

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, to this "front cover" (unless the context requires a contrary intention).

### Action required

- If you are in any doubt as to what action you should take arising from this Circular, please consult your broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
- If you have disposed of all your Wescoal Shares, please forward this Circular to the purchaser of such Wescoal Shares or to the broker, CSDP, banker, accountant, attorney or other agent through whom the disposal was effected.
- Wescoal Shareholders are referred to page 2 of this Circular, which sets out the action required by them.

**Wescoal does not accept responsibility, and will not be held liable for any action of or omission by, any CSDP or broker including, without limitation, any failures on the part of the CSDP or the broker of any beneficial owner of Wescoal Shares to notify such beneficial owner of the contents of the Circular.**

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# WESCOAL

## Wescoal Holdings Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2005/006913/06)  
Share code: WSL ISIN: ZAE000069639  
("Wescoal" or the "Company")

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## Circular to Wescoal Shareholders

regarding

- the approval of the Offer by Wescoal, as a Category 1 transaction in terms of the JSE Listings Requirements, to acquire the entire issued ordinary share capital of Keaton Energy, which Offer will be implemented by way of (i) a Scheme of Arrangement in terms of section 114(1)(c) of the Companies Act, to be proposed by the Keaton Energy Board between Keaton Energy and the Keaton Energy Shareholders, or (ii) if the Scheme of Arrangement fails, and Wescoal so elects, a general offer by Wescoal to Keaton Energy Shareholders to acquire the Offer Shares (Standby Offer),

and incorporating

- a notice convening the General Meeting of Wescoal Shareholders; and
  - a form of proxy (for use by holders of Certificated Shares and Dematerialised Shares with "own-name" registration only).
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Investment Bank, Corporate Advisor and Sponsor



Independent Reporting Accountant



Legal Advisor



Competent Person



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Date of issue: Thursday, 4 May 2017

*This Circular is available in English only and copies thereof may be obtained from the offices of the Company and the Sponsor at the addresses reflected on the Corporate Information page of this Circular, from Thursday, 4 May 2017 until Friday, 2 June 2017. A copy of this Circular will also be available on Wescoal's website ([www.wescoal.co.za](http://www.wescoal.co.za)) during the same period.*

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## IMPORTANT LEGAL NOTICES

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The definitions and interpretations commencing on page 5 of this Circular shall apply, *mutatis mutandis*, to this "Important Legal Notes" (unless the context requires a contrary intention).

### **FORWARD-LOOKING STATEMENTS**

This Circular may contain statements about Wescoal that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Wescoal cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which Wescoal operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Wescoal, as communicated in publicly available documents by Wescoal, all of which estimates and assumptions, although Wescoal believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Wescoal or not currently considered material by Wescoal.

Wescoal Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Wescoal not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Wescoal has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

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## CORPORATE INFORMATION AND ADVISORS

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### **Company Secretary and Registered Office**

V. Dhanooklal  
1st Floor, Building 10  
Woodmead Business Park  
142 Western Service Road  
Woodmead  
Sandton, 2191  
(PO Box 1962, Edenvale, 1610)  
Incorporated in the Republic of South Africa on 3 March 2005

### **Investment Bank, Corporate Advisor and Sponsor**

Nedbank Corporate and Investment Banking  
A division of Nedbank Limited  
(Registration number 1951/000009/06)  
3rd Floor, Corporate Place  
135 Rivonia Road  
Sandton, 2196  
(PO Box 1144, Johannesburg, 2000)

### **Independent Reporting Accountant**

PricewaterhouseCoopers Inc.  
(Registration number 1998/012055/21)  
2 Eglin Road  
Sunninghill, 2157  
(Private Bag X36, Sunninghill, 2157)

### **Keaton Energy's registered office**

Ground Floor, Block H  
The Braes, 3 Eaton Road  
Bryanston, 2191  
(Postnet Suite 464, Private Bag X51, Bryanston 2021)  
Incorporated in the Republic of South Africa on 10 April 2006

### **Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)

### **Legal Advisor**

Edward Nathan Sonnenbergs Incorporated  
150 West Street  
Sandton, 2196  
(PO Box 783347, Sandton, 2146)

### **Competent Person**

Venmyn Deloitte Proprietary Limited  
(Registration number 1988/004918/07)  
Deloitte Place, The Woodlands  
5 Woodlands Drive, Building 33  
Woodmead  
Sandton, 2191  
(Private Bag X6, Gallo Manor, 2052)

### **Keaton Energy's transfer secretaries**

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)

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## ACTION REQUIRED BY WESCOAL SHAREHOLDERS

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The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, to this "Action required by Wescoal Shareholders" (unless the context requires a contrary intention).

**Please take careful note of the following provisions regarding the action required by Wescoal Shareholders:**

1. If you are in any doubt as to what action you should take arising from this Circular, please consult your broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
2. If you have disposed of all of your Wescoal Shares, please forward this Circular to the purchaser of such Wescoal Shares or to the broker, CSDP, banker, accountants, attorney or other agent through whom the disposal was effected.
3. This Circular contains information relating to the Transaction. You should carefully read through the Circular and decide how you wish to vote on the Transaction Resolution to be proposed at the General Meeting.

#### 4. General Meeting

##### 4.1 Notice of General Meeting

The notice convening the General Meeting to approve the Transaction Resolution is attached to this Circular. The General Meeting will be held at Wescoal's Registered Office on Friday, 2 June 2017 at 08:00.

##### 4.2 If you hold Dematerialised Shares

###### 4.2.1 "Own-name" registration

You are entitled to attend in person, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting but wish to be represented thereat, you must complete and return the attached form of proxy, in accordance with the instructions contained therein, to be received by the Transfer Secretaries by no later than 08:00 on Wednesday, 31 May 2017:

**Hand deliveries to:**

Computershare Investor Services Proprietary  
Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196

**Postal deliveries to:**

Computershare Investor Services Proprietary  
Limited  
PO Box 61051  
Marshalltown, 2107

Thereafter, forms of proxy may only be delivered physically to the Company at the location for the General Meeting immediately prior to the commencement thereof.

###### 4.2.2 Other than "own-name" registration

In accordance with the mandate between you and your CSDP or broker you must advise your CSDP or broker timeously if you wish to attend, or be represented at, the General Meeting. If your CSDP or broker has not contacted you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

You must **not** complete the attached form of proxy.

##### 4.3 If you hold Certificated Shares

You are entitled to attend, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached form of proxy, in accordance with the instructions contained therein, to be received by the Transfer Secretaries, by no later than 08:00 on Wednesday, 31 May 2017:

**Hand deliveries to:**

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196

**Postal deliveries to:**

Computershare Investor Services Proprietary Limited  
PO Box 61051  
Marshalltown, 2107

Thereafter, forms of proxy may only be delivered physically to the Company at the location for the General Meeting and immediately prior to the commencement thereof.

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## SALIENT DATES AND TIMES

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The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* to this "Salient dates and times" (unless the context requires a contrary intention):

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**2017**

Record date to determine which Wescoal Shareholders are eligible to receive the Circular on	Friday, 28 April
Circular (together with the notice convening the General Meeting) posted to Wescoal Shareholders on	Thursday, 4 May
Announcement relating to the issue of the Circular (together with the notice convening the General Meeting) released on SENS on	Thursday, 4 May
Announcement relating to the issue of the Circular (together with the notice convening the General Meeting) published in the press on	Friday, 5 May
Last day to trade to be entitled to vote and participate in the General Meeting on	Tuesday, 23 May
Record date to be entitled to vote and participate in the General Meeting on	Friday, 26 May
Last day to lodge forms of proxy for the General Meeting (by 08:00) on	Wednesday, 31 May
General Meeting to be held at 08:00 on	Friday, 2 June
Results of the General Meeting to be released on SENS on	Friday, 2 June
Results of the General Meeting published in the press on	Monday, 5 June
Expected date of fulfilment of the Scheme Conditions on	Tuesday, 20 June
Finalisation Date Announcement expected to be released on SENS on	Tuesday, 20 June
Consideration Shares expected to be listed on the JSE from commencement of trade on	Wednesday, 28 June
Scheme Consideration expected to be settled on	Monday, 3 July

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**Notes:**

1. These dates and times are subject to amendment. Any such amendment will be released on SENS.
2. This Circular is available in English only. Copies may be obtained from Wescoal's Registered Office or from Nedbank CIB at the addresses set out in the "Corporate Information and Advisors" section of this Circular, or on the Company's website, [www.wescoal.co.za](http://www.wescoal.co.za), from Thursday, 4 May 2017 until the date of the General Meeting.

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## DEFINITIONS AND INTERPRETATIONS

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In the Circular, unless otherwise stated or the context otherwise indicates, the words in the first column below shall have the meaning stated opposite them, respectively, in the second column below, reference to the singular shall include the plural and *vice versa*, words denoting one gender shall include the other genders, and an expression denoting natural persons shall include juristic persons and associations of persons:

"30-day VWAP"	the volume-weighted average price of a share measured over the 30 Trading Days prior to a specified date;
"Alternative Proposal"	any <i>bona fide</i> proposal or offer regarding any merger, amalgamation, share exchange, business combination, take-over bid, scheme of arrangement, sale or other disposition of all or the majority of the assets of the Keaton group, recapitalisation, reorganisation, liquidation or any similar transaction, or series of transactions, which, if completed, would mean a person (other than Wescoal), would directly or indirectly – <ul style="list-style-type: none"><li>• acquire or agree to acquire all or a greater part of the assets, business or undertaking of the Keaton group; or</li><li>• acquire or agree to acquire the 'prescribed percentage' or more of the Keaton Energy Shares as contemplated in section 123(1) of the Companies Act;</li></ul>
"Appraisal Rights"	rights afforded to shareholders in terms of section 164 of the Companies Act;
"Associate(s)"	has the meaning ascribed to it in the JSE Listings Requirements;
"BEE"	black economic empowerment as defined in the BEE Act;
"BEE SPV"	K2016316243 Proprietary Limited (Registration number 2016/316243/07), a private company duly incorporated and registered in accordance with the laws of South Africa, whose shareholders include Ramaite (50.26%), Simeka (34.19%) and Mzimela (15.55%);
"BEE Transaction"	the transaction implemented by Wescoal in December 2016, which saw the injection of approximately R178 million in fresh equity by the BEE SPV, resulting in the BEE SPV holding a 58.93% interest in Wescoal;
"Break Fee/s"	the reciprocal break fees payable by Wescoal or Keaton Energy to the other party equal to 1% of the Scheme Consideration should either party break any material provision or material undertaking contained in the Offer Letter and, if capable of remedy, fails to remedy that breached within the stipulated time period;
"Business Day"	a day other than a Saturday, Sunday or official public holiday in South Africa;
"Cash Component"	the component of the Scheme Consideration to be settled in cash by Wescoal, namely an amount, in the aggregate, equal to R351 221 556 and which equates to R1.20 per Keaton Energy Share based on there being 292 684 630 Keaton Energy Shares in issue as at the Effective Date;
"Certificated Share(s)"	Wescoal Share(s) represented by a share certificate(s) or other physical Document(s) of Title, which has/have not been surrendered for dematerialisation in terms of the requirements of Strate;
"Certificated Shareholder(s)"	Wescoal Shareholder(s) who hold Certificated Share(s);
"CIPC"	the Companies and Intellectual Property Commission;
"Circular"	this document, including its annexures and attachment dated Thursday, 4 May 2017;

"Coal Supply Agreement" or "CSA"	the long term coal supply agreements entered into between the Company and Eskom on Tuesday, 2 August 2016, for a duration of approximately five years commencing on 1 November 2016;
"Companies Act"	the Companies Act, No. 71 of 2008, as amended;
"Companies Regulations" or "Regulations"	the Companies Regulations 2011, published in terms of the Companies Act;
"Competent Person" and "Competent Valuator"	Venmyn Deloitte Proprietary Limited (Registration number 1988/004918/07), a private company duly incorporated and registered in accordance with the laws of South Africa;
"Competition Act"	the Competition Act, No. 89 of 1998, as amended;
"Competition Authorities"	the South African Competition Commission, being the commission established in terms of Chapter IV, Part A of the Competition Act, or the Competition Tribunal established in terms of Chapter IV, Part B of the Competition Act, or the Competition Appeal Court, being the court established in terms of Chapter IV, Part C of the Competition Act, as the case may be, and any other competition authority whose approval may be required for the implementation of the Scheme;
"Consideration Shares"	87 805 389 Wescoal Shares by Wescoal to the Keaton Energy Shareholders at an issue consideration of R2.00 per Wescoal Share to the Keaton Energy Shareholders to satisfy the Share Component of the Scheme Consideration;
"CSDP"	a Central Securities Depository Participant appointed by individual Shareholder(s) for the purpose of and in regard to the dematerialisation of his/her Wescoal Share(s);
"Dematerialised Share(s)"	Wescoal Share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Wescoal Shareholders administered by CSDPs in electronic form;
"Dematerialised Shareholder(s)"	Wescoal Shareholder(s) that have dematerialised their Wescoal Share(s) through a CSDP and have instructed the CSDP to hold their Wescoal Share(s) on the sub-register maintained by the CSDP and forming part of the Wescoal Share register;
"Document(s) of Title"	share certificate(s), transfer deed(s) or form(s), balance receipt(s) or any other document(s) of title acceptable to Wescoal in respect of Certificated Shareholder(s);
"Effective Date"	the effective date of the Scheme, which will be the 3 <sup>rd</sup> Business Day after the last of the Scheme Conditions is fulfilled or waived, as the case may be;
"ENSAfrica" or "Legal Advisor"	Edward Nathan Sonnenbergs Incorporated (Registration number 2006/018200/21), a company duly incorporated and registered in accordance with the laws of South Africa;
"EPS"	earnings per share;
"Eskom"	Eskom Holdings SOC Limited (Registration number 2002/015527/06), a state owned company duly incorporated and registered in accordance with the laws of South Africa;
"ESOP Waiver Agreements"	the agreements entered into between each of the affected Keaton Energy employees, and Wescoal and Keaton Energy in relation to the waiver of each such employee's rights in terms of the Keaton Energy ESOPs;
"ESOP Waiver Payments"	the amounts payable by Wescoal to the affected Keaton Energy employees in terms of the ESOP Waiver Agreements;
"Financial Markets Act"	the Financial Markets Act, No. 19 of 2012, as amended;
"Firm Intention Announcement"	the joint announcement published on 2 February 2017 by Wescoal and Keaton Energy in relation to the Transaction;



"Firm Intention Offer Letter" or "Offer Letter"	the firm intention offer letter submitted on 2 February 2017 by Wescoal to Keaton Energy in relation to the Transaction;
"General Meeting"	the general meeting of Wescoal Shareholders to be held at Wescoal's Registered Office, on Friday, 2 June 2017 at 08:00 to consider and, if deemed appropriate, approve the Transaction Resolutions to give effect to the Transaction, together with any meeting held as a result of any postponement or adjournment or a reconvening thereof;
"HEPS"	headline EPS;
"IFRS"	International Financial Reporting Standards;
"Independent Expert"	BDO Corporate Finance Proprietary Limited (Registration number 1983/002903/07), a private company duly incorporated and registered in accordance with the laws of South Africa, and the independent expert appointed and retained by Keaton Energy in terms of section 114(2) of the Companies Act and regulation 110(1) of the Companies Regulations, to provide it with external advice in relation to the Transaction, and to make appropriate recommendations to such board in the form of the Independent Expert Report;
"Independent Expert Report"	the report provided to the Keaton Energy Board containing the recommendations of the Independent Expert in relation to the Scheme and the Standby Offer;
"Independent Reporting Accountant"	PricewaterhouseCoopers Inc. (Registration number 1998/012055/21), a company duly incorporated and registered in accordance with the laws of South Africa and the independent reporting accountant to Wescoal;
"JSE"	JSE Limited (Registration number 2005/022939/06), a public company duly incorporated and registered in accordance with the laws of South Africa and licensed under the Financial Markets Act to operate as an exchange;
"JSE Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;
"Keaton Energy" or the "Offeree"	Keaton Energy Holdings Limited (Registration number 2006/011090/06), a public company duly incorporated and registered in accordance with the laws of South Africa, the shares of which are listed on the exchange operated by JSE;
"Keaton Energy Board" or "Keaton Energy Directors"	the board of directors of Keaton Energy from time to time;
"Keaton Energy CPR"	the competent person's report prepared by the Competent Person on Keaton Energy's mineral reserves and resources in compliance with the SAMVAL Code and SAMREC Code;
"Keaton Energy ESOPs" or "ESOPs"	the Keaton Energy Holdings Long-Term Performance Incentive Scheme (2007) (" <b>2007 Plan</b> ") and the Keaton Energy Holdings Limited 2013 Share Plan (" <b>2013 Plan</b> ");
"Keaton Energy Independent Board"	the independent board of directors of Keaton Energy from time to time, comprising as at the date of this Circular, Messrs LX Mtumum, OP Sadler and D Salter, which has been convened to consider the terms and conditions of the Transaction;
"Keaton Energy's Interim Results"	the reviewed condensed interim consolidated results of Keaton Energy for the six months ended 30 September 2016;
"Keaton Energy Irrevocable Undertakings"	those irrevocable undertakings received by Wescoal from the Keaton Energy Shareholders to vote in favour of the Scheme Special Resolution or to accept the Standby Offer;
"Keaton Energy Share(s)"	an ordinary share(s) of no par value in the authorised and issued share capital of Keaton Energy;
"Keaton Energy Shareholder(s)"	the registered holder(s) of a Keaton Energy Share(s);
"km"	kilometres;

"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Tuesday, 18 April 2017;
"LoM"	life of mine;
"Long Stop Date"	no later than 23:59 on the date which is 180 days after the Signature Date, being 2 August 2017;
"Major Subsidiaries"	a subsidiary that represents 25% or more of total assets or revenue of the consolidated group based on the latest published interim results of Wescoal, being Wescoal Mining Proprietary Limited and Wescoal Trading Proprietary Limited;
"Management Severance Arrangements"	the agreements entered into between each of the Management Employees and Keaton Energy to reflect the mutual agreement between such parties as to the termination of their employment at Keaton Energy with effect from the Effective Date;
"Management Employees"	Amanda Glad and Jacques Rossouw;
"Management Severance Payments"	the amounts payable by Keaton Energy to the Management Employees in terms of the Management Severance Arrangements;
"Mining Charter"	the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry, published under Government Notice 1639 in Government Gazette 26661 of 13 August 2004, including the amendment published under Government Notice 838 in Government Gazette 33573 of 20 September 2010;
"MPRDA"	the Mineral and Petroleum Resources Development Act, 28 of 2002, as amended;
"Mzimela"	Eric Nthuthuko Mzimela, an adult male South African with identity number 5706015981084;
"NAV"	net asset value;
"Nedbank CIB" or "Investment Bank, Corporate Advisor and Sponsor"	Nedbank Corporate and Investment Banking, a division of Nedbank Limited (Registration number 1951/000009/06), a public company duly incorporated and registered in accordance with the laws of South Africa, and the investment bank, corporate advisor and sponsor to Wescoal;
"Offer"	the offer by Wescoal to Keaton Energy to acquire the Offer Shares in terms of the transaction;
"Offer Shares"	all of the Keaton Energy Shares in issue, being 292 684 630 shares;
"Ramaite"	Muthanyi Robinson Ramaite, an adult male South African with identity number 6903075973080;
"RoM"	run of mine;
"SAMREC Code"	the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves including the guidelines contained therein, as amended from time to time;
"SAMVAL Code"	the South African Code for Reporting of Mineral Asset Valuation including the guidelines contained therein, as amended from time to time;
"Scheme" or "Scheme of Arrangement"	the scheme of arrangement in terms of section 114(1) of the Companies Act to be proposed by the Keaton Energy Board between Keaton Energy and the Keaton Energy Shareholders to approve the Transaction;
"Scheme Circular"	the combined offer circular dated Thursday, 4 May 2017 posted to Keaton Energy Shareholders containing details of the Transaction;
"Scheme Conditions"	the conditions to which the Scheme is subject, as set out in paragraph 8 of this Circular;

"Scheme Consideration" or "Offer Consideration"	the consideration payable by Wescoal to Keaton Energy Shareholders in terms of the Scheme (or Standby Offer, if applicable), being R526 832 334 in total (subject to any downwards adjustment to take into account any of the factors listed in paragraph 2 beginning on page 11), and comprising the Cash Component and the Share Component;
"Scheme Meeting"	the meeting convened by Keaton Energy for Keaton Energy Shareholders to consider and, if deemed fit, approve the Scheme Special Resolution;
"Scheme Special Resolution"	the special resolution to be passed by the requisite majority of Keaton Energy Shareholders at the Scheme Meeting to approve the Scheme;
"SENS"	the Stock Exchange News Service of the JSE;
"Share Component"	the component of the Scheme Consideration to be settled by the issue of the Consideration Shares to the Keaton Energy Shareholders, being 0.30 of a Wescoal Share for every Keaton Energy Share held, on the basis that any resultant fractions will be rounded down to the nearest whole number and the resultant shares aggregated and sold with the proceeds being paid to the relevant Keaton Energy Shareholder, in cash;
"Signature Date"	the date the Firm Intention Offer Letter was signed by Wescoal, and accepted by Keaton Energy, being Thursday, 2 February 2017;
"Simeka"	Simeka Capital Holdings Proprietary Limited (Registration number 2006/017154/07), a private company duly incorporated and registered in accordance with the laws of South Africa, whose shareholders include Ramaite Brother Family Trust (36%), Educated Risk Investments 200 Proprietary Limited (18%), Ramkhum Proprietary Limited (18%), BEMP Investments Proprietary Limited (18%) and Laconic Investment Group Proprietary Limited (10%);
"South Africa"	the Republic of South Africa;
"Specific Issue"	the specific issue of the Subscription Shares to the BEE SPV on 20 December 2016 in terms of the Subscription Agreement dated 28 September 2016, the details of which were included in a Circular to Wescoal Shareholders dated 25 October 2016;
"Standby Offer"	the general offer by Wescoal to Keaton Energy Shareholders, forming part of the Transaction, to acquire all of the Keaton Energy Shares should the Scheme fail and if Wescoal so elects;
"Strate"	Strate Proprietary Limited (Registration number 1998/022242/07), a private company duly incorporated and registered in accordance with the laws of South Africa, and the electronic settlement system for transactions that take place on the JSE and off-market transactions;
"Subscription Share(s)"	124 995 373 Wescoal Shares subscribed for by and issued to the BEE SPV on 20 December 2016 pursuant to the Subscription Agreement;
"Superior Proposal"	an Alternative Proposal received by Keaton Energy which the Keaton Energy Board determines in good faith and in order to satisfy what the Keaton Energy Board reasonably considers to be its fiduciary or statutory duties: <ul style="list-style-type: none"> <li>• is reasonably capable of being valued and implemented, taking into account all aspects of the Alternative Proposal, including its conditions precedent; and</li> <li>• would, if completed substantially in accordance with its terms, be more favourable to Keaton Energy Shareholders than the Transaction, taking into account all the terms and conditions of the Alternative Proposal;</li> </ul>
"Switch Ratio"	the ratio used to determine the number of Wescoal Shares to which Keaton Energy Shareholders will become entitled in terms of the Transaction, being 0.30 of a Wescoal Share for every 1 Keaton Energy Share held on the Scheme Consideration Record Date;

"Takeover Regulations"	regulations prescribed by the Minister of Trade and Industry in terms of section 120 of the Companies Act;
"Trading Day"	a day on which trading is capable of being made on the exchange operated by the JSE;
"TRP"	the Take-over Regulation Panel established in terms of section 196 of the Companies Act;
"TNAV"	tangible net asset value;
"Transaction"	the offer by Wescoal to acquire the entire issued ordinary share capital of Keaton Energy by way of (i) the Scheme, or (ii) if the Scheme fails, and if Wescoal so elects, the Standby Offer;
"Transaction Resolution"	the ordinary resolution to be approved by the requisite majority of Wescoal Shareholders at the General Meeting to approve the Transaction as a Category 1 transaction in terms of the JSE Listings Requirements;
"Transfer Secretaries" or "Computershare"	the transfer secretaries of Wescoal being Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly incorporated and registered in accordance with the laws of South Africa;
"Wescoal", the "Company" or the "Offeror"	Wescoal Holdings Limited (Registration number 2005/006913/06), a public company duly incorporated and registered in accordance with the laws of South Africa, the shares of which are listed on the exchange operated by the JSE;
"Wescoal Board" or "Wescoal Directors"	the directors of Wescoal whose names are reflected on page 11 of this Circular;
"Wescoal Group"	Wescoal and its subsidiaries, from time to time;
"Wescoal's Interim Results"	the published unaudited condensed consolidated interim results of Wescoal for the six months ended 30 September 2016;
"Wescoal Irrevocable Undertaking"	the irrevocable undertaking received by Wescoal from a Wescoal Shareholder to vote in favour of the Transaction Resolution;
"Wescoal's Registered Office"	the registered office of Wescoal, being 1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead;
"Wescoal Share(s)"	an ordinary share(s) of no par value in Wescoal; and
"Wescoal Shareholder(s)"	the registered holder(s) of a Wescoal Share(s).

# WESCOAL

## Wescoal Holdings Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2005/006913/06)  
Share code: WSL ISIN: ZAE000069639

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### CIRCULAR TO WESCOAL SHAREHOLDERS

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#### Wescoal Directors

Muthanyi Robinson Ramaite (*Chairman*)#  
Waheed Sulaiman (*Chief Executive Officer*)  
Bothwell Mazarura (*Chief Financial Officer*)  
Thivha Tshithavhane (*CEO: Wescoal Mining*)

Dalia Maria Teresita van Gaalen (*Lead Independent Director*)\*#  
Kabela Mahlatse Maroga\*#  
Mbendeni Humphrey Mathe\*#  
Jacobus Gustavus Pansegrouw#

\* Independent

# Non-executive

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### SECTION ONE – THE TRANSACTION

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#### 1. INTRODUCTION

Wescoal Shareholders are referred to the Firm Intention Announcement released on SENS on Thursday, 2 February 2017, wherein Wescoal communicated that it had made an offer to Keaton Energy to acquire the entire issued ordinary share capital of Keaton Energy. The Offer will be implemented by way of (i) a Scheme of Arrangement in terms of section 114(1) of the Companies Act, to be proposed by the Keaton Energy Board between Keaton Energy and the holders of Keaton Energy Shares, or (ii) if the Scheme fails, and Wescoal so elects, a general offer by Wescoal to Keaton Energy Shareholders to acquire the Offer Shares ("**Standby Offer**").

The purpose of this Circular is to provide Wescoal Shareholders with relevant information relating to the Transaction, as well as to convene the General Meeting of Wescoal Shareholders at 08:00 on Friday, 2 June 2017 at Wescoal's Registered Office for the purposes of considering and, if deemed fit, passing, with or without modification, the Transaction Resolution contained in the notice of General Meeting attached to this Circular.

#### 2. SALIENT TERMS OF THE OFFER

If the Scheme becomes unconditional, the consideration payable by Wescoal to Keaton Energy Shareholders in terms of the Scheme will be R1.80 per Keaton Energy Share, being R526 832 334 in total (subject to any downwards adjustment to take into account any of the factors listed in this paragraph 2 below). The Scheme Consideration will be settled partly in cash (R1.20 per Keaton Energy Share), representing approximately R351 221 556 and the remainder will be settled by the issue to Keaton Energy Shareholders of Wescoal Shares. The Share Component will be settled by Wescoal in the ratio of 0.30 of a Wescoal Share for every 1.00 Keaton Energy Share held, resulting in 87 805 389 Wescoal Shares being issued to Keaton Energy Shareholders at an issue price of R2.00 per Consideration Share. Any resultant fractions will be rounded down to the nearest whole number and the resultant Wescoal Shares aggregated and sold with the proceeds being paid to the relevant Keaton Energy Shareholder, in cash.

Wescoal has sufficient authorised but unissued Wescoal Shares to settle the Share Component. The Consideration Shares to be issued to the Keaton Energy Shareholders on implementation of the Scheme represent less than 30% of the voting power of all Wescoal Shares held by Wescoal Shareholders immediately before such issuance. On implementation of the Scheme, Keaton Energy will become a wholly-owned subsidiary of Wescoal and be delisted from the JSE.

The Scheme Consideration of R1.80 per Offer Share compared to the Keaton Energy Share price is as follows:

	Before	Premium (Notes 3 and 4)
30-day VWAP (cents) (Note 1)	134.41	33.92%
Closing price (cents) (Note 2)	145.00	24.14%

**Notes:**

1. The 30-day VWAP of a Keaton Energy Share traded on the JSE up to 1 February 2017, being the last Trading Day immediately prior to the date of the Offer Letter.
2. The closing price of a Keaton Energy Share traded on the JSE as at 1 February 2017, being the last Trading Day immediately prior to the date of the Offer Letter.
3. Using Wescoal's closing share price of R2.51 as at the Trading Day preceding the date of the Firm Intention Announcement and applying the Switch Ratio, the effective consideration per Keaton Energy Share is R1.953, a premium of 45.30% to the 30-day VWAP of a Keaton Energy Share up to 1 February 2017.
4. Using Wescoal's closing share price of R2.20 as at 18 April 2017 and applying the Switch Ratio, the effective consideration per Keaton Energy Share is R1.860, a premium of 20.11% to the 30-day VWAP of a Keaton Energy Share up to 18 April 2017.

The Scheme Consideration is determined on the basis that Keaton Energy will not issue any further shares, options or rights, other than those granted under the Keaton Energy ESOPs, between the Signature Date and the Effective Date, or make any distributions after the date of the Firm Intention Announcement. Should Keaton Energy implement any such issue or make any distribution, the Scheme Consideration per Keaton Energy Share will be *pro rata* adjusted downwards to take into account such distribution or shares issued or options granted.

Subsequent to the Signature Date, Keaton Energy issued a further 690 374 Keaton Energy Shares in terms of the Keaton Energy ESOPs. As such, the aggregate Scheme Consideration has increased from R525 589 661 to R526 832 334, with a resultant increase in the Cash Component from R350 393 107 to R351 221 556 and the Consideration Shares from 87 598 277 to 87 805 389. The *pro forma* financial effects as contained in the joint announcement dated 23 February 2017 therefore reflect the Scheme Consideration per the Firm Intention Offer Letter before it was revised to take into account the aforementioned Keaton Energy Share issue.

### 3. **STANDBY OFFER**

Wescoal may at any time prior to the Long Stop Date (if it so elects), as a Standby Offer, in terms of section 117(1)(c)(v) of the Companies Act, if the Scheme Circular is not posted or the Scheme is not implemented, offer to purchase the Offer Shares held by the Keaton Energy Shareholders on the same terms and conditions as would have been applicable to the Scheme.

The Standby Offer is subject to the same conditions detailed in paragraph 8 below which, as at the date of failure of the posting of the Scheme Circular or implementation (save for the Scheme Conditions in paragraphs 8.3, 8.4 and 8.5 above), have yet to be fulfilled or waived, as the case may be.

The Standby Offer shall, unless Wescoal determines otherwise, only become operative if Keaton Energy Shareholders (i) holding at least 50.1% of the Offer Shares have delivered written acceptances of the Standby Offer, and (ii) have approved, by a resolution passed by a simple majority, the delisting of Keaton Energy from the JSE.

### 4. **MANAGEMENT SEVERANCE ARRANGEMENTS AND ESOP WAIVER AGREEMENTS**

#### 4.1 **Management Severance Arrangements**

As a condition precedent to the Transaction, the Management Employees' employment with Keaton Energy is required to terminate by way of mutual agreement with effect from the Effective Date. The Management Employees therefore entered into the Management Severance Arrangements with Keaton Energy to record the terms of, and to provide for, the termination of the Management Employees' employment with Keaton Energy.

The salient terms of the Management Severance Arrangements are as follows:

- 4.1.1 the Management Severance Arrangements are subject to the condition that, by no later than the 15<sup>th</sup> Business Day after the Long Stop Date, the Transaction shall have been implemented in accordance with its terms, and resulted in a change of control of Keaton Energy;
- 4.1.2 the Management Employees' employment with Keaton Energy shall terminate by mutual consensus with effect from the Effective Date and the Management Employees' will not be required to work out any period of notice;

- 4.1.3 the Management Employees resign as Keaton Energy Directors and directors of any subsidiaries of Keaton Energy with effect from the Termination Date;
- 4.1.4 the Management Employees' entitlement to any remuneration, notice pay, accrued leave, and all other benefits associated with their employment by Keaton Energy continues until the Termination Date, and they will be reimbursed for all out-of-pocket expenses incurred during this period;
- 4.1.5 the specific amount payable is only determinable on the Termination Date. However, the indicative severance payment as at 31 January 2017 and which is payable to Amanda Glad is R8,725,077 and Jacques Rossouw is R6,833,520;
- 4.1.6 the Management Employees' are not entitled to compensation for any rights under the Keaton Energy ESOPs, with same being governed by the ESOP Waiver Agreements; and
- 4.1.7 the Management Employees must, on or before the Termination Date, return (i) all company documentation to Keaton Energy and cannot retain any copies thereof; and (ii) all property of Keaton Energy (save for an i-pad and laptop provided to the Management Employees, which will become the property of the Management Employees).

## 4.2 ESOP Waiver Agreements

As a condition precedent to the posting of this Circular, all participants in the Keaton Energy ESOPs ("**Participants**") were required to irrevocably and unconditionally waive all rights that they have under the Keaton Energy ESOPS.

As regards the Keaton Energy ESOPs, Wescoal submitted an application to the TRP to request exemption for Wescoal, in terms of section 119(6) of the Companies Act, from the requirement to (i) make a comparable offer/equitable offer in terms of section 125(2) of the Companies Act read with regulation 87 of the Companies Regulations, and (ii) comply with the provisions of Part B and C of Chapter 5 of the Companies Act and the Takeover Regulations. The TRP granted the aforementioned exemption, which is available for inspection in terms of paragraph 25.5 below.

The salient terms of the ESOP Waiver Agreements are as follows:

- 4.2.1 the ESOP Waiver Agreements are subject to the condition that, by no later than:
  - 4.2.1.1 the 15<sup>th</sup> Business Day after the Long Stop Date, the Transaction shall have been implemented in accordance with its terms, and resulted in a change of control of Keaton Energy under the 2013 Plan and a takeover event under the 2007 Plan;
  - 4.2.1.2 23:59 on Friday, 24 March 2017, Keaton Energy confirmed that all participants under the ESOPs waived all of their plan rights and the Takeover Regulation Panel exempted Wescoal from the requirement to (i) make a comparable or equitable offer in terms of section 125(2) of the Companies Act read with Regulation 87 and (ii) to comply with the provisions of Part B and C of Chapter 5 of the Companies Act, and the Takeover Regulations.
- 4.2.2 the condition precedent in paragraph 4.2.1.2 was duly fulfilled;
- 4.2.3 in terms of the waiver agreement, the Participants have agreed to irrevocably and unconditionally waive and forfeit all rights and entitlements under the Keaton Energy ESOPs (including such future rights as they may be granted prior to the Effective Date);
- 4.2.4 Keaton Energy will cancel the plan rights in its books and records, following compliance with the payment provisions in the waiver agreement;
- 4.2.5 in consideration for the aforesaid waiver and forfeiture, Wescoal agrees to pay, on the Effective Date:
  - 4.2.5.1 in respect of each share appreciation right that has not been settled as at the Effective Date, the appreciation in respect thereof as calculated in the 2013 Plan, save that the exercise price is deemed to be R1,80 (unless the offer consideration is increased by Wescoal, in which event it shall be such increased consideration);
  - 4.2.5.2 in respect of each bonus award that has not been settled as at the Effective Date in terms of the 2007 Plan, the difference between the offer consideration and the offer price (as defined in the 2007 Plan), and thereafter multiplied by the number of notional shares which are the subject of a bonus award; and

- 4.2.5.3 in respect of each performance share and each restricted share that has not been settled on the Effective Date, the offer consideration;
- 4.2.6 the mechanism for payment of the waiver consideration is that the gross waiver consideration will be paid by Wescoal to Keaton Energy, simultaneously with payment by Wescoal of the scheme consideration to Keaton Energy; and
- 4.2.7 if Wescoal fails to pay the gross waiver consideration on the Effective Date, Wescoal is obliged to pay interest on such overdue amount at the prime rate and provided that if Wescoal has not discharged its payment obligation by 17h00 on the seventh day following the Effective Date, the gross waiver consideration is automatically recalculated by reference to a R0,20 increase in the offer consideration.

## 5. RATIONALE FOR THE TRANSACTION

The Wescoal Board and management are committed to growing the asset base and earnings of Wescoal, whilst driving shareholder value. The implementation of the BEE Transaction in December 2016 saw an injection of approximately R178 million in fresh equity, thereby significantly strengthening the equity capitalisation and liquidity of Wescoal. Wescoal indicated that the proceeds of the BEE Transaction would be used to fund the organic (capital expenditure projects) and/or inorganic (asset and business acquisitions) growth plans which included, *inter alia*, the acquisition of businesses or controlling stakes in identified listed mining companies. Management of Wescoal, having identified Keaton Energy as a potential acquisition target, has over a period of time been engaging with Keaton Energy with respect to the implementation of the Transaction. Below are some of the key benefits that the acquisition of Keaton Energy presents to Wescoal and the Wescoal Shareholders:

### 5.1 Diverse asset and shareholder base

- Access to a business with long-life core assets (some already producing) with a large resource base and infrastructure
- Access to a business with a strong pipeline of projects offering further greenfield upside and potential exposure to export markets
- Post-acquisition of Keaton Energy, Wescoal will have a diverse asset base which spans operating, development, exploration and trading mining activities
- Wescoal will be diversified in terms of product offering and geographical footprint with an attractive growth profile
- Wescoal will have a significantly increased shareholder base and market capitalisation with improved price and liquidity

### 5.2 Economies of scale

- Opportunity to leverage overheads and lower fixed unit costs across businesses
- Cost savings will be achieved from the potential rationalisation of Keaton Energy and Wescoal head offices
- Financial and operating efficiencies are expected as a result of having one listed entity
- Reduction in administrative costs which include, *inter alia*, listing fees, audit fees, financial statement preparation costs and JSE continuing obligations

### 5.3 Scale of production and size

- Ownership of low-cost, long-life core assets with a large resource base and significant infrastructure
- Increased resource base for Eskom supply and potentially for export market
- Further greenfield upside offering inherent in the Keaton Energy pipeline

### 5.4 Balance sheet and free cash generation

- Opportunity to restructure and consolidate debt funding with potential savings realised
- Wescoal will benefit from a higher degree of coal price leverage with respect to large customers
- Enhanced ability to raise funding and/or fund pipeline and acquisition assets from a larger pool of operating cash flows post the Transaction



## 5.5 Management

- Keaton Energy's operations will continue to be run by skilled operational management
- The Transaction will bolster Wescoal management's track record of structuring and securing value-accretive acquisitions

The Wescoal Board and management team believe that the Transaction is a significant step towards realising their vision of creating a significant South African coal producer that is majority black-owned. Wescoal will continue to set its sights on being a key player in the consolidation of the South African junior coal mining sector as a means to significantly grow the Company.

## 6. NATURE OF BUSINESS

### 6.1 Wescoal

6.1.1 Wescoal, through its subsidiaries, engages in mining, processing, supplying, selling, and distributing coal and coal-related products in South Africa.

6.1.2 The Wescoal Group operates through the following subsidiaries:

6.1.2.1 Wescoal Mining, which is responsible for the mining, processing, hauling of thermal coal by road and rail, drilling and exploration of own coal reserves and sale of thermal coal. Wescoal Mining owns and operates three thermal coal mines and a processing plant:

- Elandspruit Colliery is Wescoal's flagship mine located on the old Witbank road in Emalahleni, Mpumalanga. It is an open cast and underground mine;
- Intibane Colliery is located approximately 14km west of Ogies in Mpumalanga. Intibane is an open cast mine;
- Khanyisa Colliery is an open cast and underground mine. It is located approximately 10km west of Ogies in Mpumalanga; and
- Wescoal Processing Plant in Middelburg is some 19km from Elandspruit Colliery. It consists of a crushing section, drum, cyclone and fines treatment plants that can produce various grades of small nuts, peas, grains, duff and fine coal products.

6.1.2.2 Wescoal Trading is responsible for buying, transporting and selling coal to various non-Eskom domestic customers. It has a national footprint and operates depots in Gauteng, the Western Cape and KwaZulu-Natal. Wescoal Trading sources its coal from Wescoal Mining as well as third party coal suppliers.

6.1.3 Wescoal sources and supplies coal to clients in the local industry, including power generation, manufacturing, and petro-chemicals sectors.

6.1.4 Wescoal also supplies coal into the thermal coal export market.

6.1.5 Wescoal Shares have been listed on the JSE in the "Mining – Coal" sector since 1 April 2005.

### 6.2 Keaton Energy

6.2.1 Keaton Energy is a leading South African junior coal miner, with its shares listed on the JSE in the "Mining – Coal" sector since 22 April 2008.

6.2.2 The Keaton Energy group operates through the following subsidiaries:

6.2.2.1 Keaton Mining

The Vanggatfontein Colliery, situated 16km south-east of Delmas in Mpumalanga, comprises a contractor-operated opencast mine which delivers 5, 4 and 2 seam run of mine coal to Keaton Energy's two coal handling and processing plants – a 100 tonnes per hour ("tph") 5 seam plant and a 500tph 2 and 4 seam plant. Both plants are owned by Keaton Mining but operated by a specialist contractor. The 2 and 4 seam products are trucked and/or railed to Eskom and the 5 seam plant is currently utilised to fulfil a 12-month toll washing contract.

6.2.2.2 Neosho Trading 86

The Moabsvelden project is located approximately 15km east of the town of Delmas, Mpumalanga on the western edge of the Witbank Coalfield hosting the typical 5 to 1 coal seams, top to bottom sequence. In February 2014 Keaton Energy acquired 100% of the

issued shares in Xceed Resources Limited, a company then listed on the Australian Stock Exchange. As a result of this transaction Neosho Trading 86 became a 74% held subsidiary of Keaton Energy, with the remaining 26% being held by three HDSA individuals.

The Moabsvelden Mining Right covers an area of 250 hectares, with an expected 16-year life of mine. Due to its proximity to the Vanggatfontein operations, Moabsvelden will be operated as a satellite pit of the existing Vanggatfontein Colliery. Moabsvelden was awarded its Integrated Water Use License in October 2016.

#### 6.2.2.3 Leeuw Mining and Exploration

Vaalkrantz Colliery, which disposal still remains subject to the fulfilment of certain conditions, was placed on care and maintenance on 1 May 2016. Vaalkrantz Colliery produced anthracite for domestic and international customers.

#### 6.2.2.4 Leeuw Braakfontein

The Braakfontein thermal coal project, held by Leeuw Braakfontein Colliery is situated 10 km south-east of Newcastle, KwaZulu-Natal. Leeuw Braakfontein Colliery, a wholly-owned subsidiary of Leeuw Mining and Exploration, was specifically excluded from the disposal of Leeuw Mining and Exploration, which disposal was published by Keaton Energy on SENS on 15 February 2016. The disposal is a category 2 disposal for Keaton Energy in terms of the JSE Listings Requirements and still remains subject to the fulfilment of certain suspensive conditions, which are expected to be fulfilled before 30 June 2017. In terms of the disposal, Leeuw Braakfontein Colliery will be unbundled from Leeuw Mining and Exploration prior to the disposal being implemented, thus becoming a direct subsidiary of Keaton Energy once the disposal is finalised.

## 7. PROSPECTS

- 7.1 Over the past few years, Wescoal has grown substantially from its roots as a trading company. Wescoal's annual turnover is close to R2 billion and annualised coal run of mine production reached 4 million tons per annum during the financial year ended 31 March 2016. Wescoal is targeting an annual RoM production of 8 million tons within the short- to medium-term.
- 7.2 Productivity and cost saving initiatives have been embedded and are contributing to the success of the mining and trading businesses.
- 7.3 As announced on SENS on 17 August 2016, the Company entered into a five year Coal Supply Agreement with Eskom for the Elandspruit Colliery. This significantly de-risks future cash flows and contributes positively to operational stability and certainty.
- 7.4 The Coal Supply Agreement enables long-term funding, which will allow Wescoal to take advantage of new growth opportunities in respect of resources acquisitions and corporate actions.
- 7.5 Wescoal is looking to develop its exposure to the coal export market. In this regard, as published on SENS on 28 September 2016, the Company has concluded export coal supply contracts with third parties. In terms of these contracts, Wescoal will supply approximately one million tons per annum of coal into the export market. In parallel to this, Wescoal will continue to take advantage of opportunities to opportunistically sell coal in the spot market.
- 7.6 A significant portion of Wescoal's run of mine product is sold to Eskom, thereby ensuring a steady, reliable revenue stream. However, coal sales to domestic non-Eskom customers and the export market, as well as the trading division operations provide significant revenue diversification within the organisation. Wescoal has also made progress in investing in key coal logistics infrastructure. These types of initiatives contribute to reducing the overall business risk within Wescoal and will continue.
- 7.7 Wescoal remains committed to remaining black-controlled, in line with the requirements of the Coal Supply Agreement requirements and the national transformation imperative. This will continue to differentiate Wescoal from its peers and help unlock future coal supply and business opportunities.
- 7.8 Looking ahead, Wescoal is poised to enter the next chapter of its corporate life which will see rapid growth underpinned by a strong commitment to sustainability, risk management and corporate governance.

## 8. SCHEME CONDITIONS

In terms of the Offer Letter, the Scheme (and by implication, the Standby Offer (save for the conditions in paragraphs 8.3, 8.4 and 8.5 below which shall not apply to the Standby Offer)) will be subject to the fulfilment or waiver, as the case may be, of the following conditions by not later than 23:59 on the Long Stop Date (or such later date as may be agreed between Wescoal and Keaton Energy and notified to all Keaton Energy Shareholders and Wescoal Shareholders):

- 8.1 as required in terms of the JSE Listings Requirements, the Wescoal Shareholders have approved the Transaction (which condition will be fulfilled by the adopted by the necessary majority of Wescoal Shareholders of the Transaction Resolution included in the Notice of the General Meeting attached to this Circular);
- 8.2 the JSE has approved the listing of the Consideration Shares;
- 8.3 the Scheme Special Resolution has been passed at the Scheme Meeting by the requisite majority of Keaton Energy Shareholders and (i) to the extent required in terms of section 115(3) of the Companies Act, the implementation of the Scheme Special Resolution is approved by the court, and (ii) if applicable, Keaton Energy has not elected to treat the Scheme Special Resolution as a nullity in terms of section 115(5) of the Companies Act;
- 8.4 if the Scheme Special Resolution has been passed at the Scheme Meeting by the requisite majority of Keaton Energy Shareholders and any person who voted against the Scheme Special Resolution applies to the court within 10 Business Days after the vote for a review of the Transaction in accordance with the requirements of section 115(3)(b) of the Companies Act, (i) no leave is granted by the court to such person to apply to the court for a review of the Transaction in accordance with the requirements of section 115(7) of the Companies Act, or (ii) if leave is granted by the court to apply to the court for a review of the Transaction in accordance with the requirements of section 115(6) of the Companies Act, the court has not set aside the Scheme Special Resolution in terms of section 115(7) of the Companies Act;
- 8.5 within the time period prescribed in section 164(7) of the Companies Act, Keaton Energy Shareholders have not exercised Appraisal Rights in respect of more than 10% of all the Offer Shares;
- 8.6 the disposal by Keaton Energy of the entire issued share capital of Leeuw Mining and Exploration Proprietary Limited (provided that the entire issued share capital of Leeuw Braakfontein Colliery Proprietary Limited is unbundled by way of a distribution prior to the disposal) and Amalahle Exploration Proprietary Limited have been implemented by Keaton Energy in accordance with their terms;
- 8.7 if the proposed amendments to section 11 of the MPRDA come into force and effect prior to the date on which all of the Scheme Conditions (other than this Scheme Condition) are fulfilled or waived, as the case may be, and to the extent necessary, any confirmation or approval which might be required in terms of the MPRDA from the Minister of Mineral Resources has been obtained. By way of background, the proposed amendments to section 11 of the MPRDA (as set out in section 8 of the Mineral and Petroleum Resources Development Amendment Bill) will require the prior consent in writing from the Minister of Mineral Resources for any transfer of a controlling interest in a listed mining company, such as Keaton Energy;
- 8.8 the Transaction has been unconditionally approved by the Competition Authorities, or conditionally approved on terms and conditions acceptable to the affected party; and
- 8.9 the TRP has issued a compliance certificate in respect of the Transaction.

The conditions in paragraphs 8.5 and 8.6 above have been inserted for the benefit of Wescoal, which will be entitled to waive in whole or part. The condition in paragraph 8.4 above has been inserted for the benefit of Wescoal and Keaton Energy, who will be entitled to waive fulfilment of the said condition, in whole or in part, prior to 23:59 on the Long Stop Date, if the court approves the Scheme Special Resolution in terms of section 115(3) of the Companies Act. The remaining conditions in this paragraph 8 are not capable of being waived.

## 9. KEY SHAREHOLDER SUPPORT

### 9.1 Keaton Energy Irrevocable Undertakings

Neither Wescoal nor the Wescoal Directors and their associates hold, directly or indirectly, any beneficial interest in Keaton Energy, nor do they hold any option to purchase any beneficial interest in Keaton Energy.

Wescoal has received irrevocable undertakings from the following Keaton Energy Shareholders to vote in favour of the Scheme or to accept the Standby Offer, as the case may be, which shareholders in aggregate hold 77.05% of the Offer Shares:

<b>Keaton Energy Shareholder</b>	<b>Number of Offer Shares held</b>	<b>Percentage of Offer Shares</b>
Plusbay Limited	78 476 411	26.81%
Pouroulis Family Holding	77 113 142	26.34%
Rutendo Holdings Proprietary Limited	69 940 974	23.90%
<b>Total</b>	<b>225 530 527</b>	<b>77.05%</b>

The Keaton Energy Irrevocable Undertakings are binding and may not be withdrawn until the Long Stop Date, provided that such undertakings terminate automatically and with immediate effect upon the earlier of:

- 9.1.1 the date on which the Offer terminates and/or Wescoal indicates in a written notice or public announcement that the Offer is no longer being proceeded with or capable of implementation; or
- 9.1.2 the date on which a firm intention to make an offer ("**Superior Offer**") for the entire issued share capital of Keaton Energy not already held by the applicable offeror has been communicated to Keaton Energy (as contemplated in regulation 101(1) of the Companies Regulations), which is reasonably capable of implementation and which:
- 9.1.2.1 provides for a total consideration per Keaton Energy Share equal to, or more than, the sum of (i) R1,20 and (ii) the 30-day VWAP per Wescoal Share as at the date of receipt of the Superior Offer multiplied by a factor of 0.3, with R1,20, or more, of which to be settled in cash; or
- 9.1.2.2 provides for a total consideration per Keaton Energy Share equal to, or more than, R1,90, with R1,40, or more, of which to be settled in cash.

## 9.2 Wescoal Irrevocable Undertaking

Wescoal has received an irrevocable undertaking from the following Wescoal Shareholder to vote in favour of the resolutions necessary to implement the Transaction, which shareholder holds 58.93% of the Wescoal Shares in issue:

<b>Wescoal Shareholder</b>	<b>Number of Wescoal Shares held</b>	<b>Percentage of Wescoal Shares in issue</b>
K2016316243 (South Africa) Proprietary Limited	213 628 122	58.93%

## 10. OTHER MATERIAL TERMS AND COMPONENTS OF THE OFFER

### 10.1 Right to terminate

Each of Wescoal and Keaton Energy may, in their respective absolute discretion and without prejudice to Wescoal's right to make the Standby Offer, terminate the Scheme and all other provisions of the Offer that are not necessarily required for purposes of making and implementing the Standby Offer, on not less than 20 Business Days written notice to the other, if, without breaching the Offer, Keaton Energy has received an Alternative Proposal before voting has taken place on the Scheme, which the Keaton Board determines to be a Superior Proposal, and such Alternative Proposal has been announced.

### 10.2 Guarantees and confirmations to the TRP

Wescoal has delivered to the TRP an irrevocable, unconditional bank guarantee issued by Investec Bank Limited, for the maximum possible Cash Component of the Scheme Consideration in compliance with regulations 111(4) and 111(5) of the Companies Regulations published in terms of sections 120 and 223 of the Companies Act.

### 10.3 Termination of the Keaton Energy listing

Following implementation of the Transaction, application will be made to the JSE to terminate the listing of the Keaton Energy Shares on the JSE.

#### 10.4 Break Fees

Each of Wescoal and Keaton Energy has undertaken to the other to pay a break fee equal to 1% of the Scheme Consideration if it breaches any material provision or material undertaking of the Offer and, if capable of remedy, fails to remedy that breach within the time period contemplated in the Offer Letter.

#### 10.5 Source of funds

The Cash Component of the Scheme Consideration and the ESOP Waiver Payments, as well as other expenses related to the Offer, will be funded by Wescoal through a combination of internal cash resources, debt facilities and the cash raised by Wescoal through its BEE Transaction implemented in December 2016.

### 11. EFFECT OF THE TRANSACTION ON WESCOAL'S BEE SHAREHOLDING

11.1 Wescoal implemented the BEE Transaction in December 2016 in order to fulfil the BEE requirements under the Coal Supply Agreement. This transaction saw the injection of approximately R178 million in fresh equity by the BEE SPV, resulting in a locked-in BEE shareholding of 58.93% in Wescoal. The BEE lock-in is for the duration of the Coal Supply Agreement.

11.2 The Share Component of the Scheme Consideration will be settled by the issue of the Consideration Shares to Keaton Energy Shareholders and will thus result in a proportionate dilution of all Wescoal Shareholders, including the BEE SPV. The tables below show the impact of the Transaction on Wescoal's shareholding, including its BEE shareholding:

11.2.1 As at the Last Practicable Date, the BEE shareholding in Wescoal **before** the Transaction is as follows:

<b>Wescoal Shareholder</b>	<b>Number of Wescoal Shares</b>	<b>% of Wescoal Shares in issue</b>
The BEE SPV (locked-in)	213 628 122	58.93%
Other Wescoal BEE shareholders (not locked-in)	8 368 455	2.31%
Total BEE shareholding	221 996 577	61.24%
Other Wescoal Shareholders	140 532 374	38.76%
<b>Total shareholding</b>	<b>362 528 951</b>	<b>100.00%</b>

11.2.2 The BEE shareholding in Wescoal **after** the Transaction will be as follows:

<b>Wescoal Shareholder</b>	<b>Number of Wescoal Shares</b>	<b>% of Wescoal Shares in issue</b>
The BEE SPV (locked-in)	213 628 122	47.44%
Other Wescoal BEE shareholders (not locked-in)	8 368 455	1.86%
Rutendo Mining Proprietary Limited (not locked-in)*	20 982 292	4.66%
Total BEE shareholding	242 978 869	53.96%
Other Wescoal Shareholders	207 355 471	46.04%
<b>Total issued share capital</b>	<b>450 334 340</b>	<b>100.00%</b>

\*Rutendo Proprietary Mining Limited ("**Rutendo**") is currently a Keaton Energy Shareholder with a shareholding of 23.9% in Keaton Energy. Rutendo is the main BEE partner in Keaton Energy. The sole shareholders of Rutendo are Amanda Bernadette Glad (Keaton Energy's CEO) and Antoinette Prudence Elaine Sedibe (Keaton Energy Director and a BEE shareholder) with an indirect shareholding of 49% and 51%, respectively. Rutendo is therefore majority black-owned and hence it meets the criteria to be included in the table above as a BEE shareholder.

11.3 The total BEE shareholding in Wescoal post the Transaction will remain above 51%, however only 47.44% of this shareholding will be locked-in.

11.4 The MPRDA requirements will not be affected by the dilution in Wescoal's BEE shareholding as the minimum BEE ownership requirement per the MPRDA is 26%.

11.5 In terms of the CSA, set out below are the steps that Wescoal will be required to take should Wescoal's BEE shareholding fall below the required minimum level of 51%:

11.5.1 Wescoal will be required, within three months of falling below the 51% black ownership, to submit a rectification plan to Eskom, which plan shall set out in detail the manner and timelines by which Wescoal will re-establish the required minimum 51% black ownership status;

- 11.5.2 Wescoal will engage with Eskom on the rectification plan submitted above and Eskom shall within seven days after the submission of the rectification plan, advise Wescoal whether the plan is acceptable. Wescoal shall implement the plan on terms acceptable to Eskom;
- 11.5.3 Wescoal will have to re-establish the black ownership of at least 51% within a 12-month period. Failure to meet this requirement will constitute a breach of the CSA.
- 11.6 In order to ensure continued compliance with the Coal Supply Agreement requirement of at least 51% black ownership as contemplated in clause 6 of the CSA, the management of Wescoal intends implementing a top-up BEE transaction in order to ensure that the required minimum 51% black ownership is locked-in and maintained for the duration of the CSA.
- 11.7 The BEE top-up transaction is intended to take the form of a broad-based employee share ownership plan, details of which will be published post the implementation of the Transaction. It is currently envisaged that the size of this transaction will be sufficient to ensure that Wescoal's locked-in BEE shareholding will be in excess of 51% post the acquisition of Keaton Energy.

## SECTION TWO – FINANCIAL INFORMATION

### 12. PRO FORMA FINANCIAL EFFECTS

The table below sets out the *pro forma* financial effects of the Transaction on Wescoal's Interim Results, after accounting for the recently concluded BEE Transaction (comprising the Specific Issue and the subscription by Wescoal for Class B Preference Shares in the BEE SPV for an effective holding of 58.93% in the total issued share capital of Wescoal). The *pro forma* financial effects have been prepared for illustrative purposes only and because of its *pro forma* nature, may not fairly present Wescoal's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the BEE Transaction and the Transaction going forward.

The *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the published audited consolidated financial results of Wescoal for the year ended 31 March 2016. The *pro forma* financial effects are presented in accordance with the JSE Listings Requirements and the Guide on Pro Forma Financial Information issued by the South African Institute of Chartered Accountants and ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus.

The Wescoal Directors are responsible for the compilation, contents and preparation of the Wescoal *pro forma* financial effects. Their responsibility includes determining that the Wescoal *pro forma* financial effects have been properly compiled on the basis stated, which is consistent with the accounting policies of Wescoal and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial effects disclosed pursuant to the JSE Listings Requirements.

It should be noted that the *pro forma* financial effects include the earnings effects of the application of the net proceeds from the BEE Transaction. The net proceeds of the BEE Transaction will initially be placed within existing short-term debt facilities and/or on call until drawn down over a period of time for purposes of the intended use, including funding the Transaction. The Cash Component of the Transaction will be drawn-down from short-term debt facilities and/or cash placed on call. However, the timing of amounts drawn down against the short-term debt facilities or amounts placed on call is currently uncertain. Consequently, to the extent that amounts are drawn-down for purposes of the intended use, the interest saving/increase illustrated for purposes of presenting the *pro forma* financial effects may not be realised/incurred in full.

Per Wescoal Share (cents)	Before the BEE Transaction <sup>(1)</sup>	<i>Pro forma</i> after the BEE Transaction (before the Transaction) <sup>(2)</sup>	Percentage change from <sup>(1) to (2)</sup> (%)	<i>Pro forma</i> after the Transaction <sup>(3)</sup>	Percentage change from <sup>(2) to (3)</sup> (%)
Basic earnings per Wescoal Share	27.56	(3.74)	(113.6%)	(9.13)	(144.1%)
Diluted earnings per Wescoal Share	27.54	(3.74)	(113.6%)	(9.13)	(144.1%)
Headline earnings per Wescoal Share	27.83	(3.57)	(112.8%)	(8.99)	(151.8%)
Diluted headline earnings per Wescoal Share	27.81	(3.57)	(112.8%)	(8.99)	(151.8%)
Net asset value per Wescoal Share	190.40	180.55	(5.2%)	177.00	(2.0%)
Net tangible asset value per Wescoal Share	147.49	152.96	3.7%	147.81	(3.4%)
Weighted average number of Wescoal Shares in issue ('000)	224,913	349,908		437,713	
Diluted weighted number of Wescoal Shares in issue ('000)	225,084	350,079		437,884	
Number of Wescoal Shares in issue ('000)	225,030	350,025		437,830	

#### Notes and assumptions:

- The Wescoal information reflected in the "Before the BEE Transaction" column has been extracted from Wescoal's Interim Results. BEE Transaction
- The Wescoal information reflected in the "*Pro forma* after the BEE Transaction (before the Transaction)" column has been calculated on the basis that the BEE Transaction has been implemented. The effects on basic earnings, diluted earnings, headline earnings and diluted headline earnings

per Wescoal Share are calculated on the basis that the BEE Transaction was effective 1 April 2016, while the effects on the net asset value and net tangible asset value per Wescoal Share are calculated on the basis that the BEE Transaction was effective 30 September 2016.

- a. The price at which the Wescoal Shares subscribed for by the BEE SPV was at a discount to the Wescoal Share price on 19 December 2016 (the effective date of the BEE Transaction). The "BEE discount" amounts to R82.3 million (with no tax effect) and is expensed in terms of IFRS 2: Share Based Payments.
- b. The subscription by Wescoal for Class B Preference Shares in the BEE SPV is accounted for as a non-current receivable.
- c. The net proceeds from the BEE Transaction have initially been placed within existing short-term debt facilities until drawn down over a period of time for purposes of the intended use, including the funding of the Proposed Transaction as described in note 3.c below. The assumed interest saving has been limited to, and is based on, the actual interest incurred on short-term debt facilities during the six months ended 30 September 2016.
- d. Transaction costs (non-recurring) of R7.9 million relating to the BEE Transaction were capitalised to equity.
- e. The weighted average number of Wescoal Shares in issue are increased by the 124 995 373 Subscription Shares.

#### The Transaction

3. The Wescoal information reflected in the "*pro forma* after the Transaction" column has been calculated on the basis that the Transaction has been implemented (either the Scheme becomes operative and unconditional or the Standby Offer is accepted by all Keaton Energy Shareholders). The effects on basic earnings, diluted earnings, headline earnings and diluted headline earnings per Wescoal Share are calculated on the basis that the Transaction was effective 1 April 2016, while the effects on the net asset value and net tangible asset value per Wescoal Share are calculated on the basis that the Transaction was effective 30 September 2016.
  - a. The acquisition of Keaton Energy arising pursuant to the Transaction is accounted for in terms of IFRS 3 (revised): Business Combinations, and consequently the results of Keaton Energy will be consolidated by Wescoal from the Effective Date of the Transaction.
  - b. The financial information for Keaton Energy is based on Keaton Energy's Interim Results, but excluding discontinued operations/assets held for sale which will not form part of the Transaction and including an exploration and evaluation expense in order to align the accounting treatment thereof with Wescoal's accounting policies. In addition, a once-off adjustment to reflect the Management Severance Payments is included.
  - c. The assumed purchase consideration for accounting purposes is settled as follows:
    - Share Component: the issue of 87 805 389 Consideration Shares at an assumed price of R2.20 per Consideration Share, being the share price of Wescoal on 18 April 2017, the Last Practicable Date. In terms of IFRS, the issue price of the Consideration Shares will be determined on the Effective Date of the Transaction and may differ from the assumptions underlying these *pro forma* effects.
    - Cash Component and the ESOP Waiver Payments: the Cash Component and the ESOP Waiver Payments (together amounting to R381.4 million) will be funded through a combination of internal cash resources, debt facilities and the net proceeds from the BEE Transaction.
  - d. The assumed purchase consideration for the Transaction has been allocated between identifiable tangible and intangible assets and goodwill based on a provisional fair value allocation exercise in terms of IFRS3: Business Combinations. The identifiable tangible and intangible assets are assumed to be amortised over their respective useful lives as determined within the provisional fair value allocation exercise. The fair value exercise will need to be performed on the Effective Date of the Transaction and may differ from the assumptions underlying these *pro forma* effects.
  - e. The assumed impact on net finance costs (totalling R20.1 million) has been calculated based on:
    - actual interest rates on short-term debt facilities (prime plus 0.5%, being 11.0%); and
    - cash placed on call (average rate of 7.53%) over six months,assuming the Cash Component and the ESOP Waiver Payments will be funded through a combination of internal cash resources, debt facilities and the net proceeds from the BEE Transaction.
  - f. Transaction costs (non-recurring) of R39.0 million relating to the Transaction have been allocated as follows:
    - R34.7 million has been expensed; and
    - R4.3 million has been capitalised to equity.
4. The detailed notes and assumptions to the *pro forma* financial effects are presented in Annexure 1 to this Circular and the *pro forma* financial effects should be read in conjunction with the *pro forma* consolidated income statement and the *pro forma* consolidated statement of financial position contained therein. The Independent Reporting Accountant's assurance report on the compilation of *pro forma* financial information is contained in Annexure 2 to this Circular.



### 13. EXPENSES RELATING TO THE TRANSACTION

The expenses relating to the implementation of the Transaction are estimated at approximately R34.18 million (excluding VAT) and comprise:

#### 13.1 Wescoal

Description	R
Nedbank CIB (Investment Bank, Corporate Advisor and Sponsor)	7 883 845
ENSafrica (Legal Advisor)	2 550 000
Pricewaterhouse Coopers Inc. (Independent Reporting Accountant)	275 000
Investec Bank Limited (guarantee for Cash Component)	950 000
Bowman Gilfillan Inc. (legal due diligence and advisory)	778 620
Pricewaterhouse Coopers Inc. (tax due diligence)	498 500
Jaco-K Consulting (environmental due diligence)	121 356
JSE documentation fees (excluding JSE approval fees for the Keaton Energy CPR)	44 632
JSE listing fees	117 233
TRP fees	300 000
Ince Proprietary Limited (printing fee for the Circular)	90 000
Ince Proprietary Limited (print media fee for all announcements)	138 596
Corpcam (communication equipment)	26 721
Contingency	100 000
<b>Total</b>	<b>13 874 503</b>

#### 13.2 Keaton Energy

Description	R
Taurum Proprietary Limited (Corporate Advisor)	18 100 000
Werksmans Inc. (Legal Advisor)	700 000
KPMG Inc. (Independent Reporting Accountant)	145 000
BDO Corporate Finance Proprietary Limited (Independent Expert)	325 000
Venmyn Deloitte Proprietary Limited (Competent Person)	550 000
Investec (Keaton Energy's Sponsor)	100 000
JSE documentation fees	13 947
Other JSE costs	100 000
Ince Proprietary Limited (printing fee for the Scheme Circular)	120 000
Transfer secretaries	45 000
TRP documentation fee	6 840
Contingency	100 000
<b>Total</b>	<b>20 305 787</b>

### 14. WORKING CAPITAL

The Wescoal Directors are of the opinion that the working capital available to the Wescoal Group, as enlarged by the acquisition of Keaton Energy, is sufficient for the group's present requirements, that is, for at least the next 12 months from the date of issue of this Circular.

## SECTION THREE – ADDITIONAL MATERIAL INFORMATION

### 15. WESCOAL SHARE CAPITAL

15.1 As at the Last Practicable Date, the authorised and issued share capital of Wescoal before the Transaction was as follows:

Before the Transaction	Rand
<b>Authorised stated capital</b>	
500 000 000 ordinary shares of no par value	
<b>Issued share capital</b>	
362 528 951 ordinary shares of no par value	362 528 951
<i>Less: 12 504 000 shares held in treasury</i>	<i>(12 504 000)</i>
<b>Total issued share capital</b>	<b>350 024 951</b>

15.2 The authorised and issued share capital of Wescoal after the Transaction will be as follows:

After the Transaction	Rand
<b>Authorised stated capital</b>	
500 000 000 ordinary shares of no par value	
<b>Issued share capital</b>	
450 334 340 ordinary shares of no par value	450 334 340
<i>Less: 12 504 000 shares held in treasury</i>	<i>(12 504 000)</i>
<b>Total issued share capital</b>	<b>437 830 340</b>

15.3 All the authorised and issued Wescoal Shares are of the same class and rank *pari passu* in every respect.

### 16. WESCOAL DIRECTORS

#### 16.1 Wescoal Directors' emoluments and benefits

The remuneration receivable by the Wescoal Directors will not be varied as a consequence of the Transaction.

#### 16.2 Wescoal Directors' interests in Wescoal Shares

The direct and indirect beneficial interests of the Wescoal Directors and their associates, including directors who have resigned during the last 18 months, in the issued share capital of Wescoal as at the Last Practicable Date are as follows:

Name	Beneficial			Total %	
	Direct	Indirect	Total	Before the Transaction	After the Transaction
M.R. Ramaite <sup>1</sup>	–	134 384 777	134 384 777	37.07%	29.84%
J.G. Pansegrouw	–	2 040 000	2 040 000	0.56%	0.45%
W. Sulaiman	1 110 000	–	1 110 000	0.31%	0.25%
I. van der Walt <sup>2</sup>	170 000	–	170 000	0.05%	0.04%
T. Tshithavhane	19 800	–	19 800	0.01%	0.00%
<b>Total</b>	<b>1 299 800</b>	<b>136 424 777</b>	<b>137 724 577</b>	<b>37.99%</b>	<b>30.58%</b>

**Notes:**

- M.R. Ramaite, Non-executive Chairman of Wescoal, is a shareholder of BEE SPV (50.26%) and Simeka (36%). The shareholding set out above aggregates Ramaite and his family trust's shareholding.
- I. van der Walt was appointed as the acting Chief Financial Officer effective from 2 September 2015 to 1 July 2016.

The following changes to the Wescoal Directors' shareholdings have taken place between 31 March 2016 and the Last Practicable Date:

Director/ associate	Date	Nature of transaction	Nature of interest	Number of Wescoal Shares	Price per Wescoal Share
W. Sulaiman	8 June 2016	Purchase on open market	Direct beneficial	50 000	R1.92
W. Sulaiman	1 March 2017	Purchase on open market	Direct beneficial	40 000	R2.45
T. Tshithavhane	6 March 2017	Purchase on open market	Direct beneficial	19 800	R2.55
Simeka (an associate of M.R. Ramaite)	29 March 2017	Purchased off-market	Indirect beneficial	2 000 000	R2.29

### 16.3 Wescoal Directors' interests in transactions and assets

The Transaction will not directly result in any change to Wescoal Directors' material beneficial interests, whether direct or indirect, in transactions that were effected by Wescoal during the current or immediately preceding financial year or during an earlier financial year and remain in respect outstanding or unperformed.

No Wescoal Director (and his/her associates) has or, within the two years of the date of this Circular, had any direct or indirect beneficial interest in any asset (including any right to explore for minerals) (i) of Wescoal, and (ii) which has been acquired or disposed of by, or leased to or by, Wescoal, including any interest in the consideration passing to or from Wescoal.

## 17. MAJOR WESCOAL SHAREHOLDER

At the Last Practicable Date, insofar as is known to the Wescoal Directors, the following Wescoal Shareholder, other than the Wescoal Directors, beneficially held in excess of 5% of the issued shares of the Company:

Shareholder	Number of Wescoal Shares	% of Wescoal Shares in issue
BEE SPV	213 628 122	58.93%

## 18. INFORMATION RELATING TO KEATON ENERGY

### 18.1 Material contracts

Neither Keaton Energy nor any of its subsidiaries have entered into any material contracts, verbally or in writing, being restrictive funding arrangements and/or contracts entered into within the two years preceding the date of this Circular, or at any time which contains an obligation or settlement that is material to either Keaton Energy or any of its subsidiaries at the date of this Circular.

### 18.2 Material loans

The Transaction will not result in any change to Keaton Energy's material loans.

Details of material loans made to Keaton Energy are set out in Annexure 3 to this Circular.

### 18.3 Material changes

Save as set out below, and the implementation of the Transaction detailed in this Circular, there have been no material changes in the affairs and financial position of Keaton Energy and its subsidiaries between 30 September 2016 and the Last Practicable Date:

18.3.1 Keaton Energy entered into a sale of shares and claims agreement with Bayete Energy Resources Proprietary Limited ("**BER**") on or about 11 February 2016, as published on SENS on 15 February 2016, to dispose of its wholly-owned subsidiary Leeuw Mining and Exploration Proprietary Limited ("**LME**") and its wholly-owned subsidiary Amalahle Exploration Proprietary Limited ("**Amalahle**"). There are still a number of suspensive conditions which have to be met for the sale to become effective. The suspensive conditions are expected to be fulfilled before 30 June 2017.

- 18.3.2 Keaton Energy simultaneously entered into a management agreement with Witbank Mineral Resources Proprietary Limited ("**WMR**"), a related party to BER, for the management of LME up to and until the sale of shares and claims agreement with BER becomes unconditional.
- 18.3.3 Notwithstanding continuous efforts by both LME and WMR to minimise losses exacerbated by the on-going global decline in coal prices, *force majeure* declared on LME by its biggest customer and the unavailability of water due to the continued drought in the region, management decided to place Vaalkrantz Colliery (LME) on care and maintenance with effect from 1 May 2016.
- 18.3.4 LME embarked on a section 189A process for the retrenchment of all employees. The sale of shares and claims agreement as well as the management agreement are still effective. As a consequence of the occurrence of a *force majeure* event, namely the drought which has resulted in Vaalkrantz Colliery having no water within which to conduct its operations, some of the clauses of the management agreement had been temporarily suspended. The finalisation of the disposal of Vaalkrantz Colliery (LME) by Keaton Energy, which is anticipated to take place before 30 June 2017, is a condition to the Transaction (see paragraph 8.6 above), which is capable of being waived by Wescoal.

#### 18.4 **Litigation statement**

Save as disclosed below, there are no material legal or arbitration proceedings pending or threatened against Keaton Energy and its subsidiaries, which may have, or in the past year have had, a material effect on the financial position of Keaton Energy.

Contract mining services were rendered by Megacube Mining Proprietary Limited ("**Megacube**") to Keaton Mining. As a result of several alleged breaches of the contract mining agreement, Keaton Mining disputed that the amount of R42.5 million was due and owing to Megacube. As a result of Megacube's breaches of the contract mining agreement, Keaton Mining has lodged several counterclaims against Megacube for damages and losses sustained. Keaton Mining delivered a notice of termination of the agreement to Megacube on 16 May 2012 in accordance with the provisions of the agreement and subsequently terminated the agreement on 5 July 2012.

The legal dispute between Keaton Mining and Megacube was settled on 28 April 2016. An award was made in favour of Keaton Mining on such date regarding the merits of the dispute. The more substantial claims awarded in favour of Keaton Mining are listed below:

- Megacube's claim of R42.5 million was dismissed with cost;
- Megacube is liable to compensate Keaton Mining for the damages which flow from its failure to mine and deliver 300 000 tonnes of run-of-mine (ROM) coal per month;
- Megacube is liable to make payment to Keaton Mining in such an amount equalling the present value of 657 583.8 tonnes of ROM coal not mined; and
- Megacube is directed to pay Keaton Mining's cost, such cost to include the employment of two counsel and the qualifying fees of expert witnesses.

The quantum of the claims awarded will be dealt with in the coming months. A reliable estimate of the amount to be received can only be made once the outcome of the quantification portion of the arbitration has been finalised/settled. On 10 June 2016, Megacube filed an application in the High Court of Gauteng to have the arbitration award reviewed and set aside. The matter was heard in the High Court on 13 and 14 March 2017. Keaton Mining awaits the court's ruling. Keaton Energy's management and its legal advisors strongly believe that this application is without merit.

#### 18.5 **Other**

18.5.1 The Keaton Energy Directors confirm that the Keaton Energy group is in possession of the necessary legal title or ownership rights to explore and mine the relevant minerals.

18.5.2 Neither Keaton Energy nor the Keaton Energy Directors and their associates hold any Wescoal Shares.

#### 18.6 **Keaton Energy Directors' responsibility statement**

The Keaton Energy Directors collectively and individually accept full responsibility for the accuracy of the information given in paragraph 6.2, this paragraph 18, paragraph 24 and Annexure 3 to this Circular insofar as such information relates to Keaton Energy, and certify that, to the best of their knowledge and belief there are no details that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and paragraph 6.2, this paragraph 18, paragraph 24 and Annexure 3 to this Circular, insofar as such information relates to Keaton Energy, contain all information required by law and the JSE Listings Requirements.

## 19. EXCHANGE CONTROL REGULATIONS OF SOUTH AFRICA

The following summary is intended only as a guide and is therefore not comprehensive. The utilisation of any proceeds for investment outside the common monetary area, comprising South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland, requires prior approval of the Exchange Control Department of the South African Reserve Bank.

### 19.1 Emigrants from the common monetary area

New certificates issued to any emigrant in terms of the Transaction will be restrictively endorsed and deposited with the authorised dealer controlling such emigrant's blocked assets. In terms of the Exchange Control Regulations, such Wescoal Shares are not freely transferable from the common monetary area. The CSDP or broker will ensure that all requirements of Exchange Control are adhered to in respect of their clients falling into this category of investor, whether shares are held in dematerialised or certificated form.

### 19.2 All other non-residents of the common monetary area

In terms of the Exchange Control Regulations of South Africa, non-residents will receive Wescoal Shares which will be endorsed "non-resident". The CSDP or broker will ensure that all requirements of Exchange Control are adhered to in respect of their clients falling into this category of investor, whether Wescoal Shares are held in dematerialised or certificated form.

### 19.3 Wescoal Shareholders in other jurisdictions

The issue of Wescoal Shares to residents in, or citizens or nationals of jurisdictions outside South Africa or custodians, nominees or trustees for residents in, or citizens or nationals of other countries may be prohibited or affected by the laws of the relevant jurisdictions. Such persons should acquaint themselves with and observe any applicable legal requirement/s.

## 20. CONSENTS AND CONFLICTS OF INTEREST

### 20.1 Consents

The advisors, whose details are set out in the "Corporate Information and Advisors" section of this Circular, have provided their written consents to act in the capacities stated and to their name being used in the Circular and have not withdrawn their consent prior to the publication of the Circular.

### 20.2 Conflicts of interest

In terms of paragraph IV of the Appendix to Schedule 16 contained in the JSE Listings Requirements, the sponsor is required to disclose details of all matters that might reasonably be expected to impair its independence and objectivity in its professional dealings with Wescoal in relation to the Transaction.

The following matters may be considered to have an impact on the sponsor's independence in relation to the Transaction:

- Nedbank CIB, acting through its Corporate Finance Business Unit ("**NCF**") has been appointed as Wescoal's corporate advisor and investment bank in relation to the Transaction; and
- Nedbank CIB is also the Company's sponsor and therefore is acting as such for purposes of implementing the Transaction.

The following procedures are in place to manage/mitigate such perceived conflicts:

- NCF has been structured such that the individuals whose sole responsibility is to fulfil the function of a JSE equity sponsor operate with strict Chinese Walls from the NCF team responsible for advisory mandates;
- the sponsor team does not form part of the NCF team appointed to advise the Company on the Transaction; and
- Nedbank Limited, as a strictly regulated entity, has significant compliance procedures in place to ensure that the activities of both NCF and the sponsor team are monitored and that effective Chinese Walls are in place between NCF and the sponsor team, which would further ensure that the sponsor's independence and objectivity in relation to the Transaction and its professional dealings with Wescoal are maintained.

## 21. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS

The Wescoal Board is of the opinion that the Transaction is in the best interests of Wescoal and its subsidiaries and recommends that Wescoal Shareholders vote in favour of the Transaction Resolution to be proposed at the General Meeting.

The Wescoal Directors intend to vote in favour of the Transaction Resolution to be proposed at the General Meeting in respect of their personal holdings in the issued share capital of Wescoal.

The Wescoal Directors are not aware of any legal proceedings that may have an influence on Wescoal's or Keaton Energy's rights to explore or mine, and confirm that the Wescoal Group is in possession of the necessary legal title or ownership rights to explore and mine the relevant minerals.

## 22. GENERAL MEETING

22.1 In terms of the JSE Listings Requirements, the Transaction is classified as a Category 1 transaction for Wescoal and accordingly requires Wescoal Shareholder approval.

22.2 The General Meeting will be held at 08:00 on Friday, 2 June 2017 at Wescoal's Registered Office for the purpose of considering and, if deemed fit, passing, with or without modification, the Transaction Resolution.

22.3 A notice convening the General Meeting and a form of proxy for use by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration who are unable to attend the General Meeting are attached to this Circular.

22.4 Pursuant to paragraph 9.20(b) of the JSE Listings Requirements, the Company will only be permitted to give effect to the Transaction if the Transaction Resolution contained in the notice of General Meeting attached to this Circular is supported by more than 50% of the voting rights exercised by Wescoal Shareholders at the General Meeting.

## 23. WESCOAL DIRECTORS' RESPONSIBILITY STATEMENT

The Wescoal Directors, whose names are given on page 11 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief there are no details that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and this Circular contains all information required by law and the JSE Listings Requirements.

## 24. INCORPORATED BY REFERENCE

The following information has been incorporated by reference and is available for viewing on the Company's website as set out below and is available for inspection at Wescoal's Registered Office, at no charge, during business hours for a period of 14 Business Days.

Information incorporated by reference	Website link
Keaton Energy CPR <sup>1</sup>	<a href="http://www.wescoal.co.za/downloads/keaton-energy-cpr.pdf">http://www.wescoal.co.za/downloads/keaton-energy-cpr.pdf</a>
The historical financial information of Keaton Energy in respect of the years ended 31 March, 2016, 2015 and 2014, as well as the reviewed condensed interim consolidated results for the six months ended 30 September 2016 <sup>2</sup>	<a href="http://www.wescoal.co.za/downloads/keaton-energy-historical.pdf">http://www.wescoal.co.za/downloads/keaton-energy-historical.pdf</a>

### Notes:

(1) Except as disclosed below, the Competent Person (nor any of its personnel or co-authors involved in the preparation of the Keaton CPR) does not have nor, within the two years of the date of this Circular, had any direct or indirect beneficial interest in any asset (including any right to explore for minerals) (i) of Wescoal or Keaton Energy, and (ii) which has been acquired or disposed of by, or leased to or by, Wescoal or Keaton Energy, including any interest in the consideration passing to or from Wescoal or Keaton Energy, save for what is disclosed in the paragraph below.

Dr P.J. Hancox of Caracle Creek International Consulting Coal Proprietary Limited (co-author of the Keaton CPR) has an indirect beneficial shareholding of 350,000 Keaton Energy Shares.

(2) The JSE granted the Company dispensation from having to obtain a reporting accountant's report on Keaton Energy's historical financial information due to the fact that such information has been published during the period that Keaton Energy has been listed on the JSE. Keaton Energy published restated financial information for the year ended 31 March 2016 in order to reflect restated comparative numbers for the year ended 30 March 2015 as a result of the decision to dispose of Leeuw Mining and Exploration Proprietary Limited. In line with IFRS requirements, the discontinued operation had to be restated in the comparative year.

## 25. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection by Wescoal Shareholders at the Registered Office of Wescoal from Thursday, 4 May 2017 up to and including the date of the General Meeting, during normal business hours:

- 25.1 the MOI of Wescoal and its Major Subsidiaries;
- 25.2 a standard Wescoal Directors' letter of engagement;
- 25.3 a copy of the Offer Letter and the addenda thereto;
- 25.4 copies of the Management Severance Arrangements and the ESOP Waiver Agreements;
- 25.5 a copy of the exemption received from the TRP with respect to the Keaton Energy ESOPs as detailed in paragraph 4.2 above;
- 25.6 copies of the Keaton Energy Irrevocable Undertakings and the Wescoal Irrevocable Undertaking;
- 25.7 a copy of the redacted version of the CSA;
- 25.8 the material contracts of Keaton Energy detailed in paragraph 18.1 above;
- 25.9 the latest competent person's report for Wescoal dated May 2016, and the Keaton Energy CPR;
- 25.10 the written consents of advisors, whose names are set out in the "Corporate Information and Advisors" section of this Circular, to the inclusion of their names in this Circular in the context and form in which they appear;
- 25.11 the Independent Reporting Accountant's assurance report on the compilation of *pro forma* financial information contained in Annexure 2 to this Circular;
- 25.12 the audited financial statements of Wescoal for the financial years ended 31 March 2014, 31 March 2015 and 31 March 2016, together with all notes, certificates or information required by the Companies Act;
- 25.13 the unaudited condensed consolidated interim results of Wescoal for the six months ended 30 September 2016;
- 25.14 the audited financial statements of Keaton Energy for the financial years ended 31 March 2014, 31 March 2015 and 31 March 2016, together with all notes, certificates or information required by the Companies Act;
- 25.15 the reviewed condensed interim consolidated results of Keaton Energy for the six months ended 30 September 2016; and
- 25.16 a signed copy of this Circular.

### **For and on behalf of Wescoal Holdings Limited**

This Circular was signed in Johannesburg on behalf of all the Wescoal Directors in terms of powers of attorney granted on or about 3 April 2017.

### **Signed on behalf of the Wescoal Board**

**Waheed Sulaiman**  
*Chief Executive Officer*

### **For and on behalf of Keaton Energy Holdings Limited**

This Circular was signed in Johannesburg on behalf of all the Keaton Energy Directors in terms of a resolution of the Keaton Energy Board passed on or about 18 April 2017.

### **Signed on behalf of the Keaton Energy Board**

**Amanda Glad**  
*Chief Executive Officer*

Thursday, 4 May 2017

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## PRO FORMA FINANCIAL INFORMATION OF WESCOAL

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The tables below set out the *pro forma* financial information of the Transaction on Wescoal's Interim Results, after accounting for the recently concluded BEE Transaction (comprising the Specific Issue and the subscription by Wescoal for Class B Preference Shares in the BEE SPV for an effective holding of 58.93% in the total issued share capital of Wescoal). The *pro forma* financial information has been prepared for illustrative purposes only and because of its *pro forma* nature, may not fairly present Wescoal's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the BEE Transaction and the Transaction going forward.

The *pro forma* financial information has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the published audited consolidated financial results of Wescoal for the year ended 31 March 2016. The *pro forma* financial information is presented in accordance with the JSE Listings Requirements and the Guide on Pro Forma Financial Information issued by the South African Institute of Chartered Accountants and ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus.

The Wescoal Directors are responsible for the compilation, contents and preparation of the Wescoal *pro forma* financial information. Their responsibility includes determining that the Wescoal *pro forma* financial information has been properly compiled on the basis stated, which is consistent with the accounting policies of Wescoal and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the JSE Listings Requirements.

It should be noted that the *pro forma* financial information includes the earnings effects of the application of the net proceeds from the BEE Transaction. The net proceeds of the BEE Transaction will initially be placed within existing short-term debt facilities and/or on call until drawn down over a period of time for purposes of the intended use, including funding the Transaction. The Cash Component of the Transaction will be drawn-down from short-term debt facilities and/or cash placed on call. However, the timing of amounts drawn down against the short-term debt facilities or amounts placed on call is currently uncertain. Consequently, to the extent that amounts are drawn-down for purposes of the intended use, the interest saving/increase illustrated for purposes of presenting the *pro forma* financial information may not be realised/incurred in full.

The *pro forma* consolidated statement of financial position as at 30 September 2016 and the *pro forma* consolidated income statement for the six months then ended, should be read in conjunction with the Independent Reporting Accountant's report thereon contained in Annexure 2 to this Circular.

The *pro forma* consolidated income statement below presents the effects of the BEE Transaction and the Transaction on Wescoal's Interim Results on the assumption that the BEE Transaction and the Transaction were effective 1 April 2016.



**Pro forma consolidated income statement for the six months ended 30 September 2016**

	Before the BEE Transaction <sup>1</sup>	Subscription for the Class B Preference Shares in BEE SPV	Specific Issue	Pro forma after the BEE Transaction (before the Transaction) <sup>2</sup>	Keaton Energy's Interim Results	Keaton Energy pro forma adjustments	Consolidation adjustments	Pro forma after the Transaction <sup>3</sup>
<b>Figures in Rands (Thousands)(R'000)</b>								
Revenue	1 039 442	-	-	1 039 442	580 405	-	-	1 619 847
Cost of sales <sup>3(c)(i)</sup>	(851 438)	-	-	(851 438)	(490 861)	-	(4 241)	(1 346 540)
<b>Gross profit</b>	<b>188 004</b>	-	-	<b>188 004</b>	<b>89 544</b>	-	<b>(4 241)</b>	<b>273 307</b>
Other income/(loss) <sup>3(b)(i), 3(c)(ii)</sup>	1 965	-	-	1 965	31 750	(15 559)	(34 693)	(16 537)
Mining and related expenses <sup>3(b)(ii)</sup>	-	-	-	-	(20 332)	(183)	-	(20 515)
Operating expenses <sup>3(b)(iii)</sup>	(88 996)	-	-	(88 996)	(22 630)	1 951	-	(109 675)
<b>Operating profit/(loss)</b>	<b>100 973</b>	-	-	<b>100 973</b>	<b>78 332</b>	<b>(13 791)</b>	<b>(38 934)</b>	<b>126 580</b>
BEE Discount <sup>2(b)</sup>	-	-	(82 328)	(82 328)	-	-	-	(82 328)
Net finance costs <sup>2(a), 2(c), 3(c)(iii)</sup>	(13 083)	2 041	7 224	(3 818)	(27 889)	(586)	(19 543)	(51 836)
<b>Profit/(loss) before taxation</b>	<b>87 890</b>	<b>2 041</b>	<b>(75 104)</b>	<b>14 827</b>	<b>50 443</b>	<b>(14 377)</b>	<b>(58 477)</b>	<b>(7 584)</b>
Taxation	(25 907)	-	(2 023)	(27 930)	(12 191)	4 572	3 363	(32 186)
<b>Profit/(loss) from continuing operations</b>	<b>61 983</b>	<b>2 041</b>	<b>(77 127)</b>	<b>(13 103)</b>	<b>38 252</b>	<b>(9 805)</b>	<b>(55 114)</b>	<b>(39 770)</b>
Loss from discontinued operations, net of taxation <sup>3(b)(iv)</sup>	-	-	-	-	(17 240)	17 240	-	-
<b>Net profit/(loss) for the period</b>	<b>61 983</b>	<b>2 041</b>	<b>(77 127)</b>	<b>(13 103)</b>	<b>21 012</b>	<b>7 435</b>	<b>(55 114)</b>	<b>(39 770)</b>
Other comprehensive income	-	-	-	-	106	-	-	106
- Foreign currency translation reserve	-	-	-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>61 983</b>	<b>2 041</b>	<b>(77 127)</b>	<b>(13 103)</b>	<b>21 118</b>	<b>7 435</b>	<b>(55 114)</b>	<b>(39 664)</b>
<b>Profit/(loss) attributable to:</b>								
Owners of the parent	61 983	2 041	(77 127)	(13 103)	20 835	7 435	(55 114)	(39 947)
Non-controlling interest	-	-	-	-	177	-	-	177
<b>Profit/(loss) for the year</b>	<b>61 983</b>	<b>2 041</b>	<b>(77 127)</b>	<b>(13 103)</b>	<b>21 012</b>	<b>7 435</b>	<b>(55 114)</b>	<b>(39 770)</b>
<b>Weighted average number of shares in issue ('000)</b>								
- Basic <sup>2(e), 3(d)</sup>	224 913		124 995	349 908			87 805	437 713
- Diluted <sup>2(e), 3(d)</sup>	225 084		124 995	350 079			87 805	437 884
<b>Earnings per share (cents)</b>								
- Basic	27.56		(3.74)	(3.74)				(9.13)
- Diluted	27.54		(3.74)	(3.74)				(9.13)

	Before the BEE Transaction <sup>1</sup>	Subscription for the Class B Preference Shares in BEE SPV	Specific Issue	BEE Transaction (before the Transaction) <sup>2</sup>	Keaton Energy's Interim Results	Keaton Energy <i>pro forma</i> adjustments	Consolidation adjustments	<i>Pro forma</i> after the Transaction <sup>3</sup>
<b>Figures in Rands (Thousands) (R'000)</b>								
<b>Headline earnings (R'000)</b>								
Profit/(loss) attributable to owners of the parent	6 1983			(13 103)				(39 947)
Loss/(profit) on sale of property, plant and equipment	(456)			(456)		(15)		(471)
Impairment of assets	1 077			1 077				1 077
Headline earnings attributable to owners of the parent	62 604			(12 482)				(39 341)
<b>Headline earnings per share (cents)</b>								
– Basic	27.83			(3.57)				(8.99)
– Diluted	27.81			(3.57)				(8.99)

**Notes and assumptions:**

- The Wescoal information reflected in the "Before the BEE Transaction" column has been extracted from Wescoal's Interim Results.  
BEE Transaction.
- The Wescoal information reflected in the "*Pro forma* after the BEE Transaction (before the Transaction)" column has been calculated on the basis that the BEE Transaction was implemented on 1 April 2016, based on the following assumptions:
  - Assumed preference dividends receivable on the Class B Preference Shares issued by the BEE SPV to Wescoal are adjusted against net finance costs, calculated at an interest rate of 11.5% per year. These preference dividends have a continuing effect and are not taxable.
  - The subscription price of R1.69 for the Subscription Shares was at a discount to the 30-day VWAP Wescoal Share price on 19 December 2016 (the date when the BEE Transaction became effective). The Specific Issue is accounted for in terms of the guidance provided in IFRS 2: Share Based Payments and consequently, the difference between the market value of the Subscription Shares (R293.7 million at a market price of R2.35 per Subscription Share, being the market price on 19 December 2016) and the subscription amount of R211.4 million is described as a "BEE Discount" and is accounted for as a once-off, non-cash expense in the *pro forma* consolidated income statement. The BEE Discount has no tax effect.
  - The proceeds of the Specific Issue, net of the cash outflow arising from the subscription for the Class B Preference Shares, will initially be placed within existing short-term debt facilities (which carry interest at 11.0% per year) until drawn-down over a period of time for purposes of the intended use. The assumed interest saving of R7.224 million has been limited to, and is based on, the actual interest incurred on short-term debt facilities during the six months ended 30 September 2016 (net of the interest impact of transaction costs paid from cash on call).  
No effect is given to potential interest income earned to the extent that the net proceeds of the Specific Issue exceeds the outstanding short-term debt facility, as such interest savings cannot be factually supportable. To the extent that amounts are drawn down for purposes of the intended use, the interest saving illustrated for purposes of presenting the *pro forma* financial information may not be realised in full.
  - Taxation is adjusted for income tax calculated at 28% of the adjustment to net finance costs.
  - The weighted average number of Wescoal Shares in issue are increased by the 124 995 373 Subscription Shares.

#### The Transaction.

3. The Wescoal information reflected in the "Pro forma after the Transaction" column has been calculated on the basis that the Transaction has been implemented (either the Scheme becomes operative and unconditional or the Standby Offer is accepted by all Keaton Energy Shareholders) on 1 April 2016, based on the following assumptions:
  - a. The acquisition of Keaton Energy arising pursuant to the Transaction is accounted for in terms of IFRS 3 (revised): Business Combinations and consequently the results of Keaton Energy will be consolidated by Wescoal from the Effective Date of the Transaction.
  - b. The financial information for Keaton Energy has been extracted from Keaton Energy's Interim Results and is adjusted by the following "Keaton Energy *pro forma* adjustments":
    - (i) Management Severance Payments (non-recurring) amounting to R15.6 million have been expensed. A tax deduction on this expense has been calculated at 28%.
    - (ii) Exploration and evaluation expenditure amounting to R183 000 has been expensed in order to align the accounting treatment thereof with Wescoal's accounting policies. A tax deduction on this expense has been calculated at 28%.
    - (iii) The share-based payment expense amounting to R1.95 million for the period, relating to Keaton Energy's employees who hold share incentive instruments, is reversed based on the assumption that these share incentives are cancelled on 1 April 2016 due to the execution of the ESOP Waiver Agreements. This item has no tax effect.
    - (iv) Reversal of the R17.2 million loss from discontinued operations (Leeuw Mining and Exploration Proprietary Limited and Amalable Exploration Proprietary Limited as these will not form part of the Transaction.
  - c. The "Consolidation adjustments" column represents the following:
    - (i) Depreciation of R4.2 million is calculated on the fair value adjustment that is capitalised to Property, Plant and Equipment as part of the provisional purchase price allocation. This fair value adjustment is depreciated based on the units of production method. This adjustment gives rise to a reversal of deferred tax at 28% of the depreciation amount recorded.
    - (ii) Transaction costs (non-recurring) of R34.7 million (including VAT) relating to the Transaction have been expensed (no tax deduction has been calculated on these transaction costs).
    - (iii) It is assumed that the cash paid (including the Cash Component and the ESOP Waiver Payments) as part of the Transaction will be drawn-down from existing short-term debt facilities and cash placed on call. The assumed R19.5 million impact on net finance costs has been calculated based on actual interest rates on short-term debt facilities (prime plus 0.5%, being 11.0%) totalling R11.7 million and cash placed on call (assumed effective interest rate of 7.53%) totalling R7.8 million. No tax deduction is calculated for interest paid on short-term debt facilities.
    - (iv) The weighted average number of Wescoal Shares in issue are increased by the 87 805 389 Wescoal Shares to be issued as part of the Scheme Consideration.
  - d. The *pro forma* consolidated statement of financial position below presents the effects of the BEE Transaction and the Transaction on Wescoal's Interim Results on the assumption that the BEE Transaction and the Transaction were effective 30 September 2016.

**Pro forma consolidated statement of financial position for the six months ended 30 September 2016**

Figures in Rands (Thousands)(R'000)	Before the BEE Transaction <sup>1</sup>	Subscription for the Class B Preference Shares in BEE SPV	Specific Issue	Pro forma after the BEE Transaction (before the Transaction) <sup>2</sup>	Keaton Energy's Interim Results	Keaton Energy pro forma adjustments	Consolidation adjustments	Pro forma after the Transaction <sup>3</sup>
<b>ASSETS</b>								
<b>Non-current assets</b>								
Property, plant and equipment <sup>3(b)(i), 3(c)(ii)</sup>	504 108	-	-	504 108	646 280	503 665	111 595	1 765 648
Goodwill <sup>3(c)(iii)</sup>	73 637	-	-	73 637	-	-	31 247	104 884
Intangible assets <sup>3(b)(i)</sup>	18 750	-	-	18 750	503 665	(503 665)	-	18 750
Investment property	709	-	-	709	-	-	-	709
Prepaid royalty	10 238	-	-	10 238	-	-	-	10 238
Deferred tax	4 185	-	-	4 185	-	-	-	4 185
Investments (restricted)	14 266	-	-	14 266	37 749	-	-	52 015
Class B Preference Shares in BEE SPV <sup>2(a)(i)</sup>	-	35 500	-	35 500	-	-	-	35 500
Other investments and loans	-	-	-	-	5 221	-	-	5 221
<b>Current assets</b>	<b>625 893</b>	<b>35 500</b>	-	<b>661 393</b>	<b>1 192 915</b>	-	<b>142 842</b>	<b>1 997 150</b>
Prepaid royalty	1 262	-	-	1 262	-	-	-	1 262
Inventories	72 159	-	-	72 159	34 394	-	-	106 553
Trade and other receivables	259 291	-	-	259 291	128 564	-	-	387 855
Cash and cash equivalents <sup>2(a), 3(b)(ii), 3(c)(iv)</sup>	104 652	(35 500)	119 431	188 583	34 251	(15 559)	(206 321)	954
Non-current assets held for sale <sup>3(b)(iii)</sup>	437 364	(35 500)	119 431	521 295	197 209	(15 559)	(206 321)	496 624
	3 323	-	-	3 323	63 056	(63 056)	-	3 323
<b>Total assets</b>	<b>1 066 580</b>	-	<b>119 431</b>	<b>1 186 011</b>	<b>1 453 180</b>	<b>(78 615)</b>	<b>(63 479)</b>	<b>2 497 097</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>								
Share capital <sup>2(b), 3(d)</sup>	213 441	-	285 846	499 287	850 051	-	(661 152)	688 186
Share-based payment reserve <sup>3(d)</sup>	7 498	-	-	7 498	35 616	-	(35 616)	7 498
Other reserves <sup>3(d)</sup>	-	-	-	-	21 031	-	(21 031)	-
Retained income <sup>2(b), 3(b)(ii), 3(d)</sup>	207 520	-	(82 328)	125 192	(444 975)	(9 905)	408 985	79 297
<b>Total equity attributable to equity holders of parent</b>	<b>428 459</b>	-	<b>203 518</b>	<b>631 977</b>	<b>461 723</b>	<b>(9 905)</b>	<b>(308 814)</b>	<b>774 981</b>
Non-controlling interest	-	-	-	-	54 189	-	-	54 189
<b>Total equity</b>	<b>428 459</b>	-	<b>203 518</b>	<b>631 977</b>	<b>515 912</b>	<b>(9 905)</b>	<b>(308 814)</b>	<b>829 170</b>

	Before the BEE Transaction <sup>1</sup>	Subscription for the Class B Preference Shares in BEE SPV	Specific Issue	BEE Transaction (before the Transaction) <sup>2</sup>	Keaton Energy's Interim Results	Keaton Energy pro forma adjustments	Consolidation adjustments	Pro forma after the Transaction <sup>3</sup>
<b>Figures in Rands (Thousands) (R'000)</b>								
<b>Liabilities</b>								
<b>Non-current liabilities</b>								
Deferred tax <sup>3(e)</sup>	40 673	-	-	40 673	130 810	-	31 247	202 730
Provisions	48 325	-	-	48 325	264 161	-	-	312 486
Vendor liability	-	-	-	-	31 769	-	-	31 769
Interest-bearing borrowings	77 039	-	-	77 039	183 128	-	-	260 167
<b>Current liabilities</b>	<b>166 037</b>	-	-	<b>166 037</b>	<b>609 868</b>	-	<b>31 247</b>	<b>807 152</b>
Current tax payable <sup>3(b)(i)</sup>	23 762	-	-	23 762	7 793	(4 357)	-	27 198
Provisions	5 299	-	-	5 299	-	-	-	5 299
Trade and other payables	296 776	-	-	296 776	129 341	-	-	426 117
Interest-bearing borrowings <sup>2(e),3(f)</sup>	129 583	-	(84 087)	45 496	125 913	-	214 087	385 496
Bank overdraft	16 664	-	-	16 664	-	-	-	16 664
<b>Liabilities held for sale<sup>3(b)(iii)</sup></b>	<b>472 084</b>	-	<b>(84 087)</b>	<b>387 997</b>	<b>263 047</b>	<b>(4 357)</b>	<b>214 087</b>	<b>860 774</b>
	-	-	-	-	64 353	(64 353)	-	-
<b>Total liabilities</b>	<b>472 084</b>	-	<b>(84 087)</b>	<b>387 997</b>	<b>327 400</b>	<b>(68 710)</b>	<b>214 087</b>	<b>860 774</b>
<b>Total liabilities</b>	<b>638 121</b>	-	<b>(84 087)</b>	<b>554 034</b>	<b>937 268</b>	<b>(68 710)</b>	<b>245 334</b>	<b>1 667 926</b>
<b>Total equity and liabilities</b>	<b>1 066 580</b>	-	<b>119 431</b>	<b>1 186 011</b>	<b>1 453 180</b>	<b>(78 615)</b>	<b>(63 480)</b>	<b>2 497 096</b>
Number of shares in issue <sup>(000)<sup>2(e),3(g)</sup></sup>	225 030	-	124 995	350 025	-	-	87 805	437 830
Net asset value per share (cents)	190.40	-	-	180.55	-	-	-	177.00
Net tangible asset value per share (cents)	147.49	-	-	152.96	-	-	-	147.81

#### Notes and assumptions:

1. The Wescoal information reflected in the "Before the BEE Transaction" column has been extracted from Wescoal's Interim Results.

#### BEE Transaction

2. The Wescoal information reflected in the "Pro forma after the BEE Transaction (before the Transaction)" column has been calculated on the basis that the BEE Transaction was implemented on 30 September 2016, based on the following assumptions:

a. Cash and cash equivalents are adjusted as follows:

(i) Cash is decreased by R35.5 million, being the subscription consideration for the Class B Preference Shares issued by the BEE SPV (these preference shares are accounted for as a long-term receivable).

(ii) Cash is increased for the difference between the proceeds of the Subscription Shares of R211.4 million and amounts adjusted to interest-bearing borrowings in order to settle short-term debt facilities totalling R84.1 million, being the actual outstanding short-term debt facilities as at 30 September 2016.

(iii) Transaction costs totalling R7.9 million (including VAT) are settled from cash and cash equivalents.

- b. As discussed in note 2(b) to the *pro forma* consolidated income statement, the Specific Issue is accounted for in terms of the guidance provided in IFRS 2: Share Based Payments resulting in the following *pro forma* adjustments to equity:
- (i) Share capital is increased by the market value of the Subscription Shares (the market price of R2.35 per Subscription Share), on the effective date of the BEE Transaction, being 19 December 2016.
  - (ii) Retained income is adjusted by R82.3 million, being the difference between the market value of the Subscription Shares described above, and the proceeds of R211.4 million.
  - (iii) Share capital is reduced by transaction costs totalling R7.9 million (including VAT).
- c. Interest-bearing borrowings are reduced by R84.1 million, based on the actual short-term debt facilities outstanding at 30 September 2016.
- d. The number of Wescoal Shares in issue are increased by the 124 995 373 Subscription Shares.

#### The Transaction.

3. The Wescoal information reflected in the "*Pro forma* after the Transaction" column has been calculated on the basis that the Transaction has been implemented (either the Scheme becomes operative and unconditional or the Standby Offer is accepted by all Keaton Energy Shareholders) on 30 September 2016, based on the following assumptions.
- a. The acquisition of Keaton Energy arising pursuant to the Transaction is accounted for in terms of IFRS 3 (revised): Business Combinations and consequently the results of Keaton Energy will be consolidated by Wescoal from the Effective Date of the Transaction.
- b. The financial information for Keaton Energy has been extracted from Keaton Energy's Interim Results and is adjusted by the following "*Keaton Energy pro forma* adjustments":
- (i) Exploration and evaluation assets have been reclassified to Property, Plant and Equipment as part of the provisional purchase price allocation and to align the accounting treatment thereof with Wescoal's accounting policies.
  - (ii) Cash has been reduced by the Management Severance Payments amounting to R15.6 million. A tax benefit on this expense has been calculated at 28%.
  - (iii) Reversal of the R63.1 million "Non-current assets held for sale" and R64.4 million "Liabilities held for sale" on the Keaton Energy statement of financial position as these discontinued operations (Leeuw Mining and Exploration Proprietary Limited and Amalale Exploration Proprietary Limited) will not form part of the Transaction.
- c. The "Consolidation adjustments" column represents the provisional purchase price allocation and consolidation adjustments as set out below:
- (i) The assumed purchase price of R574.6 million for the Transaction for accounting purposes, comprises the following elements:
    - Cash Component of Scheme Consideration amounting to R351.2 million.
    - Share Component of the Scheme Consideration amounting to R193.2 million (calculated as 87 805 389 Wescoal Shares to be issued as part of the Scheme Consideration at R2.20 per Wescoal Share, being the Wescoal Share price on the Last Practicable Date).
    - Cash of R30.2 million (in terms of the ESOP Waiver Payments) to be paid to Keaton employees who hold share incentive instruments.
  - (ii) Property, plant and equipment is increased by R111.6 million, being the assumed fair value adjustment resulting from the provisional purchase price allocation in terms of IFRS 3: Business Combinations.
  - (iii) Goodwill of R31.2 million is accounted for, being the difference between the purchase price of the Transaction (as described in 3.c.i. above) and the fair value of identifiable tangible and intangible net assets acquired.
  - (iv) Cash and cash equivalents are adjusted as follows:
    - (1) Cash is decreased by the difference between the cash paid as part of the Transaction, amounting to R381.4 million (as set out in 3.c.i. above) and the R214.1 million adjusted to interest-bearing borrowings as an assumed draw-down from short-term debt facilities.
    - (2) Transaction costs totalling R39.0 million (including VAT) are settled from cash and cash equivalents.
- d. Equity is adjusted as follows:
- (i) Share capital is increased by R193.2 million being the Share Component of the Scheme Consideration as described in 3.c.i) above.
  - (ii) Transaction costs of R39.0 million relating to the Transaction have been allocated as follows:
    - (1) R34.7 million has been expensed to Retained Income; and
    - (2) R4.3 million has been capitalised to Share Capital.
  - (iii) The Keaton Energy at acquisition share capital and reserves are reversed on consolidation.
- e. A deferred tax liability of R31.2 million is accounted for at 28% of the fair value adjustment described in 3.c.ii. above.
- f. Interest-bearing borrowings are increased by R214.1 million, being the assumed draw-down from short-term debt facilities in order to settle a portion of the Cash Component of the Scheme Consideration
- g. The number of Wescoal Shares in issue are increased by the 87 805 389 Wescoal Shares to be issued as part of the Scheme Consideration.

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## INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF WESCOAL

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**"21 April 2017**

The Board of Directors  
Wescoal Holdings Limited  
1st Floor, Building 10  
Woodmead Business Park  
142 Western Service Road  
Woodmead  
Sandton, 2191

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF WESCOAL HOLDINGS LIMITED

#### INTRODUCTION

Wescoal Holdings Limited ("Wescoal" or "the Company") is issuing a circular to its shareholders ("the Circular") regarding the offer by Wescoal to acquire the entire issued ordinary share capital of Keaton Energy Holdings Limited (Keaton Energy) ("the Transaction").

At your request and for the purposes of the Circular to be dated on or about 4 May 2017, we present our assurance report on the compilation of the *pro forma* financial information of Wescoal by the directors. The *pro forma* financial information, presented in paragraph 12 and Annexure 1 to the Circular, consists of the *pro forma* statement of financial position as at 30 September 2016, the *pro forma* statement of comprehensive income for the 6 months ended 30 September 2016 and the *pro forma* financial effects ("the *Pro Forma* Financial Information"). The *Pro Forma* Financial Information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *Pro Forma* Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Company's reported financial position as at 30 September 2016, and the Company's financial performance for the period then ended, as if the Transaction had taken place at 30 September 2016 and 1 April 2016, respectively. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's unaudited published interim financial results for the 6 months ended 30 September 2016.

#### DIRECTORS' RESPONSIBILITY

The directors of Wescoal are responsible for the compilation, contents and presentation of the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 12 and Annexure 1 to the Circular. The directors of Wescoal are also responsible for the financial information from which it has been prepared.

#### OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the Directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus.

This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

As the purpose of *Pro Forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *Pro Forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **OPINION**

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 12 and Annexure 1 of the Circular.

**PricewaterhouseCoopers Inc.**

Director: **Jean-Pierre van-Staden**

Registered Auditor

Sunninghill"



## KEATON ENERGY'S MATERIAL LOANS

Lender	Description	Origination	Loan amount outstanding at 30 September 2016	Interest	Maturity	Repayment terms	Security
Investec Bank Limited	Term facility of R320 million	January 2014 (amended February 2016)	R172.9 million	3-month JIBAR plus 4%	31 October 2018	Quarterly (commencing 31 July 2014)	Registration of general and special notarial bonds over all moveable assets  Registration of mortgage bonds over all immovable properties, to the extent legally possible  Registration of mortgage bonds over all Mining Rights and Prospecting Rights, to the extent possible  Cession of all bank accounts and investments  Cession in <i>securitatem debiti</i> of all existing and future debtors  Cession of all insurance policies and insurance proceeds  As above
Investec Bank Limited	Working capital facility of R20 million	January 2014 (amended February 2016)	R4.4 million	1-month JIBAR plus 3.75%	n/a	Renewable annually	
Vitol SA	Pre-finance loan to LME	July 2008	R64.4 million	USD LIBOR plus 3% (before commencement of coal supply) and 2% (after commencement of coal supply)	30 November 2020	Monthly instalments of USD0.1 million from 1 September 2015	Pledge of all interest (shares and claims on the loan account) held by LME in Leeuw Braakfontein Colliery ("LBC")
Gunvor SA	Pre-finance loan	2014	R60.4 million	5.31% compounded monthly in arrears	31 May 2019	Monthly instalments of AUD 0.1 million up to 31 December 2017 and AUD0.2 million from 31 January 2018	Cession of current and future right, title and interest in receivables and cash generated by sale of coal from LBC, as well as all Surface Rights relating to LBC  N/A

# WESCOAL

## Wescoal Holdings Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2005/006913/06)  
Share code: WSL ISIN: ZAE000069639

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### NOTICE OF GENERAL MEETING OF WESCOAL SHAREHOLDERS

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Notice is hereby given that the General Meeting of Wescoal Shareholders will be held at Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead at 08:00 on Friday, 2 June 2017 for the purpose of considering, and if deemed fit, passing, with or without modification, the Transaction Resolution set out below.

The record date on which members must be recorded as such in the register maintained by the transfer secretaries of the Company for the purposes of being entitled to attend and vote at the General Meeting is Friday, 26 May 2017.

Terms defined in the Circular to which this notice of General Meeting is attached shall, unless the context indicates otherwise, have the same meanings ascribed to them in this notice of General Meeting (including the resolutions set out below) as those ascribed to them in the Circular.

#### **ORDINARY RESOLUTION 1: Approval of the Transaction as a Category 1 transaction in terms of the JSE Listings Requirements**

"Resolved that, the acquisition by the Company of the Keaton Energy Shares held by the Keaton Energy Shareholders pursuant to the Transaction (whether in terms of the Scheme or the Standby Offer), against payment of the Scheme Consideration, be and is hereby approved by the Wescoal Shareholders."

*In order for Ordinary Resolution 1 to be adopted, it must be supported by more than 50% of the voting rights exercised on the resolution by Wescoal Shareholders who are present in person or represented by proxy at the General Meeting and who are entitled to exercise voting rights on the resolution*

The reason for Ordinary Resolution 1 is that paragraph 9.20(b) of the JSE Listings Requirements requires that companies may only give effect to a category 1 acquisition (as such term is understood in the JSE Listings Requirements) if such resolution is supported by more than 50% of the voting rights exercised on such resolution by the relevant shareholders of such company. The effect of Ordinary Resolution 1 is that the Transaction will be approved by the Wescoal Shareholders as a category 1 transaction in terms of the JSE Listings Requirements.

#### **STATUTORY DISCLOSURE**

##### **Voting**

On a show of hands, every Wescoal Shareholder, present in person or represented by proxy, shall have one vote only. On a poll, every Wescoal Shareholder, present in person or represented by proxy, shall have one vote for every Wescoal Share held or represented.

##### **Proxies**

In terms of section 58 of the Companies Act, a Wescoal Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy or two or more proxies to attend, participate in and vote at the General Meeting in place of the Wescoal Shareholder. The proxy need not be a shareholder of the Company.

##### **Dematerialised Shareholders**

Wescoal Shareholders who have dematerialised their Wescoal Shares through a CSDP or broker, and who have not elected "own-name" registration and wish to attend the General Meeting, should timeously inform their CSDP or broker of their intention to attend the General Meeting and request such CSDP or broker to issue them with the necessary letter of representation to attend. If they do not wish to attend the General Meeting, they may provide such CSDP or broker with their voting instructions.

If your CSDP or Broker, as the case may be, does not obtain instructions from you, it will be obliged to act in terms of your mandate furnished to it, or if the mandate is silent in this regard, complete the relevant form of proxy attached.

**Identification**

In terms of section 63(1) of the Companies Act, before any person may attend or participate in a shareholders' meeting, that person must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified.

By order of the Board

**Waheed Sulaiman**  
*Chief Executive Officer*

Johannesburg  
Thursday, 4 May 2017



# WESCOAL

## Wescoal Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/006913/06)

Share code: WSL ISIN: ZAE000069639

### FORM OF PROXY

Terms defined in the Circular to which this form of proxy is attached shall, unless the context indicates otherwise, have the same meanings ascribed to them in this form of proxy as those ascribed to them in the Circular, and the form of proxy forms part of the Circular.

For use only by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration at the General Meeting of Wescoal Shareholders, to be held at Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead at 08:00 on Friday, 2 June 2017.

I/We (name in block letters)

of (address)

Telephone number

(work)

(home)

Cellphone number

Email address

being the holder(s) of  Wescoal Shares do/does hereby appoint:

1. \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ or failing him/her

3. the chairperson of the General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the following resolution to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolution and/or abstain from voting in respect of the Wescoal Shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes on a poll (one vote per Wescoal Share)		
	In favour	Against	Abstain
<b>Ordinary Resolution 1:</b> Approval of the Transaction as a Category 1 transaction in terms of the JSE Listings Requirements			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of Wescoal Shares than you own, insert the number of Wescoal Shares held in respect of which you desire to vote.

Signed at

on

2017

Signature

Assisted by (where applicable)

Each Wescoal Shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that Wescoal Shareholder at the General Meeting. On a show of hands every Wescoal Shareholder who is present in person or represented by proxy will have one vote (irrespective of the number of shares held in the Company) and, on a poll, every Wescoal Shareholder will have one vote for every Wescoal Share held or represented.

**PLEASE READ THE NOTES ON THE REVERSE SIDE OF THIS FORM OF PROXY.**

## Notes to form of proxy

1. This form of proxy will not be effective at the General Meeting, unless received at the Company's transfer office, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, by no later than 08:00 on Wednesday, 31 May 2017.  
If a Wescoal Shareholder does not wish to deliver this form of proxy to that address, it may also be posted, at the risk of the Wescoal Shareholder, to Computershare Investor Services Proprietary Limited, PO Box 61051, Marshalltown, 2107.
2. This form of proxy is for use by registered Wescoal Shareholders who wish to appoint another person (a proxy) to represent them at the General Meeting. If duly authorised, companies and other corporate bodies who are registered Wescoal Shareholders may appoint a proxy using this form, or may appoint a representative in accordance with paragraph 10 below. Other Wescoal Shareholders should not use this form of proxy. All beneficial Wescoal Shareholders who have dematerialised their Wescoal Shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the General Meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial Wescoal Shareholder and the CSDP or broker.
3. This proxy shall apply to all Wescoal Shares registered in the name of the Wescoal Shareholder who signs this form of proxy at the record date, unless a lesser number of Wescoal Shares is inserted.
4. A Wescoal Shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. The Wescoal Shareholder may insert the name(s) of one or more proxies (none of whom need be a Wescoal Shareholder) in the space provided, with or without deleting the words "the chairperson of the General Meeting". The person whose name stands first on the form of proxy and has not been deleted and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairperson.
5. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the General Meeting, even if the meeting or part thereof is postponed or adjourned.
6. If:
  - a. a Wescoal Shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
  - b. the Wescoal Shareholder gives contradictory instructions in relation to any matter; or
  - c. any additional resolution/s are properly put before the General Meeting; or
  - d. any resolution listed in the form of proxy is modified or amended;the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If, however, the Wescoal Shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.a. to 6.d. above, the proxy shall comply with those instructions.
7. If this proxy is signed by a person (signatory) on behalf of the Wescoal Shareholder, whether in terms of a power of attorney or otherwise, this form of proxy will not be effective, unless:
  - a. it is accompanied by a certified copy of the authority given by the Wescoal Shareholder to the signatory; or
  - b. the Company has already received a certified copy of that authority.
8. The chairperson of the General Meeting may, in his/her discretion, accept or reject any form of proxy or other written appointment of a proxy which is received by the chairperson prior to the time when the General Meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairperson shall not accept any such appointment of a proxy, unless the chairperson is satisfied that it reflects the intention of the Wescoal Shareholder appointing the proxy.
9. Any alternations made in this form of proxy must be initialled by authorised signatory/ies.
10. This form of proxy is revoked if the Wescoal Shareholder who granted the proxy:
  - a. gives written notice of such revocation to the Company, so that it is received by the Company by no later than 08:00 on Thursday, 1 June 2017; or
  - b. subsequently appoints another proxy for the General Meeting; or
  - c. attends the General Meeting himself in person.
11. All notices which a Wescoal Shareholder is entitled to receive in relation to the Company shall continue to be sent to that Wescoal Shareholder and shall not be sent to the proxy.
12. If duly authorised, companies and other corporate bodies who are Wescoal Shareholders having Wescoal Shares registered in their own names may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the General Meeting by giving written notice of the appointment of that representative. That notice will not be effective at the General Meeting, unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the Company's transfer office, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, by no later than 08:00 on Thursday, 1 June 2017. If a Wescoal Shareholder does not wish to deliver the notice to that address, it may also be posted, at the risk of the Wescoal Shareholder, to Computershare Investor Services Proprietary Limited, PO Box 61051, Marshalltown, 2107.
13. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the General Meeting and speaking and voting in person to the exclusion of any proxy appointed by the Wescoal Shareholder.
14. The chairperson of the General Meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he/she shall not accept a proxy, unless he/she is satisfied as to the manner in which a Wescoal Shareholder wishes to vote.

## Summary in terms of section 58(8)(b)(i) of the Companies Act

Section 58(8)(b)(i) of the Companies Act provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008 (as amended), which summary is set out below:

- A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may not delegate the proxy's authority to act on behalf of the shareholder to another person.
- A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.