THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 14 of this Circular apply throughout this Circular, including these cover pages (unless the context indicates otherwise).

Action required

This entire Circular is important and should be read with particular attention to the sections entitled “Action required by Shareholders in relation to the Scheme and the General Meeting” (which commences on page 6) and “Action required by Shareholders in relation to the Standby Offer” (which commences on page 10).

If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all or some of your Shares, please forward this Circular to the purchaser of such Shares or to the Broker, CSDP, banker or other agent through whom the disposal was effected.

Keaton Energy and Wescoal do not accept responsibility and will not be held liable for any failure on the part of the CSDP or Broker of any Dematerialised Shareholders to notify such Dematerialised Shareholders of the Scheme and the Standby Offer set out in this Circular.

KEATON ENERGY HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/011090/06)
Share code: KEH
ISIN: ZAE000117420
(“Keaton Energy” or the “Company”)

WESCOAL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2005/006913/06)
Share code: WSL
ISIN: ZAE000069639
(“Wescoal”)

COMBINED CIRCULAR TO SHAREHOLDERS

Regarding:

• a scheme of arrangement in terms of section 114(1) of the Companies Act, as read together with section 115 of the Companies Act, proposed by the Keaton Energy Board between Keaton Energy and its Shareholders, in terms of which, if implemented, Wescoal will acquire all of the Shares from the Scheme Participants, for the Offer Consideration per Share;

• if the Scheme fails (as provided in this Circular), and Wescoal so elects, a Standby Offer to the Shareholders of Keaton Energy in terms of section 117(1)(c)(v) of the Companies Act to acquire all of the Shares in Keaton Energy for the Offer Consideration per Share; and

• the termination of the listing of all of the Shares from the Main Board of the JSE subject to the implementation of the Scheme or, if the Scheme fails (as provided in this Circular), the Standby Offer (if made) and the approval of the Delisting Resolution in terms of sections 1.13 to 1.15 of the Listings Requirements;

and incorporating:

• a report prepared by the Independent Expert in terms of sections 114(2) and 114(3) of the Companies Act, Regulation 90 of the Takeover Regulations and section 1.14(d) and schedule 5 of the Listings Requirements;

• extracts of historical financial information in respect of Keaton Energy and Wescoal;

• a notice convening the General Meeting;

• a Form of Proxy (green) in respect of the General Meeting (for use by Certificated Shareholders and Dematerialised Shareholders with “own-name” registration only);

• a Form of Surrender (pink) (for use by Certificated Shareholders only) in respect of the Scheme;

• a Standby Offer Form (blue) (for use by Certificated Shareholders only) in connection with the Standby Offer;

• extracts of section 115 of the Companies Act dealing with the approval requirements for fundamental transactions and section 164 of the Companies Act dealing with Dissenting Shareholders’ Appraisal Rights; and

• a statement of Dissenting Shareholders’ Appraisal Rights in terms of section 164(2) of the Companies Act.
This Circular is available in English only. Copies of this Circular may be obtained during normal business hours from the registered office of Keaton Energy at its address set out in the “Corporate Information and Advisors” section of this Circular, from the date of issue hereof until the date of the General Meeting in the event of the Scheme being approved by the Shareholders, or in the event that the Standby Offer is implemented, the Standby Offer Closing Date.

This Circular is also available on Keaton Energy's website (http://www.keatonenergy.co.za/) and on Wescoal's website (www.wescoal.co.za/).

Date of issue: Thursday, 4 May 2017
KEATON ENERGY CORPORATE INFORMATION AND ADVISORS

Company Secretary
Anelia Schutte-Bouwer

Registered office
Ground Floor, Block H
The Braes, 3 Eaton Road
Bryanston, 2191
(Postnet Suite 464, Private Bag X51, Bryanston 2021)

Date of incorporation: 10 April 2006
Place of incorporation: Republic of South Africa

Legal Advisor to Keaton Energy
Werksmans Incorporated
(Registration number 1990/007215/21)
155 5th Street, Sandton
Sandton, 2196
(Private Bag 10015, Sandton, 2146)

Corporate Advisor to Keaton Energy
Taurum Proprietary Limited
(Registration number 2015/391751/07)
First Floor, One on Jameson
1 Jameson Avenue (Corner Glenhove and Jameson Avenue)
Melrose Estate
Johannesburg, 2196
(PO Box 691, Melrose Arch, 2076)

Sponsor to Keaton Energy
Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive
Sandton, 2196
(PO Box 785700, Sandton, 2146)

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

Independent Expert
BDO Corporate Finance Proprietary Limited
(Registration number 1983/002903/07)
22 Wellington Road
Parktown, 2193
(Private Bag X60500, Houghton, 2041)

Independent Reporting Accountant to Keaton Energy
KPMG Incorporated
(Registration number 1999/021543/21)
Hillside, Corner of Hillside Street and Klarinet Street
Lynwood, 0081
(PO Box 11265, Hatfield, 0028)

Competent Person in respect of Keaton Energy
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)
WESCOAL CORPORATE INFORMATION AND ADVISORS

Company Secretary
Vikesh Dhanooklal

Registered office
First Floor, Building 10
Woodmead Business Park
142 Western Service Road
Woodmead
Sandton, 2191
(PO Box 1962, Edenvale, 1610)

Date of incorporation: 3 March 2005
Place of incorporation: Republic of South Africa

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

Legal Advisor to Wescoal
Edward Nathan Sonnenbergs Incorporated
(Registration number 2006/018200/21)
150 West Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)

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

Independent Reporting Accountant to Wescoal
PricewaterhouseCoopers Incorporated
(Registration number 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)
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**Notice of General Meeting**

Form of proxy for the general meeting (green) – for Certificated Shareholders and Dematerialised Shareholders with "own-name" registration only  
Form of surrender (pink) – for Certificated Shareholders only  
Standby offer form (blue) – for Certificated Shareholders only  

Attached
IMPORTANT LEGAL NOTICE

The definitions and interpretations commencing on page 14 of this Circular apply, mutatis mutandis, to this section.

APPLICABLE LAWS

The release, publication or distribution of this Circular in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Circular is released, published or distributed should inform themselves about and observe such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. This Circular does not constitute the solicitation of an offer to purchase shares or a solicitation of any vote or approval in any jurisdiction in which such solicitation would be unlawful.

The Proposed Transaction may be affected by the laws of the relevant jurisdictions of Foreign Shareholders. Such Foreign Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any Foreign Shareholder to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Proposed Transaction, which is the subject of this Circular; including the obtaining of any governmental, exchange control or other consents or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any issue, transfer or other taxes or other requisite payments due to such jurisdiction.

The Proposed Transaction is governed by the laws of South Africa and is subject to any applicable laws and regulations, including the Companies Act.

Any Shareholder who is in doubt as to their position, including, without limitation, their tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

FORWARD-LOOKING STATEMENTS

This Circular contains statements about Keaton Energy and 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 “will” “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 as they relate to events and depend on circumstances that may or may not occur in the future. Keaton Energy and Wescoal caution that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which Keaton Energy and Wescoal operate may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All of the forward-looking statements in relation to Keaton Energy and Wescoal are based on estimates and assumptions made by them, respectively, as communicated in publicly available documents published by them, all of which estimates and assumptions are inherently uncertain, although each of Keaton Energy and Wescoal believes the relevant statements pertaining to it to be reasonable. 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 Keaton Energy or Wescoal or not currently considered material by Keaton Energy or 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 Keaton Energy or 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 are not known. Neither Keaton Energy nor Wescoal has a duty to, and neither Party intends 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.
ACTION REQUIRED BY SHAREHOLDERS IN RELATION TO THE SCHEME AND THE GENERAL MEETING

The definitions and interpretations commencing on page 14 of this Circular apply, mutatis mutandis, to this section.

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the actions required by Shareholders in relation to the Scheme and the General Meeting.

If you are in any doubt as to the action you should take, please consult your CSDP, Broker, attorney, banker or other professional advisor immediately. If you have disposed of all or some of your Shares, this Circular should be forwarded to the purchaser of such Shares or the CSDP, Broker or other agent through whom the disposal was effected.

The General Meeting will be held at 10:00 on Friday, 2 June 2017 at Aquamarine, Ground Floor, The Forum, Wanderers Building, The Campus (Dimension Data), 57 Sloane Street (corner of Main Street), Bryanston, Sandton, to consider the resolutions set out in the attached Notice, with or without modification.

Shareholders should take note that the Independent Board and the Keaton Energy Board recommend that Shareholders vote in favour of the Scheme Resolution.

1. VOTING AND ATTENDANCE AT THE GENERAL MEETING

1.1 If you have Dematerialised your Shares and do not have “own-name” registration

1.1.1 Voting at the General Meeting

Your CSDP or Broker should contact you to ascertain how you wish to cast your vote at the General Meeting and thereafter will cast your vote in accordance with your instructions.

If you have not been contacted, it would be advisable for you to contact your CSDP or Broker and furnish them with your voting instructions.

If your CSDP or Broker does not obtain voting instructions from you, it will be obliged to vote or to abstain from voting in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or Broker.

You must not complete the attached Form of Proxy for the General Meeting (green).

1.1.2 Attendance and representation at the General Meeting

In accordance with the mandate between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:

1.1.2.1 attend, speak or vote at the General Meeting in person (or participate electronically as contemplated in the Notice); or

1.1.2.2 appoint a proxy (including the chairperson of the General Meeting) to represent you at the General Meeting (or any adjournment or postponement thereof).

Your CSDP or Broker will then issue the necessary letter of representation to you to attend the General Meeting. You will not be permitted to attend, speak or vote at the General Meeting, nor send a proxy to represent you at the General Meeting, without the necessary letter of representation being issued to you, and your CSDP or Broker may then vote on your behalf or abstain from voting at the General Meeting in accordance with the mandate between you and your CSDP or Broker.

1.2 If you are a Certificated Shareholder or if you are a Dematerialised Shareholder with “own-name” registration

You may attend, speak and vote at the General Meeting in person (or participate electronically as contemplated in the Notice).

Alternatively, if you are unable to attend the General Meeting, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (green) in accordance with the instructions therein and returning it to the Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received on or before 10:00 on Wednesday, 31 May 2017, being at least 48 hours before the commencement of the
2. SURRENDER OF DOCUMENTS OF TITLE

2.1 Dematerialised Shareholders

You do not have to surrender any Documents of Title. The transfer of your Shares will be handled by your CSDP or Broker.

2.2 Certificated Shareholders

2.2.1 You are required to surrender your Documents of Title in respect of all your Shares in order to claim the Offer Consideration should the Scheme become operative, by completing the attached Form of Surrender (pink) in accordance with its instructions, and returning it, together with the relevant Share certificates or Documents of Title, to the Transfer Secretaries, as below, to be received by no later than 12:00 on the Scheme Consideration Record Date.

<table>
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<th>If delivered by hand</th>
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<tbody>
<tr>
<td>Computershare Investor Services Proprietary Limited</td>
<td>Computershare Investor Services Proprietary Limited</td>
</tr>
<tr>
<td>Rosebank Towers</td>
<td>PO Box 61763</td>
</tr>
<tr>
<td>15 Biermann Avenue</td>
<td>Marshalltown</td>
</tr>
<tr>
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<td>2107</td>
</tr>
</tbody>
</table>

2.2.2 Wescoal reserves the right, in its sole and absolute discretion, to:

2.2.2.1 treat as invalid a Form of Surrender (pink) not accompanied by valid Documents of Title;

2.2.2.2 treat as invalid a Form of Surrender (pink) which has not been fully completed or which has been incorrectly completed; and/or

2.2.2.3 require proof of the authority of the person signing the Form of Surrender (pink) where such proof has not yet been lodged with, or recorded by, the Transfer Secretaries.

2.2.3 Where physical Documents of Title have been surrendered, no receipts will be issued to Certificated Shareholders for the Form of Surrender (pink) and the Documents of Title delivered to the Transfer Secretaries, unless specifically requested by such Certificated Shareholders in writing. Persons who require special transaction receipts are requested to prepare such receipts and submit them for stamping together with the Documents of Title delivered.

2.2.4 If Documents of Title have been lost or destroyed, Certificated Shareholders should nevertheless return the Form of Surrender (pink) duly signed and completed. The Transfer Secretaries shall issue a suitable indemnity form to such Certificated Shareholder, such indemnity form to be in a form and substance acceptable to Keaton Energy and Wescoal (in their sole and absolute discretion) and Keaton Energy, Wescoal and the Transfer Secretaries must be satisfied that the Documents of Title have been lost or destroyed.

2.2.5 Only upon receipt of such indemnity form duly completed and signed by such Certificated Shareholder to be received by 12:00 on the Scheme Consideration Record Date, will Keaton Energy and Wescoal consider the action taken by such Certificated Shareholder in terms of the Scheme.

3. SETTLEMENT OF THE OFFER CONSIDERATION

3.1 Dematerialised Shareholders

3.1.1 Should the Scheme become unconditional and operative, Scheme Participants holding Dematerialised Shares, irrespective of whether they voted in favour of the Scheme Resolution, will have their accounts at their CSDP or Broker debited with their Shares and credited with the Offer Consideration due to them.

3.1.2 Scheme Participants holding Dematerialised Shares must not complete the attached Form of Surrender (pink).
3.2 Certificated Shareholders

If the Scheme becomes unconditional and you surrender your Documents of Title to the Transfer Secretaries on or before 12:00 on the Scheme Consideration Record Date you will, subject to the Exchange Control Regulations (details of which are set out in Annexure 7 to this Circular), be entitled to receive the Offer Consideration, in respect of the Shares held by you, on the Scheme Implementation Date.

If you surrender your Documents of Title after 12:00 on the Scheme Consideration Record Date, the Offer Consideration due to you will, subject to the Exchange Control Regulations (details of which are set out in Annexure 7 to this Circular), be settled within five Business Days of receipt by the Transfer Secretaries of your Documents of Title.

The following provisions relate to the settlement of the Offer Consideration:

3.2.1 the Cash Consideration in respect thereof will be paid into your bank account by way of EFT if you provided your bank account details for this purpose in the Form of Surrender (pink) or if your bank account details are on the Register, failing which it will be posted to you at your own risk by ordinary post on or about the Scheme Implementation Date; and

3.2.2 regarding the Share Consideration:

3.2.2.1 you are requested to provide details of your CSDP or Broker account in the appropriate box in the Form of Surrender (pink) for purposes of crediting your Broker or CSDP account with the Share Consideration; and

3.2.2.2 if you wish to receive the Share Consideration in Dematerialised form, but you do not have an account with a Broker or CSDP or if you failed to provide the details of your CSDP or Broker account in the appropriate box in the Form of Surrender (pink), you will be issued with statements of allocation and will be required to appoint a Broker or CSDP so that the Share Consideration can be made available to you in Dematerialised form following implementation of the Scheme.

Should the Scheme not become operative, the Transfer Secretaries shall, within five Business Days of either the date upon which it becomes known that the Scheme will not become operative or on receipt by the Transfer Secretaries of the required Documents of Title, whichever is the later, return the Documents of Title to you, by registered post, at your risk.

Should the Scheme not become unconditional and:

3.2.3 you have not accepted the Standby Offer in respect of all of your Shares, the Transfer Secretaries shall, within five Business Days of either the Standby Offer Closing Date or on receipt by the Transfer Secretaries of the required Documents of Title, whichever is the later; return the Documents of Title to you, by registered post, at your own risk; or

3.2.4 you have accepted the Standby Offer in respect of all of your Shares but the Standby Offer does not become unconditional in all respects, or Wescoal does not elect to make the Standby Offer, the Transfer Secretaries shall, within five Business Days of either the date upon which it becomes known that the Standby Offer will not be implemented or on receipt by the Transfer Secretaries of the required Documents of Title, whichever is the later, return the Documents of Title to you, by registered post, at your own risk.

3.3 General

3.3.1 If you wish to have your Shares Dematerialised, please contact a CSDP or Broker. No Dematerialisation or rematerialisation of Shares may take place from the Business Day following the Scheme LDT. You do not need to have your Shares Dematerialised in order to receive the Offer Consideration in respect thereof.

3.3.2 Shareholders are advised to consult their professional advisors about their personal tax positions regarding receipt of the Offer Consideration.

3.3.3 Neither Keaton Energy nor Wescoal accepts responsibility and will not be held liable for any failure on the part of the CSDP or Broker of a Dematerialised Shareholder to notify such Dematerialised Shareholder of the General Meeting or any business to be conducted thereat.
4. DISSENTING SHAREHOLDERS' APPRAISAL RIGHTS

4.1 At any time before the Scheme Resolution is to be voted on at the General Meeting, a Shareholder may give Keaton Energy written notice in terms of section 164 of the Companies Act objecting to the Scheme Resolution.

4.1.1 Within 10 Business Days after Keaton Energy has adopted the Scheme Resolution, Keaton Energy must send a notice to each Shareholder who gave Keaton Energy written notice of objection and has neither withdrawn that notice nor voted in favour of the Scheme Resolution informing them that the Scheme Resolution has been adopted.

4.1.2 A Shareholder who has given Keaton Energy written notice in terms of section 164 of the Companies Act objecting to the Scheme Resolution and has complied with all of the procedural steps set out in section 164 of the Companies Act may, if the Scheme Resolution has been adopted, then demand in writing within:

4.1.2.1 20 (twenty) Business Days after receipt of the notice from Keaton Energy referred to above; or

4.1.2.2 if the Shareholder does not receive the notice from Keaton Energy referred to above, 20 (twenty) Business Days after learning that the Scheme Resolution has been adopted, that Keaton Energy pay that Shareholder the fair value (in terms of and subject to the requirements set out in section 164 of the Companies Act) for all the Shares held by that Shareholder. A more detailed explanation of the Dissenting Shareholders' Appraisal Rights is contained in paragraph 6.7 of the Circular.
ACTION REQUIRED BY SHAREHOLDERS IN RELATION TO THE STANDBY OFFER

The definitions and interpretations commencing on page 14 of this Circular apply, mutatis mutandis, to this section.

Please take careful note of the following provisions regarding the actions required. If you are in any doubt as to the action you should take, please consult your CSDP, Broker, banker, legal advisor, accountant or other professional advisor immediately.

If the Scheme fails (as provided in this Circular), Wescoal is entitled to elect to make the Standby Offer to the Shareholders by announcing its election on SENS within 10 Business Days after the day on which the Scheme so failed, on the terms and conditions set out herein.

The options available to you in the event that the Standby Offer is made to the Shareholders are to:

• accept the Standby Offer in respect of all of your Shares; or
• reject the Standby Offer.

If you wish to reject the Standby Offer, you do not need to take any further action once the Standby Offer has been made.

If you wish to accept the Standby Offer, you must do so in the manner described below, depending on whether you are a Certificated Shareholder or a Dematerialised Shareholder.

In the event that the Standby Offer is made, you will only be able to accept the Standby Offer in respect of all of your Shares.

1. DEMATERIALISED SHAREHOLDERS

1.1 If you are a Dematerialised Shareholder, you may be contacted by your duly appointed CSDP or Broker in the manner stipulated in the custody agreement governing your relationship with your CSDP or Broker and subject to the cut-off time in order to ascertain whether or not you wish to accept the Standby Offer. If you wish to accept the Standby Offer, you must notify your CSDP or Broker of your acceptance of the Standby Offer in the time and manner stipulated in the custody agreement entered into between you and your CSDP or Broker.

1.2 If you are a Dematerialised Shareholder and wish to accept the Standby Offer, but have not been contacted by your CSDP or Broker, it would be advisable for you to contact and furnish your CSDP or Broker with instructions in regard to the acceptance of the Standby Offer. These instructions must be provided in the manner and by the cut-off date and time stipulated in your custody agreement, and must be communicated by your CSDP or Broker to the Transfer Secretaries by no later than 12:00 on the Standby Offer Closing Date.

1.3 You must NOT complete the attached Standby Offer Form (blue).

1.4 If you notify your CSDP or Broker of your desire to accept the Standby Offer, you will NOT be able to rematerialise and/or trade your Shares from the date on which you notify your CSDP or Broker of your acceptance of the Standby Offer until the date upon which the Standby Offer lapses or is terminated.

2. CERTIFICATED SHAREHOLDERS

2.1 If you are a Certificated Shareholder and wish to accept the Standby Offer, you must complete the Standby Offer Form (blue) attached to this Circular in accordance with its instructions and forward it, together with your Documents of Title to the Transfer Secretaries. The Standby Offer Form (blue) and Documents of Title must be received by no later than 12:00 on the Standby Offer Closing Date. The Standby Offer Form (blue) may be delivered by hand or sent by registered mail to the following addresses:

**If delivered by hand**
Computershare Investor Services Proprietary Limited Rosebank Towers 15 Biermann Avenue Rosebank, 2196

**If sent by mail**
Computershare Investor Services Proprietary Limited PO Box 61763 Marshalltown 2107
2.2 If you accept the Standby Offer and surrender your Documents of Title, you will **NOT** be able to dematerialise and/or trade your Shares from the date that you surrender your Documents of Title in respect of those Shares.

2.3 If you accept the Standby Offer in respect of all of your Shares but the Standby Offer does not become unconditional in all respects, the Transfer Secretaries shall, within five Business Days of either the date upon which it becomes known that the Standby Offer will not be implemented or on receipt by the Transfer Secretaries of the required Documents of Title, whichever is the later, return the Documents of Title to you, by registered post, at your own risk.

3. **SETTLEMENT OF OFFER CONSIDERATION**

Details regarding the settlement of the Offer Consideration are contained in paragraph 7 of *Annexure II* to this Circular.
## IMPORTANT DATES AND TIMES RELATING TO THE SCHEME AND THE STANDBY OFFER

The definition and the standby offer and interpretations commencing on page 14 of this Circular shall apply to this “Important dates and times relating to the Scheme” section.

The dates and times in the tables below are based on the assumption that there are no Dissenting Shareholders.

### 2017

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record date to determine which Shareholders are entitled to receive the Circular</td>
<td>Friday, 28 April</td>
</tr>
<tr>
<td>Posting of the Circular to Shareholders and notice convening General Meeting released on SENS</td>
<td>Thursday, 4 May</td>
</tr>
<tr>
<td>Notice convening the General Meeting published in the South African press</td>
<td>Friday, 5 May</td>
</tr>
<tr>
<td>Last day to trade in Shares in order to be recorded in the Register on the Voting Record Date (&quot;Voting LDT&quot;)</td>
<td>Tuesday, 23 May</td>
</tr>
<tr>
<td>Voting Record Date in respect of being eligible to vote at the General Meeting</td>
<td>Friday, 26 May</td>
</tr>
<tr>
<td>Forms of Proxy to be received by the Transfer Secretaries by 10:00</td>
<td>Wednesday, 31 May</td>
</tr>
<tr>
<td>Last date for Shareholders to give notice in terms of section 164 of the Companies Act objecting to the Scheme Resolution before 10:00</td>
<td>Friday, 2 June</td>
</tr>
<tr>
<td><strong>General Meeting at 10:00</strong></td>
<td></td>
</tr>
<tr>
<td>Results of the General Meeting released on SENS</td>
<td>Friday, 2 June</td>
</tr>
<tr>
<td>Results of the General Meeting published in the South African press</td>
<td>Monday, 5 June</td>
</tr>
</tbody>
</table>

### If the Scheme IS APPROVED by Shareholders at the General Meeting

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last date on which Shareholders can require Keaton Energy to seek Court approval in terms of section 115(3)(a) of the Companies Act, if at least 15% of the total votes of Shareholders at the General Meeting were exercised against the Scheme</td>
<td>Friday, 9 June</td>
</tr>
<tr>
<td>Last date on which Shareholders can make application to the Court in terms of section 115(3)(b) of the Companies Act</td>
<td>Monday, 19 June</td>
</tr>
<tr>
<td>Last day for Keaton Energy to send notice of adoption of Scheme Resolution to Dissenting Shareholders, in accordance with section 164 of the Companies Act</td>
<td>Monday, 19 June</td>
</tr>
<tr>
<td><strong>Scheme finalisation announcement expected to be released on SENS</strong></td>
<td></td>
</tr>
<tr>
<td>Scheme finalisation announcement expected to be published in the South African press</td>
<td>Wednesday, 20 June</td>
</tr>
<tr>
<td>Expected last day to trade in Shares in order to be recorded in the Register on the Scheme Consideration Record Date (&quot;Scheme LDT&quot;)</td>
<td>Tuesday, 27 June</td>
</tr>
<tr>
<td>Expected date for suspension of listing of Shares from the Exchange expected to be at the commencement of trading</td>
<td>Wednesday, 28 June</td>
</tr>
<tr>
<td>Announcement released on SENS in respect of the cash payment applicable to fractional entitlements</td>
<td>Thursday, 29 June</td>
</tr>
<tr>
<td>Expected Scheme Consideration Record Date on which Shareholders must be recorded in the Register to receive the Offer Consideration due to them</td>
<td>Friday, 30 June</td>
</tr>
<tr>
<td>Expected Scheme Implementation Date – date of payment of the Offer Consideration due to Scheme Participants, to be paid electronically or posted to Certificated Shareholders (if the Form of Surrender (pink) and Documents of Title are received by the Transfer Secretaries on or before 12:00 on the Scheme Consideration Record Date)</td>
<td>Monday, 3 July</td>
</tr>
<tr>
<td>Dematerialised Shareholders expected to have their accounts held at their CSDP or Broker debited with the Shares and credited with the Offer Consideration due to them</td>
<td>Monday, 3 July</td>
</tr>
<tr>
<td>Expected termination of listing of the Shares from the Exchange at the commencement of trading at 09:00</td>
<td>Tuesday, 4 July</td>
</tr>
</tbody>
</table>
Timetable if Scheme FAILS:

If the Scheme fails, Wescoal will be entitled to elect to make the Standby Offer to the Shareholders within 10 Business Days after the Scheme has failed, by announcing its election on SENS. The relevant dates in respect of the Standby Offer will be confirmed in an announcement post failure of the Scheme. The proposed indicative dates are set out below:

<table>
<thead>
<tr>
<th>Event / Date Description</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results of General Meeting released on SENS</td>
<td>Friday, 2 June</td>
</tr>
<tr>
<td>Expected date of opening of the Standby Offer (Standby Offer Opening Date)</td>
<td>Friday, 2 June</td>
</tr>
<tr>
<td>Expected finalisation announcement published on SENS</td>
<td>Tuesday, 4 July</td>
</tr>
<tr>
<td>Expected last day to trade to take up the Standby Offer</td>
<td>Tuesday, 18 July</td>
</tr>
<tr>
<td>Expected date of the suspension of the listing of Shares on the Exchange</td>
<td>Wednesday, 19 July</td>
</tr>
<tr>
<td>Expected Standby Offer Record Date</td>
<td>Friday, 21 July</td>
</tr>
<tr>
<td>Expected Standby Offer Closing Date at 12:00</td>
<td>Friday, 21 July</td>
</tr>
<tr>
<td>Expected Standby Offer Payment Date</td>
<td>Monday, 24 July</td>
</tr>
<tr>
<td>Expected termination of the listing of the Shares at commencement of trade on the Exchange</td>
<td>Tuesday, 25 July</td>
</tr>
</tbody>
</table>

Notes:

1. All dates and times in respect of the Scheme are subject to change by mutual agreement between Keaton Energy and Wescoal and with the approval of the JSE and/or Takeover Panel. The dates have been determined based on certain assumptions regarding the dates by which certain regulatory approvals including, but not limited to, that of the JSE and Takeover Panel, will be obtained and that no Court approval or review of the Scheme will be required. Any change will be released on SENS and published in the South African press.

2. Shareholders should note that, as trades in Shares on the Exchange are settled through Strate, settlement of trades takes place three Business Days after the date of such trades. Therefore, Shareholders who acquire Shares on the Exchange after the Voting LD T will not be entitled to vote at the General Meeting, but will, provided the Scheme is approved and that they acquire the Shares on or prior to the Scheme LD T (expected to be Tuesday, 27 June 2017), participate in the Scheme (i.e. dispose of their Shares to Wescoal in accordance with the terms of the Scheme for the Offer Consideration).

3. Dematerialised Shareholders, other than those with “own-name” registration, must provide their CSDP or Broker with their instructions for voting at the General Meeting by the cut-off time and date stipulated by their CSDP or Broker in terms of their respective custody agreements.

4. No Dematerialisation or rematerialisation of Shares may take place from the Business Day following the Scheme LD T.

5. A Shareholder who does not deliver a Form of Proxy to the Transfer Secretaries at least 48 hours before the commencement of the General Meeting may submit the Form of Proxy to the chairperson of the General Meeting before the appointed proxy exercises any of the relevant Shareholders’ rights at the General Meeting (or any adjournment or postponement of the General Meeting).

6. If the General Meeting is adjourned or postponed, Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.

7. Shareholders are referred to paragraph 6.7 of the Circular (which contains a summary of Dissenting Shareholders’ Appraisal Rights in respect of the Scheme) regarding rights afforded to the Shareholders, the exercise of which may affect the fulfilment of the Scheme Conditions Precedent and/or the dates referred to above, and accordingly, the Scheme Implementation Date. Should there be any amendments to the dates referred to above as a consequence of Dissenting Shareholders exercising their Appraisal Rights, a revised timetable will be published on SENS.

8. All times referred to in this Circular are references to South African standard time.
DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates a contrary intention, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and vice versa, the singular includes the plural and vice versa and the following words and expressions bear the meanings assigned to them below:

“Alternative Proposal” any bona fide 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 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:

• acquire or agree to acquire all or a greater part of the assets, business or undertaking of the Group; or

• acquire or agree to acquire the “prescribed percentage” or more of the shares in Keaton Energy as contemplated in section 123(1) of the Companies Act;

“Appraisal Rights” the rights afforded to Shareholders in terms of section 164 of the Companies Act, an extract of which is set out in Annexure 8 to this Circular;

“Authorised Dealer” an authorised dealer of the SARB, designated as such in the Exchange Control Regulations;

“BEE SPV (Wescoal)” K2016316243 Proprietary Limited (Registration number 2016/316243/07), a private Company duly incorporated and registered in accordance with the laws of South Africa;

“BEE Transaction (Wescoal)” the transaction implemented by Wescoal in December 2016, which saw the injection of approximately R178 000 000 in fresh equity by the BEE SPV (Wescoal), resulting in the BEE SPV (Wescoal) holding a 58.93% interest in Wescoal;

“Broker” a “stockbroker” as defined in the Financial Markets Act;

“Business Day” any day other than a Saturday, Sunday or an official public holiday in South Africa;

“Cash Consideration” the cash consideration of R1.20 per Share, which forms part of the Offer Consideration;

“Certificated Shares” Shares that have not been Dematerialised and are represented by share certificates or other physical Documents of Title;

“Certificated Shareholder” Shareholders who hold Certificated Shares;

“Circular” this bound document, dated Thursday, 4 May 2017, addressed to Shareholders and which includes all annexures, the Notice, the Form of Proxy (green), the Form of Surrender (pink) and the Standby Offer Form (blue);

“Common Monetary Area” South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;

“Companies Act” the Companies Act, No. 71 of 2008, as amended from time to time;

“Competition Authorities” the South African competition authorities established in terms of the Competition Act No. 89 of 1998, and any other competition authority whose approval may be required for the implementation of the Proposed Transaction;

“Consolidated Group” shall have the meaning ascribed to such term in paragraph 10.2.5;

“Court” any South African court with competent jurisdiction;

“CPR” The independent Competent Persons Report compiled in respect of Keaton Energy by Venmyn Deloitte, in accordance with the Listings Requirements;
“CSDP” a participant, as defined in section 1 of the Financial Markets Act, authorised by a licensed central securities depositary as a participant in that central securities depositary in terms of the depository rules, as contemplated in section 31 of the Financial Markets Act;

“Delisting” the termination of the listing of all the Shares from the Main Board of the JSE (i) pursuant to the Scheme becoming operative; or (ii) if the Scheme fails, the Standby Offer (if made) and the approval by Shareholders of the Delisting Resolution;

“Delisting Resolution” the ordinary resolution to be proposed at the General Meeting for Shareholders to approve the delisting of the Shares from the Main Board of the JSE in terms of section 1.14(a) of the Listings Requirements, if the Scheme fails and the Standby Offer is made;

“Dematerialised” or “Dematerialisation” the process by which Certificated Shares are deposited with a CSDP and the physical Documents of Title evidencing such Certificated Shares are replaced by an electronic record of such Shares in a sub-register of Shareholders maintained by such CSDP;

“Dematerialised Share” a Share that has been Dematerialised or has been issued in Dematerialised form, and recorded in the Uncertificated Securities Register;

“Dematerialised Shareholder” a Shareholder who holds Dematerialised Shares;

“Dissenting Shareholders” Shareholders who validly exercise Appraisal Rights in terms of section 164 of the Companies Act and in respect of whom none of the events set out in section 164(9) of the Companies Act has occurred;

“Documents of Title” a share certificate, certified transfer deed, balance receipt or any other document of title to Shares acceptable to Keaton Energy and Wescoal;

“EFT” electronic funds transfer;

“ENS” Edward Nathan Sonnenbergs Inc, registration number 2006/018200/21, a Company duly incorporated in accordance with the laws of South Africa;

“ESOPs” the Keaton Energy Holdings Long-Term Performance Incentive Scheme (2007) and the Keaton Energy Holdings Limited 2013 Share Plan;

“ESOP Waiver Agreements” the waiver agreements concluded between Keaton Energy, Wescoal and each of the participants in the ESOPs on or about Friday, 17 March 2017 in terms of which, inter alia, such participants agreed to waive all of their rights under the ESOPs in return for a payment in respect of the waiver of each right, equal to the difference between the strike price of each of their rights and R1.80, the terms of which are set out in more detail in paragraph 22.3 of this Circular;

“ESOP Waiver Payments” the payments to be made by Wescoal to participants in the ESOPs in terms of the ESOP Waiver Agreements;

“Exchange” the securities exchange operated by the JSE;

“Exchange Control Regulations” the Exchange Control Regulations 1961, as amended from time to time, issued in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended from time to time;

“Financial Markets Act” Financial Markets Act, No. 19 of 2012, as amended from time to time;

“Firm Intention Announcement” the joint announcement by Keaton Energy and Wescoal setting out the terms of a firm intention by Wescoal to make an offer to acquire the entire issued ordinary share capital of Keaton Energy (i) by way of the Scheme in accordance with the requirements of section 114(1) of the Companies Act, or (ii) if the Scheme fails, and Wescoal elects to make the Standby Offer, by way of the Standby Offer, as released on SENS on Thursday, 2 February 2017 and published in the South African press on Friday, 3 February 2017;
the offer letter, dated Thursday, 2 February 2017, submitted to Keaton Energy by Wescoal pursuant to which Wescoal indicated its firm intention to acquire the Shares, and as amended by addenda thereto concluded on 2 March 2017 and 31 March 2017;

"Foreign Shareholder" a Shareholder who is a non-resident of South Africa, as contemplated in the Exchange Control Regulations;

"Form of Proxy" the form of proxy (green) attached to and forming part of this Circular in respect of the General Meeting, for use by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration only;

"Form of Surrender" the form of surrender and transfer of Documents of Title (pink) attached to and forming part of this Circular, for use by Certificated Shareholders only;

"General Meeting" the general meeting of Shareholders to be held at 10:00 on Friday, 2 June 2017 at Aquamarine, Ground Floor, The Forum, Wanderers Building, The Campus (Dimension Data), 57 Sloane Street (corner of Main Street), Bryanston, Sandton, to consider and, if deemed fit, to pass, with or without modification, the Transaction Resolutions;

"Governmental Body" any country, any national body, any state, province, municipality, or subdivision of any of the foregoing, any Governmental department, or any agency, court, entity, commission, board, ministry, bureau, locality or authority of any of the foregoing, or any quasi-Governmental or private body exercising any regulatory, taxing, importing, exporting, or other Governmental or quasi-Governmental function;

"Group" Keaton Energy and any Company, body corporate or other undertaking which is a subsidiary of Keaton Energy or is deemed to be a subsidiary of Keaton Energy in terms of the Listings Requirements;

"Group Disposals" the disposal by Keaton Energy or the relevant member of the Group (as the case may be) of the entire issued share capital of the following companies:

- 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 such disposal; and

- Amalahle Exploration Proprietary Limited;

"IFRS" International Financial Reporting Standards as issued by the International Accounting Standards Board from time to time;

"Income Tax Act" the Income Tax Act, No. 58 of 1962, as amended from time to time;

"Independent Board" collectively or individually, as the context may require, each of Lizwi Mtumtum, David Salter and Paul Sadler, being members of the Keaton Energy Board whom Keaton Energy has determined are independent directors in accordance with Regulation 108(8) of the Takeover Regulations;

"Independent Expert" or "BDO" BDO Corporate Finance Proprietary Limited, registration number 1983/002903/07, a private Company duly incorporated in accordance with the laws of South Africa and appointed to provide external advice to the Independent Board in relation to the Scheme in accordance with the requirements of section 114(1) of the Companies Act and regulation 110(1) of the Takeover Regulations, and on the Standby Offer in accordance with paragraph 1.14(d) of the Listings Requirements;

"Independent Expert Report" the report prepared by the Independent Expert in relation to the Proposed Transaction in accordance with sections 114(2) and 114(3) of the Companies Act, Regulation 90 of the Takeover Regulations and section 1.14(d) and schedule 5 of the Listings Requirements, which report is attached as Annexure 1 to this Circular;
KPMG Incorporated, registration number 1999/021543/21, a Company duly incorporated and registered in accordance with the laws of South Africa and the independent reporting accountant to Keaton Energy;

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;

Investec Bank Limited, registration number 1969/004763/06, a public Company duly incorporated in accordance with the laws of South Africa;

JSE Limited, registration number 2005/022939/06, a public Company duly incorporated in accordance with the laws of South Africa and licensed to operate an exchange, in terms of the Financial Markets Act;

Keaton Energy Holdings Limited, registration number 2006/011090/06, a public Company duly incorporated in accordance with the laws of South Africa;

the board of directors of Keaton Energy, as at the Last Practicable Date;

in relation to each Company, body corporate or other undertaking which forms part of the Group, its directors, officers, employees, advisors, agents or representatives;

the interim results of Keaton Energy for the period ended 30 September 2016, released on SENS on Monday, 28 November 2016;

shall have the meaning ascribed to such term in paragraph 23.1 of this Circular;

Tuesday, 18 April 2017, being the last practicable date prior to the finalisation of this Circular;

the Listings Requirements issued by the JSE, as amended from time to time;

Wednesday, 2 August 2017;

Mandi Glad and Jacques Rossouw;

the severance arrangements in terms of agreements entered into on or about 3 March 2017 between Keaton Energy and the Management Employees relating to the termination of employment of the Management Employees with effect from the Scheme Implementation Date, and the payment by Keaton Energy of the amounts due, owing and payable to such Management Employees strictly in accordance with the terms of their respective employment agreements as at Monday, 12 December 2016;

the amounts payable by Keaton Energy to the Management Employees in terms of the Management Severance Arrangements;

the memorandum of incorporation of Keaton Energy;

the Mineral and Petroleum Resources Development Act 28 of 2002;

Nedbank Corporate and Investment Banking, a division of Nedbank Limited, registration number 1951/000009/06, a public Company duly incorporated in accordance with the laws of South Africa;

the notice of the General Meeting forming part of this Circular;

new Wescoal Shares to be issued in the Switch Ratio as part of the Share Consideration, at a price of R2.00 per share;
"Offer Consideration" the consideration payable (as the case may be) to each:

(i) Scheme Participant in consideration for each Share held on the Scheme Consideration Record Date by such Scheme Participant; or
(ii) Shareholder who validly accepts the Standby Offer (if made by Wescoal) in consideration for each Share held by such Shareholder;

being R1.80 per Share, which shall be discharged:

• partly in cash, in the form of the Cash Consideration; and
• partly in New Wescoal Shares, in the form of the Share Consideration;

subject to such adjustments as may be made in terms of paragraph 5.2 of this Circular;

"Offer Period" shall bear the meaning ascribed to such term in section 117(1)(g) of the Companies Act, being the period which commenced upon the release on SENS of the Firm Intention Announcement;

"Parties" collectively, Wescoal and Keaton Energy or either of them as the context may require;

"Proposed Transaction" the proposed acquisition of the Shares by Wescoal from the Shareholders (i) by way of the Scheme or (ii) if the Scheme fails and Wescoal so elects, by way of the Standby Offer, and the consequent delisting of Keaton Energy from the Exchange;

"Rand" or "R" South African Rand, the official currency of South Africa;

"Register" Keaton Energy’s securities register, including its Uncertificated Securities Register;

"SARB" the South African Reserve Bank;

"Scheme" the scheme of arrangement in terms of section 114(1) read with section 115 of the Companies Act, proposed by the Keaton Energy Board between Keaton Energy and the Shareholders, pursuant to which Wescoal will acquire the Shares for the Offer Consideration;

"Scheme Conditions Precedent" the conditions to which the Scheme is subject, as set out in paragraph 6.3 of this Circular;

"Scheme Consideration Record Date" the date on, and time at which, a Shareholder must be recorded in the Register in order to receive the Offer Consideration due to it, being the close of business on the third Business Day following the Scheme LDT, or such other date as the JSE may direct, which date is expected to be Friday, 30 June 2017;

"Scheme Implementation Date" the date on which the Scheme is implemented and on which the Scheme Participants will receive the Offer Consideration due to them, being the first Business Day immediately following the Scheme Consideration Record Date or such other date as the JSE may direct, which date is expected to be Monday, 3 July 2017;

"Scheme LDT" the last day to trade Shares in order to be recorded in the Register on the Scheme Consideration Record Date, which date is expected to be Tuesday, 27 June 2017;

"Scheme Participants" refers to the Shareholders registered as such on the Scheme Consideration Record Date, other than Dissenting Shareholders;

"Scheme Resolution" the special resolution to be proposed at the General Meeting in respect of the approval of the Scheme, the full terms of which are set out in Special Resolution Number 1 in the Notice;

"SENS" Stock Exchange News Service of the JSE;
"Share Consideration" 0.30 New Wescoal Shares for each one Share disposed of, which forms part of the Offer Consideration, on the basis that any resultant fractions will be rounded down to the nearest whole number and the New Wescoal Shares left over will be aggregated and sold, with the proceeds being paid to the relevant Shareholders, in cash, on the same basis as the Cash Consideration;

"Shares" ordinary shares with no par value in the issued ordinary share capital of Keaton Energy;

"Shareholders" registered holders of Shares;

"South Africa" the Republic of South Africa;

"Standby Offer" the general offer to the Shareholders, made by Wescoal (if so elected by Wescoal), if the Scheme fails and as contemplated by section 117(1)(c)(v) of the Companies Act, to acquire all of the Shares for the Offer Consideration, subject to the Standby Offer Conditions (subject to any modification or amendment made thereto to which Wescoal may agree in writing (and which the TRP approves, to the extent that the TRP’s approval is required)), the full terms and conditions of which are set out in Annexure 11 to this Circular;

"Standby Offer Conditions" the suspensive conditions to the implementation of the Standby Offer set out in paragraph 4.3 of Annexure 11 to this Circular;

"Standby Offer Form" the form of acceptance, surrender and transfer of Shares (blue) for use by Certificated Shareholders (only) in respect of the Standby Offer which may be made by Wescoal, if it so elects, to the Shareholders under the terms in this Circular;

"Standby Offer Opening Date" the opening date of the Standby Offer as announced by Wescoal on SENS;

"Standby Offer Payment Date" in relation to a Shareholder, as contemplated by Regulation 102(12)(a) of the Takeover Regulations, the date which is six Business Days after the later of:

• the Standby Offer being declared unconditional in all respects; and

• acceptance of the Standby Offer by such Shareholder;

"Strate" Strate Proprietary Limited, registration number 1998/022242/07, a private Company duly incorporated in accordance with the laws of South Africa, and which is licensed to operate a central securities depository, in terms of the Financial Markets Act;
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:

- is reasonably capable of being valued and implemented, taking into account all aspects of the Alternative Proposal, including its conditions precedent; and
- would, if completed substantially in accordance with its terms, be more favourable to Shareholders than the Proposed Transaction, taking into account all the terms and conditions of the Alternative Proposal;

the ratio of 0.30 of a Wescoal Share for every one Share, according to which the Share Consideration will be calculated;

the Takeover Regulation Panel established in terms of section 196 of the Companies Act;

the Takeover Regulations issued in terms of section 120 of the Companies Act, as amended from time to time;

Taurum Proprietary Limited, registration number 2015/391751/07, a private Company duly incorporated in accordance with the laws of South Africa;

the Scheme Resolution and the Delisting Resolution;

Computershare Investor Services Proprietary Limited, registration number 2004/003647/07, a private Company duly incorporated in accordance with the laws of South Africa;

the record of Dematerialised Shares administered and maintained by a CSDP and which forms part of the Register;

value-added tax levied in terms of the South African Value-Added Tax Act, No. 89 of 1991, as amended from time to time;

the last day to trade on the JSE to be eligible to vote at the General Meeting;

the date on, and time which, a Shareholder must be recorded in the Register in order to be eligible to vote at the General Meeting, being Friday, 26 May 2017;

the volume weighted average price of a Share on the Exchange;

Werksmans Incorporated, registration number 1990/007215/21, a Company duly incorporated in accordance with the laws of South Africa;

Wescoal Holdings Limited, registration number 2005/006913/06, a Company duly incorporated in accordance with the laws of South Africa;

the board of directors of Wescoal, as at the Last Practicable Date;

ordinary shares of no par value in the share capital of Wescoal; and

the interim results of Wescoal for the period ended 30 September 2016, released on SENS on Tuesday, 1 November 2016.
INTRODUCTION AND RATIONALE

I. INTRODUCTION

I.1 In the Firm Intention Announcement released on SENS on Thursday, 2 February 2017 and published in the South African press on Friday, 3 February 2017, Shareholders were informed that Wescoal had made an offer to acquire all the Shares in Keaton Energy from the Shareholders:

I.1.1 by way of the Scheme; or
I.1.2 if the Scheme fails and Wescoal so elects within 10 Business Days after the day on which the Scheme so failed, by way of the Standby Offer.

I.2 The implementation of the Scheme is subject to the fulfilment or waiver (as the case may be) of the Scheme Conditions Precedent including, inter alia, the approval of the Scheme by the Shareholders in terms of sections 114 and 115 of the Companies Act.

I.3 If the Scheme becomes unconditional, the Offer Consideration payable by Wescoal to Scheme Participants in terms of the Scheme will be R1.80 per Share, representing an aggregate Offer Consideration of R526 832 334, on the basis that there will be 292 684 630 Shares in issue, which Offer Consideration will be settled to each Scheme Participant as follows:

I.3.1 partly in cash by way of a Cash Consideration of R1.20 per Share, representing an aggregate amount of R351 221 556; and
I.3.2 partly in Wescoal Shares by way of a Share Consideration of 0.30 of a Wescoal Share for every one Share, resulting in a total of 87 805 389 New Wescoal Shares being issued to Scheme Participants at an issue price of R2.00 per New Wescoal Share, on the basis that any resultant fractions will be rounded down to the nearest whole number and the New Wescoal Shares left over will be aggregated and sold, with the proceeds being paid to the relevant Scheme Participants, in cash.
1.4 If the Scheme is implemented, Keaton Energy will become a wholly-owned subsidiary of Wescoal and will be delisted from the Exchange. It being recorded that, subject to the Scheme becoming operative, the JSE has approved the suspension of the listing of the Shares on the Exchange with effect from the commencement of trading on the Exchange on the Business Day following the Scheme LDT and the termination of the listing of the Shares from the Exchange (in accordance with 1.16(b) of the Listings Requirements) from the commencement of trading on the Business Day following the Scheme Implementation Date.

1.5 In the event that the Scheme fails, Wescoal may elect within 10 Business Days after the day on which the Scheme so failed, to make the Standby Offer to the Shareholders, which Standby Offer will be subject to the Standby Offer Conditions, the full details of which are set out in Annexure II to this Circular. To the extent that the Standby Offer becomes unconditional and is implemented, only Shareholders who have accepted the Standby Offer will sell their Shares to Wescoal for the Offer Consideration. Those Shareholders who do not accept the Standby Offer will remain Shareholders in Keaton Energy, which will become an unlisted subsidiary of Wescoal if the Delisting Resolution is passed.

1.6 Following Wescoal’s submission of an application to the Takeover Panel in relation thereto, on 23 March 2017, and on the basis of the ESOP Waiver Agreements concluded with all the participants of the ESOPs, Wescoal received a ruling from the Takeover Panel exempting Wescoal in terms of section 119(6) of the Companies Act from the requirement to (i) make a comparable/equitable offer in terms of section 125(2) of the Companies to the participants in the ESOPs and (ii) to comply with the provisions of Part B and C of Chapter 5 of the Companies Act and the Takeover Regulations in this regard. Such ruling is available for inspection in terms of paragraph 32 below.

2. PURPOSE OF THIS CIRCULAR

2.1 The purpose of this Circular is to:

2.1.1 provide Shareholders with information regarding the Scheme, the Standby Offer and the Delisting;

2.1.2 provide Shareholders with the Independent Expert Report in respect of the Scheme and the Standby Offer prepared in terms of sections 114(2) and 114(3) of the Companies Act, Regulation 90 of the Takeover Regulations and section 1.14(d) and schedule 5 of the Listings Requirements;

2.1.3 advise Shareholders of the views and recommendation of the Independent Board in respect of the Scheme and the Standby Offer;

2.1.4 convene the General Meeting to consider the Transaction Resolutions set out in the Notice, with or without modification; and

2.1.5 inform the Shareholders of their Appraisal Rights and the manner in which such rights may be exercised,

in accordance with the Companies Act, the Takeover Regulations and the Listings Requirements.

2.2 This Circular is published by, and is, in terms of the Takeover Regulations, the joint responsibility of Wescoal and the Independent Board in accordance with their respective responsibility statements in paragraphs 27 and 28 of this Circular; and constitutes a combined offer circular as contemplated in Regulation 106(3)(a), read with Regulation 106(9), of the Takeover Regulations. Accordingly, the Independent Board will not be issuing a separate response circular.

3. BACKGROUND INFORMATION ON WESCOAL

3.1 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:

3.1.1.1 Elandspruit Colliery is Wescoal’s flagship mine located on the old Witbank Road in Emalahleni, Mpumalanga;

3.1.1.2 Intibane Colliery is located approximately 14km west of Ogies in Mpumalanga. Intibane is an open cast mine;
3.1.3 Khanyisa Colliery is an open cast and underground mine. It is located approximately 10km west of Ogies in Mpumalanga; and

3.1.4 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.

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

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

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

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

4. WESCOAL RATIONALE FOR THE PROPOSED TRANSACTION

The Wescoal Directors and management are committed to growing the asset base and earnings of Wescoal, whilst driving shareholder value. The implementation of a BEE Transaction (Wescoal) 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 such BEE Transaction (Wescoal) 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 the Wescoal shareholders:

4.1 Diverse asset and shareholder base

4.1.1 Access to a business with long-life core assets (some already producing) with a large resource base and infrastructure.

4.1.2 Access to a business with a strong pipeline of projects offering further greenfield upside and potential exposure to export markets.

4.1.3 Post-acquisition of Keaton Energy, Wescoal will have a diverse asset base which spans operating, development, exploration and trading mining activities.

4.1.4 Wescoal will be diversified in terms of product offering and geographical footprint with an attractive growth profile.

4.1.5 Wescoal will have a significantly increased shareholder base and market capitalisation with improved price and liquidity.

4.2 Economies of scale

4.2.1 Opportunity to leverage overheads and lower fixed unit costs across businesses.

4.2.2 Cost savings will be achieved from the potential rationalisation of Keaton Energy and Wescoal head offices.

4.2.3 Financial and operating efficiencies are expected as a result of having one listed entity.

4.2.4 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**

4.3.1 Ownership of low-cost, long-life core assets with a large resource base and significant infrastructure.

4.3.2 Increased resource base for Eskom supply and potentially for export market.

4.3.3 Further greenfield upside offering inherent in the Keaton Energy pipeline.

4.4 **Balance sheet and free cash-generation**

4.4.1 Opportunity to restructure and consolidate debt funding with potential savings realised.

4.4.2 Wescoal will benefit from a higher degree of coal price leverage with respect to large customers.

4.4.3 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**

4.5.1 Keaton Energy’s operations will continue to be run by skilled operational management.

4.5.2 The Proposed Transaction will bolster Wescoal management’s track record of structuring and securing value-accruing acquisitions.

The Wescoal Directors and management team believe that the Proposed 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 Wescoal.

5. **KEY BENEFIT OF THE SCHEME AND THE STANDBY OFFER TO SHAREHOLDERS**

5.1 The Offer Consideration is priced at a premium compared to the Share price as follows:

<table>
<thead>
<tr>
<th>Premium</th>
<th>Before</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-day VWAP (cents) (Note 1)</td>
<td>134.41 cents</td>
</tr>
<tr>
<td>Closing price (cents) (Note 2)</td>
<td>145 cents</td>
</tr>
</tbody>
</table>

**Notes:**

1. The 30-day VWAP of a Share traded on the JSE up to 1 February 2017, being the last Business Day immediately prior to the date of the Firm Intention Offer.

2. The closing price of a Share traded on the JSE as at 1 February 2017, being the last Business Day immediately prior to the date of the Firm Intention Offer.

3. Using Wescoal’s closing share price of R2.51 as at the trading day preceding the Firm Intention Announcement and applying the Switch Ratio, the effective consideration per Share is R1.953, a premium of 45.30% to the 30-day VWAP of a Share up to 1 February 2017.

4. Using Wescoal’s closing share price of R2.20 as at the Last Practicable Date and applying the Switch Ratio, the effective consideration per Keaton Energy Share is R1.86, a premium of 20.11% to the 30-day VWAP of a Keaton Energy Share up to the Last Practicable Date.

5.2 The Offer Consideration payable to all Scheme Participants in consideration for all of the Shares on the Scheme Consideration Record Date will be R1.80 per Share, representing an aggregate Offer Consideration of R526 832 334 (on the basis that there will be 292 684 630 Shares in issue as at that date). To the extent that:

5.2.1 any Shares are issued or options granted by Keaton Energy, other than rights granted under the ESOPs between the signature date of the Firm Intention Offer and the Scheme Implementation Date on a basis which is consistent with past practice, then the aggregate Offer Consideration shall not be adjusted upwards or downwards, but the individual Offer Consideration shall be pro rata adjusted downwards to take into account the additional Shares issued or options granted;

5.2.2 any distributions are made by Keaton Energy, then the aggregate Offer Consideration shall be adjusted downwards by an amount equal to the amount of the distributions so made; and

5.2.3 any Shareholders are not Scheme Participants by virtue of being Dissenting Shareholders, then the aggregate Offer Consideration shall be adjusted downwards by an amount corresponding to the Offer Consideration attributable to their Shares.
6. TERMS AND CONDITIONS OF THE SCHEME

6.1 The Scheme

6.1.1 The Scheme is proposed by the Keaton Energy Board between Keaton Energy and the Shareholders pursuant to which, if it becomes unconditional, Wescoal will acquire all of the Shares.

6.1.2 The Scheme is subject to the fulfilment or waiver (where appropriate) of the Scheme Conditions Precedent detailed in paragraph 6.3 below.

6.1.3 If the Scheme is approved, Wescoal will acquire the Shares with effect from the Scheme Implementation Date, resulting in Wescoal owning the entire issued share capital of Keaton Energy.

6.1.4 As a consequence of the implementation of the Scheme, all Shares will be delisted from the Exchange in terms of section 1.16(b) of the Listings Requirements.

6.1.5 Wescoal and the Independent Board undertake that, upon the Scheme becoming operative, they will give effect to the terms and conditions of the Scheme and will take all actions and sign all documents necessary to give effect to the Scheme.

6.2 If the Scheme becomes operative

6.2.1 Subject to the Scheme becoming unconditional, the Scheme shall become binding on Keaton Energy and all the Scheme Participants (irrespective of whether a Scheme Participant voted in favour of the Scheme or not) and the Scheme Participants shall be regarded as having, in law, with effect from the Scheme Implementation Date:

6.2.1.1 disposed of their Shares to Wescoal who will have acquired ownership of such Shares, in exchange for the Offer Consideration, which Offer Consideration is to be settled in terms of paragraph 6.6, and Scheme Participants shall no longer be Shareholders;

6.2.1.2 authorised Keaton Energy and/or the Transfer Secretaries on their behalf to transfer the Shares to Wescoal; and

6.2.1.3 instructed Keaton Energy as principal, but with the power to appoint agents, to procure that the Offer Consideration due is paid to each Scheme Participant entitled thereto, in accordance with the Scheme.

6.2.2 Should the Scheme become unconditional and be implemented, Scheme Participants shall:

6.2.2.1 if they are Certificated Shareholders, have their Shares transferred to Wescoal and against the surrender by them of the Documents of Title in respect of their Shares, receive the Offer Consideration due to them; and

6.2.2.2 if they are Dematerialised Shareholders, have their Shares transferred to Wescoal and the Offer Consideration due to them transferred to their CSDP or Broker who should credit them with the relevant Offer Consideration, in terms of the custody agreement entered into between such Scheme Participants and their CSDP or Broker.

6.2.3 The effect of the Scheme will be that, with effect from the Scheme Implementation Date, the Shares of the Scheme Participants will be acquired by Wescoal, resulting in Wescoal owning the entire issued ordinary share capital of Keaton Energy. Furthermore, following the implementation of the Scheme, the Shares will be delisted from the JSE in terms of section 1.16(b) of the Listings Requirements.

6.2.4 With effect from the Scheme Implementation Date, each and every officer/director of the Transfer Secretaries and/or Keaton Energy or any other person nominated by Keaton Energy will irrevocably be deemed to be the attorney and agent in rem suam of the Scheme Participants to implement the transfer of their Shares in terms of paragraph 6.2.2 and to sign any instrument of transfer in respect thereof or any other documents and to do any other acts required or desirable to implement the Scheme and the Delisting and to take all steps necessary to procure electronic delivery of Shares which have been Dematerialised.
6.2.5 Wescoal confirms that it has sufficient authorised but unissued share capital to issue the Share Consideration to all Scheme Participants.

6.3 **Scheme Conditions Precedent**

6.3.1 The Scheme is subject to the fulfilment or waiver (as the case may be) of the following conditions precedent by no 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 Shareholders and Wescoal shareholders):

6.3.1.1 as required in terms of the Listings Requirements, the Wescoal shareholders have approved the Proposed Transaction;

6.3.1.2 the JSE has approved the listing of the New Wescoal Shares;

6.3.1.3 the Scheme Resolution has been passed at the General Meeting by the requisite majority of Shareholders entitled to vote on the Scheme Resolution, and (i) to the extent required in terms of section 115(3) of the Companies Act, the implementation of the Scheme Resolution is approved by the Court, and (ii) if applicable, Keaton Energy has not elected to treat the Scheme Resolution as a nullity in terms of section 115(5) of the Companies Act;

6.3.1.4 if the Scheme Resolution has been passed at the General Meeting by the requisite majority of Shareholders entitled to vote on the Scheme Resolution, and any person who voted against the Scheme 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 Resolution in terms of section 115(7) of the Companies Act;

6.3.1.5 within the time period prescribed in section 164(7) of the Companies Act, Shareholders have not exercised their Appraisal Rights, by giving valid demands in accordance with the requirements of sections 164(5) to 164(8) of the Companies Act, in respect of more than 10% of all the Shares;

6.3.1.6 the Group Disposals have been implemented in accordance with their terms;

6.3.1.7 if the proposed amendments to the MPRDA, as set out in section 8 of the Mineral and Petroleum Resources Development Amended Bill which will amend section 11 of the MPRDA, come into force and effect prior to the date on which all of the Scheme Conditions Precedent contained in this paragraph 6.3.1 (other than the Scheme Condition Precedent contained in this paragraph 6.3.1.7) are fulfilled or waived (as applicable) and to the extent necessary, any confirmation or approval in writing which might be required in terms of the MPRDA from the Minister has been obtained in accordance with the requirements of such statute, or conditionally confirmed or approved on terms and conditions which the Party which is or Parties which are affected by such conditions or terms confirms in writing (within five Business Days of receipt of such conditional approval but in any event by no later than 23:59 on the Long Stop Date) to be acceptable to it/them, acting reasonably;

6.3.1.8 the Proposed Transaction has been unconditionally approved by the Competition Authorities, or conditionally approved on terms and conditions which the Party which is or Parties which are affected by such conditions or terms confirms in writing (within five Business Days of receipt of such conditional approval but in any event by no later than 23:59 on the Long Stop Date) to be acceptable to it/them, acting reasonably, provided that the relevant Party/ies may not withhold or delay such confirmation unreasonably; and

6.3.1.9 the Takeover Panel has issued a compliance certificate in respect of the Proposed Transaction in terms of section 119(4)(b) of the Companies Act, provided that if such compliance certificate is issued conditionally or on terms, this Scheme Condition Precedent shall not be regarded as having been fulfilled unless the Party which is or Parties which are affected by such conditions or terms confirms in writing (by no later than the said date and time) that such conditions and terms are acceptable to it/them, acting reasonably, provided that the relevant Party/ies may not withhold or delay such confirmation unreasonably.
6.3.2 The Scheme Condition(s) Precedent:

6.3.2.1 in paragraph 6.3.1.4 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, in writing prior to 23:59 on the Long Stop Date, if the Court approves the Scheme Resolution in terms of section 115(3) of the Companies Act;

6.3.2.2 in paragraphs 6.3.1.5 and 6.3.1.6 above are stipulated for the benefit of Wescoal, which will be entitled to waive fulfilment of either or both of such Scheme Conditions Precedent, in whole or in part, upon written notice to Keaton Energy by no later than 23:59 on the Long Stop Date; and

6.3.2.3 other than those referred to in paragraphs 6.3.2.1 and 6.3.2.2, above are not capable of being waived.

6.3.3 Should any of the Scheme Conditions Precedent not be fulfilled or waived (as the case may be) by no later than the relevant date for fulfilment thereof, or by such later date as may be agreed to between the Parties in writing with the approval of the Takeover Panel, the Scheme will not be implemented and the Scheme will be of no force or effect.

6.4 Offer Consideration

6.4.1 The Offer Consideration payable by Wescoal to the Scheme Participants comprises R1.80 per Share, which shall be discharged to each Scheme Participant:

6.4.1.1 partly in cash, in the form of the Cash Consideration; and

6.4.1.2 partly in Wescoal Shares, in the form of the Share Consideration,

subject to paragraph 6.4.2.

6.4.2 The calculation of the Offer Consideration is based on and subject to the assumptions and qualifications set out in paragraph 5.2.

6.5 Surrender of Documents of Title

6.5.1 Certificated Shareholders

6.5.1.1 Certificated Shareholders who become Scheme Participants shall only be entitled to receive the Offer Consideration in respect of their Shares once they have surrendered their Documents of Title.

6.5.1.2 Certificated Shareholders who wish to surrender their Documents of Title in anticipation of the Scheme being implemented may complete the Form of Surrender (pink) and return it, together with the Documents of Title relating to all their Shares, to the Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61763, Marshalltown, 2107), prior to 12:00 on the Scheme Consideration Record Date.

6.5.1.3 Alternatively, Certificated Shareholders who become Scheme Participants can submit their Documents of Title after 12:00 on the Scheme Consideration Record Date, and surrender their Documents of Title representing all of their Certificated Shares under cover of a completed Form of Surrender (pink) at that time. In this regard, if requested by any of those Shareholders, a further Form of Surrender will be sent to Certificated Shareholders for use by those Certificated Shareholders who may not yet have surrendered their Documents of Title.

6.5.1.4 If the Documents of Title relating to the Shares held by any Certificated Shareholders have been lost or destroyed, such Certificated Shareholders should nevertheless return a duly completed Form of Surrender, together with an indemnity on terms satisfactory to Keaton Energy and Wescoal (and subject to the payment of any fee levied by the Transfer Secretaries).

6.5.1.5 Keaton Energy and Wescoal may, in their sole discretion dispense with the surrender of such Documents of Title upon production of satisfactory evidence that the Documents of Title have been lost or destroyed and upon provision of an indemnity on terms acceptable to them. Unless otherwise agreed by Keaton Energy and Wescoal, only indemnity forms
obtained from the Transfer Secretaries (available on request) will be regarded as suitable. Keaton Energy and Wescoal shall be entitled, in their absolute discretion, by way of agreement to waive the requirement of an indemnity.

6.5.1.6 No receipt will be issued for Documents of Title surrendered unless specifically requested. In order to comply with the requirements of the JSE, lodging agents must prepare special transaction receipts, if required.

6.5.1.7 Documents of Title surrendered by Certificated Shareholders prior to the Scheme Implementation Date will be held in trust by the Transfer Secretaries, at the risk of the Certificated Shareholders concerned, pending the Scheme becoming unconditional. In the event of the Scheme not being implemented for any reason whatsoever, the Transfer Secretaries will, by no later than five Business Days after the date upon which it becomes known that the Scheme will not be implemented, return the Documents of Title to the Certificated Shareholders concerned by, registered post, at the risk of such Shareholders, to the address recorded in the Register.

6.5.1.8 The attention of Certificated Shareholders is drawn to the fact that, if they surrender their Documents of Title in advance, they will not be in a position to deal in their Shares on the Exchange between the date of surrender and the Scheme Implementation Date, or if the Scheme is not implemented, between the date of surrender and the date on which their Shares are returned to them as set out in this Circular.

6.5.2 Dematerialised Shareholders

Dematerialised Shareholders who become Scheme Participants must NOT complete the attached Form of Surrender (pink) and are not required to surrender any Documents of Title.

6.6 Settlement of the Offer Consideration

In the event that the Scheme becomes unconditional and the Scheme is implemented, Scheme Participants will, subject to the Exchange Control Regulations (details of which are set out in Annexure 7 to this Circular), be entitled to receive the Offer Consideration in respect of the Shares held by them, on the Scheme Implementation Date.

The Offer Consideration will be fully paid-up and Keaton Energy will, either itself and/or through the Transfer Secretaries, administer and procure the transfer of the Offer Consideration to the Scheme Participants.

The Offer Consideration shall be discharged, in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Wescoal may otherwise be, or claim to be, entitled against Keaton Energy or any other Shareholder.

Dematerialised Shareholders who become Scheme Participants will have their account at their CSDP or Broker credited with the Offer Consideration and debited with the Shares on the Scheme Implementation Date, or in the case of Dissenting Shareholders who subsequently become Scheme Participants, on the date contemplated in paragraph 6.7.9 below.

The following provisions relate to Scheme Participants who hold Certificated Shares:

6.6.1 Regarding the Cash Consideration

6.6.1.1 Certificated Shareholders who submit their Documents of Title and completed Form of Surrender (pink) before 12:00 on the Scheme Consideration Record Date, will have the Offer Consideration in respect thereof paid into their bank account by way of EFT if they provided their bank account details for this purpose in the Form of Surrender (pink) or if their bank account details are on the Register, failing which it will be posted to them at their own risk by ordinary post on or about the Scheme Implementation Date; and

6.6.1.2 Certificated Shareholders who submit their Documents of Title and completed Form of Surrender (pink) after 12:00 on the Scheme Consideration Record Date, will have the Cash Consideration paid to them, as set out in 6.6.1.1 above, within 5 Business Days of receipt by the Transfer Secretaries of their Documents of Title.
6.6.2 **Regarding the Share Consideration:**

6.6.2.1 the Share Consideration will be settled at the same time as the Cash Consideration, as set out in 6.6.1;

6.6.2.2 Certificated Shareholders are requested to provide details of their CSDP or Broker account in the appropriate box in the Form of Surrender (pink) for purposes of crediting their Broker’s or CSDP’s accounts with the Share Consideration; and

6.6.2.3 Certificated Shareholders who wish to receive the Share Consideration in Dematerialised form, but who do not have an account with a Broker or CSDP or who failed to provide the details of their CSDP or Broker account in the appropriate box in the Form of Surrender (pink), will be issued with statements of allocation and will be required to appoint a Broker or CSDP so that the Share Consideration can be made available to them in Dematerialised form following implementation of the Scheme.

6.6.3 Certificated Scheme Participants who do not wish to hold their Share Consideration in Dematerialised form and prefer to hold their Share Consideration in certificated form and make such election in the appropriate box in the Form of Surrender (pink), will have their Share Consideration rematerialised and be furnished with appropriate physical Documents of Title.

6.6.4 If such Scheme Participants were Dissenting Shareholders who have subsequently become Scheme Participants, such Scheme Participants will still need to submit their Documents of Title, together with completed Forms of Surrender (pink) to the Transfer Secretaries and discharge of the Offer Consideration will occur on the basis set out in paragraphs 6.6.1 and 6.6.2, on the date set out in paragraph 6.7.9 below.

6.6.5 If the Offer Consideration is not sent to Certificated Shareholders entitled thereto because the relevant Documents of Title or Form of Surrender have not been surrendered; or in respect of a Dissenting Shareholder who subsequently becomes a Scheme Participant; or if the Offer Consideration is returned undelivered to the Transfer Secretaries, the Offer Consideration payable to such Scheme Participant will be held in trust by Keaton Energy (or any third party nominated by it for this purpose) for the benefit of the Scheme Participants concerned for a maximum period of 5 years, after which period such funds shall be made over to the Guardians Fund of the High Court. For the avoidance of doubt, no interest will accrue on any such funds held by Keaton Energy.

6.7 **Dissenting Shareholder Appraisal Rights**

Shareholders are hereby advised of their Appraisal Rights in terms of section 164 of the Companies Act:

6.7.1 Should a Shareholder wish to exercise its Appraisal Rights in terms of section 164 of the Companies Act, it must, at any time before the Scheme Resolution is to be voted on, give Keaton Energy a written notice objecting to the Scheme Resolution ("Notice of Objection");

6.7.2 Within 10 Business Days after Keaton Energy has adopted the Scheme Resolution, Keaton Energy is required to send a notice to Shareholders that the Scheme Resolution has been adopted to each Shareholder who gave Keaton Energy a Notice of Objection and has neither withdrawn the Notice of Objection nor voted in favour of the Scheme Resolution;

6.7.3 A Dissenting Shareholder may demand in writing ("Demand") within 20 (twenty) Business Days after receipt of the notice referred to in paragraph 6.7.2 or, if the Dissenting Shareholder does not receive the notice referred to in paragraph 6.7.2, within 20 (twenty) Business Days after learning that the Scheme Resolution was adopted, that Keaton Energy pay the Dissenting Shareholder the fair value for all the Shares held by that Dissenting Shareholder if:

6.7.3.1 the Dissenting Shareholder sent Keaton Energy a Notice of Objection;

6.7.3.2 Keaton Energy has adopted the Scheme Resolution; and

6.7.3.3 the Dissenting Shareholder voted against the Scheme Resolution and has complied with all of the procedural requirements of section 164 of the Companies Act.

6.7.4 The Demand sent by the Dissenting Shareholder to Keaton Energy must set out:

6.7.4.1 the Dissenting Shareholder’s name and address;

6.7.4.2 the number of Shares in respect of which the Dissenting Shareholder seeks payment; and
6.7.4 A demand for payment of the fair value of those Shares. The fair value of the Share is determined as at the date on which, and the time immediately before, Keaton Energy adopted the Scheme Resolution that gave rise to the Dissenting Shareholder’s rights under this section.

6.7.5 Any Dissenting Shareholder that, pursuant to the exercise of its Appraisal Rights, has accepted an offer made by Keaton Energy to it in terms of section 164(11) of the Companies Act and/or transferred their Shares to Keaton Energy pursuant to section 164(13) or section 164(15)(c)(v) of the Companies Act shall not participate in the Scheme.

6.7.6 Any Shareholder that is in any doubt as to what action to take must consult their legal or professional advisor in this regard. A copy of section 164 of the Companies Act (which sets out the Appraisal Rights) is included in Annexure 8 to this Circular.

6.7.7 In terms of section 164(9) of the Companies Act, a Dissenting Shareholder who has sent a Demand has no further rights in respect of their Shares, other than to be paid their fair value, unless:

6.7.7.1 the Dissenting Shareholder withdraws that demand before Keaton Energy makes an offer to that Dissenting Shareholder under section 164(11) of the Companies Act, or allows any offer made by Keaton Energy to lapse;

6.7.7.2 Keaton Energy fails to make an offer in accordance with section 164(11) of the Companies Act and the Dissenting Shareholder withdraws the demand; or

6.7.7.3 Keaton Energy, by a subsequent Scheme Resolution, revokes the adopted resolution that gave rise to the Dissenting Shareholder’s rights under section 164.

6.7.8 In accordance with the Companies Act, a Dissenting Shareholder’s rights in respect of its Shares are reinstated without interruption if:

6.7.8.1 any of the events contemplated in sections 164(9)(a) – (c) of the Companies Act occur (as listed above); or

6.7.8.2 pursuant to a final Court order.

6.7.9 If the Dissenting Shareholder’s rights to its Shares are reinstated as above, then such Dissenting Shareholder shall:

6.7.9.1 on or prior to the Scheme Consideration Record Date, be a Scheme Participant and be subject to all the provisions of the Scheme; and

6.7.9.2 after the Scheme Consideration Record Date, be deemed to have been a Scheme Participant as at the Scheme Implementation Date, and all risk and benefit in the Dissenting Shareholder’s Shares shall be deemed to have passed to Wescoal with effect from the Scheme Implementation Date, provided that settlement of the Offer Consideration shall take place on the later of:

i. the Scheme Implementation Date;

ii. the date which is 5 Business Days after that Dissenting Shareholder’s rights in respect of its Shares are reinstated in terms of section 164(10) of the Companies Act or pursuant to a final Court order; and

iii. if that Dissenting Shareholder is a Certificated Shareholder, the date which is five Business Days after that Dissenting Shareholder surrendered its Documents of Title and completed a Form of Surrender (pink) accepting the Scheme to the Transfer Secretaries,

that Dissenting Shareholder irrevocably and in rem suam authorises Keaton Energy and/or the Transfer Secretaries on its behalf to transfer its Shares to Wescoal and register such Shares in the name of Wescoal and to take all other action and steps necessary to give effect of the foregoing.

6.7.10 Before exercising their rights under section 164 of the Companies Act, the Shareholders should have regard to the Independent Expert Report set out in Annexure 1 to this Circular, which report concludes that the terms of the Scheme are fair and reasonable to the Shareholders and the Court is empowered to grant a costs order in favour of, or against, a Dissenting Shareholder, as may be applicable.
6.7.11 It should be noted that one of the Scheme Conditions Precedent is that, by no later than 23:59 on the Long Stop Date, Shareholders have not exercised Appraisal Rights, by giving valid demands in accordance with the requirements of sections 164(5) to 164(8) of the Companies Act, in respect of more than 10% of all Shares. If no Shareholders give notice objecting to the Scheme as contemplated in section 164(3) of the Companies Act, or if one or more Shareholders do so object but do not vote against the Transaction Resolutions proposed at the Scheme Meeting, then this Scheme Condition Precedent shall be fulfilled at the time of the Scheme Meeting.

6.8 **General information**

6.8.1 Keaton Energy may, but only after the receipt of Wescoal's prior written consent and subject to compliance with the Companies Act and the Listings Requirements:

6.8.1.1 before or at the General Meeting, agree to any amendment, variation or modification of the Scheme. The Shareholders will be notified of any such variation or modification; or

6.8.1.2 after the General Meeting, agree to any amendment, variation or modification, provided that no amendment, variation or modification made after the General Meeting may have the effect of diminishing the rights which will accrue to a Shareholder in terms of the Scheme.

6.8.2 Upon the Scheme being implemented, the Documents of Title held by any Scheme Participants will cease to be of any value, other than for the purposes of surrender in terms of the Scheme, and no certificates or deeds or documents will be issued by Keaton Energy in place thereof.

6.8.3 Keaton Energy will be entitled, and will have the authority on behalf of itself and each of the Shareholders, to authorise any person nominated by Keaton Energy to sign all documents, and do any and all other things required to be done in order to implement the terms of the Scheme and the Delisting, including but not limited to, all transfer forms, instructions to CSDPs, forms of transfer, changes in address and cessions of rights to dividends, distributions and other entitlements to Keaton Energy.

6.8.4 All times and dates referred to herein are subject to change, as contemplated in this Circular. Any such change shall be released on SENS and published in the South African press.

6.9 **Tax implications for the Scheme Participants**

The tax implications of the Scheme on Scheme Participants will depend on the individual circumstances of each Scheme Participant. Accordingly, Shareholders are advised to obtain independent tax advice in relation to the tax implications of the Scheme if they are in any doubt whatsoever about their tax position. No dividend withholding tax will be applicable in respect of the Offer Consideration.

6.10 **Applicable laws**

The Scheme shall be governed by the laws of South Africa only. Each Shareholder shall be deemed to have irrevocably submitted to the non-exclusive jurisdiction of the Courts of South Africa in relation to all matters arising out of or in connection with the Scheme.

6.11 **Termination of listing**

6.11.1 The listing of all the Shares will be terminated from the Main Board of the JSE pursuant to the implementation of the Scheme.

6.11.2 Subject to the Scheme becoming unconditional and the Scheme being implemented, the JSE has granted approval for the termination of the listing of all the Shares from the Main Board of the JSE.

6.12 **Court approval**

6.12.1 Shareholders are advised that, in terms of section 115(3) of the Companies Act, Keaton Energy may in certain circumstances not proceed to implement the Scheme Resolution approving the Scheme, despite it being adopted at the General Meeting, without the approval of the Court.

6.12.2 A copy of section 115 of Part A of Chapter 5 of the Companies Act pertaining to the required approval for the Scheme is set out in **Annexure 8** to this Circular.
7. **GENERAL MEETING**

7.1 In order for the Scheme to be implemented, at least 75% of the votes exercised by the Shareholders present either in person or by proxy at the General Meeting are required to be cast in favour of the Scheme Resolution, provided that sufficient persons are present to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised on the Scheme Resolution.

7.2 The Scheme will accordingly be put to a vote at the General Meeting to be held at 10:00 on Friday, 2 June 2017 at Aquamarine, Ground Floor, The Forum, Wanderers Building, The Campus (Dimension Data), 57 Sloane Street (corner of Main Road), Bryanston, Sandton.

7.3 Each Certificated Shareholder and Dematerialised Shareholder with “own-name” registration recorded in the Register on the Voting Record Date can attend, speak and vote at the General Meeting in person or give a proxy to someone else (including the chairperson of the General Meeting) to represent him/her at the General Meeting by completing the attached Form of Proxy (green).

7.4 Each Dematerialised Shareholder recorded in the Register on the Voting Record Date who does not have “own-name” registration and:

   7.4.1 wishes to attend, speak and vote at the General Meeting must arrange with his/her CSDP or Broker to obtain the necessary letter of representation; or
   7.4.2 is unable or does not wish to attend the General Meeting but wishes to vote at the General Meeting, should provide his/her CSDP or Broker with their voting instruction in the manner stipulated in the custody agreement governing the relationship between such Dematerialised Shareholder and their CSDP or Broker.

7.5 These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker for instructions of this nature. The CSDP or Broker will then provide the Transfer Secretaries with the relevant forms of proxy in terms of such individual Dematerialised Shareholder’s instructions.

8. **FUNDING**

As required in terms of the Companies Act and the Takeover Regulations, Investec has provided an irrevocable and unconditional cash guarantee to the Takeover Panel in order to satisfy the Cash Consideration payable to all Scheme Participants in terms of the Proposed Transaction, which is in a form acceptable to the Takeover Panel and which complies with Regulations 111(4) and 111(5) of the Takeover Regulations.

9. **FOREIGN SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS**

Information regarding Foreign Shareholders and Exchange Control Regulations is set out in Annexure 7 to this Circular. Scheme Participants who are Foreign Shareholders must satisfy themselves as to the full observance of the laws of any relevant jurisdiction concerning the receipt of the Offer Consideration, including (without limitation) obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdiction. If in doubt, Scheme Participants should consult their professional advisors immediately.
INFORMATION REGARDING KEATON ENERGY

10. FINANCIAL INFORMATION IN RELATION TO KEATON ENERGY

10.1 Extracts of historical financial information

10.1.1 Extracts of the consolidated audited results of Keaton Energy for the years ended 31 March 2014, 2015 and 2016 are set out in Annexure 2 to this Circular. Keaton Energy’s Interim Results are also set out in Annexure 2 to this Circular.

10.1.2 There have been no material variations in the accounting policies of Keaton Energy subsequent to its latest published financial results for the year ended 31 March 2016.

10.1.3 The price and trading history of Shares on the JSE is set out in Annexure 9 to this Circular.

10.2 Pro forma financial effects of the Scheme

10.2.1 The pro forma financial information and notes thereto relating to the results of the Scheme is contained in the table below. The reasonable assurance report on the pro forma financial information relating to Keaton Energy prepared by the Independent Reporting Accountant to Keaton Energy is set out in Annexure 3 to this Circular.

10.2.2 Pro forma financial effects are presented in respect of the latest published financial information in relation to Keaton Energy, being Keaton Energy’s Interim Results, for the purposes of the Listings Requirements.

10.2.3 Although Regulation 106 of the Takeover Regulations requires the pro forma financial effects of the Scheme to be set out in this Circular with reference to the latest annual financial statements, Keaton Energy obtained an exemption from the Takeover Panel dated 23 February 2017 allowing Keaton Energy to provide information relating to the pro forma financial effects of the Scheme based on Keaton Energy’s Interim Results, instead of its annual financial statements for the year ended 31 March 2016.

10.2.4 The pro forma financial effects of the Proposed Transaction on Shareholders, for which the Keaton Energy Independent Board is responsible, are provided for illustrative purposes only to provide information about how the Proposed Transaction will affect the financial position of Shareholders.

10.2.5 Keaton Energy’s Interim Results have been consolidated into Wescoal’s Interim Results (please refer to the table in 18.2 below) in order to produce pro forma financial information of the consolidated Group (“Consolidated Group”) after implementation of the Proposed Transaction.

10.2.6 The pro forma financial effects on Shareholders have been derived by multiplying the pro forma financial information of the Consolidated Group by the Switch Ratio applicable to the Share Consideration forming part of the Offer Consideration, being 0.3 of a Wescoal Share for every one Share held by Shareholders. In order for a Shareholder to assess the financial impact of the Proposed Transaction compared to their current Keaton Energy shareholding, the effect on (i) basic and diluted earnings per Share and headline and diluted headline earnings per Share of the Shares exchanged for the Offer Consideration, and (ii) net asset value per Share and net tangible asset value per Share have been illustrated below.

10.2.7 The pro forma financial information of the Consolidated Group has been prepared in accordance with IFRS and Wescoal’s accounting policies. The pro forma financial information of the Consolidated Group has been prepared on the assumption that the Proposed Transaction became effective on 1 April 2016 for the statement of comprehensive income and 30 September 2016 in respect of the statement of financial position.

10.2.8 Because of their nature, the pro forma financial effects may not give a fair presentation of Shareholders’ financial position and performance after the Proposed Transaction has been implemented.
### Notes:

1. The financial information in the “Before the Proposed Transaction” column has been extracted without adjustment from Keaton Energy’s Interim Results, except as discussed in note 2 below.

2. Keaton Energy’s Interim Results have been adjusted as follows:
   a. Net asset value per Share and net tangible asset value per Share have been calculated using net asset value and net tangible asset value attributable to the owners of the Company, whereas Keaton Energy’s Interim Results used the total net asset value i.e. including minority interests. The amount published was adjusted in order to be consistent with Wescoal’s accounting policy of only using the value attributable to the owners of the Company and in order to show the effect of the Proposed Transaction on a Shareholder.
   b. Intangible assets as disclosed in Keaton Energy’s Interim Results have been reclassified to tangible assets (Property, plant and equipment) in order to align with Wescoal’s accounting policy.

3. For the purposes of calculating the “After the Proposed Transaction” pro forma earnings, diluted earnings, headline earnings and diluted headline earnings per Share, net asset value and net tangible asset value per Share and the effect thereof on a Shareholder, it was assumed that:
   a. The Proposed Transaction became effective on 1 April 2016 for purposes of the statement of comprehensive income and on 30 September 2016 for purposes of the statement of financial position, which collectively comprises the pro forma financial information of the Consolidated Group set out in the table in 18.2 below.
   b. The pro forma financial effects on the Shareholders, have been derived by multiplying the pro forma financial information of the Consolidated Group (set out in the table in 18.2 below) by the Switch Ratio applicable to the Share Consideration forming part of the Offer Consideration, being 0.3 of a Wescoal Share for every one Share held by Shareholders.
   c. The pro forma financial effects on the Shareholders have been derived by taking into consideration the Cash Consideration forming part of the Offer Consideration, being R1.20 per Share.

4. The weighted average number of shares in issue and the number of shares in issue is representative of the issued share capital of Wescoal after the implementation of the Proposed Transaction.

5. All adjustments, with the exception of transaction costs and the severance arrangements relating to Keaton Energy executives, are expected to have a continuing impact on the statement of comprehensive income.

### SHARE CAPITAL OF KEATON ENERGY

The authorised and issued share capital of Keaton Energy at the Last Practicable Date is set out below:

#### Authorised share capital

750 000 000 Shares

#### Issued share capital

292 684 630 Shares

### KEATON ENERGY DIRECTORS’ SERVICE CONTRACTS

12.1 There are no service contracts between Keaton Energy and the non-executive Keaton Energy Directors.
12.2 The employment contracts with the executive Keaton Energy Directors contain normal terms and conditions of employment and have not been entered into or amended during the period beginning six months prior to the date of this Circular, save as set out in the Management Severance Arrangements.

12.3 No service contracts have been entered into or amended within the six months before the Offer Period.

12.4 Material particulars of service contracts with executive members of the Keaton Energy Board are as follows:

<table>
<thead>
<tr>
<th>Director’s name</th>
<th>Position</th>
<th>Gross guaranteed remuneration (R)</th>
<th>Leave (Business Days per 12 months)</th>
<th>Retirement age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandi Glad</td>
<td>Chief executive officer</td>
<td>4 448 332</td>
<td>Six months</td>
<td>35</td>
</tr>
<tr>
<td>Jacques Rossouw</td>
<td>Chief financial officer</td>
<td>3 710 000</td>
<td>Six months</td>
<td>35</td>
</tr>
</tbody>
</table>

12.5 As a condition to the posting of this Circular, both Mandi Glad and Jacques Rossouw have entered into the Management Severance Arrangements with Keaton Energy, providing for the severance of such executives with effect from the Scheme Implementation Date and otherwise strictly in accordance with the terms of their respective current employment contracts.

12.6 In terms of their employment agreements, both Management Employees will be subject to standard non-compete and non-solicitation undertakings for 12 months after leaving the employ of Keaton Energy.

13. KEATON ENERGY DIRECTORS’ REMUNERATION

Apart from the Management Severance Arrangements in relation to the Management Employees in terms of which such Management Employees will no longer receive remuneration from the Scheme Implementation Date, the non-executive director fees of the remaining Keaton Energy Directors in their capacity as Keaton Energy Directors will in no way be affected by the Scheme.

14. INTERESTS OF KEATON ENERGY DIRECTORS AND/OR KEATON ENERGY IN WESCOAL

14.1 As at the Last Practicable Date, Keaton Energy held no direct or indirect beneficial interest in Wescoal.

14.2 No Keaton Energy Directors have an interest in Wescoal. There were no dealings of Keaton Energy Directors in Wescoal Shares during the six months immediately preceding the Last Practicable Date.

15. INTERESTS OF KEATON ENERGY DIRECTORS IN KEATON ENERGY

15.1 The direct and indirect beneficial interests of Keaton Energy Directors and their associates (including directors who have resigned over the last 18 months) in Shares as at the Last Practicable Date are set out in the table below:

<table>
<thead>
<tr>
<th>Director’s name</th>
<th>Nature of Interest</th>
<th>Number of Shares</th>
<th>% of issued stated capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Pouroulis</td>
<td>Indirect, beneficial</td>
<td>43 738 428</td>
<td>14.94</td>
</tr>
<tr>
<td>JD Salter</td>
<td>Indirect, beneficial</td>
<td>2 450 000</td>
<td>0.84</td>
</tr>
<tr>
<td>APE Sedibe</td>
<td>Indirect, beneficial</td>
<td>35 669 897</td>
<td>12.19</td>
</tr>
<tr>
<td>AB Glad</td>
<td>Indirect, beneficial</td>
<td>34 271 077</td>
<td>11.71</td>
</tr>
<tr>
<td>AB Glad</td>
<td>Direct, beneficial</td>
<td>68 000</td>
<td>0.02</td>
</tr>
<tr>
<td>J Rossouw</td>
<td>Direct, beneficial</td>
<td>50 000</td>
<td>0.02</td>
</tr>
<tr>
<td>OP Sadler</td>
<td>Direct, beneficial</td>
<td>114 285</td>
<td>0.04</td>
</tr>
</tbody>
</table>

15.2 There were no dealings of the Keaton Energy Directors during the six months immediately preceding the Last Practicable Date.
16. **INTENDED ACTION OF KEATON ENERGY DIRECTORS**

All of the Keaton Energy Directors with beneficial holdings in Shares intend to vote in favour of the Transaction Resolutions at the General Meeting.

17. **CONTINUATION OF THE BUSINESS OF KEATON ENERGY**

Wescoal supports Keaton Energy's strategy for long-term growth and offers a supportive solution to safeguard Keaton Energy's assets and business model over the long-term for the benefit of all its stakeholders. The vision for the future business of Keaton Energy is set out more fully in paragraph 4 of this Circular.
18. **FINANCIAL INFORMATION IN RELATION TO WESCOAL**

18.1 **Extracts of historical financial information**

18.1.1 Extracts of the consolidated audited results of Wescoal for the years ended 31 March 2014, 2015 and 2016 are set out in Annexure 4 to this Circular.

18.1.2 There have been no material variations in the accounting policies of Wescoal subsequent to its latest published financial results for the year ended 31 March 2016.

18.1.3 The price and trading history of Wescoal Shares on the JSE is set out in Annexure 10 to this Circular.

18.2 **Pro forma financial effects of the Scheme**

18.2.1 The table below sets out the *pro forma* financial effects of the Scheme. The *pro forma* financial effects are based on the latest published financial information in relation to Wescoal, being Wescoal's Interim Results.

18.2.2 Although Regulation 106 of the Takeover Regulations requires the *pro forma* financial effects of the Scheme to be set out in this Circular with reference to the latest annual financial statements, Wescoal obtained an exemption from the Takeover Panel dated 23 February 2017 allowing Wescoal to provide information relating to the *pro forma* financial effects of the Scheme based on Wescoal’s Interim Results, instead of its annual financial statements for the year ended 31 March 2016.

18.2.3 The *pro forma* financial effects in the table below takes into account the recently concluded BEE Transaction (Wescoal) 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 their *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 (Wescoal) and the Proposed Transaction going forward.

18.2.4 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 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.

18.2.5 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 information disclosed pursuant to the Listings Requirements.

18.2.6 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 (Wescoal). The net proceeds of the BEE Transaction (Wescoal) 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 Proposed Transaction. The Cash Consideration 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.

18.2.7 The detailed notes and assumptions to the *pro forma* financial effects are presented in Annexure 5 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 6 to this Circular.
<table>
<thead>
<tr>
<th>Per Wescoal Share (cents)</th>
<th>Pro forma after the BEE Transaction (Wescoal) (note 1)</th>
<th>Percentage change from (%)(note 1 to 2)</th>
<th>Pro forma after the Proposed Transaction (note 3)</th>
<th>Percentage change from (%)(note 2 to 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per Wescoal Share</td>
<td>27.56</td>
<td>3.74</td>
<td>113.6</td>
<td>9.13</td>
</tr>
<tr>
<td>Diluted earnings per Wescoal Share</td>
<td>27.54</td>
<td>3.74</td>
<td>113.6</td>
<td>9.13</td>
</tr>
<tr>
<td>Headline earnings per Wescoal Share</td>
<td>27.83</td>
<td>3.57</td>
<td>112.8</td>
<td>8.99</td>
</tr>
<tr>
<td>Diluted headline earnings per Wescoal Share</td>
<td>27.81</td>
<td>3.57</td>
<td>112.8</td>
<td>8.99</td>
</tr>
<tr>
<td>Net asset value per Wescoal Share</td>
<td>190.40</td>
<td>180.55</td>
<td>5.2</td>
<td>177.00</td>
</tr>
<tr>
<td>Net tangible asset value per Wescoal Share</td>
<td>147.49</td>
<td>152.96</td>
<td>3.7</td>
<td>147.81</td>
</tr>
<tr>
<td>Weighted average number of Wescoal Shares in issue ('000)</td>
<td>224 913</td>
<td>349 908</td>
<td>437 713</td>
<td></td>
</tr>
<tr>
<td>Weighted diluted number of Wescoal Shares in issue ('000)</td>
<td>225 084</td>
<td>350 079</td>
<td>437 884</td>
<td></td>
</tr>
<tr>
<td>Number of Wescoal Shares in issue ('000)</td>
<td>225 030</td>
<td>350 025</td>
<td>437 830</td>
<td></td>
</tr>
</tbody>
</table>

Notes and assumptions:
1. The Wescoal information reflected in the “Before the BEE Transaction (Wescoal)” column has been extracted from Wescoal’s Interim Results.
2. The Wescoal information reflected in the “Pro forma after the BEE Transaction (Wescoal) (before the Proposed Transaction)” column has been calculated on the basis that the BEE Transaction (Wescoal) 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 (Wescoal) 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 (Wescoal) was effective 30 September 2016.
   a. The price at which the Wescoal Shares subscribed for by the BEE SPV (Wescoal) was at a discount to the Wescoal Share price on 19 December 2016 (the effective date of the BEE Transaction (Wescoal)). 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 (Wescoal) is accounted for as a non-current receivable.
   c. The net proceeds from the BEE Transaction (Wescoal) 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 (Wescoal) were capitalised to equity.
   e. The weighted average number of Wescoal Shares in issue are increased by the 124 995 373 Wescoal Shares issued to the BEE SPV (Wescoal) pursuant to the BEE Transaction (Wescoal).
3. The Wescoal information reflected in the “Pro forma after the Proposed Transaction” column has been calculated on the basis that the Proposed Transaction has been implemented (either the Scheme becomes operative and unconditional or the Standby Offer is accepted by all Shareholders). The effects on basic earnings, diluted earnings, headline earnings and diluted headline earnings per Wescoal Share are calculated on the basis that the Proposed 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 Proposed Transaction was effective 30 September 2016.
   a. The acquisition of Keaton Energy arising pursuant to the Proposed 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 Proposed 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 Proposed 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 (which includes the impact of the payment of the ESOP Waiver Payments) is settled as follows:
   - Share Consideration: the issue of 87,805,389 New Wescoal Shares at an assumed price of R2.20 per New Wescoal Share, being the share price of Wescoal on 18 April 2017, the Last Practicable Date. In terms of IFRS the issue price of the New Wescoal Shares will be determined on the effective date of the Proposed Transaction and may differ from the assumptions underlying these pro forma effects.
   - Cash Consideration and the ESOP Waiver Payments: the Cash Consideration 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 (Wescoal).

d. The assumed purchase consideration for the Proposed 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 Proposed 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 Consideration 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 (Wescoal).

f. Transaction costs (non-recurring) of R39.0 million relating to the Proposed Transaction have been allocated as follows:
   - R34.7 million has been expensed; and
   - R4.3 million has been capitalised to equity.

19. SHARE CAPITAL OF WESCOAL

19.1 Wescoal has sufficient authorised but unissued Wescoal Shares to issue the New Wescoal Shares and settle the Share Consideration.

19.2 The authorised and issued share capital of Wescoal at the Last Practicable Date is set out below:

<table>
<thead>
<tr>
<th>Authorised share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 000 000 Shares</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issued share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>362 528 951 Shares</td>
</tr>
</tbody>
</table>

**Notes:**
1. All issued Wescoal Shares are listed on the Exchange.
2. There is no share premium.
3. There are 12,504,000 Wescoal Shares held as treasury shares.

20. INTERESTS OF WESCOAL AND/OR WESCOAL DIRECTORS IN KEATON ENERGY

20.1 As at the Last Practicable Date, neither Wescoal nor any party acting in concert with Wescoal in relation to the Proposed Transaction held any direct or indirect beneficial interest in Keaton Energy.

20.2 No Wescoal Directors have an interest in Keaton Energy. There were no dealings of Wescoal Directors in Shares during the six months immediately preceding the Last Practicable Date.
21. INTERESTS OF WESCOAL DIRECTORS IN WESCOAL

21.1 The direct and indirect beneficial interests of Wescoal Directors and their associates (including directors who have resigned over the last 18 months) in Wescoal Shares as at the Last Practicable Date are set out in the table below:

<table>
<thead>
<tr>
<th>Director’s name</th>
<th>Nature of Interest</th>
<th>Number of Wescoal Shares</th>
<th>% of issued stated capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR Ramaite¹</td>
<td>Indirect, beneficial</td>
<td>134 384 777</td>
<td>37.07%</td>
</tr>
<tr>
<td>JG Pansegrouw</td>
<td>Indirect, beneficial</td>
<td>2 040 000</td>
<td>0.56%</td>
</tr>
<tr>
<td>W Sulaiman</td>
<td>Direct, beneficial</td>
<td>1 110 000</td>
<td>0.31%</td>
</tr>
<tr>
<td>T Tshithavhane</td>
<td>Direct, beneficial</td>
<td>19 800</td>
<td>0.01%</td>
</tr>
<tr>
<td>IJ van der Walt³</td>
<td>Direct, beneficial</td>
<td>170 000</td>
<td>0.05%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>137 724 577</strong></td>
<td><strong>37.99%</strong></td>
</tr>
</tbody>
</table>

Notes:
1. M.R. Ramaite, Non-executive Chairman of Wescoal, is a shareholder of BEE SPV (Wescoal) (50.26%) and Simeka (36%) (see table at 21.2 below). The shareholding set out above aggregates Ramaite and his family trust’s shareholding.
2. I. van der Walt was appointed as the acting Chief Financial Officer of Wescoal effective from 2 September 2015 to 1 July 2016.

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

<table>
<thead>
<tr>
<th>Director/associate</th>
<th>Date</th>
<th>Nature of transaction</th>
<th>Nature of interest</th>
<th>Number of Wescoal Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>W Sulaiman</td>
<td>8 June 2016</td>
<td>Purchase on open market</td>
<td>Direct beneficial</td>
<td>50 000</td>
</tr>
<tr>
<td>W Sulaiman</td>
<td>1 March 2017</td>
<td>Purchase on open market</td>
<td>Direct beneficial</td>
<td>40 000</td>
</tr>
<tr>
<td>T Tshithavhane</td>
<td>6 March 2017</td>
<td>Purchase on open market</td>
<td>Direct beneficial</td>
<td>19 800</td>
</tr>
<tr>
<td>Simeka (an associate of MR Ramaite)</td>
<td>29 March 2017</td>
<td>Purchased off-market</td>
<td>Indirect beneficial</td>
<td>2 000 000</td>
</tr>
</tbody>
</table>

22.1 Firm Intention Offer

22.1.1 Wescoal submitted the Firm Intention Offer to Keaton Energy in relation to the Proposed Transaction, which Firm Intention Offer was accepted and signed by Keaton Energy on 2 February 2017. The Firm Intention Offer sets out the salient terms of the Scheme and the Standby Offer, as stipulated in this Circular.

22.1.2 In terms of the Firm Intention Offer, Keaton Energy provided standard undertakings in favour of Wescoal to conduct its business in the ordinary course until the Long Stop Date or the date of termination of the Firm Intention Offer.

22.1.3 In terms of the Firm Intention Offer, Keaton Energy undertook to Wescoal that it shall not, and shall procure that no other member of the Group, nor any of the Keaton Energy Representatives, shall, directly or indirectly until the earlier of the Long Stop Date and the date of termination of the Firm Intention Offer for whatsoever reason:

22.1.3.1 participate in any negotiations regarding any Alternative Proposal, unless the Keaton Energy Board, acting in good faith and in the exercise of its fiduciary duties, believes that it is reasonably likely to constitute a Superior Proposal; or

22.1.3.2 agree to, approve or recommend an Alternative Proposal, unless the Alternative Proposal constitutes a Superior Proposal,

provided that Keaton Energy shall only be entitled to furnish non-public information (including, for the avoidance of doubt, any information to the extent that the potential offeror has requested and is required to be provided with such information under Regulation 92 of the Takeover Regulations or a similar provision of any other applicable law) to any person in response to a bona fide Alternative Proposal that is submitted by such person after the signature date of the Firm Intention Offer and which is not withdrawn, provided that the Keaton Energy Board (or any properly appointed sub-committee thereof) concludes, acting in good faith, that such action is required in order for the Keaton Energy Board to comply with its fiduciary obligations under applicable law or their obligations under the Companies Act.

22.1.4 Until the earlier of the Long Stop Date and the date of termination of the Firm Intention Offer for whatsoever reason, Keaton Energy shall not, in respect of any Alternative Proposal, enter into any agreement to give effect to the Alternative Proposal (“Alternative Proposal Offer”), unless:

22.1.4.1 such Alternative Proposal has been received by Keaton Energy prior to voting having taken place on the Scheme, as contemplated in paragraph 6.3.1.3; and

22.1.4.2 such Alternative Proposal constitutes a Superior Proposal.

22.1.5 Keaton Energy shall be obliged to notify Wescoal in writing immediately upon receiving an Alternative Proposal.

22.1.6 Any material modification to or development of any Alternative Proposal (which will include any modification relating to the price or value of any Alternative Proposal) or any incomplete or non-binding proposal or expression of interest becoming complete, capable of acceptance (whether or not subject to conditions or binding) will be taken to constitute a new Alternative Proposal in respect of which Keaton Energy must comply with its obligations under paragraphs 22.1.3 to 22.1.5 above.

22.1.7 The Keaton Energy Board shall not postpone or adjourn (or request the chairperson to postpone or adjourn) the General Meeting without the prior written consent of Wescoal, which shall not be unreasonably withheld, provided that the Keaton Energy Board shall be obliged to postpone or adjourn the General Meeting to allow Shareholders to consider a Superior Proposal.
22.1.8  Keaton Energy may, in its absolute discretion and without prejudice to Wescoal’s right to make the Standby Offer, terminate the Scheme and all such other provisions of the Firm Intention Offer that are not necessarily required for purposes of making and implementing the Standby Offer, on not less than 20 (twenty) Business Days written notice to Wescoal, if, without breaching the Firm Intention Offer, it has received an Alternative Proposal before voting has taken place on the Scheme Resolution which the Keaton Energy Board determines to be a Superior Proposal, and such Alternative Proposal has been announced on SENS.

22.1.9  Wescoal may, in its absolute discretion and without prejudice to Wescoal’s right to make the Standby Offer, terminate the Scheme and all such other provisions of the Firm Intention Offer that are not necessarily required for purposes of making and implementing the Standby Offer, if Keaton Energy has received an Alternative Proposal before the time referred to in paragraph 22.1.4.1 which the Keaton Energy Board determines to be a Superior Proposal, and such Alternative Proposal has been announced on SENS.

22.1.10 Other than in the circumstances referred to in 22.1.8 and 22.1.9, the Firm Intention Offer may be terminated in the following circumstances:

22.1.10.1  Keaton Energy may, in its absolute discretion, terminate the Firm Intention Offer:
- if Wescoal is provisionally or finally liquidated or becomes subject to a business rescue process (or any application is launched in that regard);
- if any interdict, judgment or other order or action of any Court or Governmental Body is in effect restraining, prohibiting or rendering illegal the implementation of the transactions contemplated in the Firm Intention Offer, or any legal proceeding has been instituted by any person (including any Governmental Body) seeking to prohibit, restrict or delay, declare illegal or to enjoin the implementation of the transactions contemplated therein, and which legal proceedings have not been withdrawn or dismissed by the earlier to occur of (i) the day immediately prior to the Scheme Implementation Date; and (ii) 10 Business Days after having been instituted; and/or
- in the event of a breach by Wescoal of any of its obligations set out in the Firm Intention Offer, which is material in the context of the Proposed Transaction and, if capable of remedy, Wescoal has failed to remedy such breach within the time period provided therefor in the Firm Intention Offer.

22.1.10.2  Wescoal may, in its absolute discretion, terminate the Firm Intention Offer:
- if any member of the Group is provisionally or finally liquidated or becomes subject to a business rescue process (or any application is launched in that regard);
- if any interdict, judgment or other order or action of any Court or Governmental Body is in effect restraining, prohibiting or rendering illegal the implementation of the transactions contemplated in the Firm Intention Offer, or any legal proceeding has been instituted by any person (including any Governmental Body) seeking to prohibit, restrict or delay, declare illegal or to enjoin the implementation of the transactions contemplated therein, and which legal proceedings have not been withdrawn or dismissed by the earlier to occur of (i) the day immediately prior to the Scheme Implementation Date; and (ii) 10 Business Days after having been instituted; and/or
- in the event of a breach by Keaton Energy of any of its obligations set out in the Firm Intention Offer, which is material in the context of the Proposed Transaction and, if capable of remedy, Keaton Energy has failed to remedy such breach in the time period provided therefor in the Firm Intention Offer.

22.1.10.3  Subject to the provisions of the Companies Act, the Firm Intention Offer may be terminated by either Party on giving written notice of termination to the other Party if:
- any Scheme Condition Precedent becomes incapable of satisfaction so as to cause the Scheme not to proceed; and/or
- prior to the date of fulfilment or waiver (as the case may be) of the last of the Scheme Conditions Precedent, such termination is agreed in writing between Wescoal and Keaton Energy and is approved by the Takeover Panel.
22.1.11 If demanded in writing by Wescoal, Keaton Energy undertakes to pay Wescoal a break fee equal to 1% of the aggregate Offer Consideration ("Keaton Break Fee") if Keaton Energy breaches any material provision or material undertaking of the Firm Intention Offer and, if capable of remedy, fails to remedy that breach within the time period provided for such remedy in the Firm Intention Offer. Should the Keaton Break Fee become payable, it shall be paid to Wescoal in immediately available funds into a South African bank account nominated in writing by Wescoal within 20 (twenty) Business Days after the occurrence of the relevant events or circumstances triggering payment of the Keaton Break Fee.

22.1.12 If demanded in writing by Keaton Energy, Wescoal undertakes to pay Keaton Energy a break fee equal to 1% of the aggregate Offer Consideration ("Wescoal Break Fee") if Wescoal breaches any material provision or material undertaking of the Firm Intention Offer and, if capable of remedy, fails to remedy that breach within the time period provided for such remedy in the Firm Intention Offer. Should the Wescoal Break Fee become payable, it shall be paid to Keaton Energy in immediately available funds into a South African bank account nominated in writing by Keaton Energy within 20 (twenty) Business Days after the occurrence of the relevant events or circumstances triggering payment of the Wescoal Break Fee.

22.2 Management Severance Arrangements

22.2.1 Keaton Energy entered into the Management Severance Arrangements with the Management Employees, in terms of which the employment of the Management Employees shall be terminated with effect from the Scheme Implementation Date.

22.2.2 In terms of the Management Severance Arrangements, Keaton Energy shall pay the amounts due, owing and payable to such Management Employees strictly in accordance with the terms of their respective employment agreements as at 12 December 2016.

22.2.3 The aggregate indicative amount payable to the Management Employees in terms of the Management Severance Arrangements will be R15 558 598. This figure was determined based on information available as at the Last Practicable Date, but the final amounts payable to the Management Employees in terms of the Management Severance Arrangements can only be determined on the Scheme Implementation Date.

22.3 ESOP Waiver Agreements

22.3.1 The Management Employees and all other participants of the ESOPs have, in terms of the ESOP Waiver Agreements, agreed in writing to waive all of their rights (including such future rights as they may have been granted prior to the Scheme Implementation Date) under the ESOPs (whether in the form of options, share appreciation rights, restricted shares, performance shares or bonus awards) in return for a payment 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.

22.3.2 The aggregate indicative ESOP Waiver Payments which are to be made to the participants of the ESOPs in terms of the ESOP Waiver Agreements will be R30 221 283. This figure was determined based on information available as at the as at Last Practicable Date, but the final amounts of the ESOP Waiver Payments can only be determined on the Scheme Implementation Date.

22.4 Keaton Energy Irrevocable undertakings

Several Shareholders have granted irrevocable undertakings in favour of Wescoal, the details of which are set out in paragraph 23 below.

22.5 No other agreements

Other than as stipulated in paragraphs 22.1 to 22.4, no agreement exists between:

22.5.1 Wescoal (or or any person acting in concert with it in relation to the Proposed Transaction) and Keaton Energy;

22.5.2 Wescoal and (i) any Keaton Energy Director or any person who was a director of Keaton Energy within the period commencing 12 months prior to the date on which the details of the Proposed Transaction were published in the press or (ii) any Shareholders, or persons who were Shareholders within the preceding 12 months; or
22.5.3 Keaton Energy and (i) any Wescoal Director or any person who was a director of Wescoal within the period commencing 12 months prior to the date on which the details of the Proposed Transaction were published in the press or (ii) any Wescoal shareholders or persons who were shareholders in Wescoal within the preceding 12 months.

23. **IRREVOCABLE UNDERTAKINGS**

23.1 **Keaton Energy Irrevocable Undertakings**

23.1.1 Keaton Energy has received overwhelming support for the Proposed Transaction from Shareholders holding approximately 77.05% of the Shares, by way of irrevocable undertakings ("Keaton Energy Irrevocable Undertakings") to:

23.1.1.1 vote all of the Shares held by them in favour of all the resolutions to be proposed at the General Meeting/s of Shareholders (or at any adjournment thereof) to be convened in order to approve and/or implement the Scheme;

23.1.1.2 if applicable, timeously accept the Standby Offer and deliver the Shares held by them as required under the Standby Offer.

23.1.2 The following table details the Shareholders, as well as the number of Shares held by such Shareholders, which have provided Keaton Energy Irrevocable Undertakings:

<table>
<thead>
<tr>
<th>Shareholder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plusbay Limited</td>
</tr>
<tr>
<td>Adonis Pouroulis</td>
</tr>
<tr>
<td>Collectively, the Langa Trust, the Axel Trust, Artemis Pouroulis, the Phax Trust and the Tupa Trust</td>
</tr>
<tr>
<td>Collectively, the Langa Trust, Artemis Pouroulis, the Phax Trust, the Arti Trust, the Shia Trust and the Merlin Trust</td>
</tr>
<tr>
<td>Rutendo Holdings Proprietary Limited</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

23.1.3 The number of Shares subject to the Keaton Energy Irrevocable Undertakings and reflected in the table above is stated as at the date of each respective Keaton Energy Irrevocable Undertaking.

23.1.4 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:

23.1.4.1 the date on which the Firm Intention 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

23.1.4.2 the date on which a firm intention to make an offer ("Superior Offer (Irrevocable Undertakings)") 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 Takeover Regulations), which is reasonably capable of implementation and which:

- provides for a total consideration per 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 (Irrevocable Undertakings) 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 Share equal to, or more than, R1.90, with R1.40, or more, of which to be settled in cash.

23.1.5 There have been no dealings in Shares for the period beginning six months prior to the Offer Period and ending on the Last Practicable Date by parties who have provided Keaton Energy Irrevocable Undertakings.

23.1.6 As at the Last Practicable Date, none of the above parties held any Shares in Wescoal.
23.2 Irrevocable undertaking by Wescoal shareholder

23.2.1 In terms of the Listings Requirements, the Proposed Transaction is classified as a “category 1 transaction” for Wescoal and accordingly requires approval by ordinary resolution of Wescoal shareholders.

23.2.2 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:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Wescoal Shares subject to irrevocable undertakings</th>
<th>Percentage of Wescoal Shares beneficially held or controlled (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEE SPV (Wescoal)</td>
<td>213 628 122</td>
<td>58.93%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>213 628 122</strong></td>
<td><strong>58.93%</strong></td>
</tr>
</tbody>
</table>

24. INDEPENDENT EXPERT REPORT

24.1 The Independent Board appointed BDO as an independent expert acceptable to the Takeover Panel and the JSE, to provide appropriate external advice in the form of a fair and reasonable opinion in relation to both the Scheme and the Standby Offer.

24.2 The Independent Expert Report prepared in accordance with sections 114(2) and 114(3) of the Companies Act, Regulation 90 of the Takeover Regulations and section 1.14(d) and schedule 5 of the Listings Requirements is provided in Annexure 1 to this Circular.

24.3 Having considered the terms and conditions of the Scheme, and based upon and subject to the terms and conditions set out in the Independent Expert Report, the Independent Expert is of the opinion that the Offer Consideration is fair and reasonable to the Shareholders.

25. OPINION OF THE INDEPENDENT BOARD

25.1 The Independent Board, after due consideration of the Independent Expert Report, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the Scheme, the Standby Offer and Offer Consideration, as contemplated in Regulation 110(3)(b) of the Takeover Regulations. The Independent Board has formed a view of the range of the fair value of the Shares, which accords with the valuation range contained in the Independent Expert Report.

25.2 In forming its opinion, the Independent Board considered the factors which are difficult to quantify or are unquantifiable (as contemplated in Regulation 110(6) of the Takeover Regulations) as identified in the report of the Independent Expert.

25.3 The Independent Board, after taking into consideration the opinion of the Independent Expert, is unanimously of the opinion that the terms and conditions of the Scheme and Standby Offer are fair and reasonable to Shareholders and, accordingly, recommends that Shareholders vote in favour of the Scheme at the General Meeting and, if applicable, accept the Standby Offer.

25.4 The Independent Board confirms that Keaton Energy has not received any other offers in respect of the Shares since the publication of the Firm Intention Announcement or within the six months prior to such publication.

26. OPINION OF WESCOAL DIRECTORS

The Wescoal Board, after taking into consideration the opinion of the Independent Expert, is unanimously of the opinion that the terms and conditions of the Scheme and Standby Offer are fair and reasonable to Shareholders and, accordingly, recommend that Shareholders vote in favour of the Scheme at the General Meeting and, if applicable, accept the Standby Offer.
27. WESCOAL DIRECTORS’ RESPONSIBILITY STATEMENT

The Wescoal Directors collectively and individually accept responsibility for the information contained in this Circular insofar as it pertains to Wescoal. In addition, they certify that, to the best of their knowledge and belief, the information contained in this Circular pertaining to Wescoal is true and, where appropriate, the Circular does not omit anything that is likely to affect the importance of the information contained in this Circular pertaining to Wescoal. No Wescoal Director is excluded from this statement.

28. INDEPENDENT BOARD AND KEATON ENERGY BOARD RESPONSIBILITY STATEMENT

Each of the Independent Board and the Keaton Energy Board, insofar as any information in this Circular relates to Keaton Energy or to the matters on which it is required to opine, accepts responsibility for the information contained in this Circular, and certifies that, to the best of its knowledge and belief, the information contained in this Circular is true and this Circular has not omitted anything that is likely to affect the importance of the information contained herein. No member of the Independent Board or the Keaton Energy Board is excluded from this statement.

29. MATERIAL CHANGES

There has been no material change in the financial position of Keaton Energy that has occurred since the release of Keaton Energy’s Interim Results in respect of the six months ended 30 September 2016.

30. EXPERT CONSENTS

Taurum, NCIB, ENS, Werksmans, BDO, Investec, PwC, KPMG and Computershare have consented in writing to the inclusion of their names and reports, as applicable in this Circular, in the form and context in which they appear and have not withdrawn their consents prior to the publication of this Circular.

31. EXPENSES

31.1 Any costs payable to any regulator, including to the Competition Authorities, pursuant to the Proposed Transaction shall be borne by Wescoal.

31.2 Other than as set out below, Keaton Energy has not incurred any preliminary expenses within the three years preceding the date of this Circular with regards to the Proposed Transaction. The estimated expenses that are expected to be paid by Keaton Energy, or have been provided for, to implement the Proposed Transaction are set out below:

<table>
<thead>
<tr>
<th>Party</th>
<th>Rand (excluding VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Advisor to Keaton Energy – Taurum Financial Services Group</td>
<td>R18 100 000</td>
</tr>
<tr>
<td>Sponsor to Keaton Energy – Investec Bank Limited</td>
<td>R100 000</td>
</tr>
<tr>
<td>Legal Advisor to Keaton Energy – Werksmans Attorneys</td>
<td>R700 000</td>
</tr>
<tr>
<td>Preparation of CPR – Venmyn Deloitte</td>
<td>R550 000</td>
</tr>
<tr>
<td>Independent Expert – BDO Corporate Finance Proprietary Limited</td>
<td>R325 000</td>
</tr>
<tr>
<td>JSE documentation fee</td>
<td>R13 947</td>
</tr>
<tr>
<td>Other JSE costs</td>
<td>R100 000</td>
</tr>
<tr>
<td>Printing and publishing – Ince (Pty) Ltd</td>
<td>R120 000</td>
</tr>
<tr>
<td>Transfer Secretaries – Computershare Investor Services Proprietary Limited</td>
<td>R45 000</td>
</tr>
<tr>
<td>Independent reporting accountant to Keaton Energy – KPMG Inc.</td>
<td>R45 000</td>
</tr>
<tr>
<td>Takeover Panel documentation fee – Takeover Regulation Panel</td>
<td>R6 840</td>
</tr>
<tr>
<td>Miscellaneous costs</td>
<td>R100 000</td>
</tr>
<tr>
<td>Total</td>
<td>R20 305 787</td>
</tr>
</tbody>
</table>
32. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, are available for inspection at the registered office of Keaton Energy, from the date of issue of this Circular up to the start of the General Meeting in the event of the Scheme being approved by the Shareholders, or in the event that the Standby Offer is implemented, the Standby Offer Closing Date:

- the Firm Intention Offer;
- the consents referred to in paragraph 30 of this Circular;
- the consolidated audited annual financial statements of the Group for the financial years ended 31 March 2014, 2015 and 2016;
- report of the Independent Reporting Accountant to Keaton Energy on the *pro forma* financial information of Keaton Energy contained in this Circular;
- the consolidated audited annual financial statements of the Wescoal Group for the financial years ended 31 March 2014, 2015 and 2016;
- report of the Independent Reporting Accountant to Wescoal on the *pro forma* financial information of Wescoal contained in this Circular;
- the interim financial results of the Group for the 6 months ended 30 September 2016;
- a copy of the MOI;
- a copy of the memorandum of incorporation of Wescoal;
- a copy of the CPR;
- copies of the founding documents of the ESOPs;
- copies of the signed ESOP Waiver Agreements;
- a copy of the ruling of the Takeover Panel exempting Wescoal from making a comparable/equitable offer to the participants in the ESOPs, referred to in paragraph 1.6 of this Circular;
- copies of the employment agreements of the Management Employees;
- copies of the Management Severance Arrangements;
- a signed copy of this Circular;
- the signed Independent Expert Report;
- copies of the signed Keaton Energy Irrevocable Undertakings; and
- a signed copy of the letter from the Takeover Panel indicating its approval of this Circular.

**SIGNED ON BEHALF OF THE INDEPENDENT BOARD, THE KEATON ENERGY BOARD AND WESCOAL**

Lizwi X Mtumtum  
**Authorised signatory on behalf of the Independent Board**  
28 April 2017

Waheed Sulaiman  
**Authorised signatory on behalf of Wescoal**  
28 April 2017

Lizwi X Mtumtum  
**Authorised signatory on behalf of the Keaton Energy Board**  
28 April 2017
INDEPENDENT EXPERT REPORT

The Directors
Keaton Energy Holdings Limited
Eland House, The Braes
3 Eaton Avenue
Bryanston, 2194

21 April 2017

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO KEATON ENERGY HOLDINGS LIMITED REGARDING THE PROPOSED OFFER BY WESCOAL HOLDINGS LIMITED TO ACQUIRE THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY BY WAY OF A PROPOSED SCHEME OF ARRANGEMENT OR STANDBY OFFER (IF APPLICABLE)

INTRODUCTION

In the joint announcement published by Wescoal Holdings Limited ("Wescoal" or "Offeror") and Keaton Energy Holdings Limited ("Keaton Energy" or the "Company") on the Stock Exchange News Service ("SENS") of the JSE Limited ("JSE") on 2 February 2017, the respective boards of directors of Wescoal and Keaton Energy advised their shareholders 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 a scheme of arrangement ("Scheme") in terms of 114(1)(c) of the Companies Act, 71 of 2008, as amended from time to time ("Companies Act") as read together with section 115 of the Companies Act, to be proposed by the board of directors of Keaton Energy ("Keaton Energy Board") between Keaton Energy and the holders of Keaton Energy ordinary shares with no par value ("Shares" or "Keaton Energy Shares") ("Keaton Energy Shareholders" or "Shareholders") ("Scheme Participants"), or, if the Scheme fails, and Wescoal so elects, by way of a general offer by Wescoal to Keaton Energy Shareholders in terms of section 117(1)(c)(v) of the Companies Act to acquire the Offer Shares ("Standby Offer") (collectively, the "Proposed Transaction").

If the Scheme becomes unconditional, the consideration payable by Wescoal to Scheme Participants in terms of the Scheme will be R1.80 per share, representing an aggregate scheme consideration of R526 832 334, on the basis that there will be 292 684 630 Shares in issue, which will be settled to each Scheme Participant as follows:

- partly in cash by way of a cash consideration of R1.20 per Share, representing an aggregate amount of R351 221 556 ("Cash Consideration"); and
- partly via the issue of ordinary shares of no par value in the share capital of Wescoal ("Wescoal Shares") in the ratio of 0.30 Wescoal Shares for every one Keaton Energy Share held ("Switch Ratio"), resulting in a total of 87 805 389 new Wescoal Shares ("Consideration Shares") being issued to Scheme Participants ("Share Consideration") (together, the "Offer Consideration").

The Scheme, if implemented, will result in Keaton’s Shares being delisted from the exchange operated by the JSE (“Main Board”) ("Delisting"). The Standby Offer, if implemented, may result in Keaton Energy’s Shares being delisted from the Main Board if the Standby Offer is accepted by Keaton Energy Shareholders holding more than 50% of the Offer Shares and Keaton Energy Shareholders vote in favour of the Delisting in terms of paragraph 1.13 to 1.15 of the listings requirements of the JSE ("JSE Listings Requirements").

As at the last practicable date prior to finalising the circular to Keaton Energy Shareholders (the "Last Practicable Date") ("Circular") the authorised and issued share capital of the Company comprises:

- authorised ordinary share capital comprising 750 000 000 shares; and
- issued ordinary share capital comprising 292 684 630 shares. No Keaton Shares are held as treasury shares.

Keaton Energy Shareholders that hold Keaton Shares are the only class of shareholder that are affected by the Proposed Transaction.
Full details of the Proposed Transaction are contained in the Circular to be dated 4 May 2017, which will include a copy of this letter.

Extracts of sections 115 and 164 of the Companies Act are set out in Annexure 8 of the Circular and are incorporated herein by reference for purposes of section 114(3)(g) of the Companies Act.

FAIR AND REASONABLE OPINION REQUIRED IN RESPECT OF THE PROPOSED TRANSACTION

The Proposed Transaction is an affected transaction as defined in section 117(1)(c) of the Companies Act. In terms of section 114(2) of the Companies Act, as read with regulations 90 and 110 of the Companies regulations, the independent board of directors of Keaton Energy (“Independent Board”) is required to retain an independent expert to provide an independent expert report (in the form of a fair and reasonable opinion) in terms of section 114(3) of the Companies Act and regulations 90 and 110 of the Companies Regulations (the “Fair and Reasonable Opinion”).

BDO Corporate Finance Proprietary Limited (“BDO”) has been appointed as the independent expert by the Independent Board to assess the Offer as required in terms of section 114 of the Companies Act and Regulation 90 and 110 of the Companies Regulations, in respect of the Proposed Transaction, and this report is provided for the sole purpose of assisting the Independent Board in forming and expressing an opinion on the Offer for the benefit of Keaton Energy Shareholders.

FAIRNESS OPINION REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

In terms of paragraph 1.14(d) of the JSE Listings Requirements, the Keaton Energy Board is required to provide the JSE with written confirmation from an independent professional expert confirming whether the terms and conditions of the Offer are fair insofar as Keaton Energy Shareholders are concerned (the “Fairness Opinion”) and to advise Keaton Energy Shareholders accordingly. The Keaton Energy Board has appointed the Independent Board in order to fulfil this obligation.

RESPONSIBILITY

Compliance with the JSE Listings Requirements, the Companies Act and the Companies Regulations is the responsibility of the Keaton Energy Board and Independent Board. Our responsibility is to provide advice to the Keaton Energy Board, Independent Board and Keaton Energy Shareholders on whether the terms and conditions of the Standby Offer are fair and reasonable to Scheme Participants, in respect of the Scheme and whether the terms and conditions of the Standby Offer are fair to Keaton Energy Shareholders, in respect of the Standby Offer.

DEFINITION OF THE TERMS “FAIR” AND “REASONABLE” APPLY IN THE CONTEXT OF THE PROPOSED TRANSACTION

The “fairness” of a transaction is based on quantitative issues. A transaction may be said to be fair if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

The Offer, in respect of the Scheme, may be said to be fair to Scheme Participants if the Offer Consideration is equal to or greater than the fair value of a Share, or unfair if the Offer Consideration is less than the fair value of a Share.

The offer, in respect of the Standby Offer, may be said to be fair to the Keaton Energy Shareholders if the Offer Consideration is equal to or greater than the fair value of a Share, or unfair if the Offer Consideration is less than the value of a Share.

The assessment of reasonableness of the Offer is based on the Offer Consideration in relation to the prevailing trading price of a Share as at the time of the Offer as well as qualitative factors.

OVERVIEW OF KEATON ENERGY AND WESCOAL

Overview of mineral assets belonging to Keaton Energy

The principal mineral assets of Keaton Energy comprise Vanggatfontein, the operating colliery, and Moabsvelden and Braakfontein which are development projects. Each mineral asset is briefly described below:

• Vanggatfontein East and Vanggatfontein West
  – located 16 km from Delmas, Mpumalanga;
  – numbers 2 and 4 seams are thermal coal, washed and supplied to Eskom (95% of saleable tons) and 5 seam is supplied to the domestic metallurgical market (5% of saleable tons);
  – opencast mine;
– 2.4 Mt of sales volumes in the year ended 31 March 2016 (“FY2016”); and
– the resources and reserve statement included in the Independent Competent Persons’ Report on the coal assets of Keaton Energy prepared by Yennyn Deloitte (Pty) Limited (“Yennyn Deloitte”), dated 31 January 2017 (“CPR”) reflected a resource of 110.47 Mt and a reserve of 41.26 Mt. The Resource and Reserve allocated to Vangatfontein is split between Vangatfontein East and Vangatfontein West. The delineation East and West is a road that passes through the property.

• Moabsvelden
  – Moabsvelden is located 13 km from Delmas, Mpumalanga and was acquired by Keaton Energy in February 2014 as the significant component of the acquisition of 100% of the ordinary issued shares in Xceed Resources Limited (“Xceed”) (“Xceed Acquisition”);
  – the mine is located 3 km from Vangatfontein and will be incorporated into the Vangatfontein complex. Material will be transported from Moabsvelden to Vangatfontein where it will be washed. An additional washing plant line is to be constructed at Vangatfontein for this purpose;
  – the seams, mining and off-take are similar to Vangatfontein. The mining is similarly opencast and almost the entire production is for the export market; and
  – the resources and reserve statement included in the CPR reflected a resource of 47.77 Mt and a reserve of 39.86 Mt.

• Balgray and Koudelager
  – these are both underground anthracite mines located 50 km from Vryheid, KwaZulu-Natal and Balgray is 117 km away.

• Braakfontein
  – Braakfontein is located 10 km from Newcastle, KwaZulu-Natal. Mining will substantially be underground and revenue is substantially to be derived from exports.

• Sterkfontein
  – Sterkfontein is located 10 km from Bethal, Mpumalanga and has a resource of 90.93 Mt; and
  – mining will be underground and revenue is substantially to be derived from exports.

• Bankfontein and Roodepoort
  – Bankfontein is 30 km from Ermelo, Mpumalanga, has a resource of 11.78 Mt and is expected to be mined using both opencast and underground methods;
  – Roodepoort is 6 km from Kriel, Mpumalanga, has a resource of 26.35 Mt and is expected to be mined using underground methods;
  – both prospects were acquired with the Xceed Acquisition and Keaton Energy has an attributable 15% interest in both these prospects; and
  – these prospects are at early stage with no mining plan or discounted cash flow (“DCF”) models available.

For mining companies, the quality and quantity of its underlying mineral resources forms the basis for the Company’s intrinsic value. An extract of Keaton Energy’s mineral resource statements as at 31 January 2017 per the CPR is shown below:

<table>
<thead>
<tr>
<th>Project</th>
<th>Inferred</th>
<th>Indicated</th>
<th>Measured</th>
<th>Total resource</th>
<th>Probable</th>
<th>Proved</th>
<th>Total reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vangatfontein</td>
<td>21.40</td>
<td>89.07</td>
<td></td>
<td>110.47</td>
<td>9.61</td>
<td>31.65</td>
<td>41.26</td>
</tr>
<tr>
<td>Moabsvelden</td>
<td></td>
<td>47.77</td>
<td></td>
<td>47.77</td>
<td>3.95</td>
<td>35.91</td>
<td>39.86</td>
</tr>
<tr>
<td>Roodepoort</td>
<td>12.23</td>
<td>8.88</td>
<td></td>
<td>26.35</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sterkfontein</td>
<td>40.64</td>
<td>50.29</td>
<td>0.24</td>
<td>90.93</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Bankfontein</td>
<td>10.56</td>
<td>0.98</td>
<td>0.24</td>
<td>11.78</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Braakfontein</td>
<td>60.06</td>
<td>60.06</td>
<td></td>
<td>60.06</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56.44</strong></td>
<td><strong>144.96</strong></td>
<td><strong>145.96</strong></td>
<td><strong>347.36</strong></td>
<td><strong>13.56</strong></td>
<td><strong>67.56</strong></td>
<td><strong>81.12</strong></td>
</tr>
</tbody>
</table>

**Overview of Wescoal operations**

Wescoc, through its subsidiaries, engages in mining, processing, supplying, selling, and distributing coal and coal-related products. The Group operates through two subsidiaries, Wescoal Mining and Wescoal Trading. Wescoal Mining is responsible for the mining, processing, hauling of thermal coal by road and rail, and drilling and exploration of its own coal reserves.
Wescoal Mining owns and operates three thermal coal mines and a processing plant which are briefly described below:

- **Wescoal Elandspruit Mine**
  - Wescoal's flagship mine located on the old Witbank road in Emalahleni, Mpumalanga; and
  - Wescoal Elandspruit Mine is an open cast and underground mine with resources of approximately 26.76 Mt and has 11 years remaining estimated life of mine ("LoM").

- **Intibane Complex**
  - located approximately 14 km west of Ogies in Mpumalanga; and
  - Intibane 2 is an open cast mine with resources of approximately 1.68 Mt and remaining LoM of 1.6 years;

- **Khanyisa Complex**
  - located approximately 10 km west of Ogies in Mpumalanga; and
  - Khanyisa 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 and has reserves of approximately 6.39 Mt and remaining LoM of 5.0 years;

- **Wescoal Processing Plant**
  - located close to Middelburg in Mpumalanga; and
  - its activities comprise of a crushing section, drum, cyclone and fines treatment plants that can produce various grades of small nuts, peas, grains, dust and fine coal products.

Wescoal’s mineral resource statements as at May 2016 is shown below:

<table>
<thead>
<tr>
<th>Project</th>
<th>GTIS (Mt)</th>
<th>TTIS (Mt)</th>
<th>MTIS (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wescoal Elandspruit Mine OC</td>
<td>27.30</td>
<td>24.57</td>
<td>24.57</td>
</tr>
<tr>
<td>Intibane 2</td>
<td>3.06</td>
<td>2.60</td>
<td>2.60</td>
</tr>
<tr>
<td>Khanyisa</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Intibane Colliery</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Catwalk</td>
<td>1.51</td>
<td>1.28</td>
<td>1.28</td>
</tr>
<tr>
<td>Triangle</td>
<td>11.18</td>
<td>10.05</td>
<td>10.05</td>
</tr>
<tr>
<td>Wescoal Elandspruit Mine UG</td>
<td>11.21</td>
<td>10.42</td>
<td>8.51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54.26</strong></td>
<td><strong>48.92</strong></td>
<td><strong>47.01</strong></td>
</tr>
</tbody>
</table>

Khanyisa and Intibane 1 Colliery were mined out during the 2016 financial year resulting in no value being attributed to their coal resource.

Wescoal Trading is responsible for buying, transporting and selling metallurgical coal and anthracite to various domestic customers. For this purpose, it owns and operates three depots in Gauteng and the Western Cape. Approximately 1 Mt of Wescoal Mining’s production is sold via Wescoal Trading to non-Eskom clients, primarily in the Western Cape.

Wescoal also provides logistical services for the sourcing, distribution, and delivery of coal products to the general industry. The Company sources and supplies coal to clients in the local industry, including power generation, manufacturing and petro-chemicals sectors.

**DETAILS AND SOURCES OF INFORMATION**

In arriving at our opinion we have relied upon the following principal sources of information:

- audited annual financial statement of Keaton Energy for the year ended 31 March 2014, 2015 and 2016, reviewed provisional condensed consolidated results for the six months ended 30 September 2016 and unaudited management accounts for the period ended 31 December 2016;
- CPR as at 31 January 2017, prepared by C W de Vries (BCom (Hons), CA (SA) Director and Competent Valuator) on behalf of Venmyn Deloitte;
- mine model and cash flow projection for Vanggatfontein and Moabsvelden prepared by Venmyn Deloitte;
- cash flow forecast prepared by Keaton Energy for the 14 months ending 31 March 2018;
- integrated audited Annual Reports of Wescoal for the years ended 31 March 2015 and 2016, unaudited condensed consolidated interim results for the six months ended 30 September 2016 and management accounts for the period ended 31 December 2016;
• forecast financial information of Wescoal on a consolidated basis, including a split by operation for the five-year period ending 31 March 2021;
• independent Coal Resource CPR for Wescoal prepared by DS Coetzee PhD Geology, (Pr:Sci. Nat.), dated May 2016;
• LoM model and cash flow projection for Wescoal Elandspruit Mine OC and UG, Intibane 2, Catwalk, Triangle, Wescoal Trading and Head Office;
• discussions with Keaton Energy and Wescoal directors and management regarding the rationale for the Proposed Transaction;
• discussions with Keaton Energy and Wescoal directors and management regarding the status of their respective collieries and projects;
• discussions with Keaton Energy and Wescoal directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
• share price information of Wescoal over the last 12 months to assess the relative liquidity of Wescoal Shares; and
• publicly available information relating to the South African and global coal sectors that we deemed to be relevant, including public Company presentations and announcements, proprietary research and media articles.

The information above was secured from:
• directors and management of Keaton Energy and Wescoal and their advisors; and
• third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Keaton Energy and Wescoal.

PROCEDURES AND CONSIDERATIONS

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness and reasonableness of the Proposed Transaction:
• obtained an understanding of the Proposed Transaction;
• reviewed the audited and unaudited financial information related to Keaton Energy and Wescoal and their subsidiaries, as detailed above;
• reviewed the CPR in respect of the Market Valuations and considered the valuation methodology and assumptions applied. Based on our review of the CPR we are satisfied that the valuation approach adopted is consistent with standard valuation practice and the valuation assumptions are consistent with market parameters. Consequently, we are satisfied with the valuation and are placing reliance on the valuation;
• reviewed and obtained an understanding from management of Keaton Energy and Wescoal as to the forecast information in respect of Keaton Energy's and Wescoal's underlying operations/projects, respectively and assessed the achievability thereof by considering historic information as well as macro-economic and sector-specific data;
• held discussions with directors of Keaton Energy and Wescoal and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
• BDO performed a valuation of Keaton Energy. The valuation was based on the following principal valuation methodologies:
  – compiled forecast cash flows for Vanggatfontein and Moabsvelden by using available forecast financial information as contained in the respective cash flow models. Applied BDO’s assumptions of cost of capital to the forecast cash flows to produce discounted cash flow (“DCF”) valuations of Vanggatfontein and Moabsvelden in accordance with the methodology and approach in terms of the guidelines contained in the South African Code for the reporting of Mineral Asset Valuations the South African Code for the reporting of mineral assets valuation 2016 edition (the “SAMVAL Code”) by applying the Income Approach;
  – assessed the market value of Vanggatfontein West, Roodepoort, Sterkfontein, Bankfontein and Braakfontein in accordance with the methodology and approach in terms of the guidelines contained the SAMVAL Code by the Market Approach;
  – determined the net present value (“NPV”) of Keaton Energy’s head office and administration function;
  – aggregated the valuations of Keaton Energy’s mining and mineral assets, as well as adjusting for financial assets and financial liabilities to determine a sum-of-the-parts (“SOTP”) valuation of Keaton Energy;
  – assessed the long-term potential of Keaton Energy, with respect to the Company’s operations, mineral resources and development plans;
  – performed a sensitivity analysis on key assumptions included in the DCF valuations; and
  – evaluated the relative risks associated with Keaton Energy’s collieries and projects and the South African and global coal sectors;
• BDO performed a valuation of Wescoal. The valuation was based on the following principal valuation methodologies:
  – compiled forecast free cash flows for Wescoal Elandspruit Mine OC and UG, Intibane 2, Catwalk and Triangle by using the historic and forecast financial information as detailed above. Applied BDO's assumptions of cost of capital to the forecast cash flows to produce DCF valuations for Wescoal Elandspruit Mine OC and UG, Intibane 2, Catwalk and Triangle in accordance with the methodology and approach in terms of the guidelines contained in the SAMVAL Code by applying the Income Approach;
  – determined the NPV of Wescoal Trading;
  – aggregated the valuations of Wescoal's mining and mineral assets, trading operations and other projects, as well as adjusting for financial assets and financial liabilities to determine a SOTP valuation of Wescoal;
  – performed a sensitivity analysis on key assumptions included in the DCF valuations; and
  – assessed the long-term potential of Wescoal.
• reviewed certain publicly available information relating to Keaton Energy, Wescoal and the South African and global coal sectors that we deemed to be relevant, including Company announcements and media articles;
• where relevant, representations made by management and/or advisors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the operations and forecasts of Keaton Energy's and Wescoal's underlying operations/projects, and to analyse external factors that could influence the business; and
• held discussions with directors and management of Keaton Energy and Wescoal regarding the past and current business operations, regulatory requirements, financial condition and future prospects of the companies and such other matters as we have deemed relevant to our inquiry.

ASSUMPTIONS
We arrived at our opinion based on the following assumptions:
• that all agreements that are to be entered into in terms of the Proposed Transaction will be legally enforceable;
• that the Proposed Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Keaton Energy and Wescoal; and
• that reliance can be placed on the financial information of Keaton Energy and Wescoal.

APPROPRIATENESS AND REASONABILITY OF UNDERLYING INFORMATION AND ASSUMPTIONS
We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:
• conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
• determining the extent to which representations from management were confirmed by documentary evidence as well as our understanding of Keaton Energy and Wescoal and the economic environment in which the companies operate.

DIRECTORS' INTERESTS
In accordance with section 114(3)(e) of the Companies Act, we confirm that the directors of Keaton Energy have the following interests in Keaton Energy Shares:

<table>
<thead>
<tr>
<th>Director's name</th>
<th>Nature of Interest</th>
<th>Number of shares</th>
<th>% of issued stated capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Pouroulis</td>
<td>Indirect, beneficial</td>
<td>43 738 428</td>
<td>14.94</td>
</tr>
<tr>
<td>JD Salter</td>
<td>Indirect, beneficial</td>
<td>2 450 000</td>
<td>0.84</td>
</tr>
<tr>
<td>APE Sedibe</td>
<td>Indirect, beneficial</td>
<td>35 669 897</td>
<td>12.19</td>
</tr>
<tr>
<td>AB Glad</td>
<td>Indirect, beneficial</td>
<td>34 271 077</td>
<td>11.71</td>
</tr>
<tr>
<td>AB Glad</td>
<td>Direct, beneficial</td>
<td>68 000</td>
<td>0.02</td>
</tr>
<tr>
<td>J Rossouw</td>
<td>Direct, beneficial</td>
<td>50 000</td>
<td>0.02</td>
</tr>
<tr>
<td>OP Sadler</td>
<td>Direct, beneficial</td>
<td>114 285</td>
<td>0.04</td>
</tr>
</tbody>
</table>
LIMITING CONDITIONS

This opinion is provided in connection with and for the purposes of the Proposed Transaction. The opinion does not purport to cater for each individual Shareholder’s perspective, but rather that of the general body of Shareholders.

Individual Shareholders’ decisions regarding the Proposed Transaction may be influenced by such Shareholders’ particular circumstances and accordingly individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Proposed Transaction.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

We have also assumed that the Proposed Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of Keaton Energy and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

INDEPENDENCE, COMPETENCE AND FEES

We confirm that neither we nor any related person with us have a direct or indirect interest in the Offer Shares or the Proposed Transaction nor any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by regulation 90(6)(i) and regulation 90(3)(a) of the Companies Regulations, that we are independent in relation to the Proposed Transaction and will reasonably be perceived to be independent taking into account other existing relationships and appointments. We also confirm that we have the necessary competence to provide the Fair and Reasonable Opinion on the Proposed Transaction and meet the criteria set out in section 114(2)(a) of the Companies Act.

Furthermore, we confirm that our professional fees of R325 000 (excluding VAT) are payable in cash and are not contingent upon the success of the Proposed Transaction.

VALUATION APPROACH

Keaton Energy

BDO performed a valuation of Keaton Shares on a SOTP basis to determine whether the Proposed Transaction is fair to the Keaton Shareholders.

The mineral assets of Keaton Energy are the primary value drivers and we conducted a mineral asset valuation for all mineral assets by applying the methodology and approach in accordance with the guidelines contained in the SAMVAL Code. The valuation of Keaton Energy has been based upon an aggregation of the value of the Company’s underlying operations and mineral assets, comprising:

- the value of individual projects and mineral assets derived using appropriate methodologies for production, development and exploration assets;
- net debt and cash as at 31 December 2016; and
- for Keaton Energy, we have determined the NPV of the unallocated head office and administration costs. Unallocated corporate costs amount to c. between R2.0 and R3.0 million per month. The pre-tax corporate costs were discounted at a borrowing rate of 10.5% for the remaining life for Keaton Energy’s current projects.

The valuation encompasses the mineral assets detailed below and the applicable valuation methods:

<table>
<thead>
<tr>
<th>Mineral Asset</th>
<th>Development stage</th>
<th>Attributable interest</th>
<th>Preferred valuation method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanggatfontein Colliery</td>
<td>Operational</td>
<td>100%</td>
<td>DCF</td>
</tr>
<tr>
<td>Vanggatfontein West Resource Block</td>
<td>Exploration</td>
<td>100%</td>
<td>Market</td>
</tr>
<tr>
<td>Moabsvelden Project</td>
<td>Feasibility</td>
<td>74%</td>
<td>DCF</td>
</tr>
<tr>
<td>Roodepoort Project</td>
<td>Exploration</td>
<td>15%</td>
<td>Market</td>
</tr>
<tr>
<td>Sterkfontein Project</td>
<td>Exploration</td>
<td>100%</td>
<td>Market</td>
</tr>
<tr>
<td>Bankfontein Project</td>
<td>Exploration</td>
<td>15%</td>
<td>Market</td>
</tr>
<tr>
<td>Braakfontein Project</td>
<td>Exploration</td>
<td>100%</td>
<td>Market</td>
</tr>
</tbody>
</table>
The valuations of Vangatfontein and Moabsvelden have been performed by applying the Income Approach. The Income Approach is based on NPV that is derived using a DCF technique applied to the post-tax pre-finance cash flows.

External value drivers include key macro-economic parameters such as, GDP growth (forecast to improve to 2.4% growth by 2021 from 0.8% in 2017), interest rates (the prime lending rate at 10.75% for the forecast period), exchange rates (R/US$ exchange rate range of R/US$11.44 to R/US$13.47), headline inflation rates (5.6% in 2017 and remaining constant at 5.5% over the period to 2021) and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of Keaton Energy.

The external value driver to the DCF is the price assumption for domestic and export products. Key internal value drivers include discount rates, production rates and the estimated LoM, operating costs, royalties and capital expenditure requirements. The key input parameters used in the DCF valuations include, inter alia:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Vangatfontein</th>
<th>Moabsvelden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Opencast – 5, 4 and 2 seams</td>
<td>Export (&gt;94%)</td>
</tr>
<tr>
<td></td>
<td>Eskom (95%)</td>
<td>Domestic metallurgical market (5%)</td>
</tr>
<tr>
<td>Status</td>
<td>Operational</td>
<td>Feasibility</td>
</tr>
<tr>
<td>LoM</td>
<td>2029 (12 years)</td>
<td>2019 – 2036 (18 years)</td>
</tr>
<tr>
<td>Saleable Tonnes (product)</td>
<td>26.18 Mt</td>
<td>21.9 Mt</td>
</tr>
<tr>
<td>Yield (average)</td>
<td>5 seam – 51%</td>
<td>57.7%</td>
</tr>
<tr>
<td></td>
<td>4, 2 seams – 63%</td>
<td></td>
</tr>
<tr>
<td>Average royalty</td>
<td>3.27%</td>
<td>6.94%</td>
</tr>
<tr>
<td>Capital expenditure (LOM)</td>
<td>R85.15 million</td>
<td>R488.25 million</td>
</tr>
<tr>
<td>Discount rate – real</td>
<td>12.0%</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

Vangatfontein West was valued using the Market Approach as the primary valuation methodology and the Cost Approach as a secondary methodology.

The Market Approach takes into account comparable transactions relating to the sale, joint venture or farm-in/farm-out of mineral assets. Such transactions may be used as a guide to, or means of, valuation. For a transaction to be considered comparable it should be similar to the asset being valued in terms of location, timing and commodity, and the transaction must be regarded as being of “arm’s-length”. Key external value drivers of the Market Approach valuation included the range of values in respect of comparable transactions, which are influenced by:

- location of mineral deposits;
- proposed mining method and stripping ratio, where applicable;
- the quality of the coal deposits;
- the classified coal mineral resources;
- infrastructure and logistics; and
- timing of potential exploitation.

The key input parameters used in the Market valuations are the MTIS shown in the tables below as well as the comparable value ranges which were extracted from the CPR.
<table>
<thead>
<tr>
<th>Project</th>
<th>Resource class</th>
<th>MTIS (Mt)</th>
<th>Upper</th>
<th>Lower</th>
<th>Lower</th>
<th>Upper</th>
<th>Preferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanggatfontein West</td>
<td>Measured</td>
<td>35.51</td>
<td>1.20</td>
<td>5.00</td>
<td>42.61</td>
<td>177.54</td>
<td>42.61</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>21.40</td>
<td>1.20</td>
<td>2.40</td>
<td>25.68</td>
<td>51.36</td>
<td>25.68</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>56.91</strong></td>
<td><strong>2.40</strong></td>
<td><strong>7.40</strong></td>
<td><strong>68.29</strong></td>
<td><strong>228.90</strong></td>
<td><strong>68.29</strong></td>
</tr>
<tr>
<td>Roodepoort</td>
<td>Measured</td>
<td>8.80</td>
<td>2.00</td>
<td>3.00</td>
<td>17.60</td>
<td>26.40</td>
<td>22.00</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>11.60</td>
<td>1.00</td>
<td>2.00</td>
<td>11.60</td>
<td>23.20</td>
<td>17.40</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>4.70</td>
<td>0.40</td>
<td>0.60</td>
<td>1.88</td>
<td>2.82</td>
<td>2.35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>25.10</strong></td>
<td><strong>3.40</strong></td>
<td><strong>5.60</strong></td>
<td><strong>31.08</strong></td>
<td><strong>52.42</strong></td>
<td><strong>41.75</strong></td>
</tr>
<tr>
<td>Sterkfontein</td>
<td>Measured</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>50.30</td>
<td>1.20</td>
<td>2.40</td>
<td>60.36</td>
<td>120.72</td>
<td>90.54</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>40.70</td>
<td>0.60</td>
<td>0.80</td>
<td>24.42</td>
<td>32.56</td>
<td>28.49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>91.00</strong></td>
<td><strong>1.80</strong></td>
<td><strong>3.20</strong></td>
<td><strong>84.78</strong></td>
<td><strong>153.28</strong></td>
<td><strong>119.03</strong></td>
</tr>
<tr>
<td>Bankfontein</td>
<td>Measured</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>5.10</td>
<td>1.00</td>
<td>2.00</td>
<td>5.10</td>
<td>10.20</td>
<td>7.65</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>11.00</td>
<td>0.40</td>
<td>0.80</td>
<td>4.40</td>
<td>8.80</td>
<td>6.60</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>16.10</strong></td>
<td><strong>1.40</strong></td>
<td><strong>2.80</strong></td>
<td><strong>9.50</strong></td>
<td><strong>19.00</strong></td>
<td><strong>14.25</strong></td>
</tr>
<tr>
<td>Braakfontein</td>
<td>Measured</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>60.10</td>
<td>1.20</td>
<td>2.40</td>
<td>72.12</td>
<td>144.24</td>
<td>108.18</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>60.10</strong></td>
<td><strong>1.20</strong></td>
<td><strong>2.40</strong></td>
<td><strong>72.12</strong></td>
<td><strong>144.24</strong></td>
<td><strong>108.18</strong></td>
</tr>
</tbody>
</table>

The risk of each project is expressed in the discount rate applied to the projected future project cash flows. The valuations were re-performed using base case assumptions and applying a range of discount rates based on different risk scenarios, including market risk, financing risk, mining risk and operational risk. The sensitivity analysis was performed by increasing and decreasing the base case discount rate by a maximum of 1.0%. The discount rate sensitivity analysis did not indicate a sufficient effect on the valuation of Keaton Energy to alter our opinion in respect of the Proposed Transaction.

Balance sheet adjustments for cash and debt were effected at carrying values, after confirming that such carrying values represent fair market value in terms of International Financial Reporting Standards ("IFRS").
BDO performed a valuation of Wescoal Shares on a SOTP basis.

The mineral assets of Wescoal are the primary value drivers and we conducted a mineral asset valuation for all mineral assets by applying the methodology and approach in accordance with the guidelines contained in the SAMVAL Code. The valuation of Wescoal has been based upon an aggregation of the value of the Company’s underlying operations and mineral assets, comprising:

- The value of individual projects and mineral assets derived using appropriate methodologies for production and development assets; and
- Net debt and cash as at 31 December 2016.

The valuation encompasses the mineral assets detailed below and the applicable valuation methods:

<table>
<thead>
<tr>
<th>Mining and mineral asset</th>
<th>Development stage</th>
<th>Preferred valuation method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wescoal Elandspruit Mine OC and UG</td>
<td>Operational</td>
<td>DCF</td>
</tr>
<tr>
<td>Intibane 2</td>
<td>Operational</td>
<td>DCF</td>
</tr>
<tr>
<td>Catwalk</td>
<td>Care and maintenance</td>
<td>DCF</td>
</tr>
<tr>
<td>Triangle</td>
<td>Pre-development</td>
<td>DCF</td>
</tr>
</tbody>
</table>

The valuations of Wescoal Elandspruit Mine OC and UG, Intibane 2, Catwalk and Triangle have been performed by applying the Income Approach. The Income Approach is based on NPV that is derived using a DCF technique applied to the post-tax pre-finance cash flows.

External value drivers include key macro-economic parameters such as, GDP growth (forecast to improve to 2.4% growth by 2021 from 0.8% in 2017), interest rates (the prime lending rate at 10.75% for the forecast period), exchange rates (R/US$ exchange rate range of R/US$11.44 to R/US$13.47), headline inflation rates (5.6% in 2017 and remaining constant at 5.5% over the period to 2021) and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of Wescoal.

The external value driver to the DCF is the price assumption for domestic and export products. Key internal value drivers include discount rates, production rates and the estimated LoM, operating costs, royalties and capital expenditure requirements.
The key input parameters used in the DCF valuations include *inter alia*:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Wescoal Elandspruit Mine</th>
<th>Intibane 2</th>
<th>Catwalk</th>
<th>Triangle</th>
<th>Wescoal Trading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td>Opencast</td>
<td>Opencast</td>
<td>Opencast selective</td>
<td>Opencast</td>
<td>Logistics and depot infrastructure</td>
</tr>
<tr>
<td></td>
<td>– 4, 3, 2 and 1 seams and underground selective 2 and 1 seam</td>
<td>– 4 and 2 seams</td>
<td>4 and 2 seams (2 mostly pillar mining)</td>
<td>4 and 2 seams plus underground</td>
<td></td>
</tr>
<tr>
<td><strong>Status</strong></td>
<td>Operational</td>
<td>Operational</td>
<td>Care and maintenance.</td>
<td>Pre-development. Mining will commence once mining right approved</td>
<td>Operational</td>
</tr>
<tr>
<td><strong>LoM</strong></td>
<td>11 years</td>
<td>1.6 years</td>
<td>2.92 years</td>
<td>5.0 years</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Saleable Tonnes</strong></td>
<td>26.76 Mt</td>
<td>1.68 Mt</td>
<td>1.16 Mt</td>
<td>5.23 Mt</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Yield</strong></td>
<td>78.53%</td>
<td>95%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Average royalty</strong></td>
<td>3.7%</td>
<td>3.0%</td>
<td>0.6%</td>
<td>2.7%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td>R141.2 million</td>
<td>R5.3 million</td>
<td>R3.9 million</td>
<td>R38.4 million</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Discount rate</strong></td>
<td>12.0%</td>
<td>11.0%</td>
<td>11.0%</td>
<td>11.0%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

Khanyisa and the Intibane 1 Colliery have been mined out and due to this no value has been attributed to these projects.

The risk of each project is expressed in the discount rate applied to the projected future project cash flows. The valuations were re-performed using base case assumptions and applying a range of discount rates based on different risk scenarios, including market risk, financing risk, mining risk and operational risk. The sensitivity analysis was performed by increasing and decreasing the base case discount rate by a maximum of 1.0%. The discount rate sensitivity analysis did not indicate a sufficient effect on the valuation of Wescoal to alter our opinion in respect of the Proposed Transaction.

Balance sheet adjustments for cash and debt were effected at carrying values, after confirming that such carrying values represent fair market value in terms of IFRS.
VALUATION RESULTS

In undertaking the valuation exercise above, we determined the following valuation ranges:

<table>
<thead>
<tr>
<th>Rand</th>
<th>Keaton Energy</th>
<th>Wescoal</th>
<th>Cash component</th>
<th>Implied ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low end of range</td>
<td>1.95</td>
<td>2.69</td>
<td>1.20</td>
<td>0.28</td>
</tr>
<tr>
<td>Core value</td>
<td>2.29</td>
<td>2.83</td>
<td>1.20</td>
<td>0.38</td>
</tr>
<tr>
<td>High end of range</td>
<td>2.50</td>
<td>2.97</td>
<td>1.20</td>
<td>0.44</td>
</tr>
</tbody>
</table>

Based on the above value ranges the minimum number of Wescoal Shares to be issued as consideration for each Keaton Energy Share would be 0.28 Wescoal Shares for each Keaton Energy Share. The Offer Consideration of 0.30 Wescoal Shares for each Keaton Energy Share falls within the suggested range calculated from our valuation.

The valuations above are provided solely in respect of this fair and reasonable opinion and should not be used for any other purposes.

REASONABLENESS OF THE OFFER CONSIDERATION

The Offer Consideration represents a premium of:

- 24.14% to the closing price per share on the JSE as at 1 February 2017, being the last business day immediately prior to the date of publication of the Offer; and
- 33.92% to the volume weighted average price (“VWAP”) of the Shares on the JSE for the 30-days up to the date of publication of the Offer.

EFFECTS OF THE PROPOSED TRANSACTION ON THE RIGHTS AND INTEREST OF KEATON ENERGY SHAREHOLDERS

In accordance with section 114(3)(c) and section 114(3)(f) of the Companies Act, we confirm that the impact of the Proposed Transaction on the rights and interests of Keaton Energy Shareholders, including the directors of Keaton Energy that are Keaton Energy Shareholders, are that the Proposed Transaction will result in the expropriation of all the Offer Shares from Keaton Energy Shareholders, in the case of the Scheme.

Keaton Energy Shareholders will, to the extent their Shares are acquired by Wescoal pursuant to the Proposed Transaction, no longer hold those Shares and will to that extent no longer have the rights of shareholders or a financial interest in Keaton Energy.

The effects of the Proposed Transaction on Keaton Energy directors and their other interests, as required by section 114(3)(f):

- in respect of Employee Options held by Keaton Energy directors, are that such Employee Options shall be dealt with in the manner set out in paragraph 22.3 of the Circular; and
- in respect of remuneration of Keaton Energy directors, are as set out in paragraph 13 of the Circular.

OPINION

The Offer Consideration represents a premium of 24.14% to the closing price per Share on the JSE on 1 February 2017 and within the suggested range calculated from our valuation. The rationale for the Proposed Transaction is set out in paragraph 1 of the Circular. We are not aware of any material adverse effects of the Proposed Transaction.

BDO has considered the proposed terms and conditions of the Offer, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Offer, in respect of the Scheme and Standby Offer, based on quantitative considerations, are fair to the Keaton Energy Shareholders.

Furthermore, as the Offer Consideration represents a premium to the closing price per Share on the JSE on the day prior to the publication of the Offer as well as to VWAP of the Shares on the JSE for the 30-days up to the date of publication of the Offer and based on qualitative factors, we are of the opinion that the terms and conditions of the Offer are reasonable from the perspective of Keaton Energy Shareholders.

Our opinion is necessarily based upon the information available to us up to 21 April 2017, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the Proposed Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.
CONSENT

We hereby consent to the inclusion of this letter and references thereto in the Circular in the form and context in which they appear.

Yours faithfully

N Lazanakis
Director

BDO Corporate Finance Proprietary Limited
22 Wellington Road
Parktown
2193

The statements of profit and loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accounting policies for the three years ended 31 March 2014, 31 March 2015 and 31 March 2016 and the six months ended 30 September 2016 presented below have been extracted, without adjustment, from the audited annual financial statements of the Group and from Keaton Energy’s interim results respectively. The audited annual financial statements of Keaton Energy have been prepared in accordance with IFRS and have been reported on without qualification by KPMG Inc. Keaton Energy’s interim results have been prepared in accordance with International Reporting Standard, (IAS)34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. Keaton Energy’s interim results were reviewed by KPMG Inc. with an unmodified review conclusion. The detailed notes to the annual financial statements can be viewed on the Keaton Energy website (http://www.keatonenergy.co.za/).
## Condensed interim consolidated statement of profit or loss and other comprehensive income
for the six months ended 30 September 2016

### CONTINUING OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September 2016</th>
<th>R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td>580 405</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td></td>
<td>(490 861)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td></td>
<td>89 544</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td>31 750</td>
</tr>
<tr>
<td><strong>Mining and related expenses</strong></td>
<td></td>
<td>(20 332)</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td></td>
<td>(22 630)</td>
</tr>
<tr>
<td><strong>Operating profit before net finance cost</strong></td>
<td></td>
<td>78 332</td>
</tr>
<tr>
<td><strong>Net finance cost</strong></td>
<td></td>
<td>(27 889)</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td></td>
<td>2 165</td>
</tr>
<tr>
<td><strong>Finance cost</strong></td>
<td></td>
<td>(30 054)</td>
</tr>
<tr>
<td><strong>Net profit before taxation</strong></td>
<td></td>
<td>50 443</td>
</tr>
<tr>
<td><strong>Income taxation expense</strong></td>
<td></td>
<td>(12 191)</td>
</tr>
<tr>
<td><strong>Net profit from continuing operations</strong></td>
<td></td>
<td>38 252</td>
</tr>
<tr>
<td><strong>DISCONTINUED OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loss from discontinued operations, net of taxation</strong></td>
<td></td>
<td>(17 240)</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td></td>
<td>21 012</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Items that may be reclassified to profit or loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Foreign currency translation reserve gain</strong></td>
<td></td>
<td>106</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td></td>
<td>21 118</td>
</tr>
<tr>
<td><strong>Net profit attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Owners of the Company</strong></td>
<td></td>
<td>20 835</td>
</tr>
<tr>
<td><strong>Non-controlling interest</strong></td>
<td></td>
<td>177</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to:</strong></td>
<td></td>
<td>21 012</td>
</tr>
<tr>
<td><strong>Owners of the Company</strong></td>
<td></td>
<td>20 941</td>
</tr>
<tr>
<td><strong>Non-controlling interest</strong></td>
<td></td>
<td>177</td>
</tr>
<tr>
<td><strong>Earnings per share</strong></td>
<td></td>
<td>21 118</td>
</tr>
<tr>
<td><strong>Basic earnings per share (cents)</strong></td>
<td></td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Diluted earnings per share (cents)</strong></td>
<td></td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Earnings per share – continuing operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic earnings per share (cents)</strong></td>
<td></td>
<td>13.0</td>
</tr>
<tr>
<td><strong>Diluted earnings per share (cents)</strong></td>
<td></td>
<td>13.0</td>
</tr>
</tbody>
</table>
## Condensed interim consolidated statement of financial position at 30 September 2016

<table>
<thead>
<tr>
<th></th>
<th>At 30 September 2016</th>
<th>R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>646 280</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>503 665</td>
<td></td>
</tr>
<tr>
<td>Investments and loans</td>
<td>5 221</td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>7 423</td>
<td></td>
</tr>
<tr>
<td>Restricted investments</td>
<td>30 326</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1 192 915</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>34 394</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>128 564</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>34 251</td>
<td></td>
</tr>
<tr>
<td>Assets held-for-sale</td>
<td>63 056</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>260 265</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>1 453 180</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stated capital</td>
<td>850 051</td>
<td></td>
</tr>
<tr>
<td>Share-based payment reserve</td>
<td>35 616</td>
<td></td>
</tr>
<tr>
<td>Other reserves</td>
<td>21 031</td>
<td></td>
</tr>
<tr>
<td>Accumulated loss</td>
<td>(444 975)</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity attributable to owners of the Company</strong></td>
<td>461 723</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>54 189</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>515 912</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>183 128</td>
<td></td>
</tr>
<tr>
<td>Mine closure and environmental rehabilitation provision</td>
<td>264 161</td>
<td></td>
</tr>
<tr>
<td>Vendor liability</td>
<td>31 769</td>
<td></td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>130 810</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>609 868</td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>125 913</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>129 341</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>7 793</td>
<td></td>
</tr>
<tr>
<td>Liabilities held-for-sale</td>
<td>64 353</td>
<td></td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>327 400</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>1 453 180</td>
<td></td>
</tr>
</tbody>
</table>
### Condensed interim consolidated statement of cash flows for the six months ended 30 September 2016

<table>
<thead>
<tr>
<th></th>
<th>At 30 September 2016 R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>228 302</strong></td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td><strong>(190 468)</strong></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td><strong>(52 440)</strong></td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td><strong>(14 606)</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td><strong>48 885</strong></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td><strong>34 279</strong></td>
</tr>
</tbody>
</table>
Condensed interim consolidated statements of changes in equity for the six months ended 30 September 2016

<table>
<thead>
<tr>
<th></th>
<th>Stated capital R'000</th>
<th>Share-based payment reserve R'000</th>
<th>Other reserves R'000</th>
<th>Accumulated loss R'000</th>
<th>Total equity attributable to owners of the Company R'000</th>
<th>Non-controlling interest (NCI) R'000</th>
<th>Total equity R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 31 March 2016</strong></td>
<td>850 051</td>
<td>33 665</td>
<td>20 925</td>
<td>(465 810)</td>
<td>438 831</td>
<td>54 012</td>
<td>492 843</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>20 835</td>
<td>20 835</td>
<td>177</td>
<td>21 012</td>
</tr>
<tr>
<td>Other comprehensive income for the period</td>
<td>–</td>
<td>–</td>
<td>106</td>
<td>–</td>
<td>106</td>
<td>–</td>
<td>106</td>
</tr>
<tr>
<td>Transactions with owners of the Company recognised directly in equity</td>
<td>–</td>
<td>1 951</td>
<td>–</td>
<td>–</td>
<td>1 951</td>
<td>–</td>
<td>1 951</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>–</td>
<td>1 951</td>
<td>–</td>
<td>–</td>
<td>1 951</td>
<td>–</td>
<td>1 951</td>
</tr>
<tr>
<td><strong>Balance at 30 September 2016</strong></td>
<td>850 051</td>
<td>35 616</td>
<td>21 031</td>
<td>(444 975)</td>
<td>461 723</td>
<td>54 189</td>
<td>515 912</td>
</tr>
</tbody>
</table>
## Statements of profit or loss and other comprehensive income for the years ended 31 March 2014, 31 March 2015 and 31 March 2016

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>Year ended 31 March (Restated)*</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016 R</td>
<td>2015 R</td>
</tr>
<tr>
<td><strong>CONTINUING OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1 032 079 534</td>
<td>1 181 054 551</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(868 776 745)</td>
<td>(968 938 863)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>163 302 789</td>
<td>212 115 688</td>
</tr>
<tr>
<td>Other income</td>
<td>41 192 246</td>
<td>11 335 914</td>
</tr>
<tr>
<td>Mining and related expenses</td>
<td>(181 966 055)</td>
<td>(21 140 910)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(139 036 414)</td>
<td>(75 002 334)</td>
</tr>
<tr>
<td>Operating (loss)/profit before net finance (cost)/income</td>
<td>(116 507 434)</td>
<td>127 308 358</td>
</tr>
<tr>
<td>Net finance (cost)/income</td>
<td>(54 159 822)</td>
<td>(48 103 717)</td>
</tr>
<tr>
<td>Finance income</td>
<td>4 045 902</td>
<td>5 277 590</td>
</tr>
<tr>
<td>Finance cost</td>
<td>(58 205 724)</td>
<td>(53 381 307)</td>
</tr>
<tr>
<td>Net (loss)/profit before taxation</td>
<td>(170 667 256)</td>
<td>79 204 641</td>
</tr>
<tr>
<td>Income taxation credit/(expense)</td>
<td>2 167 629</td>
<td>(42 188 623)</td>
</tr>
<tr>
<td><strong>Net (loss)/profit from continuing operations</strong></td>
<td>(168 499 627)</td>
<td>37 016 018</td>
</tr>
<tr>
<td><strong>DISCONTINUED OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from discontinued operations, net of taxation</td>
<td>(128 776 357)</td>
<td>(108 870 925)</td>
</tr>
<tr>
<td>Net (loss)/profit for the year</td>
<td>(297 275 984)</td>
<td>(71 854 907)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation differences</td>
<td>1 840 820</td>
<td>(130 247)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>(295 435 164)</td>
<td>(71 985 154)</td>
</tr>
<tr>
<td>Net (loss)/profit attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the Company</td>
<td>(250 587 708)</td>
<td>(31 028 870)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(46 688 276)</td>
<td>(40 826 037)</td>
</tr>
<tr>
<td><strong>(297 275 984)</strong></td>
<td><strong>(71 854 907)</strong></td>
<td><strong>64 422 088</strong></td>
</tr>
<tr>
<td>Total comprehensive income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the Company</td>
<td>(248 746 888)</td>
<td>(31 159 117)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(46 688 276)</td>
<td>(40 826 037)</td>
</tr>
<tr>
<td><strong>(295 435 164)</strong></td>
<td><strong>(71 985 154)</strong></td>
<td><strong>64 777 654</strong></td>
</tr>
</tbody>
</table>

Earnings per share

| Basic earnings per share (cents) | (99.7) | (13.8) | 30.3 |
| Diluted earnings per share (cents) | (99.7) | (13.8) | 30.0 |

Earnings per share – continuing operations

| Basic earnings per share (cents) | (62.2) | 12.6 |
| Diluted earnings per share (cents) | (62.2) | 12.4 |

*The 31 March 2015 Group results have been restated for the effects of the application of IFRS 5 Non-current Assets Held-for-sale and Discontinued Operations following management’s decision to dispose of certain operations within the Group (refer to note 10). The statement of financial position and the statement of changes in equity for this period are not required to be restated.*
### Statements of financial position as at the years ended 31 March 2014, 31 March 2015 and 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>At 31 March 2016 R</th>
<th>At 31 March 2015 R</th>
<th>At 31 March 2014 R</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>668 297 215</td>
<td>768 617 910</td>
<td>797 155 080</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>504 568 494</td>
<td>716 434 140</td>
<td>700 688 242</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>–</td>
<td>–</td>
<td>17 143 586</td>
</tr>
<tr>
<td>Investments and loans</td>
<td>5 221 048</td>
<td>5 216 499</td>
<td>5 151 877</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>7 423 204</td>
<td>10 780 613</td>
<td>7 423 204</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>35 225 869</td>
<td>68 305 506</td>
<td>47 268 749</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>–</td>
<td>–</td>
<td>37 610 309</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1 220 735 830</td>
<td>1 569 354 668</td>
<td>1 612 441 047</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>–</td>
<td>–</td>
<td>3 452 896</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>4 167 503</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Inventory</td>
<td>36 650 671</td>
<td>54 110 477</td>
<td>35 081 202</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>105 148 757</td>
<td>179 455 807</td>
<td>151 336 193</td>
</tr>
<tr>
<td>Taxation</td>
<td>916 892</td>
<td>1 901 772</td>
<td>–</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>43 379 396</td>
<td>72 546 393</td>
<td>69 556 044</td>
</tr>
<tr>
<td>Assets held-for-sale</td>
<td>83 812 338</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>274 075 557</td>
<td>308 014 449</td>
<td>259 426 335</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1 494 811 387</td>
<td>1 877 369 117</td>
<td>1 871 867 382</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stated capital</td>
<td>850 050 607</td>
<td>692 928 553</td>
<td>692 928 553</td>
</tr>
<tr>
<td>Share-based payment reserve</td>
<td>33 664 877</td>
<td>26 546 123</td>
<td>18 788 161</td>
</tr>
<tr>
<td>Other reserves</td>
<td>20 925 337</td>
<td>19 084 517</td>
<td>19 214 764</td>
</tr>
<tr>
<td>(Accumulated loss)/retained earnings</td>
<td>(465 810 406)</td>
<td>(103 072 976)</td>
<td>134 101 846</td>
</tr>
<tr>
<td><strong>Total equity attributable to owners of the Company</strong></td>
<td>438 830 415</td>
<td>841 632 169</td>
<td>865 033 324</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>54 012 482</td>
<td>(3 374 543)</td>
<td>51 183 265</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>492 842 897</td>
<td>838 257 626</td>
<td>916 216 589</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>189 605 397</td>
<td>251 740 913</td>
<td>341 837 771</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>–</td>
<td>–</td>
<td>604 497</td>
</tr>
<tr>
<td>Mine closure and environmental rehabilitation provision</td>
<td>263 471 962</td>
<td>270 058 375</td>
<td>215 181 397</td>
</tr>
<tr>
<td>Vendor liability</td>
<td>30 225 541</td>
<td>31 768 646</td>
<td>30 575 067</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>124 275 448</td>
<td>129 179 335</td>
<td>87 357 077</td>
</tr>
<tr>
<td>Deferred income</td>
<td>–</td>
<td>5 417 691</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>607 578 348</td>
<td>688 164 960</td>
<td>675 555 809</td>
</tr>
<tr>
<td>Borrowings</td>
<td>201 682 303</td>
<td>109 375 308</td>
<td>51 712 852</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>–</td>
<td>67 816</td>
<td>–</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>106 183 447</td>
<td>216 843 420</td>
<td>227 101 440</td>
</tr>
<tr>
<td>Taxation</td>
<td>2 731 642</td>
<td>–</td>
<td>1 280 692</td>
</tr>
<tr>
<td>Provisions</td>
<td>–</td>
<td>24 659 987</td>
<td>–</td>
</tr>
<tr>
<td>Liabilities held-for-sale</td>
<td>83 792 750</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>394 390 142</td>
<td>350 946 531</td>
<td>280 094 984</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>1 494 811 387</td>
<td>1 877 369 117</td>
<td>1 871 867 382</td>
</tr>
</tbody>
</table>
# Statements of changes in equity as at the years ended 31 March 2014, 31 March 2015 and 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>Stated capital R</th>
<th>Share capital R</th>
<th>Share premium R</th>
<th>Share-based payment reserve R</th>
<th>Other reserves R</th>
<th>(Accumulated loss)/ retained earnings R</th>
<th>Total equity attributable to owners of the Company R</th>
<th>Non-controlling interest (NCI) R</th>
<th>Total equity R</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 31 March 2013</strong></td>
<td>–</td>
<td>191 663</td>
<td>640 711 274</td>
<td>12 496 640</td>
<td>(18 751 111)</td>
<td>74 572 978</td>
<td>709 221 444</td>
<td>(23 184 564)</td>
<td>686 036 880</td>
</tr>
<tr>
<td><strong>Net profit for the year</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>59 528 868</td>
<td>59 528 868</td>
<td>4 893 220</td>
<td>64 422 088</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the year</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>355 566</td>
<td>–</td>
<td>355 566</td>
<td>–</td>
</tr>
<tr>
<td><strong>Transfer of share capital and share premium to stated capital</strong></td>
<td>640 902 937</td>
<td>(191 663)</td>
<td>(640 711 274)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Transactions with owners of the Company recognised directly in equity</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Ordinary shares issued for cash</strong></td>
<td>58 047 856</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>58 047 856</td>
<td>–</td>
<td>58 047 856</td>
</tr>
<tr>
<td><strong>Share issue expenses</strong></td>
<td>(6 022 240)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6 022 240)</td>
<td>–</td>
<td>(6 022 240)</td>
</tr>
<tr>
<td><strong>Share-based payments</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6 291 521</td>
<td>–</td>
<td>–</td>
<td>6 291 521</td>
<td>–</td>
<td>6 291 521</td>
</tr>
<tr>
<td><strong>Share-based payment reserve relating to the issue of shares at a discount</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>37 610 309</td>
<td>–</td>
<td>37 610 309</td>
<td>–</td>
</tr>
<tr>
<td><strong>Xceed asset acquisition</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>69 474 609</td>
<td>69 474 609</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2014</strong></td>
<td>692 928 553</td>
<td>–</td>
<td>–</td>
<td>18 788 161</td>
<td>19 214 764</td>
<td>134 101 846</td>
<td>865 033 324</td>
<td>51 183 265</td>
<td>916 216 589</td>
</tr>
<tr>
<td><strong>Net loss for the year</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(31 028 870)</td>
<td>(31 028 870)</td>
<td>(40 826 037)</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the year</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(130 247)</td>
<td>–</td>
<td>(130 247)</td>
<td>–</td>
<td>(130 247)</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(13 731 771)</td>
<td>(13 731 771)</td>
</tr>
<tr>
<td><strong>Transactions with owners of the Company recognised directly in equity</strong></td>
<td>Share-based payments</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>7 757 962</td>
<td>–</td>
<td>–</td>
<td>7 757 962</td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2015</strong></td>
<td>692 928 553</td>
<td>–</td>
<td>–</td>
<td>26 546 123</td>
<td>19 084 517</td>
<td>103 072 976</td>
<td>841 632 169</td>
<td>(3 374 543)</td>
<td>838 257 626</td>
</tr>
<tr>
<td></td>
<td>Stated capital R</td>
<td>Share capital R</td>
<td>Share premium R</td>
<td>Share-based payment reserve R</td>
<td>Other reserves R</td>
<td>(Accumulated loss)/retained earnings R</td>
<td>Total equity attributable to owners of the Company R</td>
<td>Non-controlling interest (NCI) R</td>
<td>Total equity R</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>------------------------------</td>
<td>-----------------</td>
<td>----------------------------------</td>
<td>--------------------------------------------</td>
<td>--------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2 505 587 708)</td>
<td>(2 505 587 708)</td>
<td>(46 688 276)</td>
<td>(2 972 275 984)</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1 840 820</td>
<td>–</td>
<td>1 840 820</td>
<td>1 840 820</td>
<td>(7 532 912)</td>
<td>(7 532 912)</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(7 532 912)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions with owners of the Company recognised directly in equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares issued</td>
<td>159 697 224</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>159 697 224</td>
<td>159 697 224</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share issue expenses</td>
<td>(2 575 170)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2 575 170)</td>
<td>(2 575 170)</td>
<td></td>
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</tr>
<tr>
<td>Share-based payments</td>
<td>–</td>
<td>–</td>
<td>7 118 754</td>
<td>–</td>
<td>–</td>
<td>7 118 754</td>
<td>7 118 754</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in ownership interest in subsidiaries</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(3 182 95 674)</td>
<td>(3 182 95 674)</td>
<td>111 608 213</td>
<td>(206 687 461)</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2016</strong></td>
<td><strong>850 050 607</strong></td>
<td>–</td>
<td>–</td>
<td><strong>33 664 877</strong></td>
<td><strong>20 925 337</strong></td>
<td><strong>(465 810 406)</strong></td>
<td><strong>438 830 415</strong></td>
<td><strong>54 012 482</strong></td>
<td><strong>492 842 897</strong></td>
</tr>
<tr>
<td>Year ended</td>
<td>Year ended</td>
<td>Year ended</td>
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</tr>
<tr>
<td>2016</td>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statements of cash flows for the years ended 31 March 2014, 31 March 2015 and 31 March 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
</tr>
<tr>
<td>Cash generated from/(utilised in) operations</td>
</tr>
<tr>
<td>Interest received</td>
</tr>
<tr>
<td>Interest paid</td>
</tr>
<tr>
<td>Taxation received/(paid)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions to property, plant and equipment to expand operations</td>
</tr>
<tr>
<td>Additions to intangible assets</td>
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<tr>
<td>Xceed asset acquisition, net of cash acquired</td>
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<tr>
<td>Proceeds on disposal of property, plant and equipment</td>
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<tr>
<td>Proceeds on disposal of intangible asset</td>
</tr>
<tr>
<td>Investment in restricted investments</td>
</tr>
<tr>
<td>Withdrawal from restricted investments/cash</td>
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<tr>
<td><strong>Net cash from investing activities</strong></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of additional interest in existing subsidiaries</td>
</tr>
<tr>
<td>Proceeds from the issue of shares</td>
</tr>
<tr>
<td>Payment of share issue expenses</td>
</tr>
<tr>
<td>Prepayment for coal offtake received</td>
</tr>
<tr>
<td>Borrowings repaid</td>
</tr>
<tr>
<td>Borrowings raised</td>
</tr>
<tr>
<td>Transaction costs paid relating to finance arrangements</td>
</tr>
<tr>
<td>Dividends paid</td>
</tr>
<tr>
<td><strong>Net cash from financing activities</strong></td>
</tr>
</tbody>
</table>

| Net (decrease)/increase in cash and cash equivalents | (23 661 081) | 2 990 349 | 49 941 894 |
| Cash and cash equivalents at the beginning of the year | 72 546 393 | 69 556 044 | 19 614 150 |
| **Cash and cash equivalents at the end of the year** | 48 885 312 | 72 546 393 | 69 556 044 |
Accounting policies

The principal accounting policies applied in the preparation of the Group and Company financial statements are set out below. These policies have been consistently applied by Group entities in all years presented, unless otherwise stated. These financial statements are presented in South African rand (R), which is the Company’s functional currency. All financial information presented has been rounded to the nearest rand.

Where reference is made in the basis of preparation to the Group, it should be interpreted as being applied to the Group and Company as the context requires.

Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), International Financial Reporting Interpretations Committee (IFRIC), the Companies Act of South Africa and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. The financial statements have been prepared under the historical cost convention, except for the following material items in the statement of financial position:

- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Share-based payments at fair value.

The preparation of the financial statements in accordance with IFRS requires the Group’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. In particular, information about significant areas of estimation uncertainty or where a higher degree of judgement or complexity is involved in applying accounting are disclosed in note 3 to the accounting policies to the annual financial statements.

New standards, amendments to standards and interpretations to existing standards adopted by the Group

None of the new standards, amendments to standards and interpretations to existing standards adopted by the Group during the current financial year had a significant impact on the results of the Group.

New standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, the standards, amendments to standards and interpretations listed below were in issue but not yet effective. These standards and interpretations have not been early adopted by the Group and management is currently evaluating the impact of these on the Group. The Group plans to adopt these standards, amendments to standards and interpretations, where applicable, on the dates when they become effective.

The effective dates given are for financial periods beginning on or after the given date.

- Equity Method in Separate Financial Statements (Amendments to IAS 27) (effective 1 April 2016)
  The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. These amendments are not expected to have a significant impact on the financial statements.

- Disclosure Initiative (Amendments to IAS 1) (effective 1 April 2016)
  The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The Group and Company are assessing the potential impact on the financial statements resulting from these amendments.

- Annual improvements to IFRS 2012 to 2014 cycle (effective 1 April 2016)
  The Board has made amendments to four standards. Except for the amendments to IFRS 5, the amendments will apply retrospectively. The Group and Company are assessing the potential impact on the financial statements resulting from these amendments.

- Disclosure Initiative (Amendments to IAS 7) (effective 1 April 2017)
  The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group and Company are assessing the potential impact on the financial statements resulting from these amendments.
• Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (effective 1 April 2017)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses that are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The Group and Company are assessing the potential impact on the financial statements resulting from these amendments.

• IFRS 15 Revenue from Contracts with Customers (effective 1 April 2018)

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely not have a significant impact on the Group regarding the timing of when revenue is recognised and the amount of revenue recognised; however, extensive new disclosure will be required by the standard. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 31 March 2017 financial statements.

• IFRS 9 Financial Instruments (effective 1 April 2018)

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard could have a significant impact on the Group which will include changes in the measurement bases of the Group’s financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an “incurred loss” model from IAS 39 to an “expected credit loss” model. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the financial statements for the year ending 31 March 2017.

• IFRS 16 Leases (effective 1 April 2019)

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors. The Group and Company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

Consolidation

(i) Asset acquisition

For an asset acquisition, the purchase price is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the acquisition date. Such a transaction or event does not give rise to goodwill.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Group financial statements from the date on which control commences until the date on which control ceases. In the Company financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements. Cost also includes directly attributable costs of the investment.
(iii) Loss of control
When the Group loses control over the subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation
IntraGroup balances and transactions, and any unrealised income and expenses arising from intraGroup transactions, are eliminated.

(v) Non-controlling interest (NCI)
NCI is measured at its proportionate share of the acquiree’s identifiable net assets at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Foreign currency translation
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments (where applicable) during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency gains and losses are generally recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign operations
The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into rand at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into rand at the exchange rates at the dates of transactions.

Foreign currency differences are recognised in other comprehensive income (OCI) and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to NCI.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in OCI and accumulated in the foreign currency translation reserve.

Property, plant and equipment
(i) Mining assets
Mining assets include mine development costs, assets under construction, plant and equipment and mine infrastructure and are initially recognised at cost, after which they are measured at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Mine development is derecognised when a formal decision is taken to close a pit, mainly when it becomes not economic to continue mining. Any loss realised on the derecognition of the asset is recognised in profit or loss.

At the Group’s surface mines, when it has been determined that a mineral property can be economically developed as a result of establishing proved and probable reserves, costs incurred to develop the property are capitalised as incurred until the mine is considered to have moved into the production phase. These costs include costs to further delineate the coal seam and remove overburden to initially expose the coal seams.
Stripping costs incurred during the production phase of the Group's surface operations to remove overburden and expose the Coal Reserve are capitalised as a stripping activity asset only when:

(a) it is probable that the future economic benefits (improved access to the Coal Reserve) associated with the stripping activity will flow to the Group;

(b) the Group can identify the component of the Coal Reserve exposed by the stripping activity; and

(c) the costs relating to the stripping activity associated with that component can be measured reliably.

The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset (mine development). The stripping activity asset is initially measured at cost, being the accumulation of costs directly attributable to the stripping activity, plus an allocation of directly attributable overhead costs. The Group identifies a component as the smallest measurable portion of the Coal Reserve within a pit, which the stripping activity provides direct access to and is usually identified through survey results. After initial recognition, the stripping activity asset is measured at cost less accumulated depreciation and accumulated impairment losses. The stripping activity asset is depreciated on a systematic basis, over the expected production life of the identified component of the Coal Reserve.

At the Group's underground mines, all costs incurred to develop the property, including costs to access specific coal seams or other areas of the underground mine, are capitalised to the extent that such costs will provide future economic benefits. These costs include the cost of building access ways, continuing development, ramps, initial box-cuts and other infrastructure development. These assets are depreciated on a systematic basis over the expected production life of the Coal Reserve.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition and construction of qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use. These costs are capitalised until the asset moves into the production phase. Other borrowing costs are expensed. Where a depreciable asset is used in the construction or extension of a mine, the depreciation is capitalised against the mine's cost.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised when the costs can be reliably measured and if it is probable that the future economic benefits embodied within the component will flow to the Group. The carrying amount of the replaced component, if any, is derecognised and charged to profit or loss. Maintenance, day-to-day servicing and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged to the statement of profit or loss.

(ii) Non-mining assets

Land is shown at cost and not depreciated. Other non-mining items of property, plant and equipment, which include buildings and leasehold improvements, plant and equipment, furniture and equipment, and other items (which include motor vehicles and computer equipment) are shown at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

Depreciation of mining assets are computed principally by the units-of-production method based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits. In most instances, proved and probable reserves provide the best indication of the useful life of the Group’s mines (and related assets). Depreciation of non-mining assets is calculated on a straight-line basis over the useful life of the asset.

(iv) Depreciation rates/useful lives of mining and non-mining assets

- Buildings: life of the mine.
- Plant and equipment: life of the mine (2015: straight-line method (between three and 10 years)).
- Mine infrastructure: the life of the mine.
- Mine development: the life of the mine.
- Vehicles: 20% per year.
- Computer equipment: 33.3% per year.
- Furniture and equipment: between 10% and 20% per year.
- Leasehold improvements on premises occupied under operating leases are written off over the term of the lease or its useful life if shorter.
The assets’ residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. At 31 March 2016, the depreciation method for plant and equipment was changed to the life of the mine as these assets are mining-related. Management considers this to be a more accurate method of depreciation as the assets are expected to be used over the life of the mine. Refer to note 12 for additional disclosure. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

(v) Amortisation of mineral and surface use rights

Mineral interests associated with development and exploration phase mineral interests are not amortised until such time as the underlying property is converted to the production stage.

Intangible assets

Exploration and evaluation costs, including the costs of acquiring Prospecting Rights and directly attributable exploration expenditure, are capitalised as exploration and evaluation assets on a project-by-project basis, pending determination of the technical feasibility and commercial viability of each such project. Costs are recognised as exploration and evaluation assets from the date of granting of a Prospecting Right. The capitalised costs are presented as exploration and evaluation assets as a result of the nature of the assets acquired.

Upon determination of technical feasibility and commercial viability, exploration and evaluation assets are first tested for impairment by allocating the relevant assets to cash-generating units or Groups of cash-generating units, and then reclassified from exploration and evaluation assets to other appropriate categories of non-current assets. Depreciation of these assets commences once these assets are appropriately reclassified and are in commercial production.

Exploration and evaluation assets are assessed for impairment based on the guidance as provided by IFRS 6 Exploration for and Evaluation of Mineral Resources. These include:

• the period to explore, as granted in terms of the Prospecting Rights acquired, has expired during the period; or will expire in the near future; or is not expected to be renewed;
• further exploration on the projects is neither budgeted nor planned for in the near future;
• a decision was made not to develop a project; and
• there is an indication that the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from a successful development or the sale of the project.

If a project is abandoned, the related costs are expensed in profit or loss immediately.

Depreciation of exploration and evaluation assets commences when these assets are reclassified from exploration and evaluation assets to property, plant and equipment once these assets reach commercial production, and is recognised in cost of sales in profit or loss.

Intangible assets include acquisition-related fair values of the Quattro Scheme Participation of the Richards Bay Coal Terminal (RBCT). These assets are amortised on a straight-line basis over the expected life of 10 years. Intangible assets are evaluated for impairment indicators annually at the reporting date.

Intangible assets also include computer software that is acquired by the Group. Computer software is measured at cost less accumulated amortisation and impairment losses. Computer software is amortised over its useful life of three years on a straight-line basis.

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed annually at the reporting date for impairment indicators or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Each operating colliery, along with allocated common assets such as plants and administrative offices, is considered to be a cash-generating unit as each colliery is largely independent from the cash flows of other collieries and assets belonging to the Group.

Value in use is generally determined by using discounted estimated future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected coal prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, all based on life-of-mine plans. Future cash flows are discounted to their present value using a real discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Refer to note 3 of the accounting policies for a list of assumptions used to determine recoverable amounts/fair values of non-financial assets.
The term “recoverable minerals” refers to the estimated amount of coal that will be obtained from reserves and resources and all related exploration stage mineral interests after taking into account losses during coal processing and treatment. Estimates of recoverable minerals from such related exploration stage mineral interests will be risk adjusted based on management’s relative confidence in such materials. In estimating future cash flows, assets are Grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset Groups. With the exception of other mine-related exploration potential and greenfields exploration potential, estimates of future undiscounted cash flows are included on an area-of-interest basis, which generally represents an individual operating mine.

In the case of mineral interests associated with other mine-related exploration potential and greenfields exploration potential, cash flows and fair values are individually evaluated based primarily on recent exploration results and recent transactions involving sales of similar properties, if any. Assumptions underlying future cash flow estimates are subject to significant risks and uncertainties.

Non-financial assets are reviewed annually for possible reversal of impairments at the reporting date. Reversal of impairments is also considered when there is objective evidence to indicate that the asset is no longer impaired. Where an impairment subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but not higher than the carrying value that would have been determined had no impairment been recognised in prior years.

Financial instruments

Financial instruments are initially measured at fair value when the Group becomes a party to contractual arrangements. Transaction costs are included in the initial measurement of financial instruments, with the exception of financial instruments classified as at fair value through profit or loss.

The subsequent measurement of financial instruments is discussed below.

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the Group has transferred its rights to receive cash and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss recognised in equity is recognised in profit or loss. On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on trade date, the date on which the Group becomes a party to the contractual provisions.

(i) Financial assets

(a) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method less allowance for impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables include trade and other receivables (excluding VAT and prepayments), investments and loans, and cash and cash equivalents.

Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash.

Allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The Group considers
Evidence of impairment for trade and other receivables at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of trade and other receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance for impairment account against trade and other receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed (limited to the initial impairment loss recognised) through profit or loss.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

(b) Financial assets at fair value through profit or loss have two subcategories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management in terms of specified criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (applicable to the Group).
- A Group of financial assets is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy.
- The item proposed to be designated at fair value through profit or loss is a hybrid contract that contains one or more embedded derivatives.

These assets are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in profit or loss in the period in which they arise. Refer to note 16, restricted investments, for additional information.

(c) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Held-to-maturity investments include restricted cash.

The Group assesses at the end of each reporting period whether there is objective evidence that a held-to-maturity investment is impaired as a result of an event. The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the held-to-maturity investment’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognised in profit or loss.

If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Financial liabilities

(a) Borrowings are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisation, using the effective interest method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are capitalised as a prepayment and amortised over the period of the facility to which they relate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
(b) **Trade and other payables and vendor liabilities** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities if payment is due within 12 months. If not, they are presented as non-current liabilities.

(c) **Financial liabilities**

**IDC equity-linked call option**

The option was recognised initially at fair value and the attributable transaction costs recognised in profit or loss. Subsequent to initial recognition, the option is measured at fair value and changes therein are recognised in administration expenses in profit or loss.

**Financial guarantees**

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of the debt instrument. Financial guarantee liabilities are initially recognised at fair value. Subsequent to initial recognition, the financial guarantee liabilities are measured at the higher of:

- the amount determined in accordance with IAS 37; and
- the amount recognised initially less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

Guarantees that do not meet the definition of financial guarantee contracts are not recognised by the Group, but the carrying value of the guarantees is disclosed. Refer to notes 15, 24, 25 and 29 in this regard.

(iii) **Derivative financial instruments**

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

The Group holds derivative financial instruments to hedge some of its foreign currency risk exposures. Derivatives are recognised initially at fair value and the attributable transaction cost is recognised in the statement of profit or loss. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in administration expenses in profit or loss.

**Inventories**

Inventories comprise coal run-of-mine stockpiles, coal product stockpiles and consumables. Inventories are measured at the lower of cost and net realisable value after appropriate allowances for obsolete, redundant and slow-moving stockpiles and consumables.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to perform the sale.

Cost is determined by reference to direct mining expenditure and an appropriate portion of overhead expenditure including amortisation and depreciation at the relevant stage of production based on normal production levels. Coal stockpiles are valued at average production cost.

**Leased assets and lease payments**

Capitalised leased assets are depreciated over the shorter of their estimated useful lives and the lease terms.

Leases of items of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. The assets are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made or received under finance leases are apportioned between the finance expense or income and the reduction of the outstanding liability or receivable. The finance expense or income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability or receivable.

Future lease payments, net of finance charges, are included in non-current borrowings, with the current portion included under current liabilities.
Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Other leases are operating leases and the leased assets are not recognised on the Group’s statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group’s incremental borrowing rate.

Environmental trust funds

Contributions are made to the Group’s trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the Group’s mines. The trusts are consolidated into the Group as the Group exercises full control of the trust. The measurement of the investments held by the trust funds is dependent on their classification under financial assets and income received and fair value movements are treated in accordance with these classifications.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at reporting date using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. This estimate takes into account the associated risks and uncertainties. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

(i) Mine closure and environmental rehabilitation provision

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project as soon as the obligation to incur such costs arises.

These costs are recognised in profit or loss over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period.

If a decrease in liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy dealing with impairments of non-financial assets.
Current and deferred taxation

The current income taxation charge is the expected taxation payable on the taxable income for the year and is calculated on the basis of the taxation laws enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income. Management periodically evaluates positions taken in taxation returns with respect to situations in which applicable taxation regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the taxation authorities.

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Under this method deferred taxes are recognised for the taxation consequences of temporary differences by applying expected taxation rates to the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except to the extent that deferred taxation arises from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the accounting or taxable profit or loss at the time of the transaction. Deferred taxation is charged to profit or loss, except where the taxation relates to items recognised in OCI or directly in equity, in which case the taxation is also recognised in OCI or directly in equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, unutilised taxation losses and unutilised capital allowances carried forward. Deferred taxation assets relating to the carry forward of unutilised taxation losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profits will be available against which the unutilised taxation losses and unutilised capital allowances can be utilised.

Deferred taxation is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Interest received from and paid to the taxation authorities is classified as finance income and finance cost.

Employee benefits

(i) Short-term employee benefits

The costs of all short-term employee benefits are recognised in the period in which the employee renders the related service. The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the Group has a present obligation to pay as a result of the employee’s service provided. The accruals have been calculated at undiscounted amounts based on current salary levels.

(ii) Defined contribution plan

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity in terms of the defined contribution provident plan and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

(iii) Equity compensation benefits

Entities within the Group receiving goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the Group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

Cash-settled share-based payments are remeasured at each reporting date. The expense recognised in profit or loss for the year represents that portion of the fair value that is attributable to the portion of the contractual period which had elapsed at the reporting date and the movement in fair value between the grant date/previous reporting date and the current reporting date, with a corresponding increase in liabilities.

Equity-settled share-based payments are measured at fair value that includes market performance conditions but excludes the impact of any service and non-market performance conditions of the equity instruments at the date of the grant. The share-based payments are expensed as an employee expense with a corresponding increase in
equity over the vesting period, based on the Group’s estimate of the shares that are expected to eventually vest. Share-based payment expenses recognised in current and previous financial years are reversed out of profit or loss in the event of termination of the share plan (forfeited/lapsed) for “fault” and “no fault” definitions, to the extent that shares have not become unconditional/not vested. The Group used an appropriate option-pricing model in determining the fair value of the options granted.

Non-market vesting conditions are included in assumptions about the number of appreciation rights or notional shares to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each reporting date to reflect the best estimate or actual number of share appreciation rights that vest, with any adjustment being made to both equity and profit or loss as an employee cost. When the Group issues share-based instruments to settle certain transactions, the payments are measured at the fair value of the goods and services provided. If the fair value of the goods or services cannot be determined, the share-based payment is measured at the fair value of the equity instrument at the date of the grant, the date the Group obtains the goods or the counterparty renders the service.

(iv) Leave pay

The Group accrues for the cost of the leave days granted to employees during the period in which the leave days accumulate.

Stated capital

Stated capital is classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognised as a deduction from equity.

Assets held-for-sale and discontinued operations

A non-current asset or disposal Group is classified as held-for-sale and stated at lower of carrying value and fair value less cost to sell, when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The classification as held-for-sale of a non-current asset or disposal Group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal Group, an active programme has been initiated, the non-current assets or disposal Group are marketed at a price reasonable to its fair value and the disposal will be completed within one year from classification.

Immediately before initial classification of a non-current asset or disposal Group as held-for-sale, it is reviewed for impairment in terms of the applicable IFRS. At each subsequent reporting date, the carrying values are remeasured at the lower of carrying value or fair value less costs to sell. The impairment charged to profit or loss is the excess of the carrying value of the non-current asset or disposal Group over its expected fair value less costs to sell. A reversal of impairment is recognised for any subsequent increase in fair value less costs to sell but not in excess of the cumulative impairment loss already recognised.

No depreciation is provided on non-current assets from the date they are classified as held-for-sale. When a disposal Group is classified as held-for-sale it is also necessary to assess whether or not the criteria for discontinued operations are met. A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resell.

If the criteria are met, the operation is classified as discontinued operations in profit or loss and the comparative amounts restated for all periods presented. No restatement of the statement of financial position comparative amounts is done. Assets and liabilities that meet the requirements to be classified as held-for-sale during the year are reclassified for disclosure purposes (refer to notes 19.1 to 19.7) at their carrying values at the beginning of the financial year.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

(i) Sale of coal and anthracite

The Group enters into contracts for the sale of coal and anthracite. Revenue arising from coal and anthracite sales under these contracts is recognised when the price is determinable, the product has been delivered in accordance
with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer; collection of the sales price is probable and associated costs can be reliably estimated. As sales from coal and anthracite contracts are subject to a customer survey with regard to quality, sales are initially recognised on a provisional basis using the Group’s best estimate of the product quality. Subsequent agreed quality adjustments are recognised directly in revenue, if different from the initial certificates. Income earned from the transport of coal to third parties is recognised as revenue in profit or loss as and when the coal exits the mine premises (over the weigh-bridge).

(ii) Management fees
The Company has entered into a service agreement with one of its subsidiaries, Keaton Administrative and Technical Services Proprietary Limited (KATS), whereby its directors and employees provide management services to other operating and exploration subsidiaries in the Group. These services are on-charged on a monthly basis based on actual time spent managing the operating and exploration subsidiaries.

(iii) Investment income from subsidiaries
In the Company’s separate financial statements, investment income received by the Company on loan capital, ordinary shares and preference shares are classified as revenue and recognised using the effective interest method. Amortisation of financial guarantees provided to subsidiaries is also classified as revenue. Refer to note 4 in this regard.

Other income
(i) Discard sales
Course discard coal sales, filter-press cake sales and slurry sales are sold to a number of local customers and are recognised as other income as and when it exits the mine premises (over the weigh-bridge).

Finance income and costs
Finance income comprises interest received and receivable on funds invested and dividend income. Interest income is recognised on a time-proportion basis in profit or loss as it accrues, taking into account the principal outstanding and using the effective interest method. Dividend income is recognised in profit or loss on the date the Group has a right to receive payment.

Finance costs comprise interest payable on borrowings calculated using the effective interest method, unwinding of the discount on environmental and other provisions and dividends on preference shares classified as liabilities. Borrowing costs capitalised are excluded.

Dividends declared
Dividends declared are recognised in the period in which they are approved by the Board of Directors. Dividends are payable in South African rand net of withholding tax.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding, adjusted for the effects of all potential dilutive ordinary shares.

Segment reporting
The segment report has been prepared in accordance with IFRS 8 Operating Segments which defines requirements for the disclosure of financial information of an entity’s operating segments. An operating segment is identified as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity;
- whose operating results are reviewed regularly by the entity’s chief operating decision maker (CODM) in order to allocate resources and assess its performance; and
- for which discrete financial information is available.

CODM is defined as the Executive Committee of the Group.
Total segment assets are those assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The basis of segment reporting is representative of the internal structure used for management reporting, as well as the structure in which the CODM reviews the information, which are the Group’s mining projects in the respective operating subsidiaries. The basis of segmental allocation is determined as follows:

- Operating profit/loss (before net finance income/costs and taxation) that can be directly attributed to a segment and a relevant portion of the operating profit/loss that can be allocated on a reasonable basis to a segment, including the effect of transactions with other operating segments.

**Related parties**

Related parties are considered to be related if one party has the ability to control or jointly control the other party or to exercise significant influence over the other party. Key management personnel and their close family members are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company or Group, directly or indirectly.

**Measurement of fair values**

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Restricted investments (notes 16 and 19.3).
- Financial liabilities (note 25).
- Financial instruments (note 34).
REASONABLE ASSURANCE REPORT ON THE PRO FORMA FINANCIAL INFORMATION OF KEATON ENERGY BY THE INDEPENDENT REPORTING ACCOUNTANT TO KEATON ENERGY

The Directors
Keaton Energy Holdings Limited
Ground Floor, Eland House
The Braes, 3 Eaton Road
Bryanston, Sandton
2021

21 April 2017

Report on the Compilation of Pro Forma Financial Information

We have completed our assurance engagement to report ("Report") on the compilation of pro forma earnings and diluted earnings, headline and diluted headline earnings, net asset value and net tangible asset value per share and the related notes relating to the Eligible Shareholder who is to receive the Share Consideration (collectively "Pro forma Financial Information"). The Pro forma Financial Information is set out in the Salient Features, paragraph 10.2 of the Offer Circular ("Circular") to be issued by Keaton Energy Holdings Limited ("Keaton/the Company") on or about 4 May 2017.

The Pro forma Financial Information has been compiled by the directors of Keaton and Wescoal Holdings Limited ("Wescoal") to illustrate the impact of the proposed offer by Wescoal to acquire all of the issued shares in Keaton ("the Transaction") as detailed in the Circular on the Offer Participant who receives the Share consideration.

As part of this process, the Company's earnings, diluted earnings, headline earnings and diluted headline earnings per share, have been extracted by the directors from the Company's published financial statements for the period ended 30 September 2016 ("Published Financial Information"), which was independently reviewed. In addition, the directors have calculated the net asset value and net tangible asset value per share as at 30 September 2016 based on financial information extracted from the Published Financial Information.

Directors' responsibility for the Pro forma Financial Information

The directors of Keaton and Wescoal are responsible for compiling the Pro forma Financial Information on the basis of the applicable criteria as detailed in paragraphs 8.15 to 8.33 of the Listings Requirements of the JSE Limited and the SAICA Guide on Pro forma Financial Information, revised and issued in September 2014 ("Applicable Criteria").

Reporting accountant's 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 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements 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 accountants' 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 of the Applicable Criteria, based on our procedures performed.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants’ comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled, in all material respects, the Pro forma Financial Information on the basis of the Applicable Criteria.
For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Published 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 Published Financial Information used in compiling the Pro forma Financial Information.

The purpose of Pro forma Financial Information included in the Circular is solely to illustrate the impact of the Transaction on the unadjusted Published Financial Information as if the Transaction had been undertaken on 1 April 2016 for purposes of the pro forma earnings, diluted earnings, headline and diluted headline earnings per share and on 30 September 2016 for purposes of the net asset value and net tangible asset value per share. Accordingly, we do not provide any assurance that the actual outcome of the Transaction, subsequent to its implementation, will be as presented in the Pro forma Financial Information.

A reasonable assurance engagement to report on whether the Pro forma Financial Information has been properly compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors in the compilation of the Pro forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Transaction and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to the Applicable Criteria; and
- The Pro forma Financial Information reflects the proper application of those pro forma adjustments to the unadjusted Published Financial Information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Company, the Transaction in respect of which the Pro forma Financial Information has been compiled and other relevant engagement circumstances.

The 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.

Yours faithfully

KPMG Inc.

Per Willem Pretorius
Chartered Accountant (SA)
Registered Auditor
Director

Please note that this annexure provides extracts of the historical annual financial statements of Wescoal. Shareholders are referred to Wescoal’s website (www.wescoal.co.za/) for the headline earnings per share reconciliation for each of the financial years detailed below.

The statements of profit and loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accounting policies for the three years ended 31 March 2014, 31 March 2015 and 31 March 2016 presented below have been extracted, without adjustment, from the audited annual financial statements of Wescoal. The audited annual financial statements of Wescoal have been prepared in accordance with IFRS and have been reported on without qualification by PricewaterhouseCoopers Inc. The detailed notes to the annual financial statements can be viewed on the Wescoal website (www.wescoal.co.za/). The statements of profit and loss and other comprehensive income, statements of financial position, for the six months ended 30 September 2016 is based on the unaudited interim results of Wescoal for the period ended 30 September 2016, released on SENS on 1 November 2016.
## Condensed consolidated statement of financial position

As at 30 September 2016

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>1 066 580</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td>625 893</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>504 108</td>
</tr>
<tr>
<td>Investment property</td>
<td>709</td>
</tr>
<tr>
<td>Investments</td>
<td>14 266</td>
</tr>
<tr>
<td>Goodwill and intangibles</td>
<td>92 387</td>
</tr>
<tr>
<td>Prepaid royalty</td>
<td>10 238</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>4 185</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CURRENT ASSETS</th>
<th>437 364</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories and work in progress</td>
<td>72 159</td>
</tr>
<tr>
<td>Prepaid Royalty</td>
<td>1 262</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>259 291</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>104 652</td>
</tr>
</tbody>
</table>

| Non-current assets held for sale | 3 323 |

<table>
<thead>
<tr>
<th>EQUITY AND LIABILITIES</th>
<th>(1 066 580)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPITAL AND RESERVES</strong></td>
<td>(428 459)</td>
</tr>
<tr>
<td>Share capital</td>
<td>(213 441)</td>
</tr>
<tr>
<td>Share-based payment reserve</td>
<td>(7 498)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>(207 520)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>NON-CURRENT LIABILITIES</strong></th>
<th>(166 037)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing debt</td>
<td>(75 554)</td>
</tr>
<tr>
<td>Instalment sale agreements</td>
<td>(1 485)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(40 673)</td>
</tr>
<tr>
<td>Provision for rehabilitation</td>
<td>(48 325)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>CURRENT LIABILITIES</strong></th>
<th>(472 084)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>(296 776)</td>
</tr>
<tr>
<td>Provision for rehabilitation</td>
<td>(5 299)</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(16 664)</td>
</tr>
<tr>
<td>Taxation payable</td>
<td>(23 762)</td>
</tr>
<tr>
<td>Instalment sale agreements</td>
<td>(2 304)</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>(127 279)</td>
</tr>
</tbody>
</table>
Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 September 2016

| Unaudited interim results for the six months ended 30 September 2016 (R’000) |
|---------------------------------|-------------------------------|
| Revenue                         | 1 039 442                     |
| Cost of sales                   | (851 438)                     |
| **Gross profit**                | **188 004**                   |
| Other income                    | 1 508                         |
| Profit on sale of assets        | 456                           |
| Operating costs                 | (88 996)                      |
| **Operating profit**            | **100 972**                   |
| Net finance expense             | (13 083)                      |
| **Net profit before taxation**  | **87 890**                    |
| Taxation                        | (25 907)                      |
| **Net profit for the period**   | **61 983**                    |
| Other comprehensive income      | –                             |
| **Total comprehensive income**  | **61 983**                    |

Attributable to:

- Owners of the parent: **61 983**
- Basic earnings per ordinary share (cents): 27.6
- Fully diluted basic earnings per ordinary share (cents): 27.5
- Headline earnings per ordinary share (cents): 27.8
- Fully diluted headline earnings per ordinary share (cents): 27.8

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2016

<table>
<thead>
<tr>
<th>Attributable to the owners of the parent</th>
<th>Stated Capital R’000</th>
<th>Share-based payment reserve R’000</th>
<th>Retained earnings R’000</th>
<th>Total equity R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 31 March 2015</td>
<td>161 465</td>
<td>5 479</td>
<td>112 877</td>
<td>279 821</td>
</tr>
<tr>
<td>Rights share issue</td>
<td>51 691</td>
<td>–</td>
<td>–</td>
<td>51 691</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>51 765</td>
<td>51 765</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Employees share option scheme</td>
<td>–</td>
<td>1 784</td>
<td>–</td>
<td>1 784</td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>213 156</td>
<td>7 263</td>
<td>164 642</td>
<td>385 061</td>
</tr>
<tr>
<td>Shares issued</td>
<td>285</td>
<td>–</td>
<td>–</td>
<td>285</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>61 983</td>
<td>61 983</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>–</td>
<td>–</td>
<td>(19 105)</td>
<td>(19 105)</td>
</tr>
<tr>
<td>Employees share option scheme</td>
<td>–</td>
<td>235</td>
<td>–</td>
<td>235</td>
</tr>
<tr>
<td>Balance at 30 September 2016</td>
<td>213 441</td>
<td>7 498</td>
<td>207 520</td>
<td>428 459</td>
</tr>
</tbody>
</table>
### Condensed Consolidated statement of cash flows

For the six months ended 30 September 2016

<table>
<thead>
<tr>
<th></th>
<th>Unaudited interim results for the six months ended 30 September 2016 (R'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Cash generated in operations</td>
<td>98 330</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(11 284)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(8 176)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(34 053)</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(48 890)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>6 366</td>
</tr>
<tr>
<td>Proceeds from financial assets</td>
<td>8 471</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(42 227)</td>
</tr>
<tr>
<td>Movements in interest-bearing borrowings</td>
<td>(32 960)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(9 552)</td>
</tr>
<tr>
<td>Proceeds from shares issued</td>
<td>285</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>2 590</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>85 398</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>87 988</td>
</tr>
</tbody>
</table>
## Consolidated statement of financial position

As at 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>Audited results for the year ended 31 March 2016 (R'000)</th>
<th>Audited results for the year ended 31 March 2015 (R'000)</th>
<th>Audited results for the year ended 31 March 2014 (R'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>496 350</td>
<td>324 740</td>
<td>217 122</td>
</tr>
<tr>
<td>Investment Property</td>
<td>709</td>
<td>709</td>
<td>709</td>
</tr>
<tr>
<td>Investments</td>
<td>22 023</td>
<td>14 218</td>
<td>6 664</td>
</tr>
<tr>
<td>Goodwill</td>
<td>73 637</td>
<td>73 637</td>
<td>73 637</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>22 664</td>
<td>30 902</td>
<td>38 086</td>
</tr>
<tr>
<td>Interests in associates</td>
<td>–</td>
<td>–</td>
<td>19 365</td>
</tr>
<tr>
<td>Prepaid royalty</td>
<td>11 366</td>
<td>12 909</td>
<td>–</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>4 372</td>
<td>17 558</td>
<td>169</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>57 668</td>
<td>82 852</td>
<td>60 839</td>
</tr>
<tr>
<td>Prepaid royalty</td>
<td>874</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>224 727</td>
<td>238 740</td>
<td>255 389</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>101 179</td>
<td>26 977</td>
<td>52 163</td>
</tr>
<tr>
<td>Non-current assets held for sale</td>
<td>4 400</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CAPITAL AND RESERVES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>213 156</td>
<td>161 465</td>
<td>166 715</td>
</tr>
<tr>
<td>Share-based payment reserve</td>
<td>7 263</td>
<td>5 479</td>
<td>3 059</td>
</tr>
<tr>
<td>Retained income</td>
<td>164 642</td>
<td>112 877</td>
<td>91 515</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>–</td>
<td>–</td>
<td>(177)</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>18 533</td>
<td>50 837</td>
<td>55 009</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>19 306</td>
<td>5 101</td>
<td>10 366</td>
</tr>
<tr>
<td>Instalment sale agreements</td>
<td>2 907</td>
<td>2 636</td>
<td>2 103</td>
</tr>
<tr>
<td>Provisions</td>
<td>46 186</td>
<td>38 563</td>
<td>41 105</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>272 578</td>
<td>218 946</td>
<td>220 212</td>
</tr>
<tr>
<td>Provisions</td>
<td>13 890</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>15 781</td>
<td>16 827</td>
<td>176</td>
</tr>
<tr>
<td>Taxation payable</td>
<td>27 585</td>
<td>39 899</td>
<td>10 268</td>
</tr>
<tr>
<td>Instalment sale agreements</td>
<td>2 856</td>
<td>2 718</td>
<td>1 916</td>
</tr>
<tr>
<td>Interest bearing borrowings</td>
<td>215 286</td>
<td>167 894</td>
<td>121 876</td>
</tr>
</tbody>
</table>
### Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>Audited results for the year ended 31 March 2016 (R'000)</th>
<th>Audited results for the year ended 31 March 2015 (R'000)</th>
<th>Audited results for the year ended 31 March 2014 (R'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>1 589 870</td>
<td>1 674 372</td>
<td>1 474 444</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(1 338 150)</td>
<td>(1 454 728)</td>
<td>(1 021 915)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>251 720</td>
<td>219 644</td>
<td>125 529</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>1 512</td>
<td>1 557</td>
<td>76 671</td>
</tr>
<tr>
<td><strong>Profit/(loss) on sale of assets</strong></td>
<td>(154)</td>
<td>696</td>
<td>(2 072)</td>
</tr>
<tr>
<td><strong>Operating costs</strong></td>
<td>(152 155)</td>
<td>(175 660)</td>
<td>(81 259)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>100 923</td>
<td>46 237</td>
<td>118 869</td>
</tr>
<tr>
<td><strong>Interest received</strong></td>
<td>1 004</td>
<td>1 588</td>
<td>264</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(21 923)</td>
<td>(10 742)</td>
<td>(10 715)</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>80 004</td>
<td>37 083</td>
<td>108 418</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>(28 239)</td>
<td>(8 129)</td>
<td>(22 530)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>51 765</td>
<td>28 954</td>
<td>85 888</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>51 765</td>
<td>28 954</td>
<td>85 888</td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>51 765</td>
<td>28 954</td>
<td>68 972</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>-</td>
<td>-</td>
<td>16 916</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>51 765</td>
<td>28 954</td>
<td>85 888</td>
</tr>
</tbody>
</table>

**Earnings per share**

- Basic earnings per ordinary share (cents): 26.23, 15.74, 40.56
- Fully diluted basic earnings per ordinary share (cents): 26.22, 15.58, 39.67
- Headline earnings per ordinary share (cents): 27.06, 15.36, 15.21
- Diluted headline earnings per ordinary share (cents): 27.06, 15.21, 14.91
### Consolidated statement of changes in equity

for the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Attributable to the owners of the parent</th>
<th>Stated Capital R’000</th>
<th>Share-based payment reserve R’000</th>
<th>Retained earnings R’000</th>
<th>Total R’000</th>
<th>Non-controlling interest R’000</th>
<th>Total equity R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 April 2013</strong></td>
<td>137 092</td>
<td>1 356</td>
<td>27 731</td>
<td>166 179</td>
<td>(177)</td>
<td>166 002</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>68 972</td>
<td>68 972</td>
<td>16 916</td>
<td>85 888</td>
</tr>
<tr>
<td>Employee share option scheme</td>
<td>–</td>
<td>1 703</td>
<td>–</td>
<td>1 703</td>
<td>–</td>
<td>1 703</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>(5 187)</td>
<td>(5 187)</td>
<td>(16 916)</td>
<td>(22 103)</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2014</strong></td>
<td>166 715</td>
<td>3 059</td>
<td>91 516</td>
<td>261 290</td>
<td>(177)</td>
<td>261 113</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>28 954</td>
<td>28 954</td>
<td>–</td>
<td>28 954</td>
</tr>
<tr>
<td>Issue of shares</td>
<td>21 750</td>
<td>–</td>
<td>–</td>
<td>21 750</td>
<td>–</td>
<td>21 750</td>
</tr>
<tr>
<td>Repurchase of shares</td>
<td>(27 000)</td>
<td>–</td>
<td>(27 000)</td>
<td>(177)</td>
<td>(26 823)</td>
<td>(177)</td>
</tr>
<tr>
<td>Change in ownership</td>
<td>–</td>
<td>–</td>
<td>(177)</td>
<td>–</td>
<td>–</td>
<td>(177)</td>
</tr>
<tr>
<td>Employees share option scheme</td>
<td>–</td>
<td>2 420</td>
<td>–</td>
<td>2 420</td>
<td>–</td>
<td>2 420</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>–</td>
<td>–</td>
<td>(7 416)</td>
<td>(7 416)</td>
<td>–</td>
<td>(7 416)</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2015</strong></td>
<td>161 465</td>
<td>5 479</td>
<td>112 877</td>
<td>279 821</td>
<td>–</td>
<td>279 821</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>51 765</td>
<td>51 765</td>
<td>–</td>
<td>51 765</td>
</tr>
<tr>
<td>Rights share issue net of transaction cost</td>
<td>39 254</td>
<td>–</td>
<td>–</td>
<td>39 254</td>
<td>–</td>
<td>39 254</td>
</tr>
<tr>
<td>General issue of shares</td>
<td>12 437</td>
<td>–</td>
<td>–</td>
<td>12 437</td>
<td>–</td>
<td>12 437</td>
</tr>
<tr>
<td>Employees share option scheme</td>
<td>–</td>
<td>1 784</td>
<td>–</td>
<td>1 784</td>
<td>–</td>
<td>1 784</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2016</strong></td>
<td>213 156</td>
<td>7 263</td>
<td>164 642</td>
<td>385 061</td>
<td>–</td>
<td>385 061</td>
</tr>
</tbody>
</table>
## Consolidated statement of cash flows

for the year ending 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>Audited results for the year ended 31 March 2016 (R’000)</th>
<th>Audited results for the year ended 31 March 2015 (R’000)</th>
<th>Audited results for the year ended 31 March 2014 (R’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>207 731</td>
<td>76 097</td>
<td>29 811</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>239 590</td>
<td>94 504</td>
<td>47 135</td>
</tr>
<tr>
<td>Interest income</td>
<td>1 004</td>
<td>1 588</td>
<td>265</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(19 701)</td>
<td>(8 399)</td>
<td>(7 715)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(13 162)</td>
<td>(4 180)</td>
<td>(4 687)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(7 416)</td>
<td>(5 187)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(176 061)</td>
<td>(125 457)</td>
<td>(170 660)</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(169 644)</td>
<td>(98 865)</td>
<td>(85 277)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>1 023</td>
<td>4 657</td>
<td>8 049</td>
</tr>
<tr>
<td>Assets acquired through business acquisition</td>
<td>–</td>
<td>(24 443)</td>
<td>(84 283)</td>
</tr>
<tr>
<td>Associate acquired</td>
<td>–</td>
<td>–</td>
<td>(5 000)</td>
</tr>
<tr>
<td>Purchase of rehabilitation investment</td>
<td>(7 440)</td>
<td>(6 806)</td>
<td>(4 149)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>43 578</td>
<td>7 523</td>
<td>171 466</td>
</tr>
<tr>
<td>Proceeds on right share issue, net of share issue expenses</td>
<td>39 254</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds on general share issue, net of share issue expenses</td>
<td>12 437</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds on share options exercised</td>
<td>–</td>
<td>2 850</td>
<td>5 258</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>65 292</td>
<td>75 459</td>
<td>180 963</td>
</tr>
<tr>
<td>Repayment of long-term borrowings</td>
<td>(69 102)</td>
<td>(68 043)</td>
<td>(4 626)</td>
</tr>
<tr>
<td>Repayment of instalment sale agreements</td>
<td>(4 303)</td>
<td>(2 743)</td>
<td>(10 129)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>75 248</td>
<td>(41 837)</td>
<td>30 617</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>10 150</td>
<td>51 987</td>
<td>21 370</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>85 398</td>
<td>10 150</td>
<td>51 987</td>
</tr>
</tbody>
</table>
Accounting policies

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), the Companies Act, 71 of 2008 and JSE Listings Requirements. The principal accounting policies adopted and the methods of computation used in the preparation of these financial statements are set out below and are consistent in all material respects with those applied during the previous year.

The annual financial statements have been prepared on the historical-cost basis and incorporate the principal accounting policies set out below. They are presented in South African Rand and are prepared in accordance with the recognition and measurement criteria of IFRS and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the entity at 31 March 2016 and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the consolidated annual financial statements of the Group and all entities, including special purpose entities, which are controlled by the Group.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All intra-Group transactions, balances, income and expenses are eliminate in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group’s interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity. Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3: Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal Group) that are classified as held-for-sale in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, which are recognised at fair value less costs to sell.
On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets, or at fair value. The treatment is not an accounting policy choice, but is selected for each individual business combination and disclosed in the note for business combinations.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The following judgements have been made by the Group in the process of applying the Group’s accounting policies that have the most significant effect on the amounts recognised in the annual financial statements.

Share-based payments

In applying IFRS 2, Share-based Payment, the Group has made certain judgements in respect of the fair value option pricing models to be used in determining the various share-based arrangements in respect of employees, as well as the variable elements used in these models.

For share-based payments, estimates are made in determining the fair value of the equity instruments granted. Assumptions are used in the valuation model and include assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher value-in-use calculations and fair values less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact the Group’s estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Management identified possible impairment indicators which include movements in commodity prices, exchange rates and the economic environment of the coal mining industry. Estimates are made in determining the recoverable amount of assets which includes the estimation of cash flows and discount rates used. In estimating cash flows, the Group base cash flow projections on reasonable and supportable assumptions that represent the Group’s best estimate of the range of economic conditions that will exist over the remaining useful life of the assets. The discount rates used are pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

Mine rehabilitation provision

In applying IAS 37, Provisions, contingent liabilities and contingent assets estimates of determining the present obligation of environmental and decommissioning provisions is required.

Environmental and decommissioning costs are provided for, where either a legal or constructive obligation is recognised as a result of the Group’s coal mining operations.
Significant estimates and assumptions are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the inflation rate, the discount rate used and the expected date of closure of mining activities. Estimates are based on costs that are annually determined by independent environmental specialists in accordance with environmental regulations, and adjusted as appropriate for new circumstances.

Numerous factors will affect the ultimate liability payable. These factors include estimates of the extent and cost of rehabilitation activities, technological changes and environmental changes.

Unwinding of discount due to the passage of time is included as an element of finance costs in arriving at profit or loss for the year in terms of IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The present value of environmental disturbances created as well as changes to estimates are expensed under operating expenses against an increase in the rehabilitation provision. Change in estimates for operations in the development and production phase is capitalised and amortised over the life of mine on the units of production method. Rehabilitation costs incurred that are included in the estimates are charged to the provision. The cost of ongoing current rehabilitation is charged against income as incurred.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Cost model

Investment property is carried at cost less depreciation less any accumulated impairment losses. Depreciation is provided to write-down to cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Property – land Indefinite

Investment property consists of land and is not depreciated.

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories. Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Assets under construction include costs incurred with regards to mine development and are transferred to relevant asset classes when ready for their intended use. Mine development assets are initially measured at cost.
The useful lives of items of property, plant and equipment have been assessed as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Average useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>50 years</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>Five years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>Five – 10 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>Five years</td>
</tr>
<tr>
<td>Office equipment</td>
<td>10 years</td>
</tr>
<tr>
<td>IT equipment</td>
<td>Three years</td>
</tr>
<tr>
<td>Mining properties</td>
<td>Estimated ROM tonnes</td>
</tr>
<tr>
<td>Mineral assets</td>
<td>Estimated ROM tonnes</td>
</tr>
</tbody>
</table>

Mining properties and mineral assets are depreciated on a unit-of-production basis, in proportion to the ROM tonnes of coal extracted in the year compared with total proven and probable reserves at the beginning of the year, once in the form intended for use by management.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

No assets became temporarily idle during the financial year. Assets that meet the requirement to be classified as held for sale were correctly classified as held for sale in terms of IFRS 5.

**Stripping activities**

The removal of overburden and other mine waste materials is often necessary during the initial development of a mine site, in order to access the mineral ore deposit. The directly attributable cost of this activity is capitalised in full within mining assets under construction, until the point at which the mine is considered to be capable of commercial production.

All amounts capitalised in respect of waste removal are depreciated using the units-of-production method based on proved and probable ore reserves of the component of the orebody to which they relate.

The effects of changes to the life-of-mine plan on the expected cost of waste removal or remaining reserves for a component are accounted for prospectively as a change in estimate.

**1.5 Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss and other comprehensive income.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose and are identified according to operating segment.

Goodwill is determined, as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.
1.6 **Intangible assets**

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets – brands, trademarks and customer lists are carried at cost less any accumulated amortisation and any impairment losses. There are no intangible assets that have an indefinite useful life. For intangible assets – brands, trademarks and customer lists amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

The useful lives of items of intangible assets – brands, trademarks and customer lists have been assessed as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets – brands and trademarks</td>
<td>Five years</td>
</tr>
<tr>
<td>Customer lists</td>
<td>Five years</td>
</tr>
</tbody>
</table>

1.7 **Interests in subsidiaries**

In the Group’s separate annual financial statements, interests in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities occurred or assumed, and equity instruments issued by the Group; plus
- any costs directly attributable to the purchase of the subsidiary.

1.8 **Financial instruments**

**Classification**

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Classification depends on the purpose for which the financial instruments were obtained/incurred.

The Group classifies financial assets into the following categories:

- At fair value through profit or loss (rehabilitation investment).
- Loans and receivables (loans receivable, trade and other receivables, cash and cash equivalents).
- The Group classifies financial liabilities into the following categories:
- Financial liabilities at amortised cost (borrowings and trade and other payables).

**Initial recognition and measurement**

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are measured initially at fair value.

Purchases and sales of financial assets are accounted for at trade date, the date on which the Group commits to purchase or sell the asset.

**Subsequent measurement**

Financial assets at fair value through profit or loss are subsequently measured at fair value, with movements recognised in profit or loss.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.
**Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**Impairment of financial assets**

At each reporting date the Group assesses financial assets measured at amortised cost to determine whether there is objective evidence that a financial asset or Group of financial assets has been impaired.

For loans and receivable, the impairment is measured at the difference between the financial asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The asset’s carrying amount is reduced and the amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income.

A financial asset or Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss on loans and receivables includes significant difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments.

**Impairment losses are recognised in profit or loss.**

Impairment losses are reversed when an increase in the financial asset’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

**Loans to/(from) Group companies**

Loans to Group companies are classified as loans and receivables, initially recognised at fair value and subsequently measured at amortised cost. Loans from Group companies that are repayable on demand are included in current liabilities. Loans to Group companies with no fixed repayment terms are included in current and non-current assets based on expected repayments.

**Trade and other receivables**

Trade and other receivables are classified as loans and receivables and are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and bank overdrafts.

**Rehabilitation investment**

The rehabilitation investment with Old Mutual is designated as a financial asset at fair value through profit or loss as this investment is managed on a fair value basis. This investment is measured at fair value, with fair value movements accounted for in profit or loss.

**Tax**

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.
Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- equity.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

**Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**Finance leases – lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is 8.5%.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The corresponding rental obligation, net of finance charges, is included in payables.

The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

**Operating leases – lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term. The difference between the amounts recognised as an income and the contractual receipts are recognised as an operating lease liability. The liability is not discounted.

Initial direct cost incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.
**Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset which is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 **Inventories**

Inventories, which include coal run of mine and product stockpiles and consumables are measured at the lower of cost and net realisable value on the first-in-first-out basis.

The cost of inventories is determined by reference to all costs of purchase, direct mining expenditure and an appropriate portion of overhead expenditure, including depreciation, transport and other costs incurred in bringing the inventories to their present location and condition. Borrowing cost is not capitalised to inventory.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

A write-down to net realisable value is required when the carrying amount of inventories exceed the net realisable value.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

No portion of inventory is non-current. Run of mine stockpiles are utilised by the Processing Plant in the ongoing production process. Inventory stockpiles consist of saleable coal processed by the plant.

1.12 **Impairment of non-financial assets**

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired.

If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also tests goodwill acquired in a business combination annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit.

- Then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.13 **Share capital and equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity attributable to the Group’s equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group’s equity holders.

1.14 **Provisions and contingencies**

Provisions are recognised when:

– the Group has a present obligation as a result of a past event;
– it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
– a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments.

Provisions are measured at the present value of the expected economic benefits to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense.

Changes in the provision due to changes in estimates is recognised against the rehabilitation assets, which is measured at cost.

Changes in estimates include:

– a change in the estimated outflow of resources embodying economic benefits required to settle the obligation;
– a change in the current market-based discount rate, this includes changes in the time value of money and the risks specific to the liability; and
– an increase that reflects the passage of time (Life of Mine).
Revenue

Revenue is recognised to the extent that significant risk and rewards of ownership of the goods has transferred, there is no continuing managerial involvement, it is probable that the economic benefits will flow to the Group and the revenue and costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

The following specific recognition criteria must be met before revenue is recognised:

Sale of coal

The Group enters into contracts for the sale of coal. Revenue arising from coal sales under these contracts is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer, collection of the sales price is probable and associated costs can be readily estimated.

Income earned from the transport of coal to third parties is recognised as revenue in profit or loss as and when the coal exits the mine premises (over the weighbridge).

Administration fees

The Company has entered into a service agreement with its subsidiaries, whereby its directors and employees provide management services to operating subsidiaries in the Group. These services are charged on a monthly basis based on actual time spent managing the operating subsidiaries and is recognised in the accounting period in which the services were rendered.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Group’s right to receive payment has been established.

Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Royalty expenses are recognised in cost of sales on an accruals basis in accordance with the substance of the relevant agreements.

The prepaid royalty (refer to note 8) is amortised on a units of production basis, based on Elandspruit run of mine tonnes.

Operational royalties are based on a rate per saleable ton.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset.

The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.
Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Capitalised borrowing costs are presented under property, plant and equipment additions on the cash flow statement.

1.18 **Share-based payments**

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

The grant by the Group of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.
**PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION IN RELATION TO WESCOAL**

The definitions and interpretations commencing on page 14 of the Circular apply, mutatis mutandis, to this annexure.

The tables below set out the _pro forma_ financial information of the Proposed Transaction on Wescoal's Interim Results, after accounting for the recently concluded BEE Transaction (Wescoal) (comprising the specific issue (“Specific Issue”) of 124,995,373 Wescoal Shares (“Subscription Shares”) to the BEE SPV (Wescoal) pursuant to the BEE Transaction (Wescoal) and the subscription by Wescoal for Class B Preference Shares in the BEE SPV (Wescoal) 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 (Wescoal) and the Proposed 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 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 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 (Wescoal). The net proceeds of the BEE Transaction (Wescoal) 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 Proposed Transaction. The Cash Consideration of the Proposed 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 6 to this Circular.
The pro forma consolidated income statement below presents the effects of the BEE Transaction (Wescoal) and the Proposed Transaction on Wescoal’s Interim Results on the assumption that the BEE Transaction (Wescoal) and the Proposed Transaction were effective 1 April 2016.

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

<table>
<thead>
<tr>
<th>Figures in Rand thousands</th>
<th>Before the BEE Transaction¹</th>
<th>Subscription for the Class B Preference Shares in BEE SPV</th>
<th>Specific Issue</th>
<th>Pro forma after the BEE Transaction (before the Transaction)²</th>
<th>Keaton Energy’s Interim Results</th>
<th>Keaton Energy pro forma adjustments</th>
<th>Consolidation adjustments</th>
<th>Pro forma after the Transaction³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1 039 442</td>
<td>–</td>
<td>–</td>
<td>1 039 442</td>
<td>580 405</td>
<td>–</td>
<td>–</td>
<td>1 619 847</td>
</tr>
<tr>
<td>Cost of sales³(b)(i)</td>
<td>(851 438)</td>
<td>–</td>
<td>–</td>
<td>(851 438)</td>
<td>(490 861)</td>
<td>–</td>
<td>–</td>
<td>(4 241)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>188 004</td>
<td>–</td>
<td>–</td>
<td>188 004</td>
<td>89 544</td>
<td>–</td>
<td>–</td>
<td>(4 241)</td>
</tr>
<tr>
<td>Other income/(loss)³(b)(ii)</td>
<td>1 965</td>
<td>–</td>
<td>–</td>
<td>1 965</td>
<td>31 750</td>
<td>(15 559)</td>
<td>–</td>
<td>(16 537)</td>
</tr>
<tr>
<td>Mining and related expenses³(b)(iii)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(20 332)</td>
<td>(183)</td>
<td>–</td>
<td>(20 515)</td>
</tr>
<tr>
<td>Operating expenses³(b)(iv)</td>
<td>(88 996)</td>
<td>–</td>
<td>–</td>
<td>(88 996)</td>
<td>(22 630)</td>
<td>1 951</td>
<td>–</td>
<td>(109 675)</td>
</tr>
<tr>
<td>Operating profit/(loss)</td>
<td>100 973</td>
<td>–</td>
<td>–</td>
<td>100 973</td>
<td>78 332</td>
<td>(13 791)</td>
<td>–</td>
<td>126 580</td>
</tr>
<tr>
<td>BEE discount³(b)</td>
<td>–</td>
<td>(82 328)</td>
<td>(82 328)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net finance costs³(c)(iii)</td>
<td>(13 083)</td>
<td>2 041</td>
<td>7 224</td>
<td>(13 083)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Profit/(loss) before taxation</td>
<td>87 890</td>
<td>2 041</td>
<td>(75 104)</td>
<td>14 827</td>
<td>50 443</td>
<td>(14 377)</td>
<td>(58 477)</td>
<td>(7 584)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(25 907)</td>
<td>(2 023)</td>
<td>(27 930)</td>
<td>(25 907)</td>
<td>(12 191)</td>
<td>4 572</td>
<td>3 363</td>
<td>(32 186)</td>
</tr>
<tr>
<td>Profit/(loss) from continuing operations</td>
<td>61 983</td>
<td>2 041</td>
<td>(77 127)</td>
<td>(13 103)</td>
<td>38 252</td>
<td>(9 805)</td>
<td>(55 114)</td>
<td>(39 770)</td>
</tr>
<tr>
<td>Loss from discontinued operations, net of taxation³(b)(vi)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net profit/(loss) for the period</td>
<td>61 983</td>
<td>2 041</td>
<td>(77 127)</td>
<td>(13 103)</td>
<td>21 012</td>
<td>7 435</td>
<td>(55 114)</td>
<td>(39 770)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>– Foreign currency translation reserve</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>106</td>
<td>–</td>
<td>–</td>
<td>106</td>
</tr>
<tr>
<td>Total comprehensive income/ (loss) for the year</td>
<td>61 983</td>
<td>2 041</td>
<td>(77 127)</td>
<td>(13 103)</td>
<td>21 118</td>
<td>7 435</td>
<td>(55 114)</td>
<td>(39 664)</td>
</tr>
<tr>
<td>Profit/(loss) attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>61 983</td>
<td>2 041</td>
<td>(77 127)</td>
<td>(13 103)</td>
<td>20 835</td>
<td>7 435</td>
<td>(55 114)</td>
<td>(39 947)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>177</td>
<td>–</td>
<td>–</td>
<td>177</td>
</tr>
<tr>
<td>Profit/(loss) for the year</td>
<td>61 983</td>
<td>2 041</td>
<td>(77 127)</td>
<td>(13 103)</td>
<td>21 012</td>
<td>7 435</td>
<td>(55 114)</td>
<td>(39 770)</td>
</tr>
<tr>
<td>Figures in Rand thousands</td>
<td>Subscription for the Class B Preference Shares in BEE SPV Specific Issue</td>
<td>Pro forma after the BEE Transaction (before the Transaction)¹</td>
<td>Keaton Energy’s Interim Results</td>
<td>Keaton Energy pro forma adjustments</td>
<td>Consolidation adjustments</td>
<td>Pro forma after the Transaction¹</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>-------------------------------</td>
<td>---------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of shares in issue (’000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Basic ²/³/⁴/⁵/⁶</td>
<td>224 913</td>
<td>–</td>
<td>124 995</td>
<td>349 908</td>
<td>–</td>
<td>–</td>
<td>87 805</td>
<td>437 713</td>
</tr>
<tr>
<td>– Diluted ²/³/⁴/⁵/⁶</td>
<td>225 084</td>
<td>–</td>
<td>124 995</td>
<td>350 079</td>
<td>–</td>
<td>–</td>
<td>87 805</td>
<td>437 884</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Basic</td>
<td>27.56</td>
<td>–</td>
<td>–</td>
<td>(3.74)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(9.13)</td>
</tr>
<tr>
<td>– Diluted</td>
<td>27.54</td>
<td>–</td>
<td>–</td>
<td>(3.74)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(9.13)</td>
</tr>
<tr>
<td>Headline earnings (R’000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit/(loss) attributable to owners of the parent</td>
<td>61 983</td>
<td>–</td>
<td>–</td>
<td>(13 103)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(39 947)</td>
</tr>
<tr>
<td>Loss/(profit) on sale of property, plant and equipment</td>
<td>(456)</td>
<td>–</td>
<td>–</td>
<td>(456)</td>
<td>–</td>
<td>(15)</td>
<td>–</td>
<td>(471)</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>1 077</td>
<td>–</td>
<td>–</td>
<td>1 077</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1 077</td>
</tr>
<tr>
<td>Headline earnings attributable to owners of the parent</td>
<td>62 604</td>
<td>–</td>
<td>–</td>
<td>(12 482)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(39 341)</td>
</tr>
<tr>
<td>Headline earnings per share (cents)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Basic</td>
<td>27.83</td>
<td>–</td>
<td>–</td>
<td>(3.57)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(8.99)</td>
</tr>
<tr>
<td>– Diluted</td>
<td>27.81</td>
<td>–</td>
<td>–</td>
<td>(3.57)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(8.99)</td>
</tr>
</tbody>
</table>
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 (Wescoal)

2. The Wescoal information reflected in the “Pro forma after the BEE Transaction (before the Proposed Transaction)” column has been calculated on the basis that the BEE Transaction (Wescoal) was implemented on 1 April 2016, based on the following assumptions:

   (a) Assumed preference dividends receivable on the Class B Preference Shares issued by the BEE SPV (Wescoal) 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.

   (b) 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 (Wescoal) 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.

   (c) 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).

   (d) No effect is given to potential interest income earned to the extent that the net proceeds of the Specific Issue exceed 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.

   (e) Taxation is adjusted for income tax calculated at 28% of the adjustment to net finance costs.

   (f) The weighted average number of Wescoal Shares in issue are increased by the 124 995 373 Subscription Shares.

The Proposed Transaction

3. The Wescoal information reflected in the “Pro forma after the Proposed Transaction” column has been calculated on the basis that the Proposed 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 Proposed 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 Proposed 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 in terms 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 (Pty) Limited and Amalahle Exploration (Pty) Limited) as these will not form part of the Proposed 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 Proposed 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 Consideration and the ESOP Waiver Payments) as part of the Proposed 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.

   (d) 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 Offer Consideration.
The *pro forma* consolidated statement of financial position below presents the effects of the BEE Transaction (Wescoal) and the Proposed Transaction on Wescoal’s Interim Results on the assumption that the BEE Transaction (Wescoal) and the Proposed Transaction were effective 30 September 2016.

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

<table>
<thead>
<tr>
<th>Figures in Rand thousands</th>
<th>Before the BEE Transaction</th>
<th>Subscription for the Class B Preference Shares in BEE SPV</th>
<th>Specific Issue</th>
<th>Pro forma after the BEE Transaction (before the Transaction)</th>
<th>Keaton Energy’s Interim Results</th>
<th>Keaton Energy pro forma adjustments</th>
<th>Consolidation adjustments</th>
<th>Pro forma after the Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment(3(b)(i), 3(c)(ii))</td>
<td>504 108</td>
<td>–</td>
<td>–</td>
<td>504 108</td>
<td>646 280</td>
<td>503 665</td>
<td>(111 595)</td>
<td>1 765 648</td>
</tr>
<tr>
<td>Goodwill(3(c)(iii))</td>
<td>73 637</td>
<td>–</td>
<td>–</td>
<td>73 637</td>
<td>–</td>
<td>–</td>
<td>(31 247)</td>
<td>104 884</td>
</tr>
<tr>
<td>Intangible assets(3(b)(i))</td>
<td>18 750</td>
<td>–</td>
<td>–</td>
<td>18 750</td>
<td>503 665</td>
<td>–</td>
<td>–</td>
<td>18 750</td>
</tr>
<tr>
<td>Investment property</td>
<td>709</td>
<td>–</td>
<td>–</td>
<td>709</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>709</td>
</tr>
<tr>
<td>Prepaid royalty</td>
<td>10 238</td>
<td>–</td>
<td>–</td>
<td>10 238</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>10 238</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>4 185</td>
<td>–</td>
<td>–</td>
<td>4 185</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4 185</td>
</tr>
<tr>
<td>Investments (restricted)</td>
<td>14 266</td>
<td>–</td>
<td>–</td>
<td>14 266</td>
<td>37 749</td>
<td>–</td>
<td>–</td>
<td>52 015</td>
</tr>
<tr>
<td>Class B Preference Shares in BEE SPV(2(a)(i))</td>
<td>–</td>
<td>35 500</td>
<td>–</td>
<td>35 500</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>35 500</td>
</tr>
<tr>
<td>Other investments and loans</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5 221</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>625 893</td>
<td>35 500</td>
<td>–</td>
<td>661 393</td>
<td>1 192 915</td>
<td>–</td>
<td>–</td>
<td>1 997 150</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid royalty</td>
<td>1 262</td>
<td>–</td>
<td>–</td>
<td>1 262</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1 262</td>
</tr>
<tr>
<td>Inventories</td>
<td>72 159</td>
<td>–</td>
<td>–</td>
<td>72 159</td>
<td>34 394</td>
<td>–</td>
<td>–</td>
<td>106 553</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>259 291</td>
<td>–</td>
<td>–</td>
<td>259 291</td>
<td>128 564</td>
<td>–</td>
<td>–</td>
<td>387 855</td>
</tr>
<tr>
<td>Cash and cash equivalents(2(a), 3(b)(ii), 3(c)(iv))</td>
<td>104 652</td>
<td>(35 500)</td>
<td>119 431</td>
<td>188 583</td>
<td>34 251</td>
<td>(15 559)</td>
<td>(206 321)</td>
<td>954</td>
</tr>
<tr>
<td>Non-current assets held for sale(3(c)(ii))</td>
<td>437 364</td>
<td>(35 500)</td>
<td>119 431</td>
<td>521 295</td>
<td>197 209</td>
<td>(15 559)</td>
<td>(206 321)</td>
<td>496 624</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>440 687</td>
<td>(35 500)</td>
<td>119 431</td>
<td>524 618</td>
<td>260 265</td>
<td>(78 615)</td>
<td>(206 321)</td>
<td>499 947</td>
</tr>
</tbody>
</table>

### Notes

1. Before the BEE Transaction
2. After the BEE Transaction (before the Transaction)
3. Keaton Energy’s Interim Results
4. Keaton Energy pro forma adjustments
5. Consolidation adjustments
6. Pro forma after the Transaction
7. Figures in Rand thousands

---

The above table presents the consolidated statement of financial position for Wescoal for the six months ended 30 September 2016, adjusted for the effects of the BEE Transaction (Wescoal) and the Proposed Transaction.
### EQUITY AND LIABILITIES

#### Equity

- **Share capital**
  - Before Transaction: 213,441
  - Specific Issue: 285,846
  - Pro forma after Transaction: 499,287

- **Share-based payment reserve**
  - Before Transaction: 7,498
  - Specific Issue: 7,498

- **Other reserves**
  - Before Transaction: –

- **Retained income**
  - Before Transaction: 207,520
  - Specific Issue: (82,328)

- **Total equity attributable to equity holders of the parent**
  - Before Transaction: 428,459
  - Specific Issue: 203,518

- **Non-controlling interest**
  - Before Transaction: –

- **Total equity**
  - Before Transaction: 428,459
  - Specific Issue: 203,518

#### Pro forma adjustments

- Keaton Energy’s Interim Results: 461,723
- Keaton Energy pro forma consolidation adjustments: (9,905)

#### Total equity and liabilities

- Total equity: 428,459
- Total liabilities: 554,034

### LIABILITIES

#### Non-current liabilities

- **Deferred tax**
  - Before Transaction: 40,673

- **Provisions**
  - Before Transaction: 48,325

- **Vendor liability**
  - Before Transaction: –

- **Interest-bearing borrowings**
  - Before Transaction: 77,039

- **Liabilities held for sale**
  - Before Transaction: –

- **Total liabilities**
  - Before Transaction: 638,121

#### Current liabilities

- **Current tax payable**
  - Before Transaction: 23,762

- **Provisions**
  - Before Transaction: 5,299

- **Trade and other payables**
  - Before Transaction: 296,776

- **Interest-bearing borrowings**
  - Before Transaction: 129,583

- **Bank overdraft**
  - Before Transaction: 16,664

- **Liabilities held for sale**
  - Before Transaction: –

- **Total liabilities**
  - Before Transaction: 472,084

#### Pro forma after the Transaction

- **Total equity and liabilities**
  - Before Transaction: 1,066,580

### Figures in Rand thousands

<table>
<thead>
<tr>
<th>Description</th>
<th>Before the BEE Transaction</th>
<th>Subscription for the Class B Preference Shares in BEE SPV</th>
<th>Specific Issue</th>
<th>Pro forma after the BEE Transaction (before the Transaction)</th>
<th>Keaton Energy’s Interim Results</th>
<th>Keaton Energy pro forma consolidation adjustments</th>
<th>Pro forma after the BEE Transaction (before the Transaction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figures in Rand thousands</td>
<td>Subscription for the Class B Preference Shares in BEE SPV</td>
<td>Pro forma after the BEE Transaction (before the Transaction)</td>
<td>Keaton Energy’s Interim Results</td>
<td>Keaton Energy pro forma adjustments</td>
<td>Consolidation adjustments</td>
<td>Pro forma after the Transaction 1</td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------------------------------------------------------</td>
<td>-----------------------------------------------------------</td>
<td>--------------------------------</td>
<td>------------------------------------</td>
<td>--------------------------</td>
<td>-------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Before the BEE Transaction</strong></td>
<td>225 030</td>
<td>124 995</td>
<td>350 025</td>
<td>–</td>
<td>–</td>
<td>87 805</td>
<td>437 830</td>
</tr>
<tr>
<td><strong>Number of shares in issue (’000)</strong></td>
<td>269.76</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net asset value per share (cents)</strong></td>
<td>190.40</td>
<td>–</td>
<td>–</td>
<td>180.55</td>
<td>–</td>
<td>–</td>
<td>177.00</td>
</tr>
<tr>
<td><strong>Net tangible asset value per share (cents)</strong></td>
<td>147.49</td>
<td>–</td>
<td>–</td>
<td>152.96</td>
<td>–</td>
<td>–</td>
<td>147.81</td>
</tr>
</tbody>
</table>
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 (Wescoal)**

2. The Wescoal information reflected in the “Pro forma after the Proposed Transaction” column has been calculated on the basis that the BEE Transaction (Wescoal) 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 (Wescoal).

      (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 (Wescoal), 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) Interest-bearing borrowings are reduced by R84.1 million, based on the actual short-term debt facilities outstanding at 30 September 2016.

   (c) The number of Wescoal Shares in issue are increased by the 124 995 373 Subscription Shares.

 **The Proposed Transaction**

3. The Wescoal information reflected in the “Pro forma after the Proposed Transaction” column has been calculated on the basis that the Proposed 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 Proposed 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 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 Minning and Exploration (Pty) Limited and Amalahle Exploration (Pty) Limited) will not form part of the Proposed 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 Proposed Transaction for accounting purposes, comprises the following elements:

         - Aggregate Cash Consideration of the aggregate Offer Consideration amounting to R351.2 million.

         - Aggregate Share Consideration of the aggregate Offer Consideration amounting to R193.2 million (calculated as 87 805 389 Wescoal Shares to be issued as part of the aggregate Offer 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) Goodwill of R31.2 million is accounted for; being the difference between the purchase price of the Proposed Transaction (as described in 3.c.i. above) and the fair value of identifiable tangible and intangible net assets acquired.

      (iii) Cash and cash equivalents are adjusted as follows:

         1) Cash is decreased by the difference between the cash paid as part of the Proposed 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 aggregate Share Consideration of the aggregate Offer Consideration as described in 3.c.i. above.

      (ii) Transaction costs of R39.0 million relating to the Proposed 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.

   (e) A deferred tax liability of R31.2 million is accounted for at 28% of the fair value adjustment described in 3.c.i 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 Consideration of the aggregate Offer 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 aggregate Offer Consideration.
REPORT ON THE PRO FORMA FINANCIAL INFORMATION OF WESCOAL BY THE INDEPENDENT REPORTING ACCOUNTANT TO WESCOAL

21 April 2017

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

The Directors
Keaton Energy Holdings Limited
Eland House, The Braes
3 Eaton Avenue
Bryanston, 2194

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”) and Keaton Energy Holdings Limited (“Keaton Energy”) is jointly issuing a circular to the shareholders of Keaton Energy Holdings Limited (“the Circular”) regarding the offer by Wescoal to acquire the entire issued ordinary share capital of Keaton Energy (“the Transaction”).

At your request and for the purposes of the Circular to be dated on or about Thursday, 4 May 2017, we present our assurance report on the compilation of the pro forma financial information of Wescoal by the directors of Wescoal and Keaton Energy. The pro forma financial information, presented in paragraph 18 and Annexure 5 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 six 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.

DIRECTORS’ RESPONSIBILITY

The directors of Wescoal and Keaton Energy 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 18 and Annexure 5 to the Circular. The directors of Wescoal and Keaton Energy 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 of Wescoal and Keaton Energy 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 18 and Annexure 5 of the Circular:

PricewaterhouseCoopers Inc.
Director: Jean-Pierre van-Staden
Registered Auditor
Sunninghill"
FOREIGN SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS

The definitions and interpretations commencing on page 14 of this Circular apply to this Annexure.

1. FOREIGN SHAREHOLDERS

The Scheme may be affected by the laws of the relevant jurisdiction of a Foreign Shareholder. A Foreign Shareholder should acquaint itself with and observe any applicable legal requirements of such jurisdiction in relation to all aspects of this Circular that may affect it. It is the responsibility of each Foreign Shareholder to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, Exchange Control or other consents, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction.

The Scheme is governed by the laws of South Africa and is subject to any applicable laws and regulations, including the Exchange Control Regulations.

Any Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

2. EXCHANGE CONTROL REGULATIONS

The following is a summary of the Exchange Control Regulations. It is intended as a guide only and is not a comprehensive statement of the Exchange Control Regulations which apply to Scheme Participants. Scheme Participants who have any queries regarding the Exchange Control Regulations should contact their own professional advisors without delay.

2.1 Residents of the Common Monetary Area

In the case of:

2.1.1 Scheme Participants holding Certificated Shares whose registered addresses in the Register are within the Common Monetary Area and whose Documents of Title are not restrictively endorsed in terms of the Exchange Control Regulations, the Offer Consideration will be posted or transferred to such Scheme Participants by EFT (should this option have been selected on the Form of Surrender (pink)); or

2.1.2 Scheme Participants holding Dematerialised Shares whose registered addresses in the Register are within the Common Monetary Area and whose accounts with their CSDP or Broker have not been restrictively designated in terms of the Exchange Control Regulations, the Offer Consideration will be credited directly to the accounts nominated for the relevant Scheme Participants by their duly appointed CSDP or Broker.

2.2 Emigrants from the Common Monetary Area

In the case of Shareholders who are emigrants from the Common Monetary Area and whose Shares form part of their blocked assets, the Offer Consideration will:

2.2.1 in the case of Certificated Shareholders whose Documents of Title are restrictively endorsed in terms of the Exchange Control Regulations, be forwarded to the Authorised Dealer in foreign exchange in South Africa controlling such Shareholders’ blocked assets in terms of the Exchange Control Regulations. The attached Form of Surrender (pink) makes provision for details of the Authorised Dealer concerned to be given; or

2.2.2 in the case of Dematerialised Shareholders whose registered address in the Register are within the Common Monetary Area and have not been restrictively designated in terms of the Exchange Control Regulations, be paid to their CSDP or Broker, which shall arrange for same to be credited directly to the blocked Rand bank account of the Shareholder concerned with their Authorised Dealer in foreign exchange in South Africa.
2.3 **All other non-residents of the Common Monetary Area**

The Offer Consideration accruing to non-resident Shareholders whose registered address is outside the Common Monetary Area and who are not emigrants from the Common Monetary Area will:

2.3.1 in the case of Certificated Shareholders whose Documents of Title have been restrictively endorsed in terms of the Exchange Control Regulations, be paid by way of EFT or posted to their registered address in accordance with paragraph 6.6. The attached Form of Surrender (pink) makes provision for a substitute address or bank details; or

2.3.2 in the case of Dematerialised Shareholders, be paid to their duly appointed CSDP or Broker and credited to such Shareholders in terms of the provisions of the custody agreement with their CSDP or Broker.
SECTIONS 115 AND 164 OF THE COMPANIES ACT

"115: Required approval for transactions contemplated in Part A

1. Despite section 65, and any provision of a Company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a Company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:

   (a) the disposal, amalgamation or merger, or scheme of arrangement:
      (i) has been approved in terms of this section; or
      (ii) is pursuant to or contemplated in an approved business rescue plan for that Company, in terms of Chapter 6; and

   (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a Company that proposes to:
      (i) dispose of all or the greater part of its assets or undertaking;
      (ii) amalgamate or merge with another Company; or
      (iii) implement a scheme of arrangement,
       the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).

2. A proposed transaction contemplated in subsection (1) must be approved:

   (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the Company's Memorandum of Incorporation, as contemplated in section 64(2); and

   (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the Company's holding Company if any, if:
      (i) the holding Company is a Company or an external Company;
      (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
      (iii) having regard to the consolidated financial statements of the holding Company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding Company; and

   (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).

3. Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a Company may not proceed to implement that resolution without the approval of a court if:

   (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the Company to seek court approval; or

   (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
4. For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:

(a) required to be present or actually present, in determining whether the applicable quorum requirements are satisfied; or

(b) required to be voted in support of a resolution, or actually voted in support of the resolution (4A) in subsection (4), “act in concert” has the meaning set out in section 117(1)(b).

5. If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the Company must either:

(a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or

(b) treat the resolution as a nullity.

6. On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:

(a) is acting in good faith;

(b) appears prepared and able to sustain the proceedings; and

(c) has alleged facts which, if proved, would support an order in terms of subsection (7).

7. On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:

(a) the resolution is manifestly unfair to any class of holders of the Company’s securities; or

(b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the Company, or other significant and material procedural irregularity.

8. The holder of any voting rights in a Company is entitled to seek relief in terms of section 164 if that person:

(a) notified the Company in advance of the intention to oppose a special resolution contemplated in this section; and

(b) was present at the meeting and voted against that special resolution.

9. If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:

(a) the transfer of the whole or any part of the undertaking, assets and liabilities of a Company contemplated in that transaction;

(b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;

(c) the transfer of shares from one person to another;

(d) the dissolution, without winding-up, of a Company, as contemplated in the transaction;

(e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or

(f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger:
1. This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a Company, in terms of section 152.

2. If a Company has given notice to shareholders of a meeting to consider adopting a resolution to:
   (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
   (b) enter into a transaction contemplated in sections 112, 113, or 114,
    that notice must include a statement informing shareholders of their rights under this section.

3. At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the Company a written notice objecting to the resolution.

4. Within 10 business days after a Company has adopted a resolution contemplated in this section, the Company must send a notice that the resolution has been adopted to each shareholder who:
   (a) gave the Company a written notice of objection in terms of subsection (3); and
   (b) has neither:
       (i) withdrawn that notice; or
       (ii) voted in support of the resolution.

5. A shareholder may demand that the Company pay the shareholder the fair value for all of the shares of the Company held by that person if:
   (a) the shareholder:
       (i) sent the Company a notice of objection, subject to subsection (6); and
       (ii) in the case of an amendment to the Company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
   (b) the Company has adopted the resolution contemplated in subsection (2); and
   (c) the shareholder:
       (i) voted against that resolution; and
       (ii) has complied with all of the procedural requirements of this section.

6. The requirement of subsection (5)(a)(i) does not apply if the Company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders' rights under this section.

7. A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the Company within:
   (a) 20 business days after receiving a notice under subsection (4); or
   (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

8. A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
   (a) the shareholder's name and address;
(b) the number and class of shares in respect of which the shareholder seeks payment; and

(c) a demand for payment of the fair value of those shares.

9. A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:

(a) the shareholder withdraws that demand before the Company makes an offer under subsection (11), or allows an offer made by the Company to lapse, as contemplated in subsection (12)(b);

(b) the Company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or

(c) the Company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder’s rights under this section.

10. If any of the events contemplated in subsection (9) occur, all of the shareholder’s rights in respect of the shares are reinstated without interruption.

11. Within five business days after the later of:

(a) the day on which the action approved by the resolution is effective;

(b) the last day for the receipt of demands in terms of subsection (7)(a); or

(c) the day the Company received a demand as contemplated in subsection (7)(b), if applicable, the Company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the Company’s directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

12. Every offer made under subsection (11):

(a) in respect of shares of the same class or series must be on the same terms; and

(b) lapses if it has not been accepted within 30 business days after it was made.

13. If a shareholder accepts an offer made under subsection (12):

(a) the shareholder must either in the case of:

(i) shares evidenced by certificates, tender the relevant share certificates to the Company or the Company’s transfer agent; or

(ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the Company or the Company’s transfer agent; and

(b) the Company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:

(i) tendered the share certificates; or

(ii) directed the transfer to the Company of uncertificated shares.

14. A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the Company to pay the shareholder the fair value so determined, if the Company has:

(a) failed to make an offer under subsection (11); or

(b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
15. On an application to the court under subsection (14):  
   (a) all dissenting shareholders who have not accepted an offer from the Company as at the date of the application must be joined as parties and are bound by the decision of the court;  
   (b) the Company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and  
   (c) the court:  
      (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;  
      (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);  
      (iii) in its discretion may:  
         (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or  
         (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;  
      (iv) may make an appropriate order of costs, having regard to any offer made by the Company, and the final determination of the fair value by the court; and  
      (v) must make an order requiring:  
         (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and  
         (bb) the Company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the Company fulfils its obligations under this section.  

15A. At any time until the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the Company in terms of subsection (11), in which case:  
   (a) that shareholder must comply with the requirements of subsection 13(a); and  
   (b) the Company must comply with the requirements of subsection 13(b).  

16. The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the Company adopted the resolution that gave rise to a shareholder’s rights under this section.  

17. If there are reasonable grounds to believe that compliance by a Company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the Company being unable to pays its debts as they fall due and payable for the ensuing 12 months;  
   (a) the Company may apply to a court for an order varying the Company’s obligations in terms of the relevant subsection; and  
   (b) the court may make an order that:  
      (i) is just and equitable, having regard to the financial circumstances of the Company; and  
      (ii) ensures that the person to whom the Company owes money in terms of this section is paid at the earliest possible date compatible with the Company satisfying its other financial obligations as they fall due and payable.  

18. If the resolution that gave rise to a shareholder’s rights under this section authorised the Company to amalgamate or merge with one or more other companies, such that the Company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that Company under this section are obligations of the successor to that Company resulting from the amalgamation or merger.
19. For greater certainty, the making of a demand, tendering of shares and payment by a Company to a shareholder in terms of this section do not constitute a distribution by the Company, or an acquisition of its shares by the Company within the meaning of section 48, and therefore are not subject to:

(a) the provisions of that section; or

(b) the application by the Company of the solvency and liquidity test set out in section 4.

20. Except to the extent:

(a) expressly provided in this section; or

(b) that the Panel rules otherwise in a particular case,

a payment by a Company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.”
The high, low and closing price of Shares on the JSE and the aggregated monthly volumes and values traded from March 2016 were as follows:

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<th>Month ended</th>
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<th>Low</th>
<th>Close</th>
<th>Volume (shares)</th>
<th>Value (R)</th>
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The high, low and closing price of Shares on the JSE for each trading day from 15 February 2017 until the Last Practicable Date, and the daily trading volumes and values were as follows:

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<th>Close</th>
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## PRICE AND TRADING HISTORY OF WESCOAL SHARES ON THE JSE

The high, low and closing price of Wescoal’s Ordinary Shares on the JSE and the aggregated monthly volumes and values traded from March 2016 were as follows:

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<th>Low (cents per share)</th>
<th>Close (cents per share)</th>
<th>Volume (shares)</th>
<th>Value (R)</th>
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The high, low and closing price of Wescoal’s Ordinary Shares on the JSE for each trading day from 15 February 2017 until the Last Practicable Date, and the daily trading volumes and values were as follows:

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<th>Low (cents per share)</th>
<th>Close (cents per share)</th>
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1. INTRODUCTION

1.1 The Firm Intention Announcement released on SENS on Thursday, 2 February 2017 and published in the press on Friday, 3 February 2017 informed Shareholders of the offer by Wescoal, to acquire all the Shares in Keaton Energy, by way of a scheme of arrangement to be proposed by the Keaton Energy Board between Keaton Energy and the Shareholders, in terms of section 114(1) of the Companies Act.

1.2 If the Scheme fails, and Wescoal so elects, Wescoal may make the Standby Offer to the Shareholders within 10 Business Days after the day on which the Scheme so failed to acquire all the Shares in Keaton Energy for the Offer Consideration; provided that the Standby Offer will be subject to the Standby Offer Conditions, the full details of which are set out in paragraph 4.3 below.

1.3 Subject to section 124 of the Companies Act (a copy of which is attached as Annexure 12 and the contents of which are explained in 4.2 below):

1.3.1 to the extent that the Standby Offer becomes unconditional and is implemented, only Shareholders who have accepted the Standby Offer will sell their Shares to Wescoal for the Offer Consideration; and

1.3.2 those Shareholders who do not accept the Standby Offer will remain shareholders in Keaton Energy, which will become an unlisted subsidiary of Wescoal if the Delisting Resolution is passed.

1.4 The purpose of this annexure is to set out the terms and conditions on which the Standby Offer is extended to Shareholders, if made.

2. IMPORTANT DATES AND TIMES

If the Standby Offer is made, all salient dates and times in relation to the Standby Offer will be published on SENS and in the press. The Standby Offer Closing Date is expected to be on or about Friday, 21 July 2017 and indicative times are set out on in the timetable on page 13 of the Circular.

3. INFORMATION ABOUT WESCOAL AND THE RATIONALE FOR THE PROPOSED TRANSACTION

Please refer to paragraphs 3 and 4 of this Circular for information regarding Wescoal and the rationale for the Proposed Transaction.

4. TERMS OF STANDBY OFFER

4.1 Offer and acceptance

4.1.1 Wescoal may, prior to the Long Stop Date and if it so elects, as a Standby Offer, in terms of section 117(1)(c)(v) of the Companies Act and paragraph 1.14(c) of the Listings Requirements, if the Scheme fails, within ten Business Days after the day on which the Scheme so failed, offer to acquire from all the Shareholders, who wish to accept the offer, all of their Shares on the same terms and conditions as would have been applicable on approval of the Scheme, for the Offer Consideration.

4.1.2 The procedure for acceptance of the Standby Offer is set out in paragraph 6 below.

4.1.3 Those Shareholders who accept the Standby Offer will dispose of (and undertake to transfer) all of their Shares, free of encumbrances, to Wescoal on the same terms and conditions as would have been applicable on approval of the Scheme, mutatis mutandis, and Wescoal will acquire registered and beneficial ownership of each such Share.

4.1.4 The provisions of paragraphs 8, 6.2 and 9 of the Circular will apply, mutatis mutandis, to the Standby Offer; save that:
4.1.4.1 the Offer Consideration will be paid on the Standby Offer Payment Date; and

4.1.4.2 all references to Dissenting Shareholders will not apply.

4.2 **Compulsory acquisition in terms of section 124 of the Companies Act**

4.2.1 Should the Standby Offer be accepted by Shareholders holding at least 90% of the Shares, Wescoal may, at its election, invoke the provisions of section 124(1) of the Companies Act to compulsorily acquire all of the Shares in respect of which the Standby Offer was not accepted.

4.2.2 Should the requisite number of acceptances be obtained to allow the provisions of section 124(1) of the Companies Act to be invoked, a Circular will be sent to those Shareholders who have not accepted the Standby Offer, which Circular will incorporate the notice envisaged by section 124(1)(a) and a further form of acceptance, surrender and transfer.

4.2.3 A copy of section 124 of the Companies Act is included in **Annexure 12** to this Circular.

4.3 **Standby Offer Conditions**

4.3.1 As indicated above, the Standby Offer will only be made if the Scheme fails. Shareholders will be kept informed in this regard.

4.3.2 The implementation of the Standby Offer is subject to the fulfilment or waiver, as applicable, of the following conditions by no later than the Standby Offer Closing Date (or such later date as Wescoal and Keaton Energy agree on in writing):

4.3.2.1 those Scheme Conditions Precedent (other than the Scheme Conditions Precedent set out in paragraphs 6.3.1.3, 6.3.1.4 and 6.3.1.5) which, as at the Standby Offer Closing Date have not yet been fulfilled or waived (as the case may be);

4.3.2.2 the approval of the Delisting of the Shares by Shareholders pursuant to the implementation of the Standby Offer shall have been granted by the JSE in terms of paragraph 1.13 of the Listings Requirements;

4.3.2.3 Shareholders holding at least 50.1% of Shares shall have delivered written acceptances of the Standby Offer to Wescoal; and

4.3.2.4 after the fulfilment or waiver (as the case may be) of the Standby Offer Condition contained in paragraph 4.3.2.3 above but immediately prior to the date of fulfilment or waiver (as the case may be) of the last of the Standby Offer Conditions, Shareholders have not subsequently validly withdrawn their acceptances of the Standby Offer so as to cause there to be Shareholders holding not less than 50.1% of Shares who have accepted the Standby Offer.

4.3.3 Wescoal shall be entitled to waive fulfilment of the Standby Offer Conditions contained in paragraphs 4.3.2.2, 4.3.2.3 and/or 4.3.2.4 at any time, on written notice to Keaton Energy.

4.4 **General**

Within one Business Day of the fulfilment or waiver, to the extent permitted, of the Standby Offer Condition referred to in paragraph 4.3.2.3, Wescoal shall announce such fact in accordance with Regulation 105(1) of the Takeover Regulations.

Within one Business Day of the fulfilment or waiver, to the extent permitted, of all of the Standby Offer Conditions, Wescoal shall announce such fact in accordance with Regulation 105(5)(a) of the Takeover Regulations.

All times and dates referred to herein are subject to change, as provided in this Circular. Any such change shall be released on SENS and published in the South African press.

5. **GENERAL OFFER PERIOD**

5.1 The Standby Offer is irrevocable and will open for acceptance from 09:00 on the Standby Offer Opening Date, and will, in accordance with regulations 102(4) and 105(5) of the Takeover Regulations, close at 12:00 on the Standby Offer Closing Date (“**Standby Offer Period**”), subject to the provisions of Regulation 105(2) relating to shareholders’ rights to withdraw their acceptance of a general offer under certain circumstances.
Accordingly, the Standby Offer will be open for acceptance by those Shareholders that are recorded in the Register at any time during the Standby Offer Period.

5.2 Wescoal may, in its absolute and sole discretion, but subject to the provisions and requirements of the Companies Act and the Takeover Regulations, extend the Standby Offer Closing Date. If Wescoal so elects, the amended Standby Offer Closing Date will be released on SENS and published in the South African press.

6. **PROCEDURE FOR ACCEPTANCE OF THE STANDBY OFFER**

6.1 **Certificated Shareholders**

6.1.1 Certificated Shareholders who wish to accept the Standby Offer must complete the attached Standby Offer Form (blue) and send it, together with their Documents of Title in respect of their Shares, to the Transfer Secretaries. The Standby Offer Form (blue) and the Documents of Title must be received by no later than 12:00 on the Standby Offer Closing Date in order for Certificated Shareholders to be eligible to receive the Offer Consideration. The Standby Offer Form (blue) may be delivered by hand or sent by registered mail to the following addresses:

<table>
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<tr>
<th>If delivered by hand</th>
<th>If sent by mail</th>
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<tbody>
<tr>
<td>Computershare Investor Services Proprietary Limited</td>
<td>Computershare Investor Services Proprietary Limited</td>
</tr>
<tr>
<td>Rosebank Towers</td>
<td>PO Box 61763</td>
</tr>
<tr>
<td>15 Biermann Avenue</td>
<td>Marshalltown</td>
</tr>
<tr>
<td>Rosebank, 2196</td>
<td>2107</td>
</tr>
</tbody>
</table>

6.1.2 If the Standby Offer Form (blue) and Documents of Title are not received by 12:00 on the Standby Offer Closing Date, the Standby Offer will be deemed to have been declined. Late acceptances may be accepted or rejected at Wescoal’s discretion. Acceptances of the Standby Offer that are sent through the post are sent at the risk of the Certificated Shareholders concerned. Accordingly, Certificated Shareholders should take note of the postal delivery times so as to ensure that acceptances of the Standby Offer are received timeously. It is therefore recommended that such acceptances be sent by registered post, or delivered by hand to the same Transfer Secretaries.

6.1.3 No receipts will be issued for Documents of Title surrendered, unless specifically requested by the Certificated Shareholders concerned. Persons requiring receipts must prepare a receipt and forward it together with their Documents of Title surrendered.

6.1.4 If the Standby Offer lapses because of the non-fulfilment of one or more of the Standby Offer Conditions, then Documents of Title will be returned to their respective Certificated Shareholders by registered post at their risk within five Business Days of the Standby Offer so lapsing.

6.1.5 If Documents of Title relating to any Shares which are to be disposed of in terms of the Standby Offer have been destroyed or lost, Certificated Shareholders should nevertheless return the Standby Offer Form (blue) duly signed and completed, together with evidence satisfactory to Wescoal that the Documents of Title to the relevant Shares have been destroyed or lost and an indemnity acceptable to Wescoal against any damage, expense, loss or payment that it, or any of its duly authorised representatives, may incur or suffer by reason of, or arising from, the payment of the Offer Consideration to such person. An acceptable form of indemnity may be obtained from Wescoal.

6.1.6 Wescoal reserves the right, in its absolute and sole discretion:

6.1.6.1 to treat as invalid Standby Offer Forms (blue) not accompanied by the relevant Documents of Title (or, if applicable, evidence reasonably satisfactory to Wescoal that the Documents of Title to the relevant Shares have been destroyed or lost and an indemnity reasonably acceptable to Wescoal, as detailed above);

6.1.6.2 to treat as invalid Standby Offer Forms (blue) that have not been completed in accordance with the instructions set out therein;

6.1.6.3 to require proof of the authority of the person signing the Standby Offer Form (blue), where such proof has not been lodged with, or recorded by, the Transfer Secretaries; or

6.1.6.4 to condone the non-compliance by any Certificated Shareholder with any of the terms of the Standby Offer.
6.1.7 If a Standby Offer Form (blue) is treated as invalid due to non-compliance with the instructions contained therein, then the Certificated Shareholder who submitted that Standby Offer Form (blue) will be deemed to have declined the Standby Offer, unless that Certificated Shareholder re-submits to the Transfer Secretaries, before 12:00 on the Standby Offer Closing Date, a properly completed Standby Offer Form (blue).

6.2 Dematerialised Shareholders

6.2.1 Dematerialised Shareholders will be contacted by their duly appointed CSDPs or Brokers in the manner stipulated in the custody agreements entered into between those Dematerialised Shareholders and their CSDPs or Brokers (as the case may be) in order to ascertain whether or not the Dematerialised Shareholders wish to accept the Standby Offer. If a Dematerialised Shareholder wishes to accept the Standby Offer, it must notify its CSDP or Broker of its acceptance of the Standby Offer in the time and manner stipulated in the custody agreement entered into between it and its CSDP or Broker (as the case may be).

6.2.2 If a Dematerialised Shareholder wishes to accept the Standby Offer, but has not been contacted by its CSDP or Broker, it would be advisable for that Dematerialised Shareholder to contact and furnish its CSDP or Broker with instructions in relation to the acceptance of the Standby Offer. These instructions must be provided in the manner and by the cut-off date and time advised by the CSDP or Broker in terms of the custody agreement and must be communicated to the Transfer Secretaries by no later than 12:00 on the Standby Offer Closing Date.

6.2.3 These Dematerialised Shareholders must NOT complete the attached Standby Offer Form (blue).

6.3 Inability to trade in Shares

The Shareholders who have accepted the Standby Offer will not be able to trade their Shares from the date on which they accept the Standby Offer until the date upon which the Standby Offer lapses or is terminated.

7. SETTLEMENT OF THE OFFER CONSIDERATION

7.1 Certificated Shareholders

7.1.1 The Offer Consideration due to Certificated Shareholders will be settled on the basis set out in paragraphs 7.1.2 and 7.1.3 below.

7.1.2 The Cash Consideration will be paid into their bank account by way of EFT if they provided their bank account details for this purpose in the Standby Offer Form (blue) or if their bank account details are on the Register, failing which it will be posted to them at their own risk by ordinary post on the Standby Offer Payment Date.

7.1.3 Regarding the Share Consideration –

7.1.3.1 Certificated Shareholders are requested to provide details of their CSDP or Broker account in the appropriate box in of the Standby Offer Form (blue) for purposes of crediting their Broker’s or CSDP’s accounts with the Share Consideration on the Standby Offer Payment Date; and

7.1.3.2 Certificated Shareholders who wish to receive the Share Consideration in Dematerialised form, but who do not have an account with a Broker or CSDP or who failed to provide the details of their CSDP or Broker account in the appropriate box in the Standby Offer Form (blue), will be issued with statements of allocation and will be required to appoint a Broker or CSDP so that the Share Consideration can be made available to them in Dematerialised form following implementation of the Standby Offer.

7.1.4 If any Offer Consideration that is posted is returned undelivered for any reason whatsoever, Wescoal will hold that Offer Consideration in trust until it is claimed by any person legally entitled to it, for a maximum period of five years, after which period such funds shall be made over to the Guardians Fund of the High Court. No interest will accrue or be paid on any Offer Consideration so held in trust.

7.2 Dematerialised Shareholders

The Offer Consideration due to Dematerialised Shareholders will be credited to their accounts with their CSDPs or Brokers on the Standby Offer Payment Date.
7.3 **General**

The Offer Consideration shall be discharged, in full, in accordance with the terms of the Standby Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Wescoal may otherwise be, or claim to be, entitled against Keaton Energy or any other Shareholder.

8. **TERMINATION OF LISTING**

8.1 The listing of all the Shares will be terminated from the Main Board of the JSE pursuant to the implementation of the Standby Offer, if the Delisting Resolution has been passed.

8.2 Subject to the Standby Offer becoming unconditional (including approval of the Delisting Resolution) and the Standby Offer being implemented, the JSE has granted approval for the termination of the listing of all the Shares from the Main Board of the JSE.

9. **INCORPORATION OF REQUIRED INFORMATION**

Please refer to the following paragraphs of the Circular which contain the statements and information required in terms of the Companies Act and Takeover Regulations in respect of the Standby General Offer, which information is incorporated *mutatis mutandis* into this Annexure:

9.1 financial information in relation to Keaton Energy (paragraph 10);

9.2 information regarding Keaton Energy directors’ service contracts (paragraph 12);

9.3 statements regarding remuneration and continuation in office of Keaton Energy Directors (paragraph 13); provided that the reference to “Scheme Implementation Date” shall be read as a reference to “Standby Offer Payment Date”;

9.4 statements regarding interests of Keaton Energy directors and/or Keaton Energy in Wescoal (paragraph 14);

9.5 statements regarding interests of Keaton Energy directors in Keaton Energy (paragraph 15);

9.6 statement regarding the continuation of the business of Keaton Energy (paragraph 17);

9.7 financial information in relation to Wescoal (paragraph 18);

9.8 information regarding interests of Wescoal directors in Keaton Energy and Wescoal (paragraphs 20 and 21);

9.9 information regarding agreements between the Parties, between either of the Parties and the directors of the other and/or between either of the Parties and the shareholders of the other (paragraph 22);

9.10 information regarding irrevocable undertakings given in support of the Standby Offer by Shareholders and Wescoal shareholders (paragraph 23);

9.11 information regarding the Independent Export Report (paragraph 24 read with Annexure I);

9.12 opinion of the Independent Board (paragraph 25);

9.13 opinion of Wescoal Directors (paragraph 26);

9.14 responsibility statement of Wescoal directors (paragraph 27);

9.15 responsibility statement of Independent Board (paragraph 28); and

9.16 statement regarding material changes (paragraph 29).
SECTION 124 OF THE COMPANIES ACT

"124: Compulsory acquisitions and squeeze out

1. If, within four months after the date of an offer for the acquisition of any class of securities of a regulated Company, that offer has been accepted by the holders of at least 90% of that class of securities, other than any such securities held before the offer by the offeror, a related or inter-related person, or persons acting in concert, or a nominee or subsidiary of any such person or persons:

   (a) within two further months, the offeror may notify the holders of the remaining securities of the class, in the prescribed manner and form:

      (i) that the offer has been accepted to that extent; and
      (ii) that the offeror desires to acquire all remaining securities of that class; and

   (b) subject to subsection (2), after giving notice in terms of paragraph (a), the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.

2. Within 30 business days after receiving a notice in terms of subsection (1) (a), a person may apply to a court for an order:

   (a) that the offeror is not entitled to acquire the applicant’s securities of that class; or
   (b) imposing conditions of acquisition different from those of the original offer.

3. If an offer to acquire the securities of a particular class has not been accepted to the extent contemplated in subsection (1):

   (a) the offeror may apply to a court for an order authorising the offeror to give a notice contemplated in subsection (1) (a); and

   (b) the court may make the order applied for, if:

      (i) after making reasonable enquiries, the offeror has been unable to trace one or more of the persons holding securities to which the offer relates;
      (ii) by virtue of acceptances of the original offer, the securities that are the subject of the application, together with the securities held by the person or persons referred to in subparagraph (i), amount to not less than the minimum specified in subsection (1);
      (iii) the consideration offered is fair and reasonable; and
      (iv) the court is satisfied that it is just and equitable to make the order, having regard, in particular, to the number of holders of securities who have been traced but who have not accepted the offer.

4. If an offer for the acquisition of any class of securities of a regulated Company has resulted in the acquisition by the offeror or a nominee or subsidiary of the offeror, or a related or inter-related person of any of them, individually or in aggregate, of sufficient securities of that class such that, together with any other securities of that class already held by that person, or those persons in aggregate, they then hold at least 90% of the securities of that class:

   (a) the offeror must notify the holders of the remaining securities of the class that the offer has been accepted to that extent;
   (b) within three months after receiving a notice in terms of paragraph (a), a person may demand that the offeror acquire all of the person’s securities of the class concerned; and
   (c) after receiving a demand in terms of paragraph (b), the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.
5. If an offeror has given notice in terms of subsection (1), and no order has been made in terms of subsection (3), or if the offeror has received a demand in terms of subsection (4) (b):

(a) six weeks after the date on which the notice was given or, if an application to a court is then pending, after the application has been disposed of, or after the date on which the demand was received (as the case may be) the offeror must:

(i) transmit a copy of the notice to the regulated Company whose securities are the subject of the offer, together with an instrument of transfer, executed on behalf of the holder of the those securities by any person appointed by the offeror; and

(ii) pay or transfer to that Company the consideration representing the price payable by the offeror for the securities concerned,

(b) subject to the payment of prescribed fees or duties, the Company must thereupon register the offeror securities.

6. An instrument of transfer contemplated in subsection (5) is not required for any securities for which a share warrant is for the time being outstanding.

7. A regulated Company must deposit any consideration received under this section into a separate interest bearing bank account with a banking institution registered under the Banks Act and, subject to subsection (8), those deposits must be:

(a) held in trust by the Company for the person entitled to the securities in respect of which the consideration was received; and

(b) paid on demand to the person contemplated in paragraph (a), with interest to the date of payment.

8. If a person contemplated in subsection (7) (a) fails for more than three years to demand payment of an amount held in terms of that paragraph, the amount, together with any accumulated interest, must be paid to the benefit of the Guardian’s Fund of the Master of the High Court, to be held and dealt with in accordance with the rules of that Fund.

9. In this section any reference to a "holder of securities who has not accepted the offer" includes any holder who has failed or refused to transfer their securities to the offeror in accordance with the offer."
NOTICE OF GENERAL MEETING

The definitions and interpretations commencing on page 14 of the Circular to which this Notice is attached, apply mutatis
mutandis to this Notice.

Notice is hereby given, in terms of section 62(1) of the Companies Act, that a general meeting of the Company will be
held at 10:00 on Friday, 2 June 2017 at Aquamarine, Ground Floor, The Forum, Wanderers Building, The Campus
(Dimension Data), 57 Sloane Street (corner of Main Street), Bryanston, Sandton, for the purpose of considering, the
following ordinary and special resolutions, with or without modification:

Special Resolution Number 1 – Approval and implementation of the Scheme

"RESOLVED AS A SPECIAL RESOLUTION THAT, the Scheme in terms of section 114 (read with section
115(2)(a)) of the Companies Act, proposed by the Keaton Energy Board between Keaton Energy and the Shareholders,
in terms of which, if the Scheme Conditions Precedent are fulfilled or waived (as the case may be) such that the Scheme
becomes operative and unconditional, Wescoal will acquire all of the Shares for the Offer Consideration per Share on the
Scheme Implementation Date, be and is hereby approved in terms of section 115(2)(a) of the Companies Act."

Percentage of voting rights required for Special Resolution Number 1 to be adopted: The percentage of
voting rights that will be required for Special Resolution Number 1 to be adopted is at least 75% of the voting rights exercised on
Special Resolution Number 1 provided that Shareholders holding at least 25% of all the voting rights entitled to be exercised on
Special Resolution Number 1 are present at the General Meeting in person or represented by proxy.

Reason and effect of Special Resolution Number 1

The reason for the passing of Special Resolution Number 1 is to authorise Keaton Energy to implement a scheme of
arrangement in terms of section 114 (read with section 115) of the Companies Act pursuant to which Wescoal will acquire
all of the Shares for the Offer Consideration per Share. The effect of Special Resolution Number 1 will be that, subject to
the fulfilment or waiver (as the case may be) of the Scheme Conditions Precedent, Wescoal will acquire the Shares from
Scheme Participants for the Offer Consideration per Share, it being recorded that such consideration shall be settled –
• partly in cash by way of a Cash Consideration of R1.20 per Share; and
• partly in Wescoal Shares by way of a Share Consideration of 0.30 of a Wescoal Share for every one Share on the basis
that any resultant fractions will be rounded down to the nearest whole number and the New Wescoal Shares left over
will be aggregated and sold, with the proceeds being paid to the relevant Scheme Participants, in cash."

Special Resolution Number 2 – Revocation of Special Resolution Number 1 in terms of section
164(9)(c) of the Companies Act if the Scheme does not become unconditional, is not continued and
Dissenting Shareholders have exercised Appraisal Rights under section 164 of the Companies Act

"RESOLVED AS A SPECIAL RESOLUTION THAT, subject to and only in the event of:
(i) Special Resolution Number 1 being approved by the Shareholders; and
(ii) the Scheme not becoming unconditional for whatever reason; and
(iii) the Company and/or Wescoal making an announcement on SENS to the effect that the Scheme shall not be continued
or pursued any further, made unconditional or revived; and
(iv) any Dissenting Shareholders exercising their Appraisal Rights under section 164 of the Companies Act.
Special Resolution Number 1 be and is hereby revoked with effect from the date of the announcement contemplated in (iii) above, in accordance with section 164(9)(c) of the Companies Act, and accordingly a Dissenting Shareholder that has sent a demand to Keaton Energy in terms of sections 164(5) to (8) of the Companies Act to be paid the fair value of its Shares, shall have no rights to be so paid under section 164 of the Companies Act in that the Scheme did not and shall not become effective.”

**Percentage of voting rights required for Special Resolution Number 2 to be adopted:** The percentage of voting rights that will be required for Special Resolution 2 to be adopted is at least 75% of the voting rights exercised on Special Resolution Number 2 provided that Shareholders holding at least 25% of all the voting rights entitled to be exercised on Special Resolution Number 2 are present at the General Meeting in person or represented by proxy.

**Reason and effect of Special Resolution Number 2**

The reason and effect of Special Resolution Number 2 is to remove any right to payment that the Dissenting Shareholders may have under section 164 of the Companies Act if the Scheme lapses and is no longer continued.

**Ordinary Resolution Number 1 – Delisting Resolution**

“RESOLVED AS AN ORDINARY RESOLUTION THAT, if the Scheme as proposed in Special Resolution Number 1 fails, in terms of section 1.14(a) of the Listings Requirements and subject to the Standby Offer being made and the Standby Offer Conditions being fulfilled or waived (as the case may be) the listing of all the Shares on the Main Board of the JSE be suspended and terminated at such times and such dates as will be approved by the JSE.”

**Percentage of voting rights required for Ordinary Resolution 1 to be adopted:** In terms of section 1.14 of the Listings Requirements, the percentage of voting rights that will be required for this Ordinary Resolution Number 1 to be adopted is 50% plus 1 vote of the total number of voting rights exercised at the General Meeting by Shareholders present and voting, either in person or by proxy. In terms of section 1.15 of the Listings Requirements, the votes of any controlling shareholder, its associates and any party acting in concert will not be taken into account in determining the results of the voting on Ordinary Resolution Number 1.

**Reason and effect of Ordinary Resolution Number 1:**

The reason for the passing of Ordinary Resolution Number 1 is to approve the termination of the listing of all the Shares from the Main Board of the JSE in terms of section 1.14(a) of the Listings Requirements, if the Scheme as proposed in Special Resolution Number 1 fails, and Wescoal makes and implements the Standby Offer.

The effect of Ordinary Resolution Number 1 will be that, if Wescoal makes and implements the Standby Offer, the listing of all the Shares on the Main Board of the JSE will be terminated.

**Ordinary Resolution Number 2 – Authority**

“RESOLVED AS AN ORDINARY RESOLUTION THAT, any Keaton Energy director be and is hereby authorised to do all such things, take all such steps and sign all such documentation (including Company forms) as may be necessary or desirable for or incidental to give effect to and implement Special Resolution Number 1, Special Resolution Number 2 and Ordinary Resolution Number 1 above.”

**Percentage of voting rights required for Ordinary Resolution Number 2 to be adopted:** more than 50% of the voting rights exercised on Ordinary Resolution Number 2 must be cast in favour of Ordinary Resolution Number 2.

**Reason and effect of Ordinary Resolution Number 2**

The reason for Ordinary Resolution Number 2 is to authorise any Keaton Energy director to take all such steps and sign all such documents as he or she considers necessary to implement, or desirable for or incidental to give effect to and implement Special Resolution Number 1, Special Resolution Number 2 and Ordinary Resolution Number 1 above. The effect of Ordinary Resolution Number 1 is that any Keaton Energy director will be authorised to take any steps and sign any documents necessary or desirable for or incidental to give effect to and implement Special Resolution Number 1, Special Resolution Number 2 and Ordinary Resolution Number 1 above.
NOTES TO THE NOTICE OF GENERAL MEETING

QUORUM REQUIREMENTS

A Shareholders’ meeting may not begin until sufficient persons are present at such meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting. A matter to be decided at the General Meeting may not begin to be considered unless sufficient persons are present at the General Meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda. In addition, a quorum shall, subject to section 115(4) of the Companies Act, consist of at least three Shareholders personally present or represented by proxy (and if the Shareholder is a body corporate, it must be represented) and entitled to vote at the General Meeting on matters to be decided by Shareholders.

RECORD DATE

This Notice has been sent to Shareholders of the Company who were recorded as such in the Register on Friday, 28 April 2017 being the notice record date set by the Board in terms of section 62(3)(a) read with section 59 of the Companies Act determining which Shareholders are entitled to receive notice of the General Meeting.

The record date, set by the Board in terms of section 62(3)(a) read with section 59 of the Companies Act, for purposes of determining which Shareholders of the Company are entitled to participate in and vote at the General Meeting is Friday, 26 May 2017. Accordingly, the last date to trade in order to be registered in the Register and therefore be eligible to participate in and vote at the General Meeting is Tuesday, 23 May 2017.

Shareholders are advised that:

• a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in, and speak and vote at, the General Meeting on behalf of the Shareholder and in the place of the Shareholder. Certificated Shareholders and Dematerialised Shareholders with “own-name” registration are referred to in the Form of Proxy (green) attached to this Notice in this regard;

• a proxy need not also be a Shareholder of the Company; and

• in terms of section 63(1) of the Companies Act, any person attending or participating in a meeting of shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified. Accordingly, all General Meeting participants will be required to provide reasonable satisfactory identification to the chairperson of the General Meeting in order to participate in and vote at the General Meeting.

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

On a show of hands, every Shareholder who is present in person, or by proxy or represented at the General Meeting shall have one vote (irrespective of the number of Shares held). On a poll, every Shareholder shall have one vote for every Share held in the Company by such Shareholder. All Shareholders are encouraged to attend, participate in, and speak and vote at, the General Meeting.

A Shareholder entitled to attend and vote at the General Meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in, speak and vote at, the General Meeting in the place of the Shareholder. A proxy need not be a Shareholder of the Company.

A proxy appointment must be in writing, dated and signed by the Shareholder appointing a proxy, and, subject to the rights of a Shareholder to revoke such appointment (as set out below), remains valid only until the end of the General Meeting.

The appointment of a proxy is suspended at any time and to the extent that the Shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a Shareholder.

Shareholders who have Dematerialised their Shares, other than those Shareholders who have Dematerialised their shares with “own-name” registration, should contact their CSDP or Broker in the manner and time stipulated in their agreement, in order to furnish them with their voting instructions and to obtain the necessary letter of representation to do so, in the event that they wish to attend the General Meeting.

Please note that if you are the owner of Dematerialised Shares, held through a CSDP or Broker and are not registered as an “own-name” Dematerialised Shareholder you are not recorded as a registered Shareholder of the Company, but appear on the sub-register of the Company held by your CSDP. Accordingly, in these circumstances subject to the mandate between yourself and your CSDP or Broker, as the case may be:

• if you wish to attend the General Meeting you must contact your CSDP or Broker (as the case may be) and obtain the relevant letter of representation from them; alternatively
• if you are unable to attend the General Meeting but wish to be represented at the General Meeting, you must contact your CSDP or Broker (as the case may be) and furnish them with your voting instructions in respect of the General Meeting and/or request them to appoint a proxy. You must not complete the attached Form of Proxy (green). The instructions must be provided in accordance with the mandate between yourself and your CSDP or Broker (as the case may be) within the time period required by them.

CSDPs, Brokers or their nominees (as the case may be) recorded in the Company's sub-register as holders of Dematerialised Shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold Dematerialised Shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the General Meeting or by completing the attached Form of Proxy (green) in accordance with the instructions thereon and returning it to the Transfer Secretaries not less than 48 hours before the time appointed for the holding of the General Meeting (excluding Saturdays, Sundays and public holidays).

Shares held by a share trust or scheme will not have their votes at the General Meeting taken into account for purposes of resolutions proposed in terms of the Listings Requirements. Shares held as treasury shares, if any, may also not vote.

Shareholders of the Company that are companies, that wish to participate in the General Meeting, may authorise any person to act as its representative at the General Meeting.

If you hold Certificated Shares or are registered as an “own-name” Dematerialised Shareholder, then:
• you may attend and vote at the General Meeting; alternatively
• you may appoint a proxy (who need not also be a Shareholder of the Company) to represent you at the General Meeting by completing the attached Form of Proxy (green) and, for administrative reasons, returning it to the office of the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, South Africa, so as to be received by them not less than 48 hours before the time appointed for the holding of the General Meeting (excluding Saturdays, Sundays and public holidays). Any forms of proxy not received by this time must be handed to the chairperson of the General Meeting immediately prior to the General Meeting. Please also note that the attached Form of Proxy (green) may be delivered to the Company at any time before the General Meeting and must be so delivered before your proxy may exercise any of your rights as a Shareholder at the General Meeting.

A proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached Form of Proxy (green) as stipulated in section 58(3)(b) of the Companies Act.

PROOF OF IDENTIFICATION REQUIRED

Section 63(1) of the Companies Act requires that a person wishing to participate in the General Meeting (including any representative or proxy) must provide satisfactory identification (such as identity documents, driver’s licences or passports) before they may attend or participate at the General Meeting.

APPRAISAL RIGHTS FOR DISSenting SHAREHOLDERS

In terms of section 164 of the Companies Act, at any time before Special Resolution Number 1 as set out in the Notice is voted on, a Dissenting Shareholder may give the Company a written notice objecting to Special Resolution Number 1.

Within ten business days after the Company has adopted Special Resolution Number 1, the Company must send a notice that Special Resolution Number 1 has been adopted to each Dissenting Shareholder who:
• gave the Company a written notice of objection as contemplated above; and
• has neither withdrawn that notice nor voted in support of Special Resolution Number 1.

A Dissenting Shareholder may demand that the Company pay the Dissenting Shareholder the fair value for all of the Shares held by that person if:
• the Dissenting Shareholder has sent the Company a notice of objection as contemplated above;
• the Company has adopted Special Resolution Number 1; and
• the Dissenting Shareholder voted against Special Resolution Number 1 and has complied with all of the procedural requirements of section 164 of the Companies Act.

A copy of section 164 of the Companies Act is set out in Annexure 8 to this Circular.
ELECTRONIC PARTICIPATION

Shareholders are advised in terms of section 63(3) of the Companies Act, that while the General Meeting will be held in person, Shareholders (or their proxies) may participate in (but not vote at) the General Meeting by electronic communication, as contemplated in sub-section 63(2) of the Companies Act, and Shareholders or their proxies will be able, at their own expense, to participate in (but not vote at) the General Meeting by means of a teleconference facility.

Arrangements to participate in the General Meeting by teleconference facility should be made through the office of the Company Secretary by no later than 10:00 on Wednesday, 31 May 2017.

Shareholders who wish to participate in (but not vote at) the General Meeting by way of a teleconference call (i) will be required to provide reasonably satisfactory identification; and (ii) will be billed separately by their own telephone service providers for their telephone call to participate in the General Meeting; provided that Shareholders and their proxies will not be able to vote telephonically at the General Meeting and will still need to appoint a proxy to vote on their behalf at the General Meeting.

Abstaining from voting will for the purpose of determining the number of votes exercised in support of a resolution, not be deemed as voted in support of a resolution.

By order of the Independent Board

Lizwi X Mtumtum
Chairman of the Independent Board

28 April 2017
FORM OF PROXY FOR USE BY CERTIFICATED SHAREholders AND DEMATERIALISED SHAREholders WITH "OWN-NAME" REGISTRATION ONLY

The definitions and interpretations commencing on page 14 of this Circular apply mutatis mutandis to this Form of Proxy.

This Form of Proxy is only for use by:

- Certificated Shareholders; and
- Dematerialised Shareholders with “own-name” registration,

at the General Meeting that will be held at 10:00 on Friday, 2 June 2017 at Aquamarine, Ground Floor, The Forum, Wanderers Building, The Campus (Dimension Data), 57 Sloane Street (corner of Main Street), Bryanston, Sandton, and at any postponement or adjournment thereof.

Dematerialised Shareholders who have not selected “own-name” registration must inform their CSDP or Broker timeously of their intention to attend and vote at the General Meeting or be represented by proxy thereat in order for the CSDP or Broker to issue them with the necessary letter of representation to do so or provide the CSDP or Broker timeously with their voting instruction should they not wish to attend the General Meeting in order for the CSDP or Broker to vote in accordance with their instructions at the General Meeting.

I/We (please print full name/s in BLOCK LETTERS)
of
(Address in block letters)
Telephone number
Cellphone number
email address
being a holder of Shares and entitled to vote, do hereby appoint (refer to note 1):

1. or, failing him/her,
2. or, failing him/her,
3. the chairperson of the General Meeting,
as my/our proxy/ies to vote on a poll on my/our behalf at the General Meeting for the purpose of considering with or without modification, the Ordinary and Special resolutions to be proposed thereat and at each postponement or adjournment thereof and to vote for and/or against the Ordinary and Special resolutions and/or abstain from voting in respect of the Shares registered in my/our name/s in accordance with the instructions/notes overleaf.

Please indicate with an ‘X’ how you wish to vote in the spaces below, in respect of the Ordinary and Special Resolutions to be proposed, as contained in the Notice. Please note that all (and not only some) of the Shares held by you will be counted toward the vote indicated by you below. If no indication is given, the proxy will be entitled to vote or abstain from voting as he/she deems fit.

<table>
<thead>
<tr>
<th>Special Resolution Number</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval and implementation of the Scheme</td>
<td>For</td>
</tr>
<tr>
<td>Revocation of Special Resolution Number 1 in terms of section 164(9)(c) of the Companies Act</td>
<td>For</td>
</tr>
<tr>
<td>Delisting Resolution</td>
<td>For</td>
</tr>
<tr>
<td>Authority</td>
<td>For</td>
</tr>
</tbody>
</table>

Signed by me/us on this day of 2017

Signature

Assisted by (where applicable) (refer to note 4)

Full name/s of signatory if signing in a representative capacity (refer to note 6)

1.
2.
SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

• a shareholder of a Company may, at any time and in accordance with the provisions of section 58 of the Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders’ meeting on behalf of such shareholder;

• a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;

• irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder’s rights as a shareholder;

• any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;

• if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant Company;

• a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant Company’s memorandum of incorporation, or the instrument appointing the proxy, provides otherwise;

• if the instrument appointing a proxy or proxies has been delivered by a shareholder to a Company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Act or such Company’s Memorandum of Incorporation to be delivered to a shareholder must be delivered by such Company to –
  • the relevant shareholder; or
  • the proxy or proxies, if the relevant shareholder has: (i) directed such Company to do so, in writing and (ii) paid any reasonable fee charged by such Company for doing so; and

• if a Company issues an invitation to its shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of proxy instrument:
  • the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised;
  • the form or instrument supplied by the Company must:
    • contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name and, if desired, an alternative name of a proxy chosen by the shareholder; and
    • provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting;

• the Company must not require that the proxy appointment be made irrevocable; and

• the proxy appointment remains valid only until the end of the meeting at which it was intended to be used.

Notes to the Form of Proxy:

1. Every Shareholder present in person or by proxy and entitled to vote at the General Meeting shall in the event of a poll be entitled to one vote in respect of each Share in the Company held by him/her.

2. The Form of Proxy must only be used by Certificated Shareholders or Shareholders who hold Dematerialised Shares with “own-name” registration.

3. All other beneficial owners who have Dematerialised their Shares through a CSDP or Broker and wish to attend the General Meeting must provide the CSDP or Broker with their voting instructions in terms of the relevant agreement entered into between them and the CSDP or Broker.

4. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder’s choice in the space(s) provided overleaf, with or without deleting “the chairperson of the General Meeting”; but any such deletion must be initialed by the Shareholder. Should this space be left blank, the chairperson of the General Meeting will exercise the proxy. The person whose name appears first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

5. A Shareholder’s voting instructions to the proxy must be indicated by the insertion of an “X” or the number of votes exercisable by that Shareholder in the appropriate spaces provided. If an “X” has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the Shares held by the Shareholder concerned. Failure to do this shall be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting, as he/she thinks fit in respect of all the Shareholder’s exercisable votes. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the Shareholder or by his/her proxy.

6. A minor or any person under incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries.

7. The completed Form of Proxy must be lodged with the Transfer Secretaries of the Company:

Computershare Investor Services Proprietary Limited,
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to
PO Box 61051, Marshalltown, 2107
Republic of South Africa,

to reach the Transfer Secretaries on or before 10:00 on Wednesday, 31 May 2017, being at least 48 hours (excluding Saturdays, Sundays and public holidays in the Republic of South Africa) before the time appointed for the holding of the General Meeting. Should the Form of Proxy not be delivered to the Transfer Secretaries by this time, you will be required to furnish a copy of such Form of Proxy to the chairperson of the General Meeting before the appointed proxy exercises any of your Shareholder rights at the General Meeting.

8. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity must be attached to this Form of Proxy unless previously recorded by the Transfer Secretaries or waived by the chairperson of the General Meeting.

9. The completion and lodging of this Form of Proxy shall not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.

10. The completion of any blank spaces overleaf need not be initialed. Any alterations or corrections to this Form of Proxy, other than the deletion of alternatives, must be initialed by the signatory/ies.

11. The chairperson of the General Meeting may reject or accept any Form of Proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a Shareholder wishes to vote.

12. Where there are joint holders of Shares:

a. any one holder may sign the Form of Proxy;

b. the vote(s) of the senior Shareholders (for that purpose seniority will be determined by the order in which the names of Shareholders appear in the Register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint Shareholder(s).
FORM OF SURRENDER AND TRANSFER FOR USE BY CERTIFICATED SHAREHOLDERS ONLY

Important notes concerning this Form of Surrender and Transfer (“Form”):

• This Form is only for use in respect of the scheme of arrangement proposed by the Keaton Energy Board between Keaton Energy and its Shareholders (“the Scheme”) in accordance with the requirements of section 114(1) of the Companies Act, 2008 (Act 71 of 2008), as amended (“Companies Act”).

• Full details of the Scheme are contained in the Circular to Shareholders of Keaton Energy, dated Thursday, 4 May 2017 (“Circular”), to which this Form is attached and forms part. Accordingly, all terms used in this Form shall, unless the context otherwise requires or they are otherwise defined herein, have the meanings attributed to them in the Circular.

• This Form is attached for the convenience of Certificated Shareholders who may wish to surrender their Documents of Title prior to the date of the General Meeting to be held at 10:00 on Friday, 2 June 2017 at Aquamarine, Ground Floor, The Forum, Wanderers Building, The Campus (Dimension Data), 57 Sloane Street (corner of Main Road), Bryanston, Sandton.

• HOLDERS OF DEMATERIALISED SHARES MUST NOT COMPLETE THIS FORM.

INSTRUCTIONS:

1. The surrender of Documents of Title is for use only by Scheme Participants who are Certificated Shareholders.

2. A separate Form is required for each Certificated Scheme Participant.

3. Part A must be completed by all Scheme Participants who return this Form.

4. Part B must be completed by Certificated Shareholders wishing payment of the Cash Consideration to be made by way of EFT.

5. Part C must be completed by all Certificated Shareholders who return this Form in order to stipulate the manner in which they wish to receive the Share Consideration.

6. Part D must be completed by all Scheme Participants who are emigrants from South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland (collectively “the Common Monetary Area”).

7. Part E must be completed by all Scheme Participants who are non-residents of the Common Monetary Area or who are emigrants from the Common Monetary Area whose Shares have been released and wish for the Offer Consideration to be paid to an authorised dealer.

8. If this Form is returned with the relevant Documents of Title to Shares, it will be treated as a conditional surrender which is made subject to the Scheme becoming operative. In the event of the Scheme not becoming operative for any reason whatsoever, Computershare Investor Services Proprietary Limited will, by not later than five Business Days after the date upon which it becomes known that the Scheme will not be operative, return the Documents of Title to the Shareholders concerned, by registered post, at the risk of such Shareholders.

9. Persons who have acquired Shares in Keaton Energy after the date of the issue of the Circular to which this Form is attached, may obtain copies of the Form and the Circular from the office of Keaton Energy, Ground Floor, Block H, The Braes, 3 Eaton Road, Bryanston 2191.

10. The Offer Consideration will not be sent to Certificated Scheme Participants unless and until Documents of Title in respect of the relevant Shares have been surrendered to Computershare Investor Services Proprietary Limited.

To: Computershare Investor Services Proprietary Limited: Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61763, Marshalltown, 2107)

Dear Sirs

PART A – TO BE COMPLETED BY ALL SCHEME PARTICIPANTS WHO RETURN THIS FORM

I/We, the undersigned Scheme Participant, hereby surrender the Keaton Energy share certificate/s and/or other Documents of Title attached hereto, representing ordinary shares with no par value, registered in the name of the person mentioned below and authorise the Transfer Secretaries, conditional upon the Scheme becoming operative, to register the transfer of these Shares into the name of Wescoal:

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>Certificate Number(s)</th>
<th>Number of Shares covered by each certificate(s) enclosed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Surname or name of corporate body:

First name(s) in full:

Title (Mr, Mrs, Miss, Ms, etc.):

Address to which the Offer Consideration should be sent (if different from registered address)

Postal code:

Note:

<table>
<thead>
<tr>
<th>Signature of Shareholders</th>
<th>Name and address of agent lodging this Form (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assisted by (if applicable)</td>
<td></td>
</tr>
<tr>
<td>(State full name and capacity)</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>2017</td>
</tr>
<tr>
<td>Telephone number (Home) ( )</td>
<td></td>
</tr>
<tr>
<td>Telephone number (Work) ( )</td>
<td></td>
</tr>
<tr>
<td>Cellphone number</td>
<td></td>
</tr>
</tbody>
</table>

PART B: BANK ACCOUNT DETAILS OF SHAREHOLDERS

To be completed in BLOCK CAPITALS by Shareholders wishing to receive payment of the Cash Consideration by means of EFT.

I/We, being a holder/s of Shares hereby request that the Cash Consideration be electronically deposited into my/our bank account, the details of which are as follows:

Name of account holder (no third party accounts):

Bank name:

Branch code:

Account number:

Signature of Shareholder:

Assisted by (if applicable):

(State full name and capacity):

Date:

Telephone: (Home) ( ) Telephone: (Work) ( ) Cellphone number:

In terms of FICA, Computershare Investor Services Proprietary Limited will only be able to record the bank details if certified true copies of the Shareholder’s ID Document and Bank Statement are submitted with this Form.

PART C – SUBMISSION OF CSDP AND/OR BROKER DETAILS OF SHAREHOLDERS: TO BE COMPLETED IN BLOCK CAPITALS BY ALL CERTIFICATED SHAREHOLDERS

All Shareholders should kindly complete the section below, dealing with the settlement of the Share Consideration upon the Scheme becoming operative.

I. Please tick this box if you have an account with a Broker or CSDP and wish such account to be credited with the Share Consideration, and insert the details of such account below:

Name of account holder

Name of Broker

Name of CSDP

Account number of Broker:

Account number of CSDP:

Telephone number of Broker/CSDP:

SCA number of Broker/CSDP:

Please note: The account details provided above must be verified by your Broker or CSDP, and proof of such verification must accompany this Form. Should the account details provided by you above be incorrect or incomplete, it will not be possible to credit such account with the Share Consideration, in which case you will be issued with a statement of allocation, confirming the number of New Wescoal Shares due to you. The statement of allocation will be sent to you, at your risk, at the address provided by you in Part A above.
2. Please tick this box if you do not have an account with a Broker or CSDP, but wish to receive the Share Consideration in Dematerialised form and not in certificated form. It will be necessary for you to appoint a Broker or CSDP before the Share Consideration can be credited to your Broker or CSDP account. In the meantime, you will be issued with a statement of allocation, confirming the number of New Wescoal Shares due to you. The statement of allocation will be sent to you, at your risk, at the address provided by you in Part A above.

3. Please tick this box if you do NOT wish to receive the Share Consideration in Dematerialised form. The Document of Title (share certificate) for the Share Consideration will be sent you, at your risk, at the address provided by you in Part A above.

Please note: Should the account details provided by you above be incorrect or incomplete, it will not be possible to credit such account with the Share Consideration, in which case your Share Consideration will be held with Computershare Investor Services Proprietary Limited until such time correct information is received.

PART D – TO BE COMPLETED BY EMIGRANTS OF THE COMMON MONETARY AREA
Nominated authorised dealer in the case of a Scheme Participant who is an emigrant from the Common Monetary Area (see note 3 below).

NB: PART A must also be completed.

<table>
<thead>
<tr>
<th>Name of dealer</th>
<th>Account number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td></td>
</tr>
</tbody>
</table>

PART E: TO BE COMPLETED IN BLOCK CAPITALS BY SHAREHOLDERS WHO ARE EMIGRANTS FROM THE COMMON MONETARY AREA (“EMIGRANTS”) AND NON-RESIDENTS OF THE COMMON MONETARY AREA (SEE NOTES 3 AND 4 BELOW)

The Offer Consideration will be forwarded to the authorised dealer in foreign exchange in South Africa controlling the emigrant’s blocked assets in terms of the Exchange Control Regulations as nominated below for its control and credited to the emigrant’s blocked assets account. Accordingly, Shareholder emigrants must provide the following information:

<table>
<thead>
<tr>
<th>Name of authorised dealer:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account number:</td>
</tr>
<tr>
<td>Address:</td>
</tr>
</tbody>
</table>

Signature of authorised dealer:

If emigrants make no nomination above, the Transfer Secretaries will hold the consideration in trust for the benefit of the emigrants concerned until lawfully claimed by such Scheme Participant for a maximum period of five years, after which such funds shall be made over to the Guardian’s Fund. Non-residents: must complete Part E if they wish the Offer Consideration to be paid to an authorised dealer in South Africa.

Notes and instructions:
1. Applications under this Form are irrevocable and may not be withdrawn once submitted.
2. Scheme Participants should consult their professional advisors in case of doubt as to the correct completion of this Form.
3. Emigrants from the Common Monetary Area must complete Part D.
4. All other non-residents of the Common Monetary Area must complete Part E if they wish the Offer Consideration to be paid to an authorised dealer in South Africa.
5. If Part D is not properly completed by emigrants, the Offer Consideration will be held in trust by the Transfer Secretaries pending receipt of the necessary nomination or instruction. No interest will be paid on the amount so held in trust.
6. No receipts will be issued for documents lodged unless specifically requested. In compliance with the requirements of the JSE Limited (“JSE”), lodging agents are requested to prepare special transaction receipts, if required. Signatories may be called upon for evidence of their authority or capacity to sign this Form.
7. Persons who are emigrants from the Common Monetary Area should nominate the authorised dealer in foreign exchange in South Africa which has control of their blocked assets in Part D of this Form. Failing such nomination, the Offer Consideration due to such Scheme Participants in accordance with the provisions of the Scheme will be held by the Transfer Secretaries, pending instructions from the Scheme Participants concerned.
8. Any alteration to this Form must be signed in full and not initialled.
9. If this Form is signed under a power of attorney, then such power of attorney, or a notarially certified copy thereof, must be sent with this Form for noting (unless it has already been noted by Keaton Energy or the Transfer Secretaries). This does not apply in the event of this Form bearing a JSE broker’s stamp.
10. Where the Scheme Participant is a Company or a close corporation, unless it has already been registered with Keaton Energy or the Transfer Secretaries, a certified copy of the directors’ or members’ resolution authorising the signing of this Form must be submitted if so requested by Keaton Energy.
11. If this Form is not signed by the Scheme Participant, the Scheme Participant will be deemed to have irrevocably appointed the Transfer Secretaries to implement the Scheme Participant’s obligations under the Scheme on his or her behalf.
12. Where there are any joint holders of any Shares, only that holder whose name stands first in the Register in respect of such Shares need sign this Form.
13. A minor must be assisted by his or her parent or guardian, unless the relevant documents establishing his or her legal capacity are produced or have been registered by the Transfer Secretaries.
14. Should you surrender your Documents of Title in anticipation of the Scheme becoming operative and the Scheme then does not become operative, the Transfer Secretaries shall, within five Business Days of the date upon which it becomes known that the Scheme will not be implemented or on receipt by the Transfer Secretaries of the relevant Documents of Title, whichever is the later, return the Documents of Title to you by post at your risk.
STANDBY OFFER FORM: FORM OF SURRENDER, TRANSFER AND ACCEPTANCE
(FOR USE BY CERTIFICATED SHAREHOLDERS ONLY)

Words and definitions used herein will bear the meanings assigned to them in the section headed “Definitions and interpretation” commencing on page 14 of the Circular, of which this Standby Offer Form forms part.

To: The Transfer Secretaries

Hand deliveries to: Postal deliveries to:
Computershare Investor Services Proprietary Limited
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61763, Marshalltown, 2107

This form should be read together with the Circular.

Instructions:
1. A separate Form of Surrender, Transfer and Acceptance is required for each Shareholder. Shareholders must complete this Form of Surrender, Transfer and Acceptance in BLOCK CAPITALS.
2. Part A must be completed by all Certificated Shareholders who wish to accept the Standby Offer.
3. Part B must be completed by Certificated Shareholders who wish to receive the Cash Consideration by EFT.
4. Part C must be completed by all Certificated Shareholders who wish to accept the Standby Offer in order to stipulate the manner in which they wish to receive the Share Consideration.
5. Part D must be completed by all Certificated Shareholders who wish to accept the Standby Offer and who are emigrants from the Common Monetary Area (see note 2).
6. Part E must be completed by all Certificated Shareholders who wish to accept the Standby Offer and who are non-residents of the Common Monetary Area or who are emigrants from the Common Monetary Area whose Shares have been released and wish for the Offer Consideration to be paid to an authorised dealer.
7. No receipts will be issued for Documents of Title lodged unless specifically requested. Lodging agents are requested to prepare special transaction receipts, if required.
8. Please also read notes contained in this form.

Dear Sirs

I/We hereby accept the Standby Offer and surrender and enclose the share certificates and Documents of Title in respect of my/our holdings of Shares, as per my/our instructions contained herein:

PART A – TO BE COMPLETED BY ALL CERTIFICATED SHAREHOLDERS WHO RETURN THIS FORM

I/We hereby accept the Standby Offer in respect of □ Certificated Shares

Surname or name of corporate body

First names (in full):

Title (Mr, Mrs, Miss, Ms, etc):

Address to which the Offer Consideration, which a Certificated Shareholder is entitled to in terms of the Standby Offer, should be sent (if different from registered address):

Postal code:

Country telephone:  

Cellular telephone number:

Email address:

Fax number:  

Please note: In order to comply with the requirements of the Financial Intelligence Centre Act, No. 38 of 2001, the Transfer Secretaries will not be able to record any change of address mandated unless the following documentation is received from the relevant Shareholder:
• an original certified copy of your identity document;
• an original certified copy of a document issued by the South African Revenue Services to verify your tax number (if you do not have a tax number, please confirm this in writing and have the letter signed by a Commissioner of Oaths); and
• an original or an original certified copy of a service bill to verify your physical address.

I/WE HEREBY SURRENDER THE ENCLOSED SHARE CERTIFICATE/S, CERTIFIED TRANSFER DEED/S AND/OR OTHER DOCUMENTS OF TITLE, DETAILS OF WHICH HAVE BEEN COMPLETED BELOW.

<table>
<thead>
<tr>
<th>Name of registered holder (separate form for each holder)</th>
<th>Certificate number(s) (in numerical order)</th>
<th>Number of Shares covered by each certificate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

Total:

Signature of Shareholder

Assisted by me (if applicable)

(State full name and capacity)

Date:

Telephone number: (Home) (   )

Cellphone number:

Stamp and Address of agent lodging this form

Signatories may be called upon for evidence of their authority or capacity to sign this form. I/We hereby certify that:
• I/We own the shares issued by Keaton Energy as detailed in the table set out above at the end of Part A (defined for purposes of this Part A as the “Shares”);
• the Shares are fully paid-up;
• the Shares are in registered form;
• I/We am/are the legal owner solely entitled to the Shares and have the power to dispose of the Shares;
• there are no pre-emption right nor any other right by virtue of which any person or entity may be entitled to demand that one or more of the Shares be transferred to him;
• none of the Shares are encumbered with any pledge or usufruct, there are no right to acquire any pledge or usufruct of the Shares and none of the Shares are subject of any attachment; and
• the Shares are freely transferable.

PART B – TO BE COMPLETED IN BLOCK CAPITALS BY SHAREHOLDERS WISHING TO RECEIVE PAYMENT OF THE OFFER CONSIDERATION BY MEANS OF EFT

In order to comply with the requirements of the Financial Intelligence Centre Act, No. 38 of 2001, the Transfer Secretaries will not be able to record any change of address mandated unless the following documentation is received from the relevant Shareholder:
• a certified true copy of ID; and
• a certified true copy of bank statement.

I/We, being a holder/s of Offer Shares hereby request that the Offer Consideration be electronically deposited into my/our bank account, the details of which are as follows:

Name of account holder (no third party accounts):

Bank name:

Branch code:

Account number:

Swift number

IBAN number

Signature of Shareholder:

Assisted by (if applicable):

(State full name and capacity):

Date:

Telephone: (Home) (   ) Telephone: (Work) (   ) Cellphone number:

In terms of FICA, Computershare Investor Services Proprietary Limited will only be able to record the bank details if certified true copies of the Shareholder’s ID Document and Bank Statement are submitted with this Form.
PART C – SUBMISSION OF CSDP AND/OR BROKER DETAILS OF SHAREHOLDERS: TO BE COMPLETED IN BLOCK CAPITALS BY ALL CERTIFICATED SHAREHOLDERS

All Shareholders should kindly complete the section below, dealing with the settlement of the Share Consideration upon the Standby Offer becoming operative.

1. Please tick this box if you have an account with a Broker or CSDP and wish such account to be credited with the Share Consideration, and insert the details of such account below:

<table>
<thead>
<tr>
<th>Name of account holder</th>
<th>Name of Broker</th>
<th>Name of CSDP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Account number of Broker:
Account number of CSDP:
Telephone number of Broker/CSDP:
SCA number of Broker/CSDP:

Please note: The account details provided above must be verified by your Broker or CSDP, and proof of such verification must accompany this form. Should the account details provided by you above be incorrect or incomplete, it will not be possible to credit such account with the Share Consideration, in which case you will be issued with a statement of allocation, confirming the number of Share Consideration due to you. The statement of allocation will be sent to you, at your risk, at the address provided by you in Part A above.

2. Please tick this box if you do not have an account with a Broker or CSDP, but wish to receive the Share Consideration in Dematerialised form and not in certificated form. It will be necessary for you to appoint a Broker or CSDP before the Share Consideration can be credited to your Broker or CSDP account. In the meantime, you will be issued with a statement of allocation, confirming the number of Share Consideration due to you. The statement of allocation will be sent to you, at your risk, at the address provided by you in Part A above.

3. Please tick this box if you do NOT wish to receive the Share Consideration in Dematerialised form. The Document of Title (share certificate) for the Share Consideration will be sent you, at your risk, at the address provided by you in Part A above.

Please note: Should the account details provided by you above be incorrect or incomplete, it will not be possible to credit such account with the Share Consideration, in which case your Share Consideration will be held with Computershare Investor Services Proprietary Limited until such time correct information is received.

PART D – TO BE COMPLETED IN BLOCK CAPITALS BY ALL CERTIFICATED SHAREHOLDERS WHO ARE EMIGRANTS FROM THE COMMON MONETARY AREA AND WHOSE SHARES HAVE NOT BEEN RELEASED

The Offer Consideration due to Certificated Shareholders who are emigrants from the Common Monetary Area and whose Shares have not been released will be forwarded to the authorised dealer controlling his blocked assets and credited to the emigrant’s blocked account. Accordingly, a non-resident who is an emigrant from the Common Monetary Area must provide the following information:

<table>
<thead>
<tr>
<th>Name of Authorised Dealer in South Africa:</th>
<th>Account number:</th>
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</thead>
<tbody>
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</tbody>
</table>

If no nomination is made above, the Offer Consideration will be held in trust by Keaton Energy until a written instruction is received as to the disposal of such amount.

PART E – TO BE COMPLETED IN BLOCK CAPITALS BY CERTIFICATED SHAREHOLDERS WHO ARE NON-RESIDENTS OF THE COMMON MONETARY AREA OR EMIGRANTS FROM THE COMMON MONETARY AREA WHOSE SHARES HAVE BEEN RELEASED AND WHO WISH TO HAVE THE OFFER CONSIDERATION PAID TO AN AUTHORISED DEALER

The Offer Consideration due to Certificated Shareholders who have registered addresses outside South Africa (other than Certificated Shareholders who are emigrants from the Common Monetary Area and whose Shares have not been released) and whose share certificates are endorsed “non-resident” will be posted to the relevant Certificated Shareholder, unless that Certificated Shareholder nominates an authorised dealer to which such Offer Consideration should be paid.

<table>
<thead>
<tr>
<th>Name of Authorised Dealer in South Africa or alternative instructions:</th>
<th>Account number:</th>
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</thead>
<tbody>
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</tr>
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</table>

<table>
<thead>
<tr>
<th>Address:</th>
</tr>
</thead>
</table>

Notes:

1. Emigrants of the Common Monetary Area must, in addition to Part A, also complete Part D. If Part D is not properly completed, the Offer Consideration will be held in trust by the Company or the Transfer Secretaries until claimed for a maximum period of five years, after which period such funds shall be made over to the Guardians Fund of the High Court. No interest will accrue or be paid on any Offer Consideration so held in trust.

2. All other non-residents of the Common Monetary Area must complete Part E if they wish the Offer Consideration to be to be paid to an authorised dealer in South Africa.

3. The Offer Consideration will not be sent to Shareholders unless and until Documents of Title in respect of the relevant Shares have been surrendered to the Transfer Secretaries.
4. If a Certificated Shareholder produces evidence to the satisfaction of Keaton Energy that Documents of Title in respect of Shares have been lost or destroyed, Keaton Energy may waive the surrender of such Documents of Title against delivery of a duly executed indemnity (including against any damage, expense, loss or payment that Wescoal, or any of its duly authorised representatives, may incur or suffer by reason of, or arising from, the payment of the Offer Consideration to such person) in a form and on terms and conditions approved by Wescoal, which may in its discretion waive such indemnity.

5. If this Form of Surrender, Transfer and Acceptance is not signed by the Certificated Shareholder, the Shareholder will be deemed to have irrevocably appointed the Company secretary of Keaton Energy to implement that Shareholder's obligations under the Standby Offer on his/her behalf.

6. Persons who have acquired Shares after the date of posting of the Circular to which this Form of Surrender, Transfer and Acceptance is attached, can obtain copies of the Form of Surrender, Transfer and Acceptance and the Circular from Keaton Energy’s Company secretary at Ground Floor, Eland House, The Braes, 3 Eaton Road, Bryanston and from the Transfer Secretaries at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196.

7. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this Form of Surrender, Transfer and Acceptance.

8. Any alteration to this Form of Surrender, Transfer and Acceptance must be signed in full and should not be merely initialled.

9. If this Form of Surrender, Transfer and Acceptance is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this Form of Surrender, Transfer and Acceptance for noting (unless it has already been noted by Keaton Energy or the Transfer Secretaries).

10. Where the Certificated Shareholder is a Company or a close corporation, unless it has already been registered with Keaton Energy or the Transfer Secretaries, a certified copy of the directors' or members' resolution authorising the signing of this Form of Surrender, Transfer and Acceptance must be submitted if so requested by Keaton Energy.

11. Note 10 does not apply in the case of a form bearing a JSE Broker’s stamp.

12. A minor must be assisted by his parent or guardian, unless the relevant documents establishing his legal capacity are produced or have been registered by the Company or Transfer Secretaries.

13. Where Shares are held jointly, all joint holders are required to sign this Form of Surrender, Transfer and Acceptance.