BIDDER’S STATEMENT
ACCEPT THE OFFER

by
Exxaro Australia Iron Investments Pty Ltd
ACN 151 112 524, a wholly owned subsidiary of Exxaro Resources Limited
to purchase all of Your Shares and Your Listed Options in African Iron Limited
ABN 24 123 972 814

These Offers are unanimously recommended by African Iron’s directors, in the absence of a superior proposal.

Exxaro Offer Information Line
1800 095 654 (toll free for callers within Australia) and
+61 2 8280 7114 (for callers outside Australia)

The Offers close at 5:00 pm (Perth time) on 14 February 2012, unless extended.
### Key dates

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
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<tr>
<td>Date of this Bidder's Statement</td>
<td>11 January 2012</td>
</tr>
<tr>
<td>Date of Offers</td>
<td>11 January 2012</td>
</tr>
<tr>
<td>Offers close (unless extended or withdrawn)</td>
<td>5:00 pm (Perth time) on 14 February 2012</td>
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### Key Contacts

**AKI Share and AKI Listed Option registrar for the Offers**

**Hand delivery:**
Link Market Services Limited  
AKI Takeover  
Level 12, 680 George Street,  
Sydney NSW 2000

**Or by post:**
Link Market Services Limited  
AKI Takeover  
Locked Bag A14  
Sydney South NSW 1235

**Exxaro Offer Information Line**
1800 095 654 (toll free) for callers within Australia  
+61 2 8280 7114 for callers outside Australia

*Calls to these numbers may be recorded.*
Important Information

Nature of this document
This Bidder’s Statement is issued by Exxaro Australia Iron Investments Pty Ltd ACN 151 112 524 (Exxaro Australia), a wholly-owned subsidiary of Exxaro Resources Limited (Exxaro) under Part 6.5 of the Corporations Act 2001 (Cth).

A copy of this Bidder’s Statement was lodged with ASIC on 11 January 2012. Neither ASIC nor its officers take any responsibility for the content of this Bidder’s Statement.

This Bidder’s Statement contains separate offers in relation to:
• all AKI Shares currently on issue and any AKI Shares issued during the Offer Period; and
• all AKI Listed Options

and includes information in relation to both Offers. Included with this Bidder’s Statement is a personalised Acceptance Form. If you hold AKI Shares, you will receive a personalised Share Offer Acceptance Form, and if you hold AKI Listed Options, you will receive a personalised Option Offer Acceptance Form.

Calculation of Exxaro Australia’s Relevant Interest in AKI Shares
In this Bidder’s Statement, for the purposes of calculating Exxaro Australia’s Relevant Interest in 75% or more of the AKI Shares on a fully diluted basis in relation to the intention to increase the consideration under the Offers, Exxaro Australia will be deemed to have a Relevant Interest in any AKI Shares which may be issued on exercise of any AKI Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of the calculation, exercised such options.

Investment advice
In preparing this Bidder’s Statement, Exxaro Australia has not taken into account the individual objectives, financial situation or needs of individual AKI Shareholders or AKI Optionholders. Accordingly, before making a decision whether or not to accept the Share Offer and/or the Option Offer, you may wish to consult with your financial or other professional adviser.

Disclaimer as to forward looking statements
Some of the statements appearing in this Bidder’s Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which the AKI Group and the Exxaro Group operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. Neither Exxaro Australia, Exxaro, nor any of their directors, officers or employees, any persons named in this Bidder’s Statement with their consent or any person involved in the preparation of this Bidder’s Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Bidder’s Statement reflect views held only as at the date of this Bidder’s Statement.
Important Information cont.

Disclaimer as to AKI information
The information on AKI, AKI’s securities and AKI Group contained in this Bidder’s Statement has been prepared by Exxaro Australia using publicly available information and information made available to the Exxaro Group by AKI. The information in this Bidder’s Statement concerning AKI and the assets and liabilities, financial position and performance, profits and losses and prospects of the AKI Group, has not been independently verified by Exxaro Australia. Accordingly Exxaro Australia does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Exxaro Australia has prepared this Bidder’s Statement and AKI does not assume responsibility for the accuracy or completeness of its contents.

Further information relating to AKI’s business may be included in AKI’s target’s statement which AKI must provide to its shareholders in response to this Bidder’s Statement.

Notice to foreign AKI Shareholders
This Bidder’s Statement and the Offers are subject to Australian disclosure requirements which may be different from those applicable in other jurisdictions. This Bidder’s Statement and the Offers do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Bidder’s Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder’s Statement should inform themselves of, and observe, those restrictions.

Privacy
Exxaro Australia has collected your information from the AKI register of shareholders and optionholders for the purpose of making these Offers and, if accepted, administering acceptances of the Offers in respect of your holding of AKI Shares and/or AKI Listed Options (as the case may be). The Corporations Act requires the name and address of shareholders and optionholders to be held in a public register. Your information may be disclosed on a confidential basis to Exxaro Australia’s related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. The registered address of Exxaro Australia is Level 2, 24 Outram Street, West Perth, WA, Australia, 6005.

Defined terms
A number of defined terms are used in this Bidder’s Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 11 of this Bidder’s Statement, words and phrases in this Bidder’s Statement have the same meaning and interpretation as in the Corporations Act.
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Executive Director’s letter

11 January 2012

Dear African Iron Shareholder

Recommended off-market cash takeover bid for African Iron Limited

We are pleased to enclose an offer from Exxaro Australia Iron Investments Pty Ltd ACN 151 112 524, (Exxaro Australia) a wholly owned subsidiary of Exxaro Resources Limited (Exxaro), to acquire all Your Shares in African Iron Limited (AKI) for A$0.51 cash per share (Initial Offer Price), which will be increased to A$0.57 per share (Increased Offer Price) if Exxaro Australia obtains a relevant interest in at least 75% of AKI Shares (on a fully diluted basis) (Share Offer).

This document also contains an offer by Exxaro Australia to acquire all Your Listed Options currently on issue (the Options Offer) for A$0.31, being the difference between the Initial Offer Price under the Share Offer and the exercise price of A$0.20 of the AKI Listed Options. If the Initial Offer Price is increased to the Increased Offer Price, then the Option Offer price will be increased to A$0.37 per AKI Listed Option.

Who is Exxaro?

Exxaro is a South African-based mining company listed on the Johannesburg Stock Exchange (JSE) with a market capitalisation of approximately A$7.66 billion. Exxaro 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 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. The Sishen mine is one of the largest single open-pit iron ore mines in the world, known for its high grade and consistent product quality.

AKI represents an opportunity which will allow Exxaro to leverage its bulk commodity and iron ore expertise.

Further information on Exxaro can be found at www.exxaro.com.

About the Offers

The Offers provide you with a compelling opportunity to realise an exceptional cash value for your investment in AKI. There are a number of significant benefits to the Offer, including:

- A highly attractive premium for Your Shares or Your Listed Options:
  - with the Initial Offer Price representing a premium of 28% to AKI’s last closing share price prior to announcement of the Offers of A$0.40 per share;
  - and the Increased Offer Price representing a premium of 43% to AKI’s last closing share price prior to announcement of the Offers of A$0.40 per share;

- Exxaro Australia’s Offers are simple cash offers which provide certain value for Your Shares and Your Listed Options whilst removing your exposure to the risks associated with a continued shareholding in AKI. These risks include risks associated with the development of the Mayoko Project and in particular, the fact that in order to fund this development AKI will need to raise substantial further capital, which may be dilutive to AKI Shareholders; and

- AKI’s share price may fall if Exxaro Australia’s Offer is not successful.
Major shareholder and director support

Cape Lambert Resources Limited (Cape Lambert), which currently owns 25.25% of AKI’s shares, is supportive of the Share Offer and has entered into a pre-bid acceptance agreement with Exxaro under which Cape Lambert has agreed to accept the Share Offer in respect of 19.99% of AKI’s current shares on issue within 5 days of the Share Offer opening. See Section 8.3 of the Bidder’s Statement for full details.

Furthermore, the AKI board of directors has carefully considered the Offers and unanimously support and recommend the Offers in the absence of a superior proposal. The AKI directors who own or control AKI Shares or AKI Listed Options intend to accept the Offers for AKI Shares or AKI Listed Options they own or control within 6 business days of the Offers opening.

The Offers are subject to a small number of conditions namely Exxaro obtaining a Relevant Interest in more than 50% of the AKI Shares, 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 Offers are set out in Sections 9 and 10 of this Bidder’s Statement. In the context of the support of Cape Lambert, Exxaro Australia is confident that the minimum acceptance condition will be satisfied.

Exxaro’s intentions

If the Offers are successful, Exxaro believes that it has the financial strength, operational and technical expertise and know-how to develop the Mayoko Project to its maximum potential. Exxaro intends to complete feasibility studies, assess various development options and to develop the Mayoko Project into a mining operation and continue with other exploration activities to expand the mineral resource.

Acceptance of the Offers

The Offers are scheduled to close at 5:00pm (Perth time) on 14 February 2012 unless extended. To accept an Offer, please follow the instructions on the enclosed Acceptance Form. If you have any questions about the Offers, please contact the Exxaro Offer Information Line on 1800 095 654 (toll free for callers within Australia) or +61 2 8280 7114 (from outside Australia).

I strongly encourage you to ACCEPT these compelling Offers for the reasons set out in this Bidder’s Statement, so that you receive a full and fair risk-free cash value for your investment in AKI.

Thank you for your consideration of the Offers.

Yours faithfully

Tony Martin
Executive Director
Why you should accept the Offers

The AKI Board unanimously recommends you accept the Offers

The AKI Board has unanimously recommended that AKI Shareholders and AKI Optionholders accept the Offers, in the absence of a superior proposal.

All AKI directors intend to accept the Share Offer and the Option Offer for all the AKI Shares and AKI Listed Options, respectively, that they own or control as at the Announcement Date, within six Business Days after the date of the Offers and in the absence of a superior proposal.

The Offers represent a very attractive premium to recent trading prices

The Offers represent a significant premium to recent trading prices. In particular:

- the Share Offer of A$0.51 per AKI Share represents a 28% premium over the AKI Share price as at 9 January 2012, being the last ASX trading day prior to announcement of the Offer;
- the Option Offer of A$0.31 per AKI Listed Option represents a 55% premium over the price of AKI Listed Options as at 9 January 2012, being the last ASX trading day prior to announcement of the Offer; and
- upon obtaining a Relevant Interest in at least 75% of all AKI Shares (on a fully diluted basis1), the Share Offer Price will be increased to A$0.57 per AKI Share and the Option Offer Price will be increased to A$0.37 per AKI Listed Option, representing a 43% or 85% premium over the AKI Share or AKI Listed Option price respectively as at 9 January 2012, being the last ASX trading day prior to announcement of the Offers.

The following chart shows a comparison of the Share Offer Price to trading prices of AKI Shares up to the close of trading on 9 January 2012, being the last trading day before the announcement of the Offers:

![Comparison Chart]

Source: IRESS

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1 See paragraph entitled ‘Calculation of Exxaro Australia’s Relevant Interest in AKI Shares’ in the ‘Important Information’ section as to how Exxaro Australia’s Relevant Interest will be calculated.
You will receive cash for your AKI Shares and AKI Listed Options

The Offers will provide the following consideration:

- Share Offer of A$0.51 cash per AKI Share, which will be increased to A$0.57 upon Exxaro Australia obtaining a Relevant Interest in at least 75% of all AKI Shares (on a fully diluted basis); and
- Option Offer of A$0.31 cash per AKI Listed Option, which will be increased to A$0.37 upon Exxaro Australia obtaining a Relevant Interest in at least 75% of all AKI Shares (on a fully diluted basis).

The cash consideration under both Offers (subject to the conditions of the Share Offer and the Option Offer, as the case may be, being satisfied or waived) provides the certainty of cash value in uncertain financial and economic times where the value of your holding in AKI Shares or AKI Listed Options could vary.

This removes your risks and uncertainties associated with a continued holding in AKI and offers an exit without paying brokerage.

You will be paid within 14 days of the later of:

(a) the relevant Offer (be it the Share Offer or Option Offer) becoming or being declared Unconditional; and

(b) receipt of a duly completed Acceptance Form.

The Share Offer has the support of AKI’s largest shareholder

AKI’s largest shareholder, Cape Lambert Resources Limited (Cape Lambert), supports the Share Offer. Pursuant to a pre-bid acceptance agreement between Exxaro Australia and Cape Lambert dated 10 January 2012, Cape Lambert has agreed to accept into the Share Offer in respect of those AKI Shares comprising a 19.99% interest in AKI within the first 5 days of the Offer Period (in the absence of a higher competing bid being announced during such period). In addition, Cape Lambert has announced that it intends to accept the Share Offer (in the absence of a superior proposal) in respect of its remaining AKI Shares.

Exxaro Australia believes that the support of Cape Lambert illustrates that the Share Offer consideration provides AKI Shareholders with an opportunity to receive premium value for their AKI Shares.

See Section 8.3 for full details.

Avoidance of future funding uncertainties

AKI’s major project, the Mayoko Project, will require a significant amount of capital to advance the project from its current stage to commercialisation.

If AKI Shareholders and AKI Optionholders do not accept the Offers, development of the Mayoko Project will give rise to a significant funding requirement for AKI, which would require substantial capital raisings, for example via rights issues (requiring extensive additional funding by existing AKI Shareholders) or dilutive placements to third parties.

The Offers allow holders of AKI Shares and AKI Listed Options to eliminate the risk associated with future funding uncertainties in exchange for a cash payment now.
Why you should accept the Offers cont.

Avoidance of other risks associated with maintaining your investment in AKI

Aside from the funding uncertainties described above, there are a number of other risks associated with maintaining your investment in AKI which will be resolved by the certainty of cash under the Offers. These include:

(i) Risks associated with operations in the Republic of Congo: AKI’s principal asset is its 92% interest in the Mayoko Project, which is located in the Republic of Congo. AKI also has an 85% interest in the Ngoubou-Ngoubou Project. Due to the location of these assets, AKI has exposure to the political, economic and social risks associated with a developing nation.

(ii) Iron ore price volatility: In the event that subsequent development of the Mayoko Project is undertaken, a significant proportion of AKI’s revenues and cash flows are likely to be derived from the sale of iron ore. Therefore, the financial performance of AKI will be sensitive to the iron ore price, which is dependent on numerous factors such as general economic activity, world demand, costs of production by other iron ore producers and other matters such as inflationary expectations, interest rates, currency exchange rates (particularly the strength of the US dollar) as well as general global economic conditions and political trends.

(iii) Mining, exploration and operational risks: The business of iron ore exploration, project development and production (subject to completion of the necessary resource definition, and feasibility studies) involves risks by its very nature. To prosper, it depends on the successful exploration, appraisal and development of iron ore reserves and management of the operations. In particular, exploration is a speculative endeavour whilst production operations can be hampered by force majeure circumstances, engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events.

The outcome of exploration programs will affect the future performance of AKI and there can be no assurance that AKI’s attempts to develop and exploit its exploration activities will be successful.

(iv) Development and infrastructure risks: If AKI is to enter the production phase it will need to have access to the infrastructure necessary to transport iron ore from the mine site to end users. AKI is progressing access to rail and port facilities for this purpose, but there can be no guarantee that these discussions will result in rail and port access on favourable terms.

Further discussion of the risks associated with continuing to hold your investment in AKI is expected to be provided by AKI in its target’s statement.

Offers are subject to limited conditions

The Offers are subject to a limited number of conditions namely Exxaro Australia obtaining a Relevant Interest in more than 50% of the AKI Shares, no regulatory action, no Material Adverse Change and no Prescribed Occurrences. In the context of the pre-bid acceptance agreement with AKI’s major shareholder, Cape Lambert, in respect of 19.99% of AKI Shares, Exxaro Australia is confident that the minimum acceptance condition will be satisfied.

AKI Share and AKI Listed Option prices are likely to fall in the absence of the Offers

If the Offers do not proceed and no other offers are made for AKI Shares, it is likely that AKI’s Share price will fall below the share trading price following the announcement of the Offers. It is likely that this will be accompanied by a fall in the value of AKI’s Listed Options subject to the Option Offer.

The average AKI Share price for the 5 trading days before announcement of the Offers was A$0.37, which is substantially lower than the A$0.51 cash under the Share Offer, or A$0.57 (should the Share Offer be increased to that price).
SECTION 1
Summary of the Offers

1.1 Overview
Exxaro Australia is making two separate offers: one for all of Your Shares and one for all of Your Listed Options. A summary of the terms of the Share Offer is set out in Section 1.2 below, and a summary of the terms of the Option Offer is set out in Section 1.3 below.

1.2 Summary of the Share Offer

**What Exxaro Australia is offering to buy**
Exxaro Australia is offering to buy all AKI Shares currently on issue and any AKI Shares issued during the Offer Period on the terms set out in this Bidder’s Statement.

You may only accept this Share Offer in respect of all the AKI Shares held by you.

**What you will receive if you accept the Share Offer**
If you accept the Share Offer, subject to the satisfaction of the conditions of the Share Offer, you will receive A$0.51 cash for each of Your Shares.

In addition, if Exxaro Australia obtains a Relevant Interest in at least 75% of all AKI Shares (on a fully diluted basis) by the close of the Share Offer, Exxaro Australia will vary the Share Offer to increase the consideration to A$0.57 cash for each of Your Shares.

The AKI Board has unanimously recommended the Share Offer
The AKI Board has unanimously recommended that AKI Shareholders accept the Share Offer, in the absence of a superior proposal, and each AKI director who owns or controls AKI Shares as at the Announcement Date intends to accept the Share Offer for those AKI Shares, within six Business Days after the date of the Share Offers and in the absence of a superior proposal.

When you will be paid
Exxaro Australia will pay the consideration due to you under the Share Offer within 14 days of the later of:

(a) the Share Offer becoming or being declared Unconditional; and

(b) receipt of a duly completed Share Offer Acceptance Form.

AKI Shareholders should note that Exxaro Australia has only confirmed it will vary the Share Offer to consideration of A$0.57 per AKI share if Exxaro Australia acquires a Relevant Interest in at least 75% of AKI’s fully diluted capital under the Offers. Consideration will only be payable after the Share Offer has become, or has been declared, Unconditional. Any AKI Shareholders who, prior to such increase, have already been paid A$0.51 per share will receive a further payment of 6 cents per share as soon as practicable after the Share Offer is varied to increase the price to A$0.57.

Full details of when the consideration will be provided are set out in Section 9.6 of this Bidder’s Statement. Exxaro Australia reserves its rights to vary the Offers as permitted under the Corporations Act.

No brokerage on acceptances
You will not pay brokerage if you accept the Share Offer. Any such costs will be borne by Exxaro Australia.

Close of the Share Offer
The Share Offer closes at 5:00pm (Perth time) on 14 February 2012, unless it is extended under the Corporations Act.
Summary of the Offers cont.

<table>
<thead>
<tr>
<th>There are some conditions to the Share Offer</th>
<th>The Share Offer is subject to a small number of conditions namely:</th>
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<tr>
<td></td>
<td>• Exxaro Australia obtaining a Relevant interest in more than 50% of the AKI Shares;</td>
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<tr>
<td></td>
<td>• no regulatory action in respect of the Share Offer;</td>
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<td></td>
<td>• no Material Adverse Change in relation to AKI; and</td>
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<td></td>
<td>• no Prescribed Occurrences in relation to AKI.</td>
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<td></td>
<td>Full terms of the conditions are set out in Section 9.7 of this Bidder’s Statement.</td>
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<table>
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<th>How you accept the Share Offer</th>
<th>You may only accept the Share Offer for all Your Shares.</th>
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<tr>
<td><strong>Issuer sponsored shareholders</strong></td>
<td>If your AKI Shares are held on AKI’s issuer sponsored subregister (such holdings will be evidenced by an ‘I’ appearing next to your holder number on the enclosed Share Offer Acceptance Form), to accept this Share Offer, you must complete and sign the Share Offer Acceptance Form enclosed with this Bidder’s Statement and return it, along with any other documents required to be returned with your Share Offer Acceptance Form, to the address indicated on the form before the Share Offer closes.</td>
</tr>
<tr>
<td><strong>CHESS sponsored shareholders</strong></td>
<td>If your AKI Shares are in a CHESS Holding (such holdings will be evidenced by an ‘X’ appearing next to your holder number on the enclosed Share Offer Acceptance Form), you may accept the Share Offer by either:</td>
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<td></td>
<td>• completing and signing the Share Offer Acceptance Form enclosed with this booklet and returning it to the address indicated on the form; or</td>
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<td></td>
<td>• contacting your broker and instructing your Controlling Participant (normally your broker) to accept the Share Offer on your behalf,</td>
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<td>before the Share Offer closes.</td>
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<tr>
<th>Participants</th>
<th>If you are a Participant, acceptance of this Share Offer must be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the Share Offer closes.</th>
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<td>Full details on how to accept the Share Offer are set out in Section 9.3 of this Bidder’s Statement.</td>
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<tr>
<th>Where to go for further information</th>
<th>For queries on how to accept the Share Offer, see the enclosed Share Offer Acceptance Form or call the Exxaro Offer Information Line on 1800 095 654 (toll free for callers within Australia) and +61 2 8280 7114 (for callers outside Australia).</th>
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<tbody>
<tr>
<td></td>
<td>For queries in relation to your AKI shareholding, please contact African Iron Limited Share Registry, Computershare on 1300 787 272 (for callers within Australia) and +61 8 9323 2000 (for callers outside Australia).</td>
</tr>
<tr>
<td></td>
<td>For all other queries in relation to the Share Offer, please contact the Exxaro Offer Information Line on 1800 095 654 (toll free for callers within Australia) and +61 2 8280 7114 (for callers outside Australia).</td>
</tr>
<tr>
<td></td>
<td>Please note that any calls to the above numbers may be recorded. Inquiries in relation to the Share Offer will not be received on any other telephone numbers of Exxaro Australia or its advisers.</td>
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<table>
<thead>
<tr>
<th>Important notice</th>
<th>The information in this Section 1.2 is a summary only of the Share Offer and is qualified by the detailed information set out elsewhere in this Bidder’s Statement.</th>
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<tr>
<td></td>
<td>You should read the entire Bidder’s Statement and the target’s statement that AKI will shortly be sending to you, before deciding whether to accept the Share Offer.</td>
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</table>
### 1.3 Summary of the Option Offer

<table>
<thead>
<tr>
<th><strong>What Exxaro Australia is offering to buy</strong></th>
<th>Exxaro Australia is offering to buy all AKI Listed Options on the terms set out in this Bidder’s Statement. You may only accept this Option Offer in respect of all the AKI Listed Options held by you.</th>
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</thead>
<tbody>
<tr>
<td><strong>What you will receive if you accept the Option Offer</strong></td>
<td>If you accept the Option Offer, subject to the satisfaction of the conditions of the Option Offer, you will receive A$0.31 cash for each of Your Listed Options. In addition, if Exxaro Australia obtains a Relevant Interest in at least 75% of all AKI Shares (on a fully diluted basis) by the close of the Share Offer, Exxaro Australia will vary the Option Offer to increase the consideration to A$0.37 cash for each of Your Listed Options.</td>
</tr>
<tr>
<td><strong>The AKI Board has recommended the Option Offer</strong></td>
<td>The AKI Board has unanimously recommended that AKI Optionholders accept the Option Offer, in the absence of a superior proposal, and each AKI director who owns or controls AKI Listed Options as at the Announcement Date intends to accept the Option Offer for those AKI Listed Options, within six Business Days after the date of the Option Offer and in the absence of a superior proposal.</td>
</tr>
</tbody>
</table>
| **When you will be paid** | Exxaro Australia will pay the consideration due to you under the Option Offer within 14 days of the later of:  
(a) the Option Offer becoming or being declared Unconditional; and  
(b) receipt of a duly completed Option Offer Acceptance Form.  
Optionholders should note that Exxaro Australia has only confirmed it will vary the Option Offer to consideration of A$0.37 per option if Exxaro Australia acquires a Relevant Interest in at least 75% of AKI’s fully diluted capital under the Share Offer. Consideration will only be payable after the Option Offer has become, or has been declared, Unconditional. Any optionholders who, prior to such increase, have already been paid A$0.31 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$0.37.  
Full details of when the consideration will be provided are set out in Section 10.6 of this Bidder’s Statement. Exxaro Australia reserves its rights to vary the Offers as permitted under the Corporations Act. |
| **No brokerage on acceptances** | You will not pay brokerage if you accept the Option Offer. Any such costs will be borne by Exxaro Australia. |
| **Close of the Option Offer** | The Option Offer closes at 5:00 pm (Perth time) on 14 February 2012, unless it is extended under the Corporations Act. |
| **There is one condition to the Option Offer** | The Option Offer is conditional upon the Share Offer having become or being declared Unconditional. This makes the Option Offer effectively subject to the same conditions as the Share Offer. The condition to the Option Offer is set out in full in Section 10 of this Bidder’s Statement. |
1.3 Summary of the Option Offer cont.

What will happen to the AKI Unlisted Options?
Exxaro Australia will also make individual offers to the holders of the majority of the AKI Unlisted Options on issue over AKI Shares. The consideration payable under such offers will be on a similar basis to the terms of the Option Offer. AKI Unlisted Option holders will be offered consideration equal to the difference between the Share Offer Consideration and the exercise price of their option in exchange for transfer or cancellation of their AKI Unlisted Options. See Section 4.4 of this Bidder’s Statement for more information.

How you accept the Option Offer
You may only accept the Option Offer for all Your Listed Options.

Issuer sponsored shareholders
If your AKI Listed Options are held on AKI’s issuer sponsored subregister (such holdings will be evidenced by an ‘I’ appearing next to your holder number on the enclosed Option Offer Acceptance Form), to accept this Option Offer, you must complete and sign the Option Offer Acceptance Form enclosed with this Bidder’s Statement and return it, along with any other documents required to be returned with your Option Offer Acceptance Form, to the address indicated on the form before the Option Offer closes.

CHESS sponsored shareholders
If your AKI Listed Options are in a CHESS Holding (such holdings will be evidenced by an ‘X’ appearing next to your holder number on the enclosed Option Offer Acceptance Form), you may accept the Option Offer by either:

• completing and signing the Option Offer Acceptance Form enclosed with this booklet and returning it to the address indicated on the form; or
• calling your broker and instructing your Controlling Participant (normally your broker) to accept the Option Offer on your behalf, before the Option Offer closes.

Participants
If you are a Participant, acceptance of this Option Offer must be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the Option Offer closes.

Full details on how to accept the Option Offer are set out in Section 10.3 of this Bidder’s Statement.
Where to go for further information

For queries on how to accept the Option Offer, see the enclosed Option Offer Acceptance Form or call the Exxaro Offer Information Line on 1800 095 654 (toll free for callers within Australia) and +61 2 8280 7114 (for callers outside Australia).

For queries in relation to your AKI option holding, please contact African Iron Limited Share Registry, Computershare on 1300 787 272 (for callers within Australia) and +61 8 9323 2000 (for callers outside Australia).

For all other queries in relation to the Option Offer, please contact the Exxaro Offer Information Line on 1800 095 654 (toll free for callers within Australia) and +61 2 8280 7114 (for callers outside Australia).

Please note that any calls to the above numbers may be recorded. Inquiries in relation to the Option Offer will not be received on any other telephone numbers of Exxaro Australia or its advisers.

Important notice

The information in this Section 1.3 is a summary only of Exxaro Australia’s Option Offer and is qualified by the detailed information set out elsewhere in this Bidder’s Statement.

You should read the entire Bidder’s Statement and the target’s statement that AKI will shortly be sending to you, before deciding whether to accept the Option Offer.
SECTION 2
Information on Exxaro Australia and the Exxaro Group

Introduction
This section provides information on the profile and activities of both the bidding entity, Exxaro Australia, and its parent entity, Exxaro. Exxaro Australia is a wholly owned subsidiary of Exxaro.

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

Exxaro has a diverse and world-class commodity portfolio in coal, mineral sands and exposure to iron ore through a 20% interest in Sishen Iron Ore Company (SIOC), a subsidiary of JSE listed Kumba Iron Ore Limited. As one of the largest South African coal producers, with 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.

2.2 History of the Exxaro Group
Exxaro was established following a restructure of the former Kumba Resources Limited (Kumba Resources) in November 2006, at which time it was re-listed as Exxaro. The primary rationale behind the restructure was to create a new generation South African company with a broader spread of shareholders which includes people from previously disadvantaged backgrounds, employees and communities in proximity to the company’s operations.

In five years Exxaro has grown to become a dominant player in the strategically vital coal extraction and beneficiation sector and with a strong global position in heavy minerals and, through its 20 per cent interest in SIOC iron ore. Its turnover for the six months to 30 June 2011 was R9.6 billion, a 22 per cent increase over the same period in 2010.

Kumba Resources itself was a product of a restructure of its former parent, Iscor Limited (Iscor) (which became Mittal Steel South Africa in 2005 and now known as ArcelorMittal South Africa) in 2001, and listed on JSE in November 2001. Iscor, initially a government-owned corporation, has been the major integrated South African steel producer for more than 70 years and its mining division, Iscor Mining, had provided a secure supply of iron ore and other raw materials for its steel mills. At the time of the Iscor restructure, the mines it had developed for coal, zinc, mineral sands and certain industrial minerals used in steel production, together with its two iron ore mines and mineral sands interests, became part of Kumba Resources.

2.3 Shareholders and group structure
Aspects of Exxaro’s group structure and key shareholders are set out in the diagram below.

Exxaro is majority owned by non-public shareholders, with approximately 52.66% of the issued share capital being held by Main Street 333 (Pty) Limited, 9.8% by Anglo American Plc, and the remaining 37.54% shares mainly held by the public.
Exxaro’s major shareholder, Main Street 333 (Pty) Limited, also commonly referred to as BEE Holdco, is held by Eyesizwe SPV (55%), Eyabantu SPV (9.5%), Tiso SPV (9.5%), Basadi Ba Kopane (a women’s group SPV) (11%) and the Industrial Development Corporation (15%). The Industrial Development Corporation, a state owned enterprise is a national development finance institution set up to promote economic growth and industrial development in South Africa.

As at 31 December 2011:
* Held through Anglo South Africa Capital (Pty) Ltd.
+ These are special purpose vehicles for shareholders in Exxaro’s black-owned holding company.

Exxaro Australia Iron Investments Pty Ltd is a wholly owned subsidiary of Exxaro Australia Iron Holdings Pty Ltd which is a wholly owned subsidiary of Exxaro Resources Limited.

Exxaro Australia is currently a special purpose acquisition vehicle without any significant assets or operations. However, Exxaro intends that Exxaro Australia will in future become one of the key investments of Exxaro Ferrous, a new commodity business similar to Exxaro Coal and Exxaro Sands, which will be established post acquisition to deal with Exxaro’s iron ore and other ferrous commodity related interests.
2 Information on Exxaro Australia and the Exxaro Group cont.

2.4 Exxaro operations

(a) Coal

The Exxaro Group has 8 managed coal mines, including the Grootegeluk coal mine, which together have the capacity to produce close to 48Mtpa of power station, steam and coking coal. Grootegeluk is one of the most efficient mining operations in the world, and operates the world’s largest coal beneficiation complex. There is a robust pipeline of greenfield and expansion projects under way that will culminate in the Exxaro Group becoming one of the largest coal producers in South Africa. The Exxaro Group also produces char and related products for the rapidly growing ferroalloys industry.

(b) Mineral sands

The Exxaro Group’s South African mineral sands operations include KZN Sands and the Western Cape operations of Namakwa Sands. In Australia, the Exxaro Group’s interests are housed in Exxaro Australia Sands Pty Ltd whose principal asset is the Tiwest joint venture (with Tronox Incorporated), the world’s largest integrated titanium minerals production and titanium dioxide manufacturing group.

The Exxaro Group is one of the world’s largest suppliers of titanium dioxide feedstock and zircon. Collectively, the group’s minerals sands operations produced 284kt of slag, 196kt of zircon, 90kt of synthetic rutile and 57kt of pigment in 2010.

In September 2011, Exxaro announced a transaction pursuant to which it will sell its interest in the Tiwest joint venture as well as 74% of the South African operations in exchange for a 38.5% interest in Tronox Incorporated. This transaction is being finalised subject to certain conditions being satisfied.

(c) Base metals assets

The Exxaro Group until recently held an interest in one of the few integrated zinc mining and refinery operations worldwide through its interests in the Rosh Pinah zinc/lead mine in southern Namibia and its 100% ownership of the Zincor electrolytic refinery in Gauteng. In 2010, Rosh Pinah produced 101kt of zinc concentrate, while Zincor produced 90kt of zinc metal. The operation at Zincor was discontinued in December 2011 as a result of adverse economic conditions. Exxaro also announced a transaction in December 2011 under which it will sell its shareholding in Rosh Pinah to Glencore International A.G. This transaction is subject to certain conditions being satisfied.

Exxaro continues to have an interest in the Chifeng zinc refinery in China.

(d) Iron ore interests

The Exxaro Group holds a 20% interest in Sishen Iron Ore Company (Pty) Limited, a subsidiary of JSE listed Kumba Iron Ore Limited. The company’s two mines, Sishen and Thabazimbi together produced in excess of 43Mtpa of lump and fines iron ore in 2010. The Sishen mine, known for its high grade and consistent product quality is one of the largest single open-pit mines in the world.

AKI’s assets provide an excellent match to Exxaro’s stated objective of gaining operational exposure in iron ore. The quality and size of the AKI portfolio lends itself to a number of development options which could be optimised in future. It represents an opportunity which will allow Exxaro to leverage its bulk commodity and iron ore expertise and know-how which was maintained post the restructure of Kumba Resources.

2.5 Directors of Exxaro

Brief profiles of the directors of Exxaro as at the date of this Bidder’s Statement are as follows:

**Mr Sipho A Nkosi**
(BCom (Hons)(Econ); MBA; Diploma in Marketing Management; Advanced Management Leadership Programme)

Appointed as Chief Executive Officer (executive Director) on 1 September 2007.

Mr Nkosi began his career as a market analyst with Ford Motor Company South Africa. Since then he has worked for Anglo American Coal Corporation as a marketing coordinator, Southern Life Association as senior manager, strategic planning, Trans-Natal Coal Corporation, which later became Ingwe Coal Corporation, in the position of marketing manager, new business development, Asea Brown Boveri (South Africa) Limited as vice president marketing and in 1998 joined ABB Power Generation as managing director. In 2001, Mr Nkosi founded Eyesizwe Holdings and following its merger with Kumba Resources Limited’s coal resources, was appointed Chief Executive Officer (designate) of Exxaro on 28 November 2006.
Mr Willem A de Klerk  
(B.Com (Hons) Acc CA/SA, Executive Management Programme (Darden), Strategic Marketing Diploma (Harvard))

Appointed as Finance Director (executive Director) on 1 March 2009.

Mr De Klerk is a chartered accountant. He joined Iscor Limited in 1996 as group general manager for strategy and continuous improvement and managed Iscor Quarries and the Grootegeluk Coal mine during this period. In 2001 when Kumba Resources Limited demerged from Iscor Limited, Mr de Klerk moved to Kumba Resources and headed up the mineral sands commodity business. In 2006 when Exxaro demerged from Kumba Resources Mr de Klerk moved to Exxaro and became the executive general manager for the mineral sands and base metals sectors of Exxaro until his appointment as finance director of Exxaro in 2009.

Mr Chris I Griffith  
(B Eng (Mining) (Hons), Pr Eng)

Appointed as Non-executive Director on 16 July 2009 and is currently a member of Exxaro’s nomination and remuneration committee.

Mr Griffith is one of the youngest chief executives of a Top 40 JSE-listed company. He was appointed Executive Director and Chief Executive Officer of Kumba Iron Ore Limited in 2008. He is Chairman of Sishen Iron Ore Company, director of Kumba International Trading SA and a member of the Anglo American pic executive committee. Prior to his appointment at Kumba Iron Ore Limited he headed joint ventures for Anglo American Platinum Limited. Mr Griffith is registered as a professional engineer with the Engineering Council of South Africa, and is a member of the South African Institute for Mining and Metallurgy and the Association of Mine Managers.

Mr Jurie J Geldenhuys  
(BSc (Eng)(Electrical); BSc (Eng)(Mining); MBA (Stanford); Professional Engineer)

Appointed Independent Director on 1 June 2001 and is currently the chairman of Exxaro’s sustainability, risk and compliance committee and a member of the nomination and remuneration committee.


Mr Ufikile Khumalo  
(BSc (Eng); MSc Eng (UCT); MAP (Wits); Snr Exec Dev Programme (Harvard); AMP (Insead))

Appointed as Non-executive Director on 28 November 2006.

Mr Khumalo served with Sasol Limited and Eskom Holdings Limited as a senior engineer and Bevcan as a manufacturing manager prior to joining the Industrial Development Corporation of South Africa Limited. He held several positions at the Industrial Development Corporation since 1999, including head: international finance; executive vice president: industrial sectors and executive vice president: projects. He is currently the divisional executive responsible for investments in resources and beneficiation sectors, food beverage and agricultural industries, energy and infrastructure sectors as well as high technology venture capital. He has served as a non-executive director of many companies including the JSE listed Digicore Holdings.
2 Information on Exxaro Australia and the Exxaro Group cont.

2.5 Directors of Exxaro cont.

Dr Len D Konar
(BCom; CA (SA); MAS; DCom)
Appointed as Independent Director on 1 June 2001 and is currently the chairman of Exxaro's board of directors.

After completing his articles of clerkship at Ernst & Young in Durban, Dr Konar began his career as an academic at the University of Durban-Westville. He then spent six years with the Independent Development Trust, prior to becoming a professional director of companies and consultant. Dr Konar is chairman of Steinhoff International and Mustek Limited and a member of the boards of Illovo Sugar Limited, Sappi Ltd and JD Group Limited and a past member of the Ad Hoc Ethics Panel of the United Nations, the Safeguards Panel of the International Monetary Fund, co-chairman of the Implementation Oversight Panel of the World Bank, and past chairman and member of the External Audit Committee of the International Monetary Fund.

Mr Zwelibanzi VZ Mntambo
(BJuris, LLB (University of North West), LLM (Yale))
Appointed as Non-executive Director on 28 November 2006 and is currently a member of Exxaro's nomination and remuneration committee.

Mr Mntambo is executive chairman of Xalam Performance. He was previously senior lecturer at the University of Natal, executive director of the Institute of Mine Surveyors of South Africa, Director-general of the Gauteng province and chairman of the Commission for Conciliation, Mediation and Arbitration. He is currently chairman of Metrobus (Pty) Limited and Mainstreet 333 (Pty) Limited, a director of SA Tourism (Pty) Limited and a trustee of the Paleo-Anthropologial Scientific Trust.

Mrs Noluthando Langeni
(BA(Cur) UNISA, Diploma in Nursing Education, University of Natal) BA(Cur) UNISA, Diploma in Nursing Education, University of Natal)
Appointed as Non-executive Director on 24 February 2010 and is currently a member of Exxaro's sustainability, risk and compliance committee.

Mrs Langeni is presently the chief executive officer of South African Women in Mining Investment Holdings (Pty) Ltd. She serves on the board of Basadi ba Kopane Investments (Pty) Ltd as director and is chairman of that board. She was previously a director of the Protea Hotels Group, group chief executive officer of National African Women’s Alliance and a lecturer at the College of Nursing in Natal.

Mr Rick P Mohring
(BSc Eng (Mining); Professional Engineer)
Appointed as Independent Director on 28 November 2006 and is currently the chairman of Exxaro's nomination and remuneration committee, member of the audit committee and a member of the sustainability, risk and compliance committee.

From 1972 to 1998, Mr Mohring held production, managerial and executive posts in the gold and coal divisions of the Rand Mines and Billiton Groups. From 1998 until 2000, he was the chief executive officer of NewCoal, a black empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation. Eyesizwe Coal, the largest BEE coal company in South Africa, was formed in November 2000 through this process. From 2000 until 2003, Mr Mohring was the deputy chief executive officer of Eyesizwe Coal. As such, he was responsible for the operational control of mines producing 25 million tonnes of coal per annum, new business development, technical services and health and safety. After 37 years in the mining industry, Mr Mohring retired from Eyesizwe Coal in December 2003, and set up a private consulting company, Mohring Mining Consulting.

Mr Nkunku L Sowazi
(BA; MA (UCLA))
Appointed as Non-executive Director on 28 November 2006 and is a member of Exxaro’s audit committee.

Mr Sowazi is founding executive chairman of the Tiso Group, a black controlled investment holding company with interests in natural resources, infrastructure and industrial services. He was previously executive deputy
chairman of African Bank Investments Ltd and managing director of the Mortgage Indemnity Fund (Pty) Ltd. Mr Sowazi is currently chairman of Eris Property Group (formerly RMB Properties), Idwala Industrial Holdings, the Home Loan Guarantee Company, the Financial Markets Trust, and serves on the boards of Grinaker LTA, Actom South Africa, Aveng Ltd, Emira Property Fund, Trident Steel and African Explosives Limited.

**Mr Jeff van Rooyen**  
*B Com (SA); B Compt (hons) (SA); CA (SA))*  
Appointed as Independent Director on 13 August 2008 and is currently the chairman of Exxaro’s audit committee.

Mr van Rooyen is a director of various companies within the Uranus Group, a non-executive director of MTN Group Ltd, Pick ‘n Pay Stores Ltd, a trustee of the International Accounting Standards Committee Foundation and a member of the University of Pretoria’s Faculty of Economic and Management Sciences Oversight Board. He is a former partner in Deloitte and Touché, the former chairman of Public Accountants and Auditors Board, former CEO of Financial Services Board and former advisor to the late Minister of Public Enterprises, Stella Sigcau. Jeff is a founder member and former president of the Association for the Advancement of Black Accountants of South Africa.

**Mr Rain D Zihlangu**  
*BSc (Min Eng) (Wits); MDP (SBL, Unisa); MBA (WBS, Wits)*  
Appointed as Non-executive Director on 28 November 2006 and is currently a member of Exxaro’s sustainability, risk and compliance committee.

Between 1989 and 1994 Mr Zihlangu was a stoper/developer and shift boss at Vaal Reefs Gold Mining Company. From 1995 until 2002, he was a shift boss, mine overseer, operations manager and mine manager at Impala Platinum Limited. In 2002, Mr Zihlangu was appointed as chief executive officer of Alexkor Limited. Since 2006, Mr Zihlangu has been a non-executive director of the South African National Oil and Gas Company (PetroSA) and also serves on the Board of Sentula Mining Limited. Mr Zihlangu is also currently the Chief Executive Officer of Eyabantu Capital Consortium.

### 2.6 Exxaro Australia

The bidder under the Offers is Exxaro Australia, a wholly owned subsidiary of Exxaro.

The funding for the acquisition of the AKI Shares and AKI Listed Options will be provided to Exxaro Australia from the Exxaro Group’s cash reserves and undrawn facilities. Please refer to Section 5 of this Bidder’s Statement for further details.

The directors of Exxaro Australia are:

**Mr Willem A de Klerk**  
*BCom (Hons) Acc CA/SA, Executive Management Programme (Darden), Strategic Marketing Diploma (Harvard)*)  
Appointed as executive Director on 25 May 2011.

Please refer to Section 2.5 above for biographical details regarding Mr de Klerk.

**Mr Anthony J Martin**  
*BEng(Chem)(Hons), Graduate Diploma Business*  
Appointed as executive Director on 25 May 2011.

Mr Martin is a chemical engineer with over 20 years of senior operational management and leadership experience in downstream mineral processing. Prior to his appointment with Exxaro Australia Sands in 2006, he was the general manager, Pigment Operations at the Tiwest Joint Venture in Kwinana where his wide industrial experience has covered a range of senior roles.

Mr Martin is also currently the managing director of Exxaro Australia Sands Pty Ltd.

### 2.7 Public available information about Exxaro

Exxaro is a company listed on JSE and is subject to the periodic and continuous disclosure requirements of the JSE. Exxaro’s annual report for the year ended 31 December 2010 was given to JSE on 31 March 2011. The annual report and further information on Exxaro is available at www.exxaro.com.
SECTION 3  
Information on AKI and the AKI Group

3.1 Overview of AKI
AKI is an ASX listed (ASX code: AKI) iron ore exploration and development company. AKI’s head office is located in Perth, Western Australia.

AKI’s principal project, the Mayoko iron ore project, is located in the Niari Prefecture, Republic of Congo, approximately 300 kilometres north-east of Pointe-Noire on the Atlantic Ocean. AKI has a 92% interest in this project.

In January 2011, AKI (then named Stirling Minerals Limited) successfully completed a A$96 million capital raising and acquired an 80% interest in the Mayoko Iron Ore Project, a 1,000km² exploration licence located in the south west corner of the Republic of Congo, approximately 300km north east of the port city of Pointe Noire (Mayoko Project), via the acquisition of DMC Mining Pty Ltd. On 14 September 2011, AKI announced that it had increased its ownership of the Mayoko Project to 92%.

In addition, on 9 August 2011, AKI announced that it had acquired, through a Bermudan domiciled holding company and a local Congolese company, African Iron Exploration SA, an 85% interest in a 944km² Authority to Prospect for iron ore in the Republic of Congo (Ngoubou-Ngoubou Permit). The Ngoubou-Ngoubou Permit is an extension of the Mayoko-Lekoumou Exploration Permit, which hosts the Mayoko Project.

3.2 Directors
As at the date of this Bidder’s Statement, the directors of AKI are:
- Dr. Ian Burston, Independent, Non-Executive Chairman
- Joe Ariti, Non-Executive Director
- Tony Sage, Non-Executive Director
- The Hon John Moore AO, Independent, Non-Executive Director

3.3 History
AKI (formerly Stirling Minerals Limited) was registered in Western Australia on 16 February 2007 and listed on ASX on 24 May 2007, at which time it was a gold and base metals exploration company with prospects in New South Wales, Australia.

In January 2011, AKI (then named Stirling Minerals Limited) acquired DMC Mining Pty Ltd (which, at that time, owned an 80% interest in the Mayoko Project, held by DMC Iron Congo SA), changed the scale and nature of its business and renamed itself African Iron Limited. AKI now operates as an iron ore exploration and development company with operations in the Republic of Congo.

In August 2011, AKI, through its subsidiaries AKI Exploration (Bermuda) Limited and African Iron Exploration SA, acquired an 85% interest in the Ngoubou-Ngoubou Permit.

In September 2011, AKI through its wholly-owned subsidiary DMC Mining Pty Ltd acquired an additional 12% interest in DMC Iron Congo SA, providing AKI with an aggregate 92% interest in the Mayoko Project.

3.4 Operations
As stated above, in January 2011, AKI pursued a new direction and began operating as an iron ore exploration and development company with operations in the Republic of Congo. The Mayoko Project is AKI’s principal project.

The Mayoko Project is located in the politically stable Republic of Congo and represents a near term development opportunity in the emerging iron ore province of West Africa. Unlike other iron ore projects in
the region, it has potential infrastructure access with an underutilised, heavy haulage railway passing within 2 km of the main prospect at Mt Lekoumou and terminating at the port of Pointe-Noire on the Atlantic coast.

AKI’s stated objective is to commence initial DSO production by mid 2013, ramping up to a steady state 5Mtpa with the potential to increase to 10Mtpa over a 10 year mine life. Given the current status of AKI and its projects, Exxaro Australia considers this production timeline as challenging in the current environment. Accordingly, if the Offers are successful, assessing the feasibility of, and optimising, this production time line will form part of the broader review to be conducted by Exxaro Australia, as discussed in Section 6.

AKI is currently undertaking feasibility studies which AKI has stated that they expect to be completed in the third quarter of 2012.

Mt Lekoumou and Mt Mipoundi prospects

In May 2008 an initial Inferred Mineral Resource of 33Mt at 56% Fe (with a 50% Fe cut-off) was announced, based on shallow drilling completed by earlier explorers in 1974-75.

In October 2011 AKI announced a resource update announcing that JORC mineral resources at Mayoko had increased by 267% to 121Mt. The Mayoko mineral resource now comprises an Indicated and Inferred hematite DSO component of 44Mt at 55% Fe and Inferred beneficiable DSO component of 77Mt at 41% Fe.

The Mayoko DSO resources at Mt Lekoumou and Mt Mipoundi sit on a hill structure. The outcropping and near-surface nature of the resources imply a relatively low cost of mining as the strip ratio will be less than 1:1.

For further information, refer to AKI’s announcements dated 27 October 2011, 7 November 2011, other recent announcements by AKI and AKI’s target’s statement which will be issued shortly after this document.

3.5 Ownership

As at 6 January 2012, AKI had the following securities on issue:

(i) 501,828,283 AKI Shares;
(ii) 24,424,952 AKI Listed Options; and
(iii) 66,200,000 AKI Unlisted Options.

As at 30 November 2011, based on share registry analysis undertaken for AKI, the following persons were substantial shareholders in AKI:

<table>
<thead>
<tr>
<th>Substantial holder</th>
<th>Number of AKI Shares</th>
<th>Voting power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Lambert Resources Limited</td>
<td>126,700,000</td>
<td>25.25%</td>
</tr>
<tr>
<td>Equatorial Resources Limited</td>
<td>100,211,111</td>
<td>19.97%</td>
</tr>
<tr>
<td>BlackRock Investment Management</td>
<td>39,074,713</td>
<td>7.79%</td>
</tr>
<tr>
<td>Och-Ziff Capital Management</td>
<td>35,164,193</td>
<td>7.01%</td>
</tr>
</tbody>
</table>

3.6 Publicly available information about AKI Group

AKI is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, AKI is subject to the listing rules of ASX which require continuous disclosure of any information AKI has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX maintains files containing publicly disclosed information about all listed companies. AKI’s file is available for inspection at ASX during normal business hours.

In addition, AKI is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by AKI may be obtained from, or inspected at, an ASIC office.

Further information about AKI is available in electronic form from www.africanironlimited.com and will be provided in the AKI target’s statement which will be sent to you shortly.
SECTION 4

Information on AKI’s securities

4.1 AKI’s Issued Securities

Based on the ASX announcement lodged by AKI on 6 January 2012, as at the date of this Bidder’s Statement, AKI currently has the following securities on issue:

(i) 501,828,283 AKI Shares;
(ii) 24,424,952 AKI Listed Options; and
(iii) 66,200,000 AKI Unlisted Options.

4.2 Interests in AKI’s securities

As at the date of this Bidder’s Statement and the date of the Offers:

(i) Exxaro Australia’s voting power in AKI is 19.99%; and
(ii) Exxaro Australia had a Relevant Interest in 100,315,473 AKI Shares.

4.3 Dealings in AKI Shares and AKI Listed Options

Neither Exxaro Australia nor any associate of Exxaro Australia has provided, or agreed to provide, consideration for AKI Shares or AKI Listed Options under any purchase or agreement during the 4 months before the date of this Bidder’s Statement except as described below.

On 10 January 2012, Exxaro Australia and Cape Lambert entered into a pre-bid acceptance agreement, pursuant to which Cape Lambert agreed to accept into the Share Offer, in respect of 100,315,473 AKI Shares (representing 19.99% of the AKI Shares). See Section 8.3 for further details.

4.4 Dealings in AKI Unlisted Options

Based on the ASX announcement lodged by AKI on 6 January 2012, as at the date of this Bidder’s Statement, there are 66,200,000 AKI Unlisted Options on issue, expiring at various dates and exercisable at various exercise prices.

Exxaro Australia intends to offer to enter into Option Acquisition Agreements with the majority of holders of AKI Unlisted Options relating to the transfer or cancellation of their AKI Unlisted Options. The aggregate total to which these offers in relation to AKI Unlisted Options apply is 49,000,000 AKI Unlisted Options. Such offers will remain open for the duration of the Share Offer Period or the Option Offer Period, whichever is longer. In the case of those AKI Unlisted Options which are subject to escrow restrictions, offers will be made on the condition that they cannot be accepted before the relevant ASX waivers in relation to the escrow restrictions are obtained.

In addition, certain directors of AKI have made a statement that they intend to enter into Option Acquisition Agreements in respect of an aggregate total of 20,000,000 AKI Unlisted Options (in the absence of a superior proposal and in the case of all but 2,000,000 Unlisted AKI Options, subject to obtaining ASX waivers in respect of certain escrow restrictions and the Share Offer being declared Unconditional) which are held or controlled by them.

Under the Option Acquisition Agreements, the transfer or cancellation of the AKI Unlisted Options is conditional on:

(i) receipt of an ASX waiver of Listing Rules 6.23.2 and 6.23.4; and
(ii) the Share Offer becoming or being declared Unconditional,

and in the case of the AKI Unlisted Options which are subject to escrow restrictions, obtaining ASX consent to the transfer or cancellation of those AKI Unlisted Options for the purposes of the ASX Listing Rules.
If the above conditions are satisfied, the AKI Unlisted Options to which the Option Acquisition Agreements apply will be cancelled or transferred at Exxaro Australia’s discretion and Exxaro Australia will pay each holder of the AKI Unlisted Options who entered into an Option Acquisition Agreement an amount per AKI Unlisted Option equal to the difference between the exercise price of that AKI Unlisted Option and the offer price under the Share Offer.

Based on an offer price under the Share Offer of A$0.51 per AKI Share, the total maximum amount payable under the Option Acquisition Agreements is A$10,290,000. Based on an offer price under the Share Offer of A$0.57 per AKI Share (in the event Exxaro Australia acquires a Relevant Interest of at least 75% in AKI Shares on a fully diluted basis), the total maximum amount payable under the Option Acquisition Agreements is A$13,230,000.

Exxaro Australia does not currently intend to make offers under Option Acquisition Agreements to certain individual holders of AKI Unlisted Options who are employees or consultants of AKI with AKI Unlisted Options that are subject to outstanding vesting conditions. If Exxaro Australia is entitled to, and proceeds to, compulsorily acquire all AKI Shares it will make offers to acquire or cancel the remaining AKI Unlisted Options for cash to an equivalent value of such remaining Options and on other terms to be negotiated at such time.

If Exxaro Australia does not compulsorily acquire all AKI Shares and Listed Options but acquires more than 50% of the AKI Shares it will, following the close of the Offers, discuss with the AKI Board the terms of the remaining AKI Unlisted Options and the overall salary and compensation package of each employee or consultant holding the remaining AKI Unlisted Options (and the length of employment or service of each relevant employee or consultant) with a view to renegotiating the terms of such options and/or overall salary and/or compensation package to ensure that the employee or consultant remains appropriately incentivised.

**4.5 Recent share price performance of AKI**

The latest recorded sale price of AKI Shares on ASX on 9 January 2012, being the last trading day prior to the date on which this Bidder’s Statement was printed, was A$0.40 per AKI Share.

**4.6 Share Offer extends to new AKI Shares issued during the Offer Period**

The Share Offer extends to AKI Shares that are issued during the Offer Period. As set out in this Bidder’s Statement, Exxaro Australia is also making the Option Offer in relation to the AKI Listed Options.

**4.7 Compulsory Acquisition**

If Exxaro Australia and its associates have Relevant Interests in at least 90% of the AKI Shares at the end of the Offer Period and Exxaro Australia decides to exercise its right to compulsorily acquire the remaining AKI Shares, it will give a notice of compulsory acquisition to the holders of all outstanding AKI Shares, even if the AKI Shares to which those notices relate are issued:

(i) after the Offers close but before the notices are given (pursuant to section 661A(4)(b) of the Corporations Act); or

(ii) on exercise of AKI Listed Options or AKI Unlisted Options, up to six weeks after the notices are given (pursuant to section 661A(4)(c) of the Corporations Act).

If Exxaro Australia and its associates have Relevant Interests in at least 90% of the AKI Listed Options at the end of the Offer Period and Exxaro Australia decides to exercise its right to compulsorily acquire the remaining AKI Listed Options, it will give a notice of compulsory acquisition to the holders of all outstanding AKI Listed Options, even if the AKI Listed Options to which those notices relate are issued after the Offers close but before the notices are given (pursuant to section 661A(4)(b) of the Corporations Act).

If not all of the AKI Listed Options are acquired by Exxaro Australia or not all of the AKI Unlisted Options are cancelled pursuant to agreements or other arrangements, and Exxaro Australia is entitled to compulsorily acquire any outstanding AKI Shares, Exxaro Australia will also be entitled to compulsorily acquire or cancel any outstanding AKI Listed Options or AKI Unlisted Options pursuant to Part 6A.2 of the Corporations Act (although it reserves the right not to do so).

For further details as to Exxaro Australia’s intentions in relation to compulsory acquisition, please see Section 6.3.
4 Information on AKI’s securities cont.

4.8 No pre-Offer benefits

During the period of 4 months before the date of this Bidder’s Statement, neither Exxaro Australia nor any associate of Exxaro Australia gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

(i) accept the Share Offer or the Option Offer; or
(ii) dispose of AKI Shares or AKI Listed Options,

and which is not offered respectively to all AKI Shareholders or AKI Optionholders under the Offers.

4.9 No escalation agreements

Neither Exxaro Australia nor any associate of Exxaro Australia has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.
SECTION 5
Funding

5.1 Maximum Amount under Share Offer
The consideration for the acquisition of the AKI Shares to which the Share Offer relates will be satisfied by the payment of cash for each AKI Share.

If acceptances are received for all AKI Shares on issue as at the date of this Bidder’s Statement, the amount of cash that Exxaro Australia would be required to pay under the Share Offer would be approximately A$286.042 million (based upon the increased Share Offer price of A$0.57 per AKI Share).

In addition, if holders of all AKI Listed Options and AKI Unlisted Options which either have vested as at the date of this Bidder’s Statement (or which will become vested during the Offer Period if the Share Offer is successful) exercise those AKI Listed Options and AKI Unlisted Options and accept the Share Offer in respect of the AKI Shares issued to them, an additional amount of approximately A$41.852 million will be payable by Exxaro Australia under the Share Offer (based upon the increased Offer price of A$0.57 per AKI Share).

5.2 Maximum Amount under Option Offer
The consideration for the acquisition of the AKI Listed Options to which the Option Offer relates will be satisfied by the payment of cash for each AKI Listed Option.

The maximum amount of cash that Exxaro Australia would be required to pay under the Option Offer if no AKI Listed Options are exercised and acceptances are received for all AKI Listed Options on issue as at the date of this Bidder’s Statement, will be approximately A$9.037 million (based upon the Increased Option Offer price of A$0.37 per AKI Listed Option).

5.3 Maximum Aggregate Amount
The maximum aggregate sum payable to AKI Shareholders under the Share Offer and to AKI Optionholders under the Option Offer will arise in the circumstances described in Section 5.1.

In those circumstances Exxaro Australia will be required to pay an amount of approximately A$327.894 million (Maximum Amount), being A$0.57 per AKI Share in respect of 575,253,235 AKI Shares. In those circumstances, there will be no AKI Listed Options remaining on issue, so there will be no acceptance under the Option Offer and no consideration paid under the Option Offer.

5.4 Sources of Cash Consideration
Exxaro Australia will fund the cash consideration payable under the Offers using cash provided to it by the Exxaro Group under a funding agreement between Exxaro Australia and Exxaro as detailed in Section 5.5.

The Exxaro Group has existing cash reserves and committed and uncommitted undrawn loan facilities in excess of the maximum consideration payable pursuant to the Offers and intends to fund the Offers solely through those reserves and facilities.

Those funds will be made available to Exxaro Australia to allow it to make payment pursuant to the Offers as and when those payments are due to be made.

As at the date of this Bidder’s Statement, the Exxaro Group held more than A$1 billion in cash, cash equivalents and committed and uncommitted undrawn facilities. An amount of these funds which is at least equal to the Maximum Amount is available for withdrawal under an existing funding agreement between Exxaro and Exxaro Australia, on terms that will ensure Exxaro Australia is able to satisfy its payment obligations under the Offers as and when they fall due, and is not subject to security interests or rights of set off and is not required for other arrangements of the Exxaro Group.
5 Funding cont.

5.4 Sources of Cash Consideration cont.

The Exxaro Group therefore has access to sufficient cash reserves and committed and uncommitted loan facilities to provide Exxaro Australia with the Australian dollars needed to fund the Maximum Amount and to cover all transaction costs associated with the Offer.

5.5 Funding agreement with Exxaro

Exxaro has entered into a funding agreement with Exxaro Australia under which Exxaro has agreed to provide to Exxaro Australia (or procure that another Exxaro group entity provides to Exxaro Australia), by way of subscription for shares or by way of shareholder loans, such funds as may be required by Exxaro Australia to pay:

- the consideration payable by it for any AKI Shares it acquires under the Share Offer;
- the consideration payable by it for any AKI Listed Options it acquires under the Option Offer;
- the consideration payable by it for any compulsory acquisition of AKI Shares or AKI Listed Options;
- the consideration payable by it for any AKI Unlisted Options to be acquired under the Option Acquisition Agreements; and
- associated transaction costs, and any other costs relating to the Offers.

Under the terms of the funding agreement Exxaro Australia can require that Exxaro makes funds available to Exxaro Australia before Exxaro Australia is required to pay for any AKI Shares or AKI Listed Options under the Share Offer or the Option Offer. The funds that Exxaro will provide to Exxaro Australia under the agreement will be sourced from funds available to Exxaro as described in Section 5.4 above.

To the extent the funds are loaned to Exxaro Australia, repayment of such funds cannot be called for while Exxaro Australia may have payment obligations under the Share Offer or Option Offer.

Having regard to the matters set out in this Section 5, Exxaro Australia is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will be able to satisfy its payment obligations under the Offers.

5.6 No hedging

Given that the funding agreement between Exxaro Australia and Exxaro is for an A$ denominated amount, there are no hedging arrangements in place for movements in exchange rates in respect of the arrangements described in this Section 5.
SECTION 6
Exxaro Australia’s intentions in relation to the AKI Group

6.1 Introduction
This Section 6 sets out Exxaro Australia’s intentions in relation to the following:

(i) the continuation of the business of the AKI Group;
(ii) any major changes to the business of the AKI Group and any redeployment of the fixed assets of AKI;
(iii) the compulsory acquisition of AKI Shares and the delisting of AKI from the official list of the ASX; and
(iv) the future employment of the present employees of the AKI Group.

For the purposes of this Section 6, the intentions of Exxaro Australia reflect the intentions of Exxaro and should therefore be read in this context.

Exxaro Australia’s intentions have been formed on the basis of:

(v) publicly available information about AKI;
(vi) facts and information concerning the AKI Group provided by AKI to Exxaro Australia during the course of Exxaro’s due diligence investigations; and
(vii) the general business environment,
which are known at the time of preparing this Bidder’s Statement.

Final decisions regarding these matters will only be reached by Exxaro Australia in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only and Exxaro Australia’s intentions may change as new information becomes available or circumstances change.

6.2 Overview and rationale for the Offers
Exxaro has on a number of occasions publicly indicated its desire to diversify its business to include iron ore. The Offers are consistent with these stated objectives.

Exxaro believes the fundamentals of iron ore are positive in the medium to long term and has in-house expertise and experience in mining bulk ore commodities, and AKI’s assets provide an excellent match for Exxaro to gain operational exposure in iron ore. Exxaro has been actively pursuing opportunities to increase its exposure in iron ore and believes AKI’s Mayoko Project in the Republic of Congo provides an attractive platform for further growth in the commodity.

AKI represents an opportunity which will allow Exxaro to leverage its bulk commodity and iron ore expertise and know how in the areas of exploration, mine planning and development, benification and production.
6 Exxaro Australia’s intentions in relation to the AKI Group cont.

6.3 Intentions for AKI if Exxaro Australia acquires 90% or more of AKI

This Section 6.3 describes Exxaro Australia’s intentions if Exxaro Australia and its associates acquire a Relevant Interest in 90% or more of the AKI Shares and of the AKI Listed Options, and so becomes entitled to proceed to compulsory acquisition of outstanding AKI securities in accordance with the Corporations Act.

Exxaro Australia’s primary objective with the Offers is to acquire control and a substantial majority ownership of AKI. If Exxaro Australia was to acquire a Relevant Interest in 90% or more of the AKI Shares (and the AKI Listed Options) and become entitled to compulsory acquisition, Exxaro Australia has not made any final determination on whether or not it will proceed to compulsory acquisition of outstanding AKI Shares and AKI Listed Options. The final decision as to whether to proceed to compulsory acquisition will depend on an assessment at the relevant time of all relevant matters including whether Exxaro considers the continued ASX listing of AKI to be commercially attractive.

On the assumption that Exxaro Australia is entitled, and makes a final decision, to proceed to compulsory acquisition, in that circumstance, Exxaro Australia’s intentions are as follows:

(a) Corporate matters

Exxaro Australia currently intends to:

(i) proceed with compulsory acquisition of the outstanding AKI Shares in accordance with the provisions of Part 6A.1 of the Corporations Act;

(ii) proceed with compulsory acquisition of the outstanding AKI Listed Options if Exxaro Australia and its associates also acquire a relevant Relevant Interest in 90% or more of the AKI Listed Options, and so becomes entitled to proceed to compulsory acquisition of outstanding AKI Listed Options in accordance with Part 6A.1 of the Corporations Act, or alternatively, offer to buy out all outstanding AKI Unlisted Options and AKI Listed Options, if required to do so in accordance with the provisions of Part 6A.1 of the Corporations Act;

(iii) arrange for AKI to be removed from the official list of the ASX; and

(iv) seek to replace all members of the AKI Board with nominees of Exxaro Australia. Replacement board members have not yet been identified by Exxaro Australia and their identity will depend on the circumstances at the relevant time.

(b) General operational review

The quality and size of the AKI portfolio lends itself to various development options which could be optimised in the future. After the end of the Offer Period, Exxaro Australia intends to conduct an immediate, broad based review of the AKI Group’s operations on a strategic, technical and financial level to:

(i) evaluate the AKI Group’s performance, profitability and business prospects;

(ii) evaluate alternative development options for the mine and infrastructure requirements of the Mayoko Project; and

(iii) develop an operating business plan for the merged group in consultation with senior executives of Exxaro.

In the course of this review, Exxaro Australia intends to focus on a number of key specific areas including (but not limited to):

(i) opportunities to accelerate growth in domestic and international markets;

(ii) assessing alternative development options;

(iii) assessing various infrastructure development options, including rail and port facilities;

(iv) reviewing major contracts; and

(v) adopting Exxaro’s operating and financial reporting policies.
(c) Specific intentions

Initial exploration activities on the Mayoko Project are in the advanced stage with a JORC Resource of 121 Mt that has been delineated to underpin initial operations. Exxaro Australia intends to review the work to date and complete feasibility studies to develop the Mayoko Project into an optimised mining operation and continue with other exploration activities.

Exxaro Australia envisages that significant development capital will be required to establish and develop mining operations. Exxaro has sufficient resources to meet the costs and challenges associated with the development of iron ore assets and the associated infrastructure. Exxaro will, to the extent necessary, ensure the operating entity is appropriately capitalised and has the ability to access the required funding.

(d) Impact on Employees

As a result of the implementation of the above intentions, it is possible that certain corporate and shared services functions in Australia will become redundant. Some job losses may occur as a result, however, the incidence, extent and timing of such job losses cannot be predicted in advance. It is anticipated that there will not be any short term changes to the AKI Group personnel in the Republic of Congo.

If redundancies do occur, the relevant employees will receive benefits in accordance with their contractual and other legal entitlements.

6.4 Intentions for AKI as a part owned controlled entity

This Section 6.4 describes Exxaro Australia's intentions if AKI becomes a controlled entity of Exxaro Australia, but Exxaro Australia does not proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act. That is, Exxaro Australia controls more than 50% of the AKI Shares but less than 100% of the AKI Shares.

In that circumstance, Exxaro Australia's current intentions are as follows:

(a) Corporate matters

After the end of the Offer Period, if Exxaro Australia acquires a Relevant Interest in excess of 50% of all AKI Shares (but less than 100%), Exxaro Australia intends, subject to the Corporations Act and the constitution of AKI, to seek to replace a majority of the members of the AKI Board with nominees of Exxaro Australia. Replacement board members have not yet been decided by Exxaro Australia and their identity will depend on the circumstances at the relevant time.

Exxaro Australia will seek, to the extent possible, through its nominees on the AKI Board, to implement the intentions detailed in Section 6.3 where they are consistent with AKI being a controlled entity of (but not wholly owned by) Exxaro Australia and are considered to be in the best interests of AKI Shareholders as a whole, including the rights of minority shareholders. AKI Shareholders should be aware that, in this circumstance, the liquidity of AKI Shares may be materially decreased.

It is possible that, even if Exxaro Australia is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Periods under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act - for example, as a result of acquisitions of AKI Listed Options on market, or as a result of acquisition of AKI Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. The final decision as to whether to proceed to compulsory acquisition will depend on an assessment at the relevant time of all relevant matters.

(b) General operational review and strategic alliance

After the end of the Offer Period, Exxaro Australia, through its nominees on the AKI Board, intends to propose to the AKI Board that an immediate, broad based review of AKI's operations be conducted on a strategic, technical and financial level, along similar lines to that described in Paragraph 6.3(b).

Exxaro Australia intends, subject to the approval of the AKI Board, to participate in this review.
6 Exxaro Australia’s intentions in relation to the AKI Group cont.

6.4 Intentions for AKI as a part owned controlled entity cont.

(b) General operational review and strategic alliance cont.

Exxaro Australia intends, to the extent possible, to implement a centralised treasury function in order to optimise the funding arrangements of the merged group. This may involve the use of intercompany lending to deliver the optimal outcome. Exxaro Australia will also review possibly relocating the technical execution function of the project to South Africa due to synergies and the time zone.

(c) Development of the Mayoko Project

Exxaro Australia intends to use its controlling interest in AKI to pursue further development of the Mayoko Project, as outlined in paragraph 6.3(c) above. In the event that AKI is not wholly owned by Exxaro Australia, the funding requirements for this development will not be solely met by the internal cash reserves or facilities of the Exxaro Group. Rather, Exxaro Australia intends to use its controlling interest in AKI to require AKI to raise the required funds, for example through a rights issue or placement to a third party. This could result in further outlay by, or dilution of, holders of AKI Shares and AKI Listed Options who do not accept the Offers.

(d) Dividends and funding

The payment of dividends by AKI will be at the discretion of the AKI Board, the majority of which would comprise Exxaro Australia nominees.

In Exxaro’s view, given AKI’s substantial development costs, Exxaro considers that it is unlikely AKI will declare any dividends in the short to medium term.

(e) Limitations in giving effect to intentions

The ability of Exxaro Australia to implement the intentions set out in this Section 6.4 will be subject to the legal obligations of AKI directors to have regard to the interests of AKI and all AKI Shareholders, including the rights of all minority shareholders, and the requirements of the Corporations Act and the Listing Rules relating to transactions between related parties. Exxaro Australia will only make a decision on the above mentioned courses of action following legal and financial advice in relation to those requirements at the relevant time.

6.5 Exercise of AKI Listed Options and AKI Unlisted Options by Exxaro Australia

As set out in Paragraph 8.5(a) of this Bidder’s Statement, Exxaro Australia has obtained relief from ASIC to enable it to exercise AKI Listed Options acquired under the Option Offer as well as AKI Unlisted Options acquired under the Option Acquisition Agreements and thereby increase its Relevant Interest in AKI Shares. If Exxaro Australia were to exercise AKI Listed Options and AKI Unlisted Options, the consequent increase in its holding of AKI Shares may enable Exxaro Australia to reach the thresholds required in order to compulsorily acquire outstanding AKI Shares.

Exxaro Australia has no present intention to exercise AKI Listed Options acquired under the Option Offer or AKI Unlisted Options acquired under the Option Acquisition Agreements. Any decision to do so would be dependent on considerations including:

(i) the voting power in AKI which Exxaro Australia had acquired at the relevant time and whether increasing its Relevant Interest in AKI Shares by exercising AKI Listed Options and/or AKI Unlisted Options would materially affect or have the potential to materially affect its ownership or control of AKI;

(ii) the circumstances of AKI and the Exxaro Group at the relevant time.

6.6 Other intentions

Subject to the matters described above in this Section 6 and elsewhere in this Bidder’s Statement and, in particular, the completion of the strategic review of AKI operations, it is the intention of Exxaro Australia, on the basis of the facts and information concerning AKI that are presently known to it at the date of this Bidder’s Statement, to continue the business of AKI and not to redeploy the fixed assets of AKI.
SECTION 7
Australian Taxation Considerations

7.1 Introduction

AKI Shareholders and AKI Optionholders are specifically informed that the outline below regarding Australian taxation considerations:

(i) does not constitute tax advice by Exxaro Australia to any AKI Shareholder or any AKI Optionholder;

(ii) is an indicative guide of Exxaro Australia’s understanding of the possible Australian income tax and stamp duty consequences indicated below;

(iii) does not deal with the potential Australian tax implications which may arise from the exercise of the AKI Unlisted Options or AKI Listed Options;

(iv) does not consider the Australian income tax implications if Exxaro Australia elects to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act; and

(v) should not be relied upon by an AKI Shareholder or an AKI Optionholder in making a decision on the tax consequences of their decision to acquire, hold or dispose of any AKI Shares or AKI Listed Options to Exxaro Australia.

Each AKI Shareholder and AKI Optionholder should seek or consult their own taxation adviser regarding the consequences of acquiring, holding or disposing of their AKI Shares or AKI Listed Options, respectively.

The outline is not exhaustive of all possible Australian income tax considerations that could apply to AKI Shareholders or AKI Optionholders. In particular, the summary is only relevant to those AKI Shareholders or those AKI Optionholders who hold their shares or options on capital account and it does not address all tax considerations applicable to AKI Shareholders or AKI Optionholders that may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, superannuation funds, dealers in securities, AKI Shareholders or AKI Optionholders which hold the AKI Shares or AKI Listed Options (as the case may be) on behalf of another person or AKI Shareholders or AKI Optionholders who acquired their AKI Shares or AKI Listed Options (as the case may be) as part of an employee share scheme, or those AKI Shareholders or AKI Optionholders which hold their shares or options on revenue account or as trading stock.

For AKI Shareholders and AKI Optionholders who are non-residents of Australia for tax purposes, it is assumed that the AKI Shares or AKI Listed Options (as the case may be) are not held and have never been held, as an asset of a permanent establishment of that AKI Shareholder or that AKI Optionholder in Australia.

Further, the outline is indicative of the principal Australian income tax consequences possibly applicable to an AKI Shareholder who disposes of AKI Shares under the Share Offer or an AKI Optionholder who disposes of AKI Listed Options under the Option Offer. This outline is based on the current provisions of the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth) and the regulations made under those Acts, taking into account Exxaro Australia’s understanding of the current administrative practices of the Australian Taxation Office. The outline does not otherwise take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, nor does it take into account tax legislation of countries apart from Australia.

7.2 Taxation on the disposal of AKI Shares or AKI Listed Options

If you accept the Share Offer and the Offer becomes Unconditional, you will be treated as having disposed of Your Shares for Australian income tax purposes.

If you accept the Option Offer and the Offer becomes Unconditional, you will be treated as having disposed of your AKI Listed Options for Australian income tax purposes.
7 Australian Taxation Considerations cont.

7.3 Australian resident AKI Shareholders and AKI Optionholders

You will realise a capital gain in connection with the disposal of an AKI Share or an AKI Listed Option (as the case may be) to the extent that the amount you receive (or will receive) for the disposal of that AKI Share or AKI Listed Option is more than the cost base of that AKI Share or AKI Listed Option. You will realise a capital loss to the extent that the amount you receive (or will receive) is less than the reduced cost base of the AKI Share or AKI Listed Option. Subject to certain loss integrity rules, capital losses can usually only be offset against capital gains you realise in the same income year or in later income years.

The cost base of an AKI Share or AKI Listed Option should be the total amount you paid (or are deemed to have paid) for the AKI Share or AKI Listed Option, your acquisition costs and other costs relating to the holding and disposal of the AKI Share or the AKI Listed Option, to the extent to which you have not claimed an income tax deduction for such costs (e.g. brokerage fees). The reduced cost base of an AKI Share or an AKI Listed Option is usually determined in a similar, but not identical, manner. There are a number of circumstances which may result in your cost base or reduced cost base being calculated in a different manner to that outlined above. Please ensure that you consult your tax adviser to confirm the cost base or reduced cost base of Your Shares or Your Listed Options.

Any net capital gain should be included in your assessable income in the income year in which you accept the Offer and the Offer becomes Unconditional. Broadly, your net capital gain in respect of an income year will be calculated by aggregating all of your capital gains realised in that income year and reducing that amount by your capital losses realised in that income year and any available net capital losses from prior years.

AKI Shareholders and AKI Optionholders who are individuals, trusts or complying superannuation funds may be eligible for discount capital gains treatment in respect of an AKI Share or an AKI Listed Option if they have held that AKI Share or AKI Listed Option for at least 12 months. The applicable CGT discount which would reduce a net capital gain arising from the disposal of AKI Shares and AKI Listed Options is as follows:

- 50% for individuals and trustees (except a trust that is a complying superannuation trust); and
- 33.33% for a complying superannuation trust.

The CGT discount is not available to AKI Shareholders and AKI Optionholders that are Companies.

Although unlikely to arise in the current circumstances, AKI Shareholders and AKI Optionholders who acquired their AKI Shares and AKI Listed Options prior to 11:45 am on 21 September 1999 can elect to apply indexation to the cost base of their shares up to 30 September 1999. AKI Shareholders and AKI Optionholders who elect to apply indexation may not also apply the CGT discount.

The above comments will not apply to you if you buy and sell shares or options in the ordinary course of business as trading stock, or if you acquired the shares or options for resale at a profit. In those cases, any gain (or loss) is generally treated as ordinary income (or a deductible loss). We recommend that those AKI Shareholders and AKI Optionholders seek their own tax advice.
7.4 Non-resident AKI Shareholders and AKI Optionholders

If you are not a resident of Australia for income tax purposes, you will generally not have to pay Australian tax on any capital gain when you dispose of Your Shares or Your Listed Options, unless both of the following requirements are satisfied:

(i) you hold (or have an option to acquire through Your Listed Options) a ‘non-portfolio’ interest in AKI; and
(ii) Your Shares (or your option to acquire AKI Shares through Your Listed Options) pass the ‘principal asset test’.

If either element is absent, any capital gain made on the disposal of Your Shares or Your Listed Options should not be subject to income tax in Australia.

As outlined in Section 3 of this document, the significant majority of its assets are off-shore. Based on this information, it is unlikely that the “principal asset test” would be satisfied. Non-resident shareholders of AKI who consider they may pass the non-portfolio test should confirm this position with AKI.

**Non-portfolio interest**

You will hold a “non-portfolio interest” in AKI if you (together with your associates) own, or owned, throughout a 12 month period during the two years preceding the sale of Your Shares, 10% or more of (broadly) all of the AKI Shares.

You will have an option to acquire a ‘non-portfolio interest’ in AKI if you (together with your associates) have, or had, throughout a 12 month period during the two years preceding the sale of Your Listed Options, a right to acquire 10% or more of (broadly) all of the AKI Shares.

**Principal asset test**

Broadly, the AKI Shares or AKI Listed Options would pass the ‘principal asset test’ if the market value of AKI’s direct and indirect interests in Australian land (including leases and mining rights) is more than the market value of its other assets at the time you accept the Offer. Detailed calculations are necessary to determine the results of the ‘principal asset test’.

If you hold (or have an option to acquire) a ‘non-portfolio interest’ in AKI, you should contact AKI to determine if Your Shares or Your Listed Options pass the ‘principal asset test’. If you buy and sell shares or options in the ordinary course of business, as trading stock, or acquired the shares or options for resale at a profit, any gain could be taxed in Australia as ordinary income and not as a capital gain (subject to any relief available under a double tax treaty that Australia has concluded with your country of residence). Again, you should seek your own tax advice.

Further, you should seek advice from your tax adviser as to the taxation implications of accepting the Offers in your country of residence.

7.5 Stamp duty

Any stamp duty payable on the transfer of AKI Shares or AKI Listed Options to Exxaro Australia pursuant to the Offers will be paid by Exxaro Australia.
SECTION 8
Additional Information

8.1 Date for determining holders of AKI Shares and AKI Listed Options
For the purposes of section 633 of the Corporations Act, the date for determining the persons to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

8.2 Takeover Bid Implementation Agreement
On 10 January 2012, Exxaro Australia and Exxaro entered into a Takeover Bid Implementation Agreement with AKI. The agreement was released to ASX on 11 January 2012 following the announcement of the Offers. A copy of the announcement of the Offers and the Takeover Bid Implementation Agreement are provided in Annexure A to this Bidder’s Statement.

8.3 Pre-bid acceptance agreement
AKI’s largest shareholder, Cape Lambert, has entered into a pre-bid acceptance agreement with Exxaro Australia dated 10 January 2012. Cape Lambert has agreed to accept into the Share Offer in respect of 100,315,473 AKI Shares (representing 19.99% of current AKI issued share capital) by 6:00 pm (Perth time) on the date which is 5 days after the commencement of the offer period under the Share Offer (the Acceptance Date).

Cape Lambert’s obligation to accept the Share Offer will be released if, before the earlier of its acceptance of the Share Offer or 6:00 pm (Perth Time) on the Acceptance Date, a competing bid is announced under which the consideration per share would be 5% or more than the consideration under the Share Offer (a Higher Competing Bid). However, if a Higher Competing Bid is announced prior to the Acceptance Date, Exxaro Australia will have ten business days to increase the consideration under the Share Offer to at least match the Higher Competing Bid. If Exxaro Australia does so increase the consideration under the Share Offer, Cape Lambert has agreed to accept the revised offer within 2 business days of Exxaro Australia announcing the increase.

For the purpose of the pre-bid acceptance agreement:

(a) in assessing the value of a takeover bid (including the takeover bid by Exxaro Australia), if the bid price will be increased to a higher price if a specified level of acceptance occurs or a specified Relevant Interest is obtained and such level is not more than 75% (on a fully diluted basis), the bid is regarded as being at that higher price; and

(b) the value of securities which are offered under a takeover bid as consideration will be 95% of the weighted average sale price for those securities on ASX or any other relevant stock exchange over the 5 trading days prior to the time at which the value is determined. In the event that this methodology cannot be applied, the value will be 95% of that assessed by an independent investment bank (acting as expert) as at the date which the other takeover bid is announced.

Cape Lambert’s obligations under the pre-bid acceptance agreement will also be released if the conditions to the Share Offer are not satisfied or waived by Exxaro Australia by the close of the offer period or if Exxaro Australia withdraws the Share Offer.
8.4 Consents

The following persons have consented to being named in this Bidder’s Statement in the form and context in which their names appear and have not withdrawn their consent prior to the lodgement of this Bidder’s Statement with ASIC:

(i) Link Market Services Limited, to be named as the AKI Share and AKI Listed Option registrar for the Offers;

(ii) Gilbert + Tobin, to be named as the legal adviser to Exxaro and Exxaro Australia; and

(iii) Investec Bank (Australia) Limited and Investec Bank Limited, to be named as financial advisers to Exxaro and Exxaro Australia.

None of the abovementioned persons has made any statement in this Bidder’s Statement, or on which a statement in this Bidder’s Statement is based, and (to the maximum extent permitted by law) expressly disclaims all liability, in respect of, makes no representation regarding and takes no responsibility for, any part of this Bidder’s Statement.

This Bidder’s Statement contains a statement made by, or statements based on statements made by, Exxaro. Exxaro has consented to being named in this Bidder’s Statement and has consented to the inclusion of:

(i) each statement it has made; and

(ii) each statement which is said in this Bidder’s Statement to be based on a statement it has made, in the form and content in which the statements made have been included, and has not withdrawn its consent as at the date of this Bidder’s Statement.

This Bidder’s Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder’s Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, (free of charge), during the bid period, please contact Exxaro Australia Offer Information Line on 1800 095 654 (toll free for callers within Australia) and +61 2 8280 7114 (for callers outside Australia).

As permitted by ASIC Class Order 03/635, this Bidder’s Statement may include or be accompanied by certain statements:

(i) fairly representing a statement by an official person; or

(ii) from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Bidder’s Statement contains share price trading data sourced from iRESS without its consent.

8.5 ASIC relief

(a) Relief to facilitate exercise of AKI Listed Options and AKI Unlisted Options

Exxaro Australia has obtained relief from ASIC under section 655A of the Corporations Act to enable it to exercise AKI Listed Options acquired under the Option Offer and AKI Unlisted Options acquired under the Option Acquisition Agreements and thereby increase its Relevant Interest in AKI Shares on condition that:

(i) Exxaro Australia makes the Offers and also makes offers under the Option Acquisition Agreements;

(ii) Exxaro Australia cannot waive the condition of the Option Offer or the Option Acquisition Agreements in order to permit the Option Offer or the Option Acquisition Agreements to proceed even if the Share Offer has not become or been declared Unconditional or is subject only to none of the Prescribed Occurrences listed in sections 652C(1) or (2) occurring;

(iii) the Offers under the Share Offer and Option Offer are first sent on the same day;
8 Additional Information cont.

8.5 ASIC relief cont.

(iv) the relief and Exxaro Australia’s intention in relation to the exercise of the AKI Listed Options acquired under the Option Offer and AKI Unlisted Options under the Option Acquisition Agreements are disclosed in the Bidder’s Statement; and

(v) the offer price under the Option Offer and the Option Acquisition Agreements is consistent with the offer price in respect of the Share Offer, less the relevant exercise price.

Please refer to the disclosure in Section 6.5 of this Bidder’s Statement in relation to Exxaro Australia’s intentions regarding the exercise of AKI Listed Options acquired under the Option Offer and AKI Unlisted Options acquired under the Option Acquisition Agreements.

(b) Other ASIC relief

Exxaro Australia has not obtained from ASIC any other modifications to, or exemptions from, the Corporations Act in relation to the Offers. However, ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons including Exxaro Australia (including that referred to in Section 8.4 of this Bidder’s Statement).

8.6 FIRB approval

Exxaro Australia is a foreign person for the purposes of the FATA. On 7 December 2011, Exxaro Australia applied to the Treasurer under FATA for a statement of no objection to the proposed acquisition of up to 100% of the issued capital of AKI under the Share Offer. The statement of no objection was provided on 23 December 2011.

8.7 ASX waivers and consents

(a) Waiver from Listing Rules 9.1, 9.4 and 9.7

AKI will shortly after the date of this Bidder’s Statement make an application to ASX in respect of waivers from Listing Rules 9.1, 9.4 and 9.7 to permit the holders of AKI Unlisted Options that are currently under escrow to enter into the Option Acquisition Agreements.

For AKI Unlisted Options subject to escrow restrictions, individual offers will be made to those holders on the condition that such waiver is obtained.

(b) Waiver from Listing Rules 6.23.2 and 6.23.4

AKI will shortly after the date of this Bidder’s Statement make an application to ASX in respect of a waiver from Listing Rules 6.23.2 and 6.23.4 to the extent necessary to allow for the transfer or cancellation of those AKI Unlisted Options to which the Option Acquisition Agreements apply.

All offers in relation to AKI Unlisted Options will be conditional on AKI obtaining this waiver.

8.8 Calculation of Exxaro Australia’s Relevant Interest in AKI Shares

In this Bidder’s Statement, for statements regarding the intention to increase the consideration, for the purposes of calculating Exxaro Australia’s Relevant Interest in 75% or more of the AKI Shares on a fully diluted basis in relation to the intention to increase the consideration under the Offers, Exxaro Australia will be deemed to have a Relevant Interest in any AKI Shares which may be issued on exercise of any AKI Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of the calculation, exercised such options.

8.9 Other material information

Except as disclosed elsewhere in this Bidder’s Statement, there is no other information that is:

(i) material to the making of a decision by an AKI Shareholder whether or not to accept the Offer; and

(ii) known to Exxaro Australia,

which has not previously been disclosed to AKI Shareholders.
SECTION 9
The terms and conditions of the Share Offer

9.1 Share Offer

(i) Exxaro Australia offers to acquire all of Your Shares on and subject to the terms and conditions set out in this Section 9 of this Bidder’s Statement.

(ii) The consideration under the Share Offer is A$0.51 in cash for each AKI Share. Exxaro Australia has stated that it will vary the Share Offer to increase the consideration in the circumstances described in Section 1.2 “What you will receive if you accept the Share Offer”.

(iii) By accepting the Share Offer, you undertake to transfer to Exxaro Australia not only the AKI Shares to which the Share Offer relates, but also all Rights attached to those AKI Shares (see Paragraph 9.5(iii)(F) and Paragraph 9.6(iii)).

(iv) This Share Offer is being made to each person registered as the holder of AKI Shares in the register of AKI Shareholders at 9:00 am (Perth time) on the Register Date. It also extends to:

(A) holders of securities that come to be holders of AKI Shares during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities; and

(B) any person who becomes registered, or entitled to be registered, as the holder of your AKI Shares during the Offer Period.

(v) If, at the time the Share Offer is made to you, or at any time during the Share Offer Period, another person is, or is entitled to be, registered as the holder of some or all of Your Shares, then:

(A) a corresponding offer on the same terms and conditions as the Share Offer will be deemed to have been made to that other person in respect of those AKI Shares; and

(B) a corresponding offer on the same terms and conditions as the Share Offer will be deemed to have been made to you in respect of any other AKI Shares you hold to which the Share Offer relates; and

(C) this Share Offer will be deemed to have been withdrawn immediately at that time.

(vi) If at any time during the Share Offer Period you are registered or entitled to be registered as the holder of one or more parcels of AKI Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct offer on the same terms and conditions as the Share Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Share Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder’s Statement and/or the Share Offer Acceptance Form, please call the Exxaro Australia Offer Information Line on 1800 095 654 (toll free for callers within Australia) and +61 2 8280 7114 (for callers outside Australia) to request those additional copies.

(vii) If Your Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Share Offer.

(viii) The Share Offer is dated 11 January 2012.
9 The terms and conditions of the Share Offer cont.

9.2 Share Offer Period

(i) Unless withdrawn, the Share Offer will remain open for acceptance during the period commencing on the date of the Share Offer and ending at 5:00 pm (Perth time) on the later of:
   (A) 14 February 2012; or
   (B) any date to which the Share Offer Period is extended.

(ii) Exxaro Australia reserves the right, exercisable in its sole discretion, to extend the Share Offer Period in accordance with the Corporations Act.

(iii) If, within the last 7 days of the Share Offer Period, either of the following events occurs:
   (A) the Share Offer is varied to improve the consideration offered; or
   (B) Exxaro Australia’s voting power in AKI increases to more than 50%,
   then the Share Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act.

9.3 How to accept the Share Offer

(a) General

   (i) Subject to Paragraph 9.1(v) and Paragraph 9.1(vi), you may accept the Share Offer only for all of Your Shares.

   (ii) You may accept the Share Offer at any time during the Share Offer Period.

(b) AKI Shares held in your name on AKI’s issuer sponsored subregister

   To accept the Share Offer for AKI Shares held in your name on AKI’s issuer sponsored subregister (in which case your SRN will commence with ‘I’), you must:

   (i) complete and sign the Share Offer Acceptance Form in accordance with the terms of the Share Offer and the instructions on the Share Offer Acceptance Form; and

   (ii) ensure that the Share Offer Acceptance Form (including any documents required by the terms of this Share Offer and the instructions on the Share Offer Acceptance Form) is received before the end of the Share Offer Period, at one of the addresses shown on the Share Offer Acceptance Form.

(c) AKI Shares held in your name in a CHESS Holding

   (i) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with ‘X’) and you are not a Participant, you should instruct your Controlling Participant (this is normally the stockbroker either through whom you bought your AKI Shares or through whom you ordinarily acquire shares on the ASX) to initiate acceptance of the Share Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Share Offer Period.

   (ii) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with ‘X’) and you are a Participant, you should initiate acceptance of the Share Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Share Offer Period.

   (iii) Alternatively, to accept the Share Offer for AKI Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with ‘X’), you may sign and complete the Share Offer Acceptance Form in accordance with the terms of the Share Offer and the instructions on the Share Offer Acceptance Form and ensure that it (including any documents required by the terms of the Share Offer and the instructions on the Share Offer Acceptance Form) is received before the end of the Share Offer Period, at one of the addresses shown on the Share Offer Acceptance Form.

   (iv) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with ‘X’), you must comply with any other applicable ASX Settlement Operating Rules.
(d) AKI Shares of which you are entitled to be registered as holder

To accept the Share Offer for AKI Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

(i) complete and sign the Share Offer Acceptance Form in accordance with the terms of the Share Offer and the instructions on the Share Offer Acceptance Form; and

(ii) ensure that the Share Offer Acceptance Form (including any documents required by the terms of the Share Offer and the instructions on the Share Offer Acceptance Form) is received before the end of the Share Offer Period.

(e) Share Offer Acceptance Form and other documents

(i) The Share Offer Acceptance Form forms part of the Share Offer.

(ii) If your Share Offer Acceptance Form (including any documents required by the terms of this Share Offer and the instructions on the Share Offer Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by Exxaro Australia at one of the addresses shown on the Share Offer Acceptance Form before the end of the Share Offer Period. You may only return your Share Offer Acceptance Form by facsimile with the prior approval of Exxaro Australia.

(iii) When using the Share Offer Acceptance Form to accept the Share Offer in respect of AKI Shares in a CHESS Holding, you must ensure that the Share Offer Acceptance Form (and any documents required by the terms of the Share Offer and the instruction on the Share Offer Acceptance Form) are received by Exxaro Australia in time for Exxaro Australia to instruct your Controlling Participant to initiate acceptance of the Share Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Share Offer Period.

(iv) The postage and transmission of the Share Offer Acceptance Form and other documents is at your own risk.

9.4 Validity of acceptances

(i) Subject to this Section 9.4, your acceptance of the Share Offer will not be valid unless it is made in accordance with the procedures set out in Section 9.3.

(ii) Exxaro Australia will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Share Offer and time of receipt of an acceptance of the Share Offer. Exxaro Australia is not required to communicate with you prior to or after making this determination. The determination of Exxaro Australia will be final and binding on all parties.

(iii) Notwithstanding Paragraphs 9.3(b), 9.3(c), 9.3(d) and 9.3(e), Exxaro Australia may, in its sole discretion, at any time and without further communication to you, deem any Share Offer Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Share Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by Exxaro Australia.

(iv) Where you have satisfied the requirements for acceptance in respect of only some of Your Shares, Exxaro Australia may, in its sole discretion, regard the Share Offer to be accepted in respect of those AKI Shares but not the remainder.

(v) Exxaro Australia will provide the consideration to you in accordance with Section 9.6, in respect of any part of an acceptance determined by Exxaro Australia to be valid.
9 The terms and conditions of the Share Offer cont.

9.5 The effect of acceptance

(i) Once you have accepted the Share Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Shares from the Share Offer or otherwise dispose of Your Shares, except as follows:

(A) if, by the relevant time specified in Paragraph 9.5(ii), the conditions in Section 9.7 have not all been fulfilled or freed, the Share Offer will automatically terminate and Your Shares will be returned to you; or

(B) if the Share Offer Period is extended for more than one month and the obligations of Exxaro Australia to pay the consideration are postponed for more than one month and, at the time, the Share Offer is subject to one or more of the conditions in Section 9.7, you may be able to withdraw your acceptance and Your Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.

(ii) The relevant time for the purposes of Paragraph 9.5(i)(A) is the end of the Share Offer Period.

(iii) By signing and returning the Share Offer Acceptance Form, or otherwise accepting the Share Offer pursuant to Section 9.3, you will be deemed to have:

(A) accepted the Share Offer (and any variation of it) in respect of, and, subject to all of the conditions to the Share Offer in Section 9.7 being fulfilled or freed, agreed to transfer to Exxaro Australia, all Your Shares (even if the number of AKI Shares specified on the Share Offer Acceptance Form differs from the number of Your Shares), subject to Paragraph 9.1(v) and Paragraph 9.1(vi);

(B) represented and warranted to Exxaro Australia, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Shares (including any Rights) to Exxaro Australia is registered, that all Your Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept the Share Offer and to sell and transfer the legal and beneficial ownership in Your Shares (including any Rights) to Exxaro Australia, and that you have paid to AKI all amounts which at the time of acceptance have fallen due for payment to AKI in respect of Your Shares;

(C) irrevocably authorised Exxaro Australia (and any director, secretary, nominee or agent of Exxaro Australia) to alter the Share Offer Acceptance Form on your behalf by inserting correct details relating to Your Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by Exxaro Australia to make it an effective acceptance of the Share Offer or to enable registration of Your Shares in the name of Exxaro Australia;

(D) if you signed the Share Offer Acceptance Form in respect of AKI Shares which are held in a CHESS Holding, irrevocably authorised Exxaro Australia (or any director, secretary, nominee or agent of Exxaro Australia) to instruct your Controlling Participant to initiate acceptance of the Share Offer in respect of Your Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules;

(E) if you signed the Share Offer Acceptance Form in respect of AKI Shares which are held in a CHESS Holding, irrevocably authorised Exxaro Australia (or any director, secretary, nominee or agent of Exxaro Australia) to give any other instructions in relation to Your Shares to your Controlling Participant, as determined by Exxaro Australia acting in its own interests as a beneficial owner and intended registered holder of those AKI Shares;
(F) irrevocably authorised and directed AKI to pay to Exxaro Australia, or to account to Exxaro Australia for, all Rights in respect of Your Shares, subject, if the Share Offer is withdrawn, to Exxaro Australia accounting to you for any such Rights received by Exxaro Australia;

(G) irrevocably authorised Exxaro Australia to notify AKI on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Shares is the address specified by Exxaro Australia in the notification;

(H) with effect from the time and date on which all the conditions to the Share Offer in Section 9.7 have been fulfilled or freed, to have irrevocably appointed Exxaro Australia (and any director, secretary or nominee of Exxaro Australia) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to Your Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings and all court-convened meetings of AKI and to request AKI to register, in the name of Exxaro Australia or its nominee, Your Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);

(I) with effect from the date on which all the conditions to the Share Offer in Section 9.7 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting or any court-convened meeting of AKI or to exercise or purport to exercise any of the powers and rights conferred on Exxaro Australia (and its directors, secretaries and nominees) in Paragraph 9.5(ii)(H);

(J) agreed that in exercising the powers and rights conferred by the powers of attorney granted under Paragraph 9.5(ii)(H), the attorney will be entitled to act in the interests of Exxaro Australia as the beneficial owner and intended registered holder of Your Shares;

(K) agreed to do all such acts, matters and things that Exxaro Australia may require to give effect to the matters the subject of this Paragraph 9.5(ii) (including the execution of a written form of proxy to the same effect as this Paragraph 9.5(ii) which complies in all respects with the requirements of the constitution of AKI) if requested by Exxaro Australia;

(L) agreed to indemnify Exxaro Australia in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or SRN or in consequence of the transfer of Your Shares to Exxaro Australia being registered by AKI without production of your Holder Identification Number or your SRN for Your Shares;

(M) represented and warranted to Exxaro Australia that, unless you have notified it in accordance with Paragraph 9.1(vi), Your Shares do not consist of separate parcels of AKI Shares;

(N) irrevocably authorised Exxaro Australia (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASX Settlement Operating Rules to transfer Your Shares to Exxaro Australia’s Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under the Share Offer; and

(O) agreed, subject to the conditions of the Share Offer in Section 9.7 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that Exxaro Australia may consider necessary or desirable to convey Your Shares registered in your name and Rights to Exxaro Australia.

(iv) The undertakings and authorities referred to in Paragraph 9.5(iii) will remain in force after you receive the consideration for Your Shares and after Exxaro Australia becomes registered as the holder of Your Shares.
9 The terms and conditions of the Share Offer cont.

9.6 Payment of consideration

(i) Subject to Paragraph 9.4(ii) and this Section 9.6 and the Corporations Act, Exxaro Australia will provide the consideration due to you for Your Shares within 14 days of the later of:

(A) each condition to the Share Offer having been fulfilled or waived by Exxaro Australia; and

(B) receipt of a duly completed Acceptance Form.

(ii) Where the Share Offer Acceptance Form requires an additional document to be delivered with your Share Offer Acceptance Form (such as a power of attorney):

(A) if that document is given with your Share Offer Acceptance Form, Exxaro Australia will provide the consideration in accordance with Paragraph 9.6(i);

(B) if that document is given after your Share Offer Acceptance Form and before the end of the Share Offer Period while the Share Offer is subject to a defeating condition, Exxaro Australia will provide the consideration due to you within 14 days of either the Share Offer becoming or being declared Unconditional;

(C) if that document is given after your Share Offer Acceptance Form and before the end of the Share Offer Period while the Share Offer is not subject to a defeating condition, Exxaro Australia will provide the consideration due to you within 14 days after that document is given; and

(D) if that document is given after the end of the Share Offer Period, and the Share Offer is not subject to a defeating condition, Exxaro Australia will provide the consideration within 14 days after that document is given.

(iii) If you accept the Share Offer, Exxaro Australia is entitled to all Rights in respect of Your Shares. Exxaro Australia may require you to provide all documents necessary to vest title to those Rights in Exxaro Australia, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to Exxaro Australia, or if you have received the benefit of those Rights, Exxaro Australia will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Exxaro Australia) of those Rights, together with the value (as reasonably assessed by Exxaro Australia) of the franking credits, if any, attached to the Rights.

(iv) Payment of any cash amount to which you are entitled under the Share Offer will be made by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) to the address as shown on your Share Offer Acceptance Form.

(v) If at the time you accept the Share Offer any of the following:

(A) Banking (Foreign) Exchange Regulations 1959 (Cth);

(B) Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);

(C) Charter of the United Nations (Sanctions - Afghanistan) Regulations 2008 (Cth);

(D) Charter of the United Nations (Sanctions - Iraq) Regulations 2008 (Cth); or

(E) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any consideration for Your Shares, or would make it unlawful for Exxaro Australia to provide any consideration to you for Your Shares, you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by Exxaro Australia. As far as Exxaro Australia is aware, as at the date of this Bidder’s Statement, the persons to whom this Paragraph 9.6(v) will apply are: prescribed supporters of the former government of Yugoslavia; ministers and senior officials of the Government of Zimbabwe; persons associated with the former government of Iraq (including senior officials, immediate family members of senior officials, or an entity controlled by any of those persons); the Taliban; members of the Al-Qaeda organisation; and persons named in the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.
9.7 Conditions of the Share Offer

Subject to Section 9.8, the completion of the Share Offer and any contract that results from an acceptance of the Share Offer, are subject to the fulfilment of the conditions set out below:

(a) Minimum acceptance

Exxaro Australia has a Relevant Interest in more than 50% of the AKI Shares (both on an undiluted and on a fully-diluted basis) at the end of the Share Offer Period.

(b) No regulatory action

During the Share Offer Period:

(i) there is not in effect any preliminary or final decision, order or decree issued by any court, the Takeovers Panel or any Government Agency;

(ii) no action or investigation is announced, commenced or threatened by any court, the Takeovers Panel or any Government Agency; and

(iii) no application is made to any court, the Takeovers Panel or any Government Agency (other than by Exxaro Australia or any associate of Exxaro Australia), in consequence of or in connection with the Share Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act or the applications to ASX contemplated by the Takeover Bid Implementation Agreement) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Takeover Bid or which requires the divestiture by Exxaro Australia of any Shares or any material assets of the AKI Group.

(c) No Material Adverse Change

Between the Announcement Date and the end of the Share Offer Period (each inclusive), there is no Material Adverse Change.

(d) No Prescribed Occurrences

Between the Announcement Date and the end of the Share Offer Period (each inclusive), there is no Prescribed Occurrence.

9.8 Nature and benefit of conditions

(i) The conditions in Section 9.7 are conditions subsequent. The nonfulfilment of any condition subsequent does not, until the end of the Share Offer Period, prevent a contract to sell Your Shares from arising, but non-fulfilment of any of those conditions will have the consequences set out in Paragraph 9.9(ii).

(ii) Subject to the Corporations Act, Exxaro Australia alone is entitled to the benefit of the conditions in Section 9.7, or to rely on any nonfulfilment of any of them.

(iii) Each condition in Section 9.7 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

9.9 Freeing the Share Offer of conditions

(i) Exxaro Australia may free the Share Offer, and any contract resulting from its acceptance, from all or any of the conditions subsequent in Section 9.7, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to AKI and to ASX declaring the Share Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given not less than 7 days before the end of the Share Offer Period.
9 The terms and conditions of the Share Offer cont.

9.9 Freeing the Share Offer of conditions cont.
(ii) If, at the end of the Share Offer Period the conditions in Section 9.7 have not been fulfilled and Exxaro Australia has not declared the Share Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Share Offer will be automatically void.

9.10 Notice on status of conditions
The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is 7 February 2012 (subject to extension in accordance with section 630(2) if the Share Offer Period is extended).

9.11 Withdrawal of the Share Offer
(i) The Share Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, Exxaro Australia will give notice of the withdrawal to ASX and to AKI and will comply with any other conditions imposed by ASIC.
(ii) If, at the time the Share Offer is withdrawn, all the conditions in Section 9.7 have been satisfied or freed, all contracts arising from acceptance of the Share Offer before it was withdrawn will remain enforceable.
(iii) If, at the time the Share Offer is withdrawn, the Share Offer remains subject to one or more of the conditions in Section 9.7, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
(iv) A withdrawal pursuant to Section 9.11 will be deemed to take effect:
(A) if the withdrawal is not subject to conditions imposed by ASIC, on and after the date on which that consent in writing is given by ASIC; or
(B) if the withdrawal is subject to conditions imposed by ASIC, on and after the date on which those conditions are satisfied.

9.12 Variation of the Share Offer
Exxaro Australia may vary the Share Offer in accordance with the Corporations Act.

9.13 No stamp duty or brokerage
Exxaro Australia will pay any stamp duty on the transfer of Your Shares to it. As long as Your Shares are registered in your name and you deliver them directly to Exxaro Australia, you will not incur any brokerage in connection with your acceptance of the Share Offer.

9.14 Governing laws
The Share Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia, Australia.
SECTION 10
The terms and conditions of the Option Offer

10.1 Option Offer

(i) Exxaro Australia offers to acquire all of Your Listed Options on and subject to the terms and conditions set out in this Section 10 of this Bidder’s Statement.

(ii) The consideration under the Option Offer is A$0.31 in cash for each of Your Listed Options. Exxaro Australia has stated that it will vary the Option Offer to increase the consideration in the circumstances described in Section 1.3 “What you will receive if you accept the Option Offer”.

(iii) By accepting the Option Offer, you undertake to transfer to Exxaro Australia not only the AKI Listed Options to which the Option Offer relates, but also all Rights attached to those AKI Listed Options (see Paragraphs 10.5(ii)(F) and 10.6(iii)).

(iv) This Option Offer is being made to:

(A) each person registered as the holder of AKI Listed Options in the register of AKI Optionholders at 9:00 am (Perth time) on the Register Date; and

(B) any person who is able during the Option Offer Period to give good title to a parcel of AKI Listed Options and has not already accepted an Option Offer for those AKI Listed Options.

(v) If, at the time the Option Offer is made to you, or at any time during the Option Offer Period, another person is, or is entitled to be, registered as the holder of some or all of Your Listed Options, then:

(A) a corresponding offer on the same terms and conditions as the Option Offer will be deemed to have been made to that other person in respect of those AKI Listed Options; and

(B) a corresponding offer on the same terms and conditions as the Option Offer will be deemed to have been made to you in respect of any other AKI Listed Options you hold to which the Option Offer relates; and

(C) this Option Offer will be deemed to have been withdrawn immediately at that time.

(vi) If at any time during the Option Offer Period you are registered or entitled to be registered as the holder of one or more parcels of AKI Listed Options as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct offer on the same terms and conditions as the Option Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder’s Statement and/or the Option Offer Acceptance Form, please call Exxaro Australia Offer Information Line on 1800 095 654 (toll free for callers within Australia) and +61 2 8280 7114 (for callers outside Australia) to request those additional copies.

(vii) If Your Listed Options are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Option Offer.

(viii) The Option Offer is dated 11 January 2012.
10 The terms and conditions of the 
Option Offer cont.

10.2 Option Offer Period

(i) Unless withdrawn, the Option Offer will remain open for acceptance during the period commencing on the date of the Option Offer and ending at 5:00 pm (Perth time) on the later of:
(A) 14 February 2012; or
(B) any date to which the Option Offer Period is extended.

(ii) Exxaro Australia reserves the right, exercisable in its sole discretion, to extend the Option Offer Period in accordance with the Corporations Act.

(iii) If, within the last 7 days of the Option Offer Period, either of the following events occurs:
(A) the Option Offer is varied to improve the consideration offered; or
(B) Exxaro Australia’s voting power in AKI increases to more than 50%,
then the Option Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act.

10.3 How to accept the Option Offer

(a) General

(i) Subject to Paragraphs 10.1(v) and Section 10.1(vi), you may accept the Option Offer only for all of Your Listed Options.

(ii) You may accept the Option Offer at any time during the Option Offer Period.

(b) AKI Listed Options held in your name on AKI’s issuer sponsored subregister

To accept the Option Offer for AKI Listed Options held in your name on AKI’s issuer sponsored subregister (in which case your SRN will commence with ‘I’), you must:

(i) complete and sign the Option Offer Acceptance Form in accordance with the terms of the Option Offer and the instructions on the Option Offer Acceptance Form; and

(ii) ensure that the Option Offer Acceptance Form (including any documents required by the terms of this Option Offer and the instructions on the Option Offer Acceptance Form) is received before the end of the Option Offer Period, at one of the addresses shown on the Option Offer Acceptance Form.

(c) AKI Listed Option held in your name in a CHESS Holding

(i) If Your Listed Options are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with ‘X’) and you are not a Participant, you should instruct your Controlling Participant (this is normally the stockbroker either through whom you bought your AKI Listed Options or through whom you ordinarily acquire securities on the ASX) to initiate acceptance of the Option Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Option Offer Period.

(ii) If Your Listed Options are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with ‘X’) and you are a Participant, you should initiate acceptance of the Option Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Option Offer Period.

(iii) Alternatively, to accept the Option Offer for AKI Listed Options held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with ‘X’), you may sign and complete the Option Offer Acceptance Form in accordance with the terms of the Option Offer and the instructions on the Option Offer Acceptance Form and ensure that it (including any documents required by the terms of the Option Offer and the instructions on the Option Offer Acceptance Form) is received before the end of the Option Offer Period, at one of the addresses shown on the Option Offer Acceptance Form.

(iv) If Your Listed Options are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with ‘X’), you must comply with any other applicable ASX Settlement Operating Rules.
(d) AKI Listed Options of which you are entitled to be registered as holder

To accept the Option Offer for AKI Listed Options which are not held in your name, but of which you are entitled to be registered as holder, you must:

(i) complete and sign the Option Offer Acceptance Form in accordance with the terms of the Option Offer and the instructions on the Option Offer Acceptance Form; and

(ii) ensure that the Option Offer Acceptance Form (including any documents required by the terms of the Option Offer and the instructions on the Option Offer Acceptance Form) is received before the end of the Option Offer Period.

(e) Option Offer Acceptance Form and other documents

(i) The Option Offer Acceptance Form forms part of the Option Offer.

(ii) If your Option Offer Acceptance Form (including any documents required by the terms of this Option Offer and the instructions on the Option Offer Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by Exxaro Australia at one of the addresses shown on the Option Offer Acceptance Form before the end of the Option Offer Period. You may only return your Option Offer Acceptance Form by facsimile with the prior approval of Exxaro Australia.

(iii) When using the Option Offer Acceptance Form to accept the Option Offer in respect of AKI Listed Options in a CHESS Holding, you must ensure that the Option Offer Acceptance Form (and any documents required by the terms of the Option Offer and the instruction on the Option Offer Acceptance Form) are received by Exxaro Australia in time for Exxaro Australia to instruct your Controlling Participant to initiate acceptance of the Option Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Option Offer Period.

(iv) The postage and transmission of the Option Offer Acceptance Form and other documents is at your own risk.

10.4 Validity of acceptances

(i) Subject to this Section 10.4, your acceptance of the Option Offer will not be valid unless it is made in accordance with the procedures set out in Section 10.3.

(ii) Exxaro Australia will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Option Offer and time of receipt of an acceptance of the Option Offer. Exxaro Australia is not required to communicate with you prior to or after making this determination. The determination of Exxaro Australia will be final and binding on all parties.

(iii) Notwithstanding Paragraphs 10.3(b), 10.3(c), 10.3(d) and 10.3(e), Exxaro Australia may, in its sole discretion, at any time and without further communication to you, deem any Option Offer Acceptance Form it receives to be a valid acceptance in respect of Your Listed Options, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Option Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by Exxaro Australia.

(iv) Where you have satisfied the requirements for acceptance in respect of only some of Your Listed Options, Exxaro Australia may, in its sole discretion, regard the Option Offer to be accepted in respect of those AKI Listed Options but not the remainder.

(v) Exxaro Australia will provide the consideration to you in accordance with Section 10.6, in respect of any part of an acceptance determined by Exxaro Australia to be valid.
10 The terms and conditions of the Option Offer cont.

10.5 The effect of acceptance

(i) Once you have accepted the Option Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Listed Options from the Option Offer, exercise Your Listed Options or otherwise dispose of Your Listed Options, except as follows:

(A) if, by the relevant time specified in Paragraph 10.5(ii), the condition in Section 10.7 has not been fulfilled or freed, the Option Offer will automatically terminate and Your Listed Options will be returned to you; or

(B) if the Option Offer Period is extended for more than one month and the obligations of Exxaro Australia to pay the consideration are postponed for more than one month and, at the time, the Option Offer is subject to the condition in Section 10.7, you may be able to withdraw your acceptance and Your Listed Options in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.

(ii) The relevant time for the purposes of Paragraph 10.5(i)(A) is the end of the Option Offer Period.

(iii) By signing and returning the Option Offer Acceptance Form, or otherwise accepting the Option Offer pursuant to Section 10.3, you will be deemed to have:

(A) accepted the Option Offer (and any variation of it) in respect of and, subject to the condition to the Option Offer in Section 10.7 being fulfilled or freed, agreed to transfer to Exxaro Australia, all Your Listed Options (even if the number of AKI Listed Options specified on the Option Offer Acceptance Form differs from the number of Your Listed Options), subject to Paragraphs 10.1(v) and Section 10.1(vi);

(B) represented and warranted to Exxaro Australia, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Listed Options (including any Rights) to Exxaro Australia is registered, that all Your Listed Options are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept the Option Offer and to sell and transfer the legal and beneficial ownership in Your Listed Options;

(C) irrevocably authorised Exxaro Australia (and any director, secretary, nominee or agent of Exxaro Australia) to alter the Option Offer Acceptance Form on your behalf by inserting correct details relating to Your Listed Options, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by Exxaro Australia to make it an effective acceptance of the Option Offer or to enable registration of Your Listed Options in the name of Exxaro Australia;

(D) if you signed the Option Offer Acceptance Form in respect of AKI Listed Options which are held in a CHESS Holding, irrevocably authorised Exxaro Australia (or any director, secretary, nominee or agent of Exxaro Australia) to instruct your Controlling Participant to initiate acceptance of the Option Offer in respect of Your Listed Options in accordance with Rule 14.14 of the ASX Settlement Operating Rules;

(E) if you signed the Option Offer Acceptance Form in respect of AKI Listed Options which are held in a CHESS Holding, irrevocably authorised Exxaro Australia (or any director, secretary, nominee or agent of Exxaro Australia) to give any other instructions in relation to Your Listed Options to your Controlling Participant, as determined by Exxaro Australia acting in its own interests as a beneficial owner and intended registered holder of those AKI Listed Options;

(F) irrevocably authorised and directed AKI to pay to Exxaro Australia, or to account to Exxaro Australia for, all Rights in respect of Your Listed Options, subject, if the Option Offer is withdrawn, to Exxaro Australia accounting to you for any such Rights received by Exxaro Australia;
(G) irrevocably authorised Exxaro Australia to notify AKI on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Listed Options is the address specified by Exxaro Australia in the notification;

(H) with effect from the time and date on which the condition to the Option Offer in Section 10.7 has been fulfilled or freed, to have irrevocably appointed Exxaro Australia (and any director, secretary or nominee of Exxaro Australia) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to Your Listed Options;

(I) with effect from the date on which the condition to the Option Offer in Section 10.7 has been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting or any court-convened meeting of AKI or to exercise or purport to exercise any of the powers and rights conferred on Exxaro Australia (and its directors, secretaries and nominees) in Paragraph 10.5(iii)(H);

(J) agreed that in exercising the powers and rights conferred by the powers of attorney granted under Paragraph 10.5(iii)(H), the attorney will be entitled to act in the interests of Exxaro Australia as the beneficial owner and intended registered holder of Your Listed Options;

(K) agreed to do all such acts, matters and things that Exxaro Australia may require to give effect to the matters the subject of this Paragraph 10.5(iii) (including the execution of a written form of proxy to the same effect as this Paragraph 10.5(iii) which complies in all respects with the requirements of the constitution of AKI) if requested by Exxaro Australia;

(L) agreed to indemnify Exxaro Australia in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or SRN or in consequence of the transfer of Your Listed Options to Exxaro Australia being registered by AKI without production of your Holder Identification Number or your SRN for Your Listed Options;

(M) represented and warranted to Exxaro Australia that, unless you have notified it in accordance with Paragraph 10.1(vi), Your Listed Options do not consist of separate parcels of AKI Listed Options;

(N) irrevocably authorised Exxaro Australia (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASX Settlement Operating Rules to transfer Your Listed Options to Exxaro Australia’s Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under the Option Offer; and

(O) agreed, subject to the condition of the Option Offer in Section 10.7 being fulfilled, to execute all such documents, transfers and assurances, and do all such acts, matters and things that Exxaro Australia may consider necessary or desirable to convey Your Listed Options registered in your name and Rights to Exxaro Australia.

(iv) The undertakings and authorities referred to in Paragraph 10.5(iii) will remain in force after you receive the consideration for Your Listed Options and after Exxaro Australia becomes registered as the holder of Your Listed Options.

10.6 Payment of consideration

(i) Subject to Paragraph 10.4(ii) and this Section 10.6 and the Corporations Act, Exxaro Australia will provide the consideration due to you for Your Listed Options within 14 days of the later of:

(A) the condition to the Option Offer having been fulfilled or waived by Exxaro Australia; and

(B) receipt of a duly completed Acceptance Form.

(ii) Where the Option Offer Acceptance Form requires an additional document to be delivered with your Option Offer Acceptance Form (such as a power of attorney):

(A) if that document is given with your Option Offer Acceptance Form, Exxaro Australia will provide the consideration in accordance with Paragraph 10.6(i);

(B) if that document is given after your Option Offer Acceptance Form and before the end of the Option Offer Period while the Option Offer is subject to a defeating condition, Exxaro Australia will provide the consideration due to you within 14 days of either the Option Offer becoming or being declared Unconditional;
10. The terms and conditions of the Option Offer cont.

10.6 Payment of consideration cont.

(C) if that document is given after your Option Offer Acceptance Form and before the end of the Option Offer Period while the Option Offer is not subject to a defeating condition, Exxaro Australia will provide the consideration due to you within 14 days after that document is given; and

(D) if that document is given after the end of the Option Offer Period, and the Option Offer is not subject to a defeating condition, Exxaro Australia will provide the consideration within 14 days after that document is given.

(iii) If you accept the Option Offer, Exxaro Australia is entitled to all Rights in respect of Your Listed Options. Exxaro Australia may require you to provide all documents necessary to vest title to those Rights in Exxaro Australia, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to Exxaro Australia, or if you have received the benefit of those Rights, Exxaro Australia will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Exxaro Australia) of those Rights, together with the value (as reasonably assessed by Exxaro Australia) of the franking credits, if any, attached to the Rights.

(iv) Payment of any cash amount to which you are entitled under the Option Offer will be made by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas optionholders, by airmail) to the address as shown on your Option Offer Acceptance Form.

(v) If at the time you accept the Option Offer any of the following:

(A) Banking (Foreign) Exchange Regulations 1959 (Cth);

(B) Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);

(C) Charter of the United Nations (Sanctions – Afghanistan) Regulations 2008 (Cth);

(D) Charter of the United Nations (Sanctions – Iraq) Regulations 2008 (Cth); or

(E) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any consideration for Your Listed Options, or would make it unlawful for Exxaro Australia to provide any consideration to you for Your Listed Options, you will not be entitled to receive any consideration for Your Listed Options until all requisite authorities, clearances or approvals have been received by Exxaro Australia. As far as Exxaro Australia is aware, as at the date of this Bidder’s Statement, the persons to whom this Paragraph 10.6(v) will apply are: prescribed supporters of the former government of Yugoslavia; ministers and senior officials of the Government of Zimbabwe; persons associated with the former government of Iraq (including senior officials, immediate family members of senior officials, or an entity controlled by any of those persons); the Taliban; members of the Al-Qaeda organisation; and persons named in the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.

10.7 Condition of the Option Offer

Subject to Section 10.8, the completion of the Option Offer and any contract that results from an acceptance of the Option Offer, are subject to the Share Offer having become or being declared free of all conditions. Pursuant to the ASIC relief described in Paragraph 8.5(a), this condition is a non-waivable condition.

10.8 Nature and benefit of condition

(i) The condition in Section 10.7 is a condition subsequent. The nonfulfilment of the condition subsequent does not, until the end of the Option Offer Period, prevent a contract to sell Your Listed Options from arising, but nonfulfilment of the condition will have the consequences set out in Paragraph 10.9(iii).

(ii) Subject to the Corporations Act, Exxaro Australia alone is entitled to the benefit of the condition in Section 10.7, or to rely on the nonfulfilment of it.
10.9 Freeing the Option Offer of conditions

(i) Should ASIC relief be obtained in accordance with Paragraph 8.5(a), the condition in Section 10.7 will be a non-waivable condition.

(ii) In the event the ASIC relief in accordance with Paragraph 8.5(a) is not obtained, Exxaro Australia may free the Option Offer, and any contract resulting from its acceptance, from the condition subsequent in Section 10.7, by giving a notice to AKI and to ASX declaring the Option Offer to be free from the condition, in accordance with section 650F of the Corporations Act. This notice may be given not less than 7 days before the end of the Option Offer Period.

(iii) If, at the end of the Option Offer Period, the conditions in Section 10.7 have not been fulfilled and Exxaro Australia has not declared the Option Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Option Offer will be automatically void.

10.10 Notice on status of conditions

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is 7 February 2012 (subject to extension in accordance with section 630(2) if the Option Offer Period is extended).

10.11 Withdrawal of the Option Offer

(i) The Option Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, Exxaro Australia will give notice of the withdrawal to ASX and to AKI and will comply with any other conditions imposed by ASIC.

(ii) If, at the time the Option Offer is withdrawn, the condition in Section 10.7 has been satisfied or freed, all contracts arising from acceptance of the Option Offer before it was withdrawn will remain enforceable.

(iii) If, at the time the Option Offer is withdrawn, the Option Offer remains subject to the condition in Section 10.7, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).

(iv) A withdrawal pursuant to Section 10.11 will be deemed to take effect:

(A) if the withdrawal is not subject to conditions imposed by ASIC, on and after the date on which that consent in writing is given by ASIC; or

(B) if the withdrawal is subject to conditions imposed by ASIC, on and after the date on which those conditions are satisfied.

10.12 Variation of the Option Offer

Exxaro Australia may vary the Option Offer in accordance with the Corporations Act.

10.13 No stamp duty or brokerage

Exxaro Australia will pay any stamp duty on the transfer of Your Listed Options to it.

As long as Your Listed Options are registered in your name and you deliver them directly to Exxaro Australia, you will not incur any brokerage in connection with your acceptance of the Option Offer.

10.14 Governing laws

The Option Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia, Australia.
SECTION 11
Definitions and interpretation

11.1 Definitions
In this Bidder’s Statement and in the Share Offer Acceptance Form and the Option Offer Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ or A$</td>
<td>Australian dollars, the lawful currency of the Commonwealth of Australia.</td>
</tr>
<tr>
<td>Acceptance Form</td>
<td>the Option Offer Acceptance Form or the Share Offer Acceptance Form, as the context requires.</td>
</tr>
<tr>
<td>AKI</td>
<td>African Iron Limited (ABN 24 123 972 814).</td>
</tr>
<tr>
<td>AKI Board</td>
<td>the board of directors of AKI.</td>
</tr>
<tr>
<td>AKI Group</td>
<td>AKI and its subsidiaries (as defined in the Corporations Act).</td>
</tr>
<tr>
<td>AKI Listed Options</td>
<td>options in respect of AKI Shares and quoted on the ASX.</td>
</tr>
<tr>
<td>AKI Optionholder</td>
<td>a holder of AKI Listed Options as at the Register Date.</td>
</tr>
<tr>
<td>AKI Shareholder</td>
<td>a holder of AKI Shares as at the Register Date.</td>
</tr>
<tr>
<td>AKI Shares</td>
<td>fully paid ordinary shares in the capital of AKI.</td>
</tr>
<tr>
<td>AKI Unlisted Options</td>
<td>options in respect of AKI Shares which are not quoted on the ASX.</td>
</tr>
<tr>
<td>Announcement Date</td>
<td>the date of announcement of the Offers by Exxaro Australia, being 11 January 2012.</td>
</tr>
<tr>
<td>ASIC</td>
<td>the Australian Securities and Investments Commission.</td>
</tr>
<tr>
<td>ASX Settlement</td>
<td>ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.</td>
</tr>
<tr>
<td>ASX Settlement Operating Rules</td>
<td>the operating rules of the ASX Settlement which govern the administration of the Clearing House Electronic Subregister System.</td>
</tr>
<tr>
<td>ASX</td>
<td>ASX Limited ABN 98 008 624 691.</td>
</tr>
<tr>
<td>Bidder’s Statement</td>
<td>this document, being the statement of Exxaro Australia under Part 6.5 Division 2 of the Corporations Act relating to the Offers.</td>
</tr>
<tr>
<td>Business Day</td>
<td>means a day on which banks are open for business in Perth, excluding a Saturday, Sunday or public holiday.</td>
</tr>
<tr>
<td>CGT</td>
<td>capital gains tax.</td>
</tr>
<tr>
<td>CHESS Holding</td>
<td>a number of AKI Shares or AKI Listed Options which are registered on AKI’s share register being a register administered by the ASX Settlement and which records uncertificated holdings of shares.</td>
</tr>
<tr>
<td>Controlling Participant</td>
<td>in relation to Your Shares or Your Listed Options, has the same meaning as in the ASX Settlement Operating Rules.</td>
</tr>
<tr>
<td>Corporations Act</td>
<td>the Corporations Act 2001 (Cth).</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Disclosure Materials</td>
<td>all material included in the data room to which Exxaro Australia was granted access and which is included in a list agreed between Exxaro Australia and AKI prior to the date of execution of the Takeover Bid Implementation Agreement.</td>
</tr>
<tr>
<td>DSO</td>
<td>Direct shipping ore.</td>
</tr>
<tr>
<td>Encumbrance</td>
<td>any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim or any other security arrangement or any other arrangement having the same effect.</td>
</tr>
<tr>
<td>Exxaro</td>
<td>Exxaro Resources Limited (company registration number (2000/011076/06)).</td>
</tr>
<tr>
<td>Exxaro Australia</td>
<td>Exxaro Australia Iron Investments Pty Ltd (ACN 151 112 524).</td>
</tr>
<tr>
<td>Exxaro Group</td>
<td>Exxaro and its subsidiaries (as defined in the Corporations Act).</td>
</tr>
<tr>
<td>Exxaro Offer Information Line</td>
<td>an information line for holders of AKI Shares and AKI Listed Options in relation to the Offers: 1800 095 654 (toll free for callers within Australia) and +61 2 8280 7114 (for callers outside Australia).</td>
</tr>
<tr>
<td>Government Agency</td>
<td>a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local.</td>
</tr>
<tr>
<td>Holder Identification Number</td>
<td>has the same meaning as in the ASX Settlement Operating Rules.</td>
</tr>
<tr>
<td>Issuer Sponsored Holdings</td>
<td>a holding of AKI Shares or AKI Listed Options on AKI’s issuer sponsored subregister.</td>
</tr>
<tr>
<td>JSE</td>
<td>Johannesburg Stock Exchange Limited.</td>
</tr>
<tr>
<td>JORC Resource</td>
<td>a resource estimate reported in compliance with The Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves.</td>
</tr>
<tr>
<td>Listing Rules</td>
<td>the Official Listing Rules of ASX, as amended and waived by ASX from time to time.</td>
</tr>
<tr>
<td>Material Adverse Change</td>
<td>Between the date of the Takeover Bid Implementation Agreement and the end of the Offer Period:</td>
</tr>
<tr>
<td></td>
<td>(i) an event, change, condition, matter or thing occurs, (including, for the avoidance of any doubt, any breach of a representation and warranty given by AKI under this Takeover Bid Implementation Agreement), and AKI does not disclose information concerning any event, change, condition, matter or thing, which has, will or is reasonably likely to have a material adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of the AKI Group taken as a whole (whether individually or when aggregated with one or more other events, matters or things); or</td>
</tr>
<tr>
<td></td>
<td>(ii) an event, change, condition, matter or thing, as described in sub-paragraph (i), which occurred before the date of the Takeover Bid Implementation Agreement but was not apparent from publicly available information or the Disclosure Materials before then, becomes public.</td>
</tr>
<tr>
<td></td>
<td>Without limitation to any other part of this definition:</td>
</tr>
<tr>
<td></td>
<td>(iii) a creditor lawfully demanding repayment of a debt of A$1,000,000 or more will have the effect referred to in sub-paragraph (i);</td>
</tr>
</tbody>
</table>
11 Definitions and interpretation cont.

11.1 Definitions cont.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
</table>
| Material Adverse Change cont. (iv) | the following events will have the effect referred to in sub-paragraph (i):
| (A) | a person exercises rights under an agreement, arrangement or understanding to which any member of the AKI Group is a party where that exercise has, will have or is reasonably likely to have the effect of accelerating or adversely modifying the performance of any of the obligations of the relevant AKI Group member under the agreement, arrangement or understanding and such modification materially adversely affects the assets, liabilities, financial position, performance, profitability or prospects of the AKI Group taken as a whole; |
| (B) | an outbreak of hostilities (whether war is declared or not) or terrorism, mobilisation of armed forces, civil or political unrest or labour disturbance, fire or natural disaster or a material increase in the intensity of any such event existing as at the date of the Takeover Bid Implementation Agreement which materially adversely affects the assets, liabilities, financial position, performance, profitability or prospects of the AKI Group taken as a whole; and |
| (C) | a Governmental Agency or other body withdraws, revokes, cancels, suspends or otherwise modifies an approval, consent, licence or permit granted to or held by the AKI Group (or expresses an intention to do any of these things) and such action materially adversely affects the assets, liabilities, financial position, performance, profitability or prospects of the AKI Group taken as a whole. |
| (v) | an event, matter or thing will have the effect referred to in sub-paragraph (i) if it (either individually or when aggregated with one or more other events, matters or things) has reduced, will reduce or is reasonably likely to reduce: |
| (A) | the value of the consolidated net assets of the AKI Group, taken as a whole, by at least A$5,000,000; or |
| (B) | the JORC Resources of 121 million tonnes reported on page 7, (slide ‘Mayoko Project Overview’ of AKI’s ‘Company Presentation’) announced to the ASX on 7 November 2011 by at least 10%. |

This definition does not apply to events, changes, conditions, matters, things or information:

| (vi) | occurring as a result of any event, matter or thing required by the Takeover Bid Implementation Agreement or the Offers; |
| (vii) | occurring as a result of any matter, condition, circumstances or thing fairly disclosed in the Disclosure Materials or in an announcement made by AKI to ASX or a document lodged with ASIC before the date of the Takeover Bid Implementation Agreement; |
| (viii) | occurring as a result of changes general economic conditions, including, without limitation, movements in exchange rates or iron ore prices. |

<p>| Mt | Millions of tonnes. |
| Mtpta | Millions of tonnes per annum. |
| Offer | the Share Offer or the Option Offer, as the context requires. |
| Offer Period | the Share Offer Period or the Option Offer Period, as the context requires. |</p>
<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offers</strong></td>
<td>the Share Offer and the Option Offer.</td>
</tr>
<tr>
<td><strong>Option Acquisition Agreements</strong></td>
<td>the proposed agreements under which AKI Unlisted Options held by the option holder signing such agreement would be transferred to Exxaro Australia or cancelled.</td>
</tr>
<tr>
<td><strong>Option Offer</strong></td>
<td>the offer for AKI Listed Options under the terms and conditions contained in Section 10 of this Bidder’s Statement.</td>
</tr>
<tr>
<td><strong>Option Offer Acceptance Form</strong></td>
<td>the Acceptance Form in respect of the Option Offer enclosed with this Bidder’s Statement.</td>
</tr>
<tr>
<td><strong>Option Offer Period</strong></td>
<td>the period during which the Option Offer will remain open for acceptance in accordance with Section 10.2 of this Bidder’s Statement.</td>
</tr>
<tr>
<td><strong>Participant</strong></td>
<td>an entity admitted to participate in the Clearing House Electronic Subregister system under Rule 4.3.1 and 4.4.1 of the ASX Settlement Operating Rules.</td>
</tr>
<tr>
<td><strong>Prescribed Occurrence</strong></td>
<td>the occurrence of any of the following where that occurrence was not consented to by Exxaro Australia, was not fully disclosed to Exxaro Australia in the Disclosure Materials (or in an announcement on ASX or document lodged with ASIC prior to the date of the Takeover Bid Implementation Agreement) and is not the result of AKI taking or procuring any action required to be taken or procured by it under the Takeover Bid Implementation Agreement:</td>
</tr>
<tr>
<td></td>
<td>(a) AKI converting all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;</td>
</tr>
<tr>
<td></td>
<td>(b) AKI or one of its Subsidiaries resolving to reduce its share capital in any way;</td>
</tr>
<tr>
<td></td>
<td>(c) AKI or one of its Subsidiaries entering into a buy-back agreement or resolving to approve the terms of such an agreement under Sections 257C(1) or 257D(1) of the Corporations Act;</td>
</tr>
<tr>
<td></td>
<td>(d) AKI or one of its Subsidiaries making an issue of its shares (other than pursuant to the exercise of any Options existing at the date of the Takeover Bid Implementation Agreement) or granting an option over its shares or agreeing to make such an issue or grant such an option (other than those notified to the ASX prior to the date of the Takeover Bid Implementation Agreement);</td>
</tr>
<tr>
<td></td>
<td>(e) AKI or one of its Subsidiaries issuing, or agreeing to issue, convertible notes;</td>
</tr>
<tr>
<td></td>
<td>(f) AKI or one of its Subsidiaries disposes, or agrees to dispose, of the whole or a substantial part of its business or property;</td>
</tr>
<tr>
<td></td>
<td>(g) AKI or one of its Subsidiaries charging, or agreeing to charge, the whole, or a substantial part, of its business or property;</td>
</tr>
<tr>
<td></td>
<td>(h) AKI or one of its Subsidiaries resolving that it be wound up;</td>
</tr>
<tr>
<td></td>
<td>(i) the appointment of a liquidator or provisional liquidator of AKI or one of its Subsidiaries;</td>
</tr>
<tr>
<td></td>
<td>(j) the making of an order by a court for the winding up of AKI or one of its Subsidiaries;</td>
</tr>
<tr>
<td></td>
<td>(k) an administrator of AKI or one of its Subsidiaries being appointed under section 436A, 436B or 436C of the Corporations Act;</td>
</tr>
</tbody>
</table>
### 11.1 Definitions cont.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prescribed Occurrence cont.</td>
<td></td>
</tr>
<tr>
<td>(l)</td>
<td>AKI or one of its Subsidiaries executing a deed of company arrangement;</td>
</tr>
<tr>
<td>(m)</td>
<td>the appointment of a receiver or a receiver and manager in relation to the whole, or a substantial part, of the property of AKI or one of its Subsidiaries;</td>
</tr>
<tr>
<td>(n)</td>
<td>AKI or any of its Subsidiaries agrees to pay, declares or pays a dividend or any other form of distribution of profit or capital, other than the declaration and payment by any Subsidiary of AKI of a dividend where the recipient of that dividend, is AKI or a wholly-owned Subsidiary of AKI;</td>
</tr>
<tr>
<td>(o)</td>
<td>AKI makes any change to its constitution;</td>
</tr>
<tr>
<td>(p)</td>
<td>AKI or any of its Subsidiaries acquires or agrees to acquire any assets, properties or businesses, or incurs, agrees to incur or enters into a commitment or a series of commitments involving capital expenditure by the AKI Group, whether in one or more transactions, where the amounts or value involved in such transaction, transactions, commitments or series of commitments exceeds A$1,000,000 in aggregate;</td>
</tr>
<tr>
<td>(q)</td>
<td>AKI or any of its Subsidiaries disposes of, or agrees to dispose of, or creates or agrees to create an equity interest in respect of:</td>
</tr>
<tr>
<td>(i)</td>
<td>any assets (including, without limitation, under any off-take or similar agreement), properties or businesses, whether in one transaction or a number of such transactions, where the amount or value involved in such transaction or transactions exceeds A$1,000,000 in aggregate; or</td>
</tr>
<tr>
<td>(ii)</td>
<td>any mining license or tenement (including the Applications and Tenements);</td>
</tr>
<tr>
<td>(r)</td>
<td>AKI or any of its Subsidiaries creates, or agrees to create, any encumbrance over its business or any part of its property other than in the ordinary course of its business;</td>
</tr>
<tr>
<td>(s)</td>
<td>AKI or any of its Subsidiaries incurs any financial indebtedness or issues any debt securities, other than in the ordinary course of business or pursuant to advances under its credit facilities in existence as at the date of the Takeover Bid Implementation Agreement where the funds drawn pursuant to those advances are used in the ordinary course of business or in connection with, a purpose that is contemplated and permitted in paragraph (p) of this definition;</td>
</tr>
<tr>
<td>(t)</td>
<td>AKI or any of its Subsidiaries makes any loans, advances or capital contributions to, or investments in, any other person (other than to or in AKI or, any wholly-owned Subsidiary of AKI in the ordinary course of business), other than in the ordinary course of business;</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>------</td>
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</tr>
<tr>
<td>(u)</td>
<td>AKI or any of its Subsidiaries ceases, or threatens to cease, to carry on business;</td>
</tr>
<tr>
<td>(v)</td>
<td>AKI or any of its Subsidiaries is deregistered as a company or otherwise dissolved;</td>
</tr>
<tr>
<td>(w)</td>
<td>AKI or any of its Subsidiaries is or becomes unable to pay its debts when they fall due;</td>
</tr>
<tr>
<td>(x)</td>
<td>AKI or any of its Subsidiaries entering into any arrangement, commitment or agreement with a related party (as that term is defined in section 228 of the Corporations Act), other than in the ordinary course of business;</td>
</tr>
<tr>
<td>(y)</td>
<td>AKI or any of its Subsidiaries makes or amends any tax election, changes any method of tax accounting, settles or compromises any tax liability (other than payroll tax in respect of directors’ fees), files any material amended tax return, enters into a closing agreement, surrenders any right to claim a material tax refund or consents to the extension or waiver of the limitation period applicable to any material tax claim or assessment, other than in the ordinary course of business;</td>
</tr>
<tr>
<td>(z)</td>
<td>AKI or any of its Subsidiaries pays, discharges, settles, satisfies, compromises, waives, assigns or releases any claims, liabilities or obligations exceeding A$500,000 other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in AKI’s financial statements or incurred in the ordinary course of business consistent with past practice;</td>
</tr>
<tr>
<td>(aa)</td>
<td>AKI or any of its Subsidiaries authorises, recommends or proposes any release or relinquishment of any contractual right, except in the ordinary course of business consistent with past practice;</td>
</tr>
<tr>
<td>(bb)</td>
<td>AKI or any of its Subsidiaries enters into or renews any agreement, contract, lease, licence or other binding obligation containing:</td>
</tr>
<tr>
<td>(i)</td>
<td>any limitation or restriction on the ability of AKI or any of its Subsidiaries or, following completion of the transactions contemplated by the Takeover Bid Implementation Agreement, the ability of Exxaro Australia, to engage in any type of activity or business;</td>
</tr>
<tr>
<td>(ii)</td>
<td>any limitation or restriction on the manner in which, or the localities at which, all or any portion of the business of AKI or, following completion of the transactions contemplated by the Takeover Bid Implementation Agreement, all or any portion of the business of Exxaro Australia, is or would be conducted; or</td>
</tr>
</tbody>
</table>
11 Definitions and interpretation cont.

11.1 Definitions cont.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prescribed Occurrence cont.</td>
<td>(iii) any limit or restriction on the ability of AKI or any of its Subsidiaries or, following completion of the transactions contemplated by the Takeover Bid Implementation Agreement, the ability of Exxaro Australia, to solicit customers or employees, or that would reasonably be expected to materially delay or prevent the completion of the transactions contemplated by the Takeover Bid Implementation Agreement, other than in the ordinary course of business;</td>
</tr>
<tr>
<td></td>
<td>(cc) any member of the AKI Group:</td>
</tr>
<tr>
<td></td>
<td>(i) increases the remuneration of, pays any bonus (other than in accordance with existing contractual entitlements as at the date of the Takeover Bid Implementation Agreement) to or otherwise varies the employment arrangements of any AKI director or any employee of the AKI Group whose total employment cost exceeds A$75,000 (collectively, Relevant Employees);</td>
</tr>
<tr>
<td></td>
<td>(ii) issues any securities, options or performance rights to any of the employees of the AKI Group (other than those notified to the ASX prior to the date of the Takeover Bid Implementation Agreement), or accelerates the rights of any such employee to compensation or benefits of any kind (including, without limitation, under any executive or employee share or option plan and including, without limitation, by vesting any outstanding performance rights);</td>
</tr>
<tr>
<td></td>
<td>(iii) pays any of the Relevant Employees termination or retention payments (otherwise than in accordance with contractual entitlements existing at the date of the Takeover Bid Implementation Agreement which were disclosed to Exxaro Australia prior to the date of the Takeover Bid Implementation Agreement);</td>
</tr>
<tr>
<td></td>
<td>(iv) enters into employment arrangements with any individual which could involve a member of the AKI Group giving a commitment to such individual in excess of A$75,000 per annum (but not including entering arrangements with any Study Manager or other contractors notified to Exxaro Australia prior to execution of the Takeover Bid Implementation Agreement, where such arrangements, if they were continued, could result in the contractor being paid more than A$75,000 per annum);</td>
</tr>
<tr>
<td></td>
<td>(v) offers to acquire (including by making takeover offers under Chapter 6 of the Corporations Act) or agrees to acquire one or more companies, businesses, properties, assets or shares (or any interest in one or more companies, businesses, assets or shares) for an amount in aggregate greater than A$500,000;</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>(vi)</td>
<td>disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses, assets or shares (or any interest in one or more companies, businesses, assets or shares), the value of which exceeds A$500,000;</td>
</tr>
<tr>
<td>(vii)</td>
<td>enters into, offers to enter into or agrees to enter into any agreement, joint venture, asset or profit share, partnership or commitment which would require expenditure, or the foregoing of revenue, by AKI and/or any of its Subsidiaries of an amount which is, in aggregate, more than $500,000, other than in the ordinary course of business;</td>
</tr>
<tr>
<td>(viii)</td>
<td>amends, replaces or terminates any Material Contract or enters into any contract described in Part 2 of Schedule 6 of the Takeover Bid Implementation Agreement; or</td>
</tr>
<tr>
<td>(ix)</td>
<td>resolves, agrees, commits or announces an intention to do any of the things referred to in sub-paragraphs (a) to (cc) (inclusive) of this definition without the prior written consent of Exxaro Australia (which consent Exxaro Australia must advise AKI is granted or not granted, within 3 Business Days of AKI requesting such consent).</td>
</tr>
</tbody>
</table>

Register Date: the date set by Exxaro Australia under section 633(2) of the Corporations Act, being 11 January 2012.

Relevant Interest: has the meaning given to that term in sections 608 and 609 of the Corporations Act.

Rights: all accreditations, rights or benefits of whatever kind attaching or arising from AKI Shares or AKI Listed Options (as the case may be) directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends or other distributions and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by AKI or any of its Subsidiaries).

Share Offer: the offer for AKI Shares under the terms and conditions contained in Section 9 of this Bidder’s Statement.

Share Offer Acceptance Form: the Acceptance Form in respect of the Share Offer enclosed with this Bidder’s Statement.

Share Offer Period: the period during which the Share Offer will remain open for acceptance in accordance with Section 9.2 of this Bidder’s Statement.

SRN: has the same meaning given to that term in the ASX Settlement Operating Rules.

Subsidiary: has the same meaning given to that term in the Corporations Act.

Takeover Bid: the offmarket takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act.

Takeover Bid Implementation Agreement: The agreement between Exxaro Australia and AKI executed on 10 January 2012 which is attached in Annexure A.

Takeover Transferee Holding: has the same meaning as in the ASX Settlement Operating Rules.

Unconditional: In relation to the Share Offer or Option Offer means all conditions to the relevant Offer as set out in Sections 9.7 and 10.7 respectively, have been fulfilled or have been waived by Exxaro Australia.
11 Definitions and interpretation cont.

11.1 Definitions cont.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Listed Options</td>
<td>subject to Paragraphs 10.1(v) and 10.1(vi), the AKI Listed Options</td>
</tr>
<tr>
<td></td>
<td>(a) in respect of which you are registered, or entitled to be registered, as holder in the register of listed options of AKI at 9:00 am (Perth time) on the Register Date; or</td>
</tr>
<tr>
<td></td>
<td>(b) to which you are able to give good title at the time you accept the Option Offer during the Option Offer Period.</td>
</tr>
<tr>
<td>Your Shares</td>
<td>subject to Paragraphs 9.1(v) and 9.1(vi), the AKI Shares</td>
</tr>
<tr>
<td></td>
<td>(a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of AKI at 9:00 am (Perth time) on the Register Date; or</td>
</tr>
<tr>
<td></td>
<td>(b) to which you are able to give good title at the time you accept the Share Offer during the Share Offer Period.</td>
</tr>
</tbody>
</table>

11.2 Interpretation

In this Bidder’s Statement and in the Share Offer Acceptance Form and Option Offer Acceptance Form, unless the context otherwise requires:

(a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
(b) words importing a gender include any gender;
(c) words importing the singular include the plural and vice versa;
(d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
(e) a reference to a Section, Paragraph, attachment and schedule is a reference to a Section or Paragraph of and an attachment and schedule to this Bidder’s Statement as relevant;
(f) a reference to any statute, regulation, proclamation, ordinance or bylaw includes all statutes, regulations, proclamations, ordinances, or bylaws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and bylaws issued under that statute;
(g) headings and bold type are for convenience only and do not affect the interpretation of this Bidder’s Statement;
(h) a reference to time is a reference to time in Perth, Australia;
(i) a reference to writing includes facsimile transmissions; and
(j) a reference to dollars, $, A$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.
SECTION 12
Approval of Bidder’s Statement

This Bidder’s Statement has been approved by a resolution passed by the directors of Exxaro Australia.
Date: 11 January 2012

Signed for on behalf of Exxaro Australia Iron Investments Pty Ltd ACN 151 112 524 by:

__________________________
Tony Martin, Director
Takeover bid implementation agreement

Exxaro Australia Iron Investments Pty Ltd
African Iron Limited

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Annexure A
Takeover Bid Implementation Agreement and Announcement of Takeover Bid

For personal use only
Annexure A

Takeover Bid Implementation Agreement and Announcement of Takeover Bid cont.

Date: 10 January 2012

Parties
1. Exxaro Australia Iron Investments Pty Ltd ACN 151 112 524 of Level 2, 34 Outram Street West Perth, Western Australia (Bidder).
2. African Iron Limited ACN 123 972 814 of 33 Ventnor Avenue, West Perth, Western Australia, 6005 (Target).

Background
A. Bidder proposes to make the Bid and the Target Directors propose to recommend that Target Shareholders accept the Offer in respect of their Target Shares subject only to the qualification that no Superior Proposal emerges.
B. Bidder proposes to make offers for the Options and the Target Directors propose to recommend that Target Optionholders accept the offers in respect of their Options subject only to the qualification that no superior proposal for the options emerges.
C. Bidder and Target have agreed to certain matters in relation to the conduct of the Bid as set out in this agreement.

The parties agree

1. Defined terms and interpretation

1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:
(a) which is defined in the dictionary in Schedule 1 (Dictionary), has the meaning given to it in the Dictionary;
(b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act;
(c) which is defined in the GST Law, but is not defined in the Dictionary or the Corporations Act, has the meaning given to it in the GST Law in clauses concerning GST.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this agreement.

2. Agreed Public Announcement

Immediately after the execution of this agreement Bidder and Target must jointly issue the Agreed Public Announcement to ASX (and in any case before 7am Perth time on 11 January 2012).

3. Facilitating the Offer

3.1 Agreement to make the Bid

(a) Bidder agrees to make the Offers on the Agreed Bid Terms.
(b) Bidder must make the Offers.
(c) Bidder and Target each agree to use their respective best endeavours to implement the Transaction in accordance with the Timetable (including, in the case of the Target, by agreeing to set the register date for the purposes of section 633(2) of the Corporations Act as 11 January 2012 and by providing the share register on that date).

3.2 Review of Bidder's Statement and Target's Statement

(a) Bidder agrees to give Target a reasonable opportunity to review an advanced draft of the Bidder's Statement and will consult in good faith with Target with respect to any comments Target may have, which comments Target agrees to provide as promptly as possible. If requested in writing by Bidder, Target agrees to confirm, no later than 2 Business Days after receiving the request, the factual accuracy of information in the draft Bidder’s Statement that relates to the Target Group. However Target will not be taking responsibility for such information in the Bidder’s Statement and the Bidder’s Statement may include a standard disclaimer to the effect that Bidder does not make any representation or warranty as to the accuracy of such information.
(b) Target agrees to give Bidder a reasonable opportunity to review an advanced draft of the Target’s Statement and will consult in good faith with Bidder in relation to any comments Bidder may have, which comments Bidder agrees to provide as promptly as possible. If requested in writing by Target, Bidder agrees to confirm, no later than 2 Business Days after receiving the request, the factual accuracy of information in the draft Target’s Statement that relates to the Bidder Group. However the Bidder will not be taking responsibility for such information in the Target’s Statement and the Target’s Statement may include a standard disclaimer to the effect that Target does not make any representation or warranty as to the accuracy of such information.

3.3 Dispatch of Bidder’s Statement and Target’s Statement

Target represents and warrants to Bidder that each of the Target Directors has confirmed his or her agreement to the Offers and accompanying documents being sent by Bidder under item 6 of section 633(1) of the Corporations Act on a date nominated by Bidder that is earlier than the earliest date prescribed by item 6 of section 633(1) of the Corporations Act.

3.4 Access to information

(a) Each party agrees to provide the other party, on a timely basis, with assistance and information that may be reasonably required to assist in
the preparation of the Bidder's Statement or the Target's Statement (as applicable).

(b) Target agrees to provide to Bidder on the Business Day after the date of this agreement and on each Tuesday in 2012 thereafter until the end of the Offer Period, at no cost to Bidder, such information about Target Shareholders as reasonably requested by Bidder to make the Offers and solicit acceptances, including the Register and any updates to it.

3.5 Conditions

(a) Each of the parties must, to the extent within its power, use its reasonable endeavours to ensure that the Conditions are satisfied as soon as practicable after the date of this agreement and that no Conditions are breached or not satisfied.

(b) Target and Bidder agree not to do, or omit to do, anything which will, or is likely to, result in any of the Conditions being breached or not being satisfied.

(c) Nothing in this clause 3.5 prevents the Target or the Target Board from taking, or failing to take, action where to do otherwise would, in the opinion of the Target Board (determined in good faith after receiving written legal advice from external lawyers), constitute a breach of the Directors' fiduciary or statutory duties.

(d) If any event occurs or becomes apparent which would cause any of the Conditions to be breached or become (either immediately or at some future point in time) incapable of satisfaction, or which would cause satisfaction of a Condition to be unreasonably delayed, Target and Bidder must, to the extent that they are aware of such information, immediately notify the other party of that event.

3.6 Options

(a) As soon as practicable after Bidder makes the Offer:

(i) Bidder will make a takeover bid in accordance with Chapter 6 of the Corporations Act for the Listed Options at a cash price equal to the Offer Price less the exercise price of the Listed Options of $0.20 conditional only on the Offer becoming or being declared unconditional. For the avoidance of doubt, the offer will provide that holders of the Listed Options will be entitled to increased consideration for their Listed Options consistent with the formulation in this clause 3.6(a)(ii) if the Offer Price is increased (including as a result of Bidder obtaining a Relevant Interest in Target Shares of 75% or more).

(ii) Bidder and Target will make offers to all holders of the Unlisted Acquisition Options to cancel or transfer those options:

(A) for cash consideration to be paid by Bidder equal to the Offer Price less the exercise price of the relevant options. For the avoidance of doubt, the offers will provide that the holders of the Unlisted Acquisition Options will be entitled to receive increased consideration for their Unlisted Acquisition Options consistent with the formulation in this clause 3.6(a)(ii)(A) if the Offer Price is increased (including as a result of Bidder obtaining a Relevant Interest in Target Shares of 75% or more); and

(B) conditional only on the Offer becoming or being declared unconditional and any necessary ASX waivers; and

(c) on the basis that whether the options are transferred or cancelled is determined at Bidder’s discretion at the time of the close of the Offer, except that if ASX does not grant the necessary waiver to allow the relevant options to be transferred but does grant a waiver to allow the relevant options to be cancelled, Bidder will agree to those options being cancelled.

(b) Target must provide all reasonable assistance in connection with making the Option Offers and obtaining the acceptance of Optionholders for the Option Offers including, but not limited to:

(i) consulting with Bidder in good faith in relation to the need for any waivers from the ASX Listing Rules and applying to ASX for all waivers which Bidder consents necessary for making the Option Offers and obtaining the acceptance of Optionholders for the Option Offers including, but not limited to:

(ii) ensuring that the Target Directors do not take any action that may prevent or impede the cancellation of any Unlisted Acquisition Options or the transfer of any Options to Bidder.

(c) Target and Bidder acknowledge and agree that, in order to effect the:

(i) cancellation of Unlisted Acquisition Options contemplated in paragraph (a)(ii), it will be necessary to obtain a waiver from ASX Listing Rule 6.23.2 and, in relation to those Unlisted Acquisition Options that are subject to escrow restrictions for 24 months from their date of issue, it will be necessary to obtain ASX’s consent to acceptance of the Options Offer; potential on conditions; and

(ii) transfer of Unlisted Acquisition Options whose terms include that they are non-transferable, the Target will need to agree to amend those terms (with the consent of the Optionholder) and it will be necessary to obtain a waiver from ASX Listing Rule 6.23.4, and the Target agrees to apply to ASX for such waivers as soon as practicable after the date of this agreement and to comply with its obligations under paragraph (b)(ii) in respect of that application.

(d) Bidder agrees that, in the case of the Unlisted Options which are excluded from the definition of Unlisted Acquisition Options being those referred to in paragraphs (a) to (f) of that definition (Remaining Options):

(i) if Bidder is entitled to, and proceeds to, compulsorily acquire all Target Shares it will make offers to acquire or cancel the Remaining Options for cash to an equivalent value of such
Remaining Options and on other terms to be negotiated at such time; and

(ii) If Bidder does not compulsorily acquire all Target Shares and Options but acquires more than 50% of the Target Shares itself, following the close of the Offer, discuss with the Target Board the terms of the Remaining Options and the overall salary and compensation package of each employee or consultant holding the Remaining Options (and the length of employment or service of each relevant employee or consultant) with a view to renegotiating the terms of such options and/or overall salary and/or compensation package to ensure that the employee or consultant remains appropriately incentivised.

4 Bid

4.1 Variation and waiver

(a) Subject to clause 3.1, Bidder may vary the terms of the Offers or the Options Offers in any manner which is permitted by the Corporations Act (or in the case of the Unlisted Option Offers in any manner contemplated by such offer or permitted by law), provided that the varied terms are not less favourable to Target Shareholders than the Agreed Bid Terms (in the case of the Offers), and no less favourable to Target Optionholders than the terms set out in clause 3.6(a) (in the case of the Options Offers).

(b) Subject to the Corporations Act, Bidder may declare the Offers to be free from any Condition or extend the Offer Period at any time.

4.2 Target's Statement

(a) Target must prepare the Target's Statement (and also a target's statement for the Listed Options Offer) in compliance with the Corporations Act.

(b) Target must ensure that the Target's Statement:

(i) prominently displays the recommendation of the Target Directors referred to in clause 5.1(a) (including, without limitation, on the cover of the Target's Statement); and

(ii) includes a statement that each Director will accept the Offer in respect of all Target Shares held or controlled by them no later than six Business Days after the date of the Offer, in the absence of a Superior Proposal; and

(iii) includes a statement that each Director will accept the Options Offer in respect of all Options held or controlled by them no later than six Business Days after the date of the Options Offer, in the absence of a Superior Proposal.

5 Recommendation

5.1 Unanimous recommendation and acceptance of Offer by the Target Directors

Target represents and warrants to Bidder that:

(a) the Target Directors unanimously recommend that:

(i) Target Shareholders accept the Offer in respect of their Target Shares, in the absence of a Superior Proposal; and

(ii) Optionholders accept the Options Offer in respect of the Options in the absence of a superior proposal for the Options.

(b) each Director will not withdraw, revise, revoke or qualify, or make any public statement inconsistent with, the recommendation in paragraph 5.1(a) unless:

(i) a Superior Proposal emerges (that was not procured or obtained by Target through a breach of clause 8 of this agreement);

(ii) the matching right procedure in clause 8.8 has been fully complied with by Target; and

(iii) Senior Counsel or Freehills gives a written opinion to the effect that the Target Directors' fiduciary duties require them to take the action which is proposed to be take under this paragraph.

(c) each Director will accept

(i) the Offer in respect of all Target Shares held or controlled by them no later than six Business Days after the date of the Offer, in the absence of a Superior Proposal; and

(ii) the Options Offer in respect of all Options held or controlled by them no later than six Business Days after the date of the Options Offer or (in respect of Options to which escrow restrictions apply) ASX providing the necessary consent to allow acceptance, in the absence of a superior proposal for the Options.

(d) each Director has confirmed to Target each of the matters set out in paragraphs (a) to (c) (inclusive).

5.2 Promotion of Offer

Unless a majority of the Target Directors withdraw their recommendation of the Offer in accordance with clause 5.1(a), Target must ensure that each Director and such other senior executives of Target as reasonably requested by Bidder participate in efforts to promote the merits of the Offer, including meeting with key Target Shareholders, analysts, media and other stakeholders of Target.
6 Termination rights

6.1 Termination events

(a) Bidder may terminate this agreement at any time by notice in writing to Target:

(i) if:

(A) Target is in breach of any clause of this agreement (including any Target Warranty), which breach is material in the context of the Bid, or a Prescribed Occurrence occurs;

(B) Bidder has given notice to Target setting out the relevant circumstances and stating an intention to terminate this agreement; and

(C) the relevant circumstances have not been rectified (if capable of being rectified), and/or the activity that caused them has not ceased to the reasonable satisfaction of Bidder, within the case of a breach of clause 8, one Business Day from the time such notice is given, and, in any other case, five Business Days from the time such notice is given;

(ii) if a Competing Transaction is publicly proposed by a person other than Bidder (or one of its Related Bodies Corporate) and is recommended by any Director;

(iii) if a person other than Bidder or one of its Related Bodies Corporate that holds Voting Power of 10% or more increases their Voting Power in Target by more than 1%;

(iv) if any Director fails to make or withdraws, changes, revises, revokes or qualifies, or makes a public statement inconsistent with, the recommendation referred to in clause 5.1(a) or makes a public statement indicating that they no longer recommend or intend to accept the Offer; or

(v) if any Director recommends, endorses or otherwise supports a Competing Transaction.

(b) Target may terminate this agreement at any time by notice in writing to Bidder:

(i) if:

(A) Target is in breach of any clause of this agreement (including any representation or warranty), which breach is material in the context of the Bid;

(B) Target has given notice to Bidder setting out the material breach and stating an intention to terminate this agreement; and

(C) the material breach has not been rectified (if capable of being rectified), and/or the activity that caused the material breach has not ceased to the reasonable satisfaction of Target, within five Business Days from the time such notice is given;

(ii) if a majority of Target Directors withdraw their recommendation of the Offer in accordance with clause 5.1(b).

(c) Either Bidder or Target may terminate this agreement at any time by notice in writing to the other parties, if Bidder withdraws the Offer for any reason or the Offer lapses for any reason, including non-satisfaction of a Condition.

(d) This agreement automatically terminates on the End Date.

6.2 Effect of termination

In the event of termination of this agreement by either Bidder or Target pursuant to clause 6.1, the agreement will have no further effect, other than in respect of any liability for any antecedent breach of this agreement and provided that this clause 6 and clauses 1, 9, 12, 13 and 14 and Schedule 1 survive termination.

7 Public announcements

(a) In the absence of a majority of the Target Directors having withdrawn their recommendation of the Offer at the relevant time in accordance with clause 5.1(b), Target must obtain Bidder’s prior written consent (not to be unreasonably withheld or delayed) to those parts of any proposed public announcement (including, without limitation, to ASX) which refer to the Bid, Offer or the Option Offer. Bidder must advise whether it provides its consent as soon as practicable, and no later than the Business Day following receipt of the form of the public announcement from Target.

(b) If Target is required to make an announcement by any applicable law or the ASX Listing Rules in respect of any matter other than in respect of the Bid or the subject matter of this agreement, Target must, to the extent practicable, without breaching any applicable law or rule, give to Bidder such notice as is reasonable in the circumstances of its intention to make the announcement and of the content of such announcement.

(c) Subject to clause 7(c), from the date of this agreement until the End Date, Bidder must procure that Exxaro Resources Limited does not make or send any written public announcement concerning the Offer or the Bid, unless it has first consulted with the Target as to the contents of the announcement concerning the Bid, Offer or the Options Offer.

(d) Clause 7(c) does not apply to any public announcement.
8 Exclusivity

8.1 No existing discussion

Target represents and warrants to Bidder that as at the date of this agreement it is not involved in any discussions or negotiations with any person about a Competing Transaction and has ceased any such discussions or negotiations to the extent that they were on foot prior to the date of this agreement.

8.2 No shop

(a) During the Exclusivity Period, Target must ensure that neither it nor any of its Representatives, directly or indirectly invites, encourages or initiates any enquiries, negotiations or discussions, or communicates any intention to do any of these things, with a view to obtaining any expression of interest, offer or proposal from any person in relation to a Competing Transaction.

(b) Nothing in paragraph 8.2(a) prevents Target from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors, analysts, shareholders and media in the ordinary course in relation to the Bid or its business provided those communications do not concern or relate to a Competing Transaction.

8.3 No talk

Subject to clause 8.6, during the Exclusivity Period, Target must ensure that neither it nor any of its Representatives, enters into, continues or participates in negotiations or discussions with any other person regarding, or that could reasonably be expected to lead to, a Competing Transaction, even if:

(a) those negotiations or discussions were not directly or indirectly encouraged, solicited, invited or initiated by Target or any of its Representatives; or

(b) that person has publicly announced their Competing Transaction.

8.4 No due diligence

(a) Subject to clause 8.6, during the Exclusivity Period, Target must ensure that neither it nor any of its Representatives, make available to any other person or permit any other person to receive any non-public information relating to the Target Group, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Transaction (\textit{Diligence Information}).

(b) Before Target provides a third party with Diligence Information, it must first enter into a binding confidentiality agreement with that party on customary terms.

(c) If Target provides a third party with Diligence Information, it must provide a copy of the Diligence Information not already made available to Bidder at the same time as it is provided to the third party.

8.5 Notification of approaches

(a) During the Exclusivity Period, Target must immediately (and, in any event, within one day) notify Bidder in writing if:

(i) it proposes to take, or is approached by any person to take, any action of a kind that is set out in clause 8.3 or 8.4; or

(ii) it or any of its Representatives receives any approach, inquiry or proposal (whether written or verbal) from any person regarding, or that could reasonably be expected to lead to, a Competing Transaction.

(b) A notice given under this clause 8.5 must be accompanied by all material details of the relevant event, including the person's identity and all material terms of the Competing Transaction.

8.6 Exceptions to no talk and no due diligence

The restrictions in clauses 8.3 and 8.4 do not apply to the extent that they restrict Target or a Director from taking or refusing to take any action with respect to a bona fide Competing Transaction (which was not encouraged, solicited, invited or initiated in contravention of clause 8.2) provided that in the opinion of each Director, formed in good faith and after receipt of advice from Target's financial and legal advisers:

(a) the Competing Transaction is made in writing by or on behalf of a person that the Target Directors consider is of reputable commercial standing;

(b) the Competing Transaction would be, or could reasonably be expected to lead to a transaction which is, more favourable to Target Shareholders than the Bid, after taking into account all aspects of the Competing Transaction; and

(c) taking or failing to take the action with respect to the Competing Transaction would, or would be likely to, involve a breach of the fiduciary or statutory obligations of each Director.
Without limitation to any other part of this clause, before it can be relied upon, the Target Directors must obtain a written opinion from a Senior Counsel or Freehills confirming that, if the Target Directors form the views in paragraphs (a) and (b) in accordance with this clause, then taking or failing to take the action which is proposed to be taken with respect to the relevant Competing Transaction would, or would be likely to, involve a breach of the fiduciary or statutory obligations of each Director.

8.8 Matching Right
(a) Bidder will have the right, but not the obligation, at any time during the period of five Business Days following receipt of a relevant notice (Matching Right Period), to amend the terms of the Offer (including, but not limited to, increasing the amount of consideration offered under the Bid or proposing any other form of transaction (each a Counter Proposal)), and if it does so then the Directors must review the Counter Proposal in good faith. If a majority of the Directors determine that the Counter Proposal would be as favourable to Target Shareholders as the Rival Transaction (each a Recommending Director) recommends the Counter Proposal to Target Shareholders and does not recommend the Rival Transaction.
(b) Without limitation to any other part of this agreement, during the Matching Right Period:
(i) no Director is permitted to change his or her recommendation of the Offer or to make any public statement to the effect that he or she may do so at some future point in time; and
(ii) Target must not enter into any agreement, arrangement or understanding in respect of the Rival Transaction.

9 Break Fee
9.1 Acknowledgment
(a) Target acknowledges that, if Bidder enters into this agreement and the Bid does not succeed, Bidder will have incurred significant costs and losses, including significant opportunity costs.
(b) Target acknowledges and agrees that the costs and losses actually incurred by the Bidder Group under this clause 9.1 will be of such nature that they cannot accurately be ascertained, but that the Break Fee is a genuine and reasonable pre-estimate of the costs and losses that would actually be suffered by the Bidder Group in such circumstances and has been calculated to reimburse the Bidder Group for such costs and losses.
(c) Target represents and warrants that:
(i) it has received legal advice on this agreement and the operation of this clause 9; and
(ii) it considers this clause 9 to be fair and reasonable and that it is appropriate to agree to the terms in this clause 9 in order to secure the significant benefits to itself (and Target Shareholders and Optionholders) resulting from the Bid.

9.2 Break Fee
Subject to clause 9.3, Target must pay Bidder the Break Fee (plus any GST, only once and without set-off or withholding), within three Business Days after receiving a written demand from Bidder, if at any time after the date of this agreement any of the following occur:
(a) a person other than Bidder or a Related Body Corporate of it acquires:
(i) a legal, beneficial or economic interest in, or control of, 50% or more of Target Shares; or
(ii) the entire or a substantial part of the Target Group’s assets, business or property;
(b) before the End Date any Director publicly endorses or otherwise publicly supports a Competing Transaction or any other third party proposal to acquire:
(i) Target Shares and/or Options; or
(ii) the entire or a substantial part of the Target Group’s assets, business or property;
(c) any Director fails to make, or makes and then withdraws, revises, revokes or qualifies, a recommendation to Target Shareholders to accept the Offer.
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(whether or not that failure, withdrawal, revocation, qualification or revision is otherwise in breach of this agreement);

(d) Bidder validly terminates this agreement under clause 6.1(a)(i);

(e) Target breaches clause 8 in any manner whatsoever;

(f) a Director does any of the things contemplated in clause 5.1(b) in reliance
or purported reliance on that clause; or

(g) Target or any of its directors does (or omits to do) anything (whether or not
permitted by this agreement) that results in any of the Conditions'being breached or becoming incapable of being satisfied, and Bidder does not waive that Condition.

9.3 Compliance with law

The payment of the Break Fee by Target under this clause 9 is not required, or is refundable, to the extent that such reimbursement is found by the Takeovers Panel or a Court to be unlawful and the time period for lodging an application for review or a notice of appeal (as applicable) has expired without such an application or notice having been lodged.

9.4 Refund

If, despite the occurrence of any of the events referred to in clause 9.2, Bidder becomes the holder of not less than 50% of Target's share capital as a result of the Bid or otherwise within 6 months of the date of this agreement, Bidder must repay to Target any amount received by it under this clause 9.

10 Conduct of business

10.1 Conduct of business

From the date of this agreement until the earlier of the End Date and the date when this agreement is terminated, Target must ensure that the Target Group conducts its business and operations and maintains its assets only in, and not take any action except in, the ordinary course and consistent with past practice or as contemplated by this agreement or otherwise agreed by Bidder and must:

(a) on each Tuesday following the date of this agreement, and otherwise when reasonably requested by Bidder to do so, consult with Bidder in relation to the conduct of the Target Group's business and operations (including promptly responding to any reasonable questions asked by Bidder in relation to such matters);

(b) operate the Target Group's businesses in accordance with current business plans and budgets;

(c) preserve the value of the Target Group's businesses and assets, including the Tenements;

(d) preserve the Target Group's relationships with customers, suppliers, licensors and others with whom the Target Group has business dealings;

(e) retain the services of all key employees and contractors of the Target Group;

(f) comply with all Material Contracts and all laws, regulations, rules, requirements, authorisations, licenses, permits, consents and approvals that are material to the conduct of the businesses of the Target Group;

(g) not offer or agree to terminate or novate any Material Contract or to amend any such contract in a material respect;

(h) not do or cause to be done, or fail to do or cause not to be done, anything that would or may result in the Transaction not being implemented or being implemented otherwise than in accordance with the Timetable and the terms of this agreement; and

(i) not take or fail to take any action that constitutes, or that could reasonably be expected to result in or otherwise give rise to, a Prescribed Occurrence.

10.2 Access

(a) Notwithstanding any other provision of this agreement, if Bidder requires access to any officers, documents, premises, sites, locations and other information in accordance with clause 10.2(c), it must first request in writing such access from those persons listed next to Target's name in clause 13(a).

(b) Bidder is not permitted to, and must procure that none of its Related Bodies Corporate, approach or contact in any way any person other than those persons listed next to Target's name in clause 13(a) in respect of access to any officers, documents, premises, sites, locations and other information, or otherwise with respect to the Offer or the Bid.

(c) Subject to clauses 10.2(a), 10.2(b) and 10.2(f), from the date of this agreement until the first to occur of the date the Offer Period closes and the date when this agreement is terminated (both inclusive), Target will, and will cause the members and senior management of the Target Group following implementation of the Transaction,

(i) implement the Transaction; or

(ii) prepare for controlling the conduct of the business of the Target Group following implementation of the Transaction,

provided that such access does not place an unreasonable burden on the ability of Target or any member of the Target Group to operate their business or would be a breach of law (including the ASX Listing Rules).

(d) Nothing in this clause requires a party to act at the direction of another party. The business of each party will continue to operate independently to that of the other party until the date the Transaction is implemented. The parties agree that nothing in this agreement shall constitute the relationship of a partnership or a joint venture between them.
10.3 Change of control rights

As soon as practicable after the date of this agreement:

(a) the parties must seek to identify any change of control or similar provisions in Material Contracts, leases or other relevant agreements, arrangements or understandings to which Target or a member of the Target Group is a party which may be triggered by the Bid;

(b) the parties must work together to agree a proposed strategy to initiate with the relevant counterparties to such agreements, arrangements or understandings to request that they provide any consents or waivers required; and

(c) Target must cooperate with, and provide reasonable assistance to, Bidder to obtain such consents or waivers as expeditiously as possible.

10.4 Appointment of Directors to Target Board

Target represents and warrants to Bidder that each Director has confirmed to it that he or she will, and Target must procure that the Target Board will:

(a) take all actions necessary to ensure the nominees of Bidder are lawfully appointed as directors of Target and Directors nominated by Bidder resign such that the Bidder nominees represent a majority of the Target Board once Bidder acquires a Relevant Interest in excess of 50% of the Target Shares and the Offer has become or is declared unconditional; and

(b) as soon as practicable after Bidder acquires a Relevant Interest in 90% of the Target Shares and the Offer becomes or is declared unconditional, ensure that all of the non-Bidder nominees on the Target Board resign, provided that a proper board is constituted at all times and that Bidder procures that its appointees to the Target Board do not participate in decisions of Target in relation to the Offer until after the End Date.

11 Representations and warranties

11.1 Target Warranties

(a) Target represents and warrants to Bidder that each of the warranties set out in clause 11.1(b) is true and correct:

(i) as at the date of this agreement; and

(ii) in the case of all Target Warranties except for those in clauses 11.1(b)(vii) and 11.1(b)(ix), at all times on each subsequent day of the Exclusivity Period (including the last day of that period).

(b) Target represents and warrants that:

(i) it is a corporation validly existing under the laws of its place of incorporation;

(ii) it has the corporate power to enter into and perform its obligations under this agreement and to carry out the transactions contemplated by this agreement;

(iii) it has taken all necessary corporate action to authorise the entry into this agreement and has taken or will take all necessary corporate action to authorise the performance of this agreement and to carry out the transactions contemplated by this agreement;

(iv) this agreement is valid and binding upon it and the execution and performance of this agreement will not result in a breach or default under Target’s constitution (or the constitution of any of its Related Bodies Corporate) or any agreement or deed or any rule or regulation to which Target or any of its Related Bodies Corporate is a party or to which any of them are bound;

(v) each member of the Target Group is solvent and no resolution has been passed nor has any other step been taken or legal proceedings commenced or threatened against any of them for their winding-up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of their assets;

(vi) no regulatory action of any nature has been taken as at the date of this agreement which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement;

(vii) Target is not in breach of its continuous disclosure obligations under the Corporations Act and the Listing Rules and, following the release of the Agreed Public Announcement, is not relying on the carve-out in Listing Rule 3.1A to withhold any information from disclosure;

(viii) as at the date of this agreement, each entity in the Target Group has the securities on issue set out in Schedule 3 and has no other issued securities; and

(ix) the entities in the Target Group have not issued, granted or agreed to issue or grant any other shares or securities convertible into shares, other than the securities referred to in Schedule 3;

(x) neither Target nor any of its Related Bodies Corporate are engaged in any material litigation, mediation or arbitration, no such litigation, mediation or arbitration is threatened or pending, and there are no facts likely to give rise to any such litigation, mediation or arbitration;

(xi) the entry into this agreement will not directly or indirectly contravene, conflict with, or result in a violation in any of the terms or requirements of, or give any governmental body the right to revoke, withdraw, suspend, cancel, terminate or modify, the terms, conditions or provisions of any understanding, arrangement,
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- to the best of Target's knowledge and belief, there are no material facts or circumstances in relation to the assets, business or financial condition of the Target Group, which have not been fully disclosed to Bidder or its professional advisors, and which, if disclosed, would reasonably have been expected to affect the decision of Bidder to enter the agreement or which would render any of the warranties and representations untrue, inaccurate or misleading in any respect;

- Target will comply with Division 4 of Part 6.5 and Chapter 6B of the Corporations Act;

- all Material Contracts are in full force and of full effect and are legally binding as between the parties thereto in accordance with its terms;

- Target is not aware of any act, omission, event or fact that would result in any of the Conditions being breached or not satisfied;

- no person has any right (whether subject to conditions or not) to, as a result or otherwise in connection with Bidder acquiring Target Shares:
  - acquire, or require a member of the Target Group to dispose of or offer to dispose of, any material asset of the Target Group;
  - terminate or vary any material agreement with a member of the Target Group; or
  - accelerate or adversely modify the performance of any obligations of a member of the Target Group in a material respect under any material agreement, arrangement or understanding;

- all information contained in the Disclosure Materials (other than forecasts, budgets, estimates, projections and statements of opinion or intention) is true and accurate in all material respects and is not materially misleading or deceptive (whether by omission or otherwise);

- the forecasts, budgets, estimates, projections and statements of opinion or intention contained in the Disclosure Materials that have been prepared by members of the Target Group have been prepared in good faith, with due skill and care, on the basis of reasonable assumptions and in compliance with applicable law;

- Target has not denied Bidder access to any information with the intention of misleading Bidder;

- Target has not intentionally withheld from Bidder any information in relation to the Target Group, its businesses or its assets which may reasonably be considered to be material to the value of Target of the assets of the Target Group, or which might reasonably be expected to have resulted in Bidder not entering into this agreement, or entering into it on materially different terms;

- each member of the Target Group complies in all material respects with any conditions, limitations, obligations, prohibitions and requirements contained in any Environmental Legislation affecting or impacting its business in any way whatsoever and the Target is not aware of any facts or circumstances which may lead to any material breach of any Environmental Legislation;

- the member of the Target Group identified in Schedule 5 is the sole registered and beneficial owner of, and has good and valid title to, the interests in the Tenements set out in Schedule 5;

- the Application has been duly applied for by the member of the Target Group identified in Schedule 5 in accordance with all applicable laws and regulations (including, without limitation, the Mining Code);

- the Tenements are in good standing, are valid and subsisting in accordance with their terms and are not liable to cancellation, forfeiture or revocation;

- other than as indicated in Schedule 5, there is no encumbrance (of whatever nature), option, right of pre-emption, right of first or last refusal or other third party right over any of the Tenements, the Application or any metals or minerals which may be derived therefrom (including, without limitation, any rights to accept any offer or proposal which will, if accepted, result in an agreement); and

- other than as indicated in Schedule 5, there is no production or profit sharing, royalty, carried interest or similar agreement or arrangement affecting the Tenements, the Application or any metals or minerals which may be derived therefrom.
Bidder acknowledges that Target has generally disclosed against the corporate action to authorise the performance of this agreement and to carry out the transactions contemplated by this agreement; Warranties in paragraphs 11.1(b)(x), (xi), (xiv), (xvi), (xxi), (xxii), (xxiii), (xxiv), (xxv) and (xxvi) (Asset Warranties) as such Asset Warranties are given subject to and qualified by, and Bidder is aware of, all matters fairly disclosed in the Disclosure Materials or in any announcement made by the Target to ASX or a document lodged by the Target with ASIC before the date of this agreement, and Target will have no liability under the Asset Warranties to the extent that such fair disclosure is made against the Asset Warranties before the date of this agreement. Neither the Bidder nor Target is aware of any specific matters which would make the Target Warranties (including the Asset Warranties) incorrect or untrue.

In the case of a breach of a Target Warranty or Target Warranties, Bidder will not have any claim, demand, legal proceedings or cause of action against the Target in respect of the breach or breaches other than:

(i) a right to terminate this agreement under clause 6(a)(i);
(ii) a right to lapse the Offers in reliance on the material adverse change condition where such condition is triggered by the breach of the Target Warranty or Target Warranties which has the effect referred to in the material adverse change condition; and
(iii) the right to claim the Break Fee that flows from either: (A) the exercise of that termination right, under clause 9.2(d); or (B) to the extent the material adverse change Condition is triggered by the breach of the Target Warranty or Warranties under clause 9.2(g), regardless of when such breach or breaches occurs and whether or not Bidder has exercised such termination right. For the avoidance of doubt, the maximum aggregate amount Target will be required to pay in respect of all claims or demands relating to a breach of any or all Target Warranties, whenever made, is limited to the Break Fee.

11.2 Bidder Warranties

(a) Bidder represents and warrants to Target that each of the warranties set out in clause 11.2(b) is true and correct:

(i) as at the date of the agreement; and
(ii) in the case of all warranties except for the warranty in clause 11.2(b)(iv) on each day during the Offer Period.

(b) Bidder represents and warrants that:

(i) it is a corporation validly existing under the laws of its place of incorporation;

(ii) it has the corporate power to enter into and perform its obligations under this agreement and to carry out the transactions contemplated by this agreement;

(iii) it has taken all necessary corporate action to authorise the entry into this agreement and has taken or will take all necessary
corporate action to authorise the performance of this agreement and to carry out the transactions contemplated by this agreement;

(iv) this agreement is valid and binding upon it and the execution and performance of this agreement will not result in a breach or default under Bidder’s constitution or any agreement or deed or any writ, order or injunction, rule or regulation to which Bidder is a party or to which any of them are bound;

(v) Bidder is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets;

(vi) no regulatory action of any nature has been taken as at the date of this agreement which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement;

(vii) it will have available to it sufficient cash amounts to enable it to perform its obligations to pay the total cash consideration payable to Shareholders and Optionholders under the Offer and the Options Offer;

(viii) other than as contemplated by the Agreed Bid Terms, no approvals are required to be obtained by the Bidder under any law, rule or regulation to performance and observe its obligations under this agreement and to consummate the transaction contemplated by this agreement; and

(ix) it will comply during the Offer Period with its obligations under Part 6.9 of the Corporations Act.

12 GST

(a) Any consideration or amount payable under this agreement, including any non-monetary consideration (as reduced in accordance with paragraph (c) if required) (Consideration) is exclusive of GST.

(b) If GST is or becomes payable on a Supply made under or in connection with this agreement, an additional amount (Additional Amount) is payable by the party providing the Consideration for the Supply (Supplier) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (Supplier) in accordance with the GST Law.

(c) The additional amount payable under paragraph (b) is payable at the same time and in the same manner as the Consideration for the Supply, subject to the provision of a valid Tax Invoice at or before that time. If a valid Tax Invoice is not provided at or before that time then the Additional Amount is only payable on receipt of a valid Tax Invoice.

(d) If for any reason (including, without limitation, the occurrence of an Adjustment Event) the amount of GST payable on a Supply made under
or in connection with this agreement (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under paragraph (b):

(i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;

(ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law, and

(iii) the Supplier must notify the Recipient of the refund or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within 14 days after becoming aware of the occurrence of the Adjustment Event.

(e) Despite any other provision in this agreement, if an amount payable under or in connection with this agreement (whether by way of reimbursement, indemnity or otherwise (Amount Incurred)), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred.

(f) Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of the GST Group of which that party is a Member is entitled.

13 Notices

(a) A notice, consent, request or any other communication under this agreement must be in writing and must be left at the address of the addressee or sent by email to the address specified below or any other address or email address the addressee requests.

<table>
<thead>
<tr>
<th>Target</th>
<th>Bidder</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Attention:</strong> Joe Ariti / Shane Volk</td>
<td><strong>Attention:</strong> Brian Van Rooyen / Ernst Venter</td>
</tr>
<tr>
<td><strong>Address:</strong> 33 Ventnor Avenue</td>
<td><strong>Address:</strong> Roger Dyason Road</td>
</tr>
<tr>
<td>West Perth</td>
<td>Pretoria West 0183</td>
</tr>
<tr>
<td><strong>Email:</strong> <a href="mailto:joea@africanironlimited.com">joea@africanironlimited.com</a></td>
<td><strong>Email:</strong> <a href="mailto:bvanrooyen@exxaro.com">bvanrooyen@exxaro.com</a></td>
</tr>
</tbody>
</table>

Copy of communications to Target (for information purposes only): Target Attention: Joe Ariti / Shane Volk Address: 33 Ventnor Avenue West Perth, Western Australia, 6005 Email: joea@africanironlimited.com

14 General

14.1 Cumulative rights

The rights, powers and remedies of a party under this agreement are cumulative with the rights, powers or remedies provided by law independently of this agreement.

14.2 Waiver and variation

A provision or a right under this agreement may not be waived except in writing signed by the party granting the waiver, or varied except in writing signed by the parties.

Attention: David Gray / Paul Bramston
Address: Level 36, 250 St Georges Tce Perth, WA, 6000
Email: david.gray@freehills.com / paul.bramston@freehills.com

Bidder:

Attention: Brian Van Rooyen / Ernst Venter
Address: Roger Dyason Road Pretoria West 0183 South Africa
Email: bvanrooyen@exxaro.com

Copy of communications to Bidder (for information purposes only):

Target

Attention: Joe Ariti / Shane Volk
Address: 33 Ventnor Avenue West Perth, Western Australia, 6005
Email: joea@africanironlimited.com

Bidder

Attention: Brian Van Rooyen / Ernst Venter
Address: Roger Dyason Road Pretoria West 0183 South Africa
Email: bvanrooyen@exxaro.com
14.3 Approvals and consents
A party may give or withhold its approval or consent conditionally or unconditionally in its discretion unless this agreement states otherwise. Any approval or consent or agreement required pursuant to this agreement must be in writing.

14.4 Specific performance
The parties acknowledge that monetary damages alone would not be adequate compensation for a breach by any party of an obligation under this agreement and that specific performance of that obligation is an appropriate remedy.

14.5 Effect of agreement
This agreement constitutes the entire agreement between the parties in relation to its subject matter and supersedes any previous understandings or agreements between the parties concerning the subject matter of this agreement.

14.6 Severability
If the whole or any part of a provision of this agreement is void, unenforceable or illegal in a jurisdiction, it is severed for that jurisdiction. The remainder of this agreement has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this agreement or is contrary to public policy.

14.7 Mutual further assurances
Each party must do all things necessary or expedient to be done by it in connection with the matters referred to in this agreement.

14.8 Counterparts
This agreement may be executed in any number of counterparts and all those counterparts taken together will constitute one instrument.

14.9 Governing law and jurisdiction
This agreement is governed by the laws of Western Australia. Each party submits to the non-exclusive jurisdictions of the courts of Western Australia.

14.10 Assignment
The rights and obligations of each party under this agreement are personal. They cannot be assigned, charged or otherwise dealt with, and no party shall attempt or purport to do so, without the prior written consent of the other party.
Competing Transaction means any expression of interest, proposal, offer or transaction, which if completed, would mean a person (other than Bidder or one of its Related Bodies Corporate) would:

(a) directly or indirectly, acquire an interest in, a relevant interest in, become the holder of, or enter into a cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to:

(i) more than 10% of the Target Shares or more than 10% of the shares in any of Target’s Subsidiaries; or

(ii) the whole or a material part of the business or property of Target or any of its Subsidiaries;

(b) acquire control of Target, within the meaning of section 50AA of the Corporations Act;

(c) otherwise acquire or merge (including by a scheme of arrangement, capital reduction, sale of assets, strategic alliance, joint venture, partnership, reverse takeover bid or dual listed company structure) with Target or

(d) result in the Bid not being able to be implemented on the basis set out in this agreement.

Conditions means the conditions set out in clause 3 of Schedule 2.

Consideration has the meaning given in clause 12(a).

Corporations Act means the Corporations Act 2001 (Cth).

Counter Proposal has the meaning given in clause 8.8.

Dictionary has the meaning given in clause 1.1(a).

Diligence Information has the meaning given in clause 8.4(a).

Director means a member of the Target Board.

Disclosure Materials means all material included in the data room to which Bidder was granted access and which is included in a list agreed between the Bidder and Target prior to the execution of this agreement.

End Date means the date on which the Offer Period ends.

Environmental Legislation includes environmental legislation, regulations, by-laws and ordinances.

Exclusivity Period means the period commencing on the date of this agreement and ending on the first to occur of:

(a) termination of this agreement; and

(b) the End Date.

Governmental Agency means a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission.

GST means a goods and services tax or similar value added tax levied or imposed under the GST Law.

GST Law has the meaning given to it in the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Listed Options means the listed options set out in Schedule 3.

Matching Right Period has the meaning given in clause 8.8.


Mayoko Project means the Mayoko Iron Ore Project located in the Republic of Congo.

Mining Code means the Mining Code of Congo No. 4-2005 of 11 April 2005, as amended consolidated or replaced, and includes any subsidiary legislation including the Mining Regulations.

Mining Regulations means the Decree No. 2007-274 of 21 May 2007, as amended consolidated or replaced.

Offer has the meaning given in clause 12(a).

Offer Period means the period the Offer is open for acceptance.

Offer Price means the consideration specified in clause 1 of Schedule 2.

Options means the options in respect of Target Shares as listed in Schedule 3.

Options Offer has the meaning given in clause 12(a).

Prescribed Occurrence means the occurrence of any of the following where that occurrence was not consented to by Bidder, was not fully disclosed to Bidder in the Disclosure Materials (or in an announcement on ASX or document lodged with ASIC prior to the date of this agreement) and is not the result of Target taking or procuring any action required to be taken or procured by it under this agreement:

(a) Target converting all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;

(b) Target or one of its Subsidiaries resolving to reduce its share capital in any way.
(c) Target or one of its Subsidiaries entering into a buy-back agreement or resolving to approve the terms of such an agreement under section 257C(1) or 257D(1) of the Corporations Act;

(d) Target or one of its Subsidiaries making an issue of its shares (other than pursuant to the exercise of any Options existing at the date of this agreement) or granting an option over its shares or agreeing to make such an issue or grant such an option (other than those notified to the ASX prior to the date of this agreement);

(e) Target or one of its Subsidiaries issuing, or agreeing to issue, convertible notes;

(f) Target or one of its Subsidiaries disposes, or agrees to dispose, of the whole or a substantial part of its business or property;

(g) Target or one of its Subsidiaries charging, or agreeing to charge, the whole, or a substantial part, of its business or property;

(h) Target or one of its Subsidiaries resolving that it be wound up;

(i) the making of an order by a court for the winding up of Target or one of its Subsidiaries;

(k) an administrator of Target or one of its Subsidiaries being appointed under section 436A, 436B or 436C of the Corporations Act;

(l) Target or one of its Subsidiaries executing a deed of company arrangement;

(m) the appointment of a receiver or a receiver and manager in relation to the whole, or a substantial part, of the property of Target or one of its Subsidiaries;

(n) Target or any of its Subsidiaries agrees to pay, declares or pays a dividend or any other form of distribution of profit or capital, other than the declaration and payment by any Subsidiary of Target of a dividend where the recipient of that dividend is Target or a wholly-owned Subsidiary of Target;

(o) Target or any of its Subsidiaries makes any change to its constitution;

(p) Target or any of its Subsidiaries acquires or agrees to acquire any assets, properties or businesses, or incurs, agrees to incur or enters into a commitment or a series of commitments involving capital expenditure by the Target Group, whether in one or more transactions, where the amounts or value involved in such transaction, transactions, commitments or series of commitments exceeds A$1,000,000 in aggregate;

(q) Target or any of its Subsidiaries disposes of, or agrees to dispose of, or creates or agrees to create an equity interest in respect of:

(i) any assets (including, without limitation, under any off-take or similar agreement), properties or businesses, whether in one transaction or a number of such transactions, where the amount or value involved in such transaction or transactions exceeds A$1,000,000 in aggregate, or

(ii) any mining licence or tenement (including the Applications and Tenements);

(r) Target or one of its Subsidiaries makes an issue of its shares (other than pursuant to the exercise of any Options existing at the date of this agreement) or granting an option over its shares or agreeing to make such an issue or grant such an option (other than those notified to the ASX prior to the date of this agreement);

(s) Target or any of its Subsidiaries incurs any financial indebtedness or issues any debt securities, other than in the ordinary course of business or pursuant to advances under its credit facilities in existence at the date of this agreement where the funds drawn pursuant to those advances are used in the ordinary course of business or in connection with, a purpose that is contemplated and permitted in paragraph (q) of this definition;

(t) Target or any of its Subsidiaries makes any loan, advances or capital contributions to, or investments in, any other person (other than to or in Target or any wholly-owned Subsidiary of Target in the ordinary course of business), other than in the ordinary course of business;

(u) Target or any of its Subsidiaries makes any change to its constitution;

(v) Target or any of its Subsidiaries is deregistered as a company or otherwise dissolved;

(w) Target or any of its Subsidiaries agrees to pay, declares or pays a dividend or any other form of distribution of profit or capital, other than the declaration and payment by any Subsidiary of Target of a dividend where the recipient of that dividend is Target or a wholly-owned Subsidiary of Target;

(x) Target or any of its Subsidiaries makes any change to its constitution;

(y) Target or any of its Subsidiaries makes any change to its constitution;

(z) Target or any of its Subsidiaries acquires or agrees to acquire any assets, properties or businesses, or incurs, agrees to incur or enters into a commitment or a series of commitments involving capital expenditure by the Target Group, whether in one or more transactions, where the amounts or value involved in such transaction, transactions, commitments or series of commitments exceeds A$1,000,000 in aggregate;
(bb) Target or any of its Subsidiaries enters into or renews any agreement, contract, lease, licence or other binding obligation containing:

(i) any limitation or restriction on the ability of Target or any of its Subsidiaries, or following completion of the transactions contemplated by this agreement, the ability of Bidder, to engage in any type of activity or business;

(ii) any limitation or restriction on the manner in which, or the localities at which, all or any portion of the business of Target or, following completion of the transactions contemplated by this agreement, all or any portion of the business of Bidder, is or would be conducted, or

(iii) any limit or restriction on the ability of Target or any of its Subsidiaries or, following completion of the transactions contemplated by this agreement, the ability of Bidder, to solicit customers or employees, or

that would reasonably be expected to materially delay or prevent the completion of the transactions contemplated by this agreement, other than in the ordinary course of business;

(cc) any member of the Target Group:

(i) increases the remuneration of, pays any bonus (other than in accordance with existing contractual entitlements as at the date of this agreement) to, or otherwise varies the employment arrangements of any Target director or any employee of the Target Group whose total employment cost exceeds $75,000 (collectively, Relevant Employees);

(ii) issues any securities, options or performance rights to any of the employees of the Target Group (other than those notified to the ASX prior to the date of this agreement), or accelerates the rights of any such employee to compensation or benefits of any kind (including, without limitation, under any executive or employee share or option plan and including, without limitation, by vesting any outstanding performance rights);

(iii) pays any of the Relevant Employees termination or retention payments (otherwise than in accordance with contractual arrangements existing at the date of this agreement which were disclosed to Bidder prior to the date of this agreement);

(iv) enters into employment arrangements with any individual which could involve a member of the Target Group giving a commitment to such individual in excess of $75,000 per annum (but not including entering arrangements with any Study Manager or other contractors notified to the Bidder prior to execution of this agreement where such arrangements, if they were continued, could result in the contractor being paid more than $75,000 per annum);

(v) offers to acquire (including by making takeover offers under Chapter 6 of the Corporations Act) or agrees to acquire one or more companies, businesses, properties, assets or shares (or any interest in one or more companies, businesses, assets or shares)

for an amount in aggregate greater than $500,000;

(vi) disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses, assets or shares (or any interest in one or more companies, businesses, assets or shares), the value of which exceeds $500,000;

(vii) enters into, offers to enter into or agrees to enter into any agreement, joint venture, asset or profit share, partnership or commitment which would require expenditure, or the foregoing of revenue, by Target and/or any of its Subsidiaries of an amount which is, in aggregate, more than $500,000, other than in the ordinary course of business;

(viii) amends, replaces or terminates any Material Contract or enters into any contract described in Part 2 of Schedule 6, or

(ix) resolves, agrees, commits or announces an intention to do any of the things referred to in subparagraphs (a) to (cc) (inclusive) of this definition without the prior written consent of Bidder (which consent Bidder must advise Target is granted or not granted, within 3 Business Days of Target requesting such consent).

Recipient has the meaning given in clause 12(b).

Register means the register of Target Shares kept by Target.

Related Body Corporate has the meaning it has in the Corporations Act.

Relevant Employees has the meaning given in paragraph (cc) of the definition of "Prescribed Occurrence" in this Schedule 1.

Relevant Interest has the meaning given in clause 8.7(a).

Schedule 1 means a schedule to this agreement.

Subsidiary has the meaning it has in the Corporations Act.

Supreme Proposal means a transaction or proposed transaction which, if completed substantially in accordance with its terms, would mean a person (other than Bidder or one of its Related Bodies Corporate) would become the holder of:

(a) more than 50% of the Target Shares; or

(b) the whole or substantially the whole of the business, assets and undertakings of the Target Group.
Provided that a majority of the Target Directors determine, acting in good faith and in order to satisfy what the Directors consider to be their fiduciary and statutory duties (after having taken advice from Target’s financial and legal advisors), that the transaction or proposed transaction is capable of being valued and completed and taking into account all aspects of the transaction or proposed transaction (including its conditions precedent) and the person or persons making it) and is superior overall for Target Shareholders as compared to the Offer.

Target Board means the board of directors of Target from time to time.

Target Directors means Joe Ariti, Ian Burston, John Moore and Tony Sage.

Target Group means Target and each of its Related Bodies Corporate.

Target Shares means fully paid ordinary shares issued in the capital of Target.

Target Shareholders means each person who is registered in the register of members of Target as the holder of Target Shares from time to time.

Target’s Statement means the target’s statement to be issued by Target under section 638 of the Corporations Act in response to the Bid.

Target Warranties means the representations and warranties set out in clause 6.

Tenements means the tenements (granted under the Mining Code) which are identified in Schedule 5 and any tenement applied for or granted in renewal or extension of, or in substitution for, any such tenement (excluding the Application but including any tenements granted pursuant to the Application).

Third Party means the meaning given in clause 3(c) of Schedule 2.

Timetable means the indicative timetable for implementation of the Transaction set out in Schedule 4.

Transaction means the acquisition by Bidder of all Target Shares under the Bid and all of the Options.

Unlisted Acquisition Options means all of the Unlisted Options other than:

(a) 3,500,000 Unlisted Options held by Daniel Desjardins;
(b) 4,000,000 Unlisted Options held by Grant Calderwood;
(c) 3,300,000 Unlisted Options held by Simon Youds which shall vest on the grant of an exploitation licence and mining concession as defined in the Mining Code Law 4-2005 of April 11, 2005 in force in the Republic of Congo not later than 31 December 2012;
(d) 3,400,000 Unlisted Options held by Simon Youds which shall vest on the first shipment of cargo of iron ore from the Mayoko Project by no later than 31 December 2013;
(e) 1,000,000 Unlisted Options held by Shane Volk which shall vest on grant by the Department of Mines and Geology of an exploitation licence and mining concession as defined in the Mining Code Law 4-2005 of April 11.
(f) 2,000,000 Unlisted Options held by Shane Volk which shall vest on shipment of the first cargo of iron ore from the Mayoko Project by no later than 31 December 2013.

Unlisted Options means the unlisted options set out in Schedule 3.

Voting Power means the meaning it has in the Corporations Act.

Interpretation

In this agreement the following rules of interpretation apply unless the contrary intention appears:

(a) headings are for convenience only and do not affect the interpretation of this agreement;
(b) the singular includes the plural and vice versa;
(c) words that are gender neutral or gender specific include each gender;
(d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
(e) the words ‘such as’, ‘including’, ‘particularly’ and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
(f) a reference to:
(i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
(ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
(iii) a party includes its successors and permitted assigns;
(iv) a document includes all amendments or supplements to that document;
(v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this agreement;
(vi) this agreement includes all schedules and attachments to it;
(vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a rule of ASX and is a reference to that law as amended, consolidated or replaced;
Annexure A
Takeover Bid Implementation Agreement and Announcement of Takeover Bid cont.

(vi) an agreement other than this agreement includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and

(ix) a monetary amount is in Australian dollars;

(g) an agreement on the part of two or more persons binds them jointly and severally;

(h) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day;

(i) in determining the time of day, where relevant to this agreement, the relevant time of day is:

(ii) for the purposes of giving or receiving notices, the time of day where a party receiving a notice is located; or

(ii) for any other purpose under this agreement, the time of day in the place where the party required to perform an obligation is located; and

(j) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this agreement or any part of it.

Schedule 2 –
Agreed Bid Terms

1 Consideration

The consideration offered under the Bid will be A$0.51 for each Target Share, subject to any improvement permitted by the Corporations Act.

The Bidder will announce as per the Agreed Public Announcement that if it obtains a Relevant Interest in 75% or more of the Target Shares on a fully diluted basis it will increase the Offer to A$0.57.

For the purposes of calculating the Bidder’s Relevant Interest in 75% or more of the Target Shares on a fully diluted basis, the Bidder will be deemed to have a Relevant Interest in any Target Shares which may be issued on exercise of any Target Options acquired by Exxaro pursuant to the Option Offers where Exxaro has not, at the time of the calculation, exercised such options.

Bidder agrees to pay the Offer consideration within 14 days of the later of:

(a) either the Offer becoming or being declared free from all Conditions; and

(b) receipt of a valid acceptance form from a Target Shareholder.

2 Offer Period and Offer

(a) The Offer will remain open for one month from the date of the Offer, subject to Bidder’s right to extend the period under the Corporations Act.

(b) Bidder will ensure that the Offer is extended to apply to all Target Shares that are issued during the Offer Period as a result of exercise of Options, as permitted under section 617(2) of the Corporations Act.

3 Conditions

The Offer, and any contract resulting from its acceptance, is subject to the conditions set out below.

(a) Minimum acceptance condition

At the end of the Offer Period, Bidder and its Associates have a Relevant Interest in more than 50% (by number) of all of the Target Shares both on an undiluted and on a fully-diluted basis.

(b) No regulatory action

During the Offer Period:

(i) there is not in effect any preliminary or final decision, order or decree issued by a Governmental Agency;

(ii) no action or investigation is announced, commenced or threatened by any Governmental Agency; and
(iii) no application is made to any Governmental Agency (other than by a member of the Bidder Group), in consequence of, or in connection with, the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in the exercise of powers and discretions conferred by the Corporations Act or the applications to ASX contemplated by this agreement), which:

(iv) restrains, prohibits or impedes (or if granted or made could restrain, prohibit or impede), or otherwise materially adversely impacts upon:

(1) the making of the Offers or the completion of any transaction contemplated by the Offer; or

(2) the rights of Bidder in respect of Target or the Target Shares; or

(v) requires the divestiture by Bidder of any Target Shares or the divestiture of any assets of the Target Group.

(c) no material adverse change

Between the date of this agreement and the End Date:

(i) no event, change, condition, matter or thing occurs (including, for the avoidance of any doubt, any breach of a representation and warranty given by the Target under this agreement), and Target does not disclose information concerning any event, change, condition, matter or thing, which has, will or is reasonably likely to have a material adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of the Target Group taken as a whole (whether individually or when aggregated with one or more other events, matters or things); or

(ii) no event, change, condition, matter or thing, as described in subparagraph (i), which occurred before the date of this agreement but was not apparent from publicly available information or the Disclosure Materials before then, becomes public.

Without limitation to any other part of this Condition:

(iii) a creditor lawfully demanding repayment of a debt of $1,000,000 or more will have the effect referred to in sub-paragraph (i); or

(iv) the following events will have the effect referred to in sub-paragraph (i):

(A) a person exercises rights under an agreement, arrangement or understanding to which any member of the Target Group is a party where that exercise has, will have or is reasonably likely to have the effect of accelerating or adversely modifying the performance of any of the obligations of the relevant Target Group member under the agreement, arrangement or understanding and such modification materially adversely affects the assets, liabilities, financial position, performance, profitability or prospects of the Target Group taken as a whole;

(b) an outbreak of hostilities (whether war is declared or not) or terrorism, mobilisation of armed forces, civil or political unrest or labour disturbance, fire or natural disaster or a material increase in the intensity of any such event existing as at the date of this agreement which materially adversely affects the assets, liabilities, financial position, performance, profitability or prospects of the Target Group taken as a whole; and

(c) a Governmental Agency or other body withdraws, revokes, cancels, suspends or otherwise modifies an approval, consent, licence or permit granted to or held by the Target Group (or expresses an intention to do any of these things) and such action materially adversely affects the assets, liabilities, financial position, performance, profitability or prospects of the Target Group taken as a whole.

(v) an event, matter or thing will have the effect referred to in sub-paragraph (i) if (either individually or when aggregated with one or more other events, matters or things) has, will or is reasonably likely to reduce:

(A) the value of the consolidated net assets of the Target Group, taken as a whole, by at least $5,000,000; or

(b) the JORC Resources of 121 million tonnes reported on page 7 slide ‘Mayoko Project Overview’ of Target’s ‘Company Presentation’ announced to the ASX on 7 November 2011 by at least 10%.

This condition (c) does not apply to events, changes, conditions, matters, things or information:

(vi) occurring as a result of any event, matter or thing required by this agreement or the Bid;

(vii) occurring as a result of any matter, condition, circumstances or thing fairly disclosed in the Disclosure Materials or in an announcement made by the Target to ASX or a document lodged by the Target with ASIC before the date of this agreement;

(viii) occurring as a result of changes general economic conditions, including, without limitation, movements in exchange rates or iron ore prices.

(d) No Prescribed Occurrences

No Prescribed Occurrence happens in the period between the date of this agreement and the End Date (both inclusive).
### Schedule 3 —
**Target Group securities**

**African Iron Limited**

<table>
<thead>
<tr>
<th>Class of security</th>
<th>Number on issue</th>
<th>Registered holder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>501,828,283</td>
<td></td>
</tr>
<tr>
<td>Options over ordinary shares quoted on ASX exercisable at $0.20 expiring on 1 December 2013 (Listed Options)</td>
<td>24,404,952</td>
<td></td>
</tr>
<tr>
<td>Options over ordinary shares not quoted on ASX (Unlisted Options) exercisable at $0.30 expiring 31 December 2012, transferrable</td>
<td>4,000,000</td>
<td>Maria Malek, Andrea Kely, ANZ Geoscience Pty Ltd as trustee for the Froud Family Trust, Claire Tidman and Stefan Matuszkiewicz (via The Tolcon/Matuszkiewicz Family Trust), Henri Okemba Madiand Consultancy Pty Ltd, Parbury Nominees Ltd, South Durras Pty Ltd (via the South Durras Trust)</td>
</tr>
<tr>
<td>Options over ordinary shares not quoted on ASX (Unlisted Options) exercisable at $0.30 expiring 31 December 2012, subject to a 24 month escrow from the date of quotation, transferrable</td>
<td>36,000,000</td>
<td>Tony Sage (via The Eggs Superannuation Fund), Colburn Fiduciary Nominees Pty Ltd, EAS Advisers LLC</td>
</tr>
</tbody>
</table>

| Exercisable at $0.30 expiring 31 December 2012, transferrable | 2,700,000 | Foo Fong Hamilton, Metvest Pty Ltd, Midnight Blue Holdings Pty Ltd as trustee for the Gartner Superannuation Fund, Geoff Allen as trustee for the Allen Family Trust, Patrick Veckere, Helene Tirando, Karim Arman, Phil Francois |
| Exercisable at $0.30 expiring 30 December 2014, non-transferable | 3,500,000 | Daniel Desjardins |
| Exercisable at $0.30 expiring 30 December 2014, non-transferable | 4,000,000 | Grant Calderwood |
| Exercisable at $0.30 expiring 30 December 2014, non-transferable | 10,000,000 | Simon Youds |
| Exercisable at $0.30 expiring 30 December 2012, non-transferable | 2,000,000 | John Moore |
| Exercisable at $0.30 expiring 30 December 2014, non-transferable | 4,000,000 | Shane Volk |

Total Unlisted issued Options

<table>
<thead>
<tr>
<th>Class of security</th>
<th>Number on issue</th>
<th>Registered holder</th>
</tr>
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<tbody>
<tr>
<td>Ordinary shares</td>
<td>100</td>
<td>African Iron Limited</td>
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</tbody>
</table>

*vesting conditions apply to certain of these options
<table>
<thead>
<tr>
<th>AKI Exploration Limited</th>
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<tbody>
<tr>
<td><strong>Class of security</strong></td>
<td><strong>Number on issue</strong></td>
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<tr>
<td>Ordinary shares</td>
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<table>
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<th>DMC Mining Pty Ltd</th>
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<tr>
<td><strong>Class of security</strong></td>
<td><strong>Number on issue</strong></td>
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<tr>
<td>Ordinary shares</td>
<td>91,367,867</td>
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<table>
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<th>AKI Exploration (Bermuda) Limited</th>
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</thead>
<tbody>
<tr>
<td><strong>Class of security</strong></td>
<td><strong>Number on issue</strong></td>
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<tr>
<td>Ordinary shares</td>
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<table>
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<tr>
<th>African Iron Exploration SA</th>
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<tbody>
<tr>
<td><strong>Class of security</strong></td>
<td><strong>Number on issue</strong></td>
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<table>
<thead>
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<th>DMC Iron Congo SA</th>
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<tbody>
<tr>
<td><strong>Class of security</strong></td>
<td><strong>Number on issue</strong></td>
</tr>
<tr>
<td>Ordinary shares</td>
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### Schedule 4 — Timetable

<table>
<thead>
<tr>
<th>Day</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 January 2012</td>
<td>Execution of this agreement</td>
</tr>
<tr>
<td>11 January 2012</td>
<td>Release of Agreed Public Announcement</td>
</tr>
<tr>
<td></td>
<td>Bidder’s Statement lodged with ASIC and sent to Target and ASX</td>
</tr>
<tr>
<td>11 January 2012</td>
<td>Bidder’s Statement sent to Target shareholders</td>
</tr>
<tr>
<td>12 January 2012</td>
<td>Target’s Statement lodged with ASIC and sent to Bidder and ASX</td>
</tr>
<tr>
<td>16 January 2012</td>
<td>Target’s Statement sent to Target shareholders</td>
</tr>
<tr>
<td>14 February 2012</td>
<td>Offer Period ends</td>
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</table>

### Schedule 5 — Tenements and Applications

<table>
<thead>
<tr>
<th>Tenements</th>
<th>Tenement details</th>
<th>Registered and beneficial holder</th>
<th>Encumbrances or other interests</th>
</tr>
</thead>
</table>
| Mayoko- Lekoumou research permit | granted under the Mining Code pursuant to decree no 2008-75 of 3 April 2009 and renewed under decree no 2011-482 of 20 July 2011 | DMC Iron Congo SA as to 100% | various rights and interest held by Cape Lambert Resources Ltd under the deed entitled Deferred Consideration Deed between Target and Cape Lambert Resources Ltd dated 13 September 2011 including the right to receive a royalty and a pre-emptive right; and
- various rights and interest held by Saurus Resources Limited under the deed entitled Deferred Consideration Deed between Target and Saurus Resources Limited dated 13 September 2011 including the right to receive a royalty and a pre-emptive right; and
- various rights and interest held by LMI for the purposes of the deed entitled Deferred Consideration Deed between Target and MGM dated 13 September 2011 including the right to receive a royalty and a pre-emptive right. |
| Ngoubou- Ngoubou research permit | over the area of the Ngoubou-Ngoubou authority to prospect made under the Mining Code | African Iron Exploration SA as to 100% | Nil |

**Applications**

<table>
<thead>
<tr>
<th>Application details</th>
<th>Applicant</th>
<th>Encumbrances or other interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application for Ngoubou-Ngoubou research permit</td>
<td>African Iron Exploration SA</td>
<td>Nil</td>
</tr>
</tbody>
</table>
Schedule 6

Part 1 – Material Contracts

- Convention between the Republic of Congo and DMC Iron Congo SA in relation to mining prospecting for iron in the Mayoko-Lekoumou Area (Niar District), undated;
- Incorporated Shareholders Agreement between DMC Mining Pty Ltd ACN 121 513 620, Tanaka Mining Projects (Proprietary) Limited, and Project Management International Limited dated 7 December 2007 as varied by the Deed of Variation – Incorporated Shareholders Agreement between DMC Mining Pty Ltd ACN 121 513 620, Tanaka Mining Projects (Proprietary) Limited, and Project Management International Limited dated 4 May 2010 and as varied by the deed of accession by Les Etablissements Congolais MGM dated 20 December 2011;
- Loan Agreement between DMC Mining Pty Ltd ACN 121 513 620 and DMC Iron Congo SA dated 16 May 2008;
- Share Sale Agreement between Cape Lambert Resources Limited ACN 095 047 920 and the Target dated 17 December 2010;
- Share Sale Agreement between DMC Mining Pty Ltd ACN 121 513 620, Saurus Resources Limited and Target dated 13 September 2011;
- Share Sale Agreement between DMC Mining Pty Ltd ACN 121 513 620, Les Etablissements Congolais MGM and Target dated 13 September 2011;
- Deferred Consideration Deed between the Target and Cape Lambert Resources Limited ACN 095 047 920 (undated);
- Deferred Consideration Deed between the Target and Les Etablissements Congolais MGM dated 13 September 2011;
- Deferred Consideration Deed between the Target and Saurus Resources Limited dated 13 September 2011;
- Restriction Agreement between the Target and Cape Lambert Resources Limited ACN 095 047 920 dated 10 January 2010;
- Restriction Agreement between the Target and Saurus Resources Limited dated 13 September 2011;
- Restriction Agreement between the Target and Michael John Lancaster Warren dated 13 September 2011;
- Executive Services Agreement between Target and Shane Volk dated 5 December 2011;
- Offer of Employment between Target and Grant Calderwood dated 26 September 2011;
- Executive Services Agreement between Target and Simon Youds dated 6 December 2011;
- Tax Deed between Cape Lambert Resources Limited, DMC Mining Limited and others dated 10 January 2011;

Part 2:

- any agreement between any member of the Target Group and Chemin de Fer Congo Ocean relating to any rail infrastructure;
- any agreement between any member of the Target Group and Autonomous Port, Pointe Noire relating to any port infrastructure; and
- any agreement between the shareholders of African Iron Exploration S.A. for the management, operation or funding of African Iron Exploration S.A.
Annexure A  
Takeover Bid Implementation Agreement and Announcement of Takeover Bid cont.

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 Sipho 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
Annexure A
Takeover Bid Implementation Agreement and Announcement of Takeover Bid cont.

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

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

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, 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) 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.
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 a legal adviser.

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