Anglo American Platinum completes sale of Rustenburg Operations to Sibanye

Anglo American plc draws attention to an announcement issued today by Anglo American Platinum, the text of which is set out below:

Anglo American Platinum confirms the completion of the sale of the Rustenburg Operations by its wholly owned subsidiary Rustenburg Platinum Mines to Sibanye Rustenburg Platinum Mines Proprietary Limited (“Sibanye”) (the “Transaction”), and that Sibanye has now taken over ownership, control and management of those operations.

The Rustenburg Operations comprise the Bathopele, Siphumelele (including Khomanani), and Thembelani (including Khuseleka) mining operations, two concentrating plants, an on-site chrome recovery plant, the Western Limb Tailings Retreatment Plant, associated surface infrastructure and related assets and liabilities on a going concern basis, including normalised levels of working capital.

Chris Griffith, CEO of Anglo American Platinum commented on the Transaction:

“This is a major step in the repositioning of Anglo American Platinum’s portfolio. The sale of the Rustenburg Operations allows us to focus on our most competitive assets, consisting of largely open-pit and more mechanised operations which will result in higher margin production, a smaller and more highly skilled workforce, safer operations and a less complex organisation. As a result, our core operations stand to benefit from dedicated management attention and technical expertise, as well as our disciplined capital allocation model.”

Upfront disposal proceeds and use of proceeds

The upfront disposal proceeds of R1.5 billion (“Upfront Proceeds”) received in the form of cash will reduce net debt and further strengthen Anglo American Platinum’s balance sheet.

Deferred proceeds

As set out in the announcement dated 9 September 2015, Sibanye will also pay minimum deferred proceeds of R3.0 billion (in nominal terms), to be earned through a 35% share of the distributable free cash flows generated by the Rustenburg Operations on an annual basis for a period of six full years commencing from 1 January 2017.

To the extent that there is an outstanding minimum deferred proceeds balance at the end of the six year period, Sibanye has the option to extend the payment period for up to two years (to 31 December 2024), or until the minimum deferred payment has been paid in full (whichever is earlier). Sibanye has the option to settle the outstanding balance in cash or listed Sibanye Gold Limited ordinary shares at the end of the six or eight year period.

Adjustments to the purchase consideration

After the closing of the Transaction on 1 November 2016, if the distributable free cash flow generated by the Rustenburg Operations is negative in 2016, 2017 or 2018, there will be a downwards adjustment to the Upfront Proceeds received up to R267 million per annum, or a lesser amount required to reduce any negative distributable free cash flow to zero.
In 2016, the maximum amount payable is R44.5 million, pro-rated from 1 November 2016 as the closing date of the Transaction. In 2017 and 2018, the maximum payable amount is R267 million per annum, plus any difference between the amounts actually paid and the maximum payable amount in the previous periods. In total the maximum adjustment to the purchase consideration is R578.5 million (in nominal terms), if the distributable free cash flow generated by the Rustenburg Operations is negative in 2016, 2017 or 2018.

Sale and toll treatment of concentrate agreement

Anglo American Platinum has entered into a sale and toll treatment of concentrate agreement with Sibanye.

Sibanye will sell all concentrate produced by the Rustenburg Operations to Anglo American Platinum until 31 December 2018 based on pre-agreed commercial terms.

Thereafter, for a period of up to eight years (and no less than two years) starting 1 January 2019, Sibanye will enter into a toll treatment arrangement where Anglo American Platinum will undertake the smelting and refining activities in respect of the Rustenburg Operations on pre-agreed commercial terms. The charge payable by Sibanye under the toll treatment arrangement will reflect smelting and refining costs as well as economic return on the proportional share of the current capital base that Anglo American Platinum has invested in its processing assets.

Financial effects of the Transaction

On 1 November 2016 the net assets of the Rustenburg Operations will be derecognised from Anglo American Platinum’s balance sheet. After taking into account the estimated value of the upfront proceeds, deferred disposal proceeds, adjustment to purchase consideration and transaction costs, an accounting loss on disposal of the Rustenburg operations of an estimated R1.5 billion will be recognised (conditional on final financials for October), which will impact basic earnings in the year ended 31 December 2016.

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Notes to editors:

Anglo American Platinum Limited is a member of the Anglo American plc Group and is the world’s leading primary producer of platinum group metals. The company is listed on the Johannesburg Securities Exchange (JSE). Its mining, smelting and refining operations are based in South Africa. Elsewhere in the world, the Group owns Unki Platinum Mine in Zimbabwe. Anglo American Platinum has a number of joint ventures with several historically disadvantaged South African consortia as part of its commitment to the transformation of the mining industry. Anglo American Platinum is committed to the highest standards of safety and continues to make a meaningful and sustainable difference in the development of the communities around its operations.

www.angloamericanplatinum.com

Anglo American is a globally diversified mining business. Our portfolio of world-class competitive mining operations and undeveloped resources provides the raw materials to meet the growing consumer-driven demands of the world’s developed and maturing economies. Our people are at the heart of our business. It is our people who use the latest technologies to find new resources, plan and build our mines and who mine, process and move and market our products – from diamonds (through De Beers) to platinum and other precious metals and copper – to our customers around the world.

As a responsible miner, we are the custodians of those precious resources. We work together with our key partners and stakeholders to unlock the long-term value that those resources represent for our shareholders, but also for the communities and countries in which we operate – creating sustainable value and making a real difference.

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