
Village Main Reef Gold Mining Company (1934) Limited

("Village")

(Incorporated in the Republic of South Africa)

(Registration Number 1934/005703/06)

JSE Code VIL ISIN : ZAE000007720

CAUTIONARY ANNOUNCEMENT RELATING TO THE PROPOSED ACQUISITION BY VILLAGE OF A CONTROLLING INTEREST IN LESEGO PLATINUM LIMITED ("LESEGO") AND THE PHOSIRI PLATINUM PROJECT ("Phosiri" or "the Project")

1. INTRODUCTION

Shareholders are advised that Village has concluded a binding agreement, subject to the fulfilment of certain conditions precedent, to acquire a controlling interest in Lesego and certain affiliated entities that together control the Project for a total purchase consideration of R411,481,342 ("the Proposed Transaction"). The purchase consideration will be settled through the issue of 205,740,671 ordinary shares in Village at a share price of 200 South African cents per share.

2. RATIONALE FOR THE ACQUISITION

If concluded, the Proposed Transaction will:

- deliver control to Village of a potentially world class platinum asset, at an attractive valuation relative to platinum peers. The potential acquisition will endow Village with an attributable inferred resource of 17.5m ounces of platinum group metals (3PGMs plus gold);
- leverage the benefits of R142m of existing capital already raised by Lesego to provide for the full funding requirements of the Project to the bankable feasibility study stage ("BFS");
- represent the first transaction in Village's strategy to acquire and develop a portfolio of precious metals mining assets;
- further cement Village's existing relationship with Umbono Capital Partners (Pty) Ltd ("Umbono"), a broad-based Black Economic Empowerment ("BEE") group that has an established portfolio of mining and exploration assets in Southern Africa underpinned by a strong capital base and the technical skills and resources. Upon conclusion of the Proposed Transaction, Village will boast BEE ownership of over 60% and enjoy access to a broader set of mining business opportunities; and
- augment the Village team with key Lesego personnel including Roy Pitchford, the chairman of Lesego and a veteran in the platinum mining industry, Phiway Mbuyazi and Dorian Wrigley.

3. LESEGO AND THE PHOSIRI PLATINUM PROJECT

Situated approximately 300km north east of Johannesburg between the Anooraq Bokoni mine (ex Anglo Platinum Atok mine) and the Lonmin Limpopo mine, the Phosiri platinum project has been developed by Lesego since 2005.

Phosiri is a potential world class platinum project with a total inferred resource of 27.8m platinum group metal ounces (3PGMs plus gold) at a high grade averaging of 6.43g/t 3PGMs plus gold. The Merensky and UG2 reefs which comprise the resource are relatively wide at 1.47 meters and 1.18 meters respectively, with reasonably low dip.

The Proposed Transaction will result in Village controlling the entire Project and owning an attributable resource of 17.5m ounces (3PGMs plus gold), representing 63% of the

total Project inferred resource. Ongoing discussions with other minority shareholders in the Project may increase Village's attributable share of the Project's inferred resource to in excess of 21m ounces (3PGMs plus gold).

Lesego will, in February 2010, commence work on the bankable feasibility study ("BFS") for the Project and the BFS is expected to be completed within three years, before the end of 2012.

An independent Competent Persons Report ("CPR") on Phosiri compliant with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC") is currently being updated by Venmyn Rand (Pty) Limited ("Venmyn"). The original SAMREC-compliant CPR prepared by Andy Clay on behalf of Venmyn dated 26 March 2008 is available for review on www.lesego.com together with additional information regarding the Project and Lesego.

The Project holds valid new order prospecting rights for all minerals on six farms in the Limpopo Province. Lesego owns 100% of the rights on the four northern farms that host 60% of the Project's inferred resource, and an effective 45% of the southern farm Eerste Regt which hosts 38% of the Project's inferred resource. The Proposed Transaction includes the acquisition of a further 50% effective interest in Eerste Regt.

4. FUNDING FROM THE IDC FOR BANKABLE FEASIBILITY

The Industrial Development Corporation of South Africa ("IDC") has acquired a 28% shareholding in Lesego for consideration of R142 million ("the IDC Transaction"), and it is anticipated that this funding be adequate to cover the entire budget for the Lesego BFS.

Since the Lesego BFS is "fully funded", Village is not expected to be required to raise capital for this portion of the BFS through to its anticipated completion in 2012.

5. STRUCTURE OF THE TRANSACTION

The Proposed Transaction would involve the acquisition by Village of the indirect interests of the two major shareholders of Lesego, being Umbono and Minex Projects (Pty) Ltd ("Minex") in Lesego. In addition, Village would acquire the interests of a third group, Nebavest 69 (Pty) Ltd, that own an effective 50% interest in the Eerste Regt prospecting right.

Binding agreements have been concluded between Village, Umbono, Minex and Nebavest subject to the fulfilment of various conditions precedent including the board and shareholder approvals of Village, required regulatory and JSE approvals and the waiver or failure to exercise pre-emptive rights by several parties including the IDC.

The valuation of Lesego implicit in the Proposed Transaction is based on the valuation attributed to Lesego in terms of the IDC Transaction, and is significantly below the "per ounce" valuations at which listed platinum mining and exploration companies are valued presently.

Village are in ongoing discussions with certain other minority shareholders in the Project, and these discussions may lead to the further acquisition of up to 4m attributable inferred resource ounces in the Project. Such potential transactions would also be settled through the issue of Village shares.

6. FURTHER ANNOUNCEMENT AND CAUTIONARY STATEMENT

A further announcement will be made in due course.

As the Proposed Transaction may have a material effect on the price of Village's share, Village shareholders are advised to exercise caution when dealing in Village's shares until such further announcement is made.

Bernard Swanepoel, Director of Village commented, "This transaction meets many of our strategic criteria, and lays a sound foundation for Village as a player in precious metals. The acquisition of Lesego and the Phosiri Project brings us ownership of a high grade platinum ore body and a fully funded BFS programme. We are pleased to broaden Village's BEE ownership and develop our relationship with Umbono, a successful investor in Southern African mining projects. This is our first deal and serves as a platform to acquire further precious metal mining opportunities, particularly those with imminent or existing cashflow generation"

Johannesburg

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Sponsor

Investec Bank Limited

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