

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM220Mar15/020917

In the matter between:

Micawber 278 Proprietary Limited
a wholly owned subsidiary of Northam Limited

Primary Acquiring Firm

And

Everest Platinum Mine

Primary Target Firm

Panel	:	Norman Manoim (Presiding Member), Yasmin Carrim (Tribunal Member) Anton Roskam (Tribunal Member)
Heard on	:	22 April 2015
Order issued on	:	22 April 2015
Reasons issued on	:	14 May 2015

Reasons for Decision

Approval

- [1] On 22 April 2015 the Competition Tribunal ("Tribunal") unconditionally approved the large merger between Micawber 278 Proprietary Limited ("Micawber") and Everest Platinum Mine ("Everest Mine"). The reasons for approving the transaction follow.

Parties to the transaction

- [2] The primary acquiring firm is Micawber, a wholly owned subsidiary of Northam Platinum Limited ("Northam"). Northam is listed on the Johannesburg Securities Exchange Limited ("JSE"), and is thus not controlled by any firm. Northam controls Chrome Producers Proprietary

Limited ("NCP"), Kokerboom joint venture and Dwaalkop joint venture. Northam is an independent, mid-tier, integrated platinum group metals ("PGMs") producer with two primary operating assets, namely Zondereinde PGM mine and the Booyendal PGM mine located in the Bushveld Complex, Mpumalanga. Northam's primary products are the three main PGMs, namely platinum, palladium and rhodium. These are generally used in the motor manufacturing industry, jewellery industry and other industrial sectors.

- [3] The primary target is the Everest Mine which is owned by Aquarius Platinum (South Africa) Proprietary Limited ("AQPSA"). AQPSA is an independent PGM producer with two primary operating assets, namely the Kroondal mine and the Mimosa mine. Due to challenging operating and economic challenges, AQPSA's Blue Ridge platinum mine, the Everest platinum mine and Marikana mine were placed on care and maintenance between 2011 and 2012 respectively. For purposes of this transaction, only AQPSA's interests in the Everest mine are relevant. AQPSA's primary products are platinum, palladium, rhodium, osmium, ruthenium and iridium.

Proposed transaction and rationale

- [4] The proposed transaction consists of two stages; in the first Northam will purchase the movable and immovable assets, infrastructure, inventory, equipment and sale of shares of property pertaining to the Everest mine, in the second, Northam will purchase and take cession of the mining rights associated with the Everest mine.
- [5] As already mentioned above, the Everest mine has not been operating since 2012, due to the low market prices for PGMs. With the current PGMs prices, there is no prospect that AQPSA will re-commission the Everest Mine. For AQPSA the transaction represents an opportunity to sell the asset and allow it to boost its balance sheet and resume focus on its core operations at its other mines.¹

¹ For instance at Kroondal Mine and Mimosa Mine

- [6] For Northam the prospects are different. It owns the Booyensdal mine, which is contiguous to Everest. The merger will allow it to use Everest to gain access to mine its Booyensdal ore bodies more efficiently than it can at present without that access. Expressed differently, ownership of Everest is more valuable to Northam than to AQP SA, because the former can extract efficiencies from the merger that the latter cannot.

Competition assessment

- [7] The proposed transaction results in a horizontal overlap as both merging parties are active in the mining and supply of PGMs.
- [8] The Everest mine has the mining right to explore and mine PGMs, whilst Northam is active in the exploration and mining of PGMs. The Commission thus assessed the proposed transaction in the market for the mining and supply of PGMs, and identified the geographic market to be international, based on previous Tribunal decisions².
- [9] The Commission's analysis revealed that the merging parties' post-merger market share in the broader PGMs market would be less than 20%, with an accretion of less than 1%. The Commission thus concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in the market. We agree with the Commission's conclusion.

Public Interest

- [10] The merging parties informed the Tribunal during the hearing that the proposed transaction will have a positive impact on employment, as mining operation at the Everest mine will be resumed as a result of the

² See Tribunal decisions: Xstrata Canada Acquisition Corp and Lion Ore Mining International Limited, Case no: 38/LM/Apr07; Two Rivers Platinum and AssMag Limited, Case no: 54/LM/Sep01.

proposed merger.³ The proposed transaction raised no public interest concerns.

CONCLUSION

[11] We agree with the Commission's findings that the proposed transaction is unlikely to substantially prevent or lessen competition in any market. We therefore approve the transaction without conditions.



Mr Norman Manoim

14 May 2015
DATE

Ms Yasmin Carrim and Mr Anton Roskam concurring.

Tribunal Researcher:

Caroline Sserufusa

For the merging parties:

Chris Charter of Cliffe Dekker Hofmeyr Attorneys

For the Commission:

Reabetswe Molotsi

³ See pages 3-4 of the Transcript of the hearing.