

## 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**” or the “**Group**”)

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### PROPOSED ACQUISITION BY TRANS HEX OF A FURTHER 27.2% SHAREHOLDING IN WEST COAST RESOURCES, POTENTIAL FUTURE SPECIFIC ISSUE OF SHARES FOR CASH AND TRANSACTIONS IN SECURITIES

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#### 1. Introduction

Trans Hex shareholders (“**Shareholders**”) are advised that Trans Hex and RAC Investment Holdings Proprietary Limited (“**RAC**”) have reached an agreement (“**Agreement**”), in terms of which Trans Hex or its subsidiary will acquire a further 27.2% shareholding (“**Sale Shares**”) in West Coast Resources Proprietary Limited (“**WCR**”) from RAC, for a total purchase consideration of approximately R39.1 million (“**Purchase Consideration**”), to be settled through the issue of approximately 9.4 million new ordinary shares in the share capital of Trans Hex (“**Consideration Shares**”), (the “**Transaction**”).

#### 2. Rationale for and effect of the Transaction

As at the date of this announcement, Trans Hex holds a 40% interest in WCR, through its wholly owned subsidiary, Trans Hex Diamante Limited.

Following implementation of the Transaction, WCR will become a 67.2% held subsidiary of the Group, further enhancing Trans Hex’s management and operational control over WCR and bolstering Trans Hex’s South African footprint.

The Company will ensure that the provisions of WCR’s memorandum of incorporation do not frustrate or relieve the Company in any way from compliance with its obligations in terms of the JSE Limited Listings Requirements (“**Listings Requirements**”).

#### 3. Overview of WCR

WCR is a diamond mining company with operations in the Namaqualand region of the Northern Cape. Effective 28 October 2014, WCR acquired the assets and liabilities relating to Namaqualand Mines from the De Beers group.

Trans Hex has been contracted by WCR to manage the day-to-day operations of its Namaqualand project and to market the diamonds it produces. The mine is situated approximately 60 kilometres south of Port Nolloth along the West Coast of the Northern Cape and spans a total geographical area of more than 2,750 square kilometres. Production commenced in December 2015.

The 40% investment in WCR is accounted for by the Group as an investment in an associate under the equity method. The net assets and loss attributable to 100% of WCR for the year ended 31 March 2017 (“**2017 Financial Year**”), as per the audited annual financial statements of WCR for the 2017 Financial Year, amounted to R226.0 million and R178.1 million, respectively.

The carrying value of the Group’s investment in WCR, as at 31 March 2017, as per the audited annual financial statements of the Group for the period then ended, amounted to R98.5 million, after adjustments relating to a preferential loan and capitalised interest.

Included in the annual financial results of the Group for the 2017 Financial Year was a loss of R71.3 million, representing the Group's share of the losses of WCR, which included an impairment charge to mining rights after tax of R43.4 million.

#### **4. Salient terms of the Transaction**

Trans Hex or its subsidiary will acquire a further 27.2% shareholding in WCR for the Purchase Consideration.

In settlement of the Purchase Consideration, Trans Hex will issue the Consideration Shares to RAC, at the issue price of R4.14 per Trans Hex ordinary share ("**Trans Hex Share**"), being a 44% premium to the 30 day volume weighted average price of a Trans Hex Share on the exchange operated by JSE Limited ("**JSE**"), ("**VWAP**") immediately prior to the date on which the terms of the Transaction were agreed to between the parties thereto.

#### **5. Conditions precedent**

The implementation of the Transaction is subject to the fulfilment or waiver (to the extent permitted) of the following conditions precedent:

- the entering into, by Trans Hex and RAC, of formal agreements in respect of the Transaction;
- the approval by Shareholders of the Transaction, including the issue of the Consideration Shares, at a general meeting of Shareholders;
- the Industrial Development Corporation of South Africa Limited ("**IDC**") providing written consent(s) as required in terms of the loan agreement between WCR and the IDC;
- the IDC providing written consent to the release of the Sale Shares from the cession *in securitatem debiti* given by RAC in favour of the IDC; and
- the receipt of all approvals, consents or waivers from those South African regulatory authorities as may be necessary to implement the Transaction, including approval by the Competition Authorities.

#### **6. Categorisation, related party relationship and fairness opinion**

The Consideration Shares amount to approximately 8.93% of the total Trans Hex Shares in issue, excluding treasury shares ("**Voting Shares**"). Accordingly, the Transaction is considered to be a category 2 transaction, as contemplated in the Listings Requirements.

RAC currently holds approximately 25.6% of the Voting Shares and is therefore considered to be a material shareholder of Trans Hex. Furthermore, RAC is an associate of Mr PG Viljoen, a director of Trans Hex. Accordingly, RAC is considered to be a related party in terms of paragraph 10.1 of the Listings Requirements.

In the circumstances, the Transaction is classified as a category 2 related party transaction in terms of paragraphs 9.5(a) and 10.1(a), as read with paragraphs 9.15 and 10.4, of the Listings Requirements.

In terms of paragraph 10.4(f) of the Listings Requirements, as read with the guidance letter issued by the JSE dated 25 October 2012, a fairness opinion is required in respect of the Transaction. Trans Hex has appointed Snowden Mining Industry Consultants Proprietary Limited as the independent expert to opine on the fairness of the Transaction, which opinion will be included in the Circular (as envisaged in paragraph 8 below).

## 7. Potential future specific issue of shares for cash

### **Background, overview and effect**

In terms of the agreement entered into between Cream Magenta 140 Proprietary Limited (“**Cream Magenta**”), Metcap 14 Proprietary Limited (“**Metcap**”) and RAC (collectively, the “**Parties**”) on 12 June 2017, which agreement regulates the relationship between the Parties as Shareholders, the Parties agreed that they will, as far as is possible, maintain an equal shareholding in Trans Hex.

The shareholding of Cream Magenta, Metcap and RAC in Trans Hex, as at the date of this announcement, is detailed below:

	<b>Number of Shares</b>	<b>Percentage shareholding*</b>
Cream Magenta	27,100,400	25.64
Metcap	27,100,400	25.64
RAC	27,038,143	25.58

\* *Percentage shareholding is calculated as a percentage of the Voting Shares (being 105,698,947 Trans Hex Shares).*

Following the implementation of the Transaction:

- RAC will hold approximately 36.5 million Trans Hex Shares, amounting to approximately 31.7% of the Voting Shares following the issue of the Consideration Shares.
- Cream Magenta and Metcap will each continue to hold approximately 27.1 million Trans Hex Shares, amounting to approximately 23.5% of the Voting Shares in issue following the issue of the Consideration Shares.

In the circumstances, the Parties have entered into an option agreement (“**Option Agreement**”), so as to ensure that the Parties’ shareholding ratio in Trans Hex remains unaffected by the issue of the Consideration Shares, whereby RAC has granted Cream Magenta and Metcap the option, following the implementation of the Transaction, to:

- collectively acquire two thirds of the Consideration Shares from RAC, or such lesser amount as may be necessary to ensure that the Parties each hold an equal number of Trans Hex Shares, in equal proportions, at an issue price of R4.14 per Trans Hex Share (“**Issue Price**”) (“**Acquisition Option**”); or
- each subscribe for such number of Trans Hex Shares, at the Issue Price, as may be required to ensure that the Parties each hold an equal number of Trans Hex Shares (“**Subscription Option**”).

The Subscription Option constitutes a specific issue of shares for cash by Trans Hex, whereby Trans Hex has agreed to (if the Subscription Option is exercised) issue, in aggregate, a maximum of 18.7 million new Trans Hex Shares to Cream Magenta and Metcap at the Issue Price (“**Specific Issue**”).

The Specific Issue is dependent on a future event or decision, which is outside of the control of Trans Hex. In the event that the Specific Issue is implemented, Trans Hex will issue a maximum of approximately 18.7 million new Trans Hex Shares and receive a maximum cash consideration of approximately R77.6 million. It is intended that the proceeds of the Specific Issue, if implemented, will be utilised to fund the Company’s working capital requirements.

### ***Conditions precedent***

The Specific Issue is subject to the fulfilment or waiver (to the extent permitted) of the following conditions precedent:

- the Transaction becoming wholly unconditional and thus being implemented;
- the approval by Shareholders of the Specific Issue at a general meeting of Shareholders;
- Cream Magenta and Metcap exercising the Subscription Option; and
- the receipt of all approvals, consents or waivers from those South African regulatory authorities as may be necessary to implement the Specific Issue.

### ***Related party relationship***

As at the Last Practicable Date, Cream Magenta and Metcap each hold approximately 25.6% of the Voting Shares and are therefore considered to be material shareholders of Trans Hex. Accordingly, in terms of paragraph 10.1 of the Listings Requirements, Cream Magenta and Metcap are considered to be related parties. Furthermore, an associate of Mr MVZ Wentzel, a director of Trans Hex, holds an indirect controlling interest in the issued ordinary shares of Metcap and therefore Metcap is also considered to be an associate of Mr MVZ Wentzel.

In the circumstances, the Specific Issue will be classified as a specific issue of shares for cash to related parties, as contemplated in paragraph 5.51 of the Listings Requirements. The Issue Price is at a premium to the 30 day VWAP immediately prior to the date on which the terms of the Specific Issue were agreed to between the parties thereto. Accordingly, no fairness opinion is required in respect of the Specific Issue, as contemplated in paragraph 5.51(f) of the Listings Requirements.

## **8. Circular**

A circular setting out the full terms and conditions of the Transaction and the Specific Issue and including the notice convening a general meeting of Shareholders ("**Circular**") will be posted to Shareholders in due course.

## **9. Transactions in securities**

The Agreement and the entering into the Option Agreement each constitute a transaction in securities as contemplated in terms of paragraph 3.64 of the Listings Requirements ("**Transactions in Securities**").

The following information pertaining to the Transactions in Securities is hereby disclosed to Shareholders in terms of paragraphs 3.63 to 3.65 of the Listings Requirements:

<b>Name of director:</b>	Mr PG Viljoen
<b>Associate:</b>	RAC
<b>Relationship:</b>	Mr PG Viljoen holds an indirect interest of 50% of the issued ordinary shares of RAC.
<b>Date of transaction:</b>	29 September 2017
<b>Class of securities:</b>	Ordinary shares
<b>Number of Trans Hex Shares:</b>	9,436,838
<b>Price per Trans Hex Share:</b>	R4.14
<b>Value of transaction:</b>	R39,068,510
<b>Nature of directors' interest:</b>	Indirect beneficial
<b>On-market or off-market:</b>	N/A

<b>Name of director:</b>	Mr MVZ Wentzel
<b>Associate:</b>	Metcap
<b>Relationship:</b>	Metcap is ultimately controlled by a trust of which Mr Wentzel's wife, Mrs Clare Wiese Wentzel, is a trustee and beneficiary. Mr Wentzel is also a beneficiary of the trust.
<b>Date of transaction:</b>	15 August 2017
<b>Class of securities:</b>	Ordinary shares
<b>Number of Trans Hex Shares:</b>	9,374,581
<b>Price per Trans Hex Share:</b>	R4.14
<b>Value of transaction:</b>	R38,810,765
<b>Nature of directors' interest:</b>	Indirect beneficial
<b>On-market or off-market:</b>	N/A

It should be noted that the Trans Hex Shares subject to the Transactions in Securities stated above have not yet been acquired or subscribed for and will only be acquired or subscribed for by RAC and Metcap after the Transaction and Specific Issue become wholly unconditional and are implemented.

Cape Town  
9 October 2017

**Sponsor**

One Capital Sponsor Services Proprietary Limited

**Corporate advisor**

Questco Proprietary Limited

**Legal advisor**

Bowman Gilfillan Inc.

**Independent expert**

Snowden Mining Industry Consultants Proprietary Limited

**Independent auditors and reporting accountants**

PricewaterhouseCoopers Inc.