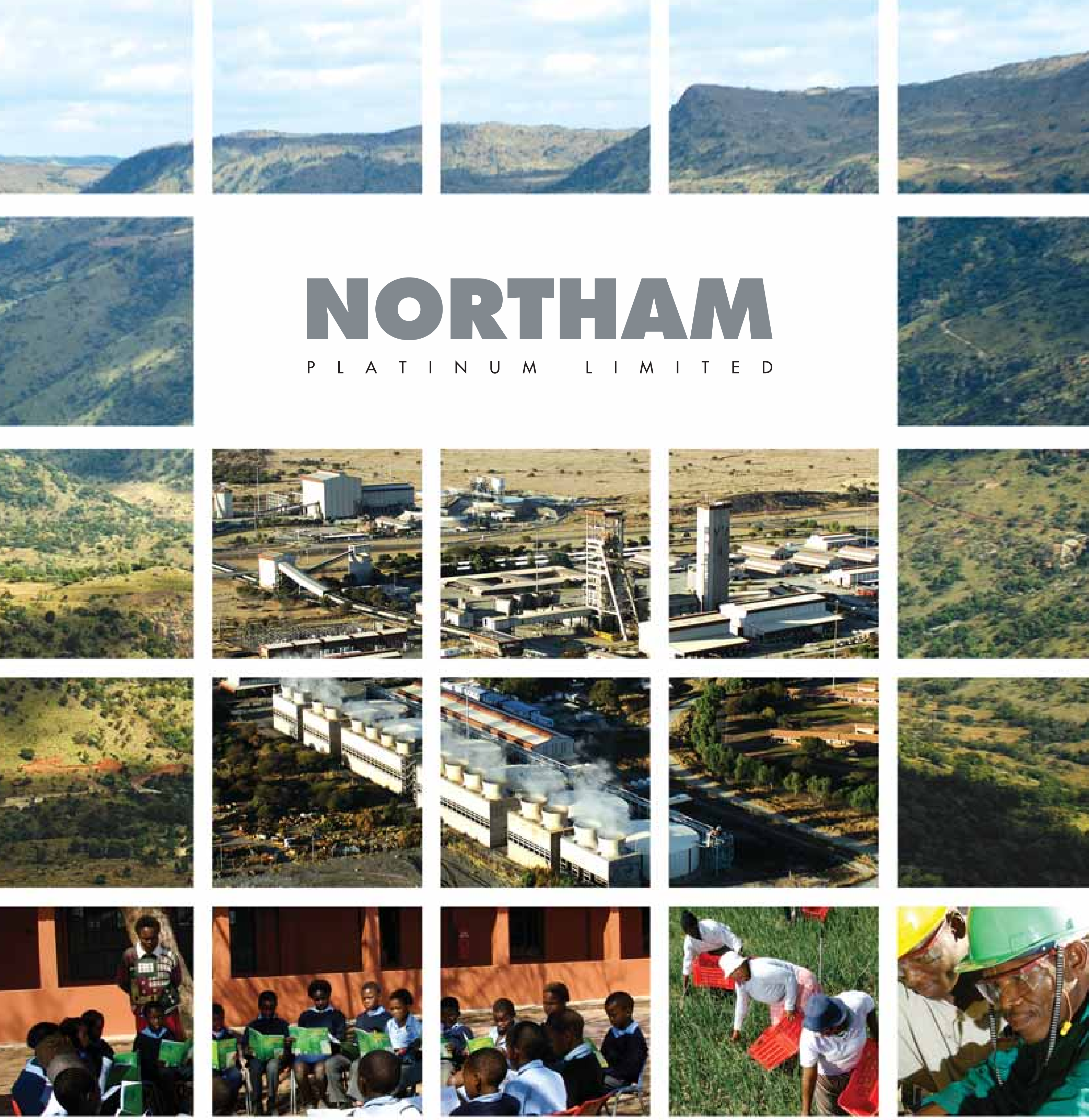
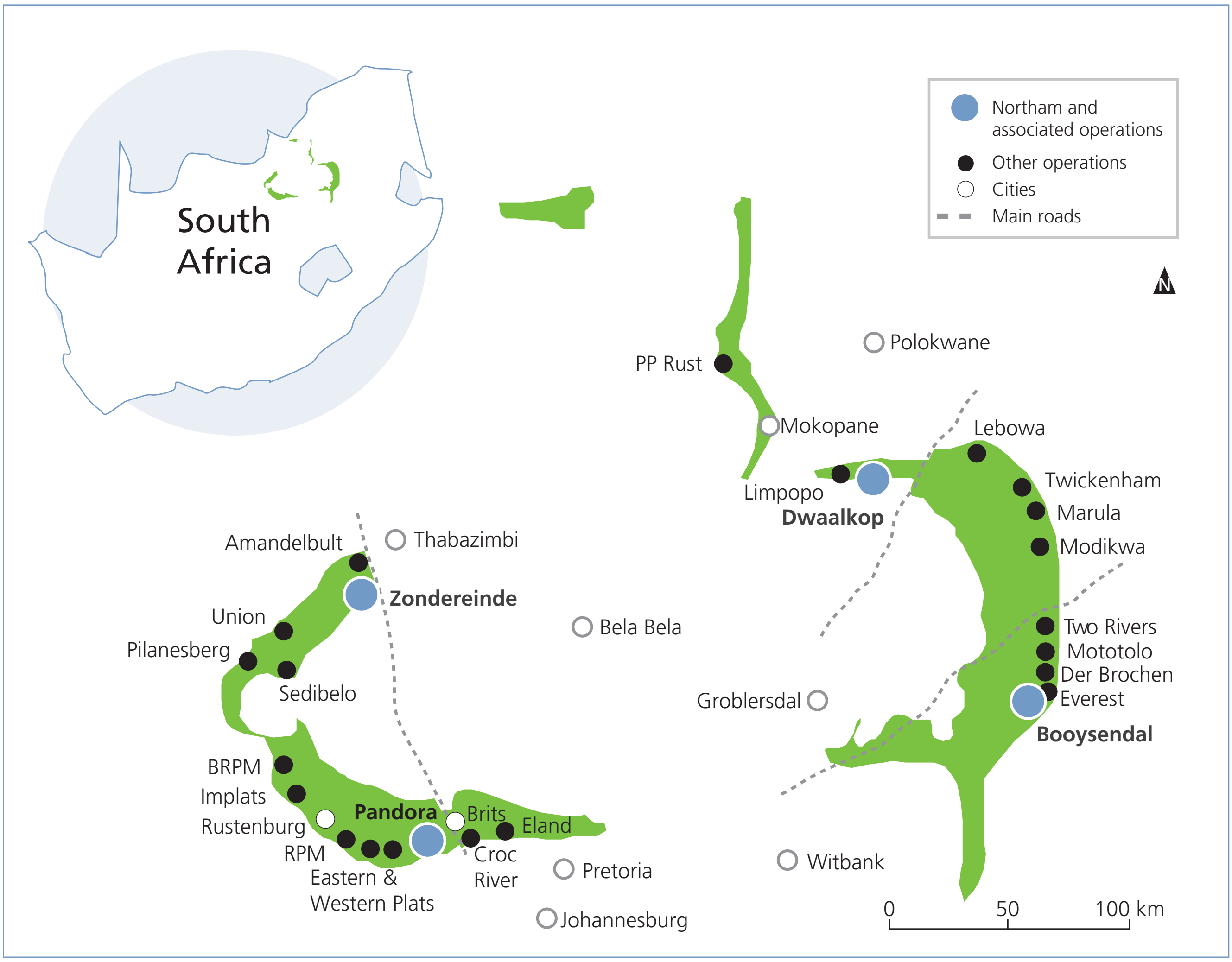


NORTHAM
PLATINUM LIMITED

SUSTAINABLE DEVELOPMENT REPORT 2011

CONTENTS

Northam operations on the Bushveld Complex



REPORT SCOPE AND BOUNDARY

This sustainable development report addresses the governance, social, economic and environmental performance of the group.

It forms part of a suite reports prepared for stakeholders listed on page 13 of this report. Other reports include the:

- Summarised financial statements and the notice of meeting 2011, which was posted to shareholders.
- Northam's first annual integrated report 2011, which addresses the financial and non-financial performance of the company in a holistic way.
- Northam sustainable development report 2011.

These reports are all available on our website – *www.northam.co.za*, and in a printed format on request.

Northam's primary listing is on the JSE Limited in South Africa, and the company reports in line with the JSE's listing requirements. Reporting is also in line with International Financial Reporting Standards (IFRS), the new South African Companies Act (No 71 of 2008), and SAMREC's guidance in respect of the reporting of mineral reserves and ore resources. Northam is committed to reporting in line with the King Report on Governance for South Africa 2009 (King III) and has reported on the application of these guidelines in the corporate governance section of its annual integrated report. Northam has adopted the Global Reporting Initiative's G3 (version 3.1) guidelines as the basis of reporting, and has declared a B+ level of reporting. The report has also been submitted to GRI for review (see page 51).

Northam has in place a significant level of internal and external controls. The internal audit function is undertaken by KPMG Services (Proprietary) Limited (KPMG) on an outsourced basis, to provide an independent appraisal function with specific responsibility for examining and evaluating the group's systems of internal control in the mitigation of business risks, and to assist members of management to effectively discharge their duties. The group's consolidated annual financial statements have been audited by external auditor, Ernst & Young Inc. (E&Y), and the independent auditor's statement may be found on page 57 of the annual integrated report. Certain non-financial key performance indicators (KPIs) have been assured by independent assurance provider, Environmental Resources Management Limited (ERM) in respect of Northam's application of the Global Reporting Initiative (GRI) G3 application, alignment with AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and selected key performance indicators (KPIs). ERM's statement of assurance may be found on page 49 of the sustainable development report.

Northam's previous sustainable development report was released in October 2010. Information in this report pertains to F2011, the period from 1 July 2010 to 30 June 2011. Data for previous years is provided in certain instances for comparative purposes. Data is collated on a monthly basis and reviewed by management. Quarterly KPI trends are reported to and reviewed by the SHE committee. Data pertaining to the water figures for 2007 to 2009 has been restated due to improved accuracy of measurement methods. There have not been any significant restatements of data or information during the year. The company will incrementally report on the Booysendal project, which is currently under development, and undertakes to fully incorporate this operation into its sustainability reporting by F2012 once the mine comes into production, and when reporting will become more meaningful.

Unless otherwise specified, Northam reports on its production, reserves and resources as 3PGE+Au – which is made up of a basket of platinum, palladium, rhodium and gold.

This report covers Northam's core, managed operations – namely the Zondereinde mine and metallurgical complex, and the Booysendal project – see the group structure on page 2.

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COMPANY PROFILE

Northam Platinum Limited (Northam) is an independent, mid-tier, integrated platinum group metals (PGMs) producer. The company is domiciled in South Africa and has its corporate office in Johannesburg

Northam wholly owns and operates the established Zondereinde platinum mine and metallurgical complex on the upper end of the western limb of the South African Bushveld Complex near the town of Thabazimbi in Limpopo province, which produces some 300 000oz annually. Northam is currently developing the shallower Booysendal platinum project, located near the town of Mashishing in Mpumalanga on the eastern limb of the Bushveld Complex. Booysendal is due to start producing in 2013, and at full production should produce approximately 160 000oz annually.

In addition, the company holds a 7.5% interest in the Pandora joint venture, a PGM mining operation at the lower end of the western limb of the Bushveld Complex, in partnership with Anglo American Platinum Limited (Amplats), the Bapo Ba Mogale community and Lonmin plc (Lonmin).

Following the unbundling of major shareholder, Mvelaphanda Resources Limited (Mvela Resources) and the acquisition by Northam of its entire issued share capital by means of a scheme arrangement, Northam now also owns a 50% interest in the Dwaalkop PGM joint venture, a 51% initial participatory interest in the Kokerboom joint venture exploration project and a 20.3% interest in listed diamond miner, Trans Hex Group Limited (Trans Hex).

The company has a combined resource base of 196.75Moz (14.18Moz in the reserve category), with a mining life of more than 50 years. As an independent, fully integrated PGM producer, Northam has full control over the entire beneficiation stream of its metals from mine to market.

Northam is listed on the JSE Limited (JSE), trading under the symbol NHM. Northam is a member of the JSE's Socially Responsible Investment Index (SRI). The company also runs a sponsored level 1 American Depositary Receipt (ADR) facility. The shares trade with the ticker code NMPNY on the over-the-counter market in the United States.

At the end of June F2011, Northam employed 10 096 people (F2010: 9 042), 6 851 employees, 1 504 long-term contractors and 687 short-term contractors at Zondereinde and 1 054 people, mostly construction contractors at Booysendal. It is expected that the permanent employment at Booysendal will increase to 1 200 once the mine reaches steady-state production in 2014.

Group structure

NORTHAM PLATINUM LIMITED

100%	Zondereinde mine & metallurgical processing	Resource: 82.9 Moz
100%	Booysendal	Resource: 103.3 Moz
7.5%	Pandora	Attributable resource:1.6 Moz
50%	Dwaalkop	Attributable resource: 8.9 Moz
20.3%	Trans Hex Group	Listed diamond producer and marketer
51%	Kokerboom	FeO Cu Au

SUSTAINABLE DEVELOPMENT PERFORMANCE F2011

Economic performance

- 37 days were lost as a result of industrial action at Zondereinde
- Total of R688 million (F2010: R132.4 million) spent on capital expenditure at Booysendal mine during F2011
- Average rand price received for basket of metals increased from R288 255/kg to R323 899/kg
- Shareholders received R90 million (F2010: R216 million) by way of dividends

Safety, health and employee well-being

- Five fatalities (F2010: 1)
- FIIR of 0.06 per 200 000 hours worked, rising from 0.01
- LTIIR of 1.34 per 200 000 hours worked, rising from 0.83
- 28 shifts lost as a result of section 54 stoppages
- 93 new cases of tuberculosis (TB) identified (F2010: 127)
- 577 employees on ART (F2010:434)

Employment and human rights

- Six-week strike
- 6.6% women in mining
- 45% HDSAs in management
- Labour turnover dropped to 6.6%

Community development

- Development of community engagement policy and strategy at Booysendal
- Agreement on local economic development projects as part of the submission and approval of Northam's SLPs

Environmental performance

- Energy usage – 601 890MWh
- Energy saved – 8 068MWh
- New water used – 4 832 000m^3
- Water recycled – 91%
- SO_2 emissions – 6 374 tonnes
- CO_2e emissions – 635 401 tonnes

OUR APPROACH

Following the publication of the 2010 sustainability report, Northam embarked on a process to develop the 2011 report as illustrated in the diagram below.

2010 REPORT → **2011 REPORT**

- Feedback from internal and external auditors
- Feedback from investors/media SRI index/Eiris review
- CDP/CDP Water
- Various other reviews
- Limited internal feedback process

- Adoption of King III, integrated reporting by audit committee and board
- Amendments to definitions and data collection system updated
- Review of peer reports
- Review of 2020 risk register

- Workshop at mine with representatives of all disciplines – April
- Material issues identified
- Meeting at Booysendal with representatives of all disciplines – April
- Structure and contents of various reports proposed and discussed at steering committee meeting

- Review of media coverage
- Review of broker reports
- Interviews and copywriting
- External assurance of KPIs

- Material issues reviewed
- Copywriting and approval process
- Review of report by ERM

- Report reviewed by management
- Report reviewed by SHE board committee
- Sign off by auditors
- Report reviewed by GRI

DATA COLLECTION PROCESS

Critical factors in this process were:

- The adoption by the reporting steering committee, the audit committee and the board of an integrated approach to reporting, and a commitment to produce an integrated report in 2011.
- The workshops and meetings held at Zondereinde and Booysendal in April 2011, to review the material issues identified in 2010, to understand whether they were still relevant and appropriate and whether additional material issues should be considered/included.
- Included in these workshops were discipline heads and data owners for finance, risk management, safety, health, HIV/AIDS, human resources, community development and community engagement, social and labour plans, land management, environment and projects/engineering (Booysendal). Both the general managers of Zondereinde and Booysendal and the EPCM contract manager, as well as critical corporate office personnel were involved in the workshop and the subsequent processes, including the CEO, who chaired the workshop.

What we accomplished in 2010

In reviewing the progress made during the year in sustainability and integrated reporting, Northam reports the following achievements:

- B+ level of reporting, and verification of this by GRI.
- Assurance by E&Y on KPIs.
- Submission of CDP and CDP water surveys, and recognition by CDP as a leading performer and reporter.
- Continued admission to the JSE SRI index.
- Identification and reporting of material sustainability issues.
- Engagement of ERM to review reporting criteria, definitions, processes and responsibilities for key KPIs in respect of ESG issues.
- Engagement of RBS to review reporting criteria, definitions, processes and responsibilities for key KPIs for Mining Charter issues.
- Development of a sustainability policy and sign off of this policy by the board.

Progress made against our objectives in 2011

Update/amend definitions and reporting systems, following E&Y audit	▲
Continued application of data collation system, and using the outputs of this system for quarterly board reporting. Align quarterly board reporting with material issues	▲
Extension of data collation tool to Booysendal. Discussions and interviews with key disciplines to identify material issues	■
Align reporting with King III requirements, and move towards integrated reporting	▲
Adopt GRI 3.1 guidelines (see page 51)	▲
Submission of CDP and CDP water surveys	▲
Appoint external assurers, review KPIs	▲
Develop stakeholder engagement strategy for Booysendal	■

LEGEND: ▲ *achieved* ■ *partially achieved*

Our objectives for 2012

- Continued progress towards integrated reporting.
- B+ level of assurance for F2012 report, and alignment of reporting principles with AA1000 process.
- GRI review of report.
- Full implementation of data collation system at Booysendal.
- Implementation of stakeholder engagement strategy.
- Review of material issues so as to narrow our focus. Consideration of external material issues.
- Start reporting against Mining Charter as new order mining rights have now been received.

OUR PRODUCTS AND MARKETS

Our products – how the world uses PGMs

PGMs are the platinum group metals platinum, palladium, rhodium, ruthenium, iridium and osmium. They are particularly rare and share a set of unusual chemical properties which have made them indispensable to many critical sectors of the global economy.

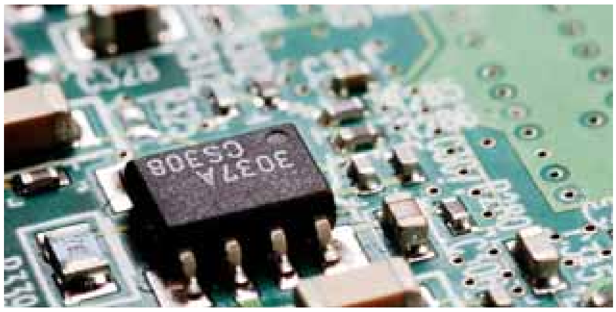
These characteristics include electrical stability and conductivity, ductility, durability, resistance to corrosion, resistance to oxidation and high melting points, which allow them to remain stable and strong even in environments of extreme heat.

Here is a look at a few of the more common applications of PGMs, particularly platinum, palladium and rhodium.

Autocatalysts

Autocatalysts are small devices installed in the exhaust systems of motor vehicles, designed to chemically control the environmentally harmful emissions that are part of exhaust fumes. Autocatalysts, coated with platinum or palladium, convert over 90% of hydrocarbons, carbon monoxide and oxides of nitrogen into less harmful carbon dioxide, nitrogen and water vapour.

This forms the largest portion of overall PGM demand – almost 46% in 2010. As emissions control legislation continues to tighten in the fight against climate change, the importance of PGMs in the global automotive sector can only rise. The demand for platinum and palladium is therefore strongly tied to this pivotal industry, which was dramatically affected by the global financial crisis. 2010 saw a marked rise in vehicle production in all regions following the crisis, and corresponding rises in demand of 16% and 35% for platinum and palladium respectively.



Electronics

Because of their conductivity, durability, high temperature stability and oxidation resistance, platinum and palladium are used to build and coat many of the tiny electronic circuit components used in all types of digital devices from computers and mobile phones to specialist industrial equipment. The growing need for computers to store large amounts of information has also created a role for platinum, along with ruthenium, to improve their data storage capacity. As the world surges forward into the digital age, this is becoming an increasingly important area of PGM application. In 2010, this sector alone boosted ruthenium demand by 79%.

OUR PRODUCTS AND MARKETS cont.

Chemical and manufacturing applications

PGM-based catalysts are used in many other areas of industry and manufacturing for their chemical resistance to corrosion and high heat thresholds. Manufacturers of glass, nitric acid, silicones, petroleum and plastics all use PGMs, either to achieve the right properties in the products themselves, or to enhance the efficiency or longevity of the equipment used in the manufacturing process. Demand for platinum in this sector rocketed by 48% in 2010, driven particularly by increasing manufacturing in emerging markets.

Jewellery

In addition to its high resistance to tarnish and its attractive lustre, platinum is also one of the densest metals in nature, giving it a strength ideal for jewellery. It can be heated and cooled again and again without losing its ductility, and even the most delicate pieces retain their shape, giving designers more creative freedom than they would have using other metals.

Some rings made of platinum for example, are so strong that no fitting is required to secure the gemstones; they are held in place by the sheer tensile strength of the platinum alone.

Platinum jewellery is particularly sought after in the markets of the Far East, which accounts for more than half of global demand.

Fuel cells

Fuel cells are electrochemical cells that convert chemical energy into electrical energy, in a similar way to batteries. Unlike batteries, however, fuel cells do not need to be recharged; the flow of electricity is continuous as long as the supply of fuel is maintained. Their only emission, apart from the electricity they generate, is water, making them one of the most promising developments of green technology.

Research is currently focused on the development of fuel cell technology for use in vehicles, as fuel cell vehicles have virtually zero emissions, but the possibilities extend much further than the road. Fuel cells will also be used as power sources in homes, offices and industry as an uninterrupted supplement to electricity supplied by national grids. They can be used on a smaller scale too, in hand-held electronic devices. As the research into fuel cells accelerates, the potential applications continue to multiply.

The most common source of fuel for fuel cells is a combination of hydrogen and oxygen, reacted in the presence of a catalyst, which is usually platinum. Platinum, sometimes enhanced with small amounts of ruthenium, is the best available material to speed up the oxidation and reduction reactions involved in the chemical process. Its durability also means that it consistently outlasts other possible catalyst candidates, making it certain that platinum will remain a permanent feature of fuel cells as they are further developed and commercialised.

Investment

Like gold, platinum is considered a long-term store of value and global investment markets offer a range of platinum-backed exchange traded funds. While supply and demand were quite finely balanced in 2010, there remains a conviction among global investors that the ever increasing demand for platinum will soon outweigh its supply, limited by its natural scarcity. This dynamic seems to be primarily responsible for the growing increase in platinum investment. In 2010, over 650 000 ounces of the platinum produced went into the investment market, which exceeded the annual increase in overall platinum supply every year since 1993.

FIVE YEAR SUSTAINABILITY REVIEW

Five year sustainability review – Zondereinde

	2011	2010	2009	2008	2007
Social performance					
Safety					
Number of fatalities	5	1	4	4	3
Fatal injury incidence rate (FIIR)	0.06	0.01	0.05	0.06	0.04
Lost time injury incidence rate (LTIIR)	1.34	0.83	1.02	2.30	2.31
Reportable injury incidence rate (RIIR)	0.74	0.52	0.63	1.01	1.02
Health					
New cases of noise induced hearing loss (NIHL)	18	9	8	4	15
New cases of tuberculosis (TB)	93	127	128	120	107
Voluntary counselling and testing (VCT) encounters	271	1 840	388	698	527
Employees on anti-retroviral therapy (ART)	577	434	355	325	254
Employment and human rights					
Average number of employees (including contractors)	9 983	8 724	8 462	8 794	8 379
Turnover rate (%)	7	8	11	9	13
HDSAs in management (%)	45	33	34	35	41
Women in mining (%)	7	7	4	4	3
HDSAs at board level (%)	62	62	60	38	44
Community development					
Total CSI and LED expenditure (Rm)	4.1	12.1	9.6	5.3	3.2
Environmental performance					
Rock mined (000t)	1 802	2 281	2 337	2 336	2 593
Ore milled (000t)	1 592	2 038	2 105	2 023	2 269
Water usage (000m^3):					
Potable water from external sources	2 441	2 601	2 250*	2 716*	2 958*
Fissure water used	2 392	1 385	1 445	2 817*	2 381*
Water recycled in process	24 308	23 439	24 292*	23 303*	24 522*
% water recycled	91	90	92*	90*	89*
Electricity consumption (MWh):					
Energy from electricity purchased by shafts	461 484	483 541	473 181	473 700	473 100
Energy from electricity purchased by plant	140 406	156 199	127 831	119 900	165 200
Total electricity purchased	601 890	639 740	601 012	593 600	638 300
Emissions (tonnes):					
Scope 1 (direct) emissions	14 365	16 796	14 755	Not measured	Not measured
Scope 2 (indirect) emissions	619 947	658 932	65 718	Not measured	Not measured
Scope 3 (indirect) emissions	1 089	1 388	Not measured	Not measured	Not measured
Total emissions	635 401	677 166	756 140	671 939	Not measured

* *Figures for F2007- F2009 have been restated to include potable water used in the mine village and water used in the bulk air coolers.*

Five year sustainability review – Zondereinde cont.

	2011	2010	2009	2008	2007
Land use (hectares)					
Land disturbed by mining-related activities	137	137	137	137	137
Land leased for farming purposes	273	273	273	273	273
Land protected for conservation	800	800	800	800	800
Total land under management (freehold)	4 439	4 439	4 439	4 439	4 439
Economic performance					
Value distributed (R000):					
Employees	**883 444**	**873 419**	**733 430**	**630 432**	**526 950**
Salaries and wages	863 719	861 411	725 819	628 183	509 280
Contributions to retirement benefit funds	74 096	68 211	61 042	53 564	47 693
Contributions to healthcare funds	54 606	45 079	37 417	34 970	36 107
Pay-as-you-earn deducted	(108 977)	(101 282)	(90 848)	(86 285)	(66 130)
Government	**342 972**	**462 829**	**466 643**	**966 180**	**851 135**
Mining and non-mining tax	143 048	262 934	238 021	612 138	579 014
Deferred tax	29 933	18 391	40 766	11 892	18 531
State's share of profits	–	30 660	7 580	124 629	55 726
Secondary tax on companies	9 020	21 616	80 212	117 381	121 291
Royalties	51 994	27 946	9 216	13 855	10 443
Pay-as-you-earn deducted from employees	108 977	101 282	90 848	86 285	66 130
Providers of capital					
Dividends	90 202	216 158	802 122	1 010 068	970 332
Broader community					
Corporate social investment	4 116	12 140	9 583	5 269	3 236
Total value distributed	1 320 734	1 564 546	2 029 223	2 611 949	2 351 653
Retained by company	**411 255**	**603 324**	**(13 569)**	**631 304**	**481 552**
Depreciation	147 838	167 346	160 907	149 325	129 040
Decommissioning provision to meet statutory obligations	(4 110)	(11 110)	(2 836)	(764)	(3 400)
Retained income	259 007	424 868	171 640	482 742	355 912

CHIEF EXECUTIVE'S REVIEW

Dear stakeholders

This is Northam's fourth consecutive sustainable development report in which we record the progress our company has made in the past year with respect to managing the overall performance of our business.

We also document our progress in terms of meeting the requirements of South African mining legislation – the Broad-based Socio-economic Empowerment Charter (the Mining Charter).

Sustainability for Northam implies the sustainability of the business as a whole, with environmental, social and governance (ESG) issues forming an integral part of the way we conduct our business.

Our over-arching sustainable development policy, aimed at linking our vision for the company and our various underlying policies relating to safety and health, environment and community development at an operational level, outlines our commitment towards managing our ESG issues as part of our business.

We comply with legislation and regulations that govern our operations and our JSE listing. In addition, we also seek to comply with recommendations of good practice and governance in so far as our business objectives allow. We endeavour to engage proactively with all stakeholders, and welcome their feedback on our performance and this report.

Integrated reporting and assurance

We report regularly on our activities and to upholding fundamentally sound values – integrity, responsibility, accountability, fairness and transparency.

For the 2011 financial year, Northam has compiled its first integrated report with the intention of introducing key material aspects of its sustainability issues into the traditional reporting to shareholders and attempts to contextualise the overall performance of the business against these measures. We recognise that this is but a first step in producing a truly integrated report, and have charted a three-year journey to this end.

We have adopted the Global Reporting Initiative's (GRI) third generation G3.1 sustainability reporting guidelines for our reporting. Certain significant key performance indicators have been assured by our external auditors, Environmental Resources Management Limited (ERM). The independent assurance report is available in the compliance section of this report on page 49. We have declared an application level of B+. In addition, this report was submitted for an assessment of the reporting level by GRI.

The material issues we face

In F2009 we identified six key issues and three additional issues were identified in F2010. A further three were added in this reporting year. All the issues outlined below are important to us and are dealt with in greater detail within this report and the annual integrated report.

1. Operating Zondereinde mine and its concentrating and smelting operations efficiently and cost-effectively.

A six-week strike in September/October 2010 and safety related stoppages had a severe impact on production results. A total of 65 (22%) of 301 working days were lost due to strike action and safety-related stoppages.

A total of 1 590 845 tonnes were milled during F2011, a 22% decline from 2 038 225 tonnes during the previous financial year. This is illustrative of the effects of stoppages as well as constraints on the Merensky horizon and the current ore reserve position.

Higher input costs, in particular labour and power, continue to have an adverse effect on operating profit, which was 50.9% lower at R385 million

CHIEF EXECUTIVE'S REVIEW cont.

compared to R758 million in F2010, with sales revenues having decreased by 9.5% from R3.9 billion to R3.6 billion owing to lower sales volumes.

During F2011 the company paid R13.6 million to the Toro Employee Empowerment Trust, compared to R23.1 million in F2010. In F2011, the net income of the trust was R3.4 million (F2010: R1.7 million). After taking a negative fair value adjustment of R1.1 million into account, the trust had net assets of R85.5 million (F2010: R70.9 million).

Shareholders received R90 million (F2010: R216 million) by way of dividends.

Going forward, mining options will continue to be limited for the next 18 months until additional stoping areas in the upper and central western portions of the mine, together with the decline section, come on stream. (See the annual integrated report and the economic performance section of this report).

2. Ensuring the safety of employees and contractors.

Over the past 10 years, safety at Zondereinde has shown a steadily improving trend. It is therefore with great regret and sadness that Northam had to advise that there were five fatalities during the year. Once again we remember with sadness the families and colleagues of Messrs Avelino Domingos Cossa, Samussone Rafael Chithango, Alberto Antonio Bila, Sonwabile Sululu Siyema, and Skaluko William Nhlapo. Investigations into the causes of these accidents, and how they could have been avoided are undertaken in close co-operation with unions and the DMR and an intense effort into improving safety performance has been launched.

The mine's fatal injury incidence rate (FIIR) was 0.06 per 200 000 hours worked (F2010: 0.01). The lost time injury incidence rate (LTIIR) was 1.34 per 200 000 hours worked (F2010: 0.83), and the reportable injury incidence rate (RIIR) was 0.74 per 200 000 hours worked (F2010: 0.52).

The severity of injuries continued to increase with safety statistics indicating that the proportion of behaviour-based incidents continue to be relatively high.

The prioritisation and promotion of work practices that seek to eliminate mining-related injuries will continue to be an area of focus.

3. Establishing and maintaining constructive relations with unions.

Industrial relations have again been challenging with wage negotiations at Zondereinde taking place during the last quarter of the year. In total, 37 working days were lost due to industrial action, resulting in revenue losses of approximately R380 million. We have launched a concerted effort to improve labour/management communication.

4. Achieving legislative and regulatory compliance.

The Zondereinde mine was granted new order mining rights in July 2011, having applied for conversion of its old order mining rights in 2006. Zondereinde has not yet received its new water use licence, which was applied for in June 2005 in terms of the National Water Act, 1998 and continues to operate in terms of its water permit with the full knowledge and agreement of the DWA. All mining rights and permits have been awarded to the Booysendal operation following the allocation of its water use licence on 17 May 2011.

5. Delivering the Booysendal project at an acceptable cost of capital, to turn to account its extensive resources for a broad range of stakeholders.

Following the receipt of regulatory approvals for Booysendal, progress on site has been satisfactory. Following completion of the boxcuts, the on-reef and reverse declines have been handed over to the mining contractor and development has started. The bulk earthworks for mining infrastructure and the concentrator are almost complete with various terraces handed over to civil and building contractors.

During the year, R688 million was spent on capital expenditure for the Booysendal operation (F2010: R132.4 million). In line with planning, project expenditure is anticipated to peak at R2.2 billion during F2012. Finalisation of the design of the slimes dam and certain scope changes to the project, have resulted in the total anticipated projected project cost increasing to R3.9 billion in June 2011 money terms.

6. Implementing the ISO 14001 environmental management system and achieving certification against this standard.

The Zondereinde mining operation was awarded ISO 14001 certification on 28 February 2011. Application for this standard and certification of Zondereinde's metallurgical complex is underway. The ISO 14001 standard will also be implemented at Booysendal.

7. Optimising water usage both at Zondereinde and at Booysendal.

Water is fundamentally important for Zondereinde mine, not just from an environmental and permitting perspective, but also because the mine uses water as its primary source of energy for underground operations through a shaft-based hydropower system. Zondereinde's operations do not source water through abstraction, and the division aims to achieve zero discharge into the surrounding environment.

At Booysendal, water allocation too, is of critical importance. Construction operations at Booysendal have been fast-tracked following the delayed allocation of the water use licence.

Northam has considered the risks and opportunities relating to water availability in its voluntary submission to the Carbon Disclosure Project (CDP) Water Disclosure for the second consecutive year. The CDP water Disclosure 2011 Global Report may be found at:
http://www.greenbiz.com/sites/default/files/CDP-2010-Water-Disclosure-Global-Report.pdf

8. Optimising energy consumption and investigating potential cost-effective alternative sources of energy.

At Zondereinde, electricity accounts for 10.4% of total operating costs. This is expected to increase as Eskom's rates continue to reflect the NERSA-approved tariff increases. Implementing energy conservation strategies at Zondereinde remains important, but significant savings will be difficult to achieve given that the mine's adoption of hydropower means that it is already extremely energy-efficient.

At Booysendal, optimisation studies undertaken during F2010 resulted in a revised mine design and higher rate of production at full capacity, which may result in electricity consumption exceeding the initially allocated 20MVA during peak times. The revised design also makes provision for an energy management system, which is still to be formally approved by Eskom, and the introduction of energy recovery strategies.

CHIEF EXECUTIVE'S REVIEW cont.

9. To debate, monitor and manage our climate change strategy and, as part of that, to reduce CO_2 emissions.

Climate change presents moderate risk for Northam on a physical and regulatory front. However, climate change also presents an opportunity as PGMs are used in technologies that bring about a reduction in noxious gases. Indeed, the global trend of tightening emissions legislation continues to stimulate PGMs usage in autocatalysis. For more detailed information on greenhouse gases (GHGs) and Northam's assessment on the risks and opportunities presented to the company as a result of climate change, view Northam's submission to the Carbon Disclosure Project's 2011 annual survey which may be found at *www.cdproject.net.*

10. To identify conservation priorities in its areas of operation and, where necessary, to work with local authorities and conservation professionals in developing appropriate offsets.

Given that Booysendal falls within the Sekhukhune Centre of Plant Endemism (SCPE), the company has developed a unique and progressive structure which creates two centres of management – one which provides for land management and the other for mine management. Furthermore, Booysendal is in the process of establishing a trust to fund conservation to offset the impact of the mine during the life of the mine.

11. Identifying and engaging with stakeholders on a regular basis, especially community stakeholders.

Stakeholder engagement and relationships are deeply entrenched at the well-established Zondereinde mine. Zondereinde's social and labour plans (SLPs) have been approved by the DMR and work is now underway to implement this in alignment with the integrated development plans (IDP) for local communities. Stakeholder identification and engagement at Booysendal is a far more complex undertaking, complicated by the scale, proximity and needs of local communities. A particular issue of concern at Booysendal in recent months has been the allocation of jobs; this is expected to intensify as the project is located in a region with little economic activity. Booysendal's SLP seeks to address some of the needs here, but it will be difficult for a single mining company to have a significant impact.

12. To attract and retain investors in the company so as to maintain its relative value for shareholders and to be able to raise capital cost-effectively to fund growth.

Over the years, our shareholder base has been relatively stable. With the recent unbundling of our major shareholder, we have retained our black economic empowerment ownership level, and have acquired a new shareholder base, with some 32% now comprising offshore shareholders (June 2010: 17%). Recent global economic turmoil and the ongoing debate on nationalisation have done little to support resource stocks. Nevertheless, our appeal will continue to be underpinned by our ability to produce these precious PGMs, for many years to come.

In conclusion

Northam continues to make progress in terms of sustainability reporting, and the integration of this within the mainstream management and reporting of our business. We have continued to meet the robust targets we have set for ourselves, and those set for South African mining companies by the Mining Charter. We remain committed to our stated intention of improving the level of disclosure in our reports and welcome comments from our stakeholders.

Glyn Lewis
Chief executive officer

30 September 2011

ENGAGING WITH OUR STAKEHOLDERS

Northam ensures that the principles of openness, integrity and accountability are adopted at every level of engagement with identified stakeholders and reports timeous, relevant and meaningful information to all stakeholders. A formal process of stakeholder identification was undertaken to identify those individual/groups with whom the company engages, who have an interest in the company and its operations, and on whom the company has an impact.

In identifying its stakeholders, Northam developed a matrix of those groups/individuals who are directly and indirectly associated with the company. The former includes employees, shareholders suppliers, unions and neighbours. Indirectly affected stakeholders include community members.

Although the board and its sub-committees are kept informed of stakeholder concerns, issues raised by stakeholders of the company's operations are dealt with directly at the operational level.

Governing stakeholder relationships

In F2010, the company commissioned an independent review of its compliance with the revised King Code and Report on Governance for South Africa (King III). Specifically, this review examined current practice, and an analysis of the gaps that exist between current practice and King III.

In relation to the governance of stakeholder relationships, the outcome of the analysis suggested:
- the development of an overarching group stakeholder engagement strategy and policy;
- the development of stakeholder communication guidelines by management to be approved by Northam's board; and
- the development and implementation of a formal dispute resolution process for external stakeholders.

These suggestions have been considered by management and Northam is committed to full implementation of these measures within the next financial year.

Engaging with stakeholders

Extensive and ongoing interaction with stakeholders is undertaken by the various disciplines, for example:

Discipline	Stakeholder	Comment
Investor relations	Shareholders (providers of capital), research analysts, fund managers	Shareholders are encouraged to participate in the annual general meeting of the company and directly raise issues of concern or interest.
Marketing discipline	Refining partner (Heraeus) and customers	Active well-established two-way communication via formal and informal visits, feedback reports from customers, surveys.
Human resources department	Employees, unions and communities	Employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including through the human resources discipline, line management and union structures.
Procurement department	Suppliers and contractors	One-on-one meetings, open days and stakeholder forums where company policies and procedures are communicated.
All	Local, provincial and national government (DMR, Treasury, DWA, DEAT)	Through formal submission of regulatory and legislative compliance documentation, and feedback.
HR/community relations	Communities, local authorities, NGOs	Open days, visits, community forum meetings.

Community development is prescribed by the commitments made in the company's social and labour plans (SLPs). In line with the requirements of the Mining Charter, Northam ensures that its policies and practices are aligned with those of the local municipalities' integrated development plans (IDPs).

ENGAGING WITH OUR STAKEHOLDERS cont.

The company engages with recognised community leaders on a regular basis. Community forums are in place to address community concerns, in particular issues such as local employment, training and development and procurement.

Northam does not actively engage in government lobbying. Executive director, Bernard van Rooyen, is a member of the executive of the Chamber of Mines of South Africa, and represents Northam's interests in the Chamber's representation to and deliberations with government. Specific areas of interaction during the year include the development and amendments to the Mining Charter, energy tariffs and carbon regulation.

Stakeholder group	Key topics and concerns	Engagement process

Shareholders and investors	• Overall financial performance
	• Issues relating to the overall sustainability of the company in particular:
	  • safety
	  • energy
	  • carbon emissions
	  • equity and transformation
	  • operating performance
	  • project status
		• Annual general meetings
		• Road shows
		• One-on-one investor meetings
		• Preliminary and annual results briefings
		• Investor site visits
		• Company announcements
		• Company website
		• Annual reports
		• Sustainable development reports
		• CDP submissions
		• CDP water submissions

Customers	• Carbon and clean production • Innovation • Health and safety • Production	• CDP submissions • CDP water submissions • Formal presentations • Website • Road shows • Company announcements • Company reports • Site visits

Employees	• Training and development
	• Remuneration
	• Health and safety topics
	• Production related information
	• Employment practices
		• Group policies
		• Collective bargaining practices
		• Team briefings
		• Two-way manager/employee communication
		• Intranet
		• Campaigns:
		  • recruitment
		  • HIV/AIDS
		  • education
		  • performance

Suppliers and contractors	• Employment practices • Local procurement practices • Business training and support • Quality control • Preferential procurement practices	• Company practices and policies • Preferential procurement programmes • Open days • Dialogue
Government and regulating authorities	• Licence to operate • Employment • Education and training • Local economic development programmes • Environmental impact and rehabilitation	• Formal processes • Participation in industry associations • Social and labour plans • Dialogue • Company reports • Open days • Site visits
Communities and NGOs	• Local economic development • Employment and local job creation • Local procurement programmes • Corporate social investment practices • Health related issues, in particular HIV/AIDS • Environmental impact and rehabilitation • Skills development programmes	• Community forums • Stakeholder forums • Peer educators • Industry partnerships • Community engagement programmes • Wellness campaigns, in particular HIV/AIDS awareness • Dialogue • Company announcements • Advertising in local newspapers
Media	• Financial results • Corporate activity • Environmental issues • Marketing • Community related topics	• Company announcements • Company website • Online presentations • Company announcements • Media site visits • Company reports • Interviews • Articles in local publications

CORPORATE GOVERNANCE

Management approach

Northam is committed to upholding and implementing principles of good corporate governance at all levels of the company. The board of directors ensures that all deliberations, decisions and actions of the company's business and operational structures are based on good corporate governance and fundamentally sound values including but not limited to integrity, responsibility, accountability, fairness and transparency.

The pursuit of good corporate governance is guided by the company's articles of association, the board charter, the listings requirements of the JSE Limited, the new South African Companies Act (Act No 71 of 2008) which came into full effect on 1 May 2011, the third King report on Corporate Governance for South Africa (King III), the Global Reporting Initiative (GRI) and any other applicable laws and regulations.

Compliance

Integrated reporting and King III

Northam is fully committed to timeous, relevant and transparent communication of issues relevant to all stakeholders, and has adopted an integrated approach to reporting and guidance provided by King III.

King III adopts an "apply or explain" approach to corporate governance, a change from the "comply or explain" approach that was adopted by King II. The "apply or explain" approach implies that the board of directors, in its collective decision-making, may conclude that to follow a practice recommended in King III would not, in the particular circumstances, be in the best interests of the company. In the circumstances the board could decide to apply the recommendation differently or apply another practice and still achieve the objective of the overarching corporate governance principles of fairness, accountability, responsibility and transparency.

During the year the board commissioned a King III gap analysis by Ernst & Young Inc to ensure that the board and senior management fully understand the implications of King III on the company's business and operations and in order to be properly guided on how best to implement the corporate governance recommendations contained therein. Management is currently putting action plans in place to improve corporate governance within the group in line with principles and recommendations included in King III and based on the recommendations of E&Y.

Good progress has been made with the implementation of systems to integrate sustainability data into the board reporting framework. The company once again undertook an assessment of its material sustainability issues both from the company's and stakeholders' perspectives. These issues are discussed in further detail by the chief executive officer in the chief executive's review on page 9.

The new South African Companies Act, Act No 71 of 2008

The board seeks to ensure that the group operates within the legislative and regulatory environment of the country and has established structures and processes with appropriate checks and balances that enable directors to discharge their legal duties and responsibilities.

The new South African Companies Act (Act No 71 of 2008), which came into full effect on 1 May 2011, has changed the corporate business landscape markedly.

Although most of the provisions of the new Companies Act apply immediately, the transitional arrangements

CORPORATE GOVERNANCE cont.

Board structure

Board of directors

Non-executive directors	Chairman	Executive directors
PL Zim (alternate: AK Gupta) MSMM Xayiya (alternate: MJ Willcox) **Independent non-executive directors** ME Beckett CK Chabedi NJ Dlamini (Dr) R Havenstein ET Kgosi AR Martin	**Chairman:** PL Zim (non-executive director) **Chief executive officer:** GT Lewis (executive director) **Lead independent director:** AR Martin	**Chief executive officer:** GT Lewis **Financial director:** AZ Khumalo **Business development and corporate strategy director:** BR van Rooyen

Board committees

Audit and risk committee	Health, safety and environmental committee	Remuneration, nomination and employment equity committee
AR Martin (Chairman) ET Kgosi ME Beckett R Havenstein	BR van Rooyen (Chairman) ME Beckett CK Chabedi NJ Dlamini (Dr)	ET Kgosi (Chairman) NJ Dlamini (Dr) R Havenstein
By Invitation Corporate office management Internal audit External audit Mine management	**By Invitation** Corporate office management Mine management	**By Invitation** Corporate office management

allow for a window period of up to two years, from the date the Act was signed into law, for companies to be fully compliant with the Act. Whilst many of the changes are far-reaching, the most significant two changes will require the adoption of a memorandum of incorporation to replace the current memorandum of association and articles of association, and the establishment of a social and ethics committee. The group has drawn up an action plan to ensure compliance with the Act, and will revise its other governance structures where appropriate as required by King III.

Significant legal issues or fines

Northam did not incur any fines during the year under review in respect of non-compliance with laws or regulations, and was not involved in any legal action relating to anti-competitive behaviour, anti-trust or monopoly practices. Similarly, the company is not engaged in any significant legal actions.

Leadership and oversight by the board

Northam's board has a unitary structure, and comprises 11 permanent members (and two alternates). Board members assume overall responsibility for the company and its activities, including risk management and governance. The board is responsible to shareholders for setting the direction of the group through the establishment of strategic objectives and key policies.

The board is guided by the board charter, and is supported in its role by a number of board committees, namely:

- the audit and risk committee;
- the health, safety and environmental committee; and
- the remuneration, nomination and employment equity committee.

The board charter regulates how business is to be conducted by the board in accordance with the principles of good corporate governance. The charter sets out the specific responsibilities of the board members collectively, and the individual roles expected of them. More specifically, the charter confirms the board's responsibility for the adoption of strategic plans, monitoring of operational performance and management, determination of policies and processes to ensure the integrity of the group's risk management and internal controls, as well as director nominations, orientation and evaluation.

The board comprises three executive and eight non-executive directors, six (55%) of whom are regarded as being independent for the following reasons:

- they are not representative of a share owner who has the ability to control or significantly influence management;
- they have not been employed by the company or the group in any executive capacity for the preceding three financial years;
- they are not members of the immediate family of any individual who is, or has been in any of the past three financial years, employed by the company or group in an executive capacity;
- they are not professional advisors to the company or the group, other than in a director capacity;
- they are not a significant supplier to, or customer of the company or group;
- they have no significant contractual relationship with the company or group; and
- they are free from any business or other relationship that could be seen to materially interfere with their capacity to act in an independent manner.

The chairman of the board, Mr Lazarus Zim, who was appointed in 2007, although non-executive, is not independent in terms of the King III recommendations. A non-executive lead independent director, Mr Alwyn Martin, was therefore appointed on 28 June 2010.

In terms of the company's articles of association, no fewer than 50% of the directors are required to be historically disadvantaged persons (HDPs) as defined in the MPRDA. To this end, the board has appointed additional non-executive directors who qualify as HDPs, thus bringing the total number of such directors to seven.

The board recognises that improved performance and effectiveness may be achieved through regular and timely appraisals both of the board as a collective and of its individual members. The board ensures that the remuneration of both board members and senior executives reflect the overall performance of the company as a whole, including financial and non-financial performance indicators. At an operational level, this includes performance relating to transformation, environmental management and safety and health. Safety performance forms a fundamental part of the calculation of remuneration for operational management and employees.

A board evaluation was undertaken during the year in which board members reviewed their own, and fellow committee members' performance through a questionnaire-based process. Findings will be considered by the audit committee and the board and will be used to determine areas of performance improvement going forward.

Specific areas covered in the board's evaluation include:

- composition of the board and board committees;
- effectiveness of each board member;
- effectiveness of board meetings;
- relationship between senior management and the board;
- board transparency and accountability; and
- performance criteria and succession.

Sustainability leadership

Policies, practices and performance relating to sustainable development form an integral part of the management of the company. While overall responsibility for sustainability lies with the board, specific oversight of various areas of sustainability issues have been delegated to the audit and risk committee, the health, safety and environmental committee and the remuneration, nomination and employment equity committee.

These committees function in accordance with established terms of reference approved by the board and material matters, particularly issues related to safety, are escalated to board level for consideration. Transformation and compliance with the MPRDA and the Mining Charter are considered by the board as a whole and are a standard agenda item.

The audit and risk committee, which is chaired by lead independent director Mr Alwyn Martin, comprises four independent non-executive directors. The health, safety and environmental committee, under the chairmanship of Mr BR van Rooyen, comprises three non-executive directors. Until recently the chairman of this committee, Mr BR van Rooyen, was a non-executive director. As a result of his appointment as an executive director on 6 June 2011, this position is under review. The committee met on four occasions in F2011.

Conflicts of interest

The company requires its directors, on an annual basis, to disclose details regarding their external shareholdings and directorships which could potentially create conflicts of interest while they serve as directors on the board. The declarations received by the directors in this regard are closely scrutinised by both the chairman and the group company secretary and are tabled at the beginning of each quarterly board meeting.

In addition, all directors are required to declare any material conflicts of interest regarding matters pending before the board at each board meeting. In cases of material conflicts of interest, the director is requested not only to abstain from the relevant discussions but also to leave the meeting.

Where necessary, the company may also seek independent legal opinion regarding potential conflicts of interest in so far as these may affect specific directors, to determine whether or not a conflict of interest exists and to provide appropriate recommendations to the company to follow in dealing with these matters. These recommendations may or may not include, without limitation, directors extricating themselves from

CORPORATE GOVERNANCE cont.

contractual relationships and/or resigning their directorships or disposing of their shareholdings.

Business and risk management

Northam's risk management function is based on an inclusive, team-based approach to effective application across the company. The board is responsible for the oversight of risk management within the group and continuously reviews its risk management structures, systems, processes and procedures to ensure that these are aligned to the principles contained in King III.

Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company.

Extensive systems of internal control are in place to identify and manage significant risks. These systems support the board in discharging its responsibility of ensuring that the range of risks associated with the group's operations are managed effectively and that the interests of stakeholders are safeguarded.

Northam has developed an integrated risk management framework which identifies the significant risks facing the group, as well as factors in mitigation thereof including:

- all activities carried out in the various processes;
- the assessment of the impact of the inherent risks with those activities; and/or
- processes and measures taken or to be taken to mitigate such risks.

The following specific major risks have been identified by Northam and are discussed in further detail on page 5 of the Northam integrated annual report:

- country risk;
- market, financial and financing risk;
- geological and ore reserve risk; and
- health, safety and environmental risk

A risk matrix is subject to quarterly review by management in conjunction with the group's internal auditors.

While the operating risks cannot be fully eliminated, the company has put in place appropriate infrastructure, controls and systems applied throughout the group to manage such risks.

Northam engages with underwriters and assurers on an ongoing basis and a significant portion of the company's operational risk is underwritten.

Code of ethics

Northam is committed to the highest ethical standards. The company's code of ethics governs relationships between the group and its stakeholders. During early F2011, Northam revised the code of ethics in alignment with corporate governance trends and practices. The mended policy was approved by the board and rolled out at a group level in October 2010.

The code applies to the directors and employees and governs the interactions between these and the group's suppliers, contractors and customers and extends to the use of company assets and the treatment of confidential information. Contravention of the code may result in disciplinary action and, depending on the nature of the contravention, may also result in civil or criminal action.

Donations and gifts

It is a policy of the Northam board not to make political donations of any kind. Employees are not permitted to accept gifts, hospitality or favours from suppliers or contractors of more than nominal value. All gifts and entertainment details are noted in a register for record purposes. During F2011, no donations were made by or on behalf of Northam.

Insider trading

In terms of both the insider trading rules of the JSE and the company's rules on share investments, neither directors nor employees are allowed to deal in the company's shares if they are in possession of non-public information or during closed periods. This directive also applies to close relatives of directors and employees. Directors and employees are required to obtain prior approval for dealing in the company's shares. In addition, employees are periodically advised of closed periods.

Whistle-blowing

Employees and other parties are encouraged to anonymously report corrupt and fraudulent activity or any other issues to senior management at the company's corporate office by way of a 24 hour ethics hotline. The hotline, which is administrated by an external party, operates 24 hours a day in all official languages. All whistle-blowers are protected against any form of victimisation provided disclosures are made in accordance with the provisions of the Protected Disclosures Act, No 26 of 2000.

The Northam hotline number is: 0800 15 25 39.

Awards and recognition

The company was admitted to the JSE's Socially Responsible Investment Index (SRI) for the fourth consecutive year. Northam was also rated a top performer and reporter on the JSE's Carbon Disclosure Leadership Index (CDLI) and was rated in the top ten of the Ernst & Young 2011 Excellence in Sustainability Reporting awards.

ECONOMIC PERFORMANCE

Management approach

Based on market capitalisation, Northam is considered to be a mid-tier PGM company. However, unlike many of its peers and smaller producers, Northam is unique in that it has full ownership of its production stream, from mining to processing to marketing.

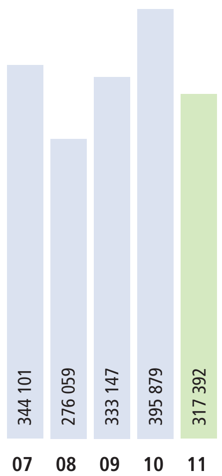
At Zondereinde, Northam's smelter complex produces final precious metal concentrate which is processed in terms of a long-term toll-refining contract with Heraeus GmbH (Heraeus). The precious metals emanating from the Heraeus refinery are shipped to Northam's customers in Europe, Japan and North America. The by-product base metals, copper and nickel sulphate, are extracted at the on-site base metals removal plant and are sold in the domestic market.

Performance F2011

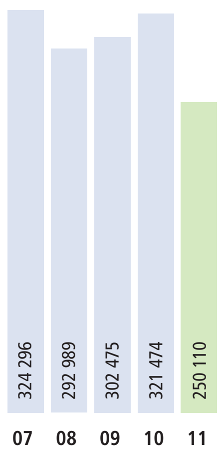
Northam's integrated annual report for F2011 provides a comprehensive review of the operational and financial performance of the company and the broader material ESG issues that underpin the company's business performance.

- 37 days were lost during F2011 as a result of industrial action at Zondereinde, resulting in revenue losses of approximately R380 million.
- A total amount of R688 million (F2010: R132.4 million) was spent on capital expenditure on the new Booysendal mine during the year. Project expenditure is anticipated to peak at R2.2 billion during 2012.
- Metals in concentrate produced by Zondereinde decreased by 22.2% to 7 779kg (F2010: 9 999kg) largely due to the loss of shifts related to industrial action and safety stoppages.
- Unit costs continue to be driven by mining input costs, primarily labour and power, increasing above the rate of inflation, and resulting in a 28.1% increase in operating cost to R279 118/kg (F2010: R279 118/kg) and a 29.3% increase in cash operating costs to R279 118/kg (F2010: R215 900/kg).
- Operating profit was 50.9% lower at R385 million compared to R785 million.
- The average rand price received for Northam's basket of metals increased from R288 255/kg to R323 899/kg.
- Profit attributable to shareholders decreased by 65% from R641 million to R349.2 million.
- Sales revenue decreased by 9.5% from R 3.9 billion to R3.6 billion owing to lower sales volumes.
- Shareholders received R90 million (F2010: R216 million) by way of dividends.
- Earnings per share decreased by 45.9% to 96.2 cents compared to 177.9 cents in F2010.

PGM sales by Northam (oz)



Precious metals in concentrate produced by Northam (kg)

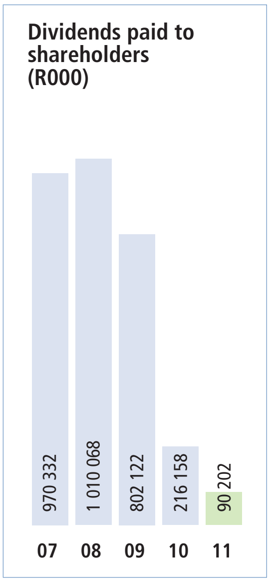


ECONOMIC PERFORMANCE cont.

Value added statement

	Notes in annual financial statements	2011 %	2011 R 000	2010 %	2010 R 000
Sales revenue	23		3 571 048		3 945 083
Less: Purchase of goods and services in order to operate mine and produce refined metal	24		(1 984 975)		(1 966 865)
Value added by operations		91.6	1 586 073	91.3	1 978 218
Add: Share of earnings from associate	26	0.4	7 248	0.6	12 440
Investment income	27	4.9	85 520	7.7	167 655
Sundry expenditure/income	28	3.1	53 148	0.4	9 557
Total value added		**100.0**	**1 731 989**	**100.0**	**2 167 870**
Value distributed					
Employees	35	51.1	883 444	40.2	873 419
Salaries and wages		49.9	863 719	39.7	861 411
Contributions to retirement benefit funds		4.3	74 096	3.1	68 211
Contributions to health-care funds		3.2	54 606	2.1	45 079
Pay-as-you-earn deducted		(6.3)	(108 977)	(4.7)	(101 282)
Government		19.8	342 972	21.2	462 829
Mining and non-mining tax including capital gains tax	29	8.3	143 048	12.1	262 934
Deferred tax	29	1.7	29 933	0.8	18 391
State's share of profits	29	–	–	1.4	30 660
Secondary tax on companies	29	0.5	9 020	1.0	21 616
Royalties		3.0	51 994	1.2	27 946
Pay-as-you-earn deducted from employees		6.3	108 977	4.7	101 282
Providers of capital					
Dividends		5.2	90 202	10.0	216 158
Broader community					
Corporate social investment		0.2	4 116	0.6	12 140
Total value distributed		76.3	1 320 734	72.2	1 564 546
Retained by company		23.7	411 255	27.8	603 324
Depreciation	25	8.4	147 838	7.7	167 346
Decommissioning provision to meet statutory obligations	24	0.3	4 410	0.5	11 110
Retained income		15.0	259 007	19.6	424 868
		100.0	**1 731 989**	**100.0**	**2 167,870**

Direct and indirect economic impacts include:



- Contributions of R13.6 million (F2010: R23.1 million) towards the Employee Empowerment Trust.
- 9 983 employment opportunities (6 738 employees, 1 504 long term contractors and 687 short term contractors at Zondereinde and 1 054 people, mostly construction contractors at Booysendal) directly and indirectly, drawing labour from the area surrounding its operations and other labour sending areas.
- Shareholders received R90 million (F2010: R216 million) by way of dividends.
- R8.8 million spent on township and land development to promote affordable housing and home ownership amongst its employee base. During the year 100 houses were sold to its employees.
- Taxes paid to government at local and national level amounted to R343 million (F2010: R463 million). No significant financial contributions were received from government.
- Corporate social investment amounted to R4.1 million (F2010: R12.1 million).

Black economic empowerment

Northam's black economic empowerment (BEE) strategy is aimed at broad-based transformation at all levels of the company. Compliance with the Mineral and Petroleum Resources Development Act (MPRDA) and the Broadbased Socio-economic Empowerment Charter (the Mining Charter) is continuously monitored as required by the provisions of the mining licence.

After a protracted process, Northam's controlling shareholder, Mvelaphanda Resources Limited, unbundled its shares in the company during the second half of F2011. The company has retained its black economic empowerment ownership rating, and acquired a strong new shareholder base, with some 32% now comprising offshore shareholders. Although the Toro Employee Empowerment Trust does not have an equity stake in Northam, it receives 4% of Northam's after tax profits. This interest is regarded as equivalent equity, resulting in Northam's current BEE shareholding being 26.1%

The Toro Employee Empowerment Trust, which was established in August 2008, represents the interests of some 98.7% of the company's Zondereinde employees. During F2011 the company contributed R13.6 million (F2010: R23.1 million). In F2011, the net income of the trust was R3.4 million (F2010: R0.3 million). The net interest of the beneficiaries at 30 June 2011 was R85.5 million (F2010: R70.9 million), with the first pay-outs to employees planned for 2013.

ECONOMIC PERFORMANCE cont.

Permitting status

	Applied for	Date of application	Minerals	Status
Zondereinde				
Old order mining right 8/98	Conversion	April 2006	PGE + base metals	Executed
Old order mining right 1/2000	Conversion	April 2006	PGE + base metals	Executed
Booysendal				
Old order mining right 19/2003	Conversion	June 2008	PGE + base metals	Executed and registered
Addition of new order prospecting rights 12 and 13/2005	Section 102 amendment	June 2008	PGE + base metals	Executed and registered
Booysendal extension	Section 102 amendment	August 2010	PGE + base metals	Executed and registered
EMP amendment	ROD	February 2010	n/a	Approved
Water use licence	Water use licence	February 2010	n/a	Approved

Mining rights and permits

During the year, Zondereinde mine was granted new order mining rights, having applied for conversion of its old order mining rights in 2006. Zondereinde has an exemption to operate without a water use licence, which was applied for in June 2005. All mining rights and permits have been awarded to the Booysendal operation following the allocation of its water use licence on 17 May 2011.

Economic transformation

Northam is mindful of its role in transforming its procurement base to include emerging entrepreneurs and to provide access to vendors who are HDSAs. The company's procurement policy therefore gives BEE companies preferred supplier status. This means that BEE companies on Northam's vendor list are given preference when contracts are awarded provided they are commercially competitive.

Systems to identify HDSA suppliers and to monitor and nurture expenditure with these suppliers, particularly at the operational level, are in place at both Zondereinde mine and the Booysendal mine.

Northam hosts open days for suppliers at both its operations to inform interested parties of the company's requirements, policies and opportunities.

At Booysendal, Northam completed an exercise of updating the company's vendor list to include small and medium sized HDSA companies from the surrounding area in order to distribute wealth amongst the local community. Local procurement at Booysendal is discussed further in the community section of this report.

In F2011, Northam's total procurement amounted to R2.4 billion (F2010: R1.9 billion), of which the total HDSA/BEE procurement component (with BEE equity or BEE ownership of greater than 5%) amounted to R1.6 billion or 65% (F2010: 48% of the total).

In line with the requirements of the Mining Charter, Northam reports BEE/HDSA expenditure at 18.4% (F2010: 10.3%) for capital goods, 35.6% (F2010: 23.5%) for consumables/custom purchases and 10.7% (F2010: 14.2%) for services.

Beneficiation

Northam's commitment to local beneficiation is demonstrated in the role it has played in facilitating the development of the Heraeus for refining in Port Elizabeth with the DMR and Mintek.

As part of this process, a percentage of Northam's metal is made available to Heraeus locally for industrial use. Both Northam and Heraeus have articulated a commitment to building local intellectual capital and to this end discussions have been initiated with a number of scientific, research and educational institutions.

SAFETY, HEALTH AND EMPLOYEE WELL-BEING

Safety: key performance indicators – F2011

- Five fatalities (F2010: one)
- FIIR of 0.06 per 200 000 hours worked, rising from 0.01
- LTIIR of 1.34 per 200 000 hours worked, rising from 0.83
- 28 shifts lost as a result of section 54 stoppages

Safety

Management approach

Extensive legislation and regulation guides safety and health practices and processes in the workplace, the most significant being the Mine Health and Safety Act. Northam has a safety and health policy in place at Zondereinde, and recognition agreements with organised labour that provide the context for its implementation.

The general managers hold ultimate responsibility for safety and health at both Zondereinde and Booysendal. At Zondereinde day-to-day management of safety is delegated to operational management, who are in turn supported by a mine-based safety and health department.

As required by the Act, emphasis is placed on the joint direction of safety and health. A joint management/ union health and safety committee meets on a monthly basis, or more frequently when required. The committee is charged with:

- identifying critical issues that hamper safety and health performance;
- the provision of personal protective equipment;
- participating in inspections, audits and accident investigation; and
- identifying areas for training and education.

A particular role of the committee is to empower employees to take responsibility for safety and health, to identify potentially hazardous situations and to encourage employees to exercise their right to refuse to work when conditions are not safe.

Around 85% of the company's workforce is affiliated to a representative union and, through the union structures, participates in planning for and management of safety and health issues through their elected health and safety committees. Further, employees and management are encouraged to participate in safety and health matters at all levels.

While employees of Northam at Booysendal are currently not affiliated to a union, a safety, health and environment (SHE) committee, consisting of contractor representatives guides and monitors SHE performance. All employees, including those employed by contractors, receive safety standards and safety induction training.

Performance F2011

Ensuring the safety of employees and contractors is a primary area of focus for the company and takes precedence over any production objectives. It is very disappointing to report that safety performance at Zondereinde mine deteriorated significantly during the year under review with all indicators showing significant deterioration. This performance has interrupted the declining trend in safety performance over the past 10 years.

It is with deep regret that Northam reported five fatal accidents at Zondereinde mine in F2011 (F2010: 1). The board and management extend their sincere condolences to the families and loved ones of:

- Mr Avelino Domingos Cossa and Mr Samussone Rafael Chithango who died on 20 July 2010 following a fall of ground accident;
- Mr Alberto Antonio Bila who died on 9 January 2011 following a tramming accident;
- Mr Sonwabile Sululu Siyema who died on 2 June 2011 who suffered fatal injuries while engaged in water jet cleaning operations; and
- Mr Skaluko William Nhlapo who died on 7 June 2011, following a tramming accident.

Zondereinde mine's fatal injury incidence rate (FIIR) was 0.06 per 200 000 hours worked (F2010: 0.01). The lost time injury incidence rate (LTIIR) was 1.34 per 200 000 hours worked (F2010: 0.83), and the reportable injury incidence rate (RIIR) was 0.74 per 200 000 hours worked (F2010: 0.52).

SAFETY, HEALTH AND EMPLOYEE WELL-BEING cont.

Health: key performance indicators – F2011

- emphasis on integrated wellness programme
- 18 cases of NIHL identified (F2010: 9)
- 93 new cases of TB identified (F2010: 119)
- 577 employees on ART (F2010:434)

During the year, the severity of injuries continued to increase with the primary causes of lost time injuries occurring as a result of materials handling incidents (46%), drilling equipment injuries (14%) and falls of ground (11%). These statistics indicate that the number of injuries sustained as a result of at-risk behaviour remains very high. In F2011, 4 234 shifts were lost due to occupational injury (F2010: 1 881).

In total, five Section 54 instructions were issued by the DMR to close certain mining areas so that investigations could be carried out into the cause of each accident or safety infringement and to establish remedial actions to prevent similar incidents in future. On each occasion, management presented the findings of the investigations and remedial actions to the DMR. In total, 28 shifts were lost across the mine as a result of DMR-imposed safety stoppages. In addition, Zondereinde mine instigated 145 internal safety stoppages and employees are actively encouraged to exercise their right to refuse work if conditions are not safe.

During the year, Zondereinde mine continued the implementation of the 'Stop and Fix' programme. Regular inspections of working areas were carried out by team leaders and management. Employees were instructed to *stop* mining activities and *fix* the problem before continuing work in areas where irregularities were identified during these inspections. In all instances, employees were required to investigate the cause of the incident and present remedial action plans to rectify the situation, to the safety committee.

No fatalities occurred at Booysendal during the year. The LTIIR was 0.65 per 200 000 hours worked and the RIIR was 0.22 per 200 000 hours worked.

No shifts were lost as a result of DMR-imposed safety stoppages. Safety toolbox talks and safety officer meetings are held on a regular basis while daily on-site inspections are performed by management to increase visibility of supervision.

Health

Management approach

At Zondereinde, Northam offers an integrated and comprehensive health care service to all employees through the medical service provider, Platinum Health, which operates facilities on site at the mine and in the nearby employee village. All services are offered free of charge to all employees who contribute to the Platinum Health Scheme. Occupational health and medical emergency facilities are available to all employees and contractors.

In addition to medical services offered, Zondereinde has a comprehensive TB and HIV/AIDS management programme in place, which is also administered by Platinum Health. A mine-based HIV co-ordinator is responsible for the information and awareness aspects of the TB and HIV/AIDS programme.

Health care services at Booysendal are also offered to Northam employees, contractors and their dependants through the Platinum Health subsidised scheme. Facilities are located in Mashishing and at the Lion medical station near Steelport. Booysendal is currently in the process of developing a comprehensive TB and HIV/AIDS management programme which will also be administered by Platinum Health.

Employee well-being

Northam recognises that the well-being of employees extends beyond occupational health care and consequently, the focus of health care at Zondereinde has been increasingly extended to include other health issues which have an impact on the well-being of employees such as malaria, TB, hepatitis B, hypertension and diabetes.

The extent to which other health issues will be addressed at Booysendal will increasingly be extended as operations progress towards steady-state production.

Northam runs a highly-effective Directly Observed Treatment (DOT) regime for the treatment of TB at

Zondereinde. This regime is aligned to the World Health Organization (WHO) guidelines. At year end, 162 employees participated in the company's wellness programme.

Performance F2011

Zondereinde's integrated and ongoing medical surveillance programme is well-established. In addition to general health screening and as a preventative measure, the programme identifies and monitors the incidence of noise-induced hearing loss (NIHL), pulmonary tuberculosis (TB), and occupational lung disease (OLD).

During the year, 10 528 (1 484 entry, 926 exit and 8 118 annual) medical surveillance examinations were performed at Zondereinde during the year and 1 560 (1 427 entry, 77 exit and 56 annual) at Booysendal.

The use of hydropower for underground mining activities, particularly for powering rockdrills, significantly reduces the level to which Zondereinde employees are exposed to noise and also helps reduce dust generation. The rock mass at Zondereinde does not contain quartz, thereby mitigating the threat of silicosis.

Noise levels associated with underground equipment is now contained below 110dBA. In addition, all employees are issued with personal protective equipment (PPE) to ensure that any exposure to noise levels above 85dBA over an extended period of time is limited. In F2011, 18 new cases of NIHL were identified (F2010: 9). On the face of it this appears to be a significant deterioration, but reflects the effects of exposure to an ageing workforce, many of whom would have been previously exposed to excessive noise levels at other mining operations. None of the cases identified were found to be compensable (F2010:2).

Northam recognises the health care burden presented by pulmonary tuberculosis (TB) and active programmes are in place to address this epidemic. The symbiotic relationship between TB and HIV exacerbates the incidence of both illnesses. In F2011, 93 new cases of TB were detected at Zondereinde, an 11% decrease from the previous financial year (F2010: 119).

Owing to the high virgin rock temperature (VRT) at Zondereinde (ranging between 51.4°C and 69.8°C), all employees are required to undergo heat tolerance testing on an annual basis which forms an important pre-emptive means of addressing the heat burden.

HIV/AIDS

Northam's HIV/AIDS policy, adopted by the company in F2005, provides for the care of employees, education programmes, confidentiality of information and non-discrimination.

All employees have access to voluntary counselling and testing (VCT) programmes, anti-retroviral therapy (ART), as well as professional counselling and support. The Northam HIV/AIDS programme is focused on the following priorities:

- *persuading employees* who are HIV negative not to participate in high-risk behaviour, through education and awareness programmes, mass distribution of condoms, treatment of sexually transmitted infections (STIs) and a peer education programme;
- *early detection and identification of HIV* to limit high-risk behaviour amongst those infected and to start them on a treatment regimen that can prolong their healthy lives. The VCT programme underpins this objective and provides the necessary counselling; and
- *persuading infected employees to participate in the wellness programme*, that includes the provision of ART. Comprehensive counselling is in place to ensure that employees understand and accept the long-term implications of moving onto the ART programme.

Following on from the success of the highly visible VCT campaign initially introduced in F2010 to encourage employees and community members to know their status, another awareness campaign was launched in F2011, based on the company's commitment to the three Cs which are: Consent, Counselling and Confidentiality. As a result, 1 618 employees (17% of the total workforce, including contractors) were tested (F2010: 1 840 employees, including contractors). In total, 577 (F2010: 434) employees are currently on the ART programme.

Peer educator systems at Zondereinde

At Zondereinde, Northam runs a peer education programme that is not only focussed on HIV/AIDS, but the company's overall wellness programme and is aligned to the South African Government's HIV/AIDS and Sexually Transmitted Infections National Strategic Plan and the Department of Health's National Health calendar.

The peer educator group – comprising 16 employees – supports the company's wellness programme which offers access to VCT, provides ART and professional counselling and support to employees by creating awareness through word of mouth and distribution of educational materials amongst employees and surrounding communities, including the Setaria village (the mine village), the towns of Northam and Thabazimbi and the Smash Block informal settlement.

Malaria

Although Northam's operations are not located in areas in which malaria is endemic, many of the company's employees have their primary homes in countries where this is the case. As a preventative measure, prophylaxis is provided to employees who return home to these areas and treatment is provided to employees who contract the disease.

EMPLOYMENT AND HUMAN RIGHTS

Employment: key performance indicators – F2011

- six-week strike
- 6.9% women in mining
- 45% HDSAs in management
- labour turnover drops to 6.6%

Management approach

The management of the people of Northam is the responsibility of the general managers of the Zondereinde mine and the Booysendal project and, ultimately, the chief executive of the company.

The remuneration, nomination and employment equity committee of the board is ultimately responsible for overall oversight. This committee, in consultation where necessary with management, ensures that the group's employees are equitably and appropriately rewarded for their contribution to the group's performance.

The group's remuneration philosophy is to ensure that salaries and related benefits are competitive relative to other mining companies. Specifically, the committee, on behalf of the board, approves the employment contracts and remuneration packages of senior management, ratifies the appointment of senior management other than directors, and approves any short-term incentive schemes and bonuses, including the offer of options in terms of the rules of the Northam Share Option Scheme.

The committee approves the mandate with regard to negotiations with trade unions and oversees implementation of and compliance with the requirements of the Employment Equity Act and the administration of the group's share incentive scheme.

The information presented below relates to the Zondereinde mine, which has a stable workforce and established systems and processes in place. While the management of people is a line management function, extensive support is provided by the Zondereinde mine-based human resources department. This department is also responsible for driving the implementation and achievement of human resources strategy including all aspects of the Mining Charter.

Other areas of focus are:

- training and development at all levels, with specific emphasis on leadership development and mentorship;
- recruitment and retention and employees;
- facilitation, co-ordination of implementation of employment equity programmes;
- labour relations, including collective bargaining;
- organisational development with respect to performance and talent management; and
- stakeholder and compliance management.

Labour and management relations

Northam strives to be a fair employer, providing constructive and relevant work in an environment that allows employees the opportunity to develop their skills and grow as individuals.

The following key employment legislation and agreements govern the basis upon which all interactions and engagements with employees and organised labour are conducted:

- Employment Equity Act.
- National Skills Development and Skills Development Levies Act.
- Basic Conditions of Employment Act.
- Labour Relations Act.
- Mineral and Petroleum Resources Development Act.
- Recognition agreements with organised labour.

Collective bargaining structures, which govern remuneration and conditions of service for most employees (84%), are negotiated annually.

Performance reviews are undertaken on an annual basis for employees who do not form part of these bargaining units. In addition, all employees' skills development plans are reviewed on a recurring basis. (See discussion on skills audit). The current performance management system is being reviewed and improved upon to ensure that all aspects of performance, including legal compliance priorities are measured effectively and accurately. Skills development plans for individuals are based on both the company skills requirements as well as development objectives for targeted individuals. Emphasis is placed on historically disadvantaged South

African (HDSA) employees in order to assist the company with maintaining a pool of relevant and effective skills amongst HDSA employees.

As Booysendal is currently in development phase, work at Booysendal is primarily done through contracting companies. There are no agreements in place with organised labour.

Employment practices

Northam is committed to fair and progressive employment practices, providing long-term employment opportunities with the scope for employees to develop their potential. Competitive remuneration practices take into account the nature of the operation, the innovative mining practices as well as the remote location of its operations.

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.

The Toro Employee Empowerment Trust, which was established in August 2008, represents the interests of some 98.7% of the company's Zondereinde employees. During F2011 the company contributed R13.6 million (F2010: R23.1 million). In F2011, the net income of the trust was R3.4 million (F2010: R0.3 million). The net interest of the beneficiaries at 30 June 2011 was R85.5 million (F2010: R70.9 million), with the first pay-outs to employees planned for 2013.

Human rights and collective bargaining

Northam upholds the basic labour rights enshrined in the Fundamental Rights Convention of the International Labour Organization (ILO) relating to collective bargaining and ensures the implementation of fair employment practices. The company prohibits forced, compulsory and underage labour, and any form of discrimination based on *inter alia* race, religion, age, disability or political affiliation.

The rights to freedom of association and collective bargaining are entrenched within South Africa's legislation and the country's constitution. Northam supports employees' rights and acts in accordance with the South African constitution, prescribed legislation, industry compacts and recognition agreements with unions. A sexual harassment policy is in place which prohibits harassment, an issue of particular concern in the recruitment and retention of female employees (see the section on women in mining on page 29 of this report).

Collective bargaining structures, policies and practices are embedded at all levels of operation and ensure employment practices are fair and employees are represented appropriately. Minimum notice periods in respect of operational changes and rates of pay for men and women are prescribed by legislation.

Legislative compliance, enhanced by collective bargaining structures, policies and practices are embedded at all levels of operation and ensure employment practices are fair and employees are represented appropriately.

Wages and other conditions of service are negotiated on an annual basis. Recognition agreements with unions also regulate aspects such as participation in safety and health structures and disciplinary and grievance procedures.

In terms of the recognition agreements between Northam and organised labour, each union requires a representivity threshold of 33.3% within the bargaining unit in order to bargain for that particular unit.

Northam ensures that there is no risk to the right to exercise freedom of association and collective bargaining by employees, contractors and suppliers through compliance by the company, its contractors and suppliers with South African legislation and the company's own policies.

Union representation at the end of F2011

Union	Cat 2-8		Cat 9		Cat 10		Total	
Complement	5 945		399		394		6 738	
NUM	5 020	84.45	105	26.38	100	25.25	5 225	77.55
Solidarity	39	0.66	173	43.47	165	41.67	377	5.60
UASA	3	0.05	11	2.76	23	5.81	37	0.55
Total	**5 062**	**85.16**	**289**	**72.61**	**288**	**72.73**	**5 639**	**83.69**

** This table only represents employees in collective bargaining units.*

EMPLOYMENT AND HUMAN RIGHTS cont.

Establishing and maintaining constructive relations with unions

Annual wage negotiations to establish wage levels for F2012 started during the last quarter of the financial year and have yet to be concluded.

In total, 37 days were lost during in F2011 as a result of industrial action following a dispute related to wages. The six-week strike resulted in revenue losses of approximately R380 million for the company and has impacted on every aspect of the day-to-day operation of the mine. Employees lost R65.1 million in wages overall.

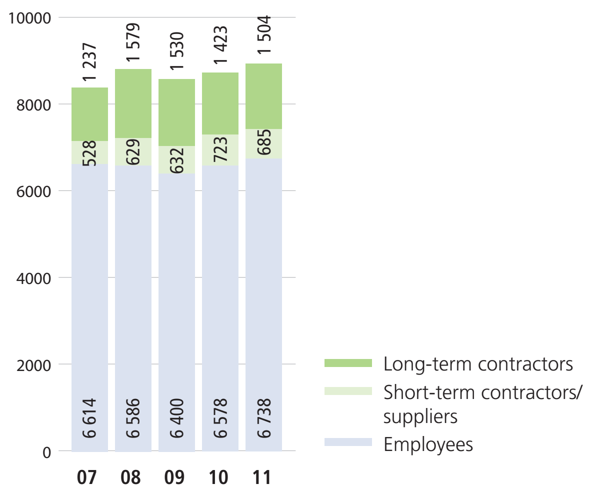
The company has launched a concerted effort to improve labour/management communication. This includes the drafting of a partnership charter with unions, training and capacity building for the newly established employment equity and training committee which comprises representatives of individuals from all occupational levels, organised labour and management. These interventions will assist to govern and support all employees involved in consultations and engagements with all relevant structures at Zondereinde.

Performance F2011

Employment

At the end of June F2011, Northam employed 10 096 people, 6 851 full-time, permanent employees, 1 504 long-term, permanent contractors and 687 short-term, part-time contractors at Zondereinde and 1 054 people, mostly construction contractors at Booysendal. It is expected that the permanent employment at Booysendal will increase to 1 200 once the mine reaches steady-state production in 2014.

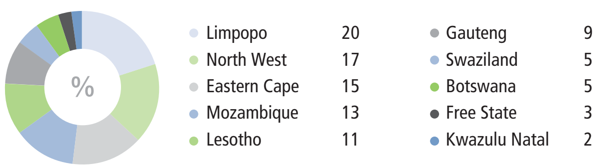
Total number of employees – Zondereinde



At the end of June 2011, 19% of permanent employees at Zondereinde were drawn from the Limpopo province (F2010: 18%), while a further 47% (F2010: 45%) were from other provinces in South Africa, and 34% (F2010: 37%) from neighbouring countries. While the company does not discriminate against foreign labour, Northam remains committed to increase the local labour representation at both Zondereinde and Booysendal to facilitate the allocation of wealth and skills to those most affected by its operations.

As at 30 June F2011, the total turnover level at Zondereinde was 6.6% (F2010: 8.0%), with a total of 487 (F2010: 539) people leaving the employ of the company during period. These 457 departures may be ascribed to resignation (221), misconduct (143), incapacity (43) and death in service (50).

Origins of employees – Zondereinde

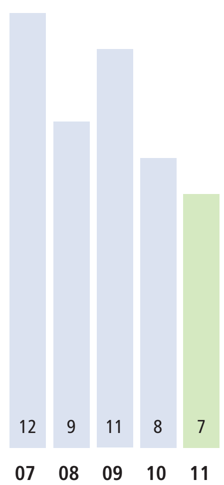


Local employment at Booysendal

Located in a region of little economic activity, a particular issue of concern at Booysendal is the allocation of jobs. As a new business in the area, the company endeavours to engage with local community structures, including the Greater Tubatse local and Greater Sekhukhune district municipalities on an ongoing basis.

As part of Northam's commitment to the Mining Charter and the Booysendal social and labour plan, the company is fully committed to developing skills and promoting economic activity amongst the communities in which their operations are located. Although there are limited vacancies currently at Booysendal mine, going forward, the mine will require employees with the necessary skills and experience particularly in the fields of engineering, trackless mining and plant operation.

Turnover rate – Zondereinde (%)



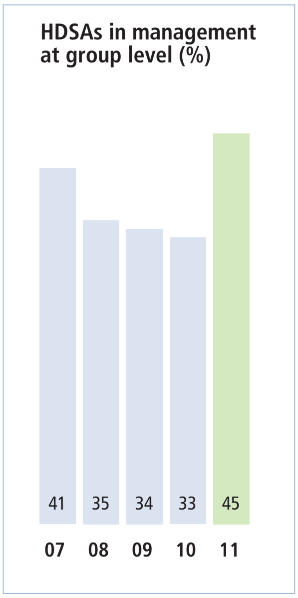
In order to establish the level of required skills in the nearby communities and to identify individuals who possess these skills, Booysendal has developed a dynamic skills database. This skills database was compiled by way of hosting several open days to give community members from the surrounding Greater Tubatse and Taba chweu local municipal areas the opportunity to fill in an individual profile summary and submit their details for inclusion in the database. The skills database is, and will continue to be used by contractors and the mine as a reference to source employees from the local communities.

Certain community members who attended these open days were interviewed to establish if they possessed the necessary skills and qualifications for employment at Booysendal. Those who qualified were asked to undergo psychometric tests and medical examinations and received training in preparation for job opportunities during the construction phase. All these individuals have been, and will continue to be employed by the main contractor upon completion of their training.

Northam started employing people at Booysendal in July 2010. It is envisaged that a total number of 1 200 people will be employed once the mine reaches steady-state production in 2014.

Employment equity

Employment equity legislation in South Africa promotes equal opportunity and fair treatment through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the imbalances of the past. The Mining Charter requires that HDSA employees make up 40% of management by 2009. At the end of F2011, the representation of HDSAs in management for the group was 45%.



Northam has an employment equity programme in place that is guided by the requirements of the Mining Charter and the Employment Equity Act. Employment equity plans and progress at the company's operations are submitted to the Department of Labour (DoL) every year.

The Zondereinde employment equity and training committee was re-constituted in January 2011 according to guidelines specified in the Employment Equity Act which, as described earlier in this document comprises representatives of all occupational levels, organised labour and management. This committee, together with management, monitors the implementation of employment equity practices that promote the recruitment, development and retention of HDSAs and women in mining, particularly in supervisory and management roles and core mining disciplines. An employment equity analysis and plan was developed during February 2011 which defines the overall targets, goals and priorities surrounding employment equity and related aspects of human resources management, including but not limited to:

- training and development;
- recruitment and selection;
- affirmative action; and
- equitable and fair practices in the workplace.

The committee meets once every quarter and is responsible for actively contributing to the analysis and monitoring of the implementation of the employment equity plan of Zondereinde.

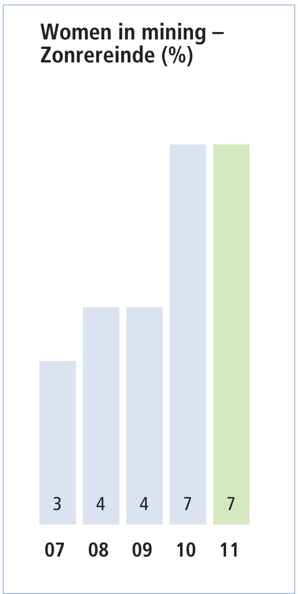
A targeted programme is in place which includes elements of mentorship, succession planning (structured skills transfer), individual development planning and constructive retention models to achieve the requisite levels of HDSAs and women in mining targets with the progress of each employee to be reviewed on a quarterly basis. (See discussion on skills audit).

Women in mining

In line with the requirements of South Africa's Mineral and Petroleum Resources and Development Act (MPRDA) and the Broad-based Socio-economic Empowerment Charter for the South African Mining Industry (the Mining Charter), priority is given to the attraction, retention and development of historically disadvantaged South Africans (HDSAs) and women. Northam requires that contractors that undertake work for the company are compliant with legislation and this compliance is reviewed on a regular basis.

Northam continues to report progress towards achieving the 10% of representation of women in mining required by the Mining Charter, although a number of challenges remain. Focus group meetings are held on a quarterly basis to identify the major barriers to women in mining with issues relating to sexual harassment, housing and living conditions and pregnancy having been identified as the major challenges.

EMPLOYMENT AND HUMAN RIGHTS cont.



A significant challenge remains the recruitment and retention of highly sought-after skilled women and HDSA employees. Skills training and development is being intensified to address this challenge.

Two female miners at Zondereinde completed their learnerships in March 2011 and became the first female miners at Northam Platinum. At the end of F2011, women made up 6.9% of the Zondereinde workforce. As at 30 June 2011, 276 women were working in the core disciplines of mining, metallurgy and engineering. In total, 468 females were recorded as employees at Zondereinde in F2011. (Please note that these statistics exclude foreign national women working at Zondereinde.)

It is Northam's policy to ensure that remuneration is based on by skills, expertise and experience, and not on race or gender. Discrepancies in salaries between the genders do exist. These discrepancies are not directly related to gender differences but are in most cases related to number of years of service at the company and experience of current incumbents.

Training and development

Northam has distinguished between training and development to ensure that individuals are supported to improve their competence and knowledge in the workplace and also to grow as individuals. Training includes:

- legislative training (skills, health and safety);
- learnerships;
- portable skills; and
- external specialised training.

Development includes:

- bursaries and study assistance;
- Adult Basic Education and Training (ABET)
- mentorship
- succession planning
- management development programmes

Zondereinde skills audit

A skills audit was conducted in July 2010. This audit included the review and verification of all qualifications of Zondereinde employees. It further required employees to declare any disabilities, if these are applicable, and provide necessary supporting documents to confirm such.

The results of this audit assisted the company to develop an accurate workplace skills plan where critical, core and scarce skills within the business need to be represented. This skills plan includes the development plans and training priorities within each department and section, where applicable, in the business.

This workplace skills plan is utilised to target specific training and development interventions for particularly HDSA and women employees to assist with the achievement of the targets in the Mining Charter scorecard as well as internal company targets set in the SLP.

Literacy

ABET is available to all employees on a part-time voluntary basis. In total, 500 employees per semester can be accommodated at the ABET facility. The current ABET facility comprises three computer rooms with 100 computers, two facilitation rooms and a new library, built during F2011 and equipped with four computers with internet access so participants have access to research resources. The library is currently in the process of being equipped with reading material.

The ABET facilitation group also received two additional facilitators bringing the total number of facilitators to eight. All eight facilitators successfully completed their assessor courses and received additional training in motivational skills in F2011.

The Zondereinde ABET facility received full Mining Qualifications Authority (MQA) accreditation following an audit by the MQA in September 2010. The entire ABET syllabus, all learning materials as well as the competency of the ABET facilitators were evaluated as part of the audit. Recommendations made by the MQA regarding minor modifications to the syllabus to include mining industry-related subjects to create a platform for further career-specific development and the further integration of career paths following the completion of ABET were taken on board by the company.

The new ABET syllabus at Zondereinde comprises:

- language, literacy and communication;
- mathematical literacy, mathematics and mathematical sciences;
- natural science;
- occupational health and safety;

Marking the official opening of the new library and the re-launched of ABET at the end of October 2011 Zondereinde mine initiated the 'Let's talk ABET' campaign. This campaign is aimed at encouraging current employees with a focus on those who dropped out in the past, to participate in ABET. The campaign is directed at informing employees of the benefits of obtaining functional literacy including inclusion in learnerships and apprentice programmes, and further training and study assistance.

- overview of mining; and
- mining/metallurgy skills.

A total of 952 learners were registered to attend ABET during the year with 462 completing the curriculum and participating in examinations – 217 in the first half of the financial year and 245 in the second half. The overall pass rate was 59%. In November 2010, 616 ABET learners who successfully completed ABET received certificates. Certificates of competence were awarded to 15 learners who successfully completed the general education and training qualification.

Bursary and study assistance programmes

A bursary and study assistance programme (assistance to employees who are employed by the company, including in-service bursars) is based on the skills required by each department and is therefore department-driven. In F2011, Zondereinde provided support to 37 people, at a cost of R122 912, in the fields of mining engineering, electrical engineering, mechanical engineering, chemical engineering, metallurgical engineering, rock mechanics engineering, security management, human resources management and financial management.

At Zondereinde, Northam has in place the 'Dinaledi Stars' scholarship programme which provides assistance to local school girls in Grade 10 to 12. The top three students in Maths and Science in each grade are selected and bursaries to tertiary institutions of their choice are awarded to scholars once they matriculate. Each year, three new Grade 10 pupils are selected to feed the programme.

In addition, four bursaries are awarded to promising second year students from universities across South Africa until they complete their qualification. Northam is currently supporting four students in the fields of mining engineering, chemical engineering, electrical engineering and mechanical engineering.

Housing and living conditions

Zondereinde is currently reviewing and updating the effectiveness and appropriateness of the proposed housing strategy. A housing forum, comprising representatives of organised labour and management, has been established to actively direct the housing and living conditions objective of the company.

The requirements set out in the MPRDA underpin the overall intent and direction taken by Northam in respect of provision of housing and accommodation for employees and contractors.

EMPLOYMENT AND HUMAN RIGHTS cont.

A survey was conducted at Zondereinde in May 2011 to determine the needs and requirements of employees with regard to housing and living conditions.

The majority of Northam's workforce come from labour-sending areas and have indicated a clear preference not to be permanently housed in the area and will return home.

In F2011, 4 052 full-time employees (60%) were accommodated in hostels provided by the company, while some 1 914 employees opted to receive living-out allowances. Many employees have their primary homes and families in other countries, other provinces or other regions of Limpopo province. To deal with the continued need for hostels, the company is in the process of converting portions of the hostels into lower density accommodation.

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 rigorously monitored. On average meals are served to around 5 932 people per day.

A tender has been awarded for the electrification of the Mojuteng housing project. An application to the local power utility to supply the houses with electricity was submitted three years ago and was granted in F2010. During the year, Northam engaged the services of a third party to assists with the overall project management and marketing of the project including the facilitation of access to finance so employees can purchase these properties. At present, 109 units are in use (see case study below).

Supervisory and management employees are largely accommodated in company-provided housing, which is a significant draw-card for employment in a country and region where there are housing shortages.

At Booysendal, full-time employees receive living-out allowances. Accommodation and meals are provided to contractor employees by the relevant contractors.

Home sweet home: Northam's Mojuteng home ownership scheme

Most people would like to buy their own home at some stage of their lives. Employees at Northam Platinum are no exception. In recognition of this fact, it is part of Northam's accommodation and housing strategy to promote affordable housing and home ownership.

In the second quarter of 2010, Northam approached Chartwell Housing Finance Solutions (Pty) Ltd, a company specialising in housing schemes, to develop a plan that would give employees in salary grades 2 to 8 the chance to buy a house in the nearby Mojuteng township and start investing in their future.

The scheme that Chartwell designed for Northam focuses on making home ownership affordable and sustainable. It does this by offering employees not just a home loan, but a debt consolidation facility and a structured housing subsidy. This helps free up disposable income and results in higher loan approval rates – around 70%.

When employees apply for their home loan, a detailed discussion takes place on their budget and spending habits and the financial implications of becoming a homeowner are explained. A comprehensive credit scorecard, tailored to the mining sector, is used to ascertain whether an employee might become financially over-stretched by buying a home in Mojuteng.

Once employees receive approval for their home loans, they are invited to attend HomeWise, Chartwell's two-hour, homeowner education programme. In the programme, employees learn about the rights and responsibilities of home ownership and about the credit agreement they are about to sign. Participants receive helpful literature to take home. After successfully completing the HomeWise programme, employees are invited to sign their credit agreement with the attorney.

The Mojuteng project has been branded and a full-scale marketing campaign launched. Billboards have been erected, information leaflets are available and a furnished showhouse has been opened. A newsletter, the Mojuteng News, is published to keep employees informed about the project. A One Stop Shop has been set up near to mine hostels, where employees can get information about Mojuteng and apply for their home loan. The One Stop Shop is run by a qualified estate agent, supported by an administration team. The team is on-site full-time and is multilingual.

For those employees who have already moved into their own homes in Mojuteng, a garden competition is being run with cash and garden vouchers as prizes.

As of June 2011, 109 units had been sold in Mojuteng, some 28% of the total number of units available. With such a wonderful opportunity on offer, the remaining 72% are unlikely to display "For Sale" signs for too much longer.

NORTHAM IN THE COMMUNITY

Critical issues:

- **Development of community engagement policy and strategy at Booysendal**
- **Agreement on local economic development projects by communities and the DMR, as part of the submission and approval of Northam's SLPs, and the implementation of these projects**

Management approach

Northam understands that the company needs to play a responsible and co-operative role in the area where its operations are located. This takes the form of meaningful and relevant contributions to the sustainability of the surrounding community and environment. A stakeholder engagement policy is currently being finalised for board approval, while strategies for each mine are being developed. These include stakeholder mapping, a review of expectations and immediate risks, and constructive engagement with government and related stakeholders to ensure a co-ordinated approach to community development.

At the Zondereinde mine, these relationships are long-standing and include the temporary mine-related community, neighbouring farmers, informal settlements (such as the Smashblock community) and the towns of Northam and Thabazimbi, as well as other mining company communities.

The situation is more complex at Booysendal, with a number of communities vying for position in the area. However, at the inception of the project management embarked on a proactive stakeholder engagement programme which identified seven recognised families/communities, who are now represented in a community forum. The constituents of this forum (which includes members of management) have regular access to the site, and are provided the opportunity to discuss training and job opportunities with management. The original constituency of the forum needs to agree on any new members to the forum.

Northam recognises that there may be communities in the area who have some historical affiliation with the land it has under management. For this reason the company has undertaken extensive surveys to identify any historical artifacts or archeological and grave sites which may have significance for certain communities. Such sites are fenced off and carefully preserved.

To ensure alignment with the MPRDA, the Mining Charter requirements related to mine, community and rural development and to ensure a focussed approach to the company's contribution to its local communities, Northam has paid a great deal of attention to local economic development (LED) projects identified in its SLPs. These SLPs have aligned with local municipalities' integrated development plans (IDPs) so as to avoid duplication of effort and to address real, identified community needs.

In F2011, Zondereinde's SLP was approved by the DMR and work is now underway to achieve the targets set therein. The SLP for the Booysendal project has been developed and local economic development projects have been identified. This is currently being considered by the DMR.

Local economic development issues and compliance with these aspects of the Mining Charter are the responsibility of senior management. Compliance with the Mining Charter is a priority for the company and compliance is reviewed by the board.

In addition to local economic development, Northam supports a number of projects that do not necessarily fall within the SLP parameters but are considered by the company to be worthy causes.

Addressing community needs

Northam's community development programme has as its focus the contribution to the social upliftment of communities directly surrounding its operations and communities within major labour-sending areas. The primary objectives of Northam's programme are the sustainable upliftment and development, and the economic empowerment of stakeholders. During F2011, R4.1 million was spent on corporate social investment and local economic development across the group (F2010: R12.1 million).

NORTHAM IN THE COMMUNITY cont.

Zondereinde:

Zondereinde mine is located in a region that is relatively sparsely populated, in a province with low levels of economic activity. Agriculture, mining and tourism are the primary economic activities in the province and region. Disbursement priorities have been guided by the Zondereinde SLP and the corporate social investment (CSI) committee, tasked with identifying development priorities in the area.

The committee, comprising three members of management together with one representative from each of the organised employee representative bodies, convenes on a monthly basis to identify, prioritise and allocate resources towards sustainable projects. Priorities for F2011 included:

- education;
- health and welfare; and
- local economic development, comprising sustainable upliftment, poverty alleviation and employment creation projects.

At Booysendal

Booysendal is located in a region with little existing economic activity. Agriculture and forestry, mining and tourism are the primary economic activities in the region. Stakeholder identification and engagement at Booysendal is a far more complex undertaking than at Zondereinde, complicated by the scale, proximity and needs of local communities, and historic interests in landholdings.

Community engagement falls under the human resources discipline headed by the human resources manager. A stakeholder engagement strategy is currently being developed and various forums have been set up to facilitate the flow of meaningful benefits to communities and to address their concerns. This is in addition to the needs identified in local municipal IDPs. There appears to be a widespread expectation amongst community members that mining operations will create jobs for all. Given the nature of the orebodies and the type of mining (trackless mining) to be undertaken in the area, these operations are not very labour-intensive and will never be able to meet the direct expectations and needs of everyone in the local communities.

Communities have became more vocal and have staged protests against mining companies in the area. These protests are specifically related to the creation of jobs.

The key priorities of Booysendal's community activities include:

- local employment;
- education;
- infrastructure development;
- health;
- environmental management;
- poverty alleviation;
- enterprise development; and
- capacity building.

Local employment

A particular issue of concern at Booysendal has been, and in the short term will continue to be, the allocation of jobs in an area where employment levels are low. This issue is expected to intensify. Booysendal's SLP seeks to address some of the needs in this area, but it will be difficult for a single mining company to have a significant impact. Booysendal management has developed a dynamic database to be be used for future sourcing and recruitment of source employees with the skills and qualifications appropriate for Booysendal. For more information on employment practices at Booysendal, see the employment and human rights section of this report.

Local procurement

In line with the company's commitment to the Mining Charter, Booysendal is fully committed to distributing wealth and skills to the communities which surround its operations. Northam's procurement policy therefore gives local BEE companies preferred supplier status.

During the year, Booysendal hosted open days to inform local suppliers about Northam's requirements, policies and the opportunities offered. These open days were held in Mashishing, Roossenekal and Steelpoort and were advertised in local newspapers. Companies which comply with the necessary criteria are placed on the vendor list, provided they are commercially competitive.

ENVIRONMENTAL PERFORMANCE

Key performance indicators

- Energy usage – 601 890MWh
- Energy saved – 8 068MWh
- New water used – 4 832 000m3
- Water recycled – 91%
- SO_2 emissions – 6 374 tonnes
- CO_2e emissions – 635 401 tonnes

Management approach

As a PGMs development, mining and beneficiation company, Northam recognises that its activities have an impact on the land, water, air and natural resources including fauna and flora, in the areas which surround its operations. The existing Zondereinde mine and metallurgical complex has a sustained track record of sound environmental performance. At Booysendal, baseline assessments and planning to minimise the operation's impacts on the natural environment have been concluded, with all required permits and licences having been awarded. Environmental management systems are currently being put in place to meet the obligations set out in these.

The health, safety and environmental committee has been tasked by the Northam board to oversee environmental matters at a group level. Environmental issues are considered on a quarterly basis by management committees at Zondereinde and Booysendal and reported to the CEO.

Environmental management at Zondereinde mine

Environmental issues are managed as an integral part of the production process at Zondereinde. Owing to the technical nature of so many of the environmental issues and challenges, this portfolio falls under the engineering department and, specifically, the engineering manager who is supported by an environmental officer. Ultimate responsibility for environmental compliance and performance, however, lies with the general manager of Zondereinde and the chief executive of Northam.

Environmental management at the Booysendal project

At Booysendal, oversight for environmental issues within the designated mining area (1.3% of land under management) is the responsibility of the general manager of that site, supported by environmental personnel, in line with environmental permitting and systems. The balance of the land under management will fall under the responsibility of a land manager with a background in conservation rather than mining.

Key environmental issues and parameters for both operations are formally reported on a monthly basis to the mine and company executive and on a quarterly basis to the SHE committee of the board.

Legislation and compliance

Rigorous environmental and mining legislation governs environmental impacts and permitting in South Africa, including:

- the MPRDA;
- the National Water Act;
- the National Environmental Management Act;
- the Air Quality Control Act; and
- The National Waste Act.

The new Air Quality Control Act came into full effect in April 2010 and has ramifications for emissions, particularly for the reporting of industrial greenhouse gas (GHG) emissions data and mitigation plans. Government is developing additional legislation on the actual reduction of GHG emissions (34% below the business as usual baseline by 2020 and 42% below the business as usual baseline by 2025).

Northam manages it operations in line with the environmental legislation and regulations of, in particular, the Department of Mineral Resources (DMR) and the Department of Water Affairs (DWA).

Consultation is also held with the regulatory authorities. The company did not receive any environmental fines or legal sanctions during the year under review.

ENVIRONMENTAL PERFORMANCE cont.

Implicit within the regulations of NEMA and Northam's own EMS's is the adoption of the precautionary approach.

The Zondereinde mine was granted a new order mining right by the DMR during F2011, having applied for conversion of its old order mining rights in 2006. Zondereinde's water use licence is still outstanding, and the mine operates in terms of an exemption from the DWA. Northam understands that a significant number of mining companies are in a similar position and that the delays relate to a processing backlog. The company has been advised by the department that it should continue to act in line with its previous permit requirements until such a time as a new permit has been issued. The Booysendal operation was allocated its integrated water use licence (IWUL) on 17 May 2011.

As required by legislation, environmental management plans (EMPs) are in place at both the Zondereinde mine and the Booysendal project. These plans aim to address the impacts and potential impacts on the environment by Northam's operations as well as the measures to manage, monitor and mitigate these impacts. According to South Africa's environmental legislation, all new mining projects are subject to environmental impact assessments (EIAs) which include a high degree of public participation as well as numerous specialist studies which cover all aspects of the environment including fauna, flora, archaeology as well as water and air quality.

ISO 14001

Northam has adopted the ISO 14001 as the basis for its environmental management systems. The Zondereinde mine was awarded ISO 14001 certification for the Zondereinde mine on 28 February 2011, in line with following the completion of a three-year project to implement this stand at the mine and metallurgical complex. The implementation of ISO 14001 at the Zondereinde metallurgical complex is currently underway, and the company is targeting certification by (2014).

A revised environmental management programme (EMP) and training model was developed during the year, and is being implemented.

The principles underlying ISO 14001 have been incorporated into Booysendal's EMP, with the aim of ensuring that an ISO14001-aligned EMS is in place when the mine reaches steady-state operation. ISO14001 certification will be sought thereafter.

There were no significant environmental incidents at Zondereinde during the year, and no significant water spillages during the year.

Performance F2011

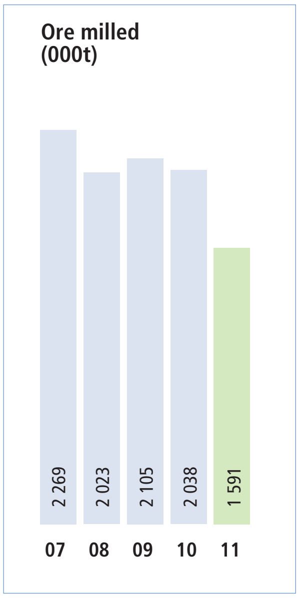
Northam's environmental impacts at Zondereinde and Booysendal are different given the stage of operation (development versus steady-state, nature of operation (deep level versus shallow mining) and location. Generally, however, these impacts can be categorised as:
- the use of resources, including rock mined, water and energy and other material consumption;
- emissions and discharges to water, land and air;
- management of land, including rehabilitation and biodiversity management; and
- planning for and funding of eventual rehabilitation and closure.

Resource utilisation

The primary resources used by Northam are water, energy and bulk materials such as rock (mined and processed), liquid fuels, coal, grease, steel, timber and lubricating and hydraulic oils. Zondereinde actively optimises its resource usage and recycling programmes are in place for plastics, steel, timber and scrap.

Materials used

	Unit	F2011	F2010
Rock mined	000t	1 801	2 281
Ore milled	000t	1 591	2 105
Timber	m^3	754	3 528
Cartridge explosives	t	2 010	2 650
Oxygen	t	2 461	3 131
Sulphuric acid	t	747	1 064
Sulphur dioxide	t	90	122
Grease	t	41	61
Lubricating and hydraulics oils	l	112 311	125 034



Materials recycled

	Unit	F2011	F2010
Plastic	t	62	14
Steel	t	1 759	1 508
Timber	m^3	5 874	6 402
Scrap metal	m^3	2 526	2 557
Rubber	t	156	168

Water

Northam recognises that water is a scarce resource and is committed to optimising its usage. Northam has considered the risks and opportunities relating to water availability in its voluntary submission to the Carbon Disclosure Project (CDP) Water Disclosure for the second consecutive year. Northam's response to CDP water Disclosure may be downloaded from *http://www.greenbiz.com/sites/default/files/CDP-2010-Water-Disclosure-Global-Report.pdf*.

Water is fundamentally important for Zondereinde mine, not just from an environmental and permitting perspective, but also because the mine uses water as its primary source of energy for underground operations through a shaft-based hydropower system. Water management and water quality are therefore an integral part of the management of all Northam operations.

At Booysendal, water allocation too, is of critical importance. Construction operations at Booysendal have been fast-tracked following the allocation of the water use licence in May 2011.

Two primary water sources contribute to the total water used at Zondereinde. These are:

Industrial water

Industrial water is used for all mining and processing operations; it constitutes around 90% of total water usage on an annual basis. This water is maintained within a closed circuit and recycled on an ongoing basis.

Evaporation rates are high given the geography and climate of the region, where surface temperatures may reach as high as 40°C in summer. The water is exposed to evaporation while it is contained within the processing facilities, on the tailings dams and storage facilities, and needs to be supplemented by approximately 20% (10% potable, 10% fissure) on an annual basis.

There has not been a significant change in the rate of water flow as a result of mining operations over the 20 years (since mining first started at Zondereinde).

The fissure water flow is not seasonal which is a clear indication that this water is distinct from rechargeable groundwater.

Zondereinde does not source water from riverine systems, surface sources or from perched aquifers (in other words, groundwater). The balance of surface water make-up comes from rainfall onto the property which is captured in the dams, and which by definition becomes grey water.

Potable water

Around 10% of the total daily water usage at Zondereinde is potable water purchased from the Magalies Water Board on an annual basis.

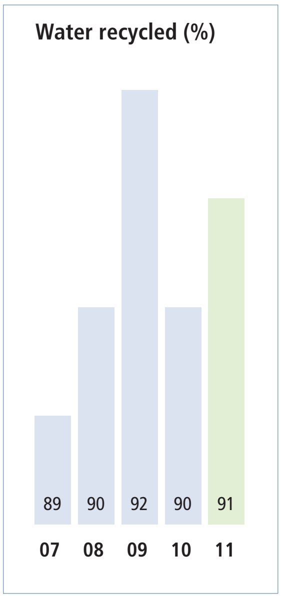
As the company's operations are located in an area where water is considered a scarce resource, Northam recognises that water availability may in future be constrained as a result of increasing industrial pressure on water supply and as a result of climate change, and therefore needs to be conserved.

While Zondereinde does not consume water from local sources or has an impact on them, it remains an active participant in matters relating to water management in the area by way of, amongst other approaches, discussing water issues with local community members and farmers whose properties surround the company's operations. On an annual basis, Zondereinde hosts an open day whereby all interested and affected parties are invited to air any issues they may have. Zondereinde is a participant within the Crocodile River and Groot Marico Catchment Management Authorities.

When overflow is inevitable due to heavy and sudden rainfall, discharge conditions are monitored and discharge is carried out from the treated sewerage effluent dam and evaporation dam into the Bierspruit. During the year, this occurred on one occasion as a result of heavy rainfall during the months of January to March and was done in strict compliance with permit conditions.

Sampling of underground and surface water at Booysendal was finalised during F2010 with the qualified data providing base line information on the original water quality in the area. Water quality at Booysendal is monitored on a continuous basis and the findings compared with base line information, compiled during a sampling of underground and surface water exercise during F2010, to determine and remediate any mining-associated impacts on the water system.

ENVIRONMENTAL PERFORMANCE cont.



Zondereinde endeavours to run a zero discharge operation and closely monitors any potential impact of its operations on surface and groundwater sources. Extensive monitoring is undertaken and a comprehensive groundwater model, developed and maintained by a third party consultant, has been in place for six years. This consultant also monitors and advises on surface and groundwater quality control.

Sampling of underground and surface water at Booysendal was finalised during F2010 with the qualified data providing base line information on the original water quality in the area.

Water quality at Booysendal is monitored on a continuous basis and the findings compared with base line information, compiled during a sampling of underground and surface water exercise during F2010, to determine and remediate any mining-associated impacts on the water system.

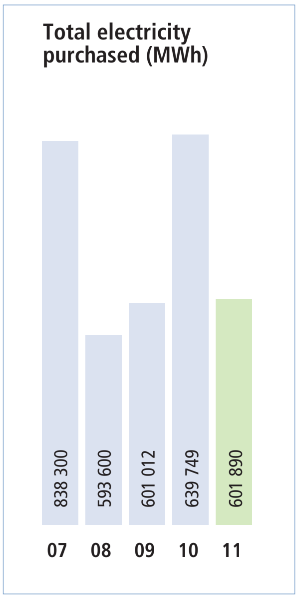
Water usage (000m³)

	F2011	F2010
Potable water from external sources	2 441	2 601
Fissure water used	2 392	1 385
Water recycled in process	24 308	23 439
% water recycled	91%	90%

Energy

Mining activities at the Zondereinde mine are carried out by hydropowered equipment, a technical innovation pioneered and refined over time by Northam. Hydropowered equipment is used for direct mining operations and provides the added advantage of positional cooling where work is performed. A second technological innovation used by Northam, is the use of backfill to support mined underground areas. Backfill lowers the underground temperatures by reducing heat ingress from worked-out areas, while also reducing the size of the area to be cooled by 65%.

Northam estimates that annual savings on electrical energy as a result of using hydropowered equipment and backfill are in the order of 190 399MWh and 50 400MWh respectively. This is a large saving, considering that, during F2011, electricity accounted for 10.4% of total operation costs. The National Energy Regulator of South Africa (Nersa) approved a nominal power tariff increase of 25.8%, which came into effect on 1 April 2011, and a subsequent increase of 25.9% for 2011/12 and 2012/13 respectively.



Owing to the extensive use of hydropower at Zondereinde, Northam continues to be presented with an economic advantage due to the fact that the company uses less electricity than its shallower (in South African platinum mining terms) peers. In addition, the company's experience of using an alternative source of energy has resulted in the establishment of a culture and infrastructure which forms a platform from which further renewable energy innovations may be developed in the short to medium term.

Given Northam's existing relatively low base of energy consumption at its mining operations and the likelihood of increased energy consumption at Zondereinde as a result of extending the mine to greater depths to maintain production and the ramping up of production at Booysendal, Northam will not be able to reduce energy consumption going forward.

Total indirect non-renewable energy consumption from electricity sourced from Eskom at Zondereinde decreased by 6% to 601 890MWh (2 166 804GJ) in F2011 (F2010: 639 740MWh (2 303 064GJ)) with around 77% of electricity used by processing and smelting activities and23% by mining operations.

Electricity consumption (MWh)

	F2011	F2010
Energy from electricity purchased by shafts	461 484	483 541
Energy from electricity purchased by plant	140 406	156 199
Total electricity purchased	**601 890**	**639 740**

Electricity consumption (GJ)

	F2011	F2010
Energy from electricity purchased by shafts	1 661 342	1 740 748
Energy from electricity purchased by plant	505 462	562 316
Total electricity purchased	**2 166 804**	**2 303 064**

** Northam reports on its electricity consumption in MWh. In some instances these figures have been converted to GJ as requested by GRI.*

Northam continues to benefit from the renewable energy and energy conservation scheme implemented at Zondereinde mine together with Eskom. In F2010 seven energy saving projects have been implemented and it is estimated that this has resulted in a 8 068MWh saving on the total energy consumption from electricity purchased in F2011.

These energy saving projects include:
- the roll-out of compact fluorescent lighting and geyser blankets to mining staff and Setaria village residents;
- the modification of electrical geysers to solar power;
- the use of hydropowered equipment for drilling, cooling and cleaning operations;
- the use of backfill to support mined areas which also reduces heat ingress and has resulted in a 65% decrease in the size of the area which needs to be cooled;
- the use of Power Factor Correction equipment which reduces the electrical load and minimises wasted energy, therefore improving efficiency while reducing the electricity bill; and
- the conversion of mast and street lighting to energy saving lights.

At Booysendal, optimisation studies undertaken in F2010 resulted in a revised mine design and higher rate of production at full capacity, which may result in electricity consumption exceeding the initially allocated 20MVA during peak demand times. These requirements will be fulfilled by self-generation of power on site (5MVA) during peak times.

The revised design also makes provision for an energy management system, which is still to be formally approved by Eskom, and the introduction of energy recovery strategies. Orepass capacity has been improved which will minimise the requirement for decline conveyors to run during peak shift times. In addition, cycle efficiencies and optimised equipment selection will maximise output in each section, and at the same time reduce the number of sections required to operate, and so reduce energy requirements.

Climate change

Climate change presents moderate risk for Northam on a physical and regulatory front. However, climate change also presents an opportunity as PGMs are used in technologies that bring about reduction in noxious gases. Indeed, the global trend of tightening emissions legislation continues to stimulate the use of PGMs in autocatalysis.

Northam has considered the risks and opportunities relating to climate change, including its financial implications in its voluntary submission to the Carbon Disclosure Project (CDP) for the third consecutive year. Both physical and regulatory risks have been identified and the company continues to manage these primarily through its energy conservation initiatives. During the year under review the company will, in partciular, be considering issues relating to adaptation, and the impact of climate change on its communities. Northam's submission to the Carbon Disclosure Project's 2011 annual survey may be found at: *www.cdproject.net.*

The most significant emissions or potential discharges from Zondereinde are SO_2 emissions (directly from the smelting operations) CO_2 emissions (direct and indirect), potential discharges to water courses and dust generation from tailings dams.

CO_2 emissions

Progress towards the development of a company climate change mitigation strategy has been made with Northam already reaping the benefits of a number of energy saving and efficiency projects to reduce electricity consumption and therefore the amount of greenhouse gases (GHGs) admitted into the atmosphere (as the bulk of Zondereinde's CO_2 emissions are largely attributable to indirect emissions from electricity purchased from Eskom).

Greenhouse gas emissions (CO_2e tonnes)

	F2011	F2010
Total global Scope 1 emissions (direct emissions)	14 432	16 796
Total global Scope 2 emissions (indirect emissions)	619 947	658 932
Total global Scope 3 emissions (indirect emissions)	1 089	1 388
Total emissions	635 468	677 116

SO_2 emissions

In total, 6 374 tonnes of SO_2 was released into the atmosphere from the Zondereinde smelting facility (F2010: 6 853 tonnes) which translates into an average of 17.5 tonnes per day (F2010: 18.8 tonnes per day). Northam's current permit allows for an average of 32 tonnes per day.

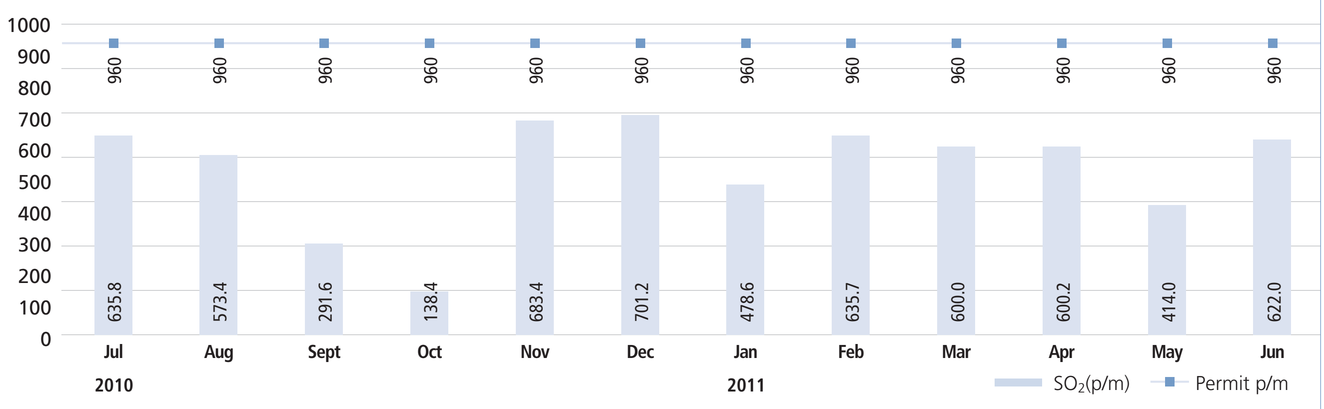
SO_2, also known as Sulphur dioxide is a dangerous air pollutant because of its corrosive properties and is produced by smelting sulphide-rich concentrates at Zondereinde. SO_2 emitted into the atmosphere acts as an aerosol which means that billions of small particles form a layer in the Earth's atmosphere preventing heat from escaping, resulting in the retention of heat and contributing to global warming and climate change. In addition, SO_2 is ultimately converted into dilute sulphurous acid, returning to the Earth's surface in the form of acid rain which contributes to the acidification of lakes and streams, accelerated corrosion of buildings and reduced visibility.

Dust management

During F2011, Zondereinde mine implemented a ground level air pollution concentration model. Dust is monitored on a regular basis and interested and affected parties are encouraged to lodge any complaints relating

ENVIRONMENTAL PERFORMANCE cont.

Monthly SO_2 emissions – Zondereinde



to dust emissions from the tailings dams on an ongoing basis and at the environmental open day hosted by Zondereinde. To date, no complaints have been received.

At Booysendal, monthly dust deposition monitoring conducted during F2010 has provided baseline information on the dust levels in the area before mining had commenced. Northam continues to monitor dust deposition in the areas adjacent to the Booysendal project to determine the level of impact of mining activities on the area and to develop dust mitigation procedures to reduce its impact on the area.

Land management and biodiversity

Northam recognises that it has an important role to play in the custodianship of the land on which its operations are located. By its nature, and the fact that it is long-established, the management of land and the conservation of biodiversity at Zondereinde mine and metallurgical complex is far simpler than at Booysendal.

None of Northam's activities are situated in areas protected by the World Conservation Union, heritage sites or biosphere reserves and no Red Data species have been identified on or adjacent to both mine properties. It is recognised, however, that Booysendal is located in a more remote and pristine environment that needs to be safeguarded for future generations.

Land management at Zondereinde

Zondereinde's landholding is far greater than the actual surface footprint of the complex, with surface freehold covering some 4 439 hectares.

Of the land under management, only 137 hectares (3%) has been disturbed by mining, processing, deposition and related activities, including the mine village. The tailings dam and waste rock dump account for around 281 hectares – or 6.3% of the Zondereinde landholding. Land leased to farmers covers 273 hectares (6%) of the total area, while Northam maintains 800 (18%) hectares for conservation and biodiversity purposes. The balance of the land (73%) remains in its natural state.

Zondereinde's tailings storage facility (TSF) will be rehabilitated as deposition continues to reduce dust levels and for aesthetic reasons with final rehabilitation only occurring after closure.

Land use at Zondereinde (hectares)

Land disturbed by mining and related activities	137
Land leased for farming purposes	273
Land protected for conservation	800
Total land under management (freehold)	**4 439**

Land management at Booysendal

Given that Booysendal is located in a biodiversity-sensitive region – the Der Brochen valley – the company has developed a unique and progressive structure that will see oversight of land under management as a distinct and equal role to that of the management of the mine.

At Booysendal, Northam's mining right covers an area of 15 151 hectares over which the company owns freehold of 7 423 hectares. Of the land under management, around 100 hectares has been disturbed by mining related activities with around 800 hectares of the landholding having been set aside for conservation and biodiversity purposes.

Booysendal is in the process of establishing a trust to be funded during the life of mine for the active promotion of conservation in a proposed offset area.

Booysendal platinum mine and environmental responsibility

Northam Platinum's new Booysendal mine, falls within the Sekhukhune Centre of Plant Endemism (SCPE), an area of some 5 500km^2. Nearly half of the SCPE lies within the province of Mpumalanga.

A centre of endemism has at least 50% of plant species confined to that centre, and is generally considered to include more than 1 000 endemic species. Not only do these centres hold clues to the origin and evolution of the botanical diversity of an area, but these are also areas that, if conserved, would safeguard the greatest number of plant species. Furthermore, these areas also have the potential to include new or cryptic plant or animal species as yet undescribed and undiscovered.

The SCPE has been classified as irreplaceable in the conservation plan of the Mpumalanga Tourism and Parks Agency (MTPA). Furthermore, it has been identified that, within Mpumalanga, the SCPE area is not formally protected within any nature reserve and that more land needs to be incorporated within nature reserves to protect the province's biodiversity.

To further highlight the ecological importance of the area, the majority of the Booysendal mine is in the Roossenekal sub-centre of the SCPE. This sub-centre is described as a 1 000km^2 area that is a unique ecotone or zone between the Highveld and Lowveld of South Africa. The area is characterised by undulating norite (coarse-grained igneous rock) hills. A total of 30 SCPE endemic plants are listed in the Roossenekal sub-centre, with six of these only being present in the sub-centre. Within the sub-centre there are also 32 near endemics.

Little wonder that the great environmental responsibility placed on the shoulders of Northam Platinum should result in the mining company taking far-reaching steps to act as punctilious guardian of this special area.

As a result:

- All environmental work undertaken in the mining area is based on the best scientific information available and a comprehensive biotic survey of the entire area has been undertaken;
- A qualified land manager, has been appointed and is answerable directly to the CEO of Northam;
- Land has been purchased and the creation of an offset area is in progress, with an ecological management plan according to best management practice being devised for it;
- Land management will support the goals of the MTPA. One of the greatest threats to biodiversity within Mpumalanga is the invasion of natural areas by alien vegetation, and its centres of endemism have been identified as areas that should receive priority in clearing programmes. Hence, Northam is undertaking extensive clearing of alien vegetation;
- A trust fund is being established with an initial R10 million and contributions of US$1/oz Pt. The trust will be responsible for creating continuity of funding, managing and expanding the offset areas and funding research and conservation projects.

Biological surveys undertaken at Booysendal have rediscovered a population of the thought to be extinct giant cicada, *Pycna sylvia*. It is good to know that, as a result of Northam's integrity in the area of environmental responsibility, *Pycna sylvia*'s future is secured.

Planning for closure

During the year under review, Northam commissioned a performance assessment for the verification of compliance to the Zondereinde EMP by a third party.

The performance assessment included the verification of compliance to other permits and licences, including its landfill site permit, water permit conditions and its air emissions certificate. Overall findings indicate that the site is managed according to environmental best practice and complies with the commitments made in the initial EMP and the requirements of its water permit, air emissions certificate and associate amendments.

A few minor observations were made which the mine is currently implementing.

At the end of June 2011, Northam's total environmental liability was estimated at R107.3 million (F2010: R65 million). As prescribed by law, the company has a rehabilitation trust fund in place, valued at R29 million at year end.

The Booysendal operation submitted a three-phased rehabilitation plan to the DMR in F2010 following the completing of planning for closure. Furthermore, Northam has lodged a guarantee with the DMR to the value of R66 million to provide funding to cover the cost of the first five years of the project.

PRODUCT RESPONSIBILITY

Management approach

PGMs are used in a wide range of applications which contribute to human health and well-being along with environmental health benefits. Northam is therefore committed to produce a high-quality product in an environmentally responsible and cost-efficient manner.

The company's strategic intent in terms of refining, distributing and selling its product is to maintain its positioning in the global marketplace as a reliable independent and competitive supplier high quality refined PGMs.

Northam has long-standing relationships with its customer base and values mutually beneficial interaction with its customers and endeavours to nurture and maintain its lasting relationships.

Our products

Some of the most well-known applications of PGMs include its use in autocatalysts, which are fitted in the exhaust systems of motor vehicles to reduce the amount of deadly carbon monoxide, hydrocarbons and nitrous fumes in their emissions. Apart from being used in the manufacture of jewellery and electric goods PGMs are also used in various medical and dental applications. The use of the products to enhance and improve quality of life is a widespread practice worldwide. Nonetheless some potential exists, largely in the production process, for some of the processes and intermediate materials, to have an adverse effect on people and/or the environment. Northam and its partners have measures in place to mitigate any harmful consequences arising from processing, refining, marketing, transport and sale of its products.

Metallurgical operations

At Zondereinde mine, Merensky and UG2 ores are processed separately in two concentrator plants, with the concentrate from both blended in slurry form ahead of filtration and drying in preparation for smelting. From the smelter granulated convertor matte is fed to the base metals removal (BMR) plant. In the BMR, nickel and copper metals are removed as crystalline nickel sulphate and copper cathode which are transported directly to local consumers for further beneficiation. Nickel sulphate is labelled as a hazardous material and containers are accompanied by the appropriate safety data sheets for the information of transporters, handlers and customers.

The remaining PGM solutions are filtered and dried to produce a final concentrate, which is weighed and drummed and prepared for shipment to the Heraeus refinery in Hanau, Germany. The final concentrate shipped to Hanau, is not required to be labelled as a hazardous material. At Hanau, the platinum and palladium are partially refined and transported back to Heraeus SA for final refining. The product produced in South Africa is guaranteed to be of London-Zurich 'Good Delivery' status at a minimum purity level of 99.95%, The other PGMs are refined in Hanau. Northam then sells its high purity refined metal including platinum, palladium, rhodium, ruthenium, iridium, gold and silver to contractual customers in the major economic centres of the world, Europe, North America and Japan.

Precious metals refining

Since 1992, in terms of a long-standing partnership, all Zondereinde's PGM concentrate has been toll-refined under contract with Heraeus of Germany. The concentrate is delivered on a weekly basis to the Heraeus refinery in Hanau. Heraeus is a registered member of the London Platinum and Palladium Market (LPPM) and is therefore required to produce metal of London-Zurich 'Good Delivery' status.

More recently, in conjunction with Northam and in order to facilitate downstream beneficiation opportunities, Heraeus and Northam jointly initiated a three-phase refinery construction and expansion programme in Port Elizabeth, South Africa. The first phase of the Heraeus Refinery South Africa (HRSA), commissioned in February 2007, treats all of Zondereinde's platinum and palladium production.

In terms of Northam's precious metals refining arrangements, final PGM concentrate is transported from the Zondereinde metallurgical complex to Johannesburg, from where it is flown on commercial airlines to Hanau, Germany, to the Heraeus refinery.

Although this material is not considered to be harmful in any way, strict guidelines set out by the international aviation authorities regulate the conditions and terms of their transportation. At the same time, the Hanau refinery is subject to strict European Union guidelines.

Platinum and palladium are partially refined in Hanau and then air freighted as intermediate products to the fine metal refinery (FMR) in Port Elizabeth for final refining. Northam then sells the product to its global customers. Rhodium, gold, silver, ruthenium and iridium are toll-refined at Hanau, and returned to Northam's account for international sale and distribution.

The final refined products, which are transported to customers around the world, may take the form of refined metal sponge, ingots and powders. These are packaged and transported in accordance with international standards and each numbered lot of metal to consumers is accompanied by a unique Certificate of Assay as issued by the Heraeus refinery, with material safety data sheets made available to customers and transporters when appropriate.

Our customers

Northam's marketing department maintains regular weekly contact with its domestic and international customers, and hosts customer meetings and visits to customer facilities. Customer representatives make reciprocal visits to Northam's mining and metallurgical operations. Any issues relating to customer satisfaction are directly taken up with the marketing department. To date, Northam has received positive feedback from its customers relating to customer satisfaction.

Due to the nature of Northam's relationships and frequent face-to-face interaction with its customer base, the company does not conduct additional surveys relating to customer satisfaction.

Because the sale of Northam's products is largely conducted on a business to business basis for industrial applications, no definitive codes are followed for the purposes of marketing communications, promotions and sponsorships. As a result, no incidents of non-compliance with regulations or voluntary codes concerning marketing communications, advertising, promotion on sponsorship were reported during F2011.

Health and safety impacts

All health and safety impacts of the final product in the various stages of the life cycle have been assessed and efforts are made on a continual basis to address health and safety issues which relate to final product.

In terms of customer health and safety, there are no material health and safety complications related to the final products produced and marketed by Northam, apart from nickel sulphate which is labelled as a hazardous material and is accompanied by relevant safety and health documentation.

There were no incidents of non-compliance with voluntary codes concerning the health and safety impacts of products and services in F2011.

Product and service information and labelling

There are currently no safety, health or environmental labelling requirements for pure PGM metals. Labelling requirements do exist for the base metal by-products which enter Northam's marketing and sales stream. In particular, strict requirements exist for the transportation and distribution of nickel sulphate ($NiSO_4$). This substance is transported as a hazardous material and is accompanied by the appropriate coding and labelling along with relevant safety data sheets for the information of transporters, handlers and customers.

Northam is a regulated agent, compliant with the South African Civil Aviation Authority's civil aviation regulations which dictate the terms on which the company's products are exported. All containers which hold the company's product during the exportation process from mine to market, are accompanied by the documentation which validates the content of each shipment vessel.

No incidents were reported in respect of non-compliance with regulations and voluntary codes concerning product and service information and labelling.

Customer privacy and confidentiality

Northam respects the privacy of its customers and to this end, confidentiality agreements and non-disclosure undertakings are standard in its customer contracts. No complaints, substantiated or otherwise, regarding breaches of customer privacy and losses of customer data occurred during the year under review.

During F2011, no fines were received in respect of non-compliance in the process of the provision and use of Northam's product.

REPORTING IN LINE WITH THE GRI

Northam has provided an index below of compliance with the Global Reporting Initiative's (GRI) G3.1 reporting guidelines and core performance indicators.

Northam has self-declared a B+ level of reporting and has engaged external auditors ERM to assure certain key parameters and the group's compliance with its stated application level. In addition, GRI has verified that this report fully complies with the G3.1 reporting guidelines and core performance indicators for a B+ level of reporting (see page 51).

G3 Indicator	Description	Page	Level of reporting
Profile			
1.	Strategy and analysis		
1.1	Statement from senior decision maker	9-12	Fully
1.2	Description of key impacts, risks, and opportunities	9-12	Fully
2. Organisational profile			
2.1	Organisation's name	2	Fully
2.2	Major products	2, 5-6	Fully
2.3	Operational structure and major divisions	2	Fully
2.4	Location of headquarters	2	Fully
2.5	Countries of operation	2	Fully
2.6	Nature of ownership	2	Fully
2.7	Markets served including geographic breakdown/sectors served/customers	2, 5-6, 19-22	Fully
2.8	Scale of organisation including number of employees, net sales/revenues, total capitalisation	2, 19-22, Integrated report 16, 28	Fully
2.9	Significant changes during reporting period	2	Fully
2.10	Awards received	18	Fully
3. Report parameters			
3.1	Reporting period	1	Fully
3.2	Date of previous report	1	Fully
3.3	Reporting cycle	1	Fully
3.4	Contact point	1	Fully
Report scope and boundary			
3.5	Process for defining report content	4, 10-14	Fully
3.6	Boundary of the report	1	Fully
3.7	Limitations on the scope or boundary of the report	1	Fully
3.8	Basis for reporting on joint ventures, etc.	1	Fully
3.9	Data measurement techniques and bases of calculations including assumptions	1	Fully
3.10	Restatements of information	1, 7	Fully
3.11	Significant changes from previous reporting periods	2, 19-22	Fully
GRI content index			
3.12	Table identifying the location of the disclosures in the report	44-47	Fully
Assurance			
3.13	Policy and practice for seeking independent assurance for report	48-49	Fully
4. Governance, commitments and engagement			
Management approach		15	Fully
4.1	Governance structure including committees	16-18	Fully
4.2	Indicate whether chair of highest governance body is also an executive officer	17	Fully
4.3	Number and gender of independent directors	16-17	Fully
4.4	Mechanisms for shareholders and employees to provide recommendations/ direction to highest governance body	13-14, 17	Fully
4.5	Linkage between compensation and organisation's performance for members of highest governance body/senior executives	17	Fully
4.6	Process for the board to ensure conflicts of interest are avoided	17	Fully
4.7	Processes for determining qualifications and expertise for guiding strategy	16-17	Fully
4.8	Mission and values statements, codes of conduct, principles relevant to economic, environmental and social performance, and status of implementation	18	Fully
4.9	Procedures of highest governance body for overseeing economic, environmental and social performance including compliance and codes of conduct	15-18	Fully
4.10	Processes for evaluating performance of governance body with respect to economic, environmental and social performance	17	Fully

G3 Indicator	Description	Page	Level of reporting
Commitments to external initiatives			
4.11	Explanation of how precautionary approach/principle is addressed by organisation	35	Fully
4.12	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives	1, 15-17, 21, 26-27	Fully
4.13	Significant memberships in associations and/or advocacy organisations	14	Fully
Stakeholder engagement			
Management approach		13	Fully
4.14	List of stakeholder groups	13-14	Fully
4.15	Basis for identification and selection of stakeholders with whom to engage	13-14	Fully
4.16	Approaches to stakeholder engagement, including frequency and type	13-14	Fully
4.17	Key issues raised through stakeholder engagement and how organisation has responded	13-14	Fully
Economic performance indicators			
Management approach		19	Fully
Economic performance indicators			
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital provider and governments	19-22	Fully
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	19-22	Fully
EC4	Significant financial assistance received from government.	21	Fully
Market presence			
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	22, 34	Fully
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	28-29	Fully
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement.	33-34	Fully
Environmental performance indicators			
Management approach		35	Partially
Materials			
EN1	Materials used by weight or volume	36	Fully
EN2	Percentage of materials used that are recycled input materials.	36-37	Fully
Energy			
EN3	Direct energy consumption by primary energy source	38-39	Fully
EN4	Indirect energy consumption by primary source	38-39	Fully
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	38-39	Fully
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	38-39	Fully
Water			
EN8	Total water withdrawal by source	37-38	Fully
EN9	Water sources significantly affected by withdrawal of water	37-38	Fully
EN10	Percentage and total volume of water recycled and reused	37-38	Fully
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	40-41	Fully
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	40-41	Fully
EN13	Habitats protected or restored	40-41	Fully
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	40-41	Fully
EN15	Number of Red List species with habitats in areas affected by operations	40-41	Fully
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	39	Fully
EN17	Other relevant indirect greenhouse gas emissions by weight	39	Fully
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	39	Fully
EN19	Emissions of ozone-depleting substances by weight	39	Fully
EN21	Total water discharge by quality and destination	40-41	Fully

REPORTING IN LINE WITH THE GRI cont.

G3 Indicator	Description	Page	Level of reporting
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	5-6, 42-43	Fully
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	16, 35	Fully
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	39	Fully
Social performance: Labour practices and decent work performance indicators			
	Management approach	26	Fully
Employment			
LA1	Total workforce by employment type, employment contract and region; broken down by gender	28-30	Fully
LA2	Total number and rate of employee turnover by age group, gender and region	28	Fully
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	27	Fully
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	27	Fully
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	27	Fully
Occupational health and safety			
Management approach		23	Fully
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	23, 27	Fully
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	23-24	Fully
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	24-25	Fully
LA9	Health and safety topics covered in formal agreements with trade unions	23	Fully
Training and education			
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	30-31	Fully
Diversity and opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	16-17 28-30	Fully Fully
Human Rights performance indicators			
Management approach		26	Partially
Non-discrimination			
HR4	Total number of incidents of discrimination and corrective actions taken	27, 29	Fully
Freedom of association and collective bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	27, 29	Fully
Child labour			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	27	Fully
Forced and compulsory labour			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	27	Fully
Society performance indicators			
Management approach		33	Partially
Local communities			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	28-29, 33-34	Fully
SO9	Operations with significant potential or actual negative impacts on local communities	28-29, 33-34	Fully

G3 Indicator	Description	Page	Level of reporting
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	28-29, 33-34	Fully
Public policy			
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	18	Fully
Anti-competitive behaviour			
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes	16	Fully
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	16	Fully
Product responsibility performance indicators			
Management approach		42	Fully
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	43	Fully
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	43	Fully
Products and services			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	42-43	Fully
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	42-43	Fully
Marketing communication			
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	42-43	Fully
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	42-43	Fully
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	42-43	Fully
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	42-43	Fully

Report application level		C	C+	B	B+	A	A+
Standard disclosures: Profile disclosures	OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4 , 4.14 - 4.15	Report externally assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report externally assured	Same as requirement for Level B	Report externally assured
Standard disclosures: Management approach disclosures	OUTPUT	Not required		Management approach disclosures for each indicator category		Management approach disclosed for each indicator category	
Standard disclosures: Performance indicators and sector supplement performance indicators	OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.**		Report on a minimum of 20 performance indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and sector supplement* indicator with due regard to the materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

* *Sector supplement in final version*

** *Performance indicators may be selected from any sector supplement, but 7 of the 10 must be from the original GRI guidelines*

*** *Performance indicators may be selected from any finalised sector supplement, but 14 of the 20 must be from the original GRI guidelines*

MINING CHARTER COMPLIANCE

Description	Compliance	Page no
1. Human resource development		
Has the company offered every employee the opportunity to be functionally literate and numerate by the year 2009 and are employees being trained?	Yes	30
Has the company implemented career paths for HDSA employees including skills development plans?	Yes	30
Has the company developed a system through which empowerment groups can be mentored?	Yes	26, 29-30
2. Employment equity		
Has the company published its employment equity plan and reported on its annual progress in meeting that plan?	Yes	26, 29
Has the company established a plan to achieve a target for HDSA participation in management of 40% within five years and is it implementing the plan?	Yes	29
Has the company identified a talent pool and is this being fast tracked?	Yes	29-30
Has the company established a plan to achieve the target for the participation of women in mining of 10% within five years and is it implementing the plan?	Yes	29-30
3. Migrant labour		
Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?	Yes	28
4. Mine community and rural development		
Has the company co-operated in the formulation of integrated development plans and is the company co-operating with government in the implementation of these plans for communities where mining takes place?	Yes	12-13, 33
5. Housing and living conditions		
For company-provided housing, has the mine, in consultation with stakeholders, established measures for improving the standard of housing, including the upgrading the hostels, conversion of hostels to family units and promoted ownership options for mine employees?	Yes	31-32
For company-provided nutrition, has the mine established measures for improving the nutrition of mine employees?	Yes	31-32
6. Procurement		
Has the mining company given HDSA preferred supplier status?	Yes	21-22, 34
Has the mining company identified current levels of procurement from HDSA companies in terms of capital goods, consumables and service?	Yes	21-22
Has the mining company indicated a commitment to progress of procurement from HDSA companies over a three-year to five-year time frame in terms of capital goods, consumables and service and to what extent has the commitment been implemented?	Yes	22, 34
7. Ownership and joint ventures		
Has the mining company achieved HDSA participation in terms of ownership for equity or attributable units of production of 15% HDSA hands within five years and 26% in 10 years?	Yes	21-22
8. Beneficiation		
Has the mining company identified its current level of benefication?	Yes	21-22
Has the mining company established its baseline level of benefication and indicated the extent that this will have grown in order to qualify for an offset?	Yes	22
9. Reporting		
Has the company reported on annual basis its progress towards achieving its commitments in its annual report	Yes	This report

REPORT FROM THE INDEPENDENT ASSURER

Independent Assurance Report to the management and stakeholders of Northam Platinum Limited

Our brief

Northam Platinum Limited ("Northam Platinum") appointed Environmental Resources Management Limited ("ERM") to provide independent assurance on selected information related to its Sustainable Development Report 2011 and associated web pages ("the Report") for the year ended June 2011 as follows:

A. **Global Reporting Initiative (GRI) G3.1 application:** Northam Platinum's self-declared B+ level of GRI-G3.1 application on page 44;

B. **AA1000 AccountAbility Principles:** Northam Platinum's status of alignment against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness; and

C. **Selected Performance Indicators (KPIs) as follows:**

Environmental Performance

- Materials used (including timber, explosives, oxygen, sulphuric acid, grease, lubricating and hydraulic oils) [page 36];
- Energy used from electricity, diesel, petrol, coal, jet fuel and paraffin [page 3, 7, 35, 38];
- Scope 1 and 2 greenhouse gas (GHG) emissions [page 3, 7, 35, 39];
- Volume of water used and recycled [page 3, 7, 35, 38];
- SO_2 emissions [page 3, 35, 39];
- Area of land under management, disturbed by mining and rehabilitated [page 40]; and
- Closure plans, amount in trust funds and closure liability [page 40, 41, 42].

Health and safety performance

- Fatality injury incidence rate (FIIR) [page 3, 7, 10, 23];
- Lost time injury incidence rate (LTIIR) [page 3, 7, 10, 23, 24];
- Total injury incidence rate (RIIR) [page 7, 10, 23, 24];
- Reportable injury incident rate [page 7, 10, 23, 24];
- Total number of shifts lost [page 3, 23];
- Number of annual medical surveillance examinations [page 25];
- Number of entry medical surveillance examinations [page 25];
- New cases of noise induced hearing loss (NIHL) [page 7, 24, 25];
- Number of Section 54 stoppages [page 3, 9, 19, 23, 24];
- Total number of voluntary counselling and testing (VCT) encounters [page 7, 25]; and
- Total number of people on anti-retroviral treatment (ART) [page 3, 7, 24, 25].

Labour performance

- Total workforce (number of employees and contractors) [page 25, 46];
- Labour turnover [page 3, 7, 26, 28, 46];
- Collective bargaining (number of employees represented per union) [page 27];
- Training and education (budget) [page 31];
- Number of women in mining as a percentage of total workforce [page 3, 26, 30];
- Number of historically disadvantaged South Africans (HDSAs) in management [page 29];
- Corporate social investment/local economic development (CSI/LED) spend [page 7, 34]; and
- Adult basic education and training (ABET) participation and pass rates [page 30, 31].

Our approach

Standards and criteria used

We performed our work in accordance with the AccountAbility AA1000 Assurance Standard (AS) 2008 Type 2 requirements. We used the following assessment criteria when undertaking our work: AA1000 AccountAbility Principles Standard (APS) 2008 and Northam Platinum's Sustainable Development Data Reporting Guidelines.

Level of Assurance and engagement limitations

We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions as to whether the reported information set out in 'Our Brief' was free from material misstatement (moderate assurance as per AA1000 AS 2008).

The evidence gathering procedures for moderate assurance are more restricted than for high assurance and therefore less assurance is obtained with moderate assurance than for high assurance (as per AA1000 AS 2008).

The reliability of the reported information and data is subject to inherent uncertainty, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our work

A multi-disciplinary team of sustainability and assurance specialists with experience in Northam Platinum's industry sector performed work at corporate level and at its operating location. Our assurance activities included:

- Face-to-face interviews to understand and test the processes in place for reporting on the AA1000 Principles and the KPIs, and the underlying data management systems;

REPORT FROM THE INDEPENDENT ASSURER cont.

- Site visits to Northam Platinum's Zondereinde operation, which involved testing, on a sample basis, the measurement, collection, aggregation and reporting processes in place;
- Reporting our assurance findings to management as they arose to provide them with the opportunity to correct them prior to finalisation of our work; and
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

Respective responsibilities and ERM's independence

Northam Platinum is responsible for preparing the report and for the collection and presentation of information within it. ERM's responsibility is to express our assurance conclusions on the agreed brief.

ERM maintains strict policies related to conflict of interest and we have confirmed our independence to Northam Platinum in delivering our assurance engagement.

Our assurance conclusions

Based on the work undertaken as described above, we conclude that in all material respects the following information selected for this assurance engagement is free from material misstatement:

A. Northam Platinum's self-declared B+ level of GRI-G3 application on page 44.

B. Northam Platinum's status of alignment against the AccountAbility 1000 Principles of Inclusivity, Materiality and Responsiveness; and

C. The selected KPIs as presented throughout the Report.

Our key observations and recommendations

Based on our work set out above, and without affecting our conclusions, our key observations and recommendations for improvement are:

In relation to the Inclusivity Principle

As presented within the Report, Northam Platinum engages a wide range of stakeholders at corporate and operational level. Looking forward, we recommend that Northam Platinum continues to develop and document its overarching group stakeholder engagement strategy and policy so that the stakeholder participation process is more robust, balanced and responds to the views and expectations of stakeholders.

In relation to the Materiality Principle

ERM commends Northam Platinum's continuing drive to determine and report on its material issues in a transparent and balanced manner. We recommend that Northam Platinum improve its documenting of clear criteria for determining its material sustainability issues.

In relation to the Responsiveness Principle

ERM recognises that Northam Platinum has been responsive to stakeholders such as employees, media and shareholders. ERM recommends that Northam Platinum improve its documenting and reporting on how it also has responded to other stakeholders, such as communities.

In relation to the selected Performance Indicators

We recommend that Northam Platinum review and update the Sustainable Development Data Reporting Guidelines, in particular with respect to clarifying uncertainties related to the Lost Time Injury (LTI) definition and ensuring consistency in its LTI reporting.

AA1000
Licenced Assurance Provider
000-21

ERM

Environmental Resources Management Limited (ERM)

Johannesburg 11 October 2011

ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past 5 years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.

Our assurance statement provides no assurance on the maintenance and integrity of the website, including controls used to maintain this, and in particular whether any changes may have occurred to the information since it was first published. These matters are the responsibility of Northam Platinum and no control procedures can provide absolute assurance in this area.

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Northam Platinum Limited** has presented its report "Northam Platinum Limited sustainable development report" (2011) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 17 October 2011

B+
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because Northam Platinum Limited has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 3 October 2011. GRI explicitly excludes the statement being applied to any later changes to such material.*

GLOSSARY OF TERMS AND ACRONYMS

ABET	Adult Basic Education and Training, aimed at improving literacy levels and providing learners with nationally recognised qualifications
AIDS	Acquired Immune Deficiency Syndrome, a disease of the immune system caused by HIV infection. HIV & AIDS pose serious challenges for the government and the industry, as South Africa is one the countries worst affected by the Pandemic
ART	Anti-retroviral therapy, treatment of retroviruses especially HIV, usually involving a cocktail of drugs
BEE	Black Economic Empowerment, a socio-economic policy that contributes to the economic transformation of the country and increases the number of HDSAs (historically disadvantaged South Africans) participating in the economy
CDM	The Clean Development Mechanism is an arrangement under the Kyoto Protocol allowing industrialised countries with a GHG reduction commitment to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries
CDP	Carbon Disclosure Project is an independent not-for-profit organisation which acts as an intermediary between shareholders and corporations on all climate change related issues, providing primary climate change data from the world's largest corporations, to the global market place
CSI	Corporate social investment
DMR	Department of Mineral Resources
DoL	Department of Labour, South Africa
DOT	Directly observed treatment
DSM	Demand side management
DTI	Department of Trade and Industry
DWA	Department of Water Affairs, South Africa
EETF	Employee Empowerment Trust Fund
EMP	Environmental Management Plan
EMS	Environmental Management System
ESG	Environmental, social and governance
ETFs	Exchange traded funds
FIIR	Fatal injury incidence rate per 200 000 man hours worked
GHG	Greenhouse gas
GRI	Global Reporting Initiative is a multi-stakeholder governed institution collaborating to provide the global standards in sustainability reporting. These standards set out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance
HDP	Historically disadvantaged persons
HDSAs	Historically disadvantaged South Africans, all persons and groups who have been previously discriminated against on the basis of race, gender and disability. Defined by the MPRDA
HIRA	Hazard Identification and Risk Assessment
HIV	Human Immunodeficiency Virus which causes AIDS by infecting the helper T cells of the immune system. The HIV virus is transmitted through blood or bodily secretions
IDP	Integrated development plans provided for by the Local Government Municipal Systems Act. (NO. 32 of 2000)
ILO	International Labour Organisation
IPA	International Platinum Association
ISO	Published in 1996 by the International Organisation for 14001 Environmental Standardisation, it specifies the actual requirements for an environmental management system (EMS)
JSE	JSE Limited, formerly known as the JSE Securities Exchange South Africa

King III	King III is the abbreviated name for the King Report on Corporate Governance for South Africa published in 2010 in South Africa
KPI	Key performance indicator
LED	Local economic development
LRA	Labour Relations Act 66 of 1995, South Africa
LSE	London Stock Exchange
LTIIR	Lost Time Injury Incidence Rate measured per 200 000 man hours worked
Mining Charter	The Broad-Based Social-Economic Empowerment Charter for the South African Mining Industry. The goal of the charter is to bring about an industry that reflects the promise of a non racial South Africa
MHSA	Mine Health and Safety Act 29 of 1996
MPRDA	Minerals and Petroleum Resources Development Act 28 0f 2002
MQA	Mining Qualifications Authority, a Sector Education Training Authority for the Mining and Minerals Sector. Its mission is to facilitate and promote human resources development in the sector
NGOs	Non-governmental organisations
NIHL	Noise induced hearing loss
NUM	National Union of Mineworkers, the largest collective bargaining agent representing workers in the mining, energy and construction industries in South Africa
PGM	Platinum group metals, including copper, nickel, palladium, rhodium and gold
PPE	Personal protective equipment
OLD	Occupational lung disease
RIIR	Reportable Injury Incidence Rate: injuries resulting in 14 or more days absence from work per 200 000 man hours worked
ROM	Run of mine
SETA	Mining Sector Education Training Authority, South Africa
SLPs	Social and labour plans aimed at promoting employment and advancement of the social and economic welfare of all South Africans whilst ensuring economic growth and socio-economic development. Stipulated in the MPRDA
SRI	Socially responsible investment index of the JSE
STIs	Sexually transmitted infections
TB	Pulmonary tuberculosis
TSF	Tailings storage facility
VCT	Voluntary counselling and testing, a programme aimed at encouraging voluntary HIV testing in order for individuals to know their status
VRT	Virgin rock temperature

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