

REPLACEMENT BEE TRANSACTION

Investor presentation and detailed Q&A

9 November 2017

exxaro

POWERING POSSIBILITY



EXXARO'S INDEPENDENT BOARD SUB-COMMITTEE SUPPORTS THE REPLACEMENT BEE TRANSACTION



...and recommends that all shareholders vote in favour of the resolutions

STRONG RATIONALE FOR THE REPLACEMENT BEE TRANSACTION

INDEPENDENT MARKET SUPPORT

1

Protects the stability of Exxaro's operations

Reinforces the sustainability of its relationships with key stakeholders

2

Positions Exxaro well for growth in South Africa through sector leading empowerment credentials

Provides significant strategic flexibility and the ability to create long-term value for shareholders

3

Ensures ongoing compliance with customer and industry requirements

Ongoing compliance in a sector which will continue to be actively regulated

4

Reduces the market overhang impact of the MS333 Unwind

Overhang reduced through enabling the Second Repurchase and the reinvestment by the MS333 shareholders

5

Furtheres the imperative for economic transformation in South Africa

Shareholders within the New Empowerment Structure are significantly broad-based and the empowerment will create true economic empowerment

The Replacement BEE Transaction is dilutive for non-BEE shareholders but all-in-all we believe that ***it is a robust (and necessary) transaction***; and the residual share overhang is now only ~10%.

- INDEPENDENT ANALYST #1

Retaining empowerment is important for Exxaro

- INDEPENDENT ANALYST #2

In the SA environment we think it is ***appropriate to maintain some level of BEE*** ownership (broad-based).

- INDEPENDENT ANALYST #3

exxaro

POWERING POSSIBILITY

**Replacement
BEE Transaction**

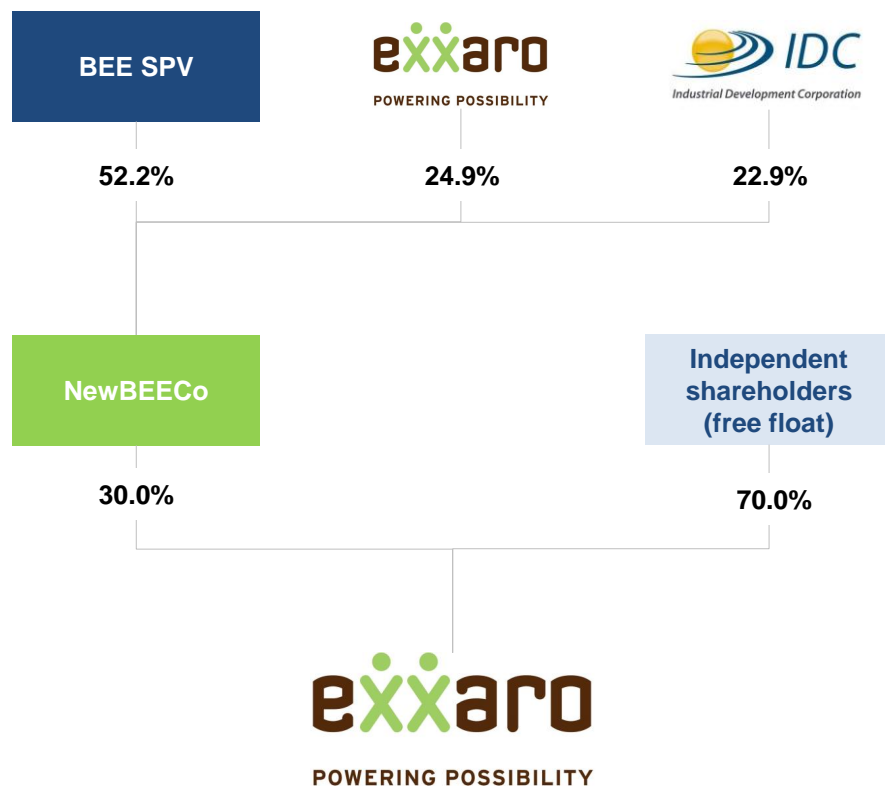
THE REPLACEMENT BEE TRANSACTION ENSURES THAT EXXARO REMAINS SA'S LEADING EMPOWERMENT MINING COMPANY



...and will protect its status as a company with one of the largest HDSA shareholdings in SA

30% BEE OWNERSHIP AND INCREASED FREE FLOAT

After the Second Repurchase and the Specific Issue the New Empowerment Structure will be as follows:



KEY TRANSACTION ELEMENTS

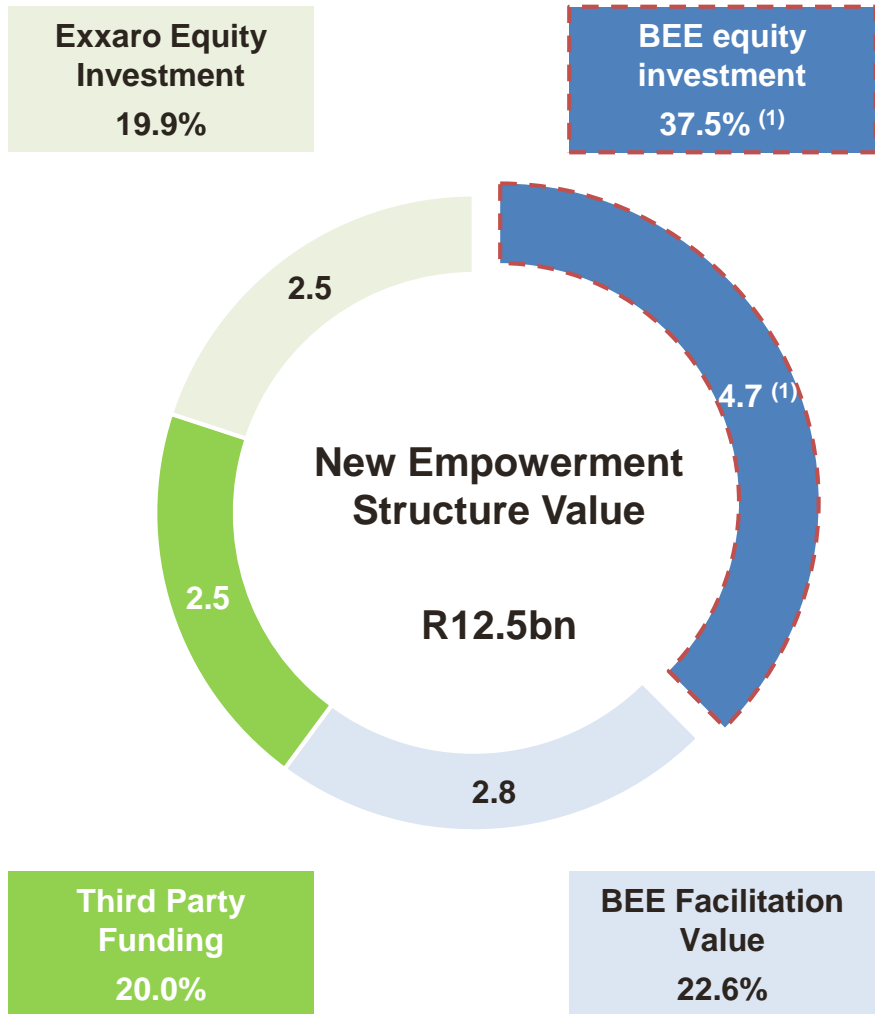
- 1 **30% BEE shareholding** locked in for up to 10 years
- 2 Exxaro **free float increased to 70%** (up from c.40%)
- 3 **Sustainably** structured with **limited debt**
- 4 BEE partners investing **R4.7bn of equity** into the structure
- 5 **7.3% economic dilution** on a value per share basis (Facilitation cost of 6.8% of post transaction market cap) ~ **below industry standard** for large BEE transactions with long lock-in
- 6 **Significant broad-based BEE** shareholding enabling true economic empowerment of women, youth and community groupings

R4.7BN INVESTMENT BY BEE SHAREHOLDERS WHICH UNDERPINS THE NEW EMPOWERMENT STRUCTURE



Sustainable transaction structure with significant black equity which limits debt and cost

FUNDING STRUCTURE AND SOURCES



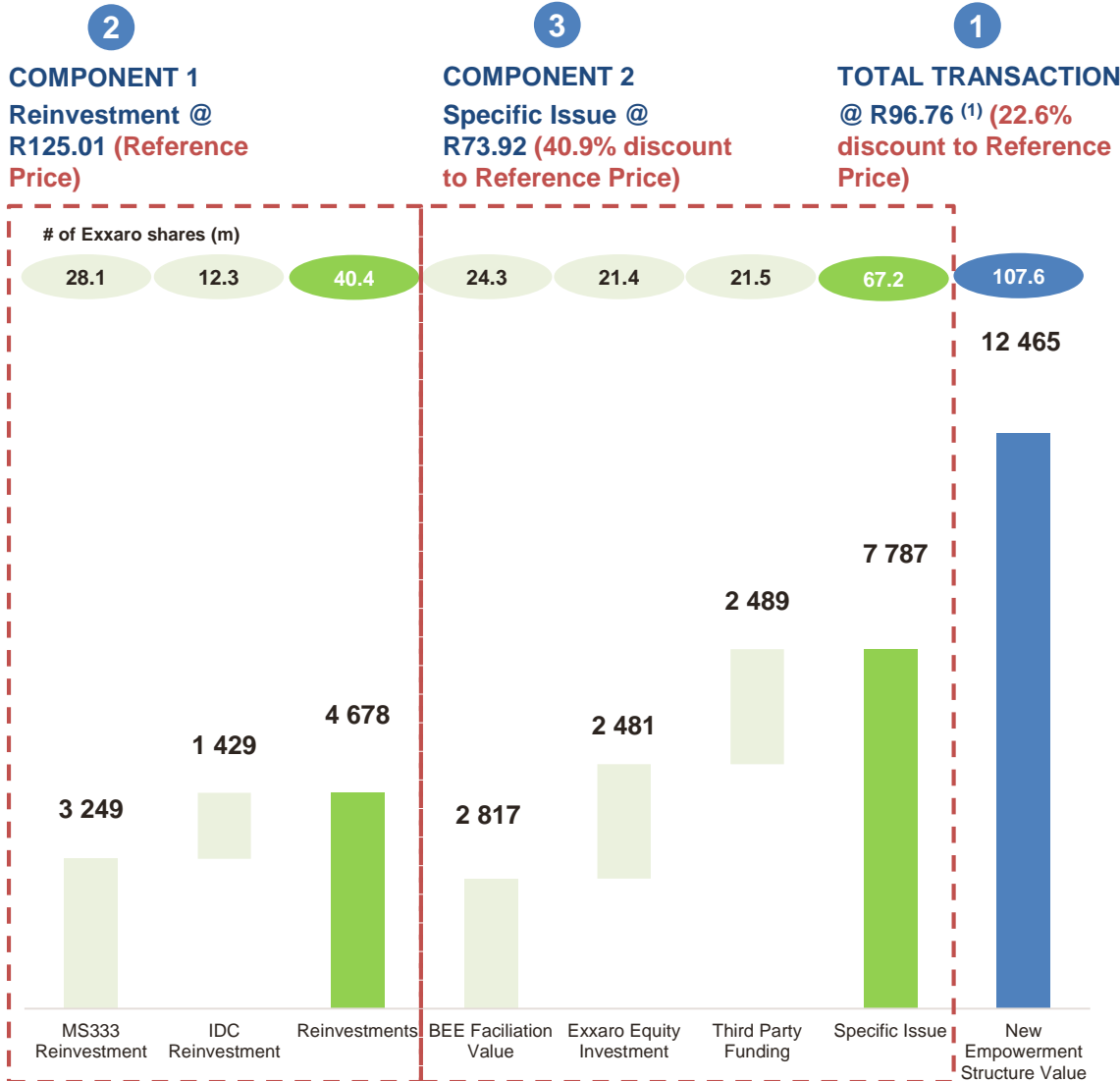
KEY CONSIDERATIONS

- 1 **R4.7bn equity investment by BEE shareholders** is the largest funding component in the New Empowerment Structure – 37.5%
- 2 BEE shareholders are **investing in excess of 65% of their unencumbered equity value**
- 3 **R2.8bn BEE facilitation cost** equates to R280m per year of the structure (0.7% of the post transaction market cap per year)
- 4 **Low debt levels** (20.0% of the New Empowerment Structure) creates a **sustainable** long term empowerment transaction in an extremely volatile industry
- 5 Exxaro's interest in NewBEECo is being warehoused for **further employee and community empowerment** ~ subject to Exxaro shareholder approval

(1) c.R3.2bn (26.1%) from the MS333 Reinvestment and c.R1.4bn (11.4%) from the IDC Reinvestment

DISCOUNT ON THE SPECIFIC ISSUE EXPLAINED

Artificially inflated discount on Specific Issue due to facilitation being transferred through the specific issue (excluding the reinvested Exxaro shares)



CLARIFICATION OF DISCOUNT ON SPECIFIC ISSUE

- 1 Replacement BEE Transaction implemented at a **22.6%** discount to Reference Price (equating to a **7.3% economic dilution, 0.7% per year** – see next page)
- 2 Exxaro shares reinvested by MS333 (including IDC) at Reference Price of R125.01 (i.e. full value)
- 3 Specific Issue occurs at a **40.9% discount** to Reference Price

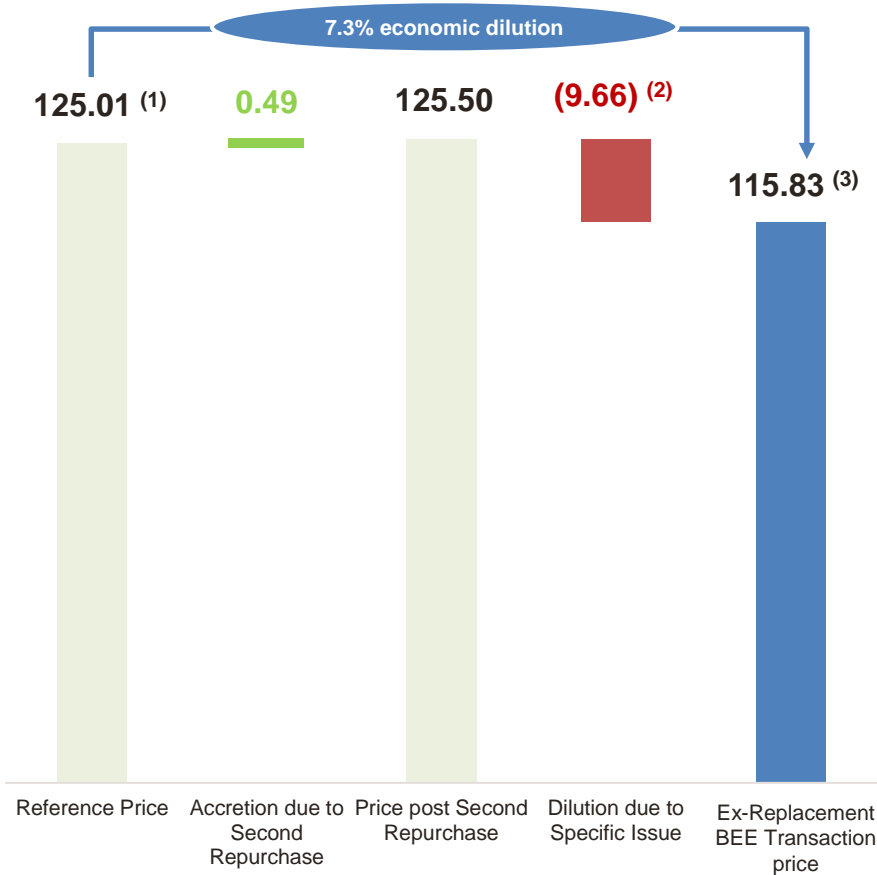
(1) R10 412m / 107.6m shares. R10 412m calculated as sum of the BEE Shares (excluding the shares attributable to the BEE facilitation) multiplied by the Reference Price. This assumes that all the Replacement BEE Transaction funding is procured at the Reference Price and the BEE Facilitation Value is transferred by issuing free Exxaro Shares (for no value)

REPLACEMENT BEE TRANSACTION BENEFITS FAR OUTWEIGH ITS COSTS



Replacement BEE Transaction will result in an economic dilution of 0.7% per year

ECONOMIC DILUTION (Rand)



(1) The Reference Price

(2) Does not take into account the accretion impact of Exxaro's 24.9% interest in NewBEECo

(3) Ex Replacement BEE Transaction taking into account the theoretical impact on market capitalisation of the Second Repurchase and the Specific Issue

KEY CONSIDERATIONS

- 1 Through the Replacement BEE Transaction, Exxaro's **market leading empowerment status** is secured for up to another 10 years at an economic dilution cost of 0.7% per year (7.3% in total)
- 2 Dilution is significantly reduced through the specific repurchases from MS333 at significant discounts to spot and the Reference Price (**R6.2bn, c.20% of Exxaro's outstanding capital repurchased**):
 - First Repurchase occurred at **R80.20** (R3.5bn) which **substantially reduces the total economic dilution / cost** when taken into account
 - Second Repurchase to occur at **R118.76** (R2.7bn)
- 3 **Second Repurchase** is conditional on implementation of the New Empowerment Structure

The independent expert has considered the terms and conditions of the Replacement BEE Transaction and is of the opinion that the terms and conditions of the Replacement BEE Transaction are fair and reasonable to the Exxaro shareholders

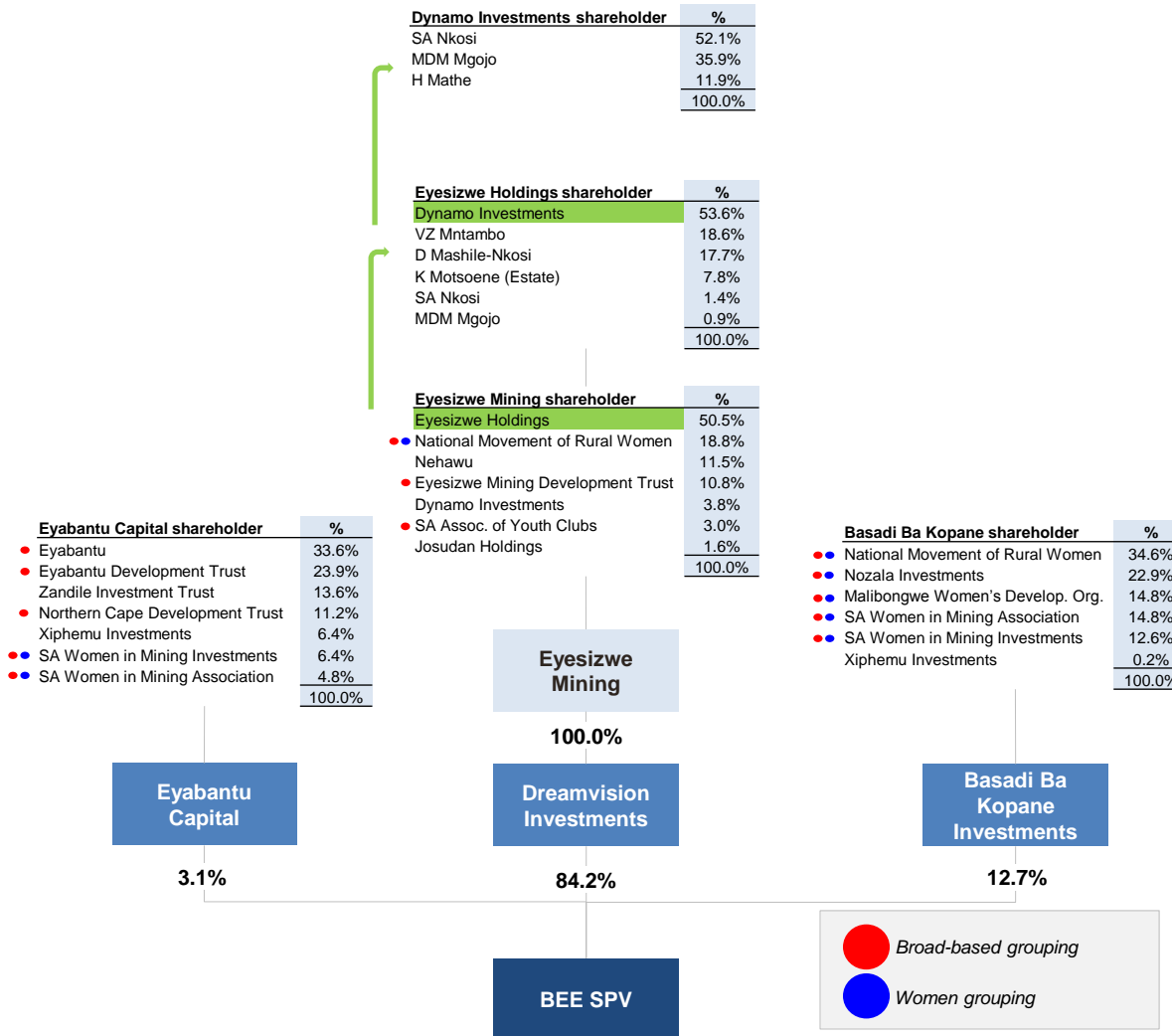
- INDEPENDENT EXPERT REPORT

THE NEW EMPOWERMENT STRUCTURE IS SIGNIFICANTLY BROAD-BASED, ENABLING TRUE ECONOMIC EMPOWERMENT

c.43% of the shareholding in BEE SPV represents the interests of broad-based groupings



BEE SPV SHAREHOLDING COMPOSITION (1)



KEY CONSIDERATIONS

- 1 Approximately **43%** of the shareholding in BEE SPV is held for the benefit of **broad-based HDSA groupings**
- 2 This represents more than **1million beneficiaries** in total
- 3 Approximately **29%** of the shareholding in BEE SPV is held for the benefit of broad-based HDSA **women** groupings

(1) Shareholders reflected represent effective shareholders in certain instances (i.e. not the legal entity but the individual behind such entity)

THE NEW EMPOWERMENT STRUCTURE IS WELL GOVERNED, AS REGULATED BY THE TRANSACTION AGREEMENTS



...to protect its solvency and maintain the benefit it provides to Exxaro

- Funding restrictions and NewBEECo distribution parameters significantly “*insulate*” solvency of the New Empowerment Structure
- NewBEECo is *heavily governed to protect Exxaro’s position*

1

Lock-in

- *Shares reinvested by MS333 and IDC become unrestricted after 7 years*
- *One third of the remaining Exxaro shares held by NewBEECo becomes unrestricted in each of year 8, 9 and 10*
- *Remaining debt must be settled proportionately when shares are released*

2

Funding restrictions

- *Neither NewBEECo, BEE SPV nor any Reinvesting MS333 Shareholder may incur any material funding liability without Exxaro’s consent*

3

NewBEECo distributions

- *Dividends to be applied 50% to settling Third Party Funding and 50% distributed to its shareholders, subject to a minimum value cover of 3.5 : 1*
- *Special dividends from the disposal of Tronox or SIOC to be applied fully to settling Third Party Funding*

4

Exxaro disposal rights

- *Exxaro can dispose of its interest in NewBEECo at any time subject to standard shareholder pre-emptive rights and a minimum value cover (of Third Party Funding) of 5 : 1*
- *Community / employee empowerment carved out of this*

5

Board composition

- *BEE SPV will have no more than 9 directors*
- *NewBEECo will have 9 directors:*
 - *BEE SPV ~ 5 directors*
 - *Exxaro ~ 2 directors*
 - *IDC ~ 2 directors*
- *Exxaro agrees to refer 4 persons nominated by NewBEECo to the Nominations Committee of the Exxaro Board*

INTERIM LIQUIDITY MECHANISMS AGREED TO PROVIDE EXXARO WITH FLEXIBILITY WITH RESPECT TO ITS EMPOWERMENT SOLUTION



Implementation of any mechanism to be approved by Exxaro and independent shareholders

- Interim liquidity mechanisms have the benefit of potentially enabling *NewBEECo to de-gear and preserve the solvency of the structure*
- *Exxaro needs to approve* the interim liquidity mechanism and will only do so if Exxaro will *remain compliant* with the relevant empowerment requirements

Mechanism	Description	Exxaro control and benefit
1 Trade sale	<ul style="list-style-type: none"> • After 3 years, IDC, BEE SPV and / or any Reinvesting MS333 Shareholder can sell to another HDSA shareholder, subject to the Transaction Agreements and its terms 	<ul style="list-style-type: none"> • Exxaro needs to approve • Could potentially include BEE shareholders which could assist in strategic initiatives • No additional cost to Exxaro
2 Public offering	<ul style="list-style-type: none"> • Exxaro can sell its NewBEECo shares into a listing (of NewBEECo at any time) • BEE SPV and IDC can sell into a listing after 3 years at Exxaro's discretion 	<ul style="list-style-type: none"> • Exxaro has full discretion with respect to the listing of NewBEECo • Can enhance Exxaro's brand • Potential platform for employee compensation • Creation of long term BEE solution
3 Further community / employee empowerment	<ul style="list-style-type: none"> • Should Exxaro empower communities / employees further (over and above out of the Exxaro Equity Investment), will first offer to purchase shares from NewBEECo for the transaction 	<ul style="list-style-type: none"> • Exxaro determines terms of transaction (and subsequent offer to NewBEECo) • Can potentially re-organise NewBEECo shareholder base
4 Exxaro facilitated staggered vesting	<ul style="list-style-type: none"> • NewBEECo can "put" shares at a discount to Exxaro, up to the Third Party Funding if: <ul style="list-style-type: none"> - Exxaro deems empowerment no longer required - Exxaro share price has appreciated 50% 	<ul style="list-style-type: none"> • Exxaro to determine whether empowerment is required (i.e. strong right to refuse) • Will occur through specific buyback of Exxaro shares – thus will require Exxaro independent shareholder approval in accordance with JSE Listings Requirements (excluding NewBEECo)

NEWBEECO TO BE CONSOLIDATED BY EXXARO IN TERMS OF IFRS10

Consolidated from an accounting perspective due to the extensive governance imposed on NewBEECo



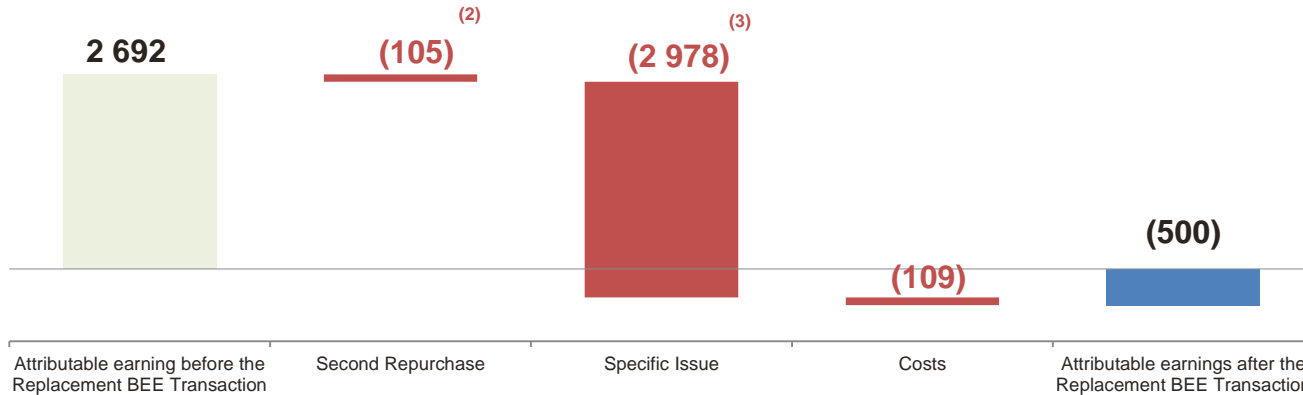
- Exxaro is required to consolidate NewBEECo when preparing its consolidated annual financial statements in terms of *IFRS 10 Consolidated Financial Statements*
- The main reason for consolidation is due to Exxaro being deemed to control NewBEECo as a result of the governance provisions imposed on NewBEECo as a legal entity in accordance with IFRS10
- NewBEECo will therefore be treated as if it were a subsidiary of Exxaro for accounting purposes
- The consolidation of NewBEECo by Exxaro results in the:
 - Shareholding held by NewBEECo in Exxaro being treated as treasury shares, thereby reducing the number of Exxaro shares for purposes of earnings per share and other related per share metrics
 - Third Party Debt of NewBEECo being reflected as a liability payable by Exxaro
 - Preference dividends on the Third Party Funding being accounted for by Exxaro as finance costs
 - Recognition by Exxaro of a once-off share-based payment expense (of c.R3.0bn) and reserve for an option deemed in terms of IFRS 2 *Share-Based Payment* to be issued to BEE SPV and the IDC to acquire shares in NewBEECo

EARNINGS IS DILUTED IN YEAR 1 DUE TO THE UPFRONT IFRS 2 CHARGE

IFRS 2 charge is a once-off expense in the Statement of Comprehensive Income



EXXARO HALF YEAR EARNINGS BRIDGE FOR 6 MONTHS TO 30 JUNE 2017 (R'M) ⁽¹⁾

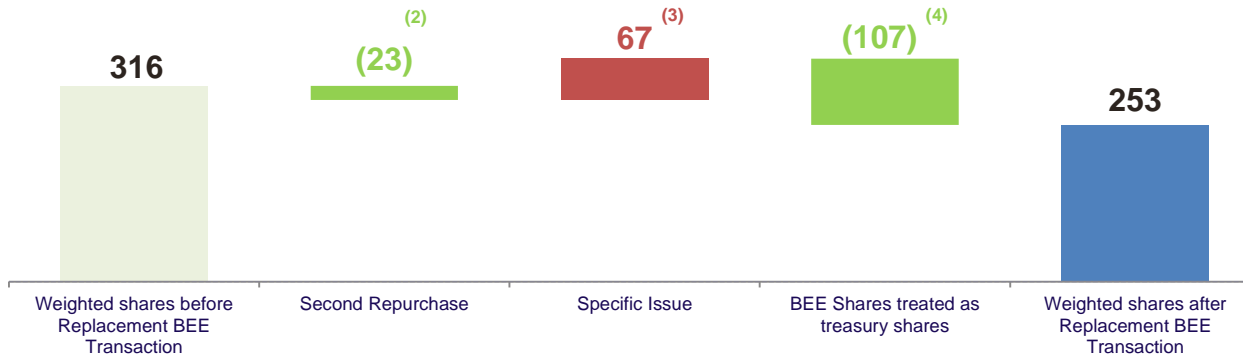


- (1) Impact shown as at 30 June 2017
 (2) Reflects interest income foregone on cash utilised for Second Repurchase
 (3) IFRS 2 charge

KEY CONSIDERATIONS FOR 6 MONTHS TO 30 JUNE 2017

- Basic EPS diluted from **852c to (198c)** – largely due to significant once-off IFRS 2 charge
- On a normalised basis (i.e. excluding the R2 969m IFRS 2 charge and not treating the Exxaro shares held by NewBEECo as treasury shares) EPS for the 6 months to 30 June 2017 would be **c.690c** ⁽¹⁾

WEIGHTED AVERAGE NUMBER OF SHARES BRIDGE (M) ⁽¹⁾



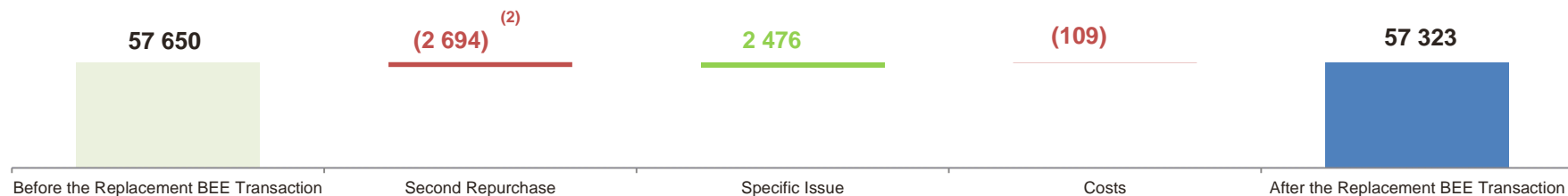
- (1) Impact shown as at 30 June 2017
 (2) Shares repurchased pursuant to Second Repurchase
 (3) Shares issued pursuant to the Specific Issue
 (4) The Exxaro shares held by NewBEECo following implementation of the Replacement BEE Transaction – treated as treasury shares upon IFRS10 consolidation

(1) Earnings = R2 478m (being R2 692m less R105m less R109m) divided by Weighted average number of shares of 360m (316m less 23m Second Repurchase shares plus 67m Specific Issue shares)

IMPACT ON STATEMENT OF FINANCIAL POSITION



TOTAL ASSETS BRIDGE(R'M) (1)



(1) Impact shown as at 30 June 2017

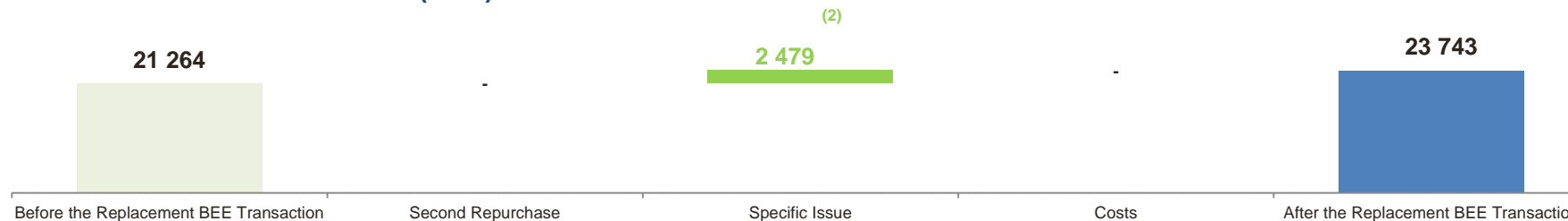
(2) Second Repurchase cash consideration

TOTAL EQUITY BRIDGE(R'M) (1)



(1) Impact shown as at 30 June 2017

TOTAL LIABILITIES BRIDGE(R'M) (1)



(1) Impact shown as at 30 June 2017

(2) Predominantly Third Party Funding consolidated onto Exxaro Balance Sheet

ANTICIPATED PROCESS AND WAY FORWARD

General meeting to vote on Replacement BEE Transaction to occur on 20 November





Capitalised terms have the same meaning ascribed to them as in the circular

1. Why is Exxaro pursuing another BEE transaction?

Exxaro has been one of the leading empowerment companies in South Africa since its creation in 2006. Remaining empowered is essential for Exxaro to maintain stability in its operational environment, reinforce sustainable relationships with critical stakeholders in the industry and to ensure ongoing compliance with customer and industry requirements.

2. Should Exxaro not rather wait until there is further clarity on empowerment regulations before it pursues another BEE Transaction?

Exxaro is aware of the current uncertainty around the legislative requirements for empowerment in the South African mining sector. Since creation Exxaro's empowerment identity has been critical to its value proposition and it has been the key catalyst for Exxaro's ability to deliver shareholder value. Exxaro sees its empowerment shareholding as much more than mere regulatory compliance.

The commercial incentive for Exxaro being empowered in terms of improved relationships with key stakeholders and its ability to secure preferential terms on prospective investments and commercial arrangements ensures that Exxaro remaining empowered is beneficial to all shareholders. Furthermore, Exxaro believes that maintaining market leading empowerment credentials provides it with a competitive advantage over its South African peers.



Capitalised terms have the same meaning ascribed to them as in the circular

3. What is the impact on Exxaro if the Replacement BEE Transaction is not implemented?

The unwind of Exxaro's Previous BEE Transaction provided a unique opportunity for Exxaro to secure a large pool of capital from its existing BEE shareholders. Existing shareholders are investing approximately R4.7 billion of capital into the New Empowerment Structure. If Exxaro does not implement the Replacement BEE Transaction, the existing BEE shareholders will most likely exit this investment in Exxaro.

If Exxaro waits for regulatory clarification to implement a new BEE transaction, it will most likely not be able to secure the large investment from BEE shareholders / participants, resulting in the cost of a new deal to Exxaro shareholders potentially increasing by the aforementioned R4.7 billion in absolute terms and entailing additional facilitation cost (as well as financial risk – given the likely gearing required) to a new BEE structure.

It is unlikely that Exxaro not being empowered will result in an outright breach of Exxaro's material commercial arrangements. Exxaro not being empowered will however significantly reduce Exxaro's ability to secure the same arrangements or terms of such arrangements on expiry of these.

It is the Exxaro Independent Board Sub-Committee's view that the commercial benefit of Exxaro remaining empowered significantly outweighs the cost of such empowerment.



Capitalised terms have the same meaning ascribed to them as in the circular

4. Why is Exxaro empowering the same shareholders again?

The existing BEE shareholders have been invested in Exxaro since its creation in 2006. The shareholders of Dreamvision Investments, specifically Eyesizwe Holdings, have been invested in the majority of Exxaro's coal assets for more than 17 years through their investment in Eyesizwe Coal. The Eyesizwe Coal assets were material to the investment thesis of Exxaro at its creation in 2006.

The existing BEE shareholders have been invested in Exxaro with a long term mindset and they continue to view Exxaro as a long term investment, as evidenced by their willingness to be locked in for another 10 year period. Further evidence of their long term commitment comes from the majority of Dreamvision shareholders reinvesting more than 70% of the value of their investment in Exxaro back into the new BEE Transaction.

5. It appears as if the BEE shareholders are exiting their investment in Exxaro, just to be facilitated into a new deal?

The existing BEE shareholders are investing R4.7 billion into the new BEE Transaction. The existing BEE shareholders are the largest contributor to the funding of the new BEE Transaction, funding approximately 37.5% of the transaction funding requirement.

The funding contributed by the existing BEE shareholders is approximately 67% larger than the R2.8 billion facilitation required from Exxaro.

All existing BEE shareholders that are investing into the New Empowerment Transaction are investing at least 65% of the value of their existing unencumbered investment in Exxaro. The larger shareholders of Dreamvision Investments are investing more than 70% of the value of their investment in Exxaro.

The Exxaro Independent Board Sub-Committee sees this large portion of reinvestment by the existing BEE shareholders, together with their willingness to be locked in for another 10 year period, as an extremely positive view from these shareholders of Exxaro's ability to deliver long term value for all shareholders.



Capitalised terms have the same meaning ascribed to them as in the circular

6. Why is Exxaro not pursuing a broad-based empowerment transaction?

The New Empowerment Transaction includes a significant broad-based shareholding. Approximately 43% of the shareholding in BEE SPV is held for the benefit of broad-based HDSA groupings representing more than 1 million ultimate beneficiaries. Approximately 29% of the shareholding in BEE SPV is held for the benefit of broad-based HDSA women groupings. Further a large portion of Exxaro's 24.9% interest in NewBEECo is being warehoused for employee / community empowerment

7. Who will be the representatives of NewBEECo on the Exxaro board?

In terms of the Transaction Agreements agreed between Exxaro and NewBEECo, NewBEECo will be able to propose four representatives to be considered for appointment to the Exxaro board. The independent Exxaro Board Nominations Sub-Committee will consider the nominations and in its own discretion, and having regard to the JSE Listings Requirements and the commercial impact, decide which of the proposed representatives should be nominated for board representation. Ultimately the nominated directors will have to be voted on by Exxaro shareholders.



Capitalised terms have the same meaning ascribed to them as in the circular

8. How will Exxaro manage any conflicts of interest that arise as a result of the BEE shareholder's other commercial interests?

NewBEECo is a minority shareholder of Exxaro. Exxaro has not placed any restraint on competing interests of NewBEECo shareholders, but the BEE parties are locked in, and in addition, they have no special information rights. The (direct and indirect) shareholders of NewBEECo are essentially passive investors, as most will not be represented at Exxaro board level. It is not reasonable to suggest Exxaro regulate all of their other investments. All parties proposed to be directors of Exxaro will be vetted by the Exxaro Board Nominations Sub-Committee.

Exxaro has not sought to regulate the composition of the structure above the level of the direct shareholders in BEE SPV, provided that the structure remains HDSA and that the ultimate shareholders may not change without Exxaro's consent. The entities in the structure do not have to be ring-fenced (and again, Exxaro is not seeking to require ring-fencing) because Exxaro's remedies to safeguard the structure are triggered at a lower level. If a breach happens at a higher level, then the direct shareholders in BEE SPV have the opportunity to re-organise their shareholding to remedy the issue. If they are unwilling or unable to do so, a trigger occurs at NewBEECo level. This structure promotes self-regulation, and gives Exxaro the opportunity to safeguard the entire structure.

9. It appears as though certain individuals effectively control NewBEECo

The shareholdings that the various reinvesting shareholders have in BEE SPV is a direct function of the amount of unencumbered equity being invested into the New Empowerment Structure. Sipho Nkosi and Mxolisi Mgojo are both investing more than 70% of their unencumbered equity into the New Empowerment Structure and agreeing to be locked-in for up to 10 years. Exxaro views as a significant positive as it aligns their economic interest fully with that of Exxaro. Following implementation both Mr. Nkosi and Mr. Mgojo will have a beneficial interest in Exxaro of c.2% each.

Further, given the extensive governance of NewBEECo, which is a special purpose entity intended to hold the Exxaro BEE stake, it isn't possible for any shareholder to unduly influence its activities. Decisions on how to vote on Exxaro resolutions will be made at NewBEECo board level, of which Exxaro, the IDC and various other BEE shareholder representatives form part.



Capitalised terms have the same meaning ascribed to them as in the circular

10. The cost of the deal appears to be expensive?

The new 30% New Empowerment Structure is valued at approximately R12.5 billion. The transaction structure requires Exxaro to provide facilitation of approximately R2.8 billion. The R2.8 billion facilitation cost represents approximately 6.8% of the Exxaro market capitalisation (7.3% economic dilution on a value per share basis), based on the Reference Price, but diluted for the implementation of the new BEE Transaction (including the Second Repurchase and the Specific Issue).

The cost of the transaction translates into a 2.3% cost for every 10%, which cost is significantly below the market average for transactions of similar size and value. Furthermore, the cost is approximately 0.7% of Exxaro's market capitalisation for each year of the transaction term.

11. But Exxaro is issuing shares at a 40.9% discount?

Yes, the Specific Issue will be at a 40.9% discount to the Reference Price.

The BEE Transaction requires funding of approximately R12.5 billion. There are two components to the funding structure – i) the reinvestment by existing BEE shareholders of R4.7billion, which reinvestment is done at market value; and ii) the Specific Issue of R7.8 billion which is done at a 40.9% discount of R2.8bn (which discount represents the Exxaro facilitation cost).

For clarification – the Specific Issue is at a 40.9% discount, which discount represents the R2.8 billion Exxaro facilitation. The R2.8 billion Exxaro facilitation is 22.6% of the total New Empowerment Structure and represents a total economic dilution to Exxaro shareholders of 7.3% (equating to 6.8% of the post deal market capitalisation).



Capitalised terms have the same meaning ascribed to them as in the circular

12. Why did Exxaro provide facilitation? The deal could have been vendor funded?

The Replacement BEE Transaction requires the BEE shareholders to be locked in for a 10 year period. As a commodity producer, Exxaro's share price has shown high volatility over the previous 10 year period. To ensure that there is sufficient equity in the structure to provide support for the structure in periods of cyclical downturn, Exxaro believes it is more prudent to provide facilitation in the form of a discount rather than through a vendor loan.

13. Why is Exxaro a shareholder in the structure?

It is Exxaro's intention that all or a large portion of the Exxaro Equity Investment will be utilised by Exxaro for the empowerment of the relevant Exxaro communities and employees. The form, size and structure of such empowerment will be finalised after the BEE Implementation Date. Exxaro Shareholder approval will be sought for any further transaction, to the extent required.

14. Why is the transaction not being done at the asset level (i.e. for coal only)?

An asset level transaction was considered and assessed. The following key reasons deterred Exxaro from proposing an asset level transaction:

- It requires a restructure of the Exxaro operations which would require regulatory approvals
- It would have a negative impact on debt covenants at the Exxaro corporate level
- BEE shareholders indicated an unwillingness to reinvest unencumbered equity at asset level which would've necessitated significantly more debt and vendor funding and would ultimately have lead to a less sustainable and significantly more expensive BEE transaction (which contradict two of he primary objectives of the structuring of the Replacement BEE Transaction being sustainable empowerment and minimising cost for the independent shareholders).



Capitalised terms have the same meaning ascribed to them as in the circular

15. Why is the Replacement BEE Transaction not being implemented after a Tronox-linked distribution?

The structuring and negotiating of the Replacement BEE Transaction has been ongoing for 3 years and Exxaro did not want to delay its implementation as a result of the Tronox realisation which may have led to BEE shareholders potentially divesting their interest in Exxaro and the potential implementation of new transaction at a significantly higher cost. The Tronox realisation was opportunistic given the strong Tronox share price performance and Exxaro didn't want to delay this realisation at risk of negative market movements.

The Reference Price of the Replacement BEE Transaction of (R125.01) was established prior to the Tronox realisation and subsequent re-rating of the Exxaro share price, meaning that the committed facilitation cost for the transaction, and the dilution effect on independent shareholders is much lower than if the Replacement BEE Transaction was to be done at current levels.



Capitalised terms have the same meaning ascribed to them as in the circular

16. Why is Exxaro providing these mechanisms to NewBEECo

Notwithstanding the fact that NewBEECo is locked-in for an up to 10 year period, Exxaro has agreed to certain interim liquidity mechanisms, the details of which are listed on pages 17 and 18 of the Circular to shareholders, to allow the shareholders of NewBEECo to obtain liquidity prior to the expiration of the 10 year lock in. The liquidity mechanisms provides flexibility to Exxaro with respect to its empowerment solution with a focus on potentially settling the Third Party Funding and ensuring the structure remains solvent in difficult conditions

It is important to note that there are two conditions to the interim liquidity mechanisms:

- Exxaro needs to approve the liquidity mechanism and it will only do so if it is satisfied that Exxaro will be compliant with the relevant empowerment shareholding requirements post the exercise of the interim liquidity mechanism
- The interim liquidity mechanism will be subject to any required Exxaro shareholder or regulatory approvals, as the case may be.

17. Why is Exxaro giving NewBEECo a put option over its shares?

The details of the Put Option is specified on page 18 “Exxaro facilitated staggered vesting” of the Circular to shareholders .

Exxaro has granted NewBEECo the option to require Exxaro to purchase any or all of its shares on conditions as set out in the circular, however the put option is capped at a number of shares equal to the outstanding balance of any Third Party Debt.

The rationale for the Put Option is to allow NewBEECo to be able to reduce its debt levels in periods of high share price, which will reduce the volatility of the BEE shareholding structure.

The Put Option is however subject to two specific conditions:

- Exxaro needs to be satisfied that Exxaro will be compliant with the relevant empowerment shareholding requirements post the exercise of the Put Option
- The exercise by NewBEECo of the Put Option will effectively be a specific repurchase of Exxaro Shares by Exxaro and will require approval by Exxaro shareholders, excluding NewBEECo.



Capitalised terms have the same meaning ascribed to them as in the circular

18. Why is NewBEECo consolidated by Exxaro?

The provisions of IFRS 10 *Consolidated Financial Statements* determines that Exxaro has effective control over NewBEECo and therefore needs to consolidate NewBEECo.

The impact of this is that the Exxaro Shares held by NewBEECo in Exxaro are treated as treasury shares, the third party funding is consolidated and a share based payment expense needs to be recognised for the facilitation charge.

The consolidation of NewBEECo by Exxaro results in the:

- Shareholding held by NewBEECo in Exxaro being treated as treasury shares, thereby reducing the number of Exxaro shares for purposes of earnings per share and other related per share metrics. The economic interest and voting right however vests in accordance with the shareholding of NewBEECo
- Third Party Debt of NewBEECo being reflected as a liability payable by Exxaro. NewBEECo has no recourse to Exxaro
- Preference dividends on the Third Party Funding being accounted for by Exxaro as finance costs
- Recognition by Exxaro of a share-based payment expense and reserve for an option deemed in terms of IFRS 2 Share-Based Payment to be issued to BEE SPV and the IDC to acquire shares in NewBEECo.

Exxaro will consider ways of ensuring that its financial reporting reflects the true economic position of the New Empowerment Structure.