

NORTHAM PLATINUM LIMITED
Incorporated in the Republic of South Africa
(Registration number 1977/003282/06)
Share code: NHM
Debt issuer code: NHMI
ISIN Code: ZAE 000030912
(“Northam” or “Company”)

PRO FORMA FINANCIAL EFFECTS OF NORTHAM’S BEE TRANSACTION AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Northam shareholders are referred to the announcement dated 22 October 2014 (“**Announcement**”) regarding Northam’s fully funded R6.6 billion 10 (ten) year secured BEE transaction, incorporating a fully funded R4.6 billion equity capital raising. Unless otherwise indicated, capitalised terms contained in this announcement shall bear the same meaning as the capitalised and defined terms contained in the Announcement.

2. PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION

The consolidated *pro forma* financial effects of the Transaction (“**Financial Effects**”) have been prepared using Northam’s financial results for the financial year ended 30 June 2014 (“**AFS**”). The Financial Effects have been prepared in accordance with the JSE Listings Requirements, SAICA’s Guide on *Pro Forma* Financial Information and the accounting policies adopted by the Company when preparing the AFS, which comply with International Financial Reporting Standards (“**IFRS**”).

The Financial Effects are prepared for illustrative purposes only, and because of their nature, may not provide a fair presentation of the Northam group’s financial position. The Financial Effects are the responsibility of Northam’s board of directors.

To facilitate an improved understanding of the Financial Effects, Shareholders are provided with a brief summary of certain of the Transaction’s salient features below:

- i. BEE SPV is an entity created for purposes of housing the combined economic interests of the HDSA Participants who own the entire issued ordinary share capital of BEE SPV. BEE SPV is not a subsidiary of Northam and is created solely for purposes of facilitating the Transaction.
- ii. BEE SPV is required to maintain its HDSA status and may not dispose of the BEE NHM Shares for 10 years.
- iii. Northam shall receive R4.6 billion in cash from the issue 112 million new NHM Shares to BEE SPV at R41.00 per share. Additionally, BEE SPV shall acquire a further 47 million existing NHM Shares for R2 billion at R41.00 per share.
- iv. BEE SPV shall fund the acquisition of the NHM Shares through the issue of 160 million cumulative, redeemable BEE Preference Shares for a total value of R6.6 billion. The BEE Preference Shares shall accrue Preference Dividends annually over a 10 year period at a Dividend Rate based on the prime interest rate plus 350 basis points.
- v. Whilst the BEE Preference Shares are in issue, BEE SPV shall be required to apply the majority of any income earned from the BEE NHM Shares towards the settlement of Preference Dividends. After 10 years BEE SPV shall be required to redeem the BEE Preference Shares and any accumulated Preference Dividends. BEE SPV may elect to settle this liability with the BEE NHM Shares or cash.
- vi. If BEE SPV is unable to settle the full amount due to the BEE Preference Shareholders, Northam shall be required to settle the shortfall. Northam may elect to settle any shortfall with cash or by the issue of new NHM Shares.

For purposes of the Company's consolidated financial statements, BEE SPV shall be consolidated by Northam as if it were a subsidiary. Consequently, Northam is required to incorporate the financial statements of BEE SPV into its consolidated financial statements, including the balances relating to the BEE Preference Shares, Preference Dividends and BEE NHM Shares. These items will be accounted for as described below:

- a. The BEE Preference Shares (issued by BEE SPV) shall be accounted for as a debt instrument by Northam. Accordingly, Northam shall record a liability equal to the value of the BEE Preference Shares (R6.6 billion) plus accumulated Preference Dividends.
- b. Northam shall account for the Preference Dividends accrued each year and payable by BEE SPV, as a finance charge expense with no related tax deduction.
- c. Because Northam will account for BEE SPV as a subsidiary, the BEE NHM Shares held by BEE SPV will be treated by Northam as unissued shares. This will result in the number of NHM Shares in issue being reduced by 160 million shares for accounting purposes.

	Before the Transaction	After the Transaction	Change (%)
Earnings per NHM Share (cents)	2.40	(607.30)	(25 404.2)
Headline earnings per NHM Share (cents)	2.20	(607.60)	(27 718.2)
Diluted earnings per NHM Share (cents)	2.40	(607.30)	(25 404.2)
Diluted headline earnings per NHM Share (cents)	2.20	(607.60)	(27 718.2)
Net asset value per NHM Share (cents)	2 865	2 584	(9.8)
Net tangible asset value per NHM Share (cents)	2 865	2 584	(9.8)
Weighted number of NHM Shares in issue	390 969 652	343 259 321	(12.2)
Diluted weighted average number of NHM Shares in issue	390 969 652	343 259 321	(12.2)
Number of NHM Shares in issue	397 586 090	349 875 759	(12.0)

Notes:

1. The figures included in the "Before the Transaction" column have been extracted, without adjustment, from the AFS.
2. For purposes of the consolidated statement of comprehensive income, it is assumed that the Transaction occurred on 1 July 2013, and for purposes of the consolidated statement of financial position, it is assumed that the Transaction occurred on 30 June 2014.
3. Northam shall receive cash in an amount of R4.6 billion through the issue of NHM Shares to BEE SPV, however, no income earned from the application or investment of these funds has been included in the Financial Effects.
4. BEE SPV will be consolidated in accordance with IFRS 10 and is therefore accounted for as a subsidiary of Northam resulting in the 160 million BEE NHM Shares held by BEE SPV being treated as unissued and the number of NHM Shares in issue, as disclosed in the AFS, being reduced by the 47 million issued NHM Shares acquired by BEE SPV. Furthermore, the BEE Preference Shares are treated as a liability of Northam (R6.6 billion) and the Preference Dividends accrued thereon (R836 million) are accounted for as an interest expense with no related tax deduction.
5. Estimated transaction costs of R120 million have been expensed together with a related reduction in taxation of R17 million. Liquidity fees payable by Northam of R163 million are deemed to be a component of the borrowing costs and are recognised as a finance charge over the 10 year term of the BEE Preference Shares.
6. The Lock-in and Restraint Payment of R400 million is expensed together with the related reduction in tax payable of R112 million.
7. The issue of ordinary shares in BEE SPV to the HDSA Participants other than the employee and community trusts, results in the need to account for a share based payment charge in accordance with IFRS 2. This share based payment charge has been estimated to equal R851 million and has been expensed in full. The actual share based payment charge will be calculated according to market information available as at the actual issue date of the BEE NHM Shares. This may result in the actual quantum of the share base payment charge varying materially from the amount reflected in the Financial Effects.

8. Until the BEE Preference Shares are redeemed, Preference Dividends and the liquidity fees will continue to be accounted for as finance charges and will therefore have a continuing effect on the Company.

3. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are advised that as a result of the publication of the Financial Effects, caution is no longer required to be exercised when dealing in the Company's securities.

4. EXTENSION TO THE 60 DAY RULE

Shareholders are further advised that the Company has received an extension from the JSE, to the 60 day rule described in paragraph 11.19 of the JSE Listings Requirements and will advise Shareholders of the dates upon which the Transaction circular is expected to be published in due course.

Johannesburg
12 December 2014

Corporate advisor, Bookrunner, Sponsor and Debt Sponsor
One Capital

Reporting accountants
Ernst & Young Inc.