Chairman's statement

Underpinning our vision are the following key strategies:

- Leveraging our **enhanced BEE status**
- **Partnering** with both majors and minors in the industry
- Taking advantage of green- and brownfields **expansion opportunities**
- Substantially **increasing PGM production** and **reducing costs** by seeking to diversify the company's operational asset base
- **Exploring** refining alternatives

It is with a deep sense of sadness and regret that we have to report, at the beginning of a new financial year, the loss of nine of our colleagues in the most serious mining accident to ever have occurred at Northam after a fire at the mine in September 2004.

On behalf of the board I have extended my condolences to the families, friends and colleagues who have lost their loved ones here in South Africa, Lesotho and Mozambique.

At the time of going to print the cause of the fire is the subject of an inquiry led by the Department of Minerals and Energy. The company is fully committed to working together with the departmental inspectors and the unions in establishing the exact cause of the fire, and to implementing appropriate remedial steps to avoid any such accidents ever happening again.

We have in the past recorded excellent safety achievements at this mine. I have no doubt that with the requisite motivation, dedication and focus from all parties involved, we will recover from this tragedy and in the years ahead will resume our prior excellent safety performances.

Looking back at the year under review, Northam has continued in 2004 to prove its operational robustness, with output of platinum group metals, at 340 547 oz, another record level for the mine, and up 2.3% on last year's production.

This sound operational performance translated into creditable financial results – particularly when taking into account the stronger South African currency, which appreciated by 18% during the period under review. Overall the average Rand basket price for our metals was 10% lower than in the previous year, largely offsetting the effect of the 20% increase in the US$ basket price to US$597/oz. With unit sales growing by 28% to 377 239 oz, sales revenues were boosted to R1 720 million, some 17% higher than in 2003. A sustained focus on cost control resulted in total operating costs increasing by 5.3%, translating into a 2.7% rise in unit cash costs.

The company reported attributable profit of R253.7 million (F2003: R274.9 million). In line with our policy of paying out excess cash to shareholders, we paid a final dividend of 60 cents per share, together with a capital repayment of 20 cents to shareholders, bringing the total distributions for the year to 125 cents per share.

Having reached this stage of sustained operational robustness, together with world-class infrastructure and proven management expertise in mining and metallurgical processing, we have laid a solid foundation for Northam to embark on its next stage of development to become a long-life, major, world-class PGM producer with a reliable supply of quality metals to a geographically diversified customer base.

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The first step in our growth phase is the planned acquisition of 50% of the world-class Booysendal project (a JV with Anglo Platinum) on the eastern limb of the Bushveld Complex from Mvelaphanda Resources Limited (Mvela). This transaction, announced in February this year, promises to be company-transforming for Northam. The total consideration payable by your company to Mvela amounts to some R460 million (US$66.7 million), in a combination of cash, Northam deferred ordinary shares and new Northam ordinary shares, and translates into a unit cost of R7.38 (US$1.07 at an exchange rate of R6.90 at the time of the transaction) per total attributable PGE resource ounce, a price which compares extremely favourably with other transactions concluded on the eastern limb. At the time of the related-party Booysendal transaction, Alan Wright and Ken Maxwell were engaged by the board as independent advisers to ensure that the transaction is fair and reasonable.

With this single transaction your company will have the opportunity of emerging from a lease bound, stand-alone mining operation with limited capacity to grow its production base. At the same time the transaction will:

- Enhance Northam's **empowerment** credentials, with a **BEE equity** stake of some 34%
- Materially **increase Northam's resource base** to 81.2 Moz (attributable; 3PGE + Au)
- Provide the opportunity for Northam to **reduce its costs**

Importantly, the increase in empowerment equity participation to 34% paves the way for your company to further flex its empowerment muscle. As a consequence of the Department of Minerals and Energy's (DME) revised level of BEE participation required in the Pandora JV (with Anglo Platinum, Lonmin and the Bapo-ba-Mogale community) to 15%, Northam has vested its 7.5% interest in the project directly in Mvela. Once Northam has reached and indeed exceeded the level of HDSA equity participation required, we have the opportunity of acquiring this interest from Mvela at cost, and we gain access to lower cost ounces which will go some way towards reducing our cost structure.

While we continue to explore further prospects for growing our production base, we have also been vigorously pursuing alternative refining solutions, so to assure our well-established customer base of continued quality supply well into the future. Much good work has already been done in this respect and I am optimistic that we will reach a solution in the near future which will satisfy the majority of our stakeholders, and will complement our long-term strategic objectives.

A further highlight for your company during the year was Northam's admission to the JSE Securities Exchange South Africa's Socially Responsible Investment Index (SRI) in May this year – an achievement which recognizes our continuing endeavours to build the triple bottom line approach into our business practices. We remain committed to regular and transparent communication with our stakeholder audiences. These efforts were rewarded during the year when Northam was one of five finalists in the BDFM awards for best investor websites.

Useful meetings with international investors were conducted during the year, while further initiatives to reach a broader base of shareholders and investors are being considered.

During the year we bade farewell to Simon Malone, who resigned from the board in March. In August Dorian Emmett resigned from the board, and has since been replaced by Robin Mills. I would like to thank both Simon and Dorian for their contributions over the years. Robin Mills has an excellent track record in the mining industry, and we look forward to drawing on his immense experience in the sector. We have also identified a number of individuals to be considered for appointment to the board in a non-executive capacity. Shareholders will be kept informed of developments.

I wish to extend my thanks to my colleagues on the board, management and employees for their enormous efforts during the year which have firmly established Northam as a vehicle for growth in this exciting sector.

Tokyo Sexwale
Chairman
21 September 2004