

Operational review

Metal sales

	F2007		F2006	
	kg	oz	kg	oz
Platinum	6 609	212 484	6 892	221 580
Palladium	3 014	96 888	3 413	109 721
Rhodium	877	28 180	749	24 085
Gold	203	6 549	231	7 435
Total (3PGE+Au)	10 703	344 101	11 285	362 821
Ruthenium	1 046	33 633	1 053	33 858
Iridium	270	8 687	246	7 899
Osmium	26	849	3	100
Silver	261	8 375	292	9 394
Total	12 306	395 645	12 879	414 072
Copper (tonnes)	733		944	
Nickel (tonnes)	1 301		1 758	

Northam mining operations

Results for the year from Northam's current operation were underpinned by sustained strong market fundamentals, with continued record price levels for Northam's basket of metals, contributing to the peak sales revenues of R3.7bn. The basket price, averaging US\$1 288/oz, reflected the excellent dollar price performance particularly of platinum, rhodium and ruthenium. In rand terms this translated into a 57% rise in prices received to R297 292/kg, offsetting the effect of lower sales volumes to 10 703kg (344 101oz). In addition, revenues from nickel were underpinned by strong prices, and at R404 million was 118% higher year on year.

A week-long strike coupled with continuing poor mining conditions as well as reduced mining flexibility combined to restrict Merensky square metres mined to 249 812m², some 10% lower than the previous year. Consequently, tonnage milled was also lower at 1 341 057 tonnes. The average

Merensky head grade declined from 6.1g/t to 5.6g/t primarily as a result of a change in the mining mix with increasing volumes of the lower grade NP2 reef and reducing volumes of the higher grade P2 reef contributing to the total tonnage.

Ore from the more conformable UG2 reef again made an excellent contribution to the overall production results, contributing some 34% of total metals production. Square metres mined increased by 6.2% which in turn led to the tonnage milled increasing by 5.6% to 928 149 tonnes. The average head grade decreased marginally from 4.5g/t to 4.4g/t.

Total operating costs increased by 9.7% year on year. The lower Merensky head grade, combined with lower tonnage throughput, impacted adversely on volumes, resulting in unit cash operating costs being 23.3% higher at R135 248/kg.

On a rand per tonne milled basis unit cash costs increased by 12.6% to R601/tonne milled.

Development

Total metres advanced increased by 6.5% year on year to 14 822 metres, reflecting development of 11 555 metres and 3 267 metres on the Merensky and UG2 horizons respectively. The 16% higher development on the UG2 horizon reflects the development associated with the provision of airways and a second egress from the Merensky stopes. Although the UG2 ore reserve position is slightly down from the 26 months reported last year, it remains at a healthy 24 months availability. In spite of a 4.1% increase in development metres on the Merensky horizon, the available ore reserve generated declined from 21 to 15 months, indicating the persistent challenging geological conditions associated with the Merensky reef.

Water sealing through the 20 line fissure on 2 level west was completed during the year. Development on 3 and 4 levels has been slightly slower than anticipated owing to discrete but challenging zones of poor ground

adjacent to the 20 line. However, steady progress towards establishing ore reserves west of the 20 line fissure continues to be made. On 6 level water sealing is nearing completion, and development will resume by the end of the 2007 calendar year once the necessary support to ensure long-term stability has been installed.

Development to the east on 7 to 11 levels has essentially come to a standstill pending the outcome of a drilling programme to determine the extent and impact of the widening of a zone of NP2 upper transition reef which carries little value and is unmineable. The current interpretation of the available information indicates a loss of ore resource availability of 2.9 years.

Deepening project

In the light of the negative developments on the east of the mine with the loss of mining resource to an expanding NP2 upper transition, greater emphasis will be placed on progressing the deepening project. The deepening project is an incremental extension of the mining infrastructure down dip of 12 level via a conveyor decline to access the deeper resources.

Operating statistics

Merensky reef

	F2007	F2006
Development metres	11 555	11 102
Square metres mined	249 812	277 896
Tonnes milled	1 341 057	1 424 160
Head grade (g/t 3PGE+Au)	5.6	6.1
PGMs in concentrate produced (kg)	6 623	7 417
Ore reserve availability (months)	15	21

UG2 reef

	F2007	F2006
Development metres	3 267	2 818
Square metres mined	146 698	138 170
Tonnes milled	928 149	878 924
Head grade (g/t 3PGE+Au)	4.4	4.5
PGMs in concentrate produced (kg)	3 464	3 226
Ore reserve availability (months)	24	26

Combined reefs

	F2007	F2006
Development metres	14 822	13 920
Square metres mined	396 510	416 066
Tonnes milled	2 269 206	2 303 084
Head grade (g/t 3PGE +Au)	5.1	5.5
PGMs in concentrate produced from u/g mining (kg)	9 689	10 643
PGMs in concentrate from other sources (kg)	398	604
Total	10 087	11 247
PGMs in concentrate purchased	404	—

Operational review (continued)

To date the decline has reached 15 level and mining operations have been established on 14 level. The intention is, in time, to extend the conveyor decline to 18 level to access more of the conformable Merensky reef. Each additional level opened up could add approximately 2.5 years of resources to the mine's life.

Metallurgical performance

The metallurgical plants operated satisfactorily during the year. The Merensky concentrator achieved an overall recovery of 88.0% (F2006: 88.0%). The UG2 concentrator continued to perform very well with the overall recovery improving to 84.3% from 83.2% in the previous year. The success of the external sparger column cell in achieving higher concentrate upgrade ratios and reducing total chrome (Cr_2O_3) in final concentrate has continued, enabling the higher proportion of UG2 production to be accommodated in the concentrate blend dispatched to the smelter.

Total smelter feed during the year was 78 560 tonnes, some 17% less than the previous year. This included 2 181 tonnes of toll material and 3 844 tonnes of custom material.

The base metal removal plant (BMR) performed in line with expectations, producing 827 tonnes (F2006: 944 tonnes) of copper cathode and 1 476 tonnes (F2006: 1 815 tonnes) of nickel metal in the form of nickel sulphate

The slag re-treatment plant, commissioned during the last financial year treated 236 033 tonnes of slag at an average grade of 0.778 g/t and an average recovery of 61.92% to produce 112.3 kg of PGMs. In addition 15.0 tonnes of copper and 25.8 tonnes of nickel were recovered.

The further optimisation of the external sparger column cell technology in the UG2 concentrator circuit resulted in a 3.5% increase in the concentrate grade to head grade ratio and a 8.4% reduction of Cr_2O_3 content in final concentrate, even though there was a 5.6% increase in throughput of UG2 ore to the mill.

A second column (with a diameter of 2.1m) has been designed and will be installed during the first quarter of the new financial year, to further enhance the reduction of Cr_2O_3 in UG2 concentrate. This should enable us to process a higher tonnage ratio of UG2 ore, without the associated negative effect of the chrome in the smelting process.

Growth

After the year end, on 4 September 2007, Northam and Mvela Resources announced that agreement in principle had been reached on Northam's proposed acquisition of the Booysendal platinum project on the eastern limb of the Bushveld Complex. In terms of the proposed transaction, Northam will acquire 100% of Booysendal, and secure full operational control of the project for a consideration of 125 million new ordinary shares to be issued to Mvela Resources. This translates to a consideration of R6.3 billion based on a share price of R50.50 which was the 30-day volume weighted average purchase price (VWAP) prior to the transaction announcement.

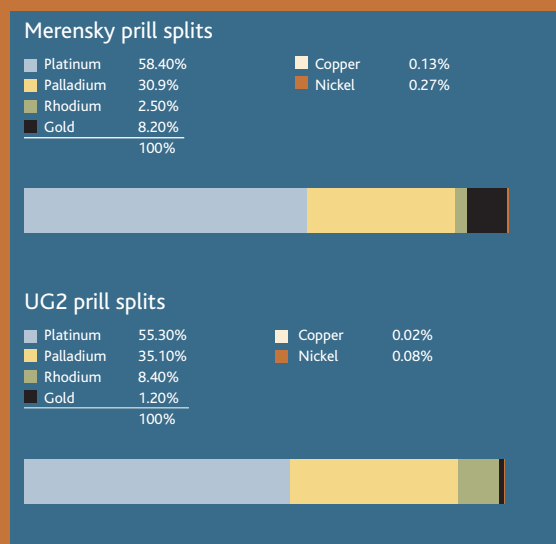
Booyesendal covers a large, well-explored area, underlain by conformable reef, with an estimated combined measured, indicated and inferred resource of 112Moz. The Mineral Corporation, an independent adviser to the international minerals business, has been retained by Northam to verify the 112Moz resource base. This work is currently in progress.

A technical committee has already completed a significant amount of work on the project, and a pre-feasibility study is likely to be completed by the end of the first quarter of the 2008 calendar year. Following the completion of a bankable feasibility study, mine construction and development is anticipated to start by the end of calendar 2009. First phase production is expected in 2010, ramping up to 240ktpm (approximately 2.9Mtpa) in 2013 with the expectation of further increasing production. Booysendal, once developed, will add some 50 years to Northam's life, and provides Northam with the opportunity of more than doubling its production.

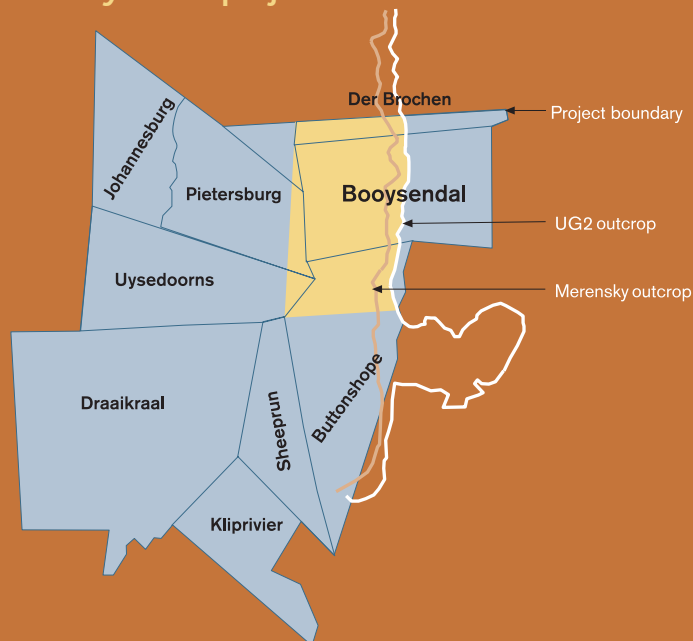
The addition of another operation to the company's asset portfolio will immediately lower Northam's risk profile. Booysendal is likely to be a much shallower operation than the current Northam mine, bringing lower-cost ounces to the production profile, and thereby reducing average unit costs.

The Booyssendal project

Reserves and resources					
	Geo loss %	Tonnes	Width cm	3PGE+Au g/t	PGE content (oz)
Merensky					
Measured	23	25 028 372	87	4.74	3 814 180
Indicated	23	29 655 092	78	3.94	3 756 520
Inferred	23	216 527 730	85	3.70	25 757 608
Total	23	271 211 194	84	3.82	33 328 308
UG2					
Measured	28	51 394 257	125	4.87	8 046 997
Indicated	28	44 047 166	135	4.72	6 684 212
Inferred	28	410 700 905	140	4.88	64 437 069
Total	28	506 142 328	138	4.87	79 168 278

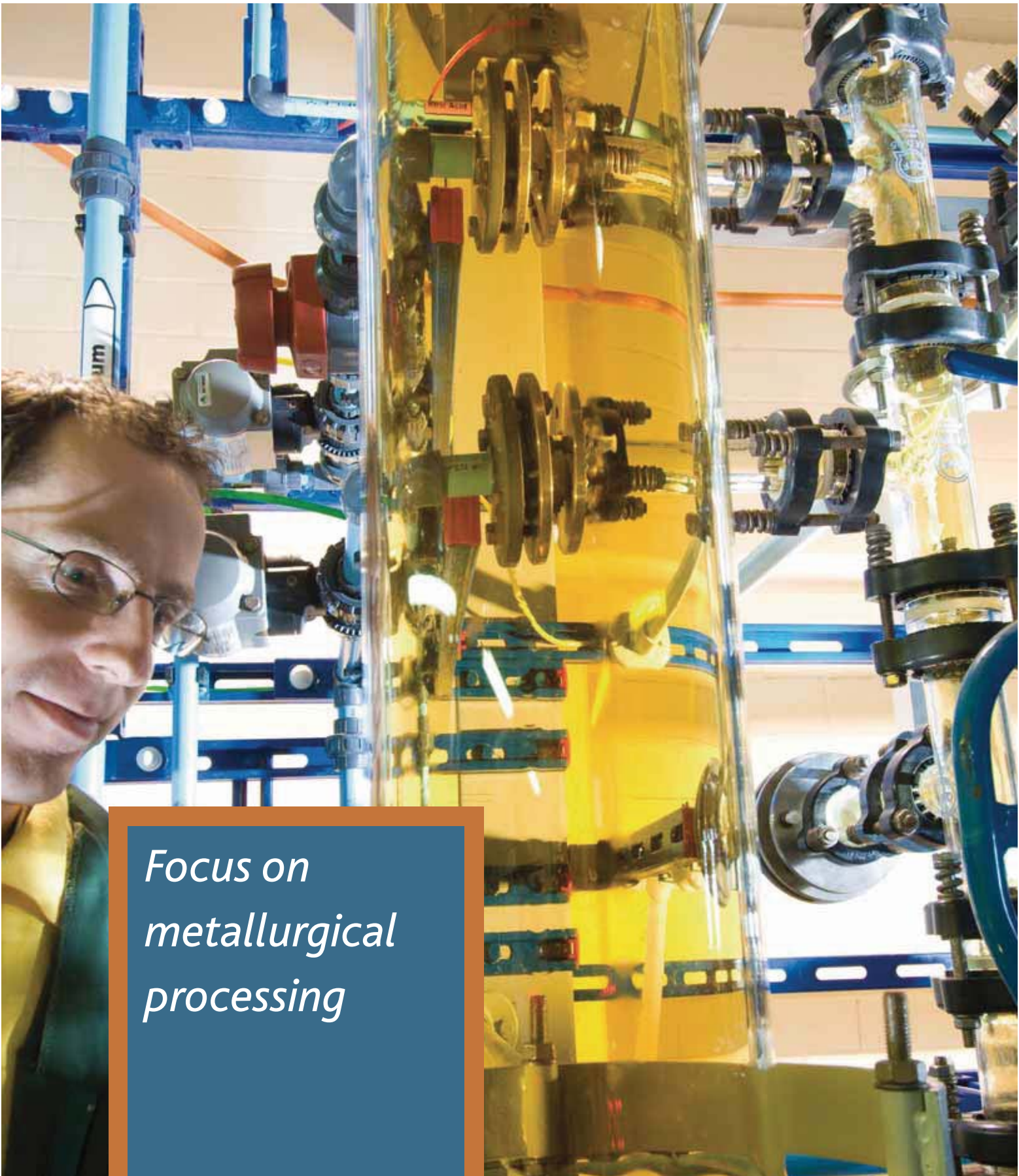


Booyssendal project area



Preliminary project statistics (under review)					
UG2 mine plan (120ktpm)	F2010	F2011	F2012	F2013	
Production (000t)	500	1 000	1 440	1 440	
Head grade (3PGE+Au)	3.38	3.38	3.38	3.38	
*Cash cost (R/t milled) July 2007 terms	272.00	272.00	272.00	272.00	
Merensky mine plan (120ktpm)	F2010	F2011	F2012	F2013	
Production (000t)	500	1 000	1 440	1 440	
Head grade (3PGE+Au)	4.05	4.05	4.05	4.05	
*Cash cost (R/t milled) July 2007 terms	331.00	331.00	331.00	331.00	
**Initial capex profile (R000s)	F2009	F2010	F2011	F2012	F2013
R4 880 million July 2007 terms	1 655 000	1 883 000	574 000	385 000	383 000
*Excludes royalties, decommissioning, refining and realisation					
**Excludes contingency. Prefeasibility accuracy ±25%					

Operational review (continued)

A man with glasses and a green lab coat is looking at a large, vertical, cylindrical industrial reactor. The reactor is filled with a yellow liquid and has several horizontal stirrer bars with blades inside. The reactor is surrounded by blue metal piping and various valves and gauges. The background is a light-colored wall.

*Focus on
metallurgical
processing*

Merensky and UG2 ore emanating from the Northam mining operations is processed separately in two concentrator plants which are designed to treat sulphide ores. The concentrate from both plants is blended in slurry form in the feed tank prior to filtration and drying at the smelter from which granulated converter matte is fed to the base metals removal plant (BMR).

In the BMR, nickel (Ni) and copper metals (Cu) are removed as crystalline nickel sulphate and copper cathode which are transported directly to local consumers for further beneficiation.

The remaining PGM solutions are filtered and dried to produce a final concentrate ready for shipment to the Heraeus refinery in Hanau, Germany. At Hanau the material is toll-refined to final metal purity of 99.95%. Heraeus produces high purity refined metals (Pt, Pd, Rh, Au, Ag, Ru and Ir) which are credited to Northam for sales and physical distribution to Northam's contractual metal customers at various global destinations.

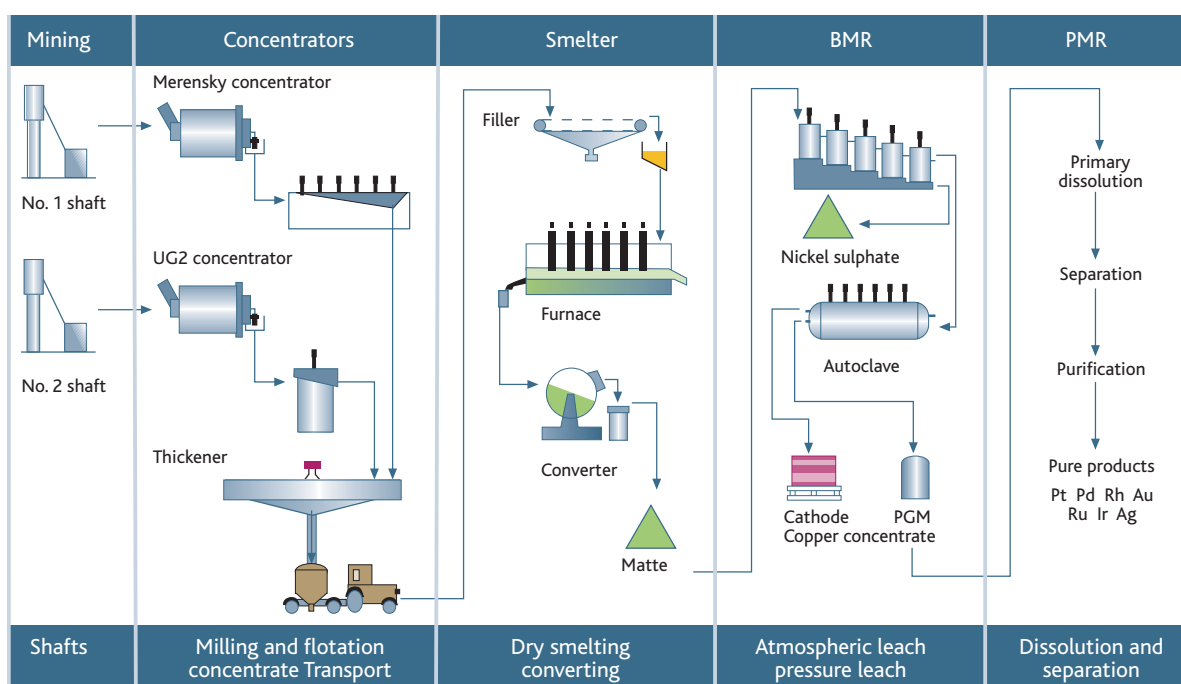
More recently, in collaboration with Northam, Mintek, the DME and DTI, Heraeus has initiated a three-phase refinery

construction and expansion programme in Port Elizabeth, South Africa, designed to dovetail with Northam's PGM growth profile. The Heraeus Refinery South Africa (HRSA) was opened in February 2007, with the first phase fully operational, and treating a growing percentage of Northam's platinum and palladium production.

Further benefits of this phased approach will accrue to Northam: as new projects are brought into production, Heraeus will expand its refining capability and capacity locally to accommodate the higher levels of production and so enable Northam to retain its independent supplier status.

Moreover, the source of feed to the HRSA is not limited to Northam projects. With the availability of Northam's metallurgical infrastructure and pipeline, smaller, junior operators now have the opportunity of retaining an independent metal supply. The introduction of a fourth independent PGM refining option in South Africa therefore holds significant advantages for smaller operators by introducing competition and lowering the barriers to entry to the industry.

Flowchart – metallurgical processing



Drill, blast, and scrape narrow reef mining systems

Merensky: 150 000tpm
UG2: 75 000tpm

- Davy furnace supported roof
- bricklined refractory vessel 24m x 6.5m
- 15MW, 6-in-line-furnace
- 3 pairs of submerged arc electrodes – each supplied by transformer (5 500kva)
- 2 matte tap holes into 18t ladles
- Pierce Smith converters

- 15-compartment autoclave, pressure vessel and agitator
- each segment has its own vent valve and pressure monitor

Products to customers in North America, Asia, Europe

Operational review (continued)

The Heraeus Refinery South Africa – a modular approach

		
Phase 1:	Phase 2:	Phase 3:
FMR*	FPYR**	Extended Refinery
200 000 Pt oz	300 000 Pt oz	400 000 Pt oz
■ Commissioned February 2007 ■ Northam's concentrate shipped to Heraeus in Hanau ■ Pt and Pd separated into intermediate products in first pass yield extraction. ■ Intermediate products (Pt and Pd) returned to HRSA and refined to pure Pt and Pd in FMR ■ Other PGMs continue to be refined in Hanau	■ Northam's PGM concentrate shipped directly to HRSA in Port Elizabeth ■ Pt and Pd stripped out as intermediate products ■ Final purification of Pt and Pd to take place in FMR ■ Other PGMs shipped to Heraeus, Hanau for further refining. ■ PGMs available to local industry for beneficiation into downstream high value products.	■ The extended refinery consolidates operations of FMR and FPYR ■ Only refining residues to be shipped to Hanau for final treatment ■ PGMs available to local industry for beneficiation into downstream high value products.

* Fine Metal Refinery

** First Pass Yield Refinery

Northam and Heraeus

To refine its production of precious metals from underground ores into high-purity sponges and ingots, Northam continues to benefit from the long-standing agreement with globally renowned precious metals refiners W.C Heraeus. Northam's first arisings of PGM concentrate were shipped to the W.C Heraeus refinery in Hanau in October 1992; to date Heraeus has toll-refined some 2.8Moz of Northam's platinum.

The origins of Heraeus's global capability have become almost legendary in modern industry. Born from the entrepreneurial spirit of Wilhelm Carl Heraeus, a pharmacist and chemist working in Hanau, Germany in 1851, the company pioneered the capability to melt raw platinum using an oxyhydrogen flaming technique, and thus the first platinum melting house in Germany was soon established and grew to meet the demands of new industry and jewellery.

At the turn of the 20th century, there appeared to be no end in sight for platinum demand as early industrialists sought large quantities of platinum-rhodium alloys to apply as chemical catalysts in the production of nitric acid.

More than one hundred years on, in July 2004, Northam and Heraeus submitted a joint application to the DME seeking approval to establish a new PGM refinery in South Africa, and the Heraeus refinery in Port Elizabeth was officially opened by Dr Roland Gerner of W.C. Heraeus, on 3 February 2007.

There can be no doubting the significance of this event, which underscores Northam's intention to maintain its positioning in the global marketplace as a reliable, independent and competitive supplier of high quality refined PGMs.