Nkomati Site Visit

“An Open Ended Opportunity”

Rob Slater, LionOre Africa: Nkomati Project Executive

February 2006
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Overview of LionOre
Our locations

- Toronto - TSX
- London - LSE
- Botswana - BSE
- Tati Nickel
- Nkomati Nickel
- Honeymoon Well
- Thunderbox and Waterloo
- Avalon
- Black Swan
- Lake Johnston
- Australia - ASX
LionOre ‘step-change’

Stage 1: Short-term growth
- Limited production & life operations
- Off-take agreements
- Cash generation
- Activox® commercialisation

Stage 2: Sustainable, long-term growth
- Large scale, long-life ‘super deposits’
- Vertical integration through Activox®
- Lower quartile capital & production costs
- Increase in production & revenues
- Filling the industry void to unlock value
Production Growth Achieved

Approximate 15x increase in attributable nickel production
Unlocking Value through Vertical Integration

Objective: VERTICAL INTEGRATION
LionOre’s Activox® Projects

- Toronto – TSX
- London – LSE
- Botswana – BSE
- Honeymoon Well
- Thunderbox and Waterloo
- Avalon
- Black Swan
- Lake Johnston
- Australia – ASX

Projects:
- Tati Nickel
- Nkomati Nickel
LionOre’s Reserves & Resources*

**Nickel Resource Summary - 100% basis**

<table>
<thead>
<tr>
<th></th>
<th>Measured</th>
<th>Indicated</th>
<th>Total</th>
<th>Inferred</th>
</tr>
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<tr>
<td></td>
<td>Equity</td>
<td>Ni grade</td>
<td>Metal (t)</td>
<td>Ni grade</td>
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<tr>
<td>Phoenix</td>
<td>85%</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Emily Ann</td>
<td>100%</td>
<td>605</td>
<td>4.03%</td>
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<tr>
<td>Maggie Hays</td>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>10,646</td>
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<tr>
<td>Waterloo</td>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>299</td>
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<tr>
<td>Black Swan</td>
<td>80%</td>
<td>562</td>
<td>1.75%</td>
<td>9,817</td>
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<tr>
<td>Honeymoon Well</td>
<td>80%</td>
<td>-</td>
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<td>131,500</td>
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<tr>
<td>Jericho</td>
<td>40%</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Nikomati</td>
<td>50%</td>
<td>-</td>
<td>-</td>
<td>139,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
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<td><strong>(100% basis)</strong></td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>323,084</strong></td>
</tr>
</tbody>
</table>

*Source: 2004 LionOre Annual Report*
LionOre Africa Management Team

Bill Smart – Chairman (and Head of Corporate Planning, LionOre)

Peter Breese – Managing Director

Mike Smith – Chief Financial Officer

Chris Fredericks – Business Development Executive

Rob Sherwen-Slater – Nkomati Project Executive

Kevin Van Wouw – Tati Project Executive

Eben Swanepoel – General Manager, Tati Nickel

Josephat Zvaipa – Human Resources Executive
Overview of Nkomati
Nkomati Location

Nkomati comprises:

- the producing massive sulphide body (MSB) nickel mine
- a large lower-grade disseminated orebody
- 181 permanent employees & 221 contractors

The MSB mine commenced production in 1997

South Africa’s only primary nickel mine

50% Acquisition of Nkomati

- Total transaction US$48.5 million
  - US$28.5 million cash for 50% share in current MSB operation and the lower-grade disseminated orebody
  - Additional US$20 million in cash paid to ARM if expansion project approved, ARM must re-invest this sum in the project
- Acquisition completed in June 2005, backdated to 1 January 2005

ARM is a South African-based diversified mining company
Operational focus in ferrous metals, nickel and PGM’s
Significant interest in gold through Harmony shareholding
Listed on the JSE in Johannesburg and the London Stock Exchange
Qualifies under South African legislation as a BEE company
Transaction Synergies & Benefits

- Combines LionOre nickel skills & technology with ARM’s reserve & reserve base
- Expansion potential with LionOre experience at Tati and use of Activox®
- Immediate addition to LionOre production of ~2,250-2,500t low-cost nickel and by-products
- Increase in LionOre’s resources of 19% to 1.7mt nickel
- Geographic and orebody diversification: Australia, Botswana and now South Africa
- Furthering strategy of acquiring low-cost deposits to unlock value through proprietary Activox® hydrometallurgy technology
Nkomati – Phasing in the Potential

Production & Life of Mine

Ni tonnes


Expansion
Interim
MSB
The MSB Operation
Nkomati Joint Venture
South Africa’s only Primary Nickel Producer

Chris Knoetze, General Manager
February 2006
History

1929 Described by Wagner
1939 ETC purchases mineral rights
1970 Coetzee recognizes potential
1972 - 1975 AAC/INCO JV
1975 Preliminary investigation by ETC
1977 AAC purchase mineral rights
1980 INCO bought out
1987 - 1992 Exploration & evaluation
1988 Slaaihoek mineralization proved
1990 Discovered massive sulphides
1993 - 1994 Exploration & evaluation

Joint Venture (ARM 75% / AAC 25%)
1997 Nkomati mine established
1999 Ongoing evaluation & feasibility

2004 ARM acquires 25% from AAC
2005 LionOre acquires 50% from ARM
Geology
Geology: Regional Geological Setting
Geology: The Uitkomst Complex

Schematic cross section

LEGEND

DIABASE
Norite Unit
Upper Pyroxenite Unit
Peridotite Unit
Massive Chromite
Chromititic Peridotite Unit
Lower Pyroxenite Unit
Basalt Gabbro Unit
Klapperkop Quartzite
Timeball Hill Shale
Rooihoogte Formation
Mainami Subgroup
Oaktree Formation and Black Reef Formation
Neeshoogte Granite
Massive Sulphide
Shear zone

NOT TO SCALE
Geology: Overview

MSB is situated in the Footwall of the Uitkomst ultramafic complex
Consists of 3 lenses separated by diabase intrusions
Pyrrhotite, Pentlandite, Chalcopyrite, Pyrite, Cobalt, PGMs, Gold and Silver

Reserves:
- Proven MSB: 0.49Mt @ 2.39%Ni
- Proven MMZ (u/g): 0.33Mt @ 0.59
- Probable MSB: 0.08Mt @ 1.12%Ni
- Probable MMZ (u/g): 9.87Mt @ 0.55%Ni
- Probable MMZ (Open Pit): 0.92Mt @ 0.63%Ni

Without main expansion, remaining life 21 months
However the mine is currently planning a 100,000tpm interim plan
Geology: Massive Sulphide Orebodies

Long section – Nkomati mine

- Oaktree Formation (quartzite)
- Oaktree Formation (dolomite)
- Black Reef Formation
- Nelshoogte Granite
- Shear zone
- Diabase
- Uitkomst Complex (massive sulphide)
- Uitkomst Complex (layered gabbro, pyroxenite, peridotite)
Mining

- Mechanized Mining
- Primary Drift & benching with backfill
- Total production of 30,000tpm ROM
- All primary mining in Lens 1 completed
- 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
Mining Method and Sequence

- Primary Drift
- Bench Retreat
- Fill
- Secondary extraction
Metallurgy

- Concentrator plant (crush, mill, float)
- Current production 30 000 tpm
- 4600 - 5800 tpm of concentrates
- Contained metals per annum:
  - 5,650 t Ni, 3,650 t Cu, 280 t Co, 55,000 oz PGM's
  - PGMs metal split: Pd (72%) : Pt (23%)
- Highly automated - Direct labour 4+1/shift
- Toll smelting and refining
- On-going optimization to improve capacity and efficiency
### MSB: Reserve & Resource*

**Mineral Reserves and Resources:**

2004 Nkomati MSB and Disseminated Reserves and Resources

<table>
<thead>
<tr>
<th>Location</th>
<th>Zone</th>
<th>Resource</th>
<th>Cut-off (%Ni)</th>
<th>Tonnage</th>
<th>Grade</th>
<th>Contained Metal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ni (%)</td>
<td>Cu (%)</td>
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<tr>
<td>Current Mine</td>
<td>MSB</td>
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<td>0.00</td>
<td>706,054</td>
<td>2.63</td>
<td>1.44</td>
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<td>13,200</td>
<td></td>
<td>2.98</td>
<td>0.97</td>
</tr>
</tbody>
</table>

*Source: 2004 LionOre Annual Report*
Nkomati Site Visit

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Rob Slater, LionOre Africa: Nkomati Project Executive

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Nkomati Interim Plan
Nkomati – Phasing in the Potential

Production & Life of Mine

Ni tonnes

<table>
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<tr>
<th>Year</th>
<th>Expansion</th>
<th>Interim</th>
<th>MSB</th>
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<td>2006</td>
<td></td>
<td></td>
<td></td>
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<td>2008</td>
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<td></td>
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<td>2010</td>
<td></td>
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<td></td>
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<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
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<td>2016</td>
<td></td>
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<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>
Nkomati Interim Plan Concept

- Disconnect between MSB closure in 2007/2008 & commissioning of the expansion project

- **Objective of the interim plan**
  - Financially self-sustaining
  - Sustain metal output
  - Maintain skill set
  - Trial mining opportunity, eg: grade control, mining methods, etc
  - Tax implications
  - Rehabilitation implications
  - South African Mineral Rights retention

- Project is incorporated as strategic part of the expansion project
Nkomati Orebody Cross-Section
Feasibility Study Scope

Project brief:
- Minimize capital investment
- Deliver attractive return on investment
- Robust project – metal prices, capex and opex.
- Low risk profile project
- Optimize future use of plant

Several trade-off studies completed including:
- Economy of scale
- Split between open pit and u/g ore
- Process selection
- Long term use of plant
- Site constraints

Interim Plan Indicative Scope
- Fit for purpose 100,000tpm concentrator
- 47,000tpm underground plus 53,000tpm open pit
- Producing 5,000tpa Ni (100% basis) (plus associated by-products)
- Capital cost +/- R380 million
- Final decision expected in Q1 06
# Mining Approach

## Open Pit Mining
- Mining from Pits 1 and 2
- Mining rate of 53,000tpm of ore
- Total ore tonnage at 0.35% cut-off grade is 6.4 million tonnes at average grade of 0.55%Ni. (10% of open-pit reserve)
- Average stripping ratio of 1 : 3.6
- Contract operator due to small scale/short term life

## Underground Mining
- Mining MMZ orebody
- 47,000tpm of ore to optimize utilization of existing infrastructure/trackless equipment
- Planned tonnage 5.5 million at 0.62%Ni
- Cut-off grade of 0.5% Ni
- Total resource is 55 million tonnes at 0.48%Ni (10% of underground reserves assigned to Interim Plan)
- Owner operator
New 100,000tpm MMZ Concentrator plant

Flowsheet consists of:
- Two stage crushing
- One stage milling

Feasibility study completed Q1 ’06 by DRA

Execution program of 17 months

Concentrate to be toll smelted and refined

Plant is modular, complementing the Expansion plans
Interim Plan Timeline

- Feasibility study completed February ‘06, subject to final Board approvals
- 17 months construction period
- Planned commissioning September 2007
- Full production December 2007
- Current project life ~10 years, unless incorporated into Expansion Project
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Production & Life of Mine

- **Expansion**
- **Interim**
- **MSB**

Ni tonnes

- 0
- 5,000
- 10,000
- 15,000
- 20,000
- 25,000

Years:
- 2006
- 2008
- 2010
- 2012
- 2014
- 2016
- 2018
- 2020

Nkomati – Phasing in the Potential
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
- Total estimated resource of 139MT Ni at a grade of 0.49%
- Resource of 681,000 tonnes Ni in main mineralised zone
- Targeting large-scale open pit & underground operation, producing ~20,000tpa Ni, LOM to 2020
- Significant chromite reserves (~34MT) with potential economic value form a part of the nickel strip ratio and integral to the feasibility study
Background

Expansion potential previously constrained by:

- ARM capital restrictions
- Previously nickel focused project & excluded chromite opportunity
- Processing technologies

LionOre contributes:

- Shared capital cost
- A sound track record & expertise in nickel mining
- Entrepreneurial approach to evaluating Nkomati’s full potential
- Activox® able to unlock the value
### Nkomati Reserves & Resources*

#### Mineral Reserves and Resources:
2004 Nkomati MSB and Disseminated Reserves and Resources

<table>
<thead>
<tr>
<th>Location</th>
<th>Zone</th>
<th>Resource</th>
<th>Cut-off (%Ni)</th>
<th>Tonnage</th>
<th>Grade</th>
<th>Contained Metal</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(%Ni)</td>
<td></td>
<td>Ni (%)</td>
<td>Cu (%)</td>
</tr>
<tr>
<td>Current Mine</td>
<td>MSB</td>
<td>Measured</td>
<td>0.00</td>
<td>706,054</td>
<td>2.63</td>
<td>1.44</td>
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<tr>
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<td>0.00</td>
<td>60,000</td>
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<td>0.00</td>
<td>13,200</td>
<td>2.98</td>
<td>0.97</td>
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<td>MMZ</td>
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<td>0.02</td>
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<td>Total For Current Mine</td>
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<td>69,984,150</td>
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<td>0.19</td>
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<tr>
<td>Expansion</td>
<td>MMZ</td>
<td>Indicated</td>
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<td>69,313,699</td>
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<td>0.18</td>
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<tr>
<td>Total For Expansion Project</td>
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<td></td>
<td>69,313,699</td>
<td>0.50</td>
<td>0.18</td>
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<tr>
<td>Combined Total Resource</td>
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<td></td>
<td></td>
<td>139,297,849</td>
<td>0.49</td>
<td>0.19</td>
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<tr>
<td>(Inclusive of mineral reserves)</td>
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</table>

*Source: 2004 LionOre Annual Report*
### Combined Mineral Reserves For The Current Mine And Expansion Project (1st Dec 04)

<table>
<thead>
<tr>
<th>Location</th>
<th>Zone</th>
<th>Reserve</th>
<th>Cut-off (%Ni)</th>
<th>Tonnage</th>
<th>Ni (%)</th>
<th>Cu (%)</th>
<th>Co (%)</th>
<th>4E (g/t)</th>
<th>Ni (t)</th>
<th>Cu (t)</th>
<th>Co (t)</th>
<th>4E (kg)</th>
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<tr>
<td>Current Mine</td>
<td>MSB</td>
<td>Proved</td>
<td>0.40</td>
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<td>0.05</td>
<td>2.48</td>
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<td>452</td>
<td>43</td>
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<tr>
<td>MMZ</td>
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<td>0.03</td>
<td>1.05</td>
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<td>10,536</td>
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<td>Total For Current Mine</td>
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<td></td>
<td>10,903,416</td>
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<td>0.28</td>
<td>0.03</td>
<td>1.43</td>
<td>71,530</td>
<td>30,076</td>
<td>3,620</td>
<td>15,644</td>
</tr>
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</table>

| Expansion    | MMZ  | Probable | 0.30          | 40,800,000 | 0.49 | 0.18 | 0.03 | 1.07 | 198,696 | 74,664 | 12,240 | 43,819 |
| Total For Expansion Project | | | | 40,800,000 | 0.49 | 0.18 | 0.03 | 1.07 | 198,696 | 74,664 | 12,240 | 43,819 |

| Combined Total Reserve | | | | 51,703,416 | 0.52 | 0.20 | 0.03 | 1.15 | 270,226 | 104,740 | 15,860 | 59,463 |

*Source: 2004 LionOre Annual Report*
### Chromitite – Indicated Mineral Resource

<table>
<thead>
<tr>
<th>Type</th>
<th>Mt</th>
<th>Cr₂O₃</th>
<th>Ni</th>
<th>Cu</th>
<th>Pt</th>
<th>Pd</th>
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<td>Semi Massive</td>
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<td>0.24</td>
<td>0.07</td>
<td>0.23</td>
<td>0.50</td>
</tr>
</tbody>
</table>

*Source: African Rainbow Minerals (ARM)*
Expansion study to be undertaken to assess

- Open pit & underground mining optimization
- Innovative use of standard technologies to unlock low grade opportunities
- Design and scale of Activox® Refinery
- Re-confirm PGM recovery route
- Potential & viability of mining chromite orebody
- Reviews of project economics

Expansion capital would be split equally between LionOre and ARM

Study due for completion Q2 ’07

Targeting production in 2010
Chromite Opportunities

- 34 MT of chromite Cr2O3, currently being updated with additional borehole information

- Cr2O3 qualities:
  - Cr2O3% +29% : relatively high grade by South African standards
  - Cr to Fe ratio of 1.6 – 2, South African average is 1.4

- Currently mining 25Ktpm for smelting through Assmang at Machadadorp as a part of a bulk smelter test programme

- Chrome specialists engaged to review marketing opportunities
Proposed Open Pits
Activox®: Simplified Process Flowsheet

Activox®: Uniquely marrying processing technologies

Ultra Fine Grind Mill ➔ Autoclave ➔ Liquid Solid Separation ➔ Solvent extraction ➔ Nickel Electro-winning
Activox®: Vertical Integration

Existing Processing Route

- Mine
- Concentrator
- Smelter
- Refinery

Proposed Processing Route

- Mine
- Concentrator
- Refinery

Activox®
Nkomati Concentrate Amenability Tests

- Nkomati concentrate processed through Perth bench scale test & Activox® Phase 1 Plant
- High metal recovery performance
  - Ni 97%
  - Cu 75-80%
  - Cobalt 94%
  - PGMs +90%
Activox® Commercialisation Strategy

- Lowest risk entry point & implementation based on technical, operational & financial criteria

- Mitigate development risks with sequential construction of the three projects:
  - Tati, Botswana
  - Nkomati, South Africa and Honeymoon Well, Western Australia

- Leverage Activox® in Western Australia and Africa for long-term growth

- Funding through own cashflow from current operations and debt
## Selection Criteria for World’s 1st Activox® Refinery

<table>
<thead>
<tr>
<th></th>
<th>Lowest Capital Cost</th>
<th>Existing Mine</th>
<th>Existing Concentrator</th>
<th>Phase 1 Plant</th>
<th>Concentrates Tested</th>
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<tr>
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</table>

### Activox® Phase 1 Plant

- Fully integrated and operating Activox® refinery plant on-site producing LME grade metal
- Plant performing above expectations: nickel recoveries above 94%
- Successfully piloted PGM Recovery Route
- Full-size plant scale up only 200:1
Conclusion
Nkomati: An Open ended Opportunity

- Destined to become a significant nickel producer on worldwide ranking
- Real brownfield expansion potential beyond current 2020 life of mine
- 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