



eXtract

Resources

Where we are

The following key events materialised and observations made since November 2016:

Event / Observation	Notes
Client developments	<p>Boteti: During December 2016, a dispute at a major contract in Botswana resulted in the customer withholding payment. EXG's Botswana company was then placed in liquidation early in January 2017. This negatively impacted cash flows and overhead recovery in SA. Required assets from SA to settle secured exposure to banks. Litigation ongoing.</p> <p>PPM: Despite new profit sharing model, contract still suboptimal. Mutual cancellation of contract. Assets to be sold and employees retrenched.</p> <p>Tharisa: Notified the company of its intention to pursue an owner-operator model</p>
Summer Rains	<p>A season of heavier than expected summer rains (Dec-Feb) hampered mining production on Tharisa and PPM, which resulted in lost revenues</p>
Backlog Capex	<p>The current and future capital expenditure required to maintain the fleet on key contracts exceeded the cash being generated from those contracts resulting in net cash outflows</p>
Excessive Overhead	<p>Following the Boteti, PPM and Tharisa developments, the levels of business make it financially impractical to support the engineering and group support infrastructure that had been built to manage a larger client base</p>
No "Big Brother"	<p>The separation of the IE and FML businesses and stand-alone listing of EXG highlighted the extent of the dependency on cash flows generated from the IE and FML businesses and that on a stand-alone status quo with projected revised client base funding would be a challenge</p>
Poor Sector Outlook	<p>Despite the recent improvement in commodity prices, the long term outlook for the sector remains subdued. The new board do not believe that the pricing power of contractors will improve sufficiently in the medium term to provide an acceptable return on invested capital</p>

What we are doing about it

The current circumstances gave the new Board an opportunity to conduct a strategic review.

Key decisions were made following this review in respect of:

- Its current **operating model**, prospects and capital allocation decisions needed to be revised
- **Termination** of non-profitable contracts
- **Monetisation** of all excess assets including Tharisa and PPM assets
- Significant reduction in EXG's overhead costs, including a **reduction in headcount**
- **Review** management responsibilities and functions
- **Significant impairment** of assets to reflect realisable value
- **Restructuring and settlement of bank debt** over the next 12 to 18 months
- **Conversion of the enX debt instruments** to the value of R2.2 billion through issue of shares at a premium to VWAP

Proposed unbundling, reducing Debt

Conversion of enX debt into equity

Mezzanine 1	695
Mezzanine 2	832
Preference Shares	600
Total debt	2 127
Debt to remain in MCC	(22)
Debt to be converted into shares	2 105

Subscription price per EXG share (cents)	40
EXG shares issued to enX (millions)	5 263
% of EXG owned by enX after conversion	93%¹

Conversion price of 40cps. 40% premium to 60day VWAP

Value of enX ownership in EXG

EXG NAV as at 31 December 2016 (pre conversion)	(991)
Debt converted into shares	2 105
EXG NAV post conversion	1 114
Value of enX ownership in EXG	1 036
Number of enX shares in issue (millions)	180
EXG NAV per enX share (cents)	576

1. includes 101m EXG shares held by enX before conversion

Where we want to go: eXtract Resources - a mining focused fund

Background

- Significant opportunity exists for black owned mining entity with available investment capital
 - Likely to be expedited by new Mining Charter
- Source opportunities through existing networks
 - Parties often looking to spread risk
 - BEE status will assist/expidite
- Target across mining space
 - Mineral agnostic
 - Focus on project timing, cashflows and opportunity in the 'last-mile'

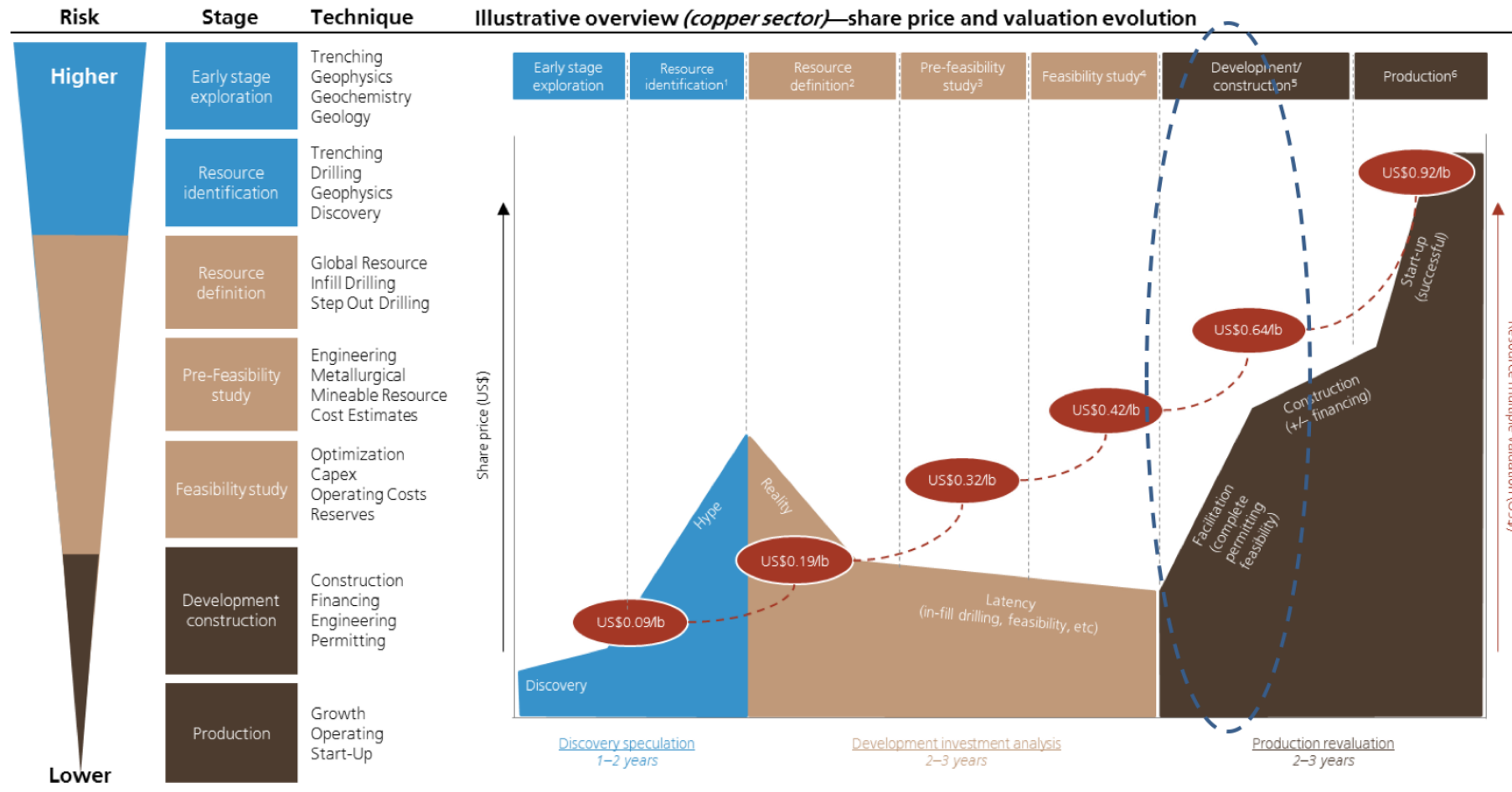
Creating an Exciting Future

- Introduction of new **executive leadership**
- Repay all debt via asset sales
- Introduction of significant **black owned** and controlled **investment company** to partner on funding

Opportunities and portfolio composition

Objective	<ul style="list-style-type: none">• Target investments of c.US\$15 to US\$30m (c.R190m to R375m)• Provide a portfolio of 4-5 investments• Will increase post listing and once additional capital is available
Development assets	<ul style="list-style-type: none">• Will largely follow a co-investment path where most of work will be done by larger or early stage partners• Will target the "last dollar" investments towards the development phase of the projects (see illustrative copper sector overview)
BEE stakes	<ul style="list-style-type: none">• Will review BEE stakes that become available – potential to buy into the underlying equity at an attractive price and with a BEE discount

The valuation evolution: Illustrative overview (copper sector)



Source: Company reports, FactSet, SNL

Notes:

- 1 "Resource identification" includes—Newport Exploration, Kombat Copper
- 2 "Resource definition" includes—WC Exploration, Fortune Minerals
- 3 "Pre-Feasibility study" includes—Lovisagravan, Abcourt Mines

4 "Feasibility study" includes—RTG Mining, Finders Resources

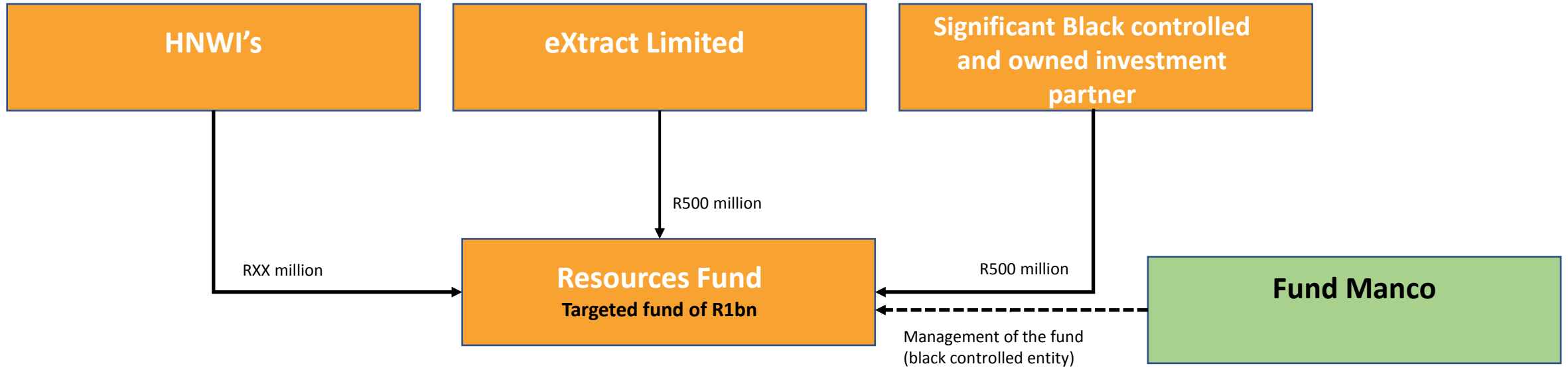
5 "Development/Construction" includes—Brockman Mining, Noront Resources

6 "Production" includes—China Molybdenum, Sierra Metals

Key elements

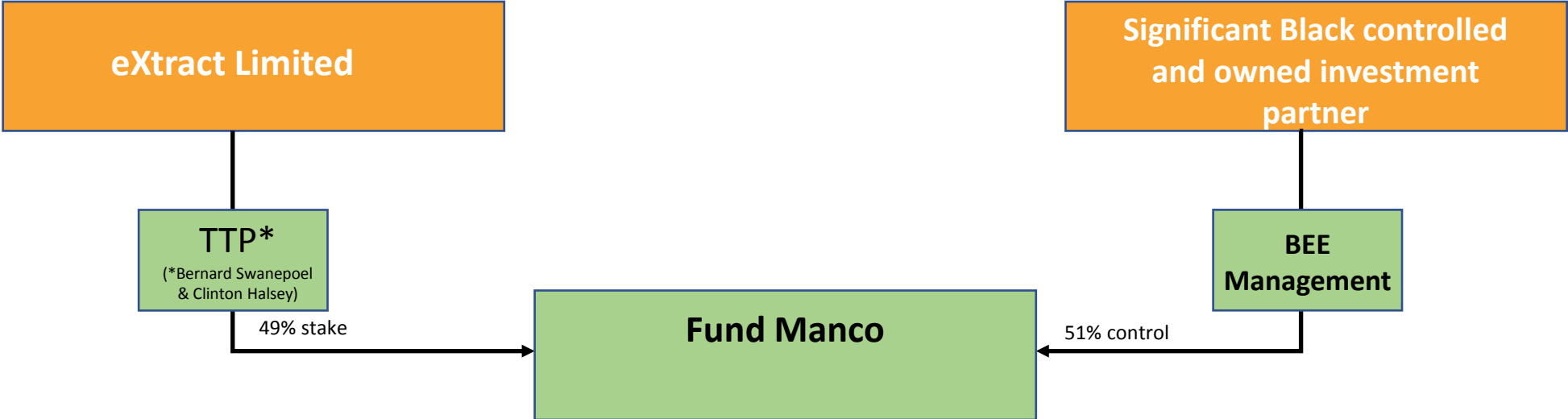
Short term	<ul style="list-style-type: none">• Sponsored by EGL and subsidiary• Est. R600m of cash to be redeployed within 18 months
Long term	<ul style="list-style-type: none">• Once eXtract Resources is fully funded and ideally with 2-3 completed transactions, eXtract Resources to be separately listed• Listing to be achieved by unbundling the A shares to eXtract shareholders• Listing to be within 3 years but ideally within 18 months• Use of clean company for eXtract Resources will remove any investment partner exposure to eXtract corporate history• However, at the time this may be unnecessary and eXtract can remain the listed entity
Funds	<ul style="list-style-type: none">• Target Funds Under Management of R1bn of which R500m to be sourced from eXtract over 18 months (funding agreement)
Structure	<ul style="list-style-type: none">• eXtract Resources to be managed through a separate black controlled management company (Manco)
Partnership	<ul style="list-style-type: none">• Significant black owned investment partner to co-invest R500m into eXtract Resources with eXtract• Manco to be controlled by investment partner and BEE management.• Sufficient BEE ownership in management to ensure fund is Black Controlled (BEE Status)• Propose that eXtract Resources secure its BEE status through black control of Manco plus high voting B shares• To this end the R500m from investment partner will be made into high voting B shares

Structure



- Identify strong pipeline of mining and mining services investment opportunities
- TTP Pipeline (Bernard Swanepoel and Clinton Halsey)
- Panex (Bernard Swanepoel & Anton Esterhuizen & Mike Scott)

Manco structure: Black controlled and owned



Terms of the fund

Term	<ul style="list-style-type: none">• Perpetual
Management fee	<ul style="list-style-type: none">• Cost recovery, subject to a maximum of 2% of FUM• Post listing, management fee to be 1.5% of FUM calculated annually on fair value of assets
Incentive fee	<ul style="list-style-type: none">• 20% above hurdle rate of [10]%• Incentive fee to be calculated based on the weighted average of when funds drawn by the fund
Conversion	<ul style="list-style-type: none">• Will review BEE stakes that become available – potential to buy into the underlying equity at an attractive price and with a BEE discount

Experienced, mining-focused board



Bernard Swanepoel (55)
Executive Chairman
BCom (Hons), BSc (Min Eng)

- Previous roles include CEO Harmony Gold Mining Company Limited and CEO and Chairman Village Main Reef Limited
- In 2007 he left Harmony to start To-the-Point Growth Specialists, where he is currently partner and a partner in THINKspiration
- Currently non-executive director at Impala, Zimplats, Eqstra and ARM Ltd.
- He is the Chairman of the Junior Indaba and Joburg Indaba, Vice-President of the Ahi, Chairman and Managing partner of MMC (Manganese Metal Company)



Sipho Nkosi (63)
Independent Non Executive
BCom (Hons)(Econ), MBA(Boston University)

- CEO at Exxaro Resources Ltd from Sept 2007-Mar 2016, was executive director from November 2006
- Was President of Chamber of Mines of SA.
- CEO and Founder Eyesizwe Coal (Pty) Ltd.
- Non-exec Chair Sanlam Developing Markets Ltd, independent non-exec director Sanlam Ltd, director Tronox Ltd, independent non-exec director Sanlam Life Insurance Ltd, Atlatsa Resources Corp, director Great Basin Gold Ltd



Octavia Matloa (40)
Independent Non Executive
BCom (Hons), CTA, CA(SA)

- Completed articles at Pricewaterhouse-Coopers
- Founded companies in variety sectors from auditing, training and development, mining, transport, financial services, beauty, health and nutrition.
- Group CEO Mukundi Mining Resources and trustee Funanani Trust
- Served/s on number of audit committees in the public sector and for listed entities
- Served on the boards of Village Main Reef and Petra Diamonds



Clinton Halsey (40)
Interim CEO & CIO
CA(SA), BAcc, Bcom

- Completed articles at Pricewaterhouse-Coopers and has more than 15 years' professional experience, primarily in mining and related industries
- Held senior financial roles at DRDGold and Harmony and was the CFO of Village Main Reef Limited
- Partner at To-The-Point Growth Specialists
- Serves as a non-executive director and Audit Committee chairman on the board of Manganese Metal Company



Jannie Serfontein(41) - TBC
Independent Non Executive
B.Com (Hon), CA(SA)

- He started his career with Deloitte & Touche in 1999, spending two years in Deloitte & Touche's Washington DC practice He returned to South Africa in 2002. In 2007, he joined Deloitte's South African practice
- He was appointed in January 2011 as CFO of the Eqstra Group.
- He was appointed as Chief Executive Officer of Eqstra in July 2015.
- On 8 November 2016, Jannie assumed the role as Chief Executive Officer of enX Group Limited.

Proposed timelines

18 Apr 2017	Interim Results and transaction Announcement
1 – 5 May 2017	Investor Roadshow
On or About 30 Jun 2017	Circular Posted
On or About 31 Jul 2017	eXtract Shareholder meeting to approve transaction
End Aug – End Sept 2017	Unbundling takes place

Shareholder Approvals/Support Required		
Conversion of eXtract Debt to Equity	Category 1 Transaction	Ordinary resolution -> 50% approval
Unbundling of shares to enX shareholders	Category 1 Transaction	Ordinary resolution -> 50% approval