
CORPORATE INFORMATION AND ADVISERS

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ACTION REQUIRED BY SHAREHOLDERS

This Circular is important and requires your immediate attention. The action you need to take is set out below. The definitions and interpretations commencing on page 4 of this Circular have been used in this section.

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

1. IF YOU HAVE DEMATERIALIZED YOUR EXXARO SHARES WITHOUT “OWN-NAME” REGISTRATION:

- (a) Voting at the General Meeting
 - (i) Your CSDP/Broker is obliged to contact you in the manner stipulated in the agreement concluded between you and your CSDP/Broker to ascertain how you wish to cast your vote at the General Meeting and thereafter to cast your vote in accordance with your instructions.
 - (ii) If you have not been contacted, it would be advisable for you to contact your CSDP/Broker and furnish it with your voting instructions.
 - (iii) If your CSDP/Broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the agreement concluded between you and your CSDP/Broker.
 - (iv) You must NOT complete the attached form of proxy (*blue*).
- (b) Attendance and representation at the General Meeting

In accordance with the agreement between you and your CSDP/Broker, you must advise your CSDP/Broker if you wish to attend the General Meeting in person or if you wish to send a proxy to represent you at the General Meeting and your CSDP/Broker will issue the necessary letter of representation for you or your proxy to attend the General Meeting.

2. IF YOU HAVE NOT DEMATERIALIZED YOUR EXXARO SHARES OR YOU HAVE DEMATERIALIZED YOUR EXXARO SHARES WITH “OWN-NAME” REGISTRATION:

- (a) Voting, attendance and representation at the General Meeting
 - (i) You may attend and vote at the General Meeting in person.
 - (ii) Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy (*blue*) in accordance with the instructions it contains and returning it to the registered office of the Company or the Transfer Secretaries to be received by no later than 10:00 on Wednesday, 28 December 2016.

If you wish to Dematerialise your Exxaro shares, please contact your Broker. If you have disposed of your Exxaro shares on or before Friday, 18 November 2016, this Circular, together with the attached form of proxy (*blue*), should be handed to the purchaser of such Exxaro shares or the Broker or other agent who disposed of your Exxaro shares for you.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 4 of this document have been used in the following table of important dates and times:

2016

Record date to determine which Exxaro shareholders are eligible to receive the Circular and notice of General Meeting on:	Friday, 18 November
Circular posted to Exxaro shareholders and notice convening the General Meeting published on SENS on:	Tuesday, 29 November
Notice convening the General Meeting published in the South African press on:	Tuesday, 29 November
Last day to trade in order to be eligible to attend and vote at the General Meeting on:	Tuesday, 20 December
Record date in order to vote at the General Meeting on:	Friday, 23 December
Last day to lodge forms of proxy by 10:00 on:	Wednesday, 28 December
General Meeting to be held at 10:00, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West on:	Friday, 30 December
Results of the General Meeting published on SENS on:	Friday, 30 December

2017

Results of the General Meeting published in the South African press on:	Tuesday, 3 January
Last day for Exxaro minority shareholders who voted against the Repurchase Scheme to require Exxaro to seek court approval for the Repurchase Scheme in terms of section 115(3)(a) of the Companies Act, on:	Friday, 6 January
Last day to send notice of adoption of special resolutions to dissenting shareholders in accordance of section 164 of the Companies Act:	Friday, 13 January
Last day for Exxaro minority shareholders who voted against the Repurchase Scheme to apply to court for leave to apply for a review of the Repurchase Scheme in terms of section 115(3)(b) of the Companies Act:	Friday, 13 January
Compliance certificate expected to be received from the TRP:	Monday, 16 January
Finalisation announcement (when repurchase becomes unconditional) expected to be released on SENS:	Tuesday, 17 January
Finalisation announcement published in the press:	Tuesday, 17 January
Cancellation and delisting of shares on or about:	Friday, 20 January

Notes:

1. Shareholders will be notified of any material amendments to the salient dates and times on SENS and in the South African press.
2. All times indicated above are South African standard times.

DEFINITIONS AND INTERPRETATIONS

In this Circular and the annexures hereto, unless the context indicates otherwise, the words in the first column shall have the meanings assigned to them in the second column, the singular includes the plural and *vice versa*, an expression which denotes one gender includes the other genders, a natural person includes a juristic person and *vice versa*, and cognate expressions shall bear corresponding meanings.

“Act” or “Companies Act”	the Companies Act, 71 of 2008, as amended;
“Anglo American”	Anglo American Plc (registration number 3564138), a public company incorporated in accordance with the laws of England and Wales, all of the ordinary shares of which are listed on the London Stock Exchange (primary listing) and the JSE (secondary listing);
“Arnot Colliery”	the colliery operated by Exxaro Coal Mpumalanga, under the name Arnot Colliery;
“Arnot Colliery CSA”	The coal supply agreement between Eskom and Exxaro Coal Mpumalanga in respect of coal supplied to Eskom from the Arnot Colliery;
“ASAC”	Anglo South Africa Capital Proprietary Limited (registration number 1999/002391/07), a private company incorporated in accordance with the laws of South Africa and an indirectly wholly-owned subsidiary of Anglo American;
“associate”	an associate as defined in terms of the JSE Listings Requirements;
“Basadi Ba Kopane Investments”	Basadi Ba Kopane Investments Proprietary Limited (RF) (registration number 2005/035712/07), a private company incorporated in accordance with the laws of South Africa;
“BEE”	black economic empowerment as defined in the BEE Act;
“BEE Act”	the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), as amended;
“BEE SPV”	a private company to be incorporated in accordance with the laws of South Africa, to be the vehicle through which the Reinvesting MS333 Shareholders invest into NewBEECo;
“BEE SPV Subscription Agreement”	the subscription agreement to be entered into between the BEE SPV and NewBEECo in terms of which NewBEECo will issue new ordinary shares to BEE SPV;
“Board” or “Directors”	the board of Directors of Exxaro from time to time;
“Broker”	any person registered as a “broking member (equities)” in accordance with the provisions of the Financial Markets Act;
“Business Day”	any day other than a Saturday, Sunday or an official public holiday in South Africa;
“Certificated Shareholders”	shareholders who hold Exxaro ordinary shares, title to which is evidenced by a share certificate or other document of title, which Exxaro ordinary shares have not been dematerialised in terms of the requirements of Strate;
“Circular”	this bound document, dated 29 November 2016, including its annexures and attachments;
“Common Monetary Area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Coronation Fund Managers”	Coronation Fund Managers Limited (registration number 1973/009318/06), a public company incorporated in accordance with the laws of South Africa and listed on the JSE;
“CSDP”	Central Securities Depository Participant, being a “participant” as defined in section 1 of the Financial Markets Act;

“Dematerialise” or “Dematerialisation”	the process by which securities held by certificated shareholders are converted or held in an electronic form as uncertificated securities and recorded in a sub-register of security holders maintained by a CSDP or broker;
“Dematerialised Shareholders”	shareholders who hold Exxaro ordinary shares which have been dematerialised in terms of the requirements of Strate;
“Dreamvision Investment 15”	Dreamvision Investments 15 Proprietary Limited (RF) (registration number 2004/009915/07), a private company incorporated in accordance with the laws of South Africa,
“EPS”	earnings per share;
“Eskom”	Eskom Holdings SOC Limited (registration number 2002/015527/30), a state-owned company incorporated in accordance with the laws of South Africa;
“Existing BEE Transaction”	the series of transactions entered into by Kumba Resources, ASAC and Eyesizwe Mining which resulted in the creation of Exxaro, the unbundling of Kumba Iron Ore and the acquisition of a controlling interest in Exxaro by MS333;
“Exiting Shareholders”	in the event that a Replacement BEE Transaction is agreed, the MS333 shareholders that have elected not to participate in the Replacement BEE Transaction; and in the event that a Replacement BEE Transaction is not agreed, all the MS333 shareholders;
“Exxaro” or “the Company”	Exxaro Resources Limited (registration number 2000/011076/06), a public company incorporated in accordance with the laws of South Africa, as Kumba Resources Limited in November 2001 and relisted on the JSE on November 2006;
“Exxaro Coal Mpumalanga”	Exxaro Coal Mpumalanga (registration number 1999/010289/07), a private company incorporated in accordance with the laws of South Africa;
“Exxaro Facilitation”	facilitation by Exxaro in respect of the Replacement BEE Transaction;
“Exxaro Loan”	the amount owing by MS333 to Exxaro as at 31 January 2017, which amount is estimated will be R486 613 206;
“Exxaro ordinary shares”	ordinary shares in the issued share capital of Exxaro;
“Exxaro shareholders” or “shareholders”	the holders of Exxaro ordinary shares;
“Eyabantu Capital”	Eyabantu Capital Consortium Proprietary Limited (registration number 2005/031587/07), a private company incorporated in accordance with the laws of South Africa;
“Eyesizwe Mining”	Eyesizwe Mining Proprietary Limited (registration number 1999/008022/07), a private company incorporated in accordance with the laws of South Africa;
“Financial Markets Act”	the Financial Markets Act, 19 of 2012, as amended;
“form of proxy”	the blue form of proxy attached to and forming part of this Circular, where applicable;
“General Meeting”	the General Meeting of Exxaro shareholders to be held at 10:00, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa on Friday, 30 December 2016 for the purposes of considering, and if deemed fit, passing the special and ordinary resolutions contained in the notice of General Meeting, required to implement the Specific Repurchase;
“Group”	Exxaro and its subsidiaries;
“Guaranteed Debt”	the amount owing by MS333 to the MS333 Funders as at 31 January 2017, which amount is estimated will be R686 014 706;

“HDSA”	a historically disadvantaged South African, being any natural person disadvantaged in law by unfair discrimination before the Constitution of the Republic of South Africa Act, 200 of 1993, came into operation, or a category or community of such persons, or an unincorporated entity/association or trust having such persons as the majority of its beneficiaries and trustees/other representatives, or a company or other corporate entity controlled by such persons;
“HEPS”	headline earnings per share;
“JSE”	the Johannesburg Stock Exchange, operated by JSE Limited (registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and listed on the JSE, which is licensed as an exchange under the Financial Markets Act, 19 of 2012;
“IDC”	the Industrial Development Corporation of South Africa Limited, a body corporate created under section 2 of the Industrial Development Act, 1940;
“IDC Guarantee”	a debt guarantee to be provided by IDC in favour the NewBEECo Funders, guaranteeing the obligations of NewBEECo;
“Implementation Agreement”	the implementation agreement entered into on 22 November 2016 between Exxaro, MS333, Basadi Ba Kopane Investments, Eyabantu Capital, Dreamvision Investment 15, the IDC and Morning Tide Investments 168, which sets out, <i>inter alia</i> , the principles of the Repurchase Scheme, the Unwind and the Replacement BEE Transaction;
“Independent Board Sub-Committee”	independent Board sub-committee constituted to consider the Specific Repurchase, the Unwind and the Replacement BEE Transaction and comprised of independent Exxaro Directors;
“Joint Advisory Committee”	a committee comprised of representatives of Exxaro and MS333, which shall be tasked with considering the most practical and efficient means of disposing of the Exiting Shareholders’ Exxaro shares;
“Kumba Iron Ore”	Kumba Iron Ore Limited (registration number 2005/015852/06), a public company incorporated in accordance with the laws of South Africa and listed on the JSE;
“Kumba Resources”	Kumba Resources Limited (registration number 2000/011076/06), a public company incorporated in accordance with the laws of South Africa and renamed Exxaro;
“last practicable date”	28 November 2016, being the last practicable date prior to the finalisation of this Circular;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“Lock-in Period”	a defined period of time in which a party may have restricted shareholder rights by not being able to dispose of shares, in the case of the Existing BEE Transaction, ten years and in respect of the Replacement BEE Transaction, seven years;
“Morning Tide Investments 168”	Morning Tide Investments 168 Proprietary Limited (RF) (registration number 2005/030141/07), a private company incorporated in accordance with the laws of South Africa;
“MPRDA”	Mineral and Petroleum Resources Development Act, 28 of 2002, as amended;
“MS333” or BEE HoldCo”	Main Street 333 Proprietary Limited (RF) (registration number 2005/025692/07), a special purpose private company incorporated in accordance with the laws of South Africa;
“MS333 Funders”	the third party bank financiers, MS333 Preference Shareholders and Exxaro providing funding to MS333;
“MS333 Preference Shareholders”	the commercial funders that have provided funding for the Existing BEE Transaction;

“MS333 Preference Share Liability”	the liability of MS333 towards the MS333 Preference Shareholders immediately prior to the redemption of the preference shares in MS333 held by the MS333 Preference Shareholders;
“MS333 Settlement Obligation”	an aggregate of R3 524 433 435 comprised of: <ul style="list-style-type: none"> • Exxaro Loan; • Guaranteed Debt; • MS333 Preference Share Liability; and • any Securities Transfer Tax and/or similar duties incurred as a result of the redemption of any of the MS333 Preference Share Liability;
“MOI”	the Memorandum of Incorporation of Exxaro;
“NAV”	net asset value;
“NewBEECo”	a private company to be incorporated in accordance with the laws of South Africa, to be the new empowerment vehicle for Exxaro;
“NewBEECo Funders”	the third party bank financiers providing funding to NewBEECo;
“own-name Dematerialised Shareholders”	dematerialised shareholders who have instructed their CSDP to hold their dematerialised shares in their own-name on the sub-register (the list of shareholders maintained by the CSDP and forming part of Exxaro’s shareholder register);
“PIC”	the Public Investment Corporation SOC Limited, created through the promulgation of Act, 23 of 2004, as amended;
“Rand”	South African Rand, being the official currency of South Africa;
“Reinvesting MS333 Shareholders”	the MS333 shareholders that have elected to invest into BEE SPV, but specifically excluding IDC;
“Replacement BEE Transaction”	the new Exxaro BEE transaction;
“Repurchase Implementation Agreement”	the agreement dated 22 November 2016, in terms of which the Specific Repurchase was proposed;
“Repurchase Scheme Consideration”	an amount equal to the MS333 Settlement Obligation, payable by Exxaro to MS333 for the Repurchase Shares;
“Repurchase Scheme”	a scheme of arrangement to acquire the Repurchase Shares from MS333 in terms of section 114 of the Companies Act and subject to the terms and conditions set out in this Circular;
“Repurchase Shares”	Exxaro ordinary shares, representing such number of shares of Exxaro’s issued and listed ordinary share capital equal to the Repurchase Scheme Consideration divided by an amount equal to an 8% discount to the 20-day weighted average traded price (5% discount to the 30-day weighted average traded price as at the last practicable date);
“SENS”	the Stock Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“South32”	South32 Limited (registration number ACN 093 732 597), a public company incorporated in accordance with the laws of Australia, all of the ordinary shares of which are listed on the Australian Stock Exchange (primary listing) and the JSE (secondary listing);
“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated in accordance with the laws of South Africa and a registered central securities depository in terms of the Financial Markets Act;
“Specific Repurchase”	the proposed specific repurchase by Exxaro of the Repurchase Shares from MS333 for the Repurchase Scheme Consideration in anticipation of the Unwind and the Replacement BEE Transaction, to be effected at the Specific Repurchase Price as contemplated by the Repurchase Implementation Agreement;

“Specific Repurchase Price”	the Repurchase Scheme Consideration, divided by the number of Repurchase Shares;
“Subsidiary”	shall have the meaning ascribed thereto in the Companies Act;
“Targeted BEE Percentage”	the percentage of Exxaro’s issued ordinary shares targeted to be held by NewBEECo pursuant to the Replacement BEE Transaction, being 30%;
“TNAV”	tangible net asset value;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa and the Transfer Secretaries to Exxaro in South Africa;
“TRP” or “Panel”	the Takeover Regulation Panel, established in terms of section 196 of the Act;
“Unwind”	the unwinding of the Existing BEE Transaction in accordance with an agreement to be entered in to by MS333 and its shareholders; and
“weighted average traded price” or “WATP”	the weighted average traded price of the Exxaro ordinary shares traded, divided by the total number of Exxaro ordinary shares traded, over a particular period of time.



POWERING POSSIBILITY

Exxaro Resources Limited

(Incorporated in the Republic of South Africa)

(Registration number 2000/011076/06)

Share code: EXX

ISIN: ZAE000084992

ADR code: EXXAY

("Exxaro" or "the Company")

Directors of Exxaro

Executive Directors

MDM Mgojo (*Chief Executive Officer*)

PA Koppeschaar (*Finance Director*)

Non-executive Directors

D Konar – Independent (*Chairman*)

S Dakile-Hlongwane

CJ Fauconnier – Independent

MW Hlahla

S Mayet

VZ Mntambo

EJ Myburgh – Independent

V Nkoyeni

MF Randera

PCCH Snyders – Independent

J van Rooyen – Independent

D Zihlangu

CIRCULAR TO EXXARO SHAREHOLDERS

1. INTRODUCTION

The Exxaro shareholding structure was created in November 2006 as part of the Existing BEE Transaction, following the combination of the assets of Kumba Resources with Eyesizwe Mining and the subsequent unbundling of Kumba Iron Ore. MS333 was established to be the anchor BEE vehicle that owns the majority of Exxaro's issued ordinary shares as a result of the Existing BEE Transaction. In terms of the Existing BEE Transaction, the transaction allowed for the following:

- A 10-year scheme which was subject to various conditions;
- Creation of MS333 to be the controlling BEE vehicle owning more than 50% of Exxaro's issued ordinary shares;
- MS333 to maintain its HDSA status as defined in the MPRDA for duration of the Lock-in Period; and
- A 10-year Lock-in Period restricting MS333 from trading the shares it held in Exxaro.

On 28 November 2016, being the 10th anniversary of the Existing BEE Transaction, the scheme matures. Following this, the 10-year Lock-in Period restricting MS333 from trading the shares it holds in Exxaro will end and thereafter the Existing BEE Transaction will begin to unwind.

In the announcement released on SENS on 22 November 2016 and published in the South African press on 23 November 2016, for the purposes of unwinding the Existing BEE Transaction and facilitating the implementation of a Replacement BEE Transaction, Exxaro shareholders were advised that the Company had entered into an Implementation Agreement and a Repurchase Implementation Agreement.

The Implementation Agreement sets out the salient terms of what has been agreed between Exxaro, MS333 and the direct shareholders of MS333 including:

- The principles of the Specific Repurchase;
- The terms for regulating an orderly Unwind of the Existing BEE Transaction; and
- The establishment of a Joint Advisory Committee comprised of representatives of Exxaro and MS333, which shall be tasked with considering the most practical and efficient means of disposing of the Existing Shareholders' Exxaro ordinary shares; and
- In principle terms of a Replacement BEE Transaction.

The terms of the Replacement BEE Transaction are still being finalised between Exxaro and MS333 and will be the subject of a separate detailed terms announcement and Exxaro shareholder approval. The expected timing for the detailed announcement of the Replacement BEE Transaction is the end of H1 2017.

The Repurchase Implementation Agreement governs the basis on which the Specific Repurchase is proposed to the Exxaro shareholders.

The purpose of this Circular is to provide Exxaro shareholders with information regarding the Specific Repurchase and to convene the General Meeting at which Exxaro shareholders will be requested to consider and, if deemed fit, to pass the special and ordinary resolutions necessary to approve and implement the Specific Repurchase.

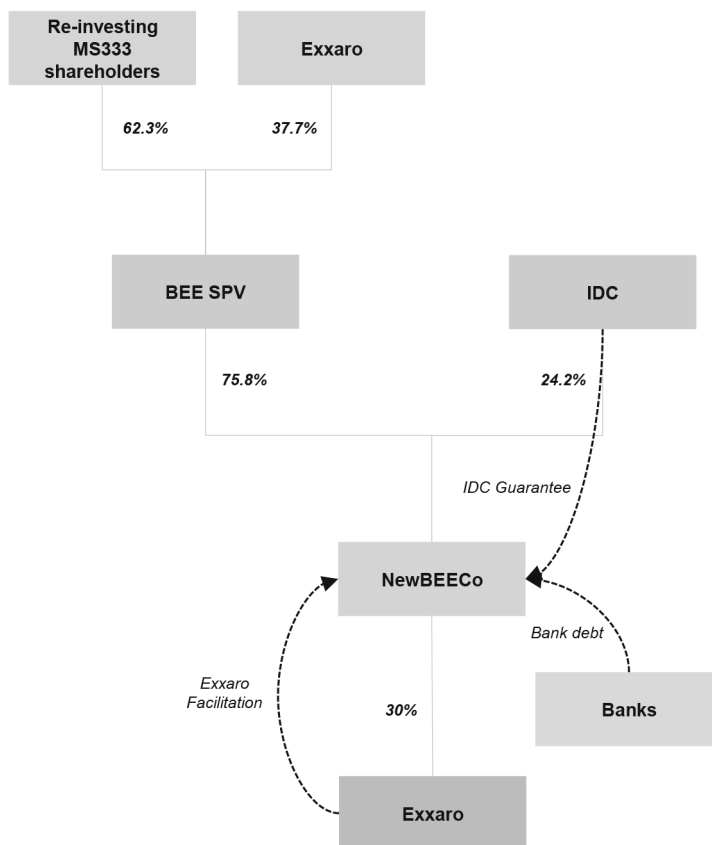
2. **SALIENT TERMS OF THE IMPLEMENTATION AGREEMENT**

2.1 **Replacement BEE Transaction**

Exxaro wishes to implement a Replacement BEE Transaction and have reached, in principle, agreement with MS333 in relation to the Replacement BEE Transaction. These principles include:

- 2.1.1 NewBEECo will be incorporated for the purpose of becoming the replacement empowerment vehicle for Exxaro going forward.
- 2.1.2 It is the intention of Exxaro that NewBEECo will ultimately own the Targeted BEE Percentage (30%) of the issued Exxaro ordinary shares.
- 2.1.3 All of the existing direct and indirect shareholders of MS333 (excluding IDC) will be invited to participate in the Replacement BEE Transaction by subscribing for shares in BEE SPV.
- 2.1.4 IDC is excluded from this process because it will subscribe for shares directly in NewBEECo.
- 2.1.5 The Reinvesting MS333 Shareholders will reinvest by subscribing for shares in BEE SPV. BEE SPV will, in turn, subscribe for shares in NewBEECo in terms of the BEE SPV Subscription Agreement.
- 2.1.6 The Replacement BEE Transaction will be funded by a combination of the Exxaro Facilitation, Exxaro investment, the reinvestments of Reinvesting MS333 Shareholders, IDC reinvestment, IDC Guarantee and new funding from the NewBEECo Funders.
- 2.1.7 Reinvesting MS333 Shareholders (other than Anglo American, to the extent that it is a Reinvesting MS333 Shareholder) and the IDC will be obliged to remain in the shareholding structure created as part of the Replacement BEE Transaction for the Lock-in Period, subject to certain agreed liquidity mechanisms.
- 2.1.8 Detailed terms of the Replacement BEE Transaction are still being negotiated between the Company and MS333. A detailed terms announcement on the Replacement BEE Transaction will be made to the market once the terms have been finalised. The expected timing for the detailed announcement of the Replacement BEE Transaction is H1 2017.

2.2 Indicative high-level structure of the Replacement BEE Transaction



2.3 Unwind after the Specific Repurchase

2.3.1 Salient features of the Unwind:

- the Unwind of the Existing BEE Transaction structure will be regulated by an unwind implementation agreement to be agreed between MS333 and its direct and indirect shareholders; and
- the MS333 shareholders agree to a regulated placement process for their shares in Exxaro, to the extent that they become Exiting Shareholders.

2.3.2 Key principles of the Unwind:

- MS333 will not be retained as the empowerment vehicle through which Reinvesting MS333 Shareholders and the IDC will reinvest into the Exxaro structure. The Unwind is intended to cater for the balance of MS333's ordinary shares in Exxaro remaining after the Specific Repurchase to be fully or partially:
 - vested in the ultimate shareholders of MS333;
 - utilised by the Reinvesting MS333 Shareholders to reinvest into the Replacement BEE Transaction; or
 - realised for cash.
- Exiting Shareholders that wish to immediately realise their Exxaro ordinary shares for cash will agree to the sale of the Exxaro ordinary shares they own in a co-ordinated manner. Exiting Shareholders that wish to hold their Exxaro ordinary shares for a period after the Unwind will be subject to an appropriate restricted period for the sale of Exxaro ordinary shares in order to ensure the orderly placement of the Exxaro ordinary shares in the market.

3. SALIENT TERMS OF THE REPURCHASE IMPLEMENTATION AGREEMENT

3.1 Terms of the Specific Repurchase

Exxaro and MS333 have reached agreement relating to a Specific Repurchase of shares held by MS333 in terms of a Repurchase Scheme and subject to the provisions of the Company's MOI, the Companies Act, the Listings Requirements and this Circular.

The Specific Repurchase will:

- Result in a Repurchase Scheme Consideration of R3 524 433 435;
- Be effected at a 8% discount to the 20-day WATP (and a 5% discount to the 30-day WATP as at the last practicable date) of the Exxaro shares up to and including the day before the General Meeting; and
- Be funded from a combination of Company cash reserves and contributed tax capital, this is detailed in paragraph 6 below.

3.2 Conditions precedent

The Specific Repurchase is subject to the fulfilment or waiver as the case may be, of the following conditions precedent, by no later than 31 January 2017:

- 3.2.1 the passing of a Board resolution that Exxaro meets the solvency and liquidity test in terms of section 4 of the Companies Act in relation to the Repurchase Scheme (complete);
- 3.2.2 the passing of a special resolution of the ordinary shareholders of Exxaro (excluding MS333 and its associates), approving the Specific Repurchase, as required by section 115(2) of the Companies Act, read with section 114 of the Companies Act and:
 - to the extent required, the approval of the implementation of such resolution by the court; and
 - if applicable, Exxaro not treating such resolution as a nullity, as contemplated in section 115(5)(b) of the Companies Act.
- 3.2.3 the passing of an ordinary resolution of independent shareholders required in terms of paragraph 10.4(e) of the Listings Requirements, to approve the Specific Repurchase to the extent that it qualifies as a "related party transaction" in terms of the Listings Requirements;
- 3.2.4 within 30 Business Days following the Repurchase Scheme General Meeting, ordinary shareholders in Exxaro exercise their rights in terms of section 164 of the Companies Act, by giving valid demands in terms of section 164(7) of the Companies Act, in respect of no more than 10% of the issued ordinary shares in Exxaro. If ordinary shareholders in Exxaro give notice objecting to the Repurchase Scheme as contemplated in section 164(3) of the Companies Act, or vote against the Repurchase Scheme Resolution in respect of no more than 10% of the issued shares in Exxaro, this condition will be deemed to have been fulfilled at the time of the passing of the Repurchase Scheme resolution; and
- 3.2.5 the issue of a compliance certificate by the TRP in terms of section 121(b) of the Companies Act.

Exxaro and MS333 may, by agreement in writing and (if required) with the approval of the TRP, extend the date for the fulfilment of any one or more of the conditions precedent in this paragraph 3.2.

3.3 Strategic rationale for the Specific Repurchase

The arrangements regulating the Existing BEE Transaction come to an end on 28 November 2016. As a result of this termination, it is anticipated that a large number of Exxaro shares could be placed in the market.

Given the size of the potential placement in relation to Exxaro's market capitalisation, this process would entail either a fully marketed offer or an accelerated bookbuild transaction, and would be akin to an initial public offering which would require substantial time and commitment by Exxaro's management team.

In addition, the funding procured by MS333 in order to finance its participation in the Existing BEE Transaction matures in the first quarter of 2017. The implementation of the Repurchase Scheme is intended to contribute to the orderly disposal by MS333 of its Exxaro shares, and would reduce the potential for an Exxaro share overhang in the market. Holistically, the Repurchase Scheme results in a superior outcome for Exxaro by offering greater flexibility, a lesser impact on the market price of Exxaro's shares as well as less management commitment, as opposed to a fully marketed offer or an accelerated bookbuild transaction.

Furthermore, Exxaro intends to enter into a Replacement BEE Transaction on the terms discussed above in 2017, to achieve its desired level of HDSA ownership. The Replacement BEE Transaction will necessitate the issue of new Exxaro shares which would be dilutive for Exxaro shareholders. Therefore the Repurchase Scheme is also an anti-dilutive measure in anticipation of the Replacement BEE Transaction that would be in the best interest of Exxaro and its shareholders.

4. **RELATED PARTY CONSIDERATIONS**

The Specific Repurchase of the Repurchase Shares is with a related party of Exxaro, as MS333 is the controlling shareholder in the Exxaro shareholding structure. The Repurchase Consideration will be at a 8% discount to the 20-day WATP (and a 5% discount to the 30-day WATP as at the last practicable date) of the Exxaro shares up to and including the day before the General Meeting.

Exxaro has constituted an Independent Board Sub-Committee to consider the Specific Repurchase, the Unwind and the Replacement BEE Transaction, the constituents of the Independent Board Sub-Committee are detailed in paragraph 8.1 of this Circular. The Independent Board Sub-Committee Directors of Exxaro confirm that MS333 is a related party and that the Specific Repurchase will be effected at a 8% discount to the 20-day WATP (and a 5% discount to the 30-day WATP as at the last practicable date) of the Exxaro shares up to and including the day before the General Meeting. Attached as **Annexure 1** to this Circular is the independent expert's report relating to the fairness of the Specific Repurchase, which is required in terms of section 48(8)(b) read with section 114 of the Companies Act. The Specific Repurchase is greater than 5% of the Exxaro issued share capital and requires a fair and reasonable opinion, in terms of Section 114 of the Companies Act, which is also covered in **Annexure 1** to this Circular.

The Independent Board Sub-Committee after consideration of the fair and reasonable opinion provided by the independent expert, is of the opinion that the Specific Repurchase is fair and reasonable insofar as Exxaro shareholders are concerned. The Independent Board Sub-Committee Directors therefore recommend that the Specific Repurchase should be approved by Exxaro shareholders.

The Independent Board Sub-Committee Directors intend to vote all shares which they beneficially hold in favour of the Specific Repurchase.

Exxaro has also agreed the principles of a Replacement BEE Transaction with MS333 and the Specific Repurchase will allow the Independent Board Sub-Committee to give further attention to the implementation of a Replacement BEE Transaction.

MS333 and its associates will be excluded from voting on the ordinary and special resolutions necessary to authorise and implement the Specific Repurchase, their votes will also not be taken into account for purposes of establishing a quorum for the General Meeting.

5. **ADEQUACY OF CAPITAL**

The Directors of Exxaro have considered the impact of the Specific Repurchase and are of the opinion that, following the Specific Repurchase, the:

- Company and the Group will be able, in the ordinary course of business, to pay its debt immediately after completing the Specific Repurchase and for a period of 12 months thereafter;
- assets of the Company and the Group will be in excess of the liabilities of the Company and the Group immediately after completing the Specific Repurchase and for a period of 12 months thereafter. For this purpose the assets and liabilities were recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the Company;
- share capital of the Company and the Group will be adequate for ordinary business purposes, immediately after completing the Specific Repurchase and for a period of 12 months thereafter; and
- working capital of the Company and the Group will be adequate for ordinary business purposes, immediately after completing the Specific Repurchase and for a period of 12 months thereafter; and a resolution by the Board that it has authorised the Specific Repurchase, that the Company has passed the solvency and liquidity test and that, since the test was performed, there have been no material changes in the financial position of the Group.

In addition, in terms of section 46(1) of the Companies Act it is stated as follows:

- the Independent Board Sub-Committee has authorised the Specific Repurchase by resolution; and
- the Board has, by resolution, acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act, and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the Specific Repurchase.

6. SOURCE OF FUNDS

- If the Specific Repurchase becomes unconditional:
 - Of the Repurchase Consideration to be paid per Repurchase Share, R35.87 (c.44% the Company's contributed tax capital) would be funded out of contributed tax capital of the Company in relation to the ordinary shares in the Company and the balance determined to be funded out of reserves; and
 - The Company would be liable for securities transfer tax on the transfer of the Repurchase Shares.
- Other costs associated with the Specific Repurchase include the transaction costs amounting to R1 063 100 (refer to paragraph 13 for additional details on the transaction costs).

7. MAJOR DIRECT BENEFICIAL SHAREHOLDERS

Insofar as it is known to the Directors, the following shareholders, other than Directors, have a direct beneficial interest in 5% or more of the issued ordinary share capital and hold no indirect beneficial interests in the issued ordinary share capital of Exxaro, as at the last practicable date:

Shareholder	Number of shares held	% of issued share capital
MS333	179 746 678	50.19
Coronation Fund Managers	47 533 633	13.27
Anglo American ¹	34 730 282	9.70
Total	262 010 593	73.16

Notes:

1. Anglo America's ownership of Exxaro ordinary shares is held through ASAC.

8. DIRECTORS

8.1 Directors

Name	Business address	Designation
Executive Directors		
MDM Mgojo	Roger Dyason Road, Pretoria West	Chief Executive Officer
PA Koppeschaar	Roger Dyason Road, Pretoria West	Finance Director
Non-executive Directors		
D Konar (Dr) ¹	Roger Dyason Road, Pretoria West	Independent non-executive (<i>Chairman</i>)
S Dakile-Hlongwane	Roger Dyason Road, Pretoria West	Non-executive director
CJ Fauconnier (Dr) ¹	Roger Dyason Road, Pretoria West	Independent non-executive
MW Hlahla	Roger Dyason Road, Pretoria West	Non-executive director
S Mayet	Roger Dyason Road, Pretoria West	Non-executive director
VZ Mntambo	Roger Dyason Road, Pretoria West	Non-executive director
EJ Myburgh ¹	Roger Dyason Road, Pretoria West	Independent non-executive
V Nkonyeni	Roger Dyason Road, Pretoria West	Non-executive director
MF Randerer (Dr)	Roger Dyason Road, Pretoria West	Non-executive director
PCCH Snyders ¹	Roger Dyason Road, Pretoria West	Independent non-executive
J van Rooyen ¹	Roger Dyason Road, Pretoria West	Independent non-executive
D Zihlangu	Roger Dyason Road, Pretoria West	Non-executive director

Notes:

1. Independent Board Sub-Committee members, for the purpose of the Specific Repurchase, the Unwind and the Replacement BEE Transaction, but not as per the standard classification of the Directors by Exxaro.

8.2 Directors' interest in Exxaro shares

The direct and indirect beneficial interests of the Directors and their associates, including Directors having resigned in the last 18 months, in the ordinary share capital of Exxaro as at the last practicable date are set out below:

	Direct		Indirect	
	2016	2015	2016	2015
Beneficial interest^{1,2}				
D Konar (Dr)	6 168	6 168	–	–
S Dakile-Hlongwane	–	–	470 382	488 763
WA de Klerk ³	–	–	39 834	23 844
CJ Fauconnier (Dr)	47 500	47 500	–	–
PA Koppeschaar	4 191	–	5 500	–
MDM Mgojo	25 287	16 047	6 392 806	6 662 997
VZ Mntambo	–	–	5 305 639	5 529 881
RP Mohring ⁴	1 000	1 000	–	–
SA Nkosi ³	29 990	80 142	9 281 745	9 644 427
J van Rooyen	–	–	1 500	1 500
D Zihlangu	–	–	2 714 998	2 818 552
Total	134 136	150 857	24 212 404	25 182 472
Non-beneficial interest^{1,2,3}				
WA de Klerk	–	–	–	468
CJ Fauconnier	–	–	1 000	1 000
Total	–	–	1 000	1 468

Notes:

1. No interests are held by Directors' associates.
2. The table captures changes in the Directors' interests between 31 December 2015 and the last practicable date.
3. SA Nkosi and WA de Klerk are no longer Directors of Exxaro.
4. Mr RP Mohring sadly passed away in March 2016 and these shares are now held by his estate.

8.3 Exxaro share capital

The table below set out the authorised and issued share capital of Exxaro before and after the Specific Repurchase:

	R
Authorised	
500 000 000 ordinary shares of 0.01 cents each	5 000 000
Issued – before the Specific Repurchase	
358 115 505 ordinary shares of 0.01 cents each	3 581 155
Treasury	
2 579 014 ordinary shares of 0.01 cents each	25 790
Issued – before the Specific Repurchase net of treasury shares	
355 536 491 ordinary shares of 0.01 cents each	3 555 365
Issued – after the Specific Repurchase¹	
321 917 553 ordinary shares of 0.01 cents each	3 219 176
Treasury	
2 579 014 ordinary shares of 0.01 cents each	25 790
Issued – after the Specific Repurchase net of treasury shares¹	
319 338 539 ordinary shares of 0.01 cents each	3 193 385

Note:

1. For illustrative purposes we have utilised an Exxaro ordinary share price as at the last practicable date. The issued share capital after the Specific Repurchase will be determined after the General Meeting and will be published in the Exxaro results announcement.

9. MATERIAL CHANGES

Save as disclosed below, there have been no material changes in the financial or trading position of Exxaro or its subsidiaries since the publication of the Company's annual report for the year ended 31 December 2015 and the last practicable date.

9.1 Exxaro litigation against Eskom

Exxaro shareholders are referred to the SENS announcement on 30 November 2015 on Exxaro's litigation against Eskom. The litigation relates to the termination of the Arnot Colliery CSA. On 8 September 2015, Eskom advised Exxaro Coal Mpumalanga that the Arnot Colliery CSA would terminate on 31 December 2015 and that Exxaro Coal Mpumalanga should commence the process of closure of Arnot Colliery. As a captive (cost plus) mine, Exxaro is only a mining right holder and Eskom owns the Arnot Colliery movable and immovable assets and therefore Eskom will ultimately be liable to defray all costs related and incidental to the closure of the colliery.

10. GENERAL MEETING AND IRREVOCABLE UNDERTAKINGS

10.1 Notice of General Meeting

The notice convening the General Meeting to approve the Specific Repurchase is attached to this Circular. The General Meeting will be held at 10:00, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa on Friday, 30 December 2016.

11. DIRECTOR'S RESPONSIBILITY STATEMENT

11.1 Board of Directors

The Directors, whose names are set out in paragraph 8.1 above, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular in relation to Exxaro and certify that, to the best of their knowledge and belief, no material facts have been omitted which would make any statement in this Circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by the Listings Requirements.

11.2 Independent Board Sub-Committee Directors

The Independent Board Sub-Committee Directors, whose names are set out in paragraph 8.1 above, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular in relation to Exxaro and certify that, to the best of their knowledge and belief, no material facts have been omitted which would make any statement in this Circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by the Listings Requirements.

12. CANCELLATION AND DELISTING

Following the fulfilment of the conditions precedent outlined in paragraph 3.2, the Repurchase Shares will be delisted, cancelled as issued shares and reinstated as authorised but unissued shares.

13. TRANSACTION COSTS

The costs of the Specific Repurchase (including applicable taxes) are anticipated to be:

Description	Name	R
Merchant Bank and transaction sponsor ¹	Rand Merchant Bank	171 000
Independent expert's report	KPMG	484 500
Printing, publishing and distribution expenses ²	Ince	159 600
JSE documentation fees	JSE	20 000
TRP inspection fees	TRP	228 000
Total		1 063 100

Notes:

1. Acting under one mandate.
2. Excludes postage costs.

14. **CONSENTS**

The attorneys, independent expert, merchant bank and transaction sponsor and Transfer Secretaries have consented in writing to act in the capacities stated in this Circular and to their names being stated in this Circular, and in the case of the independent expert, reference to their report in the form and context in which it appears, and have not withdrawn their consent prior to the publication of this Circular.

15. **DOCUMENTS TO BE AVAILABLE FOR INSPECTION**

The following documents or copies thereof, will be available for inspection at the offices of Norton Rose Fulbright, 15 Alice Lane, Sandton, during normal office hours from 08:00 to 16:00 from the date of posting of this Circular up to and including the date of the General Meeting on 30 December 2016:

1. the Company's MOI;
2. published, audited annual financial statements of Exxaro for each of the years ended 31 December 2015, 2014 and the published, unaudited interim financial statements for the six months ended 30 June 2016 – 2013;
3. the signed consents letters referred to in paragraph 14 above;
4. a signed copy of this Circular;
5. a copy of the Kumba Resources Circular;
6. the TRP approval letter;
7. the signed independent expert's report required in terms of the applicable provisions of section 114 of the Companies Act; and
8. the signed Implementation Agreement and Repurchase Implementation Agreement.

By order of the Board



Carina Wessels
Group Company Secretary

29 November 2016

INDEPENDENT EXPERT'S REPORT ON THE SPECIFIC REPURCHASE

The Directors
Exxaro Resources Limited
Roger Dyason Road
Pretoria West
2093

24 November 2016

Dear Sirs

Independent expert report in respect of the proposed Specific Repurchase by Exxaro Resources Limited per section 114 of the Companies Act

1. INTRODUCTION

In an announcement published by Exxaro Resources Limited ("Exxaro") on 23 November 2016, shareholders were advised of the proposed repurchase by Exxaro of Exxaro ordinary shares to the value of R3 524 433 435 from Main Street 333 Proprietary Limited ("MS333") ("Specific Repurchase"). The Specific Repurchase will be effected at a 8% discount to the 20-day WATP of the Exxaro share price up to and including the day before the General Meeting ("Specific Repurchase Price").

MS333 was established as part of the Existing BEE Transaction and forms an integral part of the empowerment credentials of Exxaro. The Existing BEE Transaction is set to mature on Monday, 28 November 2016. Exxaro and MS333 wish to regulate the orderly unwind of the Existing BEE Transaction through the Specific Repurchase by Exxaro of a portion of its own ordinary shares owned by MS333. Exxaro intends to maintain core black economic empowerment ("BEE") targets set out in the Codes of Good Practice on BEE ("Codes") and relevant industry transformation charters (i.e. the Mining Charter) by proposing and implementing a Replacement BEE Transaction in 2017.

Exxaro intends to implement the proposed Specific Repurchase, by means of the following core elements:

- (a) Exxaro will repurchase Exxaro ordinary shares to the value of R3 524 433 435 held by MS333.
- (b) MS333 will utilise the cash proceeds from the Specific Repurchase to settle its outstanding debt obligations.
- (c) The Specific Repurchase will be funded from a combination of Exxaro cash reserves and contributed tax capital.

Full details of the Specific Repurchase are contained in the Circular to Exxaro shareholders to be dated on or about 29 November 2016, which will include a copy of this letter.

2. SCOPE

As the Specific Repurchase of shares involves the acquisition by Exxaro of more than 5% of the issued shares of a particular class of Exxaro's shares, by virtue of section 48(8)(b) of the Companies Act, an independent expert's report, as contemplated in section 114 of the Companies Act, must be compiled.

In light of the above, KPMG Services Proprietary Limited ("KPMG") has been appointed by the Independent Board Sub-Committee as the independent expert to advise on whether the terms and conditions of the Specific Repurchase are fair and reasonable to the shareholders of Exxaro. The Independent Board Sub-Committee has been advised accordingly.

Our work and findings shall not in any way constitute recommendations regarding the completion of the Specific Repurchase.

3. RESPONSIBILITY

The compliance with the Companies Act is the responsibility of the Board. Our responsibility is to report on the terms and conditions of the Specific Repurchase.

4. **DEFINITION OF THE TERM “FAIR” AND “REASONABLE”**

A transaction will generally be considered fair to a company’s shareholders if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders.

The assessment of fairness is primarily based on quantitative issues. In this case, the Specific Repurchase may be considered fair if the fair value of an Exxaro ordinary share in terms of the Specific Repurchase is equal to or greater than the Specific Repurchase Price.

The assessment of reasonableness is generally based on qualitative considerations surrounding the Specific Repurchase. Hence, even though the value of the Exxaro ordinary shares may be less than the Specific Repurchase Price, the Specific Repurchase may still be reasonable in certain circumstances after considering other significant qualitative factors.

5. **INFORMATION UTILISED AND PROCEDURES PERFORMED**

5.1 **Key quantitative considerations**

In arriving at our opinion we have undertaken the following procedures in evaluating the fairness of the Specific Repurchase:

- considered the rationale for the Specific Repurchase, based on discussions with the management of Exxaro and its advisors;
- obtained an understanding of the structure, terms and conditions of the Specific Repurchase;
- held discussions with the management of Exxaro to establish its strategy and considered such other matters as we consider necessary, including assessing the prevailing economic, legal and market conditions in the industry; and
- considered the historical performance of Exxaro with reference to its audited financial statements for the financial years ended 31 December 2013 to 2015 and half-year results for the six months ended 30 June 2016.

5.1 (a) **Valuation**

- reviewed Exxaro’s financial forecasts for the years ending 31 December 2016 to 2059 and the basis of the assumptions therein as well as the reasonableness of the outlook assumed. In this regard, we assessed the forecast trends in line with the historical performance of Exxaro, as well as held discussions with management to confirm the reasonableness thereof. In addition, we assessed the assumptions made against our analysis of forecast macro-economic factors, as well as the overall industry outlook. From these assessments, we have satisfied ourselves with the appropriateness and reasonableness of the underlying information and assumptions;
- based on the above, performed a desktop valuation of the Exxaro ordinary shares based on:
 - the discounted cash flow methodology based on the Life of Mine plan (“LoM”) as the primary valuation methodology supplemented by the market approach;
 - consideration of the reserves and resources statement included in the Competent Persons Report (“CPR”) and compared the total coal production included in the LoM to the quantity of reserves in the CPR;
 - taking cognisance of risk, market and industry factors affecting Exxaro. The key external value drivers, and the respective ranges thereof, are: R/\$ exchange rate range: 14.73 to 16.59, steam coal price range: US\$58.12 to US\$69.79 and semi-soft coking coal price range: US\$79.84 to US\$90.25 for 2016 to 2022. Adjustments which we deem to be appropriate were made to the forecasts;
 - the key internal value drivers considered in the valuation are: the discount rate and terminal growth rate. Adjustments which we deem to be appropriate were made to the forecasts;
 - the above key external and internal value drivers were varied and subjected to sensitivity considerations in determining an appropriate valuation range of the Specific Repurchase;
 - as part of our sensitivity analysis to arrive at the valuation range below, the key valuation variables were identified as the discount rate and terminal growth rate. In performing our sensitivity analysis, we stress tested the discount rate by assuming a rate 2% higher and 2% lower than the base case. A higher discount rate resulted in the low end of the value range, 8% variation, whilst a lower discount rate resulted in the high end of the value range, 11% variation, for this transaction; and
 - consideration of market pricing of Exxaro ordinary shares including liquidity, recent transactions, analyst reports and market movements;

In undertaking the procedures above, we determined valuation range of R117.37 to R142.55, with a most likely value of R128.20 per Exxaro ordinary share which is deemed to be a fair value for the Exxaro Repurchase Shares.

5.1 (b) **Fairness assessment**

Based on the procedures above, we assessed the fairness of the Specific Repurchase by comparing the fair value of the Exxaro Repurchase Shares to the Specific Repurchase Price.

5.2 **Key qualitative considerations**

In arriving at our opinion, we have also considered the following key qualitative considerations in evaluating the reasonableness of the Specific Repurchase:

- considered the rationale for the Specific Repurchase as set out in the Circular;
- held discussions with management to identify and understand the impact on Exxaro if the Specific Repurchase is not concluded. We have considered the implications of the Specific Repurchase in relation to the BEE Codes and the Mining Charter and have also taken into consideration that an unwind of the Existing BEE Transaction would take place on 28 November 2016 in any event were the Specific Repurchase not to be effected; and
- noted the likely impact on the traded share price associated with a potential disposal of a significant number of Exxaro shares in the open market by MS333 should the Specific Repurchase not take place. As a result, we considered that the Specific Repurchase will likely contribute to the orderly disposal by MS333 of its ordinary shares in Exxaro, and would reduce the potential for an Exxaro share overhang in the market.

6. **OPINION**

KPMG has considered the terms and conditions of the Specific Repurchase and, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Specific Repurchase are fair and reasonable to the Exxaro shareholders.

Our opinion is necessarily based upon the information available to us up to 22 November 2016, including in respect of the financial, regulatory, securities 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, other approvals and consents required in connection with the Specific Repurchase have been or will be timeously fulfilled and/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.

7. **LIMITING CONDITIONS**

This opinion is provided to the Board in connection with and for the purposes of the Specific Repurchase. This opinion is prepared solely for the Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights. This opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Exxaro shareholders. Should an Exxaro shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual Exxaro shareholder's decision as to whether to vote in favour of any transaction may be influenced by his particular circumstances. The assessment as to whether or not the Board decides to recommend the Specific Repurchase is a decision that can only be taken by the Board.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of Exxaro, 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, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, the forecasts of Exxaro relate to future events and are based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Exxaro will correspond to those projected. Where practicable, we compared the forecast financial information to past trends and third party estimates as well as discussing the assumptions inherent therein with the management of Exxaro to the circumstances, we believe that the forecasts have been prepared with due care and consideration.

We have also assumed that the Specific Repurchase will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors of Exxaro and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the Specific Repurchase will be legally enforceable.

8. **CONSENT**

We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued to the shareholders of Exxaro in the form and context in which it appears.

Yours faithfully

Neeraj Shah

Director – Deal Advisory

KPMG Services (Proprietary) Limited
KPMG Crescent
85 Empire Road
Parktown
2193

RELEVANT SECTIONS FROM THE COMPANIES ACT

115. Required approval for transactions contemplated in Part.

- (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.

- (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.

164. Dissenting shareholders appraisal rights

- (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 section 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 effected 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 effected 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 before 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 pay 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.

**EXTRACT OF AUDITED HISTORICAL FINANCIAL INFORMATION OF
EXXARO FOR THE YEARS ENDED 31 DECEMBER 2013, 31 DECEMBER 2014
AND 31 DECEMBER 2015 AND THE INTERIM RESULTS FOR THE PERIOD
ENDED 30 JUNE 2016**

A complete set of the Exxaro financial statements are available on the Exxaro website www.exxaro.com

Statement of compliance

The principal accounting policies of the Exxaro and the Group as well as the disclosures made in the annual financial statements comply with IFRS and IFRIC interpretations effective for the Group's financial year as well as the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, applicable to companies reporting under IFRS and the Listings Requirements.

Basis of measurement

The annual financial statements are prepared on the historical cost basis, except for the revaluation to fair value of financial instruments and biological assets. The annual financial statements are prepared on the going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company and Group annual financial statements, are disclosed below.

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	12 months ended 31 December 2015 Audited R'm	12 months ended 31 December 2014 Audited R'm	12 months ended 31 December 2013 Audited R'm
Revenue	18 330	16 401	13 568
Operating expenses	(13 408)	(15 197)	(12 576)
Operating profit	4 922	1 204	992
Other income	–	1 466	1 594
Impairment charges of non-current assets	(1 749)	(5 962)	(143)
Net operating (loss)/profit	3 173	(3 292)	2 443
Finance income	102	80	81
Finance costs	(770)	(183)	(367)
Income from financial assets	1	9	12
Share of (loss)/income from equity-accounted investments	(1 137)	2 515	3 631
Profit/(Loss) before tax	1 369	(871)	5 800
Income tax expense	(1 102)	(13)	(645)
Profit/(Loss) for the year from continuing operations	267	(884)	5 155
Profit for the year from discontinued operations	–	–	1 049
Profit/(Loss) for the year	267	(884)	6 204
Other comprehensive income, net of tax	2 167	1 190	2 640
Items that will not be reclassified to profit or loss	124	(316)	150
Share of comprehensive income /(loss) of equity-accounted investments	141	(316)	150
Remeasurement of post-employment benefit obligation	(17)	–	–
Items that may subsequently be reclassified to profit or loss	2 043	1 506	2 490
Unrealised gains on translating foreign operations	329	224	537
Revaluation of available for sale financial assets	(141)	345	100
Share of comprehensive income from equity-accounted investments	1 855	937	1 853
Total comprehensive income for the years	2 434	306	8 844

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	At 31 December 2015 Audited R'm	At 31 December 2014 Audited R'm	At 31 December 2013 Audited R'm
Assets			
Non-current assets	46 482	41 408	44 681
Property, plant and equipment	20 412	18 344	20 342
Biological assets	51	84	72
Intangible assets	56	34	1 176
Investments in associates	19 690	18 588	19 207
Investments in joint ventures	1 662	966	861
Financial assets	4 067	2 853	2 657
Deferred tax	544	539	366
Current assets	6 016	5 693	4 483
Inventories	1 240	998	938
Trade and other receivables	2 666	2 611	2 434
Current tax and receivables	55	78	82
Cash and cash equivalents	2 055	2 006	1 029
Non-current assets held for sale	128	328	342
Total assets	52 626	47 429	49 506
Equity and liabilities			
Capital and other components of equity			
Share capital	2 445	2 409	2 396
Other components of equity	6 911	6 031	4 234
Retained earnings	25 670	25 985	29 668
Equity attributable to owners of the parent	35 026	34 425	36 298
Non-controlling interests	(800)	–	(26)
Total equity	34 226	34 425	36 272
Non-current liabilities	12 701	9 182	9 157
Interest-bearing borrowings	4 185	2 976	3 569
Non-current provisions	3 112	2 219	1 863
Post-retirement employee obligations	217	167	149
Financial liabilities	116	88	95
Deferred tax	5 071	3 732	3 481
Current liabilities	4 655	3 590	3 852
Trade and other payables	3 546	3 208	2 867
Current shareholder loan	21	–	–
Interest-bearing borrowings	882	34	31
Current tax payable	48	27	131
Current provisions	158	254	17
Overdraft	–	67	806
Non-current liabilities held for sale	1 044	232	225
Total equity and liabilities	52 626	47 429	49 506

CONDENSED GROUP STATEMENT OF CASH FLOWS

	12 months ended 31 December 2015 Audited R'm	12 months ended 31 December 2014 Audited R'm	12 months ended 31 December 2013 Audited R'm
Cash flow from operating activities	3 011	1 660	422
Cash generated by operations	4 526	4 083	2 159
Interest paid	(500)	(307)	(262)
Interest received	54	59	70
Tax paid	(85)	(120)	(158)
Dividends paid	(984)	(2 055)	(1 387)
Cash flow from investing activities	(5 130)	620	(1 480)
Property and equipment to maintain operations	(1 663)	(1 460)	(1 257)
Property and equipment to expand operations	(727)	(1 737)	(3 507)
Increase in investment in intangible assets	(34)	(25)	(201)
Proceeds from disposal of property, plant and equipment	198	8	17
(Increase)/decrease in investment in other non-current assets	(106)	214	222
Increase in loans to related parties	(400)	–	–
Proceeds from disposal of subsidiaries	70	–	87
Increase in investment in joint ventures	(374)	(108)	(82)
Income from investment in associates	1 341	3 719	3 229
Acquisition of subsidiaries	(3 436)	–	–
Dividend income from financial assets	1	9	12
Cash flow from financing activities	2 000	(604)	715
Interest-bearing borrowings raised	4 320	1 000	800
Interest-bearing borrowings repaid	(2 320)	(1 604)	–
Consideration paid to non-controlling interests	–	–	(96)
Proceeds from issuance of share capital	–	–	14
Other financing activities	–	–	(3)
Net (decrease)/increase in cash and cash equivalents	(119)	1 676	(343)
Cash and cash equivalents at beginning of year	1 939	223	553
Translation differences on movement in cash and cash equivalents	235	40	13
Cash and cash equivalents at end of year	2 055	1 939	223
Cash and cash equivalents	2 055	2 006	1 029
Overdraft	–	(67)	(806)

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

R'm	Other components of equity										Total equity
	Share capital	Foreign currency translations	Financial instruments revaluations	Equity settled	Retirement benefit obligation	Available for sale revaluations	Other	Retained earnings	Attributable to owners of the parent	Non-controlling interests	
At 1 January 2013	2 374	1 211	21	1 300	(163)		(733)	24 784	28 794	12	28 806
Profit/(loss) for the year								6 217	6 217	(13)	6 204
Other comprehensive income		534				100			634	3	637
Share of the comprehensive income equity-accounted investments		1 401	289	110	150		(1)	54	2 003		2 003
Issue of share capital	22			83					22		22
Share-based payment movement								(1 387)	83		83
Dividends paid									(1 387)		(1 387)
Acquisition of non-controlling							(68)		(68)	(28)	(96)
Balance at 31 December 2013	2 396	3 146	310	1 493	(13)	100	(502)	29 668	36 298	(26)	36 272
Profit/(loss) for the year		224				345		(883)	(883)	(1)	(884)
Other comprehensive income									569		569
Share of the comprehensive income/(loss) from equity-accounted investments		827	(194)	310	(316)	(63)	(6)	63	621		621
Issue of share capital	13			(108)					13		13
Share-based payment movement									(108)		(108)
Dividends paid									(2 055)		(2 055)
Reclassification of equity							808	(808)			
Disposal and liquidation of subsidiaries		(30)							(30)	27	(3)
Balance at 31 December 2014	2 409	4 167	116	1 695	(329)	382		25 985	34 425		34 425
Profit/(loss) for the year								296	296	(29)	267
Other comprehensive income/(loss)		329			(17)	(141)			171		171
Share of the comprehensive income equity-accounted investments		1 438	125	215	141	64		13	1 996		1 996
Issue of share capital	36			98					36		36
Share-based payment movement									98		98
Dividends paid								(984)	(984)		(984)
Reclassification of equity						(360)		360		(771)	(771)
Liquidation of subsidiaries		(1 012)							(1 012)		(1 012)
Balance at 31 December 2015	2 445	4 922	241	2 008	(205)	(55)		25 670	35 026	(800)	34 226

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

R'm	Six months ended June 2016
Revenue	9 762
Operating expenses	(7 557)
Net operating profit	2 205
Finance income	83
Finance costs	(417)
Share of loss from equity-accounted investments	(9)
Profit before tax	1 862
Income tax expense	(490)
Profit for the period from continuing operations	1 372
Loss for the period from discontinued operations	(121)
Profit for the year	1 251
Other comprehensive income, net of tax	(91)
<i>Items that will not be reclassified to profit or loss</i>	31
Share of comprehensive income of equity-accounted investments	31
<i>Items that may subsequently reclassified to profit or loss</i>	(122)
Unrealised gains on translating foreign operations	25
Revaluation of available-for-sale financial assets	(2)
Share of comprehensive (loss) of equity-accounted investments	(145)
Total comprehensive income for the period	1 160
Profit/(loss) attributable to:	
Owners of the parent	1 285
Continuing operations	1 406
Discontinued operations	(121)
Non-controlling interests	(34)
Continuing operations	(34)
Profit for the period	1 251
Total comprehensive income/(loss) attributable to:	
Owners of the parent	1 194
Continuing operations	1 226
Discontinued operations	(32)
Non-controlling interests	(34)
Continuing operations	(34)
Total comprehensive income for the period	1 160

	Six months ended June 2016 cents
Attributable earnings/(loss) per share	
Aggregate	
basic	362
diluted	360
Continuing operations	
basic	396
diluted	394
Discontinued operations	
basic	(34)
diluted	(34)
Headline earnings/(loss) per share	
Aggregate	
basic	309
diluted	307
Continuing operations	
basic	343
diluted	341
Discontinued operations	
basic	(34)
diluted	(34)

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

R'm	At 30 June 2016
Assets	
Non-current assets	46 126
Property, plant and equipment	21 073
Biological assets	52
Intangible assets	43
Investments in associates	19 687
Investments in joint ventures	1 195
Financial assets	3 638
Deferred tax	438
Current assets	6 492
Financial assets	452
Inventories	1 213
Trade and other receivables	2 281
Current tax and receivables	185
Cash and cash equivalents	2 361
Non-current assets held for sale	142
Total assets	52 760
Equity and liabilities	
Capital and other components of equity	
Share capital	2 460
Other components of equity	6 901
Retained earnings	26 651
Equity attributable to owners of the parent	36 012
Non-controlling interests	(834)
Total equity	35 178
Non-current liabilities	11 940
Interest-bearing borrowings	3 039
Non-current provisions	3 297
Post-retirement employee obligations	228
Financial liabilities	73
Deferred tax	5 303
Current liabilities	4 298
Trade and other payables	2 515
Current shareholder loans	21
Interest-bearing borrowings	1 584
Current tax payable	35
Current provisions	127
Overdraft	16
Non-current liabilities held for sale	1 344
Total equity and liabilities	52 760

CONDENSED GROUP STATEMENT OF CASH FLOWS

R'm	Six months ended 30 June 2016
Cash flow from operating activities	1 380
Cash generated by operations	2 183
Interest paid	(252)
Interest received	45
Tax paid	(292)
Dividends paid	(304)
Cash flow from investing activities	(607)
Property and equipment to maintain operations	(993)
Property and equipment to expand operations	(179)
Proceeds from disposal of property, plant and equipment	3
Increase in investments in other non-current assets	(34)
Proceeds from disposal of joint venture	200
Increase in investment in joint ventures	(54)
Increase in investment associate	(233)
Income from investments in associates and joint ventures	683
Cash flow from financing activities	(443)
Interest-bearing borrowings raised	1 066
Interest-bearing borrowings repaid	(1 509)
Net increase in cash and cash equivalents	330
Cash and cash equivalents at beginning of the period	2 055
Translation differences on movement in cash and cash equivalents	(40)
Cash and cash equivalents at end of the period	2 345
Cash and cash equivalents	2 361
Overdraft	(16)

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

R'm	Other components of equity							Total equity		
	Share capital	Foreign currency translations	Financial instruments revaluations	Equity settled	Retirement benefit obligation	Available for sale revaluations	Retained earnings		Attributable to owners of the parent	Non-controlling interests
At 31 December 2015 (Audited)	2 445	4 922	241	2 008	(205)	(55)	25 670	35 026	(800)	34 226
Profit/(Loss) for the year							1 285	1 285	(34)	1 251
Other comprehensive income		25				(2)		23		23
Share of the comprehensive (loss)/income equity-accounted investments		(80)	(192)	127	31			(114)		(114)
Issue of share capital ¹	15							15		15
Share-based payment movement				81			(304)	81		81
Dividends paid								(304)		(304)
Balance at 30 June 2016 (reviewed)	2 460	4 867	49	2 216	(174)	(57)	26 651	36 012	(834)	35 178

Notes

1. Vesting of Mpower 2012 treasury shares to good leavers



POWERING POSSIBILITY

Exxaro Resources Limited

(Incorporated in the Republic of South Africa)

(Registration number 2000/011076/06)

Share code: EXX

ISIN: ZAE000084992

ADR code: EXXAY

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

All the terms defined in the Circular, to which this notice of General Meeting is attached, shall bear the same meaning when used in this notice of General Meeting.

The Independent Board Sub-Committee has determined, in accordance with section 59(1)(a) and (b) of the Companies Act, that the record date for Exxaro shareholders to receive the notice of the General Meeting (the notice record date) is Friday, 18 November 2016 and the record date for shareholders to be recorded as such in the register of shareholders, maintained by the Transfer Secretaries of the Company, to be able to attend, participate in and vote at the General Meeting (the voting record date) is Friday, 23 December 2016. Therefore the last day to trade in the Company's shares on the JSE to be recorded in the share register on the voting record date is Tuesday, 20 December 2016.

Notice is hereby given that a General Meeting of the Company's shareholders will be held (subject to any adjournment, postponement or cancellation) at 10:00, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa on Friday, 30 December 2016, for the purpose of considering and, if deemed fit, passing, with or without modification, the following special resolutions set out below:

Specific authority to purchase ordinary shares

Special Resolution Number 1 – specific authority, in terms of the Companies Act and the Listings Requirements “to the extent that the transaction qualifies as a related party transaction”, for the repurchase by the Company of its own shares from MS333 for a purchase consideration of R 3 524 433 435

RESOLVED that, the Company be and is hereby authorised, by way of a specific authority, in terms of the Companies Act, the Listings Requirements and MOI of the Company, to acquire Exxaro ordinary shares, from MS333 for a Repurchase Consideration of R3 524 433 435 as a related party.

In terms of sections 48(8)(b), 62(3)(c) and 65(9) of the Companies Act and paragraphs 5.69(b) and 10.4(e) of the JSE Listings Requirements, the requisite percentage of voting rights for the resolution to be adopted is 75%, of the voting rights exercised on the resolution, excluding the votes attached to Exxaro ordinary shares beneficially held by MS333 and its associates in terms of section 115(4) of the Companies Act (“Independent Voting Right”). Paragraph 10.4(e) of the Listings Requirements requires a simple majority of the Independent Voting Right to approve a related party transaction. The Board of the Company is of the opinion that, after considering the effect of the Specific Repurchase:

- the Company and the Group will be able to pay its debts as they become due in the ordinary course of business, immediately after completing the Specific Repurchase and for 12 months after;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group, immediately after completing the Specific Repurchase and for 12 months after;
- the share capital and the reserves of the Company and the Group will be adequate for ordinary business purposes, immediately after completing the Specific Repurchase and for 12 months after; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes, immediately after completing the Specific Repurchase and for 12 months after.

In addition, in terms of section 46(1) of the Companies Act it is stated as follows:

- the Independent Board Sub-Committee has authorised the Specific Repurchase by resolution; and
- the Board has, by resolution, acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act, and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the Specific Repurchase.

Reason for and effect of Special Resolution Number 1

The reason for and effect of Special Resolution Number 1 is to grant the Company's Directors a specific authority to approve the Specific Repurchase its own shares, from MS333, for a Repurchase Scheme Consideration of R3 524 433 435.

Special Resolution Number 2 – Revocation of Special Resolution Number 1 if the Repurchase Scheme is not approved or is terminated

RESOLVED that, subject to and in the event that (i) Special Resolution Number 1 is approved; and (ii) the Repurchase Scheme is terminated, Special Resolution Number 1 is revoked with effect from the date of the announcement of (ii) above, as contemplated in section 164(9) of the Companies Act, and accordingly any dissenting shareholder that has sent a demand to Exxaro in terms of sections 164(5) to (8) of the Companies Act to be paid the fair value of its Exxaro ordinary shares, shall have no rights to be so paid under section 164 of the Companies Act.

Special Resolution Number 2 will only be put to shareholders to vote on if Exxaro receives written notice from any shareholder objecting to the Repurchase Scheme in terms of section 164(3) of the Companies Act. The percentage of voting rights that will be required for this Special Resolution to be adopted is at least 75% of the voting rights exercised on the resolution, excluding the votes attached to Exxaro ordinary shares beneficially held by MS333 and its associates in terms of section 115(4) of the Companies Act.

Reason for and effect of Special Resolution Number 2

The reason for and effect of Special Resolution Number 2 is to remove the rights to payment of dissenting shareholders if the Repurchase Scheme is terminated. It will become effective only if: (i) Special Resolutions Number 1 and 2 are approved in terms of the Companies Act; and (ii) the Repurchase Scheme is terminated.

Ordinary Resolution Number 1 – general authority to implement Special Resolution Number 1 (if passed)

RESOLVED that any one director of the Company or the Group Company Secretary be and is hereby authorised to do all such things, sign all such documents and take all such steps as may be necessary for or incidental to the implementation of Special Resolution Number 1.

Record dates

The record date on which shareholders must be recorded as such in the register of shareholders of the Company for the purposes of receiving this notice is Friday, 18 November 2016.

The record date on which shareholders must be recorded as such in the register of shareholders of the Company for the purposes of being entitled to attend, participate and vote at the General Meeting is Friday, 23 December 2016. The last day to trade to be entitled to vote at the General Meeting is Tuesday, 20 December 2016.

Who may attend and vote

If you hold dematerialised shares which are registered in your name or if you are the registered holder of certificated shares:

- You may attend the General Meeting of shareholders in person.
- Alternatively, you may appoint a proxy or proxies, who need not be a shareholder of the Company to represent you at the General Meeting of shareholders by completing the attached form of proxy in accordance with the instructions it contains and returning it to, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, (PO Box 61051, Marshalltown, 2107) to be received not later than 10:00 on Wednesday, 28 December 2016. Any form of proxy not handed in or delivered by this time may be handed to the Chairman of the General Meeting immediately before the appointed proxy exercises any of the shareholder's rights at the General Meeting.

If you hold dematerialised shares which are not registered in your name and:

- Wish to attend the General Meeting of shareholders, you must obtain the necessary letter of representation from your CSDP, Broker or nominee.
- Do not wish to attend the General Meeting of shareholders but would like your vote to be recorded at the General Meeting, you should contact your CSDP, Broker or nominee and furnish them with your voting instructions.
- You must **not** complete the attached form of proxy.

A shareholder who is entitled to attend and vote at the General Meeting is entitled, by completing the attached form of proxy and delivering it to the Company in accordance with the instructions on that proxy form, to appoint one or more proxies to attend, participate in and vote at the General Meeting in that shareholder's place. A proxy need not be a shareholder of the Company.

In terms of the Listings Requirements and the provisions of section 115(4) of the Act, the subsidiaries (and their associates) will be excluded from voting on the special resolution of shareholders required to authorise the Specific Repurchase.

Electronic participation

Shareholders wishing to participate electronically at the General Meeting are required to deliver written notice to the Group Company Secretary, with a copy to the Transfer Secretaries, at the applicable addresses as set out below, by no later than at 10:00 on Friday, 23 December 2016, stating that they wish to participate via electronic communication at the General Meeting (“the electronic notice”). Any reference to “shareholder” in this paragraph includes a reference to that shareholder’s proxy.

Note that shareholders will merely be able to participate, but not vote, via electronic communication.

In order for the electronic notice to be valid it must contain:

- (a) if the shareholder is an individual, a certified copy of his/her identity document and/or passport;
- (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution and the relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the General Meeting via electronic communication; and
- (c) a valid email address and/or facsimile number (the contact address/number).

By no later than 48 hours prior to the time of the General Meeting, the Company shall use its reasonable endeavours to communicate with each shareholder who has delivered a valid electronic notice, by notifying such shareholder at its contact address/number of the relevant details through which the shareholder can participate via electronic communication.

The Company reserves the right not to provide for electronic participation at the General Meeting in the event that it proves not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation.

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 this notice is voted on, a dissenting shareholder may give the Company a written notice objecting to Special Resolution Number 1. Such notification must be delivered to the Group Company Secretary by electronic mail on carina.wessels@exxaro.com or to the Company’s registered office.

Any such dissenting shareholder must also vote against Special Resolution Number 1 at the General Meeting.

Within 10 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 Exxaro 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.

An Exxaro shareholder may demand that the Company pay the shareholder the fair value for all the Exxaro shares of the Company held by that person if:

- the Exxaro shareholder has sent the Company a notice of objection;
- the Company has adopted Special Resolution Number 1; and
- the Exxaro 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 2** of the Circular.

By order of the Board



Carina Wessels
Group Company Secretary

29 November 2016



POWERING POSSIBILITY

Exxaro Resources Limited

(Incorporated in the Republic of South Africa)

(Registration number 2000/011076/06)

Share code: EXX

ISIN: ZAE000084992

ADR code: EXXAY

FORM OF PROXY

This form of proxy is for use only by Certificated Shareholders or shareholders who have Dematerialised their shares with own-name registration and who are unable to attend the General Meeting of shareholders (“the General Meeting”) at 10:00 on Friday, 30 December 2016, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa.

Dematerialised Shareholders are advised to contact their Central Securities Depository Participant (“CSDP”) or broker with their voting instructions in respect of the General Meeting. Dematerialised Shareholders who wish to attend the General Meeting should obtain a letter of representation from their CSDP or Broker.

A shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of the Company) to attend, participate in, speak and vote or abstain from voting in the place of that shareholder at the General Meeting.

I/We

(Full name in block letters)

of (address)

Telephone number

Cellphone number

e-mail address

being the holder of ordinary shares in the capital of the Company, do hereby appoint (see notes):

1 _____ or failing him/her,

2 _____ or failing him/her,

3 the chairman of the General Meeting

as my/our proxy to attend and speak for me/us and on my/our behalf at the General Meeting and at any adjournment thereof and to vote or abstain from voting as indicated on the resolutions to be considered at the General Meeting:

	In favour of	Against	Abstain
Special Resolution Number 1 (Specific Repurchase)			
Special Resolution Number 2 (Revocation of Special Resolution Number 1 if the Repurchase Scheme terminates)			
Ordinary resolution number 1 (general authority)			

Note Please indicate with an “X” or the number of shares in the spaces above how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain in his discretion.

Every person present and entitled to vote at the General Meeting shall, on a show of hands, have one vote only, and on a poll, shall have one vote for every ordinary share held or represented.

Signed at _____ on _____ 2016

Signature/s

Name in block letters (full name if signing in representative capacity – see note 6)

Assisted by (where applicable) (state capacity and full name)

Please read the notes appearing on the reverse hereof.

Instructions for signing and lodging this form of proxy

1. This form of proxy should only be used by Certificated Shareholders or Shareholders who have Dematerialised their shares with own-name registration.
2. All other shareholders who have Dematerialised their shares through a Central Securities Depository Participant or broker and wish to attend the General Meeting, must provide the CSDP or Broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A Shareholder may insert the name/s of one or more proxies, none of whom need be a member of the Company, in the space provided, with or without deleting "the chairman of the General Meeting". 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. In the event that no names are indicated, the proxy shall be exercised by the chairman of the General Meeting.
4. A shareholder's instructions on the form of proxy must be indicated by the insertion of an "X" or the number of shares in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the General Meeting, or any other proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
5. In order to be effective, completed proxy forms must reach the registered office of the Company or the Transfer Secretaries by 10:00 on Wednesday, 28 December 2016.
6. The completion and lodging of this form of proxy shall in no way preclude the shareholder from attending, speaking and voting in person at the General Meeting to the exclusion of any proxy appointed in terms hereof.
7. Should this form of proxy not be completed and/or received in accordance with these notes, the chairman may accept or reject it, provided that, in the case of acceptance, the chairman is satisfied as to the manner in which the shareholder wishes to vote.
8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries or waived by the chairman of the General Meeting.
9. The chairman shall be entitled to reject the authority of a person signing the form of proxy:
 - 9.1 under a power of attorney; or
 - 9.2 on behalf of a company, unless that person's power of attorney or authority is deposited at the registered office of the company or the Transfer Secretaries not less than 48 hours before the meeting.
10. Where shares are held jointly, all joint holders are required to sign the form of proxy.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries.
12. Any alteration of or correction to this form of proxy must be initialled by the signatory/ies.
13. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of shares he/she holds or represents.
14. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.
15. A resolution put to the vote shall be decided by a show of hands, unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the General Meeting.

SUMMARY OF RIGHTS ESTABLISHED IN TERMS OF SECTION 58 OF THE COMPANIES ACT, 71 OF 2008 ("ACT")

In terms of section 58 of the Companies Act, 2008 (as amended) ("Act"):

- 1.1 a shareholder 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' General Meeting on behalf of such shareholder (section 58(1)(b));
- 1.2 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 ("proxy instrument") (section 58(3)(b)) (but see note 16);
- 1.3 irrespective of the form of instrument used to appoint a proxy:
 - 1.3.1 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 (see note 5) (section 58(4)(a));
 - 1.3.2 any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise (section 58(4)(b)); and
 - 1.3.3 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 Company (section 58(4)(c));
- 1.4 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 Company's Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise (section 58(7)) (see note 3);
- 1.5 the revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 1.3.3 above (section 58(5));
- 1.6 if the proxy instrument has been delivered to a company, as long as that appointment remains in effect, any notice required by the Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder must be delivered by the Company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (section 58(6)(b));
- 1.7 if the Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of proxy instrument:

- 1.7.1 the invitation must be sent to every shareholder entitled to notice of the General Meeting at which the proxy is intended to be exercised (section 58(8)(a)); and
- 1.7.2 the invitation or form of proxy instrument supplied by the Company must:
 - 1.7.2.1 bear a reasonably prominent summary of the rights established in section 58 of the Act (section 58(8)(b)(i));
 - 1.7.2.2 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 (section 58(8)(b)(ii)); and
 - 1.7.2.3 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 General Meeting, or is to abstain from voting (section 58(8)(b)(iii));
- 1.8 the Company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and
- 1.9 the proxy appointment remains valid only until the end of the General Meeting at which it was intended to be used, subject to paragraph 1.5 above.

Notes:

1. Each shareholder is entitled to appoint one (or more) proxies (none of whom need be a shareholder of Exxaro) to attend, speak and vote in place of that shareholder at the General Meeting.
2. 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 with or without deleting "the chairman of the General Meeting" but the shareholder must initial any such deletion. The person whose name stands first on this 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.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided.
4. Failure to comply with the above will be deemed to authorise and direct the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or any other proxy to vote or abstain from voting at the General Meeting as he/she deems fit, in respect of all the shareholder's votes exercisable at the General Meeting.
5. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to the Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to preferably be received by no later than 48 hours before the commencement of the General Meeting (or any adjournment or postponement of the General Meeting) or handed to the chairman of the General Meeting at any time before the appointed proxy/ies exercise/s any of the relevant shareholder's rights at the General Meeting (or any adjournment or postponement of the General Meeting), provided that should a shareholder lodge a form of proxy with the Transfer Secretaries at either of the above addresses less than 48 hours before the General Meeting, such shareholder will also be required to furnish a copy of such form of proxy to the chairman of the General Meeting before the appointed proxy exercises any of such shareholder's rights at the General Meeting (or any adjournment of the General Meeting).
6. The completion and lodging of this form of proxy will 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.
7. The chairman of the General Meeting may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the Memorandum of Incorporation of Exxaro.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by Exxaro or the Transfer Secretaries.
10. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by Exxaro or the Transfer Secretaries or waived by the chairman of the General Meeting.
11. Where shares are held jointly, all joint holders are required to sign this form of proxy.
12. A shareholder who is a minor must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Exxaro or the Transfer Secretaries.
13. Dematerialised shareholders who do not own shares in "own-name" dematerialised form and who wish to attend the General Meeting, or to vote by way of proxy, must contact their CSDP, Broker or nominee who will furnish them with the necessary letter of representation to attend the General Meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the shareholder and his/her CSDP, Broker or nominee.
14. This form of proxy shall be valid at any resumption of an adjourned or postponed General Meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned or postponed General Meeting if it could not have been used at the General Meeting from which it was adjourned or postponed for any reason other than it was not lodged timely for the meeting from which the adjournment took place. This form of proxy shall, in addition to the authority conferred by the Act except insofar as it provides otherwise, be deemed to confer the power to act at the General Meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.
15. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Transfer Secretaries before the commencement of the meeting or adjourned meeting at which the proxy is used.
16. Any proxy appointed pursuant to this form of proxy may not delegate his/her authority to act on behalf of the relevant shareholder.
17. In terms of section 58 of the Act, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid only until the end of the General Meeting or any adjournment or postponement of the General Meeting.

