

Licence to operate

For this material issue, we focused on protecting Exxaro's BEE status and planning for the BEE unwind in November 2016.

Following announcements in 2015, we secured additional funding to support our controlling BEE shareholder, Main Street 333. This provided a medium-term solution to the group's BEE status until the structure unwinds. The Main Street 333 preference share balance at 31 December 2015 is R2,8 billion (IDC supported - R621 million, Exxaro loan R426 million and other R175 million).

The lock-in restrictions originally imposed on Main Street 333 as part of Exxaro's current empowerment scheme expire on 30 November 2016, when it is free to trade its shares in Exxaro. We are working with Main Street 333 to assess alternative solutions to address our empowerment strategy including:

- Formulating a proposed mechanism for a potential unwind of Exxaro's existing BEE structure
- Managing all risks, particularly market risk, associated with unwinding
- Evaluating the requirements and potential alternatives of a subsequent BEE structure/scheme.

An independent board sub-committee was established to actively engage Main Street 333 on these matters to find a sustainable and satisfactory solution for all stakeholders. We are working to implement this solution prior to the November 2016 deadline.

Capital projects

The board's focus centred on a critical review of the overall capital profile and need to postpone and reduce capital expenditure in response to the business resilience material issue. Our revised capital allocation profile is also testament to our short to medium-term strategic focus on coal as discussed earlier (refer graphs). The executive review provides more operational detail on current and planned projects.

We continued monitoring progress in securing our Mayoko mining convention and the reduction of activities and expenditure in the RoC. The audit committee will closely monitor progress on the RoC-related tax and customs potential contingent liability and, as previously indicated, we will rigorously object and defend our position.

