

NORTHAM BREATHES NEW LIFE INTO ELAND

Thumbs-up for Kukama project

Johannesburg, 26 June 2019. Northam is pleased to advise its shareholders that mining operations at the Kukama shaft situated at its Eland mine complex will recommence in the new financial year (F2020).

This significant development comes after the successful conclusion of a feasibility study for the Kukama project.

Background

Northam purchased a 100% interest in the Eland mine from Glencore Operations South Africa Proprietary Limited in February 2017 for a cash consideration of R175 million. Eland mine was placed on care and maintenance in 2015 and Northam continued to manage it as such whilst undertaking the feasibility study for the Kukama shaft.

In terms of the transaction, Northam acquired all of Eland mine's assets which included:

- Eland's two mining rights with a resource currently estimated at 19.3 Moz 4E at an average *in situ* grade of 3.95 g/t;
- surface and underground infrastructure including a concentrator with a nameplate capacity of 250 ktpm; a chrome spiral recovery plant; a tailings storage facility; two decline systems; and surface support infrastructure;
- immovable property; and
- a mining fleet in excess of 100 vehicles, which includes low profile mechanised mining equipment.

Key conclusions from the Kukama shaft feasibility study

- Steady state production of 150Koz pa 4E, at unit costs in the lower half of the industry cost curve.
- Forecast investment returns comfortably in excess of Northam's current weighted average cost of capital.
- Forecast positive free cash flow generated from year 4 onwards.
- Creation of 2 800 permanent jobs.
- Life of mine in excess of 30 years.

Current status of Eland mine

To date, Northam has continued to manage the Eland mine on care and maintenance whilst undertaking the feasibility study for the Kukama shaft.

Whilst completing the feasibility study for Kukama shaft and following positive feedback from the study, Northam commenced early work in preparation for its recommissioning. This includes refurbishing underground fixed and mobile equipment, as well as certain sections of the concentrator. Processing of the tailings storage facility at Eland mine has also commenced, which facilitated recommissioning of the surface plant and associated infrastructure.

The next steps

Conversion of the Kukama decline shaft into a footwall array will start in F2020, along with limited early stoping. Strike development and stoping build-up is scheduled to commence in F2021. Production is forecast to reach 100Koz pa 4E by 2025 and steady state production of 150Koz pa 4E is forecast from 2029.

Capital expenditure

Total developmental capital expenditure is estimated at R2.2 billion over a five-year period, in nominal terms (F2019 terms: R1.9 billion), which includes a provision for working capital requirements during the development phase. The project will be fully funded from Northam's own resources.