



# Richards Bay Minerals

## RBM signs definitive agreements for its BBBEE transaction

Richards Bay Minerals (RBM), a joint venture between Rio Tinto and BHP Billiton (Vendors) signed definitive binding agreements on 11 December 2008 for a 26% Broad Based Black Economic Empowerment (BBBEE) transaction with its BBBEE consortium, which consists of 7 Lead Investor companies, 4 host communities and an Employee Share Participation Scheme (ESPS). These agreements finalise years of work on structuring consideration, partner selection, community engagement, negotiation and finalisation of legal agreements with all stakeholders. The transaction is one of KZN's largest BBBEE transactions to date and is valued at approximately R4.5 billion.

The funding arrangements are being finalised by the BBBEE consortium with Rio Tinto and BHP Billiton as sponsors. The Vendors will facilitate the funding of the equity transaction. The four host communities (Sokhulu, Dube, Mbonambi and Mkhwanazi) will not be required to contribute upfront equity for their stake in RBM.

A significant feature of this transaction is its focus on community development. A community development trust for each community, through which the communities will hold shares in RBM, is to be established. A Public Benefit Trust (PBO) will also be set up by each community for the purpose of facilitating development projects in each area. RBM has undertaken to make once off endowments of R17.5 million to each participating community's PBO trust on completion of the Transaction. The combined Trickle Dividends and Corporate Social Investment (CSI) of R3 million per annum will also flow to each community. This is in addition to RBM's existing CSI programs.

The Sokhulu and Dube communities have signed the transaction agreements. Discussions with the Mbonambi and Mkhwanazi communities are ongoing with a view of incorporating them formally into the transaction. In the interim, the shareholding earmarked for these communities has been reserved and warehoused in a special trust.

The transaction will become effective upon the fulfilment of the remaining outstanding conditions precedent, which include finalisation of the funding agreements and approval by the South African Competition Authorities.

All RBM's approximately 1750 permanent employees, the majority of whom are Historically Disadvantaged South Africans (HDSA) and of whom 12% are women, will participate in the Employee Share Participation Scheme (ESPS). All RBM employees will participate equally in the ESPS regardless of race or seniority. A special class of shares will be created for issue to the ESPS and these shares will be entitled to a priority dividend distribution. The dividends will be distributed equally to all qualifying employees. The ESPS will hold a direct 2% equity interest in RBM.

An extensive BBBEE partner selection process was conducted during 2007 and 7 Lead Investors were selected. The Lead Investors together with RBM's 4 host communities will own 24% of RBM. The interests of the communities and Lead Investors will be held through a special purpose company (BEE Holdco) created specifically to hold their interest in RBM. BEE Holdco is chaired by JB Magwaza, Chairman of the Imbewu Consortium. The Lead Investors (including a women's group) will hold a 55% interest in BEE Holdco with 45% held by the communities.

The shareholding in BEE Holdco will be as follows:

Company Name	% holding in BEE Holdco	Effective % holding in RBM	Leadership
Imbewu Consortium	12.50	3.00	Mr JB Magwaza
Matasis Investment Holdings	12.50	3.00	Mr Manne Dipico
Gade Investments	8.40	2.02	Dr Ben Ngubane
Sambulo Investments	8.40	2.02	Mr Nhlanhla Gasa
South African Women Alliance (SAWA)	6.00	1.44	Ms Taniya Krishna
Ungoye Investments	3.60	0.86	Mr Mbongeni Mhlambo
Bingelela Investments Consortium	3.60	0.86	Mr Phiwo Thango
	<b>55.00</b>	<b>13.20</b>	
Host Communities	45.00	10.80	Sokhulu, Dube, Mbonambi, Mkhwanazi
Employee Share Participation Scheme (ESPS)	-	2.00	Trustees
<b>Total</b>	<b>100.00</b>	<b>26.00</b>	

RBM will now submit its mining rights conversion application to the Department of Minerals and Energy.



**Richards Bay Minerals Advisors**



**Cox Yeats ATTORNEYS**

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**BEE Transaction Managers**



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