



CEO's REPORT

TO SHAREHOLDERS

PUTTING THE
PIECES TOGETHER

22 November 2017



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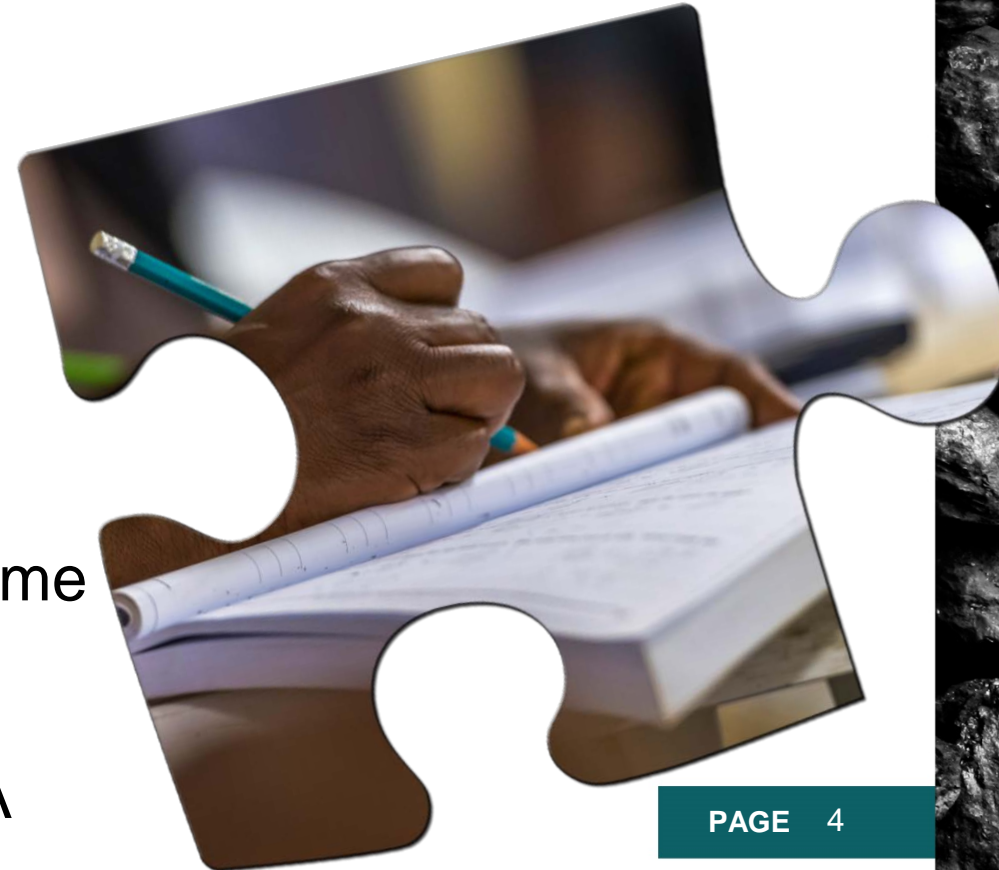
PRIMARY FOCUS FOR THE YEAR

- **Advancing the project finance**
 - complex and time consuming process with many challenges
 - the project is the collateral
 - complete every aspect to satisfaction of ITE
 - substantial progress achieved



FINANCING ENVIRONMENT

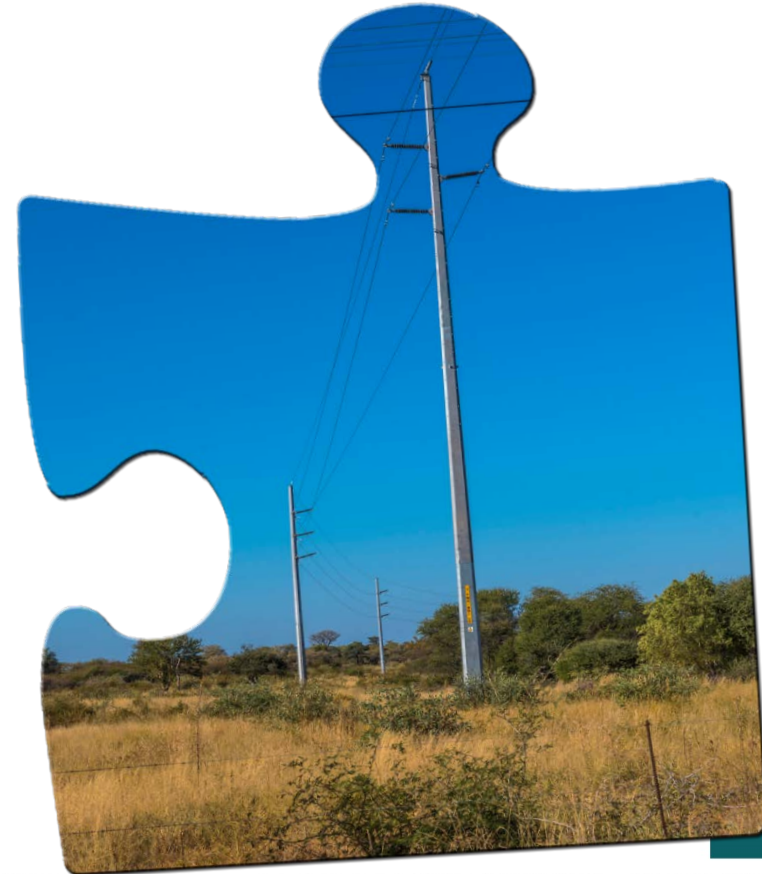
- International
 - hostile macro environment
 - absence of conventional lenders
- Domestic
 - friendly micro environment
 - South Africa needs coal for decades to come
- Conclusion
 - Search for project finance focussed on SA



POSITIONING OF PROJECT IN SOUTH AFRICA



- National Development Plan
 - SIP 1 – unlock the Waterberg
- Partnership between private & public sectors
- Positioning embraced by key stakeholders
 - government
 - state owned enterprises
 - financiers



RESOURCES, RESERVES AND MINING COMPETENT PERSONS STATEMENT – JAN 2017



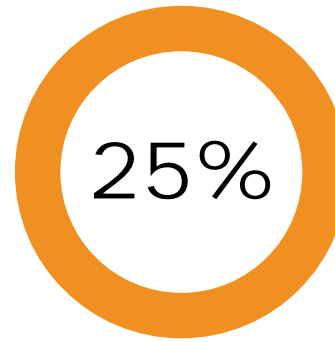
Statement of Coal Resources and Reserves



Resources
(billion tonnes)



Reserves
(million tonnes)



of
tenements

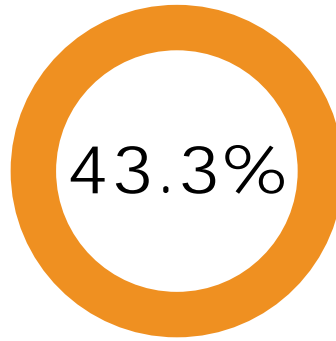


RESOURCES, RESERVES AND MINING

Mining plan



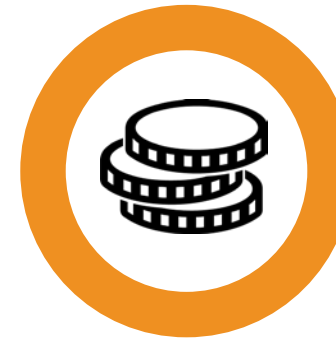
Annual
production
(Mtpa)



Yield



Accelerated in-pit
dumping of waste



Cost-effective

Bulk mining

Access to multiple benches

In-pit dumping

Short haul distances

EXECUTION STRATEGY

- **Reduce cost and risk**
 - best advantage from current economic environment
 - limited number of engineering, procurement and construction (EPC) contractors with good track records and strong balance sheets
 - limited interfaces between contractors managed by experienced management team



MAIN CONTRACTORS

- **Sedgman** – contracts completed but not executed
 - design and construct coal handling and processing plant (CHPP)
 - operate CHPP for four years post commissioning
 - ancillary works contract
- **Stefanutti Stocks Mining Services** – contract almost completed
 - mining contract
- **Transnet** – fixed price EPC principles agreed
 - construct and operate rail link

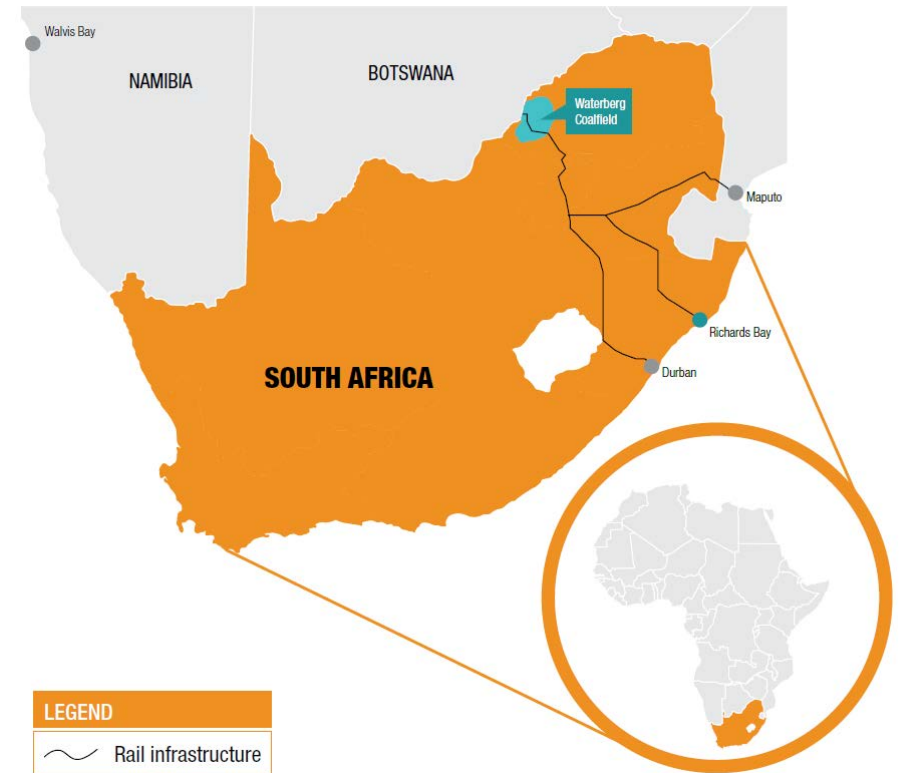
SEDGMAN



LOGISTICS SOLUTION – MAIN LINE UPGRADE



- Transnet Freight Rail upgrade of Waterberg rail capacity
 - current capacity: 3Mtpa
 - Stage 1: 6Mtpa (under construction)
 - Stage 2: 9.5Mtpa (March 2019)
 - Stage 3: 13.8Mtpa (June 2019)
 - Stage 4: 24Mtpa (December 2021)
 - CAPEX approved for stages 2 and 3





LOGISTICS SOLUTION – TIME LINES

December 2016
Approval of revised scope
from operations

June 2019
Revised Stage 3 completed (13.8Mtpa)

March 2019
Revised Stage 2 completed (9.5Mtpa)

December 2021
Stage 4 completed
(24Mtpa)

LOGISTICS SOLUTION - AGREEMENTS

- Transportation of coal agreement – completed but not executed
- Rail service level agreement – completed but not executed
- Undertaking to provide port access at Richards Bay Coal Terminal and/or Richards Bay Grindrod Terminals in 2020



INDEPENDENT TECHNICAL EXPERT REPORTS COMPLETED WITH NO FATAL OR MATERIAL FLAWS



- Venmyn Deloitte (technical)
- Environmental Resources Management (environmental)
- Wood Mackenzie (marketing)
- Herbert Smith Freehills (legal)
- All reports favourable to the project

VenmynDeloitte.



HERBERT
SMITH
FREEHILLS

MARKETS

- **Offtake contracts concluded** for export and domestic coal production
- **Export offtake contracts**
 - Integrated Coal Mining Limited
 - Valu Investments Pte Ltd
 - Noble Resources International Pte Ltd
- **Domestic offtake**
 - Noble Resources International Pte Ltd
 - [Eskom]

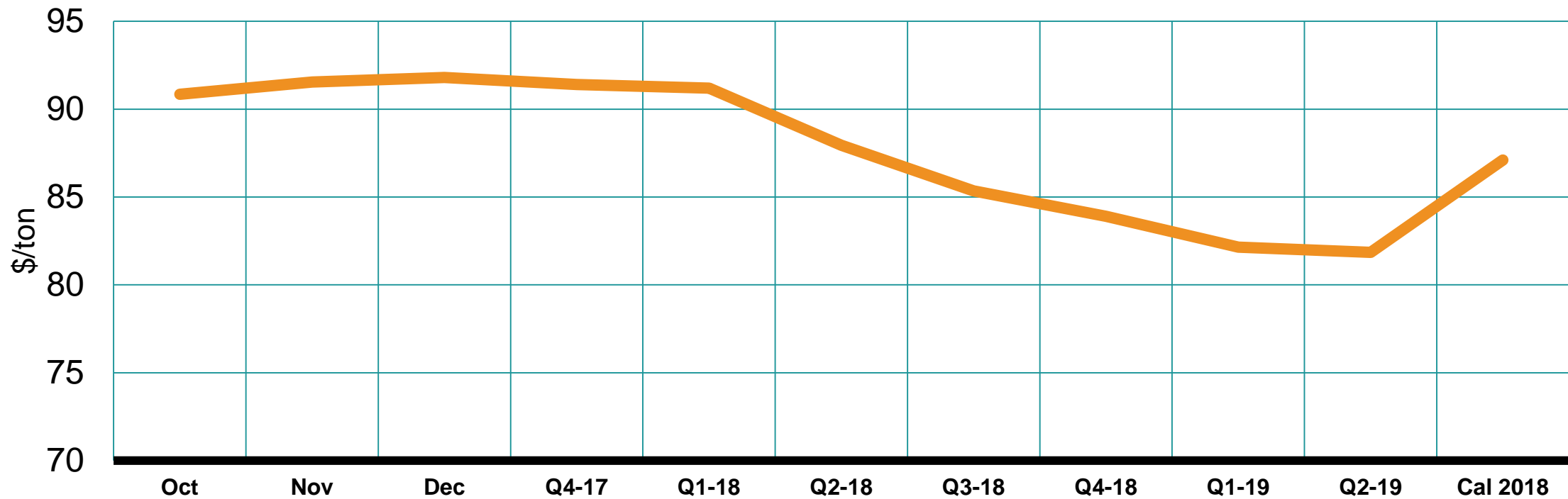


COAL PRICES SUPPORT BASE CASE FINANCIAL MODEL

based on 65\$/ton



API#4 coal price forward curve (\$/ton)



Average of bid and offer prices as per ICAP Coal Price Update as at 25 October 2017

BASE CASE FINANCIAL MODEL



- Completed
- Project is economically viable
- All assumptions proven by EPC contracts, offtake contracts and independent technical expert (ITE) reports
- Audited by EY



PROJECT FUNDING

- **Project funding proposal**
- Sufficient to complete construction
- Excludes rail link and ramp up costs to be funded separately
- Funders due diligence investigations concluded
- Credit submissions completed
- Credit approval processes underway



PROJECT FUNDING (CONTINUED)

- Related party component of proposed funding will require shareholder approval
- Board approval will be sought once term sheets are finalised and credit approvals received
- Australian independent expert identified and will be appointed following board approval
- Experts report will be thorough and will contain necessary financial information and forecasts for shareholders to make informed decision



RAIL LINK



- To be constructed by Transnet
- Link to be funded by Development Bank of Southern Africa
- Load-out station to be funded out of project finance
- Open access
- Link to Botswana



ESTIMATED TIMELINES



Q1/Q2 2018

- Finance documents completed
- EGM

Q4 2020

First saleable coal

Q2 2018

- Financial close
- Notices to proceed to EPC contractors
- 27-month construction period

Q3 2020

Commissioning

BOIKARABELO COAL MINE ACTIVITIES 2017



- Limited construction activity
- Eskom electricity connection
- Focus on
 - care and maintenance
 - operational readiness
- Independent Power Producer
 - 300MW
 - Preparations for bid in progress
 - Joint Development Agreement





TERM
SHEETS

FINANCE
DOCUMENTS

FINANCIAL
CLOSE

ITE REPORTS

MAIN
CONTRACTORS

RAIL LINK

MINE PLAN

EXECUTION

POSITIONING



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