

NORTHAM

P L A T I N U M L I M I T E D

EXPLAINING the **BEE TRANSACTION**

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DISCLAIMER

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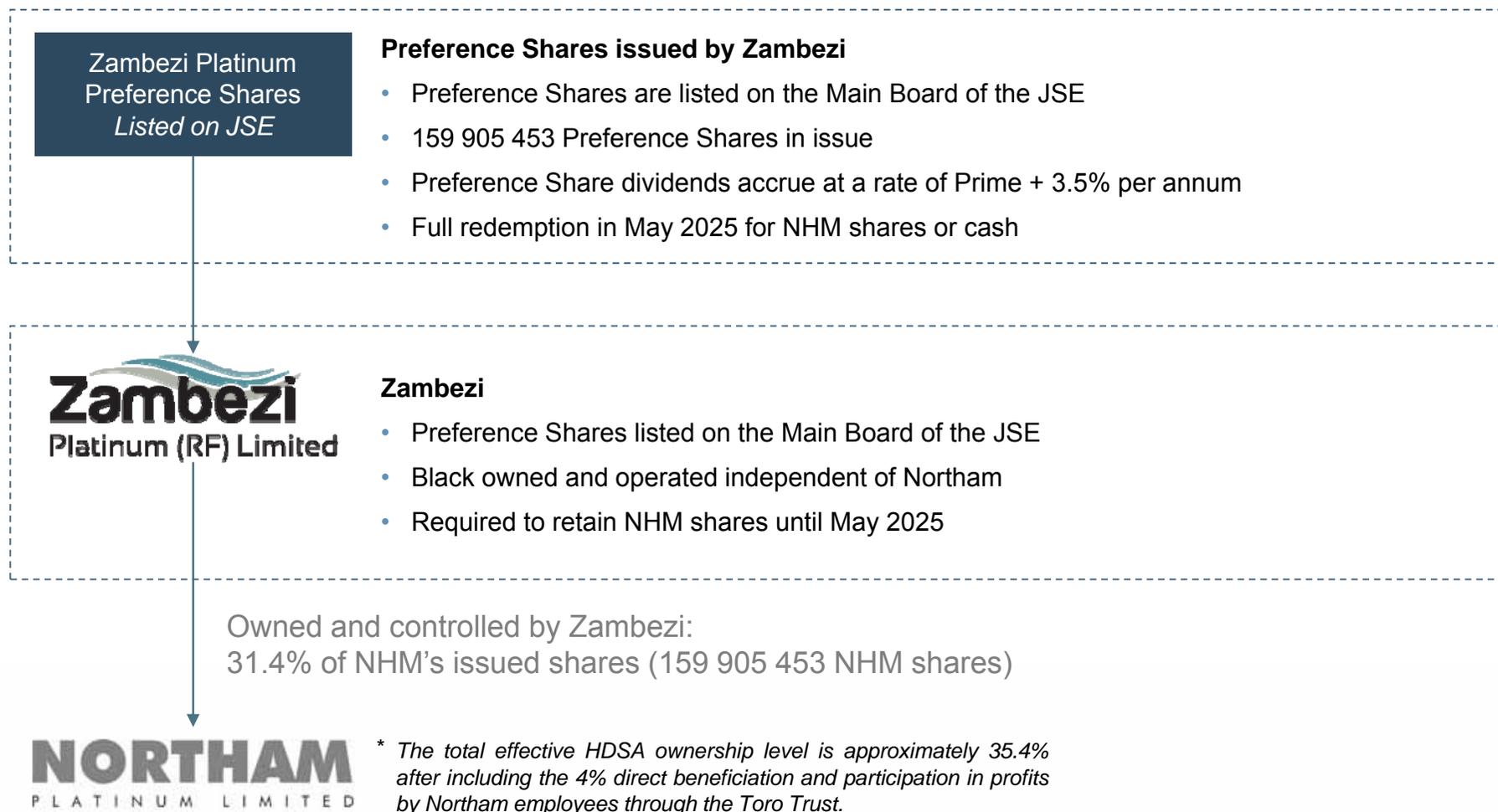
Changes in the economic and market conditions, the success or otherwise of business and operating activities, changes in the regulatory and legislative environment, fluctuations in metal prices and currency exchange rates, may influence the company's performance, and results may differ materially from those set out in the forward-looking statements.

INTRODUCTION

- During May 2015, Northam and Zambezi implemented a broad-based black economic empowerment transaction (“BEE Transaction”)
- Pursuant to the BEE Transaction, Zambezi acquired a 31.4% shareholding in Northam which it funded through the issue of preference shares which are now listed on the Main Board of the JSE (“Preference Shares”)
- This document provides the key terms and features of the BEE Transaction and explains the effect that the BEE Transaction and Preference Shares have on Northam

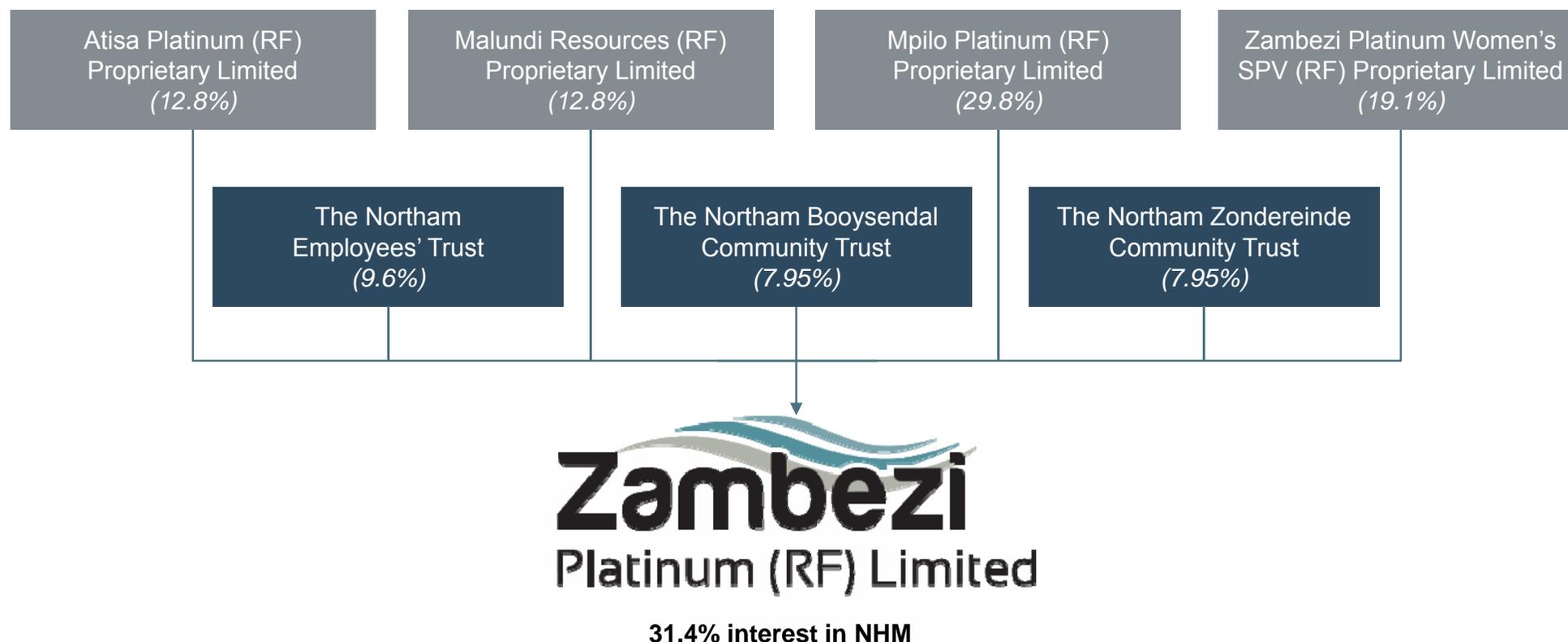


NORTHAM BEE STRUCTURE



ZAMBEZI ORDINARY SHAREHOLDERS

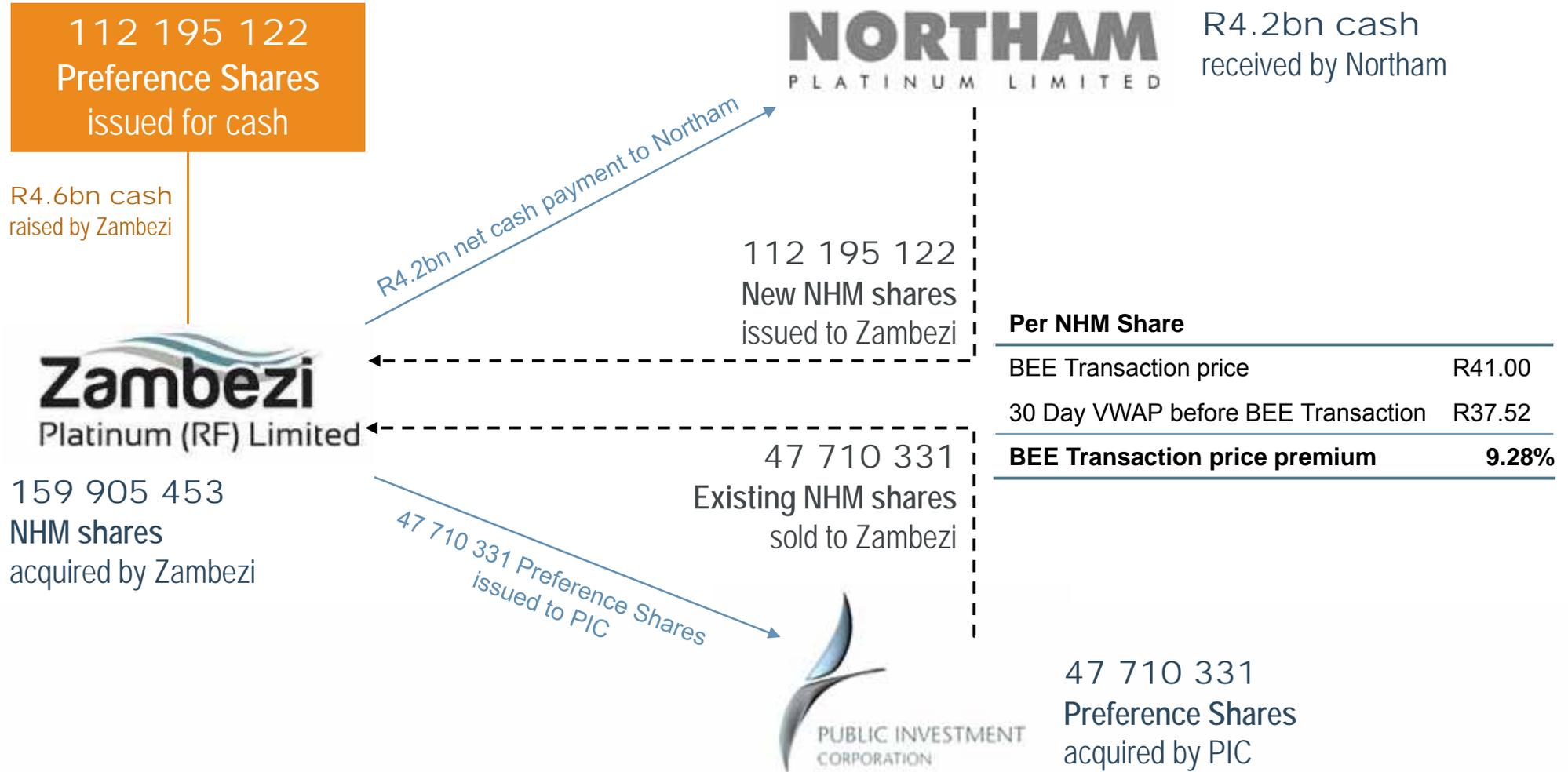
After redemption of the Preference Shares, any value retained in Zambezi will be for the benefit of its ordinary shareholders which comprise a broad selection of historically disadvantaged South African individuals and groupings as illustrated below:



OVERVIEW OF BEE TRANSACTION IMPLEMENTATION

- Zambezi acquired 159 905 453 NHM shares (“BEE Shares”) for R41 per share through two transactions:
 - a subscription for 112 195 122 new NHM shares issued by Northam (“Subscription Shares”) settled with cash in an aggregate amount of approximately R4.6 billion
 - an acquisition of 47 710 331 issued NHM shares from the PIC (“PIC Shares”) for approximately R2 billion, settled through the issue of the same number of new Preference Shares to the PIC
- Zambezi issued 159 905 453 new Preference Shares:
 - for cash of R4.6 billion, which was paid to Northam for the Subscription Shares
 - to the PIC to acquire the PIC Shares
- Zambezi agreed to a lock-in and restraint arrangement with Northam in terms of which it, inter alia, agreed to retain its BEE ownership credentials and hold the BEE Shares for a period of 10 years
 - Northam compensated Zambezi for this arrangement through a once-off cash payment of R400 million
- Northam received approximately R4.2 billion in cash from Zambezi net of the lock-in and restraint payment to Zambezi
- Zambezi listed the Preference Shares on the Main Board of the JSE and are freely tradable

SALIENT BEE TRANSACTION STEPS

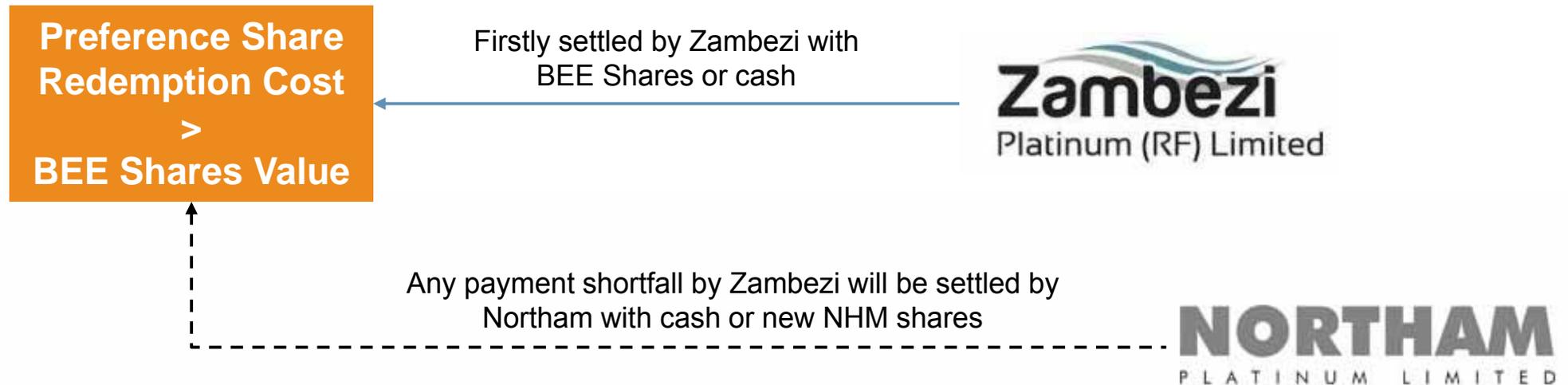


KEY BEE TRANSACTION HIGHLIGHTS

- The BEE Shares were issued by Northam to Zambezi at a premium to the market price at that time (9.28% premium)
- Northam received unencumbered cash of R4.2bn net of the lock-in and restraint payment paid to Zambezi
- Northam secured BEE ownership of 31.4% through Zambezi's NHM shareholding for a period of 10 years
- The PIC Shares were already in issue and therefore did not increase the number of NHM shares in issue
- The Preference Shares have terms that avoid the risk of financial default by Zambezi and provide additional certainty as to Zambezi's ownership of the BEE Shares throughout the 10 year period (refer to following slides)
- Zambezi's acquisition of NHM shares for full value and receipt of the lock-in and restraint payment allowed for an economic benefit to be immediately transferred to Zambezi and its beneficiaries on commercially sound terms

PREFERENCE SHARE GUARANTEE

- The Preference Shares may be settled in cash or with NHM shares
- The Preference Shares are secured by the BEE Shares (i.e. the NHM shares held by Zambezi)
- Zambezi can therefore directly utilise the BEE Shares to redeem the Preference Shares without having to raise cash for this purpose
- If the amount payable to Preference Shareholders, upon redemption, is greater than the value of the BEE Shares, Northam has agreed to settle the remaining amount payable to the Preference Shareholders with, at Northam's election, cash or new NHM shares ("Guarantee")



KEY FEATURES OF THE GUARANTEE

- Zambezi is liable for payment for the amounts due to the Preference Shareholders on redemption of the Preference Shares in May 2025. Amounts payable will comprise the Preference Shares' redemption value and any accumulated / unpaid Preference Share dividends ("Pref Dividends") at that time
- Payment under the Guarantee only occurs if the value of the BEE Shares is less than the amount payable by Zambezi on redemption of the Preference Shares
- Northam can elect to settle the Guarantee in cash or with new NHM shares and will therefore not be forced to raise cash if the Guarantee is called upon
- The Zambezi ordinary shareholders will not receive any value after redemption of the Preference Shares if the Guarantee is called upon

ACCOUNTING TREATMENT

- Although Zambezi is not owned by Northam and is independently listed on the JSE, Northam is required to consolidate Zambezi when preparing its consolidated annual financial statements
- Zambezi is therefore treated as if it were a subsidiary
- The consolidation of Zambezi by Northam results in the:
 - BEE Shares being treated as unissued treasury shares held by Northam, thereby reducing the number of NHM shares in issue for purposes of earnings per share and other related calculations
 - amounts payable by Zambezi to Preference Shareholders being reflected as a Preference Share liability payable by Northam
 - Pref Dividends being accounted for by Northam as a finance cost
- The consolidation of Zambezi does not:
 - account for increases in the value of the BEE Shares
 - offset the value of the BEE Shares against the Preference Share liability

ACCOUNTING TREATMENT

- As shown below, the consolidation of Zambezi by Northam can create the impression that the cost of the Preference Shares and their repayment is borne by Northam
- The normalisation of Northam's financial statements to account for this is illustrated from slide 25

| BEE TRANSACTION COMPONENT | COMMERCIAL EFFECT | ACCOUNTING TREATMENT ON CONSOLIDATION |
|----------------------------|---|---|
| Pref Dividends | Cost for Zambezi No cost for Northam | Cost for Northam |
| Preference Share liability | Full value is a liability for Zambezi No liability for Northam | Full value shown as a liability for Northam |
| BEE Shares | Asset for Zambezi Issued shares for Northam | Treated as unissued by Northam |
| Guarantee | Addresses Zambezi's solvency on redemption Northam liability = Preference Share value – BEE Shares value | Full value of Preference Share liability reflected as a liability payable by Northam (not reduced by the value of BEE Shares) |



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FREQUENTLY ASKED QUESTIONS

SUMMARY OF SALIENT BEE TRANSACTION TERMS

SUBSCRIPTION SHARES

| | |
|-----------------------|--|
| New NHM shares issued | <ul style="list-style-type: none">• 112 195 122 NHM shares |
| Issue price | <ul style="list-style-type: none">• R41 per NHM share• Aggregate value of ±R4.6bn |
| Lock-in payment | <ul style="list-style-type: none">• R400 million paid by Northam to Zambezi in exchange for a 10 year restraint of trade and BEE lock-in arrangement |

PIC SHARES

| | |
|---------------------|---|
| NHM shares acquired | <ul style="list-style-type: none">• 47 710 331 |
| Acquisition price | <ul style="list-style-type: none">• R41 per NHM share settled through the issue of Preference Shares• Aggregate value of ±R2bn |

SUMMARY OF SALIENT BEE TRANSACTION TERMS

CONT.

| PREFERENCE SHARE TERMS | |
|------------------------|--|
| Coupon | <ul style="list-style-type: none"> Floating annual effective rate of 3.5% above Prime |
| Value | <ul style="list-style-type: none"> R41 per Preference Share issued at an aggregate value of R6 556 123 573 |
| Term | <ul style="list-style-type: none"> 10 years subject to early redemption in specific instances |
| Issue date | <ul style="list-style-type: none"> 18 May 2015 |
| Classification | <ul style="list-style-type: none"> Guaranteed, secured, redeemable, cumulative instruments, which are listed on the Main Board of the JSE |
| Redemption | <ul style="list-style-type: none"> Bullet settlement of redemption value and accumulated dividends at end of term 90% of dividends received by Zambezi are applied towards Pref Dividends and redemption Settled, at Zambezi's election, in cash or NHM shares (NHM shares valued at a 10% discount to the 30 day VWAP before redemption) |
| Security | <ul style="list-style-type: none"> BEE Shares and Guarantee |
| Guarantee | <ul style="list-style-type: none"> Guarantees payment of amounts due to Preference Shareholders May be settled, at Northam's election, in cash or NHM shares (NHM shares valued at a 5% discount to the 10 day VWAP after call on the Guarantee) |

How do the Pref Dividends accrue and when are they paid?

- Pref Dividends accrue daily at an annual floating rate of 3.5% above Prime
- Pref Dividends accumulated whilst the Preference Shares are in issue shall be settled in full upon redemption of the Preference Shares. Accordingly, unpaid Pref Dividends increase the value of the Preference Share liability payable by Zambezi upon redemption of the Preference Shares
- For so long as the Preference Shares are in issue, 90% of any ordinary cash dividends paid by Northam to Zambezi in respect of the BEE Shares shall be used to pay accumulated Pref Dividends
- The remaining portion of the BEE Share dividends received by Zambezi (i.e. 10%) shall be distributed to the Zambezi ordinary shareholders as a dividend

If Northam declares a dividend that is not a cash dividend, how will this be handled in terms of the above distribution to Preference Shareholders?

- In the event that Northam declares a scrip dividend, Zambezi will be obliged to elect to receive a cash dividend and these amounts will be treated by Zambezi in the same manner as ordinary cash dividends
- In the event that Zambezi receives NHM shares or letters of allocation pursuant to a Northam capitalisation issue or rights offer, these will be sold and the proceeds received from such sale shall be applied solely towards the payment of accumulated Pref Dividends and the redemption of Preference Shares
- Any amounts received by Zambezi pursuant to the declaration of a special dividend by Northam, a repurchase of NHM shares or any return of capital by Northam will also be applied solely towards the payment of accumulated Pref Dividends and the redemption of Preference Shares

If all the accumulated Pref Dividends have been paid by Zambezi, how will any excess cash received by Zambezi as dividends be treated?

- Zambezi shall be obliged to deposit the excess cash dividend into a distribution receipts account
- In the event that there is cash available in the distribution receipts account within 3 years from the date that the Preference Shares are issued, Zambezi shall be entitled, but not obliged, to utilise the excess cash dividend to redeem Preference Shares
- After three years from the date that the Preference Shares are issued, Zambezi will be obliged to utilise excess cash to redeem Preference Shares

What is the term of the of the Preference Shares and can this term be shortened?

- The Preference Shares are redeemable on the day immediately preceding the 10th anniversary of the implementation date, being 18 May 2025
- There are 2 instances when early redemption of the Preference Shares may occur, namely, a Zambezi early redemption event or a Northam early redemption event
- Upon the occurrence of such an event, Northam, and in material instances the Preference Shareholders, will have the right to require the full and immediate redemption of the Preference Shares and outstanding Pref Dividends
- Examples of trigger events include, inter alia:
 - Zambezi breaching certain warranties and undertakings provided by it
 - an insolvency event occurs in relation to either Zambezi or Northam
 - there is a change of control in Northam or Northam ceases to be listed on the JSE
 - a material adverse event occurs in relation to either Zambezi or Northam
 - Zambezi ceases to contribute to Northam's HDSA equity ownership

What security is provided to the Preference Shareholders?

- The BEE Shares held by Zambezi are provided as security for the amounts payable to Preference Shareholders
- Zambezi is precluded from tainting this security by, inter alia, encumbering or disposing of its assets during the lock-in period
- The BEE Shares held by Zambezi and any cash accumulated within Zambezi (after payment of the prescribed ordinary dividends) shall be utilised solely in order to settle the Pref Dividends and redeem the Preference Shares
- Additionally, in the event that Zambezi is unable to settle the amount due to Preference Shareholders, Northam will settle all the remaining amounts owed by Zambezi to the Preference Shareholders pursuant to the Guarantee

Upon redemption of the Preference Shares, how will the outstanding amount be settled?

- Zambezi is entitled to redeem the Preference Shares and settle accumulated Pref Dividends, at its election, with cash and / or by distributing all or a portion of the BEE Shares to the Preference Shareholders.
- If Zambezi distributes BEE Shares to Preference Shareholders, the BEE Shares will have a deemed value equal to 90% of the 30 day VWAP ending the day immediately prior to the date on which Zambezi becomes obliged to redeem the Preference Shares.

How will the Preference Shares redemption amount be settled if the BEE shares value and cash within Zambezi are not sufficient to settle it?

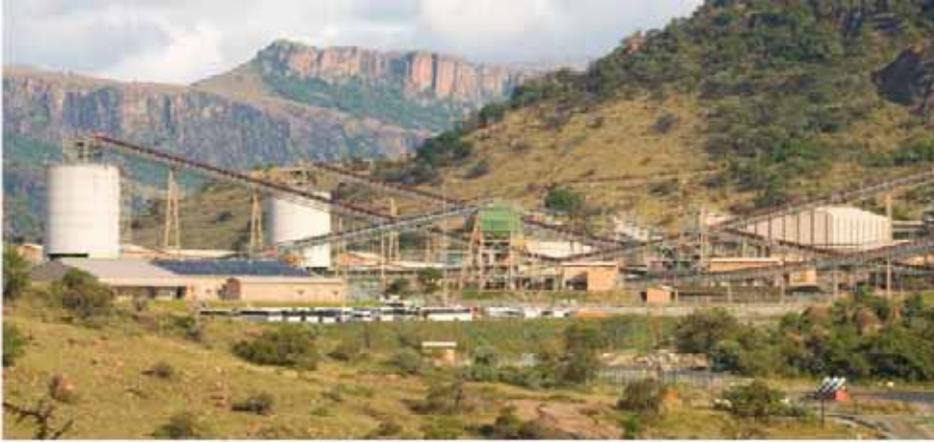
- If payment under the Guarantee is required, Northam will settle all amounts which Zambezi has contracted to pay (but failed to pay) in respect of the Preference Shares using, at **Northam's election** but subject to certain specific exceptions, cash and/or new NHM shares to the Preference Shareholders
- In the event that Northam elects to issue new NHM shares to settle Guarantee claims, such shares will be issued at a value equal to 95% of the 10 day VWAP for the 10 trading days succeeding the date upon which notice of a claim pursuant to the Guarantee is provided to Northam
- Alternatively, in the event that payment under the Guarantee will be required, Northam may elect to capitalise Zambezi before redemption of the Preference Shares with sufficient NHM shares and / or cash to redeem the Preference Shares in full

Why is an equity settled share-based payment reserve recognised as well as the accompanying expense in the income statement?

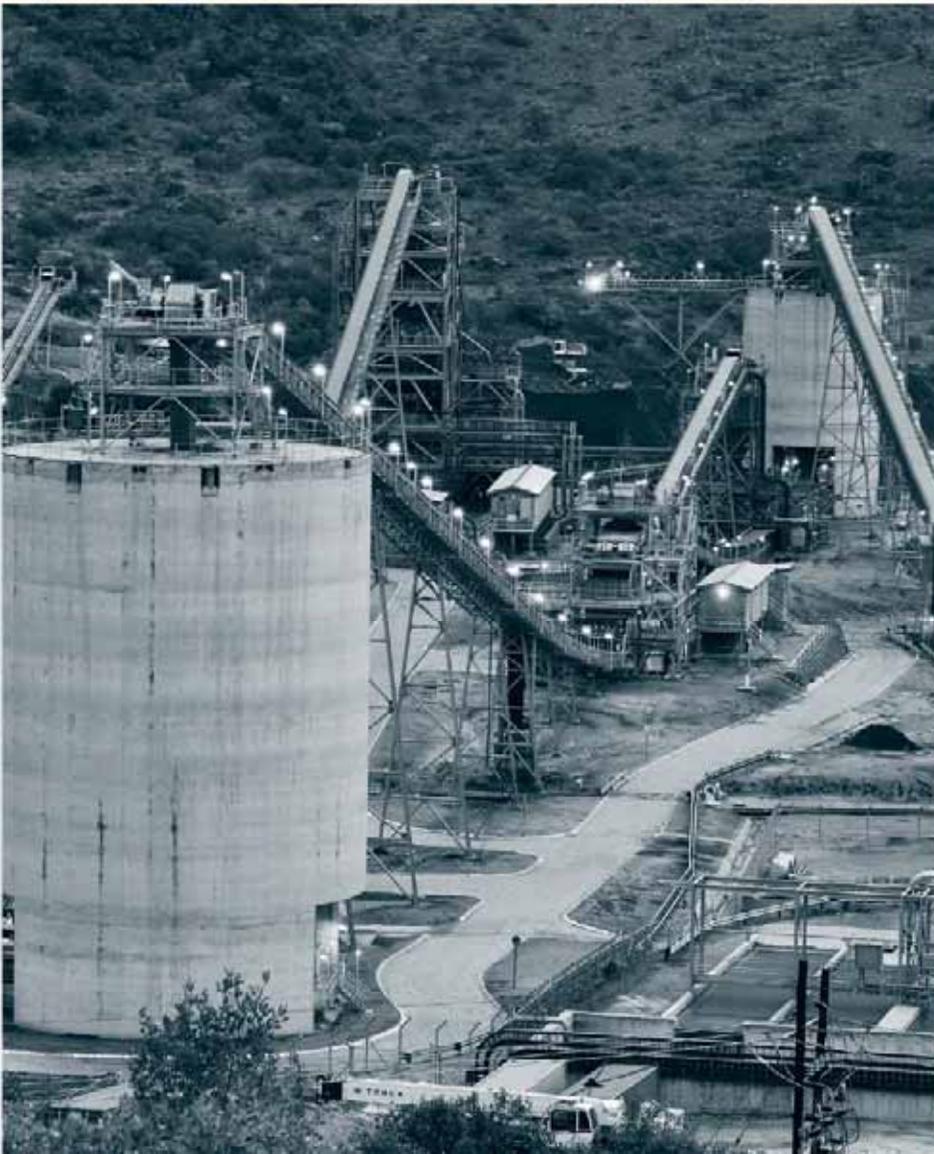
- In terms of IFRS 2 - Share-based Payment of the International Financial Reporting Standards, Northam was required to recognise a share-based payment expense in its income statement which is then included in equity settled share-based payment reserve (“Reserve”)
- The share-based payment expense and Reserve seek to reflect payment by Northam for the benefits it receives as a result of Zambezi being a shareholder (i.e. BEE ownership). Accordingly, the value of the benefit to be transferred to Zambezi’s ordinary shareholders at the end of the BEE Transaction period (i.e. 10 years) is estimated using an option valuation model and expensed immediately
- The share-based payment expense is a once-off expense reflected in the year that the BEE Transaction was concluded and does not effect Northam’s earnings on a continuing basis. Northam’s net asset value remains unaffected as a result of the Reserve off-setting the related decrease in Northam’s retained earnings as a consequence of the share-based payment expense

Why are the preference share liabilities and Pref Dividends accounted for in the Northam consolidated financial statements if Northam is only liable in the event that the Guarantee is called upon?

- In terms of IFRS 10 – Consolidated Financial Statements of the International Financial Reporting Standards, Northam is required to consolidate Zambezi’s financial results into its own
- As a result, Northam is required to consolidate the Preference Share liability and Pref Dividends into Northam’s financial statements
- Pref Dividends are reflected as a finance cost irrespective of whether they are actually paid or not. Payment of accumulated Pref Dividends by Zambezi will therefore reduce the Preference Share liability but not the finance cost in the income statement
- This does not necessarily reflect the commercial substance of Northam’s obligations under the BEE Transaction as payment by Northam under the Guarantee is only required if Zambezi cannot settle the amounts payable to Preference Shareholders



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NORMALISED FINANCIAL STATEMENTS

NORMALISED FINANCIAL STATEMENTS

The following slides illustrate the reported versus “normalised” balance sheet and income statement after removing the BEE Transaction effects from the consolidated Northam financial statements for the interim period ending 31 December 2015 and the financial year ending 30 June 2015



NORMALISED BALANCE SHEET

DECEMBER 2015

| R'm | Reported 31 Dec 2015 NORTHAM group results | Removal of ZAMBEZI | 31 Dec 2015 NORTHAM group results excluding Zambezi |
|--|---|-----------------------|--|
| Non-current assets | 13 660 | - | 13 660 |
| Current assets (excluding CCE) | 1 248 | - | 1 248 |
| Cash & cash equivalents (CCE) | 2 906 | - | 2 906 |
| Total assets | 17 814 | - | 17 814 |
| Non-current liabilities | | | |
| Deferred tax liability | 543 | - | 543 |
| Preference share liability | 6 932 | (6 932) | - |
| Other long term liabilities and provisions | 298 | - | 298 |
| Current liabilities | 1 098 | - | 1 098 |
| Total liabilities | 8 871 | (6 932) | 1 939 |
| Total equity | 8 943 | 6 932 | 15 875 |

The Preference Share liability of R6.9 billion is eliminated from Northam's balance sheet as this amount is payable by Zambezi and only arises as a result of Northam having to consolidate Zambezi.

It is therefore not an ordinary liability for Northam.

NORMALISED INCOME STATEMENT

DECEMBER 2015

| R'm | Reported 31 Dec 2015 NORTHAM group results | Removal of ZAMBEZI | 31 Dec 2015 NORTHAM group results excluding Zambezi |
|--------------------------|---|-----------------------|--|
| Revenue | 3 205 | - | 3 205 |
| Cost of sales | (3 112) | - | (3 112) |
| Operating profit | 93 | - | 93 |
| Investment revenue | 164 | - | 164 |
| Finance charges | (460) | 430 | (30) |
| Other income/(expenses) | 38 | - | 38 |
| Profit before tax | (165) | 430 | 265 |
| Tax | (108) | - | (108) |
| Profit after tax | (273) | 430 | 157 |

The consolidation of Zambezi by Northam results in the Pref Dividends being accounted for as non-cash finance charges (R430m). This interest relates to Zambezi and is therefore eliminated.

| | | |
|---------------------------------|------------|---|
| Operating profit | 93 | Non-recurring and / or extraordinary costs have been added back to calculate "normalised" EBITDA. |
| Other income/(expense) | 38 | |
| Add back: | 243 | This revised EBITDA figure is what Northam's lenders will utilise when testing debt covenants. |
| Depreciation and write-offs | 203 | |
| Impairment of non-core assets | 40 | |
| Normalised EBITDA | 374 | |
| Normalised EBITDA margin | 12% | |

NORMALISED BALANCE SHEET

JUNE 2015

| R'm | Reported 30 June 2015 NORTHAM group results | Removal of ZAMBEZI | 30 June 2015 NORTHAM group results excluding Zambezi |
|---|--|-----------------------|---|
| Non-current assets | 13 367 | - | 13 367 |
| Current assets (excluding CCE) | 1 646 | - | 1 646 |
| Cash & cash equivalents | 4 138 | - | 4 138 |
| Total assets | 19 151 | - | 19 151 |
| Non-current liabilities | | | |
| Deferred tax liability | 521 | - | 521 |
| Preference share liability | 6 493 | (6 493) | - |
| Other long term liabilities and provisions | 297 | - | 297 |
| Current liabilities (excluding DMTN) | 1 254 | - | 1 254 |
| Domestic medium term notes | 1 370 | - | 1 370 |
| Total liabilities | 9 935 | (6 493) | 3 442 |
| Total equity | 9 216 | 6 493 | 15 709 |

The Preference Share liability of R6.5 billion is eliminated from Northam's balance sheet as this amount is payable by Zambezi and only arises as a result of Northam having to consolidate Zambezi and is therefore not an ordinary liability for Northam.

NORMALISED INCOME STATEMENT

JUNE 2015

| R'm | Reported 30 June 2015 NORTHAM group results | Removal of ZAMBEZI | 30 June 2015 NORTHAM group results excluding Zambezi |
|--------------------------|--|-----------------------|---|
| Revenue | 6 036 | - | 6 036 |
| Cost of sales | (5 440) | - | (5 440) |
| Operating profit | 596 | - | 596 |
| Investment revenue | 72 | - | 72 |
| Finance charges | (246) | 101 | (145) |
| Other income/(expenses) | (1 290) | 875 | (415) |
| Profit before tax | (868) | 976 | 108 |
| Tax | (166) | - | (166) |
| Profit after tax | (1 034) | 976 | (58) |

The consolidation of Zambezi by Northam results in the Pref Dividends being shown as finance charges (R101m) and an IFRS 2 charge (R875m) being expensed by Northam. These expenses relate to Zambezi and are therefore reversed.

The BEE Transaction lock-in expense (R242m) has not been reversed as this was an actual cost for Northam.

| | |
|--|--------------|
| Operating profit | 596 |
| Share of income from associate and joint venture | 29 |
| Net sundry income / (expense) | (444) |
| Add back: | 1 016 |
| Depreciation and write-offs | 340 |
| Net BEE lock-in payment | 242 |
| Corporate action transactional costs | 173 |
| Impairment of non-core assets | 261 |
| Normalised EBITDA | 1 197 |
| Normalised EBITDA margin | 20% |

Non-recurring and / or extraordinary costs have been added back to calculate "normalised" EBITDA.

This revised EBITDA figure is what Northam's lenders will utilise when testing debt covenants.



GLOSSARY OF TERMS

GLOSSARY OF TERMS

| | |
|------------------------|---|
| BEE | Black economic empowerment |
| BEE Shares | 159 905 453 NHM shares acquired by Zambezi pursuant to the BEE Transaction |
| BEE Transaction | The broad-based black economic empowerment transaction concluded between Northam and Zambezi |
| bn | Billion |
| Guarantee | The guarantee provided by Northam in terms of which it undertakes to pay Preference Shareholders all amounts due to them pursuant to the Preference Share terms in the event that Zambezi cannot settle these amounts in full |
| HDSA | A “historically disadvantaged person” as defined in section 1 of the Mineral and Petroleum Resources Development Act, No. 28 of 2002, as amended from time to time |
| JSE | The JSE Limited and / or the exchange which it operates, as the context may require |
| m | Million |
| Northam or NHM | Northam Platinum Limited |
| PIC | Public Investment Corporation (SOC) Limited |
| PIC Shares | The acquisition by Zambezi of 47 710 331 NHM shares from the PIC |

GLOSSARY OF TERMS

| | |
|--------------------------------|---|
| Pref Dividends | Preference Share dividends that accrue daily at an annual floating rate of 3.5% above Prime |
| Preference Shareholders | Holders of the Preference Shares |
| Preference Shares | The Zambezi preference shares issued pursuant to the BEE Transaction, which are listed on the Main Board of the JSE |
| Prime | The interest rate quoted as the prime rate of interest in SA |
| Reserve | The equity settled share-based payment reserve recognised by Northam pursuant to the BEE Transaction |
| Revaluation Adjustment | It is the difference between the value existing Reserve and the revalued Reserve that is recognised in the income statement |
| Subscription Shares | The 112 195 122 new NHM shares issued by Northam to Zambezi |
| Toro Trust | The Toro Employee Empowerment Trust, Master's reference number IT3265/08 |
| VWAP | Volume weighted average price |
| Zambezi | Zambezi Platinum (RF) Limited |

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Shareholder information

| | |
|-----------------|--------------------------|
| Name | Northam Platinum Limited |
| Share code | NHM |
| ISIN code | ZAE 000030912 |
| JSE sector | Platinum |
| Shares in issue | 509 781 212 |