INDEPENDENT AUDITOR'S REPORT

To the shareholders of Northam Platinum Limited

Report on the audit of the consolidated and separate financial statements for the year ended 30 June 2018

Opinion

We have audited the consolidated and separate financial statements of Northam Platinum Limited (the company) and its subsidiaries (the group) set out on pages 204 to 310, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing audits of Northam Platinum Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Northam Platinum Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The key audit matters apply equally to the audit of the consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-financial assets	
In the current financial year, a continued challenging market, low platinum basket price increases and a business imperative around cost containment necessitates an impairment assessment on long-lived assets. As part of this assessment there is continuous focus on the appropriateness of the assumptions used in life of mine planning. The group determines the recoverable amount of non-financial assets at the higher of fair value less cost of disposal and value in use as follows: • For reserves included in the life of mine plan – a discounted cash flow model approach is used; and • For *in-situ* resources not included in the life of mine plan - using the comparable transaction approach and listed entity market capitalisation per platinum ounce for early stage platinum companies. As detailed in note 4 of the annual financial statements, the assessment of the group's life of mine plans and any related impairment to the carrying value of mining assets requires significant estimation by management on key assumptions, which include future metal prices, exchange rates, ore reserves and production volumes, production cost, capital expenditure, inflation rates and discount rates. The assessment of the recoverable amount of the Cash Generating Unit (CGU) required significant audit effort in the current year as it involves the evaluation of significant judgements about the future mine planning, capital expenditure and costs of mining for the CGU as well as various other assumptions that impact future cash flow forecasts.	Our procedures included, amongst others, the following: • We performed procedures to update our understanding of the process which management follows to identify impairment indicators, as well as the conclusions reached. • We evaluated management's assumptions used in the life of mine plans by comparing the assumptions made to historical data as well as data available in the market. • We engaged with valuation experts to assess the assumptions with attention to the discount rate used, future metal prices, future exchange rates and expected inflation. • We considered the reasonableness of management's ability to forecast by considering the historical accuracy of forecasts made. • We recalculated the valuations made using sensitivity analysis, and assessed the accuracy of the valuation by agreeing inputs to underlying data sources and confirming that the formulas used in the valuation are correct. • We inspected the disclosures made in the annual financial statements of the key assumptions made in performing the impairment assessment and compared it with the required disclosure requirements of IAS 36. • We assessed the reasonableness of the CGUs determined by management in terms of IAS 36 through the identification of the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Physical quantities of inventory	
As discussed in note 16 in the annual financial statements, the group and company account for the four main platinum group metals - being platinum, palladium, rhodium and gold (4E) – as joint products. Metal inventory is held in a wide variety of forms across the mining and refining processes, and is only physically separated at the very end of the refining process. Therefore physical quantities of metal inventory are determined by: • sampling and assays of the material in process; • the historical head grade achieved per mine; • various recovery factors at different stages in the process; and • determination of the split of metals in such material. The volume of material can vary significantly in different measuring points in the pipeline and the impact of head grade changes can be material - as such the quantum of metal inventory requires significant estimation in its determination. There is an increased volume of inventory held largely as a result of the commissioning of a new smelter during the course of this financial year. As a result, this was a key area of audit focus in the current year.	Our procedures included, amongst others, the following: • We performed procedures to update our understanding of the process which management follows to quantify inventory held. • Observation of physical inventory counts by both management specialists and management. • We obtained external reports from management specialists, including metallurgists and surveyors, and agreed the quantities reported at 30 June 2018 to the accounting records, and recalculated the calculations for accuracy. • We evaluated the competence, capabilities and objectivity of management's specialists. • We assessed the conversion factors used to estimate the material measured to contained metal in relation to historical achievements.

Other information

The directors are responsible for the other information. The other information comprises additional information included in the annual integrated report, which includes, but is not limited to the directors' report, the audit and risk committee's report and the approval and company secretary's confirmation as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the annual integrated report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual integrated report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc., has been the auditor of Northam Platinum Limited for 34 years.

Ernst & Young Inc.
Director: Ebrahim Dhorat
Chartered accountant (CA)
Registered auditor
30 August 2018
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