

DIRECTORS' REPORT

The directors have pleasure in presenting the annual financial statements of Northam Platinum Limited and the group for the year ended 30 June 2018. In the context of the financial statements, the term group refers to the company, its subsidiaries, associates and joint ventures.

Financial results

The company and group financial results are included in this report. These annual financial statements have been prepared using appropriate accounting policies, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act 71 of 2008 (the Companies Act) and the JSE Limited (JSE) listings requirements and include amounts based on judgements and estimates made by management.

The statements of financial position, statements of profit or loss and other comprehensive income, statements of cash flow, statements of changes in equity and notes to the annual financial statements reflect the financial results and position of the company and the group as at 30 June 2018.

These financial results are available on our website, www.northam.co.za.

Nature of business

Northam Platinum Limited (Northam), is a public company incorporated in South Africa, and a leading producer of platinum group metals (PGMs). Northam is listed on the JSE, trading under the equity issuer share code NHM, ISIN code ZAE000030912 and in respect of the domestic medium term note (DMTN) programme, under the debt issuer code NHMI with the bond codes NHM002 ISIN code ZAG000129024, NHM003 ISIN code ZAG000129032, NHM004 ISIN code ZAG000150764 and NHM005 ISIN code ZAG000151242.

Northam is an independent, fully-empowered, integrated PGM producer with two primary operating assets, Zondereinde and Booyendal mines in the South African Bushveld Complex. During the year, a third operation, Eland Platinum mine, was acquired and all associated conditions precedent were finalised together with the acquisition of recycling assets in Pennsylvania, United States of America, both of which are currently on care and maintenance.

In addition, the purchase of the Western extension (formerly the Tumela block) from Anglo American Platinum Limited was also finalised which has increased the life of mine of the Zondereinde mine considerably.

Also refer to the mineral resources and mineral reserve statement included in the annual integrated report detailing the impact of these additions on the groups mineral resources and mineral reserves.

DIRECTORS' REPORT continued

Mining licences

Below are details of the various mining licences held by the group. Please also refer to the mineral resource and mineral reserve statement included in the annual integrated report for further details:

Booyesdal mine

Booyesdal Platinum Proprietary Limited is a wholly-owned subsidiary of Northam, and holds two new order mining rights for the Booyesdal mine which covers an area of approximately 18 035 hectares on the farms Booyesdal 43 JT, Buttonshope 51 JT, Der Brochen 7 JT, Draaikraal 48 JT, Hebron 5 JT, Hermansdal 3 JT, Kliprivier 73 JT, Pietersburg 44 JT, Uysedoorns 47 JT, Johannesburg 45 JT, Sheeprun 50 JT, Sheeprun 179 JT, Sterkfontein 52 JT, De Kafferskraal 53 JT, Hoogland 38 JT and Sterkfontein 749 JT.

The Buttonshope property is currently being transferred to the Buttonshope Conservancy Trust.

Zondereinde mine

Northam holds two new order mining rights in respect of the Zondereinde mine covering an area of approximately 9 263 hectares on the farms Aapieskraal 377 KQ, Amandelbult 383 KQ, Elandsfontein 386 KQ, Gouvernements Plaats 417 KQ, Grootkuil 376 KQ, Kopje Alleen 422 KQ, Middeldrift 379 KQ, Moddergat 389 KQ, Savannah Rose 826 KQ, Vrugbaar 381 KQ, Vrugbaar 387 KQ, Witvley 423 KQ and Zondereinde 384 KQ.

Eland mine

Eland Platinum Proprietary Limited holds two mining rights over three properties covering an area of approximately 3 563 hectares on the farms Elandsfontein 440 JQ, Schietfontein 437 JQ and Zilkaatsnek 439 JQ.

Associates and joint ventures

The group has an interest in the following associates and joint ventures:

Dwaalkop joint venture

The Dwaalkop joint venture is a joint venture between Mvelaphanda Resources Proprietary Limited, a wholly-owned subsidiary of Northam owning 50% and Western Platinum Proprietary Limited, a subsidiary of Lonmin plc (Lonmin), owning the other 50% with the joint venture being managed by Lonmin. The Dwaalkop asset is currently not being mined; however exploration is conducted on the property by Lonmin.

Pandora joint venture

Northam entered into an agreement to sell its 7.5% stake in the Pandora joint venture to Lonmin's Eastern Platinum Limited for a cash consideration of R45.6 million on 13 May 2017.

The investment in the Pandora joint venture was classified as a non-current asset held for sale effective 1 July 2016.

IAS 28 requires that an entity applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operation to an investment in an associate or joint venture that meets the criteria to be classified as held for sale. Per the requirements included in IFRS 5, an investor discontinues the use of the equity method from the date that the investment is classified as held for sale, and instead, the associate or joint venture is then measured at the lower of its carrying amount and fair value less cost to sell.

As part of the agreement with Lonmin's Eastern Platinum Limited, the amount of any cash calls paid by Northam to the Pandora joint venture during the period 1 January 2017 to completion of the transaction, had to be refunded, provided that such cash calls did not exceed an amount of R50.0 million.

The transaction became unconditional on 30 November 2017 and the cash consideration and cash calls amounting to R5.0 million were received from Lonmin.

DIRECTORS' REPORT continued

SSG Holdings Proprietary Limited

SSG Holdings Proprietary Limited provides security services to all of the group's operations.

Northam holds 30% of the issued share capital of SSG Holdings Proprietary Limited through a wholly-owned subsidiary, Mining Technical Services Proprietary Limited.

Refer to the note 5 of the financial statements for details of these investments.

Subsidiary companies

Details regarding the related parties are provided in the annual financial statements, refer to note 45.

Stated capital

There were no changes during the current financial year to the authorised or issued stated capital of the company. The authorised stated capital of the company as at 30 June 2018 amounted to 2 000 000 000 shares (2017: 2 000 000 000 shares) at no par value. The issued stated capital of the company remained unchanged at 509 781 212 shares.

In terms of the Northam black economic empowerment transaction (BEE transaction) 112 195 122 shares, equivalent to 22.0% of Northam's issued stated capital, were allotted and issued to Zambezi Platinum (RF) Limited in May 2015. Zambezi Platinum (RF) Limited holds 159 905 453 Northam shares in total representing 31.4% of the total issued shares. As Zambezi Platinum (RF) Limited is consolidated in Northam's results in terms of International Financial Reporting Standards, these shares are treated as treasury shares for accounting purposes.

Repurchase of issued shares

At the annual general meeting (AGM) held on 7 November 2017 shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the company (or any one of its wholly-owned subsidiaries), subject to the JSE listings requirements and the provisions of the Companies Act. No shares were repurchased in the current or prior year. This general authority is valid until the company's next AGM or for 15 months from the date of the aforementioned resolution (being 7 February 2019) whichever period is the shorter. Approval to renew this general authority will be sought at the AGM to be held on Tuesday, 6 November 2018.

The reason for this special resolution is to grant a general authority for the acquisition of the company's ordinary shares by the company, or by a subsidiary or subsidiaries of the company. The effect of such a special resolution, if passed, will be to authorise the company or any of its subsidiaries to acquire ordinary shares issued by the company on the JSE subject to the provisions of the company's Memorandum of Incorporation (MOI), Companies Act and the JSE listings requirements.

The directors believe that the company should retain the flexibility to take action if future acquisitions of its shares were considered desirable and in the best interests of the company and its shareholders.

Ordinary dividends

The company's dividend policy is to consider an interim and final dividend for each financial year. At its discretion, the board may consider a special dividend, where appropriate. Depending on the need to retain funds for expansion or operating purposes, the board of directors (board) may approve the payment of dividends.

The quantum of any dividend would ultimately be subject to expected future market conditions and capital commitments at the time of consideration by the board.

Given the continuing difficult conditions in the platinum mining industry, and taking into consideration the cash requirements to fund the development of the group's project pipeline and growth strategy, the board has resolved not to declare a final dividend for the 2018 financial year (2017: R Nil).

DIRECTORS' REPORT continued

Borrowing powers

The borrowing powers of the company, and the powers of the company to encumber its undertakings and properties or any part thereof and to issue debt instruments (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the company or of any third party, shall be unlimited (subject to the requirements of the Companies Act) and shall be exercised by the directors. In terms of the MOI the directors may borrow for purposes of the company, such sums as they deem fit.

Details of all outstanding borrowings are included in the annual financial statements, refer to note 25 and 28 included in the annual financial statements.

Financial assistance

Under the Companies Act, inter-group loans; guarantees and other financial assistance require approval of shareholders by way of special resolution.

Section 45 of the Companies Act applies to financial assistance provided by a company to any related or interrelated company or corporation, a member of a related or interrelated corporation, and to a person related to any such company, corporation or member.

Further, section 44 of the Companies Act may also apply to the financial assistance provided by a company to any related or interrelated company or corporation, a member of a related or interrelated corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company.

Both sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board is satisfied that: (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

As part of the normal conduct of the business of the company and its subsidiaries or associates the company, where necessary, usually provides guarantees and other support undertakings to third parties on behalf of its local and foreign subsidiaries in which the company or members of the group have an interest. The company would like the ability to provide financial assistance, if necessary, in accordance with sections 44 and 45 of the Companies Act. Furthermore, it may be necessary for the company to provide financial assistance to any of its present or future subsidiaries. It is difficult to foresee the exact details of financial assistance that the company may be required to provide in the future. It is essential, however, that the company is able to effectively organise its internal financial administration.

Below is an estimate of the financial assistance which is expected to be required for the F2019 year. Shareholders should, however, bear in mind that not all unforeseen circumstances can be anticipated and that the financial assistance as noted below could be underestimated due to unforeseen circumstances.

DIRECTORS' REPORT continued

Financial assistance to subsidiary companies

At the date of this report Northam had granted the following financial assistance to its subsidiaries as at 30 June 2018 and proposes the following loan facilities to be granted for the F2019 year:

	Approved facility	Estimated changes in the coming year	New estimated loan facility to be granted	Balance
	2018	F2019	F2019	2018
	R000	R000	R000	R000
Booyesendal Platinum Proprietary Limited	–	1 000 000	1 000 000	–
Eland Platinum Proprietary Limited	–	500 000	500 000	–
Mining Technical Services Proprietary Limited	70 000	50 000	120 000	22 909
Mvelaphanda Resources Proprietary Limited	66 680	13 320	80 000	–
Norplats Properties Proprietary Limited	138 300	11 700	150 000	66 596
Total loan facilities	274 980	1 575 020	1 850 000	89 505

	Approved facility	Changes in the coming year	New loan facility to be granted	Balance
	2018	F2019	F2019	2018
	USD000	USD000	USD000	R000
Northam Platinum Investments (US) Inc. and subsidiaries	25 000	25 000	50 000	9 720
Total loan facilities	25 000	25 000	50 000	9 720

Below are the various guarantees in issue as at 30 June 2018, together with the additional guarantees which will be tabled at the forthcoming AGM:

	Current guarantee	Additional amount to be guaranteed in the coming year	Total guarantee to be granted
	2018	F2019	F2019
	R000	R000	R000
Northam Platinum Limited guarantee to Zambezi Platinum (RF) Limited	7 535 944	–	7 535 944
Booyesendal Platinum Proprietary Limited guarantees to providers of capital	3 500 000	1 500 000	5 000 000
Eland Platinum Proprietary Limited guarantees to providers of capital	–	3 000 000	3 000 000
Northam Platinum Limited subordination agreement to Mvelaphanda Resources Proprietary Limited	71 680	8 320	80 000
Total guarantee	11 107 624	4 508 320	15 615 944

Booyesendal Platinum Proprietary Limited as well as Eland Platinum Proprietary Limited have guaranteed any amounts due but not paid by Northam Platinum Limited in terms of the Nedbank revolving credit facility. In addition, Booyesendal Platinum Proprietary Limited has also guaranteed any amount due but not paid by Northam Platinum Limited in terms of the domestic medium term note programme.

The redemption of the preference shares is secured by a financial guarantee from Northam Platinum Limited. In terms of the financial guarantee, Northam Platinum Limited will be responsible for the payment of all amounts which Zambezi Platinum (RF) Limited has contracted but failed to pay in terms of the preference share terms – either by means of a cash payment or the issue of a determinable number of Northam Platinum Limited shares to the preference shareholders, or a cash and Northam Platinum Limited share combination.

DIRECTORS' REPORT continued

Zambezi Platinum (RF) Limited

Zambezi Platinum (RF) Limited was established as a special purpose vehicle by Northam, with the principal objective of ensuring BEE compliance.

Zambezi was incorporated on 2 June 2014. The company was created for the purpose of assisting Northam to comply with the historically disadvantaged South African (HDSA) ownership requirements set by the Mining Charter at the time.

Zambezi holds 159 905 453 Northam shares which amounts to approximately 31.4% of the total issued ordinary stated capital of Northam.

Zambezi is a ring-fenced entity created for the specific purpose of raising funds and holding Northam shares. As such, Zambezi will not be conducting any other business activities until the expiry of the lock-in period (which is 10 years from May 2015). At the end of the 10-year period, Zambezi is required to redeem the preference shares with cash or Northam shares. All amounts payable to the holders of the preference shares are guaranteed by Northam in terms of the transactional agreements. Further, Northam is required to settle the operational expenses of Zambezi, subject to certain limitations.

Zambezi's prospects are therefore limited in nature in that they are dependent on the prospects of Northam and the returns attributable to the preference shares are constant and fluctuate only in accordance with prevailing interest rates. Various characteristics of the preference shares, such as the Northam guarantee and redemption payment structure, provide the holders with additional certainty regarding the recoverability of their dividends and capital.

However, the preference shares retain equity risk as a result of their redemption being ultimately supported by the value of Northam shares and/or Northam's ability to continue as a going concern. The preference shares therefore present their holders with a combination of the risks and rewards associated with equity and debt instruments.

Northam's prospects for growth and continued profitability are subject to various external and internal factors which cannot be accurately predicted, forecasted or controlled by Zambezi as an investor in Northam.

The redemption of the preference shares is planned to occur through cash accumulation from dividends received from Northam, and after the lock-in, the possible sell-off of Northam shares into the market to realise the capital value, to redeem the preference shares. In the event that this is not sufficient to settle the liability, it will be secured by Northam in terms of a financial guarantee (Northam guarantee).

Should a liability arise under the Northam guarantee, Northam may settle this liability by capitalising Zambezi with cash and/or Northam shares before the redemption amount becomes due or making payment directly to the preference shareholders. The manner of settlement is not contractually specified. Therefore, should the Northam share price not increase in value from the 10-year lock in period there could be a significant dilution in value for all Northam shareholders, should additional shares be issued to the preference shareholders.

Included in the financial statements of Northam is a guarantee of R7.5 billion, based on the initial recognition fair value that was issued based on the above.

Northam owns 4 230 819 (2017: 4 202 454) Zambezi Platinum (RF) Limited preference shares which were purchased in the open market. See note 8 of the financial statements for more details.

Boysendal Platinum Proprietary Limited

Northam currently has finance facilities available in the form of a revolving credit facility of R3.0 billion (2017: R1.0 billion) with Nedbank Limited, and has issued R1.4 billion (2017: R425.0 million) on the debt capital market. Boysendal Platinum Proprietary Limited has signed a letter of guarantee with regards to both these facilities.

During the next financial year (F2019), substantial amounts of capital expenditure will be incurred with regards to the development of Boysendal South and additional funding might be required from Northam should metal prices remain lower for longer.

Any loan provided will accrue no interest and will be repayable on demand.

All other outstanding balances between Boysendal Platinum Proprietary Limited and Northam relates to normal trade receivable and trade payable balances incurred in the normal course of business.

DIRECTORS' REPORT continued

Eland Platinum Proprietary Limited

Northam currently has finance facilities available in the form of a revolving credit facility of R3.0 billion (2017: R1.0 billion) with Nedbank Limited as mentioned above. Eland Platinum Proprietary Limited has signed a letter of guarantee with regards to this facility.

Financial assistance will be required from Northam to restart operations in the next financial year.

Any loan provided will accrue no interest and will be repayable on demand.

Norplats Properties Proprietary Limited

Norplats Properties Proprietary Limited is a company which holds and operates one of Zondereinde mine's employee home ownership projects (Mojuteng project) in the town of Northam, assisting Northam Platinum Limited to comply with its homeowner strategy designed to meet legislative requirements.

The loan accrues no interest and is repayable on demand.

Mvelaphanda Resources Proprietary Limited

On 25 September 2014, Northam confirmed that they will ensure that Mvelaphanda Resources Proprietary Limited would meet its financial obligations as and when they fall due as the company's liabilities exceeded its assets. The guarantee will remain in full force and effect as long as the liabilities (including contingent liabilities) exceed its assets, fairly valued, and will lapse forthwith upon the date that the assets, so valued, exceed its liabilities.

Mvelaphanda Resources Proprietary Limited currently has negative equity to the value of R52.3 million (2017: R43.8 million).

Mining Technical Services Proprietary Limited

Mining Technical Services Proprietary Limited (MTS) provides services to the group. These services are charged out to the various operations. Northam previously provided a loan to MTS for the investment in SSG Holdings Proprietary Limited.

The loan is interest free and has no fixed terms of repayment.

Financial assistance to executive directors and/or prescribed officers of the company

At the board meeting held in February 2015, the board approved the Northam 2020 accommodation strategy (accommodation strategy).

One of the funding mechanisms of the accommodation strategy is the provision of a 10-year interest free loan repayable over a maximum period of 20 years to employees. The loan value is linked to seniority and is expressed as a percentage of a permissible bonded amount. Repayments are made through payroll deductions.

In order to enable the executive directors and/or prescribed officers to benefit from the accommodation strategy, it will be necessary to comply with the financial assistance provisions of the Companies Act. Approval will therefore be sought at the upcoming AGM, to authorise the company to make loans to executive directors and/or prescribed officers and persons related or interrelated to them in terms of the accommodation strategy, up to a maximum of R600 000 per executive director and/or prescribed officers.

Solvency and liquidity test

Taking into account the 12-month cash flow forecasts (including the letter of support/guarantees issued), the board has assessed that the various statutory entities will continue as going concerns for the foreseeable future.

The company therefore believes that it has satisfied the solvency and liquidity test, as contemplated in section 45 of the Companies Act and detailed in section 4 of the Companies Act, and determined that post such assistance the company was solvent and liquid and the terms under which this assistance was provided were fair and reasonable to the company and its subsidiaries.

DIRECTORS' REPORT continued

Dematerialisation of shares (share transactions totally electronic) STRATE

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

Directorate

During the year the following changes to the board occurred:

Mr PL (Lazarus) Zim, chairman of the board, retired at the conclusion of the AGM on 7 November 2017 and as a member of the nomination committee.

Mr KB (Brian) Mosehla, a non-executive director of the board was appointed as chairman on 7 November 2017, and as a member of the nomination committee, following the retirement of Mr PL Zim. Mr Mosehla also resigned as a member of the social, ethics and human resources (SE&HR) committee on 8 November 2017.

Mr DH (David) Brown was appointed as an independent non-executive director on 7 November 2017. He was also appointed as a member of the audit and risk committee and chairman of the investment committee.

Mr R Havenstein resigned as chairman of the investment committee but remained as a member.

Mr JG Smithies was appointed as a member of the health, safety & environmental (HS&E) committee on 7 November 2018.

Dr NY (Yoza) Jekwa was appointed as an independent non-executive director on 8 November 2017 and as a member of the SE&HR committee.

At the date of this report the board comprised the following directors:

Director	Position	Nationality	First appointed	Standing for re-election or elected	Elected or re-elected at the last AGM
KB Mosehla	Non-executive chairman	South African	19 August 2015	N/A	√
R Havenstein	Lead independent director	South African	1 July 2003	N/A	√
PA Dunne	Chief executive officer	British	1 March 2014	N/A	N/A
AZ Khumalo	Chief financial officer	South African	1 July 2010	N/A	N/A
DH Brown	Independent non-executive director	South African	7 November 2017	N/A	√
CK Chabedi	Independent non-executive director	South African	22 June 2009	√	N/A
HH Hickey	Independent non-executive director	South African	1 January 2016	√	N/A
Dr NY Jekwa	Independent non-executive director	South African	8 November 2017	√	N/A
TE Kgosi	Independent non-executive director	South African	1 November 2004	N/A	√
TI Mvusi	Independent non-executive director	South African	1 January 2016	√	N/A
JG Smithies	Independent non-executive director	British	1 January 2017	N/A	√

There were no changes to the office of the company secretary during the 30 June 2018 financial year. Ms PB Beale continues to be the company secretary.

DIRECTORS' REPORT continued

Board diversity

Below is a summary of the board diversity based on gender, nationality and independence quoted in the number of board members represented:

Gender	2018	2017
Male	8	8
Female	3	2
	11	10

Nationality	2018	2017
Black South African	6	6
Coloured South African	–	–
Indian South African	–	–
White South African	3	2
Non-South African	2	2
	11	10

Independence	2018	2017
Executive	2	2
Non-executive	1	2
Independent non-executive	8	6
	11	10

Independence generally means the exercise of objective, unfettered and autonomous judgements. When using the word to apply the quality of independence to a director it seeks to convey the absence of an interest, position, association or relationship, which, when judged from the perspective of a reasonable and informed third party, is unlikely to influence unduly or cause bias in decision making.

In terms of the above, annual independence evaluations are conducted relating to the independent non-executive directors. Minority beneficial interest held in Zambezi Platinum (RF) Limited, were acquired in terms of the Northam black economic empowerment transaction in May 2015 are taken into account.

The board also consider the tenure of independent non-executive directors and believes that there are no relationships or circumstances that affect, or appear to affect the independence of the abovementioned directors.

DIRECTORS' REPORT continued

Remuneration of non-executive directors

In terms of section 66(8) and (9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders and if not prohibited in the company's MOI. The MOI does not prohibit the payment of such remuneration. The proposed remuneration, set out below if approved by shareholders, will be paid to the non-executive directors, as they are not remunerated as employees, as is in the case of executive directors. At the forthcoming annual general meeting, shareholders will accordingly be requested to consider a special resolution providing for the increase in the non-executive directors fees for the year ending 30 June 2019 as set out below. All amounts are quoted excluding Value Added Taxation.

It is proposed to increase the remuneration payable to non-executive directors by an average of 7.0% per annum in line with market norms, and for the chairman of the board by 8.0% per annum.

All non-executive directors remuneration will be payable quarterly in arrears. Remuneration payable in terms of non-executive director fees will be in proportion to the period during which the office of the non-executive director or such director's relevant role on the board or a committee thereof, has been held during the financial year.

	Proposed fee for F2019 (per annum)	Approved F2018 fee at the previous AGM (per annum)
	R	R
<i>Board</i>		
Board chairperson	435 000	402 800
Lead independent director	374 200	349 700
Board members	328 500	307 000
The above fees are based on 5 (five) board meetings per financial year. Should additional board meetings be held, the following will be paid for each additional meeting attended	50 200	N/A
<i>Audit and risk committee</i>		
Committee chairperson	202 200	189 000
Committee members	158 800	148 400
The above fees are based on 5 (five) audit and risk committee meetings per financial year. Should additional audit and risk committee meetings be held, the following will be paid for each additional meeting attended	19 600	N/A
<i>Health, safety and environmental committee</i>		
Committee chairperson	142 500	133 160
Committee members	107 600	100 600
The above fees are based on 4 (four) health, safety and environmental committee meetings per financial year. Should additional health, safety and environmental committee meetings be held, the following will be paid for each additional meeting attended	19 600	N/A
<i>Social, ethics and human resources committee (SE&HR)</i>		
Committee chairperson	144 100	134 640
Committee members	107 600	100 600
The above fees are based on 4 (four) social, ethics and human resources committee meetings per financial year. Should additional social, ethics and human resources committee meetings be held, the following will be paid for each additional meeting attended	19 600	N/A
<i>Nomination committee</i>		
Committee chairperson	82 800	77 400
Committee members	50 800	47 500
The above fees are based on a single meeting during the year. Should additional nomination committee meetings be held, the following will be paid for each additional meeting attended	19 600	N/A

	Proposed fee for F2019 (per annum)	Approved F2018 fee at the previous AGM (per annum)
	R	R
<i>Other board appointed committees</i>		
Committee chairperson	120 200	112 310
Committee members	88 100	82 300
The above fees are based on 3 (three) other board appointed committee meetings per financial year. Should additional other board appointed committee meetings be held the following will be paid for each additional meeting attended	19 600	N/A
<i>Ad hoc fees - per hour</i>	3 920	3 630

Shareholders will further be requested to approve the payment to non-executive directors for the attendance of meetings during the 30 June 2018 financial year in excess of the anticipated number of meetings as listed below.

	Number of meetings anticipated for F2018	Actual number of meetings held during F2018	Proposed fee per additional meeting
			R
Board meetings	5	6	46 900
Social, ethics and human resources committee meetings	4	5	18 300

Directors' remuneration

The directors' remuneration for the year ended 30 June 2018 is as follows:

	Fees	Re- muneration package	Performance bonus and retention payouts	Benefits	Gain on share-based payments	Total
	R000	R000	R000	R000	R000	R000
<i>Executive</i>						
PA Dunne	–	8 000	7 868	1 000	7 839	24 707
AZ Khumalo	–	3 830	3 816	518	4 178	12 342
<i>Non-executive</i>						
KB Mosehla	518	–	–	–	–	518
R Havenstein	803	–	–	–	–	803
DH Brown*	367	–	–	–	–	367
CK Chabedi	591	–	–	–	–	591
HH Hickey	496	–	–	–	–	496
NY Jekwa**	263	–	–	–	–	263
TE Kgosi	676	–	–	–	–	676
TI Mvusi	307	–	–	–	–	307
JG Smithies	372	–	–	–	–	372
PL Zim***	159	–	–	–	–	159
	4 552	11 830	11 684	1 518	12 017	41 601

* Mr Brown was appointed as an independent non-executive director on 7 November 2017 and as a member of the audit and risk committee

** Dr Jekwa was appointed as an independent non-executive director on 8 November 2017 and as a member of the social, ethics and human resources committee

*** Mr Zim retired at the conclusion of the AGM on 7 November 2017

DIRECTORS' REPORT continued

The directors' remuneration for the year ended 30 June 2017 was as follows:

	Fees	Re- muneration package	Performance bonus	Benefits	Gain on share-based payments	Total
	R000	R000	R000	R000	R000	R000
<i>Executive</i>						
PA Dunne	–	7 291	6 217	191	–	13 699
AZ Khumalo	–	3 555	3 018	168	3 158	9 899
<i>Non-executive</i>						
PL Zim	409	–	–	–	–	409
R Havenstein	825	–	–	–	–	825
CK Chabedi	624	–	–	–	–	624
HH Hickey	418	–	–	–	–	418
TE Kgosi	732	–	–	–	–	732
AR Martin*	245	–	–	–	–	245
KB Mosehla	515	–	–	–	–	515
TI Mvusi	284	–	–	–	–	284
JG Smithies**	164	–	–	–	–	164
	4 216	10 846	9 235	359	3 158	27 814

* Mr Martin retired from the board of directors at the conclusion of the AGM on 9 November 2016

** Mr Smithies was appointed as an independent non-executive director on 1 January 2017

DIRECTORS' REPORT continued

An analysis of the non-executive fees in respect of the board and board committee services for the 30 June 2018 financial year is as follows:

	Board	Audit and risk committee	Health, safety and environmental committee	Investment committee	Social, ethics and human resources committee	Nominations committee	Ad hoc fees	Total
	R000	R000	R000	R000	R000	R000	R000	R000
KB Mosehla	369	–	–	82	36	31	–	518
R Havenstein	350	148	135	93	–	77	–	803
DH Brown	198	96	–	73	–	–	–	367
CK Chabedi	307	–	101	82	101	–	–	591
HH Hickey	307	189	–	–	–	–	–	496
NY Jekwa	198	–	–	–	65	–	–	263
TE Kgosi	307	148	–	–	135	48	38	676
TI Mvusi	307	–	–	–	–	–	–	307
JG Smithies	307	–	65	–	–	–	–	372
PL Zim	142	–	–	–	–	17	–	159
	2 792	581	301	330	337	173	38	4 552

An analysis of the non-executive fees in respect of the board and board committee services for the 30 June 2017 financial year was as follows:

	Board	Audit and risk committee	Health, safety and environmental committee	Investment committee	Social, ethics and human resources committee	Nominations committee	Ad hoc fees	Total
	R000	R000	R000	R000	R000	R000	R000	R000
PL Zim	366	–	–	–	–	43	–	409
R Havenstein	367	137	121	86	–	87	27	825
CK Chabedi	327	–	93	76	128	–	–	624
HH Hickey	284	134	–	–	–	–	–	418
TE Kgosi	327	138	–	–	157	60	50	732
AR Martin	115	91	–	11	–	28	–	245
KB Mosehla	327	–	–	60	128	–	–	515
TI Mvusi	284	–	–	–	–	–	–	284
JG Smithies	164	–	–	–	–	–	–	164
	2 561	500	214	233	413	218	77	4 216

Service contracts

Mr PA Dunne, the chief executive officer, has a service contract with the company, which is subject to a notice period of one year. Mr AZ Khumalo, the chief financial officer, has a service contract with the company, which is subject to a notice period of three months.

DIRECTORS' REPORT continued

Directors' interest

According to information available to the company after reasonable enquiry, the interests of the directors and their families in the shares of Northam Platinum Limited at 30 June 2018 were as follows. All direct beneficial holdings were acquired in the open market.

	Direct beneficial holding	Indirect beneficial holding	Total
PA Dunne	41 050	–	41 050
AZ Khumalo	15 780	–	15 780
KB Mosehla	–	64 000	64 000
KB Mosehla*	–	5 116 974	5 116 974
CK Chabedi*	–	204 000	204 000
TE Kgosi*	–	635 000	635 000
	56 830	6 019 974	6 076 804

* Pursuant to the Northam BEE transaction, Mr Chabedi, Ms Kgosi and Mr Mosehla acquired beneficial interests in the ordinary share capital of Zambezi Platinum (RF) Limited. This resulted in them and their associates acquiring an effective interest in Northam shares.

The following directors held preferences shares in Zambezi Platinum (RF) Limited as at 30 June 2018, purchased in the open market:

	Direct beneficial holding	Indirect beneficial holding	Total
AZ Khumalo	500	–	500
KB Mosehla	–	17 200	17 200
	500	17 200	17 700

There have been no changes in these holdings from 30 June 2018 to the date of the annual financial statements.

The interests of the directors and their families in the shares of Northam Platinum Limited at 30 June 2017 were as follows:

	Direct beneficial holding	Indirect beneficial holding	Total
PA Dunne	26 050	–	26 050
AZ Khumalo	12 500	–	12 500
KB Mosehla	–	64 000	64 000
KB Mosehla*	–	5 116 974	5 116 974
CK Chabedi*	–	204 000	204 000
TE Kgosi*	–	635 000	635 000
PL Zim*	–	17 547 097	17 547 097
	38 550	23 567 071	23 605 621

* Pursuant to the Northam BEE transaction, Mr Chabedi, Ms Kgosi, Mr Mosehla and Mr Zim acquired beneficial interests in the ordinary share capital of Zambezi Platinum (RF) Limited. This resulted in them and their associates acquiring an effective interest in Northam shares.

The following director held preferences shares in Zambezi Platinum (RF) Limited as at 30 June 2017, purchased in the open market:

	Direct beneficial holding	Indirect beneficial holding	Total
AZ Khumalo	500	–	500
	500	–	500

DIRECTORS' REPORT continued

Analysis of shareholders

The analysis of shareholders as at 30 June 2018 was as follows:

Shareholding range	Number of shareholders	Total of shareholding	Percentage holding (%)
	2018	2018	2018
1 – 5 000	4 096	3 104 667	0.61
5 001 – 10 000	191	1 416 902	0.28
10 001 – 50 000	343	7 967 697	1.56
50 001 – 100 000	107	7 738 760	1.52
100 001 – 1 000 000	275	88 184 196	17.30
1 000 001 and more	60	401 368 990	78.73
	5 072	509 781 212	100.00

Geographical analysis of shareholders	Total shareholding	Percentage holding (%)
	2018	2018
Australasia	101 956	0.02
Europe and United Kingdom	12 132 793	2.38
North America	29 057 529	5.70
Far East	101 956	0.02
South Africa	458 599 178	89.96
Other	9 787 800	1.92
	509 781 212	100.00

Major shareholders	Number of shares	Percentage holding (%)
	2018	2018
Zambezi Platinum (RF) Limited	159 905 453	31.37
Coronation Asset Management	151 201 407	29.66
Public Investment Corporation	53 142 202	10.42
Clients of Allan Gray	23 407 185	4.59
Foord Asset Management	17 398 265	3.41

Shareholder spread	Number of shareholders	Percentage holding (%)
	2018	2018
Public	5 066	99.88
Zambezi Platinum (RF) Limited	1	0.02
Directors	5	0.10
	5 072	100.00

DIRECTORS' REPORT continued

Analysis of shareholders

The analysis of shareholders as at 30 June 2017 was as follows:

Shareholding range	Number of shareholders	Total of shareholding	Percentage holding (%)
	2017	2017	2017
1 – 5 000	4 293	3 298 030	0.65
5 001 – 10 100	228	1 692 532	0.33
10 001 – 50 000	331	7 755 452	1.52
50 001 – 100 000	104	7 689 199	1.51
100 001 – 1 000 000	248	78 404 892	15.38
1 000 001 and more	66	410 941 107	80.61
	5 270	509 781 212	100.00

Geographical analysis of shareholders	Total shareholding	Percentage holding (%)
	2017	2017
Australasia	96 927	0.02
Europe and United Kingdom	5 640 752	1.11
North America	29 971 495	5.88
Far East	61 676	0.01
South Africa	467 262 948	91.66
Other	6 747 414	1.32
	509 781 212	100.00

Major shareholders	Number of shares	Percentage holding (%)
	2017	2017
Zambezi Platinum (RF) Limited	159 905 453	31.37
Coronation Asset Management	144 189 262	28.28
Public Investment Corporation	51 392 191	10.08
Foord Asset Management	22 912 956	4.49
Kagiso Asset Management	21 123 736	4.14
Clients of Allan Gray	16 868 031	3.31

Shareholder spread	Number of shareholders	Percentage holding (%)
	2017	2017
Public	5 263	99.87
Zambezi Platinum (RF) Limited	1	0.02
Directors	6	0.11
	5 270	100.00

DIRECTORS' REPORT continued

Northam share option scheme (the scheme)

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

The scheme was discontinued in 2011 owing to its dilutionary nature, although share options issued before its discontinuance were allowed to run their course until October 2017.

Options were offered at the volume weighted average price at which Northam shares traded on the JSE on the trading day immediately preceding the offer date. Options not exercised within seven years of the offer date shall lapse.

In March 2013 the JSE approved a change to the rules of the scheme in terms of which option holders may elect, at the time of exercising their option, to receive either the shares over which an option has been granted or a cash payment equivalent to the difference between the volume weighted average price at which Northam shares traded on the day preceding the exercise date and the exercise price.

A summary of the options held at 30 June 2018 is as follows:

Earliest and latest exercise date	Price per share R	Total number of options
12 October 2012 and 11 October 2017	46.57	202 500
Claw back rights options	40.00	7 938
Number of options held at 30 June 2017		210 438
Number of options exercised during the year – cash settled options		(210 438)
Number of options held at 30 June 2018		–

The scheme has run its course and there are therefore no further outstanding options.

These options were paid out during the financial year for an amount of R0.7 million.

A summary of the options held at 30 June 2017 was as follows:

Earliest and latest exercise date	Price per share R	Total number of options
5 November 2011 and 4 November 2016	36.95	265 000
12 October 2012 and 11 October 2017	46.57	1 795 000
Claw back rights options	40.00	80 767
Number of options held at 30 June 2016		2 140 767
Number of options forfeited during the year		(12 997)
Number of options exercised during the year – cash settled options		(1 917 332)
Number of options held at 30 June 2017		210 438

The cash settled options exercised during the 30 June 2017 financial year are set out in the annual financial statements and are summarised as follows:

Grant date	Number of options exercised including claw back shares	Exercise price R	Total gain paid to participants R000
5 November 2011 and 4 November 2016	262 399	49.94	3 409
12 October 2012 and 11 October 2017	1 654 933	53.59	11 624
	1 917 332		15 033

DIRECTORS' REPORT continued

Northam share incentive plan (SIP)

The SIP was approved in 2011 when shareholders approved that the Northam share option scheme be discontinued and replaced by the SIP, as the scheme no longer served the primary purpose of attracting and retaining employees.

The SIP is a full share-type plan which incorporates a combination of a conditional share plan (CSP) and a forfeitable share plan (FSP).

The key features that are common to both the CSP and the FSP are as follows:

- All senior officials and executives, including executive directors, in job grade D lower and above are eligible
- Non-executive directors are not eligible to participate
- Employees will not be required to pay for shares granted to them
- In the event of a change of control of the company, all awards will vest
- In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, consolidation of shares, liquidation etc, employees will continue to participate in the SIP. The committee may make such adjustment to awards or take such other action to place employees in no worse a position than they were prior to the happening of the relevant event, and to ensure that the fair value of awards immediately after the event is materially the same as the fair value thereof immediately before the event
- The issue of shares as consideration for an acquisition or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to awards
- Any adjustments made will be reported in the annual financial statements in the year during which the adjustment is made.

In order to avoid any future dilution, all shares will either be cash settled or equity settled through purchases in the open market. Currently all shares are treated as cash settled.

Key features of the CSP and FSP are as follows:

CSP

- Shares will be awarded or granted to employees once a year
- The number of conditional shares awarded, and the extent to which they will be subject to performance conditions, will primarily be based on the employee's annual salary, grade, performance, retention requirements and market benchmarks or some combination thereof
- Both the retention shares and the performance shares will vest after three years
- Performance conditions will be set by the social, ethics and human resources (SE&HR) committee before an award is made, and will be based on appropriate company performance measures at the time.

FSP

- Shares, which have no performance conditions attached, can only be awarded or granted in exceptional circumstances, approved by the SE&HR committee, for purposes of attracting key new employees
- The number of forfeitable shares to be made to an employee will primarily be based on the employee's annual salary, grade, performance and retention or attraction requirements
- The forfeitable shares will be delivered to the employees, free of charge, subsequent to the award date, with them enjoying all shareholder rights from inception
- Awards will, however, be subject to restrictions that will prevent the forfeitable shares from being disposed of, ceded, transferred or otherwise encumbered before vesting
- Vesting of the forfeitable shares will only be subject to the particular employee remaining in the employment of a group company for a predetermined vesting period. No company performance conditions will apply.

The SE&HR committee shall be entitled to determine that a participant shall receive the settlement amount in lieu of receiving the conditional shares (including BEE transaction conditional shares) on settlement.

The SE&HR committee, which is charged with overseeing the group's remuneration policy, reviews the performance criteria annually and revises them as economic and operational circumstances dictate.

DIRECTORS' REPORT continued

No shares were allocated under the FSP during the year under review, whilst the details of the shares allocated under the CSP are set out below.

Grant date	Details	Total number of shares	Retention shares	Performance shares
Balance at 1 July 2017		6 912 100	1 745 700	5 166 400
2 November 2017	Shares awarded	2 804 200	709 000	2 095 200
	Shares forfeited	(360 950)	(90 900)	(270 050)
	Shares cash settled	(2 131 850)	(538 850)	(1 593 000)
Balance as at 30 June 2018		7 223 500	1 824 950	5 398 550

At 30 June 2018 the following awards were outstanding:

Grant date	Details	Total number of shares	Shares to be settled in F2019	Shares to be settled thereafter
11 November 2015	Retention shares	649 950	649 950	–
11 November 2015	Performance shares	1 925 350	1 925 350	–
8 November 2016	Retention shares	488 500	–	488 500
8 November 2016	Performance shares	1 444 100	–	1 444 100
2 November 2017	Retention shares	686 500	–	686 500
2 November 2017	Performance shares	2 029 100	–	2 029 100
Balance as at 30 June 2018		7 223 500	2 575 300	4 648 200

Below is the details of the shares allocated under the CSP for the 30 June 2017 financial year:

Grant date	Details	Total number of shares	Retention shares	Performance shares
Balance at 1 July 2016		6 489 400	1 412 000	5 077 400
8 November 2016	Shares awarded	2 177 000	550 400	1 626 600
	Shares forfeited	(296 800)	(75 100)	(221 700)
	Shares cash settled	(1 457 500)	(141 600)	(1 315 900)
Balance as at 30 June 2017		6 912 100	1 745 700	5 166 400

At 30 June 2017 the following awards were outstanding:

Grant date	Details	Total number of shares	Shares to be settled in F2018	Shares to be settled thereafter
4 November 2014	Retention shares	527 700	527 700	–
4 November 2014	Performance shares	1 561 100	1 561 100	–
11 November 2015	Retention shares	709 100	–	709 100
11 November 2015	Performance shares	2 100 700	–	2 100 700
8 November 2016	Retention shares	508 900	–	508 900
8 November 2016	Performance shares	1 504 600	–	1 504 600
Balance as at 30 June 2017		6 912 100	2 088 800	4 823 300

Full details of the shares granted during the year are set out in note 27 of the annual financial statements.

DIRECTORS' REPORT continued

Lock-in and incentive mechanism (LIM)

At the AGM on 9 November 2016 shareholders approved amendments, including a modification to the rules of the Northam share incentive plan for the introduction of the new incentive mechanism, comprising the BEE incentive plan (BIP) and the cash incentive bonus (CIBB) in respect of the BEE transaction (collectively the LIM). In terms of the modification, any allocation or award under the new long-term BEE transaction incentive plan will be subject to a maximum allocation of 5 000 000 shares, which number is included in the existing total SIP allocation limit of 19 879 000 shares and not in addition thereto. The LIM was designed to incentivise the performance of the company's key executives, so as to, *inter alia*, mitigate certain financial risks arising from the BEE transaction and retain the skills and expertise of the key management team.

Northam was requested by certain of its key institutional shareholders to consider the creation of a mechanism which would appropriately incentivise Northam's senior management to address the financial risks associated with the guarantee provided by Northam in favour of the Zambezi preference shareholders (guarantee). A lock-in and incentive mechanism (LIM) which is specifically structured to incentivise the mitigation of those risks introduced by and unique to the guarantee, as well as, retaining key members of Northam's senior management as employees until the redemption of the Zambezi Platinum (RF) Limited preference shares (preference shares) in May 2025 was approved.

During the course of F2015, the company concluded a BEE transaction in terms of which Northam provided the guarantee to the holders of the preference shares issued by Zambezi for purposes of funding the BEE transaction.

The preference shares will, subject to early redemption in certain instances, be redeemed on 18 May 2025 and Zambezi will therefore be required to redeem the preference shares and settle any dividends accumulated in respect of the preference shares that remain unpaid after making adequate provision for or paying any taxes arising in relation to the redemption of the preference shares.

Subject to certain exceptions, Zambezi may settle the redemption amount by distributing, disposing of and/or raising external funding encumbering the Northam ordinary shares held by it. Zambezi's ability to settle the redemption amount is therefore highly dependent upon the share price on or about the preference share redemption date (redemption date) and, therefore, the share price growth over the period preceding the redemption date.

To the extent that the value of the shares held by Zambezi amounts to less than the preference share liability and Zambezi is unable to raise external funding to settle the redemption amount, Northam will be required to settle the balance of the redemption amount on behalf of Zambezi by either: (i) capitalising Zambezi by way of a subscription for shares in Zambezi; or (ii) making payment and/or issuing new shares to the preference shareholders (guarantee liability).

The guarantee liability may be settled in cash or, subject to certain exceptions, by the issue of new shares. Accordingly, if a guarantee liability arises, the value of shares may be diluted by a further issue of new shares or reduced by the related payment of cash to settle the guarantee liability.

The SIP incentivises Northam's management over the short to medium term (three years) and is primarily focused on motivating the achievement by management of various technical and financial targets. Although these measures are appropriate and essential to the viability of the group, the SIP does not allow for performance measures relating to the guarantee liability. This requires a long-term incentive mechanism premised on the exact variables which will determine the guarantee liability.

It is further recognised that Northam's market position relative to its peers has altered significantly with Northam having become a sizable and respected market participant. This success increases the risk of Northam losing members of its senior management, making it a strategic imperative for the company to retain management and prevent the loss of critical skills before the redemption date.

In the circumstances, Northam and the relevant committees of its board of directors have resolved to amend the rules to incorporate the LIM, with a view to appropriately incentivising the management team in order to prevent the guarantee liability from materialising and simultaneously lock-in their skill-set until the redemption date. This objective is consistent with the interests of Northam's shareholders.

The LIM comprises two separate mechanisms structured with specific reference to the terms of the BEE transaction and, more specifically, the potential guarantee liability:

Long-term BEE transaction incentive plan (BIP)

The BIP (BEE conditional performance shares (BEE CPS)) addresses the long-term incentivisation and retention of its participants by aligning their interests with shareholders through equity participation. The BIP was implemented through the SIP, which has been amended to incorporate the specific elements of the BIP. The BIP was implemented in addition to the SIP and was not a replacement nor did it affect the SIP.

Short-term cash incentive bonus in respect of the BEE transaction (CIBB)

In light of the exceptionally long term of the BIP incentive (i.e. 10 years) and the benefit of compounded growth in the share price over this period, the CIBB considers the short-term incentivisation of management to continuously maintain the long-term objectives introduced by the BIP. Importantly, the CIBB also acts as a strong retention tool by financially penalising CIBB recipients that leave the employ of the group.

The combination of the BIP and CIBB provide the company with an effective mechanism for addressing the guarantee liability risk, motivating shareholder value creation over the long term and retaining essential skills in a competitive market.

The company will limit participants in the BIP to the key members of Northam's current and future key executive management team including, the chief executive officer (CEO), chief financial officer (CFO), chief commercial officer (CCO), chief geologist (CG), chief technical officer (CTO), executive officer HR (EHR) and the senior general managers of Booyseindal and Zondereinde mines (GMs) (participants). The position of the CTO has not been filled and remains subject to the employment of suitable candidates by the group and the BEE CPS allocated to this position will not be issued in the event that it is not filled.

The CEO has been allocated 1 500 000 BEE CPS, the CFO has been allocated 700 000 BEE CPS, each of the CCO, CG and the EHR have been allocated 500 000 BEE CPS and each GM has been allocated 200 000 BEE CPS. At 30 June 2018, a total of 4 100 000 (2017: 3 600 000) BEE CPS were issued.

The aggregate number of BEE CPS issued represents less than 1% of Northam's current issued share capital and may be settled in cash or shares at the election of the independent committee of the board responsible for administering the SIP at that time.

Vesting will be subject to the satisfaction of the performance condition that Zambezi (i) fully settles the redemption amount; and (ii) fully settles or makes adequate provision for all its tax liabilities arising from settlement of the redemption amount, on the basis that no guarantee liability will arise and no member of the group will be required to give any direct or indirect financial assistance for the purposes of or in connection with the settlement of the redemption amount.

Vesting of BEE CPS will occur 30 business days after the date on which the BIP performance condition is fulfilled (which is expected to be 18 May 2025) or, in the event that vesting of the BEE CPS is accelerated in certain exceptional instances, as set out in the current rules in relation to conditional shares, including a change of control of Northam or an earlier date determined in accordance with the rules.

In the event that the BIP performance condition is not satisfied, the BEE CPS will, subject to certain exceptions, not vest. If BEE CPS do not vest, they will not be settled and no value will accrue to participants.

Upon vesting, BEE CPS may be settled either through the issue of no more than the 5 million shares or in cash at the election of the committee. If cash settlement is elected the settlement amount will be established using the 60-day volume weighted average price (VWAP) of a share calculated on the day preceding settlement.

In the event that the preference shares are redeemed before the expected redemption date (i.e. 18 May 2025) and if the BIP performance condition is satisfied at that time, the BEE CPS will vest *pro rata* to the number of years of the performance period that has been completed at that time. Those BEE CPS that do not vest in such circumstances will lapse.

In the event that Northam undergoes a change of control, all the BEE CPS that have not vested will be treated in the same manner as other conditional shares and vest in full at that time irrespective of whether the BIP performance condition has been met or not. This is consistent with the existing rules.

In order to retain key management, BEE CPS will lapse if a participant leaves the employ of the group before the vesting date unless their employment is terminated by reason of a no fault termination or early retirement.

No fault termination includes, *inter alia*, termination of employment by reason of a participant's death, retrenchment, retirement, ill health, injury, disability or any reason that is not a fault termination. A fault termination comprises termination of employment by reason of, *inter alia*, resignation or dismissal.

In the event that a participant leaves the employ of the group by reason of no fault termination or early retirement before the vesting date, and such date is (i) prior to 18 May 2020, then the BEE CPS which have not vested will lapse immediately; or (ii) after 18 May 2020, the participant will retain a proportionate amount of their BEE CPS which have not vested, calculated by reference to what proportion of the period from 18 May 2020 to 18 May 2025 has elapsed prior to the termination of employment.

DIRECTORS' REPORT continued

This provision is further illustrated in the table below:

Termination of employment between years:	Percentage of BEE CPS retained
0 – 6	0
6 – 7	20
7 – 8	40
8 – 9	60
9 - 10	80

BEE CPS retained in these instances will remain subject to the BIP performance condition and will only vest and be settled on the vesting date, together with BEE CPS held by other participants. In the event that a participant's employment is terminated as a result of death, injury or ill-health, and the committee is of the reasonable opinion that the BIP performance condition is likely to be fulfilled, it may, in exceptional circumstances, allow that participant's BEE CPS to vest and be settled immediately.

The rationale for retention by a participant of a portion of their BEE CPS after year 6 is that the key strategic decisions and actions affecting the value of a share over the BIP performance period are likely to be made during the first 5 years of this period. Thereafter, value delivery will depend upon, amongst other factors, the successful execution of such decisions as planned. Accordingly, it is deemed appropriate to allow for continued participation post year 5 notwithstanding termination of employment.

In the event that a participant leaves the employ of the group before the vesting date by reason of fault termination, that participant's BEE CPS that have not vested will lapse.

The CIBB is intended to comprise an incentive mechanism and a retention mechanism and further aligns management with the interests of Northam's shareholders.

Participants in the CIBB will include the participants noted previously and may include, from time to time, other employees of the group deemed to be critical to the group's operations and strategy. Participants in the CIBB, other than participants, will be required to be recommended for participation by management subject to approval by the committee.

Payments under the CIBB will be made annually, subject to the fulfilment of the CIBB performance conditions, as set out below, as at the 31st trading day following the publication of the company's financial results for each financial year.

Participants will receive, on an annual basis, 15% of their cost to company remuneration excluding performance bonuses, if the value of a share at the condition date (calculated as the 60 day VWAP of a share) is equal to or greater than the redemption amount per preference share.

Furthermore, participants will receive, on an annual basis, an additional 15% of their cost to company remuneration excluding performance bonuses, if the aggregate value of the shares held by Zambezi at the condition date (using the 60-day VWAP of a share) is sufficient to, in addition to fully settle the redemption amount, fully settle or make adequate provision for all of Zambezi's tax liabilities arising from settlement of the redemption amount, on the basis that no guarantee liability will arise and no member of the group will be required to give any direct or indirect financial assistance for the purposes of or in connection with the settlement of the redemption amount.

This will effectively incentivise achievement of the CIBB performance conditions on an annual basis.

For the avoidance of doubt, no CIBB payment will be made unless the CIBB performance conditions are achieved in that year.

The CIBB will also act as a robust employee retention mechanism. In the event that a CIBB recipient leaves the employ of the group within 12 months of receiving a CIBB (restraint period) for reason of a fault termination, that person will be required to repay to the company, before the deduction of PAYE, the *pro rata* amount of the CIBB received (calculated according to the number of months remaining in the restraint period). The CIBB refund penalty will dissuade CIBB participants from leaving the employ of the group by financially penalising them if they leave.

The CIBB will be terminated upon settlement or lapse of the BEE CPS.

DIRECTORS' REPORT continued

Special resolutions

The following special resolutions were passed by the shareholders at the AGM in November 2017:

- Approval of amendments to the existing MOI to increase the maximum number of directors
- Approval of non-executive directors' remuneration for the year ending 30 June 2018
- Approval of financial assistance
- Approval for general authority to repurchase issued shares.

Notice of the 2018 annual general meeting (AGM)

Notice is given in terms of section 62(1) of the Companies Act that the AGM of shareholders of Northam Platinum Limited will be held at Glenhove Conferencing, 52 Glenhove Road, Melrose Estate, Johannesburg, South Africa on Tuesday, 6 November 2018 at 10:00 for the following purpose:

Considering and, if deemed fit, adopting, with or without modification, the ordinary and special resolutions set out below:

Ordinary resolutions

- Receiving, considering and adopting the audited group annual financial statements for the year ended 30 June 2018
- Re-electing and election directors
- Re-appointing the independent external auditors
- Re-electing the audit and risk committee members
- Endorsing the group's remuneration policy and implementation report

Special resolutions

- Approval of amendment to the existing memorandum of incorporation (MOI) to increase the maximum number of directors
- Approval of non-executive directors' fees
- Approval of financial assistance
- Approval for general authority to repurchase issued shares

As well as transacting any other business as may be conducted at an AGM.

Record dates

In terms of section 59(1)(a) and (b) of the Companies Act respectively, the board of directors of the company has set the record date for the purpose of determining which shareholders are entitled to:

- receive the notice as Friday 31 August 2018 (being the date on which a shareholder must be registered in the company's securities register)
- participate in and vote at the AGM as Friday, 26 October 2018 (being the date on which a shareholder must be registered in the company's securities register in order to participate in and vote at the AGM).

Going concern

The board believes that the company and group have adequate financial resources to continue operating for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

The board is not aware of any material changes that may adversely impact the company and group or any material non-compliance with statutory or regulatory requirements.

Events after the reporting date

There have been no events subsequent to the year-end, which require additional disclosure or adjustment to these financial results, other than what has been disclosed in the financial statements.