

TRANS HEX GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1963/007579/06)

Share code: TSX

ISIN: ZAE000018552

("Trans Hex" or "the Company")



FIRM INTENTION ANNOUNCEMENT BY THE COMPANY IN RESPECT OF AN OFFER TO TRANS HEX SHAREHOLDERS TO REPURCHASE THEIR SHARES, THE SUBSEQUENT PROPOSED DELISTING, WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT, POSTING OF CIRCULAR AND RENEWAL OF CAUTIONARY ANNOUNCEMENT PERTAINING TO THE WEST COAST RESOURCES POTENTIAL DISPOSAL

1 Introduction

Further to the cautionary announcement released on SENS on 5 July 2019 ("**Cautionary Announcement**"), the board of directors of Trans Hex ("**the Board**") advises Trans Hex shareholders that the Company has resolved to propose:

- an offer to all shareholders, other than Cream Magenta 140 Proprietary Limited, Metcap 14 Proprietary Limited and RAC Investment Holdings Proprietary Limited (collectively, "**the Consortium**"), to acquire all of the issued share capital of the Company not held by the Consortium and excluding treasury shares ("**Eligible Shareholders**"), in accordance with the provisions of section 48 of the Companies Act, No. 71 of 2008, as amended (the "**Companies Act**") ("**the Scheme**"), for an offer consideration of R1.00 per share ("**Scheme Offer Consideration**"). The Scheme will be implemented in accordance with sections 114 and 115 of the Companies Act and will be proposed by the Board between Trans Hex and Eligible Shareholders ("**Scheme Participants**");
- separate to the Scheme, but concurrently with it, a conditional general offer by Trans Hex to Eligible Shareholders ("**General Offer Participants**") in terms of sections 48 and 117(1)(c)(v) of the Companies Act and paragraphs 1.15(c) and 5.69 of the JSE Listings Requirements, to acquire all of the issued share capital of the Company from Eligible Shareholders ("**General Offer**"), for a cash consideration of R1.00 per share ("**General Offer Consideration**"), such to be implemented only in the event that the Scheme fails; and
- the Scheme or the General Offer, if either is successful, will be followed by the delisting of the Company from the Main Board ("**Delisting**") of the JSE Limited ("**JSE**") in terms of paragraph 1.17(b) of the JSE Listings Requirements.

The Scheme and the General Offer are jointly referred to as the "**Transaction**".

As at the date of this announcement, the Consortium collectively holds 79.73% of the total issued share capital of Trans Hex.

The contents of this announcement constitute a firm intention by the Company to make an offer to the Eligible Participants as contemplated in Chapter 5 of the Companies Act and Chapter 5 of the Companies Regulations, 2011, promulgated under the Companies Act (which includes the Takeover Regulations issued pursuant to sections 120 and 223 of the Companies Act) (the "**Companies Regulations**").

2 Rationale of the Scheme and General Offer

The Board believes that the Company and its subsidiaries (“**the Group**”) is more suited to an unlisted environment, and that the current listing provides little benefit to the Company at this stage of its operating cycle. In addition, the Delisting will enable the Company to save on the costs of operating in a listed environment.

The Eligible Participants will be provided with an opportunity to realise their investment in Trans Hex at an attractive premium to the share price, being a premium of 25% to the 30-day volume weighted average price (“**VWAP**”) on the date preceding this announcement, and a premium of 108% to the 30-day VWAP as at the date preceding the Cautionary Announcement, being R0.48 per share.

3 Salient terms of the Scheme

- 3.1. In terms of the Scheme, the Company will make an offer to all Scheme Participants to purchase their shares for the Scheme Offer Consideration, to be settled in cash.
- 3.2. The Scheme is subject to the fulfilment of the following conditions precedent:
 - 3.2.1. the requisite majority of independent Trans Hex shareholders (excluding the Consortium) approving the resolutions relating to the Scheme;
 - 3.2.2. to the extent required under section 115(3)(a) of the Companies Act, the approval of the implementation of the Scheme by a court and, if applicable, Trans Hex not having treated the resolution pertaining to the Scheme (“**Scheme Resolution**”) as a nullity, as contemplated in section 115(5) of the Companies Act;
 - 3.2.3. Trans Hex shareholders holding more than 15% of Trans Hex shares entitled to vote on the Scheme Resolution do not (i) give notice objecting to the Scheme; (ii) vote against the Scheme Resolution; and (iii) exercise their appraisal rights in terms of section 164 of the Companies Act by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act within 10 (ten) business days immediately following the date on which the general meeting of shareholders is convened; and
 - 3.2.4. the Takeover Regulation Panel (“**TRP**”) having issued the necessary compliance certificate in relation to the Scheme.

4 Salient terms of the General Offer

- 4.1. If the Scheme fails, the Company will propose a General Offer, in terms of sections 48 and 117(1)(c)(v) of the Companies Act and paragraph 1.15(c) of the JSE Listings Requirements, to the Eligible Shareholders, whereby each Eligible Shareholder will be entitled to elect whether or not to dispose of all of their Trans Hex shares to the Company for the General Offer Consideration.
- 4.2. For the avoidance of doubt, implementation of the General Offer will be conditional on the Scheme not becoming operative.
- 4.3. In the event that the Scheme does become operative, the General Offer will lapse and be of no force and effect.
- 4.4. If the Scheme does not become operative and the General Offer becomes wholly unconditional and is implemented, then the Delisting will be implemented in terms of paragraph 1.14 of the JSE Listings Requirements and each General Offer Participant will receive the General Offer Consideration in exchange for their Trans Hex shares tendered and disposed of.
- 4.5. Implementation of the General Offer is subject to the fulfilment of the following conditions by no later than 1 March 2020:
 - 4.5.1. the Scheme does not become operative;

- 4.5.2. all necessary shareholder approvals and/or resolutions as may be necessary to give effect to the General Offer have been obtained, including, for the avoidance of doubt, the approval of the resolutions required to give effect to the Delisting; and
- 4.5.3. the receipt of all approvals, consents or waivers from those South African regulatory authorities as may be necessary for Trans Hex to implement the General Offer and Delisting, including the JSE and TRP (by means of issue of a compliance certificate in terms of section 121(b)(i) of the Companies Act) on an unconditional basis or, to the extent that any such regulatory approvals, consents or waivers are obtained subject to any condition or qualification, Trans Hex (to the extent that it is adversely affected by the condition or qualification) confirms in writing that the condition or qualification is acceptable to it, which confirmation shall not be unreasonably withheld or delayed.

5 Solvency and Liquidity

The Board has concluded that the Company will (i) satisfy the solvency and liquidity test contemplated in section 4 of the Companies Act immediately after completing the repurchase by Trans Hex of the Trans Hex shares in terms of the Scheme or the General Offer; and (ii) for purposes of paragraph 5.69(c) of the Listings Requirements, that after considering the effect of the repurchase, the provisions of section 4 and section 48 of the Companies Act have been complied with and that:

- 5.1. Trans Hex and its subsidiaries ("**Group**") will be able, in the ordinary course of business, to pay their debts for a period of 12 months after the date of the repurchase;
- 5.2. the assets of Trans Hex and the Group will exceed the liabilities of Trans Hex and the Group for a period of 12 months after the date of the repurchase;
- 5.3. the share capital and reserves of Trans Hex and the Group will be adequate for ordinary business purposes for a period of 12 months after the repurchase; and
- 5.4. the working capital of Trans Hex and the Group will be adequate for ordinary business purposes for a period of 12 months after the repurchase.

6 Cash Confirmation

The Company has, in accordance with regulations 111(4) and 111(5) of the Companies Regulations, provided the TRP with an irrevocable and unconditional guarantee issued by Rand Merchant Bank, confirming that it has sufficient cash resources to satisfy payment of the maximum amount payable in terms of the Transaction, in the amount of R23 055 868.

7 Independent Board

In accordance with paragraph 1.15(d) of the Listings Requirements and section 114(2) of the Companies Act, the independent board of directors of Trans Hex, being those directors of Trans Hex who act independently as contemplated in the Companies Regulations, namely Messrs. Athol Rhoda, Albertus Marais and John Bristow (the "**Independent Board**") has appointed an independent expert in terms of section 114(2) of the Companies Act and regulation 90 of the Companies Regulations ("**Independent Expert**"), acceptable to the TRP and the JSE to provide the Independent Board with advice in relation to the Scheme Offer Consideration and the General Offer Consideration, and to make appropriate recommendations to the Independent Board for the benefit of shareholders.

The Independent Expert, Merchantec Proprietary Limited, has performed two separate valuations for the Company to account for the potential sale of Trans Hex's West Coast Resources operations ("**West Coast Resources**") ("**West Coast Resources Potential Disposal**"), due to the outcome of the West Coast Resources Disposal being uncertain at the date of the Independent Expert's report.

The first scenario accounts for only the conclusion of a management and mining services agreement between the prospective purchaser and two of Trans Hex's subsidiaries, and thus includes West Coast Resources in the Group. The second scenario assumes that the management and mining services agreement is not concluded, which results in the West Coast Resources being placed under business rescue.

The Independent Expert has issued a report in which it opines that the terms and conditions of the Scheme are fair and reasonable to the Scheme Participants in the event of either scenario materialising.

The full report will be contained in the Circular (as defined below).

8 Posting of Circular and Notice of General Meeting

A circular providing full details of the Transaction and containing a notice of general meeting ("**General Meeting**"), the report by the Independent Expert, the recommendations of the Independent Board and salient dates and times relating to the Transaction, has been posted to shareholders today, 30 September 2019 ("**Circular**").

The General Meeting will be held at 12:00 on Tuesday, 29 October 2019 at Pepkor Building, 3rd Floor 36 Stellenberg Road, Parow Industria, 7493.

9 Responsibility Statement

The Company and the Independent Board accepts responsibility for the information contained in this announcement. To the best of the Board's knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of the information.

10 Withdrawal of cautionary

Shareholders are advised that, pursuant to the publication of this firm intention announcement, the cautionary announcement released on SENS on Friday, 5 July 2019 is hereby withdrawn.

11 Renewal of cautionary announcement pertaining to the West Coast Resources Potential Disposal

Shareholders are referred to the cautionary announcement released on SENS on Friday, 10 May 2019 and the renewals thereof on Tuesday, 21 May 2019, Wednesday, 3 July 2019 and Monday, 19 July 2019, advising shareholders of the West Coast Resources Potential Disposal, which if successfully concluded may have a material effect on the price of the Company's securities.

As negotiations are still ongoing in respect thereof, shareholders are advised to exercise caution while dealing in the Company's securities until a full announcement in respect of the West Coast Resources Potential Disposal is published or until this cautionary announcement is otherwise withdrawn.

Cape Town
30 September 2019

Corporate Advisor and Transaction Sponsor to Trans Hex



Questco Proprietary Limited

Independent Expert to Trans Hex



Merchantec Proprietary Limited