Sustainable development

The chrome recovery plant at the Northam mine, owned by Northam Chrome Producers (NCP), a local HDSA company, is an example of Northam's local economic development programme. NCP has successfully been operating this plant, which treats and recovers chrome from the tailings emanating from the Northam UG2 concentrator plant, for almost two years. Northam Platinum's drive to promote local business and entrepreneurship is underpinned by the following fundamental principles:

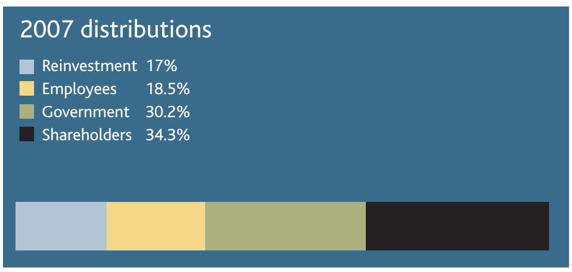
- A minimum 51% shareholding of HDSAs;
- No option to dilute any BEE shareholding;
- Support of employment equity;
- Skills development and community development.

Value added statement

for the year ended 30 June 2007

	Notes	%	2007 R 000	%	2006* R 000
Sales revenue	26		3 739 805		2 386 326
Less: Purchase of goods and services in order to operate mine and produce refined metal	14		(998 782)		(692 395)
Value added by operations		96.9	2 741 023	96.6	1 693 931
Add: Investment income	16	2.9	83 643	2.3	39 700
Net sundry revenue	17	0.2	5 303	1.1	19 820
Total value added		100.0	2 829 969	100.0	1 753 451
Value distributed					
Employees	14	18.5	526 950	28.4	497 931
Salaries and wages		17.8	509 280	26.6	465 889
Contributions to retirement benefit funds		1.7	47 693	2.5	44 610
Contributions to health-care funds		1.3	36 107	2.7	46 555
Pay-as-you-earn deducted		(2.3)	(66 130)	(3.4)	(59 123)
Government		30.2	851 135	24.8	432 859
Mining and non-mining tax		20.5	579 014	16.5	288 486
Deferred tax		0.7	18 531	1.8	32 334
State's share of profits		2.0	55 726	-	-
Secondary tax on companies		4.3	121 291	2.7	46 735
Sub-total	18	27.5	774 562	21.0	367 555
Royalties		0.4	10 443	0.4	6 181
Pay-as-you-earn deducted from employees		2.3	66 130	3.4	59 123
Providers of capital					
Dividends		34.3	970 332	21.3	373 880
Total value distributed		83.0	2 348 417	74.5	1 304 670
Retained by company		17.0	481 552	25.5	448 781
Depreciation	15	4.5	129 040	6.5	114 713
Decommissioning provision to meet statutory obligations	14	(0.1)	(3 400)	0.1	2 384
Retained income		12.6	355 912	18.9	331 684
		100.0	2 829 969	100.0	1 753 451

** Restated*



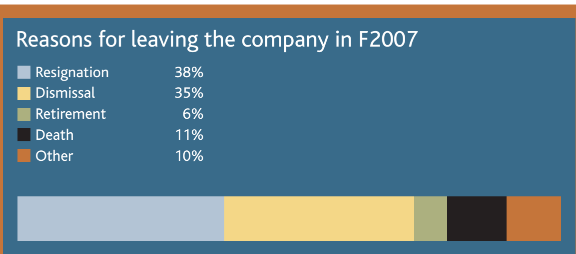
This abridged sustainable development report reviews the company's activities in the areas of economic, social and environmental performance. Northam is committed to incremental improvement in its sustainable development reporting.

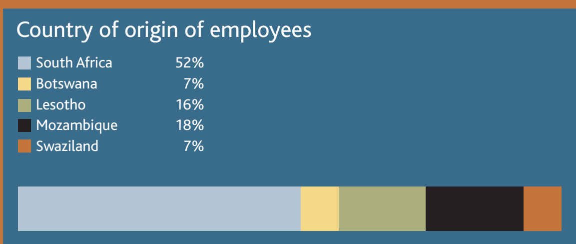
Northam's economic impacts

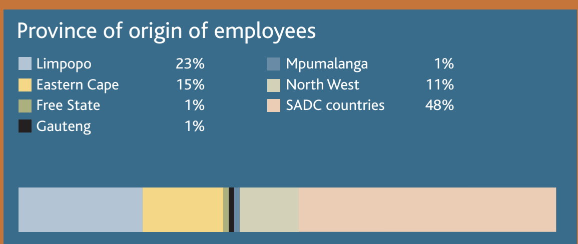
Northam is the fifth largest producer of PGMs in the world and operates a twin shaft system in a relatively isolated and impoverished region in Limpopo Province. Northam's economic impacts are extensive. These include the jobs it has created, directly and indirectly, at and around its operations; its direct and indirect impact on the communities around its operation and in labour-sending areas; the taxation it pays to national and local government; its support for suppliers of services, capital equipment and consumable goods; and those individuals and entities that benefit from its corporate social investment initiatives. Others affected by Northam's activities are, of course, its shareholders and the consumers of the products it produces. Northam's valued-added statement for the period under review appears below.

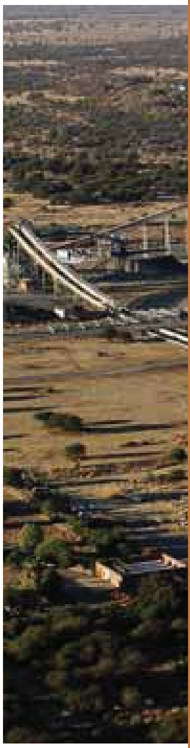
Key features for the year under review include the following:

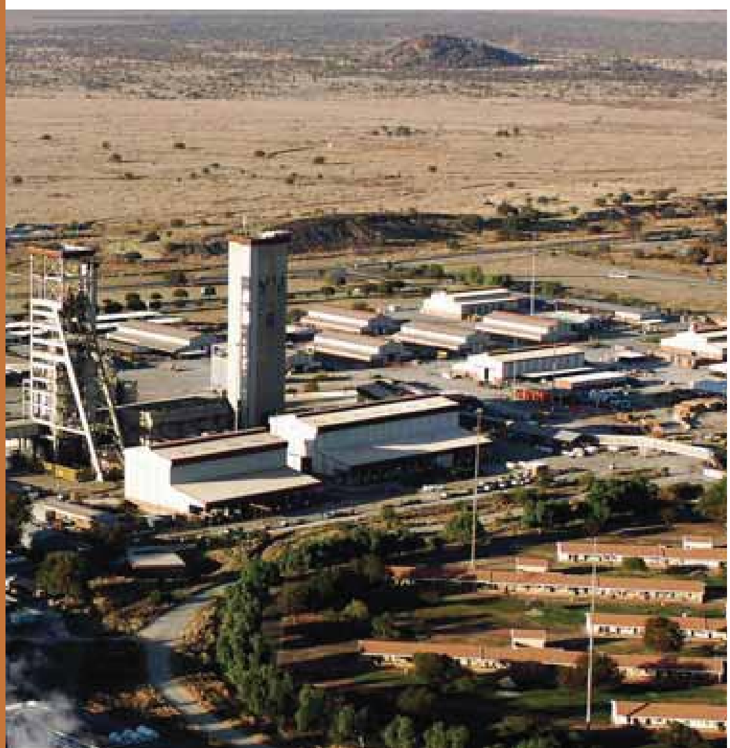
- The transaction announced after the financial year-end in which Northam proposes to acquire a 100% stake in the Booysendal platinum project from Mvela Resources, resulting in Mvela Resources becoming Northam's largest shareholder with a stake of 63.4% in the company. Further details pertaining to the transaction are available on page 12 of this report. From an economic impact perspective, however, it is significant for two reasons, namely:
  - it will substantially lengthen the life of Northam, ensuring value creation and employment for at least another 50 years; and
  - it increases the black economic empowerment (BEE) ownership of the company, not only in terms of a percentage, but also in the depth of ownership by broad-based communities.

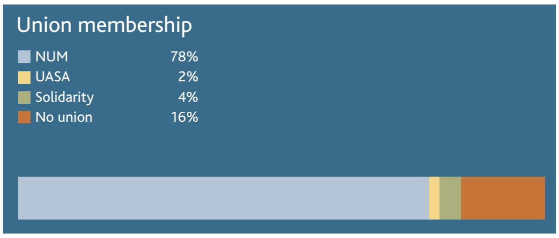


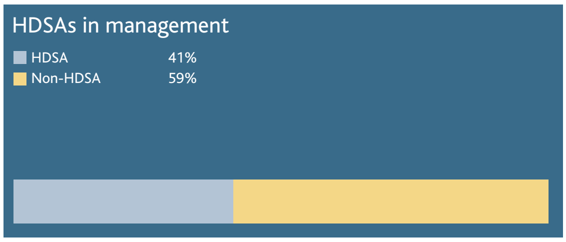












- BEE procurement rose by 14.1% from R267 million in F2006 to R311 million. This has been the result of a deliberate policy by Northam to actively support emerging entrepreneurs and to provide preferential access to HDSA-empowered vendors.
- The opening of the a precious metals refinery by Northam's partner Heraeus in February 2007 in Port Elizabeth, in South Africa's Eastern Cape Province, was a significant step forward in the on-shore beneficiation process for Northam. Precious metals produced here will be available to local chemical and autocatalyst manufacturers for further downstream beneficiation.

Northam's social impacts

Northam as an employer

Employment statistics

At the end of June 2007, Northam employed 8 530 people (6 736 employees and 1 794 contractors), which is an increase of 8% on employee numbers at the end of June 2006. Around 23% of employees are drawn from Limpopo Province; about 29% from other provinces in South Africa, with the balance 48% of from neighbouring countries. Although recruitment initiatives focus on attracting employees from Limpopo Province, Northam does not discriminate against employees from other provinces or countries. In total, 904 employees left the employment of the company in F2007, which is a turnover rate of 13%.

Human rights

Northam acts in accordance with prescribed labour legislation, the constitution of the country and its own recognition agreements with unions. Together these cover the major conventions of the International Labour Organisation (ILO) dealing with non-discrimination, child labour, forced and compulsory labour, security practices and indigenous rights. The company's code of ethics is available on its website.

Collective bargaining

As at the end of F2007, 84.4% of the workforce was represented by a recognised union or through a collective bargaining agreement. The National Union of Mineworkers (NUM) represents the bulk of employees (78%), while the United Association of South Africa (UASA) and Solidarity represent 2% and 4% respectively. Wages and other conditions of service are negotiated on an annual basis with employees. The recognition agreements with unions also regulate aspects such as participation in safety and health structures and disciplinary and grievance procedures.

During the second half of the year employee members of the National Union of Mineworkers (NUM) embarked on unprocedural strike action related to allegations of racism and unfair labour practices. All in all seven days' production was lost. The company's response to the allegations was swift and resolute: an independent mediation process resulted in a number of recommendations which were implemented to break the impasse and to improve relationships between management and organised labour. In contrast to the acrimonious atmosphere at the time of the strike, the annual wage negotiations with the unions, concluded early in August, were characterised by a constructive spirit of co-operation.

Notice periods in respect of major operational changes are provided for in terms of the South African Labour Relations Act.

Benefits

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.

Training and development

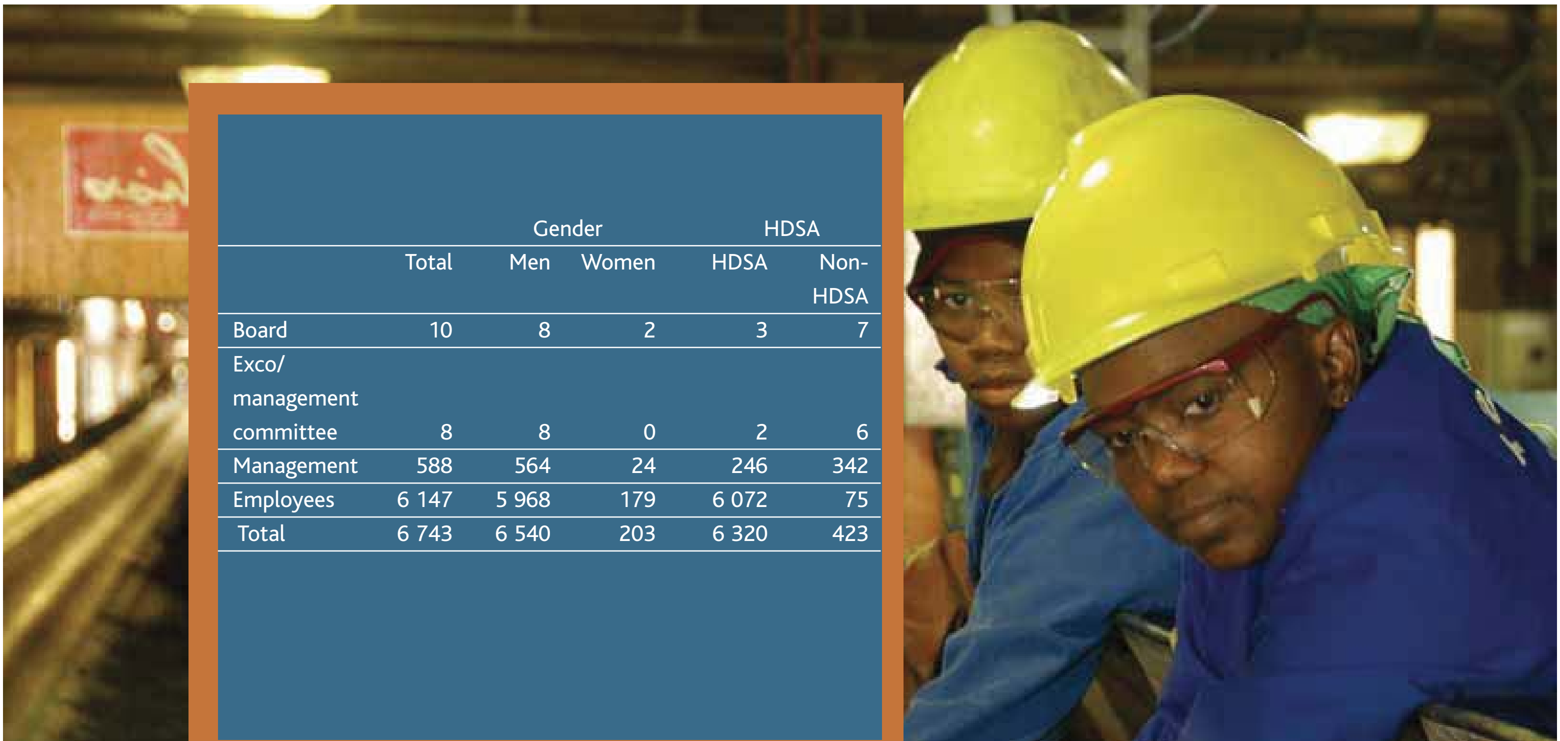
Northam has extensive training and development programmes in place, ranging from Adult Basic Education and Training (ABET) to learnerships, on-the-job and other training, and the provision of bursaries and study assistance. While the company aims to develop every employee to the best of his or her ability, there is an emphasis on the recruitment, development and retention of historically disadvantaged South Africans (HDSAs) and the employment of and promotion of women in mining. Training was undertaken at all levels within the company and, on average, all employees received around 52 hours of training during the year.
Total training expenditure amounted to R34.1 million (R 30.2 million net of skills levy refunds) in F2007.

ABET

ABET is available to all employees on a part-time basis. In F2007, 503 employees were afforded the opportunity to participate in ABET. A total of 808 people participated in ABET in 2006. Northam estimates the current level of literacy at around 40% and, combined with the ABET programme and the recruitment requirement of at least ABET level 4 as a minimum, anticipates that the literacy level of the workforce will rise to around 60% by 2009. With current facilities, the ABET programme, which has six full-time facilitators, can accommodate 1 000 learners a year. From F2008, full-time ABET classes will be offered and it is planned that the number of participants will rise to around 1 500.

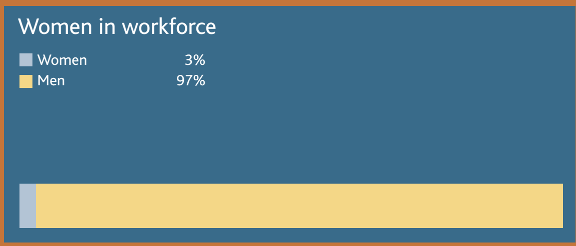
Learnerships and bursaries

Bursaries and study assistance (assistance to employees who are employed by the company, including in-service bursars) provides support to six and 29 people respectively. All of the recipients in F2007 were HDSAs. Interest-free study loans were granted to 32 employees to the value of R119 630.



		Gender		HDSA	
	Total	Men	Women	HDSA	Non-HDSA
Board	10	8	2	3	7
Exco/ management committee	8	8	0	2	6
Management	588	564	24	246	342
Employees	6 147	5 968	179	6 072	75
Total	6 743	6 540	203	6 320	423

Sustainable development *(continued)*



Employment equity report as submitted to the Department of Labour

	F2007		F2008		F2009	
	Non-designated	Desig-nated	Non-designated	Desig nated	Non-designated	Desig nated
Senior management	75%	25%	73%	27%	64%	36%
Professionally qualified, experiences, specialist and middle management	89%	11%	88%	12%	77%	23%
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	54%	46%	57%	43%	53%	47%
Semi-skilled and discretionary decision-making	1%	99%	3%	97%	3%	97%
Unskilled and defined decision-making	1%	99%	2%	98%	2%	98%

Employment equity

Northam has submitted its employment equity progress reports to the Department of Labour as required by the Employment Equity Act. A joint management/labour employment equity forum plays a major role in monitoring and implementing skills development plans and affirmative action measures. A mentorship programme is being put in place, particularly in order to achieve HDSA and women in mining targets as required by the Mining Charter. At the end of F2007, 41% of management positions were filled by HDSAs and women comprised 3% of the workforce.

Housing and accommodation

Around 80% of Northam's lower level employees stay in hostels provided by the company, while 82% of supervisory and management employees are accommodated in company-provided housing. Although more employees are taking up the living-out allowances provided by the company, the demand for hostel accommodation remains and, over time, the company intends to convert the hostel into lower density and family units. By the end of F2008, 25% of the hostel accommodation will have been converted into single quarters and, by the end of F2008, 50% of the accommodation will comprise rooms shared by two people. The company has allocated significant resources to this – around R11 million in F2008 and R17 million in F2009.

Northam has developed an accommodation and housing strategy which aims to:

- Ensure that eligible employees have the ability to access accommodation that meets certain minimum standards;
- Promote affordable housing and home ownership;

- Reduce employees' dependence on company provided accommodation; and
- Discourage the growth of informal settlements.

In November 2006, in an initiative with the Limpopo provincial government and the local municipality, Northam launched the Mojuteng employee housing project in the town of Northam. To date 382 houses have been built in this initial phase of the project. A subsidy scheme has been made available through the services of a reputable financial services Organisation.

Nutrition

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 being monitored by software programmes. On average meals are served to around 3 900 people per day. New recruits and employees returning to work from leave are provided with information on healthy living, including the importance of nutritional choices.

Safety and health at Northam

Management approach

Safety and health performance is an integral part of the management approach at Northam and reporting in terms of safety and health is done in accordance with the Mine Health and Safety Act (MHSA) and other relevant legislation. A joint health and safety committee, representing management, employees and unions meets on a regular basis and has oversight over safety and management performance and initiatives. An agreement in respect of safety and health is in place and covers issues such as the provision of personal protective equipment (PPE), joint management of health and safety committees, participation of workers in health and safety inspections, audits and accident investigations, training and education, the right to refuse unsafe work and arrangements for solving problems.

Sustainable development *(continued)*

In F2007, there were 498 elected safety representatives at work at Northam to support the three full-time safety stewards appointed in terms of the Act. A further three alternates provide relief services in cases of absenteeism.

Safety performance in F2007

It is with deep regret that Northam reports that three people lost their lives in three work-related accidents at Northam during the year.

- On 1 October 2006, Mr Sello Ntsinyi, a Lesotho national, died in hospital from injuries sustained after drilling into a gas pocket.
- On 29 November 2006, Mr Meque Matsinhe, a Mozambican team leader was fatally injured in an accident involving a shaft conveyance.
- On 12 February 2007, Mr Isaac Selekanyane, a team leader, died from heat exhaustion in an abandoned, barricaded section of the mine. He was South African.

While it is with great regret that we report any fatalities, Northam is pleased to report an improving trend in safety performance. The fatal injury incidence rate (FIIR) decreased to 0.4 per 200 000 man hours, while the lost time injury incidence rate (LTIIR) decreased marginally to 2.31 per 200 000 man hours. In total, 2 203 days were lost as a result of occupational injury and the total absentee rate was 2.1%. (F2006: 2 355 and 2.5%)

Providing health care

Occupational and primary health care and medical services are available to all employees. The Northam medical team has 38 full-time staff members, including four doctors, 16 nurses and a social worker. Paramedics are available 24 hours a day for any emergency response requirements.

Medical surveillance

Medical surveillance is undertaken in line with legislative requirements, with 10 887 entrance, exit, annual and interim medical examinations having been undertaken during the year (F2006: 10 925). In addition to monitoring and reporting (for compensation purposes) incidences of noise-induced hearing loss (NIHL), pulmonary tuberculosis (TB) and occupational lung diseases, Northam undertakes heat tolerance testing, testing for lead contamination, and testing of water for waterborne diseases (cholera and other bacterial illnesses). Key performance areas for the year include the following:

Noise-induced hearing loss

Seventeen new cases of NIHL were identified during the year, (50 in F2006), which is a substantial reduction on the previous year from 5.86 to 1.99 per 1 000 employees. The use of hydropower has significant benefits in reducing noise levels underground owing to their lower dB(a) levels compared with compressed air percussion rockdrills. Only the diesel locomotives exceed a level of 110dBA and then only at high revolutions. These diesel locomotives will be phased out by the end of 2008.

Pulmonary tuberculosis

In total 141 new cases of TB were identified during F2007, (F2006: 126). The TB incidence rate was well-maintained given the relationship between TB and AIDS and is testimony to the effective World Health Organisation (WHO)-based Directly Observed Treatment (DOT) programme implemented at Northam.

Silicosis

Two new cases of silicosis were identified, during the year (F2006: 2). While silica is not present underground at Northam, a number of employees may have been affected while previously employed in the gold mining industry.

Heat tolerance

In total, 11 190 heat tolerance tests were undertaken during the year (F2006: 11 294). Virgin rock temperatures at Northam may range from 51.4°C on 2 level to 67.8°C on 14 level because of the high heat gradient of the Bushveld Complex. Northam's heat stress management regime is thus an important part of the overall safety and health management programme.

Other tests

Biological monitoring is undertaken for all employees exposed to potential hazards. No employees exceeded the occupational exposure limit (OEL) this year. No traces of salmonella or other life-threatening bacteria were detected in water tests.

Managing HIV/AIDS and malaria at Northam

HIV/AIDS continues to present a challenge both for employees and communities at Northam. Northam estimates an HIV prevalence rate of around 27% among its workforce.

Northam's HIV/AIDS policy was adopted by the company in 2005. The cornerstone of the policy and programme that have been put in place is a commitment to confidentiality of information and non-discrimination.

Northam's HIV/AIDS prevention and management programme includes voluntary counselling and testing (VCT), a wellness programme and the provision of anti-retrovirals (ART). It also includes extensive education and training, the treatment of sexually transmitted infections (STIs) and the distribution of condoms. The roll-out of ART began on 1 July 2006. At the end of F2007, 170 employees were receiving ART through the company programme.

While Northam is not located in an area in which malaria is endemic, the company provides prophylaxis to employees returning home to affected regions and treatment to employees who contract the disease.

Corporate social investment and local economic development

Northam's corporate social investment (CSI) projects are aligned with the integrated development plans (IDPs) of the municipalities in which it operates. In F2007, Northam spent R3.2 million on CSI and local economic development,

The main areas of focus were: education, housing; health and welfare; community projects, food security and infrastructure development.

During the year the company continued to support

> *The Mojuteng housing project is an example of a successful partnership between government, employers and the financial sector in creating an enabling environment to provide incentives for people who previously would not have been able to enter the sector, to have access to affordable family homes*

local primary and secondary education institutions, notably with the provision of infrastructure, computer equipment and facilities. A total of R330 000 was spent on educational support in F2007.

The Northam Life Centre, a community poverty alleviation and skills training project, absorbed R1.5 million during the year. The project provides skills training in vegetable farming, carpentry, sewing, while HIV/AIDS counselling is available to the community.

Customer health and safety

Metal, sponge, ingots and powders refined by Heraeus are packaged in accordance with international standards and each numbered lot of metal delivered to customers is accompanied by a certificate of assay issued by Heraeus. Material safety data sheets are made available to customers.

Environmental impacts

Northam conducts its operations in line with the environmental management plan (EMP) that has been submitted to and approved by the DME, in conjunction with the Department of Water Affairs (DWAF). An annual compliance audit is undertaken by an independent third party and, in F2007, Northam was found to be largely compliant. Three areas of non-compliance were:

- grassing of tailings dam (not fully complied with);
- maintenance of cut-off drains not up to date;
- treated sewage waste water released into Bierspruit.

The company's water use permit expired in December 2005. Although the company submitted a water use licence application in June 2005, this has not yet been approved. Northam has been advised by DWAF to act in compliance with the previous permit until such time as the new permit has been issued.

The company is currently considering the implementation of the ISO 14001 standard as the environmental management system for the mine and a decision will be made on this during the coming year. As part of this process, the company would seek external certification against this standard.

Environmental incidents are reported as part of the overall incident reporting system in place at Northam. No significant environmental incidents were reported in F2007 and no fines or penalties were incurred.

Northam's primary environmental impacts relate to resource utilisation, primarily water and energy; emissions and discharges to water and air; and land management, rehabilitation and biodiversity.

Key features of the year under review are discussed below:

Resource utilisation

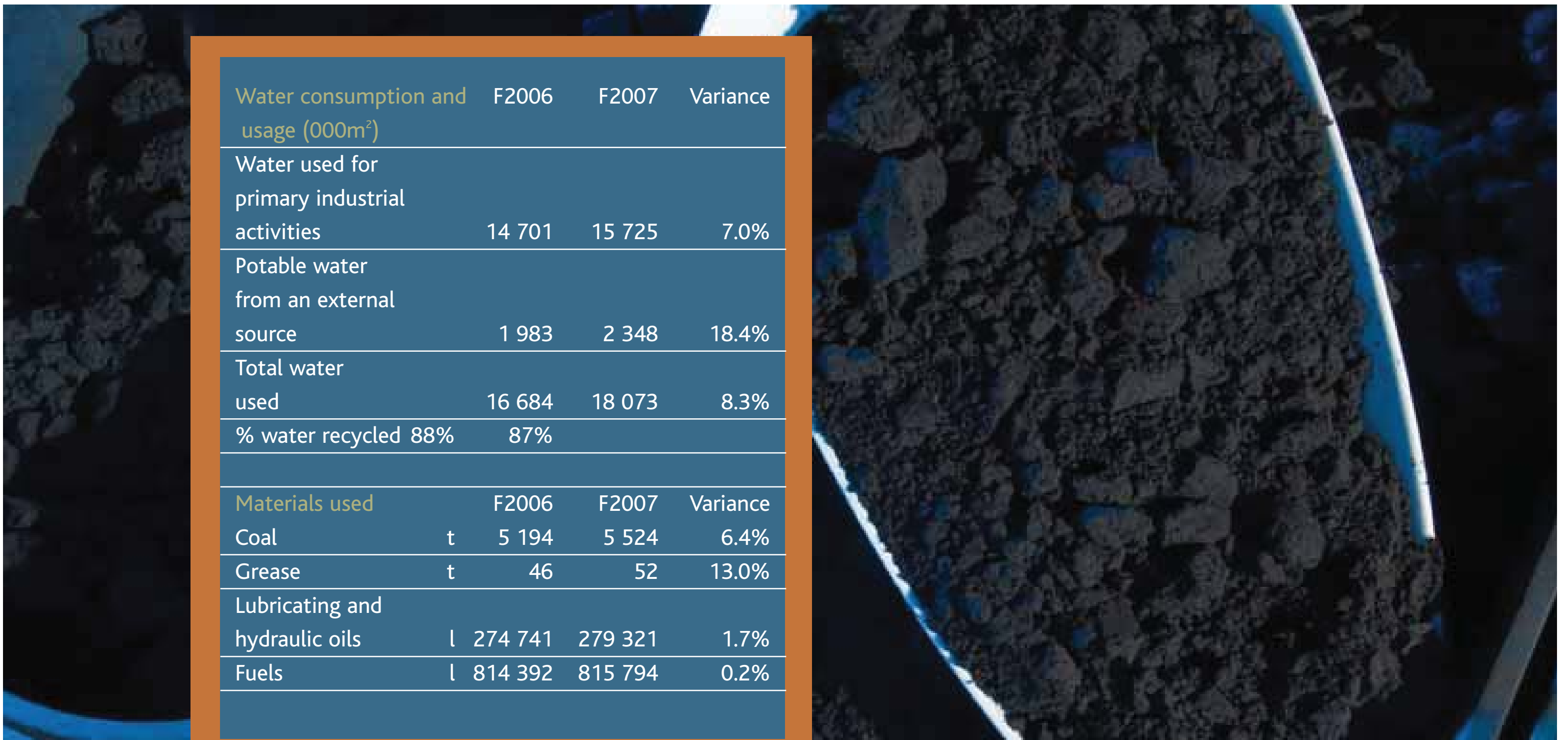
Total water consumption during F2007 rose by 8.3% to 18.1 million m^3. (F2006: 16.7 million m^3).

Total energy consumption from electricity purchased during the year increased by 16.8% to 638.3 gigawatt (GW) hours. (F2006: 546.7 GW hours). About 74% of this energy was used in mining operations and 26% in the plant.

Among the other initiatives in which the company is engaged are demand side management, in conjunction with the power utility Eskom

Emissions

- The primary emissions of concern are sulphur dioxide (SO_2) and particulates (dust).
- In total, 3 372 t of SO_2 were released into the atmosphere in F2007; emissions were within the limits imposed by legislation.
- The progressive vegetation of the surface tailings dam is progressing, therefore dust levels are decreasing.



Water consumption and usage (000m^2)	F2006	F2007	Variance
Water used for primary industrial activities	14 701	15 725	7.0%
Potable water from an external source	1 983	2 348	18.4%
Total water used	16 684	18 073	8.3%
% water recycled	88%	87%	

Materials used		F2006	F2007	Variance
Coal	t	5 194	5 524	6.4%
Grease	t	46	52	13.0%
Lubricating and hydraulic oils	l	274 741	279 321	1.7%
Fuels	l	814 392	815 794	0.2%

Sustainable development *(continued)*

Discharges

- Northam discharges water into the Crocodile River and the Bierspruit in line with approved permits.

Land management and biodiversity

Northam's current mining property covers an area of some 5 000ha.

- Of the land under management, around 40% has been disturbed by mining operations, dwellings, infrastructure and so forth.
- The tailings dam, waste rock dump and slag retreatment plant and dump occupy about 162ha (around 3% of the land). The tailings facilities are rehabilitated as deposition is concluded to reduce dust levels and for aesthetic reasons.
- Leased farmland covers about 276ha (4%) of the total area, while Northam leases some 800ha (11%) for conservation purposes in order to conserve the biodiversity of the region. The balance of the land (50%) remains as natural habitat.

None of the company's activities is situated in areas protected by the World Conservation Union, heritage sites or biosphere reserves. Furthermore, no red data species have been identified on or adjacent to the mine property.

In F2008 Northam will undertake an in-depth analysis of its greenhouse gas emissions and assess the risks and opportunities posed to the company by global warming. Initial indications are that:

- risks may include the availability of water in an already water-scarce region and the implication that this will have for costs; and
- global concerns relating to greenhouse gas emissions are likely to add impetus to emissions legislation and the sourcing of alternative energy, which will in turn provide support for the PGMs market.

Northam's total environmental liability is estimated at R68 million as at the end of F2007 (F2006: R55 million). As prescribed by law, the company has a rehabilitation trust fund in place currently valued at R19 million (F2006: R16 million).

The company has also passed a notarial bond for R27.3 million over certain areas of the mine's freehold property for any future rehabilitation obligations. (For further information see notes 6,7 and 11 to the annual financial statements on pages 74, 75, 77 and 78 respectively.)