

TRANS HEX GROUP LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1963/007579/06

ISIN: ZAE000018552

Share code: TSX

("Trans Hex" or the "Company")

PROPOSED DISPOSAL BY TRANS HEX OF ITS LOWER ORANGE RIVER OPERATIONS AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. Introduction

Trans Hex shareholders ("**Shareholders**") are advised that, on Tuesday, 17 April 2018, Trans Hex Operations Proprietary Limited ("**THO**"), a wholly owned subsidiary of Trans Hex, entered into an agreement with Lower Orange River Diamonds Proprietary Limited (formerly Koffiefontein Diamonds Proprietary Limited) ("**LOR Diamonds**"), (the "**Agreement**"), in terms of which THO has agreed to, *inter alia*:

- dispose of the business conducted by THO, as a going concern, relating to and in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of the Lower Orange River Operations ("**LOR Operations**"), consisting of certain assets, liabilities and the transfer of employees ("**Business**"), (the "**Disposal**"); and
- cede and transfer the mining right associated with the LOR Operations ("**LOR Mining Right**"),

to LOR Diamonds, for a total cash consideration of R72 million ("**Consideration**"), (collectively, the "**Transaction**").

2. Overview of the LOR Operations

The LOR Operations are situated along the southern bank of the Orange River in the Richtersveld region of the Northern Cape and consist of Baken Mine and Bloeddrif Mine.

Baken Mine

Baken Mine is situated on the banks of the lower Orange River, approximately 60 km from Alexander Bay. This operation mines the Baken palaeochannel, an ancient riverbed containing alluvial diamonds washed downstream from kimberlite (diamond-bearing volcanic rock) pipes millions of years ago. The site also contains lower grade meso terraces. The Company made every effort to sustain operations at Baken Mine, however the mine's low carat production and subsequent financial losses were considered to be unsustainable. In the circumstances, production at Baken Mine was halted on 31 October 2017 and the mine was placed under care and maintenance.

Including a provision for retrenchment costs, Baken Mine incurred a loss of R137.5 million for the 6 months ended 30 September 2017 and a loss of R35.8 million for the year ended 31 March 2017. The recoverable value associated with Baken Mine, as at 30 September 2017, amounted to R31.2 million.

Bloeddrif Mine

Bloeddrif Mine is situated in the Richtersveld region along the banks of the lower Orange River, approximately 30 km upstream from Baken Mine. Although Bloeddrif Mine traditionally produced fewer diamonds than Baken Mine, the stones were generally larger and attracted better prices per carat.

As a result of the grade of gravel dropping below the threshold for economic mining, all mining operations at Bloeddrif Mine ceased in May 2017 and the mine was placed under care and maintenance.

Bloeddrif Mine incurred a loss of R60.1 million (including retrenchment costs) for the 6 months ended 30 September 2017 and a loss of R55.0 million for the year ended 31 March 2017. The recoverable value associated with Bloeddrif Mine, as at 30 September 2017, amounted to R12.6 million.

3. Overview of LOR Diamonds

LOR Diamonds is a Black Woman Owned company (as defined in terms of the Broad Based Black Economic Act, No. 53 of 2003). The beneficial shareholders of LOR Diamonds indirectly hold minority interests in a small portfolio of “greenfield” prospecting rights for diamonds which are being readied for initial exploratory drilling operations. LOR Diamonds’ management team has extensive knowledge of and experience in the diamond exploration and mining industry but is currently not engaged in other diamond mining operations. LOR Diamonds intends implementing new mining techniques and recovery processes at the LOR Operations, as well as ongoing and innovative environmental rehabilitation in respect of the disturbed surface area, which it is confident will be both cost-effective and sustainable.

4. Rationale for the Transaction

Trans Hex has been directing its efforts towards securing a sustainable future for the LOR Operations under a potential new dispensation, including exploring all reasonable ways and means of avoiding or minimising enforced retrenchments. Accordingly, the Transaction provides the Company with an opportunity to implement its strategy for the LOR Operations as well as provide the Company with additional capital that can be applied to fund its working capital requirements.

5. Salient terms of the Transaction

Subject to the conditions precedent pertaining to the Disposal (as detailed in paragraph 7 below) being fulfilled or waived (to the extent applicable), with effect from 1 April 2018 (“**Effective Date**”), THO will dispose of the Business to LOR Diamonds.

Conditional on the implementation of the Disposal, with effect from the date on which written consent of the Minister of Mineral Resources in terms of section 11(1) of the Mineral and Petroleum Resources Development Act, No 28 of 2002, as amended, is obtained in regard to the cession and transfer of the LOR Mining Right (“**Grant Date**”), THO will cede and transfer the LOR Mining Right to LOR Diamonds.

The Consideration will be settled through an initial payment of R50 million within 7 business days of the signature of the Agreement and subsequent deferred payments of R2.75 million each, totalling an aggregate deferred payment of R22 million, payable over a period of 8 months, commencing 5 months after the date of signature of the Agreement.

6. Ancillary arrangements

Simultaneously with the Agreement, THO and LOR Diamonds (the “**Parties**”) entered into a contract mining agreement in terms of which LOR Diamonds will be appointed as an independent contractor to THO and will undertake and conduct for its own account and benefit mining operations on the land and property forming part of the LOR Operations pursuant to the LOR Mining Right, for the period commencing on the Effective Date up to the Grant Date (“**Contract Mining Agreement**”).

7. Conditions precedent

The implementation of the Disposal is subject to the fulfilment or waiver (to the extent permitted) of, *inter alia*, the following conditions precedent:

- the Agreement becoming unconditionally operative in accordance with its terms;
- the approval by Shareholders of the resolution required to implement the Disposal at a general meeting of Shareholders (“**General Meeting**”);
- the Contract Mining Agreement becoming unconditionally operative in accordance with its terms;
- the bondholders of the special notarial bond registered by THO over certain mining equipment consenting to the cancellation of the bond upon receipt by THO of the full purchase consideration; and
- the receipt of all approvals, consents or waivers from those South African regulatory authorities as may be necessary to implement the Disposal, including (to the extent required) the unconditional approval by the Competition Authorities (or if such approval is conditional, the Parties affected by such conditions having confirmed their acceptance thereof).

8. Categorisation

The Transaction is classified as a category 1 transaction, as contemplated in paragraph 9.5(b) of the JSE Limited Listings Requirements.

9. Circular

A circular to Shareholders setting out the full terms and conditions of the Transaction and including a notice convening the General Meeting will be posted to Shareholders in due course.

10. Withdrawal of cautionary announcement

Shareholders are referred to the cautionary announcement published on SENS on Thursday, 29 March 2018 and are advised that, following the publication of this announcement, caution is no longer required to be exercised by Shareholders when dealing in the Company’s securities.

Cape Town
18 April 2018

Sponsor
One Capital