NORTHAM
PLATINUM LIMITED

REVIEWED PRELIMINARY RESULTS
FOR THE YEAR ENDED 30 JUNE **2014**

CONTENTS

Consolidated statement of profit or loss and other comprehensive income	PAGE 1
Consolidated statement of cash flows	PAGE 3
Consolidated statement of financial position	PAGE 4
Consolidated statement of changes in equity	PAGE 6
Segmental and other segment information	PAGE 7
Fair value disclosures	PAGE 8
Capital and other commitments	PAGE 9
Zondereinde mine – operating and financial statistics	PAGE 10
Booysendal mine – operating and financial statistics	PAGE 11
Commentary on the results	PAGE 12

NORTHAM
PLATINUM LIMITED

KEY FEATURES OF THE YEAR

- Booysendal ramp-up continues
- **R1 billion** successfully raised to strengthen balance sheet
- Smelter recommissioned in October 2013 following rebuild
- Wage deal of **7.5% to 9.5%** reached after Zondereinde strike
- Change in executive leadership

Directors
PL Zim (non-executive chairman), PA Dunne (chief executive officer) (British), AZ Khumalo (chief financial officer), ME Beckett (British), CK Chabedi, JAK Cochrane (British), R Havenstein, Ms TE Kgosi, and AR Martin.

Registered office
Block 1A, Albury Park, Magalieszicht Avenue, Dunkeld West, Johannesburg, 2196
PO Box 412694, Craighall, 2024, South Africa

Company secretary
Ms PB Beale

Transfer secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107, South Africa

Sponsor and debt sponsor
One Capital Advisory Proprietary Limited
17 Fricker Road, Illovo, 2196
PO Box 784573, Sandton, 2146, South Africa

These results are available at the Northam website at www.northam.co.za
(Incorporated in the Republic of South Africa)
(Registration number 1977/003282/06)
Share code: NHM, ISIN: ZAE 000030912, Debt issuer code: NHMI
("Northam" or "the group")

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Change %	Reviewed year ended 30 June 2014 R'000	Audited year ended 30 June 2013 R'000
Sales revenue	20.8	**5 339 397**	**4 420 977**
Cost of sales	38.4	**5 277 915**	**3 813 301**
Operating costs	25.1	3 536 002	2 826 094
Concentrates purchased	39.7	918 605	657 540
Refining and other costs	65.3	267 117	161 591
Depreciation and write-offs	90.0	445 875	234 690
Change in metal inventories		110 316	(66 614)
Operating profit	(89.9)	**61 482**	**607 676**
Share of earnings from associate and joint venture	(74.9)	3 464	13 783
Investment revenue	79.4	59 963	33 434
Finance charges	881.4	(176 124)	(17 946)
Sundry expenditure	(5.4)	(26 724)	(28 254)
Sundry income	40.0	123 735	88 362
Profit before tax	(93.4)	**45 796**	**697 055**
Taxation		26 199	169 054
Profit for the year	(96.3)	**19 597**	**528 001**
Other comprehensive income		**(1 327)**	**(4 145)**
Items that will not be subsequently reclassified to profit and loss		**418**	**–**
Share of associate's remeasurements of post-employment benefit obligations		418	–
Items that may be subsequently reclassified to profit or loss		**(1 745)**	**(4 145)**
Share of associate's exchange differences on translating foreign operations		(1 738)	(4 105)
Share of associate's fair value adjustment on available-for-sale financial assets		(7)	(40)
Total comprehensive income for the year		**18 270**	**523 856**
Profit attributable to:			
Owners of the parent		9 486	504 907
Non-controlling interests		10 111	23 094
Profit for the year		**19 597**	**528 001**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME CONTINUED

	Change %	Reviewed year ended 30 June 2014 R'000	Audited year ended 30 June 2013 R'000
Total comprehensive income attributable to:			
Owners of the parent		8 159	500 762
Non-controlling interests		10 111	23 094
Total comprehensive income for the year		**18 270**	**523 856**
Reconciliation of headline earnings and per share information			
Profit attributable to shareholders		9 486	504 907
Loss/(profit) on sale of property, plant and equipment		1 118	(1 769)
Profit on sale of associate's property, plant and equipment		(2 347)	(2 102)
Profit on sale of associate's listed investment		–	(16)
Property, plant and equipment written-off		–	33 000
Insurance claim		–	(4 318)
Tax effect on above		344	(7 520)
Headline earnings	(98.4)	**8 601**	**522 182**
Earnings per share – cents	(98.2)	2.4	132.0
Fully diluted earnings per share – cents	(98.2)	2.4	132.0
Headline earnings per share – cents	(98.4)	2.2	136.5
Fully diluted headline earnings per share – cents	(98.4)	2.2	136.5
Dividends per share – cents	–	–	–
Weighted average number of shares in issue		390 969 652	382 560 902
Fully diluted number of shares in issue		390 969 652	382 560 902
Number of shares in issue		397 586 090	382 586 090

CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 30 June 2014 R'000	Audited 30 June 2013 R'000
Cash flows from operating activites	**885 490**	**524 200**
Profit before taxation	45 796	697 055
Depreciation and write-offs	445 875	234 690
Change in working capital	270 562	(281 104)
Change in short-term provisions	14 285	8 204
Share-based payment expense	61 228	(2 290)
Taxation paid	(131 392)	(139 303)
Interest paid	176 124	123 703
Other	3 012	(116 755)
Cash flows utilised in investing activities	**(766 056)**	**(1 703 238)**
Property, plant, equipment and mining properties and mineral reserves		
Additions to maintain operations	(358 200)	(363 914)
Additions to expand operations	(539 645)	(1 383 200)
Proceeds from sale of development ounces	137 687	–
Disposal proceeds	3 398	4 497
Investment in associate – cash distributed	69	16 740
Land and township development		
Additions	(2 825)	(17 683)
Disposals proceeds	8 174	45 979
Increase in investments held by Northam Platinum Restoration Trust Fund	(5 521)	(5 259)
Increase in Environmental Guarantee Investment	(8 617)	(6 687)
Increase in Buttonshope Conservancy Trust	(576)	(351)
Acquisition of subsidiary net of cash acquired	–	6 416
Dividends received	–	224
Cash flows generated from financing activities	**248 042**	**1 372 638**
Proceeds from issue of shares	579 033	2 007
Acquisition of non-controlling interest	(10 000)	–
Finance charges	(176 124)	(123 703)
Dividends paid	(11 066)	(21 747)
(Decrease)/increase in long-term loans	(3 801)	16 081
Revolving credit facilities (repaid)/drawn-down	(250 000)	250 000
Domestic medium-term notes issued	120 000	1 250 000
Increase in cash and cash equivalents	**367 476**	**193 600**
Cash and cash equivalents at beginning of the year	298 580	104 980
Cash and cash equivalents at end of the year	**666 056**	**298 580**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 30 June 2014 R'000	Audited 30 June 2013 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	6 287 062	6 222 226
Mining properties and mineral resources	5 653 328	5 708 825
Interest in associates and joint venture	496 509	495 498
Unlisted investment	6	6
Land and township development	10 204	15 553
Long-term receivables	94 047	87 400
Investments held by Northam Platinum Restoration Trust Fund	46 468	40 948
Environmental Guarantee Investment	51 024	42 407
Buttonshope Conservancy Trust	10 702	10 126
Deferred tax asset	96 074	–
	12 745 424	12 622 989
Current assets	1 995 572	1 734 675
Inventories	1 076 853	878 530
Trade and other receivables	244 672	547 920
Cash and cash equivalents	666 174	298 580
Tax receivable	7 873	9 645
Total assets	14 740 996	14 357 664

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

	Reviewed 30 June 2014 R'000	Audited 30 June 2013 R'000
EQUITY AND LIABILITIES		
Equity		
Stated capital/Share capital and share premium	9 178 688	8 599 655
Retained earnings	2 223 135	2 220 477
Other comprehensive income from associate	(15 340)	(14 013)
Equity attributable to owners of the parent	11 386 483	10 806 119
Non-controlling interests	5 389	9 516
Total equity	11 391 872	10 815 635
Non-current liabilities	2 157 462	1 997 826
Deferred tax liability	502 097	476 053
Long-term provisions	142 709	133 267
Long-term loans	43 763	47 564
Long-term share-based payment liability	98 893	90 942
Domestic medium term notes	1 370 000	1 250 000
Current liabilities	1 191 662	1 544 203
Current portion of long-term loans	3 801	3 801
Short-term share-based payment liability	69 942	16 665
Revolving credit facilities	–	250 000
Bank overdraft	118	–
Tax payable	121 481	156 963
Trade and other payables	877 365	1 012 104
Short-term provisions	118 955	104 670
Total equity and liabilities	14 740 996	14 357 664
Net asset value – cents per share	2 865	2 824

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Stated capital R'000	Equity compen-sation reserve R'000	Retained earnings R'000	Other compre-hensive income from associate R'000	Non-control-ling interests R'000	Total equity R'000
Balance at 1 July 2012	3 825	8 593 823	–	202 634	1 622 833	(9 868)	–	10 413 247
Share based payment expense	–	–	–	13 807	–	–	–	13 807
Transfer of equity compensation reserve to share-based payment liability	–	–	–	(123 704)	–	–	–	(123 704)
Transfer of equity compensation reserve to retained earnings	–	–	–	(92 737)	92 737	–	–	–
Non-controlling interest arising on a business combination	–	–	–	–	–	–	8 169	8 169
Total comprehensive income for the year	–	–	–	–	504 907	(4 145)	23 094	523 856
Profit for the year	–	–	–	–	504 907	–	23 094	528 001
Other comprehensive income for the year	–	–	–	–	–	(4 145)	–	(4 145)
Dividends declared #	–	–	–	–	–	–	(21 747)	(21 747)
Issue of new shares	1	2 006	–	–	–	–	–	2 007
Transfer of share capital and share premium to stated capital	(3 826)	(8 595 829)	8 599 655	–	–	–	–	–
Balance at 1 July 2013	–	–	8 599 655	–	2 220 477	(14 013)	9 516	10 815 635
Acquisition of non-controlling interest	–	–	–	–	(6 828)	–	(3 172)	(10 000)
Total comprehensive income for the year	–	–	–	–	9 486	(1 327)	10 111	18 270
Profit for the year	–	–	–	–	9 486	–	10 111	19 597
Other comprehensive income for the year	–	–	–	–	–	(1 327)	–	(1 327)
Dividends declared #	–	–	–	–	–	–	(11 066)	(11 066)
Issue of new shares	–	–	579 033	–	–	–	–	579 033
Balance at 30 June 2014	–	–	9 178 688	–	2 223 135	(15 340)	5 389	11 391 872

Non-controlling interest's portion of dividends declared by entities within the Northam group.

SEGMENTAL INFORMATION

	Total sales revenue		Operating contribution	
	Reviewed 30 June 2014 R'000	Audited 30 June 2013 R'000	Reviewed 30 June 2014 R'000	Audited 30 June 2013 R'000
Zondereinde operations*	4 383 194	4 420 977	189 878	607 676
Booysendal operations	956 203	–	(128 396)	–
Total	**5 339 397**	**4 420 977**	**61 482**	**607 676**

Revenue relates to external customers of the group's metal production.

* Including purchased metals

	Segment assets		Segment liabilities	
	Reviewed 30 June 2014 R'000	Audited 30 June 2013 R'000	Reviewed 30 June 2014 R'000	Audited 30 June 2013 R'000
Zondereinde operations	4 652 033	4 439 112	3 275 718	3 369 067
Booysendal operations	10 088 963	9 918 552	73 406	172 962
Total	**14 740 996**	**14 357 664**	**3 349 124**	**3 542 029**

OTHER SEGMENT INFORMATION

	Capital expenditure	
	Reviewed 30 June 2014 R'000	Audited 30 June 2013 R'000
Zondereinde operations	361 025	381 597
Booysendal operations	539 645	1 383 200
Total	900 670	1 764 797

FAIR VALUE DISCLOSURES

The following is an analysis of the financial instruments that are measured subsequent to initial recognition at fair value. They are grouped into levels 1 to 3 based on the extent to which the fair value is observable.

The levels are classified as follows:
Level 1: fair value is based on quoted prices in active markets for identical financial assets or liabilities.
Level 2: fair value is determined using directly observable inputs other than Level 1 inputs.
Level 3: fair value is determined on inputs not based on observable market data.

Description	Reviewed 30 June 2014 R'000	Fair value measurement at 30 June 2014 Level 1 R'000	Level 2 R'000	Level 3 R'000
Financial assets through profit and loss				
Investments held by Northam Platinum Restoration Trust Fund	46 468	–	46 468	–
Environmental Guarantee Investment	51 024	–	51 024	–
Buttonshope Conservancy Trust	10 702	–	10 702	–

There were no transfers between levels during the year.

Valuation techniques used to derive level 2 fair values

The estimated net fair values of financial instruments through profit and loss have been determined using available market information and appropriate valuation methodologies. This value is not necessarily indicative of the amounts that the group could realise in the normal course of business. The significant inputs include market interest rates of between 5 and 8% and have been determined using a discounted cash flow valuation technique.

CAPITAL COMMITMENTS

	Reviewed 30 June 2014 R'000	Audited 30 June 2013 R'000
Booysendal mine		
Authorised but not contracted	338 204	54 801
Contracted	145 186	477 281
Total	483 390	532 082
Zondereinde mine		
Authorised but not contracted	172 316	223 071
Contracted	154 060	127 085
Total	326 376	350 156

OTHER COMMITMENTS

Information Technology – outsource service provider		
Due within one year	10 293	9 710
Due within two to five years	21 460	31 753
Operating lease rentals – office equipment		
Due within one year	1 947	1 117
Due within two to five years	1 004	915
Operating lease rentals – premises		
Due within one year	4 585	3 116
Due within two to five years	13 588	11 098
More than five years	5 959	11 900
Employee housing development		
Authorised	4 800	4 000
Bank guarantees issued	78 736	73 210

These commitments will be funded from a combination of internal retentions and debt.

ZONDEREINDE MINE – OPERATING AND FINANCIAL STATISTICS

		Change %	30 June 2014	30 June 2013
Operating statistics*				
Merensky				
Development metres		(2.3)	6 454	6 604
Square metres mined		(12.5)	152 479	174 349
Tonnes milled		(16.1)	803 736	958 211
Head grade – g/ton (3PGEs + Au)		–	5.8	5.8
Available ore reserves – months			20	20
UG2				
Development metres		(22.9)	1 230	1 596
Square metres mined		(14.0)	149 400	173 635
Tonnes milled		(20.5)	920 420	1 157 501
Head grade – g/ton (3PGEs + Au)		2.4	4.3	4.2
Available ore reserves – months			24	24
Combined				
Development metres		(6.3)	7 684	8 200
Square metres mined		(13.3)	301 879	347 984
Tonnes milled		(18.5)	1 724 156	2 115 712
Head grade – g/ton (3PGEs + Au)		2.0	5.0	4.9
Financial statistics*				
Precious metals in concentrates produced	kg	(18.9)	7 331	9 041
Precious metals in concentrates purchased	kg	20.9	1 975	1 633
Precious metals sold	kg	(8.2)	9 827	10 704
Average price realised	R/kg	9.6	400 381	365 217
Operating costs	R/kg	20.9	395 629	327 331#
Cash costs	R/kg	18.8	358 891	302 048#
Precious metals in concentrates produced	oz	(18.9)	235 693	290 675
Precious metals in concentrates purchased	oz	20.9	63 488	52 502
Precious metals sold	oz	(8.2)	315 941	344 128
Average price realised	US$/oz	(6.1)	1 198	1 276
Operating costs	US$/oz	3.0	1 189	1 154#
Cash costs	US$/oz	1.2	1 078	1 065#
Average exchange rate realised	US$1.00 = R	17.4	10.35	8.82
Operating costs per tonne milled	R/tonne	19.0	1 682	1 414#
Cash costs per tonne milled	R/tonne	18.2	1 526	1 291#

* Not audited or reviewed

\# Restated

BOOYSENDAL MINE – OPERATING AND FINANCIAL STATISTICS

		Change %	30 June 2014	30 June 2013
Operating statistics*				
UG2				
Tonnes mined		–	1 233 089	–
Tonnes milled		–	1 517 109	–
Head grade – g/ton (3PGEs + Au)		–	2.6	–
Financial statistics*				
Precious metals in concentrates produced	kg	–	2 882	–
Precious metals sold	kg	–	2 503	–
Average price realised	R/kg	–	398 710	–
Operating costs	R/kg	–	361 902	–
Cash costs	R/kg	–	277 308	–
Precious metals in concentrates produced	oz	–	92 668	–
Precious metals sold	oz	–	80 476	–
Average price realised	US$/oz	–	1 186	–
Operating costs	US$/oz	–	1 087	–
Cash costs	US$/oz	–	833	–
Average exchange rate realised	US$1.00 = R	–	10.35	–
Operating costs per tonne milled	R/tonne	–	688	–
Cash costs per tonne milled	R/tonne	–	527	–

* Not audited or reviewed

COMMENTARY ON THE RESULTS

My first review to shareholders and stakeholders comes after having had a fair period to establish that this company, its people and its assets, are in good shape. On behalf of the board, I must extend the most sincere thanks to my predecessor; Glyn Lewis's contribution to this company, its shareholders and stakeholders is immense. The construction and successful commissioning of Booysendal, the company's second PGM mine on the eastern limb now in full ramp-up stage, has completely transformed Northam, adding to its production profile on the one hand, reducing the company's operational risk on the other and enhancing its optionality.

F2014 AND THE OPERATING ENVIRONMENT

The last two years have been challenging for the industry in many respects. The six-week strike at Zondereinde, from 3 November 2013 to 21 January 2014, could be regarded as a harbinger of what was to follow in the rest of the industry. At the operations we need to be alive to the potential for inter-union conflict. I have, to date, been encouraged by management's approach – which is to increase and intensify the engagement process with the unions and to deal with any issues which could be amplified, taken out of context, and used as a rationale for industrial action. I am also confident that the unions will respect the two-year wage agreement we reached earlier this calendar year. This agreement, which is applicable from 1 July 2013, will remain in place until June 2015. Negotiations for F2016 are expected to begin in April 2015. Any further industrial action in the near to medium term will have a severely damaging impact on the company, on the PGM sector as a whole, and will further harm South Africa's rankings as an investment destination.

Our adherence to Mining Charter requirements are being scrutinised internally and externally – and we have flagged areas which need an accelerated and intensified approach. Our housing and accommodation strategy has successfully resulted in the sale of 359 housing units to new home owners at Mojuteng near Zondereinde. An additional 29 stands are being prepared for housing construction for the benefit of employees. We have also converted from the current hostel accommodation and built 1 640 employee single units (including units for contractors). In spite of these successes, we are conscious that the Mining Charter targets are beyond our reach for this year. The accommodation and home ownership strategy is one that is currently being reviewed and accelerated.

PERFORMANCE 2014

Financial performance

Taking into account the current operating environment, Northam's results for F2014 were predictably lower compared to F2013. Despite lower production from the Zondereinde mine, sales volumes were supplemented by a contribution from the Booysendal mine for the first time and also from a release of inventory which had built up during the smelter rebuild at the beginning of the financial year resulting in sales for the group of 12 330kg (3PGE+Au) or 396 417oz.

The higher sales volumes, combined with the effects of the much weaker ZAR/USD exchange rate year on year (F2014: R10.35/US$; F2013: R8.82/US$) contributed to sales revenues of R5.3 billion for the group.

Platinum group metal sales from Zondereinde mine fell by 8.2% to 9 872kg (F2013: 10 704kg), while Booysendal contributed towards metal sales for the first time with a total of 2 503kg.

The average basket price for Zondereinde mine's metals released was 9.6% higher in F2014 at R400 381/kg (F2013: R365 217/kg), while Booysendal mine's platinum group metal sales achieved an average price of R398 710/kg. The improvement in the basket prices is attributable to the weakening of the rand rather than an improvement in the average US dollar prices of platinum group metals, which were 6.1% lower for the group at US$1 198/oz (3PGE+Au) (F2013: US$1 276/oz).

The 38.4% increase in group cost of sales to R5.3 billion (F2013: R3.8 billion) is as a result of a combination of increases in operating costs, purchased concentrates, refining and related costs and amortisation. Operating costs increased by 25.1% to R3.5 billion (F2013: R2.8 billion), owing to Booysendal mine's contribution to group costs, whilst concentrate purchased rose by 39.7% to R918.6 million (F2013: R657.5 million), on the back of increased volumes of purchased concentrates from a third party during the strike period. At Zondereinde mine the quantity of concentrates purchased increased by 20.9% to R1 975kg (F2013: R1 633kg).

Refining and related costs rose significantly by 65.3% to R267.1 million (F2013: R161.6 million) owing to increased volumes emanating from Booysendal mine as well as toll treatment charges incurred during the period during which the Zondereinde smelting complex was being rebuilt following the smelter run-out in May 2013. As the new Booysendal mine is now operational, the substantial 90.0% increase in amortisation charges to R445.9 million (F2013: R234.7 million) results from first time amortisation charges on Booysendal mine's property, plant and equipment as well as mining properties and mineral resources. Cost of sales in F2014 also incorporates a 21.2% increase in metal inventories during the year. This change in metal inventories amounts to an increase of R110.3 million (F2013: R66.6 million decrease in inventories).

The operating profit of the group fell by 89.9% to R61.5 million (F2013: R607.7 million) mainly as a result of high increases in the components making up the cost of sales. Consequently, the operating margin fell to 1.2% compared to 13.8% in F2013. Investment revenues were 79.4% higher, at R60.0 million on the back of higher average cash balances resulting from the group's fund raising activities in F2014 and lower capital expenditure as the construction of Booysendal mine nears an end. Finance charges increased significantly to R176.1 million (F2013: R17.9 million) as the group utilised the domestic medium term note financing facilities and the revolving credit facilities more actively during F2014 relative to F2013 and also because finance charges relating to the Booysendal development were capitalised as borrowing costs during F2013. Sundry income was 40.0% higher at R123.7 million owing to increased foreign exchange gains resulting from the weakening rand against the US dollar during F2014.

The group net taxation charge of R26.2 million (F2013: R169.1 million) was lower owing to the decline in profit before tax achieved in F2014. A lower total comprehensive income of R18.3 million has been incurred in the current year, compared to R523.9 million in F2013, largely as a consequence of the strike at Zondereinde mine which resulted in lower revenues, as well as costs associated with the new Booysendal mine which is still ramping up, achieving approximately 50% of steady state production as at 30 June 2014.

Cash flows from operating activities improved by 68.9% to R885.5 million (F2013: R524.2 million) owing to higher sales revenues achieved by the group in F2014 and lower working capital requirements.

Cash flows utilised in investing activities decreased significantly from R1.7 billion in F2013 to R766.1 million in F2014, on the back of a significant decline in capital expenditure at Booysendal mine which is now fully commissioned. Revenue relating to the sale of development ounces of R137.7 million were offset against these cash outflows in F2014, consequently further reducing cash flows utilised in investing activities.

Cash flows generated from financing activities also fell significantly by 81.9% to R248.0 million (F2013: R1.4 billion) mainly as a result of the relatively lower quantum of finance raised in F2014, being net proceeds from the issue of shares of R579.0 million and also the R120 million raised from the domestic medium term notes programme, compared to the R1.25 billion raised in F2013.

Financing arrangements

The group successfully raised a total of R1 billion in additional cash and financing facilities through a R600 million claw back rights offer underwritten by Coronation Asset Management Proprietary Limited, and a R400 million additional RCF from Nedbank Limited, which is only available until March 2015. R120 million was also raised through a tap issue on the domestic medium term notes programme during the year. Certain covenant conditions have been relaxed until December 2014.

Zondereinde mine – safety

There were no fatalities during the year under review. The total number of injuries recorded was lower year on year primarily as a result of substantially fewer shifts worked owing to industrial action. After the conclusion of the strike, safety personnel, in consultation with other service departments, assisted mining crews to ensure that workplaces which had not been operational for the duration of the strike were subjected to thorough risk assessments. Risks were duly scrutinised and recorded, and remedial action plans were prioritised and executed.

The 'making safe' of workplaces was the most urgent priority at the start-up of operations after 21 January 2014. Safety officers intensified on-the-job training activities and management carried out due diligence in declaring working areas safe.

Injury rates for the year, however, regressed slightly. Management and employees continue to work together and considerable efforts have been made to reduce the quantum and severity of injuries on the mine.

The lost time injury incidence rate (LTIIR) for the year was 1.70 per 200 000 hours worked (F2013: 1.50). The reportable injury incidence rate (RIIR) was 0.86 per 200 000 hours worked (F2013: 0.83).

Zondereinde mine – operating performance

Zondereinde mine's operating performance was adversely impacted by the 11 week strike, which began on 3 November 2013 and ended on 21 January 2014, resulting in the combined tonnes milled declining by 18.5% to 1 724 156 tonnes (F2013: 2 115 712 tonnes). Merensky reef tonnes milled were 803 736 tonnes (F2013: 958 211 tonnes) at a head grade of 5.8g/t (3PGE+Au) and the UG2 reef contributed 920 420 tonnes (F2013: 1 157 501 tonnes) at a head grade of 4.3g/t (3PGE+Au). This resulted in a combined head grade of 5.0g/t. The available ore reserves of the Merensky and UG2 reefs are estimated at 20 months and 24 months respectively.

Total operating costs were R2.7 billion compared to R2.8 billion in F2013, a 2.5% decrease. Metals in concentrate production fell by 18.9% to 7 331kg (F2013: 9 041kg), while purchased metals in concentrate increased by 20.9% to 1 975kg (F2013: 1 633kg).

The lower production volumes had a negative impact on costs with unit operating and cash costs attributable to mining and processing Merensky and UG2 ore increasing by 19.0% to R1 682 per tonne (F2013: R1 414 per tonne) and by 18.2% to R1 526 per tonne (F2013: R1 291 per tonne) respectively.

The smelter rebuild was completed at the end of September as planned, and successfully recommissioned thereafter at a cost of R54.0 million. The facility is operating normally. Progress on ore reserve development in the north west quadrant of the mine and the deepening project was curtailed during the strike. Following a slow restart, these activities are progressing satisfactorily.

Zondereinde mine – capital expenditure

Total capital expenditure in F2014 was R351.5 million (F2013: R363.9 million). This included R54.0 million for the smelter rebuild. Capital expenditure is estimated to be R331.2 million in F2015.

Booysendal mine – safety

As a relatively shallow and mechanised mine, it was anticipated that Booysendal should have lower injury rates compared to conventional deep mines, and this has proved true during F2014. The LTIIR for the year was 0.27 per 200 000 hours worked (F2013: 0.53). The RIIR was 0.21 per 200 000 hours worked (F2013: 0.33). There were no safety-related work stoppages during the year.

Booysendal mine – operating performance

The mine continues to ramp up to full production. Only UG2 ore is produced at Booysendal and 1 517 109 tonnes were milled in F2014 at a head grade of 2.6g/t (3PGE+Au), producing 2 882kg of metals in concentrate.

The mine's operating cash costs were R688 and R527 per tonne milled respectively. This is not a realistic reflection of the performance of Booysendal as the current year's unit costs were lower owing to the processing of the pre-production stockpile. More realistic unit costs are expected as the mine ramps up to steady state production, which is expected by October 2015.

Booysendal mine – capital expenditure

Capital expenditure in F2014 was R539.6 million (F2013: R1.4 billion), with the significant decrease owing to the near-completion of the construction of the mine which began production on 1 July 2013. Forecast capital expenditure in F2015 is expected to be R483.4 million of which R78.4 million will be allocated to routine capital, and of the R405 million project capital, R50 million is to be spent on a project to investigate the feasibility of mining Merensky ore at Booysendal.

The total capital expenditure for the development of Booysendal mine since inception is expected to be R4.9 billion by the end of F2015. The original capital budget for Booysendal was R3.9 billion in June 2010 terms.

BLACK ECONOMIC EMPOWERMENT

The equity shortfall in Northam's empowerment status has been a matter of concern for a considerable period. To this end we have continued to progress our proposed empowerment transaction, balancing the needs of our current shareholders with the Department of Mineral Resources requirements to bolster Northam's empowerment status. A successful conclusion of the proposed transaction will enable Northam to pursue its strategic ambitions.

STRATEGIC REGENERATION FOR FUTURE SUSTAINABILITY

One of the major features of the current economic environment, and of the PGM markets in particular, is the failure of the markets to react to the supply shortfalls occasioned by the strike in South Africa, giving rise to the postulation that above-ground stocks have comfortably satisfied demand since the 2008 financial crisis. The research we have available to us suggests that we are unlikely to see a more marked and sustained recovery in the platinum price until 2018 and beyond, when significant deficits in platinum supply will start manifesting. For us at Northam now the challenge is to position the company favourably in order to draw substantial benefit from a turn in market conditions, which for platinum is anticipated to turn in 2018, while we are already seeing some movement in palladium and rhodium prices.

COMMENTARY ON THE RESULTS CONTINUED

The labour relations climate in the sector, and indeed the country, remains fraught, and we are already seeing the early signs of industry restructuring. With these opportunities in the offing we have to ensure that we are optimally positioned and strategically fit to act purposefully and swiftly. I have referred previously to the imperative for the restoration of our empowerment status, the acceleration of a number of Mining Charter initiatives including the housing and accommodation strategy, and the perceived lack of a social wage, all of which remain critical elements of our licence to operate in the future.

In anticipation of any opportunities arising, we have embarked on a strategic review of the business – an exercise with clear terms of reference and limited life span. This process is being managed by a small and lean, but extremely proficient internal team, supplemented by an external consultancy with specialist industry knowledge. Our approach is two-pronged, but runs in parallel lines, with an internal operational focus, and a broader external business strategy.

Operational optimisation

Given the considerable infrastructural footprint at Zondereinde, our focus there will be on increasing the current 15 year life of mine through prioritising the deepening project, further exploitation of the UG2 orebody and improving the process plant to deal with a higher UG2 ratio, while also improving the Zondereinde operation's position on the cost curve.

At Booysendal we need to keep our focus on the ramp-up, with full production scheduled for October 2015, along with improving the metallurgical recoveries to 85%; also, given the size of the Booysendal resource we need to evaluate the opportunities it poses for growth. In terms of processing and refining, Northam's strategic advantage has perhaps not always been fully recognised and we will be exploring its capacity and capability in order to further reduce any risks.

Strategic objectives

In terms of the strategic review we have put in place, we will look towards capitalising on any restructuring in the sector, and have put together a four-stage framework which will take account of contiguous, non-contiguous and global expansion opportunities in pursuit of reaching an aspirational target of 1 million ounces (3PGE+Au) by 2020. The process entails a thorough sifting of PGM opportunities in order to come up with a priority list of expansion possibilities, both domestically and globally, and to recalibrate the business based on the presumption of much higher metal prices by 2018.

Phase One and Two: Entails the identification of development aspects within the life-of-mine plan; evaluating the company's projected capacity to finance expansion projects; and the economic evaluation of various expansion opportunities in close contiguity to the Zondereinde and Booysendal operations.

Phase Three and Four: In parallel, other non-contiguous and global expansion opportunities within the PGM sector will be assessed for growth. These targets are being identified by way of a unique set of weighted qualitative criteria to suit our strategic objectives.

PROSPECTS*

Social and economic uncertainty is likely to continue to influence the fortunes of the platinum industry in the near future. Barring any disruptions to Northam's operations in F2015 and F2016 Zondereinde mine is expected to continue in steady state production. The Booysendal mine is anticipated to reach steady state production by October 2015. The stable financial performance of the group therefore is largely dependent on improved industrial relations, improved demand for platinum group metals in the global economy, (which could result in higher US dollar metal prices) achieving production targets and benign cost inflation. A weakening R/US dollar exchange rate as well as above average increases in administered prices such as Eskom's power tariffs pose a risk to cost inflation.

** Information in this paragraph has not been reviewed by the group's auditors*

PA Dunne
Chief executive officer

AUDITOR'S REVIEW

The financial results of the group have been reviewed under the supervision of Mr M Herbst CA (SA), registered auditor of Ernst & Young Inc., the group's auditors. A copy of their unmodified review report is available for inspection at Northam's registered office.

Accounting Policies – basis of preparation

The financial statements have been prepared on the historical cost basis, except for financial instruments that are stated at fair value. These group preliminary financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, presentation and disclosure as required by IAS 34 – Interim Financial Reporting, the JSE Listing Requirements and the requirements of the Companies Act of South Africa, with the exception of the adoption of the following amendments, standards or interpretations with effect from 1 July 2013:

Standard	Subject
IFRS 1	First time adoption of International Financial Reporting Standards – Government Loans (Amendment)
IFRS 1	First time adoption of International Financial Reporting Standards – Application of IFRS 1 for previous IFRS reporters (Annual Improvements Project 2012)
IFRS 1	First time adoption of International Financial Reporting Standards – Borrowing costs capitalised under previous GAAP (Annual Improvements Project 2012)
IFRS 10	Consolidated Financial Statements
IFRS 10	Consolidated Financial Statements – Transition guidance amendments (Amendment)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 11 and 12	Joint Arrangements and Disclosure of Interests in Other Entities – Transition guidance amendments (Amendment)
IFRS 13	Fair Value Measurement
IAS 16	Property, Plant and Equipment – Classification of servicing equipment (Annual Improvements Project 2012)
IAS 19	Employee Benefits (Revised)
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011)
IAS 28	Investments in Associates and Joint Ventures (Amendment)
IAS 32	Financial Instruments: Presentation – Tax effect of distributions (Annual Improvements Project 2012)
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)
IAS 34	Interim Financial Reporting – Interim Financial Reporting and segment information for total assets and liabilities (Annual Improvements Project 2012)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of these amendments resulted in changes only in the way in which the group preliminary financial statements are presented, as well as additional disclosures in the annual financial statements. They did not impact any amounts disclosed in the preliminary consolidated statement of comprehensive income or preliminary consolidated statement of financial position.

COMMENTARY ON THE RESULTS CONTINUED

RELATED PARTIES

The group enters into various sale, purchase and lease transactions in the ordinary course of business with a large number of entities, some of whom are related parties. All transactions covered in these results are concluded on an arm's length basis.

GOING CONCERN

Mining operations have a limited life by nature and their operations are dependent on, amongst other things, geological, technical as well as economic factors such as demand volumes, commodity prices and exchange rates. The outlook for the global economy remains uncertain and the labour relations, especially in the mining and related sectors in South Africa are fragile. Although there are signs that the United States is emerging out of recession and the Eurozone economy has bottomed out, the Chinese economic performance is still uncertain.

The volatile rate of exchange of the South African rand against the US dollar has weakened significantly recently. In addition average PGM prices in US dollar terms seem to have bottomed out.

Management believes however that, assuming uninterrupted production and the availability of operational cash flows and borrowing facilities, the group remains a going concern.

PREPARATION

These reviewed preliminary results have been prepared under the supervision of the chief financial officer, Mr AZ Khumalo CA (SA). The preliminary results of the group will be published on Northam's website on Thursday, 14 August 2014.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events subsequent to 30 June 2014 which require adjustment or additional disclosure to these interim financial annual results.

DIRECTORS

Ms NJ Dlamini (Dr) resigned as an independent non-executive director on 30 September 2013.

Mr PA Dunne was appointed a director and chief executive officer on 1 March 2014 in place of Mr GT Lewis who resigned as a director and chief executive officer on the same day.

Mr JAK Cochrane's status changed from a non-executive director to that of an independent non-executive director.

DIVIDEND

Owing to the continued uncertainty prevailing in the mining industry and the continuing cash requirements at the Booysendal mine for the ramp up, the board has resolved not to declare a dividend for F2014 (F2013: nil cents per share).

ON BEHALF OF THE BOARD

PL Zim
Chairman

PA Dunne
Chief executive officer

Johannesburg
12 August 2014

NOTES

NOTES

NOTES

NORTHAM

PLATINUM LIMITED

www.northam.co.za