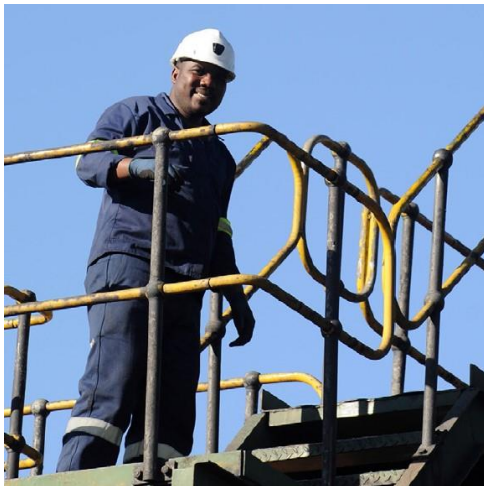


PROPOSED BEE TRANSACTION; SPECIAL DIVIDEND ANNOUNCEMENT & WITHDRAWAL OF CAUTIONARY

29 SEPTEMBER 2016



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- ❑ **Long term Coal Supply Agreement (CSA)** – SENS 17 August 2016:
 - Elandspruit Colliery and Processing Plant to supply Eskom (**5 year CSA**)
 - Undertaking to achieve a direct black ownership of at least **51% by 31 December 2016**
 - 23 August 2016 SENS Cautionary in respect of increasing its black ownership to more than 51%

- ❑ **Subscription Agreement** – Wescoal has entered into a subscription agreement with a BEE Consortium:
 - Muthanyi Robinson Ramaite (**Ramaite**)
 - Simeka Capital Holdings Proprietary Limited (**Simeka**)
 - Eric Nthutuko Mzimela (**Mzimela**)

- ❑ **The Proposed Transaction** – Consolidation of WSL shareholding (**Restructuring**):
 - The BEE Consortium restructure/consolidate the WSL shareholding into single vehicle (**BEE SPV**)
 - The **BEE SPV's sole purpose** is to **hold WSL shares**, with **at least a 5 year lock-up** period
 - Each member of the BEE Consortium to transfer all their WSL shares to BEE SPV in an exchange for new ordinary shares in the BEE SPV shares (**Share Exchange Agreement**)
 - After the Restructuring, the BEE SPV's aggregate shareholding in WSL would be **ca.37%**

- ❑ **The Proposed Transaction** – Subscription of new WSL shares (**Specific Issue of Shares for Cash**):
 - The BEE SPV to subscribe for **124 995 373 WSL shares** for an aggregate **Subscription Amount of R211 410 862** at a **Subscription Price** for new WSL shares would be **R1.69/share**
 - Subscription Price set on the basis of **10% discount** to the **30-day VWAP** as at close of trade on Wednesday, **21 September 2016**
 - After the Specific Issue, the BEE SPV's aggregate shareholding in WSL will increase from **ca.37%** to **ca.59%**

- ❑ **Funding of the Proposed Transaction** – the **IDC** funding and Wescoal funding **facilitation**:
 - The BEE Consortium, through the BEE SPV, has procured funding from the **IDC** for an aggregate amount of **R178 121 292** through subscription of pref shares in the BEE SPV (**Class A Preference Share Subscription Agreement**)
 - **Wescoal will fund** the BEE SPV for the balance of the Subscription Amount and other related capitalised BEE SPV costs for an aggregate amount of **R35 500 000** through subscription of pref shares in the BEE SPV (**Class B Preference Share Subscription Agreement**)
 - The BEE Consortium's current shareholding of **ca. 37%** and **Specific Issue shares** will be used as **funding security/guarantee** for the benefit of the IDC (**first ranking security**) and Wescoal (**second ranking security**)

- ❑ **Independent Board** of Wescoal provided **guidance and oversight** of the Proposed Transaction

- ❑ The fulfilment of **BEE requirements** under the **CSA with Eskom**, by the **31 December 2016**, is a key driver for the Proposed Transaction:
 - The Board believes the **CSA provides a solid underpin** for Wescoal's future **growth and success story**
 - The CSA would provide the Company with the **ability to raise long term debt funding** going forward

- ❑ Implementation of the Proposed Transaction will also result in the following benefits for all Shareholders:
 - Positions Wescoal as a **truly empowered publicly traded junior coal mining company**
 - Better positioned to **potentially secure more medium to long term coal supply contracts** with Eskom
 - **Sustainable BEE structure** with the necessary **lock-in provisions**, securing Wescoal **mining and prospecting rights** as required in terms of the **MPRDA and Mining Charter**
 - Provides **immediate equity funding** which Wescoal can deploy towards its **organic and inorganic growth strategy** and aims of becoming a **mid-tier, sustainable and consistent dividend payer**
 - The Proposed Transaction also shows **continued support by the BEE Consortium members** and their **positive expectations around growth prospects**

- ❑ **Key differentiating features – Low level of facilitation provided** by Wescoal relative to market precedents:
 - Wescoal’s facilitation limited to providing partial funding (**16.79%**) for the Subscription Amount
 - No other facilitation, security, guarantee or support will be required by the BEE SPV and/or the IDC
 - **IFRS 2 cost** – the **direct cost** of the Specific Issue **to Shareholders** or the **BEE discount** represents only **2.62%** of Wescoal market capitalisation as at **21 September 2016**

- ❑ **The BEE SPV shareholders have a long association history and stable shareholding** in Wescoal:
 - Their BEE credentials have **helped secure mining and/or prospecting rights** over the years
 - **Simeka** introduced through the rights offer capital raising in Q4 2015 wherein Simeka underwrote 61.54% of the targeted proceeds, which in turn was the minimum capital that was required by the Company at the time
 - Further **strengthens the relationship** between Wescoal and the BEE SPV shareholders, which actively **support the growth ambitions** of the Company for the benefit of all shareholders

- ❑ **The Proposed Transaction size has advantages:**
 - Provides buffer should Wescoal wish to use script for future funding requirements or acquisitions without the affecting minimum 51% BEE shareholding required by the CSA and IDC respectively

- ❑ The Board and management are **committed to growing the asset base and earnings**, while **driving shareholder value**
- ❑ The Proposed Transaction would see an injection of approximately **R178 121 292** of fresh equity, thereby significantly strengthening the **equity capitalisation** and **liquidity** to facilitate growth
- ❑ The proceeds will be used to fund organic (**capital expenditure projects**) and/or inorganic (**asset and business acquisitions**) growth plans of Wescoal which include:
 - The acquisition of **resources adjacent or close to existing operations**
 - The **acquisition** of business or controlling **stakes** in identified **listed mining companies**
 - The **acquisition/or investments** in businesses which have access to **key strategic logistics infrastructure** such as rail sidings
 - **Brownfield capacity expansion** plans, at Elandspruit Colliery's underground section and Khanyisa Collieries
 - **Increasing** existing coal **beneficiation capacity** at the existing Elandspruit Processing Plant
 - **Reducing short term debt** as an interim measure, on the revolving credit facility via Reichmans

☐ Ramaite:

- Ramaite is the current **non-executive chairman of Wescoal** and is the registered beneficial holder of **18.76% in Wescoal**
- Ramaite will have a **direct** beneficial interest of **50.26% in the BEE SPV**
- In addition, Ramaite, through his family trust, holds a **38%** non-controlling interest **in Simeka**
- **As a related party** to Wescoal, Ramaite has **not taken part in the considerations** by the Board

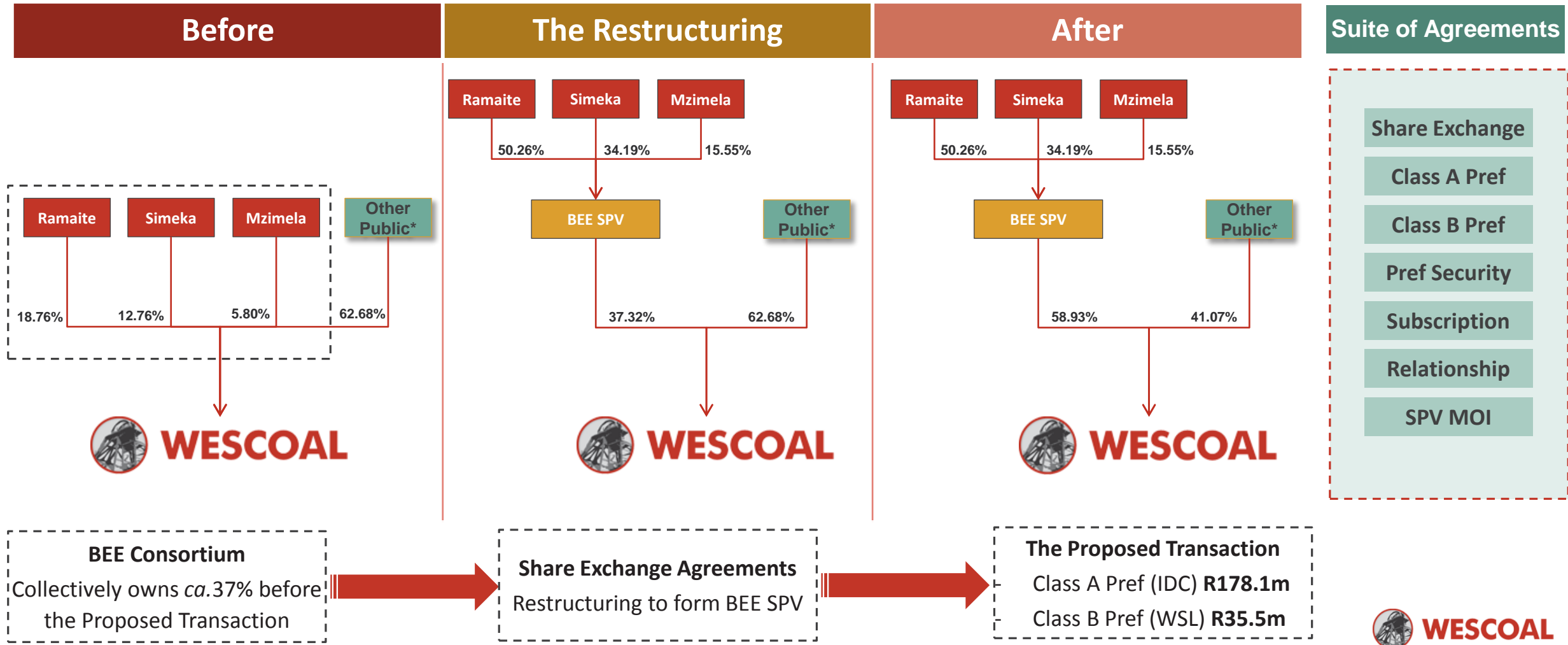
☐ Simeka:

- **Founded in 2013**, Simeka is an **investment holdings company** led by a number of investment professionals with extensive experience in various South African industries, with interests in the SA coal mining, pharmaceutical and property sectors
- Simeka is currently a registered beneficial holder of **12.76% in Wescoal**
- Simeka will hold a direct interest of **34.19% in the BEE SPV**

☐ Mzimela:

- Mzimela is currently the registered and beneficial holder of **5.80% in Wescoal**
- Mzimela will hold a direct interest of **15.55% in the BEE SPV**

THE BEE CONSORTIUM AND THE BEE SPV



- ❑ The Company, the BEE SPV and the BEE Consortium have entered into the a Relationship Agreement:
 - Regulates the relationship between the BEE SPV and the BEE Consortium, and Wescoal as direct and indirect WSL shareholders
- ❑ **Lock-in period of at least 5 years:**
 - Extension possibility dependent on CSA extension and continued BEE requirements by Wescoal
 - **Negotiations to commence on fourth anniversary** of the Proposed Transaction
 - **Longstop date for negotiations** and therefore **clean break** for the BEE SPV, **if no agreement is reached**, would be on **sixth anniversary** of the Proposed Transaction
- ❑ **During the lock-in period**, the BEE SPV and the BEE SPV Shareholders:
 - **Will not be permitted to dispose of or encumber** of any of the **Wescoal Shares** or the **BEE SPV Shares**
 - Have **undertaken to maintain** their **BEE status of at least 51%**
 - To **maintain** the **CSA requirements** imposed by Eskom in terms of black ownership
 - To **prevent** Wescoal from being in **breach of the CSA** relative to black ownership
- ❑ Agreement provides **flexibility** to vary the terms, **subject to Wescoal's consent and approval**

- ❑ **Effective date** for the implementation of the Proposed Transaction is **targeted for 31 December 2016**:
 - IDC has provided for a **Longstop Date of 31 March 2017**
- ❑ **Shareholder Approval**:
 - The Proposed Transaction **requires approval** of various resolutions by the **requisite majority of voting Shareholders**
 - Resolutions include **Mandatory Offer waiver**
 - The **BEE Consortium precluded from voting on** the resolutions relating to the **Specific Issue and Mandatory Offer**
- ❑ **Approvals from the Competition Authorities**
- ❑ **Full implementation** of the **Share Exchange Agreement, Class A Preference Share Subscription Agreement and Class B Preference Share Subscription Agreement**
- ❑ **TRP Approval**:
 - Approval for the **granting of the ruling** envisaged in the TRP guideline for the **waiver of the Mandatory Offer**
- ❑ **Circular** anticipated to be **posted to Shareholders** on or about **Monday, 17 October 2016**
- ❑ **Further SENS** announcement **on salient dates and times** to be released **in due course**

- The Board has considered the financial position, year-to-date operational performance and growth prospects of the Company
- Company to distribute **R10m special dividend before effective date** of the Proposed Transaction
- Further Special Dividend SENS announcement** to be released **in due course**

❑ CONCLUSION:

- The company believes that this transaction is good for Wescoal shareholders:
 - It allows us to meet Eskom CSA's ownership requirements
 - It introduces equity into the company which will be used to grow the business
 - The above will in turn allow us to continue enhancing value for the benefit of all shareholders

❑ A special dividend of R10 million will be paid to shareholders prior to implementation of the Proposed Transaction

❑ Going forward we will:

- Post the Proposed Transaction circular to shareholders
- Have an extra-ordinary general meeting at which shareholders will be requested to vote on the resolutions required to implement the Proposed Transaction

❑ We thank you for the continued support for your Company

❑ WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT:

- Caution is no longer required to be exercised by shareholders

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