

NORTHAM PLATINUM LIMITED

Incorporated in the Republic of South Africa

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("Northam" or "Company")

**NORTHAM CONCLUDES A FULLY FUNDED R6.6 BILLION
10 YEAR SECURED BLACK ECONOMIC EMPOWERMENT TRANSACTION,
INCORPORATING
A FULLY FUNDED R4.6 BILLION CAPITAL RAISING
AND RENEWAL OF CAUTIONARY**

Northam has concluded a fully funded R6.6 billion ten year secured Broad Based Black Economic Empowerment ("**BEE**") transaction, incorporating a fully funded R4.6 billion equity capital raising (collectively, the "**Transaction**"). The Transaction will secure a sustainable 35.4% Historically Disadvantaged South African ("**HDSA**") interest in Northam and simultaneously secure funding for the Company's expansion and growth plans.

KEY FEATURES OF THE TRANSACTION:

- Increase HDSA ownership (including the Toro Trust) to an effective 35.4%
- Injection of more than R4 billion of cash to execute Northam's growth strategy
- Recognition of Northam's current value and growth potential by the Company's anchor shareholders
- Resolving uncertainty regarding Northam's HDSA ownership status and enhance its ability to raise capital
- 10 year security of HDSA ownership, with Northam exceeding the HDSA equity ownership requirements set out in the Amendment of the Broad Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry published in terms of section 100(2)(a) of the Mineral and Petroleum Resources Development Act, No. 28 of 2002 ("**Mining Charter**")
- Immediate economic value transfer to the HDSA Transaction participants, including Northam's employees and communities, as well as a selection of HDSA strategic partners

- Transaction funding has been fully secured and a right to participate in funding shall be extended to all of Northam's eligible shareholders
- Positions Northam to deliver growth and value to a broad range of shareholders

Paul Dunne, Northam's Chief Executive Officer, said:

"This landmark transaction recognises the fundamental value of the company and its growth potential. We expect to realise further upside, armed with a powerful balance sheet and with substantial and meaningful empowerment participation."

Northam is well positioned as a fully-integrated, fully-empowered South African mine-to-market PGM producer. The transaction effectively catapults Northam into the '1st division' and, importantly, all stakeholders will share in the benefits of the business."

1. INTRODUCTION AND KEY OBJECTIVES

Northam is pleased to inform its shareholders ("**Shareholders**") of the terms and conditions of a proposed BEE transaction incorporating a capital raising, as set out in more detail in this announcement.

Previously, Afripalm and Mvelaphanda Holdings were Northam's primary BEE shareholders, holding 26% of the Company's issued shares. As a result of a collapse in the share prices of platinum producers, including Northam's, both Afripalm and Mvelaphanda Holdings breached covenants under their respective BEE financing arrangements. Consequently, they were required to dispose of a significant portion of their interests in Northam in order to address the breach of covenants, resulting in Northam's BEE ownership being eroded.

Northam has since set out to establish sustainable HDSA shareholding in the Company in order to comply with the HDSA ownership requirements set by the Mining Charter and, at the same time, to support Northam's strategic intent to grow the business.

Northam believes the platinum sector presents significant growth opportunities to a company with a well-capitalised balance sheet, excellent and sustainable empowerment credentials, coupled with a capable management team that has demonstrated its ability to manage complex mining assets and profitably grow the business.

Through the Transaction, Northam aims to:

- ensure fair treatment of its current Shareholders, by implementing a transaction for value;
- ensure qualifying Shareholders have the right to participate in the Transaction funding;
- issue new ordinary shares in Northam to HDSA beneficiaries;

- deliver an initial and immediate guaranteed economic value transfer to a broad range of HDSA beneficiaries, in a sustainable manner;
- establish further employee and community participation in the Company, thereby further enhancing the existing 4% direct economic participation in Northam's profits by its employees via the Toro Trust; and
- introduce key long-term strategic HDSA partners who will actively assist Northam in pursuing and realising the Company's growth objectives.

2. SALIENT TERMS OF THE TRANSACTION

- HDSAs will acquire 31.4% of Northam's issued share capital (following the implementation of the Transaction), through a combination of a subscription for new ordinary shares in the share capital of Northam ("**NHM Shares**") and the acquisition of existing NHM Shares (in issue), thereby increasing the Company's total effective HDSA ownership level to approximately 35.4%, when including the 4% direct beneficiation and participation in profits by Northam employees through the Toro Trust.
- A special purpose vehicle ("**BEE SPV**") will house the combined economic interests of the HDSA beneficiaries who will participate in the Transaction ("**HDSA Participants**").
- Northam will issue 112 195 122 new NHM Shares ("**Subscription Shares**") to BEE SPV (currently named Business Venture Investments No 1834 Proprietary Limited) ("**Share Issue**"), representing 22% of Northam's issued share capital (as enlarged by the Subscription Shares), at an issue price of R41.00 per Subscription Share, resulting in Northam receiving total subscription proceeds in an amount of R4.6 billion ("**Cash Subscription Amount**").
- Northam and BEE SPV have, on 21 October 2014, entered into a subscription agreement to record the terms and conditions of the Share Issue ("**Subscription Agreement**").
- The HDSA Participants shall acquire, via BEE SPV, a further 47 710 331 existing NHM Shares already in issue ("**Acquisition Shares**"), constituting an effective 9.4% of Northam's issued share capital post the Share Issue ("**Share Acquisition**").
- Upon implementation of the Share Issue and the Share Acquisition, BEE SPV will own 31.4% of Northam's issued share capital.
- In order to fund the Share Issue and the Share Acquisition, BEE SPV will issue preference shares ("**BEE Preference Shares**"), raising R4.6 billion in cash ("**Cash Pref Issue**").
- Immediately after the Cash Pref Issue, BEE SPV will apply the R4.6 billion it raises towards payment for the Subscription Shares.

- Shareholders will have the opportunity to subscribe for BEE Preference Shares to be issued in terms of the Cash Pref Issue, on a *pro rata* basis (“**Funding Rights**”), as more fully described in paragraph 3.1 below.
- In order to secure the funds required for the Cash Pref Issue, Northam has procured undertakings on BEE SPVs’ behalf from two key Shareholders (“**Institutions**”) to subscribe for R4.6 billion of BEE Preference Shares in cash (“**Capital Commitments**”), as more fully described in paragraph 3.2 below.
- In order to secure the Acquisition Shares, Northam and BEE SPV have entered into a sale of shares agreement (“**Sale of Shares Agreement**”) with the Public Investment Corporation SOC Ltd. (“**PIC**”), in terms of which PIC has undertaken to sell the Acquisition Shares which it currently owns to BEE SPV on *mutatis mutandis* on the same terms as the Share Issue, i.e. at a price of R41.00 per Acquisition Share to BEE SPV (“**PIC Contribution**”).
- BEE SPV will settle the purchase consideration pertaining to the Acquisition Shares, amounting to approximately R2 billion, by issuing BEE Preference Shares of an equivalent value to PIC on *mutatis mutandis* the same terms and conditions as the Cash Pref Issue (“**Non-cash Pref Issue**”).
- BEE SPV and all the HDSA Participants have agreed to enter into a 10 year lock-in agreement, pursuant to which BEE SPV and the HDSA Participants will secure and maintain the Transaction for a period of 10 years from the date on which the Transaction is implemented (“**Lock-in Period**”), as more fully set out in paragraph 3.5 below (“**10 Year Lock-in Arrangement**”).
- BEE SPV and the HDSA Participants, other than those beneficiaries with an effective interest in BEE SPV of less than 2.5% (“**Immaterial Beneficiaries**”), (“**Restrained HDSA Parties**”), have agreed to enter into a restraint agreement, pursuant to which BEE SPV and the Restrained HDSA Parties will be prevented from competing with the Northam group for the duration of the Lock-in Period, as more fully set out in paragraph 3.5 below (“**Restraint**”).
- In order to maintain the HDSA ownership credentials in BEE SPV, the HDSA Participants have agreed to trading restrictions that will prohibit them from disposing of their interests in BEE SPV (“**Trading Restrictions**”).
- In order to secure the 10 Year Lock-in Arrangement, the Restraint and the Trading Restrictions, in the context of BEE SPV paying the full subscription price for the Subscription Shares and given that the Acquisition Shares are not issued at a discount to BEE SPV, Northam will compensate BEE SPV in respect of these undertakings to be provided in favour of Northam. As such, Northam will pay a once-off lock-in, restraint and trading restriction fee (“**Lock-in and Restraint Payment**”) in an amount of R400 million to BEE SPV, which Lock-in and Restraint

Payment will be distributed to the HDSA Participants in the manner more fully described in paragraph 3.6 below.

- At its own cost but subject to a maximum annual amount, Northam has undertaken to perform the management and administration functions of the BEE SPV in terms of a management and administration agreement to be entered into with BEE SPV, as more fully contemplated in paragraph 3.8 below.
- Northam and Shareholders (directly and indirectly) stand to benefit substantially from the Transaction, including by:
 - receiving approximately R4.6 billion of gross cash proceeds from the Share Issue (i.e. before the R400 million Lock-in and Restraint Payment and Transaction costs);
 - issuing the Subscription Shares on terms favourable to Northam and Shareholders, as more fully described in paragraph 6 below;
 - securing HDSA ownership credentials for the duration of the Lock-in Period;
 - securing the Restraint;
 - securing the Trading Restrictions;
 - obtaining additional HDSA ownership credentials arising from the PIC Contribution, i.e. without a further new issue of NHM Shares.

In order to:

- secure the favourable terms and conditions set out above; and
- protect BEE SPV and the Transaction from the introduction of restrictive and onerous covenants and other financing risks generally associated with third party funding arrangements,

Northam has agreed to guarantee the redemption and payment of dividends in respect of the BEE Preference Shares ("**NHM Guarantee**") on the salient terms and conditions set out in paragraph 4.6 below.

- In return for providing the NHM Guarantee, Northam will hold the Acquisition Shares and the Subscription Shares (collectively, "**BEE NHM Shares**") as security in terms of a pledge and cession ("**Northam Security Arrangements**").

3. SPECIFIC ASPECTS OF THE TRANSACTION

On Tuesday, 21 October 2014, Northam, BEE SPV and the special purpose vehicles representing the HDSA Participants (“**Participant SPVs**”) other than those representing Northam employees and communities, entered into an agreement (“**Framework Agreement**”) setting out the key terms of the Transaction, including the specific aspects of the Transaction described in more detail in this paragraph 3.

The Framework Agreement and the Subscription Agreement are inter-conditional.

3.1 Funding Rights

In order to:

- limit any value or costs leakage to third party funders;
- secure the maximum potential Transaction funding participation and upside in favour of Shareholders; and
- allow all Shareholders to participate on the same basis in the Transaction’s funding as the Institutions that have provided the Capital Commitments,

Northam will offer, on behalf of BEE SPV, those Shareholders resident in South Africa and qualifying Shareholders in other jurisdictions the *pro rata* right (relative to their shareholdings in Northam) to subscribe for BEE Preference Shares through the issue of renounceable letters of allocation (“**RLAs**”), which shall be tradable on the Main Board of the exchange operated by the JSE Limited (“**JSE**”).

Recipients of the RLAs shall have the right, but shall not be obliged, to subscribe for BEE Preference Shares, pursuant to the Cash Pref Issue. Applications for the subscription of BEE Preference Shares in excess of the entitlement provided in terms of an RLA will be allowed, however the maximum number of BEE Preference Shares to be issued pursuant to the RLAs shall be limited to the number required to raise the quantum of the Cash Subscription Amount.

Further details of the Funding Rights and the distribution thereof, including the RLAs, will be set out in a circular to Shareholders.

The BEE Preference Shares will be listed on the Main Board of the JSE and will be classified as debt instruments.

3.2 Capital Commitments in respect of the Cash Pref Issue

Northam and BEE SPV have secured Capital Commitments from the Institutions in respect of subscriptions for the Cash Pref Issue, as follows:

- R3.1 billion from PIC; and
- R1.5 billion from Coronation Asset Management (Proprietary) Limited (“**Coronation**”).

3.3 Voting Undertakings

The Institutions have provided undertakings to vote in favour of the Shareholders resolutions required to approve and implement the Transaction, to the extent that they are permitted to vote on such resolutions and subject to customary provisions pertaining to voting undertakings, such as mandate restrictions and any relevant regulatory provisions, including the provisions of the JSE Listings Requirements (“**Voting Undertakings**”). Coronation and PIC currently hold approximately 21% and 18% of the NHM Shares in issue, respectively.

3.4 Liquidity Fee

In return for reserving the Capital Commitments and Acquisition Shares exclusively for purposes of the Transaction, Northam has agreed to pay each of the Institutions a liquidity fee equal to 2.5% of the value of their commitments pursuant to the Capital Commitments and the PIC Contribution.

3.5 10 Year Lock-in Arrangement, Restraint and security over BEE SPV’s HDSA status

Northam aims to retain its HDSA ownership levels throughout the Lock-in Period and to ensure that the long-term strategic interests of Northam are aligned with those of the HDSA Participants by avoiding a conflict of interest arising between the HDSA Participants, BEE SPV and Northam.

Accordingly, BEE SPV has, in terms of the Subscription Agreement:

- i. undertaken not to dispose of or encumber the BEE NHM Shares during the Lock-in Period; and
- ii. undertaken not to have any interest, whether financial or otherwise and whether directly or indirectly, in any competitor of Northam.

Furthermore, the Participant SPVs will undertake:

- iii. not to dispose of or encumber their interests in BEE SPV during the Lock-in Period;
- iv. to retain their shareholding structures in place until the 5th anniversary of the Implementation Date, where after Immaterial Beneficiaries shall be entitled to dispose of their interests in the Participant SPVs with the prior consent of Northam;
- v. not to have any interest, whether financial or otherwise and whether directly or indirectly, in any competitor of Northam;
- vi. that their key representatives shall not reduce their interests in their relevant Participant SPV for the duration of the Lock-in Period; and
- vii. that their beneficiaries (other than Immaterial Beneficiaries) shall be restricted from holding interests in competitors of or competing with Northam.

BEE SPV and the Participant SPVs, which are companies, have undertaken that their HDSA ownership levels shall not fall below 75% for the duration of the Lock-in Period. The trust which will be established for the benefit of the Northam employees has undertaken to maintain its HDSA ownership level at 60%.

In the event that the HDSA Participants breach any of their obligations to Northam and fail to remedy such breach within a stipulated period, Northam or its nominee shall be entitled to acquire the shares held by the relevant HDSA SPV in BEE SPV at a nominal value.

3.6 Lock-in and Restraint Payment

In consideration for the 10 Year Lock-in Arrangement, Trading Restrictions and the Restraint arrangement as set out above, Northam will make the once-off Lock-in and Restraint Payment to BEE SPV. This payment guarantees minimum, tangible economic value transfer to BEE SPV at the outset of the Transaction.

The Lock-in and Restraint Payment will be distributed by BEE SPV to the Participant SPVs.

Insofar as the Participant SPVs represent Northam's employees and the Northam communities, the funds derived from the above-mentioned payment will be applied solely towards capital goods and projects (including housing and employee and community infrastructure), healthcare and education, which expenditure has to be approved by Northam.

3.7 NHM Guarantee

Further details pertaining to the NHM Guarantee are set out in paragraph 4.6 below.

3.8 Administration and management of BEE SPV

Northam and BEE SPV will conclude an agreement in terms of which Northam will assume full responsibility for the administration of BEE SPV and the expenses related thereto, subject to a maximum amount per annum. This arrangement will ensure that BEE SPV remains free of liabilities associated with operational expenses and complies with the provisions of the various Transaction Documents (as defined in paragraph 7 below).

4. TERMS OF THE BEE PREFERENCE SHARES

4.1 Introduction

The entire class of BEE Preference Shares will be listed on the JSE and will be freely transferable. Full details of the BEE Preference Shares and their terms will be published by Northam, on behalf of BEE SPV, before the commencement of the offer in terms of which the Cash Pref Issue will be implemented.

In addition to the BEE Preference Shares, BEE SPV will issue one "N" share to Northam, granting the Company the right to implement mitigating action (such as an Early Redemption Event as defined and further detailed in paragraph 4.3 below) if BEE SPV has not complied with certain of the undertakings provided to Northam and, in other limited instances, aimed at maintaining the integrity of the Transaction at all times.

4.2 Dividend rate

The BEE Preference Shares shall be entitled to receive a dividend equal to a variable rate calculated on a daily basis as 3.5% (three hundred and fifty basis points) over the percentage publicly quoted as the prime overdraft rate of interest in South Africa ("**Base Rate**") from time to time ("**Dividend Rate**")

compounded annually (“**Preference Dividend**”). Based on the prevailing interest rates, the Dividend Rate currently equates to a nominal annual compounded annually rate of approximately 12.75%.

Preference Dividends will be classified as a dividend for income tax purposes in terms of the Income Tax Act, No. 58 of 1962, and, to the extent that they are not paid, shall accumulate, be capitalised annually and will accrue interest at the Dividend Rate.

All amounts payable to holders of BEE Preference Shares (“**BEE Preference Shareholders**”) pursuant to their terms shall, in most instances, be subject to increase and decrease provisions (generally referred to as “**Gross Up Events**”) in the event that, *inter alia*, these payments become subject to new taxes or increased taxation rates whilst the BEE Preference Shares are in issue.

In the event that the Dividend Rate is equal to or exceeds 20% for a continuous period of six months, whether as a result of a Gross Up Event and/or as a result of an increase in the Base Rate, Northam shall have the right, but shall not be obliged, to initiate an early redemption of the BEE Preference Shares.

4.3 Term

The BEE Preference Shares will be compulsorily redeemable on the day immediately preceding the 10th anniversary of the implementation date and will only be able to be redeemed before this date upon the occurrence of an early redemption event (“**Early Redemption Event**”). If an Early Redemption Event occurs, the BEE Preference Shareholders and/or the Company shall have the option to require the full and immediate redemption of the BEE Preference Shares and settlement of any outstanding Preference Dividends. The provisions regarding Early Redemption Events provide a mechanism through which the interests of the Company and BEE Preference Shareholders will be protected.

After 3 years and one day after the implementation date, if BEE SPV has accumulated excess funds after payment of the Preference Dividends, it shall be obliged to apply such funds towards the redemption (including partial redemption) of the BEE Preference Shares. Before this date, BEE SPV shall have the option of retaining such excess funds or applying them towards the redemption (including partial redemption) of the BEE Preference Shares.

4.4 Payment and treatment of Preference Dividends

For so long as the BEE Preference Shares are in issue, 90% of any ordinary cash dividends paid by Northam in respect of the BEE NHM Shares will be utilised by BEE SPV to settle accumulated Preference Dividends, with the remaining 10% being distributed as a dividend by BEE SPV to its ordinary shareholders (i.e. the Participant SPVs and ultimately their beneficiaries). BEE SPV will always elect to receive a cash dividend in the event that Northam declares a scrip dividend and these will be treated by BEE SPV as ordinary cash dividends. In the event that BEE SPV receives NHM Shares or letters of allocation pursuant to a Northam capitalisation issue or rights offer, respectively, these will be sold and the proceeds received shall be applied solely towards the payment of accumulated Preference Dividends and the redemption of BEE Preference Shares. Any amounts received by BEE SPV pursuant to the declaration of a special dividend, repurchase of NHM Shares or any return of capital by Northam will also

be applied solely towards the payment of accumulated Preference Dividends and the redemption of BEE Preference Shares.

4.5 Final redemption and settlement

When BEE SPV is required to redeem the BEE Preference Shares in full and settle all outstanding Preference Dividends (“**Redemption Amount**”), BEE SPV shall be able to elect to settle the Redemption Amount in cash, NHM Shares or a combination thereof.

If NHM Shares are issued to BEE Preference Shareholders, then such NHM Shares will be issued at a price equal to 90% of the 30 day volume weighted average price of an NHM Share as at the date that BEE SPV becomes obliged to redeem the BEE Preference Shares. BEE SPV will be allowed to raise funds or dispose of the BEE NHM Shares at this time, solely for the purpose of settling the Redemption Amount but only if BEE SPV is required to redeem the BEE Preference Shares pursuant to their terms.

4.6 NHM Guarantee and Northam Security Arrangements

BEE SPV will be a ring-fenced entity that cannot transact outside of the approved parameters of the Transaction. It will be precluded from, *inter alia*, encumbering or disposing of its assets.

Pursuant to the Northam Security Arrangements, the BEE NHM Shares and any cash accumulated within BEE SPV shall stand as security for the payments required to be made to BEE Preference Shareholders. Additionally, the redemption of the BEE Preference Shares will be secured by the Company in terms of the NHM Guarantee, in terms of which Northam will be responsible for the payment of all amounts which BEE SPV has contracted but failed to pay in terms of the BEE Preference Share terms by means of a cash payment or the issue of a determinable number of NHM Shares to the BEE Preference Shareholders, or a cash and NHM Share combination.

Should a liability arise under the NHM Guarantee, Northam may settle this liability by capitalising BEE SPV with cash and / or NHM Shares before the Redemption Amount becomes due or making payment directly to BEE Preference Shareholders. In the event that Northam elects to issue new NHM Shares directly to BEE Preference Shareholders, these shares will be issued at a value equal to 95% of the 10 day volume weighted average price of NHM Shares on the day immediately preceding the day that a claim is made under the NHM Guarantee.

In order to ensure that Northam has sufficient authorised but unissued NHM Shares available to it to for purposes of settling its potential obligations under the NHM Guarantee, Shareholders will be required to approve an increase in the Company’s authorised share capital and the specific issue of new NHM Shares specifically for this purpose.

5. OWNERSHIP STRUCTURE OF BEE SPV

5.1 BEE SPV’s ownership structure

BEE SPV has been established as the ring-fenced, special purpose entity through which the Transaction

will be implemented and its ordinary share capital shall be wholly-owned by the HDSA Participants through the Participant SPVs.

BEE SPV will subscribe for the Subscription Shares and acquire the Acquisition Shares. BEE SPV will also create and issue the BEE Preference Shares for purposes of funding the subscription of the Subscription Shares and its acquisition of the Acquisition Shares.

5.2 Beneficiaries introduced pursuant to the Share Issue

HDSA Participants introduced pursuant to the Share Issue, and funded by the Cash Pref Issue, broadly comprise Northam employees, communities and three private consortia. Each consortium is represented by strategically selected HDSA business partners and has been established for the benefit of diversified groups of HDSA persons, including broad-based HDSA organisations, and are set out below:

- **ESOP TRUST**

A trust established for the benefit of the Northam group's existing and future employees.

- **BOOYSENDAL COMMUNITY TRUST**

A trust established for the benefit of communities resident in the vicinity of Northam's Booysendal mine.

- **ZONDEREINDE COMMUNITY TRUST**

A trust established for the benefit of communities resident in the vicinity of Northam's Zondereinde mine.

- **ATISA RESOURCES CONSORTIUM**

A company established for the benefit of various HDSA persons and foundations and represented by Mr PL Zim, the Company's chairman.

- **MALUNDI RESOURCES CONSORTIUM**

A company established for the benefit of various HDSA persons and represented by Mr KB Mosehla. Mr Mosehla is a Chartered Accountant (SA) and currently serves as the Chief Executive Officer of Mosomo Investment Holdings, a well-known black empowerment investment company with a proven track record in transformation and with experience in mining, financial services and mass banking concepts.

- **WOMEN'S CONSORTIUM**

A company established for the benefit of HDSA women and represented by Advocate MB Madumise. Adv. Madumise is an admitted, non-practicing advocate with over 25 years' experience in business development and operations, currently running a woman led investment company, and serves as the Chairman of Business Unity South Africa. She previously served

as a member of the Minerals and Mining Development Board and has written numerous legal opinions regarding the interpretation and implementation of mining legislation.

5.3 Beneficiaries introduced pursuant to the Share Acquisition

Pursuant to the Share Acquisition, funded by the Non-cash Pref Issue, the HDSA Participants are represented by the Mpilo Resources Consortium which focuses on distributing value by incorporating the interests of HDSA companies and organisations into large transactions and enhancing the distribution of economic benefits to a broader base of participants.

- MPILO RESOURCES CONSORTIUM

A company supported by the Sakhumnotho Group, an organisation known for corporate social investment and represented by Mr SG Mseleku. Mr Mseleku is the chairman of the Sakhumnotho Group and has served, *inter alia*, as the Chief Executive Officer of the National African Federated Chamber of Commerce and Industry (NAFCOC). HDSA Participants in the Mpilo Resources Consortium include HDSA communities, black entrepreneurs, educational organisations and other broad-based entities.

5.4 Integration of the Share Issue and Share Acquisition HDSA Participants into a single investment vehicle

The two elements of the Transaction, namely the Share Acquisition and the Share Issue, were negotiated separately with the Institutions that provided the Capital Commitments and that are supporting the Transaction with the Voting Undertakings. Given that Northam and the HDSA Participants have agreed to *mutatis mutandis* the same Preference Share terms (including the same terms in respect of the NHM Guarantee) with both Institutions, the Institutions have agreed to allow Northam to consolidate the HDSA Participants pertaining to the Share Acquisition and the Share Issue into a single special purpose vehicle, namely BEE SPV, on the terms and conditions set out in this announcement.

Following the inclusion of all the HDSA Participants in the Transaction structure, BEE SPV's ordinary share capital will be held by the Participant SPVs in the following proportions:

PARTICIPANT SPV	INTEREST HELD IN BEE SPV (%)	EFFECTIVE INTEREST IN NORTHAM (%)
ESOP Trust	9.6%	3%
Community Trusts – Zondereinde and Booyensdal	15.9%	5%
Atisa Resources Consortium	12.8%	4%
Malundi Resources Consortium	12.8%	4%
Mpilo Resources Consortium	29.8%	9.4%
Women’s Consortium	19.1%	6%
Total	100%	31.4%

6. THE COMMERCIAL OUTCOMES OF THE TRANSACTION

The commercial outcomes of the Transaction are set out below.

- a) Northam will issue the Subscription Shares for cash at a price above the recent trading range preceding this announcement (9.27% premium to the volume weighted average price of a NHM Share for the 30 trading days preceding 21 October 2014, being R37.52 per NHM Share), which:
 - i. reduces potential value dilution associated with the issue of new NHM Shares;
 - ii. capitalises the Company, thereby allowing Northam to pursue growth opportunities during a distressed cycle in the platinum sector; and
 - iii. avoids short to medium term risks of diluting HDSA ownership levels as a result of capital raisings.
- b) Northam achieves actual (as opposed to notional) HDSA ownership at a level substantially in excess of the statutory requirements, addressing concerns regarding the effect that future NHM Share issues or legislative changes may have on Northam’s HDSA ownership level.
- c) It maximises Transaction sustainability and certainty by avoiding the risks ordinarily associated with third party funding and the application of onerous financial covenants.
- d) It eliminates value leakage to third party funders, as a result of Shareholders providing the funding and Shareholders having the opportunity to share in the funding returns or, alternatively, realising an immediate tangible benefit through the sale of RLAs, should they elect to do so.
- e) Immediate, tangible economic value being irrevocably secured by and transferred to the HDSA Participants via the Lock-in and Restraint Payment.

- f) Northam assumes the effective residual risk of the Transaction under the NHM Guarantee, whilst the Company stands to benefit from the cash raised pursuant to the Share Issue and the security of the 10 Year Lock-in Arrangement and concomitant HDSA ownership benefits, which represents fair value and risk to Northam. If Northam is required to make any future payment under the NHM Guarantee, it effectively constitutes a readjustment of the initial Subscription Share issue price and Acquisition Share issue price, i.e. adjusting the Transaction pricing to allow the BEE NHM Shareholders' returns to match the actual Dividend Rate.
- g) The 10 Year Lock-in Arrangement substantially reduces the effective cost of the Lock-in and Restraint Payment, to a nominal equivalent of R40 million per annum over a 10 year period on a straight-line basis, whilst providing Northam with significant HDSA ownership security of tenure, free from onerous covenants and related risks, in addition to providing the platform to Northam for a significant and efficient capital raising.

7. CONDITIONS PRECEDENT TO THE TRANSACTION

The implementation of the Transaction remains subject to the execution and completion of various agreements, other structural and regulatory documents and the satisfaction of the conditions precedent contained in those agreements already executed. All the documents and agreements required for purposes of implementing the transaction are collectively referred to as "**Transaction Documents**". Accordingly, the Transaction will not be implemented until such time as all the Transaction Documents have been executed and have become unconditionally operative.

7.1 Conditions precedent relating to Shareholders

The implementation of the Transaction and Cash Pref Issue remains subject to the fulfilment of the condition precedent that by no later than 17h00 on Friday, 20 February 2015, a general meeting of Shareholders is convened and Shareholders pass all those special and ordinary resolutions required to give effect to the Transaction, Cash Pref Issue and all matters ancillary thereto, including, *inter alia*:

- the allotment and issue of the Subscription Shares to BEE SPV in accordance with the Subscription Agreement;
- the allotment and issue of new NHM Shares to BEE Preference Shareholders, as settlement of their BEE Preference Shares pursuant to the NHM Guarantee;
- the granting of financial assistance by Northam in terms of sections 44 and 45 of the Companies Act, No. 71 of 2008, ("**Act**") pursuant to *inter alia*, the NHM Guarantee and the Lock-in and Restraint Payment; and
- an amendment to the memorandum of incorporation ("**MOI**") of Northam in order to increase the number of authorised NHM Shares so as to enable Northam to issue new NHM Shares to the BEE Preference Shareholders, pursuant to the NHM Guarantee,

(collectively, the “Shareholder Approvals Condition”).

7.2 Approval by BEE SPV’s board of directors and shareholders

Further the Transaction is subject to the following conditions precedent that, by no later than 17h00 on Monday, 1 December 2014:

- a) the board of directors of BEE SPV passes resolutions regarding, *inter alia*:
 - the issue of BEE Preference Shares to PIC and eligible shareholders;
 - the issue of BEE SPV ordinary shares to the Participant SPVs;
 - the issue of an N share in BEE SPV to Northam;
 - the granting of financial assistance, as and where necessary in terms of the Transaction Documents;
 - the disposal to third parties and transfer to Northam of the BEE NHM Shares pursuant to the provisions of the Transaction Documents; and
 - the listing of the BEE Preference Shares on the JSE;
- b) the Participant SPVs, in their capacities as shareholders of BEE SPV, pass resolutions *inter alia* approving:
 - the granting of financial assistance, as and where necessary in terms of the Transaction Documents;
 - in accordance with the provisions of section 112 as read with section 115 of the Act, the sale and transfer by BEE SPV of the BEE NHM Shares pursuant to the exercise and implementation of Northam’s pledge and cession over the BEE NHM Shares;
 - the replacement of the existing MOI of BEE SPV with a new MOI in order to, *inter alia*, create the BEE Preference Shares;
 - convert BEE SPV from a private company into a public ring-fenced company and change the name of BEE SPV so as to include the "RF" endorsement; and
 - all other resolutions as may be required or desirable in order to give effect to the Transaction and all matters ancillary thereto.

7.3 Conditions precedent pertaining to the Capital Commitments and Voting Undertakings

The Capital Commitments and Voting Undertakings are conditional upon the Shareholder Approvals Condition being fulfilled within 4 months of the date of this announcement.

8. PRO FORMA FINANCIAL INFORMATION

The board of directors of Northam are in process of preparing the *pro forma* financial information illustrating the *pro forma* financial effect that the Transaction would have on Northam's most recently reported financial results, in accordance with the JSE Listings Requirements and the Guide on *Pro Forma* Financial Information as revised and issued by the South African Institute of Chartered Accountants.

Once completed, the Company will publish the *pro forma* financial information in an announcement on SENS.

9. RELATED PARTIES

Mr PL Zim, Ms TE Kgosi and Mr CK Chabedi are directors of Northam and participate in the Transaction through the Participant SPVs. Furthermore, PIC, a material shareholder in the Company, holds a beneficial interest in a Participant SPV representing an effective interest of 0.4% in Northam's issued share capital as enlarged by the Share Issue.

10. SALIENT DATES AND TIMES OF THE TRANSACTION

Further details regarding the Transaction, the Transaction circular and the related salient dates and times will be published on SENS in due course.

11. RENEWAL OF CAUTIONARY

Shareholders are reminded to continue to exercise caution when dealing in the Company's securities, until such time as the Company publishes the *pro forma* financial information and advises Shareholders that they are no longer required to exercise caution when dealing in the Company's securities.

Johannesburg

22 October 2014

SOLE CORPORATE ADVISOR TO NORTHAM, SOLE BOOKRUNNER ON THE PREFERENCE SHARE CAPITAL AND SUBSCRIPTION COMMITMENTS, JSE TRANSACTION SPONSOR AND JSE EQUITY AND DEBT SPONSOR TO NORTHAM

One Capital

ATTORNEYS TO THE BOOKRUNNER

Cliffe Dekker Hofmeyr Incorporated

ATTORNEYS TO NORTHAM

Bowman Gilfillan Incorporated

ATTORNEYS TO BEE SPV

Cliffe Dekker Hofmeyr Incorporated

Northam Chief Executive, Paul Dunne, will be presenting the Transaction to the investment community today, Wednesday, 22 October 2014 at 10:30 at the JSE auditorium in Sandown. Further details of phone-in facilities and webcast are available at www.northam.co.za