DECISION ON GOLDFIELDS

Cabinet, on the advice of the Minister of Finance, Mr Trevor Manuel, has declined to approve the proposed merger between Goldfields and Franco Nevada Mining Ltd, which would have involved Goldfields moving its primary listing from Johannesburg to Toronto.

The companies had proposed that the merger be executed through a share exchange whereby Franco Nevada would have acquired all the shares of Goldfields. In effect, the proposed transaction was structured as a "reverse takeover". In terms of Canadian tax law, the new firm would have had to have its primary listing on the Toronto Stock Exchange.

Although the new firm would have maintained offices in SA, it would have become a wholly owned subsidiary of a Canadian company.

After careful consideration of the facts, permission for the transaction was declined for the following reasons:

1. Approval for the merger would have set a precedent. There is no opposition to some firms listing off-shore if they meet certain criteria. In this case the criteria were not met. The proposed transaction was driven primarily by the constraints imposed by Canadian tax and financial regulation requirements. Had this transaction been allowed we would have in effect made a policy decision premised on the legal requirement of a jurisdiction other than our own.

2. The proposed merger would potentially erode the mining tax base, which has been declining since the 1980s.

3. The proposed transaction does not fall within the current exchange control policy regarding foreign listings, which is guided primarily by an evaluation of the potential benefits to the South African economy. We were not convinced that the proposed transaction could not have been achieved through the retention of the primary listing on the JSE and a secondary listing through the TSE. No strong case was made that the merger would have present or future benefits for the South African economy.

Issued by the Ministry of Finance