Directors' report

The directors have pleasure in submitting their report for the year ended 30 June 2008. The review of the group's operational performance is set out in the business review on pages 12 to 15, whilst the nature of business is described in the corporate profile which appears in the inside front cover.

Booysendal Platinum Project

At a general meeting of held on 6 June 2008, shareholders approved the necessary resolutions for the acquisition of the Booysendal Platinum Project (Booysendal) with the special resolutions being registered on 13 June 2008. As announced on 19 August 2008, the implementation of the transaction had commenced, and the 121 000 000 ordinary shares were allotted and issued to Mvelaphanda Equity (Proprietary) Limited, a wholly-owned subsidiary of Mvelaphanda Resources Limited on 20 August 2008, and Northam acquired the entire issued share capital of Khumama Platinum (Proprietary) Limited (Khumama). The first 50% of the issued share capital of Micawber 278 (Proprietary) Limited (Micawber), which holds the Booysendal mining titles, has been transferred to Khumama, and the remaining 50% has been pledged and is held in escrow pending conversion of the old order mining title over Booysendal.

Application for the conversion of the old order mining title covering nine of the eleven Booysendal farms, and for the grant of a mining licence over the remaining two farms presently held under new order prospecting rights, has been lodged with the Department of Minerals and Energy (DME) and is currently being processed.

Upon the grant of the new order mining rights the remaining 50% of the issued share capital of Micawber will be transferred to Khumama and the implementation will be complete.

Corporate governance

The directors endorse the Code of Corporate Practices and Conduct set out in the second King Report on Corporate Governance (King 2) that was released in March 2002. Further details on the group's corporate governance practices are set out in the Corporate Governance Report on page 33 to 37.

Mining licences

The Northam mine's mining licences cover an area of approximately 7 625 hectares on the farms Aapieskraal 377 KQ, Amandelbult 383 KQ, Elandsfontein 386 KQ, Grootkuil 376 KQ, Kopje Alleen 422 KQ, Middeldrift 379 KQ, Vrugbaar 381 KQ and 387 KQ, Witvley 423 KQ and Zondereinde 384 KQ.

The Booysendal mine's mining licence, which is held through Micawber, covers an area of approximately 13 926 hectares on the farms Booysendal 43 JT, Buttonshope 51 JT, Der Brochen 7 JT, Draaikraal 48 JT, Hebron 5 JT, Kliprivier 73 JT, Pietersburg 44 JT and Uysedoorns 47 JT. In addition Micawber holds new order prospecting rights of approximately 2 068 hectares on the farms Johannesburg 45 JT and Sheeprun 50 JT.

Additional rights over an area of approximately 1 264 hectares on the farms Der Brochen 7 JT, Hebron 5 JT and Hermansdal 3 JT will be ceded to Micawber once Rustenburg Platinum Mines Limited's application to convert its old order rights to new order rights has been granted.

Conversion of mining rights

The company submitted its application to the DME for the conversion of its old order mining rights pertaining to the Northam mine property, to new order mining rights in April 2006. The application was accepted by the DME and is at the date hereof still being processed.

The application to the DME for the conversion of the Booysendal old order mining rights to new order mining rights was submitted in June 2008. The application was accepted by the DME and is at the date hereof still being processed.

Property

A register of land and buildings containing the information required by the Companies Act is available for inspection at the registered office of the company during normal business hours.

Financial results

The accounting policies, balance sheets, income statements, statements of changes in equity, cash flow statements and notes to the financial statements, on pages 49 to 86, reflect the financial results and position of the company and the group.

Dividends

Dividends totaling 330 cents per share (2007: 525 cents per share) absorbing R1 011 223 675 (2007: R1 245 078 800) were declared. Details are as follows:

Interim dividend (No 18) – 145 cents per share

Declaration date:	11 February 2008
Last day to trade cum div:	29 February 2008
Commencement of trading ex div:	3 March 2008
Record date:	7 March 2008
Payment date:	10 March 2008

Final dividend (No 19) – 185 cents per share

Declaration date:	22 August 2008
Last day to trade cum div:	12 September 2008
Commencement of trading ex div:	15 September 2008
Record date:	19 September 2008
Payment date:	22 September 2008

Shareholders who have dematerialised their shares receive payment electronically as provided for by STRATE. For those shareholders who have not yet dematerialised their shares, or who intend not to do so, the company operates an electronic funds transmission service, whereby dividends may be electronically transferred to members' accounts. These shareholders are encouraged to mandate this method of payment for all future dividends.

Share capital

The authorised share capital of the company has increased to R4 750 000 (2007: R3 500 000) divided into 475 000 000 (2007: 350 000 000) shares of one cent each.

During the year 1 461 500 shares were allotted and issued to participants of the Northam Share Option Scheme, for an aggregate consideration of R22 280 000, resulting in the issued share capital at 30 June 2008 being 238 687 500 (2007: 237 226 000) shares of one cent each.

Since the balance sheet date no shares were allotted and issued in terms of the rules of the aforementioned scheme, whilst 121 000 000 shares have been allotted and issued to Mvelaphanda Equity (Proprietary) Limited, a subsidiary of Mvelaphanda Resources Limited, resulting in the issued capital of the company being 359 687 500 at the date of this report.

At the forthcoming annual general meeting members will be asked to place the authorised but unissued shares in the capital of the company, other than those shares that are reserved for purposes of the Northam Share Option Scheme, under the control of the directors in terms of Section 221(2) of the Companies Act, 1973 (Act 61 of 1973) ("the Act"), as amended, and the Listings Requirements of the JSE Limited (JSE). The text of the necessary resolution appears in the notice of annual general meeting on page 87, which forms part of this report.

Repayments of share capital

At the annual general meeting held on 29 November 2007 shareholders passed a resolution granting the directors of the company a general authority to distribute up to a maximum of 20% of the company's issued share capital in terms of the Listings Requirements of the JSE and subject to the requirements of Section 90 of the Companies Act, 1973. The company has a substantial share premium account, equivalent to R8.59 per share that has arisen from previous rights issues. Should the company under prevailing market conditions generate cash funds that are surplus to its operational requirements, this general authority enables the directors to return some or all of these surplus funds to shareholders should they deem it to be in the best interests of the company. This general authority is valid until the company's next annual general meeting or for 15 months from the date of the aforementioned resolution (being 29 November 2007) whichever period is the shorter. The directors have proposed that this general authority be renewed for a further period once again and accordingly the text of the necessary resolution appears in the notice of annual general meeting on page 88, which forms part of this report.

No payments were made during the year in terms of this general authority.

Directors' report

Acquisition of company's own shares

The Companies Act permits a company and its subsidiaries to acquire its own shares and for such subsidiaries to acquire shares of their holding company. Accordingly, at the annual general meeting held on 29 November 2007 shareholders passed a special resolution granting the company a general authority to repurchase its own shares. This general authority provides the directors, subject to certain terms and conditions as set out in the said special resolution, with the necessary flexibility to procure the repurchase of the company's shares from time to time should such repurchase, in view of prevailing market conditions, be opportune and be deemed to be in the best interests of the company. This general authority is valid until the company's next annual general meeting or for 15 months from the date of the aforementioned resolution (being 29 November 2007) whichever period is the shorter. The directors have proposed that this general authority be renewed for a further period once again and accordingly the text of the necessary special resolution, as well as the reasons therefor and the effects thereof, appears in the notice of annual general meeting on page 88, which forms part of this report.

During the year no acquisitions of shares were effected in terms of this general authority.

Borrowing powers

In terms of the articles of association, the directors may borrow for purposes of the company, such sums as they deem fit.

Proposed adoption of new articles of association

The company adopted new articles of association in 2001 and has made several changes in the intervening years. In addition there have been amendments to the Listings Requirements of the JSE. Consequently the directors consider it appropriate to adopt new articles of association which incorporate the amendments previously approved by shareholders, the changes necessitated by the amendments to the Listings Requirements of the JSE, as well as the following principal changes:

Definition of HDP

Article 49 requires, inter alia, that no less than 50% of the directors shall be HDPs. The definition of HDPs will be added to the articles for clarification purposes, being a person defined as such in the Minerals and Petroleum Resources Development Act of 2002.

Quorum at a general meeting

The quorum required for a general meeting will be clarified to allow authorised representatives of corporate entities to be included in the number of members present to constitute a quorum. It is also proposed that a quorum may be constituted by proxy attendances.

Electronic notices

In order to keep up with advances in electronic communications methodology and to save postage and printing costs, it is proposed that formal company notices be given by electronic mail, if the recipient of such notice has previously informed the company that he is prepared to receive notices in this form and has provided an e-mail address to the company. An e-mail notification to a member or director shall be deemed to have been received at 09h00 on the day following dispatch of the notice.

Electronic distribution of annual financial statements to shareholders

In the same vein, it is proposed that the annual financial statements of the company could also be sent by e-mail to those persons who have supplied the company with an e-mail address, unless such shareholder has informed the company to the contrary.

Directors' meetings

It is proposed that directors' meetings could also be held via teleconference and videoconference facilities. Resolutions at such meetings are adopted by a majority of the directors participating in the conference.

Directors' interests

The existing article provides in effect that a director may not vote in respect of a resolution concerning a contract in which he is materially interested unless such contract is with a company in which such director is interested ("the company exclusion"), The directors are of the view that the company exclusion is too wide and could lead to manipulation. Accordingly, it is now proposed that the company exclusion be limited to cases where the director in question (a) is a non-executive director of that company and (b) is not directly or indirectly a material shareholder in such company.

Pro rata allotment of securities

Further clarification is provided that a *pro rata* allotment of securities does not have to take place if (a) such securities are issued for an acquisition of assets, and (b) it is authorised by prior approval of the company in general meeting.

Members will accordingly be requested at the forthcoming annual general meeting to consider and, if thought fit, to pass a special resolution to adopt the amended articles of association as the company's new articles of association. The text of this special resolution is contained in the notice of annual general meeting on page 87, which forms part of this report.

STRATE (Share Transactions Totally Electronic)

Shareholders are once again reminded that the company transferred to the STRATE environment during September 2001. Shareholders who have not already dematerialised their shares (certificated shareholders) are strongly urged to do so as soon as possible (unless it is their explicit intention not to do so) in order to enable them to trade in such shares. It is most important for certificated shareholders to note that their shares may not be traded on the JSE unless the shares have been dematerialised.

Northam Share Option Scheme (the Scheme)

The Scheme was established on 4 January 1995 with the objective of attracting and retaining employees with appropriate levels of ability and expertise who make a significant contribution to the operations of the company.

Options are offered at the 30-day volume weighted average price at which Northam shares traded on the JSE up to the trading day immediately preceding the offer date. In terms of the rules of the Scheme, option holders may exercise 50% of their options two years after the offer date and 100% of their options three years after the offer date. Options not exercised within five years of the offer date shall lapse.

In terms of the rules of the Scheme, 11 550 000 unissued shares are reserved for participants of the scheme, and the maximum number of options that any one participant may hold is limited to 0.4% of the issued share capital of the company prevailing from time to time. At the date of this report, 0.4% of the issued capital equated to 1 438 750 shares.

A summary of the shares held under option is as follows:

Earliest and latest exercise date	Price per share (cents)	Total number of options
14 October 2005 and 13 October 2008	1 060	22 000
14 October 2006 and 13 October 2009	830	642 500
24 October 2007 and 23 October 2010	1 700	1 812 500
23 October 2008 and 21 October 2011	4 800	2 177 500
Number of options held at 30 June 2007		4 654 500
New options granted during the year at R48.00 per share		2 202 500
Number of options forfeited during the year		(835 000)
Number of options exercised during the year – refer Annexure 3 on page 86		(1 461 500)
Number of options held at 30 June 2008		4 560 500

Directors' report

At 30 June 2008 the outstanding options were exercisable as follows:

Earliest and latest exercise date	Price per share (cents)	Total number of options	Options vested at 30 June 2008	Options exercisable in 2009	Options exercisable thereafter
14 October 2006 and 13 October 2009	830	92 500	92 500	–	–
24 October 2007 and 23 October 2010	1 700	858 000	116 750	741 250	–
23 October 2008 and 22 October 2011	3 845	1 712 500	–	856 250	856 250
22 October 2009 and 21 October 2012	4 800	1 897 500	–	–	1 897 500
		4 560 500	209 250	1 597 500	2 753 750

Full details of the options exercised during the year are set out in Annexure 2 on page 84, and are summarised as follows:

Grant date	Number of options exercised	Exercise price (cents)	Consideration R000
14 October 2003	22 000	1 060	233
14 October 2004	550 000	830	4 565
24 October 2005	799 500	1 700	13 592
23 October 2006	45 000	3 845	1 730
22 October 2007	45 000	4 800	2 160
Total	1 461 500		22 280

Directorate

The following change occurred since the date of the last annual report:

- Mr N B Mbazima resigned as a non-executive director on 20 August 2008,

The board wishes to place on record its appreciation of the services rendered to the company by Mr Mbazima.

The composition of the board of directors, as well as of board appointed committees, at the date of this report, is reflected on pages 34 to 37.

The directors retiring by rotation in terms of the provisions of the company's articles of association are Dr N J Dlamini, Ms E T Kgosi and Mr R Havenstein who, being eligible and available, offer themselves for election. Accordingly at the forthcoming annual general meeting members will be requested to consider resolutions providing for the election and re-appointment of Dr N J Dlamini, Ms E T Kgosi and Mr R Havenstein as non-executive directors of the company.

Brief summaries of their curricula vitae appear on page 30.

Directors' fees

In terms of the articles of association the fees for services as directors are determined by the company in general meeting. The current level of fees paid to non-executive directors for their services is as follows:

Board fees

- Board chairman – R60 000 per annum.
- Board members – R30 000 per annum.
- Board meeting attendance fees – R20 000 per meeting.

Board appointed committees

- Committee chairmen – R24 000 per annum.
- Committee members – R12 000 per annum.
- Committee meeting attendance fees – R8 000 per meeting.

The above fees were set in 2007, and with the ever increasing responsibilities imposed on directors by the more stringent regulatory environment, it is considered appropriate that they be further revised to bring them into line with market norms. Accordingly it is proposed that the fees be increased as follows:

Board fees

- Board chairman – R80 000 per annum.
- Board members – R40 000 per annum.
- Board meeting attendance fees – R26 000 per meeting.

Board appointed committees

- Committee chairmen – R30 000 per annum.
- Committee members – R15 000 per annum.
- Committee meeting attendance fees – R10 000 per meeting.

At the forthcoming annual general meeting members will accordingly be requested to consider a resolution providing for the increase in the fees as set out above.

Directors' remuneration

The directors' remuneration for the year ended 30 June 2008 was as follows:

	Fees R000	Remuneration package R000	Performance bonus R000	Benefits R000	Gain on exercise of options R000	Total R000
2008						
Executive						
G T Lewis	–	**1 785**	**235**	**236**	–	**2 256**
Non-executive						
M E Beckett	**246**	–	–	–	–	**246**
N J Dlamini (Note 1)	**285**	–	–	–	–	**285**
R Havenstein	**158**	–	–	–	–	**158**
E T Kgosi (Note 1)	**333**	–	–	–	–	**333**
N B Mbazima	**102**	–	–	–	–	**102**
R G Mills	**57**	–	–	–	–	**57**
P C Pienaar	**104**	–	–	–	–	**104**
B R van Rooyen	**234**	–	–	–	–	**234**
M J Willcox	**5**	–	–	–	–	**5**
P L Zim	**160**	–	–	–	–	**160**
	1 684	**1 785**	**235**	**236**	–	**3 940**
2007						
Executive						
G T Lewis	–	1 525	212	210	3 963	5 910
Non-executive						
M E Beckett	161	–	–	–	–	161
N J Dlamini	137	–	–	–	–	137
R Havenstein	86	–	–	–	–	86
E T Kgosi	166	–	–	–	–	166
N B Mbazima	17	–	–	–	–	17
R G Mills	96	–	–	–	–	96
P C Pienaar	23	–	–	–	–	23
T M G Sexwale	102	–	–	–	–	102
R H H van Kerckhoven	78	–	–	–	–	78
B R van Rooyen	209	–	–	–	–	209
M J Willcox	85	–	–	–	–	85
P L Zim	22	–	–	–	–	22
	1 182	1 525	212	210	3 963	7 092

Note 1. Mesdames Dlamini and Kgosi were paid a special fee of R75 000 each in their capacity as independent directors advising shareholders on the Booysendal Platinum Project.

No options were exercised by directors during the year.

Directors' report

Service contracts

The chief executive officer, Mr G T Lewis, has a service contract with the company which is subject to a notice period of one year. None of the other directors has a service contract with the company.

Directors' interests

According to information available to the company after reasonable enquiry, the interests of the directors and their families in the shares of the company at 30 June 2008 were as follows:

	30 June 2008			
	Direct beneficial holding	Indirect beneficial holding	Indirect non-beneficial holding	Total
M E Beckett	**30 000**	**–**	**–**	**30 000**
B R van Rooyen	**–**	**37 462**	**–**	**37 462**
P L Zim	**–**	**–**	**4 496 442**	**4 496 442**
	30 000	**37 462**	**4 496 442**	**4 563 904**

	30 June 2007			
	Direct beneficial holding	Indirect beneficial holding	Indirect non-beneficial holding	Total
M E Beckett	30 000	–	–	30 000
B R van Rooyen	–	37 462	–	37 462
M J Willcox	–	734	1 637 529	1 638 263
P L Zim	–	–	4 776 631	4 776 631
	30 000	38 196	6 414 160	6 482 356

As a consequence of the allotment and issue of the 121 million Booysendal consideration shares on 20 August 2008, the indirect non-beneficial shareholding of Mr P L Zim has increased to 15 217 200. There have been no changes to the shareholdings of the other directors between 30 June 2008 and the date of this report.

Analysis of shareholders at 30 June 2008

Shareholding range	Number of holders	Total shareholding	Percentage holding
1 – 5 000	5 166	4 158 555	1.8
5 001 – 10 000	249	1 931 883	0.8
10 001 – 50 000	299	6 752 993	2.8
50 001 – 100 000	67	4 719 375	2.0
100 001 – 1 000 000	119	34 925 733	14.6
1 000 001 and over	29	186 198 961	78.0
Total	5 929	238 687 500	100.0

Category of shareholder	Number of holders	Total shareholding	Percentage holding
Individuals	5 700	14 722 700	6.2
Companies	2	104 841 230	43.9
Managed funds and other bodies	227	119 123 570	49.9
Total	5 929	238 687 500	100.0

Major shareholders at 30 June 2008

Owner	Number of shares	Percentage holding
Anglo Platinum Limited	53 102 925	22.2
Mvelaphanda Resources Limited	51 738 305	21.7

Fund manager	Number of shares	Percentage holding
Allan Gray Limited	22 298 464	9.3
Public investment Commission	10 957 122	4.6
Hellier Investments Limited	9 750 400	4.1
M & G Investment Management Limited	9 600 000	4.0
Foord Asset Management Limited	8 985 263	3.8

Shareholder spread at 30 June 2008

The company's shareholder spread is set out below.

	Number of shareholders	Percentage holding
Public	5 924	54.3
Non-public		
– Directors	3	1.9
– Other (any who fall outside the scope of the above)	2	43.8
Total	5 929	100.0

Northam Platinum Restoration Trust Fund (the Fund)

The Northam Platinum Restoration Trust Fund was established in 1996 to assist the company in making financial provision for the environmental rehabilitation of the mine, in terms of the Minerals Act, 1991, upon cessation of its mining operations. Details of the contributions made and provisions raised are disclosed in notes 6 and 14 of the notes to the financial statements. In addition, the company has procured the issue of a guarantee for R24.0 million in respect of certain unfunded environmental restoration costs, as more fully disclosed in note 7 of the notes to the financial statements and has registered a bond over certain areas of its property in favour of the Fund in order to secure payment of its obligations.

Toro Employee Empowerment Trust Fund

The company has entered into an agreement with the representative unions at the Northam mine in terms of which the company has undertaken to contribute 4% of its after-tax profits to a specially registered trust fund (The Toro Employee Empowerment Fund), providing the Northam mine's unskilled and semi-skilled employees an opportunity to participate in the profits of the company. Eligible employees will receive payment at the end of each five year cycle, starting with effect from 2013. This development, a requirement of the Booysendal Transaction agreements, will provide employees with a vested interest in the operating performance of the company, without being exposed to potential volatility in the market price of Northam shares.

The participation in the scheme of employees at the future Booysendal mine will be addressed in due course.

Directors' report

Subsidiaries

At the 30 June 2008 the company held the following subsidiaries:

Norplats Properties (Proprietary) Limited.

Norplats Properties (Proprietary) Limited (Norplats) owns residential erven in the town of Northam, and has erected houses thereon as part of an initiative to assist Northam employees in acquiring their own affordable houses. As part of an additional phase of this initiative, Norplats entered into an agreement to acquire the entire issued share capital of Broad Brush 2 (Proprietary) Limited ("Broad Brush") for a consideration of R16 million which cost will be financed by means of an interest free loan from Northam. The agreement was subject to a number of conditions precedent, which were fulfilled after the year end. Broad Brush owns certain property in the town of Northam, and will develop a residential township as a further part of this initiative. Northam has entered into an arrangement with a financial institution whereby the financial institution will provide finance to the employees to assist the employees in acquiring these houses. The loan to Norplats will be repaid as funding from the financial institution becomes available.

Subsequent to the year end, as detailed in the paragraph dealing with the Booysendal transaction on page 40, the company acquired the entire issued share capital of Khumama. As detailed in the paragraph in respect of the Booysendal Platinum Project on page 40, the company owns 50% of the issued share capital of Micawber. The remaining 50% has been pledged and is held in escrow by Northam pending conversion of the old order mining title over Booysendal. On the grant of the new order mining rights the remaining 50% of the issued share capital of Micawber will be transferred to Khumama and be a subsidiary of Northam.

Consequently, at the date of this report, the company held the following subsidiaries:
Broad Brush 2 (Proprietary) Limited,
Khumama Platinum (Proprietary) Limited, and
Norplats Properties (Proprietary) Limited.

Special resolutions

Details of special resolutions passed by the company during the year are available upon request.

Going concern

Mining entities have a finite life that depends on geological and technical factors as well as commodity prices and other economic factors. Taking account of the outlook for these factors as contained in the chairman and chief executive's message, as well as the group's present financial resources, the directors believe that the group is a going concern. Details of the key assumptions made are set out in note 1 of the notes to the financial statements. The group annual financial statements have accordingly been prepared on this basis.

Company secretary

Mr S J van der Spuy continues in office as company secretary. Relevant details appear on the inside back cover of this report.

Listing

The company's shares are listed in the Basic Resources – Mining [Platinum and Precious Metals] sector of the JSE.

Post balance sheet events

No material changes, other than the Booysendal and Broad Brush tranactions, have taken place in the affairs of the group between the end of the financial year and the date of this report.

Shareholders are referred to the cautionary announcement dated 12 September 2008 advising that the company has received approaches from interested parties which may result in an offer to acquire the entire issued share capital of Northam.