



## **MEDIA STATEMENT**

**For immediate release**

**Northam Platinum concludes fully-funded 10 year R6.6 billion BEE equity transaction combined with a R4.6 billion capital raising**

***Transaction secures HDSA ownership for at least a decade, and facilitates Northam's ability to grow with net R4.0 billion cash injection***

**22 October, Johannesburg:** Northam Platinum Limited (Northam) today announced the conclusion of a successful equity raising of R4.6 billion, in conjunction with a fully-funded R6.6 billion Black Economic Empowerment (BEE) transaction. The dual and inter-related transactions will secure a sustainable 35.4% Historically Disadvantaged South African (HDSA) interest in Northam and, at the same time secure funding for the company's growth ambitions.

### **Key features of the transaction:**

- Increase HDSA ownership to an effective 35.4% (including the Toro Trust).
- Injection of R4 billion free cash to fund Northam's growth strategy.
- Current value and growth potential of the company recognised and supported by anchor shareholders, the Public Investment Corporation (PIC) and Coronation Asset Management (Pty) Ltd (Coronation)
- Resolves uncertainty relating to BEE and future fund-raising, so that Northam is well-positioned to deliver growth and value to a broad range of stakeholders.
- 10-year security of HDSA ownership, ensuring that Northam exceeds the minimum Mining Charter equity requirements, and is well-positioned in the sector as a potential HDSA partner for further transactions. The transaction has the support of the Department of Mineral Resources (DMR).
- Immediate economic value transfer to broad-based HDSA participants, including employees and communities, as well as a range of strategic HDSA partners.

- All funding for the transaction is fully-secured through support of major shareholders.
- Northam shareholders will have the right to participate in the transaction funding on a *pro rata* basis.

Northam CEO, Paul Dunne 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 ‘1<sup>st</sup> division’ and, importantly, all stakeholders will share in the benefits of the business.”

## **Introduction**

Following the unbundling of its Northam shares to its underlying shareholders by Mvelaphanda Resources (then Northam’s largest BEE shareholder) in 2011, Afripalm and Mvelaphanda Holdings (Mvela) were Northam’s major direct BEE shareholders, holding 26% of the company’s equity. As a result of a collapse in the share price of platinum producers, including Northam, both Afripalm and Mvela found themselves in breach of covenants under their respective BEE financing arrangements. Consequently, Afripalm and Mvela were required to dispose of a significant portion of their Northam shares in order to address the breach of covenants, resulting in Northam’s BEE shareholding being eroded.

Northam has continued to engage with potential empowerment partners, and with the DMR, on ways to re-establish its 26% BEE shareholding structure.

## **Aims of the transaction**

Northam’s aim in securing this transaction has been to:

- Ensure fair treatment of current shareholders through a transaction that is value-accretive, within acceptable risk parameters risk-free and which is sustainable, and in which shareholders have the opportunity to participate.
- Achieve meaningful empowerment, both at an employee and community level, and through the active participation of strategic HDSA partners.

- Raise capital to fund the company's growth ambition.

## **Structure of the transaction**

The proposed transaction is structured as follows:

- Northam will issue 112 195 122 new ordinary shares to the vehicle representing all the HDSA parties (BEE SPV), representing 22% of the company's issued share capital (after the issue) at a subscription price of R41 per share. This amounts to an aggregate consideration of R4.6 billion. The subscription price represents a premium of 9.3% to the 30-day volume weighted average price (VWAP) of a Northam share as at 20 October 2014.
- The HDSA participants, via BEE SPV, will acquire an additional 47 710 331 existing ordinary shares from the PIC, also at an acquisition price of R41 per share. This amounts to a total purchase consideration of R1 956 123 571. The PIC had previously acquired these shares with the intention of furthering the objectives of BEE at Northam, and has elected to use this transaction as the mechanism through which it will achieve this socio-economic objective.
- As a result of these transactions, HDSA shareholders will hold a 31.4% collective interest in Northam's issued share capital. Combined with the existing HDSA profit share of 4% by way of the Toro Trust, the total HDSA benefits in Northam will rise to 35.4%, providing long-term headroom.
- Northam will facilitate the issuing of 159 905 453 new HDSA listed preference shares with an aggregate value of R6.6 billion by the HDSA shareholders to finance the subscription for and acquisition of Northam shares.

Eligible Northam shareholders will be able to subscribe for BEE preference shares at an issue price of R41 per share. Subscription undertakings for the full value of the preference shares have been secured from Coronation and the PIC.

Northam will act as guarantor for the BEE preference shares. The rights provided to shareholders will be distributed as renounceable letters of allocation (LAs), the details of which are available in the SENS announcement. Eligible shareholders may elect to subscribe for preference shares, sell their letters of allocation on the JSE, allow the LAs to lapse or subscribe for preference shares in excess of their entitlement pursuant to their

LAs. Details relating to the dividend rate, the term and final redemption and settlement of the preference shares are detailed in the SENS announcement.

- To ensure immediate economic participation by the HDSA shareholders and in the interests of securing lock-in agreements with the HDSA shareholders wherein they undertake not to compete with Northam, nor to dispose of or encumber their interests for a period of 10 years, the HDSA participants will realise immediate economic benefit of R400 million.

Upon completion of the transaction – expected in first or second quarter 2015 – Northam will receive unencumbered funds, net of costs, in excess of R4 billion.

### **Setting up the BEE SPV**

The ordinary shares held by the BEE SPV will be held by the HDSA participants through separate entities specifically created for the purpose of the transaction and each representing a specific HDSA grouping, as follows:

- ESOP Trust set up for the benefit of Northam's existing and future employees. The ESOP Trust will hold a 3% interest in Northam. This is in addition to the existing Toro Trust, which remains in place. The mechanics of the ESOP trust will be put in place in the coming months, in consultation with organised labour.
- A Zondereinde Community Trust set up for the benefit of communities in the vicinity of Zondereinde Mine, near Thabazimbi; and the Booyensdal Community Trust set up for the benefit of communities in the vicinity of the Booyensdal Mine, located near Mashishing. The trusts will hold a 5% interest in Northam. Engagement with the various communities will be undertaken in the coming months to establish ways of ensuring maximum and broad-based benefit.
- The Atisa Consortium led by Mr Lazarus Zim, the company's previous empowerment partner and current chairman. The Atisa Consortium will hold a 4% interest in Northam.
- The Mpilo Resources Consortium led by Mr Siphon Mseleku, the chairman of Sakhumnotho Group, and the past CEO of Nafcoc. The Mpilo Resources Consortium will hold a 9.4% interest in Northam.
- The Malundi Consortium, led by Mr Brian Mosehla, the CEO of Mosomo Investment Holdings. The Malundi Consortium will hold a 4% interest in Northam.

- The Khumalela Women's Consortium led by Advocate Brenda Madumise, the former Chairman of Business Unity South Africa and acting chairman of PetroSA. The Women's Consortium will hold a 6% interest in Northam.

The transaction is subject to certain suspensive conditions and approvals.

Issued by Russell & Associates

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**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 webcasts are available at [www.northam.co.za](http://www.northam.co.za)**