

Message from the chairman and chief executive

It is a pleasure to report to shareholders after what was a landmark year in the life of Northam. While the group's financial results for 2008 continue to reflect the continued solid performance of the Northam mine, our existing cash-generative PGM operation on the western limb of the Bushveld Complex, the acquisition of the 103Moz Booyesendal PGM asset has signified a step change in the fortunes of Northam, setting the company on a path to sustainable growth.

The past year was a bonanza one for the PGM sector, and Northam certainly benefited from the exceptional market conditions which saw platinum prices breaching a series of record highs, trading above the US\$2 000/oz level for the major part of the second half of the financial year, and ending the year at US\$2 064 on 30 June 2008.

The new Northam

There can be no doubt that the single outstanding feature of the year was the acquisition from Mvelaphanda Resources Limited (Mvela Resources) of the Booyesendal prospect, a 103Moz (3PGE+Au) PGM asset on the eastern limb of the Bushveld Complex.

In a number of ways this transaction has transformed the Northam corporate entity by:

- acquiring a world class asset which not only significantly grows the group's attributable resource base, but has the

potential of doubling the group's PGM output in the near to medium term with full control of metal from mine to market;

- establishing a strategic foothold in the eastern Bushveld Complex over one of the last remaining large PGM deposits;
- reducing the risk that the market has for many years ascribed to a company with a single operating asset;
- simplifying the Northam corporate structure;
- securing Northam's black economic empowerment credentials;
- adding a range of further value-adding opportunities and potential through corporate activity.

In concluding this complex and protracted transaction, first announced in September 2007, and approved by shareholders on 6 June 2008, we at Northam were meticulous in conducting detailed work on

the Booyesendal orebody in order to secure optimal value for our shareholders. After an independent review of the Booyesendal resource, the parties to the transaction, Mvela Resources, Anglo Platinum Limited (Anglo Platinum) and Northam agreed to increase the extent of the Booyesendal project area by 1.3 kilometres along strike into the southern portion of Anglo Platinum's Der Brochen project area (the Booyesendal Extension), taking the total strike length of the project to 14.5km. The final purchase consideration of 121 million Northam shares to Mvela Resources for a resource base of 103Moz, or US\$6.80 per resource ounce, must rank as one of the most reasonably priced PGM deals in the sector.

A further positive development in the year was the signing of a metal offtake agreement with Platmin Limited's Pilanesberg Platinum Mines (Pty) Limited, in line with our stated strategy of leveraging the group's existing metallurgical infrastructure at the

Transforming Northam

	Northam today	New Northam
Resources	30Moz	133Moz
Production	300,000oz	650,000oz
Life of mine	18 years	50+ years



■ Lazurus Zim (Chairman)



Glyn Lewis (CEO) ■

Northam mine to create an additional revenue stream. The Pilanesberg platinum mine, due to come into production in the first half of calendar 2009, ramping up to full production by the end of the year, is expected to produce some 250,000oz (3PGE+Au) per annum. Even in the near term, this is expected to make a significant contribution to Northam's sales volumes.

Safety and health – a cornerstone of sustainable business

Safety in the mining industry came sharply into the spotlight during the year with the industry-wide South African presidential safety audit implemented by the Department of Minerals and Energy (DME).

At the Northam mine the death of four employees in the year was a tragic loss. Our thoughts go to the loved ones of Messrs MA Hoffman, M Mpywe, T Matumane and J Lethiba. Each and every accident and injury at work is taken seriously throughout the company and we will, as appropriate, continue to stop operations in the interests of safety.

Other safety indicators, such as lost time and reportable injury rates, were largely unchanged on the previous year.

As a business in a sector which provides employment for thousands of people in inherently hazardous conditions, we welcome and support any intervention which seeks to eliminate injury and fatalities, and we remain committed to the spirit of tripartism as envisaged in the Mine Health and Safety Act (Act 29 of 1996).

It is of concern to us however, that in certain instances, the imposition of punitive mine closures by the authorities fail to take account of certain fundamental 'making safe' procedures in working areas, which could result in further deterioration of working areas during the downtime. This is something we have taken up with the DME, and we are optimistic that we can reach a level of understanding which should further enhance our collective focus on safety.

We have made some meaningful progress this year in our sustainable development initiatives. A summary of our sustainable development report appears on page 24 of this document. A more comprehensive sustainable development report, which reports in line with the Global Reporting Initiative's (GRI) G3 guidelines and reports on Northam's compliance with the Mining Charter, may be found on the Northam website at www.northam.co.za.

In a bid to broaden our empowerment base, and further incentivise and retain employees in the unskilled and semi-skilled categories, we have established The Toro Employee Empowerment Fund. This was negotiated with the representative labour unions on the Northam mine, in a greatly improved labour relations climate. Through this vehicle, a specially registered trust, we as a company have undertaken to contribute 4% of after-tax profits, providing eligible employees with an opportunity to participate in the profits of the company, without exposing them to potential share price volatility.

Results and operating performance

The Northam mine remained highly cash generative, with a closing cash balance of R1.5 billion for the year under review underpinned by growth in revenue from metal sales, 3.9% higher year on year at R3.9 billion. Exceptionally strong metal prices, particularly in H2, helped to offset the effect of lower production of metals in concentrate at 9 113kg (292 989oz).

The 9.7% drop in output was largely attributable to the effects of safety-related stoppages, operational difficulties arising from intermittent power supply and industrial action. These challenges were a feature of the mining industry in South Africa during the reporting period. However, these impacts were exacerbated at the Northam mine by the ongoing difficulties associated with mining the Merensky regional pothole facies. Year on year, tonnages milled from the Merensky reef horizon were 21.0% lower at 1 059 624 tonnes (F2007: 1 341 057 tonnes).

However, with the continued focus of Northam mine management on improvements to our metallurgical operations, and the success we have achieved in managing chrome levels in our smelter feed, we have once again grown the proportion of UG2 ore treated, which contributed to the 3.8% increase in tonnages from this reef horizon to 963 033 tonnes (F2007: 928 149), indicating once again the shifting

Northam platinum mine: aerial view of the thickener tanks at the concentrator plant



production profile from the Northam mine. Taking account of the lost production shifts during the year, this was a creditable performance and helped to stem the decline in total tonnages milled to 10.9%.

Unsurprisingly, inflationary pressures in South Africa bit sharply into the Northam mine's cost performance. At the operating cost level the increase of 19.5% was in line with our expectations. However, with the lower volumes produced, unit costs at R175 197/kg were 29.5% up year on year. We are optimistic though, that higher production levels in the year ahead should lead to some improvement in the relative cost performance, while the slowdown in global economic growth should also result in some moderation to the increases in the price levels of many of our input costs.

Once again, for five years in succession, earnings per share have continued to show healthy growth, with earnings this year reaching 627 cents per share, 12% higher year on year. At this time it is perhaps appropriate to remind shareholders of our unchanged policy of consistently returning cash in excess of growth requirements to shareholders. Having now embarked on a major expansion programme, it would be imprudent not to withhold some cash for this purpose, both now, and into the future. Our total dividend for the year, of 330 cps, translating into a dividend cover of 1.9:1 (F2007: 1.06:1), reflects this approach and also the effect of the increased 360 million shares in issue at the time of declaration.

Production outlook

Given the challenges that we have faced in Merensky mining over the past few years, it is gratifying now be in a position to anticipate improved prospects for this orebody going forward. This results from a number of initiatives aimed at improving the ore reserve flexibility at the mine, and it is a tribute to the management at the Northam operation that the 18 level deepening project in particular, has progressed as well as it has down to its current position at 16 level. Each additional decline level adds approximately 2.5 years life of mine to the operation and provides access primarily to the Merensky

normal reef facies, which is a very stable reef type, with high metal yields. On completion of the project, the Northam operation's life could potentially be extended to 25 years from the current 18 years, adding 5.2Moz to our Merensky resource base.

A new source of Merensky concentrate from the Pilanesberg platinum mine in the Platmin stable (some 60km from the Northam mine) with its lower chrome content, is due to start contributing to smelter feed in the latter half of F2009. This should provide further flexibility for Northam in diluting the chrome-rich UG2 ore. In view of the prevalence of the UG2 reserves, and the relative ease with which we are able to exploit this reef, we are optimistic that this development, in the medium term, will represent value in terms of volumes, reduction of costs, and ultimately increased profitability.

Growth path on track

As we focus now on growing the company and our asset base, work continues apace on the Booyssendal PGM project. Against the background of skills shortages, we have been fortunate to have attracted a project team with vast experience in mining and project development, to complement the depth of expertise within the group. The review of the Booyssendal prefeasibility study has now progressed

seamlessly into the bankable feasibility, due for completion in the latter half of calendar 2009.

An enormous amount of work has already been completed in identifying the most economical and efficacious way of bringing this quality resource to account. A range of production scenarios, 11 in all, ranging in scale from 120 000 to 480 000 tonnes per month have already been considered, with results suggesting a modular production build-up offering flexibility and mitigating potential risks relating to issues such as power and water supply.

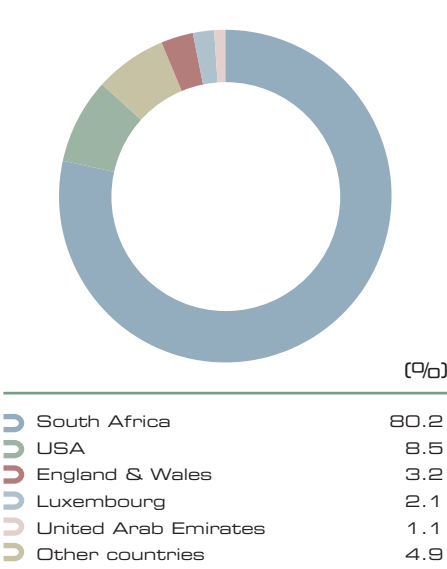
A further positive emanating from the pre-feasibility review process has been the confirmation of the capital expenditure and working cost estimates assumed in the conceptual study.

Constrained power supply

The power supply crisis, which manifested acutely at the beginning of the calendar year with large-scale, and oftentimes unscheduled interruptions to operations, was followed by a process of intensive, industry-wide engagement with the South African power utility, Eskom. With the subsequent imposition of power supply reductions, this situation has since stabilised. We continue to liaise closely and frequently with Eskom both at the regional and national level, and have made some good progress in reducing the risk to our operations by expanding our existing energy conservation initiatives, and managing our operations within these constraints.

These factors have also been a critical feature in the planning of our Booyssendal expansion project, and indeed, were a significant part of the finalisation of the transaction agreement. Having secured access to power for the initial stages of mine construction and development, we are looking at the most feasible ways of ramping Booyssendal up to full capacity, while taking account of the potential risk of power constraints persisting beyond 2012.

Shareholder spread – geographic



Message from the Chairman and CEO *cont*

It has been pleasing to note, in many quarters in South Africa and further afield, how the potential risk associated with traditional sources of power has evolved into an opportunity to generate alternative power supply. We at Northam are continuously examining options in terms of self or co-generation of power, both from renewable and non-renewable sources.

Strengthening our shareholder base

The group's totally transformed prospects have given rise to a significant shift in our shareholder profile. We remain committed to timeous and transparent communication with all our shareholders, both those who have supported us over many years, when our prospects were limited, with new investors who have recognised the investment growth opportunity that the new Northam presents into the future. The inclusion of Northam in the MSCI Emerging Market Index in May this year has been a pleasing development, raising our visibility in the international investment arena.

Key issues in the year ahead

As advised to shareholders on 19 August 2008, the final step in the implementation of the Booyssendal transaction will be signaled by the granting of new order mining rights over the properties constituting the Booyssendal licence area. Our application for conversion of the Booyssendal old order rights was submitted before the end of this financial year. We have had constructive interaction with the DME in this regard and we look forward to the conclusion of this process in due course. We are also confident that this progress, combined with our now firmly entrenched black economic empowerment (BEE) credentials, will prompt the resolution of the conversion of the Northam mine's old order mining rights, application for which was submitted in April 2006.

Also arising from our newly established BEE status, is the imminent transfer of our 7.5% stake in the Pandora Joint Venture (Pandora), which has been warehoused by Mvela Resources since 2004. We are currently evaluating a number of alternatives

to turn what up to now has been a passive stake in Pandora, into a value-accretive opportunity for shareholders.

Prospects

In many circles the recent softening in metal prices, precipitated by the global economic slowdown, is being reported as a collapse. We have a more sober view and, although the economic slowdown will undeniably affect demand – we would argue the peaks in the prices, particularly in the second half of the year, were never going to be sustainable, and that more realistic price levels should go a long way in underpinning the longer term health of the PGM market.

Looking to market conditions in the year ahead, tightening emissions legislation will continue to underpin support from the auto industry, and industrial sector demand is likely to persist, albeit against the background of the ongoing quest for thrifting and substitution where possible. Furthermore, with the softer platinum price, there are already signs of increased demand from jewellery manufacturers. Demand for electronic goods is likely to persist, lending further support to our long-term positive outlook for our basket of metals.

In view of these market developments, the record earnings levels we have seen in the past year are unlikely to be equalled in the year ahead, but should remain healthy nevertheless. In addition, as we mentioned previously, future dividend declarations will be tempered by a more conservative approach as we will need to retain healthy levels of cash for the development of the Booyssendal mine. Shareholders, naturally curious as to what additional funding mechanisms will be used to pay for the new mine's construction and development, will need to exercise some patience yet, as we progress through a bankable feasibility study on the project. Suffice it to say that we are considering a range of funding mechanisms, but, in view of prevailing volatile financial markets conditions, it would not be prudent, at this early stage, to make any firm decisions and pronouncements. In looking to develop a major capital project, we are in the

fortunate position to be buoyed by the Northam mine's strong cash-generative ability, which is expected to continue to make robust contributions to our cash reserves.

Thanks

After such an eventful year in the company's life, we must extend our appreciation to the board, senior management and many others who worked tirelessly, frequently dealing with complex corporate and legal issues, in concluding the Booyssendal transaction. Special mention must go to Judy Dlamini and Emily Kgosi for their independent review of the transaction. On the operational side, Northam mine management have kept the home fires burning, and have done extraordinarily well in containing production shortfalls in the face of ongoing power constraints and other challenges.

Finally, the conclusion of the Booyssendal transaction has seen Anglo Platinum's exit as a major shareholder in the company. We are grateful for their long-standing support. Specifically, in finalising the acquisition of Booyssendal, a special word of thanks must go to Norman Mbazima and his team at Anglo Platinum.

We look forward to reporting to shareholders in F2009 as we work towards realising the exciting potential of a transformed Northam.

Lazarus Zim, Chairman
Glyn Lewis, Chief Executive
18 September 2008.