

**“Creating South Africa’s  
largest diversified empowered  
mineral resources company”**

**13 November 2003**



# **Rick Menell – Avmin**

**“Unlocking value for  
all stakeholders”**



# DELIVERY ON STRATEGIC REVIEW OBJECTIVES

- follows review of strategic direction and future structure of the Avmin group announced on 11 September 2003
- stated objectives:
  - establishing Avmin as a BEE company
  - build a strong financial base for Avmin

# THE PROPOSED ACQUISITION PROCESS

- **STEP 1**

Harmony acquires Avmin's shares in Avgold in exchange for Harmony shares

- **STEP 2**

Avmin acquires ARMI's stake in Harmony and Modikwa in exchange for Avmin shares

- **STEP 3**

Avmin acquires Harmony's stake in Kalplats in exchange for Avmin shares

- **STEP 4**

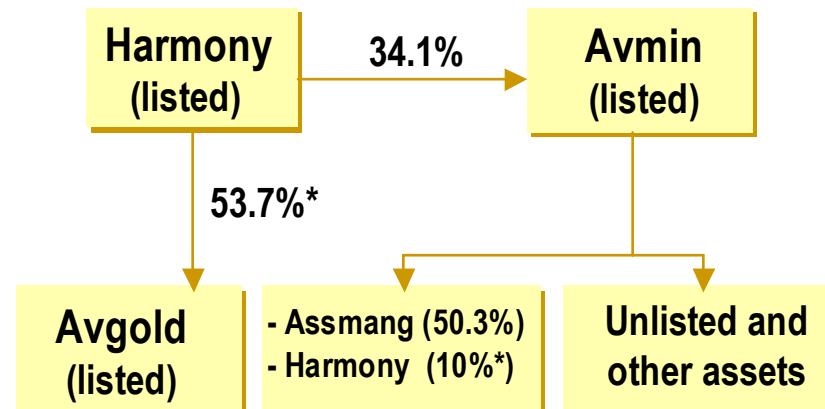
ARM acquires control over Harmony's stake in Avmin



# THE PROPOSED ACQUISITION PROCESS

## Step I

**Sell 42.2% of Avgold to Harmony in consideration for Harmony shares @ 10.0 ratio (10.0 Avgold for 1 Harmony)**



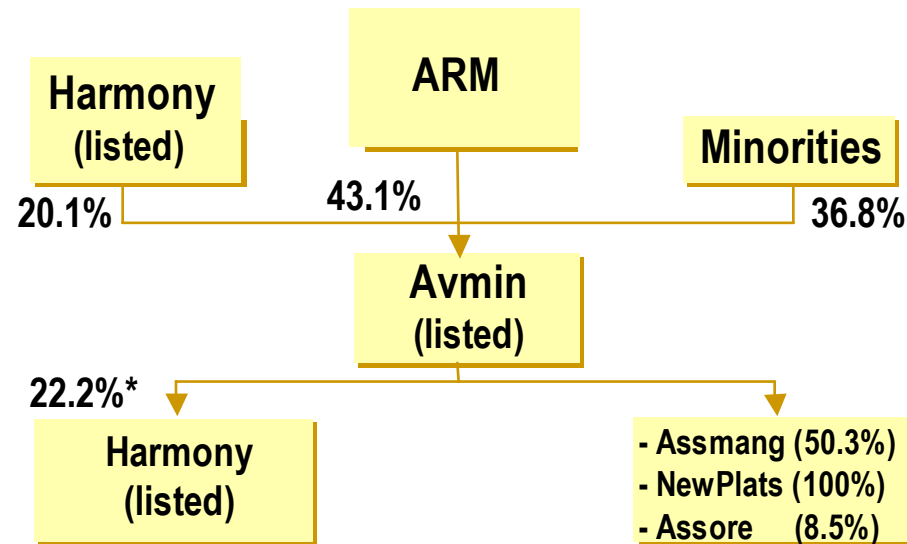
\* Prior to implementation of mandatory offer

# THE PROPOSED ACQUISITION PROCESS

## Step 2 & 3

Avmin acquires in consideration for Avmin shares:

- ARM's Harmony shares (13.6%) and
- ARM's 83% interest in 50% of the Modikwa
- Harmony's Kalplats Platinum project

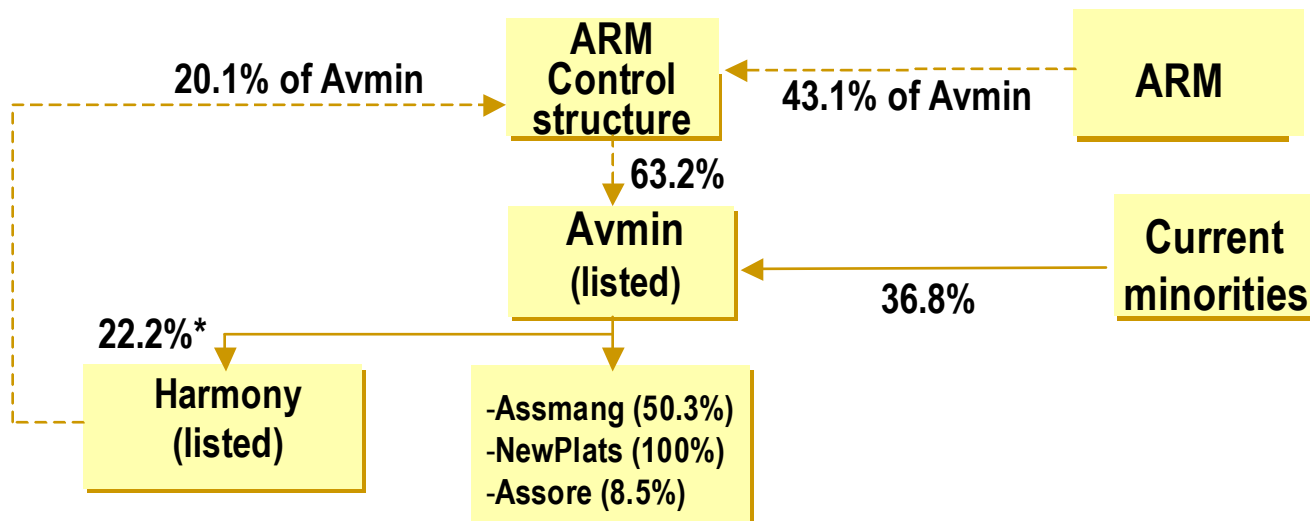


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# THE PROPOSED ACQUISITION PROCESS

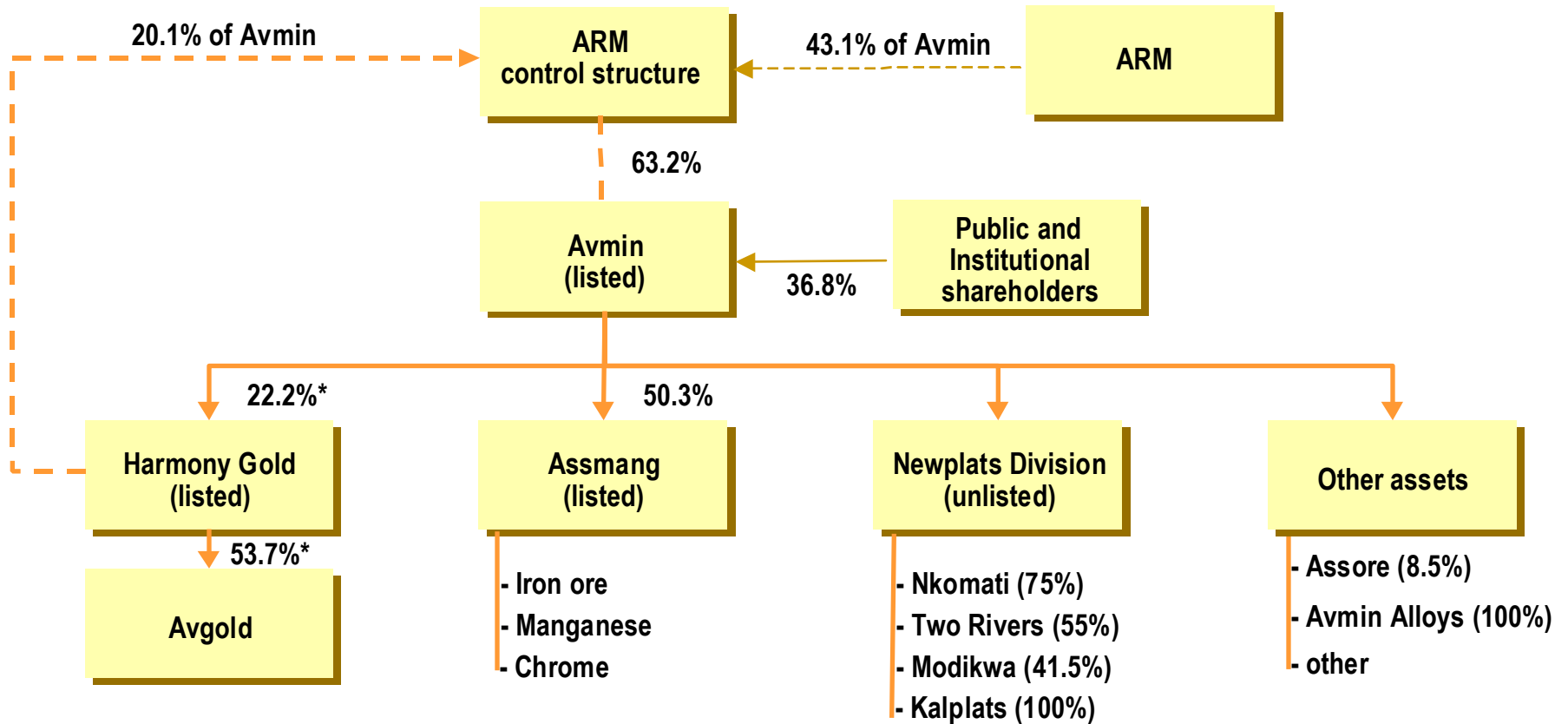
## Step 4

Harmony merges its remaining shares in Avmin with the Avmin shares controlled by ARM



\* Prior to implementation of mandatory offer

# THE STRUCTURE OF THE NEW SOUTH AFRICAN MINING CHAMPION



\* Prior to implementation of mandatory offer

# PROPOSED MANAGEMENT STRUCTURE POST TRANSACTION

- **Patrice Motsepe to be appointed as chairman**
- **Rick Menell to be appointed deputy chairman of both Avmin and Harmony**
- **Avmin's board to be changed to meet the new company's objectives**
- **strategic management to be strengthened**

# WHAT'S IN IT FOR AVMIN?

- **creates SA's largest diversified, empowered mineral resources company**
- **shares issued at 15% premium to market price**
- **capital raising capability for sound investment projects**
- **critical mass in attractive sectors:**
  - **ferrous metals (iron ore and manganese)**
  - **PGM's and nickel**
- **growth potential**
  - **acquisitions**
  - **joint ventures**



- **pioneering new-order mining company**
  - **JSE Securities Exchange listing**
  - **improved balance sheet**
  - **project building and operating skills**
- **10 year Mining Charter compliance target exceeded**
- **more opportunities to be created**

# IMPACT OF VALUATIONS

## Step 1: Harmony acquires 42.2% of Avgold

## Transaction as proposed

### Transacting prices:

Harmony 30 day VWAP

R101.07 per share

Proposed exchange ratio (per Harmony share)

10.00 Avgold shares

Implied Avgold price

R 10.11 per share

### Implications:

New Harmony shares to be issued for 42.2%  
of Avgold ('000)

28 631\*

Implied percentage held by Avmin

10%\*

\* Prior to implementation of mandatory offer



# IMPACT OF VALUATIONS

**Step 2 & 3: Avmin acquires ARM's 13,6% shares in Harmony and effective 41.5% of Modikwa and Kalplats** Transaction as proposed

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**Issue price of new Avmin share** R50.00 per share

**New Avmin shares to be issued for:**

- Arm's Harmony shares	70.8m
- Arm's Modikwa interest	17.0m
- Harmony's Kalplats	<u>2.0m</u>
	<u>89.8m</u>

**The above results in the following:**

<b>ARM's effective holding in Avmin</b>	<b>43.1%</b>
<b>Harmony's holding in Avmin</b>	<b><u>20.1%</u></b>
<b>Potential holding by ARM</b>	<b>63.2%</b>
<b>Avmin's holding in Harmony</b>	<b>22.2% *</b>

\* Prior to implementation of mandatory offer

# AVMIN'S EXPOSURE TO HARMONY

- **pure unhedged gold company**
- **upgrading the quality of Harmony's production base**
- **not a single gold project company**
- **proven track record in delivering shareholder value. i.e. capital growth and dividends**
- **delivery of Target North**



# ASSMANG – QUALITY FERROUS METALS PORTFOLIO

- **manganese / ferromanganese**
  - largest (high-grade) reserves in the world
  - second largest producer in South Africa
  - top five producer worldwide
  - new manganese shaft will reduce operating costs
- **iron ore**
  - second largest producer in South Africa
  - building up to 6 million tons per year
  - key participant in potential consolidation
- **chrome ore / ferrochrome**
  - dedicated (low cost/good quality) ore supply
  - new furnace will increase output to 300ktpa

# POTENTIAL IN PGMs AND NICKEL

- **Modikwa – new state-of-the-art operation with large in-situ total resource of 62,2 Moz**
- **Two Rivers – high grade, future potential**
- **Nkomati – SA’s only primary nickel operation with significant expansion potential (with PGMs)**
- **Kalplats - early stage discovery**
- **opportunities for**
  - **acquisitions**
  - **joint ventures**
- **possible future listing**

# OTHER POTENTIAL VALUE UPLIFTMENT

- **Assore – strategic investment linked to Assmang**
- **AvAlloy - beneficiation programme**
  - **strategic alliances being formed**
- **exploration – SA, Zambia, DRC, Namibia**

## **Patrice Motsepe – ARMI**

**“Positioned to participate in  
the changing South African  
resources industry”**

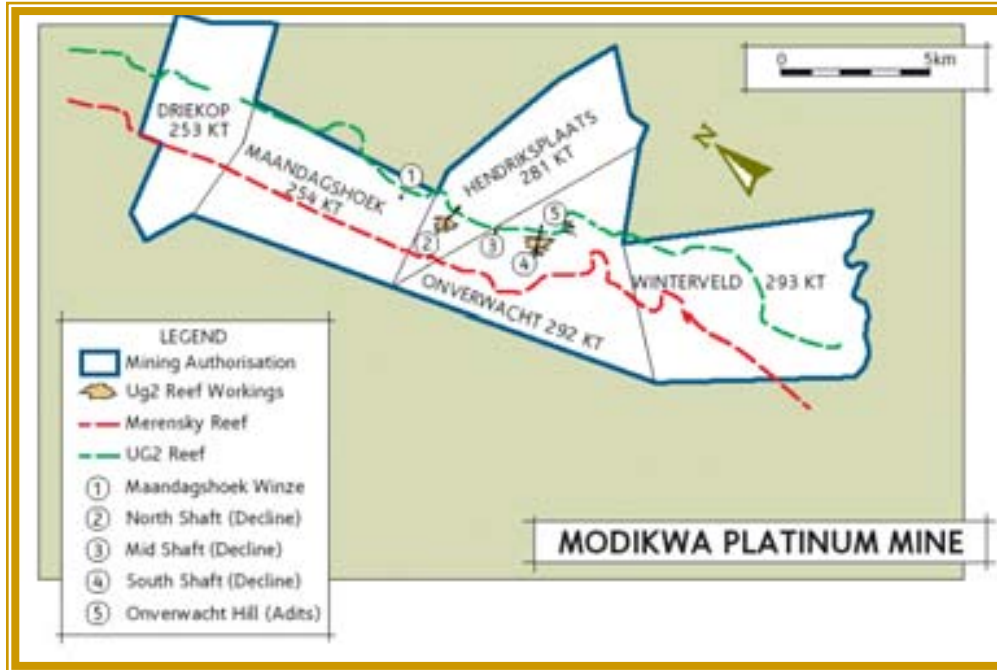
- **creation of “South African Mining Champion”**
- **first BEE mining house competing on an equal footing**
- **exposure outside gold for ARM**
- **unlocking value of Modikwa to allow for further growth into independent listed platinum producer**
- **well positioned to participate in the changing SA resource industry**

- **unincorporated JV between Anglo Platinum (50%) and ARM Mining Consortium (50%)**
- **ARM Mining Consortium comprises ARMplatinum (83%) and BEE participants, i.e. the Maandagshoek communities (17%)**
- **Anglo Platinum and ARM Mining Consortium jointly hold the Section 9 mining licence (2025)**
- **ARM Mining Consortium sells metal in concentrate to Anglo Platinum through a concentrate sales agreement**

- **capital expenditure to date - R2.08bn (in 2003 terms)**
- **the planned steady-state production (per annum)**
  - **2.4 million tons of ore**
  - **162 000 oz Pt**
  - **146 000 oz Pd**
- **life of mine - 100 years (at the above production rates)**
- **concentrator site has been designed to cater for doubling in capacity**

# MODIKWA PLATINUM PROJECT

## Map



## Resources and reserves (1)(2)(3)

	Tonnage KT	Grade G/T
<b>Total resource</b>	<b>362 084</b>	<b>5.34</b>
<b>Inferred resource</b>	<b>225 972</b>	<b>5.33</b>
<b>Indicated resource</b>	<b>79 071</b>	<b>5.35</b>
<b>Measured resource</b>	<b>57 041</b>	<b>5.40</b>

## Notes:

(1) Excludes Merensky (2) Excludes Modikwa Deeps (3) No allowance for geological losses

# ARMI HAS EXPOSURE TO DIVERSE ASSET BASE

<ul style="list-style-type: none"><li>• <b>gold</b></li></ul>	<ul style="list-style-type: none"><li>- <b>Harmony (22.2%) (through Avmin)</b></li></ul>
<ul style="list-style-type: none"><li>• <b>platinum</b></li></ul>	<ul style="list-style-type: none"><li>- <b>Modikwa (41.5%)</b></li><li>- <b>Nkomati (75.0%)</b></li><li>- <b>Two Rivers (55.0%)</b></li><li>- <b>Kalplats (100%)</b></li></ul>
<ul style="list-style-type: none"><li>• <b>ferrous metals</b></li></ul>	<ul style="list-style-type: none"><li>- <b>Assmang (50.3%)</b><ul style="list-style-type: none"><li>- <b>iron ore</b></li><li>- <b>manganese ore and alloys</b></li><li>- <b>chrome ore and alloys</b></li></ul></li></ul>

## **Bernard Swanepoel – Harmony**

**“Avgold to further upgrade the quality of  
Harmony’s production base”**

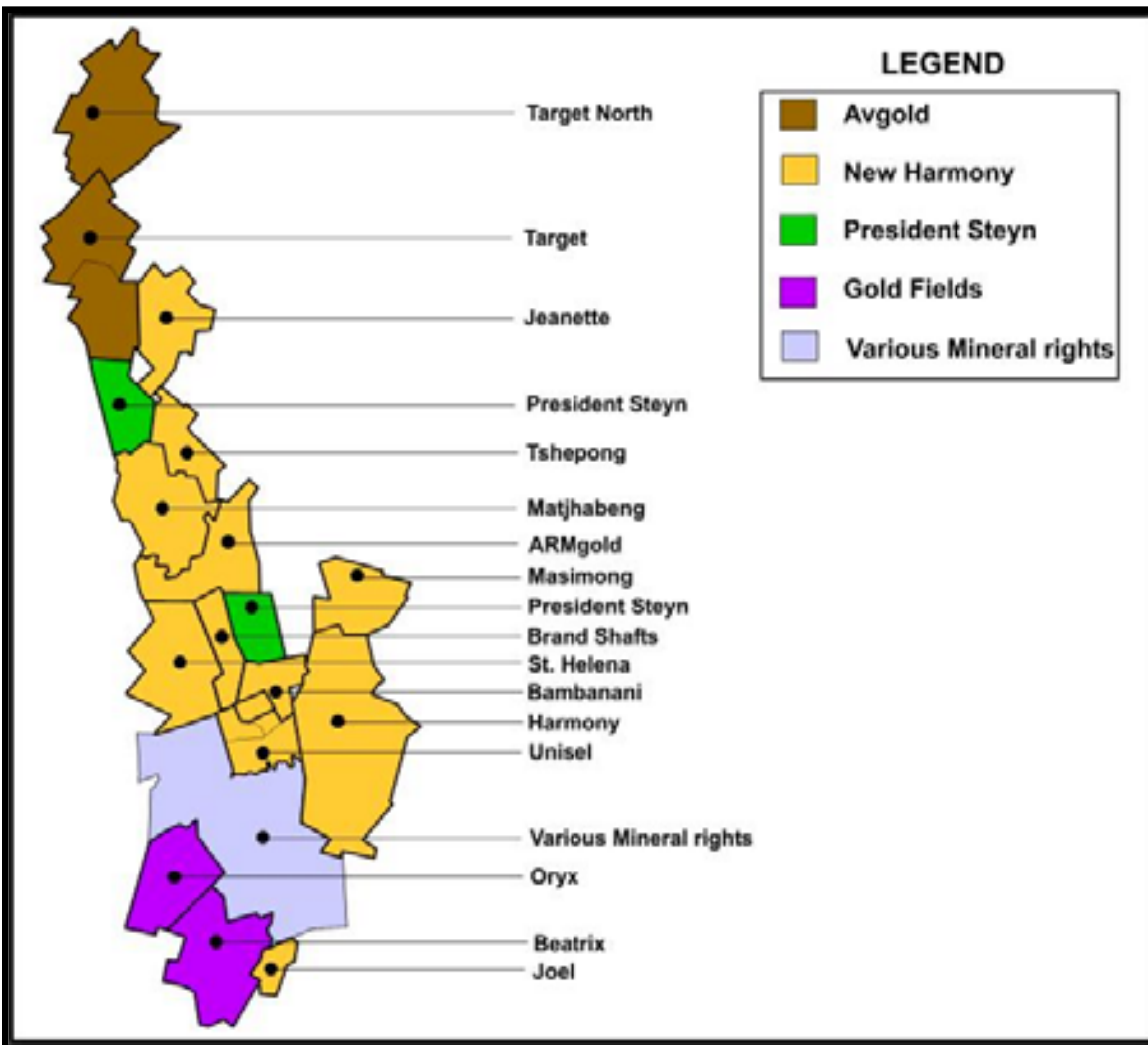
# RATIONALE FOR THE TRANSACTION

- **Harmony has over the past three years embarked on five growth projects, significantly upgrading the quality of its production base**
- **Avgold, i.e. Target and Target North Project areas further enhances this strategy, delivering South Africa's largest quality gold producer**
- **increases Harmony's equity BEE participation from  $\pm 14\%$  to  $\pm 20\%$**
- **combined with other BEE credits – above the required 26%**

# AVGOLD – WHAT'S IN IT FOR HARMONY?

- **access to long life gold orebodies**
- **improving the quality of Harmony's regional asset base**
- **further consolidation of the Free State (synergies)**
- **increase in Harmony's resource base by  $\pm 78$  Moz**
- **increase in Harmony's annual production to  $\pm 4.3$  Moz**
- **unredeemed capex of R3,6 billion to be utilised earlier**

# TARGET AND TARGET NORTH PROJECT AREAS



## Target Mine

- production - 350 000 oz pa
- production costs - US\$180/oz
- reserves - 3.9 Moz
- resource - 3,9 Moz
- L.O.M. - ± 18 years

## Target North

- resource - 59,6 million oz (excluding Oribi)
- in process of completing feasibility study

(note: resources are calculated excluding reserves)

- **“new Avmin” – a quality vehicle to participate in the changing South African resource industry**
- **further unlocking of value to all stakeholders of Avmin, ARMI and Harmony**
- **delivery of current gold and other growth projects**
- **recognising quality acquisition opportunities**

# QUESTIONS?

## Websites

[www.avmin.co.za](http://www.avmin.co.za)  
[www.harmony.co.za](http://www.harmony.co.za)

- **Avmin disposes of Avgold at a 10.0 share exchange ratio to Harmony**
  - **Implied realisation price of R10.11 per Avgold share**
  - **Avmin secures 9% in Harmony**
- **Avmin acquires an effective 41.5% in Modikwa JV for R850m settled by the issue of Avmin shares at R50 per share**
  - **implied premium of 15% to 30 day VWAP**
- **Avmin increases holding in Harmony to 22.2% (prior to the implementation of mandatory offer) by the acquisition of ARM's 13,6% shares in Harmony - settled by issue of new Avmin shares at R50 per share**
- **Overall, ARM secures the de facto control at 43.1%**
- **Including Harmony's stake, effective holding is 63.2%**