Nkomati: An Open Ended Opportunity…

JBM – 04 October 2006
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Overview of Nkomati

Nkomati is South Africa’s only primary nickel mine

Ultra low cash cost nickel mine: US$0.04/lb nickel net of by-products (Q2 2006)

Mine comprises:

- Producing massive sulphide body (MSB) nickel mine
- Large lower-grade disseminated ore body
- Chrome operation
- 701 employees & contractors
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>Described by Wagner</td>
</tr>
<tr>
<td>1939</td>
<td>ETC purchases mineral rights</td>
</tr>
<tr>
<td>1970</td>
<td>Coetzee recognizes potential</td>
</tr>
<tr>
<td>1972-1975</td>
<td>Anglo American/INCO JV</td>
</tr>
<tr>
<td>1975</td>
<td>Preliminary investigation by ETC</td>
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<tr>
<td>1977</td>
<td>AAC purchase mineral rights</td>
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<tr>
<td>1980</td>
<td>INCO bought out</td>
</tr>
<tr>
<td>1987-1992</td>
<td>Exploration &amp; evaluation</td>
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<td>1988</td>
<td>Slaaihoek mineralization proved</td>
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<tr>
<td>1990</td>
<td>Discovered massive sulphides</td>
</tr>
<tr>
<td>1993-1994</td>
<td>Exploration &amp; evaluation</td>
</tr>
<tr>
<td>1997</td>
<td>Anglo American/ARM JV</td>
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<tr>
<td></td>
<td>Nkomati mine established</td>
</tr>
<tr>
<td>1999</td>
<td>Ongoing evaluation &amp; feasibility</td>
</tr>
<tr>
<td>2004</td>
<td>ARM acquires 25% from Anglo American</td>
</tr>
<tr>
<td>2005</td>
<td>LionOre acquires 50% from ARM</td>
</tr>
<tr>
<td>2006</td>
<td>Approval for Phase 1 Expansion and Chrome operation</td>
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</table>
Nkomati JV

ARMplatinum 50%  LionOre 50%
## Nkomati Resources

<table>
<thead>
<tr>
<th>Ni/Co/Cu/PGM</th>
<th>Mine</th>
<th>Reserves</th>
<th>Tons</th>
<th>Ni %</th>
<th>Cu %</th>
<th>Co %</th>
<th>3PGM+ Au g/t</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Proved</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>MSB L1</td>
<td>386,000</td>
<td>1.98</td>
<td>1.27</td>
<td>0.08</td>
<td>8.37</td>
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<tr>
<td></td>
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<td>MMZ UG</td>
<td>330,000</td>
<td>0.59</td>
<td>0.24</td>
<td>0.03</td>
<td>1.25</td>
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<td></td>
<td></td>
<td>Probable</td>
<td>6,122,000</td>
<td>0.53</td>
<td>0.23</td>
<td>0.03</td>
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<td>MSB L3+Str</td>
<td>62,000</td>
<td>0.89</td>
<td>0.55</td>
<td>0.06</td>
<td>3.24</td>
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<td>MMZ openpit</td>
<td>6,060,000</td>
<td>0.53</td>
<td>0.23</td>
<td>0.03</td>
<td>1.15</td>
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<tr>
<td></td>
<td>Resources</td>
<td>Measured</td>
<td>1,316,128</td>
<td>1.03</td>
<td>0.49</td>
<td>0.05</td>
<td>3.29</td>
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<td></td>
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<td>MSB L1</td>
<td>295,000</td>
<td>2.58</td>
<td>1.48</td>
<td>0.12</td>
<td>8.63</td>
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<td></td>
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<td>MMZ UG</td>
<td>1,021,128</td>
<td>0.58</td>
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<td>0.03</td>
<td>1.75</td>
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<td>Indicated</td>
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<td>8,298,200</td>
<td>0.52</td>
<td>0.23</td>
<td>0.03</td>
<td>1.09</td>
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<tr>
<td></td>
<td></td>
<td>Total MSB</td>
<td>44,100</td>
<td>2.12</td>
<td>1.08</td>
<td>0.11</td>
<td>4.80</td>
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<tr>
<td></td>
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<td>MMZ open pit</td>
<td>8,254,100</td>
<td>0.51</td>
<td>0.22</td>
<td>0.03</td>
<td>1.08</td>
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<tr>
<td></td>
<td></td>
<td>Inferred</td>
<td>13,000</td>
<td>2.98</td>
<td>0.97</td>
<td>0.17</td>
<td>5.62</td>
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<tr>
<td></td>
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<td>Mauhorn reef</td>
<td>13,000</td>
<td>2.98</td>
<td>0.97</td>
<td>0.17</td>
<td>5.62</td>
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</table>
## Nkomati Resources*

<table>
<thead>
<tr>
<th>Ni/Co/Cu/PGM</th>
<th>Tons</th>
<th>Ni %</th>
<th>Cu %</th>
<th>Co %</th>
<th>3PGM+ Au g/t</th>
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<td><strong>Expansion</strong></td>
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<tr>
<td><strong>Reserves</strong></td>
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<tr>
<td>MMZ UG</td>
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<td>MMZ open pit</td>
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<td>0.46</td>
<td>0.19</td>
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<tr>
<td><strong>Resources</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Indicated</strong></td>
<td>133,329,200</td>
<td>0.46</td>
<td>0.19</td>
<td>0.03</td>
<td>1.06</td>
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<tr>
<td>MMZ UG</td>
<td>48,728,000</td>
<td>0.48</td>
<td>0.21</td>
<td>0.03</td>
<td>1.03</td>
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<tr>
<td>MMZ open pit</td>
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<td>0.20</td>
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<td>PCMZ</td>
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<td>0.40</td>
<td>0.12</td>
<td>0.02</td>
<td>1.00</td>
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<tr>
<td>PCMZ open pit</td>
<td>8,161,600</td>
<td>0.40</td>
<td>0.12</td>
<td>0.02</td>
<td>1.00</td>
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</tbody>
</table>

### Ox Massive Chromitite

<table>
<thead>
<tr>
<th></th>
<th>Tonnes</th>
<th>Cr₂O₃%</th>
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</thead>
<tbody>
<tr>
<td><strong>Proved reserves</strong></td>
<td>1,587,000</td>
<td>31.1</td>
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<tr>
<td><strong>Probable reserves</strong></td>
<td>5,933,000</td>
<td>31.1</td>
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Current Operation – MSB Mine
Mineralized Zones
Current MSB Mine

- Mine commissioned January 1997
- Original concentrator capacity of 10,000 ROM tpm
- Currently milling rate of 30,000 tpm on blend of MSB & MMZ (22.5 Kt + 7.5 Kt)
- Reduction in ROM grade from January 2007
- Underground MMZ introduced during 2001
- Open pit MMZ introduced during 2005
- Concentrate production is toll treated by Impala & Falconbridge (both BCL & Sudbury)
- Expected life of mine early 2008
## Current MSB Performance / Annum

<table>
<thead>
<tr>
<th></th>
<th>1st Half Forecast</th>
<th>1st Half Actual</th>
<th>1st Half Actual cash cost</th>
<th>2nd Half Forecast</th>
<th>2006 Total Forecast</th>
<th>2006 Total Forecast Cash cost</th>
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</thead>
<tbody>
<tr>
<td><strong>Nkomati</strong></td>
<td>2,400</td>
<td>2,460</td>
<td>$0.23</td>
<td>2,400</td>
<td>4,860</td>
<td>0.75</td>
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</tbody>
</table>

1 Production for Nkomati shown at 100% - LionOre’s share is 50%

### ROM Tonnes Treated
- 360,000

### Concentrate Produced
- 63,600

### Concentrate Ni Grade
- 9%

### Ni tonnes
- 5,100

### Cu tonnes
- 3,200

### PGM Oz
- 38,200
Safety Statistics


- Number of employees: 405, 406, 406, 421, 433, 396, 436, 439, 458, 479, 542, 593
- Number of LTI: 0, 0, 0, 1, 0, 1, 0, 0, 1, 0, 0, 0
- LTIFR: 0.00, 0.00, 0.00, 0.76, 0.59, 1.00, 0.82, 0.72, 0.94, 0.84, 0.75, 0.67
- LTIFR Plan: 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1
Safety Statistics

Nkomati 12 Month Accident Profile

- Fatalities: 0
- LTI - Reportable: 1
- LTI: 3
- Non LTI: 13

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Mining

- Mechanized mining
- Highly automated - Direct labor 4+1/shift
- Primary drift & benching with backfill
- Benching between backfill pillars has been done successfully
- Remote loading was introduced where bench mining between backfill pillars of the higher underground stopes is taking place.
- Open pit trial mining at 5,000tpm has commenced
The MSB Operation

Figure 8 - Datamine View of the Nkomati MSB Mine
Metallurgy

• Concentrator plant (crush, mill, float)
• Current production 30,000tpm
• 4,600 – 5,800tpm of concentrates
• Contained metals in concentrate per annum:
  – 5,650t Ni, 3,650t Cu, 280t Co, 55,000oz PGM’s
  – PGM’s metal split: Pd (72%) : Pt (23%)
Nkomati Phase 1 Expansion
Nkomati Phase 1 Expansion Project
Concept

- Disconnect between MSB closure in 2007 & commissioning of the main expansion (Phase 2) project
- Objective of the Phase 1 (interim) project
  - Financially self-sustaining
  - Sustain metal output
  - Maintain skill set
  - Trial mining opportunity, e.g.: grade control, mining methods, etc
  - Tax implications
  - Rehabilitation implications
  - South African Mineral Rights retention
- Project is incorporated as strategic part of the Phase 2 expansion project
Phase 1 Expansion Parameters

- Fit for purpose 100,000tpm concentrator (integral part of future Phase 2 expansion)
- Flow sheet consists of:
  - Two stage crushing
  - One stage milling
- Concentrate grade 9%
- Average run of mill grade 0.58%
- Concentrate will be toll smelted and refined
- Forecast production of 5,000tpa Ni (100% basis) (plus associated by-products)
  - Cu 2,500 t, Co 300 t, Pt 6,500 oz, Pd 19,000 oz, Au 1,000 oz
- Forecast cash cost $2.65 – 2.75/lb Ni
- Capital cost $62 million (R384 million) / $5.63 per annual lb Ni net of by-products
- Nickel price assumption: $3.85 yields an IRR of 23%
Phase 1 Expansion Timeline

- Feasibility study completed February 2006
- Board approval in February 2006
- 17 months construction period
- Planned commissioning September 2007
- Full production December 2007
- Current project life ~10 years, unless incorporated into Phase 2 Expansion
Rapid progress....
Safety Record

- Over 70,000 man hours worked
- Management, earthworks, piling and civil engineering contractors on site
- No lost time injuries
Progress

- Concentrator project scheduled for end of June 2007 commissioning ramping up to full production by year end.
- Accelerated program to cold commission at end of May 2007.
- Piling contract complete.
- Earthworks 80% complete
- Civil engineering contractor site established and concrete work started.
- Structural contract awarded.
- Open pit projects on schedule.
- Underground projects on schedule.
Progress Graph

Nkomati 100ktpm Concentrator - Overall Project Progress

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3-D Representation
Crusher Retaining Wall
View of By-pass and New Haulage Roads
Underground Mining Layout

1,500t Silos
Nkomati Chrome Operation
Exploiting chromite to enhance economic value of orebody

Oxidized massive chromitite resource overlies nickel mineralization

60,000 tpm chrome ore operation

High grade chrome product

Capex $2.2 million (R15.5 million) funded from internal cash flow

+$10m annual cash

IRR >200%, LOM >5 years

50:50 internal & export markets

<table>
<thead>
<tr>
<th>Timeline</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Construction</td>
<td>Q3 2006</td>
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<tr>
<td>Production</td>
<td>Q1 2007</td>
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</tbody>
</table>
## Chrome Operation Resource

### Mineral Resource – Oxidized Massive Chromitite (31 May 2006)

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnes</th>
<th>% Cr$_2$O$_3$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured</td>
<td>1,556,950</td>
<td>34.09</td>
</tr>
<tr>
<td>Indicated</td>
<td>5,741,610</td>
<td>33.14</td>
</tr>
<tr>
<td>Total</td>
<td>7,298,560</td>
<td>33.34</td>
</tr>
<tr>
<td>Inferred</td>
<td>2,373,470</td>
<td>32.85</td>
</tr>
</tbody>
</table>

### Cr$_2$O$_3$ Qualities

- Cr$_2$O$_3$ % +38% : high grade by South African standards
- Cr to Fe ratio of 1.65, South African average is 1.4
- Saleable product with a chrome content of 38%
Nkomati Expansion Project with Activox®
Nkomati Expansion Potential

- Low grade disseminated orebody offers significant expansion potential with Activox®
- Similar in geology & production mix to LionOre’s Phoenix nickel mine in Botswana
- Targeting for ~20,000tpa Ni production & LOM to +2020
- Sequential development to minimize risk & fit Tati Activox® timeline
  - Phase 2: Large scale open pit & underground operation & concentrator
  - Phase 3: Activox® Refinery (after Tati Activox® commissioned)
- Expansion capital would be split equally between LionOre and ARM
PCR Ore Mineralogy

- Talc (Light gray)
- Chromite (Black)
- Sulphides
Phase 2 & 3 Expansion Feasibility Study

Feasibility Study to assess:

• Reviews of project economics
• Phase 2:
  - Open pit & underground mining optimisation
  - Additional concentrator, bringing total to two, one each for MMZ & PCR
  - Innovative use of standard technologies to unlock low grade opportunities
  - Potential & viability of a chromite by-product
• Phase 3:
  - Design and scale of Activox® Refinery
  - Re-confirm PGM recovery route
• Phase 2 Study due for completion Q2 ’07
Proposed Open Pits: Phase 2
PCR Ore – Grade / Tonnage Profile (Pit 3)

Indicated Mineral Resources for the PCR in the Open Pit Area at different cut-off grades

<table>
<thead>
<tr>
<th>Resource Area</th>
<th>Cut-Off Grade Ni(%)</th>
<th>Tonnes</th>
<th>Ni (%)</th>
<th>Ni Metal (kt)</th>
<th>Cu (%)</th>
<th>Cu Metal (kt)</th>
<th>4PGE (g/t)</th>
<th>PGE Metal (kOz)</th>
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</thead>
<tbody>
<tr>
<td>PCR Open Pit Area</td>
<td>0.10</td>
<td>130,951,680</td>
<td>0.23</td>
<td>303</td>
<td>0.06</td>
<td>79</td>
<td>0.68</td>
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<td>0.20</td>
<td>87,948,410</td>
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<td>221</td>
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<td>0.70</td>
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<td>10,264,220</td>
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<td>41</td>
<td>0.12</td>
<td>12</td>
<td>1.00</td>
<td>330</td>
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</table>

Note: Tonnes rounded to nearest 10t and grade rounded to two decimal places. Contained Ni metal calculated on rounded numbers. Mineral resources based on 2004 resource model. Previously published resources for same area based on 2001 resource model. 4PGE (Platinum Group Element) defined as platinum, palladium, rhodium and gold

- As indicated in Table 1, by reducing the resource cut-off grade for the PCR from 0.30% Ni to 0.20% Ni:
  - the total contained metal in resources increases from 41kt to over 220kt
  - contained copper resources increase from 12kt to over 61kt
  - the platinum group metals increase from 309,000 oz to nearly 2 million oz

- Total Nkomati Nickel Resource potentially increases from 680kt to + 850kt
Nkomati Down Dip Potential
Phase 3 Expansion: Activox®

Nkomati Concentrate Amenability Tests

- Nkomati concentrate has processed through Perth bench scale test
- Recently 300 tonnes MMZ concentrate tested for 6 week run at Tati Phase 1 Plant
- Tests confirmed bench scale extractions and recoveries
- High metal recovery performance
  - Ni 97%
  - Cu 75-80%
  - Cobalt 94%
  - PGM’s +90%
- Retrofitted PGM float plant
  - PGM recoveries high +85%
- PGM concentrate processed to confirm roasting lab tests
## Phase 2: Current Status

### Phase 2a: MMZ
- **Open Pit Mining**
- **Underground Mining**
- **Concentrator**
- **Activox Amenability**

### Phase 2b: PCR
- **Open Pit Mining**
- **Underground Mining**
- **Concentrator**
- **Activox Amenability**

### Chrome
- **Oxidised**
- **Fresh**

<table>
<thead>
<tr>
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<th>Scoping</th>
<th>Pre-Feasibility Q4 2006</th>
<th>Feasibility Q2 2007</th>
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<td><strong>Phase 2a: MMZ</strong></td>
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<td><img src="true" alt="Check" /></td>
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<td><strong>Phase 2b: PCR</strong></td>
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<tr>
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## Indicative Expansion Phases Timeline

<table>
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<tr>
<th>Phase Description</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tr>
<td>MSB (30ktpm)</td>
<td></td>
<td></td>
<td>Production</td>
<td></td>
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<tr>
<td>Phase 1 100 ktpm (100 ktpm)</td>
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<td>Construction</td>
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<td>Production</td>
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<tr>
<td>Phase 2A 375 ktpm MMZ (475ktpm)</td>
<td>Feasibility Study</td>
<td>Construction</td>
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<td>Production</td>
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<tr>
<td>Phase 2B PCR upgrade P1 to 300 ktpm (675 ktpm)</td>
<td>Feasibility Study</td>
<td>Construction</td>
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<td>Production</td>
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<tr>
<td>Activox Refinery Phase 3 (+20 000t Ni/a)</td>
<td>Feasibility Study</td>
<td>Construction</td>
<td></td>
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<td></td>
<td>Production</td>
</tr>
</tbody>
</table>

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Nkomati: An Open Ended Opportunity

- Destined to become a significant nickel producer on worldwide ranking
- LOM extension potential beyond 2020 (refer to Exploration presentation)
- Critical to properly understand orebody in order to develop best case scenario to fully exploit potential
- Interim plan ‘common sense’ bridging opportunity while expansion feasibility is study being completed
- Activox® unlocks Nkomati value through higher metal recoveries, low capital expenditure & lower operating costs
- Opportunity underpinned by co-operative and strong relationship between partners
Questions?