

FIRM INTENTION OFFER BY WESCOAL HOLDINGS LIMITED (“WESCOAL”) TO ACQUIRE ALL OF THE ISSUED ORDINARY SHARE CAPITAL OF KEATON ENERGY HOLDINGS LIMITED (“KEATON ENERGY”) AND WESCOAL CAUTIONARY ANNOUNCEMENT

3 FEBRUARY 2017



		Page
1	RATIONALE FOR THE PROPOSED TRANSACTION	3
2	INTRODUCTION TO THE PROPOSED TRANSACTION	4
3	PARTIES' PRESENT STRUCTURE	6
4	KEY SHAREHOLDER SUPPORT	7
5	WESCOAL OPERATIONAL STRUCTURE POST ACQUISITION	8
6	COMBINED MINERAL RESOURCE AND RESERVES STATEMENT	9
7	CIRCULAR, GUARANTEES AND CAUTIONARY ANNOUNCEMENT	10

This document has been prepared by Wescoal Holdings Limited (the “Company”). For the purposes of this notice, the presentation that follows (the “Presentation”) shall mean and include the slides that follow, the oral presentation of the slides by the Company, any question-and-answer session that follows that oral presentation, hard copies of this document and any materials distributed at, or in connection with, that presentation. By attending the meeting at which the Presentation is made, or by reading the Presentation slides, you will be deemed to have (i) agreed to all of the following restrictions and made the following undertakings and (ii) acknowledged that you understand the legal and regulatory sanctions attached to the misuse, disclosure or improper circulation of the Presentation.

The Presentation is has been furnished to you solely for your information and may not be reproduced, redistributed or disclosed in any way, in whole or in part, directly or indirectly, to any other person without the prior written consent of the Company. Your obligations as set out in this notice will continue in respect of the information contained in the Presentation until such time as, and then only to the extent that, any such information is made available to the public. The Company may not be making the information contained herein public, except to the extent required by law or regulation. If this is not acceptable to you, you should not receive the information contained in the Presentation.

The information contained in the Presentation, including market information from third parties, has not been independently verified and no representation or warranty, express or implied, is made as to, and no reliance should be placed, on the fairness, accuracy, completeness or correctness of the information or opinions expressed herein. The information and opinions contained in this Presentation do not purport to be comprehensive, are provided as at the date of the document and are subject to change without notice. The Company is not under any obligation to update or keep current the information contained in the Presentation. The Company, its subsidiaries, or any of their respective affiliates, directors, officers, employees, agents, Exchange Sponsors, Singular Systems or any other person shall have no liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of the Presentation or its contents or otherwise arising in connection with the Presentation. Singular Systems is acting for the Company in connection with the Presentation and will not be responsible to anyone other than the Company for providing the protections afforded to clients.

Statements in the Presentation, including those regarding the possible or assumed future or other performance of the Company or its industry or other trend projections, constitute forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Company. Such factors may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no assurance is given that such forward-looking statements will prove to have been correct. They speak only as at the date of the Presentation and the Company undertakes no obligation to update these forward-looking statements.

RATIONALE FOR THE PROPOSED TRANSACTION

The Wescoal Board and management are committed to growing the asset base and earnings of Wescoal, whilst driving shareholder value. The implementation of the BEE transaction in December 2016 saw an injection of approximately R178 million in fresh equity, thereby significantly strengthening the equity capitalisation and liquidity of Wescoal. Outlined below are some of the key benefits that the acquisition of Keaton Energy presents to Wescoal and its shareholders

ACQUISITION RATIONALE AND OPPORTUNITY HIGHLIGHTS		
1	DIVERSE ASSET AND SHAREHOLDER BASE	<ul style="list-style-type: none"> ✓ post the acquisition of Keaton Energy, Wescoal will have a diverse asset base which spans operating, development, exploration and trading mining activities ✓ diversification in terms of product offering and geographical footprint with an attractive growth profile ✓ a significantly increased shareholder base and market capitalisation with improved price and liquidity
2	ECONOMIES OF SCALE AND SYNERGIES	<ul style="list-style-type: none"> ✓ opportunity to leverage overheads and lower fixed unit costs across businesses ✓ financial and operating efficiencies are expected as a result of having one listed entity through the acquisition ✓ regional proximity and similarity between mining operations
3	SCALE OF PRODUCTION AND RESOURCE SIZE	<ul style="list-style-type: none"> ✓ ownership of long-life core assets with a large resource base and infrastructure and a strong pipeline of projects offering further greenfield upside and potential exposure to export markets ✓ Increased flexibility to increase production rate from Elandspruit ✓ increased resource base for Eskom supply and potentially for export market
4	BALANCE SHEET AND FREE CASH GENERATION	<ul style="list-style-type: none"> ✓ opportunity to restructure and consolidate debt funding with potential savings realised ✓ Wescoal will benefit from high degree of coal price leverage with respect to large customers ✓ enhanced ability to raise funding and/or fund pipeline and acquisition assets from a larger pool of operating cash flows
5	MANAGEMENT AND SHAREHOLDER VALUE CREATION	<ul style="list-style-type: none"> ✓ the Proposed Transaction will bolster Wescoal management’s track record of structuring and securing value-accretive acquisitions ✓ the Proposed Transaction demonstrates Wescoal management’s commitment to creating value for shareholders ✓ the earnings uplift, synergies and cost efficiencies discussed above will result in value creation for Wescoal Shareholders

The Wescoal Board and management team believe that the Proposed Transaction is a significant step towards realising their vision of creating a significant South African coal producer that is majority black-owned. Wescoal will continue to set its sights on being a key player in the consolidation of the South African junior coal mining sector as a means to grow the company significantly and create value for Wescoal Shareholders

INTRODUCTION TO THE PROPOSED TRANSACTION

WESCOAL HOLDINGS LIMITED (“WESCOAL” OR THE “COMPANY”) MAKES AN OFFER TO ACQUIRE THE ENTIRE ISSUED SHARE CAPITAL OF KEATON ENERGY HOLDINGS (“KEATON ENERGY”)

<p>WESCOAL OFFER</p>	<p>Wescoal has made an offer to acquire 100% of the issued ordinary share capital of Keaton Energy (“Offer Shares”)</p> <ul style="list-style-type: none"> <input type="checkbox"/> Wescoal submitted a firm intention offer letter to Keaton Energy dated 2 February 2017 (“Firm Intention Offer Letter” or “Offer Letter”) <input type="checkbox"/> The respective boards of directors of Wescoal and Keaton Energy (“Wescoal Board” and “Keaton Energy Board”) issued a Joint Firm Intention announcement dated 2 February 2017
<p>IMPLEMENTATION APPROACH</p>	<p>The Offer will be implemented by way of:</p> <ul style="list-style-type: none"> <input type="checkbox"/> a scheme of arrangement (“Scheme”) to be proposed by the Keaton Energy Board between Keaton Energy and the holders of Keaton Energy ordinary shares (“Keaton Energy Shareholders”); or <input type="checkbox"/> if the Scheme fails, and Wescoal so elects, a general offer by Wescoal to Keaton Energy Shareholders to acquire the Offer Shares (“Standby Offer”) (collectively, the “Proposed Transaction”)
<p>DELISTING OF KEATON ENERGY SHARES AND STANDBY OFFER</p>	<p>In the event that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> the Scheme becomes operative, the listing of all of Keaton Energy’s ordinary shares (“Keaton Energy Shares”) on the Main Board of the JSE Limited (“JSE”) will be terminated, and Keaton Energy Shareholders will be deemed to have disposed of all of the Offer Shares for the Scheme Consideration, thereby constituting Keaton Energy as a wholly-owned subsidiary of Wescoal; or <input type="checkbox"/> the Scheme fails and Standby Offer is made, only Keaton Energy Shareholders <u>who accept the Standby Offer</u> will sell their Offer Shares to Wescoal for the Offer Consideration. Those Keaton Energy Shareholders <u>who do not accept the Standby Offer</u> will remain shareholders of Keaton Energy, which, if the delisting contemplated above is approved by Keaton Energy Shareholders, may be delisted from the JSE
<p>TRANSACTION CATEGORISATION</p>	<ul style="list-style-type: none"> <input type="checkbox"/> In terms of the JSE Listings Requirements, the Proposed Transaction is classified as a Category 1 transaction for Wescoal and accordingly must be supported by Shareholders holding more than 50% of the voting rights
<p>FULFILMENT OF CONDITIONS</p>	<ul style="list-style-type: none"> <input type="checkbox"/> The Scheme will be subject to the fulfillment of certain conditions (“Scheme Conditions”) and the Standby Offer will also be subject to the fulfillment of the conditions, both discussed later
<p>ROLE OF THE BOARD</p>	<ul style="list-style-type: none"> <input type="checkbox"/> The Wescoal Board provided guidance and oversight of the Proposed Transaction

INTRODUCTION TO THE PROPOSED TRANSACTION (CONT.)

WESCOAL HOLDINGS LIMITED (“WESCOAL” OR THE “COMPANY”) MAKES AN OFFER TO ACQUIRE THE ENTIRE ISSUED SHARE CAPITAL OF KEATON ENERGY HOLDINGS (“KEATON ENERGY”)

**SCHEME
CONSIDERATION**

If the Scheme becomes unconditional, the consideration payable by Wescoal to Keaton Energy Shareholders in terms of the Scheme will be:

- R1.80 per Keaton Energy Share, representing approximately R525.59 million in total (“Scheme Consideration” or “Offer Consideration”) to be settled as follows:
 - partly in cash at R1.20 per Keaton Energy Share, amounting to R350.39 million (“Cash Component”); plus
 - Wescoal ordinary shares (“Wescoal Shares”) in the ratio of 0.30 Wescoal Shares for every 1.00 Keaton Energy Share held (“Switch Ratio”), resulting in 87 598 277 new Wescoal Shares (“Consideration Shares”) being issued to Keaton Energy Shareholders at an issue price of R2.00 per Consideration Share (“Share Component”)
- On completion of the Proposed Transaction, Keaton Energy will become a wholly-owned subsidiary of Wescoal and be delisted from the JSE**

**SCHEME
CONSIDERATION VS.
KEATON SHARE PRICE**

The Scheme Consideration of R1.80 per Offer Share and the effective consideration compared to the Keaton Energy share price is as follows:

	Before	Premium	Premium based on the effective consideration (Note 3)
30 Day VWAP (cents) (Note 1)	134 cents	33.9%	45.3%
Closing price (cents) (Note 2)	145 cents	24.1%	34.7%

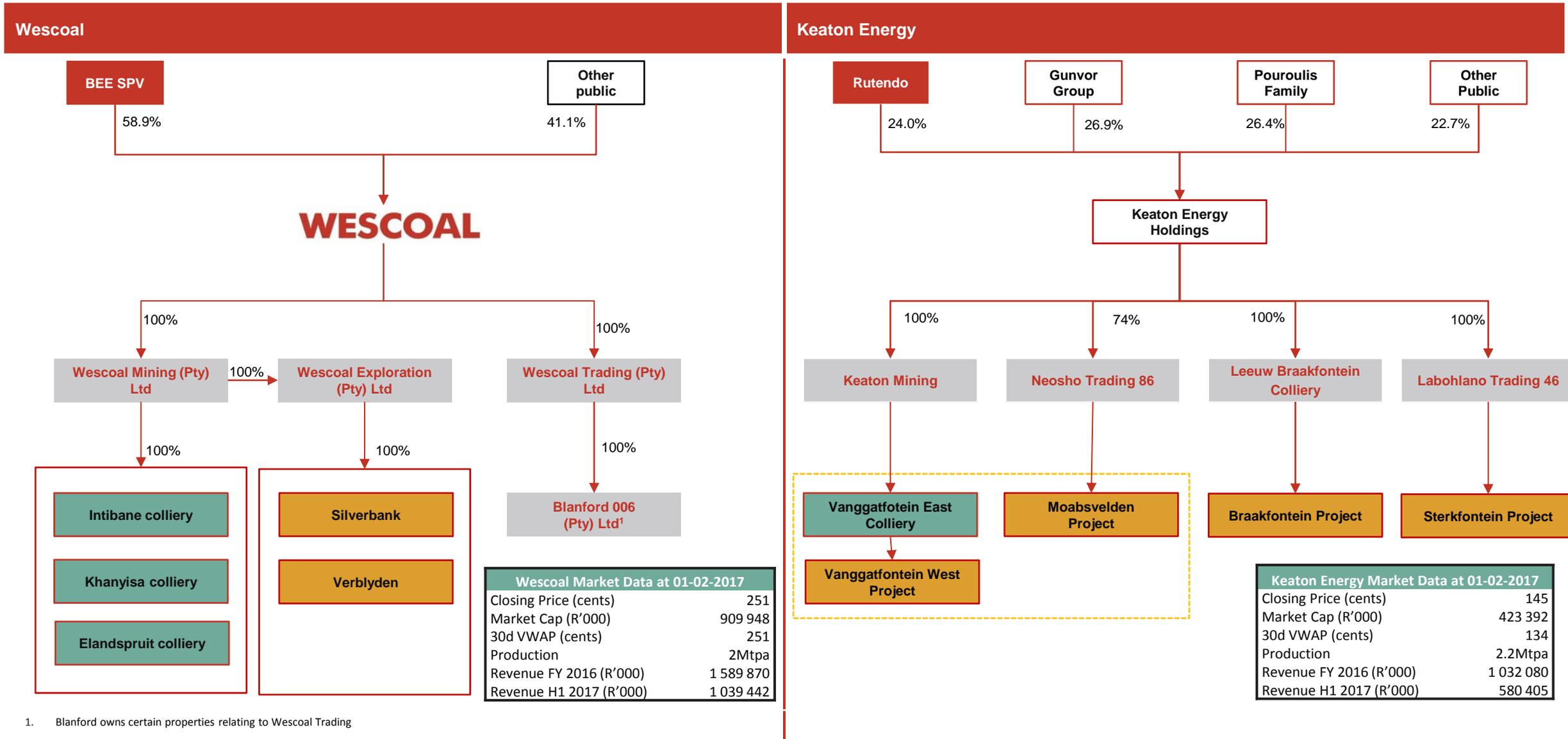
Notes:

1. The 30 day volume weighted average price (“VWAP”) of a Keaton Energy Share traded on the JSE up to 1 February 2017, being the last trading day immediately prior to the date of the Offer Letter
2. The closing price of a Keaton Energy Share traded on the JSE as at 1 February 2017, being the last trading day immediately prior to the date of the Offer Letter
3. Using Wescoal’s closing share price of R2.51 as at 1 February 2017 and applying the Switch Ratio, the effective consideration per Keaton Energy Share is R1.953

SOURCE OF FUNDS

- The Cash Component of the Scheme Consideration as well as other expenses related to the Offer, will be funded by Wescoal through a combination of internal cash resources, debt facilities and the cash raised by Wescoal through its BEE transaction implemented in December 2016
- Wescoal has sufficient authorised but unissued Wescoal Shares to settle the Share Component

PARTIES' PRESENT STRUCTURE



KEY SHAREHOLDER SUPPORT

Wescoal

Wescoal has received an irrevocable undertaking from the following Wescoal Shareholder to vote in favour of the resolutions necessary to implement the Proposed Transaction, which shareholder holds 58.93% of the Wescoal Shares in issue:

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

Keaton Energy

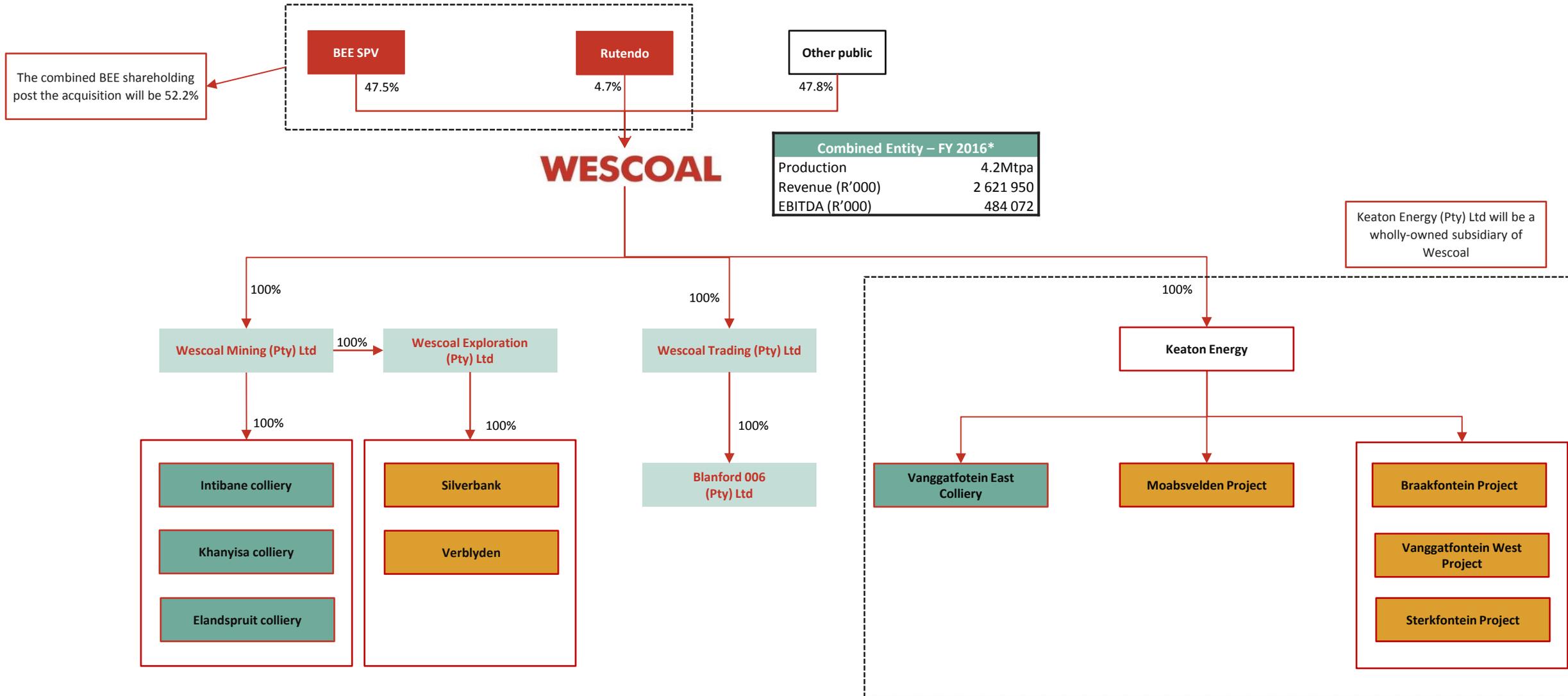
Wescoal has received irrevocable undertakings from the following Keaton Energy Shareholders to vote in favour of the Scheme or to accept the Standby Offer (“Keaton Energy Irrevocable Undertakings”), which shareholders hold 77.24% of the Offer Shares:

Keaton Energy Shareholder	Number of Offer Shares held	Percentage of Offer Shares
Plusbay Limited	78 476 411	26.88%
Pouroulis family holding	77 113 142	26.41%
Rutendo Holdings Proprietary Limited	69 940 074	23.95%
Total	225 529 627	77.24%

Notes:

Please refer to paragraph 8 of the Firm Intention Announcement released on SENS for further terms of the Keaton Energy Irrevocable Undertakings

WESCOAL OPERATIONAL STRUCTURE POST ACQUISITION



COMBINED MINERAL RESOURCE AND RESERVES

Project	Resources				Reserves
	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Total (Mt)
Operating					
Vangatfontein Colliery	92.3	21.4	-	113.7	44.4
Intibane Phase II	2.6	-	-	2.6	0.7
Khanyisa	11.3	-	-	11.3	0.6
Elandspruit	33.1	-	-	33.1	27.0
Total operating	139.3	21.4	-	160.7	72.7
Projects					
Braakfontein Project	-	60.1	-	60.1	-
Moabsvelden Project	54.7	-	-	54.7	39.9
Sterkfontein Project ¹	50.2	40.7	-	90.9	-
Total projects	104.9	100.8	-	205.7	39.9
Total resources and reserves	244.2	122.2	17.2	366.4	112.6

Notes:

1. Call option granted to Moneybox to acquire all shares and preference dividend rights held by KEH in Labohlano and the prospecting rights and related geological and technical reports relating to the Sterkfontein Project expiring 31 March 2017
2. Wescoal and Keaton Energy figures are as at 31 March 2016

Sources:

1. Wescoal Mining: Coal Resource CPR May 2016
2. Keaton Energy Group Coal Resource and Reserve 2016

<p>SCHEME CIRCULAR POSTING</p>	<ul style="list-style-type: none"> ❑ The posting of the Scheme Circular to Keaton Energy Shareholders will be subject to the fulfilment, or waiver, as the case may be, of the following conditions by not later than 23h59 on the 60th day after the Signature Date (or, to the extent applicable, such earlier date stated below): <ul style="list-style-type: none"> ▪ the Independent Expert, has delivered a report to the Keaton Energy Independent Board in relation to the Proposed Transaction and the Comparable Offer, and to make appropriate recommendations to the Keaton Energy Independent Board in the form of a fair and reasonable opinion; ▪ the Scheme Circular has been approved by the JSE and the TRP; ▪ the Scheme Circular has been approved by the JSE and the TRP; and ▪ any exchange control approval which might be required in relation to the Proposed Transaction, has/have been duly obtained in writing
<p>GUARANTEES AND CONFIRMATIONS TO THE TRP</p>	<ul style="list-style-type: none"> ❑ Wescoal has delivered to the TRP an irrevocable, unconditional bank guarantee issued by Investec Bank Limited, for the maximum possible Cash Component of the Scheme Consideration in compliance with regulations 111(4) and 111(5) of the Companies Regulations published in terms of sections 120 and 223 of the Companies Act
<p>DOCUMENTATION</p>	<ul style="list-style-type: none"> ❑ Details of the Proposed Transaction will be included in the Wescoal Circular, which will contain, <i>inter alia</i>, a notice of the Wescoal General Meeting and a form of proxy. The Wescoal Circular is expected to be posted to Wescoal Shareholders in due course ❑ Details of the Scheme and the Standby Offer will be included in the Scheme Circular, which will contain, <i>inter alia</i>, details of the Proposed Transaction, a notice of the Scheme Meeting, a form of proxy, a form of surrender and transfer and Standby Offer form. The Scheme Circular is expected to be posted to Keaton Energy Shareholders in due course ❑ The salient dates and times pertaining to the Proposed Transaction will be released on SENS and published in the press at time of posting of the abovementioned circulars
<p>WESCOAL CAUTIONARY</p>	<ul style="list-style-type: none"> ❑ As the <i>pro forma</i> financial effects of (i) the Proposed Transaction on Wescoal, and (ii) the Scheme on Keaton Energy Shareholders, have not yet been published, Wescoal Shareholders are advised to exercise caution when dealing in their shares, until such time as the aforementioned <i>pro forma</i> financial effects are published and the cautionary announcement has been withdrawn ❑ Wescoal expects to publish the <i>pro forma</i> financial effects during the week ending 10 February 2017

Q & A