVING CONDITIONS		
For company-provided housing, has the mine, in consultation with stakeholders, established measures for improving the standard of housing, including the upgrading the hostels, conversion of hostels to family units and promoted ownership options for mine employees?	Yes	50-51
6. PROCUREMENT		
Has the mining company given HDSA preferred supplier status?	Yes	33-34, 56
Has the mining company identified current levels of procurement from HDSA companies in terms of capital goods, consumables and service?	Yes	33-34
Has the mining company indicated a commitment to progress of procurement from HDSA companies over a three-year to five-year time frame in terms of capital goods, consumables and service and to what extent has the commitment been implemented?	Yes	33-34
7. OWNERSHIP AND JOINT VENTURES		
Has the mining company achieved HDSA participation in terms of ownership for equity or attributable units of production of 15% HDSA hands within five years and 26% in 10 years?	Yes	32
8. BENEFICIATION		
Has the mining company identified its current level of beneficiation?	Yes	33-34
Has the mining company established its baseline level of beneficiation and indicated the extent that this will have grown in order to qualify for an offset?	Yes	33-34
9. REPORTING		
Has the company reported on annual basis its progress towards achieving its commitments in its annual report	Yes	Mining Charter Reports

Independent assurance report to the management and stakeholders of Northam Platinum Limited

Introduction

We have been appointed by Northam Platinum Limited (Northam Platinum) to conduct an independent assurance engagement in accordance with AA1000AS on selected information related to Northam Platinum's sustainable development report for the financial year ended June 2012.

Scope and subject matter

The identified subject matter in the assurance scope and levels of assurance as agreed with Northam Platinum are as follows:

- a. **Global Reporting Initiative (GRI) G3 application:** Northam Platinum's self-declared B+ level of GRI-G3.1 application on page 1;
- b. **AA1000 AccountAbility Principles:** Northam Platinum's adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness; and
- c. **Selected Performance Indicators (KPIs)** as follows:

ENVIRONMENTAL PERFORMANCE

- Materials used (including timber, explosives, oxygen, sulphuric acid, grease, lubricating and hydraulic oils) in tons page 61
- Energy used from electricity, diesel, petrol, coal, jet fuel and paraffin in gigajoules pages 15, 65 and 66
- Scope 1 and 2 greenhouse gas (GHG) emissions in kilotons pages 15 and 67
- Volume of water used and recycled in 1 000m³ pages 15 and 63
- SO₂ emissions in kilotons page 61

HEALTH AND SAFETY PERFORMANCE

- Fatality injury incidence rate (FIIR) pages 14, 35 and 36
- Lost time injury incidence rate (LTIIR) pages 14 and 36

- Reportable injury incident rate (RIIR) pages 14, 36 and 37
- New cases of noise induced hearing loss (NIHL) pages 14, 38 and 39

LABOUR PERFORMANCE

- Total workforce (number of employees and contractors) pages 33, 40 and 44
- Training and education (budget) pages 6 and 48
- Number of women in mining as a percentage of total workforce pages 14, 40 and 47
- Number of historically disadvantaged South Africans (HDSA's) in management pages 14, 40 and 46
- Corporate social investment/local economic development (CSI/LED) spend pages 7, 14, 32 and 53

Summary of work performed

STANDARDS AND CRITERIA USED

We performed our work in accordance with the AccountAbility AA1000 Assurance Standard (AS) 2008 Type 2 requirements. We used the following assessment criteria when undertaking our work: AA1000 AccountAbility Principles Standard (APS) 2008, Northam Platinum's Sustainable Development Data Reporting Guidelines and the GRI-G3.1 application level criteria.

Level of Assurance and engagement limitations

We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions as to whether the reported information set out in 'Our Brief' was free from material misstatement at a *moderate* assurance level as per AA1000 AS 2008.

Independent assurance report to the management and stakeholders of Northam Platinum Limited **continued**

The evidence gathering procedures for *moderate* assurance are more restricted than for *high* assurance and therefore less assurance is obtained with *moderate* assurance than for high assurance as per AA1000 AS 2008.

The reliability of the reported information and data is subject to inherent uncertainty, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our work

A multi-disciplinary team of sustainability and assurance specialists with experience in Northam Platinum's industry sector performed work at corporate level and at its operating location. Our assurance activities included:

- Face-to-face interviews to understand and test the processes in place for reporting on the AA1000 Principles and the KPIs, and the underlying data management systems;
- Site visit to Northam Platinum's Zondereinde operation, which involved testing, on a sample basis, the measurement, collection, aggregation and reporting processes in place;
- Reporting our assurance findings to management as they arose to provide them with the opportunity to correct them prior to finalisation of our work; and
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

Respective responsibilities and ERM's independence

Northam Platinum is responsible for preparing the report and for the collection and presentation of information within it. ERM's responsibility is to express our assurance conclusions on the agreed brief.

ERM maintains strict policies related to conflict of interest and we have confirmed our independence to Northam Platinum in delivering our assurance engagement.

Our assurance conclusions

In our opinion, based on the work undertaken as described above, we conclude that nothing has come to our attention causing us to believe that the information selected for this assurance engagement has not been prepared in accordance with the defined reporting criteria in all material respects:

- a. Northam Platinum's self-declared B+ level of GRI-G3 application on page 1;
- b. Northam Platinum's adherence to the AA1000 Principles of Inclusivity, Materiality and Responsiveness; and
- c. The selected KPIs as presented throughout the Report.

Our key observations and recommendations

Based on our work set out above, and without affecting our conclusions, our key observations and recommendations for improvement are:

IN RELATION TO THE INCLUSIVITY PRINCIPLE

Northam Platinum engages a wide range of stakeholders at corporate and operational level through its community and stakeholder forums.

IN RELATION TO THE MATERIALITY PRINCIPLE

Northam Platinum has applied due process in determining and reporting on its material issues in a transparent and balanced manner.

IN RELATION TO THE RESPONSIVENESS PRINCIPLE

Northam Platinum responds to stakeholders through a dedicated public relations company that also reports on stakeholder responses to key decision makers at board level on a regular basis.

IN RELATION TO THE SELECTED PERFORMANCE INDICATORS

Following on Northam Platinum's recent progress on sustainability reporting, we recommend that Northam Platinum implement more stringent management review controls to identify reporting errors timeously throughout the reporting chain.

The formal documenting of underlying assumptions and calculations should be improved and maintained as an audit trail supporting the reported information.



AA1000
Licenced Assurance Provider
000-21



Environmental Resources Management Limited (ERM)

A handwritten signature in black ink, appearing to read 'M. Bettanin'.

Massimo Bettanin

Johannesburg, 28 September 2012

ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services.

Our assurance statement provides no assurance on the maintenance and integrity of the website, including controls used to maintain this, and in particular whether any changes may have occurred to the information since it was first published. These matters are the responsibility of Northam Platinum and no control procedures can provide absolute assurance in this area.

Glossary of terms and acronyms

ABET	Adult Basic Education and Training, aimed at improving literacy levels and providing learners with nationally recognised qualifications
ADR facility	American Depository Receipt facility
AIDS	Acquired Immune Deficiency Syndrome, a disease of the immune system caused by HIV infection. HIV & AIDS pose serious challenges for the government and the industry, as South Africa is one of the countries worst affected by the pandemic
ART	Anti-retroviral therapy, treatment of retroviruses especially HIV, usually involving a cocktail of drugs
BEE	Black Economic Empowerment, a socioeconomic policy that contributes to the economic transformation of the country and increases the number of HDSAs (historically disadvantaged South Africans) participating in the economy
CDP	Carbon Disclosure Project is an independent not-for-profit organisation which acts as an intermediary between shareholders and corporations on all climate change related issues, providing primary climate change data from the world's largest corporations, to the global market place
CSI	Corporate social investment
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DoL	Department of Labour, South Africa
DOT	Directly Observed Treatment
DSM	Demand Side Management
DTI	Department of Trade and Industry
DWA	Department of Water Affairs, South Africa
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EMS	Environmental Management System
ETFs	Exchange Traded Funds
FIIR	Fatal injury incidence rate per 200 000 man hours worked
GHG	Greenhouse gas
GRI	Global Reporting Initiative is a multi-stakeholder governed institution collaborating to provide the global standards in sustainability reporting. These standards set out

the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance

HDSAs	Historically disadvantaged South Africans, all persons and groups who have been previously discriminated against on the basis of race, gender and disability. Defined by the MPRDA
HIV	Human Immunodeficiency Virus which causes AIDS by infecting the helper T cells of the immune system. The HIV virus is transmitted through blood or bodily secretions
IDP	Integrated development plans provided for by the Local Government Municipal Systems Act. (NO. 32 of 2000)
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
ISO	Published in 1996 by the International Organisation for 14001 Environmental Standardisation, it specifies the actual requirements for an environmental management system (EMS)
JSE	JSE Limited, formerly known as the JSE Securities Exchange South Africa
King III	King III is the abbreviated name for the King Report on Corporate Governance for South Africa published in 2010 in South Africa
KPI	Key performance indicator
LED	Local economic development
LTIR	Lost time injury incidence rate measured per 200 000 man hours worked
Mining Charter	The Broad-Based Social-Economic Empowerment Charter for the South African Mining Industry. The goal of the charter is to bring about an industry that reflects the promise of a non racial South Africa
MHSA	Mine Health and Safety Act 29 of 1996
MPRDA	Minerals and Petroleum Resources Development Act 28 Of 2002
MQA	Mining Qualifications Authority, a Sector Education Training Authority for the Mining and Minerals Sector. Its mission is to facilitate and promote human resources development in the sector
NEMA	National Environmental Management Act
NGOs	Non-governmental organisations
NIHL	Noise induced hearing loss
NUM	National Union of Mineworkers, the largest collective bargaining agent representing workers in the mining and energy industries in South Africa

Glossary of terms and acronyms

continued

PGM	Platinum group metals, including platinum, palladium, rhodium, iridium, ruthenium and osmium
PPE	Personal protective equipment
OLD	Occupational lung disease
RRIIR	Reportable injury incidence rate: injuries resulting in 14 or more days absence from work per 200 000 man hours worked
Scope 1 emissions	Direct GHG emissions from sources that are owned or controlled by the entity. Scope 1 can include emissions from fossil fuels burned on site, emissions from entity-owned or entity-leased vehicles, and other direct sources.
Scope 2 emissions	Indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off site but purchased by the entity, and the transmission and distribution (T&D) losses associated with some purchased utilities (e.g., chilled water, steam, and high temperature hot water)
Scope 3 emissions	Indirect GHG emissions from sources not owned or directly controlled by the entity but related to the entity's activities. Scope 3 GHG emissions sources currently required for federal GHG reporting include T&D losses associated with purchased electricity, employee travel and commuting, contracted solid waste disposal, and contracted wastewater treatment. Additional sources that are currently optional, and which EPA is considering accounting for in its inventory, include vendor supply chains, delivery services, outsourced activities, and site remediation activities.
SETA	Mining Sector Education Training Authority, South Africa
SHE committee	Safety, health and environment committee
SLPs	Social and labour plans aimed at promoting employment and advancement of the social and economic welfare of all South Africans whilst ensuring economic growth and socioeconomic development. Stipulated in the MPRDA
SRI	Socially responsible investment index of the JSE
STIs	Sexually transmitted infections
TB	Pulmonary tuberculosis
TSF	Tailings storage facility
VCT	Voluntary counselling and testing, a programme aimed at encouraging voluntary HIV testing in order for individuals to know their status
VRT	Virgin rock temperature
WHO	World Health Organization

Administration and contact information

Northam Platinum Limited

(Registration number 1977/003282/06)
Share code: NHM
ISIN: ZAE000030912

Registered office

1A Albury Park
Magalieszicht Avenue
Dunkeld West 2196
Johannesburg
South Africa

PO Box 412694
Craighall 2024
South Africa

Telephone: +27 11 759 6000
Facsimile: +27 11 759 6013

Website

www.northam.co.za

Company secretary

P B Beale

1A Albury Park
Magalieszicht Avenue
Dunkeld West 2196
Johannesburg
South Africa

PO Box 412694
Craighall 2024
South Africa

e-mail: trish.beale@norplats.co.za

Bankers

Standard Bank of South Africa Limited
PO Box 61029
Marshalltown 2107
South Africa

Auditors

Ernst and Young Inc.
Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg
South Africa

Transfer secretaries

Computershare Investor Services
Proprietary Limited
70 Marshall Street
Johannesburg 2001
South Africa

PO Box 61051
Marshalltown
2107

Telephone: +27 11 370 5000
Fax: +27 11 688 5238

Sponsor

One Capital
17 Fricker Road
Illovo 2196
Johannesburg
South Africa

PO Box 784573
Sandton 2146

Investor relations

Russell & Associates
PO Box 1457
Parklands 2121
Johannesburg
South Africa

Telephone +27 11 880 3924
e-mail: general@rair.co.za

NORTHAM
P L A T I N U M L I M I T E D

www.northam.co.za