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CATEGORY 2 TRANSACTION ANNOUNCEMENT: ACQUISITION OF NORTH AMERICAN PALLADIUM LIMITED

1. Introduction

Impala Platinum Holdings Limited ("**Implats**" or the "**Group**") is pleased to announce it has entered into a definitive agreement to acquire 100% of the outstanding shares in North American Palladium Limited (TSX: PDL, OTC: PALDF) ("**NAP**") for cash consideration of C\$1,008 million (US\$758 million¹ or R11,396 million¹) ("**Total Offer Consideration**") (the "**Transaction**"). The Total Offer Consideration is comprised of:

- (i) an offer price of C\$19.74 per share in cash consideration to shareholders other than Brookfield (defined below) (the "**Minority Consideration**"); and
- (ii) an offer price of C\$16.00 per share in cash consideration to the majority shareholder of NAP, an affiliate of Brookfield Business Partners LP (collectively with its institutional partners, "**Brookfield**"), whose holding of 47,689,128 shares represents c. 81.0% of NAP's common shares outstanding (the "**Brookfield Consideration**").
- (iii) The Total Offer Consideration implies a blended offer price of C\$16.77 per share.

The Minority Consideration represents a premium of 15% to NAP's 30-day volume-weighted average price and 23% to NAP's 60-day volume-weighted average price as of 4 October 2019. The Transaction represents an enterprise value of C\$942 million (US\$708 million¹ or R10,647 million¹)².

The Transaction will be implemented pursuant to a plan of arrangement under the *Canada Business Corporations Act* (the "**Plan of Arrangement**") according to an Arrangement Agreement (the "**Arrangement Agreement**") entered into between NAP, Implats, and Implats' wholly-owned Canadian subsidiary 11638050 Canada Inc. ("**BidCo**").

The board of directors of NAP have unanimously approved the Transaction and will recommend to NAP shareholders that they vote in favour of the Transaction. In addition, Brookfield and all directors and officers of NAP which, in aggregate, beneficially own or control c. 81% of the outstanding common shares of NAP, have entered into voting agreements with Implats and BidCo to support and vote in favour of the Transaction.

The board of directors of NAP has received a fairness opinion from BMO Capital Markets that, as of the date of the opinion, and subject to the assumptions, limitations, and qualifications on which such opinion is based, the aggregate consideration to be received by shareholders as a whole pursuant to the Transaction is fair, from a financial point of view, to the shareholders as a whole.

2. Overview of North American Palladium

NAP is a Canadian-based primary platinum group metals (“**PGM**”) producer listed on the TSX and the US OTC market. NAP wholly owns and operates the Lac des Iles Mine (“**Lac des Iles**”) northwest of Thunder Bay, Ontario, Canada and also has an ownership in two Canadian exploration properties, the Sunday Lake Project and Shebandowan Joint Venture.

Lac des Iles, in operation since 1993, is an established PGM producer located in a stable and attractive mining jurisdiction. In CY2018, it produced 237,461 ounces of palladium at an All-In Sustaining Cost (“**AISC**”) of US\$690 per palladium ounce produced, generated c. C\$147 million (c. US\$111 million)¹ in EBITDA and c. C\$45 million (c. US\$34 million)¹ in free cash flow. The operation is on track to meet its CY2019 production guidance of 220,000 to 235,000 ounces of palladium at an AISC of US\$785 to US\$815 per palladium ounce produced.

The operation comprises an underground mine, surface mining activities, and a 13,500 tpd (c. 400,000 tpm) concentrator plant, and benefits from year-round road access and low-cost power from the provincial grid. As of 2 October 2018, Lac des Iles has measured and indicated mineral resources inclusive of mineral reserves of c. 5 million ounces of palladium at a grade of 2.14 g/t, and proven and probable reserves of c. 3 million ounces of palladium at a grade of 2.31 g/t³. Platinum and gold together with nickel and copper are the primary co-products at Lac des Iles.

Implats and NAP have an existing relationship dating back to June 2017 through the prospective Sunday Lake Project, located 60 kilometers south of Lac des Iles. In 2019, NAP exercised its earn-in option to acquire a 51% interest in the project from Implats, reducing Implats’ ownership to 24%.

3. Rationale for the Transaction

Implats’ strategy prioritises value over volume and strongly articulates the Group’s ambitions of reducing its exposure to high-cost, deep-level conventional mining. The Group is advancing its repositioning into a high-value, profitable and competitive PGM producer with a strong focus on low-risk, shallow, mechanised, palladium-rich assets. This strategy is expected to improve the Group’s competitive industry position, result in sustained profitability, strengthen financial returns and rebalance its commodity mix.

Implats has already made material strides in implementing the restructuring of its Impala Rustenburg operation to achieve a smaller and more productive mining footprint. In parallel, the Group has delivered enhanced efficiencies and sustained operational momentum across the remainder of its producing assets resulting in a strong performance during the 2019 financial year. This, together with a significantly improved PGM price environment, resulted in strong free cash flow generation and a material strengthening of the Group's balance sheet, which has enabled Implats to assess opportunities which have the attributes to accelerate delivery on its strategic imperatives.

It is Implats' view that medium-term palladium demand will be underpinned by a structural shift in automotive requirements. This is largely due to the expected and continued dominance of gasoline fueled vehicles in the global light duty fleet and tightening emissions legislation in China, India, Europe and North America.

Medium-term supply is expected to remain constrained due to the depletion of reserves at producing assets and the rationalisation of both replacement and stay-in-business spend. In addition, the process of bringing potential new sources of palladium-rich supply to market faces substantial hurdles due to financing requirements and the lack of downstream processing capacity.

Future secondary supply is set to expand on the back of growth in primary auto demand over the past decade. However, it is Implats' view that the palladium market will remain in a structural deficit in the medium-term, which supports the Group's expectations for stronger-for-longer palladium pricing.

The Transaction will align Implats' production mix output to more closely match the expected composition of both current and forecast 3E (platinum, palladium and rhodium) demand and increase Implats' participation in global primary palladium supply, while not contributing to the further expansion of supply.

Implats' believes the Transaction provides a compelling opportunity for the Group to:

- (i) Further reposition its portfolio and strengthen its competitive positioning in line with its stated strategy by acquiring a palladium-rich, operating asset in an established mining jurisdiction:
 - Lac des Iles is a low-cost PGM producer and generated cash margins of 53% in the 12 months to June 2019;
 - The mine is fully mechanised with a low labour complement and leading safety statistics, which further reduces the risk profile of asset;
 - Total resource base which Implats believes has the potential to support a mine life well beyond the current c. 9 year LOM;
 - The operation leverages modern infrastructure and advanced underground mining technologies to capitalise on its resource endowment; and
 - The geological setting presents highly prospective future exploration opportunities.

(ii) Acquire a strongly cash-generative asset at a competitive price:

- Accretive to Implats' net asset value and cash flows;
- Conservatively financed to optimise returns for shareholders and maintain comfortable levels of gearing; and
- Strengthens cash flow generation to advance the Group's journey towards delivering sustainable shareholder returns.

(iii) Develop a competitive global portfolio of producing, processing and exploration assets:

- Diversifies Implats' production base geographically and operationally with assets on the Western and Eastern limbs of the Bushveld Complex, on the north and south of the Great Dyke in Zimbabwe and now North America;
- Enhances the mix of Implats' attributable mine production which is sourced from a diverse range of PGM-bearing reef types; and
- Reduces dependence on any single mining complex.

4. Salient terms of the Transaction

Implats, through BidCo, will acquire 100% of the outstanding common shares of NAP by way of the Plan of Arrangement for the Total Offer Consideration. Payment will be made to NAP shareholders on implementation of the Plan of Arrangement as described in paragraph 5.2 below.

4.1. Arrangement Agreement

The Plan of Arrangement will be implemented by, and subject to, the Arrangement Agreement. The Arrangement Agreement contains terms and conditions which are customary for a transaction of this nature, including:

- (i) representations and warranties given by NAP, BidCo and Implats;
- (ii) an undertaking that NAP will conduct its business in the ordinary course until closing of the Transaction;
- (iii) non-solicitation provisions and a right to match any superior proposals; and
- (iv) a break fee that is payable by NAP if the Arrangement Agreement is terminated under specific circumstances.

4.2. Financing

Implats intends to finance the cash offer utilising a combination of existing cash of US\$288 million, proceeds raised from a metal prepayment of excess inventory of US\$120 million and a loan of US\$350 million advanced under a bridge facility agreement (the "**Bridge Facility**") to be entered into between BidCo as borrower and Morgan Stanley Senior Funding, Inc. (the "**Bridge Facility Lender**").

The terms on which the Bridge Facility commitments will be provided to BidCo by the Bridge Facility Lender are set out in a commitment letter dated 7 October 2019 which encloses a term sheet under which the key commercial terms of the Bridge Facility have been agreed.

There are various alternative re-financing mechanisms available to Implats, and it will ultimately replace the Bridge Facility with the most competitive and value enhancing source of financing. At this stage, Implats anticipates refinancing the Bridge Facility through a combination of internally generated cash from operations, term debt at BidCo level and a potential placement of its 16,233,994 Treasury shares by way of a vendor consideration placing in terms of paragraph 5.62 of the JSE Limited Listings Requirements (“**JSE Listings Requirements**”) as partial payment.

The Transaction is conservative, representing c. 14% of Implats’ market capitalisation. The increase in Rand PGM pricing, together with the step-change in operational momentum at Impala resulted in considerable free cash generation and substantial strengthening of the Group balance sheet in FY2019. This has allowed Implats’ to pursue the Transaction through a prudent and efficient financing structure and in doing so, is expected to be strongly value accretive to shareholders on both spot and market consensus prices, generating returns above the Group’s internal cost of capital with attractive payback periods.

5. Transaction implementation

5.1. *Conditions precedent*

The Transaction is subject to standard conditions precedent as are customary in a transaction of this nature which are contained in the Arrangement Agreement, including:

- (i) regulatory conditions precedent which include merger notification and any subsequent approval by the Canadian and German competition authorities, to the extent required;
- (ii) exchange control approval from the South African Reserve Bank in terms of the Exchange Control Regulations of South Africa;
- (iii) adoption of the Plan of Arrangement resolution by two thirds of the shareholders of NAP present at a meeting of the shareholders;
- (iv) court approval of the Ontario Superior Court of Justice having been obtained in relation to the Plan of Arrangement;
- (v) all representations and warranties given by NAP, BidCo and Implats remaining true and correct; and
- (vi) no material adverse event having occurred.

5.2. *Plan of Arrangement process*

The acquisition will proceed by way of a court-approved plan of arrangement pursuant to the *Canada Business Corporations Act*. The Transaction remains subject to the approvals and the fulfilment of the conditions precedent set out above. Full details regarding the Transaction will be provided in NAP’s management proxy circular for the special meeting

of shareholders and in the Arrangement Agreement, both of which will be available on SEDAR at www.sedar.com. The NAP shareholder meeting to vote on the Plan of Arrangement is expected to be held on or before 13 December 2019. Following this, court approval from the Ontario Superior Court of Justice is expected to be granted in December 2019.

Once the Plan of Arrangement is complete, NAP will be delisted and become a wholly owned subsidiary of Implats through the amalgamation of NAP and BidCo.

6. Closing date

If the aforementioned approvals are obtained and the conditions precedent are fulfilled, the Transaction is expected to be completed in late December 2019 or January 2020. Implats will issue a further announcement on the timing of the Transaction in due course.

7. Net value of assets and net profit after tax of NAP

NAP's reported net value of assets and its net profit after tax, as disclosed in its reviewed interim results, prepared in accordance with IFRS, were C\$609 million as at 30 June 2019 and C\$66.1 million for the six months ended 30 June 2019.

8. Categorisation of the Transaction

The Transaction is classified as a Category 2 transaction in terms of Section 9 of the JSE Listings Requirements and as such, will not require Implats' shareholder approval. As NAP will, through BidCo, become a wholly owned subsidiary of Implats, Implats will, in terms of paragraph 10.21 of Schedule 10 of the JSE Listings Requirements, ensure that (i) the provisions of NAP's memorandum of incorporation does not frustrate Implats in any way from compliance with its obligations in terms of the JSE Listings Requirements, and (ii) nothing contained in NAP's memorandum of incorporation shall relieve Implats from compliance with the JSE Listings Requirements.

9. Additional information

Implats will host a conference call for investors at 18:15 (CAT) / 12:15 (EST) on Monday, 7 October 2019. For dial-in details please refer to the Implats website at www.implats.co.za. Playback details will be made available after the call.

Sandton, Johannesburg
Monday, 7 October 2019

South African & Canadian Financial Advisors to Implats
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Macquarie Capital Markets Canada Ltd.

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Notes

1. Assumes USD:CAD of 1.33 and USD:ZAR of 15.03 as at 4 October 2019. Based on 58.8 million NAP common shares in issue and 1.3 million in-the-money options.
2. Assumes a cash balance of US\$44 million and debt (leases) of US\$7 million as at 30 June 2019. Inclusive of proceeds from in-the-money options.
3. In respect of the statements relating to the mineral resources of NAP, the lead competent person, with responsibility for consolidation and reporting of the NAP mineral resources and mineral reserves, and for overall regulatory compliance of these figures is Dr. David C. Peck, Vice President, Exploration at NAP, who gave his consent to the disclosure of the above mineral resource and mineral reserve information. Dr. Peck is registered as a Professional Geoscientist with the Association of Professional Geoscientists of Ontario, Engineers and Geoscientists BC, and Engineers Geoscientists Manitoba, and has 33 years' experience relative to the type and style of mineral deposit under consideration.

Forward-Looking Statements

This announcement contains "forward-looking statements" within the meaning of the securities laws of certain jurisdictions. Forward-looking statements can be identified by words like "may," "will," "likely," "should," "expect," "anticipate," "future," "plan," "believe," "intend," "goal," "seek," "estimate," "project," "continue" and similar expressions. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. The forward-looking statements included in this announcement are made only as of the date of this announcement, and except as otherwise required by law, we do not have any obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances.

Forward-looking statements in this news release include, but are not limited to: statements with respect to the completion of the Transaction and the timing for its completion; the satisfaction of

closing conditions which include, without limitation (i) required NAP shareholder approval, (ii) necessary court approval in connection with the plan of arrangement, (iii) receipt of any required approvals under and/or from the Competition Act (Canada), Investment Canada Act (Canada), German Federal Cartel Office (Bundeskartellamt) and Financial Surveillance Department of the South African Reserve Bank, (iv) certain termination rights available to the parties under the Arrangement Agreement, and (v) other closing conditions, including compliance by Implats and NAP with various covenants contained in the Arrangement Agreement; statements with respect to the effect of the Transaction on Implats and its strategy going forward; statements with respect to the anticipated benefits associated with the acquisition of NAP; and NAP's financial outlook for estimated net and gross revenues from the sale of palladium for fiscal 2020.

Forward-looking statements are based on certain assumptions regarding Implats and NAP, including the completion of the Transaction, anticipated benefits from the Transaction, and expected growth, results of operations, performance, industry trends and growth opportunities. While Implats and NAP consider these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Readers are cautioned not to place undue reliance on forward-looking statements.

The factors and assumptions contained in this news release, which may prove to be incorrect, include, but are not limited to: the completion of the Transaction on the terms detailed above; NAP will be able to continue normal business operations at Lac des Iles Mine; palladium prices and exchange rates between the Canadian and United States dollar will be consistent with NAP's expectations; there will be no significant disruptions affecting operations; and that prices for key mining and construction supplies, including labour, will remain consistent with NAP's expectations. The forward-looking statements are not guarantees of future performance.

The assumptions of Implats and NAP, although considered reasonable by them at the time of preparation, may prove to be incorrect. In addition, forward-looking statements necessarily involve known and unknown risks, including, without limitation, risks associated with general economic conditions; adverse industry events; future legislative, tax and regulatory developments; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the ability of NAP to implement its business strategies; competition; currency and interest rate fluctuations and other risks. Among other things, there can be no assurance that the Transaction will be completed or that the anticipated benefits from the Transaction will be achieved.

Readers are cautioned that the foregoing list is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated.

Forward-looking statements contained in this news release are expressly qualified by this cautionary statement and reflect our expectations as of the date hereof, and thus are subject to change thereafter.

Notice to U.S. Holders. Both Implats and NAP have been formed outside of the United States. The Transaction will be subject to disclosure requirements of Canada that are different from those of the United States. Financial statements included in the documents, if any, will be prepared in accordance with Canadian accounting standards and may not be comparable to the financial statements of United States companies. It may be difficult for a securityholder in the United States

to enforce his/her/its rights and any claim a securityholder may have arising under U.S. federal securities laws, since the companies are located in Canada, and some or all of their officers or directors may be residents of Canada or another country outside of the United States. A securityholder may not be able to sue a Canadian company or its officers or directors in a court in Canada or elsewhere outside of the United States for violations of U.S. securities laws. It may be difficult to compel a Canadian company and its affiliates to subject themselves to a U.S. court's judgment.