

THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis*, to this "front cover" (unless the context requires a contrary intention).

Action required

- If you are in any doubt as to what action you should take arising from this Circular, please consult your broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
- If you have disposed of all your Wescoal Shares, please forward this Circular to the purchaser of such Wescoal Shares or to the broker, CSDP, banker, accountant, attorney or other agent through whom the disposal was effected.
- Wescoal Shareholders are referred to page 2 of this Circular, which sets out the action required by them.

Wescoal does not accept responsibility, and will not be held liable for any action of or omission by, any CSDP or broker including, without limitation, any failures on the part of the CSDP or the broker of any beneficial owner of Wescoal Shares to notify such beneficial owner of the contents of this Circular.

WESCOAL

Wescoal Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/006913/06)

Share code: WSL ISIN: ZAE000069639

("Wescoal" or the "Company")

Circular to Wescoal Shareholders

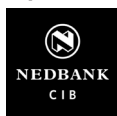
regarding

- the Specific Issue of 124 995 373 Wescoal Shares to the BEE SPV (the shareholders of which comprise a consortium of existing Wescoal BEE Shareholders), which entity is a related party to Wescoal, for an aggregate Subscription Amount of R211 410 862;
- the subscription by Wescoal of 35 500 Class B Preference Shares for an aggregate subscription price of R35 500 000, which amount will be used by the BEE SPV to partially fund the acquisition of the Subscription Shares and the costs thereof;
- the approval of financial assistance as contemplated in sections 44 and 45 of the Companies Act in connection with the subscription by Wescoal of the 35 500 Class B Preference Shares; and
- the waiver by the independent holders of more than 50% of the voting rights of all the Shares of the benefit of receiving the Mandatory Offer in terms of regulation 86(4) of the Companies Regulations;

and incorporating

- a notice convening the General Meeting of Wescoal Shareholders; and
- a form of proxy (*green*) (for use by holders of Certificated Shares and Dematerialised Shares with "own-name" registration only).

Investment Bank, Corporate Advisor and Sponsor



Independent Reporting Accountant



Legal Advisor



Independent Expert



Date of issue: Tuesday, 25 October 2016

This Circular is available in English only and copies thereof may be obtained from the offices of the Company and the Sponsor at the addresses reflected on the Corporate Information page of this Circular, from Tuesday, 25 October 2016 until Wednesday, 23 November 2016. A copy of this Circular will also be available on Wescoal's website (www.wescoal.com) during the same period.

IMPORTANT LEGAL NOTICES

The definitions and interpretations commencing on page 7 of this Circular shall apply, *mutatis mutandis*, to this "Important Legal Notes" (unless the context requires a contrary intention).

FORWARD-LOOKING STATEMENTS

This Circular may contain statements about Wescoal that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Wescoal cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which Wescoal operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Wescoal, as communicated in publicly available documents by Wescoal, all of which estimates and assumptions, although Wescoal believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Wescoal or not currently considered material by Wescoal.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Wescoal not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Wescoal has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

CORPORATE INFORMATION AND ADVISORS

Secretary and Registered Office

V. Dhanooklal
1st Floor, Building 10
Woodmead Business Park
142 Western Service Road
Woodmead
Sandton, 2191
(PO Box 1962, Edenvale, 1610)

Investment Bank, Corporate Advisor and Sponsor

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

Independent Reporting Accountant

PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

Place and date of incorporation of Wescoal

Incorporated in the Republic of South Africa on 3 March 2005

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Legal Advisor

Bowman Gilfillan Inc.
(Registration number 1998/021409/21)
165 West Street
Sandton, 2196
(PO Box 785812, Sandton, 2146)

Independent Expert

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

ACTION REQUIRED BY WESCOAL SHAREHOLDERS

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis*, to this "Action Required by Wescoal Shareholders" (unless the context requires a contrary intention).

Please take careful note of the following provisions regarding the action required by Wescoal Shareholders:

1. If you are in any doubt as to what action you should take arising from this Circular, please consult your broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
2. If you have disposed of all of your Wescoal Shares, please forward this Circular to the purchaser of such Wescoal Shares or to the broker, CSDP, banker, accountant, attorney or other agent through whom the disposal was effected.
3. This Circular contains information relating to the Transaction. You should carefully read through this Circular and decide how you wish to vote on the Transaction Resolutions to be proposed at the General Meeting.

4. General Meeting

4.1 Notice of General Meeting

The notice convening the General Meeting to approve the Transaction Resolutions is attached to this Circular. The General Meeting will be held at Wescoal's Registered Office on Wednesday, 23 November 2016 at 10:00.

4.2 If you hold Dematerialised Shares

4.2.1 "Own-name" registration

You are entitled to attend in person, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting but wish to be represented thereat, you must complete and return the attached form of proxy (*green*), in accordance with the instructions contained therein, to be received by the Transfer Secretaries by no later than 10:00 on Tuesday, 22 November 2016:

Hand deliveries to:

Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001

Postal deliveries to:

Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown, 2107

Thereafter, forms of proxy may only be delivered physically to the Company at the location for the General Meeting immediately prior to the commencement thereof.

4.2.2 Other than "own-name" registration

In accordance with the mandate between you and your CSDP or broker you must advise your CSDP or broker timeously if you wish to attend, or be represented at, the General Meeting. If your CSDP or broker has not contacted you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

You must not complete the attached form of proxy.

If your CSDP or broker does not contact you, you are advised to contact your CSDP or broker and provide them with your voting instruction. If your CSDP or broker does not obtain instruction from you, they will be obliged to act in terms of your mandate furnished to them.

4.3 If you hold Certificated Shares

You are entitled to attend, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached form of proxy (*green*), in accordance with the instructions contained therein, to be received by the Transfer Secretaries, by no later than 10:00 on Tuesday, 22 November 2016:

Hand deliveries to:

Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001

Postal deliveries to:

Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown, 2107

Thereafter, forms of proxy may only be delivered physically to the Company at the location for the General Meeting and immediately prior to the commencement thereof.

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SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis*, to this "Salient Dates and Times" (unless the context requires a contrary intention):

2016

Record date to determine which Wescoal Shareholders are eligible to receive this Circular on	Friday, 14 October
Circular (together with the notice convening the General Meeting) posted to Shareholders on	Tuesday, 25 October
Announcement relating to the issue of this Circular (together with the notice convening the General Meeting) released on SENS on	Tuesday, 25 October
Announcement relating to the issue of this Circular (together with the notice convening the General Meeting) published in the press on	Wednesday, 26 October
Representations to the TRP, relating to the waiver of the Mandatory Offer, to be made by Shareholders on or before	Tuesday, 8 November
Last day to trade to be entitled to vote and participate in the General Meeting on	Tuesday, 15 November
Record date to be entitled to vote and participate in the General Meeting on	Friday, 18 November
Last day to lodge forms of proxy for the General Meeting (by 10:00) on	Tuesday, 22 November
General Meeting to be held at 10:00 on	Wednesday, 23 November
Results of the General Meeting to be released on SENS on	Wednesday, 23 November
Results of the General Meeting published in the press on	Thursday, 24 November
Announcement relating to the ruling received from the TRP in respect of the waiver of the Mandatory Offer on or about	Tuesday, 29 November
Shareholders may request the Takeover Special Committee to review the TRP's ruling within 5 Business Days of the abovementioned announcement i.e. on or before	Tuesday, 6 December
Expected date of fulfilment of the Suspensive Conditions on	Tuesday, 6 December
Expected date on which the Subscription Shares will be listed, allotted and issued to the BEE SPV on	Friday, 9 December

Notes

1. These dates and times are subject to amendment. Any such amendment will be released on SENS.
2. This Circular is available in English only. Copies may be obtained from Wescoal's Registered Office or from Nedbank CIB at the addresses set out in the "Corporate information and advisors" section of this Circular, or on the Company's website, www.wescoal.com, from Tuesday, 25 October 2016 until the date of the General Meeting.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless otherwise stated or the context otherwise indicates, the words in the first column below shall have the meaning stated opposite them, respectively, in the second column below, reference to the singular shall include the plural and *vice versa*, words denoting one gender shall include the other genders, and an expression denoting natural persons shall include juristic persons and associations of persons:

"30-day VWAP"	the volume-weighted average price per Wescoal Share measured over the 30 Business Days prior to a specified date;
"Associate(s)"	has the meaning ascribed to it in the Listings Requirements;
"BEE"	black economic empowerment as defined in the BEE Act;
"BEE Act"	Broad-based Black Economic Empowerment Act, 53 of 2003, as amended;
"BEE Discount"	the difference between the market value of the Subscription Shares on the date of the Transaction terms announcement (29 September 2016) and the Subscription Amount as at 21 September 2016, which equates to R0.17 per Share;
"BEE SPV"	K2016316243 Proprietary Limited (Registration number 2016/316243/07), a private company duly incorporated and registered in accordance with the laws of South Africa, the shareholders of which are detailed in paragraph 6.3 of this Circular;
"BEE SPV Shares"	ordinary share(s) of no par value in the BEE SPV;
"Board" or "Director(s)"	the directors of Wescoal whose names are reflected in paragraph 15 of this Circular;
"Bowmans" or "Legal Advisor"	Bowman Gilfillan Inc. (Registration number 1998/021409/21), a company duly incorporated and registered in accordance with the laws of South Africa;
"Business Day"	a day other than a Saturday, Sunday or official public holiday in South Africa;
"Certificated Share(s)"	Wescoal Share(s) represented by a share certificate(s) or other physical Document(s) of Title, which has/have not been surrendered for dematerialisation in terms of the requirements of Strate;
"Certificated Shareholder(s)"	Wescoal Shareholder(s) who hold Certificated Share(s);
"CIPC"	the Companies and Intellectual Property Commission;
"Circular"	this document, including its annexures and attachment dated Tuesday 25 October 2016;
"Class A Preference Share(s)"	cumulative, redeemable, no par value class A preference shares to be subscribed for by the IDC in the BEE SPV, as contemplated in the Class A Preference Share Subscription Agreement;
"Class A Preference Share Subscription Agreement"	the agreement titled " <i>Class A Preference Share Subscription Agreement</i> " entered into between the IDC and the BEE SPV on or about 28 September 2016;
"Class B Preference Share(s)"	cumulative, redeemable, no par value class B preference shares to be subscribed for by the Company in the BEE SPV, as contemplated in the Class B Preference Share Subscription Agreement;

"Class B Preference Share Security Agreements"	<p>the agreements titled:</p> <ul style="list-style-type: none"> • "<i>Class B Cession and Pledge</i>" entered into, or to be entered into, between the Company and the BEE SPV Shareholders; • "<i>Class B Cession in Security</i>" entered into, or to be entered into, between the Company and the BEE SPV; • "<i>Class B Limited Guarantee and Indemnity</i>" entered into, or to be entered into, between the Company and the BEE SPV Shareholders; and • "<i>Custody Agreement</i>" entered into, or to be entered into, between the BEE SPV's CSDP, the Company, the BEE SPV and the IDC;
"Class B Preference Share Subscription Agreement"	the agreement titled " <i>Class B Preference Share Subscription Agreement</i> " entered into between the Company and the BEE SPV on or about 29 September 2016;
"Coal Supply Agreements" or "CSA"	the long-term coal supply agreements entered into between the Company and Eskom on Tuesday, 2 August 2016, for a duration of approximately five years commencing on 1 November 2016;
"Companies Act" or the "Act"	the Companies Act, 71 of 2008, as amended;
"Companies Regulations" or "Regulations"	the Companies Regulations 2011, promulgated in terms of section 223 of the Act and item 14 of Schedule 5 of the Act;
"Competition Act"	the Competition Act, 89 of 1998, as amended;
"Competition Authorities"	the Competition Commission, being the commission established in terms of Chapter IV, Part A of the Competition Act, or the Competition Tribunal established in terms of Chapter IV, Part B of the Competition Act, or the Competition Appeal Court, being the court established in terms of Chapter IV, Part C of the Competition Act, as the case may be;
"Consortium" or the "BEE SPV Shareholders"	a consortium consisting of Simeka, Ramaite and Mzimela;
"CSDP"	a Central Securities Depository Participant appointed by individual Shareholder(s) for the purpose of and in regard to the dematerialisation of his/her Wescoal Share(s);
"Dematerialised Share(s)"	Wescoal Share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form;
"Dematerialised Shareholder(s)"	Wescoal Shareholder(s) that have dematerialised their Wescoal Share(s) through a CSDP and have instructed the CSDP to hold their Wescoal Share(s) on the sub-register maintained by the CSDP and forming part of the Wescoal Share register;
"Document(s) of Title"	share certificate(s), transfer deed(s) or form(s), balance receipt(s) or any other document(s) of title acceptable to Wescoal in respect of Certificated Shareholder(s);
"EPS"	earnings per Share;
"Equity Value Growth"	30% (thirty percent) of the increase in the market value of the Subscription Shares above R4.05 per Share, determined in accordance with the procedure set out in Annexure D to the Class A Preference Share Subscription Agreement;
"Eskom"	Eskom Holdings SOC Limited (Registration number 2002/015527/06), a state-owned company duly incorporated and registered in accordance with the laws of South Africa;
"Existing Target Shares"	the total number of Wescoal Shares disposed of by the BEE SPV Shareholders to the BEE SPV in terms of the Share Exchange Agreements being 88 632 749 Wescoal Shares;
"Fairness Opinions"	collectively the JSE Fairness Opinion and the TRP Fair and Reasonable Opinion;

"Financial Markets Act"	the Financial Markets Act, 19 of 2012, as amended;
"General Meeting"	the general meeting of Shareholders to be held at Wescoal's Registered Office, on Wednesday, 23 November 2016 at 10:00 to consider and, if deemed appropriate, approve the Transaction Resolutions to give effect to the Transaction, together with any meeting held as a result of any postponement or adjournment or a reconvening thereof;
"HEPS"	headline EPS;
"IDC"	Industrial Development Corporation of South Africa SOC Limited (Registration number 1940/014201/06), a state-owned company duly incorporated and registered in accordance with the laws of South Africa;
"IDC Funding Agreements"	the Class A Preference Share Subscription Agreement and the IDC Security Agreements;
"IDC Security Agreements"	the agreements titled: <ul style="list-style-type: none"> • "<i>Limited Guarantee Agreement</i>" between the IDC and each of the BEE SPV Shareholders; • "<i>Cession and Pledge Agreement</i>" between the IDC and each of the BEE SPV Shareholders; • "<i>Cession of Shareholder Loans</i>" between the IDC and each of the BEE SPV Shareholders; • "<i>Custody Agreement</i>" between the BEE SPV's CSDP, the BEE SPV, the Company and the IDC; and • "<i>Cession in Security</i>" between the IDC and the BEE SPV;
"IFRS"	International Financial Reporting Standards;
"Independent Board"	Ms DMT van Gaalen, Miss KM Maroga and Dr MH Mathe, being members of the Board who are considered to be independent and have no conflict of interest in relation to the Transaction and accordingly are "independent" as defined under Regulation 81(j) of the Companies Regulations;
"Independent Expert" or "BDO"	BDO Corporate Finance Proprietary Limited (Registration number 1983/002903/07), a private company duly incorporated and registered in accordance with the laws of South Africa;
"JSE"	JSE Limited (Registration number 2005/022939/06), a public company duly incorporated and registered in accordance with the laws of South Africa and licensed to operate under the Financial Markets Act as an exchange;
"JSE Fairness Opinion"	the opinion of the Independent Expert in relation to the Transaction, as required by and in compliance with the Listings Requirements, which states, among other things, that the Transaction is fair to the Shareholders (excluding the BEE SPV Shareholders), a copy of which is included in Annexure 1 to this Circular;
"km"	kilometres;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Friday, 7 October 2016;
"Listings Requirements"	the JSE Listings Requirements, as amended from time to time;
"LoM"	life of mine;
"Mandatory Offer"	the mandatory offer to the Shareholders which may be triggered by the Specific Issue, the full details of which are set out in paragraph 7 of this Circular;
"Mining Charter"	the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry, published under Government Notice 1639 in Government Gazette 26661 of 13 August 2004, including the amendment published under Government Notice 838 in Government Gazette 33573 of 20 September 2010;

"MPRDA"	the Mineral and Petroleum Resources Development Act, 28 of 2002, as amended;
"Mt"	a million tonnes;
"Mzimela"	Eric Thuthukani Mzimela, an adult male South African with identity number 5706015981084;
"NAV"	net asset value per Share;
"Nedbank CIB" or "Investment Bank, Corporate Advisor and Sponsor"	Nedbank Corporate and Investment Banking, a division of Nedbank Limited (Registration number 1951/000009/06), a public company duly incorporated and registered in accordance with the laws of South Africa, and the investment bank, corporate advisor and sponsor to Wescoal;
"Panel" or "TRP"	the Take-over Regulation Panel established in terms of section 196 of the Act;
"PricewaterhouseCoopers Inc." or "PwC" or "Independent Reporting Accountant"	PricewaterhouseCoopers Inc. (Registration number 1998/012055/21), a company duly incorporated and registered in accordance with the laws of South Africa, and the independent reporting accountant to Wescoal;
"Ramaite"	Muthanyi Robinson Ramaite, an adult male South African with identity number 6903075973080;
"RATIRR"	means the real per annum after tax internal rate of return calculated in accordance with Annexure A of the Class A Preference Share Subscription Agreement;
"Relationship Agreement"	the agreement titled " <i>Relationship Agreement</i> " entered into between Wescoal, the BEE SPV and the BEE SPV Shareholders on or about 29 September 2016;
"Reporting Accountant's Report"	the report prepared by the Independent Reporting Accountant in terms of section 8 of the Listings Requirements, a copy of which is included in Annexure 4 to this Circular;
"SENS"	the Stock Exchange News Service of the JSE;
"Share(s)" or "Wescoal Share(s)"	ordinary share(s) of no par value in Wescoal;
"Shareholder(s)" or "Wescoal Shareholder(s)"	holder(s) of Wescoal Share(s);
"Share Exchange Agreement"	the share exchange agreement entered into between each member of the Consortium and the BEE SPV on or about 28 September 2016, in terms of which each member of the Consortium will dispose of his/its Wescoal Shares to the BEE SPV in exchange for the issue of BEE SPV Shares;
"Simeka"	Simeka Capital Holdings Proprietary Limited (Registration number 2006/017154/07), a private company duly incorporated and registered in accordance with the laws of South Africa;
"South Africa"	the Republic of South Africa;
"Specific Issue"	the specific issue of the Subscription Shares to the BEE SPV in terms of the Subscription Agreement as further detailed in paragraph 8 of this Circular;
"Strate"	Strate Proprietary Limited (Registration number 1998/022242/07), a private company duly incorporated and registered in accordance with the laws of South Africa, and the electronic settlement system for transactions that take place on the JSE and off-market transactions;
"Subscription Agreement"	the agreement titled " <i>Subscription Agreement</i> " entered into between Wescoal and the BEE SPV on or about 28 September 2016, in terms of which, <i>inter alia</i> , the BEE SPV will subscribe for, and the Company will issue to the BEE SPV, the Subscription Shares for the Subscription Price, the salient features of which are detailed in paragraph 8.1 of this Circular;

“Subscription Amount”	the total subscription amount required to be settled by the BEE SPV for the Subscription Shares, being R211 410 682;
“Subscription Date”	the second Business Day following the day on which the Suspensive Conditions are fulfilled or waived, or such other date as the BEE SPV and Wescoal may agree in writing;
“Subscription Price”	the price per Share at which the BEE SPV will subscribe for its Subscription Shares, being approximately R1.69 per Share, representing a discount of 10% measured against the 30-day VWAP as at the date the Independent Board approved the Transaction (being Wednesday, 21 September 2016);
“Subscription Share(s)”	124 995 373 Wescoal Shares which will be subscribed for by and issued to the BEE SPV pursuant to the Subscription Agreement;
“Suspensive Conditions”	the suspensive conditions to the implementation of the Transaction, as detailed in paragraph 8.1.2 of this Circular;
“Takeover Regulations”	regulations prescribed by the Minister of Trade and Industry in terms of section 120 of the Act;
“Target Shares”	the Subscription Shares and the Existing Target Shares;
“TNAV”	tangible net asset value;
“Transaction”	all the transactions contemplated in the Transaction Agreements;
“Transaction Agreements”	the Subscription Agreement, the Share Exchange Agreement, the Class A Preference Share Agreement, the Class B Preference Share Agreement, the Class B Preference Share Security Agreements, the IDC Security Agreements and the Relationship Agreement;
“Transaction Resolutions”	the ordinary and special resolutions to be approved by the requisite majority of Wescoal Shareholders at the General Meeting to give effect to the Transaction;
“Transfer Secretaries” or “Computershare”	the transfer secretaries of Wescoal being Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly incorporated and registered in accordance with the laws of South Africa;
“TRP Fair and Reasonable Opinion”	the opinion of the Independent Expert in relation to the Waiver, as required by and in compliance with the Act and the Regulations, which states, among other things, that the Waiver is fair and reasonable to the Shareholders, a copy of which is included in Annexure 2 to this Circular;
“Waiver”	the waiver, in terms of Regulation 86(4) of the Companies Regulations, of the obligation to make the Mandatory Offer arising from the Transaction;
“Wescoal” or the “Company”	Wescoal Holdings Limited (Registration number 2005/006913/06), a public company duly incorporated and registered in accordance with the laws of South Africa, the Shares of which are listed on the JSE;
“Wescoal Group”	Wescoal and its subsidiaries, from time to time; and
“Wescoal’s Registered Office”	the registered office of Wescoal, being 1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead.

WESCOAL

Wescoal Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/006913/06)

Share code: WSL ISIN: ZAE000069639

("Wescoal" or the "Company")

Directors

Muthanyi Robinson Ramaite (Chairman)[#]
Waheed Sulaiman (Chief Executive Officer)
Bothwell Mazarura (Chief Financial Officer)
Thiva Tshithavhane (Business Development)

Dalia Maria Teresita van Gaalen (Lead Independent Director)^{**}
Kabela Mahlatse Maroga^{**}
Mbendeni Humphrey Mathe^{**}
Jacobus Gustavus Pansegrouw[#]

* Independent

[#] Non-executive

CIRCULAR TO WESCOAL SHAREHOLDERS

1. INTRODUCTION

Wescoal Shareholders are referred to the announcement released on SENS on 17 August 2016, wherein Wescoal communicated that it had entered into Coal Supply Agreements in respect of coal from its flagship project Elandspruit Colliery and Wescoal Processing Plant with Eskom. In terms of the Coal Supply Agreements, the Company undertook to achieve and maintain a direct black ownership of at least 51% by the end of December 2016. Pursuant to this undertaking, the Company announced on SENS on 23 August 2016 that it had entered into negotiations to increase its black ownership to more than 51% by the end of December 2016.

Following the conclusion of discussions regarding black ownership, Wescoal announced on SENS on Thursday, 29 September 2016, that it had entered into a Subscription Agreement in terms of which, subject to the fulfilment or waiver, as the case may be, of the Suspensive Conditions, the BEE SPV will, with effect from the Subscription Date, subscribe for the Subscription Shares. The BEE SPV will fund the Subscription Amount, and costs related thereto, using funds raised from the issue of the Class A Preference Shares to the IDC and the issue of the Class B Preference Shares to Wescoal. Wescoal will issue and allot the Subscription Shares to the BEE SPV on the terms, and subject to the conditions, contained in the Subscription Agreement.

The purpose of this Circular is to provide Shareholders with relevant information relating to the Transaction, as well as to convene the General Meeting of Shareholders at 10:00 on Wednesday, 23 November, 2016 at Wescoal's Registered Office for the purposes of considering and, if deemed fit, passing, with or without modification, the Transaction Resolutions contained in the notice of General Meeting attached to this Circular.

2. NATURE OF BUSINESS

2.1 Wescoal, through its subsidiaries, engages in mining, processing, supplying, selling, and distributing coal and coal-related products in South Africa.

2.2 Wescoal Group operates through the following subsidiaries:

2.2.1 Wescoal Mining, which is responsible for the mining, processing, hauling of thermal coal by road and rail, drilling and exploration of own coal reserves and sale of thermal coal. Wescoal Mining owns and operates three thermal coal mines and a processing plant:

- Elandspruit Colliery is Wescoal's flagship mine located on the old Witbank Road in Emalaheni, Mpumalanga. It is an open cast and underground mine with reserves of approximately 27Mt and has 14 years remaining LoM;
- Intibane Colliery is located approximately 14km west of Ogies in Mpumalanga. Intibane is an open cast mine with reserves of approximately 0.70Mt and remaining LoM of 24 months;

- Khanyisa Colliery is currently non-operational as it was on care and maintenance for the majority of 2016 but it is intended to operate as both an open cast and underground mine. It is located approximately 10km west of Ogies in Mpumalanga and has reserves of approximately 0.63Mt and remaining LoM of 30 months; and
- Wescoal Processing Plant is located close to Middelburg (Mpumalanga). It consists of a crushing section, drum, cyclone and fines treatment plants that can produce various grades of small nuts, peas, grains, duff and fine coal products.

(source of information: Company website www.wescoal.com and the Coal Resource Competent Person's Report dated May 2016)

- 2.2.2 Wescoal Trading, which is responsible for buying, transporting and selling metallurgical coal and anthracite to various domestic customers. For this purpose, it owns and operates five depots in Gauteng, the Western Cape and KwaZulu-Natal. Some of Wescoal Mining's production is sold via Wescoal Trading to non-Eskom clients.
- 2.3 Wescoal also provides logistical requirements for the sourcing, distribution and delivery of coal products to the general industry. The Company sources and supplies coal to clients in the local industry, including power generation, manufacturing, and petro-chemicals sectors.
- 2.4 Wescoal also supplies some coal into the thermal coal export market.
- 2.5 Wescoal Shares have been listed on the JSE in the "Mining – Coal" sector since 1 April 2005.

3. PROSPECTS

- 3.1 Over the past few years, Wescoal has grown substantially from its roots as a trading company. Wescoal's annual turnover is close to R2 billion and coal run of mine production reached 4Mt per annum during the financial year ended 31 March 2016. Furthermore, productivity and cost saving initiatives made have been embedded into the business and are contributing to the success of the business.
- 3.2 As announced on SENS on 17 August 2016, the Company has now entered into Coal Supply Agreements with Eskom for the Elandspruit Colliery. This long-term position significantly de-risks future cash flows and in the short to medium term enables Wescoal to build on the results achieved during the second half of the 2016 financial year.
- 3.3 Wescoal remains committed to becoming black-controlled by the end of December 2016, in line with the requirements of the Coal Supply Agreements. The prospects for securing long-term debt funding on the back of the Coal Supply Agreements with Eskom are greater and will open up a number of new growth opportunities in respect of resources acquisitions and corporate actions. Injecting new long-term funds into the business will be key to taking advantage of these and other organic growth options.
- 3.4 A significant portion of Wescoal's run of mine product is sold to Eskom, thereby ensuring a steady, reliable revenue stream. Coal sales to non-Eskom customers as well as the trading division operations provide diversification in the current environment. Wescoal is looking to develop its exposure to the coal export market in order to further diversify its revenue streams. In this regard, as published on SENS on 28 September 2016, the Company has concluded coal supply contracts with third parties ("**Coal Purchase Confirmations**"). In terms of the Coal Purchase Confirmations, Wescoal will supply over 5Mt of coal from November 2016 to April 2021. The Coal Purchase Confirmations will expand Wescoal's presence in the domestic thermal coal market and increase its exports to approximately one million tons per annum.
- 3.5 Looking ahead, Wescoal is poised to enter the next chapter of its corporate life which will see rapid growth underpinned by a strong commitment to sustainability, risk management and corporate governance.

4. RATIONALE FOR THE TRANSACTION

- 4.1 Wescoal has over a period of time been in discussions with Eskom regarding the Coal Supply Agreements for its flagship asset, Elandspruit Colliery. In terms of Eskom's coal procurement policy, BEE shareholding in Wescoal must be at least 51%. In its negotiations with Eskom, the Company undertook to meet this requirement by

the end of December 2016 and has accordingly been looking at various options that will enable it to meet this requirement.

- 4.2 On 17 August 2016, Wescoal announced on SENS that it had entered into the Coal Supply Agreements with Eskom. The Board and management of Wescoal believe that Eskom's BEE requirement will be met through the implementation of the Transaction.
- 4.3 The main rationale for the Transaction is the fulfilment of the BEE requirements under the Coal Supply Agreements, which requirement Wescoal is required to meet by the end of December 2016. The Board believes that the Coal Supply Agreements are important to the success of Wescoal going forward, as is supported by the Fairness Opinion in Annexure 1 to this Circular which notes that the net present value of the incremental benefit to Wescoal of concluding the CSA amounts to R420.7 million.
- 4.4 In addition to addressing Eskom's BEE requirement, the implementation of the Transaction will also, *inter alia*:
- ensure that Wescoal is a truly empowered publicly traded junior coal mining company, well positioned to potentially secure additional medium- to long-term coal supply contracts with Eskom for its existing and future operations in the portfolio;
 - provide a sustainable BEE structure with the necessary lock-in provisions, thus securing the Company's mining and prospecting rights required in terms of the MPRDA and the Mining Charter; and
 - provide highly sought after equity funding which Wescoal can deploy towards its organic and inorganic growth strategy (see further paragraph 5 below), thus continuing along its current growth trajectory to become a mid-tier, sustainable and consistent dividend paying company on the JSE.
- 4.5 The subscription of the Subscription Shares by the BEE SPV in terms of the Subscription Agreement not only adds to the capital of Wescoal but also shows continued support by the BEE SPV Shareholders and their positive expectations for the growth prospects of the Company.
- 4.6 An important differentiating feature of the Transaction is the low level of facilitation being provided by Wescoal relative to many precedent BEE transactions in the market. Wescoal's facilitation will be limited to providing partial funding for the Subscription Amount, equivalent to only 16.79% of the Subscription Amount. No other facilitation, security, guarantee or support is required from the Company by the BEE SPV and/or the IDC.
- 4.7 The direct cost of the Transaction is accounted for in terms of the guidance provided in IFRS 2: Share-based Payments and can be calculated as the BEE Discount, which represents only 2.62% of the Company's market capitalisation as at 21 September 2016.
- 4.8 The BEE SPV Shareholders have a long association with Wescoal. Through their stable shareholding and by virtue of being black people, Wescoal has over the last several years used, among others, the BEE SPV Shareholders' BEE credentials in order to secure its mining and/or prospecting rights required in terms of the MPRDA, for the benefit of all Wescoal Shareholders, without any direct and/or indirect benefit or preferential treatment given to these BEE SPV Shareholders.
- 4.9 Simeka, one of the BEE SPV Shareholders, was introduced into the share register of the Company through the rights offer capital raising process undertaken in the last quarter of the 2015 calendar year. Simeka underwrote 61.54% of the targeted proceeds, which in turn was the minimum capital that was required by the Company at the time. Thus the Transaction represents a further strengthening of the already strong relationship between Wescoal and the BEE SPV Shareholders, who are actively supporting the growth ambitions of the Company for the benefit of all Wescoal Shareholders.

5. INTENDED USE OF PROCEEDS

- 5.1 The Board and management of Wescoal are committed to growing the asset base and earnings of the Company while driving Shareholder value. The implementation of the Transaction sees an injection of approximately R178 121 292 fresh equity, thereby significantly strengthening the equity capitalisation and liquidity of the Company and facilitating this growth drive.
- 5.2 The proceeds of the Transaction will be used to fund the organic (capital expenditure projects) and/or inorganic (asset and business acquisitions) growth plans of Wescoal which may include, *inter alia*:
- the acquisition of resources adjacent or close to existing operations;

- the acquisition of businesses or controlling stakes in identified listed mining companies;
- the acquisition of or investments in businesses which have access to key strategic logistics infrastructure;
- brownfield expansion in existing mining assets, in particular the Elandspruit Colliery's underground section and Khanyisa Colliery;
- increasing existing coal beneficiation capacity through acquisitions or expansions at the existing Elandspruit Processing Plant; and
- reducing short-term debt as an interim measure, on the revolving credit facility via Wescoal invoice discounting facility, until drawn down, subject to Board approval, over a period of time for purposes of the intended uses as described above.

6. FORMATION OF THE BEE SPV

6.1 The BEE SPV Shareholders will effect a restructuring as set out in the paragraph immediately below that will consolidate their existing unencumbered shareholding in Wescoal under a single legal entity, the BEE SPV, which will be a ring-fenced company incorporated for the sole purpose of holding Wescoal Shares. Following implementation of the Transaction, the BEE SPV Shareholders' collective shareholding in Wescoal will increase from a 37.31% direct interest to a 58.93% indirect interest (through the BEE SPV).

6.2 Pursuant to the Share Exchange Agreement, the BEE SPV Shareholders will dispose of their Wescoal Shares to the BEE SPV in consideration of the issue of BEE SPV Shares. Accordingly, the BEE SPV Shares will be held by the BEE SPV Shareholders in the following proportions following implementation of the Share Exchange Agreement:

Shareholder	Before implementation of the Share Exchange Agreement		After implementation of the Share Exchange Agreement*	
	Wescoal		The BEE SPV	
	Wescoal Shares directly held	% of Wescoal Shares in issue	Wescoal Shares indirectly held	% of the BEE SPV Shares held
Ramaite	44 547 450	18.76	44 547 450	50.26
Simeka	30 303 030	12.76	30 303 030	34.19
Mzimela	13 782 269	5.80	13 782 269	15.55
Total	88 632 749	37.31	88 632 749	100.00

*Before implementation of the Specific Issue

6.3 Details of the BEE SPV Shareholders

6.3.1 Ramaite

- Ramaite is a former Director General of the Department of Public Service and Administration and a former advisor to various Ministers of Cabinet. He has been involved in the mining sector for a number of years and sits on the boards of various listed and non-listed companies.
- Ramaite is the current Non-executive Chairman of Wescoal and is the registered and beneficial holder of 18.76% of all the Wescoal Shares. Pursuant to the Share Exchange Agreement, Ramaite will have a direct beneficial interest of 50.26% in the BEE SPV thus making him the majority shareholder of the BEE SPV in his personal capacity.
- In addition, Ramaite, by virtue of his family trust, holds a 38% non-controlling interest in Simeka.
- Ramaite has a personal financial interest in the Transaction by virtue of his shareholding in the BEE SPV and by virtue of his and his family trust's interest in the BEE SPV. Section 75 of the Companies Act requires that if a director has a personal financial interest in a transaction, he/she must not, among other things, take part in the consideration of the transaction. Accordingly, Ramaite has not taken part in the consideration of the Transaction by the Board.

6.3.2 Simeka

- Founded in 2013, Simeka is an investment holding company with interests in the coal mining, pharmaceutical and property sectors in South Africa. Simeka is led by a number of investment professionals with extensive experience in various South African industries.
- Simeka has concluded a number of acquisitions since its inception which include, *inter alia*, the following:
 - a joint venture with Amayeza Abantu Biomedical Proprietary Limited to form Ameka Health which focuses on the distribution of medical devices into the private and public health sectors in South Africa and the rest of the African continent;

- the buyout of Specpharm in June 2014, a South African-based pharmaceutical company. The transaction was concluded in partnership with the IDC, management as well as Specpharm staff; and
- the acquisition of a significant minority interest in Kangala Colliery, which is controlled and managed by Universal Coal plc., an ASX-listed company.
- Simeka became a Shareholder in 2015 through underwriting a significant portion of the rights offer capital raising process undertaken at the time, for an aggregate amount of R40 000 000, which saw the Company realising its objective of further developing the Elandspruit Colliery.
- Simeka is currently the registered beneficial holder of 12.76% of Wescoal. Pursuant to the Share Exchange Agreement, Simeka will hold a direct interest of 34.19% in the BEE SPV.

6.3.3 Mzimela

- Mzimela is currently the registered and beneficial holder of 5.80% of all the Wescoal Shares. Pursuant to the Share Exchange Agreement, Mzimela will hold a direct interest of 15.55% in the BEE SPV.

6.4 Details of the BEE SPV directors

- The directors of the BEE SPV are Thato Leonard Mahlong and Cecil Maswanganyi.

7. THE MANDATORY OFFER AND WAIVER

The Transaction will result in the BEE SPV controlling more than 35% of the Shares. In terms of section 123 of the Companies Act, a mandatory offer may be required to be extended at the same price as the Subscription Price, unless the Mandatory Offer is waived in accordance with Regulation 86(4) of the Companies Regulations.

The TRP has advised that it is willing to consider an application to grant an exemption from the obligation to extend the Mandatory Offer if a majority of the general voting rights of all the independent holders of Wescoal Shares (i.e. excluding the BEE SPV Shareholders) waive their entitlement to receive the Mandatory Offer, in accordance with Regulation 86(4) of the Companies Regulations.

Any Shareholder who wishes to make representations relating to the TRP's exemption shall have 10 Business Days from the date of the posting of this Circular to make such representations to the TRP before the ruling is considered. Representations should be made in writing and delivered by hand, posted or faxed to:

If delivered by hand or courier:	If posted:	If faxed:
The Executive Director	The Executive Director	The Executive Director
Takeover Regulation Panel	Takeover Regulation Panel	Takeover Regulation Panel
1st Floor Block 2, Freestone Park	1st Floor Block 2, Freestone Park	+27 11 784 0062
135 Patricia Road, Athol	135 Patricia Road, Athol	
Johannesburg	Johannesburg	
2196	2196	

and should reach the TRP by no later than the close of business on Tuesday, 8 November 2016 in order to be considered.

If any representations are made to the TRP within the permitted timeframe, the TRP will consider the merits thereof before making a ruling.

Should the TRP approve the application referred to above and provide an exemption from the obligation to extend the Mandatory Offer, the Company will issue a SENS announcement advising Shareholders that the TRP has approved the application. In accordance with the TRP guidelines, Shareholders may request the Takeover Special Committee to review the ruling within 5 (five) Business Days of publication of the SENS announcement. After expiry of the aforesaid 5 (five) Business Days, in the absence of any request to review the ruling, the TRP proceedings relating to the Waiver will be regarded as fully completed.

Included in this Circular is the notice of General Meeting containing the resolution required to be passed by the Shareholders to waive the Mandatory Offer. Shareholders are to take note that once the Waiver is approved, should the BEE SPV and/or the BEE SPV Shareholders acquire additional Wescoal Shares, no further mandatory offer will be required to be extended by such party/ies.

8. THE SPECIFIC ISSUE

8.1 Salient details of the Subscription Agreement

- 8.1.1 In terms of the Subscription Agreement, the parties agreed to the Subscription Price of R1.69 per Subscription Share. The Subscription Price represents a discount of 10% measured against the 30-day VWAP as at Thursday, 21 September 2016, as approved by the Independent Board, a copy of which is available for inspection in terms of paragraph 27.3 of this Circular.
- 8.1.2 The Subscription Agreement remains subject to the fulfilment or waiver of the following Suspensive Conditions on or before 31 March 2017:
- that the Transaction Resolutions contained in the notice of General Meeting are approved by the requisite majority of the Shareholders entitled to vote at the General Meeting;
 - that all necessary approvals from the Competition Authorities in terms of the Competition Act to enter into and implement the Transaction have been obtained;
 - that the Share Exchange Agreement, the Class A Preference Share Agreement and the Class B Preference Share Subscription Agreement are entered into and fully implemented in accordance with their terms;
 - that all and any necessary approvals from the TRP to enter into and implement the Transaction have been obtained, including approval of the Waiver and that no appeal or review to the Waiver has been timeously noted or if an appeal or review is timeously noted, it is unsuccessful; and
 - that all necessary approvals from the JSE to enter into and implement the Transaction have been obtained, including any approval in connection with the admission to listing of the Subscription Shares.
- 8.1.3 An announcement will be published in SENS as soon as practicable after all the Suspensive Conditions have been fulfilled or waived.
- 8.1.4 The Company and the BEE SPV may, by written agreement, waive any Suspensive Condition, in full or in part, save for any Suspensive Condition which is regulatory in nature, unless both the Company and the BEE SPV are satisfied that such regulatory requirement is no longer applicable, in which case the applicable Suspensive Condition can be waived in full or in part by written agreement between the BEE SPV and Wescoal on or before 31 March 2017.
- 8.1.5 If any approval is granted subject to any condition or qualification, then the Company shall be entitled to consent to the imposition of the condition or qualification, in which event the approval will be regarded as having been granted; provided further that if such approval is granted subject to any condition or qualification which is of a material nature, then, notwithstanding the foregoing, the Company and the BEE SPV must agree to the imposition of such condition or qualification if the approval is to be regarded as having been granted.
- 8.1.6 84.45% of the issued share capital of the BEE SPV will be held by Ramaite (Non-executive Chairman) and Associates of Ramaite as follows:
- 50.26% of the issued share capital of the BEE SPV will be held directly by Ramaite; and
 - 34.19% of the issued share capital of the BEE SPV will be held indirectly by Ramaite via an Associate of his, Simeka.
- As such, the Subscription Shares will, upon their issue, be held by non-public Shareholders, as defined in paragraph 4.25 of the Listings Requirements.

8.2 Salient details of the Relationship Agreement

- 8.2.1 The Company, the BEE SPV and the BEE SPV Shareholders have entered into the Relationship Agreement in terms of which they will regulate their relationship as direct and indirect Shareholders of the Company.
- 8.2.2 In terms of the Relationship Agreement, for at least a period of five years from when the Relationship Agreement becomes unconditional:
- the BEE SPV and the BEE SPV Shareholders' ability to dispose of any of the Wescoal Shares or the BEE SPV Shares or encumber any of the Wescoal Shares or the BEE SPV Shares will be restricted;
 - the BEE SPV and the BEE SPV Shareholders have undertaken to maintain their BEE status as at the date of signature of the Relationship Agreement, save as otherwise agreed by the Company; and

- for the duration of the Coal Supply Agreements, the BEE SPV and the BEE SPV Shareholders have undertaken to take all necessary steps to (i) maintain the requirements imposed by Eskom in terms of the Coal Supply Agreements, insofar as those requirements relate to black ownership; and (ii) prevent Wescoal from being in breach of the Coal Supply Agreements, insofar as that breach relates to the level of ownership by black people.

9. CLASS A PREFERENCE SHARE SUBSCRIPTION AGREEMENT

- 9.1 In order to give effect to the Transaction, the Consortium, through the BEE SPV, has procured funding from the IDC, in terms of which the IDC will subscribe for the Class A Preference Shares in accordance with the Class A Preference Share Subscription Agreement for an aggregate subscription amount of R178 121 292.
- 9.2 The proceeds referred to above will be used by the BEE SPV to pay, in part, the Subscription Amount.
- 9.3 The BEE SPV will pay an amount equal to 87.55% of any dividend, payment or other distribution received by it from the Company in its capacity as a Shareholder in the Company in respect of the Target Shares, to the IDC.
- 9.4 The scheduled redemption date for the Class A Preference Shares is the fifth anniversary of the date on which the Class A Preference Shares are issued to the IDC. On the redemption date, the aggregate of the following amounts is payable to the IDC by the BEE SPV:
- the Class A Preference Share subscription amount; plus
 - a RATIRR of 11.2% on the Class A Preference Share subscription amount; and
 - the Equity Value Growth, if any, attributable to each redeemed Class A Preference Share.
- 9.5 The obligations of the BEE SPV under the Class A Preference Share Subscription Agreement will be secured by the BEE SPV and the BEE SPV Shareholders in terms of the IDC Security Agreements.
- 9.6 The Company has not given any security to the IDC to secure the obligations of the BEE SPV or the BEE SPV Shareholders under the IDC Funding Agreements.
- 9.7 In terms of the Class A Preference Share Subscription Agreement, the BEE SPV may not dispose of any of the Target Shares without the IDC's prior written consent. Furthermore, the BEE SPV has undertaken, among other things, that:
- 9.7.1 the BEE SPV will remain a black person or 100% black owned in terms of the BEE Act;
- 9.7.2 the BEE SPV Shareholders will, collectively, indirectly hold at least 50% plus one share of Wescoal Shares; and
- 9.7.3 the BEE SPV will remain wholly owned by the BEE SPV Shareholders.
- 9.8 The Class A Preference Share Subscription Agreement is subject to the fulfilment of, *inter alia*, the following suspensive conditions:
- that the Transaction Resolutions are approved by the requisite majority of the Shareholders voting at the General Meeting;
 - that the BEE SPV adopts a new memorandum of incorporation in the form attached as an annexure to the Class A Preference Share Subscription Agreement;
 - that the BEE SPV has acquired the Existing Target Shares pursuant to the Share Exchange Agreement; and
 - that the Subscription Agreement and the Class B Preference Share Subscription Agreement are entered into and become unconditional, save for any condition requiring the Class A Preference Share Subscription Agreement to be implemented.

10. CLASS B PREFERENCE SHARE SUBSCRIPTION AGREEMENT

- 10.1 Wescoal will provide financial assistance (as contemplated in sections 44 and 45 of the Companies Act) to the BEE SPV for the balance of the Subscription Amount not funded through the Class A Preference Share Subscription Agreement and the costs related to the Transaction, in terms of which Wescoal will subscribe for the Class B Preference Shares in accordance with the Class B Preference Share Subscription Agreement for an aggregate subscription amount of R35 500 000.
- 10.2 Prior to the redemption of the Class B Preference Shares, the BEE SPV will pay to the Company an amount equal to 4.78% of any dividend, payment or other distribution received by it from the Company in its capacity as a Shareholder in the Company in respect of the Target Shares. After the redemption of the Class A Preference Shares, the BEE SPV must pay to the Company an amount equal to 87.55% of any dividend, payment or other distribution received by it from the Company in its capacity as a Shareholder in the Company.
- 10.3 A cumulative preferential cash dividend shall be payable in respect of each Class B Preference Share and shall be deemed to accrue daily at the Prime Rate plus 1% (one percent) and be compounded monthly.
- 10.4 The scheduled redemption date for the Class B Preference Shares is the fifth anniversary of the date on which the Class B Preference Shares are issued to the Company. On the redemption date, the aggregate of the following amounts is payable to the Company:
- the aggregate subscription amount for the Class B Preference Shares; plus
 - any unpaid preference dividends deemed to accrue up to and including such date; plus
 - any other amounts due and payable in accordance with the preference share terms of the Class B Preference Shares.
- 10.5 The obligations of the BEE SPV under the Class B Preference Share Subscription Agreement will be secured by the BEE SPV and the BEE SPV Shareholders in terms of the Class B Preference Share Security Agreements. Other than the "*Class B Cession in Security*" in respect of the account which the Company will have rights in respect of (which agreement forms part of the Class B Preference Share Security Agreements), the Class B Preference Share Security Agreements will be second ranking to the IDC Security Agreements.

11. FAIRNESS OPINIONS

11.1 JSE Fairness Opinion

- 11.1.1 In terms of paragraph 5.51(f) of the Listings Requirements, read with section 10 of the Listings Requirements, given that:
- the Specific Issue is to a related party/ies, as defined in section 10 of the Listings Requirements; and
 - the price at which the Subscription Shares are issued is at a discount to the 30-day VWAP as at Wednesday, 21 September 2016, as approved by the Independent Board per the resolution referred to in paragraph 27.3 of this Circular,
- the Specific Issue is subject to a statement by the Board confirming whether the Specific Issue is fair insofar as the Shareholders (excluding the related parties) of Wescoal are concerned and that the Board has been so advised by an Independent Expert acceptable to the JSE. The Board is obliged to obtain a fairness opinion prepared in accordance with Schedule 5 of the Listings Requirements before making the statement contemplated in this paragraph 11.1.
- 11.1.2 At least 63.25% of the issued share capital of the BEE SPV will be directly or indirectly held by Ramaite, who is also the Non-executive Chairman of Wescoal, and Associates of Ramaite. In addition, the Subscription Shares will be issued at a discount to the 30-day VWAP as at Wednesday, 21 September 2016, as approved by the Independent Board. Therefore, the Transaction is categorised as a specific issue of shares for cash to a related party in terms of the Listings Requirements.
- 11.1.3 Accordingly, in compliance with paragraph 5.51(f) of the Listings Requirements, the Board (excluding Ramaite) has appointed the Independent Expert. The appointment of the Independent Expert has been accepted by the JSE and the Independent Expert has prepared the JSE Fairness Opinion in terms of the Listings Requirements.
- 11.1.4 A copy of the JSE Fairness Opinion is included in Annexure 1 to this Circular.

- 11.1.5 The Board (excluding Ramaite), having considered the JSE Fairness Opinion, confirms that it believes that the Specific Issue is fair in terms of the Listings Requirements insofar as the Shareholders (for the avoidance of doubt, excluding the BEE SPV Shareholders) are concerned.
- 11.1.6 The Board (excluding Ramaite) unanimously recommends that Shareholders vote in favour of the Transaction Resolutions set out in the notice of General Meeting necessary to give effect to the implementation of the Transaction.

11.2 TRP Fair and Reasonable Opinion

- 11.2.1 In terms of section 123 of the Companies Act (read with regulation 86(1) of the Companies Regulations), as the Subscription Shares issued in terms of the Specific Issue will result in the BEE SPV being able to exercise voting rights in excess of 35% of the total issued voting securities of Wescoal after the Specific Issue, the Specific Issue triggers the requirement to offer to acquire any remaining Wescoal Shares on terms determined in accordance with the Act.
- 11.2.2 In terms of Regulation 86(4) of the Companies Regulations, a transaction is exempt from the obligation to extend a mandatory offer if the independent holders of more than 50% of the general voting rights of all issued Wescoal Shares have agreed to waive the benefit of such a mandatory offer. A waiver requires a fair and reasonable opinion to be included in the Circular in terms of regulation 86(7) of the Companies Regulations.
- 11.2.3 Accordingly, the Independent Board has appointed the Independent Expert. The appointment of the Independent Expert has been accepted by the TRP and the Independent Expert has prepared the TRP Fair and Reasonable Opinion in terms of the Companies Act.
- 11.2.4 A copy of the TRP Fair and Reasonable Opinion is included in Annexure 2 to this Circular.
- 11.2.5 The Independent Board, having considered the TRP Fair and Reasonable Opinion, confirms that it believes that the Waiver is fair and reasonable in terms of the Companies Act, insofar as the Shareholders (for the avoidance of doubt, excluding the BEE SPV Shareholders) are concerned.
- 11.2.6 The Independent Board unanimously recommends that Shareholders vote in favour of the resolution set out in the notice of General Meeting necessary to give effect to the Waiver.

12. GENERAL MEETING

- 12.1 The General Meeting will be held at 10:00 on Wednesday, 23 November 2016 at Wescoal's Registered Office for the purpose of considering and, if deemed fit, passing, with or without modification, the Transaction Resolutions.
- 12.2 A notice convening the General Meeting and a form of proxy for use by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration who are unable to attend the General Meeting are attached to this Circular.
- 12.3 Pursuant to section 5.51 (g) of the Listings Requirements, the Company will only be permitted to allot and issue the Subscription Shares to the BEE SPV if Ordinary Resolution 1 contained in the notice of General Meeting attached to this Circular is passed by a majority of 75% or more of the votes cast by all Shareholders present or represented by proxy at the General Meeting, excluding any votes which may be cast by the BEE SPV Shareholders and their Associates.
- 12.4 Pursuant to sections 41(1) and 41(3) of the Companies Act, the Company will only be permitted to allot and issue the Subscription Shares to the BEE SPV if Special Resolution 1 contained in the notice of General Meeting attached to this Circular is passed by a majority of 75% or more of the votes cast by all Shareholders present or represented by proxy at the General Meeting. No votes cast by any Shareholder will be excluded. Accordingly, the BEE SPV Shareholders are eligible to vote on Special Resolution 1.
- 12.5 Pursuant to Regulation 86(4) of the Companies Regulations, the TRP may grant an exemption from the obligation to extend the Mandatory Offer if Ordinary Resolution 2 contained in the notice of General Meeting attached to this Circular is passed by a majority of 50% or more of the votes cast by the independent holders of Shares, excluding any votes which may be cast by the BEE SPV Shareholders.
- 12.6 Pursuant to sections 44 and 45 of the Companies Act, the Company will only be able to provide financial assistance pursuant to the Class B Preference Share Subscription Agreement to enable, among other things, the BEE SPV to subscribe for the Subscription Shares if Special Resolution 2 contained in the notice of General

Meeting attached to this Circular is passed by a majority of 75% or more of the votes cast by all Shareholders present or represented by proxy at the General Meeting. No votes cast by any Shareholder will be excluded. Accordingly, the BEE SPV Shareholders are eligible to vote on Special Resolution 2.

13. WESCOAL SHARE CAPITAL

13.1 As at the Last Practicable Date, the authorised and issued share capital of Wescoal **before** the Specific Issue was as follows:

Before the Specific Issue	Rand
Authorised stated capital	
500 000 000 ordinary shares of no par value	
Issued share capital	
237 533 578 ordinary shares of no par value	237 533 578
<i>Less: 12 774 000 Shares held in treasury</i>	<i>(12 774 000)</i>
Total issued share capital	224 759 578

13.2 The authorised and issued share capital of Wescoal **after** the Specific Issue and listing of the Subscription Shares will be as follows:

After the Specific Issue	Rand
Authorised stated capital	
500 000 000 ordinary shares of no par value	
Issued share capital	
362 528 951 ordinary shares of no par value	362 528 951
<i>Less: 12 774 000 Shares held in treasury</i>	<i>(12 774 000)</i>
Total issued share capital	349 754 951

13.3 All the authorised and issued Shares are of the same class and rank *pari passu* in every respect.

13.4 The price and volume history of Wescoal Shares is set out in Annexure 5 to this Circular.

14. PRO FORMA FINANCIAL EFFECTS

The table below sets out the *pro forma* financial effects of the Transaction (including the related subscription for the Class B Preference Shares) on the published audited consolidated financial results of Wescoal for the year ended 31 March 2016. The *pro forma* financial effects have been prepared for illustrative purposes only and because of their *pro forma* nature, may not fairly present Wescoal's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Transaction (including the related proposed subscription for the Class B Preference Shares) going forward.

The *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the published audited consolidated financial results of Wescoal for the year ended 31 March 2016. The *pro forma* financial effects are presented in accordance with the Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and ISAE 3420: Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus.

The Directors are responsible for the compilation, contents and preparation of the *pro forma* financial effects. Their responsibility includes determining that the *pro forma* financial effects have been properly compiled on the basis stated, which is consistent with the accounting policies of Wescoal and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the Listings Requirements.

It should be noted that the *pro forma* financial effects include the earnings effects of the application of the net proceeds from the Specific Issue. The net proceeds of the Specific Issue will initially be placed within existing short-term debt facilities and/or on call until drawn down over a period of time for purposes of the intended use as detailed

in paragraph 5.2 of this Circular. However, the timing of amounts drawn down against the short-term debt facilities or amounts placed on call is currently uncertain. Consequently, to the extent that amounts are drawn down for purposes of the intended use, the interest saving illustrated for purposes of presenting the *pro forma* financial effects may not be realised in full. This will, however, be offset by the return on either the organic and inorganic growth opportunities listed in paragraph 5.2 of this Circular.

	Before the Transaction (including related subscription for the Class B Preference Shares) (cents)¹ (A)	<i>Pro forma</i> after the Transaction (including related subscription for the Class B Preference Shares) (cents)² (B)	% change (B/A)
Basic EPS	26.23	13.65	(47.9)
Diluted EPS	26.22	13.65	(47.9)
HEPS	27.06	14.16	(47.7)
Diluted HEPS	27.05	14.16	(47.7)
NAV per Share	171.32	168.28	(1.8)
TNAV per Share	128.48	140.74	9.6
Weighted average number of Wescoal Shares in issue ('000)	197 361	322 356	63.3
Weighted diluted number of Wescoal Shares in issue ('000)	197 399	322 395	63.3
Number of Wescoal Shares in issue ('000)	224 760	349 755	55.6

Notes and assumptions:

1. The Wescoal information reflected in the "Before the Transaction (including the related subscription for the Class B Preference Shares)" column has been extracted from the published audited consolidated financial statements of Wescoal for the year ended 31 March 2016.
2. The effects on basic earnings, diluted earnings, headline earnings and diluted headline earnings per share are calculated on the basis that the Transaction (including the related subscription for the Class B Preference Shares) was effective 1 April 2015, while the effects on the NAV and TNAV per Share are calculated on the basis that the Transaction (including the related subscription for the Class B Preference Shares) was effective 31 March 2016.
3. The Wescoal information reflected in the "*Pro forma* after the Transaction (including the related subscription for the Class B Preference Shares)" column has been calculated on the basis that the Transaction (including the related subscription for the Class B Preference Shares) have been implemented.
4. The subscription by Wescoal for the Class B Preference Shares is accounted for as a non-current receivable.
5. The Subscription Price for the Subscription Shares is at a 10% discount to the 30-day VWAP on 21 September 2016. The Specific Issue is accounted for in terms of the guidance provided in IFRS 2: Share-based Payments and consequently, the difference between the market value of the Subscription Shares and Subscription Price is described as a BEE Discount and is accounted for as a one-off, non-cash expense in the *pro forma* consolidated income statement. For accounting purposes, the BEE Discount will be calculated on the Subscription Date. For the purposes of these *pro forma* financial effects the BEE Discount was calculated on the last practicable date used for purposes of announcing the Transaction on SENS. The BEE Discount has no tax effect.
6. The proceeds of the Specific Issue, net of the cash outflow from the subscription for the Class B Preference Shares, will initially be placed within existing short-term debt facilities until drawn down over a period of time for purposes of the intended use as detailed in paragraph 5.2 of this Circular. The assumed interest saving has been limited to, and is based, on the actual interest incurred on short-term debt facilities during the year ended 31 March 2016. Furthermore, no effect is given to potential interest income earned to the extent that the net proceeds of the Specific Issue exceeds the outstanding short-term debt facility, as such interest savings cannot be factually supportable.
7. It should be noted that the *pro forma* financial effects include the earnings effects of the application of the proceeds from the Specific Issue as described above. However, to the extent that amounts are drawn down for purposes of the intended use, the interest saving illustrated for purposes of presenting the *pro forma* financial effects may not be realised in full.
8. Transaction costs (non-recurring) of R7.9 million (including VAT) relating to the Transaction were assumed and capitalised to equity.
9. The detailed notes and assumptions to the *pro forma* financial effects are presented in Annexure 3 to this Circular and the *pro forma* financial effects should be read in conjunction with the *pro forma* consolidated income statement and the *pro forma* consolidated statement of financial position contained therein. The Independent Reporting Accountant's assurance report on the compilation of *pro forma* financial information is contained in Annexure 4 to this Circular.

15. DIRECTORS AND MANAGEMENT

15.1 Directors' and management details

The names, qualifications, experience, ages, business addresses and functions of the Directors and management of Wescoal are set out below:

Directors

Name	Muthanyi Robinson Ramaite
Business address	Simeka House Place South A, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	Master of Management (Public and Development Management) – University of the Witwatersrand, BJuris – University of the North
Position	Non-Executive Chairman
Experience	Robinson is a former Director-General of the Department of Public Service and Administration and a former advisor to various Ministers of Cabinet. He has been involved in the mining sector for a number of years and sits on the boards of various listed and non-listed companies.

Name	Waheed Sulaiman
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	BSc Chemical Engineering (University of Cape Town), BCom (University of South Africa)
Position	Chief Executive Officer
Experience	Waheed Sulaiman is the Chief Executive Officer of Wescoal. Prior to this he filled the role of Wescoal Commercial and Strategy Director. Before joining Wescoal he worked in various roles at BHP Billiton's South African operations.

Name	Bothwell Mazarura
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	Chartered Accountant (B.Acc.Sci)
Position	Executive Director – Chief Financial Officer
Experience	Bothwell previously held various senior financial roles at Lonmin Plc from 2010, including Head of Group Finance, Head of Treasury and Acting Chief Financial Officer. Prior to joining Lonmin, he was a Partner at Deloitte, a position he had held since 2002. Bothwell also spent some time in the United Kingdom working for Deloitte. He also serves the Cancer Association of South Africa (CANSA) as a non-executive director chairing the Audit and Risk Committee for the organisation.

Directors

Name	Thivha Tshithavhane
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	BSC Chemical Engineering (UCT), MDP (Unisa)
Position	Executive Director – Business Development
Experience	Thivha is a chemical Engineer with operational, process design and project management experience in the mineral processing industry spanning over 12 years. He has proven ability to manage multi-disciplinary projects and mining production operations while holding Senior Management positions (as Plant manager, Operations Manager and Works manager) with Xstrata Alloys (Glencore Alloys). He has extensive experience in minerals projects development, mineral processing, plant design, and plant construction. He was General Manager of United Manganese of Kalahari (UMK); an operation consisting of an opencast mine with a processing plant.
Name	Dalia Maria Teresita van Gaalen
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	Strategic Marketing – Unisa; Communications 'CPRP' – Damelin; Leadership and Executive Development – Gordon Institute of Business Science; International Executive Development Programme (IEDP) – Escuela Superior de Administración y Dirección de Empresas (ESADE), Madrid, Spain
Position	Lead Independent Non-Executive Director
Experience	Teresita is the principal consultant at tvg&associates specialising in strategic development, business expansion and transformation. As the Chief Executive of Changan southern Africa she was tasked with rebuilding the Group and expanding the brand footprint. She upgraded the representation footprint and skills levels for MAN, TATA and Honda, heading up Commercial Motors in Botswana. Teresita was Managing Director of Subaru Southern Africa for the Barloworld Group where she also served on the Automotive Executive Management Board.
Name	Kabela Maroga
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	Chartered Accountant (South Africa), BCom: Financial Accounting (University of Pretoria), BCompt Hons/CTA (University of KwaZulu-Natal), GDE: Mining Engineering (University of Witwatersrand)
Position	Independent Non-executive Director
Experience	Kabela is a qualified chartered accountant with more than 13 years' experience in the corporate financial environment. She has held management positions in various sectors and is currently the managing Director of Kabela Consulting. She was the Chairman of Interactive Intelligence South Africa and is now Chairman of KEW ICT Outsourcing and serves on several other boards including Corridor Mining Resources, Sefateng Chrome and Recycling and Economic Development Initiative of South Africa (REDISA).

Directors

Name	Dr Humphrey Mathe
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	MSc – Rhodes University, PhD – University of Natal
Position	Independent Non-executive Director
Experience	<p>Humphrey is a qualified geologist with an MSc (Mineral Exploration) from Rhodes University and a PhD (Applied Geology) from the University of Natal, Durban. He is the Chief Executive Officer of Tranter Resources (Pty) Limited. Previously he was the Chief Executive Officer of Scinta South Africa (Pty) Limited, the Executive General Manager: Corporate Services at Exxaro Resources Limited and prior to that was the COO and Executive Director of Eyesizwe Coal (Pty) Limited. He has in excess of 38 years' experience in the mining industry.</p> <p>Humphrey sits on the boards of Ferret Mining and Environmental Services (Pty) Ltd, Scinta South Africa (Pty) Limited (<i>Non-Executive Chairman</i>), Tranter Group of companies, Talent¹⁰ Holdings, Council for Geoscience (CGS), Handa Copper Corporation (<i>a TSX listed exploration company</i>) and Howden Africa Holdings limited (<i>a JSE listed company</i>). He also serves on the Investment Committee of Ata Resources (Pty) Limited. He is a Fellow of the Geological Society of South Africa and registered with the South African Council for Natural Scientific Professions (SACNASP) as a professional scientist. Humphrey was the 2008 finalist of Boss of the Year.</p>

Name	Jacobus Gustavos Pansegrouw
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	BCom (Accounting) – Rand Afrikaans University
Position	Non-independent non-executive Director
Experience	Kosie is the Managing Director of Guvon Investments (Pty) Ltd, a diversified company with direct and indirect investment in property management and development, tourism, laundry, dry cleaning and transport. He has vast business experience and serves on the boards of various companies.

Management

Name	Vikesh Dhanooklal
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	BA, LLB (University of Kwa-Zulu Natal), Admitted Attorney of the High Court of South Africa
Position	Group Legal Adviser and Company Secretary
Experience	Vikesh is an admitted Attorney of the High Court of South Africa, with over 15 years of post-admission experience in the mining industry. Vikesh was appointed as Group Legal Adviser of the Company on 1 September 2015, and as Company Secretary on 23 November 2015.

Name	Dutch Botes
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	Mining, Electrical and Mechanical Engineer
Position	Chief Executive Officer of Wescoal Mining
Experience	Dutch is a qualified mining, electrical and mechanical engineer who has over 39 years' experience in the mining sector. Before joining Wescoal, Dutch was the Chief Executive Officer at Umcebo Mining. Whilst in his position at Umcebo Mining, Dutch successfully brought six new coal mines into production, including an underground operation at Klippan Colliery. Prior to joining Umcebo Mining, Dutch was General Manager at various BHP Billiton Energy Coal South Africa operations, including Middelburg Mines, Khutala Colliery, Optimum Colliery, Koorfontein Mines and Delmas Colliery. For a while he was General Manager of Hotazel Manganese Mines, an operation consisting of underground and opencast mines with various processing plants, including a sinter operation. Before he was appointed as a Mining Manager, he fulfilled the role as engineer at various operations. Dutch has been with Wescoal for three years.

Name	Bonani Siko
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	Mining Engineer with a National Diploma: Coal Mining, National Higher Diploma: Coal Mining and B-Tech: Mining Engineering. He further has a Mine Manager's certificate of competency with the DMR
Position	General Manager Operations: Wescoal Mining
Experience	Bonani is currently the general manager at Wescoal's Khanyisa and Intibane operations. His career launched at BHP Billiton (1997) where he was a learner official and worked himself up the ranks to different Production Manager roles. He had an opportunity to complete the total Coal Mining and Energy Coal value chain through Eskom's Primary Energy Division (PED) as their Coal Supply Unit Manager where he was responsible for Coal Supply Agreements (CSA), their Mine Manager for Underground Coal Gasification project and Care and Maintenance for their Defunct Mines. He later served as PED's Senior Manager: Coal Operations, in support of Eskom's CSAs between their Coal fired Power Stations and Mining Houses. Before joining Wescoal, Bonani launched HCl Coal's Mbali Colliery as their Mine Manager (MHSA 3.1 appointment). Bonani is an active member of the South African Colliery Manager's Association (SACMA).

Management

Name	Izak van der Walt
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	CA(SA), BCompt, B/Compt (Hons) and CTA
Position	General Manager: Operations Finance
Experience	Izak is a qualified chartered accountant and completed his articles with PricewaterhouseCoopers Inc. during 1999. Izak has more than 14 years of experience in the mining industry with BHP Billiton in various Finance, Capital Investment and Project Management roles spanning across Africa, Australia and Singapore. Izak most recently served as divisional Financial Director to the manufacturing business of Dawn Ltd and joined Wescoal during September 2015 as acting CFO.

Name	Ettienne Strydom
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	BCom
Position	Projects Manager: Wescoal Mining
Experience	Ettienne holds a BCom in Financial Management and completed his studies in Strategic Financial Analysis at Harvard Business School. His career began in consulting as Programme Director/Manager, Business Integration Specialist and Business Development Manager at Deloitte Consulting, T-Systems and BHP Billiton respectively. From 2002 to 2005 he was employed as Programme Manager for the Sasol IM Oryx Project in Qatar, where he was the team leader responsible for the technical and functional design and implementation work of the business structures and systems. From 2006 to 2010 Ettienne worked for Lonmin in various roles, including Business Analyst, Senior Manager: Strategic and Long-Term Planning and Senior Manager: Restructuring and Reorganisation. All positions reported to the Executive Vice-president: Mining. In 2010, Ettienne consulted to Xstrata Alloys, Chrome and Platinum where his primary functions included Department of Mineral Resources (DMR) compliance tracking; design, structure and implementation of capital projects; and legal compliance. In January 2011, Ettienne moved to Wescoal Mining where he currently holds the position of Projects Manager.

Name	Mike Berry
Business address	1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead, Sandton, 2196
Qualification	Chartered Accountant
Position	Chief Executive Officer of Wescoal Trading
Experience	Mike is a Chartered Accountant by profession with five years' experience in Corporate Finance and an additional five years' experience in Mergers and Acquisitions and Corporate Recovery. For the past 16 years Mike has been involved in the Coal Merchant and Distribution industry.

15.2 Directors' emoluments and benefits

Details of Directors' emoluments and benefits for the 12 months ended 31 March 2016 are set out below:

Executive Directors

Name	Remuneration R	Medical and provident fund contribution R	Annual bonus R	Fringe and other benefits R	Cash Total R	IFRS 2: Expense relating to share options R
W. Sulaiman	3 000 000	225 000	36 000	–	3 261 000	227 348
M. du Plessis ¹	1 202 500	90 000	–	182 706	1 475 206	76 272
I. van der Walt ²	939 484	–	6 000	–	945 484	3 305
B. Mazarura ³	–	–	–	–	–	–
T. Tshithavhane ⁴	–	–	–	–	–	–
Total	5 141 984	315 000	42 000	182 706	5 681 690	306 925

Notes:

1. M. du Plessis resigned as Director and Chief Financial Officer of the Group with effect from 1 September 2015.
2. I. van der Walt was appointed as acting Chief Financial Officer of the Group with effect from 2 September 2015 to 1 July 2016.
3. B. Mazarura was appointed to the Board on 1 July 2016.
4. T. Tshithavhane was appointed to the Board on 6 April 2016.

Non-executive Directors

Name	Board fees R	Total R
M.R. Ramaite	545 550	545 550
J.G. Pansegrouw	482 140	482 140
D.M.T. van Gaalen	694 722	694 722
H.L.M. Mathe	434 072	434 072
K.M. Maroga	386 830	386 830
Total	2 543 314	2 543 314

The estimated remuneration receivable by the Directors will not be varied as a consequence of the Transaction.

15.3 Directors' interests in Wescoal Shares

The direct and indirect beneficial interests of the Directors, including Directors who have resigned during the last 18 months, in the issued share capital of Wescoal as at the Last Practicable Date are as follows:

Name	Beneficial		Total	Total %
	Direct	Indirect		
M.R. Ramaite ¹	44 547 450	11 515 151	56 062 601	23.60
W. Sulaiman	1 070 000	–	1 070 000	0.45
M. du Plessis ²	25 000	–	25 000	0.01
I. van der Walt ³	170 000	–	170 000	0.07
A.R. Boje ⁴	7 770 937	2 737 000	10 507 937	4.42
J.G. Pansegrouw	–	1 024 129	1 024 129	0.43
Total	53 583 387	15 276 280	68 859 667	28.99

Notes:

1. M.R. Ramaite, Non-executive Chairman of Wescoal, is also executive chairman of Simeka. His family trust is a shareholder of Simeka. The shareholding set out above aggregates Ramaite and his family trust's shareholding.
2. M. du Plessis resigned as Chief Financial Officer effective from 1 September 2015.
3. I. van der Walt was appointed as the acting Chief Financial Officer effective from 2 September 2015 to 1 July 2016.
4. A.R. Boje resigned as Chief Executive Officer and Director of Wescoal effective from 14 April 2015.

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

Director	Date	Nature of transaction	Nature of interest	Number of Shares
W. Sulaiman	8 June 2016	Purchase on open market	Direct beneficial	50 000

15.4 Directors' service contracts

At present, all executive Directors of Wescoal have employment contracts with Wescoal, the terms of which are standard.

15.5 Directors' interests in transactions

15.5.1 Directors' interests in the Specific Issue

- The Directors of Wescoal, including any Director who resigned during the last 18 months, hold the following interests in the BEE SPV:

Director	Percentage of issued share capital of the BEE SPV
M.R. Ramaite	63.25%*

* This percentage aggregates Ramaite and his family trust's indirect shareholding in the BEE SPV.

- Upon the implementation of the Transaction, the BEE SPV will effectively control 58.93% of the issued share capital of Wescoal. Accordingly, Ramaite has an indirect beneficial interest, and a personal financial interest, in the Transaction.
- As required in terms of section 75(5) of the Companies Act, all Directors who have a personal financial interest in the Transaction, namely Ramaite, must not take part in the consideration by the Board of the Transaction.

15.5.2 Directors' interests in other relevant transactions

- The Directors of Wescoal, including any Director who resigned during the last 18 months, hold the following interests in Simeka:

Director	Percentage of issued share capital of Simeka
M.R. Ramaite	38.00%

* This interest has been ascribed to Ramaite as it is held by his family trust.

- Simeka held no interests in the issued share capital of Wescoal prior to its acquisition of Wescoal Shares upon the implementation of the renounceable claw-back and rights offer transaction implemented on 16 November 2015.
- Save as set out in this paragraph 15.5, no Director, including any Director who has resigned during the last 18 months, has any direct or indirect beneficial interest in the Transaction or any transactions effected by Wescoal during the current or preceding financial year or effected during an earlier financial year which remains in any respect outstanding or unperformed.
- Save as set out in this paragraph 15.5, there is no relationship between any promoter, manager, Director, management company (or its subsidiary or holding company) and any other person where a duty in relation to that other person may be seen to conflict with a duty to Wescoal.

16. MAJOR WESCOAL SHAREHOLDERS

At the Last Practicable Date, insofar as is known to the Directors, Wescoal did not have a controlling Shareholder and the following Wescoal Shareholders, other than Directors, beneficially held in excess of 5% of the issued Shares of the Company:

Shareholder	Number of Shares	% of Shares in issue
Simeka	30 303 030	12.76
Mzimela	13 782 269	5.80
Wescoal Share Incentive Trust	12 774 000	5.38
Total	56 859 299	23.94

17. MATERIAL CONTRACTS

The following material contracts (representing more than 10% of Wescoal's market capitalisation at the time of entering into the agreement) have been entered into during the three years preceding the date of this Circular:

- On 16 November 2015, Wescoal planned to raise R65 000 000 by way of a renounceable combined claw-back and rights offer, in terms of which 49 041 904 new ordinary Shares were offered to qualifying Shareholders, in the ratio of 23.78944 combined claw-back and rights offer Shares for every 100 Wescoal Shares held, at an issue price of 132 cents per combined claw-back and rights offer Share. Simeka provided an underwriting commitment for 30 303 030 Shares, at a subscription consideration of R40 000 000. The total amount raised was R41 417 106, comprising of the R40 000 000 from Simeka and an additional R1 417 106 from Shareholders that followed their rights;
- the Coal Supply Agreements; and
- the coal supply contracts concluded with third parties ("**Coal Purchase Confirmations**") as published on SENS on 28 September 2016. In terms of the Coal Purchase Confirmations, Wescoal will supply over five million tons of coal from November 2016 to April 2021. The Coal Purchase Confirmations will expand Wescoal's presence in the domestic thermal coal market and increase its exports to approximately one million tons per annum.

Other than the abovementioned and the agreements entered into to effect the Transaction contemplated in this Circular, no material contracts, other than in the ordinary course of business, have been entered into at any time containing an obligation or settlement that is material to Wescoal or its subsidiaries as at the Last Practicable Date.

18. MATERIAL LOANS

Details of material loans made to Wescoal are set out in Annexure 6 to this Circular.

19. MATERIAL CHANGES

There have been no material changes in the affairs and financial position of the Company and its subsidiaries between 31 March 2016 and the Last Practicable Date.

20. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in paragraph 15.1 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no details that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and this Circular contains all information required by law and the Listings Requirements.

21. LITIGATION STATEMENT

As at the Last Practicable Date, the Company is not aware of any legal or arbitration proceedings, including any such proceedings which are pending or threatened, which may have or may have had, in the last 12-month period, a material effect on Wescoal's financial position, save for the Poseidon and ex-employees claims mentioned below:

- Poseidon claim – on 31 March 2016, the Group received a statement of claim, which commenced the pleadings in the arbitration proceedings pertaining to a dispute of certain provisions of a coal transportation agreement concluded on 8 October 2014. Wescoal has disclaimed the liability and is defending the action in terms of the arbitration process. The potential undiscounted amount of the total payments that Wescoal could be required to make if there was an adverse decision related to the arbitration is estimated to be approximately R3 million.
- Ex-employees claim – Wescoal received a claim from a group of approximately 12 employees previously dismissed in terms of a business restructuring. The claim was made on the basis of unfair practice applied at the time and the maximum exposure is less than R3 million.

22. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS

The Board, save for Ramaite who has a personal financial interest in the Transaction, and the Independent Board are of the opinion that the Transaction is in the best interests of Wescoal and its subsidiaries and recommend that Wescoal Shareholders vote in favour of the Transaction Resolutions to be proposed at the General Meeting.

The Directors, save for Ramaite and his Associates who have a personal financial interest in the Transaction and who is excluded from voting on certain Transaction Resolutions, intend to vote in favour of the Transaction Resolutions to be proposed at the General Meeting in respect of their personal holdings in the issued share capital of Wescoal.

23. SHAREHOLDER APPROVAL

The Transaction is subject to Wescoal Shareholder approval as set out in the notice of General Meeting forming part of this Circular.

24. CONSENTS

Nedbank CIB, Bowmans, BDO, PwC and Computershare have provided their written consents to act in the capacities stated and to their names being used in this Circular and have not withdrawn their consent prior to the publication of this Circular.

25. EXPENSES RELATING TO THE TRANSACTION

The expenses relating to the implementation of the Transaction are estimated at approximately R6.9 million (excluding VAT) and comprise:

Description	R
Nedbank CIB (Investment Bank, Corporate Advisor and Sponsor)*	4 453 032
Bowmans (Legal Advisor)	1 500 000
PwC (Independent Reporting Accountant)	275 000
BDO (Independent Expert)	250 000
JSE documentation fees	21 000
JSE listing fees	117 233
TRP fee	100 000
Ince printing fee	89 012
Ince print media fee	118 800
Total	6 924 077

* Includes capital raising fees

26. EXCHANGE CONTROL REGULATIONS OF SOUTH AFRICA

The following summary is intended only as a guide and is therefore not comprehensive. The utilisation of any proceeds for investment outside the common monetary area, comprising South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland, requires prior approval of the Exchange Control Department of the South African Reserve Bank.

Emigrants from the common monetary area

New certificates issued to any emigrant in terms of the Transaction will be restrictively endorsed and deposited with the authorised dealer controlling such emigrant's blocked assets. In terms of the Exchange Control Regulations, such Wescoal Shares are not freely transferable from the common monetary area. The CSDP or broker will ensure that all requirements of Exchange Control are adhered to in respect of their clients falling into this category of investor, whether Shares are held in dematerialised or certificated form.

All other non-residents of the common monetary area

In terms of the Exchange Control Regulations of South Africa, if non-residents receive Wescoal Shares they will be endorsed "non-resident". The CSDP or broker will ensure that all requirements of Exchange Control are adhered to in respect of their clients falling into this category of investor, whether Shares are held in dematerialised or certificated form.

Wescoal Shareholders in other jurisdictions

The issue of Wescoal Shares to residents in, or citizens or nationals of jurisdictions outside South Africa or custodians, nominees or trustees for residents in, or citizens or nationals of other countries may be prohibited or affected by the laws of the relevant jurisdictions. Such persons should acquaint themselves with and observe any applicable legal requirement.

27. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection by Wescoal Shareholders at Wescoal's Registered Office of Wescoal from Tuesday, 25 October 2016 up to and including the date of the General Meeting, during normal business hours:

- 27.1 the MOI of Wescoal;
- 27.2 a standard Directors' letter of engagement;
- 27.3 a signed copy of the Board (excluding Ramaite) and the Independent Board resolution approving the Transaction;
- 27.4 a copy of the Subscription Agreement;
- 27.5 copies of the IDC Funding Agreements, to the extent they are executed;
- 27.6 a copy of the Class B Preference Share Subscription Agreement and the Class B Preference Share Security Agreements (to the extent they are executed);
- 27.7 a copy of the Share Exchange Agreement;
- 27.8 a copy of the Relationship Agreement;
- 27.9 the TRP approval letter for the Circular;
- 27.10 the JSE Fairness Opinion;
- 27.11 the TRP Fair and Reasonable Opinion;
- 27.12 the Reporting Accountant's Report;
- 27.13 the material contracts detailed in paragraph 17 above (including a redacted version of the CSA);
- 27.14 the written consents of Nedbank CIB, Bowmans, PwC, BDO and Computershare to the inclusion of their names in this Circular in the context and form in which they appear;
- 27.15 the audited financial statements of Wescoal for the financial years ended 31 March 2014, 31 March 2015 and 31 March 2016, together with all notes, certificates or information required by the Companies Act;
- 27.16 the latest competent person's report; and
- 27.17 a signed copy of this Circular.

For and on behalf of Wescoal Holdings Limited

This Circular was signed in Johannesburg on behalf of all the Directors in terms of powers of attorney granted on or about 10 October 2016.

Signed on behalf of the Board

Waheed Sulaiman
Chief Executive Officer

25 October 2016

JSE FAIRNESS OPINION

"The Directors

Wescoal Holdings Limited
Building 10, Woodmead Business Park
142 Western Service Road
Woodmead
Sandton
2191

11 October 2016

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO WESCOAL HOLDINGS LIMITED REGARDING A PROPOSED BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSACTION

INTRODUCTION

BDO Corporate Finance has been appointed by the board of Directors (the "Board" or "Directors") of Wescoal Holdings Limited ("Wescoal" or the "Company" or "Group") to provide an independent fairness opinion to the holders of ordinary shares of no par value in the issued share capital of Wescoal ("Shares" or "Wescoal Shares") ("Shareholders" or "Wescoal Shareholders") with regard to the Subscription Agreement and Relationship Agreement entered into between Wescoal, K2016316243 (RF) Proprietary Limited ("BEE SPV") and existing Wescoal BEE Shareholders ("BEE SPV Shareholders") on 28 September 2016 and 6 October 2016 respectively, whereby BEE SPV will subscribe for, and the Company will issue to BEE SPV, 124 995 373 new Wescoal Shares (the "Subscription Shares") for a consideration of R1.69 per Wescoal Share (the "Subscription Price") being in aggregate R211 410 682 (the "Subscription Amount") (the "Transaction" or "Specific Issue").

The BEE SPV will fund the Subscription Amount using funds raised from the issue of cumulative, redeemable, no par value class A preference shares ("Class A Preference Shares") to the Industrial Development Corporation SOC Limited ("IDC") and the issue of cumulative, redeemable, no par value class B preference shares ("Class B Preference Shares") to Wescoal respectively. Wescoal will issue and allot the Subscription Shares to the BEE SPV on the terms and subject to the conditions contained in the Subscription Agreement.

The Transaction has been entered into pursuant to the announcement by the Company on the Stock Exchange News Service of the JSE Limited ("JSE") ("SENS") on 17 August 2016, in terms of which the Company notified Wescoal Shareholders that it has entered into the Coal Supply Agreement ("CSA") in respect of coal from its flagship project Elandspruit Colliery and Wescoal Processing Plant with Eskom Holdings SOC Limited ("Eskom"). In terms of the CSA, the Company undertook to achieve and maintain a direct black ownership of at least 51% by the end of December 2016. Pursuant to this undertaking, the Company announced on SENS on 23 August 2016 that it has entered into negotiations to increase its black ownership to more than 51% by the end of December 2016.

The Subscription Price of R1.69 reflects a 10% discount to the 30-day volume weighted average price ("VWAP") of Wescoal Shares as at the date on which the Board approved the Subscription Price, being 21 September 2016.

Full details of the Transaction are contained in the circular to Wescoal Shareholders (the "Circular") to be dated on or about 17 October 2016, which will include a copy of this letter.

FAIRNESS OPINION REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

A total of 63.25% of the issued share capital of BEE SPV is directly or indirectly held by Robinson Ramaite, who is also the Non-executive Chairman of Wescoal. The Transaction constitutes a specific issue of shares to a related party, in terms of paragraph 10.1(b)(ii) of the JSE Listings Requirements, as amended from time to time (the "Listings Requirements").

In terms of section 5.51(f) of the Listings Requirements, as the Transaction entails the issue of shares to a related party at a 10% discount to the 30-day VWAP as at the date on which the pricing was agreed, being 21 September 2016, the Directors are required to obtain a fairness opinion from an independent professional expert confirming whether the terms of the issue are fair insofar as the shareholders of Wescoal are concerned (the "Fairness Opinion").

BDO Corporate Finance has been appointed by the Directors to provide the Fairness Opinion.

RESPONSIBILITY

Compliance with the Listings Requirements is the responsibility of the Directors. Our responsibility is to report on the fairness of the terms of the Transaction.

EXPLANATION AS TO HOW THE TERM "FAIR" APPLIES IN THE CONTEXT OF THE TRANSACTION

Schedule 5.7 of the Listings Requirements states that the "fairness" of a transaction is based on quantitative issues. A transaction will generally be considered fair to a company's shareholders if the benefits received by shareholders, as a result of a corporate action, are equal to or greater than the value ceded by a company.

In this case, the Transaction may be considered fair if the quantifiable benefits received by Wescoal from the Transaction are equal to or greater than the value surrendered in terms of the Transaction.

OVERVIEW OF WESCOAL BUSINESS OPERATIONS

Wescoal, through its subsidiaries, engages in mining, processing, supplying, selling, and distributing coal and coal-related products. The Group operates through two subsidiaries, Wescoal Mining and Wescoal Trading. Wescoal Mining is responsible for the mining, processing, hauling of thermal coal by road and rail, and drilling and exploration of its own coal reserves.

Wescoal Mining owns and operates three thermal coal mines and a processing plant which are briefly described below:

- Wescoal Elandspruit Mine
 - Wescoal's flagship mine located on the old Witbank Road in Emalahleni, Mpumalanga;
 - Wescoal Elandspruit Mine is an open cast and underground mine with resources of approximately 33.08Mt and has 12 years remaining estimated life of mine ("LoM");
- Intibane Complex
 - Located approximately 14km west of Ogies in Mpumalanga;
 - Intibane 2 is an open cast mine with resources of approximately 2.60Mt and remaining LoM of 33 months;
- Khanyisa Complex
 - Located approximately 10km west of Ogies in Mpumalanga;
 - Khanyisa is currently non-operational as it was on care and maintenance for the majority of 2016 but it is intended to operate as both an open cast and underground mine and has reserves of approximately 11.33Mt and remaining LoM of 4.67 years;
- Wescoal Processing Plant
 - Located close to Middelburg in Mpumalanga; and
 - Its activities comprise of a crushing section, drum, cyclone and fines treatment plants that can produce various grades of small nuts, peas, grains, duff and fine coal products.

For mining companies, the quality and quantity of underlying mineral resources forms the basis for the company's intrinsic value. The Group's mineral resource statement as at May 2016 is shown below:

Coal Resource			
Project	GTIS (Mt)	TTIS (Mt)	MTIS (Mt)
Wescoal Elandspruit Mine OC	27.30	24.57	24.57
Intibane 2	3.06	2.60	2.60
Khanyisa	n/a	n/a	n/a
Intibane Colliery	n/a	n/a	n/a
Catwalk	1.51	1.28	1.28
Triangle	11.18	10.05	10.05
Wescoal Elandspruit Mine UG	11.21	10.42	8.51
Total	54.26	48.92	47.01

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

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

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

DETAILS AND SOURCES OF INFORMATION

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

- The terms and conditions of the Transaction, as set out in the Circular;
- The Transaction Agreements, collectively:
 - the agreements, dated on or about 28 September 2016 and 6 October 2016, between BEE SPV, BEE SPV Shareholders and Wescoal in terms of which, *inter alia*, BEE SPV will subscribe for, and the Company will issue to BEE SPV, the Subscription Shares for the Subscription Price ("Subscription and Relationship Agreements");
 - the agreement, dated on or about 28 September 2016, between the IDC, and BEE SPV in terms whereof the IDC will subscribe for, and BEE SPV will issue to the IDC, the BEE SPV preference shares, with the Subscription Price payable for such BEE SPV preference shares being compulsorily applied to settle the Subscription Price ("IDC Funding Agreement")
- Integrated Audited Annual Reports of Wescoal for the years ended 31 March 2015 and 31 March 2016;
- Management accounts for the four-month period ended 31 July 2016;
- Forecast financial information of Wescoal on a consolidated basis, including a split by operation for the five-year period ending 31 March 2021;
- Independent Coal Resource Competent Persons Report ("CPR") for Wescoal prepared by DS Coetzee PhD Geology, (Pr.Sci. Nat.), dated May 2016;
- LoM model and cash flow projection for Wescoal Elandspruit Mine OC, Intibane 2, Catwalk, Triangle, Wescoal Elandspruit UG, Wescoal Trading and Head Office;
- Precedent transactions of a similar nature;
- Discussions with Directors and management regarding the rationale for the Transaction;
- Discussions with Directors and management regarding the status of the Group's collieries and projects;
- Discussions with Directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- Salient terms of the CSA;
- Share price information of Wescoal over the last 12 months to assess the relative liquidity and relative volatility of Wescoal Shares; and
- Publicly available information relating to Wescoal and the mining sector in general, comparable publicly traded companies and the markets in which Wescoal and its peers operate.

The information above was secured from:

- Directors and management of Wescoal and their advisors; and
- Third-party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Wescoal.

PROCEDURES AND CONSIDERATION

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the Transaction:

- Obtained an understanding of the Transaction;
- Reviewed the terms and conditions of the Transaction Agreements;
- Reviewed the audited and unaudited financial information related to Wescoal and its underlying mining assets and operations, as detailed above;
- Reviewed and obtained an understanding from management as to the forecast financial information of Wescoal and its underlying mining assets and operations and assessed the achievability thereof by considering historic information as well as macro-economic and sector-specific data;
- Held discussions with the Directors and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;

- Compiled forecast free cash flows for Wescoal Elandspruit Mine OC, Intibane 2, Catwalk, Triangle and Wescoal Elandspruit Mine UG by using the historic and forecast financial information as detailed above. Applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce discounted cash flow ("DCF") valuations for Wescoal Elandspruit Mine OC, Intibane 2, Catwalk, Triangle and Wescoal Elandspruit Mine UG in terms of the South African Code for the 2008 edition of the South African Code for the reporting of Mineral Asset Valuations (the "SAMVAL Code") by applying the Income Approach;
- Determined the net present value ("NPV") of Wescoal's Head Office and administration function and Wescoal Trading;
- Aggregated the valuations of Wescoal's mining and mineral assets trading operations and Head Office as well as adjusting for financial assets and financial liabilities to determine a sum-of-the-parts ("SOTP") valuation of Wescoal;
- Performed a sensitivity analysis on key assumptions included in the DCF valuations, specifically related to cost of capital and free cash flows;
- Prepared an estimate of the financial benefit to Wescoal of concluding the Transaction. In determining this benefit, the following procedures were performed:
 - Through various discussions with management, assessed the risks to Wescoal of not concluding the Transaction as well as concluding the Transaction;
 - Identified the mitigating factors that management could take to minimise the identified risks;
 - Based on the above, performed a quantification of the potential cash flow effects to Wescoal following conclusion of the Transaction, or not concluding the Transaction;
 - Compiled a financial model using forecasts of the potential cash flow effects to Wescoal following the conclusion of the Transaction and applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow valuation of the financial benefit of the Transaction to Wescoal;
 - Performed a sensitivity analysis on key assumptions included in the cash flow, specifically by applying probability factors to the potential cash flow effects;
- Prepared an estimate of the economic cost to Wescoal of concluding the Transaction being the IFRS 2 Share-based Payment ("IFRS 2") cost and other transaction costs;
- Reviewed the Codes of Good Practice published by the Department of Trade and Industry in terms of section 9 of the B-BBEE Act, as amended and replaced from time to time ("B-BBEE Codes");
- Assessed the long-term potential of Wescoal;
- Evaluated the relative risks associated with Wescoal and the South African and global coal sectors;
- Reviewed certain publicly available information relating to Wescoal, comparable publicly traded companies and the industry in which the Company operates that we deemed to be relevant, including Company announcements and media articles;
- Where relevant, representations made by management and/or Directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Wescoal operates, and to analyse external factors that could influence the business;
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the coal industry generally; and
- Held discussions with Directors and management of Wescoal regarding the past and current business operations, regulatory requirements, financial condition and future prospects of the Company and such other matters as we have deemed relevant to our inquiry.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That all agreements that are to be entered into in terms of the Transaction will be legally enforceable;
- That the Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Wescoal; and
- That reliance can be placed on the financial information of Wescoal.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary evidence as well as our understanding of Wescoal and the economic environment in which the Company operates.

LIMITING CONDITIONS

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

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

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

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

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

INDEPENDENCE

We confirm that we have no direct or indirect interest in Wescoal Shares or the Transaction. We also confirm that we have the necessary qualifications and competence to provide the Fairness Opinion.

Furthermore, we confirm that our professional fees, payable in cash, are not contingent upon the success of the Transaction.

VALUATION APPROACH

BDO Corporate Finance performed a valuation of Wescoal Shares on a SOTP basis pre-Transaction and post-Transaction to determine whether the Transaction fair to the Wescoal Shareholders.

Post-Transaction

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

- The value of individual projects and mineral assets derived using appropriate methodologies for production and development assets;
- Net debt and cash as at 31 March 2016; and
- Wescoal's unallocated Head Office and administration costs. Unallocated corporate costs amount to R16.5 million. The pre-tax corporate costs were discounted at a real discount rate of Wescoal of 10.0% for the remaining life for Wescoal's current projects.

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

Mining and mineral asset	Development stage	Preferred valuation method
Wescoal Elandspruit Mine OC	Operating	DCF
Intibane 2	Operating	DCF
Catwalk	Care and maintenance	DCF
Triangle	Pre-development	DCF
Wescoal Elandspruit Mine UG	Operating	DCF

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

The valuation was performed taking cognisance of risk and other market and industry factors affecting Wescoal. External value drivers include key macro-economic parameters such as, GDP growth (forecast to improve to 1.7% growth by 2019 from 0.2% in 2016), interest rates (the prime lending rate at 11.0% for the forecast period), exchange rates (R/US\$ exchange rate range of R/US\$ 11.49 to R/US\$ 14.86), headline inflation rates (6.9% in 2016 slowing to 5.6% in 2019), and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of Wescoal.

The key external value driver to the DCF is the price assumption for domestic and export products (blended coal price of R411/tonne). Key internal value drivers include discount rates, production rates and the estimated LoM, operating costs, royalties and capital expenditure requirements. The key input parameters used in the DCF valuations are shown in the tables below:

Assumption	Wescoal Elandspruit Mine	Intibane 2	Catwalk	Triangle	Wescoal Trading	Head Office
Description	Opencast – 4,3 and 2 seams and underground	Opencast – 4 and 2 seams	Opencast 2 seam	Opencast/ Underground	Logistics and depot infrastructure	Unallocated Head Office costs
Status	Operating	Operating	Care and maintenance. Prospecting right expired in 2015. Section 102 application lodged currently pending approval. Mining right application also lodged and is pending approval	Pre-development	Operating	Operating
LoM	12 years	2.75 years	2.5 years	4.67 years	n/a	n/a
MTIS – tonnes	33.08 m	2.60 m	1.28 m	10.05 m	n/a	n/a
RoM – tonnes	24.30 m	2.02 m	1.12 m	4.70 m	n/a	n/a
Yield	78.6%	92.0%	100.0%	100.0%	n/a	n/a
Average gross profit margin	19.03%	24.64%	7.92%	19.61%	n/a	n/a
Total capital expenditure	R16.5 m	R8.3 m	R9.0 m	R39.5 m	n/a	n/a
Discount rate – Post Transaction	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Royalty rate	2.6%	3.0%	1.4%	2.4%	n/a	n/a

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

The risk of each project is expressed in the discount rate applied to the projected future project cash flows. The valuations were re-performed using base case assumptions and applying a range of discount rates based on different risk scenarios, including market risk, financing risk, mining risk and operational risk. The sensitivity analysis was performed by increasing and decreasing the base case discount rate by a maximum of 2.0%. The discount rate sensitivity analysis did not indicate a sufficient effect on the valuation of Wescoal to alter our opinion in respect of the Transaction.

Balance sheet adjustments for cash and debt were effected at carrying values, after confirming that such carrying values represent fair market value in terms of *International Financial Reporting Standards ("IFRS")*.

The economic cost of the Transaction

We reviewed the transaction agreements and held discussions with management and their advisors as part of the procedures to determine the costs of implementing the Transaction being the IFRS 2 cost in the amount of R21.081 million and other transaction costs of R7.9 million as detailed in the Circular.

The financial benefit of the Transaction

In assessing the quantifiable benefits of the Transaction, we held discussions with management to identify and understand the impact on Wescoal if the Transaction is not concluded.

BDO Corporate Finance noted that in terms of the CSA, the Company undertook to achieve and maintain a direct black ownership of at least 51% by the end of December 2016. The contract is for a five-year period and amounts to a significant portion of Wescoal Elandspruit Mine's LoM and reduces price and volume volatility. Wescoal currently has one to three month rolling contracts with Eskom.

The potential impact of the Transaction not being concluded are noted below:

- The prevailing political and regulatory uncertainty poses a real risk of the CSA being cancelled after 31 December 2016 due to non-compliance. The Company may not be able to secure short-term contracts with Eskom post non-compliance;
- Increased price volatility as the grade of coal mined at Wescoal Elandspruit Mine is best suited for Eskom. Wescoal would realise lower prices to export/alternate users because of the coal quality parameters. The increased risk profile from an export/alternate user model would result in a higher discount rate for Wescoal Elandspruit Mine to determine the NPV for forecast free cash flows;
- The share price appreciation following the announcement of the CSA may be eroded;
- The Company's ability to attract and retain young talented management will be impacted; and
- BEE parties, who have over the years been unlocked, may decide to exit Wescoal for other investments thereby leaving Wescoal without the minimum 26% BEE shareholding credentials required to retain its mining and/or prospecting rights in terms of the Mineral and Petroleum Resources Development Act No. 28 of 2002 ("MPRDA") Mining Charter.

In addition to addressing the Eskom requirement noted above, the implementation of the Transaction will, *inter alia*, also:

- position Wescoal as a truly empowered publicly traded junior coal mining company;
- assist Wescoal to secure certain mining/prospecting rights which require a minimum 26% black shareholding in the holder thereof; and
- enable Wescoal to pursue and implement its organic and inorganic growth strategy.

The NPV of the incremental benefit to Wescoal of concluding the CSA amounts to R420.7 million.

OPINION

BDO Corporate Finance has considered the terms and conditions of the Transaction and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Transaction are fair to Wescoal Shareholders.

Our opinion is necessarily based upon the information available to us up to 10 October 2016, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Transaction have been fulfilled or obtained.

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

Yours faithfully

N Lazanakis

Director

BDO Corporate Finance Proprietary Limited

22 Wellington Road

Parktown

2193"

TRP FAIR AND REASONABLE OPINION

"The Directors

Wescoal Holdings Limited
Building 10, Woodmead Business Park
142 Western Service Road
Woodmead
Sandton
2191

11 October 2016

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO WESCOAL HOLDINGS LIMITED REGARDING THE WAIVER OF A MANDATORY OFFER

INTRODUCTION

In an announcement published by Wescoal Holdings Limited ("Wescoal", or the "Company" or "Group") on the Stock Exchange News Service of the JSE Limited ("JSE") ("SENS") on 17 August 2016, holders of ordinary shares of no par value in the issued share capital of Wescoal ("Shares" or "Wescoal Shares") ("Shareholders" or "Wescoal Shareholders") were informed that the Company has entered into a Coal Supply Agreement ("CSA") in respect of coal from its flagship project Elandspruit Colliery and Wescoal Processing Plant with Eskom. In terms of the CSA, the Company undertook to achieve and maintain a direct black ownership of at least 51% by the end of December 2016. Pursuant to this undertaking, the Company announced on SENS on 23 August 2016 that it has entered into negotiations to increase its black ownership to more than 51% by the end of December 2016.

Wescoal will increase its black ownership through a Subscription Agreement and Relationship Agreement entered into between Wescoal, K2016316243 (RF) Proprietary Limited ("BEE SPV") and existing Wescoal BEE Shareholders ("BEE SPV Shareholders") on about 28 September 2016 and 6 October 2016, respectively, whereby BEE SPV will subscribe for, and the Company will issue to BEE SPV, 124 995 373 Wescoal Shares (the "Subscription Shares") for a consideration of R1.69 per Wescoal Share (the "Subscription Price") being in aggregate R211 410 862 (the "Subscription Amount") (the "Transaction" or "Specific Issue").

The BEE SPV will fund the Subscription Amount using funds raised from the issue of cumulative, redeemable, no par value class A preference shares ("Class A Preference Shares") to the Industrial Development Corporation SOC Limited ("IDC") for an aggregate subscription amount of R178 121 292 and the issue of cumulative, redeemable, no par value class B preference shares ("Class B Preference Shares") to Wescoal for an aggregate subscription amount of R35 500 000, respectively. Wescoal will issue and allot the Subscription Shares to the BEE SPV on the terms and subject to the conditions contained in the Subscription Agreement.

Pursuant to the Specific Issue, BEE SPV will own 58.93% of Wescoal's issued share capital and will accordingly become the Company's controlling shareholder. Consequently, in terms of section 123 of the Companies Act, No. 71 of 2008 as amended (the "Act") BEE SPV is required to make a mandatory offer to the minority Shareholders of Wescoal, offering to acquire their shares at the Subscription Price, being R1.69 per Share (the "Mandatory Offer"). Regulation 86(4) of Companies Regulations 2011, promulgated in terms of section 223 of the Act and item 14 of Schedule 5 of the Act ("Companies Regulations"), states that independent holders of more than 50% of the general voting rights of all of the issued securities of an affected company may resolve to waive the benefit of such a mandatory offer to be made in terms of section 123 of the Act ("Waiver"). We understand that the Takeover Regulation Panel ("TRP") will be asked to grant such a waiver after approval of the Waiver by Shareholders.

In terms of regulation 86(7) of the Companies Regulations a fair and reasonable opinion is required to be included in the circular to Shareholders requiring approval of the Transaction. BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance" or the "Independent Expert") has been appointed by the board directors (the "Board" or "Directors") to provide an opinion as to whether the terms and conditions of the Transaction are fair and reasonable insofar as minority Shareholders of Wescoal are concerned (the "Fair and Reasonable Opinion").

As at the issue date of this opinion, the share capital of the Company comprises authorised share capital of 500 000 000 Wescoal Shares and issued share capital of 237 533 578 Wescoal Shares. The Wescoal Share Trust holds 12 774 000 Wescoal Shares as treasury shares.

Full details of the Transaction are contained in the circular to Shareholders to be dated on or about 17 October 2016 (the "Circular"), which will include a copy of this letter.

The material interests of the Directors are set out in paragraph 15.3 of the Circular and the effect of the Transaction on those interests and persons are set out in paragraph 15.5 of the Circular.

RESPONSIBILITY

Compliance with the Act is the responsibility of the Directors. Our responsibility is to report on the fairness and reasonableness of the terms and conditions of the Transaction.

EXPLANATION AS TO HOW THE TERMS "FAIR" AND "REASONABLE" APPLY IN THE CONTEXT OF THE TRANSACTION

The "fairness" of a transaction is based on quantitative issues. A transaction may be said to be fair if the benefits received by shareholders, as a result of the transaction, are equal to or greater than the value ceded by shareholders.

The Transaction may thus be said to be fair to minority Shareholders if the value of a Wescoal Share after the Transaction is more than the value of Wescoal Share prior to the Transaction, ie. the Transaction is value-accretive to minority Shareholders.

An assessment of the reasonableness is based primarily on factors other than quantitative issues.

DETAIL AND SOURCES OF INFORMATION

- In arriving at our opinion we have relied upon the following principal sources of information:
- The terms and conditions of the Transaction, as set out in the Circular;
- The Transaction Agreements, collectively:
 - the agreements, dated on or about 28 September 2016 and 6 October 2016 between BEE SPV, BEE SPV Shareholders and Wescoal in terms of which, *inter alia*, BEE SPV will subscribe for, and the Company will issue to BEE SPV, the Subscription Shares for the Subscription Price ("Subscription and Relationship Agreements");
 - the agreement, dated on or about 28 September 2016, between the IDC and BEE SPV in terms whereof the IDC will subscribe for, and BEE SPV will issue to the IDC, the BEE SPV preference shares, with the Subscription Price payable for such BEE SPV preference shares being compulsorily applied to settle the Subscription Price ("IDC Funding Agreement");
- Integrated Audited Annual Reports of Wescoal for the years ended 30 March 2015 and 31 March 2016; and
- Management accounts for the four-month period ended 31 July 2016;
- Forecast financial information of Wescoal on a consolidated basis, including a split by operation for the five-year period ending 31 March 2021;
- Independent Coal Resource Competent Persons Report ("CPR") for Wescoal prepared by DS Coetzee PhD Geology, (Pr.Sci. Nat.), dated May 2016;
- Life of Mine ("LoM") model and cash flow projection for Wescoal Elandspruit OC, Intibane 2, Catwalk, Triangle, Wescoal Elandspruit UG, Wescoal Trading and Head Office;
- Precedent transactions of a similar nature;
- Discussions with Directors and management regarding the rationale for the Transaction;
- Discussions with Directors and management regarding the status of the Group's collieries and projects;
- Discussions with Directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- Salient terms of the CSA;
- Share price information of Wescoal over the last 12 months to assess the relative liquidity and relative volatility of Wescoal Shares; and
- Publicly available information relating to Wescoal and the mining sector in general, comparable publicly traded companies and the markets in which Wescoal and its peers operate.

The information above was secured from:

- Directors and management of Wescoal and their advisors; and
- Third-party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Wescoal.

PROCEDURES

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the Transaction:

- Obtained an understanding of the Transaction;
- Reviewed the terms and conditions of the Transaction Agreements;
- Reviewed the audited and unaudited financial information related to Wescoal and its underlying mining assets and operations;
- Reviewed and obtained an understanding from management as to the forecast financial information of Wescoal and its underlying mining assets and operations and assessed the achievability thereof by considering historic information as well as macro-economic and sector-specific data;
- Held discussions with Directors and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- Compiled forecast free cash flows for Wescoal Elandspruit OC, Intibane 2, Catwalk, Triangle and Wescoal Elandspruit UG by using the historic and forecast financial information as detailed above. Applied BDO Corporate Finance's assumptions of cost of capital to the consolidated forecast cash flows to produce discounted cash flow ("DCF") valuations for Wescoal Elandspruit OC, Intibane 2, Catwalk, Triangle and Wescoal Elandspruit UG in terms of the South African Code for the 2008 edition of the South African Code for the reporting of Mineral Asset Valuations (the "SAMVAL Code") by applying the Income Approach;
- Determined the net present value ("NPV") of Wescoal's Head Office and administration function;
- Aggregated the valuations of Wescoal's mining and mineral assets, trading operations and Head Office as well as adjusting for financial assets and financial liabilities to determine a sum-of-the-parts ("SOTP") valuation of Wescoal;
- Performed a sensitivity analysis on key assumptions included in the DCF valuation, specifically related to cost of capital and free cash flows;
- Prepared an estimate of the financial benefit to Wescoal of concluding the Transaction. In determining this benefit, the following procedures were performed:
 - Through various discussions with management, assessed the risks to Wescoal of not concluding the Transaction as well as concluding the Transaction;
 - Identified the mitigating factors that management could take to minimise the identified risks;
 - Based on the above, performed a quantification of the potential cash flow effects to Wescoal following conclusion of the Transaction, or not concluding the Transaction;
 - Compiled a financial model using our forecasts of the potential cash flow effects to Wescoal following the conclusion of the Transaction and applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow valuation of the financial benefit of the Transaction to Wescoal;
 - Performed a sensitivity analysis on key assumptions included in the DCF valuation, specifically by applying probability factors to the potential cash flow effects;
- Prepared an estimate of the economic cost to Wescoal of concluding the Transaction being the IFRS 2 Share-based Payment cost ("IFRS 2") and other transaction costs;
- Reviewed the Codes of Good Practice published by the Department of Trade and Industry in terms of section 9 of the B-BBEE Act, as amended and replaced from time to time ("B-BBEE Codes");
- Assessed the long-term potential of Wescoal;
- Evaluated the relative risks associated with Wescoal and the South African and global coal sectors;
- Reviewed certain publicly available information relating to Wescoal, comparable publicly traded companies and the industry in which the Company operates that we deemed to be relevant, including Company announcements and media articles;
- Where relevant, representations made by management and/or Directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Wescoal operates, and to analyse external factors that could influence the business;
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the coal industry generally; and
- Held discussions with Directors and management of Wescoal regarding the past and current business operations, regulatory requirements, financial condition and future prospects of the Company and such other matters as we have deemed relevant to our inquiry.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That all agreements that have been entered into in terms of the Transaction will be legally enforceable;
- That the Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Wescoal; and
- That reliance can be placed on the financial information of Wescoal.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Reliance on audit reports in the financial statements of Wescoal;
- Conducting analytical reviews on the historical financial results and the forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary and audited financial evidence, as well as our understanding of Wescoal and the economic environment in which the Company operates.

LIMITING CONDITIONS

This opinion has been given in connection with and for the purposes of the Transaction. The opinion does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of Shareholders. Should a Shareholder be in doubt as to what action to take, he or she should consult an independent advisor.

An individual Shareholder's decision as to whether to vote in favour of the Transaction may be influenced by his particular circumstances.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. While our work has involved an analysis of 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, forward-looking information of Wescoal and its underlying mining and mineral assets relates to future events and is 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 Wescoal will correspond to those projected. We have, however, compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

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

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

INDEPENDENCE, COMPETENCE AND FEES

We confirm that we have no direct or indirect interest in Wescoal Shares or the Transaction. We also confirm that we have the necessary competence to provide the Fair and Reasonable Opinion.

Furthermore, we confirm that our professional fees of R171 000 (inclusive of VAT), are not contingent upon the success of the Transaction.

VALUATION

BDO Corporate Finance performed a valuation of Wescoal on a SOTP basis to determine whether the Transaction represents fair value to the minority Shareholders.

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

- The value of individual mining and mineral assets derived using appropriate methodologies for production and development assets;
- Net debt and cash as at 31 March 2016; and
- Wescoal's unallocated head office and administration costs. Unallocated corporate costs amount to R16.5 million. The pre-tax corporate costs were discounted at a real discount rate of Wescoal of 10.0% for the remaining life for Wescoal's current projects.

We performed a valuation of Wescoal Shares pre-Transaction and a valuation of Wescoal Shares post-Transaction.

The valuation methodologies employed in respect of Wescoal Elandspruit OC, Intibane 2, Catwalk, Triangle and Wescoal Elandspruit UG included the Income Approach as the primary valuation methodology and the Market Approach as a secondary methodology. The valuation approach and methodology adopted is in compliance with the SAMVAL Code.

The Income Approach is based on NPV that is derived using a DCF technique applied to the post-tax pre-finance cash flows. The external value driver to the DCF is the price assumption for domestic and export products. Key internal value drivers include production rates and the LoM, operating costs, royalties, working capital and capital expenditure requirements. We have relied upon the mineral resource estimates contained in the CPR, in determining the LoM and production rate inputs into the DCF model.

The valuation of the Wescoal's Head Office and Wescoal Trading has been determined based upon the Income Approach. The head office NPV is considered to be equal to Wescoal's forecast pre-finance Head Office costs, discounted at a rate equal to Wescoal's cost of equity.

VALUATION RESULTS

In undertaking the procedures and valuation exercise above, we determined:

- a valuation range for Wescoal Shares of 111 cents to 120 cents per Wescoal Share before implementation of the Transaction with a most likely value of 115 cents per Wescoal Share; and
- a valuation range for Wescoal Shares of 227 cents to 253 cents per Wescoal Share post implementation of the Transaction with a most likely value of 239 cents per Wescoal Share.

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

REASONABLENESS OF THE TRANSACTION

We have assessed the terms of the Transaction with reference to normal market-related practice. We have found no indication that the Transaction will have any material adverse effect on the Company and have identified no transaction parameters which could be considered unreasonable to the Company.

OPINION

BDO Corporate Finance has considered the proposed terms and conditions of the Transaction, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Transaction, based on quantitative considerations, are fair to the Wescoal minority Shareholders.

Based on qualitative factors, we are of the opinion that the proposed terms and conditions of the Transaction are reasonable from the perspective of the Wescoal minority Shareholders.

Our opinion is necessarily based upon the information available to us up to 10 October 2016, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the Transaction have been fulfilled or obtained.

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

CONSENT

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

BDO Corporate Finance Proprietary Limited

Nick Lazanakis

Director

22 Wellington Road
Parktown
2193"

PRO FORMA FINANCIAL INFORMATION OF WESCOAL

The tables below set out the *pro forma* financial information of Wescoal based on the published audited consolidated financial results for the year ended 31 March 2016. The *pro forma* financial information has been prepared for illustrative purposes only and because of its *pro forma* nature, may not fairly present Wescoal's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Transaction (including the related subscription for the Class B Preference Shares) going forward.

The purpose of the *pro forma* financial information is to illustrate the impact of the Transaction (including the related subscription for the Class B Preference Shares) had it been effective 31 March 2016 for purposes of the *pro forma* consolidated statement of financial position and 1 April 2015 for purposes of the *pro forma* consolidated income statement and on the assumptions set out below. The *pro forma* financial information presented below does not purport to be indicative of the financial results and effects of the Transaction (including the related subscription for the Class B Preference Shares) if they had been implemented on a different date.

The *pro forma* financial information has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the published audited consolidated financial results of Wescoal for the year ended 31 March 2016. The *pro forma* financial information is presented in accordance with the Listings Requirements and the Guide on *Pro forma* Financial Information issued by the South African Institute of Chartered Accountants and ISAE 3420: Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information Included in a Prospectus.

The Directors are responsible for the compilation, contents and preparation of the *pro forma* financial information. Their responsibility includes determining that the *pro forma* financial information has been properly compiled on the basis stated, which is consistent with the accounting policies of Wescoal and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the Listings Requirements.

The *pro forma* consolidated statement of financial position as at 31 March 2016 and the *pro forma* consolidated income statement for the year then ended, should be read in conjunction with the Independent Reporting Accountant's report thereon contained in Annexure 4 to this Circular.

It should be noted that the *pro forma* financial information includes the earnings effects of the application of the net proceeds from the Specific Issue. The net proceeds of the Specific Issue will initially be placed within existing short-term debt facilities and/or on call until drawn down over a period of time for purposes of the intended use as detailed in paragraph 5.2 of this Circular. However, the timing of amounts drawn down against the short-term debt facilities or amounts placed on call is currently uncertain. Consequently, to the extent that amounts are drawn down for purposes of the intended use, the interest saving illustrated for purposes of presenting the *pro forma* financial information may not be realised in full. This will, however, be offset by the return on either the organic and inorganic growth opportunities listed in paragraph 5.2 of this Circular.

The *pro forma* consolidated income statement below presents the effects of the Transaction (including the related subscription for the Class B Preference Shares) on the published audited consolidated financial results of Wescoal for the year ended 31 March 2016 on the assumption that the Transaction (including the related subscription for the Class B Preference Shares) was effective 1 April 2015.

Pro forma consolidated income statement for the year ended 31 March 2016

	Before the Transaction (including the related subscription for the Class B Preference Shares) ¹	Subscription for the Class B Preference Shares in the BEE SPV	Specific Issue	<i>Pro forma</i> after the Transaction (including the related subscription for the Class B Preference Shares) ⁷
Figures in Rands (Thousands)(R'000)				
Revenue	1 589 870	–	–	1 589 870
Cost of sales	(1 338 150)	–	–	(1 338 150)
Gross profit	251 720	–	–	251 720
Other income/(loss)	1 358	–	–	1 358
Operating expenses	(152 155)	–	–	(152 155)
Operating profit/(loss)	100 923	–	–	100 923
BEE Discount ³	–	–	(21 081)	(21 081)
Interest received ²	1 004	3 766	–	4 770
Finance costs ⁴	(21 923)	–	13 285	(8 638)
Profit/(loss) before taxation	80 004	3 766	(7 796)	75 974
Taxation ⁵	(28 239)	–	(3 720)	(31 959)
Profit/(loss) for the year	51 765	3 766	(11 516)	44 015
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss) for the year	51 765	3 766	(11 516)	44 015
Profit/(loss) attributable to:				
Owners of the parent				
Continuing operations	51 765	3 766	(11 516)	44 015
Profit/(loss) for the year	51 765	3 766	(11 516)	44 015
Weighted average number of Shares in issue ('000)				
– Basic ⁶	197 361	–	124 995	322 356
– Diluted ⁶	197 399	–	124 995	322 395
Earnings per Share (cents)				
– Basic	26.23			13.65
– Diluted	26.22			13.65
Headline earnings (R'000)				
Profit attributable to owners of the parent	51 765			44 015
Loss on sale of property, plant and equipment	154			154
Impairment of property, plant and equipment	1 486			1 486
Headline earnings attributable to owners of the parent	53 405			45 655
Headline earnings per Share (cents)				
– Basic	27.06			14.16
– Diluted	27.05			14.16

Notes and assumptions:

1. The Wescoal information reflected in the "Before the Transaction (including the related subscription for the Class B Preference Shares)" column has been extracted from the published audited consolidated financial statements of Wescoal for the year ended 31 March 2016.
2. Assumed preference dividends accrued on the Class B Preference Shares issued by the BEE SPV to Wescoal are adjusted against interest received, calculated at an interest rate of 10.61% per year. These preference dividends have a continuing effect and are not taxable.
3. The Subscription Price of R1.69 for the Subscription Shares is at a 10% discount to the 30-day VWAP Wescoal Share price on 21 September 2016. The Specific Issue is accounted for in terms of the guidance provided in IFRS 2: Share-based Payments and consequently, the difference between the market value of the Subscription Shares (R232.5 million assuming a market price of R1.86 per Subscription Share, being the market price on the last practicable date used for purposes of announcing the Transaction on SENS) and the Subscription Amount of R211.4 million is described as a BEE Discount and is accounted for as a one-off, non-cash expense in the *pro forma* consolidated income statement. For accounting purposes, the BEE Discount will be calculated on the Subscription Date. For the purposes of these *pro forma* financial effects the BEE Discount was calculated on the last practicable date used for purposes of announcing the Transaction on SENS. The BEE Discount has no tax effect.
4. The proceeds of the Specific Issue, net of the cash outflow arising from the subscription of the Class B Preference Shares, will initially be placed within existing short-term debt facilities (which carry interest at 11.36% per year) until drawn down over a period of time for purposes of the intended use as detailed in paragraph 5.2 of this Circular. The assumed interest saving of R13.285 million has been limited to, and is based on, the actual interest incurred on short-term debt facilities during the year ended 31 March 2016. Furthermore, no effect is given to potential interest income earned to the extent that the net proceeds of the Specific Issue exceeds the outstanding short-term debt facility, as such interest savings cannot be factually supportable. To the extent that amounts are drawn down for purposes of the intended use, the interest saving illustrated for purposes of presenting the *pro forma* financial information may not be realised in full.
5. Taxation is adjusted for income tax calculated at 28% of the adjustment to finance costs.
6. The weighted average number of Shares in issue are increased by the 124 995 373 Subscription Shares.
7. The Wescoal information reflected in the "*Pro forma* after the Transaction (including the related subscription for the Class B Preference Shares)" column has been calculated on the basis that the Transaction and related subscription for the Class B Preference Shares has been implemented.

The *pro forma* consolidated statement of financial position below presents the effects of the Transaction (including the related subscription for the Class B Preference Shares) on the published audited consolidated financial results of Wescoal for the year ended 31 March 2016 on the assumption that the proposed Transaction (including the related subscription for the Class B Preference Shares) was effective 31 March 2016.

Pro forma consolidated statement of financial position for the year ended 31 March 2016

	Before the Transaction (including the related subscription for the Class B Preference Shares) ¹	Subscription for the Class B Preference Shares in the BEE SPV	Specific Issue	<i>Pro forma</i> after the Transaction (including the related subscription for the Class B Preference Shares) ⁷
Figures in Rands (Thousands)(R'000)				
ASSETS				
Non-current assets				
Investment property	709	–	–	709
Property, plant and equipment	496 350	–	–	496 350
Goodwill	73 637	–	–	73 637
Intangible assets	22 664	–	–	22 664
Prepaid royalty	11 366	–	–	11 366
Deferred tax	4 372	–	–	4 372
Investments	22 023	–	–	22 023
Class B Preference Shares in the BEE SPV ²	–	35 500	–	35 500
	631 121	35 500	–	666 621
Current assets				
Prepaid royalty	874	–	–	874
Inventories	57 668	–	–	57 668
Trade and other receivables	224 727	–	–	224 727
Cash and cash equivalents ³	101 179	(35 500)	33 584	99 263
	384 448	(35 500)	33 584	382 532
Non-current assets held for sale	4 400	–	–	4 400
	388 848	(35 500)	33 584	386 932
Total assets	1 019 969	–	33 584	1 053 553
EQUITY AND LIABILITIES				
Equity				
<i>Equity attributable to equity holders of parent</i>				
Share capital ^{4.1, 4.2}	213 156	–	224 598	437 754
Share-based payment reserve	7 263	–	–	7 263
Retained income ^{4.3}	164 642	–	(21 081)	143 561
Total equity	385 061	–	203 517	588 578
LIABILITIES				
Non-current liabilities				
Instalment sale agreements	2 907	–	–	2 907
Deferred tax	19 306	–	–	19 306
Provisions	46 186	–	–	46 186
Interest-bearing borrowings	18 533	–	–	18 533
	86 932	–	–	86 932

	Before the Transaction (including the related subscription for the Class B Preference Shares) ¹	Subscription for the Class B Preference Shares in the BEE SPV	Specific Issue	<i>Pro forma</i> after the Transaction (including the related subscription for the Class B Preference Shares) ⁷
Figures in Rands (Thousands)(R'000)				
Current liabilities				
Current tax payable	27 585	–	–	27 585
Instalment sale agreements	2 856	–	–	2 856
Provisions	13 890	–	–	13 890
Trade and other payables	272 578	–	–	272 578
Interest-bearing borrowings ⁵	215 286	–	(169 933)	45 353
Bank overdraft	15 781	–	–	15 781
	547 976	–	(169 933)	378 043
Total liabilities	634 908	–	(169 933)	464 975
TOTAL EQUITY AND LIABILITIES	1 019 969	–	33 584	1 053 553
Number of Shares in issue ('000) ⁶	224 760	–	124 995	349 755
Net asset value per Share (cents)	171.32			168.28
Net tangible asset value per Share (cents)	128.48			140.75

Notes and assumptions:

1. The Wescoal information reflected in the "Before the Transaction (including the related subscription for the Class B Preference Shares)" column has been extracted from the published audited consolidated financial statements of Wescoal for the year ended 31 March 2016.
2. Reflects the subscription by Wescoal for the Class B Preference Shares issued by the BEE SPV, assuming the subscription consideration of R35.5 million is settled from existing cash and cash equivalents.
3. Cash and cash equivalents are adjusted as follows:
 - 3.1 Cash is decreased by R35.5 million, being the subscription consideration for the Class B Preference Shares issued by the BEE SPV.
 - 3.2 Cash is increased for the difference between the proceeds of the Subscription Amount of R211.4 million and amounts adjusted to interest-bearing borrowings in order to settle short-term debt facilities totalling R169.9 million, being the actual outstanding short-term debt facilities as at 31 March 2016.
 - 3.3 Assumed transaction costs totalling R7.9 million (including VAT) are settled from cash and cash equivalents.
4. As discussed in note 3 to the *pro forma* consolidated income statement, the Specific Issue is accounted for in terms of the guidance provided in IFRS 2: Share-based Payments resulting in the following *pro forma* adjustments to equity:
 - 4.1 Share capital is increased for the assumed market value of the Subscription Shares, being the assumed market price of R1.86 per Subscription Share, on the last practicable date used for purposes of announcing the Transaction on SENS.
 - 4.2 Share capital is reduced for assumed transaction costs totalling R7.9 million (including VAT).
 - 4.3 Retained income is adjusted for the difference between the market value of the Subscription Shares described above, and the Subscription Amount of R211.4 million.
5. Interest-bearing borrowings are reduced by R169.9 million, based on the actual short-term debt facilities outstanding at 31 March 2016.
6. The number of Shares in issue are increased by the 124 995 373 Subscription Shares.
7. The Wescoal information reflected in the "*Pro forma* after the Transaction (including the related subscription for the Class B Preference Shares)" column has been calculated on the basis that the Transaction (including the related subscription for the Class B Preference Shares) has been implemented.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION

"11 October 2016

The Board of Directors
Wescoal Holdings Limited
1st Floor, Building 10
Woodmead Business Park
142 Western Service Road
Woodmead
Sandton
2191

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF WESCOAL HOLDINGS LIMITED

INTRODUCTION

Wescoal Holdings Limited ("Wescoal" or "the Company") is issuing a circular to its shareholders ("the Circular") regarding the Specific Issue of Wescoal shares for cash to existing Wescoal BEE shareholders through a BEE SPV and the related subscription for Class B Preference Shares in the BEE SPV (collectively "the Transaction").

At your request and for the purposes of the Circular to be dated on or about 17 October 2016, we present our assurance report on the compilation of the *pro forma* financial information of Wescoal by the Directors. The *pro forma* financial information, presented in paragraph 14 and Annexure 3 to the Circular, consists of the *pro forma* statement of financial position as at 31 March 2016, the *pro forma* statement of comprehensive income for the 12 months ended 31 March 2016 and the *pro forma* financial effects ("the *Pro Forma* Financial Information"). The *Pro Forma* Financial Information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *Pro Forma* Financial Information has been compiled by the Directors to illustrate the impact of the Transaction and the related subscription for Class B Preference Shares in the BEE SPV on the Company's reported financial position as at 31 March 2016, and the Company's financial performance for the period then ended, as if the Transaction and the related subscription for Class B Preference Shares in the BEE SPV had taken place at 31 March 2016 and 1 April 2015, respectively. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 31 March 2016, on which an audit report has been published.

DIRECTORS' RESPONSIBILITY

The Directors of Wescoal are responsible for the compilation, contents and presentation of the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 14 and Annexure 3. The Directors of Wescoal are also responsible for the financial information from which it has been prepared.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the Directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

As the purpose of *Pro Forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *Pro Forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 14 and Annexure 3 of the Circular.

PricewaterhouseCoopers Inc.

Director: Jean-Pierre van-Staden

Registered Auditor
Sunninghill"

SHARE PRICE AND VOLUME HISTORY

The high, low and closing price of Wescoal Shares on the JSE, and the aggregated monthly volumes and values traded from October 2015 were as follows:

Month ended	High (cents per Share)	Low (cents per Share)	Close (cents per Share)	Volume (Shares)	Value (R)
October 2015	149	110	127	3 733 775	4 587 701
November 2015	128	105	115	3 587 671	4 200 088
December 2015	115	0	98	1 251 709	1 263 948
January 2016	110	71	80	3 666 380	3 107 741
February 2016	120	76	97	7 177 486	6 005 570
March 2016	156	87	153	3 225 586	3 728 567
April 2016	175	135	157	3 300 123	5 298 676
May 2016	195	145	195	4 915 978	8 374 478
June 2016	200	130	159	3 565 452	6 346 268
July 2016	169	145	161	2 222 680	3 533 598
August 2016	204	149	180	10 662 584	20 057 051
September 2016	198	160	185	5 018 089	9 106 605

The high, low and closing price of Wescoal's Ordinary Shares on the JSE for each trading day from 1 September 2016 until the Last Practicable Date, and the daily trading volumes and values were as follows:

Daily	High (cents per Share)	Low (cents per Share)	Close (cents per Share)	Volume	Value (R)
1 September 2016	180	160	166	268 250	444 838
2 September 2016	165	162	162	42 000	69 240
5 September 2016	170	165	170	31 854	54 091
6 September 2016	170	166	168	62 592	104 434
7 September 2016	168	168	168	15 564	26 147
8 September 2016	172	170	170	123 700	210 364
9 September 2016	175	175	175	2 186	3 825
12 September 2016	175	170	175	124 526	211 737
13 September 2016	170	170	170	7 695	13 081
14 September 2016	176	170	170	41 589	70 821
15 September 2016	180	170	17	6 762	11 501
16 September 2016	182	175	181	107 540	191 909
19 September 2016	178	170	175	62 622	108 814
20 September 2016	179	176	179	39 966	70 909
21 September 2016	178	175	178	324 236	572 409
22 September 2016	179	175	179	231 000	406 795
23 September 2016	181	176	181	252 500	450 033
26 September 2016	182	175	175	47 147	85 243
27 September 2016	190	175	186	104 853	188 798
28 September 2016	195	185	190	801 828	1 529 014
29 September 2016	198	180	184	1 307 189	2 457 888
30 September 2016	187	177	185	1 012 490	1 824 714
3 October 2016	190	185	190	618 401	1 145 689
4 October 2016	190	180	187	452 846	839 338
5 October 2016	194	187	194	234 990	451 226
6 October 2016	194	186	190	908 527	1 726 109
7 October 2016	195	190	191	160 672	309 388

Source: INet

MATERIAL LOANS

Lender	Description	Origination	Loan amount	Interest	Maturity	Monthly payments	Security
Reichmans	Revolving R180 million invoice discounting facility	2012	R135 635 894	Prime + 0.5%	Aug 2018	N/A	Receivables balances
Absa	Instalment sales agreements	Jul-13	R4 096 000	Prime + 2%	Dec-17	R40 824	Vehicles
Absa	Overdraft	Oct-14	R17 000 000 (unutilised)	Prime + 2%	N/A	N/A	Unsecured
Investec	Term loan	Nov-13	R8 862 449	Prime - 0.5%	Oct-18	R150 000	Properties in Blanford (Pty) Ltd
Investec	Acquisition finance (McPhail acquisition)	Nov-13 (Renewed Sep-16)	R73 000 000	Prime + 1%	Sept-19	R7.3 million each qtr.	Shares of subsidiaries – Mining and Trading Companies
Various	Vendor loans	Aug-14/ Apr-15	R5 530 000	0.00%	Nov-16 to Mar-18	R2 234 000	Mineral rights acquired
Various	Vendor loans	Nov-14/ May-15	R18 338 569	11.3% on average	Nov-16 to Mar-18	R3 523 821	Equipment acquired

WESCOAL

Wescoal Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/006913/06)

Share code: WSL ISIN: ZAE000069639

("Wescoal" or the "Company")

NOTICE OF GENERAL MEETING OF WESCOAL SHAREHOLDERS

Notice is hereby given that a general meeting of Wescoal Shareholders recorded in the register as at Friday, 11 November 2016, will be held at 1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead at 10:00 on Wednesday, 23 November 2016 for the purpose of considering, and if deemed fit, passing, with or without modification, the special and ordinary resolutions set out below.

Terms defined in the Circular to which this notice of General Meeting is attached shall, unless the context indicates otherwise, have the same meanings ascribed to them in this notice of General Meeting (including the resolutions set out below) as those ascribed to them in the Circular.

SPECIAL RESOLUTION 1: AUTHORITY TO ISSUE 30% OR MORE OF THE COMPANY'S ORDINARY SHARES TO THE BEE SPV

"Resolved that the Directors be and are hereby authorised, to the extent required in terms of the provisions of sections 41(1) and 41(3) of the Companies Act, to issue 124 995 373 ordinary shares in the Company's authorised but unissued Shares."

In order for Special Resolution 1 to be adopted, the support of at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the General Meeting and entitled to exercise voting rights on the resolution is required.

The reason for Special Resolution 1 is that section 41(1) of the Companies Act requires that companies obtain the approval of shareholders by special resolution for any issue of securities to a director, future director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a director or prescribed officer of the Company, and the nominees of any of the foregoing persons. Robinson Ramaite is a Director of the Company, and he holds an interest in the BEE SPV. Insofar as his interest in the BEE SPV renders the BEE SPV a person related or inter-related to a Director of the Company, the Directors may only issue Shares to the BEE SPV if they obtain the approval of Shareholders by special resolution. Section 41(3) of the Companies Act requires that companies obtain the approval of shareholders by special resolution for any issue of securities, if the voting power of the securities that will be issued will be equal to or exceed 30% of the voting power of all the securities of that class held immediately before the issue. The Specific Issue will constitute an issue of securities which represent in excess of 30% of the voting power of all the securities of that class in the Company and, as such, the Directors may only issue Shares to the BEE SPV if they obtain the approval of Shareholders by special resolution.

SPECIAL RESOLUTION 2: AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE

"Resolved that the Directors be and are hereby authorised to provide any financial assistance contemplated in sections 44 and 45 of the Companies Act to any person contemplated in sections 44(2) or 45(2) of the Companies Act for the purpose of, or in connection with, the transactions contemplated in the Class B Preference Share Subscription Agreement including, without limitation, all financial assistance to enable the BEE SPV to subscribe for the Subscription Shares, as contemplated in the Circular."

In order for Special Resolution 2 to be adopted, the support of at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the General Meeting and entitled to exercise voting rights on the resolution is required.

The reason for Special Resolution 2 is that section 44 of the Companies Act requires that companies obtain the approval of shareholders by special resolution for any provision of financial assistance to any person for the purpose of, or in connection with, the subscription of securities to be issued by the Company or a related or inter-related company. The BEE SPV is subscribing for the Subscription Shares in the Company utilising the proceeds from the Class B Preference Share Subscription

Amount. Insofar as the Company is providing financial assistance in this or any other regard, as contemplated in the Circular, the Directors may only authorise such if they obtain the approval of Shareholders by special resolution. Section 45 of the Companies Act requires that companies obtain the approval of shareholders by special resolution for any provision of direct or indirect financial assistance to a Director or prescribed officer of the Company or to a related or inter-related company, or to a person related to any such company, Director or prescribed officer. Ramaite is a Director of the Company, and he holds an indirect interest in the BEE SPV. Insofar as his interest in the BEE SPV renders the BEE SPV a person related or inter-related to a Director of the Company, and insofar as financial assistance to the BEE SPV constitutes financial assistance to the BEE SPV (and indirectly to Ramaite or any other person contemplated in section 45(2) of the Companies Act), the Directors may only provide financial assistance to the BEE SPV if they obtain the approval of Shareholders by special resolution.

ORDINARY RESOLUTION 1: SPECIFIC AUTHORITY TO ISSUE SHARES FOR CASH TO THE BEE SPV

"Resolved that, as required by, and subject to, the Company's Memorandum of Incorporation, the Companies Act and the Listings Requirements, the Directors are authorised to allot and issue 124 995 373 ordinary shares in the Company's authorised but unissued Shares to the BEE SPV."

In order for Ordinary Resolution 1 to be adopted, the support of at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the General Meeting and entitled to exercise voting rights on the resolution is required. The BEE SPV, Mr Robinson Ramaite, Mr Eric Mzimela, Simeka Capital Holdings Proprietary Limited and their Associates may not vote on this resolution, as determined by the Listings Requirements of the JSE.

The reason for Ordinary Resolution 1 is that section 5.51 of the Listings Requirements requires that companies may only undertake a specific issue of shares for cash if they obtain the approval of at least 75% of the shareholders who are not participating in the specific issue, or associates of such participants. The Company is undertaking a specific issue of 124 995 373 Shares for cash to the BEE SPV, a non-public shareholder as defined in the Listings Requirements, at an issue price per Wescoal Share equating to a 10% discount to the 30-day volume weighted average traded price per Wescoal Share as at close of trade on 21 September 2016. As such, the Directors may only issue Shares to the BEE SPV if they obtain the approval of 75% of Shareholders entitled to vote on the resolution.

ORDINARY RESOLUTION 2: WAIVER OF THE MANDATORY OFFER BY THE BEE SPV, ROBINSON RAMAITE, ERIC MZIMELA AND SIMEKA CAPITAL HOLDINGS PROPRIETARY LIMITED

"Resolved that, pursuant to each of the BEE SPV, Robinson Ramaite, Eric Mzimela and Simeka Capital Holdings Proprietary Limited (either alone or acting in concert) acquiring a beneficial interest in at least 35% (thirty-five percent) of all of the voting rights attached to the Company's ordinary shares, the benefit of a mandatory offer from the BEE SPV, Robinson Ramaite, Eric Mzimela or Simeka Capital Holdings Proprietary Limited, to the extent required in terms of section 123 of the Companies Act, to acquire any remaining securities of the Company on terms determined in accordance with the Companies Act and the Takeover Regulations, be and is hereby irrevocably waived as contemplated in Regulation 86(4) of the Companies Regulations."

In order for Ordinary Resolution 2 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders, present or represented by proxy at the General Meeting and entitled to exercise voting rights on the resolution is required. The BEE SPV, Robinson Ramaite, Eric Mzimela and Simeka Capital Holdings Proprietary Limited may not vote on this resolution, as required by the Companies Act and the Companies Regulations.

The reason for Ordinary Resolution 2 is that section 123(3) of the Companies Act provides that, in the event that pursuant to the acquisition of a beneficial interest in voting rights attached to securities of a company, a person (acting alone or in concert with another person) is able to exercise at least 35% of all of the voting rights attached to the securities of that company, the person is required to offer to acquire any remaining securities of that company on terms determined in accordance with the Companies Act and the Takeover Regulations. Regulation 86(4) of the Companies Regulations provides that there is no obligation to make a mandatory offer if the independent holders of more than 50% of the general voting rights of all issued securities of the company have agreed to waive the benefit of such a mandatory offer. Following the Specific Issue to the BEE SPV, the BEE SPV will be able to exercise at least 35% of all of the voting rights attached to the securities of the Company. Insofar as the Specific Issue and the Share Exchange Agreement render the BEE SPV, Robinson Ramaite, Eric Mzimela and Simeka Capital Holdings Proprietary Limited (either alone or acting in concert) able to exercise at least 35% of all of the voting rights attached to the Company's securities, the adoption of this resolution will give effect to a waiver of the right to receive a mandatory offer from each of the BEE SPV, Robinson Ramaite, Eric Mzimela and Simeka Capital Holdings Proprietary Limited.

RECORD DATE

The record date for purposes of section 59 of the Companies Act, being the date on which Shareholders must be recorded as such in the securities register of the Company for the purposes of determining which Shareholders are entitled to attend and vote at the General Meeting, will be Friday, 18 November 2016.

STATUTORY DISCLOSURE

Proxies

In terms of section 58 of the Companies Act, a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy or two or more proxies to attend, participate in and vote at the General Meeting in place of the Shareholder. The proxy need not be a Shareholder of the Company.

Dematerialised Shareholders

Shareholders who have dematerialised their Shares through a CSDP or broker, and who have not elected "own-name" registration and wish to attend the General Meeting, should timeously inform their CSDP or broker of their intention to attend the General Meeting and request such CSDP or broker to issue them with the necessary letter of representation to attend. If they do not wish to attend the General Meeting, they may provide such CSDP or broker with their voting instructions.

Identification

In terms of section 63(1) of the Companies Act, before any person may attend or participate in a shareholders' meeting, that person must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified.

By order of the Board

Waheed Sulaiman

Chief Executive Officer

25 October 2016
Johannesburg

WESCOAL

Wescoal Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/006913/06)

Share code: WSL ISIN: ZAE000069639

("Wescoal" or the "Company")

FORM OF PROXY

Terms defined in the Circular to which this form of proxy is attached shall, unless the context indicates otherwise, have the same meanings ascribed to them in this form of proxy as those ascribed to them in the Circular, and the form of proxy forms part of the Circular.

For use only by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration at the General Meeting of Wescoal Shareholders, to be held at 1st Floor, Building 10, Woodmead Business Park, 142 Western Service Road, Woodmead at 10:00 on Wednesday, 23 November 2016.

I/We (full names) _____

of (address) _____

Telephone number () _____

Cellphone number _____

Email address _____

Being the holder(s) of Wescoal Shares do hereby appoint:

1. _____ or failing him/her
2. _____ or failing him/her

3. the chairman of the General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of the Wescoal Shares registered in my/our name(s), in accordance with the following instructions:

	For	Against	Abstain
Special Resolution 1: Authority to issue 30% or more of the Company's Shares to the BEE SPV			
Special Resolution 2: Authority to provide financial assistance			
Ordinary Resolution 1: Specific authority to issue Shares for cash to the BEE SPV			
Ordinary Resolution 2: Waiver of the Mandatory Offer by the BEE SPV, Robinson Ramaite, Eric Mzimela and Simeka Capital Holdings Proprietary Limited			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of Shares than you own, insert the number of Shares held in respect of which you desire to vote.

Signed at _____ on _____ 2016

Signature _____

Assisted by me (where applicable) _____

Each Shareholder is entitled to appoint one or more proxies (who need not be a Shareholder of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting. On a show of hands every Shareholder who is present in person or by proxy will have one vote (irrespective of the number of Shares held in the Company) and, on a poll, every Shareholder will have one vote for every Share held or represented.

PLEASE READ THE NOTES ON THE REVERSE SIDE OF THIS FORM OF PROXY.

Instructions on signing and lodging of the form of proxy

1. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alterations must be signed, not initialled.
2. The chairman shall be entitled to decline to accept the authority of a signatory:
 - (a) under a power of attorney; or
 - (b) on behalf of a Company,unless the power of attorney or authority is deposited with the Transfer Secretaries, namely Computershare Investor Services Proprietary Limited, by no later than 10:00 on Tuesday, 22 November 2016.
3. The signatory may insert the name of any persons(s) whom the signatory wishes to appoint as his/her proxy in the blank space/s provided for that purpose.
4. When there are joint holders of Shares and if more than one such joint holder be present or represented, then the person whose name appears first in the securities register in respect of such Shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
5. The completion and lodging of this form of proxy will not preclude the signatory from attending the General Meeting and speaking and voting in person thereat should such person wish to do so, to the exclusion of any proxy appointed in terms hereof.
6. If, in the appropriate place on the face of the form of proxy, there is no indication of how to vote in respect of any resolution, the proxy shall be entitled to vote as he/she deems fit in respect of that resolution.
7. The chairman of the General Meeting may reject or accept any form of proxy which is completed other than in accordance with these instructions, provided that in the event of acceptance, he/she is satisfied as to the manner in which a Shareholder wishes to vote.
8. If the shareholding is not indicated on the form of proxy, the proxy will be deemed to be authorised to vote all the Shares registered in the Shareholder's name.
9. Please insert an "X" in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of Shares than you own in the Company, insert the number of Shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the 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 at the meeting. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy, but the total of the votes cast in respect of which abstention is recorded may not exceed the total number of votes exercisable by the Shareholder or by his/her proxy.
10. A form of proxy sent by electronic medium to the Company Secretary or the Transfer Secretaries within the time allowed for submission shall be deemed to constitute an instrument of proxy.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company Secretary or waived by the chairman of the General Meeting.
12. 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 Company Secretary.

Summary in terms of section 58(8)(b)(i) of the Companies Act

Section 58(8)(b)(i) of the Companies Act provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008 (as amended), which summary is set out below:

- A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may not delegate the proxy's authority to act on behalf of the shareholder to another person.
- A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

