



**eXtract**

Resources

## **Strategic Review**

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# Strategic review: 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 R1.878 billion through issue of shares at a premium to VWAP
- **Restructuring of enX debt** – R250 million subordinated and interest free

# Where we want to go: eXtract – an opportunistic investment

<b>Creating an Exciting Equity Future for eXtract</b>	<ul style="list-style-type: none"><li>• Introduction of new <b>executive leadership</b></li><li>• <b>Repay R465 million</b> long term bank debt via asset sales</li></ul>
<b>Rationale</b>	<ul style="list-style-type: none"><li>• Anticipation of <b>uncertainty around the New Mining Charter</b> has resulted in management deciding to postpone investment into mining shares<ul style="list-style-type: none"><li>○ State of flux for SA mining</li></ul></li><li>• Long dated <b>cash underpin for NAV</b></li><li>• Some <b>potential for limited early cash</b> built into repayment waterfall</li><li>• During initial 24-30 months we expect to <b>explore transformational opportunities</b> for the listed entity</li></ul>

# Proposed unbundling, reducing Debt

	R'million	
Mezzanine loans	1 528	
Preference shares	600	
<b>Total enX debt</b>	<b>2 128</b>	
Total enX debt to remain in MCC	(250)	
<b>Total debt converted into shares</b>	<b>1 878</b>	
Share conversion price	50	cents
Shares issued to enX	3 755	shares in millions
% of EXG owned by enX post conversion	91% <sup>1</sup>	
EXG NAV as at 31 Dec 2016 (pre conversion)	(991)	
Debt converted into shares	1 878	
<b>EXG NAV as at 31 Dec 2016 (post conversion)</b>	<b>887</b>	
<b>NAV per EXG share</b>	<b>18<sup>2</sup></b>	cents

Conversion price of 50cps being an 83% premium to 60 day VWAP<sup>3</sup>

enX debt Restructure Agreement signed, which provides for the conversion of R1.878 billion of the debt due by Extract to the enX Group into equity, subject to shareholder approval.

1. Includes 106m EXG shares held by enX and Eqstra Corporation before conversion
2. Includes amendments to NAV as released in the pro forma financial effects of eExtract
3. Calculated as at 13 April 2017, which is the day that the agreement was reached between EXG and enX

# Terms of the potential future fund

<b>Term</b>	<ul style="list-style-type: none"><li>• Perpetual / typical private equity term but to be listed in 3 years</li></ul>
<b>Management fee</b>	<ul style="list-style-type: none"><li>• 1.5% of FUM</li><li>• Post listing, management fee to be 1.5% of FUM calculated annually on fair value of assets</li></ul>
<b>Incentive fee</b>	<ul style="list-style-type: none"><li>• 20% above hurdle rate of 14% (with clawback rights)</li><li>• Incentive fee to be calculated based on the weighted average of when funds drawn by the fund</li></ul>
<b>Conversion</b>	<ul style="list-style-type: none"><li>• Funds to be rolled out into eXtract or IPO</li><li>• Cash returned to shareholders if not deployed in 36 months</li></ul>

# Experienced 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.

\* Note: one black female independent non executive director will be joining the board ; and a representative of Wild Rose Capital will replace Jannie Serfontein post the unbundling

# Timelines

21 June 2017	Investor call
22 June 2017	Investor Roadshow
14 July 2017	Circular mailed to shareholders

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



- **Agreement signed with Tharisa for Asset sale (R279 million)**, transfer of staff and other operating contracts and liabilities, subject to shareholder approval
- Successful **conclusion and exit of PPM Project**. R116 million from asset sales expected
- **Asset sales of approximately R400 million to end of May 2017**, of which R250 million was in Mozambique
- **Significant headcount reduction** at head office and workshops currently in progress; Project staff unaffected.
- Significant strides made in **JSE, Competition Commission and Take-Over Regulation Panel approval processes**

# Appendix 1: Financial review: Income statement

For the Period ended 31 December 2016

R' MILLION	Dec 2016	Dec 2015
<b>Revenue</b>	<b>1 152</b>	1 240
Net operating expenses	(952)	(964)
<b>Profit from continuing operations</b>	<b>200</b>	<b>276</b>
Depreciation, amortisation and recoupments	(171)	(217)
<b>Operating profit</b>	<b>29</b>	<b>59</b>
Impairment of leasing assets	(1 141)	(536)
<b>Loss before net finance costs</b>	<b>(1 112)</b>	<b>(477)</b>
Net finance costs	(134)	(108)
<b>Loss before taxation from continuing operations</b>	<b>(1 246)</b>	<b>(585)</b>
Income tax (expense)/income	(47)	167
<b>Loss for the period from continuing operations</b>	<b>(1 293)</b>	<b>(418)</b>
Loss for the period from discontinued operations	(320)	(704)
<b>Loss for the period</b>	<b>(1 613)</b>	<b>(1 122)</b>

Impairment to  
market value in line with new  
strategy

# Appendix 2: Financial review: Balance Sheet

At 31 December 2016

R' MILLION	Dec 2016	June 2016
Revenue-generating assets	677	2 044
Inventories	78	87
Trade and other receivables	515	952
Cash and cash equivalents	162	148
Assets held for sale	870	8 127
Other assets	85	164
<b>Total assets</b>	<b>2 387</b>	<b>11 522</b>
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Total equity	(991)	1 629
Interest-bearing borrowings	2 721	2 631
Trade and other payables	420	675
Liabilities directly associated with assets held for sale	199	6 523
Other liabilities	38	64
<b>Total equity and liabilities</b>	<b>2 387</b>	<b>11 522</b>

Extra asset sale concluded during the period

Significant reduction in debtors

Further approx. R400 million sold post period to end May 2017, (R250 million of which was in Mozambique)

enX to convert R1.878bn to equity (subject to shareholder approval)