

11 January 2012

**RECOMMENDED, CASH TAKEOVER OFFER  
BY EXXARO FOR AFRICAN IRON**

**KEY POINTS**

- Exxaro is offering **A\$0.51 cash** base consideration for each African Iron share (ASX: AKI),
- Exxaro will increase the consideration to **A\$0.57 cash** where Exxaro has a relevant interest in 75% or more of African Iron shares (on a fully diluted basis),
- In addition, Exxaro is offering a **A\$0.31 cash** base consideration for each listed African Iron option (ASX: AKIOA). Exxaro will increase the consideration to **A\$0.37 cash** where Exxaro has a relevant interest in 75% or more of African Iron shares (on a fully diluted basis),
- African Iron's largest shareholder, Cape Lambert Resources (ASX: CFE), has entered into a pre-bid acceptance agreement with Exxaro in respect of 19.99% of African Iron's current shares on issue,
- The African Iron board unanimously recommends that shareholders and optionholders accept the Exxaro takeover offer, in the absence of a superior proposal,
- Each African Iron director intends to accept the offer with respect to all shares and listed options owned or controlled by them within 6 business days of the offer opening, in the absence of a superior proposal,
- The offer is subject to only a small number of conditions, namely more than 50% minimum acceptance (on a fully diluted basis), no regulatory action, no material adverse change and no prescribed occurrences,
- The base consideration of **A\$0.51 per share** represents a 49% premium to African Iron's 30 day VWAP of A\$0.343 and a 76% premium to African Iron's 90 day VWAP of A\$0.289. The increased consideration of **A\$0.57 per share** represents a 66% premium to African Iron's 30 day VWAP of A\$0.343 and a 97% premium to African Iron's 90 day VWAP of A\$0.289,
- The base consideration of **A\$0.31 per option** represents a 73% premium to the 30 day VWAP of listed African Iron options of A\$0.179 and a 121% premium to the 90 day VWAP of listed African Iron options of A\$0.140. The increased consideration of **A\$0.37 per option** represents a 107% premium to the 30 day VWAP of African Iron listed options of A\$0.179 and a 164% premium to the 90 day VWAP of African Iron listed options of A\$0.140,
- Exxaro will fund the takeover from cash reserves and existing debt facilities, and has already obtained Foreign Investment Review Board and all necessary South African regulatory approvals for the takeover,
- The offer at the increased consideration of A\$0.57 per share values African Iron at approximately A\$338 million on a fully diluted basis,
- The offer will be open for acceptances until 5pm Perth time on 14 February 2012 (unless extended).

Exxaro Resources Limited (JSE: EXX) and African Iron Limited (ASX: AKI) (“African Iron”) are pleased to announce that African Iron and a wholly owned subsidiary of Exxaro Resources Limited, Exxaro Australia Iron Investments Pty Ltd (“Exxaro”) have signed a Takeover Bid Implementation Agreement (“TBIA”) for an off-market, cash takeover for all of the shares and listed options in African Iron (“Exxaro Offer”).

African Iron and Exxaro believe the Exxaro Offer should be carefully considered by African Iron shareholders and optionholders as it provides a highly attractive opportunity for them to realise their investment at a significant premium to recent trading levels.

Importantly, Exxaro has entered into a pre-bid acceptance agreement with African Iron’s largest shareholder, Cape Lambert Resources Limited (ASX: CFE) (“Cape Lambert”) to accept the Exxaro Offer within five days of the offer opening in respect of 19.99% of African Iron’s current shares on issue.

Commenting on the Exxaro Offer, Independent, Non-Executive Chairman of African Iron Dr Ian Burston said “the African Iron Board of Directors has carefully considered the offer by Exxaro and in the absence of a superior proposal, the Board unanimously recommends that shareholders and listed optionholders should accept the offer.”

The CEO of Exxaro Resources Limited, Mr Siphon Nkosi said “we are very excited about African Iron’s projects in the Republic of Congo, as they will provide Exxaro with the opportunity to realise its stated ambitions of developing a significant iron ore asset in this rapidly emerging and prospective region.”

Mr Nkosi further added, “the African Iron acquisition will enable Exxaro to leverage its bulk commodity and iron ore expertise into the development of the Mayoko project. We have invested a significant amount of time and resources in due diligence on this acquisition including several site visits and meetings with senior members of the Republic of Congo government.”

Each African Iron Director intends to accept the Exxaro Offer with respect to all shares and options owned or controlled by them within 6 business days of the offer opening, in the absence of a superior proposal.

The Exxaro Offer will be fully funded from Exxaro’s internal cash reserves and existing debt facilities and is not conditional on Exxaro obtaining financing.

Importantly, Exxaro has already obtained the approval of Australia’s Foreign Investment Review Board and all necessary South African regulatory approvals for the takeover. Consequently, the Exxaro Offer is subject to only a small number of conditions namely more than 50% minimum acceptance (on a fully diluted basis), no regulatory action, no material adverse change and no prescribed occurrences.

Subject to the Exxaro Offer becoming unconditional and the 75% acceptance level (on a diluted basis) being reached, all shareholders and optionholders who accept

the Exxaro Offer will be paid A\$0.57 or A\$0.37 cash for each African Iron share and listed option respectively they own regardless of whether they accept before or after that acceptance level is reached.

The offer for the listed options is conditional only on the share offer becoming unconditional.

A more detailed summary of the Exxaro Offer is set out in Appendix A.

African Iron shareholders and optionholders with questions in relation to the Exxaro Offer may call the African Iron Offer Investor Information Line on 1800 628 703 (for calls made from within Australia) or +61 2 8280 7513 (for calls made from outside Australia) between 9am and 8pm Sydney time.

\*\*\*\*\*Ends\*\*\*\*\*

## **Advisers**

African Iron is being advised by Freehills as legal adviser. Exxaro is being advised by Investec Bank (Australia) Limited and Investec Bank Limited as financial adviser and Gilbert + Tobin as legal adviser.

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## **About African Iron**

African Iron Limited is an ASX listed iron ore exploration and development company focusing on near term production of 5Mtpa of direct shipping iron ore from its 92% owned Mayoko project, located in the Republic of Congo, central West Africa.

Further information on African Iron can be found at [www.africanironlimited.com](http://www.africanironlimited.com)

## **About Exxaro**

Exxaro Resources Limited is a South African-based mining company, listed on the Johannesburg Stock Exchange Limited (JSE: EXX) with a market capitalisation of approximately A\$7.66 billion.

Exxaro Resources Limited mines, extracts and processes a range of minerals and metals, including coal, mineral sands and base metals primarily in South Africa, Australia and China. As one of the largest South African coal producers, with production capacity now approaching 48 million tonnes per annum and the third-largest global producer of mineral sands products, Exxaro is a significant participant in the coal and mineral sands markets. Exxaro has a 20% interest in the Sishen Iron Ore Company, a subsidiary of JSE listed Kumba Iron Ore Limited, which operates the Sishen and Thabazimbi mines in South Africa.

Further information on Exxaro Resources Limited can be found at [www.exxaro.com](http://www.exxaro.com)

## **Appendix A – Summary of the Exxaro Offer**

Under the offer, Exxaro will offer African Iron shareholders consideration of A\$0.51 cash for each African Iron share they own (“Initial Offer Price”).

If Exxaro acquires a relevant interest in 75% of the fully diluted share capital of African Iron under the bid<sup>1</sup>, Exxaro will vary the offer to increase the offer price to A\$0.57 cash for each African Iron share (“Increased Offer Price”). Subject to the offer becoming, or being declared, free from all conditions and the 75% relevant interest level being reached, all shareholders who accept the offer will be paid A\$0.57 for each African Iron share they own regardless of whether they accept before or after that acceptance level is reached.

The offer is subject to a limited number of conditions, namely more than 50% minimum acceptance, no regulatory action, no material adverse change and no prescribed occurrences.

At the Initial Offer Price, the offer values African Iron at approximately A\$302 million (on a fully diluted basis<sup>2</sup>) and at the Increased Offer Price, the offer values African Iron at approximately A\$338 million.

African Iron and Exxaro believe the offer provides a very attractive opportunity for African Iron shareholders to realise their investment in African Iron at a significant premium to recent share trading levels, with the Initial Offer Price representing a premium of:

- 49% to the volume weighted average price of African Iron shares in the last 30 days prior to this announcement of A\$0.343 per share; and
- 76% to the volume weighted average price of African Iron shares in the last 90 days prior to this announcement of A\$0.289 per share,

and the Increased Offer Price representing a premium of:

- 66% to the volume weighted average price of African Iron shares in the last month prior to this announcement of A\$0.343 per share; and
- 97% to the volume weighted average price of African Iron shares in the last 90 days prior to this announcement of A\$0.289 per share.

### **Major Shareholder Support**

Cape Lambert, which currently owns 25.25% of African Iron’s shares, is supportive of the offer and has entered into a pre-bid acceptance agreement with Exxaro under which Cape Lambert has agreed to accept the offer in respect of 19.99% of African Iron’s current shares on issue within 5 days of the offer opening. A copy of the pre-bid acceptance agreement will be attached to Exxaro’s initial substantial shareholder notice to be lodged shortly.

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<sup>1</sup> For the purposes of this calculation and Exxaro increasing the offer price, Exxaro will be deemed to have a relevant interest in any African Iron shares which may be issued on exercise of any African Iron options acquired by Exxaro where Exxaro has not, at the time of calculation, exercised such options.

<sup>2</sup> Based on 592.5M fully diluted shares on issue (501,828,283 ordinary shares and 90,624,952 options on issue).

As stated above, the African Iron directors intend to accept the offer for shares they own or control within 6 business days of the offer opening, in the absence of a superior proposal.

### **Offer Conditions**

The offer is subject to a small number of conditions, namely more than 50% minimum acceptance, no regulatory action, no material adverse change and no prescribed occurrences.

Exxaro has already obtained the approval of Australia's Foreign Investment Review Board and all necessary South African regulatory approvals for the takeover.

The conditions to the offer are more fully set out in full in schedule 2 of the Takeover Bid Implementation Agreement ("TBIA") that will be released on ASX shortly following this announcement.

### **Accelerated payment terms**

Exxaro has agreed to pay the offer consideration within 14 days of the offer becoming, or being declared, free from all conditions.

In the event Exxaro obtains a relevant interest in 75% of African Iron shares (on a fully diluted basis) as discussed above and the offer has become, or has been declared, free from all conditions, any shareholders who have been paid A\$0.51 per share will receive a further payment of 6 cents per share as soon as practicable after the offer is varied to increase the price to A\$0.57.

### **Options Offers**

Exxaro will also make an offer to the holders of listed options in African Iron at an offer price of A\$0.31 per listed African Iron option, such price being equal to the Initial Offer Price for the African Iron shares less the A\$0.20 exercise price of the listed options. The offer price for the listed options will be increased to A\$0.37 per option should the Increased Offer Price on the shares apply.

The offer for the listed options is conditional only on the share offer becoming unconditional.

Exxaro intends to make separate offers for the majority of the unlisted options at a price per option equal to the Initial Offer Price or Increased Offer Price as applicable less the exercise price on the relevant unlisted option. Further details of the unlisted options offer including which options offers will be made for is set out in the TBIA.

The African Iron board unanimously recommends that African Iron optionholders accept the offer for their options in the absence of a superior proposal. The directors intend to accept the option offers with respect to all options owned or controlled by them within 6 business days of the option offers opening (or in respect of any unlisted

options subject to escrow restrictions after the ASX provides the necessary consent to allow acceptance) in the absence of a superior proposal.

### **Other key terms of bid implementation agreement**

African Iron and Exxaro have agreed customary exclusivity arrangements including “no shop” and “no talk” restrictions, notification and matching rights. A break fee of A\$2.5 million may also be payable by African Iron to Exxaro under certain circumstances.

A full copy of the TBIA will be released on ASX shortly following this announcement.

### **Next Steps and Timetable**

Exxaro intends to issue its Bidder’s Statement later today, with the offer opening and dispatch to shareholders commencing today as well. The Bidder’s Statement will outline the details of the offer and instructions about how to accept the offer. African Iron will finalise and mail out its Target’s Statement shortly thereafter. African Iron shareholders and listed optionholders should carefully consider these documents before deciding whether to accept into the offer.

The offer will remain open until 5pm Perth time on 14 February 2012 unless extended.

### **Advisers**

African Iron is being advised by Freehills as legal adviser.

Exxaro is being advised by Investec Bank (Australia) Limited and Investec Bank Limited as financial adviser and Gilbert + Tobin as legal adviser.