

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 6 of this Circular apply, mutatis mutandis, throughout this document, including this cover page.

Shareholders are referred to pages 1 and 2 of this Circular, which sets out the action required of them with regard to the proposed B-BBEE Transaction, full details of which are set out in this Circular. If you are in any doubt as to the action that you should take, please consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

If you have disposed of all of your AECI Ordinary Shares, this Circular should be forwarded to the purchaser to whom, or the CSDP, Broker, banker or other agent through whom you disposed of such shares.



AECI Limited

(Incorporated in the Republic of South Africa)
(Registration number 1924/002590/06)

JSE ordinary share code: AFE

JSE preference share code: AFEP

JSE ordinary share ISIN: ZAE000000220

JSE preference share ISIN: ZAE000000238

CIRCULAR TO AECI SHAREHOLDERS

relating to the proposed B-BBEE Transaction including:

- **amendments to the Memorandum of Incorporation of the Company to:**
 - **create AECI B Ordinary Shares (which will be unlisted);**
 - **increase the authorised share capital; and**
 - **allow for financial assistance by the Company;**
- **the authority to issue AECI Ordinary Shares for cash and AECI B Ordinary Shares;**
- **the approval of financial assistance given by the Company in terms of Section 44 of the Companies Act;**
- **the future specific repurchases of the remaining AECI Ordinary Shares and the redemption of part of the remaining unlisted AECI B Ordinary Shares; and**
- **placing 4 678 667 AECI Ordinary Shares under the control of the Directors and authorising the Directors to allot and issue those shares only for the purposes of the KTH Transaction;**

and incorporating:

- **a notice of General Meeting of AECI Ordinary Shareholders; and**
- **a form of proxy (to be completed by Certificated Shareholders and "own name" Dematerialised Shareholders only) (blue).**

The Directors whose names appear on page 14 of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, there are no facts the omission of which would make any statement in this Circular false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this Circular contains all information required by South African law and by the Listings Requirements.

Standard Bank, which is regulated in terms of the Listings Requirements, is acting for AECI and no one else in relation to the preparation of this Circular and will not be responsible to anyone other than AECI in relation to the preparation of this Circular.

**Investment bank and
transaction sponsor**



Attorneys and tax advisers



**Reporting accountants and
auditors**



Accounting advisers
Tax Advisor

Deloitte

Audit. Tax. Consulting. Financial Adv

**Programme and
implementation managers**



**Independent professional
expert**

ERNST & YOUNG
Quality In Everything We Do

Sponsor



Date of issue: Wednesday, 26 October 2011

This Circular is available in English only. Copies may be obtained from the registered office of AECI, the investment bank and transaction sponsor and the Transfer Secretaries whose addresses are set out in the "Corporate Information and Advisers" section of this Circular. This Circular will also be available in electronic form from the Company's website (www.aeci.co.za) from Wednesday, 26 October 2011.

CORPORATE INFORMATION AND ADVISERS

Company Secretary and registered office

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Admitted Attorney of the High Court,
Certificate in Corporate Governance
AECI Limited
(Registration number 1924/002590/06)
1st Floor, AECI Place
24 The Woodlands
Woodlands Drive
Woodmead
Sandton (no postal deliveries to this address)
South Africa
(Private Bag X21, Gallo Manor, 2052)

Attorneys and tax advisers

Webber Wentzel
10 Fricker Road
Illovo Boulevard
Illovo, 2196
South Africa
(PO Box 61771, Marshalltown, 2107)

Accounting advisers

Deloitte & Touche
(Registration partnership number 902276)
Deloitte Place
Building 33
The Woodlands
Woodlands Drive
Woodmead
Sandton
South Africa
(Private Bag X1, Gallo Manor, 2052)

Transfer secretaries in South Africa

Computershare Investor Services
Proprietary Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
South Africa
(PO Box 61051, Marshalltown, 2107)

Independent professional expert

Ernst & Young Advisory Services Limited
(Registration number 2006/01826/06)
52 Corlett Drive
Illovo
Johannesburg, 2196
South Africa
(Private Bag X14, Northlands, 2116)

Investment bank and transaction sponsor

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
3 Simmonds Street
Johannesburg, 2001
South Africa
(PO Box 61344, Marshalltown, 2107)

Reporting accountants and auditors

KPMG Inc.
(Registration number 1999/021543/21)
KPMG Crescent
85 Empire Road
Parktown, 2193
South Africa
(Private Bag 9, Parkview, 2122)

Programme and implementation managers

Barnstone Corporate Services Proprietary Limited
(Registration number 2003/024319/07)
Unit 13 Cambridge Park
No. 5 Bauhinia Street
Highveld Techno Park
Centurion, 0157
South Africa
(Suite 475, Private Bag X15, Menlopark, 0102)

Transfer secretaries in United Kingdom

Computershare Investor Services plc
(Company number 3498808)
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
England

Corporate sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)
(Registration number 1929/001225/06)
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton, 2196
South Africa
(PO Box 786273, Sandton, 2146)

AECI date of incorporation

21 March 1924

AECI place of incorporation

Republic of South Africa

ACTION REQUIRED BY AECI SHAREHOLDERS

The definitions and interpretations commencing on page 6 of this Circular apply, mutatis mutandis, to this section on actions required.

If you are in any doubt as to the action that you should take, please consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

If you have disposed of all of your AECI Ordinary Shares, this Circular should be forwarded to the purchaser to whom, or the CSDP, Broker, banker or other agent through whom, you have disposed of such shares.

1. ACTION REQUIRED REGARDING THE GENERAL MEETING

A General Meeting of AECI Shareholders will be held at 13:00 on Thursday, 24 November 2011 at AECI Place, Ground Floor, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton, to consider and, if deemed fit, pass the resolutions required to implement the B-BBEE Transaction, as detailed in this Circular. A notice convening the General Meeting is attached to and forms part of this Circular. Please take careful note of the following provisions regarding the actions required by Certificated Shareholders and Dematerialised Shareholders regarding the General Meeting.

The Record Date in terms of section 59 of the Companies Act for AECI Ordinary Shareholders to be eligible to participate and vote at the General Meeting is Friday, 18 November 2011.

1.1 If you are a Certificated Shareholder or if you have dematerialised your AECI Ordinary Shares with “own name” registration:

1.1.1 You may attend the General Meeting in person and may vote at the General Meeting.

1.1.2 Alternatively, if you are unable to attend the General Meeting, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy (blue) for the General Meeting in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received by no later than 13:00 on Tuesday, 22 November 2011.

1.2 If you have dematerialised your AECI Ordinary Shares other than with “own name” registration:

1.2.1 Your CSDP or Broker is obliged to contact you in the manner stipulated in the agreement concluded between you and your CSDP or Broker to ascertain how you wish to cast your votes at the General Meeting and thereafter to cast your votes in accordance with your instructions. If you have not been contacted, it would be advisable for you to contact your CSDP or Broker and furnish them with your voting instructions.

1.2.2 If your CSDP or Broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the agreement concluded between you and your CSDP or Broker.

1.2.3 You must **not** complete the attached form of proxy (blue) for the General Meeting.

If you wish to attend or be represented at the General Meeting, you must advise your CSDP or Broker in accordance with the agreement concluded between you and your CSDP or Broker, and your CSDP or Broker will issue the necessary letter of representation authorising you to attend the General Meeting. Should you not wish to attend the General Meeting in person, you must provide your CSDP or Broker with your voting instruction timeously in order for the CSDP or broker to vote in accordance with your instruction at the General Meeting.

2. **EXCHANGE CONTROL REGULATIONS**

In terms of the Exchange Control Regulations of South Africa:

- 2.1 Any share certificates that might be issued to non-resident shareholders will be endorsed "Non-Resident";
- 2.2 Any new share certificates, dividends and residual cash payments based on emigrants' shares controlled in terms of the Exchange Control Regulations, will be forwarded to the Authorised Dealer in foreign exchange controlling their blocked assets. The election by emigrants for the above purpose must be made through the Authorised Dealer in foreign exchange controlling their blocked assets. Such share certificates will be endorsed "Non-Resident"; and
- 2.3 Dividend and residual cash payments due to non-residents are freely transferable from South Africa.

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SALIENT DATES AND TIMES

2011

Record date, as determined by the Board in accordance with Section 59 of the Companies Act, for AECI Shareholders to be eligible to receive this Circular and notice of General Meeting	Friday, 21 October
Last day to trade AECI Ordinary Shares on the JSE in order to be recorded in the share register on the record date to be eligible to vote at the General Meeting	Friday, 11 November
Record date to be eligible to vote at the General Meeting	Friday, 18 November
Last day to lodge forms of proxy for the General Meeting by 13:00 on	Tuesday, 22 November
General Meeting of AECI Shareholders to be held at 13:00 on	Thursday, 24 November
Results of General Meeting released on SENS	Thursday, 24 November
Results of General Meeting published in the South African press	Friday, 25 November
Expected listing of the new AECI Ordinary Shares on the JSE on or about	Friday, 2 December

Notes:

1. The definitions and interpretations commencing on page 6 of this Circular apply, mutatis mutandis, to these salient dates and times.
2. All times shown in this Circular are South African local times.
3. These dates and times are subject to change. Any material changes will be released on SENS and published in the South African press.

DEFINITIONS AND INTERPRETATIONS

Throughout this Circular and the annexures hereto, unless otherwise stated or the context otherwise indicates, the words and expressions in the first column will have the meanings stated opposite them in the second column and words and expressions in the singular will include the plural and vice versa, words importing natural persons will include corporations and associations of persons and vice versa and any reference to one gender will include the other gender:

“AECI” or “the Company”	AECI Limited (registration number 1924/002590/06), a public company incorporated in accordance with the laws of South Africa, of which the ordinary issued shares are listed on the exchange operated by the JSE;
“AECI B Ordinary Shares”	unlisted redeemable convertible B ordinary shares of no par value in the share capital of the Company which carry the same voting rights as AECI Ordinary Shares, and which are convertible into AECI Ordinary Shares on a one-for-one basis (subject to paragraph 5.1.5), to be created to facilitate the B-BBEE Transaction, subject to the fulfilment of the Conditions Precedent;
“AECI Group” or “the Group”	collectively the Company, any subsidiary of the Company and any other company in which the Company is directly or indirectly able to exercise control of 49% or more of the general voting rights associated with issued securities of that company, whether incorporated in South Africa or not;
“AECI Ordinary Shares”	ordinary shares with a par value of R1,00 each in the share capital of AECI;
“AECI Ordinary Shareholders” or “AECI Shareholders”	holders of AECI Ordinary Shares;
“AEL MS”	AEL Mining Services Limited (registration number 1973/008610/06), a public company incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of AECI post the KTH Transaction;
“AEL Trust”	the Tiso AEL Development Trust (Master’s reference number IT 4216/04), being the trust created and established to hold 25% of the issued share capital of Business Ventures Investment No. 851 Proprietary Limited (which in turn holds approximately 25,1% of AEL MS) and to conduct various corporate social investment programmes as the trustees of the trust may decide from time to time;
“Affected Transaction”	has the meaning set out in the Companies Act;
“Articles of Association”	the articles of association of AECI, forming part of the Memorandum of Incorporation;
“Broker”	any person registered as a broking member (equities) in terms of the rules of the JSE made in accordance with the provisions of the Securities Services Act, No. 36 of 2004;
“B-BBEE”	broad-based economic empowerment of Black people as contemplated in the B-BBEE Legislation;
“B-BBEE Legislation”	collectively the B-BBEE Act and the Codes;
“B-BBEE Act”	the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended or varied from time to time;
“B-BBEE Legislation”	collectively the B-BBEE Act and the Codes;

“B-BBEE Transaction”	the proposed transaction in terms of which the EST and the CST together will acquire an 11,5% interest in AECl’s Net Enlarged Issued Share Capital through the creation and issue of the AECl B Ordinary Shares and the issue of AECl Ordinary Shares in accordance with the terms of the applicable B-BBEE Transaction Agreements of which the full terms were set out in the Detailed Terms Announcement;
“B-BBEE Transaction Agreements”	the signed agreements giving effect to the B-BBEE Transaction, being the CST Trust Deed, the EST Trust Deed, the CST Subscription Agreement and the EST Subscription Agreement and any other agreements necessary to give effect or incidental to those agreements;
“Black” or “Black people”	in relation to any person, has the meaning ascribed to it in the B-BBEE Legislation;
“Board”	the board of directors of the Company as constituted from time to time, acting either itself or through any committee constituted by it for the purposes of the EST or CST;
“Business Day”	any day other than a Saturday, Sunday or gazetted national public holiday in South Africa;
“Certificated Shareholders”	AECl Ordinary Shareholders holding Certificated Shares;
“Certificated Shares”	AECl Ordinary Shares which have not been dematerialised in terms of the requirements of Strate, the title to which is represented by a share certificate or other physical Documents of Title;
“CIPC”	the Companies and Intellectual Property Commission;
“this Circular”	this bound document dated Wednesday, 26 October 2011, containing the circular to AECl Ordinary Shareholders and the annexures thereto, a notice of the General Meeting and a form of proxy (blue);
“Codes”	the codes of good practice published in terms of Section 9 of the B-BBEE Act as may be amended from time to time;
“Commencement Date” or “Subscription Date”	the Business Day after the date on which all the Conditions Precedent are fulfilled;
“Companies Act”	Companies Act, No. 71 of 2008, as amended, re-enacted, substituted or varied from time to time;
“Conditions Precedent”	the conditions precedent, to which the B-BBEE Transaction is subject, as set out in section 6 of this Circular;
“CSDP”	a Central Securities Depository Participant, accepted as a participant in terms of the Securities Services Act, No. 36 of 2004, as amended;
“CST”	the AECl Community Education and Development Trust established in terms of the CST Trust Deed and registered in accordance with the laws of South Africa, under Master’s reference number IT3409/11;
“CST Administration Costs”	collectively, the CST’s expenses and liabilities, as defined in the CST Trust Deed from time to time, which administration costs in any given financial year of the CST will not exceed 15% of the CST Trust Income for that year;
“CST Affected Areas”	those areas in South Africa immediately surrounding the factories and operations of the AECl Group as constituted from time to time and/or any area not immediately surrounding the factories and operations of the AECl Group, but which may be nominated as CST Affected Areas by agreement in writing between AECl and the CST Trustees, subject to the provisions of the CST Trust Deed;

“CST Beneficiaries”	any institutions, individuals, groups or communities of persons (comprising or representing at least 85% Black people and at least 30% Black women living, working or operating in any one or more of the CST Affected Areas and which include employees of the Company and the relatives of such employees), which are identified in accordance with the selection criteria of the CST Trust Deed, and who will, at the discretion of the CST Trustees, taking into account the relevant provisions of the CST Trust Deed, benefit under the objectives of the CST;
“CST Distribution Formula”	the formula which is to be utilised in determining the number of the CST Subscription Shares which will be retained by the CST after the CST Share Cancellation Date, as set out in paragraph 5.2.3 of this Circular;
“CST Share Cancellation Date”	10 years after the Commencement Date or as anticipated in order to facilitate an offer which if accepted would result in, or would constitute, an Affected Transaction, or the disposal of all or the greater part of the assets of the Group, an amalgamation, a merger or a scheme of arrangement as contemplated in the Companies Act;
“CST Subscription Agreement”	the agreement entered into between AECl and the CST Trustees on Wednesday, 12 October 2011 in terms of which the CST will subscribe for the CST Subscription Shares;
“CST Subscription Shares”	4 426 604 AECl Ordinary Shares , constituting 3,5% of the Net Enlarged Issued Share capital of AECl;
“CST Term”	10 years or a lesser period if the CST Share Cancellation Date is anticipated;
“CST Trust Deed”	the trust deed of the CST entered into between AECl and the CST Trustees on Thursday, 6 October 2011;
“CST Trust Income”	all and any amounts in cash or in kind distributed to and received by or accruing to the CST from the Company or from any other source whatsoever, during any financial year of the CST, together with any interest received or accrued thereon;
“CST Trustees”	the trustees of the CST from time to time, appointed in terms of the CST Trust Deed;
“DetNet”	DetNet South Africa Proprietary Limited (registration number 2004/004862/07), a private company incorporated in accordance with the laws of South Africa, a joint venture company between AECl and Dyno Nobel Limited of Australia, 50% of DetNet being held by AECl and 50% by Dyno Nobel Limited;
“Dematerialised Shareholders”	AECl Ordinary Shareholders who hold Dematerialised Shares;
“Dematerialised Shares”	AECl Ordinary Shares that have been dematerialised in accordance with Strate;
“Detailed Terms Announcement”	the announcement which included the key terms of the B-BBEE Transaction, as announced on SENS on Thursday, 13 October 2011 and in the South African press on Friday, 14 October 2011;
“Directors”	the directors of AECl from time to time;
“Documents of Title”	share certificates, certified transfer deeds, balance receipts or any other documents of title to Certificated Shares, acceptable to AECl;

“Entitlement Shares”	the number of AECI B Ordinary Shares to which an EST Beneficiary will be entitled to at the EST Termination Date, determined in accordance with paragraph 5.1.4 of this Circular, which shares after their conversion will be distributed to him by the EST Trustees on or before the EST Distribution Date;
“EPS”	earnings per ordinary share;
“EST”	the AECI Employees Share Trust established in terms of the EST Trust Deed and registered in accordance with the laws of South Africa, under Master’s reference number IT3410/11;
“EST Beneficiaries” or “Eligible Employees”	all employees deemed eligible, in accordance with the EST Trust Deed, to participate in the EST, collectively the Initial EST Staff, Initial EST Managers, Subsequent EST Staff and Subsequent EST Managers;
“EST Beneficiary Election Date”	the date, being not later than 15 days from the date of the notification by AECI to the EST Trustees after the EST Termination Date, on which the EST Beneficiary notifies the Company whether or not he accepts the Redemption Offer, in terms of paragraph 5.1.5 of this Circular;
“EST Distribution Date”	a date after the EST Termination Date to be determined by the Company but which will be no later than six months after the EST Termination Date;
“EST Distribution Formula”	the formula which is to be utilised in determining the number of Entitlement Shares to which an EST Beneficiary is entitled, as set out in paragraph 5.1.4 of this Circular;
“EST Lock-in Period” or “EST Term”	the period commencing on the Commencement Date and ending on the day following the EST Termination Date and after the determination of the AECI B Ordinary Shares to which an EST Beneficiary is entitled;
“EST Termination Date”	seven years after the Commencement Date provided that if that date falls on a day which is not the first day of a month, that date will be the first day of the following month, as extended for one year at the discretion of the Board should there be no value to the beneficiaries of the EST, or anticipated in order to facilitate an offer which if accepted would result in, or would constitute, an Affected Transaction as defined in the Companies Act, or the disposal of all or the greater part of the assets of the Group, an amalgamation, a merger or a scheme of arrangement as contemplated in the Companies Act, and in the case of the death of a EST Beneficiary and in relation to such EST Beneficiary only, the date of his death;
“EST Subscription Agreement”	the agreement entered into between AECI and the EST Trustees on Wednesday, 12 October 2011 in terms of which the EST will subscribe for the EST Subscription Shares;
“EST Subscription Shares”	10 117 951 AECI B Ordinary Shares constituting 8% of the Net Enlarged Issued Share Capital of AECI;
“EST Trust Deed”	the trust deed of the EST entered into between AECI and the EST Trustees on Thursday, 6 October 2011;
“EST Trustees”	the trustees of the EST from time to time, appointed in terms of the EST Trust Deed;
“E&Y”	Ernst & Young Advisory Services Limited (registration number 2006/O1826/O6), a public company incorporated in accordance with the laws of South Africa;

“Executive Committee”	being the Board’s executive committee as constituted from time to time;
“Financial Year/s”	the financial year of AECL from time to time, it being recorded that as at the Commencement Date, AECL’s financial year-end is 31 December;
“General Meeting”	the general meeting of AECL Ordinary Shareholders convened in terms of the notice of general meeting attached to this Circular, to be held at 13:00 on Thursday, 24 November 2011 at AECL Place, Ground Floor, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton;
“Heartland”	collectively, Heartland Properties Proprietary Limited (registration number 1989/007165/07), a private company incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of AECL and Heartland Leasing Proprietary Limited (registration number 1947/026269/07), a private company incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of AECL;
“HEPS”	headline EPS;
“Independent Trustees”	<p>is a CST Trustee or an EST Trustee who:</p> <ul style="list-style-type: none"> • is not a representative of a shareholder of the Company who has the ability to control or significantly influence management or Board; • does not have a direct or indirect interest in the Company (including any other company in the Group) which exceeds 5% of the Group’s total number of shares in issue; • does not have a direct or indirect interest in the Group which is less than 5% of the Group’s total number of shares in issue, but is material to his personal wealth; • has not been employed by the Company or the Group, or appointed as the designated auditor or partner in the Group’s external audit firm, or senior legal adviser for the preceding three financial years; • is not a member of the immediate family of an individual who is, or has during the preceding three financial years, been employed by the Company or the Group in an executive capacity; • is not a professional adviser to the Company or the Group; • is free from any business or other relationship (contractual or statutory) which could be seen by an objective outsider to interfere materially with the individual’s capacity to act in an independent manner, such as being a director of a material customer of or supplier to the Company or the Group; or • does not receive remuneration contingent upon the performance of the Company or the Group;
“IFRS”	International Financial Reporting Standards;
“Initial CST Trustees”	Nkgadi Ramaesela Mogotlane and John Sepeng Mahlase, appointed as the first trustees of the CST and who undertake to resign as trustees once the full board of trustees for the CST has been appointed;

“Initial EST Managers”	<p>a natural person who:</p> <ul style="list-style-type: none"> • is employed by the South African operations of the AECI Group on a permanent basis as at the Commencement Date; • is Black; and • occupies a position in the AECI Group of D upper or lower, E upper or lower or F upper or lower in terms of the Paterson Broad Band grading system or substantially equivalent position in terms of any other grading system utilised by the AECI Group from time to time and as determined by AECI;
“Initial EST Staff”	<p>a natural person who:</p> <ul style="list-style-type: none"> • is employed by the South African operations of the AECI Group on a permanent basis as at the Commencement Date; • does not qualify as an Initial EST Manager; and • is not a participant under the AECI Share Option Scheme, the AECI Cash-settled Share-based Scheme, the AECI Earnings-based Incentive Scheme or the Chemserve Earnings-based Incentive Scheme;
“Initial EST Trustees”	<p>Nkgadi Ramaesela Mogotlane and John Sepeng Mahlase, appointed as the first trustees of the EST and who undertake to resign as trustees once the full board of trustees for the EST has been appointed;</p>
“JSE”	<p>JSE Limited (registration number 2005/022939/06), a company licensed to operate an exchange under the Securities Services Act, No. 36 of 2004, as amended;</p>
“King Code”	<p>the King Report on Corporate Governance for South Africa, as amended from time to time;</p>
“KTH”	<p>Kagiso Tiso Holdings Proprietary Limited (RF) which came into effect on 1 July 2011 through the merger of Kagiso Trust Investments Proprietary Limited and the Tiso Group Limited;</p>
“KTH Consortium”	<p>a KTH led consortium in the form of Business Ventures Investment No. 851 Proprietary Limited, in which KTH beneficially holds 75% and the Tiso AEL Development Trust holds 25% of the ordinary issued share capital;</p>
“KTH Transaction”	<p>as per AECI’s SENS announcement on Tuesday, 26 July 2011, the proposed small related party transaction in terms of the Listings Requirements whereby AECI proposes to acquire the remaining 25,1% not held by it in AEL Holdings Limited (registration number 2002/013171/06) (of which AEL MS is a wholly-owned subsidiary) from the KTH Consortium in exchange for the issue of 4 678 667 AECI Ordinary Shares;</p> <p>Post the completion of the KTH Transaction and the implementation of the B-BBEE Transaction, the KTH Consortium will own 3,7% of the Net Enlarged Issued Share Capital of AECI and AEL MS will become a wholly-owned subsidiary of AECI;</p>
“Last Practicable Date”	<p>Tuesday, 18 October 2011, being the Last Practicable Date prior to the finalisation of this Circular;</p>
“Listings Requirements”	<p>the Listings Requirements of the JSE, as amended from time to time by the JSE;</p>
“Master”	<p>the Master of the High Court of South Africa;</p>
“Memorandum of Incorporation”	<p>the Memorandum of Incorporation of AECI consisting of the memorandum of association and Articles of Association;</p>

“Net Enlarged Issued Share Capital”	the issued ordinary share capital of AECL, excluding Treasury Shares, following the implementation of the B-BBEE Transaction and the KTH Transaction, being 116 356 441 AECL Ordinary Shares and 10 117 951 AECL B Ordinary Shares, and on the assumption that no AECL Ordinary Shares will be issued after the Last Practicable Date, except those issued pursuant to the B-BBEE Transaction and the KTH Transaction;
“NAV”	net asset value;
“Notional Issue Price”	the VWAP of R75,82 per AECL Ordinary Share calculated as the higher of the VWAP for the 30 or 60 trading days ending at the close of business on the Price Calculation Date, being the Friday prior to the signature date of both the EST Subscription Agreement and the CST Subscription Agreement;
“Pool Shares”	<ul style="list-style-type: none"> • the EST Subscription Shares which are neither allocated to the Initial EST Staff nor to the Initial EST Managers with effect from the Commencement Date; • any AECL B Ordinary Shares that are acquired by the EST from time to time from the EST Beneficiaries as a result of forfeitures; and • any additional AECL B Ordinary Shares which the Company, subject to the obtaining of any requisite Shareholder approval, may issue to the EST for no consideration, provided that if those Pool Shares are subsequently allocated to EST Beneficiaries, in applying the formula in paragraph 5.1.4, the Commencement Date will be deemed to be the date of issue of such shares and the Price Calculation Date will be deemed to be the Friday preceding the date on which the Company resolves to issue such shares;
“Preference Shares”	3 000 000 preference shares of R2,00 each in the share capital of the Company;
“Preference Shareholders”	holders of Preference Shares;
“Price Calculation Date”	Friday, 7 October 2011, being the close of business on the Friday prior to the signature date of both the EST Subscription Agreement and the CST Subscription Agreement;
“Prime Rate”	the rate of interest (nominal annual compounded monthly in arrears) from time to time published by Standard Bank as its prime overdraft lending rate (a certificate from any manager of that bank, whose appointment or authority need not be proved, as to the prime rate at any time and the usual way in which it is calculated and compounded at such time will, in the absence of manifest or clerical error, be final and binding);
“Redemption Offer”	an offer by AECL in terms of written notice to the EST Beneficiaries and the EST Trustees on or before the EST Termination Date to redeem all or some of the EST Beneficiaries’ Entitlement Shares for an amount per Entitlement Share equal to the VWAP of an AECL Ordinary Share on the JSE for the 30 trading days prior to the Termination Date;
“Rules”	the rules made by the JSE in accordance with the Securities Services Act, No. 36 of 2004;
“SANS Technical Fibers”	SANS Technical Fibers Incorporated, a United States of America company which manufactures industrial nylon yarns;
“Senmin”	Senmin SA Proprietary Limited (registration number 1958/001760/07) a private company incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of AECL;
“SENS”	the Securities Exchange News Service of the JSE;

“SHE”	safety, health and environment;
“Shareholders”	collectively AECI Ordinary Shareholders, Preference Shareholders and holders of AECI B Ordinary Shares;
“South Africa”	the Republic of South Africa;
“Specific Taxation and Expenses”	<p>in relation to an EST Beneficiary, the sum of:</p> <ul style="list-style-type: none"> • any taxation (including, without limitation, employees’ tax) that is payable by the EST as an associated institution and/or his employer company as employer; and • any costs, expenses and disbursements (including, without limitation, brokerage costs and/or securities transfer tax), <p>payable in respect of, inter alia, the transactions to be entered into or implemented pursuant to the vesting and/or distribution of the AECI B Ordinary Shares in accordance with the provisions of the EST Trust Deed;</p>
“Standard Bank”	The Standard Bank of South Africa Limited (registration number 1962/000738/06), a public company duly incorporated and registered under the company laws of South Africa as a registered bank;
“Strate”	Strate Limited (registration number 1998/022242/06), a public company incorporated in accordance with the laws of South Africa and a registered CSDP responsible for the electronic custody and settlement system used by the JSE;
“Subsequent EST Beneficiaries”	collectively, Subsequent EST Staff and Subsequent EST Managers who become EST Beneficiaries under the EST Trust Deed, post the Commencement Date;
“Subsequent EST Staff”	those persons whom the Executive Committee has determined as such from time to time on written notice to the EST Trustees in accordance with the EST Trust Deed;
“Subsequent EST Managers”	those Black persons whom the Executive Committee has determined as such from time to time on written notice to the EST Trustees in accordance with the EST Trust Deed;
“Tax Redemption Election”	an election by AECI in terms of written notice to the EST Beneficiaries and the EST Trustees on or before the EST Termination Date to redeem a sufficient number of an EST Beneficiary’s Entitlement Shares for the purposes of discharging the EST Beneficiary’s liability to pay the Specific Taxation and Expenses attributable to him, for an amount equal to the VWAP of an AECI Ordinary Share on the JSE for the 30 trading days prior to the EST Termination Date in respect of each Entitlement Share to be redeemed (being the agreed market value of the Entitlement Shares), and if such election is made the EST Beneficiary will be bound by it;
“Treasury Shares”	AECI Ordinary Shares held by AECI Treasury Holdings Proprietary Limited (registration number 1950/038853/07), a private company incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of AECI;
“TNAV”	tangible NAV;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated in South Africa, or Computershare Investor Services plc (company number 3498808), a private company incorporated in the United Kingdom; and
“VWAP”	volume weighted average price.



AECI Limited

(Incorporated in the Republic of South Africa)

(Registration number 1924/002590/06)

JSE ordinary share code: AFE

JSE preference share code: AFEP

JSE ordinary share ISIN: ZAE000000220

JSE preference share ISIN: ZAE000000238

AECI Directors

Executive:

G N Edwards (Chief Executive)

K M Kathan (Financial Director and Chief Financial Officer)

Non-executive:

F Titi (Chairman) *

R M W Dunne# *

S Engelbrecht

Z Fuphe *

M J Leeming *

L L Mda *

A J Morgan *

L M Nyhonyha *

R Ramashia *

* Independent

British

CIRCULAR TO AECI SHAREHOLDERS

1. INTRODUCTION

Shareholders are referred to the detailed cautionary announcement released on SENS on Tuesday, 26 July 2011 and published in the South African press on Wednesday, 27 July 2011, which referred to the proposed B-BBEE Transaction, the further cautionary announcement released on SENS on Tuesday, 6 September 2011 and published in the South African press on Wednesday, 7 September 2011 and the subsequent Detailed Terms Announcement, which included a withdrawal of cautionary announcement, released on SENS on Thursday, 13 October 2011 and published in the South African press on Friday, 14 October 2011.

In terms of the B-BBEE Transaction, AECI will facilitate the subscription by a broad base of Black participants, via the EST and the CST, of an effective 11,5% of AECI's Net Enlarged Issued Share Capital. The B-BBEE Transaction requires no external bank funding and will be facilitated by notional funding from AECI and a once-off capital grant to the CST.

The total value of the B-BBEE Transaction is R1,1 billion, based on the Notional Issue Price of R75,82 per AECI Ordinary Share.

Post the implementation of the B-BBEE Transaction and the KTH Transaction, it is expected that AECI will have an effective 27,4% B-BBEE equity ownership, as determined in accordance with the Codes.

The purpose of this Circular and the attached notice of General Meeting is to provide AECI Ordinary Shareholders with further information regarding the B-BBEE Transaction and to convene a General Meeting at which AECI Ordinary Shareholders will be requested to consider, and if deemed fit pass, with or without modification the resolutions required to implement the B-BBEE Transaction.

2. STRATEGIC RATIONALE

AECI supports the South African government's B-BBEE initiatives and recognises the importance of these in achieving a sustainable economic and political environment in South Africa through meaningful participation by Black people in the mainstream economy. AECI is committed to the implementation and success of broad-based empowerment throughout the Group and has already implemented a number of initiatives relating to employment equity, skills development, preferential procurement, enterprise development and corporate social investment including the initial empowerment of AEL MS, which introduced a Black strategic equity partner in 2004.

AECI's customers in the mining sector are increasingly making it a condition of their procurement from the Group that it has at least a 26% effective B-BBEE ownership. The B-BBEE Transaction will complement the KTH Transaction and it will ensure that AECI exceeds the B-BBEE ownership target being set for it by the customers who generate most of its business revenues.

Furthermore, the B-BBEE Transaction will advance AECI's empowerment objective of increasing Black participation in the Group by transferring long-term economic benefits of its success to a broad spread of Black South Africans, more specifically the Group's Eligible Employees in South Africa and, through the CST, to communities in which the AECI Group operates or has an interest.

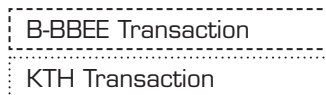
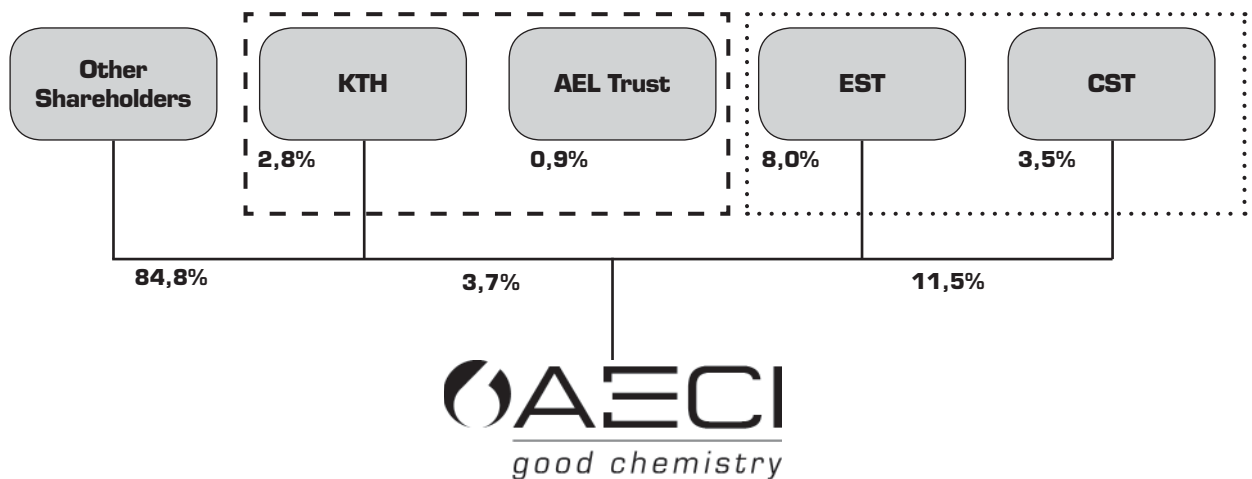
The inclusion of employees is intended to spread a significant portion of the benefits of the B-BBEE Transaction among AECI's permanent employees. The sustainability and growth prospects of AECI will be enhanced by:

- improving AECI's ability to attract, incentivise and retain Black employees and managers;
- aligning the interests of employees and AECI shareholders; and
- recognising and rewarding employees who have enabled the success of the Group.

The inclusion in the B-BBEE Transaction of Black communities in areas where AECI operates or has an interest is aimed at uplifting and developing skills pertinent to AECI's businesses, and to South Africa as a whole, in those communities. Mathematics and science education will be a particular focus.

3. B-BBEE SHAREHOLDING STRUCTURE

The diagram below illustrates the direct B-BBEE shareholding structure subsequent to the implementation of the B-BBEE Transaction and the KTH Transaction.



After applying B-BBEE Legislation relating to mandated investments and foreign operations as provided for in the Codes, it is expected that AECI will achieve an effective B-BBEE equity ownership of 27,4%.

4. OVERVIEW OF THE EMPOWERMENT PARTNERS

4.1 EST

AECI wishes to attract, incentivise and retain permanent Black employees and managers for the Group's South African operations who will make a meaningful contribution to the Group. Such permanent, Black employees and managers will be eligible to participate in the B-BBEE Transaction. In addition, permanent non-Black employees who are employed by the South African operations of the AECI Group and who do not participate in any of the AECI Group's existing long-term share incentive schemes, will be eligible to participate in the B-BBEE Transaction. The EST will be established for the benefit of the Initial EST Staff, Initial EST Managers, Subsequent EST Staff and Subsequent EST Managers.

The AECI Group currently has approximately 3 900 Eligible Employees of whom 72% are Black and of these 12% are Black women.

The EST will subscribe for the EST Subscription Shares, representing 8% of the Net Enlarged Issued Share Capital of AECI, on the terms and conditions as set out in the EST Subscription Agreement, of which approximately 7% will be earmarked for Initial EST Staff and Subsequent EST Staff and 1% for Initial EST Managers and Subsequent EST Managers. Approximately 10% of the AECI B Ordinary Shares will be set aside for future allocations to Subsequent EST Beneficiaries employed by companies in the AECI Group, during the EST Term.

4.2 CST

The CST will subscribe for the CST Subscription Shares, representing 3,5% of the Net Enlarged Issued Share Capital of AECI, on the terms and conditions as set out in the CST Subscription Agreement. The CST is intended to be a perpetual trust and will benefit the CST Beneficiaries who will be identified by the CST. In terms of the CST Trust Deed, at least 85% of the economic benefit accruing to the CST will benefit Black people and at least 30% will benefit Black women. The CST will complement AECI's existing initiatives to uplift and develop skills pertinent to AECI's businesses, and to South Africa as a whole, in Black communities where the Group operates or has an interest.

5. MECHANICS OF THE B-BBEE TRANSACTION

The B-BBEE Transaction is a notionally-financed transaction and will be implemented through:

- the creation and specific issue of 10 117 951 AECI B Ordinary Shares in the share capital of AECI, constituting 8% of the Net Enlarged Issued Share Capital of AECI; and
- the specific issue of 4 426 604 AECI Ordinary Shares in the share capital of AECI, constituting 3,5% of the Net Enlarged Issued Share Capital of AECI.

As a result, the B-BBEE Transaction will introduce 11,5% direct broad-based Black equity ownership into AECI. The KTH Transaction will introduce a further 3,7% direct Black equity ownership into AECI.

5.1 EST

The EST will subscribe for 10 117 951 AECI B Ordinary Shares for no cash consideration. The AECI B Ordinary Shares issued to the EST will equate to a market value of approximately R767 143 045, based on the Notional Issue Price. The AECI B Ordinary Shares will represent 8% of the Net Enlarged Issued Share Capital of AECI and approximately 70% of the total AECI shares to be issued under the B-BBEE Transaction. The market value of R767 143 045 will be notionally funded by AECI and settled at the end of the EST Term, through redemption of AECI B Ordinary Shares, at no monetary consideration per AECI B Ordinary Share as set out in more detail in paragraphs 5.1.4 and 5.1.5 of this Circular.

The AECI B Ordinary Shares will rank *pari passu* in all respects with AECI Ordinary Shares except as set out in paragraph 5.1.2.2 of this Circular and articles 44 and 45 of the Articles of Association as set out in Annexure 6 to this Circular, and will be issued in terms of the Memorandum of Incorporation of AECI, the Companies Act and the Listings Requirements. The AECI B Ordinary Shares remaining after the redemption will convert into new AECI Ordinary Shares as set out in more detail in paragraph 5.1.5 of this Circular.

It should be noted that the AECI B Ordinary Shares will be issued to a non-public shareholder as defined in the Listings Requirements. For the duration of the EST Lock-in Period, the

EST Beneficiaries will be deemed to have appointed the EST to hold their AECI B Ordinary Shares and AECI Ordinary Shares on their behalf as their agent and to deal with their vested AECI B Ordinary Shares in accordance with the provisions of the EST Trust Deed.

5.1.1 Establishment of the EST

5.1.1.1 Trustees

The EST Trustees will comprise five trustees in total, four of whom will be elected by the EST Beneficiaries and one of whom will be appointed by the Board.

Of the four EST Trustees elected by the EST Beneficiaries, one will be an EST Beneficiary employed by the AECI Group and three will be Independent Trustees, provided that none of those four EST Trustees will be an Executive Director of the Company. In the interim, AECI has appointed two Initial EST Trustees who undertake to resign as trustees once the full board of EST Trustees has been appointed.

The EST Trustees will exercise all voting rights in respect of the AECI B Ordinary Shares vested in the EST Beneficiaries, in accordance with the directions of the EST Beneficiaries, as well as the Pool Shares.

Three EST Trustees will constitute a quorum for the purposes of meetings of the EST Trustees (other than meetings of the Initial EST Trustees), provided that at least one of these will be the EST Trustee appointed by AECI.

If no quorum is present at any meeting of EST Trustees within 30 minutes from the specified time, the meeting will be adjourned to a date not less than seven days later, at the same time and venue, or if that date is not a Business Day, then to the next succeeding Business Day. If at such adjourned meeting a quorum is not present within 30 minutes from the time of that meeting, the EST Trustees present will be deemed to constitute a quorum.

Decisions to be taken by the EST Trustees present at a meeting of EST Trustees will take place by majority vote, with the decision of the majority deemed to be the decision of all of the EST Trustees. In the event of a deadlock between the EST Trustees, the chairman of the meeting will have a second and casting vote in addition to his deliberative vote.

5.1.1.2 Amendments

The EST Trustees and AECI will by written agreement be entitled to amend the EST Trust Deed.

For so long as the AECI Ordinary Shares are listed on the JSE, the rights attaching to the AECI B Ordinary Shares may not be amended in any material respect without the prior written approval of the JSE and will not be counted for categorisation purposes in terms of Section 9 of the Listings Requirements.

5.1.2 Subscription for AECI B Ordinary Shares

5.1.2.1 Subscription

The EST will subscribe for 10 117 951 AECI B Ordinary Shares for no cash consideration.

5.1.2.2 Creation and rights attaching to AECI B Ordinary Shares

AECI will increase its authorised share capital through the creation of 10117 951 AECI B Ordinary Shares, which will be issued by AECI to the EST in terms of the EST Subscription Agreement.

The terms of the AECI B Ordinary Shares are set out in Annexure 6 to this Circular.

The AECI B Ordinary Shares will rank *pari passu* in all respects with the AECI Ordinary Shares except, primarily, as follows:

- during the EST Lock-in Period, the AECI B Ordinary Shares will not be transferable or saleable;

- AECI B Ordinary Shareholders will receive dividends declared by Directors, provided such dividends do not in any Financial Year exceed 100% of the dividends declared on the AECI Ordinary Shares. It is expected that the AECI B Ordinary Shares will attract 10% of the dividends declared per Financial Year on the AECI Ordinary Shares;
- AECI B Ordinary Shareholders will not be able to participate in any rights offer which is implemented by the Company;
- AECI B Ordinary Shares will not be listed on any securities exchange; and
- on the EST Distribution Date an EST Beneficiary will receive that number of Entitlement Shares (after their conversion) determined in accordance with the EST Distribution Formula (as set out in paragraph 5.1.4 of this Circular) subject to any Redemption Offer accepted by the EST Beneficiary, or the redemption or the realisation of Entitlement Shares to satisfy the EST Beneficiary's Specific Taxation and Expenses.

Where Shareholders are required to vote in terms of the Listings Requirements, the JSE does not ordinarily allow unlisted securities to be taken into account in determining either a quorum or for the approval of any resolution considered at any Shareholder meeting. However, in the interests of B-BBEE Legislation, the JSE has agreed that the AECI B Ordinary Shares can be taken into account in determining a quorum and for the approval of any resolution considered at any Shareholder meeting, subject to the proviso that the rights attaching to the AECI B Ordinary Shares may not be amended in any material respect without the prior approval of the JSE and will not be counted for categorisation purposes in terms of Section 9 of the Listings Requirements.

In addition, the JSE has requested a fairness opinion on the terms of the AECI B Ordinary Shares.

5.1.3 Allocation and forfeiture of AECI B Ordinary Shares

5.1.3.1 Allocation and vesting profile

The Executive Committee will be responsible for the allocation of the AECI B Ordinary Shares. AECI B Ordinary Shares will be allocated to, and immediately vest in, the Initial EST Staff and Initial EST Managers, with effect from the Commencement Date.

The Initial EST Staff will be allocated 1 022 AECI B Ordinary Shares plus 102 AECI B Ordinary Shares for every year of completed service up to a maximum of 10 years, as indicated in the following table:

Number of years of completed service	Total number of shares to be allocated
Less than 1	1 022
1	1 124
2	1 226
3	1 328
4	1 430
5	1 532
6	1 634
7	1 736
8	1 838
9	1 940
10	2 042

The Initial EST Managers will be allocated AECI B Ordinary Shares according to the following formula:

$$\text{Initial allocation: } A = B/C$$

Where:

- A = Number of AECI B Ordinary Shares allocated to an Initial EST Manager;
- B = Annual basic salary of Initial EST Manager at the Commencement Date; and
- C = R75,82 being the Notional Issue Price.

5.1.3.2 Pool Shares

Approximately 10% of the total number of AECI B Ordinary Shares issued to the EST at the Commencement Date will be reserved for allocation to Subsequent EST Beneficiaries employed by companies in the AECI Group during the EST Term and will form part of the Pool Shares.

Until such time as the Pool Shares are vested in the EST Beneficiaries in terms of the EST Trust Deed, the EST, as the registered and beneficial owner of the Pool Shares, will have the power to exercise all voting rights in respect of such shares as the EST Trustees deem fit, subject to any requirements of the JSE.

The EST will apply any distributions received in respect of the Pool Shares towards administration costs of the EST and hold the balance in trust until the EST Distribution Date when such balance will be distributed to the EST Beneficiaries pro rata to their Entitlement Shares.

If there are any Pool Shares remaining at the end of the EST Term, the EST will distribute the Pool Shares (after their conversion into AECI Ordinary Shares) to the CST for no consideration on or before the EST Distribution Date on the basis that the CST will bear any security transfer tax or similar taxes payable in respect of such transfer.

5.1.3.3 Forfeiture profile

If an EST Beneficiary ceases to be employed by a company in the AECI Group before the EST Termination Date, the AECI B Ordinary Shares vested in this EST Beneficiary will be dealt with as follows:

- if an EST Beneficiary leaves the employment of the AECI Group through dismissal he will forfeit, for no consideration, all AECI B Ordinary Shares vested in him;
- if an EST Beneficiary leaves the employment of the AECI Group through resignation, he will forfeit a percentage of the AECI B Ordinary Shares vested in him until the EST Termination Date, as prescribed below, provided that if the EST Beneficiary in the opinion of the Executive Committee becomes employed directly or indirectly with a competitor of the Group, he will forfeit all of the AECI B Ordinary Shares vested in him:

Completed years of service during the EST Lock-in Period	Percentage of AECI B Ordinary Shares to be forfeited (%)
Less than 3	100
3 but less than 4	80
4 but less than 5	60
5 but less than 6	40
6 but less than 7	20
7 but less than 8	0

- if an EST Beneficiary leaves the employment of the AECI Group by way of retirement (including if he retires early), retrenchment, disability or the disposal of the company employing him or any business carried on by such company, he will retain his full allocation of AECI B Ordinary Shares until the EST Termination Date; and

- if an EST Beneficiary ceases to be employed by the AECI Group by reason of his death at any time prior to the EST Termination Date, that number of AECI B Ordinary Shares due to such employee will be determined as at the date of his death in accordance with the EST Distribution Formula (see paragraph 5.1.4 of this Circular). After those AECI B Ordinary Shares have been converted into AECI Ordinary Shares, they will be distributed to the executor of the estate of the deceased EST Beneficiary within six months after the date of such EST Beneficiary's death.

AECI B Ordinary Shares which are forfeited as set out in this paragraph will form part of the Pool Shares to be reallocated by the EST Trustees to Subsequent EST Beneficiaries during the remainder of the EST Term in a manner determined by the Executive Committee.

5.1.4 Distribution of AECI B Ordinary Shares at the end of the EST Term

An EST Beneficiary will be entitled on the EST Distribution Date to that number of AECI B Ordinary Shares determined in accordance with the following EST Distribution Formula:

$$A = B \left[\frac{1 - (C - E + F + X)}{D} \right]$$

Where:

- A = the number of the vested AECI B Ordinary Shares to which an EST Beneficiary is entitled, provided that:
- if A is zero or negative, there will not be a distribution of AECI B Ordinary Shares to the EST Beneficiary;
 - fractions arising will be rounded to the nearest whole number; and
 - any of the remaining vested AECI B Ordinary Shares which are not distributed will be redeemed for no consideration by the Company;
- B = the total number of AECI B Ordinary Shares vested in an EST Beneficiary at the EST Termination Date;
- C = R75,82 being the Notional Issue Price, increased by the rate of 85% of the Prime Rate compounded monthly in arrears over the EST Term;
- D = the VWAP of an AECI Ordinary Share on the JSE for the higher of the 30 or 60 trading days ending at the close of trading on the EST Termination Date;
- E = an amount equal to the dividends and any other payments and distributions which would have been paid to the EST Beneficiary on an AECI B Ordinary Share had he held AECI Ordinary Shares instead of the AECI B Ordinary Shares, over the EST Term.
- (For the purposes of calculating "E", AECI B Ordinary Shares which are allocated to and vest in the EST Beneficiaries after the EST Commencement Date will be deemed to have been allocated to and vested in the EST Beneficiaries with effect from the EST Commencement Date and those Beneficiaries will be deemed for the purposes of such calculation to have been entitled to receive the dividends and any other payments and distributions which would have been paid had the EST Beneficiary held AECI Ordinary Shares instead of those AECI B Ordinary Shares from the Commencement Date.);
- F = an amount equal to the dividends and any other payments and distributions which have actually been received on an AECI B Ordinary Share over the EST Term.
- (For the purposes of calculating "F", AECI B Ordinary Shares which are allocated to and vest in the EST Beneficiaries after the EST Commencement Date will be deemed to have been allocated to and vested in the EST Beneficiaries with effect from the EST Commencement Date and those EST Beneficiaries will be deemed for the purposes of such calculation to have been entitled to receive the dividends and any other payments and distributions which would have been paid in respect of those AECI B Ordinary Shares had they been allocated to and vested in the EST Beneficiaries with effect from the EST Commencement Date.); and
- X = an amount equal to the aggregate administration costs of the EST paid by AECI and/or the other companies forming part of the AECI Group over the EST Term, divided by the total number of AECI B Ordinary Shares held by the EST.

5.1.5 **Redemption and conversion mechanics**

The Company will on the EST Termination Date determine the Entitlement Shares and the Specific Taxation and Expenses attributable to each EST Beneficiary and will notify the EST Trustees of such determination. The EST Trustees will inform the EST Beneficiaries accordingly.

To the extent that the number of AECI B Ordinary Shares to which EST Beneficiaries are entitled is less than the AECI B Ordinary Shares vested in them, the balance will be redeemed by AECI for no consideration.

The Company may by written notice to the EST Beneficiaries and the EST Trustees on or before the EST Termination Date, make a Tax Redemption Election and/or Redemption Offer.

If the Company has made a Tax Redemption Election, the Company will redeem a sufficient number of Entitlement Shares, for an amount equal to the VWAP of an AECI Ordinary Share on the JSE for the 30 trading days prior to the EST Termination Date in respect of each redeemed Entitlement Share, in order to discharge the Specific Taxation and Expenses.

If the Company has not made a Tax Redemption Election, the EST Trustees will realise sufficient number of Entitlement Shares after their conversion into AECI Ordinary Shares in order to discharge the Specific Taxation and Expenses when due, in accordance with such procedure as the EST Trustees will determine.

If the Company has made a Redemption Offer (which will be open for acceptance for 15 days) and the EST Beneficiary accepts such offer, the Company will within 30 days after the EST Beneficiary Election Date pay to the EST Trustees in respect of each redeemed Entitlement Share an amount equal to the VWAP of an AECI Ordinary Share on the JSE for the 30 trading days prior to the EST Termination Date.

The Company will by written notice to the EST Trustees determine the date on which the Entitlement Shares which have not been redeemed will convert into AECI Ordinary Shares.

All the EST Beneficiary's converted Entitlement Shares which have not been redeemed, together with any proceeds of the realisation of Entitlement Shares (whether before or after their conversion) remaining after payment of the Specific Taxation and Expenses, will be delivered to the EST Beneficiary on or before the Distribution Date.

The maximum number of AECI B Ordinary Shares that can be redeemed by AECI is all of the AECI B Ordinary Shares in issue at the end of the EST Term, and the minimum number that can be redeemed is none with no further rights for AECI or for the holders of the AECI B Ordinary Shares in respect of the redemption of the AECI B Ordinary Shares above or below these limits.

5.2 **CST**

The community component of the B-BBEE Transaction will be facilitated through the establishment of the CST, with the aim of, among other things, enhancing education in the geographic areas where AECI operates or has an interest. The CST will participate in the B-BBEE Transaction by subscribing for 4 426 604 AECI Ordinary Shares at their par value of R1,00 per share for a total consideration of R4 426 604, which amount will be funded by means of a once-off grant from AECI. The AECI Ordinary Shares issued to the CST will be issued at the Notional Issue Price of R75,82.

The difference between the market value of the CST Subscription Shares at R335 625 115 and the once-off grant, being R331 198 511 will be notionally funded by AECI and this notional funding will be settled at the end of the CST Term through a repurchase and subsequent cancellation of AECI Ordinary Shares, for no consideration per AECI Ordinary Share, as set out in more detail in paragraphs 5.2.3 and 5.2.5 of this Circular.

The CST Subscription Shares will represent 3,5% of the Net Enlarged Issued Share Capital of AECI and approximately 30% of the total AECI Ordinary Shares to be issued under the B-BBEE Transaction.

The CST Subscription Shares will be issued in terms of the Memorandum of Incorporation, the Companies Act and the Listings Requirements.

During the CST Term, the CST will be entitled to receive all distributions in specie and capitalisation shares and 60% of any other distributions in respect of the CST Subscription Shares held by it and will not be entitled to participate in any rights offer which is implemented by AECI.

At the end of the CST Term, those CST Subscription Shares that have not been repurchased and cancelled by AECI will be retained by the CST on a perpetual basis as described in paragraphs 5.2.4 and 5.2.5 of this Circular.

5.2.1 Establishment of the CST

5.2.1.1 Trustees

The CST Trustees will comprise five trustees in total, two of whom will be appointed by the Company, and three Independent Trustees representing the CST Beneficiaries.

Of the five CST Trustees, at least three will be Black people, at least two will be Black women and at least three will be Independent Trustees. At least one of the Independent Trustees will be required to have a financial background. In the interim, AECI has appointed two Initial CST Trustees who undertake to resign as trustees once the full board of the CST Trustees has been appointed.

The Initial CST Trustees will appoint the three Independent Trustees.

The CST Trustees will vote on behalf of the CST. However, for as long the majority of the CST Trustees are not Independent Trustees, the CST Trustees shall not be entitled to vote the CST Subscription Shares held by the CST Trust.

A quorum at any CST Trustees' meeting will be a majority in number of the appointed CST Trustees, present at the commencement and for the duration of the meeting, provided that at least one of the CST Trustees appointed by the Company and at least one of the Independent Trustees will be required for a quorum.

If no quorum is present at any CST Trustees' meeting within 30 minutes from the specified time, the meeting will be adjourned to a date not less than seven days later, at the same time and venue, or if that date is not a Business Day, then to the next succeeding Business Day. If at such adjourned meeting a quorum is not present within 30 minutes from the time of that meeting, the Trustees present will be deemed to constitute a quorum.

All resolutions of CST Trustees, to be valid, must be passed by simple majority vote by those of the CST Trustees present and entitled to vote at a CST Trustees' meeting.

5.2.1.2 Amendments

The Trustees may not amend or make variations or additions to the CST Trust Deed without the prior written consent of the Company. In particular, the Trustees will also not have the power to dissolve or liquidate the CST without the prior written consent of the Company.

5.2.2 Subscription for AECI Ordinary Shares

The CST will subscribe for 4 426 604 AECI Ordinary Shares, at their par value of R1,00 per share, for a total consideration of R4 426 604 which will be funded by AECI as a once-off grant to the CST.

5.2.3 Shares to be retained by the CST on the CST Share Cancellation Date

On the CST Share Cancellation Date, a portion of the CST Subscription Shares held by the CST will be repurchased and cancelled by the Company for no consideration. The number of CST Subscription Shares to be retained by the Trust after such repurchase will be the number of AECI Ordinary Shares determined in accordance with the following CST Distribution Formula:

$$A = B \left[1 - \frac{(C - E + F)}{D} \right]$$

Where:

- A = the number of AECI Ordinary Shares to be retained by the CST, provided that fractions arising will be rounded to the nearest whole number;
- B = 4 426 604;
- C = R75,82 being the Notional Issue Price, increased by the rate of 85% of the Prime Rate compounded monthly in arrears during the CST Term;
- D = the VWAP of an AECI Ordinary Share for the higher of the 30 or 60 trading days ending at the close of trading on the CST Share Cancellation Date;
- E = an amount equal to the distributions which would have been paid to the CST in respect of an AECI Ordinary Share held by the CST as part of the CST Subscription Shares up until the CST Share Cancellation Date had the CST not waived 40% of such distributions (other than distributions in specie); and
- F = an amount equal to the dividends and any other payments and distributions which have been paid to the CST in respect of an AECI Ordinary Share held by the CST as part of the CST Subscription Shares up until the CST Share Cancellation Date.

To the extent that the number of AECI Ordinary Shares to be retained by the CST is less than the number of CST Subscription Shares, the CST will forfeit, for no consideration, that number of AECI Ordinary Shares in excess of the number of retained AECI Shares with effect from the CST Share Cancellation Date and AECI will be entitled and obliged to repurchase and cancel such shares, for no consideration.

The maximum number of CST Subscription Shares that can be repurchased by AECI is all of the CST Subscription Shares for no consideration, and the minimum number that can be repurchased is none of them.

The CST Subscription Shares which are not repurchased by AECI will remain in the CST and the CST will continue indefinitely until it is terminated.

5.2.4 Allocation of CST funds

The Trustees will, in each financial year of the CST, after having deducted from the CST Trust Income such portion as is required to pay CST Administration Costs pertaining to the financial year of the CST, allocate at least 75% of the Trust Income to the CST Beneficiaries in accordance with the CST Trust Deed, unless the Trustees on good grounds believe they are unable to do so.

CST Beneficiaries will be selected in accordance with the following criteria:

- they must be or comprise or represent at least 85% Black persons and at least 30% Black women;
- they must reside or operate in one or more of the CST Affected Areas;
- their main object or purpose should be aligned with the sole objects of the CST and/or activities for the benefit of CST Beneficiaries; and
- they must comprise or represent a broad range of interests of the persons within the relevant CST Affected Area.

5.2.5 Repurchase and cancellation of CST Subscription Shares

At the end of the CST Term, to the extent that the number of AECI Ordinary Shares to be retained by the CST as determined in accordance with the CST Distribution Formula is less than the number of CST Subscription Shares, the CST will forfeit, for no consideration, that number of AECI Ordinary Shares in excess of the number of retained AECI Ordinary Shares with effect from the CST Share Cancellation Date and AECI will be entitled and obliged to repurchase and cancel such shares for no consideration.

The repurchase will be subject to the Listings Requirements.

Prior to proceeding with the repurchase, the Board will confirm that:

- the Group will be able in the ordinary course of business to pay its debts for a period of 12 months from the date of the repurchase;

- the assets of Group will be in excess of the liabilities of the Group for a period of 12 months from the date of the repurchase. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;
- the share capital and reserves of the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the repurchase;
- the working capital of the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the repurchase; and
- a resolution has been passed by the Board authorising the repurchase and confirming that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group.

The remaining CST Subscription Shares will be held by the CST until it is terminated.

5.3 Corporate action

Should an Affected Transaction occur or the AECI Ordinary Shares be delisted from the JSE or the Company undertake a corporate restructuring or other corporate action including, without limitation, any rights issue (which will materially alter the capital structure of the Company), the Company may:

- adjust the formulae as set out in paragraphs 5.1.4 and 5.2.3 of this Circular;
- consolidate or sub-divide the AECI B Ordinary Shares;
- convert the AECI B Ordinary Shares into AECI Ordinary Shares; and
- amend the provisions of the EST Trust Deed and/or CST Trust Deed to the extent necessary to place the EST Beneficiaries and the CST Beneficiaries respectively in substantially the same position in which they would have been had the above events not occurred.

The EST Trustees and CST Trustees will appoint an independent professional expert, approved by the Company, to certify to the Company whether or not the EST Beneficiaries and CST Beneficiaries have been placed in a position which is the same or substantially similar to the position in which they were immediately prior to the occurrence of any of such events.

6. CONDITIONS PRECEDENT

The B-BBEE Transaction is subject, inter alia, to the fulfilment of the following conditions precedent:

- the passing of all requisite special and ordinary resolutions by the requisite majority of votes at the General Meeting;
- the filing of any special resolution with CIPC, to the extent required; and
- the Master having issued letters of authority to the Initial EST Trustees and the Initial CST Trustees to act as such.

7. ECONOMIC COST

AECI has estimated the economic cost of implementing the B-BBEE Transaction for AECI and Ordinary Shareholders to be approximately R257 million. This figure has been calculated in accordance IFRS2.

8. EMPOWERMENT LEVEL

In terms of the Codes, when applying the principle of excluding the value of foreign operations (currently approximately 29%) and mandated investments from the shareholder base of AECI (up to a maximum of 40%), the effective B-BBEE shareholding in the Net Enlarged Issued Share Capital of AECI, as a result of the B-BBEE Transaction and the KTH Transaction, is expected to be 27,4%.

9. APPROVAL FOR FINANCIAL ASSISTANCE

AECI Shareholders will be requested to approve a special resolution to sanction the giving of financial assistance by the Company for the purpose of or in connection with the subscription by the EST for AECI B Ordinary Shares and by the CST for AECI Ordinary Shares in the Company, as envisaged in Section 44(3)(a)(ii) of the Companies Act. Special resolution number 3 deals with the deletion of article 4.1 of the Articles of Association in order to allow for such financial assistance.

10. COSTS OF THE B-BBEE TRANSACTION

- 10.1 Preliminary expenses to the amount of R5 581 229 have been incurred by AECI with regards to the B-BBEE Transaction, within the three years preceding the date of this Circular.
- 10.2 AECI will bear the following additional costs incurred in relation to the B-BBEE Transaction, including the costs of this Circular:

Service	Service provider	Amount (R'000)
Investment bank and transaction sponsor	Standard Bank	4 500
Attorneys and tax advisers	Webber Wentzel	2 000
Reporting accountants and auditors	KPMG Inc.	135
Accounting advisers	Deloitte & Touche	130
Independent professional expert	E&Y	275
Transfer secretaries	Computershare	10
JSE documentation inspection fees	JSE Issuer Services	30
JSE listing fees	JSE Issuer Services	122
Empowerment adviser	Empowerdex	100
Implementation and programme managers	Barnstone	1 600
Publishing and printing	Ince Proprietary Limited	133
Total		9 035

All the fees payable to the parties above are exclusive of VAT.

11. LISTING ON THE JSE

It is intended that all AECI Ordinary Shares issued in terms of the B-BBEE Transaction will be listed on the JSE on or about Friday, 2 December 2011. The AECI B Ordinary Shares will not be listed on the JSE.

12. INFORMATION RELATING TO AECI

12.1 Nature of business

AECI is a specialty product and services group of companies which provides value-adding solutions to customers through science, technology and industry knowledge. The focus is on serving the mining and manufacturing sectors. AECI's core businesses serve international and regional markets. The businesses are characterised by application know-how and service delivery, operate in niche markets and are supported by leading international technology alliances. The Company's businesses include AEL MS, a cluster of specialty chemicals business units, Heartland and SANS Technical Fibers.

AEL MS is a developer, producer and supplier of commercial explosives, initiating systems and blasting services for the mining, quarrying and construction sectors in Africa and further afield, particularly Indonesia. AEL MS's excellent technology and product positions in initiating systems and bulk explosives have enabled it to enter into mutually beneficial channel partnerships with leading regional explosives players in Europe and in Latin America. Furthermore, DetNet aims to be the international leader in the design, production and sale of specialised electronic detonators.

The specialty chemicals cluster comprises 17 independent businesses which supply specialty chemical raw materials and related services for industrial use across a broad spectrum of customers in the manufacturing and mining sectors in South Africa and Southern Africa. Sales, distribution, production and laboratory facilities are extensive.

In addition to its core businesses, the AECI Group has a valuable land asset, the release of which is managed carefully. The property activities are managed by Heartland and this company seeks to optimise the value of the property holdings surplus to AECI's operational requirements by selling land and by selectively investing in revenue-producing buildings in order to grow an existing portfolio of rental properties.

SANS Technical Fibers, in the USA, is the AECI Group's fourth business. It manufactures and markets a range of high performance, specialty nylon industrial yarns for niche market applications in the USA, Asia and Europe.

12.2 Operating businesses

12.2.1 AEL Mining Services (AEL MS)

AEL MS is a leading developer, producer and supplier of commercial explosives, initiating systems and blasting services for mining and infrastructure markets in Africa. Significant operations in selected international markets have also been established. In terms of size and technological capability, AEL MS is a top five player in the global explosives market. Its Head Office is situated in Modderfontein, Johannesburg, South Africa. AEL MS has three main businesses:

- AEL MS Southern Africa, with key focus area being gold, platinum, coal, chrome and uranium mining, and construction;
- AEL MS Africa, which services customers across a broad range of mining sectors and the infrastructure sector in Botswana, the Democratic Republic of Congo, Ghana, Tanzania, Zambia, Zimbabwe and several other African countries; and
- AEL MS International, which operates in selected regions including Asia Pacific, most notably coal mines in Indonesia. AEL MS also has a presence in Europe and in Latin America, mostly through channel partnerships.

12.2.2 Specialty chemicals

Each of the specialty chemical businesses in the cluster aspires to be the supplier of choice for customers in its markets, supported by the best technology available, a carefully designed service package, and the lowest possible cost base. Technology is sourced from international partners and is also developed in-house.

Full service package business models provide customers with innovative solutions to their chemistry-driven requirements and differentiate AECI's businesses from competitors in terms of skills, competencies and value-add for their customers.

Historically, the AECI Group's specialty chemicals cluster has grown by acquisition and by organic growth. In 2010 the major capital investment programme that began in 2007 was completed, with all plants commissioned.

The cluster has major sites in Johannesburg and Durban, with a number of smaller operations country-wide. The Group's mining chemicals thrust is anchored in Senmin, part of the chemicals cluster. Senmin operates at Sasolburg in the Free State.

12.2.3 Heartland

Assets in Heartland's portfolio include both land and buildings. Within Heartland, activities are organised as follows:

- Land Development focuses on the sale or realisation of surplus land assets, comprising mainly 2 300 hectares in Modderfontein, Johannesburg, and 780 hectares in Somerset West, near Cape Town. Primary activities include:
 - strategic land use planning to cater for anticipated market demand;
 - optimal design of bulk infrastructure including roads, water and electrical reticulation;
 - installation of township infrastructure on a just-in-time basis;
 - environmental authorisations; and
 - the realisation of land, including marketing, sales and transfer.
- Property Investment is dedicated to maximising the return from a portfolio of buildings in the form of 320 000m² of lettable industrial and office space.
- Facilities Management ensures that tenants operating at the Umbogintwini Industrial Complex, south of Durban in KwaZulu-Natal, are provided with water, electricity, steam and effluent treatment to meet their specific requirements.

In providing these core functions, Heartland assumes the land owner's responsibility in terms of estate management and rehabilitation obligations. The latter are a legacy of historical chemical operations at AECI's sites.

12.2.4 SANS Technical Fibers (STF)

STF is the global leader in nylon 66 yarns and is the preferred main supplier of yarn to the largest international sewing thread producers. Most of the company's business is focused on automotive end uses, predominantly interior sewing threads but also under-the-hood applications. STF is the leader in this field in North America and Europe and now has a 50% international sales mix.

12.3 Current prospects

AECI management's current focus is on:

- the successful incorporation of recent acquisitions into existing businesses in the specialty chemicals cluster;
- the continued ramp-up of new plants at AEL MS and Senmin;
- the careful management and reduction of working capital levels; and
- cost-focused leadership.

The AECI Group will leverage AEL MS's extensive African footprint to provide a channel for other businesses to market their products and services across the continent. Similarly, the AECI Group's suite of mining services will be grown and developed in selected markets, such as Indonesia, whilst new business opportunities in Africa's oil, water and gas industries are being explored. Opportunities in sectors such as food chemicals and personal care are also being investigated in African countries with growing consumer markets. These initiatives have significant scope and are indicative of the extent of AECI's growth potential.

12.4 Corporate governance

AECI is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders and supports the recommendations of the King Code.

Extracts of the corporate governance policies and practices adopted by the Company are set out in Annexure 8 to this Circular.

13. FINANCIAL INFORMATION

13.1 Unaudited pro forma financial information and effects

The unaudited pro forma financial effects as set out in this paragraph have been prepared to assist AECI Ordinary Shareholders to assess the impact of the B-BBEE Transaction on the EPS, HEPS, NAV and TNAV per AECI Ordinary Share. The material assumptions are set out in the notes following the table.

The unaudited pro forma financial effects are presented for illustrative purposes only and because of their nature may not fairly present AECI's financial position, changes in equity, results of operations or cash flows after the B-BBEE Transaction.

It has been assumed for purposes of the pro forma financial effects that the B-BBEE Transaction took place with effect from 1 January 2011 for statement of comprehensive income purposes and at 30 June 2011 for statement of financial position purposes. The Directors are responsible for the preparation of the unaudited pro forma financial effects.

	Before	Effects of the B-BBEE Transaction	After the B-BBEE Transaction	Percentage change (%)	Effects of the KTH Transaction	After the B-BBEE Transaction and the KTH Transaction	Percentage change (%)
EPS (cents)	275	(127)	148	(46)	10	158	(43)
HEPS (cents)	265	(128)	137	(48)	11	148	(44)
NAV per share (cents)	4 186	0	4 186	0	(49)	4 137	(1)
TNAV per share (cents)	3 184	0	3 184	0	(7)	3 177	(0)

Notes:

1. The "Before" column has been extracted without adjustment from the condensed consolidated unaudited interim financial results for the half-year ended 30 June 2011.
2. The "After the B-BBEE Transaction" EPS and HEPS have been adjusted to include the IFRS2 charge of the EST (R14,7 million) and the CST (R120,2 million), as well as implementation expenses of R2,0 million. The charge relating to the EST is spread over the vesting period and varies from year to year whilst the charge relating to the CST is recognised immediately. The weighted average number of shares in issue has been adjusted to exclude the 10,1 million shares issued to the EST as these shares are treasury shares and have not been issued to external parties. The weighted average number of shares in issue has been adjusted further to exclude the 4,4 million shares relating to the CST as these shares are contingently returnable and are treated as not outstanding until the date they are no longer subject to cancellation.
3. The "After the B-BBEE Transaction" NAV and TNAV have been adjusted to include the IFRS2 charge of the CST, though this has no effect on the NAV or TNAV. The weighted average number of shares in issue has been adjusted to exclude the 10,1 million shares issued to the EST as these shares are treasury shares and have not been issued to external parties. The weighted average number of shares in issue has been adjusted further to exclude the 4,4 million shares relating to the CST as these shares are contingently returnable and are treated as not outstanding until the date they are no longer subject to cancellation.
4. The "After the B-BBEE Transaction and KTH Transaction" EPS and HEPS have been adjusted to include the extra 25,1% earnings of AEL MS which are no longer attributable to the KTH Consortium. It further includes the fees and tax effect thereof which will no longer be paid to the KTH Consortium. The weighted average number of shares in issue has been adjusted to include the 4,7 million shares issued to the KTH Consortium and as being in issue for the entire period.
5. The "After the B-BBEE Transaction and KTH Transaction" NAV and TNAV have been adjusted to include the KTH Consortium's non-controlling interest acquired by the Group and to include the issue of 4,7 million shares relating to the KTH Transaction and as being in issue for the entire period.
6. The unaudited pro forma financial statements have been set out in Annexure 1 to this Circular. The reporting accountants' report on the pro forma financial information is set out in Annexure 2 to this Circular.

13.2 Share capital

- 13.2.1 The authorised and issued share capital of AECl prior to the implementation of the B-BBEE Transaction is set out below:

	R'm
Authorised share capital	
180 000 000 AECl Ordinary Shares of R1,00 each	180
3 000 000 Preference Shares of R2,00 each	6
Total authorised share capital	186
Issued share capital	
107 251 170 AECl Ordinary Shares of R1,00 each	107
3 000 000 Preference Shares of R2,00 each	6
Total issued share capital	113

- 13.2.2 The authorised and issued share capital and share premium of AECl following the implementation of the B-BBEE Transaction are set out below:

	R'm
Authorised share capital	
180 000 000 AECl Ordinary Shares of R1,00 each	180
3 000 000 Preference Shares of R2,00 each	6
10 117 951 AECl B Ordinary Shares	0
Total authorised share capital	186
Issued share capital	
111 677 774 AECl Ordinary Shares of R1,00 each	112
3 000 000 Preference Shares of R2,00 each	6
10 117 951 AECl B Ordinary Shares	0
Total issued share capital	118

- 13.2.3 As at the Last Practicable Date, 11 884 699 shares were held as Treasury Shares.
- 13.2.4 In terms of the Company's Articles of Association all payments of dividends on the Preference Shares and all payments to be made in respect of the Preference Shares in the event of liquidation will be made in pound sterling and calculated as though the shares were one pound sterling per share. The capital repayment to Preference Shareholders, in the event of liquidation, is limited to 3 150 000 pound sterling (1,05 pound sterling per share).
- 13.2.5 There have been no issues of shares for cash by the Company during the three years preceding the date of this Circular.

13.3 Major Ordinary Shareholders

As at 26 August 2011, AECI Ordinary Shareholders (other than the Directors) who, insofar as is known to AECI, were beneficially interested, directly or indirectly, in 5% or more of the ordinary share capital of AECI, were as follows:

Beneficial shareholder	Number of shares	Percentage shareholding (%)
Coronation Fund Managers	24 514 173	20,07
Public Investment Corporation	12 705 493	10,40
AECI Treasury Holdings	11 884 699	9,70
Allan Gray Investment Council	8 854 171	7,24
Kagiso Asset Management (acting as a nominee company)	7 591 626	6,22
Old Mutual Investment Group SA	6 855 102	5,61
	72 405 264	59,24

AECI had no controlling shareholder as at 26 August 2011.

13.4 Trading history of AECI Ordinary Shares

The trading history of AECI Ordinary Shares is set out in Annexure 4 to this Circular.

14. DIRECTORS AND DIRECTORS' INTERESTS

14.1 Directors and senior management

The information relating to the Directors, Executive Committee and senior managers is set out in Annexure 7 to this Circular.

14.2 Directors' interests in AECI

The direct and indirect beneficial interests of the Directors, including any Director who resigned within the last 18 months, in AECI Ordinary Shares at 31 December 2010, are set out below:

	Direct beneficial	Indirect beneficial	Associates' interest	Total	Percentage of issued ordinary share capital (%)
Executive					
G N Edwards	2 010	–	–	2 010	0,002
Non-executive					
S Engelbrecht	46 629	600	–	47 229	0,039
M J Leeming	2 500	7 000	–	9 500	0,008
Total	51 139	7 600	–	58 739	0,049

Movements in the direct and indirect beneficial holdings of Directors in AECI Ordinary Shares between 31 December 2010 and Last Practicable Date are set out below:

Director	Date of trade	Nature of trade	Number of shares	Execution price
M J Leeming	17 June 2011	Sale of indirect beneficial interest	5 000	82 shares at R84,08 and 4 918 shares at R84,00

14.3 Share option scheme

The table below reflects the share options issued to Directors as at 31 December 2010:

	Exercise price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
G N Edwards	23,60	14 000	-	-	14 000
S Engelbrecht	4,50	50 000	50 000	-	-
S Engelbrecht	17,50	40 000	40 000	-	-
S Engelbrecht	23,60	67 600	-	-	67 600
		171 600	90 000	-	81 600

Movements in the number of share options held by the Directors during the 2010 Financial Year were as follows:

	Number of options
Outstanding at the beginning of 2010	114 600
Changes in Directors during 2010	(34 000)
Outstanding at the end of 2010	81 600

There were no changes to the information disclosed above between 31 December 2010 and the Last Practicable Date.

14.4 Cash-settled Share-based Scheme (Benefit Units)

The table below reflects the Benefit Units issued to Directors as at the Last Practicable Date:

	Date granted	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
G N Edwards	March 2005	41,00	10 300	-	-	10 300
G N Edwards	August 2006	56,00	6 700	-	-	6 700
G N Edwards	March 2007	70,90	5 750	-	-	5 750
G N Edwards	March 2008	67,25	26 000	-	-	26 000
G N Edwards	March 2009	43,42	41 300	-	-	41 300
G N Edwards	March 2010	59,80	32 542	-	-	32 542
G N Edwards	March 2011	83,82	25 100	-	-	25 100
S Engelbrecht	March 2005	41,00	57 000	-	-	57 000
S Engelbrecht	August 2006	56,00	28 125	-	-	28 125
S Engelbrecht	March 2007	70,90	26 200	-	-	26 200
K M Kathan	March 2009	43,42	59 700	-	-	59 700
K M Kathan	March 2010	59,80	47 320	-	-	47 320
K M Kathan	March 2011	83,82	18 100	-	-	18 100
			384 137	-	-	384 137

14.5 Earnings-based Incentive Scheme (EBIS)

The table below reflects the EBIS units issued to Directors as at the Last Practicable Date:

	Date granted	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
G N Edwards	March 2003	3,40	275 000	-	-	275 000
G N Edwards	March 2005	3,92	323 000	-	-	323 000
G N Edwards	August 2006	5,16	220 000	-	-	220 000
G N Edwards	March 2007	5,42	225 400	-	-	225 400
G N Edwards	March 2008	5,12	340 700	-	-	340 700
G N Edwards	March 2009	5,96	300 700	-	-	300 700
G N Edwards	March 2010	3,34	582 636	-	-	582 636
G N Edwards	March 2011	5,84	359 900	-	-	359 900
S Engelbrecht	March 2003	3,40	470 000	-	-	470 000
S Engelbrecht	March 2005	3,92	596 400	-	-	596 400
S Engelbrecht	August 2006	5,16	305 250	-	-	305 250
S Engelbrecht	March 2007	5,42	342 500	-	-	342 500
K M Kathan	March 2009	5,96	435 000	-	-	435 000
K M Kathan	March 2010	3,34	847 231	-	-	847 231
K M Kathan	March 2011	5,84	259 200	-	-	259 200
			5 882 917			5 882 917

14.6 Directors' interests in transactions

None of the Directors, including any Director who resigned within the last 18 months, has or had any material beneficial interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the AECI Group taken as a whole, and which was effected by the Company during the current or immediately preceding Financial Year or during any earlier Financial Year and which remains outstanding or unperformed in any respect.

14.7 Directors' remuneration

The remuneration receivable by the Directors will not be varied as a result of the B-BBEE Transaction.

15. LITIGATION STATEMENT

As at the Last Practicable Date, AECI was not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months from the date of issue of this Circular, a material effect on the AECI Group's financial position.

16. ADEQUACY OF WORKING CAPITAL

The Directors have undertaken to provide to the Company's sponsor with confirmation in terms of working capital adequacy prior to any specific repurchase of AECI Ordinary Shares in terms of the B-BBEE Transaction.

17. MATERIAL CHANGES

There have been no material changes to the financial or trading position of AECI and its subsidiaries between 30 June 2011, being the end of AECI's immediate preceding interim period, and the Last Practicable Date.

18. FAIRNESS OPINION

As referred to in paragraph 5 of this Circular, in terms of the Listings Requirements, a fairness opinion is required on the terms of the AECI B Ordinary Shares. The Board appointed E&Y as independent professional expert. E&Y's opinion is that the terms of the AECI B Ordinary Shares are fair. Their opinion is set out in Annexure 3 to this Circular.

19. DIRECTORS' OPINION AND RECOMMENDATION

The Board has considered the independent expert's opinion prepared by E&Y on the terms of the AECI B Ordinary Shares, as set out in Annexure 3 to this Circular.

The Board has further considered the terms and conditions of the B-BBEE Transaction and is of the unanimous opinion that such terms and conditions are fair to Shareholders and recommends that Shareholders vote in favour of the resolutions necessary to adopt and implement the B-BBEE Transaction, to be proposed at the General Meeting.

20. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names appear on page 14 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, there are no facts the omission of which would make any statement in this Circular false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this Circular contains all information required by South African law and by the Listings Requirements. The Directors further confirm that to the best of their knowledge and belief, any statements regarding B-BBEE credentials following the implementation of the B-BBEE Transaction and the KTH Transaction are correct and that they have made all reasonable enquiries in this regard.

21. CONSENTS

Each of the advisers whose names appear in the "Corporate Information and Advisers" section of this Circular have consented and have not, prior to the Last Practicable Date, withdrawn their written consent to the inclusion of their names in the form and context in which they appear in this Circular.

22. GENERAL MEETING

In order to implement the B-BBEE Transaction, AECI is required to amend its Memorandum of Incorporation to create and to set out the terms and conditions of the AECI B Ordinary Shares. Such amendments require approval by a 75% majority vote of Ordinary Shareholders who are present in person or represented by proxy, excluding any parties and their associates participating in the B-BBEE Transaction.

The issue of AECI Ordinary Shares and AECI B Ordinary Shares to the EST and CST constitute specific issues of shares for cash in terms of the Listings Requirements. Such issues require the approval of an ordinary resolution by a 75% majority vote of Ordinary Shareholders in General Meeting present or represented by proxy, excluding any parties and their associates participating in the B-BBEE Transaction.

The authority for a specific repurchase of shares requires the approval of a special resolution by a 75% majority vote of Ordinary Shareholders in General Meeting present in person or by proxy, excluding any parties and their associates participating in the specific repurchase.

A notice of General Meeting of AECI Ordinary Shareholders is attached to and forms part of this Circular. The General Meeting is convened to be held at 13:00 on Thursday, 24 November 2011, at AECI Place, Ground Floor, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton, for the purpose of considering, and if deemed fit, passing with or without modification the resolutions required to implement the B-BBEE Transaction.

AECI Shareholders are referred to the section entitled "Action Required by AECI Shareholders" on page 1 of this Circular for the action required in respect of the General Meeting.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of AECl during normal business hours (excluding Saturdays, Sundays and public holidays) from the date of issue of this Circular up to and including Thursday, 24 November 2011:

- this Circular;
- a copy of the reporting accountants' report on the unaudited pro forma financial information and effects of the B-BBEE Transaction;
- a copy of E&Y's fairness opinion;
- the audited annual financial statements of AECl for the 2008, 2009 and 2010 Financial Years, together with all notes, certificates or information required by the Act;
- the condensed consolidated unaudited interim financial results for the half-year ended 30 June 2011;
- copies of the B-BBEE Transaction Agreements;
- the Memoranda of Incorporation of AECl and its subsidiaries; and
- consent letters of the investment bank and transaction sponsor, attorneys and tax advisers, reporting accountants and auditors, accounting advisers, independent professional expert, Transfer Secretaries, corporate sponsor and the programme and implementation managers.

SIGNED ON 25 OCTOBER 2011 AT WOODMEAD, SANDTON FOR AND ON BEHALF OF THE BOARD

G N Edwards
Chief Executive

F Titi
Chairman

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of comprehensive income and statement of financial position are set out below and have been prepared to assist AECI Ordinary Shareholders to assess the impact of the B-BBEE Transaction on the financial position of AECI.

It has been assumed for purposes of the pro forma financial effects that the B-BBEE Transaction and the KTH Transaction took place with effect from 1 January 2011 for statement of comprehensive income purposes and at 30 June 2011 for statement of financial position purposes.

No adjustments have been made to the pro forma financial information other than in respect of the corporate action contemplated in this Circular. Due to its nature, this pro forma financial information may not fairly present AECI's financial position, changes in equity, results of operations or cash flows on implementation of the B-BBEE Transaction. The pro forma financial information and effects are the responsibility of the Board and are provided for illustrative purposes only.

The pro forma financial information as set out below should be read in conjunction with the report of the independent reporting accountants which is included as Annexure 2 to this Circular.

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2011

	Before R'm	Effects of the B-BBEE Transaction R'm	After the B-BBEE Transaction R'm	Effects of the KTH Transaction R'm	After the B-BBEE Transaction and the KTH Transaction R'm
Revenue	5 969		5 969		5 969
Net operating costs	(5 423)	(2)	(5 425)	3	(5 422)
Profit from operations	546	(2)	544	3	547
Share-based payment transactions	–	(135)	(135)		(135)
Net income from Pension Fund employer surplus accounts	1		1		1
Net income from plan assets for post-retirement medical aid	14		14		14
Interest expense	561	(137)	424	3	427
Interest received	(106)		(106)		(106)
Share of profit of associate companies	16		16		16
	–		–		–
Profit before tax	471	(137)	334	3	337
Income tax expense	(152)		(152)	(1)	(153)
Profit for the year	319	(137)	182	2	184
Attributable to:					
Ordinary shareholders	295	(137)	158	18	176
Preference shareholders	1		1		1
Non-controlling interest	23		23	(16)	7
	319	(137)	182	2	184
Per ordinary share (cents)					
– Basic earnings	275	(127)	148	10	158
– Diluted basic earnings	274	(132)	142	10	152
– Headline earnings	265	(128)	137	11	148
– Diluted headline earnings	264	(132)	132	11	143

Notes:

1. The "Before" column has been extracted without adjustment from the condensed consolidated unaudited interim financial results for the half-year ended 30 June 2011.
2. The "After the B-BBEE Transaction" EPS and HEPS have been adjusted to include the IFRS2 charge of the EST (R14,7 million) and the CST (R120,1 million), as well as implementation expenses of R2,0 million. The charge relating to the EST is spread over the vesting period and varies from year to year whilst the charge relating to the CST is recognised immediately. The weighted average number of shares in issue has been adjusted to exclude the 10,1 million shares issued to the EST as these shares are treated as treasury shares and have not been issued to external parties. The weighted average number of shares in issue has been adjusted further to exclude the 4,4 million shares relating to the CST as these shares are contingently returnable and are treated as not outstanding until the date they are no longer subject to cancellation.
3. The "After the B-BBEE Transaction and KTH Transaction" EPS and HEPS have been adjusted to include the extra 25,1% earnings of AEL MS which are no longer attributable to the KTH Consortium, fees and the tax effect thereof which will no longer be paid to the KTH Consortium and the weighted average number of shares in issue has been adjusted further to include the 4,7 million shares issued to the KTH Consortium and as being in issue for the entire period.

**STATEMENT OF FINANCIAL POSITION
as at 30 June 2011**

	Before R'm	Effects of the B-BBEE Transaction R'm	After the B-BBEE Transaction R'm	Effects of the KTH Transaction R'm	After the B-BBEE Transaction and the KTH Transaction R'm
ASSETS					
Non-current assets	5 756	–	5 756	–	5 756
Property, plant and equipment	3 622		3 622		3 622
Investment property	446		446		446
Goodwill	1 074		1 074		1 074
Pension Fund employer surplus accounts	231		231		231
Investments	26		26		26
Loans receivable	20		20		20
Deferred tax	337		337		337
Current assets	5 461	–	5 461	–	5 461
Inventories	2 180		2 180		2 180
Accounts receivable	2 421		2 421		2 421
Cash and cash equivalents	860		860		860
Total assets	11 217	–	11 217	–	11 217
EQUITY AND LIABILITIES					
Ordinary capital and reserves	4 489	–	4 489	141	4 630
Share capital and share premium	215	4	219	360	579
Other reserves	189	116	305		305
Retained earnings	4 085	(120)	3 965	(219)	3 746
Preference share capital	6		6		6
Non-controlling interest	169		169	(141)	28
Total shareholders' interest	4 664	–	4 664	–	4 664
Non-current liabilities	1 817	–	1 817	–	1 817
Deferred tax	117		117		117
Borrowings	709		709		709
Provisions	991		991		991
Current liabilities	4 736	–	4 736	–	4 736
Accounts payable	2 158		2 158		2 158
Borrowings	2 452		2 452		2 452
Tax payable	126		126		126
Total liabilities	6 553	–	6 553	–	6 553
Total equity and liabilities	11 217	–	11 217	–	11 217
Net Asset Value per share (cents)	4 186	–	4 186	(49)	4 137
Tangible Net Asset Value per share (cents)	3 184	–	3 184	(7)	3 177

Notes:

1. The "Before" column has been extracted without adjustment from the condensed consolidated unaudited interim financial results for the half-year ended 30 June 2011.
2. The "After the B-BBEE Transaction" NAV and TNAV have been adjusted to include the IFRS2 charge of the CST, though this has no effect on the NAV or TNAV. The weighted average number of shares in issue has been adjusted to exclude the 10,1 million shares issued to the EST as these shares are treated as treasury shares and have not been issued to external parties. The weighted average number of shares in issue has been adjusted further to exclude the 4,4 million shares relating to the CST as these shares are contingently returnable and are treated as not outstanding until the date they are no longer subject to cancellation.
3. The "After the B-BBEE and the KTH Transaction" NAV and TNAV have been adjusted to include the KTH non-controlling interest acquired by the Group and to include the issue of 4,7 million shares relating to the KTH Transaction and as being in issue for the entire period.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

"The Directors
AECI Limited
1st Floor, AECI Place
24 The Woodlands
Woodlands Drive
Woodmead
Sandton

19 October 2011

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL EFFECTS

INTRODUCTION

We have performed our limited assurance engagement with regard to the unaudited pro forma financial effects, statements of comprehensive income and financial position (collectively "the pro forma financial information") of AECI Limited ("AECI") set out in paragraph 13.1 and Annexure 1 of this Circular, to be dated on or about Wednesday, 26 October 2011 ("Circular"), issued in connection with the B-BBEE Transaction ("Transaction"), which is the subject of this Circular.

The pro forma financial information has been prepared for purposes of complying with the requirements of the JSE Limited ("JSE"), for illustrative purposes only, to provide information about how the Transaction might have affected the reported financial information had the Transaction been undertaken on 1 January 2011 for purposes of the statement of comprehensive income and at 30 June 2011 for purposes of the statement of financial position.

Because of its nature, the pro forma financial information may not present a fair reflection of the financial position, changes in equity, and results of operations or cash flows of AECI after the Transaction.

DIRECTORS' RESPONSIBILITY

The directors of AECI ("the Directors") are solely responsible for the compilation, contents and presentation of the pro forma financial information contained in this Circular and for the financial information from which it has been prepared.

Their responsibility includes determining that the pro forma financial information contained in this Circular has been properly compiled on the basis stated, the basis is consistent with the accounting policies of AECI and the pro forma adjustments are appropriate for the purposes of the pro forma financial information as disclosed in terms of the JSE Listings Requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the pro forma financial information included in this Circular. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial information and the Guide on Pro Forma Financial Information issued by the South African Institute of Chartered Accountants.

This requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain sufficient appropriate audit evidence to support our limited assurance conclusion, expressed below.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

SOURCES OF INFORMATION AND WORK PERFORMED

Our procedures consisted primarily of comparing the unadjusted reviewed condensed interim financial information of AECL with the source documents, considering the pro forma adjustments in light of the accounting policies of AECL, considering the evidence supporting the pro forma adjustments, recalculating the amounts based on the information obtained and discussing the pro forma financial information with the Directors.

In arriving at our conclusion, we have relied upon reviewed published interim financial information prepared by the Directors of AECL and other information from various public, financial and industry sources.

Whilst our work performed involved an analysis of the reviewed interim financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the International Standards on Auditing or the International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

OPINION

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the pro forma financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of AECL; and
- the adjustments are not appropriate for the purposes of the pro forma financial information as disclosed pursuant to Section 8.30 of the JSE Listings Requirements.

CONSENT

We consent to the inclusion of this letter and the reference to our opinion in this Circular to be issued by AECL in the form and context in which it appears.

Yours faithfully

KPMG Inc.

Per **Nick van Niekerk**

Chartered Accountant (SA)

Registered Auditor

Director

85 Empire Road
Parktown
2193

INDEPENDENT PROFESSIONAL EXPERT OPINION

"The Directors
AECI Limited
First Floor, AECI Place
24 The Woodlands
Woodlands Drive
Woodmead
Sandton
South Africa

19 October 2011

FAIRNESS OPINION IN RESPECT OF THE EMPLOYEE SHARE TRUST ("EST") PORTION OF THE PROPOSED NEW BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("B-BBEE") TRANSACTION ("NEW B-BBEE TRANSACTION" OR "B-BBEE TRANSACTION" OR "TRANSACTION"), TO BE UNDERTAKEN BY AECI LIMITED ("AECI")

Dear Sirs

INTRODUCTION

Shareholders are referred to the detailed cautionary announcement released on SENS on Tuesday, 26 July 2011 and published in the South African press on Wednesday, 27 July 2011, which referred to the proposed B-BBEE Transaction, the further cautionary announcement released on SENS on Tuesday, 6 September 2011 and published in the South African press on Wednesday, 7 September 2011 and the subsequent Detailed Terms Announcement, which included a withdrawal of the cautionary announcement, released on SENS on Thursday, 13 October 2011 and published in the South African press on Friday, 14 October 2011.

In terms of the B-BBEE Transaction, AECI will facilitate the subscription by a broad base of Black people, via the EST and the CST, of an effective 11,5% of AECI's Net Enlarged Issued Share Capital. The B-BBEE Transaction requires no external bank funding and will be facilitated by notional funding from AECI and a once-off capital grant to the CST.

The total value of the B-BBEE Transaction is R1,1 billion, based on the Notional Issue Price of R75,82 per AECI Ordinary Share.

Post the implementation of the B-BBEE Transaction and the KTH Transaction, it is expected that AECI will have an effective 27,4% B-BBEE equity ownership, as determined in accordance with the Codes.

SCOPE

We have been appointed by the Board of AECI as an independent professional expert to provide a fairness opinion on the EST portion of the New B-BBEE Transaction, as it constitutes the issue of a new class of unlisted shares in terms of Section 5 of the Listings Requirements of the JSE Limited.

The CST portion of the New B-BBEE Transaction does not require a fairness opinion as it relates to the issue of AECI listed ordinary shares to a non-related party and not unlisted shares as is the case for the EST portion. The KTH Transaction is addressed in a separate fairness opinion letter.

Our fairness opinion does not purport to cater for individual Shareholder positions but rather for the general body of Shareholders.

DEFINITION OF FAIRNESS FOR THE PURPOSES OF OUR OPINION

For the purposes of our opinion, “fairness” is based on quantitative factors. The EST portion of the New B-BBEE Transaction may be considered fair if the value to AECI Shareholders expected to be derived from the Transaction (“benefit”) is expected to be equal to or greater than the cost of the Transaction (“cost”) represented by the issue of B Ordinary Shares and the related notional funding structure. This simulates a call option granted to the EST Beneficiaries on AECI Ordinary Shares.

In assessing whether or not the EST portion of the New B-BBEE Transaction is fair to AECI Shareholders, we have assumed that the net financial benefit (benefit less cost) is representative of the benefit to the Shareholders.

OUR APPROACH TO CONSIDERING THE NEW B-BBEE TRANSACTION

In considering the New B-BBEE Transaction, we have calculated the cost of the EST portion of the Transaction and compared this to the present value of expected benefits of the EST portion of the Transaction which will likely accrue to AECI on the basis that AECI possesses suitable empowerment credentials, enabling AECI to continue providing products and services to customers who procure from empowerment partners.

The unlisted B Ordinary Share issue and related notional funding structure simulate a call option granted to the EST Beneficiaries on AECI Ordinary Shares. In order to calculate the cost of the unlisted B Ordinary Share issue to AECI Ordinary Shareholders, represented by the fair value of the simulated call option (and associated costs), we have utilised a Monte Carlo simulation model.

INFORMATION UTILISED

In the course of our analysis, we relied upon financial and other information, including prospective financial information, obtained from AECI management, together with industry-related and other information in the public domain. Our conclusion is dependent on such information being complete and accurate in all material respects. The principal sources of information used in formulating our opinion regarding the terms and conditions of the offer include:

- AECI SENS announcements dated 26 July 2011;
- representations and assumptions made available by, and discussions held with, the management of AECI;
- McGregor BFA;
- Reuters;
- published market data on AECI;
- Standard Bank published nominal zero coupon risk free swap curve;
- audited annual financial statements of AECI and selected subsidiaries;
- management accounts of AECI and selected subsidiaries;
- management forecasts for components of AECI;
- actuarial valuation of AECI’s post-retirement benefit obligations; and
- management’s updated valuation of Heartland.

Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained through discussions with the management of AECI.

We have further assumed that, as at the Last Practicable Date:

- AECI is not involved in any material legal proceedings;
- AECI has no material outstanding disputes with the South African Revenue Service; and
- there are no other contingencies that could affect the value of AECI’s Ordinary Shares.

PROCEDURES PERFORMED

In arriving at our opinion, we have undertaken the following procedures in evaluating the fairness of the Transaction:

- set up initial meetings with representatives of AECI and Standard Bank, AECI’s Transaction sponsor, to agree the terms and scope of our mandate, as well as advising in respect of any corporate governance matters and identifying any possible areas of concern;
- obtained an understanding of AECI, its future prospects as well as those of the chemicals and explosives industry through:
 - discussions with the management of AECI;

- an analysis of historical and forecast financial information in respect of AECI;
- a review of recent reports and/or comments on AECI by independent investment analysts and other market commentators; and
- a review of other publicly available information;
- examined the relevant EST portion of the B-BBEE Transaction Agreements and considered the terms and conditions contained in those documents as well as the commercial issues relating to the Transaction; reviewed Trust Deeds, Lock-in Periods, financing structures and other aspects which have an impact on a full understanding of the EST portion of the B-BBEE Transaction;
- determined an appropriate spot fair value for AECI Ordinary Shares to be used as an input into the option valuation of the shares where we:
 - performed a valuation of AECI adopting a sum-of-the-parts approach, where we valued material AECI businesses using a discounted cash flow (“DCF”) methodology;
 - performed our calculations on the forecast enterprise cash flows as provided by AECI management and adjusted these as appropriate, discounted at a weighted average cost of capital (“WACC”) discount rate and deducted net debt to calculate an equity value;
- performed an independent valuation of the cost of the EST portion of the B-BBEE Transaction by:
 - using an appropriate option valuation model (Monte Carlo simulation) and conducting appropriate sensitivity analyses, given a reasonable range of key assumptions, estimated the cost of the option;
 - estimated the present value of the AECI dividends to be paid on the B Ordinary Shares; and
 - estimated Transaction costs;
- assessed the potential value to AECI of the EST portion of the B-BBEE Transaction, and considered management’s assessment of the potential impact of AECI not entering into the Transaction, i.e., performed a benefits analysis;
- compared the option cost and associated expenses to the benefits derived from the Transaction;
- considered other qualitative and quantitative factors impacting on the fairness of the EST portion of the B-BBEE Transaction; and
- prepared our final opinion letter (in accordance with Schedule 5 of the Listings Requirements of the JSE Limited) for inclusion in the documentation to be addressed to AECI Shareholders.

Based on the results of the procedures mentioned above, we determined the fairness of the Transaction as it concerns AECI Shareholders. We believe that the above considerations justify the conclusion outlined below.

VALUATION

The following key value drivers and assumptions were utilised in the valuations:

AECI valuation

We valued AECI on the sum-of-the parts basis, using principally the discounted cash flow methodology for the material assets. The business of AECI is highly dependent on the mining and manufacturing industries in South Africa (75% of total revenue) which are considered key value drivers of the business. Further drivers of revenue would be overall economic growth, the inflation outlook as well as the South Africa rand/US dollar exchange rate. The business sustains itself by having a large number of long-term contracts with key customers.

Option valuation

The following were considered as key inputs in our option pricing valuation:

- the risk free rate;
- the fair value of an AECI Ordinary Share (strike price);
- the forecast dividend yield for an AECI Ordinary Share;
- the duration of seven years, with an option for AECI to extend this by a further year;
- the forecast notional funding debt balance at the end of the EST portion of the B-BBEE Transaction (exercise price); and
- the AECI share price volatility.

Benefits of EST portion of the New B-BBEE Transaction

We reviewed and challenged management's calculation of the potential loss of revenue and profitability from not entering into the B-BBEE Transaction. This was then compared to the costs associated with the B-BBEE Transaction to determine whether the B-BBEE Transaction would be fair to the Shareholders of AECI.

OPINION

Our opinion is required as a result of the proposed Transaction. Based upon and subject to the conditions set out below, we are of the opinion that the net financial benefit to AECI Shareholders is favourable under the proposed terms of the EST portion of the New B-BBEE Transaction and, therefore, the Transaction is fair to the Shareholders of AECI.

This opinion does not purport to cater for each individual Shareholder's circumstances and/or risk profile, but rather for that of the general body of AECI Shareholders taken as a whole. Each Shareholder's decision will be influenced by such Shareholder's particular circumstances and, accordingly, Shareholders should consult with an independent adviser if they are in any doubt as to the merits or otherwise of the EST portion of the New B-BBEE Transaction.

USE OF THIS OPINION

This opinion is provided solely for the use of the Board of AECI and AECI Shareholders in connection with and for the purpose of their consideration of the EST portion of the New B-BBEE Transaction. This opinion shall not, in whole or in part, be disclosed, reproduced, disseminated, quoted, summarised or referred to at any time, in any manner or for any purpose, nor shall any public references to Ernst & Young or Ernst & Young Advisory Services Limited be made by AECI or any of its affiliates without the prior consent of Ernst & Young Advisory Services Limited.

LIMITING CONDITIONS

We have relied upon the accuracy of the information used by us in deriving our opinion albeit that, where practicable, we have corroborated the reasonableness of such information through, amongst other things, reference to work performed by independent third party/ies, historic precedent or our own knowledge and understanding. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy of any information provided to us in respect of AECI.

Forecasts relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting purposes. We express no opinion as to how closely actual results will correspond to projections made by the management of AECI and made available to us during the course of our review.

The opinion expressed herein is necessarily based upon the information available to us, the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us as at the date hereof. We have assumed that all conditions precedent in the Transaction Agreements, including any material regulatory and other approvals required in connection with the proposed Transaction have been or will be properly fulfilled/obtained. Subsequent developments may affect our opinion. However, we are under no obligation to update, revise or re-affirm such.

INDEPENDENCE

We have been retained by the Board as an independent adviser to the Board and Shareholders in connection with the Transaction. We confirm that we have no interest, direct or indirect, beneficial or non-beneficial, in AECI. We further confirm that our professional fees are not contingent upon the successful conclusion of the New B-BBEE Transaction.

CONSENT

We hereby consent to this letter and the references thereto being made public to AECI Shareholders in the form and context in which they are to be published in this document to Shareholders on or about 26 October 2011. We confirm that we have given and have not withdrawn our consent prior to the issue of the said document to AECI Shareholders.

Sincerely,

Anil Khimjee

Director
Ernst & Young Advisory Services Limited
Wanderers Office Park
52 Corlett Drive, Illovo
Private Bag X14
Northlands, 2116"

TRADING HISTORY OF AECI ORDINARY SHARES ON THE JSE

Date	High (Rand)	Low (Rand)	Open (Rand)	Close (Rand)	Volume (Shares)
Daily					
17-Oct-11	76,50	75,87	76,00	76,50	112 660
14-Oct-11	76,58	76,00	76,03	76,20	61 268
13-Oct-11	76,87	76,00	76,00	76,87	15 384
12-Oct-11	77,00	74,05	74,05	76,19	166 117
11-Oct-11	76,99	73,60	76,03	76,13	493 643
10-Oct-11	77,00	73,60	74,50	76,98	105 741
07-Oct-11	74,50	73,60	74,44	74,00	19 158
06-Oct-11	76,55	73,50	76,55	73,50	70 498
05-Oct-11	74,26	73,05	74,25	73,19	478 861
04-Oct-11	75,50	73,33	73,33	73,74	102 205
03-Oct-11	76,95	73,00	73,50	74,00	87 119
30-Sept-11	74,51	73,00	74,09	74,25	70 567
29-Sept-11	76,00	73,00	74,00	73,50	103 965
28-Sept-11	76,00	73,12	74,50	73,80	551 283
27-Sept-11	74,65	73,00	73,40	74,25	76 315
26-Sept-11	74,17	72,74	73,50	73,41	288 125
23-Sept-11	73,99	72,31	72,31	73,00	669 628
22-Sept-11	74,44	71,72	73,71	72,80	488 619
21-Sept-11	75,00	73,50	73,50	73,99	139 247
20-Sept-11	74,00	73,51	73,51	73,75	661 703
19-Sept-11	74,44	73,50	74,44	73,51	35 281
16-Sept-11	74,49	73,25	73,25	74,10	74 218
15-Sept-11	74,06	72,99	73,00	73,32	48 383
14-Sept-11	73,60	73,00	73,00	73,33	38 933
13-Sept-11	73,90	72,73	73,90	73,06	435 771
12-Sept-11	74,45	72,00	74,45	73,00	169 488
09-Sept-11	73,25	71,65	72,50	73,01	226 878
08-Sept-11	73,79	71,78	73,79	73,00	97 694
07-Sept-11	74,90	70,50	74,90	72,60	543 845
06-Sept-11	72,00	69,10	69,10	70,35	238 783
05-Sept-11	72,00	65,99	72,00	70,00	345 972
02-Sept-11	73,01	71,20	72,55	71,59	394 962
01-Sept-11	73,51	72,50	73,30	73,30	160 025
Monthly					
30-Sept-11	74,51	73,00	74,09	74,25	70 567
31-Aug-11	81,31	69,58	80,38	73,40	6 011 819
29-Jul-11	87,99	74,02	84,40	80,10	3 217 351
30-Jun-11	87,31	82,55	86,25	84,40	4 456 841
31-May-11	90,00	84,00	85,42	87,55	4 384 666
29-Apr-11	87,95	80,65	83,10	86,00	3 762 961
31-Mar-11	85,00	75,91	84,15	83,10	3 235 106
28-Feb-11	84,82	79,45	80,35	84,15	3 356 968
31-Jan-11	85,60	78,09	83,15	80,05	2 313 113
31-Dec-10	85,44	79,50	80,23	82,50	2 875 535
30-Nov-10	81,50	77,40	78,00	79,50	4 452 189
29-Oct-10	77,99	70,76	72,05	77,94	3 134 039
30-Sept-10	73,00	69,09	70,61	73,00	1 357 842

Date	High (Rand)	Low (Rand)	Open (Rand)	Close (Rand)	Volume (Shares)
Quarterly					
30-Sept-10	73,00	62,50	62,50	73,00	7 407 956
30-Jun-10	79,50	62,00	65,00	68,00	9 655 870
31-Mar-10	69,99	57,55	58,95	64,65	12 665 009
31-Dec-09	66,98	55,00	58,09	62,00	10 435 203
30-Sept-09	59,50	43,86	45,01	58,80	11 790 758
30-Jun-09	52,11	41,32	44,00	46,50	7 377 884
31-Mar-09	54,99	40,05	50,00	44,00	8 498 379
31-Dec-08	68,47	42,50	62,50	51,00	11 179 633
30-Sept-08	63,00	61,00	63,00	61,50	174 947

Source: McGregor BFA

DETAILS OF TRANSACTION DOCUMENTS

- Trust Deed of the AECI Employees Share Trust amongst AECI Limited, Nkgadi Ramaesela Mogotlane and John Sepeng Mahlase entered into on Thursday, 6 October 2011;
- Trust Deed of the AECI Community Education and Development Trust amongst AECI Limited, Nkgadi Ramaesela Mogotlane and John Sepeng Mahlase entered into on Thursday, 6 October 2011;
- Subscription Agreement between AECI Limited and the Trustees for the time being of the AECI Employees Share Trust entered into on Wednesday, 12 October 2011; and
- Subscription Agreement between AECI Limited and the Trustees for the time being of the AECI Community Education and Development Trust entered into on Wednesday, 12 October 2011.

TERMS OF THE AECI B ORDINARY SHARES

The Articles of Association will be amended by the insertion of the following articles:

“44. **DEFINITIONS**

For the purposes of this article 44 and article 45, unless inconsistent with or otherwise indicated by the context:

- | | | |
|-------|-----------------------------------|---|
| 44.1 | “Beneficiary” | a beneficiary as defined in the EST Trust Deed; |
| 44.2 | “B Ordinary Shareholder/s” | the lawful holder/s of the B Ordinary Shares; |
| 44.3 | “B Ordinary Shares” | the 10 117 951 redeemable convertible B ordinary shares with no par value in the company which have the rights, terms and privileges and which are subject to the terms and conditions referred to in article 45; |
| 44.4 | “Business Day” | any day other than a Saturday, Sunday or gazetted national public holiday in South Africa; |
| 44.5 | “Commencement Date” | the Business Day after the date on which the EST Trust Deed becomes unconditional; |
| 44.6 | “Distribution Date” | a date after the Termination Date to be determined by the company but which will be no later than six months after the Termination Date; |
| 44.7 | “Distribution Formula” | the formula to be utilised in determining the number of the B Ordinary Shares which are to be distributed to a Beneficiary, as set out in Annexure A to the EST Trust Deed; |
| 44.8 | “EST” | the AECI Employee Share Trust, Master’s reference number IT3410/11; |
| 44.9 | “EST Trust Deed” | the trust deed of the EST and any annexures thereto; |
| 44.10 | “Group” | collectively the company, any subsidiary of the company and any other company in which the company is directly or indirectly able to exercise control of 49% or more of the general voting rights associated with issued securities of that company, whether incorporated in South Africa or not; |
| 44.11 | “Ordinary Shares” | the ordinary shares in the issued share capital of the company with a par value of R1,00 each; and |
| 44.12 | “Termination Date” | seven years after the Commencement Date, as extended or anticipated in accordance with the terms of the EST Trust Deed, and in the case of the death of a Beneficiary and in relation to such Beneficiary only, the date of his death, provided that if the date falls on a day which is not the first of a month, that date shall be the first day of the following month. |

45. TERMS AND CONDITIONS OF THE B ORDINARY SHARES

- 45.1 Notwithstanding anything to the contrary contained in the articles, the B Ordinary Shares shall rank pari passu with the Ordinary Shares (and for the avoidance of doubt shall not rank pari passu or priority to the existing preference shares issued by the company), save that:
- 45.1.1 the B Ordinary Shares shall not rank pari passu with the Ordinary Shares as regards dividends, payments or other distributions and the Directors shall in their sole and absolute discretion be entitled to declare a dividend or make any payment or other distribution in respect of a B Ordinary Share, provided that such dividends, payments or distributions shall not in any financial year of the company exceed 100% of the aggregate of dividends, payments or distributions declared and paid by the company per Ordinary Share in that financial year;
 - 45.1.2 a B Ordinary Share shall not entitle its holder to participate in any rights offer which is implemented by the company;
 - 45.1.3 B Ordinary Shares shall not be listed on any stock exchange;
 - 45.1.4 for so long as the Ordinary Shares are listed on the JSE Limited ("JSE"), the rights attaching to the B Ordinary Shares may not be amended in any material respect without the prior written approval of the JSE and will not be counted for categorisation purposes in terms of Section 9 of the Listings Requirements of the JSE;
 - 45.1.5 the board shall have the right and be obliged to redeem, in respect of each Beneficiary, that number of B Ordinary Shares vested in the Beneficiary in accordance with the EST Trust Deed which exceeds that number of shares to which that Beneficiary is entitled determined in accordance with the Distribution Formula, without consideration, in accordance with the EST Trust Deed and such procedure as the board may determine;
 - 45.1.6 the board shall have the right (but not the obligation) by written notice to the trustees of the EST at any time prior to the Distribution Date, to elect to redeem such number of B Ordinary Shares for a consideration B Ordinary Share equal to the volume weighted average price of an Ordinary Share on the JSE for the 30 trading days prior to the Termination Date, to pay the taxes and other expenses for which a Beneficiary is liable in respect of the B Ordinary Shares to which he is entitled (determined in accordance with the Distribution Formula) in accordance with the EST Trust Deed and such procedure as the board may determine;
 - 45.1.7 the board may at any time prior to the Distribution Date offer to redeem the B Ordinary Shares for an amount in respect of each B Ordinary Share equal to the volume weighted average price of an Ordinary Share on the JSE for the 30 trading days prior to the Termination Date;
 - 45.1.8 the board shall by written notice to the trustees of the EST at any time on or after the Termination Date but before the Distribution Date determine a date on which the B Ordinary Shares shall convert into Ordinary Shares and on the date specified therein the B Ordinary Shares shall automatically convert into Ordinary Shares at a rate of one B Ordinary Share for one Ordinary Share;
 - 45.1.9 this article 45 may only be amended or deleted by way of (i) a special resolution of shareholders duly adopted at a meeting of shareholders convened in terms of the articles, which is approved by shareholders holding no less than 75% of the shares held by shareholders who are present and who vote at that meeting, either in person or by proxy; and (ii) a resolution of the B Ordinary Shareholders duly adopted at a meeting of B Ordinary Shareholders to which the provisions of the Articles relating to general meetings of Ordinary Shareholders shall, mutatis mutandis apply (which may be held immediately prior to or after the meeting referred to in (i) or at any other time within 30 days of such meeting), which is approved by B Ordinary Shareholders holding no less than 75% of those B Ordinary Shares held by

B Ordinary Shareholders who are present and who vote at that meeting, either in person or by proxy; and

45.1.10 no meeting may be convened for the purposes of proposing a resolution contemplated in article 45.1.9 to be taken by the relevant shareholders unless the convening of such meeting is approved by B Ordinary Shareholders holding no less than 90% of the B Ordinary Shares.

In the event of any conflict between the provisions of these articles 44 and 45 and any other article, the provisions of these articles 44 and 45 shall prevail.

DIRECTORS, EXECUTIVE COMMITTEE AND SENIOR MANAGERS

Details of the Directors, Executive Committee and senior managers of AECI as at the Last Practicable Date are set out below:

NON-EXECUTIVE DIRECTORS

Fani Titi (Independent)

Business address: c/o Tsiya Group Proprietary Limited
39 Rivonia Road
Commerce Square
Sandhurst

Nationality: South African
Age: 49
Qualifications: BSc (Hons), MA, MBA
Profile: Fani joined AECI's Board in 2005 and assumed its Chairmanship in 2007. He is Chairman of the Nominations Committee and a member of the Remuneration Committee. Fani is currently Non-Executive Chairman of Investec Bank Limited, a Non-Executive Director of Investec Asset Management and Director of the Tsiya Group, a private equity firm. As announced in May 2011, Fani will retire from his position as Chairman of AECI at the Annual General Meeting to be held in May 2012. He will retire as a Non-Executive Director of the Company at the same time.

Richard Dunne (Independent)

Business address: Unit number 1
263 Orchard Street
Corner Dawn Drive
Northcliff Ext 4

Nationality: British
Age: 63
Qualifications: CA(SA)
Profile: Richard joined AECI's Board in 2007. He is Chairman of the Remuneration Committee, a member of the Audit, Nominations and Risk Committees, and chairs the Financial Review Committee of AECI's specialty chemicals cluster. Richard is a member of the Boards and Audit Committees of Anglo Platinum, the Standard Bank Group and Tiger Brands.

Schalk Engelbrecht

Business address: 9 Albatross Drive
Fancourt
George

Nationality: South African
Age: 65
Qualifications: BSc, MBL
Profile: Schalk is a member of the Nominations, Remuneration and Risk Committees. He is Chairman designate and will succeed Fani Titi in May 2012. He also serves on the Board of Imperial Holdings.

Zellah Fuphe (Independent)

Business address: c/o Plessey Proprietary Limited
Royal Palm Business Park
Corner West Road and K101
Midrand

Nationality: South African
Age: 43
Qualifications: BSocialSc
Profile: Zellah joined the AECI Board in 2007 and is a member of the Social and Ethics Committee. A graduate of the University of Cape Town, Zellah is Managing Director of Plessey South Africa. She serves on the Engen Board and previously served on the Boards of Afric Oil (Chair), Worldwide Coal Carolina (Chair), the Oceana Group, Worldwide African Investment Holdings and the Unisa School of Business Leadership.

Mike Leeming (Independent)

Business address: Suite 41
Private Bag X1
Melrose Arch
2076

Nationality: South African
Age: 68
Qualifications: BCom, MCom, FCMA, FIBSA, AMP (Harvard)
Profile: A Non-Executive member of the AECI Board since 2002, Mike is Chairman of the Audit Committee, a member of the Social and Ethics Committee and Chairman of Heartland's Financial Review Committee. He is a retired Executive Director of Nedcor and past Chairman of the Banking Council of South Africa and President of the Institute of Bankers. He also serves as a Non-Executive Director on the Boards of Altron, Imperial Holdings, Real Africa and Woolworths.

Liziwe Mda (Independent)

Business address: 3 Burford Village
6 Sutton Street
Umhlanga Manors
Umhlanga Rocks

Nationality: South African
Age: 46
Qualifications: MSc (Chem Eng)
Profile: Liziwe joined AECI's Board in April 2011 and is a member of the Risk Committee. She is currently Refinery Operations Manager at SAPREF's petrochemical refinery in Prospecton, Durban. Prior to assuming her current responsibilities at SAPREF, she obtained extensive production and process engineering experience at the refinery and at Sasol Technology and Unilever SA prior to that.

Allen Morgan (Independent)

Business address: c/o Imalivest Proprietary Limited
1st Floor
17 Termo Avenue
Technopark
Stellenbosch

Nationality: South African
Age: 64
Qualifications: BSc, BEng (Elect), Pr Eng
Profile: Allen joined the AECI Board in 2010. He is Chairman of the Risk Committee, and a member of the Audit Committee and of the AEL MS Financial Review Committee. Allen spent his entire working life at Eskom and he served as that company's Chief Executive from 1994 until his retirement in 2000. Other current directorships include Imalivest Assets, Kumba Iron Ore and BioTherm Energy.

Litha Nyhonyha (Independent)

Business address: c/o Regiments Capital Proprietary Limited
91 Central Street
Houghton
Nationality: South African
Age: 52
Qualifications: CA(SA)
Profile: Appointed to the AECI Board in 2006, Litha is Chairman of the Social and Ethics Committee, a member of the Audit Committee and Chairman of the Financial Review Committee of AEL MS. He is Executive Chairman and a founding member of Regiments Capital, a Black controlled and managed financial services group. He is also a Director of Plessey Telecommunications, Regiments Securities, Sovereign Foods and Worldwide African Investment Holdings.

Rams Ramashia (Independent)

Business address: 939 Juarez Street
Kyalami Estate
Nationality: South African
Age: 54
Qualifications: Bluris, LLB, LLM
Profile: Rams joined the AECI Board in 2010 and serves on its Social and Ethics, and Risk Committees. He is Non-Executive Chairman of Rand Refinery Limited. Rams is past Chairman of BP Southern Africa, SAPREF, and the South African Petroleum Industry Association. Between 2000 and 2004, he was Director General of the national Department of Labour and government Chief Negotiator at the National Economic Development and Labour Council.

EXECUTIVE DIRECTORS**Graham Edwards
Chief Executive**

Business address: 1st Floor, AECI Place
24 The Woodlands
Woodlands Drive
Woodmead
Nationality: South African
Age: 57
Qualifications: BSc (Mech Eng), BCom, MBA, PhD, Pr Eng
Profile: Graham is AECI's Chief Executive, which position he took up in 2008. Prior to this, he was Managing Director of AEL MS and he has also served as Chairman of the DetNet joint venture. An Executive Director of AECI since 2007, Graham joined the Group as a design engineer in 1978 and worked in production, engineering, buying and strategic planning. He was appointed Managing Director of AEL MS in 1999.

Mark Kathan
Financial Director and
Chief Financial Officer

Business address:

1st Floor, AECI Place
24 The Woodlands
Woodlands Drive
Woodmead

Nationality:

South African

Age:

41

Qualifications:

CA(SA)

Profile:

Mark joined AECI in 2008 as Financial Director and Chief Financial Officer. Prior to his AECI appointment, he had worked for 11 years at Nampak, a packaging company, where he held a senior finance position and was a member of that company's Group Executive Committee. He has experience in a broad spectrum of finance and business disciplines in South Africa and the rest of Africa.

EXECUTIVE COMMITTEE

Anthony Diepenbroek

Business address:

1st Floor, AECI Place
24 The Woodlands
Woodlands Drive
Woodmead

Nationality:

South African

Age:

55

Qualifications:

BSc (Civil Eng), MBA, Pr Eng

Profile:

He joined the Group as Managing Director of Heartland, and an AECI Executive Committee member, in 2008. Anthony has extensive experience in property- and development related fields. These include construction and project management; sales and marketing; infrastructure and facilities planning; and the management of property portfolios, assets and investment funds. He has also served as Director of iProp Holdings Limited, iFour Properties Limited and Pangbourne Properties Limited.

Mark Dytor

Business address:

1st Floor, AECI Place
24 The Woodlands
Woodlands Drive
Woodmead

Nationality:

South African

Age:

50

Profile:

Mark was appointed to AECI's Executive Committee in 2010. Having joined Chemical Services Limited (Chemserve) as a sales representative in 1984, and after managing two Chemserve companies, Mark was appointed to Chemserve's Executive Committee in 1998 and subsequently to its Board. In addition to a portfolio of Chairmanships at companies in AECI's specialty chemicals cluster, he has been tasked with the growth of the mining chemicals business. He is also a Non-Executive Director of AEL MS.

Tobie Louw

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead

Nationality: South African
Age: 48
Qualifications: BSc (Eng)
Profile: Tobie joined AEL MS in 1988 and he returned to this company as Managing Director in 2008. He also joined AECl's Executive Committee at that time. Tobie left the AECl Group in 1996, returning to Chemserve in 2000 as Managing Director of Lake International Technologies. In 2005, he was appointed to Chemserve's Executive Committee and became Managing Director of Chemserve Systems. He joined the Chemserve Board in 2007.

Edwin Ludick

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead

Nationality: South African
Age: 47
Qualifications: BCom (Hons)
Profile: Edwin joined Chemserve as a Human Resources Manager in 1991, was appointed to its Executive Committee in 2008 and to its Board in 2010. He is currently Managing Director of Chemserve Systems, having managed three other subsidiaries prior to this, and is Chairman of a number of companies in the specialty chemicals cluster. He joined AECl's Executive Committee in 2010.

Schalk Venter

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead
Sandton

Nationality: South African
Age: 45
Qualifications: Qualification in analytical chemistry
Profile: Schalk joined Chemserve Systems in 1991 as a sales representative. He was appointed Managing Director of this subsidiary in 1997 and moved to AECl Coatings in the same capacity in 2001. He was appointed to the Chemserve Executive Committee in 2005 and to its Board in 2007. He is currently Managing Director of Akulu Marchon and is Chairman of a number of companies in the specialty chemicals cluster. Schalk joined AECl's Executive Committee in 2010.

NOTE: All members of the Executive Committee are also members of the Risk Committee.

SENIOR MANAGERS

Nomini Rapoo

Company Secretary

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead

Nationality: South African
Age: 48
Qualifications: BCom (Law), UED, LLB, Admitted Attorney of the High Court, Certificate in Corporate Governance.

Profile: Nomini has qualifications and extensive experience across of broad spectrum of disciplines including risk and compliance management, internal audit, legal services and company secretariat functions.

Gary Cundill

Group Technical and Safety, Health and Environment Manager

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead

Nationality: South African
Age: 44
Qualifications: BSc Eng (Chem), BEng Hons (Water), GDE (Civil)

Profile: Gary has worked in the chemicals, steel and explosives industries, and joined the Group in 2001. His background lies in technical development and in project and operations management.

John Mahlase

Group Human Resources Manager

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead

Nationality: South African
Age: 51
Qualifications: BAdmin (Hons)

Profile: Prior to assuming his current portfolio, John was Human Resources Manager at Chemserve, which company he joined as a Human Resources Consultant in 1997. John has an Honours degree in industrial psychology and an Advanced Diploma in labour law.

Iwan Schutte

Group Internal Audit Manager

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead

Nationality: South African
Age: 39
Qualifications: CA(SA), CIA

Profile: Prior to being appointed to his current position, Iwan was Divisional Internal Audit Manager responsible for the specialty chemicals cluster. He joined AECl in 2004.

Graham Thompson
Group Financial Manager

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead
Nationality: South African
Age: 36
Qualifications: CA(SA)
Profile: Graham joined AECl in 2005 as Group Accountant having previously worked as an Audit Manager in an auditing firm.

Trevor Starke
Group Treasurer

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead
Nationality: South African
Age: 43
Qualifications: CA(SA)
Profile: Trevor has overall responsibility for treasury functions, corporate centre accounting, payroll and office management. He joined AECl in 1997 and worked in Group Accounting before joining the Treasury in 1999.

Louis van der Walt
Manager of AECl's Retirement Funds

Business address: 1st Floor, AECl Place
24 The Woodlands
Woodlands Drive
Woodmead
Nationality: South African
Age: 57
Qualifications: Bluris, LLB, CFP
Profile: Louis has managed AECl's Retirement Funds since 1999. He joined AECl as a Legal Adviser in 1991, having worked in similar capacities elsewhere. Louis is an Advocate of the High Court and a Certified Financial Planner.

CORPORATE GOVERNANCE

INTRODUCTION

The AECI Group and its Board are committed to the principles of good corporate governance and to applying the highest ethical standards in conducting business.

The Board is committed to the principles of fairness, accountability, responsibility and transparency and supports the principles contained in the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa 2009 (King III).

The Board has taken steps to ensure that the Group moves towards compliance with King III which, for AECI, takes effect for the 2011 Financial Year reporting period.

In subscribing to the principles of King III and its predecessors, business processes and governance practice have been refined over the years in response to developing trends in local and international best practice. AECI believes that a corporate culture of compliance with all applicable laws and procedures is key to good corporate governance and that this culture of good governance serves to maximise sustainable returns and to provide all stakeholders with the assurance that the Group's businesses are being managed appropriately.

The key corporate governance areas of focus remains:

- to continue to evaluate the implication and implement the principles of King III;
- a continued focus on strategic issues at Board level;
- a continued focus on corporate social responsibility and integrated sustainability matters, including the development of AECI Group employees and transformation;
- the identification and management of business risks;
- the development and formalising of a succession plan for Executive Directors and Senior Management;
- continued training relevant to the AECI Group's Code of Ethics, whistle-blowing and competition matters; and
- continued training and development of Non-Executive Directors.

BOARD COMPOSITION

The Company adopts the philosophy that the Board needs to be large enough to accommodate the necessary skills but still small enough to promote cohesion, flexibility and effective participation. Currently, AECI's Board comprises 11 Directors, eight of whom are Independent Non-Executive Directors, one is a Non-Executive Director and two are Executive Directors, as follows:

Independent Non-Executive Directors

1. F Titi (Chairman)
2. R M W Dunne
3. Z Fuphe
4. M J Leeming
5. L L Mda
6. A J Morgan
7. L M Nyhonyha
8. R Ramashia

Non-Executive Director

S Engelbrecht

Executive Directors

1. G N Edwards (Chief Executive)
2. K M Kathan (Financial Director and Chief Financial Officer)

The guidelines contained in the Listings Requirements of the JSE are used to determine the category most applicable to each Director, whether Independent Non-Executive, Non-Executive or Executive.

The position of Chairman is held by an Independent Non-Executive Director.

SKILLS AND EXPERIENCE OF THE BOARD

The Board comprises persons with experience in diverse industries including banking, chemicals, technical and accounting. The Board is of the opinion that having Directors with relevant business and industry experience is beneficial to the Board as a whole, since Directors with such backgrounds can provide a useful perspective on significant risks and competitive advantages, as well as an understanding of the challenges facing the business.

The Board monitors the mix of skills and experience of Directors to assess whether the Board has the necessary tools to perform its oversight function effectively. The Board will continue to review the skills, knowledge, gender and diversity at Board level to ensure that the mix is appropriate and effective and takes into account succession plans for Non-Executive and Executive Directors.

The expectation of the Board is that, at a minimum, Directors should possess the requisite knowledge and expertise to fulfill an appropriate role within the mix of capabilities the Board deems appropriate, and to exercise diligence. This includes attending Board and Committee meetings and coming prepared to provide thoughtful input at such meetings. Directors need to devote an appropriate amount of time and attention to their duties and to develop the broad-based as well as the specific knowledge required to fulfill their obligations in this regard.

Directors are expected to:

- prepare for and attend all Board meetings and all meetings of Committees of which they are members, unless there are exceptional circumstances preventing them from doing so;
- participate actively in meetings;
- attend Shareholders' meetings;
- develop and maintain a high level of knowledge about the Company's business;
- keep current in the Directors' own specific fields of expertise; and
- develop a broad understanding of their role and responsibilities as Directors.

OTHER DIRECTORSHIPS

Directors are expected to ensure that they have sufficient time available to properly carry out their duties and responsibilities as Directors of the Company. Non-Executive Directors, in particular, are required to carefully assess and guard against potential conflicts of interest and entanglements such as service on an excessive number of Boards.

APPOINTMENTS TO THE BOARD

A balance of skills and experience, gender and demographic representation is taken into account when appointing Board members. Board appointments are done in accordance with a formal appointment policy, which includes proper screening of candidates, formal interviews conducted by the Nominations Committee and the completion of a Director's declaration by successful applicants.

RETIREMENT AND RE-ELECTION OF DIRECTORS

The Company's Articles of Association require a minimum of six and a maximum of 12 Directors, the majority of whom should be Independent. Between Annual General Meetings, the Board may appoint a Director/s to fill casual vacancies or as an additional Director by majority vote to serve until the next Annual General Meeting.

One-third of the Directors are subject, by rotation, to retirement and re-election at the Annual General Meeting in terms of the Company's Articles of Association.

TERMS OF EMPLOYMENT OF DIRECTORS

Executive Directors are employees of the Company and have standard terms and conditions of employment and do not receive any special remuneration or other benefits for their additional duties as Executive Directors. None of the Executive Directors have employment contracts longer than one month or special termination benefits, and there is no restraint of trade in place. The Board, on the recommendation of the Remuneration Committee, determines the remuneration of Executive Directors and other Senior Managers. No Non-Executive Director has an employment contract with the Company. Non-Executive Directors' remuneration is arrived at after an annual benchmarking exercise performed by the Chief Executive and the approval by Shareholders in General Meeting of the proposed fees.

BOARD ASSESSMENT AND EVALUATION OF DIRECTORS

In terms of the Board charter, Directors must be assessed individually as well as collectively as a Board. The collective assessment of the Board must evaluate the Board's contribution as a whole and, specifically, it must review areas in which the functions of the Board could be improved.

Every second or third year, as deemed necessary, an independent third party undertakes a performance review of the Board. The purpose of the independent Board performance review is to give members of the Board the opportunity to express their individual opinions and assessments of the Board's performance in a confidential and independent discussion with experienced Board performance specialists. The emphasis is always on development, growth and the meeting of future challenges, both for individual Board members and for the Board as a whole.

Key performance indicators used in the independent assessment process include, inter alia:

- the quality and overall effectiveness of Board meetings;
- the information available to Board members to support decision-making;
- the Board's role in the formulation of and commitment to business strategy;
- the Board's evaluation of the Chief Executive and the planning for succession;
- an evaluation of the Board's structure in terms of its Executive and Non-Executive Components; and
- the suitability of the Board's composition and that of Committees, which are re-evaluated on an ongoing basis to ensure a balance between the commitments of Directors and the areas of responsibility covered by the Committees.

The Remuneration Committee, in consultation with the Chairman of the Board, evaluates the Chief Executive on a regular basis. The evaluation is based on objective criteria, including business performance, achievement of long-term strategic objectives, the development of management and other such issues. The Remuneration Committee provides feedback to the full Board.

Furthermore, the Board evaluates the performance of the Chairman of the Board on an annual basis.

ROLES AND RESPONSIBILITIES

The Board operates under an approved Board charter which regulates the way business is conducted. The Board charter provides a clear division of responsibilities and sets out the accountability of Board members, collectively and individually, to ensure an appropriate balance of power and authority.

In terms of the Board charter, the primary responsibilities of the Board are:

- to provide strategic direction to the Company;
- to determine the Company's purpose, values and stakeholders relevant to its business and to develop strategies combining all three elements;
- to ensure that procedures are in place to monitor and evaluate the implementation of strategies, policies, Senior Management performance criteria and business plans;
- to review and approve the financial objectives, plans and actions, including significant capital allocations and expenditure;

- to define its mission as representing the interests of the Company, its Shareholders and other stakeholders in perpetuating a successful business that adheres to the vision and values of the Company and creates long-term value for Shareholders;
- to be accountable and responsible to Shareholders for the performance and affairs of the Company;
- to appoint the Chief Executive, other Executive Directors and the Company Secretary and ensure that succession is planned;
- to ensure that the Company complies with all relevant laws and regulations and that it communicates with its Shareholders and other stakeholders openly, with substance prevailing over form;
- to assess the key risk areas of the business on a regular basis and to determine the policies and processes necessary to ensure the integrity of internal control and risk management in the Company;
- to develop the framework, policies and guidelines for safety, health and environmental management and other aspects of sustainability and to monitor key indicators of performance in this field;
- to define levels of materiality, reserving specific powers for itself and delegating other matters with written authority to management; and
- to establish and set the terms of reference for Committees of the Board.

DELEGATION OF AUTHORITIES

The Board has approved the delegation of authority to the Board Committees and to the Executive Committee, where appropriate.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary advises the Board on the appropriate procedures for the management of meetings and the implementation of governance procedures, and is further responsible for providing the Board collectively, and each Director individually, with guidance on the discharge of their responsibilities in terms of legislation and regulatory requirements applicable to the Company. The Company Secretary monitors Directors' dealings in securities and ensures adherence to "closed periods" for share trading.

BOARD COMMITTEES

Six Committees assist the Board in the execution of its responsibilities. Each Committee has written terms of reference under which authority is delegated by the Board and by Shareholders, as required. The composition and responsibilities of each Committee are summarised here.

AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-Executive Directors:

- M J Leeming (Chairman)
- R M W Dunne
- A J Morgan
- L M Nyhonyha

Meetings are attended by the Company Secretary as secretary, the external auditors, the Head of Internal Audit, the Chief Executive and the Chief Financial Officer. As at the Last Practicable Date, the Committee had met four times in the 2011 Financial Year and a further meeting is scheduled for November. Members of the Audit Committee are appointed by Shareholders in General Meeting.

RISK COMMITTEE

The Risk Committee comprises three Independent Non-Executive Directors, one Non-Executive Director, two Executive Directors, and five Executive Committee members. As at the Last Practicable Date, the Committee had met three times during the 2011 Financial Year and a further meeting is scheduled for November. Members of the Committee and its Chairman are nominated by the Board.

Current members of the Committee are:

- A J Morgan (Chairman)
- J A A Diepenbroek*
- R M W Dunne
- M A Dytor*
- G N Edwards* †
- S Engelbrecht
- K M Kathan* †
- T J Louw*
- E E Ludick*
- L L Mda
- R Ramashia
- S M Venter*

* Member of the Executive Committee

† Executive Director

The Company Secretary attends meetings as secretary. The Committee's responsibilities include, inter alia:

- establishing and maintaining a common understanding of the risk universe that needs to be addressed in order to achieve corporate objectives;
- reviewing and confirming, at least annually, the levels of tolerable risk and the risk profile of the Company;
- co-ordinating the Company's risk management and assurance efforts;
- considering the results of the assurance efforts and ensuring that appropriate action is taken as required;
- assisting the Board in overseeing its duties relating to the identification of risk and the assessment of the effectiveness of risk management within the AECI Group;
- reviewing and assessing the integrity of the risk control systems and ensuring that risk policies and strategies are managed effectively;
- monitoring external developments relating to corporate accountability, including but not limited to emerging and prospective impacts;
- setting out the nature, role and responsibility and function of risk management within the AECI Group;
- reviewing the impact that significant litigation could have on the AECI Group;
- reviewing the risk philosophy, strategies and policies and ensuring compliance with such policies and the risk profile of the AECI Group. Risk in the widest sense includes issues such as market risk, credit risk, liquidity risk, operational risk and commercial risk, which together may cover detailed combined risk;
- reviewing the adequacy of the Company's insurance coverage;
- reviewing risk identification and measurement methodologies;
- monitoring procedures to deal with and review the disclosure of information to stakeholders;
- liaising closely with the Audit Committee to exchange information relevant to risk;
- expressing the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management;
- reviewing reporting concerning risk management that is to be included in Shareholder reports, in order to ensure that it is timely, comprehensive and relevant; and
- assessing the performance and effectiveness of the Committee and its members on a regular basis.

NOMINATIONS COMMITTEE

The Nominations Committee comprises three Non-Executive Directors, two of whom are Independent. As at the Last Practicable Date, the Committee had met once during the 2011 Financial Year and another meeting is scheduled for November. Members of this Committee and its Chairman are nominated by the Board.

Current members of the Committee are:

- F Titi (Chairman)
- R M W Dunne
- S Engelbrecht

Responsibilities of the Committee include, inter alia:

- reviewing the Board structure, size, composition and balance between Executive and Non-Executive Directors and making recommendations to the Board regarding adjustments that are deemed appropriate;
- making recommendations to the Board on the reappointment of Executive and Non-Executive Directors and the balance between Executive and Non-Executive Directors;
- identifying and recommending for Board approval Executive and Non-Executive candidates for appointment to the Board;
- ensuring that plans for succession are in place, particularly for the Chairman and the Chief Executive; and
- assessing the performance and effectiveness of the Committee and its members on a regular basis.

The Committee meets at least twice per year or more frequently if so deemed appropriate by the Committee. The Company Secretary attends all meetings as secretary. In accordance with the recommendations of King III, the Chief Executive attends by invitation when necessary to discuss Senior Management appointments and succession plans.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, two of whom are Independent Non-Executive Directors. Members of the Committee and its Chairman are nominated by the Board.

The Committee meets at least twice per year and additional meetings are scheduled as the Committee deems appropriate. As at the Last Practicable Date, one meeting had been held in the 2011 Financial Year and another meeting is scheduled for November. The Chief Executive attends meetings by invitation when necessary to discuss the remuneration of Executive Directors and Senior Management. The Company Secretary attends all meetings as secretary.

Current members of the Committee are:

- R M W Dunne (Chairman)
- S Engelbrecht
- F Titi

The Committee's responsibilities include, inter alia:

- assisting the Board in ensuring that remuneration practices in the AECI Group are affordable and fair, taking into consideration the interests of employees as well as those of Shareholders;
- reviewing and amending, if appropriate, the AECI Group's remuneration philosophy and policy with particular reference to the remuneration of Executive Directors and Senior Management;
- ensuring that Executive Directors and Senior Management are fairly rewarded in terms of a mix of fixed and variable pay for their individual contributions to the AECI Group's overall performance, having regard to the interests of Shareholders and the financial condition of the AECI Group;
- approving remuneration packages designed to attract, retain and motivate high-performing Executive Directors and Senior Management;
- establishing appropriate criteria to measure the performance of Executive Directors and Senior Management;
- approving specific remuneration packages for individual Executive Directors and members of Senior Management;
- determining the policy and contracts of employment for Executive Directors;
- reviewing and approving any disclosure in Shareholder reports in respect of Directors' remuneration; and
- assessing the performance and effectiveness of the Committee and its members on a regular basis.

No attendee may participate in any discussion or decision regarding his or her own remuneration.

SOCIAL AND ETHICS COMMITTEE

In line with the Companies Act, No. 71 of 2008, AECI converted its Corporate Citizenship Committee to the now statutory Social and Ethics Committee and this Committee's terms of reference are currently being finalised. The current members of the Social and Ethics Committee, as listed below, will be confirmed at the next Annual General Meeting:

- L M Nyhonyha (Chairman)
- G N Edwards
- Z Fuphe
- M J Leeming
- R Ramashia

The Company Secretary attends all meetings as secretary and the Chief Financial Officer attends by invitation. The Group Technical and Safety, Health and Environment Manager, and the Group Human Resources Manager are also in attendance at meetings. As at the Last Practicable Date, two meetings had been held in the 2011 Financial Year and another meeting is scheduled for November.

EXECUTIVE COMMITTEE

The Executive Committee is constituted to assist the Chief Executive in managing the AECI Group. Subject to matters reserved for decision by the Board, the Chief Executive's authority in managing the AECI Group is unrestricted.

The responsibilities of the Chief Executive include, inter alia:

- implementing the strategies and policies of the AECI Group;
- managing the AECI Group's business and affairs;
- prioritising the allocation of capital and technical and human resources;
- establishing best management practices and standards;
- appointing Senior Managers and assessing their performance;
- making recommendations to the Board on matters which are reserved for decision by the Board, including the fees payable to Non-Executive Directors; and
- assessing the performance and effectiveness of the Committee and its members on a regular basis.

The Executive Committee comprises all the Executive Directors who hold office from time to time, together with such Senior Managers as the Board may appoint from time to time. The Committee meets once a month and the Company Secretary attends as secretary.

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors are required in terms of the Act and the Listings Requirements of the JSE to prepare annual financial statements which fairly present the state of affairs of the Company and the AECI Group as at the end of the Financial Year and of the profit or loss for that period, in conformity with IFRS. The Company's external auditors are responsible for examining and reporting to Shareholders their opinion on the annual financial statements of the Company and its subsidiaries in order to determine whether the financial statements are in accordance with the Act, IFRS and the Listings Requirements.

The Directors are also responsible for maintaining adequate accounting records and they have general responsibility for ensuring that an effective risk management process is in place to safeguard the assets of the AECI Group and to prevent and detect fraud and other irregularities.

To enable the Directors to meet these responsibilities, management sets standards and implements systems of risk management and internal control aimed at reducing the risk of error or loss in a cost-effective manner. The Company's Internal Audit function independently appraises the AECI Group companies' internal control and reports directly to the Audit Committee.

In addition, the management of each operating business submits an annual Letter of Assurance to the Audit Committee of the Company affirming that the internal control in entities for which they have responsibility is adequate for their operations.

FINANCIAL STATEMENT DISCLOSURE – RISK MANAGEMENT

The Board recognises risk management as a key business tool to assess the balance between risk and reward in current and new businesses. Risk management also aims to protect the Group against hazards and uncertainties which may prevent the achievement of business goals and strategic objectives.

The Board is responsible for the risk management process and is assisted in its responsibilities by the Risk Committee. The day-to-day responsibilities for risk management and the design and implementation of appropriate processes to manage risk reside with management.

The Board is satisfied that there is an ongoing process for identifying and evaluating and managing significant risks and, where weaknesses are identified, these are addressed promptly within the Group and its operations as risk mitigation processes are part of the Group's overall risk management framework. Risk management is clearly defined within the risk management framework which has been implemented in all material subsidiaries and joint ventures under the Group's control.

The Risk Committee approves the risk strategy and the policies that are formulated and amended by the Executive Committee and Senior Management. This system assists the Board in discharging its responsibility for ensuring that the wide range of risks associated with all of the AECI Group's operations are managed effectively in support of the creation and preservation of shareholder wealth. Full reviews of the risk control and disclosure processes are undertaken regularly.

AECI has established an Enterprise Risk Management Framework, with supporting standards, that provides an overarching and consistent framework for the assessment and management of risks. Risks are ranked in line with the risk appetite and tolerance limits as approved by the Board. Where a risk is assessed as material, it is reported and reviewed by the Executive Committee and Senior Management as part of the risk management escalation process.

The risk management system meets regulatory requirements. In conducting its annual review of the effectiveness of risk management, the Board considers the key findings from the ongoing monitoring and reporting process, management assertions and independent assurance reports. The Board also takes into account material changes and trends in the risk profile and considers whether the control systems adequately support the Board in achieving its risk management objectives. The Board receives assurance from regular internal auditing reports and, where considered necessary, from other reports on risk and internal control throughout the AECI Group.

Key risks are reported to the Executive Committee and Senior Management to create assurance on business risks and to enable the prioritisation of risk management activities within the AECI Group.

The risk management process is designed to ensure that:

- all relevant risks are identified and evaluated, based on their potential impact and their likelihood of occurrence;
- risks and the required processes and controls to manage these risks are assessed in line with the Board's risk appetite; and
- appropriate management information and monitoring processes are in place to manage the exposure to each of the key risks to ensure that, where required, necessary corrective action can be taken.

DEALING IN SECURITIES

In accordance with the Listings Requirements of the JSE, AECI has adopted a Trading in Securities Policy. In terms of the Policy, there is a "closed period" that endures from the end of the financial reporting period until the publication of financial results for this period. Additional closed periods may be declared from time to time if circumstances so warrant.

During closed periods, Directors and designated employees are prohibited from dealing in the Company's securities, either directly or indirectly. Identified employees are advised to that effect. The Company Secretary advises the Directors of all the closed periods. Dealings in securities by Directors and Officers of the Company require prior approval by the Chairman or the Chief Executive, depending on the person dealing in the securities. Any share dealings by Directors and Officers of the Company are notified to the JSE for publication via SENS.

The AECI Group also has in place an Information Disclosure and Communications Policy designed to:

- record AECI's procedures with regard to communicating with the media, the investment community, securities professionals and other audiences to avoid selective disclosure of material information; and
- govern the disclosure of price-sensitive information to the public in a broad, comprehensive and lawful manner.

This Policy has been brought to the attention of all AECI employees and must be adhered to by them.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has in place Directors' and Officers' liability insurance which provides some cover against legal action by third parties.



good chemistry

AECI Limited

(Incorporated in the Republic of South Africa)

(Registration number 1924/002590/06)

JSE ordinary share code: AFE

JSE preference share code: AFEP

JSE ordinary share ISIN: ZAE000000220

JSE preference share ISIN: ZAE000000238

NOTICE OF GENERAL MEETING

The definitions and interpretations commencing on page 6 of this Circular to which this notice of General Meeting is attached apply, mutatis mutandis, to this Notice of General Meeting.

The record date, in terms of Section 59 of the Companies Act, for AECI Ordinary Shareholders to be recorded in the securities register of AECI in order to be eligible to receive this Circular and notice of the General Meeting is Friday, 21 October 2011.

The record date, in terms of Section 59 of the Companies Act, for AECI Ordinary Shareholders to be eligible to participate and vote at the General Meeting is Friday, 18 November 2011.

Notice is hereby given to all AECI Ordinary Shareholders, that a General Meeting of the AECI Ordinary Shareholders of the Company will be held at 13:00 on Thursday, 24 November 2011 at AECI Place, Ground Floor, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton, to consider and, if deemed fit, to pass with or without modification the resolutions set out below.

AECI Ordinary Shareholders or their proxies may participate in the meeting by way of a teleconference call and, if they wish to do so:

- must contact the Company Secretary (by email at the address NominiR@aeci.co.za) by no later than 13:00, on Tuesday, 22 November 2011 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

SPECIAL RESOLUTION NUMBER 1

"The number of authorised shares in the capital of the Company be and is hereby amended by the creation of 10 117 951 redeemable convertible B ordinary shares with no par value ("AECI B Ordinary Shares"), which have the rights, terms and privileges and which are subject to the terms and conditions set out in Special Resolution Number 2."

The reason for this Special Resolution Number 1 is to increase the authorised share capital of the Company by the creation of 10 117 951 AECI B Ordinary Shares, equivalent to 8% of the Net Enlarged Issued Share Capital, to be issued to the EST pursuant to the B-BBEE Transaction. The AECI B Ordinary Shares will rank *pari passu* in respect of voting rights with the AECI Ordinary Shares.

The effect of this Special Resolution Number 1 is that the authorised share capital of the Company will be increased by the creation of 10 117 951 AECI B Ordinary Shares.

In terms of Section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Special Resolution Number 1 to be adopted is at least 75% of the voting rights exercised on the resolution.

SPECIAL RESOLUTION NUMBER 2

"Subject to Special Resolution Number 1 having been passed and becoming effective, the Memorandum of Incorporation of the Company will be and is hereby amended by the inclusion in the Articles of Association (forming part of the Memorandum of Incorporation) of articles 44 and 45 as set out below:

"44. Definitions

For the purposes of this article 44 and article 45, unless inconsistent with or otherwise indicated by the context:

- | | | |
|-------|-----------------------------------|--|
| 44.1 | "Beneficiary" | a beneficiary as defined in the EST Trust Deed; |
| 44.2 | "B Ordinary Shareholder/s" | the lawful holder/s of the B Ordinary Shares; |
| 44.3 | "B Ordinary Shares" | the 10 117 951 redeemable convertible B ordinary shares with no par value in the company which have the rights, terms and privileges and which are subject to the terms and conditions referred to in article 45; |
| 44.4 | "Business Day" | any day other than a Saturday, Sunday or gazetted national public holiday in South Africa; |
| 44.5 | "Commencement Date" | the Business Day after the date on which the EST Trust Deed becomes unconditional; |
| 44.6 | "Distribution Date" | a date after the Termination Date to be determined by the company but which will be no later than six months after the Termination Date; |
| 44.7 | "Distribution Formula" | the formula to be utilised in determining the number of the B Ordinary Shares which are to be distributed to a Beneficiary, as set out in Annexure A to the EST Trust Deed; |
| 44.8 | "EST" | the AECL Employee Share Trust, Master's reference number IT3410/11; |
| 44.9 | "EST Trust Deed" | the trust deed of the EST and any annexures thereto; |
| 44.10 | "Group" | collectively the company, any subsidiary of the company and any other company in which the company is directly or indirectly able to exercise control of 49% or more of the general voting rights associated with issued securities of that company, whether incorporated in South Africa or not; |
| 44.11 | "Ordinary Shares" | the ordinary shares in the issued share capital of the company with a par value of R1.00 each; and |
| 44.12 | "Termination Date" | seven years after the Commencement Date, as extended or anticipated in accordance with the terms of the EST Trust Deed, and in the case of the death of a Beneficiary and in relation to such Beneficiary only, the date of his death, provided that if that date falls on a day which is not the first day of a month, that date shall be the first day of the following month. |

45. Terms and conditions of the B Ordinary Shares

- 45.1 Notwithstanding anything to the contrary contained in the articles, the B Ordinary Shares shall rank pari passu with the Ordinary Shares (and for the avoidance of doubt shall not rank pari passu or in priority to the existing preference shares issued by the company), save that:
- 45.1.1 the B Ordinary Shares shall not rank pari passu with the Ordinary Shares as regards dividends, payments or other distributions and the Directors shall in their sole and absolute discretion be entitled to declare a dividend or make any payment or other distribution in respect of a B Ordinary Share, provided that such dividends, payments or distributions shall not in any financial year of the company exceed 100% of the aggregate of dividends, payments or distributions declared and paid by the company per Ordinary Share in that financial year;
 - 45.1.2 a B Ordinary Share shall not entitle its holder to participate in any rights offer which is implemented by the company;
 - 45.1.3 B Ordinary Shares shall not be listed on any stock exchange;
 - 45.1.4 for so long as the Ordinary Shares are listed on the JSE Limited ("JSE"), the rights attaching to the B Ordinary Shares may not be amended in any material respect without the prior written approval of the JSE and will not be counted for categorisation purposes in terms of Section 9 of the Listings Requirements of the JSE;
 - 45.1.5 the board shall have the right and be obliged to redeem in respect of each Beneficiary, that number of B Ordinary Shares vested in the Beneficiary in accordance with the EST Trust Deed which exceeds that number of shares to which that Beneficiary is entitled determined in accordance with the Distribution Formula, without consideration, in accordance with the EST Trust Deed and such procedure as the board may determine;
 - 45.1.6 the board shall have the right (but not the obligation) by written notice to the trustees of the EST at any time prior to the Distribution Date, to elect to redeem such number of B Ordinary Shares for a consideration per B Ordinary Share equal to the volume weighted average price of an Ordinary Share on the JSE for the 30 trading days prior to the Termination Date, to pay the taxes and other expenses for which a Beneficiary is liable in respect of the B Ordinary Shares to which he is entitled (determined in accordance with the Distribution Formula), in accordance with the EST Trust Deed and such procedure as the board may determine;
 - 45.1.7 the board may at any time prior to the Distribution Date offer to redeem the B Ordinary Shares for an amount in respect of each B Ordinary Share equal to the volume weighted average price of an Ordinary Share on the JSE for the 30 trading days prior to the Termination Date;
 - 45.1.8 the board shall by written notice to the trustees of the EST at any time on or after the Termination Date but before the Distribution Date determine a date on which the B Ordinary Shares shall convert into Ordinary Shares and on the date specified therein the B Ordinary Shares shall automatically convert into Ordinary Shares at a rate of one B Ordinary Share for one Ordinary Share;
 - 45.1.9 this article 45 may only be amended or deleted by way of (i) a special resolution of shareholders duly adopted at a meeting of shareholders convened in terms of the articles, which is approved by shareholders holding no less than 75% of the shares held by shareholders who are present and who vote at that meeting, either in person or by proxy; and (ii) a resolution of the B Ordinary Shareholders duly adopted at a meeting of B Ordinary Shareholders as to which the provisions of the articles relating to the general meetings of Ordinary Shareholders shall mutatis mutandis apply (which may be held immediately prior to or after the meeting referred to in (i) or at any other time within 30 days of such meeting), which is approved by B Ordinary Shareholders holding no less than 75% of those B Ordinary Shares held by B Ordinary Shareholders who are present and who vote at that meeting, either in person or by proxy; and

45.1.10 no meeting may be convened for the purposes of proposing a resolution contemplated in article 45.1.9 to be taken by the relevant shareholders unless the convening of such meeting is approved by B Ordinary Shareholders holding no less than 90% of the B Ordinary Shares.

In the event of any conflict between the provisions of these articles 44 and 45 and any other article, the provisions of these articles 44 and 45 shall prevail.”

The reason for this Special Resolution Number 2 is to amend the Memorandum of Incorporation of the Company to include the terms of the AECI B Ordinary Shares authorised pursuant to Special Resolution Number 1.

The effect of this Special Resolution Number 2 is that the Memorandum of Incorporation of the Company will be amended to include the terms of the AECI B Ordinary Shares.

In terms of Section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Special Resolution Number 2 to be adopted is at least 75% of the voting rights exercised on the resolution.

SPECIAL RESOLUTION NUMBER 3

“Subject to the passing and filing of Special Resolutions Numbers 1 and 2, resolved as a special resolution that the Company’s Articles of Association (forming part of the Memorandum of Incorporation) be and are hereby amended by the deletion of article 4.1 in its entirety.”

The reason for this Special Resolution Number 3 is to amend the Articles of Association (which form part of the Company’s Memorandum of Incorporation) by deleting those provisions which prohibit the provision of financial assistance by the Company.

The effect of this Special Resolution Number 3 is that the Articles of Association (which form part of the Company’s Memorandum of Incorporation) will be amended and brought in line with the provisions of Section 44 of the Companies Act, thereby permitting the Board to authorise the Company to provide financial assistance for the subscription of securities, subject to compliance with the Companies Act.

In terms of Section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Special Resolution Number 3 to be adopted is at least 75% of the voting rights exercised on the resolution.

SPECIAL RESOLUTION NUMBER 4

“Resolved as a special resolution that, subject to the passing and filing of Special Resolutions Numbers 1 to 3, insofar as the terms of the proposed B-BBEE Transaction envisaged in this Circular dated Wednesday, 26 October 2011 to which this Notice of General Meeting is attached constitute financial assistance to be given by the Company for the purpose of or in connection with the purchase of or subscription for any shares in the Company, those terms are hereby sanctioned by the Shareholders of the Company in accordance with the provisions of Section 44(3)(a)(ii) of the Companies Act, 71 of 2008, including, without limitation, the terms of any financial assistance arising from the allotment and issue of shares to the AECI Employees Share Trust or the AECI Community Education and Development Trust. In particular without limitation the Company may make a contribution of R4 426 604 to the AECI Community Education and Development Trust for the subscription of AECI Ordinary Shares.”

The reason for this Special Resolution Number 4 is to sanction the giving of any financial assistance by the Company for the purpose of or in connection with the subscription by the CST for AECI Ordinary Shares or the EST for AECI B Ordinary Shares.

The effect of this Special Resolution Number 4 is that the Company will be able to provide financial assistance for purposes of the B-BBEE Transaction.

In terms of Section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Special Resolution Number 4 to be adopted is at least 75% of the voting rights exercised on the resolution.

SPECIAL RESOLUTION NUMBER 5

“Resolved as a special resolution that, subject to the passing and filing of Special Resolutions Numbers 1 to 3 and the passing of Special Resolution Number 4, the Shareholders of the Company hereby grant specific approval as contemplated in article 3.2 of the Articles of Association (forming part of the Company’s Memorandum of Incorporation) and rule 5.69 of the Listings Requirements of the JSE Limited (as that rule is

amended, modified, re-enacted or substituted from time to time) to repurchase or acquire the AECI Ordinary Shares from the AECI Community Education and Development Trust for no consideration in accordance with the terms of the AECI Community Education and Development Trust Deed, such shares to be cancelled as issued shares and restored to the status of authorised shares, provided that the repurchase or acquisition by the Company of the shares pursuant to this Special Resolution Number 5 will not take effect unless, at the time that any repurchase takes place, the Company makes a working capital statement in terms of paragraph 11.23(g) of the Listings Requirements of the JSE Limited and provides the Directors resolution in terms of 16.32(e) of the Listings Requirements of the JSE Limited and that all requirements of the Companies Act, 71 of 2008, have been met.”

The reason for Special Resolution Number 5 is to obtain the specific authority required in terms of rule 5.69 of the Listings Requirements (as that rule is amended, modified, re-enacted or substituted from time to time) and the Articles of Association (forming part of the Memorandum of Incorporation) to repurchase or acquire AECI Ordinary Shares from the CST, in accordance with the terms and conditions of the CST Trust Deed.

The effect of this Special Resolution Number 5 is that the Company will be authorised to acquire some or all of the AECI Ordinary Shares issued to the CST, and cancel such shares.

In terms of Section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Special Resolution Number 5 to be adopted is at least 75% of the voting rights exercised on the resolution.

SPECIAL RESOLUTION NUMBER 6

“Resolved as a special resolution that, subject to the passing and filing of Special Resolutions Numbers 1 to 3 and the passing of Special Resolutions Numbers 4 and 5, the Board be and is hereby authorised:

- (i) by way of a specific authority in terms of Section 41 of the Companies Act, 71 of 2008, and rule 5.51 of the Listings Requirements of the JSE Limited to allot and issue 10 117 951 AECI B Ordinary Shares to the AECI Employees Share Trust for no cash consideration payable at the time of issue in accordance with the terms and conditions of the Subscription Agreement between AECI Limited and the Trustees for the time being of the AECI Employees Share Trust dated Wednesday, 12 October 2011; and
- (ii) by way of a specific authority in terms of Section 41 of the Companies Act, 71 of 2008 and rule 5.51 of the Listings Requirements of the JSE Limited to allot and issue 4 426 604 AECI Ordinary Shares to the AECI Community Education and Development Trust for R 4 426 604, in cash in accordance with the terms and conditions of the Subscription Agreement between AECI Limited and the Trustees for the time being of the AECI Community Education and Development Trust dated Wednesday, 12 October 2011,

and that all of the shares referred to above be and are hereby placed under the control of the Board for allotment and issue as described above.”

The reason for this Special Resolution Number 6 is to obtain the approval of Shareholders for the issue of shares to the EST and CST in terms of Section 41 of the Companies Act, and the Listings Requirements.

The effect of this Special Resolution Number 6 is that the Company will be authorised to issue 10 117 951 AECI B Ordinary Shares to the EST and 4 426 604 AECI Ordinary Shares to the CST in terms of the Companies Act and the Listings Requirements.

In terms of Section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Special Resolution Number 6 to be adopted is at least 75% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER 1

“Resolved that 4 678 667 AECI Ordinary Shares be placed under the control of the Directors and the Directors be authorised to allot and issue those shares to the Tiso AEL Development Trust and Business Ventures Investments No 884 Proprietary Limited (a wholly-owned subsidiary of Kagiso Tiso Holdings Proprietary Limited (RF)) as they in their discretion deem fit in order to acquire the remaining shares not held by the Company in AEL Holdings Limited (registration number 2002/O13171/O6) (of which AEL Mining Services Limited is a wholly-owned subsidiary), subject to the fulfilment of all conditions precedent to the proposed transaction.”

The reason and effect of this Ordinary Resolution is to place 4 678 667 AECI Ordinary Shares under the control of the Directors and to authorise the Directors to allot and issue those shares to the Tiso AEL Development Trust and Business Ventures Investments No 884 Proprietary Limited (a wholly-owned subsidiary of Kagiso Tiso Holdings Proprietary Limited (RF)) as they in their discretion deem fit in order to acquire the remaining shares not held by the Company in AEL Holdings Limited (registration number 2002/O13171/O6) (of which AEL Mining Services Limited is a wholly-owned subsidiary), subject to the fulfilment of all conditions precedent to the proposed transaction.

In terms of Section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Ordinary Resolution Number 1 to be adopted is more than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER 2

“Resolved as an ordinary resolution that any Director of the Company be and is hereby authorised to do all such things, sign all such documents and take all such action or procure the doing of all such things, the signature of all such documents and the taking of all such action as may be necessary or incidental to give effect to all of the Special Resolutions and Ordinary Resolution Number 1 which are proposed and passed at the General Meeting at which this Ordinary Resolution Number 2 is proposed.”

In terms of Section 62(3)(c) of the Companies Act, the percentage of voting rights that will be required for this Ordinary Resolution Number 2 to be adopted is more than 50% of the voting rights exercised on the resolution.

VOTING AND PROXIES

An AECI Shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more persons as his proxy (or concurrent proxies) to attend, participate in and vote at the General Meeting in the place of the AECI Shareholder, and AECI Shareholders are referred to the attached form of proxy (blue).

A proxy need not also be an AECI Shareholder.

In terms of Section 63(1) of the Companies Act, any person attending or participating in a meeting of Shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as Shareholder or as proxy for a Shareholder) has been reasonably verified.

On a show of hands, every AECI Shareholder will have one vote (irrespective of the number of AECI Ordinary Shares held). On a poll, every AECI Shareholder will have for each AECI Ordinary Share held by him that proportion of the total votes in the Company which the aggregate amount of the nominal value of that AECI Ordinary Share held by him bears to the aggregate amount of the nominal value of all the AECI Ordinary Share issued by the Company.

The necessary form of proxy (blue) accompanies this notice. Duly completed form of proxy must be lodged with the Transfer Secretaries at the address below to be received by no later than 13:00 on Tuesday, 22 November 2011.

AECI Ordinary Shareholders who have dematerialised their AECI Ordinary Shares, other than those Shareholders who have dematerialised their AECI Ordinary Shares with “own name” registration, should contact their CSDP or Broker in the manner and time stipulated in their agreement:

- **to furnish them with their voting instructions; and**
- **in the event that they wish to attend the meeting, to obtain the necessary letter of authority to do so.**

AECI Ordinary Shares held by a share trust or scheme will not have their vote at General Meetings taken into account for the purposes of resolutions proposed in terms of the Listings Requirements.

By order of the Board

Nomini Rapoo
Company Secretary

Tuesday, 25 October 2011



AECI Limited

(Incorporated in the Republic of South Africa)
 (Registration number 1924/002590/06)
 JSE ordinary share code: AFE
 JSE preference share code: AFEP
 JSE ordinary share ISIN: ZAE000000220
 JSE preference share ISIN: ZAE000000238

FORM OF PROXY

For use by Certificated Shareholders and Dematerialised Shareholders who have "own name" registration of securities at the General Meeting of AECI Shareholders to be held at 13:00 on Thursday, 24 November 2011 at AECI Place, Ground Floor, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton.

The definitions and interpretations commencing on page 6 of this Circular to which this form of proxy is attached apply, mutatis mutandis, to this form of proxy.

Please print clearly when completing this form and see the notes and summary at the end of this form for an explanation of the use of this proxy form and the rights of an AECI Shareholder and his proxy.

I/We (Please print full names)

I/We (Please print full names)

Being the holders of ordinary shares in the Company, hereby appoint (see note 1)

1. _____ or failing him/her,
 2. _____ or failing him/her,

the chairman of the General Meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the General Meeting which will be held for the purpose of considering and, if deemed fit, passing with or without modification, the special and ordinary resolutions to be proposed and at each adjournment of the meeting and to vote for or against the special and ordinary resolutions or to abstain from voting in respect of the AECI Ordinary Shares in the issued capital of the Company registered in my/our name/s, in accordance with the following instructions (see note 2).

	For	Against	Abstain
Special resolution number 1 to increase the authorised share capital of the Company by the creation of 10 117 951 AECI B Ordinary Shares			
Special resolution number 2 to amend the Memorandum of Incorporation of the Company to include the terms of the AECI B Ordinary Shares authorised			
Special resolution number 3 to amend the Articles of Association (which forms part of the Company's Memorandum of Incorporation) by deleting those provisions which prohibit the provision of financial assistance by the Company			
Special resolution number 4 to sanction the giving of any financial assistance by the Company for the purpose of or in connection with the subscription by the CST for AECI Ordinary Shares or the EST for AECI B Ordinary Shares			
Special resolution number 5 to obtain the specific authority required in terms of rule 5.69 of the Listings Requirements and the Articles of Association to repurchase or acquire AECI Ordinary Shares from the CST			
Special resolution number 6 to obtain the approval by Shareholders for the issue of AECI B Ordinary Shares to the EST and AECI Ordinary Shares to the CST in terms of Section 41 of the Companies Act and the Listings Requirements			
Ordinary resolution number 1 placing 4 678 667 AECI Ordinary Shares under the control of the directors and authorising the directors to allot and issue those shares only for the purpose of the KTH Transaction			
Ordinary resolution number 2 to authorise any Director to take all such action as may be necessary or incidental to give effect to all the proposed special resolutions and ordinary resolution number 1 are passed.			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of AECI Ordinary Shares than you own in the Company, insert the number of AECI Ordinary Shares held in respect of which you desire to vote (see note 2).

Signed at [place] _____ on [date] _____ 2011

Signature _____

Assisted by me (where applicable) _____

Each AECI Ordinary Shareholder is entitled to appoint one or more proxies (who need not be a member of the Company) to attend speak and, on a poll, vote in place of that AECI Ordinary Shareholder at the General Meeting.

On a show of hands, every AECI Shareholder will have one vote (irrespective of the number of AECI Ordinary Shares held). On a poll, every AECI Shareholder will have for each AECI Ordinary Share held by him that proportion of the total votes in the Company which the aggregate amount of the nominal value of that AECI Ordinary Share held by him bears to the aggregate amount of the nominal value of all the AECI Ordinary Share issued by the Company.

PLEASE READ THE NOTES AND SUMMARY ON THE REVERSE SIDE OF THIS PROXY FORM.

Notes:

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided, with or without deleting "the chairman of the General Meeting", but any such deletion must be initialled by the Shareholder. The person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of AECI Ordinary Shares than you own in the Company insert the number of AECI Ordinary Shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all of the Shareholder's votes exercisable at the meeting. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the Shareholder or by his/her proxy.
3. Forms of proxy must be received by the Transfer Secretaries at the address set out on the "Corporate Information" page by no later than 13:00 on Tuesday, 22 November 2011.
4. The completion and lodging of this proxy form will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person at the meeting to the exclusion of any proxy appointed in terms of this form of proxy.
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries or waived by the chairman of the General Meeting.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries.
8. The chairman of the General Meeting may accept any form of proxy which is completed other than in accordance with these notes if he is satisfied as to the manner in which the Shareholder wishes to vote.

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

1. A Shareholder may at any time appoint any individual, including a non-Shareholder of the Company, as a proxy to participate in, speak and vote at a Shareholders' meeting on his or her behalf (Section 58(1)(a)).
2. A proxy appointment must be in writing, dated and signed by the Shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph 5 or expires earlier in terms of paragraph 9 below (Section 58(2)).
3. An AECI Shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the Shareholder (Section 58(3)(a)).
4. A copy of the proxy instrument must be delivered to the Company, or to any other person acting on behalf of the Company, before the proxy exercises any rights of the Shareholder at a Shareholders' meeting (Section 58(3)(c)) and in terms of the Memorandum of Incorporation of the Company at least 48 hours before the meeting commences (provided that Business Days will not be taken into account in calculating the aforesaid period).
5. Irrespective of the form of instrument used to appoint a proxy:
 - the appointment is suspended at any time and to the extent that the Shareholder chooses to act directly and in person in the exercise of any rights as a Shareholder (Section 58(4)(a));
 - the appointment is revocable unless the proxy appointment expressly states otherwise (Section 58(4)(b)); and
 - if the appointment is revocable, a Shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (Section 58(4)(c)).
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 5 above (Section 58(5)).
7. If the proxy instrument has been delivered to a Company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the Shareholder must be delivered by the Company to the Shareholder (Section 58(6)(a)), or the proxy or proxies, if the Shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (Section 58(6)(b)).
8. A proxy is entitled to exercise, or abstain from exercising, any voting right of the Shareholder without direction, except to the extent that the Memorandum of Incorporation or proxy instrument provides otherwise (Section 58(7)).
9. The proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to paragraph 6 above (Section 58(8)(d)).