12 January 2012

The Manager
Company Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

Dear Sir/Madam

African Iron Limited (ASX: AKI) – takeover bid by Exxaro Australia Iron Investments Pty Ltd

Target’s Statement

We attach, by way of service pursuant to item 14 of section 633(1) of the Corporations Act 2001 (Cth), a copy of the target’s statement of African Iron Limited (African Iron) in response to the off-market takeover bid by Exxaro Australia Iron Investments Pty Ltd for all the ordinary shares and listed options in African Iron.

Yours faithfully

AFRICAN IRON LIMITED

[Signature]

Shane Volk
Chief Financial Officer and Company Secretary
African Iron Limited
ABN 24 123 972 814

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

This Target’s Statement has been issued in response to the off-market takeover bid made by Exxaro Australia Iron Investments Pty Ltd (ACN 151 112 524), a wholly owned subsidiary of Exxaro Resources Limited (a company incorporated in South Africa) for all the ordinary shares and listed options in African Iron Limited.
Important Notices

Nature of this document
This document is a Target’s Statement issued by African Iron Limited (ABN 24 123 972 814) (African Iron) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Exxaro Australia Iron Investments Pty Ltd (ACN 151 112 524) (Exxaro Australia), a wholly-owned subsidiary of Exxaro Resources Limited (a company incorporated in South Africa) (Exxaro), for all the ordinary shares in African Iron (Share Offer) and for all the listed options in African Iron (Option Offer). This document contains information which is relevant to both the Share Offer and the Option Offer and therefore to holders of African Iron Shares and African Iron Listed Options respectively.

A copy of this Target’s Statement was lodged with ASIC and given to ASX on 12 January 2012. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target’s Statement.

African Iron Offer Investor Information Line
Within Australia 1800 628 703
From outside Australia +61 2 8280 7513

The African Iron Information Line will be open from 9.00 am to 8.00 pm, AEDST, Monday to Friday.

African Iron has established an investor information line which African Iron Shareholders and African Iron Optionholders may call if they have any queries in relation to the Offers. The telephone number for the African Iron Offer Investor Information Line is 1800 628 703 (for calls made from within Australia) or +61 2 8280 7513 (for calls made from outside Australia) between 9:00am and 8:00pm AEDST Monday to Friday. Calls to the African Iron Offer Investor Information Line may be recorded.

Further information relating to the Offers can be obtained from African Iron’s website at www.africanironlimited.com.

Defined terms
A number of defined terms are used in this Target’s Statement. These terms are explained in section 11 of this Target’s Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances
This Target’s Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offers.

Disclaimer as to forward looking statements
Some of the statements appearing in this Target’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 African Iron operates 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. None of African Iron, African Iron’s officers and employees, any persons named in this Target’s Statement with their consent or any person involved in the preparation of this Target’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 Target’s Statement reflect views held only as at the date of this Target’s Statement.

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

Foreign jurisdictions
The release, publication or distribution of this Target’s Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target’s Statement has been prepared in accordance with Australian law and the information contained in this Target’s Statement may not be the same as that which would have been disclosed if this Target’s Statement had been prepared in accordance with the laws and regulations outside Australia.

Maps and diagrams
Any diagrams, charts, maps, graphs and tables appearing in this Target’s Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target’s Statement.

Privacy
African Iron has collected your information from the African Iron register of shareholders and option holders for the purpose of providing you with this Target’s Statement. The type of information African Iron has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in African Iron. Without this information, African Iron would be hindered in its ability to issue this Target’s Statement. The Corporations Act requires the name and address of shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to African Iron’s related bodies corporate and external service providers (such as the share registry of African Iron and print and mail service providers) and may be required to be disclosed to regulators such as ASIC, African Iron’s privacy policy is available at www.africanironlimited.com.

If you would like details of information about you held by African Iron, please contact Computershare Investor Services Pty Limited at the address shown below:

Level 2, 45 St Georges Terrace
Perth Western Australia 6000
Phone: +61 8 9323 2000
Phone (within Australia): 1300 55 70 10
Fax: +61 8 9323 2033

The registered address of African Iron is:
33 Ventnor Avenue
West Perth Western Australia 6005
Fax: +61 8 9322 3220

Key Dates

<table>
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<th>Date of this Target’s Statement</th>
<th>Close of the Share Offer Period and Option Offer Period (unless extended or withdrawn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 January 2012</td>
<td>12 January 2012</td>
<td>5.00pm Perth time on 14 February 2012</td>
</tr>
</tbody>
</table>

Note that the Share Offer Period and Option Offer Period may be extended for different periods.
The Directors of African Iron unanimously recommend that you

**ACCEPT**

the cash takeover offers from Exxaro Australia, in the absence of a superior proposal.
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</table>
12 January 2012

Dear fellow African Iron Shareholders and African Iron Optionholders,

**Takeover bid by Exxaro Australia Iron Investments Pty Ltd**


Exxaro Australia is offering $0.51 cash for each African Iron Share ("Base Share Consideration") you hold and will increase the Share Offer Price to $0.57 cash for each African Iron Share you hold in the event it acquires 75% or more (on a diluted basis) of the African Iron Shares ("Increased Share Consideration").

In addition, Exxaro Australia is offering $0.31 cash for each African Iron Listed Option you hold ("Base Option Consideration") and will increase the Option Offer Price to $0.37 cash for each African Iron Listed Option you hold in the event it acquires 75% or more (on a diluted basis) of the African Iron Shares ("Increased Option Consideration").

The Exxaro Australia cash offers for your African Iron Securities ("Exxaro Offers") are summarised in the following table.

<table>
<thead>
<tr>
<th>Relevant Interest in African Iron Shares acquired</th>
<th>Cash per African Iron Share</th>
<th>Cash per African Iron Listed Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>more than 50%</td>
<td>$0.51</td>
<td>$0.31</td>
</tr>
<tr>
<td>75% or more</td>
<td>$0.57</td>
<td>$0.37</td>
</tr>
</tbody>
</table>

Exxaro is a large South African based, diversified mining group listed on the Johannesburg Stock Exchange with interests in coal, mineral sands, base metals and iron ore. Exxaro has a market capitalisation of approximately A$7.3billion and its turnover for the six months to 30 June 2011 was approximately A$1.14billion. Exxaro has made the Offers after having completed extensive due diligence over a four month period, including visiting African Iron's Mayoko project and meeting with government ministers and officials in the Republic of Congo. Further details on Exxaro can be found at www.exxaro.com.

All of the African Iron directors have considered the Exxaro Offers and, in the absence of a superior proposal, unanimously recommend that you accept the Exxaro Offers for your African Iron Securities. In summary, the key reasons for your directors’ decision to unanimously recommend that, in the absence of a superior proposal, you accept the Exxaro Offers are as follows:

- African Iron’s largest shareholder, Cape Lambert Resources Limited (ASX: CFE), has entered into a pre-bid agreement with Exxaro Australia in respect of 19.99% of its shareholding, providing strong support for the Exxaro Offers and for achieving the minimum acceptance condition of Exxaro Australia acquiring more than 50% (on a fully diluted basis) of the African Iron Shares.

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1 For the purposes of this calculation and Exxaro Australia increasing the offer price, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron options acquired.

2 See note 1.
• The Exxaro Offers are at a significant premium to the historical price of African Iron Securities, with the Base Share Consideration of $0.51 cash being representing a 49% premium to the 30 day VWAP of African Iron Shares and the Base Offer Consideration of $0.31 representing a 73% premium to the 30 day VWAP of African Iron Listed Options.

• The Exxaro Offers are for cash with minimal conditions, and Exxaro Australia has warranted that it has sufficient cash to fund the offers.

• Accepting the cash consideration offered by Exxaro Australia now mitigates the risks that an African Iron shareholder or optionholder might face in the current uncertain macro economic environment and in the event that iron ore prices fall below their current levels.

• The Exxaro Australia offer for your African Iron Listed Options does not require you to fund and exercise your options.

• The price of African Iron Securities is likely to fall if the Exxaro Offers close and Exxaro Australia has acquired less than 50% of the African Iron Shares.

African Iron Shareholders and African Iron Optionholders are urged to read both this Target’s Statement and Exxaro Australia’s Bidder’s Statement in their entirety, and to seek independent advice taking account of their individual circumstances.

The Exxaro Offers are scheduled to close at 5.00pm Perth time on 14 February 2012 (unless extended).

If, after reading this Target’s Statement, you have any further questions or queries, please contact the African Iron Offer Investor Information Line on 1800 628 703 if you are calling from within Australia and on +61 2 8280 7513 if you are calling from overseas between 9:00am and 8:00pm AEST, Monday to Friday.

Your directors will keep you informed of developments as they occur in respect of the Exxaro Offers.

Yours sincerely

Dr Ian Burston
Chairman
Key reasons why you should accept the Exxaro Offers
Key reasons why you should accept the Exxaro Offers

All African Iron Directors have carefully considered the advantages and disadvantages of the Offers, and unanimously recommend that African Iron Shareholders and African Iron Optionholders ACCEPT the Offers in the absence of a superior proposal.

In summary, the key reasons for the Directors’ recommendation are set out below.

1. African Iron’s largest shareholder has agreed to accept the Share Offer.

2. The Offers are at a significant premium to the recent trading history of African Iron Shares and African Iron Listed Options.

3. The Offers provide African Iron Shareholders and African Iron Optionholders with the certainty of cash, fully funded with minimal conditions.

4. The Offers provide African Iron Shareholders and African Iron Optionholders with a liquidity event.

5. Certainty of value in an uncertain macro economic environment.

6. The Option Offer does not require African Iron Optionholders to exercise before accepting.

7. There are risks in not accepting the Offers.

8. The Offers have the unanimous support of the African Iron Directors.
Recommendation of the Directors and why you should accept the Exxaro Offers
Recommendation of the Directors and why you should accept the Exxaro Offers

1.1 African Iron’s largest shareholder has agreed to accept the Share Offer

African Iron’s major shareholder, Cape Lambert, has entered a pre-bid agreement with Exxaro Australia under which Cape Lambert has agreed to accept the Share Offer for shares comprising a 19.99% interest in African Iron within 5 days of the Share Offer opening. Cape Lambert has also made a statement that subject to any superior offer being made for African Iron Shares during the currency of the Share Offer, it intends to accept the Share Offer for the remainder of its holding in African Iron (being a further 5.26%).

1.2 The Offers are at a significant premium to the recent trading history of African Iron Shares and African Iron Listed Options

(a) The Share Offer

Exxaro is offering African Iron Shareholders the Base Share Consideration of $0.51 cash for each African Iron Share held by them or the Increased Share Consideration of $0.57 cash if, before the end of the Offer Period, Exxaro obtains a Relevant Interest in 75% or more of African Iron Shares on a fully diluted basis3.

This represents the following premium:

<table>
<thead>
<tr>
<th></th>
<th>African Iron Share price</th>
<th>Base Share Consideration</th>
<th>Increased Share Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$0.51</td>
<td>$0.57</td>
</tr>
<tr>
<td>Pre-Offer Close</td>
<td>$0.400</td>
<td>28%</td>
<td>43%</td>
</tr>
<tr>
<td>5 day VWAP</td>
<td>$0.366</td>
<td>39%</td>
<td>56%</td>
</tr>
<tr>
<td>30 day VWAP</td>
<td>$0.343</td>
<td>49%</td>
<td>66%</td>
</tr>
<tr>
<td>90 day VWAP</td>
<td>$0.289</td>
<td>76%</td>
<td>97%</td>
</tr>
</tbody>
</table>

* Note: VWAPs up to the last trading day prior to the Announcement Date

3 For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Share Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.
Recommendation of the Directors and why you should accept the Exxaro Offers (continued)

The Share Offer Price also represents a significant premium to the price of African Iron Shares since the acquisition of DMC and associated capital raising was completed on 7 January 2011.
The Option Offer

Exxaro is offering African Iron Optionholders the Base Option Consideration of $0.31 for each African Iron Listed Option they hold or the Increased Option Consideration of $0.37 cash if, before the end of the Offer Period, Exxaro obtains a Relevant Interest in 75% or more of African Iron Shares on a fully diluted basis.

This represents a premium of:

<table>
<thead>
<tr>
<th>African Iron Listed Option price</th>
<th>Base Option Consideration $0.31</th>
<th>Increased Option Consideration $0.37</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Offer Close</td>
<td>$0.200</td>
<td>55%</td>
</tr>
<tr>
<td>5 day VWAP</td>
<td>$0.189</td>
<td>64%</td>
</tr>
<tr>
<td>30 day VWAP</td>
<td>$0.179</td>
<td>73%</td>
</tr>
<tr>
<td>90 day VWAP</td>
<td>$0.140</td>
<td>121%</td>
</tr>
</tbody>
</table>

*Note: VWAPs up to the last trading day prior to the Announcement Date*

*For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Option Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.*
The Option Offer Price also represents a significant premium to the price of African Iron Listed Options since the acquisition of DMC and associated capital raising was completed on 7 January 2011.

1.3 The Offers provide African Iron Shareholders and African Iron Optionholders with the certainty of cash, fully funded with minimal conditions

The Offers are for cash (including from Exxaro’s own cash reserves) and are not subject to any financing arrangements. The all cash consideration offered under the Offers should be contrasted with the risks and uncertainties of remaining an African Iron Shareholder or an African Iron Optionholder. These risks include, but are not limited to:

- risks associated with operations in the Republic of Congo;
- iron ore price volatility;
- mining, exploration and operational risks;
- development and infrastructure risks; and
- risks associated with general economic conditions,

as discussed further in section 4.8.

1.4 The Offers provide African Iron Shareholders and African Iron Optionholders with a liquidity event

The Offers provide African Iron Shareholders and African Iron Optionholders with a liquidity event whereby all African Iron Shareholders and African Iron Optionholders are given the opportunity to crystallise immediate cash value and realise their investment.
1.5 Certainty of value in an uncertain macro economic environment

The Base Share Consideration and the Base Option Consideration under the Offers value African Iron Shares at $0.51 and African Iron Listed Options at $0.31. If Exxaro Australia obtains a Relevant Interest in African Iron Shares of 75% or more on a fully diluted basis, Exxaro Australia will pay the Increased Share Consideration of $0.57 for African Iron Shares and the Increased Option Consideration of $0.37 for African Iron Listed Options. The Base Share Consideration, the Base Option Consideration, the Increased Share Consideration and the Increased Option Consideration all represent a significant premium to the prices of African Iron Shares and African Iron Listed Options (as applicable) prior to the Announcement Date.

Since the Announcement Date, the prices of African Iron Shares and African Iron Listed Options have increased to around these levels.

1.6 The Option Offer does not require African Iron Optionholders to exercise before accepting

The Option Offer Price represents the ‘see through’ value of the African Iron Listed Options based on the Share Offer Price; that is, the Share Offer Price less the exercise price of the African Iron Listed Options. As such, African Iron Optionholders can accept the Option Offer without having to exercise their African Iron Listed Options as applicable and convert them into African Iron Shares.

This has the potential benefit that African Iron Optionholders do not need to fund any conversion of African Iron Listed Options into African Iron Shares.

1.7 There are risks in not accepting Exxaro Australia’s Offers

If the Offers lapse, are withdrawn or close with Exxaro Australia and its associates having acquired a Relevant Interest in African Iron of less than 50% (being the minimum acceptance level) and no other offers emerge, there is a significant risk that the African Iron Share price may fall. As a result, it is also likely that the African Iron Listed Option price (which is a function of the African Iron Share price) may also fall.

If you do not accept the Offers and the Offers become Unconditional:

- liquidity in African Iron Shares and African Iron Listed Options may be significantly reduced; and
- Exxaro Australia may be entitled to acquire your African Iron Shares through compulsory acquisition (see section 6.12 of this Target’s Statement).

1.8 Exxaro’s Offers have the unanimous support of the African Iron Directors

Each African Iron Director who owns or controls African Iron Shares or African Iron Listed Options intends to accept the Share Offer or the Option Offer within 6 Business Days of the Offers opening, in the absence of a superior proposal.

The Directors have agreed to recommend the Offers in the absence of a superior proposal. The Offers were announced to the market on 11 January 2012. As at the day prior to the date of this Target’s Statement, Exxaro’s Offers are the only offers available for your African Iron Shares and African Iron Listed Options and no superior proposal has emerged.

See notes 3 and 4.
02.

Frequently Asked Questions
2.1 The Share Offer

This section answers some commonly asked questions about the Share Offer. It is not intended to address all relevant issues for African Iron Shareholders. This section should be read together with all other parts of this Target’s Statement.

Why have I received this document?

You have received this Target’s Statement because you are a listed shareholder or an optionholder in African Iron. This Target’s Statement is African Iron’s formal response to Exxaro Australia’s Bidder’s Statement which contains the Share Offer and the Option Offer.

It contains important information prepared by African Iron to help you determine whether to accept or reject the Share Offer and the Option Offer.

What is Exxaro Australia’s offer for my African Iron Shares?

Exxaro Australia is offering you $0.51 cash for each African Iron Share that you hold (being the Base Share Consideration).

Exxaro Australia has announced that it will vary the Share Offer to increase the consideration to $0.57 cash for each African Iron Share if, before the end of the Offer Period, Exxaro Australia acquires a Relevant Interest in 75% or more of African Iron Shares on a fully diluted basis (being the Increased Share Consideration).

For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Share Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.

What choices do I have as an African Iron Shareholder?

As an African Iron Shareholder, you have the following choices in respect of your African Iron Shares:

- accept the Share Offer;
- sell your African Iron Shares on the ASX (unless you have previously accepted the Share Offer and you have not validly withdrawn your acceptance); or
- do nothing.

There are several implications in relation to each of the above choices. A summary of these implications is set out in section 5 of this Target’s Statement.

What are the Directors of African Iron recommending?

Each Director recommends that you accept the Share Offer in the absence of a Superior Proposal.

What do the Directors of African Iron intend to do with any African Iron Shares that they hold?

Each African Iron Director that owns or controls African Iron Shares intends to accept the Share Offer within 6 Business Days of the Share Offer opening, in the absence of a Superior Proposal.
How many African Iron Shares does Exxaro Australia already own?

As at the date immediately before this Target’s Statement, Exxaro Australia has a Relevant Interest in 19.99% of African Iron Shares currently on issue as a result of a pre-bid agreement entered into with Cape Lambert.

How do I accept the Share Offer?

Details of how to accept the Share Offer are set out in section 9.3 of the Bidder’s Statement.

What are the consequences of accepting the Share Offer now?

If you accept the Share Offer while it is conditional and unless withdrawal rights are available (see below), you will:

- give up your right to sell your African Iron Shares on the ASX; and
- give up your right to otherwise deal with your African Iron Shares while the Share Offer remains open.

If you accept the Share Offer and it becomes Unconditional you will receive:

- the Base Share Consideration of $0.51 per African Iron Share if Exxaro Australia’s Relevant Interest in African Iron Shares is less than 75% on a fully diluted basis; or
- the Increased Share Consideration of $0.57 per African Iron Share if Exxaro Australia’s Relevant Interest in African Iron Shares is 75% or more on a fully diluted basis.

For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Share Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.

If I accept the Share Offer, can I withdraw my acceptance?

You may only withdraw your acceptance if Exxaro Australia varies the Share Offer in a way that postpones the time when Exxaro Australia is required to satisfy its obligations by more than one month. See section 6.8 of this Target’s Statement for further details.

Can I accept the Share Offer for some of my African Iron Shares?

No. You cannot accept the Share Offer for part of your shareholding. You can only accept the Share Offer for all of your African Iron Shares.

When does the Share Offer close?

The Share Offer is presently scheduled to close at 5.00pm Perth time on 14 February 2012, but the Offer Period can be extended in certain circumstances.

See section 6.5 of this Target’s Statement for details of the circumstances in which the Offer Period can be extended.
What are the conditions to the Share Offer?

The conditions to the Share Offer are:

- a minimum acceptance condition of more than 50%;
- no regulatory action impacting the Share Offer;
- no Material Adverse Change affecting African Iron; and
- the absence of Prescribed Occurrences.

See section 6.2 of this Target’s Statement for further details.

What happens if the conditions of the Share Offer are not satisfied or waived?

If the conditions are not satisfied or waived before the Share Offer closes, the Share Offer will lapse. You would then be free to deal with your African Iron Shares even if you had accepted the Share Offer.

When will I be sent my consideration if I accept the Share Offer?

If you accept the Share Offer, you will have to wait for the Share Offer to become Unconditional before you will be sent your consideration from Exxaro Australia.

Exxaro Australia has agreed to pay the consideration under the Share Offer on or before the later of:

- 14 days after the date the Share Offer becomes or is declared Unconditional; and
- 14 days of the date you accept the Share Offer.

See section 6.9 of this Target’s Statement for further details on when you will be sent your consideration.

What are the tax implications of accepting the Share Offer?

A general outline of the Australian tax implications of accepting the Share Offer is set out in section 7 of the Bidder’s Statement.

As the outline is a general outline only, African Iron Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.

Is there a number that I can call if I have further queries in relation to the Share Offer?

If you have any further queries in relation to the Share Offer, you can call the African Iron Offer Investor Information Line on 1800 628 703 (for calls made from inside Australia) or +61 2 8280 7513 (for calls made from outside Australia).

Calls to these numbers may be recorded.
2.2 The Option Offer

This section answers some commonly asked questions about the Option Offer. It is not intended to address all relevant issues for African Iron Optionholders. This section should be read together with all other parts of this Target’s Statement.

What is Exxaro Australia’s offer for my African Iron Listed Options?

Exxaro Australia is offering you $0.31 cash for each African Iron Listed Option that you hold (being the Base Option Consideration).

Exxaro Australia has announced that it will vary the Option Offer to increase the consideration to $0.37 cash for each African Iron Listed Option, if before the end of the Offer Period, Exxaro Australia acquires a Relevant Interest in 75% or more of African Iron Shares on a fully diluted basis (being the Increased Option Consideration).

For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Option Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.

What choices do I have as an African Iron Optionholder?

As an African Iron Optionholder, you have the following choices in respect of your African Iron Listed Options:

- accept the Option Offer;
- sell your African Iron Listed Options on the ASX (unless you have previously accepted the Option Offer and you have not validly withdrawn your acceptance);
- exercise your African Iron Listed Options and accept the Share Offer;
- exercise your African Iron Listed Options and sell the African Iron Shares on ASX;
- exercise your African Iron Listed Options and do not accept the Share Offer; or
- do nothing.

There are several implications in relation to each of the above choices. A summary of these implications is set out in section 5 of this Target’s Statement.

What are the Directors of African Iron recommending?

Each Director recommends that you accept the Option Offer in the absence of a superior proposal.

How do I accept the Option Offer?

Details of how to accept the Option Offer are set out in section 10.3 of the Bidder’s Statement.

What are the consequences of accepting the Option Offer now?

If you accept the Option Offer, unless withdrawal rights are available (see below), you will give up your right to sell your African Iron Listed Options on the ASX or otherwise deal with your African Iron Listed Options while the Option Offer remains open.
If I accept the Option Offer, can I withdraw my acceptance?

You may only withdraw your acceptance if Exxaro Australia varies the Option Offer in a way that postpones the time when Exxaro Australia is required to satisfy its obligations by more than one month. See section 8.8 of this Target’s Statement for further details.

When does the Option Offer close?

The Option Offer is presently scheduled to close at 5.00pm Perth time on 14 February 2012, but the Offer Period can be extended in certain circumstances.

See section 8.5 of this Target’s Statement for details of the circumstances in which the Offer Period can be extended.

What are the conditions to the Option Offer?

The Option Offer is subject to a non-waivable condition that the Share Offer becomes Unconditional. This means that the Option Offer is effectively subject to the same conditions as the Share Offer. See section 6.2 of this Target’s Statement for further details.

What happens if the conditions of the Option Offer are not satisfied or waived?

If the conditions of the Share Offer are not satisfied or waived before the Offer Period ends, the Option Offer will lapse. You would then be free to deal with your African Iron Listed Options even if you had accepted the Option Offer.

When will I be sent my consideration if I accept the Option Offer?

If you accept the Option Offer, you will have to wait for the Option Offer to become Unconditional before you will be sent your consideration from Exxaro Australia.

Exxaro Australia has agreed to pay the consideration under the Option Offer on or before the later of:

- 14 days of the date the Option Offer becomes or is declared Unconditional; and
- 14 days of the date you accept the Option Offer.

See section 8.9 of this Target’s Statement for further details on when you will be sent your consideration.

What are the tax implications of accepting the Option Offer?

A general outline of the Australian tax implications of accepting the Option Offer is set out in section 7 of the Bidder’s Statement.

As the outline is a general outline only, African Iron Optionholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.

Is there a number that I can call if I have further queries in relation to the Option Offer?

If you have any further queries in relation to the Option Offer, you can call the African Iron Offer Investor Information Line on 1800 628 703 (for calls made from inside Australia) or +61 2 8280 7513 (for calls made from outside Australia).

Calls to these numbers may be recorded.
03.

Summary of the Exxaro Offers and Directors’ Recommendation

For personal use only
3.1 Summary of the Offers

Exxaro Australia announced its intention to make its takeover bid for African Iron Shares and African Iron Listed Options on 11 January 2012. A summary of the Offers is contained in sections 6 and 8 of this Target’s Statement.

The Offers are open for acceptance until 5.00pm Perth time on 14 February 2012, unless extended or withdrawn (sections 6.5 and 6.6 and 8.5 and 8.6 of this Target’s Statement describe the circumstances in which Exxaro Australia can extend or withdraw the Offers).

(a) Share Offer

Exxaro Iron is offering you $0.51 cash consideration for each African Iron Share (being the Base Share Consideration).

Exxaro Australia announced that it will vary the Share Offer to increase the Share Offer Price to $0.57 cash if, before the end of the Offer Period, Exxaro Australia holds a Relevant Interest of at least 75% in African Iron Shares on a fully diluted basis (being the Increased Share Consideration). The Share Offer is subject to a number of conditions; those conditions are summarised in section 6.2 of this Target’s Statement.

For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Share Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.

(b) Option Offer

Exxaro Australia is offering you $0.31 cash for each African Iron Listed Option that you hold (being the Base Option Consideration).

Exxaro Australia has announced that it will vary the Option Offer to increase the Option Offer Price to $0.37 cash if, before the end of the Offer Period, Exxaro Australia acquires a Relevant Interest in 75% or more of African Iron Shares (being the Increased Option Consideration).

For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Option Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.

3.2 Directors of African Iron

As at the date of this Target’s Statement, the Directors of African Iron are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Ian Burston</td>
<td>Independent, Non-Executive Chairman</td>
</tr>
<tr>
<td>Tony Sage</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Joe Ariti</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>The Hon John Moore AO</td>
<td>Independent, Non-Executive Director</td>
</tr>
</tbody>
</table>
3.3 Directors’ recommendation

After taking into account each of the matters in this Target’s Statement and in the Bidder’s Statement, each of your Directors recommend that for the reasons set out in this section 3:

• if you are an African Iron Shareholder, you accept the Share Offer, in the absence of a Superior Proposal; and
• if you are an African Iron Optionholder, you accept the Option Offer, in the absence of a superior proposal.

In considering whether to accept the Share Offer and the Option Offer (as the case may be), your Directors encourage you to:

• read the whole of this Target’s Statement and the Bidder’s Statement;
• have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
• consider the alternatives noted in sections 5 and 7 of this Target’s Statement; and
• obtain financial advice from your broker or financial adviser about the Offers and obtain taxation advice on the effect of accepting the Offers.

3.4 Intentions of your Directors in relation to the Offers

(a) Share Offer


(b) Option Offer

Each Director who owns or controls African Iron Listed Options intends to accept the Option Offer in relation to those African Iron Listed Options within 6 Business Days of the Option Offer opening, in the absence of a superior proposal.

(c) African Iron Unlisted Options

Some African Iron Directors also own or control some African Iron Unlisted Options.

As discussed in section 10.5, African Iron Unlisted Options are not the subject of an offer under the Bidder’s Statement and therefore are not dealt with in any detail in this Target’s Statement. However, Exxaro intends to make separate individual offers for a majority of the African Iron Unlisted Options on equivalent terms to the offers for the African Iron Listed Options; that is the offer price for the African Iron Unlisted Options will be based on the Share Offer Price less the exercise price of the relevant options.

Each African Iron Director who holds or controls African Iron Unlisted Options intends to accept any separate offers that are made for their African Iron Unlisted Options within the later of 6 Business Days of the Option Offer opening or ASX providing the necessary consent to allow acceptance of those African Iron Unlisted Options which are subject to escrow restrictions, in the absence of a superior proposal for those options.

Details of the Relevant Interests of each African Iron Director in African Iron Shares and their holdings of African Iron Listed Options, including African Iron Unlisted Options are set out in section 9.1(a) of this Target’s Statement.
04.

Important matters for African Iron Shareholders and African Iron Optionholders to consider
Important matters for African Iron Shareholders and African Iron Optionholders to consider

4.1 Information about Exxaro and Exxaro Australia

Exxaro is a large South African-based diversified mining group listed on the Johannesburg Stock Exchange with interests in coal, mineral sands, base metals and iron ore. Exxaro Australia is an Australian incorporated, wholly owned subsidiary of Exxaro that is making the Offers. See section 2 of the Bidder’s Statement for further information on Exxaro.

As described in section 5 of the Bidder’s Statement, 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.

4.2 Background information on African Iron

(a) History

African Iron (formerly Stirling Minerals) listed on ASX on 24 May 2007, with its focus being mineral exploration in Australia. Stirling Minerals main project was its 100% owned Quidong Project located near Bombala, New South Wales, which is prospective for gold and base metals.

As announced to ASX on 5 November 2010, Stirling Minerals sought to expand its activities to include iron ore exploration in the Republic of Congo by entering into an agreement to acquire DMC, which held, at that time, an 80% interest in the Mayoko Project, from Cape Lambert.

The Mayoko Project is located in the Republic of Congo, which is a stable, single party dominant republic in central West Africa (and should not be confused with the volatile Democratic Republic of Congo). The current government has been in power for more than ten years and was re-elected for an additional term of seven years following peaceful elections in 2009.

On 17 December 2010, a prospectus to raise $96 million through the issue of 320 million shares at an issue price of $0.30 each to fund the acquisition of DMC and to provide funding to fast-track exploration and feasibility assessment of the Mayoko Project was lodged with ASIC.

On 7 January 2011, Stirling Minerals completed the $96 million capital raising. The capital raising was heavily oversubscribed with approximately 87.5% of the capital raising taken up by Australian, European and North American based institutions.

On 10 January 2011, Stirling Minerals changed its name to ‘African Iron Limited’ and appointed a new board with an iron ore development and operations skill set.

As announced on 9 August 2011, African Iron secured an 85% interest in a 944km² authority to prospect in the Republic of Congo, known as the Ngoubou-Ngoubou Project.

On 14 September 2011, African Iron increased its interest in the Mayoko Project to 92%.

(b) Current status and operations

African Iron is an ASX listed and domiciled iron ore development company working on the exploration and evaluation of the Mayoko Project and the Ngoubou-Ngoubou Project, both located in the Niari Prefecture approximately 300km north-east of Pointe Noire in the Republic of Congo, central West Africa.

African Iron’s key asset is its 92% interest in the Mayoko Project, with its other major asset being its 85% interest in the Ngoubou-Ngoubou Project which lies to the north-northeast of, and is contiguous with, the Mayoko Project.
4.3 Current business activities of African Iron

(a) Mayoko Project

The Mayoko Project, in which African Iron holds a 92% interest, is a hematite and magnetite iron ore development project comprising a granted 1,000km² exploration licence located 300km northeast of the Atlantic Ocean port city of Pointe Noire in the Republic of Congo (see the diagram on the following page).

The Mayoko Project represents a near term development opportunity in an emerging iron ore province in central West Africa. Unlike other iron ore projects in the region, it has excellent infrastructure endowment with a nearby underutilised, heavy haulage mineral railway passing within 2km of the main prospect at Mt Lekoumou and terminating at the port of Pointe Noire on the Atlantic Ocean which is the sole port for the import/export of goods from the Republic of Congo.

Mayoko has an oxide cap comprising potential direct shipping hematite and enriched banded iron formation (BIF), with underlying magnetite iron mineralisation.

African Iron’s objective is to develop an initial 5Mtpa DSO operation at Mayoko by mid-2013, leveraging off the project’s proximity to existing rail and port infrastructure. On 27 October 2011, African Iron announced an estimated Mineral Resource at the Mayoko Project of 121 million tonnes at 46% Fe comprising an Indicated Resource of 25 million tonnes at 55% Fe and an Inferred Resource of 96 million tonnes at 43% Fe.

The Mayoko Mineral Resource now comprises an Indicated and Inferred hematite DSO component of 44Mt at 55% Fe and an Inferred beneficiable DSO (bDSO) component of 77Mt at 41% Fe. The Mineral Resources are detailed in the below table:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Material Type</th>
<th>Tonnes (millions)</th>
<th>Grade (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fe</td>
<td>SiO2</td>
</tr>
<tr>
<td>Indicated DSO</td>
<td>In-situ BIF</td>
<td>14.4</td>
<td>54.4</td>
</tr>
<tr>
<td></td>
<td>Transported</td>
<td>10.8</td>
<td>55.2</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>25.2</td>
<td>54.7</td>
</tr>
<tr>
<td>Inferred DSO</td>
<td>In-situ BIF</td>
<td>6.7</td>
<td>54.6</td>
</tr>
<tr>
<td></td>
<td>Transported</td>
<td>11.6</td>
<td>55.4</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>18.3</td>
<td>55.1</td>
</tr>
<tr>
<td>Total DSO</td>
<td>In-situ BIF</td>
<td>66.8</td>
<td>40.9</td>
</tr>
<tr>
<td></td>
<td>Transported</td>
<td>10.5</td>
<td>38.9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>77.3</td>
<td>40.6</td>
</tr>
<tr>
<td>Total DSO and bDSO</td>
<td>In-situ BIF</td>
<td>120.8</td>
<td>45.8</td>
</tr>
</tbody>
</table>
(b) Ngoubou-Ngoubou Project

As detailed above, during the September 2011 quarter, African Iron secured an 85% interest in the Ngoubou-Ngoubou Project which is comprised of a 944km² authority to prospect. The project is the northern extension of, and is contiguous with, the Mayoko Project (see the diagram above).

A substantial prospecting program has commenced, which includes an airborne magnetic and radiometric survey. Pursuant to the Congo Mining Code, African Iron has priority in converting the authority to prospect to an exclusive exploration permit. This has been initiated and conversion to an exploration permit is expected before the middle of 2012.
(c) **Quidong Project**

African Iron does not plan to spend a material amount of funds on the Quidong Project and is currently undertaking a strategic review of the project to assess a possible divestment or relinquishment of its interest in all or part of the Quidong Project.

### 4.4 Financial information on African Iron

African Iron’s last published financial statements are for the financial year ended 30 June 2011, which were included in African Iron’s annual report to shareholders lodged with ASX on 31 October 2011.


There have been no material changes to the financial position of African Iron since the annual report was lodged with ASX.

In addition, there has not been any matter or circumstance, other than those referred to in this Target’s Statement that has significantly affected, or may significantly affect the operations or the financial position of African Iron, the results of operations of African Iron, or the state of affairs of African Iron in future financial years.

The African Iron Directors have also considered whether a reasonable basis exists to produce meaningful forecast financial information. The African Iron Directors have concluded that given the stage of development African Iron’s business and operations at the date of this Target’s Statement, it would be misleading to provide forecast financial information for the African Iron Group as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law and market practice.

### 4.5 Minority ownership consequences

If Exxaro Australia acquires more than 50% but less than 90% of the African Iron Shares then, assuming all other conditions to the Share Offer are fulfilled or freed, Exxaro Australia will acquire a majority shareholding in African Iron.

Accordingly, African Iron Shareholders who do not accept the Share Offer will become minority shareholders in African Iron. This has a number of possible implications, including:

- Exxaro Australia will be in a position to cast the majority of votes at a general meeting of African Iron. This will enable it to control the composition of African Iron’s Board and senior management, determine African Iron’s dividend policy and control the strategic direction of the businesses of African Iron and its Subsidiaries;
- if Exxaro Australia acquires 75% or more of the African Iron Shares it will be able to pass a special resolution at meetings of African Iron Shareholders. This will enable Exxaro Australia to, among other things, change African Iron’s constitution;
- the African Iron Share price may fall immediately following the end of the Offer Period and it is unlikely that African Iron’s Share price will contain any takeover premium; and
- the liquidity of African Iron Shares and African Iron Listed Options may be lower than at present.

The implications will be similar for African Iron Optionholders who do not accept the Option Offer. They will be holders of African Iron Listed Options in African Iron which will be controlled by Exxaro Australia. Or if such
Important matters for African Iron Shareholders and African Iron Optionholders to consider (continued)

African Iron Optionholders decide to exercise their options in the future, they will be minority holders in African Iron.

The African Iron Directors anticipate that if Exxaro Australia acquires more than 50% but less than 90% of the African Iron Shares, then the African Iron Share price and the African Iron Option price are likely to fall.

4.6 Taxation consequences

The taxation consequences of accepting the Offers depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offers is set out in section 7 of the Bidder’s Statement.

You should carefully read and consider the taxation consequences of accepting the Offers as set out in the Bidder’s Statement.

4.7 Risks of accepting the Offers

(a) You will no longer have exposure to African Iron’s assets and operations

If you accept the Share Offer or Option Offer and the Offers become Unconditional, you will no longer be an African Iron Shareholder or African Iron Optionholder (as the case may be). This will mean that you will not participate in any potential upside as a result of the Offers, including any increase in the African Iron Share price. African Iron Shareholders will also cease to have the right to influence the future direction of African Iron through voting rights.

(b) The taxation consequences of accepting the Offers

Accepting the Offers may trigger taxation consequences for you. See section 7 of the Bidder’s Statement for further information.

(c) You will not be able to sell your African Iron Shares or African Iron Listed Options on market

If you accept the Share Offer or the Option Offer, you will no longer be able to trade your African Iron Shares or African Iron Listed Options (as the case may be) on market, subject to your statutory withdrawal rights – see (d) below.

There is a possibility that at some point in the future the African Iron Share price may exceed the Share Offer Price and that the African Iron Listed Option Price may exceed the Option Offer Price. See section 1.2(a) for further information on the share price performance of African Iron Shares.

(d) Possibility of a superior proposal emerging

African Iron Shareholders and African Iron Optionholders who accept the Offers will not be able to withdraw their acceptance and accept a superior proposal or sell their African Iron Shares or African Iron Listed Options on market unless the relevant Offer is:

- still subject to a defeating condition; and

- varied in a way that postpones, for more than one month, the time when Exxaro Australia needs to meet its obligations under and the relevant Offer. This may occur if Exxaro Australia extends the relevant Offer Period by more than one month and the relevant Offer is still subject to a defeating condition.
At the date prior to the date of this Target’s Statement, no superior proposal has emerged. However, it is possible that a superior proposal could materialise in the future.

The Takeover Bid Implementation Agreement with Exxaro Australia restricts African Iron from soliciting alternative offers or proposals or responding and negotiating with respect to a Competing Proposal. However, these restrictions do not prevent or restrict a third party from putting forward a Competing Proposal, and the restrictions do not apply in respect of a Competing Proposal where the Board, acting in good faith and having obtained advice from its legal and financial advisers, determines that the Competing Proposal is a Superior Proposal and failing to respond would be likely to constitute a breach of its fiduciary or statutory duties and the Board has received legal advice confirming that such breach is likely.

Exxaro Australia has a right to be notified of the details of approaches to African Iron that may lead to a Competing Proposal and a right to match any Superior Proposal, which must be exercised within a period of 5 Business Days from notification. If the African Iron Board decides that Exxaro Australia’s counterproposal would be as favourable to African Iron Shareholders and African Iron Optionholders, then African Iron and Exxaro Australia are required to use their best endeavours to enter into an amended implementation agreement and propose the counterproposal to African Iron Shareholders and African Iron Optionholders.

If no counterproposal is received from Exxaro Australia, or the African Iron Board determines the counterproposal to be less favourable to the African Iron Shareholders and African Iron Optionholders, then the Superior Proposal may be recommended by the African Iron Board instead.

4.8 Risks of not accepting the Offers

In considering this Target’s Statement, African Iron Shareholders and African Iron Optionholders should be aware that there are a number of risks, both general and specific, which may affect the future operating and financial performance of African Iron, and the African Iron Share price and African Iron Listed Option price. Many of these risks are relevant to African Iron Shareholders and African Iron Optionholders today, and will remain relevant to those who remain as African Iron Shareholders or African Iron Optionholders and elect not to accept the Offers.

Many of these risks are outside African Iron’s control and there is no guarantee that African Iron will achieve its stated objectives or that any forward looking statements will eventuate. Further, additional risks and uncertainties not currently known to African Iron may have a material adverse effect on African Iron’s business.

The information and risks set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect African Iron.

African Iron Shareholders and African Iron Optionholders should read this Target’s Statement in its entirety and carefully consider the following risk factors in deciding whether to accept the Offers.

(a) Risks associated with operations in the Republic of Congo

African Iron’s principal asset is a 92% interest in the Mayoko Project located in the Republic of Congo. African Iron also has an 85% interest in the Ngoubou-Ngoubou Project. Due to the location of these assets, African Iron has exposure to the political, economic and social risks associated with a developing nation.

These risks and uncertainties include (but are not limited to) extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, war or civil unrest, expropriation and nationalisation, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.
Changes in mining or investment policies or shifts in political attitudes in the Republic of Congo may also adversely affect the operations or profitability of African Iron. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Outcomes in courts in the Republic of Congo may be less predictable than in Australia, which could affect the enforceability of contracts entered into by African Iron or its subsidiaries in the Republic of Congo. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of African Iron. African Iron has made its investment and strategic decisions based on the information currently available, however should there be any material change in the political, economic, legal and social environments in the Republic of Congo, African Iron may reassess investment decisions and commitments to assets in the Republic of Congo.

(b) Iron ore price volatility

In the event that subsequent development of the Mayoko Project is undertaken, a significant proportion of African Iron's revenues and cash flows are likely to be derived from the sale of iron ore. Therefore, the financial performance of African Iron will be sensitive to the iron ore price. Iron ore prices are affected by numerous factors and events that are beyond the control of African Iron. These factors and events include 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.

If iron ore prices should fall below or remain below African Iron's future costs of any production which may be undertaken for any sustained period due to these or other factors and events, African Iron's exploration and any future production which may be undertaken could be delayed or even abandoned. A delay in exploration or any future production which may be undertaken or the abandonment of African Iron's project may have a material adverse effect on African Iron's earnings and financial position.

(c) Mining and exploration 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. Operations, such as design and construction of efficient recovery and processing facilities, competent operational and managerial performance and efficient distribution and marketing services are required to be successful. 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 African Iron and there can be no assurance that African Iron's attempts to develop and exploit its exploration activities will be successful. If African Iron commences production in the future, that production may be curtailed or shut down for considerable periods of time due to any of the following factors:

- disruptions to the transport chain, being road and rail;
- port infrastructure and ocean freight;
- a lack of market demand;
• government regulation;
• production allocations; and
• force majeure.

These curtailments may continue for a considerable period of time resulting in a material adverse effect on the results of operations and financial condition of African Iron.

Further, the exploration for and future production of iron ore may involve certain operating hazards, such as:

• failure and or breakdown of equipment;
• adverse geological, seismic and geotechnical conditions;
• industrial accidents;
• labour disputes;
• adverse weather conditions;
• pollution; and
• other environmental hazards and risks.

Any of these hazards could cause African Iron to suffer substantial losses if they occur.

(d) Development and infrastructure risks

As discussed above, the development of mining operations is subject to a number of factors that mean there is no guarantee that a project can be successfully developed. More specifically, if African Iron 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. African Iron is progressing access to rail and the port for this purpose, but there can be no guarantee that these discussions will result in rail and port access on favourable terms or at all.

(e) Government policy changes and legal risk

Government action or policy change (in particular, by the Congolese Government) in relation to access to lands and infrastructure, compliance with environmental regulations, export restrictions, taxation, royalties and subsidies may adversely affect African Iron’s operations and financial performance.

African Iron’s Congolese operations will be governed by a series of Congolese laws and regulations. Breaches or non-compliance with these laws and regulations can result in penalties and other liabilities. These may have a material adverse impact on the financial position, financial performance, cashflows, growth prospects and share price of African Iron.

These laws and regulations may be amended from time to time, which may also have a material adverse impact on the financial position, financial performance, cashflows, growth prospects and share price for African Iron. While African Iron is familiar with the Republic of Congo’s regulatory regime and will undertake all reasonable due diligence in assessing and managing the risks associated with iron ore exploration and development in the Republic of Congo (and other countries in which it may invest), the legal and political conditions of the country and any changes thereto are outside the control of African Iron.
The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern African Iron’s operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of African Iron and the value of African Iron Shares and African Iron Listed Options. In addition, there is a risk that legal action may be taken against African Iron.

(f) Environmental risk

African Iron’s operations in the Republic of Congo will be subject to various regulations regarding environmental matters and the discharge of hazardous waste and materials. Development of any iron ore resources will be dependent on the project meeting environmental guidelines and gaining approvals by government authorities. Whilst African Iron intends to conduct its activities in an environmentally responsible manner, risks arise in relation to compliance with these regulations and approvals. The introduction of more stringent regulations and conditions may also adversely affect African Iron.

(g) General Risks

In addition to the specific risks outlined above, there are general risks associated with African Iron’s existing and proposed business operations.

The value of African Iron Shares is affected by a number of general factors which are beyond African Iron’s or the Board’s control.

(1) Economic risks

General economic conditions, movements in interest and inflation rates, commodity prices and currency exchange rates may have an adverse effect on African Iron’s exploration and any future development and production activities, as well as on its ability to fund those activities.

(2) Market conditions

Share market conditions may affect the value of African Iron’s securities regardless of African Iron’s operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- general political and economic outlook in China, Australia and the Republic of Congo;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors (in particular iron ore);
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither African Iron nor the Directors warrant the future performance of African Iron or any return on an investment in African Iron.
(3) **Future capital requirements**

African Iron’s ongoing activities will require substantial expenditure. African Iron will be required to undertake further capital raisings. If African Iron is unable to continue to use debt or equity to fund its operation and development, there can be no assurances that African Iron will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to African Iron or at all. Any additional equity financing will be dilutive to shareholders and any debt financing, if available, may involve restrictive covenants, which may limit African Iron’s operations and business strategy.

African Iron’s failure to raise capital if and when needed could delay or suspend African Iron’s business strategy and could have a material adverse effect on African Iron’s ability to operate as a going concern.

(4) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account by African Iron. Although African Iron is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of African Iron.

(5) **Reliance on key personnel and employees**

African Iron’s prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, African Iron must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management’s discretion and judgement, as well as the expertise and competence of outside contractors.

In addition, African Iron cannot guarantee that its activities will not be negatively affected by any inability to employ appropriately skilled staff as and if required.

(6) **Third party risks**

The operations of African Iron will require the involvement of a number of third parties, including suppliers, contractors and customers. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on African Iron’s operations and performance. It is not possible for African Iron to predict or protect itself against all such risks.
5 Your choices as an African Iron Shareholder

Your Directors recommend that you ACCEPT the Share Offer (in the absence of a Superior Proposal).

However, as an African Iron Shareholder you have three choices currently available to you:

(a) **Accept the Share Offer**

African Iron Shareholders may elect to accept the Share Offer. Details of the consideration that will be received by African Iron Shareholders who accept the Share Offer are set out in section 6.1 of this Target’s Statement and in the Bidder’s Statement.

Shareholders who accept the Share Offer may be liable for CGT on the disposal of their Shares (see section 7 of the Bidder’s Statement). However, they will not incur any brokerage charges.

The Bidder’s Statement contains details of how to accept the Share Offer in section 9.3.

(b) **Sell your African Iron Shares on market**

During a takeover, before you have accepted the Share Offer you can still sell your Shares on market for cash.

As at the last trading day prior to the date of this Target’s Statement the African Iron Share Price was $0.56. The latest price for African Iron Shares may be obtained from the:

- ASX website: www.asx.com.au; or

Shareholders who sell their African Iron Shares on market may be liable for CGT on the sale (see section 7 of the Bidder’s Statement) and may incur a brokerage charge.

African Iron Shareholders who wish to sell their African Iron Shares on market should contact their broker for information on how to effect that sale.

(c) **Do nothing**

Shareholders who do not wish to accept the Share Offer or sell their African Iron Shares on market should do nothing.

Shareholders should note that if Exxaro Australia and its associates have a Relevant Interest in at least 90% of the Shares during or at the end of the Offer Period (including by increasing their Relevant Interest after the Offers close), Exxaro Australia will be entitled to compulsorily acquire the African Iron Shares that it does not already own (See section 6.12 of this Target’s Statement for further details).
6 Key features of the Share Offer

6.1 Consideration payable to Shareholders who accept the Share Offer

Exxaro Australia is offering you the Base Share Consideration of $0.51 cash for each African Iron Share that you hold.

Exxaro Australia has announced that it will vary the Share Offer to increase the Share Offer Price to the Increased Share Consideration of $0.57 cash for each African Iron Share if, before the end of the Offer Period, Exxaro Australia acquires a Relevant Interest in at least 75% of African Iron Shares on a fully diluted basis.

For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Share Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.

6.2 Conditions to the Share Offer

The Share Offer is subject to a number of conditions. Those conditions are set out in full in section 9.7 of the Bidder’s Statement and in Attachment 1 to this Target’s Statement.

By way of broad overview, the conditions to the Share Offer as at the date of this Target’s Statement are:

- (minimum acceptance) that at the end of the Share Offer Period, Exxaro Australia has a Relevant Interest in more than 50% of all the African Iron Shares (both on an undiluted and fully diluted basis);
- (no regulatory action) that during the Share Offer Period there is no regulatory action which restrains, prohibits or materially adversely impacts upon the Share Offer;
- (no Material Adverse Change) that, between the Announcement Date and the end of the Offer Period (each inclusive), there is no Material Adverse Change; and
- (no Prescribed Occurrences) that between the date of the Bid Implementation Agreement and the end of the Offer Period (each inclusive), there is no Prescribed Occurrences.

As at the date of this Target’s Statement, African Iron is not aware of any act, omission, event or fact that would result in any of the conditions to the Share Offer being triggered.

6.3 Notice of Status of Conditions

Section 9.10 of the Bidder’s Statement indicates that Exxaro Australia will give a Notice of Status of Conditions to the ASX and African Iron on 7 February 2012.

Exxaro Australia is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as Exxaro Australia knows, any of the conditions have been fulfilled; and
- Exxaro Australia’s voting power in African Iron.
If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Exxaro Australia is required, as soon as practicable after the extension, to give a notice to the ASX and African Iron that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Share Offer becomes free of that condition) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, Exxaro Australia must, as soon as practicable, give the ASX and African Iron a notice that states that the particular condition has been fulfilled.

6.4 Share Offer Period

Unless the Share Offer is extended or withdrawn, it is open for acceptance until 5.00pm Perth time 14 February 2012.

The circumstances in which Exxaro Australia may extend or withdraw its Share Offer are set out in section 6.5 and section 6.6 respectively of this Target's Statement.

6.5 Extension of the Share Offer Period

Exxaro Australia may extend the Share Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 6.3) while the Share Offer is subject to conditions. However, if the Share Offer is Unconditional, Exxaro Australia may extend the Share Offer Period at any time before the end of the Share Offer Period.

In addition, there will be an automatic extension of the Share Offer Period if, within the last 7 days of the Share Offer Period:

- Exxaro Australia improves the Share Offer Price; or
- Exxaro Australia’s voting power in African Iron increases to more than 50%.

If either of these events occurs, the Share Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

6.6 Withdrawal of Share Offer

Exxaro Australia may not withdraw the Share Offer if you have already accepted it (though the conditions of the Share Offer may not be satisfied and it may lapse if those conditions are not waived). Before you accept the Share Offer, Exxaro Australia may withdraw the Share Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

6.7 Effect of acceptance

The effect of acceptance of the Share Offer is set out in section 9.5 of the Bidder's Statement. African Iron Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Shares and the representations and warranties which they give by accepting of the Share Offer.
6.8 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Share Offer.

You may only withdraw your acceptance of the Share Offer if Exxaro Australia varies the Share Offer in a way that postpones, for more than one month, the time when Exxaro Australia needs to meet its obligations under the Share Offer. This will occur if Exxaro

It is also possible that Exxaro Australia will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Shares. Exxaro Australia would then have rights to compulsorily acquire Shares not owned by it within 6 months of becoming the holder of 90%. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.
Your choices as an African Iron Optionholder

Your Directors recommend that you ACCEPT the Option Offer (in the absence of a Superior Proposal).

However, as an African Iron Optionholder you have a number of choices currently available to you:

(a) **Accept the Option Offer**

African Iron Optionholders may elect to accept the Option Offer. Details of the consideration that will be received by African Iron Optionholders who accept the Option Offer are set out in section 8.1 of this Target’s Statement and in the Bidder’s Statement.

African Iron Optionholders who accept the Option Offer may be liable for CGT on the disposal of their African Iron Listed Options (see section 7 of the Bidder’s Statement). However, they will not incur any brokerage charges.

The Bidder’s Statement contains details of how to accept the Option Offer in section 10.3.

(b) **Sell your African Iron Listed Options on market**

During a takeover, before you have accepted the Option Offer you can still sell your African Iron Listed Options on market for cash.

As at the last trading day prior to the date of this Target’s Statement the African Iron Listed Option price was $0.355. The latest price for African Iron Listed Options may be obtained from the:

- ASX website: www.asx.com.au; or

African Iron Optionholders who sell their African Iron Listed Options on market may be liable for CGT on the sale (see section 7 of the Bidder’s Statement) and may incur a brokerage charge.

African Iron Optionholders who wish to sell their African Iron Listed Options on market should contact their broker for information on how to effect that sale.

(c) **Exercise your African Iron Listed Options and accept the Share Offer**

African Iron Optionholders may exercise their African Iron Listed Options and accept the African Iron Shares issued as a result into the Share Offer.

African Iron Optionholders who do so may be liable for CGT on the disposal of the African Iron Shares.

(d) **Exercise your African Iron Listed Options and sell your African Iron Shares**

African Iron Optionholders may exercise their African Iron Listed Options and sell the African Iron Shares issued as a result on market.

African Iron Optionholders who do so may be liable for CGT on the disposal of the African Iron Shares.

(e) **Exercise your African Iron Listed Options and do nothing**

African Iron Optionholders may exercise their African Iron Listed Options and then do nothing with the African Iron Shares issued as a result.

African Iron Optionholders who do so should be aware of the potential minority ownership consequences as set out in section 4.5 and the risks of not accepting the Offers as set out in section 4.8.
(f)  

**Do nothing**

African Iron Optionholders who do not wish to accept the Option Offer or sell their African Iron Listed Options on market should do nothing.

African Iron Optionholders should note that if Exxaro Australia and its associates have a Relevant Interest in at least 90% of African Iron Listed Options during or at the end of the Option Offer Period, Exxaro Australia will be entitled to compulsorily acquire the African Iron Listed Options that it does not already own (See section 6.12 of this Target’s Statement for further details).
8 Key features of the Option Offer

8.1 Consideration payable to African Iron Optionholders who accept the Option Offer

Exxaro Australia is offering you the Base Option Consideration of $0.31 cash for each African Iron Listed Option that you hold.

Exxaro Australia has announced that it will vary the Option Offer to increase the Option Offer Price to the Increased Option Consideration of $0.37 cash for each African Iron Listed Option if, before the end of the Offer Period, Exxaro Australia acquires a Relevant Interest in at least 75% of African Iron Shares on a fully diluted basis.

For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Option Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.

8.2 Conditions to the Option Offer

The Option Offer is subject to a non-waivable condition that the Share Offer becomes Unconditional.

The Share Offer conditions are set out in full in section 9.7 of the Bidder’s Statement and in Attachment 1 to this Target’s Statement.

As at the date of this Target’s Statement, African Iron is not aware of any act, omission, event or fact that would result in any of the conditions to the Share Offer being triggered.

8.3 Notice of Status of Conditions

Section 10.10 of the Bidder’s Statement indicates that Exxaro Australia will give a Notice of Status of Conditions to the ASX and African Iron on 7 February 2012.

Exxaro Australia is required to set out in its Notice of Status of Conditions:

- whether the Option Offer is free of the condition;
- whether, so far as Exxaro Australia knows, the condition has been fulfilled; and
- Exxaro Australia’s voting power in African Iron.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Exxaro Australia is required, as soon as practicable after the extension, to give a notice to the ASX and African Iron that states the new date for the giving of the Notice of Status of Conditions.

If the condition to the Option Offer is fulfilled (so that the Option Offer becomes free of that condition) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, Exxaro Australia must, as soon as practicable, give the ASX and African Iron a notice that states that the condition has been fulfilled.
8.4  **Option Offer Period**

Unless the Option Offer is extended or withdrawn, it is open for acceptance until 5.00pm Perth time on 14 February 2012.

The circumstances in which Exxaro Australia may extend or withdraw its Option Offer are set out in section 8.5 and section 8.6 respectively of this Target’s Statement.

8.5  **Extension of the Option Offer Period**

Exxaro Australia may extend the Option Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 8.3) while the Option Offer is subject to conditions. However, if the Option Offer is Unconditional, Exxaro Australia may extend the Option Offer Period at any time before the end of the Option Offer Period.

In addition, there will be an automatic extension of the Option Offer Period if, within the last 7 days of the Option Offer Period:

- Exxaro Australia improves the Option Offer Price; or
- Exxaro Australia’s voting power in African Iron increases to more than 50%.

If either of these events occurs, the Option Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

8.6  **Withdrawal of Offer**

Exxaro Australia may not withdraw the Option Offer if you have already accepted it (though the condition to the Option Offer may not be satisfied in which case the Option Offer will lapse). Before you accept the Option Offer, Exxaro Australia may withdraw the Option Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

8.7  **Effect of acceptance**

The effect of acceptance of the Option Offer is set out in section 10.5 of the Bidder’s Statement. African Iron Optionholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their African Iron Listed Options and the representations and warranties which they give by accepting of the Option Offer.

8.8  **Your ability to withdraw your acceptance**

You only have limited rights to withdraw your acceptance of the Option Offer.

You may only withdraw your acceptance of the Option Offer if Exxaro Australia varies the Option Offer in a way that postpones, for more than one month, the time when Exxaro Australia needs to meet its obligations under the Option Offer. This will occur if Exxaro Australia extends the Offer Period by more than one month and the Option Offer is still subject to conditions.

8.9  **When you will receive your consideration if you accept the Option Offer**

Exxaro Australia has agreed that it will pay your consideration on or before the later of:

- 14 days after the date the Option Offer becomes or is declared Unconditional; and
- 14 days after the date you accept the Option Offer.
If Exxaro Australia varies the Option Offer Price to the Increased Option Consideration, Exxaro Australia will pay the 6 cents difference between the $0.31 Base Option Consideration and the $0.37 Increased Option Consideration to any African Iron Optionholder who has already been paid the Base Option Consideration, as soon as reasonably practicable after the Option Offer is varied to increase the Option Offer Price to $0.37.

8.10 Effect of an improvement in consideration on African Iron Optionholders who have already accepted the Option Offer

If Exxaro Australia improves the Option Offer Price, all African Iron Optionholders, whether or not they have accepted the Option Offer before that improvement in the Option Offer Price, will be entitled to the benefit of that improved Option Offer Price.

8.11 Lapse of Option Offer

The Option Offer will lapse if the condition to the Option Offer is not fulfilled by the end of the Option Offer Period; in which case, all contracts resulting from acceptance of the Option Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your African Iron Listed Options as you see fit.

8.12 Compulsory acquisition

Exxaro Australia has indicated in section 6.3 of its Bidder’s Statement that it has not made any formal determination on whether or not it will proceed with compulsory acquisition of outstanding African Iron Listed Options if it satisfies the required thresholds for compulsorily acquisition. Exxaro Australia has indicated that the final decision on 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 African Iron to be commercially attractive.

Exxaro Australia will be entitled to compulsorily acquire any African Iron Listed Options in respect of which it has not received an acceptance of its Option Offer on the same terms as the Option Offer if, during or at the end of the Offer Period, Exxaro Australia and its associates have a Relevant Interest in at least 90% (by number) of the African Iron Listed Options.

If this threshold is met, Exxaro Australia will have one month after the end of the Option Offer Period within which to give compulsory acquisition notices to African Iron Optionholders who have not accepted the Option Offer. African Iron Optionholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant African Iron Optionholder to establish to the satisfaction of a court that the terms of the Option Offer do not represent ‘fair value’ for their African Iron Listed Options. If compulsory acquisition occurs, African Iron Optionholders who have their African Iron Listed Options compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that Exxaro Australia will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the African Iron Shares. Exxaro Australia would then have rights to compulsorily acquire African Iron Listed Options not owned by it within 6 months of becoming the holder of 90%. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.
9 Information relating to your Directors

9.1 Interests and dealings in African Iron securities

(a) Interests in African Iron Shares and options

As at the date of this Target’s Statement, your Directors had the following Relevant Interests in African Iron Shares and options:

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of African Iron Shares</th>
<th>Number of African Iron Listed Options</th>
<th>Number of African Iron Unlisted Options</th>
<th>Exercise price &amp; expiry date of African Iron Unlisted Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Ian Burston</td>
<td>Nil</td>
<td>Nil</td>
<td>4,000,000</td>
<td>$0.30 31/12/2012*</td>
</tr>
<tr>
<td>Tony Sage</td>
<td>500,000</td>
<td>Nil</td>
<td>8,000,000</td>
<td>$0.30 31/12/2012*</td>
</tr>
<tr>
<td>Joe Ariti</td>
<td>300,000</td>
<td>100,000</td>
<td>6,000,000</td>
<td>$0.30 31/12/2012*</td>
</tr>
<tr>
<td>The Hon John Moore AO</td>
<td>500,000</td>
<td>Nil</td>
<td>2,000,000</td>
<td>$0.30 31/12/2012</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,300,000</strong></td>
<td><strong>100,000</strong></td>
<td><strong>20,000,000</strong></td>
<td><strong>N/A</strong></td>
</tr>
</tbody>
</table>

* Escrowed until 10 January 2013.

(b) Dealings in African Iron Shares and options

No Director of African Iron has acquired or disposed of a Relevant Interest in any African Iron Shares or options in the 4 month period ending on the date immediately before the date of this Target’s Statement, other than the grant of 2 million options to the Hon John Moore AO, as approved by African Iron shareholders at the 2011 annual general meeting.

9.2 Interests and dealings in Exxaro securities

(a) Interests in Exxaro securities

As at the date immediately before the date of this Target’s Statement, no African Iron director had a Relevant Interest in any Exxaro securities.
(b) **Dealings in Exxaro securities**

No director of African Iron acquired or disposed of a Relevant Interest in any Exxaro securities in the 4 month period ending on the date immediately before the date of this Target’s Statement.

### 9.3 Benefits and agreements

(a) **Benefits in connection with retirement from office**

As a result of the Offers, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of African Iron or related body corporate of African Iron.

(b) **Agreements connected with or conditional on the Offers**

There are no agreements made between any director of African Iron and any other person in connection with, or conditional upon, the outcome of the Offers other than in their capacity as a holder of African Iron Shares or options.

(c) **Benefits from Exxaro**

No directors of African Iron has agreed to receive, or is entitled to receive, any benefit from Exxaro which is conditional on, or is related to, the Offers, other than in their capacity as a holder of African Iron Shares or options.

(d) **Interests of Directors in contracts with Exxaro**

None of the Directors of African Iron has any interest in any contract entered into by Exxaro.
10 Additional information

10.1 Effect of the Offers on African Iron’s material contracts

To the best of African Iron’s knowledge, none of the material contracts to which African Iron is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offers and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of African Iron.

10.2 Material litigation

African Iron does not believe that it is involved in any litigation or dispute which is material in the context of African Iron and its subsidiaries taken as a whole.

10.3 Issued capital

(a) Number and class of all securities quoted on ASX

<table>
<thead>
<tr>
<th>Number</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>501,828,283</td>
<td>Ordinary shares</td>
</tr>
<tr>
<td>24,424,952</td>
<td>Options (exercisable at $0.20 on or before 1 December 2013)</td>
</tr>
</tbody>
</table>

(b) Number and class of all securities not quoted on ASX

<table>
<thead>
<tr>
<th>Number</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>44,700,000</td>
<td>Options (exercisable at $0.30 each on or before 31 December 2012)</td>
</tr>
<tr>
<td>21,500,000</td>
<td>Options (exercisable at $0.30 each on or before 30 December 2014)</td>
</tr>
</tbody>
</table>

10.4 Substantial holders

Based on African Iron’s shareholder analysis as at 30 November 2011, the substantial holders in African Iron at that date were:
Effect of Offers on African Iron Unlisted Options

Under the Bidder’s Statement Exxaro Australia has made offers in relation to the African Iron Shares and African Iron Listed Options.

In addition, African Iron has on issue 66,200,000 unlisted options with an exercise price of $0.30 and expiry dates of 31 December 2012 and 30 December 2014, some of which are subject to vesting conditions relating to African Iron’s operations.

Exxaro Australia will separately make individual offers to acquire certain of the African Iron Unlisted Options on equivalent terms to the Option Offer; that is, the offer price will be the Share Offer Price less the exercise price of the relevant African Iron Unlisted Options. The African Iron Unlisted Options which Exxaro Australia does not make an offer for will remain on issue in accordance with their terms unless Exxaro Australia determines to make an offer for those options (which Exxaro Australia has agreed to do if it is able to proceed to compulsory acquisition).

The offers for the African Iron Unlisted Options will be conditional upon the grant of the necessary ASX waivers to allow the transfer or cancellation of the options (see section 10.10 below) and, for certain of the African Iron Unlisted Options that are subject to escrow restrictions, the holders will not be able to accept the Offers unless ASX consents to the acceptance occurring notwithstanding the escrow restrictions.

Continuous disclosure

African Iron is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require African Iron to notify the ASX of information about specified matters and events as they occur for the purpose of making that information available to
the market. In particular, African Iron has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of African Iron securities.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au and African Iron’s website at www.africanironlimited.com

In addition, African Iron will make copies of the following documents available for inspection at African Iron’s offices which are located at 33 Ventnor Avenue, West Perth, WA, Australia, 6005 (between 9.00am and 5.00pm Perth Time on business days in Perth):

- Annual Report 2011, lodged with the ASX on 31 October 2011;
- Quarterly Report for the quarter ended 30 September 2011, lodged with ASX on 31 October 2011; and
- any continuous disclosure document lodged by African Iron with ASX between the lodgement of the Annual Report 2011 and the date of this Target’s Statement.

Copies of documents lodged with ASIC in relation to African Iron may be obtained from, or inspected at, an ASIC office.

10.7 **JORC Code reporting of African Iron’s Exploration Results and Ore Reserves and Mineral Resources**

The information in Section 4 of this Target’s Statement that relates to Exploration Results and Mineral Resources is based on information reviewed and compiled by Mr Patrick Vekemans, who is a Member of the Australian Institute of Geoscientists. Mr Vekemans is a contractor to African Iron and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Vekemans consents to the inclusion in the Target’s Statement of this information in the form and context in which it appears.

10.8 **Consents**

Computershare Investor Services Pty Ltd has given, and has not withdrawn before the date of this Target’s Statement, its consent to be named in this Target’s Statement as African Iron’s security registry in the form and context in which it is so named.

Freehills has given, and has not withdrawn before the date of this Target’s Statement, its consent to be named in this Target’s Statement as African Iron’s Australian legal adviser in the form and context in which it is so named. Freehills has not advised on the laws of any foreign jurisdiction and has provided no tax advice in relation to any jurisdiction.

Neither Freehills, nor Computershare Investor Services Pty Ltd:

- have caused or authorised the issue of this Target’s Statement;
- make or purport to make any statement in this Target’s Statement or any statement on which a statement in this Target’s Statement is based; and
- take any responsibility for any part of this Target’s Statement other than any reference to its name.

As permitted by ASIC Class Order 01/1543 this Target’s Statement contains statements which are made, or based on statements made, in documents lodged by Exxaro Australia with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Exxaro Australia. Pursuant to the Class Order, the consent of Exxaro
Australia is not required for the inclusion of such statements in this Target’s Statement. Any African Iron Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the African Iron Offer Investor Information Line on +61 2 8280 7513 (for calls made from within Australia) or 1800 628 703 (for calls made from outside Australia).

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

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

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

### 10.9 ASIC Relief

Exxaro Australia has obtained relief from ASIC under section 655A of the Corporations Act to enable it to exercise African Iron Listed Options acquired under the Option Offer and African Iron Unlisted Options acquired under the individual offers to be made in respect of certain of the African Iron Unlisted Options and thereby increase its Relevant Interest in African Iron Shares on the condition that:

- Exxaro Australia makes the Share Offer;
- Exxaro Australia cannot waive the condition of the Option Offer in order to permit the Option Offer to proceed even if the Share Offer has not become Unconditional. As a consequence, the Option Offer will only proceed if the Share Offer has become or been declared Unconditional;
- the Offers under the Share Offer and Option Offer are first sent on the same day;
- the relief and Exxaro’s intentions in relation to the exercise of the African Iron Listed Options acquired under the Option Offer are disclosed in the Bidder’s Statement; and
- the Option Offer Price and the offer price under the separate offers to be made in respect of certain of the African Iron Unlisted Options are consistent with the Share Offer Price less the relevant exercise price of $0.20.

### 10.10 ASX Listing Rule waivers

African Iron intends to apply to the ASX to seek 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 African Iron Unlisted Options for which the separate offers in respect of certain of the African Iron Unlisted Options will be made.

African Iron also intends to apply to the ASX to seek a waiver from Listing Rules 9.1 and 9.4 to 9.7 to allow the holders of African Iron Unlisted Options that are subject to escrow restrictions to accept the separate offers from Exxaro Australia for their African Iron Unlisted Options.

### 10.11 No other material information

This Target’s Statement is required to include all the information that African Iron Shareholders and African Iron Optionholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offers, but:
only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target’s Statement; and

only if the information is known to any Director of African Iron.

The Directors of African Iron are of the opinion that the information that African Iron Shareholders and African Iron Optionholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offers are:

- the information contained in the Bidder’s Statement (to the extent that the information is not inconsistent or superseded by information in this Target’s Statement);
- the information contained in African Iron’s releases to the ASX, and in the documents lodged by African Iron with ASIC before the date of this Target’s Statement; and
- the information contained in this Target’s Statement.

The Directors of African Iron have assumed, for the purposes of preparing this Target’s Statement, that the information in the Bidder’s Statement is accurate (unless they have expressly indicated otherwise in this Target’s Statement). However, the Directors of African Iron do not take any responsibility for the contents of the Bidder’s Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target’s Statement, the Directors of African Iron have had regard to:

- the nature of the African Iron Shares and African Iron Listed Options;
- the matters that African Iron Shareholders and African Iron Optionholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to African Iron Shareholders’ and African Iron Optionholders’ professional advisers; and
- the time available to African Iron to prepare this Target’s Statement.
11 Glossary and interpretation

11.1 Glossary

The meanings of the terms used in this Target’s Statement are set out below.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>$, A$ or AUD</td>
<td>Australian dollar.</td>
</tr>
<tr>
<td>Acceptance Form</td>
<td>the form with that title that accompanied the Bidder’s Statement.</td>
</tr>
<tr>
<td>AEDST</td>
<td>Australian Eastern Daylight Savings Time.</td>
</tr>
<tr>
<td>African Iron Group</td>
<td>African Iron and each of its Related Bodies Corporate.</td>
</tr>
<tr>
<td>African Iron Listed Option</td>
<td>an option over an unissued African Iron Share with an exercise price of $0.20 and an expiry date of 31 December 2013 that is quoted on ASX.</td>
</tr>
<tr>
<td>African Iron Unlisted Option</td>
<td>an option over an unissued African Iron Share that is not quoted on ASX.</td>
</tr>
<tr>
<td>Announcement Date</td>
<td>11 January 2012.</td>
</tr>
<tr>
<td>Applications</td>
<td>has the meaning given in the Takeover Bid Implementation Agreement.</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>-----------------------------</td>
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</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investments Commission.</td>
</tr>
<tr>
<td>ASX</td>
<td>ASX Limited ABN 98 008 624 691.</td>
</tr>
<tr>
<td>Base Option Consideration</td>
<td>in respect of the Option Offer, $0.31 cash.</td>
</tr>
<tr>
<td>Base Share Consideration</td>
<td>in respect of the Share Offer, $0.51 cash.</td>
</tr>
<tr>
<td>BIF</td>
<td>Banded iron formation.</td>
</tr>
<tr>
<td>Bidder’s Statement</td>
<td>the bidder’s statement of Exxaro Australia dated 11 January 2012.</td>
</tr>
<tr>
<td>Board</td>
<td>the board of Directors of African Iron.</td>
</tr>
<tr>
<td>Business Day</td>
<td>Monday to Friday inclusive except New Year’s Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.</td>
</tr>
<tr>
<td>Cape Lambert</td>
<td>Cape Lambert Resources Limited ABN 71 095 047 920.</td>
</tr>
<tr>
<td>CGT</td>
<td>capital gains tax.</td>
</tr>
<tr>
<td>CHESS Holding</td>
<td>a number of African Iron Shares and African Iron Listed Options (as applicable) which are registered on African Iron’s Share and Listed Option registers (as applicable) being registers administered by ASX Settlement Pty Limited and which records uncertificated holdings of Shares.</td>
</tr>
<tr>
<td>Competing Proposal</td>
<td>any expression of interest, proposal, offer or transaction, which if completed, would mean a person (other than Exxaro Australia or one of its Related Bodies Corporate) would:</td>
</tr>
<tr>
<td></td>
<td>1 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:</td>
</tr>
<tr>
<td></td>
<td>1. more than 10% of the African Iron Shares or more than 10% of the shares in any of African Iron’s Subsidiaries; or</td>
</tr>
<tr>
<td></td>
<td>2. the whole or a material part of the business or property of African Iron</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
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<tr>
<td>--------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>or any of its Subsidiaries;</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>acquire control of African Iron, within the meaning of section 50AA of the Corporations Act;</td>
</tr>
<tr>
<td>3</td>
<td>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 African Iron; or</td>
</tr>
<tr>
<td>4</td>
<td>result in the Offer not being able to be implemented on the basis set out in the Takeover Bid Implementation Agreement.</td>
</tr>
<tr>
<td>Congo Mining Code</td>
<td>Congo Law No. 007/2002 of July 11, 2002 relating to the Mining Code.</td>
</tr>
<tr>
<td>Corporations Act</td>
<td>the Corporations Act 2001 (Cth) (as modified or varied by ASIC).</td>
</tr>
<tr>
<td>Director</td>
<td>a director of African Iron.</td>
</tr>
<tr>
<td>Disclosure Materials</td>
<td>all material included in the data room to which Exxaro Australia was granted access and which was included in a list agreed between Exxaro Australia and African Iron prior to the execution of the Takeover Bid Implementation Agreement.</td>
</tr>
<tr>
<td>DMC</td>
<td>DMC Mining Pty Ltd ABN 38 121 513 620.</td>
</tr>
<tr>
<td>DSO</td>
<td>direct shipping lump and fines iron ore.</td>
</tr>
<tr>
<td>Exxaro</td>
<td>Exxaro Resources Limited (a company incorporated in South Africa with Registration No.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>Exploration Results</td>
<td>has the meaning given to that term in the JORC Code.</td>
</tr>
<tr>
<td>Fe</td>
<td>the chemical element iron.</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>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Increased Option Consideration</strong></td>
<td>in respect of the Option Offer, $0.37 cash.</td>
</tr>
<tr>
<td><strong>Increased Share Consideration</strong></td>
<td>in respect of the Share Offer, $0.57 cash.</td>
</tr>
<tr>
<td><strong>JORC Resource</strong></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><strong>Listing Rules</strong></td>
<td>the listing rules of ASX.</td>
</tr>
<tr>
<td><strong>Material Adverse Change</strong></td>
<td>between the date of the Takeover Bid Implementation Agreement and the end of the Offer Period:</td>
</tr>
<tr>
<td>1</td>
<td>an event, change, condition, matter or thing occurs (including, for the avoidance of any doubt, any breach of a representation and warranty given by African Iron under the Takeover Bid Implementation Agreement), and African Iron 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 African Iron Group taken as a whole (whether individually or when aggregated with one or more other events, matters or things); or</td>
</tr>
<tr>
<td>2</td>
<td>an event, change, condition, matter or thing, as described in paragraph 1 of this definition, 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>Without limitation to any other part of this definition:</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>a creditor lawfully demanding repayment of a debt of $1,000,000 or more will have the effect referred to in 1 of this definition;</td>
</tr>
<tr>
<td>4</td>
<td>the following events will have the effect referred to in paragraph 1 of this definition:</td>
</tr>
<tr>
<td></td>
<td>- a person exercises rights under an agreement, arrangement or understanding to which any member of the African Iron 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 African Iron 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 African Iron Group taken as a whole;</td>
</tr>
<tr>
<td></td>
<td>- an outbreak of hostilities (whether war is declared or not) or terrorism,</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
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</tr>
<tr>
<td>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 African Iron Group taken as a whole; and</td>
<td></td>
</tr>
<tr>
<td>• a Government Agency or other body withdraws, revokes, cancels, suspends or otherwise modifies an approval, consent, licence or permit granted to or held by the African Iron 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 African Iron Group taken as a whole.</td>
<td></td>
</tr>
<tr>
<td>5 an event, matter or thing will have the effect referred to in paragraph 1 of this definition 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:</td>
<td></td>
</tr>
<tr>
<td>• the value of the consolidated net assets of the African Iron Group, taken as a whole, by at least $5,000,000; or</td>
<td></td>
</tr>
<tr>
<td>• the JORC Resources of 121 million tonnes reported on page 7 slide ‘Mayoko Project Overview’ of African Iron’s ‘Company Presentation’ announced to the ASX on 7 November 2011 by at least 10%.</td>
<td></td>
</tr>
<tr>
<td>This definition does not apply to events, changes, conditions, matters, things or information:</td>
<td></td>
</tr>
<tr>
<td>6 occurring as a result of any event, matter or thing required by the Takeover Bid Implementation Agreement or the Offers;</td>
<td></td>
</tr>
<tr>
<td>7 occurring as a result of any matter, condition, circumstances or thing fairly disclosed in the Disclosure Materials or in an announcement made by African Iron to ASX or a document lodged by African Iron with ASIC before the date of the Takeover Bid Implementation Agreement; or</td>
<td></td>
</tr>
<tr>
<td>8 occurring as a result of changes general economic conditions, including, without limitation, movements in exchange rates or iron ore prices.</td>
<td></td>
</tr>
<tr>
<td>Material Contract</td>
<td>the contracts set out in Part 1 of Schedule 6 of the Takeover Bid Implementation Agreement.</td>
</tr>
<tr>
<td>Mayoko or Mayoko Project</td>
<td>the iron ore project in Mayoko, located in the Republic of Congo, central West Africa of which African Iron has a 92% interest.</td>
</tr>
<tr>
<td>Mineral Resource</td>
<td>has the meaning given in the JORC Code.</td>
</tr>
<tr>
<td>Mt</td>
<td>million tonnes.</td>
</tr>
<tr>
<td>Mtpa</td>
<td>million tonnes per annum.</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Ngoubou-Ngoubou Project</td>
<td>The 944km² Ngoubou-Ngoubou Authority to Prospect which lies to the north-northeast of the Mayoko Project, in which African Iron has an 85% interest.</td>
</tr>
<tr>
<td>Notice of Status of Conditions</td>
<td>Exxaro Australia’s notice disclosing the status of the conditions to the Share Offer, or the Option Offer (as the case may be) which is required to be given by section 630(3) of the Corporations Act.</td>
</tr>
<tr>
<td>Offers</td>
<td>the Share Offer and Option Offer.</td>
</tr>
<tr>
<td>Offer Period</td>
<td>the Share Offer Period or the Option Offer Period, as the context requires.</td>
</tr>
<tr>
<td>Option Offer</td>
<td>the offer by Exxaro Australia for the African Iron Listed Options, which offer is contained in section 10 of the Bidder’s Statement.</td>
</tr>
<tr>
<td>Option Offer Period</td>
<td>the period during which the Option Offer will remain open for acceptance in accordance with section 10.2 of the Bidder’s Statement.</td>
</tr>
<tr>
<td>Option Offer Price</td>
<td>$0.31 cash for each African Iron Listed Option (being the Base Option Consideration), or if before the end of the Offer Period, Exxaro Australia acquires a Relevant Interest in at least 75% of African Iron Shares on a fully diluted basis, $0.37 cash for each African Iron Listed Option (being the Increased Option Consideration). For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Option Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.</td>
</tr>
</tbody>
</table>
| Prescribed Occurrence       | 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 African Iron taking or procuring any action required to be taken or procured by it under the Takeover Bid Implementation Agreement:  
  1 African Iron converting all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;  
  2 African Iron or one of its Subsidiaries resolving to reduce its share capital in any way;  
  3 African Iron 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; |
<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>African Iron 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>5</td>
<td>African Iron or one of its Subsidiaries issuing, or agreeing to issue, convertible notes;</td>
</tr>
<tr>
<td>6</td>
<td>African Iron 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>7</td>
<td>African Iron 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>8</td>
<td>African Iron or one of its Subsidiaries resolving that it be wound up;</td>
</tr>
<tr>
<td>9</td>
<td>the appointment of a liquidator or provisional liquidator of African Iron or one of its Subsidiaries;</td>
</tr>
<tr>
<td>10</td>
<td>the making of an order by a court for the winding up of African Iron or one of its Subsidiaries;</td>
</tr>
<tr>
<td>11</td>
<td>an administrator of African Iron or one of its Subsidiaries being appointed under section 436A, 436B or 436C of the Corporations Act;</td>
</tr>
<tr>
<td>12</td>
<td>African Iron or one of its Subsidiaries executing a deed of company arrangement;</td>
</tr>
<tr>
<td>13</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 African Iron or one of its Subsidiaries;</td>
</tr>
<tr>
<td>14</td>
<td>African Iron 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 African Iron of a dividend where the recipient of that dividend, is African Iron or a wholly-owned Subsidiary of African Iron;</td>
</tr>
<tr>
<td>15</td>
<td>African Iron makes any change to its constitution;</td>
</tr>
<tr>
<td>16</td>
<td>African Iron 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 African Iron Group, whether in one or more transactions, where the amounts or value involved in such transaction, transactions, commitments or series of commitments exceeds $1,000,000 in aggregate;</td>
</tr>
<tr>
<td>17</td>
<td>African Iron 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></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 $1,000,000 in aggregate; or</td>
</tr>
<tr>
<td></td>
<td>• any mining license or tenement (including the Applications and Tenements);</td>
</tr>
<tr>
<td>18</td>
<td>African Iron 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>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
</tr>
<tr>
<td>19</td>
<td>African Iron 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 16 of this definition;</td>
</tr>
<tr>
<td>20</td>
<td>African Iron or any of its Subsidiaries makes any loans, advances or capital contributions to, or investments in, any other person (other than to or in African Iron or any wholly-owned Subsidiary of African Iron in the ordinary course of business), other than in the ordinary course of business;</td>
</tr>
<tr>
<td>21</td>
<td>African Iron or any of its Subsidiaries ceases, or threatens to cease, to carry on business;</td>
</tr>
<tr>
<td>22</td>
<td>African Iron or any of its Subsidiaries is deregistered as a company or otherwise dissolved;</td>
</tr>
<tr>
<td>23</td>
<td>African Iron or any of its Subsidiaries is or becomes unable to pay its debts when they fall due;</td>
</tr>
<tr>
<td>24</td>
<td>African Iron 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>25</td>
<td>African Iron 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>26</td>
<td>African Iron or any of its Subsidiaries pays, discharges, settles, satisfies, compromises, waives, assigns or releases any claims, liabilities or obligations exceeding $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 African Iron's financial statements or incurred in the ordinary course of business consistent with past practice;</td>
</tr>
<tr>
<td>27</td>
<td>African Iron 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>
</tbody>
</table>
| 28   | African Iron or any of its Subsidiaries enters into or renews any agreement, contract, lease, licence or other binding obligation containing:  
  - any limitation or restriction on the ability of African Iron 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;  
  - any limitation or restriction on the manner in which, or the localities at which, all or any portion of the business of African Iron 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 |
<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>any limit or restriction on the ability of African Iron 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>
<td></td>
</tr>
</tbody>
</table>

29 any member of the African Iron Group:

- 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 African Iron director or any employee of the African Iron Group whose total employment cost exceeds $75,000 (collectively, Relevant Employees);

- issues any securities, options or performance rights to any of the employees of the African Iron 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);

- pays any of the Relevant Employees termination or retention payments (other 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);

- enters into employment arrangements with any individual which could involve a member of the African Iron 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 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 $75,000 per annum);

- 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;

- 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;

- 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 African Iron 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;

- 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
<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• resolves, agrees, commits or announces an intention to do any of the things referred to in paragraphs 1 – 29 (inclusive) of this definition without the prior written consent of Exxaro Australia (which consent Exxaro Australia must advise African Iron is granted or not granted, within 3 Business Days of African Iron requesting such consent).</td>
</tr>
<tr>
<td>Quidong Project</td>
<td>African Iron’s gold and base metals project located near Bombala, NSW, in the south-eastern portion of the Lachlan Fold Belt.</td>
</tr>
<tr>
<td>Related Body Corporate</td>
<td>has the meaning given in the Corporations Act.</td>
</tr>
<tr>
<td>Relevant Interest</td>
<td>has the meaning given in the Corporations Act.</td>
</tr>
<tr>
<td>Rights</td>
<td>has the meaning given in the Bidder’s Statement.</td>
</tr>
<tr>
<td>Share Offer</td>
<td>the offer by Exxaro Australia for the African Iron Shares, which offer is contained in section 9 of the Bidder’s Statement.</td>
</tr>
<tr>
<td>Share Offer Period</td>
<td>the period during which the Share Offer will remain open for acceptance in accordance with section 9.2 of the Bidder’s Statement.</td>
</tr>
<tr>
<td>Share Offer Price</td>
<td>$0.51 cash for each African Iron Share (being the Base Share Consideration), or, if before the end of the Offer Period, Exxaro Australia acquires a Relevant Interest in at least 75% of African Iron Shares on a fully diluted basis, $0.57 cash for each African Iron Share (being the Increased Share Consideration). For the purposes of calculating Exxaro Australia’s Relevant Interest in African Iron Shares to determine whether the Share Offer Price will be increased, Exxaro Australia will be deemed to have a Relevant Interest in any African Iron Shares which may be issued on exercise of any African Iron Listed Options or African Iron Unlisted Options acquired by Exxaro Australia where Exxaro Australia has not, at the time of calculation, exercised such options.</td>
</tr>
<tr>
<td>Stirling Minerals</td>
<td>Stirling Minerals Limited.</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>has the meaning given in the Corporations Act.</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Superior Proposal</td>
<td>a transaction or proposed transaction which, if completed substantially in accordance with its terms, would mean a person (other than Exxaro Australia or one of its Related Bodies Corporate) would become the holder of: 1 more than 50% of the African Iron Shares; or 2 the whole or substantially the whole of the business, assets and undertakings of the African Iron Group, provided that a majority of the 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 African Iron’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 African Iron Shareholders and African Iron Optionholders as compared to the Share Offer.</td>
</tr>
<tr>
<td>Takeover Bid</td>
<td>the off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act.</td>
</tr>
<tr>
<td>Takeover Bid Implementation Agreement</td>
<td>the takeover bid implementation agreement between Exxaro Australia and African Iron dated 10 January 2012.</td>
</tr>
<tr>
<td>Target’s Statement</td>
<td>this document (including the attachments), being the statement of African Iron under Part 6.5 Division 3 of the Corporations Act.</td>
</tr>
<tr>
<td>Tenements</td>
<td>has the meaning given in the Takeover Bid Implementation Agreement.</td>
</tr>
<tr>
<td>Unconditional</td>
<td>in relation to the Share Offer or Option Offer means all conditions to the relevant Offer as set out in sections 6.2 and 8.2 respectively, have been fulfilled or have been waived by Exxaro Australia.</td>
</tr>
<tr>
<td>VWAP</td>
<td>volume weighted average price.</td>
</tr>
</tbody>
</table>

### 11.2 Interpretation

In this Target’s Statement:

1. Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
2. Words of any gender include all genders.
(3) Words importing the singular include the plural and vice versa.

(4) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.

(5) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target’s Statement as relevant.

(6) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(7) Headings and bold type are for convenience only and do not affect the interpretation of this Target’s Statement.

(8) A reference to dollars, $, A$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.
12 Authorisation

This Target's Statement has been approved by a resolution passed by the Directors of African Iron. All African Iron Directors voted in favour of that resolution.

Signed for and on behalf of African Iron:

Date: 12 January 2012

Sign here: [Signature]

Print name: Giuseppe Vince Ariti

Position: Director
Conditions to the Share Offer

The Share Offer is 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 African Iron 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:

- there is not in effect any preliminary or final decision, order or decree issued by any court, the Takeovers Panel or any Government Agency;
- no action or investigation is announced, commenced or threatened by any court, the Takeovers Panel or any Government Agency; and
- 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 African Iron Shares or any material assets of the African Iron 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.
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