

## **WESCOAL HOLDINGS LIMITED**

Incorporated in the Republic of South Africa

(Registration number 2005/006913/06)

Share code: WSL

ISIN: ZAE000069639

(“**Wescoal**”)

## **KEATON ENERGY HOLDINGS LIMITED**

Incorporated in the Republic of South Africa

(Registration number 2006/011090/06)

Share code: KEH

ISIN: ZAE000117420

(“**Keaton Energy**”)

- **JOINT ANNOUNCEMENT - FIRM INTENTION OFFER BY WESCOAL TO ACQUIRE ALL OF THE ISSUED ORDINARY SHARE CAPITAL OF KEATON ENERGY**
  - **RENEWAL OF KEATON ENERGY’S CAUTIONARY ANNOUNCEMENT**
    - **WESCOAL CAUTIONARY ANNOUNCEMENT**

### **1. Introduction**

The respective boards of directors of Wescoal and Keaton Energy (“**Wescoal Board**” and “**Keaton Energy Board**”, respectively) are pleased to announce that Wescoal has made an offer (“**Offer**”) to Keaton Energy to acquire 100% of the issued ordinary share capital of Keaton Energy (“**Offer Shares**”). The Offer will be implemented by way of (i) a scheme of arrangement (“**Scheme**”) in terms of section 114(1)(c) of the Companies Act 71 of 2008, as amended (“**Companies Act**”), to be proposed by the Keaton Energy Board between Keaton Energy and the holders of Keaton Energy ordinary shares (“**Keaton Energy Shareholders**”) 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**”) (collectively, the “**Proposed Transaction**”).

The Scheme will be subject to the fulfilment of the conditions set out in paragraph 7 below (“**Scheme Conditions**”) and the Standby Offer will be subject to the fulfilment of the conditions set out in paragraph 11 below.

In the event that:

- the Scheme becomes operative, the listing of all of Keaton Energy’s ordinary shares (“**Keaton Energy Shares**”) on the Main Board of the JSE Limited (“**JSE**”) will be terminated, and Keaton Energy Shareholders will be deemed to have disposed of all of the Offer Shares for the Scheme Consideration (defined in paragraph 2.1 below), thereby constituting Keaton Energy as a wholly-owned subsidiary of Wescoal; or
- the Scheme fails and the Standby Offer is made, only Keaton Energy Shareholders who accept the Standby Offer will sell their Offer Shares to Wescoal for the Offer Consideration (defined in

paragraph 2.1 below). Those Keaton Energy Shareholders who do not accept the Standby Offer will remain shareholders of Keaton Energy, which, if the delisting contemplated in paragraph 12 below is approved by Keaton Energy Shareholders, may be delisted from the JSE.

In this regard, Wescoal has submitted a firm intention offer letter to Keaton Energy dated 2 February 2017 (“**Firm Intention Offer Letter**” or “**Offer Letter**”) in relation to the Proposed Transaction, which letter was accepted and signed by Keaton Energy on 2 February 2017 (“**Signature Date**”).

The purpose of this joint firm intention announcement (“**Firm Intention Announcement**”) is to advise Keaton Energy Shareholders and Wescoal ordinary shareholders (“**Wescoal Shareholders**”) of the terms and conditions of the Proposed Transaction.

## 2. Salient terms of the Offer

### 2.1 Scheme consideration

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, representing approximately R525.59 million in total (“**Scheme Consideration**” or “**Offer Consideration**”). The Scheme Consideration will be settled partly in cash (R1.20 per Keaton Energy Share) (“**Cash Component**”), representing approximately R350.39 million and the remainder will be settled in Wescoal ordinary shares (“**Wescoal Shares**”) (“**Share Component**”). The Share Component will be settled by Wescoal in the ratio of 0.30 Wescoal Shares for every 1.00 Keaton Energy Share held (“**Switch Ratio**”), resulting in 87 598 277 new Wescoal Shares (“**Consideration Shares**”) being issued to Keaton Energy Shareholders at an issue price of R2.00 per Consideration Share.

Wescoal has sufficient authorised but unissued Wescoal Shares to settle the Share Component. On completion 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:

	<b>Before</b>	<b>Premium (Note 3)</b>
30-day VWAP (cents) (Note 1)	134.41	33.92%
Closing price (cents) (Note 2)	145.00	24.14%

#### Notes:

1. The 30-day volume weighted average price (“**VWAP**”) of a Keaton Energy Share traded on the JSE up to 1 February 2017, being the last business 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 business 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 this 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.

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 ESOPS (defined in paragraph 2.2 below) between the Signature Date and the Effective Date (defined in paragraph 7 below), or make any distributions after the date of this Firm Intention Announcement. Should Keaton Energy implement any such issue or make any distribution, the Scheme Consideration will be adjusted *pro rata* per Keaton Energy Share.

## **2.2 Comparable offer**

A comparable offer is also being made to all participants of the Keaton Energy Holdings Long-Term Performance Incentive Scheme (2007) and the Keaton Energy Holdings Limited 2013 Share Plan (“**ESOPs**”), as contemplated in Section 125(2) of the Companies Act read with Regulation 87(2) of the Companies Regulations, 2011 (“**Companies Regulations**”), subject to the successful completion of the Proposed Transaction (“**Comparable Offer**”).

## **2.3 Reciprocal break fee**

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.

## **2.4 Source of funds**

The Cash Component of the Scheme Consideration and the Comparable Offer, 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.

## **3. Nature of business**

### **3.1 Wescoal**

Wescoal, through its subsidiaries, engages in mining, processing, supplying, selling, and distributing coal and coal-related products in South Africa. The Wescoal group operates through the following subsidiaries:

3.1.1 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;
- Intibane Colliery is located approximately 14km west of Ogies in Mpumalanga. Intibane is an open cast mine;
- Khanyisa Colliery is currently non-operational as it was on care and maintenance for the majority of 2016 but it is intended to operate as both an open cast and underground mine. It is located approximately 10km west of Ogies in Mpumalanga; and
- Wescoal Processing Plant is located close to Middelburg (Mpumalanga). 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.

For further information on Wescoal's reserves and resources please refer to the most recent competent person's report on the Wescoal website (<http://www.wescoal.co.za/our-business/resources-statement.php>).

3.1.2 Wescoal Trading, which is responsible for buying, transporting and selling metallurgical coal and anthracite to various domestic customers. For this purpose, it operates depots in Gauteng, the Western Cape and KwaZulu-Natal. Some of Wescoal Mining's production is sold via Wescoal Trading to non-Eskom clients.

Wescoal also provides logistical requirements for the sourcing, distribution and delivery of coal products to the general industry. It sources and supplies coal to clients in the local industry, including the power generation, manufacturing, and petro-chemicals sectors. Wescoal also supplies some coal into the thermal coal export market.

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

## **3.2 Keaton Energy**

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.

The Keaton Energy group operates through the following subsidiaries:

### **3.2.1 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.

### 3.2.2 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.

### 3.2.3 Leeuw Mining and Exploration

Vaalkrantz Colliery, whose disposal is subject to section 11 Ministerial consent, was placed on care and maintenance on 1 May 2016. Vaalkrantz Colliery produced anthracite for domestic and international customers.

### 3.2.4 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. Leeuw Braakfontein Colliery will be unbundled from Leeuw Mining and Exploration thus becoming a direct subsidiary of Keaton Energy once the disposal is finalised.

## **4. Wescoal's rationale for the Proposed 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 Proposed Transaction. Below are some of the key benefits that the acquisition of Keaton Energy presents to Wescoal and its shareholders:

#### **4.1 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

#### **4.2 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

#### **4.3 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

#### **4.4 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 Proposed Transaction

#### **4.5 Management**

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

The Wescoal Board and management team believe that the Proposed Transaction is a significant step towards realising their vision of creating a truly South African mid-tier 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 grow the company significantly.

## **5. Keaton Energy's rationale for the Proposed Transaction**

Subject to receiving and evaluating the content of the Independent Expert's Report (defined in paragraph 6.3 below), the Keaton Energy Board's preliminary view is that the Offer represents a compelling proposition and attractive opportunity for the Keaton Energy Shareholders to realise value. Applying Wescoal's closing share price of R2.51 (as per the trading day preceding this announcement) to the Switch Ratio, combined with the R1.20 cash consideration per Keaton Energy Share, the effective consideration amounts to R1.953 per Keaton Energy Share and represents a premium of 45.30% to the 30-day VWAP of Keaton Energy Shares up to 1 February 2017.

## **6. Conditions to the posting of the circular to Keaton Energy Shareholders ("Scheme Circular")**

The posting of the Scheme Circular to Keaton Energy Shareholders 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 60<sup>th</sup> day after the Signature Date (or, to the extent applicable, such earlier date stated below):

- 6.1** by not later than 23:59 on the 30<sup>th</sup> business day after the Signature Date, the severance arrangements relating to specified Keaton Energy executives (being limited to Mandi Glad and Jacques Rossouw) have been entered into by all of the parties thereto, providing for the severance of such executives with effect from the Effective Date (defined in paragraph 7 below) and otherwise strictly in accordance with the terms of their respective current employment contracts;
- 6.2** by not later than 23:59 on the 30<sup>th</sup> business day after the Signature Date, the participants of the ESOPs have agreed in writing to waive all their rights (including such future rights as they may be granted prior to the Effective Date, defined in paragraph 7 below) (whether in the form of options, share appreciation rights, restricted shares, performance shares or bonus awards) under the ESOPs in return for a payment by Wescoal in respect of the waiver of each right, equal to the difference between the strike price of each option or other right and R1.80;
- 6.3** the Independent Expert, as defined in paragraph 13 below, has delivered a report to the Keaton Energy Independent Board ("**Independent Expert Report**");
- 6.4** the Scheme Circular has been approved by the JSE and the TRP;

- 6.5 the circular to Wescoal Shareholders (“**Wescoal Circular**”) has been approved by the JSE; and
- 6.6 any exchange control approval which might be required in relation to the Proposed Transaction, has/have been duly obtained in writing.

The conditions in paragraphs 6.1 and 6.2 have been inserted for the benefit of Wescoal, which it will be entitled to waive in whole or part. The remaining conditions in this paragraph 6 are not capable of being waived.

## 7. Scheme Conditions

In terms of the Offer Letter, the Scheme 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 date which is 180 days after the Signature Date (“**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):

- 7.1 as required in terms of the Listings Requirements of the JSE (“**JSE Listings Requirements**”), the Wescoal Shareholders have approved the Proposed Transaction;
- 7.2 the JSE has approved the listing of the Consideration Shares;
- 7.3 a special resolution (“**Scheme Special Resolution**”) has been passed at the meeting convened by Keaton Energy (“**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;
- 7.4 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 Proposed 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 Proposed 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 Proposed 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;
- 7.5 within the time period prescribed in section 164(7) of the Companies Act, Keaton Energy Shareholders have not exercised the rights afforded to shareholders in terms of section 164 of the Companies Act (“**Appraisal Rights**”) in respect of more than 10% of all the Offer Shares;
- 7.6 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;

- 7.7** if the proposed amendments to section 11 of the Minerals and Petroleum Resources Development Act 28 of 2002 (“**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;
- 7.8** the Proposed Transaction has been unconditionally approved by the relevant competition authorities, or conditionally approved on terms and conditions acceptable to the affected party; and
- 7.9** the TRP has issued a compliance certificate in respect of the Proposed Transaction.

The conditions in paragraphs 7.5 and 7.6 have been inserted for the benefit of Wescoal, which it will be entitled to waive in whole or part. The condition in paragraph 7.4 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 7 are not capable of being waived.

The effective date of the Scheme will be the 3<sup>rd</sup> business day after the last of the Scheme Conditions set out above is fulfilled or waived (“**Effective Date**”) and the Scheme will be implemented at the earliest date after the Effective Date.

## **8. Category 1 acquisition for Wescoal**

In terms of the JSE Listings Requirements, the Proposed Transaction is classified as a Category 1 transaction for Wescoal and accordingly requires Wescoal Shareholder approval. The net asset value of Keaton Energy as at 30 September 2016 was R515.9 million and the net profit after tax attributable to Keaton Energy Shareholders for the six months ended 30 September 2016 was R20.8 million.

## **9. Key shareholder support**

### **9.1 Keaton Energy irrevocable undertakings**

Wescoal does not currently hold, directly or indirectly, any beneficial interest in Keaton Energy, nor does it 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 per paragraph 11 below) (“**Keaton Energy Irrevocable Undertakings**”), which shareholders hold 77.24% of the Offer Shares:

<b>Keaton Energy Shareholder</b>	<b>Number of Offer Shares</b>	<b>Percentage of Offer</b>
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	held	Shares
Plusbay Limited	78 476 411	26.88%
Pouroulis family holding	77 113 142	26.41%
Rutendo Holdings Proprietary Limited	69 940 974	23.95%
<b>Total</b>	<b>225 530 527</b>	<b>77.24%</b>

The Keaton Energy Irrevocable Undertakings shall be binding and may not be withdrawn until the Long Stop Date, provided that such undertakings shall 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:
- 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
  - 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 Proposed Transaction, which shareholder holds 58.93% of the Wescoal Shares in issue:

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

## 10. 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.

## **11. Standby Offer**

Wescoal will (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, at any time prior to the Long Stop Date 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 7 above which, as at the date of failure of the posting of the Scheme Circular or implementation (save for the Scheme Conditions in paragraphs 7.3, 7.4 and 7.5 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.

## **12. Termination of the Keaton Energy listing**

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

## **13. Recommendations and fair and reasonable opinion**

Keaton Energy has convened its independent board, comprised of Messrs LX Mtumtum, OP Sadler and D Salter (“**Keaton Energy Independent Board**”), to consider the terms and conditions of the Proposed Transaction and the Comparable Offer. The Keaton Energy Independent Board will appoint an independent expert (“**Independent Expert**”), as required in terms of section 114(2) of the Companies Act and as contemplated in regulations 87(5) and 110 of the Companies Regulations, to provide it with external advice in relation to the Proposed Transaction and the Comparable Offer, respectively, and to make appropriate recommendations to the Keaton Energy Independent Board in the form of a fair and reasonable opinion.

The Wescoal Board intends, based on the information currently available to it, to make a recommendation to Wescoal Shareholders to vote in favour of the resolutions to be proposed at the Wescoal general meeting (“**Wescoal General Meeting**”) to give effect to the Proposed Transaction.

## **14. Documentation**

Details of the Proposed Transaction will be included in the Wescoal Circular, which will contain, *inter*

*alia*, a notice of the Wescoal General Meeting and a form of proxy. The Wescoal Circular is expected to be posted to Wescoal Shareholders in due course.

Details of the Scheme and the Standby Offer will be included in the Scheme Circular, which will contain, *inter alia*, details of the Proposed Transaction, a notice of the Scheme Meeting, a form of proxy, a form of surrender and transfer and Standby Offer form. The Scheme Circular is expected to be posted to Keaton Energy Shareholders in due course.

The salient dates and times pertaining to the Proposed Transaction will be released on SENS and published in the press at the time of posting of the abovementioned circulars.

## **15. Cautionary announcements**

As the *pro forma* financial effects of (i) the Proposed Transaction on Wescoal, and (ii) the Scheme on Keaton Energy Shareholders, have not yet been published:

- 15.1** Wescoal Shareholders are advised to exercise caution when dealing in their shares; and
- 15.2** Keaton Energy Shareholders are advised to continue to exercise caution when dealing in their shares,

until such time as the aforementioned *pro forma* financial effects are published.

## **16. Keaton Energy responsibility statement**

The Keaton Energy Independent Board accepts responsibility for the information contained in this Firm Intention Announcement to the extent that it relates to Keaton Energy. To the best of their knowledge and belief, the information contained in this Firm Intention Announcement is true and nothing has been omitted which is likely to affect the importance of the information.

## **17. Wescoal responsibility statement**

The Wescoal Board accepts responsibility for the information contained in this Firm Intention Announcement to the extent that it relates to Wescoal. To the best of their knowledge and belief, the information contained in this Firm Intention Announcement is true and nothing has been omitted which is likely to affect the importance of the information.

Johannesburg  
2 February 2017

**Investment Bank, Corporate Advisor and Sponsor to Wescoal**  
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

**Legal Advisor to Wescoal**

Edward Nathan Sonnenbergs Inc.

**Corporate Advisor to Keaton Energy**

Taurum Proprietary Limited

**Legal Advisor to Keaton Energy**

Werksmans Inc.

**Sponsor to Keaton Energy**

Investec Bank Limited

*There will be a Wescoal Shareholders' conference call on Friday, 3 February at 12:00*

*For further information please call Jacques de Bie, Singular Systems IR on 082 691 5384*