

## **EXXARO RESOURCES LIMITED**

Incorporated in the Republic of South Africa

(Registration Number: 2000/011076/06)

JSE share code: EXX

ISIN code: ZAE000084992

ADR code: EXXAY

(“**Exxaro**” or “**the Company**”)

## **VOLUNTARY ANNOUNCEMENT – DISPOSAL OF THE EQUITY INTEREST IN EXXARO COAL CENTRAL PROPRIETARY LIMITED**

### **1. Introduction and rationale**

As set out in the Exxaro announcement of 20 February 2020 and as part of its sustainable growth approach, Exxaro conducted an internal portfolio review to evaluate and optimise its current coal operations and projects. Exxaro identified assets which are non-core to its future strategic objectives and decided to dispose of its total equity interest in Exxaro Coal Central Proprietary Limited (“**ECC**”) and its Leeuwpan Coal Mine operation (“**Target Assets**”).

Exxaro resultantly embarked on a divestment process of the Target Assets. Exxaro received significant interest in the Target Assets, both on an individual basis as well as a package. In determining the acquirer of the Target Assets, Exxaro applied selection criteria including value maximisation, broad based black ownership and sustainability of the new operator to operate the Target Assets, whilst also minimising transaction execution risk for Exxaro.

The divestment process has now culminated in an agreement for the disposal of ECC. Exxaro has signed a definitive sale and purchase agreement (“**SPA**”) with Overlooked Colliery Proprietary Limited (“**Overlooked**”). Overlooked will acquire all of the issued shares in, and shareholder claims against, ECC (“**ECC Transaction**”). Exxaro has obtained certainty of funding from Overlooked’s lenders towards settlement of its obligations in terms of the ECC Transaction.

This is a voluntary update as the transaction falls below the Category 2 threshold of the JSE Limited Listings Requirements.

The ECC Transaction is classified as a held for sale asset by Exxaro and proceeds received will be used in accordance with Exxaro’s capital allocation framework.

The Leeuwpan Coal Mine operation’s disposal is ongoing, and shareholders will be updated on progress once finalised.

### **2. The ECC Transaction**

#### **Salient transaction terms:**

Exxaro will sell all its shares in, and shareholder claims against ECC, to Overlooked Included in the purchase consideration is cash in the rehabilitation trust which Exxaro will retain. In addition, Overlooked will assume all the rehabilitation liabilities. Exxaro will retain all coal export entitlement through Richards Bay Coal Terminal.

Overlooked is a privately held and 100% black-owned mining entity and successful operator of three mines namely, Overlooked Colliery (Pty) Ltd, Weltevreden Colliery (Pty) Ltd, and Halfgewonnen Colliery. The

former two mines are a recent acquisition from Sudor Coal. Overlooked currently produces 2 400 000t of coal and plans to reach 4 800 000t per annum by 2022 off its existing portfolio.

The submission of the ECC Transaction to the South African competition authorities and the Department of Mineral Resources and Energy (“**DMRE**”) will commence shortly. The closure of the ECC Transaction will be primarily dependent on the finalisation of these separate regulatory approvals and other conditions precedent customary in a transaction of this nature (“**ECC Conditions Precedent**”).

Overlooked has procured funder confirmation and guarantees from Absa Bank Limited and another South African bank in favour of Exxaro in terms of the certainty of funds requirement imposed by Exxaro, subject to fulfilment of the ECC Conditions Precedent to the ECC Transaction.

The closing date of the ECC Transaction will be the last business day of the month in which the final ECC Condition Precedent is fulfilled or waived, provided that if the final ECC Condition Precedent is fulfilled or waived within 5 business days of the end of any month, then the closing date will be at the end of the following month, with the closing date expected to occur in the second half of 2021.

The SPA provides for warranties, undertakings, indemnities and events of default that are customary for a transaction of this nature.

#### **Details of the ECC asset:**

ECC comprises the Dorstfontein, Forzando and Tumelo operations.

The Dorstfontein complex is located north-east of the town of Kriel, in South Africa’s Mpumalanga province and comprises Dorstfontein West (“**DCMW**”), an underground mine, and Dorstfontein East (“**DCME**”), an opencast and planned underground operation. DCMW and DCME’s mining rights expire in December and October 2036 respectively.

The Forzando complex lies South East of the Dorstfontein complex and comprises two underground mines, Forzando North (“**FZON**”) and Forzando South with both mining rights expiring in November 2027. Forzando accessed some historical workings at FZON (under care and maintenance since 2014) successfully in the 2018 financial reporting year resulting in increased product mix production and quality.

Tumelo, a company owned by ECC and Mmakau Mining Proprietary Limited, with mining rights expiring in 2025, was recommissioned and commenced operations in Q2 2019 following technical and financial evaluations.

### **3. Conclusion**

ECC’s successful sale to a black owned mining operator with a strong track record such as Overlooked, has confirmed Exxaro’s strategic view that the assets have value and that a different operator is better placed to extract maximum value from these assets. Exxaro is pleased to play a meaningful role in assisting black mining operators in obtaining scale and additional resources to their existing operations.

Shareholders will be updated as to the fulfilment of the ECC Conditions Precedent as and when these are fulfilled.

Karen Mare

**ACTING GROUP COMPANY SECRETARY**

9 April 2021



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